

# Business overview

Komatsu business consists of three main business segments. These segments are the construction, mining and utility equipment (¥3,615.2 billion in segment sales in FY2023), retail finance (¥103.5 billion) and industrial machinery and others (¥195.6 billion) segments.

## ■ Business outline of Komatsu

Komatsu is a full-line manufacturer of construction, mining and utility equipment ranging from small to super-large products in a wide variety of models. The construction, mining and utility equipment segment also develops, manufactures, sells and services construction and mining equipment. Our construction equipment includes small and medium-sized hydraulic excavators, bulldozers, wheel loaders used mainly in construction and civil engineering work, and forklifts and forestry machinery. For mining equipment, large dump trucks and other products used at mine sites. Sales ratio outside of Japan amounted to 91% of total sales for fiscal 2023. Sales composition by region is diverse, led mainly by the large markets in North, and Latin America.

Retail finance offers installment payments, leases, and other forms of financing to support customers purchasing construction and mining equipment.

Industrial machinery and others develops, manufactures, sells, and services presses, sheet metal, and machine tools for the automotive industry, as well as excimer lasers and temperature control equipment for the semiconductor industry.

## ■ Construction and mining equipment business model

We provide our customers with various services and solutions throughout the entire lifecycle of their equipment from purchasing new equipment to selling used. In this way, we develop a value chain business to support customers' fleet management. We support our customers in a multitude of ways. We offer suggestions on how to best procure equipment, operational guidance to improve fuel efficiency and productivity and regular maintenance and sales of replacement parts. We also provide support through the remote management of machine operating status, repairs and overhauls.

We develop and produce key components in-house and leverage our strengths in utilizing the abundant machinery operational data obtained using Komtrax (machine tracking system). In this way, Komatsu strives to expand our aftermarket business by providing solutions to the issues faced by our customers.

Figure: Construction, mining and utility equipment sales composition (by segment and region) (FY2023)

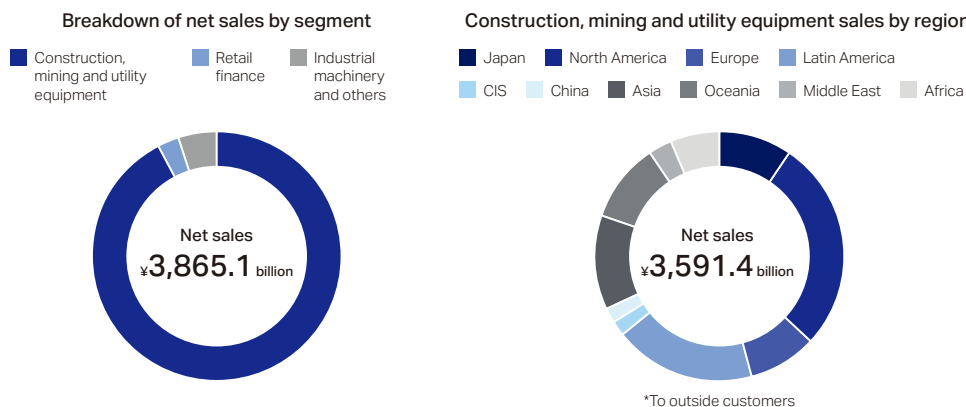
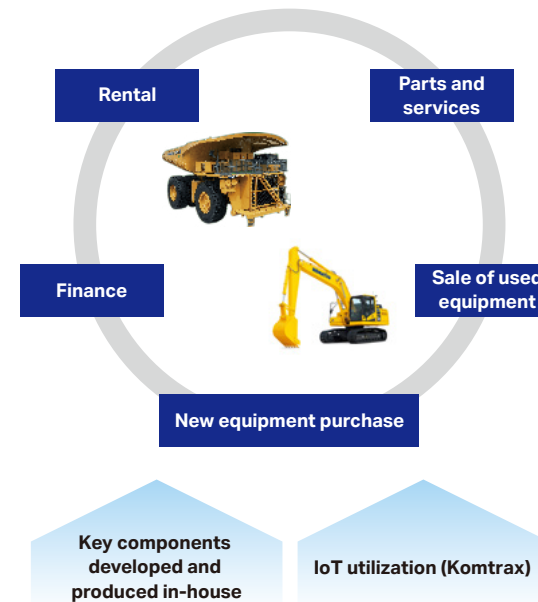


Figure: Construction and mining equipment value chain business model



Business overview

## Construction, mining and utility equipment business

### Construction equipment

● Customer needs and business strategy

In developed countries, Komatsu meets customer needs for improved safety, environmental adaptability, productivity and efficiency in light of climate change, future labor shortages and other social issues. We develop construction equipment equipped with ICT, automation and remote operation functions that support construction efficiency and electrified construction equipment. We also offer Smart Construction, a digital solution that visualizes entire construction sites and supports construction process optimization.

Emerging countries focus more on machine robustness, cost and fuel efficiency. In these countries, we introduced two-model line strategy featuring the CE series (primarily for urban civil engineering and other low-burden jobs) and standard models to meet diverse customer needs.

Main products



ICT hydraulic excavators



ICT bulldozers



Wheel loaders

Figure: Construction, mining and utility equipment sales (construction and mining equipment ratio)



### Mining equipment

● Customer needs and business strategy

Major markets include countries rich in natural resources, such as North and Latin America, Oceania, Africa and Indonesia. Workplaces demand continuous operation for long hours in harsh environments. Our products address customer needs for safety, productivity, lower equipment life cycle costs, carbon neutrality and other needs in such workplaces. The life cycle of equipment is 10 to 15 years long, and customers choose equipment based on product quality, durability and the services offered to ensure stable utilization. To this end, Komatsu works to manage distributors directly and strengthen our aftermarket business. To improve the safety and productivity of workplaces, Komatsu launched the commercial operation of Autonomous Haulage Systems (AHS) for mining in 2008. We are also developing an open technology platform to optimize entire workplaces and are working to develop applications for optimal dump truck dispatch management and machine guidance.

In terms of carbon neutrality support at workplaces, we work to develop power-agnostic dump trucks compatible with all power sources through the GHG Alliance with 11 major resource companies. Other efforts include accelerating product development to meet an expected increase in demand for underground mining methods for copper, nickel and other ores over the medium to long term.

Main products



Electric dump trucks

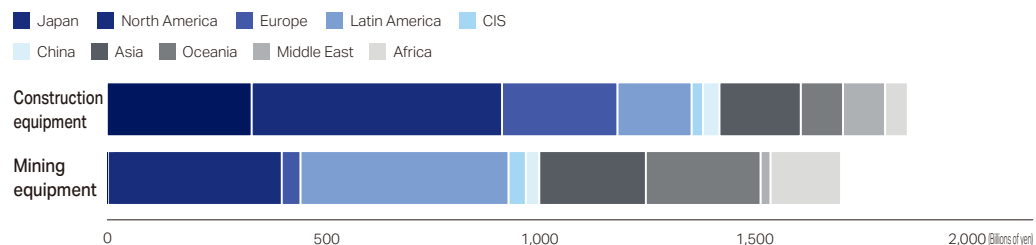


Rope shovels



LHDs (load, haul, dump machines)

Figure: Construction and mining equipment sales composition by region (FY2023)



Business overview

# Construction, mining and utility equipment business

## Aftermarket business (parts and services)

Our aftermarket business provides various after-purchase services, including replacement part and attachment sales, periodic maintenance and overhauls. Parts and services account for about 50% of sales in construction, mining and utility equipment and two-thirds of the sales in mining equipment. The aftermarket business aspires to enhance added value on a global level throughout the entire value chain after the sale of new equipment. To this end, we expand extended warranty contracts with maintenance and the Reman business which provides component refurbishment. We also expand our lineup of attachments, engage in digital marketing through online parts sales and other ICT, and pursue digital transformation using AI for troubleshooting.

### Main products



Consumable parts (tooth (claw))

Figure: Construction, mining and utility equipment sales breakdown (FY2023)

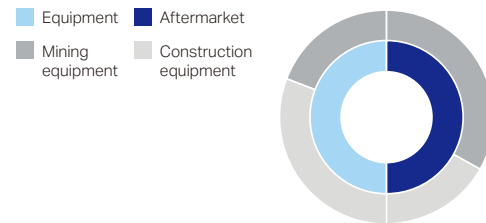
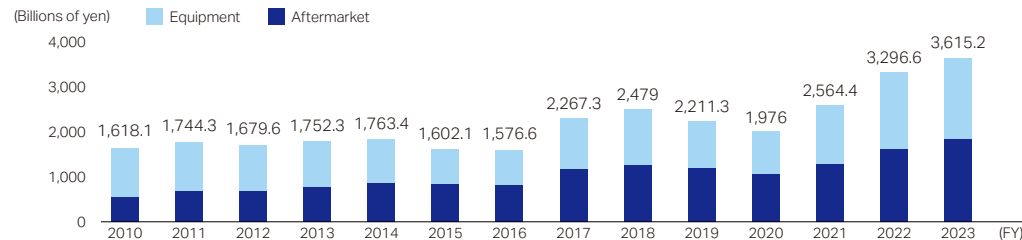


Figure: Construction, mining and utility equipment sales (equipment and aftermarket ratio)



### Our aftermarket business to support profits

The aftermarket business sales composition in construction, mining and utility equipment increased from 33% to 50% between FY2010 and FY2023. This increase was due to the increased machine population and our strategy to increase profits in parts and services. The aftermarket business is highly profitable, especially for sales of genuine parts, and is expected to generate stable earnings in accordance with machine population and operation. We will continue to strengthen this business to establish a profit structure less susceptible to fluctuations in demand for new machines.

## Forestry machinery

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

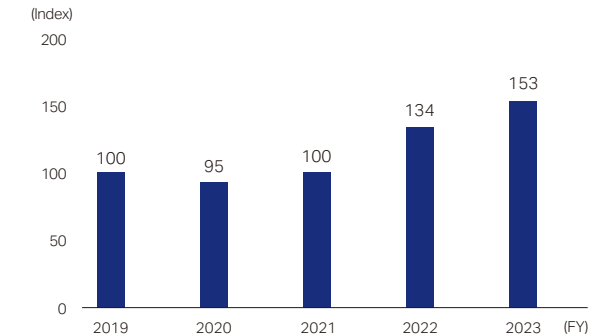
Major markets for the forestry machinery business are Europe (mainly Northern Europe), North America, Brazil and Indonesia. Demand for timber is rising against the backdrop of the growing world population, and at the same time, environmental afforestation also expands to absorb CO<sub>2</sub>. Furthermore, there is a heightened need for mechanization in forestry operations, including silviculture, harvesting and extracting from the perspective of safety and efficiency in forestry operations. Komatsu offer products that contribute to the mechanization of forestry work processes. We also offer forest management solutions that combine information on machine operation with forest resource management using drones and satellites. In this way, we aim to help customers improve safety and productivity at their sites and achieve carbon neutrality.

### Main products



Harvesters

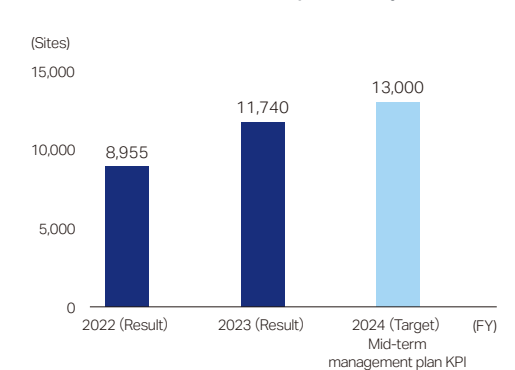
Figure: Forestry machinery business sales (FY2019=100; actual exchange rate)



## Smart Construction

Smart Construction is a digital solution service that uses digital technology to visualize and solve various issues faced by construction work sites. This service manages 3D terrain data measured and generated by drones and other ICT equipment in one central location on the cloud. Users can check site conditions in real-time and achieve high-quality construction using ICT construction equipment equipped with machine guidance and other functions. Smart Construction also enables the efficient and effective management of all processes up to the inspection. Smart Construction has been installed at more than 10,000 sites per year worldwide, primarily in Japan. Komatsu works to expand the use of this system globally in North America, Europe, Australia, and Asia.

Figure: Number of job sites using Smart Construction (per fiscal year)



Business overview

Retail finance

Retail finance offers financing options in the form of installment payments, leases, and other methods to customers looking to purchase construction and mining equipment. We leverage the manufacturer strengths of Komtrax and used equipment circulation to expand the regions in which we operate, particularly in North America. Currently, we have 12 finance subsidiaries across the world that cover around 70% of global demand, with assets totaling 1 trillion yen. We strive to maintain sound and efficient business based on ROA, net debt-to-equity ratio, and other indicators, while expanding regional coverage in Asia and Africa, where future growth is expected. We also take active initiative in the forestry machinery business.

Figure: Retail finance business model

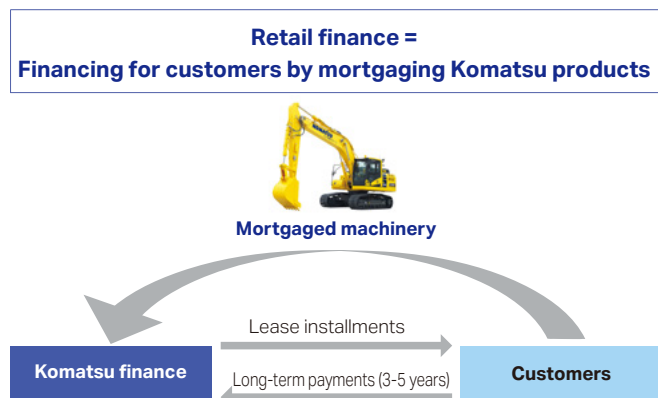
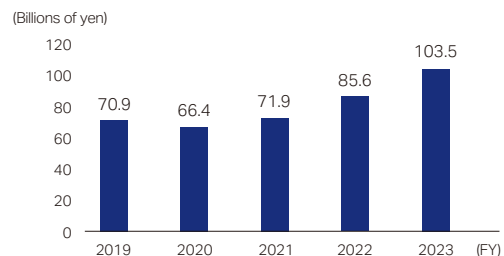


Figure: Retail finance sales



Industrial machinery and others

■ Semiconductor manufacturing equipment

GIGAPHOTON Inc. develops, manufactures, sells, and services excimer lasers used as light sources for lithography systems in semiconductor manufacturing equipment. KELK Ltd. develops, manufactures, and sells thermoelectric devices and temperature control devices used in semiconductor manufacturing equipment.

The semiconductor market is expected to grow over the medium to long term as the world transitions to a digital society due to the use of semiconductors in numerous fields. These fields include generative AI-related fields, data centers, advanced driver assistance systems (ADAS) and other automotive control systems, high-speed (5G) communications base stations and medical equipment.

Both companies strive to meet the needs of a growing market and increase the competitiveness of their excimer laser and temperature control equipment while maintaining high profitability.

Main products



Light sources for semiconductor lithography system (excimer lasers) (GIGAPHOTON)

■ Industrial machinery

Komatsu Industries Corp. contributes to customer production work, mainly in the automotive industry, by developing, selling servicing and retrofitting a wide variety of small to large models of presses and sheet metal machines. Komatsu NTC Ltd. also works mainly in the automotive industry to develop, design, manufacture, and sell various products. These products include machine tools and automation lines (e.g., machining centers and grinders), battery manufacturing-related equipment (e.g., laser tab molding machines), wire saws for silicon wafer processing processes for the semiconductor industry and image processing-related equipment.

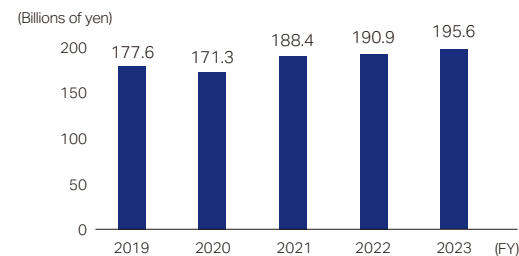
Both companies work to improve the competitiveness of their product technologies, including proposals for new construction methods, and to strengthen their aftermarket businesses, striving to capture new demand from changes represented by CASE (connected, autonomous, shared & service and electric) in the automotive industry.

Main products



Large-size AC servo presses (Komatsu Industries)

Figure: Industrial machinery and others sales



## Business overview

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

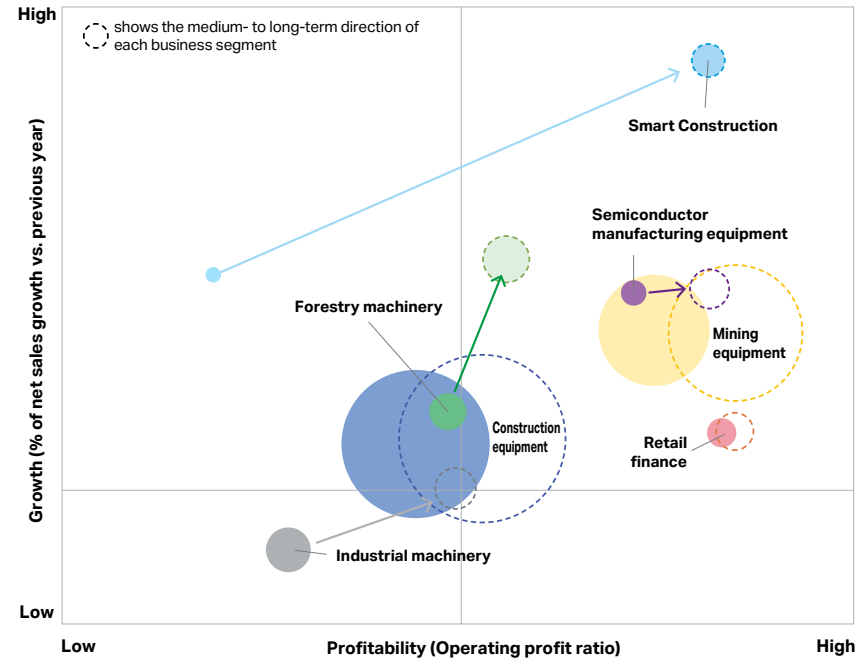
We work to improve growth and profitability by concentrating our management resources on construction and mining equipment, retail finance, and industrial machinery and others. We emphasize the operating profit ratio as an indicator of the earnings power of our business in particular when evaluating profitability.

In our mainstay business of construction and mining equipment, we will continue focused investment in growth areas and manage fixed costs. Komatsu identified various future growth areas. In terms of technology, these areas include automation, autonomous operation, electrification, remote control, components and software. Future business growth areas include the underground hard rock mining, forestry machinery, aftermarket and solutions businesses. We will focus investments in these areas while considering M&A as we strive to achieve sustainable growth through expanded solutions and value chain businesses. We will cultivate the forestry machinery business into a third pillar of our businesses, following the construction equipment and mining equipment businesses.

By combining Smart Construction and other solutions with highly-compatible product, we strive to create new value that resolves customers issues.

In the semiconductor manufacturing equipment business, we work to maintain and improve our high-profitability foundations by responding promptly to volatile semiconductor demand trends, developing competitive products, and strengthening our production and service systems. In the industrial machinery business, which focuses on the automotive industry, we will respond to the shift to EVs, trends in lighter automotive parts, and other changes in the environment. We will also improve profitability by capturing new demand through proposals for new manufacturing methods and by strengthening after-sales service.

Figure: Medium- to long-term direction of business portfolio



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