

## **Announcing the New Mid-Range Management Plan**

### **“Together We Innovate GEMBA Worldwide”**

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Komatsu Ltd. (President & CEO: Tetsuji Ohashi) has developed the new three-year (FY2013-2015) mid-range management plan “Together We Innovate GEMBA Worldwide” to be completed in the fiscal year ending March 31, 2016.



The “Together We Innovate GEMBA Worldwide” mid-range management plan expresses that 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 sustainable growth of our core businesses of construction and mining equipment as well as industrial machinery.

With the proactive involvement of each and every employee in the tasks spelled out through in this management plan, we are working to further improve business performance and enhance our corporate value.

### **1. Management Goals**

We at Komatsu define our corporate value as the total sum of trust given to us by society and all stakeholders. To increase this corporate value, we will consistently work on management tasks by upholding the following management goals and by achieving the following targets.

- 1) We work to attain the industry’s top-level profitability and financial position.  
(We will lift the target profitability line by strengthening our earning fundamentals.)
- 2) We will increase the level of profit redistribution to shareholders.
- 3) We will improve net debt-to-equity ratio and ROE, as we invest in our future growth.

# For Immediate Release

## 2. Numerical Targets

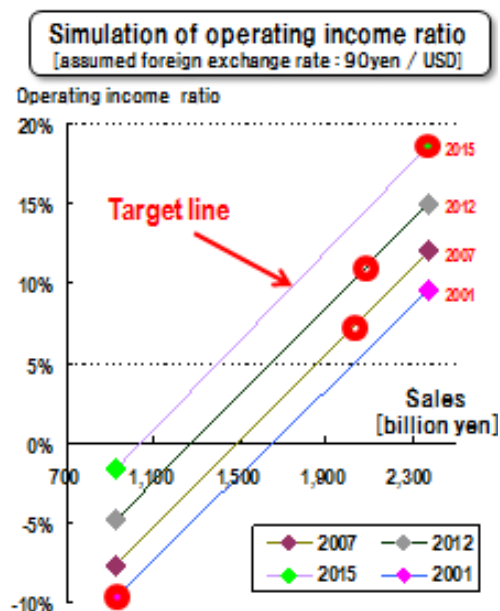
Items	Targets for Fiscal Year ending March 31, 2016	Results for Fiscal Year ended March 31, 2013
Operating income ratio	18 - 20%	11.2%
ROE: Return on equity	18 - 20%	11.5%
Net debt-to-equity ratio	0.3 or below	0.49
Consolidated payout ratio	30 - 50% (stably)	36.2%

ROE=Net income for the year/[(shareholders' equity at the beginning + shareholders' equity at the end of the fiscal year)/2]

Net debt-to-equity ratio= (interest-bearing debt – cash and cash equivalents – time deposits)/shareholders' equity

[Premises]

Items	Targets for Fiscal Year ending March 31, 2016	Results for Fiscal Year ended March 31, 2013
Guideline on sales	¥23,000 bil ±2,000 bil	¥18,849 bil
Guideline on exchange rate	JPY/USD	¥90 - 95
	JPY/EUR	¥120 - 125
	JPY/RMB	¥15.0 - 15.3



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### 3. Focused Efforts

In the new mid-range management plan “Together We Innovate GEMBA Worldwide”, we are going to work on the following focused activities based on the two paired wheels of the Growth Strategies designed to capitalize on our strengths and the Structural Reforms designed to strengthen our corporate fundamentals. At the same time, we are also making all-out efforts to improve the level of profit redistribution to our shareholders.

To effectively tackle the high hurdles of focused activities, it is indispensable that the teamwork of Komatsu Group’s employees with GEMBA capabilities engage in continuous improvement activities by identifying workplace tasks and solving them. All Komatsu Group employees worldwide will continue to promote continuous improvement activities based on The KOMATSU Way. In particular, we will further strengthen brand management activities through which we strive to thoroughly understand customers’ workplaces and become indispensable for them. In this way, we will develop human resources that are needed for business expansion on a global scale.

#### (1) Growth strategies based on innovation

We will continue to refine our strengths, such as accumulated ICT (Information and Communication Technology) expertise, development and production technologies for key components, global sales and service networks, and flexible procurement and production operations. We will also proactively collaborate on a global scope with companies having cutting-edge technologies in promising fields, regardless of the Komatsu Group, in order to develop technologies which enable us to evolve DANTOTSU products, DANTOTSU service and DANTOTSU solutions. In this manner, we will innovate customers’ GEMBA jointly with them to speedily create new values in both domains of construction and mining equipment and industrial machinery.

We will expand investment in the development of next-generation products and develop and launch construction equipment of the future, which will enable further automation and unmanned operation by means of leading-edge ICT utilization. Specifically, we will continue to upgrade the Autonomous Haulage System (AHS) for driverless dump trucks in operation at large-scale mines in Chile and Australia, the fleet management system for forest machinery which is being introduced in Brazil, and intelligent Machine Control construction equipment designed to streamline construction and facilitate management of the entire construction process. We will also increase the number of successful follow-up models. In FY2013, as the leading models of our intelligent Machine Control construction equipment, we are going to launch medium-sized D61EXi/PXi bulldozers and medium-sized PC210LCi hydraulic excavators initially in the United States and Europe, respectively.

In the industrial machinery business, we are going to facilitate in-house development and production of key components in order to launch innovative products. In FY2013, we will be introducing a new fiber laser cutting machine which features high productivity and impressive reduction in running costs.

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### **(2) Growth strategies of existing businesses**

Starting in 2014, new emission control standards (e.g., Tier4 Final in the United States) will be introduced in the United States, Europe and Japan, which require further reduction of NOx (nitrogen oxides) and PM (particulate matter) emissions. We will integrate our in-house development and production strengths for engines, hydraulic units, control systems and so forth with leading-edge technologies, as we continue to develop new products designed to meet the new standards in FY2013, while working for a smooth market introduction. To expand earnings, we will strive to advance sales of strategic parts, such as buckets, teeth and track shoes in Strategic Markets with growth potential into the future as well as for mining equipment. We will also continue to reform our ordering system and logistics for spare parts. In FY2013, we are going to embark on worldwide sales of the Xcentric<sup>TM</sup> Ripper, an innovative attachment for hydraulic excavators for use in breaking rocks and demolition, initially in the United States and China.

With respect to existing businesses with potential demand, which we have failed to capture, we will step up our involvement even by considering strategic alliances as one of our choices.

We will make a variety of information “visible” by continuing to advance the functions and utilization methods of the KOMTRAX which is in operation in over 300,000 units around the world as of March 31, 2013, coupled with the KOMTRAX Plus and the KOMTRAX Parts which we will introduce in FY2013. KOMATSU Parts will enable us to learn about the conditions of parts and their replacement record. Additionally, we will work to enhance customer satisfaction by engaging in speedy parts delivery and service based on maximum utilization of the evolving KOMTRAX and by expanding the rental and used equipment, retail finance and other businesses in the value chain.

### **(3) Structural reforms designed to reinforce the business foundation**

While we have about doubled sales of the Komatsu Group for the last 10 years, we have controlled fixed costs at about constant level. By separating costs from growth as our policy, we will continue to maintain an appropriate level of fixed costs. With respect to production, we are working to cut down electric power consumption to half at Japanese plants by reforming production and consolidating or renewing factory buildings. In FY2013, initially at the Awazu Plant in Ishikawa Prefecture, Japan, we are going to start building a new factory with leading-edge energy-saving facilities, which will also enable us to achieve innovative production efficiency.

We will also enhance the level of sales, production and inventory management by taking full advantage of the Global HANSEI Operation Center, and expanding the range of the Inventory Zero program for distributors to promote an appropriate level of their inventories of products and parts. In addition, to secure personnel and other resources needed for investment in future growth, we will engage in personnel and organizational relocation and other activities designed to facilitate the establishment of the direct linkage of GEMBA between the Komatsu Group and customers.

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