

***Together, to  
"The Next"  
for sustainable growth***

**Komatsu Report**

**2023**

# Creating value to

## Creating value through manufacturing and to empower a sustainable future where people

Our history has been a century of facing and overcoming challenges, and "manufacturing and to  
As we enter our new centennial, we will continue to create value together with our partners.  
And with this spirit we aspire to help create a future where people lead a safe, healthy and peace

### Commitment to "Quality and Reliability"

for continuing to be a company trusted by all of our stakeholders

Our "Management Principle" forms the basis of our efforts to fulfill our mission, and "Sustainability policy" clearly expresses what we do to realize our vision.

Based on these two policies, we will continue to respond to the expectations from society and our stakeholders through our business activities, and contribute to realizing a sustainable society.



### New value creation for sustainable growth

A positive cycle of solving social issues and improving profitability

In order to achieve our vision of sustainable growth through customer value creation that generates a positive cycle of solving ESG issues and improving profitability, we are striving to create safe, highly productive, smart and clean workplaces of the future, together with customers.

We are making steady strides toward our vision by advancing daily efforts to create new value for our customers' workplaces.



# Together

Technology innovation

People, businesses and our planet thrive together

"Technology innovation" has been at the heart of all things we do at Komatsu.

Helpful life in harmony enabling us all to thrive together.



## Ambition, Preservance, Collaboration and Authenticity

The values we believe in and practice deeply rooted in our history

Based on the Founding Principles laid out by our founder, Meitaro Takeuchi, The Komatsu Way was developed to convey our shared values cultivated by our predecessors over our century-long history of ambition and collaboration.

The corporate cultures passed down from the time of our founding have been sublimated into four Values, and we use them as the guiding compass for our daily efforts to fullfil our mission.



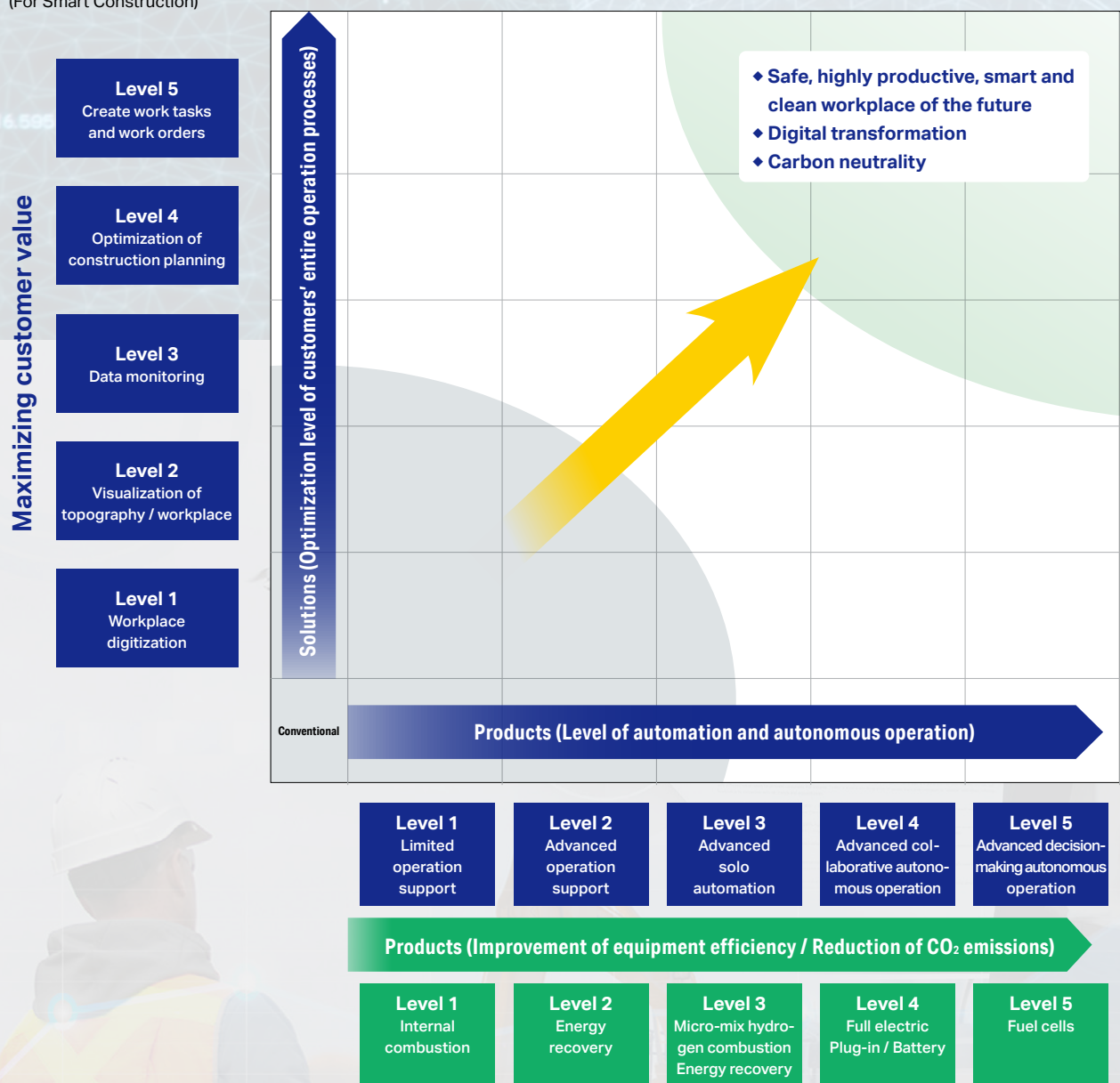
# Our Roadmap to

## Steady progress toward "safe, highly productive"

Solutions that optimize customers' operation processes through digitalization, together with safe  
 Our business continues to evolve toward its next stage in which it resolves issues of our customer  
 We are steadily progressing on the roadmap to workplace of the future together with customer  
 Smart Construction solutions.

### Roadmap to workplace of the future

(For Smart Construction)



**Innovate manufacturing technology and develop new value chain**



# "The Next"

## ...e, smart and clean workplaces of the future"

...e, eco-friendly, and highly efficient products that are compatible with our solutions.

...ers' workplaces with a sophisticated combination of solutions and products.

...s through the development of electrified and automated equipment and the expansion of DX

### Solutions (Optimization of customers' entire operation processes)



**Smart Construction Dashboard application for visualizing job site**  
(constantly updated with new features)



**Smart Construction Simulation application for optimizing construction plan**  
(introduced to market in September 2022)



**Mining open technology platform**  
(under job site trial)

▶ Special Feature: DX Smart Construction Page 46

### Products (Automation and autonomous operation)



**Remote control cockpit for construction equipment**  
(mass-production verification tests underway)



**Large-scale ICT bulldozer for mining D375Ai-8 teleoperation model**  
(commercial operation commenced in May 2023)



**Collaborative operation by unmanned dump truck and ultra-class teleoperated hydraulic excavator**  
(development completed in March 2023)

▶ Special Feature: Automation development of construction and mining equipment Page 48

### Products (Improvement of equipment efficiency / Reduction of CO<sub>2</sub> emissions)



**PC200LCE/210LCE-11 electric hydraulic excavator**  
(to be introduced to market in FY2023)



**Battery-powered haul truck**  
(concept machine)



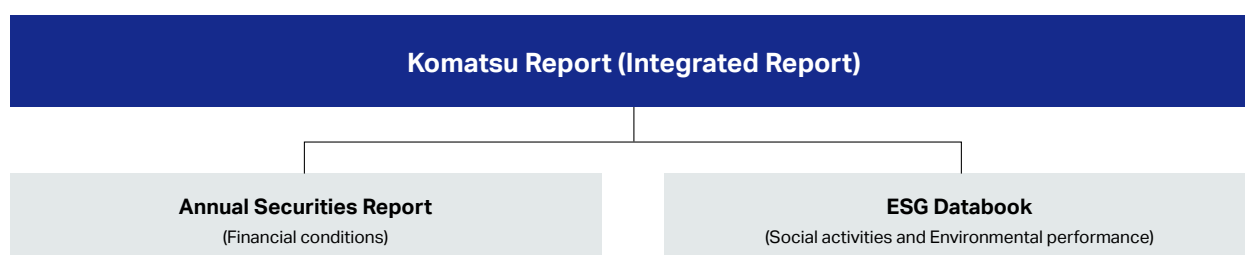
**Medium-sized hydraulic excavator equipped with a hydrogen fuel cell**  
(concept machine)

▶ Special Feature: Challenges to carbon neutrality Page 50

# About Komatsu Report

We publish our integrated report, Komatsu Report annually, for our stakeholders to introduce Komatsu Group's efforts to realize sustainable growth. The Komatsu Report mainly describes on our value creation business model of working for sustainable growth by turning a positive cycle of improving earnings (financial indexes) and solving ESG issues (non-financial indexes) as we implement growth strategies in the mid-term management plan.

## Structure of Komatsu Annual Reports



\* Komatsu Report, Annual Securities Report and ESG Databook, in both Japanese and English, are uploaded on Komatsu's website.

\* Komatsu Ltd. issues Komatsu Report only on the website.



**Please refer to "Annual Securities Report" for more company and financial information.**

- Overview of the Company and Its Consolidated Subsidiaries
- Business Overview
- Property, Plants and Equipment
- Information on the Company
- Financial Information

<https://www.komatsu.jp/en/ir/library/annual-security-report>



**Please refer to ESG Databook for more information concerning environmental and social initiatives.**

- Sustainability policy and management of sustainability
- With people (human resource development, diversity and inclusion, etc.)
- With business (corporate governance, risk management, etc.)
- With the planet (climate change, environmental initiatives, etc.)

<https://komatsu.disclosure.site/en/themes/121>

### Cautionary notice regarding forward-looking statements

This report contains predictions, plans, forecasts, and other forward-looking statements that have been judged by management to be rational based on the information available at the time of publication. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in economic conditions or product demand in major markets, foreign exchange rate fluctuations, regulatory revisions, or changes to accounting standards or practices

### Reporting period: April 1, 2022–March 31, 2023

- This report also includes information on activities after the reporting period in order to provide readers with the latest information.
- "FY2022" refers to the period from April 1, 2022 to March 31, 2023, unless otherwise noted.

### Editorial policy

Komatsu Report 2023 was published for the purpose of providing clear explanations for all stakeholders on Komatsu's medium- to long-term business strategies and the positive cycle generated as Komatsu resolves environmental, social, and governance (ESG) issues through its business activities. In preparation of this report, we referenced the International Integrated Reporting Framework released by the IFRS Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry.



### WE SUPPORT



Komatsu has signed the United Nations Global Compact (UNGC). Click this link for more information about the Ten Principles advocated by the UNGC and how they pertain to Komatsu's initiatives.

<https://komatsu.disclosure.site/en/themes/129>



Komatsu has joined the World Business Council for Sustainable Development (WBCSD).



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## CEO message



*Together, to “**The Next**”  
for sustainable growth*

*To achieve a sustainable future,  
Komatsu is now advancing to the next stage  
together with all of its stakeholders*

**Hiroyuki Ogawa**

President and Representative Director  
Chief Executive Officer (CEO)



## “Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together”

Since its founding in 1921, Komatsu has continued to embrace its Management Principle, “We will maximize the trust given to us by our stakeholders and society through a commitment to Quality and Reliability.” This principle has guided our growth to date through a process of rising to challenges by transforming adversity into opportunities. In 2021, when we celebrated the 100th anniversary of Komatsu’s founding, we articulated our mission and vision as our purpose together with our long-standing values. Our purpose is meant to share with all of our stakeholders our commitment to fulfilling our mission and vision of creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together. This mission and vision will be a constant in Komatsu’s operations, no matter how the times may change.

In addition, we have established our Sustainability policy, which is meant to guide us in practicing sustainability management for contributing to the realization of a sustainable society while growing our business as we aspire toward our purpose. Komatsu’s Management Principle has always inspired our basic stance toward contributing to society through business activities. Today, further, we must acknowledge the increasing expectations for companies to contribute to the realization of a sustainable society. The Sustainability policy illustrates our earnest stance toward living up to the expectations of society while also representing our pledge to lend our strengths to the quest for a sustainable society.

Let me reiterate, under the guidance of the Management Principle that serves as our basic stance toward fulfilling our purpose as well as our Sustainability policy, we are dedicated to living up to the expectations of society and all other stakeholders and helping realize a sustainable society.

The previous mid-term management plan, which was launched in 2019, defines Komatsu’s long-term vision as to create the safe, highly productive, smart and clean workplaces of the future together with customers and to generate a positive cycle for improvement of earnings and ESG resolutions to achieve sustainable growth through the creation of customer value. Our path toward this vision, which we refer to as our Roadmap to workplace of the future, forms the basis for Komatsu’s long-term business strategies.

DANTOTSU Value – *Together, to “The Next” for sustainable growth*, the current mid-term management plan, which was launched in April 2022, is centered on three pillars of growth strategies: 1) Accelerate growth by means of innovation, 2) Maximize earnings power, and 3) Enhance corporate

resilience. The pillars were defined based on backcasting from Komatsu’s vision and Roadmap to workplace of the future, the achievements and ongoing challenges from the previous mid-term management plan, and management issues stemming from changes in the external environment. The three pillars of growth strategies also incorporate Komatsu’s material issues, which need to be addressed if we are to contribute to the realization of a sustainable society while achieving business growth, and medium- to long-term challenges identified for each business segment through business portfolio reviews.

Turning to Komatsu’s operating environment, the global economy showed signs of recovery following the dissipation of the impacts of the COVID-19 pandemic. However, the outlook remains uncertain and opaque due to factors including the situation in Ukraine and other geopolitical risks, foreign exchange rate fluctuations, rising material prices and distribution costs, and supply chain instability. Under these conditions, Komatsu will need to address climate change and other social issues while also building frameworks for flexibly responding to various operating environment changes so that it can continue to chase its ambitions in its pursuit of growth. Our forebearers continued to tackle new challenges and grow, even in times of great uncertainty and volatility. We too must view such operating environment changes as opportunities, as opposed to risks, and capitalize on these opportunities to grow.

In this integrated report, Komatsu Report 2023, we will look at Komatsu’s vision and its current position, as illustrated through its business activities and growth strategies, with our Roadmap to workplace of the future as a central focus. We will also examine Komatsu’s sustainability initiatives in relation to people, business, and the planet as well as its corporate governance measures, which support its vision and position. I hope you will stick with us until the end so that this report can function as a tool for facilitating a constructive dialogue.

## Impending future and growth through innovation today

In FY2022, the first year of the mid-term management plan, the construction, mining and utility equipment business benefited from strong demand for mining equipment seen centered on North America and Asia, although this business did feel some impacts from rising material prices and distribution costs. At the same time, we moved forward with cross-sourcing initiatives that allow us to change the manufacturing plants or product destinations in response to demand fluctuations as well as with multi-sourcing initiatives that entail procuring the same parts from multiple suppliers. These efforts to build a supply chain that is resilient to operating environmental changes enabled us to cater to demand for new equipment. Meanwhile, higher equipment operating rates

## CEO message

led to increased sales of parts and service. The business results also benefited from increases to product selling prices instituted around the world and from the effects of yen depreciation. As a result, Komatsu was able to post new record highs for both net sales and operating profit in FY2022.

At the same time, the construction equipment industry is only growing by about 1% each year on average, which could lead one to conclude that this is a mature industry. Given this reality as well as the growing presence of Chinese manufacturers on the global stage, it is clear that Komatsu's survival will be called into question if we cannot move beyond our current business model, which is limited to the production and sales of construction equipment. This is where our Roadmap to workplace of the future comes in. As indicated by this map, the path toward Komatsu's ongoing growth lies in evolving our business model to resolve issues seen across customer workplaces by combining solutions that connect and optimize all customer processes with products that are highly compatible with those solutions. Of the three pillars of growth strategies of the mid-term management plan, accelerate growth by means of innovation is the most directly related the Roadmap to workplace of the future. Priority measures implemented in line with this strategy produced a certain degree of results in FY2022.

### **1. Promote DX Smart Construction and its overseas expansion / Business promotion using mining open technology platforms**

Looking at our solutions businesses, Smart Construction, which we launched in 2015, has achieved rapid growth over the past eight years. In fact, this solution is currently used by over 10,000 companies in the Japanese market and has been introduced at more than 20,000 workplaces. This rapid growth has also driven increases in related products and services.

In 2020, the new and evolved version of this solution, "DX Smart Construction," was launched featuring new functions for linking all of the operation processes via data. "DX Smart Construction" is a revolutionary solution that organically links all stages of every construction process at a given workplace, and this solution represents a major business opportunity for Komatsu.

Overseas deployment will be key to the growth of "DX Smart Construction." Construction projects overseas tend to be larger than those in Japan, meaning that the introduction of this solution has the potential to realize even greater improvements in productivity in such projects. Specifically, the high level of digital literacy among customers in Europe and the United States is anticipated to be a boon to the growth of "DX Smart Construction." The overseas deployment of this solution is also a pressing task when it comes to differentiating ourselves from Chinese manufacturers.

In our mining equipment operations, meanwhile, we have completed phase one of the development of an open technology platform for optimizing all processes at mines. This platform combines our Autonomous Haulage System (AHS) with fleet management systems for assigning tasks to dump trucks.

Trials of this platform are currently underway at customer workplaces and we are planning a phased expansion of the number of customers using this platform. At the same time, we will look to develop a business model that combines this platform with relevant products and solutions to increase earnings.

### **2. Advanced product development and market introduction with high compatibility with platforms**

In 2008, Komatsu launched the AHS, and this system has been used on more than 650 pieces of mining equipment to date. The demand for this system is so robust that it prompted us to institute upward revisions to the targets for key performance indicators (KPIs) set for FY2024, and we anticipate that the market for unmanned dump trucks will continue to grow going forward.

At the same time, we are moving forward with the development of mining equipment other than non-dump trucks that can be operated remotely or autonomously with the goal of automating mine operation in its entirety. We have completed development of a 700-ton class large-scale hydraulic excavator that can be operated remotely, and we are in the process of negotiating with customers to commence trial introduction of this piece of equipment at actual workplaces. This excavator is anticipated to contribute to further improvements in safety and productivity at customer workplaces when combined with our already available AHS.

### **3. Development and market introduction of electrified machinery**

Komatsu is moving ahead with the development and market introduction of electrified equipment with the aim of accomplishing its management target of reducing CO<sub>2</sub> emissions from product use by 50% in FY2030 from FY2010 and the challenging goal of achieving carbon neutrality by 2050. In FY2022, we exhibited a 20-ton class electric hydraulic excavator at construction equipment trade show held in Germany and the United States. We also advanced development and early-stage research on new types of electrified equipment. FY2023 has been positioned as the first year for the market introduction of electric construction equipment, and we are accelerating market introductions and other electric equipment initiatives accordingly.

There is an incredibly broad scope of models when it comes to construction and mining equipment, ranging from the micro excavators used for urban civil engineering projects to the ultra-class dump trucks found at mines. The output levels, usage conditions, and daily operating hours of such equipment can vary radically by type. Accordingly, we will need to look at battery-powered equipment as well as equipment that uses fuel cells and hydrogen engines if we are going to achieve carbon neutrality while maintaining the levels of quality that customers demand of our products. The market for electrified equipment is still in its infancy, due in no small part to the massive technological hurdles presented by factors such as costs and the need to install



charging infrastructure. Nevertheless, Komatsu believes that it has a responsibility as a manufacturer to provide its customers with the widest possible range of options for the impending era of electrified equipment, and we are advancing research and development toward this end together with our partners.

We anticipate that markets for electrified equipment will first begin to take shape in the utility equipment sector, where the technological hurdles to be overcome are relatively low, and particularly in Europe, where environmental awareness is high. Accordingly, our first priority will be the development of utility equipment for the European market, where we will seek to secure a competitive advantage by being an early entrant into the emerging market. Our next priority will be the market introduction of middle-sized electric hydraulic excavators represented by our mainstay 20-ton class models. The development of models equipped with fuel cells, hydrogen engines, and other next-generation power sources will be advanced alongside these launches.

The development of next-generation models takes time. As we develop these new models, we will encourage customers to use our currently available hybrid, diesel-electric, tethered-electric, trolley, and other equipment that uses so-called bridge technologies meant to fill the gap between existing models and next-generation models. We will also utilize carbon-neutral fuels like hydrotreated vegetable oil and biodiesel to reduce CO<sub>2</sub> emissions from product use.

## Changing component strategies and evolving value chain strategies

Up until now, we have been talking about Komatsu's position on our Roadmap to workplace of the future. Now, I would like to move on to talk about the future, specifically about the component and value chain strategies that relate to the roadmap.

### 1. Component strategies

A major strength of Komatsu is how it develops and produces the Key Components that determine the performance of equipment in-house. This allows us to incorporate technological progress to differentiate the performance of our products and also to manage quality, delivery timing, and costs on a global scale through means such as cross-sourcing. In addition, Komatsu remotely tracks the operating status of components to predict their lifespans. This information is used to generate stable earnings from post-sale equipment through aftermarket businesses, such as the remanufacturing components and the sale of genuine parts through extended warranty with maintenance contracts. I am confident that the strength granted by the in-house development and production of Key Components will translate to competitiveness and differentiation for Komatsu. Accordingly, this component strategy is something that Komatsu should continue going forward. However, I also cannot deny the possibility that progress in the automation and electrification of equipment could give rise to components for which Komatsu lacks technological insight. Such a situation would make it difficult to continue to develop and produce all components in-house. This recognition casts light on a need to make slight changes to our current component strategies.

For example, Komatsu does not have the insight necessary to produce batteries in-house. For this reason, we are currently conducting development and production of battery systems together with partners. As we take part in such partnerships, it will be important to think about the degree to which Komatsu can accumulate insight to be used for in-house production through these undertakings. I suspect that we will have no choice but to purchase automotive battery cells from somewhere. When it comes to modules and packs, however, I believe that we might be able to generate synergies between the construction equipment business and the industrial machinery business by capitalizing on the expertise of group company Komatsu NTC Ltd., which entered the automotive battery manufacturing equipment business in 2022.

Collaboration with partners and M&A activities will be more important than ever if we are going to work toward the in-house

Komatsu's component strategies are advancing to the next stage in conjunction with technological progress.



## CEO message

production of batteries. It is anticipated that there will be competition from across the industrial sector to acquire battery cells in the future. There is usually demand for about 300,000 construction and mining equipment units each year. The figure for demand for automobiles is two digits more. For this reason, if we want to be able to source battery cells reliably, we are going to need to form relationships with dedicated manufacturers possessing such advanced technologies.

I used batteries as an example, but the truth is that we plan to use a combination of in-house production and partnerships with regard to other components as well. It will not be feasible to develop and produce all components entirely in-house. We may, therefore, adopt an approach of producing components for mainstay models with high sales volumes in-house to ensure that we can accommodate demand for after-sales services in aftermarket businesses, while also procuring from other companies. Such model-specific component strategies might be one way we can change. Flexible component strategies will, of course, create new business opportunities for our partners. In cases when we are unable to use the insight gained through partnerships to conduct in-house production, it may be an option of transitioning to external procurement for components previously developed and produced in-house. Going forward, we should continue partnering with other companies while maintaining a healthy sense of tension, in order to drive growth for both partners and Komatsu.

### 2. Value chain strategies

Komatsu is transitioning to a business model focused on combining solutions and products, but this change in approach will not change the fact that Komatsu's core offering—its source of earnings—is its products. We are working to improve the value of our products through means such as automation and electrification. However, if we are to ensure that customers can continue to use Komatsu products with peace of mind from the moment they purchase to the day they give away, we will need to develop value chain businesses in areas such as sales of parts for post-sale equipment and maintenance and repair services.

The next-generation Komtrax system, the latest iteration of the Komtrax system that has been standard on Komatsu products since 2001, allows for operating data on equipment and components to be acquired in essentially real time. This allows us to propose optimal preventive maintenance services based on the condition of each individual piece of equipment.

This data-based business is only possible because Komatsu develops and produces Key Components in-house, which allows us to design these components with monitoring technologies in mind. Thinking about future value chain strategies thus also points to the importance of continuing our current component strategies. However, the technological strength of Komtrax is not the only asset Komatsu has for evolving its value chain businesses; we can also capitalize on the last-mile contact points with customers provided by our distributor network. To ensure that Komatsu can always be an indispensable partner to customers, capable of resolving their issues through open communication, it will be crucial for us to ramp up our efforts across the value chain.

## Role of the President in navigating uncertain waters to reach envisioned future

Since I assumed the role of the President in 2019, we have continued to face unexpected contingency, such as the COVID-19 pandemic and the materialization of geopolitical risks. In these uncertain situations, I have endeavored to quickly and flexibly judge the circumstances, make decisions, and then effectively explain these before enacting them and taking responsibility for creating results. This is the process I have emphasized in fulfilling my role as the President.

The Komatsu Way, which describes the guiding principles for our actions at Komatsu, stresses the importance of an emphasis on workplaces to exercise good judgment based on the reality thereat. Komatsu has continued to grow by



**Komatsu will continue to grow by creating new value through teamwork among its diverse people.**



capitalizing on the strength of its frontline capabilities, which enable us to identify issues, exercise good judgment based on reality, make decisions, and execute reforms based on these decisions. If I look back at my career thus far, I cannot help but see that my capacity for judgment, decision-making, and action needed in corporate management was honed through the wisdom I gained from experience and from action, by immersing myself in a given situation and truly engaging with the reality of its conditions.

At the same time, the role of the President is not something I can carry out entirely on my own. Acting based on judgments and decisions requires that I comprehensively explain my reasons to the relevant parties. After the collapse of Japan's bubble economy, the decision was made to close a plant in response to the decline in demand in Japan and to transfer the production operations of this plant to another. I was the leader of this project. This gave me the opportunity to experience the perspectives of both those to be transferred and those at the plant set to receive this transfer. This experience taught me the true importance of thinking from the other party's perspective. I was later assigned to a position as the U.S. plant manager. In this position, I had to oversee all areas of management, not just the production technologies in which I specialized, but also tasks outside of my area of expertise like production, quality, and cost management. As I spoke with employees with various areas of expertise, I was always careful to turn an attentive ear toward their input, sometimes prioritize the proposals of others above my own. Through this process, I sought to ensure that we could function as a healthy team and organization.

As the President, I will seek to exercise flexible judgment and make quick decisions and to offer earnest explanations before moving to cooperative action, all while being mindful of the actual circumstances and taking responsibility for the results. This is how I will work to fulfill my role and ensure we can reach our envisioned future, even in the changing operating environment.

## People as the drivers of sustainable growth

As Komatsu seeks to continue to create value and grow in the current era of volatility and uncertainty, there can be no doubt that its greatest asset will be its people. The ongoing growth of Komatsu will require that we can develop human resources with frontline capabilities built on the four Values (Ambition, Perseverance, Collaboration, and Authenticity) that support us in acting in accordance with the Komatsu Way and fulfilling our purpose. Just like the good judgment exercised in corporate management, frontline capabilities need to be honed through the act of accumulating wisdom based on experience and action taken by tackling new challenges in one's everyday work. I have had the opportunity to experience many such challenges. For my ability to grow through such varied experiences, I have my talented supervisors from the past to thank. All of my

supervisors were people who would give me challenging and ambitious goals while granting me a fair degree of responsibility and authority. This challenging and motivating environment helped me gain a great deal of insight while also feeling a strong sense of accomplishment. The growth of one's subordinates hinges on the degree to which a supervisor can prepare opportunities to tackle new challenges and entrust these to their subordinates. I believe that stimulating such growth is one of the most important tasks of management.

For creating new value it will be more essential to build a team assembled based on the principles of diversity and inclusion. Each member of this team should embrace the values handed down from our forebearers while also respecting the individuality and skills of their diverse team members. It is my hope that our employees will be able to work with satisfaction and pride and to grow together with Komatsu by creating new value through teamwork. For this reason, I am committed to advancing initiatives based on the priority measure of "enrich human resources base with diversity" defined in the mid-term management plan. We will thus be conducting ongoing investments in human capital, the human resources that are our most important management resource for creating new value.

## Advancement to the next stage together with all stakeholders

It is my goal to cultivate within Komatsu a corporate culture in which diverse people—, each one capable of exercising autonomy in identifying issues and implementing the necessary reforms and improvements—, exercise teamwork to innovate our technologies and business model and thereby create new value and resolve social issues. To foster such a corporate culture, I will share information on a global basis and expedite the process of making and executing management decisions. This is how I aim to make Komatsu a company that maintains the trust of society and all of its other stakeholders as a leading global company.

Building on the foundations our forebearers fostered over the past century, Komatsu will continue to create new value through manufacturing and technology innovation as it pursues Quality and Reliability over the next century. On this quest, we will need to pursue "Creating value together" through working with all of our stakeholders. I hope you will join us in our ongoing efforts to advance to our next stage to empower a sustainable future for the next generation where people, businesses, and our planet thrive together.



Hiroyuki Ogawa  
President and Representative Director  
Chief Executive Officer (CEO)

# History of value creation through ambition and collaboration

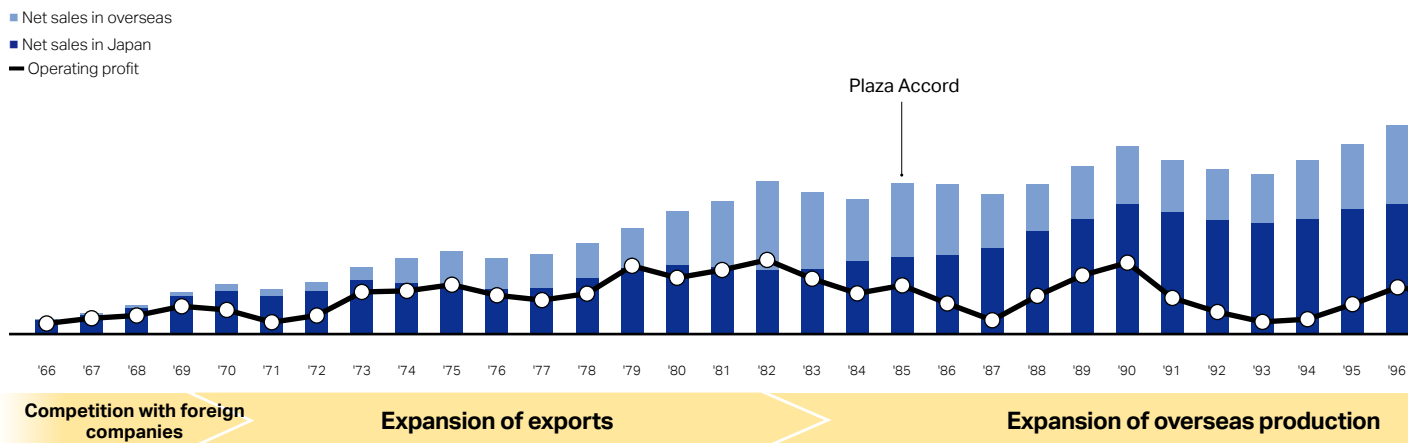
Since its founding in 1921, Komatsu has continued to adhere to its Management Principle, which states: "We will pursue "Quality and Reliability" and maximize the total trust of the society and all stakeholders."

By taking an earnest approach toward addressing the social issues that change with the times, we have kept growing until today through the creation of new value to resolve these issues.

Committed to improving lives and enriching societies around the world while preserving a sustainable environment for future generations, Komatsu will continue creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together.

## History of global consolidated management

Net sales and operating profit in Japan and overseas



Competition with foreign companies

Expansion of exports

Expansion of overseas production

Diversification

### 1921 Founding

Komatsu Ltd. was established to carry on the operations of Komatsu Iron Works Ltd. (established in 1917), which manufactured mining machines for use in the Yusenji copper mine located in Komatsu City, Ishikawa Prefecture developed by Meitaro Takeuchi, founder of Komatsu Ltd. Based on a firm belief that developing the machinery industry in rural areas and promoting its growth, as well as looking to transcend national boundaries with high-quality products, Meitaro Takeuchi emphasized the importance of developing technology and manufacturing products with an eye to international markets, even when he founded Komatsu. The four "Founding Principles" put forth by Takeuchi continue to live on in the DNA of Komatsu today.

#### Founding Principles

- Global Expansion
- Quality First
- Technological Innovation
- Employee Development

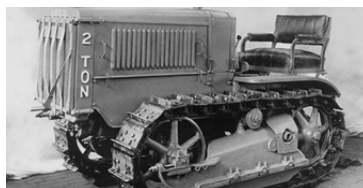


Meitaro Takeuchi, Founder

### 1931

Produced Japan's first crawler-type farm tractor

In response to a request from the Ministry of Agriculture and Forestry, Komatsu succeeded in developing the Japan's first crawler-type farm tractor. While competitors gave up this challenge at the prototype stage, Komatsu continued its efforts with a strong commitment to developing a unique product that others could not imitate. Subsequently in 1932, Komatsu released the "G25 farming tractor" equipped with in-house developed engine, thereby creating the foundations for the construction equipment operations that are now Komatsu's core business.



Challenge

Development of Japan's first farm tractor

Value

Contribution to Japanese economy with the first made-in-Japan farm tractor

### 1961

Challenge to global level quality—Entry of U.S. construction equipment manufacturer into Japan

As the Japanese economy became more global, market deregulation prompted the world's largest construction equipment manufacturer to enter the Japanese market. In order to compete against this major rival, Komatsu undertook the Project "A" quality improvement project with a Companywide commitment to improving everything, from the level of a single screw. This project culminated in the development of a bulldozer that could compete with the U.S.-made bulldozers in only two years. This commitment to overcoming adversity through Quality and Reliability has been passed down the generations in the form of our Management Principle.



Challenge

Realization of quality on par with global level for competing with overseas companies

Value

Improvement of global competitiveness of Japanese products

### 1972

Realignment of award customer perspective Transition from Reliability on Machine

As Komatsu began to expand operations in a full-fledged manner, it faced a rising need from customers in various places, of improving "Reliability on Machine Availability" that is a combination of reliability of machine and availability of parts. Project "B" activities that included after-sales service, such as disassembly and reassembly, that had been operated for a long time, were otherwise collected activities. These activities form the basis of our customer relationship management, which Komatsu uses today.



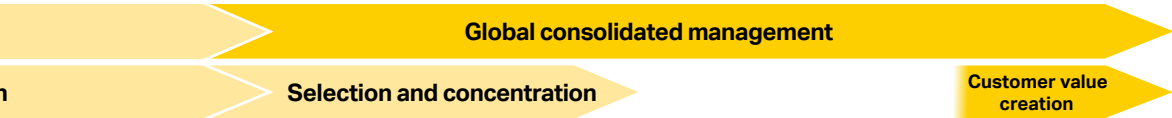
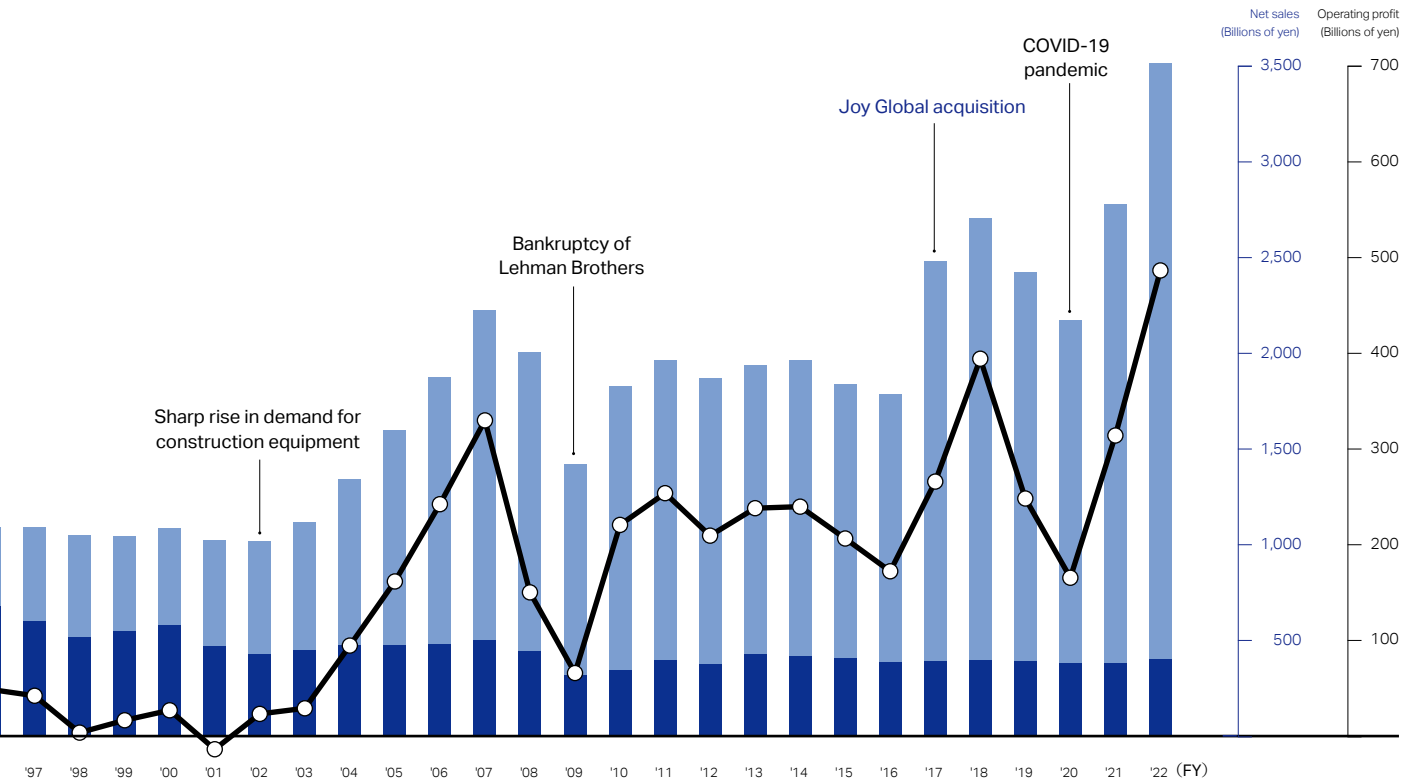
Challenge

Improvement of Reliability on Machine Availability (customer satisfaction)

Value

Expansion of present international market Japanese-based global





Business toward  
re—  
ability of Machine to  
e Availability

and its overseas  
ed manner, it came to  
arash overseas work-  
iability on Machine  
prehensive reliability  
vice in addition to the  
h as durability. In the  
kicked off in 1972,  
d analyzed equipment  
for extended periods and  
al operating data from  
duct development. These  
for the business model  
s with customers that

**2008**  
Succeeded in the world's first commercial  
deployment of the Autonomous Haulage  
System (AHS)

Komatsu's Autonomous Haulage System (AHS) is the world's first unmanned trucks with high-precision GPS and obstacle detection sensors and controlled remotely from the central control room. Previously, the mining operation required multiple operator changes to operate dump trucks on a 24-hour basis, but the introduction of AHS has both ensured safety and improved productivity under harsh operating conditions by eliminating operators. Today, more than 650 AHS-equipped units are in operation at large-scale mines in Chile, Australia, and other locations, where they are contributing to massive improvements in the safety, productivity, and eco-friendliness of customer workplaces.

**2015**  
Starting Smart Construction  
digital solutions for a workplace of the  
future

Smart Construction is solutions that organically connects construction workplaces data such as land features, people, equipment, and materials through ICT and visualize the customers' entire operation processes from survey to inspection. This solution thereby contributes to the creation of the safe, highly productive, smart and clean workplaces of the future. Through the combination of 3D data surveyed and generated by drones and other IoT devices with high-quality operations performed by ICT-intensive equipment, Smart Construction helps address various issues surrounding customers' workplaces such as labor shortages.

**2023**  
Challenges to carbon neutrality  
The first year for the market introduction  
of electric construction equipment

To guide its efforts to contribute to the realization of a decarbonized society, Komatsu declared its challenging goal of achieving carbon neutrality, virtually zero carbon emissions, by 2050. To accomplish this goal, we are advancing various initiatives, especially in electrification of construction equipment. Through the introduction of electric construction equipment that uses new batteries and high voltage conversion units developed based on the insights and technologies accumulated through the development of hybrid equipment and electric forklifts, we are contributing to reductions in society's CO<sub>2</sub> emissions.



ability on  
)

**Challenge**

Improvement of safety and productivity  
at mine sites

**Value**

- Mitigation of accident risks through unmanned equipment
- Contribution to reliable resource supplies by addressing labor shortages at mines
- Reduction of CO<sub>2</sub> emissions from mine site operation

**Challenge**

Response to labor shortages and improve-  
ment of safety and productivity at construc-  
tion job sites

**Value**

- Enhancement of process efficiency to reduce accident risks
- Improvement of supply-demand balance of construction industry by addressing labor shortages
- Reduction of CO<sub>2</sub> emissions from construction job site operation

**Challenge**

Contribution to the realization of  
a decarbonized society

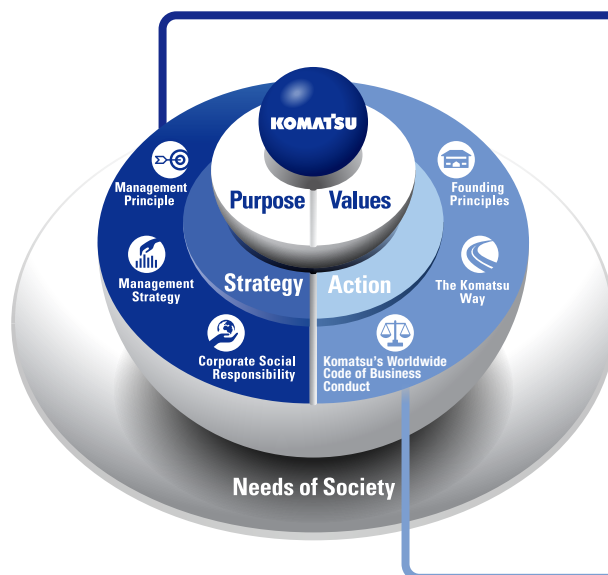
**Value**

- Reduction of CO<sub>2</sub> emissions through development and market introduction of low-carbon products

ce in  
as  
company

# Corporate identity

As our business and strategies diversify further, we will strive to deliver our corporate identity through our global operation.









**Our purpose** Our mission and vision

Creating value through manufacturing and technology innovation  
to empower a sustainable future  
where people, businesses and our planet thrive together.

**Our values** The values we cherish

**Ambition Perseverance Collaboration Authenticity**

**Strategy and Action** Guidelines shaping shared understanding behind business activities

Strategy	Action
 <p><b>Management Principle</b> We will maximize the trust given to us by our stakeholders and society through a commitment to quality and reliability. Management Principle shows our basic stance regarding business administration.</p>	 <p><b>Founding Principles</b> "Global Expansion," "Quality First," "Technological Innovation," and "Employee Development." These are the founding principles laid out by our founder, Meitaro Takeuchi (1860–1928), and they continue to be upheld by our organization to this day.</p>
 <p><b>Management Strategy</b> Our current mid-term management plan, DANTOTSU Value— <i>Together, to "The Next" for sustainable growth</i> (FY2022–FY2024), aims to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth.</p>	 <p><b>The Komatsu Way</b> The Komatsu Way was developed to convey our shared values and practices across different cultures, customs, and generations.</p>
 <p><b>Corporate Social Responsibility</b> We believe that our very business is a Corporate Social Responsibility. The work that we do directly supports the growth and improvement of our communities and society in general.</p>	 <p><b>Komatsu's Worldwide Code of Business Conduct</b> Compliance with the rules of business community is considered a top priority at Komatsu. The rules are not limited to laws and regulations but also include rules that are generally recognized and respected in society.</p>



**Sustainability policy** Business continuity guidelines for business activities

Since Komatsu's founding, we have always pursued "Quality and Reliability", and have made efforts to build strong relationships of trust with our stakeholders based on our "Management Principle" of maximizing the total sum of trust from all stakeholders, including society. Our pursuit of coexistence has been handed down through generations, and our basic stance is to contribute to society through business activities.

Our purpose is "Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together".

We will continue to address issues that are important to both a sustainable society and our business, grow as a corporate group that can flexibly respond to changes in society and the external environment, further enhance our corporate governance, and contribute to society with our stakeholders.

**What we do to empower a sustainable future where people, businesses, and our planet thrive together**

**With people**

- We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride.
- We nurture employees who can take on challenges in various jobsites and regions, create new value together with customers, and contribute to the realization of a sustainable society.
- As Komatsu Group, we shall respect human rights related to all of our business activities.

**With business**

- We contribute to society through our business activities by providing our customers with safe and highly productive products, services, and solutions that realize sustainable infrastructure development, resource development, and a recycling-oriented society.
- We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence, and co-prosperity.
- We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society.

**With the planet**

- Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies.
- We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation.
- We pursue collaboration and value creation with our stakeholders toward a sustainable planet and future.

Komatsu Ltd.  
President and Chief Executive Officer



# Material issues for sustainability (Materiality)





In recent years, Komatsu's operating environment has been becoming increasingly volatile and opaque. Trends seen in this changing environment include the moves to promote digital transformation, carbon neutrality, and diversity and inclusion. Komatsu views these trends as representing business opportunities, and we are developing foundations for sustainable growth based on this understanding. At the same time, we recognize the growing importance for us to contribute to the resolution of social issues through our business activities.

Based on this outlook, we revised our material issues over the three-month period from November 2020 to February 2021, prior to the launch of the current mid-term management plan. Through this revision, Komatsu sought to increase its resilience to changes in the operating environment and to business risks.





















Initiatives for addressing these material issues have been reflected in the growth strategies of the mid-term management plan in order to speed us toward our business goal of generating a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth.

Moreover, we examined the identified material issues from the perspective of compatibility between our Sustainability Policy and the United Nations Sustainable Development Goals (SDGs). Through this process, we indicated relationships between 10 goals from among the 17 goals of the SDGs that have a strong connection to the Komatsu Group's material issues. Going forward, the Company will undertake regular materiality analyses and reflect the identified sustainability-related business risks and opportunities in management initiatives in order to respond flexibly to changes in the operating and management environment.

## Changes in external environment and of ESG issues

<b>Politics &amp; economy</b>	<b>Environment &amp; energy</b>
<ul style="list-style-type: none"> <li>• Growing competition between US and China and economic security risks</li> <li>• China: impacts of domestic policies and economic/diplomatic policies</li> <li>• Growing geopolitical risks (Ukraine situation etc.)</li> <li>• Unstable supply chains</li> <li>• Need to increase ability to address contingencies (including infectious diseases and natural disasters)</li> </ul> 	<ul style="list-style-type: none"> <li>• Growing momentum toward climate change and decarbonization (COP26: 1.5° Celsius target confirmed)</li> <li>• Acceleration of carbon neutrality</li> <li>• Shift to EVs (automobile industry)</li> <li>• Water security and biodiversity conservation</li> <li>• Growing green investments and rising demand for information disclosure</li> </ul> 
<b>Technologies</b>	<b>Society &amp; values</b>
<ul style="list-style-type: none"> <li>• Acceleration of digital transformation</li> <li>• Advancements in leading technologies and open innovation (automation, electrification, and remote-controlling, AI, etc.)</li> <li>• Expansion of SaaS (Software as a Service)</li> <li>• Evolution of Data Analytics</li> <li>• Growing cybersecurity risks</li> </ul> 	<ul style="list-style-type: none"> <li>• Prevalence of diversity and inclusion (gender, people with disabilities, LGBTQ, etc.)</li> <li>• Progress with diverse workstyles</li> <li>• Growing importance of employee engagement</li> <li>• Rising societal demands for human rights and corporate ethics</li> <li>• Strengthened governance and risk management</li> </ul> 

## Komatsu's material issues (materiality)

	Relationship with SDGs	Material issues (materiality)
<b>With people</b>	 Gender equality  Decent work and economic growth  Reduced inequalities  Partnerships for the goals	<div style="border: 1px solid #003366; padding: 5px; margin-bottom: 5px;">  <b>Employees</b> <ul style="list-style-type: none"> <li>• Occupational safety and health and well-being</li> <li>• Employee engagement and job satisfaction</li> <li>• Diversity and Inclusion</li> <li>• Skills development and workplace retention</li> </ul> </div> <div style="border: 1px solid #003366; padding: 5px;">  <b>Human Rights</b> <ul style="list-style-type: none"> <li>• Respect for human rights</li> </ul> </div>
<b>With business</b>	 Industry, innovation, and infrastructure  Sustainable cities and communities  Responsible consumption and production  Partnerships for the goals	<div style="border: 1px solid #003366; padding: 5px; margin-bottom: 5px;">  <b>Customers</b> <ul style="list-style-type: none"> <li>• Product safety and quality</li> <li>• Provision of solutions</li> </ul> </div> <div style="border: 1px solid #003366; padding: 5px; margin-bottom: 5px;">  <b>Ethics / Governance</b> <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Compliance</li> </ul> </div> <div style="border: 1px solid #003366; padding: 5px;">  <b>Communities</b> <ul style="list-style-type: none"> <li>• Contributions to local communities</li> </ul> </div>
<b>With the planet</b>	 Affordable and clean energy  Industry, innovation, and infrastructure  Responsible consumption and production  Climate action  Life on land  Partnerships for the goals	<div style="border: 1px solid #003366; padding: 5px;">  <b>Environment</b> <ul style="list-style-type: none"> <li>• Reduction of energy usage and GHG emissions</li> <li>• Development of low-carbon/low-emissions products, solutions, and business models</li> <li>• Forest conservation through business activities</li> <li>• Resource recycling and remanufacturing</li> </ul> </div>

# Process of revising material issues

Komatsu utilized the following process in establishing its material issues while receiving third-party aid from Business for Social Responsibility, a U.S.-based NPO.

## 1. Identification of sustainability issues

From a medium- to long-term perspective, sustainability issues that could have a material impact on corporate value creation activities and business performance were identified based on past materiality analyses, international targets and standards, reporting frameworks, management philosophy and strategies, and the importance and relevance to stakeholders, resulting in the compilation of a list of 46 items.

## 2. Evaluation of identified sustainability issues

Meetings were held with the internal and external individuals\* with regard to the identified sustainability issues in order to assess and map the issues from the perspectives of business importance and impacts on sustainability (importance to stakeholders + environmental, social, and economic impact).

\* The internal individuals included domestic and overseas officers (Directors, Global Officers, and other executive officers). The external individuals included institutional investors and representatives from World Business Council for Sustainable Development, World Wide Fund for Nature Inc., Business & Human Rights Resource Centre, customers, and partners.

## 3. Definition of material issues

Based on these analyses, the Company defined six material issues—environment, customers, employees, ethics and governance, human rights, and communities—that were deemed to have material importance in terms of their impact on sustainability and their business importance.

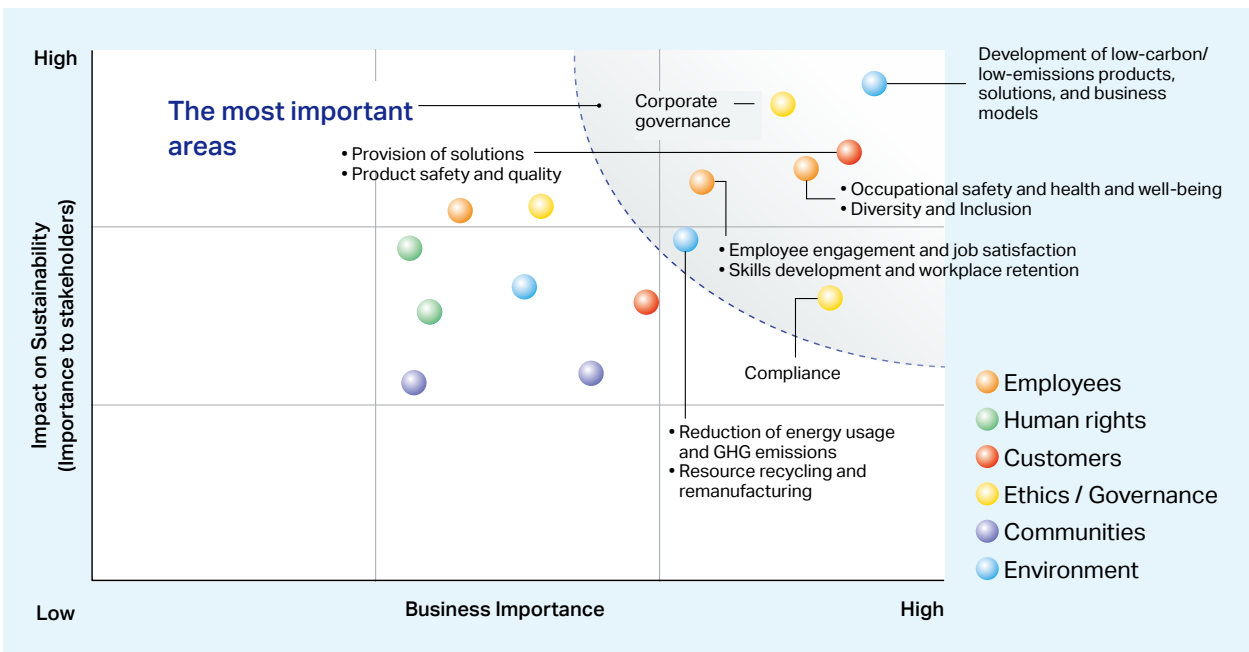
Furthermore, the four areas of environment, customers, employees, and ethics and governance were identified as being of particularly high priority among these issues, and initiatives for addressing these areas have been incorporated into the growth strategies of the mid-term management plan.

## 4. Approval of mid-term management plan by Board of Directors

The identified material issues were examined from the perspective of compatibility between our Sustainability Policy and the SDGs. The issues were then approved by the Board of Directors based on the judgment that they were issues needing to be addressed in order for Komatsu to achieve its business goal of generating a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth.

Furthermore, key performance indicators (KPIs) were identified to guide progress toward the resolution of ESG issues through the advancement of growth strategies. The degree of accomplishment of targets for these KPIs is disclosed via the Company's integrated reports.

[The KPIs of the mid-term management plan page 44](#)



# Business portfolio

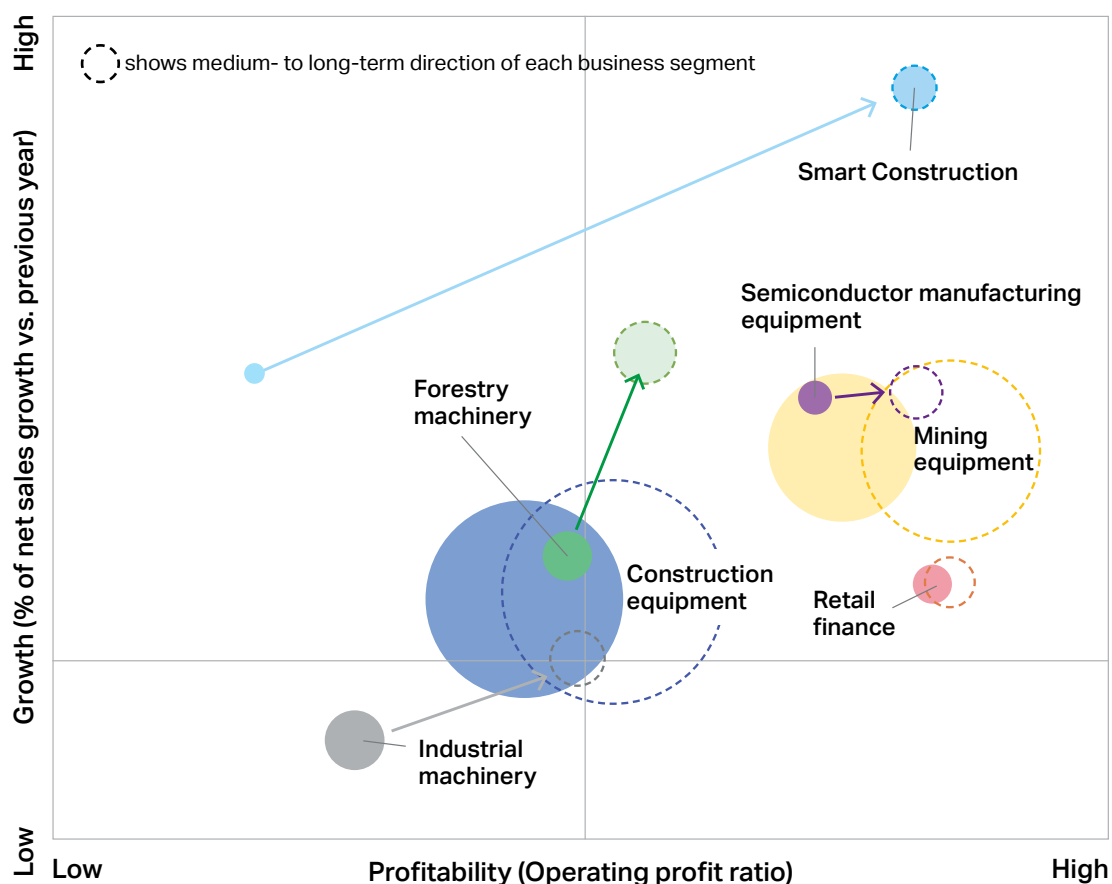
We have continued to promote the selection and concentration of businesses since early 2000s. Today, we are working to improve growth and profitability by concentrating our management resources on Construction, Mining and Utility Equipment; Retail Finance; and Industrial Machinery and Others. Especially, for evaluating profitability, we emphasize the operating profit ratio as an indicator of the earnings power of our business.

In our mainstay construction, mining and utility equipment business, we are continuing both investments in growth areas and fixed cost management. At the same time, we are advancing toward sustainable growth by improving growth and profitability through the expansion of solutions business and value chain business. We are also considering M&A as one of the options to achieve this goal. In particular, we will cultivate the forestry machinery business into a third pillar of our businesses, following the construction equipment business and mining equipment business.

In the semiconductor manufacturing equipment business, we are working to maintain and improve our high-profitability foundations by promoting investment to capitalize on sharp rise in demand for the semiconductor manufacturing equipment.

In the industrial machinery business, our central customers are in the automotive industry. Accordingly, we are striving to enhance our earnings through incorporating the new demand arising from the changes in the external environment represented by CASE (connected driving, autonomous driving, sharing, and electrification).

## Medium- to long-term direction of business portfolio transformation



- The size of the colored bubbles indicates average sales for each business segment over the past 10 years (FY2012–2021).
- Forestry machinery and Smart Construction indicates the direction from FY2021 with construction equipment in parentheses.
- Smart Construction indicates solutions-related portion.



## Major initiatives of each business segment

### Construction equipment

In traditional markets, we are promoting the electrification of construction equipment to achieve carbon neutrality and focusing efforts for the joint developments with our partners and the early market introduction of different models. At the same time, research and development is being advanced on fuel cells, hydrogen engines, and other new power sources.

As for strategic markets, sales promotions for CE series hydraulic excavators designed for urban civil engineering were conducted centered on Asia. We also reviewed our organizational structure in Africa to transition to a structure that allows for quick responses to customer needs.

### Mining equipment

By promoting the introduction of mining equipment with automation technologies, the mining equipment business is steadily expanding. We have deployed more than 650 units of Autonomous Haulage System (AHS) have been deployed (aggregate as of June 30, 2023) and started automated operation trials of a large ICT bulldozer at customers' site.

Meanwhile, we have formed the Komatsu GHG Alliance together with mining industry leaders to work toward a shared goal of delivering zero-emissions equipment solutions. Alliance members have since been working to advance Komatsu's power agnostic truck concept for a haulage vehicle that can run on a variety of power sources. In addition, we are also working to expand solutions business by developing mining open technology platforms, which optimize the entire mining operations.

In the underground mining field, we have advanced M&A related to hard rock mining equipment, the development of new products including new mining methods, and the structural reforms, including the partial sale of production facilities for the underground coal (soft rock) business, which are expected to shrink over the medium to long term.

### Forestry machinery

To contribute to sustainable, recycling-oriented forestry business, we are working on mechanization of all processes other than harvesting and forwarding, which have conventionally been manufactured and sold, such as planting and silviculture. In July 2022, we acquired Bracke Forest AB, a manufacturer of tree-planting attachments.

### Smart Construction

We have introduced new applications, and developed the system for overseas expansion of Smart Construction. In addition, we have developed a remote control system for medium-sized hydraulic excavators, which can be linked with Smart Construction, and begun offering to customers.

### Retail finance

The retail finance business is expanding its coverage of growth markets in Europe as well as in Asia, Africa, and Latin America. Financing of forestry machinery is also being accelerated as we endeavor to expand the retail finance business in step with the growth of the construction, mining and utility equipment business while maintaining sound financial position.

### Semiconductor manufacturing equipment

In response to global demand growth, semiconductor lithography light source production company Gigaphoton Inc., a Group company, constructed a new production facility that is anticipated to its total production capacity by 2.5 times in comparison to the level from FY2020.

### Industrial machinery

Group company Komatsu NTC Ltd., a manufacturer of machine tools and industrial machinery, received its first order for multiple cell tab molders and module production lines following its full-fledged entry into the automotive battery manufacturing equipment business.



Medium-sized hydraulic excavator equipped with a hydrogen fuel cell (concept machine)



Battery-powered mining haul truck and members of Komatsu GHG Alliance



Mining Tunnel Boring Machine (TBM) for underground hard rock mining



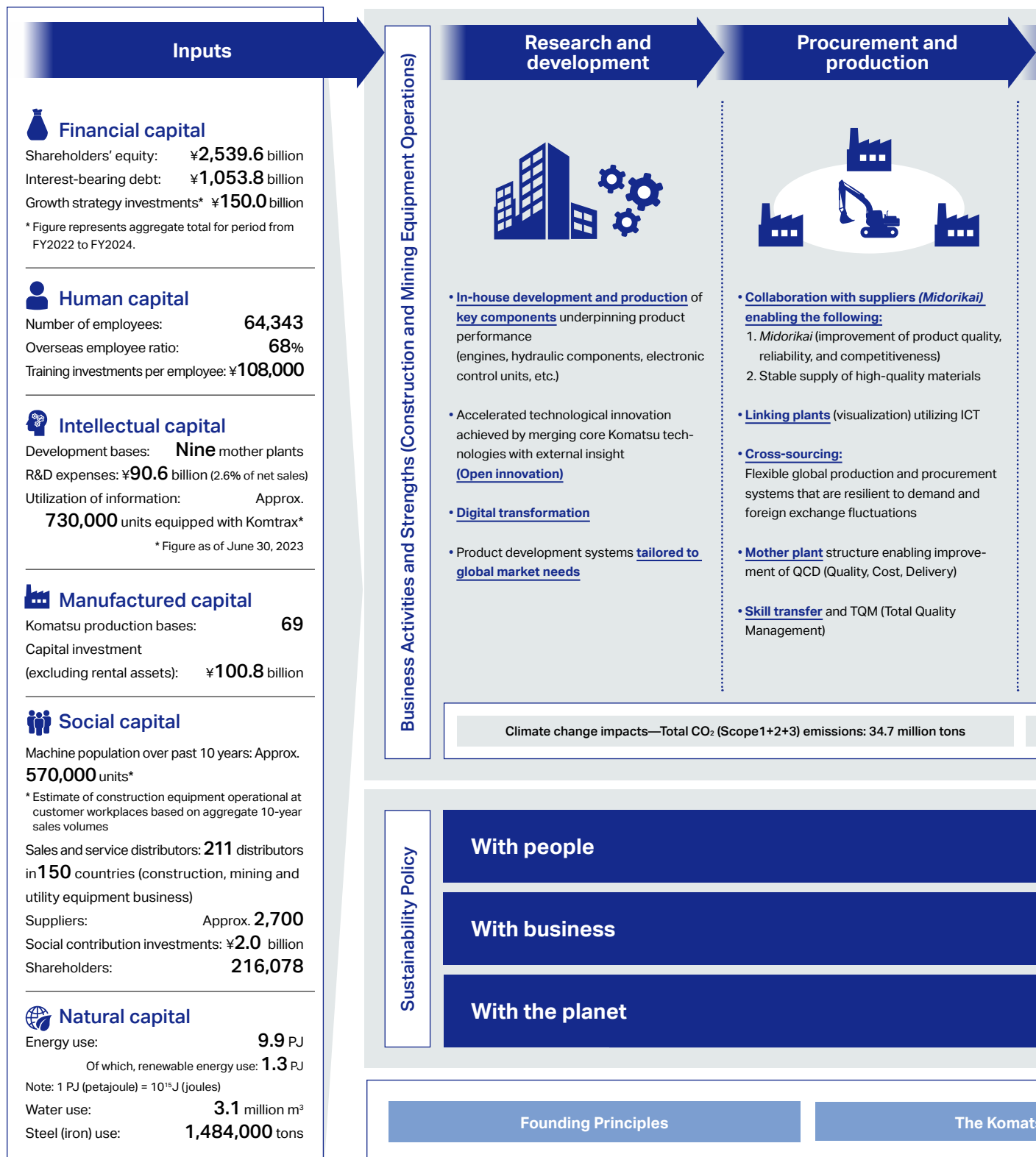
Crawler planter equipped with Bracke-made attachments on Komatsu-made bulldozer



IL221-7 cell tab molder with slitter

# Value creation process

In the pursuit of sustainable growth, companies are expected to build robust yet flexible earnings structures that respond to changes in the operating environment while addressing the increasingly more important ESG issues. With the strength of the manufacturing platform it has forged over the years, Komatsu will respond to social needs by linking customers, distributors, partners, and communities and all Komatsu workplaces through its DANTOTSU excellence.



Note: Amounts are consolidated-basis and either for FY2022 or as of March 31, 2023, unless otherwise noted.

Operations at customer workplaces

Product cycles

Outputs

Outcomes



Products	Services	Solutions
<ul style="list-style-type: none"> <li><b>DANTOTSU Products:</b> Unrivaled products in terms of environment and safety standards, ICT capacity, and productivity</li> <li><b>Full lineup</b> of construction and mining equipment</li> <li>Product creation focused on <b>quality and reliability</b></li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of maintenance <b>contract services</b></li> <li>Improvement of QCD (Quality, Cost, Delivery) achieved through close alignment of sales forecasts and production of spare parts</li> </ul> <p><b>Construction equipment</b></p> <ul style="list-style-type: none"> <li>Utilization of information acquired through <b>Komtrax</b></li> </ul> <p><b>Mining equipment</b></p> <ul style="list-style-type: none"> <li>Utilization of information acquired through <b>Komtrax Plus</b></li> <li>Detailed support from directly owned distributors</li> </ul>	<p><b>Construction equipment</b></p> <ul style="list-style-type: none"> <li><b>Smart Construction</b></li> </ul> <p><b>Mining equipment</b></p> <ul style="list-style-type: none"> <li><b>Autonomous Haulage System</b></li> </ul>
<ul style="list-style-type: none"> <li>Global distributor network</li> <li>Cultivation of distributor personnel</li> <li>Brand management</li> </ul>		



- Global supply of **high-quality used equipment, etc.**
- Expansion of **Reman business**

Profitability Improvement

- Consolidated net sales: **¥3,543.5 billion**
- Operating profit: **¥490.7 billion**
- Free cash flow: **¥37.0 billion**
- Total assets: **¥4,875.8 billion**
- Consolidated payout ratio: **40.3%**

Employees

- Ongoing reductions to occupational accidents
- Employee engagement scores
- Ratio of female managers

Human rights

- Human rights due diligence

Customers

- Number of workplaces using Smart Construction
- Number of AHS units deployed
- Development of automated construction and mining equipment

Ethics and governance

- Enhancement of governance
- Entrenchment of compliance

Communities

- Social contributions through business activities

Environment

- Plants with zero environmental impacts
- Launch of eco-friendly products
- Growth of forestry machine business
- Expansion of Reman business

Resolution of social issues

Creation of the safe, highly productive, smart and clean workplaces of the future

Carbon neutrality by 2050

Reduction of CO<sub>2</sub> emissions from customer workplaces

CO<sub>2</sub> emissions from product use (Scope3 Category11): 30.4 million tons (87% of total)

Employees

Human rights

Customers

Ethics and governance

Communities

Environment





# Business overview

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    - Business outline of Komatsu
    - Overview by business segment
    - Overview by region(Construction, Mining and Utility Equipment)

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- 

# 1







# Komatsu at a glance

## Business

### Founding

# May 13, 1921

Komatsu was founded in Komatsu City, Ishikawa Prefecture by Meitaro Takeuchi, whose aim was to contribute to the local economy.



## Global operations

### Start of exports from Japan

# 1955

Komatsu was quick to advance onto the global stage beginning with the export of construction equipment to Argentina and continuing with the establishment of the first overseas liaison office in India in 1964 and then the start of overseas production in Brazil in 1975.



### Consolidated net sales

# ¥3,543.5 billion

Komatsu's consolidated net sales have tripled since FY2001. Approximately 90% of these sales are attributable to the construction, mining and utility equipment business.



### Ratio of overseas sales

# 90%\*2

Traditional markets: 46%; Strategic markets: 54%\*3

Komatsu is characterized by a globally balanced distribution of sales.

\*2 Construction, Mining and Utility Equipment  
\*3 Traditional markets: Japan, North America, Europe; Strategic markets: Latin America, CIS, China, Asia, Oceania, Middle East, Africa



### Global network

# 239 bases\*1

Komatsu has developed a global business through a network comprising 69 production bases, 89 sales bases, and 81 parts, training, and remanufacturing bases.

\*1 Total for the construction, mining and utility equipment business and the industrial machinery and others business



### Consolidated number of employees

# 64,343

70% of employees are non-Japanese, and 70% of Global Officers are foreign nationals (locally hired). We contribute to the success of customers through coordination among our global team of diverse individuals.





## Innovation

### Number of units equipped with Komtrax

**730,000** (As of June 30, 2023)

Komatsu introduced its first piece of equipment with the Komtrax construction equipment operation management system in 2001, and this system has been supporting global traceability of vehicle information and efficient operation for customers ever since.



### Aggregate number of units equipped with Autonomous Haulage System (AHS)

**661** (As of June 30, 2023)

Komatsu launched the world's first AHS in 2008, after which this system has continued to contribute to the safety and productivity at many mines.



### Aggregate number of workplaces using Smart Construction

**28,514** (As of June 30, 2023)

Since being introduced as an industry-first in 2015, Smart Construction has continued to help address various issues surrounding workplaces such as labor shortages.



## Sustainability

### Decision-guiding priority

**SLQDC**

Komatsu makes decisions prioritizing the principles of SLQDC (Safety, Law, Quality, Delivery, and Cost) to maximize the total sum of trust given to it by all stakeholders.



### CO<sub>2</sub> emissions from product use

**Down 21%** (Compared with 2010)

Komatsu is proactive in its efforts to develop electrified equipment and other low-carbon products for contributing to reduced environmental impacts. We aim to achieve a 50% reduction from FY2010 by FY2030 and carbon neutrality by 2050.



### Selected for the Dow Jones Sustainability World Index\*4

**17 consecutive years**

Komatsu has been recognized as a company exhibiting excellence in terms of economic performance, environmental conservation efforts, and social activities.



\*4 A leading socially responsible investment index compiled by S&P Global Inc. of the United States

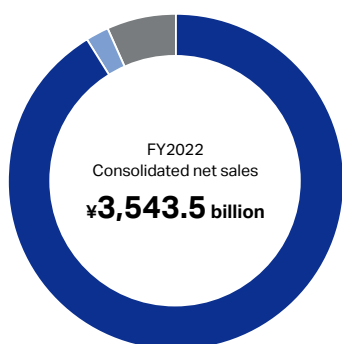
# Business overview

## Business outline of Komatsu

The Komatsu Group develops a global business centered on the manufacturing and selling machinery that is used in construction and mining workplaces around the world. In FY2022, consolidated net sales amounted to ¥3,543.5 billion, of which more than 90% was generated by Construction, Mining and Utility Equipment. The remaining amount was attributable to Retail Finance and to Industrial Machinery and Others, which provides equipment for semiconductor and automobile industry.

In Construction, Mining and Utility Equipment, we have 60 production bases around the world. The hallmark of the business is an appropriate global balance with approx.90% of sales coming from overseas and 10% generated in Japan. Komatsu positions Japan, North America, and Europe as traditional markets while Latin America, CIS, China, Asia, Oceania, Middle East, and Africa are considered strategic markets. Product and sales strategies are tailored to the characteristics of the respective regions. Of the ¥3,286.7 billion in net sales for Construction, Mining and Utility Equipment in FY2022, 46% came from traditional markets while 54% was associated with strategic markets.

### Breakdown of net sales by segment



### Sales by region for FY2022 Construction, Mining and Utility Equipment (to outside customers)

#### Strategic markets

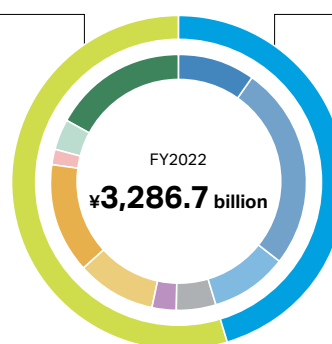
**54%**

Latin America	17%
CIS	4%
China	2%
Asia	14%
Oceania	10%
Middle East	3%
Africa	5%

#### Traditional markets

**46%**

Japan	10%
North America	26%
Europe	10%



## Construction, Mining, and Utility Equipment

**¥3,286.7 billion\***

Construction, Mining and Utility Equipment conducts the manufacture and sale of machinery used at a variety of workplaces such as construction and mining equipment, forklift trucks, forestry equipment. In addition to the equipment itself, we also provide maintenance, repair, and other services as well as solutions that improve workplace productivity. Komatsu has thereby been able to establish a solid position as a global leader in the construction and mining equipment field.



## Retail Finance

**¥67.8 billion\***

Komatsu conducts a retail finance business to help customers reduce their financing burdens when purchasing products. We are able to offer optimal financial plans because we are an expert in construction equipment, and we are exercising our unique strength in credit management by utilizing data from Komtrax, the system that collects machine location and operating status.



## Industrial Machinery and Others

**¥188.9 billion\***

Komatsu supplies light sources for semiconductor lithography system (Excimer lasers), temperature-control equipment for semiconductor manufacturing, and wire saws for cutting silicon wafers to the semiconductor industry. We also manufacture and sell machinery for the automotive industry such as large size presses, sheet-metal machines. Others include the production of ammunition for Japan Ministry of Defense.



\* Net sales to outside customers

# Komatsu's strengths

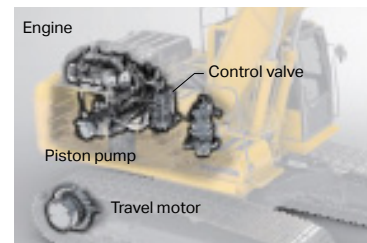
Competitive position established by developing and producing "Key Components" in-house



## 1. In-house development and production of Key Components

Komatsu defines important components that determine the performance of equipment, such as engines, power trains, and hydraulic equipment, as "Key Components." These components are developed and produced in-house, and this policy on components has enabled us to improve their performance like durability and fuel efficiency ourselves by incorporating various innovative technologies, and to add value enhancing the Quality and Reliability of our products such as the monitoring of component conditions by using ICT technologies.

Our policy on components has also been linked to our customer-centered development and production system. In-house development and production of Key Components allows us to produce the same quality products anywhere in the world, and to feedback customers' evaluations and requirements for components to development promptly.

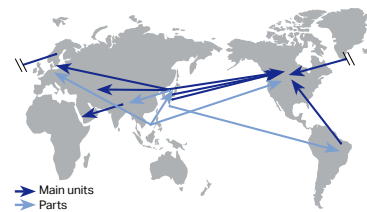


Major Key Components

## 2. Production system resilient to environment changes

By preparing a system to produce the same quality products at each plant around the world, we are able to flexibly alter manufacturing plants or product destinations in response to changes in the external environment. With this operation we call "Global cross-sourcing," we are minimizing the impact of changes in the external environment on production and sales.

The benefits of this operation extend beyond ensuring business continuity in the event of contingencies such as natural disasters. Global cross-sourcing also enables strategic sourcing in response to fluctuations in regional demand, foreign exchange rates, or production loads. When demand for a given product suddenly spikes, we can avoid losses of sales opportunities by supplementing products from another plant in addition to those from the default plant. When exchange rates increase manufacturing costs at a particular plant, we can mitigate the impacts by altering the manufacturing plant.



Global cross-sourcing

## 3. Profitability of aftermarket business

Construction and mining equipment is generally used for around 10 to 15 years, and periodic maintenance and repairs are imperative over this period. The monitoring technologies installed in in-house-developed components enable us to offer extended warranty program with maintenance contracts, and to propose parts replacements or overhauls at the ideal timing according to the condition of a given piece of equipment. These measures reduce the risks of sudden breakdowns and contribute to flattening operating costs.

The aftermarket business through these measures is highly profitable, and its business model, which generates stable revenues after equipment sales, is one of our strengths.



## 4. Reman (Remanufacturing components) business

We promote the "Reman business" at our Reman plants and centers in 11 countries around the world. In this business, we collect components like engines and transmissions from construction and mining equipment that has been operating at customer sites for long periods of time. Through various processes involving disassembly, cleaning, salvage or replacement of parts, reassembly, painting, and shipping inspections, these components are restored to be like-new.

The Reman business is possible because we develop and produce Key Components in-house. By supplying Reman components with the same quality assurance as new components at a lower cost, we contribute to both our customers' business and the reduction of environmental burden, such as the reduction of waste and CO<sub>2</sub> emissions.





# Business overview

## Overview by business segment

### Construction, Mining and Utility Equipment

#### Construction equipment

##### Business characteristics and strengths

Construction equipment represents a large portion of the demand for the construction, mining and utility equipment business, and is used at a wide range of workplaces such as civil engineering and construction, etc. We offer products in a variety of models with diverse specifications in classes ranging from less than one ton to more than 50 tons.

In hydraulic excavators, our mainstay product of this business, we deploy a product strategy to provide standard series model demonstrating power and productivity also in high-burden workplaces, and CE series model centering on operations in low-burden workplaces according to customer applications. We are also introducing advanced models that use automation and electrification technologies.

We also supply Smart Construction, a solution that improves safety, productivity, and eco-friendliness on customer workplaces through the combination of 3D data surveyed and generated by drones and other IoT devices with high-quality operations performed by ICT-intensive equipment.

##### Main products



Hydraulic excavators



Wheel loaders



Bulldozers



Motor graders

##### Topics

- Electric equipment launches  
**8 models**  
(FY2021-2023\*)  
\* Includes projected launches
- Availability of "CE series" hydraulic excavators  
**26 countries**  
(As of June 30, 2023)
- Overseas sales of ICT-intensive equipment  
**2,448 units**  
(FY2022)
- Aggregate number of job site using Smart Construction  
**28,514**  
(As of June 30, 2023)

#### Mining equipment

##### Business characteristics and strengths

In the mining equipment market, there are fewer competitors than in the construction equipment market, and the demand is centered on large-sized equipment such as dump trucks. We have been growing sales of high-value-added solutions such as our Autonomous Haulage System (AHS).

Mining methods include "surface mining" used when ore deposits are near the ground surface, and "underground mining" used when they are in the deep strata. Depending on mining methods, the necessary mining equipment differs.

In the medium to long term, demand for coal (soft rock) is expected to shrink, while that for hard rock such as copper and nickel will increase and its deposits will move deeper underground. In response to these changes in mining method and resource demand, we are strengthening the underground hard rock mining business by developing new products and mining methods and expanding our product lineup through M&A.

##### Main products



Dump trucks



Rope shovels



Ultra-class hydraulic shovels



LHDs (for underground mining)

##### Topics

- Sales growth rate (incl. parts and service)  
**11.8%**  
(Compared with FY2021, foreign exchange rates fixed)
- Aggregate number of units equipped with AHS  
**661 units**  
(As of June 30, 2023)
- Komatsu GHG Alliance\* members  
**10 companies**  
(As of June 30, 2023)
- Underground hard rock mining product launches  
**9 models**  
(Aggregate as of March 31, 2023)

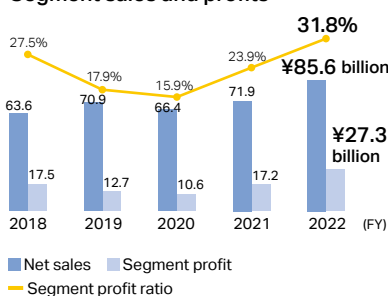
\* Framework for sharing information and practicing coordination among Komatsu and major mining companies with the goal of realizing zero-emissions mining operations

### Retail Finance

##### Business characteristics and strengths

Through sales activities conducted in the construction, mining and utility equipment business, we are able to identify our customers' financing needs in a timely manner. In addition, Komtrax, which monitors equipment location and operating status and remotely stops engines, is our unique risk mitigation measure. We also have unique channels for reselling end-of-lease equipment. As indicated above, the greatest strength of our retail finance business is its synergistic operation with our core business.

##### Segment sales and profits



### Industrial Machinery and Others

##### Business characteristics and strengths

In the semiconductor manufacturing equipment field, we anticipate medium- to long-term growth centered on excimer lasers. This growth is projected to be driven by the popularization of 5G, AI, and Advanced Driver-Assistance Systems and three-dimensional structures for semiconductors.

As for the automobile manufacturing equipment field, the automotive market is changing amid trends like the rising investment in EV-related equipment. We are responding to these trends through developing new products and entering into new businesses.

##### Main products



Light sources for semiconductor lithography system (Excimer lasers)

### Parts and service (aftermarket business)

#### Business characteristics and strengths

Our aftermarket business is the provision of various service for the equipment on site such as parts sales, periodic maintenance, overhauls, etc. Compared to construction and mining equipment itself, the aftermarket business has less fluctuation in demand. Over the past decade, its sales have come to represent around half of the total sales of the construction, mining and utility equipment business and have become a stable source of revenue.

We are witnessing growth in the Reman business and genuine parts sales through extended warranties with maintenance contracts, both of which are made possible by our in-house development and production of Key Components.

In addition, our service proposal at the ideal timings that utilize the machine operating data collected through Komtrax is a source of strength.

#### Main products



Remanufacturing components (Reman)



Ground Engagement Tools (Bucket tooth, Undercarriage)



Periodic replacement parts (Oil, Filters, etc.)



Attachments (Hydraulic breakers, etc.)

#### Topics

Portion of net sales for Construction, Mining and Utility Equipment

**48%**  
(FY2022)

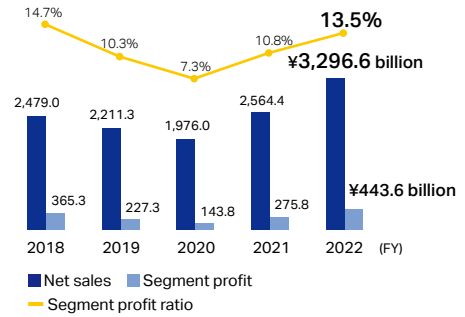
Sales growth rate

**13.5%**  
(Compared with FY2021, foreign exchange rates fixed)

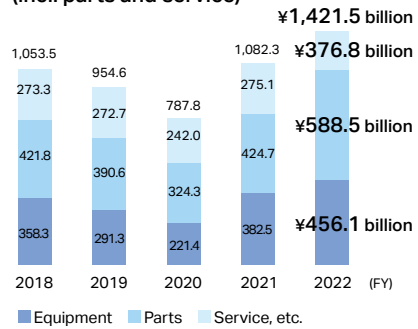
Growth rate of Reman business

**Approx. 3 times**  
(Compared with FY2010)

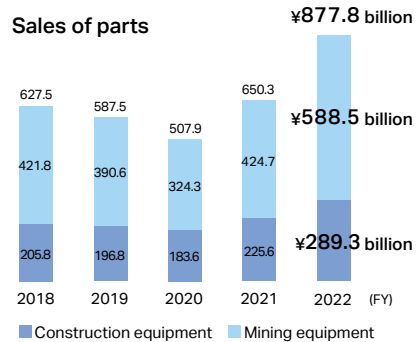
### Segment sales and profits



### Sales of mining equipment (incl. parts and service)



### Sales of parts



Wire saws for cutting silicon wafers



Large size AC servo presses for forming automotive body panels

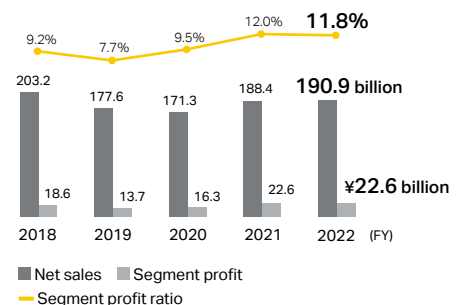
#### Topics

GIGAPHOTON INC. production capacity after construction of new production facility

**Approx. 2.5 times**  
(Compared with level from FY2020)

Komatsu NTC Ltd. **Entry into EV battery manufacturing equipment business**

### Segment sales and profits



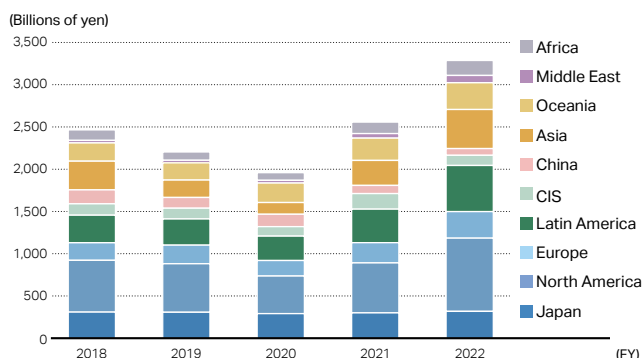
## Business overview

### Overview by region (Construction, Mining and Utility Equipment)

In traditional markets, we are aiming to further expanding our presence through providing customer value by introducing automated, electrified, and other high-value-added products, generating earnings through the aftermarket business, and transitioning toward solution business.

In strategic markets, we are maintaining the high profitability of our mining equipment business. At the same time, we are deploying product and sales strategies matched to market characteristics of each region in order to steadily capture the increasing demand for construction equipment due to population growth and urbanization.

#### Sales by region (to outside customers)



#### Market characteristics and Komatsu's initiatives by region

Region	Market characteristics / Komatsu's initiatives
Japan	Japan is a mature and relatively stable market with low volatility in demand. Here, Komatsu is deploying sales strategies focused on value chain businesses that take advantage of previously sold equipment. For example, we are steadily incorporating demand for aftermarket services with Komtrax and our extended warranties with maintenance plans. At the same time, we are transitioning to solutions businesses centered on the Smart Construction solution, used and rental businesses.
North America	North America is a market where customers are eager to pay high prices for high-value products and in which companies are rated not just based on new equipment but on their total value proposition, including services, secondhand equipment, and financing. The construction, mining and utility equipment business accounts for a large portion of Komatsu's sales in this market, where we are promoting sales of ICT-intensive equipment for construction, road, rental, and energy applications while also introducing the Smart Construction solution.
Europe	Europe is a market with high awareness of and interest in CO <sub>2</sub> emissions and other environmental issues as well as cutting-edge technologies. Komatsu premiered electrified equipment models that use lithium-ion batteries in this market. This is also the first market in which we began using hydrotreated vegetable oil, biodiesel, and other carbon-neutral fuels. Meanwhile, Smart Construction is being introduced into countries such as Germany, France, and England.
Latin America	Brazil accounts for the majority of demand in the Latin American market. When including other countries, overall economic growth in Latin America is being driven by resource development, agriculture, and infrastructure investment. In Chile, the world's foremost producer of copper, Komatsu is strengthening component, service, and other aspects of the mining equipment business that is a major source of its earnings. We thereby aim to capitalize on the robust demand for copper anticipated to emerge in conjunction with the global trend toward electrification.
CIS	With its rich mineral resources, the CIS region is a market representing substantial potential for Komatsu's mining equipment business. The region is also expected to see growth in demand for infrastructure development in conjunction with the urbanization trends being seen in CIS countries. Seeking to capitalize on this demand, we established Komatsu Central Asia LLP in Kazakhstan in 2023, thereby strengthening our structures for providing sales and services to CIS countries and other countries in central Asia.
China	China is a market populated by a wide range of manufacturers, including local Chinese manufacturers as well as foreign manufacturers from Japan, the United States, Europe, and South Korea. Moreover, demand in this market is heavily influenced by government policy. Komatsu's sales strategies are focused on promoting sales of medium-sized and large equipment and on expanding its value chain businesses.
Asia	In Indonesia, the largest market in the Asia region, demand is centered on mining equipment, whereas construction equipment is the primary focus of demand in markets such as Thailand, Malaysia, and the Philippines. Demand in the region is easily influenced by the economic measures of the region's various countries. Komatsu seeks to accommodate the needs of a wide range of customers in Asia through a product strategy that includes both standard models for high-burden work as well as models specially designed for low-burden jobs.
Oceania	A majority of demand in the Oceania region is attributable to Australia. Komatsu caters to more than half of the construction equipment demand in Australia associated with major urban centers in the southeast portion of the country. There is also strong demand for mining equipment in the mineral-rich northeastern and western portions of Australia. Komatsu is serving this market by promoting sales of ICT-intensive construction equipment in urban areas and introducing its autonomous haulage system (AHS) for mining operations.
Middle East	Demand in the Middle East is focused on construction equipment. There is a strong correlation between the price of crude oil and demand for construction equipment in this region. Accordingly, brisk demand is being seen for construction equipment centered on oil-producing countries against the backdrop of the soaring price of crude oil. In this region, Komatsu is taking an aggressive approach toward sales activities targeting infrastructure development and other large-scale land-forming projects spearheaded by the national governments of countries such as United Arab Emirates, Egypt, and Saudi Arabia.
Africa	Africa is an important market where sales of both construction equipment and mining equipment are expected to show strong growth. Factors behind this growth are anticipated to include demand for developing road, power, and other infrastructure in conjunction with population growth and urbanization. Another factor will be demand for development of the region's wealth of mineral resources. Moreover, many customers from areas outside of Africa, including Europe, China, and Turkey, are entering the African market. Accordingly, Komatsu is working to accommodate such customers through the establishment of global support systems that spread across the boundaries of different countries and regions.



**Yasuji Nishiura**

Senior Executive Officer

President, Construction Equipment Marketing Division

**We are committed to delivering new value by taking an earnest approach toward addressing customer needs. To ensure it can always be an indispensable partner to customers, Komatsu will continue to march toward the future together with its customers.**

In FY2022, sales to outside customers in the construction, mining and utility equipment business amounted to ¥3,286.7 billion, a year-on-year increase of 28.4%. We faced a challenging operating environment due to factors including the ongoing serious consequences of the situation in Ukraine as well as supply chain disruptions, rising energy and raw material prices, and the global inflation trend. Even faced with these challenges, the construction, mining and utility equipment business was able to achieve sales growth in all regions, except for China and Russia, by improving product selling prices and practicing cross-sourcing.

In this business, 46% of sales come from traditional markets while the remaining 54% is generated in strategic markets. The construction equipment business is expected to be a growth business. This outlook is based on the projected demand for maintaining and upgrading basic infrastructure in traditional markets as well as the rising demand associated with population growth and urbanization in strategic markets.

Higher safety and productivity as well as lower lifecycle costs have always been things customers in traditional markets expect. Recently, however, we have also been seeing a rise in demand from these customers for eco-friendliness and improved workplace efficiency through ICT usage and digital transformation. To accommodate the increasingly sophisticated and complex needs of such customers, Komatsu is working toward the automation, autonomous operation, electrification, and remote control of construction equipment with a focus on eco-friendliness, safety, and ICT. We are also endeavoring to optimize all processes across customer workplaces. Smart Construction, a solution we first launched in the Japanese market, is a prime example of these efforts. This solution is now being used to provide new value to customers in a myriad of overseas markets, including North America, Europe, and Australia.

Customers in strategic markets, meanwhile, primarily care about fuel efficiency, costs, and durability. In certain regions, we are seeing a rise in market participation by Chinese manufacturers, who compete by capitalizing on their low-price products. Komatsu, however, seeks to remain above the fray of price competition by maintaining the same focus on improving value across the value chain, encompassing financing, parts and services, and rental and secondhand

equipment, as it does in traditional markets. Asia and Africa are the strategic markets where we expect to see the most pronounced growth. This is why strengthening of marketing strategies in Asian and African markets has been defined as a priority under the mid-term management plan.

Komatsu is deploying a two-model line strategy to address the diverse needs of customers in the Asian market. Based on this strategy, we have introduced into this market the PC210-10M0 standard series 20-ton class hydraulic excavator as well as the PC200-10M0 CE series hydraulic excavator, which boasts specifications optimized for urban civil engineering and other work. We have received a great deal of praise from customers for our provision of multiple high-quality and reliable options that can be chosen based on workplace application needs. Based on this praise, we have introduced these products in China, Latin America, and other regions.

Africa is a market anticipated to experience rapid economic growth fueled by its rising population numbers and wealth of resources. To allow us to better cater to this market, the Africa Division was set up at Komatsu Europe International N.V. in FY2022. This department integrates organizations and functions related to main equipment units, parts and services, and financing to provide swift, one-stop support to customers with a wide range of solutions.

Meanwhile, in our aftermarket business, which deals in parts and services and thereby generates 48% of the sales of the construction, mining and utility equipment business, we are promoting global efforts to enhance digital marketing through the use of ICT such as online parts sales. At the same time, we aspire to improve value across the entirety of the value chain for aftermarket service by promoting digital transformation for purposes such as AI-powered failure diagnoses.

Lastly, I would like to talk about Komatsu's Brand Management activities. These activities are part of our efforts to make Komatsu an indispensable partner to customers and a fundamental aspect of our marketing efforts across the globe. Going forward, Komatsu will continue these activities based on the perspective of the customer and a commitment to aiding in the achievement of its customers' goals with the aim of realizing the safe, highly productive, smart and clean workplaces of the future.



# CFO Message



## Takeshi Horikoshi

Director and Senior Executive Officer  
Chief Financial Officer (CFO)

### 1. Review of FY2022 and Outlook for FY2023

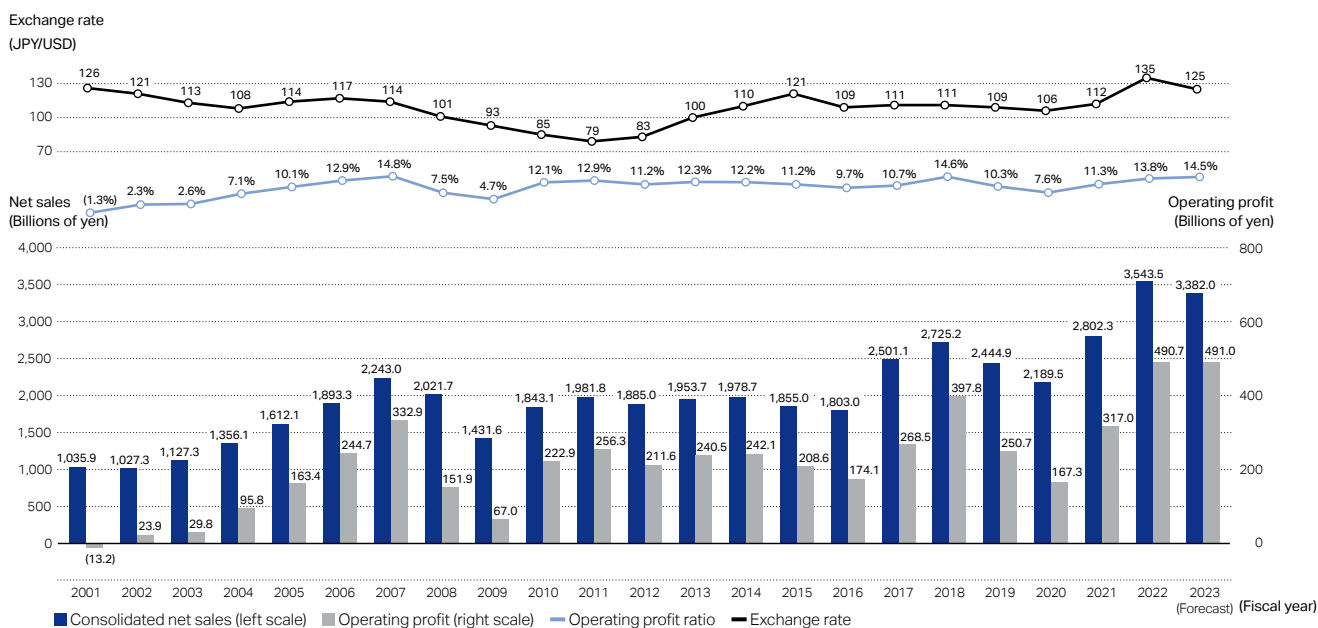
#### (1) Overview

In FY2022, the first year of our mid-term management plan, DANTOTSU Value – Together, to “The Next” for sustainable growth, we were forced to operate under difficult conditions, particularly in terms of production. These conditions were a result of global supply chain disruptions and rising material prices and distribution costs seen against the backdrop created by the war in Ukraine and the economic recovery in conjunction with the dissipation of the impacts of the COVID-19 pandemic. Nevertheless, Komatsu was able to deliver a record-breaking performance with new highs of ¥3,543.5 billion for consolidated net sales and ¥490.7 billion for

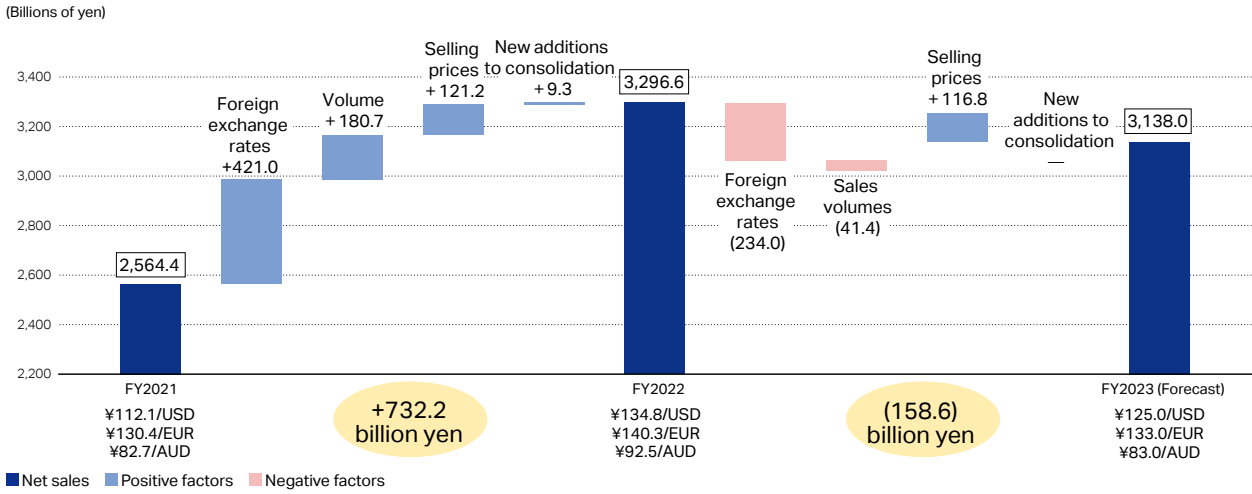
operating profit, because of the strong demand in the construction, mining and utility equipment business centered on North America and Asia as well as improved selling prices and yen depreciation.

As for FY2023, the second year of the mid-term management plan, we intend to once again institute large increases to product selling prices in order to further heighten profitability. This move will be made in light of the conservative foreign exchange outlook projecting yen appreciation, the expected growth in wages in reflection of inflation, and the forecast rise in forward-looking project expenses.

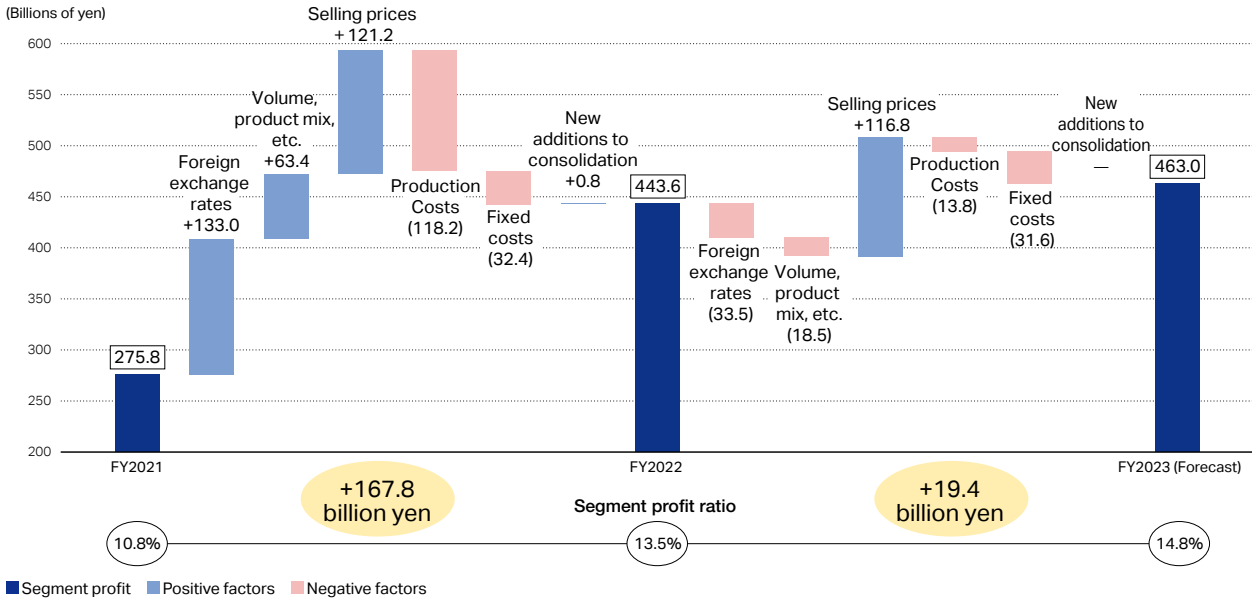
Figure 1: Business results



**Figure 2: Factors influencing net sales in construction, mining and utility equipment business from FY2021 result to FY2023 projection**



**Figure 3: Factors influencing segment profit in construction, mining and utility equipment business from FY2021 result to FY2023 projection**



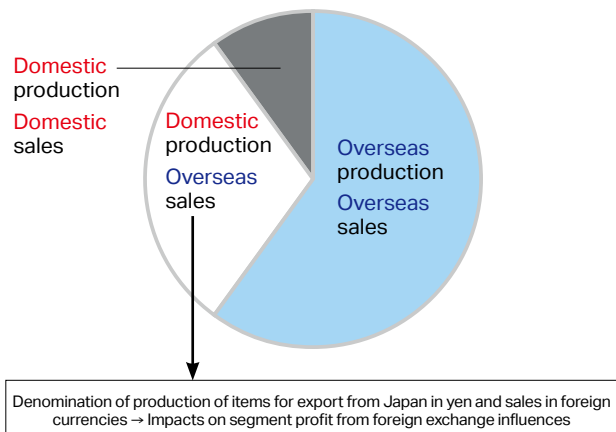
**(2) Analysis of segment profit in construction, mining and utility equipment business**

I would now like to explain our analysis of segment profit in the construction, mining and utility equipment business from the perspectives of foreign exchange influences, increase in selling prices and production costs, and fixed cost management.

**A. Foreign exchange influences**

In FY2022, the rapid yen depreciation trend sparked by the worldwide inflation and the policy interest rate hikes instituted in multiple countries was beneficial to our financial result. Currently, sales to Japan only accounts for about 10% of net sales in the construction, mining and utility equipment business. Conversely, around 40% of production is conducted in Japan where we produce key components like engines and hydraulic equipment. This difference between the 40% for production and the 10% for sales in Japan is the reason why foreign exchange influences have such a notable impact on export sales denominated in foreign currencies (overseas sales). In terms of the value of the yen against the U.S. dollar, a fluctuation in the exchange rate of ¥1 is estimated to have an impact of ¥4.0 billion on segment profit. Komatsu's accounting and finance divisions are thus taking steps to mitigate the impacts of foreign exchange rate fluctuations by developing local financing frameworks to match assets and liabilities based on currency.

**Figure 4: Impact of foreign exchange influences on segment profit in construction, mining and utility equipment business**



## CFO Message

### B. Increase in selling prices and production costs

Turning next to Increase in selling prices and production costs, the rise in material prices that began in the second half of FY2021 drove up production costs, and thus had a negative impact on financial result. Komatsu began instituting increases to the selling prices of its products in FY2022 to counter the rising material prices, and, by late in the fiscal year, the increase in selling prices had come to surpass that of cost of sales. However, selling price increases had not yet been able to absorb the entirety of the impact of higher cost of sales from the period encompassing both FY2021 and FY2022. Accordingly, in FY2023 we intend to institute selling price increases of a similar level to those conducted in FY2022, and these increases are expected to produce benefits that exceed the aggregate impacts of the rise in cost of sales when looked at over the three-year period from FY2021 to FY2023.

### C. Fixed cost management

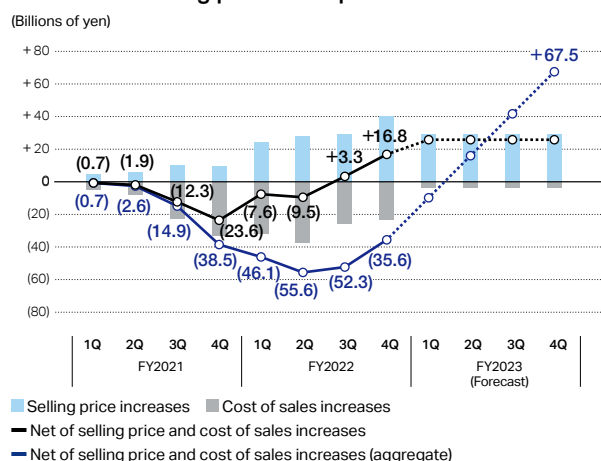
Last in our analysis of segment profit in the construction, mining and utility equipment business, I would like to talk about fixed costs. Sales have fluctuated over the period from FY2017 to FY2021. Komatsu has managed to keep fixed costs flat, regardless of fluctuations in sales. Wage increases and inflation are pushing up fixed costs with each coming year. Even though, we have been able to absorb the impacts of the rising costs by pooling the insight of both frontline and management organizations to move forward with steadfast structural reforms and rationalization.

However, we are unable to completely mitigate the impact of massive increases in personnel and other expenses that stemmed from the global inflation trend seen in FY2022 and FY2023. At the same time, there is a need for us to steadily invest in future growth to accelerate the growth strategies of the mid-term management plan. We will thus be prioritizing the allocation of our funds to the development of electrified equipment to achieve carbon neutrality as well as to products-automation and the DX Smart Construction solution. The rise in fixed costs associated with these investments will also be a major reason that we need to institute increases to selling prices. In fact, Komatsu's ability to secure profitability thus far has been the result of instituting selling price increases in reflection of rises in fixed costs and cost of sales.

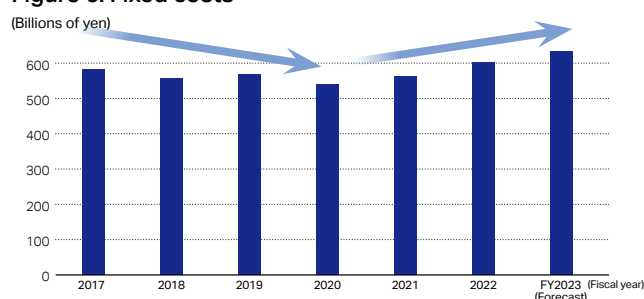
### (3) Development of structure that is resilient to demand fluctuations

Komatsu has continued to develop an earnings structure that is resilient to fluctuations in demand. Looking back at this history, we will see that sales of parts and other products have grown to represent an increasingly larger portion of the sales of the construction, mining and utility equipment business over the period from FY2010 to FY2022, while the portion represented by sales of construction equipment to strategic markets has gradually shrunk. This change is a result of a rise in the portion of sales attributable to parts, which see reliable sales volumes even in the construction and mining equipment markets that generally experience high demand volatility. The increased emphasis on parts has helped us develop an earnings structure that is resilient to fluctuations in demand. Going forward, we will further expand aftermarket businesses in order to reinforce our value chain to grant it even greater resilience to demand fluctuations.

**Figure 5:**  
Increase in selling prices and production costs



**Figure 6: Fixed costs**

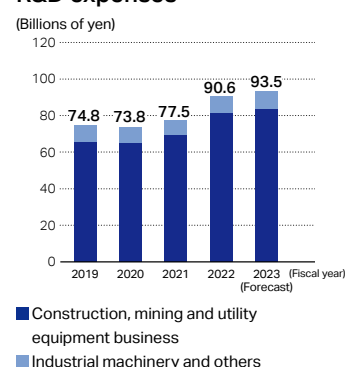


**Figure 7:**  
Inflation rates

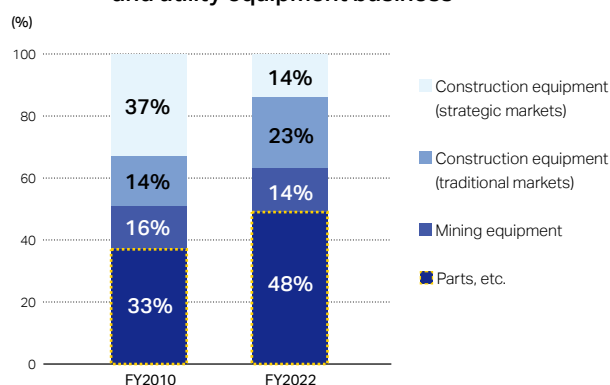
(Source: International Monetary Fund)

	2022	2023
Japan	2.0%	1.4%
North America	7.5%	3.9%
Latin America	9.7%	6.7%
Europe	8.3%	6.2%
Asia	5.7%	4.3%
Oceania	6.5%	4.8%
China	2.2%	2.2%
Other	8.2%	5.5%

**Figure 8:**  
R&D expenses



**Figure 9: Distribution of sales in construction, mining and utility equipment business**



## 2. Corporate value improvement initiatives of accounting and finance divisions

### (1) Financial initiatives—Improvement of ROE

#### A. Verification of corporate value

We took an accounting approach toward verifying improvements in corporate value. In this verification process, we looked at two indicators: the increase in the total of market capitalization and net interest-bearing debt with a focus on invested capital and aggregate EVA® (Economic Value Added; Net Operating Profit After Tax – Cost of capital) with a focus on ROIC and WACC (Weighted Average Cost of Capital). We were thereby able to verify that corporate value was indeed improving from a long-term perspective as well as on a single-year basis in FY2022.

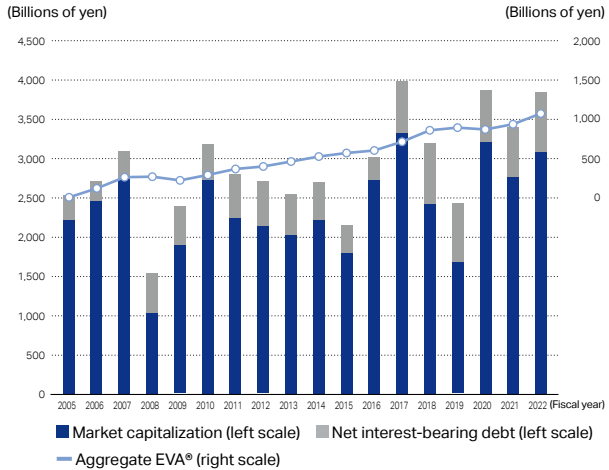
#### B. Improvement of free cash flow

To improve Komatsu's corporate value, we remain mindful of cost of equity as we monitor return on equity (ROE), a comprehensive indicator that accounts for profitability, asset efficiency, and financial leverage, as our management indicator. Accordingly, estimating that our cost of equity is around 8% on a global level, we have set up ROE of 10% or higher as the management target, which is exceeded the cost of equity estimated. To expand equity spread (ROE – cost of shareholders' equity), Komatsu works to both improve ROE and reduce cost of shareholders' equity.

As part of our pursuit of ongoing improvements to ROE, we have used ROIC as an internal management indicator to measure improvements to asset efficiency since FY2017. To control working capital appropriately in response to the volatility of market demand, we periodically monitor the cash conversion cycle of working capital through ROIC, for which invested capital in the ROIC formula is defined by the corresponding working capital plus property, plant and equipment.

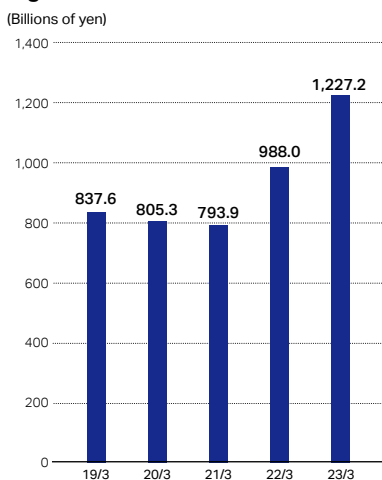
Looking at our balance sheet for FY2022, a massive increase in inventories was seen due to production hikes meant to accommodate sales growth as well as to supply chain disruptions. The higher inventories had an adverse impact on free cash flow.

**Figure 10: Corporate value and EVA®**

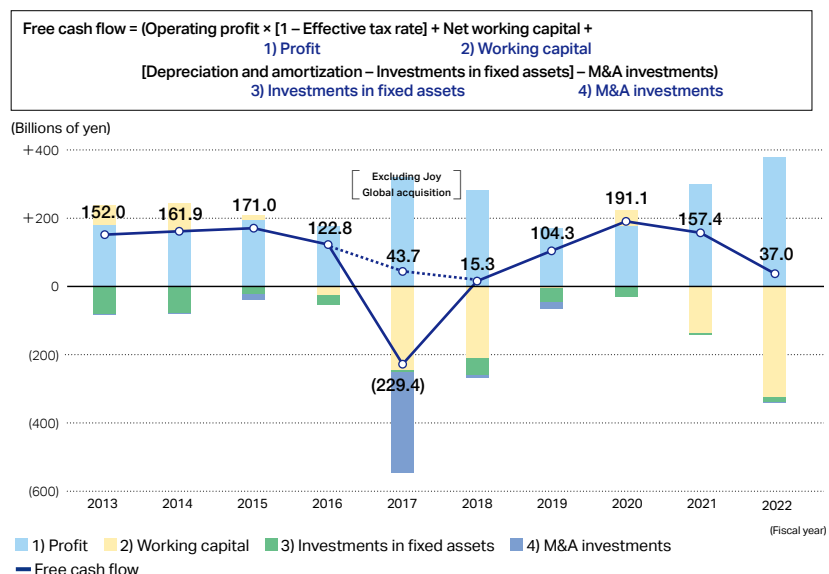


In light of this situation, free cash flow was introduced among the internal management indicator used by Group companies in FY2023 in order to facilitate improvements in ROIC. The goal of this move was to make group companies more conscious of changes to their asset efficiency in terms of rate, or better yet, amounts. As ROIC is an indicator that combines both profitability and efficiency, it has the flaw of showing improvements even in cases when profitability has increased but asset efficiency has decreased. We break free cash flow down to its components, namely 1) profit, 2) working capital, 3) investments in fixed assets, and 4) M&A investments, and display values for these components specifically. This clarifies the absolute amounts and sources of free cash flow needing to be improved. We will therefore be focusing on improvements with regard to these components as we seek to maximize future cash flows. Through this approach, we expect to be able to generate free cash flow of approximately ¥350.0 billion in FY2023.

**Figure 11: Inventories**



**Figure 12: Free cash flow**





## CFO Message

### C. Cash allocation policy

Komatsu has continued to act in accordance with a cash allocation policy of allocating the cash we have generated in well balanced manner to 1) capital investments (growth strategies), 2) debt reduction (maintaining financial soundness), and 3) shareholder returns. Investments for growth are imperative to our ability to continue issuing consistent shareholder returns. For this reason, our basic approach is to allocate around 50% of operating cash flow to capital investments. In addition to these investments, we will conduct shareholder returns targeting a consolidated payout ratio of 40% or more while maintaining our industry's top-level financial position.

Komatsu also recognizes that M&A activities are an important option for pursuing growth and therefore takes a proactive approach toward M&A activities. We will not rely purely on internal resources to address any insufficiencies in our business portfolio when compared to the portfolio we envision; technical partnerships, M&A activities, and other means of incorporating external resources are also constantly examined as a viable option for addressing such

insufficiencies. At the moment, the principal targets for M&A activities are solutions business, the underground hard rock mining business, the Forestry machinery business, and electrification and other components.

Hard rock refers to minerals other than coal, such as copper or nickel. Demand for hard rock minerals is expected to grow in the future. Forestry, meanwhile, is drawing global attention as a growth industry. This is because of the steady increase in global timber production volumes anticipated for purposes such as securing alternative materials to plastic amid rising environmental awareness. In FY2022, we announced a total of three M&A activities in these two fields. Komatsu will continue to aggressively expand its business through M&A activities based on the principle of choosing candidates that promise synergies with its existing business portfolio. After an acquisition, we compare the ROI and WACC of the acquired company and confirm the synergy benefits as part of the process of monitoring their contributions to improvements in corporate value.

Figure 13: Basic cash allocation policy for period of mid-term management plan (FY2022–2024)

Operating cash flow	Capital investments	Standard investments	35–45%	Allocate 50% of operating cash flow to investments for growth
		Lease/rental investments	5–15%	
		Total	50%	
	Shareholder returns	25–35%	Consolidated payout ratio of 40% or more	
Debt repayment	15–25%	Industry's top-level financial position		
+				
	M&A activities	+α	Constant examination of possibility of utilizing external resources	

Figure 14: M&A activities announced in FY2022

Field	Company name	Overview	Location
Underground hard rock mining	GHH Group GmbH	Manufacture of underground hard rock mining equipment	Germany
	Mine Site Technologies Pty Ltd	Provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems	Australia
Forestry equipment	Bracke Forest AB	Development, manufacture, and sale of application-specific attachments for silviculture	Sweden

### D. Support for suppliers related to funds

A standard approach toward improving cash flows is to extend payment terms for payables. Komatsu, however, actually shortens the terms on which it pays suppliers. In FY2023, we stopped issuing notes and checks to suppliers applicable under subcontractor-related legislation and transitioned to 100% cash payments. This may seem to be a move that is disadvantageous in terms of cash flows. However, at Komatsu, we recognize that the suppliers of the materials, parts, components, and other items we use are important partners underpinning the success of our manufacturing operations. Particularly critical suppliers have been invited to join the *Midorikai*, a collaborative organization comprised of Komatsu and key suppliers. Of our roughly 1,400 suppliers across Japan, 156 are members of the *Midorikai*, and items sourced from these members account for around 80% of

total procurement amounts. Moreover, roughly 60% of these members are applicable under subcontractor-related legislation. Based on its vision of working toward growth together with the important partners that are its suppliers, Komatsu takes a number of steps to aid these partners. Shortening payment terms is a means of supporting our partners. Looking ahead, we will continue to work together with *Midorikai* members to achieve higher levels of quality, reliability, and product competitiveness.

Moreover, the transition to 100% cash payments to suppliers applicable under subcontractor-related legislation lines up with the policies for payments to subcontractors described in the future-oriented transaction practices proposed by the Ministry of Economy, Trade and Industry and the Japan Fair Trade Commission.

## (2) Non-financial initiatives—Resolution of ESG issues

### A. First foreign currency-denominated Sustainability-Linked Bonds issued by a Japanese company

As part of its efforts toward the challenging goal of achieving carbon neutrality by 2050, Komatsu became the first Japanese company to issue foreign currency-denominated Sustainability-Linked Bonds (U.S. dollar-denominated senior unsecured straight bonds) in October 2022. Sustainability-Linked Bonds are bonds for which the terms and conditions are subject to change depending on the achievement status of the targets for key performance indicators (KPIs) predetermined by the issuer. Through its growth strategies, Komatsu aims to generate a positive cycle for resolving ESG issues and improving earnings by creating value for customers. The issuance of Sustainability-Linked Bonds is anticipated to help accelerate sustainability management for the purpose of achieving sustainable growth. The KPIs defined for these bonds relate not just to reduction of CO<sub>2</sub> emissions from Komatsu bases and use of Komatsu products but also to contributions to reduction of CO<sub>2</sub> emissions from the greater society, which is to be achieved by extending our efforts throughout customer workplaces to optimize the processes thereat.

### B. Quantification of ESG impact

The foundation of Komatsu's management is to maximize its corporate value through the pursuit of Quality and Reliability.

We believe that corporate value represents the total trust from society at large and all stakeholders surrounding us. This principle coincides with the idea that management emphasizing both financial and non-financial information is more effective at improving corporate value, an idea that has been gaining traction amid the shift away from focusing primarily on financial information to place greater importance on ESG and other non-financial information.

Based on this recognition, we use the Yanagi Model, which looks at the relationship between ESG factors and a company's price-to-book ratio, to determine how Komatsu's efforts to address ESG issues are contributing to its corporate value. Analyses based on this model have revealed a correlation between Komatsu's corporate value and a part of non-financial initiatives like human capital investments and CO<sub>2</sub> emissions reductions.\*

At the moment, we are utilizing the impact-weighted accounts approach proposed by Harvard Business School to measure the monetary impact on society from Komatsu's business. I believe that tracking the impacts of our ESG initiatives in such manners and using this information to propel efforts to resolve ESG issues and thereby drive improvements in corporate value is a new and important role for our accounting and finance divisions.

\* Analyses conducted jointly with ABeam Consulting Ltd.

Figure 15: Overview of Sustainability-Linked Bonds

1. Currency	U.S. dollars
2. Issuance amount / term	US\$600 million / 5 years
3. Format	144A / Reg S
4. Type of bonds	ESG bonds (Sustainability-Linked Bonds)
5. Issuance date / payment date	October 6, 2022 / April 6 and October 6 every year beginning with April 6, 2023
6. KPI / SPT*	SPT1.1: 45% reduction of the Scope 1+2 CO <sub>2</sub> emissions (Intensity) (KPI1) from production by March 31, 2025 from 2010 baseline SPT2.1: 24% reduction of the Scope 3 CO <sub>2</sub> emissions (Intensity) (KPI2) from use of products by March 31, 2025 from 2010 baseline
7. Interest rate	5.499% per year during the period from and including October 6, 2022 until October 5, 2025 From and including October 6, 2025, the interest rate shall be increased by 10 bps if SPT 1.1 has not been satisfied and increased by 15 bps if SPT 2.1 has not been satisfied as of March 31, 2025.
8. Credit rating	A2 (Moody's Investors Service) A (S&P Global Ratings)

\* Sustainability performance targets, which are measurable target figures of KPIs over the specific time period as stated by the issuer.

Figure 16: Impact-weighted accounts calculation framework for products

Framework	Major impact indicators		Impact assessment dimensions				
	Reach		Dimensions of customer usage			Environmental use	
	Quantity	Duration	Access	Quality	Optionality	Use	Post use
Impact type	• Sales volume	• Period of impact (period of use)	• Affordability • Additional impact on socially disadvantaged individuals	• Basic needs • Effectiveness • Health and safety	• Alterability of products • Availability of information • Excessiveness of profits due to market monopolization	• Gas emissions • Environmental pollution	• Recyclability

Note: Prepared by ABeam Consulting Ltd. based on *A Framework for Product Impact- Weighted Accounts*, George Serafeim and Katie Trinh, 2020, and *Accounting for Product Impact in the Consumer-Packaged Foods Industry*, Amanda Rischbieth, George Serafeim, and Katie Trinh, 2020 and 2021



# Mid-term management plan

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# 2









# Mid-term management plan

(FY2022–FY2024)

## DANTOTSU Value

*Together, to "The Next" for sustainable growth*

*To the next stage for the workplace of the future*

*Ensuring a sustainable future for the next generation*

*A new chapter of value creation to the next 100 years*

We have defined our purpose to be "creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together." Our basic approach to achieving this is to pursue "Quality and Reliability" and to maximize the total trust from society at large and all stakeholders surrounding us.

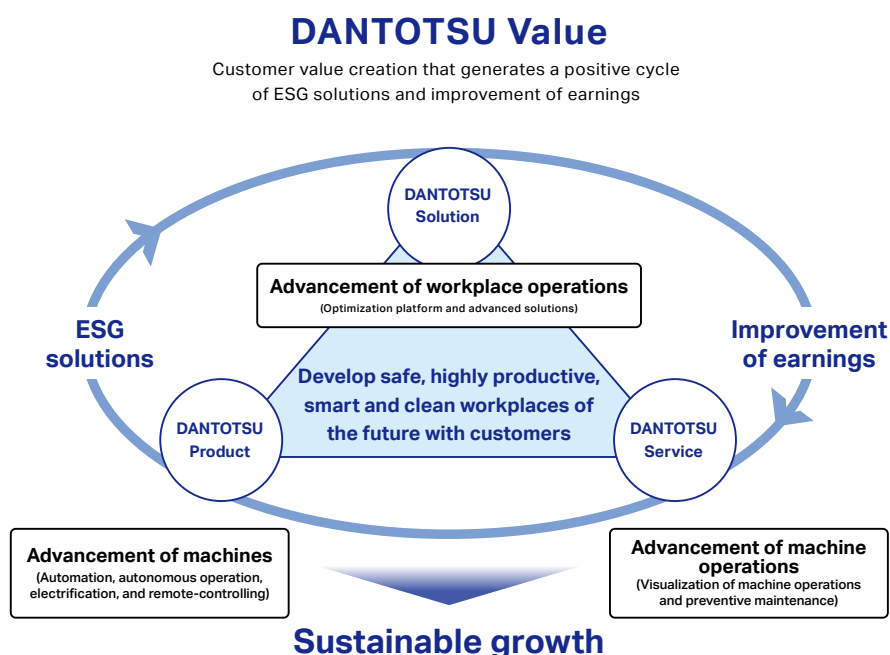
In our mid-term management plan that has been formulated as a strategy to implement this management principle, we are striving to create safe, highly productive, smart and clean workplaces of the future with customers, in order to achieve our long-term vision of creating a positive cycle of solving ESG issues and improving profitability through the creation of customer value, thereby achieving sustainable growth.

### Toward achievement of our vision—

### DANTOTSU Value and Roadmap to workplace of the future

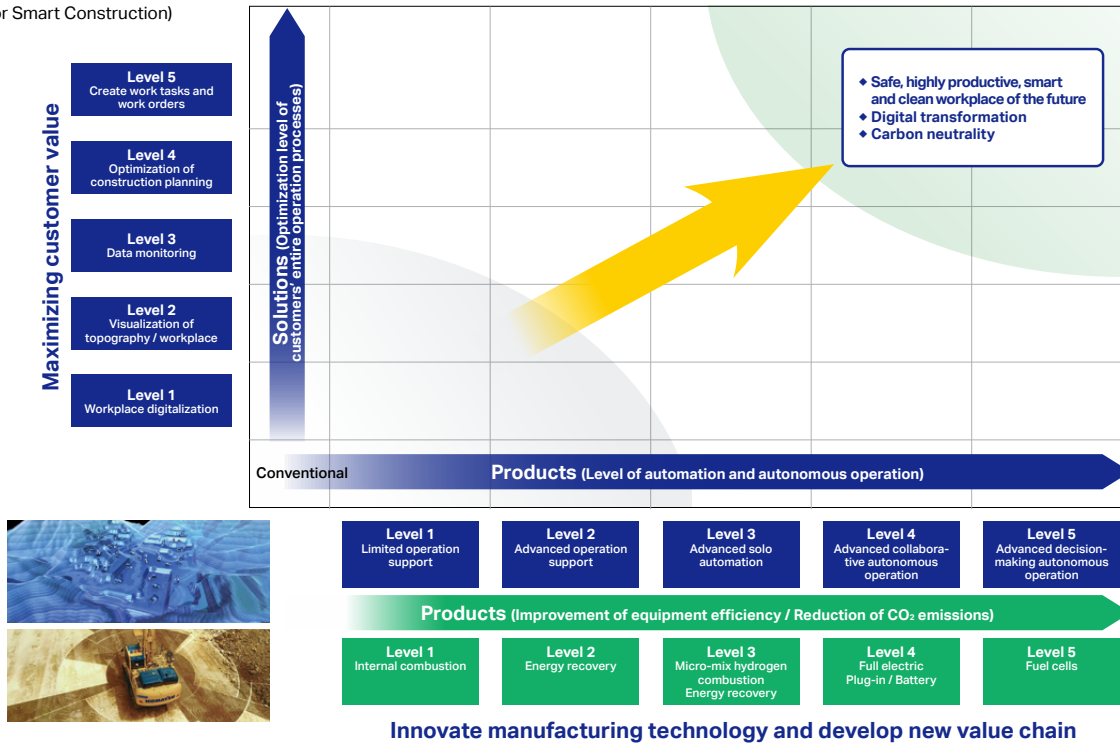
In order to achieve our vision, we are working to create DANTOTSU Value (New Customer Value) which integrates DANTOTSU Products (advancement of machines), DANTOTSU Service (advancement of machine operations), and DANTOTSU Solutions (advancement of workplace operations).

Our roadmap to workplace of the future shows such a value proposition toward creating the workplaces of the future and achieving carbon neutrality, resolving our customers' issues with a sophisticated combination of solutions that optimize their entire operation processes and products that are highly compatible with those solutions.



# Roadmap to workplace of the future

(For Smart Construction)



## Approaches to growth strategy

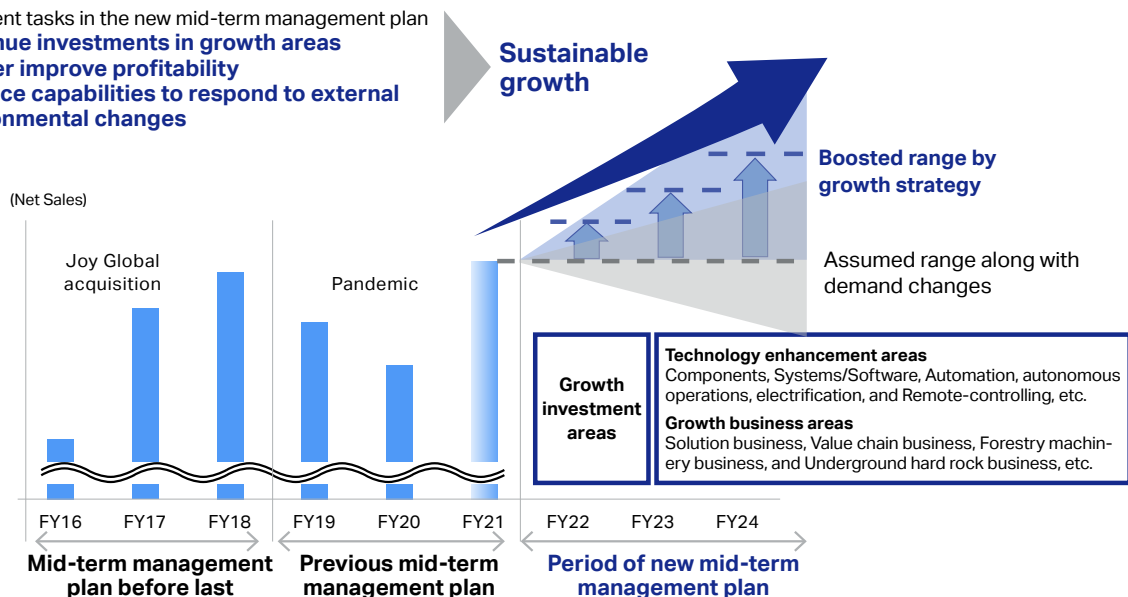
As we march toward achievement of our vision, the current external environment has been becoming increasingly volatile and uncertain.

The market environment for our mainstay construction and mining equipment business is expected to experience moderate growth in the medium to long term as a result of population growth and urbanization, primarily in emerging countries, together with steady investment in infrastructure renewal in developed countries. In the short term, however, demand is expected to be highly volatile due to various external environmental risks.

In order to achieve sustainable growth in this environment, we recognize that a key point of the growth strategies will be responding to three management tasks: 1) Continuing investments in growth areas such as electrification, automation, forestry equipment, and underground hard rock mining, 2) Further improving profitability in our existing businesses, and 3) Enhancing corporate resilience less susceptible to the changes in the external environment such as demand fluctuations.

Management tasks in the new mid-term management plan

- (1) Continue investments in growth areas
- (2) Further improve profitability
- (3) Enhance capabilities to respond to external environmental changes

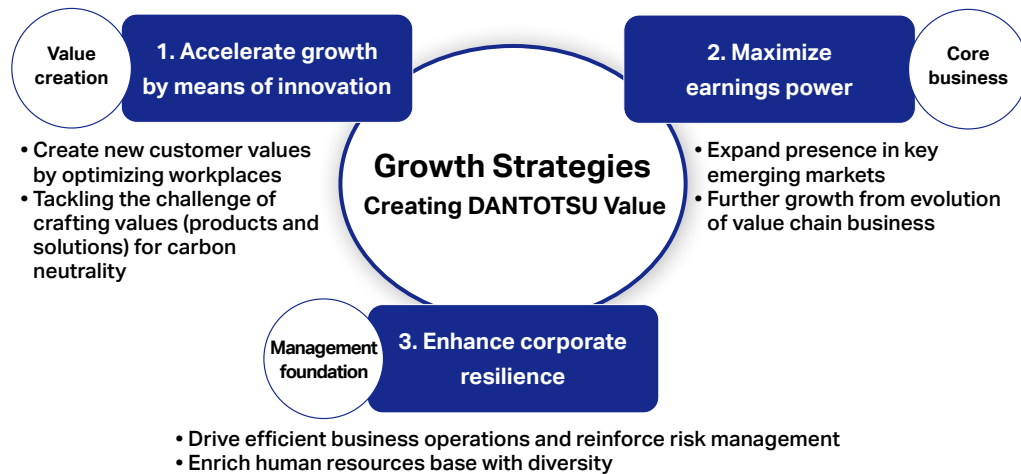




## Three pillars of growth strategies

The three pillars of growth strategies defined in the mid-term management plan were formulated in light of the achievements and challenges from the previous mid-term management plan, backcasting from our vision and roadmap to workplace of the future, and the management issues arising from changes in the external environment.

We are enhancing our foundation for sustainable growth by positioning trends like digital transformation (DX), carbon neutrality, and diversity and inclusion as business opportunities, and incorporating these opportunities into growth strategies.



### Common tasks among the three pillars

- Expand partnerships
- Promote DX in all areas

## 1. Accelerate growth by means of innovation

In our pursuit of future growth, we continue to focus investment on strategically critical technology and business areas as it accelerates initiatives to achieve practical application and commercialization of new innovations therein.

We are making steady progress in the promotion of DX Smart Construction and other digital solutions for construction workplaces and in the development and market introduction of electrified construction equipment, which is being advanced together with partners like Proterra Inc. of the United States. In the mining equipment business, meanwhile, the aggregate number of units equipped with our Autonomous Haulage System (AHS) is showing smooth growth. We are also moving forward with the automation of mining equipment and development of mining open technology platforms. Through these efforts, we are forging ahead with a full-fledged rollout of digital solutions for optimizing mining workplaces.



PC210LCE-11 electric hydraulic excavator  
(to be introduced to market in FY 2023)

## 2. Maximize earnings power

In order to achieve further growth and improve profitability, we will maximize profit-earning opportunities in our existing businesses by expanding our presence in growth markets and evolving our value chain business.

Impressive growth is being seen in sales of the hydraulic excavators with urban civil engineering specifications (CE series) introduced mainly in Asian markets. In order to build a business structure less susceptible to fluctuations in demand, we are also strengthening our aftermarket business by expanding extended warranties incorporating maintenance contracts that draw on our strengths in in-house manufactured components and IoT (Komtrax) use, and expanding the product lineup including attachments, etc.



PC200-10M0 hydraulic excavator with urban civil engineering specifications (CE series)

### 3. Enhance corporate resilience

With regard to the management foundation supporting business activities in the uncertain external environment, we are working on structural reforms such as company integration and operational integration, as well as building a supply chain that is resilient to environmental changes by further strengthening cross-sourcing structure and increasing multi-sourcing ratio of parts. Through these efforts, we are continuously improving the efficiency of our business operations and enhancing our ability to respond to external environmental risks.

In human resource measures, we are actively working to deploy talent management measures centered on the promotion of diversity and inclusion and developing human resources with digital knowledge and technologies.



Global HANSEI Operation Center

As a common theme among the three pillars of growth strategies, we are working on M&A and open innovation activities. In FY2022, we have entered into an agreement to acquire three companies in the forestry machinery business and underground hard rock mining business. We will explore further growth opportunities with these companies by creating synergies in future.

In addition, we are working on business reform and productivity improvement by promoting DX in all areas, from the digital solutions for customers, to the internal processes including R&D, production, procurement, sales, marketing, services, and administration functions.



The GHH MK-42 truck manufactured by GHH Group GmbH of Germany (acquired in June 2023)

## Management targets

Concerning management targets in the mid-term management plan, we have set the same targets from the previous plan, that is, industry-leading "Growth," "Profitability," "Efficiency," and "Financial position" in light of the market environment that is highly volatile in the short term. In the retail finance business, we have also maintained the targets of financial position and efficiency. In ESG targets, we have set the prior targets of reduction of environmental impact and a new target of "Carbon neutral by 2050" as challenging goal. With respect to shareholder returns, 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	FY2022 result
Growth	Sales growth rate	Growth rate above the industry's average	+26.4%
Profitability	Operating profit ratio	An industry's top-level profit ratio	13.8%
Efficiency	ROE	10% or higher	13.7%
Financial position	Net D/E Ratio	Industry's top-level financial position	0.30
	ROA	1.5% to 2.0%	2.6%
Retail finance business	Net D/E Ratio	5 times or less	3.77
	Reduction of environmental impact	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions: Decrease by 50% in 2030 from 2010</li> <li>Reduction of CO<sub>2</sub> emissions from product use</li> <li>Reduction of CO<sub>2</sub> emissions from production</li> <li><a href="#">Become carbon neutral by 2050 (Challenging goal)</a></li> <li>Renewable energy use: Increase to 50% of total energy use in 2030</li> </ul>	21% reduction 43% reduction 17%
ESG	Evaluation by external organizations	<ul style="list-style-type: none"> <li>Selected for DJSI* (World &amp; Asia Pacific)</li> <li>Selected for CDP** A List (Climate Change and Water Security)</li> </ul>	Selected for DJSI Selected for CDP A List (Climate Change and Water Security)
Shareholder return	Consolidated payout ratio	<ul style="list-style-type: none"> <li>Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on growth investment</li> <li>40% or more</li> </ul>	40.3%


\* 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

# ESG solutions through growth strategies —KPIs of mid-term management plan

Based on its Sustainability Policy, Komatsu seeks to contribute to society through its business. Under the current mid-term management plan, we have selected 10 new goals from among the 17 goals of the United Nations Sustainable Development Goals that are highly related to the Komatsu Group's material issues (materiality).

Moreover, key performance indicators (KPIs) have been defined to guide efforts for resolving ESG issues aligner with Komatsu's three pillars of growth strategies, and progress toward accomplishing the targets for these KPIs will be tracked and disclosed through the integrated report.

	SDGs	Materiality	Key activity themes	No.	KPI	
With people			• Occupational safety and health and well-being	Build workplaces that are safe and secure	1	Frequency rate of lost work time accidents (per 1 million hours)
			• Employee engagement and job satisfaction	Increase employee engagement	2	Engagement survey scores
			• Diversity and Inclusion	Promote diversity and inclusion	3	Indicators related to female employees 1. Ratio of full-time female employees (consolidated) 2. Ratio of female managers (consolidated)
					4	Ratio of employees with disabilities (surpassing legally mandated rate)
					5	Succession plans
			6	Development of human resources with digital transformation and AI skills		
			7	Cultivation of Smart Construction construction		
			• Respect for human rights	Promote human rights due diligence	8	Human rights due diligence activities
With business			• Product safety and quality • Provision of solutions	Enhancement of product safety	9	Development of safety devices and expansion of range of marketed models equipped with safety devices (KomVision, etc.)
				Improve productivity of construction workplaces by promoting Smart Construction	10	Overseas sales of ICT-intensive models
					11	Number of workplaces using Smart Construction (global total)
					12	Enhancement and optimization of processes
				Provision of products and solutions that enable sustainable resource development (mining equipment)	13	Aggregate number of AHS units deployed
					14	Optimization of mining operations
					15	Augmentation of hard rock mining production
				16	Expansion of hard rock mining business	
				Solutions for improving safety and productivity at customer workplaces (automation, autonomous operation, remote operation)	17	Development of automated construction equipment
				Building of value chain adaptable to environmental and demand changes	18	Expansion of aftermarket business (pursuing business growth and response to volatility)
		19	Multi-sourcing ratio (Implementation of continuity measures across supply chain)			
			• Corporate governance • Compliance	Strengthen governance and ensure thorough compliance	20	Enhancement of governance and enterprise compliance
			• Contributions to local communities	Contributions to communities through business and disaster relief support	21	Ongoing social contribution activities
With the planet			• Reduction of energy usage and GHG emissions  • Development of low-carbon/low-emissions products, solutions, and business models  • Forest conservation through business activities  • Resource recycling and remanufacturing	Plants with zero environmental impacts	22	CO <sub>2</sub> emissions from production (compared with FY2010)
				Reduction of CO <sub>2</sub> emissions at customer workplaces	23	Water consumption (compared with FY2010)
					24	Rate of renewable energy use
					25	CO <sub>2</sub> emissions from product use (compared with FY2010)
				Provision of solutions that support sustainable, cyclic forestry businesses	26	Electrification of construction and mining
					27	Growth of forestry machinery business (process mechanization)
				28	Promotion of forest management solutions (Development of business model combination and decarbonization)	
Promotion of recycling-oriented business	29	Expansion of Reman business				

	FY2022 Results	FY2024 Targets
Incidents	0.80	Ongoing decrease from three-year average frequency rate of 0.65 from period of previous mid-term management plan (Performance disclosed)
	Implementation of action plan based on FY2021 survey results	1. Domestic score: 75 or more (69 in FY2021) 2. Global score: 85 or more (79 in FY2021) Notes: 1. Score represents rate of favorable responses. 2. Global engagement surveys are conducted once every two years (next survey to be conducted in FY2023).
Consolidated (as of March 31, 2023)	1. 14.1% (as of March 31, 2023) 2. 10.3% (as of March 31, 2023)	1. 17.0% or more (13.9% as of March 31, 2022) 2. 13.0% or more (10.0% as of March 31, 2022)
	2.42%	2.5% or more (domestic, single fiscal year basis, legally mandated level of 2.3%)
	Definition of global key positions and formulation of succession plans	Increased succession planning for senior management positions at overseas Group companies
Digital	1. Digital transformation: 5,341 for entry level*, 44 for practical 2. AI: 30 for entry level, 10 for practical * Entry level digital transformation course administered to a wider range of employees via video lectures	Numbers of training recipients (three-year aggregate) 1. Digital transformation: 900 for entry level, 180 for practical 2. AI: 90 for entry level, 30 for practical
Participants	867	1,000 (aggregate)
	1. Internal: Online survey targeting all Group companies 2. Procurement supply chain: Online survey targeting major suppliers 3. Sales: On-site impact assessment in South Africa	Due diligence activities conducted for following three areas 1. Internal 2. Procurement supply chain 3. Sales
Expansion of safety	Completion of introduction in three small sized wheel loader models	Expansion of range of marketed models equipped with safety devices
	2,448	2,700 units (single year)
Construction	8,955	13,000 workplaces (single year)
Workplaces	20%	Ratio of workplaces using Smart Construction that employ Solution Level 3 or higher: 15% (single year)
Units	643	790 units (aggregate, upward revision from prior target of 740 units)
	Completion of phase 1 development and commencement of trials at customer workplaces	Introduction and promotion of open technology platforms
Product lineup	<ul style="list-style-type: none"> <li>Load haul dump machines: Completion of development of one model</li> <li>Mechanical cutters: Advancement of trials at customer workplaces and launch targeting specific customers</li> <li>Mining Tunnel Boring Machine: Production of trial units underway</li> </ul>	Expansion of product lineup and execution of trials including those for new methods (mechanical cutting)
	Net sales: US\$100 million	Net sales: US\$300 million (threefold increase)
Construction and mining	<ul style="list-style-type: none"> <li>Hydraulic excavators: Tests conducted on equipment jointly developed with customers</li> <li>Mining bulldozers: Remote control trials at customer workplaces completed, automated operation trials underway</li> </ul>	Expansion of number of marketed models (including new developments)
Sales growth rate (single year)	Sales growth rate: 13.5% (compared with FY2021, foreign exchange rates fixed)	Sales growth rate: 15% (compared with FY2021, foreign exchange rates fixed)
Business performance	85%	92% (82% in FY2021)
Disclosure of	<ul style="list-style-type: none"> <li>Enhancement of disclosure based on Japan's Corporate Governance Code (business portfolio, skill matrix)</li> <li>Global e-learning program on Komatsu's Worldwide Code of Business Conduct (conducted in 12 languages)</li> </ul>	Disclosure of initiative results
	<ul style="list-style-type: none"> <li>Continuation of demining project</li> <li>Provision of ¥30 million in relief support following earthquake in Turkey and Syria</li> <li>Continuation of forest restoration projects at former mine sites in North America</li> <li>Ongoing provision of support for regional human resource development programs with Cummins Inc. (Chile, Peru, South Africa, and Australia)</li> </ul>	Disclosure of activity results
	43% reduction	45% reduction (compared with FY2010)
(FY2010)	69% reduction	70% reduction (compared with FY2010)
	17%	20%
	21% reduction	24% reduction (compared with FY2010)
New equipment	<ul style="list-style-type: none"> <li>Launch of one model</li> <li>Completion of development of one model</li> </ul>	Expansion of models in development phase and on market
	1. Sales growth rate: 22.1% (compared with FY2021, foreign exchange rates fixed) 2. 5 units	1. Sales growth rate: 50% (compared with FY2021, foreign exchange rates fixed) 2. Number of tree planting machines introduced: 30 (single year)
Forestry	Completion of proof of concept test for remote sensing solution and selection of partners	Forest area: 60,000 ha (forest management solutions applied)
	Sales growth rate: 16.5% (compared with FY2021, foreign exchange rates fixed)	Sales growth rate: 25% (compared with FY2021, foreign exchange rates fixed)



# Solution for creating new customer value through workplace optimization DX Smart Construction

Smart Construction was embarked for addressing various issues surrounding the construction industry in Japan such as serious labor shortages with digital technologies.

Smart Construction has been improving operation efficiency on customers' sites through the combination of 3D data surveyed and generated by drones and other IoT devices and applications with high-quality operations performed by ICT-intensive construction equipment. This solution is now evolving into DX Smart Construction that organically connects customers' entire operation processes to achieve further improvements in customers' productivity.

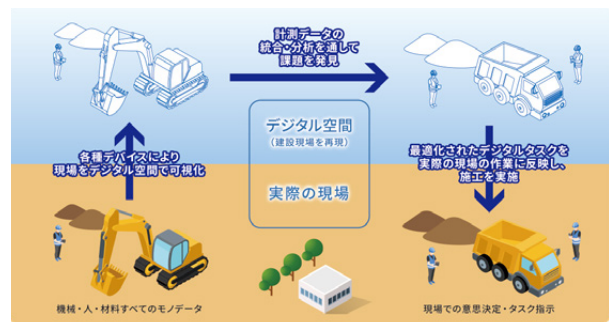
We are globally expanding DX Smart Construction in order to resolve our customers' issues with a sophisticated combination of solutions that optimize their entire operation processes and products that are highly compatible with those solutions.

## DX Smart Construction solutions with a digital twin of a job site

DX Smart Construction provides integrated cloud-based management of digital data collected from construction equipment and IoT devices, which it then uses to create a digital twin that faithfully reproduces the topography of a job site in a digital space. Through reflecting the results of various analyses and simulations performed on the digital twin in a real job site, DX Smart Construction achieves safe and highly productive next-generation job site management.

The devices that connect job site data of land features, people, equipment, and materials to a digital twin as well as the applications that analyze such digital data are developed and provided by EARTHRAIN Ltd., established as a joint venture, together with NTT DOCOMO (currently NTT Communications Corporation), INC., Sony Semiconductor Solutions Corporation and Nomura Research Institute, Ltd. in 2021. Combining the four companies' expertise, know-how, and technologies, EARTHRAIN is working on development emphasizing non-conventional approach of backcasting from its vision "creating safe, highly productive, smart and clean workplaces of the future."

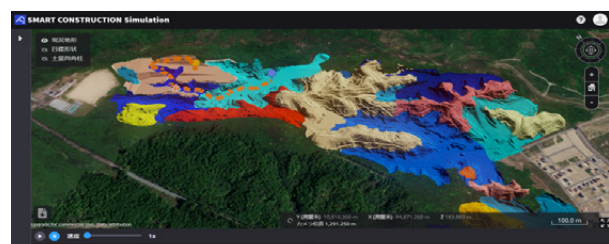
The core application of DX Smart Construction solution is Smart Construction Dashboard, which was introduced to market in November 2021, a visualizing application connecting job site data generated by various devices to a 3D viewer on a digital twin. Its functions as a digital twin platform are constantly being expanded to allow it to link data from devices and applications developed after it. Smart Construction Simulation which was released in September 2022 provides AI optimization for formulating and managing construction plans. These offerings have contributed to further improvements in the safety and productivity on customers' sites.



Concept diagram of DX Smart Construction solution with a digital twin



IoT devices and applications for visualising job sites



Smart Construction Simulation application for optimizing construction plan

## Global expansion of DX Smart Construction

Since Komatsu first began offering Smart Construction solutions in 2015, we have proceeded to introduce solutions at more than 20,000 job sites in Japan, demonstrating its values to numerous customers. In the Japanese market, we will continue to grow our business by supporting customers who endorse the concept of Smart Construction going forward.

Overseas, Smart Construction is being deployed in markets such as North America, Europe, Australia and Southeast Asia, and support systems are being put in place in these regions by EARTHBRAIN and local distributors. Especially in the North American market, we are actively working to expand the number of job sites using Smart Construction by taking advantage of the fact that the majority of bulldozers in this market are ICT-intensive models.



Image of a job site where Smart Construction has been introduced

### Together, to "The Next"

#### Expansion of Smart Construction solutions in the North American market

The construction industry in North America has traditionally lagged behind in terms of technology innovation, but within the last few years the industry has been undergoing rapid change, and the market is now demanding new and better technologies. Many drivers have contributed to this changing environment including worker shortages, high inflation, and increased expectations to reduce CO<sub>2</sub> emissions, improve operation efficiency and keep costs low. During the COVID-19 pandemic, companies forced to adopt new technologies were surprised by some of the benefits of these technologies, so now they are seeking out even greater technological advantages. All these factors mean that the North American customers are now more open and proactive than ever to embracing innovative technologies to achieve their goals.

Komatsu is well positioned to help our customers in this area with digital solutions such as Smart Construction, a collection of brand-agnostic solutions that help customers operate their job sites more efficiently and address their various issues. Smart Construction focuses not only on improving equipment productivity, but on optimizing customers' entire job site processes, which differs from the traditional Komatsu way of thinking. While lots of companies offer similar solutions,

#### Michael Gidaspow

VP, Products, Service and Solutions  
Komatsu America Corp.



Komatsu differentiates itself by also providing other technology focused on equipment, such as My Komatsu, which can offer integrated management of both their Komatsu and non-Komatsu fleets and a 24-hour connection to Komatsu.

While customers greatly appreciate the values that Komatsu's solutions bring, this doesn't mean we don't have any challenges. Moving from an equipment-centric to a job site-centric mindset is not easy for both Komatsu and our distributors. Many of our talented sales representatives can professionally communicate value when it comes to equipment but may struggle to talk about value in technologies. In addition, our customers don't typically think of Komatsu as a digital solutions provider optimizing job site processes. However, we are seeing some success. In North America, we have sold more than 10,000 ICT-intensive construction equipment, which bring technology innovation to the market. In FY2022, we also introduced Smart Construction at over 1,000 job sites and My Komatsu service has been used by a wider range of customers. These successes are merely a prelude to a long but exciting journey to create more value for our customers.



# Toward further enhancement of customers' job site safety and productivity Automation development of construction and mining equipment

Creating new customer value by solutions that optimize customer' entire operation processes, the products that are highly compatible with those solutions are essential.

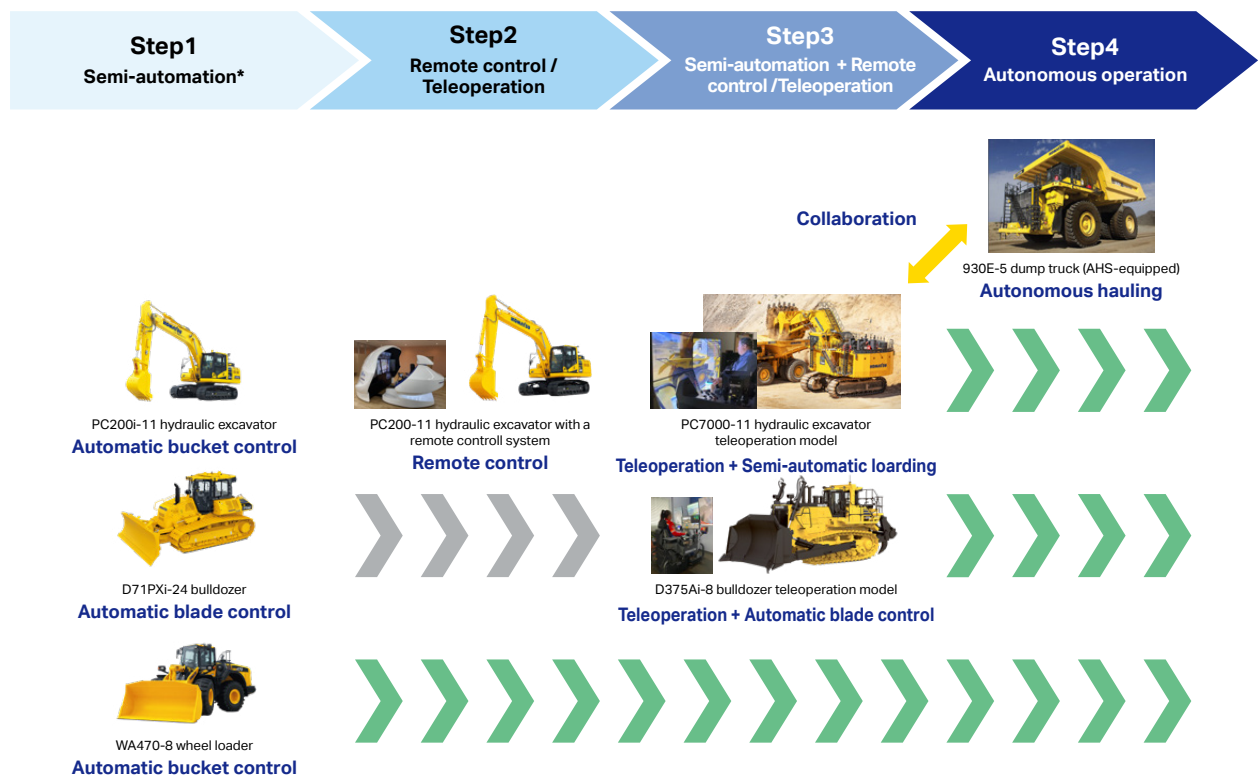
We succeeded in the world's first commercial deployment of Autonomous Haulage System (AHS) in 2008 and launched the world's first ICT-intensive equipment in 2013. Komatsu's automation development efforts of construction and mining equipment are steadily marching toward the next stage in pursuit of further enhancement of customers' job site safety and productivity.

We are rapidly approaching the job sites of the future, where one might see a hydraulic excavator operated from an office hundreds of kilometers away excavating and loading earth and sand into an autonomous dump truck as if it is being operated by a skilled operator.

## Roadmap for automation development of construction and mining equipment

There are four steps to our automation development of construction and mining equipment: semi-automation functions, remote control / teleoperation models, remote control / teleoperation models equipped with semi-automation functions, and autonomous equipment. In ultra-class dump trucks for mining, unmanned trucks with high-precision GPS and obstacle detection sensors are controlled remotely from the central control room. In addition, we have finished development of remote control models of a hydraulic excavator with automatic bucket control functions and a bulldozer with automatic blade control functions. These are just some of the milestones on the path toward higher levels of automation and autonomy in equipment.

By deploying its automation technologies to various models of various classes of equipment, We will expand our lineup of automated construction and mining equipment, contributing to improvements in workplace safety and productivity.



\* Automation functions for certain tasks performed by construction or mining equipment

## Automation of Construction Equipment

The need for automation of construction equipment is increasing as the labor shortage and aging of operators at construction sites in Japan become more serious.

We have been developing equipment that enables high-precision operation without relying on skilled operators such as bulldozers and hydraulic excavators equipped with functions for automatically controlling their blade or bucket. In addition, we have jointly developed a remote control system for construction equipment and begun offering it to customers with EARTHRAIN in March 2023.

Going forward, we are working to combine this remote control system with the automatic control technologies accumulated over the years via the development of ICT-intensive bulldozers and hydraulic excavators. Through this merging technologies, we are going to help customers improve the safety and productivity of their workplaces.



Hydraulic excavator with a remote control system (top) and remote control cockpit (bottom)

## Automation of Mining Equipment

Since we launched the world first commercial application of AHS in 2008, we have deployed over 650 trucks at twenty-two sites in five countries (as of June 30, 2023). Komatsu AHS has entered a high reputation for its safety and productivity from major global resource companies. Recent efforts to expand our lineup of AHS products have been the development of an autonomous water truck based on AHS. We have also launched a joint project with Toyota Motor Corporation to develop an Autonomous Light Vehicle (ALV).

In addition to AHS-equipped dump trucks, we are also advancing a number of other initiatives to improve safety and productivity across the mining operation. Examples of these initiatives include development of ultra-class hydraulic excavator, PC7000-11 teleoperation model and the commercial operation of large-scale ICT bulldozers for mining, D375Ai/475Ai-8 teleoperation model.



Komatsu autonomous haul truck and Toyota concept ALV



Large-scale ICT bulldozer for mining, D375Ai-8 teleoperation model

### Together, to "The Next"

#### United effort for customers— Development of teleoperation system for mining bulldozer

The large bulldozers used at mines are constantly exposed to hazardous environments, such as when pushing ore materials in a stockpile with the potential to collapse or when ripping the ground on rocky areas subject to intense vibration. Given these realities, ensuring the operator safety and improving productivity are important issues for our customers, and many of them have been requiring the development of teleoperation technologies.

The teleoperation model of D375Ai/475Ai-8 large-scale ICT bulldozer for mining application was developed with involvement by members from product planning, system development, and marketing from the planning phase. This approach was taken to guarantee that we

Project members of teleoperation bulldozer development and introduction

Yuuichi Kadono (left)  
Yasuhiro Kawamoto (center)  
Takanobu Tanimoto (right)



could find the most ideal product specification. Even though this model is put into commercial operation following trial at customer site, we continue to provide technical support in collaboration with support teams in each region of the world, in accordance with the site network infrastructure, the dozer application and use case, and the operation rules that differ from site to site.

Moreover, customers who have cooperated with the teleoperation trial have requested for additional dozers and development of new functions. Komatsu therefore will continue to enhance its teleoperation and automation technologies in order to help customers meet the challenge of optimizing mining operations.



# New value creation for realizing a decarbonized society

## Challenges to carbon neutrality

To achieve carbon neutrality by 2050, we are advancing various initiatives, especially in the area of electrification of construction equipment.

In addition to conventional efforts for reducing CO<sub>2</sub> emissions from products due to optimal combination of components developed and produced in-house, we are striving to focus on development new products and technologies by expanding our partnerships.

“Providing many options developed to meet the unique requirements of a diversity of customers’ environmental needs.”

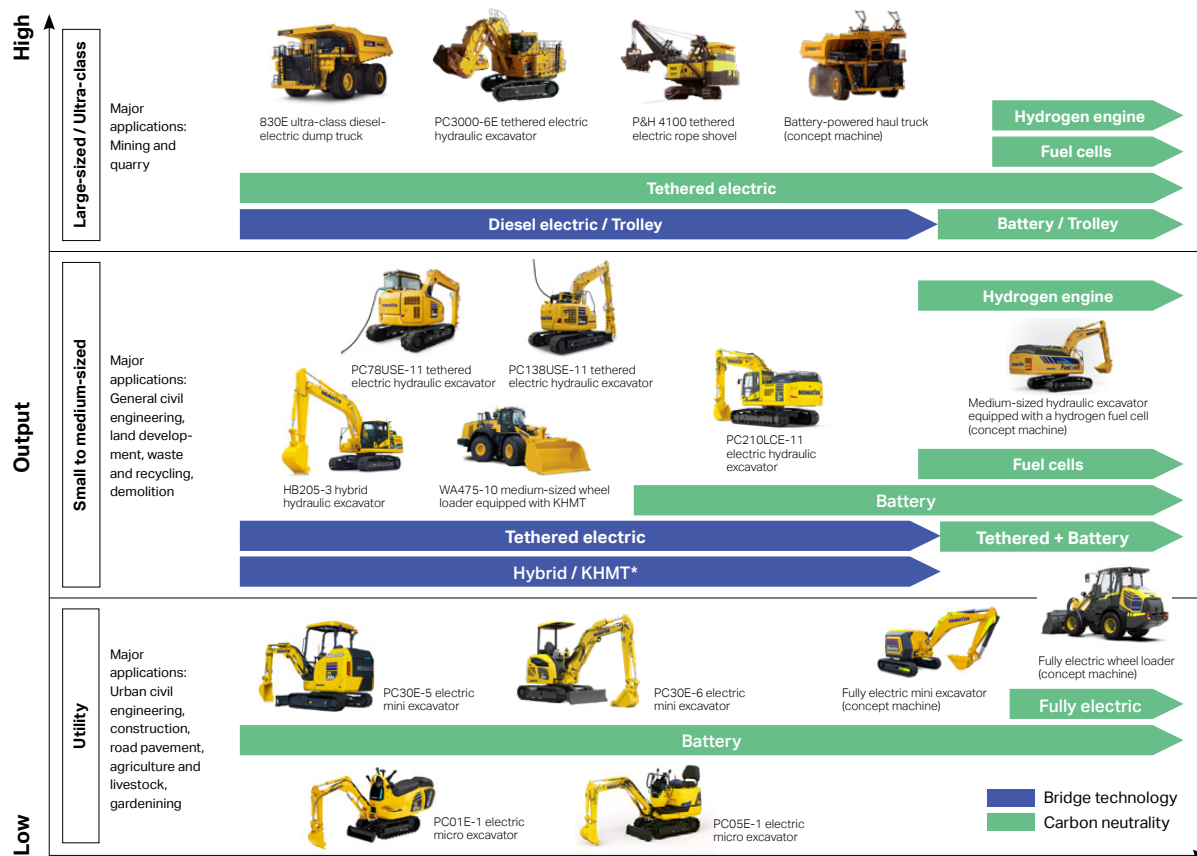
We have positioned FY2023 as the first year for the market introduction of electric construction equipment, and we are steadily working to create a market for the impending era of electrification.

Electrified equipment exhibited at bauma 2022

### Development roadmap for carbon neutrality by products

Roughly 90% of Komatsu’s CO<sub>2</sub> emissions are attributable to product in use. We have therefore been making efforts to reduce CO<sub>2</sub> emissions from product use through the development of highly fuel-efficient products, including hybrid hydraulic excavators. With the goal of achieving even greater reductions in emissions, we are now developing construction and mining equipment that uses batteries and other new power sources.

The customer needs for products with regard to output and operating time vary based on the size and application. To address these varied customer needs, we are advancing phased R&D approach of equipment models that use new power sources such as batteries, fuel cells, and hydrogen engines.



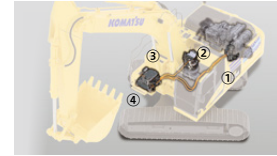
\* Komatsu Hydraulic Mechanical Transmission: Transmission system that realizes a 30% improvement over conventional systems by combining a high-efficiency mechanical transmission with a hydro static transmission that is capable of continuously variable transmission and that uses a motor and a variable capacity hydraulic pump

## Utilization of bridge technologies and carbon-neutral fuels

While next-generation equipment models are being developed, it is important to utilize existing technologies to accommodate market needs. We are currently deploying models using bridge technologies that have already been brought to practical application, such as hybrid, diesel electric, tethered electric, KHMT, etc. We thereby are working on rapid reductions in CO<sub>2</sub> emissions from product use. In this area, the hybrid hydraulic excavators, the world's first equipment launched in 2008, have been rated higher than standard models.

Furthermore, we are actively embracing carbon-neutral fuels in our efforts to reduce CO<sub>2</sub> emissions such as a shift of factory-fill fuel from diesel oil to hydrotreated vegetable oil (HVO) for equipment produced in Europe.

Utilization of carbon-neutral fuels Page 65



Components in hybrid equipment

- ① Electric generation motor
- ② Electric rotation motor
- ③ Inverter
- ④ Capacitor

## Latest models and status of market introduction

In utility equipment, we introduced the PC05E-1 electric micro excavator to the Japanese market, which uses the same system as the PC01E-1 introduced in FY2022 as a rental model, and the PC30/33E-6 electric mini excavator equipped with a lithium-ion battery, a fully remodeled version of the PC30E-5 introduced in FY2019, to the Japanese and European markets.

In medium-sized equipment, we plan to introduce PC200LCE/210LCE-11 electric excavator into the European and Japanese markets in FY2023. This model features long operating times and performance similar to the conventional model made possible through a combination of large-capacity batteries and high-efficiency hydraulic systems.

Battery-powered equipment requires chargers and other peripheral equipment, meaning that it is crucial to introduce the equipment itself and tools needed for its operation as a set. To expand our range of options for such sets, we are working on research and development of a mobile battery bank with storage battery functionality for use in mountains and other areas where power sources might not be available.



PC210LCE-11



Mobile battery bank

## Toward further energy efficiency

A major challenge faced regarding battery-powered equipment is extending operating times. One way we are working to tackle this challenge is through the PoC (Proof of Concept) tests on a medium-sized hydraulic excavator that is equipped with a hydrogen fuel cell, which has greater energy density than a standard battery.

We also exhibited concept machines of fully electric equipment with high-efficiency electric cylinders (excavator and wheel loader) at the international construction equipment trade show (bauma2022, CONEXPO-CON/AGG 2023). Bringing these concepts to practical application, we are advancing research and development to further extend operating times and improve operability.



Fully electric wheel loader (concept machine)

## Together, to "The Next"

### Toward carbon neutrality— Development of fully electric equipment

In the European Union, there is a high awareness of reducing CO<sub>2</sub> emissions and cities in Europe already strongly recommend to use zero emission machines for inner city construction sites.

At bauma 2022, we exhibited a concept machine of our first fully electric wheel loader. The machine generated a strong response and its fast and fine controlled movements impressed several customers. When I got aware of electric actuators presented by Moog Inc. in October 2021, I immediately realized their capability to move high loads at high speed to be a core technology that can eventually be used to replace hydraulic cylinders on electrified machines.

#### Joerg Hermanns

GM, R&D Construction / EUTC 2  
Komatsu Germany GmbH - Construction



There are a lot of benefits to fully electric machines, like extending operating cycle indoors and at a wide range of other work places, providing operators with a "fatigue-proof" and comfortable environment, and lowering burden of everyday management tasks. We are currently advancing the joint test with Moog aimed at proving these benefits and improving the concept machine's productivity further.

Envisioning a future in which Komatsu's fully electric machines are working all over the world, thereby contributing to CO<sub>2</sub> reduction in society, we will continue to push forward with the development of electrified machines toward accomplishing this vision.

## Lifecycle-long value provision through digital technologies

# Evolution of value chain strategies

We provide our customers with various service and solutions throughout the entire lifecycle of their equipment. This lifecycle support (value chain business) is founded on highly reliable products equipped with components developed and produced in-house, operating data collected and visualized by our unique digital technologies represented by Komtrax, and our skilled service engineers.

In this section, we will look at the initiatives that support our value chain business, which account for roughly half of sales in the construction, mining, and utility equipment business, and the current state of our evolving value chain strategies.

### Together, to "The Next"

#### Evolving value chain business through integration of data, tools, and people

Construction and mining equipment is used for around 10 to 15 years, and periodic maintenance and repairs are imperative over this period. From the moment they purchase to the day they give away, we provide a wide range of services throughout the entire lifecycle of our customers' equipment. These services include periodic maintenance, supply of spare parts, repairs, overhauls, and instructions on machine operation. The mission of the Construction Equipment Solution Division is to support our customers' business providing such lifecycle-long services, which leads to safe and highly productive workplaces, and our customer satisfaction with the indispensable values of our products, service, and solutions.

Over the years, we have responded to the needs of customers with various services that utilize the machine operating data collected from around the world as represented by Komtrax data accumulated over two decades. Our data-driven solutions such as diagnosis of equipment failures, overhaul proposal, and optimization of machine operation are only viable when skilled service engineers add their insight to the collected and analyzed data. In other words, a major strength of our service is that we possess a wealth of operating data from around the world and numerous service engineers proficient at transforming that data into solutions. Our competitors have a long road ahead of them if they look to replicate this strength.

However, it is definitely not the case that we are able to exercise this strength anywhere in the world. There are disparities in the rate of digitalization between regions

#### Keiko Fujiwara

Senior Executive Officer  
President, Construction  
Equipment Solution Division



with and without appropriate ICT infrastructure. The digitalization needs themselves also vary from region to region. For example, service engineers are basically supposed to visit customers' job site actually for now, but in regions where they may not be able to make frequent visit due to inadequate base network, the priority must be given to urgently put in place systems enabling them remote failure detection and diagnosis.

In terms of people, the growing complexity of ICT systems used at construction job sites is increasing a demand for "bridge engineer" who is able to balance gaps between ICT systems and job site operations. Therefore, it is of the utmost importance that we provide service engineers who are proficient in digital technologies with opportunities to gain experience both at job sites and in the ICT project that aims to improve operations of our customers and distributors early in their career. Both of the experiences are essential to foster ideal leaders who can drive innovation at customers' job sites.

Collecting and analyzing the data that helps generate value, developing support tools for effectively utilizing the data, and cultivating service engineers who can transform the data into value, thereby, sophisticatedly integrating these three initiatives, we will provide comprehensive "Lifecycle Reliable Support" solutions that allow customers to keep using their equipment with peace of mind. Going forward, we are striving to evolve our value chain business with the goal of making Komatsu an indispensable partner to customers.

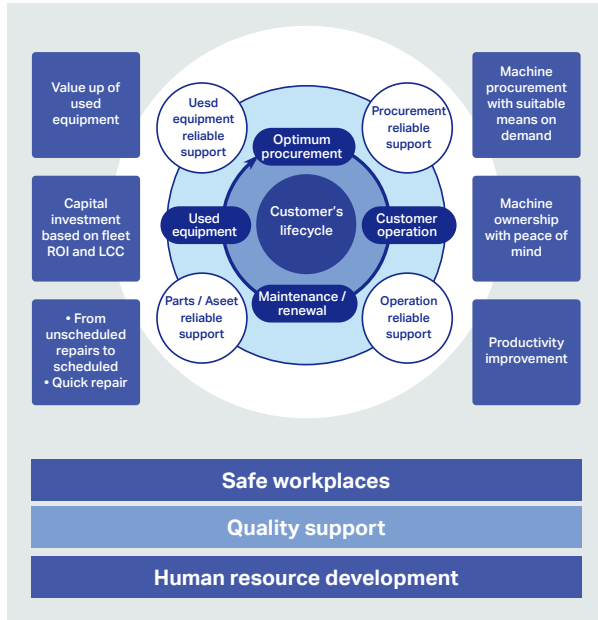


## Lifecycle support

In order to maintain the performance of our customers' equipment over a longer period of time, we are expanding the extended warranty program with maintenance contracts upon the purchase of a product. The extended warranty program with maintenance contract that draw on our quality and reliability of in-house developed and produced components, enable our customers to ensure stable equipment operation at ideal costs.

We also focus on this service program as the starting point for our lifecycle support. The frequent interactions with customers that come from providing this service program leads to our deep understanding of their issues and enable us to offer a variety of service to resolve their issues effectively.

In addition, we are advancing our "Lifecycle Reliable Support" solutions through providing new customer experiences, including a machine-condition-based predictive maintenance utilizing the operating data collected by our next-generation Komtrax.



"Lifecycle Reliable Support"

## Enhancement of global service operations

We are enhancing our global service operations through the development of service tools to improve the efficiency of on-site work and training of service engineers around the world including our distributors'.

In the area of on-site work efficiency, we are promoting the digitalization of various service operations to improve the productivity of service engineers. One tool we offer with this regard is "Machine Touch App," which supports service engineers reporting to customers. Based on the data from machine maintenance, it allows service engineers to issue reports of machine checkup results immediately on site. Timely proposals for parts replacement, etc. with data-based reports will help customers use machines with peace of mind by keeping them in good condition and preventing breakdowns before they occur. This also contributes to increasing service revenues.

In terms of human resource development for distributors, we offer a variety of training programs at training centers in major regions, including lectures on service techniques and machine operation training for customers. In recent years, the training programs have become more digital and remote, as travel has been restricted by COVID-19. In addition, the development of programs utilizing the latest technology, such as AR and simulators, has enabled more efficient and detailed training.

As for in-house service engineers, we established Komatsu Human Resources & Development Center (currently Komatsu Philippines Corp.) in the Philippines in 2008, and started training locally hired engineer as "Global Engineers" armed with both technological insight and field experience. There are currently over 100 Global Engineers working at customer sites and in a various other function such as quality assurance, digital solutions, and Smart Construction.



Machine Touch App



Safe machine operation training by simulator



# Sustainability

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# 3







## With people



Komatsu seeks to develop frameworks that allow its employees to tackle new challenges and create freely with peace of mind. We are also implementing human resource initiatives based on the Komatsu Way, which is an expression of the strengths of Komatsu, the beliefs supporting these strengths, the basic attitudes, and the patterns of behaviors established by our predecessors.

Furthermore, measures are put in place to prevent or mitigate negative impacts to the human rights of Komatsu group members as well as suppliers, sales and service distributors, and other business partners. A remedy process has also been implemented to take appropriate action in the case that the Group is found to have contributed to negative impacts on human rights.

## Human resource initiatives

Having witnessed Europe's cutting-edge technologies at that time, founder Meitaro Takeuchi defined our guiding principles characterized by global expansion, quality first, technological innovation, and human resource development. The commitment to the development of human resources, an invaluable asset to Komatsu, lives on in the Company today, unchanged from the time of our founding.

### *Together, to "The Next"*

**Komatsu is always striving to ensure that it offers a workplace environment in which diverse people from around the world can contribute to the growth of its business as a united team.**

At Komatsu, we believe that people are an important resource for creating new value. This is why we continue to invest in our people, not just through the wages we pay them but also through the allowances, bonuses, and benefits they receive as well as the training opportunities we provide.

The Komatsu Way forms the foundation for our human resource development efforts. The Komatsu Way is the very DNA of Komatsu, an expression of the strengths of Komatsu, the beliefs supporting these strengths, the basic attitudes, and the patterns of behaviors established based on the experiences of our predecessors as they proceeded to tackle the challenges facing them.

In addition, our Sustainability policy stresses the importance of providing a workplace environment in which diverse people can act as a united team and of training people who can overcome challenges to resolve various social issues and create new value together with customers. This is

#### Mitsuko Yokomoto

Director  
Senior Executive Officer  
Supervising Human Resources,  
Education and Sustainability



imperative to fulfilling our purpose of "Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together."

Our approach toward these challenges will be advanced in accordance with key initiatives of enriching our human resource base with diversity, as defined under the growth strategies set forth in the mid-term management plan. Specifically, we are promoting diversity and inclusion while offering employees various opportunities to develop their skills and working to improve engagement. In addition, we are fostering human resources with skills pertaining to digital technologies and open innovation.

Through these efforts, we will pursue the ongoing growth and development of Komatsu and its employees while remaining mindful of whether our management policies coincide with the changing internal and external environment.

#### The Komatsu Way

The Komatsu Way is divided into three chapters—Leadership/Top Management, "Monozukuri" for all employees, and Brand Management—to better present its principles in a manner that reflects the roles of specific employees. Komatsu seeks to develop its operations on a global scale and to become a stronger company and grow. To accomplish these objectives, it will be crucial for employees with different cultures and customs around the world to understand and practice by The Komatsu Way. Ongoing efforts to promote the Komatsu Way are being advanced for this purpose.

##### 1 Leadership / Top Management

Leaders must be directly involved in the workplaces and manage businesses with an emphasis on contributing to the entire Group, including distributors and suppliers. We have also defined guidelines for leaders related to actively engaging in regular board meetings, communicating with stakeholders, complying with rules of the business community, managing risks, and grooming successors for management positions.

##### 2 "Monozukuri" for all employees

Komatsu aims to pass on the Monozukuri philosophy, perspectives, and values that, based on total quality management, have continued to drive Komatsu's competitiveness and support its growth. We look to transmit these principles through a joint effort encompassing all internal divisions as well as our suppliers, distributors, and other partners and to continue promoting involvement by all of these parties.

##### 3 Brand Management

Komatsu defines "Brand Management" as all the customer value creation activities that "make Komatsu indispensable to our customers." This objective is accomplished by visiting customer workplaces to understand their ideal state and to build relationships that enable us to work together with them to help achieve their goals through concerted efforts by the Komatsu Group and its distributors.



## Promoting diversity and inclusion

Komatsu continues to promote diversity and inclusion. These efforts are based on the belief that the development of a workplace environment in which diverse employees respect each colleague's individuality and ability that leads the high level of psychological safety and creation of innovation, and consequently the growth of the entire company. For this purpose, we are advancing measures related to global human resource development, promotion of gender diversity, support for members of LGBTQ community, and employment of people with disabilities, and rehiring after retirement. Moreover, we support diverse workstyles and work-life balance and provide opportunities for learning, development, and success premeditatedly since enhancing our internal systems. We also implement campaigns for promotion of diversity and inclusion to improve employees' awareness.

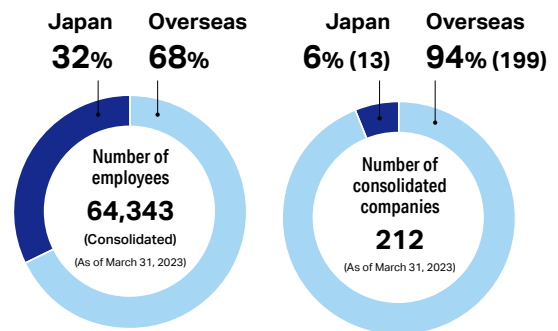


Diversity and inclusion promotion video

### Global human resource development and promotion

Roughly 70% of Komatsu's employee base comprises a diverse nationalities, and several senior management positions at major overseas subsidiaries have been filled by locally hired staff following efforts to localize management. In regard to the training of future leaders, we have drawn up a succession plan under which approximately 750 major positions in Japan and overseas are classified as "global key positions." In addition, we have been arranging our Global Management Seminar for management and managerial candidates, implementing our Komatsu Way Leadership Development Program for middle management professionals who are expected to play central roles with respect to business operations and functions, and enacting other programs.

Programs for non-leader employees include the All-Komatsu Technology Olympics, the All-Komatsu QC convention, the Global brand management meeting and other global events that provide employees around the world with opportunities to develop their skills.



### Promoting gender diversity

The mid-term management plan's key performance indicators for gender diversity include the ratio of full-time female employees, for which we have set a target of 17.0% or more, and the ratio of female managers, for which we have set a global target of 13.0% or more. As part of our efforts to work toward these targets, we are proactively recruiting women, providing training programs for women, and creating favorable environments for continuous career development. In addition to such system- and infrastructure-related initiatives, we are promoting reforms to our corporate culture to empower women. For example, we implement diversity and inclusion literacy improvement activities, hold D&I Talk Events in which executives talk about their own career and diversity and inclusion-related anecdotes, and conduct other initiatives for supporting the career ambitions of women. In recognition of these efforts, Komatsu was selected as a company of the Nadeshiko Brands for FY2022 by the Ministry of Economy, Trade and Industry in collaboration with the Tokyo Stock Exchange (one company from each industry is selected from approximately 3,700 listed companies from 17 industries).



First D&I Talk Event





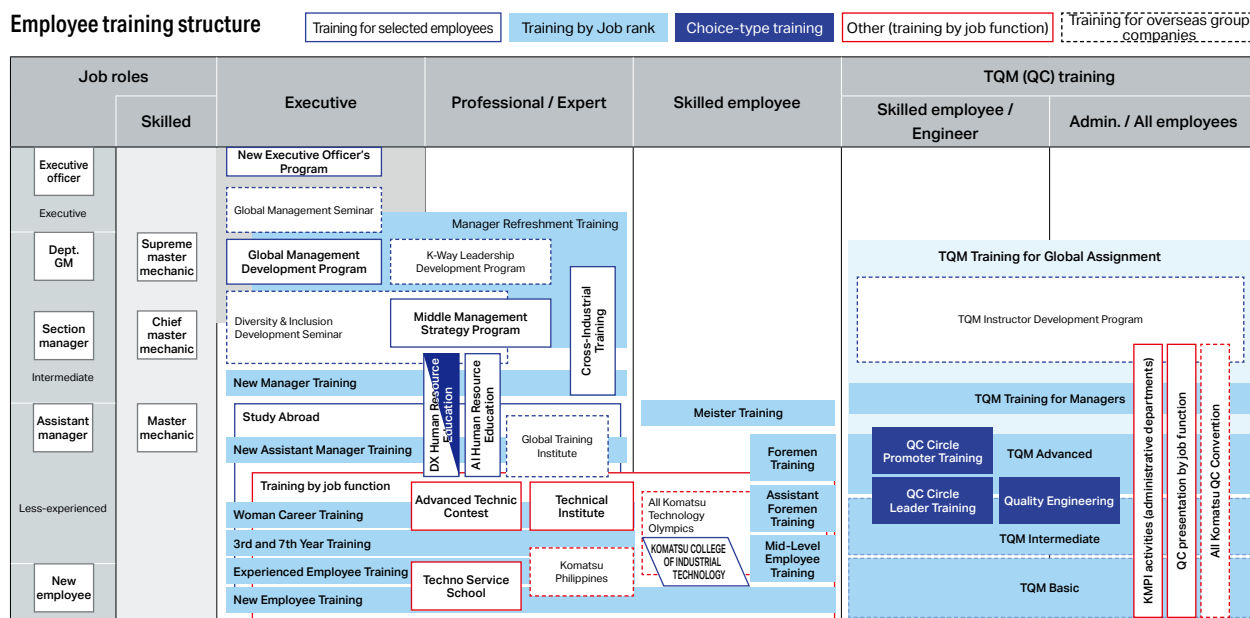
## Offering variety of talent development opportunities and improvement of employee engagement

Improving employee engagement is essential for the ongoing growth of a company. Based on this recognition, we conducted a global engagement survey of employees worldwide in 2021 (approximately 63,000 employees surveyed, response rate of 72%), and we are working to develop human resource policies that reflect the strengths and challenges of each region and organization. The second global engagement survey was conducted in 2023. We will continue to monitor and analyze employee engagement and respond to ever-changing challenges to create an environment in which each and every one of our employees can work with more vitality and enthusiasm.

We also provide a variety of skill development opportunities, including training for employees to become professionals in their fields and support for the acquisition of the knowledge and skills required at each level. Meanwhile, initiatives to support the autonomous and spontaneous growth of employees are being advanced from the perspective of further heightening employee engagement. Launched in FY2023, one such initiative is the Career Development Program, a one-on-one meeting between an employee and their supervisor for the purpose of discussing their growth and career. Through this and other initiatives, we aim to strengthen the connection between human resource measures and support for employees' career development.

Going forward, we will continue efforts to spur the ongoing growth of Komatsu and its employees through the continuation of prior measures based on the goals of the companies and organizations as well as through the expansion of measures oriented toward the goals and ambitions of individual employees.

### Employee training structure



\* In 2019 Komatsu Human Resources & Development Center became Komatsu Philippines Corporation as a 100% affiliate of Komatsu Ltd.

## Development of digital and open innovation-driven human resources

As to the cultivation of personnel with digital knowledge and technologies, we launched the program for developing AI engineers in FY2019 and initiated DX personnel education program in Japan in FY2022. This program promotes the cultivation of human resources with curriculums for attaining knowledge at every stage, from entry level for basic knowledge to practical education that covers problem solving in the context of real-life business operations and projects. In regard to fostering human resources with open innovation skills, we are conducting and utilizing both internal and external programs in order to accelerate collaboration with government and academic institutions. In FY2023, we are planning Inovator's Program on a global scale aimed at cultivating human resources able to learn and utilize Design Thinking processes that are potent for creating innovation and businesses. Such programs for fostering the human resources needed to supply customers with DANTOTSU Products, DANTOTSU Services, and DANTOTSU Solutions will be conducted continuously.



Introduction to DX | ~DX人材育成のための取組~

## Business and human rights

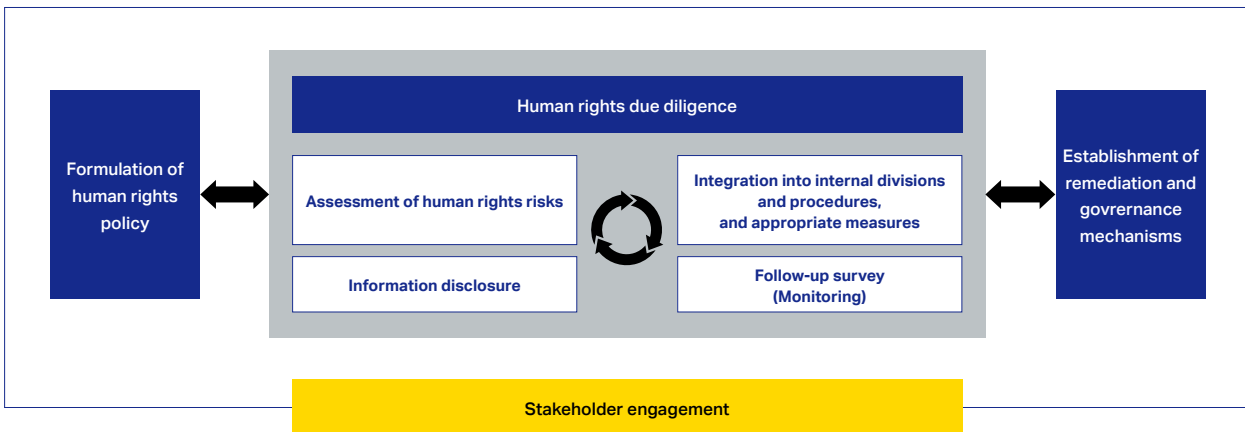
Komatsu established its Human Rights Policy in September 2019, thereby declaring its commitment to conducting its business in a manner that is compliant with internationally accepted standards pertaining to respect for human rights throughout its global organization. Based on this policy, processes have been established to prevent or mitigate negative impacts on human rights and to allow for corrective measures to be instituted should it be found that the Company was directly or indirectly involved in activities that had a negative impact on human rights. Reports on such activities are issued to the Sustainability Promotion Committee, which is chaired by the president and membered by the heads of relevant divisions, to build a deeper understanding of our response toward human rights issues. The Company is committed to ongoing efforts to continue identifying priority issues, defining clear policies for responding to these issues, and establishing action plans for use in work processes.



### Human rights policy

<https://komatsu.disclosure.site/en/themes/192>

### Komatsu group human rights management system



2014	With the assistance of external specialist Business for Social Responsibility (BSR), assessments were conducted to evaluate human rights risks pertaining to the construction equipment, mining equipment, and forestry machinery businesses being developed on a global scale.
2017	The aid of BSR was once again enlisted for our second human rights assessment, which was carried out while referencing the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights.
2020	With support from external specialist CSR Europe, a systematic human rights risk assessment of our global operations was conducted covering downstream areas of our construction equipment, mining equipment, and forestry machinery businesses (equipment and replacement parts sales). Given the characteristics of Komatsu's businesses, relevant issues pertaining to discrimination based on ethnicity, race, or national origin; compulsory labor; freedom of association; and fair work conditions were assessed, and potential risks and priorities were identified by business and by region.
2021	The Sustainability Promotion Committee approved plans to prioritize the human rights issues facing Komatsu, administer questionnaires to Komatsu Group companies and suppliers, and perform on-site impact assessments of downstream operations.
2022	The support of external consultations was enlisted to conduct online human rights surveys of Komatsu Group companies and major suppliers. In addition, aid was received from CSR Europe to perform on-site impact assessments of downstream businesses in South Africa.



For more information on our business and human rights activities, please refer to our corporate website:

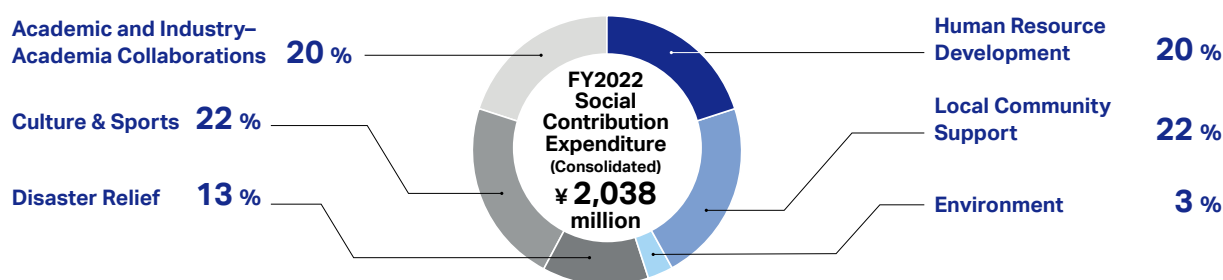
<https://komatsu.disclosure.site/en/themes/193>

## With business

Undertaking social contribution activities in the communities where we operate is one of our important corporate responsibilities. We recognize and position social contribution activities as activities that are in alignment with the Sustainability Policy and do not directly generate earnings. Leveraging our strengths as a business, we seek to give back to the community and society in general.

### Social contribution activities in FY2022

The following chart shows the expenditure for social contribution activities by the Komatsu Group, aggregated based on six general categories.



### Break down of social contribution expenditure



## Clearing landmines and making the land safe

In the areas afflicted by anti-personnel landmines, Komatsu has engaged in activities to support community development throughout the process from demining to reconstruction. Utilizing Komatsu's demining machines and construction equipment, developed by combining its technical expertise and knowledge in manufacturing, Komatsu started its project in Cambodia in 2008 partnering with the authorized NPO "Japan Mine Action Service" (JMAS) and another project in Laos in 2016.

As part of its community reconstruction efforts, Komatsu also has been supporting initiatives to develop farmlands on former landmine field sites and build roads, bridges, elementary schools, and other facilities. In 2022, we expanded these efforts to our 10th school in Cambodia. Approximately 800 students are now learning at these 10 schools.



Demining machine

"I used to be very afraid of mines. Thanks to demining and development, I can live free from that worry."

Mr. Pho  
Resident of Rong Village



"Demining, infrastructure, agricultural work, if all these are pursued as one set of measures, the people who grow the rice enjoy the benefits."

Mr. Nobuyoshi Shimozono  
JMAS Technical Advisor



"I am very happy to have a new school. My dream is to become a doctor. When my parents or villagers get sick, I want to be able to heal them."

Maria  
Student at KOMATSU SAFETY Primary School



For more information on the Demining and Reconstruction Project, please refer to the following video.

<https://youtu.be/8zlmCv6PTaE?feature=shared>



## Relief aid to earthquake damages in Turkey and Syria

Komatsu has provided relief aid to the areas affected by the earthquake that struck Turkey and Syria in February 2023. In cooperation with its local distributor Marubeni Dağıtım ve Servis A.Ş. (MDS), a wholly owned subsidiary of Marubeni Corporation, Komatsu lent construction equipment needed for relief efforts to the affected areas free of charge and dispatched operators and service mechanics to assist in the relief efforts. In terms of expenses, these efforts equate to ¥20 million worth of support. In addition, Komatsu donated ¥10 million through the Japanese Red Cross Society, making for a total relief aid package of ¥30 million.

Since establishing an office in Turkey in 1975, Komatsu has been developing a locally anchored business in Turkey, a major market in the Middle East region. Komatsu will continue to provide material assistance to help the affected areas recover as quickly as possible while monitoring the conditions with MDS.



## One World One Komatsu employee-driven social contribution project

The Komatsu Group launched the One World One Komatsu employee-driven social contribution project as a new initiative in 2021 in conjunction with its 100th anniversary.

Based on themes pertaining to the environment and sustainability, which are shared global issues that are highly related to our business, the One World One Komatsu project encourages employees to take close-at-home action in their daily lives, such as cutting back on water use and turning off lights in unoccupied rooms.

As part of this project, the One World One Komatsu Contest was held in 2021. Applications were received by more than 200 employees from around the world, and winners were chosen from each of the 10 award categories. Five of the winners were invited to receive trophies from President Hiroyuki Ogawa at an award ceremony held in Tokyo in November 2022.

Furthermore, employees are encouraged to engage in environmentally themed volunteer activities in conjunction with Earth Day on April 22 each year. Videos are prepared showing the volunteer activities performed by Komatsu employees around the world and broadcast through global watch parties, virtual gatherings arranged through a dedicated website.



To view videos from the June 2023 global watch party, please refer to the following website.

<https://youtube.com/playlist?list=PLI09JNAS3JIHjiRio50EDhJ-s7eAJJ1K0>

## Together, to "The Next"

### Sustainable society built by small efforts of all

I bought a 200-liter barrel to store rainwater and water from my washing machine] and built a plumbing system that channels water directly into this barrel. I then used accumulated rainwater that is used to wash the floors in my house. Reducing the number of times one does laundry from twice a week to once a week can save around 3,100 liters of water a year. Also, for at least two out of every three times I bathe, I try to take only a quick shower. This saves more than 1,800 liters of water a year. And not leaving the water running while I brush my teeth saves another 730 liters a year.

Working toward sustainability does not mean you have to fundamentally change your life. If everyone tries to cut back on what they use, it is sure to leave a better future for our children and our children's children. There is so much we can do for nature and the environment if we have the desire and the commitment.



Wesley dos Santos Gomes, Komatsu do Brasil Ltda.  
One World One Komatsu contest award winner  
(Award Category: Water Wise)



For a list of all One World One Komatsu contest award winners, please refer to the following website.

<https://komatsu.disclosure.site/en/themes/197>



# With the planet



We, at the Komatsu Group clearly defines the basic policies of environmental conservation, which will be the guidelines of business activities, when engaging in business activities while working to realize a sustainable society, and promotes environmental conservation activities.



## Komatsu Earth and Environment Policy

<https://komatsu.disclosure.site/en/themes/199>

## Disclosure based on TCFD recommendations

Komatsu established the Komatsu Earth Environment Charter (currently known as the Komatsu Earth and Environment Policy) in 1992, launching proactive initiatives for addressing climate change and other environmental issues a step ahead of its peers. In April 2019, Komatsu announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We advance climate change response measures through climate change risk and opportunity assessments and scenario analyses based on these recommendations as well as through a healthy dialogue with stakeholders.

At the 26th United Nations Climate Change Conference held in the United Kingdom (COP26) in November 2021, an agreement was reached to work toward limiting the average rise in global temperatures to 1.5°C above pre-industrial levels. Furthermore, at the G7 Ministers' Meeting on Climate, Energy and Environment held in Sapporo, Japan, in April 2023, a call was made for the G7 to commit to playing a leadership role in working toward the goal of limiting the average rise in global temperatures to 1.5°C above pre-industrial levels and in strengthening society's resilience to the impacts of climate change and for all companies and organizations to collaborate toward transforming our economy over the next decade.

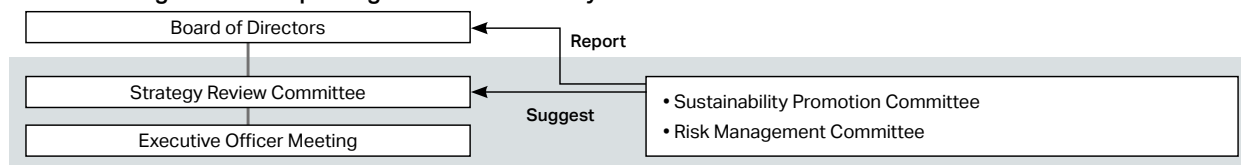
Komatsu has previously conducted scenario analyses based on scenarios projecting average rises of 2°C or 4°C. However, in light of these global trends and following discussions by the Sustainability Promotion Committee and the Strategy Review Committee, with reports to the Board of Directors, it was decided that the Company would also perform analyses of a scenario projecting rises of 1.5°C beginning in FY2022. The results of these analyses have been disclosed.

### 1 Governance

The Komatsu Group views climate change as an important management issue, and targets for combating climate change have been incorporated into its business strategies.

A framework for appropriate oversight of our climate change response has been implemented whereby the Sustainability Promotion Committee and the Risk Management Committee discuss climate change-related matters and make suggestions to the Strategy Review Committee and issue reports to the Board of Directors. Meanwhile, the Executive Officer Meeting fulfills the function of managing progress toward targets.

#### Climate change-related reporting and deliberation system



#### Major discussion items related to climate change

Body	Chairperson	Major discussion items related to climate change	
Board of Directors	Chairman of the Board	<ul style="list-style-type: none"> <li>Discussions regarding goal of achieving carbon neutrality by 2050</li> <li>Establishment of Sustainability Policy</li> <li>Formulation of new mid-term management plan</li> <li>Reports from the Sustainability Promotion Committee</li> </ul>	<ul style="list-style-type: none"> <li>Reports from research, development, and product planning divisions and the Chief Technology Officer</li> <li>Reports from production and procurement divisions</li> <li>Mid-term management plan progress report</li> </ul>
Strategy Review Committee	President	<ul style="list-style-type: none"> <li>Low-carbon product development strategies</li> <li>Mining business growth strategies</li> <li>Forestry machinery business growth strategies</li> <li>Smart Construction growth strategies</li> </ul>	<ul style="list-style-type: none"> <li>Growth strategies for major production bases</li> <li>Reports from the Sustainability Promotion Committee</li> <li>Reports from the Risk Management Committee</li> </ul>
The Executive Officer Meeting	President	<ul style="list-style-type: none"> <li>Progress in product development (including climate change-related KPIs)</li> </ul>	
Body	Chairperson	Major discussion items related to climate change	
Sustainability Promotion Committee	President	<ul style="list-style-type: none"> <li>Initiatives for addressing ESG issues</li> <li>CSR activity reports</li> <li>Revision of environmental policies</li> </ul>	<ul style="list-style-type: none"> <li>Deliberations and reports regarding important environmental matters and key performance indicators (KPIs)</li> </ul>
Risk Management Committee	Executive officer supervising general affairs	<ul style="list-style-type: none"> <li>Reports on responses to natural disaster risks</li> </ul>	

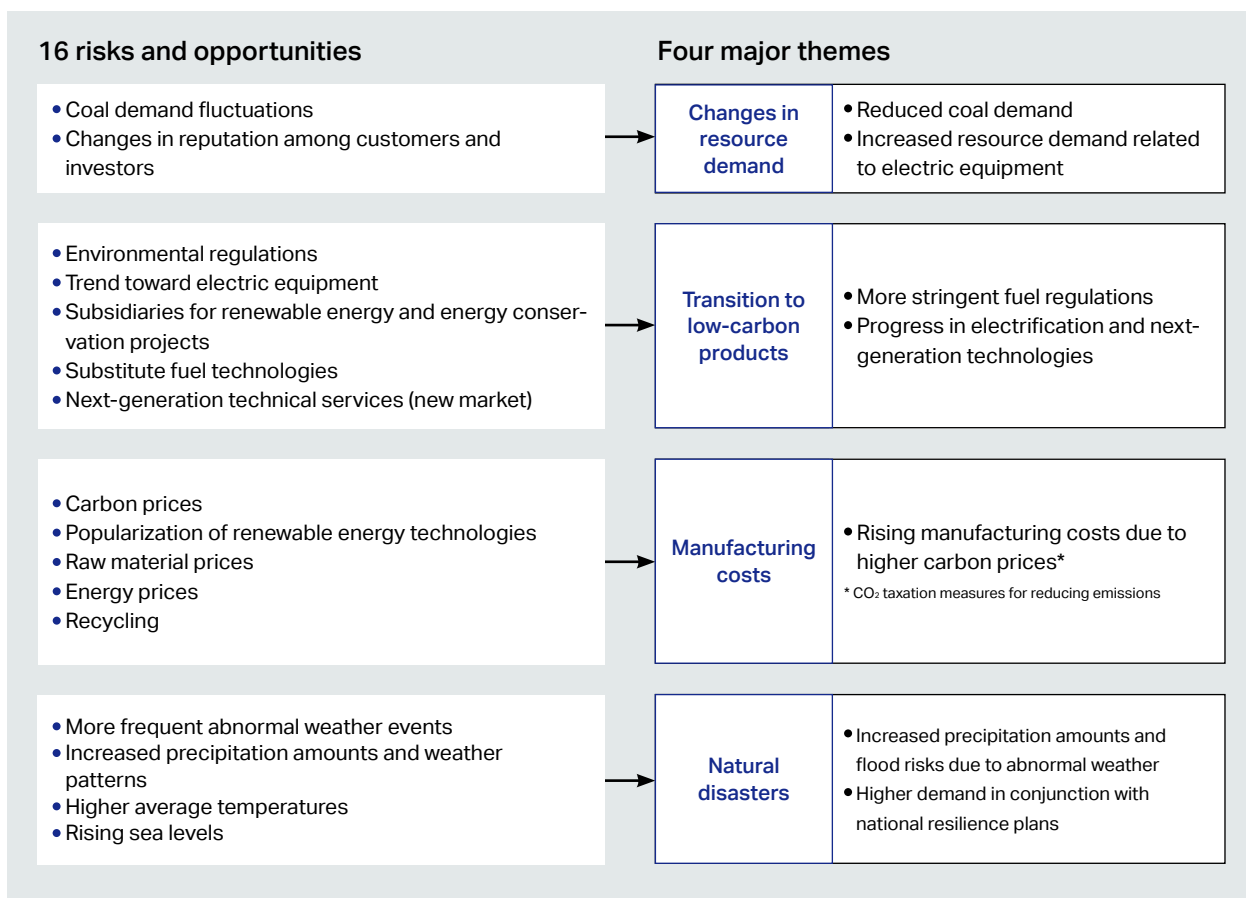


## 2 Strategies

### Risk and opportunity identification

In identifying climate change-related risks and opportunities pertaining to the Komatsu Group's business, we referenced the risk and opportunity examples described in Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures to determine 16 risks and opportunities with the potential to impact the construction and mining equipment business. We next assessed the internal factors and external factors predicted by the chosen scenarios that may impact earnings to group the identified risks and opportunities into the four major themes of "changes in resource demand," "transition to low-carbon products," "manufacturing costs," and "natural disasters."

#### Risks and opportunities and groupings



To gauge the potential impacts of climate change-related risks and opportunities on the Komatsu Group's business, we performed scenario analyses of the aforementioned four major risk and opportunity themes. For these scenario analyses, we selected a 1.5°C scenario, a 2°C scenario, and a 4°C scenario based on the Fifth Assessment Report (Representative Concentration Pathways 2.6 and 8.5) and the Sixth Assessment Report (Shared Socioeconomic Pathways 5-8.5) of the Intergovernmental Panel on Climate Change, and the Sustainable Development Scenario, the Stated Policies Scenario, and the Net Zero by 2050 scenario of the International Energy Agency (IEA).

The risks and opportunities associated with changes in resource demand, the transition to low-carbon products, and manufacturing costs were the greatest in the 1.5°C and 2°C scenarios whereas the risks and opportunities associated with natural disasters were the greatest in the 4°C scenario. Information on the risks and opportunities related to each of the four major themes, as well as Komatsu's response to these risks and opportunities, is displayed on the following page.

## ▶ 2 Strategies

### Changes in resource demand

Risks	Opportunities
<ul style="list-style-type: none"> <li>• Regulation of power generation using fossil fuels</li> <li>• Massive reductions in coal production volumes</li> <li>• Reduced sales to coal-related customers by Komatsu</li> <li>• Reduced appetite for investment in coal mines</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid transition from fossil fuel-powered equipment to electric equipment</li> <li>• Higher demand for copper and other resources necessary for electric equipment (motors, batteries, fuel cells, etc.)</li> <li>• Increased sales to copper and other relevant mining-related customers by Komatsu in conjunction with trend toward electric equipment</li> <li>• Increased investment for improving the efficiency of mining operations</li> </ul>

**Strategies** By advancing initiatives based on the three pillars of growth strategies of the mid-term management plan—accelerate growth by means of innovation, maximize earnings power, and enhance corporate resilience—Komatsu will capitalize on opportunities created by changes in resource demand to achieve sustainable growth.

**Priority initiatives**

- Expand underground hard rock mining business
- Develop automated and remotely controllable mining equipment to quickly respond to shifts in demand
- Improve productivity through open technology platforms

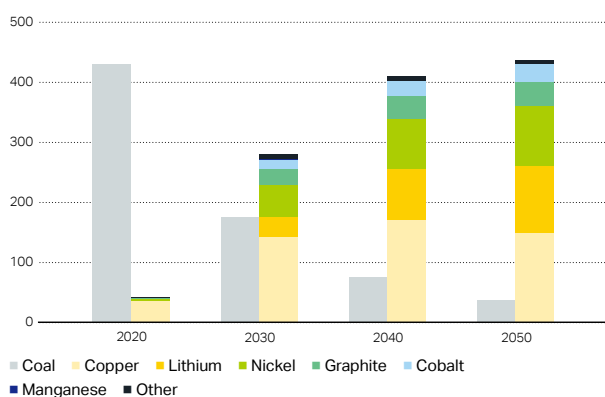
### Revision of mining equipment business portfolio in response to shifts in resource demand

Under the IEA's Net Zero by 2050 scenario (1.5°C scenario), demand for coal, a soft rock mineral, is expected to decline to an even greater degree as a result of the decarbonization trend than projected by 2°C scenarios. Conversely, demand is expected to grow for the critical minerals that are imperative to clean energy technologies. Accordingly, the global transition to electrified equipment is anticipated to drive a strong shift in demand toward hard rock minerals like iron, copper, and gold.

It is possible that changes in global trends could result in temporary shifts in demand, but the overall trends in demand are expected to advance in this direction. In response to this shift in demand, the Komatsu Group is revising its mining equipment business portfolio by reorganizing its underground soft rock mining equipment production and support systems and expanding its lineup of underground hard rock mining equipment through M&A activities. As a result of these activities, the portion of net sales associated with thermal coal has gradually decreased and the portion related to copper has increased over the last few years.

### Resource demand projections of IEA's 1.5°C scenario (Monetary value basis)\*

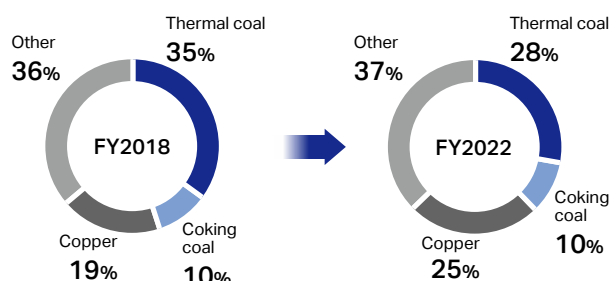
(Billions of U.S. dollars)



\* Source: Based on IEA data from the IEA (2021) 'Net Zero by 2050 A Roadmap for the Global Energy Sector', <https://www.iea.org/data-and-statistics>. All rights reserved.

### Ratio of sales of Komatsu mining equipment business by target mineral

(FY2018 vs. FY2022)







## Transition to low-carbon products

Risks	Opportunities
<ul style="list-style-type: none"> <li>Higher development and capital investment costs due to emissions restrictions</li> <li>Reduced sales due to inability to cater to customer electrification demands</li> <li>Substantial changes in technology development and competitive climate including market entry by new competitors</li> <li>Long-term diminishment of technological edge as customers begin leading the drive in component development and manufacturing projects</li> </ul>	<ul style="list-style-type: none"> <li>Rising demand for electrified equipment, fuel-efficient equipment, and biomass fuel-powered equipment; ability to respond swiftly to impending changes in strategic markets fostered through adaptation in traditional markets</li> <li>Growth of equipment restoration (Reman) operations driven by transition to circular economy</li> <li>Increased demand for solutions businesses with emissions-reducing benefits</li> <li>Increased product reliability due to securing stable supply sources for high-quality components for storage batteries and others</li> </ul>

### Strategies

Komatsu is advancing initiatives aimed at achieving carbon neutrality while facilitating the transition to the low-carbon products the world demands.

#### Priority initiatives

- Develop electrified equipment using batteries, hydrogen fuel cells, and other power sources
- Develop power sources compatible with carbon-neutral fuels and hydrogen
- Deploy Smart Construction and other solutions on a global scale
- Contribute to cyclical businesses through forestry machinery and Reman businesses

### Development of models using next-generation power sources

To ensure sufficient output and operating times, medium-sized and large construction equipment requires a power source with higher energy density than that of small construction equipment, which has led the move to electrification with batteries. This fact has led us to begin research and development of models that use next-generation power sources like hydrogen fuel cells and hydrogen engines.

In May 2023, we have developed a concept machine for a medium-sized hydraulic excavator that combines a hydrogen fuel cell and in-house developed Key Components. By advancing the PoC (Proof of Concept) tests, we will accelerate our efforts to embark on the commercial production of medium-sized and large construction equipment powered by hydrogen fuel cells in the near future.



Middle-sized hydraulic excavator equipped with a hydrogen fuel cell (concept machine)

### Utilization of carbon-neutral fuels

Reduction of the CO<sub>2</sub> emitted by existing construction equipment using diesel engines is an important task to advance alongside the development and introduction of electrified equipment. We are therefore promoting the use of carbon-neutral fuels, which offset the CO<sub>2</sub> emissions in use and in production. Examples of carbon-neutral fuel include hydrotreated vegetable oil (HVO), e-fuel, and other hydrogen-based fuels as well as biodiesel fuels like fatty acid methyl ester.

In April 2023, as one facet of these efforts, Komatsu Germany GmbH Construction Division (KGC) switched to HVO as factory-fill fuel for its equipment and other Europe plants have followed.

HVO is produced from renewable raw material such as cooking oil and animal fats wastes. It is a simple drop-in replacement for fossil diesel, but with high cetane, no oxygen and no aromatics. It can lower the amount of greenhouse gas emitted by our equipment by up to 90%, if the machine is fuelled with Neste MY Renewable Diesel (=HVO100) from Neste, one of our main suppliers of HVO.

The combustion engines in our machines\*<sup>1</sup> can be operated with HVO\*<sup>2</sup>, with no modifications required. The switch to this renewable, paraffinic fuel as a sustainable alternative to traditional diesel fuel is a major step we are taking towards reducing our environmental impact.



Filling a Komatsu machine with HVO as factory-fill fuel at the KGC plant in Hannover, Germany

\*1 Including the construction, forklift, mining and forestry machines  
 \*2 Only HVOs that conform to the standards can be used for Komatsu machines equipped with Komatsu engines.

Note: The GHG emission reduction varies depending on the region-specific legislation that provides the methodology for the calculations (e.g. EU RED II 2018/2001/EU for Europe and US California LCFS for the US), and the raw material mix used to manufacture the product for each market.

**▶ 2 Strategies**

**Manufacturing costs**

Risks	Opportunities
<ul style="list-style-type: none"> <li>• Taxation of fossil fuels and CO<sub>2</sub> emissions</li> <li>• Transfer of higher product purchase prices to Komatsu</li> <li>• Rising power fees and energy costs following investment in power generation facilities with low CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Increased competitiveness through production technologies that reduce CO<sub>2</sub> emissions</li> </ul>

**Strategies**

Komatsu will work to mitigate cost increases by achieving its CO<sub>2</sub> reduction and renewable energy targets while developing production bases with low environmental impacts.

**Priority initiatives**

- Create plants with zero environmental impacts
- Encourage environmental investments through internal carbon pricing (ICP)\*

\* Framework for increasing the priority of environmental investments through assessments of capital investment returns that position CO<sub>2</sub> reduction benefits as a value similar to cost reduction benefits

***Together, to "The Next"***

**Komatsu's production and procurement divisions are united in our pursuit of carbon neutrality.**

The world is undergoing a massive transformation in pursuit of carbon neutrality among the rising awareness regarding climate change. At Komatsu, our production and procurement divisions are working to curb cost increases through the accomplishment of our CO<sub>2</sub> emissions reduction targets and to develop plants that have low environmental impact. These efforts are aimed at accomplishing our goals of halving Scope 1 and Scope 2 CO<sub>2</sub> emissions intensity from the level in 2010 by 2030 and then achieving carbon neutrality by 2050.

Our priorities in CO<sub>2</sub> emissions reduction activities are as follows: 1) conserve energy through production reforms; 2) generate energy in-house through solar power and other such systems; and 3) buy renewable energy. Based on these priorities, we are implementing improvement activities with a focus on high-energy-consumption processes like casting, forging, and heat treating. We have also introduced an internal carbon pricing system, which we are using to encourage the adoption of production equipment that reforms manufacturing processes and the transition to high-efficiency

**Korekiyo Yanagisawa**  
Senior Executive Officer  
President, Production Division



utilities. In 2022, these efforts had already resulted in a reduction in CO<sub>2</sub> emissions of 43% from the level in 2010.

These efforts will be continued with an eye to halving emissions by 2030 and then achieving carbon neutrality in 2050. At the same time, we will be promoting digital transformation to further cut energy use while renovating aged plant and office buildings to achieve zero emissions.

Komatsu will also assist its suppliers in reducing their CO<sub>2</sub> emissions by actively sharing and deploying its successful improvement activities in order to contribute to reduction of CO<sub>2</sub> emissions for the production and distribution of parts and raw materials (Scope 3 emissions).

Accomplishing our CO<sub>2</sub> emissions reduction targets and developing plants that have low environmental impacts are important goals for Komatsu's production and procurement divisions. By achieving our goals, we hope to make manufacturing at Komatsu even more competitive.



### Reduction of CO<sub>2</sub> emissions from casting processes (Seal ring factory in the Himi Plant)

Located in Himi City, Toyama Prefecture, the Himi Plant manufactures the cast parts that are used in construction and mining equipment. A new seal ring factory was constructed at this facility in November 2021, and steps are being taken to reduce the CO<sub>2</sub> emissions of this factory by half. As the casting process, including for seal rings, particularly consumes a large amount of energy, high-efficiency casting, by improving its process, will lead to an outstanding reduction of energy consumption. In addition, we are also working to improve the environmental performance of the new factory, including the reduction of CO<sub>2</sub> emissions, by installing energy-saving equipment and improving the airtightness of the factory building.



Seal ring factory at Himi Plant

### New Komatsu Mining Corp. headquarters

In June 2022, Komatsu Mining Corp. that conducts the manufacture and sale of surface and underground mining equipment and provides related service, finished the relocation of its headquarters, previously located in Milwaukee in the U.S. state of Wisconsin, to its South Harbor campus, which is in the same city. The new headquarters uses solar panels, a remotely operated closed-loop heat treatment system, and other energy-saving technologies to achieve substantial reductions in energy and water use and in CO<sub>2</sub> emissions.



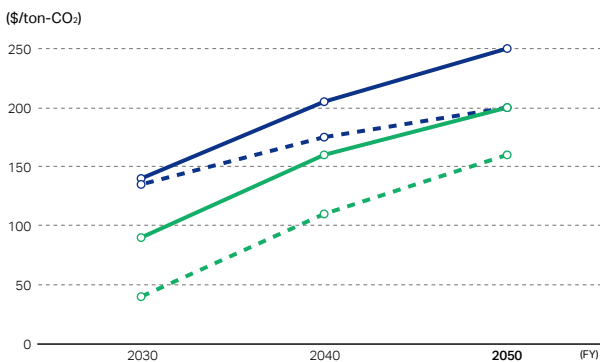
New headquarters of Komatsu Mining Corp. (South Harbor campus)

## Scenario analysis: Impacts of carbon taxes under 1.5°C scenario

The 1.5°C scenario projects carbon tax rates that are higher than those predicted by the 2°C scenarios, describing high tax rates in both developed and developing countries in 2030 and ongoing increases thereafter. Higher carbon prices as a result of carbon taxes and other government policies present the risk of future increases to manufacturing costs. Conversely, if Komatsu takes action to achieve its CO<sub>2</sub> emissions reduction targets, these efforts will help lower the costs associated with carbon taxes.

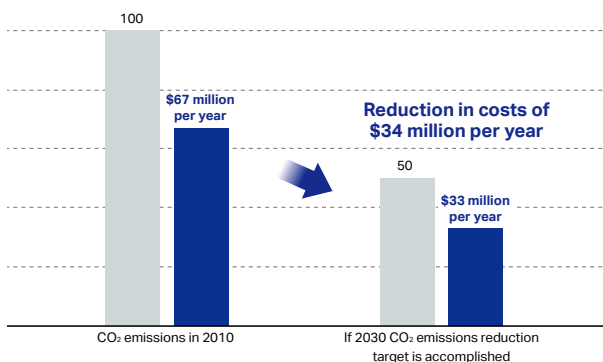
Moreover, carbon taxes also influence the prices of the fuel used by equipment. Accordingly, Komatsu's initiatives for developing low-carbon products and otherwise reducing CO<sub>2</sub> emissions from product use will also contribute to a lower cost burden for customers.

### Projected carbon taxes (\$/t-CO<sub>2</sub>)



Legend:  
 — Developed countries (1.5°C scenario)    - - - Developed countries (2°C scenario)  
 — Developing countries (1.5°C scenario)    - - - Developing countries (2°C scenario)  
 Sources:  
 2°C scenario: Announced Pledges Scenario, International Energy Agency  
 1.5°C scenario: World Energy Outlook 2022, International Energy Agency

### Carbon tax payments should Komatsu accomplish its CO<sub>2</sub> emissions reduction target for 2030



Note: Figures are based on a trial calculation assuming that CO<sub>2</sub> emissions in 2030 are half the level of 2010. Carbon tax payments are calculated by applying the carbon tax predictions for 2030 of the IEA's Announced Pledges Scenario (1.5°C scenario) to the respective CO<sub>2</sub> emissions volumes.



## ▶ 2 Strategies

### Natural disasters

Risks	Opportunities
<ul style="list-style-type: none"> <li>• Increased frequency of heavy rain and floods due to abnormal weather</li> <li>• Risks of disaster damages to Komatsu plants at high risk of flooding</li> <li>• Component supply delays following damages to suppliers from disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand for flood-control works</li> </ul>

**Strategies** Komatsu will implement countermeasures against heavy rains and flooding across the value chain (response to physical risks).

**Priority initiatives**

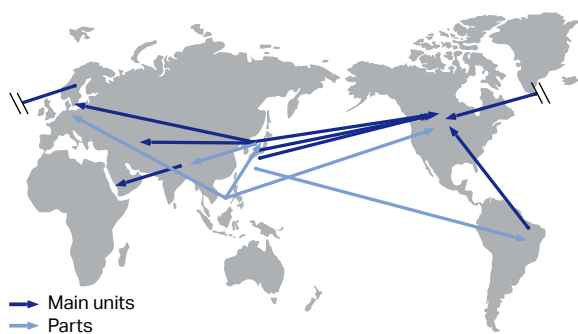
- Build production and procurement systems that are resilient to changes in the operating environment (expand the multi-sourcing ratio)

### Cross-sourcing and multi-sourcing

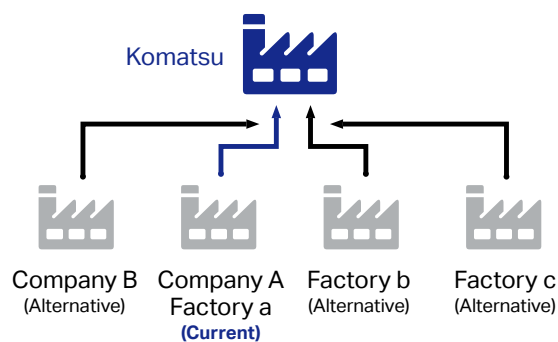
To hedge against risks of damages to the factories of Komatsu and its suppliers from heavy rains, floods, and other natural disasters, the Komatsu Group is developing a production and procurement system that enables it to maintain business continuity even under extreme circumstances. Specifically, we practice cross-sourcing, which allows us to flexibly alter manufacturing plants and product destinations based on changes in the operating environment, and multi-sourcing, through which we purchase the same parts from multiple suppliers.

In addition, Asia procurement centers were established at overseas subsidiaries in India, Indonesia, and Thailand in May 2023 to increase the multi-sourcing ratio with the goal of further strengthening our supply chain.

#### Cross-sourcing operation for production



#### Multi-company procurement system



## ▶ 3 Risk management

Major climate change-related risks are incorporated into the Risk Management Rules and other aspects of the Groupwide risk management process and managed as an element of corporate risks. [▶ Risk management page 84.](#)

## 4 Indicators and targets

Targets for climate change-related indicators include the target of reducing CO<sub>2</sub> emissions from product use and production to 50% of the level in 2010 by 2030 and increasing the rate of renewable energy use to total energy use to 50% by 2030.

In addition, the mid-term management plan launched in FY2022 introduced the challenging goal of achieving carbon neutrality by 2050.

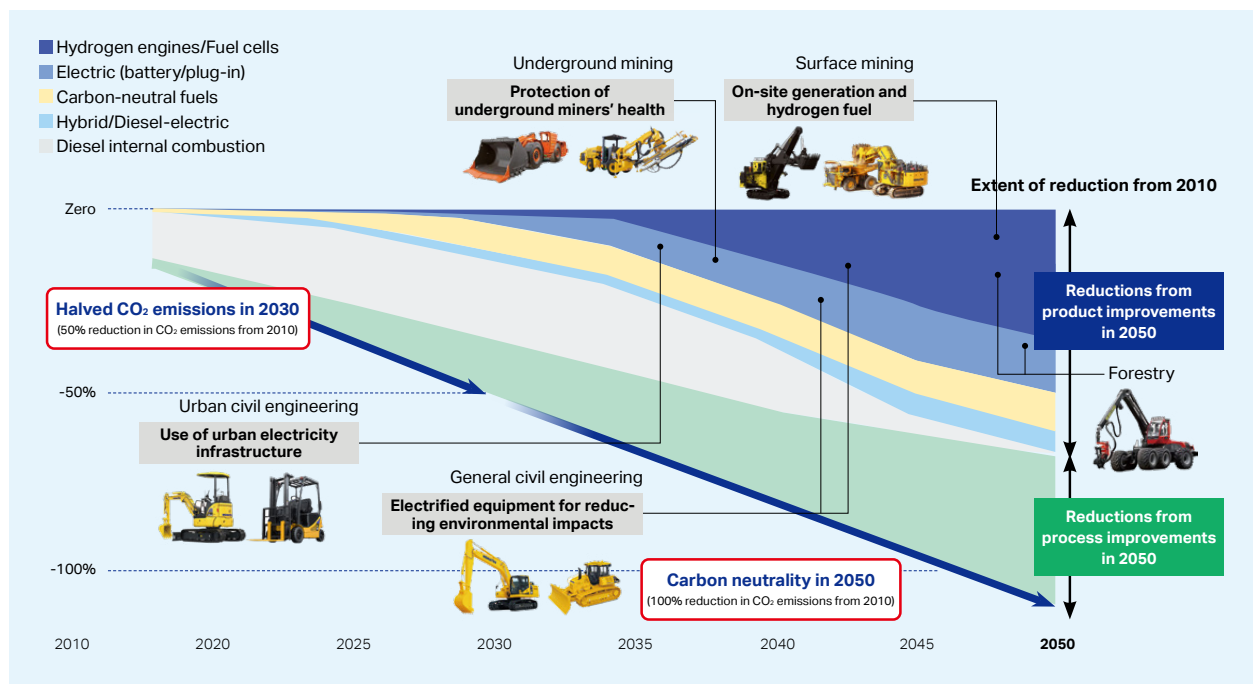
### Medium- to long-term targets

Index	Target
Reduction of environmental impact	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions: Decrease by 50% by 2030 from 2010 <b>Become carbon neutral by 2050 (challenging goal)</b></li> <li>• Renewable energy use: Increase to 50% of total energy use by 2030</li> </ul>

### Product development roadmap for carbon neutrality

**Reductions from product improvements:** Reduce CO<sub>2</sub> emissions by increasing machine efficiency and improving low carbon levels (shift to cleaner power sources).

**Reductions from process improvements:** Reduce CO<sub>2</sub> emissions by optimizing and improving the efficiency of all jobs, construction, and operations at customers' workplaces.



For information on the results of environmental investments and other activities in FY2022, please refer to the following website.  
<https://www.komatsu.jp/en/sustainability/data>

# Corporate governance

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# 4







## Discussion with Outside Board Members



**Michitaka Sawada**  
Outside Director

**Kotaro Ohno**  
Outside Audit & Supervisory Board Member

At Komatsu, the Board of Directors is a central component of corporate governance systems, and improvements to the effectiveness of the Board of Directors are being prioritized accordingly. The following is a discussion with Outside Director Michitaka Sawada and Outside Audit & Supervisory Board Member Kotaro Ohno in which they offer their opinions about corporate governance at Komatsu and the challenges it will need to overcome in order to heighten corporate value going forward.

**Q** What are your thoughts with regard to the atmosphere and corporate culture at Komatsu?

**Ohno:** I have served as an Outside Audit & Supervisory Board Member since June 2017. Komatsu strikes me as earnest, study and strong company. With my 40-year history as a public prosecutor, I place a lot of emphasis on compliance. It is difficult for any company to avoid all of the potential issues that could occur during the course of business. Komatsu, fortunately, is swift to report any serious issue that may arise to the Board of Directors. It also makes steadfast efforts to prevent issues through the institution of internal reporting

system, the regular compliance surveys, and the issuance of compliance newsletters. Moreover, SLQDC (Safety, Law, Quality, Delivery, and Cost) policies have been established defining priorities for employee actions. These policies have cultivated a consistent stance toward tackling new issues that has granted Komatsu an even greater sense of integrity. This stance is a large contributor toward the soundness of the Company's management.

**Sawada:** If I were to try to describe Komatsu in the fewest possible words, I would say that it is bold yet meticulous. I was involved in research at Kao Corporation for 32 years. As a result, research and development is a core part of who I am.

After becoming an Outside Director at Komatsu last year, I have had the opportunity to visit some of the Company's factories and research and development organizations. There, I was able to witness the bold and aggressive approach employees take toward developing new technologies and operational systems in pursuit of lofty targets related to product development and productivity improvement. At the same time, I noticed steadfast improvement efforts aimed at ensuring safety and improving quality. In this manner, Komatsu takes a meticulous and determined approach toward improving corporate value through manufacturing and technology innovation and the commitment to quality and reliability described in Komatsu's management principle. I hope that people at Komatsu will continue this approach going forward.

### Q How would you evaluate the effectiveness of the Board of Directors at Komatsu?

**Ohno:** At Komatsu, meetings of the Board of Directors start with a report from the President & CEO in which he reports on important management matters. These matters include previews of the agenda items to be discussed at the meeting, newly emerging causes for concern, and information on interactions with investors, customers, distributors, suppliers, and other stakeholders. If there are matters that are cause for concern, these are explained upfront based on a stance of putting the bad news first. These reports from the President & CEO are a venue through which the executive management team provides important information to the members of the Board in a timely manner. This openness ensures that there are no surprises for us Outside Board Members and thereby helps greatly improve the effectiveness of corporate governance.

**Sawada:** Putting bad news first means that Board members are able to offer advice or point out issues at an earlier stage of the situation. The President's ability to take this stance of quickly communicating undesirable realities is due to his trust in the members of the Board.

**Ohno:** Discussions at meetings of the Board of Directors are quite extensive and fulfilling. The Directors and Audit & Supervisory Board Members voice opinions based on the insight and experience gained through their respective backgrounds, and I often find myself learning a lot from these discussions. Komatsu's Board has a policy of not limiting discussion time, which means we can delve as deep into matters as we need to ensure that everyone is convinced.

**Sawada:** Our ability to immerse ourselves in discussions is due in part to the hard work of the Secretariat of the Board of Directors and the people who give us briefings. Materials pertaining to Board meetings are distributed well in advance

and sometimes even include videos, which is really helpful to our understanding of the issues at hand. Outside Board Members still in their first year are given the opportunity to receive pre-meeting briefings on the backgrounds and assumptions in relation to specific agenda items. On the day of a meeting, we receive a simple explanation of agenda items through an executive summary of the meeting materials and then we jump into discussions. Even if there are a lot of agenda items, we are able to work through them efficiently thanks to being able to really focus on discussions.

**Ohno:** Evaluations of the effectiveness of the Board of Directors deliver high assessments every time. Regardless, Komatsu never becomes complacent with these results and is always searching for ways to better facilitate discussions. I am quite impressed with this diligence.

**Sawada:** If we liken the Board of Directors to a parent and the executive management team to its children, that would mean an effective Board of Directors is one that properly does the job of a parent. As the parent, the Board should provide advice to the executive management team, push them in the right direction, or tell them to stop when needed. If one's children grow to become capable adults, that means they properly did their job as a parent. Similarly, if the executive management team takes the right course, it means that the Board of Directors is effective. Executive officers overseeing major business areas attend meetings of the Board of Directors, which enables such members of the executive management team adopt the suggestions raised at Board meetings and put them into action. Such coordination between the Board of Directors and the executive management team is emblematic of a healthy parent-child relationship, to continue the prior metaphor.

**Ohno:** I totally agree. If we Outside Board Members come to completely share the perspective of the executive management team and employees, we will be unable to fulfill our role. This is why we need to maintain a separate perspective based on the standpoint of external stakeholders. I hope that the executive management team will seek to make even greater use of Outside Board Members as the questions and input of such Members can bring new discoveries and cast light on previously unidentified issues.

### Q What are your opinions of Komatsu's sustainability initiatives and the challenges it faces in this regard?

**Ohno:** Komatsu's business is truly matched to the current era, which is characterized by a focus on sustainability. The Company does not just supply construction equipment, it also provides software and solutions that utilize data in its efforts to realize the safe, highly productive, smart and clean workplaces of the future. Workplaces around the world are





**Michitaka Sawada**  
Outside Director

**Career History**

4/1981	Joined Kao Soap Co., Ltd. (currently Kao Corporation)
6/2006	Took office as Executive Officer of Kao Corporation
6/2008	Took office as Director, Executive Officer of Kao Corporation
6/2012	Took office as Representative Director, President and Chief Executive Officer of Kao Corporation
1/2021	Took office as Director, Chair of Kao Corporation (current)
6/2022	Took office as Director of the Company (current)

**Anticipating Komatsu to continue to enhance its intelligence and integrity while making workplace operations smarter.**

facing issues related to safety, eco-friendliness, and labor shortages. If Komatsu is able to continue fulfilling its role in supporting society as a piece of infrastructure for use by such workplaces, it should contribute to the sustainable growth of the Company.

**Sawada:** Komatsu takes a humble and earnest approach toward sustainability, incorporating it into its management. Looking at its efforts through the framing of ESG, the Company conducts environmental initiatives to contribute to decarbonization by providing customers with options they can choose based on their specific environmental needs. As for social initiatives, Komatsu strives to achieve excellence when it comes to respecting human rights issues, raising employee engagement, and empowering female employees.

**Ohno:** The United Nations Sustainable Development Goals are gaining increasing attention, which is also making all the more clear the significance of the steps Komatsu has taken thus far. In terms of production and sales, Komatsu is proactively pursuing carbon neutrality by reducing its own CO<sub>2</sub> emissions while helping lower emissions from customer workplaces. In addition, its forestry machinery business contributes to the mechanization of sustainable forestry processes, which in turn revitalizes forests and allows them to absorb greater quantities of CO<sub>2</sub>.

Moreover, as Komatsu is developing its business on a global scale, it must pay particular attention to human rights issues across its supply chain. The Company has begun conducting human rights due diligence activities overseas. Going forward, it will be important for Komatsu to remain

highly receptive toward issues of global interest and to take an earnest stance toward responding to such issues.

**Sawada:** There are two important points to consider in practicing effective sustainability management. The first point is to position sustainability at the center of management. Sustainability is not just about contributing to society; it also entails linking a company's business to sustainability and making it a core element of its business. The second point is to make sure that all employees understand sustainability and exercise this understanding at their respective workplaces. I hope that Komatsu will remain mindful of these two points as it works to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth by creating value for customers, which is the basic concept of its growth strategies.



**What challenges will Komatsu need to tackle over the medium to long term in order to improve corporate value?**

**Sawada:** I see three challenges that will need to be tackled to improve corporate value. The first challenge is strengthening businesses that will contribute to the resolution of global environmental and social issues. Clear examples of such businesses are the forestry machinery business and the underground hard rock mining equipment business. There are also opportunities for construction equipment to be used to respond to natural disasters, such as forest fires and floods, by helping with restoration and recovery. The second

## Kotaro Ohno

Outside Audit &  
Supervisory Board Member

### Career History

4/1976	Appointed as Prosecutor
7/2009	Took office as Vice-Minister of Justice
7/2012	Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office
7/2014	Took office as Prosecutor-General of Supreme Public Prosecutors Office
9/2016	Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office
11/2016	Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)
6/2017	Took office as Audit & Supervisory Board Member of the Company (current)
1/2023	Took office as advisor of Atsumi & Sakai (current)



## Expecting Komatsu to communicate its roles for the resolution of social issues more proactively

challenge will be enhancing visualization of its corporate activities. It is important for a wide range of stakeholders to understand Komatsu's activities. Accordingly, the Company should devote efforts to further improve corporate communications to foster such an understanding. The third challenge will be recruiting talented individuals and promoting diversity and inclusion. Komatsu still has a lot of room for improvement in this regard. I expect Komatsu to further pursue a company of intelligence and integrity by tackling these challenges.

**Ohno:** Komatsu has superior technological capabilities and a global business that contributes to the resolution of social issues. Unfortunately, though, Komatsu does not appear so prominently in rankings of popular companies to work at, which seems to indicate that these qualities are not particularly well known. Companies have to compete to recruit talented human resources, and succeeding in this competition requires that a company inspire a wide range of people to take interest in it. I therefore think it is important for Komatsu to improve its ability to convey such a message and raise its profile, in order to communicate its role in society to a wider range of stakeholders.

**Sawada:** Rather than taking a reserved approach toward presenting its activities to external stakeholders, I feel that Komatsu should be more proactive in this regard. If Komatsu is more aggressive in broadcasting the role it fulfills in society, it will help improve its reputation among external stakeholders while also contributing to higher levels of motivation and engagement for employees.

### Q Lastly, what are your expectations for Komatsu going forward?

**Ohno:** It is mainstream for Komatsu to continue its efforts to contribute to the resolution of social issues through its business activities. The social role played by Komatsu is growing increasingly more important, particularly with regard to addressing labor shortages at construction and mining workplaces, improving workplace safety and productivity, and promoting decarbonization. Also, given that two-thirds of Komatsu Group employees work in countries other than Japan, I think the Company should provide more opportunities to non-Japanese employees when it comes to their career development in order to become a truly global company.

**Sawada:** As a business-to-business company, Komatsu provides the behind-the-scenes support that is crucial to a myriad of industries. The workplaces Komatsu serves all present difficult conditions. Fortunately, Komatsu has a history of making workplace operations smarter through the use of technologies like Komtrax and its autonomous haulage system. I want Komatsu to continue to evolve as an intelligent company with integrity to ensure that it is always trusted by its stakeholders. Moreover, I hope that this process will make it so that all Komatsu Group employees can feel pride in their company.





## Corporate governance reforms

The Company has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to management decision-making and oversight. Specific reforms have included separation of corporate management from business execution, enhancement of corporate management decision-making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit &

Supervisory Board to appropriately audit Directors' execution of duties. In addition, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions. Going forward, the Company will pursue increases to the effectiveness of the Board of Directors while appointing Outside Directors to ensure transparency and soundness and promoting openness and accountability in management.

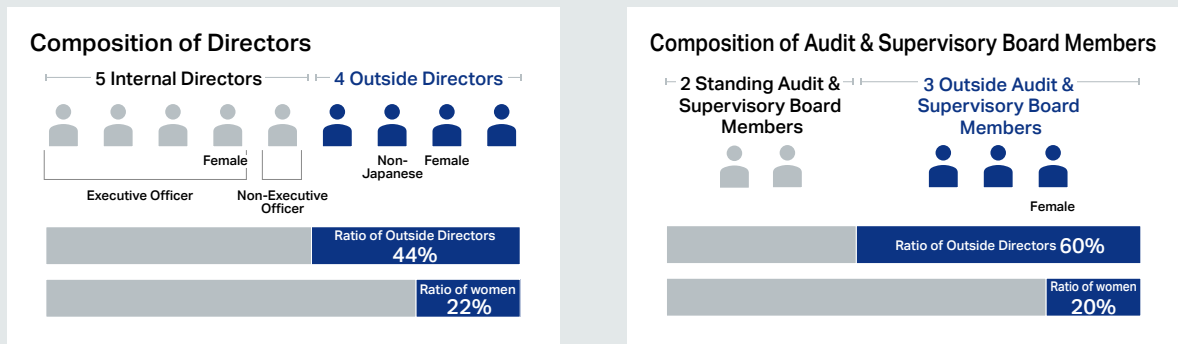
### Board of Directors



### Audit & Supervisory Board



### Composition of Directors and Audit & Supervisory Board Members (As of June 30, 2023)



### Other organizations and systems

Organization / System	Establishment	Overview
Nomination Advisory Committee	2015	The Nomination Advisory Committee discusses matters related to the nomination of candidates for positions as Directors and Audit & Supervisory Board Members and the appointment and dismissal of the President and other executive officers and reports the results of these discussions to the Board of Directors. Current members: Four Outside Directors, including the chairperson; one Outside Audit & Supervisory Board Member; and Chairman of the Board
Compensation Advisory Committee	1999	The Compensation Advisory Committee is responsible for discussing policies and levels for compensation of Directors and Audit & Supervisory Board Members and reporting the results of these discussions to the Board of Directors and the Audit & Supervisory Board. Current members: Four Outside Directors, including the chairperson; three Outside Audit & Supervisory Board Members; one external expert; and one internal member
International Advisory Board	1995	The International Advisory Board was established with the purpose of incorporating the objective advice and suggestions of external experts on the management and corporate activities expected of a global company into the discussions of the Board of Directors.
Executive Officer System	1999	An Executive Officer (Shikko Yakuin) System was introduced in 1999 to separate supervisory functions from executive functions. This system has enabled the Company to limit the Board of Directors to a small number of members.
Global Officers	2016	Global officers are appointed to senior management positions at major overseas subsidiaries to facilitate the consolidated management of the Komatsu Group.

## The Board of Directors

The Company holds Board of Directors' meetings periodically, at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the nine (9) Directors on the Board, four (4) are Outside Directors to ensure transparent and objective management.

The names of the members of the Board of Directors are as listed in "Activities of the Board of Directors" below, and the Chairman of the Board chairs meetings of the Board of Directors.

The Board of Directors make decisions on important management matters based on the Standards for Matters to

### Activities of the Board of Directors

During FY2022, the Company held 15 meetings of the Board of Directors, and the attendance of individual directors is shown as follows.

Position	Name	Frequency	Attendance rate
Chairman of the Board	Tetsuji Ohashi	15	100%
President and CEO	Hiroyuki Ogawa	15	100%
Representative Director	Masayuki Moriyama	15	100%
Representative Director	Kiyoshi Mizuhara	15	100%
Director	Takeshi Horikoshi	15	100%
Outside Director	Makoto Kigawa	4	100%
Outside Director	Takeshi Kunibe	13	86%
Outside Director	Arthur M. Mitchell	15	100%
Outside Director	Naoko Saiki	15	100%
Outside Director	Michitaka Sawada	11	100%
Standing Audit & Supervisory Board Member	Terumi Sasaki	15	100%
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	14	93%
Outside Audit & Supervisory Board Member	Hirohide Yamaguchi	4	100%
Outside Audit & Supervisory Board Member	Eiko Shinotsuka	14	93%
Outside Audit & Supervisory Board Member	Kotaro Ohno	15	100%
Outside Audit & Supervisory Board Member	Tatsuro Kosaka	11	100%

Note: Outside Director Makoto Kigawa and Outside Audit & Supervisory Board Member Hirohide Yamaguchi retired at the 153rd Ordinary General Meeting of Shareholders held in June 2022, and Outside Director Michitaka Sawada and Outside Audit & Supervisory Board Member Tatsuro Kosaka were appointed at the same Ordinary General Meeting of Shareholders. Therefore, the number of meetings of the Board of Directors to be attended by these outside officers differs from that of other Directors and Audit & Supervisory Board Members.

be Referred to a Meeting of the Board of Directors, and reports on business execution. While the business execution reports cover virtually 100% of businesses on a consolidated basis, that of very small operations is also reported, focusing on their safety, compliance, and risk matters, in Board meetings. To ensure thorough discussions by the Board of Directors, the Company secures ample time for thorough discussions and has adopted a process in which the Board of Directors meets twice to separately discuss and resolve important agenda items.

In monthly Board meetings, the President directly reports on the latest conditions and topics of important matters, including safety, compliance, and risk management, and the CFO also reports on conditions related to sales, profit, orders received, and borrowings.

### Number of agenda items, etc., for Board of Directors meetings in FY2022

Agenda item numbers	Resolutions	39
	Deliberations	9
	Reports	39
Free discussion	2 times	

In addition to meetings, members of the Board of Directors took part in the following activities

1. Free discussions were arranged centered on the topic of medium- to long-term management issues.
2. Outside Directors and Outside Audit & Supervisory Board Members held meetings at which these Outside Board Members shared opinions regarding management issues from their objective and independent standpoints. Discussions with the President were also arranged to foster sharing recognition.



Business site tour by Outside Directors and Outside Audit & Supervisory Board Members (Ibaraki Plant)

## Supporting system for Outside Directors and Audit & Supervisory Board Members

The support systems for Outside Directors and Outside Audit & Supervisory Board Members include the following.

<b>Distribution of materials and pre-meeting briefings</b>	As a general rule, the Company provides materials for Board of Directors meetings to Outside Directors and Outside Audit & Supervisory Board Members in advance of the meetings so that they have sufficient time to review the matters that are to be discussed. For newly appointed Outside Directors and Outside Audit & Supervisory Board Members, the concerned departments conduct explanatory meetings on the agenda items to be discussed at meetings of the Board of Directors, as needed. Such meetings are attended by the Secretariat of the Board of Directors and held prior to Board of Directors meetings.
<b>Discussion process</b>	With respect to matters that may be of particular importance, the Board of Directors discusses them at the Board of Directors meeting prior to the Board of Directors meeting where such matters are scheduled for resolution. In this manner, the Company ensures that the Directors have sufficient time to review the matters before decisions are made and that they will have an opportunity to consider the points noted in earlier discussions before deciding upon such matters.
<b>Business site tours</b>	The Company also provides opportunities for Outside Directors and Outside Audit & Supervisory Board Members to visit business sites other than the head office, where meetings of the Board of Directors and the Audit & Supervisory Board are mainly held, and learn about the workplaces involved in the Company's business.
<b>Material database</b>	The Company has built a database that houses materials, minutes, and other information on past Board of Directors and other major committee meetings. This database can be accessed by all members of the Board of Directors and the Audit & Supervisory Board Members, including outside members. The Company has also built a database that houses materials and minutes of past meetings of the Audit & Supervisory Board. This database can be accessed by all Audit & Supervisory Board Members, including outside members.

## Evaluation of the effectiveness of the Board of Directors

The results of the evaluation of the effectiveness of the Board of Directors conducted in FY2022 were as follows.

### 1. Process of analysis and evaluation

With regard to the process of analysis and evaluation, the Company has confirmed the evaluation method for FY2022 based on the effectiveness evaluation method and results of the Board of Directors' evaluation from the previous fiscal year.

#### Outline of evaluation of the effectiveness of the Board of Directors

<b>Subjects</b>	All nine Directors and all five Audit & Supervisory Board Members
<b>Conduction/Evaluation</b>	(1) Questionnaire filled out by the subjects (2) Interviews with internal Directors and Outside Audit & Supervisory Board Members (3) Discussion by Outside Directors and Outside Audit & Supervisory Board Members (4) Analysis and evaluation based on (1) through (3) above followed by planning and drafting of a proposal for holding a Board of Directors meeting (5) Report and discussion at the Board of Directors meeting
<b>Principal topics</b>	(1) Size and composition of the Board of Directors (2) Proceedings of Board meetings (agenda setting) (3) Proceedings of Board meetings (reporting and explanation, provision of information, follow-up) (4) Discussion at Board meetings (5) Roles and functions of the Board of Directors (6) Self-evaluation

The above evaluation process is managed by the Secretariat of the Board of Directors and is part of a PDCA cycle. For FY2023, the Company has incorporated advice from external specialists (law firm) and increased the number of topics when reassessing the topics. In the future, the Company will consider introducing a third-party evaluation to further enhance the objectivity of the evaluation.

### 2. Outline of the evaluation results

After reviewing the discussion by the Board of Directors, based on the analysis of the questionnaires, interviews, and

discussions arranged as part of the evaluations of effectiveness, the Company has confirmed that the effectiveness of its Board of Directors remains ensured with a generally high level in regard to each of the evaluation items.

The main points that were highly rated were as follows:

- (1) Diversity of Board members (background, internationality, gender, etc.)
- (2) Timely provision of information and explanation of management issues in the President's report made at the beginning of Board meetings
- (3) Provision of explanatory videos in advance of Board meetings to simplify explanations on the day of the meeting and to ensure sufficient time for discussion
- (4) Frank and multifaceted discussions by members with diverse backgrounds and knowledge
- (5) Promotion of dialogue with stakeholders, visits to business sites by Outside Directors and Outside Audit & Supervisory Board Members, and provision of opportunities for dialogue with employees, etc.

Conversely, the issues to be further examined in the future are as follows:

- (1) Continuation and enhancement of discussions on medium- and long-term issues (business portfolio, sustainability, human capital, etc.) to enhance corporate value
- (2) Continuation of clarification of discussion themes, concise reports focusing on the day's key discussion points, efficient explanation of risks and opportunities, etc.
- (3) More frequent meetings for Outside Directors and Outside Audit & Supervisory Board Members, etc., and promotion of exchanges between Outside Directors and Outside Audit & Supervisory Board Members and executive officers, etc.

In FY2023, the Company will work on these points to achieve an even more effective Board of Directors.



## Audit & Supervisory Board Members and Audit & Supervisory Board

The activities of the Audit & Supervisory Board Members and the Audit & Supervisory Board were as follows.

### 1. Frequency of and attendance at meetings of the Audit & Supervisory Board

In FY2022, 15 meetings of the Audit & Supervisory Board were held, and the attendance of individual Audit & Supervisory Board Members is as follows.

Position	Name	Frequency	Attendance rate
Standing Audit & Supervisory Board Member	Terumi Sasaki	15	100%
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	14	93%
Outside Audit & Supervisory Board Member	Hirohide Yamaguchi	4	100%
Outside Audit & Supervisory Board Member	Eiko Shinotsuka	14	93%
Outside Audit & Supervisory Board Member	Kotaro Ohno	15	100%
Outside Audit & Supervisory Board Member	Tatsuro Kosaka	11	100%

Note: Attendance for Outside Audit & Supervisory Board Member Hirohide Yamaguchi reflects attendance at meetings held before his resignation on June 21, 2022. Attendance for Outside Audit & Supervisory Board Member Tatsuro Kosaka reflects attendance at meetings held after he assumed his position on June 21, 2022.

### 2. Details of discussions at meetings of the Audit & Supervisory Board

Details of discussions at meetings of the Audit & Supervisory Board in FY2022 are as follows:

- Made resolutions after deliberation on the audit policy, audit method, audit plan, key matters, allocation of duties, and audit report
- Conferred with the independent auditor to identify key audit matters (KAMs) in the audit and confirmed that these were disclosed properly
- Discussed and confirmed the method of the independent auditor's audit, the appropriateness of the results, and its independence of the independent auditor
- Discussed the appointment or dismissal of the independent auditor and passed a resolution for reappointment
- Received reports on internal audit results of the Company and its subsidiaries from the Internal Auditing Department and

- offered appropriate opinions and discussed said matters
- Received a report from the Compliance Department on the status of its activities and offered appropriate opinions and discussed said matters
- Investigated the status of implementation of the basic policy on internal controls and confirmed no issues
- Discussed and passed resolutions regarding the revision of the Company's Audit & Supervisory Board regulations and audit standards for Audit & Supervisory Board Members in light of revisions of laws and regulations

Furthermore, the Audit & Supervisory Board also discussed and implemented improvements for efficient and effective operation of the Audit & Supervisory Board and audit duties.

### 3. Activities of Audit & Supervisory Board Members

In accordance with the audit policies, assignment of duties, and other matters determined by the Audit & Supervisory Board, the Audit & Supervisory Board Members attended important meetings of the Board of Directors, the Strategy Review Committee, the Compliance Committee, the Risk Management Committee, and other bodies, and inspected and confirmed business operations and assets through review of important resolution documents and associated information as well as on-site inspection of the Company and its subsidiaries.

Moreover, the Audit & Supervisory Board Members endeavored to communicate and exchange information with Representative Directors, other Directors and Audit & Supervisory Board Members, and the management of the Company and its subsidiaries, and received explanations and reports on execution of their duties and the status of businesses and also periodically received explanations and reports on the establishment, improvement, and operation of internal control systems and expressed opinions as needed. In addition, the Audit & Supervisory Board Members worked to improve the environment for auditing through liaison meetings and individual interviews with the Internal Auditing Department and subsidiaries' standing Audit & Supervisory Board Members while maintaining close contact to enhance effectiveness.

Furthermore, Audit & Supervisory Board Members also monitored and verified whether the independent auditor maintained its independent position and implemented appropriate audits, received reports on the execution of duties from the firm, and requested an explanation as needed.

## Introduction of new Outside Audit & Supervisory Board Member

The following new Outside Audit & Supervisory Board Member was appointed at the Ordinary General Meeting of Shareholders held in June 2023.

**Mariko Matsumura** Ms. Mariko Matsumura is an attorney at Shinwa Sohgo Law Offices and has gained considerable knowledge and abundant experience in the legal and compliance fields through positions including President of the Dai-Ichi Tokyo Bar Association. Utilizing this knowledge and experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company nominated her as a candidate for Outside Audit & Supervisory Board Member. Although Ms. Matsumura has no experience being directly involved in corporate management, the Company has judged that she will be capable of appropriately performing the duties of an Outside Audit & Supervisory Board Member based on the reasons above.

## Activities of advisory committees

Committee name	Nomination advisory committee	Compensation advisory committee
<b>Chairman</b>	Outside Director (Takeshi Kunibe)	Outside Director (Takeshi Kunibe)
<b>Members (As of June 30, 2023)</b>	4 Outside Directors (Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki, Michitaka Sawada) Chairman of the Board President	4 Outside Directors (Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki, Michitaka Sawada) 1 Outside Director (Kotaro Ohno) Chairman of the Board
<b>Purpose</b>	Deliberation, resolution, and reporting to the Board of Directors on selection of the next President and human resource development methods, succession plans, and appointment and dismissal of Directors	Deliberation, resolution, and reporting to the Board of Directors and Audit & Supervisory Board on remuneration systems for Directors, Audit & Supervisory Board Members, and Executive Officers to ensure objectivity and transparency
<b>Meetings in FY2022</b>	3	4
<b>Agenda items in FY2022</b>	<ul style="list-style-type: none"> <li>• Selection and cultivation of candidates for the next President</li> <li>• Nomination of Director and Audit &amp; Supervisory Board Member candidates</li> <li>• Director and Audit &amp; Supervisory Board Member skill matrix</li> <li>• Selection of Executive Officer candidates</li> <li>• Membership of Nomination Advisory Committee and Compensation Advisory Committee in FY2023, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of the mid-term management plan for FY2019–2021</li> <li>• Evaluation method for the mid-term management plan for FY2022–2024</li> <li>• Performance-based remuneration for Directors for FY2022</li> <li>• Monthly compensation levels for Directors and Audit &amp; Supervisory Board Members for FY2023</li> <li>• Evaluation indicators for performance-based remuneration for Directors in FY2023, etc.</li> </ul>

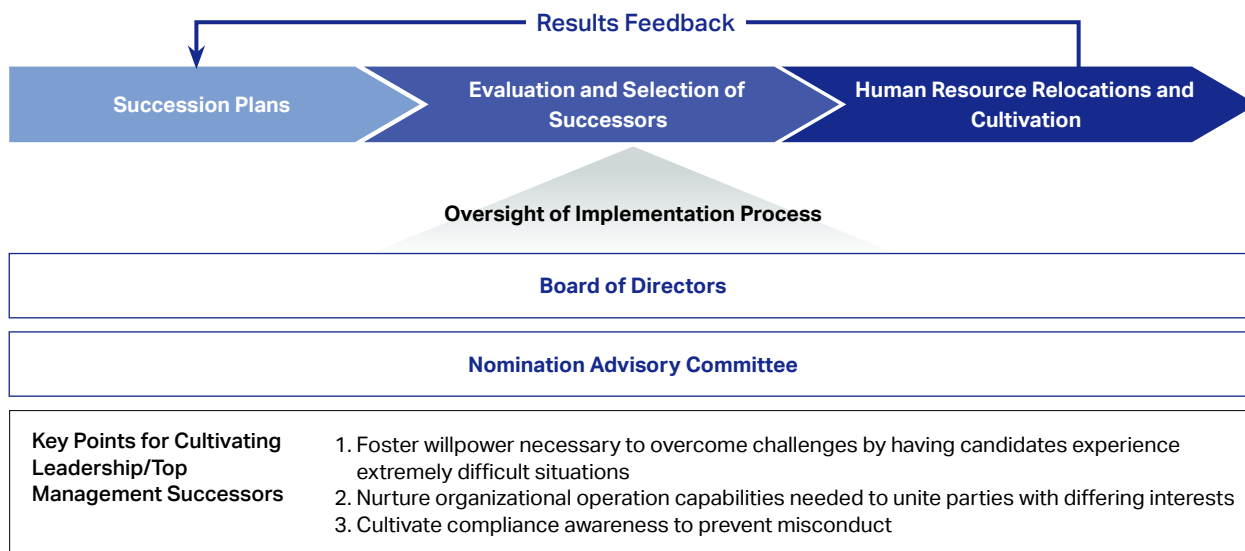
## Succession plans

One of the items contained in the Code of Conduct for Leadership/Top Management that has been clearly delineated in The Komatsu Way is “continue to think about your succession plan.” In order to ensure that Komatsu’s management values are transmitted to the next generation, the basic requirements for candidates for the position of President are discussed and clearly defined by the Nomination Advisory Committee. In addition, successors for important domestic

and overseas positions up to and including that of the President are decided through the annual implementation of succession plans (see chart below).

Selected candidates are assigned to challenging tasks and granted even larger roles in the organization to systematically develop them in an environment that encourages the pursuit of mutual growth.

### Overview of succession plans



## Remuneration systems

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. With regard to the level of monthly remuneration paid as basic remuneration, comparison by position at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations.

The remuneration for Directors excluding the Outside Directors (hereinafter "Internal Directors") comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated

performance for a single fiscal year (bonus in cash and the Stock-Based Remuneration A) as well as the performance-based remuneration (Stock-Based Remuneration B) that will reflect the degree of achievement of the targets raised in the mid-term management plan, so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company, by linking the remuneration.

The remuneration for Outside Directors only consists of basic remuneration (fixed remuneration) designed to support their role to make recommendations with respect to the overall management of the Company as a member of the Board of Directors.

Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without getting fettered by the movements of corporate performance of the Company. The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

### Composition of remuneration of Directors and Audit & Supervisory Board Members

Internal Directors	Basic Remuneration (Fixed Remuneration)	Performance-Based Remuneration for a Single Year (Monthly remuneration 0–24 months)		Performance-Based Remuneration Linked to Performance of Mid-term management plan (Monthly remuneration 0–3 months)
	Monthly remuneration x 12 months	Bonus in Cash (2/3, in principle)*	Stock-Based Remuneration A (1/3, in principle) Restricted Stock	Stock-Based Remuneration B Restricted Stock

Outside Directors and Audit & Supervisory Board Members	Basic Remuneration (Fixed Remuneration)	<b>Not influenced by Company performance</b>
	Monthly remuneration x 12 months	

\* The upper limit for Bonus in Cash is set at 12 months' worth of monthly remuneration; the remainder of bonuses is to be paid as Stock-Based Remuneration A.

### Performance-based remuneration linked to performance of Mid-term management plan

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's mid-term management plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within a range of 0%–100%) will be decided based on the achievement of the management targets of the mid-term management plan presented in the above table and as general rule; the restriction of transfer on the shares will be lifted after three years from delivery.

### Malus and clawback system

The Company resolved on Malus (reduction / confiscation) and Clawback (return) system at the meeting of the Board of Directors held in April 2022. In the event of a significant revision of financial statements or an event that has a significant impact on the reputation of the Company due to the execution of business by Directors, the performance-based remuneration paid to the Internal Directors could be required to be reduced, confiscated, or refunded. In principle, the content of the refund request, etc. be decided by the Board of Directors after deliberation by the Compensation Advisory Committee according to each event.



The Company adopted all principles of Japan's Corporate Governance Code after its June 2021 revision.

[https://www.komatsu.jp/en/-/media/home/ir/corporate-governance/cgr\\_en.pdf?rev=30c1c9376d714556bf1e8499edc483eb&hash=74B4E3CB68D8D237C24B4F16B5914A07](https://www.komatsu.jp/en/-/media/home/ir/corporate-governance/cgr_en.pdf?rev=30c1c9376d714556bf1e8499edc483eb&hash=74B4E3CB68D8D237C24B4F16B5914A07)



## International Advisory Board

Komatsu established the International Advisory Board (IAB) back in 1995 for the Board of Directors to incorporate, from external experts, objective advice and suggestions concerning management and operations of Komatsu as a global company. The IAB has met a total of 38 times through meetings of traditional bodies and new organizations combined. In April 2020, Komatsu commenced the 8th session of the IAB with the following advisors. In FY2022, the advisors took part in discussions with Directors and Audit & Supervisory Board Members and provided advice and suggestions with regard to risk management in global management.

Komatsu will continue to improve management and strengthen its corporate governance in order to enhance its corporate value.

### Advisors of the 8th session (current)

Name	Current position and brief background	
<b>R. David Hoover</b> 	2018–Present 2015–February 2021 2009–2018 2000–2015 1996–2013	Chairman of the Board, Elanco Animal Health Board of Directors, Edgewell Personal Care Company Board of Directors, Eli Lilly and Company Board of Directors, Energizer Holdings, Inc. Board of Directors, Ball Corporation (Chairman, 2002–2013)
<b>Risto Siilasmaa</b> 	2022–Present 2022–Present 2006–2022 2012–2020	Chairman of the Board of Directors, WithSecure Corporation Director, F-Secure Corporation Chairman of the Board of Directors, F-Secure Corporation (He is the founder of F-Secure Corporation.) Chairman of the Board of Directors, Nokia Corporation
<b>Mitoji Yabunaka</b> 	2018–Present 2014–2020 2008–2010	Specially Appointed Professor, Osaka University Outside Director, Komatsu Ltd. Vice Minister, Ministry of Foreign Affairs

## Major executive committees

Committee name	Purpose	Meeting frequency <sup>*2</sup>
<b>Product Safety Committee</b>	Discussions on and decisions regarding policies and systems related to product safety activities and technologies, assessment of product safety activities of business divisions and deliberation on issues regarding said activities, and reporting of important matters at monthly Board of Directors' meetings	Twice a year
<b>Compliance Committee<sup>*1</sup></b>	Discussion on and decision and execution of policies and important measures pertaining to group-wide compliance	Twice a year
<b>Risk Management Committee<sup>*1</sup></b>	Discussion and approval of group-wide risk management tasks and risk countermeasures	Once a year
<b>Export Control Committee</b>	Discussion on and decision of policies and important matters regarding group-wide security and export control measures and systems	Once a year
<b>Sustainability Promotion Committee<sup>*2</sup></b>	Discussion on and decision and execution of policies and important measures regarding the environmental and social activities implemented as part of the Group's ESG activities	Twice a year
<b>The Komatsu Way Committee<sup>*1</sup></b>	Discussion on and decision and execution of policies and important measures regarding human resources, labor affairs, education and human resource development, employee benefits, and occupational health and safety management for the Company and the Group	Twice a year
<b>Disclosure Committee</b>	Discussion and assessment to facilitate accurate information disclosure as required by the Financial Instruments and Exchange Act and submission of recommendations to internal information control representatives regarding judgments on material developments	4 times a year

<sup>\*1</sup> Chaired by the President

<sup>\*2</sup> Meeting numbers are in principle, special meetings arranged when necessary

## Basic principles and structure for risk management

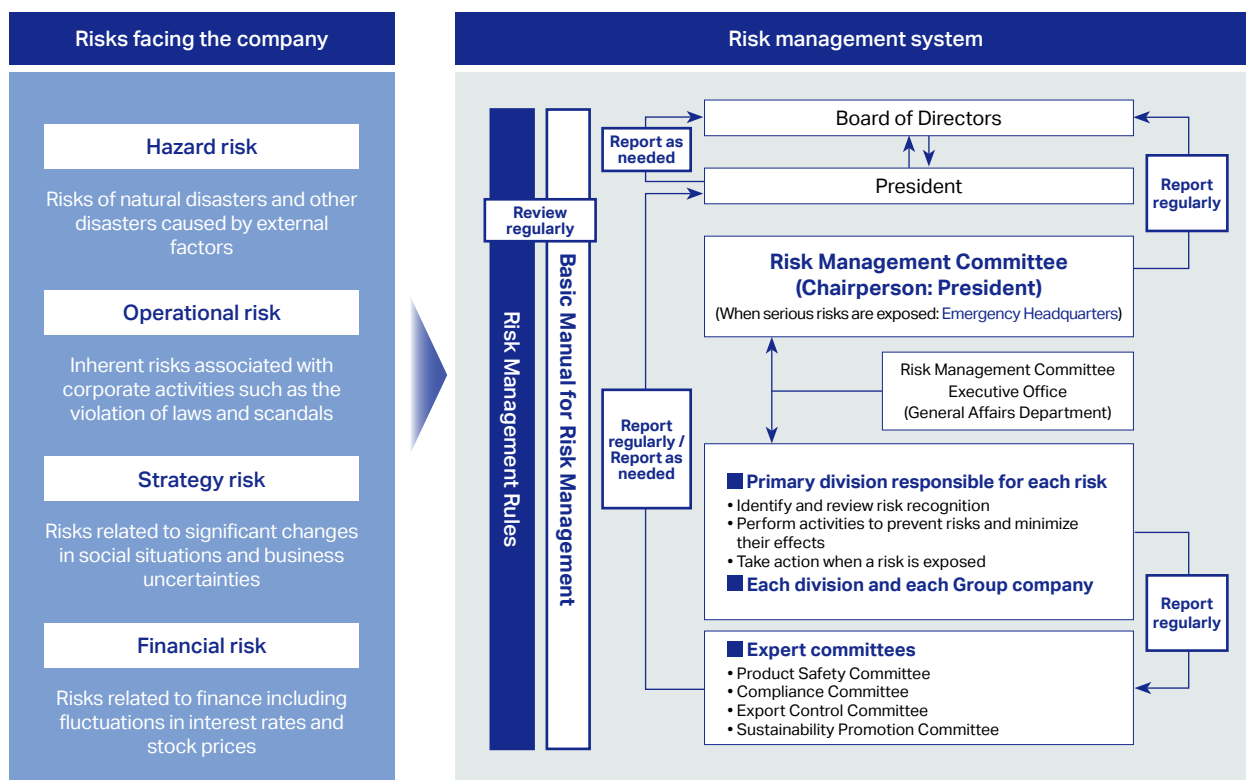
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

Furthermore, we have developed the Basic Manual for Risk Management, which defines the response systems and rules to be utilized should a risk materialize along with specific risk items and the divisions responsible for said risk items. This manual is periodically revised to ensure that risk management systems are adapted to the constant changes in the operating environment and in risks.

Komatsu has established the Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon the response measures in place for each risk as well as to take control of risks when they arise. In FY2022,

the meeting was held regularly in February and in June and October as needed. The committee regularly reports on its deliberations and activities to the Board of Directors. In FY2022, risk management was discussed by the International Advisory Board and advice and suggestions were received from advisors in order to gain objective input from outside experts.

Komatsu will establish an emergency headquarters when serious risks, such as the COVID-19 pandemic and the situation in Ukraine, occur and implement appropriate measures to minimize damage. Other important matters to be considered from the perspective of risk management include corporate governance; compliance; response measures for climate change, pandemics, and other natural disaster risks; and frameworks for preventing transactions with antisocial forces. We continue management efforts related to these matters.



## Response to climate change

Approximately 90% of the CO<sub>2</sub> emissions from the lifecycles of Komatsu construction equipment are attributable to product operation. Accordingly, we have the potential to help mitigate climate change by providing low-carbon products and solutions like Smart Construction, which helps reduce CO<sub>2</sub> emissions by optimizing work processes. Conversely, if we do not conform to the regulatory requirements of the relevant countries or with the demands of markets or if we are impacted by rapid changes in resource demand, market entry by new competitors, or higher manufacturing costs due to the introduction of carbon taxes, we will risk suffering future impacts to our earnings.

To address such risks, we are working to reduce the fuel consumption and improve the efficiency of products while developing eco-friendly products. Efforts to develop such products include refining existing hybrid and diesel-electric technologies and utilizing new technologies, such as those related to fuel cells and hydrogen engines. In addition to these product-based improvements, we are also pursuing solutions-based improvements through the development of Smart Construction and forest management solution and

other solution. Furthermore, we are promoting investments in environmental preservation through such means as the adoption of an internal carbon pricing system to combat rising production costs. We thereby look to conserve energy during production processes as well as create clean energy. Through these efforts, the Company aims to halve CO<sub>2</sub> emissions from the level in 2010 by 2030 and achieve carbon neutrality by 2050.

At the same time, we project that demand may rise for copper and other resources necessary for items used to electrified equipment, such as motors, batteries, and fuel cells. Seeking to seize this opportunity, we are expanding our hard rock mining business (response to transition and opportunity risks). Meanwhile, the rise in natural disasters associated with climate change is creating risks of damages to the Company and its supply chain. We are therefore taking steps to identify the water-related risks threatening the Company and its supply chain while instituting business continuity plan (BCP) drills and other measures such as the expansion of cross sourcing to mitigate these risks (response to physical risks).

## Response to geopolitical risks

As globalization processes, the outlook for the operating environment is becoming increasingly opaque amid rising social, political, and military pressures.

As a global conglomerate, the Komatsu Group takes steps to minimize the impacts of resource price fluctuations, trade restrictions, and supply chain complications that result from diversifying geopolitical risks by confirming, analyzing, and addressing the political, economic, and regulatory trends of relevant countries.

In response to the situation in Ukraine, an emergency

headquarters led by the president was established in accordance with the Company's risk management policies, steps were taken to protect the safety of employees and their families in areas affected by the conflict, and the export restrictions implemented by countries around the world were addressed.

We will continue to monitor such trends going forward in order to implement appropriate measures to ensure the safety of customer's operation site and address other issues.

## Economic security measures

It is possible that further political division around the world could result in various countries implementing more rigorous regulations. To respond to trends related to Japan's Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures

and to economic security regulations and legislation, the Komatsu Group has appointed an individual responsible for economic security who is tasked with collecting and analyzing relevant information.



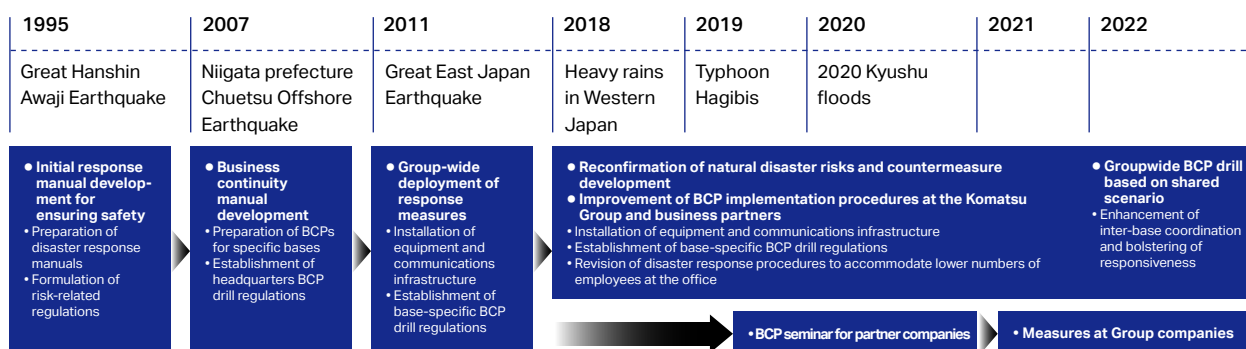
## BCP measures for addressing frequent natural disasters

Komatsu has established business continuity plans (BCPs) to ensure the continuity of core operations and to facilitate quick resumption of operations should they be interrupted. As part of these plans, we hold regular initial response and production resumption drills based on major earthquake and water damage scenarios. At production bases, we implement measures to reinforce the seismic resistance of structures and production equipment while implementing countermeasures to safeguard against water and wind damage from concentrated heavy rains and other weather events in order to minimize the impacts of increasingly more severe natural disasters. Moreover, the disaster response reporting chains and standards for frontline sites have been clarified to facilitate swift decisions by senior management should a disaster strike.

In FY2022, a Groupwide BCP drill was held based on the shared scenario of an eruption of Mt. Fuji. This drill was designed to enhance inter-base coordination and to bolster responsiveness through training in anticipation of a variety of disasters.

We are focused on not only strengthening the BCPs of Komatsu Group bases but also on strengthening the supply chain system through BCP development and implementation support for our business partners.

Komatsu will continue to ramp up its BCP initiatives in order to build a flexible and sustainable supply chain that can respond to an increasingly diverse range of risks.



## Reinforcement of information security

As information security threats grow increasingly more sophisticated and complex, Komatsu is engaging in activities for improving information security on a Groupwide level. For example, we have assembled computer security incident response teams (CSIRTs) to address security risks given the potentially serious damages that could result from cyberattacks.

**(1) Management system** CSIRTs have been put in place on the regional and country level to accommodate Komatsu's entire global base network in order to implement an organization-wide information security system that is capable of combating cyberattacks. Under normal conditions, CSIRTs are tasked with collecting information, instituting system-based countermeasures, and training employees to prevent information security incidents. Should an incident occur, the CSIRTs will play a central role in working to minimize damages and quickly restore systems.

Reports on the activities of CSIRTs are regularly submitted to the Risk Management Committee, which is responsible for Groupwide risk management. This sharing of information on risk management challenges with the members of this committee, which include the president and directors, facilitates more appropriate response measures.

**(2) Personal information protection** Protecting personal information is a social responsibility. Recognizing this responsibility, Komatsu has formulated and disclosed its Personal Information Protection Policy. Steps are taken to guarantee that personal information is properly handled. These steps include e-learning programs and internal audits. Overseas, we comply with the European Union's General Data Protection Regulation and other laws, regulations, and social expectations in countries and regions of operation in our efforts to protect personal information.

**(3) System measures** Komatsu has instituted a multilevel defense system combined with various system measures to prevent unauthorized access from outside of the Company, computer virus infections, and other threats as well as information leakages resulting from these threats. For example, as part of the process of implementing teleworking systems, we installed a rigorous verification system that employs a scheme in which multiple processes are required to access systems from outside of the Company.

**(4) Education and training** All employees engaged in the handling of information assets are required to undergo regular e-learning programs. In addition, targeted attack email drills are held several times a year to entrench procedures for addressing suspicious emails. These drills target companies in Japan as well as certain overseas subsidiaries in order to boost the level of information security on a global scale.

**(5) Information security audits** Information security audits of Group companies are performed to improve the level of information security across the entire Komatsu Group. In principle, every company is required to undergo an audit at least once every three years as part of an effort to confirm information security-related conditions on an ongoing basis.

**(6) Initiatives for improving information security across the supply chain** Our information security initiatives are not limited to Komatsu and Group companies; we also request that affiliates across the supply chain with which confidential information is shared during the course of business activities practice information security management in accordance with the Company's policies. Effective, ongoing support is provided for this purpose.

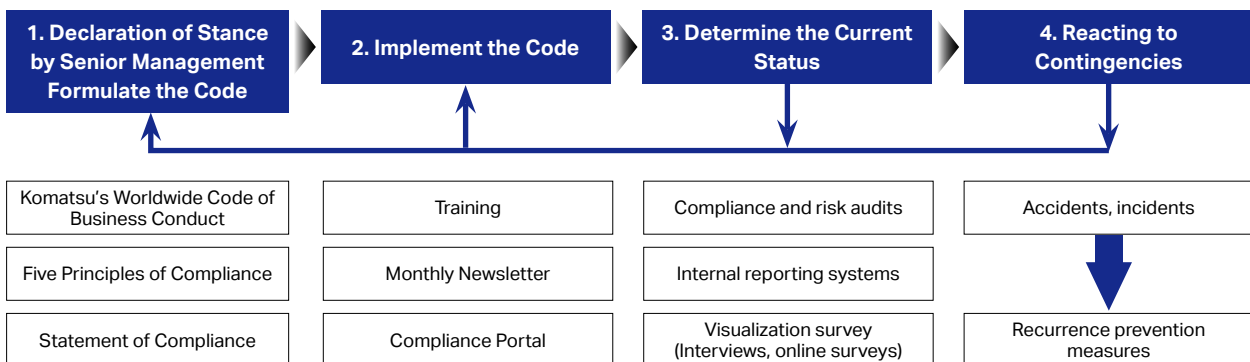
The appropriateness of IT equipment and other system-based countermeasures and of information management at sales agents and affiliates is regularly confirmed through checklists. In addition, we arrange meetings with such partners on information security subjects and recommend the use of the information security education materials designated by the Company. We thereby aim to promote understanding of the importance of appropriate information management among all parties responsible for handling confidential information or ensuring business continuity in order to reduce risks.

## Compliance

Komatsu established the Compliance Committee to oversee compliance, and the committee regularly reports its discussions and activities to the Board of Directors. Komatsu also establishes a system to ensure all Directors and employees thoroughly comply with business rules as well as laws and regulations through a variety of measures, including the provision of Komatsu's Worldwide Code of Business Conduct, appointment of the Executive Officer in charge of

compliance, and establishment of the Compliance Department. Through all of these measures we work to supervise, educate, and train Directors, Audit & Supervisory Board Members, and employees. In addition, Komatsu establishes an internal reporting system under which those who are discreetly reporting questionable actions in light of laws and regulations and business rules will not be given any disadvantageous treatment.

### Process for compliance activities

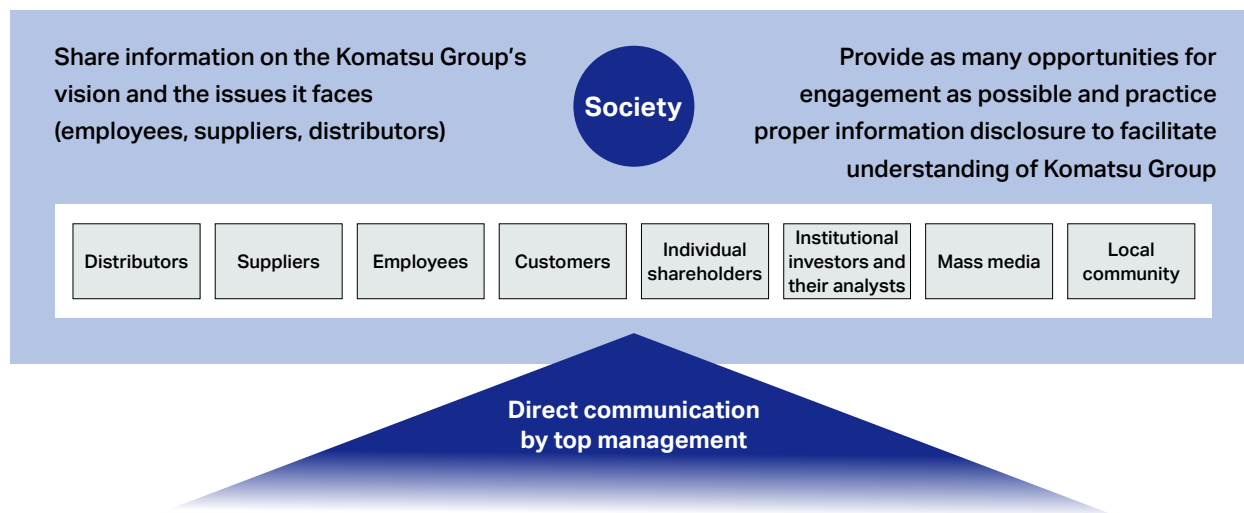


For more information on our compliance-related initiatives including Komatsu's Worldwide Code of Business Conduct, please refer to our corporate website:

<https://komatsu.disclosure.site/en/themes/96#909>

# Stakeholder engagement

In order to become a company which enjoys more trust from all of our stakeholders, we are engaging in fair and timely disclosure of information and emphasizing the importance of direct communication by top management.



## Interactive communication with various stakeholders

Based on our "Management Principle" of maximizing the total sum of trust given to us by society and all stakeholders, we are providing appropriate communication opportunities for each stakeholder and engaging in interactive communication.

Stakeholders	Communication details	Activity examples	Frequency
Distributors	Explanations on business results, policies, and strategies from the President	Regular meetings with distributors in each region	Five times a year
Suppliers	Explanations on business results, policies, and strategies from the President	Regular meetings with Komatsu Midori-kai	Two times a year
	Safety patrols and support for suppliers' activities such as obtaining certification		As needed
Employees	Explanations on business results, policies and strategies from the President Global sharing of dialogues between employees and the President via the intranet	Town-hall Meeting with the President Virtual office of President	Two times a year As needed
	Dialogue with the labor union and employee representatives to improve the workplace environment	Labor-management councils	As needed
Customers	Dialogue with customers that makes Komatsu an indispensable partner for them	Brand Management activities	Daily
	Collaborative activities with customers to resolve issues in local communities where we operate		Daily
Individual shareholders	Explanations on business results, policies, and strategies from the President and the CFO	Regular meetings with individual shareholders	Two times a year in Japan
	Explanations of business activities through tours of company facilities	Plant tours for individual shareholders	Sixteen times a year in Japan
Institutional investors and their analysts	Explanations on business results, policies, and strategies from the President and the CFO	IR meetings	As needed
	Response to questionnaires, surveys, etc.	SRI surveys	Daily
Mass media	Explanations on business results, policies, and strategies from the President and the CFO	Media interviews	Daily
Local community	Explanation of initiatives related to operations, the environment, and safety	Mutual communication with local communities	As needed
	Voluntary activities to resolve issues in local communities by employees	Volunteer activities	Daily



For more information on engagement with stakeholders, please refer to the ESG databook.

<https://komatsu.disclosure.site/en/themes/121>



## IR topics in FY2022

In FY2022, we resumed certain in-person IR activities such as the events of IR meetings and plant tours that had been suspended in response to the COVID-19 pandemic. We will continue to conduct both online and in-person IR activities to provide opportunities for interactive communication with institutional investors, their analysts, and individual shareholders going forward.

### IR event in Las Vegas (for institutional investors and their analysts)

Over the five-day period spanning from March 14 to 18, 2023, we held an IR event in conjunction with our exhibition at CONEXPO-CON/AGG 2023, an international construction equipment trade show held in Las Vegas. Our event included five booth tours and one IR meeting, which saw numerous participation from Japanese and overseas institutional investors and their analysts. At the IR meeting, a lively exchange of opinions was held between participants and management members including the CEO of Komatsu America Corp. on topics such as ASP strategies, demand in the North American market, the latest trends in the mining business, and supply chain conditions.



Videos of our IR event at CONEXPO-CON/AGG 2023 can be found on our official YouTube channel.

**CONEXPO 2023 Komatsu Booth Tour**  
<https://www.youtube.com/watch?v=H2G09pEgeuQ>

**CONEXPO 2023 Komatsu IR Meeting**  
[https://www.youtube.com/watch?v=6EaKP8L03\\_Q](https://www.youtube.com/watch?v=6EaKP8L03_Q)

### Resumption of Japan plant tours after three-year hiatus (for institutional investors, their analysts, and individual shareholders)

We hold plant tours in Japan for institutional investors, their analysts, and individual shareholders in order to deepen understanding of our business activities. In FY2022, these tours were resumed after a three-year hiatus in response to the COVID-19 pandemic. A total of 18 tours were held, drawing more than 600 participants. After tours of facilities such as construction equipment assembly lines, Q&A sessions were held, during which various questions were received on our businesses. Institutional investors and their analysts made inquiries regarding trends and outlooks on production and productivity improvement initiatives such as factory automation. Meanwhile, individual shareholders asked about electrification and automation development of construction and mining equipment and human resource development at Komatsu. These questions were answered by plant managers and other members of plant management, making these Q&A sessions a forum for interactive communication.



## Notice of online meeting for individual shareholders (Japanese only)

We will hold an online meeting for individual shareholders to explain matters such as the status of the Komatsu Group, our future outlook, and the progress of the mid-term management plan as detailed below.

At this meeting, members of top management will provide our business overview and we would like to hear the shareholder's opinions.



### Details of FY2023 online meeting with individual shareholders (tentative)

<b>Time and date</b>	7 p.m.–8 p.m. (JST), December 19, 2023 (Tuesday)
<b>Method</b>	The viewing website and viewing methods will be described in the interim business reports scheduled for distribution in early December 2023 (in Japanese only) and the "Shareholder events" section of our corporate website (in Japanese only). The briefing will be viewable from computers, smartphones, and tablets.
<b>Attendance requirements</b>	Open to shareholders of the Company as of September 30, 2023
<b>Agenda</b>	1. Explanation of mid-term management plan progress, interim financial results, and full-year financial outlook 2. Question and answer session



For more IR-related materials and information on events for individual shareholders and investors, please refer to the "Investor relations" section of our corporate website.

<https://www.komatsu.jp/en/ir>

# Directors and Audit & Supervisory Board Members



## Directors (As of June 30, 2023)



Chairman of the Board  
**Tetsuji Ohashi**

Number of Year (s) in Office 14 years  
Number of Shares of the Company Held 204 thousand shares  
Important Concurrent Positions Held in Other Organizations  
Outside Director of Yamaha Motor Co., Ltd.  
Outside Member of the Board of Nomura Research Institute, Ltd.  
Outside Director of Asahi Group Holdings, Ltd.

4/1977 Joined the Company  
4/2022 Took office as Chairman of the Board (current)



President and CEO  
Representative Director  
**Hiroyuki Ogawa**

Number of Year (s) in Office 5 years  
Number of Shares of the Company Held 108 thousand shares  
Important Concurrent Positions Held in Other Organizations None

4/1985 Joined the Company  
4/2019 Took office as President and Representative Director (current) CEO (current)

CEO



Representative Director and Senior Executive Officer  
**Masayuki Moriyama**

Number of Year (s) in Office 4 years  
Number of Shares of the Company Held 78 thousand shares  
Important Concurrent Positions Held in Other Organizations None

4/1982 Joined the Company  
4/2022 Took office as Representative Director and Senior Executive Officer (current)

President of Mining Business Division



Director and Senior Executive Officer  
**Takeshi Horikoshi**

Number of Year (s) in Office 2 years  
Number of Shares of the Company Held 37 thousand shares  
Important Concurrent Positions Held in Other Organizations None

4/1985 Joined the Company  
4/2023 Took office as Director and Senior Executive Officer (current)

CFO



Director and Senior Executive Officer  
**Mitsuko Yokomoto**

Number of Shares of the Company Held 20 thousand shares  
Important Concurrent Positions Held in Other Organizations None

4/1985 Joined the Company  
6/2023 Took office as Director and Senior Executive Officer (current)

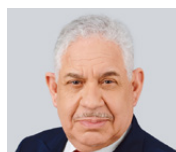
Human Resources, Education and Sustainability



Outside Director  
**Takeshi Kunibe**

Number of Year (s) in Office 3 years  
Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations:  
Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.  
Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD  
Outside Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.

4/1976 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter "SMBC")  
6/2003 Took office as Executive Officer of SMBC  
10/2006 Took office as Managing Executive Officer of SMBC  
4/2007 Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG")  
6/2007 Took office as Director of SMFG  
4/2009 Took office as Director and Senior Managing Executive Officer of SMBC  
4/2011 Took office as Representative Director, President and Chief Executive Officer of SMBC  
4/2017 Took office as Representative Director and President of SMFG Retired from Director of SMBC  
6/2017 Took office as Director President and Representative Executive Officer of SMFG  
4/2019 Took office as Chairman of the Board of SMFG (current)  
6/2020 Took office as Director of the Company (current)  
10/2021 Took office as Chairman of the Board of SMBC  
4/2023 Retired from Director of SMBC



Outside Director  
**Arthur M. Mitchell**

Number of Year (s) in Office 3 years  
Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations  
Foreign lawyer of White & Case LLP

7/1976 Registered as attorney at law in New York State, U.S. (current)  
1/2003 Took office as General Counsel of Asian Development Bank  
9/2007 Joined White & Case LLP  
1/2008 Registered as registered foreign lawyer in Japan (current)  
Registered foreign lawyer of White & Case LLP (current)  
6/2020 Took office as Director of the Company (current)



Outside Director  
**Naoko Saiki**

Number of Year (s) in Office 2 years  
Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations  
Outside Director of Saitz Corporation  
Outside Director of Development Bank of Japan Inc.  
Outside Director of Sankyu Inc.

4/1982 Joined the Ministry of Foreign Affairs (hereinafter "MOFA")  
7/2014 Took office as Director-General, Economic Affairs Bureau and Councillor, Cabinet Secretariat.  
10/2015 Took office as Director-General, International Legal Affairs Bureau  
7/2017 Took office as Director-General, Foreign Service Training Institute, MOFA  
1/2019 Retired from MOFA  
4/2020 Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo  
6/2021 Took office as Director of the Company (current)  
4/2023 Special Assistant to the Minister for Foreign Affairs (current)



Outside Director  
**Michitaka Sawada**

Number of Year (s) in Office 1 year  
Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations  
Director, Chair of Kao Corporation  
Outside Director of Panasonic Holdings Corporation  
Outside Director of Nitto Denko Corporation

4/1981 Joined Kao Soap Co., Ltd. (currently Kao Corporation)  
6/2006 Took office as Executive Officer of Kao Corporation  
6/2008 Took office as Director, Executive Officer of Kao Corporation  
6/2012 Took office as Representative Director, President and Chief Executive Officer of Kao Corporation  
1/2021 Took office as Director, Chair of Kao Corporation (current)  
6/2022 Took office as Director of the Company (current)

## Audit & Supervisory Board Members (As of June 30, 2023)



Standing Audit & Supervisory Board Member  
**Yasuhiro Inagaki**

Number of Year (s) in Office 2 years  
Number of Shares of the Company Held 47 thousand shares  
Important Concurrent Positions Held in Other Organizations None

4/1984 Joined the Company  
6/2021 Took office as Standing Audit & Supervisory Board Member (current)



Standing Audit & Supervisory Board Member  
**Terumi Sasaki**

Number of Year (s) in Office 3 years  
Number of Shares of the Company Held 22 thousand shares  
Important Concurrent Positions Held in Other Organizations None

4/1983 Joined the Company  
6/2020 Took office as Standing Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member  
**Kotaro Ohno**

Number of Year (s) in Office 6 years  
Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations  
Attorney at law, Special Counsel of Atsumi & Sakai  
Outside Director of Mizuho Financial Group, Inc.

4/1976 Appointed as Prosecutor  
7/2009 Took office as Vice-Minister of Justice  
7/2012 Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office  
7/2014 Took office as Prosecutor-General of Supreme Public Prosecutors Office  
9/2016 Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office  
11/2016 Attorney at law, Special Counsel of Mori Hamada & Matsumoto  
6/2017 Took office as Audit & Supervisory Board Member of the Company (current)  
1/2023 Attorney at law, Special Counsel of Atsumi & Sakai (current)



Outside Audit & Supervisory Board Member  
**Tatsuro Kosaka**

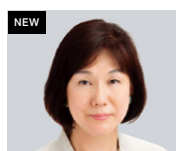
Number of Year (s) in Office 1 year  
Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations  
Senior Advisor of Chugai Pharmaceutical Co., Ltd.  
Outside Director of Mitsubishi Electric Corporation  
Outside Director of Olympus Corporation

4/1976 Joined Chugai Pharmaceutical Co., Ltd.  
10/2002 Took office as Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.  
10/2004 Took office as Senior Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.  
3/2005 Took office as Senior Vice President, Deputy Managing Director of Sales & Marketing Group of Chugai Pharmaceutical Co., Ltd.  
7/2005 Took office as Senior Vice President, Head of Strategic Marketing Unit of Chugai Pharmaceutical Co., Ltd.  
3/2008 Took office as Senior Vice President, Head of Lifecycle Management & Marketing Unit of Chugai Pharmaceutical Co., Ltd.  
3/2010 Took office as Director, Executive Vice President of Chugai Pharmaceutical Co., Ltd.  
3/2012 Took office as Representative Director, President & COO of Chugai Pharmaceutical Co., Ltd.  
3/2018 Took office as Representative Director, President & CEO of Chugai Pharmaceutical Co., Ltd.  
3/2020 Took office as Representative Director, Chairman & CEO of Chugai Pharmaceutical Co., Ltd.  
3/2022 Took office as Senior Advisor (current)  
6/2022 Took office as Audit & Supervisory Board Member of the Company (current)



For more information on Directors and Audit & Supervisory Board Members, please refer to the Annual Securities Report.

<https://www.komatsu.jp/en/ir/library/annual-security-report>



Outside Audit & Supervisory Board Member  
**Mariko Matsumura**

Number of Shares of the Company Held None  
Important Concurrent Positions Held in Other Organizations  
Partner, Shinwa Sogo Law Offices  
Outside Statutory Auditor of Fund Creation Group Co., Ltd.  
Outside Member of the Board of Meiji Holdings Co., Ltd.  
Outside Director of SODA NIKKA CO., LTD.

4/1988 Admitted to the bar in Japan as attorney at law (current)  
Joined Braun Moriya Hoashi & Kubota  
2/1994 Joined Ryudo Sogo Law Offices  
1/2006 Joined Shinwa Sohgo Law Offices as a Partner (current)  
4/2022 Took office as President of Dai-ichi Tokyo Bar Association  
6/2023 Took office as Audit & Supervisory Board Member of the Company (current)

### Seven topics of focus and supervision by the Company's Directors and Audit & Supervisory Board Members of the Company

In order to achieve the growth strategies set out in the mid-term management plan, the following seven topics are defined as areas for focus and supervision by the Directors and Audit & Supervisory Board Members with respect to management of the Company.

Three pillars of growth strategies of the mid-term management plan	Growth Strategies Creating DANTOTSU Value					
	Value creation		Core business		Management foundation	
	1. Accelerate growth by means of innovation		2. Maximize earnings power		3. Enhance corporate resilience	
Topics on which Directors and Audit & Supervisory Board Members are to focus particular attention and supervision	Corporate Management	Sales & Marketing	Corporate Management	Sales & Marketing	Corporate Management	Legal Affairs & Compliance
	Innovative Technologies/ DX Environments	Global	Finance/ Economics	Global	Human Rights/ Human Resources & Human Resource Development	Global

Topic	Reasons for selection and content
Corporate Management	The ability to oversee resource allocation across the Company's business segments holistically, and to identify investments in growth areas
Finance/Economics	The ability to identify and oversee "earnings power" in new and existing areas of business areas from a financial perspective
Innovative Technologies/DX Environments	The ability to oversee a positive cycle of improving profitability through innovation from technology (production development) and DX and through solving ESG issues, including environmental issues
Sales & Marketing	The ability to identify risks/opportunities in the external environment of our global, multi-site business
Human Rights/Human Resources & Human Resource Development	The ability to oversee the protection of human rights as it relates to all our business activities and the ability to identify measures to enhance the diversity of our human resource base
Legal Affairs & Compliance	The ability to oversee legal and compliance matters to support the sustainable growth of new and existing businesses
Global	The ability to anticipate and oversee risks/opportunities in global business development from a variety of perspectives (supply chain, geopolitics, etc.)

### Skill matrix for Directors and Audit & Supervisory Board Members of the Company

This skill matrix presents categories of skills that the Board of Directors has deemed particularly worthy of focus and oversight by the respective Directors and Audit & Supervisory Board Members with respect to management of the Company, upon having taken into account the primary abilities and expertise of each individual.

Name		Corporate Management	Finance/ Economics	Innovative Technologies/ DX Environments	Sales & Marketing	Human Rights/ Human Resources & Human Resource Development	Legal Affairs & Compliance	Global	Reason for selection
Directors	Tetsuji Ohashi	●		●			●	●	<ul style="list-style-type: none"> <li>Has held various important positions in the production departments, and has served as President of the U.S. subsidiary and President of the Company.</li> <li>He oversees overall governance as Chairman</li> </ul>
	Hiroyuki Ogawa	●	●	●	●	●	●	●	<ul style="list-style-type: none"> <li>As President and CEO, he focuses on, and supervises, all aspects of achieving the Company's growth strategies</li> </ul>
	Masayuki Moriyama			●	●			●	<ul style="list-style-type: none"> <li>Expertise in development, marketing, and product support</li> <li>Served as President of the U.S. subsidiary, supervising the mining business</li> </ul>
	Takeshi Horikoshi		●				●	●	<ul style="list-style-type: none"> <li>Has held key positions in the accounting and finance related departments</li> <li>Hands-on experience in Europe</li> </ul>
	Mitsuko Yokomoto			●		●	●		<ul style="list-style-type: none"> <li>Experience in the fields of human resources and general affairs, compliance and sustainability</li> </ul>
	Takeshi Kunibe <small>Outside Independent</small>	●	●	●					<ul style="list-style-type: none"> <li>Knowledge and experience in the business world, including the field of finance and group company management</li> </ul>
	Arthur M. Mitchell <small>Outside Independent</small>						●	●	<ul style="list-style-type: none"> <li>Knowledge and experience in the field of international legal affairs as an attorney</li> </ul>
	Naoko Saiki <small>Outside Independent</small>						●	●	<ul style="list-style-type: none"> <li>Knowledge and experience in the fields of international affairs, international law and economics</li> </ul>
	Michitaka Sawada <small>Outside Independent</small>	●		●	●	●			<ul style="list-style-type: none"> <li>Experience in the business world, including global group corporate management and ESG management practices</li> </ul>
Audit & Supervisory Board Members	Yasuhiro Inagaki						●	●	<ul style="list-style-type: none"> <li>Knowledge and experience in legal affairs, business development relations, and corporate planning</li> </ul>
	Terumi Sasaki		●					●	<ul style="list-style-type: none"> <li>Knowledge in the field of accounting and finance</li> <li>Hands-on experience in Europe and the U.S.</li> </ul>
	Kotaro Ohno <small>Outside Independent</small>					●	●		<ul style="list-style-type: none"> <li>Served as the Prosecutor-General of the Supreme Public Prosecutors Office, with knowledge and experience in the legal profession</li> </ul>
	Tatsuro Kosaka <small>Outside Independent</small>	●		●	●				<ul style="list-style-type: none"> <li>Knowledge and experience in the business world as a top executive</li> </ul>
	Mariko Matsumura <small>Outside Independent</small>					●	●		<ul style="list-style-type: none"> <li>Knowledge and experience in the legal and compliance fields as an attorney</li> </ul>

**Outside** Outside Director, Outside Audit & Supervisory Board Member

**Independent** Director or Audit & Supervisory Board Member who meets the Company's independence standards and for whom the Company has submitted or plans to submit an

Independent Director or Audit & Supervisory Board Member Notification to the Tokyo Stock Exchange (the Japanese stock exchange on which the Company's shares are listed).

## Executive Officers (Japan) (As of June 30, 2023)

### Senior Executive Officer (Jomu)

President, Production Division

**Korekiyo Yanagisawa**

Supervising Legal, General Affairs & Compliance,  
Safety & Health Care and Brand Strategy

**Koichi Honda**

President, Construction Equipment Marketing Division

**Yasuji Nishiura**

President, Construction Equipment Solution Division  
GM, Business Reform Department,  
Construction Equipment Solution Division

**Keiko Fujiwara**

President, Quality Assurance Division  
Executive Officer

**Masami Naruse**

Chief Technology Officer (CTO)  
President, Development Division

**Taisuke Kusaba**

### Executive Officer

President, Smart Construction Promotion Division

**Chikashi Shike**

Awazu Plant Manager, Production Division  
GM, Business Reform Department, Awazu Plant,  
Production Division

**Takashi Yasukawa**

President, Information Strategy Division

**Shinji Maeda**

Vice President, Production Division  
(Responsible for casting)

**Norikatsu Nishiyama**

Supervising Industrial Machinery Business  
Chairman of the Board, Komatsu NTC Ltd.

**Hidefumi Obikane**

President, Service Division,  
Construction Equipment Solution Division

**Toru Sunada**

President, Forest and Agriculture Business Division

**Hiroyuki Umeda**

GM, Manufacturing Engineering Development Center,  
Production Division  
Supervising Simultaneous Engineering Planning

**Takayuki Furukoshi**

President, Aftermarket Business Division,  
Construction Equipment Marketing Division

**Kenichi Sato**

President, Parts & Reman Promotion Division,  
Production Division

**Naoyuki Sakurai**

President, Defense Systems Division

**Hiroaki Ohno**

President, Japanese Domestic Marketing,  
Construction Equipment Marketing Division  
Chairman of the Board,  
Komatsu Customer Support Japan Ltd.

**Hideki Yoshizawa**

President, Product Marketing Division

**Terumasa Imajo**

Vice President, Development Division  
GM, Engine Technical Center, Development Division  
Representative Director, President,  
Industrial Power Alliance Ltd.

**Masaki Shinohara**

GM, Komatsu Economic Strategy Research Center

Responsible for Economic Security

**Toshiro Okada**

President, Procurement Division, Production Division

**Goro Senda**

Vice President, Japanese Domestic Marketing,  
Construction Equipment Marketing Division  
Representative Director, President,  
Komatsu Customer Support Japan Ltd.

**Atsushi Awai**

Vice President, Development Division

**Osamu Kitajima**

Oyama Plant Manager, Production Division  
Representative Director, President,  
Komatsu Cummins Engine Co., Ltd.

**Shinichi Araie**

Osaka Plant Manager, Production Division

**Norihiko Tanigawa**

President, Sustainability Promotion Division

**Yoshie Ideura**

GM, Human Resources Department  
GM, Global HR Unit, Human Resources Department

**Masafumi Murakami**

Ibaraki Plant Manager, Production Division

**Seiichiro Harada**

GM, Business Coordination Department

**Kiyoshi Hishinuma**



## Executive Officers (Global) (As of June 30, 2023)

\*Executive officers overseas concurrently serve as Global Officers.

### North America

#### Senior Executive Officer (Jomu)

Chairman & CEO, Komatsu America Corp.  
**Rodney Schrader**

#### Executive Officer

President and COO, Komatsu America Corp.  
**Kozo Okuda**

Executive Vice President,  
North America Chief Technology Officer (CTO), and  
President, North America Engineering & Development,  
Komatsu America Corp.  
Technical Director, Komatsu Mining Corp.

**Kosei Okamoto**

Executive Vice President and CFO, Komatsu America Corp.  
**Gary Kasbeer**

Vice President, Mining Business Division  
President & CEO, Komatsu Mining Corp.  
**Peter Salditt**

Executive Vice President & COO, Komatsu Mining Corp.  
**Nozomu Okamoto**

Vice President, Mining Business Division  
Technical Director, Mining Technology Solutions  
**Jun Taniguchi**

### Europe

#### Executive Officer

President and CEO, Komatsu Europe International N.V.  
**Tadashi Maeda**

Chief Operating Officer, Komatsu Europe International N.V.  
**Göksel Güner**

### Asia/Oceania

#### Executive Officer

President Director,  
PT Komatsu Marketing and Support Indonesia  
**Koji Yanagi**

President & MD, Komatsu Australia Pty. Ltd.  
**Sean Taylor**

### China

#### Senior Executive Officer (Jomu)

Representative of All China Operations  
Chairman, Komatsu (China) Ltd.  
**Takuya Imayoshi**

### Africa

#### Executive Officer

President & MD, Komatsu South Africa (Pty) Ltd.  
**Michael Blom**

## Global Officers (As of June 30, 2023)

### North America

President, Surface Mining, Komatsu Mining Corp.  
**John Koetz**

President & CEO, Hensley Industries, Inc.  
**John Fiedler**

### South America

CEO, Komatsu Cummins Chile Ltda.  
CEO, Komatsu Holding South America Ltda. (KHSA)  
**Darko Louit**

### Europe

President & MD, Komatsu UK Ltd.  
**Paul Blanchard**

President and MD, Komatsu Germany GmbH  
**Ansgar Thole**

Executive Vice President and President,  
Construction Division, Komatsu Germany GmbH  
**Ingo Büscher**

President & MD, Komatsu Italia Manufacturing S.p.A.  
**David Bazzi**

### Asia/Oceania

President, Bangkok Komatsu Co., Ltd.  
**Charoen Ruengwilai**

President and CEO, PT Komatsu Indonesia  
**Jamalludin**

### China

President and CEO, Komatsu (China) Ltd.  
**Chunjiang Fei**

# 11-years summary

	FY2012	FY2013	FY2014	FY2015
Net sales	1,884,991	1,953,657	1,978,676	1,854,964
Operating profit	211,602	240,495	242,062	208,577
Operating profit ratio (%)	11.2	12.3	12.2	11.2
Income before income taxes and equity in earnings of affiliated companies	204,603	242,056	236,074	204,881
Net income attributable to Komatsu Ltd.	126,321	159,518	154,009	137,426
Capital investment*1	136,962	179,070	192,724	160,051
Depreciation and amortization*1	88,005	85,837	100,666	111,174
Research and development expenses	60,788	64,479	70,715	70,736
Total assets	2,517,857	2,651,556	2,798,407	2,614,654
Shareholders' equity	1,193,194	1,376,391	1,528,966	1,517,414
Shareholders' equity ratio (%)	47.4	51.9	54.6	58.0
Net interest-bearing debt*2	585,926	513,918	481,817	349,081
Net debt-to-equity ratio (times)	0.49	0.37	0.32	0.23
Net cash provided by operating activities	214,045	319,424	343,654	319,634
Net cash used in investing activities	(131,397)	(167,439)	(181,793)	(148,642)
Net cash provided by (used in) financing activities	(71,814)	(155,349)	(143,983)	(173,079)
Cash and cash equivalents, end of year	93,620	90,872	105,905	106,259
Number of common shares issued (thousands of shares)	983,130	983,130	971,967	971,967
Net income attributable to Komatsu Ltd. per share (yen)	132.64	167.36	162.07	145.80
Cash dividends per share (yen)	48.0	58.0	58.0	58.0
Consolidated payout ratio (%)	36.2	34.7	35.8	39.8
ROA (%)	8.5	9.4	8.7	7.6
ROE (%)	11.5	12.4	10.6	9.0
Exchange rate for the U.S. dollar (yen)*3	83	100	110	121
Exchange rate for the euro (yen)*3	107	133	140	132
Exchange rate for the Australian dollar (yen)*3	–	–	–	–
Number of employees (persons)	46,730	47,208	47,417	47,017
Overseas employee ratio (%)	64.3	61.8	61.0	60.7
CO <sub>2</sub> emissions (Kt)*4	468	458	412	342
Waste generated (Kt)*4	112.1	101.4	83.2	62.4
Volume of water used (thousand m <sup>3</sup> )*4	5,836	5,086	4,319	3,761

\*1 Capital investment is for property, plant and equipment only. Depreciation is the total of depreciation on property, plant and equipment and on intangible assets.

\*2 Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents – Time deposits

\*3 Average exchange rates for the fiscal year

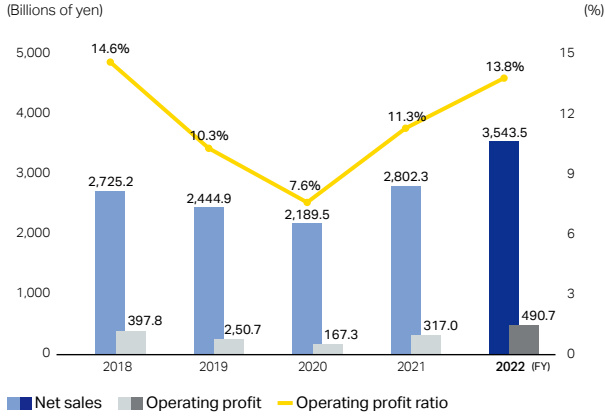
\*4 Certain data has been revised and restated

Millions of yen

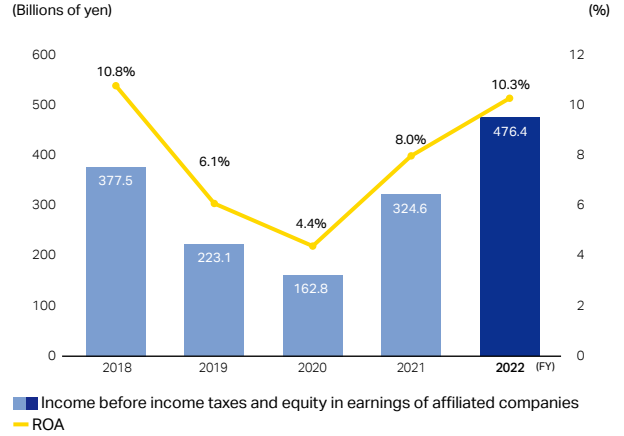
FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
1,802,989	2,501,107	2,725,243	2,444,870	2,189,512	2,802,323	<b>3,543,475</b>
174,097	268,503	397,806	250,707	167,328	317,015	<b>490,685</b>
9.7	10.7	14.6	10.3	7.6	11.3	<b>13.8</b>
166,469	291,807	377,471	223,114	162,775	324,568	<b>476,434</b>
113,381	196,410	256,491	153,844	106,237	224,927	<b>326,398</b>
142,006	145,668	179,210	166,552	163,174	147,762	<b>161,563</b>
103,219	132,442	129,860	129,525	130,432	133,256	<b>146,478</b>
70,507	73,625	73,447	74,761	73,840	77,478	<b>90,628</b>
2,656,482	3,372,538	3,638,219	3,653,686	3,784,841	4,347,522	<b>4,875,847</b>
1,576,674	1,664,540	1,815,582	1,771,606	1,912,297	2,232,511	<b>2,539,641</b>
59.4	49.4	49.9	48.5	50.5	51.4	<b>52.1</b>
286,512	663,740	779,890	762,705	666,856	630,710	<b>763,787</b>
0.18	0.40	0.43	0.43	0.35	0.28	<b>0.30</b>
256,126	148,394	202,548	295,181	354,129	300,970	<b>206,474</b>
(133,299)	(377,745)	(187,204)	(190,930)	(163,057)	(143,569)	<b>(169,518)</b>
(107,718)	243,949	(3,660)	(3,457)	(199,667)	(93,868)	<b>(66,613)</b>
119,901	144,397	148,479	247,616	241,803	315,360	<b>289,975</b>
971,967	971,967	972,252	972,581	972,887	973,145	<b>973,450</b>
120.26	208.25	271.81	162.93	112.43	237.97	<b>345.22</b>
58.0	84.0	110.0	94.0	55.0	96.0	<b>139.0</b>
48.2	40.3	40.5	57.7	48.9	40.3	<b>40.3</b>
6.3	9.7	10.8	6.1	4.4	8.0	<b>10.3</b>
7.3	12.1	14.7	8.6	5.8	10.9	<b>13.7</b>
109	111	111	109	106	112	<b>135</b>
119	130	129	121	123	130	<b>140</b>
-	-	-	-	-	83	<b>93</b>
47,204	59,632	61,908	62,823	61,564	62,774	<b>64,343</b>
62.7	66.7	68.4	68.4	67.5	67.7	<b>68.4</b>
384	459	519	404	382	461	<b>464</b>
83.5	113.1	117.8	95.6	74.2	92.7	<b>104.0</b>
3,469	4,059	3,963	3,570	3,238	3,140	<b>3,081</b>

# Financial highlights

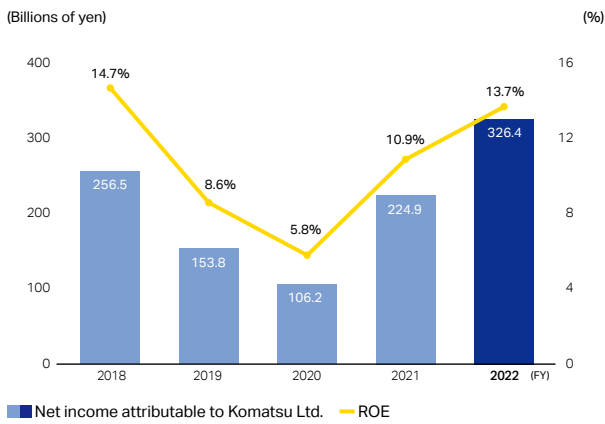
## Net sales/Operating profit/ Operating profit ratio



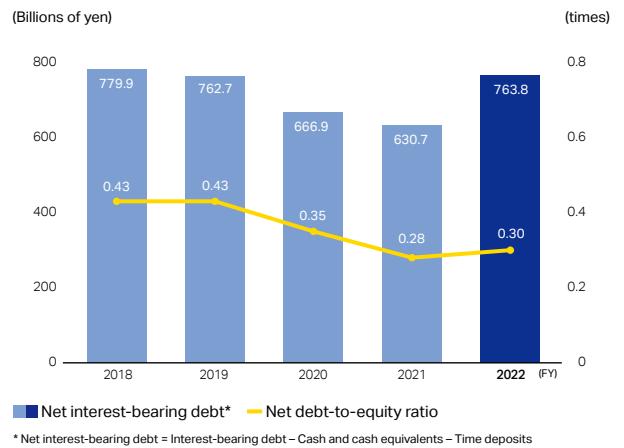
## Income before income taxes and equity in earnings of affiliated companies/ROA



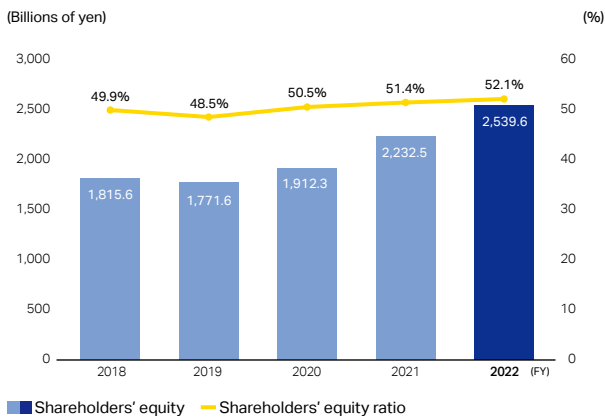
## Net income attributable to Komatsu Ltd./ROE



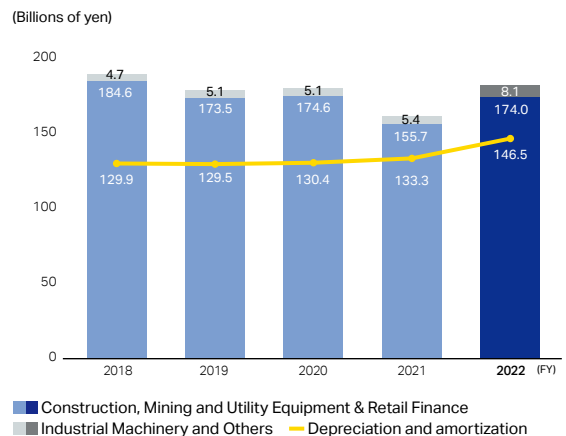
## Net interest-bearing debt/Net debt- to-equity ratio



## Shareholders' equity/ Shareholders' equity ratio



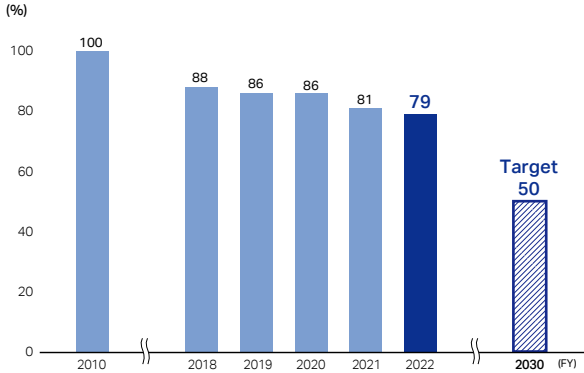
## Capital investment, Depreciation and amortization





# Non-financial highlights

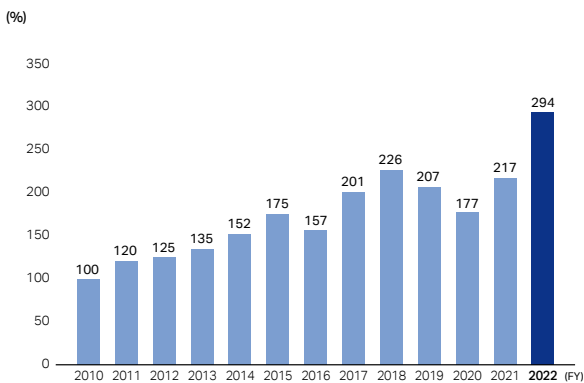
## CO<sub>2</sub> emission index for product use



We have set the management target of reducing the CO<sub>2</sub> emissions from product use (such as construction, mining and forestry equipment) by 50% in FY2030 from FY2010.

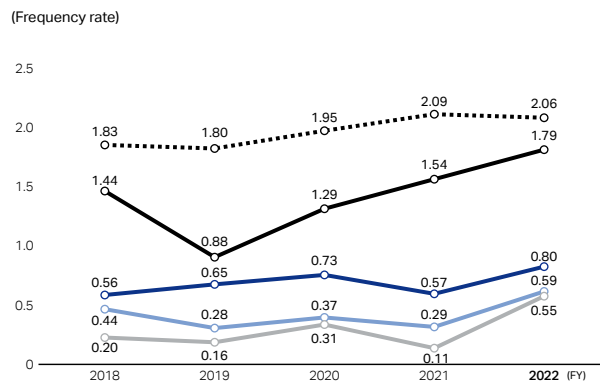
To evaluate progress toward this target, we estimated current year's CO<sub>2</sub> emissions on the assumption that the current product performance such as fuel consumption and operation efficiency was the same as in the reference year (FY2010). As a result of a comparison of the estimated emissions and the actual emissions, we have achieved a 21% reduction (compared with FY2010) in FY2022.

## Changes in Reman sales



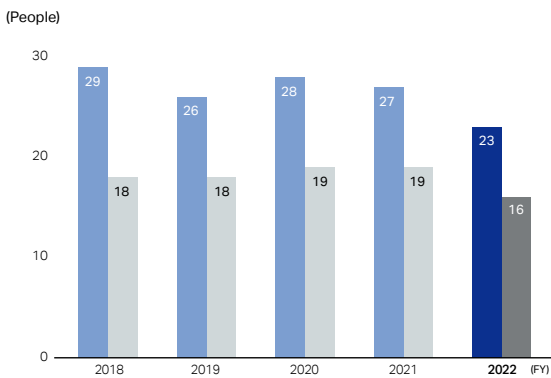
Note: Base FY2010 = 100

## Incidence rate of occupational accidents (Frequency rate of lost work time)



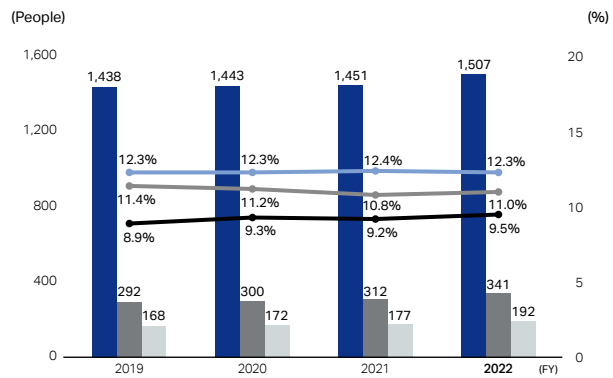
Notes: 1. The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) are provided by the Ministry of Health, Labour and Welfare.  
 2. The scope of the Komatsu Group (Japan) includes Komatsu Ltd. and group companies in Japan.  
 3. The scope of the Komatsu Group (Global) includes "Komatsu Group (Japan)" and overseas production plants.

## Global Officers



Note: Data as of March 31 of each fiscal year

## Female employees



Notes: 1. Komatsu's non-consolidated data as of March 31 of each fiscal year  
 2. Number (ratio) of female managers include executive officers and junior managers

## External recognition

We have been selected for inclusion in the following SRI indexes and IR awards.



CDP Climate Change A List  
CDP Water Security A List

Member of  
**Dow Jones  
Sustainability Indices**  
Powered by the S&P Global CSA

Dow Jones Sustainability  
Indices (DJSI) World



MSCI ESG Leaders Indexes\*<sup>1</sup>



ISS-Oekom Prime



FTSE Blossom  
Japan

FTSE Blossom Japan Index\*<sup>2</sup>

2023 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

MSCI Japan  
ESG Select Leaders Index\*<sup>1</sup>

2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

MSCI Japan  
Empowering Women Index\*<sup>1</sup>



S&P/JPX Carbon Efficient Index



EcoVadis Silver



DXプラチナ企業  
2023-2025  
Digital Transformation

DX Platinum Companies  
2023-2025



SBT



Tokyo Stock Exchange (TSE)  
the Corporate Value Improvement Award  
Grand Prix

\*<sup>1</sup> The inclusion of Komatsu Ltd in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names HEREIN, do not constitute a sponsorship, endorsement or promotion of Komatsu Ltd by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

\*<sup>2</sup> FTSE Russell confirms that Komatsu has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



For more information on our external recognition, please refer to our corporate website:

<https://komatsu.disclosure.site/en/themes/133>

# Corporate information (As of March 31, 2023)

<b>Company name</b>	<b>Number of issued shares</b>	<b>Transfer agent</b>
Komatsu Ltd.	973,450,930 <small>(including treasury stock)</small>	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan
<b>Head office</b>	<b>Number of shareholders</b>	<b>Depositories (ADRs)</b>
2-3-6 Akasaka, Minato-ku, Tokyo, Japan	216,078	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Tel: +1-(201)-680-6825 for international calls and 888-269-2377 (888-BNY-ADRS) for calls within U.S.A. URL: <a href="https://www.adrbnymellon.com/">https://www.adrbnymellon.com/</a> Ticker Symbol: KMTUY
<b>Established</b>	<b>One unit of shares</b>	
May 13, 1921	100	
<b>Common stock</b>	<b>Securities code</b>	
Consolidated: ¥69,660 million <small>(according to U.S. GAAP)</small>	6301	
<b>Number of employees</b>	<b>Stock listings</b>	
Consolidated: 64,343 Non-consolidated: 12,208 Average age*: 40.9 Average length of service*: 16.4 <small>* non-consolidated</small>	Tokyo Stock Exchange Prime Market	

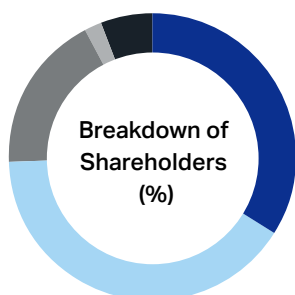
## Major shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	162,789	17.20
Custody Bank of Japan, Ltd. (Trust Account)	69,758	7.37
JP Morgan Securities Japan Co., Ltd.	25,902	2.73
STATE STREET BANK WEST CLIENT - TREATY 505234 <small>(standing proxy: Mizuho Bank, Ltd., Settlement &amp; Clearing Services Division)</small>	25,455	2.69
Taiyo Life Insurance Company	24,700	2.61
Nippon Life Insurance Company <small>(standing proxy: The Master Trust Bank of Japan, Ltd.)</small>	21,301	2.25
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS <small>(standing proxy: Sumitomo Mitsui Banking Corporation)</small>	20,185	2.13
STATE STREET BANK AND TRUST COMPANY 505223 <small>(standing proxy: Mizuho Bank, Ltd., Settlement &amp; Clearing Services Division)</small>	16,447	1.73
JP MORGAN CHASE BANK 385632 <small>(standing proxy: Mizuho Bank, Ltd., Settlement &amp; Clearing Services Division)</small>	14,145	1.49
Komatsu Employees Shareholding Association	12,246	1.29

Notes: 1. Shareholding ratio is calculated by subtracting treasury stock.

2. Although the Company holds 27,445 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

## Stock information (including treasury stock)



● Financial	33.9%	330,679,211 shares	183 shareholders
● Foreign	40.4%	393,849,560 shares	1,184 shareholders
● Individual and other	17.8%	173,635,235 shares	213,040 shareholders
● Corporate	2.0%	19,926,581 shares	1,589 shareholders
● Securities	5.6%	55,360,343 shares	82 shareholders



For more information on our stock and rating information, please refer to our corporate website:

<https://www.komatsu.jp/en/ir/shares>



Komatsu

2-3-6, Akasaka, Minato-ku, Tokyo  
107-8414, Japan

<https://www.komatsu.jp/en>

Corporate Communications Department

Sustainability Promotion Division

e-mail: JP00MB\_info@global.komatsu