

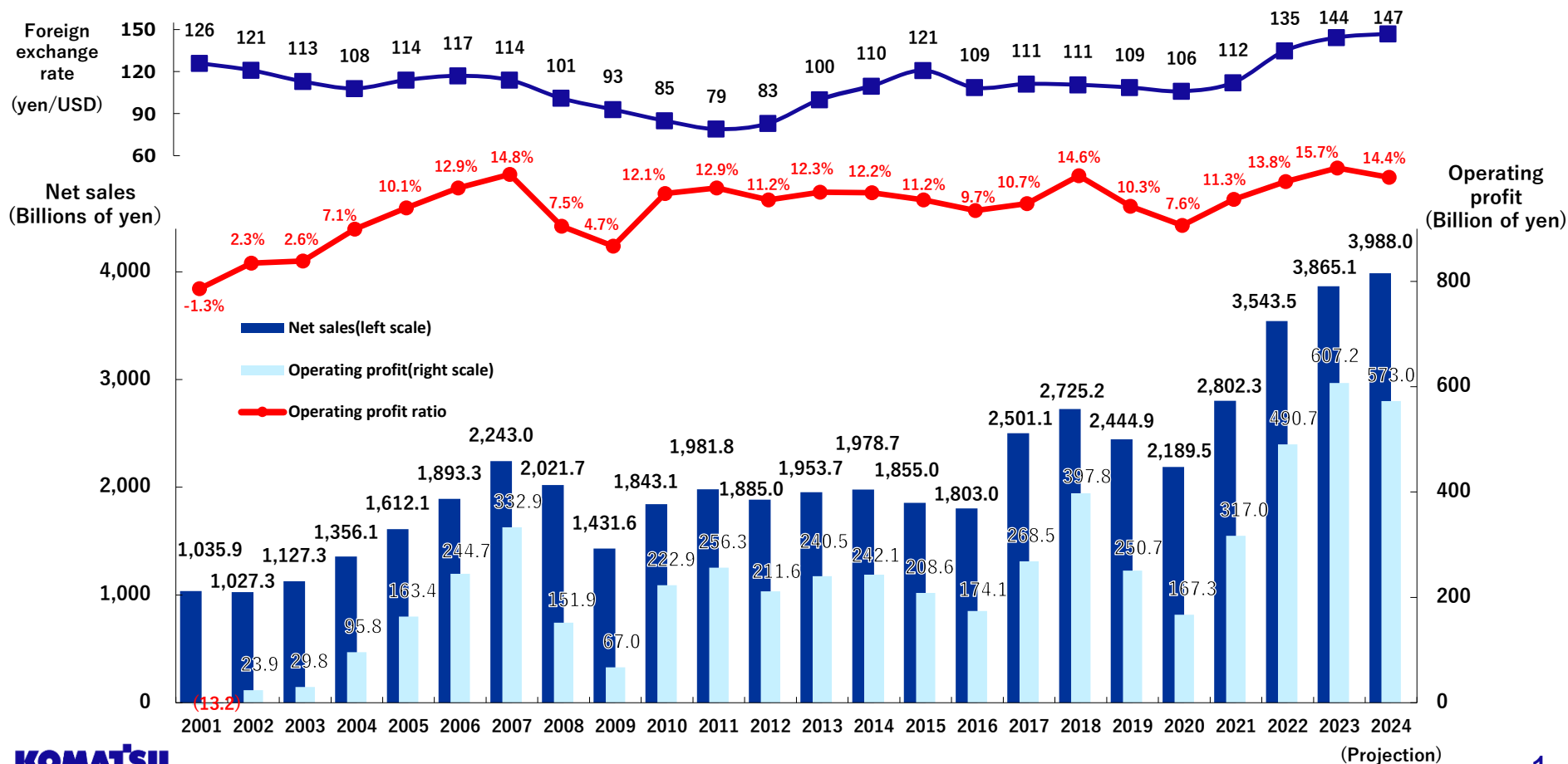
Together, to “The Next”
for sustainable growth

Komatsu Report

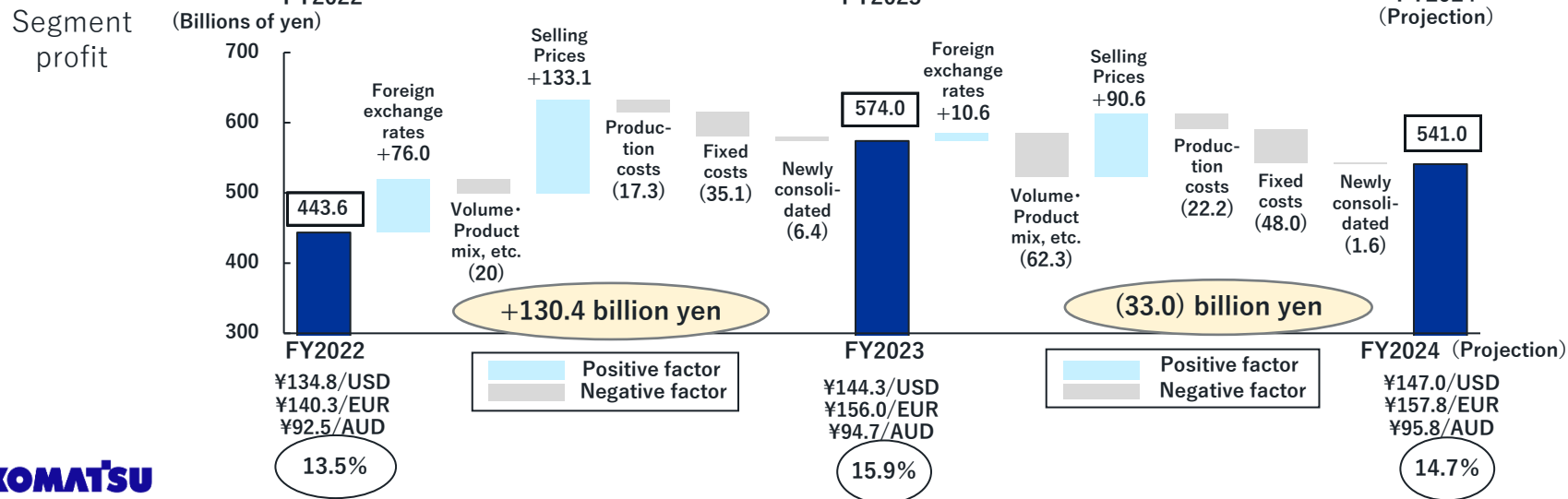
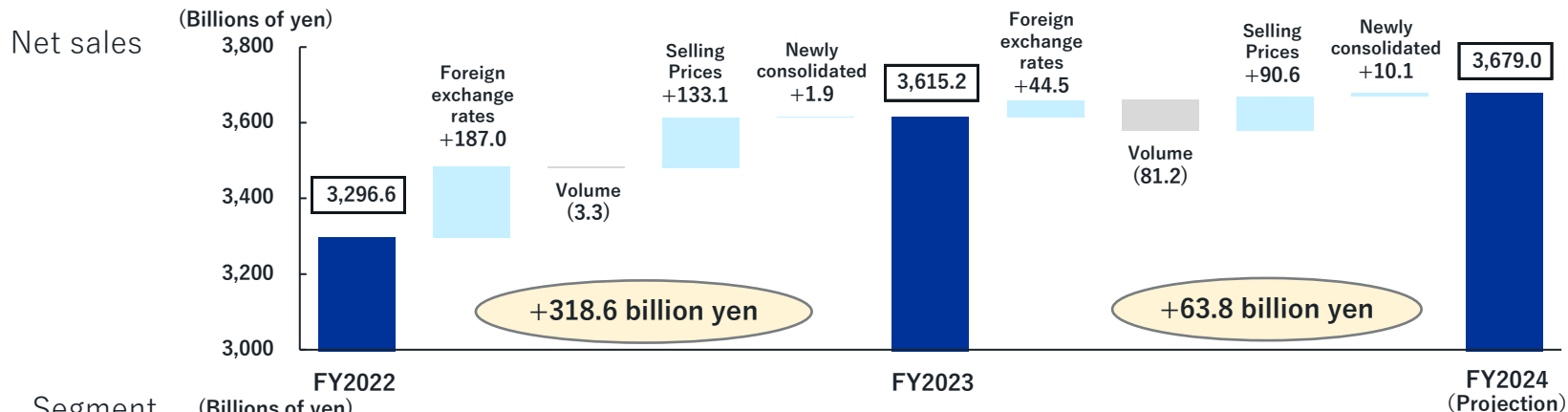
2024

Takeshi Horikoshi
CFO
December 17, 2024

Review of FY2023 (Business results)

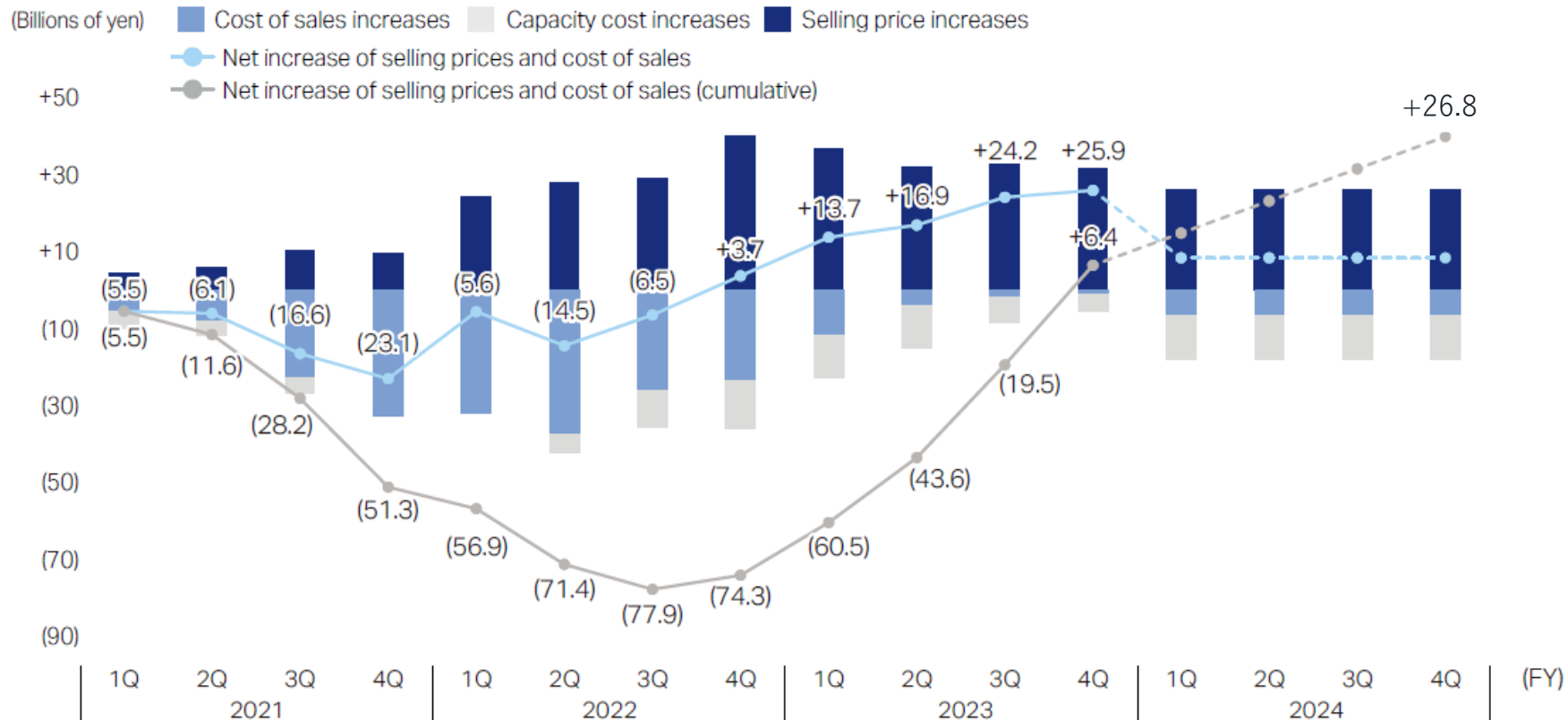


■ Review of FY2023 (Factors influencing sales and segment profit in the construction, mining and utility equipment business 2022~2024)

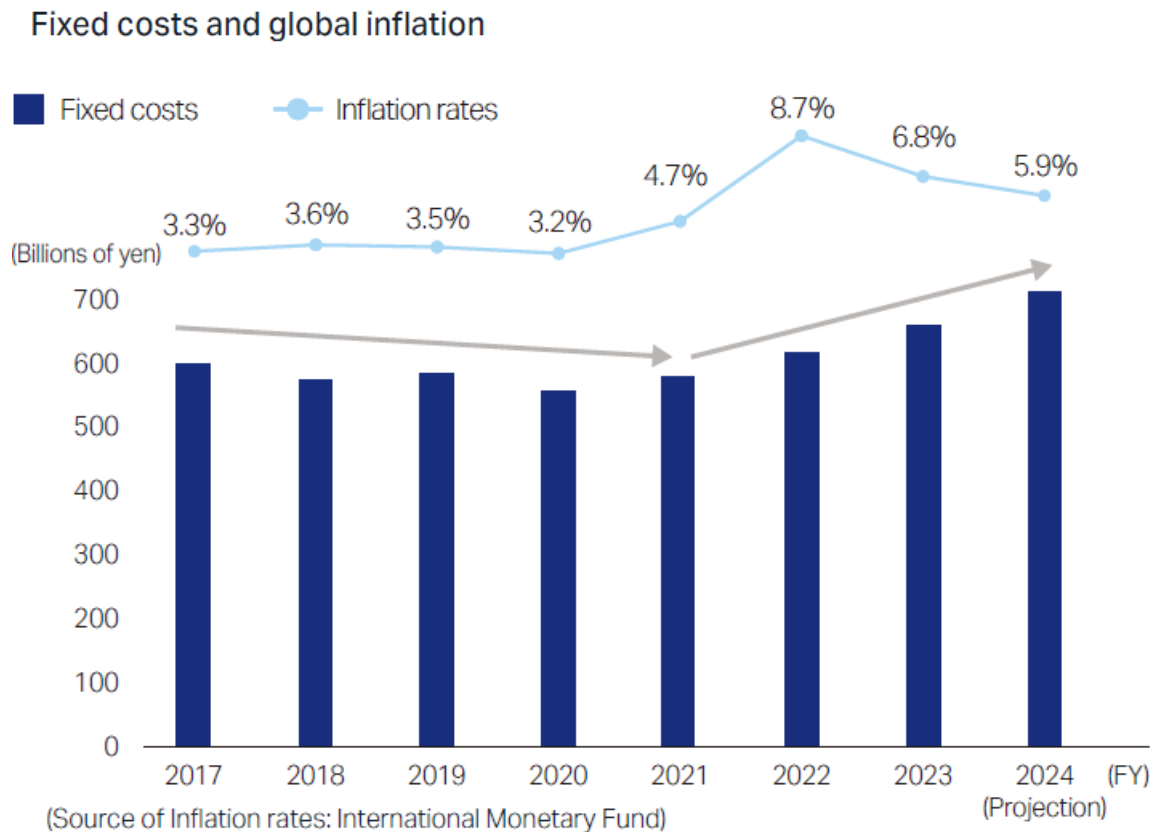


■ Outlook for FY2024 (1) Selling price increases

Increase in selling prices and production costs



(2) Fixed cost control



■ Initiatives corporate value improvement

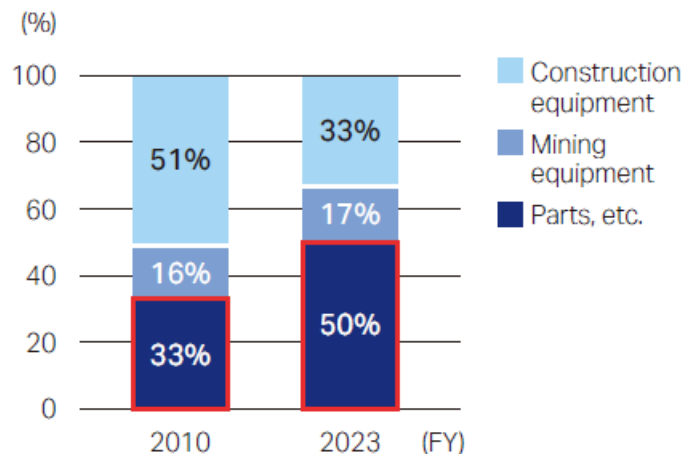
(1) Initiatives PBR improvement

PBR decomposition formula

$$\begin{aligned}
 \text{PBR} &= \text{PER} \times \text{ROE} && \left[\text{• Komatsu key initiatives} \right] \\
 \text{A PER} &= \frac{1}{\text{1) Cost of capital} - \text{2) Expected cash flow growth rate}} \\
 &\quad \left[\begin{array}{l} \text{• Reducing performance} \\ \text{volatility through increased} \\ \text{sales of parts and services} \\ \text{• Share buybacks} \end{array} \right] && \left[\begin{array}{l} \text{• Investment in growth} \\ \text{(R\&D, Capital Investment, M\&A)} \\ \text{• Strengthening IR activities} \end{array} \right] \\
 \text{B ROE} &= \text{3) Net income ratio} \times \text{4) Total assets turnover} \times \text{5) Financial leverage} \\
 &\quad \left[\begin{array}{l} \text{• SVM • CC control} \\ \text{• Selling price} \\ \text{increases} \end{array} \right] && \left[\begin{array}{l} \text{• Introduction of FCF} \\ \text{as KPI} \end{array} \right] && \left[\begin{array}{l} \text{• Share buyback} \\ \text{• Investments in growth (R\&D, capital} \\ \text{investment, M\&A)} \\ \text{• Strengthening retail finance operations} \end{array} \right]
 \end{aligned}$$

1) Cost of capital

Distribution of sales in the construction, mining and utility equipment business



Criteria for share buybacks

	Item	Criteria
Mandatory criteria	1) Financial soundness	Rating
	2) Capital	Shareholders' equity ratio
Supplementary criteria	1) Efficiency	ROE
	2) Ability to generate source of funds (projection)	Consolidated FCF
	3) Ability to generate source of funds (current)	Net cash
	4) Total dividend amount	Dividend payout ratio
	5) PER	Same as left

2) Expected cash flow growth rate

Basic cash allocation policy for period of mid-term management plan (FY2022–FY2024)

Operating cash flow	Capital investments	Standard investments	35-45%	Allocate around 50% of operating cash flow to investments for growth
		Lease/rental investments	5-15%	
		Total	Around 50%	
	Shareholder returns	Around 40%	Consolidated payout ratio of 40% or more	
	Preparation for future M&A	Around 10%	Constant examination of possibility of utilizing external resources	

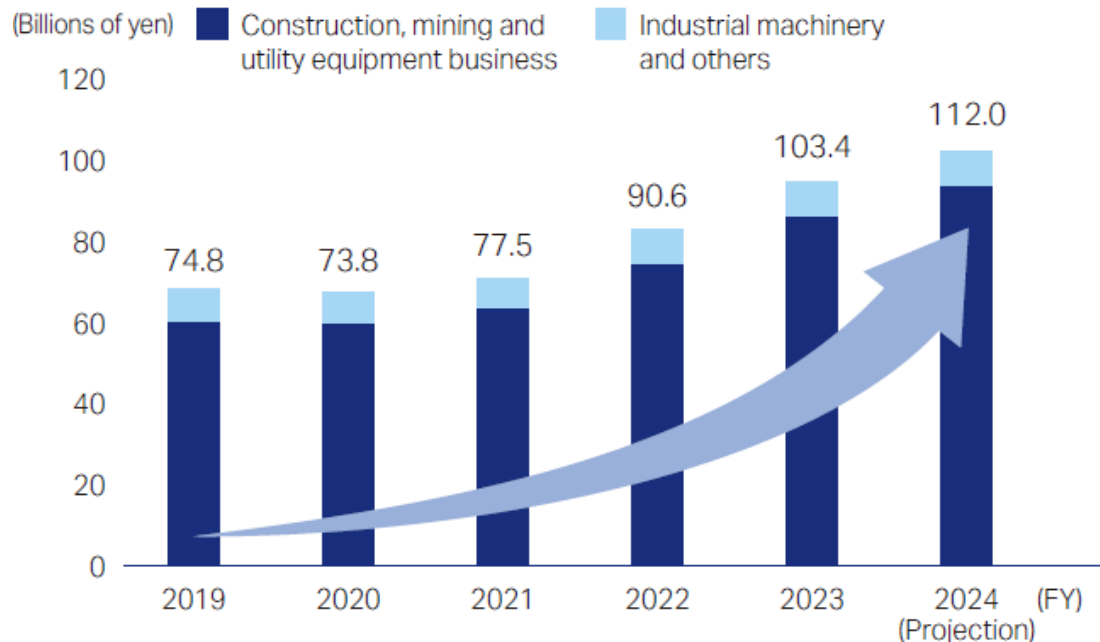
M&As executed in FY2019-FY2023 (the construction, mining and utility equipment business)

FY of announcement	Field	Company name	Overview	Location
2019	Underground hard rock mining	Timberock International Ltd.	Manufacture of underground hard rock drilling and bolting products	Canada
	Mining equipment business	Immersive Technologies Pty Ltd.	Mining equipment simulators for training machine operators	Australia
	Forestry equipment business	TimberPro, Inc.	Forestry machine and attachments manufacturer	U.S.A
2021	Mining equipment business	Tramac corporation Ltd.	North American mining equipment attachment distributor	Canada
2022	Underground hard rock mining	GHH Group GmbH*	Manufacture of underground hard rock mining equipment	Germany
		Mine Site Technologies Pty Ltd	Provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems	Australia
	Forestry equipment business	Bracke Forest AB	Development, manufacture, and sale of application-specific attachments for silviculture	Sweden
2023	Battery manufacturer	American Battery Solutions, Inc.	Development and manufactures a wide variety of heavy-duty and industrial battery packs, using lithium-ion batteries for commercial vehicles	U.S.A
	Surface Mining and Quarrying	iVolve Holdings Pty Ltd	Development and sales of fleet management system for small to mid-tier miners, contractors, and quarries	Australia

*The acquisition completed in 2024.

2) Expected cash flow growth rate

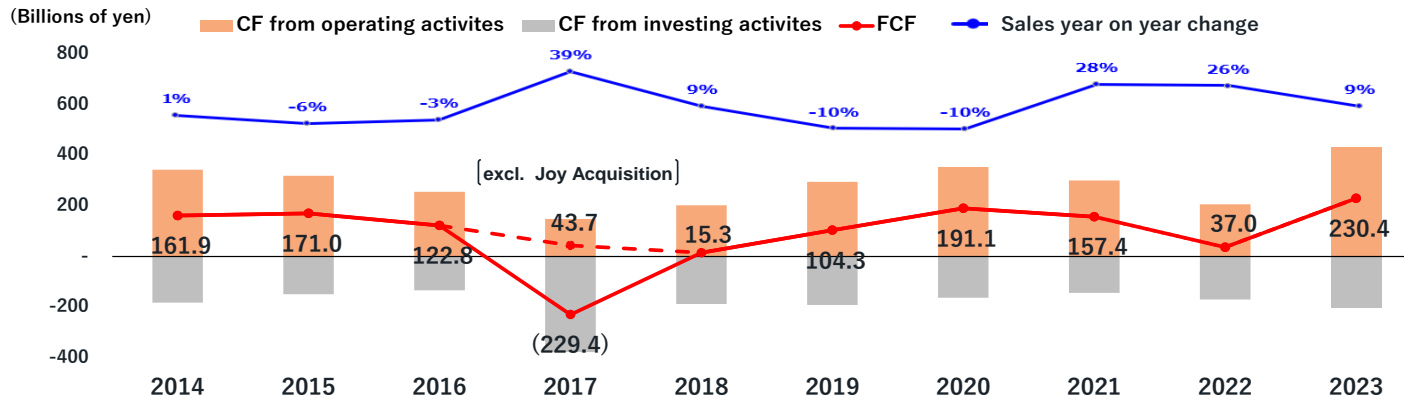
R&D expenses and major R&D themes



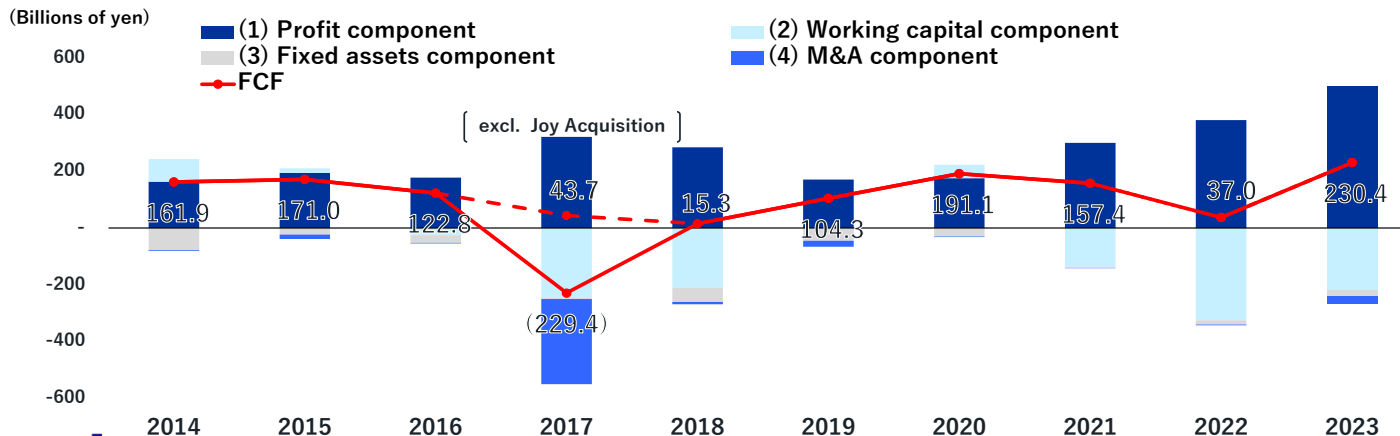
Construction, mining and utility equipment business	New power sources (fuel cells, hydrogen engines, biodiesel, etc.)
	Power agnostic truck
	Mobile battery bank with storage battery functionality
	Open technology platforms for mining
Industrial machinery and others	Light sources for semiconductor lithography system (excimer lasers)

4) Total asset turnover ratio

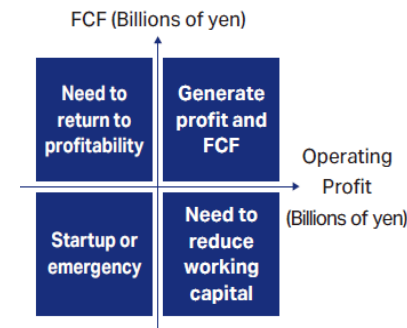
【Standard FCF】



【FCF for management(Consolidated)】



Free cash flow by company four-quadrant graph



4) Total asset turnover ratio

< Calculation formula >

Cons.	FCF =	a) Profit component Net income, etc.	+	b) Working capital component Changes in working capital	+	c) Fixed assets component Depreciation/Amortization - CAPEX	+	d) M&A component Investment for M&A
Subs.	FCF =	a) Profit component OP*(1-effective tax 30%)	+	b) Working capital component Changes in working capital	+	c) Fixed assets component Depreciation/Amortization - CAPEX		

WC = Working Capital, FA = Fixed Assets

1. Standard FCF

(Billions of yen)		FY2023
Minus stands for cash outflows		Actual
Net income		416.4
Others		24.2
Depreciation, etc		156.8
Changes in AR		-94.1
Changes in Inventory		-66.8
Changes in AP		-59.2
Changes in advances from customers		57.5
Changes in working capital		-162.6
CF from operating activities	A	434.8
CAPEX(including FA sales)		178.8
Investment & acquisition		25.6
Others		0.0
CF from investing activities	B	204.4
FCF	A-B	230.4

2. FCF for management(Consolidated)

Manage in 4 components				
a	b	c	d	a-d
Profit	WC	FA	M&A	Total
○				
○				
		○		
	○			
	○			
	○			
	○			
		○		
			○	
○				
440.6	-162.6	-22.0	-25.6	230.4

3. FCF for management(Subsidiaries)

Manage in 3 components				
a	b	c	d	a-c
Profit (※1)	WC	FA	M&A (※2)	Total
(○)				
(○)				
		○		
	○			
	○			
	○			
	○			
		○		
(○)				
403.0	-162.6	-22.0		218.4

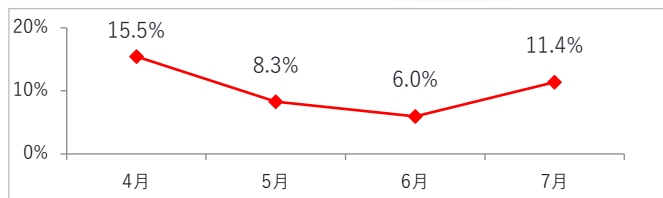
(※1) Profit is simply calculated by multiplying OP by (1 - effective tax rate 30%), to link activities at GEMBA and to have comparability.

(※2) Exclude investment for M&A because it is not controllable for subsidiaries as it is decided by KLTD HQ.

4) Total asset turnover ratio

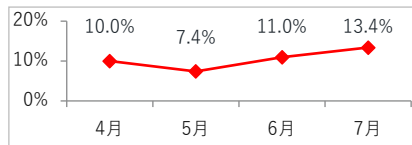
ROIC : Manage by rate

ROIC

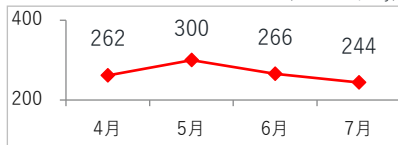


You can see the change in ratio but difficult for items and amounts necessary to be improved.

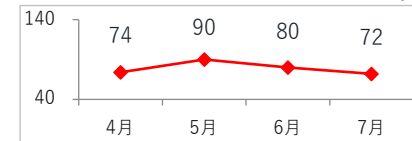
OP ratio



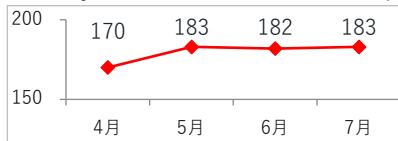
Invested capital



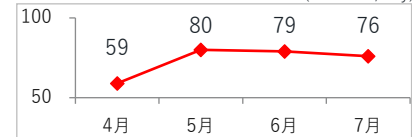
AR (Turnover/day)



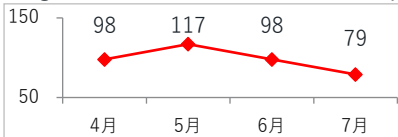
Inventory (Turnover/day)



AP (Turnover/day)



Tangible fixed assets (FA) (Turnover/day)



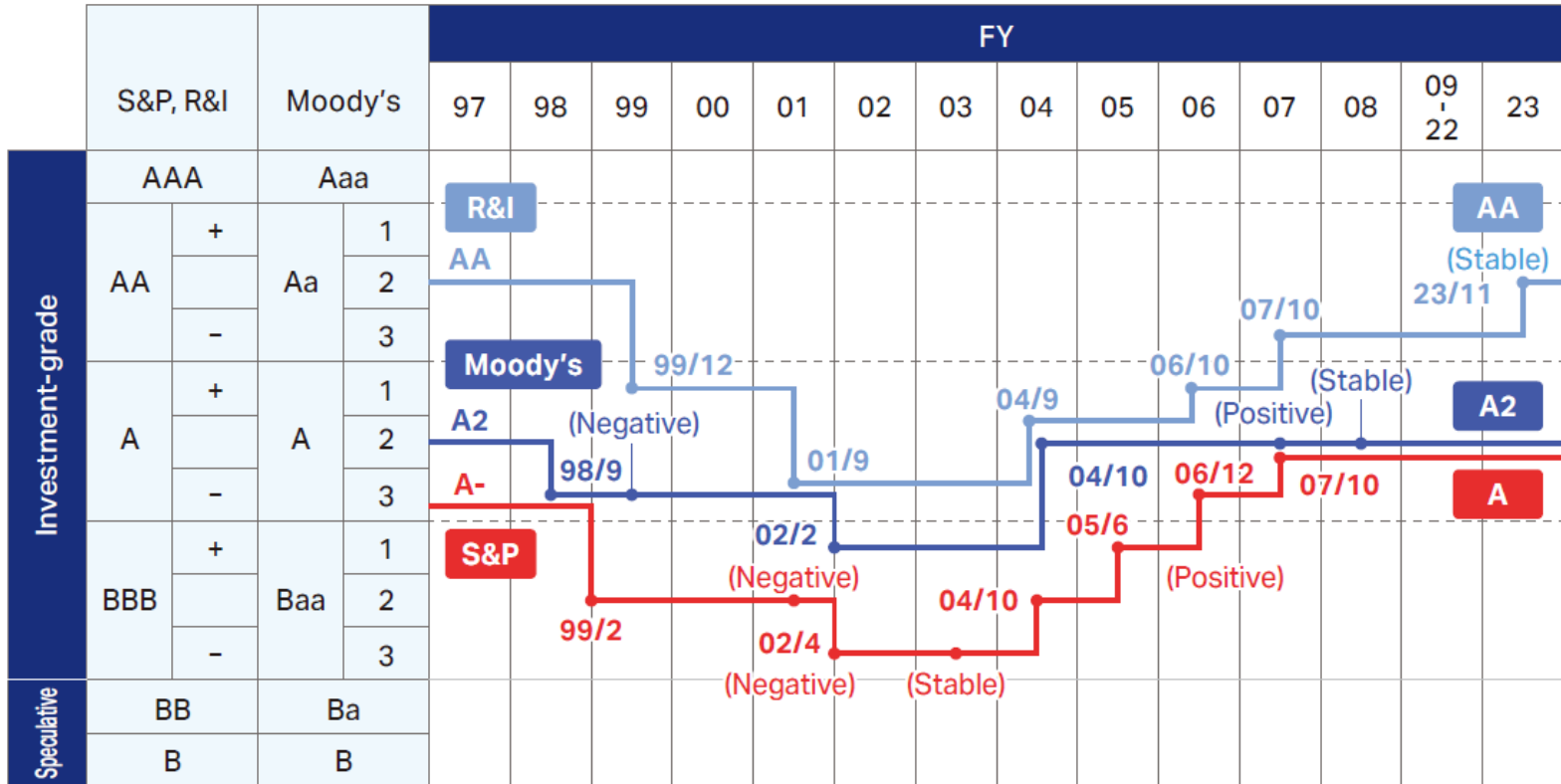
FCF : Manage by amount

Easier to understand items and amounts necessary to be improved. (In the table below, inventory needs to be improved.)

Minus stands for cash outflows	July.		
	BP	Act	Diff
OP	35.7	45.2	9.5
Tax(effective tax rate 30%)	-10.7	-13.6	-2.9
Profit component	25.0	31.7	6.7
Changes in AR	-7.1	-8.0	-0.9
Changes in Inventory	-9.7	-25.2	-15.5
Changes in AP	5.4	5.6	0.2
Changes in advances from customers	1.8	1.8	0.0
Working capital component	-9.7	-25.8	-16.1
Depreciation	11.4	12.5	1.1
CAPEX(Acquisition)	-13.6	-15.3	-1.7
Fixed assets component	-2.2	-2.8	-0.6
FCF	13.1	3.1	-10.0

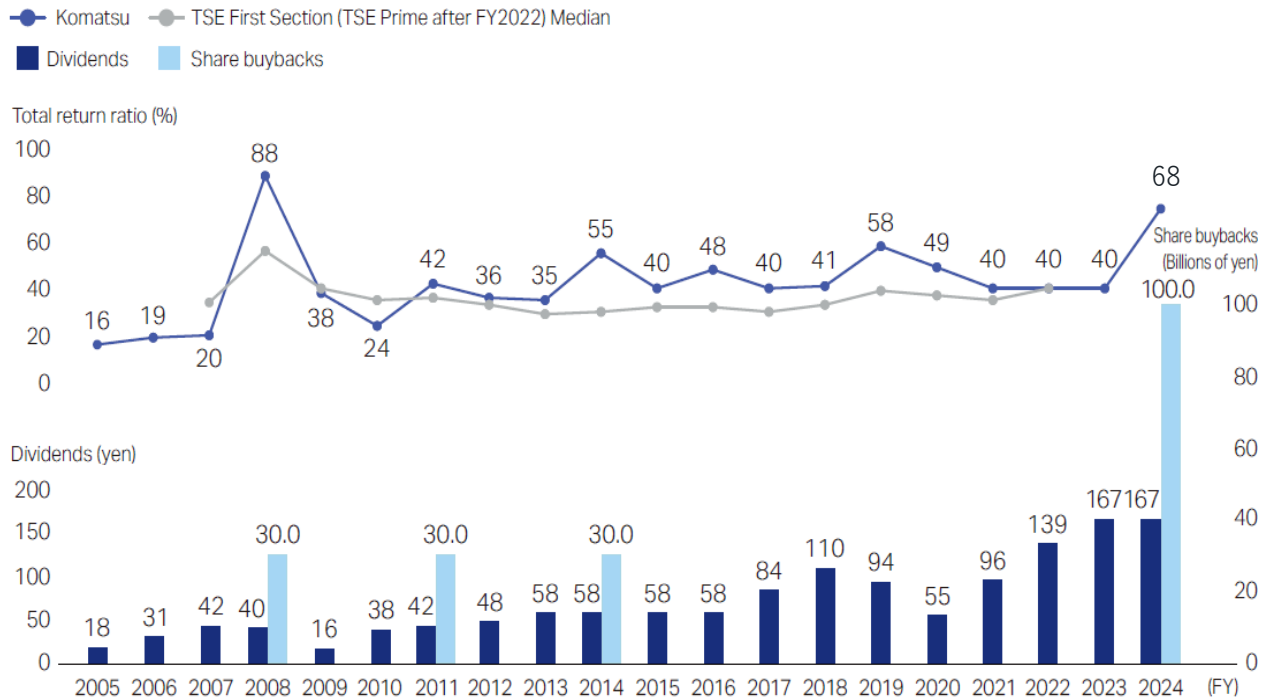
5) Financial leverage

Komatsu ratings

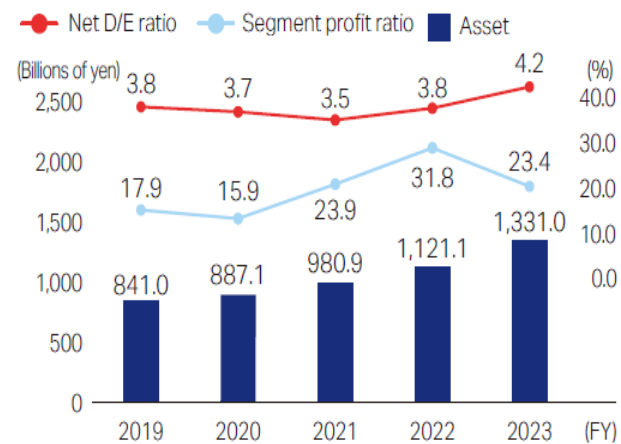


5) Financial leverage

Dividends, share buybacks and total return



Retail finance business performance



(2) Verification of corporate value

Changes in corporate value and EVA[®]

● Aggregate EVA[®] (right scale) ■ Market capitalization (left scale) ■ Net interest-bearing debt (left scale)

