



## **Komatsu's Efforts to Promote Sustainability**

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**Komatsu Ltd.**

**December 15, 2022**

I am Yokomoto of the Sustainability Promotion Division.

Today, I would like to explain Komatsu's efforts to promote sustainability.

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- 1. Role and Operations of the Sustainability Promotion Division**
2. Sustainability policy
3. Resolutions of ESG Issues in the Mid-term Management Plan (FY2022 – 2024)
4. Other Activities of the Sustainability Promotion Division

Let me first explain our Sustainability Promotion Division.

## Sustainability Promotion Division

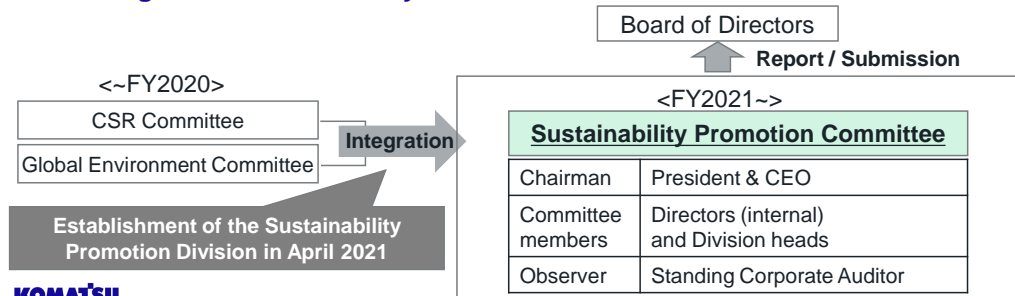
### Establishment of the Sustainability Promotion Division

- Established in April 2021, the Sustainability Promotion Division oversees the Komatsu Group's activities related to the promotion of sustainability management. The Division has the **role and functions to promote E and S of ESG**.
- An equally important role of the Division is to **transmit the stance and activities of the Komatsu Group's sustainability management** to all our stakeholders.

### Organization and Structure



### Positioning of the Sustainability Promotion Committee



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The Sustainability Promotion Division was newly established in April 2021 as an organization with the role and functions to promote E and S of ESG.

The role of our division is to widely disclose Komatsu's activities internally and externally through media relations, integrated reports, and ESG data books. We also hold events for individual investors and shareholders.

The Sustainability Promotion Committee, described here, was formed by integrating the CSR Committee and the Global Environment Committee. The "Basic Sustainability Policy," which I will explain later, was formulated in December 2021 after discussions were held by this committee, followed by the establishment of our division, and then submitted to the Board of Directors.

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Next, I will explain the Basic Sustainability Policy formulated in December 2021.

## Komatsu's purpose: purpose, values, and brand promise

Our purpose

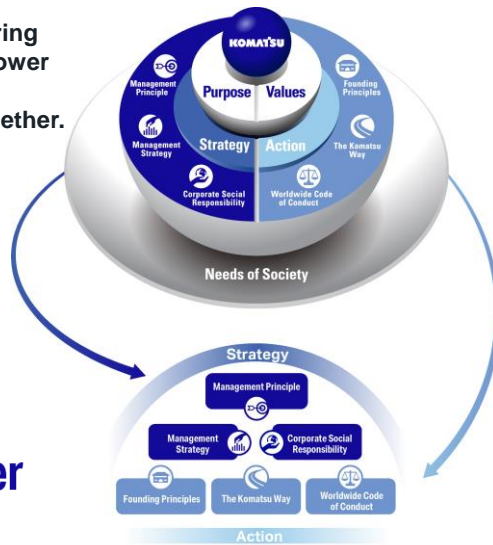
**Creating value through manufacturing and technology innovation to empower a sustainable future where people, business, and our planet thrive together.**

Our values

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

Brand promise

**Creating value together**



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On the occasion of our 100th anniversary last year, we expressed our raison d'être or purpose as "to create new value through manufacturing and technology innovation to empower a sustainable future where people, business, and our planet thrive together" and set our brand promise as "Creating value together."

Concerning our purpose and values, we have organized and diagramed our corporate identity based on what our predecessors have built, such as the founding principles, management principle, and the KOMATSU Way.



The management principle is our basic stance to achieve our purpose, and the "Mid-term Management Plan" is the strategy for realizing this principle.

In December last year, we formulated the "Sustainability Policy" to clearly state our stance on both social and corporate sustainability as well as social responsibility, which we will achieve through Komatsu's strategy.

Sustainability policy		
<p>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.</p> <p>Our pursuit of coexistence has been handed down through generations, and our basic stance is to contribute to society through business activities.</p> <p>Our purpose is "Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together".</p> <p>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.</p>		
What we do to empower a sustainable future where people, businesses, and our planet thrive together		
With people	With business	With the planet
<ul style="list-style-type: none"> <li>◆ 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.</li> <li>◆ 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.</li> <li>◆ As Komatsu Group, we shall respect human rights related to all of our business activities.</li> </ul>	<ul style="list-style-type: none"> <li>◆ 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.</li> <li>◆ We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence and co-prosperity.</li> <li>◆ 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.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies.</li> <li>◆ We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation.</li> <li>◆ We pursue collaboration and value creation with our stakeholders towards a sustainable planet and future.</li> </ul>
Komatsu Ltd. President and Chief Executive Office		
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Here is our Sustainability policy.

Komatsu's basic stance is to contribute to society through its business activities, and we have developed policies related to the global environment and human rights while contributing to local communities.

Furthermore, we have been promoting activities based on education and various policies to deepen employees' understanding of fostering sustainability and link it to specific activities.

Meanwhile, the external environment is constantly changing, climate change is becoming more drastic, and companies are expected to contribute to the realization of a more sustainable society.

As a comprehensive policy, our Sustainability policy demonstrates our commitment to respond with sincerity to the demands of society and what we do.

It is based on the significance of our purpose and divided into the categories of people, business, and the planet.

Last fiscal year marked our 100th anniversary, and we also made the 2050 Carbon Neutral Declaration. We believe that the timing was right to express our comprehensive policy on the promotion of sustainability both internally and externally. Existing policies, such as the Human Rights Policy and the Earth and Environment Policy, are now under the umbrella of this policy.

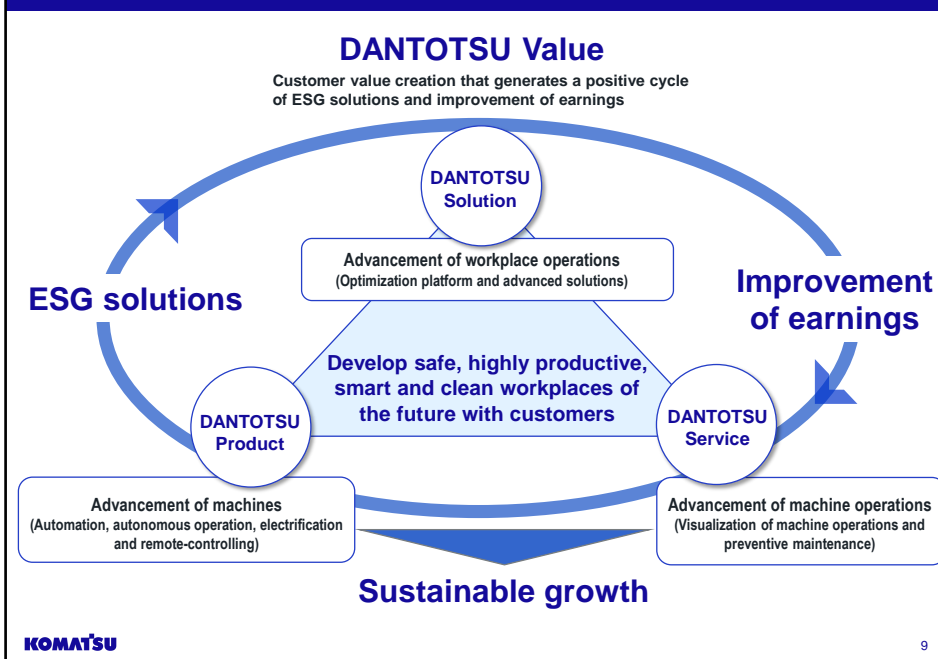
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Next, I will explain how we will resolve ESG issues in our medium-term management plan from FY2010 to FY2012.



## Komatsu's mid-term vision: DANTOTSU Value



Here is what Komatsu is aiming for in its mid-term management plan.

Under the slogan of DANTOTSU Value and toward developing safe, highly productive, smart, and clean workplaces of the future with customers, we are working to integrate Dantotsu products, Dantotsu services, and Dantotsu solutions, and create new customer value, thereby creating a positive cycle of resolving ESG issues and improving profitability and leading to sustainable growth.

### 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.

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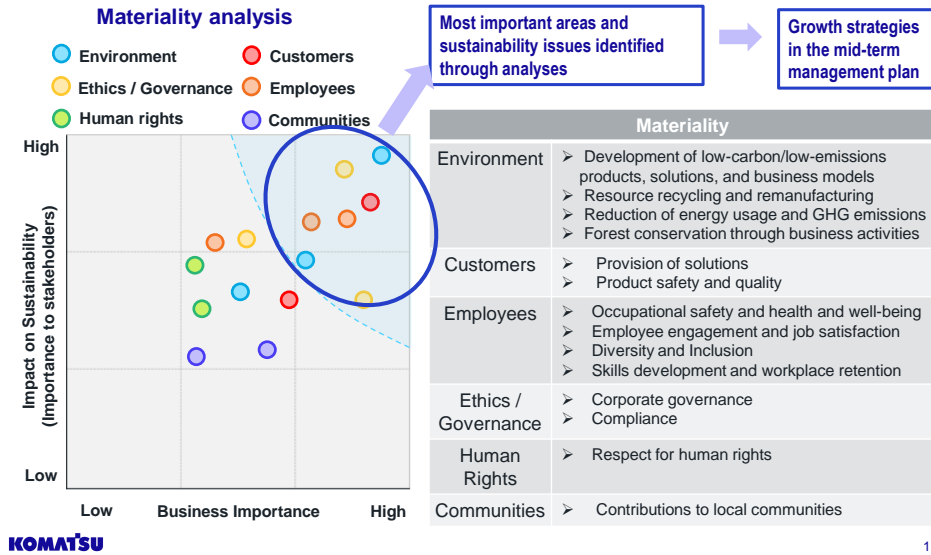
This page shows future external environment changes as we organized when developing the mid-term management plan.

First of all, the external environment is changing dynamically and becoming increasingly uncertain.

We must strengthen our ability to respond to such changes in the external environment and business risks, capture changes as business opportunities, and develop a foundation for sustainable growth. These are our challenges.

## Mid-term Management Plan (FY2022 - 2024): Materiality at Komatsu

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



To develop the current mid-term management plan, we conducted materiality analyses and identified materialities in six areas.

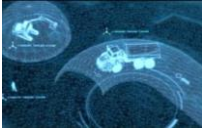
Of the six areas, we have identified "Environment," "Customers," "Employees," and "Ethics and Governance" as our most important issues, as they have the highest business importance and sustainability impact. Our efforts in these four areas are reflected in the growth strategies of our mid-term management plan.

In the mid-term management plan, we have organized the relationship between Materiality, Basic Sustainability Policy, and SDGs. Furthermore, the Board of Directors has resolved the agenda of accelerating a positive cycle of resolving ESG issues and improving profitability by addressing Materiality to achieve sustainable growth.

To respond flexibly to changes in the business and management environment, we will continue to conduct materiality analyses and consider discovered risks and opportunities in our management regularly.

## <Reference> 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

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This page also shows an excerpt from materials of the mid-term management plan. It includes examples of priority activities in the three pillars of the growth strategies.

## 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
<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> <li><b>Become carbon neutral by 2050 (Challenging goal)</b></li> <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>

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\* 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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These are the management targets of this medium-term management plan.

The ESG targets are circled in red.

We will continue efforts to achieve our targets of reducing CO2 emissions and increasing the ratio of using renewable energies by 2030. We will also continue to incorporate our evaluations by external organizations.

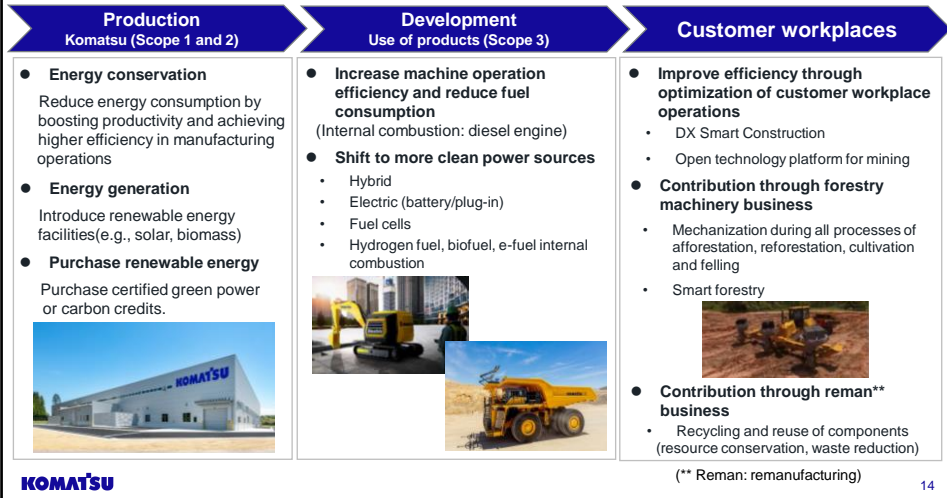
We have also added a new ESG goal of working toward carbon neutrality by 2050 as a challenging goal.

## 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)



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(\*\* Reman: remanufacturing)

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This page shows our activities aiming at carbon neutrality.

Last year, we announced our 2050 Carbon Neutral Declaration by promoting global warming countermeasures and business growth together.

We will expand the scope of our activities not only to our own sites and products in use, but also to the entire jobsite operations of our customers by optimizing their construction through Smart Construction and other measures, thereby actively contributing to the reduction of CO2 emissions in society.

Furthermore, we will continue to strengthen our forest machine business, which supports reforestation through planting, nurturing, and felling, and our Reman business, which recycles and reuses components. We regard these businesses as recycling-oriented, contributing to reducing CO2 emissions in society.

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

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This slide shows ESG issue resolution activities and their KPIs, as well as the relationship between them and the SDGs.

In this mid-term management plan, we have newly selected ten goals from among the 17 goals of the SDGs, because they are particularly relevant to materiality.

Furthermore, to steadily resolve ESG issues through our growth strategies, we will set KPIs and disclose the achievement status in our integrated report, the “Komatsu Report.”

## Sustainability Policy and KPIs in Mid-term Management Plan

- We pick up efforts of focus in line with the Sustainability policy, set 29 KPIs, and disclose them. We report our progress towards FY2024 targets in the “Komatsu Report” every year.
- Together with management targets, achievement of KPIs links with the performance-based remuneration of directors and executive officers (Stock-based Remuneration B).

### Examples of KPI targets for FY2024

With people Materiality: Employees and human rights	With business Materiality: Customers, ethics and governance, and local communities	With the planet Materiality: Environment
<p>Lost-workday injury rates (per 1 million hours) Continuous reduction from 0.65, the three-year average of the previous mid-term management plan</p> <p>Engagement survey scores Japan: over <b>75</b> Global: over <b>85</b></p> <p>Ratio of female managers Global: over <b>13%</b></p> <p>Development of DX and AI personnel 3-year cumulative no. of trainees DX practice/introductory: <b>180/900</b> AI practice/introductory: <b>30/90</b></p>	<p>Deployment of Smart Construction In FY2024 alone Global: <b>13,000</b> sites</p> <p>Deployment of AHS trucks Global: <b>740</b> units (cumulative)</p> <p>Ratio of multi-sourcing operation In light of BCP <b>92%</b></p> <p>Stringent governance and compliance Disclosure of efforts</p>	<p>Reduction of CO2 emissions in production <b>-45%</b> from 2010</p> <p>Ratio of using renewable energies <b>20%</b></p> <p>Reduction of CO2 emissions from products in use <b>-24%</b> from 2010</p> <p>Promotion of electrification of construction equipment Development steps and expansion of market introduction models</p>

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This page shows some of the KPI targets for FY2024.

From the efforts of focus in the mid-term management plan, we have selected activities in line with the Basic Sustainability Policy and set and announced 29 KPIs.

We will disclose our progress toward FY2024 targets in our integrated report, the "Komatsu Report.

The achievement of KPIs, along with management targets, is linked to performance-based equity remuneration for internal directors. (Stock-Based Remuneration)

Under “With people,” we have conducted the engagement survey and set KIPs, including the ratio of female managers. D&I is also discussed on the next page.

Under "With the planet," we have set 2024 targets as KPIs in our medium-term management plan to achieve our management targets of cutting CO2 emissions by half and achieving a 50% renewable energy utilization ratio by 2030.

Regarding KPIs related to development, such as electrification, we cannot disclose specific development plans, so they are qualitative targets. We will disclose the status of development as needed.



## Creation of Workplaces Where Diverse Human Resources Enjoy Working Together (Diversity and Inclusion)

- Diversity and inclusion (D&I) are defined as the condition in which employees with diverse backgrounds and values can respect each other's individuality and skills and work together.
- To generate innovation and drive growth by promoting D&I, we improve the human resource base with rich diversity.

### Our stance on D&I promotion

Cultivation of a healthy work environment conducive to lively and constructive discussions

➔

Improvements in personal motivation and changes to the corporate culture

➔

Generation of innovation = Growth of the entire organization

D&I is the source of innovation.



**Key initiative: Enhancement of human resource base with rich diversity**

**Improvement efforts for D&D literacy (D&I promotion, Unconscious bias seminar, etc.)**

Development of global-scope talent	Promotion of gender diversity	Improvement of employee engagement
<ul style="list-style-type: none"> <li>➢ Foreign citizens represent 68% of all Komatsu Group employees</li> <li>➢ Top management of main overseas subsidiaries: National employees</li> </ul>  <p style="font-weight: bold; color: #0056b3; margin-top: 5px;">KOMATSU</p>	<ul style="list-style-type: none"> <li>➢ Increase the ratios of female employees and managers</li> <li>➢ Training programs for female leaders</li> <li>➢ Dialogues between top management and female employees: Talk shows (4 times in FY2021)</li> </ul> 	<ul style="list-style-type: none"> <li>➢ Conduct global-scale engagement surveys.</li> <li>➢ Measures that reflect region- and organization-specific analyses</li> </ul> 

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This page shows some of the KPI targets for FY2024. This page describes our Diversity & Inclusion initiatives.

Komatsu believes that D&I creates a healthy workplace where lively and constructive discussions can take place, leading to the generation of innovation, and is promoting activities based on the President's top message, "Diversity and Inclusion are the sources of innovation."

In the mid-term management plan starting this fiscal year, we have positioned the enhancement of a diverse human resource base as a priority activity and are working on different initiatives.

We are currently promoting D&I literacy improvement activities to foster employee awareness of D&I, including a D&I promotion campaign to promote understanding by distributing videos and other instruments, and the Unconscious Bias Seminar to help employees become aware of unconscious assumptions and create a workplace where they can enjoy their work to the fullest extent.

We are also promoting initiatives including "Global Human Resource Development," "Promotion of Gender Diversity," and "Enhancement of Employee Engagement."

In this context, "Promotion of Gender Diversity" is set as a global KPI in the mid-term management plan to further accelerate the ratio of full-time female employees and female managers in the future.

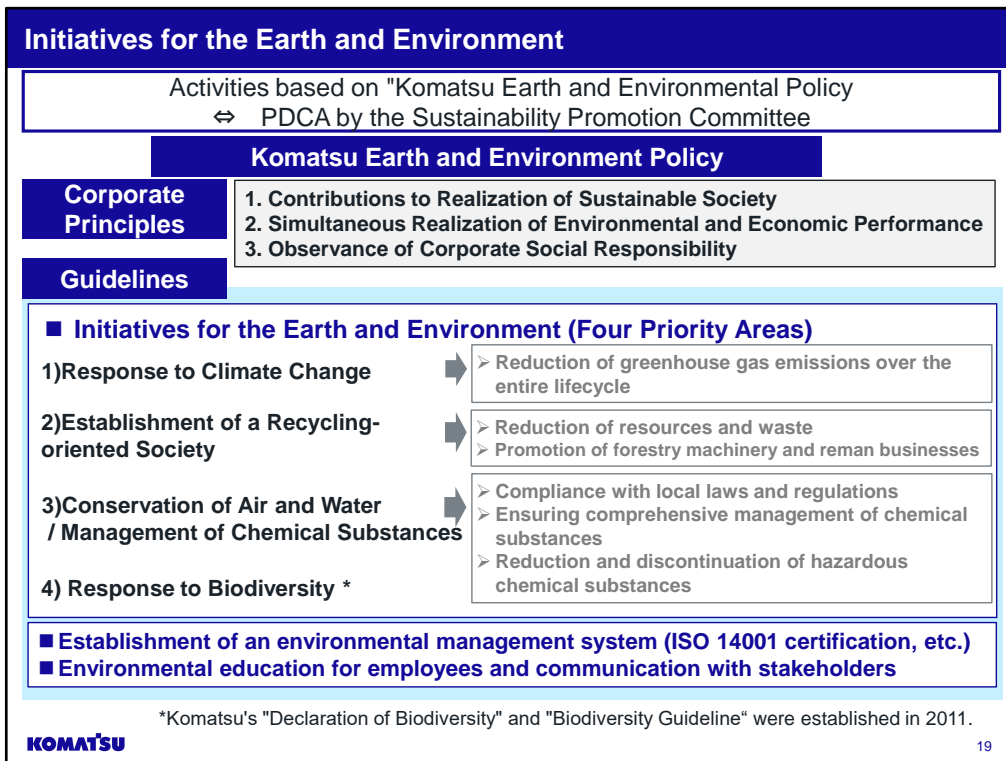
Specific activities include the establishment of training programs aimed at gender diversity at the senior management level, as well as other opportunities for the systematic development of Komatsu female leadership on a global scale.

In addition, to support women's motivation to advance their careers, we started an online talk event to answer candid questions to management this year. We are planning to hold this event four times in the current fiscal year. So far we have held it three times, all of which have been well received by participants.

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Finally, let me introduce some other activities of the Sustainability Promotion Division.

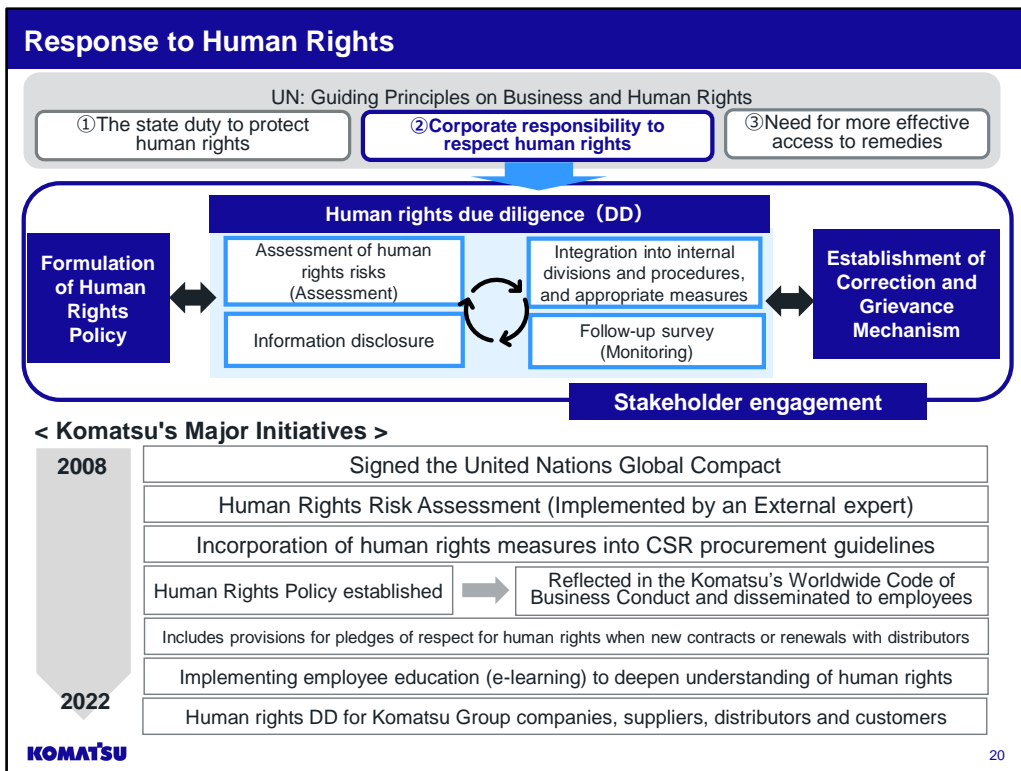


Komatsu has established the "Komatsu Earth and Environmental Policy," specific activities are discussed at the annual Sustainability Promotion Committee meetings.

The "Komatsu Earth and Environment Policy" is our basic philosophy and action guideline that outlines our efforts in the four priority areas and the structure to promote them.

In addition to CO2 emissions, our environmental management covers waste reduction, chemical management, and biodiversity.

To promote these activities, we have established operations, including an environmental management system, and are facilitating communications with our stakeholders by disclosing information internally and externally.



This page shows our efforts for human rights.

Since signing the United Nations Global Compact in 2008, Komatsu has conducted risk assessments related to human rights and incorporated human rights into its CSR-based procurement guidelines.

In 2019, Komatsu also established a Human Rights Policy, declaring that it will conduct business with respect for human rights in compliance with the United Nations Guiding Principles on Business and Human Rights and other international standards throughout its global organization.


Based on this policy, Komatsu has been steadily conducting human rights due diligence, disclosing the status of its activities, and engaging in dialogue with stakeholders. In 2021, after discussions within the Sustainability Promotion Committee, we decided to conduct written surveys within the Komatsu Group and upstream procurement supply chain, as well as on-site surveys of downstream distributors and customers. We are going to respond to the survey findings this year.

Steady implementation of human rights due diligence is one of the KPIs of the mid-term management plan. We will report on the content and progress of our activities in our integrated report, the “Komatsu Report.”


## Examples of Social Contribution Activities

**With people**

Developing people needed by the community




Komatsu-no-Mori's activities  
(Science classes, flower-raising activities)

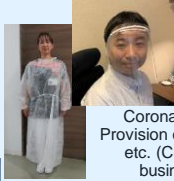


**With business**


Disaster relief




Support for women's judo




Corona virus pandemic  
Provision of medical supplies, etc. (Collaboration with business Partners)




Clearing anti-personnel landmines and community development support




"Open House" Day



Employee-participatory social contribution program "One World One Komatsu"





Support for Japan Flower Association



**With the planet**

Reforestation activities

Social contribution activities utilizing know-how and strengths that have been accumulated through business activities

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This slide describes some examples of our social contribution activities.

Our basic stance is to give back to society the know-how and strengths we have developed through our business. We are working on activities in line with our Basic Sustainability Policy.

On the occasion of our 100th anniversary last year, we also launched Employee-participatory Social Contribution activities.

Under the theme of "Environment and Sustainability" and the name "One World One Komatsu," the main activities are designed to promote CO2 reduction, water conservation, use of renewable energies, and reduction of waste on a global scale.

As a tool, we have introduced a platform that supports nine languages. To anchor social contribution activities, we held an event for the second year to plant plants, conduct community cleanup activities worldwide, and share the activities globally in honor of the UN Earth Day on April 22.

**Landmine clearance project (agricultural land restoration)**

- In 2008, we partnered with the Japan Mine Action Service (JMAS), a certified NPO supported by the Ministry of Foreign Affairs, to support community reconstruction using Komatsu's demining machines and construction equipment.
- November 2022: Held the opening ceremony of the 10th school in Cambodia, which was attended by President Ogawa.

**Landmines**

**Fast and safe demine using machine**

**Reconstruction of community**

**Road construction / waterway construction**

**School construction**

**Reconstruction of farmland by introducing agricultural construction equipment**

2022/11 President Ogawa visits a minefield in Cambodia (photographed with a demining machine)

2022/11 Completion of 10th elementary school Opening ceremony in Banteay Meanchey Province, Cambodia

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Since 2008, Komatsu has partnered with the Japan Mine Action Society (JMAS), a certified non-profit organization, to support landmine clearance and rehabilitation projects in Cambodia and other areas suffering from anti-personnel landmine damage.

In November 2022, the 10th elementary school in Cambodia opened, and I attended the ceremony along with President Ogawa.

In the safe land after demining, we have used construction equipment to build roads, bridges, reservoirs, and elementary schools, thereby contributing to the autonomous reconstruction of the entire region.

Through the free loan of equipment and technical assistance, Komatsu also supports disposal projects of unexploded cluster munitions, which, like anti-personnel landmines, continue to affect the lives of civilians after the war.

Furthermore, we have been engaged in agricultural support activities in Cambodia since 2020 to revive former minefields as rich farmland.

The equipment is used to create fields suitable for rice cultivation. In particular, bulldozers, whose blade movements are automatically controlled by ICT technology, are very effective in leveling farmland. Their use has resulted in increased rice yields.

**“Komatsu Report 2022”, an Integrated Report**

- We produce the “Komatsu Report” to introduce our efforts to enhance mid to long-term corporate value to stakeholders.
- We introduce our efforts centering on the value creation model in which we work for sustainable growth through a positive cycle of improving earnings and resolving ESG issues, which is driven by growth strategies, and the mid-term management plan.

**Komatsu’s annual reports** (All three publications are browsable on our website.)

**“Komatsu Report”  
(integrated reports)**

**Securities reports** (financial reports)

**ESG databooks** (sustainability reports)

**Main contents of the “Komatsu Report”**



KOMATSU  
Together, to “The Next”  
for sustainable growth  
Komatsu Report  
2022  
2021.4-2022.3  
KOMATSU

- ◆ Our purpose and basic policy of sustainability
- ◆ Our business outline and strengths
- ◆ Message from the president  
(Management tasks and strategies for the next 100 years)
- ◆ Message from CFO (Financial strategies)
- ◆ Mid-term management plan (Development processes and growth strategies)
- ◆ Resolutions of ESG issues driven by growth strategies  
(Measures to meet climate change, human resource development, and social contribution)
- ◆ Corporate governance

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In September, we released the "Komatsu Report 2022," an integrated report. Concerning the disclosure of non-financial information, we recognize that the importance of such information is growing against the backdrop of an accelerating trend toward integrating standards, such as the establishment of the ISSB.

We disclose detailed non-financial information in our "ESG databook," and we strive to expand the content and data yearly.

The "Komatsu Report," on the other hand, integrates financial and non-financial information to present a coherent story starting with our vision and purpose to the strengths of our business model and progress of implementing strategies. We aim to communicate our sustainability to all stakeholders in an easy-to-understand manner.

In the FY2022 edition of the “Komatsu Report,” we introduced our initiatives, focusing on our value creation model and mi-term management plan, which aim to achieve sustainable growth through a positive cycle of improving earnings and resolving ESG issues by implementing growth strategies.

We will continue closely monitoring trends in revising standards and rules for disclosing non-financial information. We will strive to disclose information in a manner that will deepen our stakeholders' understanding of our activities.

We would like to incorporate improvements into the “Komatsu Report” each year and would be happy to receive your comments and suggestions later.

## Initiatives in Line with the Framework of TCFD

- Komatsu endorsed in fiscal 2019 and disclosed its progress starting in the fiscal 2020 integrated report.
- We improved our disclosure information mainly with analyses based on a scenario projection rise of 1.5°C\* in FY2022.

Disclosure of strategies after analyzing risks and opportunities related to climate change

Disclosure framework

Governance

Risk Management

Strategy

Indicators and Targets

\* Scenario to limit the global average temperature increase to 1.5°C above pre-industrial levels.

Climate change-related risks and opportunities as well as responding strategies (Four specified themes)

Themes	Risk (R)/ Opportunity (O)	Major Strategies
1) Resources Demand for Changes	(R) Decline in coal demand (O) Increase in demand for electrification-related resources	<ul style="list-style-type: none"> <li>Expansion of hard rock mining equipment for electrification-related resources</li> <li>Automation and remote control of mining equipment</li> </ul>
2) Transition to low-carbon products	(R) Strengthening fuel economy regulations and increasing development and capital investment costs (R) Technology Development and Changes in the Axis of Competition (O) Progress in electrification and next-generation technologies (O) Expanding demand in the remanufacturing business and Smart Construction	<ul style="list-style-type: none"> <li>Development of low-carbon products</li> <li>Global expansion of Smart Construction and other solutions businesses</li> <li>Transition to recycling-oriented Business</li> </ul>
3) Manufacturing costs	(R) Higher costs due to rising carbon prices (O) Enhancing Competitiveness through Technologies to Reduce CO2	<ul style="list-style-type: none"> <li>Reducing CO2</li> <li>Promotion of the use of renewable energy</li> </ul>
4) Natural disasters	(R) Disasters caused by abnormal weather (O) Business of national resilience	<ul style="list-style-type: none"> <li>Measures against heavy rains and floods</li> </ul>

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Our initiatives disclosed in the “Komatsu Report” align with the TCFD framework.

We endorsed the TCFD in April 2007 and have been making efforts accordingly.

The four key themes, their respective risks and opportunities, and the main strategies are shown on the slide.

In May 2009, the IEA announced its 1.5°C scenario, which assumes 2050 net zero.

This year's "Komatsu Report 2022" explains that Komatsu has selected and analyzed the 1.5-degree scenario after repeated discussions, especially by the Sustainability Promotion Committee, and reporting to the Board of Directors.



## Efforts in Line with the TCFD (Task Force on the Climate-related Financial Disclosures) Framework

- “Komatsu Report 2022” explains 1.5°C scenario-based strategies specifically.
- The Report also introduces our efforts to achieve both sustainable resource development, such as the hard rock mining equipment business, and Zero emissions of mine-site operations.

**Resource demand forecast based on 1.5°C scenario**

Under the Net Zero by 2050 scenario (1.5°C scenario) of the International Energy Agency (IEA) it is projected that, as a result of the decarbonization trend, demand for coal, soft rock resources, will decline to an even greater degree than predicted by the 2°C scenario. Conversely, demand is expected to grow for the critical minerals that are indispensable to clean energy technologies. In addition, demand for iron, copper, gold, and other hard rock resources is anticipated to remain strong due to

Increased demand related to the global trend toward electrified equipment. There may be temporary fluctuations in mineral demand due to global conditions, but the aforementioned trend is expected to be a more or less consistent future under the 1.5°C scenario. It can therefore be projected that the sales of Komatsu mining equipment to mining companies excavating mineral resources will mirror this trend.

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

**(Referenced) Critical chemical demand by application\*\***

\*\* 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.

**Komatsu will lead the mining equipment industry by creating the safe, highly productive, smart and clean workplaces of the future**

**Masayuki Moriyama**  
Representative Director  
Senior Executive Officer  
President, Mining Business Division

The recent rise in concern for climate change is inspiring global change in pursuit of carbon neutrality. This is also true for the mining companies we serve, which are

The robust resource demand is prompting deeper and deeper drilling at existing mines. Meanwhile, concern for environmental issues and impacts on

**Mining TBM trials**  
Trials scheduled to start with CODELCO, a state-owned mining company in Chile.

**Komatsu GHG Alliance**  
Together with mining company customers, we founded the Komatsu GHG Alliance to develop power-agnostic trucks that can run on any power source.

In the "Komatsu Report 2022," we present our outlook for future changes in resource demand and our strategies, such as strengthening our mining equipment business for underground hard-rock mining, based on the 1.5°C scenario,

The Report also includes messages from Moriyama, President of the Mining Business Division, and an executive from a leading mining company, our customer, explaining how we are working with this customer to realize sustainable resource development.

Finally, I would like to show you a video introducing our landmine clearance project, including the school opening ceremony in Cambodia that the president and I attended in November, and our visit to the minefield site.

Thank you