



Strategic Growth Plan (FY2025 - FY2027)

**Driving value with ambition**

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# Role of Strategic Growth Plan and FY2022 - FY2024 Plan review

# Role of Strategic Growth Plan

The Strategic Growth Plan is part of our management strategy, providing a vision for the purpose and values of our corporate identity.

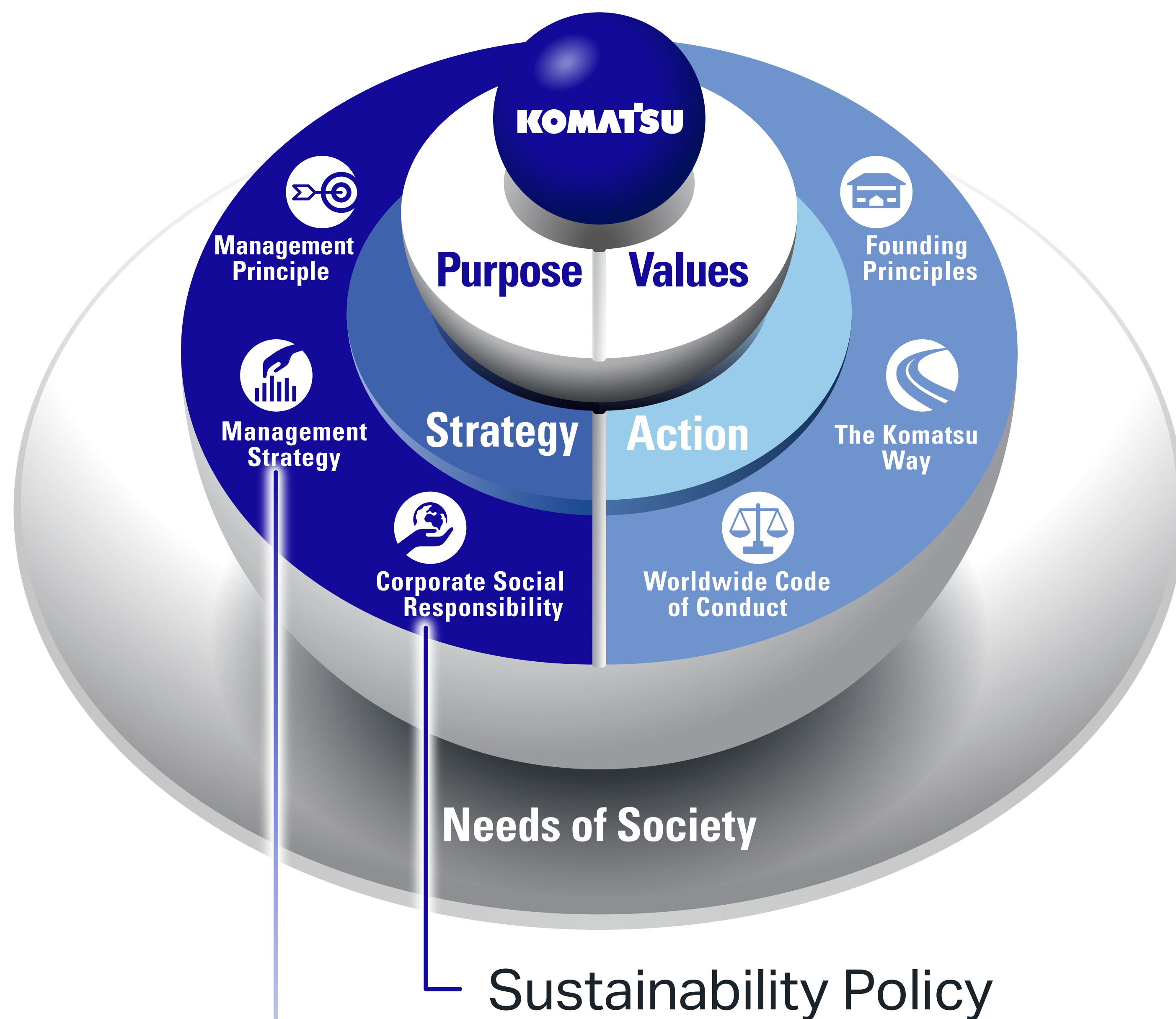
## Our Purpose

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

## Our Promise

# Creating value together

## Our Values



### Ambition

With a 'challenging spirit' and without fear of failure, we innovate and always aspire to do more.

### Perseverance

Even when the work is difficult, we remain committed to our promises and reliably carry them through to completion.

### Collaboration

Creating value comes from teamwork, inclusion, respect, diversity and a win-win approach to all relationships.

### Authenticity

To earn and maintain trust, we always act with sincerity, integrity and honesty, and communicate transparently.

Management Strategy with a view to the next six years → **Strategic Growth Plan FY2025 - FY2027** → FY2030

# FY2022 - FY2024 Plan review

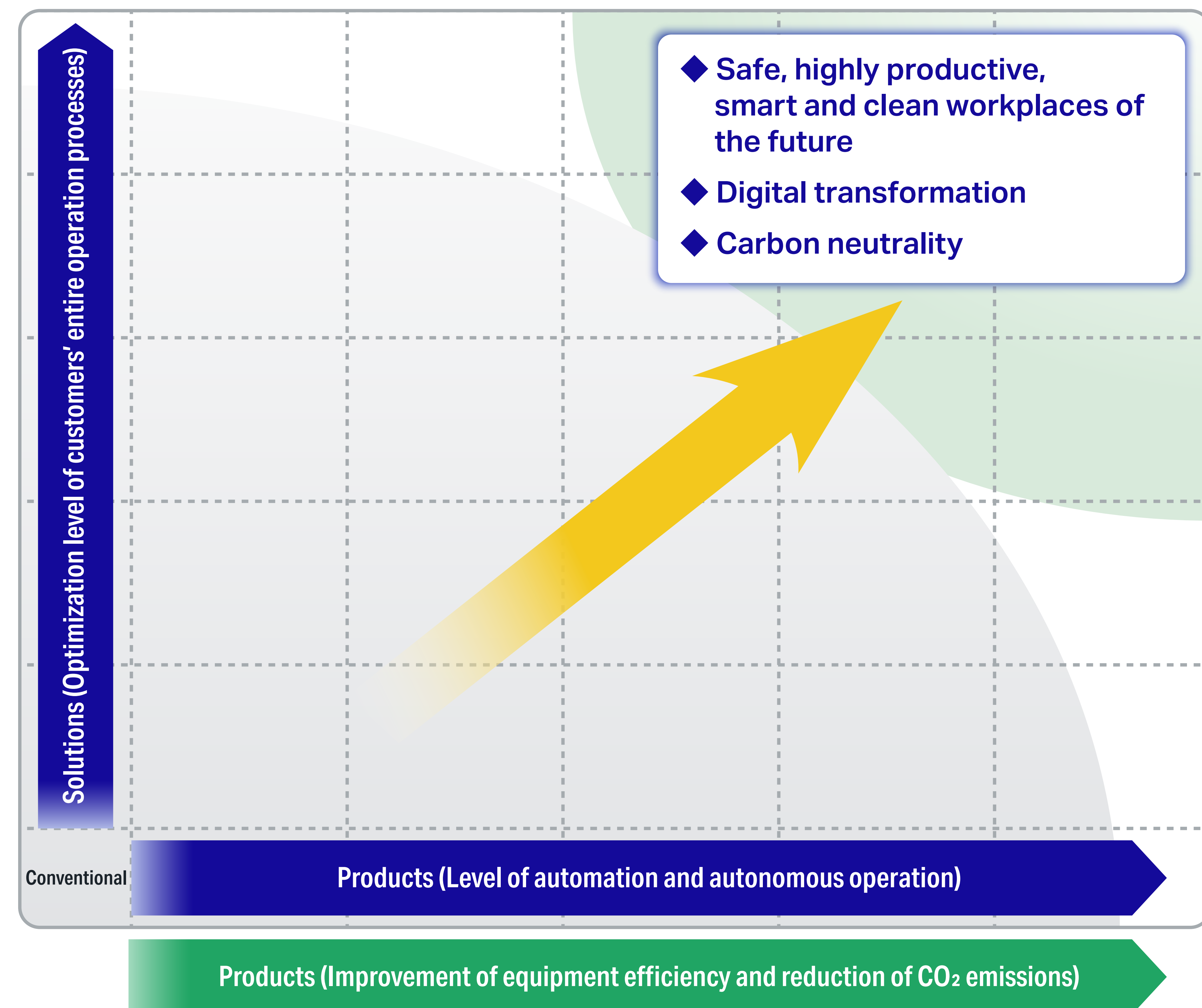
We are already achieving our vision to develop safe, highly productive, smart, and clean workplaces of the future by focusing on customer value (DANTOTSU Value) through products and solutions.

FY2022 - FY2024 theme

**DANTOTSU Value** – *Together, to “The Next” for sustainable growth*

Our vision

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



## Solutions (optimization of customers' entire operation processes)



Smart Construction Simulation app for optimizing construction plans



More than 800 Autonomous Haulage System (AHS) trucks in operation at mine sites

## Products (automation and autonomous operation)



New-generation hydraulic excavator, 3D machine guidance as standard feature



Large-scale ICT bulldozer for mining teleoperation

## Products (improvement of equipment efficiency and reduction of CO<sub>2</sub> emissions)



Introduced battery-powered electric hydraulic excavator to the market



Power agnostic truck vehicle testing in the field

# Strategic Growth Plan

# 1. Refining our vision

Strategic Growth Plan refines our vision of becoming a collaborative partner committed to optimizing safe, productive, and clean workplaces.

Our vision, key activities

## The evolution of our solutions value

Smart Construction advancements  
and global expansion

Open technology platform expansion  
and wider adoption of apps

Advancements in automation  
and remote control



Innovation and DX

Expanding our value chain business

Investing in people

Expanding partnerships



Our vision

**A collaborative partner committed to optimizing  
safe, productive, and clean workplaces**

Compatibility  
with various power sources

Expanding lineup of SDV\* machines  
with high solutions affinity

## The evolution of our product value

\*SDV: Abbreviation for software defined vehicle

# 2-1. Challenges: external environment

We projected the medium- to long-term future of our increasingly complex and uncertain external environment (political, economic, environmental, and technological change).

## Medium- to long-term trends



Politics

Rise of nationalism  
Growing disparity



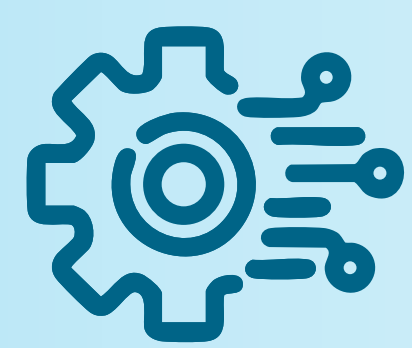
Economics

Shift in population and economic  
centers of gravity  
Increased uncertainties  
Trade friction (including tariffs), market fragmentation, etc.



Environment

Carbon neutrality  
Nature positive



Technology

Green technology  
Digital technology

## Medium- to long-term global outlook

- Political instability and shifting values
  - Weakening international cooperation
  - Expanding influence of the Global South
- 
- Stronger economic security measures
  - Population growth and economic revitalization in Asia and Africa
  - Labor shortage in Japan and the use of overseas labor
- 
- Drive for carbon neutrality and energy transition
  - Rising social demands related to climate change and biodiversity
  - Mandatory environmental data disclosures
- 
- Technical innovations in batteries, hydrogen and ammonia, and synthetic fuels
  - Rapid spread of DX through evolving digital infrastructures, generative AI, etc.
  - Cybersecurity, AI governance

# 2-1. Challenges: external environment

We identified the implications for each business based on our medium- to long-term projections.

Medium- to long-term trends

Implications for our businesses



Politics

Rise of nationalism  
Growing disparity

Mining

- Growing needs for decarbonization and automation
- Long-term decline in coal demand and ongoing changes in extraction methods



Economics

Shift in population and economic centers of gravity  
Increased uncertainties  
Trade friction (including tariffs), market fragmentation, etc.

Construction and forestry machinery

- Addressing customer needs in growth markets
- Changing sources and proportion of procurement
- Rising needs for solutions to labor shortages, operational efficiencies, and cost reductions
- Mechanized and environmentally friendly forest management solutions amid a declining forestry workforce

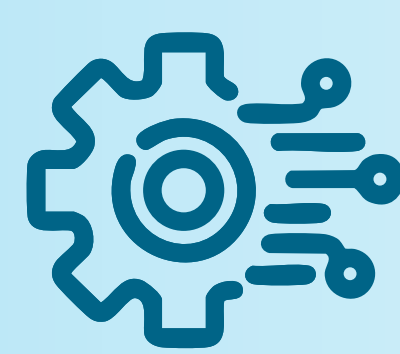


Environment

Carbon neutrality  
Nature positive

Industrial machinery, others

- EV will grow long term, even if at a slower pace; new technology including giga cast, improving profitability
- Ensuring economic security and expanding semiconductor market; technical innovation for semiconductors with a long-term vision



Technology

Green technology  
Digital technology

All businesses

- Increasingly diverse regulations by country and region
- Growing importance of talent acquisition and employee engagement
- Needs for agile global decision making

# 2-2. Challenges: materiality

We conducted a double materiality analysis from two perspectives: impacts on business and impacts on the environment, society.

## Materiality map



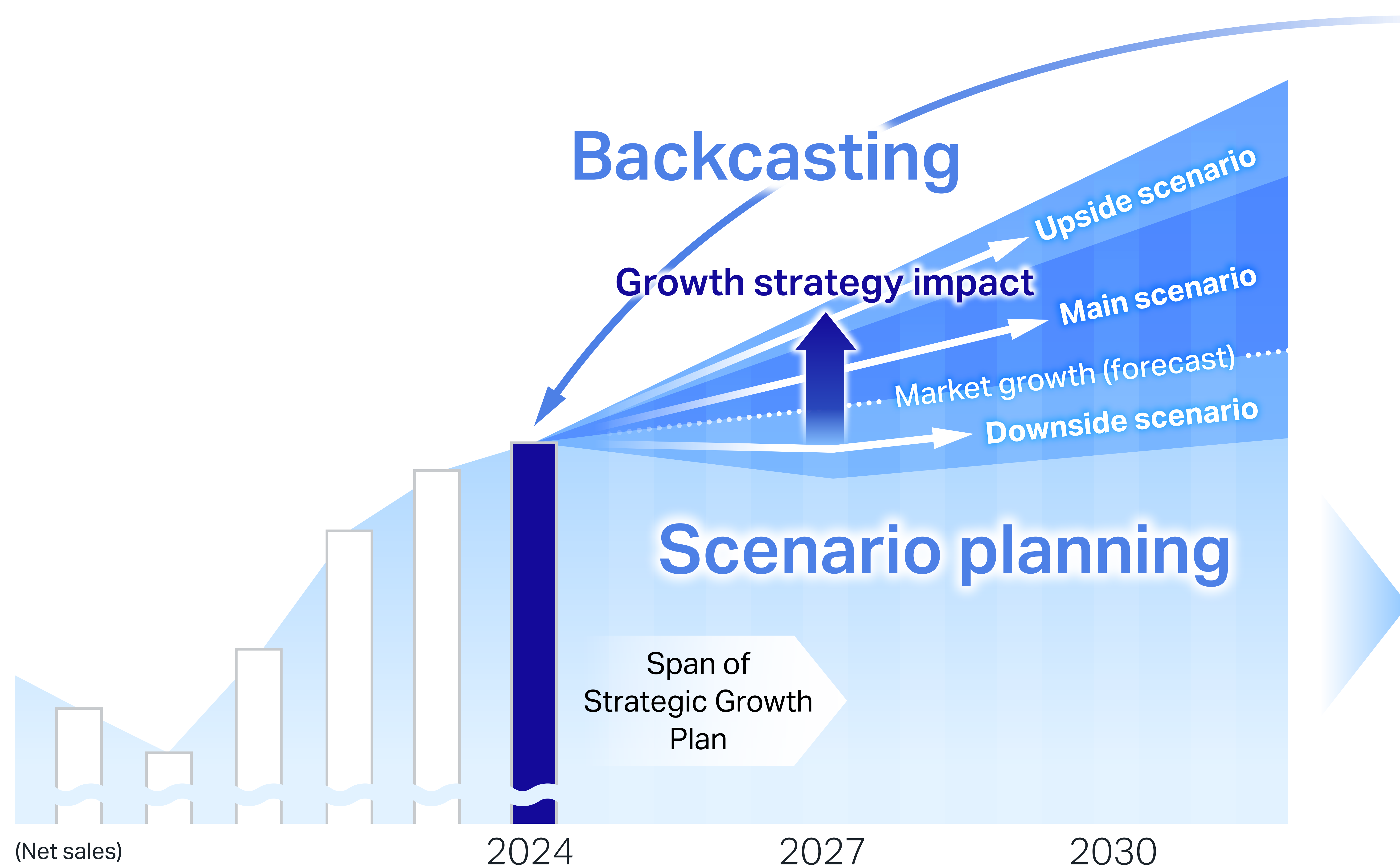
Materiality analysis conducted between February and March 2024. Interviews conducted by BSR with 26 internal and external stakeholders. (External: institutional investors, the United Nations Development Programme, environmental organizations (Global Environmental Forum), customers, and partner companies. Internal: executives in Japan and overseas)

## Specific challenges

● <b>Employees</b>	<ul style="list-style-type: none"> <li>1 Occupational safety and health, well-being</li> <li>2 Talent acquisition, skills development, retention</li> </ul>	<ul style="list-style-type: none"> <li>3 Fair labor practices</li> <li>4 D&amp;I</li> </ul>
● <b>Human rights</b>	<ul style="list-style-type: none"> <li>5 Respect for human rights</li> </ul>	
● <b>Customers</b>	<ul style="list-style-type: none"> <li>6 Customer value creation through workplace optimization</li> <li>7 Product safety and quality</li> <li>8 Value chain continuity</li> </ul>	<ul style="list-style-type: none"> <li>9 AI and DX</li> <li>10 Business strategy to ensure competitive edge and profitability</li> </ul>
● <b>Ethics and governance</b>	<ul style="list-style-type: none"> <li>11 Privacy and data protection, cyber security</li> <li>12 Governance aligned with business changes</li> </ul>	<ul style="list-style-type: none"> <li>13 Compliance</li> </ul>
● <b>Communities</b>	<ul style="list-style-type: none"> <li>14 Contribution to local communities</li> </ul>	
● <b>Environment</b>	<ul style="list-style-type: none"> <li>15 Climate change</li> <li>16 Resource circulation</li> <li>17 Nature positive</li> </ul>	<ul style="list-style-type: none"> <li>18 Preserving forests through business activities</li> </ul>

# 2-3. Challenges: summary

Construction and mining equipment markets will remain volatile, but we expect moderate growth over the medium to long term. We formulated a three-year growth strategy toward FY2030, using backcasting from our vision and scenario planning to identify potential issues and response measures.



Our vision

**A collaborative partner committed to optimizing safe, productive, and clean workplaces**

Key management challenges in exceeding the industry growth rate

1

**Investing in our future**

2

**Improving our profit structure**

3

**Strengthening the resilience of business foundation**

# 3-1. The big picture

We identified three growth strategy pillars for our Strategic Growth Plan titled *Driving value with ambition*.  
The key theme throughout this plan is *ambition*, one of our corporate values.

Our vision

**A collaborative partner committed to optimizing safe, productive, and clean workplaces**

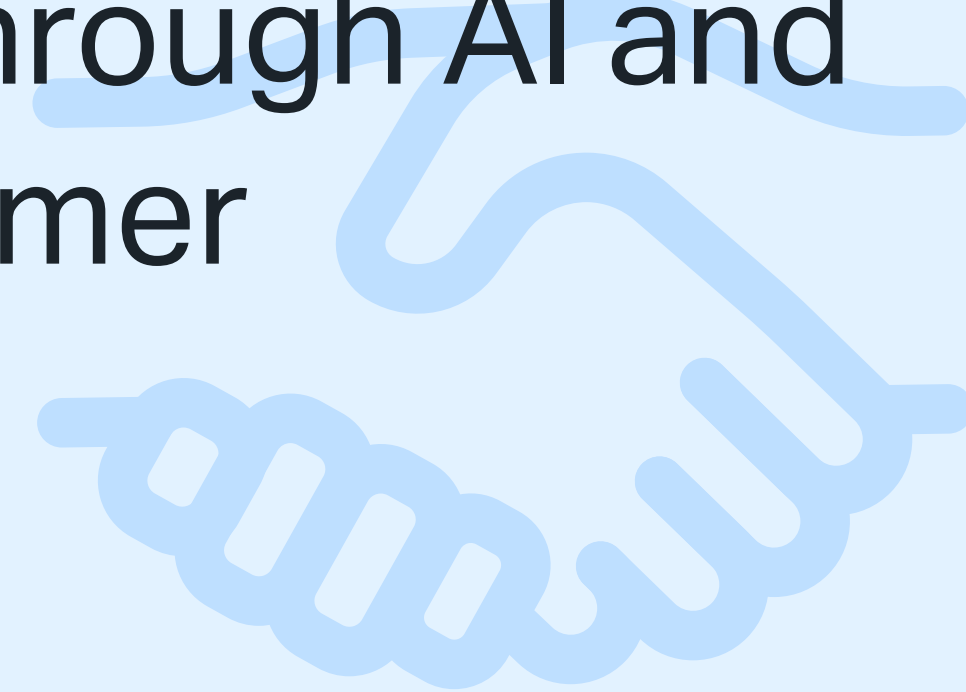
Theme

**Driving value with ambition**

Three growth strategy pillars

## 1 Create customer value through innovation **Investing in our future**

- Co-create new value through strategic investments, new technologies, developing new business areas, and solutions
- Deliver manufacturing and technology innovation through AI and other technologies for carbon neutrality and customer workplace optimization



## 2 Drive growth and profitability **Profit structure**

- Achieve growth and profitability through advanced workplace operations
- Expand value chain businesses, using AI and DX for labor-savings and optimization
- Achieve growth through marketing strategies optimized to business, region, and country



## 3 Transform our business foundation **Resilience**

- Acquire and enable the success of talent needed to support business growth
- Strengthen our brand through enhanced branding activities
- Introduce bold and agile initiatives to streamline business infrastructure (systems and processes) through AI and DX



# 3-2. Priorities

The three pillars and priority initiatives supporting our growth strategy are as follows:

	Mining	Construction	Forestry machinery	Industrial machinery, others
<b>1</b> Create customer value through innovation	<b>Compatibility with various power sources</b> • Accelerate ecosystem strategy for decarbonization	• Accelerate product development toward carbon neutrality	• Develop HEV and BEV vehicles toward electrification	
	<b>Advancements in automation and remote control</b> • Develop SDV machines with high solutions affinity • Drive automation of mine operation (incl. advance AHS)	• Introduce automation and remote control for non-crewed construction	• Develop autonomous forest driving technology having environment detection	
	• Expand Open Technology Platform and popularize apps	• Create a support infrastructure toward Smart Construction growth • Improve competitiveness of next-generation components	• Establish a forestry solutions business model • Win wider adoption of afforestation/forestry technology and machinery for circular forestry	• Provide support for excimer laser oscillation frequency and output power increases • Improve the performance of power generation units using thermoelectric elements
<b>2</b> Drive growth and profitability	<b>Stronger product and support capabilities by region</b> • Expand business in emerging mining markets (Africa, Middle East, etc.)	• Strengthen product planning (Asia, Africa, etc.) • Establish core operational facilities to strengthen customer and dealer support (Africa)	• Expand FTL* product lineup (North America) • Develop emerging forestry markets (Asia, Eastern Europe, etc.)	
	<b>Stronger aftermarket</b> • Strengthen our Reman/rebuild businesses • Grow sales of attachments and undercarriage components (GET/UC)		• Step up key component strategies • Build Lifecycle Reliable Support infrastructure for construction; develop mining and forestry machinery	• Enhance after service for press machines and sheet metal machines • Solve issues in the workplace through expanded Komtrax content
	• Expand lineup and sales network of hard rock products; develop new underground extraction methods	• Increase customer value through DX and provide greater support to distributors (North America)	• Expand CTL** sales further in Europe and the Americas • Pursue DX through a forest land communication network	• Develop automotive battery business process strategy and grow sales
<b>3</b> Transform our business foundation	• Create workplaces where all individuals can shine as their authentic selves, wherever they are • Increase brand recognition • Enterprise Risk Management, BCP (cyber security/regulatory compliance)	• Reform our core system to establish and optimally integrated environment for the group overall • Utilize AI and DX to develop and implement a solutions platform for distributors • Review legacy management (management with awareness of the three axes of business, function, and region; do away with traditional/strategic market segmentation)		

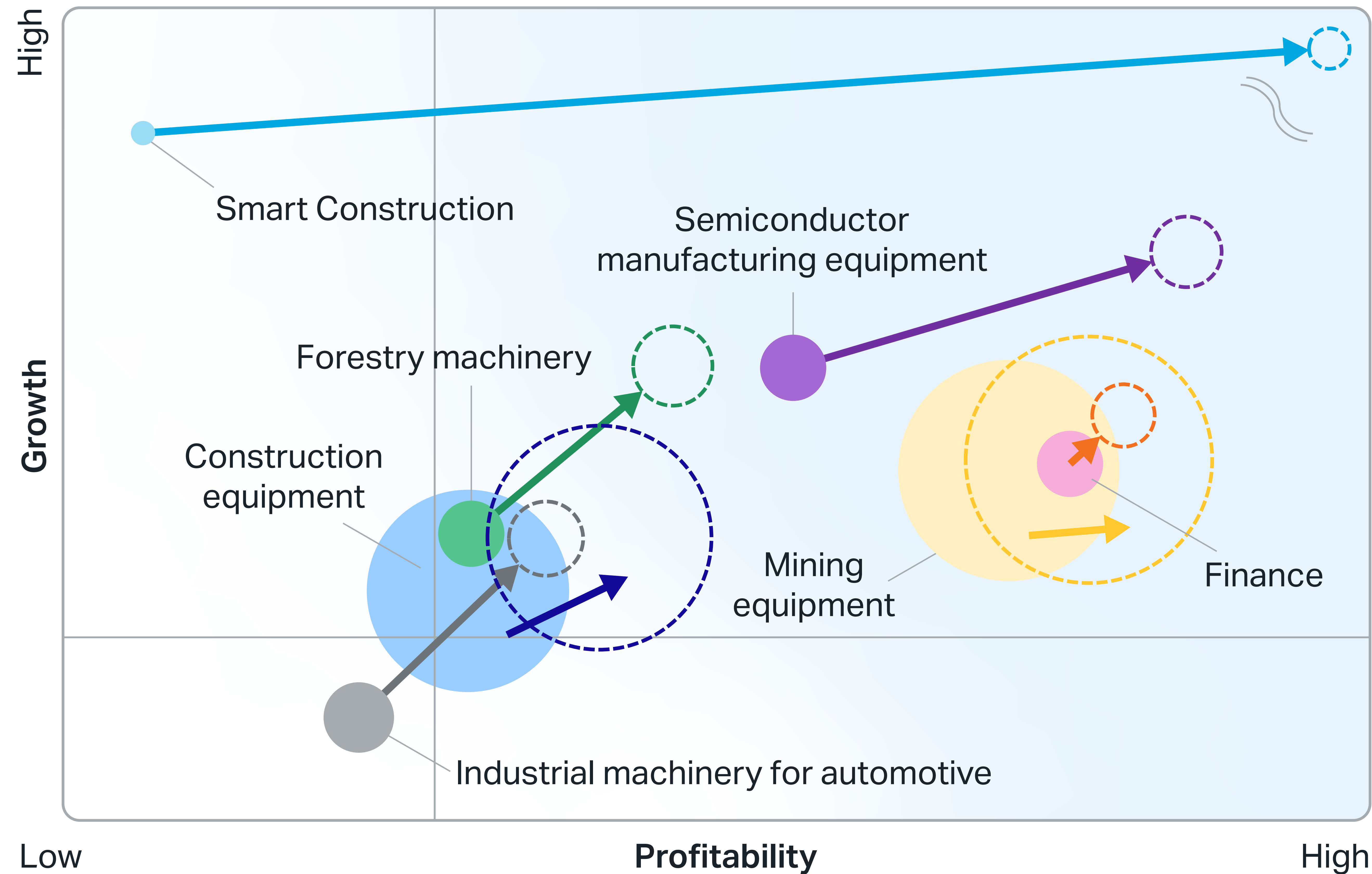
\*Full tree length (FTL) method: Felled trees hauled out as-is; processed into fixed length logs at another location

\*\*Cut-to-length (CTL) method: Felled trees cut to fixed-length logs in place in the forest and then hauled out

# 3-3. Business portfolio

We intend to grow our existing businesses through the Strategic Growth Plan, while exploring new business areas for long-term growth.

## Business portfolio



- Size of colored bubbles indicates most recent relative sales volume for each business segment
- Size of dotted bubbles indicates the relative size of the medium- to long-term direction for each business segment

## Seeking future business opportunities



Lunar construction equipment



Underwater construction robots



Mine site optimization



Digital twin for forestry solutions

# 3-4. Management targets

The table below describes the management targets for the span of the Strategic Growth Plan.

We added free cash flow (FCF) as a financial target to encourage profitability and aggressive investment in growth. We set a target D/E ratio for the retail finance business of 6 times or less by making use of leverage.

We set targets in non-financial areas for 30 KPIs to indicate our overall contribution to solving social issues and reducing CO<sub>2</sub> emissions.

Category	Item	Indicator	Target
Financial	Growth	Sales growth rate	Growth rate above the industry average
	Profitability	Operating profit ratio	Top profit ratio in the industry
		FCF	3-year cumulative: 1 trillion yen (excluding M&A-related expenditures)
	Efficiency	ROE	10% or higher
	Retail finance business	ROA	1.5% to 2.0%
		Net D/E Ratio	6 times or less
Shareholder returns	Consolidated payout ratio	<ul style="list-style-type: none"> <li>•40% or more (consolidated)</li> <li>•Timely share buybacks based on an overall balance of financial soundness, shareholders' equity ratio, and other factors</li> </ul>	
Non-financial	Resolution of social issues	KPI for solving social issues	Overall evaluation (including evaluations by external organizations) of progress in 30 social solution KPIs
		Reduction of environmental impact	<ul style="list-style-type: none"> <li>•Decrease CO<sub>2</sub> emissions from Komatsu (total): 50% reduction by FY2030 (compared to FY2010)</li> <li>Decrease CO<sub>2</sub> emissions from product use (intensity): 50% reduction by FY2030 (compared to FY2010)</li> <li>&lt;Stretch goal&gt; Become carbon neutral by FY2050</li> <li>•Renewable energy use : 50% of total energy use by FY2030</li> </ul>




# 4-1. Solving social issues

We aim to achieve sustainable growth by generating a positive cycle of solving social issues and improving profitability.

We establish and track KPIs for activities that are particularly important from the perspective of materiality. We will provide more details in our annual integrated report.



# 4-2. Solving social issues: *with people, with business, with the planet*

Category	Materiality	Key activities	KPI
<b>With people</b> 	<ul style="list-style-type: none"> <li>● Employees</li> <li>● Human rights</li> </ul>	Create safe and secure work environments; support employee health	Occupational accident frequency rate (per one million hours)
		Create workplaces where all individuals can shine as their authentic selves, wherever they are	<ul style="list-style-type: none"> <li>①Ratio of full-time female employees (global)</li> <li>②Ratio of women in managerial positions (global)</li> </ul>
<b>With business</b> 	<ul style="list-style-type: none"> <li>● Customers</li> <li>● Ethics and governance</li> <li>● Communities</li> </ul>	Enhance product safety	Plan, develop, and market safety equipment
		Improve jobsite productivity through Smart Construction	Rate of ICT machine* adoption
		Provide solutions for sustainable resource development (mining)	Cumulative Autonomous Haulage System (AHS) installations in mines
		Provide solutions for better jobsite safety and productivity (automation, autonomous operation, remote operation)	Hard rock business sales
		Build value chains adaptable to changes in the environment and demand	Accelerate automation and remote control of construction and mining equipment
Continue social contribution activities	Aftermarket business sales growth rate		
<b>With the planet</b> 	<ul style="list-style-type: none"> <li>● Environment</li> </ul>	Effort to become carbon neutral	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> from production</li> <li>Reduce CO<sub>2</sub> from product use</li> </ul>
		Reduce environmental impact through business activities (industrial machinery business)	Unit sales of power generation units with thermoelectric elements
		Provide solutions that support sustainable, circular forestry businesses	<ul style="list-style-type: none"> <li>①Forestry machinery business sales growth rate</li> <li>②Annual increase in trees planted using tree-planting machinery</li> </ul>
		Drive circular economies	Reman and rebuild business sales growth rate

\*Hydraulic excavators and bulldozers equipped with 3D machine control and 3D machine guidance functions



### Cautionary Statement

The announcement set forth herein contains forward-looking statements which reflect management's current views with respect to certain future events, including expected financial position, operating results, and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects" and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, unanticipated changes in demand for the Company's principal products, owing to changes in the economic conditions in the Company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated cost or delays encountered in achieving the Company's objectives with respect to globalized product sourcing and new Information Technology tools; uncertainties as to the results of the Company's research and development efforts and its ability to access and protect certain intellectual property rights; and, the impact of regulatory changes and accounting principles and practices.