

**New Mid-Range Management Plan
“Global Teamwork for Tomorrow”**

**April 27, 2010
Corporate Planning Division
Komatsu Ltd.**

1. Review of the Last Mid-Range Management Plan (FY2007-2009)

“Global Teamwork for 15” Mid-Range Management Plan in Figures

Target figures and results of the mid-range management plan (FY07-09)

Target figures were practically achieved in FY2007, but the business environment drastically changed in and after the second half of FY2008.


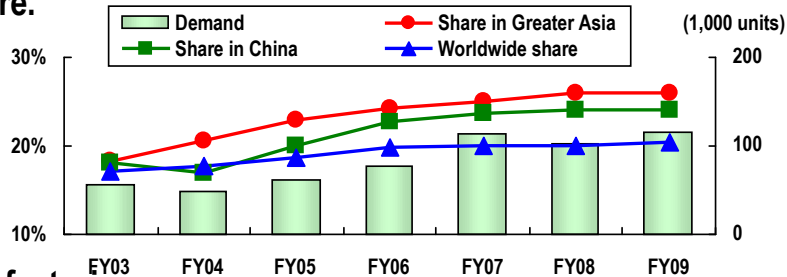
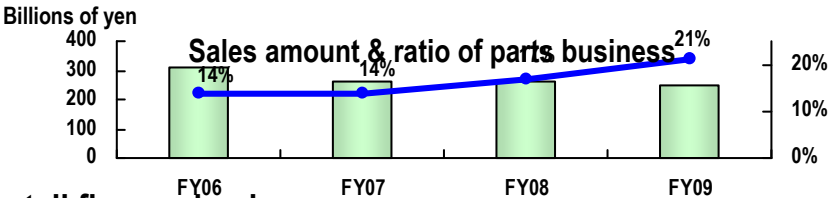
	Target items	Target figures for FY 09	FY06	FY07	FY08	FY09
1	Operating income ratio	15% or above	12.9%	14.8%	7.5%	4.7%
2	ROE	To maintain 20% level.	23.5%	25.1%	9.3%	4.1%
3	Net debt-to-equity ratio	0.2 or below	0.33	0.39	0.62	0.60
	Excl. debt of finance subsidiaries →		0.22	0.29	0.48	0.36
4	Consolidated payout ratio* []:Excl. structural reform expenses	20% or above	20.1%	20.5%	[40%]	[38%]

* Based on net income from continuing operations


<Assumptions of mid-range management plan and results>

	Items of assumption	Guidelines for FY09	FY06	FY07	FY08	FY09	
1	Net sales (Billions of yen)	2,400.0 (+/- 100.0)	1,893.3	2,243.0	2,021.7	1,431.5	
2	FOREX	JPY/USD	110	117	114	101	93
		JPY/EUR	145	151	162	143	131

Review of Main Activities of the Mid-Range Management Plan (FY07-09) - 1

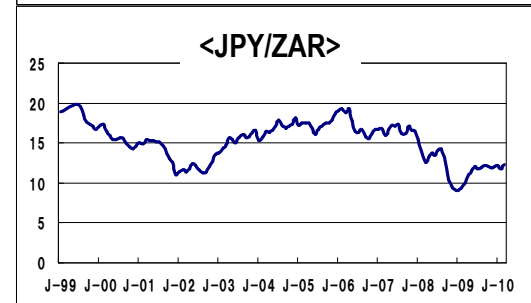
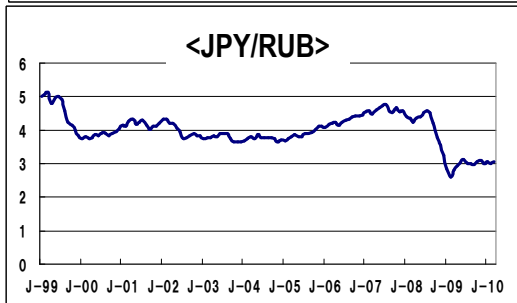
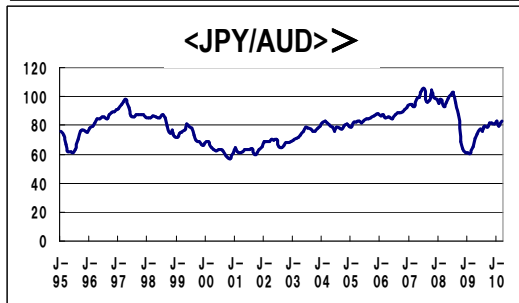
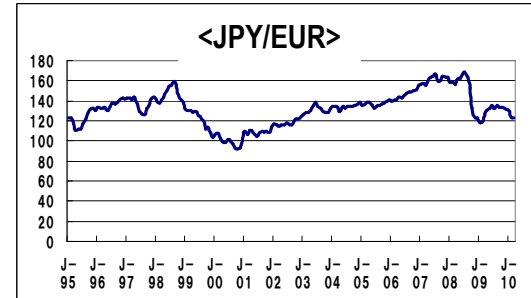
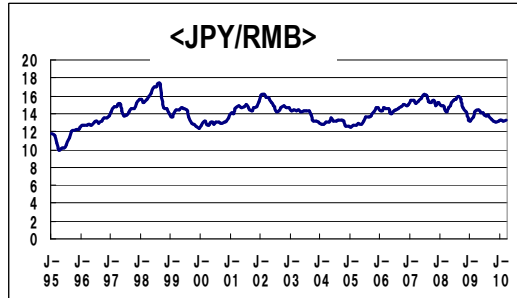
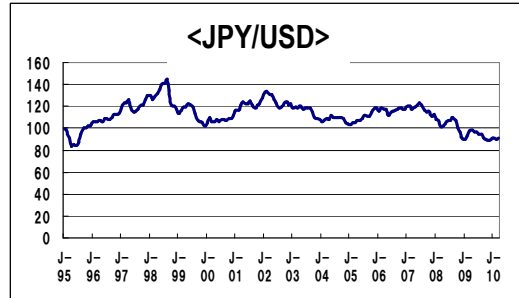
Main activities		Results
1	Development of DANTOTSU products	<p>1) Introduced the Hybrid hydraulic excavator on the market as a pioneer.</p> <ul style="list-style-type: none"> - April 09 in Japan - March 10 in China <p>2) Komatsu equipment with KOMTRAX exceeded 160 thousand units.</p> <p>3) Expanded the introduction of the Autonomous Haulage System (AHS) and ensured stable operation.</p> 
2	Further enhancement of market position in Greater Asia	<p>1) Improved market share.</p>  <p>2) Expanded local manufacturing.</p> <ul style="list-style-type: none"> - New factory of Komatsu Shantui (March 09) - New factory of Bangkok Komatsu (August 07) - New factory of Komatsu Indonesia (January 09)
3	Business expansion in the entire value chain	<p>1) Reinforced the parts business.</p>  <p>2) Reinforcement of retail finance business.</p> <ul style="list-style-type: none"> - Coverage of major markets and mining customers by 8 companies (Consolidated Komatsu Australia Corporate Finance in May, 09)

Review of Main Activities of the Mid-Range Management Plan (FY07-09) - 2

Main activities		Results
4	Establishment of flexible manufacturing operations	<p>(1st stage : Up through 1H of FY08)</p> <p>Expanded production capacity in emerging countries Expanded cross sourcing</p> <p>(2nd stage : Since 2H of FY08)</p> <p>Reformation of manufacturing operation & inventory reduction - Japan : 8 to 5 factories, - North America : 8 to 3 factories</p>
5	Expansion of utility equipment business	<p>Structural reforms & fixed cost reduction of Komatsu Utility</p> <ul style="list-style-type: none"> - Closed the Kawagoe Plant and transferred production to the Tochigi Plant (Feb, 09) - Consolidated 9 distributors to 1 in Japan (Oct, 09) - Acquired distributor in Australia (Apr, 09)
6	Reinforcement of industrial machinery business	<p>(1st stage : Up through 1H of FY08)</p> <p>Intensive marketing of large AC servo presses and wire saws</p> <p>(2nd stage : Since 2H of FY08)</p> <p>Structural reforms in Japan</p> <ul style="list-style-type: none"> - Closed the Komatsu Plant and transferred production to the Kanazawa Plant - Consolidated large press operation to Komatsu Industries 
7	Continuous reduction of fixed costs	<p>(1st stage : Up through 1H of FY08)</p> <p>Invested in production and R&D corresponding to increasing demand</p> <p>(2nd stage : Since 2H of FY08)</p> <p>Reduced fixed costs by promoting structural reform activities: approx. 50 billion yen for FY09 (the same level as FY03) from FY08</p>

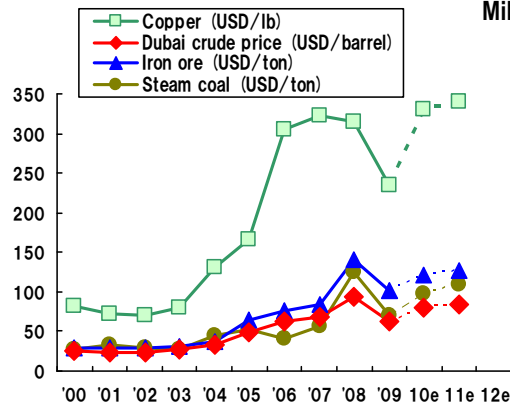
Changes in the Business Environment - 1

Foreign exchange rates

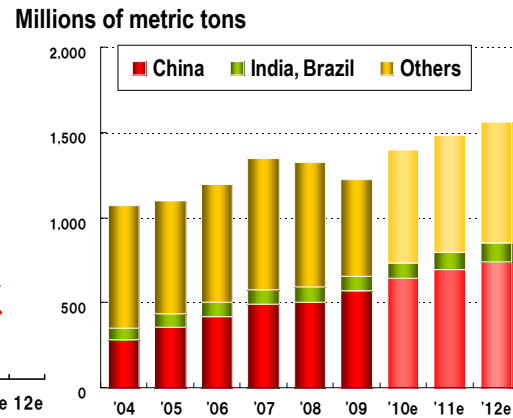


Commodity prices & crude steel production

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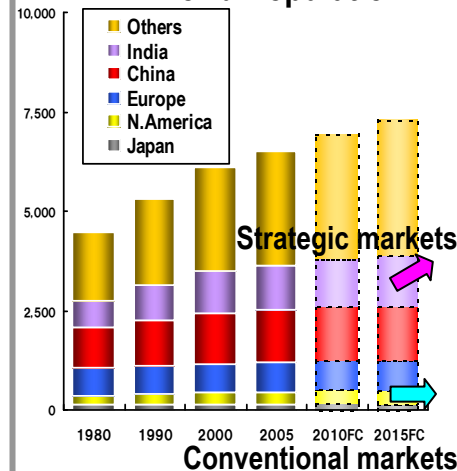


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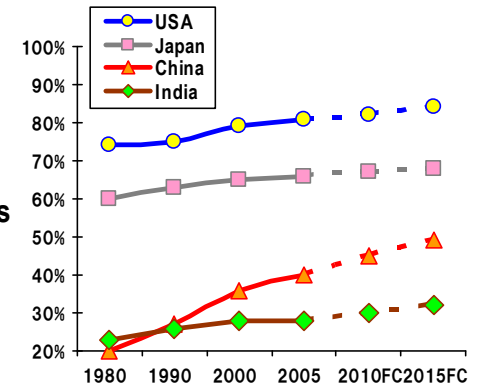


World population & urbanization rates

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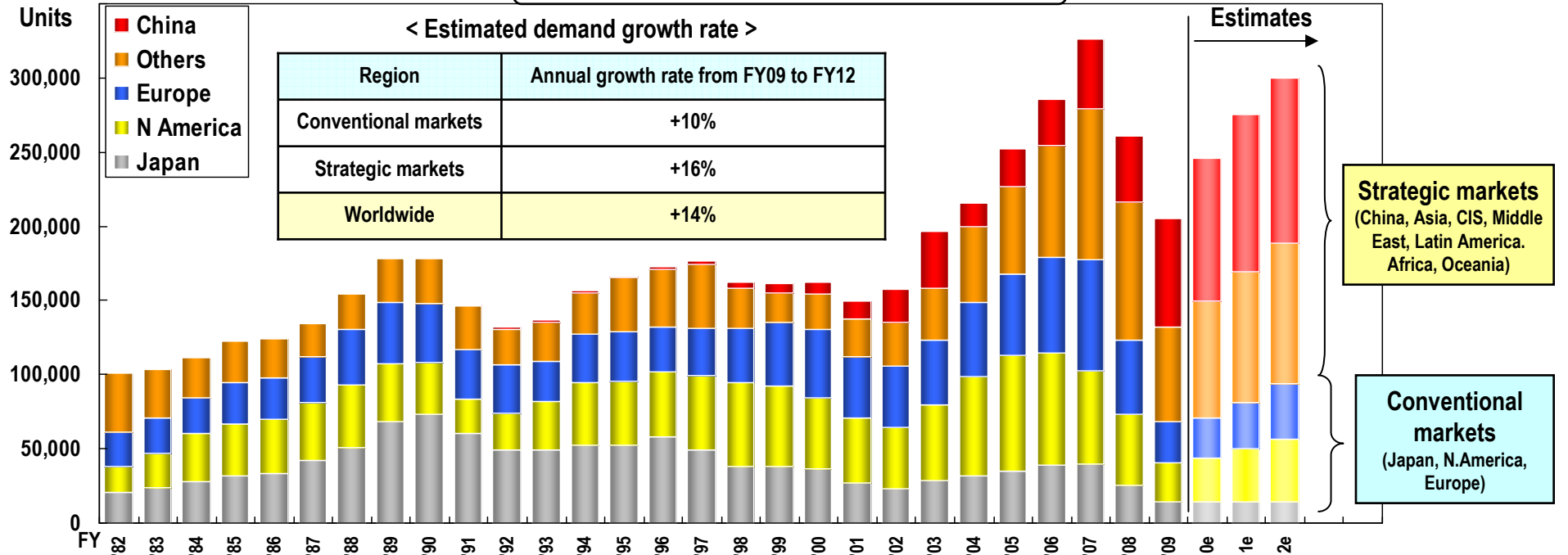


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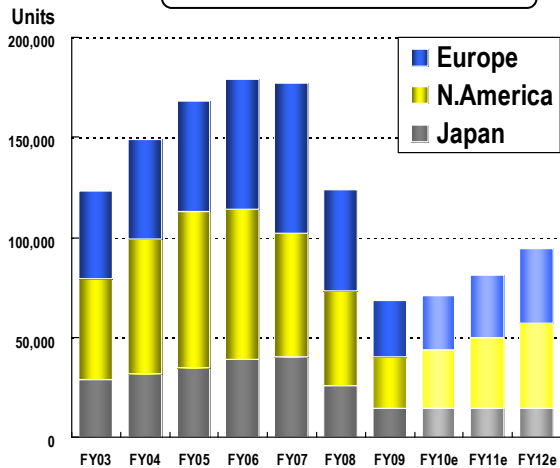


Changes in the Business Environment - 2

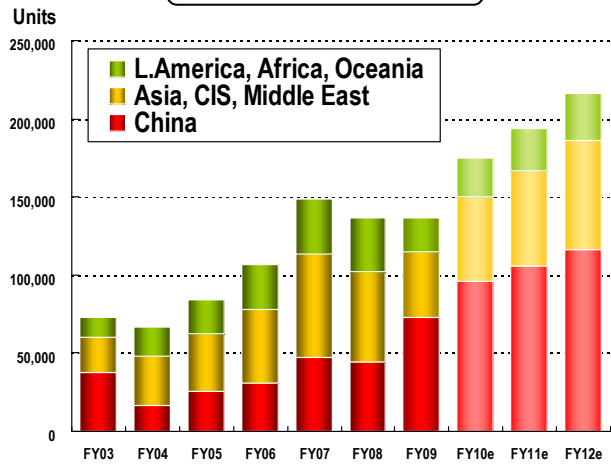
Demand for 7 major construction products



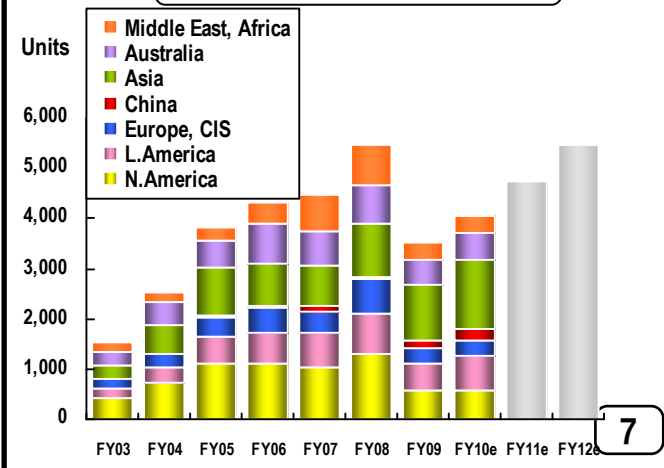
Conventional markets



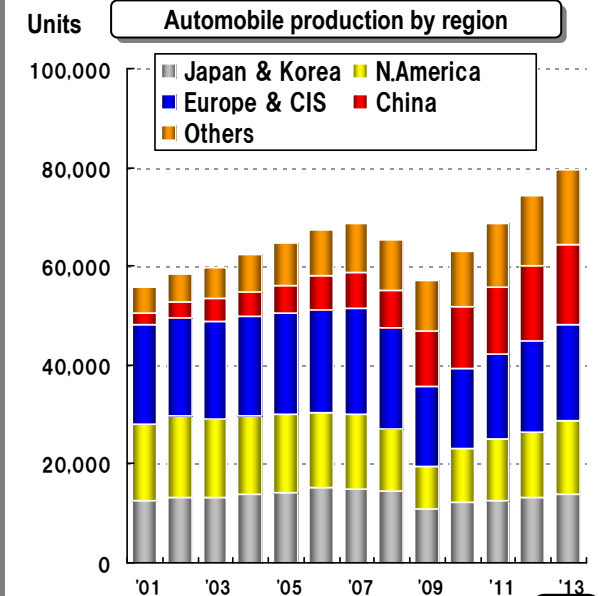
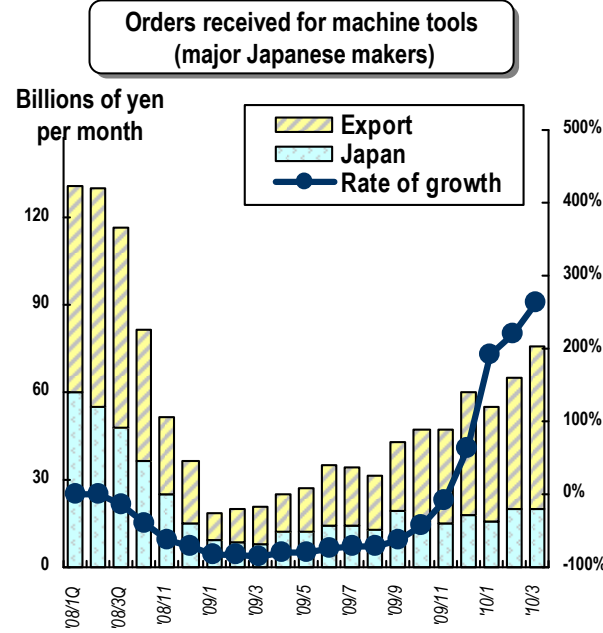
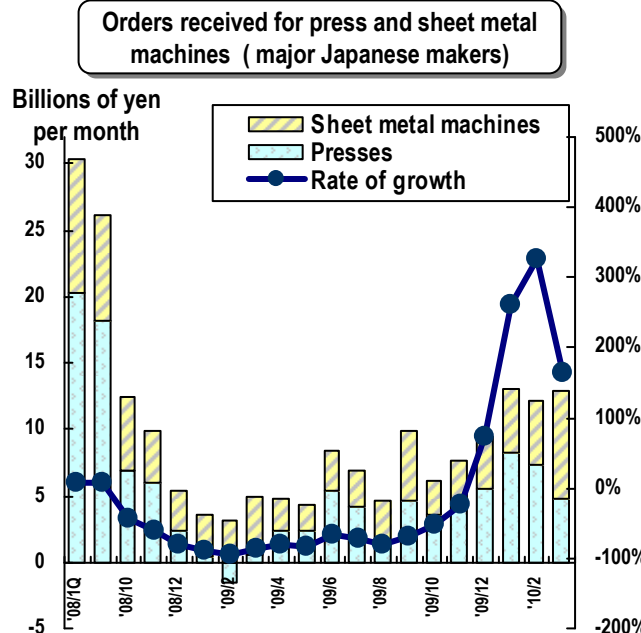
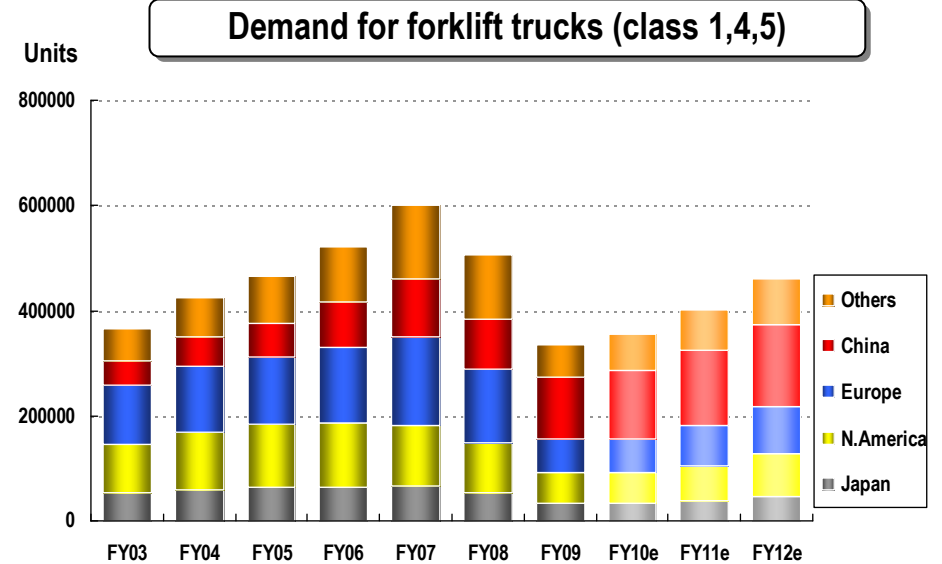
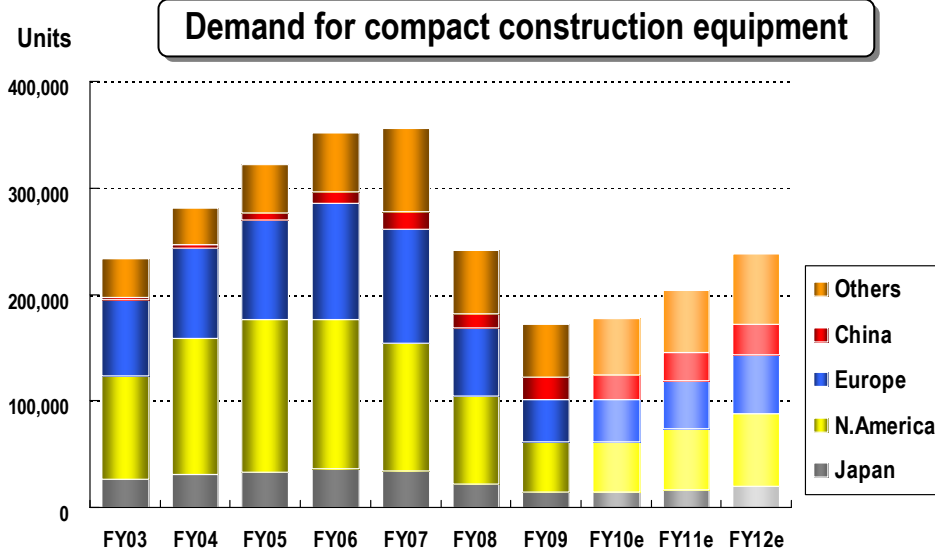
Strategic markets



Mining equipment



Changes in the Business Environment - 3



1. Unique and competitive products

		Up to the present	Now on
Fuel efficiency	Hydraulic excavator	Hybrid excavator	
	Wheel loader	Small size : electronic controlled HST	
	Dump truck	Super large electric dump truck	
		Biodiesel fuel	
		KOMTRAX Plus	
	Bulldozer	Small size : electronic controlled HST	
	Forklift truck	Small size : battery type	
Middle size : HST			
Industrial machinery	AC servo press		
	Wire saw		
IT	KOMTRAX, KOMTAX Plus		
	IT-guided construction		
	Autonomous haulage system		

In-house component technologies

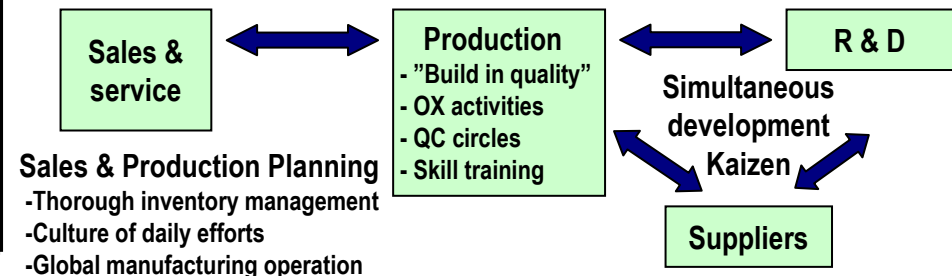
(Engines, hydraulics, electric motors, electronic controls, etc.)

2. Global sales and service network



3. Flexible manufacturing operation

Inter-divisional collaboration and Kaizen

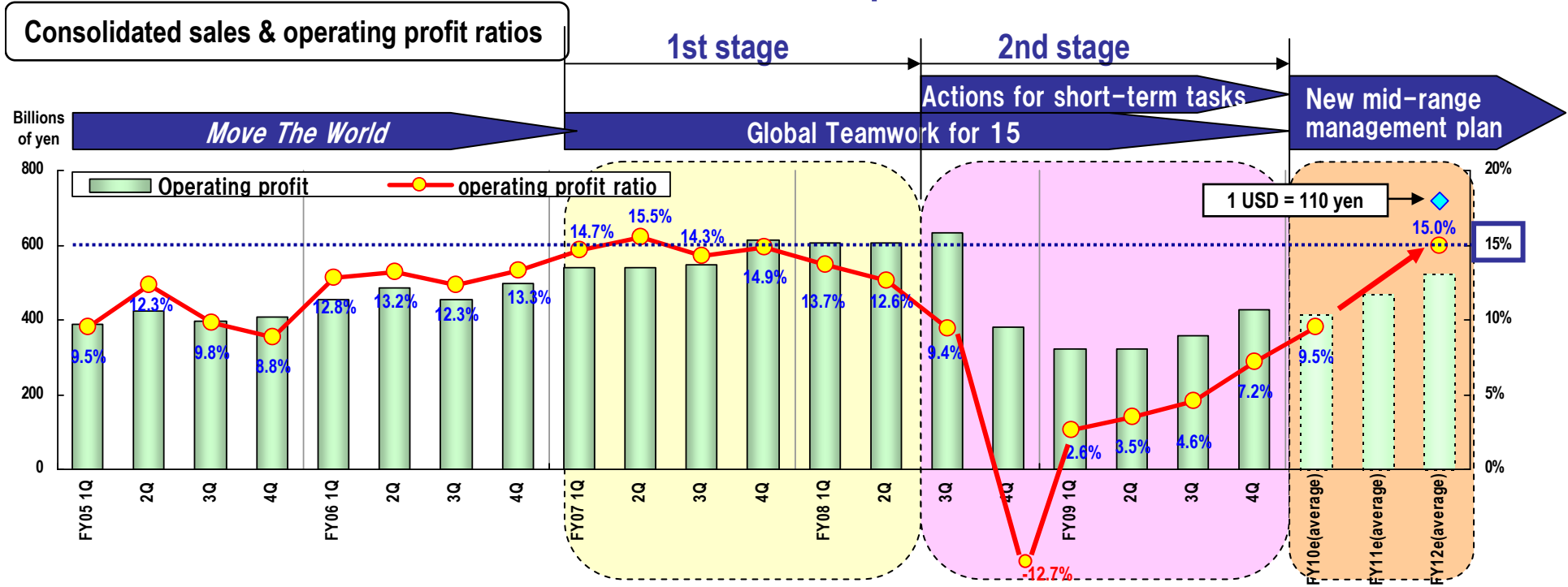


- 44 manufacturing bases worldwide (12 in Japan, 7 in Americas, 8 in Europe & CIS, 9 in Asia, 8 in China)
- Cross sourcing of machines & components
- Transferring technologies, skills and standards from "mother" plants to "child" plants

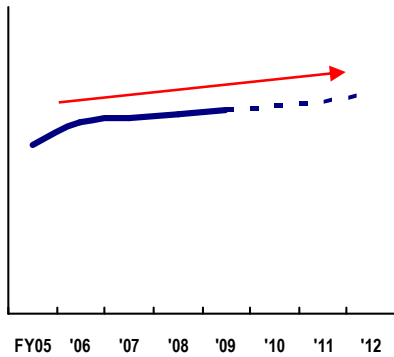
2. New Mid-Range Management Plan “Global Teamwork for Tomorrow”

Stance on Targets of "Global Teamwork for Tomorrow"

Further reinforcement of profit structure

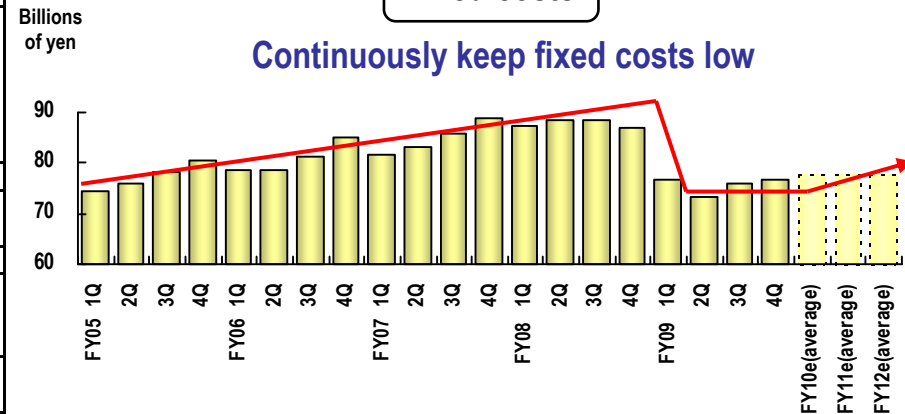


Profitability



	USD rate	114yen - 2007	93yen - 2009	90yen - 2012
Demand	North America	◎→○	×	△→○
	Europe	◎	×	△
	China	○	△→○	◎
	Asia & resource countries	○	△→○	◎
	Minig & parts	◎	○	◎
Products	Dantotsu ratio	○	○→◎	◎
	FOREX			
FOREX	Developped countries	◎	△	△
	Resource countries	○	△	△→○
Sales price		○	○	○
Costs	Cost reduction	○	○	◎
	Steel prices	△	×	△
	Capacity utilization	◎	×	○
Structural reform	Productivity	○	△→○	◎
	Fixed cost ratio	○	△	○

Fixed costs



Target Figures of "Global Teamwork for Tomorrow"

Aiming at top-level profitability and financial position of the industry

No.	Items	Target of FY2012	Results of FY2009
1	Consolidated operating income ratio	15% or above	4.7%
2	ROE	20%	4.1%
3	Net debt-to-equity ratio	0.4 or below	0.60
	Net DER excluding retail finance business	0.2 or below	0.36
4	Consolidated payout ratio	Stable dividend : 20 - 40%	38% (excluding structural reform expenses)

<Assumptions>

No.	Items	Assumptions in FY2012	Results of FY2009
1	Net sales (Billions of yen)	2,000 (+/- 100)	1,431.5
2	FOREX	USD/JPY	93
		EUR/JPY	131
		RMB/JPY	13.6

Main Activities of “ Global Teamwork for Tomorrow”

1. Main activities of management

No.	Activities	Aims
1	Promotion of Brand Management Activities	<ul style="list-style-type: none"> ■ To develop human resources through activities designed to build and strengthen relationships with customers and the Komatsu Group (Komatsu and distributors).
2	Total Quality Management in Strategic Markets (especially in China)	<ul style="list-style-type: none"> ■ To promote the growth of national staff members so that they will become able to manage operations independently in growth markets.

2. Main activities of business operation

No.	Activities	Aims
1	Promotion of IT Applications to Products and Parts	<ul style="list-style-type: none"> ■ To enhance added value of products by applying IT.
2	Product Development for Improved Environmental Friendliness and Safety	<ul style="list-style-type: none"> ■ To upgrade our environmental responses with next-generation technologies as an industry-leading company.
3	Expansion of Sales and Service Operations in Strategic Markets	<ul style="list-style-type: none"> ■ To further reinforce operations in growth markets to meet the structural change of market demand.
4	Promotion of Continuous Improvement by Strengthening Workplace Capability	<ul style="list-style-type: none"> ■ To sustain and improve organizational capability for persistent improvement in order to win the global competition.

3. Activities of Importance in “Global Teamwork for Tomorrow”

1. Evolution of KOMTRAX

1) KOMTRAX

Evolution of uses by distributors and customers
 -- Making operation "visible"



2) KOMTRAX Plus (formerly VHMS)

i) Unification of Machine Management

- Unified management of VHMS-installed machines on KOMTRAX display

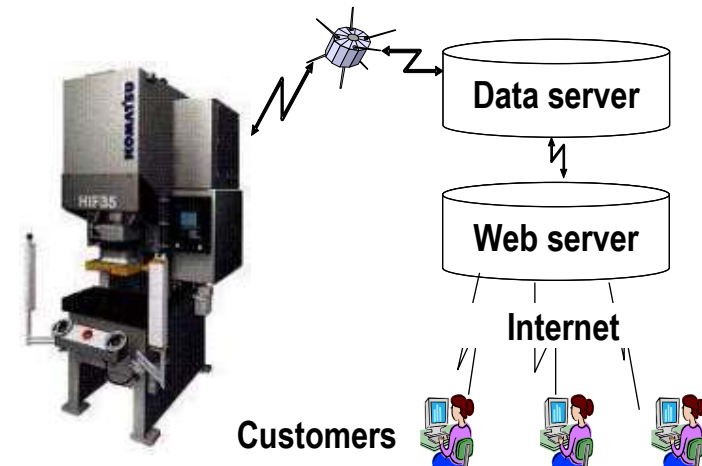
ii) Prediction and management of maintenance timing (Management of parts, UC, GET)



Expanding applications to parts & service operations for mining equipment



3) Application of KOMRAX to Forklift Trucks and Expansion of Industrial Machinery-version KOMTRAX-installed Machines



2. Evolution of Autonomous Haulage System

i) Business expansion

ii) Application to large-scale fleet



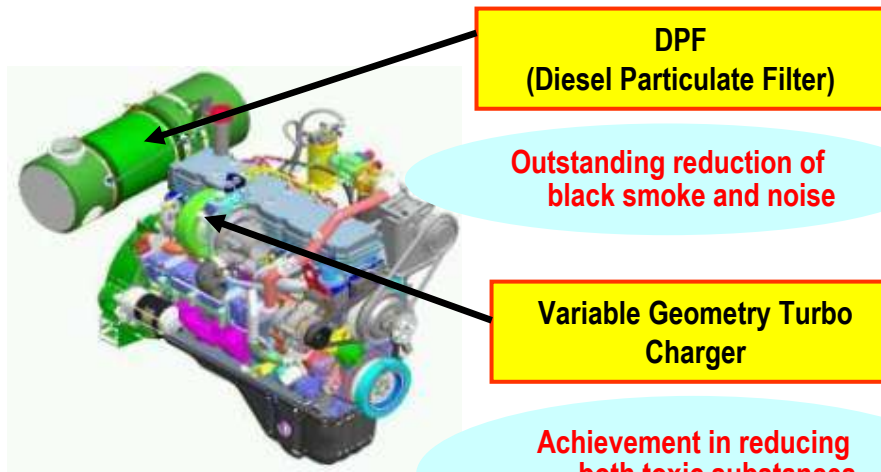
1. Reduction of CO2 emissions from construction equipment

To expand the model range of hybrid construction equipment and their sales.

- 30-ton hydraulic excavator
- Wheel loaders, etc.

2. Meeting Tier4 emission regulations

Timely introduction of Tier4-certified models



Tier4-certified engine (developed)

3. Reduction of CO2 emissions from mining equipment and safety technology

- (1) To reduce CO2 emissions.
 - Promotion of the biodiesel fuel project
- (2) To develop safety technology.
 - Surrounding area monitoring, detection of drowsy driving, collision detection, etc.

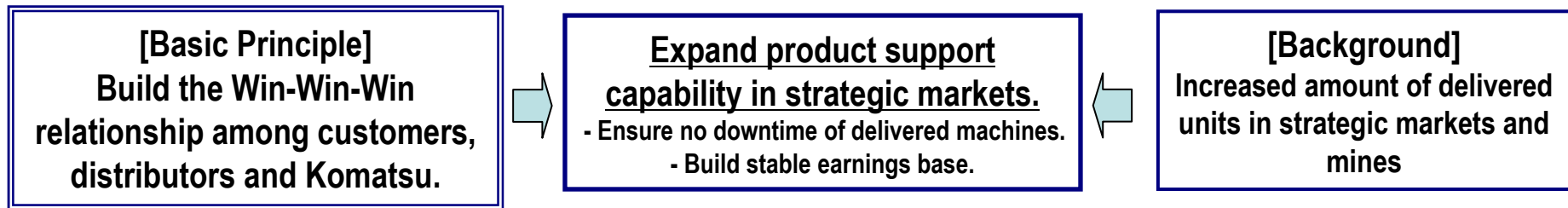
4. Development of environment-friendly forklift trucks

- (1) Small: Next-generation electric models
- (2) Medium-sized: Hydrostatic transmission-equipped models

5. Development of environment-friendly industrial machinery

- (1) To develop and launch next-generation AC Servo presses.
- (2) To meet growing demand for clean energy by improving the performance of wire saws.

Activities of Importance (3): Expansion of Sales and Service Operations in Strategic Markets



1. Expansion of sales of strategic parts

(GET, UC, Reman, routine replacement parts and wear-out parts)

- (1) Expansion of production capacity with a new plant for buckets.
- (2) Reinforcement of global Reman operation.
- (3) Quality improvement of locally procured genuine wear-out parts. → Sales expansion by enhancing their market competitiveness.

2. Parts and service operation linked directly with jobsites

- (1) Enhancement of next-morning delivery ratio by increasing parts depots.
- (2) Reinforcement of product support capability by increasing support centers.
- (3) Clear definitions of the responsibilities of Komatsu Ltd. and distributors.
 - Functional parts, quality-assured components and Reman components will be stocked in parts depots around the world under Komatsu's responsibility.
 - Wear-out parts will be stocked by distributors based on sales and production planning.

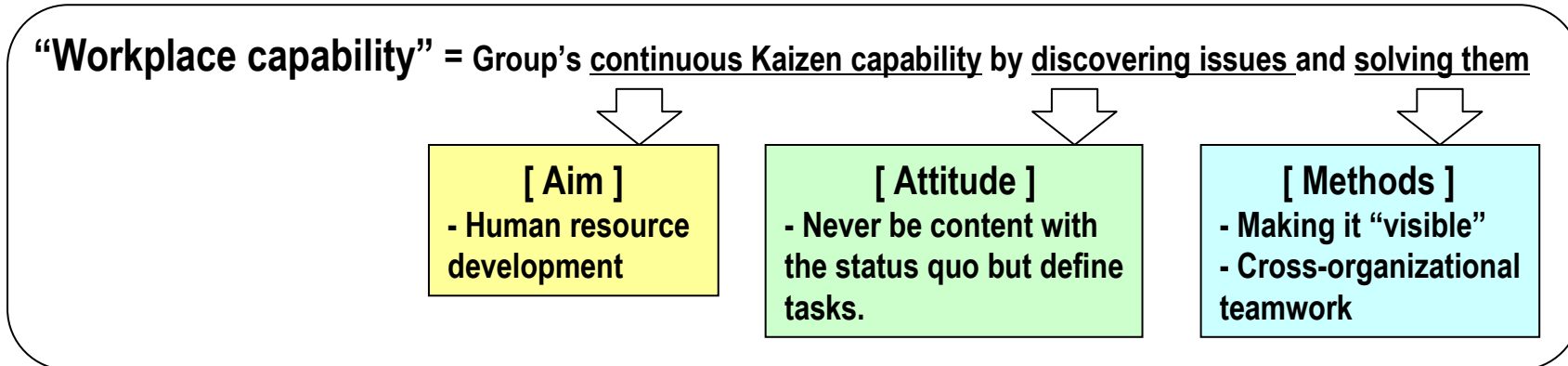
3. Reinforcement of distributors and human resource development

- (1) Introduction of distributor management system. (China → Extending to other regions)
- (2) Development of key managers of distributors. (Continuation of the Global Training Institute)
- (3) Development of global engineers at the Komatsu H.R.D. Center (Philippines).
- (4) Improvement of service engineer training.



Graduates of the 8th service engineering program at Shandong Jiaotong University in China

1. Stance



2. Activities

No.	Items	Contents
1	Further promotion of flexible global manufacturing operation	(1) Global cross-sourcing of products and parts (2) Making all phases “visible” from production and inventory to sales. (3) Optimization of logistics (packing, transportation efficiency, utilization of port-adjacent plants)
2	Promotion of DANTOTSU reduction of production costs	(1) Concentrated reduction of production costs of strategic models (2) Manpower shift from conventional to strategic markets
3	Reduction of fixed costs by reforming administrative work	(1) Work reforms by applying IT (2) Consolidation of systems

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PC200-8 hybrid hydraulic excavator
operating in China