

Komatsu Ltd.

Date: April 26, 2019

No. 0017 (2852)

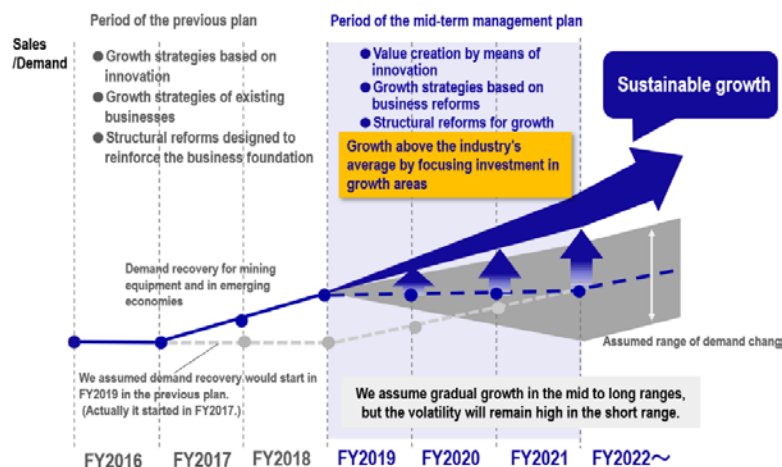
Starting the New Mid-Term Management Plan (FY2019-2021) "DANTOTSU Value -- FORWARD Together for Sustainable Growth"

Starting in April this year, Komatsu Ltd. (President & CEO: Hiroyuki Ogawa) and its consolidated subsidiaries (together "Komatsu") have embarked on the new three-year mid-term management plan (FY2019-2021), "DANTOTSU Value -- FORWARD Together for Sustainable Growth" for its 100th anniversary in 2021 and beyond. Under the new mid-term management plan, we remain committed to Quality and Reliability, as the management principle, and maximized our corporate value, the total sum of trust from society and all our stakeholders. To this end, we work for sustainable growth through a positive cycle of improving earnings and solving ESG issues, which is driven by growth strategies.

Demand for construction and mining equipment had remained in an adjustment phase, as affected by sluggish prices of commodities and the economic slowdown of emerging countries since around 2013. However, it began recovery in 2017, earlier than our assumption, when we developed the previous mid-term management plan (FY2016-2018). Under such an environment, we steadily captured demand while working to strengthen our corporate muscle, and integrated Komatsu Mining Corp. (hereafter "KMC") to the Komatsu Group. As a result, we posted expanded sales and profits for the last two consecutive years of Fiscal 2017 and 2018. For FY2018, the final year of the previous mid-term management plan, we also achieved record-high sales and profits.

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 mid to long range, the volatility will remain high in the short range. In the industrial machinery and others business, we anticipate a structural change of demand in the automobile manufacturing industry, mainly resulting from ongoing advancement of electric vehicles in production. Concerning demand in the semiconductor manufacturing industry, we expect it will certainly grow in the mid to long-range, while we anticipate it will experience some temporary adjustments.

«Sustainable Growth by Focusing Investment in Three Pillars of Growth Strategies»



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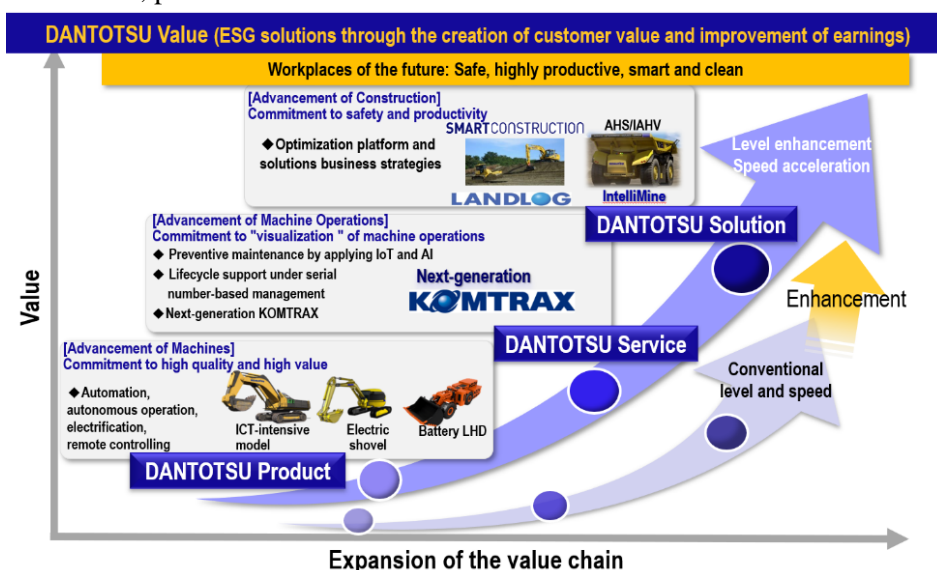
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In this new mid-term management plan, we uphold three new pillars of growth strategies of 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. By making priority investment in growth areas based on the three pillars of growth strategies, we will strive for sustainable growth through a positive cycle of improving earnings and solving ESG issues without being affected by changes in market demand.

《Mid-term Management Plan: Concepts and Stance》



To promote the three pillars of growth strategies, we need to advance and enhance the level of DANTOTSU products, DANTOTSU service, and DANTOTSU solutions, for which have continued to make efforts, at a faster speed, and realize safe, highly productive, smart and clean workplace of the future with customers by creating DANTOTSU value (ESG solutions through the creation of customer value and improvement of earnings). In this manner, 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. We will strive for sustainable growth through linking every workplace and generate value through DANTOTSU with our global teams, customers, distributors, partners and communities.



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【Management Targets】

In addition to continuing the targets of Growth, Profitability, Efficiency, and Financial Position, upheld in the previous mid-term management plan, we have newly set the management targets of ESG indexes. As we are going to place priority on focused investment in growth strategies, with respect to shareholder return, we will continue to work for stable dividends for shareholders and maintain the policy of keeping a consolidated payout ratio of 40% or higher.

	Index	Targets
Growth	• Sales growth rate	• Growth rate above the industry's average
Profitability	• Operating profit ratio	• An Industry's top-level operating income ratio
Efficiency	• ROE	• ROE of 10% or higher
Financial position	• Net D/E ratio	• Industry's top-level financial position
Retail finance business	• ROA • Net D/E ratio	• ROA: 1.5-2.0% • 5.0 or under for net debt-to-equity ratio
【New】 ESG	• Reduction of environmental impact • Evaluation by external organizations	• 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 ¹⁾ (World & Asia Pacific) and CDP ²⁾ A-list (Climate Changes and Water Risk)
Shareholder return	• Dividend payout ratio	• 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 generated by S&P Dow Jones of the United States 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.

【Three Pillars of Growth Strategies and Efforts of Focus】

As we meet our external environment and tasks, we are going to promote the 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. In this way we will continue to work to ensure sustainable growth.

1) Value Creation by Means of Innovation

Based on our superior manufacturing technologies, committed to Quality and Reliability, we are going to bring about innovation designed to create safe, highly productive, smart and clean workplace of the future, as we proactively outsource technologies which we cannot find in the Komatsu Group.

For construction workplaces, we are going to promote "LANDLOG," our open platform which deals with digital transformation needs, upgrade ICT-intensive construction equipment for autonomous and collaborative operations, and develop construction simulations designed to take full advantage of our manufacturing engineering expertise and to optimize construction. We will be strengthening our efforts in this direction to quickly expand the market and promote our "SMARTCONSTRUCTION" outside Japan. Concerning utility equipment, we are working to speed up market introduction of electric models.

For mining workplaces, we are going to not only develop new platforms to optimize mining operations by using open innovation as needed, but also strengthen our "AHS Center of Excellence," an organization created in April this year to engage exclusively in the AHS (Autonomous Haulage System) business and foster its growth as the organization to oversee the mining solutions business in the future.

For our agricultural and forestry workplaces, we are going to propose smart forestry, which utilizes our know-how in SMARTCONSTRUCTION to streamline the entire process of forestry. Simultaneously we will be working to commercialize agriculture-specific ICT-intensive construction

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equipment, establish the business, and expand the overseas business centering on Asia.

2) Growth Strategies Based on Business Reforms

In the construction, mining and utility equipment business, in addition to engaging in the development of new products, production and sales, we are going to strengthen our value chain business. It consists of the supply of spare parts, service of machines, the rental-to-used equipment business, the retail finance business and the like. We will also redefine our aftermarket business. We are also going to provide lifecycle support for our customers' machines, ranging from new machines to their disposal stages. We will expand applications by introducing next-generation KOMTRAX, engage in preventive maintenance by applying IoT and AI prediction technologies, introduce serial number-based management and develop next-generation key components. In other words, we will focus on realizing the lifetime warranty of our customers' machines.

Since April 2017, we have been working to facilitate KMC's integration. We are going to accelerate the speed of realigning their main plants and regional operations, as well as optimizing the supply chain in order to generate larger synergy effects. By integrating Komatsu's and KMC's technical development and know-how, we are going to not only develop new products and solutions, designed to help customers enhance the safety and productivity of their workplace operations, but also improve the market position of KMC's hard rock mining business.

To respond to different conditions and structural changes of the market in growing markets, such as in emerging countries, we are going to foster the growth of our distributors which form our business foundation, strengthen our efforts in the aggregate and cement, agriculture and forestry sectors, and propose construction methods and the like to customers by taking full advantage of a full-line supplier of construction equipment. In this manner, we will work to enhance our market presence.

In the industrial machinery and others business, we will be ready for structural changes of the automobile manufacturing industry, as presented especially by the advancement of electric vehicles, by generating synergy effects with the construction, mining and utility equipment business and developing new sheet metal and press machines as well as machine tools. For the semiconductor manufacturing industry, we are going to accelerate the speed of promoting further growth by utilizing our core technologies.

3) Structural Reforms for Growth

With respect to production, we are going to make our plants into next-generation ones, designed to compensate for the labor shortage, as well as achieve Zero environmental and workload impact plants which care about the natural and work environments. Specifically, we will work toward the goals of decreasing CO₂ emissions to 50% by 2030 from 2010, and increasing the ratio of using renewable energies to 50%.

Concerning the development of products, service and solutions, the source of our strengths as a manufacturer, in addition to changing the organization from April this year, we will accelerate the speed of efficiently creating new value by promoting model base development, gathering cutting-edge technology information, and open innovation resulting from the development of networks.

Furthermore, included in the advancing of global management, we will promote human resource development and diversification, strengthen the globalization of employment, and engage in the continuous promotion of diversity. All in all, we are striving to create an environment where globally diversified employees can work together as one solid team and make contributions to business growth.

(end)

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