
**Mid-Term Management Plan
(FY2019 – FY2021)**

DANTOTSU Value
FORWARD Together for Sustainable Growth

**April 26, 2019
Hiroyuki Ogawa
President and CEO
Komatsu Ltd.**

Mid-Term Management Plan (FY2019 – FY2021)

DANTOTSU Value

FORWARD Together for Sustainable Growth

Linking every workplace through excellence

Our world is changing.

So are the challenges of our customers and society.

What can we do to help overcome these challenges while remaining sustainable?

Together, we can reach new, unrivaled heights of excellence in our products, services, and solutions to enable a better world. We can link every workplace and generate value with our global teams, customers, distributors, partners and communities.

We can make a difference.

We can do it by delivering DANTOTSU Value.

The external environment is changing, as represented by multi-polarization of the world and growing concerns about climate change. To achieve sustainable growth, we need growth strategies that are not affected by changes of market demand.

Changes in the External Environment and of ESG Issues

[Politics & economy]

- Multipolarization of the world
- Emergence of protectionism
- Growth of emerging economies

[Technologies]

- Further spread of IoT, AI, and big data
- The progress of electric and autonomous vehicles

[Environment & energy]

- Climate change
- Growing demand for energy, foods and water
- Decarbonization & renewable energy

[Society & values]

- Acceleration of diversity in advanced countries
- A decline of working-age population
- Achievement of a recycling-oriented society by accelerating the pace of sharing
- Growing pursuit and needs for safety and comfort

Expectations of achieving a sustainable society

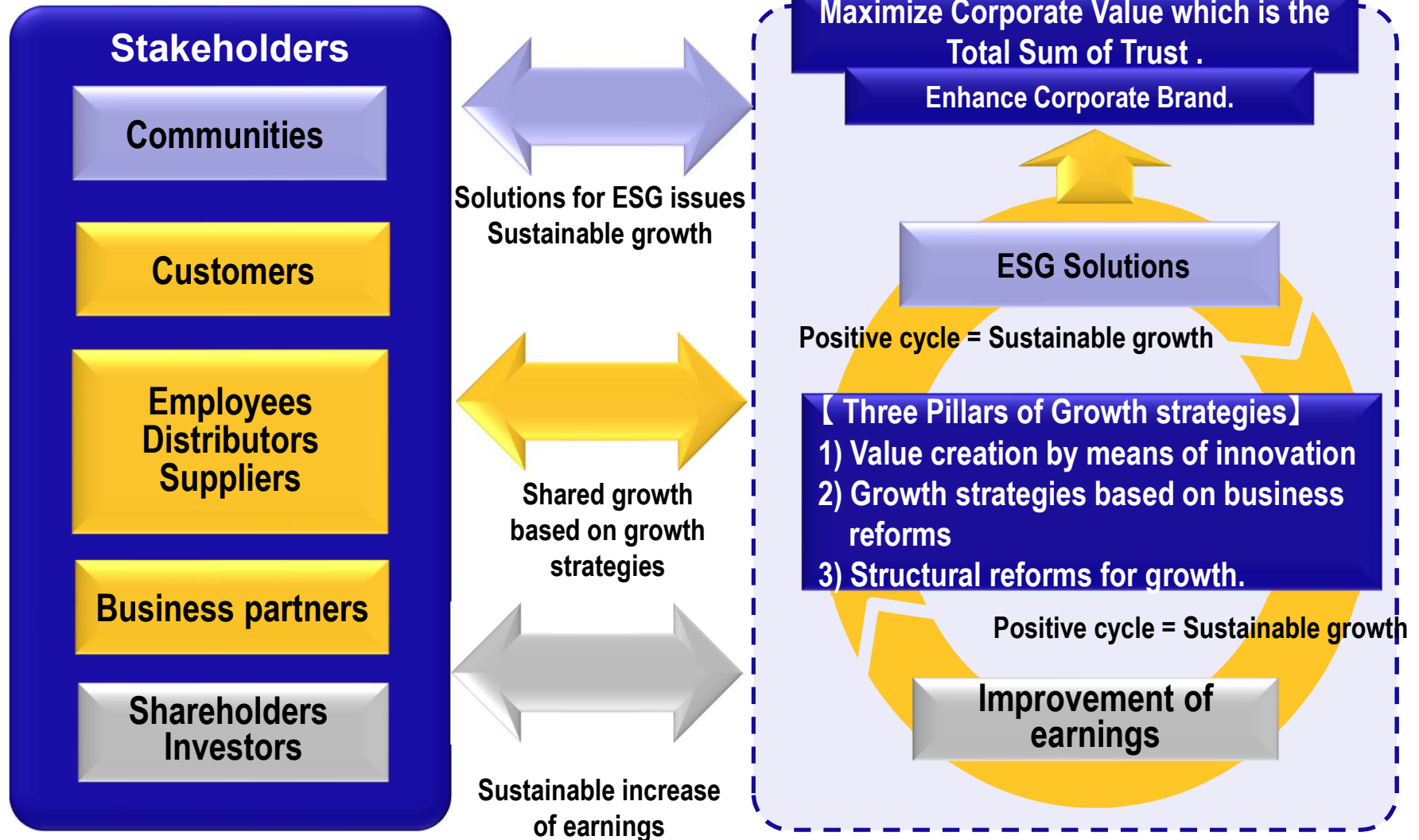
Our Tasks in the Growth Strategies

1. To solve ESG issues through the growth strategies of our core business.
2. To promote sustainable growth based on our profit structure which is free of changes in the external environment and market demand.

We will strive to maximize our corporate value and achieve sustainable growth through a positive cycle of improving earnings and solving ESG issues. We will achieve this by working on our three strategic pillars: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth.

« Expectations of society and stakeholders »

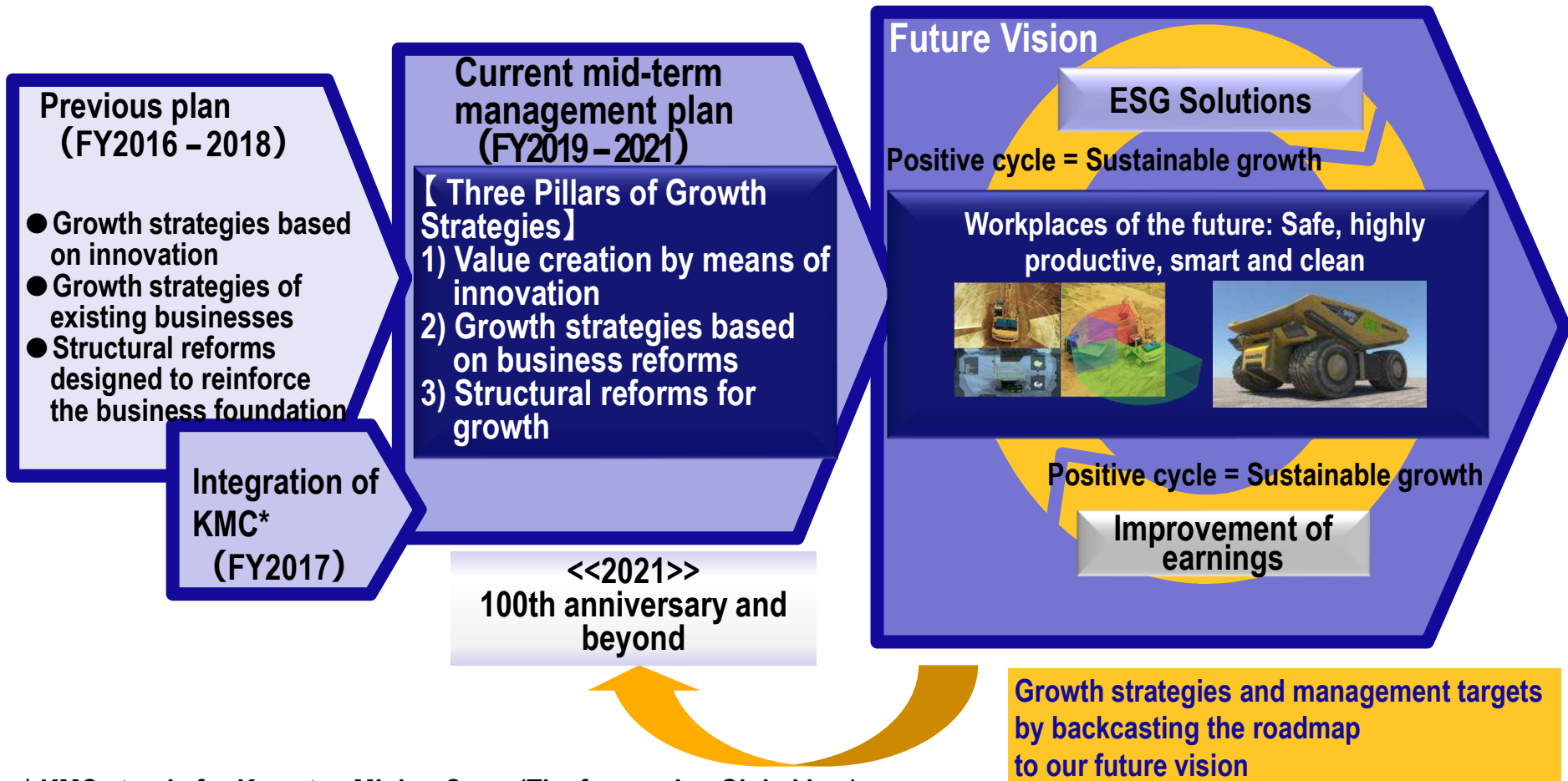
« Growth Strategy Aligned with Management Principles »



To maximize corporate value (the total sum of trust) , we will work for sustainable growth. In developing this mid-term management plan, we have defined growth strategies and management targets by backcasting the roadmap to our future vision.

Management principle

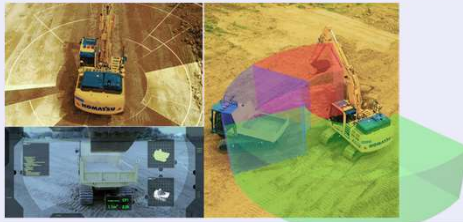
Make commitment to Quality and Reliability and maximize corporate value (the total sum of trust from society and all stakeholders)



* KMC stands for Komatsu Mining Corp. (The former Joy Global Inc.)

We will achieve sustainable growth in the face of changing external environment and challenges by focusing efforts on the following three pillars of growth strategies.

Value creation by means of innovation



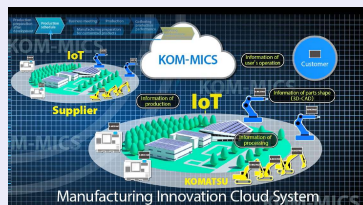
- ◆ Optimization platform and solutions business strategies
 - * SMARTCONSTRUCTION, Autonomous Haulage System (AHS), and platforms (LANDLOG and IntelliMine)
- ◆ Automation, autonomous operation, electrification and remote controlling of construction, mining and utility equipment
- ◆ Smart forestry and agriculture

Growth strategies based on business reforms



- ◆ KMC integration synergies and business reinforcement
- ◆ Value chain reforms and redefinition of the aftermarket business
 - * Preventive maintenance by applying IoT and AI, and Lifecycle support under serial number-based management
 - * Logistics reforms * Next-generation key components
- ◆ Next-generation KOMTRAX
- ◆ Stronger focus on aggregate & cement, forestry, agriculture and other segments
- ◆ Efforts for “DANTOTSU NO. 1 in Asia” and in the growing markets of India and Africa
- ◆ Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)

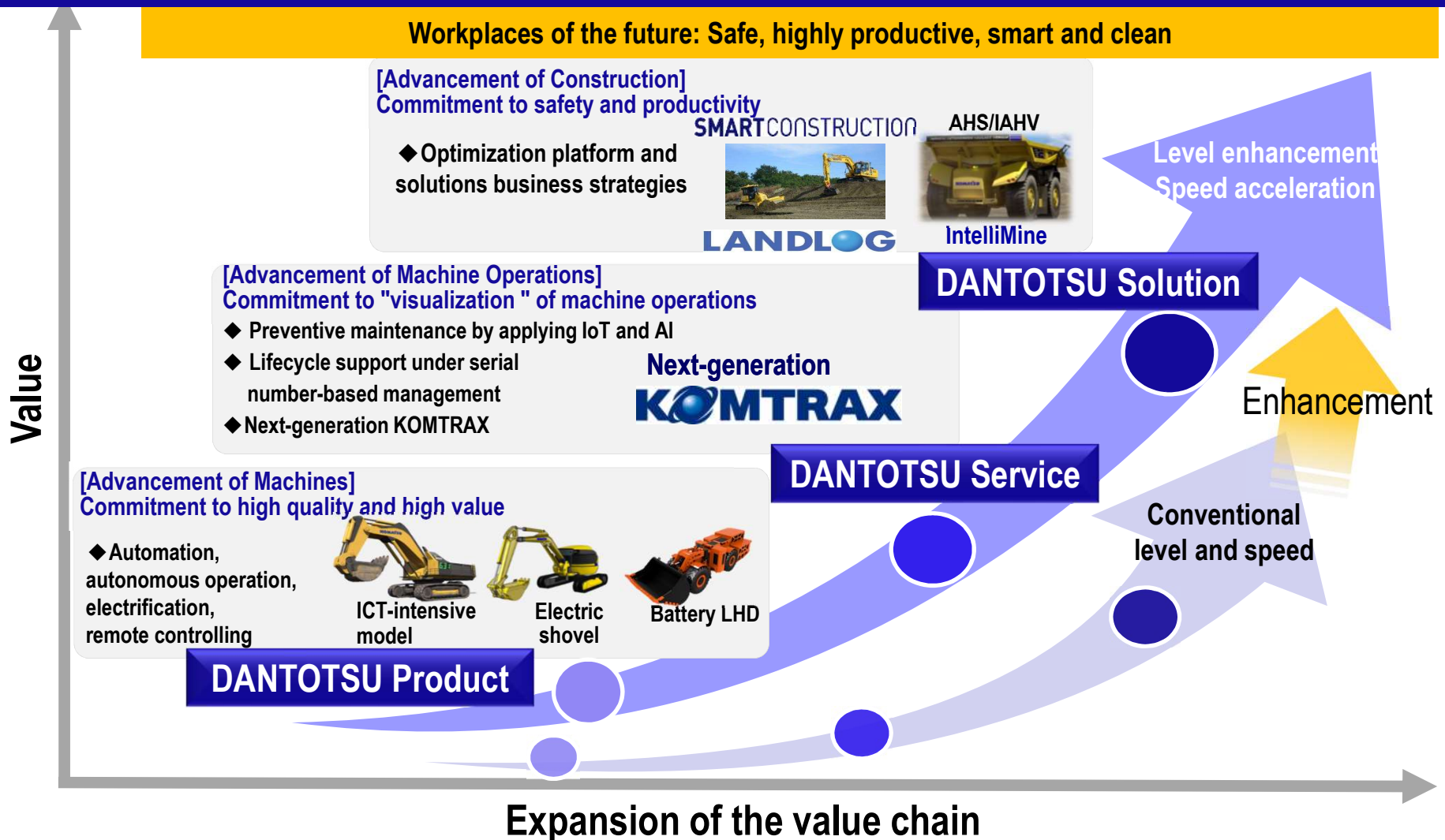
Structural reforms for growth



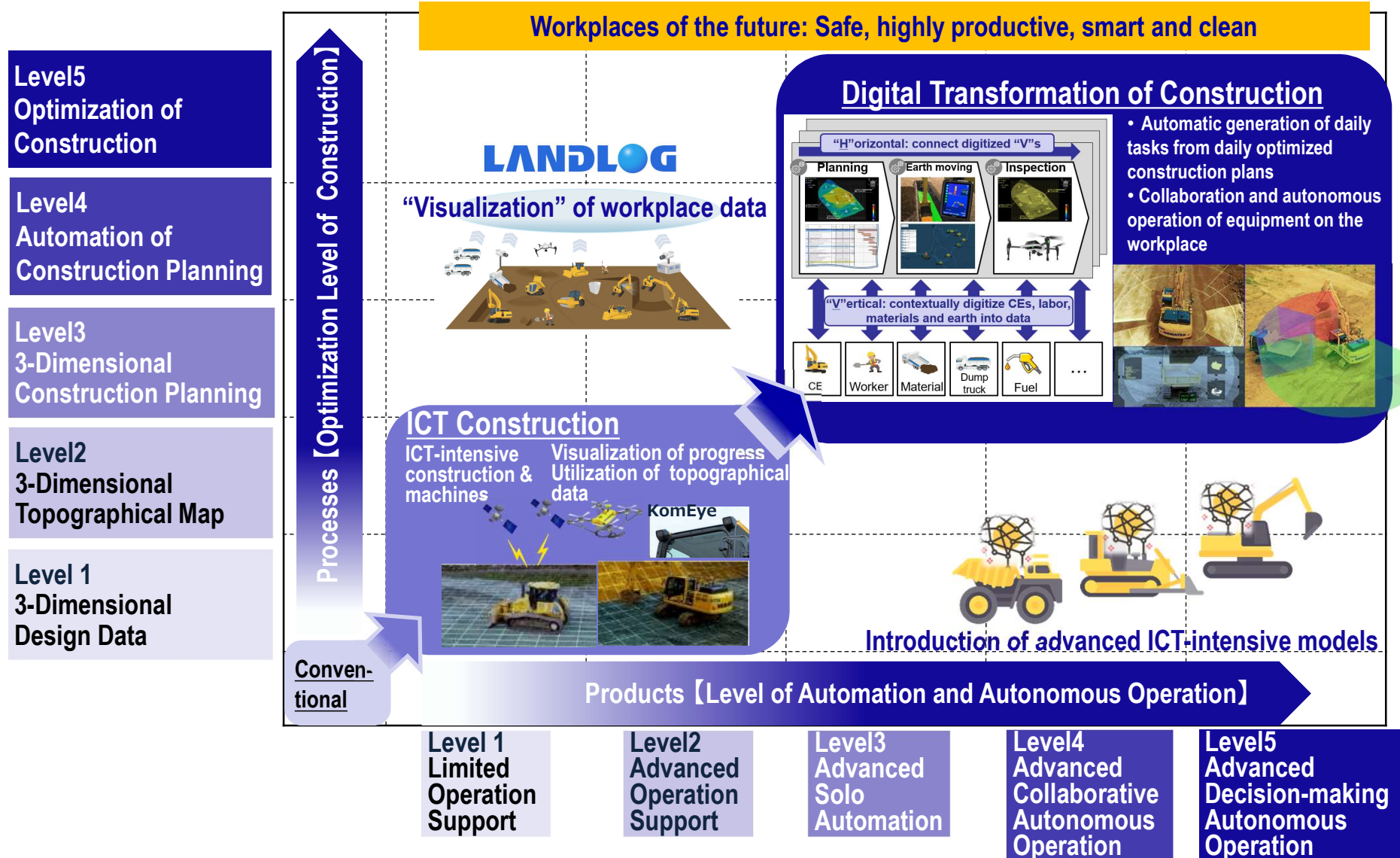
- ◆ Business reforms by means of ICT and IoT
- ◆ Structural reforms of development operation
 - * Model base development
 - * Open innovation
- ◆ Connected plants with Zero impact on environment and workers
- ◆ Global human resource development

We will accelerate the speed of advancing the level of DANTOTSU products, DANTOTSU services and DANTOTSU solutions, and create DANTOTSU Value (ESG solutions through the creation of customer value and improvement of earnings).





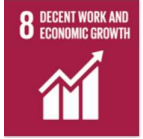


DANTOTSU Value (ESG solutions through the creation of customer value and improvement of earnings)



We will achieve digital transformation of construction by advancing products (automation and autonomous operation) and processes (optimization) to help create safe, highly productive, smart and clean workplaces of the future.



We will help solve ESG issues through our core business by offering high-quality, high-performance products, service and solutions ensuring safety and reduction of environmental impact in response to climate change.

CSR Themes	ESG Solutions through Core Business	Relationship with SDGs
<p>Enhancing Quality of Life</p> <p>-Providing products required by society-</p>	<ul style="list-style-type: none"> ➤ Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). ➤ Improve productivity, efficiency, safety and environmental impact (lower CO2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. ➤ Make commitment to DANTOTSU value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value). 	<p>Innovation and Infrastructure Sustainable Cities and Communities</p>   <p>Climate action</p>  
<p>Developing People</p>	<ul style="list-style-type: none"> ➤ Develop a diverse workforce with a high level of productivity and technical skills. ➤ Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces. ➤ Develop talent with cross-value chain capabilities. 	<p>Decent work and economic growth</p> 
<p>Growing with Society</p>	<ul style="list-style-type: none"> ➤ Offer solutions for social issues through collaboration with stakeholders. ➤ Act as a responsible corporate citizen ensuring corporate governance, compliance and human rights. 	<p>Sustainable Cities and Communities Partnerships for the goals</p>  

Further Disclosure of Information

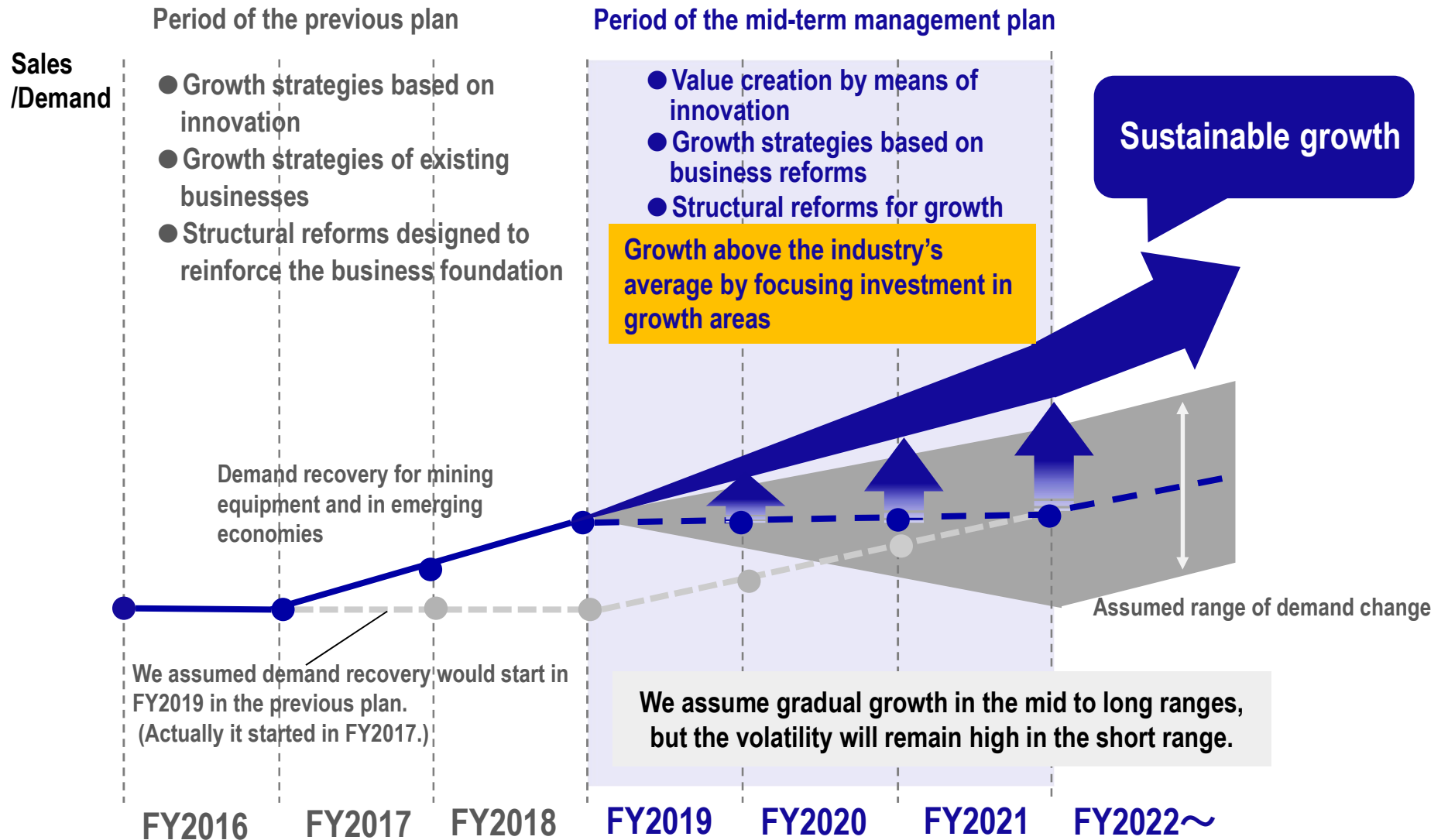
Express Support for TCFD*
(April 2019)



Integrated report (New Komatsu Report)
(September 2019)

*Task Force on Climate-related Financial Disclosures

We will strive for growth above the industry's average by making priority investment in growth areas, as we assess cost effectiveness and strategic value under the three pillars of growth strategies.



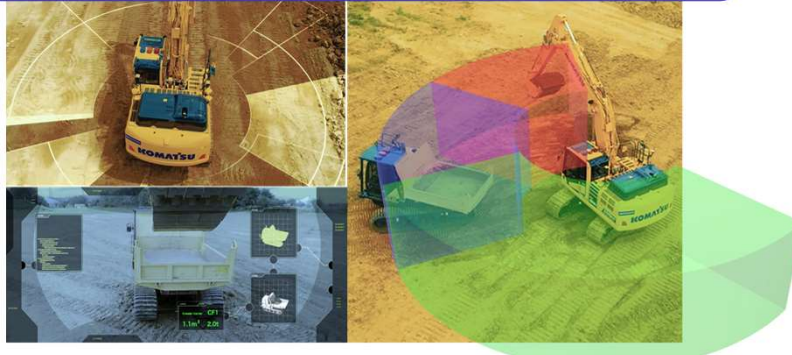
In addition to striving for the industry's top-level growth, profitability, efficiency, and soundness, we have newly set up ESG indexes. Placing priority on investment for growth strategies, we will work to maintain stable dividends and keep 40% or higher for consolidated payout ratio.

	Index	Targets
Growth	<ul style="list-style-type: none"> Sales growth rate 	<ul style="list-style-type: none"> Growth rate above the industry's average
Profitability	<ul style="list-style-type: none"> Operating profit ratio 	<ul style="list-style-type: none"> An Industry's top-level operating income ratio
Efficiency	<ul style="list-style-type: none"> ROE 	<ul style="list-style-type: none"> ROE of 10% or higher
Financial position	<ul style="list-style-type: none"> Net D/E ratio 	<ul style="list-style-type: none"> Industry's top-level financial position
Retail finance business	<ul style="list-style-type: none"> ROA Net D/E ratio 	<ul style="list-style-type: none"> ROA: 1.5-2.0% 5.0 or under for net debt-to-equity ratio
[New] ESG	<ul style="list-style-type: none"> Reduction of environmental impact Evaluation by external organizations 	<ul style="list-style-type: none"> Reduction of environmental impact <ul style="list-style-type: none"> CO₂ emissions: Decrease by 50% in 2030 from 2010. Renewal energy use : Increase to 50% of total energy use in 2030. Evaluation by external organizations: Selected for DJSI ^{*1} (World & Asia Pacific) and CDP^{*2} A-list (Climate Changes and Water Risk)
Shareholder return	<ul style="list-style-type: none"> Dividend payout ratio 	<ul style="list-style-type: none"> Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment. Set the goal of a consolidated payout ratio of 40% or higher.

Notes: 1) Dow Jones Sustainability Indices: SRI indices operated by S&P Dow Jones Indices of U.S.A. and RobecoSAM of Switzerland

2) International non-profit organization, protecting water resources and forests by advocating the reduction of greenhouse gas emissions by companies and governments

Future construction equipment (Automated, autonomous, electric and remote-controlled)



Optimization platform and solutions business (Reduction of environmental impact and improved safety and productivity)



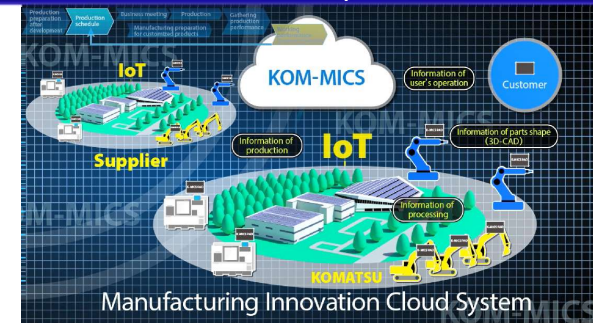
Promotion of smart forestry (Circular environmental protection)



ICT-used smart forestry

Entry into planting

Future Plant (Connected plants with Zero impact on environment and workers)



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.