

Mid-Term Management Plan (FY2019–FY2021)

DANTOTSU Value

FORWARD Together for Sustainable Growth

Komatsu's External Environment

Today, protectionism is growing around the world, and multipolarity is becoming evident. We are also witnessing growing concerns over climate change. As the external environment is changing dynamically, in the construction, mining, and utility equipment business, we assume gradual growth of the demand in the medium to long term, but the volatility will remain high in the short term. In the industrial machinery and others business, we anticipate a structural change of demand in the automobile manufacturing industry, mainly resulting from ongoing progress toward electric vehicles. In addition, we anticipate assured growth in demand in the semiconductor manufacturing industry over the medium to long term, while a temporary adjustment phase is also expected. Achieving sustainable growth in this environment will require growth strategies that are not affected by demand fluctuations.

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

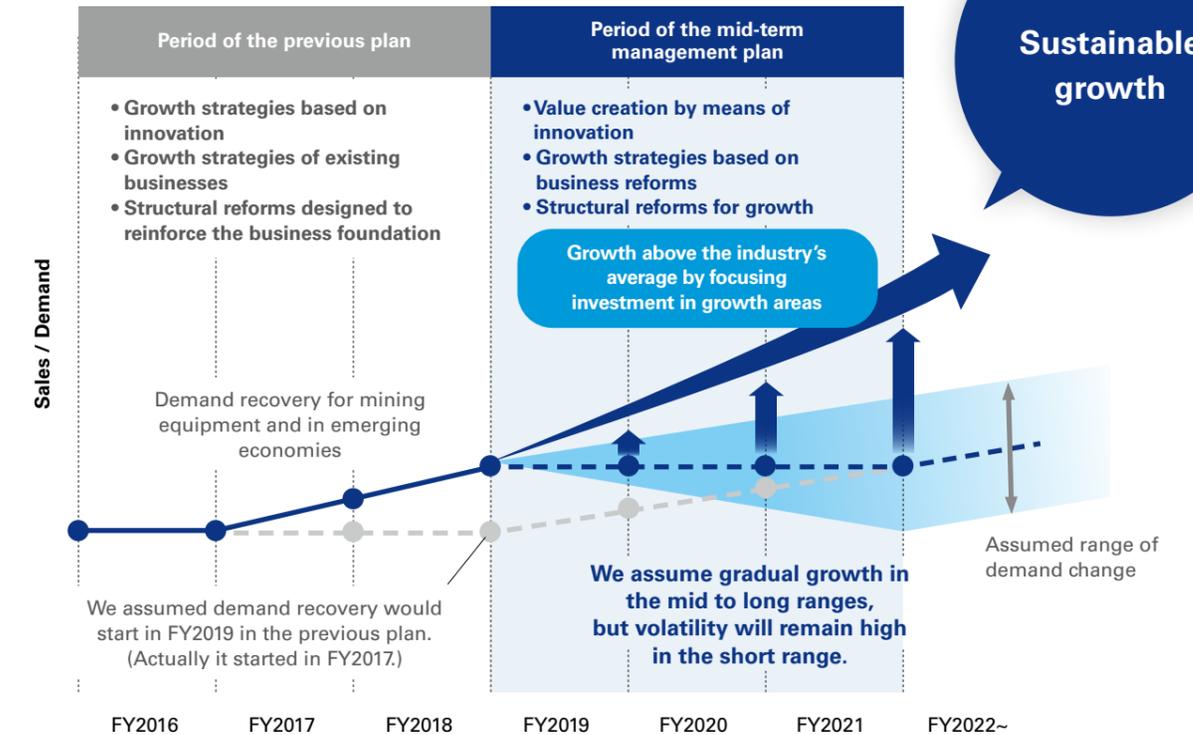


Society & values

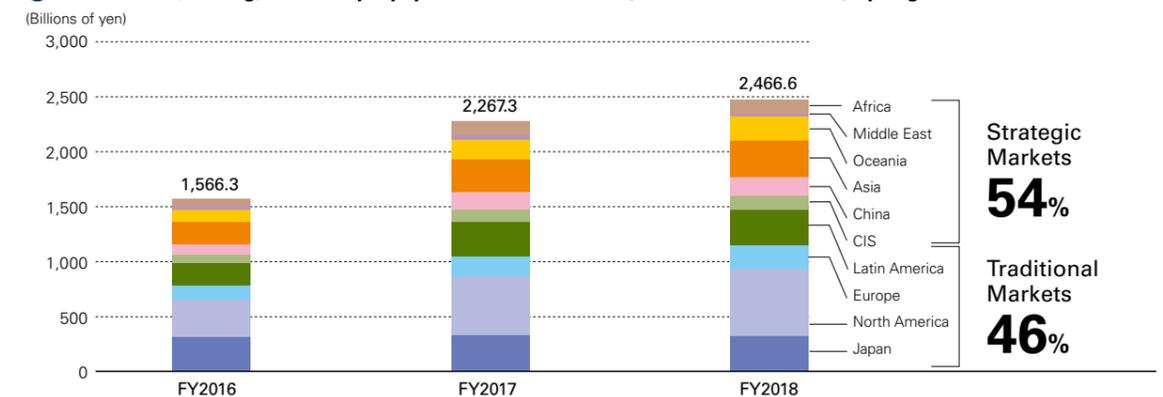
- Acceleration of diversity in advanced countries
- A decline of working-age population
- Achievement of a recycling-oriented society by accelerating the pace of sharing
- Growing pursuit and needs for safety and comfort



Demand for Construction and Mining Equipment



Construction, Mining, and Utility Equipment Business Sales (to Outside Customers) by Region



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

Komatsu's Growth Strategies

Mid-Term Management Plan (FY2019–FY2021)

Overview of the Mid-Term Management Plan

The mid-term management plan sets forth the future vision Komatsu should aspire to and hope to accomplish as it approaches and moves beyond the 100th anniversary of its founding in 2021. As part of this vision, we seek to become a company that can help realize the safe, highly productive, smart, and clean workplaces of the future together with customers while generating a positive cycle of resolving ESG issues through the creation of value for customers and improving earnings.

Management Principle

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



Management Targets of the Mid-Term Management Plan and Related Performance

Management Target		FY2019 (First year of the plan)	
		Indicator	Performance
Growth	• Growth rate above the industry's average	Sales growth rate	▲10.3%
Profitability	• An industry's top-level operating income ratio	Operating income ratio	10.3%
Efficiency	• 10%-level ROE	ROE	8.6%
Financial position	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment	Net debt-to-equity ratio	0.43
Shareholder return	• Set the goal of a consolidated payout ratio of 40% or higher	Consolidated payout ratio	57.7%
ESG	• Reduction of environmental impact CO ₂ 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 (World & Asia Pacific) and CDP A-list (Climate Changes and Water Risk)	Reduction of environmental impact Evaluation by external organizations	CO ₂ emissions: Decrease by 40% in 2021 Renewable energy use: Increase to 15% of total energy use in 2021 Selected for DJSI CDP Climate Change: A CDP Water Risk: A-
Retail finance business	• ROA: 1.5%–2.0% • 5.0 or under for net debt-to-equity ratio	ROA Net debt-to-equity ratio	1.5% 3.80

Concepts and Stance of the Mid-Term Management Plan

The mid-term management plan defines three pillars of growth strategies: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. By prioritizing investment on growth areas based on the three pillars of growth strategies, we will seek to achieve sustainable growth through a positive cycle of improving earnings and solving ESG issues that is resilient to fluctuations in demand.

Expectations of society and stakeholders



Growth Strategy Aligned with Management Principles

