

# **1. Coronavirus (COVID-19) Effects on Komatsu Group's Business**

## 1. Efforts to prevent the spread of infections

As we at the Komatsu Group place top priority on the health and safety of our customers, local community residents and employees, we are making our utmost efforts to prevent COVID-19 from spreading based on the policies of host governments of countries where we conduct business.

### Specific preventive measures

Health management & come-to-office criteria		<ul style="list-style-type: none"> <li>• Banned to come to office, when you have a fever and/or feels sick.</li> <li>• Banned to come to office, when family member sharing the same house is infected, or you/family member has a close contact with the infected.</li> </ul>
Teleworking		Expanding the scope of teleworking applicability
Commuting		【Plants】Forbidden to use public transportation as a general rule.
Business trips	Internal	Totally banned (Japan ↔ Overseas)
	Domestic	Suspended as a general rule (excl. requested by customer)
Events & trainings		Komatsu Group-sponsored events, trainings and seminars: Cancelled or suspended as a general rule
Use of facilities	Cafeterias	Limited to designated hours and change in the seating arrangement
	Locker rooms	【Plants】Allowed to wear work uniform in commuting and reduce the use of locker rooms
Hygiene measures, etc.		Strengthen cleaning. Install hygiene (alcohol disinfectant) stations. 【Plants】Wear face masks.

Government policies: Restraint on trans-prefectural travels, boarder measures, etc.

Health management by employees

Avoidance of 3Cs

Hygiene measures (face masks, washing hands, disinfectant, etc.)



- Employees, who are not directly engaged in production at plants, are teleworking, as a general rule.
- Employees, who are directly engaged in production at plants, are working after taking infection-preventive measures (fever checks, no use of public transportation, and avoidance of crowded spaces, such as locker rooms). (Employees, engaged in administration, are teleworking as much as possible.)

## 2. Effects on production

To absorb the effects of the changing market demand and foreign exchange rates, we have conventionally engaged in global cross-sourcing and procurement of finished vehicles and parts. We are also promoting alternative procurement and inventory reallocation to minimize adverse effects on production, and we have not experienced any problems in the supply chain.

### <Main production bases with problems, such as halting operations>

Region	Base	Conditions
Europe	Komatsu UK Ltd.	Halting production (March 30 -- May 31)
Asia	Komatsu India Pvt. Ltd.	Halting production (March 24 -- May 17). To be resumed on May 18.

With respect to production bases other than the above, they are in operation by not only complying with the policies of concerned governments, but also taking infection-preventive measures.

### <Main production bases which have already resumed operation>

Region	Base	Conditions
Latin America	Komatsu do Brasil Ltda.	Halted production (April 6 -- 21). Resumed production on April 22.
Europe & CIS	Komatsu Italia Manufacturing S.p.A.	Halted production (March 26 -- May 3). Resumed production on May 4.
	Komatsu Germany GmbH	Halted production (April 4 -- 13). Resumed production on April 14.
	Komatsu Forest AB	Halted production (April 13 -- May 1). Resumed production on May 2.
	Komatsu Manufacturing Rus LLC	Halted production (March 28 -- April 10). Resumed production on April 13.
China	All plants	Resumed production steadily since February 10. All plants on February 17.

### 【Assistance for suppliers】

- To suppliers facing challenging management conditions, we are providing assistance in the forms of financing and helping them to obtain the Japanese government subsidies for employment adjustment.

### **3. Effects on sales and business results**

#### **1) Customers' work sites and machine operations**

**In the countries/regions where the governments have issued restrictions, we have seen some adverse effects, such as the temporary suspension of business. Meanwhile, our customers engaging in construction, mining, agriculture, forestry and transportation, which are regarded as essential business for the support of social infrastructure, are operating at their work sites. We will continue to closely monitor KOMTRAX (Komatsu Machine Tracking System) data from customers' machines in operation and other pertinent information.**

#### **2) Sales and product support operations**

**Our distributors are working on the continuous supply of products, parts, and service to customers, as they reassess their supply routes and shift work schedules while teleworking.**

#### **3) Retail finance**

**From some customers and distributors, we have received requests for extensions on their payments. We are meeting their requests after learning about their specific conditions. With respect to cash management of Komatsu Group companies, they have secured sufficient cash reserves and credit lines and have no problems as of today.**

#### **4) Sales**

**In the fourth quarter, we weathered significant effects in China, North America, Europe and Asia, including India, in the construction, mining and utility equipment business. Similarly in the industrial machinery and others business, sales of presses and machine tools in the automobile manufacturing industry were impacted. All in all, we believe the coronavirus pandemic caused a drop of about JPY40 billion in sales.**

#### **5) Consolidated business results for the fiscal year ending March 31, 2021**

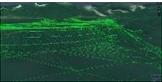
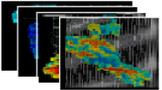
**It is still impossible to predict the end of the coronavirus (COVID-19) pandemic. Concerning the projection of consolidated business results for the fiscal year ending March 31, 2021, it is difficult for Komatsu to make those calculations in an appropriate and rational manner, so they remain undecided as of now. We will disclose them as soon as it becomes possible to calculate them in the future.**

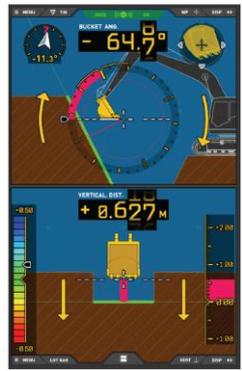
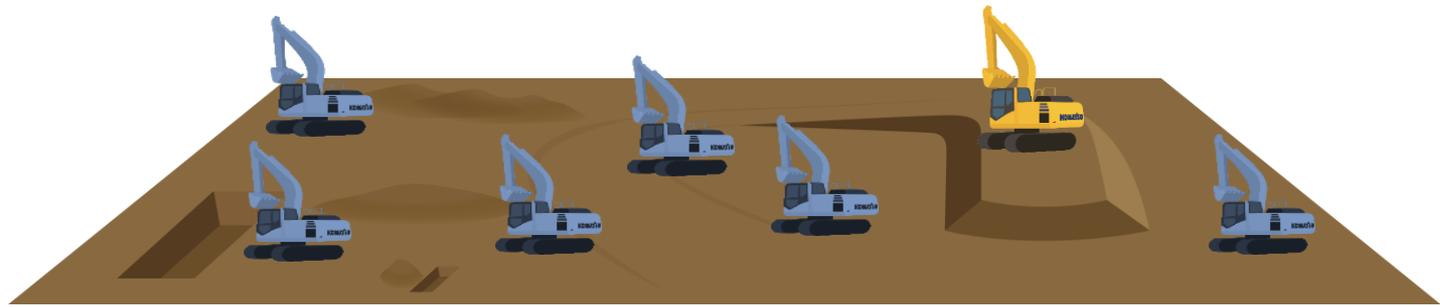
## **2. Progress towards Mid-Term Management Plan**

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In April we launched sales of “SMARTCONSTRUCTION Retrofit Kit” which will change all hydraulic excavators on construction sites to perform like leading-edge ICT-intensive models.

	Non-ICT-intensive models	ICT-intensive models	Retrofit kit	Becoming possible with the retrofit kit
	Not possible	Possible	Possible	Possible to perform high-precision 3D construction based on 3D design data
	Not possible	Possible Semi-automatic	Not possible Limited to guidance	
	Not possible	No need	No need	No need for staking and support workers, thereby improving safety and productivity
	Not possible to obtain	High precision Possible to obtain	High precision Possible to obtain	Possible to obtain construction records in the digital format and on a real-time basis





Our presentation at CONEXPO in Las Vegas on March 10, 2020

In April 2020, we accelerated the pace of achieving digital transformation of construction worksites by further advancing SMARTCONSTRUCTION.



We steadily began introduction of four IoT devices and eight applications.



We are going to launch SMARTCONSTRUCTION in the United States and Europe (the United Kingdom, Germany, France and Denmark).

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“Gentleness” of cutting-edge technologies  
**Introducing Komatsu Zero-emission mini excavator**

Electric mini excavator:

“Gentle” to operators, local residents, natural environment and all other things

PC30E-5

### ECOLOGY & SAFETY

Eco-friendly battery and electric motor

- ★ No emission gas and waste heat, thereby improving work environment
- ★ Reduced machine and ambient noise
- ★ Zero CO2 emissions on construction sites

### MAINTENANCE

No maintenance needed for engine-related devices

- ★ Fewer items for daily inspection and periodic maintenance

Daily inspection: 9 ⇒ 5 items. Periodic inspection: 16 ⇒ 11 items

### CHARGING & KOMTRAX

Optimal charging control and prevention of early deterioration of batteries

- ★ Equipped with standard charger. Capable for rapid charging.
- ★ Able to monitor daily conditions of the battery via KOMTRAX



Output (net): 17.4kW  
 Standard bucket capacity: 0.09m<sup>3</sup>



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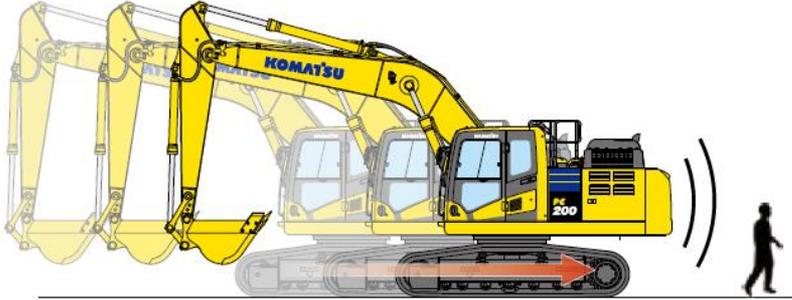
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### <Monitor>

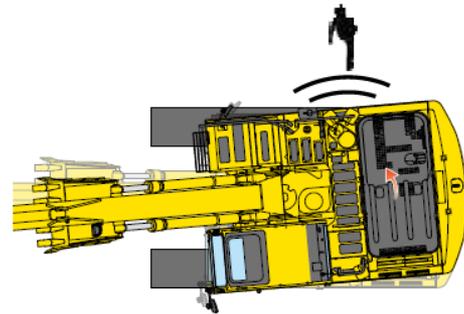


Equipped with the Human Detection & Collision Mitigation System

When starting to travel or even while traveling at low speed, the excavator **stops low-speed traveling** as soon as **person(s) is detected** inside the stop-controlled area.



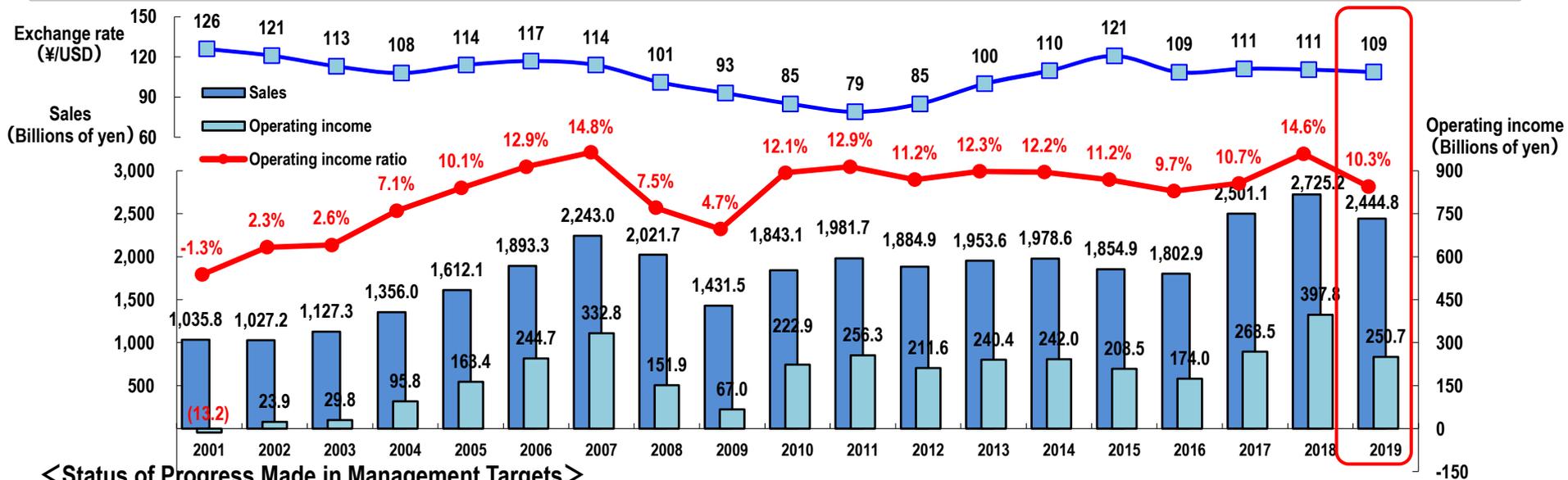
When starting to swing from the halting position, the excavator **stops swinging** as soon as it **detects person(s)** inside the stop-controlled area.



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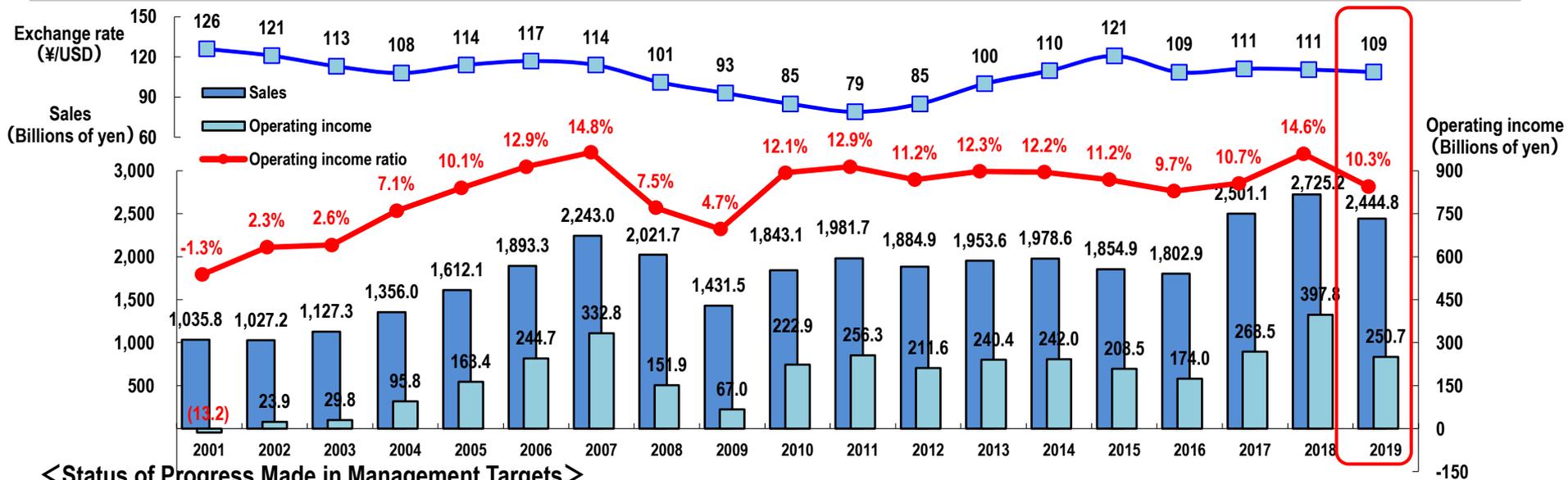
• Both sales and operating income decreased, as affected by declined demand in Strategic Markets, such as Asia, as well as the coronavirus pandemic.



### <Status of Progress Made in Management Targets>

	Targets	FY2019 (1st year of Mid-Term Management Plan)	
		Index	Result
<b>Growth</b>	• Growth rate above the industry's average	• Sales growth rate	(10.3)%
<b>Profitability</b>	• An industry's top-level operating income ratio	• Operating profit ratio	10.3%
<b>Efficiency</b>	• ROE of 10% or higher	• ROE	8.6%
<b>Financial position</b>	• Industry's top-level financial position.	• Net debt-to-equity ratio	0.43
<b>Shareholder return</b>	• Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on investment. • Set the goal of a consolidated payout ratio of 40% or higher.	• Dividend payout ratio	57.7%
<b>ESG</b>	• Reduction of environmental impact: CO2 emissions: Decrease by 50% in 2030 from 2010. Renewal energy use : Increase to 50% of total energy use in 2030. • Evaluation by external organizations: Selected for DJSI *1 (World & Asia Pacific) and CDP*2 A-list (Climate Changes and Water Security)	• Reduction of environmental impact • Evaluation by external organizations	CO2: To reduce by 40% in 2021. Renewable energy use: 15% in 2021 DJSI: Selected CDP: Score of climate change: A CDP: Score of water security: A-
<b>Retail Finance</b>	• ROA: 1.5-2.0% • 5.0 or under for net debt-to-equity ratio	• ROA • Net debt-to-equity ratio	1.5% 3.80

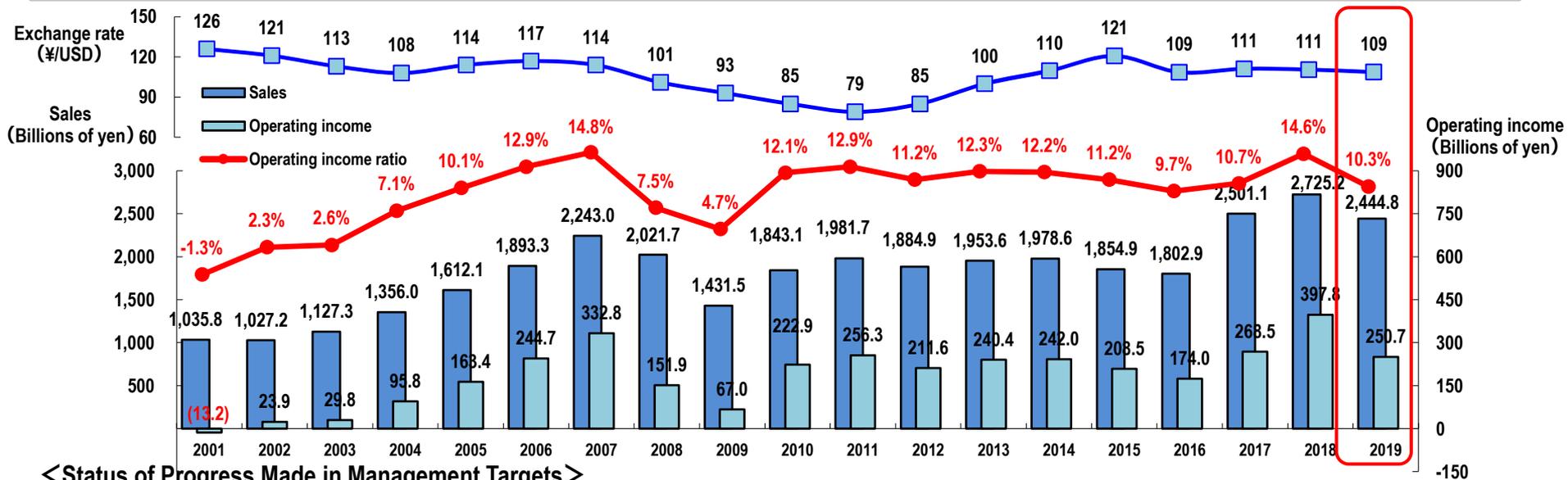
• Both sales and operating income decreased, as affected by declined demand in Strategic Markets, such as Asia, as well as the coronavirus pandemic.



## <Status of Progress Made in Management Targets>

	Targets	FY2019 (1st year of Mid-Term Management Plan)	
		Index	Result
<b>Growth</b>	• Growth rate above the industry's average	• Sales growth rate	(10.3)%
<b>Profitability</b>	• An industry's top-level operating income ratio	• Operating profit ratio	10.3%
<b>Efficiency</b>	• ROE of 10% or higher	• ROE	8.6%
<b>Financial position</b>	• Industry's top-level financial position.	• Net debt-to-equity ratio	0.43
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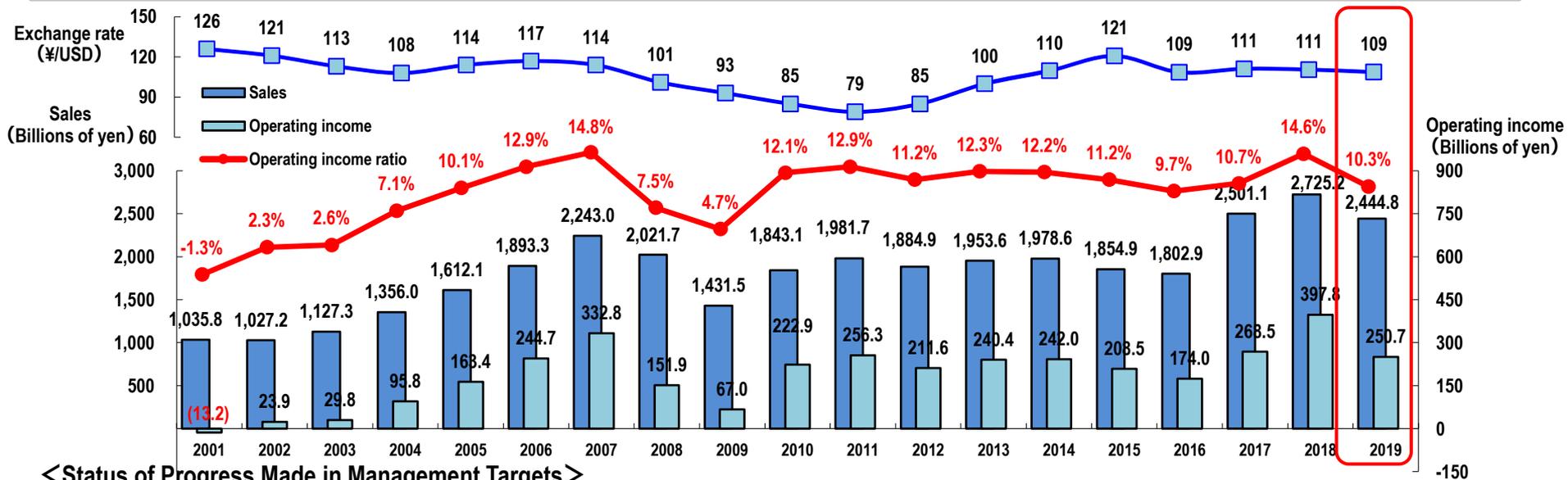
**Dow Jones  
Sustainability Indices**In collaboration with a RobecoSAM brand

Komatsu was selected as a component of the [Dow Jones Sustainability World Index \(DJSI World\)](#) in 2019, an internationally leading SRI index.



In 2019, [Komatsu](#) has been identified as [Climate "A" List company](#) by CDP, the non-profit global environmental disclosure platform.

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