KOMATSU



KOMATSU REPORT 2020

Contents

Komatsu's Business Model

01 Management Principle
02 History of Business Reforms in Response to Changes in the Operation Environment
04 Overview of Business
06 Special Feature 1: Business Model Characteristics
–Ever-Evolving DANTOTSU Initiatives
–Reman and Rebuild Operations
–Flexible Global Production and Procurement Systems
11 Business Segments

Komatsu's Growth Strategies

12 Message from the President
16 Message from CFO
22 Special Feature 2: Value Creation Story
–SMARTCONSTRUCTION
–Forestry Machinery Business
28 Mid-Term Management Plan (FY2019–FY2021)
DANTOTSU Value
FORWARD Together for Sustainable Growth

Resolution of ESG Issues through Growth Strategies

32 Komatsu's CSR Themes and Mid-Term Management Plan KPIs
34 Enhancing Quality of Life
–Initiatives Based on TCFD Framework
40 Developing People
42 Growing with Society
–Social Contribution Activities
44 Corporate Governance

Corporate Profile

54 Directors and Audit & Supervisory Boad Members
58 11-Year Summary
60 Non-Financial Highlights
61 External Evaluations and Index Inclusion
62 Corporate Information
63 About KOMATSU REPORT



Cautionary Notice regarding Forward-Looking Statements

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

Reporting Period: April 1, 2019–March 31, 2020

- This report also includes information on activities after the reporting period in order to provide readers with the latest information.
- "FY2019" refers to the period from April 1, 2019 to March 31, 2020, unless otherwise noted.

Editorial Policy

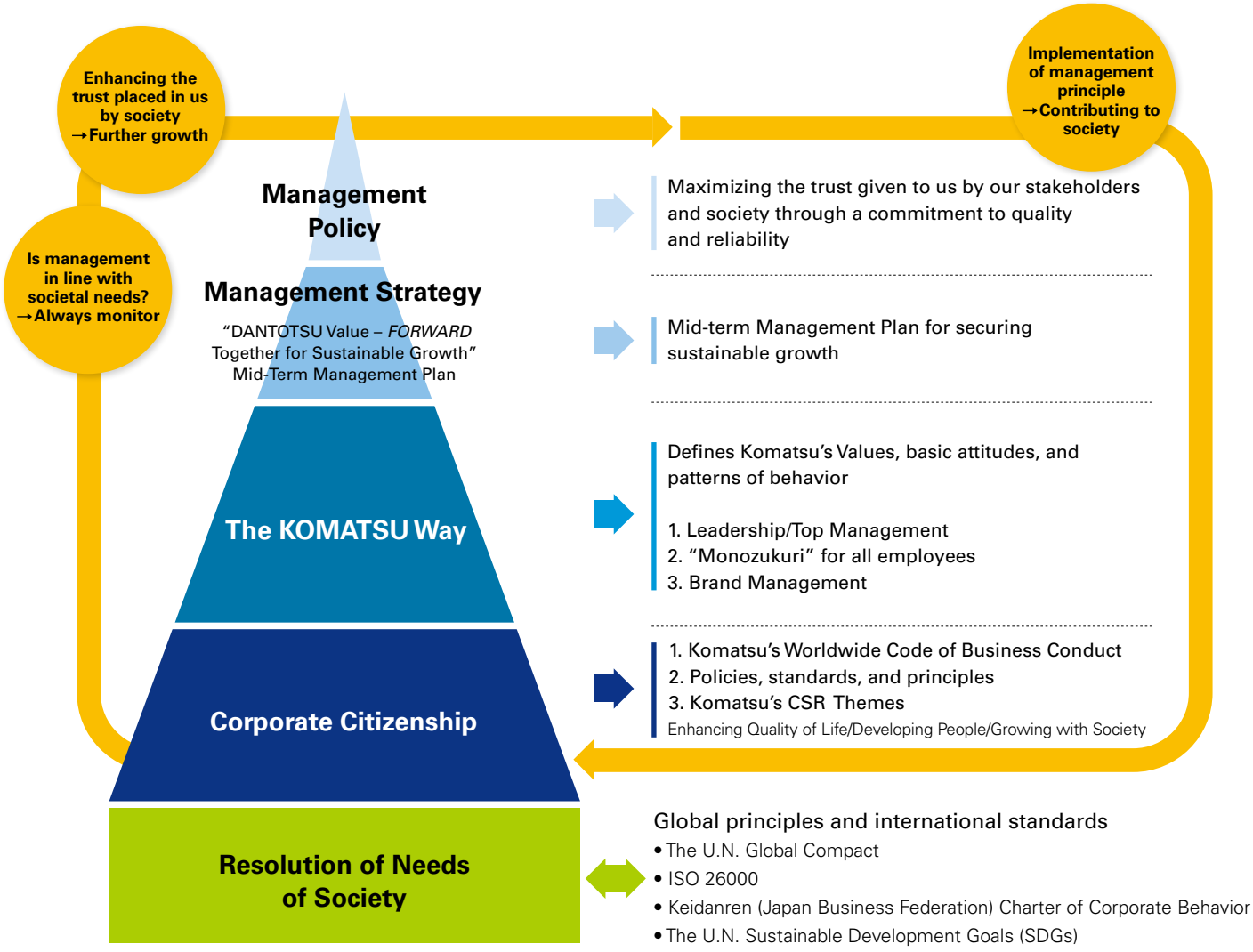
KOMATSU REPORT 2020 was published for the purpose of providing clear explanations for all stakeholders on Komatsu's medium- to long-term business strategies and the virtuous cycle generated as the Company resolves environmental, social, and governance (ESG) issues through its business. In preparation of this report, we referenced the International Integrated Reporting Framework released by the International Integrated Reporting Council and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry.

Guidance for Collaborative Value Creation

Komatsu's Business Model

Management Principle

The cornerstone of Komatsu's management principle is to commit ourselves to quality and reliability and maximize the total sum of trust given to us by all stakeholders and society, which it defines as corporate value. Maximizing trust requires corporate activities that are founded on social responsibility along with efforts to strengthen corporate governance and enhance manufacturing competitiveness. With the addition of Komatsu Brand Management into this principle, we are promoting awareness reforms that inspire all Komatsu Group employees to adopt the perspective of the customer from their standpoint in the Company as we move forward with human resource development to become a stronger company.

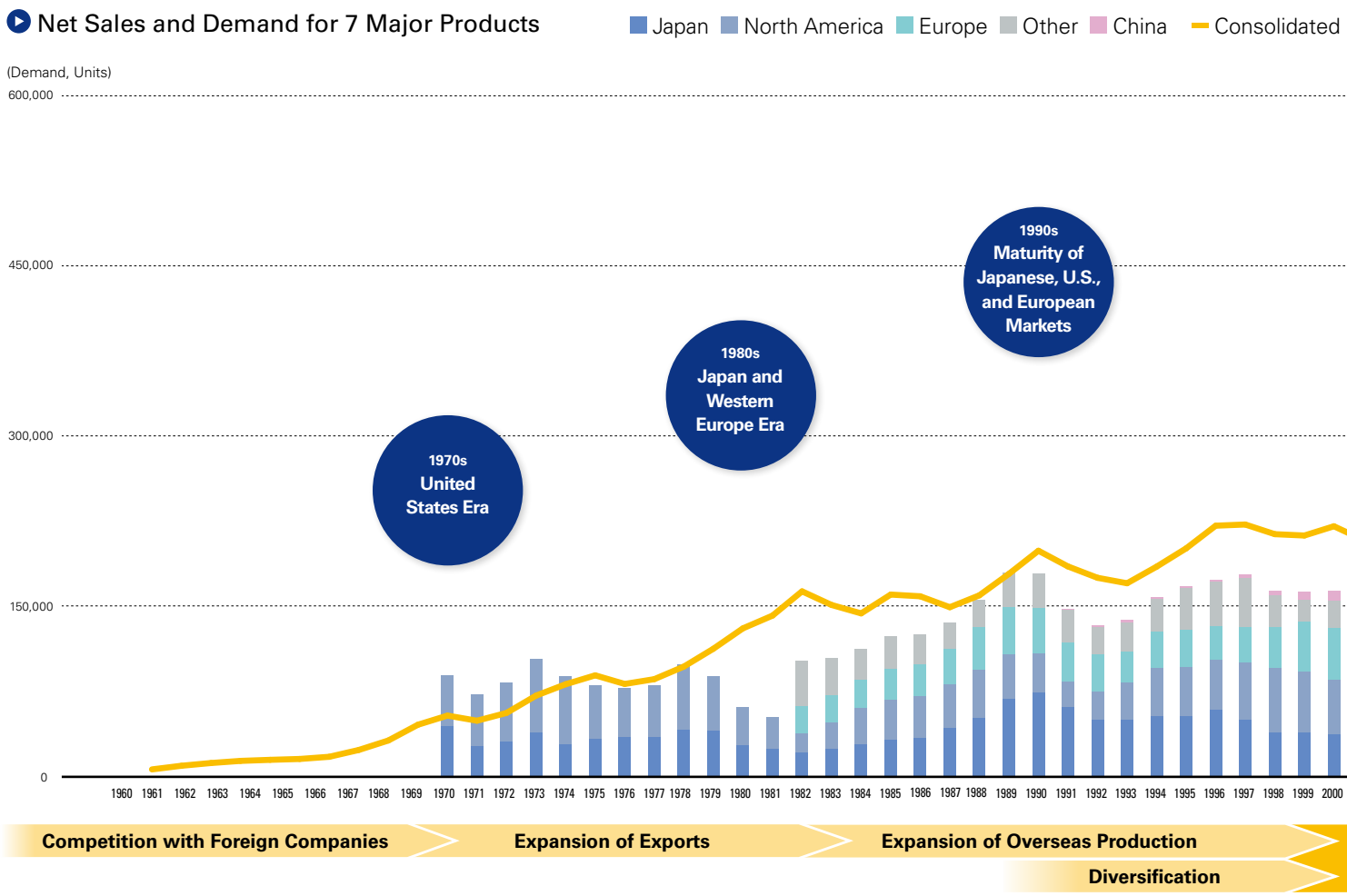




Komatsu's Business Model

History of Business Reforms in Response to Changes in the Operation

Net Sales and Demand for 7 Major Products



Competition with Foreign Companies → **Expansion of Exports** → **Expansion of Overseas Production** → **Diversification**

Chapter 1 1960s

Era of Competition with Foreign Companies in the Domestic Market

Prioritization of Quality, Exhaustive Product Research on Rival Bulldozers

Trade deregulation prompted world-leading manufacturers of construction equipment, Caterpillar Tractor Co. to enter into the Japanese market. Komatsu thus found itself faced with a pressing need to improve the quality of its products. The Company therefore commenced quality control measures and launched a Companywide quality control program. We also kicked off an exhaustive product research campaign targeting the bulldozers of our rivals. These efforts culminated in the September 1963 launch of the Model D50A-11 Super Bulldozer. At this time, we also doubled our warranty period, effectively cutting complaints to one-third.



Bulldozer D50A-11

Chapter 2 1970s

Era of Growing Exports

Improvement of Durability and Reliability, Establishment of Sales Systems in European and U.S. Markets

As it began a full-fledged expansion into global markets, it became necessary for Komatsu to bring the performance and functionality of its large-sized bulldozers, a mainstay product at the time, up to world-leading levels. To this end, we rolled out campaigns to earn greater levels of reliability based on performance data from the markets we served. These campaigns were advanced side-by-side with efforts to improve systems in areas spanning from development to sales and services. The result was improved reliability in the European and U.S. markets for major products and the reinforcement of the foundations of our export platforms.



Hydraulic Power Excavator 15H-1

Chapter 3 1980s–1990s

Expansion of Overseas Production and Diversification

3G Management Strategy

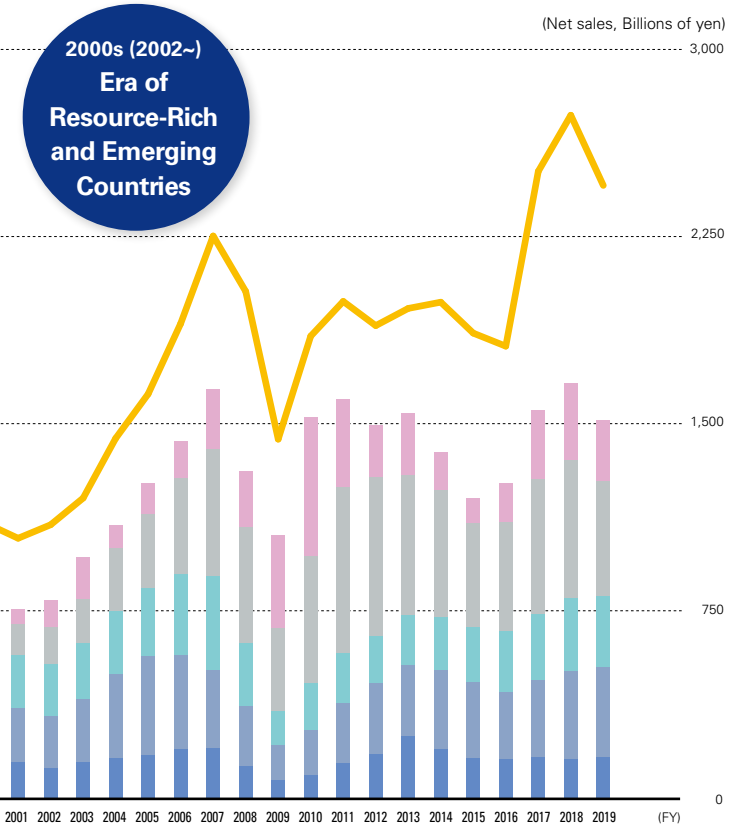
In the 1980s, Komatsu accelerated local production in overseas markets in conjunction with the growth of demand in these markets. However, from the 1990s, demand grew stagnant in the Japanese, European, and U.S. markets as these markets matured in the latter half of the decade. In preparation for the inevitable intensification of global competitiveness, Komatsu enacted its 3G (Global, Growth, Groupwide) management strategy in which it sought to become a global group with a solid manufacturing base that was resilient to fluctuations in construction equipment demand. This strategy led us to diversify our business by expanding operations in electronics and other non-construction equipment businesses.



Silicon wafers produced by Komatsu Electronic Metals Co., Ltd.

Environment

net sales (right scale)



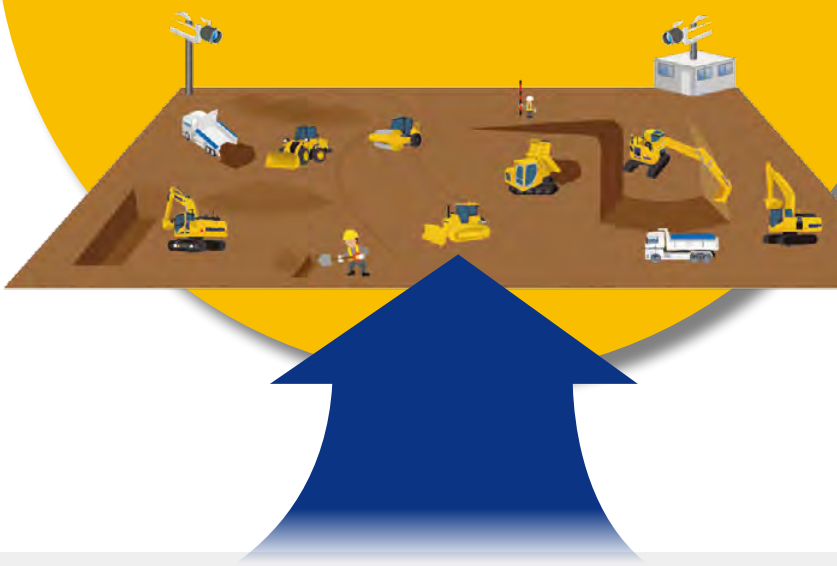
Selective Focus and Global Consolidated Management
(DANTOTSU Product → DANTOTSU Service → DANTOTSU Solution)

Chapter 7 2019~

DANTOTSU Value

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

Digital Transformation of Entire Construction Workplaces



Chapter 4 2001~

1st Structural Reforms

Selective Focus and Introduction of DANTOTSU Products

Komatsu enacted its 1st structural reforms in response to the stagnant construction equipment demand in the maturing Japanese, European, and U.S. markets, the struggling performance of its electronics business, and its first operating loss (in FY2001), which was incurred as a result of the Company's high-cost, low-profit model that was oriented toward growth. These reforms were enacted based on the policies of separation of costs from growth, enhancing strengths and improving weaknesses. Guided by these policies, we pursued fixed cost reductions, the strengthening of our position in Asia, and the development of DANTOTSU Products.

Chapter 5 2007~

2nd Structural Reforms

Promotion of Global Cross-Sourcing

Through these reforms, we promoted global cross-sourcing to reform our value chain through the optimization of the production, sales, and inventory areas of the supply chain. We were thereby able to respond to fluctuations in demand and foreign exchange rate fluctuations while minimizing investment. Furthermore, KOMTRAX (Komatsu Machine Tracking System), which had become standard equipment at the beginning of the 2000s, was utilized to propose methods of supporting fuel-efficiency operation and reducing maintenance costs as we accelerated the bolstering of services powered by information and communication technologies (ICT).

Chapter 6 2013~

Innovation and Reinforcement of Mining Equipment Business

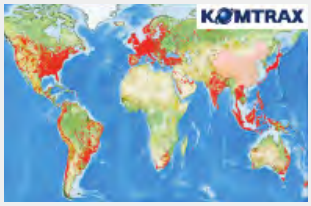
Introduction of DANTOTSU Solutions

In its mining equipment business, Komatsu's Autonomous Haulage System (AHS) has received high praise for its safety and productivity, and more than 100 AHS units have come to be in operation as mining businesses have grown. Also, we acquired Joy Global Inc. (currently, Komatsu Mining Corp.) in 2017, thereby strengthening our operations in the area of super-large surface and underground mining equipment, an area in which Komatsu previously lacked offerings.

In the construction equipment business, meanwhile, we were pursuing growth through innovation via such means as introducing the SMARTCONSTRUCTION ICT workplace solution as a DANTOTSU Solution.



Announcement ceremony for MR-2 Series, the first DANTOTSU Product



KOMTRAX (Komatsu Machine Tracking System)



Komatsu Mining Corp. rope shovel and Komatsu super-large dump truck

Komatsu's Business Model

Overview of Business

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

Major Inputs

Production / Logistics

Komatsu production bases: **85***
Parts distribution bases: **45***
* As of April 1, 2020
Capital investment
¥**86.5** billion

Intellectual Properties

Development bases:
Nine mother plants and
Asia Development Center
R&D expenses: ¥**74.7** billion
(**3.1**% of net sales)
Utilization of information:
Equipment with KOMTRAX:
Approx. **600,000** units

Human Resources

Number of consolidated employees:
62,823

Partners

Machine population over past 10 years:
Approx. **580,000** units*
* Estimate of construction equipment operational at customer workplaces based on aggregate 10-year sales volumes
Sales and service distributors:
210 distributors in **148** countries
(construction, mining and utility equipment business)
Suppliers: Approx. **2,700**
Shareholders: **230,041**

Environment

Energy use: **8.1** PJ
Including renewable energy use: **259** TJ
Note: 1 PJ (petajoule) = 10^{15} J (joules);
1 TJ (terajoule) = 10^{12} J
Water use: **3.6** million m³
Steel (iron) use: **846,000** tons

Finance

Consolidated net sales: ¥**2,444.8** billion
Operating income: ¥**250.7** billion
Free cash flow: ¥**104.2** billion
Total assets: ¥**3,653.6** billion

Note: Amounts are either for FY2019 or as of March 31, 2020 , unless otherwise noted.

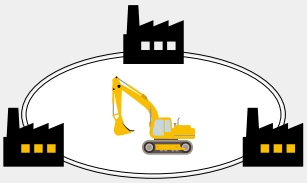
Business Activities and Strengths (Construction and mining equipment operations)

Research and Development



- **In-house development and production of key components** underpinning product performance (engines, hydraulic components, power trains, etc.)
- Accelerated technological innovation achieved by merging core Komatsu technologies with external insight (**Open innovation**)
- **Digital transformation** ▶P.22
- Product development systems **tailored to global market needs**

Procurement and Production



- **Collaboration with suppliers (Midori-kai)** enabling the following: ▶P.43
  1. "Monozukuri" (improvement of product quality, reliability, and competitiveness)
  2. 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 ▶P.10
- **Mother plants** structure enabling: Improvement of QCD (Quality, Cost, Delivery)
- **Skill transfer** and TQM (Total Quality Management)

Climate change impacts—Total CO_2 emissions: 22,529,000 tons

Initiatives for Resolving ESG Issues

Enhancing Quality of Life
—Providing Products Required by Society—

Developing People

Growing with Society

Responsible Corporate Behavior

Operations at Customer Workplaces



Products

- **DANTOTSU Product**
  Unrivaled products in terms of environment, safety, ICT capacities, and productivity ▶P.6
- **Full lineup** of construction and mining equipment
- Product creation focused on **quality and reliability**

Services

- Enhancement of maintenance **contract services** ▶P.7
- Improvement of QCD (Quality, Cost, Delivery) achieved through close alignment of sales forecasts and production of spare parts

Construction equipment

- Utilization of information acquired through **KOMTRAX** ▶P.7

Mining equipment

- Utilization of information acquired through **KOMTRAX Plus**
- Detailed support from directly owned distributors

Solutions

Construction equipment

- **SMARTCONSTRUCTION** ▶P.24

Mining equipment

- **Autonomous Haulage System** ▶P.8

• Global distributor network • Cultivation of distributor personnel • Brand management

Product Cycles



- Global supply of high-quality used equipment, etc.
- Remanufacturing and rebuilding* ▶P.9

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

CO_2 emissions from product use: 19,236,000 tons (85.4% of total)

▶P.32-P.53

The KOMATSU Way ▶P.41

Targets for FY2021

Accomplishment of targets of **Mid-Term Management Plan**

"DANTOTSU Value – *FORWARD* Together for Sustainable Growth"

▶P.28-P.31

Building foundations for 100th anniversary and beyond

Special Feature 1: Business Model Characteristics

01 Enhancement and Acceleration of Initiatives Pertaining to Three DANTOTSUs

Ever-Evolving DANTOTSU Initiatives

Realization of DANTOTSU Value

DANTOTSU has been a keyword in Komatsu's business strategies throughout the 2000s.

In Japanese, this word expresses a level of excellence that is a cut above that of rivals, and this word rings with the same degree of strength found in Komatsu's mainstay construction equipment.

At Komatsu, we are accelerating initiatives pertaining to DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution while enhancing and evolving these initiatives to realize DANTOTSU Value (a positive cycle of resolving ESG issues and improving earnings through the creation of value for customers).

DANTOTSU Product

Pursuit of New Heights of Quality and Value

Komatsu refers to products with features in safety, environmental friendliness, ICT, and productivity to which no competitors can catch up with in the next several years as DANTOTSU products.

By taking the technological advantage of in-house development and production of key components and through seamless coordination between development, production, and suppliers in product development, we have been able to introduce the world to numerous industry-leading products. Today, we are developing automation, autonomous, electric, and remote-control technologies to create next-generation DANTOTSU products that contribute to the realization of the safe, highly productive, smart and clean workplaces of the future.

Case Examples

Hybrid Hydraulic Excavators

Environment



(2008)

Komatsu launched the first hybrid hydraulic excavator for market sale in 2008. By equipping these excavators with proprietarily developed systems, we have succeeded in achieving reductions in CO_2 emissions and fuel consumption of more than 20%. In 2016, we began expanding our lineup of 30-ton class models to complement the existing 20-ton class models. To date, an aggregate of approximately 5,000 Komatsu hybrid hydraulic excavators have been sold in 40 countries worldwide.

ICT-Intensive Models

ICT

(2013)

The world was introduced to Komatsu's first ICT-intensive model, an ICT-intensive bulldozer, in 2013. This was the first piece of equipment in the world to feature automated blade control for processes ranging from rough dozing to finish grading. Meanwhile, our first ICT-intensive hydraulic excavator was launched in 2014. The bucket teeth of this excavator are automatically maneuvered along the target surface to enable the operator to continue excavating without worrying about overcutting.



Electric Mini Excavators

Environment



(2020)

Rentals of electric mini excavators were commenced in April 2020. These excavators feature excavating capacity equivalent to that of engine-powered excavators coupled with zero emissions and greatly reduced noise pollution. Anticipated to be used for indoor and nighttime construction, we will work to popularize and expand use of these excavators, which are friendly both toward the environment and people.

Human Detection & Collision Mitigation System

Safety

(2019)

Our proprietary KomVision Human Detection & Collision Mitigation System was introduced into the Japanese market in December 2019 as a standard feature on hydraulic excavators, an industry first.



When the system detects a person while driving or turning, it will stop the equipment to contribute to reduced accidents from collisions with people.

DANTOTSU Service

Visualization of Operating Status and Reduction of Lifecycle Costs

Komatsu develops a value chain business in which it pursues reduction of lifecycle costs by means of the visualization of machine operations and multifaceted customer support that begin when new equipment is delivered and continue through to machine maintenance, parts supply, overhauls, and finally trade-ins of used equipment.

Case Examples

ICT-Powered Lifecycle Support

Business Model Encompassing Everything from New Equipment Sales to Trade-Ins of Used Equipment

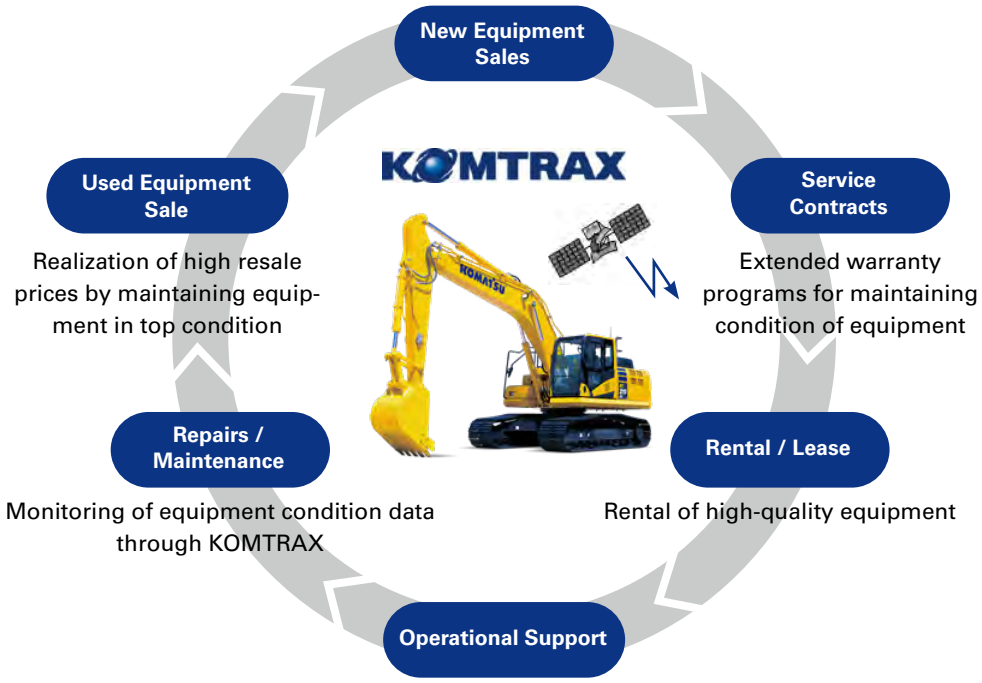
Komatsu installs the KOMTRAX (Komatsu Machine Tracking System) remote management system on its products as a standard feature. This system tracks information on equipment condition and operating status along with other metrics. By using this information to propose measures for supporting fuel-efficient operation and reducing maintenance costs, we are able to help customers increase the operating ratios and lower the maintenance costs of their equipment.

In addition, we are enhancing the extended warranty programs we offer on a global basis. Through these programs, we aim to raise the rate of equipment for which we continue to provide services and offer ongoing support to customers by encouraging them to use genuine parts to keep their equipment in top condition and offering trade-ins that realize high resale prices when they no longer need a piece of equipment.

Moreover, we are planning the launch of a next-generation KOMTRAX system. This system will make greater contributions to improvements in customer productivity by enabling them to acquire the data they desire via smartphone applications.

Comprehensive Lifecycle Support Leveraging Komatsu Group's Collective Strength to Enhance Customer Relationships

Start of value chain business
First-step in process of building long-term relationships



DANTOTSU Solution

Workplace Solutions Provided Using ICT

Komatsu utilizes cutting-edge ICT to facilitate the visualization of construction by compiling data on all people, equipment, and materials at workplaces. We thereby aim to help improve the safety of customer workplaces, shorten construction periods, minimize costs, and otherwise optimize construction. This is the DANTOTSU Solution Komatsu aspires to deliver.

By promoting digital transformations in construction, we aim to create the safe, highly productive, smart and clean workplaces of the future together with customers.

Case Examples

World-First Autonomous Haulage System Launched in 2008

Safe, Efficient, and Coordinated Operation Achieved through Fleet Management System

In FY2019, we worked toward our goal of deploying 41 units of our latest model of super-large dump trucks, which can be retrofitted with the Autonomous Haulage System (AHS) to be operated autonomously, in the Pilbara region of Western Australia. At Northern Brazil's Carajás iron ore mine, which is one of the largest in the world, in addition to taking steps to deploy 37 of the super-large dump trucks and introduce AHS, we opened Komatsu's first "AHS Training Center" in the vicinity of the Carajás mine and promoted activities to provide training over a wide area of northern Brazil in relation to AHS operations and maintenance. Since its commercial launch in 2008, a total of 221 AHS-equipped vehicles have been deployed in Australia, North America, and South America (as of March 31, 2020).



Acquisition of Mine Operator Training Company

Contributions to Safe and Productive Mine Operations

In July 2019, the Company acquired Immersive Corporation Pty Ltd, a mine operator training company.

Immersive develops, manufactures, and sells mining equipment simulators for training machine operators for surface and underground mines. Immersive also offers educational programs using simulators and provides training solutions by proposing improvements.

The inclusion of Immersive's solutions into our lineup has made us even better poised to contribute to the improvement of safety and productivity and the optimization of operations at customer mines.





02 Reman and Rebuild Operations

Global Component Recycling

Reuse and Recycling Business Made Possible by In-House Development and Production of Key Components

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

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

Reman operations are a strength of Komatsu made possible by in-house development and production of key components.

Rebuild operations involve replacing perishable parts inside components with new parts whereas Reman operations involve recycling and reusing perishable parts to contribute to greater resource conservation and waste reduction amounts.

Case Examples

Two Global Bases

To provide customers worldwide with Reman components, Komatsu has established two global bases, one in Indonesia and one in Chile. The base in Indonesia handles engine, transmission, and hydraulic cylinders for large-sized construction equipment while the base in Chile is responsible for components for electric dump trucks. Components that have been collected from around the world and restored are then stocked at the global bases to be shipped to locations across the globe as necessitated by demand. In addition, Komatsu has 13 regional Reman and rebuild bases around the world.



Sharing of Reman Techniques through Network to Facilitate Quality Improvements and Development

Our Reman bases are linked through a network that allows for information on the necessary Reman techniques to be shared on a global basis. In addition, the restoration history of Reman components is managed via IC tags and 2D-barcode to track information on component durability and allow for important information for developing components with optimal lifespans to be fed back into the development process.





Special Feature 1: Business Model Characteristics

03 Flexible Global Production and Procurement Systems

That Are Resilient to Demand and Foreign Exchange Fluctuations and Responsive to Wide-Ranging Market Changes through Global Cross-Sourcing

Characteristic 1: Global Cross-Sourcing

Komatsu has positioned assembly factories in the major markets it supplies and produces the same models at multiple factories. This system enables the Company to practice cross-sourcing while manufacturing products in the optimal locations with consideration for demand and foreign exchange fluctuations as well as the need to evenly distribute production load. Komatsu also has global cross-sourcing systems in place for part procurement. In this manner, we have made it possible to maintain supply chains no matter how markets may change.

Mid-Sized Hydraulic Excavator Cross-Sourcing

Produced in nine countries
Japan, United States, United Kingdom, Brazil, China, Thailand, Indonesia, Russia, India



Benefits

1. Responsiveness to foreign exchange fluctuations
2. Responsiveness to production fluctuations
3. Reduced costs
4. Effective utilization of production capacity
5. Minimized investment

Necessary Conditions

1. Base equipment standardization
2. Production management system standardization
3. Production and design bill of materials standardization
4. Manufacturing process and quality requirement standardization



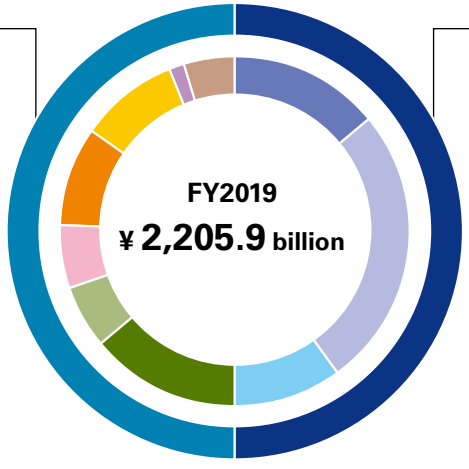
Characteristic 2: Balanced Development of Global Operations

Komatsu establishes worldwide sales and services systems and utilizes the strength of its flexible production and procurement systems to develop its global operations while maintaining close ties with customers and local communities.

FY2019 Construction, Mining and Utility Equipment Business Sales (to Outside Customers) by Region

Strategic Markets 50%

Latin America	¥309.2 billion
CIS	¥127.4 billion
China	¥127.0 billion
Asia	¥205.7 billion
Oceania	¥203.3 billion
Middle East	¥30.6 billion
Africa	¥98.2 billion



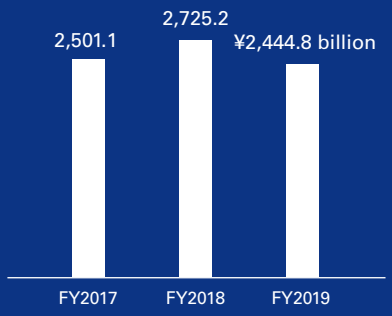
Traditional Markets 50%

Japan	¥310.8 billion
North America	¥573.5 billion
Europe	¥219.7 billion

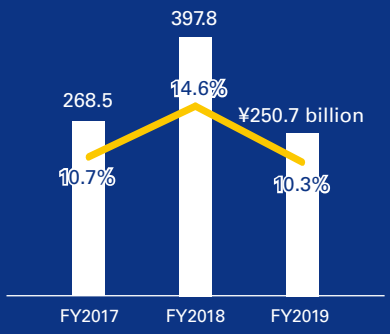
Komatsu's Business Model

Business Segments

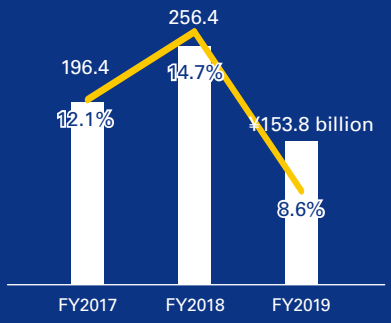
Consolidated Net Sales

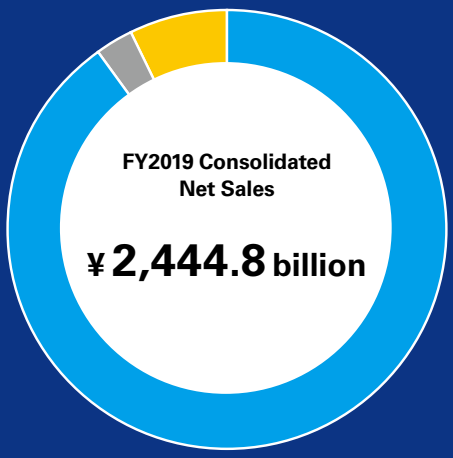


Operating Income / Operating Income Ratio



Net Income Attributable to Komatsu Ltd. / Return on Equity





Construction, Mining, and Utility Equipment Business

¥2,205.9 billion

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



Dump truck

Retail Finance

¥62.9 billion

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

Industrial Machinery and Others

¥175.9 billion

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



Large press

Message from the President

At Komatsu, we aim to reach new, unrivaled heights of excellence in our products, services, and solutions and generate DANTOTSU Value, by which we refer to a positive cycle of resolving ESG issues and improving earnings through the creation of value for customers. This is the approach we will take toward pursuing sustainable growth with an eye to the 100th anniversary of our founding in 2021 and beyond.



Hiroyuki Ogawa
President and Chief Executive Officer

I would first like to take this opportunity to extend our sincere condolences and prayers to anyone who has lost loved ones to COVID-19 or has fallen victim to this virus. I also want to express our appreciation to all of the healthcare professionals and others who are working diligently to stop the spread of this virus.

Komatsu Group is combating the global COVID-19 pandemic based on the government policies of the relevant countries, with the health and safety of our customers, business partners, community members, employees, and their families as our top priority. Recognizing we are positioned as an essential business that supports social infrastructure, and the obligation this represents to customers that are continuing their operations, we are committed to ensuring an ongoing supply of products, parts, services, and solutions while taking precautions against the spread of COVID-19.

Pursuit of DANTOTSU Value

Under DANTOTSU Value – *FORWARD* Together for Sustainable Growth, the three-year mid-term management plan covering the period from FY2019 to FY2021, we are moving forward with initiatives based on the three pillars of our growth strategies: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth.

Our greatest focus is to achieve DANTOTSU Value, which is the slogan of this plan. DANTOTSU Value entails the evolution of our prior DANTOTSU Product (advancement of products), DANTOTSU Service (advancement of machine operations), and DANTOTSU Solution (advancement of construction) initiatives. Through these efforts, we aim to generate a positive cycle of resolving environmental, social, and governance (ESG) issues and improving earnings through the creation of value for customers. We thereby look to build the safe, highly productive, smart, and clean workplaces of the future together with customers.

Steady Progress in Priority Initiatives Pertaining to Three Pillars of Growth Strategies

We faced an opaque economic outlook in FY2019, the first year of the mid-term management plan, due to factors such as the trade friction between the United States and China and the United Kingdom's decision to withdraw from the European Union. Amid this uncertainty, the global COVID-19 pandemic that struck in the fourth quarter of the fiscal year drove down demand in China, North America, Europe, and Asia, resulting in declines in sales and income and making for disappointing performance for the first year of the plan.

In this environment, we made steady progress in advancing key initiatives based on the three pillars of growth strategies aimed at realizing DANTOTSU Value.

Looking first at value creation by means of innovation, we made substantial progress in developing SMARTCONSTRUCTION operations. At CONEXPO-CON/AGG 2020, a tradeshow held in Las Vegas

in March 2020, we announced our "SMARTCONSTRUCTION Digital Transformation." (Please see page 22) This solution comprises four new IoT devices and eight new applications that allow for digitization of entire construction and production processes ("horizontal digitization"). Through this "horizontal digitization," which connects all construction processes digitally, this solution allows for worksite operations to be optimized by synchronizing the real worksite with its digital twin, thereby realizing drastic improvement in the safety, productivity, and environmental performance of the entire worksite. We have also announced our plans to introduce the "SMARTCONSTRUCTION Digital Transformation" solution into the markets of the United States, the United Kingdom, Germany, France, and Denmark. In this manner, SMARTCONSTRUCTION, which has previously built its track record primarily in the Japanese market, is finally prepared for its global launch. With its ability to contribute to improved safety and productivity across construction and production processes spanning from measurement to inspection, SMARTCONSTRUCTION is a business model not found anywhere else. We therefore see substantial potential for SMARTCONSTRUCTION to be used as a tool for fostering relationships with customers. Furthermore, we introduced the SMARTCONSTRUCTION Retrofit Kit to the Japanese market in April 2020. This offering can be installed on conventional construction equipment to endow such equipment with the same ICT functions as ICT-intensive equipment, such as 3D machine guidance and payload functions. More than 98% of the equipment operating at construction worksites in Japan is conventional equipment without ICT functions. Accordingly, the SMARTCONSTRUCTION Retrofit Kit has the potential to quickly spread digital transformations throughout Japan's construction industry by installing digital functions into such conventional equipment.

Next, I would like to discuss our initiatives pertaining to growth strategies based on business reforms. In April 2017, we acquired Joy Global Inc. (currently, Komatsu Mining Corp.). We have since been carrying out initiatives to create synergies between Komatsu and Komatsu Mining Corp. (KMC) by utilizing the management resources of both companies. A great deal of success has been generated through this approach. With a history in the mining equipment business spanning more than a century, KMC is a global manufacturer, seller, and service provider dealing in super-large surface and underground mining equipment, an area in which Komatsu previously lacked offerings. We had originally put forth the target of achieving synergies that accounted for more than 10% of KMC's net sales. In FY2019, the third year since the acquisition of KMC, synergies produced benefits equivalent to ¥9.0 billion when including gross profit gains and cost reduction benefits. We have therefore judged that the efforts to integrate KMC into the Group are going smoothly.

We will also expand applications of our equipment by introducing the next-generation KOMTRAX construction equipment operation management system, engage in preventive maintenance by applying Internet of Things (IoT) and artificial intelligence (AI) prediction technologies, and introduce serial number-based management. These initiatives will enable us to provide lifecycle support (lifetime warranties) for our customers' machines, ranging from new machines to their disposal, and increase our after-sales service businesses that are resilient to fluctuations in demand.

Elsewhere, our remanufacturing operations for engines, axles, cylinders, and other components, are a business which we can pursue because of our ability to develop and produce key components in-house, a strength of Komatsu. These operations also constitute a

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

Three Management Strategies		Examples of Activities
1. Value Creation by Means of Innovation	FY2019 achievements	• Expanded deployments of SMARTCONSTRUCTION (cumulative number of sites in Japan now exceeds 10,000) • Announced the provision of "SMARTCONSTRUCTION Digital Transformation," starting from April 2020 • Announced the deployment of retrofit kits for hydraulic excavators to enable 3D construction, starting from April 2020 • Achieved a total of 221 dump truck units operating under the Autonomous Haulage System (AHS) • Acquired Immersive Corporation Pty Ltd, an operator training company for mining customers • Exhibited a battery-powered mini excavator at bauma 2019, and rolled it out as a rental machine for the Japanese market
	Challenges for the Next Term and Onward	• Expand SMARTCONSTRUCTION overseas • Develop a new platform for mining • Development of technology for automation, autonomous operation, electrification and remote control
2. Growth Strategies Based on Business Reforms	FY2019 achievements	• Consolidation of facilities with Komatsu Mining Corp. ("KMC") • Launched aggregate/cement models • Made model changes for hydraulic excavator for strategic regions • Introduced the KomVision Human Detection & Collision Mitigation System as a standard fitment to hydraulic excavators in the Japanese market
	Challenges for the Next Term and Onward	• Improve the market position of the hard rock mining business • Launch next-generation KOMTRAX • Continue to promote value-chain reforms aimed at realizing full lifecycle support • Reforms of the industrial machinery business (Expansion of synergy with the construction equipment business and growth by capitalizing on core technologies)
3. Structural Reforms for Growth	FY2019 achievements	• Steadily implemented cost improvement activities • Won the Prime Minister's Prize at the Monodzukuri Nippon Grand Awards for KOM-MICS realizing "connected plants" • Began construction on the new KMC Milwaukee plant and the new Komatsu Forest AB plant in Umeå, Sweden
	Challenges for the Next Term and Onward	• Promote work reforms using ICT and IoT • Promote continuous cost improvement activities • Develop human resources with global perspective and promote diversity

Message from the President

cyclical business that helps reduce waste and recycle and reuse components amid rising global environmental awareness. We therefore look to proactively strengthen our systems in this business.

Moving on to structural reforms for growth, a major initiative underway on this front is the promotion of KOM-MICS (KOMatsu Manufacturing Innovation Cloud System)—a proprietarily developed production platform. KOM-MICS makes it possible to realize improvements in manufacturing sites using IoT technologies. These improvements are achieved through equipment operating status tracking and optimization made possible by collecting and analyzing data from machine tools and robots. The use of KOM-MICS allows for efficient production control to be realized on a global scale by linking Komatsu factories with the factories of business partners, making it possible to understand the operating status of various factory equipment at a glance.

KOM-MICS won the Prime Minister's Prize in the manufacturing and production process categories of the Eighth Monodzukuri Nippon Grand Awards. This honor was a reflection of the system's contributions to the improvement and innovation of production processes at the Company's production sites as well as at business partners.

Issues Arising from the COVID-19 Pandemic

The global COVID-19 pandemic is impacting Komatsu in a variety of ways. Of these impacts, I have particularly noticed the way in which the pandemic has changed our customer worksites, workstyles, and how we engage with stakeholders.

With regard to customer worksites, there is a need to take steps to avoid crowded and confined spaces and close interactions. In terms of equipment, we can therefore expect rising demand for remote, automated, and unmanned operation. On the nontangible side of operations, it is likely that the use of construction digitization and digital twin methodologies will accelerate at customer workplaces. To swiftly respond to these needs, Komatsu will accelerate delivery of the "SMARTCONSTRUCTION Digital Transformation" and automation solutions in the construction equipment field, and provide solutions such as new platforms, the Autonomous Haulage System, and remote operation in the mining equipment field.

Moving on to workstyles, we had more than 90% of headquarters employees and over 50% of employees at indirect factory divisions telecommute during the period of Japan's state of emergency declaration. Going forward, we will plan to introduce a full-fledged telecommuting system to streamline and revise work processes with the aim of realizing highly productive workstyles to facilitate operations during and after the global COVID-19 pandemic. In addition, we recognize that the change in the nature of meetings, which include embracing both web conferences and face-to-face meetings, represent opportunities for Komatsu. We will capitalize on such opportunities to realize further improvements in operation efficiency. We are also considering the distribution of wearable devices to employees for use in the management of their health.

Engagement with stakeholders is important to us. However, the ways of engaging are clearly changing. For example, we must be careful to avoid crowded and confined spaces and close interactions in our investor relations activities. To this end, we are examining the potential of arranging online events for institutional investors and private investors. We are also looking at the possibility of a virtual General Meeting of Shareholders, although we will have to wait until we can confirm the legality of such meetings before moving forward. We will work to achieve high levels of quality in our communication with stakeholders, even as we maintain safe physical distance.

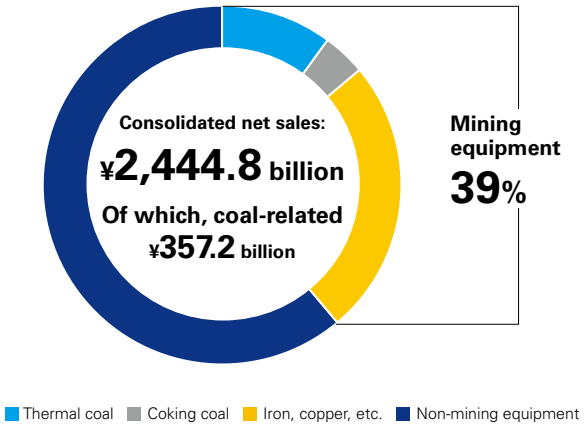
Acceleration of Growth Strategies toward the Solution of ESG Issues

Komatsu's mid-term management plan delineates our intent to address ESG issues through growth strategies in our core business. In accordance with this intent, we have defined material ESG issues in areas in which Komatsu is poised to make particularly large contributions through its business. Key performance indicators have been disclosed for these issues in our integrated reports, and we have also established new ESG management targets.

I would now like to explain some of our key initiatives for addressing climate change, an area in which there is a great deal of interest from investors.

The first of our initiatives on this front is to enhance our hard rock mining businesses. Hard rock mining is the process of excavating minerals other than coal, such as copper and nickel. In FY2019, roughly 4% of the Company's total consolidated net sales came from coking coal used in iron refining processes and approximately 10% was attributable to thermal coal, which itself is viewed as problematic in terms of its contribution to CO_2 emissions. We do not expect any sharp declines in thermal coal demand to be seen over the short term as it is still functioning as an important source of energy underpinning people's daily lives in emerging countries. However, it can be anticipated that demand for thermal coal will decline gradually out of consideration for climate change and other environmental issues. Komatsu looks to counter the risk of future declines in thermal coal sales by expanding its hard rock mining businesses, in which we expect to see growth going forward, while also lowering the portion of net sales accounted for by thermal coal. In

Ratio of Coal Related Sales (FY2019)



order to do so, we will pursue synergies through joint development with KMC while launching products with characteristics that respond to customer needs.

Our second key initiative for addressing climate change is to launch and promote fuel-efficient products with low environmental impacts. In addition to our electric mini excavators and compact battery-powered forklifts, we also look to focus on the sale of hybrid excavators. Komatsu's hybrid excavators use our proprietary technologies to substantially reduce CO_2 emissions. Approximately 5,000 such excavators are currently in operation around the world, and we are gradually building our track record with regard to this equipment. In 2019, we launched a 30-ton hybrid excavator, and this product has already come to represent more than 40% of sales of 30-ton class excavators in Europe, a market characterized by high environmental awareness. We believe that this is a product warranting attention amid the recent rise in the importance of environmental issues.

The third of our key initiatives for addressing climate change is to expand our forest machine business. While forestry work is increasingly being performed by machines in Europe and the United States, it is still common for such work to be conducted using manpower in Japan and Asia. I was positioned in Indonesia over the period from 2015 to 2016. During this period, I visited customers engaged in forestry work on several occasions. These visits made me aware of the large potential for forestry businesses, particularly in densely forested areas, while also giving me a strong interest in resolving the various issues faced by these businesses. Sustainable forestry businesses are circular businesses in which the CO_2 emitted into the atmosphere during the process of cultivating seedlings is then absorbed by trees to help mitigate climate change. Komatsu is supporting sustainable forestry with equipment that is capable of performing all processes from tree planting to harvesting grown trees, improving soil, and planting new trees. There currently exists demand for more than 10,000 forest machines on a global scale, and I therefore see the potential for consistent growth in this business going forward. Eventually, we will look to promote smart forestry by digitally linking all forestry processes through our SMARTCONSTRUCTION solution. In this manner, I hope to help address the various issues facing forestry businesses while cultivating new pillars of earnings.

Milestone of 100th Anniversary and Beyond

We will celebrate the 100th anniversary of Komatsu's founding in 2021. However, we recognize that this milestone is just that, a checkpoint to be passed. Accordingly, we remain committed to working toward the resolution of the issues faced by society and customers through flexible management in response to changes in the external environment.

One of the assumptions in the background of the formulation of the mid-term management plan was that we cannot anticipate significant growth in demand for construction equipment over the foreseeable future and must rather expect short-term fluctuations. As of today, demand has become highly volatile as a result of the global COVID-19 pandemic. Regardless, there will be no change to our basic approach during or after the pandemic. What will be important, however, will be the speed at which we act. Collaboration with partners who share our vision will be key to enhancing our products, services, and solutions. In launching the "SMARTCONSTRUCTION Digital Transformation," we are benefiting from collaboration with 20 start-up companies and other development partners located in Japan, the United States, and Europe. In addition, we have begun offering electric mini excavators in the Japanese rental market. We have established a roadmap for promoting the spread of electric equipment going forward, and we look to make steady progress down this path through open innovation.

Komatsu is committed to sincerely addressing the issues faced by society and thereby raising its value as a company that grows together with society. We will also proactively participate in the United Nations Global Compact, the World Business Council for Sustainable Development, the Task Force on Climate-related Financial Disclosures, and other initiatives as we work to fulfill our obligations to society and the environment as a global company. I continue to thank all of our stakeholders and ask for your continued support.



Hiroyuki Ogawa
President and Chief Executive Officer

Message from CFO

Review of First Year of Mid-Term Management Plan (FY2019–FY2021)

FY2019, the first year of Komatsu's mid-term management plan, DANTOTSU Value – *FORWARD* Together for Sustainable Growth, proved to be a challenging year. Factors behind this difficulty included declines in demand in strategic markets as well as the impacts of the global COVID-19 pandemic that emerged in the fourth quarter of the fiscal year. During the year, Komatsu continued to pursue sustainable increases in its corporate value by building a sound financial position and strengthening its competitiveness. We made steady progress during FY2019 in advancing key initiatives based on the three pillars of growth strategies described in the mid-term management plan. Examples of this progress included the introduction of the SMARTCONSTRUCTION solution and the launch of electric mini excavators. Faced with the current adverse operating environment, we are now pressed to demonstrate the true value of Komatsu that we have cultivated through our efforts to date.



Takeshi Horikoshi
Senior Executive Officer and CFO

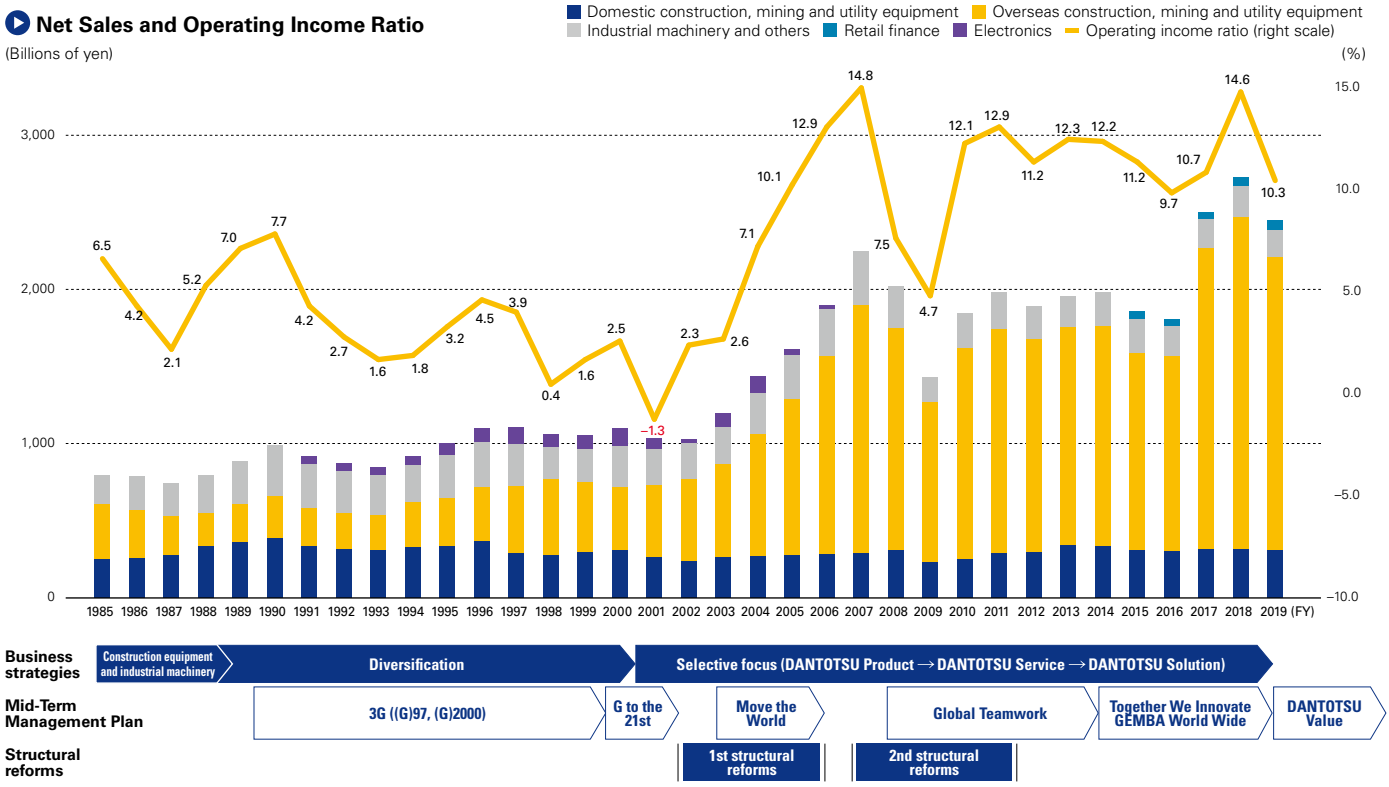
Financial Strategies Formulated in Response to Operating Environment Changes

To maximize growth and profits, our accounting and finance departments are responsible for the roles of developing business plans, managing business performance, and studying indices and methods thereof, as well as setting up investment decision-making criteria and making judgment on investment projects.

At the same time, we monitor management indices pertaining to profitability, financial soundness, and asset efficiency, areas for which we have defined management targets, in light of the volatility in demand in the construction and mining equipment business.

In regard to profitability, we strive to build a financial position capable of weathering drastic market changes, and we will continue to thoroughly control fixed costs to this end. Fixed costs have been on the rise over the past several years as a result of M&A activities. However, we have also made steady gains in efficiency through post-merger

Net Sales and Operating Income Ratio



Note: Concerning the figures for the fiscal year ended March 31, 2002 and earlier, Komatsu Electronic Metals Co., Ltd. and its subsidiaries and outdoor power equipment (OPE) of Komatsu Zenoah Co. and its subsidiaries engaging in the OPE business were not reclassified as discontinued operations resulting from the sale thereof.

integration of the operations of acquired companies. In FY2019, we were able to absorb the rise in expenses for increased costs stemming from investments in growth areas through reductions in general expenses. As a result, total fixed costs were relatively unchanged year on year. As for financial soundness and asset efficiency, we began working to cut inventory assets in the first quarter of FY2019. These efforts saw us systematically adjusting production levels while seeking to lessen the impact on our suppliers from these efforts. As a result, inventories stood at ¥805.3 billion on March 31, 2020, down ¥32.2 billion from the previous fiscal year-end. However, the inventory turnover period remains slightly above our ideal level, due in part to the impacts of the global COVID-19 pandemic. There is thus a need to further shorten this period as we move toward the end of FY2020.

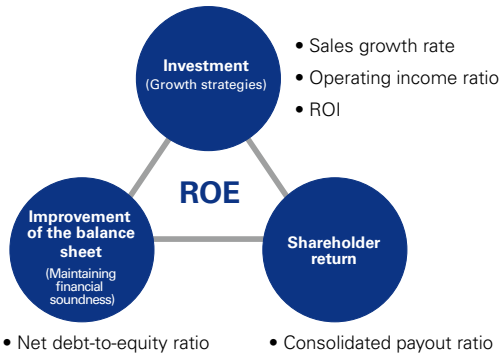
When selecting fund procurement sources, we aspired to secure funding reliability by considering factors such as source diversification and continuity along with procurement costs. Komatsu also issued its first green bond in July 2020. Through these bonds, we hope to spread awareness regarding Komatsu's efforts to address environmental issues while also expanding our investor base.

Growth (Fund Allocation Policy)

In order to achieve sustainable growth, we are targeting a well-balanced allocation of our funds to 1) investment for growth, 2) improvement of the balance sheet (maintaining financial soundness), and 3) shareholder return.

In FY2019, net cash used in investing activities totaled ¥190.9 billion, an amount equivalent to roughly 65% of the net cash provided by operating activities of ¥295.1 billion. One specific target of investments was the acquisition of mining- and forestry-related companies for the purpose of fueling future growth. Meanwhile, we accumulated cash and deposits to ensure our future ability to meeting funding demands in light of the global COVID-19 pandemic. As a result, interest-bearing debt on March 31, 2020 rose to ¥1,012.3 billion, up ¥81.6 billion from a year earlier, while the net debt-to-equity ratio was 0.43 times, unchanged from the previous fiscal year-end. As for shareholder returns, we adhered to the consolidated payout ratio target announced together with our financial results for the six months ended September 30, 2019, issuing returns that made for a ratio of 57.7%, regardless of the impacts of the COVID-19 pandemic.

There is currently no clear end in sight for the global COVID-19 pandemic. Accordingly, we must continue to take a flexible approach in responding to the massive changes seen in the operating environment while setting priorities based on cost-benefit analyses and assessments of strategic value. By advancing key initiatives based on our three pillars of growth strategies through this approach, Komatsu will target sustainable growth.



Response to the COVID-19 Pandemic

Even prior to the global COVID-19 pandemic, Komatsu has been practicing global cross-sourcing and procurement for equipment bodies and parts. The goal of these efforts has been to absorb the impacts of demand and foreign exchange rate fluctuations. After the COVID-19 pandemic struck, these prior efforts enabled us to minimize the impacts on production by procuring the necessary articles from alternative sources and reallocating inventories. As a result, no issues have been faced with regard to our supply chain as of this point in time. We also are providing support as needed by distributors and suppliers suffering in this challenging environment. This support includes offering payment moratoriums to and purchasing the inventories of these distributors and suppliers.

Moreover, we have taken a number of steps to ensure sufficient liquidity to meet funding needs in this challenging environment. In addition to accumulating cash and deposits, we have concluded new commitment line agreements, namely a yen-denominated line in the amount of ¥300.0 billion and a U.S. dollar-denominated line in the amount of USD1.3 billion. The funds procured through these commitment lines can be distributed to other countries through the Group's global cash management system.

TOPICS

Issuance of Green Bonds

In July 2020, Komatsu issued its first green bonds, unsecured straight bonds. Komatsu plans to use the proceeds from these green bonds to research and develop, promote, and popularize its products, such as hybrid hydraulic excavators and electric construction equipment; fuel-efficient operation support services utilizing offerings like KOMTRAX (Komatsu Machine Tracking System); and SMARTCONSTRUCTION and other ICT-intensive construction equipment. With these products, we will aim to contribute to reduced CO_2 emissions from product use. Komatsu also plans to use these proceeds for capital investment in facilities and equipment that help reduce CO_2 emissions in manufacturing and increase the ratio of renewable energy use.

In this manner, the issuance of green bonds has enabled for the diversification of procurement sources and the expansion of our investment base while also supporting the accomplishment of targets set for environmental, social, and governance (ESG) factors in the mid-term management plan. Going forward, the proactive and ongoing issuance of such bonds will be positioned as an ESG initiative to be advanced by our accounting and finance departments.

Profitability

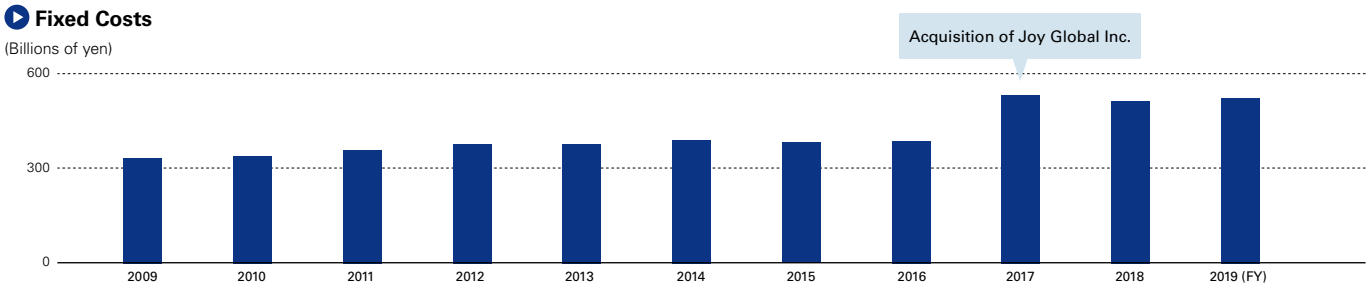
Operating Income Ratio

As the industry leader, it is important for Komatsu to maintain and increase sales prices while pursuing ongoing reductions in cost of sales and fixed costs. The operating income ratio is an index that comprehensively reflects our success in these tasks and is therefore an important indicator for evaluating this success. In the mid-term management plan, we have set the target of maintaining an industry's top-level operating income ratio. In FY2019, operating income came to 10.3%. This outcome was largely due to the heavy impacts of reduced sales volume, as partially affected by the global COVID-19 pandemic, a change in the geographic composition of sales, and adverse effects of the Japanese yen's appreciation. These unfavorable circumstances outweighed the benefits of our efforts to increase selling prices and absorb the rises in fixed expenses attributable to investment in growth areas.

Cost Control

While making investments in growth areas, we have taken exhaustive steps to reduce cost of sales and fixed costs, thereby working to secure profitability (separation of costs from growth). In FY2019, we pursued steady decreases in cost of sales while also cutting general and other standard fixed costs. Meanwhile, efforts were made to limit fix costs associated with investments in growth areas by assessing and prioritizing investments based on strategic value.

Fixed Costs

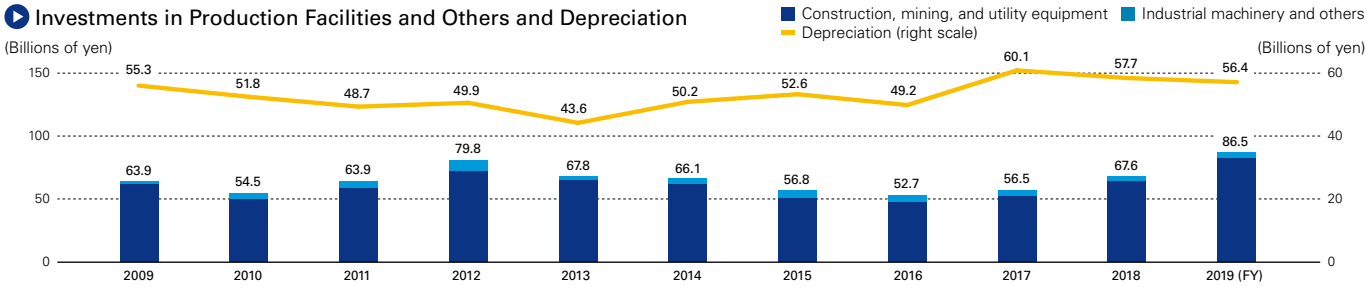


Note: Amounts for performance from FY2009–FY2019 have been translated based on the foreign exchange rates in the projection for FY2019 performance (JPY108.7 = USD1, etc.).

Decision-Making of Investment

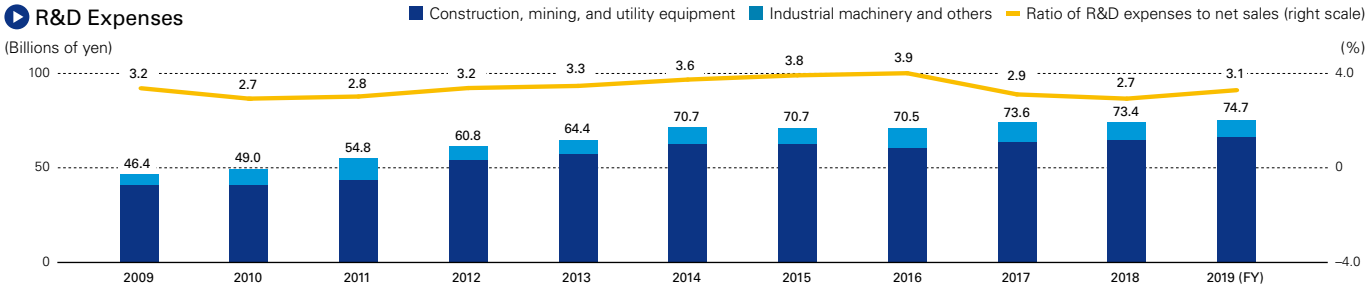
Concerning specific investment projects, we make careful decisions after considering strategic value and payback periods in our Strategy Review Committee and Steering Committee meetings. Based on these efforts, we are working to achieve growth and improve profitability above the industry's average. As for key initiatives currently underway, we will be sure to collect the returns on our investments after the initiatives have been completed to fuel ongoing growth.

Investments in Production Facilities and Others and Depreciation



Note: Excludes investments in rental assets

R&D Expenses

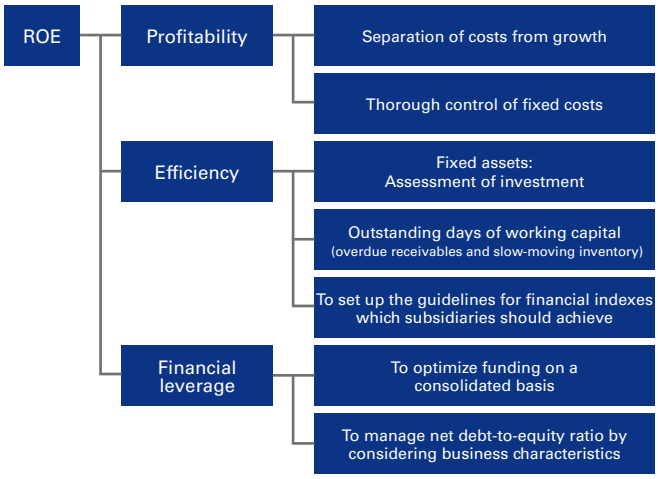


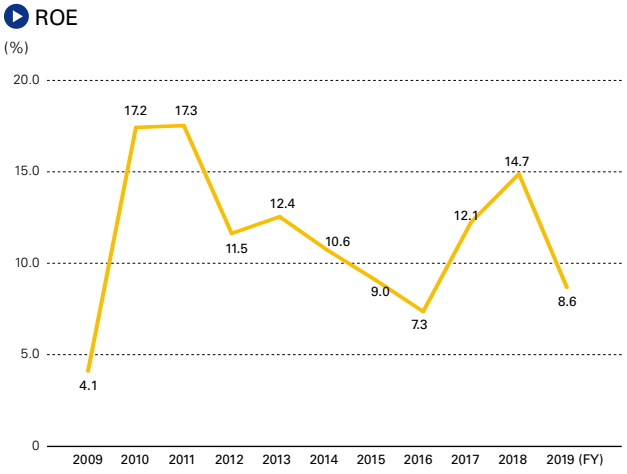
Efficiency

ROE (return on equity) is a general index, covering profitability, asset efficiency, and financial leverage. Thus, we monitor it as one of our management indices while continuously keeping close attention to cost of shareholders' equity.

We estimate that our cost of equity is around 8% on a global basis. Thus, we have set an ROE of 10% or higher as the management target. To expand equity spread (ROE – cost of shareholders' equity), we will work to both improve ROE and reduce cost of shareholders' equity.

To promote improvement of ROE, we will work to improve profitability by giving weight to growth. Concerning asset efficiency, we apply ROIC (return on invested capital) to internal control. To control working capital appropriately in response to the volatility of market demand, we periodically monitor the cash conversion cycle of working capital through ROIC, for which invested capital in the ROIC formula is defined by the corresponding working capital plus tangible fixed assets. We recognize that improving asset efficiency is a task that we will need to emphasize over the foreseeable future, and we intend to ramp up efforts to curtail inventory assets to this end going forward.

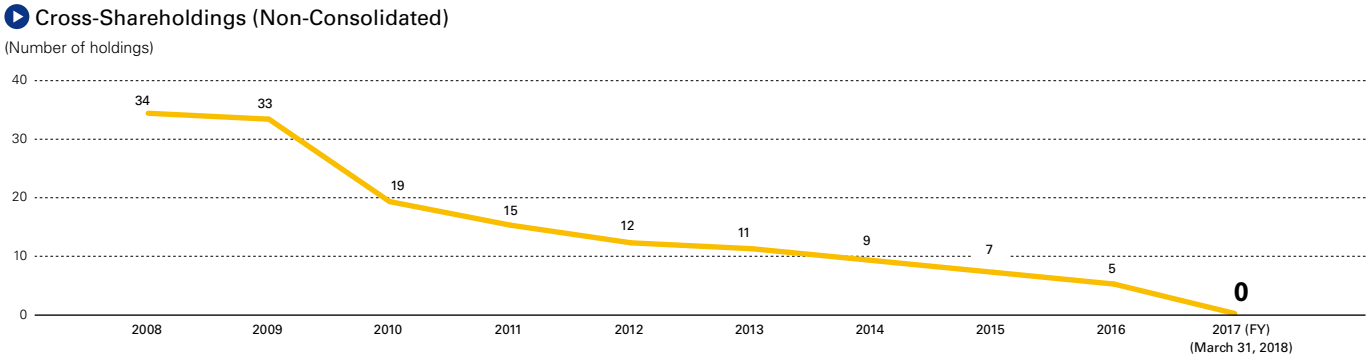




Cross-Shareholdings

On March 31, 2009, Komatsu held shares of stock in 34 listed companies in the form of cross-shareholdings. Since then, we have proceeded to curtail such shareholdings while confirming those holdings that we continued to hold offered quantitative and qualitative benefits that exceeded the associated cost of shareholders' equity. As a result, these holdings had been decreased to five companies on March 31, 2017. It was during this period that the Tokyo Stock Exchange enacted Japan's Corporate Governance Code in 2015. In response to this code, Komatsu put forth a policy of not owning stocks of listed companies, unless they are necessary due to business relations or collaboration with the Company, for the purpose of avoiding the risk of stock price fluctuation as well as ensuring the efficiency of assets.

Later, a revision to U.S. GAAP standards prompted the Company to adjust profit figures to reflect gains and losses on valuation of marketable securities from FY2018. It was judged that the remaining five holdings, in general, offered satisfactory quantitative benefits. However, it was decided to sell all of these holdings through a reevaluation of the relations between the Company and the investees and the potential impacts of stock price fluctuations on profits. All of these holdings were sold as of December 2017.

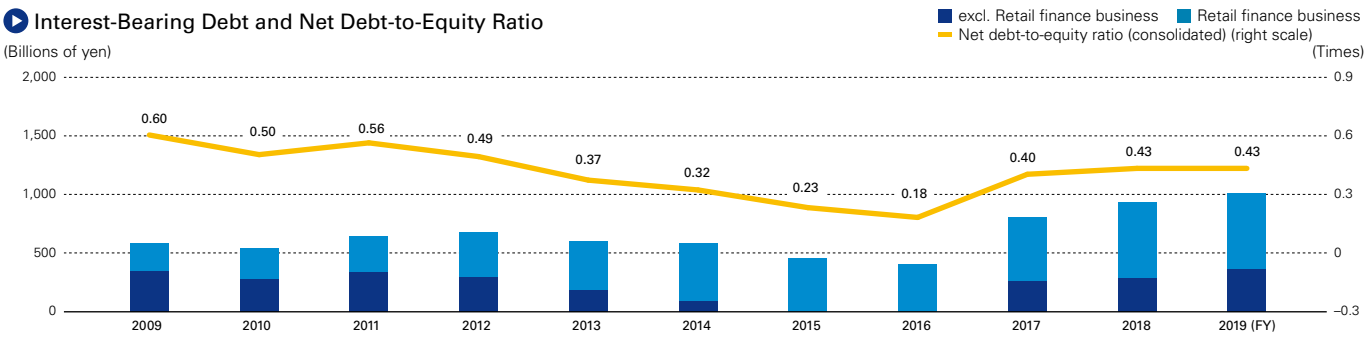


Financial Position

Monitoring of Net Debt-to-Equity Ratio

We believe it is important to maintain a sound financial position in order for us to achieve sustainable growth while being free from changes in market demand. Taking into account the business characteristics of retail finance and future investment opportunities, we monitor net debt-to-equity ratio as an index of soundness.

Interest-Bearing Debt and Net Debt-to-Equity Ratio



Optimization of Funding on a Consolidated Basis

To optimize funding on a group-wide basis and reduce foreign exchange risks by matching assets and liabilities in each currency, we have built a funding system by region and maintain the policy of local funding. Equipped with a local funding function, each regional headquarter company advances funds to Komatsu Group companies regardless of business segment in the corresponding region mainly through the cash management system (CMS) for the region.

Furthermore, a global CMS has been established to link all regional headquarter companies, including the company in Japan. Through this system, we practice efficient funding on a consolidated basis to complement the funding sources used in each region under normal circumstances. In addition, we have established new yen- and U.S. dollar-denominated commitment lines through which the procured funds can to be supplied to different regions to function as a safety net for times of emergency.

Retail Finance Business

Role of the Retail Finance Business

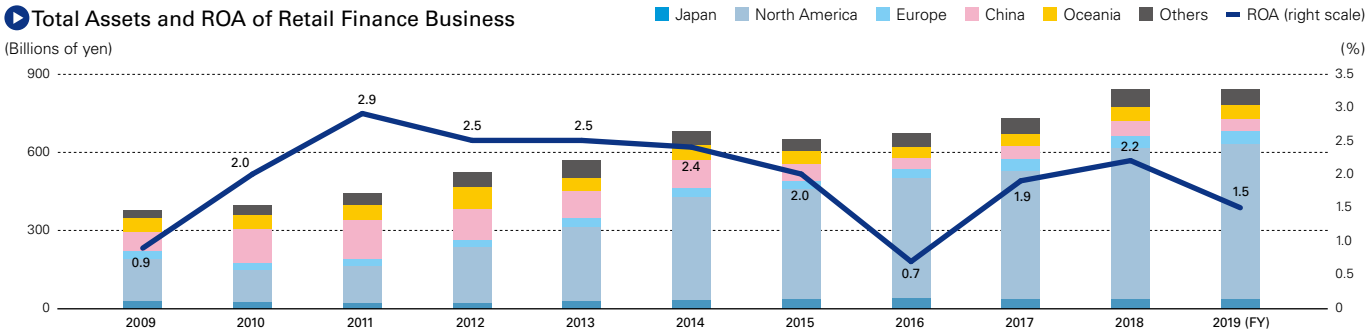
Our retail finance business, which handles financial products to help customers purchase our products, was separated into an independent business segment in FY2016. This segment is pursuing its own segment-specific management targets (1.5%–2.0% for ROA and 5 or under for net debt-to-equity ratio) to ensure transparency of profitability and financial conditions. This segment is also responsible for promoting sales our products. From this perspective, we are focused on generating synergies in this segment through measures such as financing forest machines, a key initiative of the mid-term management plan, in addition to financing mainstay construction and mining equipment.

Risk Management of the Retail Finance Business

In an effort to reduce risks in the retail finance business, we diversify portfolios and match the currencies, interest rates, and periods of lending and funding. In addition, we also work to safekeep our credits by taking advantage of our strengths, for example, by using KOMTRAX, installed in our construction equipment as a standard feature, for credit management (monitoring the location and operating conditions of construction equipment).

Risk management is now more important than ever given that it is currently unclear when the global COVID-19 pandemic will end. We have received requests for payment moratoriums from certain customers and distributors as a result of the pandemic, and we are responding to these requests while confirming factors such as past histories of overdue payments.

Total Assets and ROA of Retail Finance Business

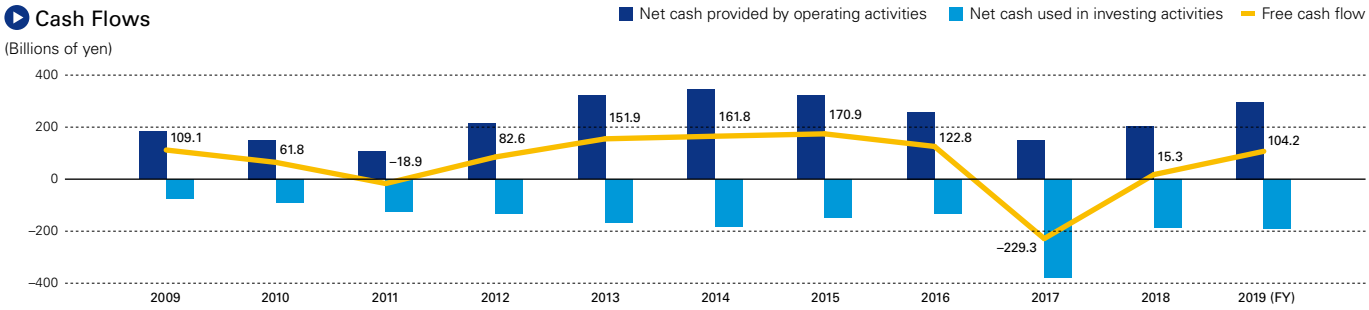


Shareholder Return

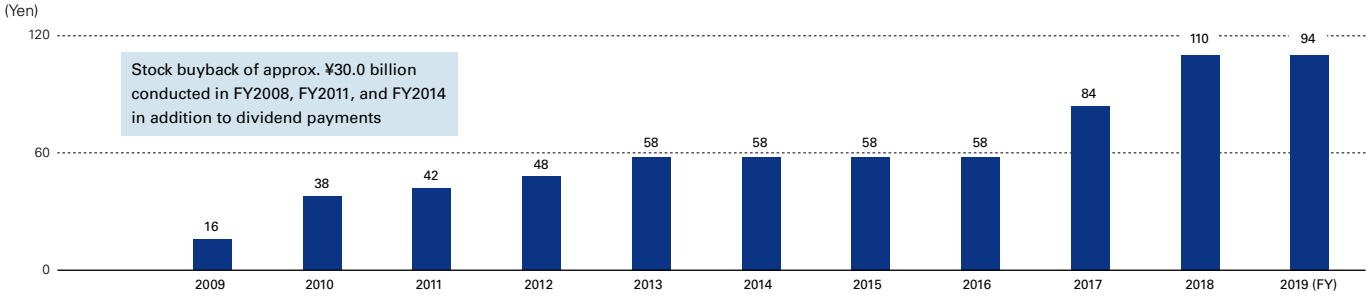
Concerning cash dividends, we have the policy of continuing stable payment of dividends after comprehensively considering consolidated business results and reviewing future investment plans, cash flows, and the like. Specifically, we have the policy of maintaining a consolidated payout ratio of 40% or higher. In FY2019, we issued dividend payments of ¥94 per share, a decrease of ¥16 per share from FY2018, out of reflection of performance in this fiscal year as well as the future business outlook. These payments made for a consolidated payout ratio of 57.7%, an increase of 17.2 percentage points year on year.

Concerning stock buybacks, we plan to do so timely and flexibly in response to market and financial conditions.

Cash Flows



Cash Dividends per Share



Dividend policy	20%–40%				30%–50%			40%–60%			40%~
Consolidated payout ratio (Total return ratio)	38.0%*	24.4%	24.2% [42.2%]	36.2%	34.7%	35.8% [55.2%]	39.8%	48.2%	40.3%	40.5%	57.7%

* Excluding structural reform expenses

Special Feature 2: Value Creation Story

KOMATSU offers SMARTCONSTRUCTION in the USA and four countries in Europe.

(United Kingdom, Germany, France, and Denmark)

A video of the presentation by Rod Schrader, Chairman & CEO of Komatsu America Corp., at CONEXPO-CON/AGG 2020, a construction equipment tradeshow held in Las Vegas in March 2020, can be found below.

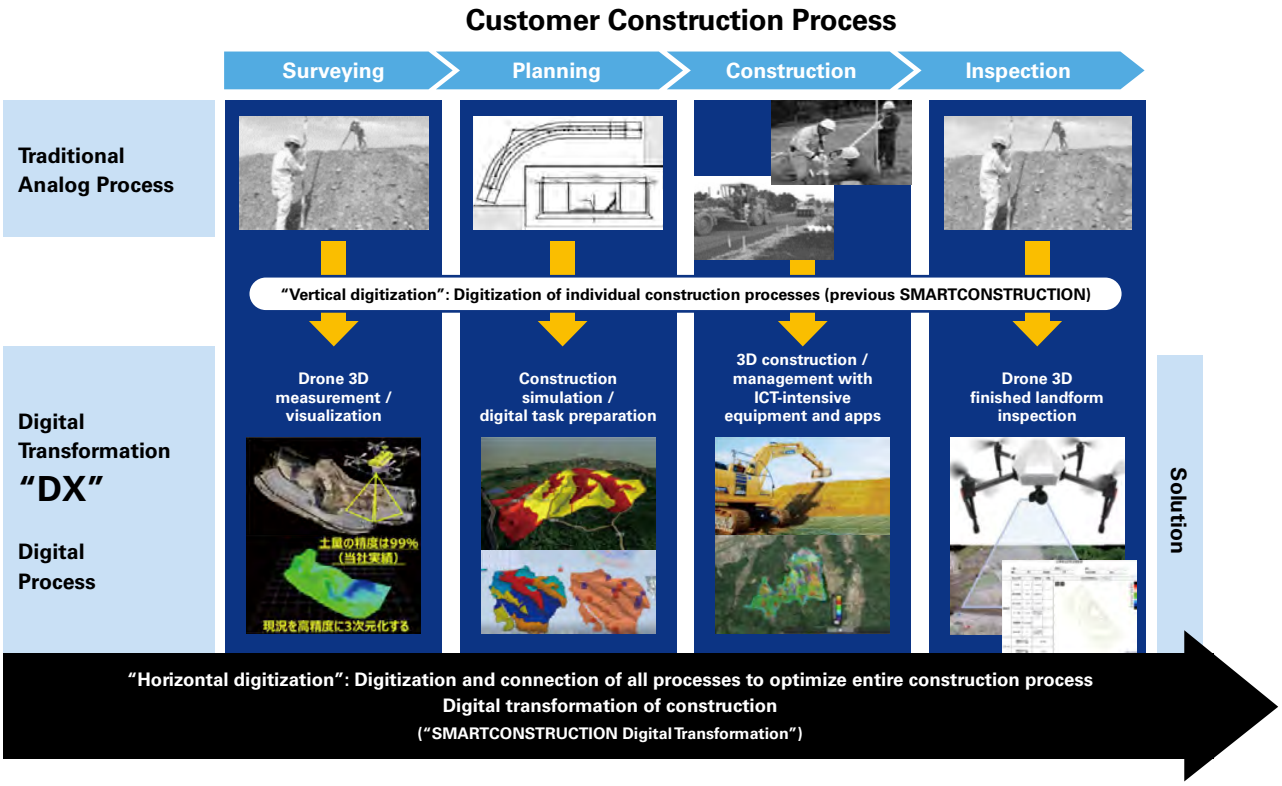
https://www.youtube.com/watch?v=dd7oeh6MkCM&t=23s

Realization of the Safe, Highly Productive, Smart, and Clean Workplaces of the Future

Launch of "SMARTCONSTRUCTION Digital Transformation"

Komatsu launched "SMARTCONSTRUCTION Digital Transformation," a solution comprising four new IoT devices and eight new applications that accelerate digital transformations through SMARTCONSTRUCTION, in April 2020.

While the previous version of SMARTCONSTRUCTION only digitized part of the construction process ("vertical digitization"), these new IoT devices and applications will allow for digitization of the entire process ("horizontal digitization"). This will enable worksite operations to be optimized by synchronizing the real workplace with its digital twin, thereby realizing drastic improvement in the safety, productivity, and environmental performance of the entire worksite.

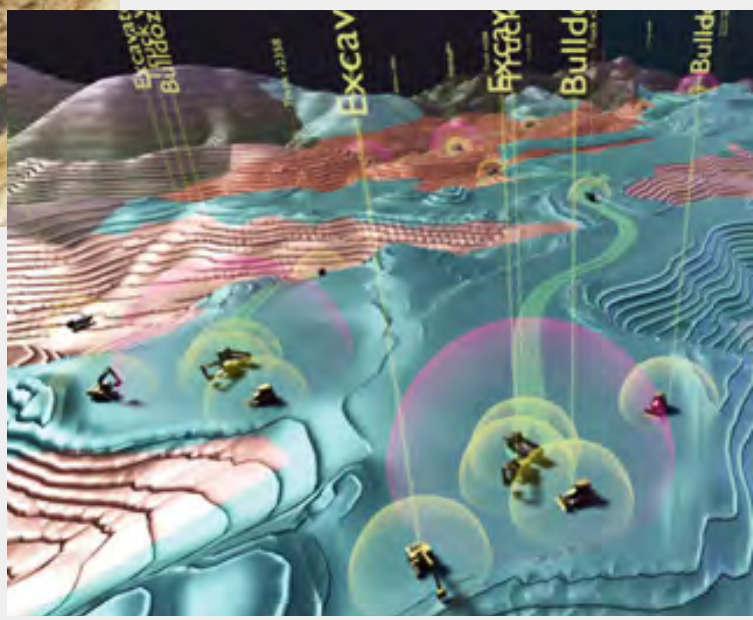




Rodney Schrader
Senior Executive Officer
Chairman & CEO,
Komatsu America Corp.

Optimization of construction through synchronization between real workplace and its digital twin







01 SMART CONSTRUCTION

Since its introduction in February 2015, SMARTCONSTRUCTION has addressed the labor shortages facing the Japanese construction industry by realizing improved productivity and safety at customer worksites. This has been made possible by openly employing digital technologies in both Japan and overseas; domestically, these technologies have been introduced to more than 10,000 customer worksites. Komatsu is dedicated to contributing to the realization of the safe, highly productive, smart, and clean workplaces of the future by digitally transforming both products (automation and autonomation operation) and processes (optimization).

SMARTCONSTRUCTION promotional videos and introduction case studies can be found below.

SMARTCONSTRUCTION promotional videos (Japanese only)
http://smartconstruction.komatsu/movie.html

SMARTCONSTRUCTION introduction case studies (Japanese only)
https://smartconstruction.komatsu/case/

Strategic Directives

By accelerating the digital transformation of construction through both products (automation and autonomation operation) and processes (optimization), we will realize the workplaces of the future.

Processes: Optimization

In addition to digitizing individual processes, such as condition surveys by drones ("vertical digitization"), we will link the 3D workplace information gained from such digitized processes with our LANDLOG platform ("horizontal digitization") to promote the automation and optimization of entire workplaces.

Products: Automation and Autonomation Operation

Realizing the safe, highly productive, smart, and clean workplaces of the future will require all construction equipment to work autonomously while collaborating with other equipment at the workplace. At the same time, it will be crucial to enhance ICT-intensive equipment, specifically through increased automation and through autonomy achieved via communication and coordination among equipment. Komatsu is moving ahead with research and development on sophisticated automation and autonomy technologies with an eye to the introduction of 5G and other ultrahigh-speed mobile communications systems and the utilization of high-precision global navigation satellite system technologies.



Profitability and Growth

Compared with other industries, the construction industry is lacking in terms of safety and productivity and has significant room for improvement via digitization.

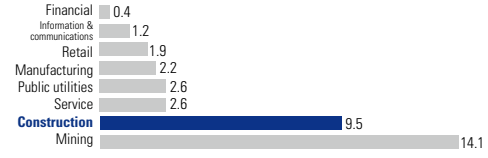
SMARTCONSTRUCTION is still in the early stages of its introduction. Nonetheless, we have verified its significant benefits for contributing to improved safety and productivity at adopting workplaces. We therefore anticipate that the use of this solution will spread steadily against the backdrop of labor shortfalls and aging workplace operators. The global COVID-19 pandemic also presents an opportunity in the form of potential for the rapid digitization of construction workplaces.

Safety- and Productivity-Related Tasks

Safety

More dangerous than other industries

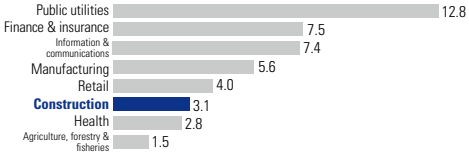
No. of deaths per 100,000 employees*1



Productivity

Lower than other industries

Nominal productivity by industry (¥1,000/hr.)*2

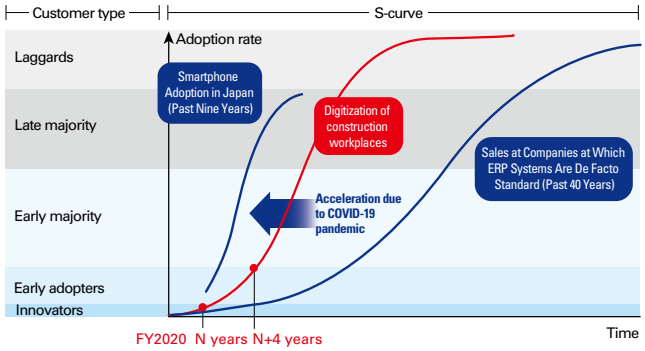


*1 Source: *National Census of Fatal Occupational Injuries in 2018*, U.S. BUREAU OF LABOR STATISTICS

*2 Source: *Labor Productivity Trends in Major Industries*, JAPAN PRODUCTIVITY CENTER

Diffusion of Innovation Curve and Earnings Growth (as Projected by Komatsu)

- The digitization of construction workplaces is projected to advance more swiftly than the popularization of enterprise resource planning (ERP) systems, a similar solution launched in the 1980s, due to the current availability of sophisticated and affordable technologies.
- The global COVID-19 pandemic is expected to further accelerate this digitization trend.



Contributions to Resolution of Environmental and Social Issues

TOPICS

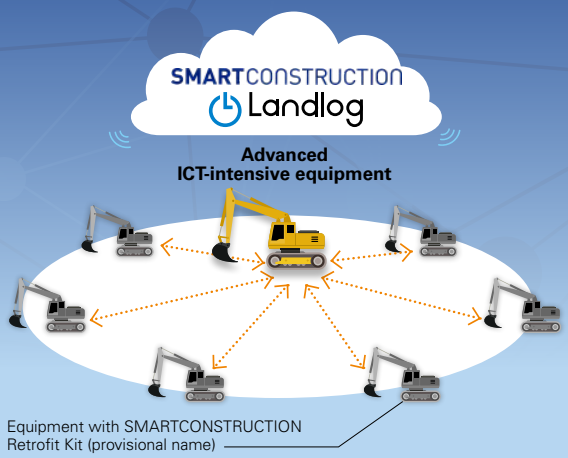
Launch of SMARTCONSTRUCTION Retrofit kit

Provision of ICT Capabilities for Conventional Construction Equipment

Komatsu launched SMARTCONSTRUCTION Retrofit kit, the add-on kit to offer ICT capabilities, such as 3D machine guidance and payload measurement, to conventional construction equipment in Japan in late April through LANDLOG Ltd. Currently, conventional construction equipment with no ICT capabilities accounts for over 98% of all construction equipment working at construction workplaces in Japan.

To accelerate the pace of achieving digital transformation of construction workplace operations, the SMARTCONSTRUCTION Retrofit kit can be added on not only Komatsu-made models but also other models as long as they are hydraulic excavators. With the SMARTCONSTRUCTION Retrofit kit, Komatsu is going to promote digitization of conventional construction equipment and digital transformation of construction in order to realize safe, highly productive, smart, and clean workplaces of the future soon.

	Non-ICT-intensive models	ICT-intensive models	SMARTCONSTRUCTION Retrofit kit
3D construction based on 3D design data	3D construction: Impossible	3D construction: Possible	3D construction: Possible
3D control	Impossible	Possible: Machine control	Impossible: Limited to machined guidance
Staking & assistant workers	Necessary	Unnecessary	Unnecessary
3D construction records	Impossible to obtain	High-precision 3D data: Possible to obtain	High-precision 3D data: Possible to obtain





02 Forestry Machinery Business

Sustainable forestry is an undertaking with the potential to contribute to the accomplishment of the Sustainable Development Goals (SDGs) advocated by the United Nations. These contributions include helping mitigate climate change by reducing the amount of CO_2 in the atmosphere and preserving biodiversity and water resources. Komatsu regards a forestry business as an important industry that contributes toward the achievement of the SDGs. In forestry, it is important to contribute to realizing the forest management cycle of planting, cultivating, and harvesting trees, and it is required to operate in a way that places due consideration on forest environments. Komatsu operates a wide-ranging forestry machine business on a global basis to help increase safety and productivity in forestry operation.

Videos on forest machines, including a look at a forestry project adopting ICT in Sweden, can be found here.

https://youtu.be/_D-EfqsrGT0

Strategic Directives

Komatsu is working to mechanize forestry operation, including planting, cultivating, and harvesting trees, to contribute to sustainable forestry. In the realm of planting, we have developed subsoiling machines and automated tree planters based on our bulldozers. These machines are currently being supplied to the Brazilian market.

Moreover, in the area of timber harvesting and extracting operations, where most forestry-related occupational accidents tend to occur, we are making progress in developing and selling forestry equipment that enables to harvest and extract trees in steep area without people having to descend to the forest floor.

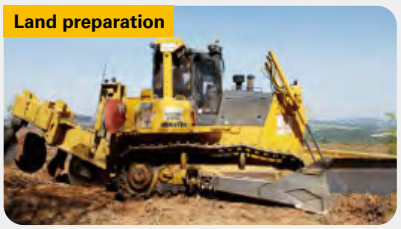
● Introduction of New Tree Planting Products

Planting



D61EM-23M0 automated tree planter

Land preparation



D85EX subsoiling machine



● Improvement of Harvesting and Extracting Productivity and Safety

Harvesting



PC130F Harvester
(forest machine based on hydraulic excavators)

Extracting



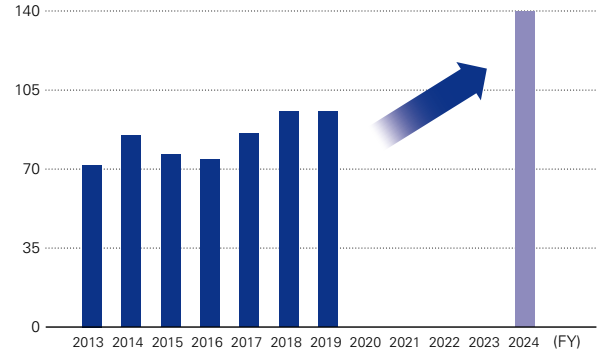
Forwarder 895
Forest Forwarder Usable on Slopes

Profitability and Growth

Komatsu's forest machine business has continued to grow smoothly since the 2004 acquisition of Partek Forest AB (currently, Komatsu Forest AB) of Sweden. Looking ahead, economic growth in emerging countries is expected to drive rises in housing starts and pulp demand. In addition, we anticipate stable growth in timber production volumes as a substitute for plastic amid rising environmental awareness.

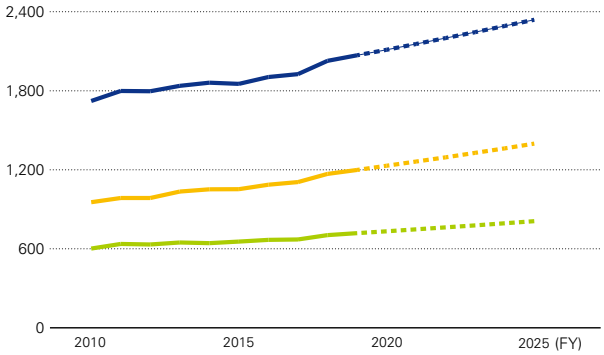
Forest Machine Business Sales

(Billions of yen)



Global Timber Production Volumes

(Millions of m³)



Source: Food and Agriculture Organization of the United Nations (Figures for 2019 forward are the Company's projections.)

TOPICS

Contributions to Resolution of Environmental and Social Issues

Smart Forestry Powered by ICT

We have been working on a smart forestry concept that makes it possible to visually monitor forestry supply chains. In Japan, we have been using drones to conduct tree planting and growth management surveys including forestry resource quantity estimates. This has enabled us to reduce the labor hours needed for surveys for felling from around five people per hectare per day to one person per hectare per day. Moreover, by using ICT-equipped harvesters for processing and soring logs, we have been able to reduce the labor hours needed from about 13 people per hectare per day to about 0.5 people per hectare per day. We are also focusing our efforts on developing applications that are capable of drawing on the accumulated log processing and timber transport data of the LANDLOG open platform. We will thereby contribute to streamlining operations in the future by sharing information with forestry business operators on lumber markets as well as lumber consumers.

Going forward, we hope to help promote cyclical forestry around the world by facilitating further safety and productivity improvements in forestry.



Through Komatsu's smart forestry solutions, drone photography can be utilized to prepare 3D images of forests, which can be used to automatically estimate the number of trees, diameters of trees, and the volume of timber to be produced, thereby contributing to higher levels of efficiency in pre-felling forest resource surveys.

Mid-Term Management Plan (FY2019–FY2021)

DANTOTSU Value

FORWARD Together for Sustainable Growth

Komatsu's External Environment

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

Changes in the External Environment and of ESG Issues

Politics & economy

- Multipolarization of the world
- Emergence of protectionism
- Growth of emerging economies



Technologies

- Further spread of IoT, AI, and big data
- The progress of electric and autonomous vehicles



Environment & energy

- Climate change
- Growing demand for energy, foods and water
- Decarbonization & renewable energy

Society & values

- Acceleration of diversity in advanced countries
- A decline of working-age population
- Achievement of a recycling-oriented society by accelerating the pace of sharing
- Growing pursuit and needs for safety and comfort

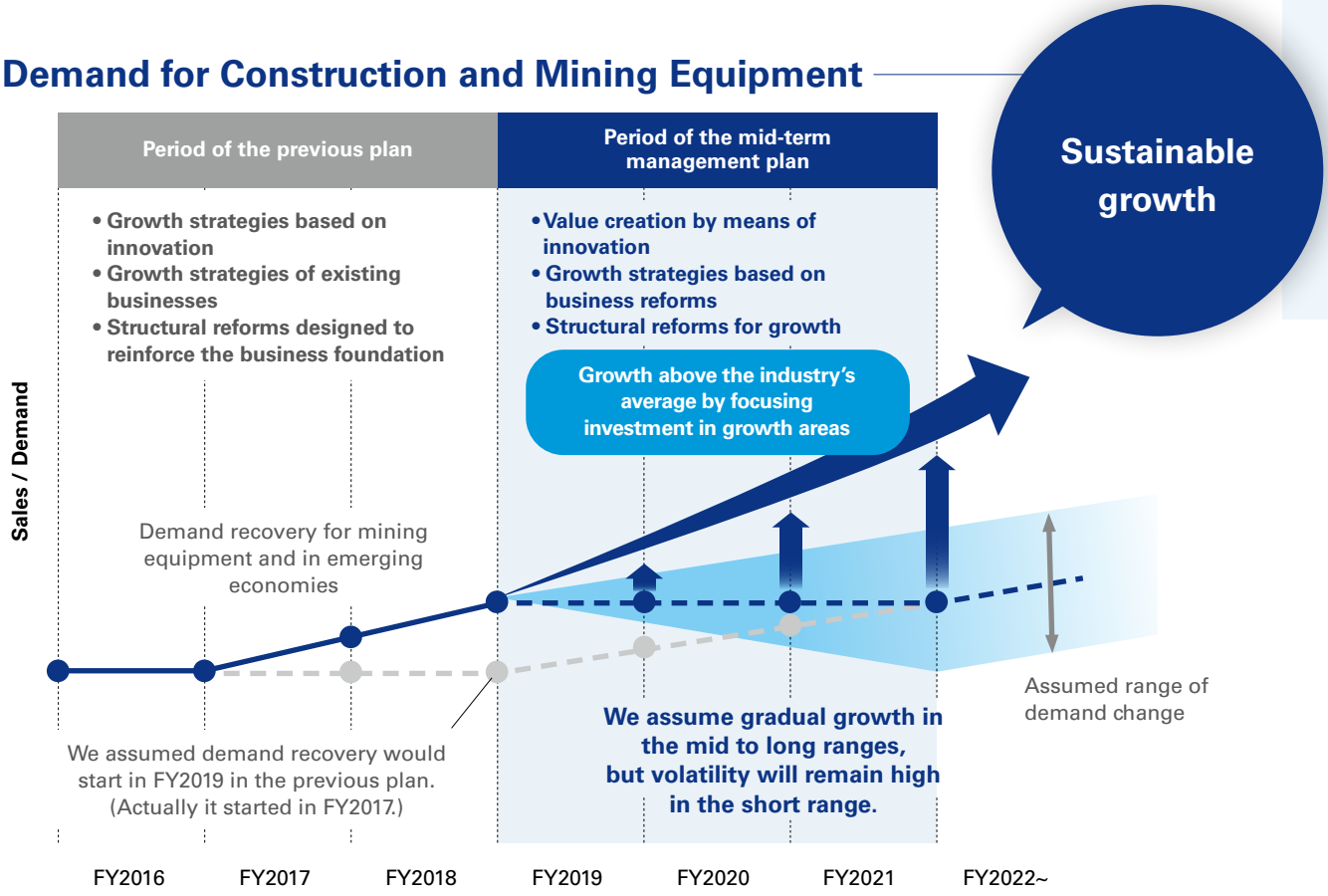


Expectations of achieving

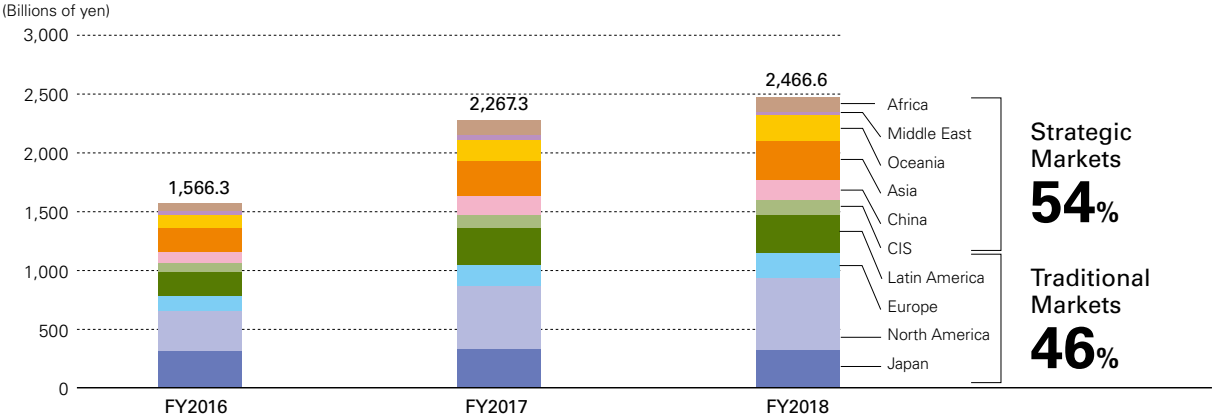
Our Tasks in the Growth Strategies

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

Demand for Construction and Mining Equipment



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



a sustainable society

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

Mid-Term Management Plan (FY2019–FY2021)

Overview of the Mid-Term Management Plan

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

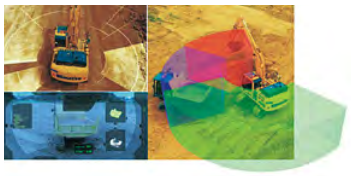
Management Principle

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



1 Value creation by means of innovation

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



2 Growth strategies based on business reforms

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



3 Structural reforms for growth

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

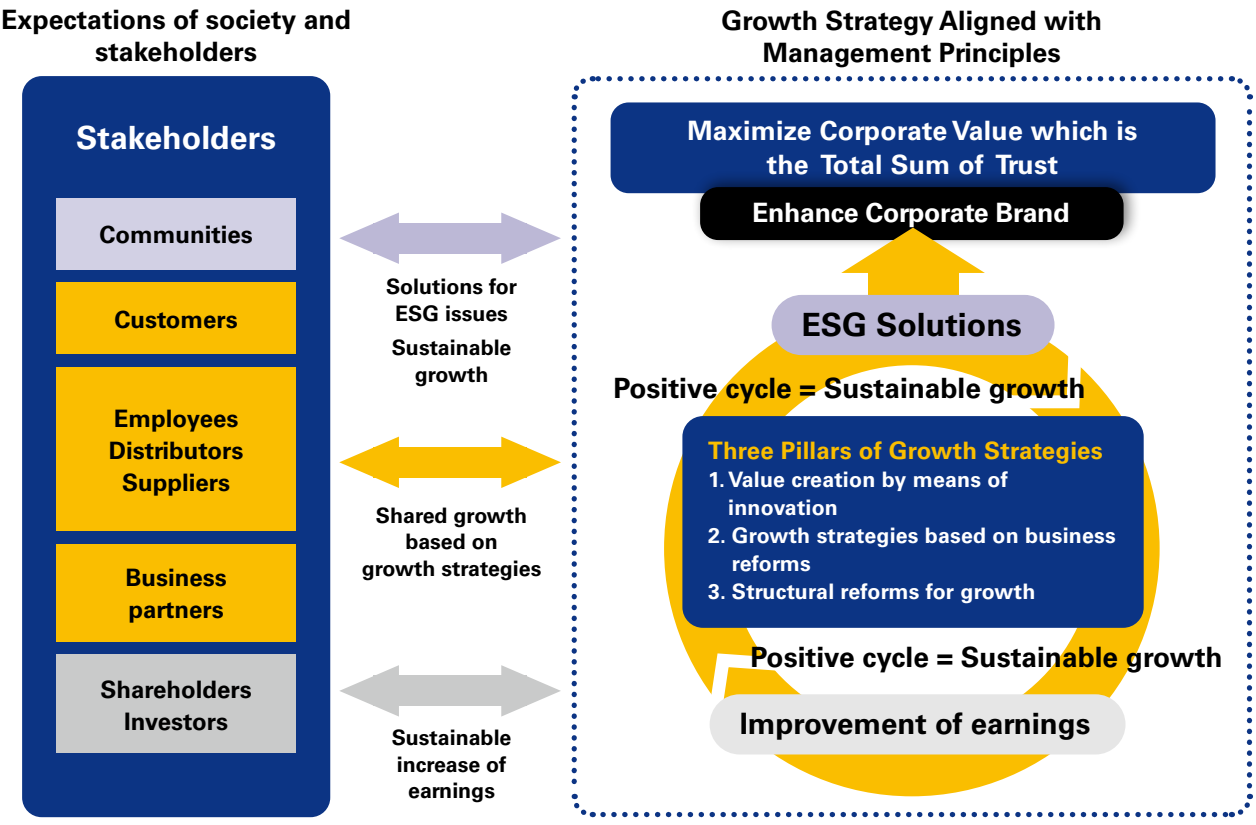


Management Targets of the Mid-Term Management Plan and Related Performance

Management Target		FY2019 (First year of the plan)	
		Indicator	Performance
Growth	• Growth rate above the industry's average	Sales growth rate	▲10.3%
Profitability	• An industry's top-level operating income ratio	Operating income ratio	10.3%
Efficiency	• 10%-level ROE	ROE	8.6%
Financial position	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment	Net debt-to-equity ratio	0.43
Shareholder return	• Set the goal of a consolidated payout ratio of 40% or higher	Consolidated payout ratio	57.7%
ESG	• Reduction of environmental impact CO_2 emissions: Decrease by 50% in 2030 from 2010. Renewal energy use: Increase to 50% of total energy use in 2030. • Evaluation by external organizations: Selected for DJSI (World & Asia Pacific) and CDP A-list (Climate Changes and Water Risk)	Reduction of environmental impact Evaluation by external organizations	CO_2 emissions: Decrease by 40% in 2021 Renewable energy use: Increase to 15% of total energy use in 2021 Selected for DJSI CDP Climate Change: A CDP Water Risk: A-
Retail finance business	• ROA: 1.5%–2.0%	ROA	1.5%
	• 5.0 or under for net debt-to-equity ratio	Net debt-to-equity ratio	3.80

Concepts and Stance of the Mid-Term Management Plan

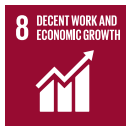
The mid-term management plan defines three pillars of growth strategies: 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. By prioritizing investment on growth areas based on the three pillars of growth strategies, we will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



Resolution of ESG Issues through Growth Strategies

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

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

CSR Themes	ESG Solutions through Three Pillars of Growth	Strategies Relevant SDGs
Enhancing Quality of Life **—Providing Products Required by Society—**	• Provide products, service and solutions contributing to sustainable development of infrastructure, natural resources and circular environmental protection (remanufacturing and forestry). • Improve productivity, efficiency, safety and environmental impact (lower CO_2 emissions and higher ratio of renewable energy use) through innovations, such as automation in the entire value chain. • Make commitment to DANTOTSU Value which will realize better Earth and future by means of technology and reliability (creation and maximization of customer value).	
Developing People	• Develop a diverse workforce with a high level of productivity and technical skills. • Strengthen and develop diverse and global-scope talent to help achieve sustainable workplaces. • Develop talent with cross-value chain capabilities.	
Growing with Society	• Offer resolutions for social issues through collaboration with stakeholders. • Act as a responsible corporate citizen ensuring corporate governance, compliance, and human rights.	

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

Key Initiatives under Mid-Term Management Plan	FY2019 KPI Performance	FY2021 KPIs
Reduction of CO_2 emissions (in comparison to FY2010)		
• Reduction of CO_2 emissions from product use (fuel-efficiency equipment, hybrid hydraulic excavator, rate of SMARTCONSTRUCTION use, enhancement of ICT-intensive construction, mine automation, and underground mining equipment)	14% reduction	16% reduction (in comparison to FY2010)
• Reduction of CO_2 emissions from production (plants with zero impact on environment and workers)	31.5% reduction	40% reduction (in comparison to FY2010)
Plants with zero impact on environment and workers		
• Rate of renewable energy use (including purchase of renewable energy)	10.7%	15%
• Work environment burden coefficient (particle matter density)	10.7% reduction	30% reduction (in comparison to FY2018)
• Water consumption	49.4% reduction	55% reduction (in comparison to FY2010)
Value chain reforms and redefinition of the aftermarket business		
• Spare parts sales	3% increase	11% increase
• Reman component lifespan (compared to new components)	26,866 workhours (134% of new components)	20,000 workhours (100% of new components)
Assurance of mine operation safety and productivity		
• AHS units' population (promotion of mining platform business)	221 units	380 units (aggregate)
DANTOTSU Product, DANTOTSU Service, and DANTOTSU Solution		
• ICT-intensive equipment introduced (United States, Europe, and Australia)	1,361 units	1,590 units (per year)
• Sites adopting SMARTCONSTRUCTION	2,440	4,850 (per year)
• Automation, autonomous operation, electrification, and remote-controlling of equipment		
1. Automation of construction equipment	Verification tests conducted on user sites	Test introduction of hydraulic excavators for automated loading
2. Automation, autonomous operation, and remote operation of mining equipment	Preparations advanced to launch mining bulldozer with level 2 automation	Entry into mining bulldozer market (level 4 automation)
3. Automation of utility equipment	Development of peripheral safety technologies for supporting automation	Development of technology for automated forklifts
4. Enhancement of mining equipment and hard rock mining businesses	Under development	Expansion of product series
Agricultural solutions and smart forestry		
• Creation of construction equipment demand in agricultural field	Japan: Commencement of verification tests at five agriculture business operators Indonesia: Started mass production and sales of D31PLL agricultural bulldozer	Japan: Expand lineup of agricultural loaders Indonesia: Increase number of users of agricultural techniques employing agricultural bulldozers
• Smart forestry projects	10	50
IoT and ICT work reforms		
• Sales in KOM-MICS platform business (visualization of production equipment operation)	865 units	1,900 units (including for internal use)
Development of a diverse workforce with a high level of productivity and technical skills		
• Enhancing employee engagement	Scheduled for FY2020	Improvement of global surveys and indexes
• Work process reforms through expansion of diverse and flexible workstyles	(1) 1,950 workhours per person/year (2) Commencement of trial in August 2019	Total workhours of less than 2,100; introduction of telework system (Japan)
• Promotion of KOMATSU Way (global dissemination of KOMATSU Way)	• Training hours: 31,625 hours (aggregate hours for all participants) • Number of participants: 1,461 in Japan, 307 overseas	Training hours and number of participants
Strengthening and development of diverse and global-scope talent to help achieve sustainable workplaces		
• Revision of role of Japan in global management	Human resource system revisions started in Japan	Shifting of human resources to projects and improvement activities; globalization of organizations on by-function basis
• Foundations for global measures (systems, frameworks)	Preparations advanced for introduction	Introduction
• Empowerment of female employees ((1) non-consolidated ratio of female employees, (2) non-consolidated ratio of female managers, (3) consolidated ratio of female managers (Japan))	(1) 12.3%, (2) 7.2%, and (3) 4.5%	(1) 12.5%, (2) 10.0%, and (3) 5.0%
• Rate of employment of people with disabilities (comply with requirements in Japan)	2.58% (non-consolidated)	Above 2.3% (legally mandated rate)
• Support for regional human resource development for job creation (regional human resource development with Cummins Inc.)	• Human resource development program launched in Chile • Ongoing support provided in Peru, South Africa, and Australia • Participants' success in finding employment tracked	Chile, Australia, South Africa, others
Development of talent with cross-value chain capabilities		
• Cultivation of SMARTCONSTRUCTION consultants (capable of proposing solutions using ICT to improve productivity and safety throughout construction workplaces)	396	430 (aggregate)
Resolutions to social issues through collaboration with stakeholders		
• Promotion of industry-government-academia collaboration as well as of collaboration with customers	Examination of cutting-edge tools through activities with domestic customers and regional dissemination	Promotion of Brand Management and activities creating value for customers
• Shareholders and individual investors (shareholder meetings, shareholder factory tours, individual investor meetings)	• Shareholder meetings: 2 times • Shareholder factory tours: 10 times • Individual investor meetings: 7 times • Certain factory tours and meetings canceled due to impacts of global COVID-19 pandemic	Number of meetings held
• Institutional investors (ESG meetings)	11 (ESG-related meetings)	Number of meetings held
• Communities (business site fairs)	Business fairs at nine factories (Awazu, Osaka, Ibaraki, Kanazawa, Tochigi, Oyama, Koriyama, Shonan, and Himi); canceled only at Shonan Plant due to impacts of Typhoon Hagibis	One fair held at each of nine factories per year
• Employees (meetings)	34 (30 in Japan, 4 overseas)	Number of meetings held
Action as a responsible corporate citizen addressing corporate governance, compliance, and human rights		
• Occupational health and safety, support for establishing environmental and safety systems at suppliers, response to Japan's Corporate Governance Code (corporate governance reports), evaluations of effectiveness of Board of Directors, internal control, and internal audits	Establishment of Human Rights Policy, disclosure in integrated report	Ongoing improvements made in reflection of relevant laws and regulations and social expectations

Enhancing Quality of Life

—Providing Products Required by Society—

Climate Change Issues

Komatsu established the Komatsu Earth Environment Charter in 1992, launching proactive initiatives for addressing climate change and other environmental issues a step ahead of its peers.

The enactment of the Paris Agreement in 2016 sparked a rapid rise in the importance of initiatives for addressing climate change in the global society. As a global business operator, Komatsu recognizes that contributing to the transition to a low-carbon society is an important management issue in light of the increased frequency of abnormal climate events and natural disasters and changes in resource demand resulting from global warming.

In April 2019, Komatsu announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Through climate change risk and opportunity assessments and scenario analyses based on these recommendations, we will pursue increases our resilience toward climate change impacts. At the same time, we will advance climate change response measures through a healthy dialogue with stakeholders. Furthermore, we will supply high-quality, high-performance products, services, and solutions that are designed for reducing environmental impacts, particularly in relation to climate change, and for safety.



Resolution of ESG Issues

Initiatives Based on TCFD Framework

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

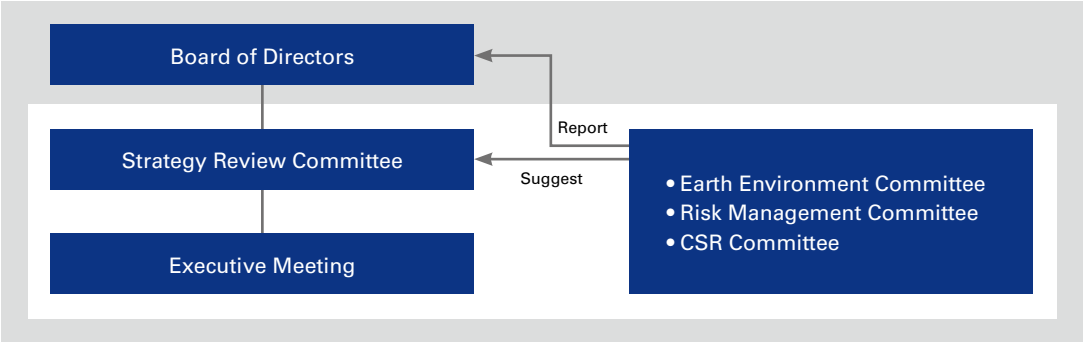
Governance

Komatsu views climate change as an important management issue, and targets for combating climate change have been incorporated into its business strategies.

Discussions regarding climate change are held at meetings of the Earth Environment Committee, the Risk Management Committee, and the CSR Committee, and these committees make suggestions to the Strategy Review Committee and report to the Board of Directors, thereby furnishing a system of appropriate oversight.

Meanwhile, the Executive Meeting fulfills the function of managing progress toward targets.

Climate Change-Related Reporting and Deliberation System



Major Discussion Items Related to Climate Change

Name	Chairperson	Major Discussion Items Related to Climate Change
Board of Directors	Chairman of the Board and Representative Director	• Report from Earth Environment Committee (once a year) • Reports from research, development, and product planning divisions and the Chief Technology Officer (once a year) • Reports from production and procurement divisions (once a year) • Mid-term management plan progress report (once a year)
Strategy Review Committee	President	• Growth strategies for major plants (including climate change-related matters, five times a year) • Report from Environmental Affairs Department (once a year)
Executive Meeting	President	• Progress in regard to product development and production systems (monthly) • Climate change lectures by external specialists (once a year)

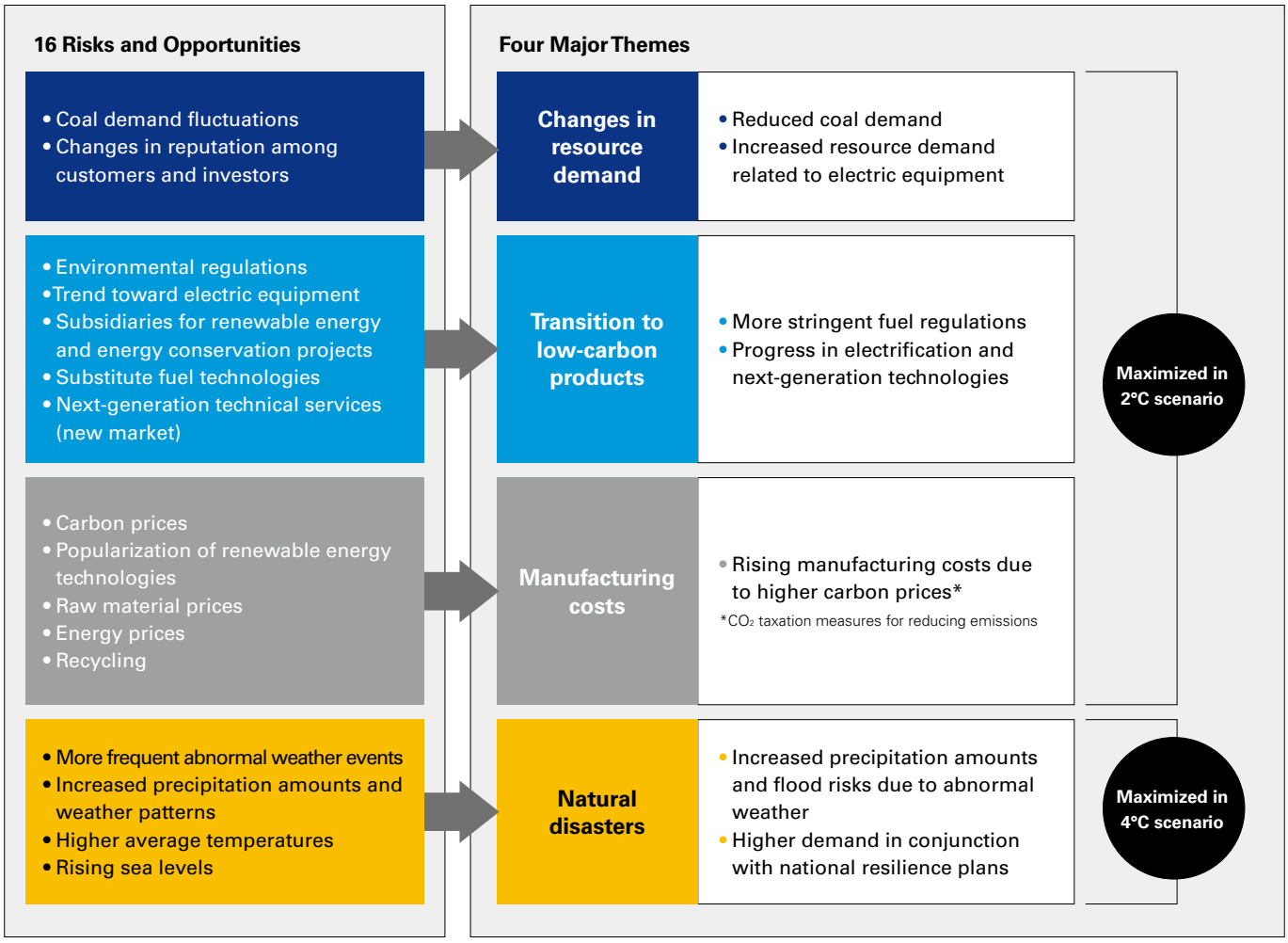
Name	Chairperson	Major Discussion Items Related to Climate Change
Earth Environment Committee	President	• Deliberations and reports regarding important environmental matters and key performance indicators (KPIs) • Reports on overall environmental frameworks and activities
Risk Management Committee	Executive officer supervising general affairs	• Reports on responses to natural disaster risks
CSR Committee	President	• Initiatives for addressing ESG issues • CSR activity reports

Strategies

Risk and Opportunity Identification

In FY2019, a total of 16 climate change-related risks and opportunities were identified for Komatsu, primarily in relation to construction equipment operations, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We then assessed internal factors, which impact sales and earnings, and external factors, which affect projected scenarios. Through this process, the 16 risks and opportunities were grouped based on four major themes.

Risks and Opportunities and Groupings



Business Risks and Opportunities Based on Climate Change Scenarios

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

The risks and opportunities pertaining to specific ESG themes and Komatsu's strategies for addressing these risks and opportunities are described on the following page.

Changes in Resource Demand

	Risks	Opportunities
2°C scenario	• Regulation of power generation using fossil fuels • Massive reductions in coal production volumes under IEA scenarios • Reduced sales to coal-related customers by Komatsu	• Rapid transition from fossil fuel-powered equipment to electric equipment • Higher demand for copper and other resources necessary for electric equipment (motors, batteries, fuel cells, etc.) • Increased sales to copper and other relevant mining-related customers by Komatsu in conjunction with trend toward electric equipment
4°C scenario	• Limited regulation of coal in developing nations • Coal production volumes in 2030 in line with current levels under IEA scenarios • Reduced appetite for investment in coal mines	• Trend toward electric equipment less pronounced than in 2°C scenario • Higher demand for copper and other resources necessary for electric equipment • Rise in investment for streamlining mine operations

Strategies

Exploration of business opportunities arising from climate change through value creation by means of innovation and growth strategies based on innovation

- Increased metal resource demand in conjunction with transition to electric equipment—Expansion of underground mining equipment operations
- Contribution to sustainable forestry—Provision of equipment and systems for streamlining processes spanning from afforestation to logging
- Contribution to rehabilitation of closed mine sites and greenification of deserts—Forest restoration projects at closed mine sites and forest machine operations
- Transition to circular economies—Expansion of equipment restoration ("Reman") business

Transition to Low-Carbon Products

	Risks	Opportunities
2°C scenario	• Regulations promoting transition to fuel-efficient equipment, electric equipment, and other low-carbon products • Rapid changes in research and development trends and competitive climate and market entry by new competitors	• Higher demand for electric, fuel-efficient, and bio-fuel equipment • Expansion of equipment restoration ("Reman") business in conjunction with transition to circular economies • Increased demand for SMARTCONSTRUCTION and other solutions contributing to decarbonization
Strategies	• Respond to transition risks by shifting toward low-carbon products through realization of the safe, highly productive, smart, and clean workplaces of the future described in the mid-term management plan	

Manufacturing Costs

	Risks	Opportunities
2°C scenario	• Taxation of fossil fuels and CO_2 emissions • Transfer of higher product purchase prices to Komatsu • Rising power fees and energy costs following investment in power generation facilities with low CO_2 emissions	• Increased competitiveness through production technologies that reduce CO_2 emissions
Strategies	• Mitigation of cost increases by achieving CO_2 reduction and renewable energy targets defined in the mid-term management plan	

Natural Disasters

	Risks	Opportunities
4°C scenario	• Increased frequency of heavy rain and floods due to abnormal weather • Risks of disaster damages to Komatsu plants at high risk of flooding • Component supply delays following damages to suppliers from disasters	• Increased demand for flood-control works
Strategies	• Institute heavy rain and flood countermeasures across the value chain	

Risk Management

Please refer to page 52 for information on the Company's risk management systems.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Indicators and Targets

Komatsu is mitigating climate change through its business by supplying high-quality, high-performance products, services, and solutions that include provisions for ensuring safety and reducing climate change-related environmental impacts.
The following three indicators and accompanying targets have been set in the mid-term management plan to facilitate the appropriate assessment and management of climate change-related risks and opportunities.

Climate Change-Related Indicators and Targets

Indicators	Targets
CO_2 emissions from product use	Decrease by 50% in 2030 (Base year of 2010, basic unit)
CO_2 emissions from production	Decrease by 50% in 2030 (Base year of 2010, basic unit)
Rate of renewable energy use	50% in 2030

Please refer to *ESG Databook 2020* for more information.
https://komatsu.disclosure.site/en/themes/149

VOICE Message from the CTO (Supervising Research & Development and Environment)

Komatsu's mid-term management plan puts forth environmental impact reduction targets pertaining to cutting CO_2 emissions, which contribute to mitigating climate change, and the increasing use of renewable energy. Approximately 90% of CO_2 emissions from the lifecycles of Komatsu construction equipment, which span from production through to disposal, are attributable to the consumption of fuel during product use at active workplaces. Recognizing this fact, we are dedicated to lowering CO_2 emissions from both production and product use.

Efforts to reduce CO_2 emissions from production include utilizing ICT to carefully track product manufacturing processes and all of the energy used therein and identifying where energy is wasted in these processes. We are addressing this waste through steadfast small reforms to remove each and every source of energy waste as well as large reforms that entail transforming the very way we do our work. By tracking metrics pertaining to factors such as plant air-conditioning, lighting, and machinery, we are endeavoring to eliminate wastes and switch to more efficient equipment. These energy conservation efforts are being complemented by the increased use of renewable energy. Specific renewable energy initiatives include electricity generation using solar power and thinned wood as well as air-conditioning systems that take advantage of differences in temperature between air and underground water.

To reduce CO_2 emissions from product use, Komatsu is utilizing its proprietary technology development and production systems to improve efficiency with regard to engines and hydraulic, electronic, and other components. These efforts have led to the reduction of CO_2 emissions through the introduction of the world's first hybrid system for construction equipment. Through ongoing development and improvement measures driven by proprietary technologies, we seek to further reduce the CO_2 emissions from Komatsu products. For example, we have been promoting the electrification of our products and have launched compact battery-powered forklifts and, more recently, electric mini excavators that do not emit CO_2.

Our attempts to improve the fuel efficiency of our products are not limited to performance enhancements to the products themselves; we are also utilizing Internet of Things (IoT) technologies obtained through open innovation to reduce fuel consumption by tracking conditions across active workplaces. For example, KOMTRAX includes a function that provides customers with operating status and fuel efficiency improvement recommendations to encourage them to use their equipment more efficiently. Meanwhile, the SMARTCONSTRUCTION solution monitors conditions throughout construction workplaces to propose more efficient construction methods and allows us to provide solutions for optimizing customer workplaces.



Yuichi Iwamoto
Senior Executive Officer
Chief Technology Officer (CTO)
Supervising Research & Development and Environment

We are also pursuing CO_2 reductions in the forest machine business, which has been identified as a core theme of the mid-term management plan. In this business, we see potential to cut emissions by delivering products with superior safety and productivity to realize recycling-oriented forestry, a woodland management approach entailing a cycle of planting, cultivating, and felling forests. Accordingly, as part of our social contribution activities, we have been participating in forest restoration projects to greenify the sites of mines at which the excavation of underground minerals has been completed.

Komatsu does not view climate change response measures exclusively in terms of the related risks. Rather, we see these measures as representing prime opportunities to create new businesses. For example, we could create businesses that enable us to improve the value of customer workplaces through the provision of solutions that take advantage of products and open innovation capitalizing on the strength of our ability to develop and produce key components in-house.

TOPICS

Afforestation Projects Advanced Worldwide

Surface mining operations are subject to rigorous regulation to protect the environment as they develop resources. The mine rehabilitation process, which includes filling mine sites and restoring them for use in agriculture or as forests, entails a great deal of effort within the confines of this regulatory framework.

However, even such effort does not guarantee that former mine sites can be revived as sustainable forests. If the revegetation process fails, the nutrition will be lost from the top soil, due to its reduced water-holding capacity, and the mine site will decay further.

Komatsu believes that human intervention is needed to break this downward spiral and assist in the forest restoration process. In addition to helping forge relationships with our mining customers, these efforts utilize our construction equipment and forest machines, making them a social contribution activity that is highly compatible with Komatsu's business.

North America-Originating Forest Restoration Projects Spreading across the Globe

Komatsu's involvement in forest restoration projects can be traced back to projects launched in North America in April 2019. Through one of these projects, we are working to rehabilitate a mine site spanning 1,000 acres (4 square kilometers) in West Virginia over a period of three years. Komatsu provides monetary support, renting equipment, and dispatching employee volunteers for tree planting activities in this project (see *KOMATSU REPORT 2019* for details). In FY2019, we planted 50,000 trees across a 93-acre (0.4 square kilometers) stretch of the former mine site.

In March 2020, another forest restoration project was launched in Australia through collaboration between major mineral resource company Anglo American PLC and Komatsu Australia Pty. Ltd. and Komatsu Mining Corp. The current goal of this project is to plant more than 9,000 trees at the former site of Anglo American's Dawson Mine to restore the forest of this site using indigenous tree species and with an eye to converting parts of the site to farmland. At the kickoff event held in March 2020, a total of 120 people, including employees of the three companies, local residents, and elementary school students, gathered to plant 4,000 trees in a single day.



Kickoff event held in Australia in March 2020 at which a total of 120 people gathered to plant 4,000 trees in a single day

In Europe, we have partnered with Belgium-based NPO Tree-Nation ASBL, which specializes in afforestation, and we are conducting donation campaigns to fund the afforestation activities this NPO is advancing on five continents. A major characteristic of this initiative is that it allows donators to check the progress in the tree planting activities they funded and confirm the resulting CO_2 absorption volume via a smartphone application. European Komatsu Group companies are soliciting donations on various occasions via the efforts of employees as well as collaboration with partners to contribute to the restoration of forests.

Carbon Offset Initiatives

The forests to be restored through the on-schedule advancement of forest restoration projects in North America and Australia should absorb an estimated value of approximately 2,000 tons of CO_2 each year. Komatsu anticipates that the spread of its forest restoration projects will have the positive benefit of mitigating climate change.

Developing People

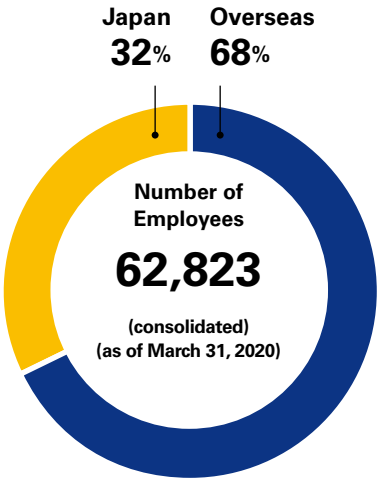
Founder Meitaro Takeuchi established Komatsu Ltd. in Komatsu City, Ishikawa Prefecture roughly a century ago. Having witnessed Europe's cutting-edge technologies at that time, Takeuchi put forth the four management principles of global expansion, quality first, technological innovation, and human resource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

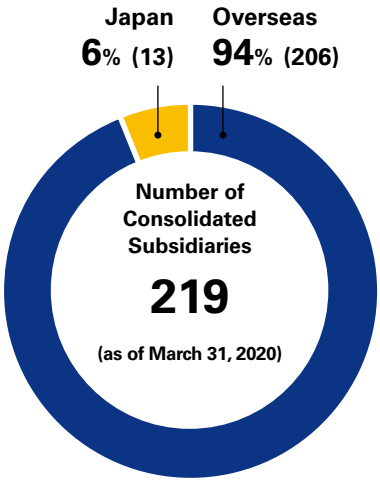


Komatsu Technical Institute lesson

Employees Supporting Komatsu as a Global Company

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





VOICE Message from the General Manager of the Human Resources Department

The ongoing growth of a company is driven by its people, or its employees, and these people are thus its most important resource.

A basic policy of human resource development at Komatsu is that senior managers and other leaders are expected to foster their successors and other human resources capable of competing on the global stage through their own actions.

At the same time, we are constantly working to improve group-wide GEMBA capability (employee-driven, continuous improvement capability) and support the career development efforts of individual employees. These efforts are carried out through a diverse range of human resource development and personnel rotation programs advanced on a global scale.

In recent years, employees of non-Japanese nationality have come to represent around 70% of our total employee base. In reflection of this fact, creating an environment where globally diversified employees can work together as one solid team and make contributions to business growth has been positioned as a central tenet of our human resource strategies under the current mid-term management plan, and various initiatives are being implemented accordingly.

Specifically, we are focused on the following four areas:

1. Enhancing global measures for recruiting and cultivating talented personnel and managing staff (visualization of human resources)
2. Increasing diversity and empowering female employees (increasing ratio of female employees and ratio of female managers)
3. Improving employee health, engagement, and productivity through work-style reforms
4. Addressing birthrate decline and population aging in Japan

In these areas, we are looking to heighten our capabilities across the Group, including at overseas Group companies.

The global COVID-19 pandemic is spreading uncertainty of an unprecedented degree. We are therefore pressed to make decisions and act swiftly and flexibly in response to an ever-changing environment.

Currently, a large number of our employees are being forced to telecommute. Regardless, we are maintaining close coordination with our colleagues around the world to remain up-to-date on the latest information. The health and safety of all of our employees and their families remains our top priority throughout this process.

Meanwhile, on the front lines of business, our strength in enacting policies is being utilized to its fullest as middle managers play a central role in amassing the capabilities of the relative divisions to resolve the issues and problems faced at customer workplaces.

Over the roughly one century since its founding, Komatsu has continued to surmount countless trials, growing rapidly in the process. The global COVID-19 pandemic presents a need for constant vigilance going forward. Still, I am confident that, with the KOMATSU Way sculpted by our forebearers and the principles of SLQDC (Safety, Law, Quality, Delivery, and Cost) as our guide, we can come together to overcome this challenge as well.



Koichi Honda
Senior Executive Officer
General Manager of the Human Resources Department
Supervising Education

The KOMATSU Way



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

Komatsu seeks to develop its operations on a global scale and to become a stronger company and grow. To accomplish these objectives, it will be crucial for us to transmit the KOMATSU Way to employees with different cultures and customs around the world and to implement these principles in a manner that aligns employees along the same vector. To spread understanding of the KOMATSU Way among all employees worldwide, we published the third edition of the *K-Way* booklet in 2019. This booklet is being utilized in human resource development through training programs, improvement activities, and daily communication.

1 Leadership/ Top Management

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

2 "Monozukuri" for All Employees

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

3 Brand Management (Customer Value Creation Activities)

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

Diversity & Inclusion Development Seminar for Cultivating Female Leaders on a Global Basis

In March 2019, a Diversity & Inclusion Development Seminar was held for female managers at Komatsu and at local overseas subsidiaries, and 15 individuals from 12 countries took part. Through this seminar, we hope that participants will deepen their understanding of the history of Komatsu, the KOMATSU Way, and management strategies, and become leaders promoting diversity initiatives at their companies.



Discussion between participants and senior management

Komatsu Technical Institute for Fostering Production Engineers

The Komatsu Technical Institute is an internal boarding school system that offers a program for fostering the distinctive production engineers that underpin our manufacturing competitiveness. At the Komatsu Technical Institute, junior engineers selected from the production sites of Group companies and affiliates take part in a structured, two-year education program while stimulating mutual growth through communal living. A new training facility was completed in February 2020, and it was also at this time that we began accepting employees from overseas subsidiaries into this program. As a result, the Komatsu Technical Institute now offers an even more diverse environment for cultivating future global production leaders.



New Komatsu Technical Institute training facility at the Awazu Plant

AI Education for Developing Key Personnel for AI Field Coordination

Looking ahead, it can be anticipated that there will be growth in opportunities for business coordination with external partners in the field of artificial intelligence (AI). Based on this recognition, Komatsu launched dedicated programs for cultivating key personnel in the AI field in 2019. Through the basic and advance programs, we are working to heighten the AI technological capabilities of our staff, foster key personnel in the field, identify pertinent themes from customer-oriented and business perspectives, and develop human resources capable of playing a central leadership role in internal and external coordination.

Requirements of Key AI Coordination Personnel

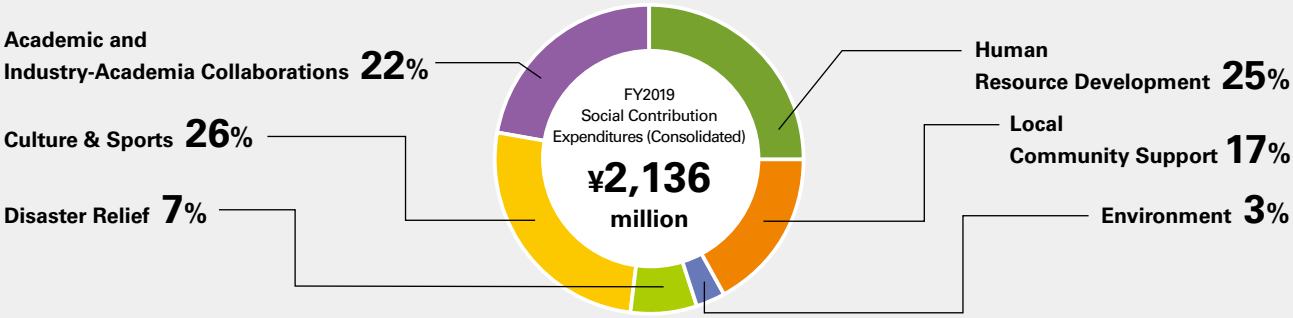
Technical Skill	Communication Skills
Customer-Oriented Perspective	Business Perspective

Growing with Society —Social Contribution Activities

Komatsu recognizes that social contributions to the communities in which it conducts its business activities are an important corporate responsibility. Komatsu defines the social contribution activities as activities related to its three CSR themes that are not directly aimed at generating earnings. Based on this definition, we seek to contribute to society in a manner that leverages the strengths of our core business.

Social Contribution Activities in FY2019

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



Type of Social Contribution Expenditure

Cash contributions	Employee dispatchment and time contributions	Expense related to providing own facilities for public use	Expense related to events for the community	Total
¥707 million	¥316 million	¥314 million	¥797 million	¥2,136 million

Commencement of Agricultural Support Project Following Demining Project

Since 2008, Komatsu has been engaging in collaborative efforts with the Japan Mine Action Service (JMAS) to support the demining of anti-personnel landmines in Cambodia and other areas threatened by these weapons. In addition to removing mines, we also provide reconstruction work, building roads and schools in demined areas, as part of a community development project. In January 2020, we embarked on a new project with JMAS. Through this project, Komatsu ICT-intensive bulldozers, wheel loaders, and hydraulic excavators will be deployed to Cambodia to provide agricultural support. This project represents a new step in our community development efforts, which are shaped by local needs, in which we will use construction equipment to contribute to agriculture. For example, it is possible to increase rice yield by flattening out rough areas to make a smooth and level surface prior to planting. We therefore see the potential for ICT-intensive agricultural bulldozers equipped with automatic blade control functions to be used to increase rice production volumes by flattening direct-planting rice paddies to the greatest degree possible. We also anticipate that agricultural wheel loaders can be utilized in the production and harvesting of crops such as cassava, which has been the target of growing demand in recent years.







Social Support Activities in Response to the COVID-19 Pandemic

Producing and Donating Medical Supplies in Collaboration with Business Partners, The Komatsu Midori-kai

The COVID-19 pandemic has directly damaged our lives and health, but has also significantly impacted the economy, finance, medical infrastructure, and other aspects of society.

In Japan, as the number of people infected by COVID-19 increased, the shortages of medical devices became a critical issue. Though we do not have the equipment or skills to produce medical devices, Komatsu has some assets, like long-time collaborative relationships with our business partners and our production and sales networks. By utilizing these assets, we have procured and donated isolation gowns and face shields, which are personal protective equipment (PPE) for medical workers for which there is particularly urgent need.

To procure them, we asked a Midori-kai member company to begin PPE production. At Komatsu, the staff of our production technology also participated in the activity to improve the strength of the parts, productivity, and the comfort of the PPE during the prototyping phase of the face shield.

After medical experts inspected the protective ability and comfort of the prototypes, 10,100 gowns and 8,000 face shields were produced. We distributed them to medical institutions around the nation for free through the NPO Peace Winds Japan and the government, of which part was funded by donations from our employees. In addition to the isolation gowns and face shields, Komatsu and our employees are carrying out the following support activities:



Members of donation recipient National Hospital Organization Osaka National Hospital



Through the personal network of our supplier, we also received support from a garment making vocational school in Nagano Prefecture. The teachers and students made 100 pieces of PPE from materials donated by a filter maker, one of Midori-kai member companies and donated them to the medical institutions in the region.

Country/Region	Major Activities
USA	• Donations equivalent to 350,000 dollars in total Breakdown: • A 250,000-dollar joint donation with our employees to the hunger relief organization, Feeding America • 100,000 dollars donated to local communities
Chile	• Support for sanitation of streets using cistern trucks (in collaboration with the government)
India	• Donations equivalent to 10 million rupees (national or state welfare funds and technical training support for construction equipment operators)
Europe	• Donations equivalent to 100,000 euros from our group companies in Europe (for medical and food-related purposes depending on local needs, and support for multiple organizations)
Japan	• Donation of 100,000 N95 medical masks from our stock to the Red Cross, the government, medical institutions, etc.

TOPICS

Business Partners—They are Invaluable to Komatsu

For manufacturers, business partners (the suppliers of materials, parts, and components) are important partners that support product quality and reliability. Komatsu especially places great value on relationships with business partners and has grown together with them throughout our long history. We have been thinking together with them and supporting each other, not only in terms of the procurement of goods but also from the perspective of management and human resource development.

The Komatsu Midori-kai comprises 156 member companies that are the main suppliers in Japan. They supply approximately 80% of the items we procure in Japan. Representatives of Midori-kai member companies and top Komatsu management participate in general conferences and roundable discussions for managers, etc. to share policies and issues with each other. We also established regional Midori-kai member comprises for China, North America and Europe. With the addition of the member companies of the Joint Associations of Business Partners in Asia, the total number of overseas member companies exceeds 140.

Corporate Governance

Basic Stance on Corporate Governance

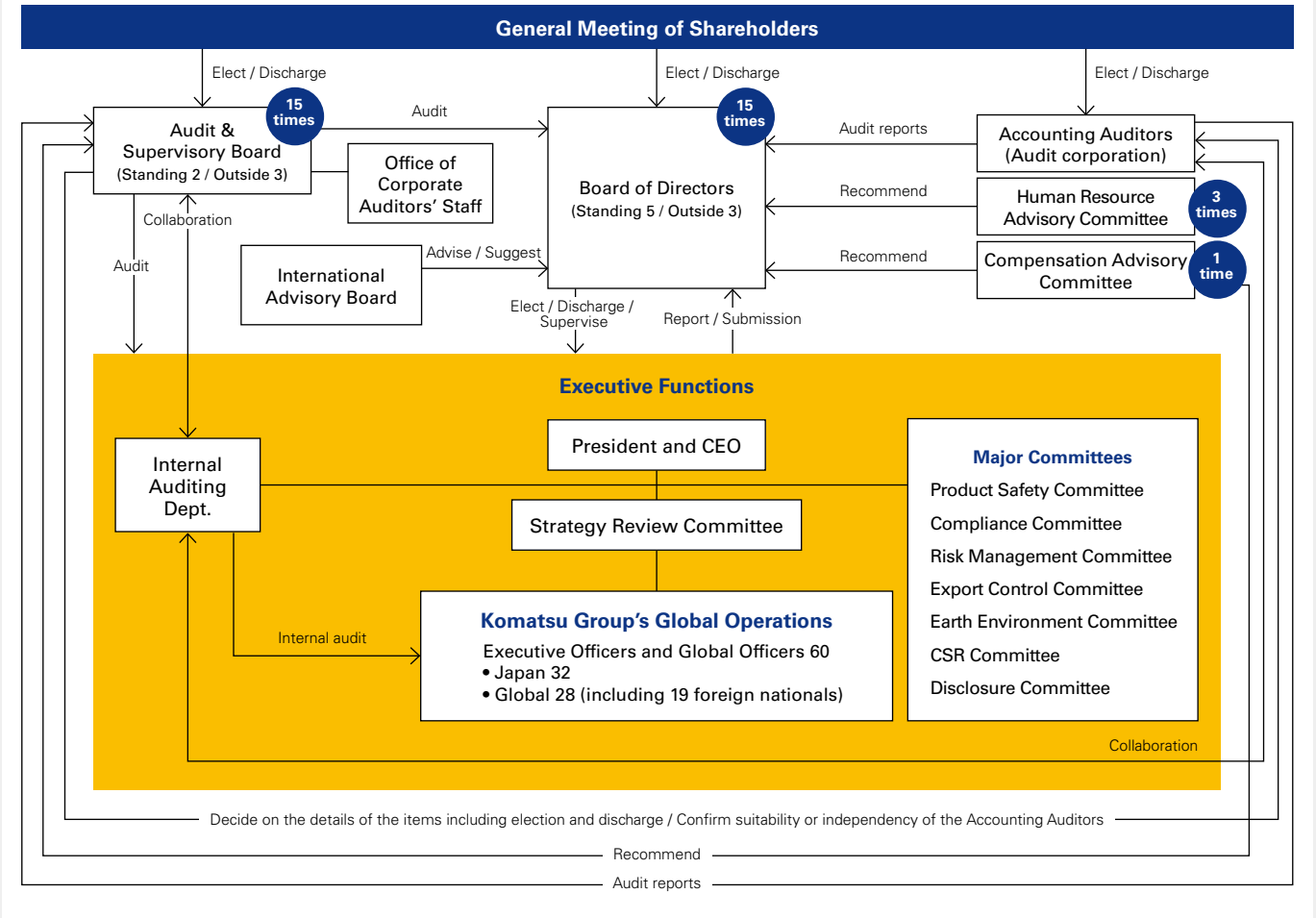
To become a company which enjoys more trust from shareholders and all other stakeholders, the Company is working to strengthen corporate governance, improve management efficiency, advocate corporate ethics and ensure sound management on a group-wide basis. To further improve the transparency of management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

Corporate Governance Framework

At the Company, the Board of Directors is positioned as the core of corporate governance, and to improve the effectiveness of discussions at meetings of the Board of Directors, the Company has worked to put in place a system to ensure thorough discussions of important management matters and prompt decision making, and reform their operational aspect. Having introduced the Executive Officer (*Shikko Yakuin*) System in 1999, the Company has separated management decision making and supervisory functions from executive functions to the extent permitted by laws and regulations, and while appointing both Outside Directors and Outside Audit & Supervisory Board Members, limits the Board of Directors to a small number of members.

Corporate Governance of the Company (As of June 30, 2020)

Figures in ● represent the number of meetings in FY2019.



Activities of the Board of Directors

The Company holds Board of Directors' meetings periodically at least once every month. The Board of Directors deliberates and makes resolutions on important matters, determines management policies of Komatsu, and rigorously controls and supervises the execution of duties by all members of the executive management team including Representative Directors. Of the eight (8) Directors on the Board, three (3) are Outside Directors to ensure transparent and objective management.

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

Characteristics of Komatsu's Board of Directors

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

Board of Directors Meeting Attendance and Agenda Item Numbers in FY2019 (April 1, 2019–March 31, 2020)

Attendance	Outside Directors	100%
	Outside Audit & Supervisory members	100%
Agenda item numbers	Reports	45
	Deliberations, Resolutions	28
Free discussion		2 times

Evaluation of the Effectiveness of the Board of Directors

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

Evaluation Process

❶ Survey
After discussion by the Board of Directors on the method to be used for FY2019 evaluation, based on the method applied in the previous year and the results thereof, the Company conducted a survey out of consideration for the nature of an effective Board of Directors.

❷ Collection of survey results from all Directors and Audit & Supervisory Board Members

❸ Discussion among Outside Directors and Outside Audit & Supervisory Board Members based on survey responses

❹ Report of discussion results, evaluation and analysis of effectiveness, and discussion of the matters for improvement at meeting of the Board of Directors

Survey Topics:

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

Outline of the the Results

The assessment shows a generally high level of achievement for each item and confirms that there were no serious problems concerning the effectiveness. The Company received excellent evaluations for factors, such as the following: the timely sharing of issues, problems, and other information provided in monthly reports by the President himself in Board meetings, the fact that Board members discussed the directions of overall business multiple times from a variety of viewpoints, and the fact that Board members followed up the conditions of resolutions which were regularly reported.

With respect to the conducting of Board meetings, there were a few suggestions for improvement. The Company will make those improvements and work to make the Board of Directors further effective in the future.

Corporate Governance Reforms

The Company has proceeded to implement reforms to its corporate governance system in order to ensure effective and adequate performance of matters related to decision making, management and supervision, such as separation of corporate management from business execution, enhancement of corporate management decision making by the Board of Directors, strict management and supervision of business execution, measures undertaken by Outside Directors to improve transparency and objectivity of management, and measures undertaken by the Audit & Supervisory Board to appropriately audit Directors' execution of duties. As a means to supplement executive functions, the Company established the International Advisory Board (IAB) in 1995. Through the IAB, the Company aims to secure objective advice and suggestions from experts from Japan and abroad about how to function as a global company by exchanging opinions and holding discussions. Going forward, the Company will pursue increases to the effectiveness of the Board of Directors while appointing Outside Directors to ensure transparency and soundness and promoting openness and accountability in management.

Board of Directors

- **28 members** (0 Outside Directors)
- 1999: **8 members** (1 Outside Director)
- 2003: **8 members** (2 Outside Directors)
- 2005: **10 members** (3 Outside Directors)
- 2017: **8 members** (3 Outside Directors)

Audit & Supervisory Board

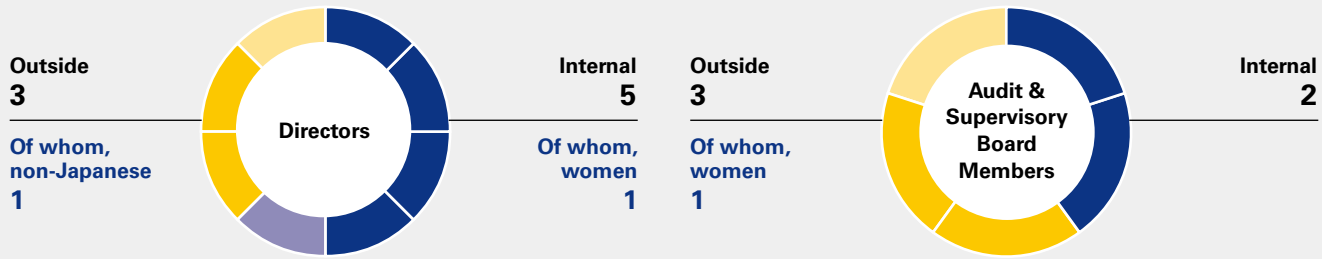
- Audit & Supervisory Board (1994)
- 1999: **3 members** (1 Outside Audit & Supervisory Board Member)
- 1994: **4 members** (2 Outside Audit & Supervisory Board Members)
- 2006: **5 members** (3 Outside Audit & Supervisory Board Members)

Other organizations and systems

- Executive Officer System (1999)
- Global officers (2016)
- Compensation Advisory Committee (1999) 4 outside members, 1 standing member
- Human Resource Advisory Committee (2015) 3 outside members, 2 standing members
- International Advisory Board (1995) 3–4 domestic and overseas experts
- Hitech & Innovation International Advisory Board (2015) 4–6 overseas experts
- Compliance Committee (2001) Members of senior management and labor representatives

Internal

Composition of Directors and Audit & Supervisory Board Members (As of June 30, 2020)



Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in FY2019

Outside Directors

Masayuki Oku

Major Career

Representative Director of Sumitomo Mitsui Banking Corporation

Attendance to the Meetings

Meeting of the Board of Directors 100%

(15 meetings out of the 15 meetings held)

Mr. Masayuki Oku previously served as Representative Director of Sumitomo Mitsui Banking Corporation. During the fiscal year ended March 31, 2020, based on his rich experience in the business world, he provided comments at the meetings of the Board of Directors concerning such issues as product and service demand trends, business strategy and utilization of AI. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Mitoji Yabunaka

Major Career

Vice-Minister for Foreign Affairs

Attendance to the Meetings

Meeting of the Board of Directors 100%

(15 meetings out of the 15 meetings held)

Mr. Mitoji Yabunaka previously served as Vice-Minister for Foreign Affairs. During the fiscal year ended March 31, 2020, based on his standpoint as a specialist in international affairs, he provided comments at the meetings of the Board of Directors concerning such issues as market conditions in the Asian region, development of emerging markets and environmental measures. In addition, he was a member of the Company's Human Resource Advisory Committee.

Makoto Kigawa

Major Career

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

Attendance to the Meetings

Meeting of the Board of Directors 100%

(15 meetings out of the 15 meetings held)

Mr. Makoto Kigawa previously served as Representative Director at both Yamato Holdings Co., Ltd. and Yamato Transport Co., Ltd. During the fiscal year ended March 31, 2020, based on his rich experience in the business world, he provided comments at the meetings of Board of Directors concerning such issues as the utilization of new technologies, information disclosure policies and ICT strategies using platforms. In addition, he was a member of the Company's Human Resource Advisory Committee.

Outside Audit & Supervisory Board Members

Hirohide Yamaguchi

Major Career

Deputy Governor of the Bank of Japan

Attendance to the Meetings

Meeting of the Board of Directors 100%

(15 meetings out of the 15 meetings held)

Meeting of the Audit & Supervisory Board 100%

(15 meetings out of the 15 meetings held)

Mr. Hirohide Yamaguchi previously served as Deputy Governor of the Bank of Japan. During the fiscal year ended March 31, 2020, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as M&A risks, inventory management and audit systems. In addition, he was a member of the Company's Compensation Advisory Committee.

Eiko Shinotsuka

Major Career

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

Attendance to the Meetings

Meeting of the Board of Directors 100%

(15 meetings out of the 15 meetings held)

Meeting of the Audit & Supervisory Board 100%

(15 meetings out of the 15 meetings held)

Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2020, based on her professional standpoint, she provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as the compliance system, securing and utilizing human resources, and mental care for employees. In addition, she was a member of the Company's Compensation Advisory Committee.

Kotaro Ohno

Major Career

Prosecutor-General, Special Counsel, Mori Hamada & Matsumoto

Attendance to the Meetings

Meeting of the Board of Directors 100%

(15 meetings out of the 15 meetings held)

Meeting of the Audit & Supervisory Board 100%

(15 meetings out of the 15 meetings held)

Mr. Kotaro Ohno possesses rich experience in the legal profession. During the fiscal year ended March 31, 2020, based on his professional standpoint, he provided comments at the meetings of the Audit & Supervisory Board and the meetings of the Board of Directors concerning such issues as legal compliance, internal reporting system and risk management. In addition, he was an observer of the Company's Compliance Committee.

Introduction of New Outside Directors

In conjunction with the resignation of Masayuki Oku and Mitoji Yabunaka, the following two new directors were appointed at the General Meeting of Shareholders held in June 2020.

New

Takeshi Kunibe

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

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

New

Arthur M. Mitchell

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

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

Activities of Advisory Committees

Committee Name	Human Resource Advisory Committee	Compensation Advisory Committee
Chairperson	Outside Director (Masayuki Oku)	External expert (Advisor: Tsuguoki Fujinuma, The Japanese Institute of Certified Public Accountants)
Members	3 Outside Directors (Masayuki Oku, Mitoji Yabunaka, Makoto Kigawa) Chairperson of the Board President	1 external expert (Advisor: Tsuguoki Fujinuma, The Japanese Institute of Certified Public Accountants) 1 Outside Director (Masayuki Oku) 2 Outside Audit & Supervisory Board Members (Hirohide Yamaguchi, Eiko Shinotsuka) Chairperson of the Board
Purpose	Selection of next President and deliberation, resolution, and reporting to the Board of Directors on human resource development methods, succession plans, and appointment and dismissal of Directors	Deliberation, resolution, and reporting to the Board of Directors and Audit & Supervisory Board on remuneration systems for Directors, Audit & Supervisory Board Members, and Executive Officers to ensure objectivity and transparency
Meetings in FY2019	3	1
Agenda items in FY2019	• Selection and cultivation of candidates for next President • Proposal of Directors and Audit & Supervisory Board Members for FY2020 • Terms of Directors and Audit & Supervisory Board Members • Composition of Outside Directors • Concurrent positions held by Chairman of the Board and Outside Directors, etc.	• Monthly compensation levels for Directors and Audit & Supervisory Board Members in FY2020 • Performance-based remuneration for Directors for FY2019 (projections) • Evaluation methods for the mid-term management plan

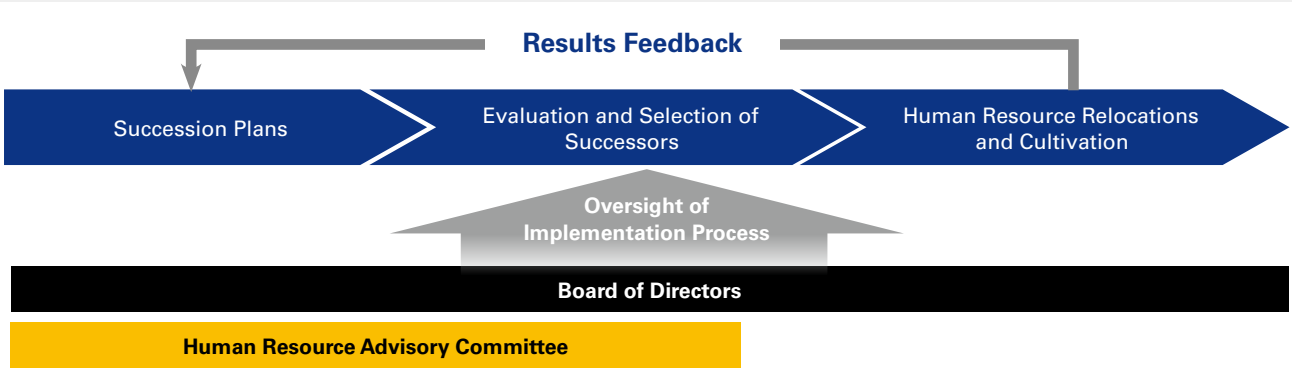
Succession Plans

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

In order to ensure that Komatsu's management values are transmitted to the next generation, the basic requirements for candidates for the position of President are discussed and clearly defined by the Human Resource Advisory Committee. In addition, successors for important domestic and overseas positions up to and including that of the President are decided through the annual implementation of succession plans (see chart below).

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

Overview of Succession Plans



Key Points for Cultivating Leadership/Top Management Successors

1. Foster willpower necessary to overcome challenges by having candidates experience extremely difficult situations
2. Nurture organizational operation capabilities needed to unite parties with differing interests
3. Cultivate compliance awareness to prevent misconduct

Remuneration Systems

In an effort to maintain an objective and transparent remuneration system, the policy and levels of remuneration for Directors and Audit & Supervisory Board Members of the Company are deliberated by the Compensation Advisory Committee. Taking its reports and recommendations into consideration, the remuneration for Directors is determined by the Board of Directors, and the remuneration for Audit & Supervisory Board Members is determined by discussions by the Audit & Supervisory Board Members, respectively, within the range previously determined by resolution of the General Meeting of Shareholders. With regards to remuneration levels, their 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 Director") comprises basic remuneration (fixed remuneration) and performance-based remuneration linked to the Company's consolidated performance for a single fiscal year (bonus in cash and the Stock-Based Remuneration A) as well as the performance-based remuneration (Stock-Based Remuneration B) that will reflect the degree of achievement of the targets raised in the mid-term management plan, so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company, by linking the remuneration. The remuneration for Outside Directors only consists of basic remuneration (fixed remuneration) designed to support their role to make recommendations with respect to the overall management of the Company as a member of the Board of Directors. Furthermore, the remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without getting fettered by the movements of corporate performance of the Company. The retirement allowance system for Directors and Audit & Supervisory Board Members was terminated as of June 2007.

Composition of Remuneration of Directors and Audit & Supervisory Board Members

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

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

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

The Company will pay Internal Directors the equivalent of a three-month portion of monthly remuneration every fiscal year as remuneration linked to the period of the Company's Mid-Term Management Plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within range of 0–100%) will be decided based on the achievement of the management targets of the Mid-Term Management Plan presented in the following table and as a general rule, the restriction of transfer on the shares will be lifted after three years from delivery.

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

	Management Indicator	Management Target
Growth	• Sales growth rate	• Growth rate above the industry's average*1
Profitability	• Operating income ratio	• Industry's top-level operating income ratio*1
Efficiency	• ROE	• ROE of 10% or higher
Financial position	• Net debt-to-equity ratio*2	• Industry's top-level financial position
Retail finance business	• ROA • Net debt-to-equity ratio*2	• ROA 1.5% to 2.0% • 5.0 or under for net debt-to-equity ratio*2
ESG	• Reduction of environmental impact • Evaluation by external organizations	• CO_2 emissions: Decrease by 50% in 2030 from 2010 Renewable energy use: Increase to 50% of total energy use in 2030 • Selected for DJSI*3 (World & Asia Pacific) and for CDP*4 A-list (Climate Changes and Water Risk), etc.
Shareholder return	• Consolidated payout ratio	• Keep a fair balance between investment for growth and shareholder return (including stock buybacks), while placing main priority on investment • Set the goal of a consolidated payout ratio of 40% or higher

*1 Relative comparison with domestic and foreign major competitors in the same industry.
*2 Net debt-to-equity ratio = (Interest-bearing debt – Cash and cash equivalents – Time deposits) / Shareholders' equity of the Company
*3 Dow Jones Sustainability Indices: SRI indices generated by S&P Dow Jones of the United States and RobecoSAM of Switzerland.
*4 International non-profit organization which advocates the reduction of greenhouse gas emissions and protection of water resources and forests by companies and governments.

Major Executive Committees

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

TOPICS

Appointments of Advisors of the International Advisory Board

Komatsu established the IAB back in 1995 for the Board of Directors to incorporate, from external experts, objective advice and suggestions concerning management and operations of Komatsu as a global company. The IAB has met a total of 35 times in the conventional and new organizations combined. In April 2020, Komatsu is going to start the 8th the session of the IAB for Management of the IAB with the following new advisors. The term of service for each advisor is set at three years as a general rule.

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

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

Stakeholder Engagement

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

Corporate Value = Total Sum of Trust Given to Us by Society and All Stakeholders

Share information on the Komatsu Group's vision and the issues it faces (employees, suppliers, distributors)

Society

Provide as many opportunities for engagement as possible and practice proper information disclosure to facilitate understanding of Komatsu

Distributors	Suppliers	Employees	Customers	Shareholders	Investors and Analysts	Mass media	Communities
Distributor meetings	Midori-kai General meetings with management	Meetings with the president	Visits from top management	General Meeting of Shareholders Shareholder meetings	Visits to investors worldwide Analysts meetings Financial results briefings	Interviews	Meetings with mayors, governors, etc.

Direct Communication by Top Management

Major Investor Relations Activities in FY2019

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

For Institutional Investors



Financial results briefings (4 times)
Small meetings (7 times)
Business briefings (2 times)
Business site tours (1 time)
Overseas investor relations activities (5 times; approx. 70 companies)
Individual meetings (over 240)

For Shareholders and Individual Investors



Shareholder meetings (2 times)
Factory tours for shareholders (10 times)
Individual investor meetings (7 times)
Gifts of appreciation for long-term shareholders

* Certain tours and briefings have been cancelled as a result of the global COVID-19 pandemic.

Homepage



Financial information
- Financial results briefings
- Sales and profits gains reports
- Quarterly reports, etc.

Web interviews with the president (4 times)
KOMATSU REPORT, etc.

Engagement Topics

Komatsu holds meetings with institutional investors and securities analysts to deepen their understanding of the Company.

Date	Meeting Name	Attendants	Contents
September 18, 2019	Investors Meeting	39	(1) Komatsu business development in Africa and (2) Komatsu's digital transformation strategy
December 11, 2019	ESG Meeting	40	(1) Solving ESG issues in the new mid-term management plan, (2) *KOMATSU REPORT 2019* / corporate governance, and (3) *KOMATSU REPORT 2019* / Komatsu's social contribution activities

WEB For materials from meetings held in FY2019, please refer to Komatsu's corporate website:
https://home.komatsu/en/ir/library/results/1203311_1764.html

Risk Management

Basic Principles and Structure for Risk Management

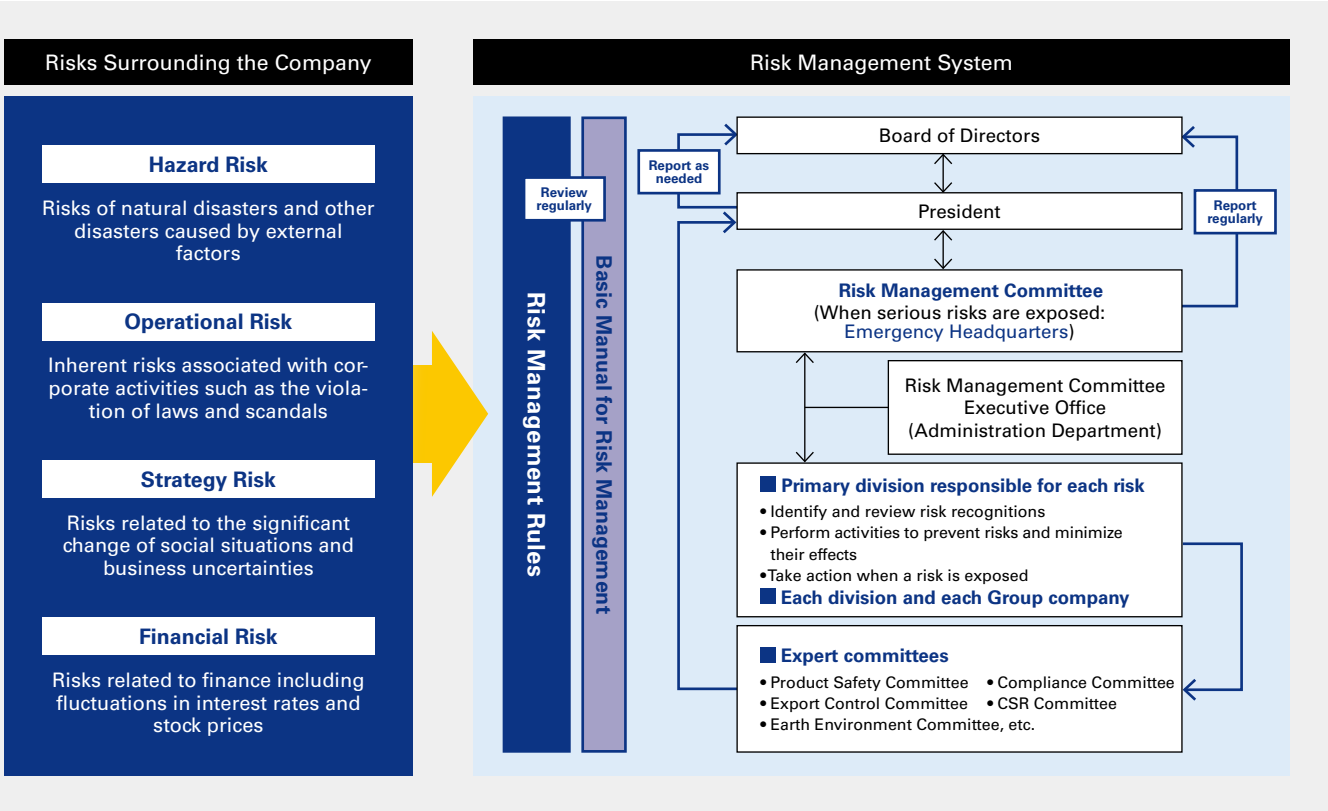
In addition to the basic policy for risk management to ensure business continuity and stable development, Komatsu has established Risk Management Rules to correctly recognize and manage risks.

Komatsu has established a Risk Management Committee to devise relevant policies for the entire Group, review the risk management system, and evaluate and improve upon response measures in place for each risk, as well as to take control of risks when they arise. The committee regularly reports on its deliberations and activities to the board of directors.

Komatsu will establish an emergency headquarters when serious risks occur and implement appropriate measures to minimize damage.

We are developing risk reporting lines, preparing related manuals and making other efforts to further improve the risk management system of the entire Group, including overseas subsidiaries.

We have reflected climate change risks in this system for management.



Compliance

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

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

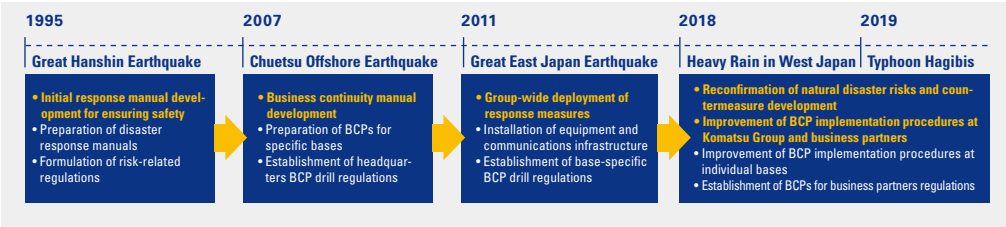
Establishing a business continuity plan (BCP) and providing training

Komatsu has established business continuity plans (BCPs) for individual bases and conducts initial response training drills to prepare primarily for earthquakes. At production bases, we implement measures to reinforce the seismic resistance of structures and production equipment while implementing countermeasures to safeguard against water and wind damage from concentrated heavy rains and other weather events in order to minimize the impacts of increasingly more severe natural disasters. Moreover, the disaster response reporting chains and standards for frontline sites have been clarified to facilitate swift decisions by senior management should a disaster strike.

We are focused on not only strengthening the BCPs of Komatsu Group but also on strengthening the supply chain system through support of our business partners. Recent initiatives to this effect have included holding nationwide seminars on initial disaster responses and hazard map use led by experts on these subjects. Several partners were invited to take part in these seminars.

Going forward, we will continue to promote and enhance our Groupwide BCP initiatives.

Recent Natural Disasters and Response Measures





Response to the COVID-19 Pandemic

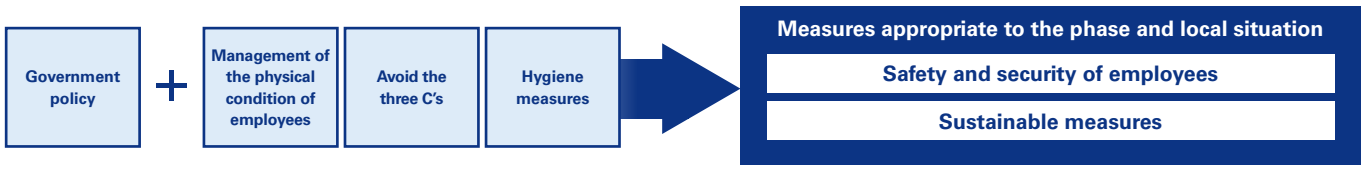
With the safety and health of our customers, partner companies, people in local communities, and our employees and their families set as our priority, the Komatsu Group is striving to prevent the spread of the COVID-19 pandemic based on the government policies in each country.

To fulfill our responsibilities to customers involved in businesses that support social infrastructure (essential businesses), we have continued to supply products, parts, and services to our customers while thoroughly taking measures to prevent infection.

In the middle of March, we determined that we had entered the Infection and Pandemic phase, a management item in the Basic Manual for Risk Management, and set up an emergency headquarters with our president as its Chairperson. Since the state of emergency was declared in Japan in April, we have carried out remote meetings almost every day that include the president, internal directors, and the heads of functions to share the latest information about the situation at the global level and determine the correct actions to take. In addition, the president has also regularly reported this information and these actions to the board of directors.

We have posted news releases on our website to keep all stakeholders updated on the status of our mask donation and other support activities, our global production activities, and other matters as needed.

We will continue to exercise accountability toward stakeholders through timely and appropriate information disclosure going forward.



Response to Climate Change

Approximately 90% of the CO_2 emissions associated with Komatsu Group's operations are attributable to product operation. Accordingly, we have the potential help mitigate climate change by providing low-carbon products and solutions. However, if efforts to deliver such offerings do not conform to the regulatory requirements of the relevant countries or with the demands of markets, we will risk suffering future impacts to our earnings. For this reason, Komatsu has set the goal of halving the CO_2 emissions from product operation by 2030, and R&D activities are being advanced toward the accomplishment of this goal (response to transition risks). Meanwhile, the rise in natural disasters associated with climate change is creating risks of damages to the Company and its supply chain. We are therefore taking steps to identify the water-related risks threatening the Company and its supply chain while instituting BCP drills and other measures to mitigate these risks (response to physical risks).

Directors and Audit & Supervisory Board Members

Directors



Chairperson of the Board and Representative Director

1 Tetsuji Ohashi

- Number of Year (s) in Office 11 years
- Attendance to the Meetings of the Board of Directors 15/15 (100%)
- Number of Shares of the Company Held 151 thousand shares
- Important Concurrent Positions Held in Other Organizations: Outside Director of Yamaha Motor Co., Ltd.
- Special Interests Between the Candidate and the Company: None

4/1977	Joined the Company
4/2019	Took office as Chairperson of the Board and Representative Director (current)



President and Representative Director, and CEO

2 Hiroyuki Ogawa

- Number of Year (s) in Office 2 years
- Attendance to the Meetings of the Board of Directors 15/15 (100%)
- Number of Shares of the Company Held 55 thousand shares
- Important Concurrent Positions Held in Other Organizations: None
- Special Interests Between the Candidate and the Company: None

4/1985	Joined the Company
4/2019	Took office as President and Representative Director (current) CEO (current)



Director and Senior Executive Officer

3 Masayuki Moriyama

President of Mining Business Division

- Number of Year (s) in Office 1 year
- Attendance to the Meetings of the Board of Directors 11/11 (100%)
- Number of Shares of the Company Held 52 thousand shares
- Important Concurrent Positions Held in Other Organizations: None
- Special Interests Between the Candidate and the Company: None

4/1982	Joined the Company
6/2019	Took office as Director and Senior Executive Officer (current)



Director and Senior Executive Officer

4 Kiyoshi Mizuhara

President of Construction Equipment Marketing Division

- Number of Year (s) in Office 1 year
- Attendance to the Meetings of the Board of Directors 11/11 (100%)
- Number of Shares of the Company Held 35 thousand shares
- Important Concurrent Positions Held in Other Organizations: None
- Special Interests Between the Candidate and the Company: None

4/1983	Joined the Company
6/2019	Took office as Director and Senior Executive Officer (current)



Director and Senior Executive Officer

5 Kuniko Urano

Supervising Safety & Health Care, Corporate Communications, and CSR

- Number of Year (s) in Office 2 years
- Attendance to the Meetings of the Board of Directors 15/15 (100%)
- Number of Shares of the Company Held 34 thousand shares
- Important Concurrent Positions Held in Other Organizations: None
- Special Interests Between the Candidate and the Company: None

4/1979	Joined the Company
6/2018	Took office as Director and Senior Executive Officer (current)



Outside Director

6 Makoto Kigawa

- Number of Year (s) in Office 4 years
- Attendance to the Meetings of the Board of Directors 15/15 (100%)
- Number of Shares of the Company Held None
- Important Concurrent Positions Held in Other Organizations:
  Special Advisor of Yamato Holdings Co., Ltd.
  Outside Director of Seven Bank, Ltd.
  Outside Director of Oki Electric Industry Co., Ltd.
  Outside Audit & Supervisory Board Member of The Higo Bank, Ltd.
- Special Interests Between the Candidate and the Company: None

4/1973	Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
4/2004	Took office as Managing Director, Chief Risk Officer / Head of Risk Management Group, and Chief Human Resources Officer / Head of Human Resources Group of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
3/2005	Retired from Mizuho Corporate Bank, Ltd.
4/2005	Joined Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)
6/2005	Took office as Managing Director of Yamato Transport Co., Ltd. (currently Yamato Holdings Co., Ltd.)
11/2005	Took office as Representative Managing Director of Yamato Holdings Co., Ltd.
4/2006	Took office as Representative Director and Managing Executive Officer of Yamato Holdings Co., Ltd.
6/2006	Took office as Representative Director and Senior Managing Executive Officer of Yamato Holdings Co., Ltd.
3/2007	Took office as Representative Director and Executive Officer of Yamato Holdings Co., Ltd. Took office as Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.
4/2011	Took office as Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.
4/2015	Took office as Chairman of the Board and Representative Director of Yamato Holdings Co., Ltd.
6/2016	Took office as Director of the Company (current)
4/2018	Took office as Director and Chairman of Yamato Holdings Co., Ltd.
6/2019	Special Advisor of Yamato Holdings Co., Ltd. (current)



Outside Director

7 Takeshi Kunibe NEW

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

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



Outside Director

8 Arthur M. Mitchell NEW

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

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

(As of June 30, 2020)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member

1 Hironobu Matsuo

- Number of Shares of the Company Held: 22 thousand shares
- Important Concurrent Positions Held in Other Organizations: None
- Special Interests Between the Candidate and the Company: None

4/1982	Joined the Company
6/2017	Took office as Standing Audit & Supervisory Board Member (current)



Standing Audit & Supervisory Board Member

2 Terumi Sasaki NEW

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

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



Outside Audit & Supervisory Board Member

3 Hirohide Yamaguchi

- Number of Shares of the Company Held: 0 shares
- Important Concurrent Positions Held in Other Organizations: Chairman of the Advisory Board of Nikko Financial Intelligence, Inc. (currently Nikko Research Center, Inc.)
  Outside Audit & Supervisory Board Member of Mitsui Fudosan Residential Co., Ltd.
- Special Interests Between the Candidate and the Company: None

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



Outside Audit & Supervisory Board Member

4 Eiko Shinotsuka

- Number of Shares of the Company Held: 0 shares
- Important Concurrent Positions Held in Other Organizations: Professor emeritus at Ochanomizu University
- Special Interests Between the Candidate and the Company: None

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



Outside Audit & Supervisory Board Member

5 Kotaro Ohno

- Number of Shares of the Company Held: 0 shares
- Important Concurrent Positions Held in Other Organizations: Attorney at law, Special Counsel of Mori Hamada & Matsumoto
  Outside Director of AEON Co., Ltd.
  Outside Audit & Supervisory Board Menber of ITOCHU Corporation
- Special Interests Between the Candidate and the Company: None

4/1976	Appointed as Prosecutor
7/2009	Took office as Vice-Minister of Justice
7/2012	Took office as Superintending Prosecutor of Tokyo High Public Prosecutors Office
7/2014	Took office as Prosecutor-General of Supreme Public Prosecutors Office
9/2016	Retired from the position of Prosecutor-General of Supreme Public Prosecutors Office
11/2016	Attorney at law, Special Counsel of Mori Hamada & Matsumoto (current)
6/2017	Took office as Audit & Supervisory Board Member of the Company (current)

WEB Komatsu's Independence Standards for Outside Directors and Outside Audit & Supervisory Board Members can be found via the link below.
https://home.komatsu/en/ir/profile/corporate-governance/independence-criterion.html

(As of June 30, 2020)

Executive Officers and Global Officers (As of June 30, 2020)

Executive Officers

Senior Executive Officer (*Senmu*)

Yuichi Iwamoto
Chief Technology Officer (CTO)
Supervising Research & Development and Environment

Senior Executive Officers (*Jomu*)

Susumu Ueno
President, Japanese Domestic Marketing, Construction Equipment Marketing Division

Masaki Nobuhara
President, Production Division

Taiichiro Kitatani
Vice President, Construction Equipment Marketing Division
GM, ICT Project Department GM, Project Promotion Department

Naoki Fujita
Supervising Industrial Machinery Business
Chairman of the Board, Komatsu NTC Ltd. (Part time)

Seiichi Fuchita
President, Development Division

Yoshiharu Sato
President, Quality Assurance Division

Kazuya Kuriyama
President, Procurement, Production Division

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

Takeshi Horikoshi
Chief Financial Officer (CFO)

Koichi Honda
GM, Human Resources Department
Supervising Education

Executive Officers

Keiko Fujiwara
GM, Department for Promotion of Distributor HR Development, Construction Equipment Marketing Division
GM, Business Reform Department, Construction Equipment Marketing Division

Chikashi Shike
President, Smart Construction Promotion Division

Yasuo Suzuki
Vice President, Production Division (Responsible for Parts & Reman)

Nozomu Okamoto
Awazu Plant Manager, Production Division

Masami Naruse
Vice President, Development Division
GM, Vehicle Development Center 1, Development Division

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

Kosei Okamoto
President, Product Marketing Division

Kenichi Tanaka
President, Defense Systems Division

Shinji Maeda
President, Information Strategy Division

Norikatsu Nishiyama
Himi Plant Manager, Production Division

Hiroshi Makabe
Supervising Legal, General Affairs & Compliance

Mitsuko Yokomoto
GM, General Affairs Department
Responsible for Risk Management

Hidefumi Obikane
Oyama Plant Manager, Production Division
GM, Aftermarket Technology Development Department

Toru Sunada
President, Service Division, Construction Equipment Marketing Division

Takayuki Furukoshi
Osaka Plant Manager, Production Division

Kenichi Sato
President, Aftermarket Business Division, Construction Equipment Marketing Division
GM, Marketing Department, Aftermarket Business Division, Construction Equipment Marketing Division

Jun Taniguchi
Vice President, Development Division
GM, ICT System Development Center, Development Division

Naoyuki Sakurai
Ibaraki Plant Manager, Production Division

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

North America

Senior Executive Officers

Rodney Schrader
Chairman & CEO, Komatsu America Corp.

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

Korekiyo Yanagisawa
EVP & COO, Komatsu Mining Corp.

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

Executive Officers

Taisuke Kusaba
President & COO, Komatsu America Corp.

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

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

South America

Executive Officer

Yasuji Nishiura
Representative of All Latin America* Operations
President, Komatsu Cummins Chile Ltda.
President, Komatsu Holding South America Ltda.

* "Latin America" does not include Brazil

Europe

Senior Executive Officer

Masatoshi Morishita
President & CEO, Komatsu Europe International N.V.

Executive Officer

Umeda Hiroyuki
President, Komatsu Forest AB

Asia/Oceania

Executive Officer

Pratjojo Dewo S.
President, PT Komatsu Indonesia

China

Senior Executive Officer

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

Executive Officers

Quanwang Zhang
President & CEO, Komatsu(China) Ltd.

Takashi Yasukawa
President, Production & Procurement Division, Komatsu (China) Ltd.

Africa

Executive Officer

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

Global Officers

North America

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

John Koetz
President, Surface Mining, Komatsu Mining Corp.

Jorge Mascena
President & CEO, Modular Mining Systems, Inc.

John Fiedler
President, Hensley Industries, Inc.

Europe

Paul Blanchard
President & MD, Komatsu UK Ltd.

Göksel Güner
Chief Operating Officer, Komatsu Europe International N.V.

Ralf Petzold
President & MD, Komatsu Germany GmbH

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

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

Asia/Oceania

Charoen Ruengwilai
President, Bangkok Komatsu Co., Ltd.

Sean Taylor
Managing Director, Komatsu Australia Pty. Ltd.

China

Fangchang Liu
President, Komatsu (Shandong) Construction Machinery Corp.

Dechun Tian
President, Komatsu Shantui Construction Machinery Co., Ltd.

11-Year Summary

	FY2009	FY2010	FY2011	FY2012
Net sales	1,431,564	1,843,127	1,981,763	1,884,991
Operating income	67,035	222,929	256,343	211,602
Operating income ratio (%)	4.7	12.1	12.9	11.2
Income from continuing operations before income taxes and equity in earnings of affiliated companies	64,979	219,809	249,609	204,603
Net income attributable to Komatsu Ltd.	33,559	150,752	167,041	126,321
Capital investment	96,191	97,738	122,038	136,962
Depreciation and amortization*1	90,215	88,442	89,015	88,005
Research and development expenses	46,449	49,005	54,843	60,788
Total assets	1,959,055	2,149,137	2,320,529	2,517,857
Shareholders' equity	833,975	923,843	1,009,696	1,193,194
Shareholders' equity ratio (%)	42.6	43.0	43.5	47.4
Net interest-bearing debt*2	502,818	459,110	563,814	585,926
Net debt-equity ratio (times)	0.60	0.50	0.56	0.49
Net cash provided by operating activities	182,161	150,402	105,608	214,045
Net cash used in investing activities	(72,967)	(88,509)	(124,539)	(131,397)
Net cash provided by (used in) financing activities	(116,363)	(56,365)	18,781	(71,814)
Cash and cash equivalents, end of year	82,429	84,224	83,079	93,620
Number of common share issued (thousands of shares)	998,744	998,744	983,130	983,130
Net income attributable to Komatsu Ltd. per share (yen)	34.67	155.77	173.47	132.64
Cash dividends per share (yen)	16.0	38.0	42.0	48.0
Consolidated payout ratio (%)*3	38.0	24.4	24.2	36.2
ROA (%)	3.3	10.7	11.2	8.5
ROE (%)	4.1	17.2	17.3	11.5
Exchange rate for the U.S. dollar (yen)*4	93	85	79	83
Exchange rate for the Euro (yen)*4	131	113	110	107
Exchange rate for the Chinese Renminbi (yen)*4	13.6	12.7	12.4	13.2
Number of employees (persons)	38,518	41,059	44,206	46,730
Overseas employee ratio (%)	51.9	55.5	57.5	64.3
CO_2 emissions (thousand t)	359	554	583	468
Waste generated (thousand t)	69.5	111.1	119.5	112.1
Volume of water used (thousand m^3)	7,022	7,400	6,784	5,737

*1 Depreciation is the total of depreciation on property, plant and equipment and on intangible assets.
*2 Net interest-bearing debt = Interest-bearing debt – Cash and equivalents – Time deposits.
*3 Figures for FY2009 exclude structural reform expenses.
*4 Average exchange rates for the fiscal year.

Millions of yen

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
1,953,657	1,978,676	1,854,964	1,802,989	2,501,107	2,725,243	**2,444,870**
240,495	242,062	208,577	174,097	268,503	397,806	**250,707**
12.3	12.2	11.2	9.7	10.7	14.6	**10.3**
242,056	236,074	204,881	166,469	291,807	377,471	**223,114**
159,518	154,009	137,426	113,381	196,410	256,491	**153,844**
179,070	192,724	160,051	142,006	145,668	179,210	**166,552**
85,837	100,666	111,174	103,219	132,442	129,860	**129,525**
64,479	70,715	70,736	70,507	73,625	73,447	**74,761**
2,651,556	2,798,407	2,614,654	2,656,482	3,372,538	3,638,219	**3,653,686**
1,376,391	1,528,966	1,517,414	1,576,674	1,664,540	1,815,582	**1,771,606**
51.9	54.6	58.0	59.4	49.4	49.9	**48.5**
513,918	481,817	349,081	286,512	663,740	779,890	**762,705**
0.37	0.32	0.23	0.18	0.40	0.43	**0.43**
319,424	343,654	319,634	256,126	148,394	202,548	**295,181**
(167,439)	(181,793)	(148,642)	(133,299)	(377,745)	(187,204)	**(190,930)**
(155,349)	(143,983)	(173,079)	(107,718)	243,949	(3,660)	**(3,457)**
90,872	105,905	106,259	119,901	144,397	148,479	**247,616**
983,130	971,967	971,967	971,967	971,967	972,252	**972,581**
167.36	162.07	145.80	120.26	208.25	271.81	**162.93**
58.0	58.0	58.0	58.0	84.0	110.0	**94.0**
34.7	35.8	39.8	48.2	40.3	40.5	**57.7**
9.4	8.7	7.6	6.3	9.7	10.8	**6.1**
12.4	10.6	9.0	7.3	12.1	14.7	**8.6**
100	110	121	109	111	111	**109**
133	140	132	119	130	129	**121**
16.3	17.7	19.0	16.2	16.8	16.5	**15.6**
47,208	47,417	47,017	47,204	59,632	61,908	**62,823**
61.8	61.0	60.7	62.7	66.7	68.4	**68.4**
458	412	342	384	459	519	**404**
101.4	83.2	62.4	83.5	113.1	117.8	**95.1**
5,114	4,265	3,627	3,351	4,016	3,941	**3,557**

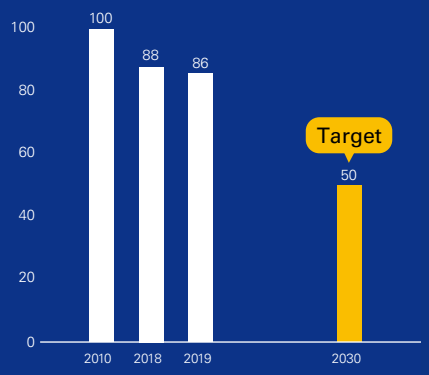
Non-Financial Highlights

Reduction of CO_2 Emissions from Product Operation

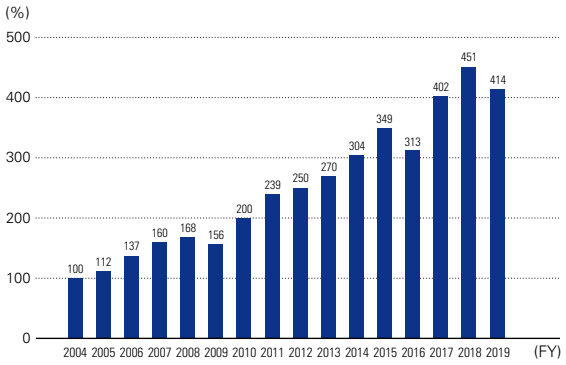
In the mid-term management plan (FY2019–FY2021), Komatsu has set the target of reducing the CO_2 emissions from the operation of products (construction, mining, and forest equipment) by 50% by 2030 (compared to 2010).

To evaluate progress toward this goal, we compared the performance of the current year's products to the products of the reference year (2010) and estimated CO_2 reduction rates through the improvement of fuel consumption and work efficiency. The products of 2019 achieved a CO_2 reduction of 14%, compared to the reference year.

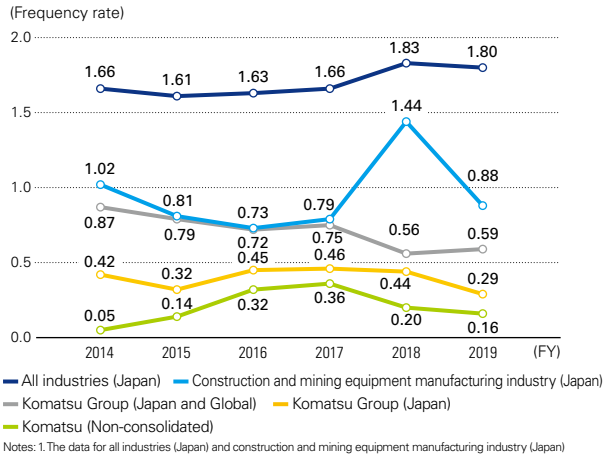
CO_2 Emission Index for Product Operation



Changes in Reman Sales (Base FY2004 = 100)



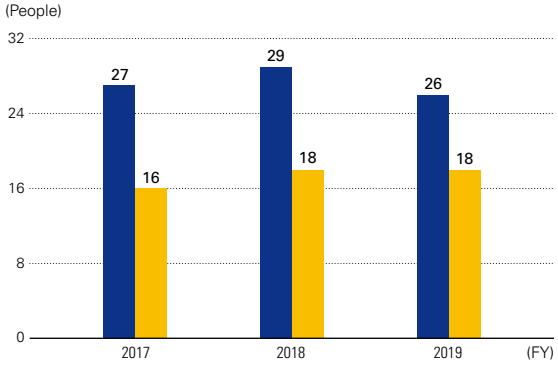
Incidence Rate of Occupational Accidents (Frequency Rate of Lost Work Time)



All industries (Japan) — Construction and mining equipment manufacturing industry (Japan)
Komatsu Group (Japan and Global) — Komatsu Group (Japan)
Komatsu (Non-consolidated)

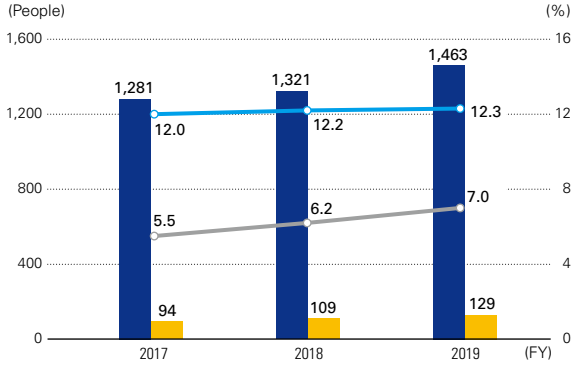
Notes: 1. The data for all industries (Japan) and construction and mining equipment manufacturing industry (Japan) are provided by the Ministry of Health, Labour and Welfare.
2. The scope of Komatsu Group (Japan) includes Komatsu Ltd. and Group companies in Japan.
3. The scope of Komatsu Group (global)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

Number of Global Officers



Total — National top managers out of total executive officers

Numbers and Ratios of Female Employees and Female Managers



Number of female employees
Number of women in management and executive positions
Ratio of female employees (right scale)
Ratio of women in management and executive positions (right scale)

Corporate Profie

External Evaluations and Index Inclusion

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

CDP Climate A-List

Dow Jones Sustainability Indices (DJSI)

MSCI Global Sustainability Indexes*1

ISS-Oekom

EURONEXT VigeoEIRIS

FTSE Blossom Japan Index*2

MSCI Japan ESG Select Leaders Index*1

MSCI Japan Empowering Women Index*1

S&P/JPX Carbon Efficient Index

Digital Transformation Stock Selection Grand Prix 2020

SBT

Grand Prix of the Corporate Value Improvement Award, Tokyo Stock Exchange

*1 THE INCLUSION OF KOMATSU LTD IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HERIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOMATSU LTD BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

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

Corporate Information

(As of March 31, 2020)

Name
Komatsu Ltd.

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

Date of Establishment
May 13, 1921

Common Stock Outstanding
Consolidated: ¥68,689 million based on U.S. GAAP
Non-consolidated: ¥70,973 million

Number of Employees
Consolidated: 62,823
Non-consolidated:11,692
Average age (non-consolidated) : 39.5
Average years of continuous service (non-consolidated) : 15.1

Shares of Common Stock Issued and Outstanding
972,581,230 shares
(including shares of treasury stock)

Number of Shareholders
230,041

Number of Shares per Trading Unit
100

Securities Code
6301 (Japan)

Stock Listings
Tokyo

Transfer Agent for Common Stock/ Management Institution for Special Account
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

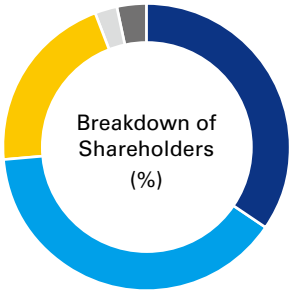
Depositaries (ADRs)
The Bank of New York Mellon
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: +1-(201)-680-6825 for international calls and 888-269-2377 (888-BNY-ADRS) for calls within U.S.A.
URL: https://www.adrbnymellon.com/
Ticker Symbol: KMTUY

Major Shareholders

	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	75,533	7.99
Japan Trustee Services Bank, Ltd. (Trust Account)	45,657	4.83
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	32,244	3.41
Taiyo Life Insurance Company	27,200	2.87
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	26,626	2.81
Japan Trustee Services Bank, Ltd. (Trust Account 7)	22,815	2.41
Japan Trustee Services Bank, Ltd. (Trust Account 5)	18,449	1.95
Sumitomo Mitsui Banking Corporation	17,835	1.88
JP MORGAN CHASE BANK 385151 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	15,951	1.68
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (Standing proxy: Sumitomo Mitsui Banking Corporation)	14,237	1.50

Notes: 1. Shareholding ratio is calculated by subtracting treasury stock.
2. Although the Company holds 27,479 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

Stock Information (including shares of treasury stock)



Financial	34.5%	335,868,341 shares	213 shareholders
Foreign	39.1%	380,368,180 shares	1,068 shareholders
Individual and other	20.7%	201,375,918 shares	226,946 shareholders
Corporate	2.5%	24,395,112 shares	1,648 shareholders
Securities	3.1%	30,573,679 shares	166 shareholders

About KOMATSU REPORT

Published annually, Komatsu report (integrated report) provides financial and non-financial information on the Company's efforts to realize continuous, long-term improvements in corporate value. Separate reports are prepared and disclosed to provide detailed financial information and information on environmental and social initiatives.

Structure of Komatsu's Annual Reports

KOMATSU REPORT
(Integrated reporting)

Annual Securities Report
(Financial conditions)

ESG Databook
(Social activities and Environmental performance)

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

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

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

WEB https://home.komatsu/en/ir/library/annual-security-report/

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

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

WEB https://komatsu.disclosure.site/en

WE SUPPORT UN GLOBAL COMPACT

- Komatsu has signed the United Nations Global Compact (UNGC).
Click this link for more information about the Ten Principles advocated by the UNGC and how they pertain to Komatsu's initiatives.
https://komatsu.disclosure.site/en/themes/129

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

KOMATSU

Komatsu Ltd.
2-3-6, Akasaka, Minato-ku, Tokyo 107-8414, Japan
https://home.komatsu/en
Corporate Communications Department
e-mail: JP00MB_info@global.komatsu