



Komatsu Global Management and Production Strategy

December 17, 2025

Komatsu

President, Production Division

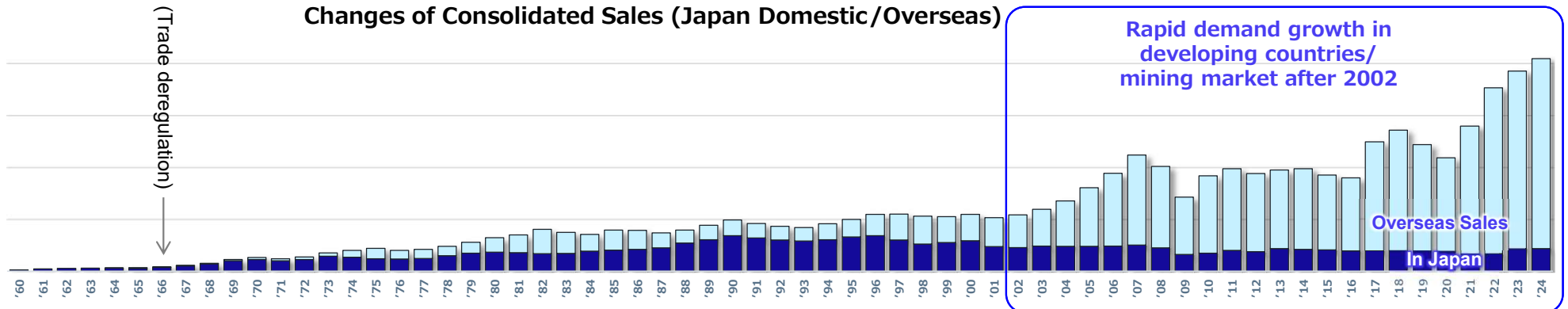
Korekiyo Yanagisawa



Global Organization Structure of Production Division

History of Komatsu's Production Structure: Global Business Expansion

Changes of Consolidated Sales (Japan Domestic/Overseas)



Rapid economic growth in Japan

Expansion of exports

Expansion of offshore production

Globally consolidated management

Number of Manufacturing Bases

'70-80: 18

'85: 21

'90: 27

'00: 42

'05: 47

'24: 62

Machine plant

Expanding the Business (Attach./Mining/Forestry/EV)

Expansion of Global Business (Opened key subsidiaries)

	60	65	70	75	80	85	90	95	00	05	10	15	20
North America					'85~ Local production in Europe/North America		'85 Chattanooga		'02 Newberry				'23 ABS
Europe					(Advanced market for CE with large demand)		'88 Peoria, Candiac	'85 UK (KUK) '91 Italy (KUE)	'04 Sweden (KEAB)			'16 KMC	'23 iVolve
Latin America				'73 Brazil (KDB)			'89 Germany (KOHAG)	'96 Germany (KMG)	'05 Chile (KRCC)			'16 Lehnhoff	'24 GHH
Asia			'73~ Compliance with localization regulation of each country			'74 Mexico (KMX)			'95 Thai (BKC)	'06 India (KIPI)			
China					'82 Indonesia (KI)			'95 Jining (KSC)	'98 India (LTK)	'07 Indonesia (KRI, KRA)			
Russia						'95~ Expand to the Growing Region (China/Asia)		'95 Changzhou (KCCM)	'00 Indonesia (KUI)	'09 Indonesia (KI)			
						Completed investments for main overseas plants by 2000		'95 Changzhou (KCF)		'04 Jining (KSD)			'10 Russia (KMR)



Organization Structure of Production Division (Matrix Operation)

Production Division

Plant	Region	Japan	North America	Latin America	Europe	CIS	China	Asia	Oceania	Middle East	Africa	Total
	• Construction/Mining equipment • Component • Materials • Industrial machinery	Body Assembly Plant (Mother Plant)	6 (4)	10 (1)	1	9 (4)	2	2	4	3	0	2
	Components and Parts (Attached to body Assembly Plant)	7 (2)	14 (5)	1 (1)	5 (1)	2 (1)	3 (1)	2 (1)	1 (1)	0	1 (1)	36 (14)
	Material (Attached to body Assembly Plant)	1	0	1 (1)	0	0	1 (1)	2 (2)	0	0	0	5 (4)

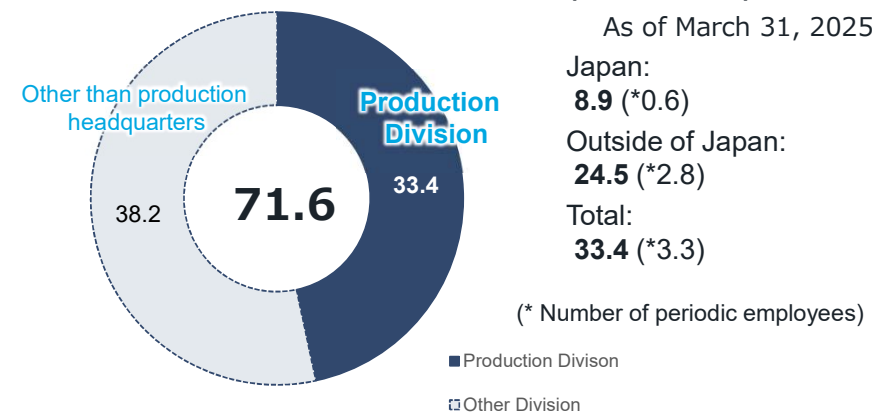
- Procurement Division
- Parts & Reman Promotion Division
- Manufacturing Engineering Development Center
- Simultaneous Engineering Planning Department
- Manufacturing Engineering Department
- Production Controlling Department
- Global HANSEI Operation Center
- Administration Department
- Affiliate company – Komatsu Logistics Corp.

TTL 62
(excluding duplication)

Matrix Operation

Regional Plant Manager Meetings are held on a regular basis to review strategies and investment plans

Number of Komatsu employees
-Direct workers, Indirect workers (thousands)

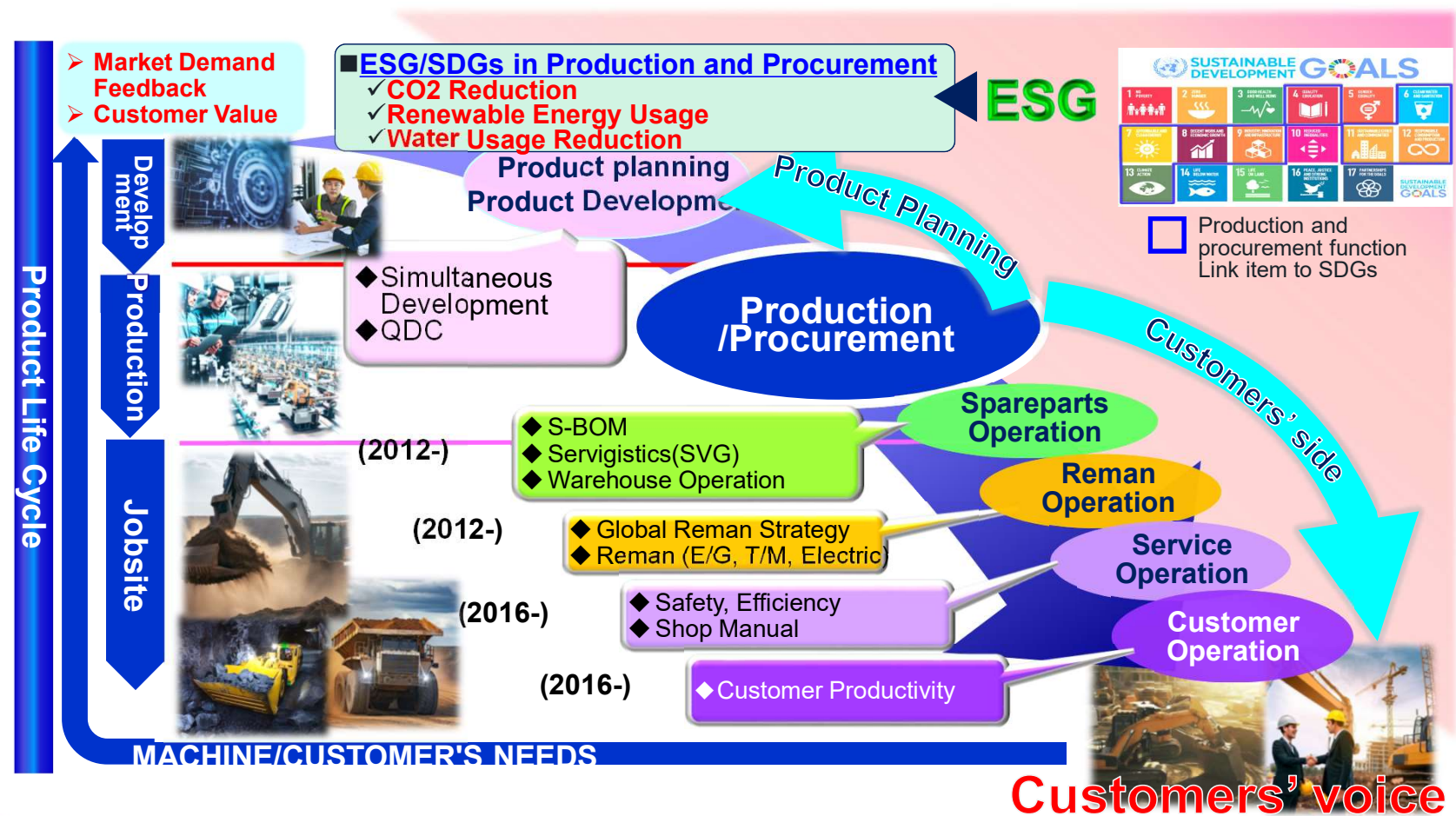




Role of Production Division and Global Production / Procurement Strategy

Role of Production / Procurement in Komatsu

- ◆ **Basic role:** ① Global production procurement based on SLQDC/SDGs ② Optimal Consolidated Inventory ③ Product Competitiveness by DANTOTSU manufacturing and innovation/ Simultaneous Development
- ◆ **Role to enhance support:** ① QDC ② Aftermarket (spare parts/ reman/ attachment) ③ Value chain ④ Solution of environmental problem



Risk Response (BCP)

Address various supply chain risks (natural disasters, unforeseen procurement risks, pandemic outbreaks, cyber attacks, etc.)
Establish a business continuity plan (BCP) system for production and procurement

< Risk >



Pandemic

- Occupational health and safety
- Covid-19
- MARS, SARS



Natural Disasters

- Earthquake and Tsunami
- Typhoon and Flood
- Volcanic Eruptions, etc.



Unforeseen Procurement Risk

- Geopolitical Risk
- Semiconductor Competition
- Rare Earth
- Supplier Accident
- Logistics Network Disruption/Blockade

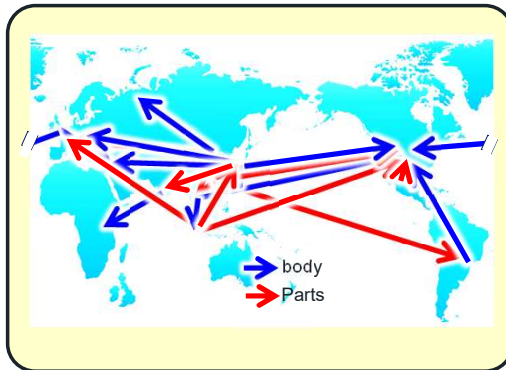


Cyber attacks

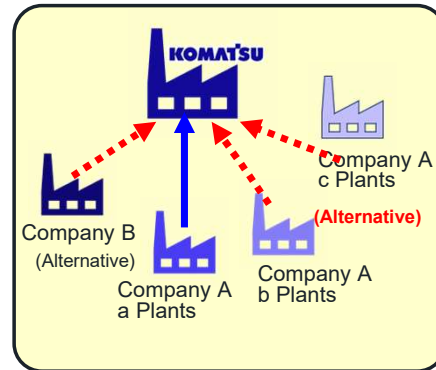
- Unauthorized access
- Production and Procurement Information Loss/Malfunction

< Countermeasures >

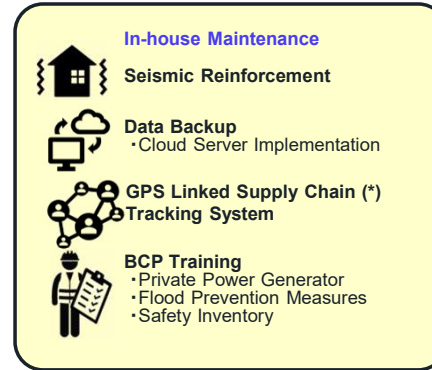
Cross-sourcing of Body/Parts



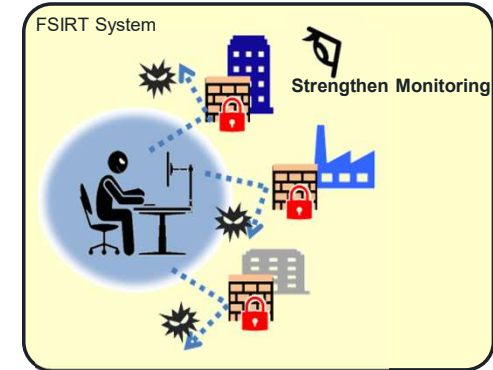
Multi-sourcing Procurement



Enhance Disaster Resilience



Strengthen Cybersecurity



Global Production / Procurement Strategy

1. Machine assembly where demand exists

- ① Gain customer trust
- ② Capture local needs and feedback to product development
- ③ Quick resolution for quality problems
- ④ Lead time reduction/cost reduction (localization)

2. In-house Production and development of Key Components

- ① Continuing technological innovation (achieving outstanding machine performance)
- ② Same quality throughout the world
- ③ Realization of global production on a major component basis

3. Mother plant system that integrates development and production

- ① Simultaneous activity (concurrent engineering)
- ② Shortening of development lead time
- ③ Raise the level of child factories (SLQDC improvement and human resource development)

4. Global HANSEIZAI operation

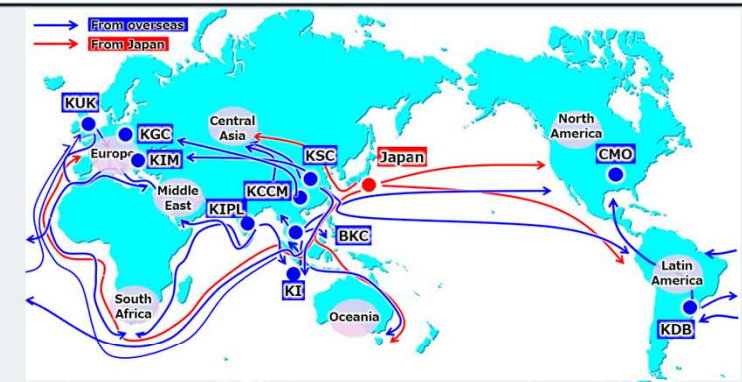
- ① Maximize sales volume ② Stable supply ③ Optimize consolidated inventory

5. Cross source of machine: "Flexible production system"

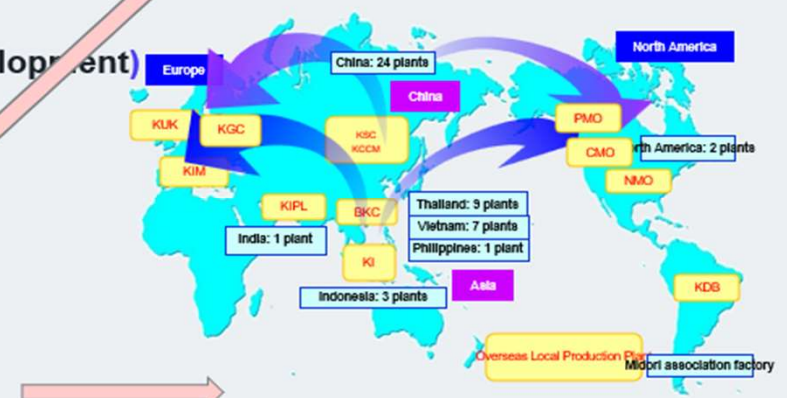
- ① Response to changes in exchange rates and demand
- ② Response to BCP
- ③ Minimization of investment

6. Cross source of parts: "Flexible procurement system"

- ① Response to changes in exchange rates and demand
- ② Response to BCP (multi-location source)
- ③ Improvement of cost and distribution



<Global cross source of machine>



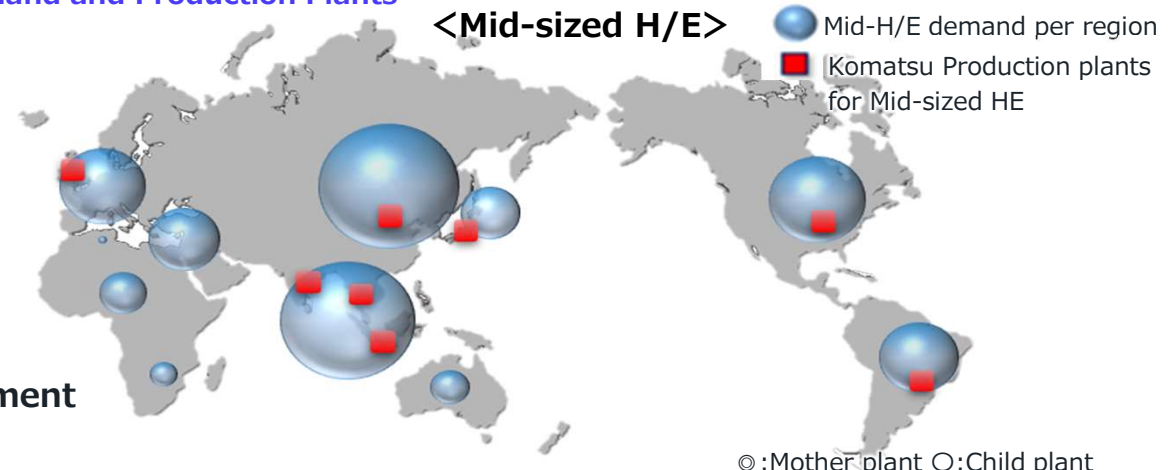
<Global cross source of parts>

Global Production Policy (1): Production(Assembly) in regions with high market demand

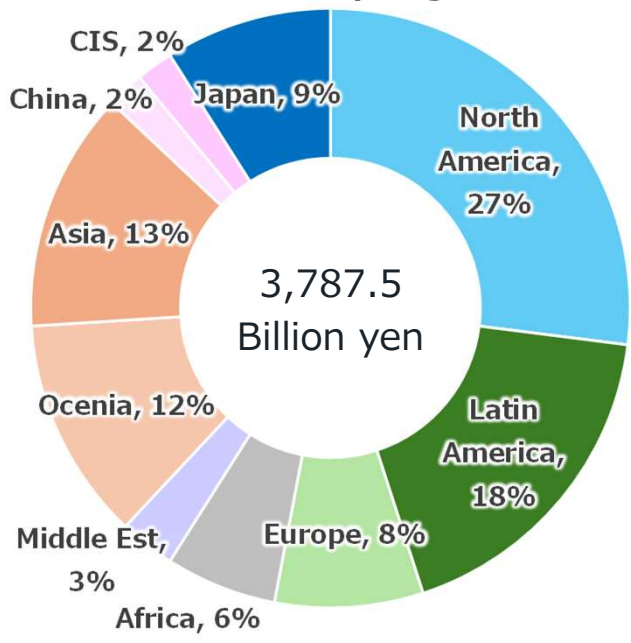
[Purpose]

1. Hearing customer's voice to gain user's trust
2. Applying user needs for local specifications
3. Prompt action/response to quality issues
4. Leadtime reduction and cost improvement

Demand and Production Plants



FY2024 Construction, Mining & Utility Equipment Sales by Region



Model	Production			
	Japan	EU	Americas	Asia
Excavators	◎	◎	○	○
Wheel loaders	◎	○	○	○
Dump trucks	◎		◎	○
Bulldozars	◎		○	○
Utility	◎	◎		○

Overseas sales : 90%

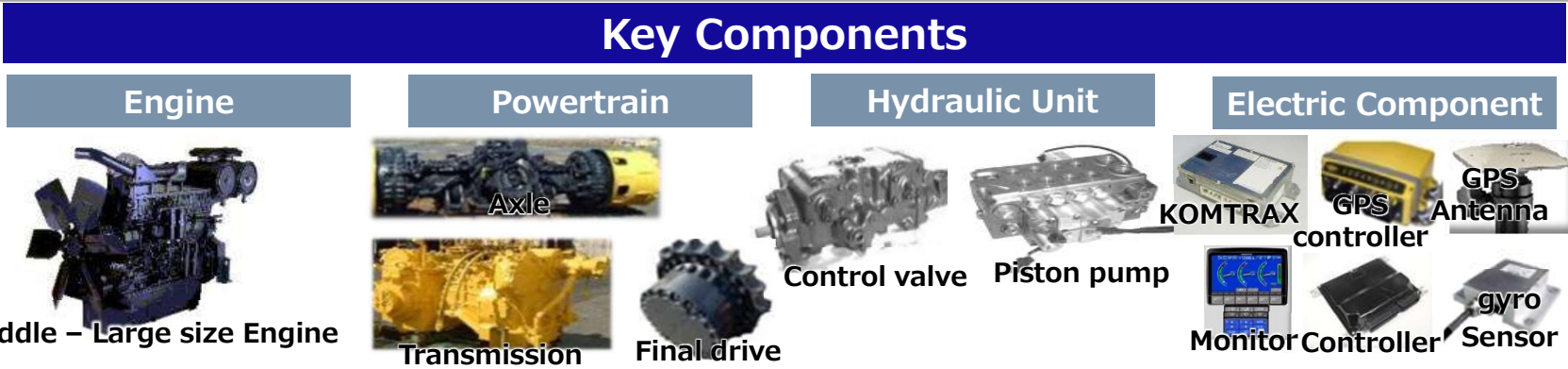
Production volume in Japan : 50 +/- 10% (Excl. ex-K<C)
(to be reviewed)

- Stable revenue unaffected by exchange rate fluctuations
- Globally balanced production capacity
- Avoid redundant investment
- Optimize local production and global capacity by cross sourcing



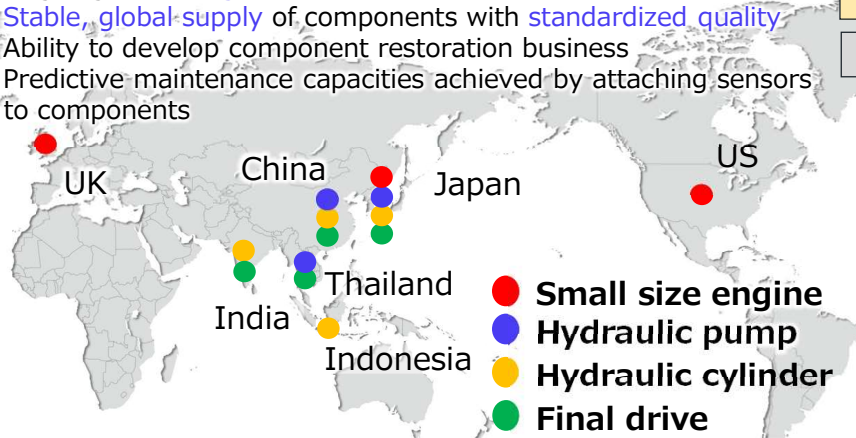
Global Production Policy (2): In-house R&D and production of key-components

- Komatsu develops & produces key-components in-house which differentiate machine performance for technological innovation, stable supply, parts business and predictive maintenance.
- *Evaluate in-house production of key parts by considering cost competitiveness and aftermarket

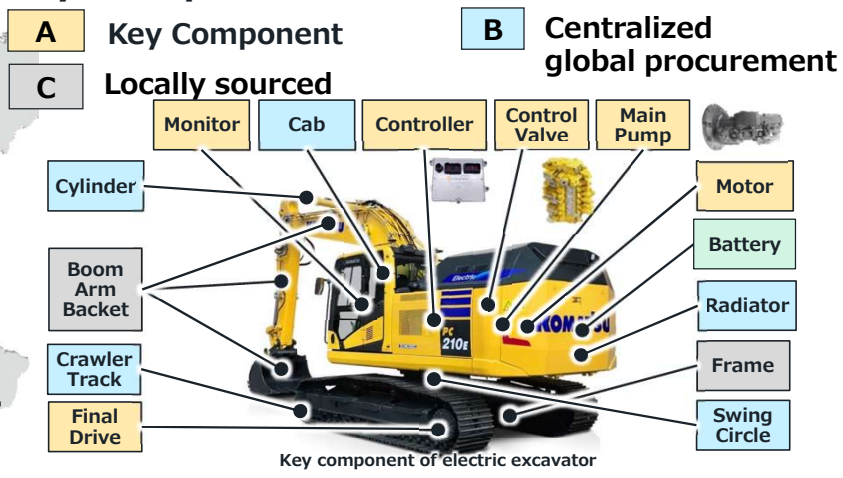


Benefits of in-house development and production

- Ongoing technological innovation
- Stable, global-supply of components with standardized quality
- Ability to develop component restoration business
- Predictive maintenance capacities achieved by attaching sensors to components



Key-Components (Battery powered excavator)



Global Production Policy (3) : Mother plants with integrated R&D and production function

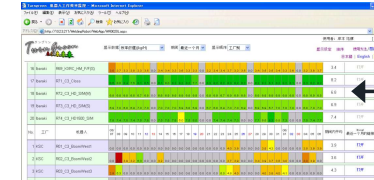
(1) Komatsu plants and mother plants * () No of mother plants

Region	Japan	North America	Latin America	Europe	CIS	China	Asia	Oceania	Middle East	Africa	Total
Body Assembly Plant (Mother Plant)	6 (4)	10 (1)	1 (1)	9 (4)	2 (1)	2 (1)	4 (1)	3 (1)	0	2 (1)	39 (9)
Components and Parts (Attached to body Assembly Plant)	7 (2)	14 (5)	1 (1)	5 (1)	2 (1)	3 (1)	2 (1)	1 (1)	0	1 (1)	36 (14)
Material (Attached to body Assembly Plant)	1	0	1 (1)	0	0	1 (1)	2 (2)	0	0	0	5 (4)

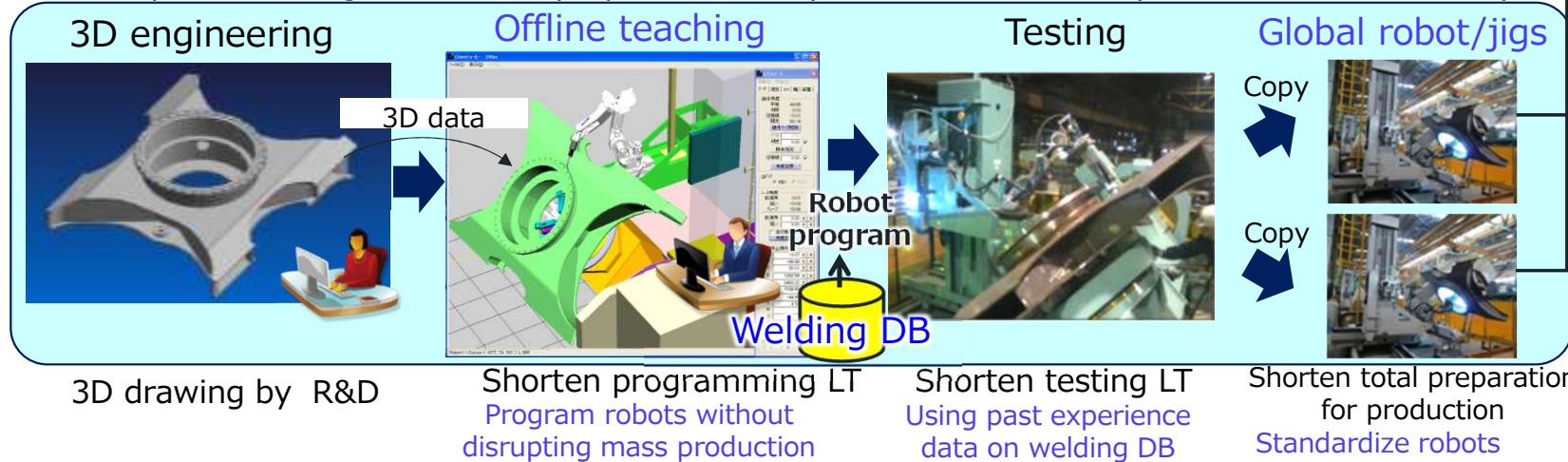
(2) Role of mother plants

- Role model for product quality, cost and delivery lead time
- Continuous efforts towards innovation and production reform
- Global HAN-SEI-ZAI control including child plants
- Manufacturing engineering support for overseas plants with same models
- Human resource development through mutual exchange

Monitor machine workload (TurnGreen)



<Example in welding: Production preparation in Japan, transfer to child plants for vertical startup>



Global Production Policy (4)/(5): Optimize Global Production Capacity by Global HANSEIZI

1. Policy

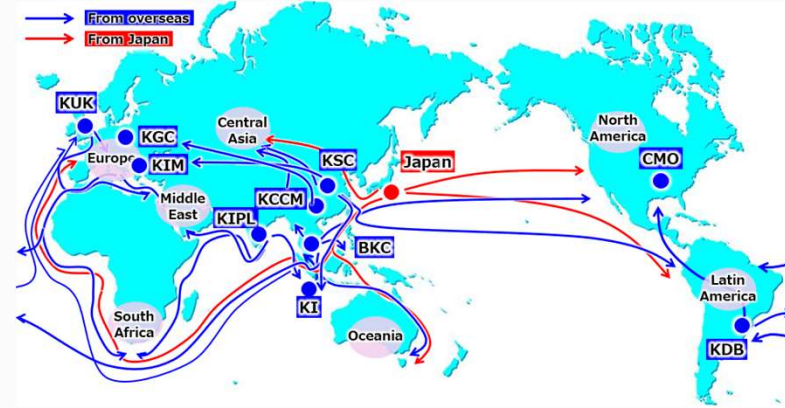
- Optimal global production capacity by **Cross-sourcing**

2. Challenges

1. Exchange rate risk
2. Demand fluctuation
3. Inconsistency in Production capacity
5. Duplicated investment/CAPEX

3. Precondition

1. Free trade (no tariff)
2. Standardized production system
3. Standardized BOM
4. Single base machine



Han = Sales, Sei = Production
 (■ Maximize sales ■ Stable production ■ Optimize market stock)

Global Hansei Operation Center
 (since Apr-2011 in Osaka plant)

Parts Hansei Operation Center
 (since Jul-2015 in Oyama plant)



Hansei Top Meeting is monthly scheduled



Purpose

- Optimize global inventory
- Global Demand forecast
- Adjust sales & production plan

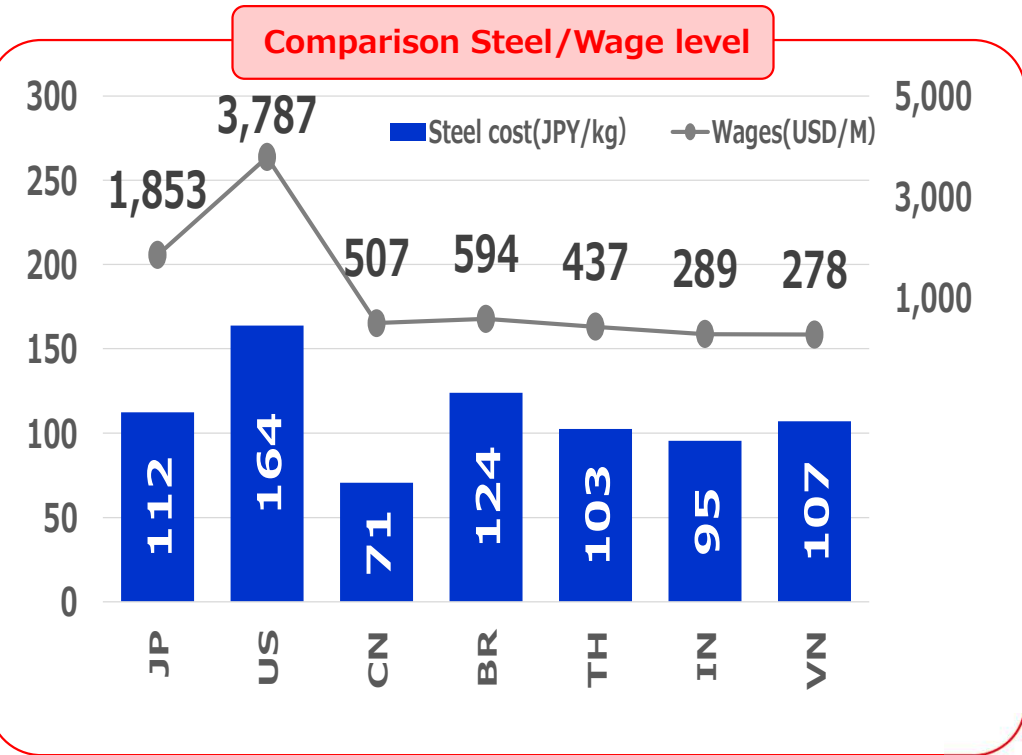


Purpose

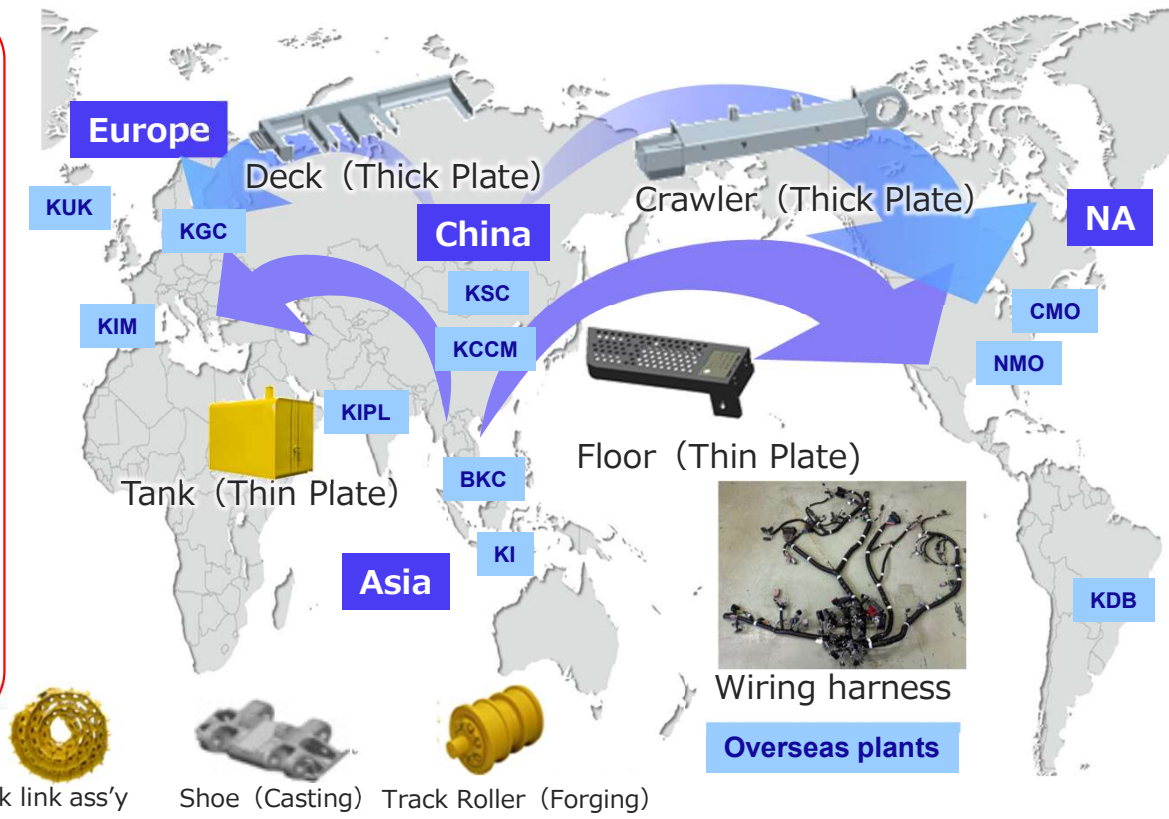
- Customer support (responding to machine-down)
- Optimize global parts stock
- Maximize spare parts sales

Global Production Policy (6): Parts Cross Sourcing for Global Optimized procurement

- | | | |
|---|--|---|
| <p>1. Concept of Parts Cross-Sourcing</p> <ul style="list-style-type: none"> • Optimum Supply chain management • Utilize cost competitiveness of Asia/China • Country Risk mitigation | <p>2. Objective</p> <ol style="list-style-type: none"> 1. Hedging FX variance 2. Cost reduction 3. Minimize investment | <p>3. Preconditions</p> <ol style="list-style-type: none"> 1. Free Trade (zero tax) 2. Common Base-machine 3. Integrated BOM (PBOM, EBOM) |
|---|--|---|



※ Steel cost : Proc. Div. Wage : JETRO





Countermeasure for US additional Tariff

Structure of Komatsu's Construction and Mining Business in the U.S.

- Approx. 50% of products sold in the U.S. are manufactured outside the U.S. and imported, mainly equipment and parts for construction.
- The other 50% of products sold in the U.S. are manufactured locally. CE are mainly supplied to the U.S. and Canada, while ultra-large dump trucks for mining are manufactured exclusively in the U.S. and supplied worldwide.
- Among locally manufactured products, CE has a high proportion of imported parts, while ME has a high proportion of U.S.-made parts.

Trade Balance (Export v.s. Import)	<input type="checkbox"/> Export surplus of approx. 7,500MUSD in the past 10 years (~FY23) <input type="checkbox"/> Continuous export surplus of approx. 1,000MUSD/year since the acquisition of Joy Global (now KMC) in 2017
Employment	<input type="checkbox"/> Komatsu employs approx. 8,000 people, the distributors employ approx. 9,000 people, total 17,000 people (FY23)
Capex and M&A	<input type="checkbox"/> Constant investment of 300MUSD/year, construction of KMC HQ and plant in Milwaukee in FY21 (photo: right) <input type="checkbox"/> Acquired battery manufacturer American Battery Solutions, Inc. in FY23 (purchase price: approx. 37 billion yen)

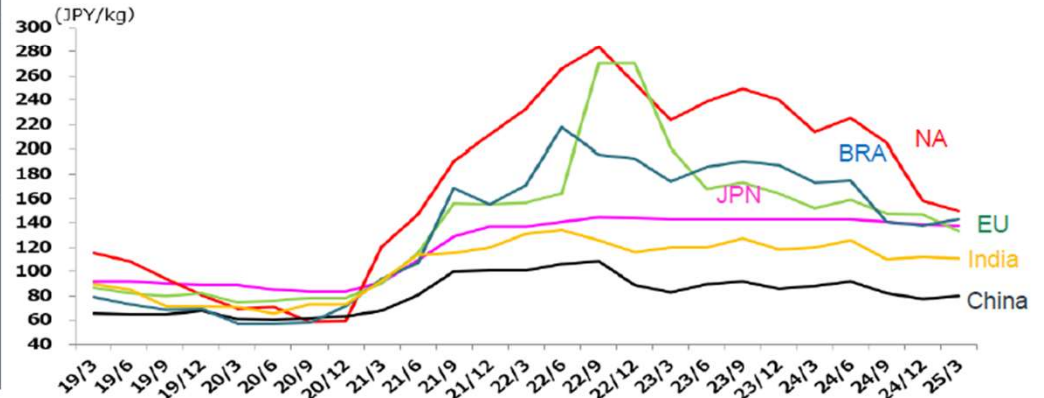


[Image of import to the U.S., local production and procurement structure]	Ratio of total import
[Import of finished products (equipment and parts)] Mainly CE Plants in Japan, Brazil, Thailand, etc. → U.S. subsidiaries → Mainly U.S. and Canadian distributors	Approx. 50%
100% imported from overseas	
[Local production: CE] Mainly supply parts from various countries + U.S. procurement → U.S. subsidiaries → Mainly U.S. and Canadian distributors	Approx. 25%
Made in the U.S. Imported goods Mainly Japan, China	
[Local production: ME and parts] Mainly procured in the U.S. + parts from other countries → U.S. subsidiaries → Export to all over the world	Approx. 25%
Made in the U.S. Imported goods Mainly Europe, Canada, Latin America, China	

[Image of the composition of main destinations from the U.S. subsidiary]



[Steel Prices SS400 equivalent (Komatsu's survey)]
Exchange rates are converted to yen at the rate of each month.



Manufacturing locations in North America

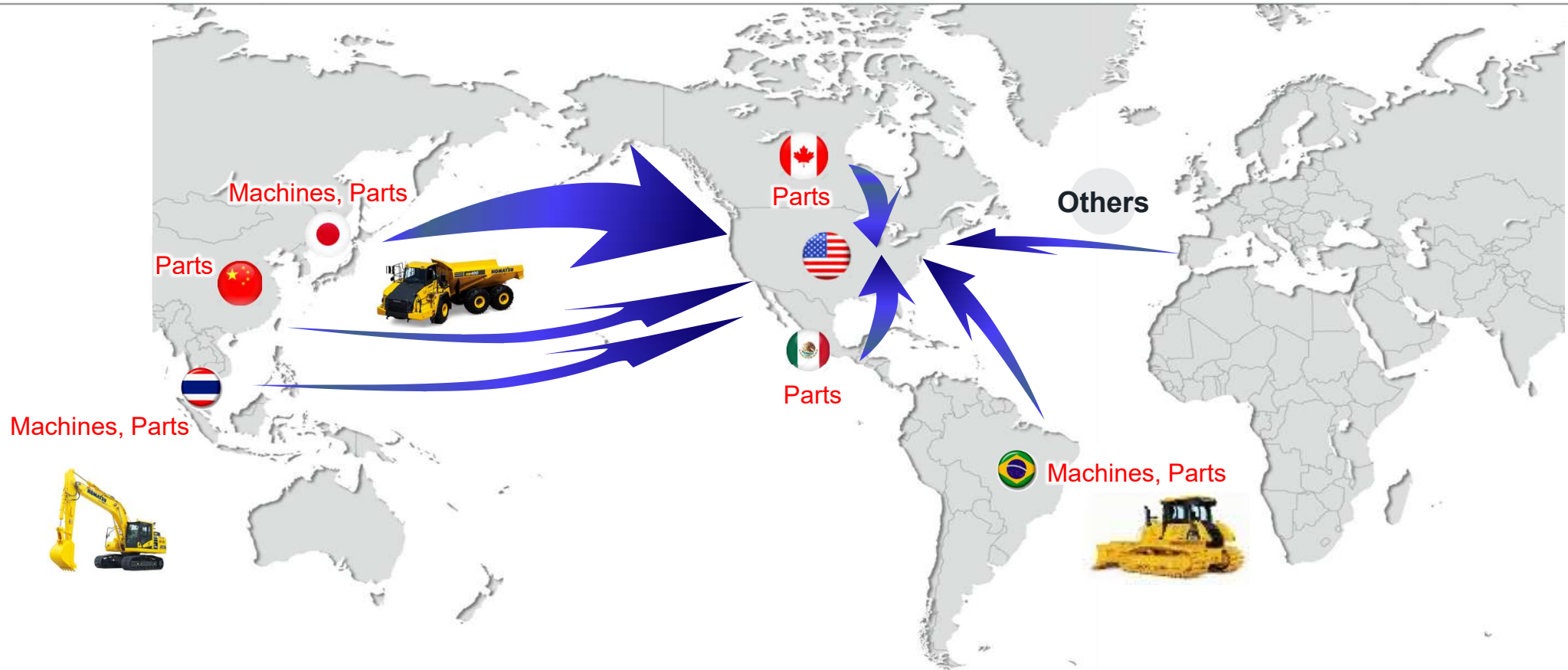
As of March 31, 2025

Country	No.	Company	Location	Main products	
U.S.A.	1	Komatsu America Corp.	Chattanooga, TN	Medium-sized hydraulic excavators, articulated dump trucks, forest machines (crawler type), Reman	
	2		Peoria, IL	Large dump trucks	
	3		Newberry, SC	Wheel loaders, forklift trucks	
	4	Komatsu Mining Corp.	Homer City, PA	Mining equipment for underground mining	
	5		Reno, PA		
	6		Lebanon, KY		
	7		Solon, OH		
	8		Duffield, VA		
	9		Longview, TX		Mining equipment for surface and underground mining
	10		Milwaukee, WI		Mining equipment for surface mining
	11	Cummins Komatsu Engine Company	Seymour, IN	Large diesel engines	
	12	Hensley Industries, Inc.	Dallas, TX	Buckets, teeth edges, adapters	
	13	TimberPro, Inc.	Shawano, WI	Forest machines (feller buncher)	
	14	American Battery Solutions, Inc.	Lake Orion, MI	Batteries for commercial vehicles	
	Canada	15	Komatsu Mining Corp.	Magill, ON	Mining equipment for underground mining
		16		Fielding, ON	
		17		Elliot Lake, ON	
		18	Quadco Inc.	St. Eustache, QC	Forest machines (felling head)
		19	Southstar Equipment Ltd.	Kamloops, BC	Forest machines (harvester head)



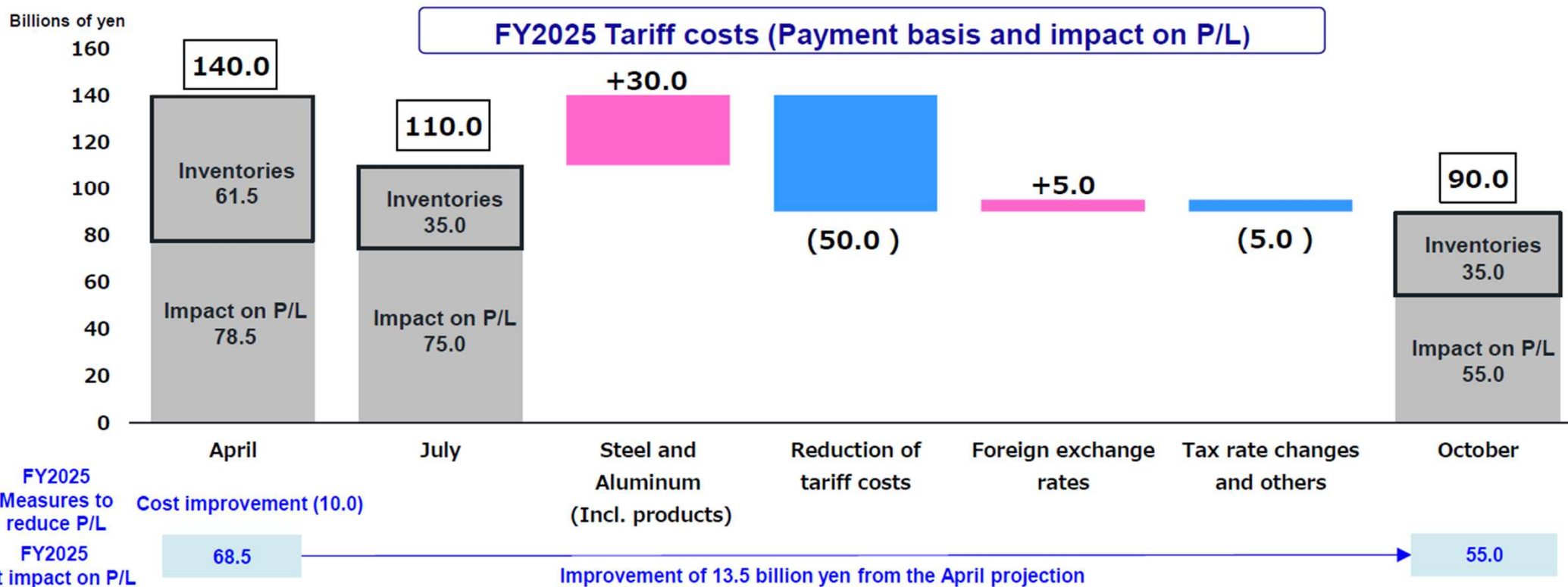
Production / Procurement source for the U.S. Market

- For the U.S. market, we supply many machines not only from the U.S. plants but also **from Japan, Thailand, and Brazil**.
- Even at our the U.S. plants, we purchase parts from outside the U.S.—**from Japan, China, and South Asia**, especially for CE.
- While **maintaining production in the U.S.** and **continuing our commitment to employment and investment**, rather than immediately increasing the U.S. production volume, we will **pursue a balanced and optimal sourcing strategy** by considering factors such as cost levels and workload.



Estimate of the additional U.S. tariffs

- Based on the U.S. tariff policies and rates that have been disclosed as of October 24, the latest forecast for tariff costs in FY2025 is as follows. (This does not take into account the impact of the additional tariff policy on China, etc announced by U.S. government officials in October.)
- Payment basis is JPY90 billion (a decrease of JPY50 billion from the April 2025 projection).
- The impact on profit and loss, including cost reduction measures implemented during the period, is JPY55 billion (an improvement of JPY13.5 billion from the April 2025 projection).
- The actual impact on profit and loss, including cost reduction measures, for the first half of the year was JPY7.7 billion. The impact is expected to increase progressively towards the end of the fiscal year.



Countermeasure for additional US Tariff

- Komatsu is accelerating tariff mitigation and cost improvement initiatives through short- and medium- and long-term actions, including flexible sourcing, direct shipments, and global cost optimization.

Category	Item	Content
Short	Steel/Aluminum Content Survey/Application	For machines and parts subject to steel/aluminum tariffs, investigate the content and declare it at customs.
	Direct Shipment of Machines	Direct shipment of machines to Canada, which were previously transported via US.
	Direct Shipment of Spare Parts	Direct shipment of spare parts to Canada and Latin America, which were previously transported via US.
	Change of Parts Sourcing	Change sourcing for parts to be produced at US plants.
	Utilization of USMCA	Expand the application of USMCA.
Medium	Change of Parts Sourcing	Flexibly change sourcing of machines and parts in response to changes in tariff rates.
	Cross – Sourcing of Machines	
Long	Strengthening Product Competitiveness	Enhance activities to strengthen product competitiveness with a long-term perspective.

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