KOMATSU
Creating value together

*Together, to **"The Next"***

for sustainable growth

Komatsu Report

2024

Our purpose

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

We have a 100-year history of taking on new challenges. commitment to *quality* and *reliability* and *manufacturing and technology innovation* are the core values of Komatsu which we have refined since our founding.
By refining this core value constantly over the next 100 years, we continue to create new value, which is the mission of Komatsu Group.

The Komatsu's vision of the future of workplaces

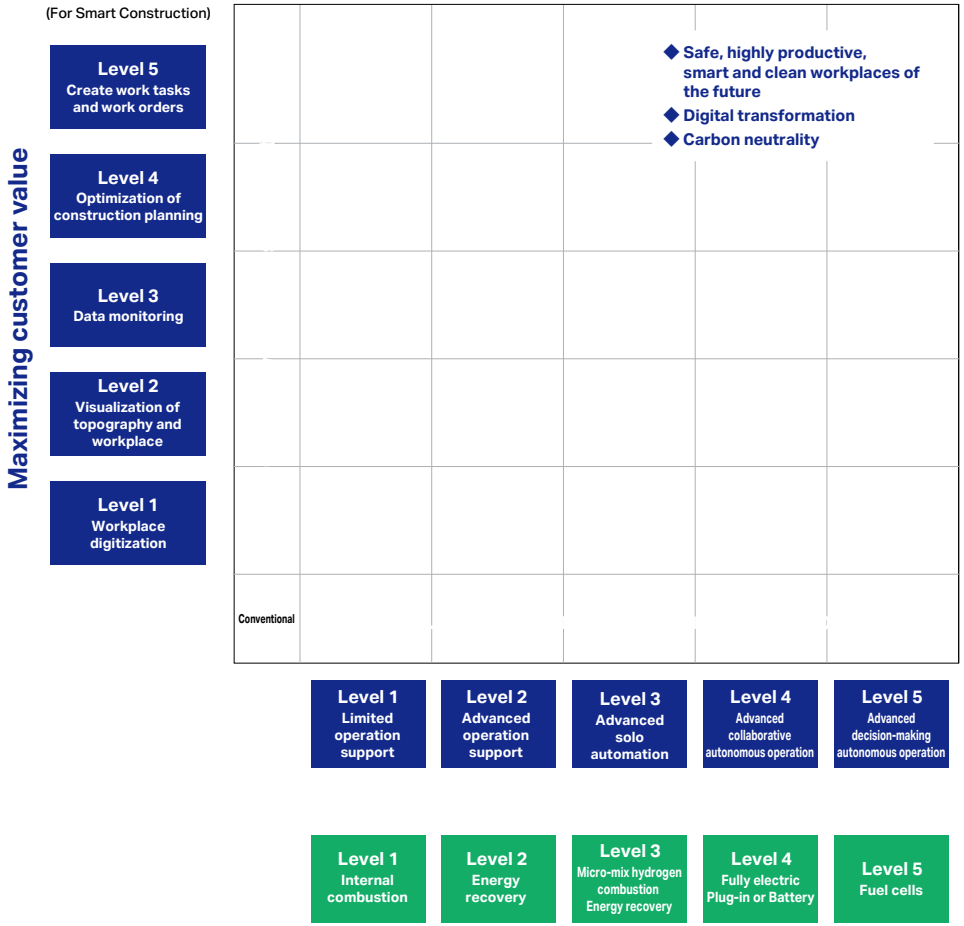
Develop safe, highly productive, smart, and clean workplaces of the future with customers

Our goal is to digitize workplaces around the world.
Connecting terrain, people, equipment, and materials on an open platform, we work together with customers to create new value, solving problems and optimizing operations at customer sites.

Roadmap to workplaces of the future

Steady progress toward "safe, highly productive, smart, and clean workplaces of the future"

Offering solutions that optimize customers' operation processes through digitalization, together with safe, eco-friendly, and highly efficient products that are compatible with our solutions. Our business continues to evolve toward its next stage in which it resolves issues of our customers' workplaces with a sophisticated combination of solutions and products. We are steadily progressing on the roadmap to workplace of the future together with our customers through the development of electrified and automated equipment and the expansion of DX Smart Construction solutions.



Solutions (optimization of customers' entire operation processes)

Launched Smart Construction VR

Acquired iVolve, a provider of fleet management systems for small- to medium-tier miners, contractors and quarries.

Web

Number of Autonomous Haulage Systems (AHS) for mining surpassed 700

Web

Products (automation and autonomous operation)

Collaborated with Japan Freight Railway Company to develop forklifts with guidance and semi-automatic functions (market introduction scheduled for FY2024)

Wheel loader (WA900-8) with multiple automatic functions to assist operation

Launched sales of remote control systems for use in construction equipment

Products (improvement of equipment efficiency and reduction of CO_2 emissions)

Launched sales of electrified construction equipment in Japan and Europe (certain sales in Japan are rental sales)

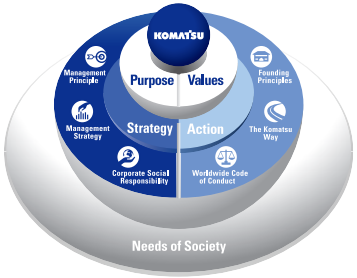
Developed a transportable hydrogen-mixed combustion generator to power electric mini excavators (concept machine)

Began collaborating with General Motors Company to develop hydrogen fuel cell-powered mining trucks

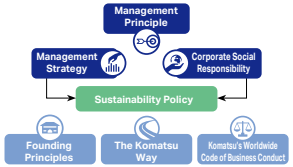
Web

Corporate identity

As our business and strategies diversify further, we will strive to deliver our corporate identity through our global operation.



Strategy and action



Our purpose Our mission and vision

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

Our values The values we cherish

Ambition Perseverance Collaboration Authenticity

Strategy and action Guidelines shaping shared understanding behind business activities

Strategy

Management principle
We will maximize the total sum of trust given to us by society and our stakeholders through a commitment to quality and reliability.
Management principle shows our basic stance regarding business administration.

Management strategy
Our current mid-term management plan, DANTOTSU Value— *Together, to "**The Next**" for sustainable growth* (FY2022–FY2024), aims to generate a positive cycle for resolving ESG issues and improving earnings through new value creation for our customers.

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

Action

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 the 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.

■ Sustainability policy　Business continuity guidelines for business activities

Since Komatsu's founding, we have always pursued "Quality and Reliability", and have made efforts to build strong relationships of trust with our stakeholders based on our "Management Principle" of maximizing the total sum of trust from all stakeholders, including society.
Our pursuit of coexistence has been handed down through generations, and our basic stance is to contribute to society through business activities.
Our purpose is "Creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together".
We will continue to address issues that are important to both a sustainable society and our business, grow as a corporate group that can flexibly respond to changes in society and the external environment, further enhance our corporate governance, and contribute to society with our stakeholders.

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

With people

- We provide an environment where diverse and global employees can work safely and healthily as one team, with respect for each individual, and with satisfaction and pride.
- We nurture employees who can take on challenges in various jobsites and regions, create new value together with customers, and contribute to the realization of a sustainable society.
- As Komatsu Group, we shall respect human rights related to all of our business activities.

With business

- We contribute to society through our business activities by providing our customers with safe and highly productive products, services, and solutions that realize sustainable infrastructure development, resource development, and a recycling-oriented society.
- We build relationships with our business partners and local communities that enable mutual trust, fairness, co-existence, and co-prosperity.
- We comply with the rules of society, including laws and regulations, and strive to respond sincerely to the requests and expectations of all stakeholders, including society.

With the planet

- Through all of our business activities, we strive to reduce our environmental impact and preserve the global environment through the use of advanced technologies.
- We strive to increase both global environmental conservation and business growth through manufacturing and technological innovation.
- We pursue collaboration and value creation with our stakeholders toward a sustainable planet and future.

Komatsu Ltd.
President and Chief Executive Officer

About Komatsu Report

The purpose of the Komatsu Report (integrated report) is to communicate to stakeholders about the progress of our sustainability-oriented management and growth strategies.

Medium- to long-term perspective

Results

Financial information

Komatsu Report (Integrated Report)

A report introducing our efforts to achieve sustainable growth

Annual Securities Report

A report focusing on our financial information, including our business overview and consolidated financial statements

Sales and profits gains report

A report summarizing operating results and financial information

Non-financial information

Corporate Governance Report

A report based on our corporate governance code (corporate governance guidelines)

ESG Databook

Comprehensive report on our ESG-related activities

WE SUPPORT UN GLOBAL COMPACT

Komatsu is a participant in the United Nations Global Compact (UNGC). Visit the following website for more information on how our initiatives relate to the Ten Principles of the UNGC.

Web Comparison with global principles (ESG Databook)

World Business Council for Sustainable Development

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

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. Actual results may differ significantly from the predictions, plans, and forecasts stated herein due to changes in various factors. These factors include changes in economic conditions and product demand in major markets, foreign exchange rate fluctuations and changes in domestic and international regulations, accounting standards and practices.

Reporting period

April 1, 2023–March 31, 2024

- This report also includes information on activities after the reporting period in order to provide readers with the latest information.
- "FY2023" refers to the period from April 1, 2023 to March 31, 2024, unless otherwise noted.

Reference guidelines

This report was prepared with reference to the International Integrated Reporting Framework issued by the IFRS Foundation, and Guidance for Collaboratibe Value Creation issued by the Ministry of Economy, Trade and Industry.

About the PDF

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Web .....Jump to relevant part of the website.

P.●● .....Jump to relevant page of the report.

About the cover (P.1)

■ Lunar machine project

We launched the lunar machine project when Komatsu was selected by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) in July 2021 for our application to the Space Construction Innovation Project. The Space Construction Innovation Project is a part of the Strategic Program for Accelerating Research, Development and Utilization of Space Technology (Stardust Program) sponsored by the Japanese government. Currently, Komatsu engages in the research and development for lunar construction equipment using digital twin technology as a part of the project.

■ Underwater construction of the future

Komatsu began mass production of radio-controlled amphibious bulldozers in 1971. We strive for underwater construction of the future as a measure to prevent and recover from increasingly severe and frequent natural disasters and massive earthquakes stemming from climate change. Working with Asunaro Aoki Construction Co., Ltd., we plan to introduce our approach to use underwater construction robots, big data, and AI analysis to engage in these efforts at the Osaka-Kansai Expo in 2025.

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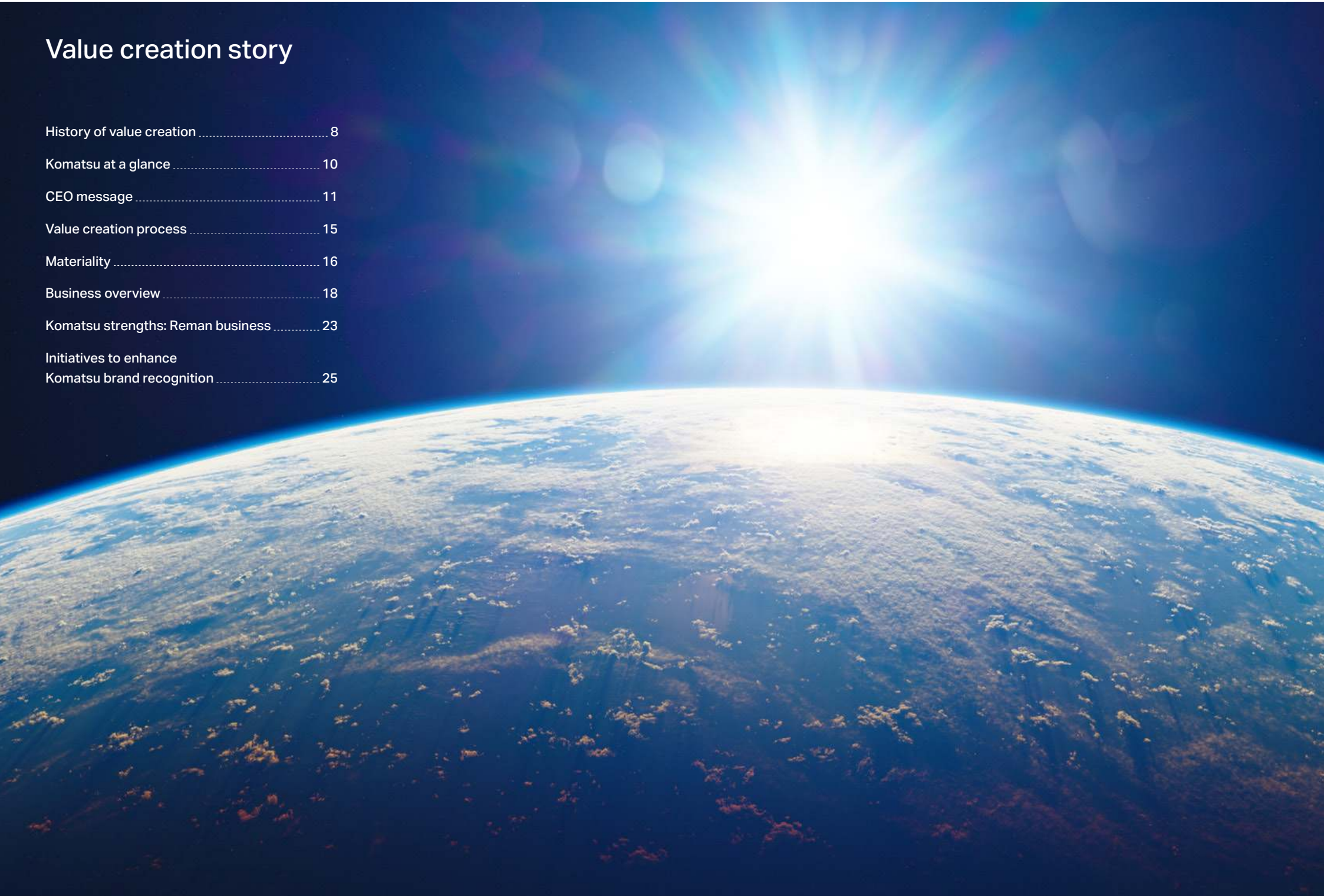


History of value creation

Since our founding, Komatsu has been a pioneer in conducting M&A to accelerate growth while expanding our business domain.

Komatsu Ltd. was established to carry on the operations of Komatsu Iron Works Ltd. (established in 1917), which manufactured mining machines for use in the Yusenji copper mine located in Komatsu City, Ishikawa Prefecture developed by Meitaro Takeuchi, founder of Komatsu Ltd. 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, he emphasized the importance of developing technology and manufacturing products with an eye to international markets, even when he founded Komatsu. The four "founding principles" put forth by him continue to live on in the DNA of Komatsu today.

Founding principles
- Global expansion
- Quality first
- Technological innovation
- Human resource development

Meitaro Takeuchi
Founder

Acquiring technology

1961
Signed a technology tie-up agreement for diesel engines with Cummins Engine Co., Inc. (U.S.)

1988
Established a joint venture company with Dresser Industries (U.S.) to acquire super-large electric dump truck business

1994
Engaged in capital participation in Modular Mining Systems Inc. (U.S.), a developer of fleet management systems for mining equipment

1995
Established a joint venture company with Mannesmann DEMAG (Germany) to acquire super-large hydraulic excavator business

2004
Acquired Partek Forest AB (Sweden), a manufacturer and distributor of forestry equipment

2017
Acquired Joy Global Inc. (U.S.), a leading manufacturer of mining equipment

2021
Established EARTHBRAIN Ltd. (a joint venture company) to handle the planning and development of our solutions business

2022
Acquired Mine Site Technologies Pty Ltd (Australia), a company that handles communications equipment for underground mines

2022
Resolved to acquire GHH Group Gmbh (Germany), a manufacturer of underground mining equipment (acquisition completed in 2024)

2023
Acquired American Battery Solutions Inc. ("ABS"; U.S.), a manufacturer of batteries

Strengthening our value chain

2000
Acquired Hensley Industries, Inc. (U.S.), a manufacturer of parts for construction and mining equipment

2011
Acquired DTSA (Chile), a manufacturer of dump truck bodies

2015
Acquired Lehnhoff Hart Stahl GmbH (Germany), a manufacturer of attachments

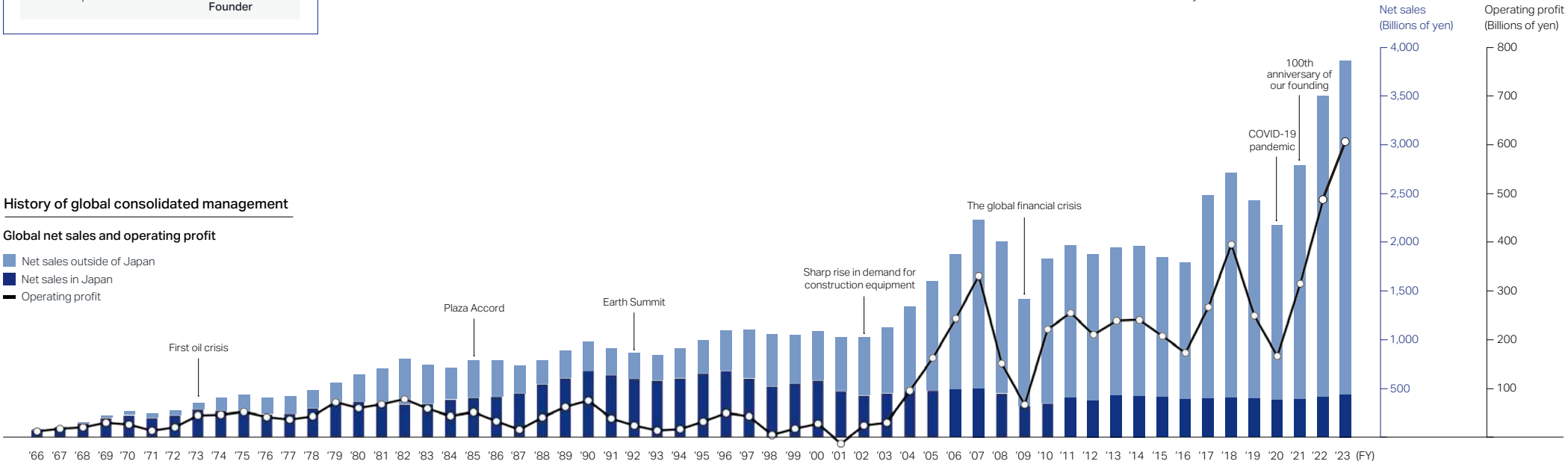
2018
Acquired Quadco Inc. (Canada), a manufacturer of forestry attachments

2019
Acquired TimberPro Inc. (U.S.), a manufacturer of forestry equipment

2022
Acquired Bracke Forest AB (Sweden), a manufacturer of tree-planting attachments

History of global consolidated management

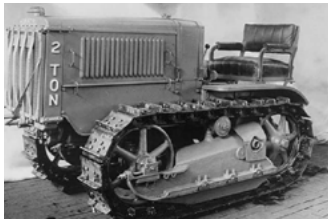
Global net sales and operating profit



History of value creation

Product evolution

In response to a request from the Ministry of Agriculture and Forestry, Komatsu took on the challenge of developing crawler-type farm tractors in Japan. While other companies stopped at the prototype stage, Komatsu pressed on with a strong commitment to developing unique products that others could not imitate and completed the first tractor in Japan.



Komatsu launched sales for the world's first hybrid hydraulic excavator.
This proprietary system reduces fuel consumption by approximately 25% compared to conventional models.
We expanded the lineup to include the 20-ton class and the 30-ton class in 2016.

Komatsu introduced ICT bulldozers to the market. These bulldozers were the first to offer automated blade control during both excavation and the finishing processes of land preparation. In 2014, we introduced an ICT hydraulic excavator equipped with machine controls to the market.

Komatsu became the first in the industry to introduce hydraulic excavators to the Japanese market that standardize the installation of our in-house KomVision Human Detection & Collision Mitigation System. We support construction site safety through the provision of this system to a wide range of customers.

Komatsu began introducing rental battery-powered mini excavators for rental on the Japanese market. These excavators provide the same excavation performance as the engine-driven version while also featuring zero exhaust emissions and a significant reduction in noise. These advanced models will play a role in the future expansion of human- and eco-friendly equipment.

All seven models (five battery-powered and two plug-in electric hydraulic excavators for the Japanese market) received certification from the GX (Green Transformation) construction machinery certification for the first time. This new certification system was established by the Ministry of Land, Infrastructure, Transport and Tourism and contributes to carbon neutrality.

Solution evolution

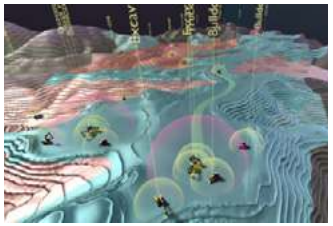
We started this business about 30 years ago to recycle and supply components collected from customers. Demand grew steadily, leading to our current global expansion related to circular economy known as the Reman* business.

* Reman stands for remanufacturing/remanufactured.

Komtrax is a machine tracking system that enables users to view construction equipment information from remote locations. We standardized the use of this system in models for the Japanese market. In 2002, we expanded the system to North America, Latin America and Europe, installing Komtrax in approx. 770,000 units of Komatsu construction equipment.
(as of June 30, 2024)

In 2005, Komatsu introduced trial systems in Chile, successfully introducing the world's first commercial AHS in 2008. To date, over 700 units have been installed between 23 mines in five countries around the world, with a cumulative total of 7.5 billion tons carried (as of February 29, 2024).

Smart Construction is a solution that visualizes all aspects of construction sites using a variety of digital technologies, including IoT devices and applications. This visualization enables customers to resolve issues regarding safety, productivity and environmental adaptability.
We work to advance our products in line with the evolution of digital technology.



Komatsu developed a platform that supports the visualization of factory operations and formulates optimization measures by collecting and analyzing various types of data (e.g., operation and processing data) from machine tools and robots. We sell Kom-mics through QUALICA Inc.

Through the platform, it is possible to manage the development, production, operation and repair history of each equipment unit in one central location. Komatsu also offers the KomFleet screen for distributors to enhance sales and service proposals to best meet customer needs.

Komatsu at a glance

Business

Founding

May 13, 1921

Komatsu was founded in Komatsu City, Ishikawa Prefecture by Meitaro Takeuchi, who aimed to contribute to the local economy.

Consolidated net sales

¥3,865.1 billion

Komatsu's consolidated net sales have tripled since FY2001. Komatsu is the world's second-largest manufacturer of construction and mining equipment by sales.

Global network

235 bases*

Komatsu has developed a global business through a network comprising 67 production bases, 78 sales bases and 90 parts, training and remanufacturing bases.

* Total for the construction, mining and utility equipment and the industrial machinery and others

Global

Start of exports from Japan

1955

Komatsu was quick to advance onto the global stage beginning with the export of construction equipment to Argentina. The establishment of the first liaison office outside of Japan is in India in 1964 and then the start of overseas production is in Brazil in 1975.

Sales ratio outside of Japan

91%*1

Traditional markets: 46% / Strategic markets: 54%.*2 Komatsu is characterized by a globally balanced distribution of sales.

*1 Construction, mining and utility equipmentt
*2 Traditional markets: Japan, North America, Europe; Strategic markets: Latin America, CIS, China, Asia, Oceania, Middle East, Africa

Consolidated number of employees

65,738

Approximately 70% of Komatsu employees work outside of Japan. We contribute to the success of customers by leveraging the teamwork of our global team of individuals from diverse backgrounds.

Innovation

Number of units equipped with Komtrax

770,000
(as of June 30, 2024)

Komtrax was first standardized in 2001, and since then has enabled uses to view construction equipment information worldwide from remote locations. We support our customers in the efficient operation of their equipment.

Aggregate number of units equipped with Autonomous Haulage System (AHS) for mine sites

754
(as of June 30, 2024)

Komatsu launched the world's first commercial AHS in 2008. This system has continued to contribute to the safety and productivity of many mine sites.

* Autonomous Haulage System

Digitalization solutions for construction sites Aggregate number of job sites using Smart Construction

40,307
(as of June 30, 2024)

Since being introduced as an industry first in 2015, Smart Construction has continued to help address various issues surrounding workplaces, such as labor shortages.

Sustainability

Decision-making priority

SLQDC

Komatsu makes decisions prioritizing the principles of SLQDC (Safety and Health, Law, Quality, Delivery and Cost) to maximize the total sum of trust given to it by all stakeholders.

CO_2 emissions from product use

22% reduction
(Compared with 2010)

Komatsu is proactive in our efforts to develop electrified equipment and other low-carbon products to contribute to reduced environmental impacts. We aim to achieve a 50% reduction by 2030 and aim for carbon neutrality by 2050.

Selected for the Dow Jones Sustainability World Index*

18 consecutive years

Komatsu has been recognized as a company exhibiting excellence in terms of economic performance, environmental conservation efforts and social activities.

* A leading socially responsible investment index compiled by S&P Global Inc. of the United States

CEO message

We aim to achieve sustainable growth through commitment to quality and reliability, and by creating new customer value to achieve a positive cycle of solving ESG issues and increasing profits.

Hiroyuki Ogawa
President and Representative Director
Chief Executive Officer (CEO)

Risks are opportunities for a competitive edge

Changes in our business environment are becoming even more dramatic. We find ourselves in a time of increasing uncertainty regarding an unpredictable future, facing the complex interplay among risks involving global geopolitics, economic security, climate change, cybersecurity, and more.

Amid these circumstances, we look back at FY2023 performance in which we posted record-high sales and profits. Consolidated net sales amounted to ¥3,865.1 billion (up 9.1% year on year) and operating profit was ¥607.2 billion (up 23.7%). Positive factors contributing to our performance included the strong sales of mining equipment and parts, the impact of improved selling prices, and the effect of a weak yen. We see the results of our efforts in responding firmly to risk and continuing to build a structure resilient to the impact of the external environment.

In particular, we continued with our efforts to minimize the impact of supply chain risks. Supply chains across all aspects of society were disrupted during the COVID-19 pandemic. However, Komatsu responded quickly and agilely through a flexible production system supplying products and parts between regions. We call this production system *global cross-sourcing*, and we continue to build systems to supply products and parts to each market from the most optimal plant. Our decisions take into account for current exchange rates, production capacity, cost competitiveness at each plant and demand trends in each region. In addition, we have stepped up *multi-sourcing* to ensure the procurement of the same parts from multiple suppliers as a risk diversification measure.

Strengthening risk management during times of normal operation will become even more important. Komatsu introduced an enterprise risk management system (ERM), enhancing activities to identify, assess and mitigate all risks from a company-wide perspective. Even as we strengthen our preparedness to mitigate and avoid risk, we see risks as opportunities to take on new challenges and increase our competitive edge.

CEO message

Leveraging the strengths of our component strategy to grow our earnings power in the aftermarket business

Another driver of our strong performance has been the aftermarket business. The aftermarket refers to parts replacement and maintenance for customer-purchased new equipment. The aftermarket business already accounts for about 50% of Komatsu construction equipment and vehicle sales and 60% of profits. Demand for new equipment sales tends to fluctuate widely depending on economic conditions. Aftermarket demand, however, is based on the machine population already in operation in the market, which enables us to earn stable sales. Currently, around 770,000 units of Komatsu equipment are in operation worldwide. Maintaining and increasing this machine population will lead to stable earnings that are not easily affected by the economic climate.

And our in-house development and production of key components is what supports our profitability in the aftermarket. As differentiating our equipment itself from others becomes difficult, we develop and produce engines, transmissions, hydraulic equipment, and other key components in-house. These components determine the performance of our construction and mining equipment, and this in-house approach is an extremely important factor in our competitiveness. Since we develop and manufacture these components in-house, we use the best combination of components and advanced technologies for each model in product development. For example, sensors on components help us monitor durability using Komtrax (equipment operation management system), which enables us to suggest repairs at the appropriate time based on the data. By understanding the durability and reliability of components, we can offer extended warranty contracts with periodic maintenance, which allows customers to use our equipment with confidence and leads to the purchase of our genuine parts by customers. This approach also enables us to receive components at the appropriate timing and to offer high-quality *reman* products, which leads to the increase of value for used equipment. We recognize that Komatsu's strengths and differentiation lie in our ability to control QCD (quality, cost, and delivery) and establish business models based on in-house component development and production.

A tour of American Battery Solutions Inc., which joined the Komatsu Group in 2023

Accelerating efforts in electrified construction and mining equipment, looking ahead to future market formation

Another keyword in sustainable growth is *decarbonization*. Under our current mid-term management plan (FY2022 - FY2024), Komatsu pursues a challenge target of achieving carbon neutrality by 2050. We encourage everyone in the company to think about the issues and measures we can take to achieve this goal. One answer has been electrifying construction equipment, which we began selling and renting in Japan and Europe in FY2023. Hurdles remain in electrified construction and mining equipment in terms of installation costs and infrastructure for power supply, and the market has yet to form. However, Komatsu has introduced seven new models of electrified construction equipment to further accelerate our efforts to form a market.

The trend toward decarbonization is now irreversible. We expect various regulations and standards—such as carbon pricing and carbon taxes—in the not-too-distant future. Given these circumstances, we fully expect customers to require environmentally friendly construction and mining equipment. Therefore, we believe it is important to conduct advanced research and development toward carbon neutrality in all technological directions, including hydrogen engines and carbon-neutral fuels.

However, we do not have enough in-house expertise in electrification technologies at this time. We must work with partners to develop such technologies. Toward future technology development, we welcomed battery manufacturer American Battery Solutions, Inc. (U.S.A.) to the Komatsu Group in FY2023. We also signed a joint development agreement with General Motors Company (U.S.A.) for hydrogen fuel cell modules used in ultra-class mining dump trucks.

CEO message

These mergers, acquisitions, and technology alliances are designed to place key component technologies in our hands for future electrified construction and mining equipment. We intend to plant seeds toward expanding the aftermarket and further earnings growth when construction and mining equipment transitions to electrification.

The Komatsu approach to an ideal vision of the future

The Komatsu vision is to develop safe, highly productive, smart and clean workplaces of the future together with our customers. As an example, I envision a sustainable society in which carbon neutrality and economic growth are compatible, and where knowledge from around the world gathers from beyond national borders through digital transformation, leading to solutions for various social issues. To achieve this vision, we aspire to create value for our customers in terms of both products and solutions.

When speaking of products alone, we understand that any product—no matter how advanced—will eventually become more difficult to differentiate. For this reason, an organization's growth will come to a halt if it lacks a strategy for creating a growth curve combining products and solutions. In digital technologies, Komatsu engages in M&A or creates carve-out organizations to accelerate development for applications, platforms, and other technologies that are remarkable advancements. We aim to create customer value that is uniquely Komatsu (*DANTOTSU* Value), offering new value in the form of solutions and products that are highly compatible with these solutions.

The important factor for this value creation is the speed of research and development. Originally, Komatsu has grew through total quality management (TQM), and our development style tended to focus on taking time to develop and release quality-assured to the market. Looking at the speed of the solutions business these days, however, we have to conduct development more quickly through trial and error. Working with outside partners to develop solutions is an essential part of embracing this agile development culture and increasing development speed.

But we must not compromise on quality. Our management principle is to commit ourselves to quality and reliability in order to maximize the total sum of trust (corporate value) given to us by society and all Komatsu stakeholders. This commitment to quality and reliability and manufacturing and technology innovation are part of the Komatsu DNA and these are elements we must never change, no matter how the times change.

Sharing our values with all employees in the Komatsu Group and increasing our global presence

In the end, it is our *people* who demonstrate and pass down this DNA. The Komatsu Group consists of more than 65,000 employees globally, about 70% of whom work outside Japan. Needless to say, establishing shared values is important if such a diverse group of individuals is to work toward a single vision.

Komatsu shares values through the Komatsu Way, and we plan to revise this set of values with a target date of April 2025. The next revision will be the fourth update to the Komatsu Way. In this fourth version, I hope to communicate clearly and simply how our purpose, value, and Brand Promise—all defined in 2021 on the occasion of our 100th anniversary—interrelate with the Komatsu Way.

As the President and CEO, one of my most important roles is to communicate management policies clearly, share issues, and move the organization toward a vision for the future. To this end, I strive to communicate with employees through town-hall meetings and Q&A sessions, which we hold semiannually at each business location. Having an awareness of issues and latent desires on the workplaces of our business becomes a useful guideline to determine our future direction. This approach should be valued as the Komatsu Way for top management, no matter who serves as President.

Reform of head office functions, including building renovations, is another important measure in terms of fostering a corporate culture. Working styles not restricted to physical location have become a common culture in the wake of the COVID-19 pandemic. In terms of business continuity planning as well, our primary goal is to some headquarter functions closer to the operation bases where synergies can be expected, focus on the functions the head office of a global company should have, and make our head office a communications hub to enhance the Komatsu brand presence. Our signing a multi-year sponsorship agreement with the Williams Racing F1 team was one idea that emerged from discussions with overseas management who were aware of the challenges of raising awareness of the Komatsu Group and recruiting human resources. Moving forward, we intend to accelerate our efforts to enhance the Komatsu brand presence, including conveying a globally consistent brand message.

Tying the power of diverse human resources to innovation

Diversity and inclusion are another important topic of focus. Komatsu believes that human resources diversity is the greatest source of value creation. We seek to execute many projects as a global team, ensuring employees with diverse backgrounds engage in constructive discussions to foster a broad range of innovations. More recently, we began conducting a regular diversity and inclusion development seminar toward developing female executives on a global basis.

On-the-job training is another important way we develop our human resources. Looking back on my own experience, I believe nothing tops practical and experiential learning. As a few examples, I had experiences in reorganizing production systems in Japan after the burst of the Japanese bubble economy, in operations after the Lehman Shock, and again in operations again during the Great East Japan Earthquake. Most recently, we all experienced the challenges of the COVID-19 pandemic. Those happened in very difficult times for both Komatsu and myself. What I am today is the result of many experiences—both good and bad. The 5Gs of Monozukuri (gemba, genbutsu, genjitsu, genten, kenzaika) may seem old-fashioned to the young people of today. But I hope our young employees grow up through experiences and various assignments in the actual workplace, learning the pride of being a manufacturer.

With members winning gold awards at all Komatsu QC convention in FY2023

CEO message

Sustainability and other future-oriented investments

Similar to the investment in human capital, investment in future growth is important, even if such investments do not lead to immediate sales and profits. For example, we see decarbonization, the circular economy, and other sustainable issues as business opportunities for future growth. We currently conduct materiality assessment to identify materiality in preparation for our next mid-term management plan. This assessment helps us keep a close eye on which areas we should invest in.

We must also invest in areas of future growth that are highly compatible with sustainability. For example, investments in promising businesses is important such as forestry machinery, hard rock mining equipment (iron ore, copper, nickel, etc.), and solutions, determining the cost effectiveness of such investments. Of course, profits are the first consideration when investing in these future growth areas. A company that doesn't make money cannot invest and make plans for growth.

Since our founding, Komatsu has contributed to solving social issues through our business activities. This stance has never changed. The most important thing is to create a positive cycle of solving ESG issues and improving profits. We believe this is the mission that Komatsu is expected to fulfill.

A message to our stakeholders

I always say that we should conduct business by putting emphasis on operating profit margin, since demand for construction and mining equipment fluctuates drastically. To improve operating profit margin, we should continue to implement fixed cost management, including business and structural reform. On top of this, as I mentioned earlier, the key for future growth is to expand the aftermarket business, where we will focus our efforts. Making these efforts, we strive to maximize our earning power, strengthen our profit structure further to achieve industry-leading profitability—one of our management goals—and continue to invest in growth areas for the future.

Our purpose is creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together. The basic approach to achieving this purpose is through the management principle that we maximize the trust given to us by our stakeholders and society through a commitment to quality and reliability. Our mid-term management plan is positioned as the strategy to put this basic approach into practice. This history of Komatsu is a history of innovation ahead of the industry. In just the past few years, certain technologies have entered into the practical or commercial application stages. In addition, we are bolstering resources for future growth through acquisitions and collaborative partnerships. I encourage you, our stakeholders, to look forward to future Komatsu innovations. In other words, look forward to DANTOTSU Value, or customer value creation which generates a positive cycle of solving ESG issues and improving profitability, as a means for sustainable growth at Komatsu.

President and Representative Director
Chief Executive Officer (CEO)

Value creation process

Our business is supported by a wide range of internal and external capital. Komatsu invests this capital in our business to grow our business further while maximizing value and contributing to the sustainable development of society.

Inputs

Financial capital

Shareholders' equity:	¥3,033.6 billion
Interest-bearing debt:	¥1,199.4 billion
Growth strategy investments*:	¥150.0 billion

* Figure represents the aggregate total for the period from FY2022 to FY2024.

Human capital

Consolidated number of employees:	65,738
Ratio of employees working outside Japan:	68.9%
Training investments per employee:	¥108,000

Intellectual capital

Development bases:	9 production bases with development functions
R&D investments:	¥103.4 billion (2.7% of net sales)
Utilization of information:	Approx. 770,000 units equipped with Komtrax* (as of June 30, 2024)

*Machine tracking system

Manufactured capital

Komatsu production bases:	67
Capital investments:	¥118.0 billion (excluding rental assets)

Social capital

Machine population over past 10 years:	Approx. 580,000 units*
Sales and service distributors:	211 distributors in 151 countries
Suppliers:	Approx. 2,700

* Estimate of construction equipment operational at customer workplaces based on aggregate 10-year sales volumes

Natural capital

Energy use:	8.3 PJ
Water use:	2,721 thousand m³

Business Activities and Strengths

Research and development

- In-house development and production of **key components underpinning product performance**
- Accelerated technological innovation through **open innovation**
- **Digital transformation**
- Product development systems tailored to global **market needs**

Procurement and production

- Improvement of product quality, reliability and competitiveness
- Stable supply of high-quality materials
- **Linking plants** (visualization) utilizing ICT
- **Cross-sourcing:** Flexible global production and procurement systems that are resilient to demand and foreign exchange fluctuations
- **Mother plant** structure enabling improvement of QCD (Quality, Cost, Delivery)
- **Skill transfer** and TQM (Total Quality Management)

Operations at customer workplaces

Products

- **DANTOTSU Products:** Unrivaled products in terms of environment and safety standards, ICT capacity and productivity
- **Full lineup** of construction and mining equipment
- Product creation focused on **quality and reliability**

Services

Construction and mining equipment
- Enhancement of maintenance **contract services**
- Utilization of information in operation acquired through **Komtrax** and **Komtrax Plus**

Mining equipment
- Detailed support from directly owned distributors

Solutions

Construction equipment
- Smart Construction

Mining equipment
- Autonomous Haulage System (AHS) at mine sites

Product cycles

- **Global supply of** high-quality **used equipment**, etc.
- **Expansion of the Reman business**

Contribution to carbon neutrality

Sustainability policy

With people	With business	With the planet
Employees, Human rights	Customers, Ethics and governance, Communities	Environment

Founding Principles | **The Komatsu Way** | **Komatsu's Worldwide Code of Business Conduct**

Outputs (FY2023 results)

Profitability improvement

Consolidated net sales	¥3,865.1 billion
Operating profit	¥607.2 billion
Consolidated payout ratio	40.1%

Environmental value (FY2023 results)

- CO_2 emissions from production (compared with 2010) -51%
- Water consumption (compared with 2010) -67%
- Rate of renewable energy use 25%
- CO_2 emissions from product use (compared with 2010) -22%

Societal value (FY2023 results)

- Ratio of full-time female employees (consolidated) 14.5%
- Ratio of female managers (consolidated) 11.1%
- Number of workplaces using Smart Construction (world total) 11,740
- Number of AHS installed (total) 727

Outcomes

Resolution of social issues

Creation of the safe, highly productive, smart and clean workplaces of the future

Carbon neutrality in 2050

Reduction of CO_2 emissions from customer workplaces

*Figures are on a consolidated basis and FY2023 or as of March 31, 2024, unless otherwise noted.

Materiality

In recent years, the external environment has been becoming increasingly volatile and uncertain. Trends seen in this changing environment include digital transformation, carbon neutrality and diversity and inclusion. We see these trends as business opportunities, and it is increasingly important that we enhance our foundation for sustainable growth as well as contribute to solving issues through our business activities.

To this end, we revised our materialities from November 2020 to February 2021, set prior to the development of the current mid-term management plan, to strengthen our responsibilities to address changes in external environment business risks.

We reflect initiatives for addressing these material issues in the growth strategies of the mid-term management plan to achieve our vision to generate a positive cycle for solving ESG issues and improving earnings to achieve sustainable growth.

Moreover, we examined the identified materialities from the perspective of compatibility with our sustainability policy and the sustainable development goals (SDGs). Through this process, we defined 10 of the 17 SDG goals that have a strong connection to the Komatsu Group's materialities.

Going forward, we will conduct regular materiality analyses and reflect identified sustainability-related business risks and opportunities in management initiatives to respond flexibly to changes in the management environment.

Changes in the external environment and of ESG issues

Politics and economy

- Growing competition between the U.S. and China and economic security risks
- Impacts of domestic, economic and diplomatic policies in China
- Growing geopolitical risks (the situation in Ukraine, etc.)
- Unstable supply chains
- Need to increase our ability to address contingencies (including infectious diseases and natural disasters)

Environment and energy

- Growing momentum toward climate change and decarbonization (COP26: 1.5°Celsius target confirmed)
- Acceleration of carbon neutrality
- Shift to EVs (automobile industry)
- Water security and biodiversity conservation
- Growing green investments and rising demand for information disclosure

Technologies

- Acceleration of digital transformation
- Advancements in leading technologies and open innovation (automation, electrification, and remote-controlling, AI, etc.)
- Expansion of SaaS (Software as a service)
- Evolution of data analytics
- Growing cybersecurity risks

Society and values

- Prevalence of diversity and inclusion (gender equality, people with disabilities, LGBTQ, etc.)
- Progress with diverse workstyles
- Growing importance of employee engagement
- Rising societal demands for human rights and corporate ethics
- Strengthened governance and risk management

Figure: Komatsu materiality

Relationship with the SDGs		Material issues (materiality)	
With people	5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 17 Partnerships for the goals	Employees	• Occupational safety and health and well-being • Employee engagement and job satisfaction • Diversity and inclusion • Skills development and workplace retention
		Human rights	• Respect for human rights
With business	9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 17 Partnerships for the goals	Customers	• Product safety and quality • Provision of solutions
		Ethics / Governance	• Corporate governance • Compliance
		Communities	• Contribution to local communities
With the planet	7 Clean energy industry and innovation; 9 Industry, innovation, and infrastructure; 12 Responsible consumption and production; 13 Climate action; 15 Life on land; 17 Partnerships for the goals	Environment	• Reduction of energy usage and GHG emissions • Development of low-carbon and low-emissions products, solutions and business models • Forest conservation through business activities • Resource recycling and remanufacturing

Materiality

■ Process of revising materialities

Komatsu followed the processes to revise and identify our materialities with support from the Business for Social Responsibility (BSR; a U.S.-based NPO), as a third-party aid.

1. Identification of sustainability issues

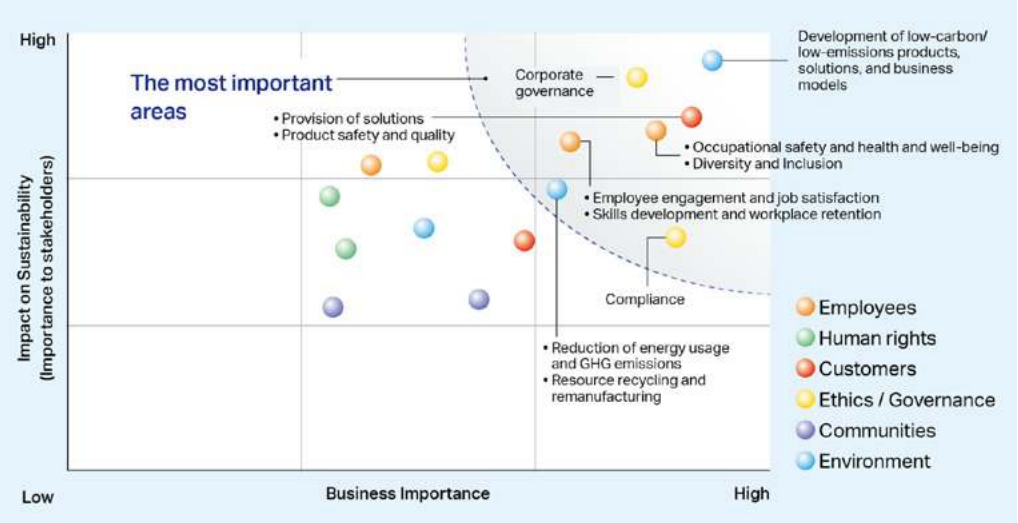
From a medium- to long-term perspective, we identified sustainability issues that could have a material impact on corporate value-creation activities and business performance. Our identification process referenced past materiality analysis, international targets and standards, reporting frameworks, management philosophy and strategies and the importance and relevance to stakeholders. As a result, we identified 46 items as sustainability issues.

2. Evaluation of identified sustainability issues

We held meetings with internal and external stakeholders* concerning the identified sustainability issues. These discussions aimed to assess and map the issues from the perspectives of business importance and impacts on sustainability (importance to stakeholders + environmental, social and economic impact).

*External individuals include institutional investors and representatives from the World Business Council for Sustainable Development, the World Wide Fund for Nature Inc., the Business & Human Rights Resource Centre, customers and suppliers.
*Directers, Executive Officers and Global Officers

Figure: Importance assessment mapping



3. Definition of material issues

Based on these analyses, Komatsu defined six material issues that we deem to have material importance in terms of their impact on sustainability and their importance to business. These material issues include employees, human rights, customers, ethics and governance, communities and the environment.

Furthermore, we identified the four areas of environment, customers, employees and ethics and governance to be of particularly high priority among these issues. We also incorporated initiatives to address these areas into the growth strategies of our mid-term management plan.

4. Board of Director approval of the mid-term management plan (including materiality)

The Board of Directors approved the revised materialities as a part of the mid-term management plan. The plan regards material issues as items we must address to generate a positive cycle of solving ESG issues and improving earnings through sustainable growth, based on the examination of our sustainablity policy from an SDGs perspective.

Furthermore, we set KPIs (key performance indicators) to solve ESG issues steadily through the implementation of growth strategies. The Komatsu Report discloses the degree to which we accomplish such targets.

P.35 KPIs of the mid-term management plan

Business overview

Komatsu business consists of three main business segments. These segments are the construction, mining and utility equipment (¥3,615.2 billion in segment sales in FY2023), retail finance (¥103.5 billion) and industrial machinery and others (¥195.6 billion) segments.

Business outline of Komatsu

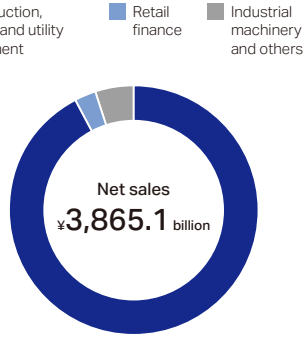
Komatsu is a full-line manufacturer of construction, mining and utility equipment ranging from small to super-large products in a wide variety of models. The construction, mining and utility equipment segment also develops, manufactures, sells and services construction and mining equipment. Our construction equipment includes small and medium-sized hydraulic excavators, bulldozers, wheel loaders used mainly in construction and civil engineering work, and forklifts and forestry machinery. For mining equipment, large dump trucks and other products used at mine sites. Sales ratio outside of Japan amounted to 91% of total sales for fiscal 2023. Sales composition by region is diverse, led mainly by the large markets in North, and Latin America.

Retail finance offers installment payments, leases, and other forms of financing to support customers purchasing construction and mining equipment.

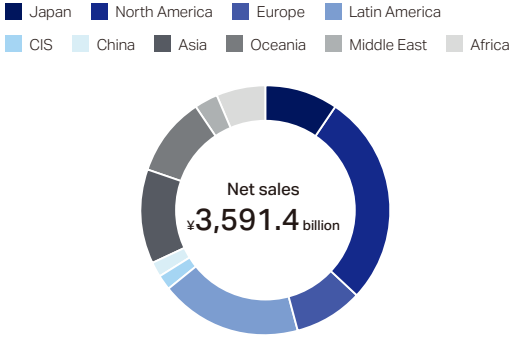
Industrial machinery and others develops, manufactures, sells, and services presses, sheet metal, and machine tools for the automotive industry, as well as excimer lasers and temperature control equipment for the semiconductor industry.

Figure: Construction, mining and utility equipment sales composition (by segment and region) (FY2023)

Breakdown of net sales by segment



Construction, mining and utility equipment sales by region*



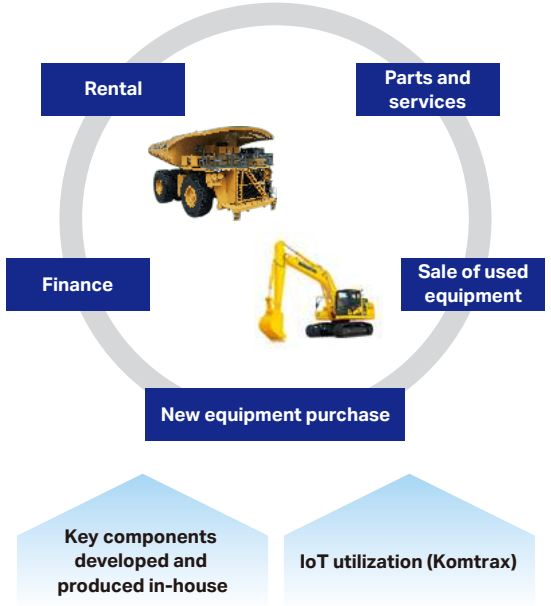
*To outside customers

Construction and mining equipment business model

We provide our customers with various services and solutions throughout the entire lifecycle of their equipment from purchasing new equipment to selling used. In this way, we develop a value chain business to support customers' fleet management. We support our customers in a multitude of ways. We offer suggestions on how to best procure equipment, operational guidance to improve fuel efficiency and productivity and regular maintenance and sales of replacement parts. We also provide support through the remote management of machine operating status, repairs and overhauls.

We develop and produce key components in-house and leverage our strengths in utilizing the abundant machinery operational data obtained using Komtrax (machine tracking system). In this way, Komatsu strives to expand our aftermarket business by providing solutions to the issues faced by our customers.

Figure: Construction and mining equipment value chain business model



Business overview

Construction, mining and utility equipment business

Construction equipment

● Customer needs and business strategy

In developed countries, Komatsu meets customer needs for improved safety, environmental adaptability, productivity and efficiency in light of climate change, future labor shortages and other social issues. We develop construction equipment equipped with ICT, automation and remote operation functions that support construction efficiency and electrified construction equipment. We also offer Smart Construction, a digital solution that visualizes entire construction sites and supports construction process optimization.

Emerging countries focus more on machine robustness, cost and fuel efficiency. In these countries, we introduced two-model line strategy featuring the CE series (primarily for urban civil engineering and other low-burden jobs) and standard models to meet diverse customer needs.

Main products

ICT hydraulic excavators

ICT bulldozers

Wheel loaders

Figure: Construction, mining and utility equipment sales (construction and mining equipment ratio)

Mining equipment

● Customer needs and business strategy

Major markets include countries rich in natural resources, such as North and Latin America, Oceania, Africa and Indonesia. Workplaces demand continuous operation for long hours in harsh environments. Our products address customer needs for safety, productivity, lower equipment life cycle costs, carbon neutrality and other needs in such workplaces. The life cycle of equipment is 10 to 15 years long, and customers choose equipment based on product quality, durability and the services offered to ensure stable utilization. To this end, Komatsu works to manage distributors directly and strengthen our aftermarket business. To improve the safety and productivity of workplaces, Komatsu launched the commercial operation of Autonomous Haulage Systems (AHS) for mining in 2008. We are also developing an open technology platform to optimize entire workplaces and are working to develop applications for optimal dump truck dispatch management and machine guidance.

In terms of carbon neutrality support at workplaces, we work to develop power-agnostic dump trucks compatible with all power sources through the GHG Alliance with 11 major resource companies. Other efforts include accelerating product development to meet an expected increase in demand for underground mining methods for copper, nickel and other ores over the medium to long term.

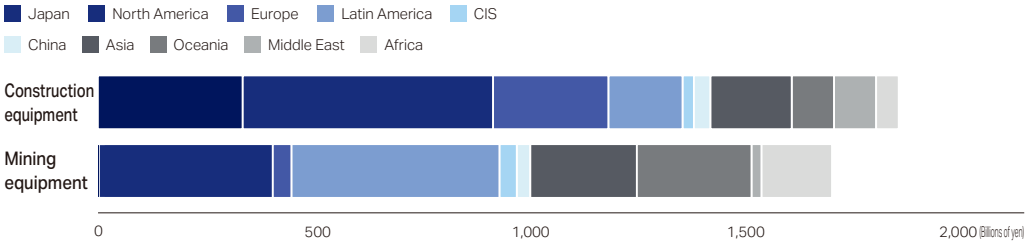
Main products

Electric dump trucks

Rope shovels

LHDs (load, haul, dump machines)

Figure: Construction and mining equipment sales composition by region (FY2023)



Business overview

Construction, mining and utility equipment business

Aftermarket business (parts and services)

Our aftermarket business provides various after-purchase services, including replacement part and attachment sales, periodic maintenance and overhauls. Parts and services account for about 50% of sales in construction, mining and utility equipment and two-thirds of the sales in mining equipment. The aftermarket business aspires to enhance added value on a global level throughout the entire value chain after the sale of new equipment. To this end, we expand extended warranty contracts with maintenance and the Reman business which provides component refurbishment. We also expand our lineup of attachments, engage in digital marketing through online parts sales and other ICT, and pursue digital transformation using AI for troubleshooting.

Main products

Consumable parts (tooth (claw))

Figure: Construction, mining and utility equipment sales breakdown (FY2023)

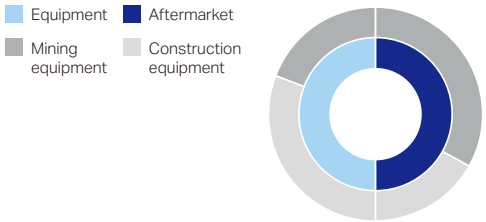
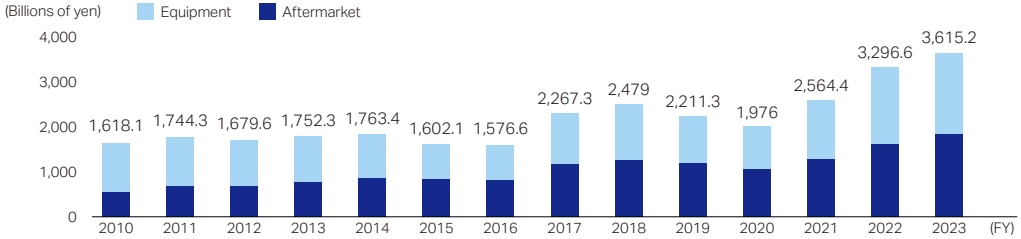


Figure: Construction, mining and utility equipment sales (equipment and aftermarket ratio)



Our aftermarket business to support profits

The aftermarket business sales composition in construction, mining and utility equipment increased from 33% to 50% between FY2010 and FY2023. This increase was due to the increased machine population and our strategy to increase profits in parts and services. The aftermarket business is highly profitable, especially for sales of genuine parts, and is expected to generate stable earnings in accordance with machine population and operation. We will continue to strengthen this business to establish a profit structure less susceptible to fluctuations in demand for new machines.

Forestry machinery

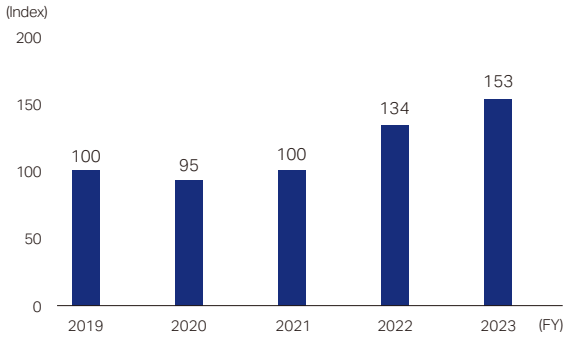
P.41 Special feature 2 Contributing to a sustainable and circulating forestry industry

Major markets for the forestry machinery business are Europe (mainly Northern Europe), North America, Brazil and Indonesia. Demand for timber is rising against the backdrop of the growing world population, and at the same time, environmental afforestation also expands to absorb CO_2. Furthermore, there is a heightened need for mechanization in forestry operations, including silviculture, harvesting and extracting from the perspective of safety and efficiency in forestry operations. Komatsu offer products that contribute to the mechanization of forestry work processes. We also offer forest management solutions that combine information on machine operation with forest resource management using drones and satellites. In this way, we aim to help customers improve safety and productivity at their sites and achieve carbon neutrality.

Main products

Harvesters

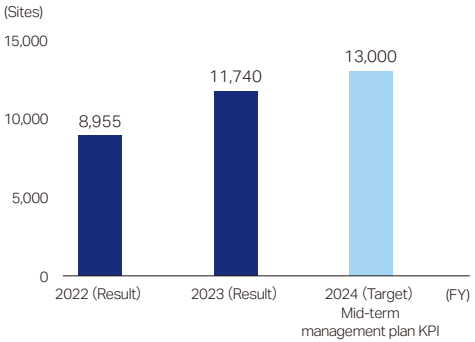
Figure: Forestry machinery business sales (FY2019=100; actual exchange rate)



Smart Construction

Smart Construction is a digital solution service that uses digital technology to visualize and solve various issues faced by construction work sites. This service manages 3D terrain data measured and generated by drones and other ICT equipment in one central location on the cloud. Users can check site conditions in real-time and achieve high-quality construction using ICT construction equipment equipped with machine guidance and other functions. Smart Construction also enables the efficient and effective management of all processes up to the inspection. Smart Construction has been installed at more than 10,000 sites per year worldwide, primarily in Japan. Komatsu works to expand the use of this system globally in North America, Europe, Australia, and Asia.

Figure: Number of job sites using Smart Construction (per fiscal year)



Business overview

Retail finance

Retail finance offers financing options in the form of installment payments, leases, and other methods to customers looking to purchase construction and mining equipment. We leverage the manufacturer strengths of Komtrax and used equipment circulation to expand the regions in which we operate, particularly in North America. Currently, we have 12 finance subsidiaries across the world that cover around 70% of global demand, with assets totaling 1 trillion yen. We strive to maintain sound and efficient business based on ROA, net debt-to-equity ratio, and other indicators, while expanding regional coverage in Asia and Africa, where future growth is expected. We also take active initiative in the forestry machinery business.

Figure: Retail finance business model

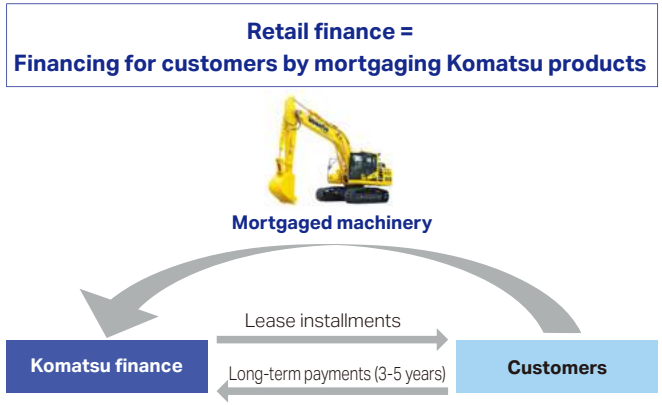
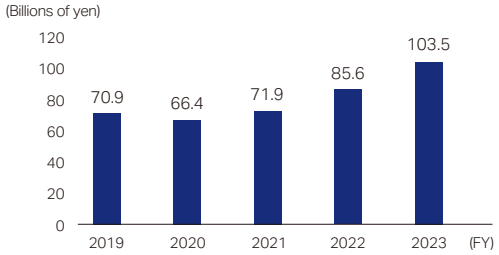


Figure: Retail finance sales



Industrial machinery and others

■ Semiconductor manufacturing equipment

GIGAPHOTON Inc. develops, manufactures, sells, and services excimer lasers used as light sources for lithography systems in semiconductor manufacturing equipment. KELK Ltd. develops, manufactures, and sells thermoelectric devices and temperature control devices used in semiconductor manufacturing equipment.

The semiconductor market is expected to grow over the medium to long term as the world transitions to a digital society due to the use of semiconductors in numerous fields. These fields include generative AI-related fields, data centers, advanced driver assistance systems (ADAS) and other automotive control systems, high-speed (5G) communications base stations and medical equipment.

Both companies strive to meet the needs of a growing market and increase the competitiveness of their excimer laser and temperature control equipment while maintaining high profitability.

Main products

Light sources for semiconductor lithography system (excimer lasers) (GIGAPHOTON)

■ Industrial machinery

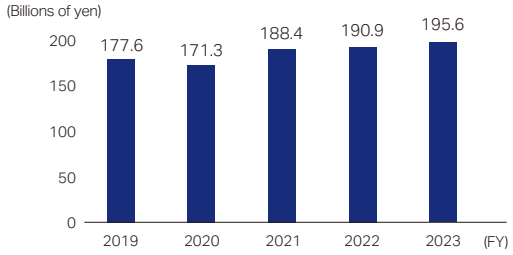
Komatsu Industries Corp. contributes to customer production work, mainly in the automotive industry, by developing, selling servicing and retrofitting a wide variety of small to large models of presses and sheet metal machines. Komatsu NTC Ltd. also works mainly in the automotive industry to develop, design, manufacture, and sell various products. These products include machine tools and automation lines (e.g., machining centers and grinders), battery manufacturing-related equipment (e.g., laser tab molding machines), wire saws for silicon wafer processing processes for the semiconductor industry and image processing-related equipment.

Both companies work to improve the competitiveness of their product technologies, including proposals for new construction methods, and to strengthen their aftermarket businesses, striving to capture new demand from changes represented by CASE (connected, autonomous, shared & service and electric) in the automotive industry.

Main products

Large-size AC servo presses (Komatsu Industries)

Figure: Industrial machinery and others sales



Business overview

Medium- to long-term direction of business portfolio transformation

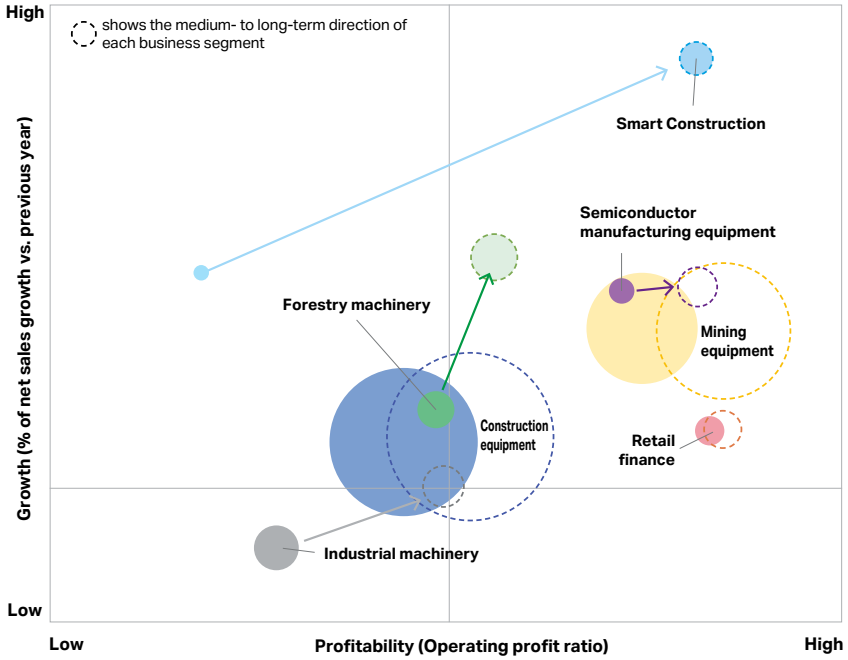
We work to improve growth and profitability by concentrating our management resources on construction and mining equipment, retail finance, and industrial machinery and others. We emphasize the operating profit ratio as an indicator of the earnings power of our business in particular when evaluating profitability.

In our mainstay business of construction and mining equipment, we will continue focused investment in growth areas and manage fixed costs. Komatsu identified various future growth areas. In terms of technology, these areas include automation, autonomous operation, electrification, remote control, components and software. Future business growth areas include the underground hard rock mining, forestry machinery, aftermarket and solutions businesses. We will focus investments in these areas while considering M&A as we strive to achieve sustainable growth through expanded solutions and value chain businesses. We will cultivate the forestry machinery business into a third pillar of our businesses, following the construction equipment and mining equipment businesses.

By combining Smart Construction and other solutions with highly-compatible product, we strive to create new value that resolves customers issues.

In the semiconductor manufacturing equipment business, we work to maintain and improve our high-profitability foundations by responding promptly to volatile semiconductor demand trends, developing competitive products, and strengthening our production and service systems. In the industrial machinery business, which focuses on the automotive industry, we will respond to the shift to EVs, trends in lighter automotive parts, and other changes in the environment. We will also improve profitability by capturing new demand through proposals for new manufacturing methods and by strengthening after-sales service.

Figure: Medium- to long-term direction of business portfolio



- The size of the colored bubbles indicates average sales for each business segment over the past 10 years (FY2012–2021).
- Forestry machinery and Smart Construction indicate the direction from FY2021 with construction equipment in parentheses.
- Smart Construction indicates the solutions-related portion.

Komatsu strengths: Reman business

Komatsu conducts the Reman business worldwide. This business covers engines, transmissions, and other components that have been used at customer sites for a long period of time. These components are removed from equipment and remanufactured to make them equivalent to new components in quality and delivered back to the market. We have continued to strengthen this business related to circular economy, which has become an essential element of our component strategy taking advantage of in-house development and production of key components, which is one of our strengths.

■ Reman business operates in 22 locations in 11 countries around the world

Reman refers to *remanufacturing*. Through this business, we remove components from our construction and mining equipment used over a long period of time, then remanufacture these components at our Reman plants to make these components equivalent to new. We offer these products in a timely manner to customers whose equipment requires overhauls with disassembly, inspection and repair. Mining equipment is the main source of the Reman business. Since the equipment is used for 10 to 15 years after purchase, repairs, parts replacement, and overhauls are essential during the life cycle (lifetime operating hours) of the equipment. While the quality of Reman products are equivalent to new, we offer them at a lower price than new components. In this respect, our Reman business makes positive contribution both to helping customers reduce life cycle costs and reducing environmental impact through resource reuse, and thereby, Reman continues to grow as a circular business.

The Reman business model leverages the strengths of our in-house development and production of key components such as engines and transmissions. In-house development and production allow us to remanufacture components according to the original information of the development and manufacturing processes. This approach enables our Reman products to be competitive in terms of quality, delivery, and cost. We also feedback information on durability to our development divisions through checking disassembled components. This information is used for product development, quality and serviceability improvement.

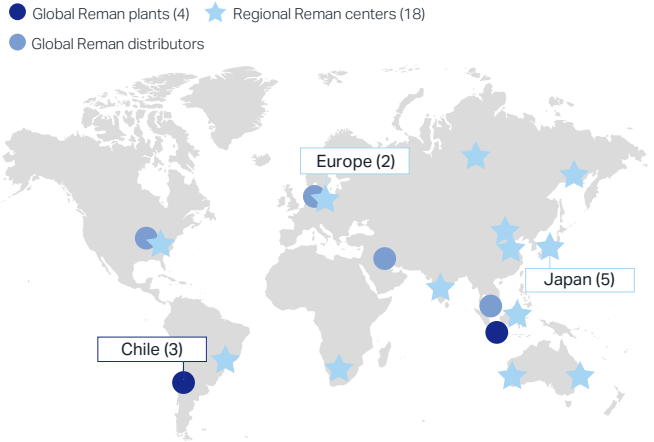
The Komatsu Reman business began about 30 years ago, when we launched component remanufacturing operations close to customer sites in North America, Europe, Australia and Indonesia. In response to steadily growing demand in various regions, we established full-scale Reman production bases in Latin America and Indonesia, which are the two major demand areas in the world, to establish a supply system for higher-quality Reman products and more convenient services. In 2005, Komatsu established Komatsu Reman Center Chile (KRCC) to manufacture Reman products for components of electric dump trucks made in the U.S.A. In 2007, we established PT Komatsu Reman Indonesia (KRI) (now Remanufacturing Department of PT Komatsu Indonesia) to manufacture Reman products for components of equipment made in Japan. In this way, we operate a global reman operation system with two major bases. As of 2024, the business has expanded to 22 locations in 11 countries around the world.

■ Achieving uniform quality across all locations through standardization

The Reman product supply process consists of an incoming inspection, disassembly, parts cleaning, parts inspection, salvage, assembly, performance inspection and painting. The global Reman operation manual provides common standards for evaluations on parts reuse and salvage methods. A system introduction for sharing Reman technical information and regular audits allows us to achieve the same quality for Reman products across all locations.

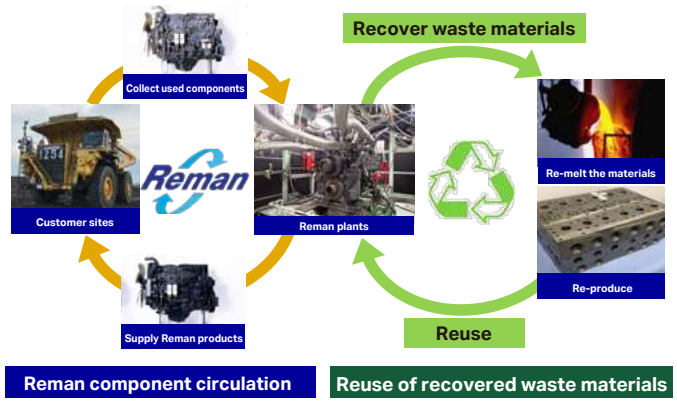
We also monitor detailed operating conditions of equipment using sensors mounted on components. This enables us to provide customers with highly convenient services such as parts delivery in a timely manner based on the data so we can conduct the prompt replacement of parts before equipment breaks down, rather than after the equipment fails to work properly.

Figure: The Komatsu global Reman operation system



- Global Reman bases in Indonesia and Chile where supply Reman products worldwide
- Regional Reman centers established in countries with large demand

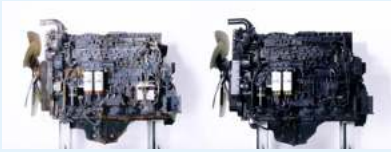
Figure: The Reman process and CO_2 reduction through business



Through the reman business, components are reused, leading to zero waste and CO_2 reduction.

The Reman process (engines)

Engines are exposed to high-temperature, high-pressure combustion gases, which cause damage to the surfaces of internal parts and wear on shafts and other sliding parts. Without repair, this damage will result in engine performance degradation, cause noise and vibration, and, in worst cases, break down. Damaged areas can be restored to a like-new condition through methods such as spraying metal powder followed by a finishing process.



Left: Engine before Reman Right: Engine after Reman

Komatsu strengths: Reman business

A Four-Win business for customers, global environment, distributors, and Komatsu

The Reman business is valuable not only to customers, but also to the global environment, distributors, and Komatsu.

1) Customers: By choosing Reman products, customers can reduce the life cycle cost of the equipment they own. Reman products also improves productivity by minimizing equipment downtime.
2) The global environment: The reuse of used components instead of disposal is estimated to reduce CO_2 by approximately 40,400 tons over the life cycle of a single unit of mining equipment. (Komatsu internal calculation)
3) Distributors: Distributors can increase earnings and strengthen customer contacts through new equipment sales through the appealing offerings of Reman products.
4) Komatsu: We help customers solve issues and maximize customer value, which is a deciding factor in repeat purchases. The Reman business is not only highly profitable, but also contributes to the improvement of product quality, since the data obtained from used components can be utilized for the development of future products.

Figure: The life cycle cost of mining equipment

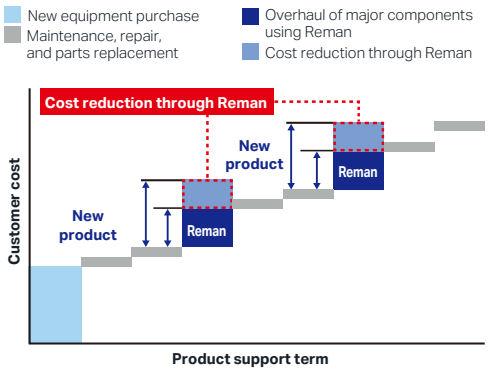
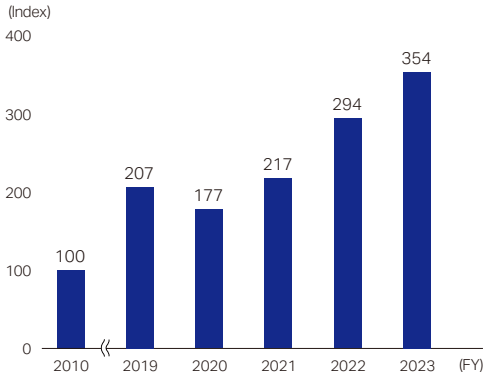


Figure: Trends of Reman transaction amount (FY2010=100; actual exchange rate)



Further growth through next-generation Reman products

Komatsu has engaged in reducing CO_2 from products by developing highly fuel-efficient products that include hybrid hydraulic excavators and diesel-electric trucks. Responding to the increasing population of this equipment, the Reman business expanded the product line-up in Japan in November 2023, including key components for hybrid hydraulic excavators such as capacitors and inverters. As a result, almost all key components developed and manufactured by Komatsu are Reman-compatible (including products sold only in certain regions). In conjunction with the future electrification of construction and mining equipment to achieve carbon neutrality, we must consider Reman support for batteries and other equipment. We hope to build a trove of technologies and explore the potential for new Reman businesses through collaboration with outside parties.

Message

The Reman business: Created to solve customer problems Aiming for evolution and higher growth

Naoyuki Sakurai
Executive Officer
President, Parts & Reman Promotion Division, Production Division

Mining equipment operates over extended periods of time in complex terrain and harsh operating environments. This type of equipment requires between one and three component overhauls over the approximately 10- to 15-year life cycle. These costs are not inexpensive. We began the Reman business in response to voices of customers to purchase remanufactured components with solid quality at reasonable prices and thereby reduce life cycle costs.

Reman business sales have tripled over the 13 years since 2010. This growth is due in part to increasing momentum behind sustainability in recent years. In addition to sales, profitability has also remained high. There is a risk of volatility in demand for new equipment depending on market conditions. However, the Reman business, as a part of aftermarket business, is less volatile to economic fluctuations or other factors, and contributes to generating stable earnings. Our current mid-term management plan calls for a 25% increase in Reman business sales (versus FY2021) by FY2024. By improving life cycle costs of customers through Reman offerings, Komatsu products themselves become more competitive, making customers to choose Komatsu again. For this reason, Reman has become an important business in the Komatsu management strategy.

With the arrival of the era of carbon neutrality and drastic changes in equipment components, including electrification, our Reman operations are required to establish new technologies to the component remanufacturing field. I am committed to advance our Reman business with sustainable growth contributing to Komatsu's entire business expansion from an aftermarket perspective.

In front of Reman products
(in the U.S.A, Mr. Sakurai is on the left)

Initiatives to enhance Komatsu brand recognition

Komatsu established our company brand around the world through the quality and reliability of our products and solutions for over 100 years since our founding. In 2021, Komatsu developed a common global brand purpose, promise and values for the next 100 years. This year, we are embarking on initiatives to strengthen our brand awareness and engagement. We aim to strategically enhance our sponsorship and communication initiatives, bolstering our global talent attraction and retention efforts.

■ The foundation for brand growth: Komatsu's brand identity

Komatsu celebrated our 100th anniversary in 2021 established the foundation for our global brand strategy by clarifying our purpose and values and developing a brand promise. We have since persisted in sharing our brand at company locations around the world.

Our Purpose

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

Our Values

Ambition Perseverance Collaboration Authenticity

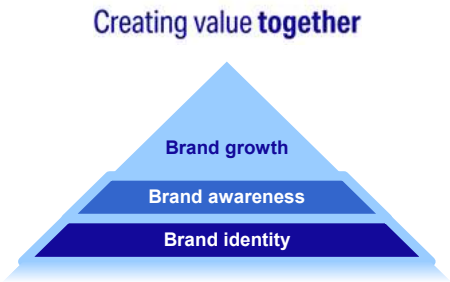
Our Promise

Creating value **together**

■ The next stage: improving Komatsu's brand awareness

In 2024, Komatsu began forming partnerships with like-minded brands to enhance communication with emerging talent and stakeholders. Current partnerships include a global partnership with Formula One Williams Racing and our sponsorship of KidZania Tokyo. These partnerships elevate the Komatsu brand visibility and foster growth and resilience of the brand. Komatsu aims to introduce our brand to a wider, more diverse audience, focusing on the younger generation in particular.

Figure: Current strategies for brand growth



■ Partnership with Williams Racing

Komatsu signed a multi-year sponsorship agreement with Williams Racing as a principal partner.

Under this partnership, the Komatsu logo will appear on Williams Racing machines and uniforms, but we will also take further action to create new content that embodies our shared commitment to manufacturing and innovation.

Williams Racing has made motorsports history as the second most successful team in Formula One. The team is committed to long-term growth through investment in challenge and innovation with a loyal fan base that spans generations.

Through this partnership, we hope to raise awareness of the Komatsu brand among the more than 1 billion racing fans around the world while raising further interest in our values, products, and company. This partnership is an opportunity to not only engage with the general public who have never heard of Komatsu before, but also to provide a new experience for our employees and distributors.

Williams Racing machine

■ Komatsu pavilion opens at KidZania Tokyo

Children who became familiar with "working machines" in their childhood tend to lose touch with construction machinery as they grow older. Komatsu provides children with opportunities to experience construction machinery at Komatsu-no-Mori in Komatsu City, Ishikawa Prefecture, as well as at various plant fairs. However, there have been no such opportunities in the Tokyo area. Komatsu opened the Construction Equipment Development Center pavilion on March 19, 2024, as an official sponsor at KidZania Tokyo (Koto-ku, Tokyo). KidZania Tokyo is a facility for children to experience occupational and social activities planned, operated, and developed by KCJ GROUP Co..

Children become construction equipment developers in our pavilion using simulators to develop and test hydraulic excavators or bulldozers. We hope that by familiarizing children with construction machinery and facilitating learning about the role in society of such machinery and its advanced technology, children will develop an interest in construction machinery and technology, and will continue to develop an affinity with Komatsu as they grow older.

Children playing in the Construction Equipment Development Center pavilion

Growth strategies

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CFO message

Takeshi Horikoshi
Representative Directer
Senior Executive Officer (Senmu)
Chief Financial Officer (CFO)

Review of FY2023

In fiscal year 2023 (from April 1, 2023 to March 31, 2024), marks the second year of our mid-term management plan, "DANTOTSU Value - *Together to "**The Next**" for sustainable growth*". we achieved record-high sales and operating profit for the second consecutive year, mainly due to high demand for mining equipment mainly in North America and Oceania and the positive effect of yen depreciation (Figure 1). In addition, cost increases due to inflation and material price hikes were absorbed by improved selling prices, and the operating profit ratio reached a record high of 15.7%, breaking the 14.8% of FY2007 after interval of 16 years (Figure 2).

Figure 1: Business results

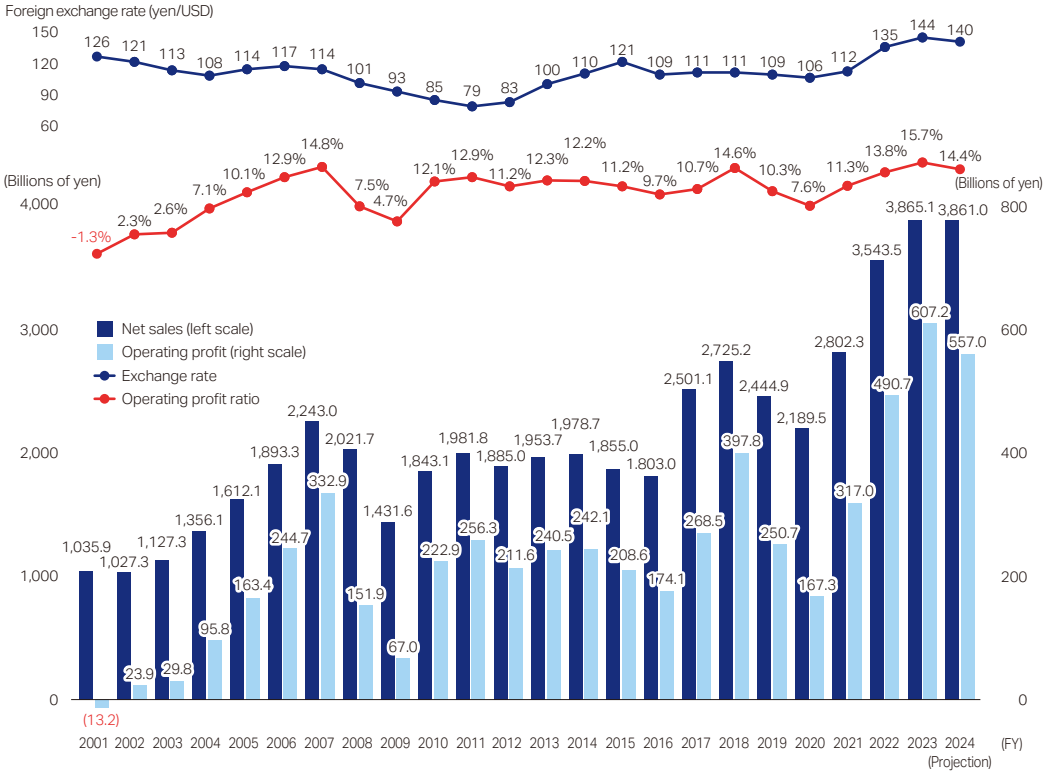
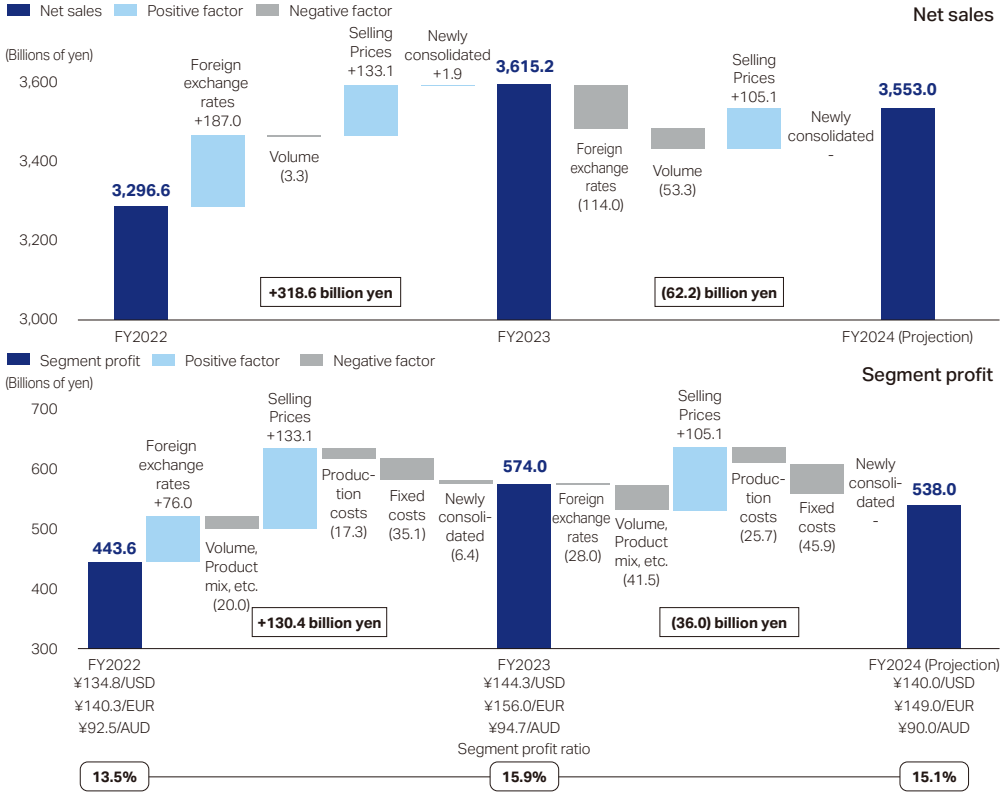


Figure 2: Factors influencing net sales and segment profit in the construction, mining and utility equipment business (FY2022 results - FY2024 projections)



CFO message

Outlook for FY2024 (final year of the mid-term management plan)

(1) Selling price increases

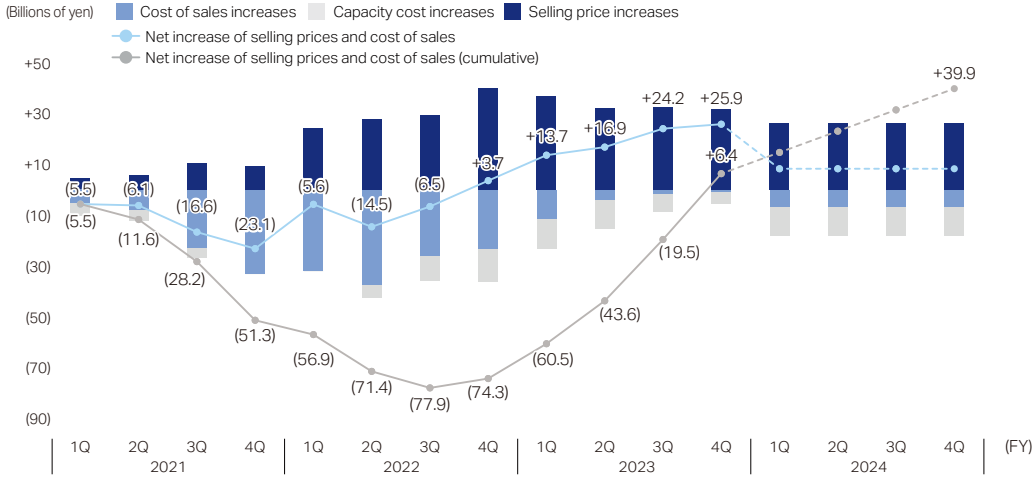
In fiscal year 2024 (from April 1, 2024 to March 31, 2025), we forecast lower sales and profits based on the assumption that the exchange rate will be 140 yen to the US dollar and expectations that demand for construction and mining equipment will decline due to persistently high interest rates and the economic slowdown. However, we plan to increase selling prices further by 100 billion yen, the same level as in the past two years. From FY2023, we began disclosing consolidated profit and loss by location and destination at meetings attended by regional managers, making it possible to compare consolidated profit and loss for each region under the same conditions. These disclosures further incentivized regional managers to increase selling prices. From FY2024, we will link the compensation of the top management of group companies to the consolidated results of each region, thereby further promoting the increase of selling prices .

Comparing the changes in selling price with changes in production costs since FY2021 (Figure 3), the increase in selling price exceeded the increase in production costs cumulatively for the first time in the fourth quarter of FY2023. We will reap the benefits of the increases in selling prices further in FY2024.

(2) Fixed cost control

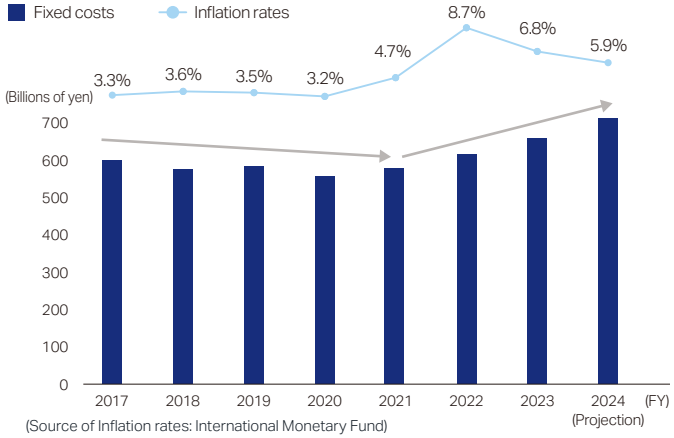
On the other hand, our basic policy regarding fixed costs is to keep them flat, regardless of sales fluctuation. In fact, for the five years from FY2017 to FY2021, despite various changes in the business environment and increases and decreases in sales, Komatsu has controlled fixed costs at a flat level through structural reforms and efficiency improvements. However, from the second half of FY2021, fixed costs increased due to rapid increases in labor costs and expenses against the backdrop of global inflation, in addition to accelerated strategic investments for future growth with an eye to carbon neutrality (Figure 4).

Figure 3: Increase in selling prices and production costs



Fixed costs in FY2024 are also expected to increase due to higher labor costs in each region caused by inflation and growth strategy investments in R&D and other growth areas. The cumulative fixed costs over the three years from FY2022 to FY2024 are expected to increase by more than 100 billion yen. In determining the level of fixed costs, we carefully check the breakeven point and marginal profit margin on an ongoing basis, as well as inflation, cost-effectiveness, and other external environment factors.

Figure 4: Fixed costs and global inflation

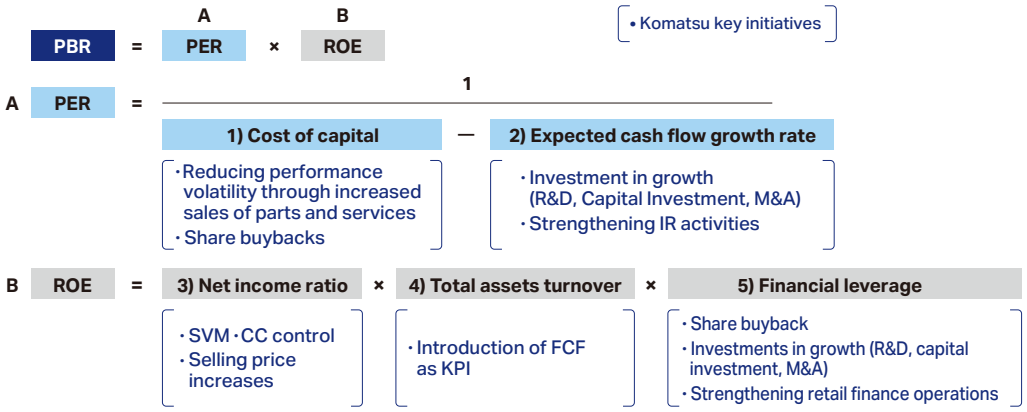


Initiatives corporate value improvement

(1) Initiatives PBR improvement

Komatsu breaks down PBR (Price Book-value Ratio) into PER (Price Earnings Ratio) and ROE (Return on Equity). We then break down PER into its components 1) cost of capital and 2) expected cash flow growth rate, and ROE into 3) net income ratio, 4) total assets turnover, and 5) financial leverage. Finally, we compare each item with competitors to discuss and implement measures to improve PBR (Figure 5). In each item from 1) to 5), we explain our initiatives to improve corporate value at Komatsu.

Figure 5: PBR decomposition formula



CFO message

1) Cost of capital

We assume that Komatsu's global level of cost of shareholders' equity has been around 8%. We set a management target of ROE of 10% or more, which is higher than the global level, and are work on both improving ROE and reducing cost of shareholders' equity to increase the equity spread (ROE - cost of shareholders' equity). In terms of the cost of capital reduction, our main initiatives are composed of reducing business volatility and conducting share buybacks.

First, in the construction and mining equipment business, we are building a business structure to maintain consistent high revenue without being affected by fluctuations in demand. Specifically, in order to increase the ratio of "parts and service (aftermarket business)," which is expected to generate stable sales volume and high profit margins, we are making operational improvements, such as promoting sales of genuine parts through warranty with maintenance contracts at the time of new car sales (Figure 6).

Secondly, as for share buyback, the Board of Directors fully discusses and establishes criteria for implementation consideration to avoid unbalanced and unsustainable decisions (Figure 7). The two required criteria include financial soundness and the shareholders' equity ratio, while the five supplementary criteria include ROE, free cash flow (FCF), net cash, dividend payout ratio, and PER. The Company resolved to implemented a share buyback program of up to 100 billion yen between April and September 2024 upon comprehensively considering the status of fulfillment of the above criteria.

Figure 6: Distribution of sales in the construction, mining and utility equipment business

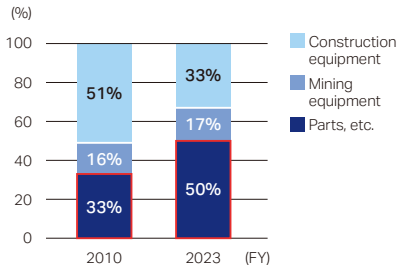


Figure 7: Criteria for share buybacks

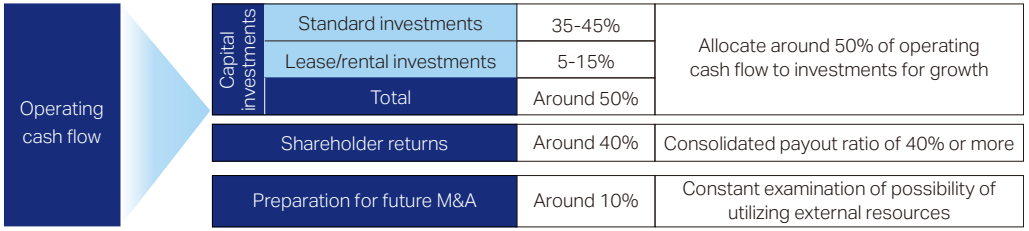
	Item	Criteria
Mandatory criteria	1) Financial soundness	Rating
	2) Capital	Shareholders' equity ratio
Supplementary criteria	1) Efficiency	ROE
	2) Ability to generate source of funds (projection)	Consolidated FCF
	3) Ability to generate source of funds (current)	Net cash
	4) Total dividend amount	Dividend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

2) Expected cash flow growth rate

Our internal analysis indicates that this item, "Expected cash flow growth rate," is the one that needs the most improvement compared to competitors. To accelerate growth, Komatsu allocates management resources to growth areas with an emphasis on R&D investments, capital investment, and M&A.

Based on our cash allocation policy, we allocate cash for the following three purposes: (1) capital investments (growth strategies), (2) shareholder returns, and (3) balance sheet improvements (preparation for future M&A activities) (Figure 8). We believe that growth investments are the most important factor to continue stable shareholder returns. To this end, our policy aims to allocate approximately 50% of operating cash flow to capital expenditures and to always be prepared for future M&A.

Figure 8: Basic cash allocation policy for period of mid-term management plan (FY2022–FY2024)



In FY2023, Komatsu acquired American Battery Solutions (ABS), a U.S. battery manufacturer, to accelerate our electrification business and achieve carbon neutrality. We also acquired iVolve, an Australian provider of operation management systems for construction and mining equipment, to create smart and clean workplaces of the future at small and medium-sized mining sites. Komatsu conducts M&A every year and will continue to actively utilize M&A as one of the important means of growth to fill the shortfalls in the future vision of our business portfolio (Figure 9). After conducting acquisitions, we monitor the contribution of the acquired companies on a regular basis to increasing our corporate value by comparing the ROI of the acquired company with WACC and the synergistic effects on our consolidated performance.

Figure 9: M&As executed in FY2019-FY2023 (the construction, mining and utility equipment business)

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

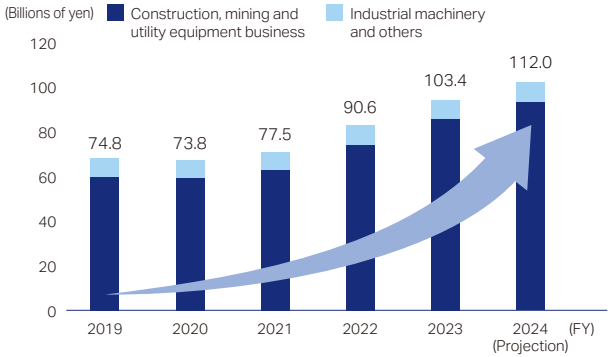
*The acquisition completed in 2024.

CFO message

Komatsu aims to reduce CO_2 emission by 50% in 2023 from 2010 levels. We also aim to achieve carbon neutrality by 2050 (challenging goal). To achieve these goals, Komatsu invests heavily in research and development for the future, including for fuel cells, hydrogen engines, and biodiesel engines. We also research and develop hybrid technology, diesel electric, tethered electric, and battery electric, which are already in practical use (Figure 10). These important investment projects are managed separately as mid-term management plan projects. Budgets are allocated to these projects on a priority basis due to the risk that future growth may be significantly impeded if ordinary fixed cost management is applied to reduce these investments.

We will further strengthen our IR activities to clarify the Komatsu growth strategies described above and facilitate understanding among investors.

Figure 10: R&D expenses and major R&D themes



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

3) Net income ratio

In profitability management, we use direct cost accounting, which clarifies the definitions of variable and fixed cost items and applies them consistently to the entire group, enabling us to compare profitability in each region. This is the basis of our global cross-sourcing operation for production, which enables us to produce products with the same specifications and quality at production bases around the world.

Overseas markets account for 90% of Komatsu's sales, and 70% of our employees work outside of Japan. The number of top management of overseas subsidiaries has also increased to national employees. We keep management indicators as simple as possible so that they can be intuitively understood by diverse nationalities and employees who are not in accounting positions. For example, in profit and loss calculation, we define SVM (Standard Variable Margin), CC (Capacity Cost), and CC headcount (headcount considered as fixed cost) as management indicators to improve profitability through continuous sales price increases, fixed cost management, and cost reduction. We will continue to improve profitability by continuously increasing sales prices, managing fixed costs, and reducing costs.

4) Total asset turnover ratio

Komatsu introduced ROIC in FY2017. To properly manage working capital, we have been monitoring the cash conversion cycle on a regular basis by expanding and implementing the invested capital in the ROIC calculation formula to *working capital + property, plant and equipment*. However, ROIC has the disadvantage that the impact of earnings is so large that the indicator improves even if asset efficiency deteriorates if earnings improve, and that the business units cannot directly perceive the improvement due to the "ratio" display. In addition, the ratio display meant that business divisions could not directly perceive the improvement.

From FY2023, we introduced free cash flow (FCF) as a management indicator for each group company with the aim of further improving ROIC for the entire company. The purpose of this measure is to enable each group company to realize whether its asset efficiency is good or bad in terms of the amount of money rather than the rate.

The plan is to add a twist to the standard cash flow statement and break down the sources of FCF generation into four categories: (1) profit, (2) working capital, (3) fixed assets (depreciation - investment), and (4) M&A. We aim to clarify the sources and absolute amounts that should be improved directly and focus on improvements while maximizing future cash flow. The plan is to maximize future cash flows while focusing on improvements by clarifying the "sources" and "absolute amounts" that should be improved directly (Figure 11).

The plan is to have the managers in charge of each region plot the position of each company on the axis of profit and FCF on a four-quadrant chart to help managers a sense of urgency and drive cash flow generation (Figure 12).

Figure 11: Free cash flow

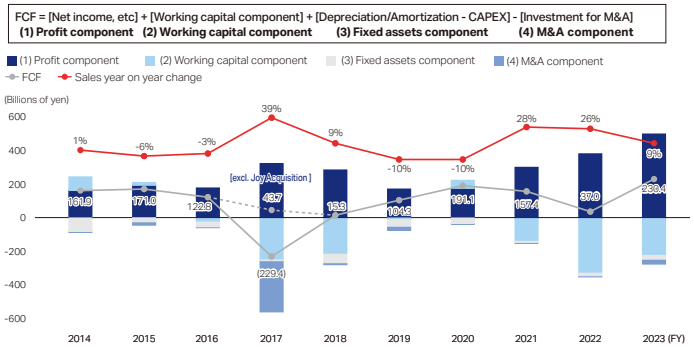
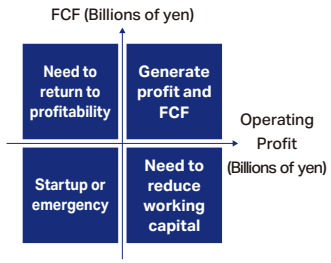


Figure 12: Free cash flow by company four-quadrant graph



5) Financial leverage

In terms of the balance sheet management, we intend to keep our debt at a level that will enable us to maintain our current S&P and Moody's single-A ratings (Figure 13). In FY2023, our rating improved from AA- (stable) to AA (stable) under the R&I rating agency. We believe this is due to the progress in our geographic diversification of sales and the increased depth of earnings derived from the parts and service business (aftermarket business), which is less susceptible to economic downturns.

Regarding dividends, we will continue our policy of maintaining a stable dividend payout ratio of 40% or more on a consolidated basis, taking into account consolidated financial results, future investment plans, cash flow, and other factors. As in the past, we intend to flexibly implement share buybacks based on the comprehensive consideration of fulfillment status of the above criteria. (Figure 14).

CFO message

Figure 13: Komatsu ratings

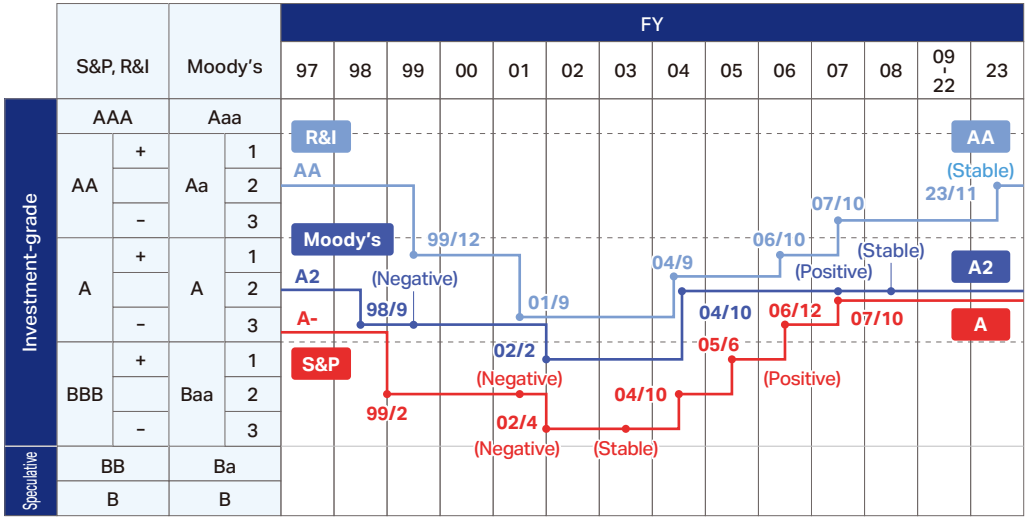
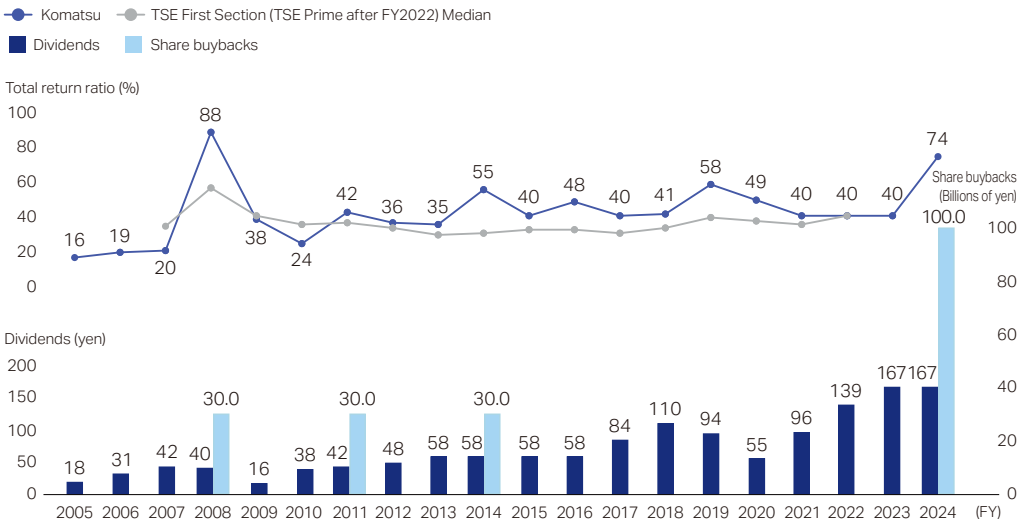


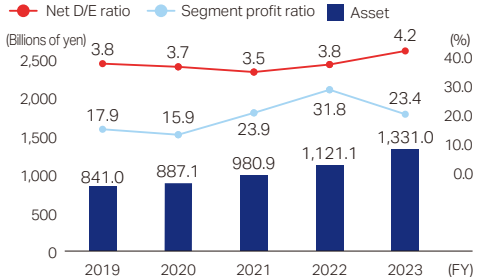
Figure 14: Dividends, share buybacks and total return



Komatsu has regarded our retail finance business as an important sales promotion tool for construction and mining equipment. The business has expanded progressively to strategically important regions, with its asset size increasing 1.6 times over the past five years.

The retail finance business is relatively profitable. Due to its financial nature, the net debt-to-equity ratio of the business is at a higher level than that of the construction equipment and vehicles business. This indicates that Komatsu can improve ROE in two ways: by improving profitability and by expanding financial leverage. We will continue to strengthen our retail finance business while monitoring the soundness of the business (Figure 15).

Figure 15: Retail finance business performance



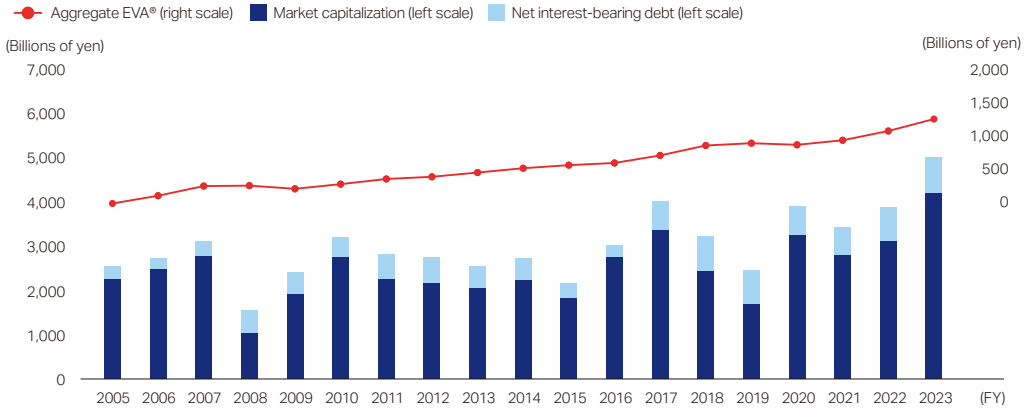
(2) Verification of corporate value

Komatsu verifies regularly our improvement of corporate value from a finance and accounting perspective using two indicators. One is the total of market capitalization and net interest-bearing debt, which focuses on invested capital. The other method is the cumulative EVA® (Economic value added; net operating profit after tax – cost of capital), which focuses on ROIC and WACC (weighted average cost of capital). In both cases, we confirmed improvement in FY2023.

We also conducted a quantitative analysis of social impact of our core business in FY2023 using Impact-weighted accounts, proposed by Harvard Business School*. We calculated the impact for the Autonomous Haulage System (AHS) and DX Smart Construction, which are priority activities in the mid-term management plan. Our calculations confirmed that we have achieved significant effect. We believe one of the roles of the finance and accounting division is clarify the impact of such ESG investments to help resolve ESG issues and enhance corporate value.

* Joint analysis with ABeam Consulting Ltd. Impact-weighted accounts has evolved from the Harvard Business School's Impact-Weighted Accounts Initiative to now the International Foundation for Valuing Impacts (IFVI).

Figure 16: Changes in corporate value and EVA



Mid-term management plan (FY2022 - FY2024)

DANTOTSU Value

*Together, to "**The Next**" for sustainable growth*

To the next stage for workplaces of the future
Ensuring a sustainable future for the next generation
A new chapter of value creation to the next 100 years

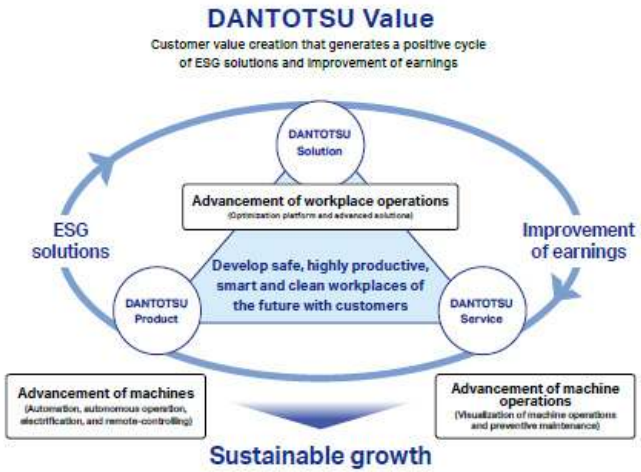
We defined our purpose as creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses and our planet thrive together. Our basic approach to achieving this purpose is through our management principle to commit ourselves to quality and reliability to maximize the total sum of trust given to us by society and our stakeholders.

We formulated our mid-term management plan as a strategy to implement this management principle. In the mid-term management plan, we defined our vision to create safe, highly productive, smart and clean workplaces of the future with customers. Our basic concept is to achieve sustainable growth by generating a positive cycle of solving ESG issues and improving profitability through the creation of customer value.

■ Toward achievement of our vision DANTOTSU Value and the roadmap to workplaces of the future

To achieve our vision, we are working to create DANTOTSU Value (new customer value), integrating DANTOTSU Products, DANTOTSU Service and DANTOTSU Solutions.

Figure: DANTOTSU Value



As shown in the roadmap to workplaces of the future, it is our value to solve our customers' issues by providing solutions that optimize their entire operation processes at customer's job sites and products that are highly compatible with those solutions, aiming for workplaces of the future and carbon neutrality.

■ Approaches to growth strategy

As we progress toward our vision, the current external environment has been becoming increasingly volatile and uncertain.

We expect demand for construction and mining equipment, our mainstay business, to increase moderately in the medium- to long-term. This increase stems from population growth and urbanization, primarily in emerging countries, and steady investment in infrastructure renewal in developed countries. In the short term, however, we expect demand to be highly volatile due to various external environmental risks.

To achieve sustainable growth in this environment, we recognize that the key to growth strategies will be responding to the following three management tasks: 1) Continuing investments in technology areas (electrification, automation, etc.) and growth business areas (forestry machinery, underground hard rock mining equipment business, etc.), 2) Improving profitability further in existing businesses and 3) Enhancing corporate structure resilience to demand fluctuations and other changes in the external environment.

Figure: Key growth strategies

Mid-term management plan

Three pillars of growth strategies

Komatsu formulated the three pillars of growth strategies in the mid-term management plan in light of the achievements and challenges from the previous mid-term management plan, backcasting from our vision and roadmap to workplaces of the future. We also considered the management issues arising from changes in the external environment.

We enhance our foundation for sustainable growth by recognizing trends like digital transformation (DX), carbon neutrality and diversity and inclusion as business opportunities, incorporating them into growth strategies.

Figure: Three pillars of growth strategies

1) Accelerate growth by means of innovation

In our pursuit of future growth, we continue to focus investment on strategically critical technologies and business areas. We also accelerate initiatives to turn such efforts into practical and commercialized use.

As to Smart Construction, a digital solution that optimizes construction processes on the job sites, the number of job sites where it has been installed is steadily increasing. It creates new value in combination with ICT construction equipment and remote control technologies. For mines, a number of Autonomous Haulage Systems (AHS), one of the most important solutions for improving safety and achieving GHG (greenhouse gas) reduction, reached 754 units installed (as of June 30, 2024). In addition, we have completed the development of an open technology platform that optimizes mine processes and develop software such as fleet optimization, proceeding with test introduction at major mines. Furthermore, we have begun commercial operation of large ICT bulldozers with remote control to improve safety and productivity at mine sites. In the forestry machinery business, we are working on the solution development to support circulating forest management through combining the visualization of forest resources using drones and satellites, and information on the operation of forestry machinery.

To meet our customers' diverse environmental needs toward carbon neutrality, we develop technology in all directions, not only through in-house development but also through open innovation and partnerships. As part of these efforts, we acquired American Battery Solutions Inc. (ABS), a U.S. battery manufacturer. We will develop and produce batteries optimized for our construction and mining equipment by integrating ABS' experience in battery technologies with Komatsu's knowledge and network. We also entered into a joint development contract with General Motors Company to co-develop a hydrogen fuel cell for the electric drive mining truck. Furthermore, we are developing a medium-sized hydraulic excavator with a hydrogen fuel cell.

Medium-sized hydraulic excavator equipped with a hydrogen fuel cell (Concept machine)

Bulldozer D375Ai-8 remotely operated at Minas-Rio iron mine in Brazil

P.37 Special feature 1 Medium- to long-term R&D strategy

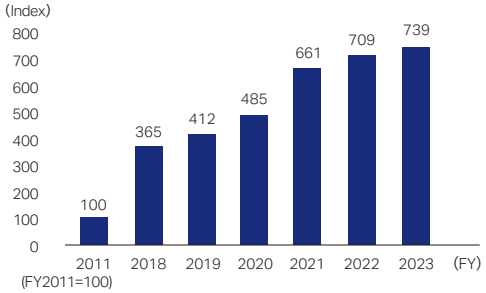
Mid-term management plan

2) Maximize earnings power

To achieve further growth and improve profitability, we will maximize revenue-generating opportunities in our existing businesses by expanding our presence in growth markets and advancing our value chain business.

We will strive to expand sales of hydraulic excavators with civil engineering specifications (CE series) introduced mainly in Asian markets. In our aftermarket business, we will leverage our strengths of in-house development and production of key components and next-generation Komtrax (machine tracking system). Komtrax enables the acquisition of detailed machine condition data to further enhance our profitability by expanding extended warranty contracts with maintenance, and expanding our remanufacturing and rebuilding businesses, thereby further building a business structure that is resilient to fluctuations in demand.

Figure: Quantity of equipment with extended warranty contracts with maintenance



CE series hydraulic excavator

P.41 Special feature 2 Contributing to a sustainable and circulating forestry industry

3) Enhance corporate resilience

Corporate resilience is a growing uncertainty. In response, we work on company integration, operational integration and other structural reforms. We also work to establish a supply chain resilient to environmental changes by further strengthening the cross-sourcing system and increasing the multi-source ratio of parts. We make continuous efforts to improve business operation efficiency and enhance our risk management system by introducing the ERM (enterprise Risk management).

Regarding human resources, we conduct a global engagement survey every two years. We review the degree of improvement from the previous survey results (2021) and reflect these results into action plans in each department. Recent survey results showed that the score of diversity and inclusion has improved significantly since the previous survey.

We will continue to manage talent with a focus on diversity and inclusion, while also actively working to develop talent for digital transformation to generate innovation.

Seminar for developing female executives (diversity and inclusion development seminar)

P.46 Special feature 3 Promotion of human capital management

Management targets

Management targets in the mid-term management plan are the same targets as the previous plan. These targets are growth above the industry average, top-level profitability in the industry, and targets for efficiency and our financial position in light of the highly volatile market environment over the short term. In the retail finance business, we kept the same targets for financial position and efficiency as in the previous mid-term management plan. In addition, we included environmental impact reduction targets and external evaluations into our management targets. We also set a challenging goal of achieving carbon neutrality by 2050. With respect to shareholder returns, we will prioritize focused investments in growth strategies, while aiming to maintain stable dividends for shareholders and a consolidated payout divided ratio of 40% or higher.

Item	Index	Target	FY2023 results
Growth	Sales growth rate	Growth rate above the industry's average	+9.1%
Profitability	Operating profit ratio	Top-level profit ratio in the industry	15.7%
Efficiency	ROE	10% or higher	14.1%
Financial position	Net D/E ratio	Top-level financial position in the industry	0.26
Retail finance business	ROA	1.5% to 2.0	2.0%
	Net D/E ratio	5 times or less	4.24
ESG	Reduce environmental impact	• CO_2 emissions: Decrease by 50% by 2030 (compared to 2010 levels) Reduce CO_2 from product use Reduce CO_2 from production • Become carbon neutral by 2050 (challenging goal) • Renewable energy use : Increase to 50% of total energy use by 2030	22% reduction 51% reduction 25%
	External organization evaluations	• Selected for DJSI* (World & Asia-Pacific) • Selected for CDP** A List (Climate Changes & Water Security)	Selected for DJSI Selected for CDP A List
Shareholder return	Consolidated payout ratio	• Keep a fair balance between investment for growth and shareholder return (including share buybacks), while prioritizing growth investment. • 40% or more	40.1%

* Dow Jones Sustainability Indices: SRI index by S&P Dow Jones & Company of the United States and Robeco Sam of Switzerland.
** International non-profit organization that promotes the reduction of greenhouse gas emissions and the protection of water resources and forests by companies and governments.

KPIs of the mid-term management plan

Based on our sustainability policy, Komatsu seeks to contribute to society through our business. We defined KPIs (Key performance indicators) under the current mid-term management plan to guide our efforts for solving ESG issues aligned with Komatsu's three pillars of growth strategies. We also disclose our progress toward accomplishing these KPI targets on this report.

	SDGs		No.	KPIs	FY2022 results	FY2023 results	FY2024 targets
With people	5, 8, 10, 17	Employees	1	Frequency rate of lost work time accidents (per 1 million hours)	0.80	0.62	Continue to decrease from the three-year average frequency rate of 0.65 during the previous mid-term management plan period (performance disclosed)
			2	Global engagement survey score	IImplemented action plan based on FY2021 survey results	Conducted second global engagement survey 1) 69 (Japan score) 2) 80 (global score)	1) Japan score: 75 or more 2) Global score: 85 or more * Scores represents the rate of positive responses. * These surveys are conducted once every two years. (next : FY25)
			3	Indicators related to female employees ① Ratio of full-time female employees (consolidated) ② Ratio of female managers (consolidated)	1) 14.1% (as of March 31, 2024) 2) 10.3% (as of March 31, 2024)	1) 14.5% (as of March 31, 2024) 2) 11.1% (as of March 31, 2024)	1) 17.0% or more (as of March 30, 2025) 2) 13.0% or more (as of March 30, 2025)
			4	Ratio of employees with disabilities	2.42%	2.48%	2.5% or more (single year, Japan)
			5	Succession plans	Defined global key position (GKP) and formulated succession plans	Support development and provide opportunities for global key position (GKP)	Increased succession planning for senior management positions at Komatsu group companies outside of Japan
			6	Development of human resources with digital transformation and AI skills	Number of training recipients 1) Digital transformation: 5,341 for entry-level*, 44 for practical 2) AI: 30 for entry-level, 10 for practical * We administer the entry-level digital transformation course to a wider range of employees via video lectures	Number of training recipients (two-year aggregate) 1) Digital transformation: 5,643 for entry-level*, 84 for practical 2) AI: 60 for entry-level, 20 for practical * We administer the entry-level digital transformation course administered to a wider range of employees via video lectures	Numbers of training recipients (three-year aggregate) 1) Digital transformation: 900 for entry-level, 180 for practical 2) AI: 90 for entry-level, 30 for practical
			7	Cultivation of Smart Construction consultants	867	953	1,000 (aggregate)
		Human rights	8	Human rights due diligence activities	1) Internal: Online surveys targeting all Group companies 2) Procurement supply chain: Online surveys targeting major suppliers 3) Sales: On-site impact assessments in South Africa	1) Internal: Basic training on business and human rights 2) Procurement supply chain: i. Training for the Procurement Division ii. Interviews with major suppliers 3) Sales: Discussions with the marketing department	Conducted due diligence activities for the following three areas 1) Internal 2) Procurement supply chain 3) Sales
With business	9, 11, 12, 17	Customers	9	Development of safety devices and expansion of our range of marketed models equipped with safety devices (KomVision, etc.)	Completed of introduction in three small-sized wheel loader models	Drowsiness detection system: Installed in HD785-7 retrofit in Europe and Southeast Asia (Philippines) Already deployed on current rigid dump trucks, except for some models	Expand range of marketed models equipped with safety devices
			10	Overseas sales of ICT-intensive models	2,448	2,038	2,700 units (single year)
			11	Number of workplaces using Smart Construction (global total)	8,955	11,740	13,000 workplaces (single year)
			12	Enhancement and optimization of processes of construction workplaces	20%	22%	Ratio of workplaces using Smart Construction that implement solutions Level 3 or higher: 15% (single year)
			13	Aggregate number of AHS units deployed	643	727	790 units (aggregate, upward revision from prior target of 740 units)
			14	Optimization of operations at mine sites	Completed phase one development and commenced trials at customer workplaces	Conducted trials at multiple customer workplaces	Introduce and promote open technology platforms
			15	Augmentation of hard rock mining product lineup	• Load haul dump machines: Completed of development of one model • Mechanical cutters: Advanced trials at customer workplaces and launched for specific customers • Mining tunnel boring machine: Production of trial unit assembly	• Mechanical cutters: Continued operation at customer workplaces with trial units and completed the first commercial unit assembly • Mining tunnel boring machine: Completion of trial unit assembly	Expand product lineup and execute trials, including those for new methods (mechanical cutting)
			16	Expansion of hard rock mining business	Net sales: US$100 million	Net sales: US$ 80 million	Net sales: US$300 million (threefold increase from FY2021)
			17	Development of automated construction and mining equipment	• Hydraulic excavators: Tests conducted on equipment jointly developed with customers • Mining bulldozers: Completed remote control trials at customer workplaces and conducted automated operation trials	• Hydraulic excavator: Tests conducted on equipment jointly developed with automatic excavation function for specific locations • Mining bulldozers: Advanced research on linking bulldozers with a remote control system with Autonomous Haulage System (AHS) for mines underway	Expand the number of marketed models (including new developments)
			18	Expansion of aftermarket business (pursuit of business growth and response to volatility)	Sales growth rate: 13.5% (compared with FY2021, foreign exchange rates fixed)	Sales growth rate 20% (compared with FY2021, foreign exchange rates fixed)	Sales growth rate: 15% (compared with FY2021, foreign exchange rates fixed)
			19	Multi-sourcing ratio (implementation of business continuity measures across the supply chain)	85%	91%	92% (82% in FY2021)
		Ethics and governance	20	Enhanced governance and enforced compliance	• Enhanced disclosures based on Japan's Corporate Governance Code (business portfolio, skill matrix) • Conducted global e-learning program on Komatsu's Worldwide Code of Business (in 12 languages)	• Appointed a third party to the evaluation analysis process of the effectiveness of the Board of Directors • Conducted global e-learning program on Komatsu's Worldwide Code of Business(in 12 languages)	Disclose initiative results
		Communities	21	Ongoing social contribution activities	• Continued demining project • Provided ¥30 million in relief support following the earthquakes in Turkey and Syria • Continued forest restoration projects at former mine sites in North America • Continued providing support for regional human resource development programs with Cummins Inc. (Chile, Peru, South Africa and Australia)	• Continued demining project • Provided relief support following the Noto Peninsula earthquake 1) Donated ¥600 million 2) Lent equipment in affected areas free-of-charge 3) Provided disaster supplies (emergency food, etc.) • Continued forest reforestation projects at former mine sites in North America • Continued providing support for regional human resource development programs with Cummins, Inc. (Chile, Peru, South Africa, Australia)	Disclose activity results

	SDGs		No.	KPIs	FY2022 results	FY2023 results	FY2024 targets
With the planet		Environment	22	CO_2 emissions from production (compared with FY2010 levels)	Reduced by 43%	Reduced by 51%	Reduce by45% (compared with FY2010 levels)
			23	Water consumption (compared with FY2010 level)	Reduced by 69%	Reduced by 67%	Reduce by 70% (compared with FY2010 levels)
			24	Rate of renewable energy use	17%	25%	20%
			25	CO_2 emissions from product use (compared with FY2010 levels)	Reduced by 21%	Reduced by 22%	Reduce by 24% (compared with FY2010 levels)
			26	Electrification of construction and mining equipment	• Launched one model • Completed development of two models	• Launched three models	Expand models in the development phase and on the market
			27	Growth of forestry machinery business (process mechanization)	1) Sales growth rate: 22.1% (compared with FY2021, foreign exchange rates fixed) 2) Number of tree planting machines introduced: 5 units	1) Sales growth rate: 28% (compared with FY2021, foreign exchange rates fixed) 2) Number of tree planting machines introduced: 9 units	1) Sales growth rate: 50% (compared with FY2021; fixed foreign exchange rates) 2) Number of tree planting machines introduced: 30 (single year)
			28	Promotion of forest management solutions (development of a business model combining forestry and decarbonization)	Completed proof-of-concept tests for remote sensing solutions and selected partners	Forest area 23,705 ha	Forest area: 60,000 ha (forest management solutions applied)
			29	Expansion of Reman business	Sales growth rate: 16.5% (compared with FY2021; fixed foreign exchange rates fixed)	Sales growth rate: 35% (compared with FY2021; fixed foreign exchange rates fixed)	Sales growth rate: 25% (compared with FY2021; fixed foreign exchange rates fixed)

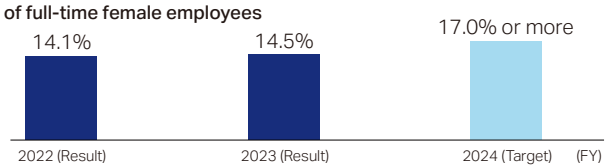
KPIs pick up

Of the 29 mid-term management plan KPIs related to growth strategies, we selected certain KPIs that have indicators with global numerical targets, presenting the status of our efforts in easy-to-understand graphs.

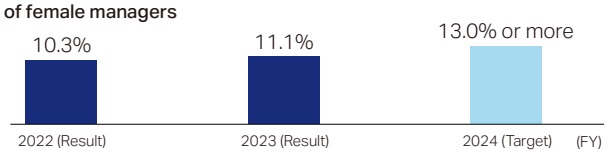
With people

Indicators related to female employee (consolidated, as of March 31 each FY)

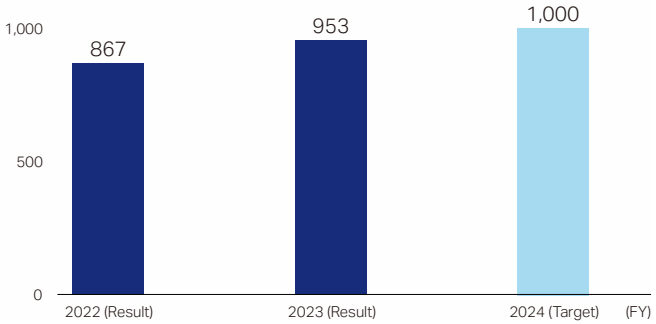
Ratio of full-time female employees



Ratio of female managers

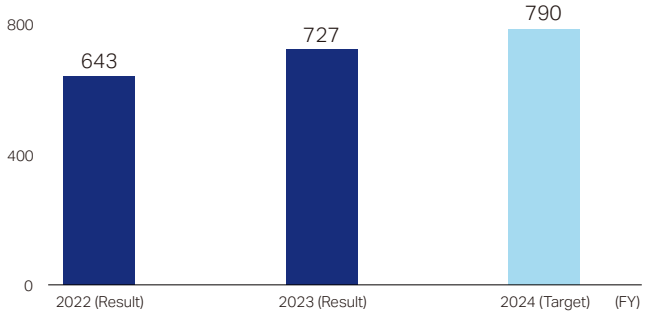


Number of Smart Construction consultants (aggregate)

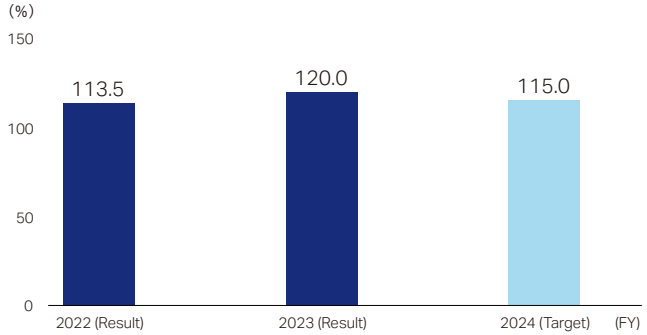


With business

Aggregate number of AHS (Autonomous Haulage System) units installed

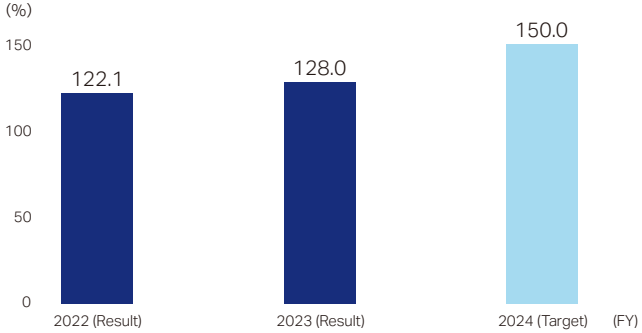


Sales growth rate of aftermarket business
(FY2021=100; foreign exchange rate is fixed)

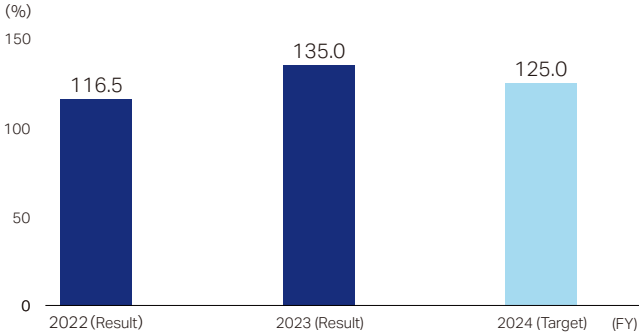


With the planet

Sales growth rate of forestry machinery business
(FY2021=100; foreign exchange rate is fixed)



Sales growth rate of Reman business
(FY2021=100; foreign exchange rate is fixed)



Special feature 1

Medium- to long-term R&D strategies

Komatsu has created new technologies throughout our history based on our commitments to quality and reliability and to manufacturing and technology innovation.
This special feature introduces our medium- to long-term R&D (research and development) strategy to continue to meet customer expectations and create the safe, highly productive, smart and clean workplaces of the future.

Taisuke Kusaba
Senior Executive Officer (Jomu)
Chief Technology Officer (CTO)
President, Development Division

A global R&D structure that provides customers with the best value

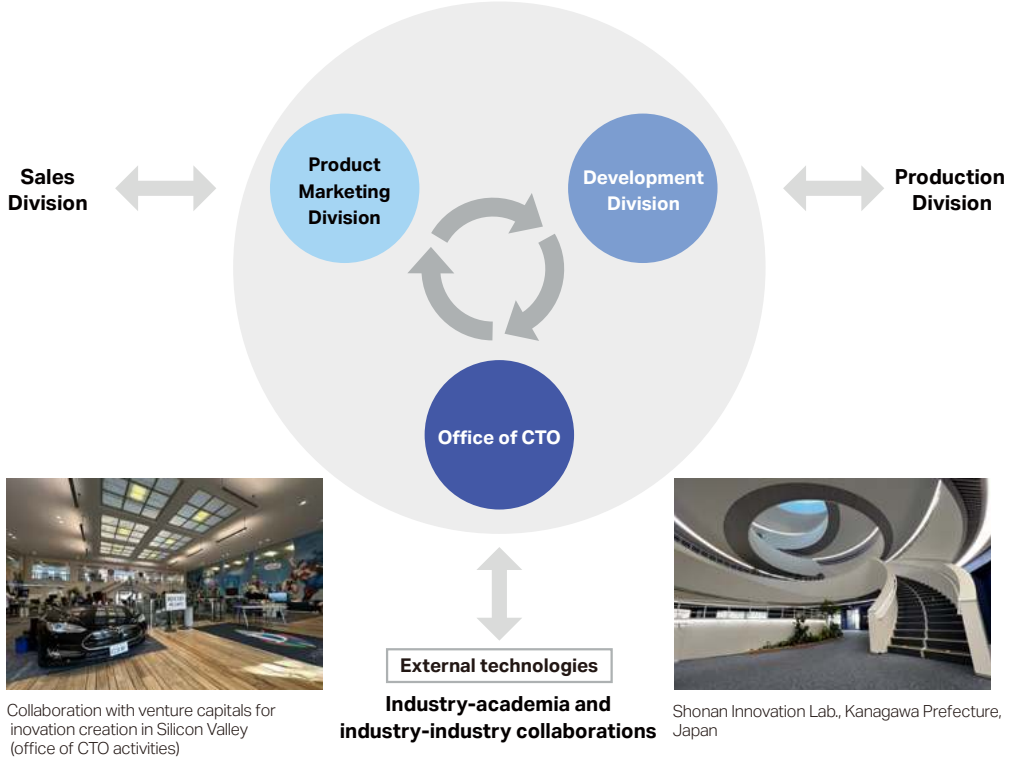
Our R&D structure consists of three main functions. The first is the Product Marketing Division. This division is responsible for planning and profit management. Duties include planning products in line with customer needs and planning sales and profits. The second is Office of CTO. The office is responsible for discovering new technologies to be applied to product development and determining the direction of research and development strategies. The third is the Development Division. This division is responsible for the two major tasks of improving the quality of existing products in mass production and developing new products. All three functions work together in R&D.

Komatsu has 24 development bases for construction and mining equipment worldwide, seven of which are located in Japan. Our production and development functions in Japan are located in the same locations to adopt advanced technologies into production and respond to quality issues in a timely and flexible manner. Our overseas development functions are operated in a similar manner. In this way, we conduct R&D on a global basis.

R&D of construction equipment, some mining equipment, and components is primarily conducted in Japan. On the other hand, we collaborate with the product marketing functions in each region to conduct product planning according to market characteristics in each region and the regulations and standards in each country. Surface mining equipment is mainly developed by our development centers in North America (three locations) and Europe (one location). To control quality, cost and delivery at the development stage, we hold product planning review meetings regularly. In this meeting, we evaluate and deliberate all development projects at their start and completion timing, and determine whether or not the product under review can be put into mass-production.

A major goal of R&D at Komatsu is to create innovation through collaboration among these three functions, combining our technologies with the cutting-edge technologies of the world and maximizing the value we provide customers.

Figure: R&D structure



Collaboration with venture capitals for inovation creation in Silicon Valley (office of CTO activities)

Shonan Innovation Lab., Kanagawa Prefecture, Japan

Special feature 1 Medium- to long-term R&D strategies

Technology strategies to achieve carbon neutrality

Komatsu engages in R&D in various areas to achieve our vision of creating the safe, highly productive, smart and clean workplaces of the future. Among various R&D activities, our effort to become carbon neutral is our answer to the major social issue of global warming, and we are working on this issue as the most important theme in our mid-term management plan.

There are various power sources to achieve carbon neutrality ranging from batteries, trolleys/cable, fuel cells, hydrogen engines, to hybrids, diesel-electric, biodiesel fuel and existing diesel engines with improved fuel efficiency. At present, countries around the world have different technological directions and policies for carbon neutrality. Considering the future, Komatsu has not narrowed down our technology options. Instead, we work on technology development from all directions. Looking at electrified construction equipment, for example, the first markets are being formed in Europe, where environmental awareness is high. Komatsu has introduced seven models of electrified construction equipment since 2020, mainly in the European and Japanese markets. In the future, we plan to expand our electrified product line-up to provide customers with more choices. With regard to power supply infrastructure, which is an issue in installing electrified construction equipment, we have partnered with other companies in a joint development to develop a generator using a hydrogen-mixed combustion engine. Proof-of-concept (PoC) experiments are underway to verify the use of this generator as a power supply device for electric mini excavators.

Battery-electric trolley mining truck
(Concept machine)

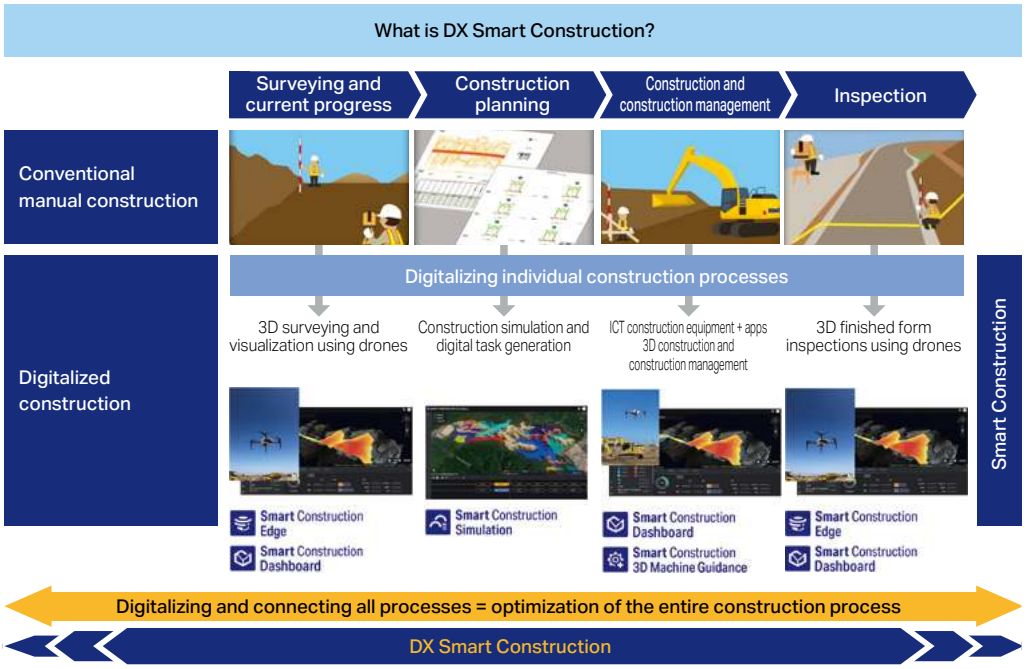
New 20-ton class electric excavator equipped with lithium-ion battery
(PC200LCE-11)

Portable hydrogen-mixed combustion generator for use in powering electric mini excavators
(Concept machine)

Since in-house development and production of components is one of our strengths, our core technologies include components for internal combustion engines, such as diesel engines. However, we do not have enough knowledge of battery technology. To this end, we acquired American Battery Solutions, Inc. ("ABS"; USA), a battery manufacturer, in 2023 to accelerate technological innovation.Though ABS is a start-up company, it possesses advanced technologies and facilities for prototype testing and mass production. Moreover, company employees are highly motivated to take on the social issue of carbon neutrality.We will work with ABS to develop battery modules optimized for our construction and mining equipment. At the same time, we will continue to collaborate with various battery manufacturers, as we have a wide range of models and machine sizes.

As stated in the CEO Message, it is essential for Komatsu to not only take a product-based approach but also take a solution-based approach like Smart Construction to achieve carbon neutrality. Streamlining construction processes at job site will help reduce the amount of fuel used, thereby reducing CO_2 emissions. We will strive to make customer workplaces carbon neutral by combining our solutions for CO_2 reduction with the products most compatible with such solutions.

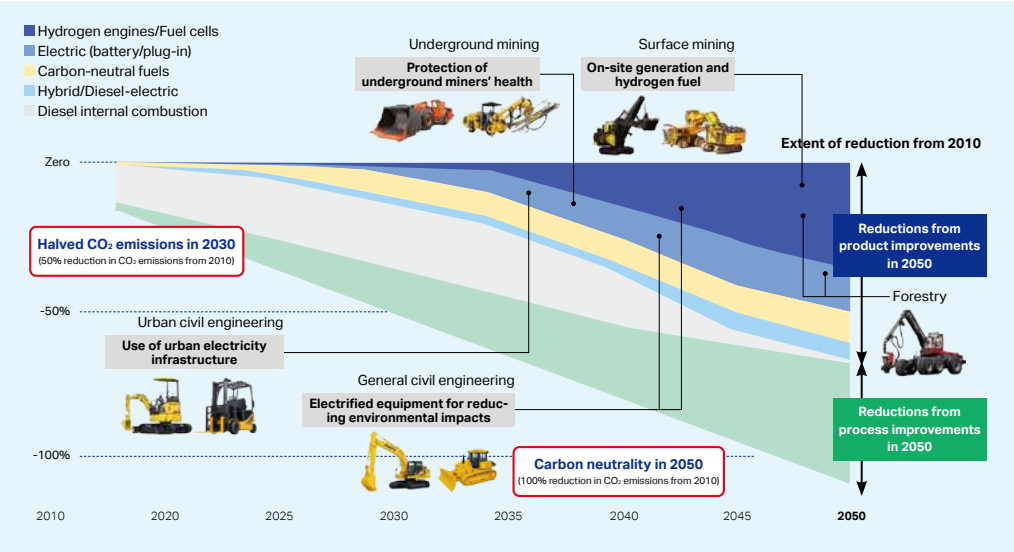
Figure: Approaches through Smart Construction and other solutions



Special feature 1 Medium- to long-term R&D strategies

Komatsu sets our management goal to reduce CO_2 emissions from our products in use by 50% (compared to 2010 levels) by 2030 and by 100% by 2050. We are currently verifying our efforts on the visualization of CO_2 reduction effects by combining our products with solutions. We believe that we have almost reached the current targets in our roadmap (24% reduction (compared to 2010 levels) by FY2024, a KPI of the current mid-term management plan). The Office of CTO monitors technology trends around the world, while our marketing functions in each country keep a close eye on policy directions in their respective countries. Komatsu takes this information into account and updates our roadmap as we work to reach our targets.

Figure: Roadmap to carbon neutrality



Planting seeds for the Office of CTO to accelerate future innovation

The Office of CTO plays an important role in ensuring that Komatsu makes steady milestones. Particularly important is the activities of the Office of CTO in exploring and acquiring cutting-edge technologies necessary for innovation.

Komatsu has engaged in collaborating with universities, research institutes, and venture companies around the world to create new value through the integration of in-house core technologies and external knowledge (i.e., open innovation). The main focus of industry-academia and industry-industry collaborations is to work together to create products while respecting the research themes and businesses of the other parties. We leverage the partnerships we have built in such collaborations to send our employees to collaboration partners to study abroad or for project assignments.

In addition, the Office of CTO holds an annual Technology International Advisory Board (IAB) meeting, a camp-type meeting attended by concerned Directors and Executives. We invite external experts and startup companies to our Technology IAB meeting to receive lectures on the latest technologies and technology trends and discuss medium- to long-term technology strategies.

The Office of CTO also assumes the responsibility to develop human resources with digital expertise. The office began focusing on the development of human resources with AI expertise five years ago. We select approximately 20 people a year from various functions, including development, sales, and aftermarket, and have them participate in a one-year in-house training program. There are several ideas discussed in this program which have led to practical applications. One such case is the development of an automatic detection support system using AI image analysis.

The activities to translate our vision for the future into a short film are also extremely important. We release at least one film a year featuring cutting-edge and sharp visions of the future that involve technological leaps. The topic of our fiscal 2023 film was *Social transformation through electric construction equipment*. The video is made public to all Komatsu Group employees to inspire them and promote the creation of new ideas. This video also serves to present the Komatsu vision to those outside the company in search of open innovation partners.

Social transformation through electric construction equipment (short film)

Web Short film *Social transformation through electric construction equipment*

Special feature 1 Medium- to long-term R&D strategies

Members of the Office of CTO travel around the world to present this short film to research institutes and venture companies and discuss future possible collaborations. The most important aspect of these conversations is relaying any knowledge and information on advanced technologies gained back to the development team so that the team can apply such technologies to actual product and services. The drone surveying technology introduced in Smart Construction is one example of how an encounter with a startup company in Silicon Valley led to practical application in our solution services.

We have been increasing R&D expenses gradually each year. These expenses amounted to ¥103.4 billion in fiscal 2023, which is approximately 3% of our consolidated net sales. We are working to allocate resources primarily to improve the equipment efficiency and electrification for carbon neutrality We also strive to enhance automation, autonomous operation, and remote operation to address labor shortages.

Leveraging our strengths of in-house component development and production is significant. To this end, we also continue to allocate a large portion of our R&D expenses to the development of components and software.

Figure: Construction equipment of the future (excerpt from short film "All-around carbon neutral strategy")

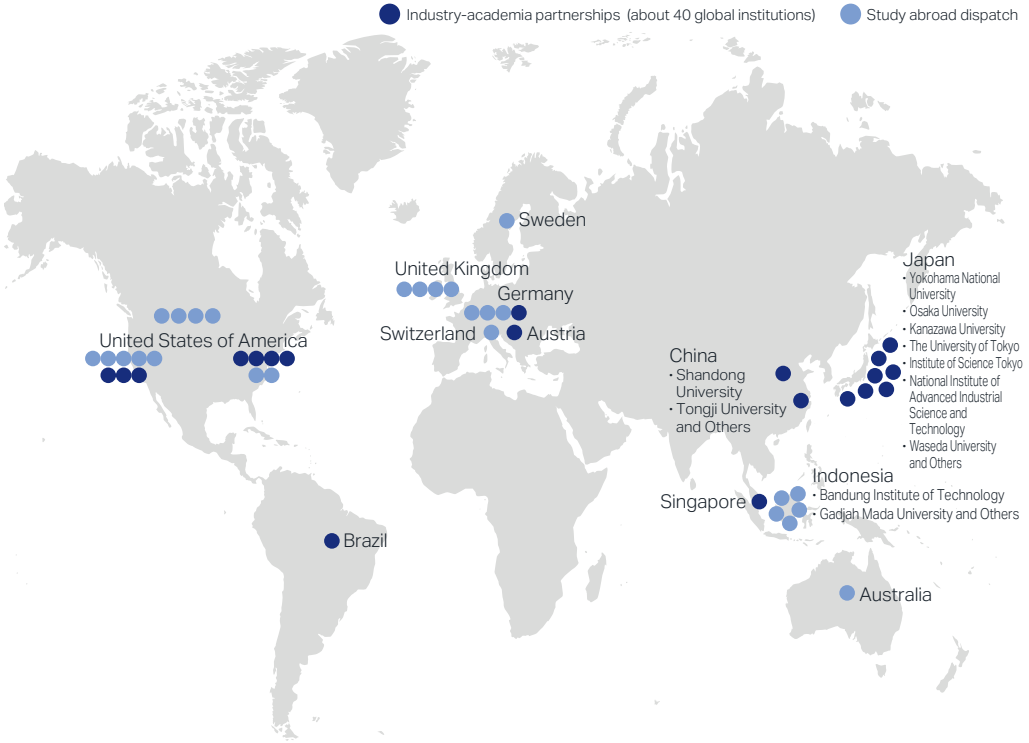
Storing sunlight as hydrogen to convert into electricity to charge construction equipment

Resolving customer issues with Komatsu products and solutions

As a manufacturing company, our management is based in development and production. and our management value chain starts in the development functions. We view our technologies in terms of prioritizing the needs of job sites. To this end, we are confident in our technology, products, and solutions to solve customer issues. Without a strong passion, we would not be able to convince customers of our values and they would not choose Komatsu products. We believe that our most important mission is to devote our maximum effort to the pursuit of technology, convert that technology to customer value, and ensure customers continue to choose Komatsu as a partner. We will work with our customers to approach and solve the various issues they face at their workplaces by optimizing construction processes at their job sites and providing advanced products highly compatible with such process optimization solutions.

However, as society changes and technology advances, it has become increasingly difficult to create maximum value with our capabilities alone. Komatsu is committed to pursuing technologies by respecting and collaborating with various partners and transforming such technologies into our products and services, thereby providing higher value-added offerings.

Figure: Overview of industry-academia collaborations



Special feature 2

Contributing to a sustainable and circulating forestry industry

As global warming accelerates, there is a need for sustainable use of forest resources, which are a source of CO_2 absorption. Komatsu contributes to creating decarbonized societies through sustainable and circulating forestry. To this end, we combine forest machine that improve safety and productivity, which are issues in the forestry industry, and solutions to improve efficiency in forest management through data visualization of machine operations and forest resources. At the same time, we will strengthen the forest machine business by positioning the business as the third pillar of the Komatsu Group's businesses, following the construction equipment and mining equipment businesses.

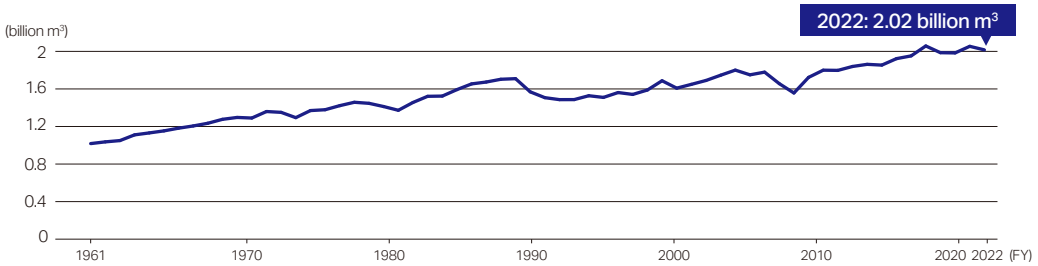
Growth potential of the forest machine business

Demand for wood continues to rise as the world population increases. Global roundwood production is increasing at an average annual rate of about 1% and expected to increase from 2.02 billion m^3 in 2022 to 2.12 billion m^3 in 2027 (Komatsu internal forecast). This increase is mainly due to the increasing demand for timber for construction in emerging countries, the spread of sanitary products (e.g., paper diapers), and rising environmental awareness, all of which drive the use of biomass materials and pulpwood as alternatives to plastics. In addition to conventional wood production, tree-planting projects are also growing worldwide, aiming for decarbonization, natural environment conservation, and wood utilization.

Certain regions are facing labor shortages and an aging forestry workforce on top of the increasing wood demand. These circumstances increased the demand for forest machine that ensures worker safety, reduces the burden on workers, improves work process efficiency, and increases productivity at job sites.

Furthermore, mechanization rates in the forest industry are increasing in emerging countries, which have conventionally relied on human labor. We expect demand for forest machine to grow at an average annual rate of 2% to 3% and market size to expand from approximately US$7.5 billion in 2021 to US$8 billion in 2024 (Komatsu internal forecast).

Figure: Industrial roundwood production volume



Source: Food and Agriculture Organization of the United Nations (FAO)

Necessity of forest resources and resolving issues with forest machine

Forest and timber resources contribute significantly to global warming prevention depending on how such resources are used. Trees grow and store CO_2 while absorbing CO_2 from the atmosphere, and they can continue to store CO_2 for a long time even after they are turned into wood products. Moreover, by using harvested wood as woody biomass fuel (carbon neutral fuel), it is possible to reduce fossil fuel usage and CO_2 emissions leveraging the effects of CO_2 absorption through trees. To maintain this cycle, it is necessary to promote a circulating forestry industry which involves managing forests appropriately, using appropriate methods to harvest grown trees, and planting and cultivating new trees.

Komatsu Forest AB head office. The timber used in wooden buildings and other structures stores carbon for long periods of time

However, the forestry industry has many sites with steep slopes and poor footholds, and is prone to serious accidents compared to other industries. In some countries and regions in particular, they still rely on human labor to fell trees using chainsaws and other processes. Therefore, the importance of safety and efficiency by means of mechanization and systemization of work processes is advocated. It is important to keep workers off the ground and out of direct contact with trees to ensure safe job sites with as few accidents as possible. Komatsu works continuously to improve the safety of customers' workplaces by providing forest machines for harvesting and extracting processes.

Special feature 2 Contributing to a sustainable and circulating forestry industry

Cultivating the forest machine business as the third pillar of our businesses

Komatsu contributes to solving customer safety, production, and environmental issues globally by providing forest machines. We believe that the forest machine business is an area where Komatsu contributes to solving the major social issue of decarbonization through our business activities, and we have been conducting focused activities to create a positive cycle of solving ESG issues and improving profitability. We also defined the forest machine business as one of the growth areas in the mid-term management plan (FY2022-FY2024), under which we set KPIs for the business and monitor our progress. We provide total support for our customers' sustainable and circulating forestry management by mechanizing processes and providing solutions, while growing this business as the third pillar of our business, following the construction equipment and mining equipment businesses.

Figure: Komatsu forest machine business sales and forecasts

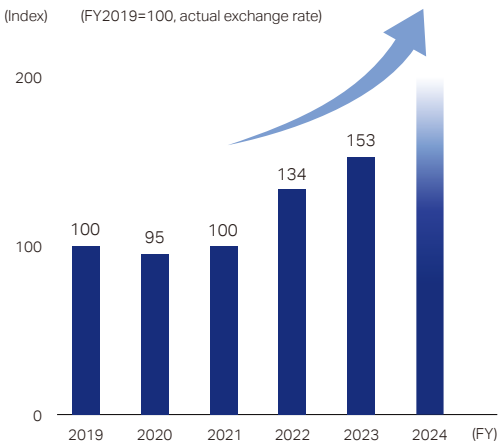


Figure: Circulating forestry management conceptual image

Global forest machine business structure

Komatsu has expanded our forest machine business by introducing construction equipment-based machines with forestry specifications, as well as purpose-built forest machines and related technologies acquired through M&A. In 2004, we established Komatsu Forest AB through the acquisition of Partek Forest AB (Sweden) and launched a full-scale forest machine business with a product lineup for the CTL method (Figure), which is the dominant method in Europe.

On the other hand, the dominant method in North America is the FTL method. In 2018, Komatsu acquired Quadco Inc.(Canada), a manufacturer of FTL attachments. In addition, in 2019, we acquired TimberPro Inc. (U.S.A.), a manufacturer of forest machine to expand our product range by adding crawler-type feller bunchers and other products for the FTL method. In particular, North America, which is the world's largest producer of lumber, is the world's largest market for forest machines. We believe there is considerable potential for growth in North America by reinforcing our product lineup.

Komatsu has been working to expand our product lineup to provide total support for the circulating forestry industry. For example, in response to a request from the Brazilian pulp and paper industry, we have developed and introduced a planter equipped with a tree-planting attachment from Bracke Forest AB (Sweden), which we acquired in 2022. As tree planting is one of the most labor-intensive processes in afforestation, we will continue to solve customers' issues more by advancing mechanization.

Figure: CTL and FTL processes

Logging methods	Details
CTL (Cut to length) method	A method in which trees felled in forests are cut into logs of a certain length before extracting
FTL (Full tree length) method	A method in which felled trees are extracted at their original length and processed into logs of a certain length at another location

Forest machine lineup

Harvesters [CTL]

Forwarders [CTL]

Feller bunchers [FTL]

Bulldozer-based planters

Special feature 2 Contributing to a sustainable and circulating forestry industry

Creating sustainable, circulating forestry with our products and solutions

As in our construction and mining equipment businesses, Komatsu strives to create new customer value in the forest machine business through both products and solutions.

In terms of products, we work to develop technologies for future products that support sustainable forestry management and enhance the automation of machine operations. We will also develop electrified equipment as low-carbon technology products. The biggest barrier to electrifying machines in forests is the power supply infrastructure. Operating sites in forests are vast and machines are operated in various locations, making it difficult to install infrastructure facilities. We will conduct development while aiming to charge such machines on-site using portable power supply equipment, which has already begun to be introduced in the construction equipment business. We will also create synergies by leveraging assets of the Group including technologies such as diesel electrics, hybrids, hydrogenated vegetable oil (HVO fuel), and the knowledge gained from American Battery Solutions Inc. ("ABS"; U.S.A.), a manufacturer of batteries acquired last year.

In terms of solutions, we have addressed evolving our solutions to visualize information on the forest machine used in logging and extracting. Specifically, our system visualizes information including machine conditions, work orders from operation administrators, logged volumes, and work site management (sharing the log collection locations with the operators of extracting machines).

In the tree-planting process, we began recording data on the location and time stamps from planters and verifying the technology that uses remote sensing to monitor sapling growth after planting. Conventional survey methods of seedling survival rates require surveyors to walk long hours to take measurements. This method will be replaced by drone or satellite data analysis, which will not only improve efficiency, but also enable us to use the data for replanting. In addition to our conventional harvesting and extracting solutions, Komatsu promotes Smart Forestry, which offers added services such as forest monitoring, biodiversity conservation and fire prevention using remote sensing and AI technology. Through these efforts, we aim to help our customers realize sustainable and high-quality forest management.

Monitoring sapling growth using drones

Message

We will accelerate the global circulating forestry business and work together with customers to contribute to the global environment.

Hiroyuki Umeda
Executive Officer
President, Forest and Agriculture Business Division

Komatsu works to engage in M&A to expand our forest machine business, with key markets in Europe and North America. To this end, we develop products tailored to the characteristics of each region and establish proprietary production and sales networks. We established the Forest and Agriculture Business Division in April 2023 in light of business expansion to ensure the proper control of business management and governance as a global headquarters. Our forest machine business now has a worldwide presence in Europe, North America, South America, Oceania, Asia, and Africa. We aim to grow our business further by integrating operations across group companies and our locations around the world and aligning internal directions for overall optimization. One year has passed since the establishment of our division. Although our members are working in various regions across the world, I feel that employee motivation has increased now that we can see the faces of those with which we do business.

I expect new players to join the forestry sector market in the future. In addition to traditional timber producers, these new players may include companies that engage in carbon credit trading, tree planting for nature conservation and NGOs. The new market requires higher-quality forest management that includes the quantitative visualization of carbon stocks and biodiversity conservation. Komatsu strives to provide diverse customer values by leveraging our strengths in understanding on-site data and providing solutions that utilize such data.

The reduction of environmental impacts in response to climate change is recognized as one of the most important issues in our materiality. In the forest machine business, Komatsu Forest AB launched the first carbon-neutral plant in the Komatsu Group in 2021. The plant made significant improvements to productivity and introduced renewable energy, thereby significantly reducing electricity consumption. We are also exploring the possibility of leveraging our forest machine technologies and forest management solutions to offset CO_2 emissions from our products. The Forest and Agriculture Business Division will continue to take advantage of Komatsu's assets and accelerate industry-academia collaborations and alliances with collaborative partners to reduce CO_2 emissions at customer sites and develop automation technologies and solutions.

We are committed to contributing to customer businesses and the global environment, while further growing our forest machine business.

Sustainability

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Sustainability management

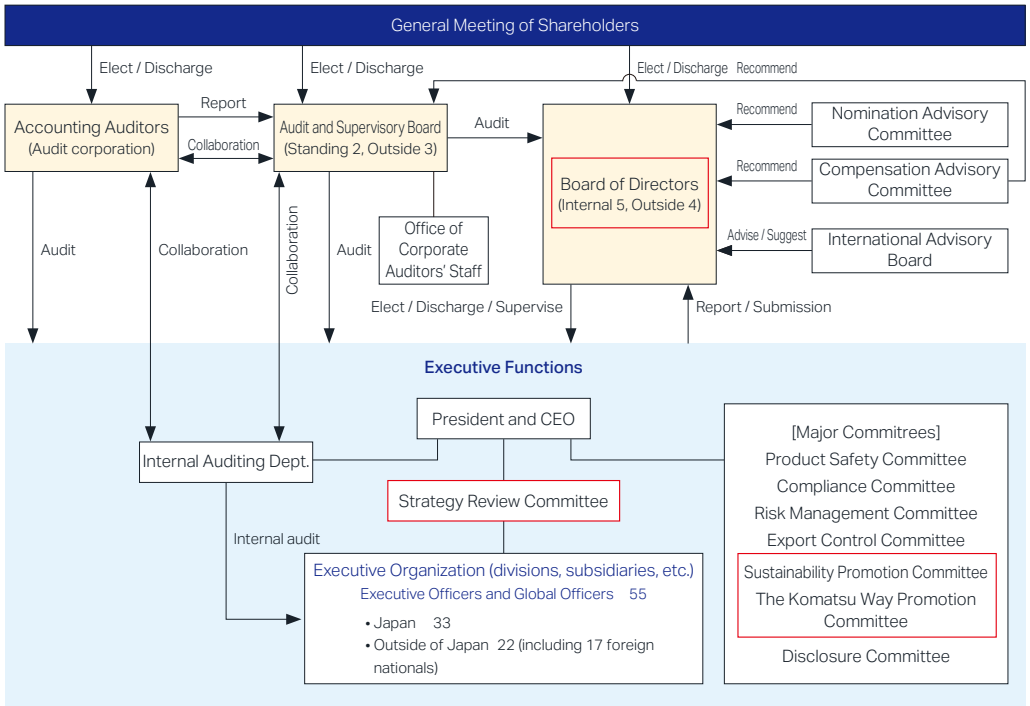
In response to global climate change and various external environmental shifts, Komatsu has developed our Sustainability Policy, aiming to achieve both a more sustainable society and business growth. For a future where people, businesses, and our planet thrive together, we will continue to address issues that are important to both a sustainable society and our business together with our stakeholders to contribute to society. At the same time, we will promote sustainability management by further enhancing our corporate governance as a corporate group that can flexibly respond to changes in society and our external environment.

Sustainability promotion structure

Based on our Sustainability Policy, we established various committees chaired by the President or the Director in charge, and composed of persons responsible for each business and function, to deliberate, decide on, and promote group-wide policies and measures in the areas such as human resources, occupational safety and health, compliance, human rights, and environmental affairs. Specifically, the Komatsu Way Promotion Committee reviews personnel and educational measures, while the Sustainability Promotion Committee deliberates on measures related to the environment and human rights.

In addition, the Strategy Review Committee deliberates on business strategies for carbon neutrality and decarbonization. The deliberations by the above-mentioned committees and business strategies are regularly reported to and discussed by the Board of Directors.

Figure: Sustainability promotion system*



*As of June 30, 2024

P.69 Organizational chart of corporate governance

P.76 Major executive committees

As part of our mid-term management plan, which has a basic concept to achieve sustainable growth through customer value creation by creating a positive cycle of solving ESG issues and improving profitability, we have included metrics related to reduction of environmental impact and external evaluation for sustainability management as our management targets. We have also selected ten goals which are strongly related to the materialities for us out of the 17 goals of SDGs and linked them to the focused activities of the growth strategy in our mid-term management plan. As to 29 KPIs (key performance indicators) of the focused activities, the status of our achievement is disclosed in the Komatsu Report every year, and these KPIs are also linked to executive compensation. In this manner, we ensure a system to steadily promote sustainability.

P.35 KPIs of mid-term management plan

Figure: Main sustainability agenda in FY2023

Committees	Month	Main Agenda
Board of Directors	April	• Progress of the mid-term management plan and activities • Reports from the Sustainability Promotion Committee
	October	• Activities of talent acquisition, human resources development and utilization • Global engagement survey results
Strategy Review Committee	As needed	• Examination of business strategies related to climate change (e.g., R&D of low-carbon and electrified equipment etc.)
Sustainability Promotion Committee	September	• Human rights policies and activities/Environmental management measures etc.
	January	• Progress of the mid-term management plan and activities/Next mid-term management targets • TCFD/Human rights responses etc.
The Komatsu Way Promotion Committee	September	•Progress of HR activities in the mid-term management plan •Challenges and solutions for global HR
	January	•Progress of HR activities in the mid-term management plan •Talent management initiatives
Risk Management Committee	As needed	• Identification and organization of corporate risks (environment, human rights, etc.)
Executive Officer Meeting	As needed	• Management of progress related to management goals

Special feature 3

Promotion of human capital management

Komatsu believes that human resources are one of the most precious assets for creating new value. We continuously invest in human resources based on the philosophy that maximizing the abilities and individuality of our diverse employees leads to innovation and sustainable corporate value enhancement. At the same time, we endeavor to strengthen human capital management by developing measures that align more closely with management strategy.

Executive Officer message

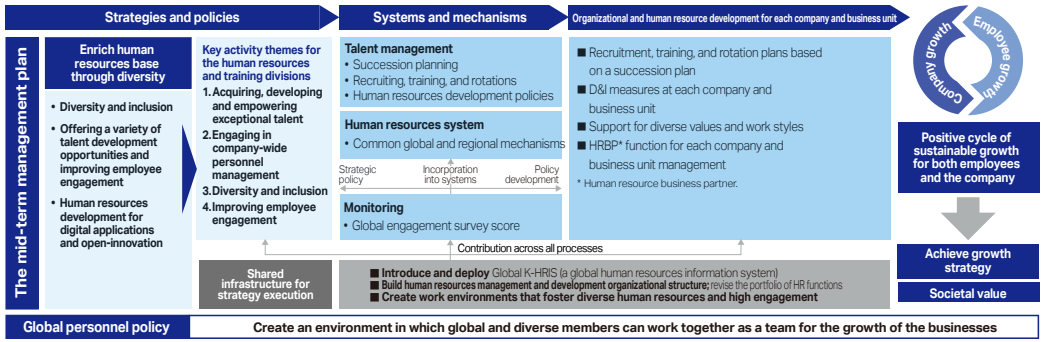
■ For the sustainable growth and development of both employees and the company

Komatsu is promoting management based on our purpose by developing our sustainability policy consisting of three elements: (1) With people; (2) With business and (3) With the planet. Under this policy, we established a global personnel policy calling for diverse people from around the world to contribute to the growth of our business as one team. Under the current mid-term management plan (FY2022-FY2024), we uphold enriching our base of human resources with diversity as one of our key initiatives. We are conducting a variety of measures designed to foster human resources who take on challenges to solve various problems and create new customer value.

In the world today, against the background of environmental changes such as a declining working population, especially in developed countries, and a rising remuneration levels, it has become a pressing issue for companies to attract and acquire people and develop employee career and skills. Komatsu is no exception to this trend. It is our urgent task to secure human resources by implementing measures such as organizational development focused on skills, further enhancing of diversity and inclusion, and promoting employee well-being. We will focus on making investment in these measures. At the same time, it is essential for us to increase employee engagement globally to achieve sustainable growth. Komatsu has long facilitated human resources management respecting the labor practices of each country and region, as we promoted management localization. Localizing management leadership is part of this effort. As a result, many of the top management positions at our group companies outside of Japan are filled by national employees in the respective regions. On the other hand, since the COVID-19 pandemic, we recognize that work styles are no longer restricted by physical location, a fact which enables us to utilize human resources effectively beyond national and regional borders, working as a global team to solve common issues. While we respect the circumstances of each region, we will aim to realize an environment in which employees worldwide can make the most of their talents as One Komatsu. It remains unchanged for us to share the values of the Komatsu Way with all employees around the world and value our commitment to quality and reliability and manufacturing and technology innovation. By keeping these efforts in place, we are aiming to achieve our management strategy through global teamwork and create a positive cycle of sustainable growth for both employees and the company.

Mitsuko Yokomoto
Director and Senior Executive Officer(Jomu)
Supervising Human Resources, Education and Sustainability

Figure: The Komatsu human resources strategy



<With people>

Special feature 3 Promotion of human capital management

Figure: Global personnel policy

Komatsu Group companies have established a personnel management system that can be tailored to the unique needs and circumstances of each region based on the following basic policy, with the aim of realizing an environment in which diverse human resources worldwide can contribute to business growth as a team.

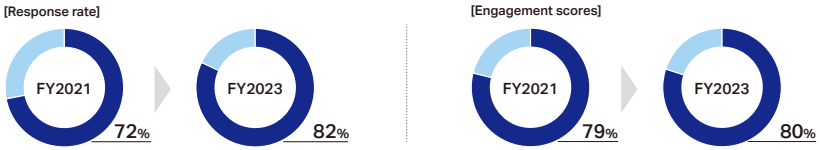
- We shall respect each employee's human rights, personality, individuality and legally-protected privacy.
- We shall respect diversity and treat and appraise each employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability, marital status or other legally protected status. We shall vigorously promote equal opportunities for employment.
- We shall give due consideration to work-life balance and physical/mental health, and endeavor to provide the employees with workplaces where they can effectively accomplish their tasks with satisfaction and pride.
- We will not tolerate inappropriate behavior and speech which prevents employees from working effectively and comfortably. In particular, all Komatsu employees must not engage in any type of harassment, including harassment of subordinate personnel, sexual harassment, or harassment related to pregnancy, childbirth, parenting, or nursing care, in or outside of the workplace.
- In designing and implementing Komatsu policies on employment conditions (such as wages, fringe benefits, performance appraisals, and promotions), we shall assure that such policies are, and are understood to be, fairly and clearly implemented. Such policies shall be accurately communicated to employees and, to the extent practicable, made open and accessible.
- We shall comply with all applicable laws and regulations governing employee rights and faithfully accommodate, whenever applicable, conversations or discussions with employees or their representatives.
- We shall not tolerate child labor or forced labor.
- We shall offer terms and conditions of employment that are sufficiently competitive in their respective regions.

Infrastructure supporting global human resources policies

Global engagement survey

We conducted the second survey in June 2023 (68,000 respondents globally 82%; response rate). We saw favorable trends across multiple categories compared with the first survey (conducted in 2021). In particular, the scores in the D&I category increased significantly. We recognize that there is still room for improvement in the categories such as innovation and talent management, which we emphasize. We will continue activities to enhance strengths and improve issues based on action plans formulated by each country and division.

Figure: FY2023 global engagement survey overview



Objectives	To regularly identify and analyze employee engagement globally, clarify our strengths and challenges at that time and take them into consideration when deciding plans for the future.
Survey overview	60 questions related to employee engagement and the factors that influence engagement, including vision (values, management policies), strategy and competitive advantages (goals, policy initiatives), leadership, and well-being (organizational culture, work environment, aspects related to satisfaction, happiness, and mental and physical health).

Diversity and inclusion

Komatsu regards D&I as the driver of innovation. We create workplaces where diverse human resources engage in lively and constructive discussions respecting each other's individuality and talents. We believe making these efforts will enhance the improvement of employee engagement and the transformation of corporate culture, which in turn leads to the creation of innovation and growth of overall company. With this understanding, we endeavor to create an environment in which diverse human resources, including people subject to global rotations, different genders, LGBTQ, people with disabilities, and seniors can play active roles. In addition, we are conducting a variety of measures such as the enrichment of our human resources systems and a systematic approach to human resource development and training.

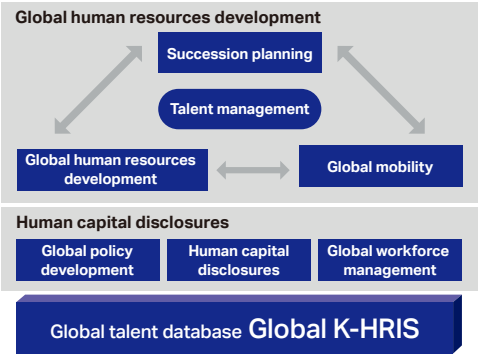
We also engage actively in activities to promote employee awareness and understanding of D&I. Since FY2022, activities have included a message from the president and 14 PR videos, including best practices from around the company, available in 13 languages.

Best D&I practices are introduced by videos with subtitles in multiple languages, and distributed globally.
(D&I promotion activities)

Global HR information system

Komatsu has introduced Global K-HRIS, a global HR information system as a foundation supporting human resources management, working to link our global system with local HR systems around the world. We will promote global human resources development and data-driven human capital management by visualizing human resources information for all Group employees. By making these efforts, we are aiming to create an environment in which global and diverse members can work together as a team for the growth of the businesses, maximizing employee and organizational performance.

Figure: Global K-HRIS



Support for self-directed career development

To achieve a positive cycle of employee development and business growth, we believe that it is essential for each employee to take a proactive approach to their career development. Komatsu has shifted focus from conventional business with company-led human resources management to new businesses with management that considers employee will, supporting active career development.

In Japan, we introduced the Career challenge system in January 2024 to connect employees seeking new assignments with departments that have human resources needs. The program encourages approximately 11,000 eligible full-time employees in the mid-grade level and above to register the type of assignment they want to take on in the future. This system makes employees more proactive to the new career opportunities than in the conventionally company-led internal program for open requisition.

<With people>

Special feature 3 Promotion of human capital management

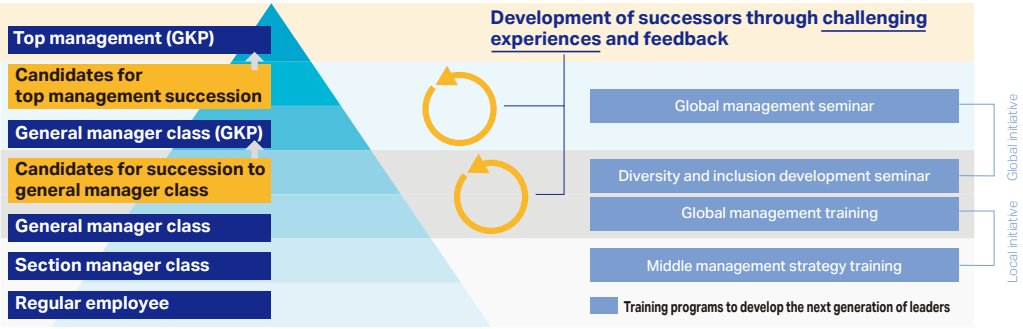
Human resources development and utilization

Global human resources development

As Komatsu conducts businesses worldwide and 90% of sales of construction, mining, and utility equipment business coming from outside of Japan, the development of global leaders is key to our future growth.

We appoint top management of major group companies outside of Japan as Global Officers responsible not only for their respective regional performance, but also for Komatsu Group consolidated management. Furthermore, some of those managers are appointed as Executive Officers of Komatsu Ltd., required to play central roles in Komatsu Group management and we have developed succession plans under which approximately 700 major positions in Japan and overseas are classified as global key positions (GKP). In addition, we have promoted the strategic development of next-generation leaders globally. Such efforts include the global management seminar and the diversity and inclusion development seminar for managers and management candidates. We also have the Komatsu Way leadership development program for middle management professionals who play central roles with respect to business and functional operations.

Figure: Linking succession planning and human resources development



Web Komatsu educational system (ESG Databook)

Global management seminar (GMS)

This program is conducted on a regular basis to foster management-level development at group companies. The purpose of the program is to deepen participants' understanding of global management strategies through discussions with Komatsu's management and among participants, and to develop global leaders who embody management rooted in the Komatsu Way. In the 2023 program, participants discussed and exchanged opinions on management policies from a medium- to long-term perspective under the topic of the Komatsu future vision and proposals for the mid-term management plan for 2030 and beyond.

Group photo of 2023 GMS participants

Diversity and inclusion development seminar (DIDS)

This program is held on a regular basis (third time in 2024) for female candidates serving in global management executive positions. The purpose of this program is to diversify the Komatsu Group management team. Thirteen people from nine countries participated in the program. They worked in groups addressing the topic of what they should do globally and locally to achieve D&I toward innovation. On the final day of the seminar, the participants presented proposals for Komatsu's business as a result of discussions and opinion exchanges with Komatsu management.

Group photo of 2024 DIDS participants

Developing human resources to support the future of our business

The Komatsu Way is the core element of human resources development. Through this shared value, we enhance total quality management (TQM) trainings to sustain the foundation of manufacturing capabilities as well as develop training systems for the level of roles and functions. Moreover, we also focus on developing human resources with digital expertise to keep pace with rapidly advancing technologies.

The Komatsu Way

The Komatsu Way is the very DNA of Komatsu. It defines and stipulates the strengths of Komatsu, the beliefs underlying our strengths, the basic attitudes and manner of action, which have been built through the experiences of our predecessors who tackled and overcame numerous challenges. The Komatsu Way consists of three chapters—(1)Leadership/top management, (2)"Monozukuri" for all employees, and (3)Brand management. This approach better presents our principles in a manner that reflects the roles of specific employees. The Komatsu Way has been translated into 13 languages to foster an understanding among employees of different cultures and customs. We continue activities to gain a wider appreciation of The Komatsu Way for employees to put it into practice.

The Komatsu Way booklet

Web Training hours and cost per employee (ESG Databook)

Commitment to quality and reliability

Komatsu has cultivated organizational capabilities at various workplaces through TQM activities over the years to enhance the competitiveness of our manufacturing operations. In FY2023, Bangkok Komatsu Co., Ltd. (Thailand) received the Deming Prize in recognition of longstanding quality improvement activities. This recognition marks the third time a group company outside Japan has received this award.

We began a TQM Instructor Training Program for employees of group companies outside of Japan to further TQM promotion. The program is conducted both in Japan and other regions to train TQM instructors to work in their respective areas.

With members of Bangkok Komatsu Co. at Deming Prize award ceremony

<With people>

Special feature 3 Promotion of human capital management

Technology innovation

Komatsu conducts the AI engineer development program to foster key individuals to enhance collaboration with various functions in the field of AI, and the DX education program to develop employees who will lead the transformation into sustainable business models. We also launched the innovation training program in FY2023 to develop human resources who learn and practice design thinking and other skills that lead to innovation. We plan to expand the curriculum with reference to advanced technologies and case studies from other companies.

Capstone event of innovation training program in Silicon Valley

Utilizing global human resources

With 70% of our employees working outside of Japan, we must utilize various human resources globally, not only at the top management level, but also throughout the leadership and staff levels in each function. The Komatsu Way Promotion Committee, chaired by the president, includes Executive Officers and Global Officers. The committee discusses future global human resources and education measures. We also hold a regular Global HR Conference in which the HR department managers from major group companies outside of Japan share and discuss common issues and measures across our global operations. Through these activities, we exchange opinions actively regarding the utilization of global human resources beyond regional boundaries, linking the outcomes to considerations of personnel policies. The head office and each region's operations work together to strengthen head office functions through global teamwork as part of our efforts to utilize global human resources. Efforts include the appointment of North American and Australian employees as branding leaders and the appointment of North American and Latin American employees as deputy general managers in charge of human resources at our global head office.

Message

The formula for company sustainable growth is values and people

Greg Elliott
Deputy General Manager,
Human Resources Department, Komatsu Ltd.
Chief Human Resources Officer and EVP,
Komatsu Mining Corp.

Mr. Elliott joined Komatsu Mining in 2017 after serving as CHRO for two Fortune 500 companies. He is CHRO and EVP of Komatsu Mining and also serves as Deputy GM of Komatsu Human Resources Department from April 2022.

Competition in business today is as great as it's ever been, especially given the speed of change brought about by new technologies, such as generative AI, as well as an ever-increasing customer demand for products that generate lower environmental impact. All companies are working to anticipate this customer demand, now and in the future, and to get to the market more quickly and with higher degrees of quality and service. So how does a company distinguish itself from the competition, when most generally have access to the same systems, processes, information sources, consultants, suppliers, etc.? The short answer is values and people. When properly nurtured and grown, this combination cannot be replicated by others.

Prior to joining Komatsu, I researched the company and was drawn to the Seven Principles of the Komatsu Way that serve as the bedrock of the company's culture. It appeared to me that Komatsu, which was approaching its 100th anniversary, understood that values and people would be the formula for sustainable success. This formula is how the company distinguishes itself from the competition and is a key element of the employee value proposition.

Each principle is critical, but the one that resonates most strongly with me not surprisingly is employee development. At Komatsu, we recognize that for us to adapt to and lead change, our employees must share the company's values and commit to continuous learning. Change also requires that the company provides the right tools and opportunities to employees to leverage each person's unique experience and talents.

Komatsu is a company of over 65,000 employees distributed around the world. Our challenge and opportunity are to unleash the creativity of every single one to develop new products and services that help our customers be even more successful and serve the communities in which we do business.

The company has several valuable global initiatives underway, including a global employee engagement survey, global HRIS implementation, the diversity and inclusion development seminar, and the global management seminar. Three other global initiatives are described in more detail below.

Succession plans

Each year, regional and operational offices around the world identify employees who are being considered and developed for Global Key Positions (GKP). Discussions are held with the top leadership in the region to select or validate succession candidates who are then slotted into each GKP. The candidate's background, developmental needs and level of readiness are included as part of this process. Having a regular and robust process allows top executive management to have visibility to approximately 700 GKPs and plans to ensure leadership continuity.

Global innovators program

Last year, we launched the global innovators program to accelerate our capabilities around design thinking. The innovators program helps students better understand how design thinking can be a valuable tool in various ways, including how to develop innovative products and services, create new businesses, revitalize an existing brand and establish new processes. Our first cohort was 17 employees from around the world who participated in this program, which included a capstone event held in Silicon Valley with faculty and Komatsu Chairman Tetsuji Ohashi. Each participant presented a case study during this capstone event.

Global mining trainee program

Given some of the unique demands within the mining business, the company recognized the need to accelerate the development of employees who are at the front end of their careers. As a result, the company launched the global mining trainee program (GMTP). The GMTP selects candidates from around the world for assignments outside of their home countries. We expect these shorter-term assignments to increase the probability of an employee accepting an overseas opportunity.

<With people>

Special feature 3 Promotion of human capital management

Talent acquisition

Recruitment policy and strategy

Our basic policy and strategy is to address issues common across global operations in a coordinated manner. We formulate and implement compensation and recruitment strategies appropriate to each country and region, taking into consideration the respective labor practices and other factors. Globally, we stated and visualized the employee value proposition (EVP), sharing this concept through the Komatsu EVP Playbook. We are also strengthening our efforts to increase the global recognition of the Komatsu brand. These efforts include our partnership with the F1 Williams Racing team and other measures to enhance our ability to attract and acquire employees in each country.

In Japan, we pursue strategic and talented human resources through diverse hiring methods (referrals and alumni, etc.) to secure people who meet our expectations and who can perform assigned tasks immediately.

What is EVP?

EVP represents the values that our company provides to employees, including our mission and vision, corporate values and culture, human resources development system, career development environment, work environments, compensation and benefits, and more. By stating, visualizing, and communicating these values as EVP to employees and job seekers, the program aims to instill our corporate philosophy, increase employee engagement, strengthen competitiveness for employees, and reduce turnover.

Komatsu EVP Playbook

Komatsu developed the Komatsu EVP Playbook through discussions based on interviews with employees in each region conducted by a task force consisting of HR and marketing employees in North America, Latin America, Europe, Oceania, Asia, Africa, and Japan. In line with the Playbook, the company pursues human resources recruitment and retention activities tailored to each location.

Recruiting highly skilled human resources in asia

We recruit STEM (science, technology, engineering and mathematics) talent by working with top science and technical universities in Asia and other areas. In addition to hiring people with skills in data analysis, machine learning, communication protocols, etc., we also strengthen training programs for executive candidates whom we expect will assume management roles in overseas offices in the future.

Information exchange among Bina Nusantara University, PT Komatsu Indonesia and Komatsu Ltd. Development Department.

Acquiring digital talent

Komatsu has long been involved in IoT for construction machinery. We are stepping up our efforts to attract exceptional talent at EARTHBRAIN Ltd., a DX company launched as a joint venture in 2021 to expand our solutions business. EARTHBRAIN is home to members with diverse backgrounds, from startups, mega-ventures, and overseas (India, Vietnam, etc.). The company is accelerating the development of digital solutions through new offices in North America and Vietnam.

The EARTHBRAIN Development Center in Vietnam

Creating attractive workplaces

In January 2024, Komatsu began reconstruction work on our head office building (Akasaka, Minato-ku, Tokyo, Japan). The goal of this reconstruction is to enhance corporate resilience, as stated in the growth strategy section of our mid-term management plan. We will use the new head office building (scheduled for completion in September 2026) to strengthen the functions of the innovation center, including expanded industry-academia collaborations, industry-industry collaborations, and open innovation. The building will also be an important base for attracting talented human resources to support sustainable growth. We will offer more opportunities to engage with Komatsu through new recruiting events and internships that make full use of real-world and online resources.

Exterior view of the new head office

Conceptual diagram of the new head office entrance

<With people>

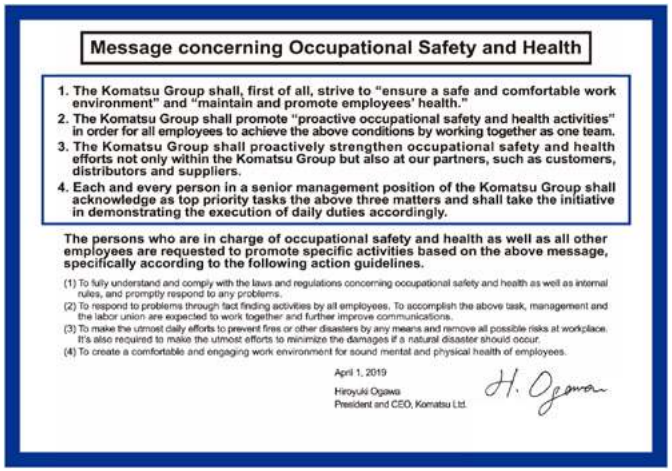
Occupational safety and health and well-being

Safety and health policy

The Komatsu Group outlines the order in which employees should prioritize matters when making decisions. We set safety and health as the highest priority, followed by law (compliance), quality, delivery and costs.

Our President & CEO published the message concerning occupational safety and health to ensure safe and comfortable workplace environments for employees and to maintain and promote employee's health. To implement this on a group-wide basis, we set this message as our global policy for occupational safety and health.

We set a KPI target of reducing the frequency rate of lost time injuries (per million hours) in the mid-term management plan, aiming to realize a safe and secure work environment.



Message concerning Occupational Safety and Health

1. The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "maintain and promote employees' health."
2. The Komatsu Group shall promote "proactive occupational safety and health activities" in order for all employees to achieve the above conditions by working together as one team.
3. The Komatsu Group shall proactively strengthen occupational safety and health efforts not only within the Komatsu Group but also at our partners, such as customers, distributors and suppliers.
4. Each and every person in a senior management position of the Komatsu Group shall acknowledge as top priority tasks the above three matters and shall take the initiative in demonstrating the execution of daily duties accordingly.

The persons who are in charge of occupational safety and health as well as all other employees are requested to promote specific activities based on the above message, specifically according to the following action guidelines.

(1) To fully understand and comply with the laws and regulations concerning occupational safety and health as well as internal rules, and promptly respond to any problems.
(2) To respond to problems through fact finding activities by all employees. To accomplish the above task, management and the labor union are expected to work together and further improve communications.
(3) To make the utmost daily efforts to prevent fires or other disasters by any means and remove all possible risks at workplace. It's also required to make the utmost efforts to minimize the damages if a natural disaster should occur.
(4) To create a comfortable and engaging work environment for sound mental and physical health of employees.

April 1, 2019
Hiroyuki Ogawa
President and CEO, Komatsu Ltd.

Message concerning occupational safety and health by the President & CEO

P.35 KPIs of the mid-term management plan

Web Occupational safety and health policies (ESG Databook)

Safety and health management

Occupational safety and health are a top priority. We established a structure under the leadership of the President and the Executive Officer in charge of safety and health to share information in a timely manner among group companies, suppliers, and distributors across the world. Should a serious incident occur, we immediately report the incident to the concerned functions, including management, and conduct thorough analyses on the cause of each incident. Visit the link below to see our safety and health management structure.

Web Safety & health management system (ESG Databook)

Safety and health management

The Komatsu Group promotes occupational safety and health activities, such as risk assessments, to prevent work-related injuries and ensure the horizontal deployment of measures to prevent the reoccurrence of previous incidents. In addition, we hold the Komatsu Group safety and health convention, through which activities in each region are reported and best practices are shared to enhance safe workplace environments.

Presentation of good practices at the Komatsu Group safety and health convention
(At the Komatsu Way Global Institute)

Health management

In Japan, Komatsu upholds the mid-term health promotion plan and works to improve employee health awareness. This plan enables employees to gather the necessary information to lead healthier lives. We announced the Komatsu health declaration, which provides useful information for employees to improve their health through apps and other methods. In addition, we hold various events for employees, including walking events, weight measurement events and other activities to promote healthy habits. We also make efforts to understand the situation of group companies outside of Japan with different medical conditions, striving to share information with such companies.

Health promotion events for employees (Germany)

Message

Safety activities through the use of apps

We developed an application that allows employees to register hazardous spots found in the plant on their mobile devices and display such information on the map feature of our mobile app. This feature enables employees to identify risks at any time, leading to the prevention of incidents and halving the time spent on countermeasure activities for identified risks. The number of risks identified also increased by 30% from before the introduction of the app, indicating that employees are able to better identify risks and implement countermeasures, leading to human resources development. The application is currently being rolled out to our suppliers.

We will continue our efforts to create safe workplace environments.

Ekkachai Choongan
GM, Safety & Environment Department, Bangkok Komatsu Co., Ltd.

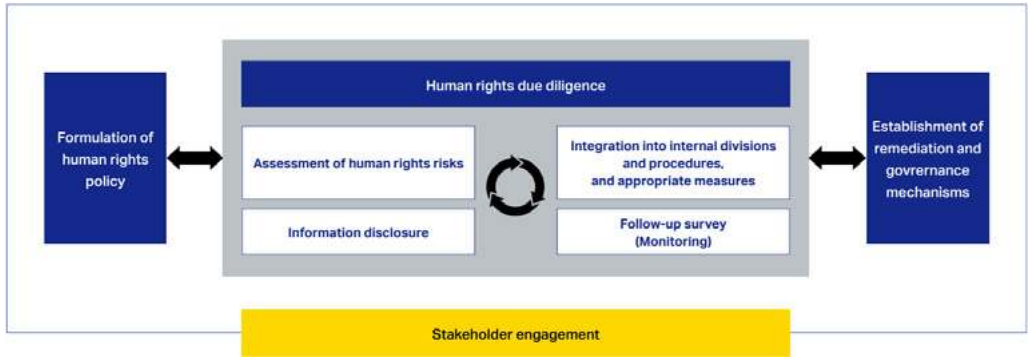
<With people>

Business and human rights

In September 2019, Komatsu established our human rights policy (revised in September 2023), declaring our endeavors to conduct business with respect for human rights in accordance with international standards, including the United Nations Guiding Principles on Business and Human Rights, throughout our global organizations. This policy applies to all business activities and all Komatsu Group employees worldwide, and Komatsu expects and encourages our business partners, including suppliers and distributors, to comply with this policy in their respective operations. To fulfill our corporate social responsibility, Komatsu establishes and operates a human rights due diligence process to identify and assess risks that may arise from our business activities. Through this process, we also take appropriate corrective measures when concerns arise regarding negative impacts on human rights.

Web Business and human rights initiatives (ESG Databook)

Figure: Human rights due diligence process



Recent initiatives on human rights

Revision of human rights policy

In September 2023, we revised our human rights policy after deliberations by the Sustainability Promotion Committee. This revision includes the addition of our purpose and the sustainability policy, and clarifies our earnest stance on human rights. We stipulate the prohibition of forced and child labor, as well as our respect for the rights to collective bargaining and freedom of association, which were previously only stipulated in a list. The revised version has been translated into 13 languages and is being disseminated to Komatsu Group companies, suppliers, and distributors.

Web Human rights policy (ESG Databook)

Human resource development on human rights

Komatsu conducted basic training on business and human rights for all Komatsu Group employees and advanced training for procurement staff for those in charge of procurement. Training materials were translated into 13 languages and distributed to Komatsu Group companies. In addition, we also held discussions on ESG-related requirements with the Komatsu headquarters marketing team in charge of five different regions. We reviewed our past efforts and exchanged opinions on our approach to responsible sales. We will continue to provide opportunities to raise awareness of human rights throughout the Komatsu Group.

Interview investigations to the Komatsu Group and supply chain

In March 2024, Komatsu visited five suppliers in Japan and exchanged opinions with representatives and others at each company in order to understand the actual status of issues identified in the fiscal 2022 human rights web survey (targeting Komatsu Group companies and suppliers). Komatsu is currently working on establishing the requirement standards for human rights. By taking advantage of the opinions we received during the visits, Komatsu aims to establish more specific and effective requirement standards in line with actual conditions, using revised standards as due diligence evaluation standards in the future.

Visits to Midori-kai (main suppliers)

Our approach to responsible sales

Komatsu also conducted risk assessments downstream in the value chain and has been holding discussions with distributors and other relevant stakeholders to build our approach to responsible sales.

In September 2022, Komatsu conducted an impact assessment (on-site research) in South Africa. Based on the preliminary desk study, Komatsu South Africa Pty Ltd., which is in charge of sales and service in South Africa, and Komatsu headquarters jointly conducted dialogues with various stakeholders surrounding our business.

Enhancement of grievance structure

To strengthen our capacity towards access to remedy, as required by the UN Guiding Principles, we joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), which provides a platform for redressing grievances. In addition to the existing compliance hotline for employees, we started to operate a remedy window covering the entire value chain, including employees of suppliers and distributors.

Category	Corresponding consultation service
Internal human rights issues	Compliance hotline
Human rights issues in the value chain	JaCER consultation services

Web JaCer web page

<With business>

Enhancement of product safety

It is our primary responsibility to provide safe and reliable products that customers can use with confidence. Based on our management principle of commitment to quality and reliability, we aim to improve the safety of customer sites with a combination of solutions to optimize operational processes and products that are compatible with these solutions.

Web Improving safety of products and solutions (ESG Databook)

Improvement of product safety: Remotely operated bulldozers at mine sites

Stockpile operation at a mine site is the process of feeding collected ore to the next process (crusher, etc.) while shaping the stockpile of collected ore using a large bulldozer. This operation is important, as it affects the productivity of the mine sites significantly and requires skilled operation on dangerous slopes.

Komatsu developed a system to operate bulldozers remotely, beginning commercial operations at an iron mine site in Brazil in 2023.

The operation of bulldozers from remote locations without direct line-of-sight is affected by time delays in video and other information communications, as well as delays in lever operations. These and other limitations make tasks such as slope forming by remote operations difficult. Our system offers high-speed communications of control signal and a combination of ICT machine control and remote control. In this way, we achieve the same level of performance as crewed operation, even from a remote location more than 2 kilometers away.

In trials at the installation site, the system achieved results exceeding the original goals in terms of safety and productivity. As a result, the mine customer decided to make all large bulldozers purchased in the past year compatible with the control system.

We expect to prepare environments in the future where even unskilled operators can operate this remote system safely.

Remotely operated bulldozer for stockpile operations at a mine site.

Operator training

To ensure that Komatsu products are used safely and properly, we dispatch trainers to customer sites to provide operator training. We also propose efficient operation methods to improve productivity at the sites. We train trainers at group companies and distributors effectively through the use of simulators and offer an operator trainer certification system by level.

Training simulator

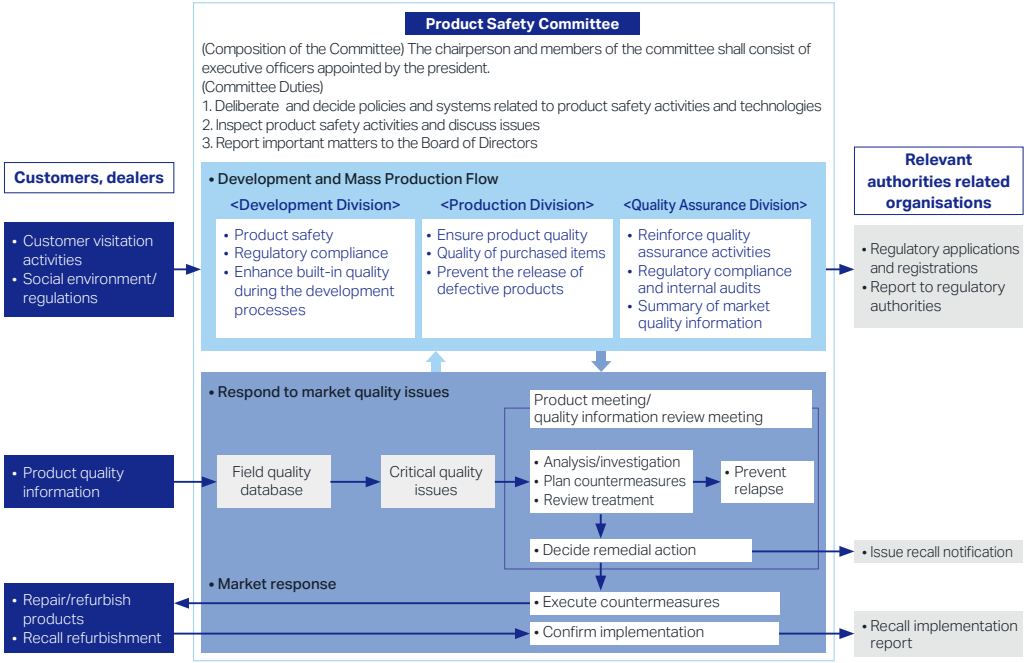
Quality assurance system

At Komatsu Group, all divisions from product planning to development, production, sales, and service work together as one team to create safe and creative products. We conduct review and evaluation meetings at each step of development and production, ranging from product planning to the mass-production stage. Through such processes, we evaluate conformity with required quality standards and design new products to achieve specific goals. In this way, our quality assurance activities ensure quality and reliability. Furthermore, we comply with international standards and the laws and regulations of each country, and strive to provide eco-friendly products and services.

Information system for product safety

The Komatsu Group places the highest priority on safety and security in quality assurance activities. We established a system to detect product safety problems promptly in the market and respond appropriately. We also established a system, mainly through the Product Safety Committee, and continue to improve to ensure improvement measures and decisions are properly implemented by employees and top management: 1) analysis and treatment of the causes of accidents, 2) notification to authorities, and 3) recalling products in the market.

Figure: Information system for product safety



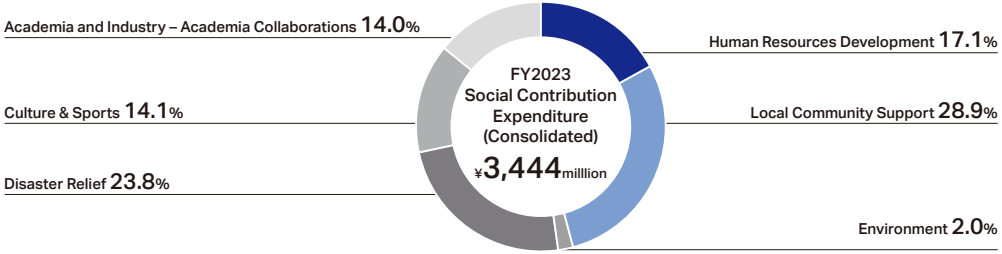
<With business>

Social contribution activities

Undertaking social contribution activities in the communities where we operate is one of our important corporate responsibilities. Based on our sustainability policy, we recognize that contributing to society through business activities is our corporate social responsibility. Leveraging our strengths as a business, we seek to give back to the community and society in general.

Figure: Social contribution activities in FY2023

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



Break down of social contribution expenditure

Cash contributions	Employee dispatch, etc.	Expense related to providing own facilities for public use*	Expenses related to events for the community	Total
¥2,296 million	¥531 million	¥321 million * Including lending equipment free of charge	¥296 million	¥3,444 million

Clearing anti-personnel landmines

In areas afflicted by anti-personnel landmines, Komatsu has engaged in activities to support community development in work ranging from demining to reconstruction. Komatsu developed demining machines and construction equipment by combining technical expertise and knowledge in manufacturing. Komatsu began this project in Cambodia in 2008, partnering with the authorized NPO Japan Mine Action Service (JMAS). This activity is still ongoing.

(left) Demining machine "D85MS-15"

(middle) Students who attend an elementary school donated by Komatsu

(right) Construction equipment loaned free of charge as part of agricultural CSR activities

Web Received the 21st Corporate Philanthropy Award.

Support for victims of the Noto Peninsula earthquake

After the Noto Peninsula earthquake of January 1, 2024, Komatsu lent construction equipment, forklifts, and other equipment free of charge to local governments and aid organizations for emergency rescue, recovery, and reconstruction activities. WE also donated food reserves to evacuation centers and contributed 500 million yen to Ishikawa Prefecture and 100 million yen to Toyama Prefecture. Donations from employees and the company were used to support the Komatsu Group employees, suppliers, and distributors affected by the disaster.

Since the collection and disposal of disaster debris is currently an issue in the affected areas, we will continue to provide free-of-charge loans of vehicles and other equipment that match these needs.

Clearing the elementary school grounds at the evacuation center to make it easier to walk.

Removing debris to rebuild a damaged sake brewery

* Image courtesy of The Nippon Foundation/Japan Platform

Activities of The Flower Association of Japan

The Flower Association of Japan promotes the creation of an enriched environment through the development of cherry blossom sites and flower town development. As part of our social contribution activities, Komatsu has been supporting the activities of the association since its establishment in 1962. The Flower Association of Japan produces cherry tree seedlings at its Yuki Farm in Ibaraki Prefecture, and has delivered more than 2.5 million cherry tree seedlings to overseas and all over Japan to date.

Flower garden by the Flower Association of Japan (Yuki farm, Ibaraki Prefecture, Japan)

Furthermore, based on the knowledge and know-how accumulated on cherry blossoms, they are working to create cherry blossom sites through planting, replanting, maintenance, protection and restoration, human resources development, symposiums, and other activities.

The cherry blossom exhibition garden adjacent to Yuki Farm is home to more than 1,000 cherry trees of about 400 varieties used for research and study. The garden is open to outside experts and the public. In addition, they also engage in flower town development through supporting community-building by utilizing the social nature of flowers, an annual flower town development contest, and flower education for young children.

<With the planet>

Addressing global environmental issues

Komatsu established the Komatsu earth environment charter (currently known as the Komatsu earth and environment policy) in 1992. We consider environmental conservation activities as one of top management priorities, launching proactive initiatives to address climate change and other environmental issues. Recognizing the potential impact of our business activities not only on climate change, but also on our ecosystem, we take steps to maintain our commitment to protect biodiversity. With the establishment of Komatsu declaration on biodiversity in January 2011, Komatsu business units worldwide began activities designed to preserve biodiversity. We continue to pursue ongoing efforts to reduce the environmental impact of our business activities. Komatsu also considers biodiversity when deciding how to use land, such as when building plants. Komatsu is directly involved in the preservation of biodiversity, and, at the same time, we expand one-site, one-theme activities to preserve local ecosystems and conduct restoration activities at former mine sites. To develop a prosperous and comfortable society, as well as to pass on the irreplaceable global environment in a healthy state to the next generation, Komatsu continues to work for environmental conservation by advanced technologies across all business activities. We also contribute to sustainable development by reducing CO_2 emissions from our manufacturing and products, as well as by working to build a recycling-oriented society. Our aim is to achieve carbon neutrality by 2050, reducing CO_2 emissions to net zero.

Web Komatsu earth and environment policy (ESG Databook)

Web Komatsu declaration on biodiversity (ESG Databook)

■ Climate change initiatives (Disclosure based on TCFD recommendations)

In April 2019, Komatsu announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We advance climate change response measures through climate change risk and opportunity assessments and scenario analyses based on these recommendations, as well as through healthy dialogue with stakeholders.

At the 26th United Nations Climate Change Conference held in the United Kingdom (COP26) in November 2021, an agreement was reached to work toward limiting the average rise in global temperatures to 1.5ºC above pre-industrial levels. At COP28, held in November-December 2023, it was agreed to accelerate emission reductions to achieve the 1.5ºC target.

Komatsu previously conducted scenario analyses based on scenarios projecting average rises of 2ºC or 4ºC. However, in light of these global trends and following discussions by the Sustainability Promotion Committee, discussions by the Strategy Review Committee, and reports submitted to the Board of Directors, we decided that the Company would also perform analyses of a scenario projecting a rise of 1.5ºC beginning in FY2022. We disclose the results of these analyses annually.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

(1) Governance

The Komatsu Group views climate change as an important management issue. We set, and targets for combating climate change, which are discussed by each committee. We incorporate these targets in our business strategies. The roles and discussions of each committee are disclosed in this report under Sustainability Management.

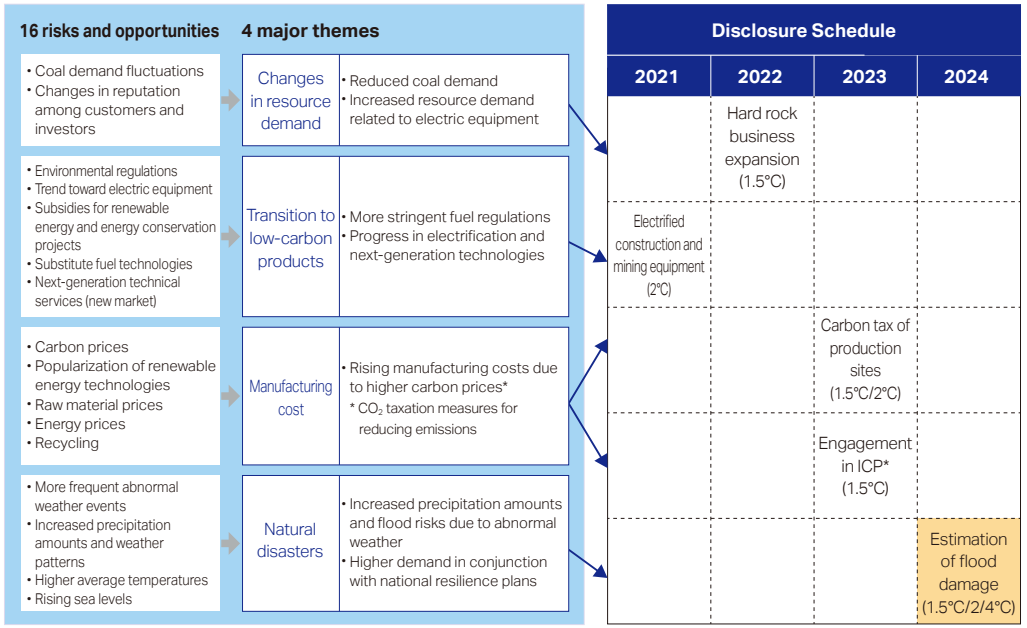
P.45 Sustainability management

(2) Strategies

1) Risk and opportunity identification

In identifying climate change-related risks and opportunities pertaining to the Komatsu Group's business, we referenced the risk and opportunity examples described in Final Report: TCFD recommendations to determine 16 risks and opportunities with the potential to impact the construction and mining equipment business. We then assessed the internal and external factors predicted under the chosen scenarios that may impact earnings, group the identified risks and opportunities into the four major themes below. Since our first TCFD disclosure in 2020, we have focused on these four themes and updated them annually. The themes we have disclosed based on our scenario analysis to date are as follows.

Figure: Risks and opportunities and major themes



*Internal carbon pricing

<With the planet>

Addressing global environmental issues

2) Assumptions for scenario analysis

To gauge the potential impacts of climate change-related risks and opportunities on the Komatsu Group's business, we performed scenario analyses of the aforementioned four major risk and opportunity themes. For these scenario analyses, we selected the 1.5°C scenario, the 2°C scenario, and the 4°C scenario based on the Fifth Assessment Report (Representative Concentration Pathways 2.6 and 8.5) and the Sixth Assessment Report (Shared Socioeconomic Pathways 5-8.5) of the Intergovernmental Panel on Climate Change. We also used the Sustainable Development Scenario, the Stated Policies Scenario, and the Net Zero by 2050 scenario of the International Energy Agency (IEA).

The risks and opportunities associated with changes in resource demand, the transition to low-carbon products, and manufacturing costs were the greatest under the 1.5°C and 2°C scenarios, whereas the risks and opportunities associated with natural disasters were the greatest under the 4°C scenario. Below, we provide information on the risks and opportunities related to each of the four major themes, as well as Komatsu's response to these risks and opportunities.

3) The four major themes

3)-1. Changes in resource demand

Risks	Opportunities
● Regulation of power generation and using by fossil fuels ● Reduced appetite for investing in coal mines ● Massive reductions in coal production volumes ● Reduced Komatsu sales to coal-related customers ● Reduced appetite for investing in coal mines	● 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 Komatsu sales to copper and other relevant mining-related customers in conjunction with the trend toward electric equipment ● Increased investments for improving the efficiency of mining operations

Strategies

The initiatives based on the three pillars of growth strategies of the mid-term management plan are to accelerate growth by means of innovation, maximize earnings power, and enhance corporate resilience. Under these initiatives, Komatsu will capitalize on opportunities created by changes in resource demand to achieve sustainable growth.

<Priority initiatives>

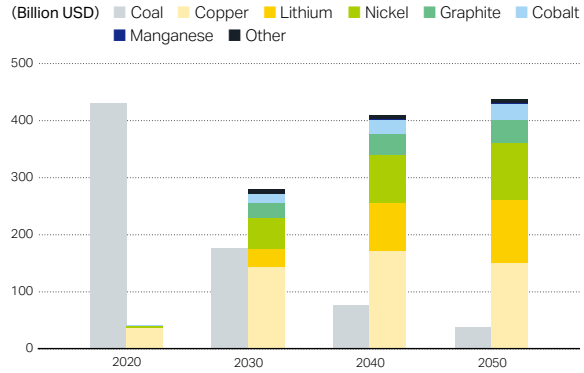
- Expand underground hard rock mining business
- Develop automated and remotely controllable mining equipment to respond quickly to shifts in demand
- Improve productivity through open technology platforms

a) Revision of mining equipment business portfolio in response to shifts in resource demand

Under the IEA's Net Zero by 2050 scenario (1.5°C scenario), demand for coal, a soft rock mineral, is expected to decline to an even greater degree than projected by 2°C scenarios as a result of the decarbonization trend. Conversely, demand is expected to grow for the critical minerals that are imperative to clean energy technologies. Accordingly, the global transition to electrified equipment is anticipated to drive a strong shift in demand toward hard rock minerals like iron, copper, and gold.

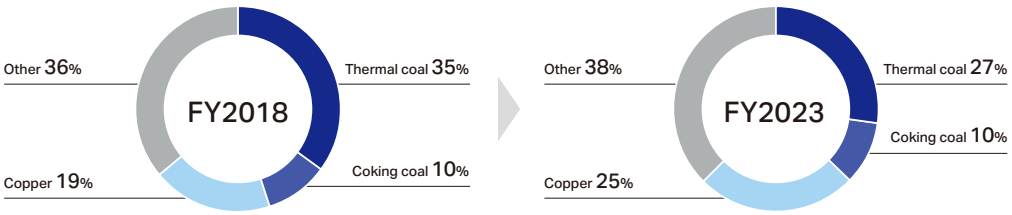
It is possible that changes in global trends could result in temporary shifts in demand. However, the overall trends in demand are expected to advance in this direction. In response to this shift in demand, the Komatsu Group is revising our mining equipment business portfolio by reorganizing underground soft rock mining equipment production and support systems, while expanding the lineup of underground hard rock mining equipment through M&A activities. As a result of these activities, the portion of net sales associated with thermal coal has gradually decreased and the portion related to copper has increased over the last few years.

Figure: Resource demand projections of IEA's 1.5°C scenario (Monetary value basis)*



* Source: Based on IEA data from the IEA (2021) Net 'Zero by 2050 A Roadmap for the Global Energy Sector', https://www.iea.org/data-and-statistics. All rights reserved.

Figure: Ratio of sales of Komatsu mining equipment business by target mineral



<With the planet>

Addressing global environmental issues

3)-2. Transition to low-carbon products

Risks	Opportunities
● 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 the drive in component development and manufacturing projects	● Rising demand for electrified equipment, fuel-efficient equipment, and biomass fuel-powered equipment; ability to respond swiftly to impending changes in strategic markets fostered through adaptation in traditional markets ● Growth of equipment restoration (Reman) operations driven by transition to circular economy ● Increased demand for solutions businesses offering emissions-reducing benefits ● Increased product reliability due to securing stable supply sources for high-quality components for storage batteries and others

Strategies

Komatsu is advancing initiatives aimed at achieving carbon neutrality while facilitating the transition to the low-carbon products that the world demands.

<Priority initiatives>

- Develop electrified equipment using batteries, hydrogen fuel cells, and other power sources
- Develop power sources compatible with carbon-neutral fuels and hydrogen
- Deploy Smart Construction and other solutions on a global scale
- Contribute to cyclical businesses through our forestry machinery and Reman businesses

a) Development of electrified machinery equipped with batteries and hydrogen fuel cells

In FY2023, Komatsu introduced four models of electrified construction equipment to the market, including the PC200LCE/210LCE-11, an electric hydraulic excavator with a machine mass in the 20-ton class. Komatsu also developed our first concept machine for an electric forklift powered by a sodium-ion batteries. General Motors and Komatsu are co-developing a hydrogen fuel cell power module for Komatsu's 930E electric drive mining truck, the world's best-selling ultra-class haul truck. We continue to develop low-carbon products for the market toward carbon neutrality.

In December 2023, Komatsu acquired American Battery Solutions (ABS, USA), a battery manufacturer. This acquisition will accelerate the development and production of batteries optimized for Komatsu's construction and mining equipment.

Concept machine for an electric forklift with sodium-ion batteries

b) Development of power sources compatible with carbon-neutral fuels and hydrogen

Komatsu introduced a total of seven models of electrified construction equipment to the market, including tethered electric models, providing customers with a full range of options to help them achieve carbon neutrality. On the other hand, some of the sites where Komatsu's electrified construction equipment is used are located in areas where power distribution networks are not in place, making the development of power supply infrastructure a challenge.

In April 2024, with the cooperation of Denyo Co., Ltd., we developed a concept machine for a generator using a hydrogen-mixed combustion engine (hydrogen-mixed combustion generator) as a power feeder for electric mini excavators. This machine is capable of generating electricity by mixing up to 40% hydrogen with fuel (diesel fuel), reducing carbon dioxide (CO_2) emissions during power generation by up to 40% compared to the use of diesel fuel only. In addition, hydrogenated vegetable oil (HVO fuel)* refined from renewable raw materials can be used as an alternative to diesel fuel, further reducing CO_2 emissions during power generation.

The use of this generator at sites where power distribution networks are not yet in place will help reduce CO_2 emissions while creating a power supply environment. We intend to resolve needs and provide know-how of power supply equipment and issues related to the use of hydrogen through proof-of-concept experiments at the actual sites of our customers.

* Paraffinic fuel refined from renewable raw materials such as waste cooking oil

Portable hydrogen co-firing generator (Concept machine)

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Addressing global environmental issues

c) Develop Smart Construction and other solutions businesses

Working with EARTHBRAIN Ltd., a Komatsu Group company, we jointly developed the Smart Construction Teleoperation system for construction equipment, marketing the system in Japan through Komatsu Customer Support Japan Ltd.

This system allows the remote operation of hydraulic excavators from the safety and comfort of an office or other environment. When linked with various Smart Construction solutions, users may operate hydraulic excavators remotely while monitoring the operation of dump trucks and switching between multiple construction machines from a single cockpit. By providing this system to customers, we contribute to improving safety and productivity at construction sites, solving issues such as labor shortages, and reducing CO_2 by optimizing on-site construction.

Space-ship type cockpit for remote control

d) Contribute to cyclical businesses through forestry machinery and Reman businesses

To contribute to the reduction of environmental impact, Komatsu is developing the forestry equipment business, which aims for recycling-oriented forestry, and the component remanufacturing business, which is a component of our remanufacturing business.

P.23 Komatsu strengths: Reman business

P.41 Special feature 2 Contributing to a sustainable and circulating forestry industry

3)-3. Manufacturing costs

Risks	Opportunities
• Taxation of fossil fuels and CO_2 emissions • Higher product purchase prices • Rising costs following investment in power generation facilities with low CO_2 emissions	• Increased competitiveness through production technologies that reduce CO_2 emissions

Strategies

Komatsu mitigates cost increases by achieving CO_2 reduction and renewable energy targets, while developing production bases with low environmental impact.

<Priority initiatives>
- Create plants with zero environmental impacts
- Encourage environmental investments through internal carbon pricing (ICP)*.

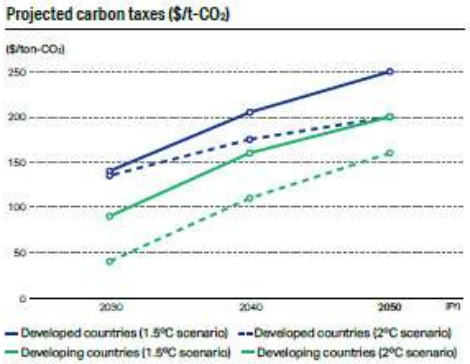
* Framework for increasing the priority of environmental investments through assessments of capital investment returns that treat CO_2 reduction benefits as a value similar to cost reduction benefits

a) Scenario analysis: Impact of carbon taxes under 1.5°C scenario

The 1.5°C scenario projects carbon tax rates that are higher than those predicted by the 2°C scenarios, reflecting high tax rates in both developed and emerging countries in 2030 and ongoing increases thereafter. Higher carbon prices as a result of carbon taxes and other government policies present the risk of future increases to manufacturing costs. Conversely, if Komatsu takes action to achieve CO_2 emissions reduction targets, these efforts will help lower the costs associated with carbon taxes.

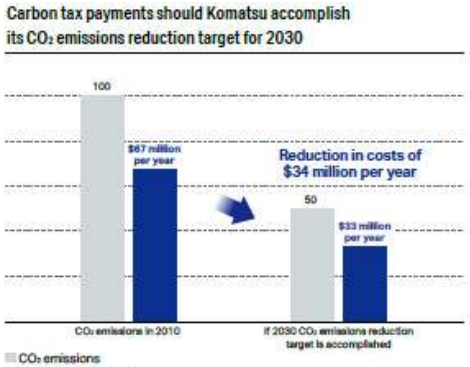
Moreover, carbon taxes also influence the prices of fuel used by equipment. Accordingly, Komatsu's initiatives for developing low-carbon products and otherwise reducing CO_2 emissions from product use will contribute to a lower cost burden for customers.

Figure: Projected carbon taxes ($/ton- CO_2)



Sources:
2°C scenario: Announced Pledges Scenario, International Energy Agency
1.5°C scenario: World Energy Outlook 2022, International Energy Agency

Figure: Carbon tax payments if Komatsu accomplishes CO_2 emissions reduction targets for 2030



Note: Figures are based on a trial calculation assuming that CO_2 emissions in 2030 are half the level of 2010.
Carbon tax payments are calculated by applying the carbon tax predictions for 2030 of the IEA's Announced Pledges Scenario (1.5°C scenario) to the respective CO_2 emissions volumes.

<With the planet>

Addressing global environmental issues

3)-4. Natural disasters

Risks	Opportunities
• Increased frequency and intensity 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	• Increased demand for flood-control works towards national resilience

Strategies

Komatsu will implement countermeasures against heavy rains and flooding across the value chain (response to physical risks).

<Priority initiatives>

- Build production and procurement systems that are resilient to changes in the operating environment (expand multi-sourcing ratio)

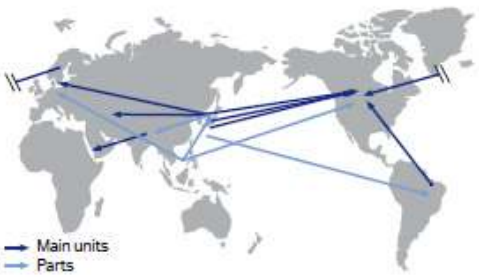
a) Global cross-sourcing and multi-sourcing

To hedge against risks of damage to the factories of Komatsu and suppliers due to heavy rains, floods, and other natural disasters, the Komatsu Group is developing a production and procurement system to maintain business continuity even under extreme circumstances. Specifically, we practice cross-sourcing, which allows us to change manufacturing plants and product destinations flexibly based on changes in the operating environment, and multi-sourcing, through which we purchase the same parts from multiple suppliers.

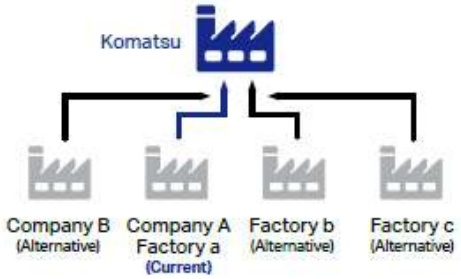
In addition, we established Asia procurement centers at overseas subsidiaries in India, Indonesia, and Thailand in May 2023 to increase the multi-sourcing ratio to further strengthen our supply chain.

Figure: Global cross-sourcing structure and multi-company procurement structure

Global cross-sourcing operation for production



Multi-company procurement system



Special Feature

Predicted increase in frequency and intensity of heavy rainfall

The Komatsu Group has experienced frequent flood damage in Japan and Indonesia in the past. Therefore, we conduct regular flood risk surveys to identify high-risk bases and take necessary measures. The IPCC's Sixth Assessment Report predicts that the frequency and intensity of heavy rainfall will increase dramatically in the future as a result of global warming. In response, Komatsu conducted a flood risk study in 2023 to identify high-risk sites and evaluate the financial impact.

1. Scenario analysis: frequency and intensity of 1-in-10-year heavy rainfall events*1

	[Past] 1850-1900	[Present] 1°C	[Future] Level of global warming		
			1.5°C	2°C	4°C
Frequency of occurrence per decade (Median)	1 time	1.3 times	1.5 times	1.7 times	2.7 times
Strength (Wetted*2)		+6.7%	+10.5%	+14.0%	+30.2%

Global warming 1.5°C projection

- With a global warming of -1.5°C, heavy rains and associated flooding are expected to increase in intensity and become more frequent in most parts of Africa and Asia, North America, and Europe.

Global warming 4°C projection

- The magnitude of drought and heavy rainfall and changes in mean precipitation will increase compared to the case of -1.5°C.
- Heavy rains and associated flooding are expected to intensify and become more frequent in the Pacific Islands and in many parts of North America and Europe.

*1 Based on the IPCC Sixth Assessment Report, Working Group I Summary for Policymakers, Tentative Translation SPM.6 (MEXT and JMA)
*2 Wetting: An increase in the percentage of water vapor in the atmosphere.

2. Risks

We used hazard maps and other information to estimate the financial impact of shutdowns at domestic and overseas sites.

Assumed Damage and Impact	Financial Impact (single year) Current damage estimates	Initiatives
Decrease in sales due to shutdown of production facilities caused by the flooding	20.4 billion yen - 55.3 billion yen*3	• To date, we have implemented heavy rainfall countermeasures at domestic and overseas plants at high risk of flooding (e.g., measures for 100 mm/h rainfall in Japan). • Assuming a 4°C scenario, the damage from flooding could be severe, so we will evaluate current measures periodically and implement new measures as necessary.

*3 Estimates for overseas bases: We assume inundation depths based on hazard maps for domestic bases. We also incorporated damage coefficients for inundation zones in Japan into the calculations.

3. Opportunities

If global warming progresses and flood damage becomes more severe in the future, responses to national land resilience and other measures may become more active, leading to an increase in demand for construction equipment.

<With the planet>

Addressing global environmental issues

Column

Underwater construction of the future

In recent years, there has been a growing need for construction work at the dangerous water's edge and shallow water areas to prevent damage from natural disasters and provide recovery post-disaster. These disasters are becoming more severe and frequent due to climate change, as is the risk of impending massive earthquakes. In addition, the construction industry is experiencing a serious shortage of skilled workers due to declining birthrates and aging populations, especially in Japan.

Komatsu developed a radio-controlled amphibious bulldozer in 1971, selling 36 units globally. Asunaro Aoki Construction owns all five of the units still in operation today, and has accumulated knowledge and construction technologies through more than 1,200 underwater construction projects, including post-disaster reconstruction after the Great East Japan Earthquake.

We are working with Asunaro Aoki to demonstrate underwater electric construction robots that can be operated at depths of up to 50 meters without the aid of skilled technicians using automatic control and ICT functions. In cooperation, we are are also striving for the underwater construction of the future, a solution for ultra-remote operation of underwater construction robots from a safe and comfortable office, based on a construction plan optimized by AI analysis that combines 3D survey, design, and construction data and big data, such as weather data and construction history.

We plan to introduce this system at the Future Life Expo: Future City exhibit of the Future Society Showcase Project for Expo 2025 Osaka, Kansai, Japan. We will continue to develop this underwater construction of the future for labor savings, increased efficiency, and improved safety, ensuring everyone can play an active role and perform faster construction work.

Key visual for "*Future Life Expo:* Future City," of the Future Society Showcase Project. Expo 2025 Osaka, Kansai, Japan

(3) Risk management

The main risks and opportunities related to climate change are described under the individual strategies. Major climate change-related risks are incorporated into the Risk Management Rules and other aspects of the Group-wide risk management process and managed as an element of corporate risks.

P.77 Risk management

Web Major risks and assessment (ESG Databook)

(4) Indicators and targets

Medium- to long-term targets

Index	Target	
Reduction of environmental impact	• CO_2 emissions	Decrease by 50% by 2030 from 2010
		Carbon neutrality by 2050 (challenging goal)
	• Renewable energy use	Increase to 50% of total energy use by 2030

We are accelerating our efforts to become carbon neutral. For our product development roadmap, please refer to Special Feature 1: Medium- to Long-term R&D Strategy.

P.37 Special feature 1 Medium- to long-term R&D strategies

Please click here to see the results of our activities in FY2023, including the status of our environmental investments.

Web Environmental data (ESG Databook)

■ Nature conservation efforts - Transplanting trees from the head office rooftop garden

Komatsu's head office building is under reconstruction (completion of the new building scheduled for September, 2026). We undertook a project to transplant many of the trees and plants that have grown together with the building and employees since completion in 1966. In November 2023, we held a rescue event to save many plants in the rooftop garden, with the participation of the president and many other employees. The destinations of the rescued plants varied, with some taken home by employees and others transplanted to Yuki Farm in Ibaraki Prefecture. All 250 pots prepared by the secretariat for the event were used to transplant the plants.

Since large, well-grown trees such as cherry, birch, and goby could not be loaded onto elevators, we made arrangements to close the road in front of the Komatsu to traffic late at night in January 2024. We used a large crane to unload the trees and transport them to the farm. As of the end of this 10-month project, approximately 120 trees and more than 300 plants and trees from the rooftop garden were moved to the Yuki Farm.

Plant rescue event in which the president also participated

Trees being removed by crane

Corporate governance

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Discussion with Outside Board Members

Two Outside Directors discussed the Komatsu medium- and long-term challenges to create new value, the effectiveness of the Board of Directors, and their expectations for the Komatsu Group. (This dialogue was held in June 2024)

Naoko Saiki
Outside Director

Naoko Saiki possesses a high degree of insight and extensive experience in international affairs, international law, and economics, having served as Directer General of the Economic Affairs Bureau and the International Legal Affairs Bureau in the Ministry of Foreign Affairs. She took office as an Outside Director of the Komatsu in June 2021.

Tatsuro Kosaka
Outside Audit & Supervisory Board Member

Tatsuro Kosaka possesses a high degree of insight and extensive experience in the business world, having engaged in global corporate management as President and Representative Director and Chaired the Board of Directors of Chugai Pharmaceutical Co., Ltd. He took office as an Audit & Supervisory Board Member of the Komatsu in June 2022.

Changes in the business environment and issues to be addressed

Saiki: I recognize that the future external environment surrounding Komatsu will become increasingly uncertain and unpredictable. This is particularly true for divisions in international communities. Across the globe, we see conflicts between democracies and autocracies and rifts between developed countries and the Global South. Countries of the Global South are of course not monolithic. In any one country, conflict and strife arise throughout the various social classes. To this end, international divisions are expected to become more radicalized going forward. In other words, the free trade system can no longer guaranteed. This implies a possibility that supply chains may be disrupted easily. Moreover, there are too many risks to keep an eye on such as carbon neutrality, digital transformation (DX), pandemics, natural disasters, and geopolitical risks. I think it has become an emerging major issue for Komatsu to consider how to respond to the external environment changes keeping those various risks in mind, given that our business model is based on global cross-sourcing.

Kosaka: Speaking from my many years of experience in the business world, there are several changes in society that have a particularly large impact on Komatsu. The first is green transformation (GX). As the world transitions to carbon neutrality, I have no doubt that initiatives to advance electrification and hydrogen and ammonia engines will be a major key to future growth. The second change is DX. Komatsu must make full use of digital technologies such as automation, remote oper-

ation of company equipment, digital twins, and, above all, generative AI. The third change is in declining birthrates, aging populations and population declines. The Company must address the underlying issue behind digital transformation: how to increase productivity in the midst of a labor shortage. Finally, the fourth change is diversity. To create innovation, Komatsu needs to not only focus on women's empowerment and the development and utilization of human resources within the company but also recruit and promote talented human resources from outside the company.

Saiki: As you mentioned, declining birthrates and aging populations put severe pressure on the competition for talent acquisition, making it extremely difficult to secure talented personnel. Addressing issues related to human resources is unavoidable to achieve sustainable growth for the future.

Kosaka: Competition against rival companies is another crucial point to address. It is true that Chinese manufacturers have the potential to be game changers in the future, especially in emerging markets such as Asia, which is Komatsu's main battlefield. In this light, I think Komatsu must approach this competition with a sense of urgency. The same could be applied to any industry.

Saiki: Under such circumstances, Komatsu has implemented a two-line model strategy in strategic markets in response to competitors that focus on low-cost strategies. This two-line model strategy is a product strategy to sell standard models for high-load applications and specific models for light-load applications such as urban civil engineering. I think Komatsu has taken appropriate measures in response to its competitive environment. Looking at the medium- to long-term perspective, however, I also believe that it Komatsu must also prepare for multiple other scenarios and increase readiness to put them into practice.

Komatsu's strengths and areas for enhancement

Kosaka: I think one of Komatsu's greatest strengths is the corporate culture. A few key phrases come to mind when I think of Komatsu, including DANTOTSU, quality and reliability, SLQDC (safety, law, quality, delivery, and cost), and the 5 Gs principle: *gemba* (workplaces), *genbutsu* (real things), *genjitsu* (real situation), *genten* (origin) and *kenzaika* (visualization). I believe these phrases are more than just words to Komatsu, and they are fully disseminated throughout the organizations. I believe that this corporate culture is not something that can be cultivated in one generation, rather that is cultivated as a result of successive management leadership demonstrated with a strong will.

Saiki: From my perspective, I believe one of the major strengths of Komatsu lies in a strong determination to take on changes in the business environment, such as those I had previously mentioned, as business opportunities and to respond to these changes to grow. For example, Komatsu sets its long-term vision, which is to create safe, highly productive, smart and clean workplaces of the future with customers, while generating a positive cycle of solving ESG issues and improving profitability. Top management verbalizes the purpose and values of Komatsu, which employees equally share, enabling each employee to focus on what they have to accomplish in their own duties with pride. I believe this earnestness of the organization shows the characteristics of Komatsu.

Kosaka: On the contrary, it seems that society may not be fully aware of this outstanding corporate culture and the foresight the Company possesses when doing business. Komatsu signed a sponsorship agreement with the Williams F1 racing team, striving to strengthen communication of the corporate brand. I think the Company could take more aggressive measures to promote its brand. Such measures would increase global recognition and help attract more talented human resources.

Saiki: Komatsu established a new business model to solve issues at customer sites by combining products and solutions to optimize the entire construction processes of customers. The company also makes continuous efforts to evolve this business model. I think evolving to create workplaces of the future is quite inspiring. Komatsu aspires to create workplaces of the future, maintains high profitability and engages in various meaningful activities for society, including activities to remove land mines. Given the wonderful nature of the Company, it would be unfortunate if students had little interest in working for Komatsu. Unfortunate for both Komatsu and the students. Komatsu has the virtue of being earnest and sturdy, and at the same time, it is a Company that dreams of exploring the future. I feel these characteristics could also contribute to talent attraction and acquisition by communicating these points more proactively.

Kosaka: I agree. Currently, Komatsu is discussing the next mid-term management plan. Through discussions, I have high expectations for the Company to depict who they want to be in 2040 and 2050, backcast the vision and communicate this vision proactively.

Saiki: Looking at the strengths of Komatsu from a strategy perspective, it is a significant strength of the Company to conduct the in-house development and production of key components. However, developing and producing everything in-house is not suitable from a cost and

efficiency standpoint. It remains important to develop a strategy for acquiring technology by clearly defining technologies that should be in-house and those that can be outsourced utilizing M&A and through collaboration with partners. I believe that the Company may face the risk of losing competitiveness without defining such matters.

Kosaka: Even if the strategies have the right directions, the Company could lose to competitors if its speed of execution is insufficient. I would like to expect Komatsu to execute the strategies with a sense of speed.

Komatsu's approach to new value creation

Saiki: The forestry machinery business will be one of the focus areas going forward. While the scale of the business remains moderate, I believe that the forestry machinery business has great potential to contribute to society. This is because the business can contribute to a circulating forestry industry by providing total support for forest management through tree-planting mechanization and solutions for forest resources management. The forestry machinery business has the potential to expand further in terms of maximizing earning power in the future as well. Komatsu established the Forest and Agriculture Business Division in fiscal 2023 to oversee the forestry machinery business globally. It is my understanding that the establishment of the division expresses the strong commitment of the Company to the forestry machinery business. I have high expectations for the forestry machinery business to symbolize Komatsu's commitment to addressing broad environmental issues toward a carbon-free society, as well as for biodiversity in the future.

Kosaka: Looking at construction materials for high-rise buildings, for instance, we see fire-resistant, strong materials made by layering wood as an alternative to concrete. In this regard, I have great expectations for the forestry machinery business as a new growth area. In terms of absorbing and storing CO_2, the roles of the forestry machinery business will be quite significant, too.

Saiki: In addition to the forestry machinery business, I also pay attention to the underground hard rock mining equipment business. Komatsu should make significant investments in the underground hard rock mining business to address the two seemingly incompatible challenges of increasing demand for resources and achieving zero emissions. I see this business as a very significant area in the sense that Komatsu promotes solving customer issues through innovations such as automation, remote control and electrification, while striving to work together with customers to solve such issues. Komatsu has expanded the scale of the underground hard rock mining equipment business through M&A in recent years. I hope that the business will engage in more diverse cooperations and collaborations to achieve a decarbonized society.

Kosaka: When it comes to what kind of values Komatsu can provide, I believe it boils down to innovation. The most important thing for the Company is to focus on the development of products and services based on technology. Komatsu already has solid strengths in terms of products and solutions. Accordingly, I think the Company should further develop these strengths. In this sense, it will be necessary for Komatsu to steadily strengthen R&D expenditures and further promote open innovation, without limiting themselves to closed innovation.

Saiki: In my understanding, one of the biggest risks Komatsu currently recognizes is the risk of being unable to provide products and services to meet market needs. Innovation is the best way to avoid such risks. This point reflects back to the importance of acquiring and developing talented human resources to enable Komatsu to create innovation.

Kosaka: This is especially true for digital talent. Competition to acquire digital talent is intensifying throughout the world, making the recruitment of such human resources a difficult task. One way to support the acquisition of digital talent is to develop such individuals within the company. Since Komatsu also has excellent engineers, the Company can develop them internally as a role model for digital talent, while also making parallel efforts to recruit from outside the company. There is also another way to develop employees in-house who specialize in physics or mathematics as a digital engineer, not limited to IT-related personnel. This way of human resources development can be applied not only in Japan, but also outside of Japan.

Saiki: To this end, strengthening the corporate brand and improving corporate recognition becomes more important than ever.

Assessing the effectiveness of corporate governance

Kosaka: As to the effectiveness of the Board of Directors, I think Komatsu's Board of Directors is excellent. There are no gaps in the coordination processes of the Board of Directors. In addition, I feel it is also excellent that the secretariat of the Board of Directors plays a solid role in enhancing proactive deliberations at the Board, including through the support of outside directors.
Saiki: I agree. Komatsu's Board of Directors is extremely effective. I recognize that very active and frank discussions take place among the members of the Board. In particular, at the beginning of the Board of Directors meeting, the President reports on a wide range of topics in detail. These topics include incidents and accidents related to safety and compliance, matters that may require attention in the future, dialogue with stakeholders (such as investors, shareholders and partners) and recent important events. I highly value the Company's sincere stance to explain and share bad news with outside directors as quickly as possible.
Kosaka: I see the executive management team always takes into account outside directors' awareness of issues when addressing management issues. For example, the Company makes considerable progress in utilizing global human resources.
Saiki: Peter Salditt, President of Komatsu Mining Corp. (a U.S. subsidiary) was appointed as President of Komatsu's Mining Business Division in April 2024. He currently attends the Board meeting as an observer. This decision has been made based on discussions at the Board on how Komatsu should utilize human resources globally to strengthen its corporate governance. I believe the Company placed the right person in the right position in this case. I look forward to seeing the Company utilize global human resources further from now on.
Kosaka: Komatsu has introduced an enterprise risk management system (ERM) in fiscal 2023 based on Board discussions. This system is another important point to touch on in discussing Board effectiveness. I think Komatsu must keep a close eye on risk management from a company-wide perspective and ensure measures to respond to various risks are in place across organizations.
Saiki: I also think ERM is extremely important. Among such enterprise risks, there are various incidents that may occur with regard to information security, especially in terms of cyber security. I understand that Komatsu is establishing a system to respond flexibly to such incidents. Unfortunately, cybersecurity has an aspect of a speed battle with attackers. Accordingly, protecting company information against cyber-attacks requires constant system upgrades, as such attacks are not preventable with a one-time protective measure.
Kosaka: While managing risks, it is also important to consider opportunities within the same context. As I mentioned earlier, GX is not solely for the planetary health. Rather, GX particularly presents great business opportunities for Komatsu's businesses.
Saiki: Definitely. I expect Komatsu to take the risks which the Company should take to seize opportunities firmly. As outside directors, we are responsible for overseeing the execution of management duties from an objective perspective and improving the transparency of the Board of Directors. We are dedicated to fulfilling these roles. We also strive to leverage our knowledge and experiences to date to make proactive recommendations, through which we would like to support the management team.

Expectations of the Komatsu Group

Saiki: I expect Komatsu to innovate by acquiring and developing the right human resources to explore the future in these uncertain and unpredictable times. Evolving the business model as Komatsu's strength by creating new customer values in both products and solutions by means of technologies will lead to contributions to a decarbonized and recycling-oriented society. I believe that Komatsu has sufficient capabilities to make this happen. I will continue to support the Company to enhance its corporate value further.
Kosaka: What I admire most about Komatsu is its unique ability to enhance globalization led by Japanese professionals. In this regard, Komatsu is truly one of a kind. I feel that this ability is the result of the strong will and foresight of successive top management passed down through generations. I expect Komatsu will continue to maintain such visions and strive to become the world's leading construction and mining equipment manufacturer.

Directors, Audit & Supervisory Board Members and Executive Officers

Directors (as of June 30, 2024)

Tetsuji Ohashi
Chairman of the Board

Number of year(s) in office	15 years
Number of shares of the Company held	232 thousand shares
Important concurrent positions held in other organizations	Outside Director of Yamaha Motor Co., Ltd. Outside Member of the Board of Nomura Research Institute, Ltd. Outside Director of Asahi Group Holdings, Ltd.
4/1977	Joined the Company
4/2019	Took office as Representative Director and Chairman of the Board
4/2022	Took office as Chairman of the Board (current)

Hiroyuki Ogawa
President and Representative Director
Chief Executive Officer (CEO)

Number of year(s) in office	6 years
Number of shares of the Company held	139 thousand shares
Important concurrent positions held in other organizations	None
4/1985	Joined the Company
4/2019	Took office as President and Representative Director (current) CEO (current)

CEO

Takeshi Horikoshi
Representative Director and Senior Executive Officer (Senmu)
Chief Financial Officer (CFO)

Number of year(s) in office	3 years
Number of shares of the Company held	50 thousand shares
Important concurrent positions held in other organizations	None
4/1985	Joined the Company
4/2024	Took office as Representative Director and Senior Executive Officer (Senmu) (current)

CFO

New

Takuya Imayoshi
Director and Senior Executive Officer (Senmu)

Number of shares of the Company held	30 thousand shares
Important concurrent positions held in other organizations	None
4/1987	Joined the Company
6/2024	Took office as Director and Senior Executive Officer (Senmu) (current)

Supervising Business Coordination,
Responsible for the mid-term management plan

Mitsuko Yokomoto
Director and Senior Executive Officer (Jomu)

Number of year(s) in office	1 years
Number of shares of the Company held	30 thousand shares
Important concurrent positions held in other organizations	None
4/1985	Joined the Company
6/2023	Took office as Director and Senior Executive Officer (Jomu) (current)

Supervising Human Resource, Education and Sustainability

Takeshi Kunibe
Outside Director

Number of year(s) in office	4 years
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 Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.
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
6/2017	Took office as Director President and Representative Executive Officer of SMFG
4/2019	Took office as Chairman of the Board of SMFG (current)
6/2020	Took office as Director of the Company (current)
10/2021	Took office as Chairman of the Board of SMBC
4/2023	Retired from Director of SMBC

Arthur M. Mitchell
Outside Director

Number of year(s) in office	4 years
Number of shares of the Company held	None
Important concurrent positions held in other organizations	Foreign lawyer of White & Case LLP
7/1976	Registered as attorney at law in New York State, U.S.A. (current)
1/2003	Took office as General Counsel of Asian Development Bank
9/2007	Joined White & Case LLP
1/2008	Registered as registered foreign lawyer in Japan (current) Registered foreign lawyer of White & Case LLP (current)
6/2020	Took office as Director of the Company (current)

Naoko Saiki
Outside Director

Number of year(s) in office	3 years
Number of shares of the Company held	None
Important concurrent positions held in other organizations	Special Assistant to the Minister for Foreign Affairs Outside Director of Sojitz Corporation Outside Member of the Board of Directors of Development Bank of Japan Inc. Outside Director of Sankyu Inc.
4/1982	Joined the Ministry of Foreign Affairs (hereinafter "MOFA")
7/2014	Took office as Director-General, Economic Affairs Bureau, MOFA and Councillor, Cabinet Secretariat
10/2015	Took office as Director-General, International Legal Affairs Bureau, MOFA
7/2017	Took office as Director-General, Foreign Service Training Institute, MOFA
4/2020	Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo
6/2021	Took office as Director of the Company (current)
4/2023	Special Assistant to the Minister for Foreign Affairs (current)

Michitaka Sawada
Outside Director

Number of year(s) in office	2 years
Number of shares of the Company held	None
Important concurrent positions held in other organizations	Executive Advisor of Kao Corporation Outside Director of Panasonic Holdings Corporation Outside Director of Nitto Denko Corporation
4/1981	Joined Kao Soap Co., Ltd. (currently Kao Corporation)
6/2006	Took office as Executive Officer of Kao Corporation
6/2008	Took office as Director, Executive Officer of Kao Corporation
6/2012	Took office as Representative Director, President and Chief Executive Officer of Kao Corporation
1/2021	Took office as Director, Chair of Kao Corporation
6/2022	Took office as Director of the Company (current)
3/2024	Took office as Executive Advisor of Kao Corporation (current)

Audit & Supervisory Board Members (as of June 30, 2024)

Yasuhiro Inagaki
Standing Audit & Supervisory Board Member

Number of year(s) in office	3 years
Number of shares of the Company held	47 thousand shares
Important concurrent positions held in other organizations	None
4/1984	Joined the Company
6/2021	Took office as Standing Audit & Supervisory Board Member (current)

New

Mitsuo Nakao
Standing Audit & Supervisory Board Member

Number of shares of the Company held	12 thousand shares
Important concurrent positions held in other organizations	None
4/1992	Joined the Company
6/2024	Took office as Standing Audit & Supervisory Board Member (current)

Kotaro Ohno
Outside Audit & Supervisory Board Member

Number of year(s) in office	7 years
Number of shares of the Company held	None
Important concurrent positions held in other organizations	Adviser, Atsumi & Sakai Member of the Board of Directors (Outside Director) of Mizuho Financial Group, Inc.
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
11/2016	Attorney at law, Special Counsel of Mori Hamada & Matsumoto
6/2017	Took office as Audit & Supervisory Board Member of the Company (current)
1/2023	Took office as advisor of Atsumi & Sakai (current)

Tatsuro Kosaka
Outside Audit & Supervisory Board Member

Number of year(s) in office	2 years
Number of shares of the Company held	None
Important concurrent positions held in other organizations	Senior Advisor of Chugai Pharmaceutical Co., Ltd. Outside Director of Mitsubishi Electric Corporation
4/1976	Joined Chugai Pharmaceutical Co., Ltd.
10/2002	Took office as Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.
10/2004	Took office as Senior Vice President, General Manager of Corporate Planning Dept. of Chugai Pharmaceutical Co., Ltd.
3/2005	Took office as Senior Vice President, Deputy Managing Director of Sales & Marketing Group of Chugai Pharmaceutical Co., Ltd.
7/2005	Took office as Senior Vice President, Head of Strategic Marketing Unit of Chugai Pharmaceutical Co., Ltd.
3/2008	Took office as Senior Vice President, Head of Lifecycle Management & Marketing Unit of Chugai Pharmaceutical Co., Ltd.
3/2010	Took office as Director, Executive Vice President of Chugai Pharmaceutical Co., Ltd.
3/2012	Took office as Representative Director, President & COO of Chugai Pharmaceutical Co., Ltd.
3/2018	Took office as Representative Director, President & CEO of Chugai Pharmaceutical Co., Ltd.
3/2020	Took office as Representative Director, Chairman & CEO of Chugai Pharmaceutical Co., Ltd.
3/2022	Took office as Senior Advisor of Chugai Pharmaceutical Co., Ltd. (current)
6/2022	Took office as Audit & Supervisory Board Member of the Company (current)

Mariko Matsumura
Outside Audit & Supervisory Board Member

Number of year(s) in office	1 years
Number of shares of the Company held	None
Important concurrent positions held in other organizations	Partner, Shinwa Sogo Law Offices Outside Statutory Auditor of Fund Creation Group Co., Ltd. Outside Member of the Board of Meiji Holdings Co., Ltd. Outside Member of the Board of SODA NIKKA CO., LTD. Outside Audit and Supervisory Board Member of Japan Airlines Co., Ltd.
4/1988	Admitted to the bar in Japan as attorney at law (current) Joined Braun Moriya Hoashi & Kubota
2/1994	Joined Ryudo Sogo Law Offices
1/2006	Joined Shinwa Sohgoh Law Offices as a Partner (current)
4/2022	Took office as President of Dai-Ichi Tokyo Bar Association
6/2023	Took office as Audit & Supervisory Board Member of the Company (current)

Directors, Audit & Supervisory Board Members and Executive Officers

Executive Officers (Japan) (as of June 30, 2024)

Senior Executive Officer (Jomu)

Korekiyo Yanagisawa
President, Production Division

Koichi Honda
Supervising Legal, General Affairs & Compliance, Safety & Health Care and Brand Strategy
GM of Komatsu Economic Strategy Research Center

Yasuji Nishiura
President, Construction Equipment & Regional Marketing Division

Keiko Fujiwara
President, Construction Equipment Solution Division

Masami Naruse
President, Quality Assurance Division

Taisuke Kusaba
Chief Technology Officer (CTO)
President, Development Division

Executive Officer

Chikashi Shike
President, Smart Construction Promotion Division

Takashi Yasukawa
Awazu Plant Manager, Production Division
GM, Business Reform Department, Awazu Plant, Production Division

Hidefumi Obikane
Supervising Industrial Machinery Business
Chairman of the Board, Komatsu NTC Ltd.

Toru Sunada
President, Service Division, Construction Equipment Solution Division

Hiroyuki Umeda
President, Forest and Agriculture Business Division

Takayuki Furukoshi
GM, Manufacturing Engineering Development Center, Production Division
Supervising Simultaneous Engineering Planning

Jun Taniguchi
Vice President, Development Division

Naoyuki Sakurai
President, Parts & Reman Promotion Division, Production Division

Hiroaki Ohno
President, Defense Systems Division

Hideki Yoshizawa
President, Japanese Domestic Marketing, Construction Equipment & Regional Marketing Division
Chairman of the Board, Komatsu Customer Support Japan Ltd.

Terumasa Imajo
President, Product Marketing Division

Masaki Shinohara
Vice President, Development Division
GM, Engine Technical Center, Development Division
Representative Director, President, Industrial Power Alliance Ltd.

Goro Senda
President, Procurement Division, Production Division

Atsushi Awai
Vice President, Japanese Domestic Marketing, Construction Equipment & Regional Marketing Division
Representative Director, President, Komatsu Customer Support Japan Ltd.

Osamu Kitajima
Vice President, Development Division

Shinichi Araie
Oyama Plant Manager, Production Division
Representative Director, President, Komatsu Cummins Engine Co., Ltd.

Norihiko Tanigawa
Osaka Plant Manager, Production Division

Yoshie Ideura
President, Sustainability Promotion Division

Masafumi Murakami
GM, Human Resources Department
Group Manager, Human Resources Group, Human Resources Department

Seiichiro Harada
Ibaraki Plant Manager, Production Division

Kiyoshi Hishinuma
GM, Business Coordination Department

Junya Ankyu
GM, Construction Equipment Business Planning & Controlling Department, Construction Equipment & Regional Marketing Division

Ryo Asahara
President, Information Strategy Division

Shingo Hori
Vice President, Mining Business Division

Executive Officers (Outside of Japan) (as of June 30, 2024)

*Executive officers outside of Japan currently serve as Global Officers.

North America

Senior Executive Officer (Jomu)

Rodney Schrader
Chairman & CEO, Komatsu America Corp.

Peter Salditt
President, Mining Business Division, Komatsu Ltd.
President and CEO, Komatsu Mining Corp.

Executive Officer

Kozo Okuda
President and COO, Komatsu America Corp.

Kosei Okamoto
Executive Vice President, North America Chief Technology Officer (CTO), and President, North America Engineering & Development, Komatsu America Corp
Technical Director, Komatsu Mining Corp.

Gary Kasbeer
Executive Vice President and CFO, Komatsu America Corp.

Nozomu Okamoto
Executive Vice President & COO, Komatsu Mining Corp.

Europe

Executive Officer

Tadashi Maeda
President and CEO, Komatsu Europe International N.V.

Göksel Güner
COO, Komatsu Europe International N.V.

Asia/Oceania

Executive Officer

Koji Yanagi
President Director, PT Komatsu Marketing and Support Indonesia

Sean Taylor
President and MD, Komatsu Australia Pty. Ltd.

Africa

Executive Officer

Michael Blom
President and MD, Komatsu South Africa (Pty) Ltd.

Global Officers (as of June 30, 2024)

North America

John Koetz
Executive Vice President & COO, Komatsu Mining Corp.

John Fiedler
President & CEO, Hensley Industries, Inc.

Latin America

Darko Louit
CEO, Komatsu Cummins Chile Ltda.
CEO, Komatsu Holding South America Ltda.

Europe

Paul Blanchard
President and MD, Komatsu UK Ltd.

Ansgar Thole
President and MD, Komatsu Germany GmbH

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

David Bazzi
President and MD, Komatsu Italia Manufacturing S.p.A.

Jens Bengtsson
CEO, Komatsu Forest AB

Asia/Oceania

Charoen Ruengwilai
President, Bangkok Komatsu Co., Ltd.

Jamalludin
President and CEO, PT Komatsu Indonesia Indonesia

China

Chunjiang Fei
Chairman, President and CEO, Komatsu (China) Ltd.

Directors, Audit & Supervisory Board Members and Executive Officers

Seven topics of focus and supervision by the Company's Directors and Audit & Supervisory Board Members of the Company

In order to achieve the growth strategies set out in the mid-term management plan, the following seven topics are defined as areas for focus and supervision by the Directors and Audit & Supervisory Board Members with respect to management of the Company.

Three pillars of growth strategies of the mid-term management plan	Growth Strategies Creating DANTOTSU Value					
	Value creation		Core business		Management foundation	
	1. Accelerate growth by means of innovation		2. Maximize earnings power		3. Enhance corporate resilience	
Topics on which Directors and Audit & Supervisory Board Members are to focus particular attention and supervision	Corporate Management	Sales & Marketing	Corporate Management	Sales & Marketing	Corporate Management	Legal Affairs & Compliance
	Innovative Technologies/ DX Environments	Global	Finance/ Economics	Global	Human Rights/ Human Resources & Human Resource Development	Global

Topic	Reasons for selection and content
Corporate Management	The ability to oversee resource allocation across the Company's business segments holistically, and to identify investments in growth areas
Finance/ Economics	The ability to identify and oversee "earnings power" in new and existing areas of business areas from a financial perspective
Innovative Technologies/ DX Environments	The ability to oversee a positive cycle of improving profitability through innovation from technology (production development) and DX and through solving ESG issues, including environmental issues
Sales & Marketing	The ability to identify risks/opportunities in the external environment of our global, multi-site business
Human Rights/ Human Resources & Human Resource Development	The ability to oversee the protection of human rights as it relates to all our business activities and the ability to identify measures to enhance the diversity of our human resource base
Legal Affairs & Compliance	The ability to oversee legal and compliance matters to support the sustainable growth of new and existing businesses
Global	The ability to anticipate and oversee risks/opportunities in global business development from a variety of perspectives (supply chain, geopolitics, etc.)

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

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

	Name	Corporate Management	Finance/ Economics	Innovative Technologies/ DX Environments	Sales & Marketing	Human Rights/ Human Resources & Human Resource Development	Legal Affairs & Compliance	Global	Reason for selection
Directors	Tetsuji Ohashi	●		●			●	●	• Has held various important positions in the production departments, and has served as President of the U.S. subsidiary and President of the Company. He oversees overall governance as Chairman
Directors	Hiroyuki Ogawa	●	●	●	●	●	●	●	• As President and CEO, he focuses on, and supervises, all aspects of achieving the Company's growth strategies
Directors	Takeshi Horikoshi		●				●	●	• Has held key positions in the accounting and finance related departments • Hands-on experience in Europe and on M&As
Directors	Takuya Imayoshi	●	●		●	●	●	●	• Hands-on experience in the United States, and has held such key positions as the head of accounting and finance related departments, General Manager of the Business Coordination Department, and Representative of All China Operatios
Directors	Mitsuko Yokomoto			●		●	●		• Experience in the fields of human resources and general affairs, compliance and sustainability
Directors	Takeshi Kunibe Outside Independent	●	●	●					• Knowledge and experience in the business world, including the field of finance and group company management
Directors	Arthur M. Mitchell Outside Independent						●	●	• Knowledge and experience in the field of international legal affairs as an attorney
Directors	Naoko Saiki Outside Independent					●	●	●	• Knowledge and experience in the fields of international affairs, international law and economics
Directors	Michitaka Sawada Outside Independent	●		●	●	●			• Experience in the business world, including global group corporate management and ESG management practices
Audit & Supervisory Board Members	Yasuhiro Inagaki						●	●	• Knowledge and experience in legal affairs, business development relations, and corporate planning
Audit & Supervisory Board Members	Mitsuo Nakao		●					●	• Knowledge in the field of accounting and finance • Hands-on experience in Europe and Latin America
Audit & Supervisory Board Members	Kotaro Ohno Outside Independent					●	●		• Served as the Prosecutor-General of the Supreme Public Prosecutors Office, with knowledge and experience in the legal profession
Audit & Supervisory Board Members	Tatsuro Kosaka Outside Independent	●		●	●				• Knowledge and experience in the business world as a top executive
Audit & Supervisory Board Members	Mariko Matsumura Outside Independent					●	●		• Knowledge and experience in the legal and compliance fields as an attorney

Outside : Outside Director, Outside Audit & Supervisory Board Member

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

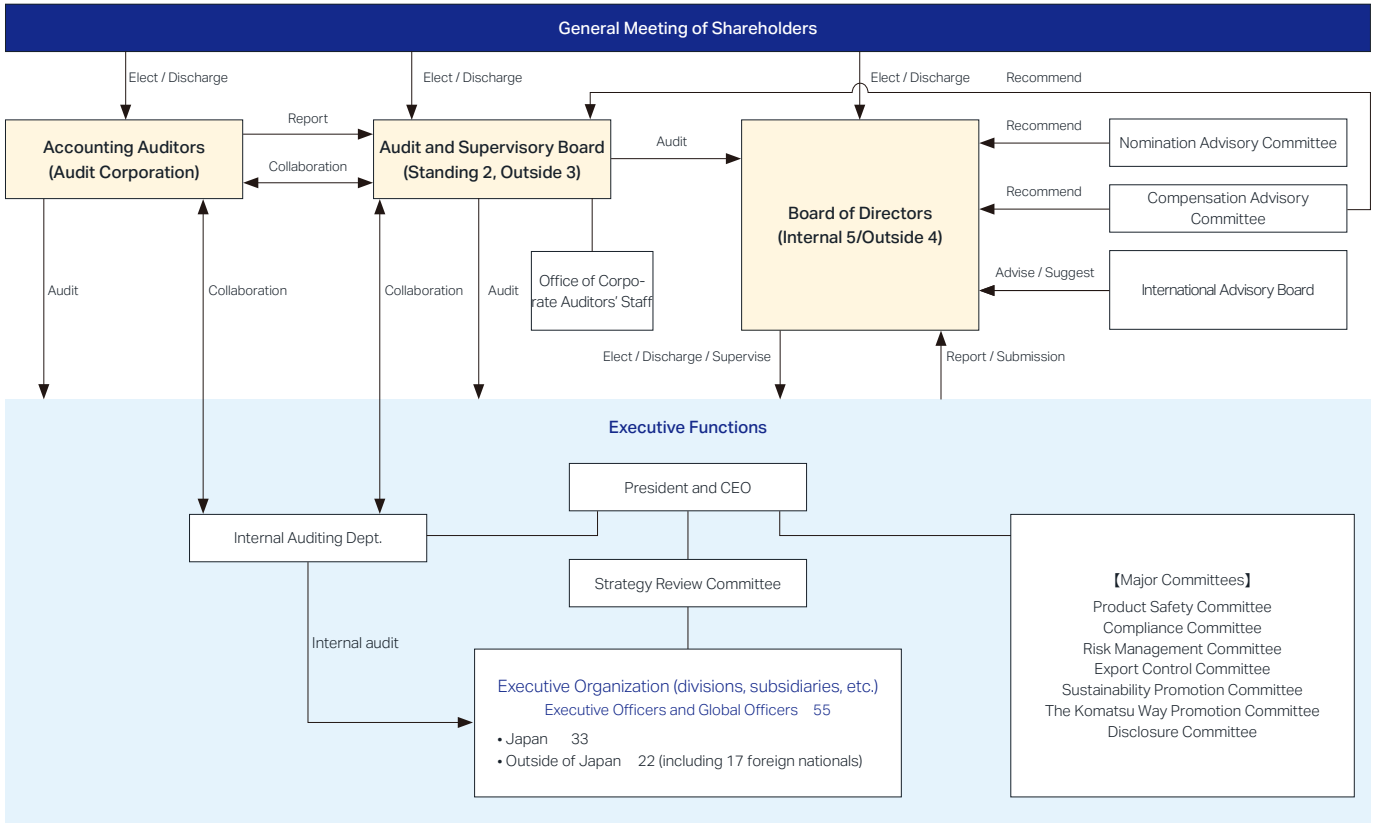
Corporate governance

It has been our management principle to commit ourselves to quality and reliability in order to maximize the total sum of trust given to us by society and all Komatsu stakeholders. To become a company that enjoys more trust from all stakeholders, Komatsu is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics, and ensure sound management on a group-wide basis.

Corporate governance framework

At Komatsu, 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, we have 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, we have separated management decision-making and supervisory functions from executive functions to the extent permitted by laws and regulations, limiting the Board of Directors to a small number of members while appointing Outside Directors and Outside Audit & Supervisory Board Members to ensure objectivity and the soundness of management.

Figure: Corporate governance chart*



*As of June 30, 2024.

Corporate governance

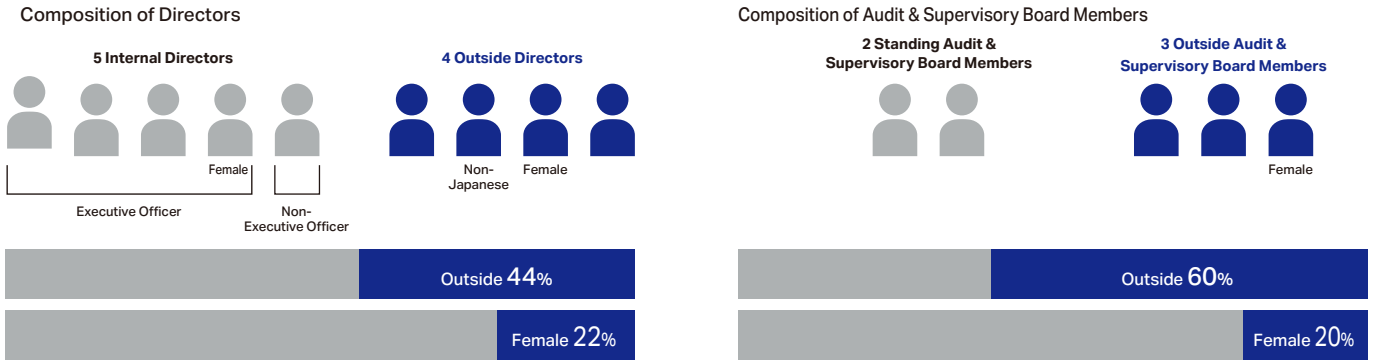
Corporate governance reforms

Komatsu has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to management decision-making and oversight. Specific reforms have included 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 of supplementing business execution, we established the International Advisory Board (IAB) in 1995. Through the IAB, we aim to secure objective advice and suggestions from experts about how to function as a global company by exchanging opinions and holding discussions. Going forward, we 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.

Figure: Number of the Board Members

Figure: Number of Audit & Supervisory Board Members

Figure: Composition of Directors and Audit & Supervisory Board Members (as of June 30, 2024)



Other organizations and systems

Organization / System	Establishment	Overview
Nomination Advisory Committee	2015	The Nomination Advisory Committee consists of four Outside Directors (including one committee chair) and two Internal Directors (the Chairman and the President). The committee deliberates the nominations of candidates for Directors and Audit & Supervisory Board Members, as well as the selection and dismissal of Executive Officers, including the President (CEO), and reports to the Board of Directors.
Compensation Advisory Committee	1999	The Compensation Advisory Committee consists of five outside members (four Outside Directors (including the chair and one Outside Audit & Supervisory Board Member) and one Internal Director (the Chairman). For greater objectivity and transparency in Director and Outside Audit & Supervisory Board Member compensation, the committee deliberate compensation policies and compensation levels, and report to the Board of Directors or Audit & Supervisory Board Members.
International Advisory Board	1995	It was established with the purpose of incorporating the objective advice and suggestions of external experts on the management and corporate activities expected of a global company into the discussions of the Board of Directors.
Executive Officer System	1999	It was introduced in 1999 to separate supervisory functions from executive functions. This system has enabled the Company to limit the Board of Directors to a small number of members.
Global Officers	2016	Global officers are appointed to senior management positions at major group companies outside of Japan to facilitate the consolidated management of the Komatsu Group.

Corporate governance

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 the Komatsu Group, 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. The members of the Board of Directors are as listed under 1) Meeting frequency and attendance, below. The chairman of the board chairs meetings of the Board of Directors.

The Board of Directors make decisions on important management matters based on the Standards for Matters to be Referred to a Meeting of the Board of Directors and reports on business execution. The Board holds free discussions on topics related to medium- and long-term issues at Board of Directors meetings and opportunities outside Board of Directors meetings.

To ensure thorough discussions by the Board of Directors, the Company secures ample time for thorough discussions and has adopted a process in which the Board of Directors meets twice to discuss and resolve important agenda items separately. While the business execution reports in Board meetings cover virtually 100% of businesses on a consolidated revenue basis, details of very small operations are also reported, focusing on safety, compliance, and risk matters.

The President reports at Board of Directors meetings monthly regarding the most recent important matters and topics, including safety, compliance, and risk. The CFO also reports monthly on the status of sales, profit and loss, orders received, and borrowings.

(1) Activities of the Board of Directors

1) Meeting frequency and attendance

During FY2023, the Company held 16 meetings of the Board of Directors, and the attendance of individual directors is shown as follows.

Position	Name	Frequency*	Attendance rate
Chairman of the Board	Tetsuji Ohashi	16	100%
President and CEO	Hiroyuki Ogawa	16	100%
Representative Director	Masayuki Moriyama	16	100%
Representative Director	Kiyoshi Mizuhara	4	100%
Director	Takeshi Horikoshi	16	100%
Director	Mitsuko Yokomoto	12	100%
Outside Director	Takeshi Kunibe	16	100%
Outside Director	Arthur M. Mitchell	15	93%
Outside Director	Naoko Saiki	16	100%
Outside Director	Michitaka Sawada	16	100%
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	16	100%
Standing Audit & Supervisory Board Member	Terumi Sasaki	16	100%
Outside Audit & Supervisory Board Member	Eiko Shinotsuka	4	100%
Outside Audit & Supervisory Board Member	Kotaro Ohno	16	100%
Outside Audit & Supervisory Board Member	Tatsuro Kosaka	16	100%
Outside Audit & Supervisory Board Member	Mariko Matsumura	12	100%

*Representative Director Kiyoshi Mizuhara and Outside Audit & Supervisory Board Member Eiko Shinotsuka retired at the 154th Ordinary General Meeting of Shareholders held in June 2023, and Director Mitsuko Yokomoto and Outside Audit & Supervisory Board Member Mariko Matsumura were appointed at the same Ordinary General Meeting of Shareholders. Therefore, the number of meetings of the Board of Directors to be attended differs from that of other Directors and Audit & Supervisory Board Members.

2) Number of agenda items, etc., for Board of Directors meetings in FY2023

Agenda item numbers	Resolutions	29
	Deliberations	4
	Reports	43
Free discussion	2	

Activities outside the Board of Directors

In addition to meetings, of the Board of Directors Members took part in the following activities.

(1) Free discussions were arranged centering on the topic of medium- to long-term management issues.

(2) Outside Directors and Outside Audit & Supervisory Board Members held meetings at which these Outside Board Members shared opinions regarding management issues from their objective and independent standpoints. Discussions with the President were also arranged to foster sharing recognition.

(3) Outside Directors and Outside Audit & Supervisory Board Members participate in business site tours to gain a deeper understanding of the Group's business and exchange opinions with employees.

Tour of the Test Engineering Center (Oita Prefecture)

Plant tour of the Komatsu NTC Ltd.

Corporate governance

Supporting system for Outside Directors and Audit & Supervisory Board Members

The support systems for Outside Directors and Outside Audit & Supervisory Board Members include the following.

Distribution of materials and pre-meeting briefings	As a general rule, the Company provides materials for Board of Directors meetings to Outside Directors and Outside Audit & For newly appointed Outside Directors and Outside Audit & Supervisory Board Members, the concerned departments conduct explanatory meetings on the agenda items to be discussed at meetings of the Board of Directors, as needed. Such meetings are attended by the Secretariat of the Board of Directors and held prior to Board of Directors meetings.
Discussion process	With respect to matters that may be of particular importance, the Board of Directors discusses them at the Board of Directors meeting prior to the Board of Directors meeting where such matters are scheduled for resolution. In this manner, the Company ensures that the Directors have sufficient time to review the matters before decisions are made and that they will have an opportunity to consider the points noted in earlier discussions before deciding upon such matters.
Material database	The Company has built a database that houses materials, minutes, and other information on past Board of Directors and other major committee meetings. This database can be accessed by all members of the Board of Directors and the Audit & Supervisory Board Members, including outside members. The Company has also built a database to manage materials and minutes of past meetings of the Audit & Supervisory Board. This database can be accessed by all Audit & Supervisory Board Members, including outside members.

Evaluation of the effectiveness of the Board of Directors

The results of the evaluation of the effectiveness of the Board of Directors conducted in FY2023 were as follows.

(1) Process of analysis and evaluation

With regard to the process of analysis and evaluation, the Company has confirmed the evaluation method for FY2023 based on the effectiveness evaluation method and results of the Board of Directors' evaluation from the previous fiscal year.

This fiscal year, we engaged a third-party organization to participate in the evaluation process to enhance objectivity and transparency.

Outline of evaluation of the effectiveness of the Board of Directors

Subjects	All nine Directors and all five Audit & Supervisory Board Members
Conduction/ Evaluation	1) Questionnaire filled out by the subjects 2) Interviews with subjects (conducted by a third party) 3) Analysis and evaluation by a third party organization based on (1) and (2) above 4) Discussion by Outside Directors and Outside Audit & Supervisory Board Members 5) Discussion by Internal Directors and Standing Audit & Standing Audit & Supervisory Board Members 6) Analysis and evaluation based on (1) through (5) above followed by planning and drafting of a proposal for holding a Board of Directors meeting 7) Report and discussion at the Board of Directors meeting
Questions (Major Categories)	1) Roles and functions of the Board of Directors 2) Size and composition of the Board of Directors 3) Proceedings of Board meetings (agenda setting) 4) Proceedings of Board meetings (reporting and explanation, provision of information, follow-up) 5) Discussion at Board meetings 6) Business understanding and communication 7) Self-evaluation

(2) Outline of the evaluation results

After reviewing the discussion by the Board of Directors, based on the analysis of the questionnaires, interviews, and discussions arranged as part of the evaluations of effectiveness, the Company has confirmed that the effectiveness of the Komatsu Board of Directors remains ensured with a generally high level in regard to each of the evaluation items.

The main points that were highly rated were as follows:

1) Diversity of Board members (background, internationality, gender, etc.)
2) Timely provision of information and explanation of management issues through the President's report made at the beginning of Board meetings
3) Provision of explanatory videos in advance of Board meetings to simplify explanations on the day of the meeting and to ensure sufficient time for discussion
4) Frank and multifaceted discussions by members with diverse backgrounds and knowledge
5) Steady improvement of issues in meeting operations

Conversely, the issues to be further examined in the future are as follows:

1) Continuation and enhancement of discussions on medium and long-term issues (business portfolio, changes in the internal and external environment, human capital, etc.) to enhance corporate value
2) Continuation of clarification of discussion themes in agenda for reports, concise reports focusing on the day's key discussion points, etc.
3) Enhancement of opportunities for free discussions and other discussions outside Board of Directors meetings

In FY2024, the Company will work on these points to achieve an even more effective Board of Directors.

Corporate governance

Audit & Supervisory Board

The activities of the Audit & Supervisory Board Members and the Audit & Supervisory Board were as follows.

(1) Frequency of and attendance at meetings of the Audit & Supervisory Board

In FY2023, 15 meetings of the Audit & Supervisory Board were held, and the attendance of individual Audit & Supervisory Board Members is as follows.

Position	Name	Frequency*	Attendance rate
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	15	100%
Standing Audit & Supervisory Board Member	Terumi Sasaki	15	100%
Outside Audit & Supervisory Board Member	Eiko Shinotsuka	4	100%
Outside Audit & Supervisory Board Member	Kotaro Ohno	15	100%
Outside Audit & Supervisory Board Member	Tatsuro Kosaka	15	100%
Outside Audit & Supervisory Board Member	Mariko Matsumura	11	100%

* Outside Director Eiko Shinotsuka retired at the 153rd Ordinary General Meeting of Shareholders held in June 2024, and Outside Director Mariko Matsumura was appointed at the same Ordinary General Meeting of Shareholders. Therefore, the number of meetings of the Audit & Supervisory Board attended differs from that of other Audit & Supervisory Board Members.

(2) Details of discussions at meetings of the Audit & Supervisory Board

Details of discussions at meetings of the Audit & Supervisory Board in FY2023 are as follows:

1) Made resolutions after deliberation on the audit policy, audit method, key audit matters, allocation of duties, and audit report
2) Conferred with the independent auditor to identify key audit matters (KAMs) in the audit and confirmed that these were disclosed properly
3) Discussed and confirmed the method of the independent auditor's audit, the appropriateness of the results, and its independence of the independent auditor
4) Discussed the appointment or dismissal of the independent auditor and passed a resolution for reappointment
5) Received reports on internal audit results of the Company and its subsidiaries from the Internal Auditing Department and offered appropriate opinions and discussed said matters
6) Received a report from the Compliance Department on the status of its activities and offered appropriate opinions and discussed said matters
7) Investigated the status of implementation of the basic policy on internal controls and confirmed no issues
8) Discussed and passed resolutions regarding the revision of the Company's Audit & Supervisory Board regulations and audit standards for Audit & Supervisory Board Members in light of revisions of laws and regulations
9) The Audit & Supervisory Board also discussed and implemented improvements for efficient and effective operation of the Audit & Supervisory Board and audit duties.

(3) Activities of Audit & Supervisory Board Members

In accordance with the audit policies, assignment of duties, and other matters determined by the Audit & Supervisory Board, the Audit & Supervisory Board Members attended important meetings of the Board of Directors, the Strategy Review Committee, the Compliance Committee, the Risk Management Committee, and other bodies, and inspected and confirmed business operations and assets through review of important resolution documents and associated information as well as on-site inspection of the Company and its subsidiaries.

Moreover, the Audit & Supervisory Board Members endeavored to communicate and exchange information with Representative Directors, other Directors and Audit & Supervisory Board Members, and the management of the Company and its subsidiaries, and received explanations and reports on execution of their duties and the status of businesses and also periodically received explanations and reports on the establishment, improvement, and operation of internal control systems and expressed opinions as needed. In addition, the Audit & Supervisory Board Members worked to improve the environment for auditing through liaison meetings and individual interviews with the Internal Auditing Department and subsidiaries' standing Audit & Supervisory Board Members while maintaining close contact to enhance effectiveness.

Furthermore, Audit & Supervisory Board Members also monitored and verified whether the independent auditor maintained its independent position and implemented appropriate audits, received reports on the execution of duties from the firm, and requested an explanation as needed.

Corporate governance

Activities of advisory committees

Nomination Advisory Committee

The Nomination Advisory Committee (66.7% of members are Outside Directors) consists of four Outside Directors (including one committee chair)and two Internal Directors (the Chairman and the President). The committee deliberates the nominations of candidates for Directors and Audit & Supervisory Board Members, as well as the selection and dismissal of Executive Officers, including the President (CEO), and reports to the Board of Directors.

In selecting candidates, the committee also considers diversity in terms of gender, nationality, and race. The Board of Directors deliberates and decides on the nomination of candidates for Directors and Audit & Supervisory Board Members, as well as the selection and dismissal of Executive Officers, etc., based the reports received.

Compensation Advisory Committee

For greater objectivity and transparency in Director and Outside Audit & Supervisory Board Member compensation, the Compensation Advisory Committee (83.3% outside members), which consists of five outside members (four Outside Directors (including the chair and one Outside Audit & Supervisory Board member) and one Internal Director (the chair), deliberate compensation policies and compensation levels. Based on reports received from the committee, the Board of Directors determines compensation for Directors and the Audit & Supervisory Board Members discuss and determine compensation for Audit & Supervisory Board Members within the scope of total compensation resolved in advance at the general meeting of shareholders.

	Nomination Advisory Committee	Compensation Advisory Committee
Membership	Six members (including Chairperson) <Chairperson> Outside Director Takeshi Kunibe <Committee Members> Outside Director Arthur M. Mitchell Outside Director Naoko Saiki Outside Director Michitaka Sawada Chairman of the Board Tetsuji Ohashi President and CEO Hiroyuki Ogawa	Six members (including Chairperson) <Chairperson> Outside Director Takeshi Kunibe <Committee Members> Outside Director Arthur M. Mitchell Outside Director Naoko Saiki Outside Director Michitaka Sawada Outside Audit & Supervisory Board Member Kotaro Ohno Chairman of the Board Tetsuji Ohashi
Purpose	Deliberation, resolution, and reporting to the Board of Directors on selection of the next President and 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 FY2023	3	4
Agenda items in FY2023	• Selection and cultivation of candidates for the next President • FY2024 nomination of Director and Audit & Supervisory Board Member candidates • Director and Audit & Supervisory Board Member skill matrix • Selection of Executive Officer candidates • Membership of Nomination Advisory Committee and Compensation Advisory Committee in FY2024, etc.	• Revision of Director and Audit & Supervisory Board Member compensation • Policy for determining Director compensation, etc. • Revision of compensation system and stock-based remuneration system for directors • Monthly compensation levels for Directors and Audit & Supervisory Board Members for FY2024 • Evaluation indicators for performance-based remuneration for Directors in FY2024, etc.

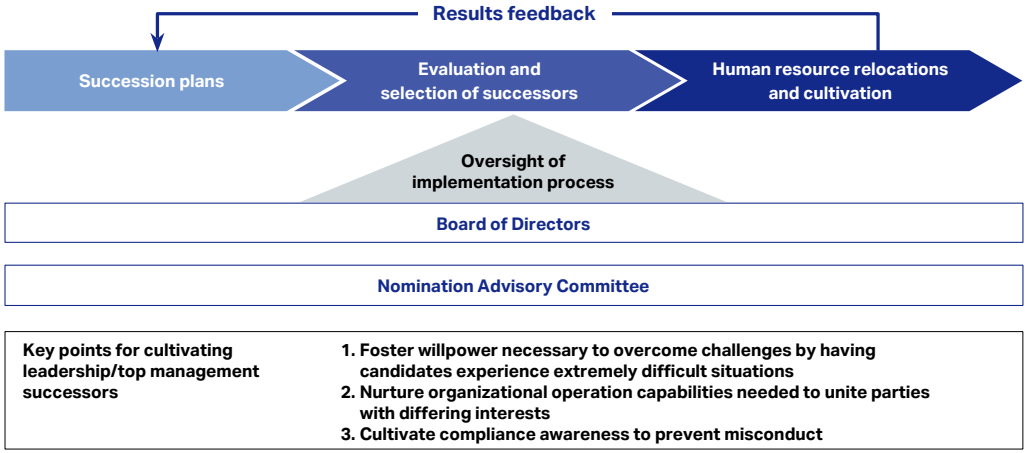
Succession plans

One of the items contained in the guidelines for leadership / top management that has been clearly delineated in The Komatsu Way 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 Nomination Advisory Committee. In addition, successors for important global positions up to and including that of the President are decided through the annual implementation of succession plans (see chart below).

Selected candidates 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.

Figure: Overview of succession plans



Corporate governance

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. 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, in consideration of their role as members of the Board of Directors to make recommendations on overall management.

Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic (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.

Figure: Composition of remuneration of Directors and Audit & Supervisory Board Members

<table>
<tr><td rowspan="4">Internal Directors</td><td colspan="2">Monetary remuneration</td><td colspan="2">Stock-based remuneration</td></tr>
<tr><td rowspan="2">Basic remuneration</td><td colspan="2">Performance-based remuneration for a single year
(Monthly remuneration (base amount by position for stock-based remuneration) x 0-27 months)</td><td rowspan="2">Mid-term management plan performance-based remuneration
(base amount by position x 0-3 months)</td></tr>
<tr><td>↓0-12 months</td><td>↓0-15 months</td></tr>
<tr><td>Monthly remuneration x 12 months</td><td>Bonus in cash</td><td>Stock-based remuneration A
Stock-based remuneration (trust)
(granted upon retirement)</td><td>Stock-based remuneration B
Stock-based remuneration (trust)
(granted upon retirement)</td></tr>
</table>

<table>
<tr><td rowspan="3">Outside Directors and Audit & Supervisory Board Members</td><td>Monetary remuneration</td></tr>
<tr><td>Basic remuneration</td></tr>
<tr><td>Monthly remuneration x 12 months</td></tr>
</table>

Not influenced by the Company performance

After consultation with the Compensation Advisory Committee and receiving a report from the same, the Komatsu Board of Directors resolved on April 26, 2024, to revise the remuneration plan for Internal Directors. The resolution was approved at the Ordinary General Meeting of Shareholders held in June 2024. With this revision, the ratio of stock-based remuneration will be increased and the timing of stock grants to Directors will be upon retirement. The objective of this revision is to further enhance Director awareness of their contribution to the Company's medium- to long-term performance and role in corporate value enhancement, as well as to establish common interests with shareholders.

Specifically, the performance-based stock-based remuneration will be revised to include a trust-type stock-based remuneration plan (Board incentive plan trust) in place of the previous restricted stock-based remuneration system. In addition, the maximum for single-year performance-based stock-based remuneration (stock-based remuneration A) will be increased from 12 months to 15 months of monthly remuneration. As a result, the maximum amount of performance-based remuneration (cash bonus and stock-based remuneration A) for a single fiscal year will be revised from 24 months to 27 months of monthly remuneration. While the previous restricted stock-based remuneration plan had a three-year restricted stock transfer period, the new trust-type stock-based remuneration plan will call for stock to be delivered to Directors at the time of retirement.

Performance-based remuneration for a single fiscal year

The basic consolidated performance indicators for a single fiscal year will be consolidated ROE*[1], consolidated ROA*[2], and consolidated operating profit ratio. The plan will also take growth potential (consolidated sales growth rate) into account and evaluate performance based on the ratios shown in the table below to calculate the total amount of performance-based remuneration paid each year.

Consolidated performance-based remuneration indicators for a single fiscal year

	Indicator	Ratio
Basic Indicator	Consolidated ROE*1	50%
	Consolidated ROA*2	25%
	Consolidated operating profit ratio	25%
Adjustment Indicator	Adjusted by consolidated sales growth	

*1 ROE = Net income attributable to Komatsu Ltd./((beginning shareholder's equity + ending shareholders' equity)/2)
*2 ROA = Income before income taxes and equity in earnings of affiliated companies/((beginning total assets + ending total assets)/2)

A certain percentage of the total amount of consolidated performance-based remuneration paid in a single fiscal year shall be paid as a cash bonus. The remainder, less said cash bonus, shall be paid as stock-based remuneration subject to a resolution of the Board of Directors (stock-based remuneration A). The goal here is to encourage the sharing of common values with shareholders. However, the maximum cash bonus shall be equivalent to 12 months of monthly remuneration. Any portion exceeding 12 months shall be paid as stock-based remuneration A in lieu of cash. Stock-based remuneration A shall be a trust-type stock-based remuneration (board incentive plan (BIP) trust for Directors), and the number of share delivery points shall be determined and granted to eligible Internal Directors each fiscal year. When an eligible Director retires, the Director in question will be paid for the number of Company shares equivalent to the number of the points granted to the time of retirement in a monetary amount equivalent to the cash proceeds from the conversion of the Company shares.

Corporate governance

Performance-based remuneration linked to performance of the mid-term management plan
Komatsu will pay eligible Directors the equivalent of a three-month portion of the base amount by position every fiscal year as remuneration linked to the period of the Company's mid-term management plan by granting stock-based remuneration (Stock-Based Remuneration B). Stock-Based Remuneration B shall be a trust-type stock-based remuneration plan (BIP trust for Directors), and single fiscal year points shall be allocated to eligible Directors each fiscal year in accordance with their position in the Company. After the end of the period of the mid-term management plan in question, the number of points to be granted will be determined by calculating the cumulative total of single-year points granted to eligible Directors and multiplying this cumulative total by a performance-based coefficient based on the achievement of the mid-term management plan targets and other factors. Upon retirement, the Director in question will be paid for the number of Company shares equivalent to the number of points granted to the time of retirement in a monetary amount equivalent to the cash proceeds from the conversion of Company shares.

P.34 Management targets

Malus and clawback system
Komatsu resolved to adopt a malus (reduction or confiscation) and clawback (return) system at a meeting of the Board of Directors held on April 28, 2022. In the event of a significant revision of financial statements or an event that has a significant impact on the reputation of the Company due to the execution of business by Directors, the performance-based remuneration paid to the Internal Directors could be required to be reduced, confiscated, or refunded. In principle, the content of the refund request, etc. be decided by the Board of Directors after deliberation by the Compensation Advisory Committee according to each event.

* The performance indicators used as the basis for calculating remuneration are subject to change upon a resolution of the Board of Directors.

International Advisory Board (IAB)

Komatsu established the International Advisory Board (IAB) in 1995 to incorporate objective advice and suggestions from external experts into the Board of Directors concerning management and operations of Komatsu as a global company. The IAB has met a total of 39 times through meetings of traditional bodies and new organizations combined. In FY2023, the advisors took part in discussions with Directors and Audit & Supervisory Board Members and provided advice and suggestions with regard to carbon neutrality and Komatsu competitive strategy built in digital transformation.

The advisors for the 9th IAB session were selected and began new activities in April 2024. We will continue to enhance corporate value by improving management and strengthening corporate governance further, making use of advice from an international and multifaceted perspective on the various management issues surrounding the Company.

Advisors of the 9th session (current)

John Paul Bilbrey
Former Chairman, President and CEO, Hershey Company

Baba N Kalyani
Chairman and Managing Director, Bharat Forge Ltd.

Heinz-Gerhard Wente
Chairman of the Supervisory Board, Salzgitter AG

Major executive committees

Committee name	Purpose	Meeting frequency (yearly)*2
Product Safety Committee	Discussions on and decisions regarding policies and systems related to product safety activities and technologies, assessment of product safety activities of business divisions and deliberation on issues regarding said activities, and reporting of important matters at monthly Board of Directors' meetings	2
Compliance Committee*1	Discussion on and decision and execution of policies and important measures pertaining to group-wide compliance	2
Risk Management Committee*1	Discussion and approval of group-wide risk management tasks and risk countermeasures	1
Export Control Committee	Discussion on and decision of policies and important matters regarding group-wide security and export control measures and systems	1
Sustainability Promotion Committee*1	Discussion on and decision and execution of policies and important measures regarding the environmental and social activities implemented as part of the Group's ESG activities	2
The Komatsu Way Promotion Committee*1	Discussion on and decision and execution of policies and important measures regarding human resources, labor affairs, education and human resource development, employee benefits, for the Company and the Group	2
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

*1 Chairperson: President
*2 Meeting frequency represents the number of meetings in principle. Additional meetings are held as necessary.

Risk management

Basic policy

The Komatsu management principle is our commitment to quality and reliability to maximize the total sum of trust given to us by society and our stakeholders. We regards all uncertainty that impedes this principle as a risk.

To support appropriate strategic decision-making and smooth business operations, the Komatsu Group established a Risk appetite statement, which is a policy for responding to risks. We ensure that all employees make decisions and take actions based on this statement.

Figure: Risk appetite statement

Safety and compliance

At the Komatsu Group, SLQDC is the order of priority all executives and employees when making decisions.
(Safety(and Health) > Law(Compliance) > Quality > Delivery > Cost)

We do not tolerate any risks that may interfere with our priority safety, health, and compliance.

Pursuit of innovation

The Komatsu Group defined our purpose as "creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together."
To achieve this purpose, we take on challenges and maintain risks while implementing appropriate measures.

Customer value

The Komatsu Group aims to develop safe, highly productive, smart and clean workplaces of the future with customers.

We strive to reduce and avoid risks that could impede the effectiveness, safety, and quality assurance of any products provided to customers.

Corporate social responsibility

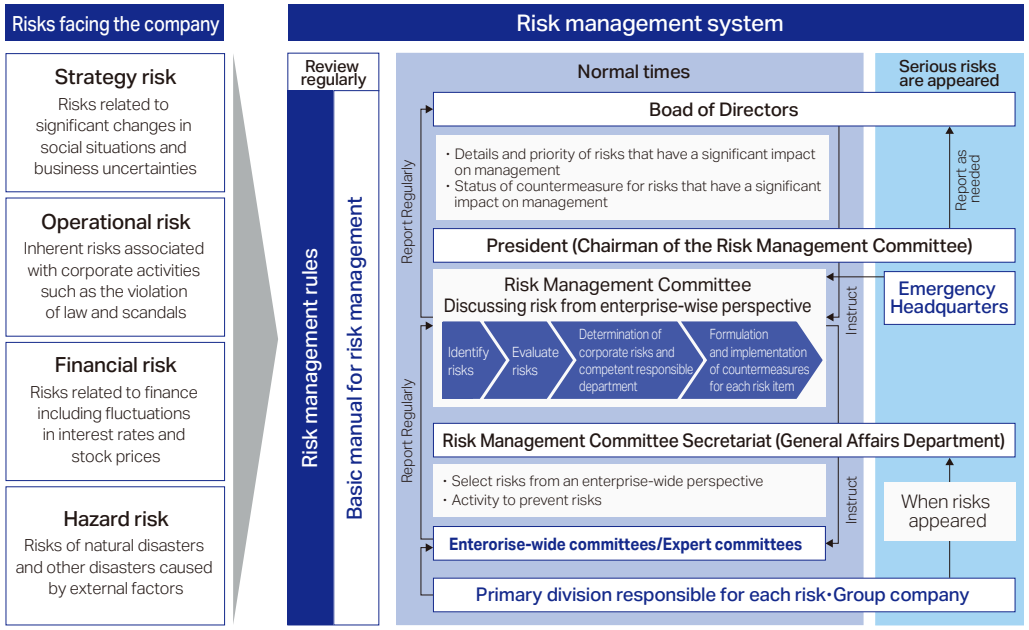
The Komatsu contributes to a sustainable future by solving ESG issues through our business activities.
We strive to reduce and avoid risks that may damage trust in society by promoting initiatives to respect human rights, reduce carbon, and mitigate environmental impacts.

Risk management structure

The Komatsu Group introduced ERM (Enterprise risk management) to identify all risks surrounding the Group and prepare for these risks in normal times to respond accurately to the ever-changing business environment and risks. Komatsu developed risk management rules and a basic manual for risk management as rules for the proper recognition and management of risks. We also set up the Risk Management Committee, chaired by the President, to formulate the Komatsu Group's policy on risk management, select and evaluate risks from an enterprise-wide perspective, check and follow up on the implementation status of countermeasures, and implement control when risks materialize. The committee reports regularly on deliberations and activities to the Board of Directors.

Komatsu establishes an emergency headquarters when serious risks occur, and implements appropriate measures to minimize damage.

Figure: Risk management system

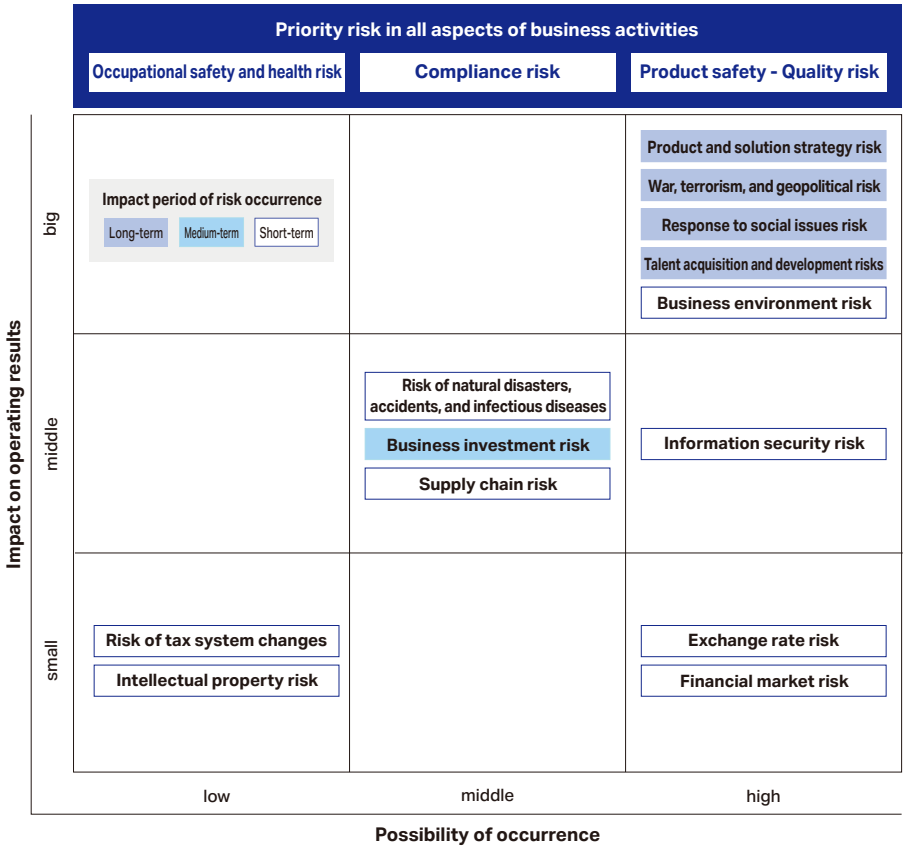


Risk management

Major risks and assessments

Komatsu identifies risks that could potentially impact our business activities from enterprise-wide perspective. We evaluate and prioritize these risks impact on operating results, likelihood of occurrence, and impact duration. We also identify corporate risks, which are significant risks for the entire company, and regional risks that may have a significant impact on the business of specific countries and regions. After determining the responsible department for countermeasures, we implement appropriate measures to avoid and minimize risks, as well as maximize opportunities. The risk map (risk priorities) based on the results of risk assessment in FY2023 is shown below.

Figure: Risks factors



Web Risk management (155th Annual Securities Report)

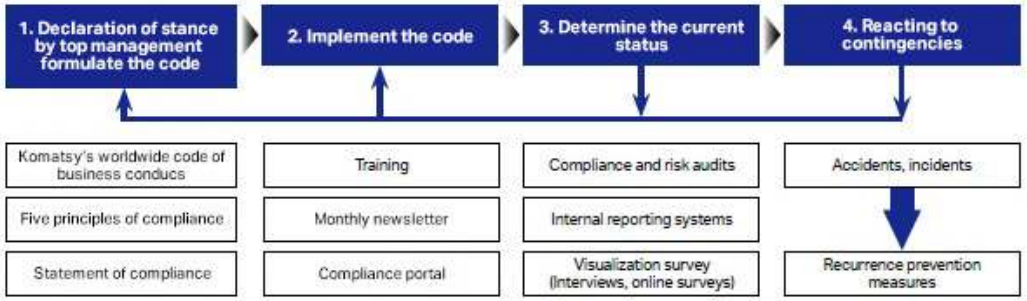
Web Overview, impact, and countermeasures for "Corporate risks" (ESG Databook)

Compliance

Komatsu established the Compliance Committee to oversee the Group's compliance. The committee regularly reports its discussions and activities to the Board of Directors. Komatsu issues Komatsu's worldwide code of business conduct showing business rules as well as laws and regulations, which all Directors and employees must comply with. Komatsu also established a system to comply with those business rules as well as laws and regulations through a variety of measures. Those measures include appointment of an Executive Officer to supervise compliance, and establishment of the Compliance Department. Through all of these activities, we work to supervise, educate, and train Officers and employees.

In addition, Komatsu establishes an internal reporting system that ensures the protection of persons who, in good faith, report violations of laws, regulations, and business rules.

Figure: Process for compliance activities



Web Komatsu compliance activities (ESG Databook)

Stakeholder engagement

The Komatsu management principle is our commitment to quality and reliability to maximize the total sum of trust given to us by society and our stakeholders. To continue to be a company trusted by all of our stakeholders, we emphasize fair and timely information disclosure and direct communication from top management. We also provide appropriate communication opportunities for each stakeholder and engage in interactive communication. Through these activities, we identify customer issues, share the direction the Group should take and the challenges we face, and promotes an understanding of the Group.

Society

Distributors	Suppliers	Employees	Customers	Shareholders	Investors and analysts	Mass media	Local community
Distributor meetings	Komatsu Midori-kai executive meetings	Town-hall meetings with the President	Visits from top management	General Meeting of Shareholders Shareholder meetings	Visits to investors worldwide Analyst meetings Presentations of business results	Interview	Meetings with mayors, governors, etc.

Direct communication from top management

■ Topics of activities in FY2023

The Komatsu Midori-kai executive meeting

Every November, Komatsu and Midori-kai companies (major suppliers) hold the Komatsu Midori-kai executive meeting. There, Komatsu executives and top management of Midori-kai companies get together with the aim of promoting mutual growth between Komatsu and Midori-kai companies. In 2023, a total of 550 people participated in the meeting, including 459 Midori-kai members from 227 companies, Komatsu Group participants and Midori-kai members outside of Japan who joined the meeting for the first time in four years. Komatsu's procurement strategy is characterized by a high level of trust built through longstanding partnerships with the companies. At this year's meeting, Komatsu shared information (global procurement policy, requests to Midori-kai, first half business results, progress in the mid-term management plan, etc.) and encouraged a lively discussion on the possibilities for business expansion for each company.

Komatsu Midori-Kai executive meeting

Web Support for member companies of the Komatsu Midori-kai (ESG Databook)

IR event with the Outside Director and institutional investors

On March 5, 2024, Komatsu held first-time IR event for an Outside Director and institutional investors to engage in direct dialogue.

Outside Director Takeshi Kunibe and the President Ogawa took the stage to deepen the discussion with investors through a question-and-answer session on topics such as corporate governance, effectiveness of the Board of Directors, capital allocation, and succession plans. The meeting was an effective dialogue to reflect investor opinions in the management of the company. For more information on the Q&A session, please refer to our corporate website.

Dialogue between the Outside Director and investors

Web Dialogues with shareholders and investors

11-years summary

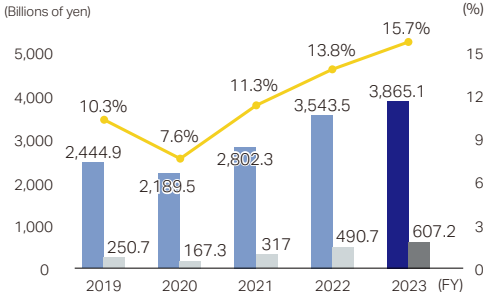
(Millions of yen)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Net sales	1,953,657	1,978,676	1,854,964	1,802,989	2,501,107	2,725,243	2,444,870	2,189,512	2,802,323	3,543,475	3,865,122
Operating profit	240,495	242,062	208,577	174,097	268,503	397,806	250,707	167,328	317,015	490,685	607,194
Operating profit ratio (%)	12.3	12.2	11.2	9.7	10.7	14.6	10.3	7.6	11.3	13.8	15.7
Income before income taxes and equity in earnings of affiliated companies	242,056	236,074	204,881	166,469	291,807	377,471	223,114	162,775	324,568	476,434	575,663
Net income attributable to Komatsu Ltd.	159,518	154,009	137,426	113,381	196,410	256,491	153,844	106,237	224,927	326,398	393,426
Capital investment*1	179,070	192,724	160,051	142,006	145,668	179,210	166,552	163,174	147,762	161,563	179,999
Depreciation and amortization*1	85,837	100,666	111,174	103,219	132,442	129,860	129,525	130,432	133,256	146,478	153,728
Research and development expenses	64,479	70,715	70,736	70,507	73,625	73,447	74,761	73,840	77,478	90,628	103,441
Total assets	2,651,556	2,798,407	2,614,654	2,656,482	3,372,538	3,638,219	3,653,686	3,784,841	4,347,522	4,875,847	5,636,656
Shareholders' equity	1,376,391	1,528,966	1,517,414	1,576,674	1,664,540	1,815,582	1,771,606	1,912,297	2,232,511	2,539,641	3,033,569
Shareholders' equity ratio (%)	51.9	54.6	58.0	59.4	49.4	49.9	48.5	50.5	51.4	52.1	53.8
Net interest-bearing debt*2	513,918	481,817	349,081	286,512	663,740	779,890	762,705	666,856	630,710	763,787	796,192
Net debt-to-equity ratio (times)	0.37	0.32	0.23	0.18	0.40	0.43	0.43	0.35	0.28	0.30	0.26
Net cash provided by operating activities	319,424	343,654	319,634	256,126	148,394	202,548	295,181	354,129	300,970	206,474	434,778
Net cash used in investing activities	(167,439)	(181,793)	(148,642)	(133,299)	(377,745)	(187,204)	(190,930)	(163,057)	(143,569)	(169,518)	(204,419)
Net cash provided by (used in) financing activities	(155,349)	(143,983)	(173,079)	(107,718)	243,949	(3,660)	(3,457)	(199,667)	(93,868)	(66,613)	(122,037)
Cash and cash equivalents, end of year	90,872	105,905	106,259	119,901	144,397	148,479	247,616	241,803	315,360	289,975	403,178
Number of common shares issued (thousands of shares)	983,130	971,967	971,967	971,967	971,967	972,252	972,581	972,887	973,145	973,450	973,810
Net income attributable to Komatsu Ltd. per share (yen)	167.36	162.07	145.80	120.26	208.25	271.81	162.93	112.43	237.97	345.22	415.96
Cash dividends per share (yen)	58.0	58.0	58.0	58.0	84.0	110.0	94.0	55.0	96.0	139.0	167.0
Consolidated payout ratio (%)	34.7	35.8	39.8	48.2	40.3	40.5	57.7	48.9	40.3	40.3	40.1
ROA (%)	9.4	8.7	7.6	6.3	9.7	10.8	6.1	4.4	8.0	10.3	11.0
ROE (%)	12.4	10.6	9.0	7.3	12.1	14.7	8.6	5.8	10.9	13.7	14.1
Exchange rate for the U.S. dollar (yen)*3	100	110	121	109	111	111	109	106	112	135	144
Exchange rate for the euro (yen)*3	133	140	132	119	130	129	121	123	130	140	156
Exchange rate for the Australian dollar (yen)*3	—	—	—	—	—	—	—	—	83	93	95
Number of consolidated employees	47,208	47,417	47,017	47,204	59,632	61,908	62,823	61,564	62,774	64,343	65,738
Ratio of employees working outside Japan (%)	61.8	61.0	60.7	62.7	66.7	68.4	68.4	67.5	67.7	68.4	68.9
CO_2 emissions (kt)*4*5	458	412	342	384	459	519	404	382	461	464	342
Waste generated (kt)*4	101.4	83.2	62.4	83.5	113.1	117.8	95.6	74.2	92.7	104.0	72.6
Volume of water used (thousand m^3)*4	5,086	4,319	3,761	3,469	4,059	3,963	3,570	3,238	3,140	3,081	2,721

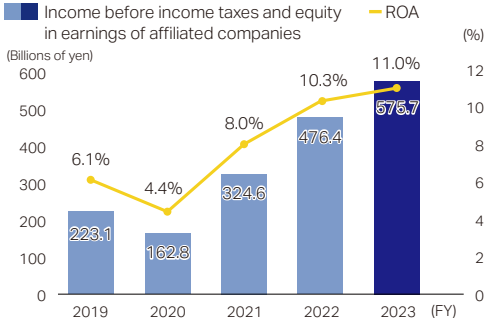
*1 Capital investment is for property, plant and equipment only. Depreciation is the total of depreciation on property, plant and equipment and intangible assets.
*2 Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents – Time deposits
*3 Average exchange rates for the fiscal year
*4 Certain data has been revised and restated
*5 Figures for Scope 1+2 (in-house direct and indirect emissions) are shown.

Financial and non-financial highlights

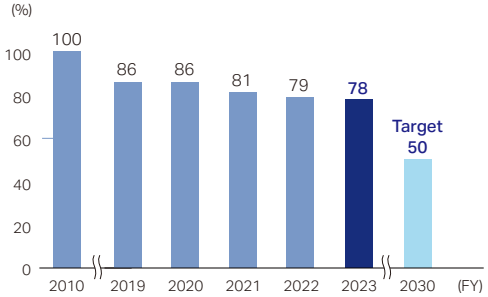
Net sales/Operating profit/ Operating profit ratio



Income before income taxes and equity in earnings of affiliated companies/ROA



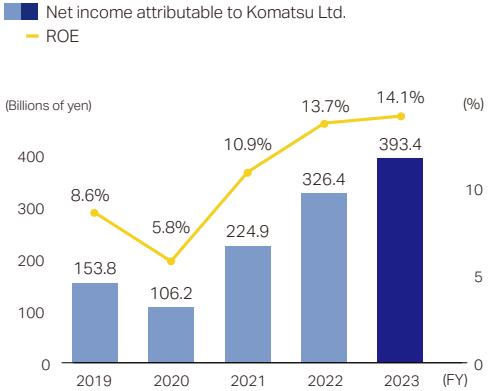
CO_2 emissions from product use



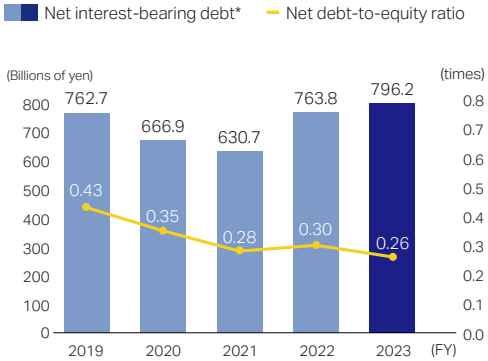
We set a management target of reducing the CO_2 emissions from product use (such as construction, mining and forestry equipment) by 50% in FY2030 from FY2010.

To evaluate progress toward this target, we estimated current year's CO_2 emissions on the assumption that the current product performance such as fuel consumption and operation efficiency was the same as in the reference year (FY2010). We have achieved a 22% reduction (compared with FY2010) in FY2023.

Net income attributable to Komatsu Ltd./ROE

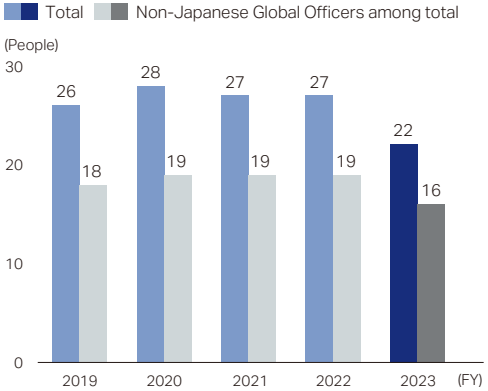


Net interest-bearing debt/ Net debt-to-equity ratio



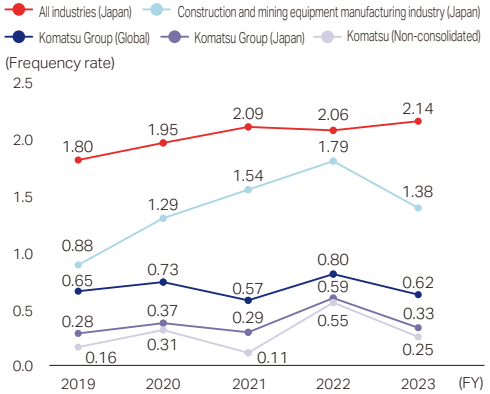
* Net interest-bearing debt = Interest-bearing debt – Cash and cash equivalents – Time deposits

Global Officers



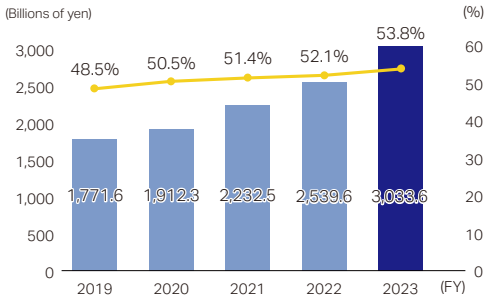
* Data as of March 31 of each fiscal year

Incidence rate of occupational accidents (frequency rate of lost work time)

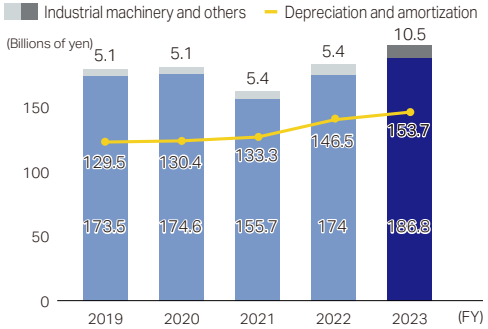


*1 The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) are provided by the Ministry of Health, Labour and Welfare.
*2 The scope of the Komatsu Group (Japan) includes Komatsu Ltd. and group companies in Japan.
*3 The scope of the Komatsu Group (Global) includes "Komatsu Group (Japan)" and overseas production plants.

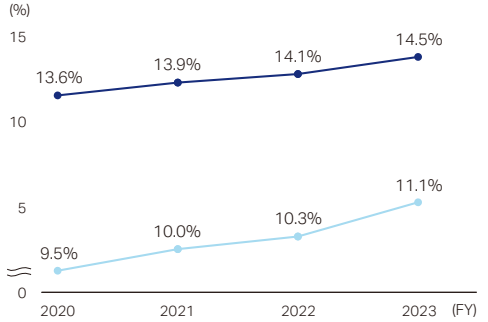
Shareholders' equity/ Shareholders' equity ratio



Capital investment, depreciation and amortization



Gender diversity (consolidated)



* Data as of March 31 of each fiscal year

External recognition

Komatsu has been selected for inclusion in the following SRI indexes and IR awards.

Web External recognition (ESG Databook)

CDP Climate Change A List
CDP Water Security A List

Dow Jones Sustainability Indices (DJSI) World

MSCI ESG Leaders Indexes*1

ISS-Oekom Prime

FTSE Blossom Japan Index*2

MSCI Japan ESG Select Leaders Index*1

MSCI Japan Empowering Women Index*1

S&P/JPX Carbon Efficient Index

EcoVadis Silver

DX Platinum Companies 2023–2025

SBT

Nadeshiko Brand

*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.

Company information (as of March 31, 2024)

Company name

Komatsu Ltd.

Head office

〒105-8316
Shiodome Building, 2-20, Kaigan 1-chome,
Minato-ku, Tokyo, Japan

Established

May 13, 1921

Common stock

Consolidated 70,336 million yen
(according to U.S. GAAP)

Number of employees

Consolidated: 65,738
Non-consolidated: 12,285
Average age: 41.2*
Average length of service: 16.7*
*Non-consolidated

Number of issued shares

973,810,620 (including treasury stock)

Number of shareholders

254,214

One unit of shares

100

Stock listings

Tokyo Stock Exchange Prime Market

Transfer agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

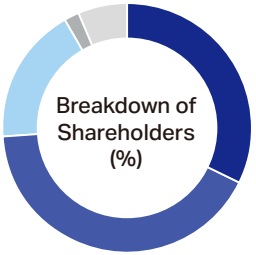
Depositaries (ADRs)
The Bank of New York Mellon
101 Barclay Street, New York, NY
10286, U.S.A.
Tel: +1-(201)-680-6825 for international calls and
888-269-2377
(888-BNY-ADRS) for calls within U.S.A.
URL: https://www.adrbnymellon.com/
Ticker Symbol: KMTUY

Major shareholders

Shareholder Name	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	159,743	16.87
Custody Bank of Japan, Ltd. (Trust Account)	65,208	6.89
JP Morgan Securities Japan Co.,Ltd.	28,305	2.99
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	26,310	2.78
STATE STREET BANK WEST CLIENT-TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	22,701	2.39
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	21,301	2.25
STATE STREET BANK AND TRUST COMPANY 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division.)	15,179	1.60
Taiyo Life Insurance Company	14,200	1.50
JP MORGAN CHASE BANK 385781 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division.)	12,565	1.32
JP MORGAN CHASE BANK 380055 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division.)	12,448	1.31

*1: Shareholding ratio is calculated by subtracting treasury stock.
*2: Although the Company holds 27,411 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Stock information (including treasury stock)



Financial	32.2%	314,047,453 shares	186 shareholders
Foreign	41.7%	406,567,917 shares	1,355 shareholders
Individual and other	17.8%	174,182,585 shares	250,772 shareholders
Corporate	2.0%	19,532,195 shares	1,813 shareholders
Securities	6.1%	59,480,470 shares	88 shareholders

* The figures of shareholding ratio have been rounded down to the first decimal place.

Web Stock, rating information

Komatsu
Shiodome Building, 1-2-20, Kaigan, Minato-ku, Tokyo 105-8316, Japan
https://www.komatsu.jp/en
Corporate Communications Department Sustainability Promotion Division
E-mail：JP00MB_info@global.komatsu