



Komatsu Report 2021

100th
Anniversary





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A Century of Creating the Workplaces of the Future

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Cautionary Notice regarding Forward-Looking Statements

This report contains predictions, plans, forecasts, and other forward-looking statements that have been judged by management to be rational based on the information available at the time of publication. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in economic conditions or product demand in major markets, foreign exchange rate fluctuations, domestic or overseas regulatory revisions, or changes to accounting standards or practices.

Reporting Period: April 1, 2020–March 31, 2021

- This report also includes information on activities after the reporting period in order to provide readers with the latest information.
- "FY2020" refers to the period from April 1, 2020 to March 31, 2021, unless otherwise noted.

Editorial Policy

Komatsu Report 2021 was published for the purpose of providing clear explanations for all stakeholders on Komatsu's medium- to long-term business strategies and the virtuous cycle generated as the Company resolves environmental, social, and governance (ESG) issues through its business. In preparation of this report, we referenced the International Integrated Reporting Framework released by the International Integrated Reporting Council and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry.



Our Brand Promise

Our Brand Promise

Creating value together

"Creating value together" is the promise Komatsu makes to its customers and all other stakeholders. Together with you, we can new value and work toward a sustainable future. The emphasis on "together" indicates the importance we place on partnership.

Our Story

Our roots stretch back more than 100 years to a lush forest near Komatsu City in Ishikawa Prefecture, Japan that was once home to a copper mine vital to the surrounding community. The mine's closure in 1920 could have meant the end for community residents dependent on the jobs, but instead it was a new beginning.

The owner of the mine and our founder, Meitaro Takeuchi, was an entrepreneur with an extraordinary humanitarian vision, committed to enhancing the community's quality of life, developing future generations and growing with society. Determined to bring industrial technology to his country, Takeuchi created a new company by nurturing the skills of the people in the local community.



Meitaro Takeuchi, Founder

Takeuchi's vision and strong guiding principles stood the test of time. Through the years, Komatsu's continued investment in core capabilities and strategic acquisitions have connected smart, diverse people and cutting-edge technologies with a shared belief that partnerships are the best way to solve challenges and meet society's needs.

As the world grows and evolves, the people who power modern society and develop the world's infrastructure count on partners they can trust to empower them and create value.



Yusenji Coal Mine, Komatsu's predecessor



Komatsu 100 years of "creating value together"

<https://www.youtube.com/watch?v=q6nbmp5tFwM&t=0s>



Our Identity

01 Our Identity

Komatsu has defined its corporate identity by reflecting on its corporate growth built by its forerunners and its relations with society. Specifically, Komatsu has articulated its mission and vision as its purpose, together with its values. The corporate identity also incorporates pieces that have been created over the Company's history: founding principles, The Komatsu Way, Komatsu's Worldwide Code of Business Conduct, and strategies including the mid-term management plan. As our business and stakeholders diversify further, we will strive to deliver this promise through our global operations.

Our Identity



Our Purpose

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

Our history has been a century of facing and overcoming challenges, and “manufacturing and technology innovation” has been at the heart of all the things we do at Komatsu. As we enter our new centennial, we will continue to uphold this spirit as we continue to create value together with our partners.

With this spirit we aspire to help create a future where people lead safe, healthy and peaceful lives in harmony, enabling us all to thrive together.

Concept of Values

<p>Ambition</p> <p>With a “challenging spirit” and without fear of failure, we innovate and always aspire to do more</p>	<p>Perseverance</p> <p>Even when the work is difficult, we remain committed to our promises and reliably carry them through to completion</p>	<p>Collaboration</p> <p>Creating value comes from teamwork, inclusion, respect, diversity and a win-win approach to all relationships</p>	<p>Authenticity</p> <p>To earn and maintain trust, we always act with sincerity, integrity and honesty, and communicate with transparency</p>
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Our Strategy and Action



Management Principle

We will maximize the trust given to us by our stakeholders and society through a commitment to quality and reliability.

Management Principle shows our basic stance regarding business administration.



Management Strategy

Our current mid-term management plan is DANTOTSU Value – Forward Together for Sustainable Growth (FY19-21), envisioning safe, highly productive, smart and clean workplaces of the future.



Corporate Social Responsibility

We believe that our very business is Corporate Social Responsibility. The work that we do directly supports the growth and improvement of our communities and society in general.



Founding Principles

"Global Expansion," "Quality First," "Technological Innovation," and "Employee Development." These are the founding principles laid out by our founder, Meitaro Takeuchi (1860-1928), and they continue to be upheld by our organization to this day.



The Komatsu Way

The Komatsu Way was developed to convey our shared values and practices across different cultures, customs and generations.



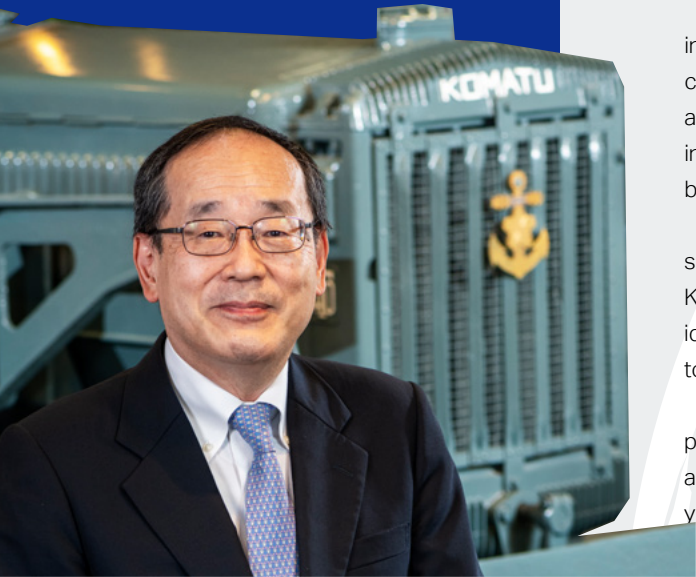
Komatsu's Worldwide Code of Business Conduct

Compliance with the rules of business community is considered a top priority at Komatsu. The rules are not limited to laws and regulations but also include rules that are generally recognized and respected in society.

Brand Promise as Explained by Global Officers—Creating Value Together

Kiyoshi Mizuhara

Director and Senior Executive Officer
Chief Marketing Officer (CMO)
President, Construction Equipment
Solution Division



Pursuit of a Sustainable Society Together

The founding of Komatsu 100 years ago was unique in that the purpose was to sustain the local community and to make it a hub of economic growth. Meitaro Takeuchi, our founder, already knew that talent and technology were the keys to producing quality, which he was determined to bring to the global market.

Since those days, our operations have grown extensively but the founding principles serve us to this day. At the same time, as our relationship with customers, distributors, suppliers and other stakeholders grew, a deep appreciation of working in partnership was born. We know that we owe our insights and expertise to the people who work together with us to enable a better and sustainable future.

In this anniversary year, we established our identity, articulating our mission, vision, and values, and integrating the Management Principle, The Komatsu Way, and other existing strategy and action items. Guided by our identity, we will work globally to deliver our brand promise of “Creating value together.”

Thank you for choosing us to be your partner in creating a future where people, businesses and the planet thrive together. With the belief that we are stronger, wiser, and better together, we look forward to continuing with you on this journey of creating value together.

02

Brand Promise as Explained by Global Officers Creating value together

Globally Unified Komatsu

The launch of our new Brand Strategy is an exciting and hugely motivating initiative that unites all Komatsu employees toward a sustainable future. Our brand promise, “Creating value together,” is a single unifying statement that embodies who we are as a company and what we strive to achieve, in business and the world we live in. With a foundation forged over 100 years behind us, we now look toward the future and create a truly sustainable tomorrow—together!

As a global unified Komatsu, our core values, Ambition, Perseverance, Collaboration and Authenticity, will define and guide us over the next 100 years as we deliver on our promise to bring value to all our stakeholders in the most sustainable and authentic way.

We are committed to living these values in all that we do—having a challenging spirit, persevering through tough times, collaborating with all our stakeholders, and always being authentic and true to ourselves. We are excited and committed to Creating value together and are extremely proud to be part of the One Komatsu family!

Global Officer

Michael Blom

Executive Officer
President & MD,
Komatsu South Africa (Pty) Ltd.



Path for Success in the Next 100 Years

A brand is much more than just a logo on our buildings or our shirts. It's really a promise we make to every stakeholder about the experience they can expect when working with us. It's the experience on our websites, in every customer meeting and in how we use our data. Our brand is present every time someone sees our logo, wears our merchandise, visits our parts counters, operates our machines or talks to us on the phone.

If you think about it, a brand is created by employees, who live and emulate the brand through all their interactions and through the products, services and solutions they create and support.

For me, Komatsu's brand is about collaboration and partnering with our customers for a high-value, seamless experience with us that creates a feeling of connection and belonging they can rely on. By clearly establishing our brand promise, strategy and standards in our centennial year, I believe we've set an even more compelling path for success in the next 100 years.

Global Officer

Rodney Schrader

Senior Executive Officer
Chairman & CEO,
Komatsu America Corp.



Global Officers Join together

Globally Consistent Brand Strategy

As our operation became more and more global and diversified, it was necessary to define and create a consistent brand strategy globally. On the occasion of the 100th anniversary, we took the opportunity to clarify our identity in a way that is easy to grasp. Through our new branding strategy, we will be able to better express our values to our customers as well as to stakeholders.

We will refocus our commitment to our founding principles, "Global Expansion," "Quality first," "Technological Innovation," and "Human resource development," with a renewed consistency in our communication. The Komatsu Way shows us how to understand our customers and become a reliable partner that moves forward together with them. As a management strategy, we will continuously seek to create safe, highly productive, smart and clean workplaces of the future.

With a challenging spirit, a teamwork approach, sincerity and commitment, we promise our stakeholders to "create value together" to empower a sustainable future for people, businesses and our planet.

Global Officer

Göksel Güner

Chief Operating Officer, Komatsu
Europe International N.V.



100 Years of Komatsu—History of Resolving Issues in Response to Social Needs

100 Years of Komatsu

History of Resolving Issues in Response to Social Needs

1921

**Founding aspiration:
Engage in meaningful work to benefit the nation**

Komatsu Ltd. was established from Komatsu Iron Works Ltd. (est. 1917), which manufactured mining machines, developed by Meitaro Takeuchi, founder of Komatsu Ltd., for use in the Yusenji copper mine. Based on a firm belief that developing the machinery industry in rural areas and promoting its growth, as well as looking to transcend national boundaries with high-quality products, Meitaro Takeuchi began manufacturing at Komatsu Ltd. with an eye to international markets, even when he founded Komatsu. The next year, Komatsu absorbed Komatsu Electric Steel Mills, building the foundation for integrated production from steel castings to machining and assembly, which has resulted in one of Komatsu's strengths today.

[Meitaro's Guiding Principles]

- Global Expansion
- Quality First
- Technological Innovation
- Employee Development



Meitaro Takeuchi, Founder

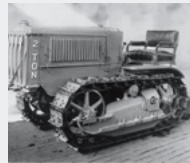
Challenge

Development of agricultural tractor for the first time in Japan

1931

Produced Japan's first tractor

In response to a request from the Ministry of Agriculture and Forestry, Komatsu took on the challenge of developing a farm tractor in Japan. While competitors gave up this challenge at the prototype stage, Komatsu continued its efforts with a strong commitment to developing a unique product that others could not imitate, and finally completed Japan's first tractor. Subsequently in 1932, Komatsu released the "G25 tractor" equipped with its own newly developed engine as an improved version of the product.



Challenge

Challenge for global quality

1961

Project "A" to meet the industry giant's market entry

In the 1960s during the internationalization of Japan's economy, the world's largest construction equipment manufacturer decided to enter the Japanese market. In order to compete against this strong rival, Komatsu undertook the Project "A" quality improvement project with a Company-wide commitment to improving everything, including a single screw, and developed a high-quality vehicle for mass production within about only two years. In the process, Komatsu introduced a quality control (QC) method ahead of competitors. The idea of incorporating QC in the manufacturing process has been passed down through the generations to the company of today.



Value

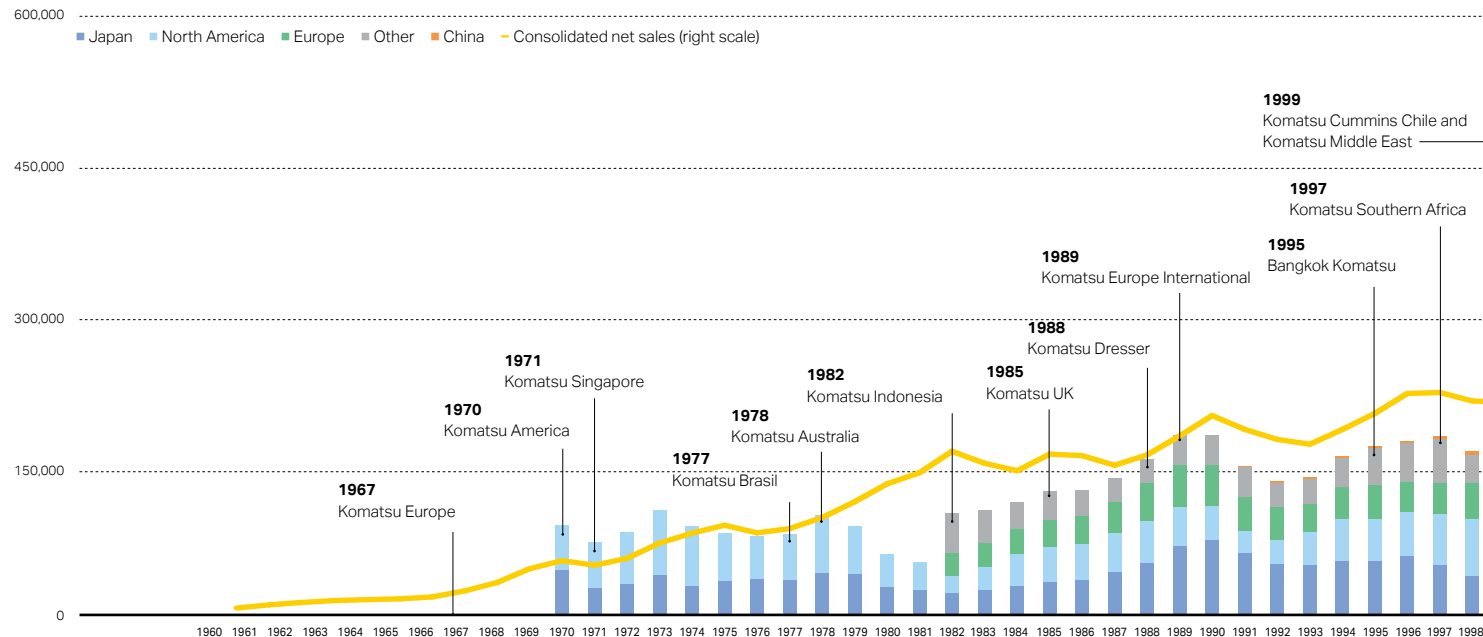
**Increased the level of our technologies
Built the foundation for developing and producing construction equipment in Japan**

Value

Achieved global quality on par with a U.S. manufacturer, contributing to customers' improvement of their workplace productivity

History of Consolidated Global Management Net Sales and Demand for 7 Major Products

(Demand, Units)



Competition with Foreign Companies

Expansion of Exports

Expansion of Overseas Production

Diversification

Challenge

Improvement of overseas sales and service operations. Establishment of overseas production operation

1967 N.V. Komatsu Europe S.A: Komatsu's first overseas subsidiary
1975 First offshore production in Brazil

Pursuing higher levels of quality and reliability in its products, Komatsu steadily grew exports centered on large-scale bulldozers. N.V. Komatsu Europe S.A., Komatsu's first overseas subsidiary in Belgium, was established in 1967 for the purpose of enhancing overseas after-sales services. The years that followed saw the reinforcement of our export foundation through the establishment of numerous overseas subsidiaries, including Komatsu America Corp., Komatsu Singapore Pte. Ltd., and Komatsu do Brasil Ltda. We began producing our first made-overseas bulldozers in Brazil in 1975. We proceeded to augment our overseas production network, setting up production bases in Indonesia in 1982, in the United States and the United Kingdom in 1985, and in Thailand, China, and India in the 1990s. These bases furnished a global production platform for hydraulic excavators, dump trucks, wheel loaders, and other major products.

Value

- Built overseas distributor networks and achieved the provision of global quality
- Expanded local contributions through human resource development and employment around the world

Challenge

Improvement of productivity and safety of mining

2008 Succeeded in the world's first commercial deployment of the Autonomous Haulage System (AHS)

Komatsu led the world by deploying the AHS at a copper mine in Chile. By equipping dump trucks with a high-precision GPS, an obstacle detection sensor, and a variety of controllers for the central management of their operation in the main control room, Komatsu achieved 24-hour unmanned operation of the dump trucks. The AHS contributes to substantially increasing on-site productivity and safety and solving the issue of labor shortages.



Value

- Improved safety, reduced costs, and alleviated operators' burden at customers' mining sites

Challenge

Solutions for worksite problems, such as labor shortages and safety

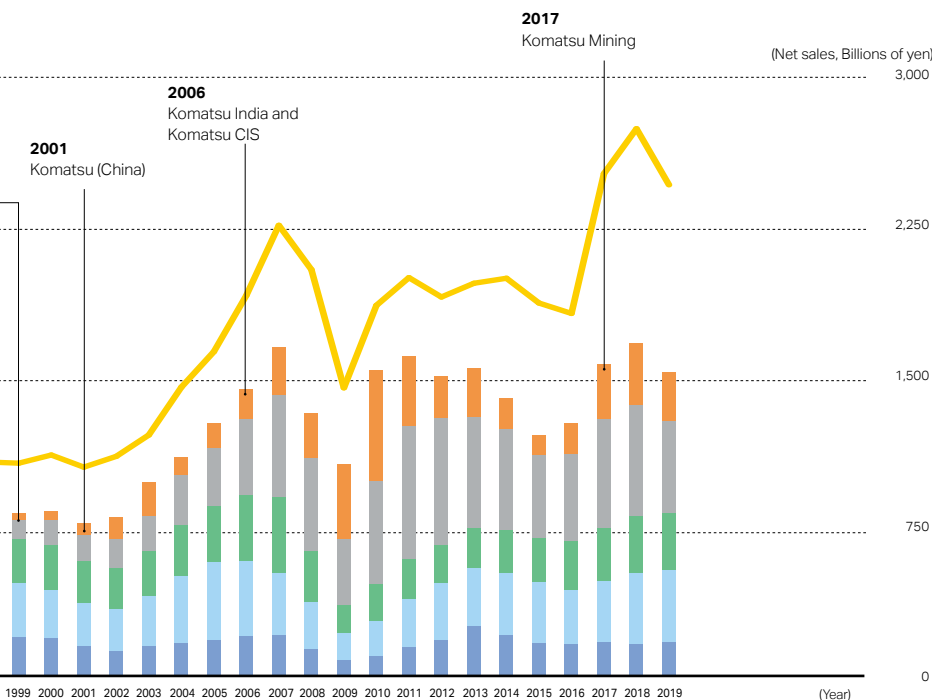
2015 "Smart Construction": Creating a workplace of the future

"Smart Construction" is a solution service that create safe, highly productive, smart and clean construction sites of the future by connecting all kinds of data available at construction sites through the use of ICT. By fusing the 3D terrain data obtained by using drones with ICT construction equipment, Komatsu has increased the efficiency of the process, from surveying to inspection, and has also "visualized" the process, thereby contributing to the solution of problems at construction sites.



Value

- Achieved optimization of construction while striving for "safe, highly productive, clean and smart workplaces of the future"



Web eBook offering more information on the 100 years of Komatsu
<https://www.komatsu.jp/en/company/history/ebook/HTML5/pc.html#/page/1>



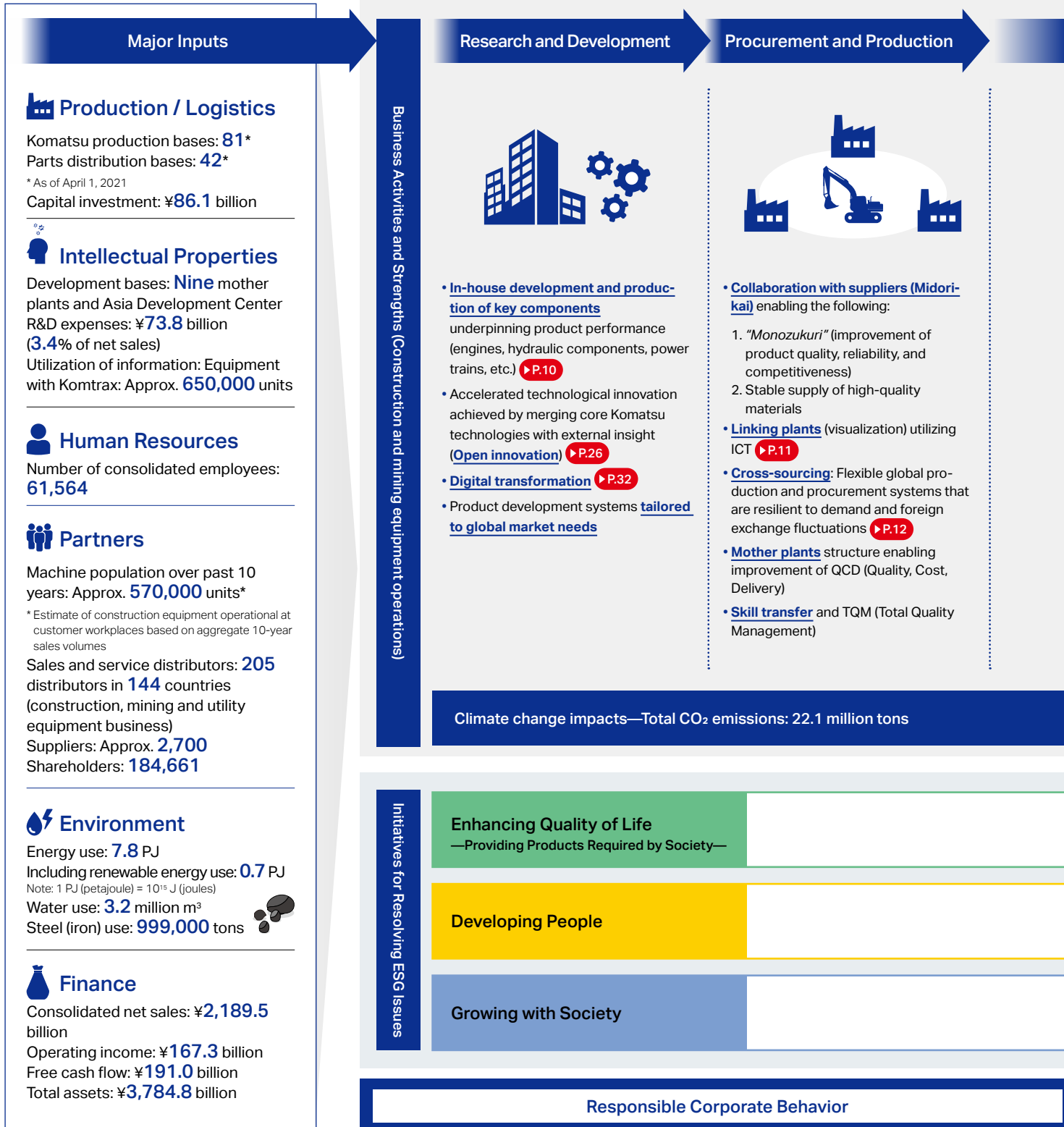
Web Re-opening of Komatsu no Mori museum for nurturing children together with the community
<https://www.youtube.com/watch?v=vWnddb9Ux3E>



Selective Focus and Global Consolidated Management
 (DANTOTSU Product → DANTOTSU Service → DANTOTSU Solution)

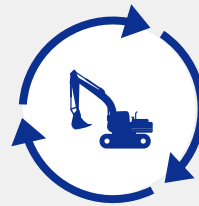
Overview of Business

In the pursuit of sustainable growth, companies are expected to build robust yet flexible earnings structures that respond to changes in the operating environment while addressing the increasingly more important ESG issues. With the strength of the manufacturing platform it has forged over the years, Komatsu will respond to social needs by linking customers, distributors, partners, and communities and all Komatsu workplaces through its DANTOTSU excellence.



Operations at Customer Workplaces

Product Cycles



Products	Services	Solutions
<ul style="list-style-type: none"> DANTOTSU Product: Unrivaled products in terms of environment, safety, ICT capacities, and productivity Full lineup of construction and mining equipment Product creation focused on quality and reliability 	<ul style="list-style-type: none"> Enhancement of maintenance contract services Improvement of QCD (Quality, Cost, Delivery) achieved through close alignment of sales forecasts and production of spare parts Construction equipment Utilization of information acquired through Komtrax ▶P.11 Mining equipment Utilization of information acquired through Komtrax Plus Detailed support from directly owned distributors 	<ul style="list-style-type: none"> Construction equipment Smart Construction ▶P.11 ▶P.32 Mining equipment Autonomous Haulage System ▶P.8
<ul style="list-style-type: none"> Global distributor network Cultivation of distributor personnel Brand management 		

- **Global supply of high-quality used equipment, etc.**
- **Remanufacturing and rebuilding*** **▶P.33**

* Systems for selling used engines, transmissions, and other components that have been repaired to be of the same quality as new products

Targets for FY2021

Accomplishment of targets of Mid-Term Management Plan

"DANTOTSU Value— FORWARD Together for Sustainable Growth"

Pursuit of Ongoing Growth Over the Next 100 Years

CO₂ emissions from product use: 19.0 million tons (86% of total)



▶P.44



The Komatsu Way ▶P.44

Komatsu's Strengths

Komatsu's Strengths

01






In-House Development and Production of Components

Komatsu develops and produces major components in-house. Through this approach, the Company is able to generate technological innovation while improving the durability and reliability of components. We are convinced that a dedicated focus on components will enable us to further heighten the functionality and quality of these components and ultimately reach new pinnacles of customer satisfaction. This conviction will continue to guide the evolution of Komatsu components.

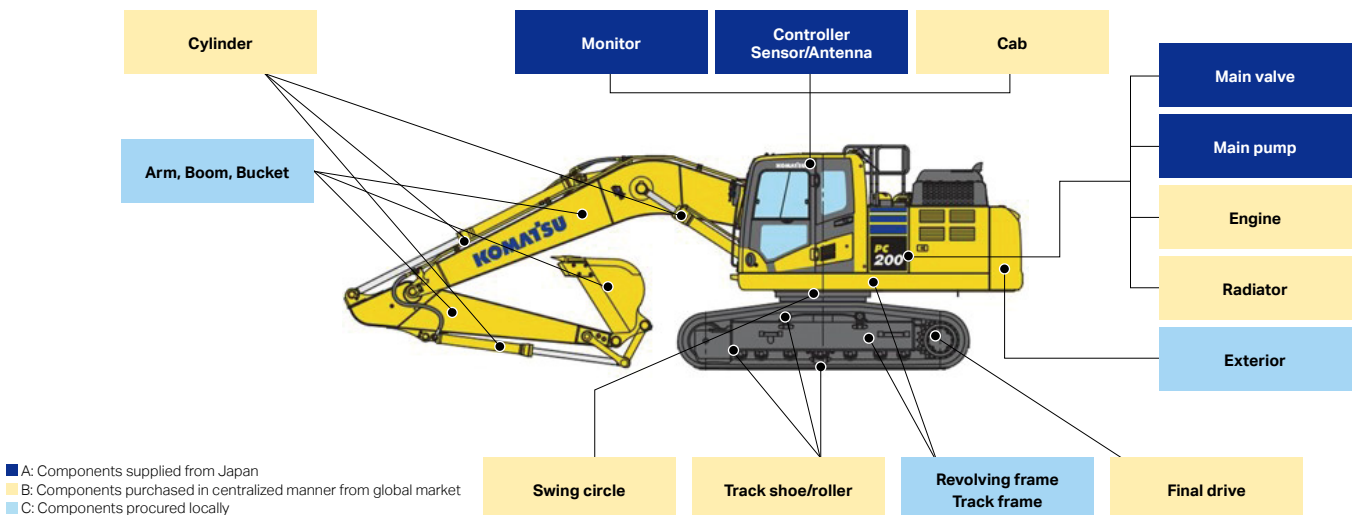
Benefits of Komatsu's Approach Toward In-House Development and Production of Components

1. Ongoing technological innovation
2. Stable, global supply of components with standardized quality that is not affected by demand fluctuations
3. Ability to develop component restoration businesses (please see page 33).
4. Predictive maintenance capacities achieved by attaching sensors to components

Major Components

Engine	Powertrain	Hydraulic Equipment	Electronic Device	Power Electronics
	<ul style="list-style-type: none"> • Transmission • Torque converter • Axle • Swing motor • Final drive 	<ul style="list-style-type: none"> • Pump • Motor • Valve • Cylinder 	<ul style="list-style-type: none"> • Controller • Monitors • Sensor 	<ul style="list-style-type: none"> • Power generator motor • Capacitor • Inverter 

Sources of Components Used in Mid-Sized Hydraulic Excavator



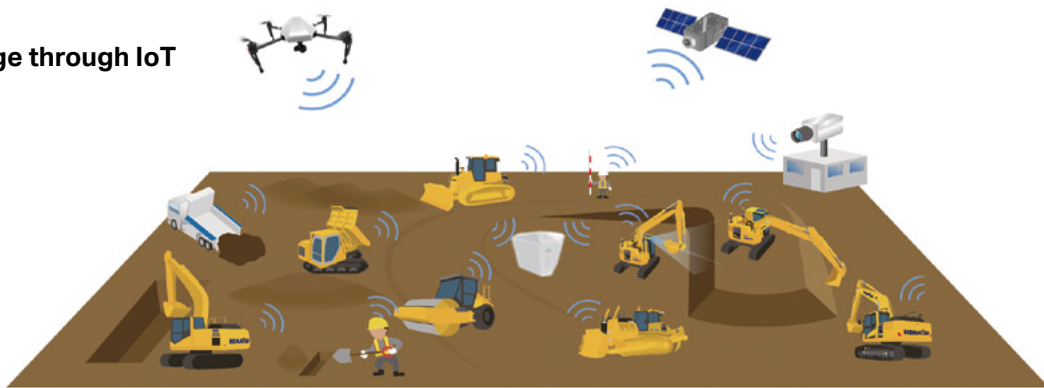
Komatsu's Strengths

02

Linking every Workplace through IoT

A deep understanding of workplaces can cast light on various issues, and these issues must be addressed through innovation. Komatsu has continued to pursue such innovation by linking workplaces through IoT.

World of Linkage through IoT



1. Komtrax Tracking of Construction Equipment Information

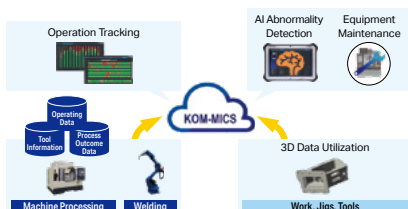


Komatsu began its quest to track construction equipment information with IT in the late 1990s. This quest led to the development of the Komtrax construction equipment operation management system in 1998. This system collects GPS positioning information and operation information to be confirmed remotely. As of June 30, 2021, Komtrax was installed on 650,000 pieces of equipment around the world. Komtrax supplies information that helps customers improve productivity, such as that pertaining to position, operating time, equipment abnormalities, and fuel consumption, and can be used to manage equipment from locations removed from workplaces. Moreover, installing Komtrax makes it possible for Komatsu to continue providing customers with support throughout the entire lifespan of their equipment through means such as proposing the ideal timing for part replacements and maintenance and facilitating trade-ins of used equipment. In 2021, Komtrax was updated for the first time in 20 years to improve its functionality with new features such as the ability to use data from Komtrax in other applications.

2. Smart Construction Tracking of Process Information

Komatsu launched Smart Construction in 2015 as an initiative for tracking process information. This solution uses drones to perform 3D measurement and digitization of workplaces and ICT-intensive equipment to optimize work processes through a digital twin methodology in which a digital workplace is synchronized with its physical counterpart. As of June 30, 2021, Smart Construction had been used to track information at more than 14,000 workplaces in Japan. In April 2020, we began offering four new IoT devices and eight applications for accelerating digital transformation using Smart Construction. Going forward, we look to expand usage of Smart Construction in highly IT-literate markets, such as those of Europe and the United States.

3. Kom-mics Linking of Production Sites with IoT



Komatsu is applying its IoT workplace linkage approach to its own production sites through Kom-mics, a system developed to track production equipment and processing statuses so that this information can be used to drive improvements. In FY2019, Kom-mics won the Prime Minister's Prize in the manufacturing and production process categories of the Eighth Monodzukuri Nippon Grand Awards. This system has also been introduced at the facilities of partners, allowing the solutions groups of Komatsu factory production technology divisions to offer support for improving productivity. Moreover, we commenced external sales of this system in April 2021 with the aim of contributing to the development of Japan's manufacturing industry with a particular focus on promoting the digital transformation of the production sites of small to medium-sized companies.

Komatsu's Strengths

Komatsu's Strengths

03

Global Production System

Komatsu began exporting construction equipment in the 1950s, ahead of other Japanese companies. We then began full-fledged overseas production in the 1970s with the aim of mitigating foreign exchange and customs risks. Today, Komatsu boasts a construction equipment production network comprising 12 bases in Japan and 69 bases overseas.

Acting in accordance with our basic policy of conducting production close to demand, we produce more than 70% of 20- and 30-ton hydraulic excavators, mainstays in our construction equipment lineup, overseas. **Through local production, we aim to achieve four goals: (1) gain trust from customers, (2) reflect local needs in products, (3) quickly address quality issues, and (4) shorten lead times.**

Quality craftsmanship is imperative to success in overseas production. To foster such quality, plants in Japan have been positioned as mother plants with the responsibility of providing instruction to overseas child plants to guarantee that they can deliver the expected level of quality in their craftsmanship. The in-house development and production of key components supports Komatsu's ability to provide uniform levels of quality on a global basis.

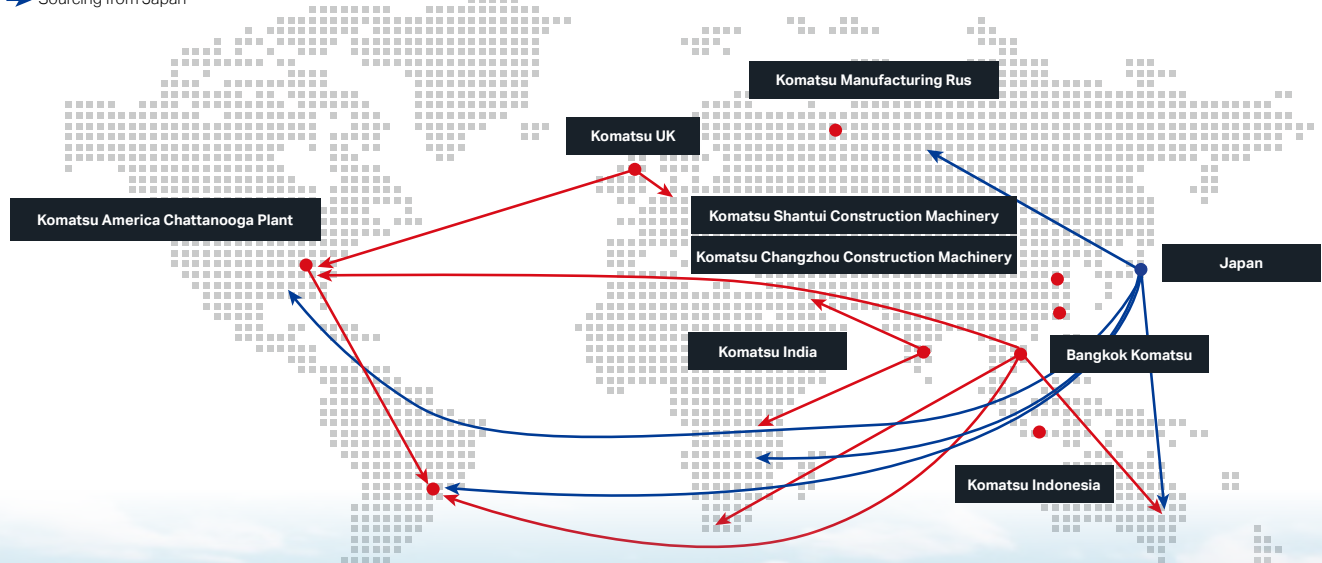
Furthermore, Komatsu has nine mid-sized hydraulic excavator production sites around the world, which it uses to practice cross-sourcing in response to demand fluctuations. **We are able to engage in such cross-sourcing because each of these production sites uses the same blueprints and can deliver the same level of quality. Cross-sourcing has the added benefit of improving corporate resilience by functioning as a business continuity provision for hedging against unforeseen circumstances.**

Komatsu's global production system is supported by our commitment to putting quality first and enables us to deliver products that satisfy customers in terms of quality, delivery turnaround, and costs.

Global Cross-Sourcing Scheme for Hydraulic Excavators

Development of a framework for supplying markets worldwide from production sites across the globe

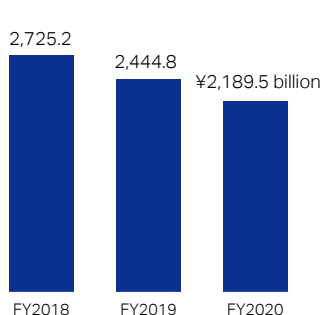
- Cross-sourcing between overseas production sites
- Sourcing from Japan



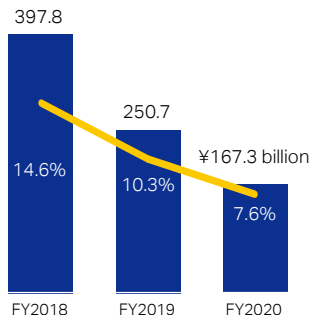
A Century of Creating the Workplaces of the Future

Business Segments

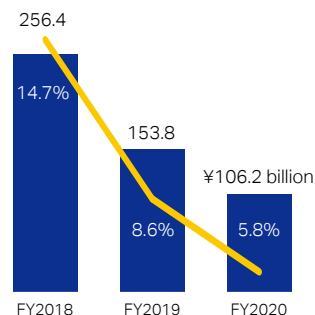
Consolidated Net Sales



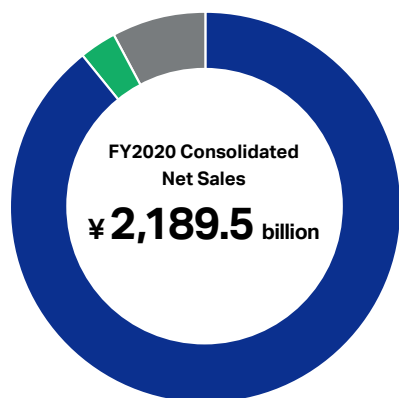
Operating Income / Operating Income Ratio



Net Income Attributable to Komatsu Ltd. / Return on Equity



Breakdown of Net Sales by Segment



FY2020 Construction, Mining and Utility Equipment Business Sales (to Outside Customers) by Region

Strategic Markets

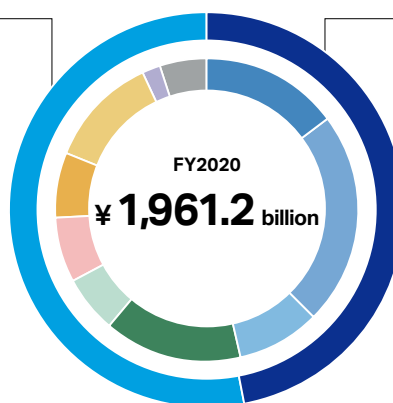
53%

Africa	5%
Middle East	2%
Oceania	12%
Asia	7%
China	7%
CIS	6%
Latin America	15%

Traditional Markets

47%

Japan	15%
North America	23%
Europe	9%



Construction, Mining, and Utility Equipment Business

¥1,961.2 billion

Komatsu supplies a wide range of products, services, and solutions including construction and mining equipment for use in construction and mining workplaces around the world as well as forklift trucks, forest machines, recycling equipment, and tunneling machines. We have established a position as the international leader in the construction and mining equipment field by delivering unrivaled quality and technological innovation together with this full lineup.



Dump truck

Retail Finance

¥58.3 billion

Komatsu conducts a retail finance business aimed at helping reduce customers' funding burdens and otherwise assisting in the purchase of its products. Our strengths in this field include the prevention of overdue debt through effective utilization of Komtrax (location information, operating status information, engine locks, etc.) technologies, swift credit screening, and competitive financing conditions. These strengths have enabled us to build long-term relationships with customers.



Industrial Machinery and Others

¥169.9 billion

The industrial machinery and others business stands alongside the construction, mining, and utility equipment business as a core business of Komatsu. Offerings in this business include the large presses used to mold automobile hoods and side panels as well as sheet-metal machines, machine tools, and light sources for semiconductor lithography systems (excimer lasers). In this business, we also contribute to the business activities of various customers through production of specialty equipment for Japan's Ministry of Defense.



Large press

Message from the President



Hiroyuki Ogawa

President and Chief Executive Officer
Representative Director

Komatsu will remain committed to quality and reliability as it seeks to create value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together by developing ideal workplaces through ongoing responses to the needs of society and of customer workplaces.

Komatsu's Course for Responding to Workplace Needs

Komatsu was established in Komatsu City, Ishikawa Prefecture in 1921, the Company has faithfully exercised its management principle, which entails committing ourselves to quality and reliability and maximizing the total sum of trust given to us by all stakeholders and society. We have continued striving to develop ideal workplaces by responding to the needs of customers and society over the century that followed. This dedication has enabled Komatsu to reach the 100th anniversary of its founding, which we celebrated this year. Please allow me to express my sincere appreciation to the customers, shareholders, distributors, suppliers, business partners, employees, and other stake-

holders who have supported and aided us thus far.

Komatsu's main construction and mining equipment products are used at infrastructure and natural resource development sites and other workplaces that contribute to social foundations. Our business is founded on responding to workplace needs through the provision of high-quality services that customers can use with peace of mind over the long term as well as finely tuned services offered across product lifecycles and solutions that fundamentally resolve customer workplace issues. Today, Japan faces issues surrounding its dwindling and aging workforce. Looking at the world as a whole, workplaces are

being impacted by rising concerns over climate change and other increasingly serious environmental issues. These factors are creating a strong need to improve the safety and productivity of workplaces. Meanwhile, the COVID-19 pandemic is prompting construction workplaces to seek ways of preventing workers from coming in close contact with one another, stimulating a rise in demand for automated equipment.

Komatsu will work to actively address such changes in the operating environment while pursuing ongoing growth by continuing to act based on its commitment to quality and reliability over the next century. The strengths we have fostered as a manufacturing company thus far will be central to this pursuit.

I would now like to explain Komatsu's strengths in a little more depth. An important policy of the Company is to develop and produce the key components that support the quality and reliability of its products in-house. This policy makes it possible for us to take a flexible, component-level approach toward improving the durability of construction equipment as well as toward the planning of construction equipment that accommodates contemporary needs related to the electrification and automation of equipment. Moreover, we equip components with sensors that can gather data to be used to predict component lifespans through Komtrax (Komatsu Machine Tracking System). Predicting component lifespans makes it possible to perform

preventive maintenance. We are thereby able to propose the ideal timing for equipment overhauls or parts replacements. In this manner, Komatsu develops a business that does not end with the sale of products but rather extends providing value to our customers across the entire value chain (please see page 10).

Another key factor augmenting the unique strengths of Komatsu is its ability to combine solutions such as its Autonomous Haulage System (AHS) and Smart Construction. It is crucial to develop a business model through which we provide solutions to resolve customer issues and also supply products that are highly compatible with those solutions. This is especially important given that newer manufacturers are growing in technical prowess, meaning that we can no longer succeed purely by improving the performance of our products.

Komatsu looks to create value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together. My approach toward achieving this goal will include manufacturing activities that pursue the quality and reliability Komatsu has pursued over the past century. This is the course that Komatsu must take in the future.

Impact of the COVID-19 Pandemic on Business

The ongoing COVID-19 pandemic made for a challenging operating environment characterized by economic stagnancy in FY2020. Throughout this pandemic, the Komatsu Group has placed as its top priority the health and safety of its customers, business partners, community members, employees, and their families as we took steps to prevent the spread of the virus based on government policies in the relevant countries. Moreover, we worked to fulfill our responsibilities to customers involved in businesses that support social infrastructure (essential businesses) by continuing to supply products, parts, and services to customers while implementing thorough measures to prevent the spread of COVID-19.

Cross-sourcing of products and parts and global procurement have long been an element of our approach toward absorbing the impacts of demand and foreign exchange rate fluctuations (please see page 12). We were thereby able to adapt when the pandemic forced us to halt production, primarily at overseas plants, in April and May 2020; by procuring from alternative sources and reallocating inventories, we managed to minimize the impacts of these halts on overall production. On

the sales front, meanwhile, we sought to maintain a consistent supply of products, parts, and services to customers. To this end, distributors used online venues to continue sales activities while utilizing a combination of regular commuting and telecommuting. Other measures included revising supply routes and shift structures. Operations are gradually returning to normal in various regions. At the same time, however, COVID-19 case numbers have once again begun rising in some regions. It will therefore be prudent to carefully monitor trends in the pandemic as we move forward with our business activities.

As for the increased impacts of the COVID-19 pandemic on markets, construction and mining equipment demand rose throughout FY2020 in China, where the pandemic was quickly brought under control and where the government has been implementing economic stimulus measures. In other regions, demand was down until the second quarter, but steady recovery in demand was seen centered on construction equipment in the third quarter and beyond as overall market demand picked up in conjunction with the resumption of economic activities.

Steady Progress in Priority Initiatives Leading Up to Final Year of Mid-Term Management Plan

The DANTOTSU Value – *FORWARD* Together for Sustainable Growth three-year mid-term management plan is slated to conclude with FY2021.

Looking first at the progress of our priority initiatives up to FY2020, we have been accelerating the promotion of digital transformation at construction workplaces with our “Smart Construction Digital Transformation” solution. Specifically, we have been soliciting this solution’s ability to optimize customers’ construction procedures while using the Smart Construction Retrofit Kit to endow conventional construction equipment with ICT functionality in Japan. In the mining business, more than 350 AHS units were installed as of March 31, 2021. We are also

developing platforms for optimizing mining operations along with systems for remote operation of large-scale hydraulic excavators (PC7000). At the same time, we have commenced initiatives for responding to the rising global concern regarding climate change, such as verification tests for electrified small and medium-sized hydraulic excavators and the development of electrified super-large dump trucks for mining applications. Meanwhile, efforts to develop sustainable, cyclical businesses included promoting smart forestry and the mechanization of processes encompassing the planting, cultivating, and harvesting of trees in the forestry machinery business. FY2020 also saw the start of operations at a new remanufacturing factory in South

State of Progress of Focused Activity Items and Challenges for the Next Term and Onward

Three Growth Strategies		Examples of Activities
1. Value Creation by Means of Innovation	FY2020 achievements	<ul style="list-style-type: none"> • Launched “Smart Construction Digital Transformation” • Started installation of Smart Construction Retrofit Kit for hydraulic excavators and application for mini excavators • Achieved a total of 352 dump truck units operating under the Autonomous Haulage System (AHS) • Succeeded in proof of concept verification test for remote operation of a large-scale ICT bulldozer for mining using commercial 5G • Started a joint proof of concept verification test for electrification of small- to mid-sized construction equipment
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Promote market expansion and global launch of “Smart Construction Digital Transformation” solution • Develop a new open technology platform for mining • Develop technologies for automation, autonomous operation, electrification, and remote control
2. Growth Strategies Based on Business Reform	FY2020 achievements	<ul style="list-style-type: none"> • Commercialized the product models under development aimed at complying with regulations, increasing product capabilities, and being the “DANTOTSU No. 1 in Asia” • Expanded the forest machinery business (efforts into silviculture growing and cultivating forest crops and smart forestry) • Introduced the new FE25-2 and FE30-2 models of electric forklift trucks • Developed and launched manufacturing equipment for electric vehicle (EV) batteries
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Improve the market position of the hard rock mining business • Build a new business model using next-generation Komtrax • Continue to promote value chain reforms • Reform the industrial machinery business (expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)
3. Structural Reforms for Growth	FY2020 achievements	<ul style="list-style-type: none"> • Selected for “DX Grand Prix 2020” • Constructed a new remanufacturing plant in South Africa to strengthen value chain operations • Started construction of new seal ring factory at Himi Plant
	Challenges for the Next Term and Onward	<ul style="list-style-type: none"> • Promote work process reforms using ICT and IoT • Promote next-generation plants and plants with zero impact on the planet and workers

Africa as part of our remanufacturing ("Reman") business, another sustainable, circular business. In our underground soft rock mining business, we sold unprofitable product lines and reorganized our production network to optimize production capacity as part of our structural reforms.

In regard to environmental, social, and governance (ESG) initiatives, smooth progress was made in measures for accomplishing our CO₂ emissions reduction and renewable energy use targets. These efforts led to the selection of Komatsu for inclusion in the Dow Jones Sustainability Indices. In addition, CDP

awarded the Company with A ratings for both climate change and water risks. FY2021 will be the final year of the mid-term management plan, and we will thus be steadily yet boldly advancing the priority measures defined for the plan's three growth strategies with the aim of developing a corporate constitution that is able to withstand the changes in market demand. We will do this while prioritizing measures by examining the cost performance and strategic value of each measure.

Further Growth and Overseas Expansion Driven by Smart Construction and Partnerships

Smart Construction was launched in 2015 as a solution for addressing social issues such as those related to the aging of operators and labor shortfalls in Japan. This solution gave rise to a solutions business aimed at drastically improving workplace productivity by organically linking entire workplaces through ICT.

Moreover, Komatsu launched "Smart Construction Digital Transformation," a solution comprising four new IoT devices and eight new applications, in April 2020. While the previous version of Smart Construction only digitized part of the construction process ("vertical digitization"), these new IoT devices and applications will allow for digitization of the entire process ("horizontal digitization"). This will enable workplace operations to be optimized by synchronizing the real workplace with its digital twin,

thereby realizing drastic improvement in the safety, productivity, and environmental performance of the entire workplace.

Seeking to further accelerate this steady evolution in Smart Construction, we reached an agreement in April 2021 to establish a joint venture company named EARTHRAIN Ltd. together with NTT DOCOMO, INC., Sony Semiconductor Solutions Corporation, and Nomura Research Institute, Ltd.

EARTHRAIN also looks to facilitate the further growth of Smart Construction by accelerating its deployment in the principal overseas markets of Europe, the Americas, and Australia.

Identification of material issues (materiality) for the future based on input from a wide range of stakeholders

In light of the massive changes seen in the operating environment, Komatsu revised its material issues for the first time in a decade to clarify the priorities it should emphasize in pursuing sustainable growth over the next century.

The need to develop low-carbon and zero-emissions products is much greater than it was 10 years ago. Evolving corporate governance systems and accommodating diversity have also become more important. At the same time, we are pressed to address issues in areas where global trends have changed significantly in comparison to the projections of the mid-term management plan. Examples of such issues include economic sanctions and trade friction, such as those arising out of the conflict between the United States and China; risks of

developments such as the COVID-19 pandemic; and human rights issues. Environmental and energy issues are also a top priority, meaning that sustainability, climate change, and decarbonization will be a key focus going forward. The move toward carbon neutrality is accelerating on a global scale. Japan as well has announced its goal of realizing a decarbonized society by achieving a state of carbon neutrality by 2050. Komatsu will carefully consider its approach toward tying carbon neutrality initiatives to business growth, or, in other words, how it will achieve sustainable growth by generating a positive cycle of resolving ESG issues and improving earnings as described in the mid-term management plan.

Komatsu's Long-Term Vision forwards Achieving Carbon Neutrality in 2050

Under the current mid-term management plan, Komatsu has defined the targets of reducing CO₂ emissions by 50% compared with 2010 and of raising the ratio of renewable energy use to 50% by 2030. These targets are to be accomplished using equipment that improves productivity, conserves energy, and reduces environmental impacts at production sites and solutions for increasing the productivity of customer workplace. Efforts to accomplish these targets are moving forward smoothly.

The technical hurdle needing to be cleared in order for Komatsu to work toward the long-term target of achieving carbon neutrality by 2050 is massive. At the same time, electrified equipment is a market that will not be truly viable until further down the line, and there are some emerging countries that have not introduced exhaust gas regulations. However, carbon neutrality initiatives are accelerating centered on developed countries, and it is likely that needs related to carbon neutrality will arise in strategic markets* in the future. Accordingly, it is crucial for us to develop a clear technology roadmap for working toward carbon neutrality.

In terms of products, we have made consistent efforts to reduce fuel consumption and improve efficiency. Going forward, however, it will be important to augment these efforts by working to electrify and automate equipment. Komatsu has already had success in developing equipment with reduced environmental impacts, including mid-sized hybrid hydraulic excavators and diesel-electric super-large wheel loaders and dump trucks, and we look to further build upon these technologies going forward. At the same time, we anticipate that there will be a need to develop equipment that is able to accommodate any drive source, including fuel cells and hydrogen engines, in the future. Accordingly, an important challenge over the next three years will

be advancing technology and other development projects in preparation for the commercialization of such equipment.

In addition to products, we are also looking to contribute to carbon neutrality through solutions like Smart Construction and AHS that help realize massive improvements in the productivity of, and subsequently reductions in the CO₂ emissions from, customer workplaces.

Another focus will be the forestry machinery business. Komatsu aims to develop this business into a cyclical business that underpins forestry. To this end, we are promoting smart forestry, which entails using machinery and ICT for processes encompassing the planting, cultivating, and harvesting of trees. Such machinery includes logging machines as well as machines that flatten logged land and machines that automatically plant trees on the flattened land. Moreover, achieving carbon neutrality by 2050 requires that we focus both on reducing CO₂ emissions and on absorbing the CO₂ that is emitted. For this reason, Komatsu's forestry machinery business has significant potential to contribute to society by supporting and accelerating the forest regeneration cycle. The forestry machinery market is currently growing by about 3% a year, and we therefore believe that our forestry machinery business presents significant potential for future growth.

* Positioning of markets by the Komatsu Group:
Traditional markets: Japan, North America, Europe
Strategic markets: China, Latin America, Asia, Oceania, Africa, Middle East, CIS



For more information on Komatsu's carbon neutrality initiatives, please refer to Special Feature : Komatsu's Vision for the Workplace of the Future (page 26).

Creation of Ideal Workplaces Together with Stakeholders over the Next Century

Over the next century, Komatsu will continue to commit to quality and reliability, as it has done over the past century. Seeking to create ideal workplaces, we will generate new value through manufacturing and technological innovation to help shape a future where people, businesses, and our planet thrive together. This is the approach we will take in accomplishing our ultimate goal: achieving sustainable growth together with all of our stakeholders.

We will also proactively participate in the United Nations Global Compact, the World Business Council for Sustainable Development, the Task Force on Climate-related

Financial Disclosures, and other initiatives as we work to fulfill our obligations to society and the environment as a global company. I continue to thank all of our stakeholders and ask for your ongoing support.

Hiroyuki Ogawa
President and Chief Executive Officer

Online Meetings with Individual Shareholders (Japanese only)

In the past, Komatsu has held briefings in locations across Japan as venues through which it can explain the circumstances surrounding the Company and its future course directly to shareholders. In FY2020, however, these briefings took place online for the purpose of preventing the spread of COVID-19. In FY2021, we plan to hold an online meeting with shareholders as detailed below. At this meeting, members of senior management will provide an overview of the Komatsu Group and discuss the progress of our mid-term management plan as well as the Company's interim financial outlook and full-year financial outlook.

Details of FY2021 Online Meeting with Individual Shareholders (Plan)

Time and Date	7 pm–8 pm(JST), December 14, 2021 (Tuesday)
Method	The viewing website and viewing methods will be described in the interim business reports scheduled for distribution in early December 2021 (in Japanese only) and the Shareholder Events section of our corporate website (in Japanese only). The briefing will be viewable from computers, smartphones, and tablets.
Attendance Requirements	Open to shareholders of the Company as of September 30, 2021
Agenda	<ol style="list-style-type: none"> 1. Explanation of mid-term management plan progress, interim financial results, and full-year financial outlook 2. Question and answer session

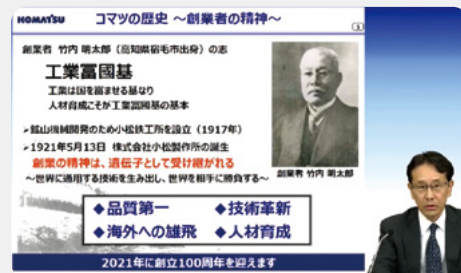
*The meeting will be held only in Japanese. The materials in English will be posted on Komatsu's corporate website after the meeting. Please visit our website at Interview with the President section of Investor Relations.

Reference

FY2020 Online meeting with individual shareholders

Presenters

Hiroyuki Ogawa, President and Chief Executive Officer
Takeshi Horikoshi, Senior Executive Officer and CFO



For videos and materials from the FY2020 online shareholder briefing, please refer to the Shareholder Events section of our corporate website (in Japanese only).

<https://www.komatsu.jp/ja/ir/shareholder/event>



Video Interviews with the President



Videos of interviews with President Hiroyuki Ogawa have been made available on Komatsu's corporate website covering topics including Komatsu's strengths, future outlook, and mid-term management plan progress.

<https://www.komatsu.jp/en/ir/library/interview-movie>



Message from CFO



Takeshi Horikoshi
Director and Senior Executive Officer
CFO

Komatsu was born in Ishikawa Prefecture, Japan in 1921. Over the century that followed, Komatsu has grown into a global company targeting net sales of ¥3 trillion and overseeing a corporate group comprising 254 other companies (212 consolidated subsidiaries and 42 affiliated companies accounted for by the equity method) as of March 31, 2021.

The Company's operating environment has continued to transform over the years, and our accounting and finance department

predecessors navigated these changes by building foundations for financial and capital strategies that remain viable even today.

Komatsu's resilience to maintain a certain performance in the current challenging operating environment caused by the COVID-19 pandemic is thanks to our predecessors. Let me express the sincere appreciation I feel for the efforts of our predecessors as I explain some of the innovative practices they introduced.

1. Transformation of Business and Response of Accounting and Finance Departments

(1) Business Strategies Leading to Selection and Concentration

Today, more than 80% of Komatsu's net sales come from overseas. However, this was not always the case; up until the 1960s the majority of sales were generated in Japan. It was in the 1970s that we began our full-fledged expansion into overseas markets. At this time, Komatsu took the approach of engaging in M&A activities while honing its technologies for serving these markets to bolster its product lineup and reinforce the foundations for its export businesses. Initially, overseas sales were mainly composed of exports from Japan. However, we began ramping up local production in overseas markets in the 1980s in order to accommodate the growth of overseas demand and account for the rising value of the yen. In the late 1990s, when we were augmenting our global distributor network, overseas sales completely surpassed domestic sales.

In the 1990s, demand grew stagnant in our traditional markets of Japan, the United States, and Europe as these markets matured. This trend gave rise to a widespread belief that growth could not be anticipated in the construction equipment market. In fact, there were many

within the Company who suggested that we scale back construction equipment operations to the point of half of total net sales. The concept of a conglomerate discount did not exist at the time, and Komatsu was thus driven to develop new businesses and diversify its operations in the same manner as other companies in Japan.

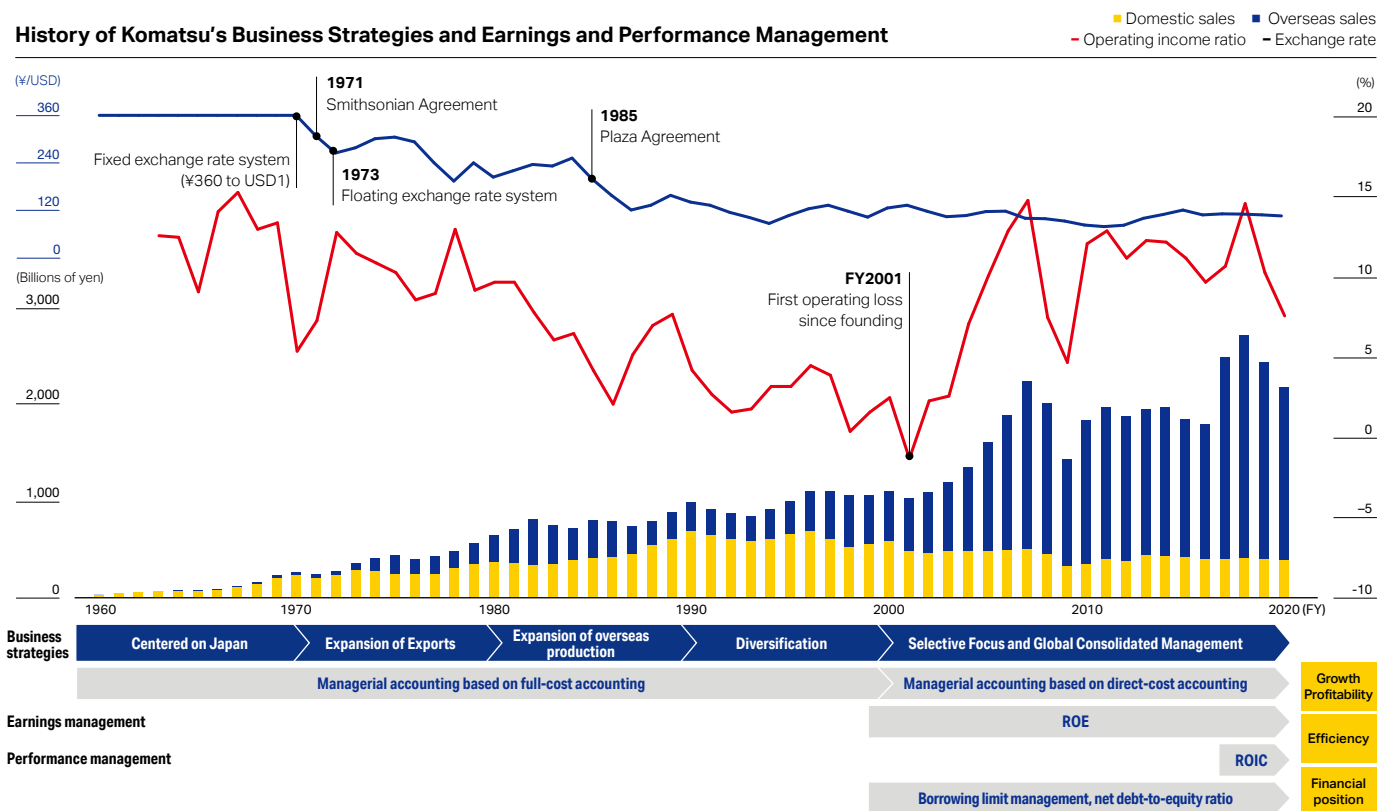
We changed course after the turn of the century, moving away from the diversification of our business to instead practice selective focus. Komatsu thus began concentrating management resources on its construction, mining, and utility equipment business as well as on the industrial machinery and others business that it had continued since its founding and in which it could expect synergies with the aforementioned construction, mining, and utility equipment business. There were three reasons behind this change in strategy. The first was the fact that we recorded the first operating loss in FY2001 since our founding. The second was that the concepts of cost of capital and return on equity (ROE) were starting to become mainstream. The third was that Komatsu's electronics business began to place significant stress on the Company's management in the late 1990s. Maintaining and pursuing growth in the electronics business

required massive investments, in amounts that accounted for the majority of capital investments in any given year, despite the business itself not even generating 10% of total net sales. Based on a careful examination, the decision was reached to implement structural reforms that entailed the gradual sale of Komatsu Construction Co., Ltd, Advanced Silicon Materials LLC, Komatsu Electronic Metal Co., Ltd., and outdoor power equipment business of Komatsu Zenoah Co. and so on.

Throughout this process, Komatsu's accounting and finance departments acted in accordance with the Company's business strategies. For example, the Company began disclosing consolidated financial statements based on generally accepted accounting principles from the United States in 1963 with the goal of procuring

funds from overseas markets. Furthermore, we have established the American depository receipt program for convertible corporate bonds issued in the United States in 1967, and this program continues to contribute to improved convenience for overseas investors and increased recognition for the Company even today. In terms of tax, Komatsu began examining advance pricing agreements (APAs)—ahead-of-time tax payment agreements based on appropriate transfer pricing methodology—in conjunction with an increase in investment in a joint venture company (currently, Komatsu America Corp., a wholly owned subsidiary), established in 1988 with Dresser Industries, Inc., of the United States. We reached our first APA between Japan and the United States in 1996, and then proceeded to expand the scope for which these agreements were used to include

History of Komatsu's Business Strategies and Earnings and Performance Management



countries such as Australia and Belgium. Eventually, these APAs come to account for around half of the Company's overseas sales on a non-consolidated basis.

The retail finance business was separated from the construction, mining, and utility equipment segment in 2016, making for the Company's current three business segments. In the retail finance business, we provide financial products for the users of Komatsu products. This business dates back to 1988, when we established a joint venture with Dresser Industries, Inc. At this time, we also incorporated into the Group a retail finance company under the control of Dresser Industries, Inc. (currently, Komatsu Financial Limited Partnership). We were cautious in expanding our retail finance business up until the early 2000s. However, we began developing this business in countries outside of the United States in 2004 in conjunction with the introduction of the Komtrax construction equipment

operation management system as a standard feature on the Komatsu products that serve as collateral for our retail finance products. Today, we work to safekeep our credits by taking advantage of our strengths, Komtrax technologies (location information, operating status information, engine locks etc.), and the retail finance business plays a role of promoting sales of construction and mining equipment.

(2) Improvement of Corporate Value through Structural Reforms

When undertaking business reorganizations and M&A activities in accordance with our policy of selective focus, we have always emphasized creating beneficial situations for sellers and purchasers as well as for the employees who would be relocated as a result of the transaction in question.

Potential M&A transactions are examined by looking at the

importance to business strategies and comparing return on investment (ROI) and weighted average cost of capital (WACC) to make a decision of investment. Furthermore, we focus on compatibility with the culture of the acquired company to better integrate processes and facilitate a sense of cohesion. After closing the acquisitions, we regularly monitor their contributions to improving our group-wide corporate value as we compare ROI and WACC of the acquired companies, and check on synergy effects on consolidated business

results. Komatsu currently boasts net sales surpassing ¥2 trillion. Organic growth was a major part of this accomplishment, but we cannot deny the significant contributions from M&A activities. As part of post-merger integration, we work to ensure that the anticipated synergies are realized and that a sense of cohesion is achieved. It is therefore not uncommon for the employees not to know the fact of the acquisition after several years.

2. Enhancement of Financial and Capital Strategies

(1) Profitability and Efficiency Policies

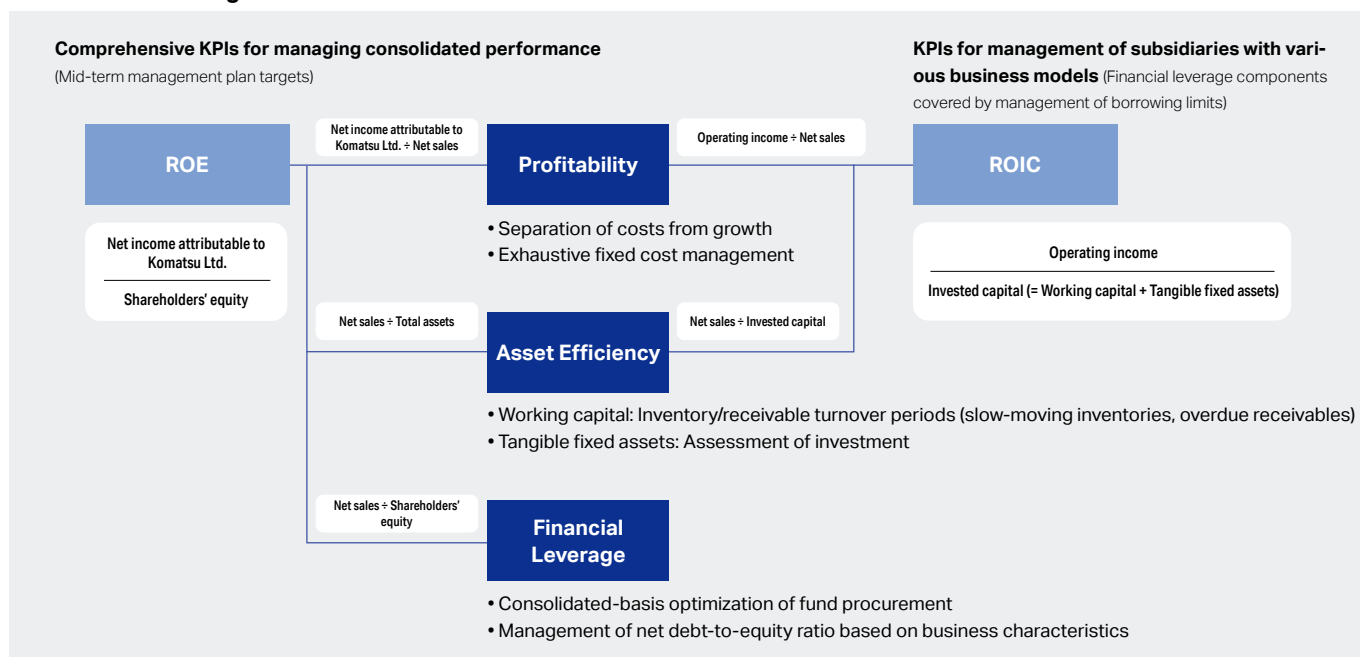
Under the current mid-term management plan, Komatsu has defined four consolidated performance targets for growth (sales growth rate), profitability (operating income ratio), efficiency (ROE), and financial position (net debt-to-equity ratio). The process of trial and error that has brought us to where we are today is intrinsically linked to the M&A activities described in the “Transformation of Business and Response of Accounting and Finance Departments” section above.

Through the acquisitions of overseas companies conducted after the 1970s, together with technologies and other assets, Komatsu absorbed overseas managerial accounting practices that differed from the full-cost accounting practices traditionally used in Japan. A sharp drop in sales after the 1997 Asian financial crisis made us recognize our weakness, ratio of selling, general and administrative (SG&A) expenses to sales, that was behind our rivals and eventually led to an operating loss in FY2001. This weakness made structural reforms for cutting fixed costs, through means such as reducing the number of subsidiaries, a pressing task. As the Company shifted toward selective focus in its business strategies, we reviewed our traditional full-cost

managerial accounting practices, in which unit costs vary by production volume, to incorporate the direct-cost accounting practices used overseas, in which costs are calculated centered on variable costs. Accordingly, new managerial accounting practices were implemented in 2002, in which definition of variable costs and fixed costs have been standardized on a global basis. This change allowed us to respond to fluctuations in demand (sales) through swift action. These standards were also incredibly simple and easy to understand for overseas employees, and, since their introduction, the separation of costs from growth has become the foundation for Komatsu’s cost management approach. With these standards, we have been able to entrench throughout the Group a policy of reducing costs while conducting growth investments and thereby curbing increases in fixed costs even as sales rise.

Next, I would like to talk about how we manage the performance of subsidiaries. Komatsu is a manufacturer of construction and mining equipment and industrial machinery, and it thus has a multi-faceted business model encompassing development, manufacturing, sales, and retail finance. Accordingly, ROE, an indicator that

Performance Management KPIs



comprehensively accounts for profitability, asset efficiency, and financial leverage, is used for consolidated basis management. However, trying to apply ROE as a management indicator for each subsidiary would lead to inequity as capital levels can be different based on factors such as differences in business models and legislative environments in the countries where subsidiaries are located. In addition, the construction and mining equipment business is highly volatile, making effective management of receivables and inventory assets imperative. Based on these considerations, we have been using ROIC for internal management purposes since 2017 to complement prior profitability management practices. Operating income is used as the numerator when calculating ROIC while the total of working capital and tangible fixed assets, which represents how invested capital is utilized, is used as the denominator. Defining ROIC in this manner allows us to provide timely feedback to the divisions responsible for investments with regard to issues and the extent of improvement. Each subsidiary reports graphs indicating changes in ROIC on a monthly basis to track their conditions.

Inventory assets are accounted for ROIC, and maintaining an appropriate level of inventories requires coordination between sales and production divisions. Komatsu has therefore developed a culture of mutual coordination and check between sales and production divisions, and HANSEI, a coined word from the initials of sales (Han-bai) and production (Sei-san) in Japanese, has long been familiar in Komatsu. As a result of coordinated efforts between sales and production divisions, we have in place global HANSEI operation centers exactly for the purpose of advancing improvement activities targeting both of these areas. Specifically, a center for equipments was established at Osaka Plant in April 2011 and a center for parts was set up at Oyama Plant in July 2015, where we are increasing the accuracy of demand projections and sharing information in an integrated manner to maintain appropriate inventory levels on a global basis while preventing loss in sales opportunities.

In this manner, one of Komatsu's strengths is its ability to create and expand free cash flow from the perspectives of both profitability improvements (separation of costs from growth) and efficiency improvements (inventory management).

(2) Financial Position and Risk Management Policies

There were cases in which the head office would practice speculative asset management back in the days when production was centered on Japan. However, we later put a stop to speculative financial activities in conjunction with the globalization of our business, instead choosing to focus on improving our financial position and hedging risks on a group-wide basis.

Our basic policy for managing foreign exchange rate and interest rate fluctuation risks is to apply natural hedges through ordinary operations. For example, manufacturing products in locations close to the markets where they will be sold allows us to match sales and costs on a currency basis, and procuring funds on a regional basis allows for such currency matching with regard to assets and liabilities. For risks that cannot be covered through natural hedges, we utilize financial products (derivatives) for mitigating the impacts of foreign exchange rate and

interest rate fluctuations.

To address funding risks, we seek to reliably procure funds by securing diverse funding sources and maintaining balanced distributions of direct and indirect, short-term and long-term, and variable interest rate and fixed interest rate borrowings. The Company has also implemented a global cash management system that links Japan and other countries of operation to complement regional-basis funding activities and improve consolidated funding efficiency under normal circumstances while also serving as a safety net by allowing funds to be distributed to overseas subsidiaries from the head office in Japan in emergency circumstances.

We believe it is important to maintain a sound financial position in order for us to achieve sustainable growth while being free from changes in market demand. The net debt-to-equity ratio is monitored as an indicator of financial soundness on a consolidated basis while borrowing limits and financial benchmarks are set and managed on an individual-subsidiary level. On March 31, 2021, the consolidated net debt-to-equity ratio was 0.35. This ratio is 3.69 when looking at the retail finance business alone, but this level is still within the predetermined acceptable range for leverage. We are working to mitigate foreign exchange rate and interest rate fluctuation risks by matching lending and funding currencies and interest rates and periods. At the same time, we are utilizing the aforementioned Komtrax technologies to safekeep our credits.

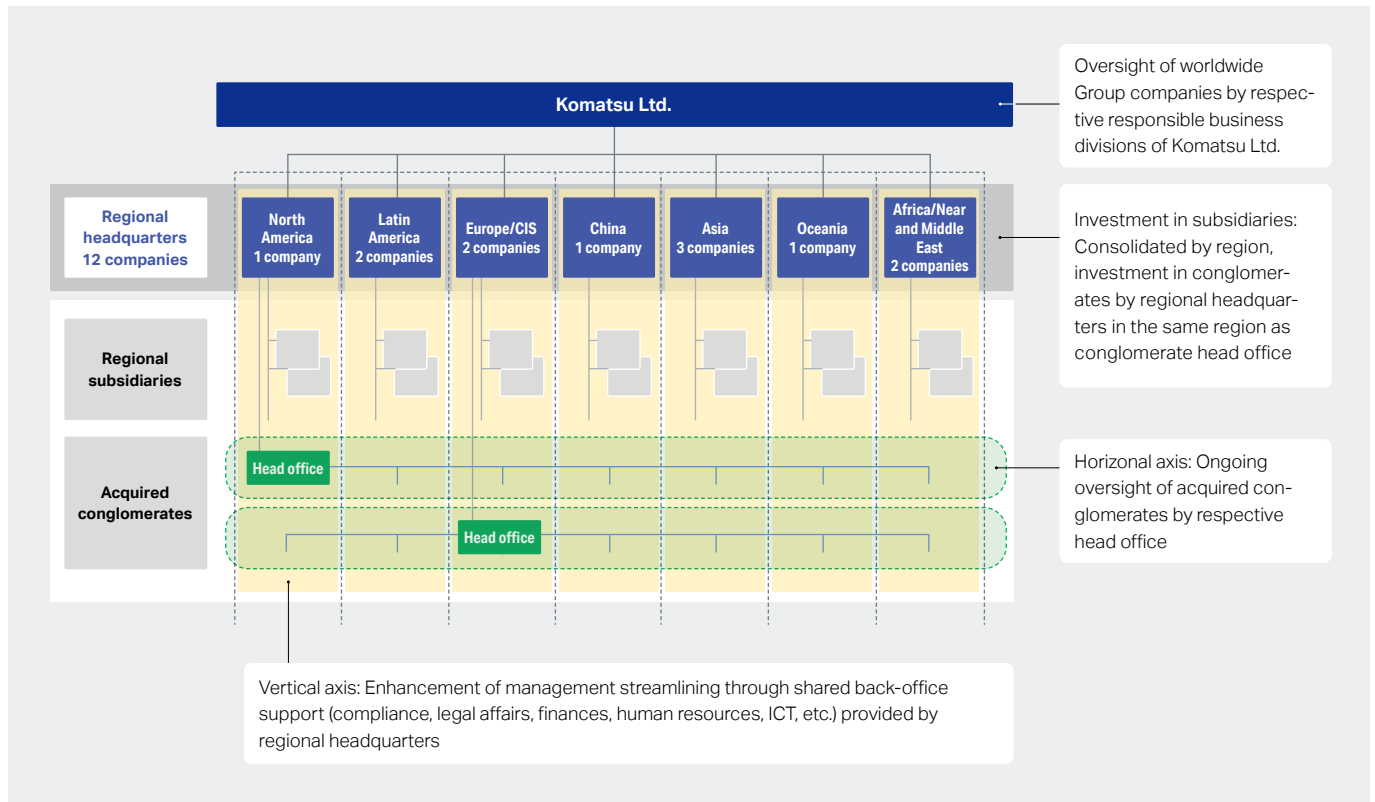
Furthermore, the Company thoroughly enforces risk management policies across the Group. We therefore do not utilize schemes only for the purpose of minimizing tax payments in global operations (appropriate taxes are to be paid based on our business), nor do we maintain cash holdings at branches and sites (to eliminate compliance risks) nor holding shares in listed companies (to mitigate stock price fluctuation risks).

(3) Group-Wide Dissemination of Financial and Capital Strategies

Komatsu has proceeded to accelerate its growth through M&A activities. However, we did not initially have a clear policy for shareholding structure. It was therefore not uncommon situation that subsidiaries were investing in companies in respective region where Japanese headquarters also had investments, even as recently as the mid-2000s. This changed in 2007, when we implemented a policy of consolidating investments in overseas Group companies within regional headquarters for the purpose of more efficiently utilizing capital and strengthening governance. At that time, we appointed a total of five regional headquarters, one for the Americas, including Latin America, one for Europe, one for China, one for Indonesia, and one for other parts of Asia. These five companies provided funding and other back-office support in their respective regions while also furnishing a check function backed by investment. In the years that followed, Komatsu went on to acquire various global companies and business, such as Partek Forest AB (currently, Komatsu Forest AB) and Joy Global Inc. (currently, Komatsu Mining Corp., that made it difficult for these five companies to cover the expanded business. This development prompted us to redefine our regional holding

Shareholding Structure and Matrix Management

–Performance management by responsible business division and shard services by regional headquarters–



companies in 2019 to better match the actual circumstances of our business, leading us to have the current 12 regional headquarters. To manage the performance of this expanding scope of companies, the responsible business divisions of Komatsu Ltd. oversee companies belonging to their respective business areas. Meanwhile, the head office of acquired conglomerates are responsible for overseeing the businesses of their worldwide subsidiaries while the 12 regional headquarters manage funding on a regional basis and offer back-office support. This setup makes for a matrix management approach.

Today, approximately 70% of Komatsu Group employees are working overseas. We have thus adopted globally standardized rules and simplified management procedures for core financial and capital strategies, and these practices have been entrenched throughout the Group via the aforementioned matrix. This approach is taken to make our practices easier to understand for employees in operating divisions worldwide and to facilitate the integration and cohesion of acquired companies and businesses.

(4) Pursuit of Further Growth

Komatsu has not established numerical targets for growth, profitability, and financial position in its mid-term management plan. We had set such targets in the past. However, demand is incredibly volatile in our business; in the mining equipment business, for example, demand can fluctuate by nearly 30%. As a result, past numerical targets have lost their meaning in the first year of the respective

three-year plan. Instead of numerical targets, we have therefore chosen to set the more abstract targets of achieving a growth rate above the industry's average for growth and the industry's top level for profitability and financial position.

The decision to set a target for growth (net sales growth rate) in the mid-term management plan is based on our strong commitment to continue growing through a combination of organic growth and inorganic growth by means of M&A activities. Growth rates are also indicators for measuring our position within the industry. Our growth target is aggressive and significant pressure on Komatsu's management team, but this pressure is necessary to prevent us from falling into a state of overall decline.

The operating income ratio is also an important indicator for demonstrating the meaningfulness of a company. We have set a target for this indicator based on our responsibility as the industry leader. In the late 1980s, Komatsu caused damage to its own market by becoming involved in excessive price wars due to an overemphasis on its share in the domestic market. Based on this experience, we made the difficult decision to raise prices as we focused on our core business after recording an operating loss in FY2001. Combined with the aforementioned cost management practices, this approach has enabled us to improve our operating income ratio. Today, we emphasize profitability when developing marketing strategies, whether these be for our traditional markets or for strategic markets.

In our integrated reports, we have disclosed key performance

indicators (KPIs) linked to environmental, social, and governance (ESG) issues for the various projects for advancing the growth strategies of the mid-term management plan (please see pages 38 and 39). These KPIs are a very viable tool for directly confirming the progress and benefits of these projects. In addition, the accounting and finance departments began aiding in the accomplishment of the targets for these KPIs through the issuance of Komatsu's first green bonds in July 2020. The rising global concern for ESG factors is impacting the financial market, specifically through stricter regulations for sustainability-related disclosure by financial institutions and the need to implement and popularize ESG scoring frameworks. Amid this trend, the issuance of green bonds served as a new

opportunity for stakeholders to develop an understanding of Komatsu and thus helped expand our investor base. Going forward, we will continue to examine the possibility of issuing green bonds and other ESG-related bonds in conjunction with Companywide initiatives for achieving carbon neutrality and electrifying equipment. We will also track financial indicators along with ESG and other KPIs to achieve sustainable growth through a positive cycle of improving and stabilizing earnings and solving ESG issues.

Use of Funds Procured through Green Bonds

Use of funds

Item	Amount (millions of yen)
Procurement amount (July 2020)	10,000
Use in FY2020	▲6,854
Investment in rental equipment assets for popularizing ICT-intensive model	(▲4,137)
Of which, refinancing	0
Construction of energy-saving facilities and installation of biomass generation facilities at domestic factories	(▲2,717)
Of which, refinancing	0
Balance as of March 31, 2021	3,146

Two of allocated eligible projects have been in operation, technical center at Ibaraki Plant since October 2020 and test laboratory No.3 at Oyama Plant since January 2021.

Allocation of ¥10.0 billion worth of funds procured through green bonds to be completed within FY2021.



Technical center (at Ibaraki Plant)



Test laboratory No.3 (at Oyama Plant)



Details on green bonds are available on Komatsu's corporate website.
<https://komatsu.disclosure.site/en/themes/191>



Special Feature: Komatsu's Vision for the Workplace of the Future



Komatsu future 203X

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

Komatsu has released videos illustrating the safe, smart, clean, and highly productive workplaces of the future it aims to create. We hope you will take a look at these videos to see the workplaces we are working to create together with all stakeholders.

Web <https://www.youtube.com/watch?v=-ikOXOyZpH0&list=PLI09JNAS3JIEL7iTnOAM674O6ZHKn6qZe&index=3>



Formation of Komatsu GHG Alliance Together with Four Major Mining Companies

For the purpose of accelerating the reduction of greenhouse gas emissions from mining operations, Komatsu has founded the Komatsu GHG Alliance together with major mining companies that are also its customers. The founding members of the alliance are Rio Tinto plc, BHP Group Limited & Plc, National Copper Corporation of Chile (Codelco), and Boliden AB—global top-class, industry-leading mining companies. The alliance will serve as a framework for the co-creation of value with customers through which we will accelerate the development of a power agnostic concept truck that can run on a variety of power sources.



Power agnostic development truck undergoing testing at test site (Arizona, United States)

Founding Members of Komatsu GHG Alliance

Name	Head Office
Komatsu	Tokyo, Japan
Rio Tinto plc	London, United Kingdom
BHP Group Limited & Plc	Melbourne, Australia
National Copper Corporation of Chile	Santiago, Chile
Boliden AB	Stockholm, Sweden

Collaboration with Partners for Accelerating the Creation of the Workplaces of the Future

Komatsu is collaborating with partners that share its values to accelerate the creation of the workplaces of the future.



PC200i-11 hydraulic excavator being operated remotely from control pod (Ishikawa Prefecture)



Komatsu Field Test Department linked through 5G services (Oita Prefecture)



Conceptual image of electric excavator



PC01 micro electric excavator (prototype) powered by the Honda Mobile Power Pack



Honda Mobile Power Pack

Utilization of NTT DOCOMO's 5G Service

Komatsu's First Time Achieving Continuous Discharge of Soil by Improving Automatic Loading Control as well as Remotely Switching to Multiple Construction Equipment Units in Operation

Please refer to the following video for a demonstration of the automation and remote operation technologies.
<https://www.youtube.com/watch?v=S2me-S4G0PE>



In its pursuit of the commercialization of construction and mining equipment automation and remote-control technologies, Komatsu has succeeded in verification tests of an automation technology that achieved the continuous discharge of soil by means of automatic loading control as well as remote control technology that enabled remotely switching to multiple units in operation via 5G services provided by NTT DOCOMO, INC.

Collaboration with Proterra of the United States

Start of Proof of Concept Tests for Electrification of Small and Mid-Sized Hydraulic Excavators

Komatsu has signed a collaboration agreement with Proterra Inc. of the United States, to receive the supply of Proterra's lithium battery systems with the aim of electrifying its small and mid-sized hydraulic excavators (for developing battery-powered construction equipment). Proterra is a leader in commercial vehicle electrification technologies that delivers battery systems and electrification solutions to help heavy-duty and commercial vehicle manufacturers around the world electrify their vehicles. Komatsu plans to advance proof of concept tests starting in 2021 and move forward with the development of battery systems suited to small and mid-sized hydraulic excavators, which have higher output requirements, with the goal of commencing mass production sometime between 2023 and 2024. Based on this agreement, Komatsu will receive high-performance batteries and peripherals that Proterra has developed with its state-of-the-art technology accumulated over its years of operation as a manufacturer of electric transit vehicles while also collaborating with this company as one of its strategic partners of joint proof of concept tests.

Commencement of Joint Development with Honda Motor

Development of Micro Electric Excavators Powered by Swappable Honda Mobile Power Pack Batteries and Establishment of Battery-Sharing System for Civil Engineering and Construction Industries

Komatsu has concluded a basic joint-development agreement with Honda Motor Co., Ltd., aimed at electrifying its micro excavators (less than one-ton class) with swappable Honda Mobile Power Pack batteries, and establishing a battery-sharing system that enables mutual use of Honda Mobile Power Packs among different construction equipment and other equipment for the civil engineering and construction industries. Under this agreement, the two parties will work to electrify Komatsu's PC01 micro excavator by equipping it with Honda Mobile Power Packs and an electrified power unit (eGX). The PC01 micro excavator is commonly used very close to people, trees, and flowers for pipe-laying work, gardening, agriculture, livestock, and other applications. Komatsu is working to launch the PC01 micro electric excavator by the end of FY2021.

* Honda Mobile Power Pack and eGX are registered trademarks of Honda Motor Co., Ltd.

Special Feature: Komatsu's Vision for the Workplace of the Future

Pursuit of 2050 Carbon Neutrality

Komatsu's mid-term management plan, which has FY2021 as its final year, puts forth the targets of reducing CO₂ emissions by 50% from the level in 2010 and increasing the rate of renewable energy use to 50%, both of which are to be achieved by 2030.

Continuing down the path of these goals, Komatsu has decided to pursue carbon neutrality by 2050 to capitalize on the future business opportunities that this pursuit will create. Specifically, the prominent trend toward a carbon-free society itself has been positioned as a business opportunity, and we aim to realize DANTOTSU Value (a positive cycle of resolving ESG issues and improving earnings through the creation of value for customers) by taking advantage of this opportunity.

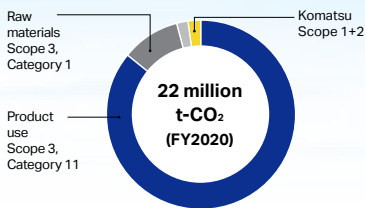
	Mid-Term Management Plan Targets 2030	2050 Carbon neutral
CO ₂ emissions	50% reduction (from 2010)	Virtually Zero
Rate of renewable energy usage	50%	100%

CO₂ Emissions Across the Supply Chain for Komatsu Products

Komatsu calculates CO₂ emissions across the supply chain for its products on an annual basis in accordance with the guidelines of Japan's Ministry of the Environment.

The most significant source of CO₂ emissions from across the supply chain was product use (Scope 3, Category 11), which accounted for roughly 90% of total emissions, while emissions from corporate activities (Scope 1 and Scope 2) only represented 2% of all emissions.

Breakdown of CO₂ Emissions Across the Supply Chain

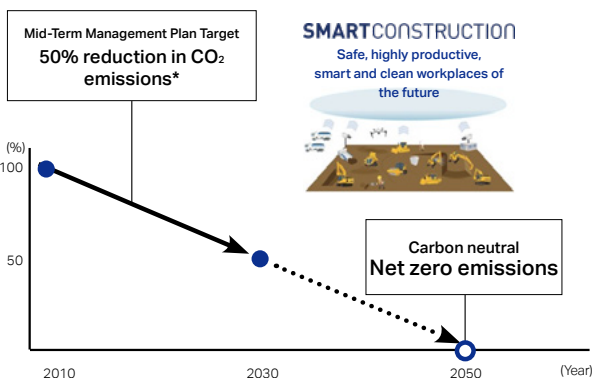


- Scope 1:** Direct greenhouse gas emissions from business operator (fuel combustion, industrial processes)
- Scope 2:** Indirect greenhouse gas emissions from use of electricity, heat, and steam supplied by other companies
- Scope 3:** Indirect greenhouse gas emissions not accounted for by Scope 1 or Scope 2 (emissions from other companies related to a business operator's activities). Scope 3 is divided into 15 categories including Category 11: Use of sold products. Category 11 includes the total expected lifetime emissions from all products sold in the reporting year.

Komatsu's Carbon Neutrality Initiatives

Komatsu's carbon neutrality initiatives will not be limited to cutting emissions from its bases (Scope 1 and Scope 2) and from the use of its products (Scope 3, Category 11). Rather, we are broadening the focus of our initiatives to target customer workplaces in their entirety. With this focus, we will seek to reduce CO₂ emissions from society by evolving our Smart Construction solution and otherwise optimizing customer workplace.

We have also positioned our forestry machinery business, which supports a sustainable forest management cycle of planting, cultivating, and harvesting, as well as our remanufacturing (Reman) operations, which entail the restoration and reuse of components, as cyclical businesses that contribute to reductions in CO₂ emissions from society. Accordingly, these businesses will be strengthened as part of our carbon neutrality initiatives.



- ### Komatsu's Initiatives
- Pursuit of carbon neutrality at Komatsu production bases
 - Development of products that reduce environmental impacts (product improvements)
 - Provision of solutions that improve customer workplaces (process improvements)
 - Reduction of CO₂ emissions through forestry machinery business
 - Reduction of CO₂ emissions through Reman operations

Identify business opportunities associated with carbon neutrality to drive Komatsu's growth strategies

*Calculation Policies and Assumptions for CO₂ Emissions Reduction Target of Mid-Term Management Plan

Mid-Term Target for 2030	Calculation Policies and Assumptions	
50% reduction in CO ₂ emissions from 2010	Emissions from production	Annual per internal production value emissions calculated using all energy consumed by production bases in the reporting year
	Emissions from product use	Annual per work volume emissions calculated based on products sold in the reporting year

Pursuit of 2050 Carbon Neutrality

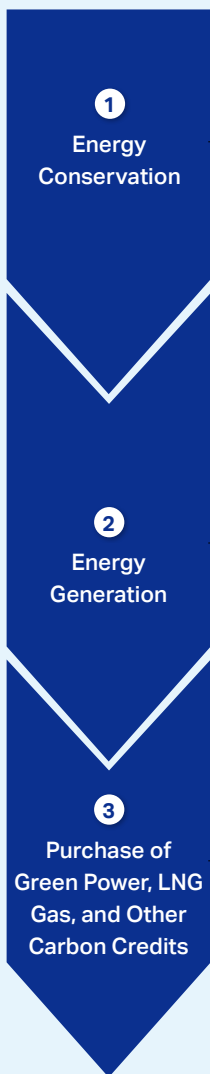
Scope 1

Scope 2

01 Carbon Neutrality at Komatsu Bases

After achieving a 50% reduction in CO₂ emissions from 2010 in 2030, we will work to achieve net zero CO₂ emissions (carbon neutrality) from our production activities by 2050. In addition, we will deploy the relevant technologies at material suppliers and other partners to help them also achieve carbon neutrality in their operations.

In implementing its policies for carbon neutrality initiatives at production bases, Komatsu will prioritize energy conservation initiatives for reducing energy consumption through production technology innovation, then energy generation initiatives for producing renewable energy in-house, and lastly, purchases of renewable energy.



- **Reduction of Energy Consumption through Exhaustive Productivity and Efficiency Improvements**
We will exhaustively reform and improve the efficiency of energy-intensive processes, such as casting, forging, and heat treatment processes.
- **Upgrades to High-Efficiency Next-Generation Structures**
Whenever an aged structure built more than 50 years ago is replaced in the future, Komatsu will replace it with a zero emissions structure that uses sustainable energy.



Rendering of next-generation melting furnace using superinsulation

- **Introduction of Cutting-Edge Renewable Energy Facilities (Solar Power, Biomass Power, and Others)**
Komatsu will embrace cutting-edge renewable energy facilities through means such as using lightweight, high-efficiency solar panels when installing solar power generation facilities to greatly increase per-area efficiency and generation capacity.
- **Effective Utilization of Generated Energy through High-Efficiency Storage Batteries**
The output of solar power and other renewable energy systems can vary greatly as a result of weather. For this reason, storage batteries are imperative to the reliable use of such systems. Komatsu is actively employing the latest storage battery technologies to ensure that it can utilize energy generation systems to the greatest extent possible.



New Komatsu Forest AB factory with roof covered in solar panels (scheduled to be completed in August 2021 in Umeå, Sweden)

- **Purchase of Green Power, LNG Gas, and Other Carbon Credits**
CO₂ emissions that cannot be curbed through energy conservation and energy generation will be offset through the purchase of certified green power or carbon credits.



Biomass boiler at Ibaraki Plant

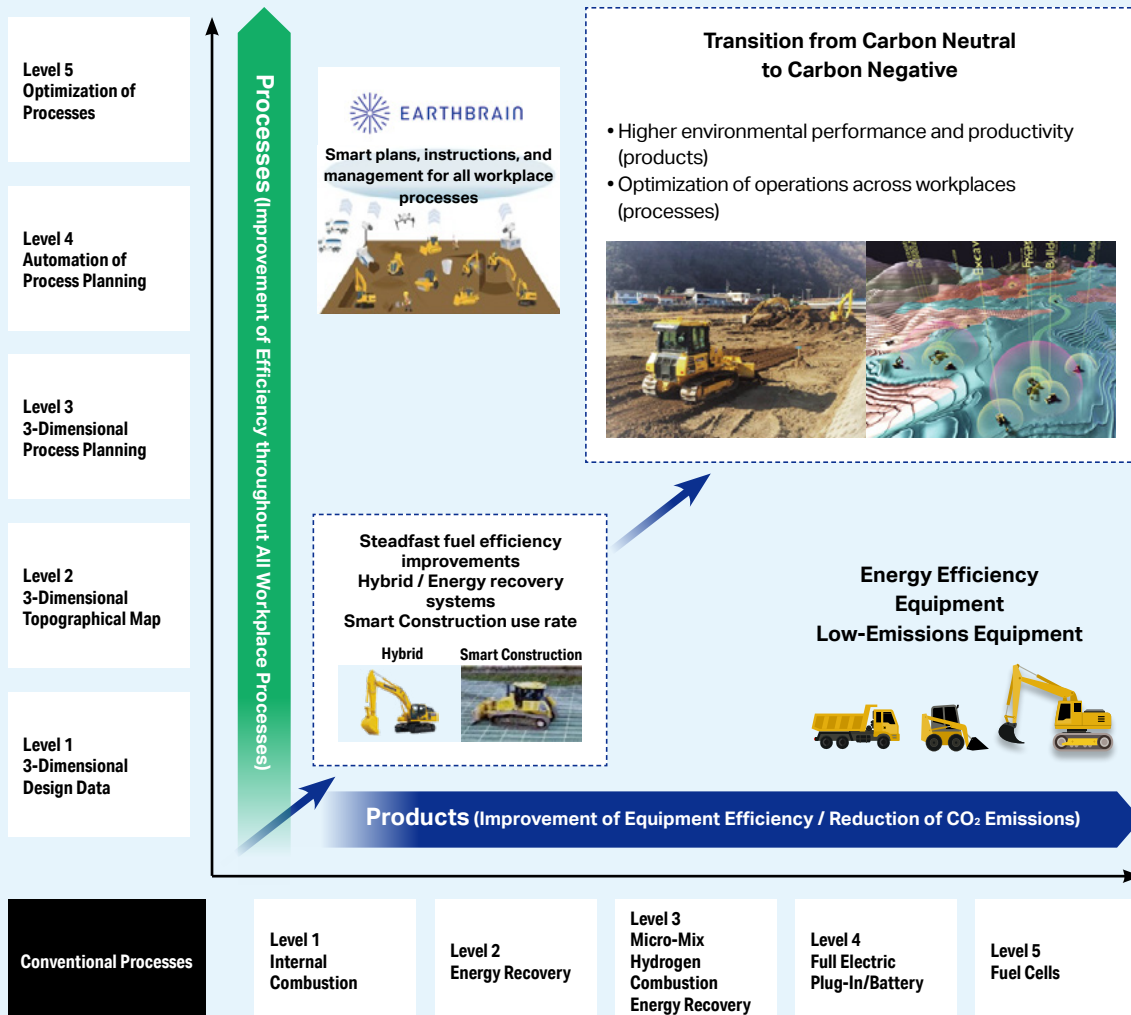
2050 Carbon Neutrality

02 Carbon Neutrality from Product Use

1 Two-Pronged Approach of Improvements in Products and Processes

Komatsu is adopting a two-pronged approach toward reducing the amounts of CO₂ emitted during the use of its products. The first prong is improvements to products. **Initiatives in this regard will include increasing the work efficiency of equipment, pursuing steadfast improvements in fuel efficiency, and transitioning from diesel and other internal combustion engines to cleaner power sources, including hybrid and electric engines and fuel cells.** The second prong is improvements to processes. Specifically, **we look to lower CO₂ emissions by optimizing customers' workplace operations and processes in order to reduce the amount of equipment needed along with the operating times of this equipment.**

Komatsu seeks to contribute to carbon neutrality, at both construction and mining workplaces, through a combination of efforts to reduce CO₂ emissions by means of highly efficient equipment and measures for improving workplace efficiency via smart plans, instructions, and management.

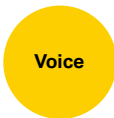
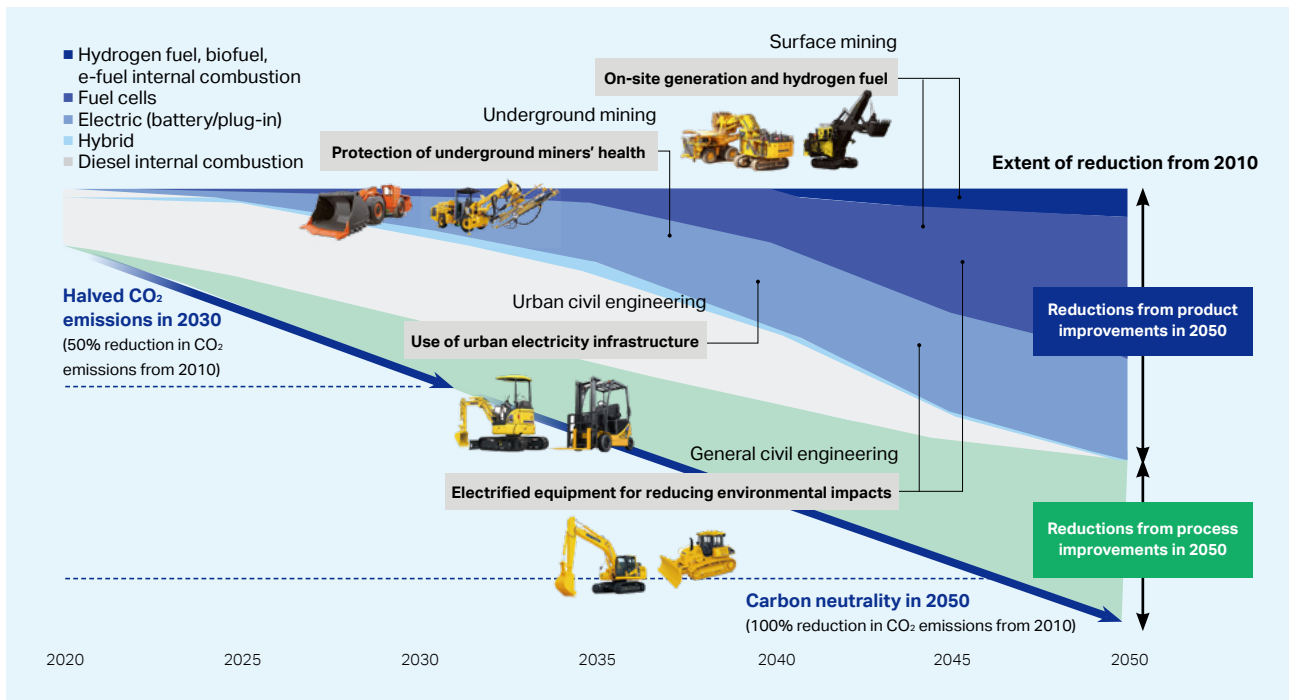


Pursuit of 2050 Carbon Neutrality

Scope 3

2 Development of Products That Reduce Environmental Impacts (Product Improvements)

The workplace conditions under which construction and mining equipment developed and produced by Komatsu is used can vary based on model and output. Accordingly, we are incorporating cutting-edge technologies to eliminate CO₂ emissions from products by model and by output class. At the same time, we are sharing our roadmap for carbon neutrality with external development partners and customers while making steady progress based on this map.



Komatsu will create the safe, highly productive, smart and clean workplaces of the future to contribute to the realization of a carbon-neutral society.

Komatsu has declared its goal of achieving carbon neutrality by 2050 along with its commitment of halving the CO₂ emissions from product operation by 2030. In the past, we have achieved massive success in improving the fuel efficiency of our products by developing and producing major components in-house and combining these components in an optimal manner. We also launched the world's first hybrid hydraulic excavator for sale in 2008. We will continue to pursue such improvements to product fuel efficiency in the future. However, we also realize that achieving carbon neutrality will require us to go further to adopt new drive sources. Construction and mining equipment is used for a variety of applications and under a wide range of conditions, meaning that we need to select a power source that is ideal for each piece of equipment in order to meet customer expectations. We are currently ramping up development of products that use drive sources that do not emit CO₂, like batteries and fuel cells. In this regard, we began offering rentals of the PC30E-5 electric mini excavator in Japan in April 2020. We have also announced plans for joint development of micro and mid-sized hydraulic excavators together with external partners, and we are committed to developing various models through mutually beneficial win-win relationships together with highly capable partners going forward. Komatsu is also examining the possibility of utilizing e-fuel and other new fuels that are compatible with conventional internal combustion engines. Another area being examined is hydrogen engines that use hydrogen as fuel. Meanwhile, we established the Electrified Equipment Development Center in April 2020. This center is playing a central role in efforts to develop electrified equipment.

In addition, we are evolving solutions to improve efficiency at customer workplaces and consequently reduce CO₂ emissions. For example, we provide solutions that utilize digital technologies to create a digital twin to be used for tracking workplace conditions and thereby optimizing workplace procedures. Moreover, we will apply automated operation, remote operation, and other sophisticated digital technologies to develop procedures that are more efficient than conventional procedures. These new procedures will be utilized to reduce the amount of personnel and equipment needed at workplaces while also shortening construction periods in order to achieve massive decreases in workplace CO₂ emissions. In this manner, Komatsu is evolving products and solutions to create safe, highly-productive, smart and clean workplaces of the future in order to contribute to the realization of a carbon-neutral society.




Seichi Fuchita
Senior Executive Officer
President, Development Division

Special Feature: Komatsu's Vision for the Workplace of the Future

Pursuit of 2050 Carbon Neutrality


3 Provision of Solutions That Improve Customer Workplaces (Process Improvements)

Smart Construction is a solution that contributes to the optimal deployment of construction equipment, dump trucks for transporting dirt and materials, and all other equipment. This solution can be applied to Komatsu construction equipment as well as to that made by other companies. **Optimizing all processes throughout a workplace makes it possible to reduce the amount of equipment needed, cut back on operating and idling time, and lower workloads, thereby contributing to reductions in fuel consumption and consequently CO₂ emissions.**

 Smart Construction promotional website (Japanese only): <https://smartconstruction.komatsu/>

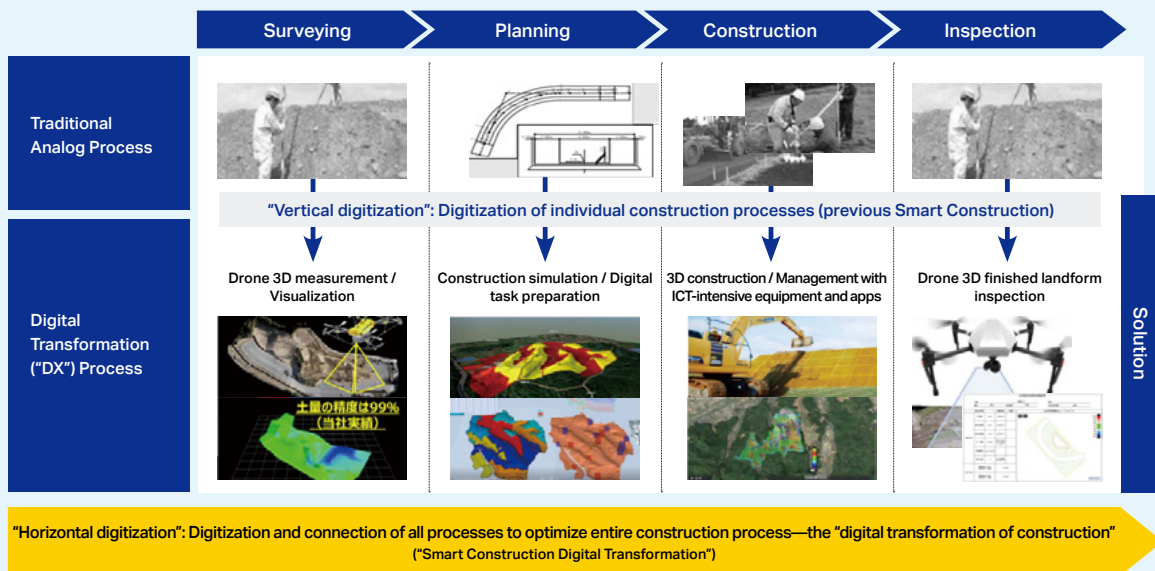


The "Smart Construction Digital Transformation" solution introduced in April 2020 expanded upon the partial digitization of construction processes achieved by the previous version of Smart Construction ("vertical digitization") by allowing for digitization of all processes ("horizontal digitization"). This solution thus enables worksite operations to be optimized by synchronizing the actual workplace with its digital twin, thereby realizing drastic improvement in the safety, productivity, and environmental performance of the entire worksite.

 Please refer to the following video for more information on the "Smart Construction Digital Transformation" solution. <https://www.youtube.com/watch?v=S2me-S4G0PE&t=312s>



Customer Construction Process



In April 2021, Komatsu established EARTHRAIN Ltd., a joint venture company, together with NTT DOCOMO, INC., Sony Semiconductor Solutions Corporation, and Nomura Research Institute, Ltd. EARTHRAIN will be tasked with furthering the evolution of Smart Construction while also deploying this solution overseas. In addition, EARTHRAIN will combine the insight, expertise, and technologies of its four owners through means such as providing services that impact all equipment and vehicles at construction worksites to create a next-generation Smart Construction solution that will accelerate the digital transformation of construction workplaces.



Pursuit of 2050 Carbon Neutrality

03

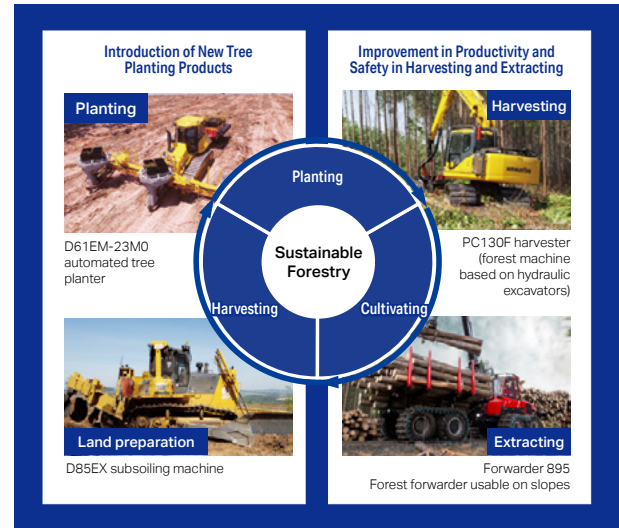
CO₂ Emissions Reduction from Forestry Machinery Business

Timber is a resource that is incredibly important for supporting people's lives and industry. The forest resources from which timber is harvested have been maintained through a sustainable cycle of planting, cultivating, and harvesting by human hands.

At the same time, trees absorb CO₂ from the atmosphere as part of their growth process, and it has been shown that younger, more rapidly growing trees absorb CO₂ at higher rates than older trees. For this reason, harvesting trees that have grown to a certain extent and replacing them with new trees is a process with the potential to limit global warming. By supporting forest management cycles as a cyclical business, Komatsu aims to help mitigate global warming while contributing to the realization of a carbon-neutral society.

Komatsu is working to mechanize forestry operation processing, including planting, cultivating, and harvesting trees, to contribute to sustainable forestry. In the realm of planting, we have developed subsoiling machines and automated tree planters based on our bulldozers, and we are currently supplying these machines to the Brazilian market. These machines have transformed the process of planting trees, which had previously been performed by people under the heat of the blazing sun, making it possible to plant 900 trees in one hour with exceptional speed and precision.

Komatsu is also promoting smart forestry, which entails digitally linking all forestry processes. In our smart forestry approach, we look to contribute to safe and highly productive forestry by supplying solutions that, for example, use drones to measure forest density and tree height and thereby make it possible to perform forestry procedures merely by inputting into machines such information as the lengths of timber and the type of trees required by the market.



Web Please refer to the following video for an illustration of the D61EM automated tree planter in operation, which was introduced into the Brazilian market:
<https://www.youtube.com/watch?v=00FNm4-gqwo>



Pursuit of 2050 Carbon Neutrality

04

CO₂ Reductions through Reman Operations

Komatsu Group is engaged in global remanufacturing ("Reman") operations in which it restores the engine and transmission components collected during regular replacements to the same status as if they were new so that these products can once again be sold on the market. Restoring these products entails a process with various steps including disassembly, washing, parts replacement, reassembly, painting, and shipping inspections.

Benefits for Customers

- **Guaranteed quality and performance on a level with new products**
- **Lower prices than new products**
- **Shorter equipment downtimes through supply of appropriately stocked Reman components**
- **Resource conservation and waste reduction through component reuse and recycling**

Reman operations are made possible by Komatsu's in-house development and production of key components. Moreover, these operations are based on the principles of the 3Rs (reduce, reuse, and recycle) as they help cut back on waste by restoring and reusing components and thereby contributing to reductions in CO₂ emissions.



DANTOTSU Value

FORWARD Together for Sustainable Growth

Komatsu’s External Environment

Today, protectionism is growing around the world, and multipolarity is becoming evident. We are also witnessing growing concerns over climate change. As the external environment is changing dynamically, in the construction, mining, and utility equipment business, we assume gradual growth of the demand in the medium to long term, but the volatility will remain high in the short term. In the industrial machinery and others business, we anticipate a structural change in demand in the automobile manufacturing industry, mainly resulting from ongoing progress toward electric vehicles. In addition, we anticipate assured growth in demand in the semiconductor manufacturing industry over the medium to long term, while a temporary adjustment phase is also expected. Achieving sustainable growth in this environment will require growth strategies that are not affected by demand fluctuations.

Changes in the External Environment and of ESG Issues

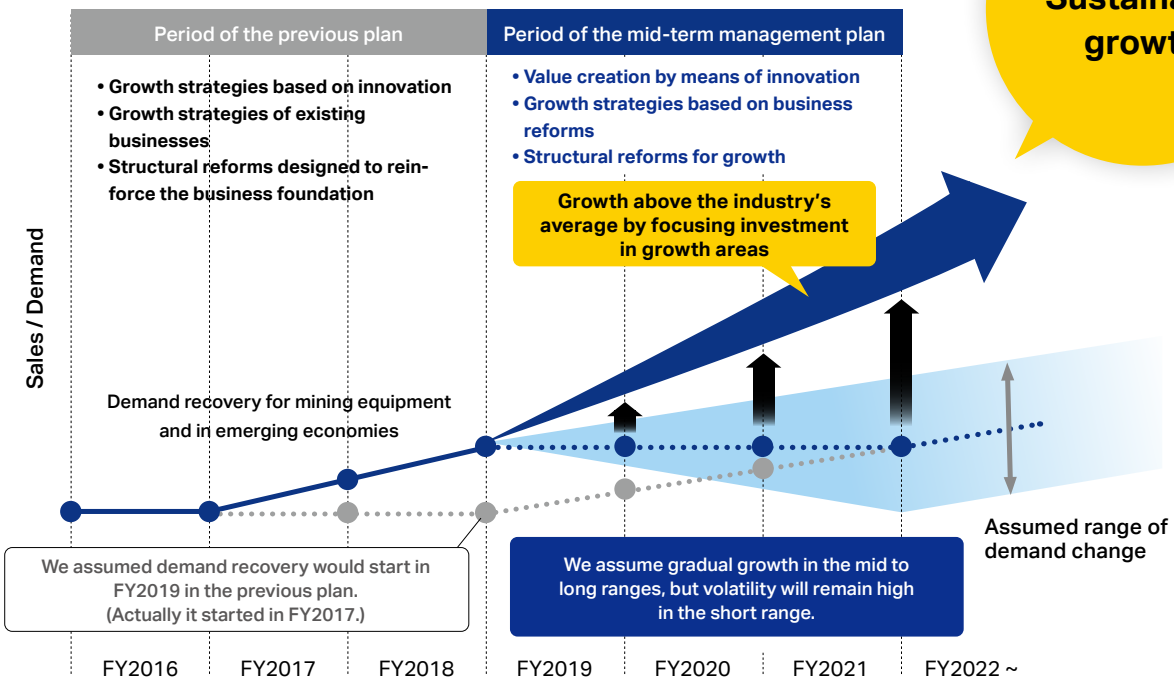
<p>Politics & economy</p> <ul style="list-style-type: none"> • Multipolarization of the world • Emergence of protectionism • Growth of emerging economies 		<p>Technologies</p> <ul style="list-style-type: none"> • Further spread of IoT, AI, and big data • The progress of electric and autonomous vehicles 	
<p>Environment & energy</p> <ul style="list-style-type: none"> • Climate change • Growing demand for energy, foods and water • Decarbonization & renewable energy 		<p>Society & values</p> <ul style="list-style-type: none"> • Acceleration of diversity in advanced countries • A decline of working-age population • Achievement of a recycling-oriented society by accelerating the pace of sharing • Growing pursuit and needs for safety and comfort 	

Expectations of achieving

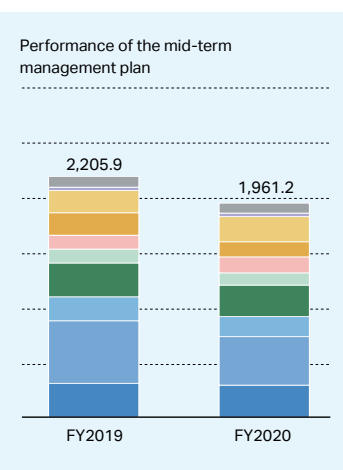
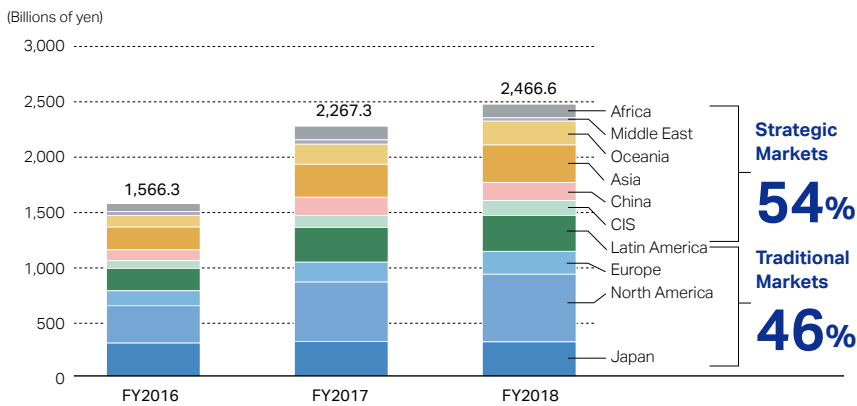
Our Tasks in the Growth Strategies

1. To solve ESG issues through the growth strategies of our core business

Demand for Construction and Mining Equipment



Construction, Mining, and Utility Equipment Business Sales (to Outside Customers) by Region



a sustainable society

2. To promote sustainable growth based on our profit structure which is free of changes in the external environment and market demand

Mid-Term Management Plan (FY2019–FY2021)

Overview of the Mid-Term Management Plan

The mid-term management plan sets forth the future vision Komatsu should aspire to and hope to accomplish as it approaches and moves beyond the 100th anniversary of its founding in 2021. As part of this vision, we seek to become a company that can help realize the safe, highly productive, smart, and clean workplaces of the future together with customers while generating a positive cycle of resolving ESG issues through the creation of value for customers and improving earnings.

Management Principle

Make commitment to Quality and Reliability and maximize corporate value (the total sum of trust from society and all stakeholders)



- 1**

Value creation by means of innovation

- Optimization platform and solutions business strategies
Smart Construction, Autonomous Haulage System (AHS), and platforms (LANDLOG and IntelliMine)
 - Automation, autonomous operation, electrification and remote-controlling of construction, mining and utility (compact) equipment
 - Smart forestry and agriculture

- 2**

Growth strategies based on business reforms

- KMC integration synergies and business reinforcement
 - Value chain reforms and redefinition of the aftermarket business
Preventive maintenance by applying IoT and AI, and Lifecycle support under serial number-based management, logistics reforms, and next-generation key components
 - Next-generation Komtrax
 - Stronger focus on aggregate & cement, forestry, agriculture and other segments
 - Efforts for "DANTOTSU No. 1 in Asia" and in the growing markets of India and Africa
 - Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)

- 3**

Structural reforms for growth

- Business reforms by means of ICT and IoT
 - Structural reforms of development operations Model based development
Open innovation
 - Connected plants with Zero impact on environment and workers
 - Global human resource development

Management Targets of the Mid-Term Management Plan and Related Performance

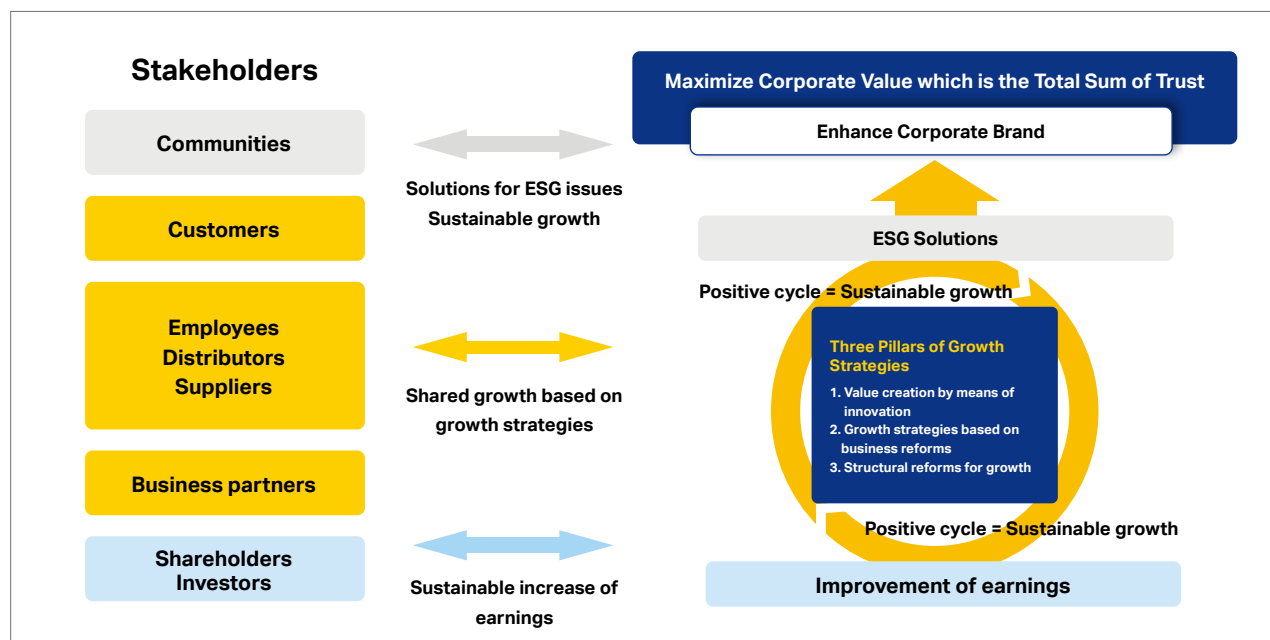
Management Target		FY2019 (First year of the plan)		FY2020
		Indicator	Performance	Performance
Growth	• Growth rate above the industry's average	Sales growth rate	▲10.3%	▲10.4%
Profitability	• An industry's top-level operating income ratio	Operating income ratio	10.3%	7.6%
Efficiency	• 10%-level ROE	ROE	8.6%	5.8%
Financial position	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment	Net debt-to-equity ratio	0.43	0.35
Shareholder return	• Set the goal of a consolidated payout ratio of 40% or higher	Consolidated payout ratio	57.7%	48.9%
ESG	<ul style="list-style-type: none"> Reduction of environmental impact CO₂ emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030 	Reduction of CO ₂ emissions from product use	▲14%	▲14%
		Reduction of CO ₂ emissions from production	▲32%	▲33%
		Rate of renewable energy usage	11%	13%
	Evaluation by external organizations	Selected for DJSI (World & Asia Pacific) CDP A-List (Climate Changes and Water Risk)	Evaluation by external organizations	Selected for DJSI
			CDP Climate Change: A CDP Water Risk: A-	CDP Climate Change: A CDP Water Risk: A
Retail finance business	• ROA: 1.5%–2.0%	ROA	1.5%	1.2%
	• 5.0 or under for net debt-to-equity ratio	Net debt-to-equity ratio	3.80	3.69

Concepts and Stance of the Mid-Term Management Plan

The mid-term management plan defines three pillars of growth strategies: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. By prioritizing investment on growth areas based on the three pillars of growth strategies, we will seek to achieve sustainable growth through a positive cycle of improving earnings and solving ESG issues that is resilient to fluctuations in demand.

Expectations of society and stakeholders

Growth Strategy Aligned with Management Principles







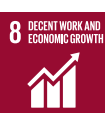
Komatsu's CSR Themes and Mid-Term Management Plan KPIs

Komatsu seeks to help resolve ESG issues by promoting the three pillars of growth strategies defined in the new mid-term management plan. We strive to realize a positive cycle of sustainable growth through improvements of earnings and resolutions to ESG issues. Our initiatives include reducing environmental impacts to combat climate change and supplying

CSR Themes	ESG Solutions through Three Pillars of Growth	Key Initiatives under Mid-Term Management Plan
<p>Enhancing Quality of Life —Providing Products Required by Society—</p>	<ul style="list-style-type: none"> • Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). • Improve productivity, efficiency, safety and environmental impact (lower CO₂ emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. • Make commitment to DANTOTSU Value which will realize a better Earth and future by means of technology and reliability (creation and maximization of customer value). 	<p>Reduction of CO₂ emissions (in comparison to FY2010)</p> <ul style="list-style-type: none"> • Reduction of CO₂ emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of Smart Construction use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment) • Reduction of CO₂ emissions from production (plants with zero impact on environment and workers) <p>Plants with zero impact on environment and workers</p> <ul style="list-style-type: none"> • Rate of renewable energy use (including purchase of renewable energy) • Work environment burden coefficient (particle matter density) • Water consumption <p>Value chain reforms and redefinition of the aftermarket business</p> <ul style="list-style-type: none"> • Spare parts sales • Reman component lifespan (compared to new components) <p>Actual value: Average operating time from the nth to the n+1st overhaul order</p> <p>Assurance of mine operation safety and productivity</p> <ul style="list-style-type: none"> • AHS units' population (promotion of mining platform business) • DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution • ICT-intensive equipment introduced (United States, Europe, and Australia) • Sites adopting Smart Construction <p>Automation, autonomous operation, electrification, and remote-controlling of equipment</p> <ol style="list-style-type: none"> 1. Automation of construction equipment 2. Automation, autonomous operation, and remote operation of mining equipment 3. Automation of utility equipment <ul style="list-style-type: none"> • Enhancement of mining equipment and hard rock mining businesses <p>Agricultural solutions and smart forestry</p> <ul style="list-style-type: none"> • Creation of construction equipment demand in agricultural field <p>Smart forestry projects</p> <p>IoT and ICT work reforms</p> <ul style="list-style-type: none"> • Sales in Kom-mics platform business (visualization of production equipment operation)
<p>Developing People</p>	<ul style="list-style-type: none"> • Develop a diverse workforce with a high level of productivity and technical skills. • Strengthen and develop diverse talent with a global perspective to help achieve sustainable workplaces. • Develop talent with cross-value chain capabilities. 	<p>Development of a diverse workforce with a high level of productivity and technical skills</p> <ul style="list-style-type: none"> • Enhancing employee engagement • Work process reforms through expansion of diverse and flexible workstyles • Promotion of The Komatsu Way (global dissemination of The Komatsu Way) <p>Strengthening and development of diverse talent with a global perspective to help achieve sustainable workplaces</p> <ul style="list-style-type: none"> • Revision of role of Japan in global management • Foundations for global measures (systems, frameworks) • Empowerment of female employees ((1) non-consolidated ratio of female employees, (2) non-consolidated ratio of female managers, (3) consolidated ratio of female managers (Japan)) • Rate of employment of people with disabilities (comply with requirements in Japan) • Support for regional human resource development for job creation (regional human resource development with Cummins Inc.) <p>Development of talent with cross-value chain capabilities</p> <ul style="list-style-type: none"> • Cultivation of Smart Construction consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)
<p>Growing with Society</p>	<ul style="list-style-type: none"> • Offer resolutions for social issues through collaboration with stakeholders. • Act as a responsible corporate citizen ensuring corporate governance, compliance, and human rights. 	<p>Resolutions to social issues through collaboration with stakeholders</p> <ul style="list-style-type: none"> • Promotion of industry–government–academia collaboration as well as of collaboration with customers • Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings) • Institutional investors (ESG meetings) • Communities (business site fairs) • Employees (meetings) <p>Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights</p> <ul style="list-style-type: none"> • Occupational health and safety, support for establishing environmental and safety systems at suppliers, response to Japan's Corporate Governance Code (corporate governance reports), evaluations of effectiveness of Board of Directors, internal control, and internal audits

high-quality, high-performance products, services, and solutions ensuring safety. KPIs have been set to guide these initiatives for solving ESG issues through our core business.

FY2019 KPI Performance	FY2020 KPI Performance	FY2021 KPIs	Strategies Relevant SDGs
14% reduction	14% reduction	16% reduction (in comparison to FY2010)	   
33% reduction	33% reduction	40% reduction (in comparison to FY2010)	
11% 10.7% reduction 49.4% reduction	13% 24% reduction 52% reduction	15% 30% reduction (in comparison to FY2018) 55% reduction (in comparison to FY2010)	
3% increase	8% decrease	11% increase	
26,866 workhours (134% of new components)	19,106 workhours (95% of new components)	20,000 workhours (100% of new components)	
221 units	352 units	380 units (aggregate)	
1,361 units 2,440	1,288 units 3,348	1,590 units (per year) 4,850 (per year)	
Verification tests conducted on user sites Preparations advanced to launch mining bulldozer with level 2 automation Development of peripheral safety technologies for supporting automation Advancement of development projects for expanding product series	In-house verification tests Domestic pretest of bulldozer with level 3 automation, preparation for proof of concept test in Australia Entry into retrofit market for installing peripheral safety functions in preparation for automation Expansion of product series (drills, LHD) Four models	Test introduction of hydraulic excavators for automated loading Entry into mining bulldozer market (level 4 automation) Development of technology for automated forklifts Expansion of product series	
Japan: Commencement of verification tests at five agriculture business operators Indonesia: Started mass production and sales of D31PLL agricultural bulldozer 10	Japan: Development and market evaluation of agricultural ATT Indonesia: Confirmation of feasibility of D21 agricultural bulldozer for direct rice planting applications 19	Japan: Expand lineup of agricultural loaders Indonesia: Increase number of users of agricultural techniques employing agricultural bulldozers 50	
865 units	1,447 units	1,900 units (including for internal use)	
Scheduled for FY2020 (1) 1,950 workhours per person/year (2) Commencement of trial in August 2019 • Training hours: 31,625 hours (aggregate hours for all participants) • Number of participants: 1,461 in Japan, 307 overseas	Preparation for survey in FY2020, global survey in April 2021 (1) 1,920 workhours per person/year (2) Revision of telework system in August 2020 • Training hours: 33,188 hours (aggregate hours for all participants) • Number of participants: 1,527 in Japan, 0 overseas	Improvement of global surveys and indexes Total workhours of less than 2,100; introduction of telework system (Japan) Training hours and number of participants (Disclosure of results)	
Human resource system revisions started in Japan Preparations advanced for introduction (1) 12.3%, (2) 7.2%, and (3) 4.5% 2.58% (non-consolidated) • Human resource development program launched in Chile • Ongoing support provided in Peru, South Africa, and Australia • Participants' success in finding employment tracked	• Revision of domestic retirement, wage, and retirement benefit systems in April 2021 • Introduction of elective retirement and R&D staff systems Commencement of domestic data linkage (1) 12.3%, (2) 7.7%, and (3) 4.9% 2.82% (non-consolidated) • Ongoing support in Chile, South Africa, and Australia • Establishment of scholarship program for students in Chile and Peru as part of COVID-19 relief program	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis Introduction (1) 12.5%, (2) 10.0%, and (3) 5.0% Above 2.3% (legally mandated rate) Chile, Australia, South Africa, others	
396	626	430 (aggregate)	
Examination of cutting-edge tools through activities with domestic customers and regional dissemination • Shareholder meetings: 2 times • Shareholder factory tours: 10 times • Individual investor meetings: 7 times • Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic 11 (ESG-related meetings)	• Posting of past activity documents on Group portal • Shared information on activities in 14 regions on rotational basis • Continuation of activities by headquarters team targeting three customers (two civil engineering, one aggregate) • Shareholder meetings: 1 time (held online) • Shareholder factory tours: 0 (canceled due to COVID-19 pandemic, factory tour videos shared on official Komatsu YouTube account) • Individual investor meetings: 4 times (held online) • ESG-related meetings: 4 • Participation in conferences: 1 (meetings held with 18 investors)	Promotion of Brand Management and activities creating value for customers Number of meetings held (Disclosure of results) Number of meetings held (Disclosure of results)	
Business fairs at nine factories (Awazu, Osaka, Ibaraki, Kanazawa, Tochigi, Oyama, Koriyama, Shonan, and Himi); canceled only at Shonan Plant due to impacts of Typhoon Hagibis 34 (30 in Japan, 4 overseas)	All factory fairs canceled due to COVID-19 pandemic 29 in Japan (canceled overseas due to COVID-19 pandemic)	One fair held at each of nine factories per year Number of meetings held (Disclosure of results)	
Establishment of Human Rights Policy, disclosure in integrated report	Revised Komatsu Code of Worldwide Business Conduct Human rights e-learning programs, etc.	Ongoing improvements made in reflection of relevant laws and regulations and social expectations	



Enhancing Quality of Life—Providing Products Required by Society—

Komatsu announced its endorsement of the TCFD’s recommendations in April 2019. Accordingly, we have been assessing the risks and opportunities that climate change presents for Komatsu and conducting related scenario analyses. At the same time, we practice constructive dialogue with stakeholders while advancing initiatives for combating climate change.

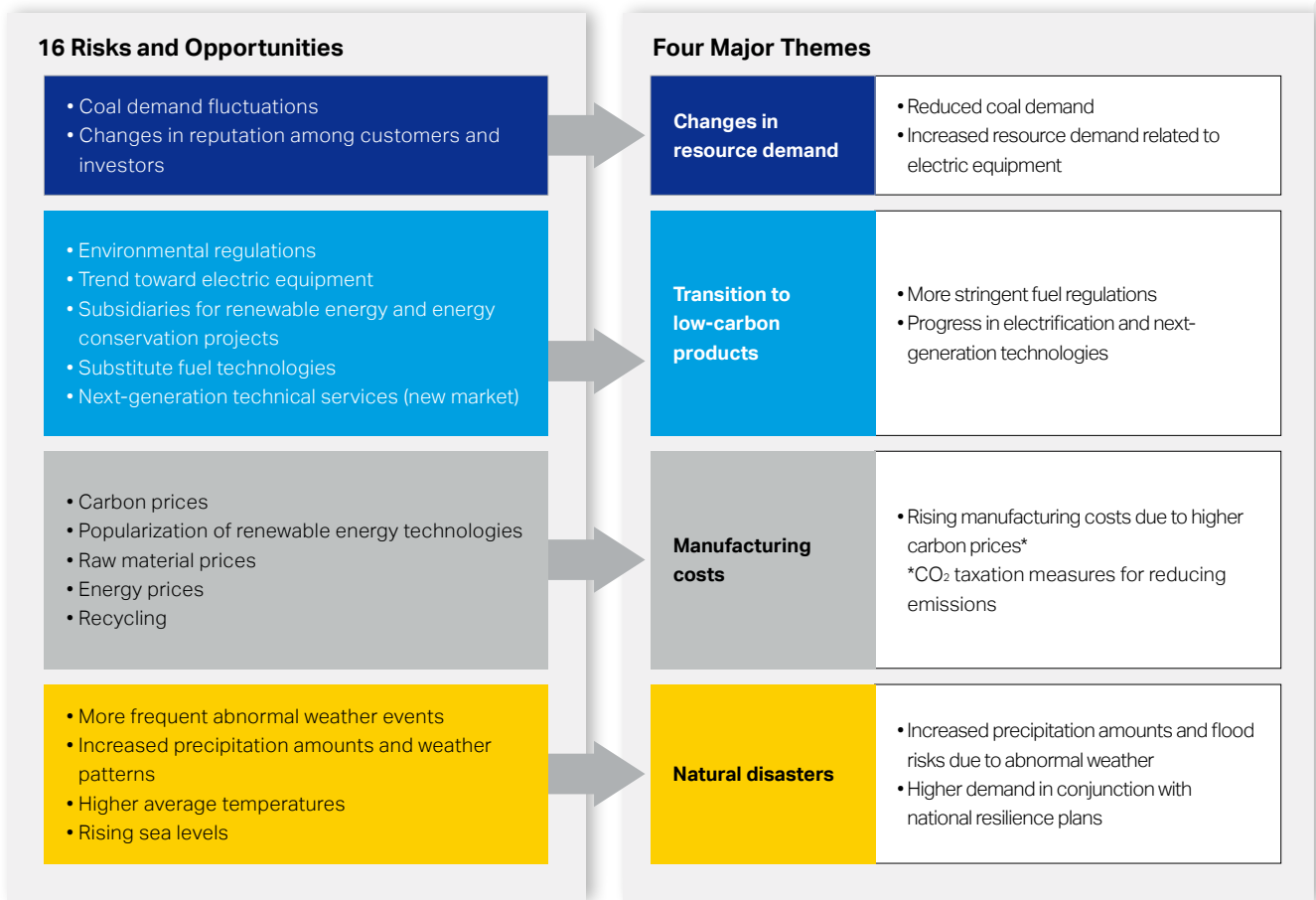
Strategies

Risk and Opportunity Identification

A total of 16 climate change-related risks and opportunities were identified for Komatsu, primarily in relation to construction equipment operations, based on the recommendations of the Task Force on Climate-related Financial Disclosures

(TCFD). We then assessed internal factors, which impact sales and earnings, and external factors, which affect projected scenarios. Through this process, the 16 risks and opportunities were grouped based on four major themes.

Risks and Opportunities and Groupings



Business Risks and Opportunities Based on Climate Change Scenarios

To gauge the potential impacts of climate change-related risks and opportunities on Komatsu’s business, we performed scenario analyses of the Company’s four major risk and opportunity themes. For these scenario analyses, we defined a 2°C scenario and a 4°C scenario based on the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (Representative Concentration Pathways 2.6 and 8.5) and the

Sustainable Development Scenario and Stated Policies Scenario of the International Energy Agency (IEA).

The risks and opportunities pertaining to specific ESG themes and Komatsu’s strategies for addressing these risks and opportunities are described on the following page. Should a scenario targeting more substantial greenhouse gas emissions reductions be issued, Komatsu will be expected to address stricter regulations and accelerate the development of new technologies in accordance with this scenario.



Changes in Resource Demand

	Risks	Opportunities
2°C scenario	<ul style="list-style-type: none"> Regulation of power generation using fossil fuels Massive reductions in coal production volumes under IEA scenarios Reduced sales to coal-related customers by Komatsu 	<ul style="list-style-type: none"> Rapid transition from fossil fuel-powered equipment to electric equipment Higher demand for copper and other resources necessary for electric equipment (motors, batteries, fuel cells, etc.) Increased sales to copper and other relevant mining-related customers by Komatsu in conjunction with trend toward electric equipment
4°C scenario	<ul style="list-style-type: none"> Limited regulation of coal in developing nations Coal production volumes in 2030 in line with current levels under IEA scenarios Reduced appetite for investment in coal mines 	<ul style="list-style-type: none"> Trend toward electric equipment less pronounced than in 2°C scenario Higher demand for copper and other resources necessary for electric equipment Rise in investment for streamlining mine operations
Strategies	<p>Exploration of business opportunities arising from climate change through value creation by means of innovation and growth strategies based on innovation</p> <ul style="list-style-type: none"> Increased metal resource demand in conjunction with transition to electric equipment—Expansion of underground mining equipment operations Contribution to sustainable forestry—Provision of equipment and systems for streamlining processes spanning from afforestation to logging Contribution to rehabilitation of closed mine sites and greenification of deserts—Forest restoration projects at closed mine sites and forest machine operations Transition to circular economies—Expansion of equipment restoration ("Reman") business 	

Transition to Low-Carbon Products

	Risks	Opportunities
2°C scenario	<ul style="list-style-type: none"> Higher development and capital investment costs due to emissions restrictions Reduced sales due to inability to cater to customer electrification demands Substantial changes in technology development and competitive climate including market entry by new competitors Long-term diminishment of technological edge as customers begin leading drive component development and manufacturing projects 	<ul style="list-style-type: none"> Rising demand for electric equipment, fuel-efficient equipment, and biomass fuel-powered equipment Higher sales in traditional areas due to success in developing low-carbon products Higher sales due to ability to swiftly respond to change in focus toward low-carbon products in strategic markets where shift to low-carbon products was slow Growth of equipment restoration (Reman) operations driven by transition to cyclical economy Increased demand for Smart Construction and other solutions with emissions-reducing benefits Increased product reliability due to securing stable supply sources for high-quality components for storage batteries and other major components
Strategies	<p>Komatsu is advancing initiatives aimed at accomplishing its CO₂ emissions reduction targets for 2030 while facilitating the transition to the low-carbon products the world demands.</p> <ul style="list-style-type: none"> Develop electrification systems for construction equipment Develop power sources and high-efficiency components compatible with carbon neutral fuels Develop high-energy-efficiency equipment Deploy Smart Construction and other solutions on a global scale Contribute to cyclical businesses through forestry machinery and Reman businesses <p>Please refer to the following pages for information on Komatsu's efforts to transition to low-carbon products.</p> <ul style="list-style-type: none"> Pages 28–33: Special Feature: Komatsu's Vision for the Workplace of the Future Pages 26, 27, and 43: Examples of low-carbon products 	

Manufacturing Costs

	Risks	Opportunities
2°C scenario	<ul style="list-style-type: none"> Taxation of fossil fuels and CO₂ emissions Transfer of higher product purchase prices to Komatsu Rising power fees and energy costs following investment in power generation facilities with low CO₂ emissions 	<ul style="list-style-type: none"> Increased competitiveness through production technologies that reduce CO₂ emissions
Strategies	<ul style="list-style-type: none"> Mitigation of cost increases by achieving CO₂ reduction and renewable energy targets defined in the mid-term management plan <p>Please refer to the following website for information on recent CO₂ emissions reduction activities: https://komatsu.disclosure.site/en/themes/149</p>	



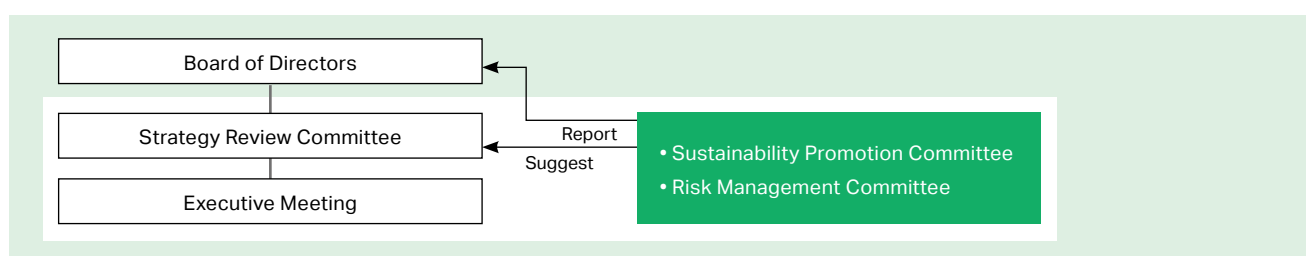
Natural Disasters

	Risks	Opportunities
4°C scenario	<ul style="list-style-type: none"> Increased frequency of heavy rain and floods due to abnormal weather Risks of disaster damages to Komatsu plants at high risk of flooding Component supply delays following damages to suppliers from disasters 	<ul style="list-style-type: none"> Increased demand for flood-control works
Strategies	<ul style="list-style-type: none"> Institute heavy rain and flood countermeasures across the value chain 	

Governance

Komatsu views climate change as an important management issue, and targets for combating climate change have been incorporated into its business strategies. Discussions regarding climate change are held at meetings of the Sustainability Promotion Committee and the Risk Management Committee, and these committees make suggestions to the Strategy Review Committee and report to the Board of Directors, thereby furnishing a system of appropriate oversight. Meanwhile, the Executive Meeting fulfills the function of managing progress toward targets.

Climate Change-Related Reporting and Deliberation System



Major Discussion Items Related to Climate Change

Name	Chairperson	Major Discussion Items Related to Climate Change
Board of Directors	Chairman of the Board and Representative Director	<ul style="list-style-type: none"> Report from Earth Environment Committee Reports from research, development, and product planning divisions and the Chief Technology Officer Reports from production and procurement division Mid-term management plan progress report
Strategy Review Committee	President	<ul style="list-style-type: none"> Growth strategies for major plants (including climate change-related matters) Report from Environmental Affairs Department
Executive Meeting	President	<ul style="list-style-type: none"> Progress in regard to product development and production system Climate change lectures by external specialists

Name	Chairperson	Major Discussion Items Related to Climate Change
Sustainability Promotion Committee	President	<ul style="list-style-type: none"> Initiatives for addressing ESG issues Deliberations and reports regarding important environmental matters and key performance indicators (KPIs) CSR activity reports
Risk Management Committee	Executive officer supervising general affairs	<ul style="list-style-type: none"> Reports on responses to natural disaster risks

Note: Earth Environment Committee and CSR Committee were integrated from FY2021.

Risk Management

Please refer to page 60 for information on the Company's risk management systems.

Indicators and Targets

Climate Change-Related Indicators and Targets

Indicators	Targets
CO ₂ emissions from product use	Decrease by 50% in 2030 (Base year of 2010, basic unit)
CO ₂ emissions from production	Decrease by 50% in 2030 (Base year of 2010, basic unit)
Rate of renewable energy use	50% in 2030

Resolution of ESG Issues through Growth Strategies

Message from the President of the Sustainability Promotion Division

Examples of Low-Emissions Products

Announcement of Fully Electric and Remote-Controlled Mini Excavator Concept Machine Powered by Lithium-Ion Battery

Komatsu has announced a fully electric (non-hydraulic drive) and exclusively remote-controlled mini excavator powered by lithium-ion battery, as its next-generation concept machine for the future.

Designed to lay the foundations for commercialization of fully electric construction equipment of the future, this concept machine for a fully electric 3-ton class (bucket capacity: 0.09 m³) mini excavator is based on Komatsu's accumulated technological expertise in electric forklifts and mini excavators, and incorporates new technologies, such as lithium-ion batteries and electric cylinders which utilize no hydraulics.



Fully electric and remote-controlled mini excavator concept machine powered by lithium-ion battery

Japanese market's Launch of PC78USE-11 Wired Electric Excavator

In July 2021, Komatsu launched its PC78USE-11 wired electric excavator in the Japanese market. The PC78USE-11 was developed for customers wanting to use an electric hydraulic excavator continuously over long periods of time. This product capitalizes on Komatsu's accumulated technology to deliver the same level of performance as engine-driven equipment while boasting zero emissions along with massive reductions in noise and heat emissions. These features make the PC78USE-11 an eco-friendly wired electric excavator of the small to mid-sized class.



PC78USE-11 wired electric excavator

Voice

Message from the President of the Sustainability Promotion Division

In May 2021, Komatsu celebrated the 100th anniversary of its founding. In conjunction with this momentous occasion, the Company integrated its Corporate Communications Department, Environmental Affairs Department, CSR Department, Diversity Promotion Group, and Demining and Reconstruction Project to form the Sustainability Promotion Division.

Komatsu's basic policy for Corporate Social Responsibility (CSR) has always been to contribute to society through its business. This spirit of pursuing coexistence with communities has been passed down since our founding a century ago. The three-year mid-term management plan slated to conclude with FY2021 describes our goal of achieving sustainable growth through a positive cycle of solving ESG issues and improving earnings, and various initiatives are underway to achieve this goal. Furthermore, we clarified Komatsu's corporate identity in light of the 100th anniversary of its founding, defining our purpose as creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses and our planet thrive together. This move sent a clear message of how we intend to contribute to the realization of a sustainable society while also achieving business growth for Komatsu. Our operating environment is constantly changing, and the pace of this change is accelerating. To respond to this change, I look to further build upon the Komatsu Group's sustainability management approach. By maintaining the strengths we have fostered over the past century, we will position change as an opportunity, boldly tackling new challenges to make Komatsu a more resilient company.

Since establishing the Komatsu Earth Environment Charter in 1992, Komatsu has maintained a proactive stance toward addressing climate change and other environmental issues. Moreover, we put forth the target of halving CO₂ emissions from 2010's level by 2030 in the current mid-term management plan, which was launched in FY2019. Komatsu has also endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are advancing a strategy for combating climate change based on assessments and scenario analyses of climate change-related risks and opportunities. Furthermore, *Komatsu Report 2021* features our declaration of our goal of achieving carbon neutrality in 2050 and provides information on the new initiatives that this declaration entails.

I also hope to ensure that Komatsu is always a company at which employees can feel proud, motivated, and empowered in their work. For this reason, I believe that promoting diversity and inclusion, the drivers of innovation, is also an important role of the Sustainability Promotion Division. Acting in accordance with Komatsu's management policy of "maximizing the trust given to us by our stakeholders and society through a commitment to quality and reliability," I will continue striving to help us live up to the demands and expectations of society.



Mitsuko Yokomoto
Senior Executive Officer
President, Sustainability Promotion
Division

Developing People

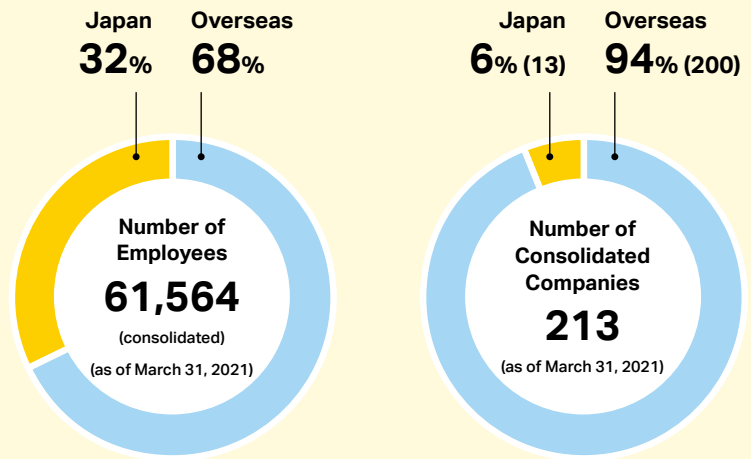
Founder Meitaro Takeuchi established Komatsu Ltd. in Komatsu City, Ishikawa Prefecture roughly a century ago. Having witnessed Europe’s cutting-edge technologies at that time, Takeuchi put forth the four management principles of global expansion, quality first, technological innovation, and human resource development. The commitment to the development of human resources, an invaluable asset to Komatsu, lives on in the Company today.



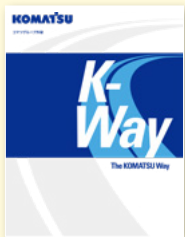
Komatsu’s global engineers active in various fields

Employees Supporting Komatsu as a Global Company -

Komatsu develops its operations around the world, and approximately 70% of its employees are not Japanese. Accordingly, developing human resources that are rooted in the communities they serve while promoting mutual acceptance of the values and cultures of various countries and regions is becoming increasingly important. Operations around the world must be instilled with Komatsu’s manufacturing competitiveness, which includes the values that support Komatsu and workplace improvement, driven by employees.



The Komatsu Way



The Komatsu Way is the very DNA of Komatsu, an expression of the strengths of Komatsu, the beliefs supporting these strengths, the basic attitudes, and the patterns of behaviors established based on the experiences of our predecessors as they proceeded to tackle the challenges facing them.

Komatsu seeks to develop its operations on a global scale and to become a stronger company and grow. To accomplish these objectives, it will be crucial for us to transmit The Komatsu Way to employees with different cultures and customs around the world and to implement these principles in a manner that aligns employees along the same vector. In 2020, an English-language e-learning program pertaining to The Komatsu Way was launched, and we completed the translation of the third version of The Komatsu Way into nine languages, posing us to further entrench this doctrine throughout our global operations.

1 Leadership/Top Management

Leaders must be directly involved in the workplaces and manage businesses with an emphasis on contributing to the entire Group, including distributors and suppliers. We have also defined guidelines for leaders related to actively engaging in regular board meetings, communicating with stakeholders, complying with rules of the business community, managing risks, and grooming successors for management positions.

2 "Monozukuri" for All Employees

Komatsu aims to pass on the manufacturing competitiveness, perspectives, and values that, based on total quality management, have continued to drive Komatsu’s competitiveness and support its growth. We look to transmit these principles through a joint effort encompassing all internal divisions as well as our suppliers, distributors, and other partners and to continue promoting involvement by all of these parties.

3 Brand Management (Customer Value Creation Activities)

Komatsu defines "Brand Management" as all the activities that "make Komatsu indispensable to our customers." This objective is accomplished by visiting customer workplaces to understand the ideal state of these customers and to build relationships that enable us to work together with them to help achieve their goals through concerted efforts by the Group and its distributors.

Global Engineer Cultivation and Empowerment

In the 2000s, resource demand began surging, stimulating growth in Komatsu's mining equipment business and simultaneously creating a need for the cultivation of staff that can provide ongoing support at active customer workplaces around the world. To address this need, Komatsu looked beyond Japan, with its shrinking workforce, to seek out human resources overseas. As part of this undertaking, we adopted English as our official Company language and turned our attention to the Philippines, where we were able to find human resources that were highly proficient at adapting to overseas assignments. We thus commenced a recruitment campaign aimed at acquiring talented human resources that had graduated from local technical universities in this country.

The Komatsu Human Resources Development Center was established in November 2008 as a venue for recruiting and cultivating such talent and was later incorporated locally as Komatsu Philippines Corporation in November 2019. To date, this company has hired more than 150 engineers as it has proceeded to expand its systems. The training program at Komatsu Philippines involves a six-year curriculum comprising a 17-month basic product and service course, a seven-month training period at factories in Japan, and four years of training at overseas mines. Individuals who have completed this program are officially hired as global engineers.

Today, global engineers are active in more than 20 countries worldwide, using their experience and technical knowledge to make contributions at active customer workplaces as well as at domestic service process improvement divisions and as technical training instructors teaching distributors.



New building of Komatsu Philippines Corporation

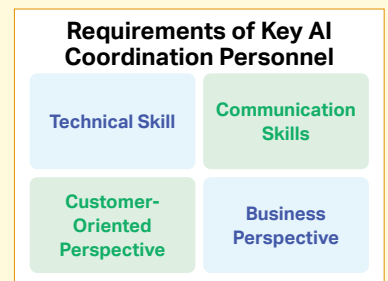


Global engineer providing online training on fuel-efficient operation

AI Education for Developing Key Personnel for AI Field Coordination

Artificial intelligence (AI) technologies are used in various fields for purposes such as maximizing the value of customer operations and reforming in-house processes. The speed of progress in AI technologies is increasing exponentially. For this reason, it is crucial for us to develop in-house capacities for addressing the AI-related issues seen in specific business fields and to coordinate with external partners boasting advanced technologies.

Based on this recognition, Komatsu launched dedicated programs for cultivating key personnel in the AI field in 2019 with an eye to future expansion in the scope of coordination with external partners in this field. These programs include a basic program, which gives participants the ability to experience the process that spans from the definition of issues from a customer perspective to theme planning, and an advanced course, in which participants actually address issues through writing software. Through these two programs, we develop human resources capable of identifying pertinent themes from customer-oriented and business perspectives and playing a central leadership role in internal and external coordination.



Global Engagement Survey

Continuous employee engagement is imperative to the ongoing growth of a company. For this reason, Komatsu conducted a global engagement survey in April 2021 with the aim of periodically tracking and analyzing trends in employee engagement to gain an understanding of the constantly changing issues in this regard to be reflected in human resource measures. This survey targeted both domestic and Group companies.

Taking the form of an anonymous online questionnaire, the survey featured questions on such engagement-related topics as vision, strategic and competitive advantage, leadership, and corporate culture and workplace environment.

The results of the survey were analyzed by region and by organization to clearly identify the strengths of Komatsu and the issues it faces. This information will be reflected in human resource measures and training and education programs to help make Komatsu a place where employees feel motivated and empowered.



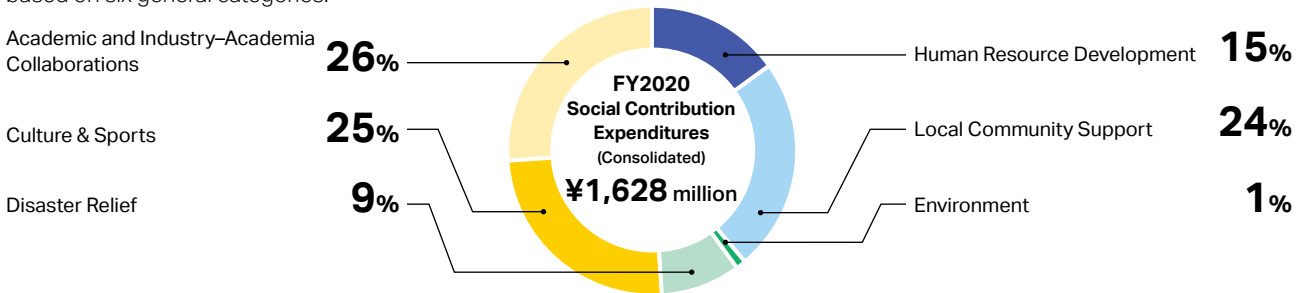
Growing with Society—Social Contribution Activities

Komatsu recognizes that social contributions to the communities in which it conducts its business activities are an important corporate responsibility. Komatsu defines the social contribution activities as activities related to its three CSR themes that are not

directly aimed at generating earnings. Based on this definition, we seek to contribute to society in a manner that leverages the strengths of our core business.

Social Contribution Activities in FY2020

The following chart shows expenditures for social contribution activities by the Komatsu Group, aggregated based on six general categories.



Type of Social Contribution Expenditure

Cash contributions	Employee dispatchment and time contributions	Expense related to providing own facilities for public use	Expense related to events for the community	Total
¥582 million	¥142 million	¥172 million	¥732 million	¥1,628 million

Commencement of Agricultural Support Project Following Demining Project

Since 2008, Komatsu has been engaging in collaborative efforts with the authorized nonprofit organization Japan Mine Action Service (JMAS) to support the demining of anti-personnel landmines in Cambodia and other areas threatened by these weapons and to help rehabilitate former mine field sites through the construction of roads, bridges, elementary schools and other facilities. These activities were expanded in 2016 to support the removal of unexploded ordnance in Laos. In this country, we are supplying Komatsu equipment, free of charge, along with technical guidance to assist in the machine-based removal of unexploded ordnance from cluster bombs. The next step in these activities came in 2020, when we commenced an agricultural support project in Cambodia through which bulldozers, hydraulic excavators, and

other equipment are being deployed to provide agricultural support. Komatsu's ICT-intensive bulldozers use ICT technologies to automatically control blades, making them highly effective at leveling farmland (creating a flat surface with no uneven areas). In FY2020, such equipment was used to level approximately 13 hectares of farmland, earning much praise from farmers for the contributions to increased rice harvests. We intend to expand the scope of this farmland support going forward.

Please refer to the following video for more information on the Demining and Reconstruction Project.

Please refer to the following video for more information on the Demining and Reconstruction Project.
<https://www.youtube.com/watch?v=OTHFyzCQAmo>



Business and Human Rights

1. Human Rights Policies

Komatsu established its Human Rights Policy in September 2019, thereby declaring its commitment to conducting its business in a manner that is compliant with internationally accepted standards pertaining to respect for human rights throughout its global organization. Based on this policy, processes have been established to prevent or mitigate negative impacts on human rights and to allow for corrective measures to be instituted should it be found that the Company was directly or indirectly involved in activities that had a negative impact on human rights.

The Human Rights Policy was incorporated into the Komatsu Code of Worldwide Business Conduct as part of the 2021 revision to disseminate this policy to Group employees around the world.

2. Human Rights Due Diligence

The following human rights due diligence process is implemented on an ongoing basis in order to identify human rights issues in our business activities and to formulate specific plans for addressing these issues.

(1) Human Rights Risk and Impact Assessments

Risk assessments are conducted to identify and assess human rights risks with the potential impact on our business activities. The following assessments have been performed thus far.

2014	With the assistance of external specialist Business for Social Responsibility (BSR), assessments were conducted to evaluate human rights risks pertaining to the construction equipment, mining equipment, and forestry machinery businesses being developed on a global scale.
2017	The aid of BSR was once again enlisted for our second human rights assessment, which was carried out while referencing the Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights.
2020	With support from external specialist CSR Europe, a systematic human rights risk assessment of our global operations was conducted covering downstream areas of our construction equipment, mining equipment, and forestry machinery businesses (equipment and replacement part sales). Given the characteristics of Komatsu's businesses, relevant issues such as pertaining to discrimination based on ethnicity, race, or national origin; compulsory labor; freedom of association; and fair work conditions were assessed, and potential risks and priorities were identified by business and by region.

(2) Screening

In its global operations, Komatsu has implemented a screening system for checking and restricting transactions with counterparties designated on sanction lists and in other documents. In addition, the Company complies with trade embargoes and other provisions of international regulations. Going forward, we will investigate the possibility of expanding the scope of this screening to include responsible sales approaches and policies.

(3) Application to Employees and Distributors

Komatsu administers e-learning programs to employees to ensure that they are aware of its human rights policies and to raise awareness of its measures for preventing and mitigating negative impacts on human rights. After introducing these programs targeting all employees in Japan and the United States in July 2020, we have been expanding the scope of application with the aim of providing education on a global basis.

The Company does not maintain capital tie-ups with most of the distributors that supply its products and services around the world. However, we do coordinate with these business partners. Specifically, a requirement to pledge to respect human rights in business activities has been included in distributor contracts, and we discuss with distributors the possibility of them conducting voluntary due diligence checks and establishing human rights policies based on the characteristics of their respective regions and businesses.

(4) Deployment Across Supply Chain

Komatsu is promoting awareness regarding its CSR procurement guidelines among suppliers for the purpose of ensuring that they respect human rights. Furthermore, in FY2020 we began issuing self-assessment questionnaires with regard to CSR activities to tier-1 suppliers in Japan and overseas in order to further spread awareness of CSR across our supply chain. The target of the FY2020 questionnaire was the 156 Midori-kai member companies that are major suppliers of Komatsu in Japan. To date, responses have been received from 77 companies.

Please refer to the following website for more information.
<https://komatsu.disclosure.site/en/themes/185>

Topics

Human Rights Initiatives in Myanmar

Myanmar has been judged as a region presenting significant potential risks. Accordingly, since 2019 we have been calling upon external specialist organizations to aid us in practicing due diligence in this region while engaging in discussions for identifying threats and formulating response measures. Based on the results of such discussions, it was decided that we would not sell mining equipment units to jade mines in Myanmar from 2019 onward. In addition, we have halted operations at mining equipment repair subsidiaries in this country, and the process of liquidating these subsidiaries is underway. Going forward, we will continue to coordinate with dealerships and external experts in Myanmar to formulate effective measures for ensuring respect for human rights in our business.

Growing with Society—Social Contribution Activities



Employee-Driven Social Contribution Project One World One Komatsu

Komatsu defines CSR as activities to respond to social needs through its core business and works to achieve sustainable growth together with society by addressing environmental, social, and governance (ESG) issues. The Komatsu Group launched the One World One Komatsu employee-driven social contribution project as the first global initiative in which all Komatsu Group employees around the world can take part in conjunction with its 100th anniversary.

Based on themes pertaining to the environment and sustainability, which are shared global issues that are highly related to our business, the One World One Komatsu project

encourages employees to take close-at-home action in their daily lives, such as cutting back on water use and turning off lights in unoccupied rooms.

Moreover, to promote further action, we have developed an exclusive platform that can consolidate the efforts of employees across the Group. This new platform can be easily accessed by logging in via a computer or smartphone. Furthermore, the platform transcends national and language barriers to connect Komatsu Group employees around the world, to nurture a sense of unity as they work for a common goal, and to promote activities designed for a sustainable planet.

Four Themes of One World One Komatsu



CO₂ emissions reduction



Water preservation



Renewable energy



Waste reduction

Employee Impact

Total actions completed	100,158
Participating teams	344

(As of August 5, 2021)



One World One Komatsu Program Uniting Employees in Worldwide Sustainability Effort

First launched as a pilot program in August 2020, the Company's first global CSR initiative, One World One Komatsu, grew rapidly in its first year. Through the One World online platform, Komatsu employees are encouraged to take sustainable actions that, when done collectively, transform into a global movement to support environmental responsibility.

Despite the fact that it was launched during a global pandemic, One World brought employees together, virtually, within the platform. The program's environmentally-focused challenges encourage Komatsu team members to focus on different sustainability priorities over the course of the year to earn points for completing related activities. Employees can share photos and comments about what they learned, encourage one another by commenting on each other's activity and share inspiration for the future through One World's idea boards.

While expanding One World program access to all areas of the Company in 2021, Komatsu's global CSR team leveraged the platform to achieve two other firsts for the Company: Komatsu's first global day of volunteer action for Earth Day and the launch of its first worldwide sustainability competition for employees.

On April 22, 2021, Komatsu employees around the world took part in the Company's 24-hours of Earth Day challenge, completing environmental actions those shown to the right:

Working individually or in small groups, as required by ongoing COVID-19 restrictions at that time, employees recorded their efforts in the One World platform, and submitted photos and videos to be used for global watch parties that highlighted submissions from around the world.



Caley Clinton

Senior Manager, PR CSR and Content
Komatsu Mining Corp. and Komatsu America Corp.

Completed environmental actions of Earth Day challenge

- 1 Planting more than 14,000 trees and native species
- 2 Picking up more than 3,500 bags of trash
- 3 Volunteering more than 15,000 hours collectively



To view videos from Komatsu's global Earth Day celebration :

<https://www.youtube.com/watch?v=rrf7QzwtYzQ&list=PLI09JNAS3JIEgHkUWebDvJICWaJaQqm3L>



The results of the global day of action were tallied up and reported out in time for the United Nation's World Environment Day in June, at which point an internal contest for employees was launched. The One World One Komatsu sustainability contest offers employees the opportunity to compete in up to 10 categories for a chance to attend an awards ceremony planned for March 2022 in Japan. Categories include some dedicated to competitions within the One World platform, while others encourage employees to think creatively about sustainability or recognize a colleague for environmental responsibility.



Watch a video of an overview of the Company's CSR initiatives :

<https://www.youtube.com/watch?v=ul99s-eO4p4&list=PLI09JNAS3JIGOCKNiCo8St7zLm6DUrclC&index=6>



Corporate Governance

Message from an Outside Director



**Promoting discussion to identify areas needing change in pursuit of sustainable growth—
Cutting a strong start for growing over the next century**

Makoto Kigawa
Outside Director

Strengths and Issues of Komatsu as a 100-Year-Old Company

I believe that Komatsu's strengths can be seen in its unshakable brand image, which was fostered through action based on the management principle of "maximizing the trust given to us by our stakeholders and society through a commitment to quality and reliability," as well as in the human resource development initiatives based on The Komatsu Way (please see page 44) that support this brand power. Despite the fact that, today, about 70% of Komatsu's employees are of non-Japanese nationality, The Komatsu Way is embraced by employees around the world and has permeated all corners of the organization. The Komatsu Group truly is a united global organization, and the strength of this unity forms the foundation for the manufacturing capabilities

and innovativeness that are also strengths of Komatsu. Another strength is the corporate constitution that Komatsu has shaped through exhaustive business structure reforms advanced based on the keyword of DANTOTSU since the turn of the century.

These strengths have led to a sense of confidence that success can be achieved by adhering to Komatsu's approach. However, if this confidence turns into overconfidence, it might threaten to make the Company overly conservative in the face of change. I therefore think there is a need for discussion to clarify which aspects of Komatsu should be carried forward through the next century and which should be changed.

Constructive Discussion at Board Meetings and Potential for Increased Diversity to Improve Corporate Value

As a Director, I believe that I have an important role to play by providing advice pertaining to business strategies to the executive team based on an understanding that I am charged with supervising the executive function. For example, I have management experience related to the logistics industry. In 2020, we saw a sudden jump in the price of marine transportation, and the resulting disruption to the parts supply chain has become a social issue. We have been able to confirm that, at the moment, there have been no serious obstructions to local production or supply chain disruptions stemming from soaring parts transportation costs. Regardless, we must address the risk of supply

chains being disrupted due to extreme circumstances, which, in addition to the current COVID-19 pandemic, could include natural disasters, political conflicts, or other such issues. Given such risks, it is another important role of directors to confirm the current conditions while also pointing out potential future risks and offering advice in relation to these risks.

I believe that Komatsu's Board of Directors has an incredibly conducive atmosphere for encouraging open discussion and sees frank exchanges of opinion. Board meetings begin with a report from President Ogawa in which he explains the circumstances within the Company and any issues that he has

identified. These reports are great for helping outside directors understand what is going on inside of the Company. I quickly adopted this approach and implemented these reports for board meetings at Yamato Holdings Co., Ltd., where I am representative director. In addition, the president himself accurately explains issues at Board meetings, which does a lot for the ease of discussion. One particular example of this ease of discussion that comes to mind is the acquisition of Joy Global Inc. (currently, Komatsu Mining Corp.), which moved into the final decision phase shortly after I became an Outside Director in 2016. What makes this episode so memorable is how brisk and unrestrained the discussion was, even among Outside Directors, despite the late stage of the process. When a matter has been discussed a number of times, it is common for new opinions to stop being heard at later stages of discussion. A company that is able to engage in such a high degree of discussion is definitely a healthy company.

At the moment, I have no complaints about the composition

of Komatsu's Board of Directors or the evaluations of its effectiveness. The June 2021 revision to Japan's Corporate Governance Code has created a need for even more robust corporate governance. I think that the diversity of the Board of Directors will be key to realizing this more robust governance. Komatsu is evolving with the times. For example, it appointed a non-Japanese Outside Director in 2020. However, if the Company were to evolve further, with an eye to the type of Board membership that will be required in the future, it could create a Board of Directors that would allow decision-making and oversight functions aimed at improving corporate value to be exercised based on more diverse input and opinions. I think the decision to prepare and disclose a skill matrix detailing the expertise of Outside Directors and Outside Audit & Supervisory Board Members will help the Board of Directors become more effective while driving the evolution of corporate governance at the Company.

Changes in Komatsu's Operating Environment, Issues, and Expectations for the Next Mid-Term Management Plan

The current mid-term management plan was formulated based on discussions that took place when President Ogawa was still a senior executive officer. I believe that there would be no issues with transferring the basic framework of the current plan onto the next. However, the speed of change in the operating environment today exceeds that when the current plan was formulated. Accordingly, it will be important to implement the next plan, while making flexible revisions. Moreover, we are currently seeing increased political and economic instability along with massive changes in people's values. Now is thus a crucial time when it comes to ensuring Komatsu can cut a strong start for growing over the next 100 years.

When formulating the next mid-term management plan, there are largely three categories of risks that will need to be considered. The first is geopolitical risks. In recent years, we have seen an increased trend toward countries implementing policies solely for the benefit of their own national interests, giving rise to geo-economic risks. These risks could manifest in forms such as trade restrictions or tariffs; in areas related to financial markets, digital transformations, or intellectual properties; or even as acts of cyberterrorism or other extreme circumstances. It is therefore vital to discuss these risks before they materialize.

The second category of risks is climate change risks. It can be expected that coal businesses will become less prosperous in the future. This situation will create a need for Komatsu to consider how to develop its mining equipment business, which caters to such coal businesses. At the same time, the Company must ramp up development of electric equipment and other products with

low environmental impacts.

The third category of risks is competition risks in solutions businesses, such as those pertaining to Smart Construction. Komatsu's solutions businesses are currently at a stage in their growth in which it is time for the technologies and expertise Komatsu has developed in Japan to be deployed in overseas markets. The Company is currently the frontrunner with regard to such solutions. However, if Komatsu is to maintain its competitiveness in this area, it will need to bring its levels of quality in line with international standards. This will be incredibly important, so I hope Komatsu will do what needs to be done. It is unlikely that Komatsu will see a sudden change in the competitive climate in its core manufacturing operations. However, outside of these operations, in service and solutions businesses, which are more closely connected to end users, it is possible that there may be changes in competitors. Rivals with business models that had not been anticipated might also appear. Moreover, this is not an era in which a company can be competitive in the solutions business on its own. The degrees to which Komatsu will pursue alliances and to which it will boldly move forward on its own will be important elements of strategies.

At the same time, a change of perspective could reveal that these risks actually represent business opportunities. I therefore think it is important that Komatsu, with its exceptional manufacturing capabilities, identify new areas, areas in which it must change, and its strategies for these areas and accelerate its efforts as to not become overly conservative.

Corporate Governance

Basic Stance on Corporate Governance

To become a company which enjoys more trust from all stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management for its shareholders and investors, the Company discloses information in a fair and timely manner and actively engages in investor relations activities by holding meetings with shareholders and investors.

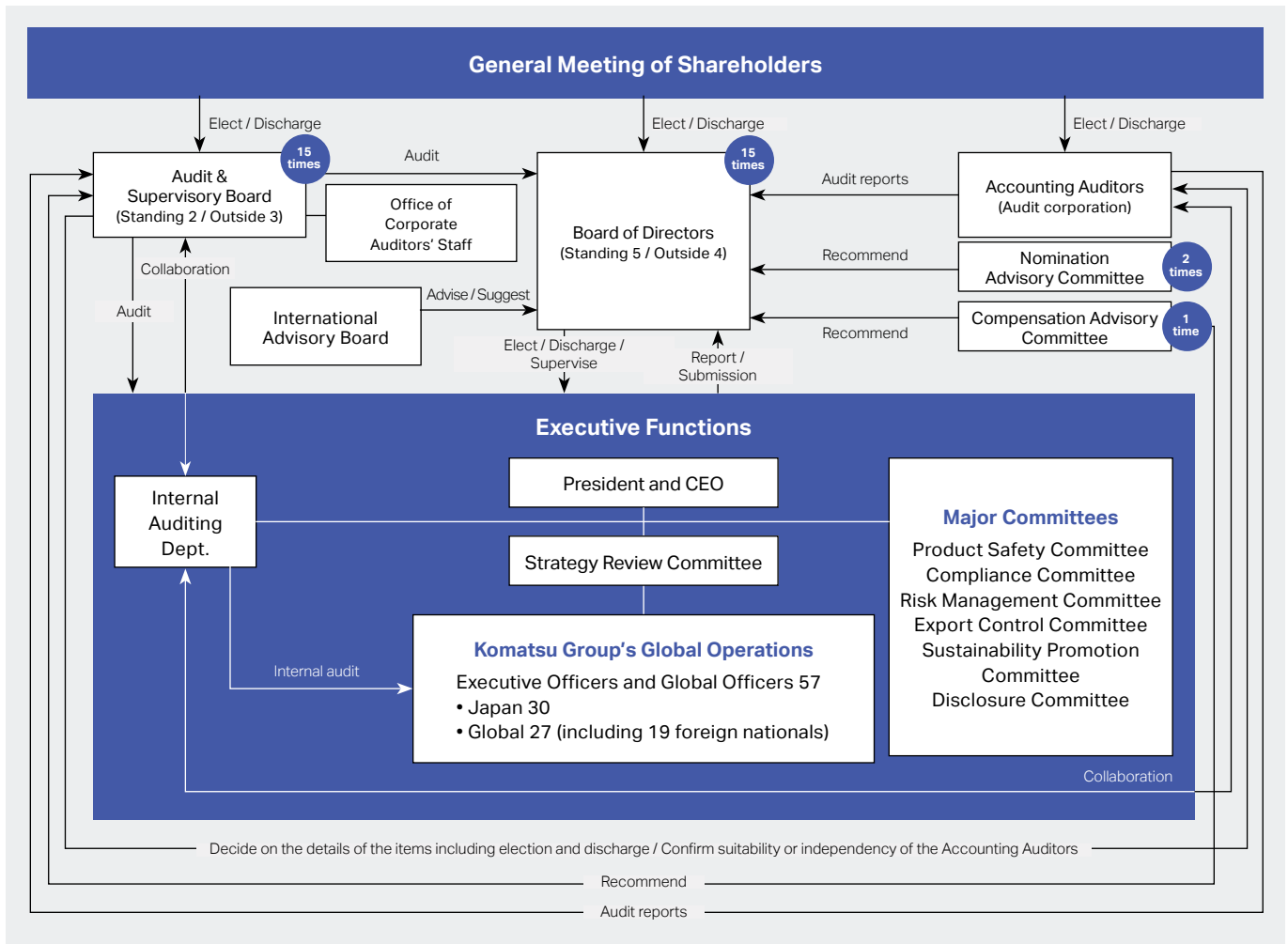
Corporate Governance Framework

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.

Corporate Governance of the Company (As of June 30, 2021)

Figures in ● represent the number of meetings in FY2020.



Activities of the Board of Directors

The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the nine (9) Directors on the Board, four (4) are Outside Directors to

ensure transparent and objective management.

In FY2020, Outside Directors and Outside Audit & Supervisory Board Members held meetings at which these outside officers shared opinions regarding management issues from their objective and independent standpoints. Discussions with the President were also arranged to foster shared recognition.

Characteristics of Komatsu's Board of Directors

- Monthly reports from the CEO (recent important items and other topics)
- Monthly reports from the CFO (performance, order trends, borrowings, etc.)
- Annual proposal plans and follow-up
- Multiple discussions on important items (deliberation → resolution)
- Business reports to Board of Directors covering nearly 100% of sales-generating activities
- Proactive expression of opinions by Audit & Supervisory Board Members in addition to Directors
- Opportunities for free discussion at Board of Directors' meetings

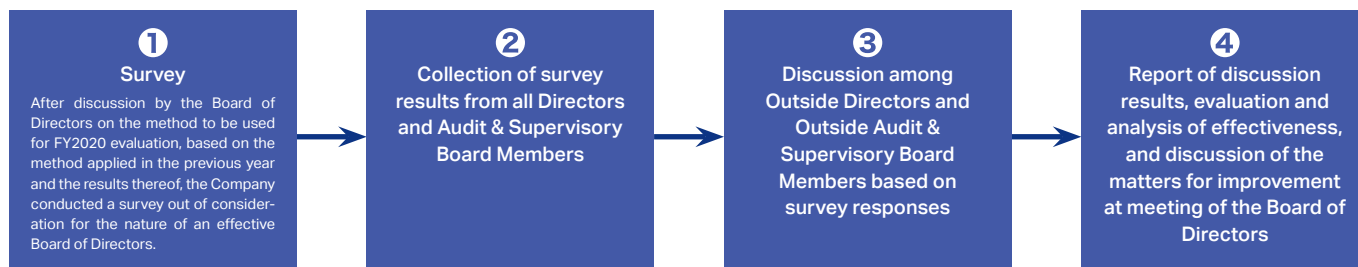
Board of Directors' Meeting Attendance and Agenda Item Numbers in FY2020 (April 1, 2020–March 31, 2021)

Attendance	Outside Directors	100%
	Outside Audit & Supervisory Board Members	100%
Agenda item numbers	Reports	41
	Deliberations, Resolutions	33
Free discussion		3 times

Evaluation of the Effectiveness of the Board of Directors

The Company is working to improve the effectiveness of the Board of Directors and performs annual evaluations and analyses of the effectiveness of the Board of Directors for this reason.

Evaluation Process



Survey topics:

- Composition of the Board of Directors
- Contents of agendas
- Straightforward and meaningful discussions
- Provision of information and presentation of agendas by executives
- Structure through which important matters are reported, proposed, and followed up
- Succession plans for CEO
- Other items

Outline of the Results

The assessment shows a generally high level of achievement for each item and confirms that there were no serious problems concerning the effectiveness. The Company received excellent evaluations for various factors, such as the following: the timely sharing of issues, problems, and other information provided in monthly reports by the President himself in Board meetings and the fact that Board members followed up the implementation status of resolutions made by the Board of Directors based on regular reports.

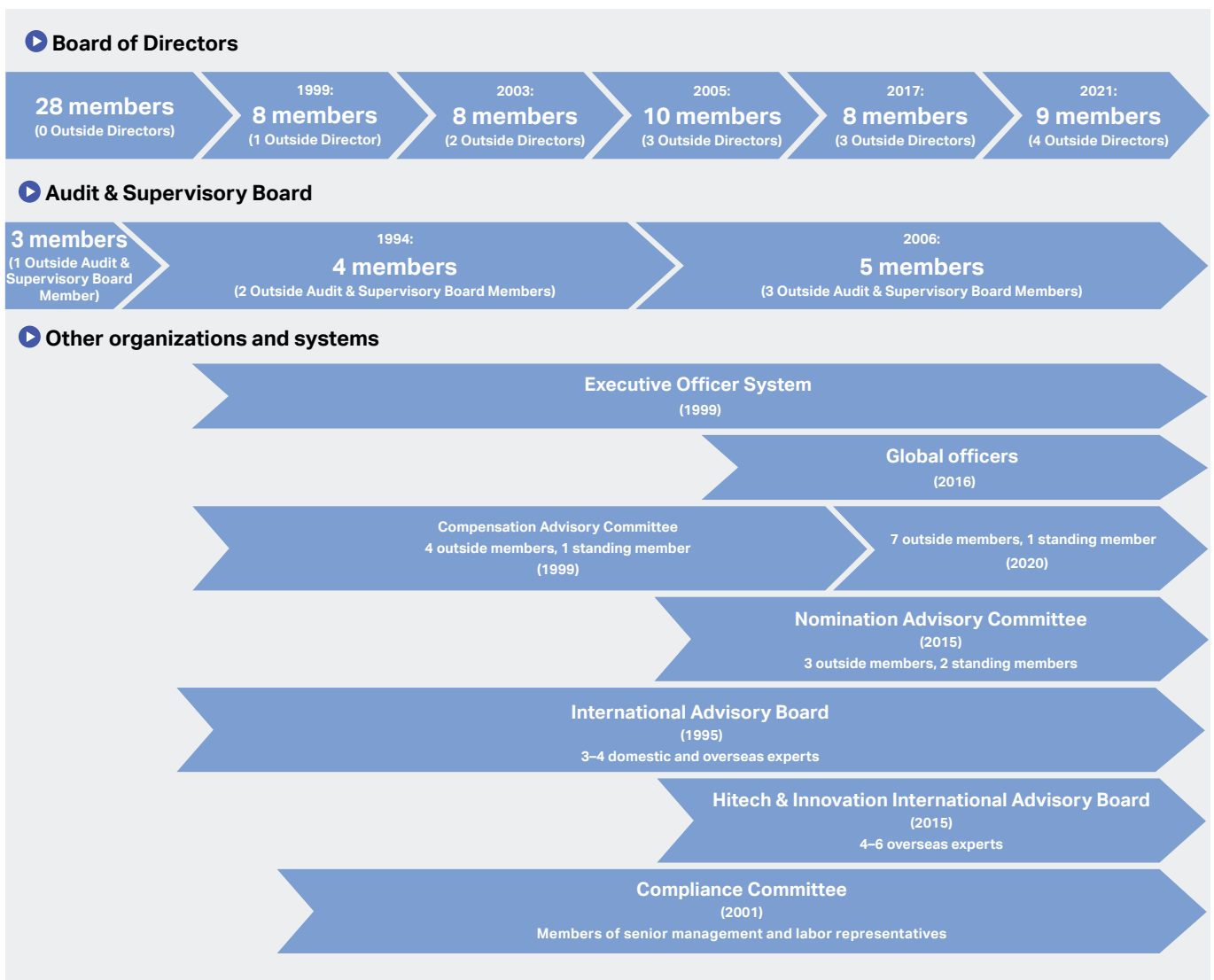
With respect to the conducting of Board meetings, positive evaluations were received with regard to the arrangement of online meetings in response to the COVID-19 pandemic, but there were a few suggestions for improvement pertaining to the need to expand the range of specific strategic themes discussed and to the nature of regular reports on business execution. The Company will make those improvements and work to make the Board of Directors further effective in the future.

Corporate Governance

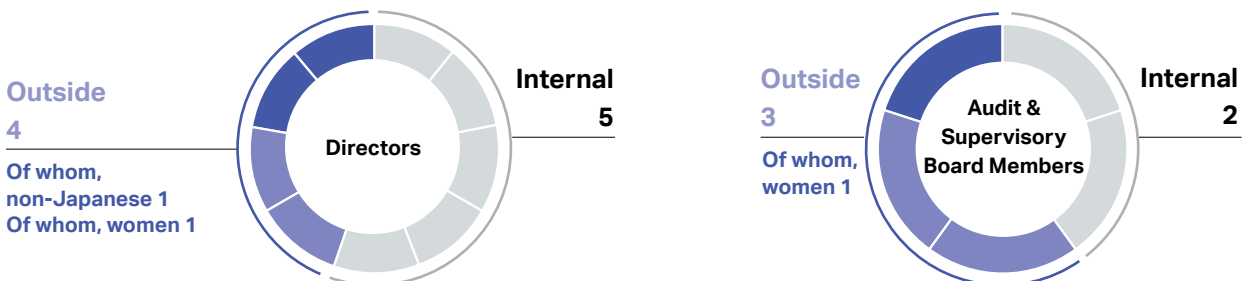
Corporate Governance Reforms

The Company has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to decision making, management and supervision, such as separation of corporate management from business execution, enhancement of corporate management decision making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit & Supervisory Board to appropriately audit Directors'

execution of duties. As a means to supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions. Going forward, the Company will pursue increases to the effectiveness of the Board of Directors while appointing Outside Directors to ensure transparency and soundness and promoting openness and accountability in management.



Composition of Directors and Audit & Supervisory Board Members (As of June 30, 2021)



Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in FY2020

▶ Outside Directors

Makoto Kigawa

Major Career

Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd.

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 FY2020, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as working from home and other personnel arrangements, competitive strategies involving ICT, and inventory management. He also served as Chairman of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance of the Meetings

Meeting of the Board of Directors 100%
(15 meetings out of the 15 meetings held)

Takeshi Kunibe

Major Career

Representative Director of Sumitomo Mitsui Financial Group, Inc.
Representative Executive Officer of Sumitomo Mitsui Banking Corporation

Mr. Takeshi Kunibe has served 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 Directors, mainly from the standpoint of contributing to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. During FY2020, he accordingly provided comments based on his rich experience in the business world, particularly concerning the M&A management system, business plan during the COVID-19 pandemic, and ESG initiatives. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance of the Meetings

Meeting of the Board of Directors 100%
(11 meetings out of the 11 meetings held)

Arthur M. Mitchell

Major Career

Foreign lawyer of White & Case LLP

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 FY2020, he accordingly provided comments based on his international perspective and professional standpoint, particularly concerning such issues as business alliance strategy, data-related legal compliance, and initiatives geared to the North American market. In addition, he was a member of the Company's Nomination Advisory Committee and the Compensation Advisory Committee.

Attendance of the Meetings

Meeting of the Board of Directors 100%
(11 meetings out of the 11 meetings held)

Note: As Outside Directors Mr. Takeshi Kunibe and Mr. Arthur M. Mitchell were elected at the 151st Ordinary General Meeting of Shareholders held in June 2020, their maximum number of meetings of attendance is different from that of the other Directors.

▶ Outside Audit & Supervisory Board Members

Hirohide Yamaguchi

Major Career

Deputy Governor of the Bank of Japan

Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During FY2020, 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, demand trends, and audit systems. In addition, he was a member of the Company's Compensation Advisory Committee.

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)

Eiko Shinotsuka

Major Career

Professor Emeritus, Ochanomizu University, Commissioner, National Personnel Authority, Member of the Bank of Japan's Policy Board

Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations, and law. During FY2020, 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 utilizing global human resources, environmental measures, and employee safety and health management. In addition, she was a member of the Company's Compensation Advisory Committee.

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)

Kotaro Ohno

Major Career

Prosecutor-General, Special Counsel, Mori Hamada & Matsumoto

Mr. Kotaro Ohno possesses rich experience in the legal profession. During FY2020, 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 compliance system, Group company management, and securing human resources. In addition, he was a member of the Company's Compensation Advisory Committee and an observer of the Compliance Committee.

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)

Introduction of New Outside Directors

The following one new outside director was appointed at the General Meeting of Shareholders held in June 2021.

Naoko Saiki

Major Career

Director-General, Economic Affairs Bureau and International Legal Affairs Bureau, Ministry of Foreign Affairs

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 the Ministry of Foreign Affairs.

Utilizing this knowledge and experience, her recommendations concerning the overall management of the Company are expected to contribute to the enhancement of the 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.

Corporate Governance

Activities of Advisory Committees

Committee Name	Nomination Advisory Committee	Compensation Advisory Committee
Chairman	Outside Director (Makoto Kigawa)	Outside Director (Makoto Kigawa)
Members (As of June 30, 2021)	4 Outside Directors (Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki) Chairman of the Board President	4 Outside Directors (Makoto Kigawa, Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki) 3 Outside Audit & Supervisory Board Members (Hirohide Yamaguchi, Eiko Shinotsuka, Kotaro Ohno) 1 external expert (Advisor: Shinji Hatta, Honorary Professor, Aoyama Gakuin University) Chairperson of the Board
Purpose	Selection of next President and deliberation, resolution, and reporting to the Board of Directors on human resource development methods, succession plans, and appointment and dismissal of Directors	Deliberation, resolution, and reporting to the Board of Directors and Audit & Supervisory Board on remuneration systems for Directors, Audit & Supervisory Board Members, and Executive Officers to ensure objectivity and transparency
Meetings in FY2020	2	1
Agenda items in FY2020	<ul style="list-style-type: none"> • Selection and cultivation of candidates for next President • Selection of a new Outside Director candidate • Concurrent positions held by Chairman of the Board and Outside Directors • Proposal of Directors and Audit & Supervisory Board Members for FY2021, etc. 	<ul style="list-style-type: none"> • Monthly compensation levels for Directors and Audit & Supervisory Board Members in FY2021 • Performance-based remuneration for Directors for FY2020 (projections) • Evaluation indicators for performance-based remuneration in FY2021

Succession Plans

One of the items contained in the Code of Conduct for Leadership/Top Management that has been described in The Komatsu Way since its establishment in 2006 is “continue to think about your succession plan.”

In order to ensure that Komatsu’s management values are transmitted to the next generation, the basic requirements for candidates for the position of President are discussed and clearly defined by the Human Resource Advisory Committee.

In addition, successors for important domestic and overseas positions up to and including that of the President are decided through the annual implementation of succession plans (see chart below).

Selected successors are assigned to challenging tasks and granted even larger roles in the organization to systematically develop them in an environment that encourages the pursuit of mutual growth.

Overview of Succession Plans



Remuneration Systems

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. With regard to the level of monthly remuneration paid as basic remuneration, comparison by position at other key, globally active manufacturers in Japan is made by the Compensation Advisory Committee and is reflected in its reports and recommendations.

The remuneration for Directors excluding the Outside Directors (hereinafter "Internal Directors") comprises basic remuneration (fixed remuneration) 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) as well as the performance-based remuneration (Stock-Based Remuneration B) 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.

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

Furthermore, 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 getting fettered by the movements of corporate performance of the Company.

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

Composition of Remuneration of Directors and Audit & Supervisory Board Members

Internal Directors	Basic Remuneration (Fixed Remuneration)	Performance-Based Remuneration for a Single Year (Monthly Remuneration x 0-24 months)		Performance-Based Remuneration Linked to Performance of Mid-Term Management Plan (Monthly Remuneration x 0-3 months)
	Monthly remuneration x 12 months	Bonus in Cash (2/3, in principle)*	Stock-Based Remuneration A (1/3, in principle) Restricted Stocks	Stock-Based Remuneration B Restricted Stocks
Outside Directors and Audit & Supervisory Board Members	Basic Remuneration (Fixed Remuneration)	← Not influenced by Company performance		
	Monthly remuneration x 12 months			

* The upper limit for Bonus in Cash is set at 12 months' worth of monthly remuneration; the remainder of bonuses is to be paid as Stock-Based Remuneration A.

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

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration 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 a range of 0-100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan presented in the following table and as a general rule; the restriction of transfer on the shares will be lifted after three years from delivery.

Management Indicators and Management Targets in Mid-Term Management Plan (FY2019-FY2021)

	Management Indicator	Management Target
Growth	• Sales growth rate	• Growth rate above the industry's average*1
Profitability	• Operating income ratio	• Industry's top-level operating income ratio*1
Efficiency	• ROE	• ROE of 10% or higher
Financial position	• Net debt-to-equity ratio*2	• Industry's top-level financial position
Retail finance business	• ROA • Net debt-to-equity ratio*2	• ROA of 1.5% to 2.0% • 5.0 or under for net debt-to-equity ratio*2
ESG	• Reduction of environmental impact • Evaluation by external organizations	• CO ₂ emissions: Decrease by 50% in 2030 from 2010 • Renewable energy use: Increase to 50% of total energy use in 2030 • Selected for DJSI*3 (World & Asia Pacific) and for CDP*4 A-List (Climate Changes and Water Risk), etc.
Shareholder return	• Consolidated payout ratio	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment • Set goal of a consolidated payout ratio of 40% or higher

*1 Relative comparison with domestic and foreign major competitors in the same industry

*2 Net debt-to-equity ratio = (Interest-bearing debt - Cash and cash equivalents - Time deposits) / Shareholders' equity of the Company

*3 Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland

*4 International non-profit organization that advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments

Corporate Governance

Major Executive Committees

Committee Name (Committees indicated with an asterisk [*] are chaired by the President.)	Purpose	Meeting Frequency
Product Safety Committee	Effective promotion of Companywide product safety activities based on basic product safety policies defined in product safety regulations	2 times a year and when necessary
Compliance Committee*	Discussion on and decision and execution of policies and important measures pertaining to group-wide compliance	2 times a year and when necessary
Risk Management Committee	Primarily discussion and approval of group-wide risk management tasks and risk countermeasures	1 time a year and when necessary
Export Control Committee	Discussion on and decision and execution of policies and important measures regarding group-wide export control (trade security management)	1 time a year and when necessary
Sustainability Promotion Committee*	Formulation of group-wide environmental measures and discussion of progress to facilitate promotion of environmental preservation throughout the Group and discussion on and execution of group-wide CSR policies and important measures and activities	1 time a year and when necessary
Disclosure Committee	Discussion and assessment to facilitate accurate information disclosure as required by the Financial Instruments and Exchange Act and submission of recommendations to internal information control representatives regarding judgments on material developments	4 times a year and when necessary
The Komatsu Way Committee*	Discussion on and decision and execution of policies and important measures regarding human resources, labor affairs, education and human resource development, The Komatsu Way, total quality management, employee benefits, and occupational health and safety management for the Company and the Group	2 times a year

Topics

Appointments of Advisors of the International Advisory Board

Komatsu established the IAB back in 1995 for the Board of Directors to incorporate, from external experts, objective advice and suggestions concerning management and operations of Komatsu as a global company. The IAB has met a total of 36 times in the conventional and new organizations combined. In April 2020, Komatsu commenced the 8th session of the IAB for management with the following new advisors. The term of service for each advisor is set at three years as a general rule.

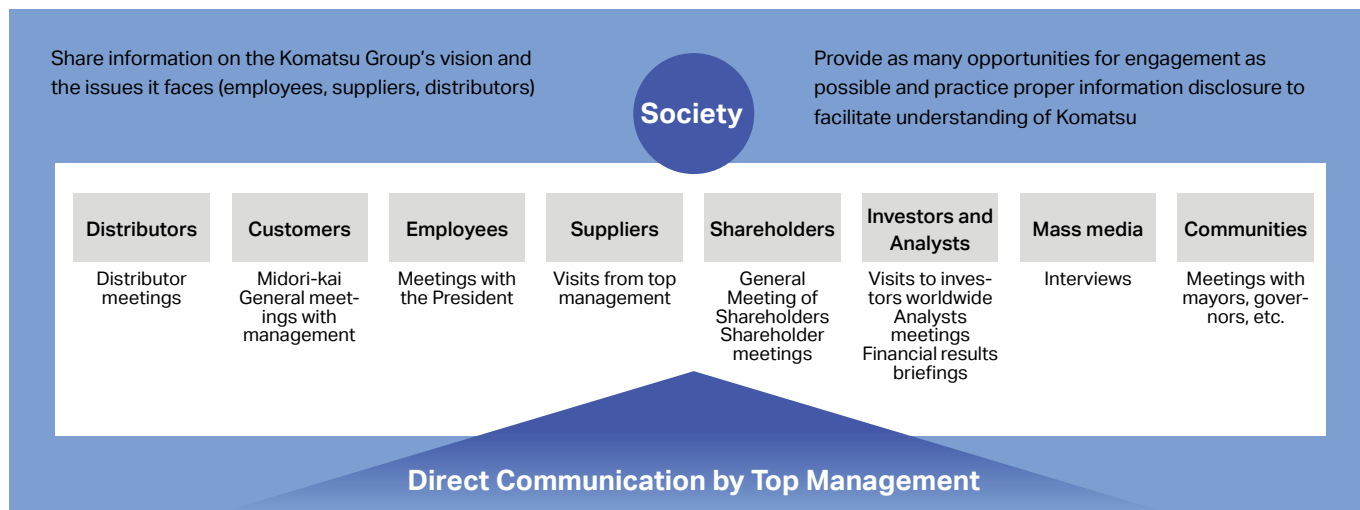
Komatsu will continue to incorporate advice and suggestions from IAB advisors with expertise in global business, further improve management, and strengthen its corporate governance in order to enhance its corporate value.

Advisors of the 8th Session of the IAB for Management (FY2020–FY2022)

Name	Current Position and Brief Background	
R. David Hoover	2018–Present 2015–February 2021 2009–2018 2000–2015 1996–2013	Chairman of the Board, Elanco Animal Health Board of Directors, Edgewell Personal Care Company Board of Directors, Eli Lilly and Company Board of Directors, Energizer Holdings, Inc. Board of Directors, Ball Corporation (Chairman, 2002–2013)
Kusmayanto Kadiman	2015–Present 2010–Present 2004–2009 2001–2004	Vice President Commissioner of PT Adaro Power President Commissioner of BFI Finance The State Minister for Research and Technology of the Republic of Indonesia President of Bandung Institute of Technology (ITB)
Risto Siilasmaa	2006–Present 2012–2020	Chairman of the Board of Directors, F-Secure Corporation (He is the founder of F-Secure Corporation.) Chairman of the Board of Directors, Nokia Corporation
Mitoji Yabunaka	2018–Present 2014–2020 2008–2010	Visiting Professor, Ritsumeikan University Outside Director, Komatsu Ltd. Vice Minister, Ministry of Foreign Affairs

Stakeholder Engagement

In order to gain more trust from all stakeholders, the Company is strengthening corporate governance and top management is practicing direct engagement with stakeholders.



Major Investor Relations Activities in FY2020

To further improve the transparency of management for our shareholders and investors, we disclose information in a fair and timely manner and actively engage in investor relations activities by holding meetings with shareholders and investors.

In FY2020, certain face-to-face communication activities were canceled in response to the COVID-19 pandemic, but we

continued to provide and enhance communication activities nonetheless, employing virtual and online venues for events and providing access to archived video. In addition, we established an official Komatsu YouTube account, which is being used for organizing and distributing the latest videos on the Company.

For Institutional Investors

- Financial results briefings* (4 times)
- Small meetings* (7 times)
- Business briefings* (1 time)
- Overseas investor relations activities* (4 times)
- Individual meetings* (over 190)

* Held through virtual or online venues

For Shareholders and Individual Investors

- Shareholder meetings* (1 time)
- Factory tours for shareholders canceled → Replaced with virtual factory tours and videos
- Individual investor meetings* (4 times)
- Gifts of appreciation for long-term shareholders

Homepage

- Financial information
- Financial results briefings
- Sales and profits gains reports
- Quarterly reports, etc.
- Web interviews with the President (4 times)
- Komatsu Report, etc.

Engagement Topics

Komatsu holds meetings for institutional investors and securities analysts to deepen their understanding of the Company. The following online meetings were held in 2020.

Date	Meeting Name	Attendants	Topics
December 16, 2020	KOMATSU IR-DAY 2020 <Investors Meeting & ESG Meeting>	90	1. The pursuit of safety and productivity at mine sites 2. Komatsu's environmental activities

For materials from meetings, please refer to Komatsu's corporate website:
<https://www.komatsu.jp/en/ir/library/results/2020>



Komatsu's Official YouTube Channel
<https://www.youtube.com/c/komatsu/featured>



Corporate Governance

Risk Management

Basic Principles and Structure for Risk Management

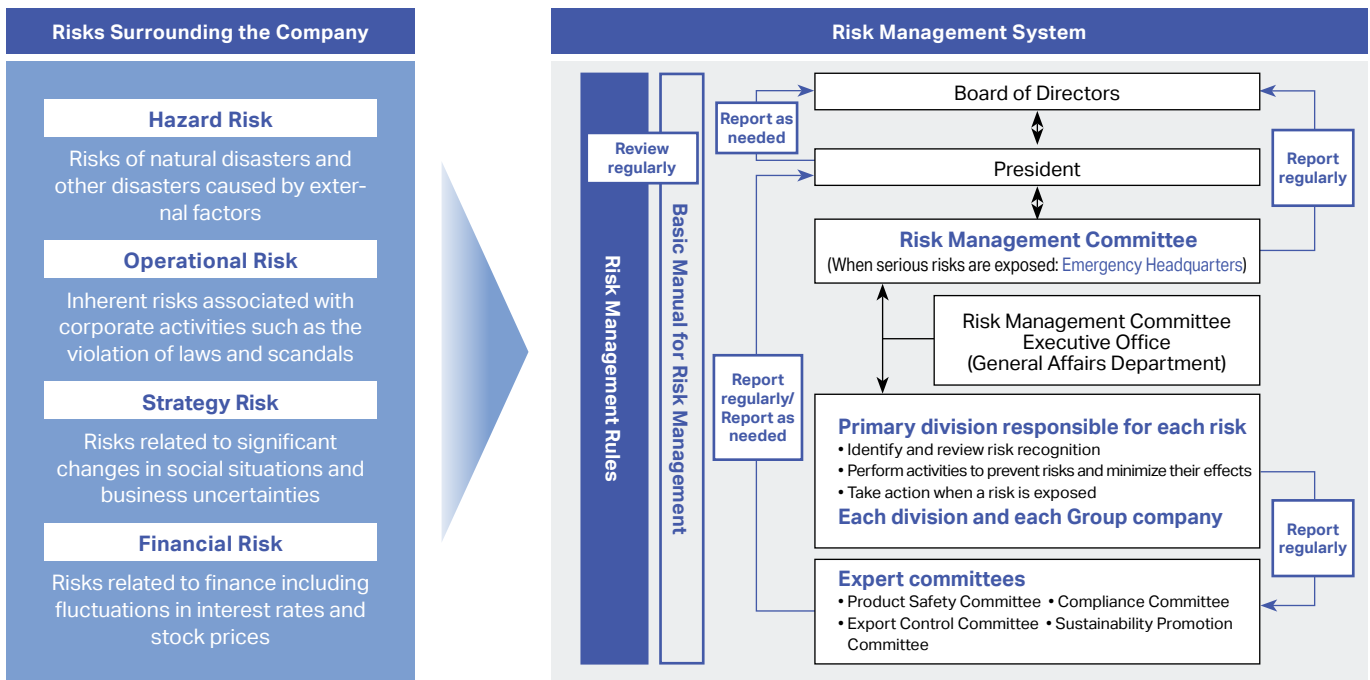
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

Furthermore, we have developed the Basic Manual for Risk Management, which defines the response systems and rules to be utilized should a risk materialize along with specific risk items and the divisions responsible for said risk items. This manual is periodically revised to ensure that risk management systems are adapted to the constant changes in the operating environment and in risks.

Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response

measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the Board of Directors.

Komatsu will establish an emergency headquarters when serious risks, such as the COVID-19 pandemic, occur and implement appropriate measures to minimize damage. Other important matters to be considered from the perspective of risk management include corporate governance; compliance; response measures for climate change, pandemics, and other natural disaster risks; and frameworks for preventing transactions with antisocial forces. We continue management efforts related to these matters.



Response to Climate Change

Approximately 90% of the CO₂ emissions from the lifecycles of Komatsu construction equipment are attributable to product operation. Accordingly, we have the potential to help mitigate climate change by providing low-carbon products and solutions that have carbon reducing benefits like Smart Construction. Conversely, if we do not conform to the regulatory requirements of the relevant countries or with the demands of markets or if we are impacted by rapid changes in resource demand, market entry by new competitors, or higher manufacturing costs due to the introduction of carbon taxes, we will risk suffering future impacts to our earnings. To address these risks, Komatsu has set the goal of halving the CO₂ emissions from product operation by 2030, and R&D activities are being advanced toward the accomplishment of this goal. We have also set the goal of halving CO₂ emissions from

production by 2030. This goal will be pursued through exhaustive reforms to production processes in order to prepare for cost increases. At the same time, we project that demand may rise for copper and other resources necessary for items used to electrify equipment, such as motors, batteries, and fuel cells. Seeking to seize this opportunity, we are expanding our hard rock mining business (response to transition and opportunity risks).

Meanwhile, the rise in natural disasters associated with climate change is creating risks of damages to the Company and its supply chain. We are therefore taking steps to identify the water-related risks threatening the Company and its supply chain while instituting business continuity plan (BCP) drills and other measures to mitigate these risks (response to physical risks).

Response to the COVID-19 Pandemic

To fulfill its responsibilities to customers involved in businesses that support social infrastructure (essential businesses), the Komatsu Group has continued to supply products, parts, and services to its customers while implementing exhaustive measures to prevent the spread of COVID-19. In March 2020, we set up an emergency headquarters with the president as its chairperson to collect and share information on the COVID-19 pandemic on a global scale and to confirm and deploy response policies.

(1) Business Continuity Initiatives

Production at certain Komatsu factories was impacted by factors such as government-instituted lockdowns. However, even prior to the COVID-19 pandemic, Komatsu has been practicing cross-sourcing to facilitate flexible production at all factories around the world to absorb the impacts of regional demand and foreign exchange rate fluctuations. These efforts also proved effective at curbing the impacts of the pandemic.

Risks associated with supplies of parts from suppliers were addressed by prioritizing allocation of inventories along our supply chain to regions facing shortages. In addition, alternative parts were developed and alternative suppliers were secured to prevent losses of sales opportunities attributable to parts shortages.

(2) Workplace Infection Prevention Measures

With the safety and health of customers, partner companies, people in local communities, and employees and their families as its priority, the Komatsu Group endeavored to prevent the spread of COVID-19 based on the government policies in each country.

Specific measures included utilizing our teleworking system to promote teleworking. Approximately 70% of headquarters employees engaged in teleworking during the periods of Japan's state of emergency declarations. Also during these periods, we canceled or postponed domestic business trips, events, trainings, and seminars, and utilized remote methods for all in-house trainings, in principle.

At production sites, fans were installed and windows were opened to ensure good ventilation, and we also built additional breakrooms, staggered break times, and took other steps to prevent the spread of COVID-19 in workplaces.

(3) Online Provision of Information to Stakeholders

In December 2020, Komatsu held its first online shareholder meeting. This communication venue allowed management to field questions in real time and to engage in discussions with shareholders. In addition, the FY2021 General Meeting of Shareholders was conducted in the form of our first live internet broadcast on the day of the meeting.

Other online information provision initiatives included the distribution of virtual factory tour videos of the Awazu Plant and the Ibaraki Plant. These videos offer a vivid way to experience Komatsu's production sites by allowing viewers to manipulate their viewpoint in 360° so that they can observe the construction equipment assembly process from whatever angle they please.



Virtual factory tours

Awazu Plant
<https://www.youtube.com/watch?v=8rdu3LWaxs0>

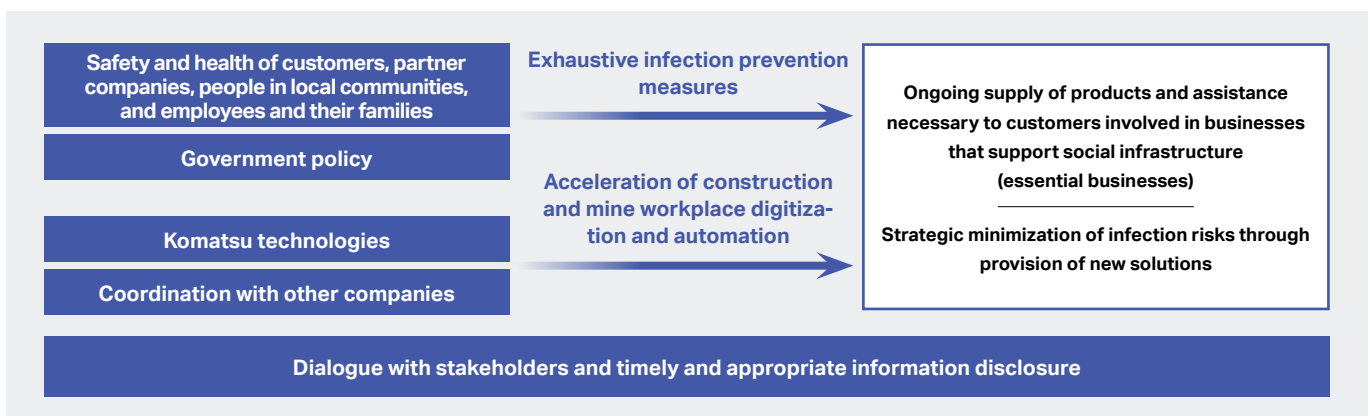


Ibaraki Plant
<https://www.youtube.com/watch?v=3myugOFcSEg>



(4) Prevention of Infection of Customers through Construction Workplace Digital Transformation

To prevent the spread of COVID-19, the Ministry of Land, Infrastructure, Transport and Tourism advises people to avoid crowded spaces, closed environments, and close interactions. Seeking to help prevent such conditions at construction sites, Komatsu is promoting its Smart Construction Digital Transformation solution. This solution uses a digital twin methodology that allows workplace representatives to monitor conditions remotely without gathering in a single location, thereby helping to prevent the spread of COVID-19.



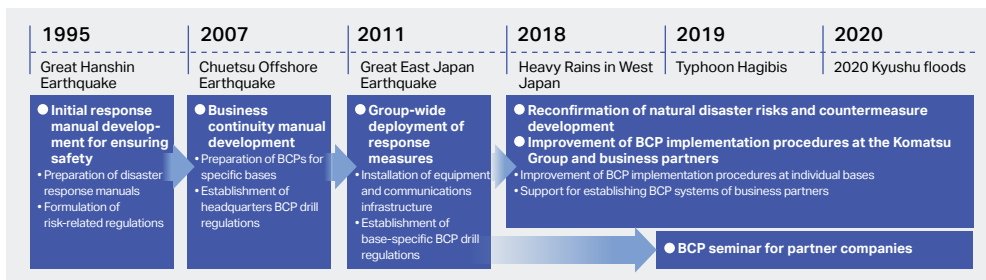
Corporate Governance

Establishing a business continuity plan (BCP) and providing training

Komatsu has established business continuity plans (BCPs) to ensure the continuity of core operations and to facilitate quick resumption of operations should they be interrupted. As part of these plans, we hold regular initial response and production resumption drills based on major earthquake and water damage scenarios. At production bases, we implement measures to reinforce the seismic resistance of structures and production equipment while implementing countermeasures to safeguard against water and wind damage from concentrated heavy rains and other weather events in order to minimize the impacts of increasingly more severe natural disasters. Moreover, the disaster response reporting chains and

standards for frontline sites have been clarified to facilitate swift decisions by senior management should a disaster strike.

We are focused on not only strengthening the BCPs of Komatsu Group bases but also on strengthening the supply chain system through support of our business partners. Recent initiatives to this effect have included holding nationwide seminars on initial disaster responses and measures to be taken under normal conditions to build response frameworks led by experts on these subjects. Several partners were invited to take part in these seminars. Going forward, we will continue to promote and further enhance our group-wide BCP initiatives.



Reinforcement of Information Security

Threats such as cyberattacks are constantly growing more sophisticated and complex, increasing the importance of information security. Komatsu implements information security measures based on all applicable laws and regulations as well as internal rules.

(1) Management System

Companywide information security issues are shared and examined by the Risk Management Committee through a management system overseen by the officer in charge of risk management. The president of the Information Strategy Division, who is also the Company's top representative for ICT, co-chairs the Risk Management Committee to ensure that this committee is equipped to handle highly specialized information security issues. Critical information security issues are shared and resolved by this committee.

Should a serious information security incident occur, swift reports will be issued to the president, directors, other officers, relevant organizations, and the Board of Directors to commence the process of formulating appropriate response measures. The Information Strategy Division, meanwhile, proposes appropriate measures for addressing potential information security risks. These proposals are raised at annual meetings of the Strategy Review Committee, which comprises the president, directors, and other officers, so that they can be incorporated into medium-term ICT investment plans.

(2) Personal Information Protection

Protecting personal information is a social responsibility. Recognizing this responsibility, Komatsu has formulated and disclosed its Personal Information Protection Policy. Steps are

taken to guarantee that personal information is properly handled. These steps include e-learning programs and internal audits. Overseas, we comply with the European Union's General Data Protection Regulation and other laws, regulations, and social expectations in countries and regions of operation in our efforts to protect personal information.

(3) System Measures

Komatsu has instituted a multilevel defense system combined with various system measures to prevent unauthorized access from outside of the Company, computer virus infections, and other threats as well as information leakages resulting from these threats. For example, as part of the process of implementing teleworking systems, we installed a rigorous verification system that employs a scheme in which multiple processes are required to access systems from outside of the Company.

(4) Education and Training

All employees engaged in the handling of information assets are required to undergo regular e-learning programs. In addition, targeted-attack email drills are held several times a year to entrench procedures for addressing suspicious emails. These drills target companies in Japan as well as certain overseas subsidiaries in order to boost the level of information security on a global scale.

(5) Information Security Audits

Information security audits of Group companies are performed to improve the level of information security across the entire Komatsu Group. In principle, every company is required to undergo an audit

at least once every three years as part of an effort to confirm information security-related conditions on an ongoing basis.

(6) Initiatives for Improving Information Security Across the Supply Chain

Our information security initiatives are not limited to Komatsu and Group companies; we also request that affiliates across the supply chain with which confidential information is shared during the course of business activities practice information security management in accordance with the Company's policies.

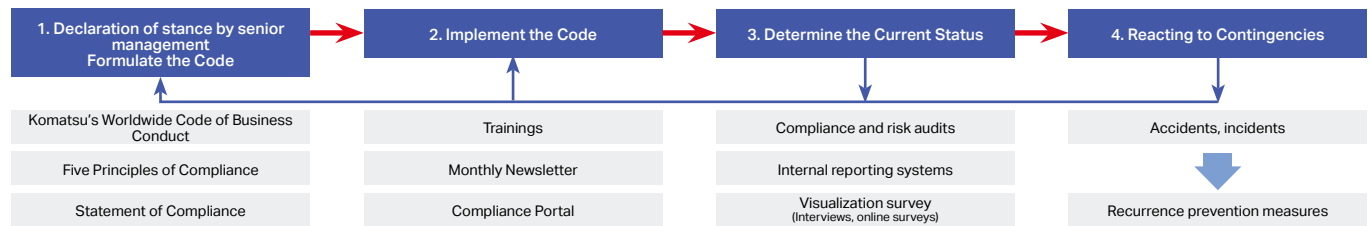
Effective, ongoing support is provided for this purpose. Regular meetings on the status of information security management are held with applicable affiliates. When necessary, we may present items for operational information inspections of information systems or recommend the use of certain information security materials. We thereby aim to promote understanding of the importance of appropriate information management among all parties that handle confidential information in order to reduce risks and better guarantee business continuity.

Compliance

Komatsu established the "Compliance Committee" to oversee compliance, and the Committee regularly reports its discussions and activities to the Board of Directors. Komatsu also establishes a system to ensure all Directors and employees thoroughly comply with business rules as well as laws and regulations through a variety of measures, including the provision of "Komatsu's Worldwide Code of Business Conduct," appointment of the


Executive Officer in charge of compliance, and establishment of the Compliance Department. Through all of these measures, we work to supervise, educate and train Directors, Audit & Supervisory Board Members and employees. In addition, Komatsu establishes an internal reporting system under which those who are discreetly reporting questionable actions in light of laws and regulations and business rules will not be given any disadvantageous treatment.


Process for Compliance Activities



(1) Komatsu's Worldwide Code of Business Conduct

Initially established in 1998, the Komatsu's Worldwide Code of Business Conduct is now in its 11th edition. The Part 1 of the Code primarily provides principles and standards for responsible business conduct that Komatsu Group follows in order to fulfill its social responsibilities such as solving ESG issues. Accompanied by examples, Part 2 contains select universally applicable rules which set the code of conduct that must be followed by all employees of Komatsu.

 Please visit Komatsu website to see the Komatsu's Worldwide Code of Business Conduct including the Five Principles of Compliance and other topics.
https://www.komatsu.jp/en/-/media/home/aboutus/corporate-identity/kwcbc_11th_en_extra.pdf?rev=425b393b6d9145bab9897c332bfc8682&hash=8E43993D7E9C66C7035018A90C1BD856



(2) Internal Reporting Systems

Komatsu has established the Global Compliance Hotline in its HQ to offer counselling to and handle reports from employees of Komatsu Group companies pertaining to the rules in the business world. In this way, we strive to detect and correct problems early. In addition, Komatsu companies establish and maintain Regional Compliance Hotline that properly handles reports of alleged or suspected violation of the rules so that whistleblowers can raise claims in their native languages.

(3) Upholding Thorough Compliance

• Five Principles of Compliance

Komatsu is working to cultivate their consciousness of best business practices by displaying posters at every business unit of Komatsu Group listing The Five Principles of Compliance (the basic actions of compliance that all Komatsu employees must observe).

• Global E-Learning Program on Komatsu's Worldwide Code of Business Conduct

Global e-learning programs are conducted targeting all Komatsu Group employees around the world in order to raise understanding of the Komatsu's Worldwide Code of Business Conduct. Workers without company email addresses participate in these programs in a classroom training format.

• Compliance Newsletter

Komatsu publishes monthly newsletters "Everybody's Compliance" in Japan that contains articles explaining important laws and regulations, highlighting the lessons to be learned from scandals at other companies, and describing matters pertaining to human rights and the prevention of harassment. Articles on particularly important subjects, such as anti-corruption, antitrust laws, and export control, are frequently republished in this newsletter. Compliance newsletters are also published at overseas subsidiaries in order to raise awareness on a global basis.

Directors and Audit & Supervisory Board Members

Directors



**Chairman of the Board
Representative Director**
**Tetsuji
Ohashi**

Number of Year(s) in Office **12 years**
 Attendance of the Meetings of the Board of Directors **15/15 (100%)**
 Number of Shares of the Company Held **176 thousand shares**
 Important Concurrent Positions Held in Other Organizations:
 Outside Director of Yamaha Motor Co., Ltd.
 Outside Director of Nomura Research Institute, Ltd.
 Special Interests Between the Candidate and the Company: **None**
 4/1977 Joined the Company
 4/2019 Took office as Chairperson of the Board and Representative Director (current)



**President and CEO
Representative Director**
**Hiroyuki
Ogawa**

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 **77 thousand shares**
 Important Concurrent Positions Held in Other Organizations: **None**
 Special Interests Between the Candidate and the Company: **None**
 4/1985 Joined the Company
 4/2019 Took office as President and Representative Director (current) CEO (current)



**Director and Senior
Executive Officer**
**Masayuki
Moriyama**

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 **64 thousand shares**
 Important Concurrent Positions Held in Other Organizations: **None**
 Special Interests Between the Candidate and the Company: **None**
 4/1982 Joined the Company
 6/2019 Took office as Director and Senior Executive Officer (current)



**Director and Senior
Executive Officer**
**Kiyoshi
Mizuhara**

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 **44 thousand shares**
 Important Concurrent Positions Held in Other Organizations: **None**
 Special Interests Between the Candidate and the Company: **None**
 4/1983 Joined the Company
 6/2019 Took office as Director and Senior Executive Officer (current)

President of Mining Business Division

**CMO and President, Construction Equipment
Solution Division**



NEW
**Director and Senior
Executive Officer**
**Takeshi
Horikoshi**

Number of Shares of the Company Held **24 thousand shares**
 Important Concurrent Positions Held in Other Organizations: **None**
 Special Interests Between the Candidate and the Company: **None**
 4/1985 Joined the Company
 6/2021 Took office as Director and Managing Executive Officer (current)

CFO



Outside Director
Makoto Kigawa

Number of Year(s) in Office **5 years**
 Attendance of the Meetings of the Board of Directors **15/15 (100%)**
 Number of Shares of the Company Held **None**
 Important Concurrent Positions Held in Other Organizations:
 Special Advisor of Yamato Holdings Co., Ltd.
 Outside Director of Seven Bank, Ltd.
 Outside Director of Oki Electric Industry Co., Ltd.
 Outside Audit & Supervisory Board Member of The Higo Bank, Ltd.
 Special Interests Between the Candidate and the Company: **None**

4/1973 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
 4/2004 Took office as Managing Director, Chief Risk Officer/Head of Risk Management Group, and Chief Human Resources Officer/Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
 3/2005 Retired from Mizuho Corporate Bank, Ltd.
 4/2005 Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)
 6/2005 Took office as Managing Director of Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)
 11/2005 Took office as Representative Managing Director of Yamato Holdings Co., Ltd.
 4/2006 Took office as Representative Director and Managing Executive Officer of Yamato Holdings Co., Ltd.

6/2006 Took office as Representative Director and Senior Managing Executive Officer of Yamato Holdings Co., Ltd.
 3/2007 Took office as Representative Director and Executive Officer of Yamato Holdings Co., Ltd.
 Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
 4/2011 Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.
 4/2015 Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd.
 6/2016 Took office as Director of the Company (current)
 4/2018 Took office as Director and Chairman of Yamato Holdings Co., Ltd.
 6/2019 Special Advisor of Yamato Holdings Co., Ltd. (current)




Outside Director
Takeshi Kunibe

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 **None**
 Important Concurrent Positions Held in Other Organizations:
 Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.
 Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.
 Outside Auditor of Nankai Electric Railway Co., Ltd.
 Special Interests Between the Candidate and the Company: **None**


4/1976 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter "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 Outside Director (current)



Outside Director
**Arthur M.
Mitchell**

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 **None**
 Important Concurrent Positions Held in Other Organizations:
 Foreign lawyer of White & Case LLP
 Outside Director of Sumitomo Mitsui Financial Group, Inc.
 Special Interests Between the Candidate and the Company: **None**
 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 Outside Director (current)



NEW
Outside Director
**Naoko
Saiki**

Number of Shares of the Company Held **None**
 Important Concurrent Positions Held in Other Organizations:
 Visiting Professor, Graduate School of Public Policy, The University of Tokyo
 Outside Director, Sgitz Corporation
 Outside Audit & Supervisory Board Member, Development Bank of Japan, Inc.
 Special Interests Between the Candidate and the Company: **None**
 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
 Retired from MOFA
 1/2019 Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo (current)
 4/2020 Took office as Director of the Company (current)
 6/2021 Took office as Director of the Company (current)

(As of June 30, 2021)



Komatsu's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members can be found via the link below.
<https://www.komatsu.jp/en/ir/corporate-governance/independence-criterion-standards>

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member
Terumi Sasaki

Number of Shares of the Company Held 21 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None

4/1983 Joined the Company
 6/2020 Took office as Standing Audit & Supervisory Board Member (current)



NEW
Standing Audit & Supervisory Board Member
Yasuhiro Inagaki

Number of Shares of the Company Held 49 thousand shares
Important Concurrent Positions Held in Other Organizations: None
Special Interests Between the Candidate and the Company: None


4/1984 Joined the Company
 6/2021 Took office as Standing Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member
Hirohide Yamaguchi

Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations: Chairman of the Advisory Board of Nikko Financial Intelligence, Inc. (currently Nikko Research Center, Inc.)
 Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.
Special Interests Between the Candidate and the Company: None

4/1974 Joined the Bank of Japan
 10/2008 Took office as Deputy Governor of Bank of Japan
 3/2013 Retired from Bank of Japan
 7/2013 Took office as Chairman of the Advisory Board of Nikko Financial Intelligence, Inc. (currently Nikko Research Center, Inc.) (current)
 6/2014 Took office as Audit & Supervisory Board Member of the Company (current)



Outside Audit & Supervisory Board Member
Eiko Shinotsuka

Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations: Professor emeritus at Ochanomizu University
Special Interests Between the Candidate and the Company: None

4/1993 Took office as Professor at Ochanomizu University
 4/2008 Took office as Professor Emeritus at Ochanomizu University (current)
 6/2015 Took office as Audit & Supervisory Board Member of the Company (current)



Outside Audit & Supervisory Board Member
Kotaro Ohno

Number of Shares of the Company Held None
Important Concurrent Positions Held in Other Organizations: Attorney at law, Special Counsel of Mori Hamada & Matsumoto
 Outside Director of AEON Co., Ltd.
Special Interests Between the Candidate and the Company: None

4/1976 Appointed as Prosecutor
 7/2009 Took office as Vice-Minister of Justice
 7/2012 Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office
 7/2014 Took office as Prosecutor-General of Supreme Public Prosecutors Office

9/2016 Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office
 11/2016 Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)
 6/2017 Took office as Audit & Supervisory Board Member of the Company (current)

(As of June 30, 2021)

Skill Matrix for Outside Directors and Outside Audit & Supervisory Board Members of the Company

Name		Corporate Management	Finance/Economics	Sales & Marketing	Human Rights/ Human Resources & Human Resource Development	Environment	Legal Affairs & Compliance	Global	Risk Management
Outside Director	Makoto Kigawa	●		●		●			●
	Takeshi Kunibe	●	●			●			●
	Arthur M. Mitchell						●	●	●
	Naoko Saiki				●		●	●	●
Outside Audit & Supervisory Board Member	Hirohide Yamaguchi		●						●
	Eiko Shinotsuka				●				●
	Kotaro Ohno				●		●		●

Note: The skill matrix above is not an exhaustive list of all the expertise, experience and knowledge possessed by Outside Directors and Outside Audit & Supervisory Board Members of the Company, but presents the fields that the Company wishes each Outside Director and Outside Audit & Supervisory Board Member to focus on in particular for the supervision of management.

Directors and Audit & Supervisory Board Members

Executive Officers

■ Senior Executive Officer (Senmu)

Chief Technology Officer (CTO)
Supervising Research & Development

Yuichi Iwamoto

■ Senior Executive Officers (Jomu)

President, Production Division
President, Procurement Division, Production Division
Supervising Industrial Machinery Business
Chairman of the Board, Komatsu NTC Ltd.

Masaki Nobuhara

President, Development Division

Seiichi Fuchita

President, Japanese Domestic Marketing,
Construction Equipment Marketing Division

Kazuaki Miura

GM, Business Coordination Department
GM, Komatsu Economic Strategy Research Center

Masatoshi Morishita

President, Construction Equipment Marketing Division

Korekiyo Yanagisawa

GM, Human Resources Department
Supervising Education

Koichi Honda

President, Sustainability Promotion Division

Mitsuko Yokomoto

Supervising Legal, General Affairs & Compliance

Hiroshi Makabe

■ Executive Officers

GM, Business Reform Department,
Construction Equipment Marketing Division
GM, Business Process Reform Department

Keiko Fujiwara

President, Smart Construction Promotion Division

Chikashi Shike

Vice President, Production Division
President, Parts & Reman Promotion Division,
Production Division

Yasuo Suzuki

President, Quality Assurance Division

Masami Naruse

Awazu Plant Manager, Production Division

Takashi Yasukawa

President, Product Marketing Division

Kosei Okamoto

President, Information Strategy Division

Shinji Maeda

Himi Plant Manager, Production Division

Norikatsu Nishiyama

Oyama Plant Manager, Production Division

Hidefumi Obikane

President, Service Division,
Construction Equipment Solution Division

Toru Sunada

Osaka Plant Manager, Production Division
GM, Manufacturing Engineering Development
Center, Production Division

Takayuki Furukoshi

President, Aftermarket Business Division,
Construction Equipment Marketing Division

Kenichi Sato

Vice President, Development Division

Jun Taniguchi

Ibaraki Plant Manager, Production Division

Naoyuki Sakurai

President, Defense Systems Division

Hiroaki Ohno

Vice President, Japanese Domestic Marketing,
Construction Equipment Marketing Division
President, Komatsu Customer Support Japan Ltd.

Hideki Yoshizawa

Vice President, Development Division
GM, Vehicle Development Center 2
Development Division

Terumasa Imajo

Vice President, Development Division
GM, Engine Technical Center,
Development Division
President, Industrial Power Alliance Ltd.

Masaki Shinohara

Executive Officers (Global) Note: Executive officers overseas concurrently serve as global officers.

North America

■ Senior Executive Officers

Chairman & CEO, Komatsu America Corp.

Rodney Schrader

President & CEO, Komatsu Mining Corp.
Vice President, Mining Business Division

Jeffrey Dawes

Technical Director, Modular Mining Systems, Inc.
Vice President, Mining Business Division

Ichiro Nakano

■ Executive Officers

President & COO, Komatsu America Corp.

Taisuke Kusaba

Executive Vice President and President,
North America R&D Division, Komatsu America Corp.
Technical Director, Komatsu Mining Corp.

Yuushi Oshikawa

Executive Vice President. CFO, Komatsu America Corp.

Gary Kasbeer

Executive Vice President & COO, Komatsu Mining Corp.

Nozomu Okamoto

South America

■ Senior Executive Officer

Representative of All Latin America* Operations
President, Komatsu Cummins Chile Ltda. President,
Komatsu Holding South America Ltda. *"Latin America"
does not include Brazil.

Yasuji Nishiura

Europe

■ Executive Officers

President and CEO, Komatsu Europe International N.V.

Tadashi Maeda

President, Komatsu Forest AB

Hiroyuki Umeda

Asia/Oceania

■ Executive Officers

President, PT Komatsu Indonesia

Pratjojo Dewo S.

Managing Director, Komatsu Australia Pty. Ltd.

Sean Taylor

China

■ Senior Executive Officer

Representative of All China Operations
Chairman, Komatsu (China) Ltd.

Takuya Imayoshi

■ Executive Officer

President & CEO, Komatsu (China) Ltd.

Quanwang Zhang

Africa

■ Executive Officer

President & MD, Komatsu South Africa (Pty) Ltd.

Michael Blom

Global Officers

North America

President, Underground and Hard Rock Mining,
Komatsu Mining Corp.

Peter Salditt

President, Surface Mining, Komatsu Mining Corp.

John Koetz

President & CEO, Modular Mining Systems, Inc.

Jorge Mascena

President, Hensley Industries, Inc.

John Fiedler

Europe

Chief Operating Officer,
Komatsu Europe International N.V.

Göksel Güner

President & MD, Komatsu UK Ltd.

Paul Blanchard

President and MD, Komatsu Germany GmbH

Ralf Petzold

Executive Vice President and President, Construction
Division, Komatsu Germany GmbH

Ingo Büscher

President & MD, Komatsu Italia Manufacturing S.p.A.

David Bazzi

Asia/Oceania

President, Bangkok Komatsu Co., Ltd.

Charoen Ruengwilai

China

President, Komatsu (Shandong) Construction
Machinery Corp.

Fangchang Liu

President, Komatsu Shantui Construction Machinery
Co., Ltd.

Dechun Tian

11-Year Summary

	FY2010	FY2011	FY2012	FY2013
Net sales	1,843,127	1,981,763	1,884,991	1,953,657
Operating income	222,929	256,343	211,602	240,495
Operating income ratio (%)	12.1	12.9	11.2	12.3
Income from continuing operations before income taxes and equity in earnings of affiliated companies	219,809	249,609	204,603	242,056
Net income attributable to Komatsu Ltd.	150,752	167,041	126,321	159,518
Capital investment	97,738	122,038	136,962	179,070
Depreciation and amortization*1	88,442	89,015	88,005	85,837
Research and development expenses	49,005	54,843	60,788	64,479
Total assets	2,149,137	2,320,529	2,517,857	2,651,556
Shareholders' equity	923,843	1,009,696	1,193,194	1,376,391
Shareholders' equity ratio (%)	43.0	43.5	47.4	51.9
Net interest-bearing debt*2	459,110	563,814	585,926	513,918
Net debt-equity ratio (times)	0.50	0.56	0.49	0.37
Net cash provided by operating activities	150,402	105,608	214,045	319,424
Net cash used in investing activities	(88,509)	(124,539)	(131,397)	(167,439)
Net cash provided by (used in) financing activities	(56,365)	18,781	(71,814)	(155,349)
Cash and cash equivalents, end of year	84,224	83,079	93,620	90,872
Number of common shares issued (thousands of shares)	998,744	983,130	983,130	983,130
Net income attributable to Komatsu Ltd. per share (yen)	155.77	173.47	132.64	167.36
Cash dividends per share (yen)	38.0	42.0	48.0	58.0
Consolidated payout ratio (%)	24.4	24.2	36.2	34.7
ROA (%)	10.7	11.2	8.5	9.4
ROE (%)	17.2	17.3	11.5	12.4
Exchange rate for the U.S. dollar (yen)*3	85	79	83	100
Exchange rate for the euro (yen)*3	113	110	107	133
Exchange rate for the Chinese renminbi (yen)*3	12.7	12.4	13.2	16.3
Number of employees (persons)	41,059	44,206	46,730	47,208
Overseas employee ratio (%)	55.5	57.5	64.3	61.8
CO ₂ emissions (thousand t)*4	547	583	468	458
Waste generated (thousand t)*4	111.1	119.5	112.1	101.4
Volume of water used (thousand m ³)*4	7,400	6,784	5,737	5,114

*1 Depreciation is the total of depreciation on property, plant and equipment and on intangible assets.

*2 Net interest-bearing debt = Interest-bearing debt – Cash and equivalents – Time deposits

*3 Average exchange rates for the fiscal year

*4 Certain data has been revised and restated

Millions of yen

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
1,978,676	1,854,964	1,802,989	2,501,107	2,725,243	2,444,870	2,189,512
242,062	208,577	174,097	268,503	397,806	250,707	167,328
12.2	11.2	9.7	10.7	14.6	10.3	7.6
236,074	204,881	166,469	291,807	377,471	223,114	162,775
154,009	137,426	113,381	196,410	256,491	153,844	106,237
192,724	160,051	142,006	145,668	179,210	166,552	163,174
100,666	111,174	103,219	132,442	129,860	129,525	130,432
70,715	70,736	70,507	73,625	73,447	74,761	73,840
2,798,407	2,614,654	2,656,482	3,372,538	3,638,219	3,653,686	3,784,841
1,528,966	1,517,414	1,576,674	1,664,540	1,815,582	1,771,606	1,912,297
54.6	58.0	59.4	49.4	49.9	48.5	50.5
481,817	349,081	286,512	663,740	779,890	762,705	666,856
0.32	0.23	0.18	0.40	0.43	0.43	0.35
343,654	319,634	256,126	148,394	202,548	295,181	354,129
(181,793)	(148,642)	(133,299)	(377,745)	(187,204)	(190,930)	(163,057)
(143,983)	(173,079)	(107,718)	243,949	(3,660)	(3,457)	(199,667)
105,905	106,259	119,901	144,397	148,479	247,616	241,803
971,967	971,967	971,967	971,967	972,252	972,581	972,887
162.07	145.80	120.26	208.25	271.81	162.93	112.43
58.0	58.0	58.0	84.0	110.0	94.0	55.0
35.8	39.8	48.2	40.3	40.5	57.7	48.9
8.7	7.6	6.3	9.7	10.8	6.1	4.4
10.6	9.0	7.3	12.1	14.7	8.6	5.8
110	121	109	111	111	109	106
140	132	119	130	129	121	123
17.7	19.0	16.2	16.8	16.5	15.6	15.6
47,417	47,017	47,204	59,632	61,908	62,823	61,564
61.0	60.7	62.7	66.7	68.4	68.4	67.5
412	342	384	459	519	404	382
83.2	62.4	83.5	113.1	117.8	95.6	74.2
4,270	3,632	3,362	4,029	3,954	3,564	3,231

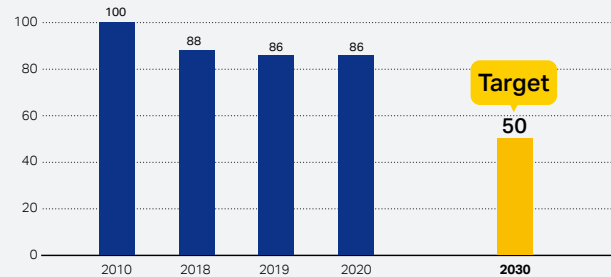
Non-Financial Highlights

Reduction of CO₂ Emissions from Product Operation

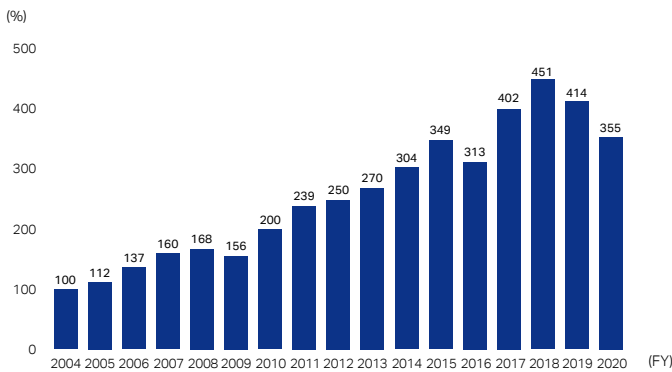
In the mid-term management plan (FY2019–FY2021), Komatsu has set the target of reducing CO₂ emissions from the operation of products (construction, mining, and forest equipment) by 50% by 2030 (compared to 2010).

To evaluate progress toward this goal, we compared the performance of the current year's products to the products of the reference year (2010) and estimated CO₂ reduction rates through the improvement of fuel consumption and work efficiency. The products of 2020 achieved a CO₂ reduction of 14%, compared to the reference year.

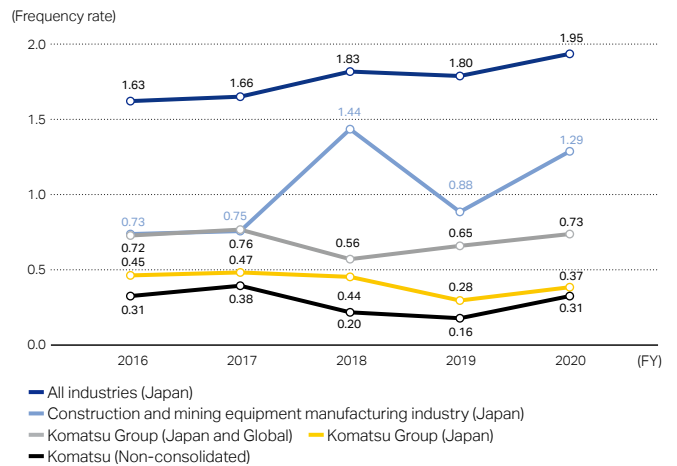
CO₂ Emissions Index for Product Operation



Changes in Reman Sales (Base FY2004 = 100)

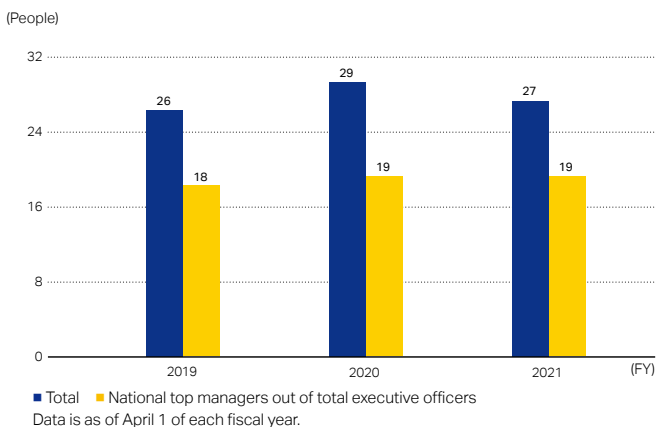


Incidence Rate of Occupational Accidents (Frequency Rate of Lost Work Time)



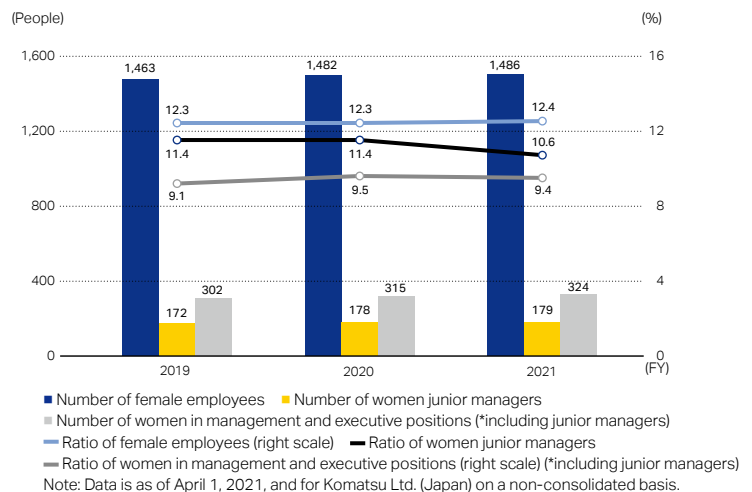
Notes: 1. The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) is provided by the Ministry of Health, Labour and Welfare.
 2. The scope of Komatsu Group (Japan) includes Komatsu Ltd. and Group companies in Japan.
 3. The scope of Komatsu Group (global) includes "Komatsu Group (Japan)" and overseas production plants.
 4. Certain data has been revised and restated.

Number of Global Officers



Data is as of April 1 of each fiscal year.

Numbers and Ratios of Female Employees and Female Managers






Note: Data is as of April 1, 2021, and for Komatsu Ltd. (Japan) on a non-consolidated basis.

Corporate Profile



For more information on the above indexes, please refer to Komatsu's corporate website: <https://komatsu.disclosure.site/en/themes/133>

External Evaluations and Index Inclusion

 <p>CDP Climate A-List</p>  <p>CDP Water A-List</p>	<p>Member of Dow Jones Sustainability Indices</p> <p>Powered by the S&P Global CSA</p> <p>Dow Jones Sustainability Indices (DJSI)</p>	 <p>MSCI Global Sustainability Indexes*1</p>
 <p>ISS-Oekom</p>	 <p>Euronext Vigeo World 120</p>	 <p>FTSE Blossom Japan Index**2</p>
<p>2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p> <p>MSCI Japan ESG Select Leaders Index*1</p>	<p>2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p> <p>MSCI Japan Empowering Women Index*1</p>	 <p>S&P/JPX Carbon Efficient Index</p>
 <p>DX銘柄2021 Digital Transformation Stock Selection</p>	 <p>SBT</p>	 <p>Grand Prix of the Corporate Value Improvement Award, Tokyo Stock Exchange</p>

*1 The inclusion of Komatsu Ltd in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names HEREIN, do not constitute a sponsorship, endorsement or promotion of Komatsu Ltd by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

*2 FTSE Russell confirms that Komatsu has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Corporate Information (As of March 31, 2021)

Name

Komatsu Ltd.

Head Office

2-3-6 Akasaka, Minato-ku, Tokyo 107-8414

Date of Establishment

May 13, 1921

Common Stock Outstanding

Consolidated: ¥69,037 million based on
U.S. GAAP

Number of Employees

Consolidated: 61,564

Non-consolidated: 11,795

Average age (non-consolidated): 39.8

Average years of continuous service

(non-consolidated): 15.3

Shares of Common Stock Issued and Outstanding

972,887,610 shares

(including shares of treasury stock)

Number of Shareholders

184,661

Number of Shares per Trading Unit

100

Securities Code

6301 (Japan)

Stock Listings

Tokyo

Transfer Agent for Common Stock/Management Institution for Special Account

Mitsubishi UFJ Trust and Banking Corporation

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Depositories (ADRs)

The Bank of New York Mellon

101 Barclay Street,

New York, NY 10286, U.S.A.

Tel: +1-(201)-680-6825 for international

calls and 888-269-2377 (888-BNY-ADRS)

for calls within U.S.A.

URL: <https://www.adrbnymellon.com/>

Ticker Symbol: KMTUY

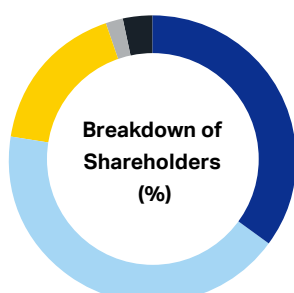
Major Shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	86,574	9.15
Custody Bank of Japan, Ltd. (Trust Account)	56,175	5.94
SSBTC CLIENT OMNIBUS ACCOUNT (standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch)	30,574	3.23
JP MORGAN CHASE BANK 385632 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	27,433	2.90
Taiyo Life Insurance Company	27,200	2.87
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	26,626	2.81
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	25,644	2.71
Custody Bank of Japan, Ltd. (Trust Account 7)	19,748	2.08
Custody Bank of Japan, Ltd. (Trust Account 5)	13,890	1.46
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	13,542	1.43

Notes: 1. Shareholding ratio is calculated by subtracting treasury stock.

2. Although the Company holds 27,319 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Stock Information (including shares of treasury stock)

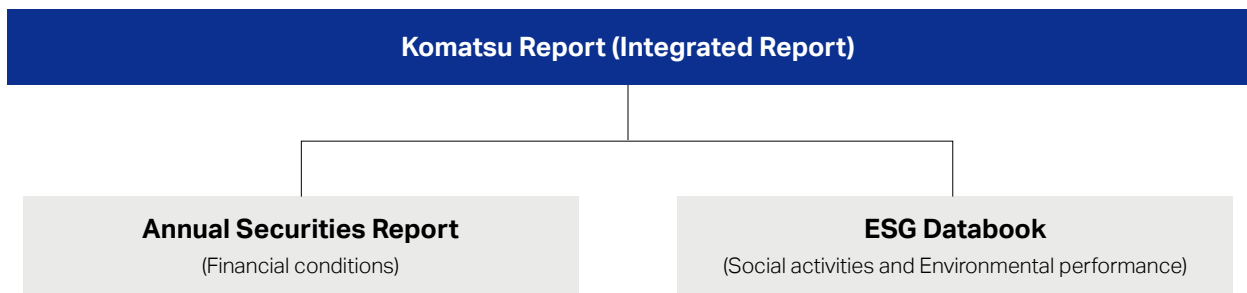


● Financial	35.0%	340,609,230 shares	176 shareholders
● Foreign	42.5%	414,201,239 shares	1,074 shareholders
● Individual and other	17.3%	168,315,982 shares	181,862 shareholders
● Corporate	1.9%	19,375,538 shares	1,404 shareholders
● Securities	3.1%	30,385,621 shares	145 shareholders

About Komatsu Report

We have published our integrated report, Komatsu Report, for our stakeholders to introduce the group's efforts to realize sustainable growth in corporate value. The Komatsu Report mainly focuses on the value creation business model of working for sustainable growth by turning a positive cycle of improving earnings (financial indexes) and solving ESG issues (non-financial indexes) as it implements growth strategies in the mid-term management plan. Separate reports are prepared and disclosed to provide detailed financial information and information on environmental and social initiatives.


Structure of Komatsu's Annual Reports



* Komatsu Report, Annual Securities Report and ESG Databook, in both Japanese and English, are uploaded on Komatsu's website.
 * Komatsu Ltd. issues the Komatsu Report only on the website.

Please refer to "Annual Securities Report" for more company and financial information.


- Overview of the Company and Its Consolidated Subsidiaries
- Business Overview
- Property, Plant and Equipment
- Information on the Company
- Financial Information

 <https://www.komatsu.jp/en/ir/library/annual-security-report>



Please refer to "ESG Databook" for more information concerning environmental and social efforts.

- Stance on CSR Efforts
- Theme 1: Enhancing Quality of Life (Safety, environmental indexes, etc.)
- Theme 2: Developing People (Diversity, etc.)
- Theme 3: Growing with Society (Compliance, risk management, governance, etc.)

 <https://www.komatsu.jp/en/aboutus/csr>



Komatsu has signed the United Nations Global Compact (UNGC). Click this link for more information about the Ten Principles advocated by the UNGC and how they pertain to Komatsu's initiatives.

<https://komatsu.disclosure.site/en/themes/129>



Komatsu has joined the World Business Council for Sustainable Development (WBCSD).

KOMATSU

2-3-6, Akasaka, Minato-ku, Tokyo
107-8414, Japan
<https://www.komatsu.jp/en>
Corporate Communications Department
Sustainability Promotion Division
e-mail: JP00MB_info@global.komatsu