



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

Hiroyuki Ogawa, President and CEO

April 28, 2022

- 1. Komatsu's purpose**
- 2. Komatsu's mid-term vision**
- 3. Mid-term management plan (FY2022-2024)**
- 4. Resolving ESG issues**
- 5. Management targets**

1. Komatsu's purpose: purpose, values, and brand promise

Our purpose

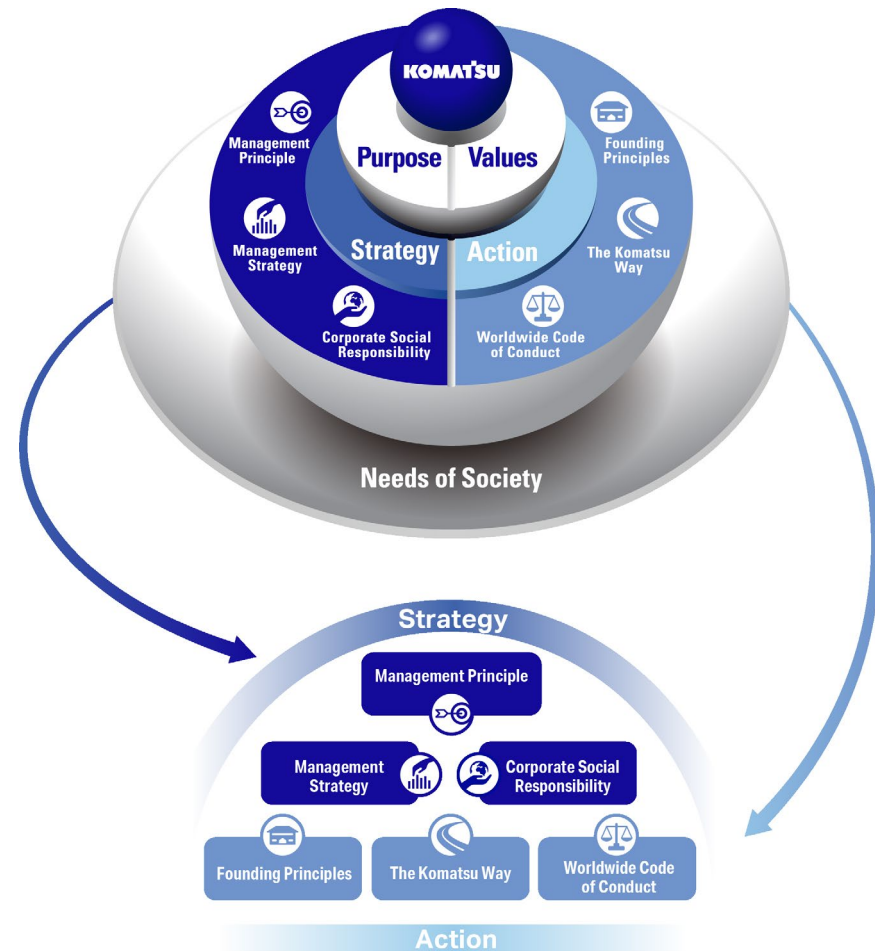
Creating value through manufacturing and technology innovation to empower a sustainable future where people, business, and our planet thrive together.

Our values

- **Ambition**
- **Perseverance**
- **Collaboration**
- **Authenticity**

Brand promise

Creating value together



1. Komatsu's purpose: Basic philosophy and strategy to achieve our purpose

Strategy

Basic philosophy to achieving our purpose

Management Principle



We will maximize the trust given to us by our stakeholders and society through a commitment to Quality and Reliability.

Strategy to execute management principle towards our purpose

Management Strategy



Through customer value creation, generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth.

Basic stance on contributions to society



Corporate Social Responsibility

Contribute to a sustainable future by addressing ESG issues through our business activities

Business continuity guidelines for business activities

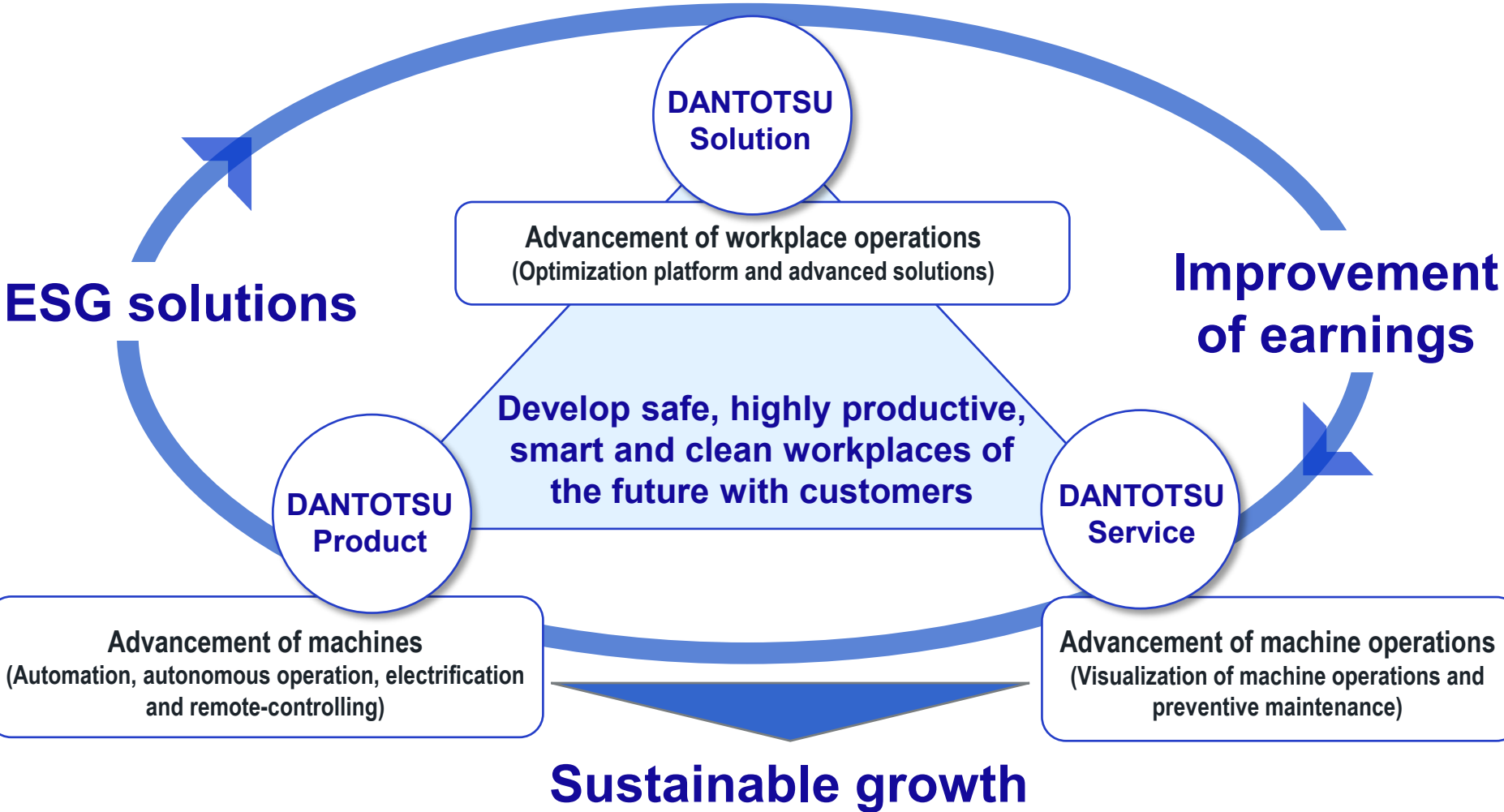
Sustainability Policy

Achieve further sustainability for both society and business growth

2. Komatsu's mid-term vision: DANTOTSU Value

DANTOTSU Value

Customer value creation that generates a positive cycle of ESG solutions and improvement of earnings



2. Komatsu's mid-term vision: Workplace of the future

Develop safe, highly productive, smart and clean workplaces of the future with customers

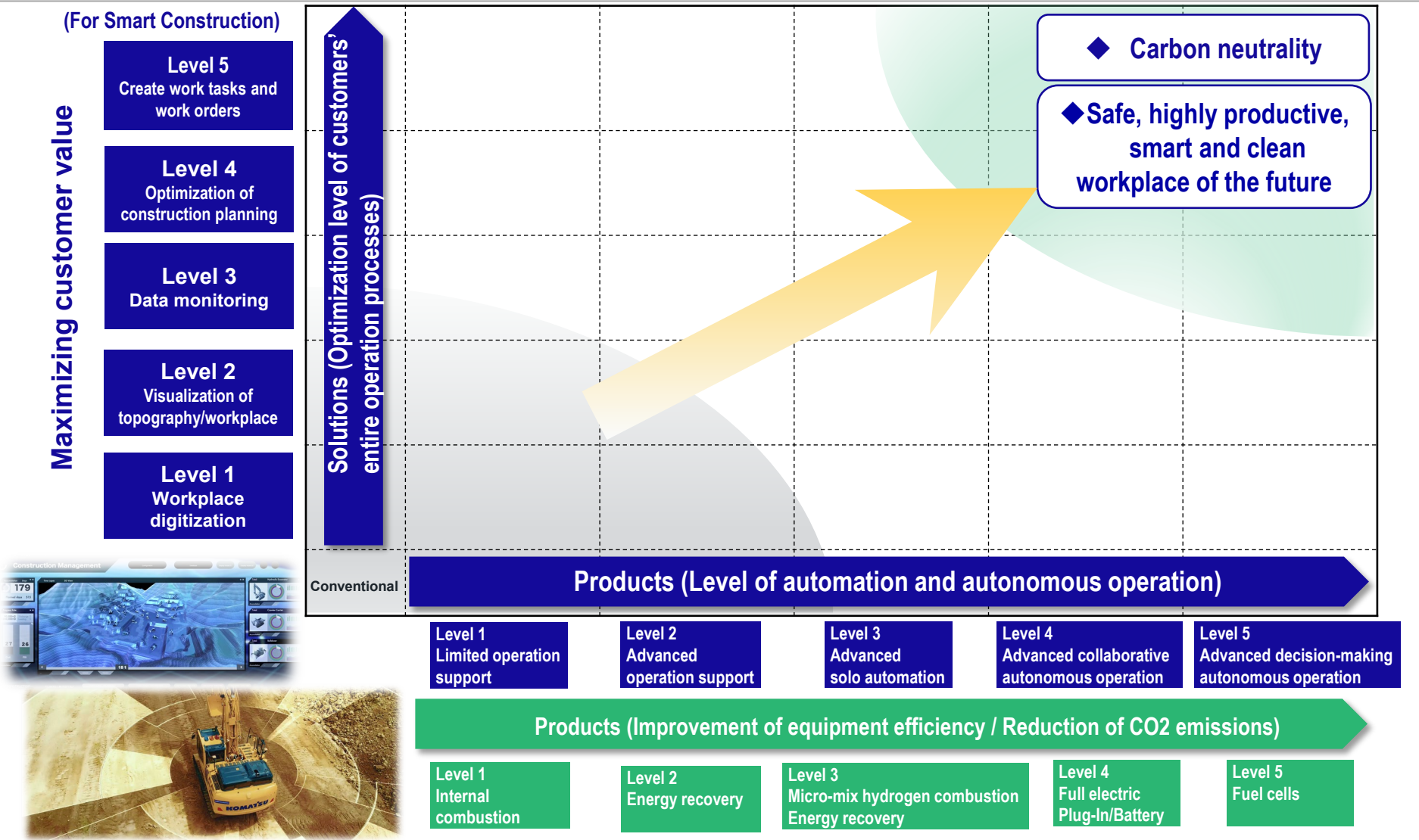
~Digitalize workplaces around the world~

Make use of our open platform connecting data of land, people, machines and material, through partnership and advanced technology, to resolve challenges at the workplace and optimize operation



2. Komatsu's mid-term vision: Roadmap to workplace of the future

Komatsu strives to create new customer value in solutions, provide safe, eco-friendly, and highly efficient products with a high compatibility with our solutions, and connect all customer processes through digitalization to achieve the workplace of the future and carbon neutrality.



2. Komatsu's mid-term vision: 2050 carbon neutral declaration

Looking ahead to the CO2 emission reduction target* by 2030, **we will aim for carbon neutrality by 2050 and tackle challenges to create value for a decarbonized society.**

- High efficiency through manufacturing technology innovation and a variety of product development approaches to respond to all options (expansion of technology partnerships)
- Improve efficiency through optimization of the customers' entire workplace operations and promote recycling-oriented businesses (forestry machinery and reman**)

(*CO2 emissions: Reduce by 50% from 2010 / Renewable energy use: 50% of total energy use)

Production Komatsu (Scope 1 and 2)

- **Energy conservation**
Reduce energy consumption by boosting productivity and achieving higher efficiency in manufacturing operations
- **Energy generation**
Introduce renewable energy facilities(e.g., solar, biomass)
- **Purchase renewable energy**
Purchase certified green power or carbon credits.



Development Use of products (Scope 3)

- **Increase machine operation efficiency and reduce fuel consumption**
(Internal combustion: diesel engine)
- **Shift to more clean power sources**
 - Hybrid
 - Electric (battery/plug-in)
 - Fuel cells
 - Hydrogen fuel, biofuel, e-fuel internal combustion



Customer workplaces

- **Improve efficiency through optimization of customer workplace operations**
 - DX Smart Construction
 - Open technology platform for mining
- **Contribution through forestry machinery business**
 - Mechanization during all processes of afforestation, reforestation, cultivation and felling
 - Smart forestry
- **Contribution through reman** business**
 - Recycling and reuse of components (resource conservation, waste reduction)



(** Reman: remanufacturing)

2. Komatsu's mid-term vision: Product development roadmap for carbon neutrality

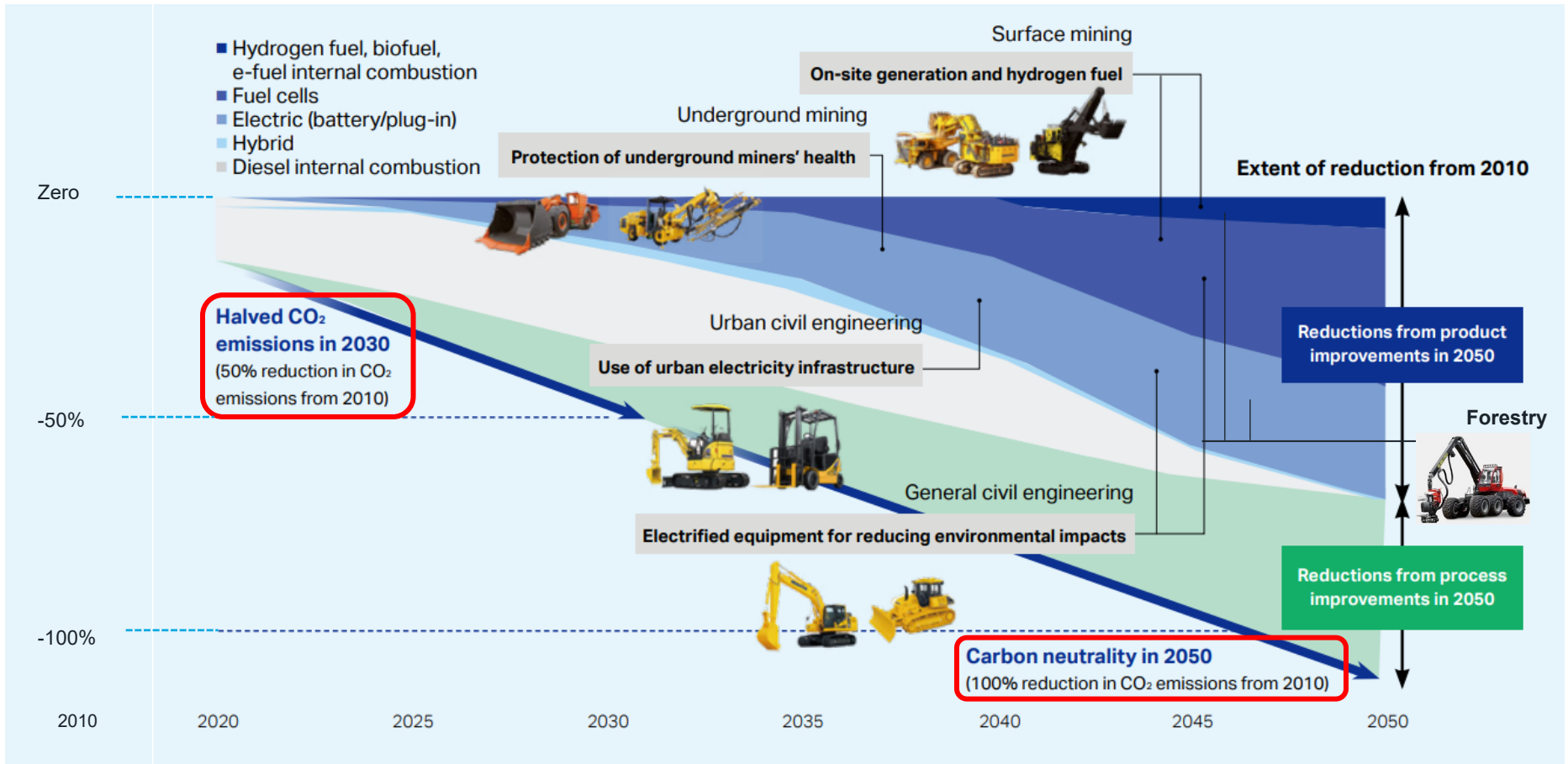
We will constantly update our product development roadmap so that we can provide customers with all options according to their environmental needs.

✓ **Reductions from product improvements :**

Reduce CO2 emissions by increasing machine efficiency and improving low carbon levels (shift to more clean power sources).

✓ **Reductions by solutions (process improvements) :**

Reduce CO2 emissions by optimizing and improving the efficiency of all jobs, construction, and operations at the customers' workplace.



3. Mid-term management plan (FY2022 - 2024): Changes in external environment

The external environment is undergoing intense change and uncertainty is rising.

Politics & economy

- Growing competition between US and China and economic security risks
- China: impacts of domestic policies and economic/diplomatic policies
- Growing geopolitical risks (Ukraine situation etc.)
- Unstable supply chains
- Need to increase ability to address contingencies (including infectious diseases and natural disasters)

Technologies

- Acceleration of **digital transformation (DX)**
- Advancements in leading technologies and open innovation (automation, electrification, and remote-controlling, AI, etc.)
- Expansion of SaaS (Software as a Service)
- Evolution of Data Analytics
- Growing cybersecurity risks

Environment & energy

- Growing momentum toward climate change and **decarbonization** (COP26: 1.5 Celsius target confirmed)
- Acceleration of **carbon neutrality**
- Shift to EVs (automobile industry)
- Water security and biodiversity conservation
- Growing green investments and rising demand for information disclosure

Society & values

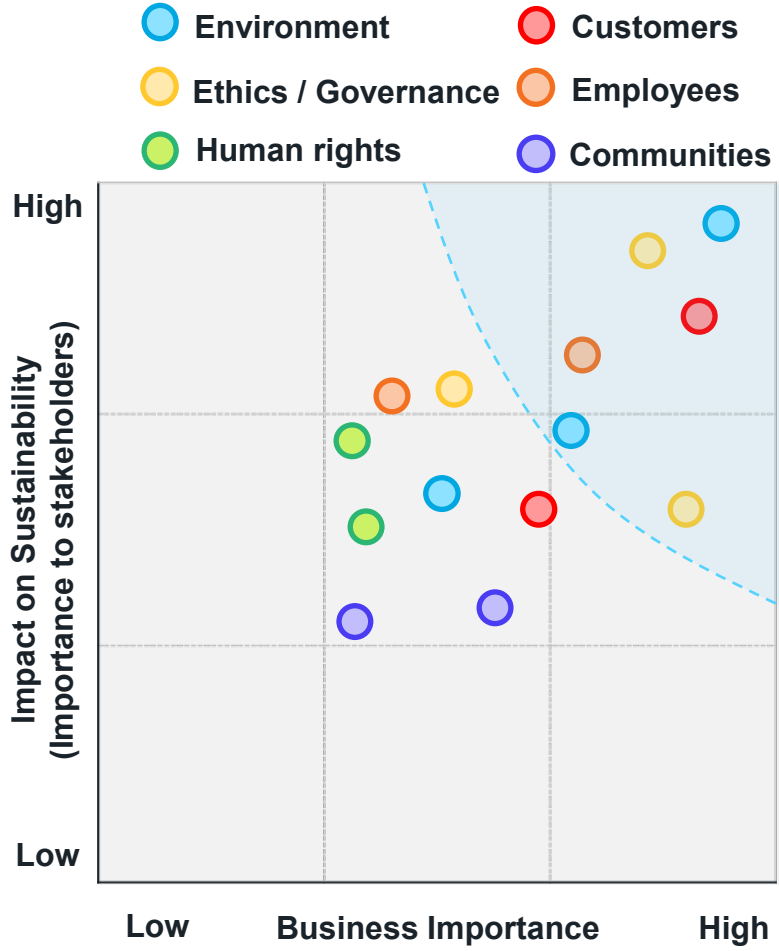
- Prevalence of **diversity and inclusion** (gender, people with disabilities, LGBTQ, etc.)
- Progress with diverse work styles
- Growing importance of employee engagement
- Rising societal demands for human rights and corporate ethics
- Strengthened governance and risk management

Building a foundation for sustainable growth is a challenge.

3. Mid-term management plan (FY2022 - 2024): Materiality at Komatsu

We recognize the four areas where Komatsu's materiality overlaps with stakeholder materiality (namely, the environment, customers, employees, and governance) as the most important areas. Those areas and their specific issues are reflected in our growth strategy.

Materiality analysis



The most important areas and specific issues identified through analysis

The most important areas	Specific issues
Environment	<ul style="list-style-type: none"> ➤ Development of low-carbon/low-emissions products, solutions and business models ➤ Resource recycling and remanufacturing ➤ Forest conservation through business activities ➤ Reduction of energy usage and GHG emissions, etc.
Customers	<ul style="list-style-type: none"> ➤ Provision of solutions to customers ➤ Product quality and safety
Employees	<ul style="list-style-type: none"> ➤ Diversity and Inclusion ➤ Skills development and workplace retention ➤ Employee engagement and job satisfaction ➤ Occupational safety and health and wellbeing
Ethics / Governance	<ul style="list-style-type: none"> ➤ Corporate Governance ➤ Compliance

*Materiality analysis: conducted from November 2020 to February 2021 BSR conducted interviews with 26 internal/external stakeholders (external stakeholders included institutional investors, WBCSD, WWF, BHRRRC, customers and suppliers, while internal stakeholders included executive leadership inside and outside of Japan)

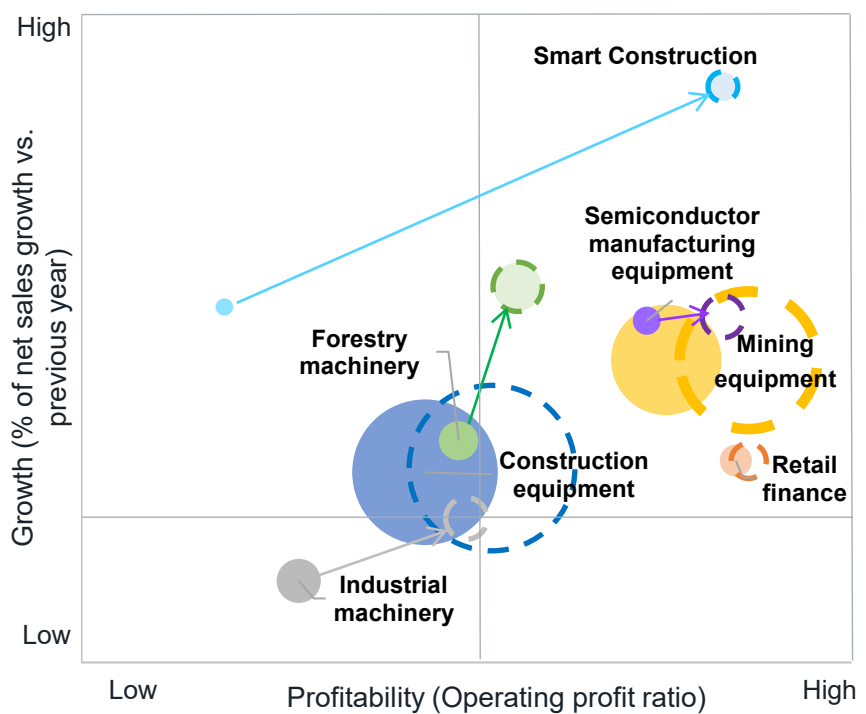
3. Mid-term management plan (FY2022 - 2024): Business portfolio

Komatsu is now concentrating its management resources on construction and mining equipment business, retail finance business, and the industrial machinery and others business as a result of selective focus of business domains since the early 2000s. Resources will be intensively allocated for the growth areas of construction and mining equipment business, with possible options of M&A, investments and alliances. We will also expand the value chain businesses for stable earnings, improving our ability to respond to demand volatility.

Business portfolio

(Average for the past 10 years: FY2012 - FY2021)

○ shows medium- to long-term direction of each business segment



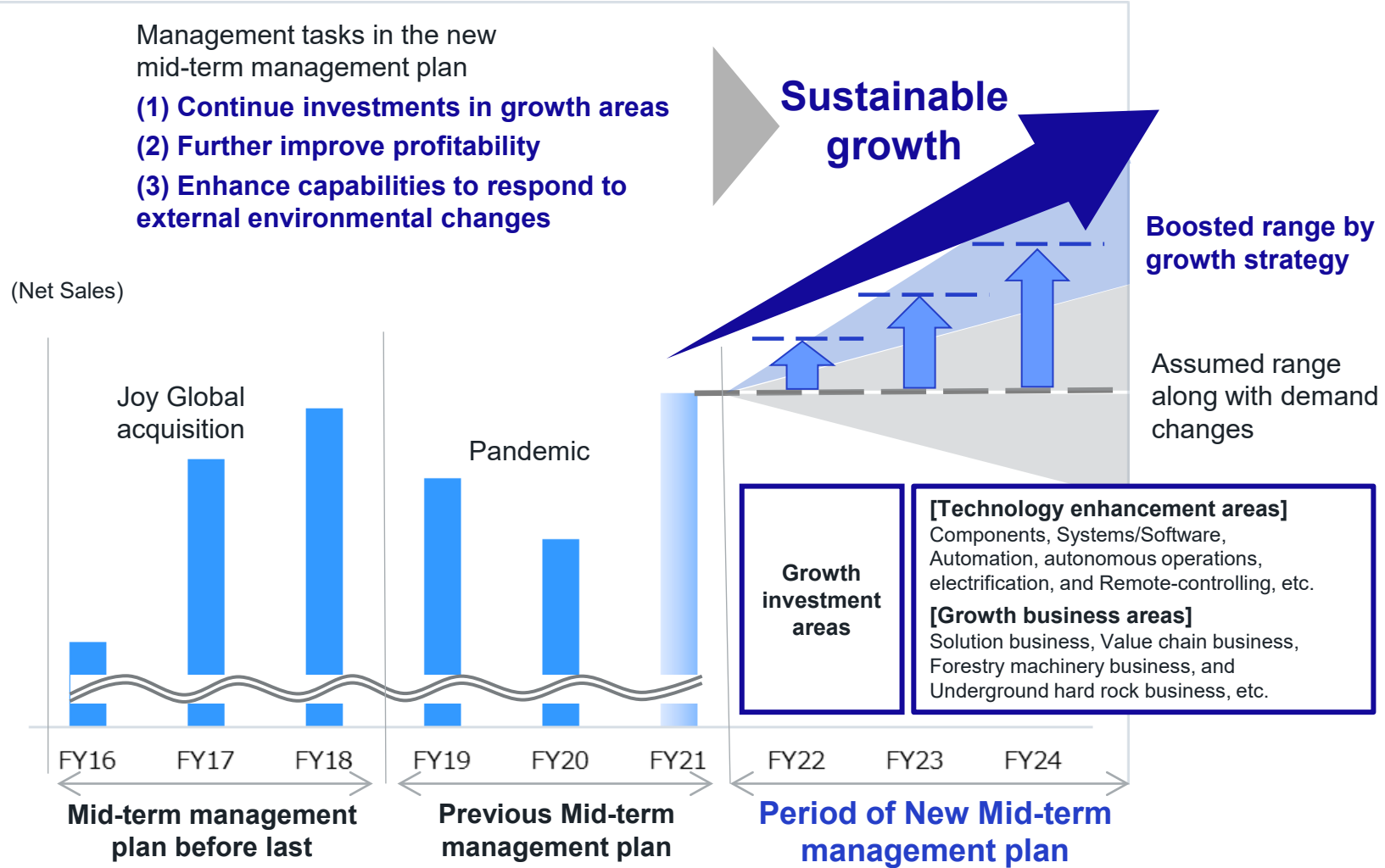
- Colored bubbles indicate the size of 10-year average sales for each business segment
- Smart Construction and forestry equipment indicates the direction from FY2021 with construction equipment in parentheses.
- Smart Construction indicates solutions related portion.

Business segments		Business direction and main issues
Construction equipment		[Strategic markets] <ul style="list-style-type: none"> • Aggressive strategies in growth markets (Asia and Africa) • Increase sales of CE series excavators [Traditional markets] <ul style="list-style-type: none"> • Promote DX Smart Construction • Develop automation/electrification technologies and form markets [Global] <ul style="list-style-type: none"> • Strengthen forestry machinery business and expand smart forestry • Expand value chain business (including mining)
		[Surface mining] <ul style="list-style-type: none"> • Promote open technology platforms • Strengthen AHS business and develop automated and remote-controlled technologies of mining equipment • Promote development of power agnostic trucks (GHG alliance) [Underground mining] <ul style="list-style-type: none"> • Expand hard rock business • Continuous structural reforms in response to coal demand decrease
Retail finance		Expand coverage (regional and products) and maintain financial soundness
Industrial machinery and others	Semiconductor manufacturing equipment	Maintain and improve strong earnings structure and address speed of growth of the semiconductor market <ul style="list-style-type: none"> • Expand DUV light source equipment business for lithography • Expand temperature control equipment business
	Industrial machinery	Improve earnings structure and address customer changes (CASE) <ul style="list-style-type: none"> • Strengthen automotive battery manufacturing equipment business and expand smart line business • Strengthen after-sales service business and development of new products with new processing methods.

3. Mid-term management plan (FY2022 - 2024): Approaches to growth strategy

Demand is **expected to grow moderately** over the medium to long term, but there is always risk of demand volatility due to external environmental changes.

We will strive for **growth above the industry's average** and achievement of the industry's top-level profitability by growth strategies, **enhancing corporate resilience** against demand volatility for sustainable growth.



3. Mid-term management plan (FY2022 - 2024): 3 Pillars of growth strategies

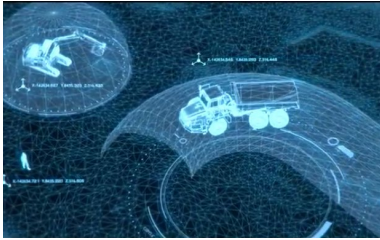


Common tasks among the three pillars

- Expand partnerships
- Promote DX in all areas

3. Mid-term management plan (FY2022 - 2024): Key initiatives of growth strategy

1. Accelerate growth by means of innovation



Create new customer values by optimizing workplaces

- Promote DX Smart Construction and its overseas expansion
- Business promotion using mining open technology platforms
- Advanced product development and market introduction with high compatibility with platforms

Tackling the challenge of crafting values (products and solutions) for carbon neutrality

- Development and market introduction of electrified machinery
- Promotion and expansion of Smart Forestry
- Plants with zero environmental impacts

2. Maximize earnings power



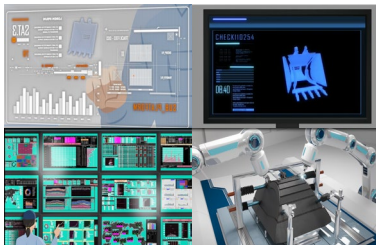
Expand presence in key emerging markets

- Strengthening of marketing strategies in Asia and Africa markets
- Expansion of forestry machinery and hard rock equipment businesses
- Expansion of aftermarket business

Further growth from evolution of value chain business

- Development of data-driven business model
- Promotion of differentiation through life cycle support business
- Expansion of reman/rebuild businesses

3. Enhance corporate resilience



Drive efficient business operations and reinforce risk management

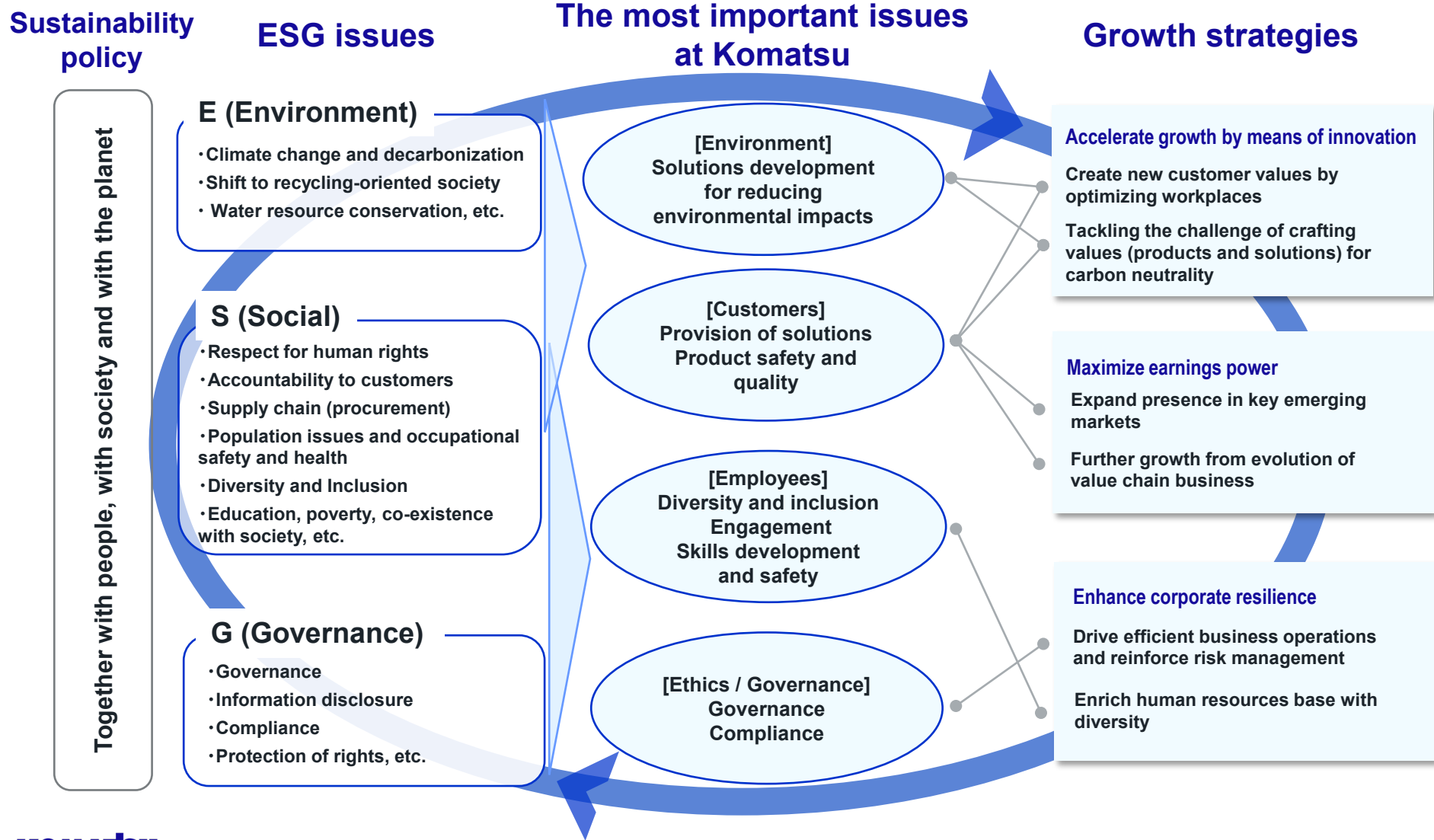
- Strengthening of production and procurement systems resistant to environmental changes (increase of multi-source ratio of parts)
- Enhancing assessment of economic security risk and preparedness
- Strengthening the corporate brand by developing a global brand strategy

Enrich human resources base with diversity

- Enhancement of diversity & inclusion
- Offering of a variety of talent development opportunities and improvement of employee engagement
- Human resources development for digital applications and open-innovation


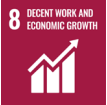












4. Resolving ESG issues: Resolve ESG issues and improve earnings through growth strategy

Based on the concept of **resolution of ESG issues through business activities**, we will create a positive cycle of resolving ESG issues and improving earnings through our growth strategy to achieve sustainable growth.



4. Resolving ESG issues: Key activity themes

Key activities for ESG solutions will be monitored by their KPIs. Details will be reported in the integrated report.

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

5. Management targets

Management targets remain growth, profitability, efficiency, financial soundness and ESG composition/details.

Challenging goal of carbon neutrality by 2050 is added in the ESG target.

Shareholder returns retain the policy to strive toward maintaining stable dividends placing priority for focused investments in growth strategies.

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

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

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

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Cautionary Statement
The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.
Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.