

Corporate Governance

Message from an Outside Director



Promoting discussion to identify areas needing change in pursuit of sustainable growth—
Cutting a strong start for growing over the next century

Makoto Kigawa
Outside Director

Strengths and Issues of Komatsu as a 100-Year-Old Company

I believe that Komatsu's strengths can be seen in its unshakable brand image, which was fostered through action based on the management principle of "maximizing the trust given to us by our stakeholders and society through a commitment to quality and reliability," as well as in the human resource development initiatives based on The Komatsu Way (please see page 44) that support this brand power. Despite the fact that, today, about 70% of Komatsu's employees are of non-Japanese nationality, The Komatsu Way is embraced by employees around the world and has permeated all corners of the organization. The Komatsu Group truly is a united global organization, and the strength of this unity forms the foundation for the manufacturing capabilities

and innovativeness that are also strengths of Komatsu. Another strength is the corporate constitution that Komatsu has shaped through exhaustive business structure reforms advanced based on the keyword of DANTOTSU since the turn of the century.

These strengths have led to a sense of confidence that success can be achieved by adhering to Komatsu's approach. However, if this confidence turns into overconfidence, it might threaten to make the Company overly conservative in the face of change. I therefore think there is a need for discussion to clarify which aspects of Komatsu should be carried forward through the next century and which should be changed.

Constructive Discussion at Board Meetings and Potential for Increased Diversity to Improve Corporate Value

As a Director, I believe that I have an important role to play by providing advice pertaining to business strategies to the executive team based on an understanding that I am charged with supervising the executive function. For example, I have management experience related to the logistics industry. In 2020, we saw a sudden jump in the price of marine transportation, and the resulting disruption to the parts supply chain has become a social issue. We have been able to confirm that, at the moment, there have been no serious obstructions to local production or supply chain disruptions stemming from soaring parts transportation costs. Regardless, we must address the risk of supply

chains being disrupted due to extreme circumstances, which, in addition to the current COVID-19 pandemic, could include natural disasters, political conflicts, or other such issues. Given such risks, it is another important role of directors to confirm the current conditions while also pointing out potential future risks and offering advice in relation to these risks.

I believe that Komatsu's Board of Directors has an incredibly conducive atmosphere for encouraging open discussion and sees frank exchanges of opinion. Board meetings begin with a report from President Ogawa in which he explains the circumstances within the Company and any issues that he has

identified. These reports are great for helping outside directors understand what is going on inside of the Company. I quickly adopted this approach and implemented these reports for board meetings at Yamato Holdings Co., Ltd., where I am representative director. In addition, the president himself accurately explains issues at Board meetings, which does a lot for the ease of discussion. One particular example of this ease of discussion that comes to mind is the acquisition of Joy Global Inc. (currently, Komatsu Mining Corp.), which moved into the final decision phase shortly after I became an Outside Director in 2016. What makes this episode so memorable is how brisk and unrestrained the discussion was, even among Outside Directors, despite the late stage of the process. When a matter has been discussed a number of times, it is common for new opinions to stop being heard at later stages of discussion. A company that is able to engage in such a high degree of discussion is definitely a healthy company.

At the moment, I have no complaints about the composition

of Komatsu's Board of Directors or the evaluations of its effectiveness. The June 2021 revision to Japan's Corporate Governance Code has created a need for even more robust corporate governance. I think that the diversity of the Board of Directors will be key to realizing this more robust governance. Komatsu is evolving with the times. For example, it appointed a non-Japanese Outside Director in 2020. However, if the Company were to evolve further, with an eye to the type of Board membership that will be required in the future, it could create a Board of Directors that would allow decision-making and oversight functions aimed at improving corporate value to be exercised based on more diverse input and opinions. I think the decision to prepare and disclose a skill matrix detailing the expertise of Outside Directors and Outside Audit & Supervisory Board Members will help the Board of Directors become more effective while driving the evolution of corporate governance at the Company.

Changes in Komatsu's Operating Environment, Issues, and Expectations for the Next Mid-Term Management Plan

The current mid-term management plan was formulated based on discussions that took place when President Ogawa was still a senior executive officer. I believe that there would be no issues with transferring the basic framework of the current plan onto the next. However, the speed of change in the operating environment today exceeds that when the current plan was formulated. Accordingly, it will be important to implement the next plan, while making flexible revisions. Moreover, we are currently seeing increased political and economic instability along with massive changes in people's values. Now is thus a crucial time when it comes to ensuring Komatsu can cut a strong start for growing over the next 100 years.

When formulating the next mid-term management plan, there are largely three categories of risks that will need to be considered. The first is geopolitical risks. In recent years, we have seen an increased trend toward countries implementing policies solely for the benefit of their own national interests, giving rise to geo-economic risks. These risks could manifest in forms such as trade restrictions or tariffs; in areas related to financial markets, digital transformations, or intellectual properties; or even as acts of cyberterrorism or other extreme circumstances. It is therefore vital to discuss these risks before they materialize.

The second category of risks is climate change risks. It can be expected that coal businesses will become less prosperous in the future. This situation will create a need for Komatsu to consider how to develop its mining equipment business, which caters to such coal businesses. At the same time, the Company must ramp up development of electric equipment and other products with

low environmental impacts.

The third category of risks is competition risks in solutions businesses, such as those pertaining to Smart Construction. Komatsu's solutions businesses are currently at a stage in their growth in which it is time for the technologies and expertise Komatsu has developed in Japan to be deployed in overseas markets. The Company is currently the frontrunner with regard to such solutions. However, if Komatsu is to maintain its competitiveness in this area, it will need to bring its levels of quality in line with international standards. This will be incredibly important, so I hope Komatsu will do what needs to be done. It is unlikely that Komatsu will see a sudden change in the competitive climate in its core manufacturing operations. However, outside of these operations, in service and solutions businesses, which are more closely connected to end users, it is possible that there may be changes in competitors. Rivals with business models that had not been anticipated might also appear. Moreover, this is not an era in which a company can be competitive in the solutions business on its own. The degrees to which Komatsu will pursue alliances and to which it will boldly move forward on its own will be important elements of strategies.

At the same time, a change of perspective could reveal that these risks actually represent business opportunities. I therefore think it is important that Komatsu, with its exceptional manufacturing capabilities, identify new areas, areas in which it must change, and its strategies for these areas and accelerate its efforts as to not become overly conservative.

Corporate Governance

Basic Stance on Corporate Governance

To become a company which enjoys more trust from all stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders and investors, the Company discloses information in a fair and timely manner and actively engages in investor relations activities by holding meetings with shareholders and investors.

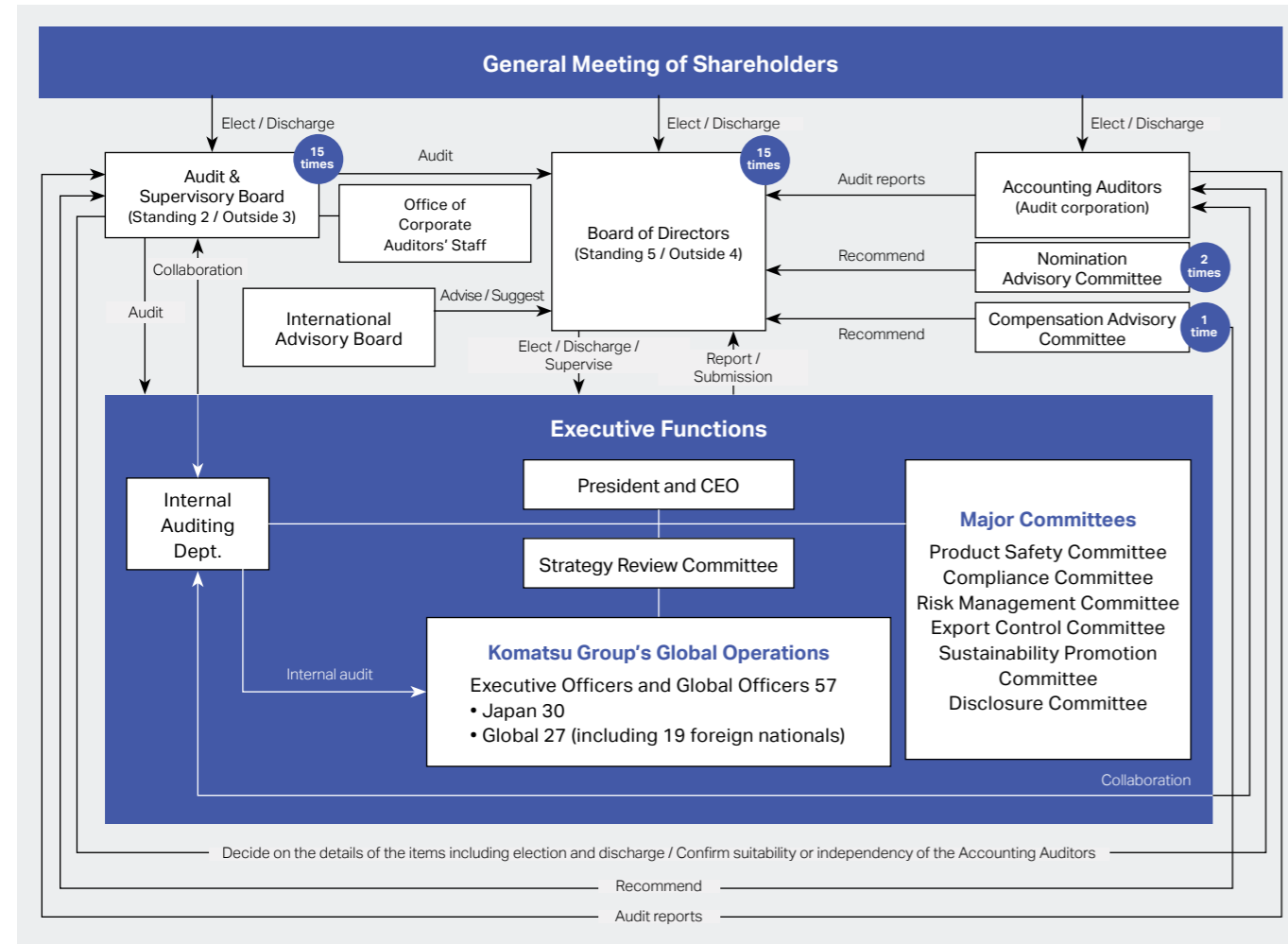
Corporate Governance Framework

At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision making, and reform their operational aspect. Having introduced the Executive Officer (Shikko Yakuin)

System in 1999, the Company has separated management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations, and while appointing both Outside Directors and Outside Audit & Supervisory Board Members, limits the Board of Directors to a small number of members.

Corporate Governance of the Company (As of June 30, 2021)

Figures in ● represent the number of meetings in FY2020.



Activities of the Board of Directors

The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the nine (9) Directors on the Board, four (4) are Outside Directors to

ensure transparent and objective management.

In FY2020, Outside Directors and Outside Audit & Supervisory Board Members held meetings at which these outside officers shared opinions regarding management issues from their objective and independent standpoints. Discussions with the President were also arranged to foster shared recognition.

Characteristics of Komatsu's Board of Directors

- Monthly reports from the CEO (recent important items and other topics)
- Monthly reports from the CFO (performance, order trends, borrowings, etc.)
- Annual proposal plans and follow-up
- Multiple discussions on important items (deliberation → resolution)
- Business reports to Board of Directors covering nearly 100% of sales-generating activities
- Proactive expression of opinions by Audit & Supervisory Board Members in addition to Directors
- Opportunities for free discussion at Board of Directors' meetings

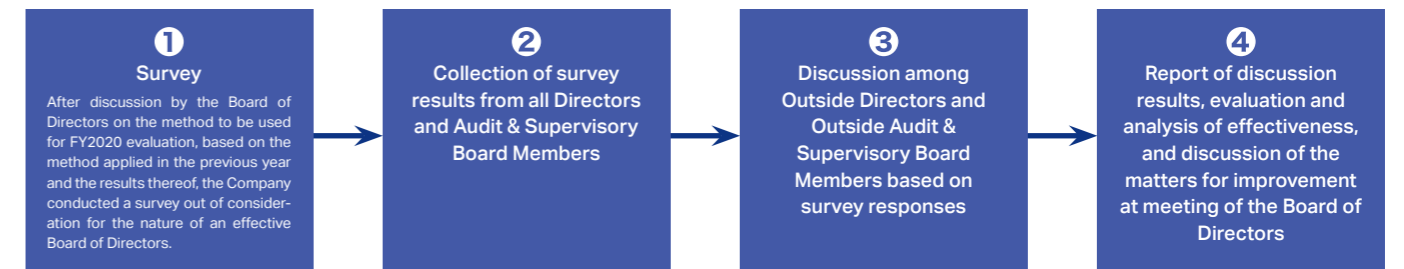
Board of Directors' Meeting Attendance and Agenda Item Numbers in FY2020 (April 1, 2020–March 31, 2021)

Attendance	Outside Directors	100%
	Outside Audit & Supervisory Board Members	100%
Agenda item numbers	Reports	41
	Deliberations, Resolutions	33
Free discussion		3 times

Evaluation of the Effectiveness of the Board of Directors

The Company is working to improve the effectiveness of the Board of Directors and performs annual evaluations and analyses of the effectiveness of the Board of Directors for this reason.

Evaluation Process



Survey topics:

- Composition of the Board of Directors
- Contents of agendas
- Straightforward and meaningful discussions
- Provision of information and presentation of agendas by executives
- Structure through which important matters are reported, proposed, and followed up
- Succession plans for CEO
- Other items

Outline of the Results

The assessment shows a generally high level of achievement for each item and confirms that there were no serious problems concerning the effectiveness. The Company received excellent evaluations for various factors, such as the following: the timely sharing of issues, problems, and other information provided in monthly reports by the President himself in Board meetings and the fact that Board members followed up the implementation status of resolutions made by the Board of Directors based on regular reports.

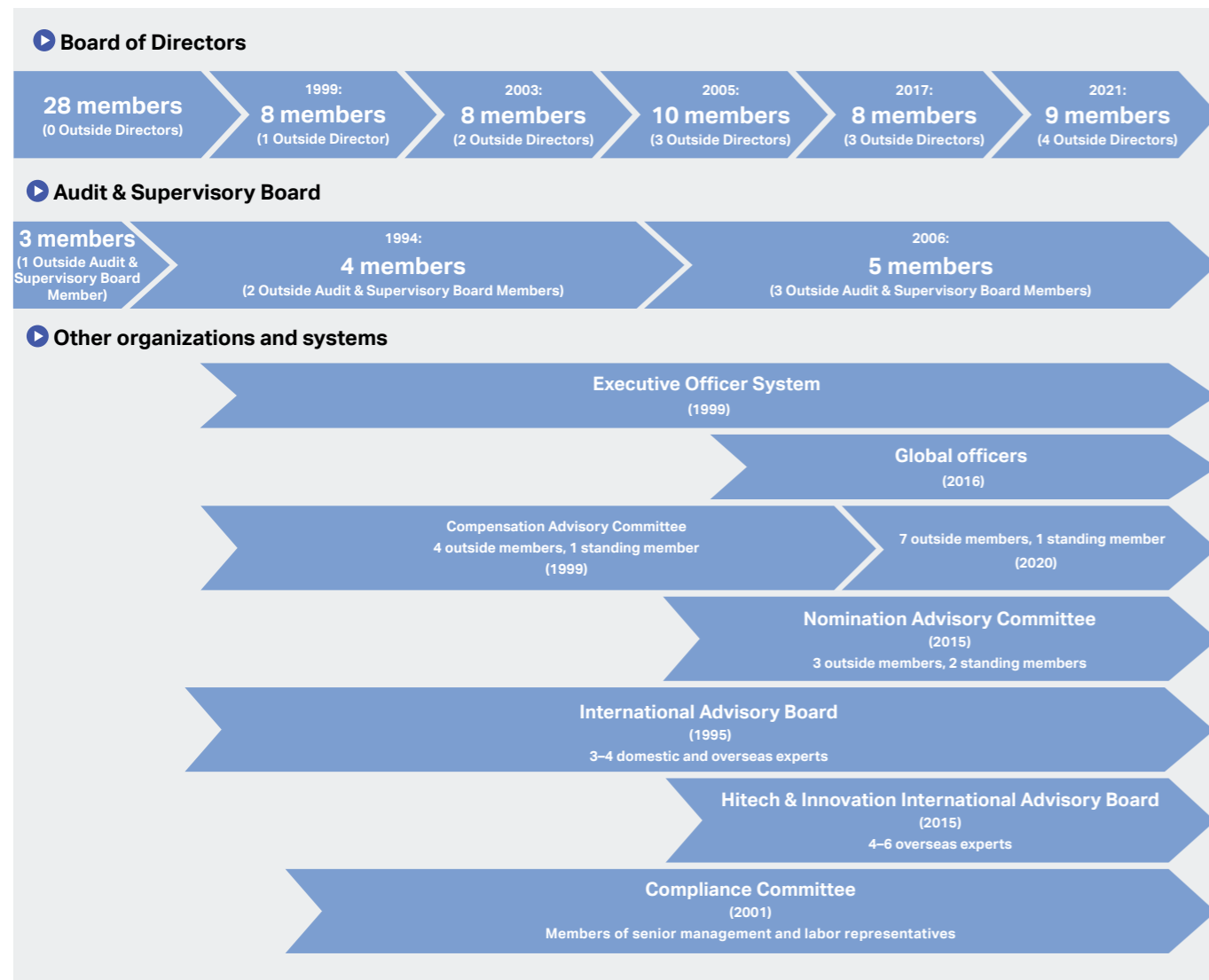
With respect to the conducting of Board meetings, positive evaluations were received with regard to the arrangement of online meetings in response to the COVID-19 pandemic, but there were a few suggestions for improvement pertaining to the need to expand the range of specific strategic themes discussed and to the nature of regular reports on business execution. The Company will make those improvements and work to make the Board of Directors further effective in the future.

Corporate Governance

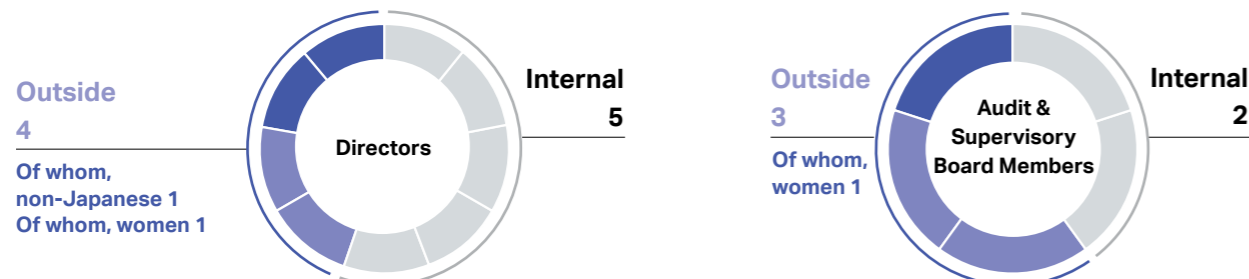
Corporate Governance Reforms

The Company has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to decision making, management and supervision, such as separation of corporate management from business execution, enhancement of corporate management decision making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit & Supervisory Board to appropriately audit Directors'

execution of duties. As a means to supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions. Going forward, the Company will pursue increases to the effectiveness of the Board of Directors while appointing Outside Directors to ensure transparency and soundness and promoting openness and accountability in management.



Composition of Directors and Audit & Supervisory Board Members (As of June 30, 2021)



Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in FY2020

Outside Directors

Makoto Kigawa

Major Career
 Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd.

Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of appropriately monitoring the management strategies of the Company and contributing to the enhancement of the Company's medium- and long-term corporate value. During FY2020, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as working from home and other personnel arrangements, competitive strategies involving ICT, and inventory management. He also served as Chairman of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance of the Meetings
 Meeting of the Board of Directors 100%
 (15 meetings out of the 15 meetings held)

Takeshi Kunibe

Major Career
 Representative Director of Sumitomo Mitsui Financial Group, Inc.
 Representative Executive Officer of Sumitomo Mitsui Banking Corporation

Mr. Takeshi Kunibe has served as Representative Director, President of Sumitomo Mitsui Banking Corporation and Representative Director and President as well as Director President and Representative Executive Officer of Sumitomo Mitsui Financial Group, Inc., and serves as Chairman of the Board of said company. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors, mainly from the standpoint of contributing to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. During FY2020, he accordingly provided comments based on his rich experience in the business world, particularly concerning the M&A management system, business plan during the COVID-19 pandemic, and ESG initiatives. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance of the Meetings
 Meeting of the Board of Directors 100%
 (11 meetings out of the 11 meetings held)

Arthur M. Mitchell

Major Career
 Foreign lawyer of White & Case LLP

Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors, mainly from the standpoint of mitigating and avoiding risk in the Company's global business operations and contributing to the enhancement of the Company's medium- and long-term corporate value. During FY2020, he accordingly provided comments based on his international perspective and professional standpoint, particularly concerning such issues as business alliance strategy, data-related legal compliance, and initiatives geared to the North American market. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance of the Meetings
 Meeting of the Board of Directors 100%
 (11 meetings out of the 11 meetings held)

Note: As Outside Directors Mr. Takeshi Kunibe and Mr. Arthur M. Mitchell were elected at the 151st Ordinary General Meeting of Shareholders held in June 2020, their maximum number of meetings of attendance is different from that of the other Directors.

Outside Audit & Supervisory Board Members

Hirohide Yamaguchi

Major Career
 Deputy Governor of the Bank of Japan

Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During FY2020, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as the status of the global economy, demand trends, and audit systems. In addition, he was a member of the Company's Compensation Advisory Committee.

Attendance of the Meetings
 Meeting of the Board of Directors 100%
 (15 meetings out of the 15 meetings held)
 Meeting of the Audit & Supervisory Board 100%
 (15 meetings out of the 15 meetings held)

Eiko Shinotsuka

Major Career
 Professor Emeritus, Ochanomizu University, Commissioner, National Personnel Authority, Member of the Bank of Japan's Policy Board

Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations, and law. During FY2020, based on her professional standpoint, she provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as utilizing global human resources, environmental measures, and employee safety and health management. In addition, she was a member of the Company's Compensation Advisory Committee.

Attendance of the Meetings
 Meeting of the Board of Directors 100%
 (15 meetings out of the 15 meetings held)
 Meeting of the Audit & Supervisory Board 100%
 (15 meetings out of the 15 meetings held)

Kotaro Ohno

Major Career
 Prosecutor-General, Special Counsel, Mori Hamada & Matsumoto

Mr. Kotaro Ohno possesses rich experience in the legal profession. During FY2020, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as the compliance system, Group company management, and securing human resources. In addition, he was a member of the Company's Compensation Advisory Committee and an observer of the Compliance Committee.

Attendance of the Meetings
 Meeting of the Board of Directors 100%
 (15 meetings out of the 15 meetings held)
 Meeting of the Audit & Supervisory Board 100%
 (15 meetings out of the 15 meetings held)

Introduction of New Outside Directors

The following one new outside director was appointed at the General Meeting of Shareholders held in June 2021.

Naoko Saiki

Major Career
 Director-General, Economic Affairs Bureau and International Legal Affairs Bureau, Ministry of Foreign Affairs

Ms. Naoko Saiki has considerable knowledge and abundant experience in international affairs, international law, and the field of economics as she served in positions such as Director-General of the Economic Affairs Bureau and Director-General of the International Legal Affairs Bureau at the Ministry of Foreign Affairs. Utilizing this knowledge and experience, her recommendations concerning the overall management of the Company are expected to contribute to the enhancement of the medium- to long-term corporate value of the Company. Therefore, the Company nominates her as a candidate for Outside Director. Although Ms. Saiki has no experience in participating in the management of other companies directly, the Company judged that she would be able to execute the duties of Outside Director adequately because of the reasons above.

Corporate Governance

Activities of Advisory Committees

Committee Name	Nomination Advisory Committee	Compensation Advisory Committee
Chairman	Outside Director (Makoto Kigawa)	Outside Director (Makoto Kigawa)
Members (As of June 30, 2021)	4 Outside Directors (Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki) Chairman of the Board President	4 Outside Directors (Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki) 3 Outside Audit & Supervisory Board Members (Hirohide Yamaguchi, Eiko Shinotsuka, Kotaro Ohno) 1 external expert (Advisor: Shinji Hatta, Honorary Professor, Aoyama Gakuin University) Chairperson of the Board
Purpose	Selection of next President and deliberation, resolution, and reporting to the Board of Directors on human resource development methods, succession plans, and appointment and dismissal of Directors	Deliberation, resolution, and reporting to the Board of Directors and Audit & Supervisory Board on remuneration systems for Directors, Audit & Supervisory Board Members, and Executive Officers to ensure objectivity and transparency
Meetings in FY2020	2	1
Agenda items in FY2020	<ul style="list-style-type: none"> Selection and cultivation of candidates for next President Selection of a new Outside Director candidate Concurrent positions held by Chairman of the Board and Outside Directors Proposal of Directors and Audit & Supervisory Board Members for FY2021, etc. 	<ul style="list-style-type: none"> Monthly compensation levels for Directors and Audit & Supervisory Board Members in FY2021 Performance-based remuneration for Directors for FY2020 (projections) Evaluation indicators for performance-based remuneration in FY2021

Succession Plans

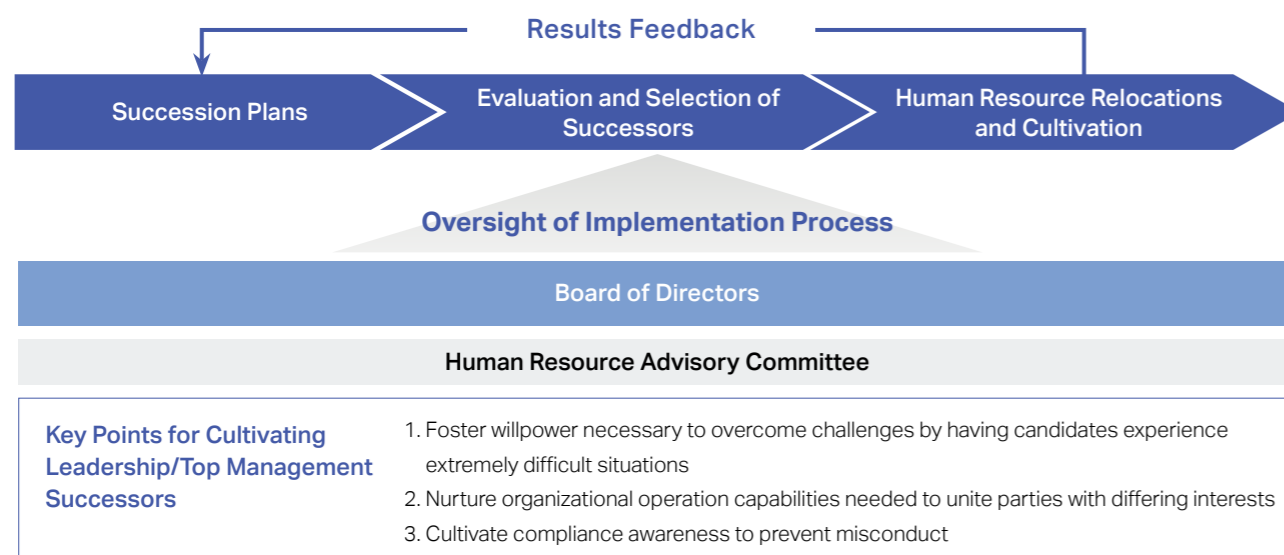
One of the items contained in the Code of Conduct for Leadership/Top Management that has been described in The Komatsu Way since its establishment in 2006 is "continue to think about your succession plan."

In order to ensure that Komatsu's management values are transmitted to the next generation, the basic requirements for candidates for the position of President are discussed and clearly defined by the Human Resource Advisory Committee.

In addition, successors for important domestic and overseas positions up to and including that of the President are decided through the annual implementation of succession plans (see chart below).

Selected successors are assigned to challenging tasks and granted even larger roles in the organization to systematically develop them in an environment that encourages the pursuit of mutual growth.

Overview of Succession Plans



Remuneration Systems

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. With regard to the level of monthly remuneration paid as basic remuneration, comparison by position at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations.

The remuneration for Directors excluding the Outside Directors (hereinafter "Internal Directors") comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated performance for a

single fiscal year (bonus in cash and the Stock-Based Remuneration A) as well as the performance-based remuneration (Stock-Based Remuneration B) that will reflect the degree of achievement of the targets raised in the mid-term management plan, so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company, by linking the remuneration.

The remuneration for Outside Directors only consists of basic remuneration (fixed remuneration) designed to support their role to make recommendations with respect to the overall management of the Company as a member of the Board of Directors.

Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without getting fettered by the movements of corporate performance of the Company.

The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

Composition of Remuneration of Directors and Audit & Supervisory Board Members

Internal Directors	Basic Remuneration (Fixed Remuneration)	Performance-Based Remuneration for a Single Year (Monthly Remuneration x 0-24 months)		Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan (Monthly Remuneration x 0-3 months)
	Monthly remuneration x 12 months	Bonus in Cash (2/3, in principle)*	Stock-Based Remuneration A (1/3, in principle) Restricted Stocks	Stock-Based Remuneration B Restricted Stocks
Outside Directors and Audit & Supervisory Board Members	Basic Remuneration (Fixed Remuneration)	← Not influenced by Company performance		
Monthly remuneration x 12 months				

* The upper limit for Bonus in Cash is set at 12 months' worth of monthly remuneration; the remainder of bonuses is to be paid as Stock-Based Remuneration A.

Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's Mid-Term Management Plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within a range of 0-100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan presented in the following table and as a general rule; the restriction of transfer on the shares will be lifted after three years from delivery.

Management Indicators and Management Targets in Mid-Term Management Plan (FY2019-FY2021)

	Management Indicator	Management Target
Growth	• Sales growth rate	• Growth rate above the industry's average*1
Profitability	• Operating income ratio	• Industry's top-level operating income ratio*1
Efficiency	• ROE	• ROE of 10% or higher
Financial position	• Net debt-to-equity ratio*2	• Industry's top-level financial position
Retail finance business	• ROA • Net debt-to-equity ratio*2	• ROA of 1.5% to 2.0% • 5.0 or under for net debt-to-equity ratio*2
ESG	• Reduction of environmental impact • Evaluation by external organizations	• CO ₂ emissions: Decrease by 50% in 2030 from 2010 • Renewable energy use: Increase to 50% of total energy use in 2030 • Selected for DJSI*4 (World & Asia Pacific) and for CDP*4 A-List (Climate Changes and Water Risk), etc.
Shareholder return	• Consolidated payout ratio	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment • Set goal of a consolidated payout ratio of 40% or higher

*1 Relative comparison with domestic and foreign major competitors in the same industry

*2 Net debt-to-equity ratio = (Interest-bearing debt - Cash and cash equivalents - Time deposits) / Shareholders' equity of the Company

*3 Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland

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

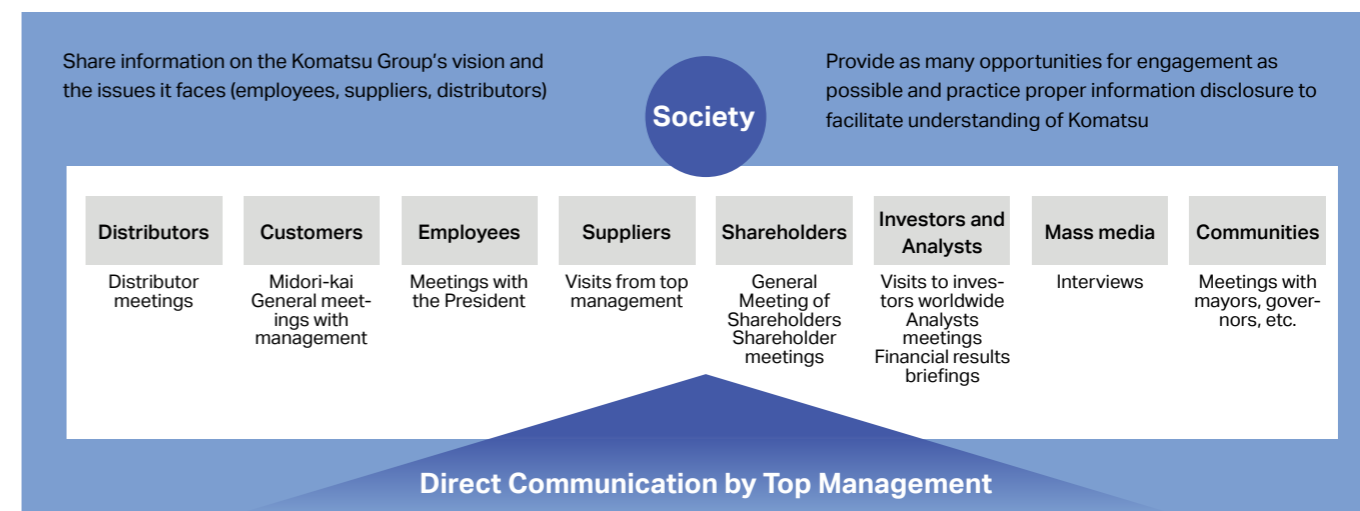
Corporate Governance

Major Executive Committees

Committee Name (Committees indicated with an asterisk [*] are chaired by the President.)	Purpose	Meeting Frequency
Product Safety Committee	Effective promotion of Companywide product safety activities based on basic product safety policies defined in product safety regulations	2 times a year and when necessary
Compliance Committee*	Discussion on and decision and execution of policies and important measures pertaining to group-wide compliance	2 times a year and when necessary
Risk Management Committee	Primarily discussion and approval of group-wide risk management tasks and risk countermeasures	1 time a year and when necessary
Export Control Committee	Discussion on and decision and execution of policies and important measures regarding group-wide export control (trade security management)	1 time a year and when necessary
Sustainability Promotion Committee*	Formulation of group-wide environmental measures and discussion of progress to facilitate promotion of environmental preservation throughout the Group and discussion on and execution of group-wide CSR policies and important measures and activities	1 time a year and when necessary
Disclosure Committee	Discussion and assessment to facilitate accurate information disclosure as required by the Financial Instruments and Exchange Act and submission of recommendations to internal information control representatives regarding judgments on material developments	4 times a year and when necessary
The Komatsu Way Committee*	Discussion on and decision and execution of policies and important measures regarding human resources, labor affairs, education and human resource development, The Komatsu Way, total quality management, employee benefits, and occupational health and safety management for the Company and the Group	2 times a year

Stakeholder Engagement

In order to gain more trust from all stakeholders, the Company is strengthening corporate governance and top management is practicing direct engagement with stakeholders.



Major Investor Relations Activities in FY2020

To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations activities by holding meetings with shareholders and investors.

In FY2020, certain face-to-face communication activities were canceled in response to the COVID-19 pandemic, but we

continued to provide and enhance communication activities nonetheless, employing virtual and online venues for events and providing access to archived video. In addition, we established an official Komatsu YouTube account, which is being used for organizing and distributing the latest videos on the Company.

For Institutional Investors

- Financial results briefings* (4 times)
- Small meetings* (7 times)
- Business briefings* (1 time)
- Overseas investor relations activities* (4 times)
- Individual meetings* (over 190)

* Held through virtual or online venues

For Shareholders and Individual Investors

- Shareholder meetings* (1 time)
- Factory tours for shareholders canceled → Replaced with virtual factory tours and videos
- Individual investor meetings* (4 times)
- Gifts of appreciation for long-term shareholders

Homepage

- Financial information
- Financial results briefings
- Sales and profits gains reports
- Quarterly reports, etc.
- Web interviews with the President (4 times)
- Komatsu Report, etc.

Engagement Topics

Komatsu holds meetings for institutional investors and securities analysts to deepen their understanding of the Company. The following online meetings were held in 2020.

Date	Meeting Name	Attendants	Topics
December 16, 2020	KOMATSU IR-DAY 2020 <Investors Meeting & ESG Meeting>	90	1. The pursuit of safety and productivity at mine sites 2. Komatsu's environmental activities

For materials from meetings, please refer to Komatsu's corporate website:
<https://www.komatsu.jp/en/ir/library/results/2020>



Komatsu's Official YouTube Channel
<https://www.youtube.com/c/komatsu/featured>



Appointments of Advisors of the International Advisory Board

Komatsu established the IAB back in 1995 for the Board of Directors to incorporate, from external experts, objective advice and suggestions concerning management and operations of Komatsu as a global company. The IAB has met a total of 36 times in the conventional and new organizations combined. In April 2020, Komatsu commenced the 8th session of the IAB for management with the following new advisors. The term of service for each advisor is set at three years as a general rule.

Komatsu will continue to incorporate advice and suggestions from IAB advisors with expertise in global business, further improve management, and strengthen its corporate governance in order to enhance its corporate value.

Advisors of the 8th Session of the IAB for Management (FY2020-FY2022)

Name	Current Position and Brief Background	
R. David Hoover	2018–Present 2015–February 2021 2009–2018 2000–2015 1996–2013	Chairman of the Board, Elanco Animal Health Board of Directors, Edgewell Personal Care Company Board of Directors, Eli Lilly and Company Board of Directors, Energizer Holdings, Inc. Board of Directors, Ball Corporation (Chairman, 2002–2013)
Kusmayanto Kadiman	2015–Present 2010–Present 2004–2009 2001–2004	Vice President Commissioner of PT Adaro Power President Commissioner of BFI Finance The State Minister for Research and Technology of the Republic of Indonesia President of Bandung Institute of Technology (ITB)
Risto Siilasmaa	2006–Present 2012–2020	Chairman of the Board of Directors, F-Secure Corporation (He is the founder of F-Secure Corporation.) Chairman of the Board of Directors, Nokia Corporation
Mitoji Yabunaka	2018–Present 2014–2020 2008–2010	Visiting Professor, Ritsumeikan University Outside Director, Komatsu Ltd. Vice Minister, Ministry of Foreign Affairs

Risk Management

Basic Principles and Structure for Risk Management

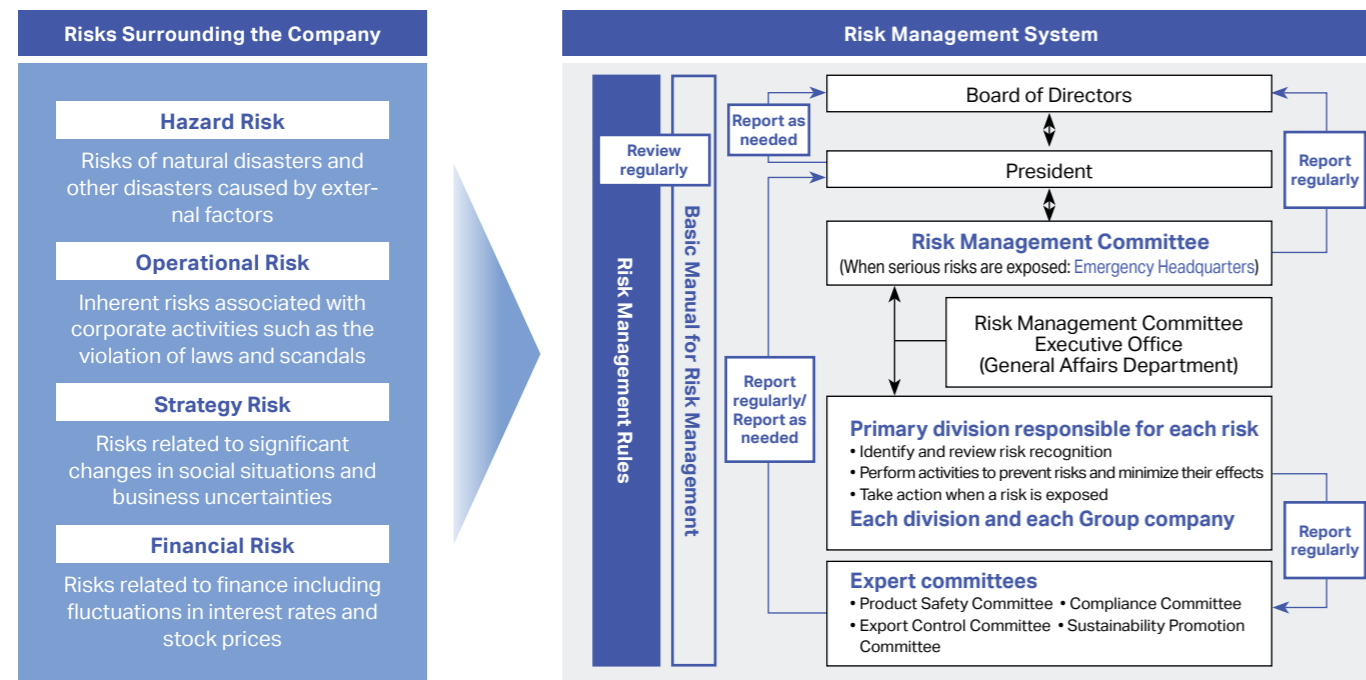
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

Furthermore, we have developed the Basic Manual for Risk Management, which defines the response systems and rules to be utilized should a risk materialize along with specific risk items and the divisions responsible for said risk items. This manual is periodically revised to ensure that risk management systems are adapted to the constant changes in the operating environment and in risks.

Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response

measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the Board of Directors.

Komatsu will establish an emergency headquarters when serious risks, such as the COVID-19 pandemic, occur and implement appropriate measures to minimize damage. Other important matters to be considered from the perspective of risk management include corporate governance; compliance; response measures for climate change, pandemics, and other natural disaster risks; and frameworks for preventing transactions with antisocial forces. We continue management efforts related to these matters.



Response to Climate Change

Approximately 90% of the CO₂ emissions from the lifecycles of Komatsu construction equipment are attributable to product operation. Accordingly, we have the potential to help mitigate climate change by providing low-carbon products and solutions that have carbon reducing benefits like Smart Construction. Conversely, if we do not conform to the regulatory requirements of the relevant countries or with the demands of markets or if we are impacted by rapid changes in resource demand, market entry by new competitors, or higher manufacturing costs due to the introduction of carbon taxes, we will risk suffering future impacts to our earnings. To address these risks, Komatsu has set the goal of halving the CO₂ emissions from product operation by 2030, and R&D activities are being advanced toward the accomplishment of this goal. We have also set the goal of halving CO₂ emissions from

production by 2030. This goal will be pursued through exhaustive reforms to production processes in order to prepare for cost increases. At the same time, we project that demand may rise for copper and other resources necessary for items used to electrify equipment, such as motors, batteries, and fuel cells. Seeking to seize this opportunity, we are expanding our hard rock mining business (response to transition and opportunity risks).

Meanwhile, the rise in natural disasters associated with climate change is creating risks of damages to the Company and its supply chain. We are therefore taking steps to identify the water-related risks threatening the Company and its supply chain while instituting business continuity plan (BCP) drills and other measures to mitigate these risks (response to physical risks).

Response to the COVID-19 Pandemic

To fulfill its responsibilities to customers involved in businesses that support social infrastructure (essential businesses), the Komatsu Group has continued to supply products, parts, and services to its customers while implementing exhaustive measures to prevent the spread of COVID-19. In March 2020, we set up an emergency headquarters with the president as its chairperson to collect and share information on the COVID-19 pandemic on a global scale and to confirm and deploy response policies.

(1) Business Continuity Initiatives

Production at certain Komatsu factories was impacted by factors such as government-instituted lockdowns. However, even prior to the COVID-19 pandemic, Komatsu has been practicing cross-sourcing to facilitate flexible production at all factories around the world to absorb the impacts of regional demand and foreign exchange rate fluctuations. These efforts also proved effective at curbing the impacts of the pandemic.

Risks associated with supplies of parts from suppliers were addressed by prioritizing allocation of inventories along our supply chain to regions facing shortages. In addition, alternative parts were developed and alternative suppliers were secured to prevent losses of sales opportunities attributable to parts shortages.

(2) Workplace Infection Prevention Measures

With the safety and health of customers, partner companies, people in local communities, and employees and their families as its priority, the Komatsu Group endeavored to prevent the spread of COVID-19 based on the government policies in each country.

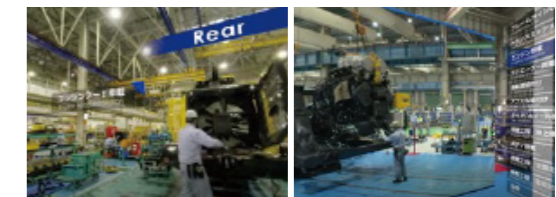
Specific measures included utilizing our teleworking system to promote teleworking. Approximately 70% of headquarters employees engaged in teleworking during the periods of Japan's state of emergency declarations. Also during these periods, we canceled or postponed domestic business trips, events, trainings, and seminars, and utilized remote methods for all in-house trainings, in principle.

At production sites, fans were installed and windows were opened to ensure good ventilation, and we also built additional breakrooms, staggered break times, and took other steps to prevent the spread of COVID-19 in workplaces.

(3) Online Provision of Information to Stakeholders

In December 2020, Komatsu held its first online shareholder meeting. This communication venue allowed management to field questions in real time and to engage in discussions with shareholders. In addition, the FY2021 General Meeting of Shareholders was conducted in the form of our first live internet broadcast on the day of the meeting.

Other online information provision initiatives included the distribution of virtual factory tour videos of the Awazu Plant and the Ibaraki Plant. These videos offer a vivid way to experience Komatsu's production sites by allowing viewers to manipulate their viewpoint in 360° so that they can observe the construction equipment assembly process from whatever angle they please.



Virtual factory tours

Awazu Plant
<https://www.youtube.com/watch?v=8rdu3LWaxs0>

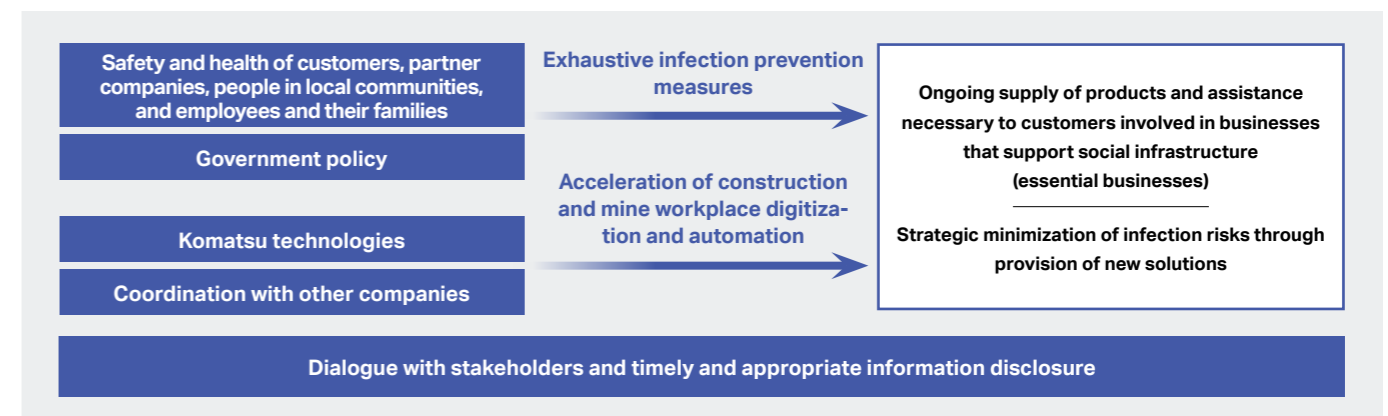


Ibaraki Plant
<https://www.youtube.com/watch?v=3myugOFcSEg>



(4) Prevention of Infection of Customers through Construction Workplace Digital Transformation

To prevent the spread of COVID-19, the Ministry of Land, Infrastructure, Transport and Tourism advises people to avoid crowded spaces, closed environments, and close interactions. Seeking to help prevent such conditions at construction sites, Komatsu is promoting its Smart Construction Digital Transformation solution. This solution uses a digital twin methodology that allows workplace representatives to monitor conditions remotely without gathering in a single location, thereby helping to prevent the spread of COVID-19.



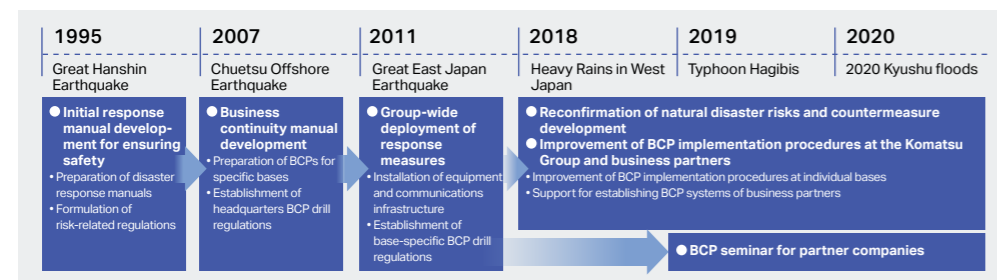
Corporate Governance

Establishing a business continuity plan (BCP) and providing training

Komatsu has established business continuity plans (BCPs) to ensure the continuity of core operations and to facilitate quick resumption of operations should they be interrupted. As part of these plans, we hold regular initial response and production resumption drills based on major earthquake and water damage scenarios. At production bases, we implement measures to reinforce the seismic resistance of structures and production equipment while implementing countermeasures to safeguard against water and wind damage from concentrated heavy rains and other weather events in order to minimize the impacts of increasingly more severe natural disasters. Moreover, the disaster response reporting chains and

standards for frontline sites have been clarified to facilitate swift decisions by senior management should a disaster strike.

We are focused on not only strengthening the BCPs of Komatsu Group bases but also on strengthening the supply chain system through support of our business partners. Recent initiatives to this effect have included holding nationwide seminars on initial disaster responses and measures to be taken under normal conditions to build response frameworks led by experts on these subjects. Several partners were invited to take part in these seminars. Going forward, we will continue to promote and further enhance our group-wide BCP initiatives.



Reinforcement of Information Security

Threats such as cyberattacks are constantly growing more sophisticated and complex, increasing the importance of information security. Komatsu implements information security measures based on all applicable laws and regulations as well as internal rules.

taken to guarantee that personal information is properly handled. These steps include e-learning programs and internal audits. Overseas, we comply with the European Union's General Data Protection Regulation and other laws, regulations, and social expectations in countries and regions of operation in our efforts to protect personal information.

(1) Management System

Companywide information security issues are shared and examined by the Risk Management Committee through a management system overseen by the officer in charge of risk management. The president of the Information Strategy Division, who is also the Company's top representative for ICT, co-chairs the Risk Management Committee to ensure that this committee is equipped to handle highly specialized information security issues. Critical information security issues are shared and resolved by this committee.

Should a serious information security incident occur, swift reports will be issued to the president, directors, other officers, relevant organizations, and the Board of Directors to commence the process of formulating appropriate response measures. The Information Strategy Division, meanwhile, proposes appropriate measures for addressing potential information security risks. These proposals are raised at annual meetings of the Strategy Review Committee, which comprises the president, directors, and other officers, so that they can be incorporated into medium-term ICT investment plans.

(2) Personal Information Protection

Protecting personal information is a social responsibility. Recognizing this responsibility, Komatsu has formulated and disclosed its Personal Information Protection Policy. Steps are

(3) System Measures

Komatsu has instituted a multilevel defense system combined with various system measures to prevent unauthorized access from outside of the Company, computer virus infections, and other threats as well as information leakages resulting from these threats. For example, as part of the process of implementing teleworking systems, we installed a rigorous verification system that employs a scheme in which multiple processes are required to access systems from outside of the Company.

(4) Education and Training

All employees engaged in the handling of information assets are required to undergo regular e-learning programs. In addition, targeted-attack email drills are held several times a year to entrench procedures for addressing suspicious emails. These drills target companies in Japan as well as certain overseas subsidiaries in order to boost the level of information security on a global scale.

(5) Information Security Audits

Information security audits of Group companies are performed to improve the level of information security across the entire Komatsu Group. In principle, every company is required to undergo an audit

at least once every three years as part of an effort to confirm information security-related conditions on an ongoing basis.

(6) Initiatives for Improving Information Security Across the Supply Chain

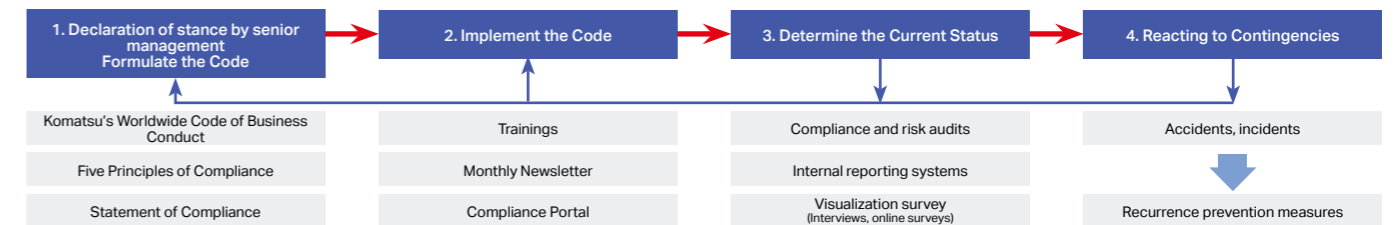
Our information security initiatives are not limited to Komatsu and Group companies; we also request that affiliates across the supply chain with which confidential information is shared during the course of business activities practice information security management in accordance with the Company's policies.

Compliance

Komatsu established the "Compliance Committee" to oversee compliance, and the Committee regularly reports its discussions and activities to the Board of Directors. Komatsu also establishes a system to ensure all Directors and employees thoroughly comply with business rules as well as laws and regulations through a variety of measures, including the provision of "Komatsu's Worldwide Code of Business Conduct," appointment of the

Executive Officer in charge of compliance, and establishment of the Compliance Department. Through all of these measures, we work to supervise, educate and train Directors, Audit & Supervisory Board Members and employees. In addition, Komatsu establishes an internal reporting system under which those who are discreetly reporting questionable actions in light of laws and regulations and business rules will not be given any disadvantageous treatment.

Process for Compliance Activities



(1) Komatsu's Worldwide Code of Business Conduct

Initially established in 1998, the Komatsu's Worldwide Code of Business Conduct is now in its 11th edition. The Part 1 of the Code primarily provides principles and standards for responsible business conduct that Komatsu Group follows in order to fulfill its social responsibilities such as solving ESG issues. Accompanied by examples, Part 2 contains select universally applicable rules which set the code of conduct that must be followed by all employees of Komatsu.

Please visit Komatsu website to see the Komatsu's Worldwide Code of Business Conduct including the Five Principles of Compliance and other topics.
https://www.komatsu.jp/en/-/media/home/aboutus/corporate-identity/kwcbc_11th_en_extra.pdf?rev=425b393b6d9145bab9897c332bfc8682&hash=8E43993D7E9C66C7035018A90C1BD856



(2) Internal Reporting Systems

Komatsu has established the Global Compliance Hotline in its HQ to offer counselling to and handle reports from employees of Komatsu Group companies pertaining to the rules in the business world. In this way, we strive to detect and correct problems early. In addition, Komatsu companies establish and maintain Regional Compliance Hotline that properly handles reports of alleged or suspected violation of the rules so that whistleblowers can raise claims in their native languages.

(3) Upholding Thorough Compliance

Five Principles of Compliance
 Komatsu is working to cultivate their consciousness of best business practices by displaying posters at every business unit of Komatsu Group listing The Five Principles of Compliance (the basic actions of compliance that all Komatsu employees must observe).

Global E-Learning Program on Komatsu's Worldwide Code of Business Conduct
 Global e-learning programs are conducted targeting all Komatsu Group employees around the world in order to raise understanding of the Komatsu's Worldwide Code of Business Conduct. Workers without company email addresses participate in these programs in a classroom training format.

Compliance Newsletter
 Komatsu publishes monthly newsletters "Everybody's Compliance" in Japan that contains articles explaining important laws and regulations, highlighting the lessons to be learned from scandals at other companies, and describing matters pertaining to human rights and the prevention of harassment. Articles on particularly important subjects, such as anti-corruption, antitrust laws, and export control, are frequently republished in this newsletter. Compliance newsletters are also published at overseas subsidiaries in order to raise awareness on a global basis.