

Message from the President



Hiroyuki Ogawa

President and
Chief Executive Officer

On our quest to achieve sustainable growth, Komatsu will pursue DANTOTSU Value in order to maximize the total sum of trust given to us by society and all stakeholders.

Greetings

This is my first message as President and Chief Executive Officer of Komatsu. I would like to take this opportunity to thank all of our stakeholders for their ongoing support and understanding. Over the three-year period from FY2016 to FY2018, we moved ahead with our previous mid-term management plan, "Together We Innovate GEMBA Worldwide: Growth Toward Our 100th Anniversary (2021) and Beyond." This plan was based upon three priorities under the harsh assumption that the market would not recover: 1) growth strategies based on innovation, 2) growth strategies in existing businesses, and 3) structural reforms designed to reinforce the business foundation. Fortunately, the market began a rapid recovery from FY2017. We were thereby able to achieve the management targets of the previous mid-term

management plan with record-breaking sales and profit in FY2018 stemming from our ability to capture demand in the construction, mining, and utility equipment business in various regions (see page 16).

This served as the backdrop for the launch of "DANTOTSU Value – FORWARD Together for Sustainable Growth," a new three-year mid-term management plan covering the period from FY2019 to FY2021 (see page 14). Formulation of this plan was a key initiative I led before becoming President in April 2019, the start of FY2019. I am committed to leading Komatsu in its further development, adopting a long-term perspective devoting my efforts to steadily advancing the new mid-term management plan to help us achieve sustainable growth.

Komatsu's Operating Environment and New Mid-Term Management Plan

The history of Komatsu is our chronicle of addressing various social trends and operating environment changes. We posted its first operating loss in FY2001, and we have since proceeded to develop a robust corporate constitution through selective focus on our core business and business structure reforms. At the same time, we have remained committed to the supply of DANTOTSU Product (advancement of machines), DANTOTSU Service (advancement of machine operations) and DANTOTSU Solution (advancement of construction).

The rise of protectionism and multipolarity are concerning trends in the global economy of today. Meanwhile, climate change is having an increasing impact on corporate management. We also expect various other changes to the operating environment, including the spread of Internet of Things (IoT), artificial intelligence (AI), and big data technologies; the trend toward electric vehicles and automation; workforce contraction; and advancement toward a circular economy.

Demand in the markets for construction and mining equipment is anticipated to remain firm over the long term. However, we

cannot expect the type of rapid market expansion seen previously on the back of growth in emerging countries, and short-term market volatility is projected to be fierce. In the industrial machinery and others business, we project changes in industry structure to result from the trend toward electric vehicles while the semiconductor market is forecast to enter into a temporary adjustment stage.

In the midst of the changes to the operating environment, Komatsu remains committed to quality and reliability, as the management principle, and aims to maximize our corporate value, the total sum of trust from society and all our stakeholders, under the new mid-term management plan. To this end, we work for sustainable growth through a positive cycle of improving earnings and solving ESG issues, which is driven by growth strategies.

The three pillars of growth strategies under the new mid-term management plan are 1) value creation by means of innovation, 2) growth strategies based on business reforms, and 3) structural reforms for growth. Centered on these three pillars, we will prioritize investments in growth fields to build an earnings structure that is not influenced by fluctuations in demand.

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Moreover, the new plan contains the first ESG targets to be included in a Komatsu mid-term management plan. These targets were incorporated to facilitate our efforts to address ESG issues. Through these targets, we will work to reduce CO₂ emissions and increase the rate of renewable energy use. In addition, Komatsu declared its endorsement of the Task Force on Climate-related Financial Disclosures in April 2019. We are dedicated to improving productivity and efficiency and reducing environmental impacts across the supply chain through our core business going forward.

Our vision looking ahead is for Komatsu to become a company that creates value by realizing, with high levels of excellence, the safe, highly productive, smart, and clean workplaces of the future. By making this vision a reality, we aim to generate a positive cycle that drives the ongoing growth of Komatsu while simultaneously contributing to the resolution of social issues and to the enrichment of society. Accomplishing this goal will require strategies matched to our customers' visions and missions and leadership clearly focusing on achieving growth together with customers.



Commitment Encapsulated by DANTOTSU Value

The new mid-term management plan was drafted through a backcasting approach based on our roadmap for the future vision of Komatsu. The slogan for this plan is "DANTOTSU Value." This slogan encapsulates our commitment to link every workplace through excellence (DANTOTSU) to achieve sustainable growth together. Today, our world is changing, and so are the challenges of our customers and society as a whole. Recognizing this truth, the mid-term management plan was formulated around the question of what can we do to help overcome these challenges while remaining sustainable.

Up until now, Komatsu has strived to improve value for our customers as well as to expand our value chain through the pursuit of "DANTOTSU Product" (advancement of products),

"DANTOTSU Service" (advancement of machine operations) and DANTOTSU Solution (advancement of construction). Going forward, we will build upon and accelerate these initiatives and to resolve ESG issues and improve earnings to co-create value with our customers. This is the concept of "DANTOTSU Value" as defined in the mid-term management plan.

Key words in this undertaking will be "workplaces" and "links." "Workplaces" refers to a place where anyone related to Komatsu works, including the sites of customers, distributors, and suppliers worldwide. This term also encompasses Komatsu's internal production sites (plants), R&D facilities, sales, service and administration and offices.

The "links" we seek to form go beyond simply the IoT technology. Linking means aligning people along the same vector towards one direction and getting a job done with a strong sense of teamwork. I come from a strong background rooted in production both in Japan and overseas. Such production workplaces are characterized by steadfast daily action. Meanwhile, some of our employees are located at our customers' construction or mining workplaces, and we also have many people supporting those

employees. The "links" we seek are to foster a sense of unity between everyone at all of these different workplaces and having them work as one team.

The ultimate goal of our new mid-term management plan is to link workplaces worldwide through excellence (DANTOTSU). Accomplishing this goal will put us in the best position to achieve our other quantitative and qualitative management targets.

DANTOTSU Value FORWARD Together for Sustainable Growth

Linking every workplace through excellence

Our world is changing.

So are the challenges of our customers and society.

What can we do to help overcome these challenges while remaining sustainable? Together, we can reach new, unrivaled heights of excellence in our products, services, and solutions to enable a better world.

We can link every workplace and generate value with our global teams, customers, distributors, partners, and communities.

We can make a difference.

We can do it by delivering DANTOTSU Value.

Milestone of 100th Anniversary and Beyond

We will celebrate the 100th anniversary of Komatsu's founding in 2021. However, we recognize that this milestone is just that, a checkpoint to be passed. In order to be sustainable in the future that lies beyond, we aim to realize the safe, highly productive, smart, and clean workplaces of the future together with our customers. Our basic approach will be to work forward the resolution of the issues faced by society and customers through flexible management in tune with the times.

Komatsu is committed to addressing the issues faced by society thereby raising the value as a company that develops together with society. We will also proactively participate in the United Nations Global Compact, the World Business Council for Sustainable Development, and other initiatives as we work to

fulfill its obligations to society and the environment as a global company.

I continue to thank all our stakeholders and ask for your continued support.

A handwritten signature in black ink, appearing to read "H. Ogawa".

Hiroyuki Ogawa
President and Chief Executive Officer