



April 28, 2022

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**Launching the New Mid-term Management Plan (FY2022 – 2024):
“DANTOTSU Value – Together, to ‘The Next’ for sustainable growth”
to create new value for the next 100 years**

Komatsu Ltd. (“Komatsu”) hereby announced “Launching the New Mid-term Management Plan (FY2022 – 2024): “DANTOTSU Value – Together, to ‘The Next’ for sustainable growth” to create new value for the next 100 years” as attached.

For material of the mid-term management plan, please refer to the Investor Relations section of our corporate website. (<https://www.komatsu.jp/en/ir>)

(End)

For Immediate Release

Komatsu Ltd.
Date: April 28, 2022
No.0010 (3130)

Launching the New Mid-term Management Plan (FY2022 – 2024): “DANTOTSU Value – Together, to ‘The Next’ for sustainable growth” to create new value for the next 100 years

Komatsu Ltd. (hereinafter “Komatsu”) (President and CEO: Hiroyuki Ogawa) embarked on the new three-year, mid-term management plan “DANTOTSU Value – Together, to ‘The Next’ for sustainable growth” in April 2022 to ensure sustainable growth in the next 100 years. We will strive to create new value in order to take steady steps forward to the next stage for the workplace of the future and pass on a sustainable future to the next generation.

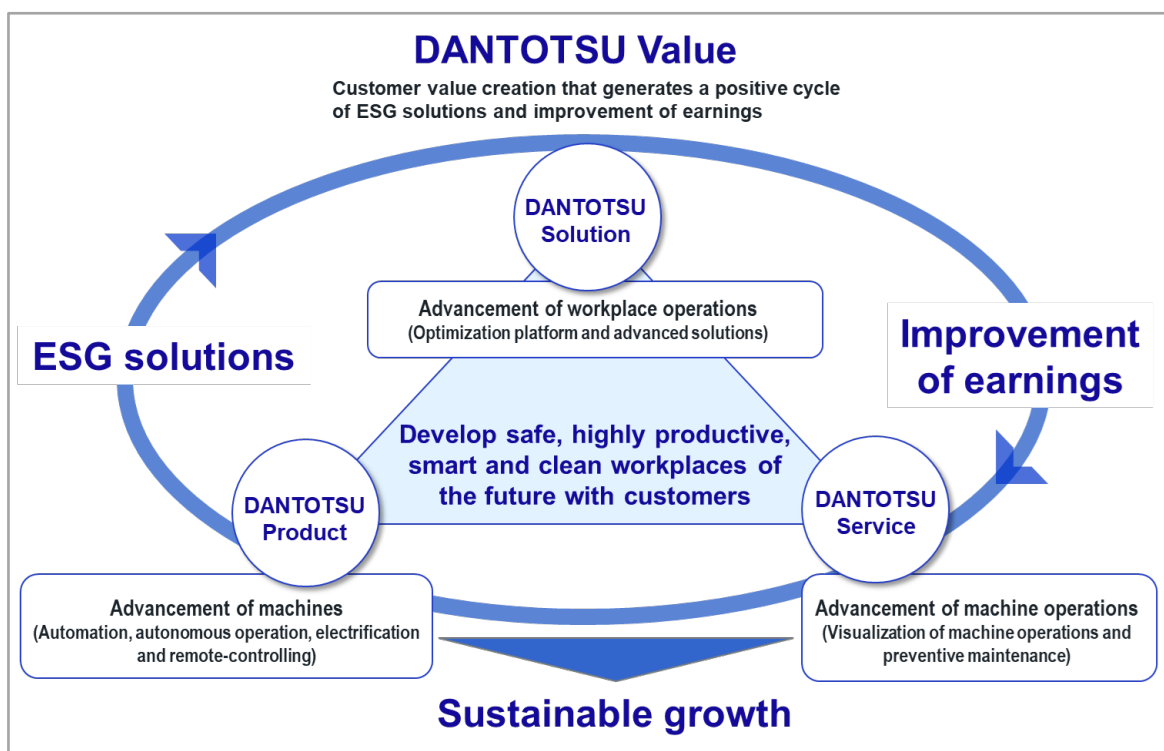
On the occasion of our 100th anniversary, we have defined our purpose (mission and vision) as “creating value through manufacturing and technology innovation to empower a sustainable future where people, business, and our planet thrive together.” Together with our values, we have also stipulated our brand promise of “Creating value together,” the promise we make to our customers and all other stakeholders, As the basic approach to achieve all these above, we turn to our management principle of “commitment to Quality and Reliability and maximizing the trust given to us by our stakeholders and society.” We position our mid-term management plans as our strategies to achieve our purpose and management principle.

In our flagship business of construction, mining and utility equipment, we expect gradual growth of market demand in the medium to long-range span. In the short-term span, however, we project the volatility will increase as affected by a variety of risks in the external environment. In the industrial machinery and others business, we anticipate that demand for semiconductors will continue to thrive. We also expect to see structural changes in the automobile industry, our client industry against the background of the growing popularity of electric vehicles. As sustainability-impact factors, such as climate change, continue to attract social interest, we developed our Sustainability Policy concerning the achievement of a sustainable society and improvement of our business continuity. Furthermore, we have also made our “2050 carbon-neutral declaration” as a target of our challenge to satisfy both global warming countermeasures and business growth.

Against this background, we are striving to achieve our vision of developing safe, highly productive, smart and clean workplaces of the future, together with customers, through the growth strategies of the new mid-term management plan. To this end, we are working to create DANTOTSU Value which integrates DANTOTSU Products (advancement of machines), DANTOTSU Service (advancement of machine operations), and DANTOTSU Solutions (advancement of workplace operations). With this creation of customer value that generates a positive cycle for improvement of earnings and ESG resolutions, we will strive for sustainable growth.

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(DANTOTSU Value - Customer value creation that generates a positive cycle of improvement of earnings and ESG resolutions)



Materiality and Business Portfolio

Prior to developing the new mid-term management plan, we have extracted priority areas of important social issues (materiality), to both us and stakeholders. As a result, we have recognized the four areas where our materiality and that of stakeholders overlapped as the most important areas, that is, Environment, Customers, Employees, and Ethics & Governance. To generate a positive cycle for improvement of earnings and ESG resolutions, we have reflected efforts for these four areas to our growth strategies.

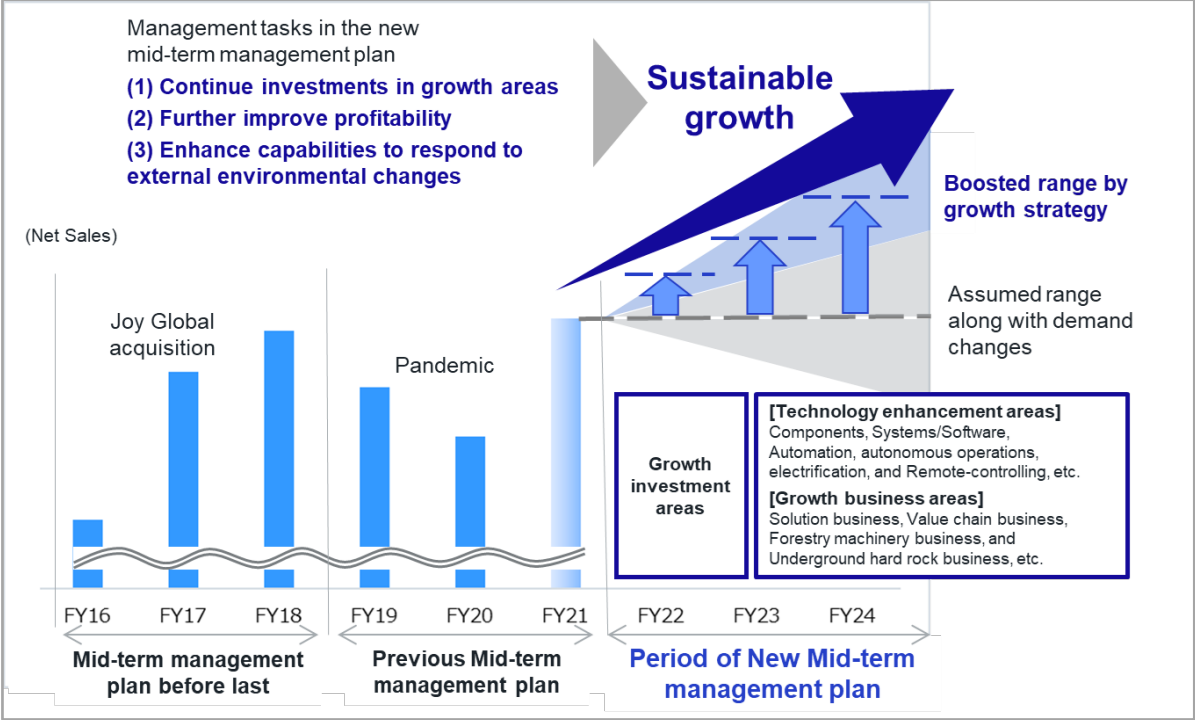
Concerning our business portfolio, we have also reviewed it when developing the new mid-term management plan. Specifically, we have clarified mid to long-term directions and issues aimed at by each business segment, and reflected them to efforts of focus in the new mid-term management plan. In the construction and mining equipment business, we will focus investments in growth areas and expand the solution and value-chain businesses, as we look into M&A, in order to further improve growth potentials and profitability.

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Three Pillars of Growth Strategies and Efforts of Focus

In the new mid-term management plan, we have continued to emphasize the previous plan's sustainability management in which we work for sustainable growth through a positive cycle for improvement of earnings and ESG resolutions, and have defined three new pillars of growth strategies, consisting of (1) Accelerate growth by means of innovation, (2) Maximize earnings power, and (3) Enhance corporate resilience. By continuing to focus investments to create value in growth areas and maximizing earning opportunities in existing areas, we will work to further improve profitability and build an operational structure that is resilient to demand changes. Additionally, concerning our management foundation that supports these efforts, we will enhance our corporate capabilities to improve operational efficiency and respond to changes in the external environment.

(Basic stance of the new mid-term management plan)



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(3 Pillars of growth strategies)



(Key initiatives of growth strategy)

<p>1. Accelerate growth by means of innovation</p> 	<p><u>Create new customer values by optimizing workplaces</u></p> <ul style="list-style-type: none"> ➢ Promote DX Smart Construction and its overseas expansion ➢ Business promotion using mining open technology platforms ➢ Advanced product development and market introduction with high compatibility with platforms <p><u>Tackling the challenge of crafting values (products and solutions) for carbon neutrality</u></p> <ul style="list-style-type: none"> ➢ Development and market introduction of electrified machinery ➢ Promotion and expansion of Smart Forestry ➢ Plants with zero environmental impacts
<p>2. Maximize earnings power</p> 	<p><u>Expand presence in key emerging markets</u></p> <ul style="list-style-type: none"> ➢ Strengthening of marketing strategies in Asia and Africa markets ➢ Expansion of forestry machinery and hard rock equipment businesses ➢ Expansion of aftermarket business <p><u>Further growth from evolution of value chain business</u></p> <ul style="list-style-type: none"> ➢ Development of data-driven business model ➢ Promotion of differentiation through life cycle support business ➢ Expansion of reman/rebuild businesses
<p>3. Enhance corporate resilience</p> 	<p><u>Drive efficient business operations and reinforce risk management</u></p> <ul style="list-style-type: none"> ➢ Strengthening of production and procurement systems resistant to environmental changes (increase of multi-source ratio of parts) ➢ Enhancing assessment of economic security risk and preparedness ➢ Strengthening the corporate brand by developing a global brand strategy <p><u>Enrich human resources base with diversity</u></p> <ul style="list-style-type: none"> ➢ Enhancement of diversity & inclusion ➢ Offering of a variety of talent development opportunities and improvement of employee engagement ➢ Human resources development for digital applications and open-innovation

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ESG Resolutions through Growth Strategies

Based on our sustainability policy, it is our determination to continue to contribute to society through business activities in the next 100 years. In the new mid-term management plan, we have selected important issues (materiality) for us and ten new goals which are strongly related to the materiality, from our 17 SDGs (Sustainable Development Goals). In order to resolve ESG issues steadily through our growth strategies, we will set KPIs (Key Performance Indicators) for key initiative activities and monitor their achievement. We are planning to disclose our progress in the Komatsu Report.

(Resolving ESG issues: Key activity themes)

	Relationship with SDGs	Materiality	Key activity themes for resolving ESG issues (main KPI candidates)
With people	 Gender equality Decent work and economic growth Reduced inequalities Partnerships for the goals	[Employees][Human rights] <ul style="list-style-type: none"> Diversity and Inclusion Skills development and workplace retention Employee engagement and job satisfaction Occupational safety and health and wellbeing Respect for human rights 	Build workplaces that are safe and secure (occupational injury related indicator) Increase employee engagement (engagement survey score) Promote diversity and inclusion (ratio of female managers and people with disabilities) Develop individuals' skills and achieve business growth (develop talent in DX/AI) Promote human rights due diligence (disclosure of performance)
	 Industry, innovation and infrastructure Sustainable cities and communities Responsible consumption and production Partnerships for the goals	[Customers][Ethics / Governance] [Communities] <ul style="list-style-type: none"> Provision of solutions Product safety and quality Governance Compliance Contributions to local communities 	Improve productivity of construction workplaces by promoting smart construction (Number of workplaces where smart construction solution is applied) Provision of products and solutions that enable sustainable resource development (Cumulative units of AHS dump truck) Solutions for improving safety and productivity at customer workplaces (technological development stages for automation, safety device, etc.) Building of value chain adaptable to environmental and demand changes (Aftermarket business: sales growth rate / multi-sourcing parts ratio) Strengthen governance and ensure thorough compliance (disclosure of performance)
With the planet	 Affordable and clean energy Industry, innovation and infrastructure Responsible consumption and production Climate action Life on land Partnerships for the goals	[Environment] <ul style="list-style-type: none"> Development of low-carbon/low-emissions products, solutions and business models Resource recycling and remanufacturing Forest conservation through business activities Reduction of energy usage and GHG emissions 	Plants with zero environmental impacts (CO2 reduction, use of renewable energy, water usage) Reduction of CO2 emissions at customer workplaces (CO2 reduction from products in use / Development of electrified equipment) Provision of solutions that support sustainable, recycling-oriented forestry business (Forestry machinery business related indicators: sales growth rate, afforestation, Smart Forestry, etc.) Promotion of recycling-oriented business (reman) (reman business-related indicator: sales growth rate)

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Management Targets in the Mid-term Management Plan

Concerning management targets in the new mid-term management plan, while we are keeping the same targets from the previous plan, that is, “Growth,” “Profitability,” “Efficiency,” and “Financial Position,” we have set a new ESG target of the challenge to become carbon neutral by 2050. With respect to shareholder return, while placing priority on focusing investments in growth areas, we will continue to work for stable dividends for shareholders and maintain the policy of keeping a consolidated payout ratio of 40% or higher.

Item	Index	Target
Growth	Sales growth rate	Growth rate above the industry's average
Profitability	Operating profit ratio	An Industry's top-level profit ratio
Efficiency	ROE	10% or higher
Financial position	Net D/E Ratio	Industry's top-level financial position
Retail finance business	ROA	1.5% to 2.0%
	Net D/E Ratio	5 times or less
ESG	Reduction of environmental impact	<ul style="list-style-type: none"> CO2 emissions: Decrease by 50% in 2030 from 2010 <p style="text-align: center;">Become carbon neutral by 2050 (Challenging goal)</p> <ul style="list-style-type: none"> Renewable energy use: Increase to 50% of total energy use in 2030
	Evaluation by external organizations	<ul style="list-style-type: none"> Selected for DJSI* (World & Asia Pacific) Selected for CDP** A-List (Climate Changes and Water Risk)
Shareholder return	Consolidated payout ratio	<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 growth investment. 40% or more

* Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland

** International non-profit organization that advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments

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