

May 30, 2023

Dear Shareholders:

Notice of Convocation of the
154th Ordinary General Meeting of Shareholders
of Komatsu Ltd.

Komatsu Ltd.

(Translation)

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

Table of Contents

NOTICE OF CONVOCATION OF THE ONE HUNDRED AND FIFTY-FOURTH (154TH) ORDINARY GENERAL MEETING OF SHAREHOLDERS OF KOMATSU LTD.....	2
Reference Documents for the General Meeting of Shareholders	6
Business Report.....	26
Consolidated Financial Statements	60
Auditors' Report.....	63

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

To All Our Shareholders



President



Thank you for your continuous support of the business of the Komatsu Group.
I hereby provide notice of convocation of the 154th Ordinary General Meeting of Shareholders, which is to be held on June 21, 2023.

The Komatsu Group embarked on the three-year, mid-term management plan, “DANTOTSU Value – Together, to **‘The Next’** for sustainable growth,” in April 2022 to create new values for the next 100 years. As we seize on opportunities derived from prevailing significant changes in the external environment, we continue to emphasize the previous plan’s sustainability management, in which we work for sustainable growth through a “positive cycle of improving earnings and solving environmental, social, and corporate governance (ESG) issues,” and promote various focused activities while upholding three pillars of growth strategies of 1) Accelerate growth by means of innovation, 2) Maximize earnings power, and 3) Enhance corporate resilience.

During fiscal year 2022, the first year of the mid-term management plan, while there were hopeful signs in the Japanese and global economies which had been affected by the COVID-19 pandemic, it became increasingly difficult to anticipate the situation due to geopolitical risk as seen in the Ukraine situation and others, fluctuations in exchange rates, increased prices of materials and logistics costs, and other factors. As for company performance, in this environment, we achieved record high net sales and operating income due to the Japanese yen’s depreciation in addition to increased sales of new equipment and parts services, and improved selling prices.

In focused activities for the “Accelerate growth by means of innovation” strategy, we will advance technological development on the hardware side such as electrification, automation, autonomous operation and remote control of construction equipment, and at the same time, also work on development of platforms and applications to optimize construction at customer workplaces, aiming to realize DX and decarbonization on both aspects of “products” and “solutions.”

For the “Maximize earnings power” strategy, we promoted the two-model line strategy as our initiative for the Asian market, and the aftermarket business grew substantially through expansion of the extended warranties with maintenance plans, digital marketing and other means. In addition, we worked to expand businesses by utilizing M&A in the forestry machinery business and the hard rock business.

Regarding the “Enhance corporate resilience” strategy, we will also steadily promote activities toward making our supply chain highly resilient to geopolitical risk and changes in production volumes to strengthen risk management, and continue the enhancement of diversity & inclusion and human resources development of digital application as well.

Furthermore, we have steadily advanced our ESG initiatives by also incorporating evaluation by external organizations as our ESG management targets in the current mid-term management plan, continuing from the previous mid-term management plan. As a result, we were included once again in the “Dow Jones Sustainability Indices World Index” and remained on the A list of CDP, an international non-profitable organization, for “Climate Change” and “Water Security” in 2022.

Going forward, the Komatsu Group will keep striving to create new values aiming to help give rise to a sustainable future for the next generation by realizing safe, highly productive, smart and clean workplaces of the future with customers through “manufacturing and technology innovation” and “commitment to Quality and Reliability.”

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

May 2023

NOTICE OF CONVOCAATION OF THE
ONE HUNDRED AND FIFTY-FOURTH (154TH)
ORDINARY GENERAL MEETING OF SHAREHOLDERS
OF KOMATSU LTD.

Securities Code: 6301

May 30, 2023

(Date of disclosure for electronic provision: May 24, 2023)

Dear Shareholders:

Please be advised that the 154th Ordinary General Meeting of Shareholders of Komatsu Ltd. (hereinafter “the Company”) will be held in accordance with the particulars indicated in the attachment hereto.

When convening the General Meeting of Shareholders, the Company takes measures for providing information in electronic format, and posts the items subject to measures for electronic provision on the following websites:

The Company’s website

<https://www.komatsu.jp/ja/ir> (in Japanese)

(From the above website, select “Stock, rating information,” and then “General meeting of shareholders.”)

TSE website

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(On the TSE website, enter “Komatsu Ltd.” in “Issue name (company name)” or the Company’s securities code “6301” in “Code,” and click “Search.” Then, click “Basic information” and select “Documents for public inspection/PR information.”)

Website for posted informational materials for the general meeting of shareholders

<https://d.sokai.jp/6301/teiji/> (in Japanese only)

If you are unable to attend the meeting in person, you may exercise your voting rights by conventional postal delivery or via the Internet in advance. We accordingly ask that you exercise your voting rights by 5:45 p.m. on Tuesday, June 20, 2023 (Japan time), upon having reviewed the “Reference Documents for the General Meeting of Shareholders” among the items subject to measures for electronic provision.

Sincerely,

Hiroyuki Ogawa

President

Komatsu Ltd.

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

Details

1. Date and Time: Wednesday, June 21, 2023 at 10:00 a.m. (Japan time)

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

3. Purpose:

Items to Be Reported

- (1) The Business Report and the Consolidated Financial Statements for the 154th fiscal year (April 1, 2022 – March 31, 2023), as well as the Audit Results Report of the Accounting Auditors and the Audit & Supervisory Board on the Consolidated Financial Statements
- (2) The Non-Consolidated Financial Statements for the 154th fiscal year (April 1, 2022 – March 31, 2023)

Items to Be Resolved

- Item 1:** Appropriation of Surplus
- Item 2:** Election of Nine (9) Directors
- Item 3:** Election of One (1) Audit & Supervisory Board Member

Guidance on Methods for Exercise of Voting Rights

Exercise of voting rights in advance

By conventional postal delivery	
Deadline for exercising voting rights:	To arrive at the Company by 5:45 p.m. on Tuesday, June 20, 2023 (Japan time)
Please indicate “for” or “against” for each agenda item shown on the enclosed Card for Exercising Voting Rights and return it via the conventional postal delivery system.	

Via the Internet*	
Deadline for exercising voting rights:	To be performed by 5:45 p.m. on Tuesday, June 20, 2023 (Japan time)
Website designated by the Company:	https://evote.tr.mufg.jp/
Please indicate “for” or “against” for each agenda item.	

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

Physically attending on the day of the General Meeting of Shareholders

Attendance at the General Meeting of Shareholders	
Date and time:	Wednesday, June 21, 2023 at 10:00 a.m. (Japan time)
The reception desk is scheduled to open at 9:00 a.m.	
Please bring the enclosed Card for Exercising Voting Rights and submit it at the reception.	

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

4. Handling of Votes

- (1) If neither approval nor disapproval of each proposal is indicated on the Card for Exercising Voting Rights, the Company will deem that you indicated your approval of the proposal.
- (2) If you exercise your voting rights twice, both by conventional postal delivery and via the Internet, the voting via the Internet shall prevail regardless of the arrival date of the mailed vote.
In the case of multiple votes via the Internet, etc., the last votes shall prevail.
- (3) If you diversely exercise your voting rights, you are required to notify the Company of the details and the reasons for this in writing or via the Internet.

End

- If revisions to the items subject to measures for electronic provision arise, a notice of the revisions and the details of the items before and after the revisions will be posted on the websites mentioned on page 2.
**Information in English has been posted on our English website (<https://www.komatsu.jp/en/ir>).*
- Paper-based documents stating items subject to measures for electronic provision are sent to shareholders who have requested the delivery of paper-based documents. However, those documents do not include the following matters in accordance with the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation.

1	Business Report	Financial Position and Profit/Loss Trends Major Lines of Business Principal Offices and Plants Employees Main Lenders Matters Regarding Stock Acquisition Rights of the Company, etc. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems Status of Accounting Auditors
2	Consolidated Financial Statements	Consolidated Statement of Equity Notes to Consolidated Financial Statements
3	Non-Consolidated Financial Statements	Non-Consolidated Balance Sheet Non-Consolidated Statement of Income Non-Consolidated Statement of Changes in Net Assets Notes to Non-Consolidated Financial Statements
4	Auditors' Report	Independent Auditor's Report on Non-Consolidated Financial Statements

The paper-based documents sent to shareholders who have requested the delivery thereof represent part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor in preparing their respective audit reports.

Reference Documents for the General Meeting of Shareholders

Proposed Items to Be Resolved and Reference Information:

Item 1: Appropriation of Surplus

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

For the 154th fiscal year, based on the dividend policy of a consolidated payout ratio of 40% or higher, as well as in consideration of the Company's business performance for this fiscal year and future business developments, the Company proposes to pay a year-end dividend of surplus as follows.

(1) Type of the dividend assets	Cash
(2) Matters concerning allotment and total amount of the dividend assets	JPY 75 per one (1) common share of the Company (an increase of JPY 19 per one (1) common share of the Company over the previous fiscal year) Total amount of the dividend assets: JPY 70,950,408,675
(3) Effective date of dividends of surplus	Thursday, June 22, 2023

Accordingly, combined with the interim dividend of JPY 64 per one (1) common share of the Company, the annual dividend will be JPY 139 per one (1) common share of the Company for this fiscal year, an increase of JPY 43 per one (1) common share of the Company over the previous fiscal year. The consolidated payout ratio is 40.3%.

Item 2: Election of Nine (9) Directors

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

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

The candidates for the positions are as follows:

No. of Candidate	Name	(Reference)	
		Position and in Charge, etc. at the Company (As of May 19, 2023)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2023
1	Reelection Mr. Tetsuji Ohashi	Chairman of the Board Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
2	Reelection Mr. Hiroyuki Ogawa	President and Representative Director Chief Executive Officer (CEO) Member of Human Resource Advisory Committee	100%
3	Reelection Mr. Masayuki Moriyama	Representative Director and Senior Executive Officer President of Mining Business Division	100%
4	Reelection Mr. Takeshi Horikoshi	Director and Senior Executive Officer Chief Financial Officer (CFO)	100%
5	Reelection Outside Director Independent Mr. Takeshi Kunibe	Director Chairman of Human Resource Advisory Committee Chairman of Compensation Advisory Committee	86%
6	Reelection Outside Director Independent Mr. Arthur M. Mitchell	Director Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
7	Reelection Outside Director Independent Ms. Naoko Saiki	Director Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
8	Reelection Outside Director Independent Mr. Michitaka Sawada	Director Member of Human Resource Advisory Committee Member of Compensation Advisory Committee	100%
9	New Candidate Ms. Mitsuko Yokomoto	Senior Executive Officer Supervising Human Resources, Education and Sustainability	–

Outside Director: Candidate for Outside Director

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

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

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

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

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

	1. Reelection	Tetsuji Ohashi	(March 23, 1954)
	▶ Number of Year(s) in Office:	14 years	
	▶ Attendance of the Meetings of the Board of Directors:	15/15 (100%)	
	▶ Number of Shares of the Company Held:	203,900 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Director of Yamaha Motor Co., Ltd. Outside Member of the Board of Nomura Research Institute, Ltd. Outside Director of Asahi Group Holdings, Ltd.	
	▶ Special Interests between the Candidate and the Company:	None	

Career summary and positions

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

Reason for nomination as candidate for Director

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

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

	2. Reelection Hiroyuki Ogawa (March 23, 1961)
	▶ Number of Year(s) in Office: 5 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 108,100 shares
	▶ In Charge at the Company: Chief Executive Officer (CEO)
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests between the Candidate and the Company: None

Career summary and positions

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

Reason for nomination as candidate for Director

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

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

	3. Reelection Masayuki Moriyama (February 5, 1960)
	▶ Number of Year(s) in Office: 4 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 78,200 shares
	▶ In Charge at the Company: President of Mining Business Division
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests between the Candidate and the Company: None

Career summary and positions

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

Reason for nomination as candidate for Director

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

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

	4. Reelection Takeshi Horikoshi (August 1, 1961)
	▶ Number of Year(s) in Office: 2 years
	▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)
	▶ Number of Shares of the Company Held: 37,000 shares
	▶ In Charge at the Company: Chief Financial Officer (CFO)
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests between the Candidate and the Company: None

Career summary and positions

4/1985	Joined the Company Accounting Section, Administration Department of Osaka Plant
2/1996	Komatsu UK Ltd.
9/1998	Komatsu France S.A.S (until 5/2003)
11/2008	Komatsu Europe International N.V. (until 11/2011)
6/2012	General Manager of Finance & Treasury Department
5/2016	General Manager of Corporate Controlling Department
4/2017	Took office as Executive Officer
4/2018	CFO (current)
4/2020	Took office as Senior Executive Officer
6/2021	Took office as Director and Senior Executive Officer
4/2023	Took office as Director and Senior Executive Officer (current)

Reason for nomination as candidate for Director

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

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

Outside Director Independent	5. <u>Reelection</u>	Takeshi Kunibe	(March 8, 1954)
	▶ Number of Year(s) in Office:	3 years	
	▶ Attendance of the Meetings of the Board of Directors:	13/15 (86%)	
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD. Outside Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.	
	▶ Special Interests between the Candidate and the Company:	None	

Career summary and positions

4/1976	Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation, hereinafter "SMBC")
6/2003	Took office as Executive Officer of SMBC
10/2006	Took office as Managing Executive Officer of SMBC
4/2007	Took office as Managing Executive Officer of Sumitomo Mitsui Financial Group, Inc. (hereinafter "SMFG")
6/2007	Took office as Director of SMFG
4/2009	Took office as Director and Senior Managing Executive Officer of SMBC
4/2011	Took office as Representative Director, President and Chief Executive Officer of SMBC
4/2017	Took office as Representative Director and President of SMFG Retired from Director of SMBC
6/2017	Took office as Director President and Representative Executive Officer of SMFG
4/2019	Took office as Chairman of the Board of SMFG (current)
6/2020	Took office as Director of the Company (current)
10/2021	Took office as Chairman of the Board of SMBC
4/2023	Retired from Director of SMBC

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

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

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

Matters regarding independence

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

Mr. Kunibe serves as Chairman of the Board of Sumitomo Mitsui Financial Group, Inc. He also served as Representative Director, President and Chief Executive Officer of Sumitomo Mitsui Banking Corporation from April 2011 to April 2017, but has had no involvement in the execution of business at the said bank since his retirement in April 2017. Because the Company and its consolidated subsidiaries have several lenders and the said bank is only one lender among the several lenders of the Company and its consolidated subsidiaries, the said bank is not a business partner which has a significant impact on the Company's decision making. As of the end of the most recent fiscal year, the balance of loans from the said bank was JPY 160.6 billion, which was 15.2% of the balance of interest-bearing debt.

Facts in violation of laws and regulations or the Articles of Incorporation or facts of any other unreasonable execution of business at the other corporations

Mr. Takeshi Kunibe served as Director of Sumitomo Mitsui Financial Group, Inc., and as Director of Sumitomo Mitsui Banking Corporation. In October 2022, administrative actions under the Financial Instruments and Exchange Act of Japan were imposed on Sumitomo Mitsui Financial Group, Inc. and SMBC Nikko Securities Inc. by the Financial Services Agency with regard to the violation of Article 159, Paragraph 3 of the Financial Instruments and

Exchange Act of Japan (illegal stabilization transactions) by former executive officers and employees of SMBC Nikko Securities Inc. In addition, SMBC Nikko Securities Inc. was convicted by the Tokyo District Court in relation to this incident in February 2023, and this ruling was finalized. Furthermore, in October 2022, administrative actions under the Financial Instruments and Exchange Act of Japan were imposed on SMBC Nikko Securities Inc. by the Financial Services Agency with regard to the exchange of non-disclosure information between executive officers and employees of the said company and those of Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation received orders to submit a report under the Financial Instruments and Exchange Act and the Banking Act of Japan from the Financial Services Agency in relation to this incident. Although Mr. Takeshi Kunibe was unaware of the incidents, he has constantly stated the importance of legal compliance, appropriateness of business operations, risk management, etc. at meetings of the Board of Directors and each committee and at other opportunities and made recommendations on strict implementation thereof. After the incidents were discovered, he has also promoted initiatives for development and implementation of effective recurrence prevention measures, further strengthening of the SMBC Group's legal compliance and internal management systems, and creation of sound corporate culture through deliberations at meetings of the Board of Directors and each committee and at other opportunities, etc.

<p>Outside Director Independent</p> 	<p>6. Reelection Arthur M. Mitchell (July 23, 1947)</p>
	<p>▶ Number of Year(s) in Office: 3 years</p>
	<p>▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)</p>
	<p>▶ Number of Shares of the Company Held: 0 shares</p>
	<p>▶ Important Concurrent Positions Held in Other Organizations: Outside Director of Sumitomo Mitsui Financial Group, Inc. (scheduled to retire in June 2023)</p>
	<p>▶ Special Interests between the Candidate and the Company: None</p>

Career summary and positions

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

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

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

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

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

Matters regarding independence

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

Facts in violation of laws and regulations or the Articles of Incorporation or facts of any other unreasonable execution of business at the other corporations

Mr. Arthur M. Mitchell has served as Outside Director of Sumitomo Mitsui Financial Group, Inc. In October 2022, administrative actions under the Financial Instruments and Exchange Act of Japan were imposed on Sumitomo Mitsui Financial Group, Inc. and SMBC Nikko Securities Inc. by the Financial Services Agency with regard to the violation of Article 159, Paragraph 3 of the Financial Instruments and Exchange Act of Japan (illegal stabilization transactions) by former executive officers and employees of SMBC Nikko Securities Inc. In addition, SMBC Nikko Securities Inc. was convicted by the Tokyo District Court in relation to this incident in February 2023, and this ruling was finalized. Furthermore, in October 2022, administrative actions under the Financial Instruments and Exchange Act of Japan were imposed on SMBC Nikko Securities Inc. by the Financial Services Agency with regard to the exchange of non-disclosure information between executive officers and employees of the said company and those of Sumitomo Mitsui Banking Corporation, and Sumitomo Mitsui Financial Group, Inc. and Sumitomo Mitsui Banking Corporation received orders to submit a report under the Financial Instruments and Exchange Act and the Banking Act of Japan from the Financial Services Agency in relation to this incident. Although Mr. Arthur M. Mitchell was unaware of the incidents, he has constantly stated the importance of legal compliance, appropriateness of business operations, risk management, etc. at meetings of the Board of Directors and each committee and at other opportunities and made recommendations on strict implementation thereof. After the incidents were discovered, he has also promoted initiatives for development and implementation of effective recurrence prevention measures, further strengthening of the SMBC Group's legal compliance and internal management systems, and creation of sound corporate culture through deliberations at meetings of the Board of Directors and each committee and other opportunities, etc.

<p>Outside Director Independent</p> 	<p>7. Reelection Naoko Saiki (October 11, 1958)</p>
	<p>▶ Number of Year(s) in Office: 2 years</p>
	<p>▶ Attendance of the Meetings of the Board of Directors: 15/15 (100%)</p>
	<p>▶ Number of Shares of the Company Held: 0 shares</p>
	<p>▶ Important Concurrent Positions Held in Other Organizations: Outside Director of Sojitz Corporation Outside Audit & Supervisory Board Member of Development Bank of Japan Inc. Outside Director of Sankyu Inc.</p>
	<p>▶ Special Interests between the Candidate and the Company: None</p>

Career summary and positions

4/1982	Joined the Ministry of Foreign Affairs (hereinafter “MOFA”)
7/2014	Took office as Director-General, Economic Affairs Bureau and Councillor, Cabinet Secretariat
10/2015	Took office as Director-General, International Legal Affairs Bureau
7/2017	Took office as Director-General, Foreign Service Training Institute
1/2019	Retired from MOFA
4/2020	Took office as Visiting Professor, Graduate School of Public Policy, The University of Tokyo
6/2021	Took office as Director of the Company (current)
4/2023	Special Assistant to the Minister for Foreign Affairs (current)

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

Ms. Naoko Saiki has considerable knowledge and abundant experience in international affairs, international law, and the field of economics as she served in positions such as Director-General of the Economic Affairs Bureau and Director-General of the International Legal Affairs Bureau at MOFA.

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

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

Matters regarding independence

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

<p>Outside Director Independent</p> 	<p>8. Reelection Michitaka Sawada (December 20, 1955)</p>
	<p>▶ Number of Year(s) in Office: 1 year</p>
	<p>▶ Attendance of the Meetings of the Board of Directors: 11/11 (100%)</p>
	<p>▶ Number of Shares of the Company Held: 0 shares</p>
	<p>▶ Important Concurrent Positions Held in Other Organizations: Director, Chair of Kao Corporation Outside Director of Panasonic Holdings Corporation Outside Director of Nitto Denko Corporation</p>
<p>▶ Special Interests between the Candidate and the Company: None</p>	

Career summary and positions

4/1981	Joined Kao Soap Co., Ltd. (currently Kao Corporation)
6/2006	Took office as Executive Officer of Kao Corporation
6/2008	Took office as Director, Executive Officer of Kao Corporation
6/2012	Took office as Representative Director, President and Chief Executive Officer of Kao Corporation
1/2021	Took office as Director, Chair of Kao Corporation (current)
6/2022	Took office as Director of the Company (current)

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

Mr. Michitaka Sawada has considerable knowledge and rich experience in the business world having engaged in global group corporate management and ESG management, as Representative Director, President of Kao Corporation and Director, Chair of Kao Corporation.

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

Matters regarding independence

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

	9. New Candidate Mitsuko Yokomoto (January 6, 1963)
	▶ Number of Shares of the Company Held: 20,100 shares
	▶ In Charge at the Company: Supervising Human Resources, Education and Sustainability
	▶ Important Concurrent Positions Held in Other Organizations: None
	▶ Special Interests between the Candidate and the Company: None

Career summary and positions

4/1985	Joined the Company Human Resources Section, Human Resources Department
4/2011	General Manager of General Affairs Department of Gigaphoton Inc.
5/2015	General Manager of General Affairs Department of Shonan Plant, Production Division
4/2018	General Manager of General Affairs Department
4/2019	Took office as Executive Officer (Responsible for Risk Management)
4/2021	Took office as Senior Executive Officer (current) President of Sustainability Promotion Division
4/2023	Senior Executive Officer (Supervising Human Resources, Education and Sustainability) (current)

Reason for nomination as candidate for Director

Ms. Mitsuko Yokomoto has held key positions in the human resources and general affairs departments, serving as General Manager of the General Affairs Department, and Executive Officer responsible for risk management. Since April 2021, she has served as President of the Sustainability Promotion Division, and since April 2023 she has assumed important responsibilities in promoting sustainable management of the Company as the Executive Officer supervising human resources, education, and sustainability.

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

Notes:

1. Meeting attendance above shows attendance of the meetings of the Board of Directors held during the fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023). As Mr. Michitaka Sawada was elected at the 153rd Ordinary General Meeting of Shareholders held in June 2022, his maximum number of meetings of attendance is different from that of the other Directors.
2. The names of divisions and other bodies in the Company in "Career summary and positions" above show those that were applicable at each relevant time period.
3. The Company has entered into an agreement with Mr. Takeshi Kunibe, Mr. Arthur M. Mitchell, Ms. Naoko Saiki and Mr. Michitaka Sawada that limits their liability for damages caused by their negligence of duty under Article 423, Paragraph 1 of the Companies Act of Japan, in accordance with Article 427, Paragraph 1 of the same and the Articles of Incorporation of the Company. If their reelections are approved, the Company intends to continue the aforesaid agreement. The maximum liability amount specified in this agreement shall be equivalent to the amount stipulated by laws and regulations.
4. The Company has entered into a company indemnification agreement with its incumbent Directors in accordance with the provisions of Article 430-2, Paragraph 1 of the Companies Act of Japan, thereby providing that the Company shall indemnify expenses set forth in Article 430-2, Paragraph 1, Item 1 of the same, and losses set forth in Article 430-2, Paragraph 1, Item 2 of the same, within the scope permitted by laws and regulations. If the reelections of the candidates who are incumbent Directors are approved, the Company intends to continue the aforesaid agreements. If the election of new candidate Ms. Mitsuko Yokomoto is approved, the Company intends to enter into the same company indemnification agreement with her.
5. The Company has entered into a directors and officers liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act of Japan with an insurance company. This policy covers amounts of indemnification and litigation expenses, etc. borne by the insured person that are incurred through a shareholders' derivative suit, company lawsuit or third-party lawsuit. All candidates for Director are included as insured persons in this policy. In addition, when the policy is renewed, the Company plans to renew the policy on the same terms.

Item 3: Election of One (1) Audit & Supervisory Board Member

The term of office of Ms. Eiko Shinotsuka as Audit & Supervisory Board Member will expire as of the close of this Ordinary General Meeting of Shareholders.

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

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

The candidate for the position is as follows:

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

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

Outside Audit & Supervisory Board Member Independent	New Candidate	Mariko Matsumura	(September 24, 1959)
	▶ Number of Shares of the Company Held:	0 shares	
	▶ Important Concurrent Positions Held in Other Organizations:	Outside Statutory Auditor of Fund Creation Group Co., Ltd. Outside Member of the Board of Meiji Holdings Co., Ltd.	
	▶ Special Interests between the Candidate and the Company:	None	

Career summary and positions

4/1988	Admitted to the bar in Japan as attorney at law (current) Joined Braun Moriya Hoashi & Kubota
2/1994	Joined Ryudo Sogo Law Offices
1/2006	Joined Shinwa Sohgo Law Offices as a Partner (current)
4/2022	Took office as President of Dai-Ichi Tokyo Bar Association

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

Ms. Mariko Matsumura is an attorney at Shinwa Sohgo Law Offices and has considerable knowledge and abundant experience in the legal and compliance fields, including serving as President of the Dai-Ichi Tokyo Bar Association. Utilizing this knowledge and experience, the Company expects her to execute her duties as Outside Audit & Supervisory Board Member from the standpoint of a specialist. Therefore, the Company nominates her as a candidate for Outside Audit & Supervisory Board Member.

Although Ms. Matsumura has no experience in participating in the management of other companies directly, the Company judged that she would be able to execute the duties of Outside Audit & Supervisory Board Member adequately because of the reasons above.

Matters regarding independence

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

Notes:

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

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

If Item 3 is approved and adopted the composition of the Company's Audit & Supervisory Board will be as follows.

Name	Position, etc., at the Company (As of May 19, 2023)	Attendance rate of the Meetings of the Board of Directors held during the fiscal year ended March 31, 2023	Attendance rate of the Meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2023
Mr. Terumi Sasaki	Standing Audit & Supervisory Board Member	100%	100%
Mr. Yasuhiro Inagaki	Standing Audit & Supervisory Board Member	93%	93%
Outside Audit & Supervisory Board Member Independent Mr. Kotaro Ohno	Audit & Supervisory Board Member Member of Compensation Advisory Committee	100%	100%
Outside Audit & Supervisory Board Member Independent Mr. Tatsuro Kosaka	Audit & Supervisory Board Member Member of Compensation Advisory Committee	100%	100%
<u>New Candidate</u> Outside Audit & Supervisory Board Member Independent Ms. Mariko Matsumura	—	—	—

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

<Reference>

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

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

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

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

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

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

	Name	Reason for selection
Directors	Tetsuji Ohashi	<ul style="list-style-type: none"> • Has held various important positions in the production departments, and has served as President of the U.S. subsidiary and President of the Company. • He oversees overall governance as Chairman
	Hiroyuki Ogawa	<ul style="list-style-type: none"> • As President and CEO, he focuses on, and supervises, all aspects of achieving the Company's growth strategies
	Masayuki Moriyama	<ul style="list-style-type: none"> • Expertise in development, marketing, and product support • Served as President of the U.S. subsidiary, supervising the mining business
	Takeshi Horikoshi	<ul style="list-style-type: none"> • Has held key positions in the accounting and finance related departments • Hands-on experience in Europe
	Mitsuko Yokomoto	<ul style="list-style-type: none"> • Experience in the fields of human resources and general affairs, compliance and sustainability
	Outside Director Independent Takeshi Kunibe	<ul style="list-style-type: none"> • Knowledge and experience in the business world, including the field of finance and group company management
	Outside Director Independent Arthur M. Mitchell	<ul style="list-style-type: none"> • Knowledge and experience in the field of international legal affairs as an attorney
	Outside Director Independent Naoko Saiki	<ul style="list-style-type: none"> • Knowledge and experience in the fields of international affairs, international law and economics
	Outside Director Independent Michitaka Sawada	<ul style="list-style-type: none"> • Experience in the business world, including global group corporate management and ESG management practices
Audit & Supervisory Board Members	Terumi Sasaki	<ul style="list-style-type: none"> • Knowledge in the field of accounting and finance • Hands-on experience in Europe and the U.S.
	Yasuhiro Inagaki	<ul style="list-style-type: none"> • Knowledge and experience in legal affairs, business development relations, and corporate planning
	Outside Audit & Supervisory Board Member Independent Kotaro Ohno	<ul style="list-style-type: none"> • Served as the Prosecutor-General of the Supreme Public Prosecutors Office, with knowledge and experience in the legal profession
	Outside Audit & Supervisory Board Member Independent Tatsuro Kosaka	<ul style="list-style-type: none"> • Knowledge and experience in the business world as a top executive
	Outside Audit & Supervisory Board Member Independent Mariko Matsumura	<ul style="list-style-type: none"> • Knowledge and experience in the legal and compliance fields as an attorney

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

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

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

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

1. Basic stance:

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

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

2. Independence standards:

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

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

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

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

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

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

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

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

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

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

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

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

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

End

Business Report

(April 1, 2022 - March 31, 2023)

1. Current Conditions of Komatsu

(1) Outline of Operations and Business Results

Komatsu Ltd. (“Company”) and its consolidated subsidiaries (together “Komatsu”) were engaged in the three-year, mid-term management plan, “DANTOTSU Value – *Together, to ‘The Next’ for sustainable growth,*” in April 2022 to create new values for the next 100 years. Under this management plan for the target fiscal year ending March 31, 2025, Komatsu upholds three pillars of growth strategies of 1) Accelerate growth by means of innovation, 2) Maximize earnings power, and 3) Enhance corporate resilience. Komatsu will continue to emphasize the previous plan’s sustainability management, which aimed for sustainable growth through a positive cycle of improving profitability and solving environmental, social and corporate governance (ESG) issues, thereby working toward creating an operational structure that is resilient to fluctuations in demand.

For the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023), the first year of the mid-term management plan, consolidated net sales for the year increased by 26.4% from the previous fiscal year to JPY 3,543.5 billion. Concerning profits, operating income increased by 54.8% from the previous fiscal year to JPY 490.7 billion due to improved selling prices and the depreciation of the yen despite rising material prices and distribution costs. Operating income ratio was 13.8%, up 2.5 percentage points. Income before income taxes and equity in earnings of affiliated companies increased by 46.8% to JPY 476.4 billion. Net income attributable to Komatsu Ltd. increased by 45.1% to JPY 326.4 billion.

	153rd Fiscal Year (April 2021 – March 2022)	Changes from 153rd Fiscal Year	154th Fiscal Year (April 2022 – March 2023)
Net sales	JPY 2,802.3 billion	+26.4%	JPY 3,543.5 billion
Operating income	JPY 317.0 billion	+54.8%	JPY 490.7 billion
Income before income taxes and equity in earnings of affiliated companies	JPY 324.5 billion	+46.8%	JPY 476.4 billion
Net income attributable to Komatsu Ltd.	JPY 224.9 billion	+45.1%	JPY 326.4 billion

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

[Construction, Mining and Utility Equipment]

	154th Fiscal Year (April 2022 – March 2023)	Changes from 153rd Fiscal Year
Sales	JPY 3,296.6 billion	+28.6%
Segment profit	JPY 443.6 billion	+60.9%

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

In the construction, mining and utility equipment segment, demand for mining equipment expanded, centering on North America and Asia. The Company worked to make our supply chain highly resilient to changes in the external environment, especially by capitalizing on cross-sourcing and strengthening multi-sourcing, and steadily capturing demand for new equipment. There were also effects of advanced parts sales and service revenues, improved selling prices in almost all regions of the world and the Japanese yen’s depreciation. As a result, sales increased by 28.6% from the previous fiscal year to JPY 3,296.6 billion. Segment profit increased by 60.9% from the previous fiscal year to JPY 443.6 billion.

Under the “Accelerate growth by means of innovation” strategy, one of the three pillars of the mid-term management plan’s growth strategies, The Company is further promoting efforts to digitize the world’s workplaces through “products (automation and autonomous operation of construction and mining equipment)” and “solutions (optimization of overall work site processes).”



[930E ultra-class haul truck at Anglo American’s Los Bronces copper mine in Chile]

As of March 31, 2023, the total number of Autonomous Haulage Systems (AHS) mining trucks in operation totaled 643 units. The AHS, which has built up operating experience at mines with varying operating environments, has earned a strong reputation for safety and productivity. In June 2022, The Company announced that Anglo American, a major British resource company, has begun introducing the AHS for the first time at its Los Bronces copper mine in Chile.

As part of our electrification efforts, The Company have jointly developed the PC05E-1 with Honda Motor Co., Ltd., as an expanded model of the electric micro excavator PC01E-1, which was launched on the Japanese market in March 2022. This model is an electrically-powered version of the “PC05” micro excavator, which is used for applications including small-scale civil engineering and construction work, and gas, electrical, and pipe-laying work.

At CONEXPO-CON/AGG 2023, held in March 2023, with the aim of promoting electrified construction equipment, The Company debuted a charger with an energy storage function as a charging solution concept for environments without a power source.



[PC05E-1 electric micro excavator (prototype)]



[Image of a battery charger with energy storage function for mini excavators (center back) and a 3-ton class electric mini excavator (right)]

Under the “Maximize earnings power” strategy, with the aim of expanding our underground hard rock mining equipment business, The Company has agreed with Chilean state-owned mining giant Codelco to conduct a trial of a new method of tunnel excavation using Komatsu’s newly developed “Mining TBM (Tunnel Boring Machine).”



[Mining TBM for underground hard rock mine]

To strengthen its underground hard rock mining business, the Company acquired Mine Site Technologies, a provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems, in July 2022, and decided to acquire GHH Group GmbH, a manufacturer of underground mining equipment, in December 2022.



[Remote Operation Center in underground mines]



[GHH’s load haul dump suitable for narrow tunnels]

As for strengthening our efforts in the African market, which has been one of our priority activities since the previous mid-term management plan (FY2019-FY2021), the Company signed a framework agreement with Eramet, a French resource company, to help maximize the safety and productivity of operations at mines under development by Eramet in certain regions of Africa and in New Caledonia.

In July 2022, the Company launched the PC950-11, a large hydraulic excavator incorporating the latest technology throughout. This is the first fully remodeled machine since the now-commonplace PC850-8E0 12 years ago, which is mainly used at quarry sites.



[PC950-11 large hydraulic excavator]

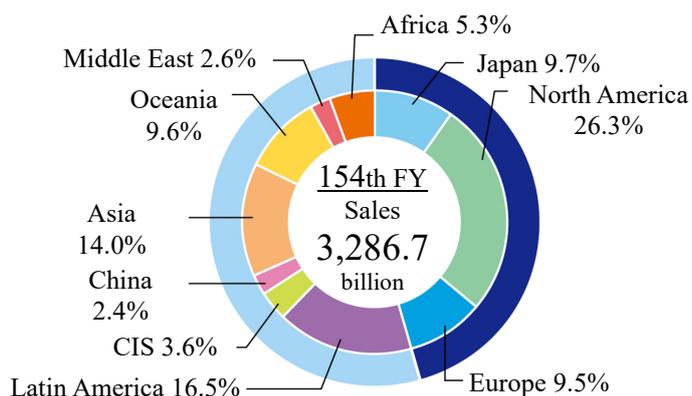
The new model is compliant with the latest emission standards in each region and achieves both improved workload and fuel efficiency. In addition, KomVision, a vehicle-periphery camera system, has been installed to improve safety on job sites.



[Komatsu Mining’s new campus]

As part of the “Enhancing corporate resilience” strategy, construction was completed on the new Komatsu Mining head office/plant in Wisconsin, U.S. The previously scattered head offices and production plants have been consolidated in coastal areas better suited for production, thereby improving efficiency and productivity. Sales of Construction, Mining and Utility

Equipment by Region (to External Customers)



		154th Fiscal Year (April 2022 – March 2023)	Changes from 153rd Fiscal Year
● Traditional Markets	● Japan	JPY 321.7 billion	+6.0%
	● North America	JPY 864.9 billion	+46.4%
	● Europe	JPY 314.0 billion	+31.2%
● Strategic Markets	● Latin America	JPY 545.1 billion	+37.7%
	● CIS	JPY 120.2 billion	(34.8)%
	● China	JPY 79.7 billion	(17.3)%
	● Asia*	JPY 461.6 billion	+56.3%
	● Oceania	JPY 316.2 billion	+20.0%
	● Middle East	JPY 86.3 billion	+60.2%
	● Africa	JPY 177.0 billion	+30.4%

* Excludes Japan and China.

[Retail Finance]

	154th Fiscal Year (April 2022 – March 2023)	Changes from 153rd Fiscal Year
Revenues	JPY 85.6 billion	+19.2%
Segment profit	JPY 27.3 billion	+58.5%

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

In the retail finance segment, revenues increased by 19.2% from the previous fiscal year to JPY 85.6 billion, due to an increase in new contracts, reflecting the Japanese yen's depreciation and sales growth of construction and mining equipment, although sales of some used equipment, for which their lease agreement was cancelled, were recorded in the previous fiscal year. Segment profit increased by 58.5% to JPY 27.3 billion, mainly supported by the Japanese yen's depreciation and a reduced allowance for doubtful accounts. ROA,* which shows the profitability and efficiency of assets, was 2.6% (up 0.8 percentage point from the previous year).

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

[Industrial Machinery and Others]

	154th Fiscal Year (April 2022 – March 2023)	Changes from 153rd Fiscal Year
Sales	JPY 190.9 billion	+1.4%
Segment profit	JPY 22.6 billion	(0.0)%

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

In the industrial machinery and others segment, sales of the excimer laser-related business serving the semiconductor industry remained strong, supported by expanding demand for semiconductors worldwide. With respect to presses, sheet-metal machines, and machine tools for the automobile manufacturing industry, sales of large presses declined in particular. Sales increased by 1.4% from the previous fiscal year to JPY 190.9 billion and segment profit decreased by 0.0% from the previous fiscal year to JPY 22.6 billion.

Our subsidiary Komatsu NTC Ltd. has newly entered the automotive battery manufacturing equipment business in earnest in order to capture new demand arising from changes in the automotive industry.

In addition, since April 2022, our subsidiary Gigaphoton Inc. has expanded its production facilities and consolidated its R&D functions in order to respond to the rapid increase in demand in the excimer laser-related business serving the semiconductor industry. In addition, construction began on a new production facility in July 2022, with the aim of further strengthening production capacity.



[Rendering of Gigaphoton Inc.'s new production facility]

(2) Capital Investment

Capital investment increased by JPY 13.8 billion from the previous fiscal year to JPY 161.6 billion.

1) Breakdown by Segment

Segment	Invested Amounts (JPY billion)
Construction, Mining and Utility Equipment	120.4
Retail Finance	33.5
Industrial Machinery and Others	7.6
Total	161.6

2) Main Facilities Completed in the Fiscal Year Ended March 31, 2023

Segment	Main Facilities
Construction, Mining and Utility Equipment	Komatsu Mining Corp.: Relocating Head Office / Plant (U.S.) <ul style="list-style-type: none">Facility overview: production facility for mining equipment and facility for research and development Construction of Longview Welding Plant (U.S.) <ul style="list-style-type: none">Facility overview: production facility for welded components used in mining equipment

3) New Construction, Expansions and Overhauls of Main Facilities in Progress in the Fiscal Year Ended March 31, 2023

No items to report.

(3) Financing

In the fiscal year ended March 31, 2023, in order to appropriate funds for working capital and capital investment, the Company procured funds mainly by the issuance of commercial paper and bonds, as well as through borrowings from financial institutions. With regard to corporate bonds, on October 6, 2022, the Company issued USD 600 million in USD-denominated Sustainability-Linked Bonds, the first of its kind to be issued by a Japanese company, through Komatsu's wholly owned subsidiary, Komatsu Finance America, Inc.

The balance of interest-bearing debt at the fiscal year-end increased by JPY 106.4 billion from the previous fiscal year-end to JPY 1,053.8 billion.

In addition, the net debt-to-equity ratio* was 0.30, compared to 0.28 at the previous fiscal year-end.

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

(4) Issues Ahead

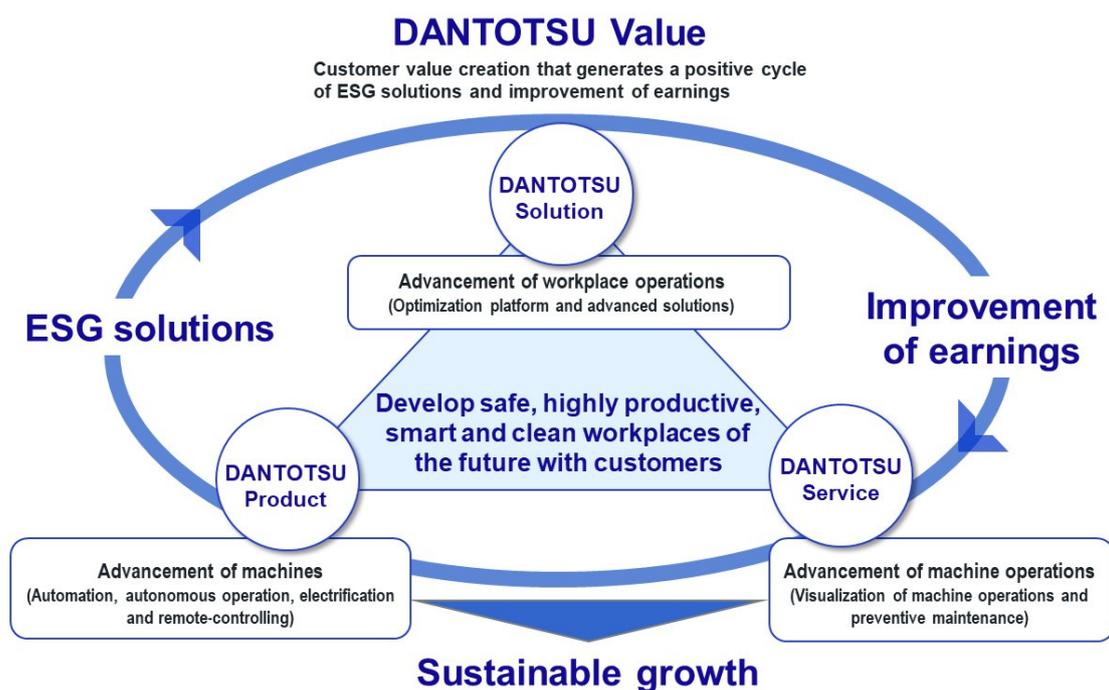
The Komatsu Group defines its purpose to be “creating value through manufacturing and technology innovation to empower a sustainable future where people, business and our planet thrive together.” The Company’s basic approach to achieving this is to pursue “quality and reliability” and to maximize the total trust from society at large and all stakeholders surrounding us.

As a strategy to implement this management principle, the Company has formulated a mid-term management plan to create a positive cycle of solving ESG issues and improving profitability through the creation of customer value, thereby achieving sustainable growth.

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

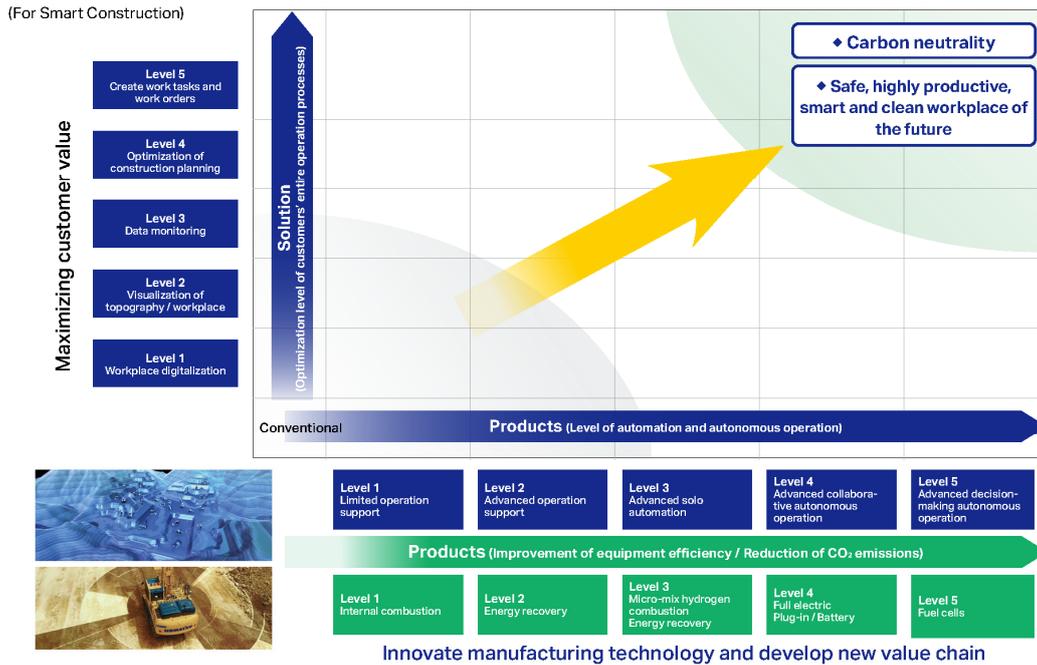
The mid-term management plan for the next three years (FY2022-FY2024), titled “DANTOTSU Value—Together, to ‘The Next’ for sustainable growth,” was launched in April 2022.

In the mid-term management plan, the Company is striving to achieve its vision of creating safe, highly productive, smart and clean workplaces of the future, together with customers. To this end, the Company is working to create DANTOTSU Value (New Customer Value) which integrates DANTOTSU Products (advancement of machines), DANTOTSU Service (advancement of machine operations), and DANTOTSU Solutions (optimization of workplace operations).



In order to achieve the workplace of the future, the Company will tackle innovation in terms of both products (automation, autonomous operation and efficiency of machines, and low carbon emissions) and solutions (optimization of the entire customer process). Moreover, in order to take measures against global warming and achieve business growth, the Company has formulated a roadmap to the workplace of the future and set a challenge goal in its management targets of achieving carbon neutrality by 2050.

Roadmap to workplace of the future



Three Pillars of Growth Strategies and Efforts of Focus

In the current mid-term management plan, the Company continues from the previous mid-term management plan to emphasize sustainability, backcasting from its goals, and, in light of changes in the external environment and management issues, the Company is working on the three pillars of its growth strategies: 1) Accelerate growth by means of innovation, 2) Maximize earnings power, and 3) Enhance corporate resilience.

(Three pillars of growth strategies)



Common tasks among the three pillars

- Expand partnerships
- Promote DX in all areas

The current external environment is increasingly uncertain as a result of geopolitical risks including the prolonged situation in Ukraine, economic security risks related to advanced technologies such as semiconductors, increasing cybersecurity risks, as well as sustainability risks such as climate change.

The market environment for our mainstay construction and mining equipment business is expected to experience moderate growth in the medium to long term as a result of population growth and urbanization, primarily in emerging countries, together with steady investment in infrastructure renewal in developed countries. In the short term, however, demand is expected to be highly volatile due to various external environmental risks, as mentioned above.

Within this environment, the Company will continue to invest heavily in future value creation (innovation), positioning areas of technology such as electrification, automation, autonomous operation, remote control, and component and system development, and business areas such as our solutions business, value chain business, forestry equipment, and underground hard rock mining as growth areas.

In addition, the Company will maximize profit-earning opportunities in our existing businesses and further improve profitability by expanding the Company's presence in growth markets through measures including product planning and development tailored to regional and categorical characteristics and through strengthening our aftermarket business by expanding extended warranties incorporating maintenance contracts that draw on our strengths in in-house manufactured components and IoT (Komtrax) use in order to build a business structure less susceptible to fluctuations in demand.

With regard to the management foundation supporting these activities, the Company will promote digital transformation (DX) and structural reforms and build a supply chain that is resilient to environmental changes, in order to improve the efficiency of its business operations and enhance its ability to respond to external environmental risks. As part of these activities, from the perspective of improving business continuity and overall optimization of operations, including preparation for pandemics and heightened natural disaster risks, the Company will be accelerating efforts to transfer some head office functions to other sites in Japan where synergies can be expected. In addition, the Board of Directors decided in March of this year to rebuild the head office building, to take place between January 2024 and the end of 2026. As a global head office, the Company will examine the functions and roles that will be required in the future, and work to reduce CO₂ emissions in order to achieve carbon neutrality, strengthen communication functions with stakeholders, and, premised on the belief that employees have diverse ways of working, improve the working environment in order to generate innovation.

Results of the key initiatives of the growth strategy in the current fiscal year and issues to be addressed from the next fiscal year

Three Pillars of Growth Strategies	Examples of Key Initiatives	
1. Accelerate growth by means of innovation	Main results for the current fiscal year	<ul style="list-style-type: none"> • DX Smart Construction: Introduction of new applications (SC Simulation, SC Quick 3D) • Number of Autonomous Haulage System (AHS) units adopted on the market: 643 units in total • Began remote control and automated operation trials of a large ICT bulldozer at a customer's site. • Exhibited a 20-ton class electric excavator and other products at construction machinery trade fairs in Germany and the U.S. • Komatsu NTC Ltd. received its first order for automotive battery manufacturing equipment from a Japanese battery manufacturer
	Issues for the next fiscal year onward	<ul style="list-style-type: none"> • Accelerating overseas expansion of Smart Construction • Business development using mining open technology platforms • Full-scale introduction of electrified construction equipment to the market • Establish a forestry management solution business • Strengthening the automotive battery manufacturing equipment business at Komatsu NTC Ltd.
2. Maximize earnings power	Main results for the current fiscal year	<ul style="list-style-type: none"> • Expansion of sales of hydraulic excavators (CE series) with urban civil engineering specifications, especially in Asia • Expansion of extended warranties with maintenance contracts and growth of the aftermarket business • Acquired the Swedish company Bracke Forest AB (manufacturer of tree-planting attachments) • Acquired Australian company Mine Site Technologies (underground mines solutions provider) • Resolved to acquire the German company GHH Group GmbH (underground mining equipment) • Mining TBM trial agreed with Chile's Codelco • Gigaphoton Inc. has begun construction of a new production facility
	Issues for the next fiscal year onward	<ul style="list-style-type: none"> • Promoting product strategies that meet the characteristics of strategic regions • Further reinforcement of the forestry machinery business and underground hard rock mining business • Global development of business models utilizing the next-generation Komtrax • Strengthening our reman/rebuild businesses
3. Enhance corporate resilience	Main results for the current fiscal year	<ul style="list-style-type: none"> • Development of cross-sourcing and multi-sourcing • Restructuring of the underground coal (soft rock) business: partial sale of production facilities in China • Strengthening our information security systems by establishing a CSIRT • Promoting education and awareness activities related to diversity & inclusion • Promoting human resource development in AI and DX
	Issues for the next fiscal year onward	<ul style="list-style-type: none"> • Strengthening the supply chain through further development of cross-sourcing and multi-sourcing • Continuation of structural reforms • Business reform through the promotion of DX • Reinforcement of the risk management system • Development of a global brand strategy and promotion of measures to improve employee engagement

ESG Resolutions through Growth Strategies

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

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

	Relationship with SDGs	Materiality	Key activity themes for resolving ESG issues (main KPI)
With people	 5 GENDER EQUALITY Gender equality  8 DECENT WORK AND ECONOMIC GROWTH Decent work and economic growth  10 REDUCED INEQUALITIES Reduced inequalities  17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	[Employees] [Human rights] <ul style="list-style-type: none"> Occupational safety and health and wellbeing Employee engagement and job satisfaction Diversity & Inclusion Skills development and workplace retention Respect for human rights 	Build workplaces that are safe and secure (occupational injury related indicator) Increase employee engagement (engagement survey score) Promote diversity & inclusion (ratio of female managers and people with disabilities) Develop individuals' skills and achieve business growth (develop talent in DX/AI) Promote human rights due diligence (disclosure of performance)
With business	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Industry, innovation and infrastructure  11 SUSTAINABLE CITIES AND COMMUNITIES Sustainable cities and communities  12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible consumption and production  17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	[Customers][Ethics / Governance] [Communities] <ul style="list-style-type: none"> Provision of solutions Product safety and quality Governance Compliance Contributions to local communities 	Improve productivity of construction workplaces by promoting smart construction (Number of workplaces where smart construction solution is applied) Provision of products and solutions that enable sustainable resource development (Cumulative units of AHS dump truck) Solutions for improving safety and productivity at customer workplaces (technological development stages for automation, safety device, etc.) Building of value chain adaptable to environmental and demand changes (Aftermarket business: sales growth rate / multi-sourcing parts ratio) Strengthen governance and ensure thorough compliance (disclosure of performance)
With the planet	 7 AFFORDABLE AND CLEAN ENERGY Affordable and clean energy  9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Industry, innovation and infrastructure  12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible consumption and production  13 CLIMATE ACTION Climate action  15 LIFE ON LAND Life on land  17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	[Environment] <ul style="list-style-type: none"> Development of low-carbon/low-emissions products, solutions and business models Resource recycling and remanufacturing Reduction of energy usage and GHG emissions Forest conservation through business activities 	Plants with zero environmental impacts (CO ₂ reduction, use of renewable energy, water usage) Reduction of CO ₂ emissions at customer workplaces (CO ₂ reduction from products in use / Development of electrified equipment) Provision of solutions that support sustainable, recycling-oriented forestry business (Forestry machinery business related indicators: sales growth rate, afforestation, Smart Forestry, etc.) Promotion of recycling-oriented business (reman) (reman business-related indicator: sales growth rate)

Please see the following for information on our sustainability policies and initiatives.

- Sustainability website : <https://www.komatsu.jp/en/aboutus/csr>
- Komatsu Report (integrated report) : <https://www.komatsu.jp/en/ir/library/annual>
- Business activities in line with our Sustainability Policy

With people : <https://komatsu.disclosure.site/en/themes/202>

With business : <https://komatsu.disclosure.site/en/themes/138#theme1>

With the planet : <https://komatsu.disclosure.site/en/themes/203>

Targets of the Mid-term Management Plan

Concerning management targets in the mid-term management plan, the Company has set targets for ESG management, together with industry-leading “growth,” “profitability,” “efficiency,” and “sound financial position.” With respect to shareholder return, while placing priority on focusing investments in growth areas, the Company will continue to work for stable dividends for shareholders and maintain the policy of keeping a consolidated payout ratio of 40% or higher.

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

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

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

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

*4 DJSI (Dow Jones Sustainability Indices): ESG investment indices of S&P Dow Jones Indices LLC of U.S.

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

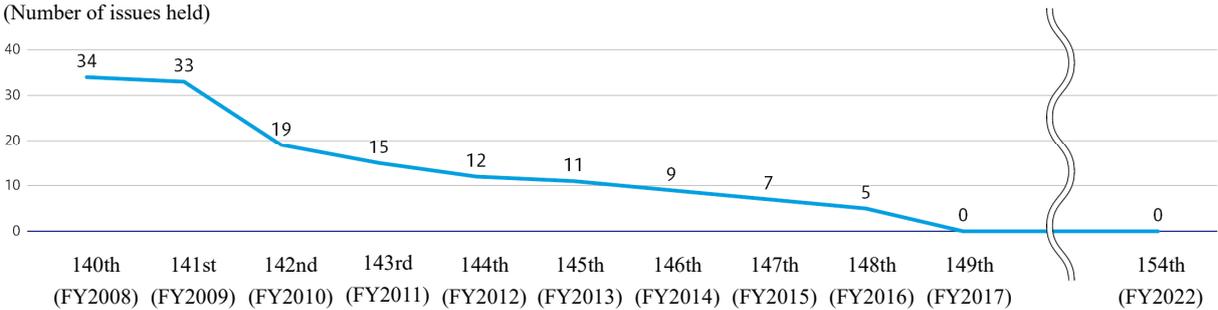
(5) Acquisition or Disposal of Other Companies' Shares, Other Equity Stakes or Stock Acquisition Rights

In July 2022, through its wholly owned Australian subsidiary, the Company acquired Mine Site Technologies Pty Ltd., a provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems.

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

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

Successive reduction of strategic-shareholdings (non-consolidated basis)



(6) Status of Principal Subsidiaries

1) Principal Subsidiaries (As of March 31, 2023)

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Customer Support Japan Ltd.	Head Office (Minato-ku, Tokyo)	JPY 950 mil	100.0	Sale and servicing of construction equipment and industrial vehicles Rental of construction equipment, etc.
Komatsu Used Equipment Corp.	Head Office (Yokohama City, Kanagawa)	JPY 290 mil	100.0	Sale of used construction equipment, etc.
Komatsu Logistics Corp.	Head Office (Minato-ku, Tokyo)	JPY 1,080 mil	100.0	Transportation, warehousing, packing and other services
Komatsu Business Support Ltd.	Head Office (Minato-ku, Tokyo)	JPY 1,770 mil	100.0	Retail financing of construction and mining equipment
Komatsu Industries Corporation	Head Office (Kanazawa City, Ishikawa)	JPY 990 mil	100.0	Development, sale and servicing of metal forging and stamping presses and sheet-metal machines, etc.
Komatsu NTC Ltd.	Head Office /Plant (Nanto City, Toyama)	JPY 6,014 mil	100.0	Manufacture, sale and servicing of machine tools, etc.
Gigaphoton Inc.	Head Office /Plant (Oyama City, Tochigi)	JPY 5,000 mil	100.0	Development, manufacture, sale and servicing of excimer laser and Extreme Ultra-Violet light sources used for lithography tools in semiconductor manufacturing
Komatsu America Corp.	Head Office /Plant (U.S.)	USD 1,071 mil	100.0	Manufacture and sale of construction and mining equipment and supervision in the Americas
Hensley Industries, Inc.	Head Office /Plant (U.S.)	USD 2 thou	*100.0	Manufacture and sale of construction and mining equipment parts
Komatsu Mining Corp.	Head Office (U.S.)	USD 5 thou	*100.0	Overall management of mining equipment business
Joy Global Underground Mining LLC (Note 2)	Head Office /Plant (U.S.)	USD 1,406 mil	*100.0	Manufacture, sale and servicing of mining equipment
Joy Global Surface Mining Inc	Head Office /Plant (U.S.)	USD 1 thou	*100.0	Manufacture, sale and servicing of mining equipment
Joy Global Longview Operations LLC (Note 3)	Head Office /Plant (U.S.)	USD 1,005 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu do Brasil Ltda.	Head Office /Plant (Brazil)	BRL 148 mil	*100.0	Manufacture of construction equipment and casting products
Komatsu Brasil International Ltda.	Head Office (Brazil)	BRL 351 mil	*100.0	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Komatsu Holding South America Ltda.	Head Office (Chile)	USD 156 mil	*100.0	Sale and servicing of construction and mining equipment
Komatsu Cummins Chile Ltda.	Head Office (Chile)	USD 34 mil	*81.8	Sale and servicing of construction and mining equipment
Joy Global (Chile) S.A.	Head Office /Plant (Chile)	USD 1,958 thou	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu Financial Limited Partnership (Note 4)	Head Office (U.S.)	–	*100.0	Retail financing of construction and mining equipment
Komatsu Finance Chile S.A.	Head Office (Chile)	USD 40 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Europe International N.V.	Head Office (Belgium)	EUR 50 mil	100.0	Sale of construction and mining equipment and supervision in Europe
Komatsu UK Ltd.	Head Office /Plant (UK)	GBP 23 mil	*100.0	Manufacture of construction equipment
Komatsu Germany GmbH	Head Office /Plant (Germany)	EUR 24 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Italia Manufacturing S.p.A.	Head Office /Plant (Italy)	EUR 6 mil	*100.0	Manufacture of construction equipment
Komatsu Forest AB	Head Office /Plant (Sweden)	SEK 397 mil	100.0	Manufacture, sale and servicing of forestry equipment
Komatsu CIS LLC	Head Office (Russia)	RUB 5,301 mil	100.0	Sale of construction and mining equipment
Komatsu Financial Europe N.V.	Head Office (Belgium)	EUR 80 mil	*100.0	Retail financing of construction and mining equipment
Komatsu (China) Ltd.	Head Office (China)	USD 172 mil	100.0	Sale of construction and mining equipment and supervision in China
Komatsu (Changzhou) Construction Machinery Corp.	Head Office /Plant (China)	USD 34 mil	*100.0	Manufacture of construction equipment
Komatsu Machinery Manufacturing (Shandong) Co., Ltd.	Head Office /Plant (China)	USD 12 mil	*100.0	Manufacture of construction equipment
Komatsu (Shandong) Construction Machinery Corp.	Head Office /Plant (China)	USD 233 mil	*100.0	Manufacture of components for construction equipment, etc.
PT Komatsu Indonesia	Head Office /Plant (Indonesia)	IDR 192,780 mil	94.9	Manufacture and sale of construction and mining equipment, and casting products
PT Komatsu Marketing & Support Indonesia	Head Office (Indonesia)	USD 5 mil	*94.9	Sale and servicing of construction and mining equipment

Name	Location of Offices and Plants	Capital	Investment Ratio (%)	Main Businesses
Bangkok Komatsu Co., Ltd.	Head Office /Plant (Thailand)	THB 620 mil	*74.8	Manufacture and sale of construction equipment and casting products
Komatsu India Pvt. Ltd.	Head Office /Plant (India)	INR 10,963 mil	*100.0	Manufacture and sale of construction and mining equipment
Komatsu Australia Pty Ltd	Head Office (Australia)	AUD 22 mil	*62.0	Sale and servicing of construction and mining equipment
Joy Global Australia Holding Company Pty Ltd	Head Office (Australia)	AUD 443 mil	*100.0	Roles as holding company of Joy Global Australia Pty Ltd
Joy Global Australia Pty Ltd	Head Office /Plant (Australia)	AUD 608 mil	*100.0	Manufacture, sale and servicing of mining equipment
Komatsu South Africa (Pty) Ltd.	Head Office (South Africa)	ZAR 186 mil	*74.9	Sale and servicing of construction and mining equipment
Komatsu Financial Leasing China Ltd.	Head Office (China)	RMB 1,030 mil	*100.0	Retail financing of construction and mining equipment
Komatsu Australia Corporate Finance Pty Ltd	Head Office (Australia)	AUD 49 mil	*62.0	Retail financing of construction and mining equipment

Notes:

1. Figures with an asterisk (*) are the ratio of investment through subsidiaries of the Company and the ratio includes the stakes held by them.
2. Joy Global Underground Mining LLC is a limited liability company based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
3. Joy Global Longview Operations LLC is a limited liability company based on the state law of Texas, the U.S., and the Company invests in it through subsidiaries. Its paid-in capital is presented as its capital.
4. Komatsu Financial Limited Partnership is a limited partnership based on the state law of Delaware, the U.S., and the Company invests in it through subsidiaries. Its net asset which is equivalent to the capital amounts to USD 862 million.
5. The number of consolidated subsidiaries of the Company, including those listed above, is 211, and the number of affiliated companies accounted for by the equity method is 40.
6. Komatsu (Shandong) Construction Machinery Corp. was absorbed and merged by Komatsu Machinery Manufacturing (Shandong) Co., Ltd. as of April 1, 2023.

2) Others (update on important combination)

- i) In July 2022, through its wholly owned Australian subsidiary, the Company acquired Mine Site Technologies Pty Ltd., a provider of operational optimization platforms for underground mining that leverage communication devices and position tracking systems.
- ii) In October 2022, the Company executed an absorption-type merger of Komatsu Cabtec Co., Ltd., converting it into the Shiga Plant of the Company.

2. Matters Regarding the Shares and Stock Acquisition Rights of the Company, etc. (As of March 31, 2023)

- (1) **Number of shares authorized to be issued:** 3,955,000,000 shares
(2) **Total number of shares issued and outstanding:** 946,005,449 shares
(excluding 27,445,481 shares of treasury stock)
(3) **Number of shareholders:** 216,078
(4) **Major shareholders (top ten)**

Name of Shareholders	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	162,789	17.20
Custody Bank of Japan, Ltd. (Trust Account)	69,758	7.37
JPMorgan Securities Japan Co., Ltd.	25,902	2.73
STATE STREET BANK WEST CLIENT - TREATY 505234 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	25,455	2.69
Taiyo Life Insurance Company	24,700	2.61
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	21,301	2.25
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DEPOSITARY RECEIPT HOLDERS (standing proxy: Sumitomo Mitsui Banking Corporation)	20,185	2.13
STATE STREET BANK AND TRUST COMPANY 505223 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	16,447	1.73
JP MORGAN CHASE BANK 385632 (standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	14,145	1.49
Komatsu Employees Shareholding Association	12,246	1.29

Notes:

- Shareholding ratio is calculated by subtracting treasury stock.
- Although the Company holds 27,445 thousand shares of treasury stock, it is excluded from the major shareholders listed above.

(5) Status of shares delivered to Directors and Audit & Supervisory Board Members of the Company as consideration for their execution of duties during the fiscal year ended March 31, 2023

Details on stock-based remuneration delivered during the fiscal year ended March 31, 2023 are as follows.

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

	Number of Shares	Number of Grantees
Directors (excluding Outside Directors)	72,240 shares	5
Outside Directors	0 shares	0
Audit & Supervisory Board Members	0 shares	0

Note: This constitutes the shares assigned to the Company's Directors from among the stock-based remuneration in the form of restricted stock compensation stated below under "(6) Other significant matters regarding the shares of the Company." Details regarding the Company's stock-based remuneration are stated under "3. (3)-5) Remuneration for Directors and Audit & Supervisory Board Members" (pages 47 to 56).

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

Based on a resolution passed at a meeting of the Board of Directors held on July 15, 2022, the Company issued new shares for stock-based remuneration in the form of restricted stock compensation as follows.

1) Type and number of shares	305,130 common shares of the Company
2) Paid-in amount	JPY 2,889.5 per one (1) share
3) Total paid-in amount	JPY 881,673,135
4) Persons to whom shares are allotted and the number of them	Directors of the Company (excluding Outside Directors), as well as employees, and the Directors and employees of subsidiaries of the Company, totaling 87 persons
5) Payment date	September 1, 2022

(7) Status of Stock Acquisition Rights

Number of Stock Acquisition Rights (total)	Number of Shares Subject to Stock Acquisition Rights	(Reference) Total Number of Shares Issued and Outstanding
967	96,700 shares	946,005,449 shares (excluding treasury stock)

Note: During the fiscal year ended March 31, 2023, no stock acquisitions rights were issued.

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

(1) Basic Views on Corporate Governance

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

(2) Corporate Governance System of the Company

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

The Company strives to make improvements to increase the effectiveness of the Board of Directors and conducts an annual evaluation and analysis of the effectiveness of the Board of Directors. In the fiscal year ended March 31, 2023, the evaluation and analysis focused on (1) the size and composition of the Board of Directors, (2) arrangement of meeting agendas, (3) reports and explanations, provision of information, and follow-up, (4) meeting discussions, (5) roles and functions of the Board of Directors, and (6) self-evaluations. The Company also confirmed that improvements to reporting and explanation methods at meetings of the Board of Directors implemented since the previous fiscal year have resulted in more efficient understanding of their content and enhanced discussion. In the results of the evaluation and analysis no material issues were indicated with regard to effectiveness, with the Board achieving generally high levels in all evaluation items.

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

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

1) Names, etc. of Directors and Audit & Supervisory Board Members (As of March 31, 2023)

Position	Name	In Charge at the Company and/or Important Concurrent Positions Held in Other Organizations
Chairman of the Board	Tetsuji Ohashi	Outside Director of Yamaha Motor Co., Ltd.* Outside Member of the Board of Nomura Research Institute, Ltd.* Outside Director of Asahi Group Holdings, Ltd.*
President and Representative Director	Hiroyuki Ogawa	Chief Executive Officer (CEO)
Representative Director and Senior Executive Officer	Masayuki Moriyama	President of Mining Business Division
Representative Director and Senior Executive Officer	Kiyoshi Mizuhara	Chief Marketing Officer (CMO)
Director and Senior Executive Officer	Takeshi Horikoshi	Chief Financial Officer (CFO)
Director	Takeshi Kunibe	Chairman of the Board of Sumitomo Mitsui Financial Group, Inc.* Chairman of the Board of Sumitomo Mitsui Banking Corporation* Outside Member of the Board of TAISHO PHARMACEUTICAL HOLDINGS CO., LTD.* Outside Director/Audit & Supervisory Committee Member of Nankai Electric Railway Co., Ltd.*
Director	Arthur M. Mitchell	Registered foreign lawyer of White & Case LLP Outside Director of Sumitomo Mitsui Financial Group, Inc.*
Director	Naoko Saiki	Outside Director of Sojitz Corporation* Outside Audit & Supervisory Board Member of Development Bank of Japan Inc.* Outside Director of Sankyu Inc.*
Director	Michitaka Sawada	Director, Chair of Kao Corporation* Outside Director of Panasonic Holdings Corporation* Outside Director of Nitto Denko Corporation*
Standing Audit & Supervisory Board Member	Terumi Sasaki	—
Standing Audit & Supervisory Board Member	Yasuhiro Inagaki	—
Audit & Supervisory Board Member	Eiko Shinotsuka	Professor Emeritus at Ochanomizu University
Audit & Supervisory Board Member	Kotaro Ohno	Advisor of Atsumi & Sakai Outside Director of AEON Co., Ltd.*
Audit & Supervisory Board Member	Tatsuro Kosaka	Senior Advisor of Chugai Pharmaceutical Co., Ltd. Outside Director of Mitsubishi Electric Corporation*

Notes:

1. Directors Takeshi Kunibe, Arthur M. Mitchell, Naoko Saiki and Michitaka Sawada are Outside Directors.
2. Audit & Supervisory Board Members Eiko Shinotsuka, Kotaro Ohno and Tatsuro Kosaka are Outside Audit & Supervisory Board Members.
3. An asterisk (*) indicates important concurrent positions held in other organizations.

4. Regarding important concurrent positions held by Outside Directors and Outside Audit & Supervisory Board Members in other organizations, there are no particular business relationships, etc. between the Company and other organizations at which Outside Directors and Outside Audit & Supervisory Board Members hold concurrent positions.
5. Standing Audit & Supervisory Board Member Terumi Sasaki has long engaged in accounting-related duties at the Company and has considerable profound knowledge concerning financial affairs and accounting.
6. The Company employs the Executive Officer (*Shikko Yakuin*) System.

2) Outline of Contents of Limited Liability Agreement

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

3) Outline of Contents of Company Indemnification Agreement

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

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

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

5) Remuneration for Directors and Audit & Supervisory Board Members

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

At its meeting of the Board of Directors held on February 15, 2021, the Company passed a resolution on its policy regarding the determination of remuneration, etc. for individual Directors of the

Company (the “Determination Policy”), upon having consulted with and accordingly reported to the Compensation Advisory Committee, which consists of seven (7) external members (three (3) Outside Directors, three (3) Outside Audit & Supervisory Board Members and one (1) outside expert) and one (1) internal member. The outline, etc. of the details of the Determination Policy are as follows:

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

The remuneration for Directors excluding the Outside Directors (hereinafter “Internal Director”) comprises basic remuneration (fixed remuneration) (refer to a) on page 49) and performance-based remuneration linked to the Company’s consolidated performance for a single fiscal year (bonus in cash and the Stock-Based Remuneration A) (refer to b) on pages 49 to 50) as well as the performance-based remuneration (Stock-Based Remuneration B) (refer to c) on page 50) that will reflect the degree of achievement of the targets raised in the mid-term management plan, so that it will further contribute to the enhancement of the medium- and long-term corporate value of the Company by linking the remuneration to performance.

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

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

The remuneration for Audit & Supervisory Board Members only consists of basic remuneration (fixed remuneration) designed to support their independent position with authority to audit the execution of duties by Directors without being fettered by the movements of corporate performance of the Company. The specific total amount of remuneration shall be determined by discussions among the Audit & Supervisory Board Members within the range previously determined by resolution of the General Meeting of Shareholders, taking reports and recommendations of the Compensation Advisory Committee into consideration.

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

[System of Remuneration for Internal Directors]

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

a) Basic Remuneration

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

b) Performance-based Remuneration for a Single Year

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

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

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

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

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

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

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

For the fiscal year ended March 31, 2023, the Company's actual results regarding its performance indicators consist of consolidated ROE of 13.7%, consolidated ROA of 10.3%, consolidated operating income ratio of 13.8%, and growth rate of sales of 26.4%. The Company accordingly determined the payment level based on such results.

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

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

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

The Company will pay Internal Directors the equivalent of three months of monthly remuneration based on the resolution of the Board of Directors every fiscal year as remuneration linked to the period of the Company's mid-term management plan by granting restricted stock as stock-based remuneration (Stock-Based Remuneration B). In deciding Stock-Based Remuneration B, after the expiry of the period of the mid-term management plan, the number of shares on which to lift transfer restrictions (within the range of 0-100%) will be decided mainly based on the achievement of the indicators presented in the table below, which are within the management targets of the mid-term management plan (page 37) and, as a general rule, the restriction on transfer on the shares will be lifted after three years from delivery.

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

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

For the fiscal year ended March 31, 2023, the Company's actual results regarding its key performance indicators are as follows.

	Index	Results
Growth	Sales growth rate	Increase of 26.4%
Profitability	Operating income ratio	13.8%
Efficiency	ROE ^{*1}	13.7%
Sound financial position	Net debt-to-equity ratio ^{*2}	0.30
Retail finance business	ROA ^{*3}	2.6%
	Net debt-to-equity ratio ^{*2}	3.77
ESG	Reduction of environmental impact	Reduction of CO ₂ emissions through product use (relative to 2010): 21% decrease (expected)
		Reduction of CO ₂ emissions through production (relative to 2010): 42% decrease (expected)
		Renewable energy use: 17% (expected)
	Evaluation by external organizations	Selected for DJSI ^{*4}
		Selected for CDP ^{*5} A-list (Climate Changes and Water Security)

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

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

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

*4 DJSI(Dow Jones Sustainability Indices): ESG investment indices of S&P Dow Jones Indices LLC of U.S.

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

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

(1) Overview

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

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

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

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

d) Malus and Clawback System

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

ii) Remuneration for Directors and Audit & Supervisory Board Members for the Fiscal Year ended March 31, 2023

Classification	Number of Persons Paid	Performance-Based Remuneration, etc.			Total Amount of Remuneration, etc. Paid
		Fixed Remuneration			
		Monetary Remuneration		Non-monetary Remuneration, etc.	
		Basic Remuneration	Bonus in Cash	Stock-Based Remuneration (Note 3)	
Director	10	JPY 442 mil	JPY 369 mil	JPY 249 mil	JPY 1,060 mil
(Outside Director included above)	5	JPY 83 mil	–	–	JPY 83 mil
Audit & Supervisory Board Member	6	JPY 153 mil	–	–	JPY 153 mil
(Outside Audit & Supervisory Board Member included above)	4	JPY 63 mil	–	–	JPY 63 mil
Total	16	JPY 595 mil	JPY 369 mil	JPY 249 mil	JPY 1,213 mil
(Outside Director and Outside Audit & Supervisory Board Member included above)	9	JPY 146 mil	–	–	JPY 146 mil

Notes:

- As of the end of the fiscal year ended March 31, 2023, there are nine (9) Directors (four (4) of whom are Outside Directors) and five (5) Audit & Supervisory Board Members (three (3) of whom are Outside Audit & Supervisory Board Members). However, the numbers and amounts in the table above include those for one (1) Director and one (1) Audit & Supervisory Board Member who have retired as of the close of the 153rd Ordinary General Meeting of Shareholders in June 2022.
- It was resolved at the 149th Ordinary General Meeting of Shareholders, held on June 19, 2018, that the maximum amount of remuneration to be paid to Directors per year, which is the total of basic remuneration and bonus in cash, shall not exceed JPY 1.5 billion (of which payment to the Outside Directors shall not exceed JPY 100 million per year) and that the maximum amount of remuneration to be paid to Audit & Supervisory Board Members shall not exceed JPY 200 million. As of the end of this Ordinary General Meeting of Shareholders, there are eight (8) Directors (of which three (3) are Outside Directors) and five (5) Audit & Supervisory Board Members (of which three (3) are Outside Audit & Supervisory Board Members). Furthermore, in the same Ordinary General Meeting of Shareholders, the limit for remuneration, etc. related to the restricted stock granted to Internal Directors as stock-based remuneration was decided as an amount that shall not exceed JPY 360 million annually for Stock-Based Remuneration A linked to the Company's consolidated performance for a single year and as an amount that shall not exceed JPY 180 million annually for Stock-Based Remuneration B linked to the performance of the Mid-Term Business Plan. Meanwhile, it was also resolved that other conditions, etc. are to be as stated in this report under "i) [Details of Stock-Based Remuneration System by Restricted Stock] (pages 51 to 54)." Note that each of the aforementioned remuneration amounts resolved by the shareholders does not include the employee salary portion of remuneration to Directors concurrently serving as employees.
- Stock-based remuneration represents the amounts of expense allocated as remuneration for Directors which are not monetary in accounting for the fiscal year ended March 31, 2023. Specifically, the total amount of remuneration expenses for stock-based remuneration in the fiscal year ended March 31, 2023 stated above comprises (1) the amount of expense recorded as the estimate of the payment in the form of restricted stock compensation of Stock-Based Remuneration A, for which payment level was determined by the operating results of the fiscal year ended March 31, 2023 (The number of shares to be granted has yet to be determined.), and (2) the amount of expense recorded as remuneration for the fiscal year ended

March 31, 2023 paid by newly issuing shares as restricted stock compensation of Stock-Based Remuneration B with the pay-in date of September 1, 2022, following the resolution passed at the Board of Directors meeting held on July 15, 2022 (equivalent to 31,920 shares). Other details of the stock-based remuneration and delivery status thereof is as stated in this report under “i) [Details of Stock-Based Remuneration System by Restricted Stock]” (pages 51 to 54) and “2. (5). Status of shares delivered to Directors and Audit & Supervisory Board Members of the Company as consideration for their execution of duties during the fiscal year ended March 31, 2023.” (page 42)

4. The portions of salaries as employees for Directors concurrently serving as employees are not paid.
5. Amounts of less than JPY one (1) million are rounded to the nearest million yen.
6. Details regarding remuneration, etc. for individual Directors of the Company have been reported to the Board of Directors upon deliberation with respect to the monthly remuneration levels by position and levels of cash bonus (number of times of monthly remuneration), subsequent to the Compensation Advisory Committee having engaged in deliberations encompassing the perspective of consistency with the Determination Policy. The Company’s Board of Directors (as well as both the Chairman of the Board and the President and Representative Director delegated such authority) has determined the amounts of remuneration for individual Directors based on reports and recommendations of the Compensation Advisory Committee, upon having confirmed appropriateness of the deliberation process of the Compensation Advisory Committee and the details of the reports and recommendations. As such, the Company’s Board of Directors deems that details of remuneration, etc. for individual Directors pertaining to the fiscal year ended March 31, 2023 are in alignment with the Determination Policy.

6) Major Activities of Outside Directors and Outside Audit & Supervisory Board Members in the Fiscal Year ended March 31, 2023, etc.

The status of major activities of Outside Directors and Outside Audit & Supervisory Board Members in the fiscal year ended March 31, 2023 and the matters concerning their independence are presented below.

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

i) Outside Directors

Name	Takeshi Kunibe <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 86% (13 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Takeshi Kunibe has worked as Representative Director, President of Sumitomo Mitsui Banking Corporation and Representative Director and President as well as Director President and Representative Executive Officer of Sumitomo Mitsui Financial Group, Inc. and serves as Chairman of the Board of the said companies. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of contributing to sustaining and improving transparency and soundness of management as well as enhancing corporate governance. During the fiscal year ended March 31, 2023, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as M&A strategy, achieving economic security, and financial management. He also served as Chairman of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Name	Arthur M. Mitchell <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Arthur M. Mitchell has worked for many years as a New York state attorney and foreign law attorney in Japan. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of mitigating and avoiding risk in the Company's global business operations and contributing to the enhancement of the Company's medium- and long-term corporate value. During the fiscal year ended March 31, 2023, he accordingly provided comments based on his international perspective and professional standpoint, particularly concerning such issues as achieving economic security, global risk management, and ESG strategy. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Name	Naoko Saiki <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Ms. Naoko Saiki has considerable knowledge and abundant experience in international affairs, international law, and the field of economics as she served in positions such as Director-General of the Economic Affairs Bureau and Director-General of the International Legal Affairs Bureau at MOFA. She has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of contributing to the enhancement of the Company's medium- and long-term corporate value. During the fiscal year ended March 31, 2023, she accordingly provided comments based on her international perspective and professional standpoint, particularly concerning such issues as human resource development, cybersecurity systems, and global business strategy. In addition, she was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee, and she conducted employee seminars on the topic of diversity & inclusion.

Name	Michitaka Sawada <Independent Director>
Attendance of the Meetings	Meeting of the Board of Directors 100% (11 meetings out of the 11 meetings held)
Details of Major Activities and Overview of Duties Performed in Relation to Roles Outside Directors Are Expected to Serve	Mr. Michitaka Sawada has considerable knowledge and rich experience in the business world having engaged in global group corporate management and ESG management, as Representative Director, President of Kao Corporation and Director, Chair of Kao Corporation. He has been actively expressing a wide range of opinions at the meetings of the Board of Directors mainly from the standpoint of contributing to the enhancement of the Company's medium- and long-term corporate value. During the fiscal year ended March 31, 2023, he accordingly provided comments based on his rich experience in the business world, particularly concerning such issues as initiatives to address sustainability issues, DX promotion, and global corporate management. In addition, he was a member of the Company's Human Resource Advisory Committee and the Compensation Advisory Committee.

Note: As Outside Director Mr. Michitaka Sawada was elected at the 153rd Ordinary General Meeting of Shareholders held in June 2022, his maximum number of meetings of attendance is different from that of the other Outside Directors.

ii) Outside Audit & Supervisory Board Members

Name	Eiko Shinotsuka <Independent Audit & Supervisory Board Member>
Attendance of the Meetings	Meeting of the Board of Directors 93% (14 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 93% (14 meetings out of the 15 meetings held)
Details of Major Activities	Ms. Eiko Shinotsuka possesses wide-ranging knowledge and experience in fields such as economics, labor relations and law. During the fiscal year ended March 31, 2023, based on her professional standpoint, she provided comments at the meetings of the Board of Directors and meetings of the Audit & Supervisory Board concerning such issues as global auditing systems, issues in M&A and the development of human resources for DX. In addition, she was a member of the Company's Compensation Advisory Committee.

Name	Kotaro Ohno <Independent Audit & Supervisory Board Member>
Attendance of the Meetings	Meeting of the Board of Directors 100% (15 meetings out of the 15 meetings held) Meeting of the Audit & Supervisory Board 100% (15 meetings out of the 15 meetings held)
Details of Major Activities	Mr. Kotaro Ohno possesses rich experience in the legal profession. During the fiscal year ended March 31, 2023, based on his professional standpoint, he provided comments at meetings of the Board of Directors and meetings of the Audit & Supervisory Board concerning such issues as audit systems in case of emergency, compliance, and developing diverse human resources. In addition, he was a member of the Company's Compensation Advisory Committee and an observer of the Compliance Committee.

Name	Tatsuro Kosaka <Independent Audit & Supervisory Board Member>
Attendance of the Meetings	Meeting of the Board of Directors 100% (11 meetings out of the 11 meetings held) Meeting of the Audit & Supervisory Board 100% (11 meetings out of the 11 meetings held)
Details of Major Activities	Mr. Tatsuro Kosaka has considerable knowledge and rich experience in the business world. During the fiscal year ended March 31, 2023, based on his professional standpoint, he provided comments at meetings of the Board of Directors and the Audit & Supervisory Board concerning such issues as the promotion of safety and health, global risk management, and visualization of business issues. In addition, he was a member of the Company's Compensation Advisory Committee.

Note: As Outside Audit & Supervisory Board Member Mr. Tatsuro Kosaka was elected at the 153rd Ordinary General Meeting of Shareholders held in June 2022, his maximum number of meetings of attendance for the meeting of the Board of Directors and the meeting of the Audit & Supervisory Board is different from that of the other Outside Audit & Supervisory Board Members.

End

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2023)

	(JPY million)	
	(Reference)	
	154th Fiscal Year	153rd Fiscal Year
Assets		
Current assets:		
Cash and cash equivalents	289,975	315,360
Time deposits	–	1,310
Trade notes and accounts receivable, net	1,111,913	954,580
Inventories	1,227,208	988,011
Other current assets	207,479	162,020
Total current assets	2,836,575	2,421,281
Long-term trade receivables, net	569,691	501,868
Investments:		
Investments in and advances to affiliated companies	52,325	45,913
Investment securities	10,556	8,377
Other	3,418	3,493
Total investments	66,299	57,783
Property, plant and equipment-less accumulated depreciation and amortization	836,442	819,749
Operating lease right-of-use assets	61,052	61,516
Goodwill	207,060	187,615
Other intangible assets-less accumulated amortization	167,292	169,003
Deferred income taxes and other assets	131,436	128,707
Total assets	4,875,847	4,347,522

	(JPY million)	
	(Reference)	
	154th Fiscal Year	153rd Fiscal Year
Liabilities		
Current liabilities:		
Short-term debt	310,738	241,746
Current maturities of long-term debt	176,835	276,623
Trade notes, bills and accounts payable	362,360	338,974
Income taxes payable	64,495	68,337
Current operating lease liabilities	17,878	16,981
Other current liabilities	439,355	381,360
Total current liabilities	1,371,661	1,324,021
Long-term liabilities:		
Long-term debt	566,189	429,011
Liability for pension and retirement benefits	90,348	93,407
Long-term operating lease liabilities	44,913	43,458
Deferred income taxes and other liabilities	124,781	101,348
Total long-term liabilities	826,231	667,224
Total liabilities	2,197,892	1,991,245
Equity		
Komatsu Ltd. shareholders' equity		
Common stock	69,660	69,393
Capital surplus	135,886	139,572
Retained earnings:		
Appropriated for legal reserve	48,508	47,903
Unappropriated	2,114,789	1,902,501
Accumulated other comprehensive income (loss)	219,951	122,414
Treasury stock at cost	(49,153)	(49,272)
Total Komatsu Ltd. shareholders' equity	2,539,641	2,232,511
Noncontrolling interests	138,314	123,766
Total equity	2,677,955	2,356,277
Total liabilities and equity	4,875,847	4,347,522

Consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

	(JPY million)	
	(Reference)	
	154th Fiscal Year	153rd Fiscal Year
Net sales	3,543,475	2,802,323
Cost of sales	2,504,449	2,022,747
Selling, general and administrative expenses	545,512	464,040
Impairment loss on long-lived assets	5,521	1,372
Other operating income, net	2,692	2,851
Operating income	490,685	317,015
Other income (expenses), net:		
Interest and dividend income	12,451	5,332
Interest expense	(32,371)	(12,222)
Other, net	5,669	14,443
Total	(14,251)	7,553
Income before income taxes and equity in earnings of affiliated companies	476,434	324,568
Income taxes:		
Current	139,828	100,233
Deferred	(4,281)	(7,655)
Total	135,547	92,578
Income before equity in earnings of affiliated companies	340,887	231,990
Equity in earnings of affiliated companies	5,290	5,258
Net income	346,177	237,248
Less: Net income attributable to noncontrolling interests	19,779	12,321
Net income attributable to Komatsu Ltd.	326,398	224,927

Auditors' Report

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

Independent Auditor's Report

May 12, 2023

The Board of Directors
Komatsu Ltd.

KPMG AZSA LLC
Tokyo Office

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoo Nishigori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Toyama
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of equity and the related notes of Komatsu Ltd. and its subsidiaries as of March 31, 2023 and for the year from April 1, 2022 to March 31, 2023 in accordance with Article 444, Paragraph 4 of the Companies Act of Japan.

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

Basis for Opinion

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

Other contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

End

Audit & Supervisory Board's Report

Regarding the execution of duties by the Directors for the 154th Fiscal Year from April 1, 2022 to March 31, 2023, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

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

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

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

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

2. Result of Audit

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

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

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

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

(3) Result of Audit of consolidated financial statements

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

May 19, 2023

The Audit & Supervisory Board

Terumi Sasaki (Seal)
Standing Audit & Supervisory Board Member

Yasuhiro Inagaki (Seal)
Standing Audit & Supervisory Board Member

Eiko Shinotsuka (Seal)
Audit & Supervisory Board Member

Kotaro Ohno (Seal)
Audit & Supervisory Board Member

Tatsuro Kosaka (Seal)
Audit & Supervisory Board Member

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

End

Date of disclosure for electronic provision: May 24, 2023

Dear Shareholders:

Items Excluded From Paper-Based Documents Delivered Upon Request Concerning Notice of Convocation of the 154th Ordinary General Meeting of Shareholders of Komatsu Ltd.

Komatsu Ltd. (hereinafter the “Company”) has excluded information regarding the items listed below from the paper-based documents delivered to shareholders who have made a request for delivery of documents stating items for which measures for providing information in electronic format are to be taken as part of its provision of notice of convocation of the 154th Ordinary General Meeting of Shareholders of Komatsu Ltd. in accordance with relevant laws and regulations and with Article 16 of the Articles of Incorporation of the Company.

- I Business Report
 - 1. Financial Position and Profit/Loss Trends
 - 2. Major Lines of Business
 - 3. Principal Offices and Plants
 - 4. Employees
 - 5. Main Lenders
 - 6. Matters Regarding Stock Acquisition Rights of the Company, etc.
 - 7. Systems for Ensuring the Properness of Operations and Outline of Management of such Systems
 - 8. Status of Accounting Auditors
- II Consolidated Financial Statements
 - 1. Consolidated Statement of Equity
 - 2. Notes to Consolidated Financial Statements
- III Non-Consolidated Financial Statements
 - 1. Non-Consolidated Balance Sheet
 - 2. Non-Consolidated Statement of Income
 - 3. Non-Consolidated Statement of Changes in Net Assets
 - 4. Notes to Non-Consolidated Financial Statements
- IV Auditors’ Report
 - Independent Auditor’s Report on Non-Consolidated Financial Statements

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

Komatsu Ltd.

(Translation)

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

I. Business Report

1. Financial Position and Profit/Loss Trends

	151st Fiscal Year (April 2019 - March 2020)	152nd Fiscal Year (April 2020 - March 2021)	153rd Fiscal Year (April 2021 - March 2022)	154th Fiscal Year (April 2022 - March 2023)
Net sales (JPY billion)	2,444.8	2,189.5	2,802.3	3,543.5
Operating income (JPY billion)	250.7	167.3	317.0	490.7
Income before income taxes and equity in earnings of affiliated companies (JPY billion)	223.1	162.7	324.5	476.4
Net income attributable to Komatsu Ltd. (JPY billion)	153.8	106.2	224.9	326.4
Net income attributable to Komatsu Ltd. per share (JPY)	162.93	112.43	237.97	345.22
ROE* ¹ (%)	8.6	5.8	10.9	13.7
ROA* ² (%)	6.1	4.4	8.0	10.3
Total assets (JPY billion)	3,653.6	3,784.8	4,347.5	4,875.8
Komatsu Ltd. shareholders' equity (JPY billion)	1,771.6	1,912.2	2,232.5	2,539.6

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

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

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

2. Major Lines of Business (As of March 31, 2023)

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

3. Principal Offices and Plants (As of March 31, 2023)

(1) The Company

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

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

(2) Principal Subsidiaries

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

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

Note: Komatsu (Shandong) Construction Machinery Corp. was absorbed and merged by Komatsu Machinery Manufacturing (Shandong) Co., Ltd. as of April 1, 2023.

4. Employees (As of March 31, 2023)

Segment	Number of Employees
Construction, Mining and Utility Equipment	59,283
Retail Finance	280
Industrial Machinery and Others	4,078
Others (Note 2)	702
Total	64,343

Notes:

1. The total number of employees increased by 1,569 from the end of the previous fiscal year.
2. “Others” above includes the number of administrative employees who cannot be classified into the above three (3) segments.

5. Main Lenders (As of March 31, 2023)

Name of Lender	Balance of Loans (JPY billion)
Sumitomo Mitsui Banking Corporation	160.6
MUFG Bank, Ltd.	147.4
Mizuho Bank, Ltd.	74.9

6. Matters Regarding Stock Acquisition Rights of the Company, etc.

(1) Status of Stock Acquisition Rights (As of March 31, 2023)

Name (Issue Date)	Number of Stock Acquisition Rights	Number of Shares Subject to Stock Acquisition Rights (Number of Shares per one (1) Stock Acquisition Right)	Paid-in Amount per one (1) Share	Exercise Price per one (1) Share	Period for Exercise of Stock Acquisition Rights
No. 24 Stock Acquisition Rights (August 3, 2015)	110	11,000 shares (100 shares)	Without consideration	JPY 1	From August 3, 2018 to July 31, 2023
No. 26 Stock Acquisition Rights (August 1, 2016)	366	36,600 shares (100 shares)	Without consideration	JPY 1	From August 1, 2019 to July 31, 2024
No. 28 Stock Acquisition Rights (August 1, 2017)	491	49,100 shares (100 shares)	Without consideration	JPY 1	From August 1, 2020 to July 31, 2025
Total	967	96,700 shares	[Reference: Total number of issued shares: 946,005,449 shares (excluding treasury stock)]		

Notes:

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

(2) Stock Acquisition Rights Held by Directors and Audit & Supervisory Board Members of the Company (As of March 31, 2023)

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

No items to report.

2) Stock Acquisition Rights Held by Outside Directors

No items to report.

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

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

Note: The above indicates Stock Acquisition Rights issued at the time when the incumbent Audit & Supervisory Board Member, as of March 31, 2023, was an employee of the Company (prior to being elected as Audit & Supervisory Board Member).

(3) Stock Acquisition Rights Issued During the Fiscal Year Ended March 31, 2023 to Employees of the Company and Directors of the Subsidiaries of the Company

No items to report.

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

(1) Systems for Ensuring the Properness of Operations

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

1 Basic Policy on Internal Control

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

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

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

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

3 Rules and Other Systems for Risk Management

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

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

4 Systems for Ensuring Efficient Execution of Duties by Directors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 Basic Policy Pertaining to the Elimination of Antisocial Forces

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

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

(2) Outline of Management of Systems Ensuring the Properness of Operations in Fiscal Year Ended March 31, 2023

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

	<p>understanding and recognition of management issues.</p> <p>4) The records of the Board meetings and other approval documents (such as <i>ringisho</i>) are retained and managed appropriately in accordance with internal regulations on document management.</p>
	<p>Relevant “Systems for Ensuring the Properness of Operations”</p>
	<p>2 Systems for Retention and Management of Information Related to Directors’ Execution of Duties</p> <p>4 Systems for Ensuring Efficient Execution of Duties by Directors</p>
Risk Management	<p>Outline</p> <p>The Risk Management Committee met twice during the fiscal year. The Committee evaluated the status of implementation of risk measures and worked to prevent risks from surfacing. It also reported on its reviews and activities to the Board of Directors. The Committee also worked to improve the risk management systems on a group worldwide basis including at subsidiaries. In response to the global spread of COVID-19 and the situation in Ukraine, the Countermeasures Committee, led by the President, was established during the fiscal year ended March 31, 2023. This Committee collects and shares information globally with each function, such as human resources, marketing, production and development, and determines and deploys response policies.</p>
	<p>Relevant “Systems for Ensuring the Properness of Operations”</p>
	<p>3 Rules and Other Systems for Risk Management</p> <p>6-2 Rules and Other Systems for Risk Management at Subsidiaries</p>
Compliance	<p>Outline</p> <p>The Compliance Committee conducts various activities in Japan and overseas, such as revising the Komatsu Code of Worldwide Business Conduct, providing various education and disseminating information, and upgrading and operating the internal reporting system. It also reports on its reviews and activities to the Board of Directors. The Compliance Committee met twice in the fiscal year ended March 31, 2023. The Committee also conducted a “visualization survey” of latent risks. The Company bulletin “Compliance for Everyone” has been continually published each month since 2006, making this year its 18th year. The Committee has been working to expand its distribution to include overseas subsidiaries as well. The Committee also conducts periodic audits with regard to major compliance risks and strives to prevent them from surfacing.</p>
	<p>Relevant “Systems for Ensuring the Properness of Operations”</p>
	<p>5 Systems for Ensuring that the Execution of Duties by Directors and Employees Complies with Laws and Regulations and the Company’s Articles of Incorporation</p> <p>6-4 Systems for Ensuring that the Execution of Duties by Directors and Employees at Subsidiaries Complies with Laws and Regulations and the Company’s Articles of Incorporation</p>
Management of Subsidiaries	<p>Outline</p> <p>1) To strengthen the Group’s corporate governance, the Company dispatches its executive officers and board members of regional headquarters companies, etc. to serve as Directors and Audit & Supervisory Board Members at its 44 main subsidiaries (11 in Japan, 33 overseas) to monitor their management. The divisions of the Company in charge of each subsidiary also conduct constant checks on the status of the subsidiaries’ Board of Directors meetings.</p> <p>2) The Boards of Directors resolved to implement the Basic Policy on Internal Controls at the Company’s 44 main subsidiaries to further increase the internal controls for the entire Group. The status of the Policy’s implementation is confirmed by the Company’s Board of Directors and the Company is working to improve it. Other subsidiaries will also establish internal control systems.</p>

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

8. Status of Accounting Auditors

(1) Name of Accounting Auditors

KPMG AZSA LLC

(2) Amount of Remuneration for Accounting Auditors

Remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2023:	JPY 433 million
Total amount of money and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor:	JPY 735 million

Notes:

1. The Audit & Supervisory Board, based upon the “Practical Guidelines for Cooperation with Financial Auditors,” etc. released by the Japan Audit & Supervisory Board Members Association, and having obtained necessary materials and having received reports from related departments and the Accounting Auditor, conducts confirmation of the auditing plans of the Accounting Auditor, the status of execution of duties, the trends in actual remuneration amount, the grounds for calculation of remuneration estimates and other matters and, having investigated appropriateness of remuneration, etc. for the Accounting Auditor, gives consent in accordance with Article 399, Paragraph 1 of the Companies Act of Japan.
2. The amount of remuneration for the Accounting Auditor of the Company in the fiscal year ended March 31, 2023 includes the sum of the amount of remuneration for auditing services in accordance with the Companies Act of Japan and the amount of remuneration for auditing work in accordance with the Financial Instruments and Exchange Act of Japan, because the two kinds of remuneration are not clearly separated from each other in the audit contract concluded between the Company and the Accounting Auditor and cannot be recorded separately.
3. Among principal subsidiaries of the Company, thirty-four (34) companies including Komatsu America Corp. are audited by Certified Public Accountants or Audit Corporations other than the Accounting Auditor of the Company.

(3) Details of Non-Auditing Services

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

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

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

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

II Consolidated Financial Statements

1. Consolidated Statement of Equity

(From April 1, 2022 to March 31, 2023)

(JPY million)

	Common stock	Capital surplus	Retained earnings		Accumulated other comprehensive income (loss)
			Appropriated for legal reserve	Unappropriated	
Balance at the beginning of current period	69,393	139,572	47,903	1,902,501	122,414
Cash dividends				(113,505)	
Transfer to retained earnings appropriated for legal reserve			605	(605)	
Other changes		(3,898)			1,476
Comprehensive income (loss):					
Net income				326,398	
Other comprehensive income (loss), net of tax					
Foreign currency translation adjustments					92,633
Pension liability adjustments					1,440
Net unrealized holding gains (losses) on derivative instruments					1,988
Comprehensive income					
Exercise of stock acquisition rights		(122)			
Purchase of treasury stock					
Sales of treasury stock		69			
Restricted stock compensation	267	265			
Balance at the end of current period	69,660	135,886	48,508	2,114,789	219,951

	Treasury stock	Total Komatsu Ltd. shareholders' equity	Non-controlling interests	Total equity
Balance at the beginning of current period	(49,272)	2,232,511	123,766	2,356,277
Cash dividends		(113,505)	(7,736)	(121,241)
Transfer to retained earnings appropriated for legal reserve		-		-
Other changes	(77)	(2,499)	(1,069)	(3,568)
Comprehensive income (loss):				
Net income		326,398	19,779	346,177
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments		92,633	3,496	96,129
Pension liability adjustments		1,440	(33)	1,407
Net unrealized holding gains (losses) on derivative instruments		1,988	8	1,996
Comprehensive income		422,459	23,250	445,709
Exercise of stock acquisition rights		(122)		(122)
Purchase of treasury stock	(38)	(38)		(38)
Sales of treasury stock	234	303	103	406
Restricted stock compensation		532		532
Balance at the end of current period	(49,153)	2,539,641	138,314	2,677,955

2. Notes to Consolidated Financial Statements

Notes Concerning the Basis of Preparation of Consolidated Financial Statements

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

- (1) Number of consolidated subsidiaries: 211 companies
(New additions: 19 companies, exclusions: 21 companies)
- (2) Number of affiliated companies accounted for by the equity method: 40 companies
(New addition: None, exclusion: 2 companies)

2. Significant Accounting Policies

- (1) Basis of preparation of Consolidated Financial Statements
The Consolidated Financial Statements of Komatsu Ltd. and its subsidiaries (hereinafter “Komatsu”) are prepared in accordance with Article 120-3, Paragraph 1 of the Regulation on Corporate Accounting of Japan, and the method of preparation conforms to the accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”) in terms of terminology and format. However, some description and notes under the mandatory requirements of U.S. GAAP are omitted within the scope of stipulations in the provision of the second sentence of Article 120, Paragraph 1, as applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the said Regulation.
- (2) Method and basis of valuation of inventories
Inventories are stated at the lower of cost or market. The cost of finished products and work in process is mainly valued by the specific identification method and the cost of raw materials and supplies is stated at periodic average cost. The cost of finished parts is mainly stated using the first-in first-out method.
- (3) Method and basis of valuation of investment securities
Komatsu has applied the Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (hereinafter “Codification”) Topic 321, “Investments–Equity Securities.”
Equity securities:
Komatsu measures equity securities without readily determinable fair values at the carrying amount after the write-down due to impairment, except for investments which are measured at net asset value per share. If Komatsu identifies observable price changes in orderly transactions for identical or similar investments issued by the same issuer, Komatsu measures the equity security at fair value as of the date that the observable transaction occurred.
- (4) Depreciation and amortization of fixed assets
Depreciation of property, plant and equipment:
Depreciated using the straight-line method.

Amortization of intangible assets:
Amortized using the straight-line method.
In accordance with Codification Topic 350, “Intangibles–Goodwill and Other,” goodwill and other intangible assets whose useful lives cannot be determined are not amortized and reviewed for impairment at least annually.

(5) Allowances

Allowance for doubtful receivables:

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

Liability for pension and retirement benefits:

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

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

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

(6) Revenue Recognition

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

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

Notes Concerning Revenue Recognition

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

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

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

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

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

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

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

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

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

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

(i) Disaggregation of revenue

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

Revenue recognized from contracts with customers	JPY	3,325,494 million
Revenue recognized from other sources	JPY	217,981 million
Total	JPY	3,543,475 million

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

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

(JPY million)

	Japan	The Americas	Europe and CIS	China	Asia (excluding Japan and China) and Oceania	Middle East and Africa	Total
Construction, Mining and Utility Equipment	321,746	1,409,984	434,214	79,690	777,774	263,315	3,286,723
Retail Finance	2,555	47,571	7,366	1,973	7,697	645	67,807
Industrial Machinery and Others	85,113	30,413	14,773	19,490	38,841	315	188,945
Total	409,414	1,487,968	456,353	101,153	824,312	264,275	3,543,475

The amounts classified into revenue recognized from other sources within the net sales of the Construction, Mining and Utility Equipment operating segment are JPY 29,120 million in Japan, JPY 32,980 million in the Americas, JPY 57,135 million in Europe and CIS, JPY 14,085 million in China, JPY 14,161 million in Asia (excluding Japan and China) and Oceania, and JPY 4,597 million in Middle East and Africa. Net sales of the Retail Finance operating segment are primarily the amounts classified into revenue recognized from other sources.

(ii) Contract balances

Contract balances arising from contracts with customers are as follows:

Receivables *1	JPY	1,444,683 million
Contract assets *2	JPY	2,516 million
Contract liabilities *3	JPY	164,220 million

Notes:

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

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

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

Advances received from the customers are recognized in long-term maintenance contracts for which revenue is recognized over the contract period, and also in product sales contracts for large press machines and the like for which revenue is recognized upon acceptance of the customers. Revenue recognized for the fiscal year ended March 31, 2023 that was included in the contract liability balance as of March 31, 2022 was JPY 69,827 million.

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

(iii) Transaction price allocated to the remaining performance obligations

The aggregate amount of the transaction price allocated to the remaining performance obligations that have original expected durations greater than one year was JPY 370,903 million, of which JPY 187,749 million is expected to be recognized as revenue in the fiscal year ending March 31, 2024.

Notes Concerning Accounting Estimates

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

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

Notes to Consolidated Balance Sheet

- | | |
|--|-----------------------|
| (1) Allowance for doubtful trade notes and accounts receivable and long-term trade receivables: | JPY 22,655 million |
| (2) Accumulated depreciation of property, plant and equipment: | JPY 1,018,981 million |
| (3) Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments, pension liability adjustments and net unrealized holding gains (losses) on derivative instruments. | |

(4) Guarantee obligations

Guarantee obligations for borrowings made by employees, affiliated companies, customers and others: JPY 14,966 million

Guarantee obligations for subsidiaries to perform the obligations of the terms and conditions of contracts JPY 14,683 million

Notes Concerning Financial Instruments

(1) Status of financial instruments

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

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

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

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

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

(2) Matters concerning fair values of financial instruments

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

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

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

(JPY million)

		Consolidated balance sheet amount*	Fair value*	Balance	Fair value level
(1) Cash and cash equivalents		289,975	289,975	–	Level 1
(2) Long-term trade receivables, net, excluding lease receivables		430,178	411,766	(18,412)	Level 2
(3) Short-term debt		(310,738)	(310,738)	–	Level 2
(4) Long-term debt, including current portion		(743,024)	(719,514)	23,510	Level 2
(5) Derivatives	Assets	10,340	10,340	–	Level 2
	Liabilities	(10,097)	(10,097)	–	Level 2

* The figures in parentheses indicate those posted in liabilities.

Notes:

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

(1) Cash and cash equivalents

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

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

Fair values of long-term trade receivables are measured by discounting future cash flows at interest rate at the end of the fiscal year that should be applied to trade receivables with similar maturities.

(3) Short-term debt

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

(4) Long-term debt, including current portion

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

(5) Derivatives

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

2. Unlisted investment securities (consolidated balance sheet amount: JPY 10,556 million) are primarily non-marketable equity securities with no readily determinable fair value, and therefore are not included in the table above.

Notes Concerning Investment and Rental Property

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

Notes Concerning Per Share Information

(1) Komatsu Ltd. shareholders' equity per share	JPY	2,685.76
(2) Basic net income attributable to Komatsu Ltd. per share	JPY	345.22
(3) Diluted net income attributable to Komatsu Ltd. per share	JPY	345.18

Notes Concerning Significant Subsequent Events

No items to report.

Other Notes

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

III Non-Consolidated Financial Statements

1. Non-Consolidated Balance Sheet

(As of March 31, 2023)

	(JPY million)	
	(Reference)	
	154th Fiscal Year	153rd Fiscal Year
Assets		
Current assets:		
Cash and deposits	233,145	212,073
Notes receivable-trade	1,474	1,312
Accounts receivable-trade	223,735	224,814
Merchandise and finished goods	64,946	50,585
Work in process	62,581	51,993
Raw materials and supplies	5,002	4,200
Prepaid expenses	6,736	5,544
Short-term loans receivable	17,952	21,476
Accounts receivable-other	29,013	37,565
Other current assets	3,058	1,766
Allowance for doubtful accounts	(375)	(375)
Total current assets	647,273	610,958
Non-current assets:		
Property, plant and equipment:		
Buildings	98,662	96,234
Structures	15,311	15,447
Machinery and equipment	47,884	46,142
Vehicles	913	857
Tools, furniture and fixtures	11,215	11,227
Rental equipment	45,216	50,721
Land	46,325	44,770
Construction in progress	9,368	6,680
Total property, plant and equipment	274,897	272,081
Intangible assets:		
Software	28,092	27,094
Other intangible assets	336	312
Total intangible assets	28,429	27,407
Investments and other assets:		
Investment securities	3,829	2,477
Stocks of subsidiaries and affiliates	398,097	398,567
Investments in capital of subsidiaries and affiliates	39,813	39,813
Long-term loans receivable	16,244	18,335
Long-term prepaid expenses	2,932	3,144
Deferred tax assets	25,240	25,199
Other investments	9,989	8,694
Allowance for doubtful accounts	(890)	(890)
Allowance for investment loss	(538)	(2,253)
Total investments and other assets	494,719	493,088
Total non-current assets	798,046	792,576
Total assets	1,445,319	1,403,535

	(JPY million)	
	(Reference)	
	154th Fiscal Year	153rd Fiscal Year
Liabilities		
Current liabilities:		
Notes payable-trade	4	–
Accounts payable-trade	117,289	107,465
Short-term loans payable	34,000	15,780
Commercial papers	40,000	81,000
Current portion of bonds payable	40,000	–
Accounts payable-other	14,866	13,661
Accrued expenses	33,975	33,013
Income taxes payable	21,003	30,035
Deposits received	67,909	80,963
Provision for bonuses	12,164	10,311
Provision for directors' bonuses	347	179
Provision for product warranties	9,912	7,770
Other current liabilities	11,935	16,777
Total current liabilities	403,410	396,958
Non-current liabilities:		
Bonds payable	30,000	70,000
Long-term loans payable	38,500	72,000
Provision for product warranties	2,002	2,018
Provision for retirement benefits	43,806	42,304
Other long-term liabilities	16,218	18,818
Total non-current liabilities	130,527	205,141
Total liabilities	533,937	602,099
Net Assets		
Shareholders' equity:		
Capital stock	72,118	71,678
Capital surplus:	142,571	142,103
Legal capital surplus	142,138	141,697
Other capital surplus	432	405
Retained earnings:		
Legal retained earnings	18,036	18,036
Other retained earnings:	727,288	620,743
Reserve for advanced depreciation of non-current assets	11,110	11,400
General reserve	210,359	210,359
Retained earnings brought forward	505,818	398,984
Total retained earnings	745,325	638,780
Treasury stock	(48,766)	(48,844)
Total shareholders' equity	911,248	803,716
Valuation and translation adjustments:		
Deferred gains or losses on hedges	(79)	(2,615)
Total valuation and translation adjustments	(79)	(2,615)
Stock acquisition rights:		
Stock acquisition rights	212	333
Total stock acquisition rights	212	333
Total net assets	911,381	801,435
Total liabilities and net assets	1,445,319	1,403,535

2. Non-Consolidated Statement of Income

(From April 1, 2022 to March 31, 2023)

	(JPY million)	
	(Reference)	
	154th Fiscal Year	153rd Fiscal Year
Net sales	1,144,513	952,247
Cost of sales	870,593	747,172
Gross profit	273,919	205,074
Selling, general and administrative expenses	158,470	139,717
Operating income	115,448	65,357
Non-operating income:		
Interest and dividends income	143,743	27,068
Transfer pricing taxation adjustment	–	94
Other non-operating income	1,243	5,451
Non-operating expenses:		
Interest expenses	369	255
Other non-operating expenses	7,113	3,581
Ordinary income	252,952	94,135
Extraordinary income:		
Gain on extinguishment of tie-in shares	3,090	–
Gain on sales of land	99	380
Reversal of allowance for investment loss	1,715	–
Gain on revision of retirement benefit plan	–	6,366
Extraordinary losses:		
Impairment loss	62	–
Loss on sales of land	212	–
Income before income taxes	257,582	100,883
Income taxes:		
Income taxes-current	38,557	22,329
Income taxes-deferred	(1,026)	210
Net income	220,050	78,342

3. Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2022 to March 31, 2023)

(JPY million)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings		Retained earnings brought forward
					Reserve for advanced depreciation of non-current assets	General reserve		
Balance at the beginning of current period	71,678	141,697	405	142,103	18,036	11,400	210,359	398,984
Changes of items during the period								
Reversal of reserve for advanced depreciation of non-current assets						(289)		289
Dividends from surplus								(113,505)
Net income								220,050
Purchase of treasury stock								
Disposal of treasury stock			27	27				
Restricted stock compensation	440	440		440				
Net changes of items other than shareholders' equity								
Total changes of items during the period	440	440	27	467	–	(289)	–	106,834
Balance at the end of current period	72,118	142,138	432	142,571	18,036	11,110	210,359	505,818

(JPY million)

	Shareholders' equity			Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
	Total retained earnings						
Balance at the beginning of current period	638,780	(48,844)	803,716	(2,615)	(2,615)	333	801,435
Changes of items during the period							
Reversal of reserve for advanced depreciation of non-current assets	–		–				–
Dividends from surplus	(113,505)		(113,505)				(113,505)
Net income	220,050		220,050				220,050
Purchase of treasury stock		(16)	(16)				(16)
Disposal of treasury stock		94	121				121
Restricted stock compensation			881				881
Net changes of items other than shareholders' equity				2,535	2,535	(121)	2,414
Total changes of items during the period	106,545	78	107,531	2,535	2,535	(121)	109,946
Balance at the end of current period	745,325	(48,766)	911,248	(79)	(79)	212	911,381

4. Notes to Non-Consolidated Financial Statements

Significant Accounting Policies

- (1) Method and basis of valuation of securities
 - Investments in subsidiaries and affiliated companies:
 - Stated at cost determined by the moving-average method.
 - Available-for-sale securities:
 - Securities, etc. whose market price is not readily determinable:
 - Stated at cost determined by the moving-average method.

- (2) Method and basis of valuation of inventories
 - Merchandise and finished goods, work in process:
 - Stated at cost (specific identification method).
 - Raw materials and supplies:
 - Stated at cost (periodic average method).
 - The value stated in the balance sheet is computed according to write-downs based on the decreased profitability.

- (3) Depreciation of non-current assets
 - Property, plant and equipment (excluding lease assets):
 - Straight-line method
 - Intangible assets (excluding lease assets):
 - Straight-line method
 - Lease assets
 - Lease assets pertaining to finance leases that do not transfer ownership of leased property to the lessee:
 - Straight-line method over the lease period as the useful life

- (4) Allowances and provisions
 - 1) Allowance for doubtful accounts
 - To cover possible credit losses on accounts receivable or loans, an allowance for doubtful accounts is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.
 - 2) Allowance for investment loss
 - In order to prepare for losses from investing in domestic and overseas unlisted companies, allowance for investment loss is accounted for by taking into consideration the financial position of the issuer.
 - 3) Provision for bonuses
 - Provision for bonuses is provided for payment prospect of bonuses to employees at an amount considered to be recorded for the fiscal year ended March 31, 2023.
 - 4) Provision for directors' bonuses
 - Provision for directors' bonuses is provided for payment prospect of bonuses to Directors at an amount considered to be recorded for the fiscal year ended March 31, 2023.
 - 5) Provision for product warranties
 - Provision for product warranties is provided for product after-sales service expenses based on the historical performance, etc.

6) Provision for retirement benefits

In order to provide for employee retirement benefits, the Company accrues liabilities for severance payments and pension at the amount calculated based on the projected benefit obligations and plan assets at the end of the fiscal year ended March 31, 2023.

When calculating the projected benefit obligations, the benefit formula basis is used to attribute expected benefits to the period through to the end of the fiscal year ended March 31, 2023. Past service cost is amortized at the lump-sum amount in the fiscal year when it is incurred. Actuarial loss is amortized in an amount proportionally appropriated on a straight-line basis over a certain number of years (10 years), which is shorter than the average remaining service period of employees, beginning with the following fiscal year when the difference is recognized.

(5) Accounting for income and expenses

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

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

Notes Concerning Revenue Recognition

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

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

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

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

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

The Company has signed long-term maintenance contracts with its customers, in which case the customers receive services and simultaneously consume them as the performance obligations are satisfied. Thus,

revenue from such services is recognized over the period of the contract with the customer in accordance with the progress percentage on the basis of costs incurred, which appropriately represents the transfer of control to the customer.

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

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

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

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

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

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

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

Notes to Accounting Estimates

Recoverability of deferred tax assets

Amount recorded in financial statements for the fiscal year ended March 31, 2023

The Company applies tax effect accounting to temporary differences arising from a difference in tax and accounting treatment and records deferred tax assets on the balance sheet. The amount recorded in the fiscal year ended March 31, 2023 is JPY 25,240 million.

Other information

- (1) Calculation method of amount recorded in financial statements for the fiscal year ended March 31, 2023

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

- (2) Major assumptions used in the calculation of the amounts recorded in financial statements for the fiscal year ended March 31, 2023

Estimates of future taxable income used to evaluate the recoverability of deferred tax assets are determined based on business plans; however, of these business plans, the forecasts of future sales and profits include trends of prices and exchange rates, and the impact of the turmoil in the supply chain, financial sector and economies brought about by the Ukraine situation and expanded export restrictions on Russia, as major assumptions.

Impact on financial statements for the following fiscal year

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

Notes to Non-Consolidated Balance Sheet

- | | |
|---|---------------------|
| (1) Accumulated depreciation of property, plant and equipment: | JPY 527,627 million |
| (2) Contingent liabilities | |
| Balance of guarantees for bonds and debt for borrowings from financial institutions by subsidiaries and affiliates: | JPY 253,668 million |
| Balance of guarantees for debt for borrowings from financial institutions by employees (home loans): | JPY 321 million |
| Balance of keep-well agreements for the bonds of subsidiaries and affiliates: | JPY 161,318 million |
| Balance of guarantees for loans financed by subsidiaries and affiliates: | JPY 4,926 million |
| Balance of guarantees for joint research in which subsidiaries and affiliates have participated: | JPY 28 million |
| (3) Receivables from and debts payable to subsidiaries and affiliates | |
| Short-term receivables from subsidiaries and affiliates: | JPY 188,438 million |
| Short-term debts payable to subsidiaries and affiliates: | JPY 87,179 million |
| Long-term receivables from subsidiaries and affiliates: | JPY 16,352 million |

Notes to Non-Consolidated Statement of Income

- | | |
|---|---------------------|
| (1) Trading with subsidiaries and affiliates | |
| Sales: | JPY 880,181 million |
| Purchases: | JPY 182,378 million |
| Trading other than operating transactions: | JPY 151,277 million |
| (2) Gain on extinguishment of tie-in shares | |
| A gain was recorded in relation to the absorption-type merger of Komatsu Cabtec Co., Ltd., which was a subsidiary of the Company. | |

(3) Impairment loss

As for the Company's asset groups, dormant assets and rental assets are grouped individually while operating assets are grouped as per management accounting items.

After examining non-current assets based on this grouping for decreases in value, the book value of assets whose fair market value is lower than the book value was lowered to the recoverable amount and the resulting difference was recorded as an impairment loss.

The recoverable amount was measured using the net selling price or value in use.

In the fiscal year ended March 31, 2023, the Company recorded an impairment loss under extraordinary loss for the following asset group.

Application	Type	Region	Impairment Loss (JPY million)
Dormant assets	Land	Kanto area	59
Dormant assets	Land	Chubu area	3

Notes to Non-Consolidated Statement of Changes in Net Assets

(1) Type and number of shares issued

Type	Number of Shares at the Beginning of the Fiscal Year ended March 31, 2023	Increase During the Fiscal Year ended March 31, 2023	Decrease During the Fiscal Year ended March 31, 2023	Number of Shares at the End of the Fiscal Year ended March 31, 2023
Common stock*	973,145,800	305,130	—	973,450,930

Note: The 305,130-share increase in the number of shares of common stock is due to the issuance of new shares as restricted stock compensation.

(2) Type and number of treasury stock

Type	Number of Shares at the Beginning of the Fiscal Year ended March 31, 2023	Increase During the Fiscal Year ended March 31, 2023	Decrease During the Fiscal Year ended March 31, 2023	Number of Shares at the End of the Fiscal Year ended March 31, 2023
Common stock* ^{1, 2}	27,379,507	119,067	53,093	27,445,481

Notes:

- The 119,067-share increase in the number of shares of common stock held as treasury stock consists of the following:
 - 113,710 shares by the purchase of shares of restricted stock
 - 5,357 shares by the purchase of shares constituting less than one unit of shares
- The 53,093-share decrease in the number of shares of common stock held as treasury stock consists of the following:
 - 53,000 shares by the exercise of stock options
 - 93 shares by the sales of shares constituting less than one unit of shares

(3) Dividends

1) Payment amount of dividends

Resolution	Type of Shares	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders held on June 21, 2022	Common stock	52,962	56	March 31, 2022	June 22, 2022
Meeting of the Board of Directors held on October 31, 2022	Common stock	60,542	64	September 30, 2022	December 2, 2022

2) Dividends for which the record date is in the fiscal year ended March 31, 2023 and effective date is in the fiscal year ending March 31, 2024

Planned Resolution	Type of Shares	Resource of Dividends	Total Dividends (JPY million)	Dividend per Share (JPY)	Record Date	Effective Date
Ordinary General Meeting of Shareholders to be held on June 21, 2023	Common stock	Retained earnings	70,950	75	March 31, 2023	June 22, 2023

(4) Matters concerning Stock Acquisition Rights

Breakdown of Stock Acquisition Rights	Type of Shares Allocated for Stock Acquisition Rights	Number of Shares Allocated for Stock Acquisition Rights			
		Number of Shares at the Beginning of the Fiscal Year ended March 31, 2023	Increase During the Fiscal Year ended March 31, 2023	Decrease During the Fiscal Year ended March 31, 2023	Number of Shares at the End of the Fiscal Year ended March 31, 2023
2014 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	6,300	–	6,300	–
2015 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	17,600	–	6,600	11,000
2016 Stock Acquisition Rights No. 1 ^{*1, 2}	Common stock	700	–	700	–
2016 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	45,900	–	9,300	36,600
2017 Stock Acquisition Rights No. 1 ^{*1, 2}	Common stock	1,200	–	1,200	–
2017 Stock Acquisition Rights No. 2 ^{*1, 2}	Common stock	78,000	–	28,900	49,100

Notes:

1. Stock Acquisition Rights No. 1 were issued as remuneration for Directors of the Company as per the Companies Act of Japan. Stock Acquisition Rights No. 2 were issued without consideration to employees of the Company or others as per the Companies Act of Japan.
2. The decrease in shares recorded during the fiscal year ended March 31, 2023 for the Stock Acquisition Rights is due to exercise of Stock Acquisition Rights.

Notes Concerning Tax Effect Accounting

(1) Major reasons for the accrual of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Provision for product warranties	JPY	3,633	million
Inventories	JPY	1,369	million
Accrued enterprise tax	JPY	1,457	million
Provision for bonuses	JPY	3,710	million
Provision for retirement benefits	JPY	12,340	million
Investment securities and stocks of subsidiaries and affiliates	JPY	3,933	million
Excess over depreciation limit	JPY	1,478	million
Deferred gains or losses on hedges	JPY	34	million
Return assets and refund liabilities	JPY	893	million
Accrued expenses	JPY	2,410	million
Others	JPY	5,676	million
Subtotal deferred tax assets	JPY	36,937	million
Less valuation allowance	JPY	(5,275)	million
Total deferred tax assets	JPY	31,662	million

(Deferred tax liabilities)

Reserve for advanced depreciation of non-current assets	JPY	(4,940)	million
Others	JPY	(1,480)	million
Total deferred tax liabilities	JPY	(6,421)	million
Net deferred tax assets	JPY	25,240	million

(2) Accounting for income tax and local income tax and deferred tax accounting

The Company has applied the group tax sharing system from the fiscal year ended March 31, 2023. In addition, the Company conducts treatment for accounting for income tax and local income tax or for deferred tax accounting related thereto, and disclosure of them in accordance with the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021).

Notes Concerning Related Party Transactions
Subsidiaries and other affiliated companies

(JPY million)

Attribute	Company Name	Holding Voting Rights	Relationship with Related Party	Transaction	Transaction Amount	Category	Outstanding Balance
Subsidiary	Komatsu America Corp.	Holding directly 100%	Manufacture and sale of the Company's products	Sale of products, etc.*1	244,917	Accounts receivable-trade	26,468
	Komatsu Customer Support Japan Ltd.	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	199,959	Accounts receivable-trade	61,055
				Cash Management System lending*2	8,714	Short-term loans receivable	8,482
	Komatsu CIS LLC	Holding directly 100%	Sale of the Company's products	Sale of products, etc.*1	31,448	Accounts receivable-trade	452
	Komatsu Business Support Ltd.	Holding directly 100%	Retail financing of the Company's products	Cash Management System lending*2	26,946	Short-term loans receivable	9,470
						Long-term loans receivable	16,244
	EARTHBRAIN Ltd.	Holding directly 54.5%	Dispatched Director	Cash Management System borrowing*2	25,215	Deposits received	21,850
	Komatsu NTC Ltd.	Holding directly 100%	Dispatched Director	Cash Management System borrowing*2	13,212	Deposits received	14,371
Komatsu Finance America Inc.	Holding indirectly 100%	Financing within Komatsu Group, fundraising, etc.	Guarantee obligation*3	228,701	—	—	

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

1. Product selling prices and other sales conditions are decided by negotiation, taking into account market conditions.
2. The interest rates on Cash Management System borrowing and lending are reasonably decided taking market interest rates into consideration. Transaction amount shows the average balance during the fiscal year ended March 31, 2023 because the transactions are repetitive.
3. The guarantee obligation applies to bonds issued by Komatsu Finance America Inc.

Notes Concerning Per Share Information

- | | | |
|--------------------------|-----|--------|
| (1) Net assets per share | JPY | 963.18 |
| (2) Net income per share | JPY | 232.64 |

Other Notes

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

IV Auditor's Report

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

Independent Auditor's Report

May 12, 2023

The Board of Directors
Komatsu Ltd.

KPMG AZSA LLC
Tokyo Office

Masakazu Hattori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Tomoo Nishigori
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Daisuke Toyama
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules (hereafter collectively referred to as the "non-consolidated financial statements, etc.") of Komatsu Ltd. as of March 31, 2023 and for the 154th fiscal year from April 1, 2022 to March 31, 2023, in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act of Japan.

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

Basis for Opinion

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

Other contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

End