

Business Results for FY2015

(April 1, 2015-March 31, 2016)

April 27, 2016

Komatsu Ltd. Participants

Tetsuji Ohashi	President and CEO
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I . Highlights of Business Results of FY2015

- Consolidated net sales decreased by 6.3% from FY2014, to JPY1,854.9 billion.
- Operating income declined by 13.8% from FY2014, to JPY208.5 billion. Operating income ratio was 11.2%, down 1.0 point from FY2014.
- Net income declined by 10.8% from FY2014, to JPY137.4 billion.

Billions of yen	FY2014 results ¥109.7/USD ¥139.6/EUR ¥17.7/RMB	FY2015 (Projection) ¥115/USD ¥127/EUR ¥18.3/RMB	FY2015 results ¥120.8/USD ¥132.4/EUR ¥19.0/RMB	Changes	
				Increase (decrease)	% Change
Net sales	1,978.6	1,880.0	1,854.9	(123.7)	(6.3)%
Segment profit	240.9	225.0	202.0	(38.9)	(16.2)%
Other operating income (expenses)	1.0	(4.0)	6.5	+5.4	-
Operating income	242.0	221.0	208.5	(33.4)	(13.8)%
Profit ratio	12.2%	11.8%	11.2%	(1.0)pts.	-
Other income (expenses)	(5.9)	(7.0)	(3.6)	+2.2	-
Net income before income taxes	236.0	214.0	204.8	(31.1)	(13.2)%
Net income *	154.0	138.0	137.4	(16.5)	(10.8)%
ROE	10.6%	9.0%	9.0%	(1.6)pts.	-
Net D/E ratio	0.32	0.27	0.23	(0.09)pts.	-
Excl. consolidated retail finance subsidiaries	(0.00)	(0.03)	(0.09)	(0.09)pts.	-
Consolidated retail finance subsidiaries	3.20	2.88	3.40	+0.20pts	-
Cash dividends per share	58yen	58yen	58yen	+/- 0 yen	
Consolidated payout ratio	35.8%	39.6%	39.8%		

* Upon adoption of ASC 810, "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

- Foreign exchange rates used for our business results are USD1 = JPY120.8, EUR1 = JPY132.4, and RMB1 = JPY19.0. The Japanese yen depreciated against the US dollar and renminbi, while it appreciated against euro. It also appreciated against Australian dollar, rand and ruble.
- For FY2015, consolidated net sales declined by 6.3% from FY2014, to JPY1,854.9 billion. Operating income decreased by 13.8% to JPY208.5 billion. Operating income ratio was 11.2%, down 1.0 point.
- Net income attributable to Komatsu Ltd. declined 10.8% to JPY137.4 billion.
- In comparison with our projection of FY2015 business results, which we announced in April last year, we covered negative effects of more-than-anticipated decline of demand with the effects of the Japanese yen's depreciation and a gain from the sale of former Kawagoe Plant. As a result, both sales and operating income were slightly short of our projection. We were able to virtually achieve the projected amount of net income.

- Construction, Mining & Utility Equipment: Segment sales declined by 6.9% from FY2014, to JPY1,641.0 billion. Segment profit dropped 19.0% to JPY184.1 billion. Segment profit ratio was 11.2%, down 1.7 points.
- Industrial Machinery & Others: Segment sales decreased 0.6% to JPY220.1 billion. Segment profit advanced 19.2% to JPY19.3 billion.

□ : Profit ratio [] : Sales after elimination of inter-segment transactions

Billions of yen	FY2014 results	FY2015 (Projection)	FY2015 results	Changes	
				Increase (decrease)	% Change
Net sales	1,978.6	1,880.0	1,854.9	(123.7)	(6.3)%
Construction, mining & utility equipment	[1,761.3] 1,763.4	[1,668.0] 1,670.0	[1,638.4] 1,641.0	[(122.9)] (122.3)	[(7.0)%] (6.9)%
Industrial machinery & others	[217.2] 221.5	[212.0] 215.0	[216.5] 220.1	[(0.7)] (1.3)	[(0.3)%] (0.6)%
Elimination	(6.2)	(5.0)	(6.2)	+0.0	-
Segment profit	12.2% 240.9	12.0% 225.0	10.9% 202.0	(38.9)	(16.2)%
Construction, mining & utility equipment	12.9% 227.2	12.6% 210.0	11.2% 184.1	(43.1)	(19.0)%
Industrial machinery & others	7.3% 16.2	8.4% 18.0	8.8% 19.3	+3.1	+19.2%
Corporate & elimination	(2.5)	(3.0)	(1.4)	+1.0	-

Review of two segments

■ Construction, Mining and Utility Equipment

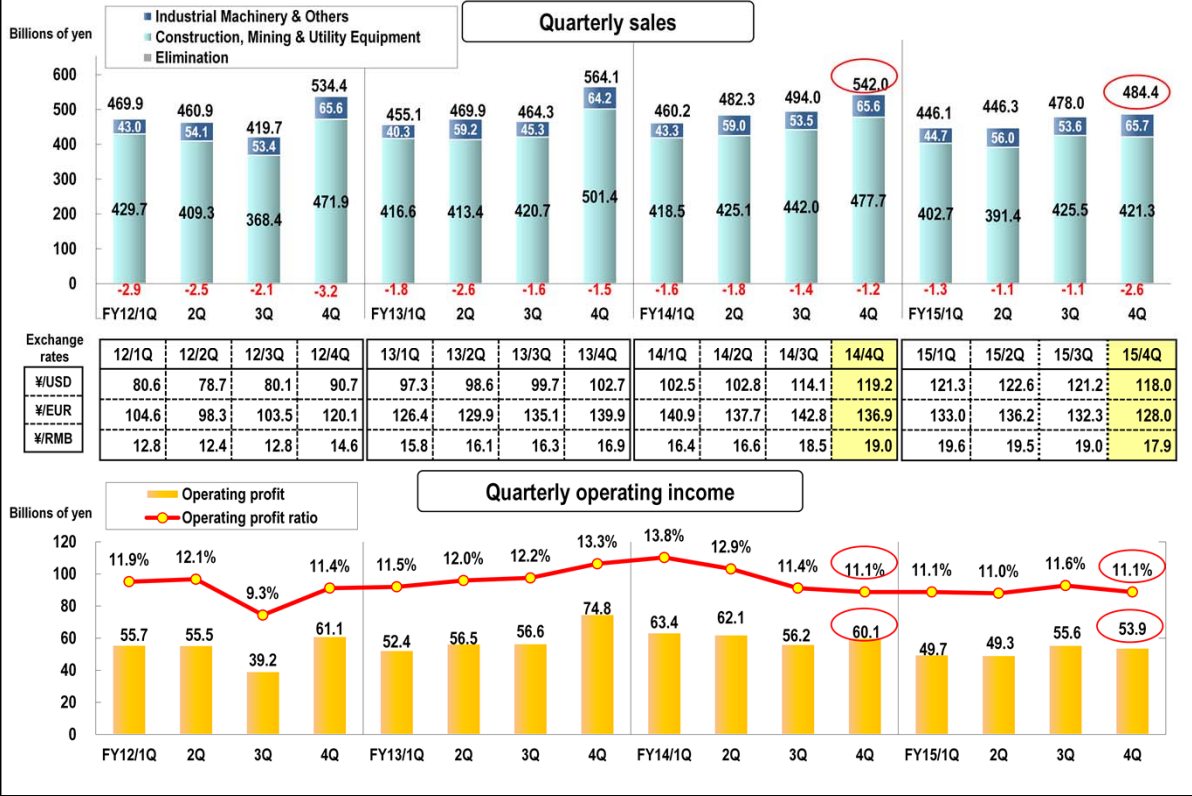
While we steadfastly captured demand for construction equipment in North America, both sales and profit declined from FY2014, as affected by declining sales of mining equipment against the backdrop of slack demand as well as drastically reduced demand in China and other emerging countries.

■ Industrial Machinery and Others

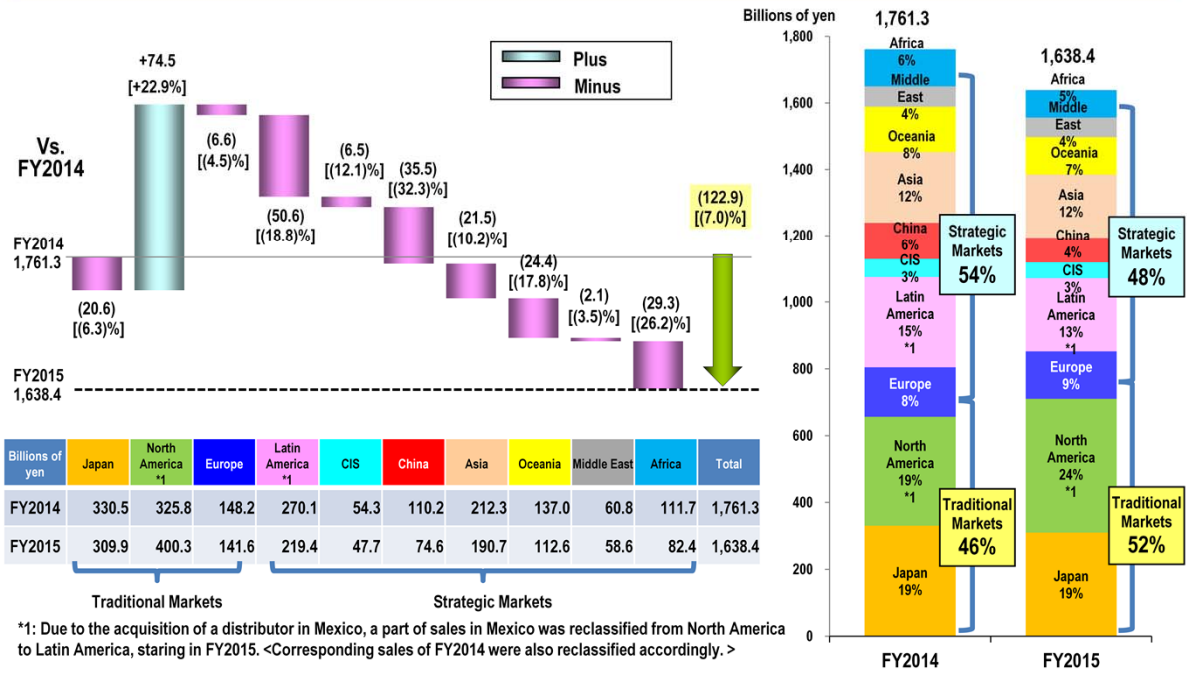
While GIGAPHOTON INC. expanded sales, supported by stable machine utilization of the semiconductor industry, total sales declined due to reduced sales of press and other machines. Segment profit improved.

- Construction, Mining & Utility Equipment: Sales decreased by 6.9% from FY2014, to JPY1,641.0 billion. While we were able to capture demand for construction equipment especially in North America, sales were adversely affected by reduced sales against the backdrop of sluggish demand for mining equipment as well as dropped demand and sales in China and other emerging countries.
- Segment profit of the construction, mining and utility equipment business declined by 19.0% to JPY184.1 billion.
- Industrial Machinery & Others: Sales totaled JPY220.1 billion, a slight decline of 0.6%. Segment profit advanced by 19.2% to JPY19.3 billion.

Quarterly Sales and Operating Income

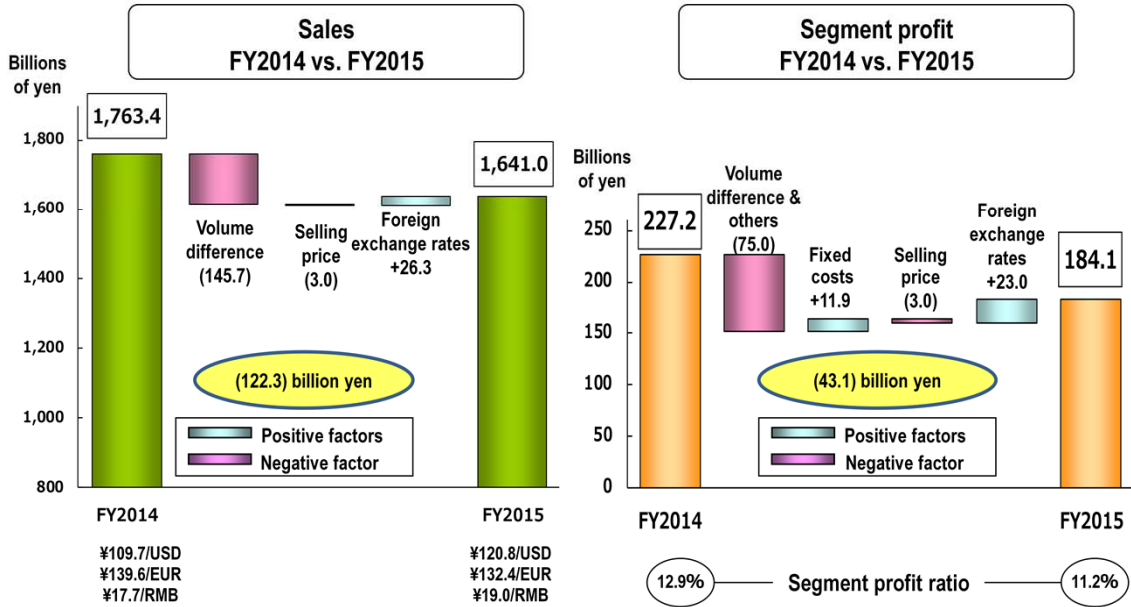


- Sales to outside customers declined by 7.0% from FY2014, to JPY1,638.4 billion.
- While sales advanced in North America, these dropped drastically in Strategic Markets, such as Latin America, China and Africa. As a result, the share of Traditional Markets increased to 52% of total.



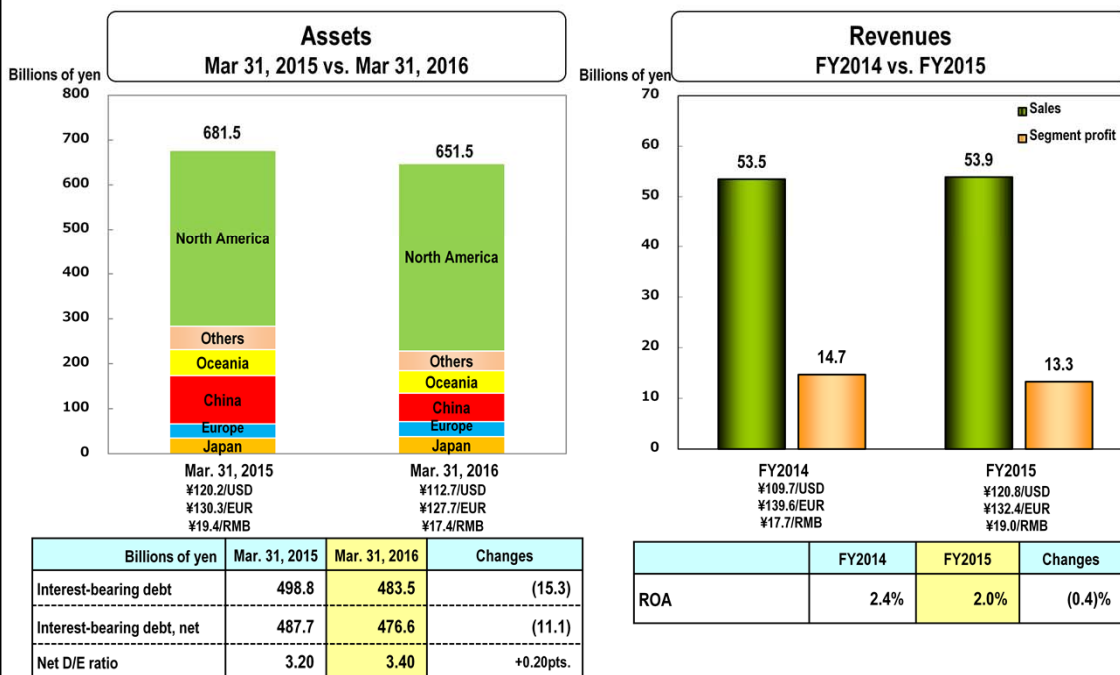
- In the construction, mining and utility equipment business, sales decreased by 7.0% from FY2014, to JPY1,638.4 billion.
- While sales advanced in North America, sales declined as affected sharply by dropped sales in Strategic Markets, such as Latin America, China and Africa. As a result, the share of Traditional Markets increased to 52% of total sales.

• Sales declined by JPY122.3 billion from FY2014, affected by a sharp drop in the volume of sales in Strategic Markets, such as Latin America, China and Africa, which more than offset the effects of the Japanese yen's depreciation. Segment profit also declined by JPY43.1 billion, in spite of reduced fixed costs in addition to the effects of the Japanese yen's depreciation.
 • Segment profit ratio was 11.2%, down 1.7 points.



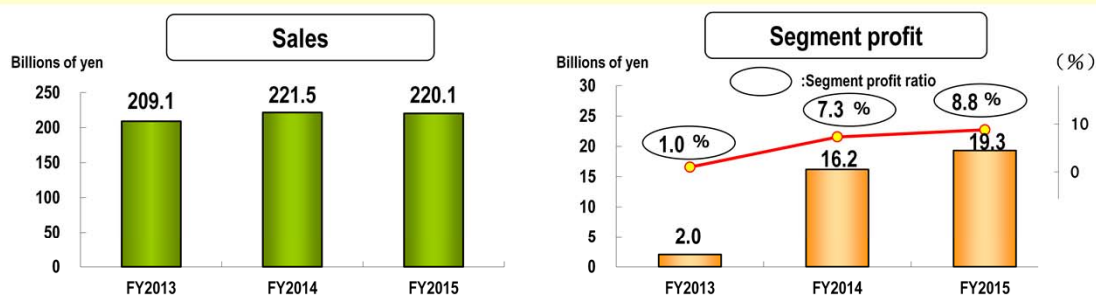
- Sales declined by JPY122.3 billion. While we had a positive factor of JPY26.3 billion in foreign exchange rates (as the Japanese yen depreciated), it was more than offset by declined volume of sales due to dropped demand in Strategic Markets, such as Latin America, China and Africa.
- With respect to segment profit, while we reduced fixed costs in addition to a positive factor of the Japanese yen's depreciation, it declined by JPY43.1 billion from FY2014.

- While assets increased with additional contracts in North America, total assets declined from the previous fiscal year-end, affected by the effects of foreign exchanges and reduced new contracts in China and Chile.
- Segment profit declined mainly affected by a decline in assets in China.



- In the retail finance business, total assets decreased by JPY29.9 billion from March 31, 2015, to JPY651.5 billion. As the amount of decline includes a loss of JPY43.1 billion in foreign exchange rates, total assets would increase by JPY13.2 billion in effect.
- While revenues increased, segment profit decreased, mainly reflecting declined assets in China.

• While GIGAPHOTON INC. expanded sales, supported by stable machine utilization of the semiconductor industry, sales of press and other machines declined. As a result, segment sales decreased by 0.6% from FY2014, to JPY220.1 billion. Segment profit ratio was 8.8%.



Breakdown of sales Billions of yen	FY2013	FY2014	FY2015	Changes	
				Increase (decrease)	% change
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	54.5	64.0	58.0	(5.9)	(9.2)%
Komatsu NTC Ltd. [represented by wire saws]	73.5 [5.8]	73.6 [7.8]	71.0 [6.9]	(2.6) [(0.8)]	(3.6)% [(11.3)%]
Others [represented by Gigaphoton] [represented by Komatsu House]	81.1 [24.0] [16.4]	83.8 [29.2] [16.3]	91.0 [34.0] [16.1]	+7.1 [+4.8] [(0.2)]	+8.6% [+16.7%] [(1.5)%]
Total	209.1	221.5	220.1	(1.3)	(0.6)%

- In the industrial machinery and others business, while GIGAPHOTON advanced sales, supported by stable machine utilization of the semiconductor industry, total sales decreased by 0.6% from FY2014, to JPY220.1 billion, as affected by reduced sales of press and other industrial machines.
- Segment profit increased to JPY19.3 billion, as contributed by GIGAPHOTON. Segment profit ratio improved by 1.5 points to 8.8%.

- Total assets declined by JPY183.7 billion from the previous fiscal year-end, mainly affected by foreign exchanges and reduced inventories.
- Komatsu shareholders' equity ratio increased by 3.4 points to 58.0%. Net debt-to-equity ratio as 0.23.

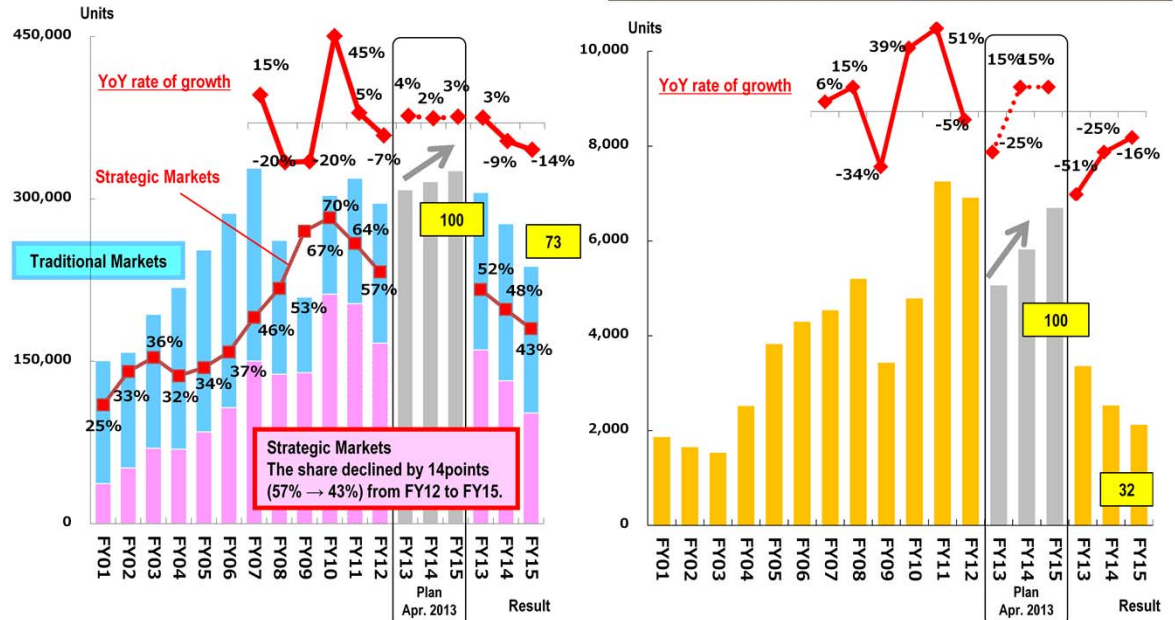
Billions of yen	Mar. 31, 2015 ¥120.2/USD ¥130.3/EUR ¥19.4/RMB	Mar. 31, 2016 ¥112.7/USD ¥127.7/EUR ¥17.4/RMB	Increase (decrease)
○ : Net debt-to-equity ratio			
Cash & deposits (incl. time deposits) [a]	107.3	108.4	+ 1.1
Accounts receivable (incl. long-term trade receivables)	900.2	875.3	(24.9)
<Excl. those of consolidated retail finance subsidiaries>	<398.1>	<366.1>	<(32.0)>
Inventories	622.8	539.6	(83.2)
Tangible fixed assets	743.9	697.7	(46.1)
Other assets	424.0	393.5	(30.5)
Total assets	2,798.4	2,614.6	(183.7)
Accounts payable	225.0	205.4	(19.6)
Interest-bearing debt [b]	589.1	457.5	(131.5)
<Excl. those of consolidated retail finance subsidiaries>	<90.2>	<(25.9)>	<(116.2)>
Other liabilities	385.6	363.9	(21.7)
Total liabilities	1,199.9	1,026.8	(173.0)
[Shareholders' equity ratio]	[54.6%]	[58.0%]	[+3.4pts.]
Komatsu Ltd. shareholders' equity	1,528.9	1,517.4	(11.5)
Noncontrolling interests	69.5	70.3	+0.8
Liabilities & Equity	2,798.4	2,614.6	(183.7)
Interest-bearing debt, net [b-a]	481.8	349.0	(132.7)
Net D/E ratio	0.32	0.23	
excl. cash and interest-bearing debt of retail finance	▲ 0.00	▲ 0.09	
retail finance	3.20	3.40	

- Total assets decreased by JPY183.7 billion from March 31, 2015. As the amount of decline includes a decline of JPY137.1 billion in foreign exchange rates, total assets would decrease by JPY46.6 billion in effect after removing the foreign exchange factor.
- Inventories decreased by JPY83.2 billion from March 31, 2015. About half of this amount reflects the effects of foreign exchange rates.
- Interest-bearing debt declined by JPY131.5 billion, but this amount includes a decrease of JPY25.4 billion in foreign exchange rates. On a net of cash and deposit basis, it decreased by JPY132.7 billion.
- Komatsu Ltd. shareholders' equity ratio amounted to 58.0%, up 3.4 points.
- Net debt-to-equity ratio was 0.23. When consolidated retail finance companies are excluded, it is -0.09.

- Global demand has entered an adjustment phase centering on emerging countries, resulting in a big gap from the plan which assumed gradual recovery.
- Assumptions for growth in the long range remain unchanged.

[Assumptions for demand for 7 major products]
Growth in North America. Bottoming out in FY2012 in China. Stable growth in Latin America and CIS. Accelerating growth in Strategic Markets from FY2015.

[Assumptions for demand for mining equipment]
Decline of 25% in FY2013 from FY2012. Gradual recovery from FY2014. Comparable to FY2012 in FY2015. Stable growth after FY2015.



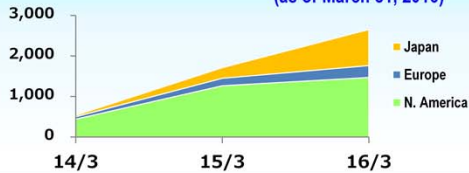
- In the following, we compare FY2015 business results with targets of the previous mid-range management plan.
- First of all, with respect to demand for construction and mining equipment, as the graphs on the left, when we developed the mid-range management plan, we made the assumption that demand would gradually recover starting in FY2013. Regrettably, actual demand dropped sharply, and amounted to 73% of assumed demand in FY2015.
- With respect to the geographical composition of demand, the share of Strategic Markets declined also sharply from 57% in FY2012 to 43% in FY2015, which adversely affected our profitability.
- Demand for mining equipment is shown on the right. The rate of decline is larger than that of construction equipment. In FY2015, actual demand dropped to 32% of assumed demand.
- While we have not changed our stance that construction and mining equipment markets will grow dynamically in the mid to long range, the current adjustment period is prolonging today.

- Even when demand was sluggish, we made no change in the basic strategies and focused efforts and unflinchingly implemented them.
- We will advance and accelerate continuing and new themes in the new mid-range management plan and implement them for growth.

1) Growth strategies based in innovation

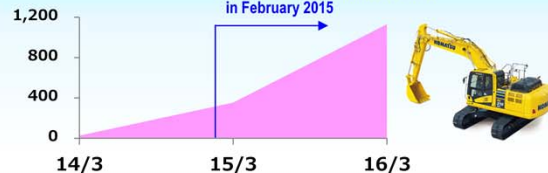
- Development and launches of intelligent Machine Control models

[Factory shipment: Over 2,600 units (cumulative)]
(as of March 31, 2016)



• Promotion of SMARTCONSTRUCTION

[No. of intelligent Machine Control model-deployed jobsites in Japan]
Over 1,100 sites (as of March 31, 2016)
Started SMARTCONSTRUCTION in February 2015



2) Growth strategies of existing businesses

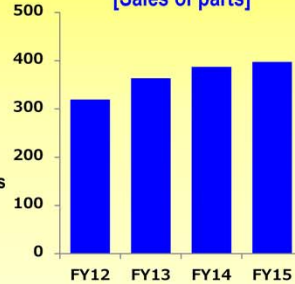
- Expansion of parts sales

Bn. JPY

[Sales of parts]

- Reinforcement of distribution network
 - Saudi Arabia
 - USA
 - Mexico, etc.

- Development and launches of models compliant to newest emission regulations

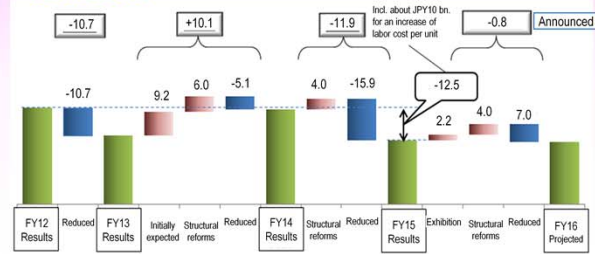


3) Structural reforms to reinforce the business foundation

- Structural reforms and continuous cost improvement efforts

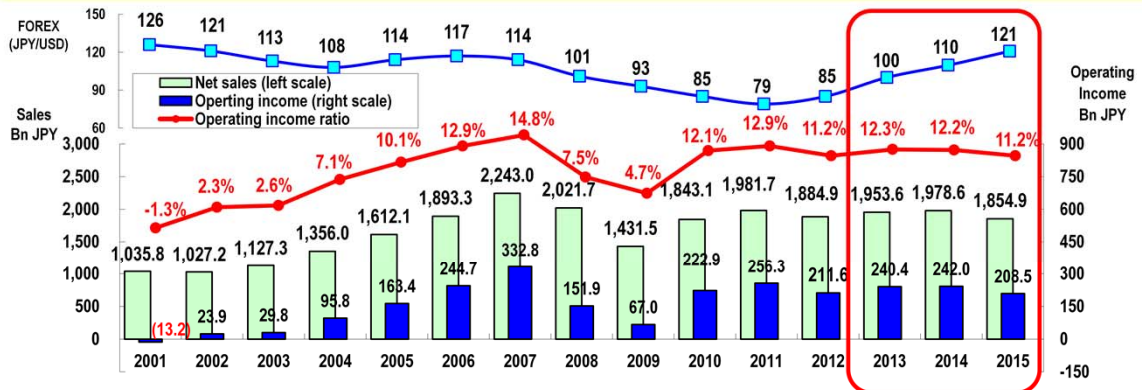
[Fixed costs]

Bn. JPY



- Next, we review the basic strategies and focused efforts defined in the previous mid-range management plan.
- In the final three years, we did not change the basic strategies and focused efforts. We believe that we generated some positive results by implementing measures, such as acceleration of structural reforms, while our business environment changed drastically,
- In terms of the growth strategies based on innovation, we believe the development and launches of intelligent Machine Control modes as well as promotion of SMARTCONSTRUCTION are significant achievement.
- With respect to the growth strategies of existing businesses, we were able to steadily increase sales of parts by reinforcing our distribution network as well as developing and launching new emission controls-compliant products.
- In the structural reforms designed to reinforce the business foundation, we not only carried out necessary reforms even when demand declined, but also made continuous efforts to improve costs.
- As shown in the graphs in the bottom right, we reduced fixed costs by JPY12.5 billion in three years from FY2013 to FY2015 by absorbing an effect of about JPY10.0 billion in man-hour labor cost and including the effects of structural reforms. In FY2015 alone, we initially planned to cut down JPY7.6 billion, but made an addition reduction of JPY4.3 billion under a challenging environment. As a result, we cut down fixed costs by JPY11.9 billion from FY2014.

- We fell short of achieving the targets of operating income ratio and ROE, as demand for construction equipment dropped much more than our assumption.
- We achieved the target of net debt-to-equity ratio. Concerning redistribution of profits to shareholders, we repurchased our shares.



- <Mid-Range Management Targets>**
1. We will work to attain the industry's top-level profitability and financial position.
 2. We will increase the level of redistribution to shareholders.
 3. We will improve net debt-to-equity ratio and ROE, as we invest in our future growth.

Targets	FY	FY2012 Results	FY2013 Results	FY2014 Results	FY2015 Results	FY2015 Targets
Operating income		11.2%	12.3%	12.2%	11.2%	18~20%
ROE		11.5%	12.4%	10.6%	9.0%	18~20%
Net debt-to-equity ratio		0.49	0.37	0.32	0.23	0.3 or below
Consolidated payout ratio (Redistribution ratio, incl. stock buy back)		36.2%	34.7%	35.8% [55.2%]	39.8%	30~50% (-)

Guidelines	Sales[billion yen]		1,884.9	1,953.6	1,978.6	1,854.9	2,300.0 ± 200.0
	Foreign exchange rates	JPY/USD	82.5	99.6	109.7	120.8	90~95
		JPY/EUR	106.6	132.8	139.6	132.4	120~125
		JPY/RMB	13.2	16.3	17.7	19.0	15.0~15.3

- We explain our business results and targets.
- Because actual demand dropped sharply against our projection, sales merely totaled JPY1,854.9 billion, even including the positive effects of the Japanese yen's depreciation which was larger than our projection. In addition to a big negative factor of reduced volume of sales, we also experienced a big negative factor of product mix resulting mainly from declined percentages of sales in emerging countries and of mining equipment. As a result, operating income ratio was 11.2% and ROE, 9.0% for FY2015. Regrettably, we missed the targets for both.
- In comparison, our free cash flow remained positive, and net debt-to-equity ratio was 0.23 for FY2015, achieving the target of 0.3 or below.
- With respect to cash dividend, we engaged in stable dividend payment within a payout ratio of 30% to 50%. In FY2014, we also repurchased our shares worth JPY30 billion from November to January, improving redistribution of profits to shareholders in these manners.

II . Outlook of FY2016 Business Results

- Consolidated net sales will decrease by 9.2% from FY2015, to JPY1,685.0 billion.
- Operating income will decline by 28.1% to JPY150.0 billion. Operating income ratio will translate into 8.9%, down 2.3 points.
- Net income will drop by 33.1% to JPY92.0 billion.

Billions of yen	FY2015 ¥120.8/USD ¥132.4/EUR ¥19.0/RMB	FY2016 (Projection) ¥105/USD ¥119/EUR ¥16.2/RMB	Changes	
			Increase (decrease)	% Change
Net sales	1,854.9	1,685.0	(169.9)	(9.2)%
Segment profit	202.0	155.0	(47.0)	(23.3)%
Other operating income (expenses)	6.5	(5.0)	(11.5)	-
Operating income	208.5	150.0	(58.5)	(28.1)%
Profit ratio	11.2%	8.9%	(2.3)pts.	-
Other income (expenses)	(3.6)	(5.0)	(1.3)	-
Net income before income taxes	204.8	145.0	(59.8)	(29.2)%
Net income *	137.4	92.0	(45.4)	(33.1)%
ROE	9.0%	6.2%	(2.8)pts.	
Cash dividends per share	58yen	58yen	+/- 0 yen	
Consolidated payout ratio	39.8%	59.4%		

* Upon adoption of ASC 810, "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

- For FY2016, our preconditions of foreign exchange rates are USD1 = JPY105, EUR1 = JPY119 and RMB1 = JPY16.2.
- For FY2016, we project that consolidated net sales will decrease by 9.2% from FY2015, to JPY1,685.0 billion. Operating income will decline by 28.1% to JPY150 billion. Operating income ratio will be 8.9%, down 2.3 points. Net income attributable to Komatsu Ltd. will amount to JPY92 billion.
- ROE will decline by 2.8 points from FY2015, to 6.2%.

- Retail finance will become a separate business segment, starting in FY2016.
- Both sales and profits of all segments of Construction, Mining & Utility Equipment, Retail Finance, and Industrial Machinery & Others will decline from FY2015.

% : Profit ratio [] : Sales after elimination of inter-segment transactions

Billions of yen	FY2015	FY2016 (Projection)	Changes	
			Increase(decrease)	% Change
Net sales	1,854.9	1,685.0	(169.9)	(9.2)%
Construction, mining & utility equipment	[1,587.5] 1,602.0	[1,434.0] 1,445.0	[(153.5)] (157.0)	[(9.7)%] (9.8)%
Retail finance	[50.8] 53.9	[40.0] 43.0	[(10.8)] (10.9)	[(21.3)%] (20.3)%
Industrial machinery & others	[216.5] 220.1	[211.0] 212.0	[(5.5)] (8.1)	[(2.6)%] (3.7)%
Elimination	(21.1)	(15.0)	+6.1	-
Segment profit	10.9% 202.0	9.2% 155.0	(47.0)	(23.3)%
Construction, mining & utility equipment	10.5% 169.0	8.9% 129.0	(40.0)	(23.7)%
Retail finance	24.7% 13.3	25.6% 11.0	(2.3)	(17.4)%
Industrial machinery & others	8.8% 19.3	8.5% 18.0	(1.3)	(7.1)%
Corporate & elimination	0.3	(3.0)	(3.3)	-

Conditions of three business segments:
■ Construction, Mining & Utility Equipment

- We will work to expand sales while demand will remain sluggish. However, we project that both sales and profit will decline from FY2015, affected particularly by the Japanese yen's appreciation.

■ Retail Finance

- Retail Finance will become a separate business unit, starting in FY2016.
- Both revenues and profit will decline, affected by reduced assets and the effects of foreign exchange rates.

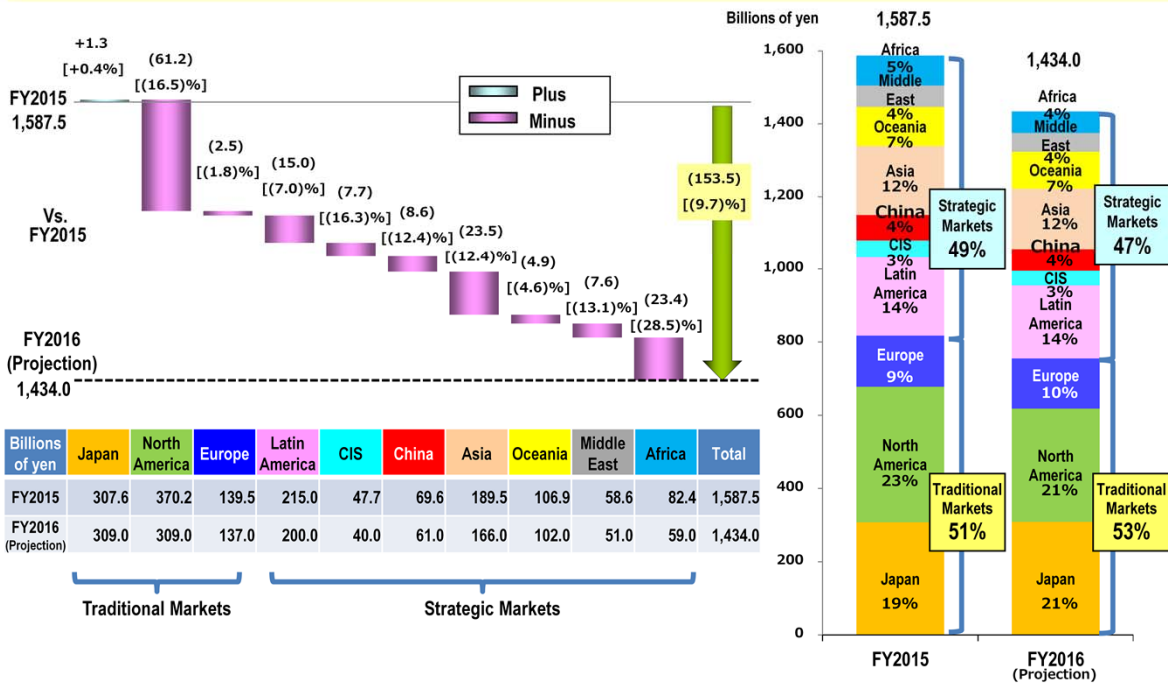
■ Industrial Machinery & Others

- Sales should increase, when the effects of the sale of shares of Komatsu House Ltd.* are removed.

* We plan to sell 85% of all shares issued and outstanding to NISSEI BUILD KOGYO CO., LTD. on April 28, 2016.

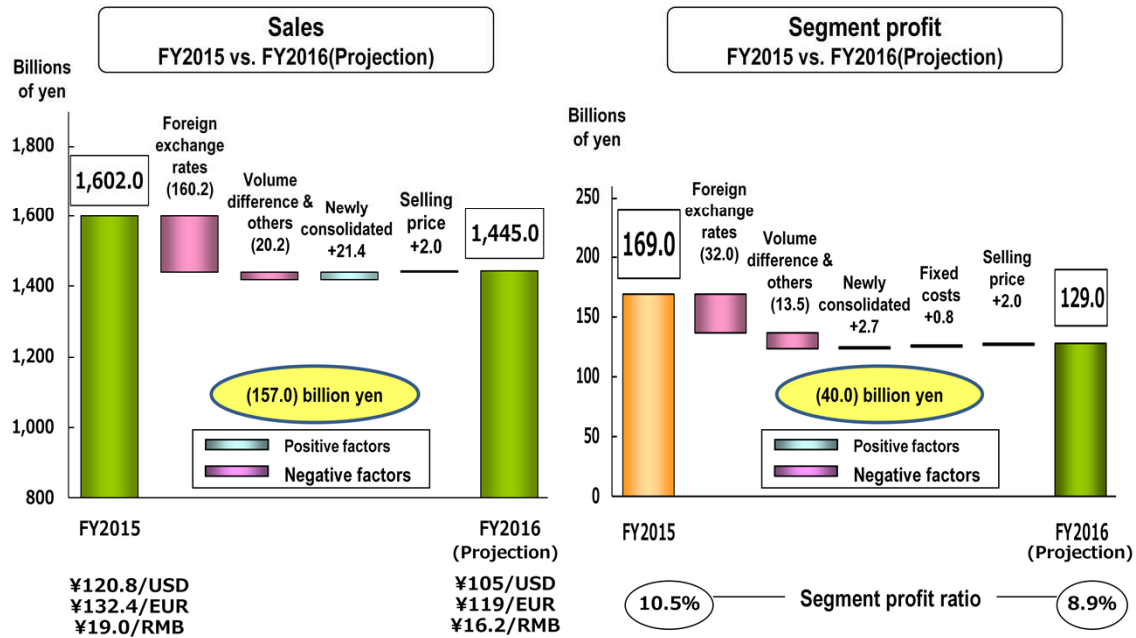
- We are going to separate the retail finance business as a new independent operating unit in FY2016, whereas it was included in the construction, mining and utility equipment segment. Accordingly, FY2015 results are reclassified and restated.
- In the construction, mining and utility equipment business, we will work to expand profits, when demand will remain sluggish. Nonetheless, we project that both sales and segment profits will decline from FY2015, as sharply affected by the Japanese yen's appreciation.
- In the retail finance business, both revenues and segment profit will decline from FY2015, reflecting reduced assets and the effects of foreign exchange rates.
- In the industrial machinery and others business, we project both sales and segment profit will improve from FY2015, when the effects of sale of shares of Komatsu House are removed.

- Sales to outside customers for FY2016 will decline by 9.7% from FY2015, to JPY1,434.0 billion, reflecting negative growth in all regions except for Japan particularly due to the Japanese yen's appreciation.
- The share of Traditional Markets will increase to 53%.



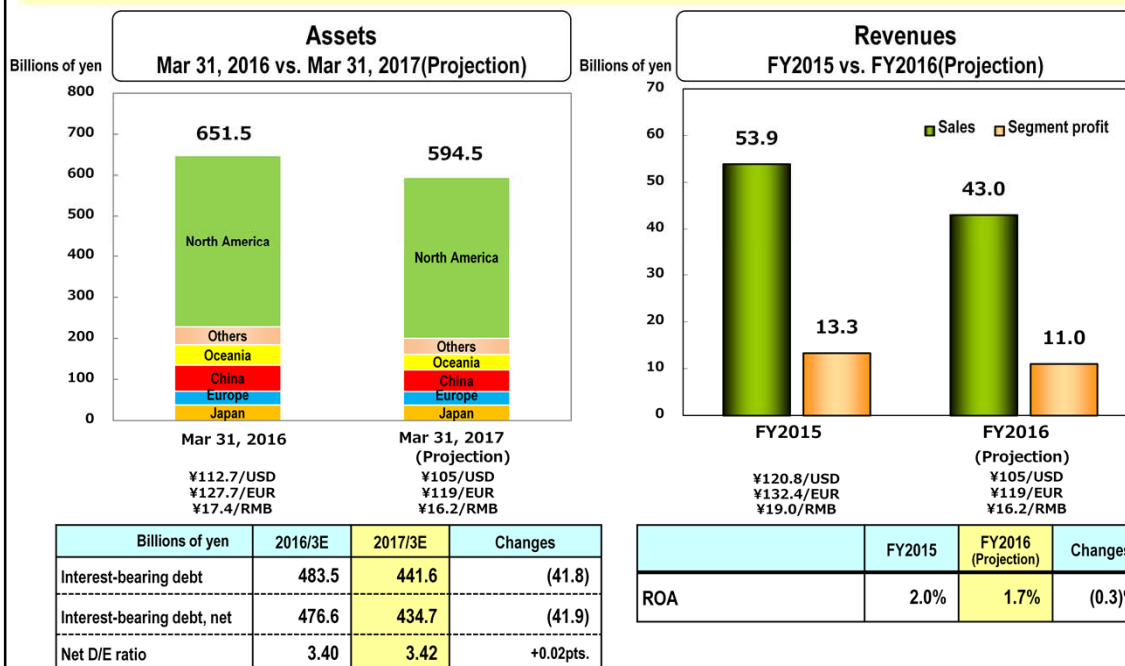
- In FY2016, we project sales will decline from FY2015 in all regions except for Japan, as sharply affected by the Japanese yen's appreciation. Accordingly, sales will decline by 9.7% to JPY1,434.0 billion.
- In terms of volume of sales after removing the effects of foreign exchange rates, a decline of sales will be North America, Middle East and Africa.
- The share of Traditional Markets will increase to 53% in FY2016 from 51% in FY2015.

- Sales will decline by JPY157.0 billion and profit by JPY40.0 billion from FY2015, as both will sharply be affected by the effects of foreign exchange rates.
- Segment profit ratio will decrease by 1.6 points to 8.9%.



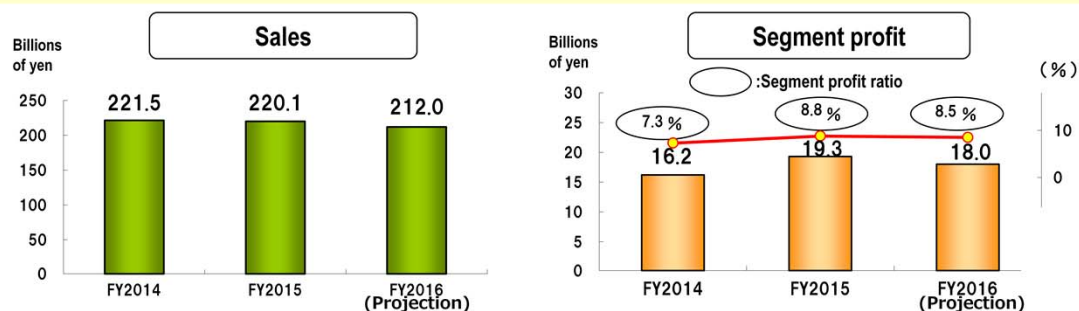
- We project that both sales and segment profit will decline from FY2015, as sharply affected by the Japanese yen's appreciation.
- While newly consolidated subsidiaries will contribute an addition of JPY21.4 billion to sales, we project a decline of JPY160.2 billion resulting from the Japanese yen's appreciation. As a result, we project a decline of JPY157.0 billion from FY2015.
- With respect to segment profit, we anticipate a contribution by newly consolidated subsidiaries and positive factors, such as improved selling prices and reduced fixed costs, but we project a decline of JPY40 billion from FY2015, as sharply affected by the Japanese yen's appreciation.

- Assets will decrease from March 31, 2016, affected by the effects of foreign exchange rates and a decline in new contracts in China and Oceania.
- Revenues will decline, affected by reduced assets and the effects of foreign exchange rates.



- In the retail finance business, we project that total assets will decrease from March 31, 2016, reflecting the effects of foreign exchange rates and a smaller number of new contracts in China and Oceania.
- With respect to revenues and segment profit, we project a decline in both, reflecting reduced assets and the effects of foreign exchange rates.

- Sales will decrease by 3.7% from FY2015, to JPY212.0 billion. Segment profit will decline by JPY1.3 billion to JPY18.0 billion.
- Sales should increase, when the effects of the sale of shares of Komatsu House Ltd. are removed.

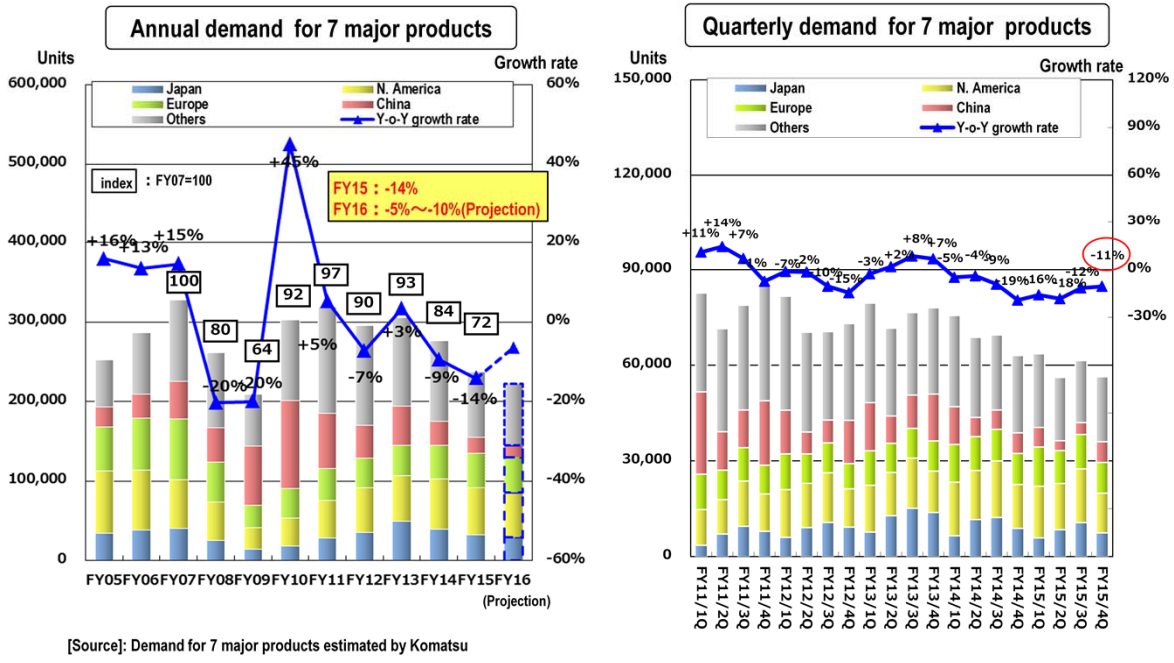


Breakdown of sales	FY2014	FY2015	FY2016 (Projection)	Changes	
				Increase (decrease)	% change
Total	221.5	220.1	212.0	(8.1)	(3.7)%
Komatsu Industries Corp., etc. [total of press and sheet-metal machines]	64.0	58.0	58.6	+0.5	+1.0%
Komatsu NTC Ltd. [represented by wire saws]	73.6 [7.8]	71.0 [6.9]	76.1 [13.2]	+5.1 [+6.3]	+7.2% [+90.4%]
Gigaphoton	29.2	34.0	33.0	(1.0)	(3.0)%
Komatsu House	16.3	16.1	-	(16.1)	-
Others	38.2	40.7	44.0	+3.2	+8.0%

* We plan to sell 85% of all shares issued and outstanding to NISSEI BUILD KOGYO CO., LTD. on April 28, 2016.

- In the industrial machinery and others business, we project that sales will decrease by 3.7% from FY2015, to JPY212.0 billion. Segment profit will also decline by JPY1.3 billion to JPY18.0 billion. When the effects of the sale of Komatsu House Ltd. are removed, sales should increase from FY2015.

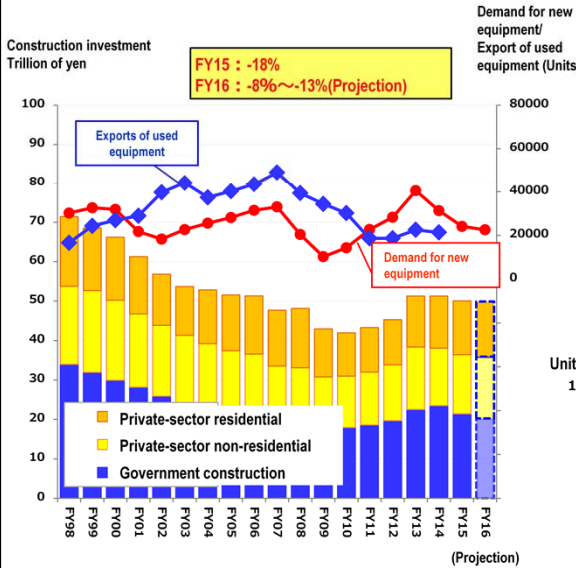
- In FY2015 demand declined by 14% from FY2014, affected by a sharp drop in Strategic Markets, such as China, while demand was steady in some regions, such as Europe.
- In FY2016 demand will continue to decline as it did in FY2015. Global demand will decline from FY2015 by 5% to 10%.



- In FY 2015, global demand should have declined by 14% from FY2014.
- While demand was steady in some regions, such as Europe, in FY2015, global demand declined for two consecutive years, as affected by a big decline of demand in Strategic Markets, such as China.
- In FY2016, we project that the same trend will continue from FY2015, and recovery of demand will take more time in China and other emerging countries as well as resource-rich countries. We estimate that global demand will decline by 5% to 10% from FY2015, marking a decline for three consecutive years.

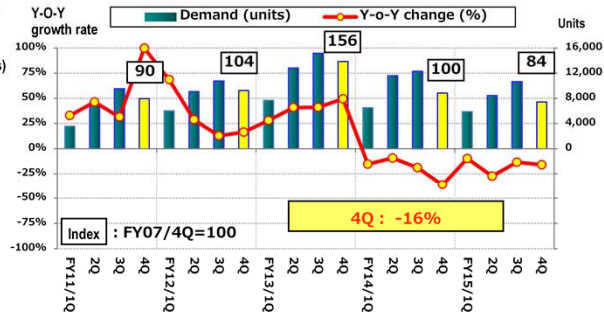
- In FY2015 demand declined by 18% from FY2014.
- In FY2016 demand will decline by 8% to 13% from FY2015, as construction investment will continue to decrease.

Demand for new equipment (7 major products) and construction investment

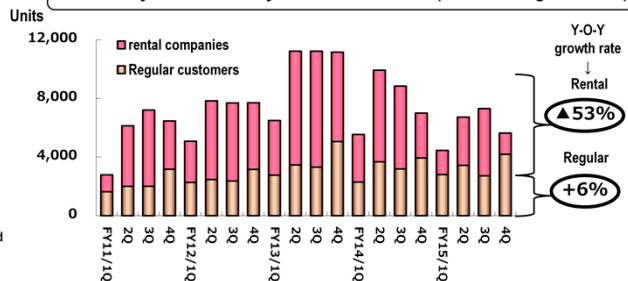


[Sources] Construction investment by the Ministry of Land, Infrastructure, Transport & Tourism, and Research Institute of Construction and Economy
Demand for 7 major products and No. of exported used equipment estimated by Komatsu

Quarterly demand for 7 major products



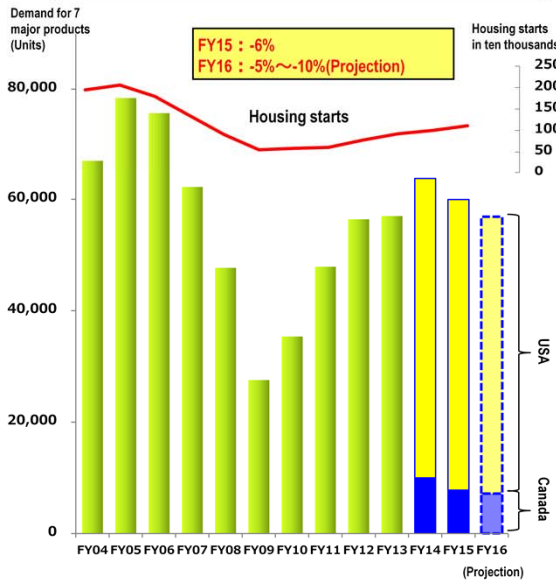
Quarterly demand for hydraulic excavators (Rental & regular uses)



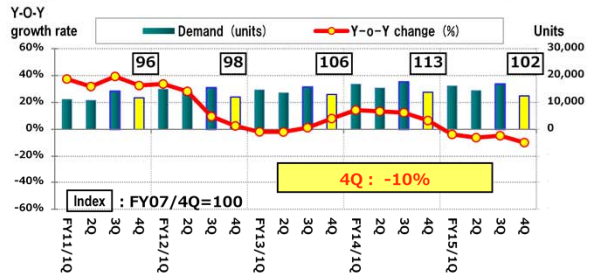
- In FY2015, demand declined by 18% from FY2014 on a unit basis.
- Demand for hydraulic excavators declined from our projection, as substantially affected by rebound of pre-buy centering on rental companies for new emission controls of 2014.
- In FY2016, as construction investment will continue to decrease, we project that demand will decline by 8% to 13% from FY2015.

- In FY2015 demand declined by 6% from FY2014.
- In FY2016, while demand for construction equipment will remain steady in the United States, it will be sluggish in Canada and demand will be slack in the mining and energy sectors. Total demand will decline by 5% to 10%.

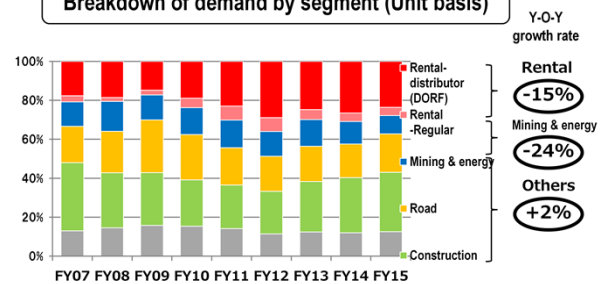
Demand for 7 major products and US housing starts



Quarterly demand for 7 major products



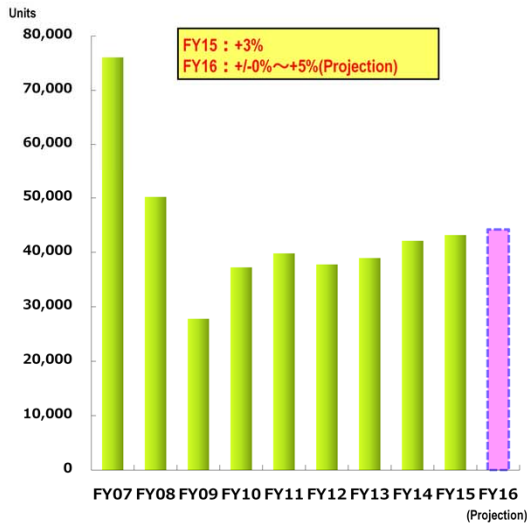
Breakdown of demand by segment (Unit basis)



- In FY2015, North American demand decreased by 6% from FY2014.
- While demand remained strong in end-users in the United States, it dropped drastically in the rental industry of the United States and in Canada.
- We project that a similar trend will continue in FY2016, and total demand will decrease by 5% to 10% from FY2015.

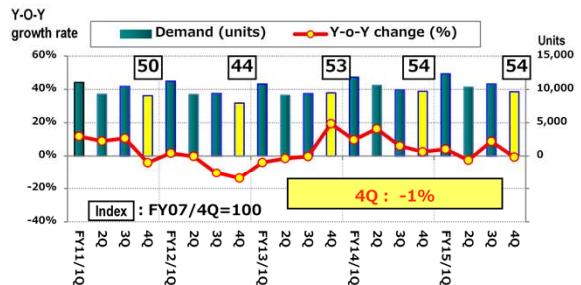
- In FY2015 demand should have increased by 3% from FY2014.
- In FY2016 demand will remain firm in major markets centering on Germany, and a recovery trend will continue in northern, southern and eastern Europe. Total demand will increase by +/-0% to 5%.

Annual demand for 7 major products

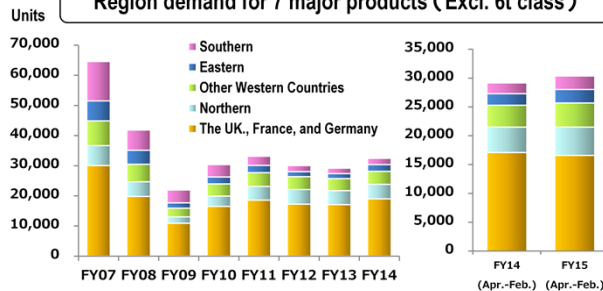


[Source]: Demand for 7 major products estimated by Komatsu

Quarterly demand for 7 major products



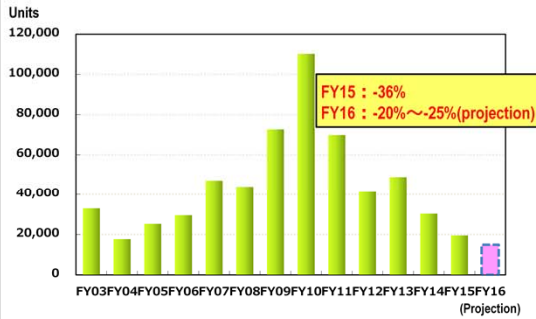
Region demand for 7 major products (Excl. 6t class)



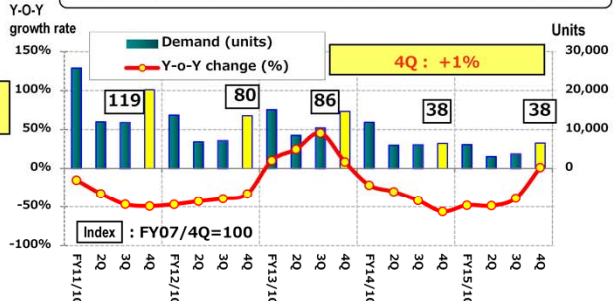
- In FY2015, European demand should have increased by 3% from FY2014.
- In FY2016, European demand will increase by +/-0% to 5%, as we project that steady demand will remain in major markets centering on Germany and that a recovery trend will continue in northern, southern and eastern Europe.

- In FY2015 demand dropped by 36% from FY2014.
- In FY2016 demand will still continue to decline from FY2015 and result in a rate between -20% and -25%.

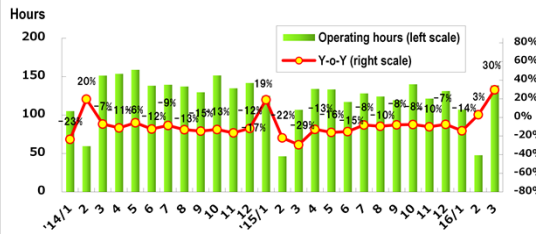
Annual demand for 7 major products (Foreign makers)



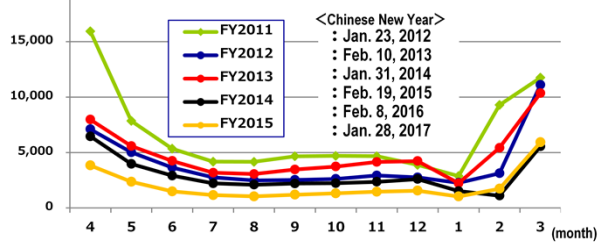
Quarterly demand for 7 major products (Foreign makers)



KOMTRAX in China : Average operating hours per month



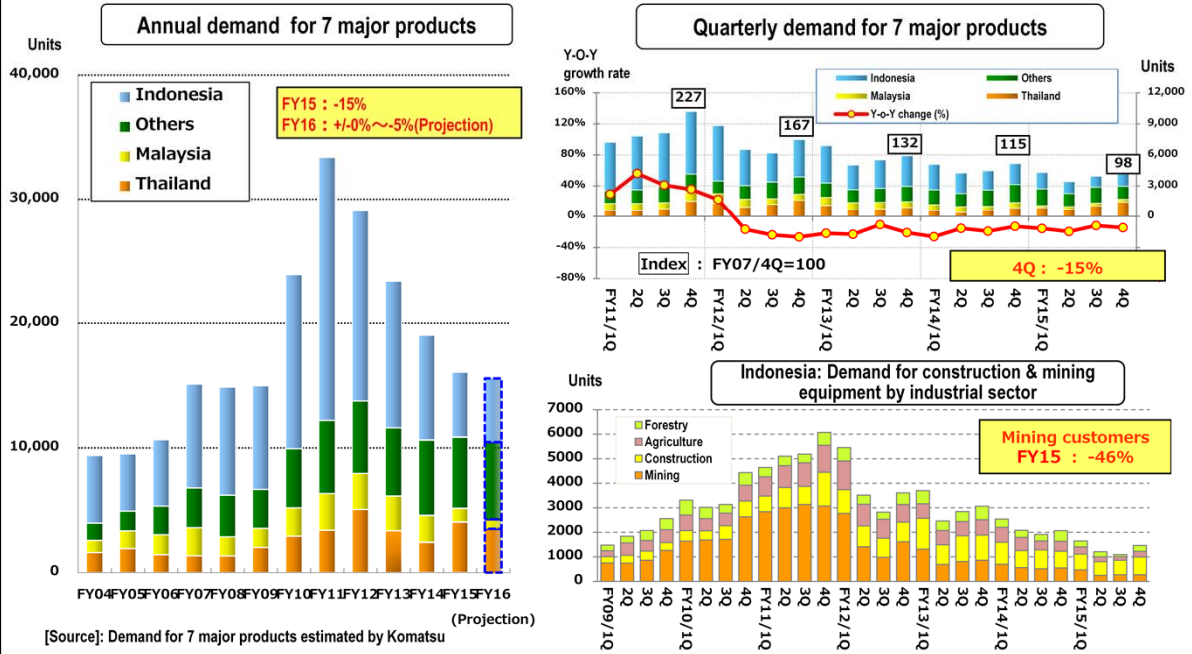
Monthly demand for hydraulic excavators : Total of 6-ton and larger models



[Source]: Demand for 7 major products and hydraulic excavators estimated by Komatsu

- In FY2015, Chinese demand dropped by 36% from FY2014.
- With respect to demand in FY216, as of now, we project that demand will still continue to decline and result in a drop of 20% to 25%, partly affected by rebound of pre-buy for emission controls.

- In FY2015 demand declined by 15% from FY2014.
- In FY2016 demand will remain on a declining trend in general from FY2015, as mainly affected by slack Chinese economy, resulting in a rate between +/-0 and -5%.

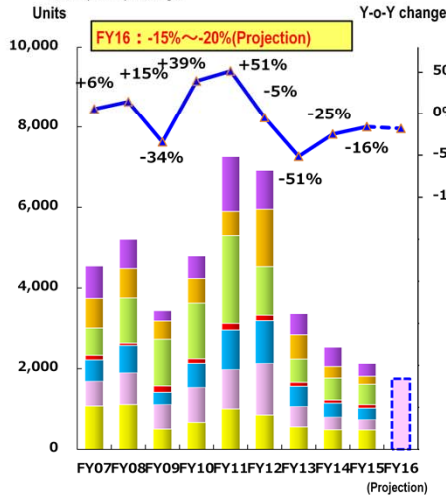


- In FY2015, Southeast Asian demand declined by 15% from FY2014. In Indonesia, the largest market of the region, demand fell especially in the mining and infrastructure development-related sectors.
- In FY2016, a negative-growth trend will continue in general, reflecting sluggish Chinese economy. We project that demand will decrease by +/-0% to 5% from FY2015.

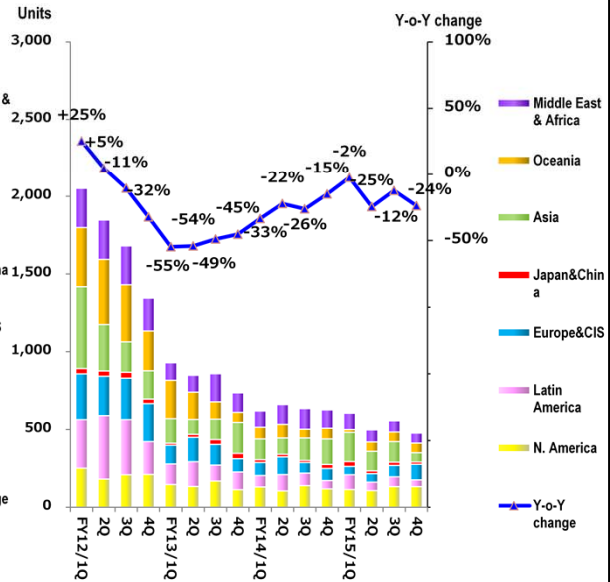
- In FY2015 global demand remained sluggish and should have declined by 16% from FY2014, although the rate of decline became smaller.
- In FY2016 global demand will also fall 15% to 20% from FY2015, centering on limited renewal demand.

Annual demand for mining equipment

*Dump trucks: 75 tons (HD785) and larger, Bulldozers: 525HP (D375) and larger, Excavators: 200 tons (PC2000) and larger, Wheel loaders: 810HP (WA800) and larger, Motor graders: 280HP (GD825) and larger



Quarterly demand for mining equipment

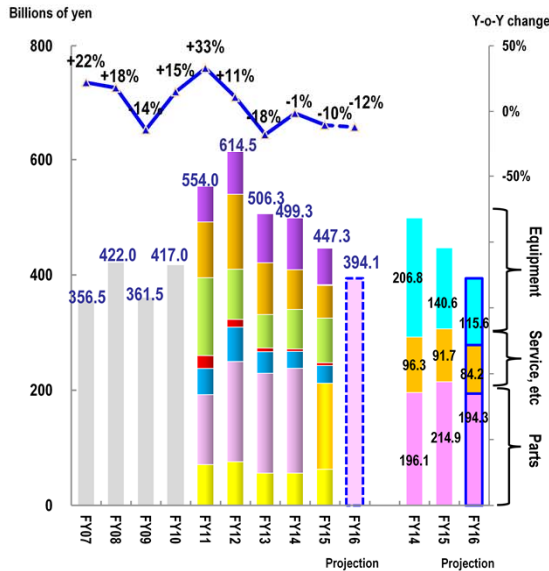


Note: Demand estimated by Komatsu

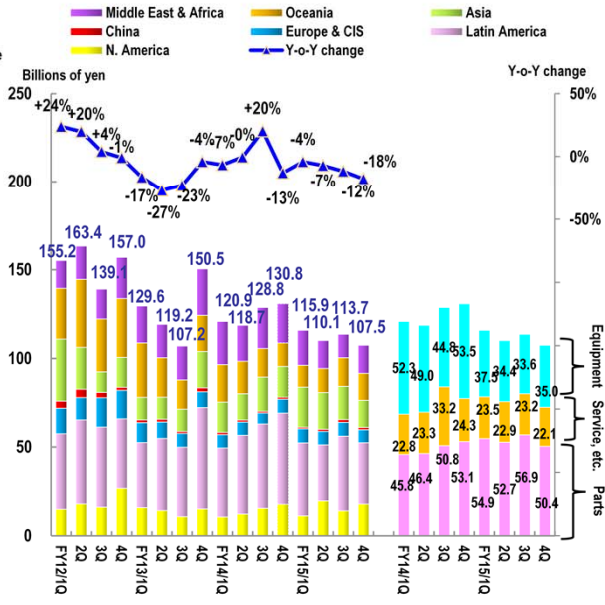
- In FY2015, demand for mining equipment should have declined by 16% from FY2014. While the rate of decline slowed down, demand continues to fall. In particular, demand for super-large equipment is dropping drastically.
- In FY2016, as users are very cautious about new capital investment against the backdrop of slack commodity prices, we project that demand will decline by 15% to 20% from FY2015, mainly reflecting limited renewal demand. We believe recovery of overall demand will come in FY2017 or later.

- FY2015 sales declined by 10% from FY2014, to JPY447.3 billion, as sales of equipment remained sluggish.
- FY2016 sales will decline from FY2015, affected by reduced demand for equipment and the effects of foreign exchange rates.

Annual sales of mining equipment (incl. parts and service)

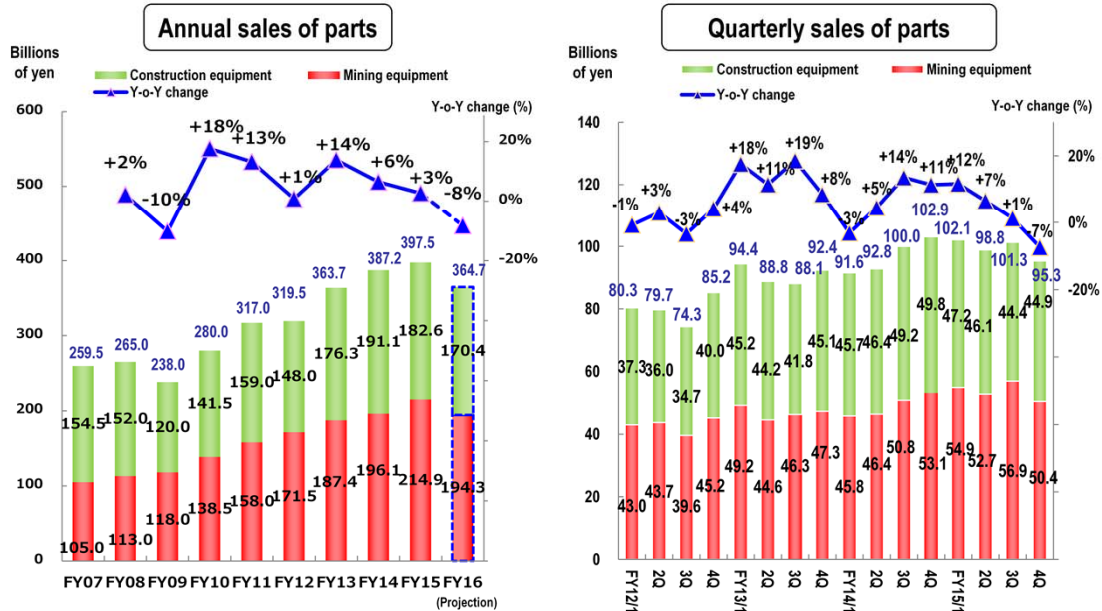


Quarterly sales of mining equipment (incl. parts and service)



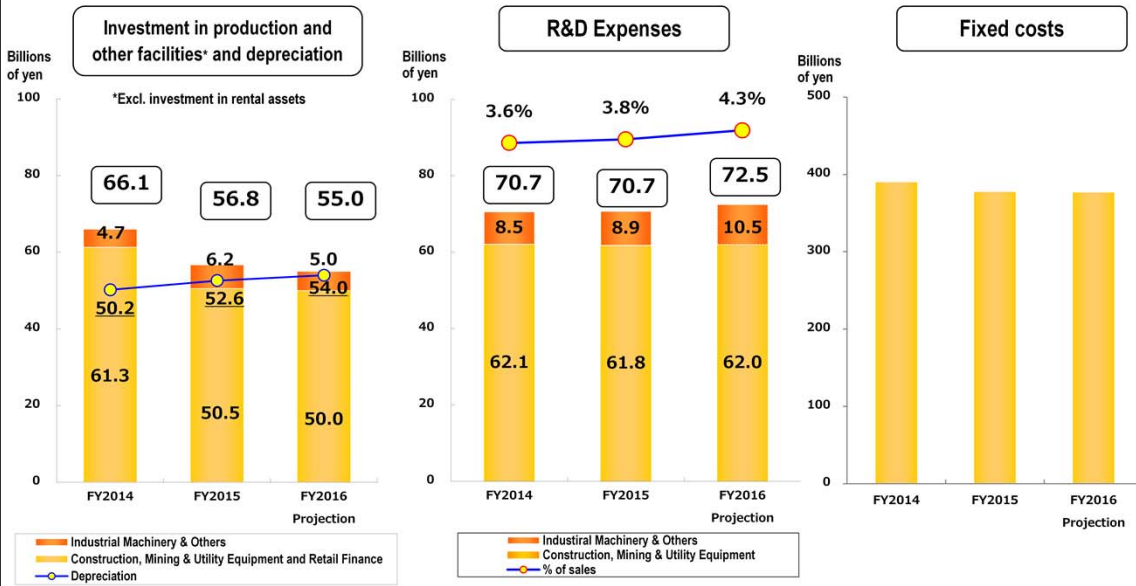
- In the mining equipment business, sales declined by 10% from FY2014, to JPY447.3 billion for FY2015. When the effects of foreign exchange rates are removed, sales would decline by 12%.
- While sales of mining equipment per se dropped drastically, sales of parts have been brisk, supported by customers' trend of prolonging the use of existing equipment and steady orders received for overhauls. Even when the effects of foreign exchange rates are removed, sales of parts improved from FY2014.
- For FY2016, sales will drop sharply due to the effects of the Japanese yen's appreciation. However, when the effects of foreign exchange rates are removed, we project that sales of equipment per se will decline slightly from FY2015 due to decreasing demand, sales of parts and service revenues will increase slightly, and total sales will remain about flat from FY2015.

- FY2015 sales of parts increased by 3% from FY2014, to JPY397.5 billion. When the effects of foreign exchange rates are removed, sales were about flat from FY2014.
- FY2016 sales will decrease by 8% from FY2015, affected by the effects of foreign exchange rates.



- For FY2015, sales of parts increased by 3% from FY2014, to JPY397.5 billion. When the effects of foreign exchange rates are removed, sales remained about flat from FY2014.
- Sales of mining equipment have been steady as discussed on the previous page.
- In FY2016, sales will decrease from FY2015, reflecting the Japanese yen's appreciation; however, we estimate that volume of sales will slightly increase, when the effects of foreign exchange rates are removed.

- We will center capital investment on spare parts operation, IoT, production reforms and consolidation of sales bases in Japan, while curtailing the total amount of CAPEX.
- We will focus R&D expenses on emission controls, development of products by application and region, and innovation-based development of next-generation products.
- While continuing to curtail overall fixed costs by continuing structural reforms, we will secure funds to invest in future growth.



- Concerning capital investment in production and other operations except for rental assets, we plan to promote investment in spare parts, IoT, production reforms, and consolidation of sales bases in Japan, while curtailing total CAPEX.
- With respect to R&D, we will continue to focus investment in measures to meet new emission controls, development of application and region-specific products, and development of next-generation products based on innovation. Accordingly, we plan to increase R&D expenses for FY2016,
- Concerning fixed costs, while securing funds to invest for future growth, we will continue to promote structural reforms. All in all, we will continue to curtail them.

**Ⅲ. Mid-Range Management Plan
(FY2016 -18)**

Mid-Range Management Plan (FY2016 -18)

Together We Innovate GEMBA Worldwide
Growth Toward Our 100th Anniversary(2021) and Beyond

April 27, 2016

**Tetsuji Ohashi
President and CEO
Komatsu Ltd.**

- (For more information about our new mid-range management plan, please read the concerned news release of April 27, 2016.)

Komatsu Group employees worldwide will team up with distributors, suppliers and other partners, innovate customers' GEMBA (workplace) together with them, and provide innovation designed to create new values, thereby working for growth of our core businesses of construction and mining equipment as well as industrial machinery toward our 100th anniversary and beyond.

Integrated power of customers, distributors, suppliers and Komatsu Group employees

Everything begins with GEMBA

Our GEMBA is found all around the world.

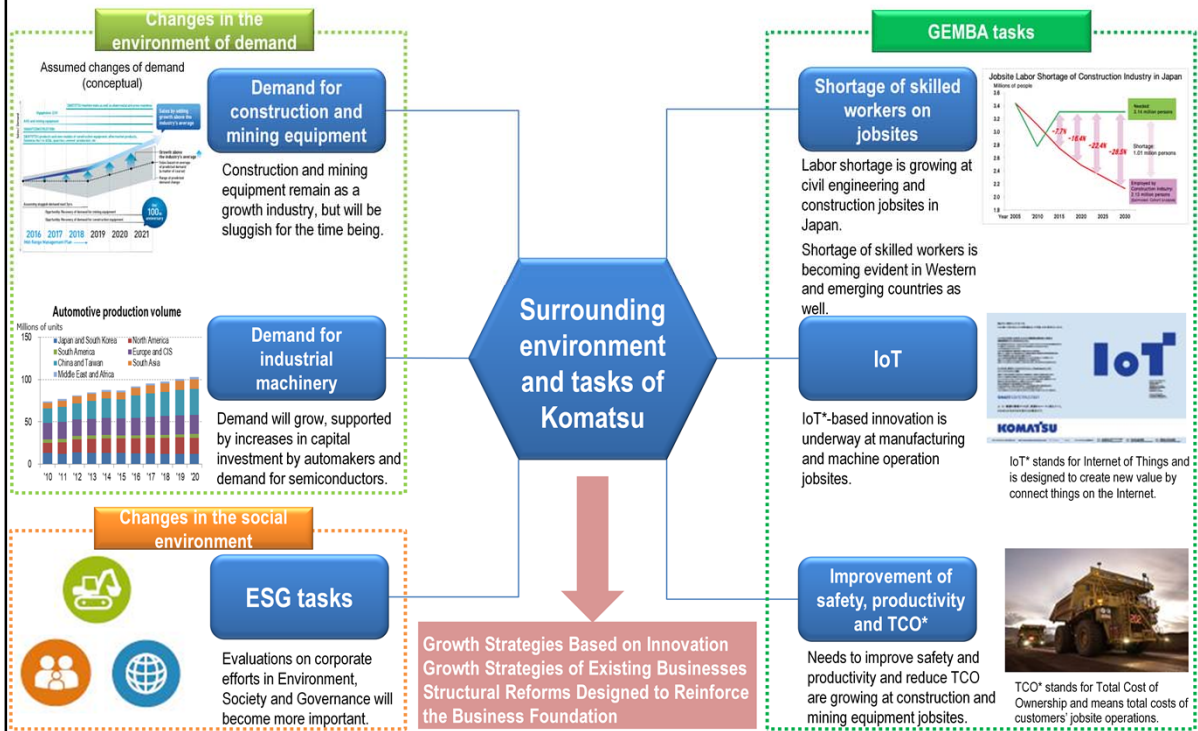
Together We Innovate GEMBA Worldwide
Growth Toward Our 100th Anniversary(2021) and Beyond

Growing towards our 100th anniversary and beyond



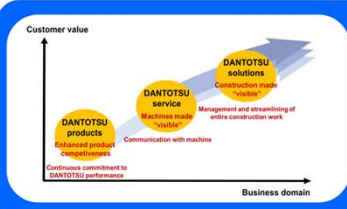
- We will drive our growth by innovating customers' GEMBA (jobsite operations) together with them, creating new value for them, and improving their safety and productivity.
- We are also working for growth by innovating our GEMBA, as we look forward to our 100th anniversary and beyond.

We will work for growth as we meet changes in our surrounding environment and tasks



- In the construction and mining equipment business, which accounts for about 90% of total sales, we anticipate sluggish demand will linger for some time. Even under such a challenging environment, we will move forward.
- The keys to our growth are to solve customers' GEMBA problems, such as shortage of skilled workers, to capitalize on IoT evolution, to improve their safety and productivity, and to reduce their total ownership costs in all product life cycles of their machines.
- Concerning management in general, we understand that we are increasingly being expected to promote environmental friendliness, social contributions and corporate governance.

In response to our surrounding environment and tasks, we will work to achieve sustainable growth by focusing efforts and through open innovation, when applicable, in 1) Growth strategies based on innovation, 2) Growth strategies of existing businesses, and 3) Structural reforms designed to reinforce the business foundation, centering on DANTOTSU products, service and solutions.



1. Growth Strategies Based on Innovation

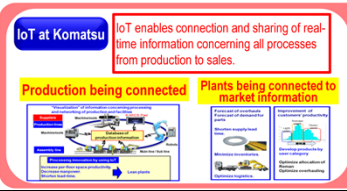
- Development of next-generation construction and mining equipment as well as next-generation components
- Deployment of SMARTCONSTRUCTION and development of next-generation KOMTRAX
- Deployment of AHS^{*1} and reinforcement of platform for mining solutions
- Development of DANTOTSU industrial machinery by promoting in-house production of key components
- Gigaphoton's development of EUV^{*2} and new products

*1: AHS stands for Autonomous Haulage System and means a system to operate unmanned dump trucks.
*2: EUV stands for Extreme Ultraviolet, and EUV light source is a next-generation semiconductor manufacturing technology.



2. Growth Strategies of Existing Businesses

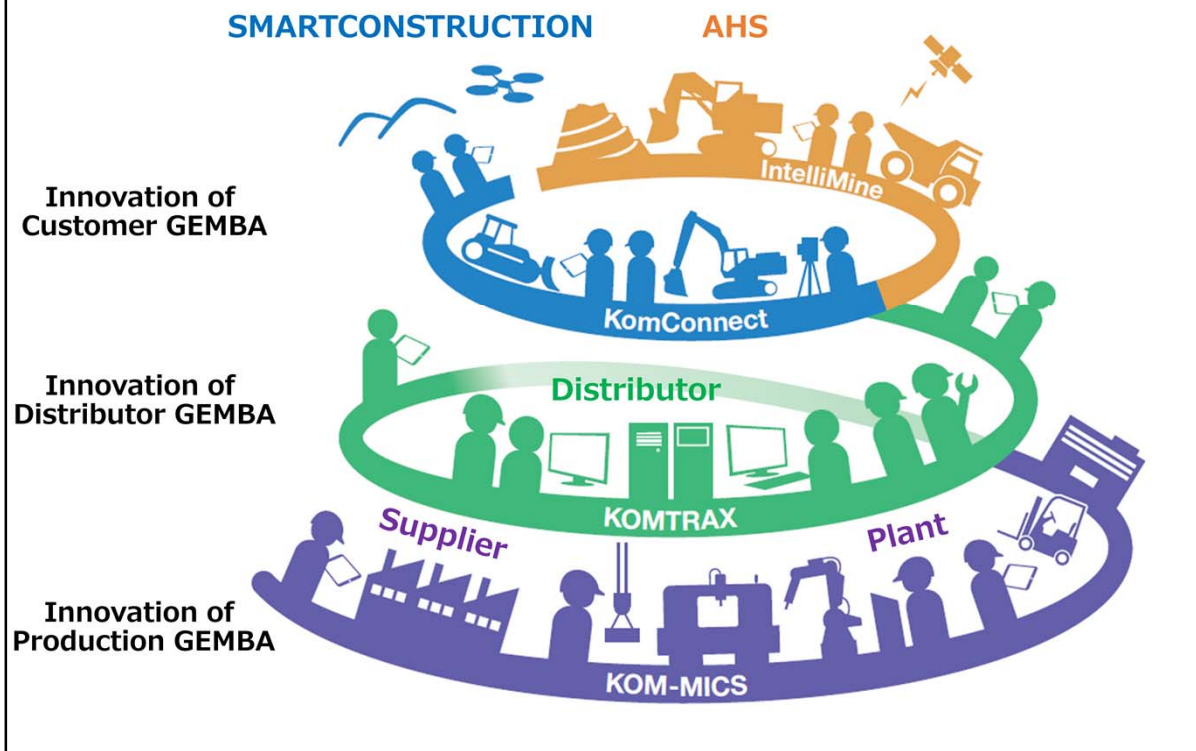
- Contributions to expanding sales by developing new products, incl. DANTOTSU products
- Expansion of earnings in the value chain
- Expansion of the mining equipment business
- Expansion of the construction equipment business (DANTOTSU No. 1 in Asia, enhancement of global presence in quarrying and cement production companies, expansion of application – specific models, etc.)
- Expansion of the industrial machinery business
- Expansion of the forest machinery business
- M&A



3. Structural Reforms Designed to Reinforce the Business Foundation

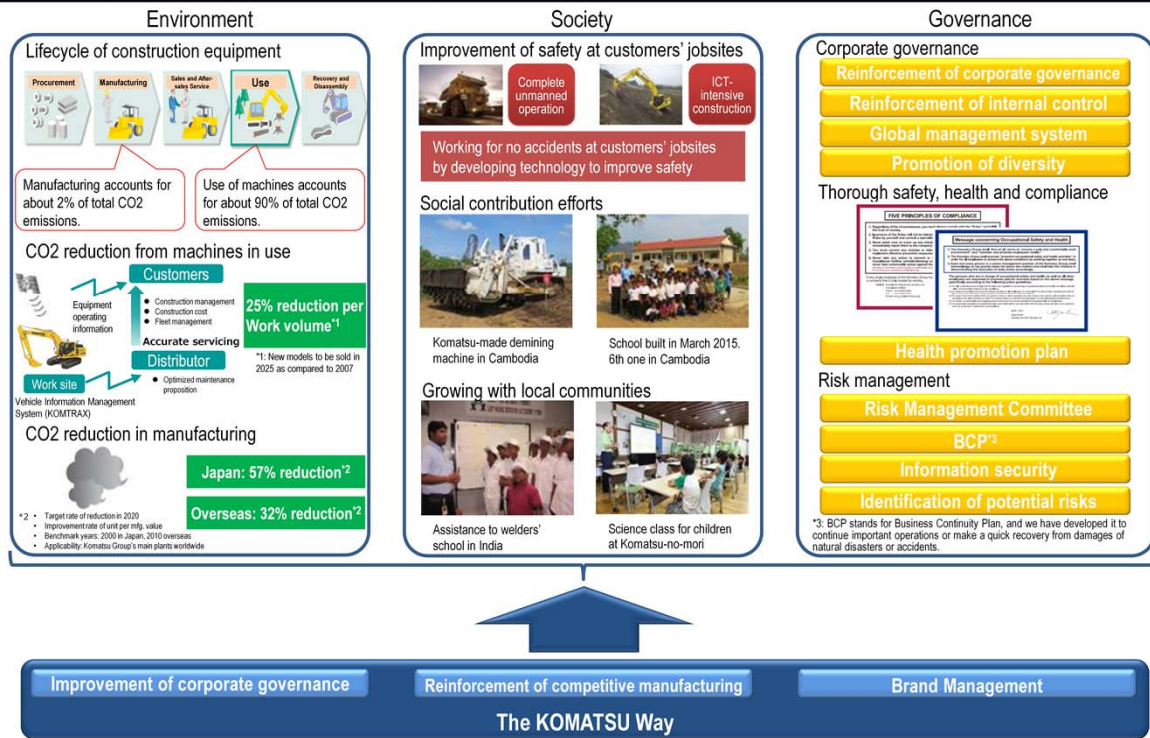
- Production reforms through connected plants
- Continuous reduction of costs (production and fixed costs)
- Reforms of spare parts operation
- Lean and powerful development
- Development of human resources with global perspective and framework to promote diversity for sustainable growth

■ In the new mid-range management plan, our basic strategies remain unchanged, i.e., Growth strategies based on innovation, Growth strategies of existing businesses, and Structural reforms designed to reinforce our business foundation.



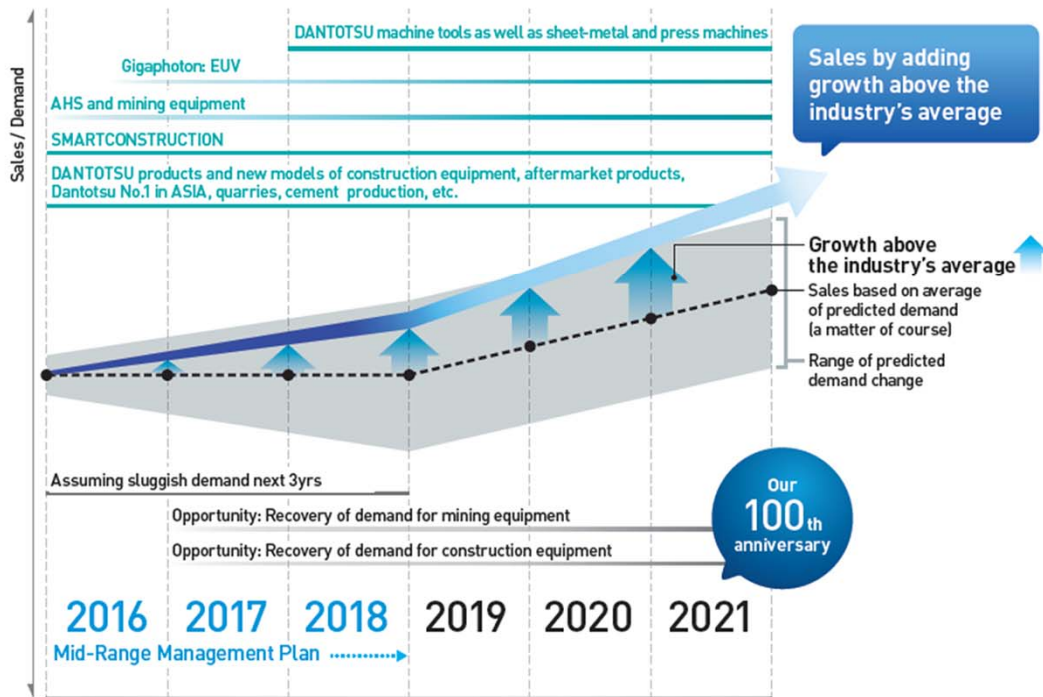
- At Komatsu, “connectivity” is based on the concept which calls for direct connections not only among our manufacturing plants for production reforms but also with our suppliers, distributors, customers’ GEMBA where our construction and mining equipment operates, and even our customers.
- We are resolutely determined to innovate our customers’ GEMBA, distributors’ GEMBA, and our production GEMBA through IoT-based connectivity.

We will further strengthen our efforts to meet social needs in the areas of Environment, Society and Governance based on The KOMATSU Way.



- The importance of ESG, which we have been promoting, is growing ever more than before. Based on The KOMATSU Way, we are working to 1) strengthen our corporate governance, 2) reinforce our competitive manufacturing, and 3) promote our brand management which directs us to become an indispensable partner of our customers.

- Although we assume that demand will remain sluggish for the time being, we will achieve our growth above the industry's average by promoting growth based on innovation and of existing businesses.



- Committed to growth based on innovation and of existing businesses, we are working to achieve growth above our industry's average, as we look forward to our 100th anniversary.



Ms. Miku Tashiro
(Courtesy of AFLO)

Ms. Miku Tashiro, a member of the Komatsu Women's Judo Team, will represent Japan in the women's 63kg category of 2016 Rio de Janeiro Olympics. She was chosen by All Japan Judo Federation after 2016 All-Japan Weight Category Championships for Chosen Contestants. We would like to ask for your continuing support for her. She works at Komatsu Labor Union.

Cautionary Statement

The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

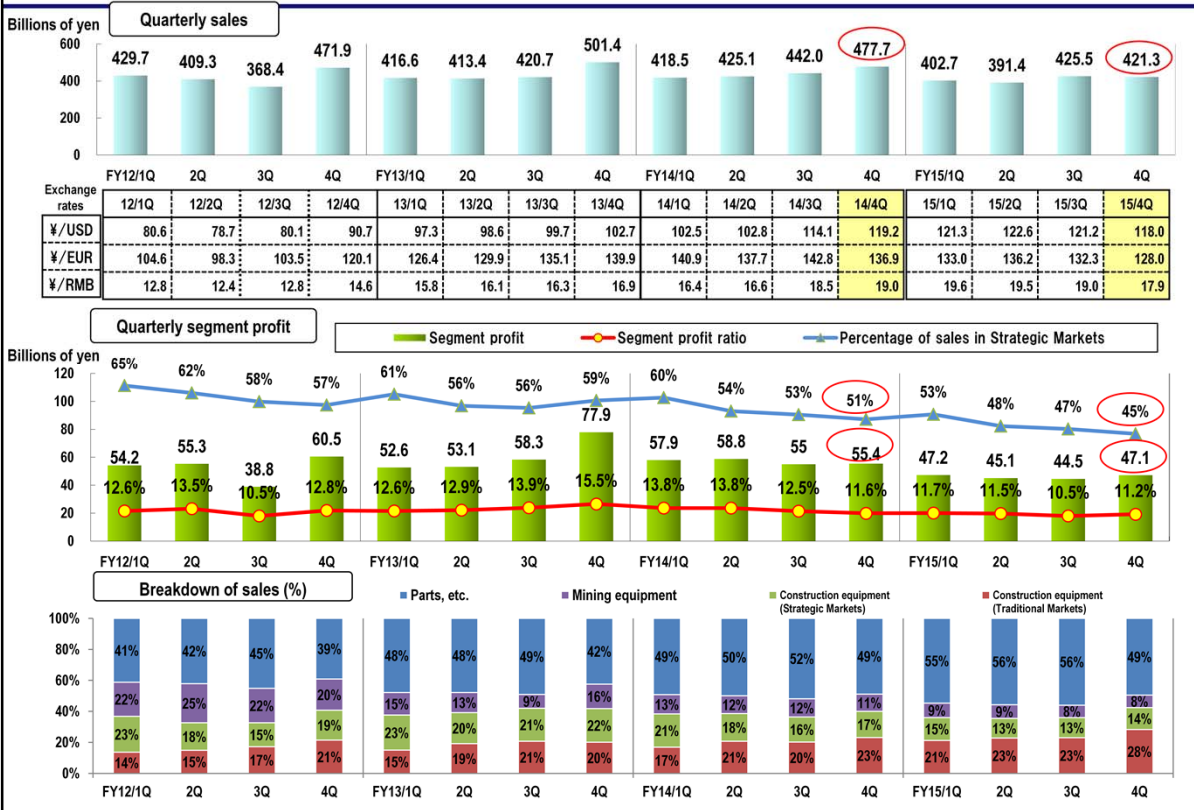
Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.

Business Coordination Department, KOMATSU LTD.

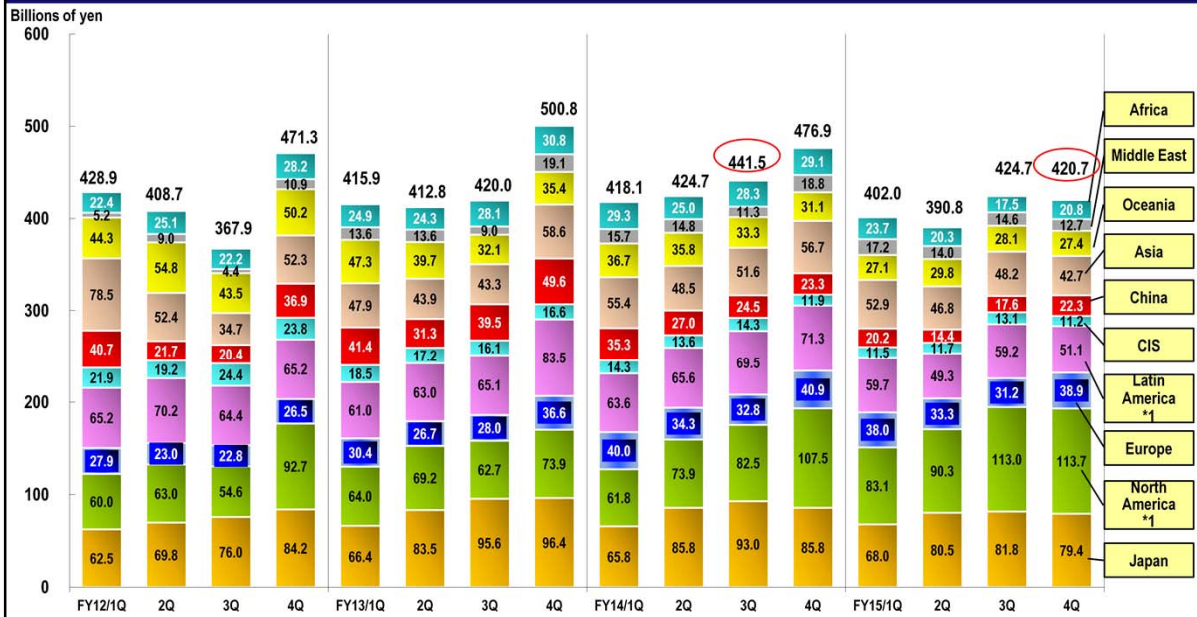
TEL: +81-3-5561-2687 FAX: +81-3-3582-8332 <http://www.komatsu.com/>

Appendix

Construction, Mining & Utility Equipment: Quarterly Sales and Segment Profit

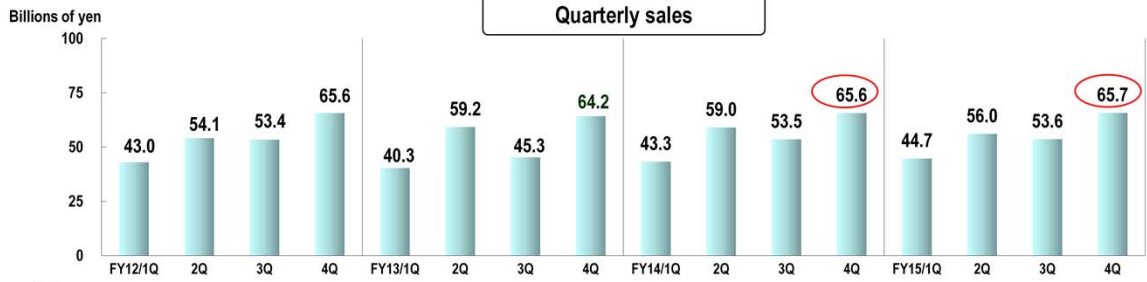


Construction, Mining & Utility Equipment: Quarterly Sales (To Outside Customers) by Region



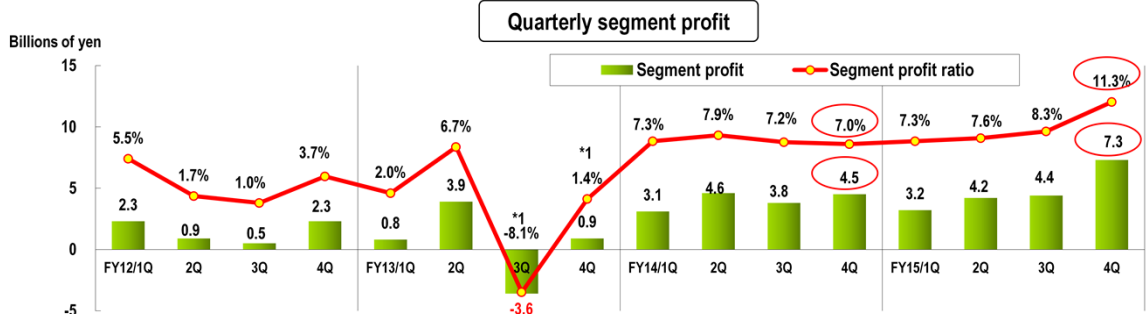
	12/1Q	12/2Q	12/3Q	12/4Q	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q
¥/USD	80.6	78.7	80.1	90.7	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0
¥/EUR	104.6	98.3	103.5	120.1	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0
¥/RMB	12.8	12.4	12.8	14.6	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9

*1: Due to the acquisition of a distributor in Mexico, a part of sales in Mexico was reclassified from North America to Latin America, starting in FY2015. (Corresponding sales for FY2012.were also reclassified accordingly.)



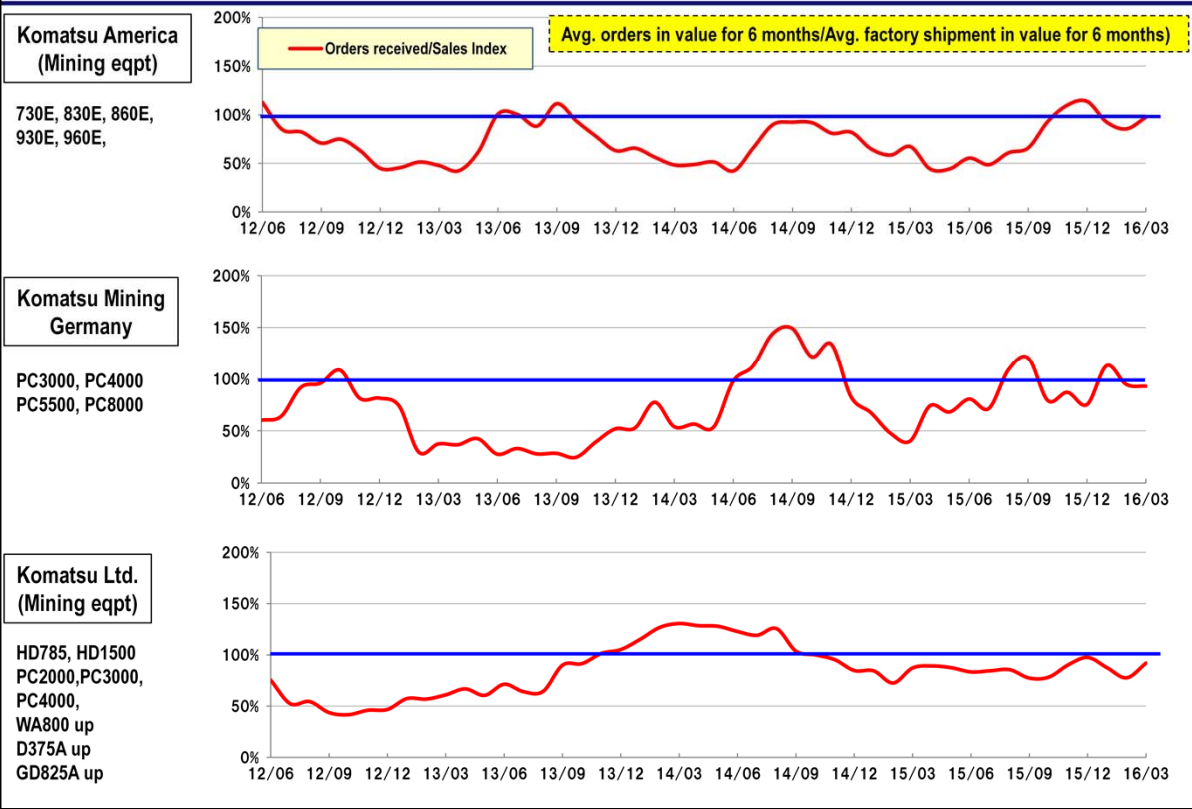
Exchange rates

	12/1Q	12/2Q	12/3Q	12/4Q	13/1Q	13/2Q	13/3Q	13/4Q	14/1Q	14/2Q	14/3Q	14/4Q	15/1Q	15/2Q	15/3Q	15/4Q
¥/USD	80.6	78.7	80.1	90.7	97.3	98.6	99.7	102.7	102.5	102.8	114.1	119.2	121.3	122.6	121.2	118.0
¥/EUR	104.6	98.3	103.5	120.1	126.4	129.9	135.1	139.9	140.9	137.7	142.8	136.9	133.0	136.2	132.3	128.0
¥/RMB	12.8	12.4	12.8	14.6	15.8	16.1	16.3	16.9	16.4	16.6	18.5	19.0	19.6	19.5	19.0	17.9

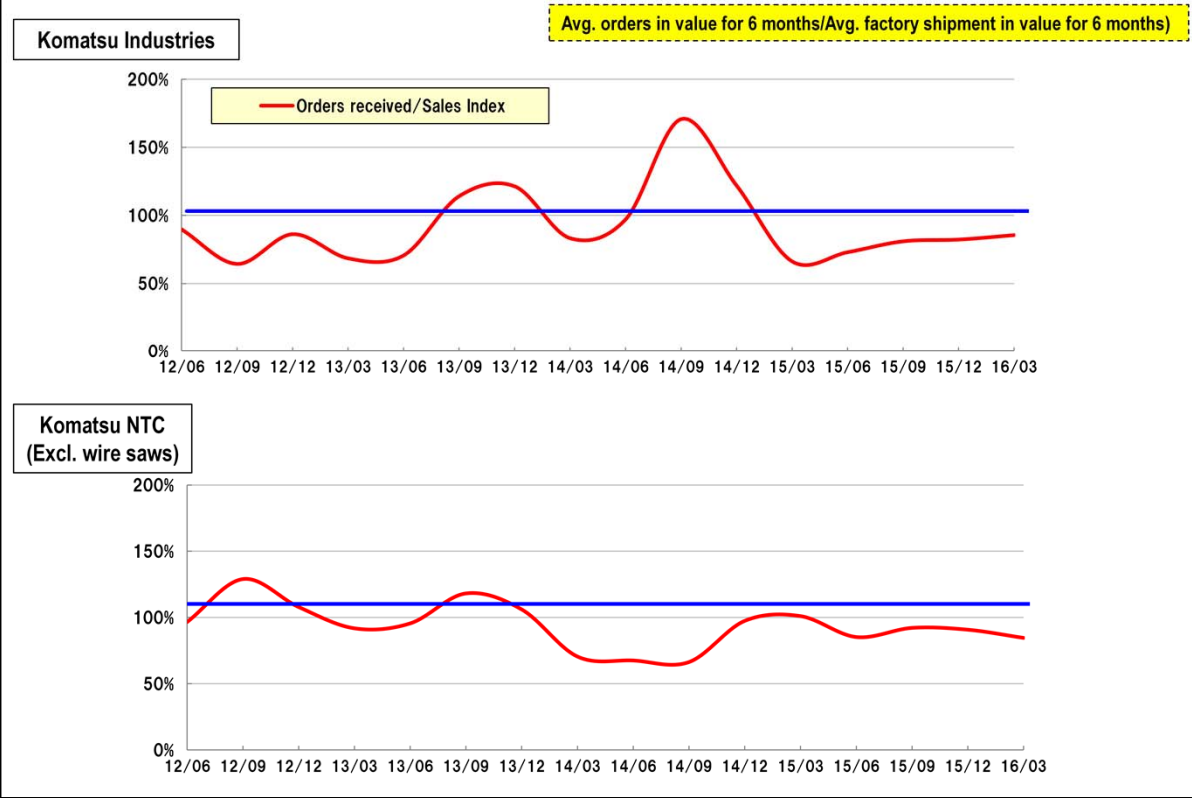


*1 Including a loss of JPY10.8 bn on Komatsu NTC's wire saw inventories (3Q: JPY-7.6 bn, and 4Q: JPY-3.2 bn)

Orders received / Sales Index for Mining Equipment (6 Months)



- These graphs show the book-to-bill ratios of mining equipment.
- Specifically, they show the ratio of orders received for new equipment for the last six-month period divided by sales of new equipment for the same six-month period.



- These graphs show the book-to-bill ratios of industrial machinery. Specifically, they show the ratio of orders received for new machines for the last six-month period divided by sales of new machines for the same six-month period.

【Sales and profits】

- Consolidated net sales for FY2015 Q4 declined by 10.6% from FY2014 Q4, to JPY484.4 billion.
- Operating income declined by 10.4% from FY2014 Q4, to JPY53.9 billion. Operating income ratio remained flat at 11.1% from FY2014 Q4.
- Net income attributable to Komatsu Ltd. declined by 10.2% from FY2014 Q4, to JPY33.6 billion.

Billions of yen	Jan.-Mar., 2015 ¥119.2/USD ¥136.9/EUR ¥19.0/RMB	Jan.-Mar., 2016 ¥118.0/USD ¥128.0/EUR ¥17.9/RMB	Changes	
			Increase (decrease)	% Change
Net sales	542.0	484.4	(57.6)	▲10.6%
Segment profit	59.7	55.0	(4.7)	▲7.9%
Other operating income (expenses)	0.3	(1.1)	(1.5)	-
Operating income	60.1	53.9	(6.2)	▲10.4%
Profit ratio	11.1%	11.1%	±0.0%	-
Other income (expenses)	(4.3)	(2.1)	+2.1	-
Net income before income taxes	55.8	51.7	(4.1)	▲7.4%
Net income *	37.4	33.6	(3.8)	▲10.2%

* Upon adoption of ASC 810, "Net income" is equivalent to "Net income attributable to Komatsu Ltd."

- Construction, Mining & Utility Equipment: Sales declined by 11.8% from FY2014 Q4, to JPY421.3 billion. Segment profit declined by 14.9% from FY2014 Q4, to JPY47.1 billion. Segment profit ratio also decreased 0.4 points to 11.2%.
- Industrial Machinery & Others: Sales increased by 0.2% from FY2014 Q4, to JPY65.7 billion. Segment profit advanced 60.8% to JPY7.3 billion.

[] : Profit ratio [] : Sales after elimination of inter-segment transactions

Billions of yen	Jan.-Mar., 2015		Jan.-Mar., 2016		Changes		
					Increase (decrease)	% Change	
Net sales		542.0		478.0		(16.0)	(3.2)%
Construction, mining & utility equipment	[476.9]	477.7	[420.7]	421.3	[(56.2)]	(56.3)	[(11.8)%] (11.8)%
Industrial machinery & others	[65.0]	65.6	[63.6]	65.7	[(1.3)]	+0.1	[(2.1)%] +0.2%
Elimination		(1.2)		(2.6)		(1.3)	-
Segment profit		11.0% 59.7		11.4% 55.0		(4.7)	(7.9)%
Construction, mining & utility equipment		11.6% 55.4		11.2% 47.1		(8.2)	(14.9)%
Industrial machinery & others		7.0% 4.5		11.3% 7.3		+2.7	+60.8%
Corporate & elimination		(0.2)		0.5		+0.7	-

- Sales to outside customers declined by 11.8% from FY2014 Q4, to JPY420.7 billion.
- The share of Traditional Markets increased to 55%, as sales sharply dropped in Strategic Markets, such as Latin America and Asia, while sales advanced in North America.

