CEO message

Turning change into strength and continuing our pursuit of growth
Achieving sustainable growth through continuous improvement and innovation

Our understanding of the external environment

Resilient management that turns change into strength

One year has already passed since I assumed the position of President in April 2025. Looking back on the past year, I have seen firsthand how rapidly the global environment is changing and how traditional assumptions and values are being reshaped. Changes in policies and regulations across countries and regions, escalating geopolitical risks, and supply chain disruptions are altering the very foundations of corporate management and putting pressure on global companies to demonstrate an even higher level of adaptability than before.

Success in such times requires a flexible management structure built on the assumption that change is constant. A company's ability to assess changing conditions across businesses and regions and reevaluate operations as necessary is more important now than ever across development, procurement, production, and sales functions. Strengthening resilience in procurement and production is one area I consider particularly important. A company must be able to make flexible and timely improvements to the systems and management structures that support procurement and production in response to changes in demand, supply chain challenges, and shifts in regional business environments.

Komatsu has built a flexible supply system through cross-sourcing and multi-sourcing strategies as part of our global operations. We have spent this past year responding to various challenges, including procurement risks related to rare earth materials, semiconductor shortages, and procurement risks for petroleum-derived materials stemming from the situation in the Middle East. In addressing these challenges, we gained greater visibility into areas that had previously been difficult to fully track, including the materials and components across our supply chain and even paints used by our suppliers, and elevated the overall level of our procurement management. These efforts ultimately led to improvements in cost of sales and other benefits, and we are leveraging these initiatives not only for crisis response but also to strengthen our competitiveness.

Komatsu has faced many challenges over the years, including economic fluctuations, changes in market conditions, natural disasters, and supply chain disruptions. Our experiences have consistently revealed new opportunities for improvement and learning. The key here is not just to respond to crises with short-term fixes, but as opportunities to strengthen organizational capabilities and competitiveness. For Komatsu, this is what resilience is all about. Growth requires more than a defensive approach. Deciding where to invest to drive future growth has become increasingly challenging, but I believe challenging times also create opportunities for growth and intend to continue investing with an eye to the future.

Strategic Growth Plan

Executing our growth strategy and laying the groundwork for the next transformation

Our Strategic Growth Plan (FY2025-FY2027), *Driving value with ambition*, sets forth our vision to become a collaborative partner committed to optimizing safe, productive, and clean workplaces. We pursue this vision through three pillars: (1) Create customer value through innovation; (2) Drive growth and profitability; and (3) Transform our business foundation. Projects identified as priority initiatives have made steady progress over the past year.

Creating customer value through innovation requires stronger development capabilities and faster time to market than ever before as the pace of technological advancement and competition continues to accelerate. The path toward electrification and market adoption remains uncertain, but the underlying direction of technological development, including support for diverse power sources, remains unchanged. In fact, customer expectations continue to rise, driven not only by the need to achieve carbon neutrality but also against the backdrop of increasing energy costs. Komatsu works in all directions to develop products to meet these diverse needs. In automation and remote operation, we began collaborating with Applied Intuition on SDVs*[1] for mining equipment. We are also working with EARTHBRAIN Ltd., one of our group companies, and TIER IV, Inc. to automate dump truck operations at construction and quarry sites. We will continue to accelerate development through partnerships with external companies that possess advanced technologies.

Awareness and adoption of ICT-enabled construction are also steadily increasing at construction sites. More customer jobsites are adopting Smart Construction, first launched by Komatsu in 2015, amid acute labor shortages and growing awareness of safety. We support the adoption of Smart Construction through personnel dispatch and training programs for distributors while also expanding these efforts globally. Although adoption varies across countries and regions, I

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expect broader adoption in the years ahead.

Komatsu continues to invest in growth markets and expand our businesses under our second pillar, driving growth and profitability. However, we must also pursue additional avenues for growth as growth rates in construction and mining equipment markets remain limited. A key area in this regard is the aftermarket business, which generates relatively stable earnings compared with the more economically sensitive new equipment market. Komatsu aims to become a collaborative partner that delivers value throughout the entire lifecycle of customer equipment, and strengthening the aftermarket business is a key part of that effort. Our reman business*[2] plays a particularly important part in supporting our customers' equipment over the long term. This business allows us to accumulate insights into the condition and deterioration of machines and components and connect those insights to technology development and service improvements. In 2026, we acquired the reman business of SRC of Lexington (U.S.) in anticipation of growing demand in North America and to strengthen the global supply capacity for remanufactured products.

Competitive environments and customer needs differ significantly across regions. Rather than Komatsu applying a uniform approach from Japan, each region must drive business by taking the initiative in identifying sources of competitive advantage and growth opportunities. Distributors are key partners that work closest with regional customers and deliver Komatsu value through products, services, and solutions. In Southeast Asia, one of our key growth markets, we are strengthening our sales and service structure after reorganizing our distributor network last year. Under our third pillar, transforming our business foundation, we continue to make steady progress on key initiatives, including our Enterprise Resource Planning (ERP) system upgrade project.

*1 Software Defined Vehicle: Next-generation equipment in which software, rather than hardware, defines functions and value.
*2 Remanufacturing business: A circular business model in which components recovered from heavily used construction and mining equipment are restored to like-new condition and offered to customers at reasonable prices to coincide with overhaul timing, including disassembly, inspection, and repair. The business leverages Komatsu's strength in developing and manufacturing key components in-house.

Challenging our legacy

Leveraging our strengths while continuing to adapt to change

Komatsu's strength lies in comprehensive capabilities. We deliver value through both products and solutions, offering a broad lineup of construction and mining equipment alongside solutions that improve the overall safety and productivity of jobsites. We also possess strengths across the entire value chain, including technical capabilities that enable in-house development and production of key components, a global network of distributors, and, particularly in our mining equipment business, a detailed sales and service system provided by directly managed distributors. Our strengths in these areas allow us to build long-term relationships with our customers and deliver continuous value. We must also continue to uphold the Komatsu Way, the values we reaffirmed as part of our 100th anniversary, and the principles embodied in SLQDC*[3]. At the same time, rapid change requires us to rethink how we view our organization and businesses. Since becoming President, I have revisited two assumptions in particular.

The first is our traditional market classification, which categorized Japan, North America, and Europe as traditional markets and all other regions as strategic markets. Komatsu previously categorized markets based on certain assumptions, but this framework became fixed over time, giving rise to concerns that we would lose opportunities to reassess regional realities and competitive priorities. These concerns are exactly why we need to step outside the framework and reassess opportunities and risks in light of changing market conditions and evolving customer needs.

The second is the addition of a business axis, which includes mining, construction, and other functions, to our traditional functional and regional axes, creating a three-axis management framework. The agility of the company structure, which centered on functional headquarters in Japan, became increasingly difficult to manage as Komatsu expanded globally through acquisitions and added a broader range of businesses and products. Take the mining business, for example, which accounts for half of construction, mining and utility equipment sales. Since acquiring Joy Global Inc. in 2017, the mining business has operated under a direct sales and direct service model with directly managed distributors. This model differs significantly from the construction business model, which relies on independent distributors. This difference in business models prompted us to add a business axis to our management framework to help both businesses learn from each other's strengths and enhance competitiveness. The addition of this third axis may not have dramatically changed the organizational structure, but our approach to management has already begun to change.

Beyond these two changes, we are also rethinking our approach to development. Our strength in in-house development has driven Komatsu's growth for many years, but rapid advances in technology have made it increasingly difficult to address every challenge using only internal resources. We have therefore maintained our policy of developing and manufacturing key components in-house in recent years while strengthening our development capabilities and accelerating time to market through collaboration with external partners. On a regional level, we are making greater use of development resources across regions in addition to our traditional development structure centered on Japan, North America, and Europe. Local development initiatives are underway, and results are beginning to emerge. In India, for example, we launched sales for a compact hydraulic excavator developed locally, marking our first locally developed model. Faster reflection of regional needs in our products, combined with a diverse range of technologies and expertise, will strengthen our development capabilities.

What matters in driving these changes is not simply changing organizational structures but continuing to think about underlying purpose. Komatsu is an earnest company with a sincere corporate culture. Our culture is rooted in Total Quality Control (TQC), with a strong emphasis on operating and managing business in accordance with established rules. But responsiveness and agility suffer when following the manual becomes the objective. Continually asking why a rule exists in the first place is key. We cannot respond to rapid changes without first understanding the underlying circumstances and then thinking and acting independently. I regularly encourage employees to avoid falling into old ways of thinking and to act based on a clear understanding of what truly matters.

Living in times of rapid change requires us to continue evolving the way we think rather than remain bound by past successes or long-held assumptions. I believe this mindset will further strengthen Komatsu's comprehensive capabilities and support sustainable growth.

*3 Safety & Health, Law, Quality, Delivery, and Cost: The order of priorities that guides decision-making across the Komatsu Group.

Touring the Komatsu do Brazil Ltda. plant

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The key to growth

Creating competitive advantage in the AI era

I believe the impact of advances in AI differs fundamentally from earlier waves of IT adoption and digital transformation. Though AI holds the potential to reshape the very nature of business and society, realizing that potential requires a clear understanding of both the technology itself and the risks such technology presents.

I have always believed in understanding the underlying reality for myself rather than being swayed by something I do not fully understand. Earning the G Certification*4 was part of that effort. Studying the history, structure, governance, limitations, and risks of AI reinforced my belief that generative AI is not simply another technology. Generative AI has the potential to reshape how businesses operate and how society functions. At the same time, studying AI reinforced my belief that AI is ultimately a tool and that people must remain responsible for making final decisions.

Against this backdrop, I believe Komatsu is well positioned to build a significant competitive advantage in the age of AI. The value of AI depends largely on access to unique data and the hardware needed to generate that data. Not only does Komatsu possess both, but our technologies are also already broadly accepted across society. We have spent many years leveraging ICT and data to create value through services including Komtrax (equipment operation tracking and management system), KOM-MICS (manufacturing operations visualization system), Autonomous Haulage System (AHS), and Smart Construction. The machine operating data, construction data, and field expertise accumulated through these services represent important assets and a key source of our competitive strength.

We intend to further expand the volume and types of data acquired through machinery as we continue to advance the SDV capabilities of our construction and mining equipment, enabling software to further enhance machine performance and customer value. Leveraging AI will allow us to make even greater use of this data and the knowledge gained from jobsites, helping us further improve quality, strengthen our services, and deliver greater value to customers.

AI is also an important factor in achieving our vision to become a collaborative partner committed to optimizing safe, productive, and clean workplaces, as set out in the Strategic Growth Plan. We therefore view AI as a company-wide priority, working under the leadership of our CTO to accelerate the adoption and use of AI across development, production, services, and back-office operations, while simultaneously establishing relevant guidelines. Looking ahead, we will continue to take on this challenge as a united company, ensuring that advances in AI translate into lasting competitive advantage for Komatsu.

*4 The G Certification is a certification examination administered by the Japan Deep Learning Association (JDLA) that assesses foundational knowledge and literacy in AI and deep learning for business applications.

Meeting with institutional investors during overseas IR activities

Dialogue with shareholders and investors

Evolving management through dialogue with capital markets

Komatsu defines corporate value as the total sum of trust given to us by society and all stakeholders. Deepening relationships of trust with our shareholders and investors is a key management responsibility. We have therefore consistently demonstrated a clear commitment to having top management personally lead our investor relations activities, and our consistent efforts have resulted in high praise from the capital market. Having previously served as an IR manager myself, I fully recognize the importance of engaging in meaningful dialogue with investors.

Dialogue with investors allows us to understand market reactions, as well as priorities and trends among investors. We added a free cash flow target to the Strategic Growth Plan in response to growing investor expectations regarding capital efficiency and cash flow generation. We have also conducted share buybacks for three consecutive years as part of our commitment to shareholder returns.

Looking ahead, we intend to continue using dialogue with the capital markets to provide a clearer picture of how we create value. Komatsu does not simply provide equipment that supports infrastructure development and resource extraction. We are also a collaborative partner that helps address the challenges our customers face. We create ongoing value that enhances jobsite productivity and safety by combining the value of our products and solutions.

We will continue to communicate our multi-layered strengths and growth strategy in a clear and consistent manner while maintaining constructive dialogue with investors. Through these efforts, we aim to deepen trust and enhance corporate value over the medium to long term.

Sustainability initiatives

Turning our responses to social issues into sustainable growth

Enhancing stakeholder trust requires growth and profitability, as well as the governance and sustainability initiatives that support both. To this end, we assess the material issues that require our attention, taking into consideration social and environmental impact, and incorporate these issues into the Strategic Growth Plan.

Among our material issues, people are an important management

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resource for creating new value. Enhancing employee engagement and creating environments that enable every employee to perform at their full potential are therefore ongoing management priorities. Komatsu has grown through global business expansion and M&A. As a result, our overseas operations account for approximately 90% of our revenue, and about 70% of our approximately 67,000 employees work outside Japan. Although we have continued to support the active participation of global talent and strengthen the globalization of our headquarters functions, I believe innovation and sustainable growth in corporate value depend on bringing diverse perspectives and values into management and business operations rather than relying on a Japan-centered mindset. Guided by this belief, I will continue to further drive our global efforts.

In the environmental sector, carbon neutrality is one of Komatsu's major focus areas. At the same time, customers are looking for more than environmental performance alone. The rising energy prices in recent years have increased demand for lower fuel and operating costs. These changes also create a major opportunity to solve social issues while delivering value to customers. In addition to electrification, Komatsu works in all directions to develop a broad range of technologies, including hydrogen and hybrid solutions, to provide each customer with the option best suited to their needs.

The circular economy is another important area of focus. Our reman business not only delivers value to customers but also supports the efficient use of finite resources through a circular business model. Furthermore, our forestry machinery business also holds great potential. Forestry, which relies on the cyclical use of forest resources through harvesting, replanting, and cultivation, plays

Awards ceremony for the One World One Komatsu employee-driven social contribution program contest


Group photo with local employees at the 30th anniversary ceremony of Bangkok Komatsu Co., Ltd.

an essential role in building a sustainable society. Komatsu will continue supporting the development of this industry through our forestry machinery and digital solutions.

Addressing social challenges is both a corporate responsibility and a source of new growth opportunities. We will continue creating value through our businesses and translating that value into sustainable growth.

A message to our stakeholders

Learning from jobsites and continuing to challenge ourselves

Looking back on the various roles I have held throughout my career, many of the principles that guide me today can be traced to my early experiences. I enjoyed improving operational efficiency and refining cost accounting systems during my time in the accounting division. Although new systems sometimes faced resistance, we drove improvements through ongoing discussions. My commitment to understanding the fundamentals of a challenge and pursuing improvement has remained unchanged ever since. My assignment in the United States in 1998 also gave me firsthand experience with the challenges of raising capital during a period of contraction in the capital markets. As I worked to secure funding, I gained a deep appreciation for the importance of cash and learned the value of challenging conventional approaches and rethinking underlying systems when necessary.

These experiences taught me the importance of seeing firsthand what is happening in the jobsite. I continue to put that lesson into practice by visiting jobsites whenever possible and listening directly to our customers, partners, and employees. Each month, I report to the Board of Directors how I allocated my time during the previous month. Roughly 40% of my time is spent on internal management activities, and another 30% on engagement with stakeholders through investor relations activities, plant visits, and meetings with customers. The remaining 30% of my time is spent on travel. Jobsites hold the clues to improvement and the next stage of growth, so I will continue to spend as much time as possible meeting with a wide range of stakeholders and value every opportunity to hear their views firsthand.

Komatsu benefits from a unique combination of strengths cultivated over many years. We are committed to turning change into opportunities for growth by bringing together our products, technologies, services, and solutions, as well as the expertise of our employees and partners around the world. We will continue challenging ourselves to meet the expectations of all stakeholders.