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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

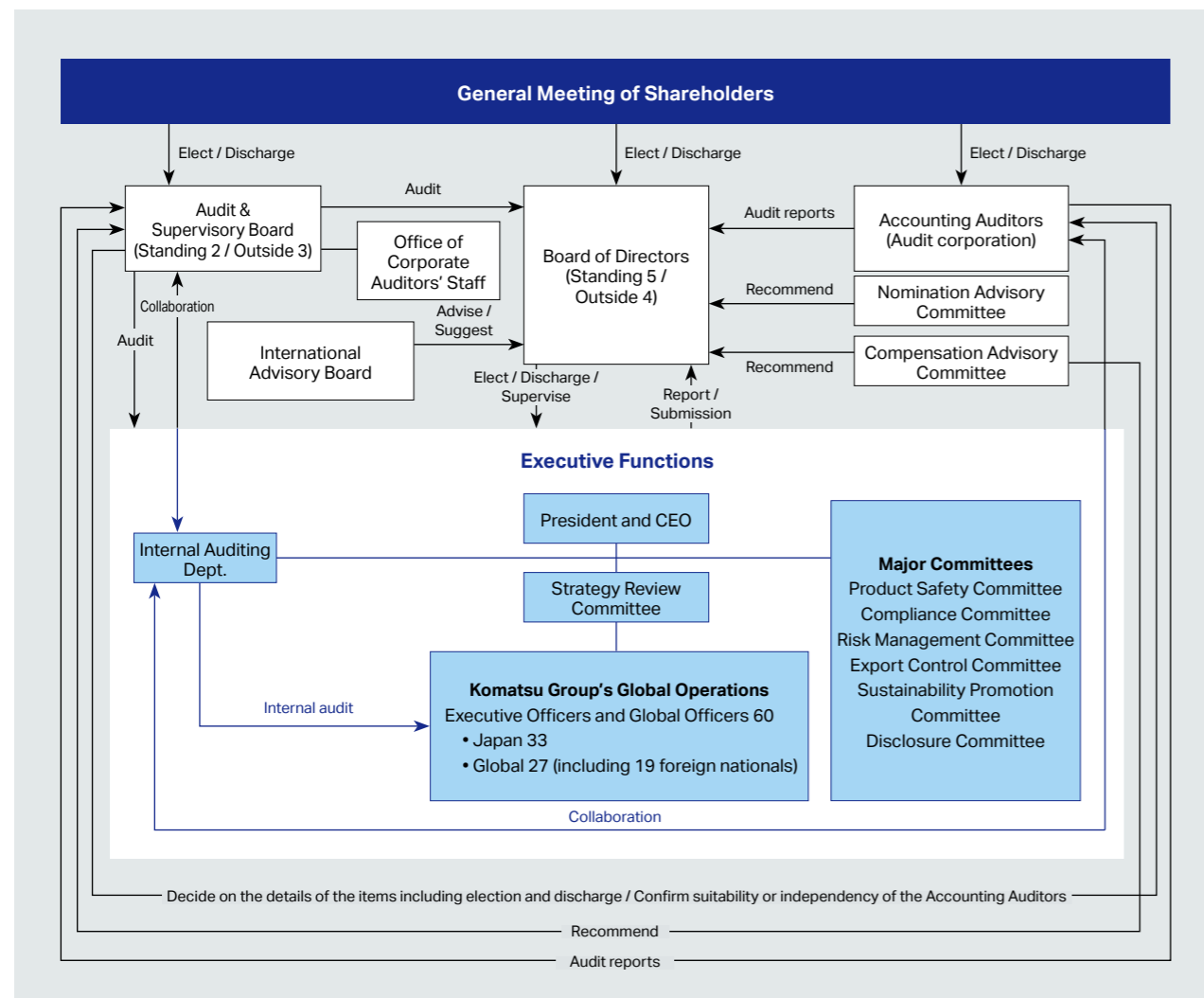
To become a company which enjoys more trust from all stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics, and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders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

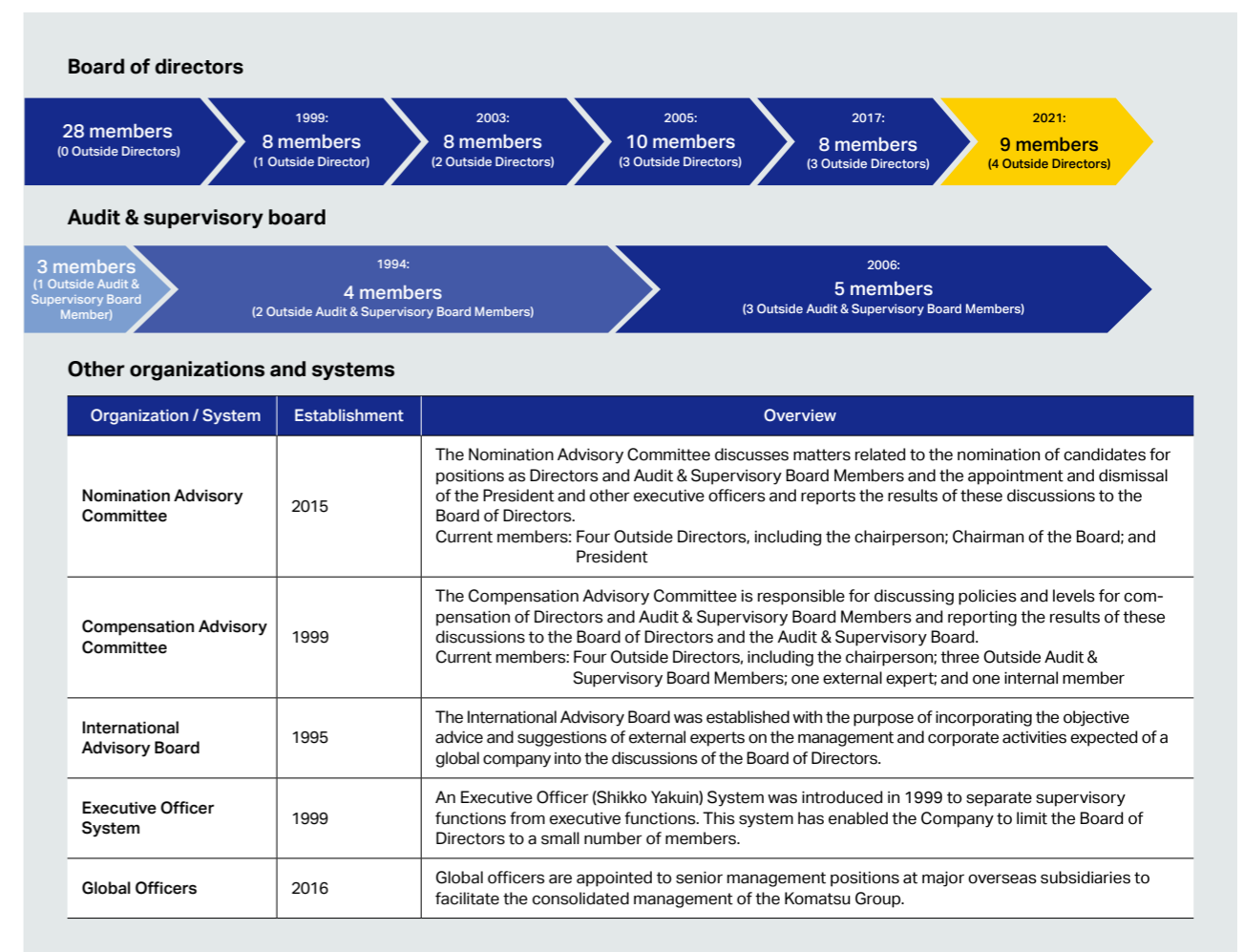
Corporate governance of the company (As of June 30, 2022)



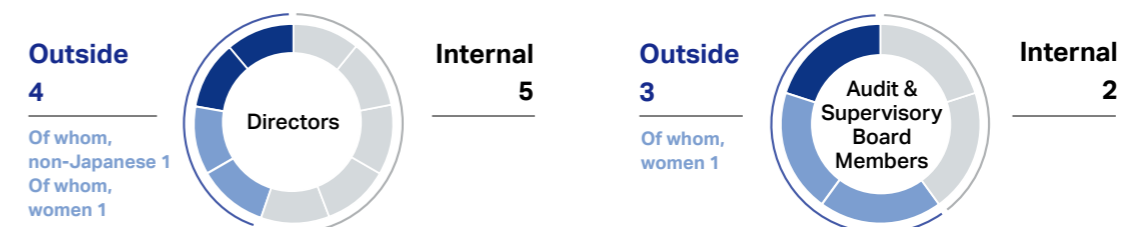
Corporate governance reforms

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

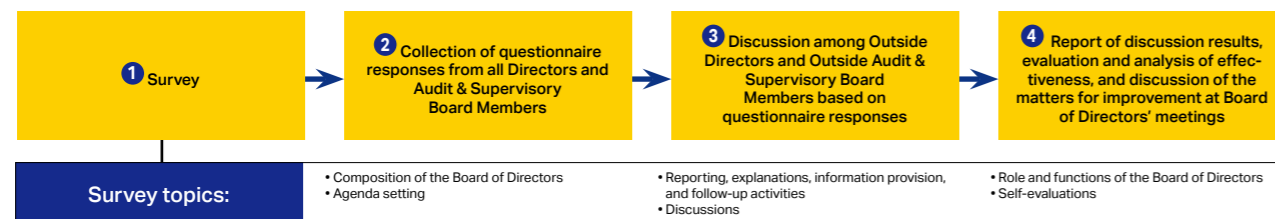
Board of directors' meeting attendance and agenda item Numbers in FY2021 (April 1, 2021–March 31, 2022)

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

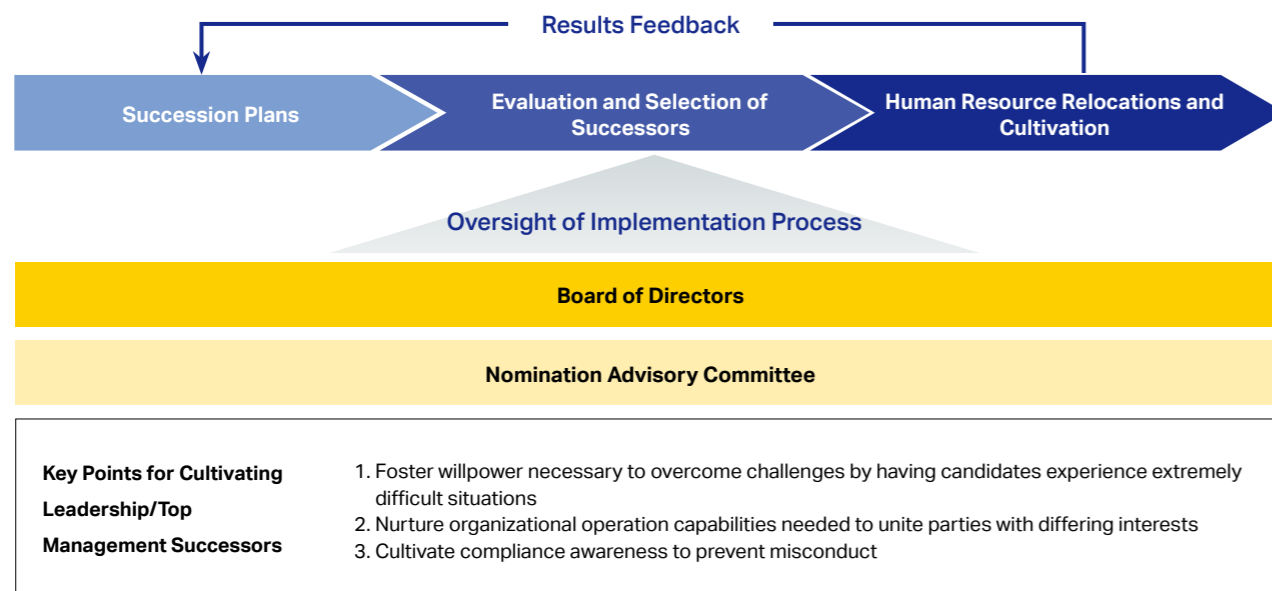
One of the items contained in the Code of Conduct for Leadership / Top Management that has been described in The Komatsu Way since its establishment in 2006 is "continue to think about your succession plan."

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.

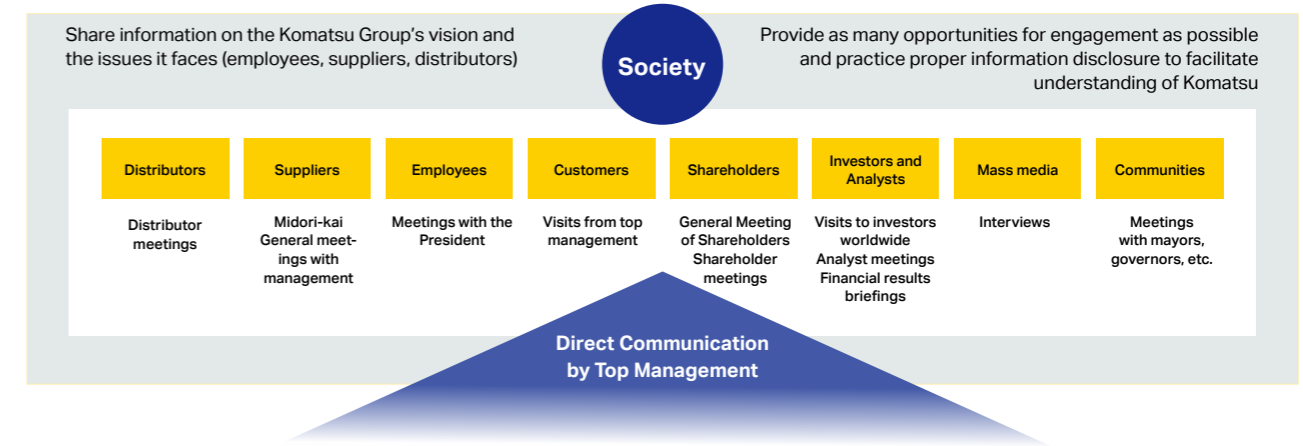
Komatsu will continue to improve management and strengthen its corporate governance in order to enhance its corporate value.

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

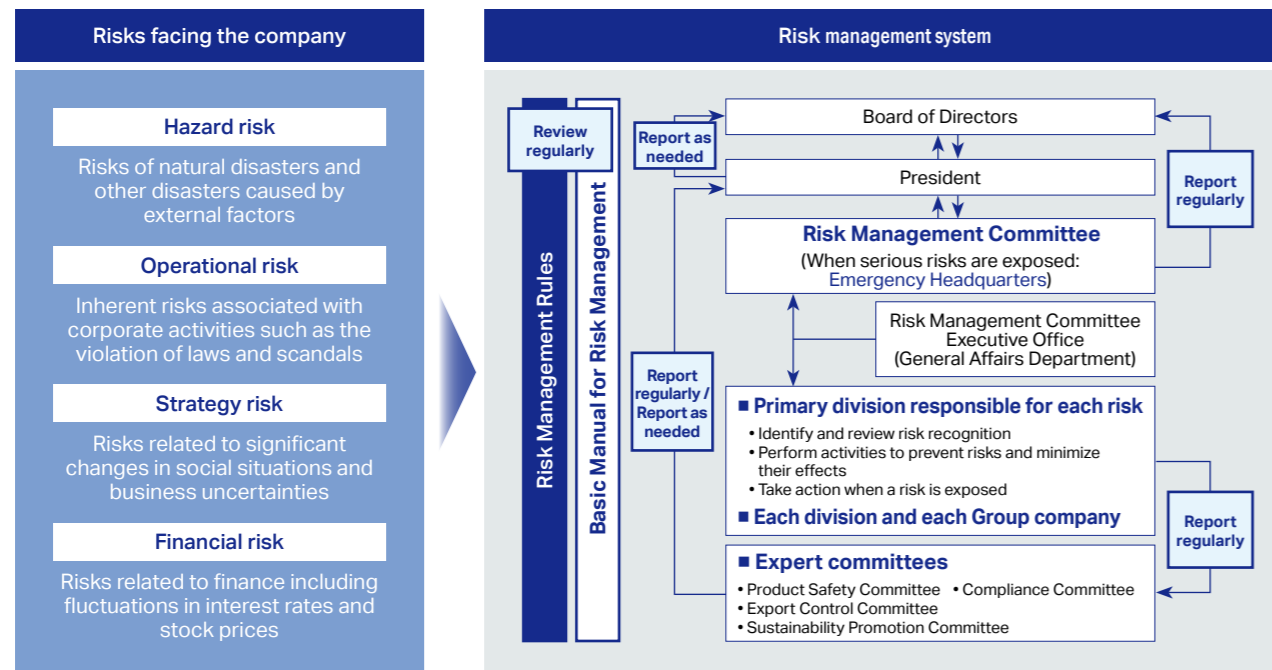
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

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.

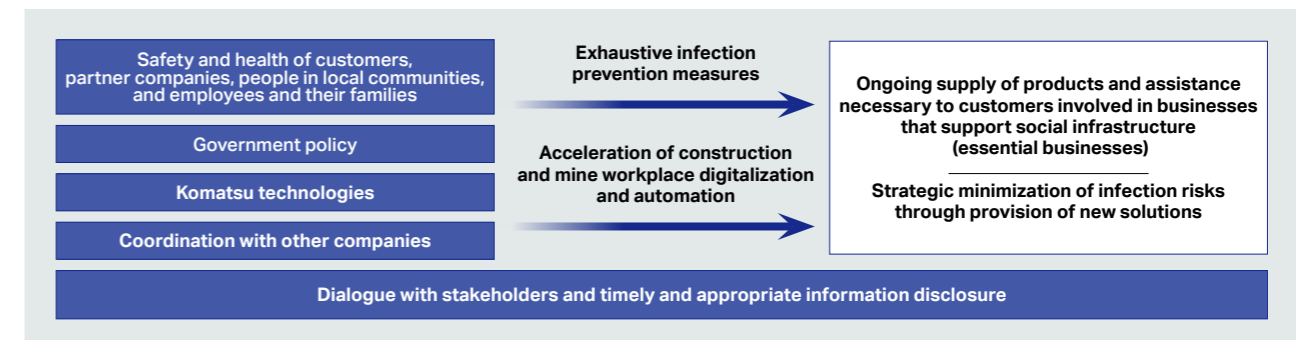
We will continue to monitor such trends going forward in order to implement appropriate measures to ensure the safety of customer's operation site and address other issues.

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

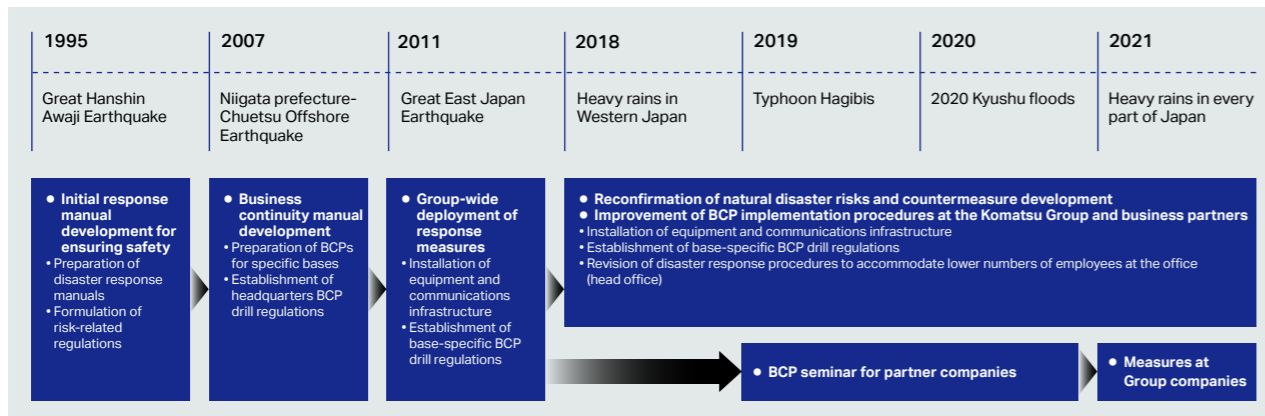
BCP measures for addressing frequent natural disasters

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.

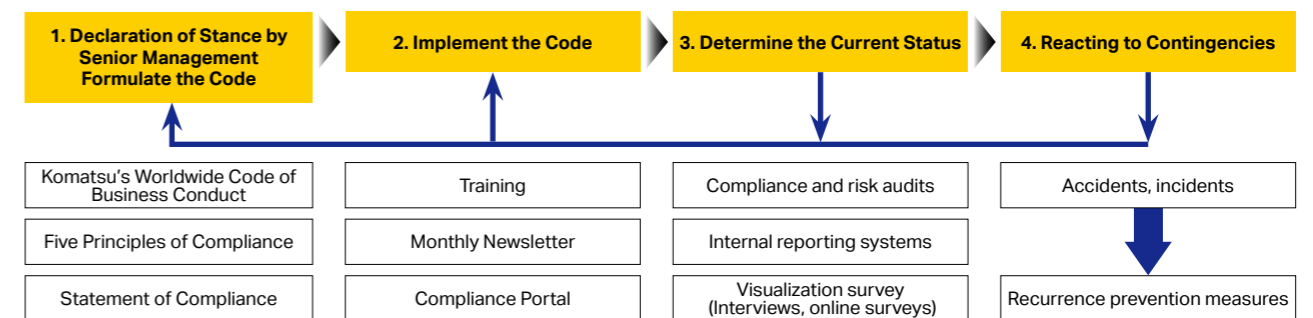
(6) Initiatives for improving information security across the supply chain Our information security initiatives are not limited to Komatsu and Group companies; we also request that affiliates across the supply chain with which confidential information is shared during the course of business activities 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>

