

Message from the President



Hiroyuki Ogawa

President and Chief Executive Officer
Representative Director

Komatsu will remain committed to quality and reliability as it seeks to create value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together by developing ideal workplaces through ongoing responses to the needs of society and of customer workplaces.

Komatsu's Course for Responding to Workplace Needs

Komatsu was established in Komatsu City, Ishikawa Prefecture in 1921, the Company has faithfully exercised its management principle, which entails committing ourselves to quality and reliability and maximizing the total sum of trust given to us by all stakeholders and society. We have continued striving to develop ideal workplaces by responding to the needs of customers and society over the century that followed. This dedication has enabled Komatsu to reach the 100th anniversary of its founding, which we celebrated this year. Please allow me to express my sincere appreciation to the customers, shareholders, distributors, suppliers, business partners, employees, and other stake-

holders who have supported and aided us thus far.

Komatsu's main construction and mining equipment products are used at infrastructure and natural resource development sites and other workplaces that contribute to social foundations. Our business is founded on responding to workplace needs through the provision of high-quality services that customers can use with peace of mind over the long term as well as finely tuned services offered across product lifecycles and solutions that fundamentally resolve customer workplace issues. Today, Japan faces issues surrounding its dwindling and aging workforce. Looking at the world as a whole, workplaces are

being impacted by rising concerns over climate change and other increasingly serious environmental issues. These factors are creating a strong need to improve the safety and productivity of workplaces. Meanwhile, the COVID-19 pandemic is prompting construction workplaces to seek ways of preventing workers from coming in close contact with one another, stimulating a rise in demand for automated equipment.

Komatsu will work to actively address such changes in the operating environment while pursuing ongoing growth by continuing to act based on its commitment to quality and reliability over the next century. The strengths we have fostered as a manufacturing company thus far will be central to this pursuit.

I would now like to explain Komatsu's strengths in a little more depth. An important policy of the Company is to develop and produce the key components that support the quality and reliability of its products in-house. This policy makes it possible for us to take a flexible, component-level approach toward improving the durability of construction equipment as well as toward the planning of construction equipment that accommodates contemporary needs related to the electrification and automation of equipment. Moreover, we equip components with sensors that can gather data to be used to predict component lifespans through Komtrax (Komatsu Machine Tracking System). Predicting component lifespans makes it possible to perform

preventive maintenance. We are thereby able to propose the ideal timing for equipment overhauls or parts replacements. In this manner, Komatsu develops a business that does not end with the sale of products but rather extends providing value to our customers across the entire value chain (please see page 10).

Another key factor augmenting the unique strengths of Komatsu is its ability to combine solutions such as its Autonomous Haulage System (AHS) and Smart Construction. It is crucial to develop a business model through which we provide solutions to resolve customer issues and also supply products that are highly compatible with those solutions. This is especially important given that newer manufacturers are growing in technical prowess, meaning that we can no longer succeed purely by improving the performance of our products.

Komatsu looks to create value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together. My approach toward achieving this goal will include manufacturing activities that pursue the quality and reliability Komatsu has pursued over the past century. This is the course that Komatsu must take in the future.

Impact of the COVID-19 Pandemic on Business

The ongoing COVID-19 pandemic made for a challenging operating environment characterized by economic stagnancy in FY2020. Throughout this pandemic, the Komatsu Group has placed as its top priority the health and safety of its customers, business partners, community members, employees, and their families as we took steps to prevent the spread of the virus based on government policies in the relevant countries. Moreover, we worked to fulfill our responsibilities to customers involved in businesses that support social infrastructure (essential businesses) by continuing to supply products, parts, and services to customers while implementing thorough measures to prevent the spread of COVID-19.

Cross-sourcing of products and parts and global procurement have long been an element of our approach toward absorbing the impacts of demand and foreign exchange rate fluctuations (please see page 12). We were thereby able to adapt when the pandemic forced us to halt production, primarily at overseas plants, in April and May 2020; by procuring from alternative sources and reallocating inventories, we managed to minimize the impacts of these halts on overall production. On

the sales front, meanwhile, we sought to maintain a consistent supply of products, parts, and services to customers. To this end, distributors used online venues to continue sales activities while utilizing a combination of regular commuting and telecommuting. Other measures included revising supply routes and shift structures. Operations are gradually returning to normal in various regions. At the same time, however, COVID-19 case numbers have once again begun rising in some regions. It will therefore be prudent to carefully monitor trends in the pandemic as we move forward with our business activities.

As for the increased impacts of the COVID-19 pandemic on markets, construction and mining equipment demand rose throughout FY2020 in China, where the pandemic was quickly brought under control and where the government has been implementing economic stimulus measures. In other regions, demand was down until the second quarter, but steady recovery in demand was seen centered on construction equipment in the third quarter and beyond as overall market demand picked up in conjunction with the resumption of economic activities.

Steady Progress in Priority Initiatives Leading Up to Final Year of Mid-Term Management Plan

The DANTOTSU Value – FORWARD Together for Sustainable Growth three-year mid-term management plan is slated to conclude with FY2021.

Looking first at the progress of our priority initiatives up to FY2020, we have been accelerating the promotion of digital transformation at construction workplaces with our “Smart Construction Digital Transformation” solution. Specifically, we have been soliciting this solution’s ability to optimize customers’ construction procedures while using the Smart Construction Retrofit Kit to endow conventional construction equipment with ICT functionality in Japan. In the mining business, more than 350 AHS units were installed as of March 31, 2021. We are also

developing platforms for optimizing mining operations along with systems for remote operation of large-scale hydraulic excavators (PC7000). At the same time, we have commenced initiatives for responding to the rising global concern regarding climate change, such as verification tests for electrified small and medium-sized hydraulic excavators and the development of electrified super-large dump trucks for mining applications. Meanwhile, efforts to develop sustainable, cyclical businesses included promoting smart forestry and the mechanization of processes encompassing the planting, cultivating, and harvesting of trees in the forestry machinery business. FY2020 also saw the start of operations at a new remanufacturing factory in South

Africa as part of our remanufacturing (“Reman”) business, another sustainable, circular business. In our underground soft rock mining business, we sold unprofitable product lines and reorganized our production network to optimize production capacity as part of our structural reforms.

In regard to environmental, social, and governance (ESG) initiatives, smooth progress was made in measures for accomplishing our CO₂ emissions reduction and renewable energy use targets. These efforts led to the selection of Komatsu for inclusion in the Dow Jones Sustainability Indices. In addition, CDP

awarded the Company with A ratings for both climate change and water risks. FY2021 will be the final year of the mid-term management plan, and we will thus be steadily yet boldly advancing the priority measures defined for the plan’s three growth strategies with the aim of developing a corporate constitution that is able to withstand the changes in market demand. We will do this while prioritizing measures by examining the cost performance and strategic value of each measure.

State of Progress of Focused Activity Items and Challenges for the Next Term and Onward

Three Growth Strategies		Examples of Activities
1. Value Creation by Means of Innovation	FY2020 achievements	<ul style="list-style-type: none"> Launched “Smart Construction Digital Transformation” Started installation of Smart Construction Retrofit Kit for hydraulic excavators and application for mini excavators Achieved a total of 352 dump truck units operating under the Autonomous Haulage System (AHS) Succeeded in proof of concept verification test for remote operation of a large-scale ICT bulldozer for mining using commercial 5G Started a joint proof of concept verification test for electrification of small- to mid-sized construction equipment
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> Promote market expansion and global launch of “Smart Construction Digital Transformation” solution Develop a new open technology platform for mining Develop technologies for automation, autonomous operation, electrification, and remote control
2. Growth Strategies Based on Business Reform	FY2020 achievements	<ul style="list-style-type: none"> Commercialized the product models under development aimed at complying with regulations, increasing product capabilities, and being the “DANTOTSU No. 1 in Asia” Expanded the forest machinery business (efforts into silviculture growing and cultivating forest crops and smart forestry) Introduced the new FE25-2 and FE30-2 models of electric forklift trucks Developed and launched manufacturing equipment for electric vehicle (EV) batteries
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> Improve the market position of the hard rock mining business Build a new business model using next-generation Komtrax Continue to promote value chain reforms Reform the industrial machinery business (expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)
3. Structural Reforms for Growth	FY2020 achievements	<ul style="list-style-type: none"> Selected for “DX Grand Prix 2020” Constructed a new remanufacturing plant in South Africa to strengthen value chain operations Started construction of new seal ring factory at Himi Plant
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> Promote work process reforms using ICT and IoT Promote next-generation plants and plants with zero impact on the planet and workers

Further Growth and Overseas Expansion Driven by Smart Construction and Partnerships

Smart Construction was launched in 2015 as a solution for addressing social issues such as those related to the aging of operators and labor shortfalls in Japan. This solution gave rise to a solutions business aimed at drastically improving workplace productivity by organically linking entire workplaces through ICT.

Moreover, Komatsu launched “Smart Construction Digital Transformation,” a solution comprising four new IoT devices and eight new applications, in April 2020. While the previous version of Smart Construction only digitized part of the construction process (“vertical digitization”), these new IoT devices and applications will allow for digitization of the entire process (“horizontal digitization”). This will enable workplace operations to be optimized by synchronizing the real workplace with its digital twin,

thereby realizing drastic improvement in the safety, productivity, and environmental performance of the entire workplace.

Seeking to further accelerate this steady evolution in Smart Construction, we reached an agreement in April 2021 to establish a joint venture company named EARTHRAIN Ltd. together with NTT DOCOMO, INC., Sony Semiconductor Solutions Corporation, and Nomura Research Institute, Ltd.

EARTHRAIN also looks to facilitate the further growth of Smart Construction by accelerating its deployment in the principal overseas markets of Europe, the Americas, and Australia.

Identification of material issues (materiality) for the future based on input from a wide range of stakeholders

In light of the massive changes seen in the operating environment, Komatsu revised its material issues for the first time in a decade to clarify the priorities it should emphasize in pursuing sustainable growth over the next century.

The need to develop low-carbon and zero-emissions products is much greater than it was 10 years ago. Evolving corporate governance systems and accommodating diversity have also become more important. At the same time, we are pressed to address issues in areas where global trends have changed significantly in comparison to the projections of the mid-term management plan. Examples of such issues include economic sanctions and trade friction, such as those arising out of the conflict between the United States and China; risks of

developments such as the COVID-19 pandemic; and human rights issues. Environmental and energy issues are also a top priority, meaning that sustainability, climate change, and decarbonization will be a key focus going forward. The move toward carbon neutrality is accelerating on a global scale. Japan as well has announced its goal of realizing a decarbonized society by achieving a state of carbon neutrality by 2050. Komatsu will carefully consider its approach toward tying carbon neutrality initiatives to business growth, or, in other words, how it will achieve sustainable growth by generating a positive cycle of resolving ESG issues and improving earnings as described in the mid-term management plan.

Komatsu's Long-Term Vision forwards Achieving Carbon Neutrality in 2050

Under the current mid-term management plan, Komatsu has defined the targets of reducing CO₂ emissions by 50% compared with 2010 and of raising the ratio of renewable energy use to 50% by 2030. These targets are to be accomplished using equipment that improves productivity, conserves energy, and reduces environmental impacts at production sites and solutions for increasing the productivity of customer workplace. Efforts to accomplish these targets are moving forward smoothly.

The technical hurdle needing to be cleared in order for Komatsu to work toward the long-term target of achieving carbon neutrality by 2050 is massive. At the same time, electrified equipment is a market that will not be truly viable until further down the line, and there are some emerging countries that have not introduced exhaust gas regulations. However, carbon neutrality initiatives are accelerating centered on developed countries, and it is likely that needs related to carbon neutrality will arise in strategic markets* in the future. Accordingly, it is crucial for us to develop a clear technology roadmap for working toward carbon neutrality.


In terms of products, we have made consistent efforts to reduce fuel consumption and improve efficiency. Going forward, however, it will be important to augment these efforts by working to electrify and automate equipment. Komatsu has already had success in developing equipment with reduced environmental impacts, including mid-sized hybrid hydraulic excavators and diesel-electric super-large wheel loaders and dump trucks, and we look to further build upon these technologies going forward. At the same time, we anticipate that there will be a need to develop equipment that is able to accommodate any drive source, including fuel cells and hydrogen engines, in the future. Accordingly, an important challenge over the next three years will

be advancing technology and other development projects in preparation for the commercialization of such equipment.

In addition to products, we are also looking to contribute to carbon neutrality through solutions like Smart Construction and AHS that help realize massive improvements in the productivity of, and subsequently reductions in the CO₂ emissions from, customer workplaces.

Another focus will be the forestry machinery business. Komatsu aims to develop this business into a cyclical business that underpins forestry. To this end, we are promoting smart forestry, which entails using machinery and ICT for processes encompassing the planting, cultivating, and harvesting of trees. Such machinery includes logging machines as well as machines that flatten logged land and machines that automatically plant trees on the flattened land. Moreover, achieving carbon neutrality by 2050 requires that we focus both on reducing CO₂ emissions and on absorbing the CO₂ that is emitted. For this reason, Komatsu's forestry machinery business has significant potential to contribute to society by supporting and accelerating the forest regeneration cycle. The forestry machinery market is currently growing by about 3% a year, and we therefore believe that our forestry machinery business presents significant potential for future growth.

* Positioning of markets by the Komatsu Group:
Traditional markets: Japan, North America, Europe
Strategic markets: China, Latin America, Asia, Oceania, Africa, Middle East, CIS

 For more information on Komatsu's carbon neutrality initiatives, please refer to Special Feature : Komatsu's Vision for the Workplace of the Future (page 26).

Creation of Ideal Workplaces Together with Stakeholders over the Next Century

Over the next century, Komatsu will continue to commit to quality and reliability, as it has done over the past century. Seeking to create ideal workplaces, we will generate new value through manufacturing and technological innovation to help shape a future where people, businesses, and our planet thrive together. This is the approach we will take in accomplishing our ultimate goal: achieving sustainable growth together with all of our stakeholders.

We will also proactively participate in the United Nations Global Compact, the World Business Council for Sustainable Development, the Task Force on Climate-related

Financial Disclosures, and other initiatives as we work to fulfill our obligations to society and the environment as a global company. I continue to thank all of our stakeholders and ask for your ongoing support.



Hiroyuki Ogawa
President and Chief Executive Officer

Online Meetings with Individual Shareholders (Japanese only)

In the past, Komatsu has held briefings in locations across Japan as venues through which it can explain the circumstances surrounding the Company and its future course directly to shareholders. In FY2020, however, these briefings took place online for the purpose of preventing the spread of COVID-19. In FY2021, we plan to hold an online meeting with shareholders as detailed below. At this meeting, members of senior management will provide an overview of the Komatsu Group and discuss the progress of our mid-term management plan as well as the Company's interim financial outlook and full-year financial outlook.

Details of FY2021 Online Meeting with Individual Shareholders (Plan)

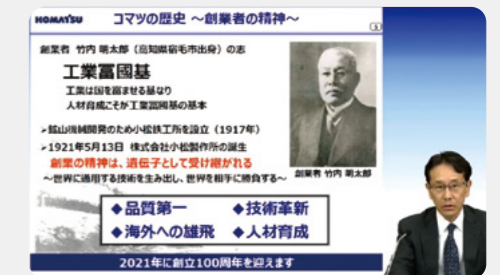
Time and Date	7 pm–8 pm(JST), December 14, 2021 (Tuesday)
Method	The viewing website and viewing methods will be described in the interim business reports scheduled for distribution in early December 2021 (in Japanese only) and the Shareholder Events section of our corporate website (in Japanese only). The briefing will be viewable from computers, smartphones, and tablets.
Attendance Requirements	Open to shareholders of the Company as of September 30, 2021
Agenda	1. Explanation of mid-term management plan progress, interim financial results, and full-year financial outlook 2. Question and answer session


*The meeting will be held only in Japanese. The materials in English will be posted on Komatsu's corporate website after the meeting. Please visit our website at Interview with the President section of Investor Relations.

Reference FY2020 Online meeting with individual shareholders

Presenters


Hiroyuki Ogawa, President and Chief Executive Officer
Takeshi Horikoshi, Senior Executive Officer and CFO



 For videos and materials from the FY2020 online shareholder briefing, please refer to the Shareholder Events section of our corporate website (in Japanese only).
<https://www.komatsu.jp/ja/ir/shareholder/event>



Video Interviews with the President

 Videos of interviews with President Hiroyuki Ogawa have been made available on Komatsu's corporate website covering topics including Komatsu's strengths, future outlook, and mid-term management plan progress.
<https://www.komatsu.jp/en/ir/library/interview-movie>

