

Mid-term management plan (FY2022 - FY2024)

DANTOTSU Value Together, to "The Next" for sustainable growth

To the next stage for workplaces of the future
Ensuring a sustainable future for the next generation
A new chapter of value creation to the next 100 years

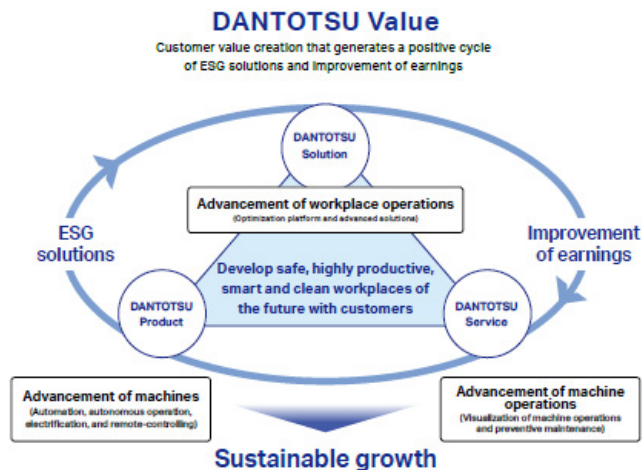
We defined our purpose as creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses and our planet thrive together. Our basic approach to achieving this purpose is through our management principle to commit ourselves to quality and reliability to maximize the total sum of trust given to us by society and our stakeholders.

We formulated our mid-term management plan as a strategy to implement this management principle. In the mid-term management plan, we defined our vision to create safe, highly productive, smart and clean workplaces of the future with customers. Our basic concept is to achieve sustainable growth by generating a positive cycle of solving ESG issues and improving profitability through the creation of customer value.

Toward achievement of our vision DANTOTSU Value and the roadmap to workplaces of the future

To achieve our vision, we are working to create DANTOTSU Value (new customer value), integrating DANTOTSU Products, DANTOTSU Service and DANTOTSU Solutions.

Figure: DANTOTSU Value



As shown in the roadmap to workplaces of the future, it is our value to solve our customers' issues by providing solutions that optimize their entire operation processes at customer's job sites and products that are highly compatible with those solutions, aiming for workplaces of the future and carbon neutrality.

Approaches to growth strategy

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

We expect demand for construction and mining equipment, our mainstay business, to increase moderately in the medium- to long-term. This increase stems from population growth and urbanization, primarily in emerging countries, and steady investment in infrastructure renewal in developed countries. In the short term, however, we expect demand to be highly volatile due to various external environmental risks.

To achieve sustainable growth in this environment, we recognize that the key to growth strategies will be responding to the following three management tasks: 1) Continuing investments in technology areas (electrification, automation, etc.) and growth business areas (forestry machinery, underground hard rock mining equipment business, etc.), 2) Improving profitability further in existing businesses and 3) Enhancing corporate structure resilience to demand fluctuations and other changes in the external environment.

Figure: Key growth strategies



Mid-term management plan

■ Three pillars of growth strategies

Komatsu formulated the three pillars of growth strategies in the mid-term management plan in light of the achievements and challenges from the previous mid-term management plan, backcasting from our vision and roadmap to workplaces of the future. We also considered the management issues arising from changes in the external environment.

We enhance our foundation for sustainable growth by recognizing trends like digital transformation (DX), carbon neutrality and diversity and inclusion as business opportunities, incorporating them into growth strategies.

Figure: Three pillars of growth strategies



1) Accelerate growth by means of innovation

In our pursuit of future growth, we continue to focus investment on strategically critical technologies and business areas. We also accelerate initiatives to turn such efforts into practical and commercialized use.

As to Smart Construction, a digital solution that optimizes construction processes on the job sites, the number of job sites where it has been installed is steadily increasing. It creates new value in combination with ICT construction equipment and remote control technologies. For mines, a number of Autonomous Haulage Systems (AHS), one of the most important solutions for improving safety and achieving GHG (greenhouse gas) reduction, reached 754 units installed (as of June 30, 2024). In addition, we have completed the development of an open technology platform that optimizes mine processes and develop software such as fleet optimization, proceeding with test introduction at major mines. Furthermore, we have begun commercial operation of large ICT bulldozers with remote control to improve safety and productivity at mine sites. In the forestry machinery business, we are working on the solution development to support circulating forest management through combining the visualization of forest resources using drones and satellites, and information on the operation of forestry machinery.

To meet our customers' diverse environmental needs toward carbon neutrality, we develop technology in all directions, not only through in-house development but also through open innovation and partnerships. As part of these efforts, we acquired American Battery Solutions Inc. (ABS), a U.S. battery manufacturer. We will develop and produce batteries optimized for our construction and mining equipment by integrating ABS' experience in battery technologies with Komatsu's knowledge and network. We also entered into a joint development contract with General Motors Company to co-develop a hydrogen fuel cell for the electric drive mining truck. Furthermore, we are developing a medium-sized hydraulic excavator with a hydrogen fuel cell.



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



Bulldozer D375Ai-8 remotely operated at Minas-Rio iron mine in Brazil

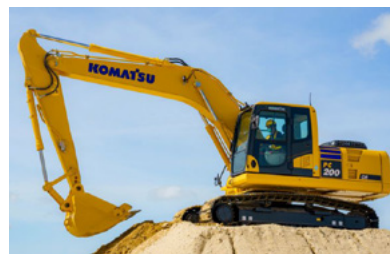
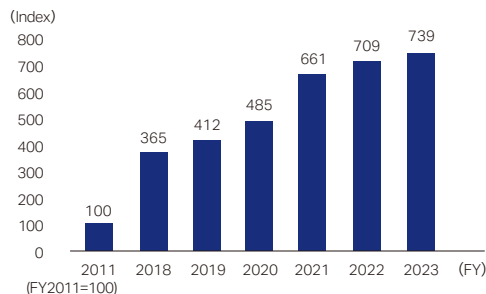
Mid-term management plan

2) Maximize earnings power

To achieve further growth and improve profitability, we will maximize revenue-generating opportunities in our existing businesses by expanding our presence in growth markets and advancing our value chain business.

We will strive to expand sales of hydraulic excavators with civil engineering specifications (CE series) introduced mainly in Asian markets. In our aftermarket business, we will leverage our strengths of in-house development and production of key components and next-generation Komtrax (machine tracking system). Komtrax enables the acquisition of detailed machine condition data to further enhance our profitability by expanding extended warranty contracts with maintenance, and expanding our remanufacturing and rebuilding businesses, thereby further building a business structure that is resilient to fluctuations in demand.

Figure: Quantity of equipment with extended warranty contracts with maintenance



CE series hydraulic excavator

P.41 Special feature 2 Contributing to a sustainable and circulating forestry industry

3) Enhance corporate resilience

Corporate resilience is a growing uncertainty. In response, we work on company integration, operational integration and other structural reforms. We also work to establish a supply chain resilient to environmental changes by further strengthening the cross-sourcing system and increasing the multi-source ratio of parts. We make continuous efforts to improve business operation efficiency and enhance our risk management system by introducing the ERM (enterprise Risk management).

Regarding human resources, we conduct a global engagement survey every two years. We review the degree of improvement from the previous survey results (2021) and reflect these results into action plans in each department. Recent survey results showed that the score of diversity and inclusion has improved significantly since the previous survey.

We will continue to manage talent with a focus on diversity and inclusion, while also actively working to develop talent for digital transformation to generate innovation.



Seminar for developing female executives (diversity and inclusion development seminar)

P.46 Special feature 3 Promotion of human capital management

Management targets

Management targets in the mid-term management plan are the same targets as the previous plan. These targets are growth above the industry average, top-level profitability in the industry, and targets for efficiency and our financial position in light of the highly volatile market environment over the short term. In the retail finance business, we kept the same targets for financial position and efficiency as in the previous mid-term management plan. In addition, we included environmental impact reduction targets and external evaluations into our management targets. We also set a challenging goal of achieving carbon neutrality by 2050. With respect to shareholder returns, we will prioritize focused investments in growth strategies, while aiming to maintain stable dividends for shareholders and a consolidated payout divided ratio of 40% or higher.

Item	Index	Target	FY2023 results
Growth	Sales growth rate	Growth rate above the industry's average	+9.1%
Profitability	Operating profit ratio	Top-level profit ratio in the industry	15.7%
Efficiency	ROE	10% or higher	14.1%
Financial position	Net D/E ratio	Top-level financial position in the industry	0.26
Retail finance business	ROA	1.5% to 2.0	2.0%
	Net D/E ratio	5 times or less	4.24

ESG	Reduce environmental impact	<ul style="list-style-type: none"> CO₂ emissions: Decrease by 50% by 2030 (compared to 2010 levels) Reduce CO₂ from product use Reduce CO₂ from production Become carbon neutral by 2050 (challenging goal) Renewable energy use : Increase to 50% of total energy use by 2030 	22% reduction 51% reduction 25%
	External organization evaluations	<ul style="list-style-type: none"> Selected for DJSI* (World & Asia-Pacific) Selected for CDP** A List (Climate Changes & Water Security) 	Selected for DJSI Selected for CDP A List
Shareholder return	Consolidated payout ratio	<ul style="list-style-type: none"> Keep a fair balance between investment for growth and shareholder return (including share buybacks), while prioritizing growth investment. 40% or more 	40.1%

* Dow Jones Sustainability Indices: SRI index by S&P Dow Jones & Company of the United States and Robeco Sam of Switzerland.

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