Business Results for Nine Months (April-December, 2017) of FY2017
【Telephone conference】

January 31, 2018

Presented by

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General Manager of Business Coordination Department
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*KMC stands for Komatsu Mining Corp*
I. Business Results for Nine Months (April – December, 2017) of FY2017

Note

On April 5, 2017, we completed the acquisition of Joy Global Inc. On April 19, Joy Global Inc. changed its trade name to Komatsu Mining Corp. (hereafter “KMC”). From the first 3-month period of FY2017, our consolidated business results include those of KMC as a consolidated subsidiary.
Exchange rates were JPY113.0 per USD, JPY133.2 per EUR, and JPY17.0 per RMB. JPY depreciated against USD, EUR and RMB, compared to the corresponding period a year ago. JPY also depreciated against other currencies.

For the third quarter period of FY2017, consolidated net sales increased by 50.2% from the corresponding period a year ago, to JPY646.8 billion. Operating income advanced by 76.1% to JPY75.5 billion. Operating income ratio improved by 1.7 points to 11.7%.

Consolidated net sales increased, mainly supported by the Japanese yen’s depreciation, increased volume of sales in the construction, mining and utility equipment segment, and the new addition of Komatsu Mining Corp. (KMC) to consolidated accounting.

Net income expanded by 73.0% to JPY53.3 billion.
In the construction, mining and utility equipment business, segment sales advanced by 56.8% from the corresponding period a year ago, to JPY594.5 billion. Segment profit expanded by 106.0% to JPY80.1 billion. Segment profit ratio improved by 3.2 points to 13.5%.

In the retail finance business, segment revenues increased by 16.6% to JPY14.7 billion. Segment profit improved by 19.3% to JPY3.0 billion.

In the industrial machinery & others business, segment sales amounted to JPY42.3 billion, remaining about flat from the corresponding period a year ago. Segment profit expanded by 79.9% to JPY4.3 billion.
For the third quarter period, sales to outside customers expanded by 57.1% from the corresponding period a year ago, to JPY591.7 billion. Excluding those of KMC, sales advanced by 34.5% to JPY506.4 billion.

Excluding those of KMC, sales improved in all regions except for Japan. Sales expanded sharply, especially in North America, China, Asia and Oceania.

The ratio of sales in Strategic Markets increased to 54% of total sales. (The ratio of Strategic Market was also 54%, when KMC’s sales were included.)
For the nine-month period of FY2017, foreign exchange rates were JPY111.7 per USD, JPY128.2 per EUR, and JPY16.6 per RMB. JPY depreciated against USD, EUR and RMB from the corresponding period a year ago.

For the nine-month period of FY2017, consolidated sales advanced by 47.2% to JPY1,805.8 billion. Operating income expanded by 75.8% to JPY188.1 billion. Operating income ratio improved by 1.7 percentage points.

Net income attributable to Komatsu Ltd. expanded by 126.9% to JPY155.0 billion.

Consolidated sales advanced, especially due to increased volume of sales in the construction, mining and utility equipment segment and the benefits of the new addition of KMC to consolidated accounting in addition to some benefits of the Japanese yen’s depreciation.

With respect to operating income, KMC posted an operating loss, as particularly affected by temporary expenses recorded for the first half period of FY2017. However, operating income, as a whole, expanded, supported by advanced operating income of Komatsu (without KMC).

### Highlights of Business Results for Nine Months (Apr – Dec, 2017) of FY2017

- Consolidated net sales increased by 47.2% from the corresponding period a year ago, to JPY1,805.8 billion.
- Operating income advanced by 75.8% to JPY188.1 billion. Operating income ratio was 10.4%, up 1.7 percentage points.
- Net income attributable to Komatsu Ltd. expanded by 126.9% to JPY155.0 billion.

<table>
<thead>
<tr>
<th>Bills of yen</th>
<th>Apr.-Dec.,2016</th>
<th>Apr.-Dec.,2017</th>
<th>*1 Komatsu conventional</th>
<th>KMC</th>
<th>Increase (decrease)</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,226.7</td>
<td>1,805.8</td>
<td>1,569.4</td>
<td>236.3</td>
<td>+579.0</td>
<td>+47.2 %</td>
</tr>
<tr>
<td>Segment profit (loss)</td>
<td>107.8</td>
<td>200.8</td>
<td>216.0</td>
<td>*2 (15.2)</td>
<td>+93.0</td>
<td>+86.3 %</td>
</tr>
<tr>
<td>Other operating income (expenses)</td>
<td>(0.8)</td>
<td>(12.8)</td>
<td>(12.7)</td>
<td>0.0</td>
<td>(11.8)</td>
<td>-</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>107.0</td>
<td>188.1</td>
<td>203.3</td>
<td>*2 (15.1)</td>
<td>+81.1</td>
<td>+75.8 %</td>
</tr>
<tr>
<td>Profit ratio (loss ratio)</td>
<td>8.7%</td>
<td>10.4%</td>
<td>13.0%</td>
<td>(6.4)%</td>
<td>+1.7 pts.</td>
<td>-</td>
</tr>
<tr>
<td>Other income (expenses)</td>
<td>(3.7)</td>
<td>27.1</td>
<td>+30.9</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>103.2</td>
<td>215.3</td>
<td>+112.0</td>
<td>+108.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income *3</td>
<td>68.3</td>
<td>155.0</td>
<td>+86.7</td>
<td>+126.9%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 Figures represent those which KMC’s business results are excluded.
*2 KMC’s segment loss and operating loss include the effects of temporary expenses shown on the right.
*3 Upon adoption of ASC 810, “Net income” is equivalent to “Net income attributable to Komatsu Ltd.

### Notes

- PPA stands for Purchase Price Allocation. It is an accounting process of valuating and allocating acquired assets and liabilities to fair prices.

<table>
<thead>
<tr>
<th>Bills of yen</th>
<th>Depreciation after PPA</th>
<th>Start-up cost etc.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(36.7)</td>
<td>(4.1)</td>
<td>(40.8)</td>
</tr>
</tbody>
</table>
In the construction, mining and utility equipment business, segment sales advanced by 53.9% from the corresponding period a year ago, to JPY1,658.9 billion. Segment profit expanded by 90.5% to JPY183.9 billion. Segment profit ratio improved by 2.1 points to 11.1%.

Retail Finance: Revenues advanced by 27.3% to JPY45.9 billion. Segment profit expanded by 32.3% to JPY8.9 billion.

Industrial Machinery & Others: Sales advanced by 41.7% to JPY9.1 billion. While sales of wire saws declined, segment profit improved, supported by increased sales of machine tools to the automobile manufacturing industry.

In the construction, mining and utility equipment business, segment sales advanced by 53.9% from the corresponding period a year ago, to JPY1,658.9 billion. Segment profit expanded by 90.5% to JPY183.9 billion. Segment profit ratio improved by 2.1 points to 11.1%.

Retail Finance: Revenues advanced by 27.3% to JPY45.9 billion. Segment profit expanded by 32.3% to JPY8.9 billion.

Industrial Machinery & Others: Sales advanced by 41.7% to JPY9.1 billion. While sales of wire saws declined, segment profit improved, supported by increased sales of machine tools to the automobile manufacturing industry.

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Apr.-Dec.,2016</th>
<th>Apr.-Dec.,2017</th>
<th>Komatsu conventional</th>
<th>KMC</th>
<th>Increase (decrease)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,226.7</td>
<td>1,805.8</td>
<td>1,569.4</td>
<td>236.3</td>
<td>+579.0</td>
<td>+47.2%</td>
</tr>
<tr>
<td></td>
<td>(1,074.3)</td>
<td>(1,448.8)</td>
<td>(1,422.3)</td>
<td>(236.3)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(36.9)</td>
<td>(41.1)</td>
<td>(21.3)</td>
<td>(250.0)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(267.4)</td>
<td>(212.4)</td>
<td>(179.4)</td>
<td>(276.3)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(8.3)</td>
<td>(26.6)</td>
<td>(24.6)</td>
<td>(12.2)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Segment profit</td>
<td>8.8%</td>
<td>107.8</td>
<td>11.1%</td>
<td>200.8</td>
<td>+93.0</td>
<td>+56.3%</td>
</tr>
<tr>
<td></td>
<td>96.5</td>
<td>11.1%</td>
<td>183.9</td>
<td>14.0%</td>
<td>+87.4</td>
<td>+90.5%</td>
</tr>
<tr>
<td></td>
<td>18.7%</td>
<td>19.5%</td>
<td>8.0%</td>
<td>9.1%</td>
<td>+2.1</td>
<td>+22.3%</td>
</tr>
<tr>
<td></td>
<td>5.3%</td>
<td>7.5%</td>
<td>7.0%</td>
<td>7.9%</td>
<td>+0.7</td>
<td>+12.9%</td>
</tr>
</tbody>
</table>

Review of three business segments:
- Construction, Mining & Utility Equipment:
  Sales expanded, supported by increased sales of construction equipment, centering on North America, China and Asia as well as the benefits of the new addition of KMC to consolidated accounting. With respect to profits, while KMC recorded an operating loss, impacted by its temporary expenses, Komatsu (excluding KMC) expanded profit. As a result, segment profit increased sharply as a whole from the corresponding period a year ago.
- Retail Finance:
  Revenues increased, mainly supported by increased assets in North America. Segment profit also improved, reflecting no more adverse effects of allowance for doubtful accounts recorded in China for the corresponding period a year ago.
- Industrial Machinery & Others:
  Sales remained about flat from corresponding period a year ago. Profit improved, supported by increased sales of machine tools to the automobile manufacturing industry.
For the nine-month period of FY2017, sales of construction, mining and utility equipment to outside customers advanced by 53.8% from the corresponding period a year ago, to JPY1,648.6 billion. Excluding those of KMC, sales increased by 31.8% to JPY1,412.3 billion.

Excluding those of KMC, sales increased in all regions. Sales expanded sharply, especially in North America, China and Asia.

The ratio of Strategic Market increased to 54% of total sales, when KMC’s sales were either excluded or included.
For the nine-month period of FY2017, sales increased by JPY581.2 billion from the corresponding period a year ago, as supported by expanded volume of sales, the positive factor of foreign exchange rates and the benefits of the new addition of KMC to consolidated accounting. Although segment profit was adversely affected by temporary expenses of KMC, it increased by JPY87.4 billion as a whole. Segment profit ratio improved by 2.1 points to 11.1%.
This page shows the figures for April through December 2016 and the corresponding period a year ago, after they were reclassified for Komatsu’s fiscal year. They were not included in our consolidated business results at that time.

For the nine-month period of FY2017, KMC recorded sales of JPY236.3 billion, up 20.7% from the corresponding period a year ago. This sales figure consisted of JPY46.4 billion in sales of mining equipment, up 12.4% from the corresponding period a year ago, JPY85.4 billion in sales of parts, up 20.6%, and JPY104.4 billion in service, etc., up 24.9%.

When temporary expenses were excluded, operating income totaled JPY25.6 billion. When the temporary expenses of JPY40.8 billion were included, KMC recorded an operating loss of JPY15.1 billion.

Depreciation after PPA amounted to JPY36.7 billion, including JPY25.8 billion related to inventories. KMC wrote off all inventories in the first half period.

In terms of segment sales, surface mining accounted for 50%, and underground, 50%.

By region, North American sales accounted for 42% of total sales.
Assets in the retail finance business increased, mainly due to increased financing contracts, centering on North America.

Segment profit increased, reflecting no more adverse effects of additional allowance for doubtful accounts recorded in China for the corresponding period a year ago.
For the nine-month period of FY2017, sales of the industrial machinery and others segment remained about flat at JPY121.4 billion from the corresponding period a year ago.

Segment profit increased by JPY2.7 billion to JPY9.1 billion. Segment profit ratio improved by 2.2 points to 7.5%. While sales of wire saws declined, segment profit improved, due to increased sales of machine tools to the automobile manufacturing industry.
Total assets grew by JPY803.5 billion from the previous fiscal year-end, affected by the new addition of KMC to consolidated accounting and increased inventories. When the effects of the new addition of KMC to consolidated accounting as well as foreign exchange effects are excluded, total assets increased by JPY153.2 billion.

Inventories increased by JPY223.5 billion. When the effects of the new addition of KMC to consolidated accounting as well as foreign exchange effects are excluded, inventories increased by JPY89.2 billion.

Interest-bearing debt increased by JPY476.0 billion to JPY884.7 billion, mainly due to the acquisition of KMC. Interest-bearing debt of KMC was JPY128.3 billion.

Komatsu Ltd. shareholders’ equity ratio declined by 10.7 points to 48.7%.
II. Outlook of FY2017 Business Results
For the nine-month period of FY2017, consolidated net sales and profits are better than our projection of October 2017, and we believe this condition will continue in the fourth quarter. However, we are not changing the projection for full-year business results, as we consider such factors as foreign exchange rates and the post-Chinese New Year demand.

This page shows our projection of full year-results for FY2017, which we announced in October 2017.
Demand for 7 major products and mining equipment is based on Komatsu's conventional product range. This applies to pages 17 through 23.

In the third quarter and nine-month periods of FY2017, global demand advanced by 27% each from the corresponding period a year ago.

Quarterly demand has been increasing year on year. We anticipate that this trend will continue in North America and other regions in the fourth quarter. With respect to full-year demand, we are not changing our projection of October last year.
In the third quarter period of FY2017, demand decreased by 3% from the corresponding period a year ago.

Demand for new equipment declined, mainly due to the reactionary drop of pre-buy demand triggered by Japanese emission controls (effective September 2017).

Demand in the nine-month period (April - December 2017) increased by 20% from the corresponding period a year ago.
In the third quarter period of FY2017, North American demand advanced by 24% from the corresponding period a year ago.

In the United States, demand remained steady, centering on the infrastructure development and energy-related sectors. In the rental industry, demand increased after having been sluggish.

In the nine-month period (April – December 2017), demand increased by 14% from the corresponding period a year ago.

Quarterly demand has been increasing year-on-year. We anticipate that this trend will continue in the fourth quarter.
In the third quarter of FY2017, demand increased by 3% from the corresponding period a year ago.

Demand remained steady, centering on a major market of Germany.

In the nine-month period (April – December 2017), demand increased by 6% from the corresponding period a year ago.
In the third quarter period of FY2017, Chinese demand expanded by 99% from the corresponding period a year ago, fueled by ongoing infrastructure development projects nationwide. Quarterly demand has continued to increase year on year since the second quarter (July – September 2016) of FY2016.

As of today, demand for new equipment is increasing, driven by ongoing infrastructure development projects nationwide. We are going to pay careful attention to demand in post Chinese New Year.

In the nine-month period (April – December 2017), demand surged by 111% from the corresponding period a year ago.

- In the third quarter period of FY2017, demand expanded by 99% from the corresponding period a year ago.  
- Demand for construction equipment is growing, supported by growing construction projects for infrastructure development.
In the third quarter period of FY2017, demand advanced by 27% from the corresponding period a year ago.

Especially, demand for mining equipment increased in Indonesia, the largest market of Southeast Asia.

In the nine-month period, (April – December 2017), demand also advanced by 28%.
In the third quarter period of FY2017, global demand advanced by 50% from the corresponding period a year ago.

Demand is continuing to grow, centering on Indonesia.

With respect to full-year demand, we are not changing our projection of October last year.
This page shows sales of mining equipment which include those made by KMC, starting in FY2017.

Concerning the bar graphs here, FY2017 figures include KMC’s sales on both the left side for annual sales and the right side for quarterly sales. With respect to line graphs, the solid line for FY2017 shows the growth rate which includes KMC’s sales, while the dotted line for FY2017 for the growth rate without KMC’s sales.

Sales for the third quarter period of FY2017 surged by 132% from the corresponding period a year ago, to JPY252.2 billion as a whole. When KMC’s sales are excluded, sales expanded by 53% to JPY166.9 billion.

When the effects of KMC are excluded, sales of equipment, parts and service advanced, supported by increasing demand in Indonesia and some other countries.
For the third quarter period of 2017, sales of parts advanced by 56% to JPY146.1 billion from the corresponding period a year ago. When KMC's sales are excluded, sales of parts advanced by 24% to JPY116.5 billion.

As a result of effectively capturing demand for aftermarket products, sales of parts advanced for the third quarter period of FY2017.
Appendix
### Appendix

**Retail Finance: Quarterly Sales and Segment Profit**

#### Quarterly Sales

<table>
<thead>
<tr>
<th>Billions of yen</th>
<th>FY14/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>FY15/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>FY16/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>FY17/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exchange rates</strong></td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>USD</td>
<td>102.5</td>
<td>102.8</td>
<td>114.1</td>
<td>119.3</td>
<td>123.3</td>
<td>123.6</td>
<td>123.2</td>
<td>116.9</td>
<td>109.8</td>
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<td>103.0</td>
<td>114.7</td>
<td>111.3</td>
<td>119.9</td>
<td>113.0</td>
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</tr>
<tr>
<td>EUR</td>
<td>149.9</td>
<td>177.7</td>
<td>142.8</td>
<td>136.9</td>
<td>133.9</td>
<td>134.2</td>
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<td>129.9</td>
<td>133.2</td>
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</tr>
<tr>
<td>JPY</td>
<td>16.4</td>
<td>16.6</td>
<td>15.7</td>
<td>19.9</td>
<td>19.6</td>
<td>19.5</td>
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<td>16.3</td>
<td>16.8</td>
<td>17.5</td>
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</tr>
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#### Quarterly Segment Profit

<table>
<thead>
<tr>
<th>Billions of yen</th>
<th>FY14/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>FY15/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>FY16/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
<th>FY17/1Q</th>
<th>2Q</th>
<th>3Q</th>
<th>4Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment profit</td>
<td>28.0%</td>
<td>28.6%</td>
<td>29.2%</td>
<td>24.2%</td>
<td>27.3%</td>
<td>28.0%</td>
<td>24.0%</td>
<td>19.3%</td>
<td>15.9%</td>
<td>20.1%</td>
<td>20.3%</td>
<td>18.9%</td>
<td>18.9%</td>
<td>20.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment profit ratio</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>2.3%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>2.3%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.8%</td>
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<td></td>
</tr>
</tbody>
</table>

*1 Including allowances for bad doubtful accounts in China (FY16/1Q: JPY-1.0 bn, 2Q: JPY-0.5bn bn, 3Q: JPY-0.2 bn, 4Q: JPY-4.9bn)
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 KMC-made mining equipment since September 2015.

Top graph shows the book-to-bill ratio of surface mining equipment, such as rope shovels and blast hole drills, while the bottom graph that of underground mining equipment, such as continuous miners and shearsers.
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.
We have celebrated the tenth anniversary of the commercial deployment of its Autonomous Haulage System (hereafter “AHS”). Today, more than 100 AHS trucks operate in Australia, North and South America. Based on the 10-year proven record of safety, productivity, environmental resistance and system flexibility in an array of mining environments, Komatsu plans to accelerate the pace of AHS deployment.

A standard truck 830E with the AHS retrofit kit running in autonomous mode at Rio Tinto’s mine in Australia
Komatsu to acquire Quadco & Southstar operations

We have signed an agreement to acquire from Prebrec Equipment (CEO: Charles MacLennan) based in Quebec, Canada, the attachment business, namely, the Quadco and Southstar brands, owned by Prebrec Equipment and its subsidiaries. We plan to complete the acquisition by the end of February.

<Attachments owned by Prebrec Equipment>

[Quadco-brand felling head]

Komatsu’s forest machine with Quadco’s felling head

[Southstar-brand harvester head]

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.