

May 30, 2022

Dear Shareholders:

Notice of Convocation of the  
153rd Ordinary General Meeting of Shareholders  
of Komatsu Ltd.

Komatsu Ltd.

(Translation)

- Notes: 1. This document has been translated from the Japanese original for the convenience of foreign shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.
2. Regarding nonresident shareholders, if you wish to exercise your voting rights, please instruct your custodians, nominees or brokers accordingly in advance of the date of the Ordinary General Meeting of Shareholders.

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\* Parts of the Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements have been posted separately on our website (<https://www.komatsu.jp/ja/ir>).

*Information in English has been posted on our English website (<https://www.komatsu.jp/en/ir>).*

## To All Our Shareholders



President

A handwritten signature in black ink that reads "H. Ogawa". The signature is written in a cursive, flowing style.

Thank you for your continuous support of the business of the Komatsu Group. I hereby provide notice of convocation of the 153rd Ordinary General Meeting of Shareholders, which is to be held on June 21, 2022.

During fiscal year 2021, the final fiscal year of our mid-term management plan drawn up in 2019, the Company's financial results exhibited a trajectory of robust recovery amid a persisting rebound in the global economy in the wake of the COVID-19 pandemic during fiscal year 2020.

From fiscal year 2022, we have started the new "DANTOTSU Value – *Together, to 'The Next' for sustainable growth*" three-year mid-term management plan.

Under the new mid-term management plan, we will seek further growth by expanding our business domain, enlisting growth investment as we seize on opportunities derived from prevailing changes in the business environment. In addition, recognizing the mounting awareness of climate change, the accelerating pace of digital transformation (DX) and other such developments as the key challenges that should be reflected in our growth strategies, we accordingly seek to achieve sustainable growth by enlisting a positive cycle of improving earnings and solving environmental, social, and corporate governance (ESG) issues drawing on our three new growth strategy pillars of seeking to: (1) Accelerate growth by means of innovation, (2) Maximize earnings power, and (3) Enhance corporate resilience.

Komatsu celebrated its 100th Anniversary in May 2021. Looking toward our next century, we have defined our purpose as "creating value through manufacturing and technology innovation to empower a sustainable future where people, business and our planet thrive together," which serves our mission and vision, and have also created the brand promise of "Creating value together" to convey our commitment to all our stakeholders. We have furthermore drawn up our Sustainability Policy for the sake of clarifying our stance of sincerely addressing climate change and social demands and have also made our "2050 carbon neutral declaration" as a target of our challenge. We will take steps to achieve carbon neutrality using a dual approach to innovation that involves innovating products that culminate in lower CO<sub>2</sub> emissions from equipment by electrifying and automating construction equipment and innovating solutions that culminate in lower CO<sub>2</sub> emissions by optimizing customer workplaces enlisting our platforms and applications.

Although the environment in which we operate remains beset by future uncertainty amid complexities and drastic change, we consistently aim to help give rise to a better tomorrow for the next generation by realizing safe, highly productive, smart and clean workplaces of the future with customers through "commitment to Quality and Reliability" and "manufacturing and technology innovation."

Finally, I would like to take the opportunity to ask our shareholders for your kind and continuous support.

May 2022

**NOTICE OF CONVOCATION OF THE**  
**ONE HUNDRED AND FIFTY-THIRD (153RD)**  
**ORDINARY GENERAL MEETING OF SHAREHOLDERS**  
**OF KOMATSU LTD.**

Securities Code: 6301

May 30, 2022

Dear Shareholders:

Please be advised that the 153rd ordinary General Meeting of Shareholders of Komatsu Ltd. (hereinafter “the Company”) will be held in accordance with the particulars indicated in the attachment hereto.

We recommend that you exercise your voting rights ahead of time, if at all possible, for the sake of helping prevent the spread of COVID-19. You may exercise your voting rights by conventional postal delivery or via the Internet in advance, in addition to attending the General Meeting of Shareholders in person on the date it is held. We accordingly ask that you exercise your voting rights upon having reviewed the attached “Reference Documents for the General Meeting of Shareholders” (pages 6 to 25).

Sincerely,

Hiroyuki Ogawa

President

Komatsu Ltd.

3-6, Akasaka 2-chome, Minato-ku, Tokyo

## Details

**1. Date and Time:** Tuesday, June 21, 2022 at 10:00 a.m. (Japan time)

**2. Place:** “Kujaku-no-ma,” (main venue), 2nd floor of the Main Building,  
Imperial Hotel Tokyo  
1-1, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo

**3. Purpose:**

**Items to Be Reported**

- (1) The Business Report and the Consolidated Financial Statements for the 153rd fiscal year (April 1, 2021 – March 31, 2022), as well as the Audit Results Report of the Accounting Auditors and the Audit & Supervisory Board on the Consolidated Financial Statements
- (2) The Non-Consolidated Financial Statements for the 153rd fiscal year (April 1, 2021 – March 31, 2022)

**Items to Be Resolved**

- Item 1:** Appropriation of Surplus
- Item 2:** Partial Amendments to the Articles of Incorporation
- Item 3:** Election of Nine (9) Directors
- Item 4:** Election of One (1) Audit & Supervisory Board Member

Note:

The Company will promptly announce on its website, etc. any changes to the date, time, and venue, etc. of the General Meeting of Shareholders that may be necessary due to unavoidable circumstances going forward.

The Company’s website: <https://www.komatsu.jp/ja/ir>

## Guidance on Methods for Exercise of Voting Rights

### Exercise of voting rights in advance

By conventional postal delivery	
Deadline for exercising voting rights:	To arrive at the Company by 5:45 p.m. on Monday, June 20, 2022 (Japan time)
Please indicate “for” or “against” for each agenda item shown on the enclosed Card for Exercising Voting Rights and return it via the conventional postal delivery system.	

Via the Internet*	
Deadline for exercising voting rights:	To be performed by 5:45 p.m. on Monday, June 20, 2022 (Japan time)
Website designated by the Company:	<a href="https://evote.tr.mufg.jp/">https://evote.tr.mufg.jp/</a>
Please indicate “for” or “against” for each agenda item.	

- Institutional investors can utilize the electronic platform for exercising voting rights, which is operated by ICJ, Inc.  
*\*Voting via the Internet other than through the ICJ platform is only available for registered shareholders in Japan and only in the Japanese language. The ICJ platform is an electronic voting platform for institutional investors available via the ProxyEdge® system of Broadridge. For further details, please consult with your custodian(s), nominee(s) and/or broker(s).*

### Physically attending on the day of the General Meeting of Shareholders

Attendance at the General Meeting of Shareholders	
Date and time:	Tuesday, June 21, 2022 at 10:00 a.m. (Japan time)
The reception desk is scheduled to open at 9:00 a.m.	
Please bring the enclosed Card for Exercising Voting Rights and submit it at the reception.	

- If you physically attend on the day, your votes exercised beforehand will be nullified.

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## 4. Handling of Votes

- (1) If you exercise your voting rights twice, both by conventional postal delivery and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote.  
In the case of multiple votes via the Internet, etc., the last votes shall prevail.
- (2) If you diversely exercise your voting rights, you are required to notify the Company of the details and the reasons for this in writing or via the Internet.

End

For Internet Disclosure: the Company's website (<https://www.komatsu.jp/ja/ir>)

*\*Information in English has been posted on our English website (<https://www.komatsu.jp/en/ir>).*

- Information regarding the items listed below is not contained within this document, entitled "Notice of Convocation of the 153rd Ordinary General Meeting of Shareholders of Komatsu Ltd." In accordance with relevant laws and regulations and with Article 16 of the Company's Articles of Incorporation, such information in Japanese has been posted separately on our website.

1	Business Report	Financial Position and Profit/Loss Trends Major Lines of Business Principal Offices and Plants Matters Regarding Stock Acquisition Rights of the Company, etc. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems
2	Consolidated Financial Statements	Consolidated Statement of Equity Notes to Consolidated Financial Statements
3	Non-Consolidated Financial Statements	Non-Consolidated Statement of Changes in Net Assets Notes to Non-Consolidated Financial Statements

The Business Report that the Audit & Supervisory Board Members audited and the Consolidated Financial Statements and Non-Consolidated Financial Statements that the Accounting Auditor and the Audit & Supervisory Board Members audited comprise each document stated in this "Notice of Convocation of the 153rd Ordinary General Meeting of Shareholders of Komatsu Ltd." and matters mentioned in the table above that are posted on the Company's website on the Internet.

*\*Information in English has been posted on our English website (<https://www.komatsu.jp/en/ir>).*

- Please note that any changes in the matters described in Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements, and Consolidated Financial Statements in Japanese will be posted on our website.

*\*Information in English will be posted on our English website (<https://www.komatsu.jp/en/ir>).*

## Reference Documents for the General Meeting of Shareholders

### Proposed Items to Be Resolved and Reference Information:

#### Item 1: Appropriation of Surplus

The Company is establishing a sound financial position and strengthening its competitiveness to sustainably increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of striving to continue stable dividends by comprehensively considering consolidated business results, future investment plans, cash flows and other related factors.

For the 153rd fiscal year, following the dividend policy of a consolidated payout ratio of 40% or higher, as well as in consideration of the Company's business performance for this fiscal year and future business developments, the Company proposes to pay a year-end dividend of surplus as follows.

(1) Type of the dividend assets	Cash
(2) Matters concerning allotment and total amount of the dividend assets	JPY 56 per one (1) common share of the Company (an increase of JPY 19 per one (1) common share of the Company over the previous fiscal year) Total amount of the dividend assets: JPY 52,962,912,408
(3) Effective date of dividends of surplus	Wednesday, June 22, 2022

Accordingly, combined with the interim dividend of JPY 40 per one (1) common share of the Company, the annual dividend will be JPY 96 per one (1) common share of the Company for this fiscal year, an increase of JPY 41 per one (1) common share of the Company over the previous fiscal year. The consolidated payout ratio is 40.3%.

#### **<Reference> Policy of dividends for the 154th fiscal year and beyond**

Following the new three-year mid-term management plan, "DANTOTSU Value – *Together, to 'The Next' for sustainable growth,*" from April 2022 to March 2025, the Company has set its policy of dividends for the 154th fiscal year and beyond as follows.

The Company is establishing a sound financial position and strengthening its competitiveness to sustainably increase its corporate value. Concerning cash dividends to shareholders, the Company maintains the policy of striving to continue stable dividends by comprehensively considering consolidated business results, future investment plans, cash flows and other related factors.

Specifically, the Company's policy is to achieve a consolidated payout ratio of 40% or higher.



**Item 2: Partial Amendments to the Articles of Incorporation**

**1. Reasons for amendments**

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) become effective on September 1, 2022, the Company proposes to make the following necessary amendments to Article 16 of the current Articles of Incorporation and add Supplementary Provisions regarding the effective date, etc. of these amendments in preparation for the introduction of the system for providing informational materials for the General Meeting of Shareholders in electronic format.

- (1) Article 16, Paragraph 1 in “Proposed Amendments” below stipulates that the Company shall take measures for providing in electronic format information that constitutes reference documents for the General Meeting of Shareholders, etc.
- (2) Article 16, Paragraph 2 in “Proposed Amendments” below limits the scope of the items to be stated in the paper documents to be delivered to shareholders who requested the delivery of paper documents.
- (3) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc. (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) In line with the above additions and deletions of provisions, Supplementary Provisions regarding the effective date and other relevant matters will be enacted.

**2. Details of amendments**

The details of the amendments to the current Articles of Incorporation are as follows:

(The underlined portions indicate the proposed amendments.)

Current Articles of Incorporation	Proposed Amendments
<p><b><u>Article 16. Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc.</u></b></p> <p><u>The Company may, by disclosing the information related to the matters to be described or indicated in (1) the reference documents for the General Meeting of Shareholders, (2) the business report, (3) the financial statements and (4) the consolidated financial statements, through the Internet in accordance with the provisions of the Ministerial Ordinance of the Ministry of Justice, in connection with the convocation of the General Meeting of Shareholders, deem that it has provided the same to the shareholders.</u></p>	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed Amendments
(New)	<p data-bbox="874 219 1437 282"><b><u>Article 16. Measures, etc. for Providing Information in Electronic Format</u></b></p> <p data-bbox="874 300 1465 454">1. <u>When the Company convenes a General Meeting of Shareholders, it shall take measures for providing in electronic format information that constitutes reference documents for the General Meeting of Shareholders, etc.</u></p> <p data-bbox="874 465 1465 719">2. <u>Among items of information to be provided in electronic format, the Company may exclude all or some of those items designated by the Ministerial Ordinance of the Ministry of Justice from statements in the paper documents to be delivered to shareholders who requested the delivery of paper documents by the record date of voting rights.</u></p>
(New)	<p data-bbox="1007 837 1342 869"><b><u>Supplementary Provisions</u></b></p> <p data-bbox="874 887 1477 981"><b><u>Article 1. Transitional Measures for Measures, etc. for Providing Information in Electronic Format</u></b></p> <p data-bbox="874 999 1469 1442">1. <u>The deletion of Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders, etc.) in the unamended Articles of Incorporation and the enactment of Article 16 (Measures, etc. for Providing Information in Electronic Format) in the amended Articles of Incorporation shall be effective as of September 1, 2022, the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p data-bbox="874 1453 1465 1644">2. <u>Notwithstanding the preceding paragraph, Article 16 of the unamended Articles of Incorporation shall remain effective regarding any General Meeting of Shareholders held on a date within six months from the Date of Enforcement.</u></p> <p data-bbox="874 1655 1453 1845">3. <u>These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the General Meeting of Shareholders described in the preceding paragraph, whichever is later.</u></p>

**Item 3: Election of Nine (9) Directors**

The terms of office of all of the nine (9) Directors will expire as of the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes that nine (9) Directors (including four (4) Outside Directors) be elected.

The candidates for the positions are as follows:

No. of Candidate	Name	(Reference)	
		Position and in Charge, etc. at the Company (As of May 18, 2022)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2022
1	<a href="#">Reelection</a> <b>Tetsuji Ohashi</b>	Chairman of the Board Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
2	<a href="#">Reelection</a> <b>Hiroyuki Ogawa</b>	President and Representative Director Chief Executive Officer (CEO) Member of Human Resource Advisory Committee	100%
3	<a href="#">Reelection</a> <b>Masayuki Moriyama</b>	Representative Director and Senior Executive Officer President of Mining Business Division	100%
4	<a href="#">Reelection</a> <b>Kiyoshi Mizuhara</b>	Representative Director and Senior Executive Officer Chief Marketing Officer (CMO)	100%
5	<a href="#">Reelection</a> <b>Takeshi Horikoshi</b>	Director and Senior Executive Officer Chief Financial Officer (CFO)	100%
6	<a href="#">Reelection</a> Outside Director Independent <b>Takeshi Kunibe</b>	Director Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
7	<a href="#">Reelection</a> Outside Director Independent <b>Arthur M. Mitchell</b>	Director Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
8	<a href="#">Reelection</a> Outside Director Independent <b>Naoko Saiki</b>	Director Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
9	<a href="#">New Candidate</a> Outside Director Independent <b>Michitaka Sawada</b>	—	—

Outside Director: Candidate for Outside Director


Independent: Candidate for Director who meets the Company's independence standards (page 25) and for whom the Company has submitted or plans to submit an Independent Directors Notification to the Tokyo Stock Exchange (*the Japanese stock exchange on which the Company's shares are listed*).

**<Reference> Policies and Procedures for Nominating Directors and Audit & Supervisory Board Members of the Company**

The policy of the Board of Directors of the Company is to elect multiple members with abundant experience, sophisticated knowledge and expertise from inside and outside the Company to carry out appropriate decision-making and management supervision. Moreover, taking into consideration diversity, such as in gender and nationality, and in order to increase the objectivity and transparency of its judgment in deciding on its selection of candidates as Directors and Audit & Supervisory Board Members, the Board of Directors made the selection based upon discussions and resolutions of, and upon the recommendation from, the Human Resource Advisory Committee, consisting of four (4) Outside Directors (one (1) of whom is Chairman of the Committee), the Chairman of the Board and the President. The Human Resource Advisory Committee also discusses appointments and removals of the President (CEO) and executive officers and the human resource development policy.

When judging whether or not to accept the proposal for the selection of Directors and Audit & Supervisory Board Members who are appointed from within the Company, candidates' knowledge and expertise cultivated over their careers as well as their accumulated experience is taken into account. As such, short summaries of their careers are provided.

The Company emphasizes independence when selecting Outside Directors and Outside Audit & Supervisory Board Members and has therefore established its own "Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members." Details are given on page 25.

	<b>1. <a href="#">Reelection</a></b>	<b>Tetsuji Ohashi</b>	(March 23, 1954)
	▶ Number of Year(s) in Office:	13 years	
	▶ Attendance of the Meetings of the Board of Directors:	15/15 (100%)	
	▶ Number of Shares of the Company Held:	191,300 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Yamaha Motor Co., Ltd. Outside Member of the Board of Nomura Research Institute, Ltd. Outside Director of Asahi Group Holdings, Ltd.	
	▶ Special Interests between the Candidate and the Company:	None	

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Career summary and positions

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4/1977	Joined the Company Product Control Section, Planning & Coordination Department of Awazu Plant
6/1982	Graduate School, Stanford University, USA (until 6/1984)
10/1998	General Manager of Planning & Cooperation Department of Awazu Plant, Production Division
10/2001	Plant Manager of Moka Plant, Production Division
1/2004	President and Chief Operating Officer (COO) of Komatsu America Corp.
4/2007	Took office as Executive Officer President of Production Division
4/2008	Took office as Senior Executive Officer
6/2009	Took office as Director and Senior Executive Officer
4/2012	Took office as Director and Senior Executive Officer
4/2013	Took office as President, Representative Director and CEO
4/2019	Took office as Chairman of the Board and Representative Director
4/2022	Took office as Chairman of the Board (current)

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Reason for nomination as candidate for Director

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Mr. Tetsuji Ohashi has served in important positions in the production departments and as President of a subsidiary in the U.S. During the six years from April 2013, he attained significant achievements for the increase of corporate value as President and CEO of the Company. Currently, he takes on the management supervision as Chairman and contributes to corporate governance as Chairman of the Board of Directors and member of the Human Resource Advisory Committee and the Compensation Advisory Committee.

Based on his abundant experience in the Company's business and considerable knowledge regarding corporate management, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

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	<b>2. <a href="#">Reelection</a></b>	<b>Hiroyuki Ogawa</b>	(March 23, 1961)
	▶ Number of Year(s) in Office:	4 years	
	▶ Attendance of the Meetings of the Board of Directors:	15/15 (100%)	
	▶ Number of Shares of the Company Held:	94,000 shares	
	▶ In Charge at the Company:	Chief Executive Officer (CEO)	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests between the Candidate and the Company:	None	

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#### Career summary and positions

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4/1985	Joined the Company Production Engineering Section, Production Engineering Department of Kawasaki Plant
4/2004	Plant Manager of Chattanooga Manufacturing Operation, Komatsu America Corp.
4/2007	General Manager of Planning & Coordination Department of Osaka Plant, Production Division
4/2010	Took office as Executive Officer Plant Manager of Ibaraki Plant, Production Division
4/2013	President of Procurement Division in Production Division
4/2014	Representative of All Indonesia Operations Chairman of PT Komatsu Marketing & Support Indonesia (until 3/2016)
4/2015	Took office as Senior Executive Officer
4/2016	President of Production Division
4/2018	Took office as Senior Executive Officer
6/2018	Took office as Director and Senior Executive Officer
4/2019	Took office as President and Representative Director (current) CEO (current)

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#### Reason for nomination as candidate for Director

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Mr. Hiroyuki Ogawa has served in important positions in the production departments and as Representative of All Indonesia Operations. Since April 2019, he has been promoting digital transformation and carbon neutrality at construction sites, responding to ESG issues and demonstrating leadership with regard to business continuation, etc. during the COVID-19 pandemic as President and CEO.

Based on his abundant experience regarding the Company's business and considerable insight as a manager, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

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	<b>3. <a href="#">Reelection</a> Masayuki Moriyama</b> (February 5, 1960)
	▶ Number of Year(s) in Office: 3 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 72,600 shares
	▶ In Charge at the Company: President of Mining Business Division
	▶ Important Concurrent Positions Held in Other Organizations: None
▶ Special Interests between the Candidate and the Company: None	

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Career summary and positions

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4/1982	Joined the Company Technology Management Department, Vehicle Development Center of Kawasaki Plant
7/1988	Graduate School, Cornell University, USA (until 6/1990)
3/2000	Komatsu America Corp. (until 3/2003)
4/2010	Took office as Executive Officer General Manager of Construction Equipment Technical Center 1, Development Division
4/2014	President and Chief Operating Officer (COO) of Komatsu America Corp.
4/2015	Took office as Senior Executive Officer
4/2017	President of Mining Business Division (current)
4/2018	Took office as Senior Executive Officer
6/2019	Took office as Director and Senior Executive Officer
4/2022	Took office as Representative Director and Senior Executive Officer (current)

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Reason for nomination as candidate for Director

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Mr. Masayuki Moriyama has been involved in construction equipment development, marketing and product support, and recently served as President of a subsidiary in the U.S. Since April 2017, he has been in charge of the mining equipment business, and has been promoting the generation of synergies from the integration with Komatsu Mining Corp., which the Company purchased, and the expansion of sales of the Company's Autonomous Haulage System (AHS).

Based on his abundant experience and knowledge regarding the Company's business, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

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	<b>4. <a href="#">Reelection</a> Kiyoshi Mizuhara</b> (January 13, 1960)
	▶ Number of Year(s) in Office: 3 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 55,300 shares
	▶ In Charge at the Company: Chief Marketing Officer (CMO)
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests between the Candidate and the Company: None

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Career summary and positions

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4/1983	Joined the Company General Sales Department, Export Sales Division
9/1988	Komatsu Dresser Company (currently Komatsu America Corp.) (until 3/1993)
3/1997	Komatsu Hanomag GmbH (currently Komatsu Germany GmbH) (until 3/2003)
4/2008	General Manager of Business Control Department, Construction & Mining Equipment Marketing Division
4/2011	General Manager of Construction Equipment Corporate Planning Department, Construction & Mining Equipment Marketing Division
4/2013	Took office as Executive Officer Representative of All India Operations President of Komatsu India Pvt. Ltd.
4/2017	Took office as Senior Executive Officer President of Construction Equipment Marketing Division
4/2019	Took office as Senior Executive Officer
6/2019	Took office as Director and Senior Executive Officer
4/2021	CMO and President, Construction Equipment Solution Division
4/2022	Took office as Representative Director and Senior Executive Officer (current) CMO (current)

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Reason for nomination as candidate for Director


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Mr. Kiyoshi Mizuhara has long been involved in global marketing for construction equipment, recently served as Representative of All India Operations, managed the overall marketing of construction equipment from April 2017, and focused on the promotion of brand management and the development of distributors' human resources.

Based on his abundant experience and knowledge regarding the Company's business, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

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	<b>5. <a href="#">Reelection</a> Takeshi Horikoshi</b> (August 1, 1961)
	▶ Number of Year(s) in Office: 1 year
	▶ Attendance of the Meetings of the Board of Directors: 11/11 (100%)
	▶ Number of Shares of the Company Held: 31,100 shares
	▶ In Charge at the Company: Chief Financial Officer (CFO)
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests between the Candidate and the Company: None

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Career summary and positions

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4/1985	Joined the Company Accounting Section, Administration Department of Osaka Plant
2/1996	Komatsu UK Ltd.
9/1998	Komatsu France S.A.S (until 5/2003)
11/2008	Komatsu Europe International N.V. (until 11/2011)
6/2012	General Manager of Finance & Treasury Department
5/2016	General Manager of Corporate Controlling Department
4/2017	Took office as Executive Officer
4/2018	CFO (current)
4/2020	Took office as Senior Executive Officer
6/2021	Took office as Director and Senior Executive Officer (current)

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Reason for nomination as candidate for Director

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Mr. Takeshi Horikoshi has served in important positions in the accounting and finance related departments and is well versed in the operations of performance management, M&A, corporate planning, etc. Since April 2018, he has assumed heavy responsibility in the fields of overall accounting, information disclosure, corporate governance, internal control, risk management, etc. as CFO.

Based on his abundant experience and knowledge regarding the Company's business, the Company has deemed him appropriate as a member of the Board of Directors of the Company. Therefore, the Company nominates him as a candidate for Director.

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Outside Director Independent  	<b>6. <span style="border: 1px solid black; padding: 0 2px;">Reelection</span> Takeshi Kunibe</b>	(March 8, 1954)
	▶ Number of Year(s) in Office:	2 years
	▶ Attendance of the Meetings of the Board of Directors:	15/15 (100%)
	▶ Number of Shares of the Company Held:	0 shares
	▶ Important Concurrent Positions Held in Other Organizations:	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. Chairman of the Board of Sumitomo Mitsui Banking Corporation Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD Outside Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.
	▶ Special Interests between the Candidate and the Company:	None

#### Career summary and positions

4/1976	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter the “SMBC”)
6/2003	Took office as Executive Officer of SMBC
10/2006	Took office as Managing Executive Officer of SMBC
4/2007	Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter “SMFG”)
6/2007	Took office as Director of SMFG
4/2009	Took office as Director and Senior Managing Executive Officer of SMBC
4/2011	Took office as Representative Director, President and Chief Executive Officer of SMBC
4/2017	Took office as Representative Director and President of SMFG Retired from Director of SMBC
6/2017	Took office as Director President and Representative Executive Officer of SMFG
4/2019	Took office as Chairman of the Board of SMFG (current)
6/2020	Took office as Director of the Company (current)
10/2021	Took office as Chairman of the Board of SMBC (current)

#### Reason for nomination as candidate for Outside Director and overview of the role expected


Mr. Takeshi Kunibe has considerable knowledge and rich experience in the business world, including the field of finance and group company management, etc., having served successively as Representative Director, President and Chief Executive Officer of SMBC, as well as Representative Director and President, Director President, Representative Executive Officer and Chairman of the Board of SMFG.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. Therefore, the Company nominates him as a candidate for Outside Director.

#### Matters regarding independence

Mr. Takeshi Kunibe is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange.

Mr. Kunibe serves as Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation. He also served as Representative Director, President and Chief Executive Officer of Sumitomo Mitsui Banking Corporation from April 2011 to April 2017, but has had no involvement in the execution of business at the said bank since his retirement in April 2017. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company’s decision making. As of the end of the most recent fiscal year, the balance of loans from the said bank was JPY 182.8 billion, which was 19.3% of the total amount of loans. (page 46)

<p>Outside Director Independent</p> 	<p><b>7. <a href="#">Reelection</a> Arthur M. Mitchell</b> (July 23, 1947)</p>
	<p>▶ Number of Year(s) in Office: 2 years</p>
	<p>▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)</p>
	<p>▶ Number of Shares of the Company Held: 0 shares</p>
	<p>▶ Important Concurrent Positions Held in Other Organizations: Outside Director of Sumitomo Mitsui Financial Group, Inc.</p>
	<p>▶ Special Interests between the Candidate and the Company: None</p>

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Career summary and positions

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7/1976	Registered as attorney at law in New York State, USA (current)
1/2003	Took office as General Counsel of Asian Development Bank
9/2007	Joined White & Case LLP
1/2008	Registered as registered foreign lawyer in Japan (current) Registered foreign lawyer of White & Case LLP (current)
6/2020	Took office as Director of the Company (current)

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Reason for nomination as candidate for Outside Director and overview of the role expected

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Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan and has considerable knowledge and rich experience in the field of international legal affairs.

Utilizing this knowledge and experience, his recommendations concerning the overall management of the Company are expected to contribute to the mitigation and avoidance of risk in the Company's global business operations and to the enhancement of the Company's medium- and long-term corporate value. Therefore, the Company nominates him as a candidate for Outside Director.

Although Mr. Mitchell has no experience in participating in the management of other companies directly, the Company judged that he would be able to execute the duties of Outside Director adequately because of the reasons above.


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Matters regarding independence

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Mr. Arthur M. Mitchell is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange.

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Outside Director Independent  	<b>8. <a href="#">Reelection</a></b>	<b>Naoko Saiki</b>	(October 11, 1958)
	▶ Number of Year(s) in Office:	1 year	
	▶ Attendance of the Meetings of the Board of Directors:	11/11 (100%)	
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Sojitz Corporation Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.	
	▶ Special Interests between the Candidate and the Company:	None	

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#### Career summary and positions

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4/1982	Joined the Ministry of Foreign Affairs (hereinafter “MOFA”)
7/2014	Took office as Director-General, Economic Affairs Bureau and Councillor, Cabinet Secretariat
10/2015	Took office as Director-General, International Legal Affairs Bureau
7/2017	Took office as Director-General, Foreign Service Training Institute, MOFA
1/2019	Retired from MOFA
4/2020	Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo
6/2021	Took office as Director of the Company (current)

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#### Reason for nomination as candidate for Outside Director and overview of the role expected

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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 MOFA.

Utilizing this knowledge and experience, her recommendations concerning the overall management of the Company are expected to contribute to the enhancement of medium- to long-term corporate value of the Company. Therefore, the Company nominates her as a candidate for Outside Director.

Although Ms. Saiki has no experience in participating in the management of other companies directly, the Company judged that she would be able to execute the duties of Outside Director adequately because of the reasons above.


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#### Matters regarding independence

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Ms. Naoko Saiki is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers her as an Independent Director and has submitted the relevant notification to the Tokyo Stock Exchange.

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Outside Director Independent  	<b>9.</b> <span style="border: 1px solid green; padding: 2px;">New Candidate</span>	<b>Michitaka Sawada</b>	(December 20, 1955)
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Director, Chair of Kao Corporation Outside Director of Panasonic Holdings Corporation Outside Director of Nitto Denko Corporation	
	▶ Special Interests between the Candidate and the Company:	None	

#### Career summary and positions

4/1981	Joined Kao Soap Co., Ltd. (currently Kao Corporation)
6/2006	Took office as Executive Officer of Kao Corporation
6/2008	Took office as Director, Executive Officer of Kao Corporation
6/2012	Took office as Representative Director, President and Chief Executive Officer of Kao Corporation
1/2021	Took office as Director, Chair of Kao Corporation (current)

#### Reason for nomination as candidate for Outside Director and overview of the role expected

Mr. Michitaka Sawada has considerable knowledge and rich experience in the business world having engaged in global group corporate management and ESG management, as Representative Director, President of Kao Corporation 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 medium- to long-term corporate value of the Company. Therefore, the Company nominates him as a candidate for Outside Director.

#### Matters regarding independence

Mr. Michitaka Sawada is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Director and will submit the relevant notification to the Tokyo Stock Exchange.

#### Notes:

- Meeting attendance above shows attendance of the meetings of the Board of Directors held during the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022). As Mr. Takeshi Horikoshi and Ms. Naoko Saiki were elected at the 152nd Ordinary General Meeting of Shareholders held in June 2021, their maximum number of meetings of attendance is different from that of the other Directors.
- The names of divisions and other bodies in the Company in “Career summary and positions” above show those that were applicable at each relevant time period.
- The Company has entered into an agreement with Mr. Takeshi Kunibe, Mr. Arthur M. Mitchell and Ms. Naoko Saiki that limits their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company. If their reelections are approved, the Company intends to continue the aforesaid agreement. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
- The Company intends to enter into an agreement with Mr. Michitaka Sawada that limits his liability for damages caused by his negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company if his election is approved. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
- The Company has entered into a company indemnification agreement with its incumbent Directors in accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act of Japan, thereby providing that the Company shall indemnify expenses set forth in Article 430-2, Paragraph 1, Item 1 of the same, and losses set forth in Article 430-2, Paragraph 1, Item 2 of the same, within the scope permitted by laws and regulations. If the reelections of the candidates who are incumbent Directors are approved, the Company intends to continue the aforesaid agreements. If the election of new candidate Mr. Michitaka Sawada is approved, the Company intends to enter into the same company indemnification agreement with him.
- The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. This policy covers amounts of indemnification and litigation expenses, etc. borne by the insured person that are incurred through a shareholders’ derivative suit, company lawsuit or third-party lawsuit. All candidates for Director are

included as insured persons in this policy. In addition, when the policy is renewed, the Company plans to renew the policy on the same terms.

#### Item 4: Election of One (1) Audit & Supervisory Board Member

The term of office of Mr. Hirohide Yamaguchi as Audit & Supervisory Board Member will expire as of the close of this Ordinary General Meeting of Shareholders.


Accordingly, the Company proposes that one (1) Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) be elected. If this item is approved, the Company's Audit & Supervisory Board Members will consist of five (5) members (including three (3) Outside Audit & Supervisory Board Members).

This item for resolution was reviewed and approved by the Audit & Supervisory Board.

The candidate for the position is as follows:

Outside Audit & Supervisory Board Member: Candidate for Outside Audit & Supervisory Board Member

Independent: Candidate for Audit & Supervisory Board Member who meets the Company's independence standards (page 25) and for whom the Company has submitted or plans to submit an Independent Audit & Supervisory Board Member Notification to the Tokyo Stock Exchange (*the Japanese stock exchange on which the Company's shares are listed*).

Outside Audit & Supervisory Board Member Independent	<b>New Candidate</b>	<b>Tatsuro Kosaka</b>	(January 18, 1953)
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	None	
	▶ Special Interests between the Candidate and the Company:	None	

#### Career summary and positions

4/1976	Joined Chugai Pharmaceutical Co., Ltd.
10/2002	Took office as Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.
10/2004	Took office as Senior Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.
3/2005	Took office as Senior Vice President, Deputy Managing Director of Sales & Marketing Group of Chugai Pharmaceutical Co., Ltd.
7/2005	Took office as Senior Vice President, Head of Strategic Marketing Unit of Chugai Pharmaceutical Co., Ltd.
3/2008	Took office as Senior Vice President, Head of Lifecycle Management & Marketing Unit of Chugai Pharmaceutical Co., Ltd.
3/2010	Took office as Director, Executive Vice President of Chugai Pharmaceutical Co., Ltd.
3/2012	Took office as Representative Director, President & COO of Chugai Pharmaceutical Co., Ltd.
3/2018	Took office as Representative Director, President & CEO of Chugai Pharmaceutical Co., Ltd.
3/2020	Took office as Representative Director, Chairman & CEO of Chugai Pharmaceutical Co., Ltd.
3/2022	Took office as Senior Advisor (current)

#### Reason for nomination as candidate for Outside Audit & Supervisory Board Member

Mr. Tatsuro Kosaka has considerable knowledge and rich experience in the business world having engaged in global corporate management as Representative Director, President of Chugai Pharmaceutical Co., Ltd. and Representative Director, Chairman of Chugai Pharmaceutical Co., Ltd. Utilizing this knowledge and experience, the Company expects him to execute his duties as 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.

#### Matters regarding independence

Mr. Tatsuro Kosaka is unlikely to have a conflict of interest with general shareholders. For this reason, the Company considers him as an Independent Audit & Supervisory Board Member and will submit the relevant notification to the Tokyo Stock Exchange.

Notes:

1. The Company intends to enter into an agreement with Mr. Tatsuro Kosaka that limits his liability for damages caused by his negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company if his election is approved. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
2. The Company has entered into a company indemnification agreement with its incumbent Audit & Supervisory Board Members in accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act of Japan, thereby providing that the Company shall indemnify expenses set forth in Article 430-2, Paragraph 1, Item 1 of the same, and losses set forth in Article 430-2, Paragraph 1, Item 2 of the same, within the scope permitted by laws and regulations. The Company intends to continue the aforesaid agreements with respect to the incumbent Audit & Supervisory Board Members. If the election of new candidate Mr. Tatsuro Kosaka is approved, the Company intends to enter into the same company indemnification agreement with him.
3. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. This policy covers amounts of indemnification and litigation expenses, etc. borne by the insured person that are incurred through a shareholders' derivative suit, company lawsuit or third-party lawsuit. The candidate for Audit & Supervisory Board Member is included as an insured person in this policy. In addition, when the policy is renewed, the Company plans to renew the policy on the same terms.



**<Reference> Composition of the Company's Audit & Supervisory Board**

If Item 4 is approved and adopted, composition of the Company's Audit & Supervisory Board will be as follows.

Name	Position, etc., at the Company (As of May 18, 2022)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2022	Attendance rate of the Meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2022
<b>Terumi Sasaki</b>	Standing Audit & Supervisory Board Member	100%	100%
<b>Yasuhiro Inagaki</b>	Standing Audit & Supervisory Board Member	100%	100%
Outside Audit & Supervisory Board Member Independent <b>Eiko Shinotsuka</b>	Audit & Supervisory Board Member Member of Compensation Advisory Committee	100%	100%
Outside Audit & Supervisory Board Member Independent <b>Kotaro Ohno</b>	Audit & Supervisory Board Member Member of Compensation Advisory Committee	100%	100%
<a href="#">New Candidate</a> Outside Audit & Supervisory Board Member Independent <b>Tatsuro Kosaka</b>	–	–	–

Independent: Audit & Supervisory Board Member who meets the Company's independence standards (page 25) and for whom the Company has submitted or plans to submit an Independent Audit & Supervisory Board Member Notification to the Tokyo Stock Exchange (*the Japanese stock exchange on which the Company's shares are listed*).

<Reference> Skill matrix for Directors and Audit & Supervisory Board Members of the Company  
(including candidates)

Name		Corporate Management	Finance/Economics	Innovative Technologies/DX Environments	Sales & Marketing	Human Rights/Human Resources & Human Resource Development	Legal Affairs & Compliance	Global
Directors	<b>Tetsuji Ohashi</b>	•		•			•	•
	<b>Hiroyuki Ogawa</b>	•	•	•	•	•	•	•
	<b>Masayuki Moriyama</b>			•	•			•
	<b>Kiyoshi Mizuhara</b>				•			•
	<b>Takeshi Horikoshi</b>		•				•	•
	Outside Director Independent <b>Takeshi Kunibe</b>	•	•	•				
	Outside Director Independent <b>Arthur M. Mitchell</b>						•	•
	Outside Director Independent <b>Naoko Saiki</b>					•	•	•
	Outside Director Independent <b>Michitaka Sawada</b>	•		•	•	•		
	Audit & Supervisory Board Members	<b>Terumi Sasaki</b>		•				
<b>Yasuhiro Inagaki</b>							•	•
Outside Audit & Supervisory Board Member Independent <b>Eiko Shinotsuka</b>						•	•	
Outside Audit & Supervisory Board Member Independent <b>Kotaro Ohno</b>						•	•	
Outside Audit & Supervisory Board Member Independent <b>Tatsuro Kosaka</b>	•		•	•				

Independent: Director or Audit & Supervisory Board Member who meets the Company's independence standards (page 25) and for whom the Company has submitted or plans to submit an Independent Director or Audit & Supervisory Board Member Notification to the Tokyo Stock Exchange (*the Japanese stock exchange on which the Company's shares are listed*). (Including candidates)

Note: This skill matrix presents categories of skills that the Board of Directors has deemed particularly worthy of focus and oversight by the respective Directors and Audit & Supervisory Board Members with respect to management of the Company, upon having taken into account the primary abilities and expertise of each individual.

## <Reference> The Company's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members

The Board of Directors of the Company has determined the independence standards for Outside Directors and Outside Audit & Supervisory Board Members (collectively, "Outside Board Members") as follows.

### 1. Basic stance:

Independent Outside Board Members are defined as Outside Board Members who have no potential conflict of interest with ordinary shareholders of the Company.

In the event that they are critically controlled by the top management of the Company or they can critically control the top management of the Company, they are deemed to have a conflict of interest with ordinary shareholders of the Company. Therefore, the Board of Directors determines that they have no independence from the Company.

### 2. Independence standards:

Based on "1. Basic stance" above, the Board of Directors determines an Outside Board Member who is listed below has no independence from the Company.

- 1) Person engaged in transactions or execution of business with the Company or its subsidiary as his/her major business partner

This is applicable to a business partner or a person engaged in business execution with the Company or its subsidiary, and the Company or its subsidiary can give significant influence on decision making of the concerned partner or person.

Through its departments engaged in business transactions with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), the Company reviews the business relationship of these companies by making direct inquiries to the concerned companies and implementing other means, thereby evaluating their independence from the Company.

- 2) Main business partner of the Company or person engaged in business execution thereof

This is applicable to a business partner or a person engaged in business execution with the Company, and the concerned business partner or person engaged in business execution thereof can give significant influence on the Company's decision making. Specifically, in the event that the Company generates sales, revenues, etc. from its business with the concerned business partner, which account for a considerable portion of total sales, revenues, etc. of the Company, the Board of Directors of the Company determines the concerned business partner or person has no independence from the Company.

The Company discusses with its departments engaging in business with the companies where candidates for Outside Board Members are concurrently employed (or execute business thereof), and evaluates their independence from the Company.

- 3) Consultant(s), certified public accountant(s), lawyer(s) or other professional(s) obtaining large amounts of money or other financial benefits, other than remunerations of Outside Board Members of the Company (when such financial benefits are obtained by an incorporated entity, this matter applies to a person belonging to such organization)

With respect to large amounts of money or other financial benefits, the Company determines independence in accordance with "large amounts of money or other financial benefits" stipulated in Article 74, Paragraph 4, Item 7, (d) or Article 76, Paragraph 4, Item 6, (d) of the Regulation for Enforcement of the Companies Act of Japan.

In the case that the concerned professional who obtains large amounts of money or other financial benefits belongs to an incorporated entity and that such organization depends heavily on fees paid by the Company, the Board of Directors determines the concerned professional has no independence from the Company.

- 4) Person who is applicable to any of 1) through 3) above for last one year

- 5) Spouse or relative in second degree of an important person among the following persons

- a. Person to whom 1) through 4) above are applicable
- b. Person engaged in business execution of subsidiaries of the Company
- c. Director engaged in non-business execution of subsidiaries of the Company (limited to determining Outside Audit & Supervisory Board Members)
- d. Person to whom b or c above is applicable for the past one year
- e. Person who engaged in business execution of the Company for the past one year
- f. Director of the Company engaged in non-business execution for the past one year (limited to determining Outside Audit & Supervisory Board Members)

End

## **Business Report**

(April 1, 2021 - March 31, 2022)

### **1. Current Conditions of Komatsu**

#### **(1) Outline of Operations and Business Results**

Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”) were engaged in a three-year mid-term management plan entitled “DANTOTSU Value—*FORWARD* Together for Sustainable Growth,” which ended in the fiscal year ended March 31, 2022. Having decided on the three growth strategies of 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth, Komatsu has moved forward with activities to achieve sustainable corporate growth through a virtuous cycle generated by improving profitability and solving environmental, social, and corporate governance (ESG) issues. The Company has steadily promoted focused activities based on our growth strategies, worked to improve our management goals of growth, profitability, efficiency, and financial position, and worked to reduce the environmental burden, which is an ESG management index.

For the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022), consolidated net sales for the year increased by 28.0% from the previous fiscal year to JPY 2,802.3 billion. Concerning profits, operating income increased by 89.5% from the previous fiscal year to JPY 317.0 billion due to increased sales volume, improved selling prices, and the depreciation of the yen in each region despite rising material prices and distribution costs in the construction, mining and utility equipment segment. Operating income ratio was 11.3%, up 3.7 percentage points. Income before income taxes and equity in earnings of affiliated companies increased by 99.4% to JPY 324.5 billion. Net income attributable to Komatsu Ltd. increased by 111.7% to JPY 224.9 billion.

	152nd Fiscal Year (April 2020 – March 2021)	Changes from 152nd Fiscal Year	153rd Fiscal Year (April 2021 – March 2022)
Net sales	JPY 2,189.5 billion	+28.0%	JPY 2802.3 billion
Operating income	JPY 167.3 billion	+89.5%	JPY 317.0 billion
Income before income taxes and equity in earnings of affiliated companies	JPY 162.7 billion	+99.4%	JPY 324.5 billion
Net income attributable to Komatsu Ltd.	JPY 106.2 billion	+111.7%	JPY 224.9 billion

Note: The Consolidated Financial Statements of the Company are prepared in accordance with Article 120-3, Paragraph 1 of the Regulation on Corporate Accounting of Japan and the method of preparation conforms to the accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) in terms of terminology and format.

[Construction, Mining and Utility Equipment]

	153rd Fiscal Year (April 2021 – March 2022)	Changes from 152nd Fiscal Year
Sales	JPY 2,564.3 billion	+29.8%
Segment profit	JPY 275.7 billion	+91.8%

Note: The amounts stated in the table above are based on the amounts before elimination of transactions between segments.

In the construction, mining and utility equipment segment, the impact of the COVID-19 pandemic in the previous fiscal year diminished and demand for both construction and mining equipment remained strong in regions other than China. Despite the impact of tight sea shipping and a shortage of semiconductors, sales increased significantly from the previous fiscal year due to steady growth in new vehicle demand through the use of cross-sourcing and other factors and due to increase of sales of parts and services. In addition, in the current fiscal year, the Company concentrated on reviewing the structure of the marketing department, newly established the Construction Equipment Solution Division, which will focus on solving customer problems, and promoted the expansion of the value chain business. As a result, sales increased by 29.8% from the previous fiscal year to JPY 2,564.3 billion. Segment profit improved by 91.8% from the previous fiscal year to JPY 275.7 billion.

With value creation by means of innovation serving as one of three pillars of the growth strategy under the mid-term management plan, we further engaged in initiatives involving automation, autonomous operation, electrification, and remote controlling of construction, mining and utility equipment (small machinery). Meanwhile, a cumulative total of 510 units of the Autonomous Haulage System (AHS) for unmanned dump truck operation in mining are in operation as of March 31, 2022. In addition, having made progress in achieving remote control operation of the PC7000-11 hydraulic excavator for mining sites and semiautonomous operation in conjunction with an Innovative Autonomous Haulage Vehicle (IAHV), we demonstrated those capabilities at the MINExpo INTERNATIONAL 2021 mining equipment trade show held in Las Vegas, United States in September 2021.



[PC7000-11 hydraulic excavator performs loading operations to Innovative Autonomous Haulage Vehicle]



[Console for remote operations]

In January 2022, we rolled out the D475A-8R bulldozer for mining, equipped with the latest technology throughout. The D475A-8R constitutes the first full model change in 15 years and offers a redesigned exterior in addition to improvements in performance, particularly in terms of productivity, durability, safety and comfort. In addition to being standard equipped with the Komtrax Plus system for enabling control of vehicle operations, the D475A-8R also makes it possible for customers to automate operations using their own management systems in their mines.



[Large-scale bulldozer D475A-8R]



[Left: PC01E-1 electric micro excavator  
Right: Honda Mobile Power Pack e:]

As an initiative to bring about a shift to electrification, we launched the PC01E-1 electric micro excavator equipped with a removable portable battery (Honda Mobile Power Pack e:) in March 2022, developed jointly with Honda Motor Co., Ltd., to serve as a rental model in the Japanese market. In addition, we embarked on a partnership with U.S. company Proterra Inc. looking toward electrifying mining machines for hard rock mining, using lithium-ion battery

systems furnished by Proterra. We have also initiated proof of concept tests at customer sites with respect to small and medium-size hydraulic excavators equipped with lithium-ion battery systems.

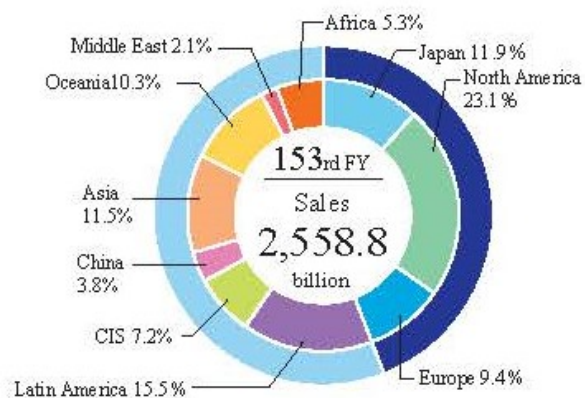
In July 2021, we launched the PC78USE-11 wired electric hydraulic excavator in the Japanese market. As an environmentally-friendly product in the small and medium-size class, the PC78USE-11 generates zero emissions during operation and also produces significantly less noise and waste heat, while achieving excavating performance equivalent to that of engine-powered products. The excavator is capable of operating for long periods of time given that it is directly powered by a wired connection.



[PC78USE-11 wired electric hydraulic excavator]

Our growth strategies based on business reforms have encompassed our aim of serving as “DANTOTSU No. 1 in Asia.” In July 2021, we accordingly launched the PC200-10M0 20-ton hydraulic excavator as part of the CE series for urban civil engineering work in the Southeast Asian region. In addition to the PC210-10M0 standard series model, featuring excellent fuel economy and durability, demonstrating power and productivity in mining and quarrying work, by launching sales of the PC200-10M0 CE series hydraulic excavators to customers centering on urban civil engineering work, such as residential land development and road construction, Komatsu carried out the 2-line model strategy designed to meet a wide range of customer needs for new strategic markets.

## Sales of Construction, Mining and Utility Equipment by Region (to External Customers)



		153rd Fiscal Year (April 2021 – March 2022)	Changes from 152nd Fiscal Year
● Traditional Markets	● Japan	JPY 303.6 billion	+3.0%
	● North America	JPY 590.6 billion	+32.9%
	● Europe	JPY 239.2 billion	+30.4%
● Strategic Markets	● Latin America	JPY 395.8 billion	+37.4%
	● CIS	JPY 184.4 billion	+64.2%
	● China	JPY 96.4 billion	+34.1%
	● Asia*	JPY 295.4 billion	+112.9%
	● Oceania	JPY 263.4 billion	+14.5%
	● Middle East	JPY 53.8 billion	+66.6%
	● Africa	JPY 135.7 billion	+50.0%

\* Excludes Japan and China.

[Retail Finance]

	153rd Fiscal Year (April 2021 – March 2022)	Changes from 152nd Fiscal Year
Revenues	JPY 71.8 billion	+8.2%
Segment profit	JPY 17.1 billion	+62.7%

Note: The amounts stated in the table above are based on the amounts before elimination of transactions between segments.

In the retail finance segment, revenues increased by 8.2% from the previous fiscal year to JPY 71.8 billion, due to the increase in new contracts caused by the increase of the sales of construction and mining equipment. Due to improved valuations of equipment after lease use, and the disappearance of the adverse effect of payment extension under the COVID-19 pandemic in the previous fiscal year, segment profit improved by 62.7% from the previous fiscal year to JPY 17.1 billion.

[Industrial Machinery and Others]

	153rd Fiscal Year (April 2021 – March 2022)	Changes from 152nd Fiscal Year
Sales	JPY 188.3 billion	+10.0%
Segment profit	JPY 22.5 billion	+38.3%

Note: The amounts stated in the table above are based on the amounts before elimination of transactions between segments.

In the industrial machinery and others segment, in regards to presses, sheet-metal machines and machine tools, sales increased due to the completed installation at overseas customers' plants caused by eased regulation of economic activities in each country as the effects of the COVID-19 pandemic have diminished. Sales increased by 10.0% from the previous fiscal year to JPY 188.3 billion and segment profit improved by 38.3% from the previous fiscal year to JPY 22.5 billion as sales remained strong for excimer laser-related business due to the increasing global semiconductor demand.



[Expansion of building for the excimer laser-related business]

The Company's subsidiary GIGAPHOTON INC. expanded its share due to the sharp increase in demand in the excimer laser-related business serving the semiconductor industry and the promotion of product competitiveness and quality improvement. In addition, GIGAPHOTON INC. improved productivity as well as expanded its building engaging in initiatives seeking to double its production capacity in order to address the increasing demand.



## (2) Capital Investment

Capital investment decreased by JPY 15.4 billion from the previous fiscal year to JPY 147.7 billion.

### 1) Breakdown by Segment

Segment	Invested Amounts (JPY billion)
Construction, Mining and Utility Equipment	115.3
Retail Finance	27.5
Industrial Machinery and Others	4.8
Total	147.7

### 2) Main Facilities Completed in the Fiscal Year Ended March 31, 2022

Segment	Main Facilities
Construction, Mining and Utility Equipment	Himi Plant: Construction of seal ring factory · Facility overview: production facility for seal rings for components of construction equipment
	Komatsu Forest AB: Relocating Head Office / Plant (Sweden) · Facility overview: production facility for forestry equipment and facility for research and development

### 3) New Construction, Expansions and Overhauls of Main Facilities in Progress in the Fiscal Year Ended March 31, 2022

Segment	Main Facilities
Construction, Mining and Utility Equipment	Komatsu Mining Corp.: Relocating Head Office / Plant (USA) · Facility overview: production facility for mining equipment and facility for research and development  Construction of Longview Welding Plant (USA) · Facility overview: production facility for welded components used in mining equipment

## (3) Financing

In the fiscal year ended March 31, 2022, in order to appropriate funds for working capital and capital investment, the Company procured funds mainly by the issuance of commercial paper and bonds, as well as through borrowings from financial institutions.

The balance of interest-bearing debt at the fiscal year-end increased by JPY 37.3 billion from the previous fiscal year-end to JPY 947.3 billion.

In addition, the net debt-to-equity ratio\* was 0.28, compared to 0.35 at the previous fiscal year-end.

\* Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity

#### (4) Issues Ahead

In our three-year mid-term management plan, “DANTOTSU Value—*FORWARD* Together for Sustainable Growth,” with the fiscal year ended March 31, 2022 as the goal year, Komatsu Group has been pursuing three growth strategies: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. During this period, we encountered a sharp decrease in demand for construction and mining equipment over the first two years of the plan due to effects of the COVID-19 pandemic, but demand shifted to recovery during the fiscal year ended March 31, 2022 amid a rebound in wake of the previous decline. We have been steadily engaging in our focused activities carried out based on our growth strategies even in the midst of substantial demand volatility, which has culminated in business results for the fiscal year ended March 31, 2022 marked by record high net sales along with improvement in the operating income ratio relative to the previous fiscal year. During the fiscal year ended March 31, 2022, we built a framework for promoting development of electrification technologies enlisting coordination with our customers and technology partners with our sights set on major challenges with respect to global warming countermeasures. Meanwhile, we have been carrying out structural reforms, which in part has involved selling off our conveying businesses related to coal. Moreover, we seek to help improve productivity, safety, and environmental friendliness of construction sites through digital transformation and have accordingly achieved solid success in building foundations for further growth going forward in part as a result of having established EARTHRAIN Ltd. by means of a joint venture consisting of Komatsu and three other companies.

#### Purpose, Values, Brand promise

On the occasion of the year 2021 having marked the Company’s 100th anniversary, we have defined our purpose (mission and vision), our values, and have also stipulated our brand promise that we make to our customers and all other stakeholders.

##### Purpose

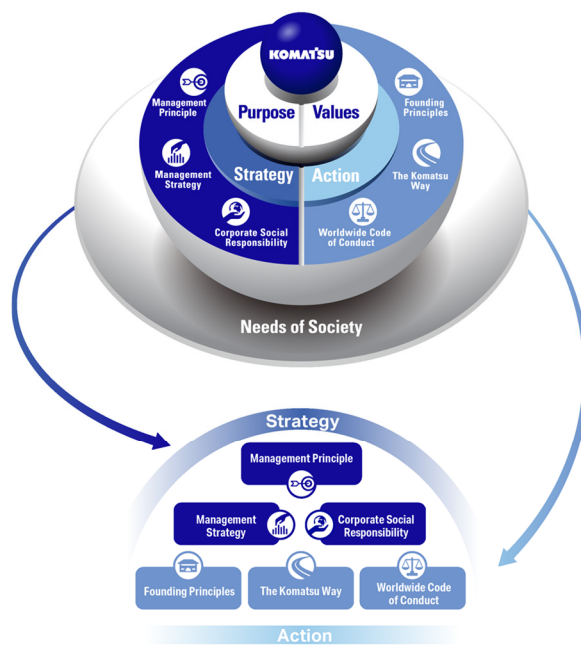
**Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses and our planet thrive together.**

##### Values

- **Ambition**
- **Perseverance**
- **Collaboration**
- **Authenticity**

##### Brand promise

**Creating value together**

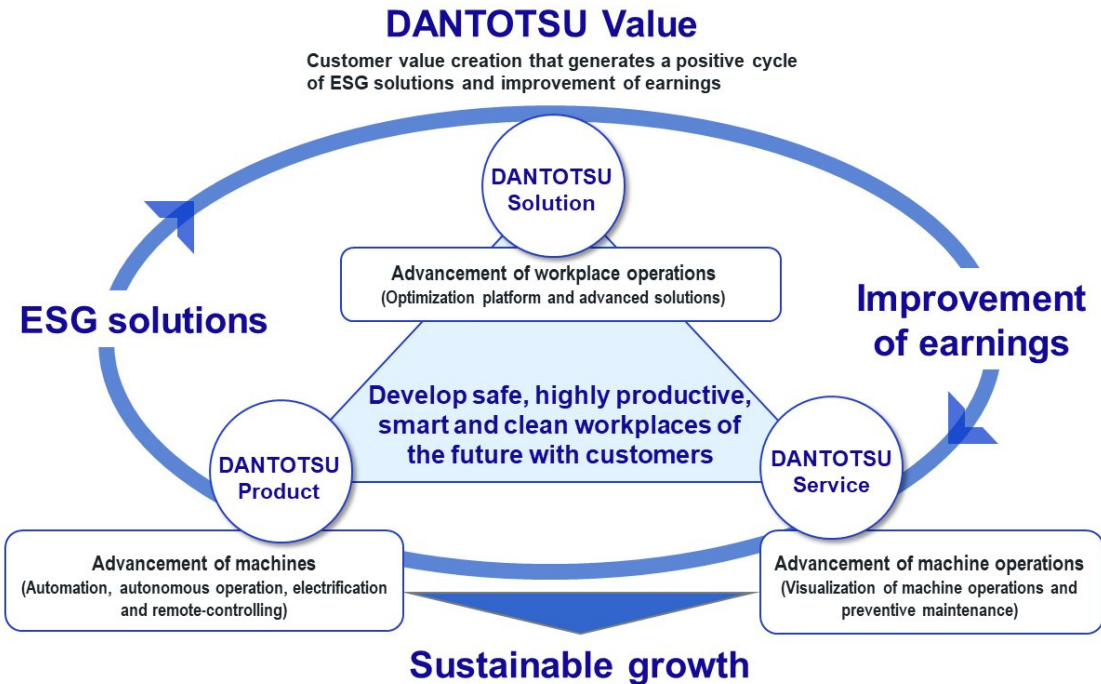


The basic idea to achieve these is to pursue the management of Komatsu Group, “Quality and Reliability,” and maximize the total trust of the society surrounding us and all stakeholders. The strategy for implementing this is the mid-term management plan.

**New Mid-Term Management Plan: “DANTOTSU Value—Together, to ‘The Next’ for sustainable growth”**

In April 2022, Komatsu Group embarked on the new “DANTOTSU Value—Together, to ‘The Next’ for sustainable growth” mid-term management plan encompassing three years (FY2022-FY2024). Although we expect gradual growth in demand for construction and mining machinery over the medium to long term, we project the volatility will increase as affected by a variety of risks in the external environment over the short term. In the industrial machinery and others business, we anticipate that demand for semiconductors will continue to thrive. We also expect to see structural changes in the automobile industry, our client industry, against the background of the growing popularity of electric vehicles.

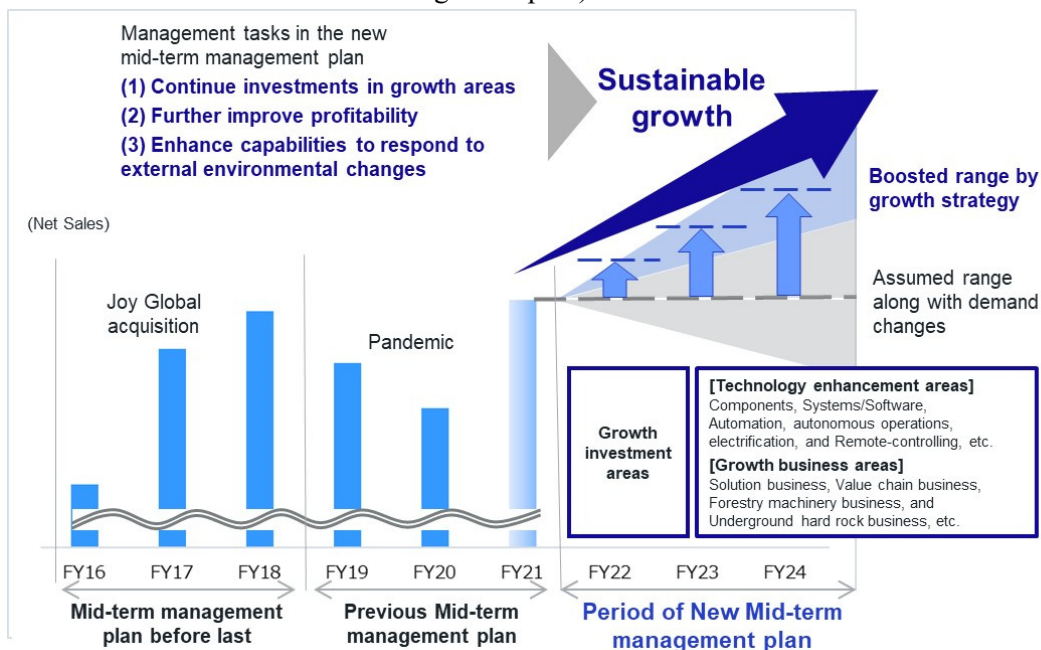
As sustainability-impact factors, such as climate change and decarbonization, continue to increase, Komatsu Group developed our sustainability policy concerning the achievement of a sustainable society and improvement of our business continuity in 2021. Furthermore, we have also made our “2050 Carbon-Neutrality Declaration” as a target of our challenge to satisfy both global warming countermeasures and business growth. Against this background, we are striving to achieve our vision of developing safe, highly productive, smart and clean workplaces of the future, together with customers, through the growth strategies of the mid-term management plan. To this end, we are working to create DANTOTSU Value (New Customer Value) which integrates DANTOTSU Products (advancement of machines), DANTOTSU Service (advancement of machine operations), and DANTOTSU Solutions (optimization of workplace operations). With a positive cycle of improvement of earnings and ESG resolutions, we will strive for sustainable growth.



### Three Pillars of Growth Strategies and Efforts of Focus

In the new mid-term management plan, we have continued to emphasize the previous plan's sustainability management and have defined three new pillars of growth strategies, consisting of (1) Accelerate growth by means of innovation, (2) Maximize earnings power, and (3) Enhance corporate resilience. By continuing to focus investments to create value in growth areas and maximizing earning opportunities in existing areas, we will work to further improve profitability and build an operational structure that is resilient to demand changes. Additionally, concerning our management foundation that supports these efforts, we will enhance our corporate capabilities to improve operational efficiency and respond to risks in the external environment.

(Basic stance of the new mid-term management plan)



(Three pillars of growth strategies)



Common tasks among the three pillars

- Expand partnerships
- Promote DX in all areas

(Key initiatives of growth strategy)

1. Accelerate growth by means of innovation

Create new customer value by optimizing workplaces

- Promote DX Smart Construction and overseas expansion
- Business promotion using mining open technology platforms
- Advanced product development and market introduction with high compatibility with platforms

Tackling the challenge of crafting values (products and solutions) for carbon neutrality

- Development and market introduction of electrified machinery
- Promotion and expansion of Smart Forestry
- Plants with zero environmental impacts

2. Maximize earnings power

Expand presence in key emerging markets

- Strengthening of marketing strategies in Asian and African markets
- Expansion of forestry machinery and hard rock equipment businesses
- Expansion of aftermarket business

Further growth from evolution of value chain business

- Development of data-driven business model
- Promotion of differentiation through life cycle support business
- Expansion of reman/rebuild businesses

3. Enhance corporate resilience

Drive efficient business operations and reinforce risk management

- Strengthening of production and procurement systems resistant to environmental changes (increase of multi-source ratio of parts)
- Enhancing assessment of economic security risk and preparedness
- Strengthening the corporate brand by developing a global brand strategy















Enrich human resources base with diversity

- Enhancement of diversity & inclusion
- Offering of a variety of talent development opportunities and improvement of employee engagement
- Human resources development of digital applications and open-innovation

## ESG Resolutions through Growth Strategies

Based on our sustainability policy, it is our determination to continue to contribute to society through business activities. In the new mid-term management plan, we have selected important issues (materiality) for us and ten new goals which are strongly related to the materiality, from our 17 SDGs (Sustainable Development Goals).

In order to resolve ESG issues steadily through our growth strategies, we will set KPIs (Key Performance Indicators) for key initiative activities and monitor their achievement. We are planning to disclose our progress in the Komatsu Report (integrated report).

	Relationship with SDGs	Materiality	Key activity themes for resolving ESG issues (main KPI candidates)		
With people	 5 GENDER EQUALITY Gender equality  17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	 8 DECENT WORK AND ECONOMIC GROWTH Decent work and economic growth  10 REDUCED INEQUALITIES Reduced inequalities	<b>[Employees] [Human rights]</b> <ul style="list-style-type: none"> <li>Diversity and Inclusion</li> <li>Skills development and workplace retention</li> <li>Employee engagement and job satisfaction</li> <li>Occupational safety and health and wellbeing</li> <li>Respect for human rights</li> </ul>	Build workplaces that are safe and secure (occupational injury related indicator) Increase employee engagement (engagement survey score) Promote diversity and inclusion (ratio of female managers and people with disabilities) Develop individuals' skills and achieve business growth (develop talent in DX/AI) Promote human rights due diligence (disclosure of performance)	
	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Industry, innovation and infrastructure  17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	 11 SUSTAINABLE CITIES AND COMMUNITIES Sustainable cities and communities  12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible consumption and production	<b>[Customers][Ethics / Governance]</b> <b>[Communities]</b> <ul style="list-style-type: none"> <li>Provision of solutions</li> <li>Product safety and quality</li> <li>Governance</li> <li>Compliance</li> <li>Contributions to local communities</li> </ul>	Improve productivity of construction workplaces by promoting smart construction (Number of workplaces where smart construction solution is applied) Provision of products and solutions that enable sustainable resource development (Cumulative units of AHS dump truck) Solutions for improving safety and productivity at customer workplaces (technological development stages for automation, safety device, etc.) Building of value chain adaptable to environmental and demand changes (Aftermarket business: sales growth rate / multi-sourcing parts ratio) Strengthen governance and ensure thorough compliance (disclosure of performance)	
With the planet	 7 AFFORDABLE AND CLEAN ENERGY Affordable and clean energy  13 CLIMATE ACTION Climate action	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Industry, innovation and infrastructure  15 LIFE ON LAND Life on land	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible consumption and production  17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	<b>[Environment]</b> <ul style="list-style-type: none"> <li>Development of low-carbon/low-emissions products, solutions and business models</li> <li>Resource recycling and remanufacturing</li> <li>Forest conservation through business activities</li> <li>Reduction of energy usage and GHG emissions</li> </ul>	Plants with zero environmental impacts (CO2 reduction, use of renewable energy, water usage) Reduction of CO2 emissions at customer workplaces (CO2 reduction from products in use / Development of electrified equipment) Provision of solutions that support sustainable, recycling-oriented forestry business (Forestry machinery business related indicators: sales growth rate, afforestation, Smart Forestry, etc.) Promotion of recycling-oriented business (reman) (reman business-related indicator: sales growth rate)

## Targets of the Mid-term Management Plan

Concerning management targets in the new mid-term management plan, we are keeping the same targets from the previous plan, that is, “Growth,” “Profitability,” “Efficiency,” and “Financial Position”. And also we have set a new ESG target of the challenge to achieve carbon neutral by 2050. With respect to shareholder return, while placing priority on focusing investments in growth areas, we will continue to work for stable dividends for shareholders and maintain the policy of keeping a consolidated payout ratio of 40% or higher.

Item	Index	Target
<b>Growth</b>	Sales growth rate	Growth rate above the industry's average
<b>Profitability</b>	Operating profit ratio	An Industry's top-level profit ratio
<b>Efficiency</b>	ROE <sup>*1</sup>	10% or higher
<b>Financial position</b>	Net debt-to-equity ratio <sup>*2</sup>	Industry's top-level financial position
<b>Retail finance business</b>	ROA <sup>*3</sup>	1.5% to 2.0%
	Net debt-to-equity ratio <sup>*2</sup>	5 times or less
<b>ESG</b>	Reduction of environmental impact	<ul style="list-style-type: none"> <li>CO2 emissions: Decrease by 50% in 2030 from 2010</li> <li>Become carbon neutral by 2050 (Challenging goal)</li> <li>Renewable energy use: Increase to 50% of total energy use in 2030</li> </ul>
	Evaluation by external organizations	<ul style="list-style-type: none"> <li>Selected for DJSI<sup>*4</sup> (World &amp; Asia Pacific)</li> <li>Selected for CDP<sup>*5</sup> A-List (Climate Changes and Water Risk)</li> </ul>
<b>Shareholder return</b>	Consolidated payout ratio	<ul style="list-style-type: none"> <li>Keep a fair balance between investment for growth and shareholder return (incl. stock buyback), while placing main priority on growth investment.</li> <li>40% or more</li> </ul>

\*1  $ROE = \text{Net income attributable to Komatsu Ltd. for the year} / [(\text{Komatsu Ltd. shareholders' equity at the beginning of the fiscal year} + \text{Komatsu Ltd. shareholders' equity at the end of the fiscal year}) / 2]$

\*2  $\text{Net debt-to-equity ratio} = (\text{Interest-bearing debt} - \text{Cash and cash equivalents} - \text{Time deposits}) / \text{Komatsu Ltd. shareholders' equity}$

\*3  $ROA = \text{Segment profit} / [(\text{total assets at the beginning of the fiscal year} + \text{total assets at the end of the fiscal year}) / 2]$

\*4 Dow Jones Sustainability Indices: ESG investment indices of S&P Dow Jones Indices LLC of the United States

\*5 International non-profit organization which advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments.

## (5) Sustainability

Having long pledged to conduct management focused on ESG, the Company aims to solve ESG issues through its business activities, particularly in terms of providing safer, high-quality, high-efficiency products, services and solutions. Going forward, we will continue to seek solutions to sustainability issues by flexibly addressing global climate change and various changes in the external environment.

### Formulation of Sustainability Policy

On the occasion of its 100th anniversary in April 2021, the Company defined Komatsu Group’s corporate identity articulating the Company’s Purpose of “creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses and our planet thrive together.” In December 2021, we established our sustainability policy based on our Purpose with the aims of clarifying our stance of sincerely addressing climate change and social demands and further promoting sustainability management.

Going forward, we will help bring about achievement of the SDGs while accelerating the positive cycle of solving ESG issues and improving earnings by addressing issues that are important both in giving rise to a sustainable society and achieving business growth, as stated in our sustainability policy.

### Sustainability Policy

Since Komatsu’s founding, we have always pursued “Quality and Reliability”, and have made efforts to build strong relationships of trust with our stakeholders based on our “Management Principle” of maximizing the total sum of trust from all stakeholders, including society.

Our pursuit of coexistence has been handed down through generations, and our basic stance is to contribute to society through business activities.


Our purpose is “Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together”.

We will continue to address issues that are important to both a sustainable society and our business, grow as a corporate group that can flexibly respond to changes in society and the external environment, further enhance our corporate governance, and contribute to society with our stakeholders.

#### What we do to empower a sustainable future where people, businesses, and our planet thrive together

With people	With society	With the planet
<ul style="list-style-type: none"> <li>◆ We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride.</li> <li>◆ We nurture employees who can take on challenges in various jobsites and regions, create new value together with customers, and contribute to the realization of a sustainable society.</li> <li>◆ As Komatsu Group, we shall respect human rights related to all of our business activities.</li> </ul>	<ul style="list-style-type: none"> <li>◆ We contribute to society through our business activities by providing our customers with safe and highly productive products, services and solutions that realize sustainable infrastructure development, resource development and a recycling-oriented society.</li> <li>◆ We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence and co-prosperity.</li> <li>◆ We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies.</li> <li>◆ We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation.</li> <li>◆ We pursue collaboration and value creation with our stakeholders towards a sustainable planet and future.</li> </ul>

Komatsu Ltd.  
President and Chief Executive Officer





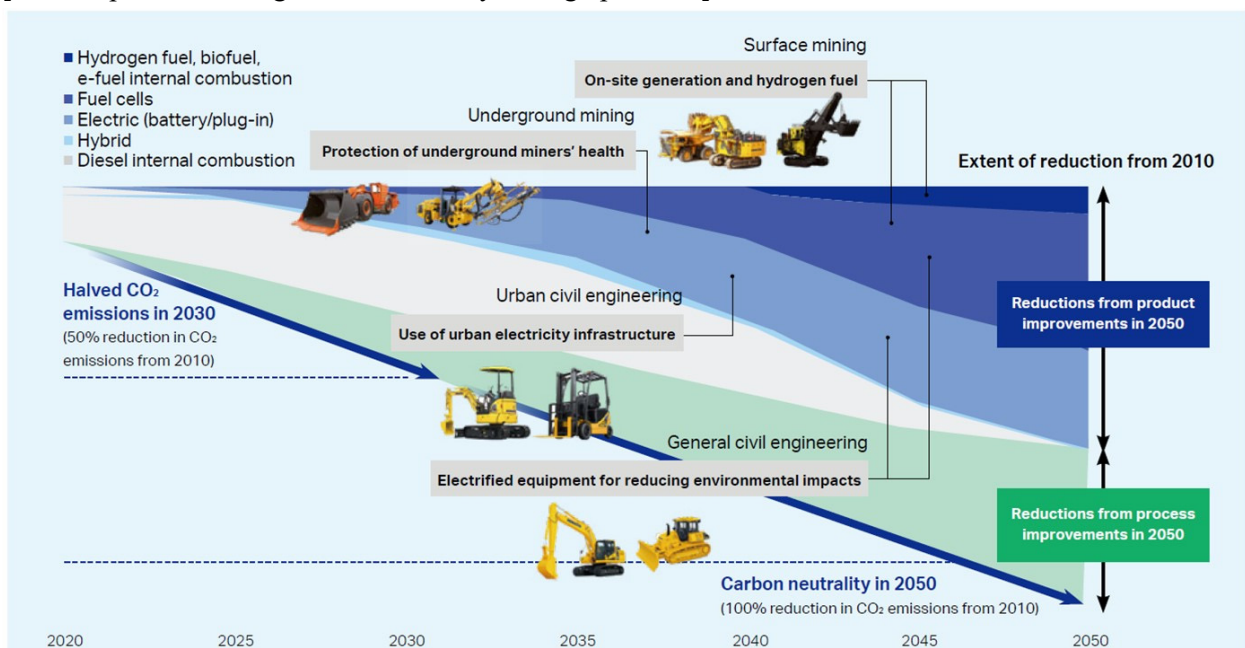
## 2050 Carbon Neutrality Declaration

Our mid-term management plan defines targets to be achieved by 2030 of reducing CO<sub>2</sub> emissions by 50% relative to levels of 2010 and raising the ratio of renewable energy use to 50%. In September 2021, the Company declared its aim of achieving carbon neutrality with virtually zero CO<sub>2</sub> emissions by 2050, as an extension to the milestone achievement of its 2030 targets. In seeking to achieve carbon neutrality, the Company is extending its efforts for reducing CO<sub>2</sub> emissions to overall workplace operations of its customers, thereby expanding beyond emissions from its own business sites and use of its products. The Company is committed to optimizing construction, for example, by evolving SMARTCONSTRUCTION, expanding the forestry machinery business, which supports a sustainable forest management cycle of planting, cultivating and harvesting, and strengthening the Reman operations in which the Company remanufactures and reuses used components. By further strengthening these business efforts, the Company hopes to not only contribute to CO<sub>2</sub> reductions in society as a whole, but also achieve DANTOTSU Value (a positive cycle of improving earnings and solving ESG issues through the creating of customer value).

	Mid-Term Management Plan Targets 2030	➔	2050 Carbon Neutral
CO <sub>2</sub> emissions	50% reduction (from 2010)		Virtually Zero

The Company has been mitigating environmental impact with respect to CO<sub>2</sub> emissions from its products in use, which account for about 80% to 90% of total emissions in its supply chain, by achieving lower fuel consumption, improving product efficiency, further enhancing its existing hybrid, diesel electric and other technologies, and adopting new technologies such as those involving fuel cells and hydrogen engines. In addition to such improvements in products, we have also been seeking improvements in processes in terms of lowering CO<sub>2</sub> emissions by optimizing customers' workplace operations and processes in order to reduce the amount of equipment needed along with operating times of such equipment. The 2050 Carbon Neutrality Declaration sets out a roadmap for achieving CO<sub>2</sub> reductions through such products.

### [Roadmap for achieving carbon neutrality through products]



In reducing CO<sub>2</sub> emissions from production locations, the Company will place priority on energy conservation initiatives for reducing energy consumption through production technology innovation, energy generation initiatives for producing renewable energy in-house, and purchases of renewable energy. In August 2021, the Company's wholly owned subsidiary Komatsu Forest AB (Umeå, Sweden), which manufactures and sells forestry equipment, announced that it completed a new plant and had embarked on production. The new plant has consolidated old plants located separately mainly in Umeå, optimizing the production process and layout. It has also adopted new manufacturing engineering benefits, including an automatic assembly line with AGV\* for the first time in Komatsu Group. Additionally, it has adopted renewable energy facilities, such as solar panels which cover about 19,000 m<sup>2</sup> of the roof, and heating equipment which uses geothermal energy.



[Automatic assembly line with AGV\*]

\* AGV: Automated Guided Vehicle

In addition, Komatsu Group seeks to also help reduce CO<sub>2</sub> emissions with respect to society at large by further strengthening its recycling business. As part of its efforts, the Group upholds sustainable forestry in the forestry business, which includes not only harvesting but also planting and cultivating trees. It is contributing to improving safety and productivity by mechanizing harvesting work and promoting smart forestry in which it analyzes forest potential based on drone-surveyed data for sustainable forest management. Komatsu Forest has played the central role of Komatsu Group's forestry machinery business as the core base of machine development and production. By launching production at the new plant, Komatsu Forest is going to accelerate its carbon neutral efforts, as it works to promote its recycling forestry business that supports the reforestation cycle.

### **Promoting Diversity and Inclusion**

The Company views diversity and inclusion as a source of innovation in terms of motivating individuals and prompting changes in corporate culture, whereby the fusion of diverse individuals facilitates growth of the entire Company.

#### **1) Developing global-scope talent**

In accordance with the global expansion of the business, employees of nationalities other than Japanese account for approximately 70% of the total. The Company is therefore promoting the localization of management, and in the major overseas subsidiaries, local employees are already involved at the level of top management. Moreover, having drawn up a succession plan under which approximately 650 major positions in Japan and overseas are classified as “global key positions,” we have been working on providing systematic training for the next-generation of leaders in conjunction with global human resources development measures. This has involved arranging our Global Management Seminar for management and managerial candidates and implementing our KOMATSU Way Leadership Development Program for middle management professionals who are expected to play central roles with respect to business operations and functions.

In addition, Komatsu established the Komatsu Human Resources Development Center (KHRDC) in the Philippines in November 2008 as a specialized educational institution to train engineers to provide product support globally. In November 2019, the center was incorporated locally as Komatsu Philippines Corporation and has trained more than 190 engineers while expanding its structure. Graduates who have completed the approximately six-year training program in various parts of the world have been officially hired by Komatsu as “Global Engineers” and are currently working around the world.



[New building of Komatsu Philippines Corporation]

We have also been placing focus on training DX/AI professionals in Japan with the aim of accelerating our pace of achieving value creation by means of innovation. In 2019, we launched the Development Program for AI Human Resources, through which we have been drawing on our original curriculum in training professionals with AI technical skills, while also dually equipped with business perspective and problem-solving skills necessary for project implementation. In the new mid-term management plan, we will further promote DX human resources education and AI human resources education, and will promote efforts to develop human resources who will be responsible for providing DANTOTSU services to customers, realizing DANTOTSU solutions, and in-house process reforms.

## **2) Promoting gender diversity**

The Company is pushing ahead with various measures for making concerted efforts to employ and train more women and providing a working environment in which female employees can continue developing their careers after maternity leave. Because the Company considers the low number of female employees and managers in comparison to male employees and managers to be an issue in need of further improvement, not only does it support a balance between work and life events such as childbirth, child raising and caregiving, but it also actively appoints women to positions with more responsibility and authority, such as by helping them form their careers and promoting them to managerial roles.

The new mid-term management plan contains the following targets set on a consolidated basis for worldwide operations, such that we are to achieve KPIs by March 31, 2025 that include: (1) ratio of full-time female employees of at least 17.0% (13.9% as of March 31, 2022), and (2) ratio of female managers of at least 13.0% (10.0% as of March 31, 2022). We will continue to actively promote initiatives that entail seeking greater gender diversity at respective companies of the Group through our Diversity & Inclusion Development Seminar training program, launched in 2019 and intended for female leaders around the world.

## **3) Improving employee engagement**

In April 2021, the Company administered global engagement surveys targeting Group companies in Japan and overseas, premised on the notion that employee engagement is essential for achieving sustainable corporate growth. As we regularly carry out the global engagement surveys going forward, we will aim to create an environment conducive to enabling a diverse range of employees from around the world to play active roles, as a result of our efforts to improve employee engagement by identifying organizational strengths and challenges and applying those findings to various measures.

**(6) Acquisition or Disposal of Other Companies' Shares, Other Equity Stakes or Stock Acquisition Rights**

No items to report.

**(Reference: Policy on the Company's Cross-shareholdings)**

The Company shall not hold shares of listed companies, except in cases where it is necessary for business relationships with investors or cooperation with the Company, from the viewpoint of preventing risk due to stock price fluctuations and increasing asset efficiency.

**Successive reduction of cross-shareholdings (non-consolidated basis)**



## (7) Status of Principal Subsidiaries

### 1) Principal Subsidiaries (As of March 31, 2022)

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Customer Support Japan Ltd.	Head Office (Minato-ku, Tokyo)	JPY 950 mil	100.0	Sale and servicing of construction equipment and industrial vehicles Rental of construction equipment, etc.
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)	JPY 290 mil	100.0	Sale of used construction equipment, etc.
Komatsu Logistics Corp.	Head Office (Minato-ku, Tokyo)	JPY 1,080 mil	100.0	Transportation, warehousing, packing and other services
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)	JPY 1,770 mil	100.0	Retail financing of construction and mining equipment
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)	JPY 990 mil	100.0	Development, sale and servicing of metal forging and stamping presses and sheet-metal machines, etc.
Komatsu NTC Ltd.	Head Office /Plant (Nanto City, Toyama)	JPY 6,014 mil	100.0	Manufacture, sale and servicing of machine tools, etc.
GIGAPHOTON INC.	Head Office /Plant (Oyama City, Tochigi)	JPY 5,000 mil	100.0	Development, manufacture, sale and servicing of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductor manufacturing
Komatsu America Corp.	Head Office /Plant (USA)	USD 1,071 mil	100.0	Manufacture and sale of construction and mining equipment and supervision in the Americas
Hensley Industries, Inc.	Head Office /Plant (USA)	USD 2 thou	*100.0	Manufacture and sale of construction and mining equipment parts
Komatsu Mining Corp.	Head Office (USA)	USD 5 thou	*100.0	Overall management of mining equipment business
Joy Global Underground Mining LLC (Note 2)	Head Office /Plant (USA)	USD 1,406 mil	*100.0	Manufacture, sale and servicing of mining equipment
Joy Global Surface Mining Inc	Head Office /Plant (USA)	USD 1 thou	*100.0	Manufacture, sale and servicing of mining equipment
Joy Global Longview Operations LLC (Note 3)	Head Office /Plant (USA)	USD 993 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu do Brasil Ltda.	Head Office /Plant (Brazil)	BRL 148 mil	*100.0	Manufacture of construction equipment and casting products
Komatsu Brasil International Ltda.	Head Office (Brazil)	BRL 351 mil	*100.0	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Holding South America Ltda.	Head Office (Chile)	USD 156 mil	*100.0	Sale and servicing of construction and mining equipment
Komatsu Cummins Chile Ltda.	Head Office (Chile)	USD 34 mil	*81.8	Sale and servicing of construction and mining equipment
Joy Global (Chile) S.A.	Head Office /Plant (Chile)	USD 1,958 thou	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu Financial Limited Partnership (Note 4)	Head Office (USA)	–	*100.0	Retail financing of construction and mining equipment
Komatsu Finance Chile S.A.	Head Office (Chile)	USD 40 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Europe International N.V.	Head Office (Belgium)	EUR 50 mil	100.0	Sale of construction and mining equipment and supervision in Europe
Komatsu UK Ltd.	Head Office /Plant (UK)	GBP 23 mil	*100.0	Manufacture of construction equipment
Komatsu Germany GmbH	Head Office /Plant (Germany)	EUR 24 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Italia Manufacturing S.p.A.	Head Office /Plant (Italy)	EUR 6 mil	*100.0	Manufacture of construction equipment
Komatsu Forest AB	Head Office /Plant (Sweden)	SEK 397 mil	100.0	Manufacture, sale and servicing of forestry equipment
Komatsu CIS LLC	Head Office (Russia)	RUB 5,301 mil	100.0	Sale of construction and mining equipment
Komatsu Financial Europe N.V.	Head Office (Belgium)	EUR 80 mil	*100.0	Retail financing of construction and mining equipment
Komatsu (China) Ltd.	Head Office (China)	USD 165 mil	100.0	Sale of construction and mining equipment and supervision in China
Komatsu (Changzhou) Construction Machinery Corp.	Head Office /Plant (China)	USD 41 mil	*85.0	Manufacture of construction equipment
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office /Plant (China)	USD 12 mil	*100.0	Manufacture of construction equipment
Komatsu (Shandong) Construction Machinery Corp.	Head Office /Plant (China)	USD 233 mil	*100.0	Manufacture of components for construction equipment, etc.
PT Komatsu Indonesia	Head Office /Plant (Indonesia)	IDR 192,780 mil	94.9	Manufacture and sale of construction and mining equipment, and casting products
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)	USD 5 mil	*94.9	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Bangkok Komatsu Co., Ltd.	Head Office /Plant (Thailand)	THB 620 mil	*74.8	Manufacture and sale of construction equipment and casting products
Komatsu India Pvt. Ltd.	Head Office /Plant (India)	INR 10,963 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Marketing Support Australia Pty Ltd	Head Office (Australia)	AUD 22 mil	*62.0	Sale of construction and mining equipment
Komatsu Australia Pty Ltd	Head Office (Australia)	AUD 30 mil	*62.0	Sale and servicing of construction and mining equipment
Joy Global Australia Holding Company Pty Ltd	Head Office (Australia)	AUD 443 mil	*100.0	Roles as holding company of Joy Global Australia Pty Ltd
Joy Global Australia Pty Ltd	Head Office /Plant (Australia)	AUD 608 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)	ZAR 186 mil	*74.9	Sale and servicing of construction and mining equipment
Komatsu Financial Leasing China Ltd.	Head Office (China)	RMB 1,630 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Australia Corporate Finance Pty Ltd	Head Office (Australia)	AUD 49 mil	*62.0	Retail financing of construction and mining equipment

Notes:

1. Figures with an asterisk (\*) are the ratio of investment through subsidiaries of the Company and the ratio includes the stakes held by them.
2. Joy Global Underground Mining LLC is a limited liability company based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
3. Joy Global Longview Operations LLC is a limited liability company based on the state law of Texas, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
4. Komatsu Financial Limited Partnership is a limited partnership based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its net asset which is equivalent to the capital amounts to USD 807 million.
5. The number of consolidated subsidiaries of the Company, including those listed above, is 213, and the number of affiliated companies accounted for by the equity method is 42.

2) Others (update on important combination)

- i) In July 2021, the Company transferred a portion of its rights and obligations relating to its SMARTCONSTRUCTION business to LANDLOG Ltd. through a Company Split (Absorption-type Company Split). LANDLOG changed its name to EARTHBRAIN Ltd., which subsequently operated as a joint venture business with NTT DOCOMO, INC., Sony Semiconductor Solutions Corporation, and Nomura Research Institute, Ltd.
- ii) In February 2022, the Company made the decision to execute an Absorption-type Merger of Komatsu Cabtec Co., Ltd., with an effective date of October 1, 2022.

**(8) Employees** (As of March 31, 2022)

Segment	Number of Employees
Construction, Mining and Utility Equipment	57,741
Retail Finance	292
Industrial Machinery and Others	4,036
Others (Note 2)	705
Total	62,774

## Notes:

1. The total number of employees increased by 1,210 from the end of the previous fiscal year.
2. “Others” above includes the number of administrative employees who cannot be classified into the above three (3) segments.

**(9) Main Lenders** (As of March 31, 2022)

Name of Lender	Balance of Loans (JPY billion)
Sumitomo Mitsui Banking Corporation	182.8
MUFG Bank, Ltd.	140.7
Mizuho Bank, Ltd.	67.7

Pursuant to laws and regulations and Article 16 of the Company’s Articles of Incorporation, “Major Lines of Business” and “Principal Offices and Plants” are now available on the Komatsu corporate website.

⇒ <https://www.komatsu.jp/en/ir>



**2. Matters Regarding the Shares and Stock Acquisition Rights of the Company, etc. (As of March 31, 2022)**

- (1) **Number of shares authorized to be issued:** 3,955,000,000 shares  
(2) **Total number of shares issued and outstanding:** 945,766,293 shares  
(excluding 27,379,507 shares of treasury stock)  
(3) **Number of shareholders:** 187,367  
(4) **Major shareholders (top ten)**

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	167,187	17.67
Custody Bank of Japan, Ltd. (Trust Account)	61,205	6.47
Taiyo Life Insurance Company	27,200	2.87
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	26,150	2.76
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	21,301	2.25
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	20,953	2.21
JPMorgan Securities Japan Co., Ltd.	16,127	1.70
STATE STREET BANK AND TRUST COMPANY 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,765	1.45
JP MORGAN CHASE BANK 385632 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,598	1.43
Komatsu Employees Shareholding Association	11,930	1.26

Notes:

- Shareholding ratio is calculated by subtracting treasury stock.
- Although the Company holds 27,379 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

**(5) Status of shares delivered to Directors and Audit & Supervisory Board Members of the Company as consideration for their execution of duties during the fiscal year ended March 31, 2022**

Details on stock-based remuneration delivered during the fiscal year ended March 31, 2022 are as follows.

Total number of shares delivered to Directors, Outside Directors and Audit & Supervisory Board Members

	Number of Shares	Number of Grantees
Directors (excluding Outside Directors)	51,440 shares	5
Outside Directors	0 shares	0
Audit & Supervisory Board Members	0 shares	0

Note: This constitutes the shares assigned to the Company's Directors from among the stock-based remuneration in the form of restricted stock compensation stated below under "(6) Other significant matters regarding the shares of the Company." Details regarding the Company's stock-based remuneration are stated under "3. (3)-5) Remuneration for Directors and Audit & Supervisory Board Members" (pages 53 to 61).

**(6) Other significant matters regarding the shares of the Company**

Based on a resolution passed at a meeting of the Board of Directors held on July 16, 2021, the Company issued new shares for stock-based remuneration in the form of restricted stock compensation as follows.

1) Type and number of shares	258,190 common shares of the Company
2) Paid-in amount	JPY 2,754.5 per one (1) share
3) Total paid-in amount	JPY 711,184,355
4) Persons to whom shares are allotted and the number of them	Directors of the Company (excluding Outside Directors), as well as employees, and the Directors and employees of subsidiaries of the Company, totaling 85 persons
5) Payment date	September 1, 2021

**(7) Status of Stock Acquisition Rights**

Number of Stock Acquisition Rights (total)	Number of Shares Subject to Stock Acquisition Rights	(Reference) Total Number of Shares Issued and Outstanding
1,497	149,700 shares	945,766,293 shares (excluding treasury stock)

Note: During the fiscal year ended March 31, 2022, no stock acquisitions rights were issued.

Pursuant to laws and regulations and Article 16 of the Company's Articles of Incorporation, details of "Matters Regarding Stock Acquisition Rights of the Company, etc." are now available on the Komatsu corporate website.

⇒ <https://www.komatsu.jp/en/ir>

### **3. Corporate Governance, Directors and Audit & Supervisory Board Members, etc.**

#### **(1) Basic Views on Corporate Governance**

The Company considers that “corporate value is the total sum of trust given to us by society and all stakeholders.” To become a company which enjoys more trust from shareholders and all other stakeholders, we are working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis.

#### **(2) Corporate Governance System of the Company**

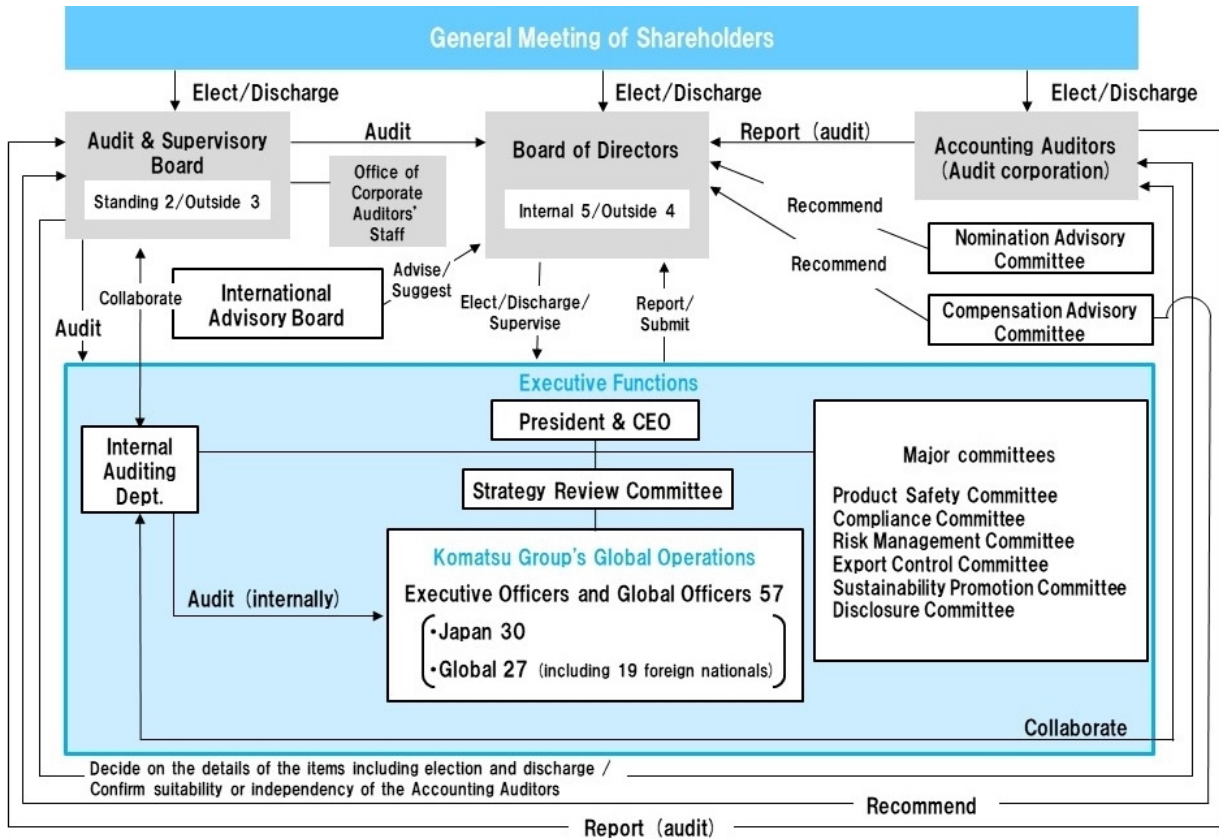
At the Company, the Board of Directors is positioned as the core of corporate governance and, to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision 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.

The Company strives to make improvements to increase the effectiveness of the Board of Directors and conducts an annual evaluation and analysis of the effectiveness of the Board of Directors. In the fiscal year ended March 31, 2022, the evaluation and analysis focused on (1) the size and composition of the Board of Directors, (2) arrangement of meeting agendas, (3) reports and explanations, provision of information, and follow-up, (4) meeting discussions, (5) roles and functions of the Board of Directors, and (6) self-evaluations. In addition, the evaluation and analysis entailed verification into whether improvement had been achieved with respect to arrangements for meeting agendas of the Board of Directors held during the fiscal year ended March 31, 2022 and changes in reporting and explanation methods. In the results of the evaluation and analysis no material issues were indicated with regard to effectiveness, with the Board achieving generally high levels in all evaluation items.

In addition, the Company has established “Systems for Ensuring the Properness of Operations” as its internal control systems and continually works to enhance its corporate governance.

Pursuant to laws and regulations and Article 16 of the Company’s Articles of Incorporation, details of “Systems for Ensuring the Properness of Operations and Outline of Management of such Systems” are now available on the Komatsu corporate website.

⇒ <https://www.komatsu.jp/en/ir>



Note: The above diagram is as of March 31, 2022.

### (3) Directors and Audit & Supervisory Board Members of the Company

#### 1) Names, etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2022)

Position	Name	In Charge at the Company and/or Important Concurrent Positions Held in Other Organizations
Chairman of the Board and Representative Director	Tetsuji Ohashi	Outside Director of Yamaha Motor Co., Ltd.* Outside Member of the Board of Nomura Research Institute, Ltd.* Outside Director of Asahi Group Holdings, Ltd.*
President and Representative Director	Hiroyuki Ogawa	Chief Executive Officer (CEO)
Director and Senior Executive Officer	Masayuki Moriyama	President of Mining Business Division
Director and Senior Executive Officer	Kiyoshi Mizuhara	Chief Marketing Officer (CMO) and President, Construction Equipment Solution Division
Director and Senior Executive Officer	Takeshi Horikoshi	Chief Financial Officer (CFO)
Director	Makoto Kigawa	Special Adviser of Yamato Holdings Co., Ltd. Outside Director of Seven Bank, Ltd.* Outside Director of Oki Electric Industry Co., Ltd.* Outside Director (Audit and Supervisory Committee Member) of The Higo Bank, Ltd.*
Director	Takeshi Kunibe	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.* Chairman of the Board of Sumitomo Mitsui Banking Corporation* Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.* Outside Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.*
Director	Arthur M. Mitchell	Registered foreign lawyer of White & Case LLP Outside Director of Sumitomo Mitsui Financial Group, Inc.*
Director	Naoko Saiki	Visiting Professor, Graduate School of Public Policy, The University of Tokyo Outside Director of Sojitz Corporation* Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.*
Standing Audit & Supervisory Board Member	Terumi Sasaki	—
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	—
Audit & Supervisory Board Member	Hirohide Yamaguchi	Chairman of the Advisory Board of Nikko Research Center, Inc.* Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.*
Audit & Supervisory Board Member	Eiko Shinotsuka	Professor Emeritus at Ochanomizu University
Audit & Supervisory Board Member	Kotaro Ohno	Attorney at law, Special Counsel of Mori Hamada & Matsumoto Outside Director of AEON Co., Ltd.*

Notes:

1. Directors Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell and Naoko Saiki are Outside Directors.
2. Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members.
3. An asterisk (\*) indicates important concurrent positions held in other organizations.
4. Regarding important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members in other organizations, there are no particular business relationships, etc. between the Company and other organizations at which Outside Directors and Outside Audit & Supervisory Board Members hold concurrent positions.
5. Standing Audit & Supervisory Board Member Terumi Sasaki has long engaged in accounting-related duties at the Company and has considerable profound knowledge concerning financial affairs and accounting.
6. The Company employs the Executive Officer (*Shikko Yakuin*) System.

2) Outline of Contents of Limited Liability Agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act of Japan and the Company's Articles of Incorporation, the Company has entered into agreements with Outside Directors and Audit & Supervisory Board Members that limit their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the same. The maximum liability amount specified in these agreements shall be equivalent to those amount stipulated by laws and regulations.

3) Outline of Contents of Company Indemnification Agreement

The Company has entered into a company indemnification agreement in accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act of Japan with Directors Tetsuji Ohashi, Hiroyuki Ogawa, Masayuki Moriyama, Kiyoshi Mizuhara, Takeshi Horikoshi, Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell, and Naoko Saiki, and Audit & Supervisory Board Members Terumi Sasaki, Yasuhiro Inagaki, Hirohide Yamaguchi, Eiko Shinotsuka, and Kotaro Ohno, thereby providing that the Company shall indemnify expenses set forth in Article 430-2, Paragraph 1, Item 1 of the same and losses set forth in Article 430-2, Paragraph 1, Item 2 of the same, within the scope permitted by laws and regulations. However, in order to ensure that appropriate execution of duties by the Directors and Audit & Supervisory Board Members of the Company is not impaired due to such company indemnification agreement, a refund may be requested for a monetary sum equivalent to the indemnified amount if such Director or Audit & Supervisory Board Member violates the provisions of laws and regulations or otherwise incurs liability as a result of he or she having acted in bad faith or with gross negligence in regard to his or her execution of duties.

4) Outline of Contents of Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company, whereby those listed as insured persons include the Directors, Audit & Supervisory Board Members, and executive officers of the Company and its consolidated subsidiaries. The insurance policy covers damages which may arise should an insured person incur liability in relation to his or her execution of duties or otherwise become subject to a claim pertaining to pursuit of such liability. However, in order to ensure that the appropriate execution of duties by the insured persons is not impaired, coverage is not provided under certain circumstances such as when there are damages arising from an insured person's involvement in criminal acts or acts committed with the knowledge that they may violate laws and regulations, nor is coverage provided with respect to portions of amounts of damages not exceeding deductibles. Insurance premiums shall be assumed by the Company and its consolidated subsidiaries.

## 5) Remuneration for Directors and Audit & Supervisory Board Members

### i) Policy, etc. regarding the determination of remuneration, etc. for individual Directors

At its meeting of the Board of Directors held on February 15, 2021, the Company passed a resolution on its policy regarding the determination of remuneration, etc. for individual Directors of the Company (the “Determination Policy”), upon having consulted with and accordingly reported to the Compensation Advisory Committee, which consists of seven (7) external members (three (3) Outside Directors, three (3) Outside Audit & Supervisory Board Members and one (1) outside expert) and one (1) internal member. The outline, etc. of the details of the Determination Policy are as follows:

In an effort to maintain a highly objective and transparent remuneration system, the Compensation Advisory Committee deliberates on the policy and levels of remuneration for Directors of the Company. Then, taking the Committee’s reports and recommendations into consideration, the Board of Directors shall decide on the total amount of remuneration within the range previously determined by resolution of the General Meeting of Shareholders.

The remuneration for Directors excluding the Outside Directors (hereinafter “Internal Director”) comprises basic remuneration (fixed remuneration) (refer to a) on page 54) 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) (refer to b) on pages 54 to 55) as well as the performance-based remuneration (Stock-Based Remuneration B) (refer to c) on page 55) 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 to performance.

The remuneration for Outside Directors only consists of basic remuneration (fixed remuneration) designed to support their role of making recommendations with respect to the overall management of the Company as a member of the Board of Directors.

Regarding basic remuneration and cash bonuses within the remuneration stated above, the Compensation Advisory Committee reports monthly remuneration levels and levels of cash bonuses (number of times of monthly remuneration) by position to the Board of Directors after deliberation, and the Company makes a decision on the monthly remuneration levels and levels of cash bonuses (number of times of monthly remuneration) by position based on the details of this report. The calculation and determination of the amount of individual basic remuneration (monthly remuneration) and the amount of cash bonus in accordance with such decision are delegated to Chairman of the Board Tetsuji Ohashi and President and Representative Director Hiroyuki Ogawa pursuant to the resolution passed at a meeting of the Board of Directors. This authority has been delegated given that the monthly remuneration levels and levels of cash bonus (number of times of monthly remuneration) by position shall be deliberated and resolved by the Compensation Advisory Committee, and the Company has deemed it appropriate for decisions based on such outcomes with respect to individual amounts of basic remuneration and cash bonus to become subject to discussion involving the Chairman of the Board as well as the President and Representative Director, drawing on their comprehensive perspective of the Company’s overall business operations, rather than by engaging in further deliberation and decision-making entailing consultation by the Board of Directors.

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 being fettered by the movements of corporate performance of the Company. The specific total amount of remuneration shall be determined by discussions among the Audit & Supervisory Board Members within the range previously determined by resolution of the General Meeting of Shareholders, taking reports and recommendations of the Compensation Advisory Committee into consideration.

The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

[System of Remuneration for Internal Directors]

Basic Remuneration (Fixed Remuneration)	Performance-Based Remuneration		
	Performance-Based Remuneration for a Single Year (Monthly Remuneration x 0 ~ 24)		Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan (Monthly Remuneration x 0 ~ 3)
Monthly Remuneration x 12	Bonus in Cash (2/3, in principle) [up to the equivalent of 12 months' remuneration]	Stock-Based Remuneration A (1/3, in principle) Restricted Stock	Stock-Based Remuneration B Restricted Stock
Monetary remuneration		Stock-based remuneration	

a) Basic Remuneration

With regard to levels of monthly remuneration as basic remuneration, a comparison to positions at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations. Subsequently, monthly remuneration levels by position will be decided by the Board of Directors based on these reports and recommendations.

b) Performance-based Remuneration for a Single Year

The total amount paid for performance-based remuneration shall be calculated each year by evaluating the single-fiscal-year consolidated performance against the basic indicators, comprising consolidated ROE<sup>\*1</sup>, consolidated ROA<sup>\*2</sup> and the consolidated operating income ratio, using the respective percentages indicated in the table below as benchmarks and making adjustments for growth (growth rate of consolidated sales).

[Indicators with respect to single-fiscal-year consolidated performance-based remuneration]

	Indicator	Ratio
Basic Indicators	Consolidated ROE <sup>*1</sup>	50%
	Consolidated ROA <sup>*2</sup>	25%
	Consolidated operating income ratio	25%
Adjustment Indicators	Adjustment according to growth rate of consolidated sales	

\*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning of the fiscal year + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2]

\*2 ROA=Income before income taxes and equity in earnings of affiliated companies/[(total assets at the beginning of the fiscal year + total assets at the end of the fiscal year)/2]

The Company selected such performance indicators upon having deemed them appropriate as quantitative values that reflect the entire Komatsu Group's efficiency and growth. In this regard, the Board of Directors made its decisions per deliberations of the Compensation Advisory Committee, taking into account factors that include past valuation indicators and potential continuity.

Such performance indicators may be changed in the future by a resolution of the Board of Directors.



For the fiscal year ended March 31, 2022, the Company's actual results regarding its performance indicators consist of consolidated ROE of 10.9%, consolidated ROA of 8.0%, consolidated operating income ratio of 11.3%, and growth rate of sales of 28.0%. The Company accordingly determined the payment level based on such results.

With regards to the single-fiscal-year consolidated performance-based remuneration levels, the upper limit shall be twice the basic remuneration ( $12 \times$  monthly remuneration) of the Director and the lower limit shall be zero (0) (remuneration in this case will comprise only the basic remuneration).

The equivalent of two-thirds ( $2/3$ ) of the total paid amount of performance-based remuneration linked to the Company's consolidated performance for a single year shall be paid in the form of a cash bonus and the amount remaining after deducting the cash bonus shall be paid by granting restricted stock as stock-based remuneration based on a resolution passed at a meeting of the Board of Directors, in order to further promote the same perspective on corporate value with the shareholders (Stock-Based Remuneration A); provided, however, that for the cash bonus, the upper limit shall be the equivalent of 12 months of the monthly remuneration and, for any amount exceeding the 12 month limit, the Company shall pay the Stock-Based Remuneration A in substitution for the cash bonus. Note that as a general rule, concerning the Stock-Based Remuneration A, the restriction on transfer of the shares will be lifted after three years from delivery.

c) Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan

The Company will pay Internal Directors the equivalent of three months of monthly remuneration based on the resolution of the Board of Directors 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 the range of 0-100%) will be decided mainly based on the achievement of the indicators presented in the table below, which are within the management targets of the mid-term management plan (page 37) and, as a general rule, the restriction on transfer on the shares will be lifted after three years from delivery.

Given that such remuneration constitutes performance-based remuneration under the mid-term management plan, the Company has selected these performance indicators having deemed them to be appropriate after comprehensively taking these performance indicators into consideration in order to multilaterally reflect in Directors' remuneration the Company's performance while paying close attention to growth and profitability in light of the goal of this remuneration system, which is to further contribute to the increase of medium- to long-term corporate value, after connecting it to the management targets established in the mid-term management plan.

The performance indicators that are the basis of the calculation of this remuneration are subject to change per resolution of the Board of Directors.

For the fiscal year ended March 31, 2022, the Company's actual results regarding its key performance indicators are as follows.

	Index	Results
Growth	Sales growth rate	Increase of 28.0%
Profitability	Operating income ratio	11.3%
Efficiency	ROE <sup>*1</sup>	10.9%
Financial position	Net debt-to-equity ratio <sup>*2</sup>	0.28
Retail finance business	ROA <sup>*3</sup>	1.8%
	Net debt-to-equity ratio <sup>*2</sup>	3.51
ESG	Reduction of environmental impact	Reduction of CO <sub>2</sub> emissions through product use (relative to 2010): 19% decrease
		Reduction of CO <sub>2</sub> emissions through production (relative to 2010): 36% decrease (expected)
		Renewable energy use: 14% (expected)
	Evaluation by external organizations	Selected for DJSI <sup>*4</sup>
		Selected for CDP <sup>*5</sup> A-list (Climate Changes and Water Risk)

\*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning of the fiscal year + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2]

\*2 Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Komatsu Ltd. shareholders' equity

\*3 ROA=Segment profit /[(total assets at the beginning of the fiscal year + total assets at the end of the fiscal year)/2]

\*4 Dow Jones Sustainability Indices: ESG investment indices of S&P Dow Jones Indices LLC of the United States

\*5 International non-profit organization which advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments.

[Details of Stock-Based Remuneration System by Restricted Stock]

(1) Overview

- Under the System, the Company shall grant Directors excluding the Outside Directors of the Company (hereinafter “Eligible Directors”) monetary compensation receivables for the allocation of restricted stock for each fiscal year in principle, and, by having the Eligible Directors make contribution in kind to the Company using the monetary compensation receivables as contributed assets, shall issue or dispose of its shares of common stock to the Eligible Directors and allow them to hold such shares.
- The Company shall conclude a restricted stock grant agreement (hereinafter “Grant Agreement”) with the Eligible Directors. With regard to the shares granted pursuant to the Grant Agreement (hereinafter “Granted Shares”), the Eligible Directors shall not be allowed to transfer, create a security interest on, or otherwise dispose (hereinafter “Transfer”) of them at will (hereinafter “Restrictions”) during a given period provided by the Grant Agreement (hereinafter “Restricted Period”).  
The Company shall acquire from the Eligible Directors, free of charge, the Granted Shares with respect to which the Restrictions have not been lifted as a result of the occurrence of prescribed events, including the failure to accomplish performance targets determined by the Board of Directors based on reports of the Compensation Advisory Committee.  
The Grant Agreement shall stipulate that during the Restricted Period and after the Restrictions have been lifted, if the Board of Directors resolves that it is appropriate to make the Eligible Directors return the shares granted to them in accordance with the System, the Eligible Directors shall return the corresponding portion of shares to the Company.
- Other details regarding the administration of the System shall be determined by the Board of Directors based on reports of the Compensation Advisory Committee.

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan)
(2) Framework of the remuneration system	The Company shall determine the amount of remuneration based on the Company's single-year performance, etc. and pay a part of the amount of remuneration so determined in the form of restricted stock to the Eligible Directors each fiscal year. The Restrictions will, in principle, be lifted three (3) years after the grant of the Granted Shares.	With respect to the period of the Company's mid-term management plan, the Company shall grant restricted stock to the Eligible Directors each fiscal year based on the base amount of remuneration for each position. After the expiry of the period of the mid-term management plan, the Company shall determine the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-term management plan, etc. In principle, the Company shall lift the Restrictions three (3) years after the grant of the Granted Shares.
(3) Amount of monetary compensation receivables to be provided and the maximum number of shares to be granted	Amount of monetary compensation receivables: No more than JPY 360 million per year; provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount. Total number of Granted Shares: No more than 239,000 shares during one fiscal year.	Amount of monetary compensation receivables: No more than JPY 180 million per year; provided, however, that the employee salaries for the Directors concurrently serving as employees are not included in this amount. Total number of Granted Shares: No more than 120,000 shares during one fiscal year.
	However, if a stock split, consolidation of shares or any other situation with respect to the Company's common stock occurs that necessitates the adjustment of the total number of restricted stock to be allocated, the total number of Granted Shares shall be reasonably adjusted.	
(4) Amount to be paid per share	The amount to be paid per share shall be determined by the Board of Directors to an extent that would not be considered especially advantageous to the Eligible Directors who are granted the shares of common stock of the Company under the System, that is, the closing price of the share of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution by the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on such business day), etc.	
(5) Restriction Period	The Restriction Period shall be three (3) years and the Eligible Directors shall not Transfer the Granted Shares during such period.	

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan)
(6) Lifting of Restrictions	The Company shall, in principle, lift the Restrictions on the Granted Shares at the expiry of the Restriction Period.	In principle, the Company shall, at the expiry of the Restriction Period, lift the Restrictions on all or part of the Granted Shares according to the degree of achievement of the targets raised in the mid-term management plan based on the indicators set by the Board of Directors, including the major performance indicators set in the mid-term management plan. Upon determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-term management plan, etc., the Company shall as a matter of course acquire, free of charge, the Granted Shares with respect to which the Company decides not to lift the Restrictions pursuant to the above provision.

	Stock-Based Remuneration A (Performance-Based Remuneration for a Single Year)	Stock-Based Remuneration B (Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan)
(7) Treatment upon retirement	In the event that, prior to the expiry of the Restriction Period, the Eligible Director is deemed to have retired as a Director of the Company due to his or her death, the Company shall lift the Restrictions on all of the Granted Shares after making reasonable adjustments, as necessary, to the timing of the lifting of the Restrictions. If, prior to the expiry of the Restriction Period, the Eligible Director retires as a Director of the Company without any reason recognized as legitimate by the Board of Directors of the Company, such as the expiration of the term of office as a Director (hereinafter “Legitimate Reason for Retirement”), the Company shall as a matter of course acquire, free of charge, all or part of the Granted Shares.	In the event that, prior to the expiry of the Restriction Period, the Eligible Director is deemed to have retired as a Director of the Company due to his or her death, the Company shall make reasonable adjustments, as necessary, to (i) the number of Granted Shares with respect to which the Restrictions are to be lifted and the timing of the lifting of the Restrictions during the period from the time of the grant of the Granted Shares to immediately prior to the determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-term management plan, etc., or (ii) the timing of the lifting of the Restrictions during the period from the determination of the number of shares with respect to which the Restrictions will be lifted according to the achievement status of the targets raised in the mid-term management plan, etc. to the expiry of the Restriction Period. If, prior to the expiry of the Restriction Period, the Eligible Director retires as a Director of the Company without any Legitimate Reason for Retirement, the Company shall as a matter of course acquire, free of charge, all or part of the Granted Shares.
(8) Other matters to be determined by the Board of Directors	Other matters relating to the System shall be determined by the Board of Directors and shall be considered to be a part of the Grant Agreement.	

#### d) Malus and Clawback System

The Company resolved on Malus (reduction / confiscation) and Clawback (return) system at the meeting of the Board of Directors held on April 28, 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.

ii) Remuneration for Directors and Audit & Supervisory Board Members for the Fiscal Year ended March 31, 2022

Classification	Number of Persons Paid	Performance-Based Remuneration, etc.			Total Amount of Remuneration, etc. Paid
		Fixed Remuneration			
		Monetary Remuneration		Non-monetary Remuneration, etc.	
		Basic Remuneration	Bonus in Cash	Stock-Based Remuneration (Note 3)	
Director	10	JPY 398 mil	JPY 207 mil	JPY 182 mil	JPY 787 mil
(Outside Director included above)	4	JPY 68 mil	–	–	JPY 68 mil
Audit & Supervisory Board Member	6	JPY 142 mil	–	–	JPY 142 mil
(Outside Audit & Supervisory Board Member included above)	3	JPY 55 mil	–	–	JPY 55 mil
Total	16	JPY 540 mil	JPY 207 mil	JPY 182 mil	JPY 928 mil
(Outside Director and Outside Audit & Supervisory Board Member included above)	7	JPY 122 mil	–	–	JPY 122 mil

Notes:

- As of the end of the fiscal year ended March 31, 2022, there are nine (9) Directors (four (4) of whom are Outside Directors) and five (5) Audit & Supervisory Board Members (three (3) of whom are Outside Audit & Supervisory Board Members). However, the numbers and amounts in the table above include those for one (1) Director and one (1) Audit & Supervisory Board Member who have retired as of the close of the 152nd Ordinary General Meeting of Shareholders in June 2021.
- It was resolved at the 149th Ordinary General Meeting of Shareholders, held on June 19, 2018, that the maximum amount of remuneration to be paid to Directors per year, which is the total of basic remuneration and bonus in cash, shall not exceed JPY 1.5 billion (of which payment to the Outside Directors shall not exceed JPY 100 million per year) and that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members shall not exceed JPY 200 million. As of the end of this Ordinary General Meeting of Shareholders, there are eight (8) Directors (of which three (3) are Outside Directors) and five (5) Audit & Supervisory Board Members (of which three (3) are Outside Audit & Supervisory Board Members). Furthermore, in the same Ordinary General Meeting of Shareholders, the limit for remuneration, etc. related to the restricted stock granted to Internal Directors as stock-based remuneration was decided as an amount that shall not exceed JPY 360 million annually for Stock-Based Remuneration A linked to the Company's consolidated performance for a single year and as an amount that shall not exceed JPY 180 million annually for Stock-Based Remuneration B linked to the performance of the Mid-Term Business Plan. Meanwhile, it was also resolved that other conditions, etc. are to be as stated in this report under "i) [Details of Stock-Based Remuneration System by Restricted Stock] (pages 56 to 59)." Note that each of the aforementioned remuneration amounts resolved by the shareholders does not include the employee salary portion of remuneration to Directors concurrently serving as employees.
- Stock-based remuneration represents the amounts of expense allocated as remuneration for Directors which are not monetary in accounting for the fiscal year ended March 31, 2022. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2022 stated above comprises (1) the amount of expense recorded as the estimate of the payment in the form of restricted stock compensation of Stock-Based Remuneration A, for which payment level was determined by the operating results of the fiscal year ended March 31, 2022 (The number of shares to be granted has yet to be determined.), and (2) the amount of expense recorded as remuneration for the fiscal year ended

March 31, 2022 paid by newly issuing shares as restricted stock compensation of Stock-Based Remuneration B with the pay-in date of September 1, 2021, following the resolution passed at the Board of Directors meeting held on July 16, 2021 (equivalent to 32,910 shares). Other details of the stock-based remuneration and delivery status thereof is as stated in this report under “i) [Details of Stock-Based Remuneration System by Restricted Stock]” (pages 56 to 59) and “2. (5). Status of shares delivered to Directors and Audit & Supervisory Board Members of the Company as consideration for their execution of duties during the fiscal year ended March 31, 2022.” (page 47)

4. The portions of salaries as employees for Directors concurrently serving as employees are not paid.
5. Amounts of less than JPY one (1) million are rounded to the nearest million yen.
6. Details regarding remuneration, etc. for individual Directors of the Company have been reported to the Board of Directors upon deliberation with respect to the monthly remuneration levels by position and levels of cash bonus (number of times of monthly remuneration), subsequent to the Compensation Advisory Committee having engaged in deliberations encompassing the perspective of consistency with the Determination Policy. The Company’s Board of Directors (as well as both the Chairman of the Board and the President and Representative Director delegated such authority) has determined the amounts of remuneration for individual Directors based on reports and recommendations of the Compensation Advisory Committee, upon having confirmed appropriateness of the deliberation process of the Compensation Advisory Committee and the details of the reports and recommendations. As such, the Company’s Board of Directors deems that details of remuneration, etc. for individual Directors pertaining to the fiscal year ended March 31, 2022 are in alignment with the Determination Policy.

6) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in the Fiscal Year ended March 31, 2022, etc.

The status of major activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year ended March 31, 2022 and the matters concerning their independence are presented below.

The Company designated the Outside Directors and Outside Audit & Supervisory Board Members whose names in the name row are marked by <Independent Director> or <Independent Audit & Supervisory Board Member> as Independent Directors or Independent Audit & Supervisory Board Members, respectively, and submitted the notification to the Tokyo Stock Exchange in accordance with its regulations and related rules.

i) Outside Directors

Name	Makoto Kigawa <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	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 the fiscal year ended March 31, 2022, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as supply chain optimization, solutions business, and risk management. He also served as Chairman of the Company's Human Resource Advisory Committee and Compensation Advisory Committee.

Name	Takeshi Kunibe <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Takeshi Kunibe has worked 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 the said 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 the fiscal year ended March 31, 2022, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as climate change measures, implementation of the mid-term management plan, and achieving economic security. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.



Name	Arthur M. Mitchell <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	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 the fiscal year ended March 31, 2022, he accordingly provided comments based on his international perspective and professional standpoint, particularly concerning such issues as M&A strategy, global legal compliance, and initiatives to address sustainability issues. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Name	Naoko Saiki <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (11 meetings out of the 11 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	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 MOFA. 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 the fiscal year ended March 31, 2022, she accordingly provided comments based on her international perspective and professional standpoint, particularly concerning such issues as country risks, performance indicators for the mid-term management plan, and organizational structuring in subsidiaries. In addition, she was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Note: As Outside Director Ms. Naoko Saiki was elected at the 152nd Ordinary General Meeting of Shareholders held in June 2021, her maximum number of meetings of attendance is different from that of the other Directors.

ii) Outside Audit & Supervisory Board Members

Name	Hirohide Yamaguchi <Independent Audit & Supervisory Board Member>
Attendance of 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)
Details of Major Activities	Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During the fiscal year ended March 31, 2022, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as the status of the global economy, cooperation with the Accounting Auditor, and the compliance system. In addition, he was a member of the Company's Compensation Advisory Committee.

Name	Eiko Shinotsuka <Independent Audit & Supervisory Board Member>
Attendance of 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)
Details of Major Activities	Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2022, based on her professional standpoint, she provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as safety management system, audits of operations, and securing human resources while promoting diversity. In addition, she was a member of the Company's Compensation Advisory Committee.

Name	Kotaro Ohno <Independent Audit & Supervisory Board Member>
Attendance of 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)
Details of Major Activities	Mr. Kotaro Ohno possesses rich experience in the legal profession. During the fiscal year ended March 31, 2022, based on his professional standpoint, he provided comments at the meetings of the Board of Directors and the meetings of the Audit & Supervisory Board concerning such issues as the global audit systems, developing and utilizing human resources, and internal controls. In addition, he was a member of the Company's Compensation Advisory Committee and an observer of the Compliance Committee.

#### (4) Status of Accounting Auditors

##### 1) Name of Accounting Auditors

KPMG AZSA LLC

##### 2) Amount of Remuneration for Accounting Auditors

Remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2022:	JPY 384 million
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor:	JPY 682 million

##### Notes:

1. The Audit & Supervisory Board, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” etc. released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from related departments and the Accounting Auditor, conducts confirmation of the auditing plans of the Accounting Auditor, the status of execution of duties, the trends in actual remuneration amount, the grounds for calculation of remuneration estimates and other matters and, having investigated appropriateness of remuneration, etc. for the Accounting Auditor, gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.
2. The amount of remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2022 includes the sum of the amount of remuneration for auditing services in accordance with the Companies Act of Japan and the amount of remuneration for auditing work in accordance with the Financial Instruments and Exchange Act of Japan, because the two kinds of remuneration are not clearly separated from each other in the audit contract concluded between the Company and the Accounting Auditor and cannot be recorded separately.
3. Among principal subsidiaries of the Company, thirty five (35) companies including Komatsu America Corp. are audited by Certified Public Accountants or Audit Corporations other than the Accounting Auditor of the Company.

##### 3) Details of Non-Auditing Services

The Company pays remuneration to the Accounting Auditor principally for the preparation of comfort letters for euro medium-term notes, etc. other than services defined in Article 2, Paragraph 1 of the Certified Public Accountants Law of Japan.

##### 4) Policy on Decision to Discharge or Not to Reappoint Accounting Auditors

When Accounting Auditors fall under any of the items in Article 340, Paragraph 1 of the Companies Act of Japan, the Audit & Supervisory Board shall discharge the Accounting Auditors based on the consent of all Audit & Supervisory Board Members.

If a problem arises concerning the independence or reliability, etc. of the Accounting Auditors, which clearly makes it difficult for the duties to be appropriately executed, the Audit & Supervisory Board shall determine details of the proposal related to the discharge or non-reappointment of the Accounting Auditors to be submitted to a General Meeting of Shareholders.

End

## Consolidated Financial Statements

### Consolidated Balance Sheet

(As of March 31, 2022)

	(JPY million)	
	(Reference)	
	153rd Fiscal Year	152nd Fiscal Year
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	315,360	241,803
Time deposits	1,310	1,324
Trade notes and accounts receivable, net	954,580	820,698
Inventories	988,011	793,852
Other current assets	162,020	131,615
Total current assets	2,421,281	1,989,292
Long-term trade receivables, net	501,868	446,860
Investments:		
Investments in and advances to affiliated companies	45,913	39,286
Investment securities	8,377	8,236
Other	3,493	2,511
Total investments	57,783	50,033
Property, plant and equipment-less accumulated depreciation and amortization	819,749	787,373
Operating lease right-of-use assets	61,516	57,930
Goodwill	187,615	170,687
Other intangible assets-less accumulated amortization	169,003	168,981
Deferred income taxes and other assets	128,707	113,685
Total assets	4,347,522	3,784,841

	(JPY million)	
	(Reference)	
	153rd Fiscal Year	152nd Fiscal Year
<b>Liabilities</b>		
Current liabilities:		
Short-term debt	241,746	271,462
Current maturities of long-term debt	276,623	98,004
Trade notes, bills and accounts payable	338,974	258,316
Income taxes payable	68,337	26,858
Current operating lease liabilities	16,981	15,882
Other current liabilities	381,360	322,347
Total current liabilities	1,324,021	992,869
Long-term liabilities:		
Long-term debt	429,011	540,517
Liability for pension and retirement benefits	93,407	104,083
Long-term operating lease liabilities	43,458	39,982
Deferred income taxes and other liabilities	101,348	95,365
Total long-term liabilities	667,224	779,947
Total liabilities	1,991,245	1,772,816
<b>Equity</b>		
Komatsu Ltd. shareholders' equity		
Common stock	69,393	69,037
Capital surplus	139,572	135,835
Retained earnings:		
Appropriated for legal reserve	47,903	47,378
Unappropriated	1,902,501	1,750,914
Accumulated other comprehensive income (loss)	122,414	(42,012)
Treasury stock at cost	(49,272)	(48,855)
Total Komatsu Ltd. shareholders' equity	2,232,511	1,912,297
Noncontrolling interests	123,766	99,728
Total equity	2,356,277	2,012,025
Total liabilities and equity	4,347,522	3,784,841

## **Consolidated Statement of Income**

(From April 1, 2021 to March 31, 2022)

	(JPY million)	
	(Reference)	
	153rd Fiscal Year	152nd Fiscal Year
Net sales	2,802,323	2,189,512
Cost of sales	2,022,747	1,608,457
Selling, general and administrative expenses	464,040	408,716
Impairment loss on long-lived assets	1,372	2,403
Other operating income (expenses), net	2,851	(2,608)
Operating income	317,015	167,328
Other income (expenses), net:		
Interest and dividend income	5,332	5,293
Interest expense	(12,222)	(13,766)
Other, net	14,443	3,920
Total	7,553	(4,553)
Income before income taxes and equity in earnings of affiliated companies	324,568	162,775
Income taxes:		
Current	100,233	52,207
Deferred	(7,655)	(5,288)
Total	92,578	46,919
Income before equity in earnings of affiliated companies	231,990	115,856
Equity in earnings of affiliated companies	5,258	2,760
Net income	237,248	118,616
Less: Net income attributable to noncontrolling interests	12,321	12,379
Net income attributable to Komatsu Ltd.	224,927	106,237

## Non-Consolidated Financial Statements

Non-Consolidated Financial Statements are based on Japanese accounting standards.

### Non-Consolidated Balance Sheet

(As of March 31, 2022)

	(JPY million)	
	(Reference)	
	153rd Fiscal Year	152nd Fiscal Year
<b>Assets</b>		
Current assets:		
Cash and deposits	212,073	234,745
Notes receivable-trade	1,312	1,252
Accounts receivable-trade	224,814	170,391
Merchandise and finished goods	50,585	35,477
Work in process	51,993	41,185
Raw materials and supplies	4,200	3,637
Prepaid expenses	5,544	4,778
Short-term loans receivable	21,476	28,155
Accounts receivable-other	37,565	24,046
Other current assets	1,766	3,286
Allowance for doubtful accounts	(375)	(375)
Total current assets	610,958	546,581
Non-current assets:		
Property, plant and equipment:		
Buildings	96,234	94,703
Structures	15,447	15,581
Machinery and equipment	46,142	44,439
Vehicles	857	823
Tools, furniture and fixtures	11,227	11,253
Rental equipment	50,721	53,755
Land	44,770	45,477
Construction in progress	6,680	7,847
Total property, plant and equipment	272,081	273,882
Intangible assets:		
Software	27,094	33,065
Other intangible assets	312	233
Total intangible assets	27,407	33,298
Investments and other assets:		
Investment securities	2,477	1,656
Stocks of subsidiaries and affiliates	398,567	390,994
Investments in capital of subsidiaries and affiliates	39,813	39,813
Long-term loans receivable	18,335	17,659
Long-term prepaid expenses	3,144	3,419
Deferred tax assets	25,199	24,641
Other investments	8,694	3,960
Allowance for doubtful accounts	(890)	(890)
Allowance for investment loss	(2,253)	(2,285)
Total investments and other assets	493,088	478,970
Total non-current assets	792,576	786,152
Total assets	1,403,535	1,332,733

	(JPY million)	
	(Reference)	
	153rd Fiscal Year	152nd Fiscal Year
<b>Liabilities</b>		
Current liabilities:		
Notes payable-trade	–	5
Accounts payable-trade	107,465	83,326
Short-term loans payable	15,780	35,356
Commercial papers	81,000	110,000
Accounts payable-other	13,661	13,727
Accrued expenses	33,013	26,823
Income taxes payable	30,035	2,351
Advances received	–	361
Deposits received	80,963	38,844
Provision for bonuses	10,311	8,348
Provision for directors' bonuses	179	71
Provision for product warranties	7,770	7,050
Other current liabilities	16,777	9,892
Total current liabilities	396,958	336,160
Non-current liabilities:		
Bonds payable	70,000	70,000
Long-term loans payable	72,000	66,000
Provision for product warranties	2,018	1,602
Provision for retirement benefits	42,304	50,017
Other long-term liabilities	18,818	11,356
Total non-current liabilities	205,141	198,976
Total liabilities	602,099	535,136
<b>Net Assets</b>		
Shareholders' equity:		
Capital stock	71,678	71,322
Capital surplus:	142,103	141,701
Legal capital surplus	141,697	141,341
Other capital surplus	405	359
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:	620,743	615,215
Reserve for special depreciation	–	24
Reserve for advanced depreciation of non-current assets	11,400	11,728
General reserve	210,359	210,359
Retained earnings brought forward	398,984	393,103
Total retained earnings	638,780	633,252
Treasury stock	(48,844)	(48,448)
Total shareholders' equity	803,716	797,827
Valuation and translation adjustments:		
Deferred gains or losses on hedges	(2,615)	(863)
Total valuation and translation adjustments	(2,615)	(863)
Stock acquisition rights:		
Stock acquisition rights	333	632
Total stock acquisition rights	333	632
Total net assets	801,435	797,596
Total liabilities and net assets	1,403,535	1,332,733



## **Non-Consolidated Statement of Income**

(From April 1, 2021 to March 31, 2022)

	(JPY million)	
	(Reference)	
	153rd Fiscal Year	152nd Fiscal Year
Net sales	952,247	653,587
Cost of sales	747,172	541,128
Gross profit	205,074	112,458
Selling, general and administrative expenses	139,717	122,330
Operating income (loss)	65,357	(9,872)
Non-operating income:		
Interest and dividends income	27,068	39,199
Transfer pricing taxation adjustment	94	–
Other non-operating income	5,451	4,562
Non-operating expenses:		
Interest expenses	255	319
Transfer pricing taxation adjustment	–	3,284
Other non-operating expenses	3,581	5,229
Ordinary income	94,135	25,055
Extraordinary income:		
Gain on sales of land	380	–
Gain on sales of investments in capital of subsidiaries and affiliates	–	3,024
Gain on revision of retirement benefit plan	6,366	–
Extraordinary losses:		
Impairment loss	–	224
Loss on revision of retirement benefit plan	–	9,014
Income before income taxes	100,883	18,840
Income taxes:		
Income taxes-current	22,329	1,289
Income taxes-deferred	210	(4,323)
Net income	78,342	21,875

## Auditors' Report

[English Translation of the Independent Auditor's Report Originally Issued in the Japanese Language]

### Independent Auditor's Report

May 12, 2022

The Board of Directors  
Komatsu Ltd.

KPMG AZSA LLC  
Tokyo Office

Masafumi Tanabu  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tomoo Nishigori  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Daisuke Toyama  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

### **Opinion**

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of equity and the related notes of Komatsu Ltd. and its subsidiaries as of March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444, Paragraph 4 of the Companies Act of Japan.

In our opinion, the consolidated financial statements referred to above, pursuant to the accounting standards, which omit certain disclosure items required under the accounting principles generally accepted in the United States of America (hereinafter "U.S. GAAP") in accordance with the provision of second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, present fairly, in all material respects, the financial position and the results of operations of Komatsu Ltd. and its consolidated subsidiaries as of the date and for the period for which the consolidated financial statements were prepared.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other contents**

Other contents are the Business Report and supplementary schedules. Management is responsible for creating and disclosing other contents. In addition, the Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for monitoring the execution of duties by the Directors in the development and operation of the reporting process for other contents.

The subject of our audit opinion on the consolidated financial statements does not include the other contents, and we do not express an opinion on the other contents.

Our responsibility of auditing consolidated financial statements is to read through the other contents, and in the process of reading, consider whether there is any significant difference between the other contents and the consolidated financial statements or the knowledge gained through the process of auditing, and also pay attention to whether there are any other signs of material error in the other contents other than such significant differences.

If we determine that there is a material error in the other contents based on the work performed, we are required to report the fact.

There are no matters to be reported by us regarding the other contents.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the accounting standards, which omit certain disclosure items required under U.S. GAAP in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, and for the development and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that is free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and for disclosing, as necessary, matters related to going concern, pursuant to the accounting standards, which

omit certain disclosure items required under U.S. GAAP in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are pursuant to the accounting standards, which omit certain disclosure items required under U.S. GAAP in accordance with the provision of the second sentence of Article 120, Paragraph 1 of the Regulation on Corporate Accounting of Japan, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulations, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### **Other Matter**

Our firm and engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

#### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan.

End

**Independent Auditor's Report**

May 12, 2022

The Board of Directors  
Komatsu Ltd.

KPMG AZSA LLC  
Tokyo Office

Masafumi Tanabu  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Tomoo Nishigori  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Daisuke Toyama  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules (hereafter collectively referred to as the “non-consolidated financial statements, etc.”) of Komatsu Ltd. as of March 31, 2022 and for the 153rd fiscal year from April 1, 2021 to March 31, 2022, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act of Japan.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and the results of operations of Komatsu Ltd. as of the date and for the period for which the non-consolidated financial statements, etc. were prepared in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other contents**

Other contents are the Business Report and supplementary schedules. Management is responsible for creating and disclosing other contents. In addition, the Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for monitoring the execution of duties by the Directors in the development and operation of the reporting process for other contents.

The subject of our audit opinion on the non-consolidated financial statements, etc. does not include the other contents, and we do not express an opinion on the other contents.

Our responsibility of auditing non-consolidated financial statements, etc. is to read through the other contents, and in the process of reading, consider whether there is any significant difference between the other contents and the non-consolidated financial statements, etc. or the knowledge gained through the process of auditing, and also pay attention to whether there are any other signs of material error in the other contents other than such significant differences.

If we determine that there is a material error in the other contents based on the work performed, we are required to report the fact.

There are no matters to be reported by us regarding the other contents.

**Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements, etc.**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan, and for the development and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements, etc. that is free from material misstatements, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements, etc. with the assumption of a going concern, and in accordance with accounting principles generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements, etc.**

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the non-consolidated financial statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and related notes thereto.
- Conclude on the appropriateness of preparing the non-consolidated financial statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements, etc. and notes to the non-consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as evaluate the presentation, structure, and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and to communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan.

End

## **Audit & Supervisory Board's Report**

Regarding the execution of duties by the Directors for the 153rd Fiscal Year from April 1, 2021 to March 31, 2022, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

### 1. Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Details of Such Methods

- (1) We established auditing policies, allocation of duties and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding execution of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with such as the Directors, the Internal Auditing Department and other employees, and made efforts to establish the environment for collecting department information and auditing, and conducted audits by the following methods.
  - 1) Audit & Supervisory Board Members participated in the meetings of the Board of Directors and other important meetings, received reports from such as the Directors and employees regarding execution of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and status of assets at the head office and principal offices. With respect to subsidiaries, we communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received reports with respect to their business from subsidiaries as necessary.
  - 2) Concerning the content of the resolution of the Board of Directors concerning the maintenance of the systems necessary to ensure that the execution of duties by the Directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the properness of operations of a Stock Company and its subsidiaries stipulated in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act of Japan; and concerning the systems that are maintained based on such resolutions (Internal Control Systems): reports were regularly received from Directors and employees and others regarding the status of establishment and operation, and when necessary, explanation was sought and opinions were expressed.
  - 3) Furthermore, we monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, and we received reports from the Accounting Auditor regarding the execution of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that “the System for ensuring that duties are executed properly” (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting of Japan) is organized in accordance with the “Quality Management Standards Regarding Audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and supplementary schedules thereof, the non-consolidated financial statements (“non-consolidated balance sheet,” “non-consolidated statement of income,” “non-consolidated statement of changes in net assets,” and “notes to non-consolidated financial statements”) and supplementary schedules thereof, and consolidated financial

statements (“consolidated balance sheet,” “consolidated statement of income,” “consolidated statement of equity,” and “notes to consolidated financial statements”) for this fiscal year.

## 2. Result of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- 1) We confirm that the Business Report and supplementary schedules thereof fairly represent the Company’s condition in accordance with the related laws and regulations and the Articles of Incorporation.
- 2) We have found no significant evidence of wrongful acts or violations of either related laws and regulations, or the Articles of Incorporation with regard to the execution of duties by the Directors.
- 3) We confirm that the content of the resolution of the Board of Directors regarding Internal Control Systems is appropriate. In addition, we have found no matters to remark on in regard to the description of the Internal Control System in the Business Report and the execution of duties by the Directors regarding the Internal Control Systems.

### (2) Result of Audit of non-consolidated financial statements and supplementary schedules thereof

We confirm that the methods and results of the audit employed by the Accounting Auditor, KPMG AZSA LLC, are proper.

### (3) Result of Audit of consolidated financial statements

We confirm that the methods and results of the audit employed by the Accounting Auditor, KPMG AZSA LLC, are proper.

May 18, 2022

#### The Audit & Supervisory Board

Terumi Sasaki (Seal)  
Standing Audit & Supervisory Board Member

Yasuhiro Inagaki (Seal)  
Standing Audit & Supervisory Board Member

Hirohide Yamaguchi (Seal)  
Audit & Supervisory Board Member

Eiko Shinotsuka (Seal)  
Audit & Supervisory Board Member

Kotaro Ohno (Seal)  
Audit & Supervisory Board Member

(Note) Audit & Supervisory Board Members Hirohide Yamaguchi, Eiko Shinotsuka and Kotaro Ohno are Outside Audit & Supervisory Board Members as stipulated in the Companies Act of Japan.

End

May 30, 2022

Dear Shareholders:

## Items Disclosed on Internet Concerning Notice of Convocation of the 153rd Ordinary General Meeting of Shareholders of Komatsu Ltd.

Komatsu Ltd. (hereinafter “the Company”) has posted information regarding the items listed below on the Company’s website (<https://www.komatsu.jp/ja/ir>) in the Japanese language as part of its provision of notice of convocation of the 153rd Ordinary General Meeting of Shareholders of Komatsu Ltd. in accordance with relevant laws and regulations and with Article 16 of the Articles of Incorporation of the Company.

I Business Report

1. Financial Position and Profit/Loss Trends
2. Major Lines of Business
3. Principal Offices and Plants
4. Matters Regarding Stock Acquisition Rights of the Company, etc.
5. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems

II Consolidated Financial Statements

1. Consolidated Statement of Equity
2. Notes to Consolidated Financial Statements

III Non-Consolidated Financial Statements

1. Non-Consolidated Statement of Changes in Net Assets
2. Notes to Non-Consolidated Financial Statements

*Information in English has been posted on our English website (<https://www.komatsu.jp/en/ir>).*

Komatsu Ltd.

(Translation)

This document has been translated from the Japanese original for the convenience of foreign shareholders. In the event of any discrepancy between this document and the Japanese original, the original shall prevail.



## Items Disclosed on Internet

### I Business Report

#### 1. Financial Position and Profit/Loss Trends

	150th Fiscal Year (April 2018 - March 2019)	151st Fiscal Year (April 2019 - March 2020)	152nd Fiscal Year (April 2020 - March 2021)	153rd Fiscal Year (April 2021 - March 2022)
Net sales (JPY billion)	2,725.2	2,444.8	2,189.5	2,802.3
Operating income (JPY billion)	397.8	250.7	167.3	317.0
Income before income taxes and equity in earnings of affiliated companies (JPY billion)	377.4	223.1	162.7	324.5
Net income attributable to Komatsu Ltd. (JPY billion)	256.4	153.8	106.2	224.9
Net income attributable to Komatsu Ltd. per share (JPY)	271.81	162.93	112.43	237.97
ROE* <sup>1</sup> (%)	14.7	8.6	5.8	10.9
ROA* <sup>2</sup> (%)	10.8	6.1	4.4	8.0
Total assets (JPY billion)	3,638.2	3,653.6	3,784.8	4,347.5
Komatsu Ltd. shareholders' equity (JPY billion)	1,815.5	1,771.6	1,912.2	2,232.5

\*1 ROE=Net income attributable to Komatsu Ltd. for the year/[(Komatsu Ltd. shareholders' equity at the beginning of the fiscal year + Komatsu Ltd. shareholders' equity at the end of the fiscal year)/2]

\*2 ROA=Income before income taxes and equity in earnings of affiliated companies/[(total assets at the beginning of the fiscal year + total assets at the end of the fiscal year)/2]

Note: Net income attributable to Komatsu Ltd. per share is calculated based on the number of shares after deducting the average total number of shares of treasury stock during the fiscal year from the average total number of shares outstanding during the fiscal year.

**2. Major Lines of Business** (As of March 31, 2022)

Segment	Principal Products and Businesses	
Construction, Mining and Utility Equipment	Excavating Equipment	Hydraulic excavators, rope shovels, mini excavators, backhoe loaders, and blasthole drills
	Loading Equipment	Wheel loaders, mini wheel loaders, and skid-steer loaders
	Grading and Roadbed Preparation Equipment	Bulldozers and motor graders
	Hauling Equipment	Off-highway dump trucks, articulated dump trucks, and crawler carriers
	Forestry Equipment	Harvesters, forwarders, and feller bunchers
	Tunneling Machines	Shield machines and tunnel-boring machines
	Underground Mining Equipment	Continuous miners, longwall shearers, load haul dumps, and jumbo drills
	Recycling Equipment	Mobile crushers, mobile soil recyclers, and mobile tub grinders
	Industrial Vehicles	Forklift trucks
	Other Equipment	Railroad maintenance equipment
	Engines and Components	Diesel engines, diesel generator sets, and hydraulic equipment
	Casting Products	Steel castings and iron castings
	Logistics	Transportation, warehousing, and packing
Retail Finance	Retail Financing	Leasing and installment of construction and mining equipment
Industrial Machinery and Others	Metal Forging and Stamping Presses	Servo presses and mechanical presses
	Sheet-Metal Machines	Laser cutting machines, fine-plasma cutting machines, press brakes, and shears
	Machine Tools	Transfer machines, machining centers, crankshaft millers, grinding machines, and wire saws
	Defense Systems	Ammunition and armored personnel carriers
	Temperature-Control Equipment	Thermoelectric modules and temperature-control equipment for semiconductor manufacturing
	Optical Machinery	Excimer laser used for lithography tools in semiconductor manufacturing

### **3. Principal Offices and Plants** (As of March 31, 2022)

#### (1) The Company

Offices	Head Office (Minato-ku, Tokyo), Development Division Manda District (Hiratsuka City, Kanagawa)
Plants	Awazu Plant (Komatsu City, Ishikawa), Kanazawa Plant (Kanazawa City, Ishikawa), Himi Plant (Himi City, Toyama), Osaka Plant (Hirakata City, Osaka), Rokko Plant (Kobe City, Hyogo), Ibaraki Plant (Hitachinaka City, Ibaraki), Oyama Plant (Oyama City, Tochigi), Tochigi Plant (Oyama City, Tochigi), Koriyama Plant (Koriyama City, Fukushima), Shonan Plant (Hiratsuka City, Kanagawa)

Note: The bases belonging to the Development Division that are annexed to plants are included in respective plants.

#### (2) Principal Subsidiaries

Name	Location of Offices and Plants
Komatsu Customer Support Japan Ltd.	Head Office (Minato-ku, Tokyo)
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)
Komatsu Logistics Corp.	Head Office (Minato-ku, Tokyo)
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)
Komatsu NTC Ltd.	Head Office / Plant (Nanto City, Toyama)
GIGAPHOTON INC.	Head Office / Plant (Oyama City, Tochigi)
Komatsu America Corp.	Head Office / Plant (USA)
Hensley Industries, Inc.	Head Office / Plant (USA)
Komatsu Mining Corp.	Head Office (USA)
Joy Global Underground Mining LLC	Head Office / Plant (USA)
Joy Global Surface Mining Inc	Head Office / Plant (USA)
Joy Global Longview Operations LLC	Head Office / Plant (USA)
Komatsu do Brasil Ltda.	Head Office / Plant (Brazil)
Komatsu Brasil International Ltda.	Head Office (Brazil)
Komatsu Holding South America Ltda.	Head Office (Chile)
Komatsu Cummins Chile Ltda.	Head Office (Chile)
Joy Global (Chile) S.A.	Head Office / Plant (Chile)
Komatsu Financial Limited Partnership	Head Office (USA)
Komatsu Finance Chile S.A.	Head Office (Chile)
Komatsu Europe International N.V.	Head Office (Belgium)
Komatsu UK Ltd.	Head Office / Plant (UK)
Komatsu Germany GmbH	Head Office / Plant (Germany)
Komatsu Italia Manufacturing S.p.A.	Head Office / Plant (Italy)
Komatsu Forest AB	Head Office / Plant (Sweden)
Komatsu CIS LLC	Head Office (Russia)
Komatsu Financial Europe N.V.	Head Office (Belgium)
Komatsu (China) Ltd.	Head Office (China)
Komatsu (Changzhou) Construction Machinery Corp.	Head Office / Plant (China)
Komatsu Shantui Construction Machinery Co., Ltd.	Head Office / Plant (China)
Komatsu (Shandong) Construction Machinery Corp.	Head Office / Plant (China)

Name	Location of Offices and Plants
PT Komatsu Indonesia	Head Office / Plant (Indonesia)
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)
Bangkok Komatsu Co., Ltd.	Head Office / Plant (Thailand)
Komatsu India Pvt. Ltd.	Head Office / Plant (India)
Komatsu Marketing Support Australia Pty Ltd	Head Office (Australia)
Komatsu Australia Pty Ltd	Head Office (Australia)
Joy Global Australia Holding Company Pty Ltd	Head Office (Australia)
Joy Global Australia Pty Ltd	Head Office / Plant (Australia)
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)
Komatsu Financial Leasing China Ltd.	Head Office (China)
Komatsu Australia Corporate Finance Pty Ltd	Head Office (Australia)

#### **4. Matters Regarding Stock Acquisition Rights of the Company, etc.**

##### **(1) Status of Stock Acquisition Rights (As of March 31, 2022)**

Name (Issue Date)	Number of Stock Acquisition Rights	Number of Shares Subject to Stock Acquisition Rights (Number of Shares per one (1) Stock Acquisition Right)	Paid-in Amount per one (1) Share	Exercise Price per one (1) Share	Period for Exercise of Stock Acquisition Rights
No. 22 Stock Acquisition Rights (August 1, 2014)	63	6,300 shares (100 shares)	Without consideration	JPY 1	From August 1, 2017 to July 31, 2022
No. 24 Stock Acquisition Rights (August 3, 2015)	176	17,600 shares (100 shares)	Without consideration	JPY 1	From August 3, 2018 to July 31, 2023
No. 25 Stock Acquisition Rights (August 1, 2016)	7	700 shares (100 shares)	JPY 1,721	JPY 1	From August 1, 2019 to July 31, 2024
No. 26 Stock Acquisition Rights (August 1, 2016)	459	45,900 shares (100 shares)	Without consideration	JPY 1	From August 1, 2019 to July 31, 2024
No. 27 Stock Acquisition Rights (August 1, 2017)	12	1,200 shares (100 shares)	JPY 2,599	JPY 1	From August 1, 2020 to July 31, 2025
No. 28 Stock Acquisition Rights (August 1, 2017)	780	78,000 shares (100 shares)	Without consideration	JPY 1	From August 1, 2020 to July 31, 2025
Total	1,497	149,700 shares	[Reference: Total number of issued shares: 945,766,293 shares (excluding treasury stock)]		

Notes:

1. The type of shares subject to Stock Acquisition Rights shall be common stock of the Company.
2. “Exercise price” above means the “amount of assets to be paid upon exercise of Stock Acquisition Rights.”

**(2) Stock Acquisition Rights Held by Directors and Audit & Supervisory Board Members of the Company** (As of March 31, 2022)

1) Stock Acquisition Rights Held by Directors (excluding Outside Directors)

No items to report.

2) Stock Acquisition Rights Held by Outside Directors

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 25 Stock Acquisition Rights	1	7	700 shares
No. 27 Stock Acquisition Rights	1	6	600 shares

3) Stock Acquisition Rights Held by Audit & Supervisory Board Members

Name	Number of Holders of Stock Acquisition Rights	Number of Stock Acquisition Rights Owned	Number of Shares Subject to Stock Acquisition Rights
No. 28 Stock Acquisition Rights	1	14	1,400 shares

Note: The above indicates Stock Acquisition Rights issued at the time when incumbent Audit & Supervisory Board Member, as of March 31, 2022, was an employee of the Company (prior to being elected as Audit & Supervisory Board Member).

**(3) Stock Acquisition Rights Issued During the Fiscal Year Ended March 31, 2022 to Employees of the Company and Directors of the Subsidiaries of the Company**

No items to report.

## 5. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems

### (1) Systems for Ensuring the Properness of Operations

With regards to systems for ensuring that the execution of duties by Directors complies with laws and regulations, and the Company's Articles of Incorporation, and other systems for ensuring the properness of operations, the details of the resolution of the Board of Directors of the Company are as follows:

#### 1 Basic Policy on Internal Control

The Company considers its corporate value as the total sum of trust given to us by society and all stakeholders.

To increase this corporate value, the Company recognizes the importance of strengthening corporate governance. The Company strives to maintain transparency and soundness of management by appointing Outside Directors and Outside Audit & Supervisory Board Members, while limiting the members of the Board of Directors small so that discussions at the Board of Directors are more substantial. The Company also does its utmost to improve the operation of the Board of Directors, aiming at more effective governance by the Board, ample discussions and quick decision making.

#### 2 Systems for Retention and Management of Information Related to Directors' Execution of Duties

The Company shall adequately retain and manage important information related to Directors' execution of duties, including the record of Board meetings and other approval documents (such as *ringisho*), as stipulated by laws and regulations, and the Company's internal rules.

#### 3 Rules and Other Systems for Risk Management

While continuing to make efforts to raise its corporate value, the Company recognizes the problems related to legal compliance, environment, product quality, disasters and information security in particular, and other matters, as major risks for continuous growth and has been thus implementing the following countermeasures.

- i) The Company shall establish "Risk Management Rules" to correctly recognize and manage risks. In accordance with the rules, the Company has appointed personnel in charge of individual risks, further promoting the build-up of a solid foundation for risk management.
- ii) The Company shall establish Risk Management Committee to devise risk management policies of Komatsu, evaluate risk measures in place, and take control of risks when they emerge. The Risk Management Committee regularly reports its reviews and activities to the Board of Directors.
- iii) The Company shall establish an emergency headquarters when serious risks emerge, and work to minimize damage(s) and implement appropriate measures.

#### 4 Systems for Ensuring Efficient Execution of Duties by Directors

To ensure the efficient execution of duties by Directors, the Company shall implement the following:

- i) The Board of Directors shall meet in principle at least once every month and more often as needed. It shall strive to maintain transparency and soundness of management through the participation of Outside Directors. It shall also establish the Regulations of the Board of Directors and the Standards for Matters to be Referred to a Meeting of the Board of Directors, thereby clarifying the matters on which the Board of Directors should make decisions.
- ii) Together with the introduction of the Executive Officer (*Shikko Yakuin*) System, the Company shall define the separation of duties for Directors, Executive Officers and senior managers, and set up internal rules including the Regulations of Decision-Making Authority, to ensure appropriate and effective execution of duties by Directors and Executive Officers.

- iii) To promote efficient management of the Board of Directors, the Company shall establish a Strategy Review Committee consisting of Senior Executive Officers and senior managers. Based on the reviews of the Committee, Executive Officers and senior managers execute their duties within the authority delegated by the Board of Directors.

#### 5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company's Articles of Incorporation

The Board of Directors makes decisions on important management matters in accordance with laws and regulations and the "Regulations of the Board of Directors."

In accordance with the decisions made by the Board of Directors, each Director not only executes his or her own duties but also supervises employees for the execution of their duties, and reports the conditions thereof to the Board of Directors.

The Company shall establish the "Compliance Committee" as Komatsu to oversee compliance, and the Committee regularly reports its reviews and activities to the Board of Directors. The Company shall also establish a system to ensure all Directors and employees thorough compliance to business rules as well as laws and regulations through a variety of measures, including the provision of "Komatsu Code of Worldwide Business Conduct," appointment of the Executive Officer in charge of compliance, and establishment of the Compliance Department. Through all of these, we work to supervise, educate and train Directors, Audit & Supervisory Board Members and employees.

In addition, the Company shall establish the internal reporting system where those who are discretely reporting questionable actions in light of laws and regulations and business rules will not be given any disadvantageous treatment.

#### 6 Systems for Ensuring the Proper Operation of Komatsu Comprising the Company and Its Subsidiaries

- i) The Company shall establish the "Affiliated Company Regulations" and relevant rules to contribute to proper and efficient operation of Group management. It shall also position the "Komatsu Code of Worldwide Business Conduct," as the code to be applied by all companies affiliated with Komatsu. Under these regulations and standards, each department or division of the Company in charge of affiliated companies shall manage and support each relevant company under its supervision, and each company in Komatsu shall stipulate various regulations for the proper promotion of duties.
- ii) The Company shall assign and dispatch persons for Directors and Audit & Supervisory Board Members of major affiliated companies as needed, in order to strengthen corporate governance on a group-wide basis and monitor their management.
- iii) Important committees of the Company, including the "Compliance Committee," "Risk Management Committee" and "Export Control Committee," shall take actions with the entire Group in view, and allow representatives of affiliated companies to take part in their meetings on occasion.
- iv) The Company shall make particularly important affiliated companies regularly report to the Board of Directors of the Company on the status of business, including risks and compliance.



- v) The Internal Auditing Department of the Company shall audit each division of the Company and implement or supervise auditing of major affiliated companies that belong to Komatsu. It shall also audit and instruct each affiliated company regarding internal control systems built by them in accordance with Company requirements and the appropriate operation. The Internal Auditing Department shall also regularly report to the Board of Directors and the Audit & Supervisory Board about the building, management of systems and results of internal control systems across the Group.

#### 6-1 Systems for Ensuring Items Related to the Implementation of Duties by Directors and Other Employees at Subsidiaries are Reported to the Company

Each division/department of the Company that has affiliated companies under its supervision shall make each affiliated company report on the management status, financial status, and other important matters of management in accordance with the “Affiliated Company Regulations” and relevant rules.

#### 6-2 Rules and Other Systems for Risk Management at Subsidiaries

The Company comprehensively manages risk across the Group applying the risk management system explained in “3 Rules and Other Systems for Risk Management” to the Komatsu Group as a whole.

#### 6-3 Systems for Ensuring Efficient Execution of Duties by Directors and Other Employees at Subsidiaries

In the case where a subsidiary executes a matter that has a significant impact on the consolidated business operations of the Company, it is necessary either that the Company provides approval beforehand or that the Company receives notification of the matter beforehand in accordance with the Affiliated Company Regulations and relevant rules. In addition, to ensure the Company carries out the efficient operation of the entire Group based on a continual grasp of the status of the affiliated company’s status of business execution, the Company receives reports on the affiliated company’s standards for matters to be referred to a meeting of the board of directors, the frequency of board of directors meetings, the status of attendance, and agenda proposals.

#### 6-4 Systems for Ensuring that the Execution of Duties by Directors and Employees at Subsidiaries Complies with Laws and Regulations, and the Company’s Articles of Incorporation

The internal control systems and compliance systems described in “5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations, and the Company’s Articles of Incorporation” are implemented across the Komatsu Group, ensuring that Directors and employees of each company in Komatsu carry out their duties in accordance with laws and regulations and the Company’s Articles of Incorporation.

#### 7 Employees Assisting Audit & Supervisory Board Members for Execution of Their Duties, When They Ask for Such Employees

The Company shall set up the Office of Corporate Auditors’ Staff, which shall assist Audit & Supervisory Board Members in their duties, and allocate employees who work as assistants to Audit & Supervisory Board Members either exclusively or concurrently in another position within the Company.

8 Matters Regarding the Independence of the Assistants to Audit & Supervisory Board Members from Directors and the Effectiveness of Instructions Issued to the Assistants

- i) Handling of personnel affairs (employment, appointment and personnel changes) of the employees who belong to the Office of Corporate Auditors' Staff shall be premised on approval of the Standing Audit & Supervisory Board Members.
- ii) The employees who exclusively assist the Office of Corporate Auditors' Staff are independent of control and command of the Directors, and their performance shall be rated by the Standing Audit & Supervisory Board Members.
- iii) The Company's Standing Audit & Supervisory Board Members shall hold regular meetings with employees of the Office of Corporate Auditors' Staff to confirm the execution of duties by the office.

9 Systems for Directors and Employees Reporting to Audit & Supervisory Board Members; Systems Relating to Other Reports to Audit & Supervisory Board Members and Ensuring Effective Audits by Audit & Supervisory Board Members

- i) In accordance with laws and regulations, Audit & Supervisory Board Members shall receive reports by Directors, Executive Officers and other senior managers concerning the conditions of execution of their respective duties.
- ii) In the event that Directors find a serious violation of laws and regulations or other important facts regarding compliance at the Company or affiliated companies of the Komatsu Group, they shall report to the Audit & Supervisory Board Members immediately.
- iii) The Audit & Supervisory Board Members shall attend various committees and principal meetings concerning internal control as observers, and also read approval documents for important decision making (*ringisho and senketsusho*).
- iv) Audit & Supervisory Board Members may appoint legal counsels and/or other advisors needed for the execution of their duties.

9-1 Systems to Ensure Reports from Directors, Audit & Supervisory Board Members and Employees of Subsidiaries are Passed, Directly or via a Person Receiving such Reports, to Audit & Supervisory Board Members of the Company

Audit & Supervisory Board Members shall attend as observers meetings of committees, including the Strategy Review Committee discussing important management matters of the Company and Group companies, Compliance Committee and Risk Management Committee and Export Control Committee, respectively discussing compliance matters and risk management matters.

In accordance with the "Affiliated Company Regulations" and relevant rules, reports provided from affiliated companies regarding business operations, financial position and other important management matters are provided also to Audit & Supervisory Board Members.

The Company's "Risk Management Rules" and "Internal Auditing Rules" are applicable to affiliated companies and any important matter is reported to Audit & Supervisory Board Members.

9-2 Systems to Ensure Individuals who Provide Reports to Audit & Supervisory Board Members are not Given any Disadvantageous Treatment for the Provision Thereof

It is clearly stated in general rules on compliance regulated by the Company and each Group company that no disadvantageous treatment will arise from the act of reporting or informing, and the Company and each Group company shall operate in accordance with the aforesaid general rules.

10 Advance Payments and Reimbursements for Expenses Incurred by Audit & Supervisory Board Members Executing Duties and Policy Related to Expenses or Debts Incurred by Executing Duties

The Audit & Supervisory Board, after discussion with the operating department, shall secure the necessary budget to implement audit plans approved by the Audit & Supervisory Board.

On receiving claims from Audit & Supervisory Board Members for expenses to be incurred related to the execution of their duties, the Company shall promptly pay expenses in all cases except where the Company deems such expenses to be clearly unnecessary for the execution of duties of the Audit & Supervisory Board Members.

Audit & Supervisory Board Members and employees assigned to the Office of Corporate Auditors' Staff shall be responsible for managing and implementing costs related to the execution of duties by Audit & Supervisory Board Members.

11 Basic Policy Pertaining to the Elimination of Antisocial Forces

It shall be the basic policy of the Company to prohibit Komatsu from having any relation whatsoever with antisocial movements or groups that threaten the order and security of civil society, and the Company works on below.

- i) The above policy shall be provided in “Komatsu Code of Worldwide Business Conduct” and diffused throughout the Company as well as each company in Komatsu.
- ii) The Company’s General Affairs Department of the Head Office shall serve as a supervising division, working with the police and other specialized external organizations, in accordance with the above policy, to take a firm and organized stand against unwarranted claims by antisocial movements and to prevent any business relationship with those movements.
- iii) The Company will do its utmost to collect information and receive education training from the above external organizations and use above information communally both within the Company and among related Group divisions.

(2) Outline of Management of Systems Ensuring the Properness of Operations in Fiscal Year Ended March 31, 2022

<b>Overall Internal Control System</b>	Outline
	The Company partially revised its Basic Policy on Internal Controls in line with revisions to the Companies Act of Japan in April 2015. The Company is upgrading its internal control systems on a group worldwide basis, including at subsidiaries.
	Relevant “Systems for Ensuring the Properness of Operations”
	1 Basic Policy on Internal Controls
<b>Directors’ Execution of Duties</b>	Outline
	<p>1) The Board of Directors met 15 times during the fiscal year. The Board made decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors and reported on business execution. Business execution reports cover virtually 100% of businesses on a consolidated net sales basis. Even extremely small-scale businesses are reported at meetings of the Board of Directors, mainly with respect to safety, compliance, and risk. Sufficient time is secured to ensure full discussions at meetings of the Board of Directors and the Company has adopted a process of raising important matters for discussion and decision-making on predetermined days over two meetings of the Board of Directors.</p> <p>2) The Board of Directors also receives a monthly report from the President regarding recent important matters and topics, such as safety, compliance, and risk. The CFO also reports each month on the status of sales, profits and losses, orders received, and borrowings.</p> <p>3) Meetings were held consisting of Outside Directors and Outside Audit &amp; Supervisory Board Members, at which they exchanged opinions about</p>

	<p>management issues from an independent and objective standpoint. Furthermore, they discussed such matters with the President and shared the understanding and recognition of management issues.</p> <p>4) The records of the Board meetings and other approval documents (such as <i>ringisho</i>) are retained and managed appropriately in accordance with internal regulations on document management.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	2 Systems for Retention and Management of Information Related to Directors’ Execution of Duties
	4 Systems for Ensuring Efficient Execution of Duties by Directors
<b>Risk Management</b>	Outline
	<p>The Risk Management Committee met twice during the fiscal year. The Committee evaluated the status of implementation of risk measures and worked to prevent risks from surfacing. It also reported on its reviews and activities to the Board of Directors. The Committee also worked to improve the risk management systems on a group worldwide basis including at subsidiaries. In response to the global spread of COVID-19 and the situation in Ukraine, the Countermeasures Committee, led by the President, was established during the fiscal year ended March 31, 2022. This Committee collects and shares information globally with each function, such as human resources, marketing, production and development, and determines and deploys response policies.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	3 Rules and Other Systems for Risk Management
	6-2 Rules and Other Systems for Risk Management at Subsidiaries
<b>Compliance</b>	Outline
	<p>The Compliance Committee conducts various activities in Japan and overseas, such as revising the Komatsu Code of Worldwide Business Conduct, providing various education and disseminating information, and upgrading and operating the internal reporting system. It also reports on its reviews and activities to the Board of Directors. The Compliance Committee met twice in the fiscal year ended March 31, 2022. The Committee also conducted a “visualization survey” of latent risks. The Company bulletin “Compliance for Everyone” has been published on a monthly basis continually since 2006 and the Committee has been working to expand its distribution to include overseas subsidiaries as well. The Committee also conducts periodic audits with regard to major compliance risks and strives to prevent them from surfacing.</p>
	Relevant “Systems for Ensuring the Properness of Operations”
	5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations and the Company’s Articles of Incorporation
	6-4 Systems for Ensuring that the Execution of Duties by Directors and Employees at Subsidiaries Complies with Laws and Regulations and the Company’s Articles of Incorporation
<b>Management of Subsidiaries</b>	Outline
	<p>1) To strengthen the Group’s corporate governance, the Company dispatches its executive officers and board members of regional headquarters companies, etc. to serve as Directors and Audit &amp; Supervisory Board Members at its 45 main subsidiaries (12 in Japan, 33 overseas) to monitor their management. The divisions of the Company in charge of each subsidiary also conduct constant checks on the status of the subsidiaries’ Board of Directors meetings.</p> <p>2) The Boards of Directors resolved to implement the Basic Policy on Internal Controls at the Company’s 45 main subsidiaries to further increase the internal controls for the entire Group. The status of the Policy’s implementation is confirmed by the Company’s Board of Directors and the Company is working to improve it. Other subsidiaries will also establish internal control systems.</p>

	<p>3) In accordance with the Affiliated Company Regulations and relevant rules, when subsidiaries executed matters that had a significant impact on consolidated business operations, such actions were subject to the condition that the Company receive notification or provide approval beforehand.</p>
	<p>Relevant “Systems for Ensuring the Properness of Operations”</p>
	<p>6 Systems for Ensuring the Proper Operation of Komatsu Comprising the Company and Its Subsidiaries</p> <p>6-1 Systems for Ensuring Items Related to the Implementation of Duties by Directors and Other Employees at Subsidiaries are Reported to the Company</p> <p>6-3 Systems for Ensuring Efficient Execution of Duties by Directors and Other Employees at Subsidiaries</p>
<b>Audit &amp; Supervisory Board Members</b>	<p>Outline</p>
	<p>Audit &amp; Supervisory Board Members attend important meetings such as meetings of the Board of Directors, Strategy Review Committee, Compliance Committee, and Risk Management Committee, visit and inspect offices and plants of the Company and its subsidiaries, exchange opinions with the representative directors, other Directors and Audit &amp; Supervisory Board Members, and management of the Company and its main subsidiaries, and hold liaison meetings and individual interviews with the standing Audit &amp; Supervisory Board Members of subsidiaries in Japan. Through these activities, they monitor the upgrading and implementation status of the internal control system.</p> <p>They also periodically exchange opinions with the Internal Auditing Department and the Accounting Auditors and maintain close contact to enhance the effectiveness of audits.</p> <p>The Company has allocated the required employees to the Office of Corporate Auditors’ Staff to assist the Audit &amp; Supervisory Board Members in their duties and allocates, and appropriately manages and executes, a budget to cover the anticipated expenses necessary for execution of the Audit &amp; Supervisory Board Members’ duties based on the audit plan.</p>
	<p>Relevant “Systems for Ensuring the Properness of Operations”</p>
	<p>7 Employees Assisting Audit &amp; Supervisory Board Members for Execution of Their Duties, When They Ask for Such Employees</p> <p>8 Matters Regarding the Independence of the Assistants to Audit &amp; Supervisory Board Members from Directors and the Effectiveness of Instructions Issued to the Assistants</p> <p>9 Systems for Directors and Employees Reporting to Audit &amp; Supervisory Board Members; Systems Relating to Other Reports to Audit &amp; Supervisory Board Members and Ensuring Effective Audits by Audit &amp; Supervisory Board Members</p> <p>9-1 Systems to Ensure Reports from Directors, Audit &amp; Supervisory Board Members and Employees of Subsidiaries are Passed, Directly or via a Person Receiving such Reports, to Audit &amp; Supervisory Board Members of the Company</p> <p>9-2 Systems to Ensure Individuals who Provide Reports to Audit &amp; Supervisory Board Members are not Given any Disadvantageous Treatment for the Provision Thereof</p> <p>10 Advance Payments and Reimbursements for Expenses Incurred by Audit &amp; Supervisory Board Members Executing Duties and Policy Related to Expenses or Debts Incurred by Executing Duties</p>
<b>Elimination of Antisocial Forces</b>	<p>Outline</p>
	<p>The Company and its subsidiaries in Japan have clauses in their business contracts that exclude antisocial forces and perform checks on their business partners. The Company also worked to establish the same system stated above at overseas subsidiaries.</p>
	<p>Relevant “Systems for Ensuring the Properness of Operations”</p> <p>11 Basic Policy Pertaining to the Elimination of Antisocial Forces</p>

## II Consolidated Financial Statements

### 1. Consolidated Statement of Equity

(From April 1, 2021 to March 31, 2022)

(JPY million)

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)
			Appropriated for legal reserve	Unappropriated	
Balance at the beginning of current period	69,037	135,835	47,378	1,750,914	(42,012)
Cash dividends				(72,815)	
Transfer to retained earnings appropriated for legal reserve			525	(525)	
Other changes		3,637			876
Comprehensive income (loss):					
Net income				224,927	
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments					154,929
Pension liability adjustments					10,119
Net unrealized holding gains (losses) on derivative instruments					(1,498)
Comprehensive income					
Issuance and exercise of stock acquisition rights		(298)			
Purchase of treasury stock					
Sales of treasury stock		46			
Restricted stock compensation	356	352			
Balance at the end of current period	69,393	139,572	47,903	1,902,501	122,414

	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at the beginning of current period	(48,855)	1,912,297	99,728	2,012,025
Cash dividends		(72,815)	(5,983)	(78,798)
Transfer to retained earnings appropriated for legal reserve		-		-
Other changes		4,513	7,060	11,573
Comprehensive income (loss):				
Net income		224,927	12,321	237,248
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		154,929	10,218	165,147
Pension liability adjustments		10,119	50	10,169
Net unrealized holding gains (losses) on derivative instruments		(1,498)	372	(1,126)
Comprehensive income		388,477	22,961	411,438
Issuance and exercise of stock acquisition rights		(298)		(298)
Purchase of treasury stock	(670)	(670)		(670)
Sales of treasury stock	253	299		299
Restricted stock compensation		708		708
Balance at the end of current period	(49,272)	2,232,511	123,766	2,356,277

## **2. Notes to Consolidated Financial Statements**

### **Notes Concerning the Basis of Preparation of Consolidated Financial Statements**

#### **1. The number of consolidated subsidiaries and affiliated companies accounted for by the equity method**

- |  |  |
|--|--|
| (1) Number of consolidated subsidiaries:                               | 213 companies<br>(New additions: 5 companies, exclusions: 4 companies) |
| (2) Number of affiliated companies accounted for by the equity method: | 42 companies<br>(New addition: None, exclusion: None)                  |

#### **2. Significant Accounting Policies**

##### **(1) Basis of preparation of Consolidated Financial Statements**

The Consolidated Financial Statements of Komatsu Ltd. and its subsidiaries (hereinafter “Komatsu”) are prepared in accordance with Article 120-3, Paragraph 1 of the Regulation on Corporate Accounting of Japan, and the method of preparation conforms to the accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) in terms of terminology and format. However, some description and notes under the mandatory requirements of U.S. GAAP are omitted within the scope of stipulations in the provision of the second sentence of Article 120, Paragraph 1, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulation.

##### **(2) Method and basis of valuation of inventories**

Inventories are stated at the lower of cost or market. The cost of finished products and work in process is mainly valued by the specific identification method and the cost of raw materials and supplies is stated at periodic average cost. The cost of finished parts is mainly stated using the first-in first-out method.

##### **(3) Method and basis of valuation of investment securities**

Komatsu has applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (hereinafter “Codification”) Topic 321, “Investments–Equity Securities.”

Equity securities:

Komatsu measures equity securities without readily determinable fair values at the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. If Komatsu identifies observable price changes in orderly transactions for identical or similar investments issued by the same issuer, Komatsu measures the equity security at fair value as of the date that the observable transaction occurred.

##### **(4) Depreciation and amortization of fixed assets**

Depreciation of property, plant and equipment:  
Depreciated using the straight-line method.

Amortization of intangible assets:

Amortized using the straight-line method.

In accordance with Codification Topic 350, “Intangibles–Goodwill and Other,” goodwill and other intangible assets whose useful lives cannot be determined are not amortized and reviewed for impairment at least annually.

(5) Allowances

Allowance for doubtful receivables:

To cover possible credit losses on accounts receivables or loans, an allowance for doubtful receivables is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims, or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.

Liability for pension and retirement benefits:

In accordance with Codification Topic 715, “Compensation–Retirement Benefits,” to prepare for the payment of pension and retirement benefits to employees, a provision is made in the amount deemed necessary as of the balance sheet date based on projected benefit obligations and fair value of the plan assets. Komatsu recognized the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax.

Prior service cost is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence of such cost.

Regarding net actuarial loss, an excessive amount of the “corridor” (10% of projected benefit obligations, or fair value of plan assets, whichever is the larger) is amortized on a straight-line basis over the average remaining service period of employees at the time of occurrence.

(6) Revenue Recognition

Komatsu recognizes revenue based on the following five steps in accordance with Codification Topic 606, “Revenue from Contracts with Customers.”

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The details are as described in “Notes Concerning Revenue Recognition.”

Taxes collected from customers and paid to governmental-authorities including consumption taxes are excluded from revenue.

### **Notes Concerning Revenue Recognition**

Komatsu engages in the business activities of sales of products, services and retail financing for customers in Japan and overseas, under three operating segments: the “Construction, Mining and Utility Equipment” operating segment, the “Retail Finance” operating segment and the “Industrial Machinery and Others” operating segment. In these business activities, Komatsu provides goods or services identified in contracts with customers. Komatsu recognizes revenue when or as control over these goods or services is transferred to the customer at the amount of the transaction price that reflects the consideration to which it expects to be entitled. When two or more goods or services are provided to the same customer, Komatsu identifies performance obligations in a single contract or combined contracts and allocates the transaction price to each identified performance obligations based on relative stand-alone selling prices.

For sale of equipment, parts, attachment and others, revenue is recognized when the customers accept the goods or services. Conditions for acceptance, such as shipping, receipt by customers, completion of installation or completion of performance test, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.



For services such as periodic check, maintenance, and repair and other services, revenue is recognized when provision of the service is completed, or over the period for which the service is provided. Conditions for completion of service provision, including receipt of completion report, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

Komatsu's certain consolidated subsidiaries have signed long-term maintenance contracts with their customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus, revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

Shipping and handling activities occurring after control over an equipment has transferred to a customer are not identified as services.

Certain transaction prices include variable consideration such as future discounts and sales returns. Variable consideration is an estimate of the expected value or the most likely amount, to the extent that it is probable that a significant reversal in cumulative revenue recognized up to that point will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the period between when control over goods or services is transferred to the customer and when the customer pays for the goods or services is expected to be one year or less at the inception of the contract, Komatsu does not make any adjustment for the effect of time value of consideration.

Komatsu is obligated to accept parts returned from customers for a certain period after the sale. In consideration of the relevant historical return result and other factors, Komatsu's right to recover parts from customers is recognized in other current assets as a return asset, and also a refund liability is recognized in other current liabilities for its obligation to refund the customers upon return of parts.

With regard to transactions with combination of products, periodic check, maintenance and others, performance obligations are identified in a single contract or combined contracts. Transaction price is allocated to each identified performance obligation according to the proportion of stand-alone selling price that is determined based on observable price such as contract amount, and estimated cost including historical experience.

After the product are sold or delivered, Komatsu repairs the sold product and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result. In addition to this standard warranty, Komatsu offers a package of extended warranty for power line (engine & power systems and hydraulic system) upon the purchase of a product and free maintenance service as a service program to maintain the performance of construction equipment over a longer period of time. Komatsu determines this program to be a service-type warranty, and identifies a separate performance obligation for recognizing revenue from this program.

As the costs incurred to obtain a contract with a customer are to be amortized within one year, they are expensed as incurred by applying a practical expedient on the costs for obtaining a contract with a customer.

(i) Disaggregation of revenue

Revenue from contracts with customers and other sources are as follows.

Revenue recognized from contracts with customers	JPY	2,575,435 million
Revenue recognized from other sources	JPY	226,888 million
Total	JPY	2,802,323 million

Revenue recognized from other sources primarily comprises revenue recognized from lease contracts and financial income such as interest income.

The disaggregation of revenue by operating and geographic segment are as follows.

(JPY million)

	Japan	The Americas	Europe and CIS	China	Asia (excluding Japan and China) and Oceania	Middle East and Africa	Total
Construction, Mining and Utility Equipment	303,628	986,580	423,777	96,416	558,867	189,582	2,558,850
Retail Finance	2,387	40,265	5,012	2,889	6,747	509	57,809
Industrial Machinery and Others	83,070	25,037	12,038	31,981	33,226	312	185,664
Total	389,085	1,051,882	440,827	131,286	598,840	190,403	2,802,323

The amounts classified into revenue recognized from other sources within the net sales of the Construction, Mining and Utility Equipment operating segment are JPY 32,675 million in Japan, JPY 35,033 million in the Americas, JPY 66,673 million in Europe and CIS, JPY 27,596 million in China, and JPY 8,348 million in Asia (excluding Japan and China) and Oceania. Net sales of the Retail Finance operating segment are primarily the amounts classified into revenue recognized from other sources.

(ii) Contract balances

Contract balances arising from contracts with customers are as follows:

Receivables *1	JPY	1,220,566 million
Contract assets *2	JPY	2,699 million
Contract liabilities *3	JPY	132,649 million

Notes:

1. Receivables are included in trade notes and accounts receivable, net and long-term trade receivables, net in the accompanying consolidated balance sheet. These amounts are before deducting allowance for doubtful receivables.
2. Contract assets are included in trade notes and accounts receivable, net in the accompanying consolidated balance sheet. These amounts are before deducting allowance for doubtful receivables.
3. Contract liabilities are included in other current liabilities and deferred income taxes and other liabilities in the accompanying consolidated balance sheet.

Komatsu's contract assets mainly relate to its right to consideration for product sales contracts in the industrial machinery business, for which the performance obligation has been satisfied but the invoicing conditions have not been satisfied as of a reporting date. Contract assets are reclassified to receivables when the right to consideration becomes unconditional.

Komatsu's contract liabilities are those arising from all or part of the consideration received from the customers before the corresponding performance obligation is satisfied. The main components of the contract liabilities are unearned revenue and advances received. Komatsu recognizes unearned revenue by identifying separate performance obligations such as extended warranties.

Advances received from the customers are recognized in long-term maintenance contracts for which revenue is recognized over the contract period, and also in product sales contracts for large press machines and the like for which revenue is recognized upon acceptance of the customers. Revenue recognized for the fiscal year ended March 31, 2022 that was included in the contract liability balance as of March 31, 2021 was JPY 52,291 million.

The amount of revenue recognized from the performance obligations satisfied or partially satisfied in the past and the amount of impairment losses recognized for receivables and contract assets are immaterial. Additionally, there were no significant changes in contract assets and contract liabilities for contracts with customers.

(iii) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year was JPY 208,918 million, of which JPY 94,203 million is expected to be recognized as revenue in the fiscal year ending March 31, 2023.

### Notes Concerning Accounting Estimates

Komatsu (the Company and its consolidated subsidiaries) has made a number of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses presented in consolidated financial statements prepared in accordance with U.S. GAAP. Actual results could differ from the estimates and assumptions. Komatsu has identified several areas where it believes estimates and assumptions are particularly critical to the consolidated financial statements. These are the determination of the useful lives of property, plant and equipment, the allowance for doubtful receivables, impairment of long-lived assets and goodwill, liabilities and expenses for pension and retirement benefits, provision for product warranties, fair value of financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The current economic environment has increased the degree of uncertainty inherent in those estimates.

Regarding the impact of the turmoil, etc. in the supply chain, financial sector and economies brought about by the novel coronavirus (COVID-19) pandemic and the Ukraine situation on the financial position and results of operations of Komatsu, there is uncertainty regarding when such conditions will improve, among other factors. Nevertheless, Komatsu has assumed that a certain level of impact from COVID-19 and the Ukraine situation will continue in the future, based on the information which is available at present and our predictions. Komatsu is making its best estimates based on the assumption to assess the amount of probable credit losses, the recoverability of deferred tax assets and the impairment losses on long-lived assets and goodwill given these items are relatively material among the accounting estimates. However, if actual future trends deviate from the assumption, Komatsu's financial position and results of operations may be affected.

### Notes to Consolidated Balance Sheet

- |  |                     |
|--|---------------------|
| (1) Allowance for doubtful trade notes and accounts receivable and long-term trade receivables:  | JPY 22,076 million  |
| (2) Accumulated depreciation of property, plant and equipment:   | JPY 997,069 million |
| (3) Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, pension liability adjustments and net unrealized holding gains (losses) on derivative instruments. |                     |

(4) Assets pledged as collateral:		
Other current assets	JPY	3 million
Total	JPY	3 million
(5) Guarantee obligations		
Guarantee obligations for borrowings made by employees, affiliated companies, customers and others:	JPY	12,293 million
Guarantee obligations for subsidiaries to perform the obligations of the terms and conditions of contracts	JPY	17,330 million

## Notes Concerning Financial Instruments

### (1) Status of financial instruments

The basic financial policy of Komatsu is to secure funds necessary for future business activities and maintain proper liquidity.

In accordance with this policy, Komatsu principally uses cash flows from operating activities, and also makes bank borrowings and issues commercial papers as necessary, to meet short-term fund demands. In order to flexibly meet medium to long-term fund demands, Komatsu has established an authorized limit of bond issues and a euro medium term note program.

Concerning trade notes and accounts receivable and long-term trade receivables, Komatsu conducts business activities with customers, dealers and associated companies on a global scale and disperses these accounts receivable to prevent the concentration of credit risk.

A portion of foreign currency denominated accounts receivable and debts are vulnerable to the risk of foreign exchange fluctuation. To alleviate these risks, Komatsu enters into forward foreign exchange contracts and currency swap contracts based on foreign currency cash flow projections. Komatsu enters into interest rate swap contracts and interest rate cap contracts to manage the risk of interest rates on short-term and long-term debt.

Derivatives carry a risk of credit loss by nonperformance of contract by the other party in the transaction. However, Komatsu does not assume such possibility due to the high credit rating of the other parties in such transactions. Komatsu does not enter into derivative contracts for the purpose of trading or speculative gain.

### (2) Matters concerning fair values of financial instruments

Codification Topic 820 “Fair Value Measurement” defines that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3: Unobservable inputs for the assets or liabilities

Consolidated balance sheet amounts and fair values of financial instruments, their variances, and their fair value levels are as follows:

(JPY million)

		Consolidated balance sheet amount*	Fair value*	Balance	Fair value level
(1) Cash and cash equivalents		315,360	315,360	–	Level 1
(2) Time deposits		1,310	1,310	–	Level 2
(3) Long-term trade receivables, net, excluding lease receivables		362,720	362,720	–	Level 2
(4) Short-term debt		(241,746)	(241,746)	–	Level 2
(5) Long-term debt, including current portion		(705,634)	(694,174)	11,460	Level 2
(6) Derivatives	Assets	5,174	5,174	–	Level 2
	Liabilities	(16,084)	(16,084)	–	Level 2

\* The figures in parentheses indicate those posted in liabilities.

Notes:

1. Method of measurement of fair values of financial instruments and matters concerning derivatives

(1) Cash and cash equivalents, and (2) Time deposits

Since these accounts are settled in a short period of time, their consolidated balance sheet amounts approximate their fair values.

(3) Long-term trade receivables, net, excluding lease receivables

Fair values of long-term trade receivables are measured by discounting future cash flows at interest rate at the end of the fiscal year that should be applied to trade receivables with similar maturities. As a result, their consolidated balance sheet amounts approximate their fair values.

(4) Short-term debt

Since these accounts are settled in a short period of time, their consolidated balance sheet amounts approximate their fair values.

(5) Long-term debt, including current portion

Fair values of long-term debt are measured either based on prices on the exchange market or based on the present value of future cash flow for each borrowing calculated by discounting at the market borrowing rate at the end of the fiscal year that should be applied to borrowings with similar maturities.

(6) Derivatives

Derivatives primarily represent foreign exchange contracts and interest rate swap contracts. Fair values of foreign exchange contracts are measured based on a valuation model that discounts cash flows resulting from the differential between the contract rate and the market-based forward rate. Fair values of interest rate swap contracts are based on a valuation model that discounts cash flows based on the terms of the contract and the swap curves.

2. Unlisted investment securities (consolidated balance sheet amount: JPY 8,377 million) are primarily non-marketable equity securities with no readily determinable fair value, and therefore are not included in the table above.

### **Notes Concerning Investment and Rental Property**

The total amount of land and buildings held by Komatsu as rental property is immaterial.

### **Notes Concerning Per Share Information**

(1) Komatsu Ltd. shareholders' equity per share	JPY	2,361.66
(2) Basic net income attributable to Komatsu Ltd. per share	JPY	237.97
(3) Diluted net income attributable to Komatsu Ltd. per share	JPY	237.92

### **Notes Concerning Significant Subsequent Events**

No items to report.

### **Other Notes**

Amounts less than JPY 1 million in the Consolidated Financial Statements and its Notes are rounded to the nearest million yen.

### III Non-Consolidated Financial Statements

#### 1. Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(JPY million)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for special depreciation	Reserve for advanced depreciation of non-current assets	General reserve
Balance at the beginning of current period	71,322	141,341	359	141,701	18,036	24	11,728	210,359
Changes of items during the period								
Reversal of reserve for special depreciation						(24)		
Reversal of reserve for advanced depreciation of non-current assets							(327)	
Dividends from surplus								
Net income								
Purchase of treasury stock								
Disposal of treasury stock			46	46				
Restricted stock compensation	355	355		355				
Net changes of items other than shareholders' equity								
Total changes of items during the period	355	355	46	401	–	(24)	(327)	–
Balance at the end of current period	71,678	141,697	405	142,103	18,036	–	11,400	210,359

(JPY million)

	Shareholders' equity				Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Other retained earnings	Total retained earnings						
Balance at the beginning of current period	393,103	633,252	(48,448)	797,827	(863)	(863)	632	797,596
Changes of items during the period								
Reversal of reserve for special depreciation	24	–		–				–
Reversal of reserve for advanced depreciation of non-current assets	327	–		–				–
Dividends from surplus	(72,814)	(72,814)		(72,814)				(72,814)
Net income	78,342	78,342		78,342				78,342
Purchase of treasury stock			(649)	(649)				(649)
Disposal of treasury stock			252	299				299
Restricted stock compensation				711				711
Net changes of items other than shareholders' equity					(1,751)	(1,751)	(298)	(2,049)
Total changes of items during the period	5,880	5,528	(396)	5,888	(1,751)	(1,751)	(298)	3,838
Balance at the end of current period	398,984	638,780	(48,844)	803,716	(2,615)	(2,615)	333	801,435



## **2. Notes to Non-Consolidated Financial Statements**

### **Significant Accounting Policies**

- (1) Method and basis of valuation of securities
  - Investments in subsidiaries and affiliated companies:
    - Stated at cost determined by the moving-average method.
  - Available-for-sale securities:
    - Securities, etc. whose market price is not readily determinable:
      - Stated at cost determined by the moving-average method.
  
- (2) Method and basis of valuation of inventories
  - Merchandise and finished goods, work in process:
    - Stated at cost (specific identification method).
  - Raw materials and supplies:
    - Stated at cost (periodic average method).
  - The value stated in the balance sheet is computed according to write-downs based on the decreased profitability.
  
- (3) Depreciation of non-current assets
  - Property, plant and equipment (excluding lease assets):
    - Straight-line method
  - Intangible assets (excluding lease assets):
    - Straight-line method
  - Lease assets
    - Lease assets pertaining to finance leases that do not transfer ownership of leased property to the lessee:
      - Straight-line method over the lease period as the useful life
  
- (4) Allowances and provisions
  - 1) Allowance for doubtful accounts
    - To cover possible credit losses on accounts receivable or loans, an allowance for doubtful accounts is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.
  - 2) Allowance for investment loss
    - In order to prepare for losses from investing in domestic and overseas unlisted companies, allowance for investment loss is accounted for by taking into consideration the financial position of the issuer and fluctuation of the foreign exchange of the country of the issuer.
  - 3) Provision for bonuses
    - Provision for bonuses is provided for payment prospect of bonuses to employees at an amount considered to be recorded for the fiscal year ended March 31, 2022.
  - 4) Provision for directors' bonuses
    - Provision for directors' bonuses is provided for payment prospect of bonuses to Directors at an amount considered to be recorded for the fiscal year ended March 31, 2022.
  - 5) Provision for product warranties
    - Provision for product warranties is provided for product after-sales service expenses based on the historical performance, etc.

6) Provision for retirement benefits

In order to provide for employee retirement benefits, the Company accrues liabilities for severance payments and pension at the amount calculated based on the projected benefit obligations and plan assets at the end of the fiscal year ended March 31, 2022.

When calculating the projected benefit obligations, the benefit formula basis is used to attribute expected benefits to the period through to the end of the fiscal year ended March 31, 2022. Past service cost is amortized at the lump-sum amount in the fiscal year when it is incurred. Actuarial loss is amortized in an amount proportionally appropriated on a straight-line basis over a certain number of years (10 years), which is shorter than the average remaining service period of employees, beginning with the following fiscal year when the difference is recognized.

(5) Accounting for income and expenses

The Company recognizes revenue by adopting the following five steps in accordance with “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021).

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The details are as described in “Notes Concerning Revenue Recognition.”

(6) Other significant information for preparation of financial statements

1) Application of consolidated taxation system in Japan

The Company applies a consolidated tax payment system.

2) The application of the treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company will transition from the consolidated taxation system to the group tax sharing system from next fiscal year. However, for items for which the non-consolidated taxation system is reviewed in tandem with the transitions to the group tax sharing system that is established under the Act Partially Amending the Income Tax Act (Act No. 8 of 2020), and to the group tax sharing system, the Company reports the amounts of deferred tax assets and deferred tax liabilities pursuant to the provision of the tax law prior to the amendment, and does not apply the provision of paragraph (44) of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), as allowed by the treatment prescribed under paragraph (3) of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ PITF No. 39, March 31, 2020).

From the beginning of next fiscal year, the Company plans to apply “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which prescribes treatment for accounting and disclosure for income tax, local income tax, and deferred tax accounting in cases where the group tax sharing system is applied.

### Notes to Changes in Accounting Policies

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019) from the beginning of the fiscal year ended March 31, 2022, and it

has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement and its implementation guidance prospectively in accordance with the transitional treatment provided for in paragraph (19) of the Accounting Standard for Fair Value Measurement, and paragraph (44)-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change does not have an impact on the non-consolidated financial statements for the fiscal year ended March 31, 2022.

### **Notes Concerning Revenue Recognition**

The Company engages in the business activities of sales of products and services of construction equipment, industrial machinery, etc. in Japan and overseas. In these business activities, the Company provides goods or services identified in contracts with customers. The Company recognizes revenue when or as control over these goods or services is transferred to the customer at the amount of the transaction price that reflects the consideration to which it expects to be entitled. When two or more goods or services are provided to the same customer, the Company identifies performance obligations in a single contract or combined contracts and allocates the transaction price to each identified performance obligation based on relative stand-alone selling prices.

For sale of equipment, parts, attachments and others, revenue is recognized when the customers accept the goods or services.

Conditions for acceptance, such as shipping, receipt by customers, completion of installation or completion of a performance test, depend on contracts or arrangements with customers and the like.

The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

For services such as periodic checks, maintenance, and repair and other services, revenue is recognized when provision of the service is completed or over the period for which the service is provided. Conditions for completion of providing the service, including receipt of a completion report, depend on contracts or arrangements with customers and the like. The consideration for those transactions is generally collected within three months after the performance obligation is satisfied.

The Company has signed long-term maintenance contracts with its customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus, revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

Royalties received for licensing to customers (mainly affiliates) are recognized as revenue based on the amount used by the customer in principle.

Certain transaction prices include variable consideration such as future discounts and sales returns. Variable consideration is an estimate of the expected value or the most likely amount, to the extent that it is probable that a significant reversal in cumulative revenue recognized up to that point will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the period between when control over goods or services is transferred to the customer and when the customer pays for the goods or services is expected to be one year or less at the inception of the contract, the Company does not make any adjustment for the effect of time value of consideration.

The Company is obligated to accept parts returned from customers for a certain period after the sale. In consideration of the relevant historical return result and other factors, the Company’s right to recover parts

from customers is recognized in other current assets and other investments as a return asset, and also a refund liability is recognized in other current liabilities and other long-term liabilities for its obligation to provide a refund to the customers upon return of parts.

With regard to transactions with combination of products, periodic checks, maintenance and others, performance obligations are identified in a single contract or combined contracts. Transaction price is allocated to each identified performance obligation according to the proportion of stand-alone selling price that is determined based on observable price such as contract amount and estimated cost including historical experience.

After the products are sold or delivered, the Company repairs the sold product and replaces parts free of charge for a certain period in accordance with the contract. Thus, in order to provide for disbursement of the after-sales service costs, provision for product warranties is recognized based on the relevant historical result.

In addition to this standard warranty, the Company offers an extended warranty package for power lines (engine and power systems and hydraulic systems) upon the purchase of a product and free maintenance service as a service program to maintain the performance of construction equipment over a longer period of time.

The Company determines this program to be a service-type warranty and identifies a separate performance obligation for recognizing revenue from this program.

## **Notes to Accounting Estimates**

### Recoverability of deferred tax assets

Amount recorded in financial statements for the fiscal year ended March 31, 2022

The Company applies tax effect accounting to temporary differences arising from a difference in tax and accounting treatment and records deferred tax assets on the balance sheet. The amount recorded in the fiscal year ended March 31, 2022 is JPY 25,199 million.

### Other information

- (1) Calculation method of amount recorded in financial statements for the fiscal year ended March 31, 2022

The Company recognizes deferred tax assets to the extent of deductible temporary differences that are allowed to reduce the tax amount payable into the future.

- (2) Major assumptions used in the calculation of the amounts recorded in financial statements for the fiscal year ended March 31, 2022

Estimates of future taxable income used to evaluate the recoverability of deferred tax assets are determined based on business plans; however, with regard to these business plans, assumptions have been made mainly in the forecasts of future sales and profits, including the impact of the turmoil, etc. in the supply chain, financial sector and economies brought about by the COVID-19 pandemic and the Ukraine situation.

### Impact on financial statements for the following fiscal year

A decrease in future taxable income may result in reducing the amount of deferred tax assets.

## Note to Additional Information

Based on the resolution at the Board of Directors meeting held on April 30, 2021, the Company carried out an absorption-type company split on July 1, 2021 (effective date), in which LANDLOG Ltd. is to serve as the successor company in assuming a portion of the Company's rights and liabilities, etc. relating to the Company's SMARTCONSTRUCTION business.

LANDLOG Ltd. changed its trade name to "EARTHBRAIN Ltd." on July 1, 2021.

The Company accounts for the above as a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

The aforementioned absorption-type company split does not have a substantial impact on the Company's financial position and results of operations.

## Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment:	JPY	515,273 million
(2) Contingent liabilities		
Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates:	JPY	165,718 million
Balance of guarantees for debt for borrowings from financial institutions by employees (home loans):	JPY	373 million
Balance of keep-well agreements for the bonds of subsidiaries and affiliates:	JPY	152,017 million
Balance of guarantees for loans financed by subsidiaries and affiliates:	JPY	4,557 million
(3) Receivables from and debts payable to subsidiaries and affiliates		
Short-term receivables from subsidiaries and affiliates:	JPY	204,038 million
Short-term debts payable to subsidiaries and affiliates:	JPY	112,810 million
Long-term receivables from subsidiaries and affiliates:	JPY	18,551 million

## Notes to Non-Consolidated Statement of Income

(1) Trading with subsidiaries and affiliates		
Sales:	JPY	752,710 million
Purchases:	JPY	171,651 million
Trading other than operating transactions:	JPY	36,621 million
(2) Transfer pricing taxation adjustment		
Transfer pricing taxation adjustment is loss or gain on adjustment made in the amount paid from the Company to Komatsu Europe International N.V. based on the agreements of the prior confirmation applications submitted for approval regarding transfer pricing.		
(3) Gain on revision of retirement benefit plan		
Part of the retirement benefit plan (lump-sum retirement benefit plan and defined benefit pension plan (cash balance type)) has been transferred to the defined contribution pension plan on April 1, 2021. A gain was recorded in relation to this transfer.		

## Notes to Non-Consolidated Statement of Changes in Net Assets

### (1) Type and number of shares issued

Type	Number of Shares at the Beginning of the Fiscal Year ended March 31, 2022	Increase During the Fiscal Year ended March 31, 2022	Decrease During the Fiscal Year ended March 31, 2022	Number of Shares at the End of the Fiscal Year ended March 31, 2022
Common stock*	972,887,610	258,190	–	973,145,800

Note: The 258,190-share increase in the number of shares of common stock is due to the issuance of new shares as restricted stock compensation.

### (2) Type and number of treasury stock

Type	Number of Shares at the Beginning of the Fiscal Year ended March 31, 2022	Increase During the Fiscal Year ended March 31, 2022	Decrease During the Fiscal Year ended March 31, 2022	Number of Shares at the End of the Fiscal Year ended March 31, 2022
Common stock* <sup>1, 2</sup>	27,319,487	202,013	141,993	27,379,507

Notes:

- The 202,013-share increase in the number of shares of common stock held as treasury stock consists of the following:
  - 196,826 shares by the purchase of shares from unlocatable shareholders
  - 5,187 shares by the purchase of shares constituting less than one unit of shares
- The 141,993-share decrease in the number of shares of common stock held as treasury stock consists of the following:
  - 141,800 shares by the exercise of stock options
  - 193 shares by the sales of shares constituting less than one unit of shares

### (3) Dividends

#### 1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 18, 2021	Common stock	34,986	37	March 31, 2021	June 21, 2021
Meeting of the Board of Directors held on October 28, 2021	Common stock	37,828	40	September 30, 2021	December 1, 2021

#### 2) Dividends for which the record date is in the fiscal year ended March 31, 2022 and effective date is in the fiscal year ending March 31, 2023

Planned Resolution	Type of Shares	Resource of Dividends	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 21, 2022	Common stock	Retained earnings	52,962	56	March 31, 2022	June 22, 2022

## (4) Matters concerning Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Type of Shares Allocated for Stock Acquisition Rights	Number of Shares Allocated for Stock Acquisition Rights			
		Number of Shares at the Beginning of the Fiscal Year ended March 31, 2022	Increase During the Fiscal Year ended March 31, 2022	Decrease During the Fiscal Year ended March 31, 2022	Number of Shares at the End of the Fiscal Year ended March 31, 2022
2013 Stock Acquisition Rights No. 2 <sup>*1, 2</sup>	Common stock	9,600	–	9,600	–
2014 Stock Acquisition Rights No. 2 <sup>*1, 2</sup>	Common stock	23,000	–	16,700	6,300
2015 Stock Acquisition Rights No. 1 <sup>*1, 2</sup>	Common stock	11,600	–	11,600	–
2015 Stock Acquisition Rights No. 2 <sup>*1, 2</sup>	Common stock	41,000	–	23,400	17,600
2016 Stock Acquisition Rights No. 1 <sup>*1, 2</sup>	Common stock	15,700	–	15,000	700
2016 Stock Acquisition Rights No. 2 <sup>*1, 2</sup>	Common stock	68,000	–	22,100	45,900
2017 Stock Acquisition Rights No. 1 <sup>*1, 2</sup>	Common stock	12,200	–	11,000	1,200
2017 Stock Acquisition Rights No. 2 <sup>*1, 2</sup>	Common stock	110,400	–	32,400	78,000

## Notes:

1. Stock Acquisition Rights No. 1 were issued as remuneration for Directors of the Company as per the Companies Act of Japan. Stock Acquisition Rights No. 2 were issued without consideration to employees of the Company or others as per the Companies Act of Japan.
2. The decrease in shares recorded during the fiscal year ended March 31, 2022 for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights.

## Notes Concerning Tax Effect Accounting

### Major reasons for the accrual of deferred tax assets and deferred tax liabilities

#### (Deferred tax assets)

Provision for product warranties	JPY	2,985	million
Inventories	JPY	1,727	million
Accrued enterprise tax	JPY	1,454	million
Provision for bonuses	JPY	3,145	million
Provision for retirement benefits	JPY	12,772	million
Investment securities and stocks of subsidiaries and affiliates	JPY	3,994	million
Excess over depreciation limit	JPY	1,506	million
Deferred gains or losses on hedges	JPY	1,147	million
Return assets and refund liabilities	JPY	1,129	million
Accrued expenses	JPY	2,360	million
Others	JPY	5,434	million
Subtotal deferred tax assets	JPY	37,658	million
Less valuation allowance	JPY	(5,904)	million
Total deferred tax assets	JPY	31,753	million

#### (Deferred tax liabilities)

Reserve for advanced depreciation of non-current assets	JPY	(5,073)	million
Others	JPY	(1,481)	million
Total deferred tax liabilities	JPY	(6,554)	million
Net deferred tax assets	JPY	25,199	million



**Notes Concerning Related Party Transactions**  
Subsidiaries and other affiliated companies

(JPY million)

Attribute	Company Name	Holding Voting Rights	Relationship with Related Party	Transaction	Transaction Amount	Category	Outstanding Balance
Subsidiary	Komatsu Customer Support Japan Ltd.	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	184,511	Accounts receivable-trade	52,710
				Cash Management System lending*2	11,571	Short-term loans receivable	11,908
	Komatsu America Corp.	Holding directly 100%	Manufacture and sale of the Company's products	Sale of products, etc.*1	174,071	Accounts receivable-trade	15,302
	Komatsu CIS LLC	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	104,837	Accounts receivable-trade	39,345
	Komatsu Business Support Ltd.	Holding directly 100%	Retail financing of the Company's products	Cash Management System lending*2	29,126	Short-term loans receivable	9,568
						Long-term loans receivable	18,335
	EARTHBRAIN Ltd.	Holding directly 54.5%	Dispatched Director	Cash Management System borrowing*2	29,103	Deposits received	28,278
	Komatsu NTC Ltd.	Holding directly 100%	Dispatched Director	Cash Management System borrowing*2	13,150	Deposits received	17,303
Komatsu Finance America Inc.	Holding indirectly 100%	Financing within Komatsu Group, fundraising, etc.	Guarantee obligation*3	143,255	—	—	

Notes concerning transaction conditions and policies, etc. for their determination

1. Product selling prices and other sales conditions are decided by negotiation, taking into account market conditions.
2. The interest rates on Cash Management System borrowing and lending are reasonably decided taking market interest rates into consideration. Transaction amount shows the average balance during the fiscal year ended March 31, 2022 because the transactions are repetitive.
3. The guarantee obligation applies to bonds issued by Komatsu Finance America Inc.

**Notes Concerning Per Share Information**

- |                          |     |        |
|--------------------------|-----|--------|
| (1) Net assets per share | JPY | 847.04 |
| (2) Net income per share | JPY | 82.85  |

**Other Notes**

Amounts less than JPY 1 million in the Non-Consolidated Financial Statements and its Notes are rounded down.