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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 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 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.



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

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.



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.



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.



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.



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.



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.



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.



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

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

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

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

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"

2021 Announced goal of achieving carbon neutrality by 2050



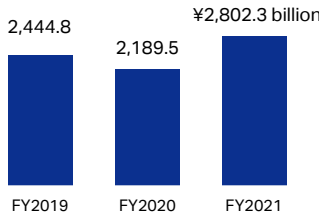
Challenge Climate change and global need to reduce CO₂ emissions



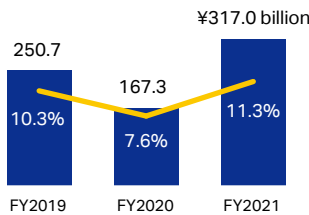
Value • Created new value by developing power sources that release zero emissions

Business segments

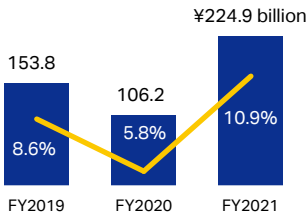
Consolidated net sales



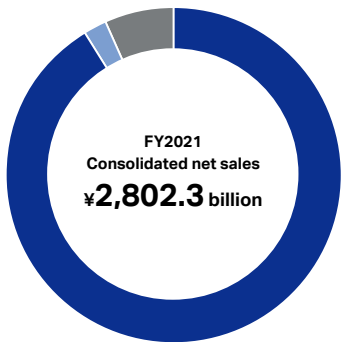
Operating income / Operating income ratio



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

Strategic markets

56%

Africa	5%
Middle East	2%
Oceania	10%
Asia	12%
China	4%
CIS	7%
Latin America	15%

Traditional markets

44%

Japan	12%
North America	23%
Europe	9%

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

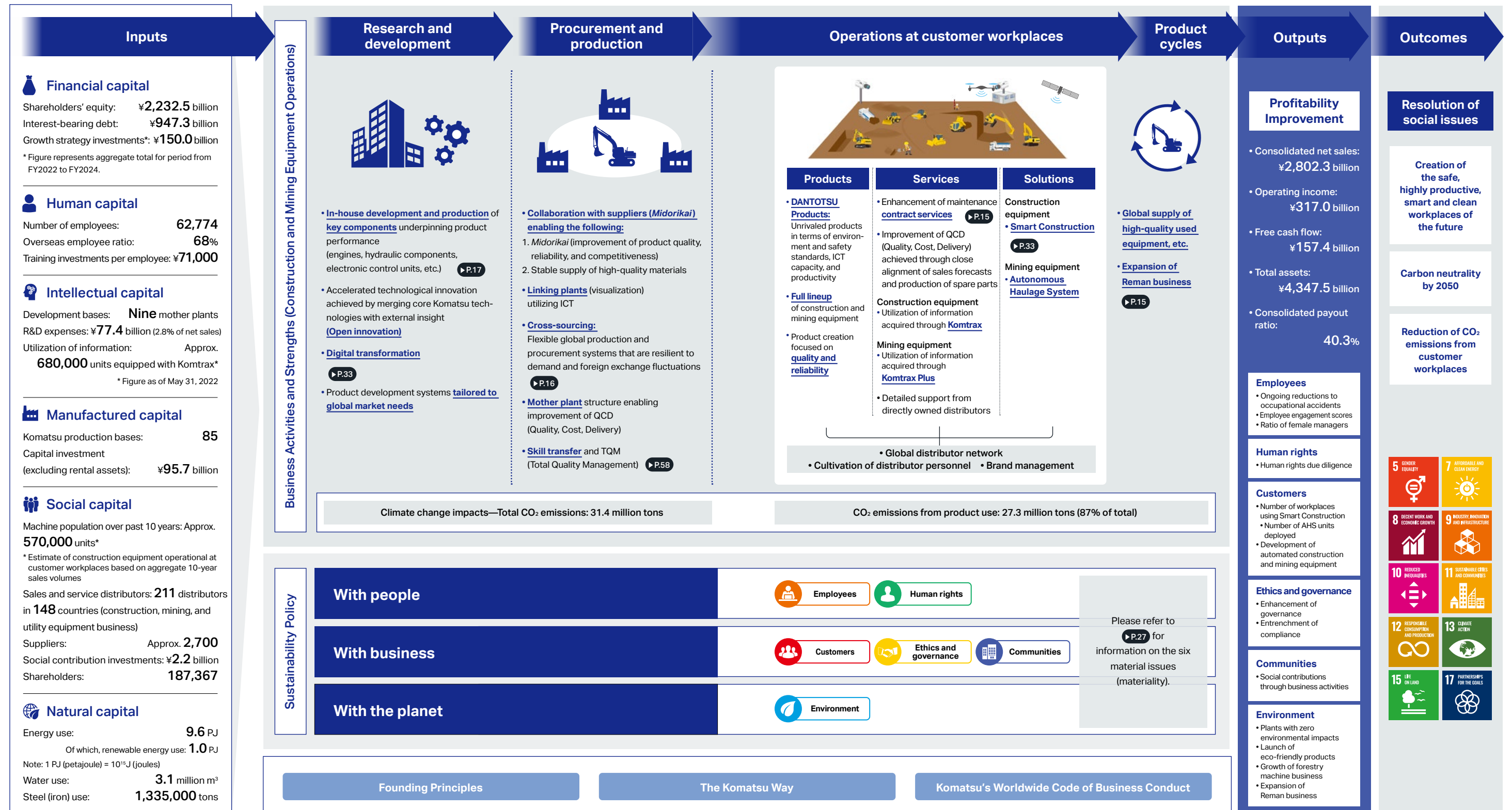
The industrial machinery and others business stands alongside the construction, mining, and utility equipment business as a core business of Komatsu. Offerings in this business include the large presses used to mold automobile hoods and side panels as well as sheet-metal machines, machine tools, and 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

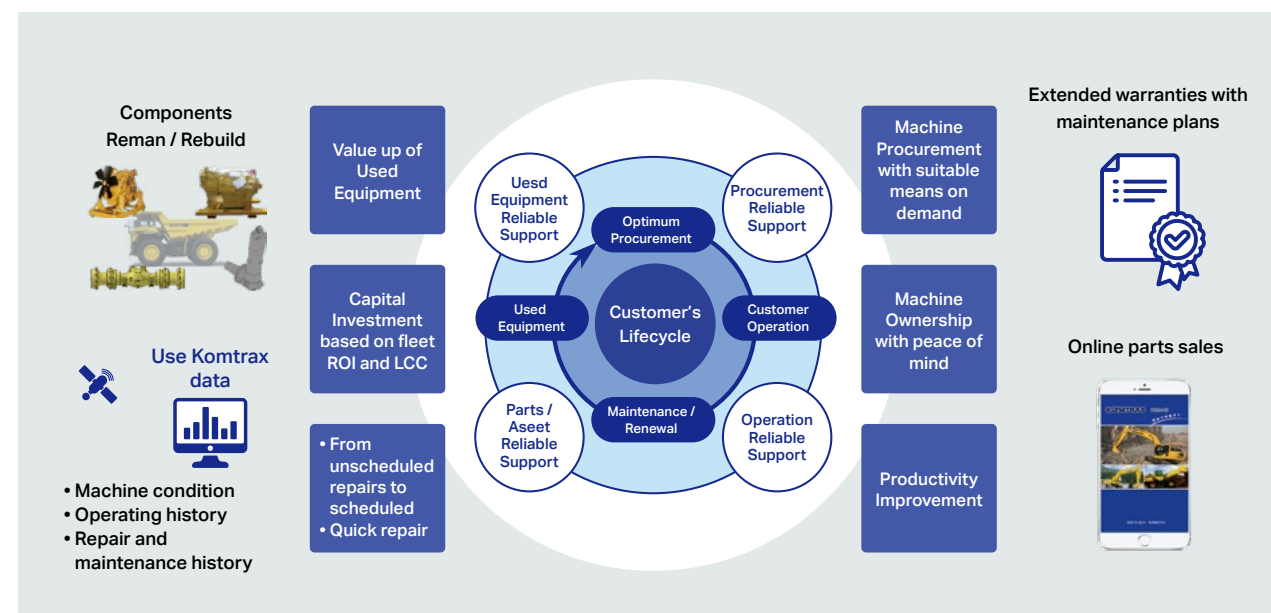
Construction equipment is a lifecycle support business that helps ensure customer equipment can be maintained in a state that guarantees the customer peace of mind and requires minimum costs.

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



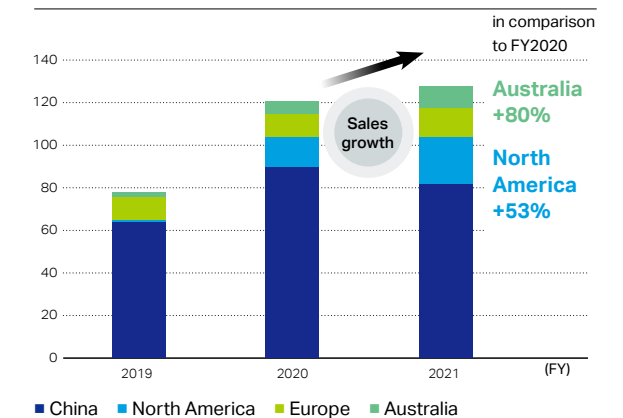
1

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.

Online parts sales



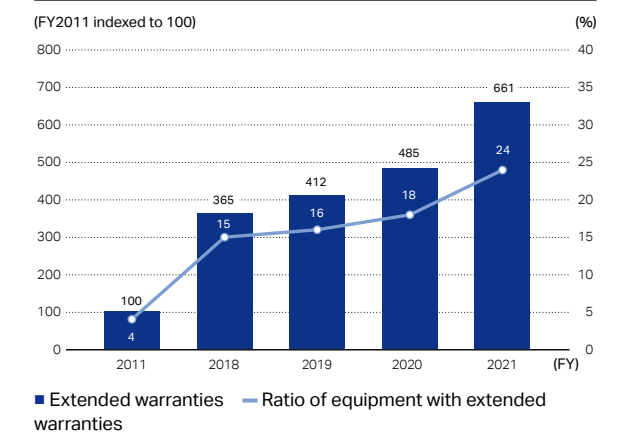
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Extended warranties with maintenance plans

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.

Number of extended warranties in effect



3

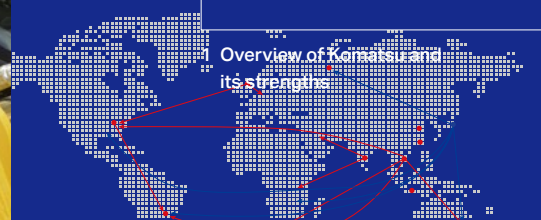
Growth of Reman business

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.



Special feature: Komatsu's strengths

Resilience toward risks

2

Resilient production and procurement systems to minimize supply chain risks

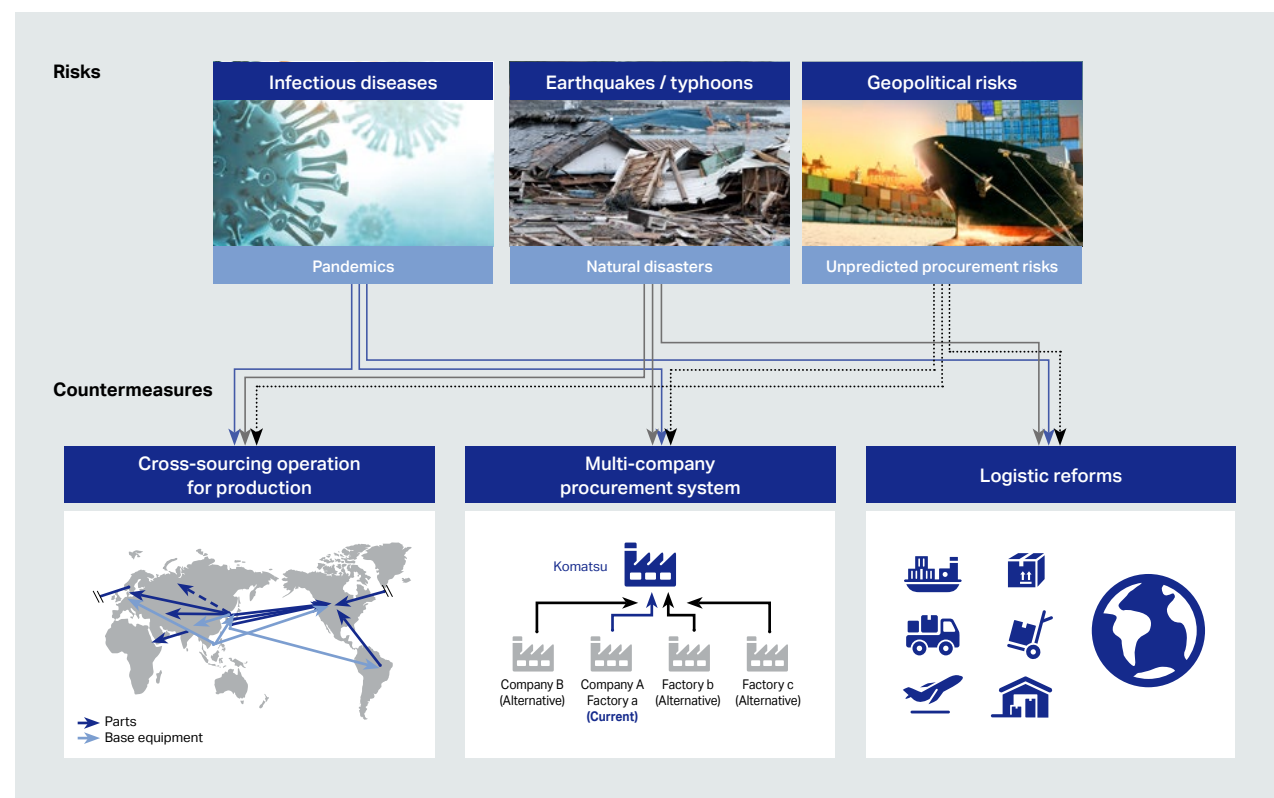
Resilient response to operating environment risks

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)



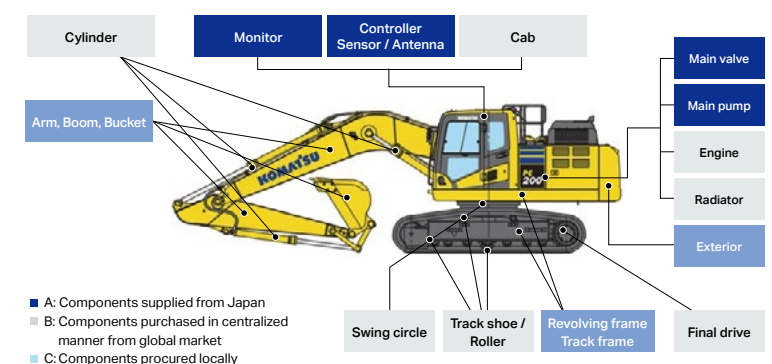
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In-house production of key components allowing for increased flexibility

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.