

Mid-Range Management Plan (FY2016 -18)

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

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1. Catchphrase of Mid-range Management Plan

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.

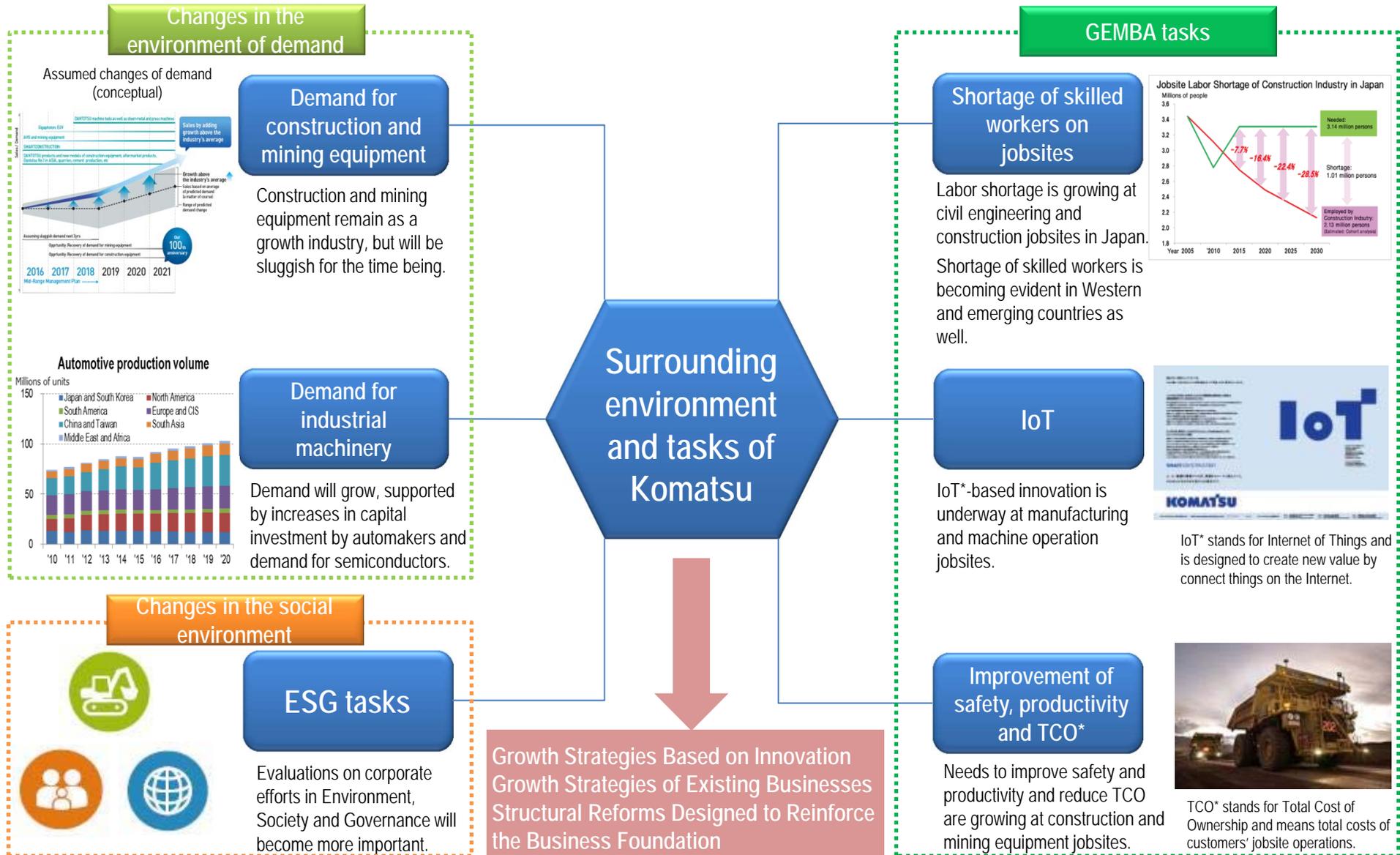
Together We Innovate GEMBA Worldwide **Growth Toward Our 100th Anniversary(2021) and Beyond**

Growing towards our 100th anniversary and beyond



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



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

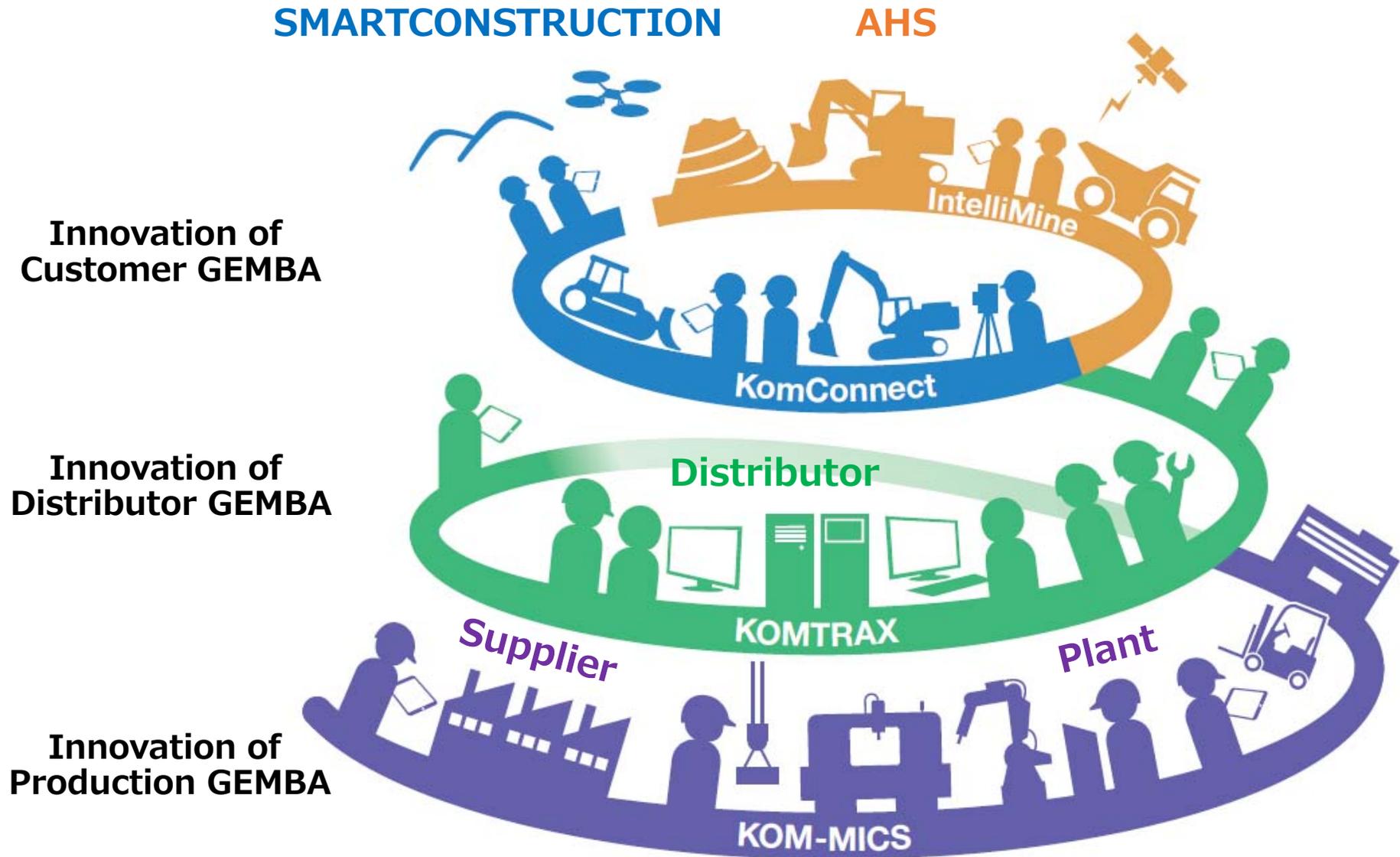
IoT at Komatsu IoT enables connection and sharing of real-time information concerning all processes from production to sales.

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

Production being connected

Plants being connected to market information



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

Environment

Lifecycle of construction equipment

Manufacturing accounts for about 2% of total CO2 emissions.

Use of machines accounts for about 90% of total CO2 emissions.

CO2 reduction from machines in use

25% reduction per Work volume*1

*1: New models to be sold in 2025 as compared to 2007

CO2 reduction in manufacturing

Japan: 57% reduction*2

Overseas: 32% reduction*2

*2

- Target rate of reduction in 2020
- Improvement rate of unit per mfg. value
- Benchmark years: 2000 in Japan, 2010 overseas
- Applicability: Komatsu Group's main plants worldwide

Customers: Construction management, Construction cost, Fleet management

Accurate servicing

Distributor: Optimized maintenance proposition

Work site: Vehicle Information Management System (KOMTRAX)

Society

Improvement of safety at customers' jobsites

Complete unmanned operation

ICT-intensive construction

Working for no accidents at customers' jobsites by developing technology to improve safety

Social contribution efforts

Komatsu-made demining machine in Cambodia

School built in March 2015. 6th one in Cambodia

Growing with local communities

Assistance to welders' school in India

Science class for children at Komatsu-no-mori

Governance

Corporate governance

Reinforcement of corporate governance

Reinforcement of internal control

Global management system

Promotion of diversity

Thorough safety, health and compliance

FIVE PRINCIPLES OF COMPLIANCE

Message concerning Occupational Safety and Health

Health promotion plan

Risk management

Risk Management Committee

BCP*3

Information security

Identification of potential risks

*3: BCP stands for Business Continuity Plan, and we have developed it to continue important operations or make a quick recovery from damages of natural disasters or accidents.

Improvement of corporate governance

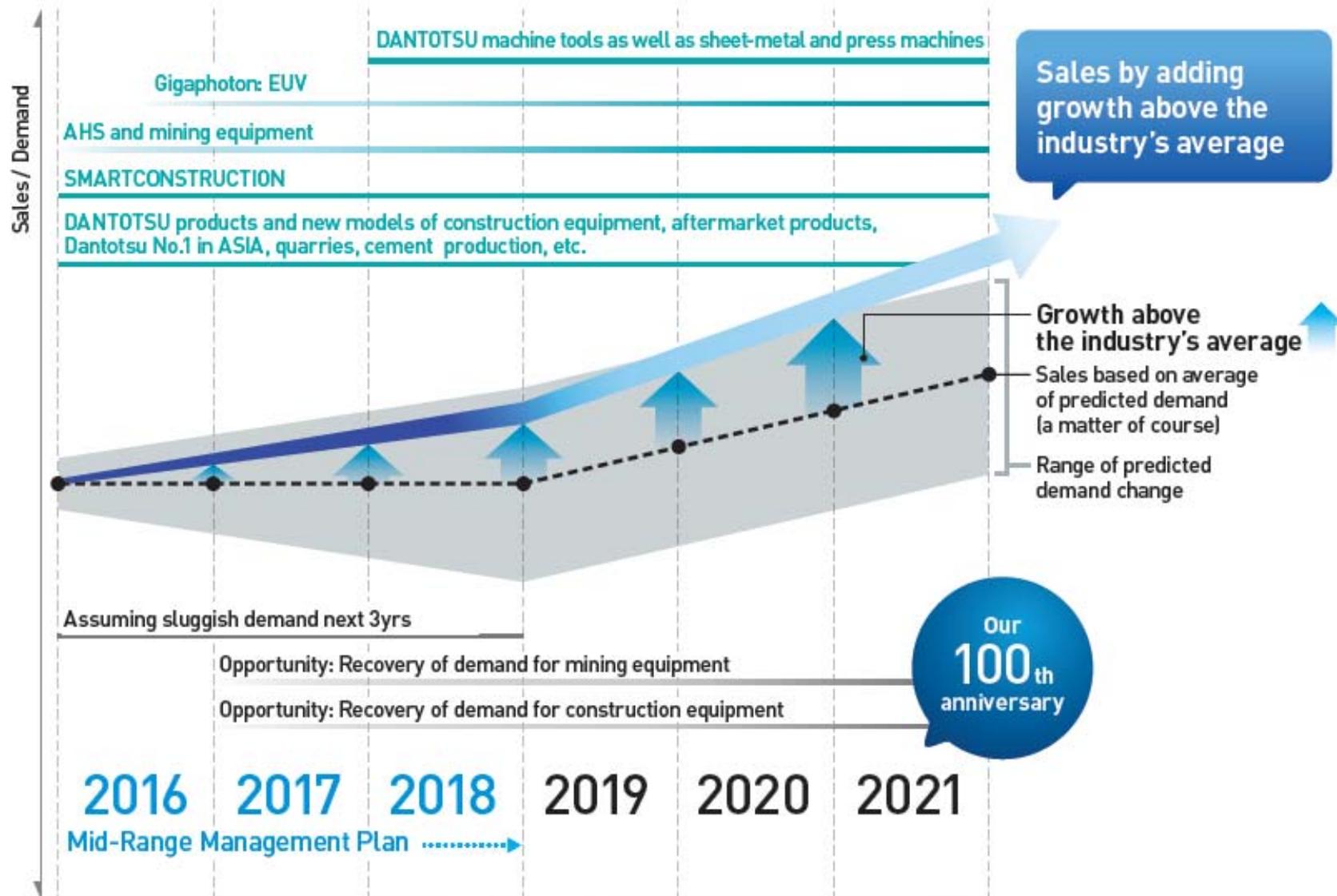
Reinforcement of competitive manufacturing

Brand Management

The KOMATSU Way

6. Growth Toward Our 100th Anniversary and Beyond

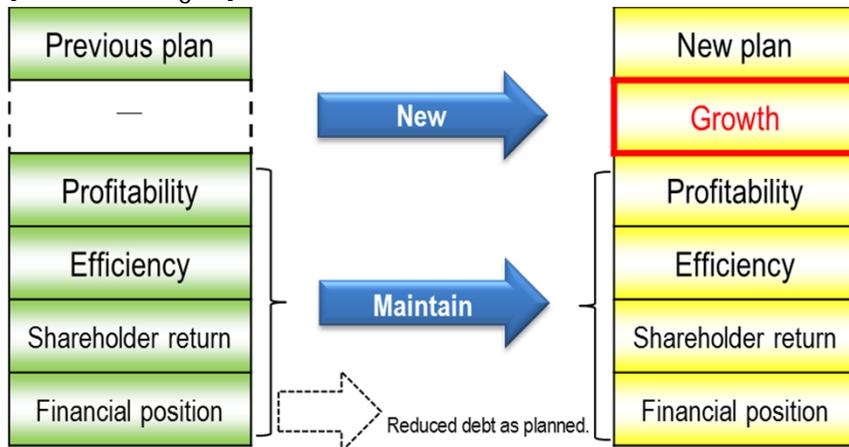
- Although we assume that demand will remain sluggish for the time being, we will achieve our growth above the industry's average by promoting growth based on innovation and of existing businesses.



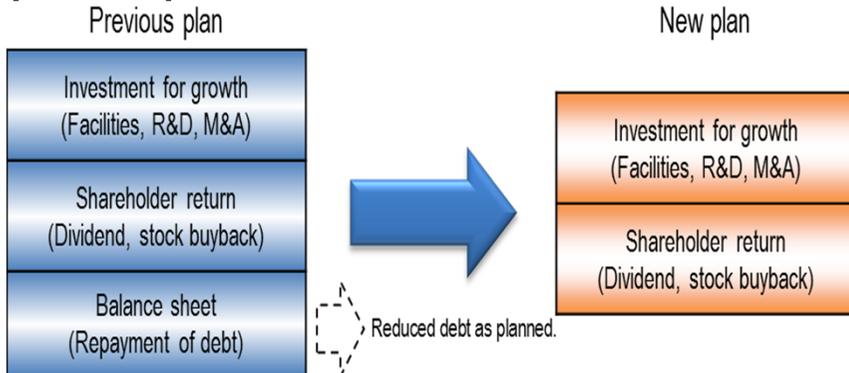
7. Targets of Mid-range Management Plan

- In addition to our conventional top-level profitability and financial position in the industry, we will work for growth above the industry's average, even while demand will remain sluggish.
- We will place more importance on redistribution of profits to shareholders, and set the goal of a consolidated payout ratio of 40% or higher, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
- By segmenting the retail finance business, we will enhance transparency of profitability and financial position of consolidated and retail finance business performance. The retail finance business will set up its own target figures.

[Stance on Targets]



[Use of funds]



<Balancing the three>

<Balancing the two>

[Targets]

Growth	• Aim at a growth rate above the industry's average.
Profitability	• Aim at an Industry's top-level operating income ratio.
Efficiency	• Aim at 10%-level ROE.
Shareholder return	<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, and maintain the policy of not decreasing dividends as long as the ratio does not surpass 60%.
Financial position	• Aim at industry's top-level financial position.

Retail finance business	<ul style="list-style-type: none"> • ROA: 2.0% or above • 5.0 or under for net debt-to-equity ratio
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