

Contents

Komatsu's Business Model

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

Resolution of ESG Issues through Growth Strategies

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

Komatsu's Growth Strategies

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

Corporate Profile

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



Cautionary Notice regarding Forward-Looking Statements

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

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

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

Editorial Policy

KOMATSU REPORT 2020 was published for the purpose of providing clear explanations for all stakeholders on Komatsu's medium- to long-term business strategies and the virtuous cycle generated as the Company resolves environmental, social, and governance (ESG)

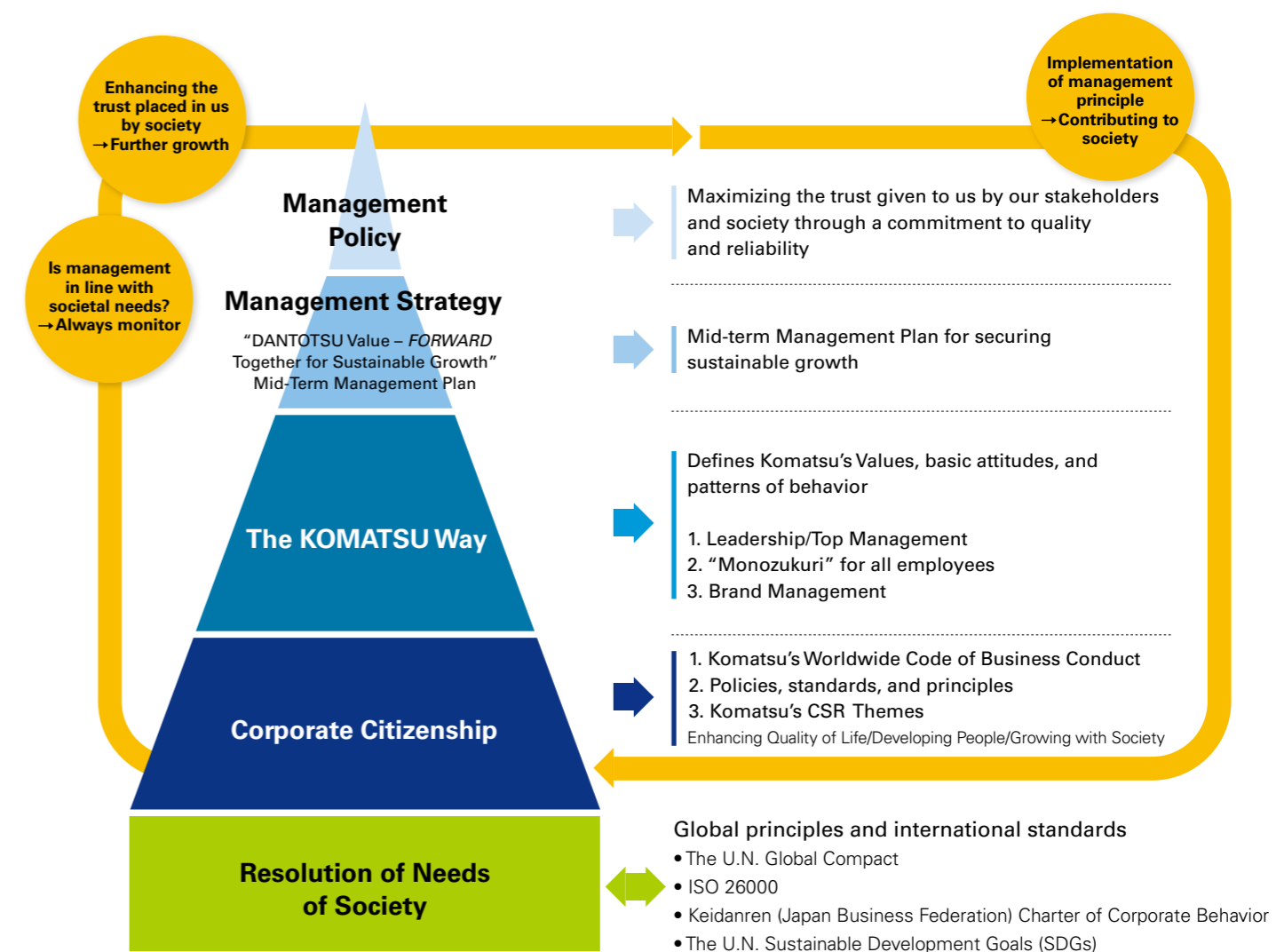
issues through its business. In preparation of this report, we referenced the International Integrated Reporting Framework released by the International Integrated Reporting Council and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment released by the Ministry of Economy, Trade and Industry.



Komatsu's Business Model

Management Principle

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



All Stakeholders and Society

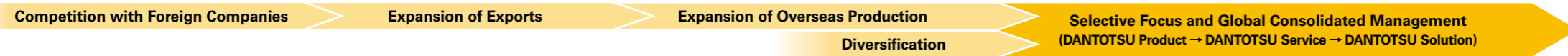
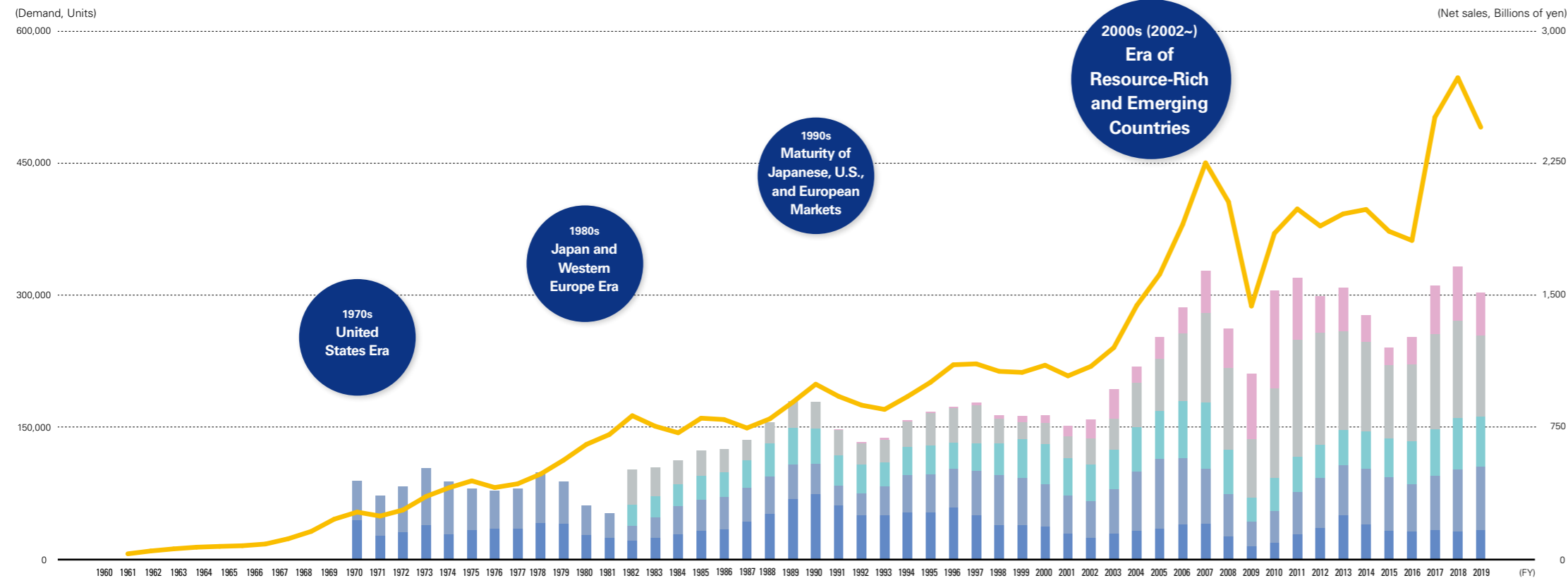


Komatsu's Business Model

History of Business Reforms in Response to Changes in the Operation Environment

Net Sales and Demand for 7 Major Products

■ Japan ■ North America ■ Europe ■ Other ■ China — Consolidated net sales (right scale)



Chapter 7 2019~

DANTOTSU Value

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

Digital Transformation of Entire Construction Workplaces

Chapter 1 1960s

Era of Competition with Foreign Companies in the Domestic Market
Prioritization of Quality, Exhaustive Product Research on Rival Bulldozers

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



Bulldozer D50A-11

Chapter 2 1970s

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

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



Hydraulic Power Excavator 15H-1

Chapter 3 1980s-1990s

Expansion of Overseas Production and Diversification
3G Management Strategy

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



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

Chapter 4 2001~

1st Structural Reforms
Selective Focus and Introduction of DANTOTSU Products

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



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

Chapter 5 2007~

2nd Structural Reforms
Promotion of Global Cross-Sourcing

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



KOMTRAX (Komatsu Machine Tracking System)

Chapter 6 2013~

Innovation and Reinforcement of Mining Equipment Business
Introduction of DANTOTSU Solutions

In its mining equipment business, Komatsu's Autonomous Haulage System (AHS) has received high praise for its safety and productivity, and more than 100 AHS units have come to be in operation as mining businesses have grown. Also, we acquired Joy Global Inc. (currently, Komatsu Mining Corp.) in 2017, thereby strengthening our operations in the area of super-large surface and underground mining equipment, an area in which Komatsu previously lacked offerings. In the construction equipment business, meanwhile, we were pursuing growth through innovation via such means as introducing the SMARTCONSTRUCTION ICT workplace solution as a DANTOTSU Solution.



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

Komatsu's Business Model

Overview of Business

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



Targets for FY2021

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

"DANTOTSU Value – FORWARD Together for Sustainable Growth"

▶P.28-P.31

Building foundations for 100th anniversary and beyond