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

growth • Value creation by means of · Growth strategies based on innovation innovation • Growth strategies of existing · Growth strategies based on businesses business reforms • Structural reforms designed to Structural reforms for growth reinforce the business foundation Growth above the industry's average by focusing investment in growth areas Demand recovery for mining equipment and in emerging economies Assumed range of We assume gradual growth in demand change the mid to long ranges, We assumed demand recovery would but volatility will remain high start in FY2019 in the previous plan. in the short range. (Actually it started in FY2017.) FY2022~ FY2016 FY2017 FY2018 FY2019 FY2020 FY2021

Period of the mid-term

management plan

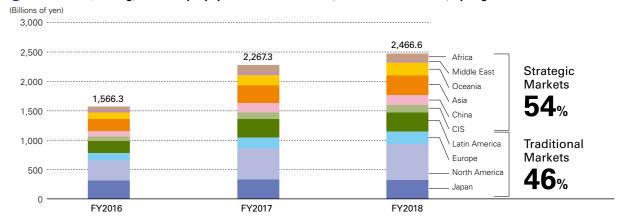
Sustainable



Komatsu's Business Model Komatsu's Growth Strategies

Demand for Construction and Mining Equipment

Period of the previous plan



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)



- 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 (compact) equipment
- · Smart forestry and agriculture



Growth strategies based on business reforms

Structural

reforms for

growth

- 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; and 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)



- 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

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	CO₂ emissions: Decrease by 40% in 202 Renewable energy use Increase to 15% of tota energy use in 2021 Selected for DJSI CDP Climate Change: A CDP Water Risk: A-
Retail finance business	• ROA: 1.5%-2.0%	ROA	1.5%
	• 5.0 or under for net debt-to-equity ratio	Net debt-to- equity ratio	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.

