

# KOMATSU



## Meeting with individual shareholders

December 20, 2022

- 1. Company Overview**
- 2. Mid-term Management Plan**  
**:Efforts under Growth Strategies**
- 3. Efforts for Solving ESG Issues**
- 4. Business Results and Shareholder Return**

## 1. Company Overview

## 2. Mid-term Management Plan

:Efforts under Growth Strategies

## 3. Efforts for Solving ESG Issues

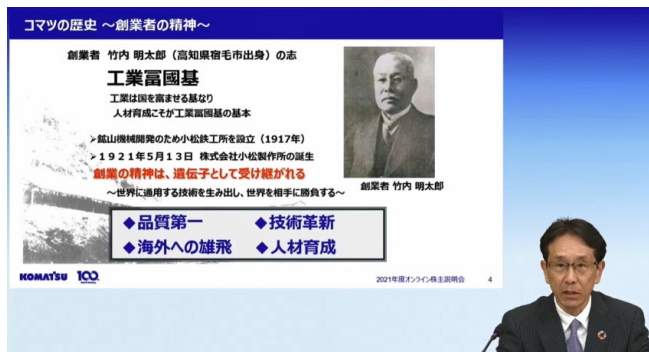
## 4. Business Results and Shareholder Return

# Communications with shareholders (Meeting with individual shareholders)

- Ongoing since FY1997; President and CFO visit each region and give presentations on current trends at the company.
- Held a cumulative 52 times with a cumulative total of around 17,000 shareholders.
- Held online in FY2020 and FY2021. Held two times in FY2022; a face-to-face meeting, which was held for the first time in three years in Tokushima Prefecture, and an online meeting today.



Tokushima City (Aug. 2022)



Online meeting (Dec. 2021)

| Locations for meeting with individual shareholders by year |                          |      |                    |             |                          |
|--|--------------------------|------|--------------------|-------------|--------------------------|
| 1997   | Komatsu, Hirakata        | 2006 | Oyama, Sendai      | 2015        | Nara, Fukuoka            |
| 1998   | Oyama, Gifu              | 2007 | Nagoya, Hiroshima  | 2016        | Toyama, Sapporo          |
| 1999   | Oiso, Okayama            | 2008 | Sapporo, Fukuoka   | 2017        | Wakayama, Osaka          |
| 2000   | Sapporo, Sendai, Fukuoka | 2009 | Ibaraki, Takamatsu | 2018        | Aichi, Hiroshima         |
| 2001   | Niigata, Tokyo, Osaka    | 2010 | Fukui, Matsue      | 2019        | Ishikawa, Nagano         |
| 2002   | Kanazawa, Nagoya         | 2011 | Shizuoka, Koriyama | 2020        | Online                   |
| 2003   | Oyama, Hiroshima         | 2012 | Kumamoto, Sendai   | 2021        | Online                   |
| 2004   | Sapporo, Tokyo, Fukuoka  | 2013 | Nagano, Morioka    | <b>2022</b> | <b>Tokushima, Online</b> |
| 2005   | Kanazawa, Osaka          | 2014 | Ehime, Yamaguchi   |             |                          |

# Komatsu's history: Founder's principles

Mission of Meitaro Takeuchi, Founder, born in Kochi prefecture

## 工業富國基

Industry is the foundation to enrich the nation.

Human resource development is the basics of the above.

- Established Komatsu Iron Works to develop mining machinery. (1917)
- Founded Komatsu Ltd. on May 13, 1921.

**Founder's principles have been passed on to us in the form of DNAs, transforming into Komatsu's strengths.**

Develop technologies that meet and challenge world's standards.

◆ Quality First

◆ Technological Innovation

◆ Global Expansion

◆ Employee Development



*Meitaro Takeuchi,  
Founder*

# Corporate identity

Our purpose

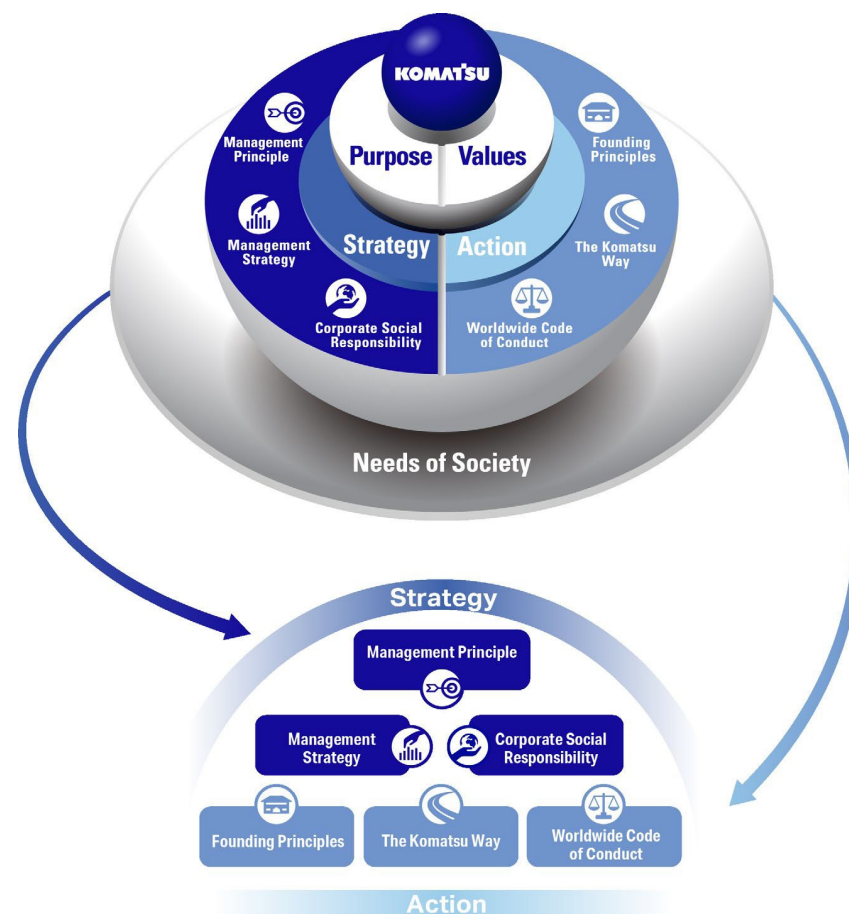
**Creating value through manufacturing and technology innovation to empower a sustainable future where people, business, and our planet thrive together.**

Our values

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

Brand promise

**Creating value together**



# Sustainability policy

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 towards a sustainable planet and future.

Hiroyuki Ogawa  
President and CEO  
Komatsu Ltd.  
April 1, 2022

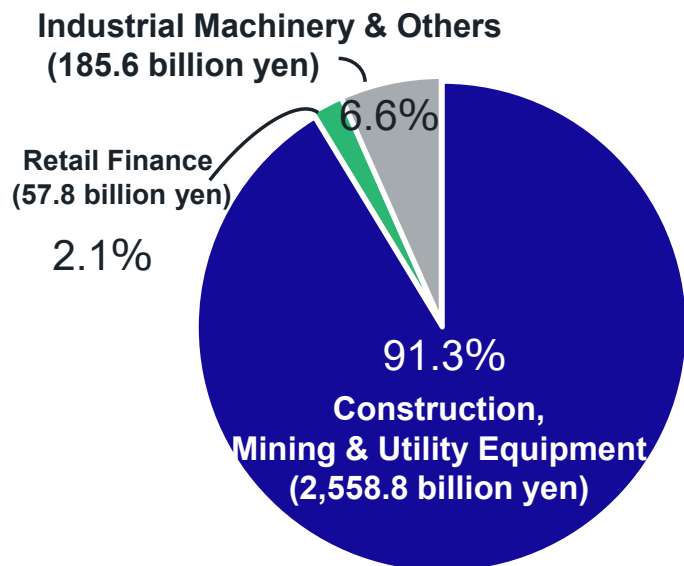


# Business outline (FY2021)

- **Established** : May 13, 1921
- **Net sales** : 2,802.3 billion yen
- **Operating income** : 317.0 billion yen
- **Total assets** : 4,347.5 billion yen

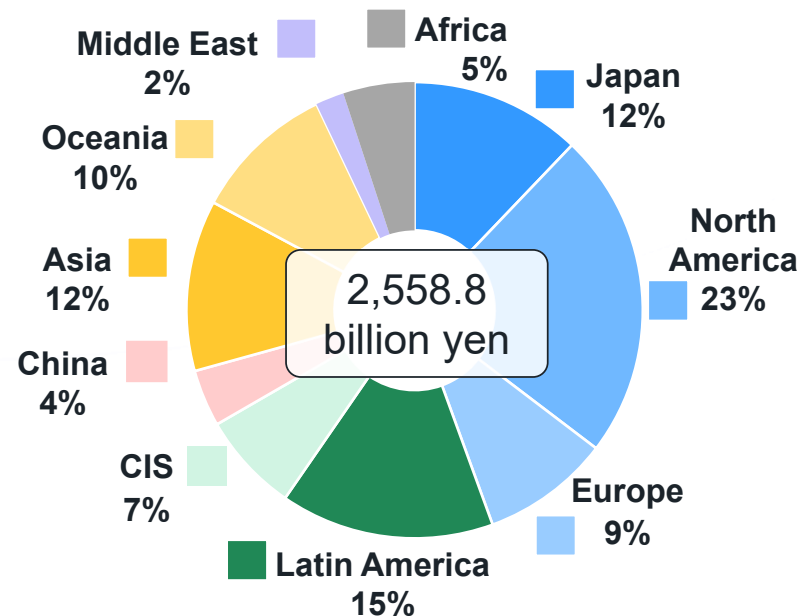
- **Consolidated subsidiaries:**  
213 (12 in Japan and 201 in overseas)
- **Consolidated number of employees:**  
62,774 (non-Japanese: approx. 68%)

## Sales\* by segment



\*Sales to outside customers

## Sales\* breakdown of Construction, Mining & Utility Equipment by Region





# Main products (Construction and mining equipment)

- Construction and mining equipment are being used in the promotion of infrastructure development and urbanization, and the mining of minerals.
- Forestry equipment contributes to the sustainable use of wood resources. Expanding this business through M&As.



Hydraulic excavators



Bulldozers



Dump trucks



Hydraulic excavators (with pulverizer)

**KOMATSU**

## Construction



## Mining and Quarry



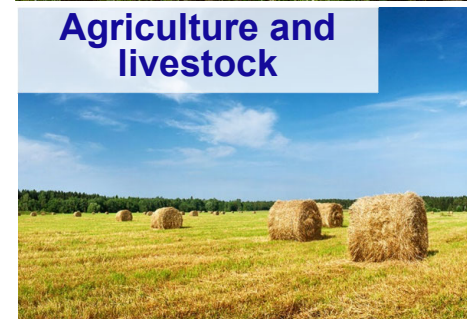
## Demolition, waste and recycling



## Forestry



## Agriculture and livestock



## Material handling



Harvesters



Wheel loaders



Forklifts



# Main products (Mining equipment)

- Mining methods include “surface mining,” or mining near the ground surface, and “underground mining,” or mining deep underground. The necessary mining equipment differs, depending on mining methods.
- Komatsu Mining (former Joy Global) was incorporated into the group, expanding the lineup of mining equipment.

## Surface mining

### Main products



Hydraulic excavators



Dump trucks



Electric rope shovels



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## Underground mining

### Main products




LHDs  
(Load, haul, dump machine)



Jumbo drills



Continuous miners

 Komatsu Mining-manufactured mining equipment

# Global development and production

- Integrated development and production: Mother plants equipped with development and production capabilities.
- Development and production of key components in Japan and generation of technology innovation in Japan
- Assembly of finished machines in the regions with big market demand → Overseas production ratio: 61%(FY2021)

## Major assembly plants of construction, mining and utility equipment




 : **Mother plants**, equipped with development capability

### Komatsu America



### Komatsu Germany Mining



### Komatsu Germany Construction



### Komatsu Italia Manufacturing



### Komatsu Forest



### Tochigi plant



### Ibaraki plant



### Awazu plant



### Osaka plant



## Objectives of local assembly/production

- 1) Win customers' trust.
- 2) Provide early solutions for quality-related problems.
- 3) Incorporate local specs.
- 4) Shorten lead-time.
- 5) Respond flexibly to foreign exchange risks.

## No. of production bases by region Incl. local assembly plants for underground mining equipment

| Americas          | Europe & CIS      | Middle East & Africa | Asia | China | Japan             | Total             |
|-------------------|-------------------|----------------------|------|-------|-------------------|-------------------|
| 36 <sub>(1)</sub> | 16 <sub>(4)</sub> | 2                    | 10   | 8     | 14 <sub>(4)</sub> | 86 <sub>(9)</sub> |

( ): No. of Mother plants

| Overseas production ratio | FY2019 | FY2020 | FY2021 |
|---------------------------|--------|--------|--------|
|                           | 66%    | 65%    | 61%    |

# Key components concept

- Key components that impact the performance of construction and mining equipment are developed and produced in-house.

## Benefits of in-house development and production

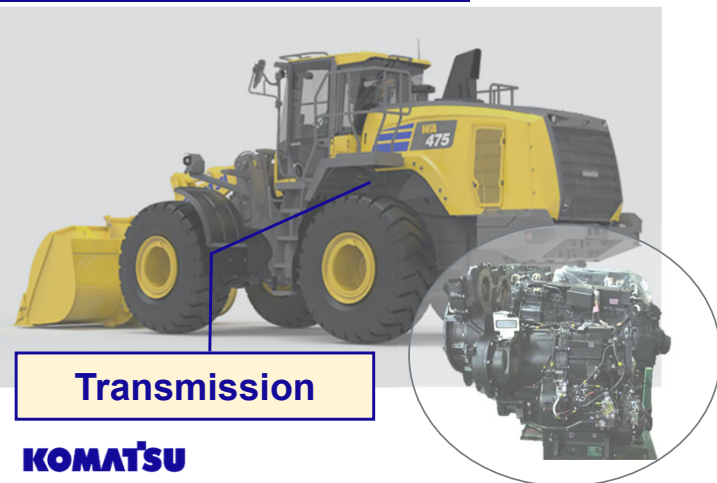
1. Ongoing technological innovation
2. Stable, global supply of components with standardized quality
3. Ability to develop component restoration businesses
4. Predictive maintenance capacities achieved by attaching sensors to components



Production: Shonan Plant

Electronics components

Production: Awazu Plant

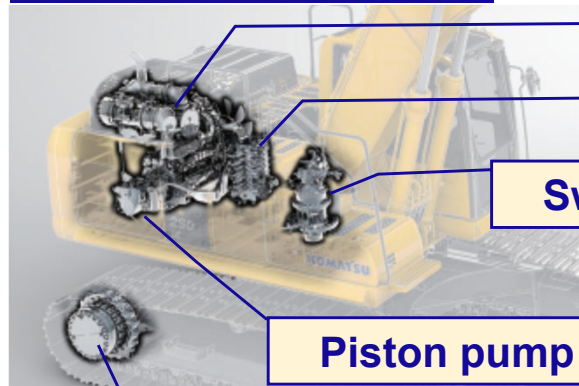


Transmission



Construction information monitor

## Production: Oyama Plant



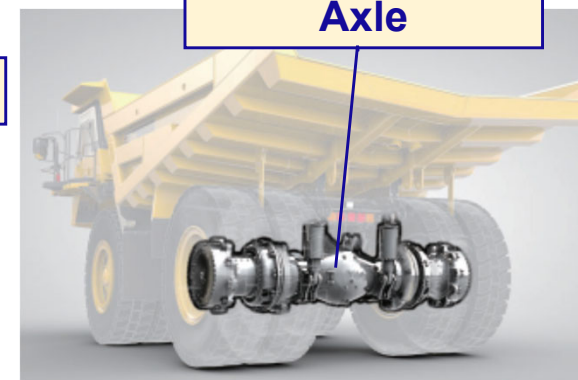
Diesel engine

Control valve

Swing motor

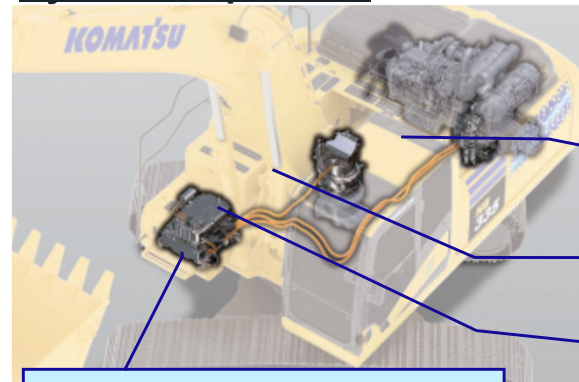
Piston pump

Travel motor



Axle

## Hybrid components



Electric generation motor

Electric rotation motor

Inverter

Capacitor

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## DANTOTSU Value

Together, to "The Next" for sustainable growth

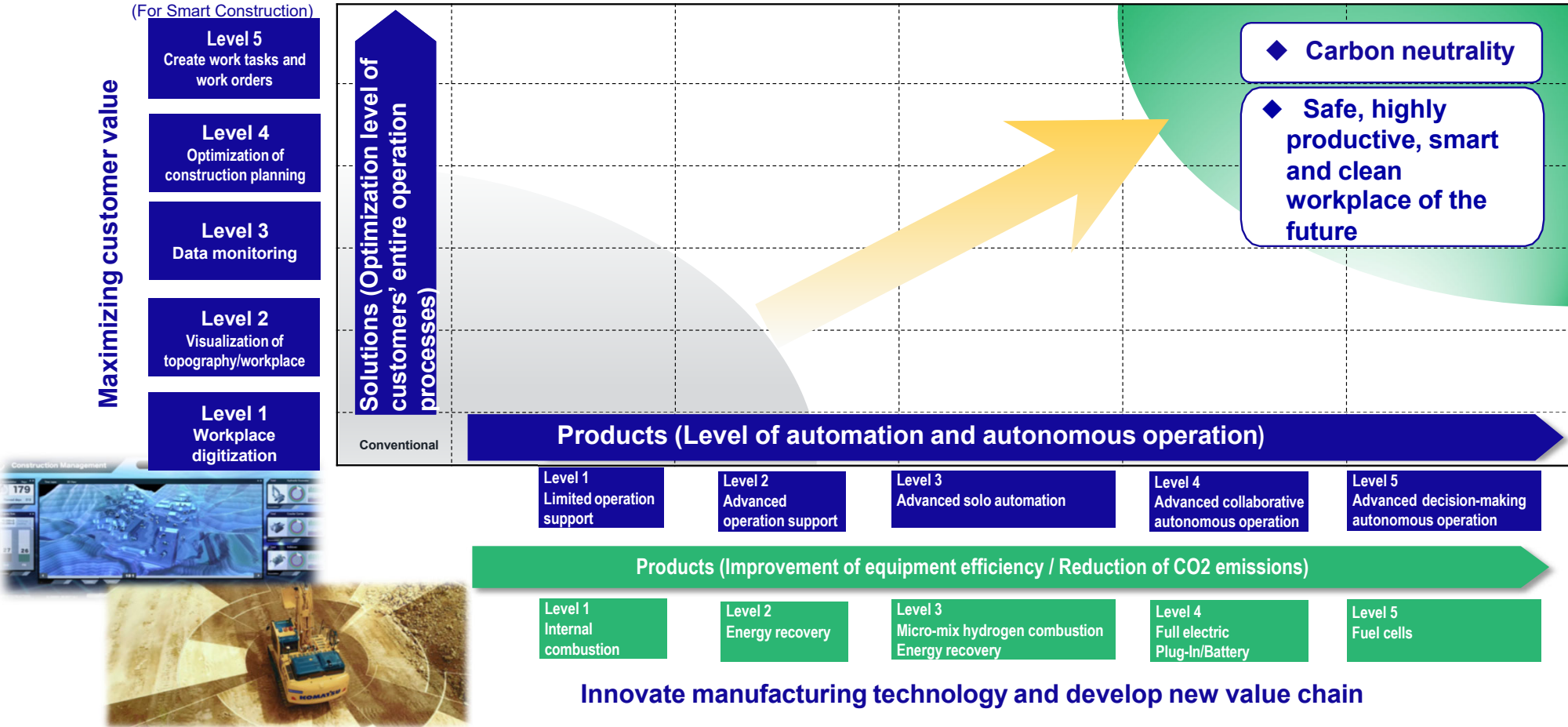


### Common tasks among the three pillars

- Expand partnerships
- Promote DX in all areas

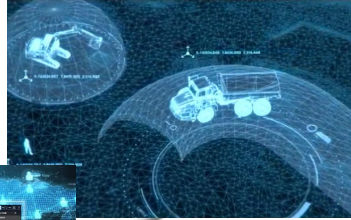
# Komatsu's mid-term vision: Roadmap to workplace of the future

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.

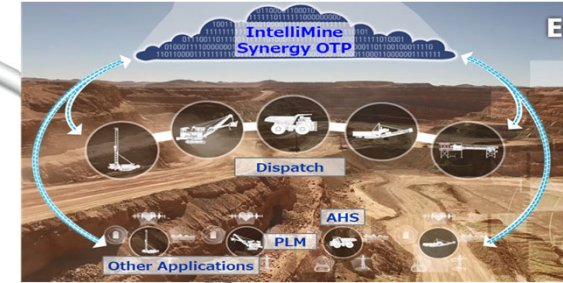


# 3 Pillars of growth strategies 1. Accelerate growth by means of innovation

Promote DX Smart Construction



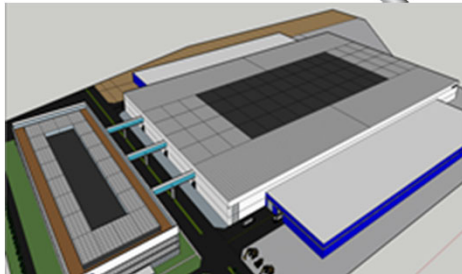
Mining open technology platforms



Create new customer values by optimizing workplaces

## Accelerate growth by means of innovation

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



Plants with zero environmental impacts



Promotion and expansion of Smart Forestry



Development and market introduction of electrified machinery



# Efforts for mining automation, including AHS

- In 2008, we became the first company in the world to commercially introduce an Autonomous Haulage System for mines. Over 574 AHS trucks are in operation.
- We are advancing trials of remote control and automatic operation of hydraulic excavators and bulldozer are underway to automate overall mining operations.

**AHS in operation in 4 countries (Australia, Canada, Brazil and Chile)  
574 units in operation at 20 sites\***

*\*As of September 30, 2022*

**Deployment of AHS at Anglo American mine (Chile)**



**Completed development of the HD785-7 based autonomous water truck**



**Remote control of super-large hydraulic excavator and AHS**

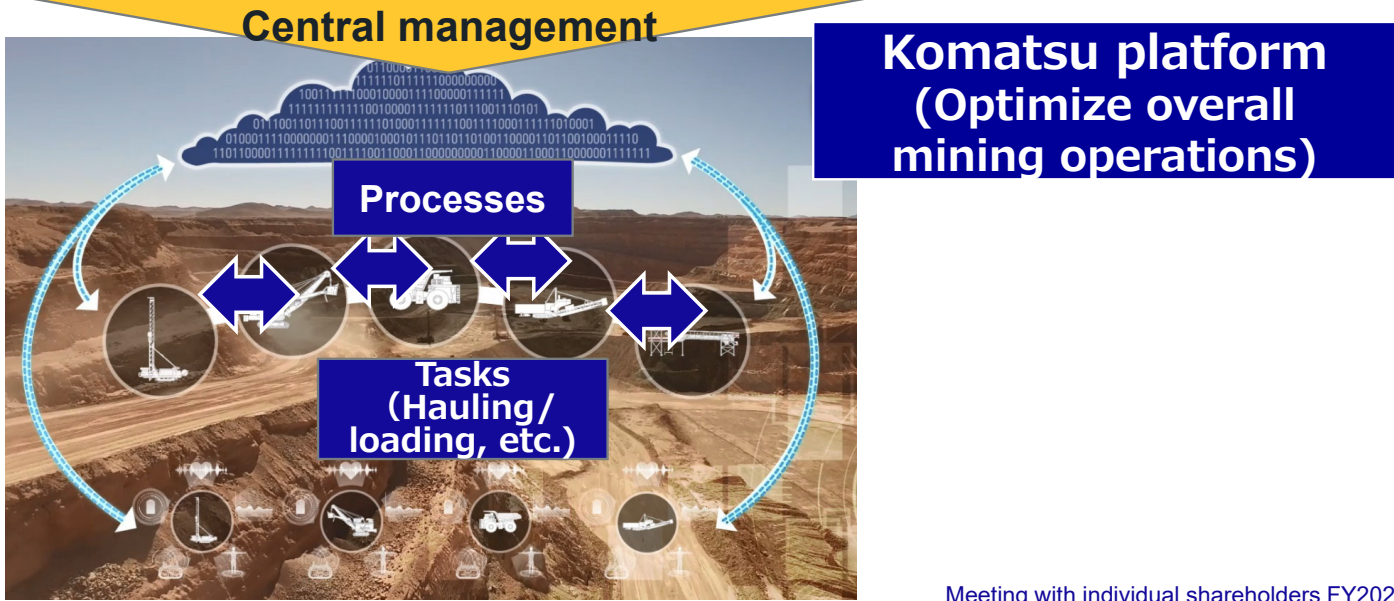
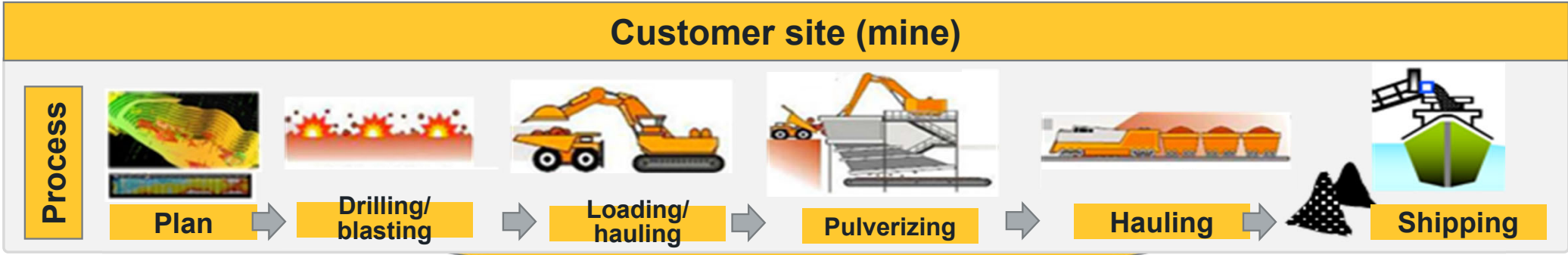


**Trials of remote control/automation of bulldozer at customer's mine site**



# Promoting business via open-technology platform for mining

- Our customers, mining companies, are working to centrally manage all their data and optimize overall mining operations by smoothly linking all processes with no delay.
- We are developing a platform for mining. We conduct trials at customer sites with the goal of contributing to the optimization of overall mining operations.



# Roadmap for carbon neutrality

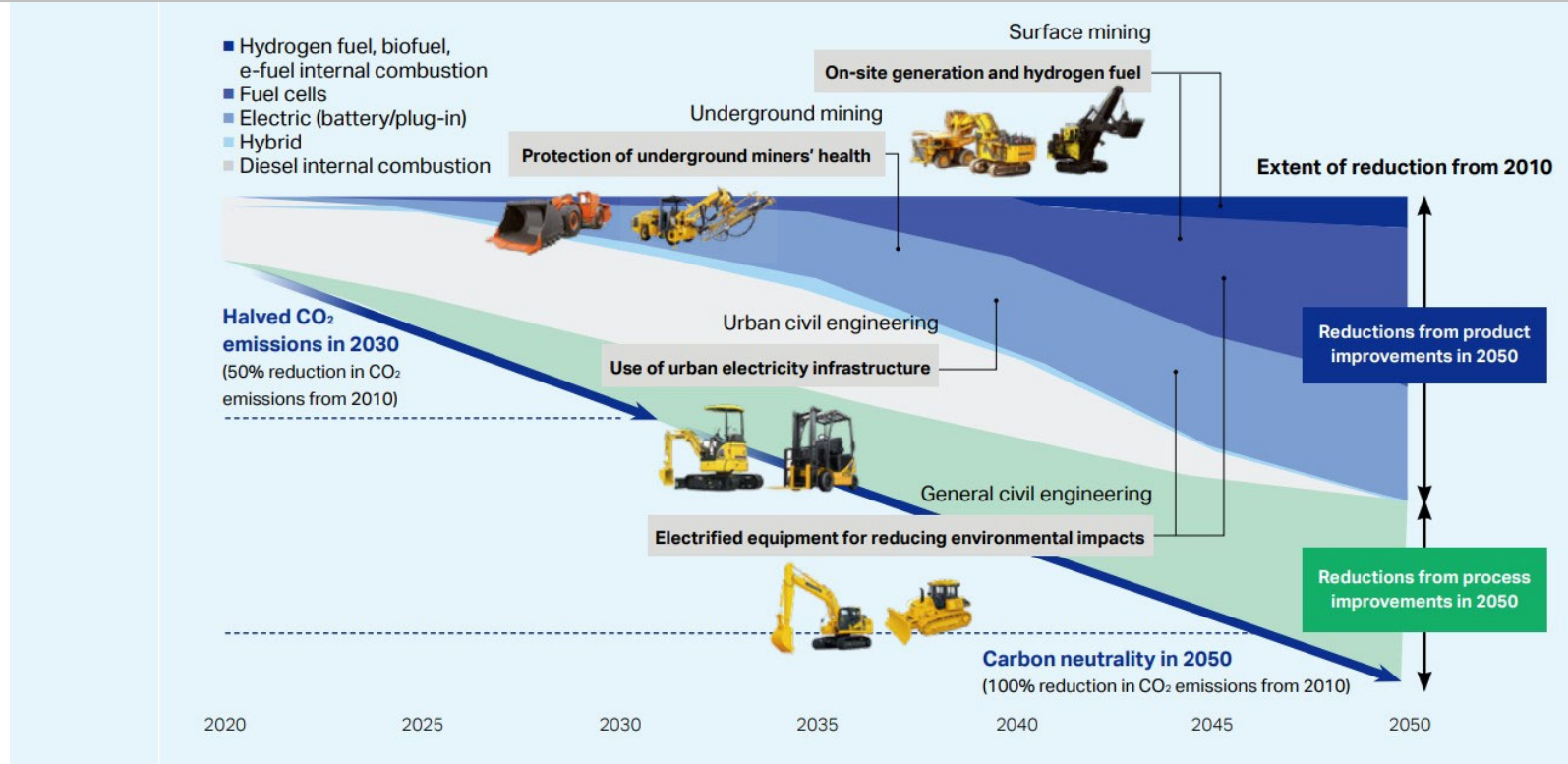
We will constantly update our product development roadmap so that we can provide customers with all options according to their environmental needs.

## ✓ Reductions from product improvements

Reduce CO<sub>2</sub> emissions by increasing machine efficiency and improving low carbon levels (shift to more clean power sources).

















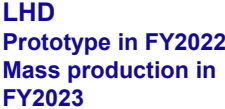
## ✓ Reductions by solutions (process improvements)

Reduce CO<sub>2</sub> emissions by optimizing and improving the efficiency of all jobs, construction, and operations at the customers' workplace.



# Carbon neutrality initiatives for construction and mining equipment

- We take different approach for construction and mining equipment by model, class and region.

|                                       | Up to 2021   | 2022  | 2023  | Up to 2030  |  |
|---------------------------------------|--|---|---|---|--|
| <b>Small excavators and forklifts</b> | <p><b>Lead battery</b></p>              | <p><b>Wired electric</b></p>   | <p><b>Battery-electric</b></p> <p>Electric mini excavator PC30E-5</p>   | <p>Tie-up with HONDA</p> <p>Electric micro excavator PC01E-1</p> <p>Electric forklift FE25G FE30G</p>        | <p><b>Lithium battery</b></p> <p>3-ton mass produced model</p> <p>Mass production in FY2022</p> <p>Market introduction in FY2023</p>  |
| <b>Medium/large excavators</b>        | <p><b>Hybrid</b></p>                    |   | <p><b>Battery-electric</b></p>  <p>Partnership with Proterra</p> <p>20-ton class</p> <p>Mass production in FY2022</p> <p>Market introduction in FY2023</p> | <p><b>Fuel cell</b></p> <p><b>Hydrogen engine</b></p>   |  |
| <b>Wheel loaders</b>                  |  | <p><b>Battery-electric</b></p>   | <p>Joint development with Moog Inc.</p> <p>Concept machine released in FY2022</p>   |   |  |
| <b>Mining equipment (surface)</b>     | <p><b>Diesel electric, trolley</b></p>  | <p><b>Power agnostic</b></p> <p><b>Wired electric</b></p>    | <p><b>Battery-electric</b></p> <p>Concept vehicle released in 2021</p>    | <p><b>Fuel cell</b></p> <p><b>Hydrogen engine</b></p> <p>Installation of test benches</p>                    | <p>Power agnostic</p> <p>2025: Battery trolley</p> <p>2030: Fuel cell</p>  |
| <b>Mining equipment (underground)</b> | <p><b>Hybrid</b></p>                  | <p><b>Battery-electric</b></p> <p>Drill jumbo</p> <p>Prototype in FY2021</p> <p>Mass production in FY2022</p>  | <p><b>Battery-electric</b></p>   | <p>Partnership with Proterra</p> <p>Volta</p> <p>Prototype in FY2022</p> <p>Mass production in FY2022</p>  | <p>LHD</p> <p>Prototype in FY2022</p> <p>Mass production in FY2023</p>    |

Output size



  : Start of market introduction
   : Proof-of-concept/concept machine announcement
   : Start of R&D

# Exhibition at “bauma 2022”



- We exhibited products at bauma 2022, which was held in Munich, Germany and is the leading construction machinery trade fair in Europe.
- We introduced products, services and solutions designed to “achieve safe, highly productive, smart and clean construction sites of the future.” As an initiative toward carbon neutrality, we also exhibited six electric construction/mining equipment units.

## Electric hydraulic excavator demonstration



## Outdoor area demonstration



## Fully electric wheel loader



# 3 Pillars of growth strategies 2. Maximize earnings power

Strengthening of marketing strategies in Asia and Africa markets

Expansion of forestry machinery



Expand presence in key emerging markets

**Maximize earnings power**

Further growth from evolution of value chain business

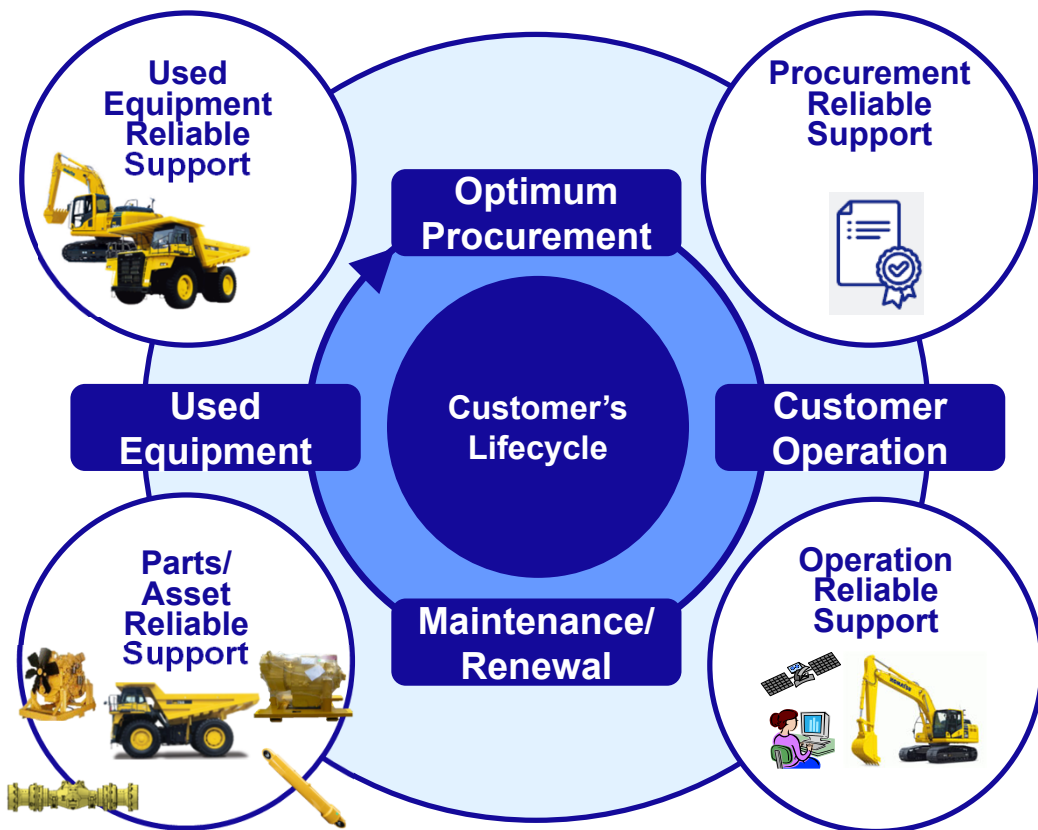


Expansion of reman businesses /rebuild businesses

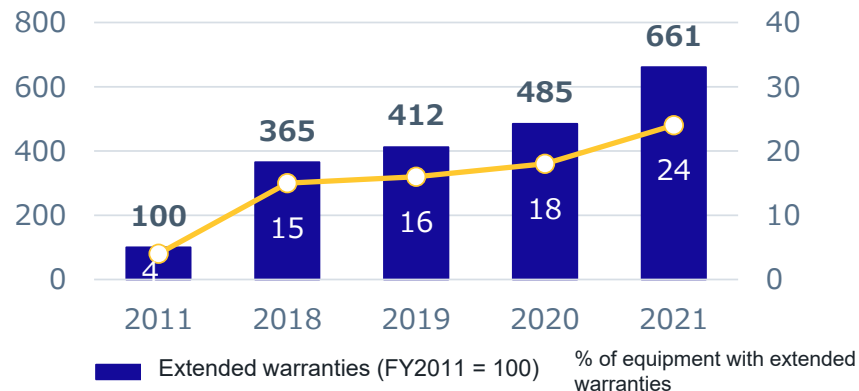
Expansion of hard rock equipment businesses

# Enhance the value chain business Lifecycle support business

- After construction equipment is purchased, regular maintenance, repairs and other support are essential.
- Seamless support from the purchase of new equipment to the sale of used equipment. Further strengthen business model to stably raise revenues after sales.

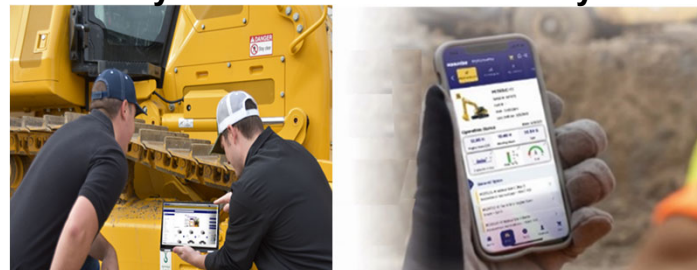


## Extended warranties with maintenance plans



## Promote digital marketing

Promote online sales so customers can order necessary parts from anywhere whenever necessary



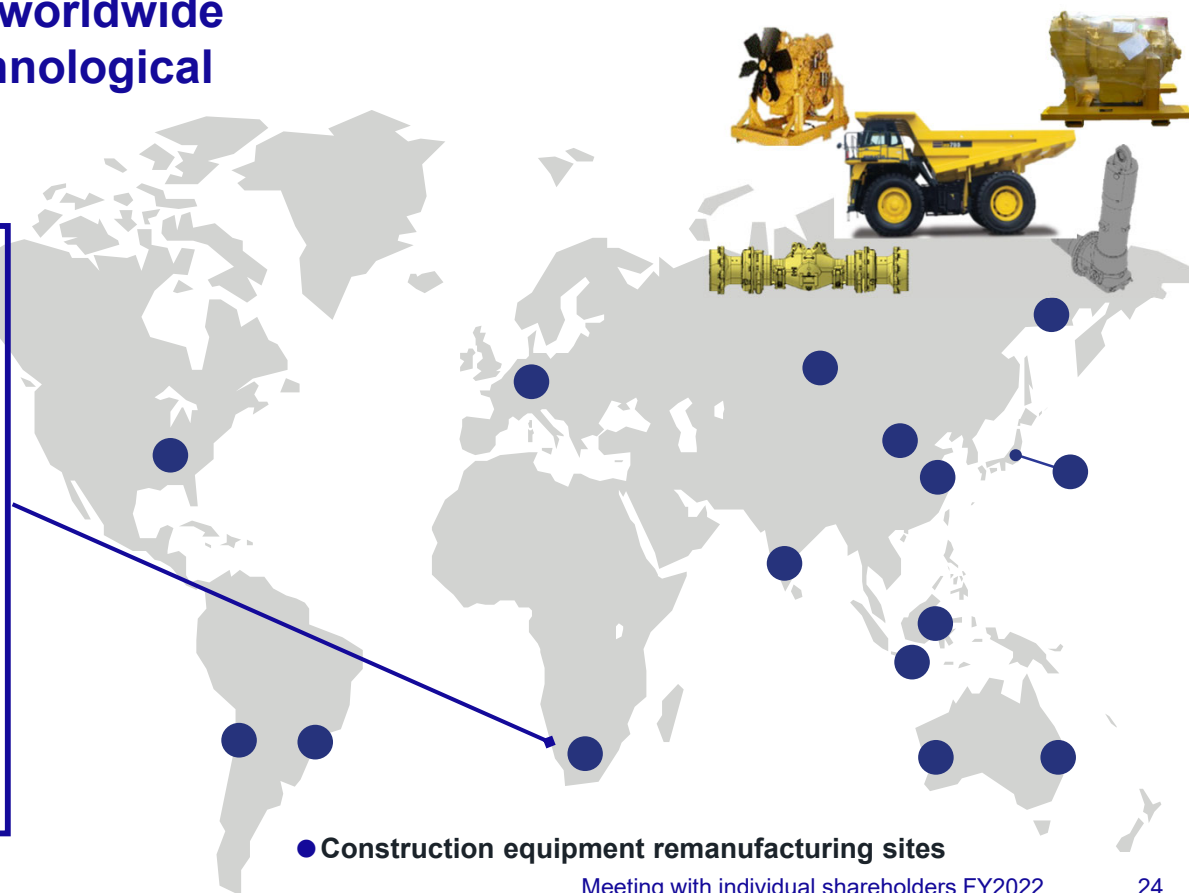
# Expansion of reman/rebuild businesses (Remanufacturing component)

- Implement recycling business that supplies remanufactured components that have been put through several processes, including disassembly, washing, parts replacement and reassembly by leveraging the strengths of its in-house development and production of key components.
- Contribute to the reduction of CO2 emissions through 3R (reduce, reuse, recycle) activities that alleviate waste by reusing parts.

- Deploy the component recycling business worldwide
- Connect each site by network to share technological information globally

## South Africa New Remanufacturing Plant (completed in Sep. 2020)

Strengthen support system in the South African region

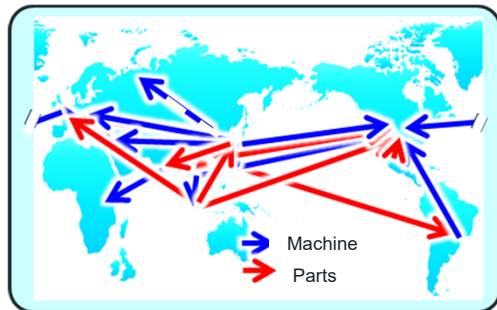


● Construction equipment remanufacturing sites



# 3 Pillars of growth strategies 3. Enhance corporate resilience

Strengthening of production and procurement systems resistant to environmental changes



Strengthening the corporate brand by developing a global brand strategy

## Creating value together

Drive efficient business operations and reinforce risk management

# Enhance corporate resilience

Enrich human resources base with diversity



Human resources development for digital applications and open-innovation



Improvement of employee engagement



Enhancement of diversity & inclusion

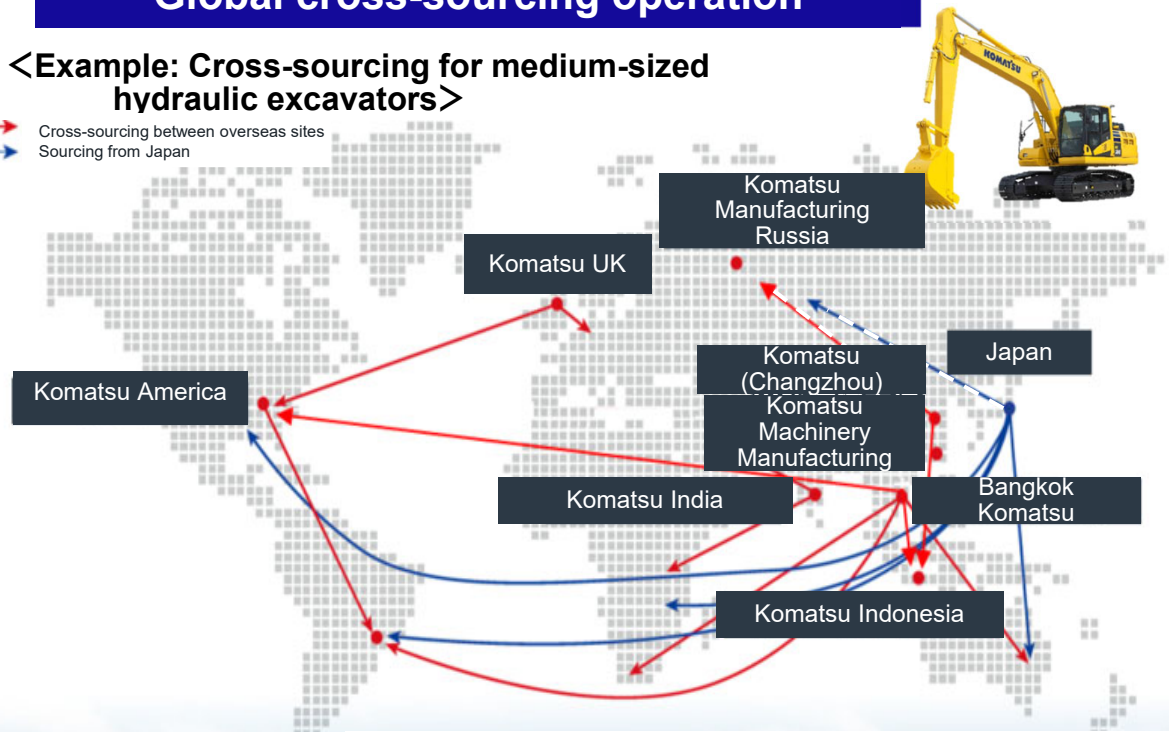
# Resilient production & procurement system

- Effectively use the production capacity of each plant, including fluctuations in demand and forex, to produce and export products at optimal plant.
- Build a production and procurement system that is resilient to changes in the environment, including pandemics, natural disasters and geopolitical risks.

## Global cross-sourcing operation

<Example: Cross-sourcing for medium-sized hydraulic excavators>

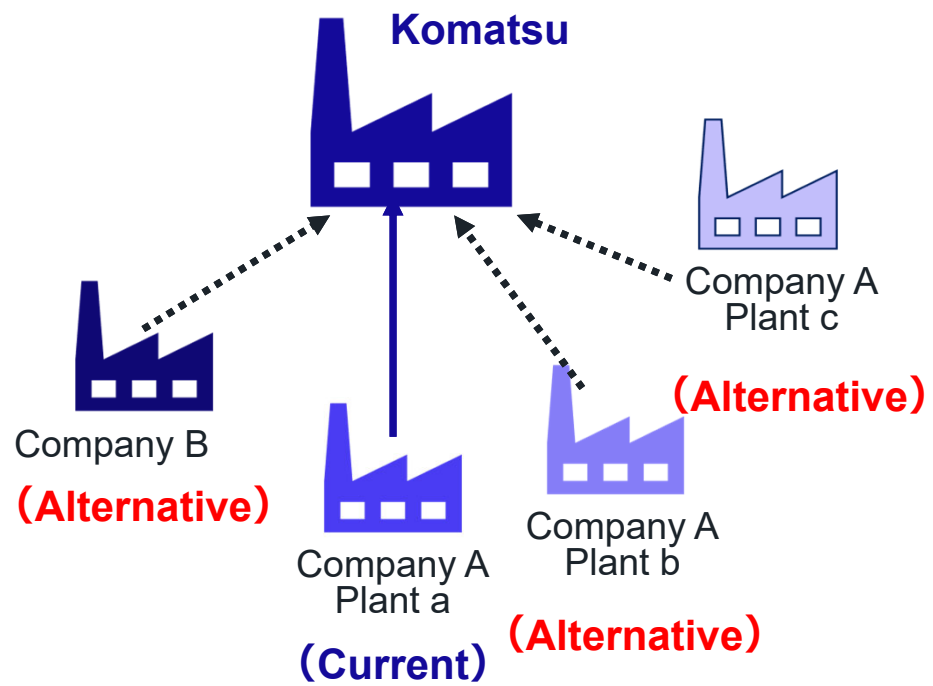
- Cross-sourcing between overseas sites
- Sourcing from Japan



- <Requirements>
- Standardization of base machine
  - Standardization of production system
  - Standardization of production/design BOM\*
  - Standardization of manufacturing process and quality standards
- \*BOM: Bill of Material

## Multi-company procurement system















Purchase parts from several manufacturers and expand local procurement



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4. Business results and shareholder return

# Sustainability policy & Mid-term management plan KPIs to resolve ESG issues

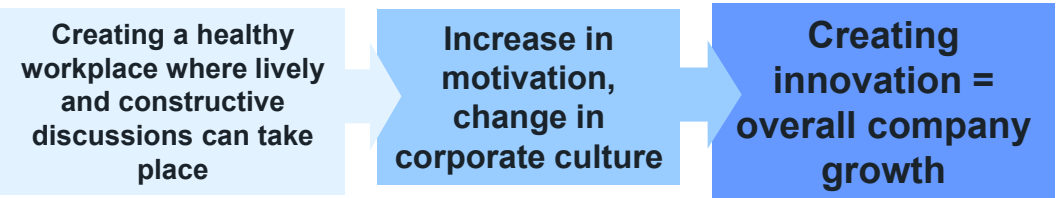
- We are working to contribute to society through business activities in accordance with the sustainability policy established in 2021.
- We have selected 10 SDGs which are closely related to materiality.
- We have set KPIs to steadily execute measures to resolve ESG issues through growth strategies of the mid-term management plan.

|  | Ties with SDGs   | FY2024 MTMP KPI goals (examples)   |
|--|--|--|
| <b>With people</b><br>Materiality:<br>“Employees”<br>“Human rights”                          |  <b>5 GENDER EQUALITY</b><br>Gender equality<br> <b>8 DECENT WORK AND ECONOMIC GROWTH</b><br>Decent work and economic growth<br> <b>10 REDUCED INEQUALITIES</b><br>Reduce inequalities<br> <b>17 PARTNERSHIPS FOR THE GOALS</b><br>Partnership   | Ratio of female managers<br>Global: over <b>13%</b><br>DX and AI-literate personnel training<br>Cumulative number of employees that took training over three years<br>DX practice/beginners: <b>180/900</b><br>AI practice/beginners: <b>30/90</b>   |
| <b>With business</b><br>Materiality:<br>“Customers”<br>“Ethics/ Governance”<br>“Communities” |  <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b><br>Industry & technology innovations<br> <b>11 SUSTAINABLE CITIES AND COMMUNITIES</b><br>Urbanization<br> <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b><br>Production/ consumption responsibilities<br> <b>17 PARTNERSHIPS FOR THE GOALS</b><br>Partnership   | No. of workplaces using Smart Construction<br>FY2024 (single year)<br>Global: <b>13,000</b> workplaces<br>Multi-sourcing ratio<br>BCP compliant<br><b>92%</b><br>Cumulative deployment of AHS<br>Global: <b>740</b> trucks<br>Full-fledged governance/compliance<br>Disclose results of actions                  |
| <b>With the planet</b><br>Materiality:<br>“Environment”                                      |  <b>7 AFFORDABLE AND CLEAN ENERGY</b><br>Clean energy<br> <b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b><br>Industry & technology innovations<br> <b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b><br>Production/ consumption responsibilities<br> <b>13 CLIMATE ACTION</b><br>Combat climate change<br> <b>15 LIFE ON LAND</b><br>Rich land<br> <b>17 PARTNERSHIPS FOR THE GOALS</b><br>Partnership | Reduction of CO2 emissions in production<br><b>-45%</b> from 2010<br>Ratio of renewable energy use<br><b>20%</b><br>Reduction of CO2 emissions from product in use<br><b>-24%</b> from 2010<br>Electrification of construction/mining equipment<br>Increase development steps and models for market introduction |



We define Diversity and Inclusion (D&I) as a condition under which employees with diverse backgrounds and values work together comfortably, as they respect different personalities and capabilities.  
 To connect D&I promotion to innovations and growth, we are working to enhance our human resource base with diversity-rich employees.

**Our approach to D&I promotion**



**Effort of focus: "Enhancement of a diverse human resource base"**

**Development of global-scope talents**

- 68% of employees are foreign nationals
- Provide opportunities to develop skills globally (= All Komatsu)
- Focus efforts to develop personnel with digital skills in Japan.

**31st ATC competition video**



**Promotion of gender diversity**

- Training programs for female leaders
- Improvement of the ratio of female employees and female managers



**D&I Promotion Global Campaign in progress**



**Improvement of employee engagement**

- Conducted a global-scale engagement survey
- HR policies reflecting analysis by region and organization



# With business: Community development using demining dozer

- In partnership with the Japan Mine Action Service (JMAS), we have been undertaking support activities with the goal of community development from the removal of landmines to reconstruction since 2008.
- In November 2022, as a part of a local reconstruction support project in Cambodia, we completed the construction of its 10th elementary school, and held a ceremony to commemorate the opening of the school.

Minefield



Quickly and safely  
remove mines  
using machinery

Community  
reconstruction



Bulldozer-based <landmine removal>



Hydraulic excavator based  
<unexploded bomb removal>

Road and irrigation construction

Elementary school construction

Farmland restoration using  
agriculture-specific bulldozer



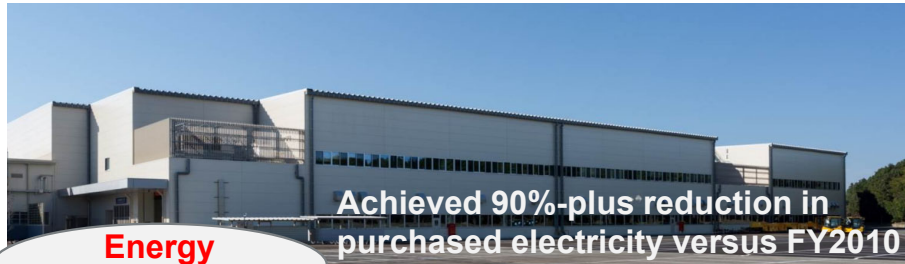
November 2022: Completed construction of  
10th elementary school

# With the planet: Production plants with low environmental Impact

- After the Great East Japan Earthquake, our plants in Japan carried out activities to halve power usage (50% reduction from 2010).
- At the Awazu Plant, measures were undertaken to support local forestry by using biomass chips made from locally thinned wood.
- To achieve carbon neutrality in 2050, our priority is on energy conservation, energy creation and the purchase of renewable energies.

## Awazu Plant

Assembly factory (completed in 2014)



Achieved 90%-plus reduction in purchased electricity versus FY2010

### Energy conservation

- Improved productivity  
2 plants → downsized to 1 plant (30% reduction to floor area)
- Building renewal  
High-efficiency ventilation system that uses geothermal heat and underground water

### Energy creation

- Generate power and waste heat by burning chips  
Use as power for plants and air-conditioning systems

Biomass ash ⇒ Use by-product fertilizer



Support improvement to forestry equipment and productivity



Cutting harvester

Swing yarder

Planting, nurturing, thinning, cutting



## Circular cycle

Use biomass power generation and waste heat

Use thinned wood

Use thinned wood that was conventionally discarded

Local forestry cooperatives, and others process into chips

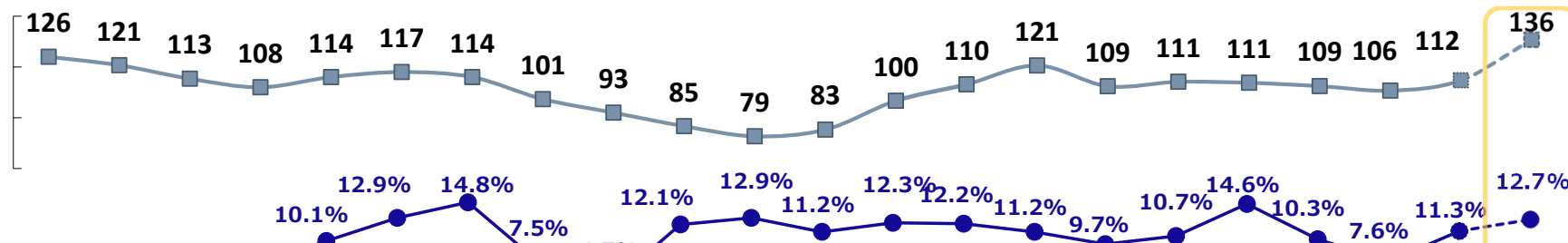


1. Company overview
2. Mid-term management plan  
:Efforts under growth strategies
3. Efforts for solving ESG issues
4. **Business results and shareholder return**

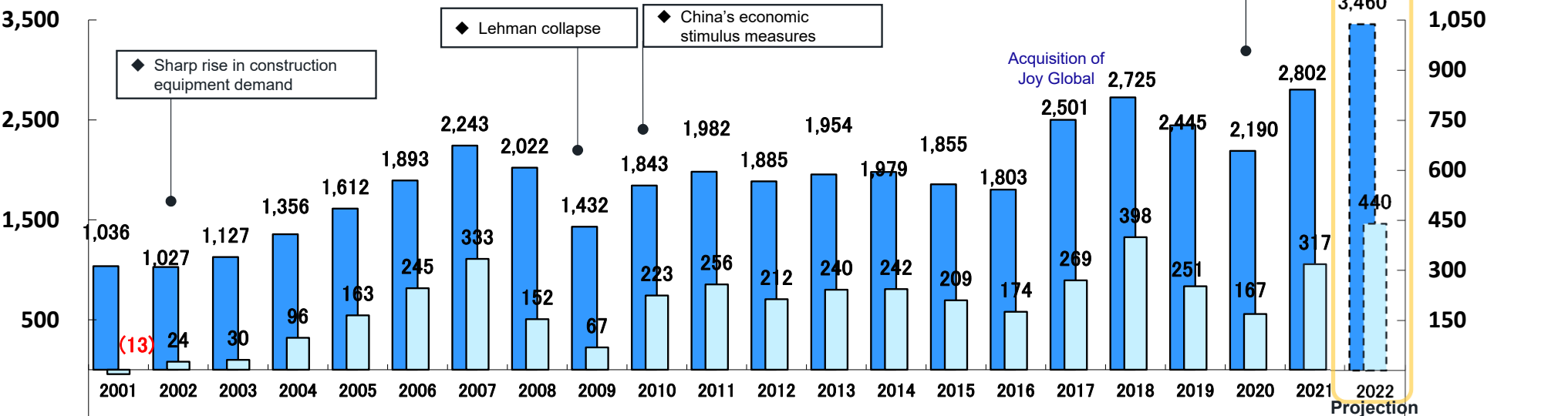
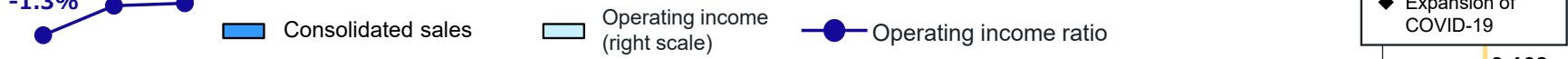


# Business results over the years

Exchange rate  
(¥/USD)



Sales  
(Billions of yen)



Expansion of Overseas production  
Diversification

Selective focus

Expand ICT-driven value chain

Customer value creation

# 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  |
|--------------------------------|--------------------------------------|---|
| <b>Growth</b>                  | Sales growth rate                    | Growth rate above the industry's average  |
| <b>Profitability</b>           | Operating profit ratio               | An Industry's top-level profit ratio  |
| <b>Efficiency</b>              | ROE                                  | 10% or higher   |
| <b>Financial position</b>      | Net D/E Ratio                        | Industry's top-level financial position   |
| <b>Retail finance business</b> | ROA                                  | 1.5% to 2.0%  |
|                                | Net D/E Ratio                        | 5 times or less   |
| <b>ESG</b>                     | Reduction of environmental impact    | <ul style="list-style-type: none"> <li>CO2 emissions: Decrease by 50% in 2030 from 2010</li> </ul> <p><b>Become carbon neutral by 2050 (Challenging goal)</b></p> <ul style="list-style-type: none"> <li>Renewable energy use: Increase to 50% of total energy use in 2030</li> </ul> |
|                                | 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 Changes and Water Risk)</li> </ul>   |
| <b>Shareholder return</b>      | 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>  |

\* Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and  
 \*\* International Green Profits: an organization that advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments

# Evaluation by external organizations for Komatsu

Evaluation by external organizations

## **Dow Jones Sustainability Indices (DJSI)\*** **Selected again for 2022**



(322 out of approximately 2,500 companies worldwide, including 36 Japanese companies)

## **CDP\*\*** **Recognized with prestigious double 'A' score for global climate and water stewardship**



\*DJSI: SRI indices operated by S&P Dow Jones Indices of U.S.A. and RobecoSAM of Switzerland

\*\*CDP : International non-profit organization, protecting water resources and forests by advocating the reduction of greenhouse gas emissions by companies and governments

# Outline of projection for FY2022

- Consolidated net sales will increase by 23.5% from FY2021, to JPY3,460.0 billion (Up JPY460.0 billion from the projection of April this year).
- Operating income will advance by 38.8% to JPY440.0 billion (Up JPY94.0 billion from the projection of April this year).
- Annual cash dividends per share are being planned for JPY128 (Up JPY32 from the projection of April this year).

Reassessed preconditions of foreign exchange rates in the second half period: USD1=JPY140, EUR1=JPY137, and AUD1=JPY89.0

| Billions of yen                            | FY2021<br>Results<br>(A)<br><br>¥112.1/USD<br>¥130.4/EUR<br>¥82.7/AUD | FY2022<br>Projection<br>(B) (Current)<br><br>¥135.8/USD<br>¥137.5/EUR<br>¥91.0/AUD | FY2022<br>Projection<br>(April)<br><br>¥118.0/USD<br>¥129.0/EUR<br>¥88.0/AUD | Changes (B-A)          |          |
|--|---|--|--|------------------------|----------|
|  |   |  |  | Increase<br>(Decrease) | Change % |
| Net sales                                  | 2,802.3   | 3,460.0  | 3,000.0  | +657.7                 | +23.5%   |
| Operating income                           | 317.0   | 440.0  | 346.0  | +123.0                 | +38.8%   |
| Profit ratio                               | 11.3%   | 12.7%  | 11.5%  | +1.4pts.               | -        |
| Net income attributable to<br>Komatsu Ltd. | 224.9   | 298.0  | 226.0  | +73.1                  | +32.5%   |
| ROE  | 10.9%   | 12.4%  | 10.0%  | +1.5 pts.              |          |
| Cash dividends per share                   | 96Yen   | 128Yen   | 96Yen  | + 32Yen                |          |
| Consolidated payout ratio                  | 40.3%   | 40.6%  | 40.2%  |                        |          |

# Projection of segment sales and profit for FY2022

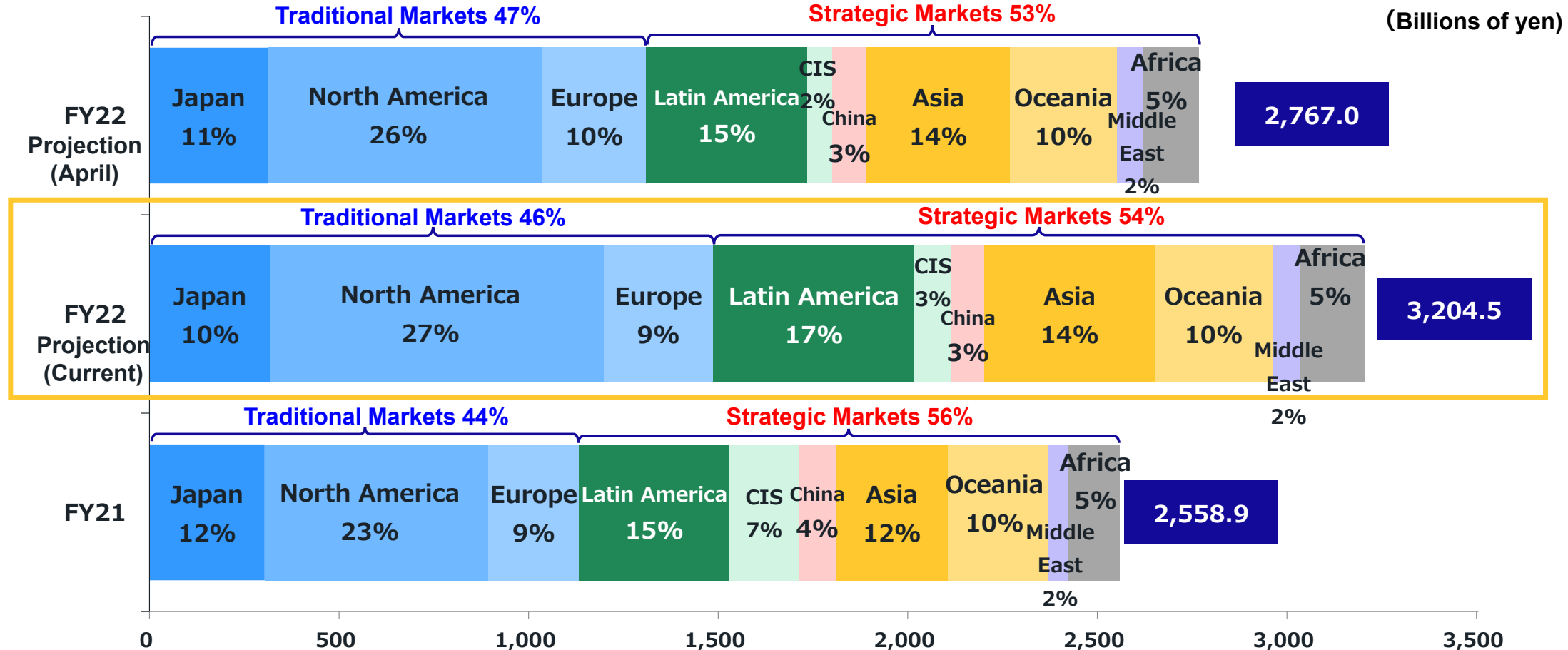
- Construction, Mining & Utility Equipment: Sales will increase to JPY3,210.0 billion. Segment profit will advance to JPY402.0 billion.
- Retail Finance: Revenues will increase to JPY83.5 billion. Segment profit will increase to JPY25.0 billion.
- Industrial Machinery & Others: Sales will increase to JPY192.0 billion. Segment profit will climb to JPY23.0 billion.

☐ : Profit ratio ( ) : Sales after elimination of inter-segment transactions

| Billions of yen                          | FY2021 Results (A) |         | FY2022 Projection (B)(Current) |         | FY2022 Projection (April) |         | Changes (B-A)       |        |          |        |
|--|--------------------|---------|--------------------------------|---------|---------------------------|---------|---------------------|--------|----------|--------|
|  |                    |         |                                |         |                           |         | Increase (Decrease) |        | Change % |        |
| <b>Net sales</b>                         | 2,802.3            |         | 3,460.0                        |         | 3,000.0                   |         | +657.7              |        | +23.5%   |        |
| Construction, mining & utility equipment | (2,558.9)          | 2,564.4 | (3,204.5)                      | 3,210.0 | (2,767.0)                 | 2,779.0 | (+645.7)            | +645.7 | (+25.2%) | +25.2% |
| Retail finance                           | (57.8)             | 71.9    | (66.5)                         | 83.5    | (53.0)                    | 67.0    | (+8.7)              | +11.6  | (+15.0%) | +16.2% |
| Industrial machinery & others            | (185.7)            | 188.4   | (189.0)                        | 192.0   | (180.0)                   | 183.0   | (+3.3)              | +3.6   | (+1.8%)  | +1.9%  |
| <b>Elimination</b>                       | (22.3)             |         | (25.5)                         |         | (29.0)                    |         | (3.3)               |        | -        |        |
| <b>Segment profit</b>                    | ☐ 11.3%            | 315.5   | ☐ 12.9%                        | 445.0   | ☐ 11.6%                   | 349.0   | ☐ +1.6 pts.         | +129.5 | +41.0%   |        |
| Construction, mining & utility equipment | ☐ 10.8%            | 275.8   | ☐ 12.5%                        | 402.0   | ☐ 11.4%                   | 318.0   | ☐ +1.7 pts.         | +126.3 | +45.8%   |        |
| Retail finance                           | ☐ 23.9%            | 17.2    | ☐ 29.9%                        | 25.0    | ☐ 23.1%                   | 15.5    | ☐ +6.0 pts.         | +7.8   | +45.4%   |        |
| Industrial machinery & others            | ☐ 12.0%            | 22.6    | ☐ 12.0%                        | 23.0    | ☐ 10.9%                   | 20.0    | ☐ +0.0 pts.         | +0.4   | +1.8%    |        |
| <b>Corporate &amp; elimination</b>       | (0.0)              |         | (5.0)                          |         | (4.5)                     |         | (5.0)               |        | -        |        |

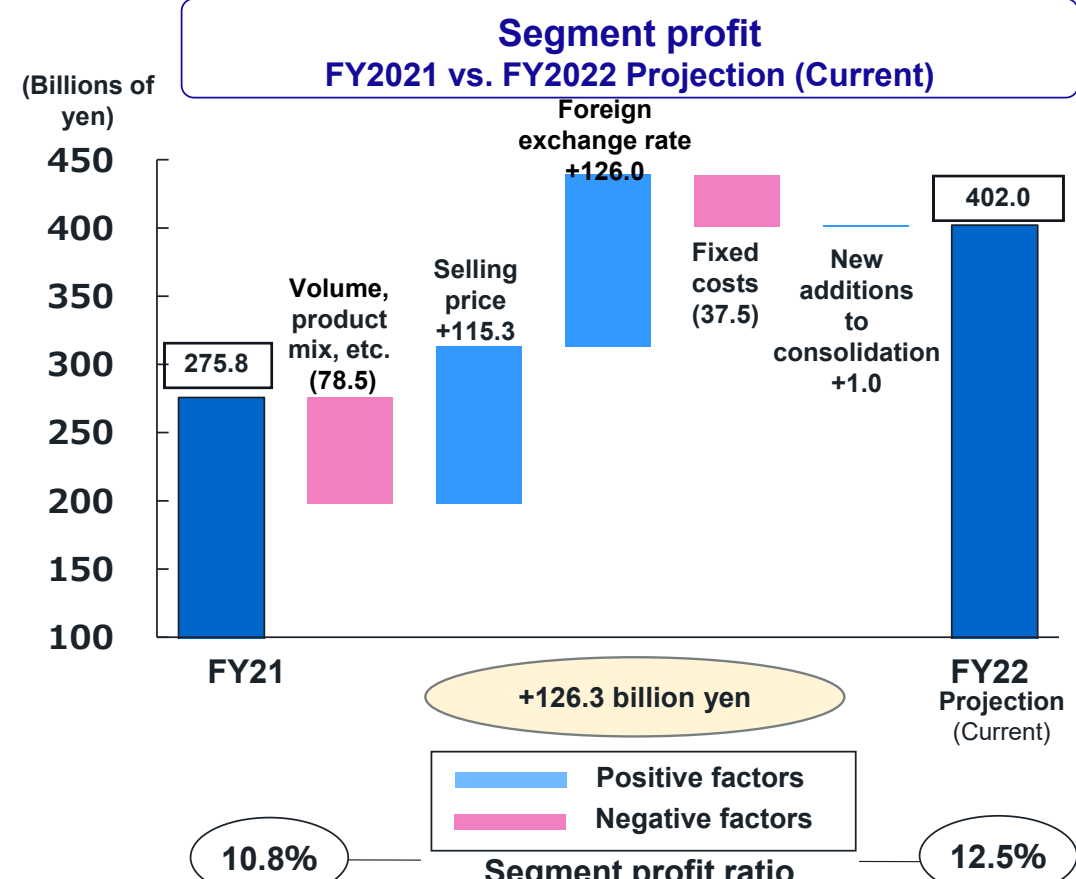
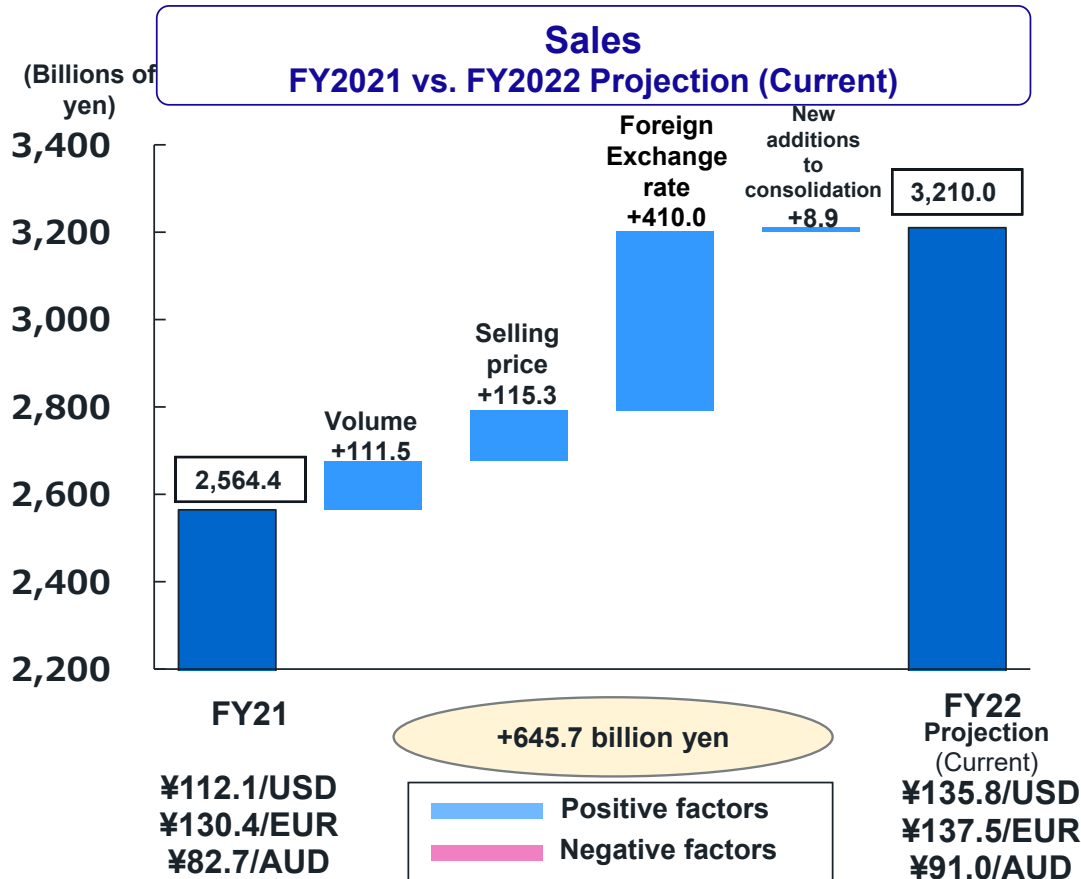
# Construction, mining & utility equipment : Projection of FY2022 sales by region (To outside customers)

- Full-year sales to outside customers for FY2022 should increase by 25.2% from FY2021, to JPY3,204.5 billion.
- Sales will improve in all regions, except for CIS and China. Sales should expand sharply in North America, Asia and Latin America.
- Sales in Traditional Markets should account for 46% of total sales, and those of Strategic Markets, 54%.



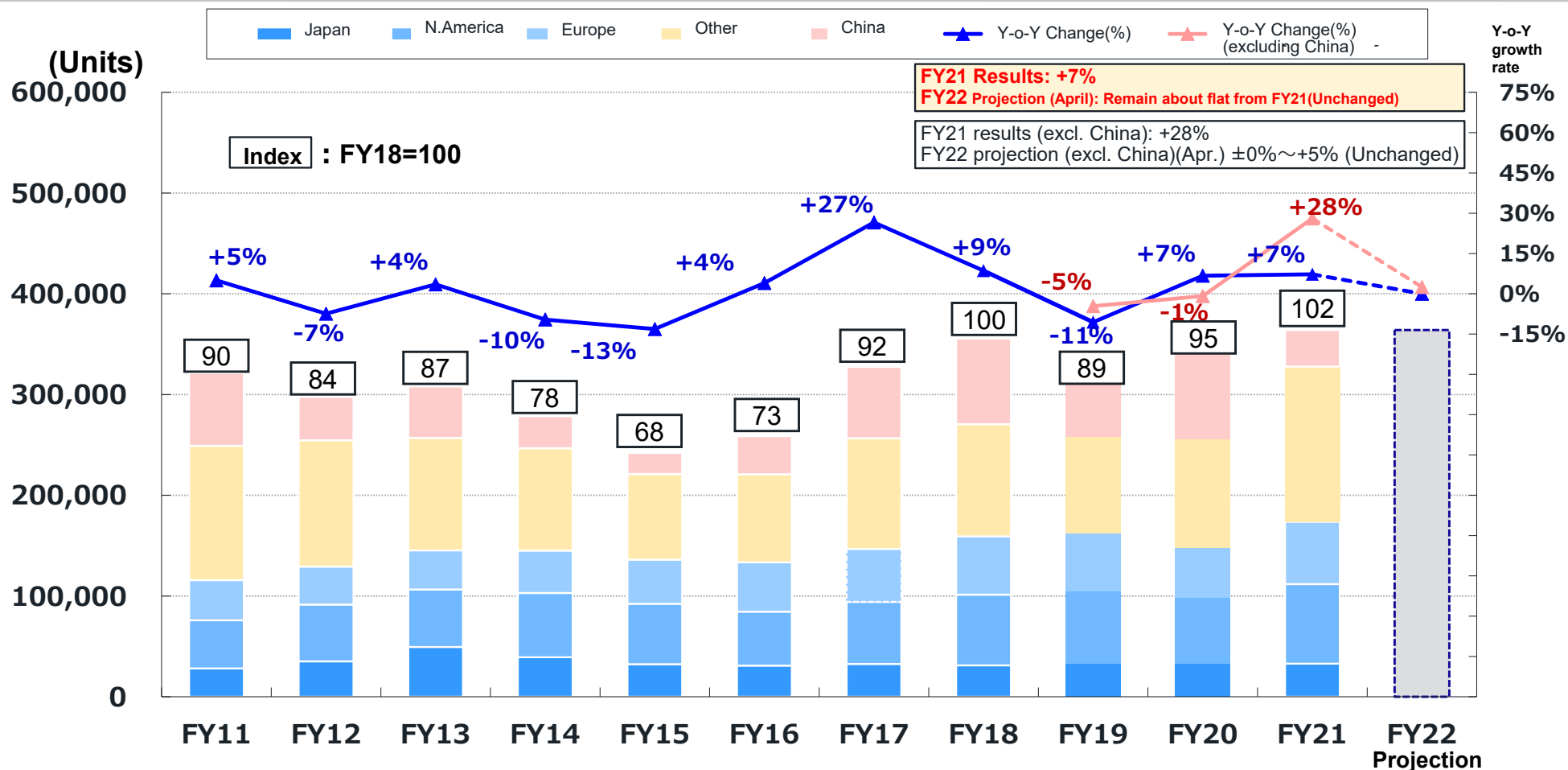
# Construction, mining & utility equipment : Causes of difference in projected sales & segment profit for FY2022

- Sales should increase by JPY645.7 billion from FY2021, supported by increased volume of sales, the positive effects of improved selling prices and foreign exchange rates.
- Segment profit should advance by JPY126.3 billion from FY2021, mainly as improving selling prices should absorb increases in material and logistics costs and the positive effects of foreign exchange rates.
- Segment profit ratio will improve to 12.5%, up 1.7 points from FY2021.



# Actual and projected demand for 7 major products

- In FY2022, full-year demand will remain about flat from FY2021.
- When China is excluded, demand should increase between +/-0 % and +5% (Unchanged from the projection of April 2022).



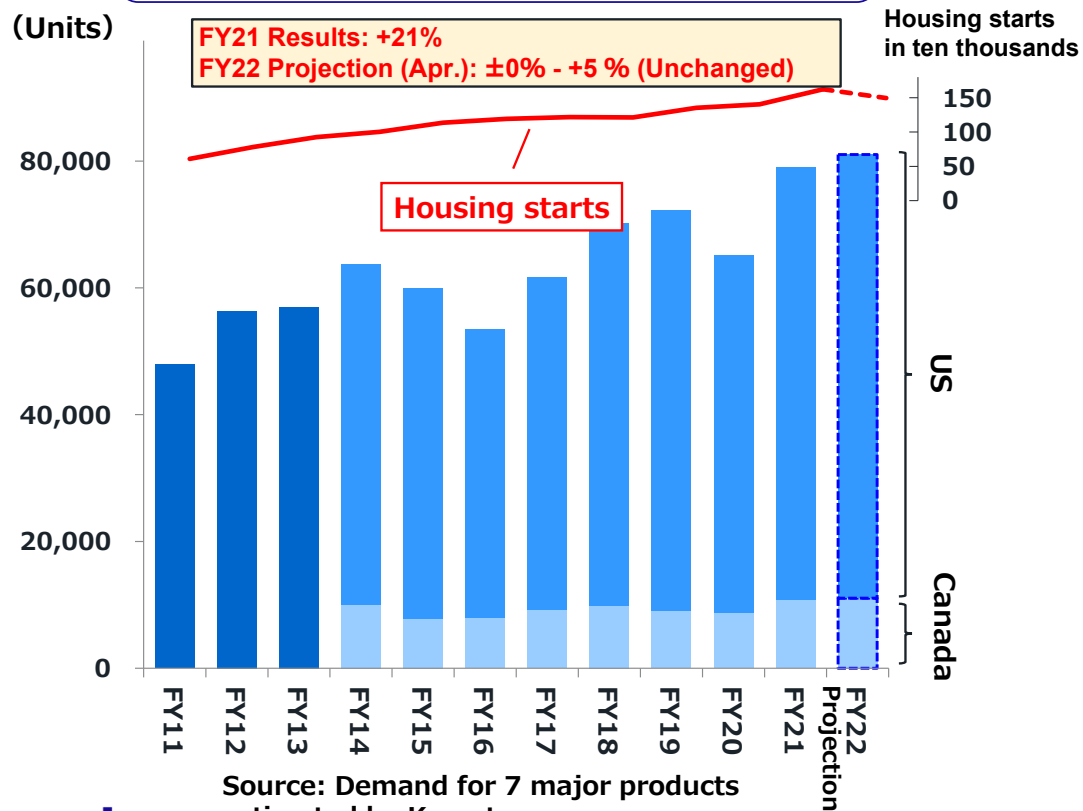
Source: Estimated by Komatsu



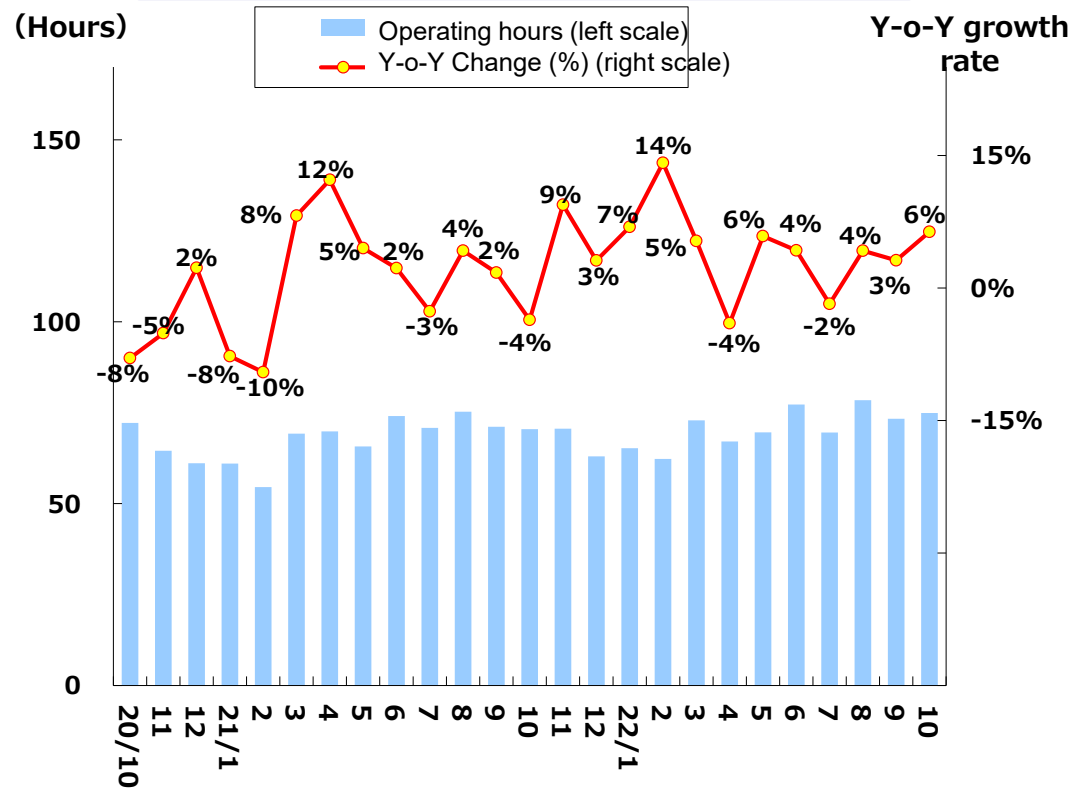
# Construction, mining & utility equipment: Demand in major markets <North America>

- In FY2022, full-year demand will increase between +/-0% and 5% from FY2021 (Unchanged from the projection of April 2022).
- It is projected that demand will remain strong. However, we need close monitoring of housing starts which have downturned and effects of growing interest rates.

## Demand for 7 major products and US housing starts



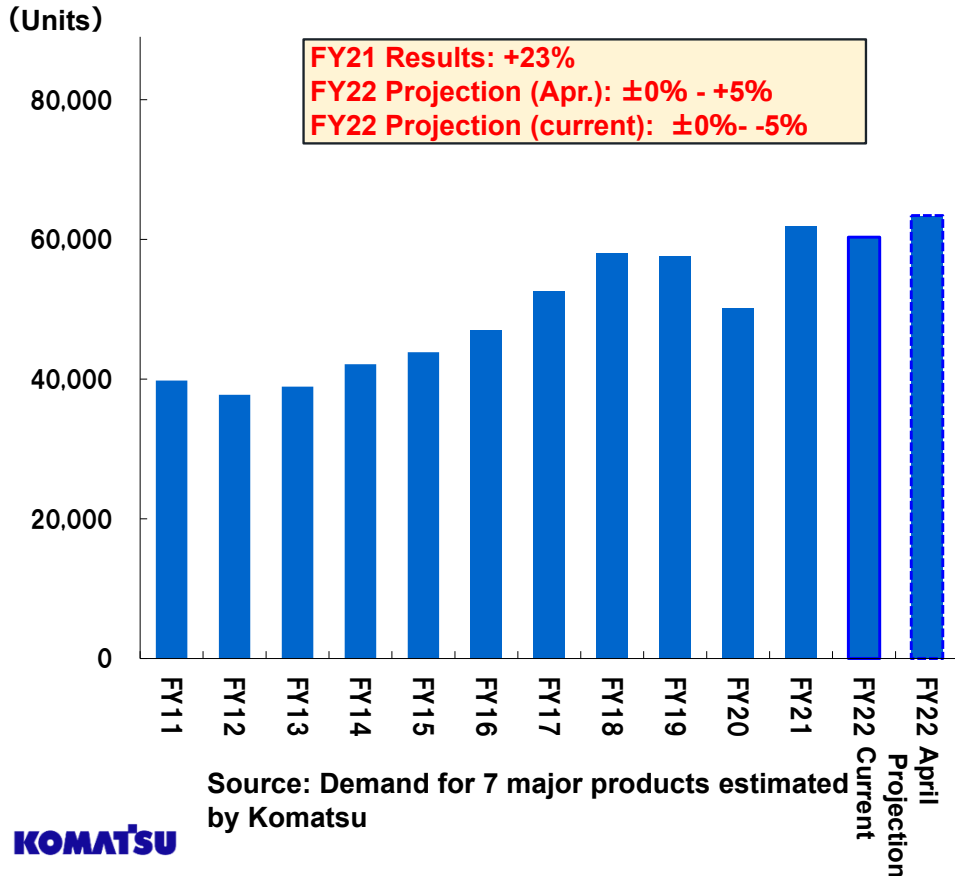
## KOMTRAX in North America: Average operating hours per month



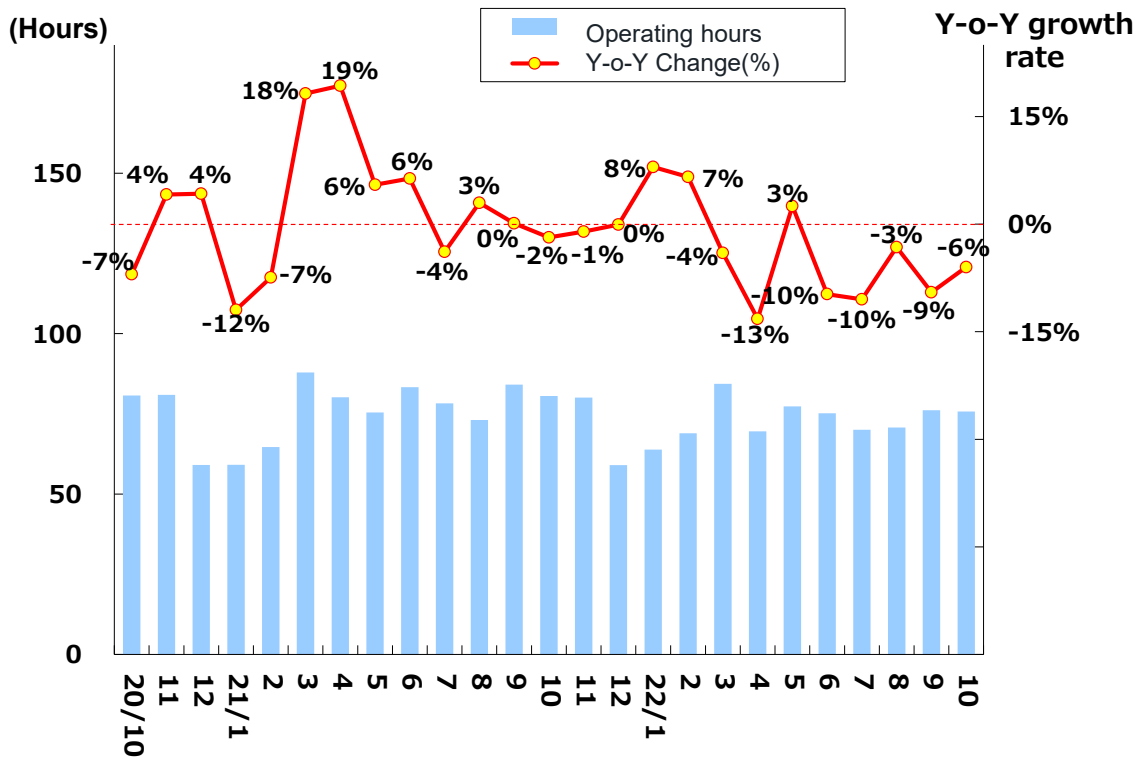
# Construction, mining & utility equipment: Demand in major markets <Europe>

- In FY2022, full-year demand will decline between +/-0% and -5% from FY2021 (Changed from the projection of April 2022).
- While we anticipate our supply shortage triggered by the supply chain disruption should improve, we continue to need close monitoring of growing inflation and skyrocketing fuel prices, which can affect market demand for our equipment.

Annual demand for 7 major products



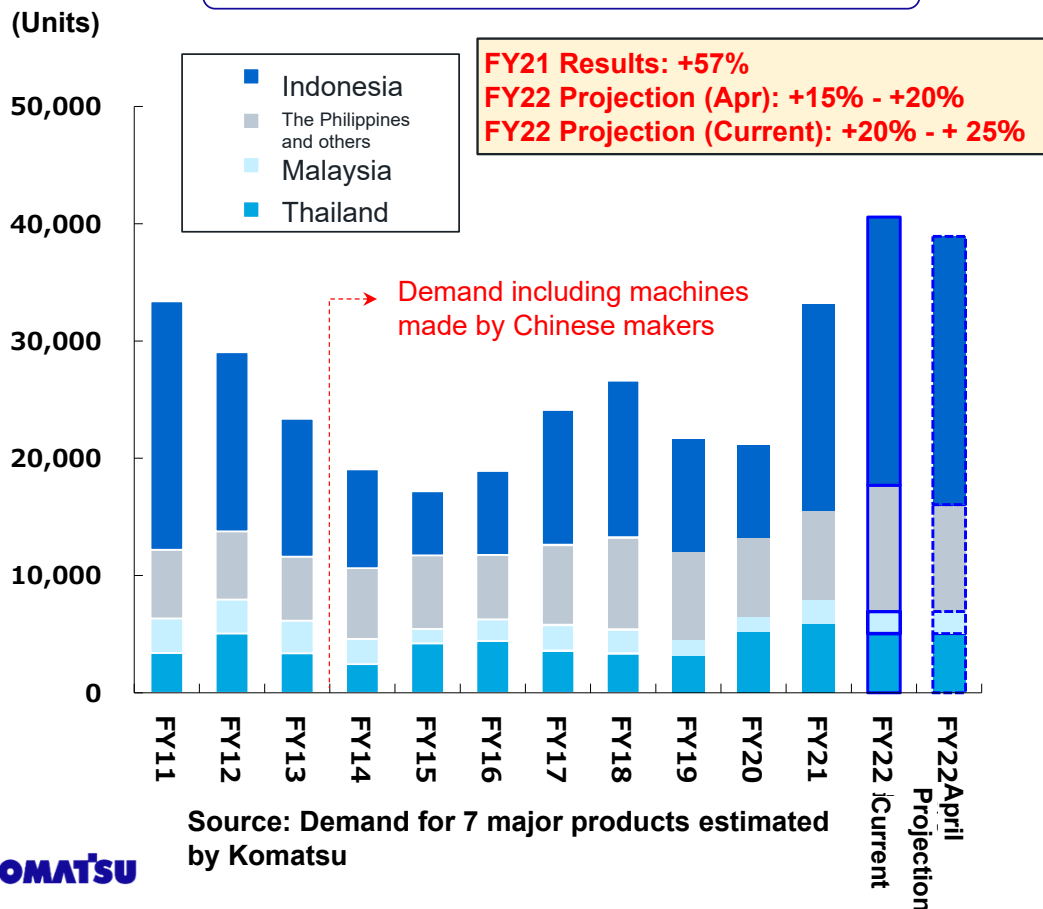
KOMTRAX in Europe: Average operating hours per month



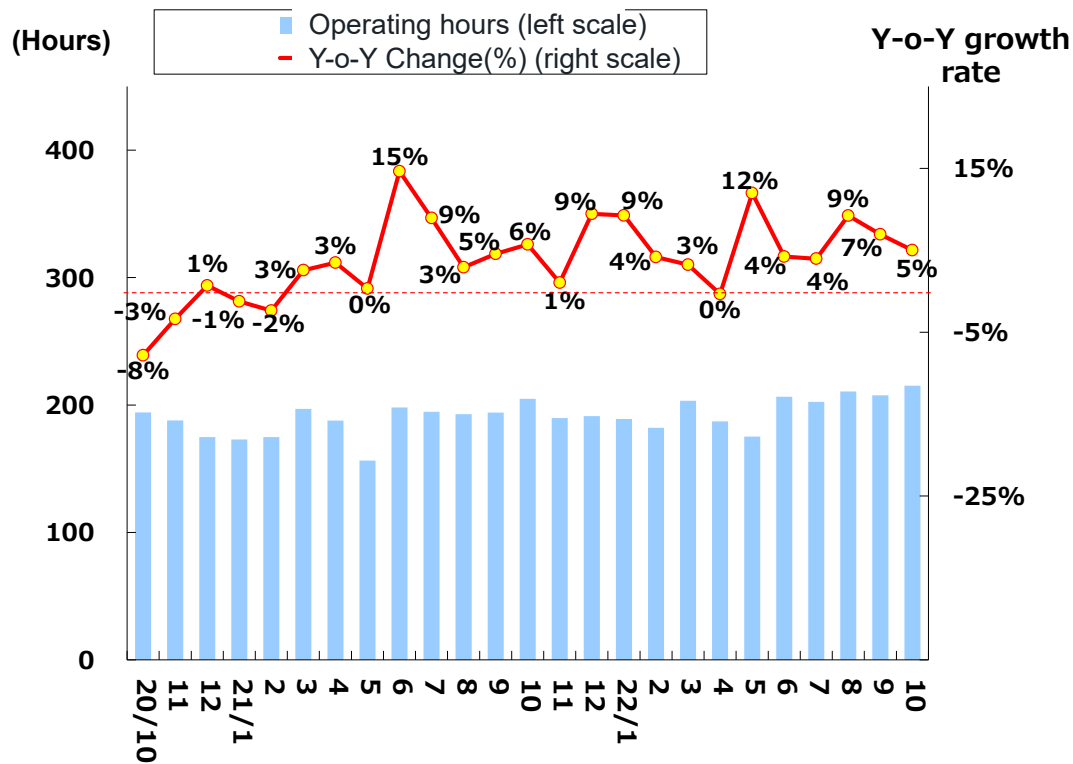
# Construction, mining & utility equipment: Demand in major markets <Southeast Asia>

- In FY2022, full-year demand will increase between +20% and +25% from FY2021 (Changed from the projection of April 2022).
- Overall demand is expected to remain strong, including in the largest market of Indonesia.

## Annual demand for 7 major products



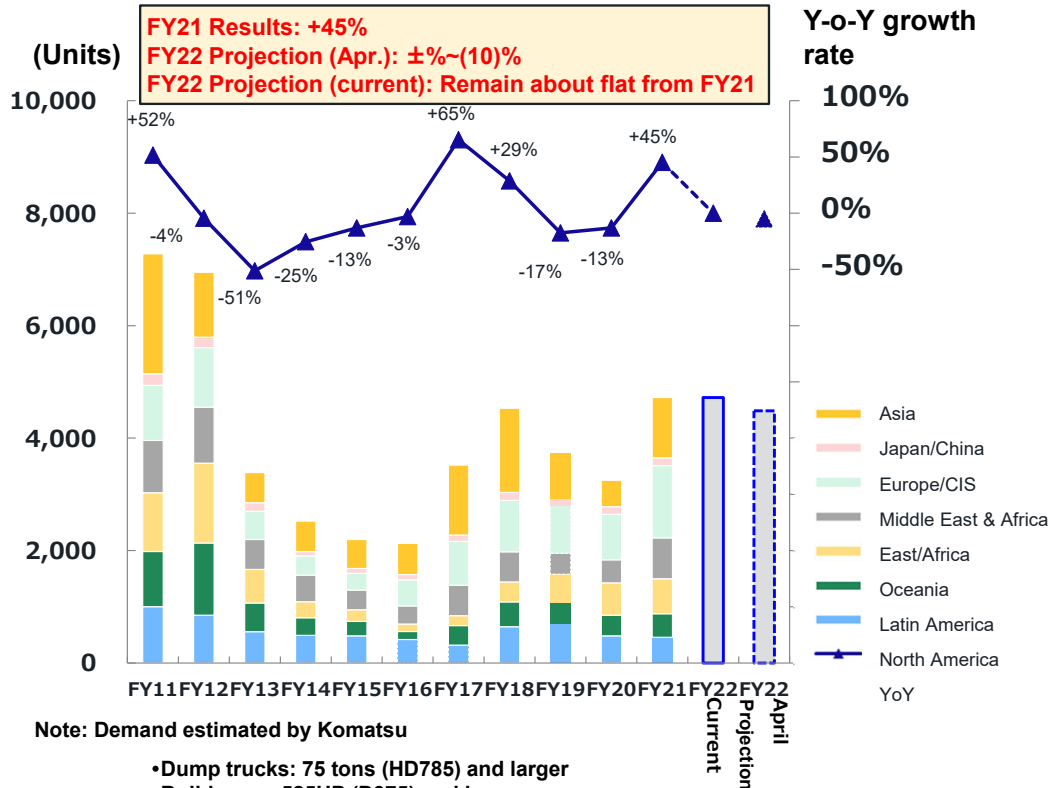
## KOMTRAX in Indonesia: Average operating hours per month



# Construction, mining & utility equipment: Actual and projected demand & sales of mining equipment

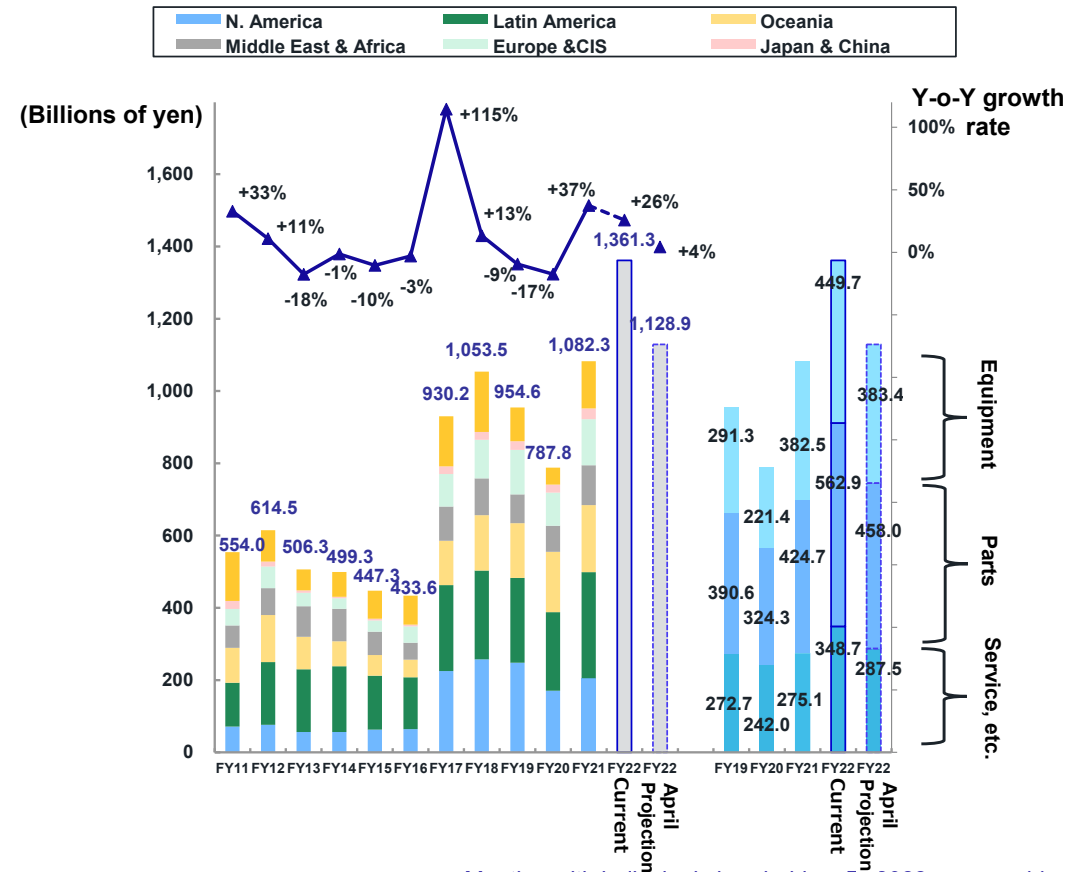
- In FY2022, full-year demand will remain about flat from FY2021 (Changed from the projection of April 2022).
- Demand expanded in Indonesia and other Asian countries, while it declined in CIS.
- For FY2022, we project full-year sales will increase by 26% from FY2021, to JPY1,361.3 billion. (Changed from the projection of April 2022).

## Annual demand for mining equipment



- Dump trucks: 75 tons (HD785) and larger
- Bulldozers: 525HP (D375) and larger
- Excavators: 200 tons (PC2000) and larger
- Wheel loaders (mechanical driven): 810HP (WA800) and larger
- Motor graders: 280HP (GD825) and larger

## Annual sales of mining equipment (incl. parts and service)



# Dividend policy

- To sustainably increase our corporate value, we at Komatsu are working to secure a sound financial position and strengthen our competitiveness. Concerning cash dividends to our shareholders, we maintain the policy of continuing stable dividends by comprehensively considering consolidated business results, future investment plans, cash flow and other related factors. Specifically, we have set the policy of a consolidated payout ratio of **40%** or higher.

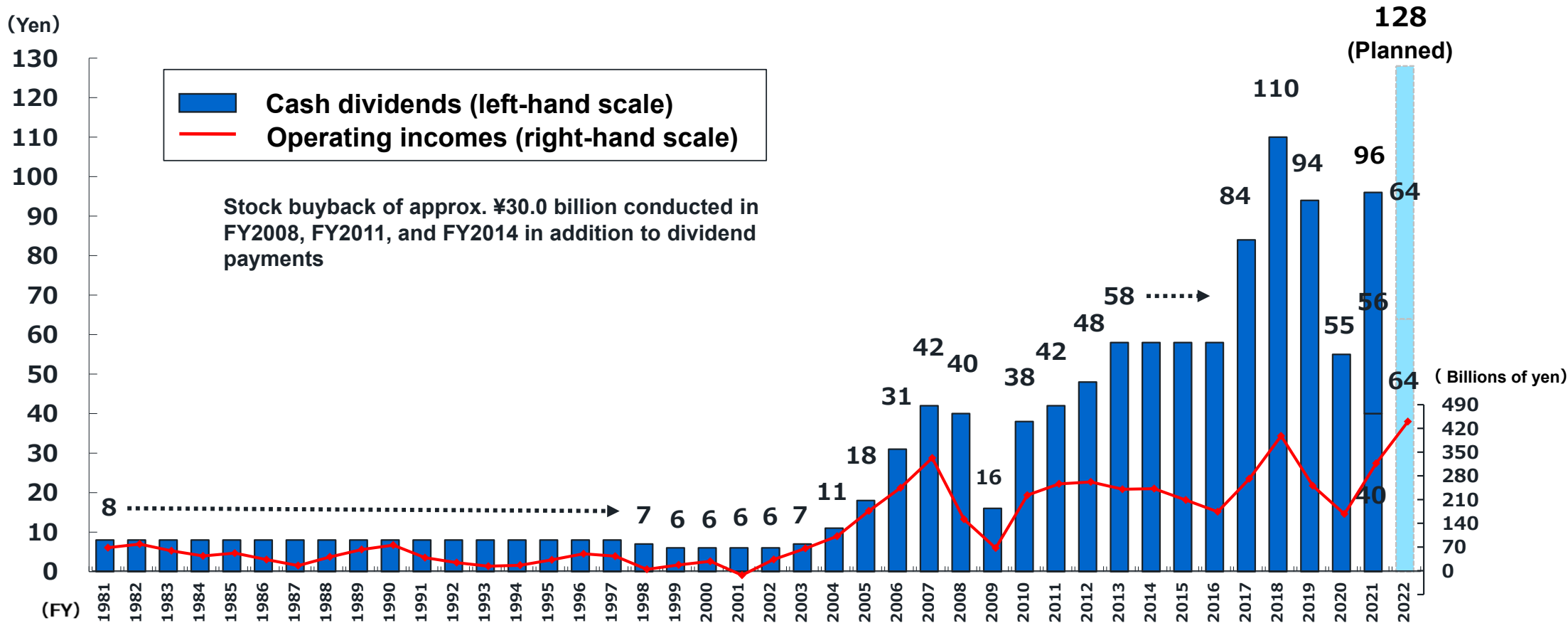
## <Dividend policy and Consolidated payout ratio>

|   | FY06          | FY07 | FY08           | FY09     | FY10 | FY11      | FY12   | FY13 | FY14      | FY15   | FY16 | FY17 | FY18          | FY19      | FY20 | FY21  | FY22<br>(Projection) |
|---|---------------|------|----------------|----------|------|-----------|--------|------|-----------|--------|------|------|---------------|-----------|------|-------|----------------------|
| Dividend Policy                                       | 20% or higher |      | 20~40%         |          |      |           | 30~50% |      |           | 40~60% |      |      | 40% or higher |           |      |       |                      |
| Consolidated payout ratio (Total return payout ratio) | 19%           | 20%  | 40% (88%)<br>* | 38%<br>* | 24%  | 24% (42%) | 36%    | 35%  | 36% (55%) | 40%    | 48%  | 40%  | 41%           | 58%<br>** | 49%  | 40.3% | 40.6%                |

\*FY2008 and FY2009 figures exclude restructuring charges.

\*\*Annual dividends per share for FY2020 include JPY 10 for the 100th anniversary commemorative dividend.

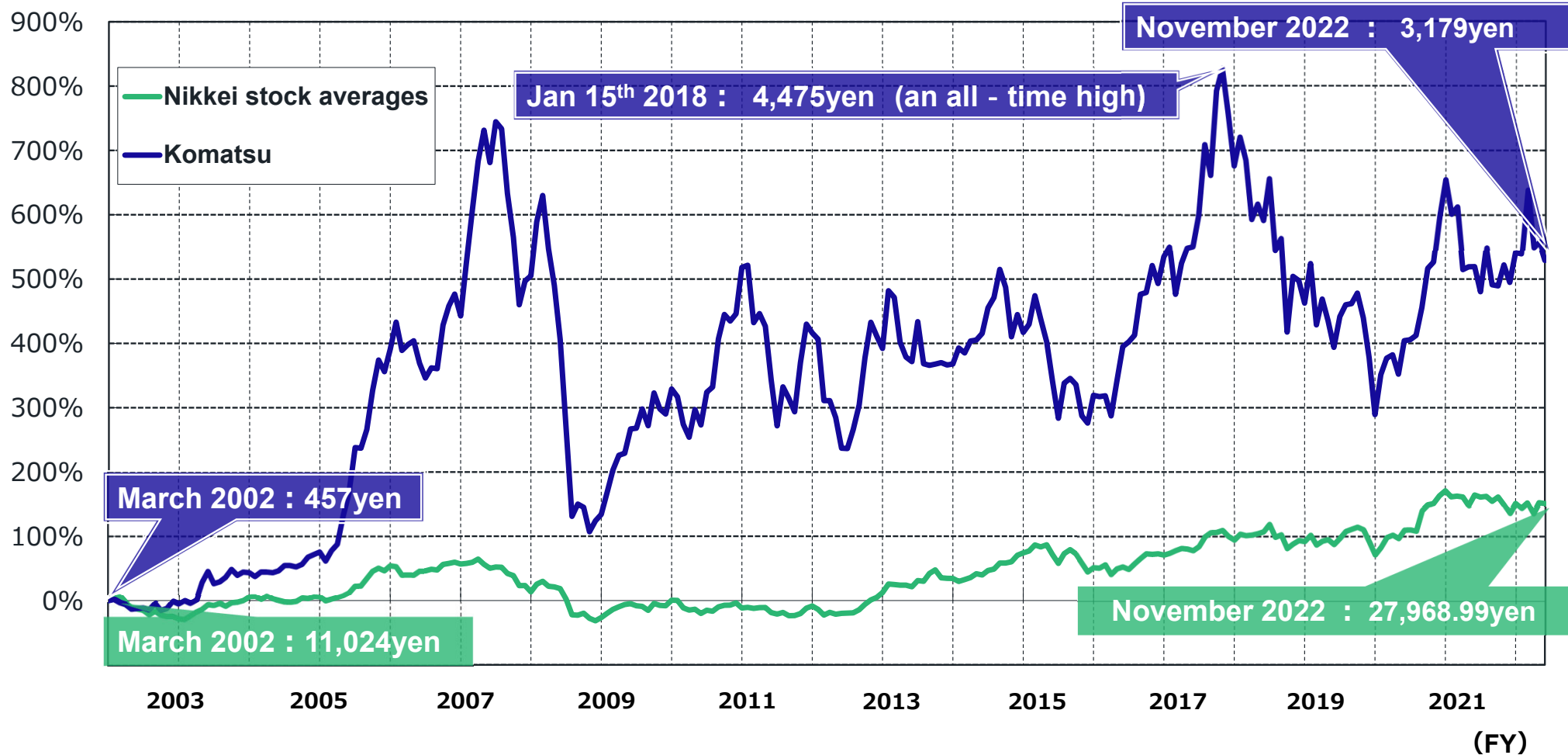
# Cash dividends



\*Annual dividends per share for FY2020 include JPY 10 for the 100th anniversary commemorative dividend.

# Komatsu's stock price history

Changes of stock prices from March 2002(the closing prices of each month)



# Complimentary gifts for long-term shareholders

- We present a complimentary gift to each long-term shareholder.  
(This program started in July 2014.)



\*Picture is just an image.

- We give an original miniature Komatsu equipment (not for sale) to each eligible shareholder.
- This is a miniature of a load haul dump (LHD) for underground mining, which is used to excavate ore from deposits.

**FY2022 gift**  
• **WX22H hybrid LHD**

## Eligible shareholders

As of the record date (March 31 of each year), shareholders who have held shares in Komatsu for **3 years or longer\***, and own **three share units (300 shares) or more**.

\*Individuals registered on the shareholder registry as of March 31 and September 30 of each year, have the same shareholder numbers, and have held Komatsu shares for 7 or more consecutive periods, including the record dates.



# Communication with individual investors & shareholders

## Actively hold facility tours

<Held for the first time in 3 years in FY22>



## Briefing for individual investors

<Held online>



## Interviews with president posted on the website

Video streaming of Komatsu's strengths, Future Outlook and Medium-Term Management Plan



## Interim Report

Latest project status and events (Only in Japanese)



# Thank you.



## 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.

Corporate Communications Dept., Sustainability Promotion Div., Komatsu Ltd.

TEL: +81-3-5561-4711 <https://www.komatsu.jp/en>

# Reference material

# Reference 1: 7 major products of construction equipment

- We estimate demand for 7 major products of construction/mining equipment by region. (Volume basis)

7 major  
construction  
equipment  
products



**Bulldozer**



**Hydraulic excavator  
(Crawler-type)**



**Hydraulic excavator  
(Wheel-type)**



**Wheel loader**



**Dump truck**



**Articulated dump truck**



**Motor grader**

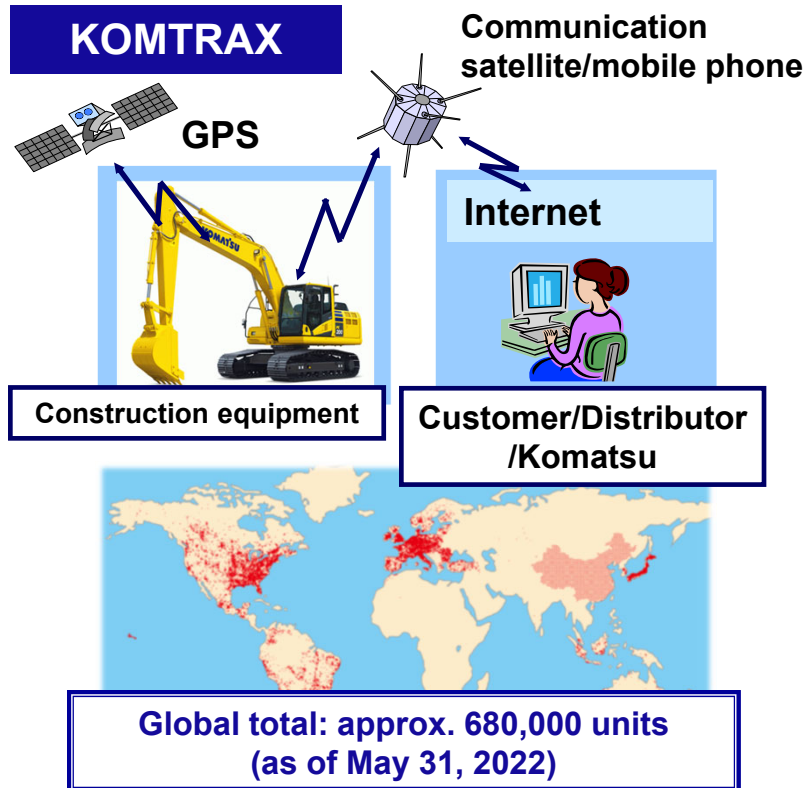
Growth rate in demand for the 7 main construction equipment products (YoY)

Komatsu website: Demand, orders and equipment operation data

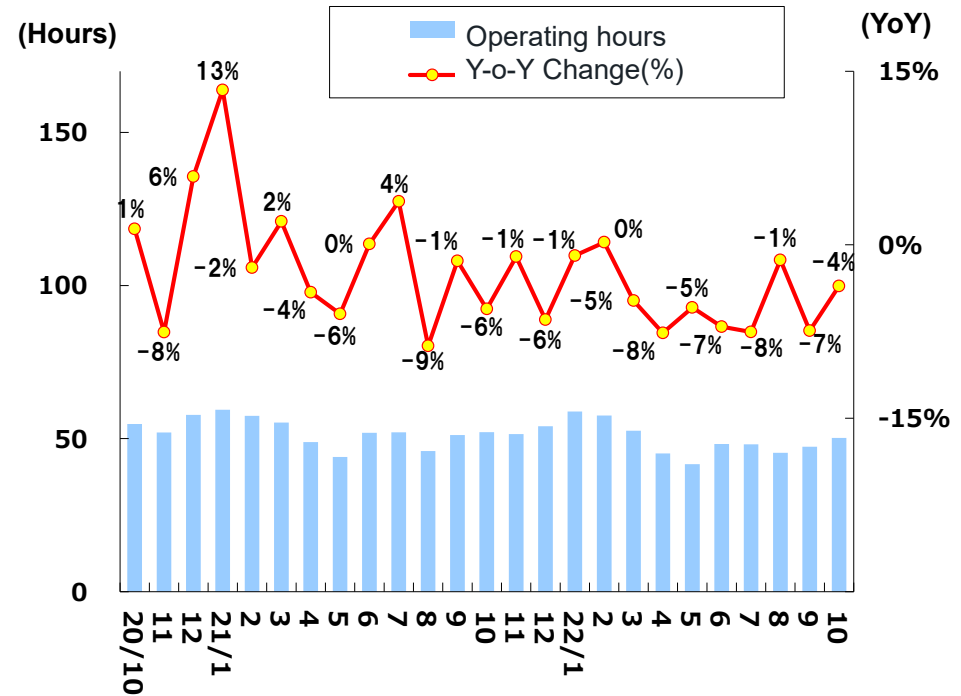
<https://www.komatsu.jp/en/ir/library/demand-orders>

# Reference 2: KOMTRAX operating hours

- KOMTRAX (Komatsu Machine Tracking System) is a system that enables remote monitoring and management of machine positions and conditions, mainly using GPS.
- We can estimate demand in a timely manner by analyzing operating hours obtained from KOMTRAX.



## KOMTRAX monthly average operating hours (Japan)



KOMTRAX monthly average operating hours (YoY)

Komatsu website: Demand, orders and equipment operation data <https://www.komatsu.jp/en/ir/library/demand-orders>

# Reference 3: Differences in sales volume, product mix, and selling prices

- We analyze and disclose the factors which cause YoY changes in sales and segment profits in the construction, mining & utility equipment business.
- In addition to sales, differences are also caused by differences in product and region mixes, sales and other conditions.

## Sales volume difference

- Change in profits in tandem with a change in sales.

## Mix gap

- By product, earnings power is high in the mining equipment and aftermarket businesses, which are our strengths.
- By region, profit margins are inclined to be high in Strategic Markets, we have a high mix of mining equipment.

### <Mining equipment>



### <Aftermarket>



Wear parts

Periodical replacement parts

## Selling price gap

- Difference in selling prices: Difference reflects mark-ups and decreases.

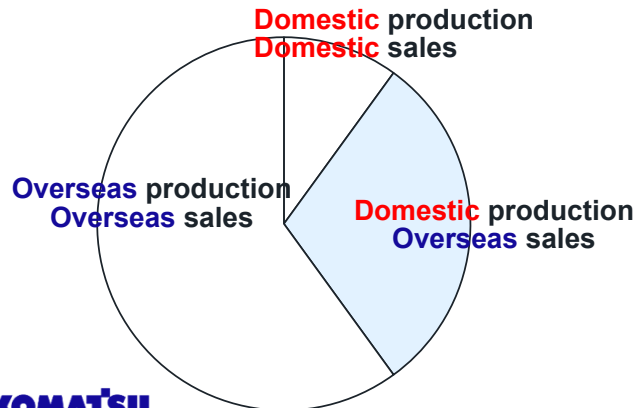
# Reference 4: Impact of foreign exchange rates on profits (Construction, mining & utility equipment segment)

- Overseas sales account for around 90% of consolidated sales at Komatsu.
- We have a policy of developing and producing key components in Japan and assembling final equipment in regions where demand is strong.
- Parts and equipment exported from Japan for production are **denominated in the Japanese yen** and sold **in foreign currencies**. ⇒ Foreign exchange rate changes impact our profits.

Equipment assembly at overseas plants  
Overseas production and overseas sales



**Domestic (yen denominated) production,**  
**foreign currencies-denominated sales**  
⇒ Forex changes impact profits.



Exports from Japan  
**Domestic** production and  
**overseas** sales



**Domestic** production  
**Domestic** sales



Main production sites of construction, mining & utility equipment (assembly plants)

| Americas | Europe<br>CIS | Middle East<br>Africa | Asia | China | Japan | Total |
|----------|---------------|-----------------------|------|-------|-------|-------|
| 36       | 16            | 2                     | 10   | 8     | 14    | 86    |

Note: The table above includes local assembly plants for underground mining equipment