A Century of Creating the Workplaces of the Future

Demand for Construction and Mining Equipment

FY2018

FY2019

Africa Middle East

Oceania . Asia

N atin Ame

North America

Furone

China

CIS

2,466.6

FY2018

Period of the previous plan

· Growth strategies based on innovation

· Structural reforms designed to rein-

Demand recovery for mining equipment and in emerging economies

FY2017

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

2,267.3

FY2017

We assumed demand recovery would start in

FY2019 in the previous plan.

(Actually it started in FY2017.)

FY2016

1.566.3

FY2016

· Growth strategies of existing

force the business foundation

businesses

Sales / Demand

(Billions of yen)

3 000

2.000

1,500

1.000

500

Period of the mid-term management plan

· Value creation by means of innovation

Growth strategies based on business

Growth above the industry's

average by focusing investment

in growth areas

We assume gradual growth in the mid to

long ranges, but volatility will remain high

in the short range.

FY2020 FY2021

Traditiona

Markets

46%

· Structural reforms for growth

Sustainable

growth

Assumed range of demand change

1,961.2

FY2022 ~

management plan

Performance of the mid-term

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 in 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 recyclingoriented 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

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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)



- Value creation by means of innovation
- Optimization platform and solutions business strategies Smart Construction, Autonomous Haulage System (AHS), and platforms (LANDLOG and IntelliMine)
- · Automation, autonomous operation, electrification and remote-controlling of construction, mining and utility (compact) equipment
- · Smart forestry and agriculture



- **Growth strategies** reforms
- KMC integration synergies and business reinforcement Value chain reforms and redefinition of the aftermarket business Preventive maintenance by applying IoT and Al, and Lifecycle support under serial
- Next-generation Komtrax • Next-generation Nomtrax
 • Next-generation Nomtrax
 • Stronger focus on aggregate & cement, forestry, agriculture and other segments

number-based management; logistics reforms; and next-generation key components

- Reforms of the industrial machinery business (Expansion of synergy with the construction
- Efforts for "DANTOTSU No. 1 in Asia" and in the growing markets of India and Africa equipment business and growth by capitalizing on core technologies)



3	Structural				
	reforms for				
	growth				

- · Business reforms by means of ICT and IoT
- Structural reforms of development operations Model based development Open innovation
- Connected plants with Zero impact on environment and workers
- Global human resource development

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

Evolution of Business Model for

Creating the Workplaces of the Future Growth Strategies

Management Target				FY2019 (First year of the plan)		FY2020
				Indicator	Performance	Performance
Growth	Growth rate above the industry's average			Sales growth rate	▲10.3%	▲10.4%
Profitability	An industry's top-level operating income ratio			Operating income ratio	10.3%	7.6%
Efficiency	• 10%-level ROE			ROE	8.6%	5.8%
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	0.35
Shareholder return	Set the goal of a consolidated payout ratio of 40% or higher			Consolidated payout ratio	57.7%	48.9%
ESG	Reduction of environmental impact CO ₂ emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030		Reduction of CO ₂ emissions from product use	Reduction of environmental impact	△14%	△14%
			Reduction of CO ₂ emissions from production		∆32%	∆33%
			Rate of renewable energy usage		11%	13%
	Evaluation by external		Selected for DJSI (World & Asia Pacific)		Selected for DJSI	Selected for DJSI
	organizations	CDP A-List (Climate Char	CDP A-List (Climate Changes and Water Risk)		CDP Climate Change: A CDP Water Risk: A-	CDP Climate Change: A CDP Water Risk: A
Retail finance business	• ROA: 1.5%–2.0%			ROA	1.5%	1.2%
	• 5.0 or under for net debt-to-equity ratio			Net debt-to- equity ratio	3.80	3.69

Concepts and Stance of the Mid-Term Management Plan

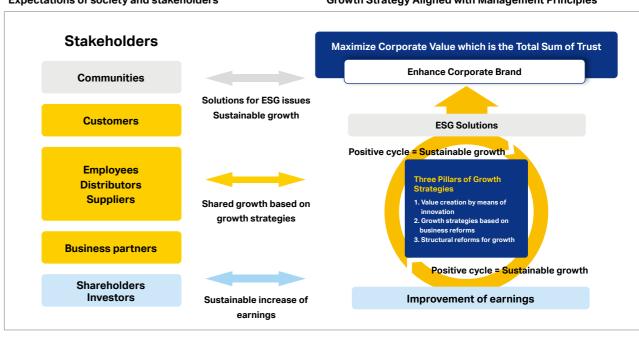
The mid-term management plan defines three pillars of growth strategies: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. By prioritizing investment on growth areas based on the three pillars of growth strategies, we will 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

A Century of Creating the

Workplaces of the Future

Growth Strategy Aligned with Management Principles



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