



***Together, to “The Next”
for sustainable growth***

KOMATSU

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**Komatsu Report
2022**

DANTOTSU Value

Together, to “The Next” for sustainable growth

To the next stage for the workplace of the future

Ensuring a sustainable future for the next generation

A new chapter of value creation to the next 100 years



Cautionary notice regarding forward-looking statements

This report contains predictions, plans, forecasts, and other forward-looking statements that have been judged by management to be rational based on the information available at the time of publication. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in economic conditions or product demand in major markets, foreign exchange rate fluctuations, domestic or overseas regulatory revisions, or changes to accounting standards or practices.

Reporting period: April 1, 2021–March 31, 2022

- This report also includes information on activities after the reporting period in order to provide readers with the latest information.
- “FY2021” refers to the period from April 1, 2021 to March 31, 2022, unless otherwise noted.

Editorial policy



Komatsu Report 2022 was published for the purpose of providing clear explanations for all stakeholders on Komatsu’s medium- to long-term business strategies and the virtuous cycle generated as the Company resolves environmental, social, and governance (ESG) issues through its business. In preparation of this report, we referenced the International Integrated Reporting Framework released by the IFRS Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry.

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Our corporate identity

In conjunction with its 100th anniversary, Komatsu articulated its mission and vision as its purpose together with values. We made our brand promise to customers and all other stakeholders. As our business and strategies diversify further, we will strive to deliver this promise through our global operation.

Our purpose

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

Our values

Ambition

With a "challenging spirit" and without fear of failure, we innovate and always aspire to do more

Perseverance

Even when the work is difficult, we remain committed to our promises and reliably carry them through to completion

Collaboration

Creating value comes from teamwork, inclusion, respect, diversity, and a win-win approach to all relationships

Authenticity

To earn and maintain trust, we always act with sincerity, integrity and honesty, and communicate with transparency

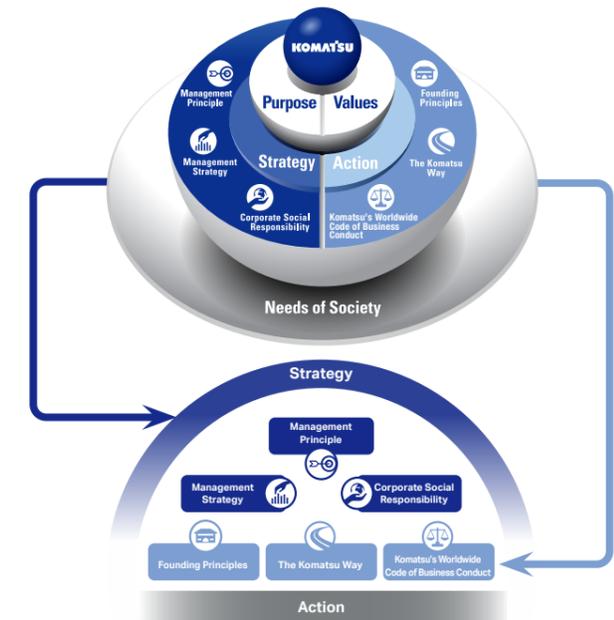
Brand promise

Creating value together

Together with you, we can create new value and work toward a sustainable future. The design's emphasis on "together" indicates the importance we place on partnership.

Our identity

The corporate identity incorporates pieces that have been created over the company's history: Founding principles, the Komatsu Way, Komatsu's Worldwide Code of Business Conduct, and strategies including the mid-term management plan. Also, our Management Principle forms the basis of our efforts to fulfill our purpose. Strategy for implementing this is the mid-term management plan.



Management Principle

We will maximize the trust given to us by our stakeholders and society through a commitment to quality and reliability.

Management Principle shows our basic stance regarding business administration.



Management Strategy

Our current mid-term management plan, DANTOTSU — Value-Together, to "The Next" for sustainable growth (FY2022–FY2024), aims to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth.



Corporate Social Responsibility

We believe that our very business is a Corporate Social Responsibility. The work that we do directly supports the growth and improvement of our communities and society in general.



Founding Principles

"Global Expansion," "Quality First," "Technological Innovation," and "Employee Development." These are the founding principles laid out by our founder, Meitaro Takeuchi (1860–1928), and they continue to be upheld by our organization to this day.



The Komatsu Way

The Komatsu Way was developed to convey our shared values and practices across different cultures, customs, and generations.



Komatsu's Worldwide Code of Business Conduct

Compliance with the rules of business community is considered a top priority at Komatsu. The rules are not limited to laws and regulations but also include rules that are generally recognized and respected in society.



Sustainability policy

Komatsu has declared its commitment to practicing management that emphasizes environmental, social, and governance (ESG) factors. Based on this commitment, we are working to resolve ESG issues through our business activities by providing products, services, and solutions that are safe and which offer high quality and high efficiency.

We developed our Sustainability Policy, which demonstrate clearly our earnest stance of responding to climate change and social demands as part of our purpose of existence and further proper sustainability management.

Sustainability policy

Since Komatsu's founding, we have always pursued "Quality and Reliability," and have made efforts to build strong relationships of trust with our stakeholders based on our "Management Principle" of maximizing the total sum of trust from all stakeholders, including society.

Our pursuit of coexistence has been handed down through generations, and our basic stance is to contribute to society through business activities.

Our purpose is "Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together."

We will continue to address issues that are important to both a sustainable society and our business, grow as a corporate group that can flexibly respond to changes in society and the external environment, further enhance our corporate governance, and contribute to society with our stakeholders.

What we do to empower a sustainable future where people, businesses, and our planet thrive together

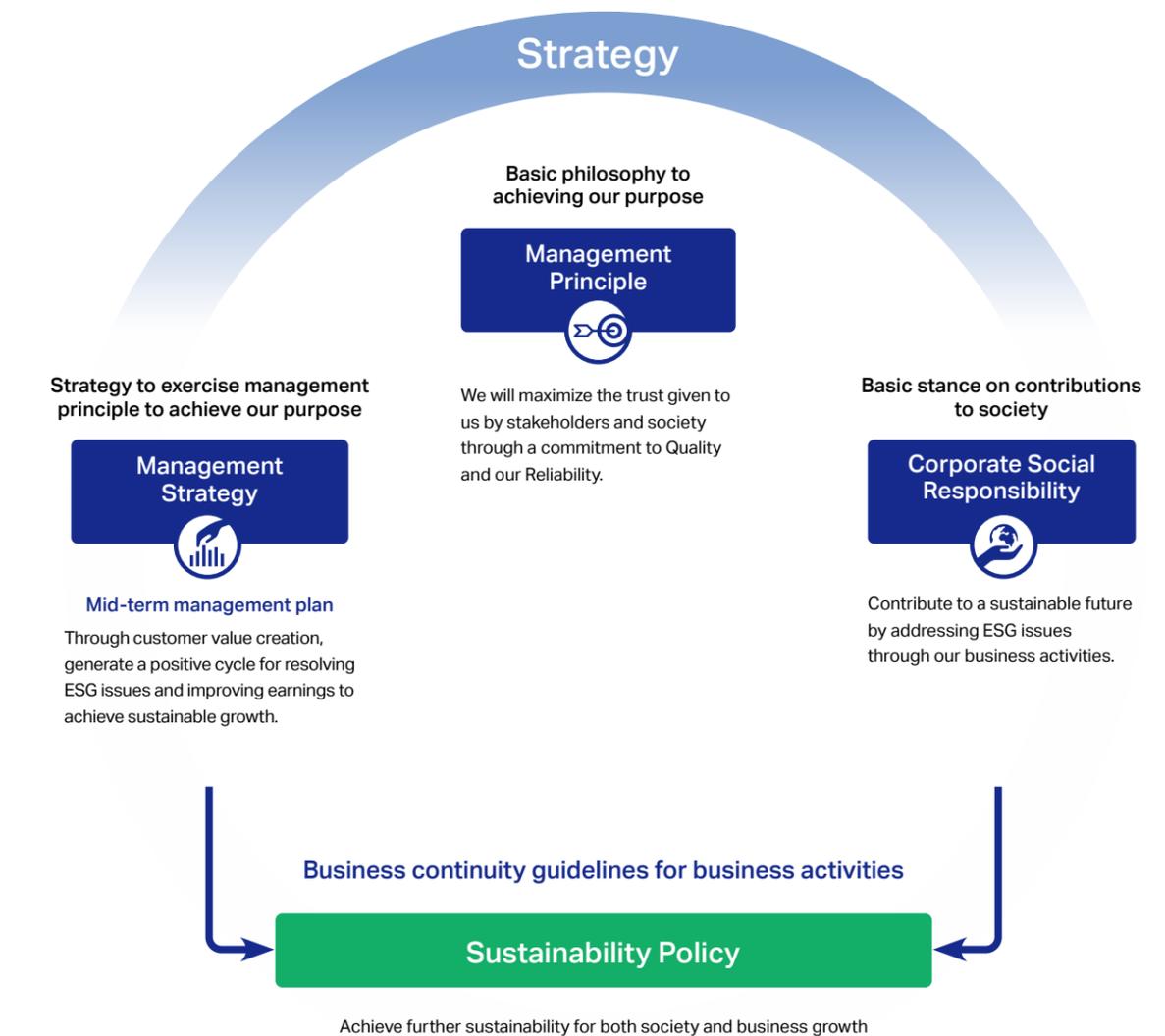
With people	With business	With the planet
<ul style="list-style-type: none"> We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride. We nurture employees who can take on challenges at various job sites and in different regions, create new value together with customers, and contribute to the realization of a sustainable society. As Komatsu Group, we shall respect human rights related to all of our business activities. 	<ul style="list-style-type: none"> We contribute to society through our business activities by providing our customers with safe and highly productive products, services, and solutions that realize sustainable infrastructure development, resource development, and a recycling-oriented society. We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence, and co-prosperity. We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society. 	<ul style="list-style-type: none"> Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies. We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation. We pursue collaboration and value creation with our stakeholders toward a sustainable planet and future.



Komatsu Ltd.
President and Chief Executive Officer

The Sustainability Policy describes one strategy for fulfilling our purpose. As described in this policy, Komatsu is dedicated to addressing issues that are important to realizing a sustainable society and achieving business growth and contributing to the accomplishment of SDGs.

Strategies for fulfilling our purpose



1

Overview of Komatsu and its strengths

For more than a century since its founding in 1921, Komatsu has continued to create new value through manufacturing and technology innovation as it proceeds to supply products, services, and solutions in response to social needs.

In this section, we will introduce the management resources cultivated over the past 100 years as well as the processes for creating value that realize sustainable growth. We will also take a look at some of Komatsu's strengths, namely its comprehensive lifecycle support services and its risk-resilient production and procurement systems.

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Komatsu at a glance

Business

Founding

May 13, 1921

Komatsu was founded in Komatsu City, Ishikawa Prefecture by Meitaro Takeuchi, whose aim was to contribute to the local economy.



Global operations

Ratio of overseas sales

88%*2

Traditional markets: 44%; Strategic markets: 56%*3
Komatsu is characterized by a globally balanced distribution of sales.



*2 Construction, mining, and utility equipment business

*3 Traditional markets: Japan, North America, Europe; Strategic markets: China, Latin America, Asia, Oceania, Africa, Middle East, CIS

Innovation

Number of units equipped with Komtrax

680,000 (As of May 31, 2022)

Komatsu introduced its first piece of equipment with the Komtrax construction equipment operation management system in 2001, and this system has been supporting global traceability of vehicle information and efficient operation for customers ever since.



Sustainability

CO₂ emissions from product operation

Down 19% (Compared with 2010)

Komatsu is proactive in its efforts to develop electrified equipment and other low-carbon products for contributing to reduced environmental impacts. We aim to achieve a 50% reduction in emissions from the level in 2010 by 2030 and carbon neutrality by 2050.



Global network

251 bases*1

Komatsu develops a global business through a network comprising 85 production bases, 88 sales bases, and 78 parts, training, and remanufacturing bases.



*1 Total for the construction, mining, and utility equipment business and the industrial machinery and others business

Consolidated number of employees

62,774

Komatsu's employee base is roughly 70% composed of non-Japanese personnel, and 70% of global officers are foreign nationals (locally hired). We contribute to the success of customers through coordination among our global team of diverse individuals.



Aggregate number of units equipped with autonomous haulage system (AHS)

541 (As of June 30, 2022)

Komatsu launched AHS in 2008, after which this system has continued to contribute to improved on-site productivity and safety at many mines.



Decision-guiding priority

SLQDC

Komatsu makes decisions prioritizing the principles of SLQDC (Safety, Law, Quality, Delivery, and Cost) to maximize the total sum of trust given to it by all stakeholders.



Consolidated net sales

¥2,802.3 billion

Komatsu's consolidated net sales have tripled over the two decades since FY2001. Approximately 90% of these sales are attributable to the construction, mining, and utility equipment business.



Start of exports from Japan

1955

Komatsu was quick to advance onto the global stage beginning with the export of construction equipment to Argentina and continuing with the establishment of the Company's first overseas liaison office in India in 1964 and then the start of overseas production in Brazil in 1975.



Launch of smart construction ICT construction workplace solution

February 2015

Komatsu developed Smart Construction as an unprecedented solution for addressing labor shortages in the construction industry. To date, this system has been used at more than 20,000 (As of June 30, 2022) construction workplaces in Japan.



Selection in the Dow Jones Sustainability World Index*4

16 consecutive years

Komatsu has been recognized as a company exhibiting excellence in terms of economic performance, performance environmental conservation efforts, and social activities.



*4 A leading socially responsible investment index compiled by S&P Global Inc. of the United States

101 years of Komatsu

History of resolving issues in response to social needs

1921 Founding aspiration: Engage in meaningful work to benefit the nation

Komatsu Ltd. was established from Komatsu Iron Works Ltd. (est. 1917), which manufactured mining machines, developed by Meitaro Takeuchi, founder of Komatsu Ltd., for use in the Yusenji copper mine. Based on a firm belief that developing the machinery industry in rural areas and promoting its growth, as well as looking to transcend national boundaries with high-quality products, Meitaro Takeuchi began manufacturing at Komatsu Ltd. with an eye to international markets, even when he founded Komatsu. The next year, Komatsu absorbed Komatsu Electric Steel Mills, building the foundation for integrated production from steel castings to machining and assembly, which has resulted in one of Komatsu's strengths today.

Meitaro's guiding principles

- Global Expansion
- Quality First
- Technological Innovation
- Employee Development



Meitaro Takeuchi, Founder

1931 Produced Japan's first tractor

Challenge	Development of agricultural tractor for the first time in Japan	Value	Built the foundation for developing and producing construction equipment in Japan
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1943 Produced the Komatsu Model 1 Ground Leveling Machine (the prototype of Japan's bulldozers)
 1951 Relocated head office to Tokyo
 1955 Exported motor graders to Argentina



1961 Project "A" to meet the industry giant's market entry

Challenge	Challenge for global quality	Value	Achieved global quality on par with a U.S. manufacturer, contributing to customers' improvement of their workplace productivity through increased project quality
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1964 Opened Komatsu's first overseas liaison office in India



1967 N.V. Komatsu Europe S.A.: Komatsu's first overseas subsidiary

1975 First offshore production in Brazil

Challenge	Improvement of overseas sales and service operations Establishment of overseas production operation	Value	Built overseas distributor networks and achieved the provision of global quality Expanded local contributions through human resource development and employment around the world
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2008 Succeeded in the world's first commercial deployment of the autonomous haulage system (AHS)

Challenge	Improvement of productivity and safety of mining	Value	Improved safety, reduced costs, and alleviated operators' burden at customers' mining sites
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2013 Launched ICT-intensive bulldozers
 2014 Released ICT-intensive hydraulic excavators



2015 "Smart Construction": Creating a workplace of the future

Challenge	Solutions for worksite problems, such as labor shortages and safety	Value	Achieved optimization of construction while striving for "safe, highly productive, smart and clean workplaces of the future"
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2021 Announced goal of achieving carbon neutrality by 2050

Challenge	Climate change and global need to reduce CO ₂ emissions	Value	Created new value by developing power sources that release zero emissions
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Business segments

Consolidated net sales



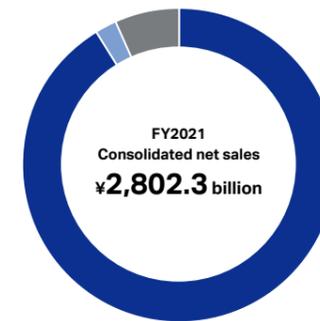
Operating income / Operating income ratio



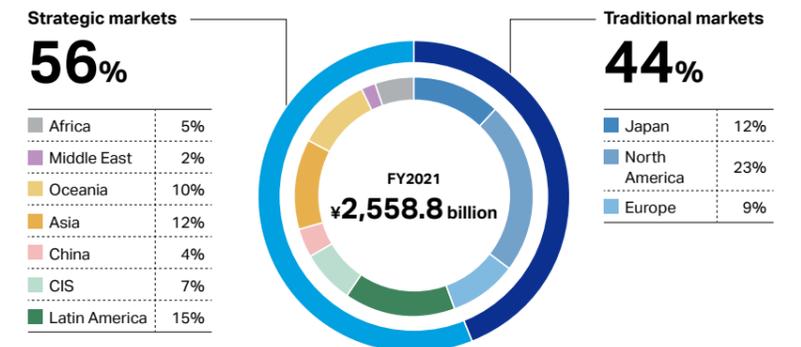
Net income attributable to Komatsu Ltd. / return on equity



Breakdown of net sales by segment



FY2021 Construction, mining and utility equipment business sales (to outside customers) by region



Construction, mining, and utility equipment business ¥2,558.8 billion

Komatsu supplies a wide range of products, services, and solutions including construction and mining equipment for use in construction and mining workplaces around the world as well as forklift trucks, forest machines, recycling equipment, and tunneling machines. We have established a position as the international leader in the construction and mining equipment field by delivering unrivaled quality and technological innovation together with this full lineup.



Dump truck

Retail finance ¥57.8 billion

Komatsu conducts a retail finance business aimed at helping reduce customers' funding burdens and otherwise assisting in the purchase of its products. Our strengths in this field include the prevention of overdue debt through effective utilization of Komtrax (location information, operating status information, engine locks, etc.) technologies, swift credit screening, and competitive financing conditions. These strengths have enabled us to build long-term relationships with customers.



Industrial machinery and others ¥185.6 billion

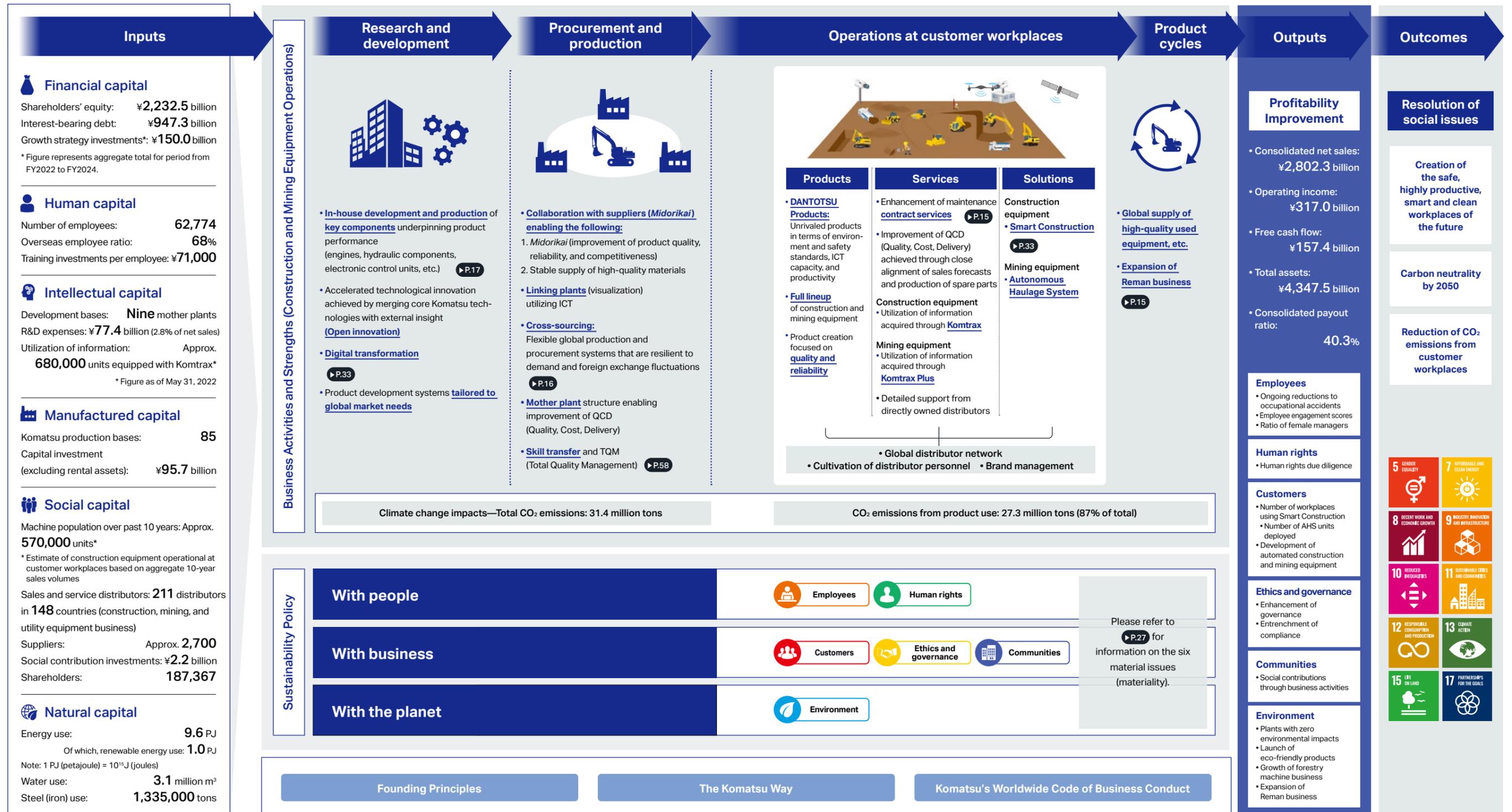
The industrial machinery and others business stands alongside the construction, mining, and utility equipment business as a core business of Komatsu. Offerings in this business include the large presses used to mold automobile hoods and side panels as well as sheet-metal machines, machine tools, and light sources for semiconductor lithography systems (excimer lasers). In this business, we also contribute to the business activities of various customers through production of specialty equipment for Japan's Ministry of Defense.



Large press

Value creation process

In the pursuit of sustainable growth, companies are expected to build robust yet flexible earnings structures that respond to changes in the operating environment while addressing the increasingly more important ESG issues. With the strength of the manufacturing platform it has forged over the years, Komatsu will respond to social needs by linking customers, distributors, partners, and communities and all Komatsu workplaces through its DANTOTSU excellence.



Note: Amounts are consolidated-basis and either for FY2021 or as of March 31, 2022, unless otherwise noted.



Special feature: Komatsu's strengths

1 Delivering new value to customers Lifecycle support business

Construction equipment lifecycle and earnings structure

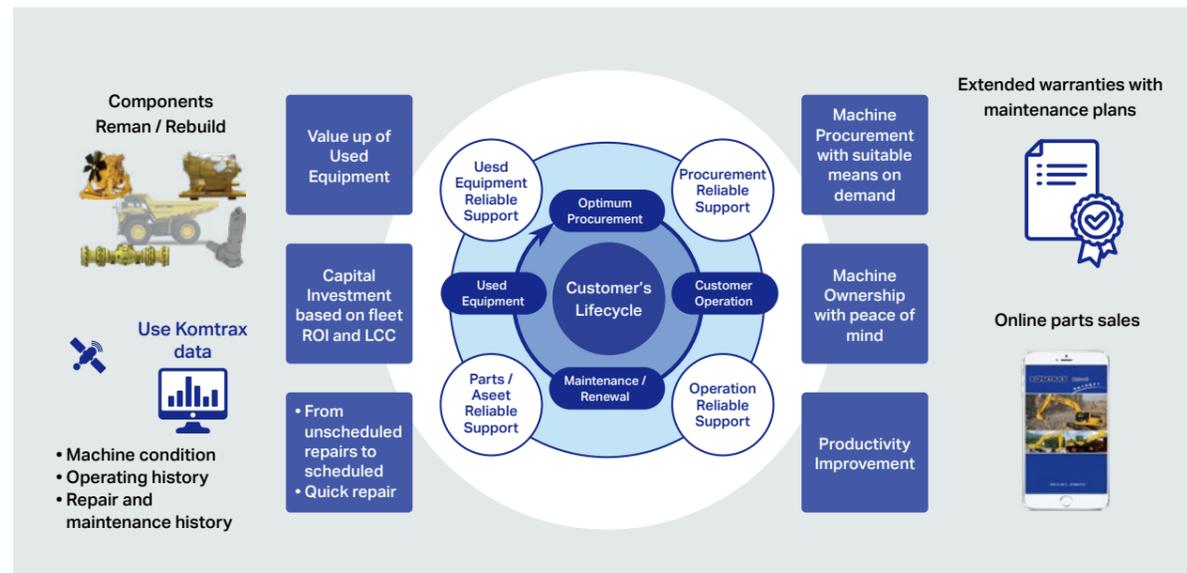
Construction equipment is a lifecycle support business that helps ensure customer equipment can be maintained in a state that guarantees the customer peace of mind and requires minimum costs.

On average, construction equipment is used over a lifespan of 10 to 15 years. Komatsu's role is thus to support customers throughout the lifespan of their equipment. The aftermarket support we provide after delivering equipment is diverse and wide-ranging, including appropriate maintenance, supply of parts, overhauls, and offering trade-ins for used

equipment. Seeing each of these areas as a business opportunity, we will offer Dantotsu services in variety domains of the value chain.

Parts services account for more than 40% of the income of the construction, mining, and utility equipment business. We aspire to become an indispensable partner to customers by utilizing the Komatsu Group's various services to resolve customers' issues. Through such diligent service, we will grow Komatsu's lifecycle support business and boost earnings.

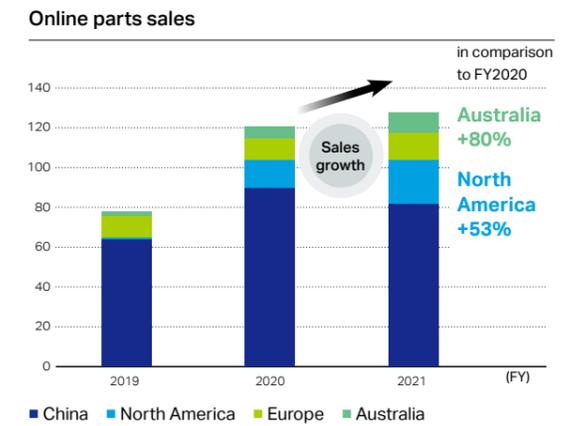
Komatsu's lifecycle reliable support



1 Digital marketing in aftermarket business

Komatsu promotes online sales through which customers can order parts whenever or wherever they need them. Our first online sales was introduced in China in 2017. After that, we developed options for online sales in other areas of the world, leading to an increasingly large portion of our sales being conducted online. Our online presence was expanded in 2021, when we introduced PIM (Product Information Management) system to supply necessary parts information through online sales.

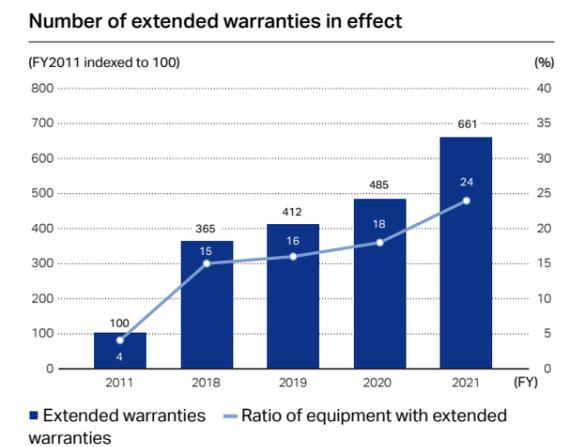
Going forward, Komatsu will deploy ICT tools for supporting digital marketing. For example, the massive amounts of data collected through our next-generation Komtrax system will be utilized in a serial number-based management system in order to allow us to propose the ideal timing for parts replacements and overhauls to customers.



2 Extended warranties with maintenance plans

Komatsu offers extended warranties with maintenance plans for power trains (engines, drive systems, and hydraulics) at the time of purchase of new equipment. These warranties are available around the world, and the number of such plans in effect has increased every year since 2011. Our ability to offer extended warranties is underpinned by our strength in developing and producing key components in-house.

Moreover, extended warranties increase our ability to interact with equipment post-sale, meaning that we can help customers use their equipment with peace of mind. In addition, these arrangements make it possible to maintain an accurate understanding of the condition of components, and this information can be used to improve component quality.



3 Growth of Reman business

Komatsu has introduced a lifetime guarantee program through which it promotes remanufacturing (Reman) and rebuilding* of components together with additional extensions of maintenance plans. Through this program, we aim to continue and strengthen our relationships with customers across equipment lifespans. Our Reman technology expertise is also being deployed throughout our distributor network in order to enhance the operations at these distributors.

A new Reman plant was established in South Africa in 2021, allowing us to provide even higher levels of support to customers in this region.

Meanwhile, our Reman plant in Indonesia is contributing to the growth of our Reman business through two programs. KCFR (Komatsu Certified Full Reman) program returns equipment to customers after it has undergone Reman procedures while KCMR (Komatsu Certified Machine Reman) sells Reman-processed equipment to other overseas customers.

* Activities in the Reman business include restoring engines and other major components of construction and mining equipment to the same condition as if they were new. Restoring used components entails a process with various steps including disassembly, washing, parts replacement, reassembly, painting, and shipping inspections. Rebuilding entails replacing the damaged parts of components with new items while remanufacturing involves repairing and reusing these damaged parts to realize greater reductions in resource use and waste.



Overview of Komatsu and its strengths

Special feature: Komatsu's strengths

Resilience toward risks

2

Resilient production and procurement systems to minimize supply chain risks

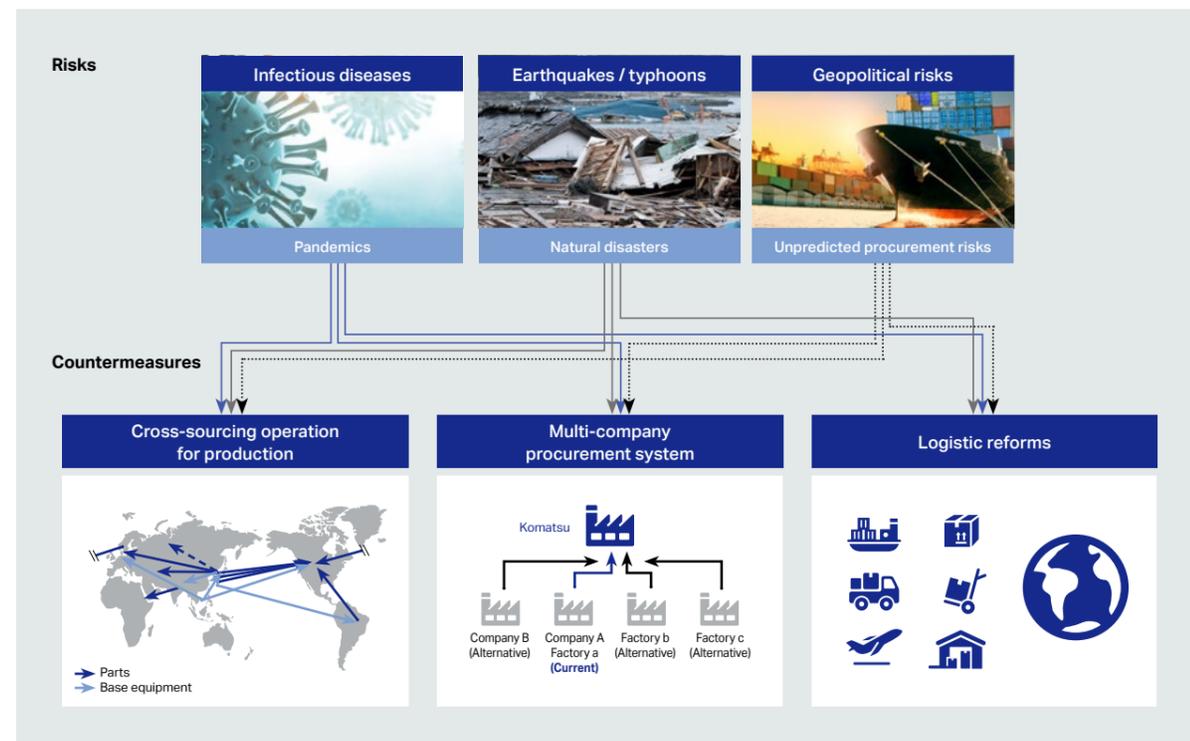
Resilient response to operating environment risks

The COVID-19 pandemic has sparked a lot of supply chain issues, including global container and semiconductor shortages and rising prices of steel and other resources. Komatsu has proceeded to implement measures for responding to various operating environment risks. For example, we have constructed resilient frameworks with regard to production and procurement. These frameworks will be used to respond

to supply chain risks through cross-sourcing operation production, multi company procurement system, and logistic reforms in order to minimize the impacts of such risk on production and sales.

Moreover, key components are manufactured in-house to allow for flexible production in response to supply chain risks.

Countermeasures in supply chain risks



1 Global cross-sourcing

Komatsu began conducting production overseas in the 1980s, and today it has a network of 76 construction, mining, and utility equipment production bases around the world. Since the second half of the 1990s, we have worked advancing standardization efforts with the goal of standardizing base equipment, global production management systems, the bills of materials used for production and design, and the manufacturing process and quality standards. This steadfast effort enabled us to develop a cross-sourcing operation that allows for flexible response to demand fluctuations.

This cross-sourcing operation entails producing the same models based on the same specifications and quality standards at multiple factories so that they can be supplied to any market. Furthermore, Komatsu develops

and manufactures key components in-house to ensure that equipment can be produced with the same level of quality anywhere in the world.

Our global cross-sourcing operation is not only used for equipment units; it is also employed for the procurement of parts. By purchasing parts from multiple suppliers, ramping up local procurement, and sourcing parts from China and Southeast Asia, Komatsu is practicing procurement on a global scale to secure high-quality, low-cost parts while mitigating the impacts of changes in the operating environment.

Our approach toward global cross-sourcing makes it possible to produce items in the ideal location to negate the impacts of demand and foreign exchange rate fluctuations and level production loads.

Cross-sourcing for mid-sized hydraulic excavators

Benefits

1. Hedging against foreign exchange fluctuations
2. Ability to adjust production
3. Reduced costs
4. Effective utilization of production capacity
5. Minimization of investments

Requirements

1. Standardization of base equipment
2. Standardization of production systems
3. Standardization of production and design bills of materials
4. Standardization of manufacturing process and quality standards



Production in Nine Countries

Japan, United States, United Kingdom, Brazil, China, Thailand, Indonesia, India, and (Russia)

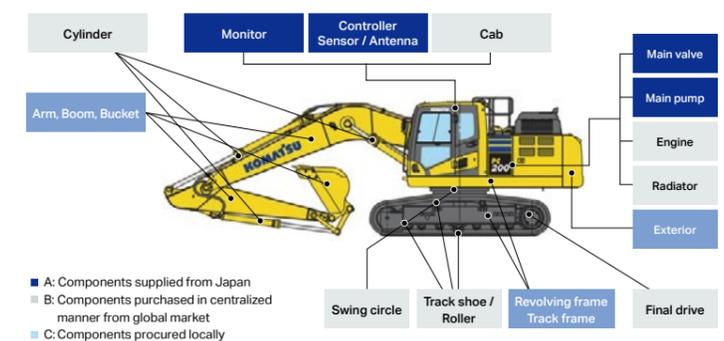


2 In-house production of key components allowing for increased flexibility

Komatsu develops and produces key components in-house. Components facilities supply key components to base equipment factories around the world. These facilities are thus able to coordinate with base equipment factories in order to appropriately control inventories when the supply and demand balance is tight.

Through this system, Komatsu was able to respond to the global semiconductor shortage by utilizing the strength of its in-house development functions to swiftly adjust designs and switch to more widely applicable items, thereby minimizing the impact on production and sales.

Global sources of components used in mid-sized hydraulic excavators



3 Logistics platform

Komatsu is advancing ICT-powered reforms, which include measures for achieving better visualization of its supply chain. Specifically, a logistics platform has been introduced to allow for real-time virtualization of shipment plans, transportation arrangements, locations of ships at sea, and estimated arrival times. These provisions enable us to safeguard our supply chain against market fluctuations and extreme circumstances.

2

Mid-term management plan

In April 2022, Komatsu launched DANTOTSU Value – *Together, to “The Next” for sustainable growth*, its new mid-term management plan scheduled to conclude with FY2024, to create new value for the next 100 years. This section contains explanations of the process of formulating the new mid-term management plan along with introduction on the growth strategies for generating a positive cycle for resolving environmental, social, and governance (ESG) issues and improving earnings to achieve sustainable growth.

Readers will also find messages from the president and the CFO in which they talk about their thoughts regarding the Company’s new mid-term management plan and financial strategies.

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Develop safe, highly productive, smart and clean workplaces of the future with customers



Please refer to the following video for more information on Komatsu future 203X, which describes what Komatsu wants to look like in the future.

https://www.youtube.com/watch?v=_hZao9jei5s



Message from the president



Hiroyuki Ogawa

President and Chief Executive Officer
Representative Director

Strive to create new value over the next 100 Years: Launch of the New Mid-term management plan "DANTOTSU Value –Together, to 'The Next' for Sustainable Growth"

Starting point for pursuit of sustainable growth over the next 100 years after celebrating 100th anniversary of founding in 2021

Komatsu celebrated the 100th anniversary of its founding in May 2021. Since its inception in Ishikawa Prefecture's Komatsu City, Komatsu has continued to respond to the needs of customers and society based on its management principle of "We will maximize the trust given to us by our stakeholders and society through a commitment to quality and reliability." In this manner, the Company has sought to develop the ideal workplaces.

As part of the commemoration of our 100th anniversary in FY2021, Komatsu has defined its corporate identity by reflecting on its corporate growth built by its forerunners and its relations with society. Specifically, Komatsu has articulated its mission and vision as its purpose, together with its values. The corporate identity also incorporates pieces that have been created over the Company's history: founding principles, The Komatsu Way, Komatsu's Worldwide Code of Business Conduct, and strategies including the mid-term management plan. (please see page 2). We also established our Sustainability Policy, which is designed to achieve a sustainable society and to improve business continuity, amid the rising social interest in companies' sustainability impacts on

climate change and other concerns (please see page 4).

Based on these elements, we engaged in an ongoing series of discussions about DANTOTSU Value – *Together, to 'The Next' for Sustainable Growth*, our new three-year mid-term management plan throughout FY2021. This new plan encapsulates our desire to make the coming three years a period as our springboard for creating new value so that we can advance to the next stage toward achieving the workplaces of the future, ensure a sustainable future for the next generation, and for sustainable growth over the next 100 years.

Komatsu Report 2022 provides a look at the course Komatsu will take in pursuing sustainable growth over the next 100 years with a focus on the new mid-term management plan. This will include how we aim to "continue creating new value" together with customers through the consistent supply of DANTOTSU Products, DANTOTSU Services, and DANTOTSU Solutions to customers engaging social infrastructure business based on our DNA of "manufacturing and technology innovation" and "the commitment to quality and reliability."

Steady implementation of growth strategies and structural reforms and a difficult external environment during period of previous Mid-term management plan

I was the Senior Executive officer responsible for formulating DANTOTSU Value – *FORWARD Together for Sustainable Growth*, the previous mid-term management plan, which covered the period from FY2019 to FY2021. This was before I became president. At the time of the formulation of this plan, we had a sense of crisis regarding the medium- to long-term outlook for the construction and mining equipment market. It was projected that demand would not see significant growth in this market, and that Komatsu would not be able to survive the next century if it did not change. This was also the time when rising concern for climate change started making coal exposure an issue. In formulating the plan, we discussed the types of strategies that would be necessary to drive sustainable growth with the goal of generating a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth. These discussions led us to embark on strategies based on the recognition that ESG issues do not only represent risks; they also present opportunities. We

remain this basic approach in the new mid-term management plan. It was also with the previous mid-term management plan that we first set ESG-related management targets and introduced frameworks for linking director remuneration to the accomplishment of ESG and other management targets.

Looking back at the previous mid-term management plan, Komatsu faced a difficult external environment throughout the three-year period of the plan. Demand started to decline in FY2019, which was further compounded by the global COVID-19 pandemic, something that we had not predicted when formulating the plan, resulting in a massive slump in demand for construction and mining equipment during the first two years of the plan. Nevertheless, we continued to make steady progress in our growth strategies and structural reforms while seeking to enhance corporate value through improved earnings and the resolution of ESG issues.

Noteworthy successes included to further strengthen its developing operation for electrification technologies together with customers or technical partners, the founding of the Komatsu GHG Alliance, the reformation of our underground soft rock business, the promotion of next-generation and carbon-neutral factories, and other measures to fight climate change.

Review of previous Mid-term management plan

Three growth strategies	Initiatives
1. Value creation by means of innovation	<ul style="list-style-type: none"> • Launched "digital transformation Smart Construction" • Started installation of Smart Construction Retrofit Kit • Conducted joint proof of concept test of electrified hydraulic excavators together with Proterra Inc. of the United States • Promoted Autonomous Haulage System • Electrified equipment for underground hard rock mining together with Proterra Inc. • Jointly developed electrified micro excavators with Honda Motor Co., Ltd., and launched these in the Japanese market • Founded the Komatsu GHG Alliance
2. Growth strategies based on business reform	<ul style="list-style-type: none"> • Expanded forestry machine business • Introduced next-generation Komtrax • Developed products for underground hard rock mining • Launched new electrified forklifts • Developed and launched electric vehicle battery production equipment • Launched new CE series hydraulic excavators for urban civil engineering applications • Established EARTHBRAIN Ltd. to promote improved safety, productivity, and eco-friendliness through digital transformation
3. Structural reforms for growth	<ul style="list-style-type: none"> • Completed new remanufacturing factory in South Africa • Reformed structure of underground soft rock business • Commenced operation of new seal ring factory at Himi Plant • Promoted carbon neutral plants

Changes in external environment and Revised material issues and reflecting them in our management strategies

Komatsu's external environment is increasingly being characterized by uncertainty and opaqueness. In this environment, we must address new issues related to carbon neutrality, digital transformation, and diversity, equity, and inclusion. At the same time, there is no end in sight for the COVID-19 pandemic, and raw material prices and logistics costs remain high. Komatsu operates a global business, and this means that we need to further bolster our responsiveness toward changes in the external environment and business risks associated with geopolitical risks, cybersecurity, pandemics, natural disasters, and other extreme circumstances.

Against this backdrop, Komatsu undertook an analysis of its material issues (materiality) in advance of the formulation of the new mid-term management plan. This analysis was aimed at reinforcing our responsiveness toward changes in the external environment and business risks. Through these analyses, we recognized four areas with particularly high business importance and impacts on sustainability. These four areas—environment, customers, employees, and ethics and governance—have been positioned as high-priority material issues, and initiatives in these areas have been incorporated into the growth strategies of the mid-term management plan (please see page 27).

Material issues represent issues needing to be addressed while also offering a glimpse at potential opportunities for growth. What is important is for us to recognize the rising level of uncertainty and to make steady progress in our initiatives for sustainable growth while advancing growth strategies and heightening our responsiveness toward risks.

Komatsu is gravely concerned about the current situation in Ukraine and sincerely hopes that the situation will be settled peacefully as soon as possible. Due to the situation in Ukraine, the disruption in the supply chain surrounding Komatsu has remained serious, and the impact on the financial and economic situation remains uncertain. Komatsu continues to develop its business with the safety and health of its customers and suppliers, residents of local communities, and employees and their families as its top priority. This will be our guiding policy as we carefully monitor the situation with the decision of responding in the most appropriate manner.

Clarification of medium- to long-term directives and issues of segments to review business portfolio featuring higher growth and profitability

In conjunction with the formulation of the new mid-term management plan, we reviewed our business portfolio (please see page 28). Komatsu have promoted selective focus on business at the start of the 2000s, and today we are concentrating our management resources primarily on our construction, mining and utility equipment, retail finance, and industrial machinery and others businesses. The establishment of the new mid-term management plan was used as an opportunity to try new initiatives to clarify the medium- to long-term directives and issues of individual business segments reflect these points in priority initiatives. In the construction, mining and utility equipment business, for example, we will invest in growth areas to enhance our solutions and value chain operations in pursuit of higher growth potential and profitability. M&A activities will be examined as one option for these investments.

Start of new three-year Mid-term management plan—strive to create new value over the next 100 years

Based on these considerations, Komatsu launched DANTOTSU Value – *Together, to "The Next" for Sustainable Growth*, its new three-year mid-term management plan, in April 2022 (please see page 26).

This new plan builds upon the concepts of the previous plan, calling on us to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth through the supply of DANTOTSU Value, comprising DANTOTSU Products (advancement of machines), DANTOTSU Services (advancement of machine operations), and DANTOTSU Solutions (advancement of workplace operations). Through this approach, we are working to realize our ideal of creating the safe, highly productive, smart and clean workplaces of the future together with customers.

Moreover, the plan is upheld on three pillars of growth strategies: 1) Accelerate growth by means of innovation; 2) Maximize earnings power; and 3) Enhance corporate resilience. Based on these growth strategies, we will continue to focus investment on growth areas to create new value. At the same time, we will seek to maximize growth opportunities in existing business areas in order to improve profitability and build a business structure that is resilient to fluctuations in demand.

Ongoing focus on sustainability management to achieve sustainable growth over the next 100 years

Based on the Sustainability Policy, Komatsu aims to contribute to society through its business activities over the next 100 years. In the new mid-term management plan, we have continued to emphasize the previous plan's sustainability management in which we work for sustainable growth through a positive cycle for resolving ESG issues and improving earnings. With this emphasis, we have selected 10 new goals from among the 17 goals of the United Nations Sustainable Development Goals that are strongly related to material issues (materiality). We have also set key performance indicators (KPIs) aimed at resolving ESG issues through the three pillars of our growth strategies. Selected through discussion among the Board of Directors, these KPIs have been deemed to be viable for promoting the advancement of our growth strategies and for indicating the progress of the mid-term management plan to stakeholders (please see page 36). Komatsu will continue to disclose information on its progress toward the KPIs in its integrated reports, as it has done since the period of the previous mid-term management plan. By presenting this information in a clear form for stakeholders, we expect to boost the motivation of internal departments to achieve our KPIs and thereby accelerate the advancement of our growth strategies.

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 responsible global company.



Komatsu's current need for ongoing ambition to supply customers with new value

As was the case when formulating the previous mid-term management plan, we project that Komatsu's mainstay construction, mining and utility equipment business will continue to see gradual growth of market demand over the medium to long term. However, we cannot expect a massive spike in growth. We also have to recognize that we will continue to face a highly volatile market. When looking forward to the next century, it becomes clear that we must continue our prior approach, as well as, forge new relationships with customers and build a business structure that is resilient to changes in demand.

We made a certain degree of progress in priority initiatives of growth strategies under the previous mid-term management plan. However, there are still issues that we need to address in order to boost our growth potential and profitability. Areas of these issues include promoting to introduce electrified equipment, evolution value chains business, and expanding our underground hard rock and forestry machine businesses (please see page 32).

Message from the president

Advancing these growth strategies will require us to exercise ongoing ambition to capitalize on our possibilities and deliver new value to customers. We also must foster people who can boldly tackle new challenges without fear of failure. I too was provided with various opportunities to tackle new challenges throughout my career. I learned a lot from these opportunities, even when I failed, and this experience made me what I am today. For example, I was involved in projects for transferring production operations as part of our reorganization of Komatsu's domestic plants. I had the opportunity to experience this process at both plant transferring the operations and the plant to which operations were being transferred, and both sides of this experience contributed to my growth. I also gained a lot from my time overseas. Over the period from 2004 to 2007, I served as plant manager of the Chattanooga Plant, and I was able to experience and study various areas of management in this position. At that time, demand in the United States was brisk, and production could not keep up with this demand. To address this demand, we set up a system through which PC200s manufactured in Bangkok, Thailand, would be shipped to the U.S. This allowed us to respond to fluctuations in demand without incurring additional fixed costs. Today, this type of approach has come to be known as cross-sourcing. Through this experience, I learned that undertaking new endeavors overseas, even more so than other ambitious ventures, requires the skills of local staff and support from Japan. This taught me the importance of teamwork.

Expanding partnerships has been upheld as one of the common efforts needing to be addressed to advance the growth strategies of the mid-term management plan. When attempting to automate or electrify equipment, for example, it is important to absorb as much insight as possible from the partners we work with so that this insight can be used to foster our own employees. Komatsu does not have a substantial amount of insight in the fields of automation and electrification, meaning that it would be difficult for us to train experts in these fields on our own.

At the same time, management has the important responsibility of providing employees with opportunities to tackle new challenges. The practical skills and experience that subordinates acquire through such undertakings will contribute directly to their development. Based on my own

experience, it is crucial to delegate a certain degree of responsibility to these employees when having them try to tackle new challenges.

The Komatsu Way is an expression of the strengths of Komatsu, the beliefs supporting our corporate strengths, the basic attitudes, and a manner of action established based on the experiences of our predecessors as they proceeded to tackle the challenges facing them. We distribute this statement to Komatsu employees around the world and teach them its values. Instilling these values, which could be said to be the very DNA of Komatsu, in employees requires that they act and gain experience based on our emphasis on actual workplaces. A look back at our century-long history will show that Komatsu has often found itself faced with trials. When rival U.S. manufacturers sought to compete with us in Japan, we rose to the challenge and claimed victory through quality control measures to undertake the project "A". We have also had the experience of advancing into the global market, ramping up local production overseas, achieving a rapid recovery after posting an operating loss in 2001, and overcoming the adversity created by the 2008 financial crisis and the Great East Japan Earthquake in 2011. Our predecessors boldly tackled these challenges, without fear of failure. It is this history of overcoming hardship that has led Komatsu to grow into the company it is today.

Moreover, this history has formed the foundation on which we will grow in the future. The new mid-term management plan positions the next three years as a period for building the foundations for advancing to the next stage for the workplaces of the future and ensuring a sustainable future for the next generation through manufacturing and technology innovation and quality and reliability. I hope you will continue to support us as we enter a new stage.



Hiroyuki Ogawa
President and Chief Executive Officer
Representative Director

Online meetings with individual shareholders (Japanese only)

In order to help shareholders gain a better understanding of Komatsu's business activities, we will hold an online meeting for individual 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. We also ask for input from shareholders.

Details of FY2022 online meeting with individual shareholders (plan)

Time and date	7 p.m.–8 p.m. (JST), December 20, 2022 (Tuesday)
Method	The viewing website and viewing methods will be described in the interim business reports scheduled for distribution in early December 2022 (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, 2022
Agenda	1. Explanation of mid-term management plan progress, interim financial results, and full-year financial outlook 2. Question and answer session

Note: The meeting will be held in Japanese only. The materials in English will be posted on Komatsu's corporate website after the meeting. Please visit our website and refer to the Interview with the President section of our Investor Relations page.

Reference

FY2021 online meeting with individual shareholders

• Presenters

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



For videos and materials from the FY2021 online shareholder meeting, 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

For materials from the FY2021 online shareholder meeting, please refer to the Interview with the President section of our corporate website.

<https://www.komatsu.jp/en/ir/library/interview-movie>



Special feature: Mid-term management plan (FY2022–FY2024)

Mid-term management plan

(FY2022–FY2024)

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

To the next stage for the workplace of the future

Ensuring a sustainable future for the next generation

A new chapter of value creation to the next 100 years

In April 2022, Komatsu launched **DANTOTSU Value – Together, to "The Next" for Sustainable Growth**, its new mid-term management plan covering the three-year period from FY2022 to FY2024.

The period of this plan has been positioned for building foundations for supporting the creation of new value so that we can move on to the next stage toward achieving the workplaces of the future, work toward a better sustainable future for the next generation, and create new value for sustainable growth over the next 100 years.

Changes in external environment and of ESG issues

In recent years, Komatsu's external environment has been becoming increasingly volatile and opaque.

Achieving sustainable growth in this environment will require Komatsu to increase its resilience to changes in the

external environment and to business risks. We will also need to enhance our foundation for sustainable growth by positioning trends like digital transformation, carbon neutrality, and diversity and inclusion as business opportunities.

Politics & economy

- Growing competition between US and China and economic security risks
- China: impacts of domestic policies and economic/diplomatic policies
- Growing geopolitical risks (Ukraine situation etc.)
- Unstable supply chains
- Need to increase ability to address contingencies (including infectious diseases and natural disasters)



Environment & energy

- Growing momentum toward climate change and decarbonization (COP26: 1.5° Celsius target confirmed)
- Acceleration of carbon neutrality
- Shift to EVs (automobile industry)
- Water security and biodiversity conservation
- Growing green investments and rising demand for information disclosure



Technologies

- Acceleration of digital transformation
- Advancements in leading technologies and open innovation (automation, electrification, and remote-controlling, AI, etc.)
- Expansion of SaaS (Software as a Service)
- Evolution of Data Analytics
- Growing cybersecurity risks



Society & values

- Prevalence of diversity and inclusion (gender, people with disabilities, LGBTQ, etc.)
- Progress with diverse workstyles
- Growing importance of employee engagement
- Rising societal demands for human rights and corporate ethics
- Strengthened governance and risk management



Revision of material issues (materiality)

Prior to the launch of the new mid-term management plan, Komatsu undertook a revision of its material issues over the period from November 2020 to February 2021 through which it sought to increase its resilience to changes in the operating environment and business risks.

Initiatives in areas deemed to be of high importance to accomplishing the goal of the growth strategies of the mid-term management plan—generating a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth—have been reflected in growth strategies.

Process of revising material issues

Komatsu utilized the following process in revising its material issues while receiving third-party aid from Business for Social Responsibility, a U.S.-based NPO.

1. Identification of sustainability issues

Important issues were identified based on past materiality analyses, international targets and standards, reporting frameworks, management philosophy and strategies, and the importance and relevance to stakeholders, resulting in the compilation of a list of 46 items.

2. Evaluation of identified sustainability issues

Meetings were held with 26 internal and external individuals (15 internal and 11 external)* with regard to the identified sustainability issues in order to assess and map the issues from the perspectives of business importance and impacts on sustainability (importance to stakeholders + environmental, social, and economic impact).

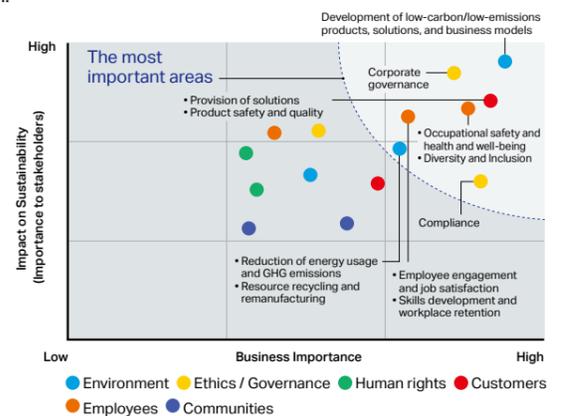
* External individuals included institutional investors and representatives from World Business Council for Sustainable Development, World Wide Fund for Nature Inc., Business & Human Rights Resource Centre, customers, and partners. Internal individuals included domestic and overseas officers (directors, global officers, and other executive officers).

3. Definition of material issues

Based on these analyses, the Company defined six material issues—environment, customers, employees, ethics and governance, human rights, and communities—that were deemed to have material importance in terms of their impact on sustainability and their business importance.

Furthermore, the four areas of environment, customers, employees, and ethics and governance were identified as being of particularly high priority among these issues, and initiatives for addressing these areas have been incorporated into the growth strategies of the mid-term management plan.

Material issues (materiality)	
Environment	<ul style="list-style-type: none"> • Development of low-carbon/low-emissions products, solutions, and business models • Resource recycling and remanufacturing • Reduction of energy usage and GHG emissions • Forest conservation through business activities
Customers	<ul style="list-style-type: none"> • Provision of solutions • Product safety and quality
Employees	<ul style="list-style-type: none"> • Occupational safety and health and well-being • Employee engagement and job satisfaction • Diversity and Inclusion • Skills development and workplace retention
Ethics / Governance	<ul style="list-style-type: none"> • Corporate governance • Compliance
Human Rights	<ul style="list-style-type: none"> • Respect for human rights
Communities	<ul style="list-style-type: none"> • Contributions to local communities



4. Approval of Mid-term management plan by board of directors

The mid-term management plan was approved by the Board of Directors as a plan for generating a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth by addressing material issues based on an understanding of the relationship between these issues, Komatsu's Sustainability Policy, and the United Nations Sustainable Development Goals (SDGs).*

Moreover, the Company will undertake regular materiality analyses and reflect the identified risks and opportunities into management in order to respond flexibly to changes in the operating and management environment.

* For information on the relationship between material issues, Komatsu's Sustainability Policy, priority measures of the mid-term management plan, and the SDGs, please refer to the list of key performance indicators on page 36.

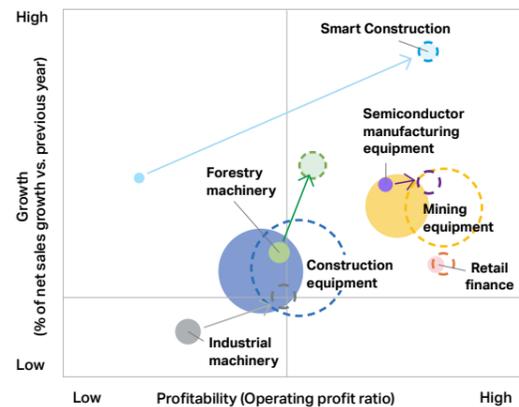
Review of business portfolio

In conjunction with the establishment of its new mid-term management plan, Komatsu also conducted a review of its business portfolio. This review entailed clarifying the medium- to long-term directives and issues for business segments and reflecting these in the priority initiatives of the mid-term management plan.

For our core business, the construction and mining equipment business, we will continue to focus investments on growth areas and control fixed costs. While also focusing on M&A activities, we will work toward sustainable business growth by increasing growth and profitability through the expansion of our solution and value chain businesses.

Business portfolio (Average for the past 10 years: FY2012–FY2021)

○ shows medium- to long-term direction of each business segment



- Colored bubbles indicate the size of 10-years average sales for each business segment.
- Smart Construction and forestry equipment indicates the direction from FY2021 with construction equipment in parentheses.
- Smart Construction indicates solutions related portion.

Business direction and main issues

Business segments	Business direction and main issues
Construction equipment	Strategic markets <ul style="list-style-type: none"> • Aggressive strategies in growth markets (Asia and Africa) • Increase sales of CE series excavators Traditional markets <ul style="list-style-type: none"> • Promote digital transformation Smart Construction • Develop automation / electrification technologies and form markets Global <ul style="list-style-type: none"> • Strengthen forestry machinery business and expand smart forestry • Expand value chain business (including mining)
Mining equipment	Surface mining <ul style="list-style-type: none"> • Promote open technology platforms • Strengthen AHS business and develop automated and remote-controlled technologies of mining equipment • Promote development of power agnostic trucks (Komatsu GHG alliance) Underground mining <ul style="list-style-type: none"> • Expand hard rock business • Continuous structural reforms in response to coal demand decrease
Retail finance	Expand coverage (regional and products) and maintain financial soundness
Industrial machinery and others	Semiconductor manufacturing equipment <ul style="list-style-type: none"> • Maintain and improve strong earnings structure and address speed of growth of the semiconductor market • Expand DUV light source equipment business for lithography • Expand temperature control equipment business
	Industrial machinery <ul style="list-style-type: none"> • Improve earnings structure and address customer changes (CASE) • Strengthen automotive battery manufacturing equipment business and expand smart line business • Strengthen after-sales service business and development of new products with new processing methods

Management tasks for achieving sustainable growth

Demand in the construction and mining equipment business, Komatsu's core business, is expected to increase moderately over the medium to long term because of population growth and urbanization in strategic markets and because of the steady pace of infrastructure replacement investments in traditional markets.

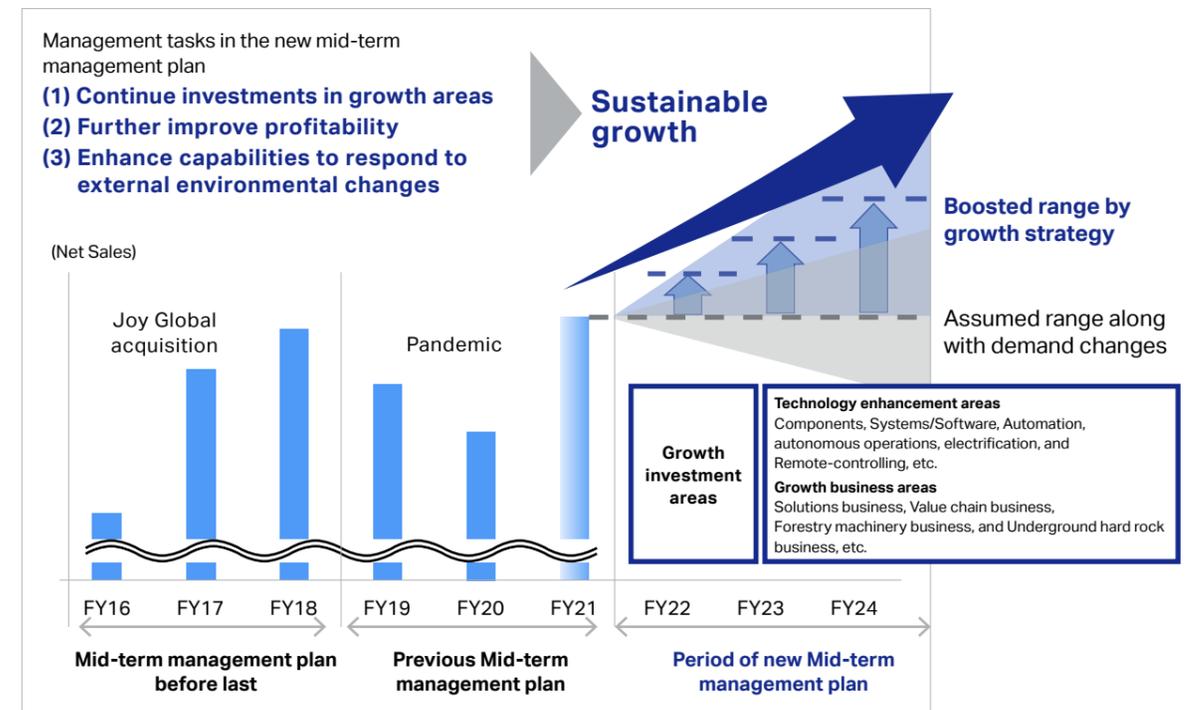
In the short term, meanwhile, demand volatility is expected to be extremely high due to various external environment risks.

Therefore, we recognize there are three challenges needing to be overcome in order to achieve sustainable growth. The first is to conduct continued investment in growth areas. The second is to achieve further improvements in profitability. The third is to strengthen our ability to address environmental changes.

By implementing our growth strategy, we strive to achieve growth surpassing the industry average, to secure the industry's top level of profitability, and to build a corporate structure that is resilient against demand volatility, and thereby accomplishing sustainable growth.

Growth areas where we are making focused investments include the technological areas such as automation, electrification, remote control, components and software, the solutions business for Smart Construction, and an open technology platform for mining and value chain businesses. In addition, we will also invest in businesses with high growth potential such as the forestry machinery business and the underground hard rock mining business.

Mid-term management plan (FY2022–2024): Approaches to growth strategy



Creation of DANTOTSU Value

By advancing the growth strategies of its mid-term management plan, Komatsu aims to create the safe, highly productive, smart and clean workplaces of the future together with customers.

The “workplaces of the future” that Komatsu aims to create in the 2030s will resolve customers’ workplace issues and optimize operations by means of partnership and advanced technologies, using open platforms connecting land data, people, machines, and materials through digitalization. This connectivity is expected to allow for advanced technologies to be utilized together with partners to resolve issues and pursue optimization at customer workplaces around the world.

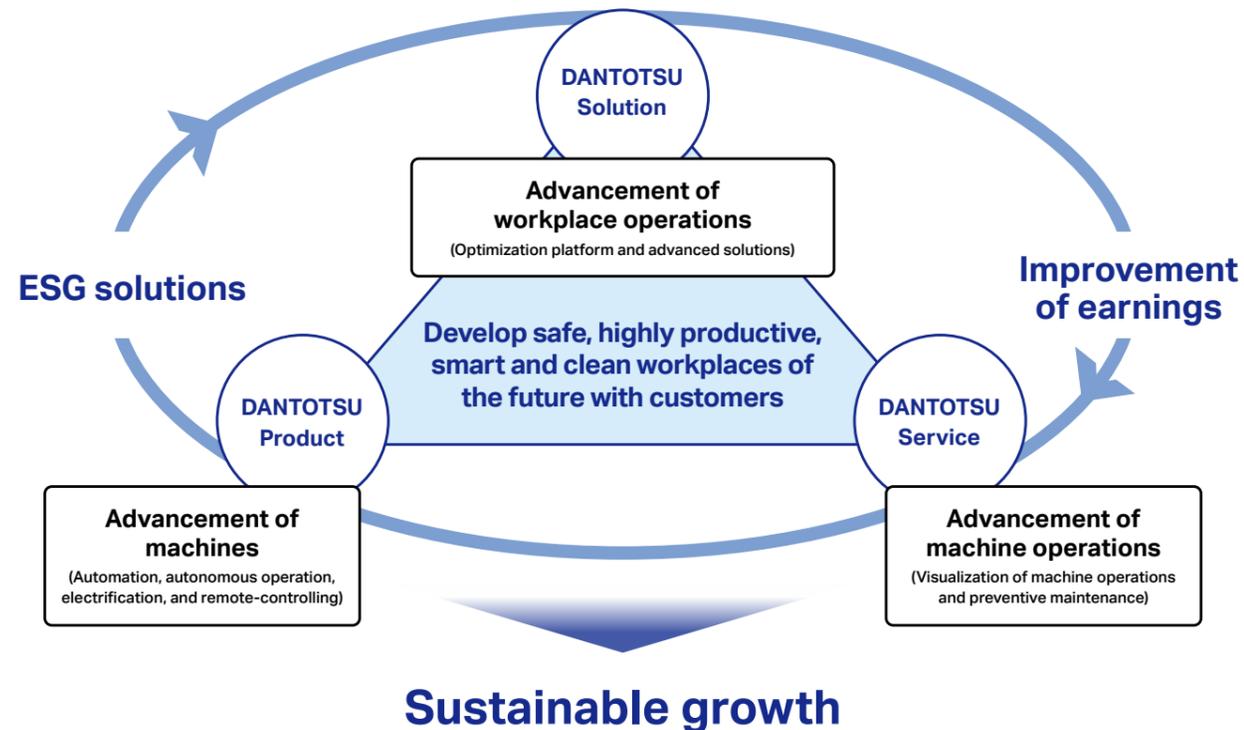
Komatsu aims to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth through the supply of new customer value (DANTOTSU Value), by integrating DANTOTSU Products (advancement of machines), DANTOTSU Services (advancement of machine operations), and DANTOTSU Solutions (advancement of workplace operations).

As shown in our roadmap for the workplaces of the future, we aim to create new value through solutions; provide safe, environmentally friendly and highly efficient products that are highly compatible with those solutions; and connect all customer processes with digitalization. Through these efforts, we will strive to achieve the optimization of workplace operations from the perspectives of safety, efficiency, and the environment in order to create the workplaces of the future and achieve carbon neutrality.

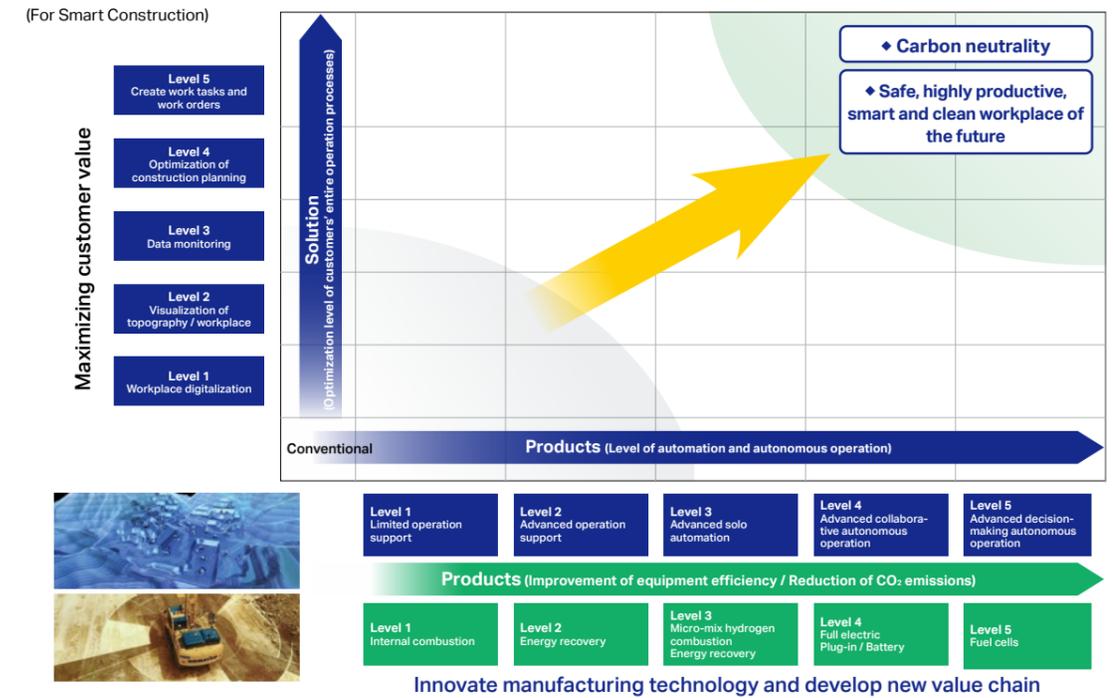
Furthermore, Komatsu announced its 2050 carbon neutral declaration stating its aim to achieve business growth while implementing measures to combat global warming. We will extend these efforts to reduce CO₂ emissions throughout customer workplaces, not just at our production sites and from the use of our products, by utilizing Smart Construction and other methods to optimize customers’ construction activities and to proactively contribute to CO₂ reductions across society.

DANTOTSU Value

Customer value creation that generates a positive cycle of ESG solutions and improvement of earnings



Roadmap to workplace of the future

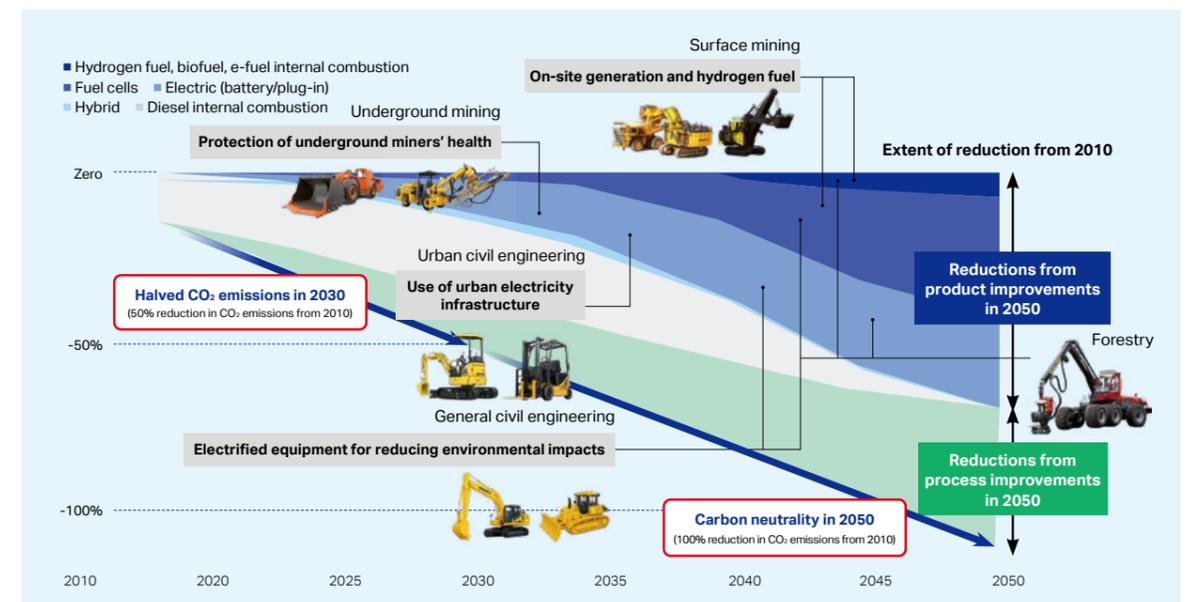


Product development roadmap for carbon neutrality

We will constantly update our product development roadmap so that we can provide customers with all options according to their environmental needs.

Reductions from product improvements: Reduce CO₂ emissions by increasing machine efficiency and improving low carbon levels (shift to cleaner power sources).

Reductions by solutions (process improvements): Reduce CO₂ emissions by optimizing and improving the efficiency of all jobs, construction, and operations at customers’ workplaces.



Three pillars of growth strategies

The new mid-term management plan is centered on three pillars of growth strategies: 1) Accelerate growth by means of innovation; 2) Maximize earnings power; and 3) Enhance corporate resilience. The pillars were defined based on backcasting from Komatsu's mid-term vision, as well as on various factors, such as the achievements and ongoing challenges from the previous mid-term management plan; changes in the external environment; and management issues.

Based on the pillars of growth strategies, the Company will continue to focus investment on growth areas to create new value. In addition, Komatsu will

target the maximization of earnings opportunities in existing business areas in order to improve profitability and build a business structure that is resilient to fluctuations in demand. The management foundations for supporting these activities will be reinforced by enhancing efficiency and improving responsiveness to changes in the external environment.

As common themes among three pillars, we will work to expand business partnerships, including through M&A and open innovation activities, while promoting digital transformation in all areas with the goal of improving productivity and efficiency.



1. Accelerate growth by means of innovation



- Create new customer values by optimizing workplaces
 - Promote digital transformation Smart Construction and its overseas expansion
 - Business promotion using mining open technology platforms
 - Advanced product development and market introduction with high compatibility with platforms
- Tackling the challenge of crafting values (products and solutions) for carbon neutrality
 - Develop and market introduction of electrified machinery
 - Promotion and expansion of Smart Forestry
 - Plants with zero environmental impacts

2. Maximize earnings power



- Expand presence in key emerging markets
 - Strengthening of marketing strategies in Asian and African markets
 - Expansion of forestry machinery and hard rock equipment businesses
 - Expansion of aftermarket business
- Further growth from evolution of value chain business
 - Development of data-driven business model
 - Promotion of differentiation through lifecycle support business
 - Expansion of Reman/rebuild businesses

3. Enhance corporate resilience



- Drive efficient business operations and reinforce risk management
 - Strengthening of production and procurement systems resistant to environmental changes (increase of multi-source ratio of parts)
 - Enhancing assessment of economic security risk and preparedness
 - Strengthening the corporate brand by developing a global brand strategy
- Enrich human resources base with diversity
 - Enhancement of diversity & inclusion
 - Offering of a variety of talent development opportunities and improvement of employee engagement
 - Human resources development for digital applications and open-innovation

1 Accelerate growth by means of innovation

Komatsu has defined areas in which it will cultivate businesses through strategic investment in pursuit of future growth. In these areas, we will expand the solutions business through the creation of new value that optimizes customer workplaces by accelerating innovation in both solutions and products.

For example, we will promote businesses related to the "Smart Construction Digital Transformation" solution and to mining open technology platforms.. At the same time, we will

accelerate development and practical application of sophisticated products (equipment) boasting automated, autonomous, and remote operation functions that make them highly compatible with our software, solutions, and platforms.

Meanwhile, carbon neutrality initiatives will include such ambitious undertakings as launching electrified equipment, promoting smart forestry, and creating plants with no environmental impacts.

Promotion of "Smart construction digital transformation"

The Japanese construction industry is suffering due to social issues like the aging of workers and the shrinking of the working-age population. The impacts of such issues are being further compounded by the COVID-19 pandemic, which is creating a pressing need for workstyle reforms at construction workplaces around the world.

To help address these issues, Komatsu evolved its prior Smart Construction solution to create the "Smart Construction Digital Transformation" solution, which is capable of contributing to further improvements to the safety, productivity, and eco-friendliness of construction workplaces.

In addition, we launched EARTHRAIN Ltd., a joint venture company, together with NTT DOCOMO, INC. Sony Semiconductor Solutions Corporation, and Nomura Research Institute, Ltd., in 2021. EARTHRAIN is tasked with developing devices and applications for the visualization of various construction workplace data. By combining the four companies' expertise, know-how and technologies, EARTHRAIN will provide the next-generation of Smart Construction.

The mid-term management plan positions the promotion of the "Smart Construction Digital Transformation" solution as a priority initiative, based on which we aim to help enhance and optimize construction workplaces. Moreover, the applications developed by EARTHRAIN will be combined with the ICT-intensive construction equipment of Komatsu to expand the use of this solution on a global scale in order to make greater contributions to productivity at construction workplaces around the world.

For information on key performance indicators for improving construction workplace productivity through Smart Construction, please refer to page 36.

Development and launch of electrified equipment

Komatsu is working together with various partners to develop and launch electrified equipment in order to provide various options that match customers' needs for environmental performance based on its outlook for the future of the market.

As one facet of these efforts, we aim to introduce equipment that can run on fuel cells, hydrogen engines, and various other power sources.

In June 2022, Komatsu signed a memorandum of understanding with Cummins Inc. to collaborate on the development of zero-emissions power sources for haulage equipment. This agreement also pertains to technologies including hydrogen fuel cell solutions.

By capitalizing on Cummins' wide-ranging technologies and expertise pertaining to batteries, fuel cell systems, and hydrogen production systems, we are moving ahead with the development of zero emissions power technologies. Komatsu is advancing to develop power agnostic trucks that can run on a variety of power sources. And targeting a commercial launch for these trucks to be achieved by 2030.

Komatsu is committed to contributing to carbon neutrality through the development of such eco-friendly products.



2 Maximize earnings power

Komatsu seeks to achieve further growth and improve its profitability by maximizing earnings opportunities in existing businesses through the expansion of its presence in growth markets and the evolution of value chain businesses.

Efforts for expanding our presence in growth markets, specifically those in Asia and Africa, will include promoting sales of the CE series hydraulic excavators for urban civil engineering applications launched in 2021, bolstering product planning systems tailored to regional characteristics, and augmenting our lineup of attachments.

Komatsu will also reinforce its operations in areas

expected to grow in the future, such as forestry machinery and hard rock mining.

Moreover, the next-generation Komtrax will be utilized to develop a data-driven business model that takes advantage of the strength of our in-house production of key components and because of the fact that we have deployed some 680,000 equipment units (as of March 31, 2022) around the world. With this model, we aim to bolster our support capabilities across equipment lifecycles in order to expand our remanufacturing (Reman) and rebuilding operations.

For more information on Komatsu's lifecycle support business, please refer to page 14.

Acceleration of initiatives in Asian and African markets

Komatsu is deploying a two-model line strategy to address the diverse needs of customers in the Asian market. Based on this strategy, we have introduced into this market the PC210-10M0 standard series hydraulic excavator, which excels when it comes to power and productivity in mining and quarrying work. We also, launched the PC200-10M0 CE series hydraulic excavator, which boasts specifications optimized for urban civil engineering work, such as residential land development and road construction, in 2021. The PC200-10M0 CE series hydraulic excavator features better fuel economy and a lower price than conventional models, achieved by optimizing specifications exclusively for urban civil engineering work with four-cylinder engines, while inheriting the quality and durability of conventional models.

By taking strategic advantage of its in-house development and production of key components, Komatsu is working to install a variety of sensors on the key components of equipment for strategic markets and to use monitoring technologies in order to predict mechanical failures and estimate product life. Just like the PC210-10M0 standard series hydraulic excavator, the PC200-10M0 CE series hydraulic excavator is equipped with a variety of sensors and is supported by the extended warranty program



(maximum 5 years or 10,000 hours), thereby maximizing the benefits for customers.

Going forward, Komatsu will extend its two-model line strategy using CE series models to other strategic markets in order to expand its presence in these markets.

In African markets, meanwhile, Komatsu is expanding its customer support operations. For example, we completed construction of a new remanufacturing (Reman) plant in South Africa in 2021. This base will be utilized as a central hub for our activities in southern Africa in order to reinforce our Reman operations (see page 15).

Advancement of forestry machinery business

Komatsu is ramping up its efforts in the forestry machinery business with the aim of growing it into a third pillar of business alongside its construction equipment and mining equipment businesses.

Seeking to encourage sustainable forestry, Komatsu is upholding not only the already-mechanized areas of harvesting and forwarding but also planting and cultivation. To aid it in these efforts, the Company acquired Bracke Forest AB, a Swedish-based developer, manufacturer, and seller of application-specific attachments for silviculture, in July 2022.

In addition to mechanizing forestry processes, we are developing forest management solutions for analyzing data on tree numbers, height, and other metrics measured using drones and satellites. Through such efforts, Komatsu is supporting



customers in improving safety and productivity at their workplaces while also contributing to carbon neutrality.

3 Enhance corporate resilience

The external environment has become increasingly uncertain in recent years, prompting Komatsu to pursue higher levels of resilience in the management foundations that support its pursuit of sustainable growth.

One area for the pursuit of higher resilience is initiatives for strengthening risk management and boosting operational efficiency. In this area, we are building supply chains that are resilient to changes in the operating environment by increasing the ratio of items we procure from multiple suppliers. We are also furnishing flexible responses to foreign exchange rate and demand fluctuations through cross-sourcing. Meanwhile, assessments are being conducted with regard to the emerging need to address economic security risks as we develop the necessary response frameworks.

Human resource measures, meanwhile, include bolstering our diverse staff to heighten engagement with employees boasting various expertise, in order to ensure that we are equipped to overcome challenges as a team.

Specifically, we are promoting diversity and inclusion while working to improve engagement by offering employees various opportunities to develop their skills. In addition, we are fostering human resources with skills pertaining to digital technologies and open innovation.



- For more information on production and procurement systems, please refer to page 16.
- For more information on human resource development initiatives, please refer to page 56.

Management targets

For more information on Komatsu's financial strategies, please refer to page 41.

Concerning management targets in the new mid-term management plan, while we are keeping the same targets from the previous plan, that is, "Growth," "Profitability," "Efficiency," "Financial Position," and "Retail finance business," we have set a new ESG target of the challenge to become carbon neutral by 2050.

With respect to shareholder return, while placing priority on focusing investments in growth areas, we will continue to work for stable dividends for shareholders.

Item	Index	Target
Growth	Sales growth rate	Growth rate above the industry's average
Profitability	Operating profit ratio	An industry's top-level profit ratio
Efficiency	ROE	10% or higher
Financial position	Net D/E Ratio	Industry's top-level financial position
Retail finance business	ROA	1.5% to 2.0%
	Net D/E Ratio	5 times or less
ESG	Reduction of environmental impact	<ul style="list-style-type: none"> CO₂ emissions: Decrease by 50% in 2030 from 2010 Become carbon neutral by 2050 (Challenging goal) Renewable energy use: Increase to 50% of total energy use in 2030
	Evaluation by external organizations	<ul style="list-style-type: none"> Selected for DJSI* (World & Asia Pacific) Selected for CDP** A List (Climate Changes and Water Risk)
Shareholder return	Consolidated payout ratio	<ul style="list-style-type: none"> Keep a fair balance between investment for growth and shareholder return (incl. share buybacks), while placing main priority on growth investment 40% or more

* Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland
 ** International non-profit organization that advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments

Sustainability policy and KPIs of new Mid-term management plan

Based on its Sustainability Policy, Komatsu seeks to contribute to society through its business.

The new Mid-term management plan calls on us to generate a positive cycle for resolving environmental, social, and governance (ESG) issues and improving earnings to achieve sustainable growth. Measures prescribed to this end include reducing environment impacts to combat climate change; providing safe, high-quality, high-performance products, services, and solutions; and promoting diversity, equity, and inclusion. Moreover, key performance indicators (KPIs) have been defined to guide

efforts for resolving ESG issues through growth strategies, and progress toward accomplishing the targets for these KPIs will be disclosed through the Company's integrated reports. Moreover, we have clarified the relationships between our defined material issues, KPIs, and highly relevant targets of the United Nations Sustainable Development Goals (SDGs).

Sustainability Policy		Materiality		Key activity themes		No.	KPI	FY2024 Targets	SDGs
With people	<ul style="list-style-type: none"> We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride. We nurture employees who can take on challenges at various job sites and in different regions, create new value together with customers, and contribute to the realization of a sustainable society. As the Komatsu Group, we shall respect human rights related to all of our business activities. 	Employees	Occupational safety and health and well-being	Build workplaces that are safe and secure	1	• Frequency rate of lost work time accidents (per 1 million hours)	Ongoing decrease from three-year average frequency rate of 0.65 from period of previous mid-term management plan (Performance disclosed)		
			Employee engagement and job satisfaction	Increase employee engagement	2	• Engagement survey scores	1. Domestic score: 75 or more (69 in FY2021) 2. Global score: 85 or more (79 in FY2021) Notes: 1. Score represents rate of favorable responses. 2. Global engagement surveys are conducted once every two years (next survey to be conducted in FY2023).		
			Diversity and Inclusion	Promote diversity and inclusion	3	• Indicators related to female employees 1. Ratio of full-time female employees (consolidated) 2. Ratio of female managers (consolidated)	1. 17.0% or more (13.9% on March 31, 2022) 2. 13.0% or more (10.0% on March 31, 2022)		
					4	• Ratio of employees with disabilities (surpassing legally mandated rate)	Domestic: 2.5% or more each year (legally mandated level of 2.3%)		
		Skills development	Develop individuals' skills and achieve business growth	5	• Succession plans	Increased succession planning for senior management positions at overseas Group companies			
				6	• Development of human resources with digital transformation and AI skills	Three-year aggregate numbers of training recipients 1. Digital transformation: 180 for practical, 900 for entry level 2. AI: 30 for practical, 90 for entry level			
				7	• Cultivation of Smart Construction consultants	1,000 (aggregate)			
		Human Rights	Respect for human rights	Promote human rights due diligence	8	• Human rights due diligence activities	Due diligence activities conducted for following three areas 1. Internal 2. Procurement supply chain 3. Sales		
With Business	<ul style="list-style-type: none"> We contribute to society through our business activities by providing our customers with safe and highly productive products, services, and solutions that realize sustainable infrastructure development, resource development, and a recycling-oriented society. We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence, and co-prosperity. We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society. 	Customers	Product safety and quality Provision of solutions	Enhancement of product safety	9	• Development of safety devices and expansion of range of marketed models equipped with safety devices (KomVision, etc.)	Expansion of range of marketed models equipped with safety devices		
				Improve productivity of construction workplaces by promoting Smart Construction	10	• Overseas sales of ICT-intensive models	2,700 units (single year)		
					11	• Number of workplaces using Smart Construction (global total)	13,000 workplaces (single year)		
				Provision of products and solutions that enable sustainable resource development (mining equipment)	12	• Enhancement and optimization of processes	Ratio of workplaces using Smart Construction that employ Solution Level 3 or higher: 15% (single year)		
					13	• Aggregate number of AHS units deployed	740 units (aggregate)		
				Solutions for improving safety and productivity at customer workplaces (automation, autonomous operation, remote operation)	14	• Optimization of mining operations	Introduction and promotion of open technology platforms		
					15	• Augmentation of hard rock mining product lineup	Expansion of product lineup and execution of trials including those for new methods (mechanical cutting)		
				Building of value chain adaptable to environmental and demand changes	16	• Expansion of hard rock mining business	Net sales: US\$300 million (threefold increase)		
		17	• Development of automated construction and mining equipment		Expansion of number of marketed models (including new developments)				
		Ethics / Governance	Governance / Compliance	Strengthen governance and ensure thorough compliance	20	• Enhancement of governance and entrenchment of compliance	Disclosure of initiative results		
Communities	Contributions to local communities	Contributions to communities through business and disaster relief support	21	• Ongoing social contribution activities	Disclosure of activity results				
With the planet	<ul style="list-style-type: none"> Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies. We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation. We pursue collaboration and value creation with our stakeholders toward a sustainable planet and future. 	Environment	Reduction of energy usage and GHG emissions	Plants with zero environmental impacts	22	• CO ₂ emissions from production	45% reduction (compared with FY2010)		
				Development of low-carbon / low-emissions products, solutions, and business models	Reduction of CO ₂ emissions at customer workplaces	23	• Water consumption		70% reduction (compared with FY2010)
						24	• Rate of renewable energy use		20%
		Forest conservation through business activities	Provision of solutions that support sustainable, cyclic forestry businesses	25	• CO ₂ emissions from product use	24% reduction (compared with FY2010)			
				26	• Electrification of construction and mining equipment	Expansion of models in development phase and on market			
		Resource recycling and remanufacturing	Promotion of recycling-oriented business	27	• Growth of forestry machine business (process mechanization)	1. Sales growth rate: 50% (compared with FY2021, foreign exchange rates fixed) 2. Number of tree planting machines introduced: 30 (single year)			
				28	• Promotion of forest management solutions (Development of business model combining forestry and decarbonization)	Forest area: 60,000 ha			
29	• Expansion of Reman business	Sales growth rate: 25% (compared with FY2021, foreign exchange rates fixed)							

Message from the CFO

Komatsu is pursuing improvements in corporate value through sustainability management and the growth strategies of the new Mid-term management plan.



Takeshi Horikoshi
Director and Senior Executive Officer
CFO

Review of the previous Mid-term management plan (FY2019–FY2021)

Over the three years of the previous mid-term management plan, we faced a challenging external environment due to the timing of the start of the demand decline and the spread of COVID-19 from the fourth quarter of FY2019. Regardless, we steadily moved forward with the growth strategies and structural reforms prescribed in the mid-term management plan, endeavoring to accomplish our management targets.

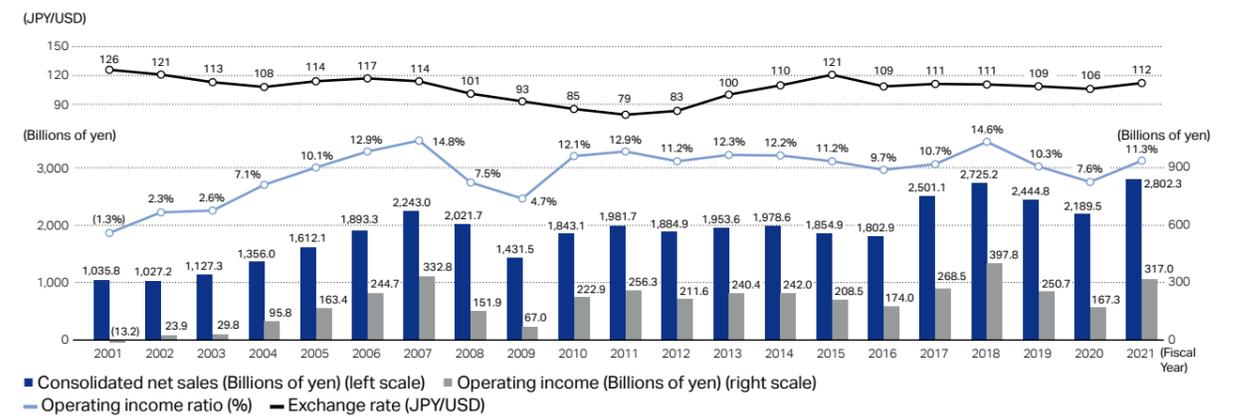
Progress toward our financial targets was impeded by the economic stagnancy that resulted from the pandemic as well as by the increased prices of materials and logistic cost that stemmed from shipping container shortages. As a result, improvements to the operating income ratio, an indicator of profitability, were sluggish. We were nonetheless able to achieve a sales growth rate, which illustrates our overall growth, that surpassed the industry average. Moreover, in FY2021, the final year of the previous mid-term management plan, we posted record-breaking net sales of JPY2,802.3 billion. We also reached the level of our management targets

with return on equity (ROE), an indicator of efficiency, of 10.9%, higher than our target, and an improved net debt-to-equity ratio, an indicator of our financial position, of 0.28 times.

The retail finance business contributed to sales of construction and mining equipment by further strengthening its ties with customers, one of our strengths as a captive finance, and management targets of 1.5% to 2.0% for return on assets (ROA) and 5.0 or under for net debt-to-equity ratio were accomplished working to safekeep our credit by using KOMTRAX (Komatsu Machine Tracking System which is monitoring on the location and operating conditions of construction equipment) for credit management.

As for our ESG targets, we made steady progress in improvements for accomplishing our goals for reducing environmental impacts by 2030. In addition, we maintained inclusion in the Dow Jones Sustainability Indices (World & Asia Pacific) and remained on the CDP A List (Climate Change and Water Risk).

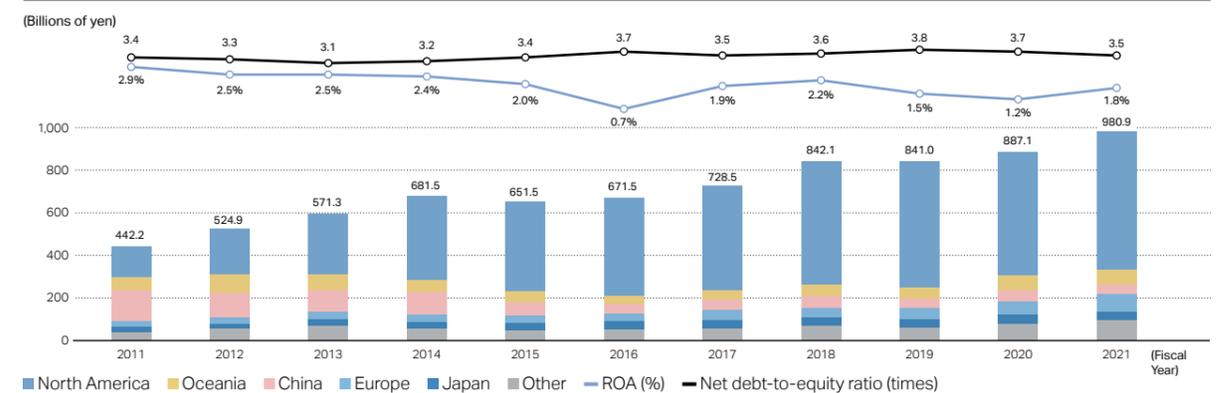
Figure 1: Business results towards management targets of previous Mid-term management plan



Results for management targets of previous Mid-term management plan

Management target	Fiscal Years	FY2021	FY2019–FY2021
		Result	Result
Growth • Growth rate above the industry's average	Sales growth rate	28.0%	2.4%
Profitability • Industry's top-level operating income ratio	Operating income ratio	11.3%	9.7%
Efficiency • ROE of 10% or higher	ROE	10.9%	8.4%
Financial position • Industry's top-level financial position	Net debt-to-equity ratio	0.28 times	0.35 times
Shareholder return • Keep a fair balance between investment for growth and shareholder return (including stock buyback), while placing main priority on growth investment. • Set the goal of a consolidated payout ratio of 40% or more	Consolidated payout ratio	40.3%	49.0%
ESG • Reduction of environmental impact CO ₂ emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030	Reduction of CO ₂ emissions from product use	(19%)	←
	Reduction of CO ₂ emissions from production	(37%)	←
	Rate of renewable energy use	14%	←
• Evaluation by external organizations	Selected for DJSI (World & Asia Pacific)	Selected for DJSI	←
	CDP A List (Climate Changes and Water Risk)	CDP Climate Changes: A CDP Water Risk: A	←
Retail finance business • ROA: 1.5%–2.0%	ROA	1.8%	1.5%
	• 5.0 times or under for net debt-to-equity ratio	Net debt-to-equity ratio	3.51 times 3.67 times

Figure 2: Assets and results of retail finance business



Message from the CFO

Management targets of new Mid-term management plan (FY2022–FY2024)

In the new mid-term management plan, we have continued to emphasize the previous plan's sustainability management and promote sustainability management with a positive cycle of improvement of earnings and ESG resolutions, we will strive for sustainable growth. We are keeping the same financial targets from previous plan. (please see page 35).

In terms of growth, we chose the sales growth rate as an indicator that will allow us to effectively gauge our position in the industry. Moreover, the target for this indicator has been set to be ambitious enough to place sufficient pressure on management, but we think that this target is necessary for us to continue to grow. The indicator also incorporates our strong desire to continue growing, through both M&A activities and organic growth. To achieve this growth target, the new mid-term management plan calls for us to promote the "Smart Construction Digital Transformation" solution and its overseas expansion, develop and launch electrified vehicles to contribute to carbon neutrality and conduct other investments in growth areas. Our indicator for profitability is the operating income ratio, which is an important indicator for measuring the value of a company. Efforts to improve this ratio will include setting prices for our products that are suited to an industry leader and cutting fixed

and other costs. For efficiency, we use ROE, a comprehensive indicator that accounts for profitability, asset efficiency, and financial leverage, as our management indicator. Accordingly, we will remain mindful of cost of equity as we monitor performance. We will continue to use the net debt-to-equity ratio as our indicator for our financial position. A strong financial position is imperative to ongoing growth in the market of the construction and mining equipment business, where demand is highly volatile.

We believe that sustainable growth cannot be achieved with only one of these goals. Accordingly, we will be allocating management resources with the goal of accomplishing these targets in a balanced manner.

Komatsu has not established numerical targets for growth, profitability, and financial position. We have set and disclosed such targets in the past. However, demand is incredibly volatile in the construction and mining equipment business. As a result, past numerical targets had lost their meaning in the first year of the respective three-year plan. Instead of numerical targets, we have therefore chosen to set the targets like achieving a growth rate above the industry's average for growth and the industry's top level for profitability and financial position.

Shareholder return and cash allocation policies

When thinking about cash allocation, it is first important to look to the expansion of operating cash flows, which generate the funds to be allocated. In addition to growth, through improvements to the sales growth rate and profitability increases via a higher operating income ratio, we also use return on invested capital (ROIC) as an internal indicator for improving ROE. Through exhaustive management of ROIC, we aim to improve asset efficiency.

It is important to allocate cash in a balanced manner to investments, for growth strategies to balance sheet improvements, for maintaining of financial position and to shareholder returns. Given the current health of our balance sheet, We believe that conducting efficient growth investments is of the utmost importance to ensuring that we can continue to provide stable shareholder returns. In fact, more than 50% of operating cash flows is used for investing activities. Investments in growth areas and R&D for building future foundations will be a priority going forward. At the same time, we control capacity cost by reallocating budgets and human resources from existing business areas to growth areas. Moreover, we are looking into the possibility of accelerating projects by utilizing outside resources, through technical partnerships and M&A activities, alongside our own resources, rather than trying to do everything ourselves.

To improve our balance sheet, we are acting in accordance with a policy of limiting borrowings to a level that will allow us

to maintain our current single A credit rating. At the same time, we are regularly monitoring the potential amount of additional borrowings in order to prepare for future fluctuations in demand using the criteria one notch higher credit rating.

Figure 3: Cash allocation policy



As for dividends, Komatsu will continue to issue stable dividend payments based on comprehensive consideration of factors such as consolidated performance, future investment plans, and cash flows. Specifically, we target a consolidated payout ratio of 40% or more. We will also maintain our prior flexible approach toward stock buyback. Decisions to conduct stock buyback will be made when there is allowance in our financial position after

performing the necessary growth investments and issuing dividends in accordance with the dividend policy. These decisions will be based on an overall assessment of factors like our

capacity to generate future cash flows, investment plans, and stock prices.

Figure 4: Allocation of operating cash flows

(Billions of yen)	2013-2015		2016-2018		Excludes acquisition cost of Joy Global		2019-2021	
	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount
Net cash provided by operating activities	100%	982.7	100%	607.1	100%	607.1	100%	950.3
1. Investments / Sales	Investments	(580.8)	(808.2)	(492.1)	(563.5)			
	Sales	82.9	109.9	109.9	65.9			
	Subtotal	(51%)	(497.9)	(115%)	(698.2)	(63%)	(382.1)	(52%)
2. Net change in borrowings	(27%)	(260.9)	61%	368.9	9%	52.8	(5%)	(49.3)
3. Shareholder returns	Dividends	(160.6)	(209.5)	(209.5)	(234.4)			
	Stock Buyback	(30.0)	—	—	—			
	Subtotal	(19%)	(190.6)	(35%)	(209.5)	(35%)	(209.5)	(25%)
4. Others	(3%)	(33.3)	(11%)	(68.3)	(11%)	(68.3)	(18%)	(169.0)
Total	(100%)	(982.7)	(100%)	(607.1)	(100%)	(607.1)	(100%)	(950.3)

Figure 5: Net debt-to-equity ratio

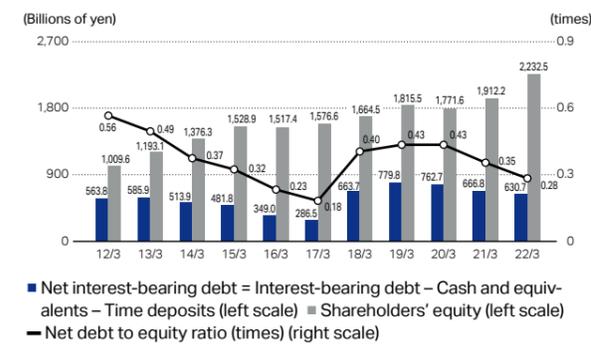
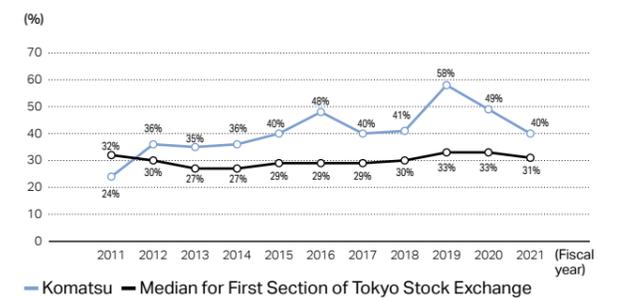


Figure 6: Consolidated payout ratio



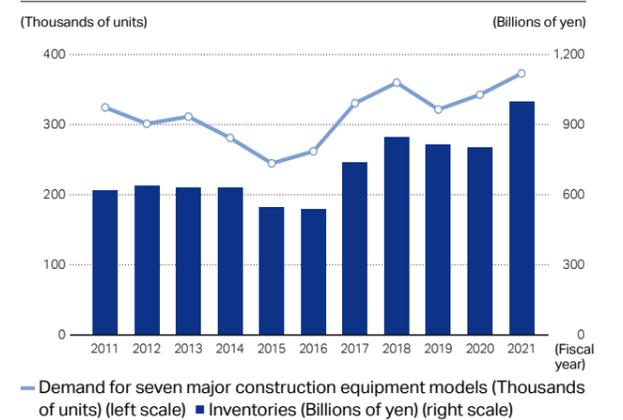
Current business environment and risk management

1. Increased demand and supply chain disruption following decline in impacts of COVID-19

In FY2021, we saw a rapid recovery in demand for the construction and mining equipment following a decline in the impacts of the COVID-19. In FY2022, the demand is expected to show a favorable increase. Meanwhile, the global container ship shortages and disruptions to logistics networks that emerged in 2020 caused a rise in logistics costs as well as delays in shipments. Coupled with the impacts of semiconductor shortages and obstacles to procuring parts, these factors created ongoing difficulty in adjusting production to match changes in demand and sales volumes.

For this reason, we will need to ramp up production to accommodate demand and sales volumes in FY2022. At the same time, we carefully monitor future demand trends so that we can make timely adjustments to production in order to maintain appropriate levels of inventories.

Figure 7: Demand for seven major construction equipment models and inventories



Current business environment and risk management

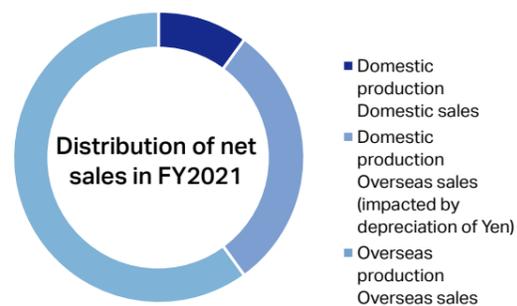
2. Inflation and interest rate increases

The financial authorities of countries worldwide are increasing policy interest rates against the global inflation trend, and these interest rate increases are resulting in higher financing costs. Komatsu's principal capital resources policy is to prioritize stable funding while being careful not to exceed funding demand. Accordingly, we seek to diversify source of funding and repayment schedule based on the guidelines. We have also implemented a global cash management system in which overseas subsidiaries participate to improve consolidated funding efficiency while also serving as a safety net by allowing funds to be distributed to overseas subsidiaries from the head office in Japan in emergency circumstances.

3. The depreciation of Yen

Ongoing yen depreciation trend due to differences between the monetary policies of Japan and those of other countries changes in trade balances. Komatsu's basic policy for mitigating exchange rate fluctuation risks is to use natural hedging under its standard operations. We also utilize financial products (derivatives) as necessary to reduce the impacts of rapid fluctuations in exchange rates. As for our balance sheet, we have developed regionally based funding and cash management systems to match assets with liabilities denominated in the same currency (Figure 8). Similarly, for earnings we engage in currency matching for sales and costs by producing the main units of equipment where they will be sold. Development and production of components with a large impact on product quality (engines, hydraulic equipment, electric equipment, etc.) is primarily conducted in Japan. Accordingly, the associated costs are denominated in yen, meaning that yen depreciation can have a short-term positive impact on earnings (Figure 9).

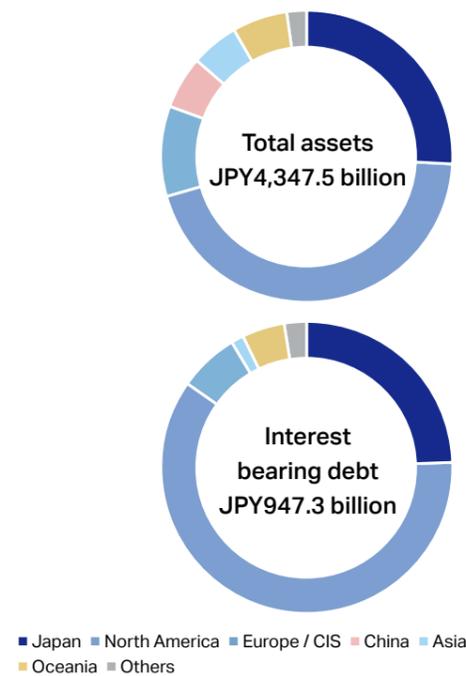
Figure 9: PL impacts of foreign exchange influences (Construction, Mining, and Utility Equipment Segment)



Financing ratio guidelines (consolidated)

- Direct : Indirect**
50 : 50, in principle, maintain within range of 35%–65%
- Long-term : Short-term**
50 : 50, in principle, maintain within range of 35%–65%
- Variable interest : Fixed interest**
50 : 50, in principle, maintain within range of 35%–65%

Figure 8: Balance sheet composition (as of March 31, 2022)



4. Growing geopolitical risks

Construction and mining equipment has always been a business with high volatility in demand. Meanwhile, our current external environment features significant geopolitical risk, as seen in the deteriorating relationship between the United States and China and the Ukraine situation. To counter the growing geopolitical risks, we are working to build a corporate constitution that is resilient to fluctuations. We are therefore broadening and diversifying our range of earnings sources by expanding our forestry machine, hard rock mining, and after-market businesses.

ESG targets and new role of accounting and finance divisions

In the new mid-term management plan, Komatsu once again set ESG targets, as it did in the previous mid-term management plan. In addition, the new plan puts forth the challenging goal of achieving carbon neutrality by 2050.

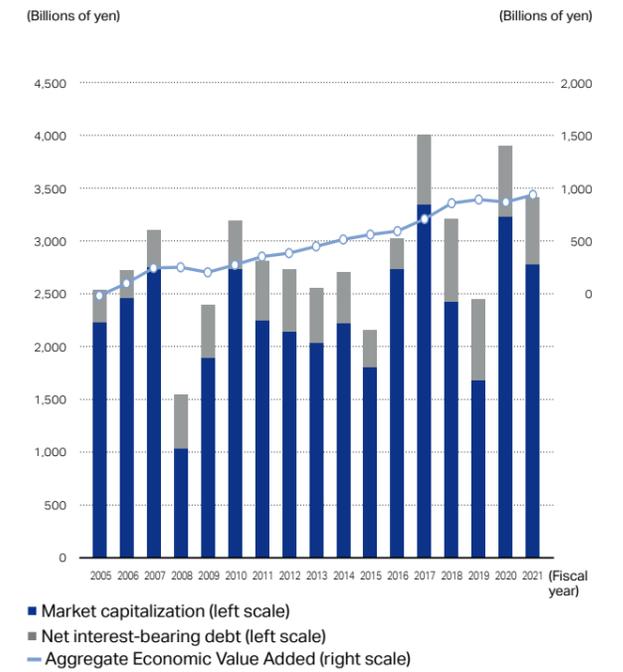
We have also set key performance indicators (KPIs) for promoting the steady progress of initiatives to resolve ESG issues through the three pillars of growth strategies and then we are managing the progress toward these KPI's. (please see page 36,44). Project management divisions will be responsible for confirming the degree of accomplishment of KPIs and the benefits of the associated investments. Accounting and finance divisions, meanwhile, will be tasked with checking to make sure that those benefits are reflected in financial results.

Komatsu issued its first green bonds in July 2020. The projects associated with these bonds were moving ahead as scheduled, and we completed the allocation of the funds of JPY10.0 billion in FY2021. The issuance of these green bonds has provided a new opportunity to promote understanding of Komatsu's initiatives among stakeholders and has resulted in the broadening of our investor base. The amount of ESG bonds issued around the world is growing with each coming year. Some of these are conventional ESG bonds of the same nature as the green bonds of Komatsu, having a limit on the ways that procured funds can be used. At the same time, we are also seeing the emergence of a new type of ESG bond in which interest conditions are tied to the degree of accomplishment of targets for ESG-related KPIs. Such trends in ESG bonds warrant attention from the perspective of diversifying fund sources.

The foundation of Komatsu's management is to maximize its corporate value through the pursuit of "quality and reliability". We believe that "Corporate Value" represents the total sum of trust the general society and our stakeholders place in Komatsu. Since recording an operating loss in FY2001, Komatsu has proceeded to move forward with structural reforms and selective focus on our core business. These efforts have enabled us to grow into a company that is poised to target net sales of JPY 3 trillion. We took an accounting approach toward verifying the long-term improvement to corporate value over this period. In this verification process, We looked at two indicators: the increase in the total of market capitalization and net interest-bearing debt with a focus on

invested capital and aggregate EVA® (Economic Value Added; Net Operating Profit After Tax – Cost of capital) with a focus on ROIC and WACC (Weighted Average Cost of Capital). Both of these indicators showed an increase in corporate value equivalent to roughly JPY1 trillion in comparison with FY2005, when economic value added since FY2001 was essentially zero. This increase is indicative of the positive evaluation of stakeholders for the initiatives Komatsu has advanced thus far. However, the recent global rise in interest in ESG means that our external environment is moving to a new stage in which our prior efforts will not be sufficient for realizing further improvements in corporate value. In the future, accounting and finance divisions will need to play a new role in supporting the resolution of ESG issues if Komatsu is to achieve sustainable growth while earning the understanding and support of stakeholders.

Figure 10: Review of corporate value



Details on green bonds are available on Komatsu's corporate website.
<https://komatsu.disclosure.site/en/themes/191>



Previous Mid-term management plan

—Komatsu’s CSR themes and Mid-term management plan KPIs

Under the previous mid-term management plan (FY2019–FY2021), Komatsu sought to help resolve ESG issues by promoting the three pillars of growth strategies. Specifically, we strove to reduce environmental impacts to combat climate change and to supply safe, high-quality, high-performance products, services, and solutions. Under this approach, we set KPIs based on

analyses of their relationships with the three pillars of growth strategies and advanced priority measures based on these strategies to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth.

In the new mid-term management plan (FY2022–FY2024), we have once again set KPIs to guide us in efforts to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth. Please see page 36 for details.

CSR themes	ESG solutions through three pillars of growth	Key initiatives under Mid-term management plan	FY2019 KPI performance	FY2020 KPI performance	FY2021 KPI performance	FY2021 KPIs		
Enhancing quality of life —Providing products required by society—	<ul style="list-style-type: none"> Provide products, services, and solutions contributing to sustainable development of infrastructure, natural resources, and circular environmental protection (remanufacturing and forestry) Improve productivity, efficiency, safety, and environmental impact (lower CO₂ emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain Make commitment to DANTOTSU Value which will realize a better Earth and future by means of technology and reliability (creation and maximization of customer value) 	Reduction of CO₂ emissions (in comparison with FY2010)						
		<ul style="list-style-type: none"> Reduction of CO₂ emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of Smart Construction use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment) Reduction of CO₂ emissions from production (plants with zero impact on environment and workers) 	14% reduction	14% reduction	19% reduction	16% reduction (in comparison with FY2010)		
		Plants with zero impact on environment and workers						
		<ul style="list-style-type: none"> Rate of renewable energy use (including purchase of renewable energy) Work environment burden coefficient (particle matter density) Water consumption 	11% 10.7% reduction 49.4% reduction	13% 24% reduction 52% reduction	14% 9% reduction 64% reduction	15% 30% reduction (in comparison with FY2018) 55% reduction (in comparison with FY2010)		
		Value chain reforms and redefinition of the aftermarket business						
		<ul style="list-style-type: none"> Spare parts sales Reman component lifespan (compared to new components) Actual value: Average operating time from the nth to the n+1st overhaul order 	3% increase 26,866 workhours (134% of new components)	8% decrease 19,106 workhours (95% of new components)	14% increase 18,523 workhours (93% of new components)	11% increase 20,000 workhours (100% of new components)		
		Assurance of mine operation safety and productivity						
		<ul style="list-style-type: none"> AHS unit population (promotion of mining platform business) 	221 units	352 units	510 units (aggregate)	380 units (aggregate)		
		DANTOTSU Products, DANTOTSU Services, and DANTOTSU Solutions						
		<ul style="list-style-type: none"> ICT-intensive equipment introduced (United States, Europe, and Australia) Sites adopting Smart Construction 	1,361 units 2,440	1,288 units 3,348	2,019 units (per year) 5,902 (per year)	1,590 units (per year) 4,850 (per year)		
		Automation, autonomous operation, electrification, and remote-controlling of equipment						
		<ol style="list-style-type: none"> Automation of construction equipment Automation, autonomous operation, and remote operation of mining equipment Automation of utility equipment 	Verification tests conducted on user sites Preparations advanced to launch mining bulldozer with level 2 automation Development of peripheral safety technologies for supporting automation	In-house verification tests Domestic pretest of bulldozer with level 3 automation, preparation for proof of concept test in Australia Entry into retrofit market for installing peripheral safety functions in preparation for automation	Hydraulic excavators: Preparation for test introduction of excavator with level 4 automation Mining bulldozers: Preparation for level 3 automation proof of concept, examination of possibility of advanced level 4 automation research Fork lifts: Completion of function verification for level 2 and above automation technologies (drive support function) Trial use of new mechanical cutters at customer workplaces	Test introduction of hydraulic excavators for automated loading Entry into mining bulldozer market (level 4 automation) Development of technology for automated forklifts Expansion of product series		
		<ul style="list-style-type: none"> Enhancement of mining equipment and hard rock mining businesses 	Advancement of development projects for expanding product series	Expansion of product series (drills, LHD), four models				
		Agricultural solutions and smart forestry						
		<ul style="list-style-type: none"> Creation of construction equipment demand in agricultural field 	<ul style="list-style-type: none"> Japan: Commencement of verification tests at five agriculture business operators Indonesia: Started mass production and sales of D31PLL agricultural bulldozer 	<ul style="list-style-type: none"> Japan: Development and market evaluation of agricultural ATT Indonesia: Confirmation of feasibility of D21 agricultural bulldozer for direct rice planting applications 	<ul style="list-style-type: none"> Japan: Introduction of one D21 unit; ongoing joint industry-academic research project at large-scale agricultural site Indonesia: Introduction of four D21 units; redoubled examination of agricultural applications for construction equipment in other Southeast Asian countries 	<ul style="list-style-type: none"> Japan: Expand lineup of agricultural loaders Indonesia: Increase number of users of agricultural techniques employing agricultural bulldozers 		
		<ul style="list-style-type: none"> Smart forestry projects 	10	19	29	50		
		IoT and ICT work reforms						
		<ul style="list-style-type: none"> Sales in Kom-mics platform business (visualization of production equipment operation) 	865 units	1,418 units	1,521 units (including for internal use)	1,900 units (including for internal use)		
		Developing people	<ul style="list-style-type: none"> Develop a diverse workforce with a high level of productivity and technical skills Strengthen and develop diverse talent with a global perspective to help achieve sustainable workplaces Develop talent with cross-value chain capabilities 	Development of a diverse workforce with a high level of productivity and technical skills				
				<ul style="list-style-type: none"> Enhancing employee engagement Work process reforms through expansion of diverse and flexible workstyles Promotion of The Komatsu Way (global dissemination of The Komatsu Way) 	<ul style="list-style-type: none"> Scheduled for FY2020 (1) 1,950 workhours per person/year (2) Commencement of trial in August 2019 Training hours: 31,625 hours (aggregate hours for all participants) Number of participants: 1,461 in Japan, 307 overseas 	<ul style="list-style-type: none"> Preparation for survey in FY2020, global survey in April 2021 (1) 1,920 workhours per person/year (2) Revision of telework system in August 2020 Training hours: 33,188 hours (aggregate hours for all participants) Number of participants: 1,527 in Japan, 0 overseas 	<ul style="list-style-type: none"> Global base survey conducted in April 2021 Employee engagement score: 79 1. 2,018 hours per person 2. Ongoing use of teleworking primarily for purpose of improving productivity through diversification of workstyles Training hours: 28,603 hours Number of participants: 1,461 in Japan, 71 overseas 	<ul style="list-style-type: none"> Improvement of scores Total workhours of less than 2,100 Introduction of telework system (Japan) Training hours and number of participants (Disclosure of results)
Strengthening and development of diverse talent with a global perspective to help achieve sustainable workplaces								
<ul style="list-style-type: none"> Revision of role of Japan in global management Foundations for global measures (systems, frameworks) 	<ul style="list-style-type: none"> Human resource system revisions started in Japan Preparations advanced for introduction 			<ul style="list-style-type: none"> Revision of domestic retirement, wage, and retirement benefit systems in April 2021 Introduction of elective retirement and R&D staff systems Commencement of domestic data linkage 	<ul style="list-style-type: none"> Shift of human resources to priority and growth fields Promotion of global human resource exchanges and projects Introduction of global human resource information systems Development of global data coordination automation systems 	<ul style="list-style-type: none"> Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis Introduction 		
<ul style="list-style-type: none"> Empowerment of female employees ((1) non-consolidated ratio of female employees, (2) non-consolidated ratio of female managers, (3) consolidated ratio of female managers (Japan)) Rate of employment of people with disabilities (comply with requirements in Japan) 	<ul style="list-style-type: none"> (1) 12.3%, (2) 7.2%, and (3) 4.5% 2.58% (non-consolidated) 			<ul style="list-style-type: none"> (1) 12.3%, (2) 7.7%, and (3) 4.9% 2.82% (non-consolidated) 	<ul style="list-style-type: none"> (1) 12.4%, (2) 8.2%, and (3) 5.3% 2.84% (non-consolidated) 	<ul style="list-style-type: none"> (1) 12.5%, (2) 10.0%, and (3) 5.0% Above 2.3% (legally mandated rate) 		
<ul style="list-style-type: none"> Support for regional human resource development for job creation (regional human resource development with Cummins Inc.) 	<ul style="list-style-type: none"> Human resource development program launched in Chile Ongoing support provided in Peru, South Africa, and Australia Participants' success in finding employment tracked 			<ul style="list-style-type: none"> Ongoing support in Chile, South Africa, and Australia Establishment of scholarship program for students in Chile and Peru as part of COVID-19 relief program 	<ul style="list-style-type: none"> Ongoing support in Peru, Chile, Australia, and South Africa 	<ul style="list-style-type: none"> Chile, Australia, South Africa, others 		
Development of talent with cross-value chain capabilities								
<ul style="list-style-type: none"> Cultivation of Smart Construction consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces) 	396			626	807	430 (aggregate)		
Growing with society	<ul style="list-style-type: none"> Offer resolutions for social issues through collaboration with stakeholders Act as a responsible corporate citizen ensuring corporate governance, compliance, and human right 			Resolutions to social issues through collaboration with stakeholders				
				<ul style="list-style-type: none"> Promotion of industry–government–academia collaboration as well as of collaboration with customers Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings) Institutional investors (ESG meetings) Communities (business site fairs) Employees (meetings) 	<ul style="list-style-type: none"> Examination of cutting-edge tools through activities with domestic customers and regional dissemination Shareholder meetings: 2 times Shareholder factory tours: 10 times Individual investor meetings: 7 times Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic 11 (ESG-related meetings) Business fairs at nine factories (Awazu, Osaka, Ibaraki, Kanazawa, Tochigi, Oyama, Koriyama, Shonan, and Himi); canceled only at Shonan Plant due to impacts of Typhoon Hagibis 34 (30 in Japan, 4 overseas) 	<ul style="list-style-type: none"> Posting of past activity documents on Group portal Shared information on activities in 14 regions on rotational basis Continuation of activities by headquarters team targeting three customers (two civil engineering, one aggregate) Shareholder meetings: 1 time (held online) Shareholder factory tours: 0 (canceled due to COVID-19 pandemic, factory tour videos shared on official Komatsu YouTube account) Individual investor meetings: 4 times (held online) ESG-related meetings: 4 Participation in conferences: 1 (meetings held with 18 investors) All factory fairs canceled due to COVID-19 pandemic 29 in Japan (canceled overseas due to COVID-19 pandemic) 	<ul style="list-style-type: none"> Ongoing initiatives for accomplishing the goals of three customers selected for brand management activities Global sharing of information on brand management activities around the world through Komatsu Global Portal Shareholder meetings: 1 time (held online) Shareholder factory tours: 0 (canceled due to COVID-19 pandemic, videos commemorating 100th anniversary, etc., shared on official Komatsu YouTube account) Individual investor meetings: 5 times (held online) ESG-related meetings: 9 ESG-related briefings: Conducted in conjunction with business briefings All factory fairs canceled due to COVID-19 pandemic 29 in Japan (canceled overseas due to COVID-19 pandemic) 	<ul style="list-style-type: none"> Promotion of Brand Management and activities creating value for customers Number of meetings held (Disclosure of results) Number of meetings held (Disclosure of results) One fair held at each of nine factories per year Number of meetings held (Disclosure of results)
		Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights						
		<ul style="list-style-type: none"> Occupational health and safety, support for establishing environmental and safety systems at suppliers, response to Japan's Corporate Governance Code (corporate governance reports), evaluations of effectiveness of Board of Directors, internal control, and internal audits 	<ul style="list-style-type: none"> Establishment of Human Rights Policy, disclosure in integrated report 	<ul style="list-style-type: none"> Revised Komatsu's Worldwide Code of Business Conduct Human rights e-learning programs, etc. 	<ul style="list-style-type: none"> Translation of Komatsu's Worldwide Code of Business Conduct into English and other languages Approval of plans to ramp up human rights due diligence activities 	<ul style="list-style-type: none"> Ongoing improvements made in reflection of relevant laws and regulations and social expectations 		

Note: Certain data has been revised and restated.

3

Resolution of ESG issues through growth strategies

Based on its Sustainability Policy, Komatsu strives to contribute to society through its business in the next 100 years. The Company has defined six material issues (materiality)—environment, customers, employees, ethics and governance, human rights, and communities—that were deemed to have material importance in terms of their impact on sustainability and their business importance. By addressing these material issues, we aim to generate a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth by creating value for customers.

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Climate change response initiatives

(Disclosure based on TCFD recommendations)

Komatsu established the Komatsu Earth Environment Charter (currently known as the Komatsu Earth and Environment Policy) in 1992, launching proactive initiatives for addressing climate change and other environmental issues a step ahead of its peers. In April 2019, Komatsu announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Through climate change risk and opportunity assessments and scenario analyses based on these recommendations, we will pursue increases in our resilience toward climate change impacts. At the same time, we will advance climate change response measures through a healthy dialogue with stakeholders.

At the 26th United Nations Climate Change Conference held in the United Kingdom (COP26), an agreement was reached to work toward limiting the average rise in global temperatures to 1.5°C above pre-industrial levels in November 2021. In the past, scenario analyses have only been based on scenarios projecting average rises of 2°C or 4°C. However, based on this agreement and following discussions by the Sustainability Promotion Committee and the Strategy Review Committee, with reports to the Board of Directors, it was decided to also select a scenario projecting rises of 1.5°C for analyses beginning in 2022.

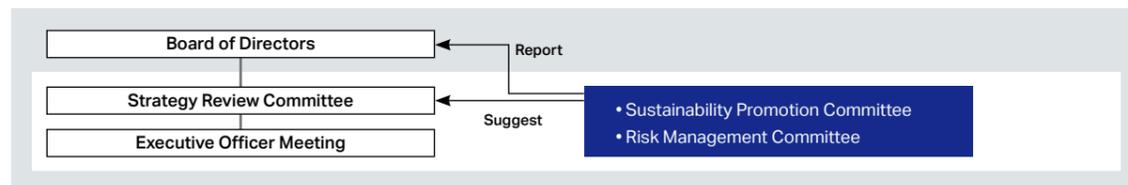
1 Governance

Komatsu views climate change as an important management issue, and targets for combating climate change have been incorporated into its business strategies.

Discussions regarding climate change are held at meetings of the following committees, and these committees report to the Board of Directors, thereby furnishing a system of appropriate oversight.

- The Sustainability Promotion Committee and the Risk Management Committee discuss climate change-related matters and make suggestions to the Strategy Review Committee.
- The Strategy Review Committee discusses policies, plans, and strategies for priority measures related to climate change.
- The Executive Officer Meeting fulfills the function of managing progress toward targets.

Climate change-related reporting and deliberation system



Major discussion items related to climate change

Body	Chairperson	Major discussion items related to climate change	
Board of Directors	Chairman of the Board	<ul style="list-style-type: none"> • Discussions regarding goal of achieving carbon neutrality by 2050 • Establishment of Sustainability Policy • Formulation of new mid-term management plan • Reports from the Sustainability Promotion Committee 	<ul style="list-style-type: none"> • Reports from research, development, and product planning divisions and the Chief Technology Officer • Reports from production and procurement divisions • Mid-term management plan progress report
Strategy Review Committee	President	<ul style="list-style-type: none"> • Low-carbon product development strategies • Mining business growth strategies • Forestry machinery business growth strategies • Smart Construction growth strategies 	<ul style="list-style-type: none"> • Growth strategies for major production bases • Reports from the Sustainability Promotion Committee • Reports from the Risk Management Committee
The Executive Officer Meeting	President	<ul style="list-style-type: none"> • Progress in product development (including climate change-related KPIs) 	
Body	Chairperson	Major discussion items related to climate change	
Sustainability Promotion Committee	President	<ul style="list-style-type: none"> • Initiatives for addressing ESG issues • CSR activity reports 	<ul style="list-style-type: none"> • Deliberations and reports regarding important environmental matters and key performance indicators (KPIs) • Revision of environmental policies
Risk Management Committee	Executive officer supervising general affairs	<ul style="list-style-type: none"> • Reports on responses to natural disaster risks 	

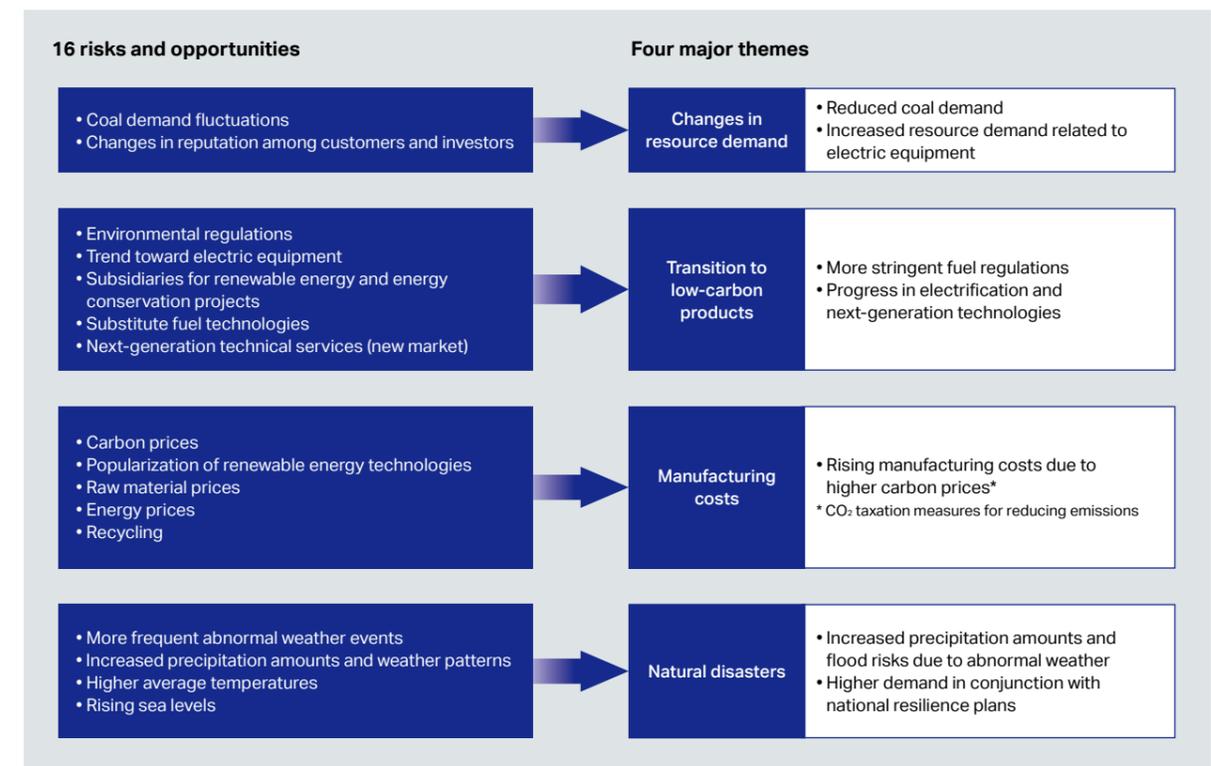
2 Strategies

Risk and opportunity identification

A total of 16 climate change-related risks and opportunities were identified for Komatsu, primarily in relation to construction and mining equipment business, based on the examples of risks and opportunities included in the final report by the TCFD.

We then assessed internal factors, which impact sales and earnings, and external factors, which are projected by the selected scenarios. Through this process, the 16 risks and opportunities were grouped into four major themes.

Risks and opportunities and groupings



Business risks and opportunities based on climate change scenarios

To gauge the potential impacts of climate change-related risks and opportunities on Komatsu's business, we performed scenario analyses of the Company's four major risk and opportunity themes.

For these scenario analyses, we selected a 1.5°C scenario, a 2°C scenario, and a 4°C scenario based on the Fifth Assessment Report (Representative Concentration Pathways 2.6 and 8.5) and the Sixth Assessment Report (Shared Socioeconomic Pathways 5-8.5) of the Intergovernmental Panel on Climate Change, and the Sustainable Development Scenario, the Stated Policies Scenario, and the Net Zero by 2050 scenario of the International Energy Agency (IEA).

The risks and opportunities associated with changes in resource demand, the transition to low-carbon products, and manufacturing costs were the greatest in the 1.5°C and 2°C scenarios whereas the risks and opportunities associated with natural disasters were the greatest in the 4°C scenario. Information on the risks and opportunities related to each of the four major themes, as well as Komatsu's response to these risks and opportunities, is displayed on the following page. The 1.5°C scenario projects particularly large fluctuations in resource demand. Accordingly, we have chosen to quantify resource demand as it relates to Komatsu's business.

2 Strategies

Four major themes

1. Changes in resource demand

Risks	Opportunities
<ul style="list-style-type: none"> Regulation of power generation using fossil fuels Massive reductions in coal production volumes Reduced sales to coal-related customers by Komatsu Reduced appetite for investment in coal mines 	<ul style="list-style-type: none"> Rapid transition from fossil fuel-powered equipment to electric equipment Higher demand for copper and other resources necessary for electric equipment (motors, batteries, fuel cells, etc.) Increased sales to copper and other relevant mining-related customers by Komatsu in conjunction with trend toward electric equipment Increased investment for improving the efficiency of mining operations

Strategies By advancing initiatives based on the three pillars of growth strategies of the mid-term management plan—accelerate growth by means of innovation, maximize earnings power, and enhance corporate resilience—Komatsu will capitalize on opportunities created by changes in resource demand to achieve sustainable growth.

- Priority initiatives**
- Expand underground hard rock mining equipment business for excavating the metals needed for electrifying equipment
 - Promote mining equipment automation and remote operation and open technology platforms

Expansion of hard rock mining equipment business

Komatsu concluded an agreement with CODELCO (Corporacion Nacional del Cobre de Chile) to conduct a trial for promoting the Company's Mining Tunnel Boring Machine (TBM) for use in a new tunnel excavation method for hard rock mining (announced in July 2022). Komatsu will propose this product together with new excavation method, aims to realize the transforming customers' operations.

In addition, in July 2022 the Company acquired Australia-based Mine Site Technologies Pty Ltd, a provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems. Together with this company, we will promote the automation and remote operation of mining equipment for underground mining.



Mining TBM was developed based on the slogan of "No Blasting, No Batch, No Diesel."

Promotion of mining equipment automation and remote operation and open technology platforms

Komatsu seeks to promote optimized, high-productivity operations through the automation and remote operation of mining equipment.

By developing open technology platforms for this purpose, we aim to boost productivity by linking all of our customers' processes. This heightened productivity is anticipated to contribute to reductions in fuel use and CO₂ emissions and subsequently to the realization of carbon neutrality.

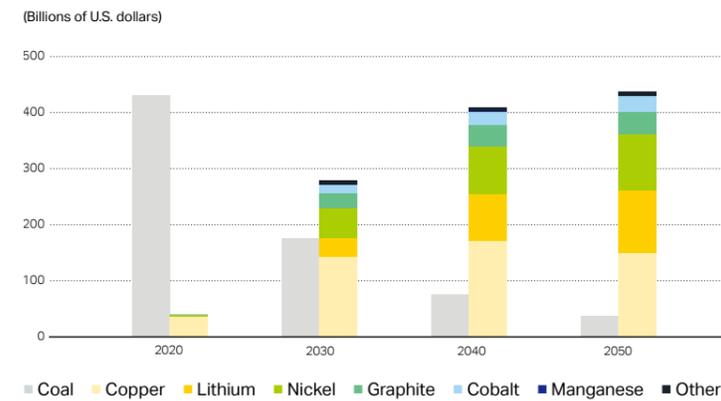


Resource demand forecast based on 1.5°C scenario

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

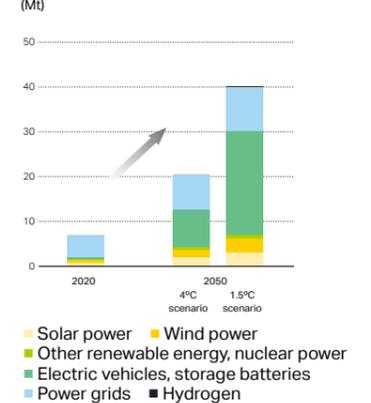
increased demand related to the global trend toward electrified equipment. There may be temporary fluctuations in mineral demand due to global conditions, but the aforementioned trend is expected to be a more or less consistent fixture under the 1.5°C scenario. It can therefore be projected that the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

Resource demand projections of IEA's 1.5°C scenario (Monetary value basis)*1



*1 Source: Based on IEA data from the IEA (2021), Net Zero by 2050: A Roadmap for the Global Energy Sector, <https://www.iea.org/data-and-statistics>. All rights reserved.

(Reference) Critical chemical demand by application*2 (Mt)



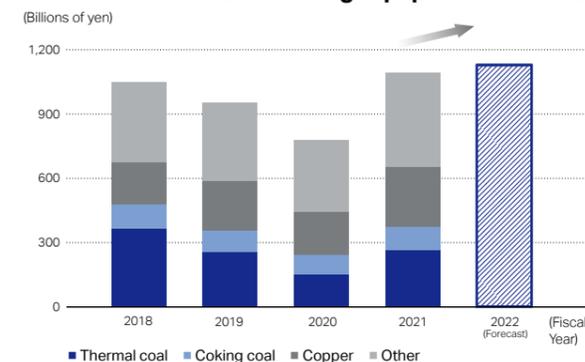
*2 Source: Based on IEA data from the IEA (2021), World Energy Outlook 2021. <https://www.iea.org/data-and-statistics>. All rights reserved.

Revisions to business portfolio (Changes to ratios of sales by mineral)

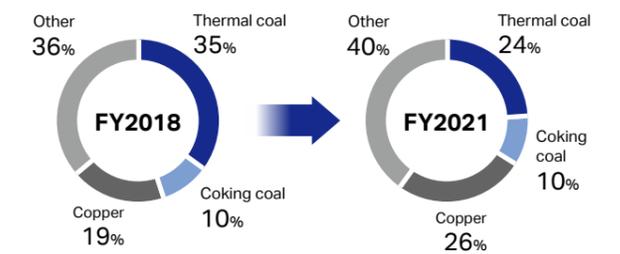
Komatsu has continued to flexibly revise its business portfolio in response to changes in the external environment and in markets. Reorganizations to our coal mining equipment production and support operations over the years have resulted in a gradual decrease in the ratio of sales from thermal coal.

We are committed to taking advantage of the changes to mineral demand spurred by the trend toward electrified equipment in order to expand our hard rock mining business and achieve ongoing growth in our overall mining equipment business.

Growth of Komatsu's mining equipment business



Ratio of sales of Komatsu mining equipment business by target mineral (FY2018 vs. FY2021)



2 Strategies

2. Transition to low-carbon products

Risks	Opportunities
<ul style="list-style-type: none"> Higher development and capital investment costs due to emissions restrictions Reduced sales due to inability to cater to customer electrification demands Substantial changes in technology development and competitive climate including market entry by new competitors Long-term diminishment of technological edge as customers begin leading the drive in component development and manufacturing projects 	<ul style="list-style-type: none"> Rising demand for electrified equipment, fuel-efficient equipment, and biomass fuel-powered equipment; ability to respond swiftly to impending changes in strategic markets fostered through adaptation in traditional markets Growth of equipment restoration (Reman) operations driven by transition to circular economy Increased demand for solutions businesses with emissions-reducing benefits Increased product reliability due to securing stable supply sources for high-quality components for storage batteries and others

Strategies Komatsu is advancing initiatives aimed at achieving carbon neutrality while facilitating the transition to the low-carbon products the world demands.

Priority initiatives

- Develop electrification systems for construction equipment
- Develop power sources and high-efficiency components compatible with carbon neutral fuels
- Develop high-energy-efficiency equipment
- Deploy Smart Construction and other solutions on a global scale
- Contribute to cyclical businesses through forestry machinery and Reman businesses

Development of construction and mining equipment using various power sources together with partners

- Together with mining company customers, Komatsu founded the Komatsu GHG Alliance and is promoting the development of power agnostic trucks that can run on a variety of power sources (please see page 54).
- In addition, we have signed a memorandum of understanding to collaborate on the development of zero-emissions power sources for haulage equipment, an undertaking that will include hydrogen fuel cell solutions.
- We are also moving forward with the development of electrified equipment for underground hard rock mining together with Proterra Inc. of the United States.



Cyclical businesses—Forestry machinery and reman businesses

- Komatsu is providing machines and solutions to forestry operation processes, including planting, cultivating, and harvesting trees. We thereby aim to develop a business that helps combat climate change while also being resilient to fluctuations in resource demand.
- In July 2022, the Company acquired Bracke Forest AB, a manufacturer of application-specific attachments for silviculture. Komatsu will continue to incorporate Bracke's technologies and expertise in the field of planting in order to accelerate its pace of mechanization.
- Meanwhile, our Reman business is based on the principles of the 3Rs (reduce, reuse, and recycle) as it helps cut back on waste by restoring and reusing components and thereby contributing to reductions in CO₂ emissions.



WEB Komatsu is conducting investments that are appropriate for accomplishing the aforementioned objectives. Please refer to the following website for information on environmental investments in FY2021.

<https://komatsu.disclosure.site/en/themes/143>



3. Manufacturing costs

Risks	Opportunities
<ul style="list-style-type: none"> Taxation of fossil fuels and CO₂ emissions Transfer of higher product purchase prices to Komatsu Rising power fees and energy costs following investment in power generation facilities with low CO₂ emissions 	<ul style="list-style-type: none"> Increased competitiveness through production technologies that reduce CO₂ emissions

Strategies Komatsu will work to mitigate cost increases by achieving its CO₂ reduction and renewable energy targets while developing production bases with low environmental impacts.

Priority initiatives

- Receive Gold certification under LEED v4 Reference Guide for Building Design and Construction from U.S. Green Building Council for Komatsu Mining Corp.'s new factory*¹
- Build new seal ring factory at Himi Plant, use AI technologies to massively lower labor requirements and improve productivity, and reduce CO₂ emissions through installation of eco-friendly equipment
- Promote environmental investments through existing internal carbon pricing system*²

*¹ Green building certification program for evaluating strategies and approaches for creating outstanding building environments developed by NPO U.S. Green Building Council with certification screening performed by Green Business Certification Inc.

*² Framework for increasing the priority of environmental investments through assessments of capital investment returns that position CO₂ reduction benefits as a value similar to cost reduction benefits

New Komatsu mining factory

- In June 2022, Komatsu Mining opened a new factory in Milwaukee in the U.S. state of Wisconsin. The transfer of production operations to this factory is moving ahead sequentially. Machinery for production of the applicable models is scheduled to be fully transferred to this factory, and mass production commenced, within 2022.



4. Natural disasters

Risks	Opportunities
<ul style="list-style-type: none"> Increased frequency of heavy rain and floods due to abnormal weather Risks of disaster damages to Komatsu plants at high risk of flooding Component supply delays following damages to suppliers from disasters 	<ul style="list-style-type: none"> Increased demand for flood-control works

Strategies Komatsu will implement countermeasures against heavy rains and flooding across the value chain (response to physical risks).

Priority initiatives

Build production and procurement systems that are resilient to changes in the operating environment (expand ratio of items procured from multiple sources)

3 Risk management

Please refer to page 74 for information on the Company's risk management systems.

4 Indicators and targets

Climate change-related indicators and targets

Management indicators	Management targets	
Reduction of environmental impact	• CO ₂ emissions	Decrease by 50% by 2030 from 2010 Become carbon neutral by 2050 (challenging goal)
	• Renewable energy use	Increase to 50% of total energy use by 2030

Message from President, Mining Business Division



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



Masayuki Moriyama

Representative Director
Senior Executive Officer
President, Mining Business Division

The recent rise in concern for climate change is inspiring global change in pursuit of carbon neutrality. This is also true for the mining companies we serve, which are faced with the important management issue of working toward zero emissions in mining operations. At the same time, global resource demand is growing. We therefore anticipate increased demand for hard rock mining of copper, nickel, and other resources in conjunction with population growth, urbanization, and the trend toward electrified equipment as part of decarbonization efforts. Demand for soft rock mining of coal, meanwhile, is projected to decline.

Komatsu has continued to adjust its business portfolio flexibly in response to such changes in the operating environment and market trends. For example, we reorganized our production and support systems for mining equipment used for underground mining of coal. We are also supplying new equipment and solutions for mining of copper, iron ore, and nickel.

Customers are currently faced with the need to address two tasks that seem to be in opposition to one another: catering to higher demand and achieving zero-emissions operations.

The robust resource demand is prompting deeper and deeper drilling at existing mines. Meanwhile, concern for environmental issues and impacts on communities are expected to lengthen the amount of time required to get permits for developing new mines. Customers are thus being forced to mine in increasingly remote locations and at even greater depths. This situation is creating new issues for customers, issues that Komatsu, as a partner, will need to help resolve through innovations in the automation, remote operation, and electrification of equipment.

The new mid-term management plan launched in 2022 calls on us to promote mine-wide optimization through digital linkage of Komatsu mining equipment to address the operation needs of more remote and deeper mines. Measures toward this goal include enhancing our Autonomous Haulage System for operating unmanned dump trucks; producing drills, hydraulic excavators, bulldozers, and other equipment compatible with remote and automatic operation; and developing and launching our open mining technology platform. At the same time, we will be expanding our range of hard rock mining equipment products and

businesses in light of the changing trends in underground mining.

Moreover, we look to aid customers in realizing zero-emissions operations by expanding partnerships through the Komatsu GHG Alliance, which was founded in 2021. Other efforts to this end will include a focus on developing electrified mining equipment and power agnostic concept trucks that can run on a variety of power sources. Through these efforts, we will work toward the challenging goal of achieving carbon neutrality by 2050 described in the mid-term management plan.

Looking ahead, Komatsu will continue its quest to create the safe, highly productive, smart and clean workplaces of the future by partnering with customers to resolve the issues they face in their workplaces. This will be done while monitoring trends in the operating environment and in markets worldwide. We are committed to thereby leading the mining equipment industry and achieving ongoing growth.

Partner message

Alf Barrios

Chief Commercial Officer
Rio Tinto



Komatsu has been and continues to be a key collaborator in solving our challenges, including decarbonization.

To achieve our decarbonization ambitions, Rio Tinto is working with key partners like Komatsu.

Rio Tinto and Komatsu share a long history of partnership on innovation going back to when we built the world's largest Komatsu autonomous haulage fleet in 2008.

Since early August 2021, we have partnered with Komatsu to fast-track the development and implementation of zero-emission mining haulage solutions, including haul trucks. We will conduct a pre-production trial of the new equipment at a Rio Tinto site, and we look forward to successful collaboration, development, and deployment of energy-efficient trucks that will operate safely at our sites.

At Rio Tinto, we are always excited to work with like-minded partners to identify opportunities to improve our operations and to excel together. Our

continued partnership with Komatsu underscores our shared commitment to actively collaborate on product planning, development, testing, and deployment of the next generation of zero-emission mining equipment and infrastructure as we look to decarbonize our business.

Decarbonizing mining operations is one of the biggest challenges for our industry. Addressing climate change effectively requires businesses, governments, and society to work together. Our collaboration with Komatsu recognizes the role zero-emission haul trucks will play in meeting the emission reduction goals of not only Rio Tinto but the entire mining industry.

We are also proud to be one of the first companies to join Komatsu's Greenhouse Gas (GHG) Alliance. Being part of the Alliance gives us the opportunity to contribute to innovation and the scaling up of industry-wide sustainable solutions. Through regular engagement, sharing of knowledge, and identifying operational opportunities, we are optimistic that the Alliance will collectively accelerate decarbonization efforts.

Our partnership with Komatsu has also extended to a collaborative educational support, in the form of 10-year Komatsu-Rio Tinto Scholarship Program. For 10 years between 2011 and 2021, we supported 333 students who were affected by the disastrous Great East Japan Earthquake and had challenges continuing their studies for financial reasons.

We are grateful for the long-standing and multifaceted partnership with Komatsu and look forward to continued success.

With people



Human resource development initiatives

Having witnessed Europe's cutting-edge technologies at that time, founder Meitaro Takeuchi defined our guiding principles characterized by global expansion, quality first, technological innovation, and human resource development. The commitment to the development of human resources, an invaluable asset to Komatsu, lives on in the Company today, unchanged from the time of our founding.



Komatsu's global engineers active in various fields

Diversity and inclusion

Komatsu continues to promote the development of a workplace environment in which diverse human resources respect each other's individuality and skills and can work together with one another. These efforts are congruent with the spirit of diversity and inclusion. Promoting these principles contributes to the cultivation of a healthy workplace environment conducive to lively and constructive discussion as well as to improvements in personal motivation and changes to the corporate culture. These advancements are anticipated to generate innovation and thereby drive the growth of the entire organization.

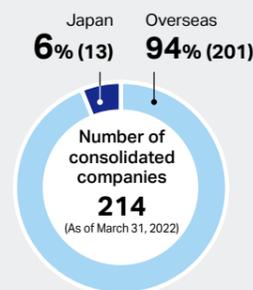
In growth strategies of the mid-term management plan, "Enrich human resources base with diversity" is one of the key initiatives of "Enhance Corporate Resilience", and we are ramping up various initiatives with goals including developing global-scope talent, promoting gender diversity, and improving employee engagement.

Development of global-scope talent

Roughly 70% of Komatsu's employee base comprises non-Japanese individuals, and several senior management positions at major overseas subsidiaries have been filled by locally hired staff following efforts to localize management. In regard to the training of future leaders, we have drawn up a succession plan under which approximately 750 major positions in Japan and overseas are classified as "global key positions." In addition, we have been arranging our Global Management Seminar for management and managerial candidates, implementing our Komatsu Way Leadership Development Program for middle management professionals who are expected to play central roles with respect to business operations and functions, and enacting other programs.

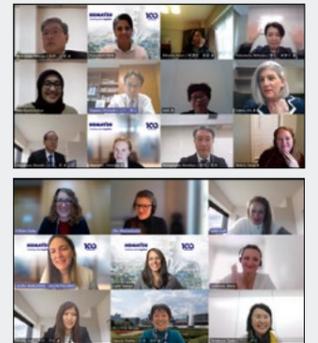
Programs for non-leader employees include the Global Occupational Health and Safety Contest, the All-Komatsu Technology Olympics, the All-Komatsu QC competition, the Global brand management workshop, and other global events that provide employees around the world with opportunities to develop their skills.

In Japan, we are focused on human resources development for digital application and open-innovation. For example, the program for developing AI engineers launched in 2019 uses a unique curriculum to endow participants with knowledge and technologies related to AI. In addition, this program helps foster skills for using AI to resolve customer business issues and to advance projects together with companies at the forefront of technology. In regard to developing human resources for open-innovation, we are conducting and utilizing both internal and external programs in order to accelerate collaboration with government and academic institutions. Such programs for fostering the human resources needed to supply customers with DANTOTSU Products, DANTOTSU Services, and DANTOTSU Solutions will be conducted on an ongoing basis going forward.



Promotion of gender diversity

Komatsu is pushing ahead with various measures for making concerted efforts to employ and train more women and for providing a workplace environment in which female employees can continue developing their careers. Because the Company considers the currently low number of female employees and managers in comparison to male employees and managers to be an issue in need of improvement, it is providing support for a balance between work and life events, such as childbirth, child raising, and caregiving. In addition, Komatsu actively appoints women to positions with more responsibility and authority through means such as by helping them plan their careers and promoting them to managerial roles. The mid-term management plan's global key performance indicators for gender diversity include the ratio of full-time female employees, for which we have set a target of 17.0% or more, and the ratio of female managers, whose target we have set at 13.0% or more. We plan to continue our proactive approach toward promoting gender diversity among Komatsu Group companies around the world. One tool for this quest will be the Diversity & Inclusion Development Seminar (DIDS), a training program intended for female leaders around the world.



Diversity & inclusion development seminar conducted online

Improvement of employee engagement



Improvements to employee engagement are imperative to the ongoing growth of a company. For this reason, Komatsu conducted a global engagement survey of domestic and overseas Group companies in April 2021 so that it could reflect the results of region- and organization-specific strength and issue analyses into human resource measures. We will continue to administer engagement surveys on a regular basis in order to track and analyze trends in employee engagement. This information will be used to respond to the constantly changing issues regarding employee engagement and to help make Komatsu a place where employees feel motivated and empowered.

The Komatsu Way

The Komatsu Way is the very DNA of Komatsu, an expression of the strengths of Komatsu, the beliefs supporting these strengths, the basic attitudes, and the patterns of behaviors established based on the experiences of our predecessors as they proceeded to tackle the challenges facing them.

Komatsu seeks to develop its operations on a global scale and to become a stronger company and grow. To accomplish these objectives, it will be crucial for employees with different cultures and customs around the world to understand and exercise the principles espoused by The Komatsu Way.

The Komatsu Way has been translated into 13 languages. E-learning programs are being rolled out on a global basis in order to further entrench The Komatsu Way as a guiding doctrine for employees worldwide.



To better present its principles in a manner that reflects the roles of specific employees, The Komatsu Way is divided into three sections: Leadership / Top Management, "Monozukuri" for All Employees, and Brand Management.

1 Leadership / top management

Leaders must be directly involved in the workplaces and manage businesses with an emphasis on contributing to the entire Group, including distributors and suppliers. We have also defined guidelines for leaders related to actively engaging in regular board meetings, communicating with stakeholders, complying with rules of the business community, managing risks, and grooming successors for management positions.

2 "Monozukuri" for all employees

Komatsu aims to pass on the manufacturing competitiveness, perspectives, and values that, based on total quality management, have continued to drive Komatsu's competitiveness and support its growth. We look to transmit these principles through a joint effort encompassing all internal divisions as well as our suppliers, distributors, and other partners and to continue promoting involvement by all of these parties.

3 Brand management

Komatsu defines "Brand Management" as all the customer value creation activities that "make Komatsu indispensable to our customers." This objective is accomplished by visiting customer workplaces to understand the ideal state of these customers and to build relationships that enable us to work together with them to help achieve their goals through concerted efforts by the Komatsu Group and its distributors.

With people

Special feature: Global human resource development

For the purpose of creating value at customer workplaces and production bases around the world, Komatsu regularly holds four global competitions: the Global Occupational Health and Safety Contest, the All-Komatsu Technology Olympics, the All-Komatsu QC competition, and the Global brand management workshop. Through these competitions, employees are encouraged to pursue new heights through healthy rivalry with their peers and to share value and enhance the skills necessary for creating workplace value.

Global occupational health and safety contest

Decision-making at Komatsu prioritizes the principles of SLQDC (Safety, Law, Quality, Delivery, and Cost), based on which we hold the Global Occupational Health and Safety Contest every year in June. This competition is designed to raise the occupational health and safety awareness of employees worldwide through global activities seeking to eliminate occupational accidents. Launched in 1970, the contest was held for its 50th time in 2021. In its 50th iteration, the contest took place through an online venue for the purpose of preventing the spread of COVID-19.

At the 2021 contest, the president reiterated to the domestic and overseas employees in attendance that health and safety are our top priority and reminded all Group members of the importance of the principles of SLQDC. In addition, awards were presented to individuals and workplaces advancing superior initiatives, which contributed to heightened employee motivation. One of the events of the contest is a report on the activities of teams promoting initiatives for eliminating occupational accidents, which has proven to be an invaluable opportunity for sharing information on superior improvement activities and methods throughout the Group. In recent years, around half the participating teams are based overseas, indicating how our commitment to improvement is alive around the world.



Opening address given by the president at the 50th global occupational health and safety contest

All-Komatsu QC competition

Komatsu is advancing global quality control initiatives as part of the commitment to quality and reliability advocated in its Management Principle. November has thus been dubbed as the Month of Quality. The All-Komatsu QC competition is held during this month to promote the further spread and entrenchment of quality control activities. Originally started in 1967, the convention was arranged for the 53rd time in 2021.

At the All-Komatsu QC competition, we present and share information on the quality control activities and successes of domestic and overseas Komatsu Group employees as well as of the employees of partner companies. This approach is taken to drive improvements across our supply chain.

In the midst of the COVID-19 pandemic, the 2020 and 2021 iterations of this event took place online. Simultaneous worldwide broadcasts were used to build a sense of solidarity among participants, making for an online event that was as vivid as those held at physical venues.



Online All-Komatsu QC competition event shown through simultaneous broadcast

First global occupational health and safety contest

The Global Occupational Health and Safety Contest has been contributing to improved health and safety awareness among employee participants since its first iteration in 1970. Komatsu's culture of prioritizing health and safety continues to live on today.



Safety management presentation themes of first global occupational health and safety contest

- Workplace safety management
- Prevention of accidents from crane operation mistakes
- Improvement of safety awareness
- Safety management and orderliness

Teams winning gold awards at 53rd All-Komatsu QC competition



All-Komatsu technology olympics

Production systems are becoming increasingly global as we relocate manufacturing operations overseas. Regardless of the region, production bases require a high degree of on-site technical skills. Based on this recognition, Komatsu has declared the third Saturday of every October as the Day of Technical Skills, on which we hold the All Komatsu Technology Olympics to help enhance the technical skills of employees. This program was launched in 1963, and its 43rd iteration was held in 2021.

The All Komatsu Technology Olympics include competitions in the 11 technical and academic areas of machinery, heat treatment, welding, assembly, coating, parts inspection, performance inspections, mechatronic maintenance, casting, remanufacturing, and electronics. Employees of domestic and overseas Komatsu Group companies as well as of partner companies are invited to take part in these competitions with the goal of improving the level of technical skills across Komatsu's supply chain.

The 2021 iteration of the event was held using new approaches like online judging out of consideration for the COVID-19 pandemic, enabling us to continue this tradition even in the midst of the pandemic. In addition, local competitions were arranged in China, India, Thailand, and Indonesia as part of global improvement activities.



All-Komatsu technology olympics event incorporating online elements

Global brand management workshop

Our brand management activities have the goal of making Komatsu indispensable to our customers. In these activities, we visit the workplaces of customers to learn of their ideals and work toward shared goals through a concerted effort with customers, distributors, and Komatsu Group companies and thereby build stronger ties with customers. Since the launch of these activities in 2007, we have advanced initiatives targeting more than 150 customers in 18 regions around the world.

The Global brand management workshop was established in 2009 as a venue for sharing best practices and promoting teamwork on a global scale. Members of project teams for this competition have come from senior management, division management, overseas subsidiaries, and even distributors.

Despite being held online in 2021 to combat the spread of COVID-19, 225 individuals participated from 20 bases around the world, giving rise to a lively debate on the topic of value creation activities at customer workplaces.



Online Global brand management workshop with participants from 20 bases around the world

With business

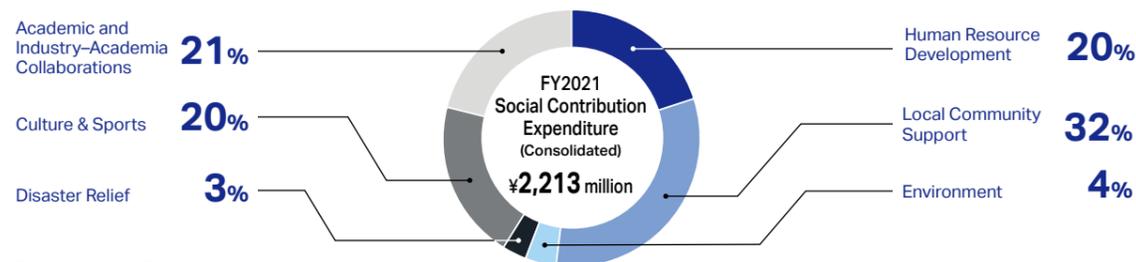


Social contribution activities

Komatsu recognizes that social contributions to the communities in which it conducts its business activities are an important corporate responsibility. Komatsu defines the social contribution activities as activities related to its three CSR themes that are not directly aimed at generating earnings. Based on this definition, we seek to contribute to society in a manner that leverages the strengths of our core business.

Social contribution activities in FY2021

The following chart shows the expenditure for social contribution activities by the Komatsu Group, aggregated based on six general categories.



Break down of social contribution expenditure

Cash contributions	Employee dispatchment and time contributions	Expense related to providing own facilities for public use	Expense related to events for the community	Total
¥758 million	¥353 million	¥357 million	¥745 million	¥2,213 million

Expansion of agricultural support project following demining project

Since 2008, Komatsu has been engaging in collaborative efforts with the authorized nonprofit organization Japan Mine Action Service (JMAS) to support the demining of anti-personnel landmines in Cambodia and other areas threatened by these weapons and to help rehabilitate former mine field sites through the construction of roads, bridges, elementary schools, and other facilities. In FY2022, we plan to expand these efforts to our 10th school in Cambodia. We are also supplying Komatsu equipment, free of charge, along with technical guidance to assist in the machine-based removal of unexploded ordnance from cluster bombs, which have continued to threaten the lives of people in Cambodia long after the war in a similar manner to landmines. Furthermore, we began offering agricultural support in 2020 to help convert the minefields in Cambodia into viable

farmland. Komatsu's ICT-intensive bulldozers use ICT technologies to automatically control blades, making them highly effective at leveling farmland. Such equipment is being utilized to develop farmland that is suited to rice planting. As of March 31, 2022, we had leveled an aggregate total of 48 hectares of farmland, contributing to increased rice harvests. Komatsu will continue such efforts to contribute to greater swathes of the community in the future.

Please refer to the following video for more information on the Demining and Reconstruction Project.

<https://www.youtube.com/watch?v=8zImCv6PTaE>



Business and human rights

Komatsu established its Human Rights Policy in September 2019, thereby declaring its commitment to conducting its business in a manner that is compliant with internationally accepted standards pertaining to respect for human rights throughout its global organization. Based on this policy, processes have been established to prevent or mitigate negative impacts on human rights and to allow for corrective measures to be instituted should it be found that the Company was directly or indirectly involved in activities that had a negative impact on human rights. Reports on such activities are issued to the Sustainability

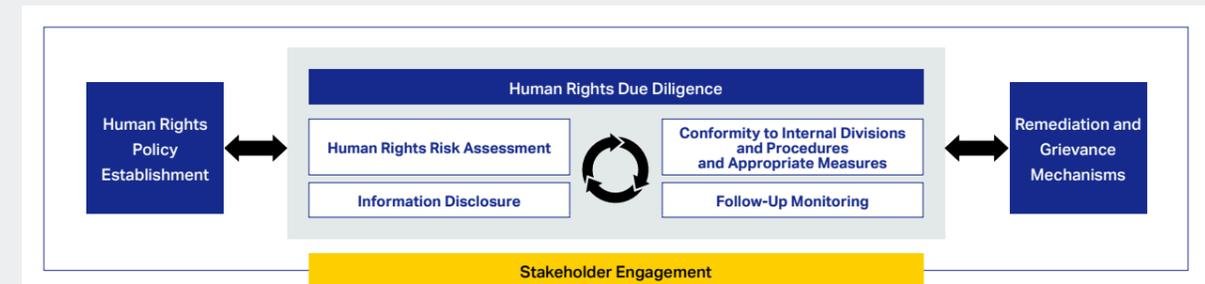
Promotion Committee, which is chaired by the president and membered by the heads of relevant divisions, to build a deeper understanding of our response toward human rights issues. The Company is committed to ongoing efforts to continue identifying priority issues, defining clear policies for responding to these issues, and establishing action plans for use in work processes.

For more information on Komatsu's human rights due diligence activities, please refer to the following website.

<https://komatsu.disclosure.site/en/themes/193>



Komatsu group human rights management system



2014	With the assistance of external specialist Business for Social Responsibility (BSR), assessments were conducted to evaluate human rights risks pertaining to the construction equipment, mining equipment, and forestry machinery businesses being developed on a global scale.
2017	The aid of BSR was once again enlisted for our second human rights assessment, which was carried out while referencing the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights.
2020	With support from external specialist CSR Europe, a systematic human rights risk assessment of our global operations was conducted covering downstream areas of our construction equipment, mining equipment, and forestry machinery businesses (equipment and replacement parts sales). Given the characteristics of Komatsu's businesses, relevant issues pertaining to discrimination based on ethnicity, race, or national origin; compulsory labor; freedom of association; and fair work conditions were assessed, and potential risks and priorities were identified by business and by region.
2021	The Sustainability Promotion Committee approved plans to prioritize the human rights issues facing Komatsu, administer questionnaires to Komatsu Group companies and suppliers, and perform on-site impact assessments of downstream operations.

Employee-driven social contribution project One World One Komatsu

The Komatsu Group launched the One World One Komatsu employee-driven social contribution project as a new initiative in conjunction with its 100th anniversary.

Based on themes pertaining to the environment and sustainability, which are shared global issues that are highly related to our business, the One World One Komatsu project encourages employees to take close-at-home action in their daily lives, such as cutting back on water use and turning off lights in unoccupied rooms.

As part of this project, the One World One Komatsu Contest was held over the period from June to September 2021. Applications were received by more than 200 employees from around the world, and winners were chosen for each of the 10 award categories.

Furthermore, we once again held global watch parties in

conjunction with Earth Day on April 22 of this year. These events involve preparing videos showing Komatsu employees around the world engaging in volunteer activities and attending a virtual gathering to watch these videos through a dedicated website.



To view videos from the global watch parties, please refer to the following website.

https://www.youtube.com/playlist?list=PLI09JNAS3JfFJU_dRs_WZs7lyc57U8Re



4

Corporate governance

To become a company that enjoys more trust from all stakeholders, Komatsu is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics, and ensure sound management on a Groupwide 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.

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Special interview

Toward medium- and long-term improvement of Komatsu group's corporate value

Q Two years have passed since your appointment as an Outside Director at Komatsu. What is your current impression of the management and the Board of Directors?

I believe that some of the most important aspects of corporate management include the formulation of proactive strategies that are always a step ahead of the times and the implementation of finely tuned measures at the workplace level in order to facilitate the advancement of said strategies. It is also crucial to combine the elements of what cannot change such as its corporate philosophy, and what can change in order to evolve its business models adapting properly to trends in the operating environment.

Komatsu, for example, is promoting cutting-edge solutions, like Smart Construction, while remaining true to its Management Principle by upholding its commitment to quality and reliability. The Company has also unveiled its roadmap for achieving carbon neutrality by 2050. I am convinced that the Company is making steady steps forward toward more effective corporate management.

As for meetings of Komatsu's Board of Directors, I think they feature an atmosphere that is conducive to expressing one's opinion, which lends itself to lively discussion. Each meeting includes a report from the President on recent management issues and topics of interest. These reports make it easy for Outside Directors to maintain an up-to-date understanding of the issues faced by management, and this understanding enables effective discussions at meetings. The Company also prepares videos to brief us prior to Board meetings, ensuring that we can devote sufficient time to

discussions on the days of meetings. All in all, I believe Board meetings are functioning at a very effective level.

Q Was there anything in particular about the discussions regarding the mid-term management plan that took place in FY2021 that stood out to you?

Discussions were held for each step in formulating the new mid-term management plan, and we were thus able to engage in lively debate on the ESG issues extracted from a materiality assessment of the Company. Now is a particularly volatile time. Accordingly, I used my position as Outside Director to participate in the planning of strategies by pointing out issues regarding responses to changes in the operating environment and how, as well as how effectively, Komatsu competes.

Komatsu's mid-term management plan was shaped through a backcasting process that began with a clear vision of the goals for the plan. This, I believe, is a highly effective approach given the current uncertain business environment. Moreover, the plan lays out a clear direction for strategies aimed at pursuing innovation in both products, such as developing automatic and autonomous construction and mining equipment, as well as in solutions, through which the Company aims to achieve the overall optimization of workplace processes.

I look forward to seeing Komatsu achieve sustainable growth by advancing the three pillars of growth strategies as envisioned. M&A activities will be a critical aspect of these strategies. It will become increasingly important for the Board of Directors to continue to discuss the business portfolio illustrated by the new mid-term management plan in order to maximize corporate value.

Q Do you see any challenges that Komatsu faces with regard to risk management?

Risks are inevitable for a company. As such, it is imperative for managers to heighten their receptiveness toward risks so that they can better detect risks and formulate response measures. From my supervisory standpoint as an Outside Director, I look at whether or not the executive team is responding flexibly to changes in the operating environment and swiftly and steadily implementing the necessary measures. I also pay attention to management's ability to react to irregular occurrences through diligent discussion and quick and effective response measures.

I think that, going forward, the Company will need to call upon the expertise and insights of Outside Directors and Outside Audit & Supervisory Board Members to project future developments and discuss how they will impact the growth potential and competitiveness of the Company from a cross-business perspective. Specific factors that need to be considered are important management themes, like global operating environment changes and geopolitical risks.

Q What are your opinions regarding the effectiveness of Komatsu's Board of Directors?

I have not had the experience of being involved in the management of a manufacturer previously. Nevertheless, my understanding of Komatsu's businesses has grown during my first year as an Outside Director, thanks to the briefings on agenda items provided prior to Board meetings, which have included explanations on the sales channels and markets that are required to understand the matter at hand.

Komatsu's Board of Directors features members with a wide variety of backgrounds, and discussions are quite lively. I have a unique perspective on the Board as someone not from Japan, and I can provide this perspective along with the experience and insight as an attorney I have gained inside and outside of Japan to offer frank opinions and comments. In terms of proceedings, we receive quarterly updates on the status of implementation and progress of each resolution made by the Board of Directors. We are also informed of any issues that should arise. As such, I see no major issues with regard to the effectiveness of the Board of Directors.

If I were to raise an issue, it would be with the business reports received at Board meetings. These reports are indeed thorough and detailed, but perhaps they are too detailed in the sense that they do not account for the information gap between Outside Directors and internal members of the Company. I therefore see room for improvement with regard to discussions of overall directives at Board meetings. Specifically, I think that the themes selected could be better focused and the structure of materials more refined, while still reflecting the outcomes of prior discussions among internal members. I see this as one area to further improve the effectiveness of the Board.

Q What are your thoughts regarding sustainability and corporate governance?

We talked about sustainability quite a lot last year. I also had the opportunity to provide lectures to Executive Officers on the subject of sustainability governance. My definition of "sustainability governance" is a structure or system that involves positioning sustainability at the heart of all corporate activities. Promoting sustainability governance entails linking a clear vision and frameworks, like ESG for example, to corporate activities, setting initiative targets and KPIs accordingly, and reflecting these in Director compensation.

Moreover, Komatsu established its Sustainability Policy in 2021. This policy, which is designed to contribute to the realization of a sustainable society and facilitate business growth, was decided via resolution by the Board of Directors. In addition, the current mid-term management plan contains the new and challenging goal of achieving carbon neutrality by 2050, which complements the prior management target of reducing



Arthur M. Mitchell
Outside Director

CO₂ emissions by 50% compared with 2010 by 2030. Furthermore, the plan links the compensation of Directors to the degree of accomplishment of management targets. In this manner, the Company has been effectively developing frameworks centered on sustainability. I hope to see Komatsu working to form organic links between these initiatives in the future.

Q What issues do you think Komatsu might face in practicing sustainability management?

As exemplified in the TCFD's recommendations for climate change-related disclosure, there are growing expectations with regard to disclosure of information on ESG activities. At the same time, however, the atmosphere overseas is such that, depending on how this disclosure is performed, it could result in accusations of "greenwashing" from external organizations, which carries with it the risk of lawsuits. For this reason, it is important for Outside Directors to act with the same level of responsibility as internal officers when discussing sustainability management.

Given this reality, it is crucial for the KPIs put forth by companies to be meaningful, material, and measurable. The Board of Directors, meanwhile, will need to highlight the gap between Komatsu's targets and the reality of its ESG initiatives and to verify the measures being implemented to close this gap. Moreover, I think the Company should study new frameworks, such as OKR (Objectives and Key Results), a goal-setting framework to encourage ambitious targets for pursuing sustainable growth through innovation. The Board should also discuss strategies for minimizing risks in the current volatile market.



Takeshi Kunibe
Outside Director

Basic views on corporate governance

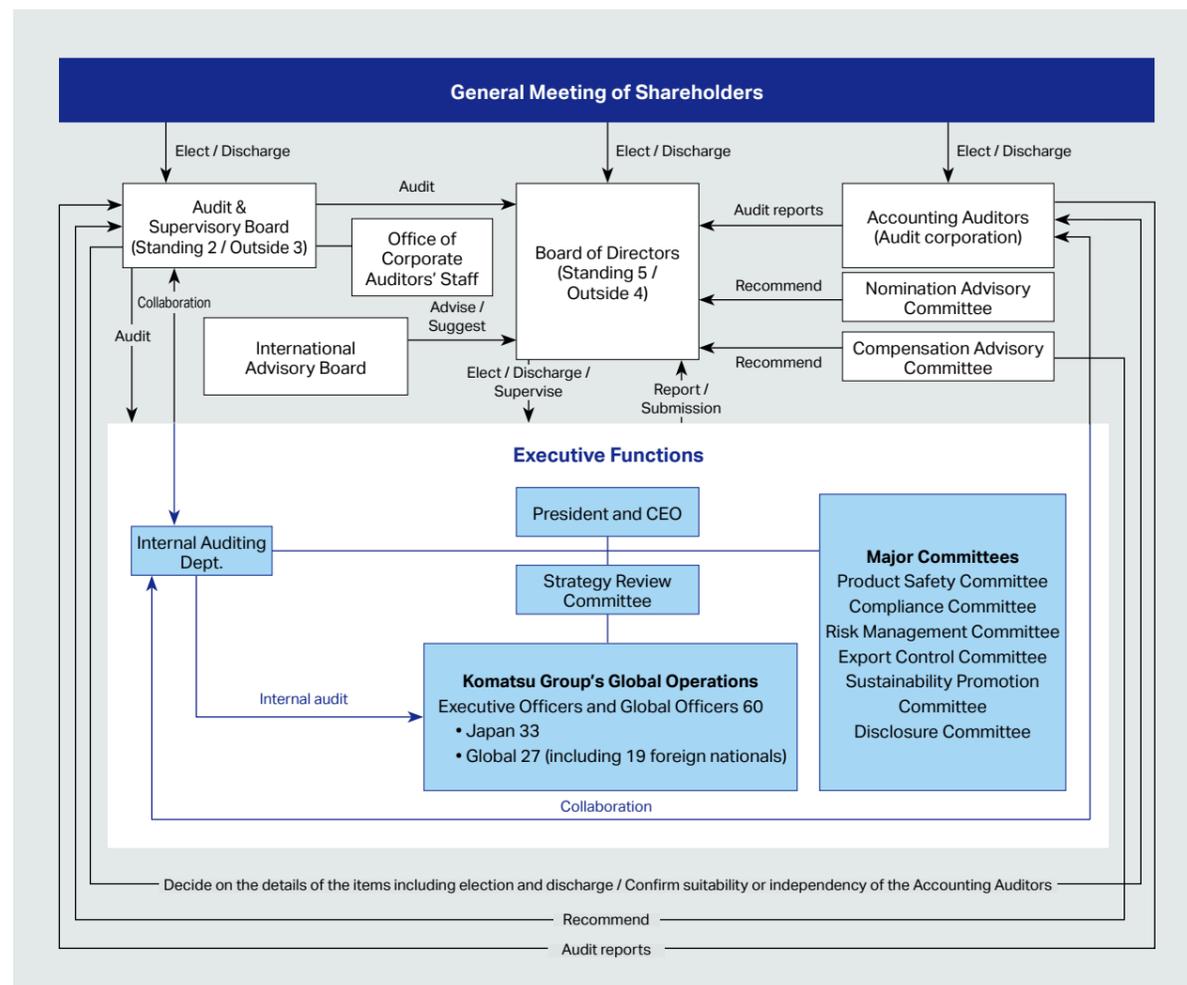
To become a company which enjoys more trust from all stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics, and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders 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.

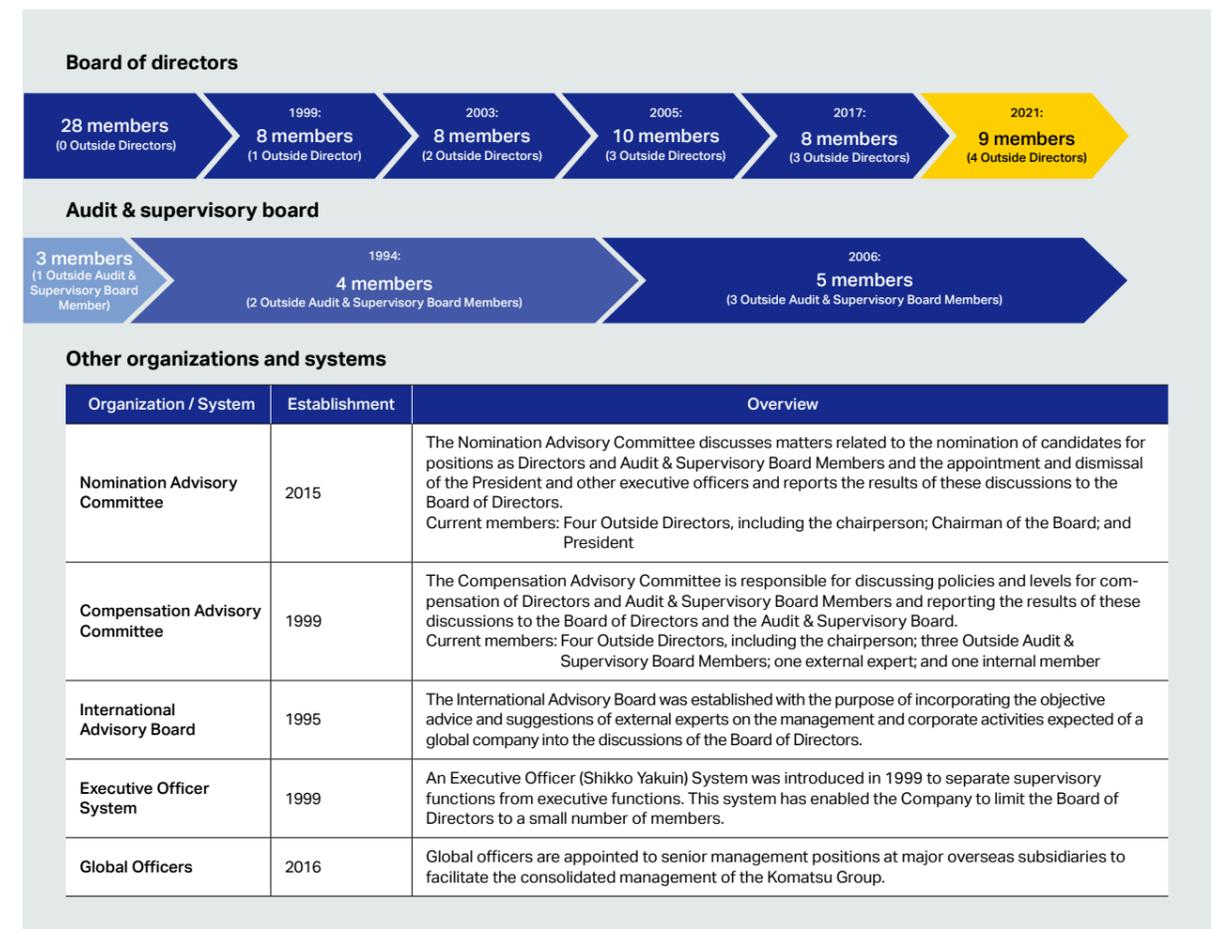
Corporate governance of the company (As of June 30, 2022)



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, 2022)



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.

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 FY2021 (April 1, 2021–March 31, 2022)

Attendance	Outside Directors	100%
	Outside Audit & Supervisory Board Members	100%
Agenda item numbers	Reports	37
	Deliberations, Resolutions	42
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



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 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 positive evaluations of the efforts made to improve the management of the Board of Directors in FY2021 in the following aspects of (1) set-up of Groupwide themes, (2) improvement of questions and answers by reporting clearly defined issues, and (3) adoption of explanatory video presentations before Board meetings.

With respect to the conducting of Board meetings, there were a few suggestions for improvement. These included how to expand discussions of strategic, individual themes designed to improve corporate value; how business executions should be reported to contribute to advice, audits, and supervision of Directors and Auditors; and the promotion of dialogues between the Board of Directors and its stakeholders. The Company will implement such improvements to make the Board of Directors further effective in the future.

Supporting system for outside directors and audit & supervisory board members

As general rule, the Company provides materials for Board of Directors to Outside Directors and Outside Audit & Supervisory Board Members in advance of the meetings so that they have sufficient time to review the matters that are to be discussed. With respect to matters that may be of particular importance, the Board of Directors discusses them at the Board of Directors prior to the Board of Directors where such matters are scheduled for resolution. In this manner, the Company ensures that the Directors have sufficient time to review the matters before decisions are

made and that they will have an opportunity to consider the points noted in earlier discussions before deciding upon such matters.

For newly appointed Outside Directors and Outside Audit & Supervisory Board Members, the concerned departments conducts explanatory meetings concerning the information requiring decision-making by the Board of Directors, as needed. Such meetings are attended by the Secretariat of the Board of Directors and held prior to Board of Director meetings.

The Company has built the database which houses

materials, minutes, other information of the Board of Directors and other major committee meetings in the past. This database can be accessed by all members of the Board of Directors and the Audit & Supervisory Board Members, including Outside Members. The Company has also built the

database which houses materials and minutes of the Board of the Audit & Supervisory Board in the past. This database can be accessed by all members of the Board of the Audit & Supervisory Board Members, including Outside Members.

Major activities of outside directors and outside audit & supervisory board members in FY2021

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 FY2021, he provided comments based on his rich experience in the business world, particularly concerning such issues as supply chain optimization, solutions businesses, and risk management. He also served as Chairman of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance at 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 both companies. 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 FY2021, he provided comments based on his rich experience in the business world, particularly concerning such issues as climate change response, the mid-term management plan, and economic security measures. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

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

Arthur M. Mitchell

Major career

Registered 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 FY2021, 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 at the Meetings
Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

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. She has been actively expressing a wide range of opinions at the meetings of the Board of Directors, mainly from the standpoint of contributing to the enhancement of the Company's medium- and long-term corporate value. During FY2021, she provided comments based on her international perspective and professional standpoint, particularly concerning such issues as country risks, evaluation indicators for the mid-term management plan, and frameworks regarding subsidiaries. In addition, she was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

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

Note: As Outside Director, Naoko Saiki was appointed at the 152nd Ordinary General Meeting of Shareholders held in June 2021, and her 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 FY2021, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the Audit & Supervisory Board concerning such issues as the status of the global economy, coordination with accounting auditors, and compliance systems. In addition, he was a member of the Company's Compensation Advisory Committee.

Attendance at 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 FY2021, based on her professional standpoint, she provided comments at the meetings of the Board of Directors and the Audit & Supervisory Board concerning such issues as safety management systems, operational audits, and human resource recruitment and diversity. In addition, she was a member of the Company's Compensation Advisory Committee.

Attendance at 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 FY2021, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the Audit & Supervisory Board concerning such issues as global oversight systems, human resource recruitment and utilization, and internal control systems. In addition, he was a member of the Company's Compensation Advisory Committee and an observer of the Compliance Committee.

Attendance at 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 director and outside audit & supervisory board member

The following new Outside Director and Outside Audit & Supervisory Board Member were appointed at the Ordinary General Meeting of Shareholders held in June 2022.

Outside director

Michitaka Sawada

Major career

Representative Director, President and Chief Executive Officer of Kao Corporation

Mr. Michitaka Sawada has considerable knowledge and abundant experience in the business world having engaged in the management of global conglomerates and ESG management in positions such as Representative Director, President and Chief Executive Officer and Director, Chair of Kao Corporation.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.

Outside audit & supervisory board member

Tatsuro Kosaka

Major career

Representative Director, President & CEO of Chugai Pharmaceutical Co., Ltd.

Mr. Tatsuro Kosaka has considerable knowledge and abundant experience in the business world having engaged in global corporate management in positions such as Representative Director, President & CEO and Representative Director, Chairman & CEO of Chugai Pharmaceutical Co., Ltd.

Utilizing this knowledge and experience, the Company expects him to execute his duties as an Outside Audit & Supervisory Board Member by performing managerial oversight from the perspective of a corporate manager. Therefore, the Company nominates him as a candidate for Outside Audit & Supervisory Board Member.

Activities of advisory committees

Committee name	Nomination advisory committee	Compensation advisory committee
Chairman	Outside Director (Takeshi Kunibe)	Outside Director (Takeshi Kunibe)
Members (As of June 30, 2022)	4 Outside Directors (Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki, Michitaka Sawada) Chairman of the Board President	4 Outside Directors (Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki, Michitaka Sawada) 3 Outside Audit & Supervisory Board Members (Eiko Shinotsuka, Kotaro Ohno, Tatsuro Kosaka) 1 external expert (Shinji Hatta, Honorary Professor, Aoyama Gakuin University) Chairman of the Board
Purpose	Deliberation, resolution, and reporting to the Board of Directors on selection of the next President and 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 FY2021	5	1
Agenda items in FY2021	<ul style="list-style-type: none"> Selection and cultivation of candidates for the next President Selection of a new Outside Director and audit & supervisory board member candidate Outside Director positions held at other companies by Chairman of the Board Skill matrix for Board of Directors Proposal of Directors and Audit & Supervisory Board Members for FY2022, etc. 	<ul style="list-style-type: none"> Monthly compensation levels for Directors and Audit & Supervisory Board Members in FY2022 Performance-based remuneration for Directors for FY2021 (projections) Evaluation indicators for performance-based remuneration in FY2022, etc.

Succession plans

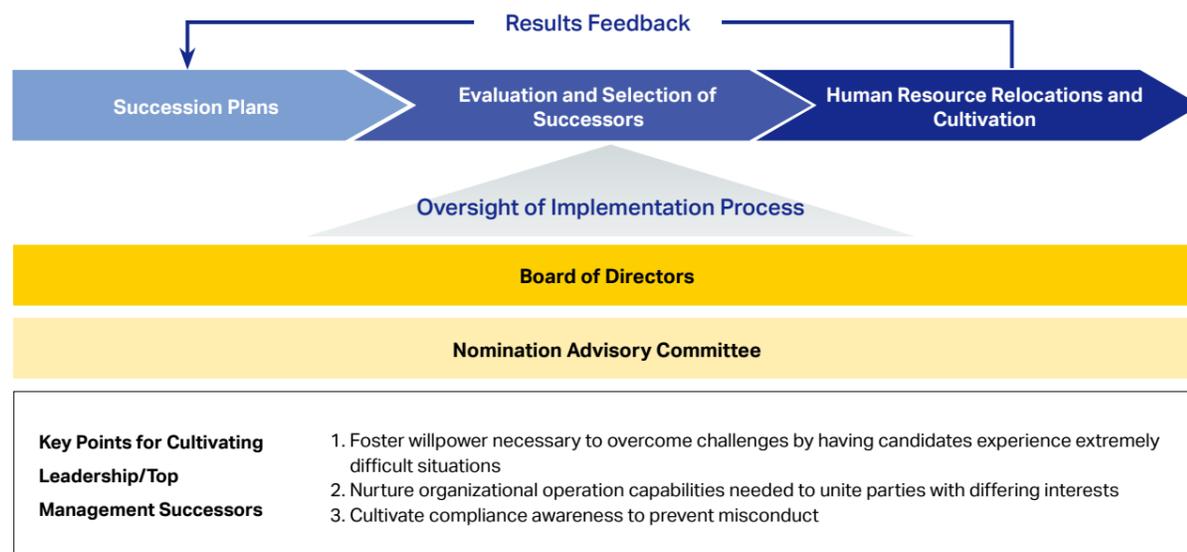
One of the items contained in the Code of Conduct for Leadership / Top Management that has been described in The Komatsu Way since its establishment in 2006 is "continue to think about your succession plan."

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 Nomination 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 candidates 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 Stock	Stock-Based Remuneration B Restricted Stock
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 above table and as a general rule; the restriction of transfer on the shares will be lifted after three years from delivery.

Malus and clawback system

The Company resolved on Malus (reduction / confiscation) and Clawback (return) system at the meeting of the Board of Directors held in April 2022. In the event of a significant revision of financial statements or an event that has a significant impact on the reputation of the Company due to the execution of business by Directors, the performance-based remuneration paid to the Internal Directors could be required to be reduced, confiscated, or refunded. In principle, the content of the refund request, etc. will be decided by the Board of Directors after deliberation by the Compensation Advisory Committee according to each event.

The Company adopted all principles of Japan's Corporate Governance Code after its June 2021 revision.

https://www.komatsu.jp/en/-/media/home/ir/corporate-governance/cgr_en.pdf?rev=30c1c9376d714556bf1e8499edc483eb&hash=74B4E3CB68D8D237C24B4F16B5914A07



Corporate governance

Major executive committees

Committee name (Committees indicated with an asterisk [*] are chaired by the President.)	Purpose	Meeting frequency
Product Safety Committee	Discussions on and decisions regarding policies and systems related to product safety activities and technologies, assessment of product safety activities of business divisions and deliberation on issues regarding said activities, and reporting of important matters at monthly Board of Directors' meetings	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	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 of policies and important matters regarding group-wide security and export control measures and systems	1 time a year and when necessary
Sustainability Promotion Committee*	Discussion on and decision and execution of policies and important measures regarding the environmental and social activities implemented as part of the Group's ESG activities	2 times a year
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, employee benefits, and occupational health and safety management for the Company and the Group	2 times a year

Topics

Appointments to advisors of the international advisory board

Komatsu established the International Advisory Board (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 37 times in the conventional and new organizations combined. In April 2020, Komatsu commenced the 8th session of the IAB for management with the following advisors. In FY2021, the advisors offered advice and suggestions to the Board of Directors with regard to the formulation of the next mid-term management plan. In addition, at the IAB for management held in December 2021, advisors took part in discussions with Directors and Audit & Supervisory Board Members and provided advice and suggestions with regard to the sustainability practices expected of a global company.

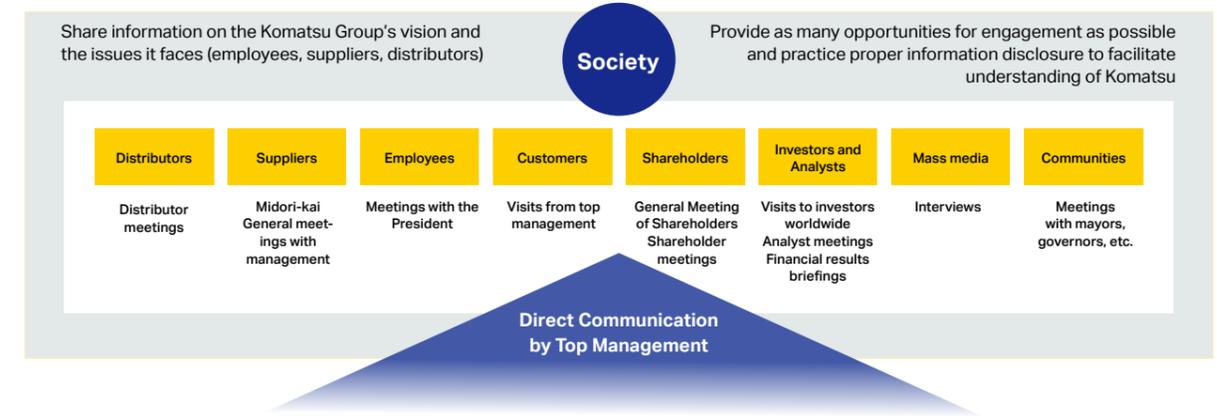
Komatsu will continue to improve management and strengthen its corporate governance in order to enhance its corporate value.

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	2022–Present 2022–Present 2006–2022 2012–2020 Chairman of the Board of Directors, WithSecure Corporation Director, F-Secure Corporation 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

Stakeholder engagement

In order to gain more trust from all stakeholders, Komatsu is strengthening corporate governance, and members of senior management are practicing direct engagement with stakeholders.



Major investor relations activities in FY2021

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.

Face-to-face communication activities were once again canceled in FY2021 as a result of the COVID-19 pandemic.

Nevertheless, ongoing communication was practiced by using online communication tools to conduct virtual meetings and distribute videos of investor relations events.

Komatsu is also expanding its scope of ESG engagement activities given the recent rise in interest in ESG.

For institutional investors	For shareholders and individual investors	Website
<ul style="list-style-type: none"> Financial results briefings* (4 times) Small meetings* (7 times) Business briefings* (1 time) Overseas investor relations activities* (5 times) Individual meetings* (over 220) 	<ul style="list-style-type: none"> Shareholder meetings* (1 time) Factory tours for shareholders → Canceled in response to the COVID-19 pandemic and replaced with videos commemorating the 100th anniversary of Komatsu's founding made available through the official Komatsu YouTube account Individual investor meetings* (5 times) Gifts of appreciation for long-term shareholders 	<ul style="list-style-type: none"> Financial information Financial results briefings Sales and profits gains reports Quarterly reports, etc. Web interviews with the President (4 times) Komatsu Report, etc.

* Held through virtual or online venues

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 2021.

Date	Meeting name	Attendants	Topics
December 16, 2021	KOMATSU IR-DAY 2021 Investors Meeting & ESG Meeting	79	1. Response to electrification of construction equipment 2. Contributions to sustainable forestry

For materials from meetings, please refer to Komatsu's corporate website:
<https://www.komatsu.jp/en/ir/library/results/2021>



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



Risk management

Basic principles and structure for risk management

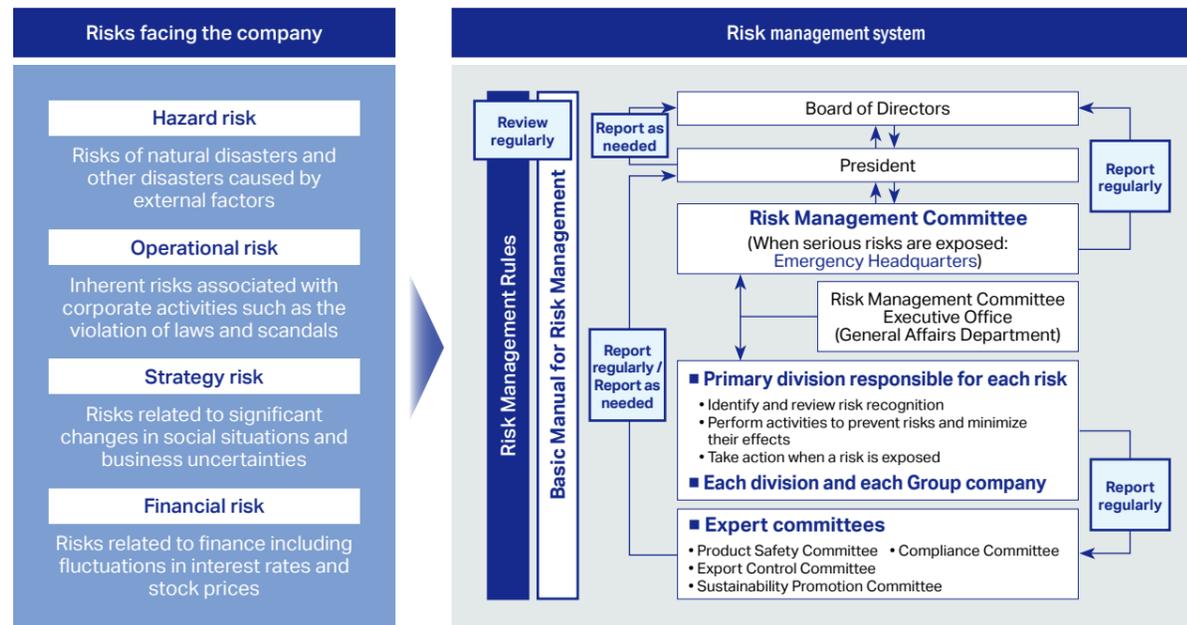
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

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 and the situation in Ukraine, 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 like Smart Construction, which helps reduce CO₂ emissions by optimizing work processes. 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 such risks, we are working to reduce the fuel consumption and improve the efficiency of products while developing eco-friendly products. Efforts to develop such products include refining existing hybrid and diesel-electric technologies and utilizing new technologies, such as those related to fuel cells and hydrogen engines. We are also moving forward with the development of solutions like Smart Construction, which allows for the optimization of customer workplaces. Measures to address rising costs include reducing the amount of energy used in production processes, producing clean energy, and adopting an internal carbon pricing system to promote investments in environmental preservation. Through these efforts, the Company aims to halve CO₂

emissions from the level in 2010 by 2030 and achieve carbon neutrality by 2050.

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 geopolitical risks

As globalization processes, the outlook for the operating environment is becoming increasingly opaque amid rising social, political, and military pressures.

As a global conglomerate, the Komatsu Group takes steps to minimize the impacts of resource price fluctuations, trade restrictions, and supply chain complications that result from diversifying geopolitical risks by confirming, analyzing, and addressing the political, economic, and regulatory trends of relevant countries.

The situation in Ukraine has been a source of supply disruptions and financial and economic impacts since March

2022. In accordance with the Company's risk management policies, an emergency headquarters led by the president was established, steps were taken to protect the safety of employees and their families in areas affected by the conflict, the export restrictions implemented by countries around the world were addressed, and humanitarian support was given.

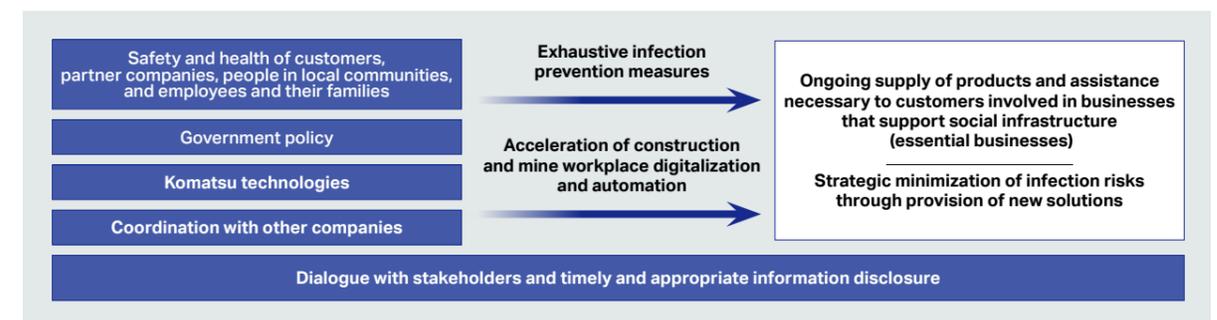
We will continue to monitor such trends going forward in order to implement appropriate measures to ensure the safety of customer's operation site and address other issues.

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 FY2021, the world was affected by COVID-19 variants like the Delta variant, which carries an increased risk of serious complications, and the Omicron variant, which is highly transmissible. We sought to respond to these threats by monitoring the trends regarding infections among employees around the world while adhering to policies of the governments in countries in which we operate by halting production at certain production bases as necessitated by lockdowns.

In Japan, we took precautions to protect employees from COVID-19 based on the policies of local and national government agencies. We also tracked the status of operations at our production bases and partner companies in order to minimize the impact of the pandemic on production. Ministry of Land, Infrastructure, Transport and Tourism is currently encouraging measures for preventing crowding, closed environments, and close interactions with others at construction workplaces. Komatsu's "Smart Construction Digital Transformation" solution is being promoted as a tool that helps prevent the spread of COVID-19 at customer workplaces by eliminating the need for workers to gather in single locations while employing a digital twin approach that allows conditions at workplaces to be monitored remotely.



Risk management

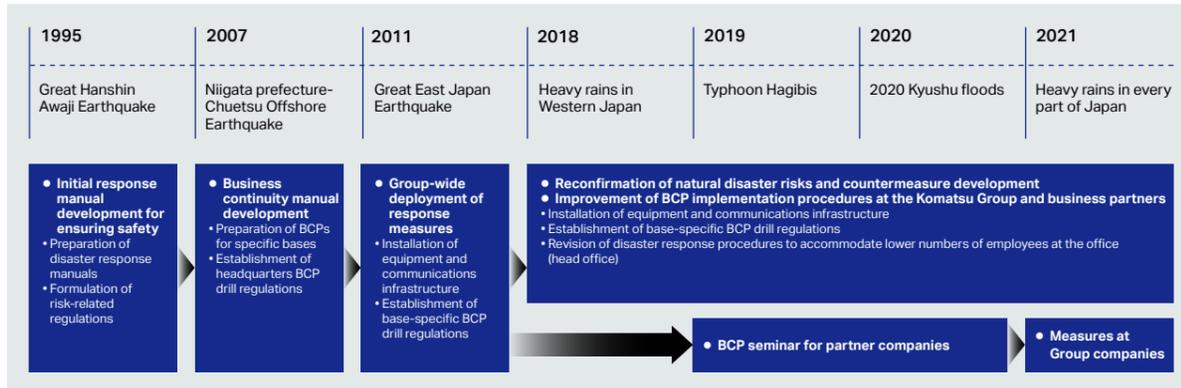
BCP measures for addressing frequent natural disasters

Komatsu has established business continuity plans (BCP) 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.

As natural disasters grow more frequent and more severe, production bases are taking measures to reinforce the seismic resistance of structures and equipment while implementing countermeasures against concentrated heavy rains based on their respective BCP.

We are focused on not only strengthening the BCP of Komatsu Group bases but also on strengthening the supply chain system through BCP development and implementation support for our business partners.

Komatsu will continue to ramp up its BCP initiatives in order to build a flexible and sustainable supply chain that can respond to an increasingly diverse range of risks.



Economic security measures

May, 2022, saw the promulgation of a new economic security law in Japan. Komatsu, meanwhile, appointed an executive officer responsible for economic security on April 1, 2022, ahead of the promulgation of this new law.

As the concrete regulations to be enacted as part of the implementation of this law become clear, we will determine any additional measures that may be necessary and institute these measures through the Risk Management Committee.

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.

(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 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.

(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.

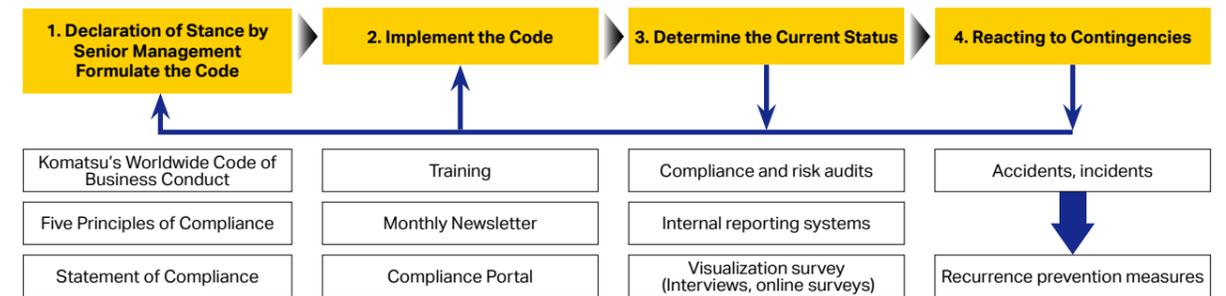
(6) Initiatives for improving information security across the supply chain Our information security initiatives are not limited to Komatsu and Group companies; we also request that affiliates across the supply chain with which confidential information is shared during the course of business activities practice information security management in accordance with the Company's policies. Effective, ongoing support is provided for this purpose. Regular meetings on the status of information security management are held with the relevant affiliates. When necessary, we may present items for operational information inspections of information systems or recommend the use of certain information security materials. We thereby aim to promote understanding of the importance of appropriate information management among all parties that handle confidential information in order to reduce risks and better guarantee business continuity.

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



Please refer to the following website for information on Komatsu's Worldwide Code of Business Conduct and other compliance-related initiatives.
<https://komatsu.disclosure.site/en/themes/96#909>



Directors and audit & supervisory board members

Directors (As of June 30, 2022)



Chairman of the Board
Tetsuji Ohashi

Number of Year(s) in Office 13 years
Attendance of the Meetings of the Board of Directors 15/15 (100%)
Number of Shares of the Company Held 191 thousand shares
Important Concurrent Positions Held in Other Organizations:
Outside Director of Yamaha Motor Co., Ltd.
Outside Member of the Board of Nomura Research Institute, Ltd.
Outside Director of Asahi Group Holdings, Ltd.
Special Interests Between the Candidate and the Company: None

4/1977 Joined the Company
4/2022 Took office as Chairman of the Board (current)

Number of Year(s) in Office 3 years
Attendance of the Meetings of the Board of Directors 15/15 (100%)
Number of Shares of the Company Held 72 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1982 Joined the Company
4/2022 Took office as Representative Director and Senior Executive Officer (current)

President of Mining Business Division

Representative Director and Senior Executive Officer

Masayuki Moriyama



Director and Senior Executive Officer

Takeshi Horikoshi

Number of Year(s) in Office 1 year
Attendance of the Meetings of the Board of Directors 11/11 (100%)
Number of Shares of the Company Held 31 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1985 Joined the Company
6/2021 Took office as Director and Senior Executive Officer (current)

CFO



Outside Director

Takeshi Kunibe

Number of Year(s) in Office 2 years
Attendance of the Meetings of the Board of Directors 15/15 (100%)
Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.
Chairman of the Board of Sumitomo Mitsui Banking Corporation
Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD
Outside Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.
Special Interests Between the Candidate and the Company: None

4/1976 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter "SMBC")

6/2003 Took office as Executive Officer of SMBC

10/2006 Took office as Managing Executive Officer of SMBC

4/2007 Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG")

6/2007 Took office as Director of SMFG

4/2009 Took office as Director and Senior Managing Executive Officer of SMBC

4/2011 Took office as Representative Director, President and Chief Executive Officer of SMBC

4/2017 Took office as Representative Director and President of SMFG

Retired from Director of SMBC

6/2017 Took office as Director, President and Representative Executive Officer of SMFG

4/2019 Took office as Chairman of the Board of SMFG (current)

6/2020 Took office as Director of the Company (current)

10/2021 Took office as Chairman of the Board of SMBC (current)



Outside Director

Naoko Saiki

Number of Year(s) in Office 1 year
Attendance of the Meetings of the Board of Directors 11/11 (100%)
Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Outside Director of Sojitz Corporation
Outside Audit & Supervisory Board Member of Development Bank of Japan Inc
Outside Director of Sankyu Inc.
Special Interests Between the Candidate and the Company: None

4/1982 Joined the Ministry of Foreign Affairs (hereinafter "MOFA")

7/2014 Took office as Director-General, Economic Affairs Bureau and Councillor, Cabinet Secretariat

10/2015 Took office as Director-General, International Legal Affairs Bureau

7/2017 Took office as Director-General, Foreign Service Training Institute, MOFA

1/2019 Retired from MOFA

4/2020 Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo

6/2021 Took office as Director of the Company (current)



President and CEO Representative Director

Hiroyuki Ogawa

Number of Year(s) in Office 4 years
Attendance of the Meetings of the Board of Directors 15/15 (100%)
Number of Shares of the Company Held 94 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1985 Joined the Company
4/2019 Took office as President and Representative Director (current) CEO (current)

CEO



Representative Director and Senior Executive Officer

Kiyoshi Mizuhara

Number of Year(s) in Office 3 years
Attendance of the Meetings of the Board of Directors 15/15 (100%)
Number of Shares of the Company Held 55 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1983 Joined the Company
4/2022 Took office as Representative Director and Senior Executive Officer (current) CMO (current)

CMO



Outside Director

Arthur M. Mitchell

Number of Year(s) in Office 2 years
Attendance of the Meetings of the Board of Directors 15/15 (100%)
Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Foreign lawyer of White & Case LLP
Outside Director of Sumitomo Mitsui Financial Group, Inc.
Special Interests Between the Candidate and the Company: None

7/1976 Registered as attorney at law in New York State, USA (current)

1/2003 Took office as General Counsel of Asian Development Bank

9/2007 Joined White & Case LLP

1/2008 Registered as registered foreign lawyer in Japan (current)

Registered foreign lawyer of White & Case LLP (current)

6/2020 Took office as Director of the Company (current)



Outside Director

Michitaka Sawada

Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Director, Chair of Kao Corporation
Outside Director of Panasonic Holdings Corporation
Outside Director of Nitto Denko Corporation
Special Interests Between the Candidate and the Company: None

4/1981 Joined Kao Soap Co., Ltd. (currently Kao Corporation)

6/2006 Took office as Executive Officer of Kao Corporation

6/2008 Took office as Director, Executive Officer of Kao Corporation

6/2012 Took office as Representative Director, President and Chief Executive Officer of Kao Corporation

1/2021 Took office as Director, Chair of Kao Corporation (current)

6/2022 Took office as Director of the Company (current)

Audit & supervisory board members (As of June 30, 2022)



Standing Audit & Supervisory Board Member

Terumi Sasaki

Number of Year(s) in Office 2 years
Attendance of the Meeting of the Audit & Supervisory Board 15/15 (100%)
Number of Shares of the Company Held 22 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1983 Joined the Company
6/2020 Took office as Standing Audit & Supervisory Board Member (current)



Standing Audit & Supervisory Board Member

Yasuhiro Inagaki

Number of Year(s) in Office 1 year
Attendance of the Meeting of the Audit & Supervisory Board 11/11 (100%)
Number of Shares of the Company Held 49 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1984 Joined the Company
6/2021 Took office as Standing Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member

Eiko Shinotsuka

Number of Year(s) in Office 7 years
Attendance of the Meeting of the Audit & Supervisory Board 15/15 (100%)
Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Professor emeritus at Ochanomizu University
Special Interests Between the Candidate and the Company: None

4/1993 Took office as Professor at Ochanomizu University

4/2008 Took office as Professor Emeritus at Ochanomizu University (current)

6/2015 Took office as Audit & Supervisory Board Member of the Company (current)



Outside Audit & Supervisory Board Member

Kotaro Ohno

Number of Year(s) in Office 5 years
Attendance of the Meeting of the Audit & Supervisory Board 15/15 (100%)
Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Attorney at law, Special Counsel of Mori Hamada & Matsumoto
Outside Director of AEON Co., Ltd.
Special Interests Between the Candidate and the Company: None

4/1976 Appointed as Prosecutor

7/2009 Took office as Vice-Minister of Justice

7/2012 Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office

7/2014 Took office as Prosecutor-General of Supreme Public Prosecutors Office

9/2016 Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office

11/2016 Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)

6/2017 Took office as Audit & Supervisory Board Member of the Company (current)



Outside Audit & Supervisory Board Member

Tatsuro Kosaka

Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations:
Outside Director of Mitsubishi Electric Corporation
Special Interests Between the Candidate and the Company: None

4/1976 Joined Chugai Pharmaceutical Co., Ltd.

10/2002 Took office as Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.

10/2004 Took office as Senior Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.

3/2005 Took office as Senior Vice President, Deputy Managing Director of Sales & Marketing Group of Chugai Pharmaceutical Co., Ltd.

7/2005 Took office as Senior Vice President, Head of Strategic Marketing Unit of Chugai Pharmaceutical Co., Ltd.

3/2008 Took office as Senior Vice President, Head of Lifecycle Management & Marketing Unit of Chugai Pharmaceutical Co., Ltd.

3/2010 Took office as Director, Executive Vice President of Chugai Pharmaceutical Co., Ltd.

3/2012 Took office as Representative Director, President & COO of Chugai Pharmaceutical Co., Ltd.

3/2018 Took office as Representative Director, President & CEO of Chugai Pharmaceutical Co., Ltd.

3/2020 Took office as Representative Director, Chairman & CEO of Chugai Pharmaceutical Co., Ltd.

3/2022 Took office as Senior Advisor (current)

6/2022 Took office as Audit & Supervisory Board Member of the Company (current)

Skill matrix for directors and audit & supervisory board members of the company

		Corporate management	Finance / economics	Innovative technologies / digital transformation / environments	Sales & marketing	Human rights / human resources & human resource development	Legal affairs & compliance	Global
Directors	Tetsuji Ohashi	●		●			●	●
	Hiroyuki Ogawa	●	●	●		●	●	●
	Masayuki Moriyama			●				●
	Kiyoshi Mizuhara				●			●
	Takeshi Horikoshi		●				●	●
	Takeshi Kunibe	●	●	●				
	Arthur M. Mitchell						●	●
	Naoko Saiki					●	●	●
Audit & Supervisory Board Members	Michitaka Sawada	●		●	●	●		
	Terumi Sasaki		●					●
	Yasuhiro Inagaki						●	●
	Eiko Shinotsuka					●	●	
	Kotaro Ohno					●	●	
Tatsuro Kosaka	●		●	●				

Note: This skill matrix presents categories of skills that the Board of Directors has deemed particularly worthy of focus and oversight by the respective Directors and Audit & Supervisory Board Members with respect to management of the Company, upon having taken into account the primary abilities and expertise of each individual.

Directors and audit & supervisory board members

Executive Officers (Japan)

Senior Executive Officer (Senmu)

President, Production Division

Masaki NobuharaChief Technology Officer (CTO)
President, Development Division**Seiichi Fuchita**

Senior Executive Officer (Jomu)

GM, Business Coordination Department

Masatoshi Morishita

President, Construction Equipment Marketing Division

Korekiyo YanagisawaSupervising Human Resources,
Education and Safety & Health Care**Koichi Honda**

President, Sustainability Promotion Division

Mitsuko Yokomoto

Supervising Legal, General Affairs & Compliance

Hiroshi MakabePresident, Construction Equipment Solution Division
GM, Business Reform Department,
Construction Equipment Solution Division**Keiko Fujiwara**

President, Quality Assurance Division

Masami Naruse

Executive Officer

President, Smart Construction Promotion Division

Chikashi ShikeVice President, Production Division
President, Parts & Reman Promotion Division, Production Division**Yasuo Suzuki**

Awazu Plant Manager, Production Division

Takashi Yasukawa

President, Product Marketing Division

Kosei Okamoto

President, Information Strategy Division

Shinji Maeda

Himi Plant Manager, Production Division

Norikatsu NishiyamaSupervising Industrial Machinery Business
Chairman of the Board, Komatsu NTC Ltd.**Hidefumi Obikane**President, Service Division,
Construction Equipment Solution Division**Toru Sunada**GM, Manufacturing Engineering Development Center,
Production Division
Supervising Simultaneous Engineering Planning**Takayuki Furukoshi**President, Aftermarket Business Division,
Construction Equipment Marketing Division**Kenichi Sato**

Ibaraki Plant Manager, Production Division

Naoyuki Sakurai

President, Defense Systems Division

Hiroaki OhnoPresident, Japanese Domestic Marketing,
Construction Equipment Marketing Division
Chairman of the Board, Komatsu Customer Support Japan Ltd.**Hideki Yoshizawa**

Vice President, Development Division

Terumasa ImajoVice President, Development Division
GM, Engine Technical Center, Development Division
President, Industrial Power Alliance Ltd.**Masaki Shinohara**GM, Komatsu Economic Strategy Research Center
Responsible for Economic Security**Toshiro Okada**

President, Procurement Division, Production Division

Goro SendaVice President, Japanese Domestic Marketing,
Construction Equipment Marketing Division
Representative Director, President,
Komatsu Customer Support Japan Ltd.**Atsushi Awai**Vice President, Development Division
GM, Vehicle Development Center 3, Development Division**Osamu Kitajima**Oyama Plant Manager, Production Division
President, Representative Director,
Komatsu Cummins Engine Co., Ltd.**Shinichi Araie**

Osaka Plant Manager, Production Division

Norihiko Tanigawa

Executive Officers (Global) * Executive officers overseas concurrently serve as global officers.

North America

Senior Executive Officer

Chairman & CEO, Komatsu America Corp.

Rodney Schrader

Executive Officer

President & COO, Komatsu America Corp.

Taisuke KusabaExecutive Vice President and President,
North America R&D Division,
Komatsu America Corp. Technical Director, Komatsu Mining Corp.**Yushi Oshikawa**

Executive Vice President, CFO, Komatsu America Corp.

Gary KasbeerVice President, Mining Business Division
President & CEO, Komatsu Mining Corp.**Peter Salditt**

Executive Vice President & COO, Komatsu Mining Corp.

Nozomu OkamotoVice President, Mining Business Division
Technical Director, Mining Technology Solutions**Jun Taniguchi**

South America

Senior Executive Officer

Representative of All Latin America* Operations President,
Komatsu Cummins Chile Ltda.
President, Komatsu Holding South America Ltda.*
Latin America does not include Brazil**Yasuji Nishiura**

Europe

Executive Officer

President and CEO, Komatsu Europe International N.V.

Tadashi Maeda

Chief Operating Officer, Komatsu Europe International N.V.

Göksel Güner

President, Komatsu Forest AB

Hiroyuki Umeda

Asia/Oceania

Executive Officer

President & CEO, PT Komatsu Indonesia

Pratjojo Dewo S.

President & MD, Komatsu Australia Pty. Ltd.

Sean Taylor

China

Senior Executive Officer (Jomu)

Representative of All China Operations
Chairman, Komatsu (China) Ltd.**Takuya Imayoshi**

Executive Officer

President & CEO, Komatsu (China) Ltd.

Quanwang Zhang

Africa

Executive Officer

President & MD, Komatsu South Africa (Pty) Ltd.

Michael Blom

Global Officers

North America

President, Surface Mining, Komatsu Mining Corp.

John Koetz

President & CEO, Modular Mining Systems, Inc.

Jorge Mascena

President & CEO, Hensley Industries, Inc.

John Fiedler

South America

CEO, Komatsu Cummins Chile Ltda.
CEO, Komatsu Holding South America Ltda. (KHSA)**Darko Louit**

Europe

President & MD, Komatsu UK Ltd.

Paul Blanchard

President and MD, Komatsu Germany GmbH

Ansgar TholeExecutive Vice President and President,
Construction Division, Komatsu Germany GmbH**Ingo Büscher**

President & MD, Komatsu Italia Manufacturing S.p.A.

David Bazzi

Asia/Oceania

President, Bangkok Komatsu Co., Ltd.

Charoen Ruengwilai

China

President, Komatsu (Shandong)
Construction Machinery Corp.**Fangchang Liu**President, Komatsu Machinery Manufacturing
(Shandong) Co., Ltd.**Dechun Tian**

5

Corporate profile

In this section, you will find corporate information along with financial and non-financial information. Komatsu has maintained inclusion in the Dow Jones Sustainability Indices World Index and remained on the CDP A List (Climate Change and Water Risk), both subjects of ESG targets, while receiving investor relations honors and being included in socially responsible investment indexes.

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87	External recognition
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11-year summary

Millions of yen

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Net sales	1,981,763	1,884,991	1,953,657	1,978,676	1,854,964	1,802,989	2,501,107	2,725,243	2,444,870	2,189,512	2,802,323
Operating income	256,343	211,602	240,495	242,062	208,577	174,097	268,503	397,806	250,707	167,328	317,015
Operating income ratio (%)	12.9	11.2	12.3	12.2	11.2	9.7	10.7	14.6	10.3	7.6	11.3
Income before income taxes and equity in earnings of affiliated companies	249,609	204,603	242,056	236,074	204,881	166,469	291,807	377,471	223,114	162,775	324,568
Net income attributable to Komatsu Ltd.	167,041	126,321	159,518	154,009	137,426	113,381	196,410	256,491	153,844	106,237	224,927
Capital investment	122,038	136,962	179,070	192,724	160,051	142,006	145,668	179,210	166,552	163,174	147,762
Depreciation and amortization*1	89,015	88,005	85,837	100,666	111,174	103,219	132,442	129,860	129,525	130,432	133,256
Research and development expenses	54,843	60,788	64,479	70,715	70,736	70,507	73,625	73,447	74,761	73,840	77,478
Total assets	2,320,529	2,517,857	2,651,556	2,798,407	2,614,654	2,656,482	3,372,538	3,638,219	3,653,686	3,784,841	4,347,522
Shareholders' equity	1,009,696	1,193,194	1,376,391	1,528,966	1,517,414	1,576,674	1,664,540	1,815,582	1,771,606	1,912,297	2,232,511
Shareholders' equity ratio (%)	43.5	47.4	51.9	54.6	58.0	59.4	49.4	49.9	48.5	50.5	51.4
Net interest-bearing debt*2	563,814	585,926	513,918	481,817	349,081	286,512	663,740	779,890	762,705	666,856	630,710
Net debt-equity ratio (times)	0.56	0.49	0.37	0.32	0.23	0.18	0.40	0.43	0.43	0.35	0.28
Net cash provided by operating activities	105,608	214,045	319,424	343,654	319,634	256,126	148,394	202,548	295,181	354,129	300,970
Net cash used in investing activities	(124,539)	(131,397)	(167,439)	(181,793)	(148,642)	(133,299)	(377,745)	(187,204)	(190,930)	(163,057)	(143,569)
Net cash provided by (used in) financing activities	18,781	(71,814)	(155,349)	(143,983)	(173,079)	(107,718)	243,949	(3,660)	(3,457)	(199,667)	(93,868)
Cash and cash equivalents, end of year	83,079	93,620	90,872	105,905	106,259	119,901	144,397	148,479	247,616	241,803	315,360
Number of common shares issued (thousands of shares)	983,130	983,130	983,130	971,967	971,967	971,967	971,967	972,252	972,581	972,887	973,145
Net income attributable to Komatsu Ltd. per share (yen)	173.47	132.64	167.36	162.07	145.80	120.26	208.25	271.81	162.93	112.43	237.97
Cash dividends per share (yen)	42.0	48.0	58.0	58.0	58.0	58.0	84.0	110.0	94.0	55.0	96.0
Consolidated payout ratio (%)	24.2	36.2	34.7	35.8	39.8	48.2	40.3	40.5	57.7	48.9	40.3
ROA (%)	11.2	8.5	9.4	8.7	7.6	6.3	9.7	10.8	6.1	4.4	8.0
ROE (%)	17.3	11.5	12.4	10.6	9.0	7.3	12.1	14.7	8.6	5.8	10.9
Exchange rate for the U.S. dollar (yen)*3	79	83	100	110	121	109	111	111	109	106	112
Exchange rate for the euro (yen)*3	110	107	133	140	132	119	130	129	121	123	130
Exchange rate for the Chinese renminbi (yen)*3	12.4	13.2	16.3	17.7	19.0	16.2	16.8	16.5	15.6	15.6	17.5
Number of employees (persons)	44,206	46,730	47,208	47,417	47,017	47,204	59,632	61,908	62,823	61,564	62,774
Overseas employee ratio (%)	57.5	64.3	61.8	61.0	60.7	62.7	66.7	68.4	68.4	67.5	67.7
CO ₂ emissions (Kt)	583	468	458	412	342	384	459	519	404	382	461
Waste generated (Kt)	119.5	112.1	101.4	83.2	62.4	83.5	113.1	117.8	95.6	74.2	92.7
Volume of water used (thousand m ³)	6,900	5,836	5,086	4,319	3,761	3,469	4,059	3,963	3,570	3,238	3,140

*1 Depreciation is the total of depreciation on property, plant and equipment and on intangible assets.

*2 Net interest-bearing debt = Interest-bearing debt – Cash and equivalents – Time deposits

*3 Average exchange rates for the fiscal year

*4 Certain data has been revised and restated

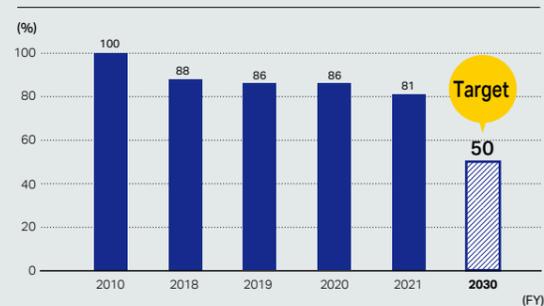
Non-financial highlights

Reduction of CO₂ emissions from product operation

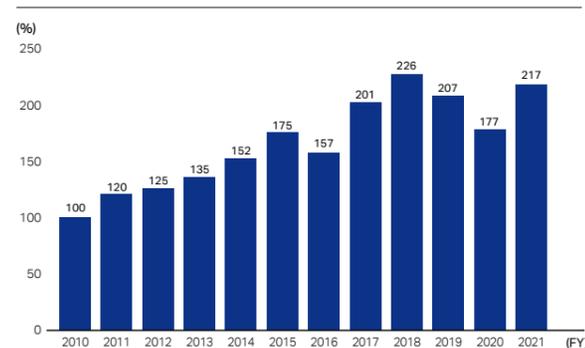
Komatsu has set the target of reducing CO₂ emissions from the operation of products (construction, mining, forest equipment, etc.) by 50% by 2030 (compared with 2010).

To evaluate progress toward this goal, we compared the performance of the current year's products to the products of the reference year (2010) and estimated CO₂ emission reduction rates through the improvement of fuel consumption and work efficiency. The products of FY2021 achieved a CO₂ emission reduction of 19%, compared with the reference year.

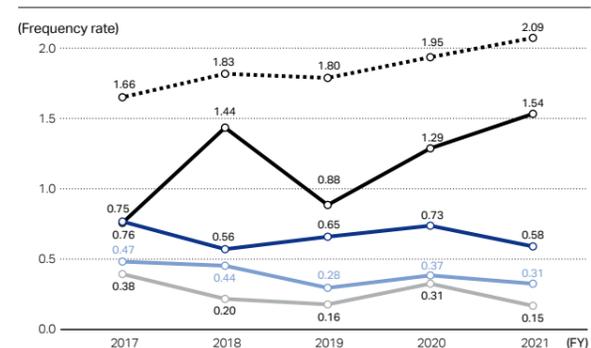
CO₂ emissions index for product operation



Changes in reman sales (base FY2010 = 100)



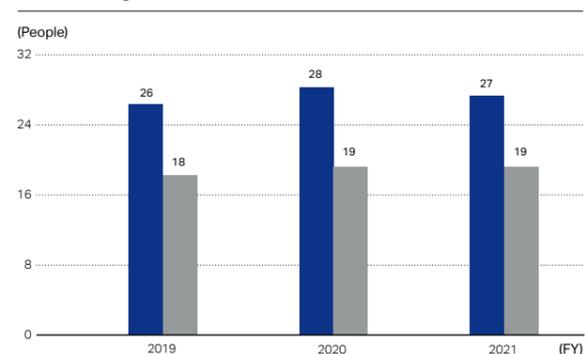
Incidence rate of occupational accidents (frequency rate of lost work time)



- All industries (Japan)
- Construction and mining equipment manufacturing industry (Japan)
- Komatsu Group (Japan and Overseas)
- Komatsu Group (Japan)
- Komatsu (Non-consolidated)

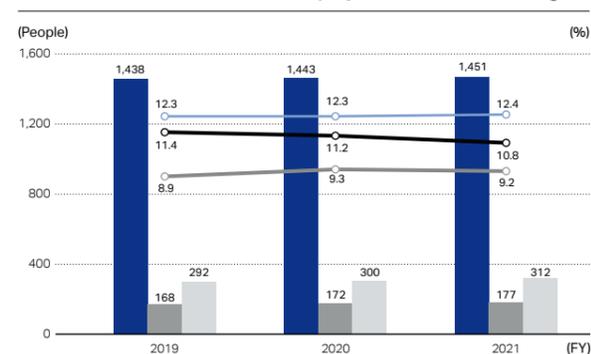
Notes: 1. The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) is provided by the Ministry of Health, Labour and Welfare.
 2. The scope of Komatsu Group (Japan) includes Komatsu Ltd. and Group companies in Japan.
 3. The scope of Komatsu Group (global) includes "Komatsu Group (Japan)" and overseas production plants.

Number of global officers



- Total
 - National top managers out of total executive officers
- Data is as of March 31 of the respective fiscal year.

Numbers and ratios of female employees and female managers



- Number of female employees
- Number of female junior managers
- Number of women in management and executive positions (including junior managers)
- Ratio of female employees (right scale)
- Ratio of female junior managers
- Ratio of women in management and executive positions (including junior managers) (right scale)

Note: Data is as of March 31 of the respective fiscal year and for Komatsu Ltd. (Japan) on a non-consolidated basis.

External recognition

For more information on the indexes below, please refer to Komatsu's corporate website:
<https://komatsu.disclosure.site/en/themes/133>



CDP Climate A List and Water A List

Member of
Dow Jones Sustainability Indices
 Powered by the S&P Global CSA

Dow Jones Sustainability Indices (DJSI) World



MSCI ESG Leaders Indexes*¹



ISS-Oekom Prime



Euronext Vigeo World 120



FTSE Blossom Japan

FTSE Blossom Japan Index*²

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index*¹

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

MSCI Japan Empowering Women Index*¹



S&P/JPX Carbon Efficient Index



Digital Transformation Stock Selection



SBT



Grand Prix of the Corporate Value Improvement Award, Tokyo Stock Exchange

*¹ The inclusion of Komatsu Ltd in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names HEREIN, do not constitute a sponsorship, endorsement or promotion of Komatsu Ltd by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

*² FTSE Russell confirms that Komatsu has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Corporate information (As of March 31, 2022)

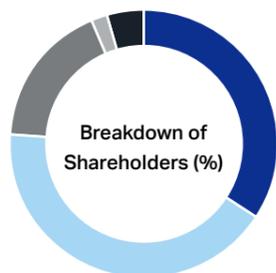
<p>Name</p> <p>Komatsu Ltd.</p> <p>Head office</p> <p>2-3-6 Akasaka, Minato-ku, Tokyo 107-8414</p> <p>Date of establishment</p> <p>May 13, 1921</p> <p>Common stock outstanding</p> <p>Consolidated: ¥69,393 million based on U.S. GAAP</p>	<p>Number of employees</p> <p>Consolidated: 62,774 Non-consolidated: 11,927 Average age (non-consolidated): 40.4 Average years of continuous service(non-consolidated): 15.9</p> <p>Shares of common stock issued and outstanding</p> <p>973,145,800 shares (including shares of treasury stock)</p> <p>Number of shareholders</p> <p>187,367</p> <p>Number of shares per trading unit</p> <p>100</p> <p>Securities code</p> <p>6301 (Japan)</p>	<p>Stock listings</p> <p>Tokyo Stock Exchange Prime Market</p> <p>Transfer agent for common stock / management institution for special account</p> <p>Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan Depositaries (ADRs) The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Tel: +1-(201)-680-6825 for international calls and 888-269-2377 (888-BNY-ADRS) for calls within U.S.A. URL: https://www.adrbnymellon.com/ Ticker Symbol: KMTUY</p>
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Major Shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	167,187	17.67
Custody Bank of Japan, Ltd. (Trust Account)	61,205	6.47
Taiyo Life Insurance Company	27,200	2.87
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	26,150	2.76
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	21,301	2.25
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	20,953	2.21
JP Morgan Securities Japan Co., Ltd.	16,127	1.70
STATE STREET BANK AND TRUST COMPANY 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,765	1.45
JP MORGAN CHASE BANK 385632 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,598	1.43
Komatsu Employees Shareholding Association	11,930	1.26

Notes: 1. Shareholding ratio is calculated by subtracting treasury stock.
2. Although the Company holds 27,379 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Stock information (including shares of treasury stock)

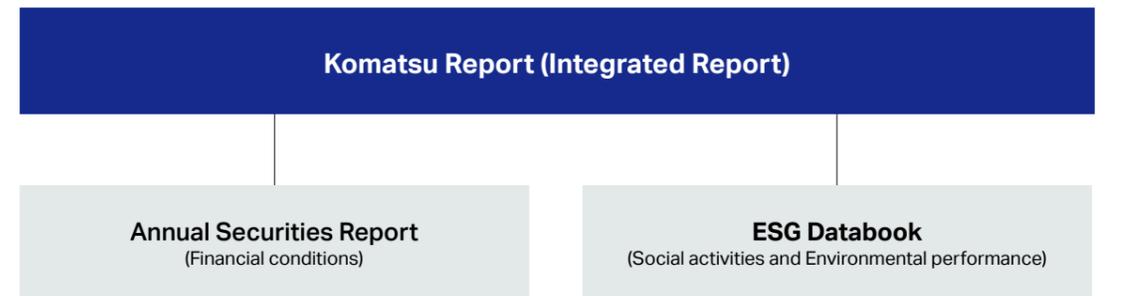


Category	Percentage	Shares	Shareholders
Financial	34.2%	333,489,611 shares	179 shareholders
Foreign	41.8%	406,964,451 shares	1,096 shareholders
Individual and other	17.6%	171,373,697 shares	184,577 shareholders
Corporate	1.9%	19,369,179 shares	1,444 shareholders
Securities	4.3%	41,948,862 shares	71 shareholders

About Komatsu Report

We have published our integrated report, Komatsu Report, for our stakeholders to introduce the group's efforts to realize sustainable growth in corporate value. The Komatsu Report mainly focuses on the value creation business model of working for sustainable growth by turning a positive cycle of improving earnings (financial indexes) and solving ESG issues (non-financial indexes) as it implements growth strategies in the mid-term management plan. Separate reports are prepared and disclosed to provide detailed financial information and information on environmental and social initiatives.

Structure of Komatsu's annual reports



* Komatsu Report, Annual Securities Report and ESG Databook, in both Japanese and English, are uploaded on Komatsu's website.
* Komatsu Ltd. issues the Komatsu Report only on the website.

Please refer to "Annual Securities Report" for more company and financial information.

- Overview of the Company and Its Consolidated Subsidiaries
- Business Overview
- Property, Plant and Equipment
- Information on the Company
- Financial Information

<https://www.komatsu.jp/en/ir/library/annual-security-report>



Please refer to ESG Databook for more information concerning environmental and social initiatives.

- Sustainability policies
- With people (diversity, human resource development, etc.)
- With business (compliance, risk management, governance, etc.)
- With the planet (climate change, environmental initiatives, etc.)

<https://www.komatsu.jp/en/aboutus/csr>



Komatsu has signed the United Nations Global Compact (UNGC). Click this link for more information about the Ten Principles advocated by the UNGC and how they pertain to Komatsu's initiatives. <https://komatsu.disclosure.site/en/themes/129>



Komatsu has joined the World Business Council for Sustainable Development (WBCSD).