



Komatsu Group Sustainability-Linked Bond Framework Second Party Opinion



SECOND PARTY OPINION

KOMATSU LTD.

**KOMATSU GROUP SUSTAINABILITY-LINKED BOND
FRAMEWORK**

Prepared by: DNV Business Assurance Japan K.K.

Location: Kobe, Japan

Date: September 26, 2022

Ref. Nr.: PRJN-419254-2022-AST-JPN-01

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Revision history

Issue Date	Remarks
September 26, 2022	Initial

Disclaimer

Our assessment relies on the premise that the data and information provided by Issuer to us as part of our review procedures have been provided in good faith. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied as per scope of work. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Statement.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct¹ during the assessment and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of statements or data included in the Framework except for this Statement. DNV maintains complete impartiality toward stakeholders interviewed during the assessment process.

¹ DNV Code of Conduct is available from DNV website (www.DNV.com)

Executive Summary

The Komatsu Group (hereinafter, "Komatsu") comprises Komatsu Ltd., 213 subsidiaries, and 42 associated companies (as of March 31, 2022). Since its foundation in Komatsu City, Ishikawa Prefecture in May 1921, Komatsu has been engaged in an extensive range of operations from research and development, production, sales, marketing, services and retail financing for customers in three business segments of Construction, Mining and Utility Equipment, Retail Finance, and Industrial Machinery and Others in Japan and abroad. Komatsu upholds the management principle of maximizing its corporate value, i.e., the total sum of trust from society and all its stakeholders, as it remains committed to Quality and Reliability. Through its business operations, together with its customers, Komatsu is working to achieve safe, highly productive, smart and clean workplaces of the future.

In promoting such initiatives, Komatsu has established new ESG management goals in its mid-term management plan announced in April 2019 and to be completed in the fiscal year ending March 31, 2022, in which the environmental impact reduction targets include CO₂ emission reduction by 50% by 2030 (compared to 2010) and rate of renewable energy use raised to 50% by 2030. Subsequently, Komatsu formulated the "Komatsu Green Bond Framework" in June 2020 and issued its first green bond in July of the same year. In addition, in the Integrated Report "Komatsu Report 2021" issued in September 2021, Komatsu newly set out its long-term vision on its efforts to become carbon neutral, with virtually zero CO₂ emissions by 2050. In the goals under the mid-term management plan announced in April 2022 and to be completed in the fiscal year ending March 31, 2025, CO₂ emission reduction, rate of renewable energy use, and carbon neutrality (challenging goal) as above are clearly stated.

Komatsu has established the "Komatsu Group Sustainability-Linked Bond Framework" (hereinafter, the "Framework") to implement the sustainability-linked bond in a manner that conforms to the framework which is established referring to international standards.

DNV Business Assurance Japan K.K. (hereinafter, "DNV") has evaluated the eligibility of the Framework based on the documentation and information provided by Komatsu.

The standards and guidelines applied are the Sustainability-Linked Bond Principles (International Capital Markets Association: ICMA, 2020) (hereinafter, "SLBP") and the Sustainability-Linked Bond Guidelines (Ministry of the Environment, 2022) (hereinafter, "SLBGLs").

Followings (SLBP-1 ~ SLBP-5) are findings and opinions of DNV against the five elements described in the SLBP.

SLBP-1. Selection of Key Performance Indicators (KPIs):

Komatsu has selected the following two KPIs, shown in Table-1, as important indicators in its comprehensive sustainability strategy towards "Carbon neutrality by 2050" and "Creating value for a decarbonized society". KPI 1 relates to Scope 1 and Scope 2, while KPI 2 relates to Scope 3 Category 11.

KPI 1: Reduction of CO₂ emissions from production (intensity)

KPI 2: Reduction of CO₂ emissions from product use (intensity)

The selection of KPIs is based on a rational process, and the KPIs are clearly defined, measurable and verifiable, and has robust, reliable and in accordance with the SLBP.

SLBP-2. Calibration of Sustainability Performance Targets (SPTs):

For each KPI, Komatsu has set the following SPTs, shown in Table-1.

SPT 1: "Reduction of CO₂ emissions from production (intensity)" by 45% and 50% in 2024 and 2030, respectively, compared to 2010

SPT 2: "Reduction of CO₂ emissions from product use (intensity)" by 24% and 50% in 2024 and 2030, respectively, compared to 2010

DNV has confirmed that Komatsu's SPTs are meaningful and relevant in the context of both Komatsu's sustainability and business strategy and represent a material improvement over a predetermined timeline. DNV has also confirmed that the achievement of SPTs is in line with Komatsu's initiatives towards carbon neutrality. DNV concluded through its review that Komatsu's plans are feasible and on track to achieve the goals in 2024 and 2030.

SLBP-3. Bond Characteristics:

The financial characteristics of the sustainability-linked bond under the Framework are impacted based on SPTs performance under KPIs. DNV has confirmed in the formal documentation relating to the bond that this impact is linked to changes in bond interest rates, and that it is specified in the relevant documentation of the specific transaction (e.g., the prospectus or offering memorandum for the relevant SLB) upon execution of each bond by specific trigger events (achievement status of SPTs) in the period/due date defined under the Framework.

SLBP-4. Reporting:

Komatsu plans to include the information required by the SLBP in reporting, and stipulates in the Framework that the reporting will be disclosed at least once per annum.

SLBP-5. Verification:

Komatsu will obtain verification of KPI-related data by an independent external verifier annually.

Table-1 Komatsu Sustainability-Linked Bond KPIs and SPTs

KPIs	SPTs
KPI 1: CO ₂ emissions from production (intensity)	SPT 1.1: 45% reduction by 2024 vs 2010 base year SPT 1.2: 50% reduction by 2030 vs 2010 base year
KPI 2: CO ₂ emissions from product use (intensity)	SPT 2.1: 24% reduction by 2024 vs 2010 base year SPT 2.2: 50% reduction by 2030 vs 2010 base year
Description of KPIs	Description of SPTs
<p>Each KPI is closely related to Komatsu's mid-term management plan.</p> <p>These are the core KPIs of the management indicator "Reduction of environmental impact" under the "ESG" item in Komatsu's mid-term management goals, which can be measured quantitatively and continuously using methods determined by Komatsu.</p>	<p>Each SPT is linked to Komatsu's mid-term management goals with a view to its long-term targets for CO₂ emission reduction.</p> <p>These will contribute to achieve "Science-Based Targets (SBT): Well-below 2°C" that Komatsu obtained the initial certification in April 2017 and a renewal certification in March 2022, and are more ambitious than other companies in the industry that may go beyond "Business as Usual".</p> <p>The SPTs' pathway to the 2024 and 2030 trigger judgments are based on linear interpolation from 2022 to 2024 and from 2024 to 2030 as a guide.</p>

On the basis of the information, including framework, provided by Komatsu and the work undertaken, DNV confirmed that the framework formulated by Komatsu and the sustainability-linked bond executed by this framework meets the criteria required by the relevant frameworks within the SLBP/SLBGLs and is eligible.





I. Introduction

i. About the Issuer

The Komatsu Group (hereinafter, "Komatsu") comprises Komatsu Ltd., 213 subsidiaries, and 42 associated companies (as of March 31, 2022). Since its foundation in Komatsu City, Ishikawa Prefecture in May 1921, Komatsu has been engaged in an extensive range of operations from research and development, production, sales, marketing, services and retail financing for customers in three business segments of Construction, Mining and Utility Equipment, Retail Finance, and Industrial Machinery and Others in Japan and abroad. Komatsu upholds the management principle of maximizing its corporate value, i.e., the total sum of trust from society and all its stakeholders, as it remains committed to Quality and Reliability. Through its business operations, together with its customers, Komatsu is working to achieve safe, highly productive, smart and clean workplaces of the future.

ii. Issuer's Initiatives for ESG/SDGs

Komatsu's basic stance is to contribute to society through its business activities. Prior to the formulation of the mid-term management plan to be completed in the fiscal year ending March 31, 2025, Komatsu defined six material issues—environment, customers, employees, ethics and governance, human rights, and communities—that were deemed to have material importance in terms of their impact on sustainability and their business importance. Furthermore, the four areas of environment, customers, employees, and ethics and governance were identified as being of particularly high priority among these issues, and initiatives for addressing these areas have been incorporated into the growth strategies of the mid-term management plan.

Material issues (materiality)	
 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
 Customers	<ul style="list-style-type: none"> • Provision of solutions • Product safety and quality
 Employees	<ul style="list-style-type: none"> • Occupational safety and health and well-being • Employee engagement and job satisfaction • Diversity and Inclusion • Skills development and workplace retention
 Ethics / Governance	<ul style="list-style-type: none"> • Corporate governance • Compliance
 Human Rights	<ul style="list-style-type: none"> • Respect for human rights
 Communities	<ul style="list-style-type: none"> • Contributions to local communities

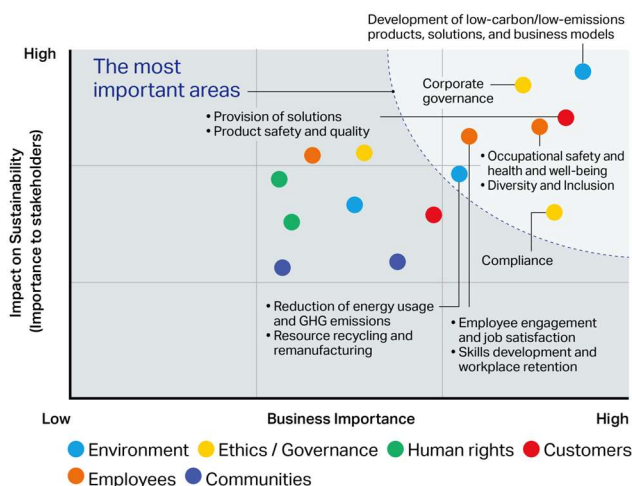


Figure-1 Materiality at Komatsu

Based on the "Sustainability Policy" established in December 2021, Komatsu aims to contribute to society through its business activities.

The mid-term management plan, "DANTOTSU Value - Together, to 'The Next' for sustainable growth", to be completed in the fiscal year ending March 31, 2025, is for

generating a positive cycle for resolving ESG issues and improving earnings to achieve sustainable growth by addressing material issues based on an understanding of the relationship between materiality, the Sustainability Policy, and the SDGs. Specifically, it is upholding three pillars of growth strategies, namely, "Accelerate growth by means of innovation", "Maximize earnings power", and "Enhance corporate resilience". To this end, Komatsu has updated its ESG management goals, which were newly established in the mid-term management plan to be completed in the fiscal year ending March 31, 2022 (see Figure-2).















	Relationship with SDGs	Materiality	Key activity themes for resolving ESG issues (main KPI candidates)
With people	 Gender equality  Decent work and economic growth  Reduced inequalities  Partnerships for the goals	[Employees] [Human rights] <ul style="list-style-type: none"> Diversity and Inclusion Skills development and workplace retention Employee engagement and job satisfaction Occupational safety and health and wellbeing Respect for human rights 	Build workplaces that are safe and secure (occupational injury related indicator) Increase employee engagement (engagement survey score) Promote diversity and 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 society	 Industry, innovation and infrastructure  Sustainable cities and communities  Responsible consumption and production  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	 Affordable and clean energy  Industry, innovation and infrastructure  Responsible consumption and production  Climate action  Life on land  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 Forest conservation through business activities Reduction of energy usage and GHG emissions 	Plants with zero environmental impacts (CO2 reduction, use of renewable energy, water usage) Reduction of CO2 emissions at customer workplaces (CO2 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)

Figure-2 Key activity themes for resolving ESG issues

iii. Issuer's Environmental Initiatives

In its previous mid-term management plan, Komatsu set the environmental impact reduction target to CO₂ emission reduction by 50% by 2030 (compared to 2010) and the rate of renewable energy use raised to 50% by 2030. In addition, in the Integrated Report "Komatsu Report 2021" issued in September 2021, Komatsu newly set out its long-term vision on its efforts to become carbon neutral, with virtually zero CO₂ emissions by 2050. Furthermore, in the ongoing mid-term management plan (FY2022-FY2024), Komatsu has set "carbon neutrality" as one of its challenging goals in its management goals to be achieved by 2050, and declared to tackle challenges to create value for a decarbonized society. To realize this goal, Komatsu has set specific measures for each of the activity themes shown in Figure-2 and is promoting initiatives.

iv. About the Sustainability-Linked Bond Framework



Komatsu has established the "Komatsu Group Sustainability-Linked Bond Framework" (hereinafter, the "Framework") to implement the sustainability-linked bond in a manner that conforms to the framework which is established referring to international standards.

The criteria which this Framework specifically referred to is described in Section II below.

Name of the Issuer: Komatsu Ltd.

Name of the framework: Komatsu Group Sustainability-Linked Bond Framework

Name of the external reviewer: DNV Business Assurance Japan K.K.

Creation date of report: September 26, 2022

II. Scope and Objectives

DNV has been commissioned by Komatsu to provide a pre-issuance assessment on the Komatsu Group Sustainability-Linked Bond (hereinafter, the "BOND"). Our objective has been to confirm whether the BOND meets the criteria shown in the table below to provide a second party opinion on the eligibility of the BOND.

DNV, as an independent external reviewer, has identified no real or perceived conflict of interest associated with the delivery of this second-party opinion for Komatsu.

In this report, no assurance is provided regarding the financial performance of the BOND, the value of any investments in the BOND, or the long-term environmental benefits of the transaction.

Standards/guidelines to be applied

No.	Standards/guidelines	Scheme owner	Applied level ^{*1}
1.	Sustainability-Linked Bond Principles (SLBP)	International Capital Markets Association (ICMA), 2020	Apply
2.	Sustainability-Linked Bond Guidelines (SLBGLs)	Ministry of the Environment, 2022	Apply

*1 Apply: The eligibility for all five elements common to each principle or guideline was assessed.

III. Responsibilities of Komatsu and DNV

Komatsu has provided the information and data used by DNV during the delivery of this review. DNV's second party opinion represents an independent opinion and is intended to inform Komatsu and other interested stakeholders in the BOND as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by Komatsu. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Komatsu and used as a basis for this assessment were not correct or complete.

IV. Basis of DNV's Opinion

To provide as much flexibility for the fundraiser as possible, we have adapted our Sustainability-Linked Bond assessment methodologies, which incorporates the requirements of the SLBP/SLBGLs, to create a Sustainability-Linked Bond Assessment Protocol (hereinafter, the "Protocol"). Please refer to Schedule-2. The Protocol is applicable to the sustainability-linked bond under the SLBP/SLBGLs.

DNV, as an independent external reviewer, provides second party opinion according to the protocol.

Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle behind the criteria is that the sustainability-linked bond should "provide an investment opportunity with transparent sustainability credentials" and "is important through KPIs and SPTs, quantitative, pre-determined, ambitious, and regularly monitored and externally validated and encourage the achievement of ESG of issuers".

As per our Protocol, the criteria against the sustainability bond to be reviewed is grouped into the following five elements:

Principle One: Selection of Key Performance Indicators (KPIs)

The fundraiser of a sustainability-linked bond should clearly communicate to investors or lenders its overall objectives, as set out in its sustainability strategy, and how these relate to its SPTs. The KPI should be reliable, material to the fundraiser's core sustainability and business strategy, address relevant ESG challenges of the industry sector and be under management control.

Principle Two: Calibration of Sustainability Performance Targets (SPTs)

The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on sustainability improvement in relation to a predetermined performance target benchmark.

Principle Three: Bond Characteristics

The BOND will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The BOND documentation needs to require the definitions of KPI(s) and SPT(s) and the potential variation of the SLB's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.

Principle Four: Reporting

The fundraiser should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report (see Principle 5) outlining the performance against the SPTs and the related impact and timing of such impact on the finance's financial and/or structural characteristics, with such information to be provided to those



institutions participating in the finance or to investors participating in the finance at least once per annum.

Principle Five: Verification

The fundraiser should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, at least once per annum. The verification of the performance against the SPTs should be made publicly available.



V. Work Undertaken

Our work constituted a comprehensive review of the available information, based on the understanding that this information was provided to us by the fundraiser in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

Sustainability-Linked Bond Pre-Issuance Assessment

- Creation of the fundraiser-specific assessment protocol (see Schedule-2);
- Assessment of documentary evidence provided by the fundraiser and supplemented assessment by a comprehensive desktop research;
- Interviews with the fundraiser and review of relevant documentation;
- Documentation of findings against each element of the criteria.

VI. Findings and DNV's Opinion

DNV's findings and opinions are as follows.

(1) Selection of Key Performance Indicators (KPIs)

- DNV has reviewed Komatsu sustainability KPIs and confirmed that the chosen KPIs are material and relevant to the company's core sustainability management.
- The KPIs defined by Komatsu (Reduction of CO₂ emissions from production (intensity), Reduction of CO₂ emissions from product use (intensity)), shown in Table-1, are key indicators in Komatsu's comprehensive sustainability strategy towards "Carbon neutrality by 2050" (challenging goal in the management goals) and "Creating value for a decarbonized society".
- "Carbon neutrality by 2050", "Creating value for a decarbonized society", and "decrease in the rate of energy use (environmental materiality)" are important for Komatsu. KPI 1 "Reduction of CO₂ emissions from production (intensity)" is sufficiently appropriate to select as a KPI as it relates to its own Scope 1 and Scope 2, and contributes to the reduction of CO₂ emissions in the entire supply chain by reducing KPI 1. KPI 1 is also positioned as a core KPI in the "Komatsu Mid-Term Management Plan (FY2022-FY2024)".
- Similarly, KPI 2 "Reduction of CO₂ emissions from product use (intensity)" is a major KPI that contributes to the reduction of CO₂ emissions from product use (Scope 3 Category 11) that account for approximately 90% of the total CO₂ emissions through Komatsu's entire supply chain.
- DNV has confirmed that the KPIs selected by Komatsu are consistent with the "Carbon Neutrality in 2050" targeted by the Japanese Government and are appropriately selected as comparable indicators.
- DNV believes that the initiatives to the KPIs are closely related to the "Challenges to create value (products and services) for carbon neutrality" set out in the "Komatsu Mid-Term Management Plan (FY2022-FY2024)" and will contribute to Komatsu's aim of "Accelerate growth by means of innovation" and be an important driving force for expanding profits. We believe it will contribute to Komatsu's aim of "accelerating growth through innovation" and will be an important driver to improve profitability. The KPIs are also considered to contribute to realize the "Long-Term Vision for Carbon Neutral Initiatives" and to the alignment of Komatsu's business strategy with the goals relating to sustainability management.
- DNV concludes that CO₂ emissions (intensity) as KPIs are measurable based on a consistent methodology (Komatsu's own calculation method), externally verifiable and able to be benchmarked to external references. DNV also concludes that CO₂ emissions through the supply chain are a robust and reliable metric.



- DNV has confirmed that the KPIs chosen by Komatsu have a clear evaluation scope and calculation methodology. Please see Schedule-2 for more information.

List of selected KPIs

- ✓ KPI 1: Reduction of CO₂ emissions from production (intensity)
- ✓ KPI 2: Reduction of CO₂ emissions from product use (intensity)

Definition, scope, and parameters

- Clear definition of each selected KPI
- Clear calculation methodology
- Other (please specify):

Relevance, robustness, and reliability of the selected KPIs

- Credentials that the selected KPIs are relevant, core and material to the Issuer's sustainability and business strategy
- Evidence that the KPIs are externally verifiable
- Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis
- Evidence that the KPIs can be benchmarked
- Other (please specify):

(2) Calibration of Sustainability Performance Targets (SPTs)

- DNV has confirmed that the SPTs shown in Table-1 contain the perspective and specific plans that support the goals set out in Komatsu's "Carbon neutrality by 2050" and "Creating value for a decarbonized society" as well as the government target to which they refer, the "Carbon Neutrality in 2050", and that they are ambitious, realistic and meaningful. DNV has also confirmed that the achievement of the SPTs is in line with Komatsu's initiatives to become carbon neutral.
- Based on the information provided by Komatsu, DNV concluded that the SPTs are realistic, the plan is feasible, and it is on track to achieve the goals.
- The targets set out by Komatsu; CO₂ emissions from production (intensity): 45%/50% reduction by 2024/2030 vs 2010 base year (SPT 1.1/SPT 1.2), and CO₂ emissions from product use (intensity): 24%/50% reduction by 2024/2030 vs 2010 base year (SPT 2.1/SPT 2.2) will contribute to achieve "Science-Based Targets (SBT): Well-below 2°C" that Komatsu obtained the initial certification in April 2017 and a renewal certification in March 2022, and are more ambitious than other companies in the industry that may go beyond "Business as Usual".
- DNV has confirmed that the SPTs set by Komatsu are tied to the improvement of KPIs. Komatsu's initiatives to address the KPIs/SPTs are expected to be a driving force for Komatsu's efforts to implement its sustainability strategy.
- DNV has confirmed that the SPTs setting process has been based on an appropriate combination of benchmarking approaches.
 - From information on Komatsu's performance up to 2021 and information on the KPIs based on appropriate data provided guidance for setting targets up to 2030.
 - The SPTs are evaluated as ambitious set based on Komatsu's Well-below 2°C certification from the SBTi and Komatsu's recent performance levels.
 - DNV concludes that the SPTs are appropriately relevant to the government target "Carbon Neutrality in 2050". In addition, the Framework is consistent with national guidelines that are aligned with the achievement of the targets set out in the Paris Agreement. Komatsu's initiatives for "Carbon neutrality by 2050" will be supported by two KPIs/SPTs and their respective action plans.
- DNV has confirmed that the SPTs setting is properly disclosed as follows.
 - The timelines of SPTs target achievement is set for the period up to 2024/2030. The SPTs' pathway to the 2024 trigger judgments are based on linear interpolation from 2021 to 2024 as a guide. For 2030, the guide will be set for between 2024 and 2030 based on the same thought.

- The base year for the SPTs on CO₂ emission reductions is 2010. This is to avoid including both the deterioration of Japan's CO₂ emission factor due to the 2011 Great East Japan Earthquake and its impact on Komatsu's operations, which is said to be reasonable in the long-term pathway of CO₂ emission reduction.
- Through the framework, action plan, and roadmap, the details were explained on how to achieve a reduction of CO₂ emissions from production (intensity) by 45%/50% by 2024/2030 compared to 2010, and a reduction of CO₂ emissions from product use (intensity) by 24%/50% by 2024/2030 compared to 2010.

Table-1 (the same as shown previously) Komatsu Sustainability-Linked Bond KPIs and SPTs

KPIs	SPTs
KPI 1: CO ₂ emissions from production (intensity)	SPT 1.1: 45% reduction by 2024 vs 2010 base year SPT 1.2: 50% reduction by 2030 vs 2010 base year
KPI 2: CO ₂ emissions from product use (intensity)	SPT 2.1: 24% reduction by 2024 vs 2010 base year SPT 2.2: 50% reduction by 2030 vs 2010 base year
Description of KPIs	Description of SPTs
<p>Each KPI is closely related to Komatsu's mid-term management plan.</p> <p>These are the core KPIs of the management indicator "Reduction of environmental impact" under the "ESG" item in Komatsu's mid-term management goals, which can be measured quantitatively and continuously using methods determined by Komatsu.</p>	<p>Each SPT is linked to Komatsu's mid-term management goals with a view to its long-term targets for CO₂ emission reduction.</p> <p>These will contribute to achieve "Science-Based Targets (SBT): Well-below 2°C" that Komatsu obtained the initial certification in April 2017 and a renewal certification in March 2022, and are more ambitious than other companies in the industry that may go beyond "Business as Usual".</p> <p>The SPTs' pathway to the 2024 and 2030 trigger judgments are based on linear interpolation from 2022 to 2024 and from 2024 to 2030 as a guide.</p>

(SPTs') rationale and level of ambition

- | | |
|---|--|
| <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the Issuer's sustainability and business strategy | <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline <input type="checkbox"/> Other (please specify): |
|---|--|



Benchmarking approach

- | | |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance | <input checked="" type="checkbox"/> Issuer's peers |
| <input checked="" type="checkbox"/> Reference to the science | <input type="checkbox"/> Other (please specify): |

Additional disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> Potential recalculations or adjustments description | <input checked="" type="checkbox"/> Issuer's strategy to achieve description |
| <input checked="" type="checkbox"/> Identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify): |

(3) Bond Characteristics

DNV has confirmed that the financial characteristics of the sustainability-linked bond executed under the Framework is affected by the achievement of SPTs. The impact here refers to the interest rate of the bond. The Framework has determined the observation period for the target achievement judgment in relation to certain trigger events.

- DNV has confirmed that Komatsu has examined an appropriate fallback mechanism (fallback alternatives), and consequently Komatsu concluded that they would not set other SPTs or calculation method at this time since the risk of being uncalculated or unobservable is negligible.
- DNV has confirmed that Komatsu may set multiple interest rates depending on the achievement status of individual KPIs/SPTs.
- In addition to changes in interest rates, one or more out of a donation related to the purpose of the Bond or other appropriate penalty/incentive methods. These will be determined by Komatsu's internal process and disclosed in a legal document, etc. related with the Bond.
- Komatsu explained that Komatsu may change the KPIs and SPTs due to both/either external factors and/or Komatsu's management decision result, such as when the changes of Komatsu's business circumstances, change of business structures where reasonable demonstration.
- DNV has confirmed that Komatsu intends to obtain an external review of any changes to its KPIs or SPTs.

Financial impact

- Variation of the coupon
- Other (please specify): One or more out of a donation related to the purpose of the Bond or other appropriate penalty/incentive methods may be selected in bonds to be issued thereafter.

Structural characteristic

- Other (please specify): The trigger judgment may be made against the goals for 2024 and 2030 by some kind of methodology (e.g., linear interpolation) with target values set for the fiscal year. The result of trigger judgment will be reflected in subsequent interest payments, which will be clearly stated in the prospectus or other documents (statutory disclosure documents or other methods to disclose publicly).

(4) Reporting

DNV concludes that required information will be disclosed in a timely manner regarding the following required by SLBP.

- KPIs performance: Obtain verification by an external body, etc. and disclose on the website, etc. after the issuance of the sustainability-linked bond, at least once a year before the redemption is completed.
- SPTs achievement status: Will be subject to annual verification from an independent reviewer and it is used to determine financial characteristics (interest rate of the bond) or other financial incentives.
- Adjustments of KPIs and SPTs: Discuss the level of ambition of the SPTs of Komatsu with DNV, etc. and change it if necessary in the event of significant or structural changes at Komatsu (e.g., acquisitions, company splits, mergers, internalization, outsourcing), changes in the measuring method of KPIs, and improvements in calculation methods or access to data.

Information reported

- | | |
|--|---|
| <input checked="" type="checkbox"/> Performance of the selected KPIs | <input checked="" type="checkbox"/> Verification assurance report |
| <input checked="" type="checkbox"/> Level of ambition of the SPTs | <input checked="" type="checkbox"/> Other (please specify): Information on the financial impact when implementing trigger judgement (e.g., information of interest rate). Validity of the adjustment and recalculation result of KPI and SPT, if necessary. |

Frequency

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of disclosure

- | | |
|--|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Issuer’s website, etc. |
| <input type="checkbox"/> Reporting reviewed | |

Level of assurance on reporting

- | | |
|---|--|
| <input checked="" type="checkbox"/> Limited assurance | <input type="checkbox"/> Reasonable assurance |
| | <input type="checkbox"/> Other (please specify): |

(5)





(6) Verification

- DNV has confirmed that Komatsu plans to undergo independent verification of KPIs-related data at least once a year by a qualified external reviewer with relevant expertise in SPT trigger events.

Frequency

- Annual
- Semi-annual
- Other (please specify):

Material change

- Perimeter
- KPI methodology
- SPTs calibration

Assessment Conclusion

On the basis of the information provided by Komatsu and the work undertaken, it is DNV's opinion that Komatsu meets the requirements in the Sustainability-Linked Bond Eligibility Assessment Protocol, it is aligned with the stated definition and purpose within the SLBP/SLBGLs, which is to "encourage the achievement of significant, quantifiable, pre-determined, ambitious, regularly monitored, and externally verified sustainable (ESG) goals through KPIs and SPTs", and that it "provides an opportunity for transparent, sustainable, and reliable investment".

DNV Business Assurance Japan K.K.

September 26, 2022



Mark Robinson

Manager, Sustainability Services
DNV Business Assurance, Australia



Naoki Maeda

Managing Director
DNV Business Assurance Japan K.K.



Masato Kanedome

Project Leader
DNV Business Assurance Japan K.K.



Yasuaki Miyamoto

Team Leader
DNV Business Assurance Japan K.K.

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

Disclaimer

Responsibilities of the Management of the Issuer and the Second-Party Opinion Providers, DNV: The management of Issuer has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform the Issuer management and other interested stakeholders in the Bond as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by the Issuer. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by the Issuer's management and used as a basis for this assessment were not correct or complete.

Schedule-1 Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs)

KPIs: Key Performance Indicators

KPIs	Description
<p>KPI 1: CO₂ emissions from production (intensity)</p> <p>KPI 2: CO₂ emissions from product use (intensity)</p>	<p>Each KPI is closely related to Komatsu's mid-term management plan.</p> <p>These are the core KPIs of the management indicator "Reduction of environmental impact" under the "ESG" item in Komatsu's mid-term management goals, which can be measured quantitatively and continuously using methods determined by Komatsu.</p>

SPTs: Sustainability Performance Targets

SPTs	Description
<p>SPT 1.1: 45% reduction by 2024 vs 2010 base year</p> <p>SPT 1.2: 50% reduction by 2030 vs 2010 base year</p> <p>SPT 2.1: 24% reduction by 2024 vs 2010 base year</p> <p>SPT 2.2: 50% reduction by 2030 vs 2010 base year</p>	<p>Each SPT is linked to Komatsu's mid-term management goals with a view to its long-term targets for CO₂ emission reduction.</p> <p>These will contribute to achieve "Science-Based Targets (SBT): Well-below 2°C" that Komatsu obtained the initial certification in April 2017 and a renewal certification in March 2022, and are more ambitious than other companies in the industry that may go beyond "Business as Usual".</p> <p>The SPTs' pathway to the 2024 and 2030 trigger judgments are based on linear interpolation from 2022 to 2024 and from 2024 to 2030 as a guide.</p>

Schedule-2 Sustainability-Linked Bond Framework Eligibility Assessment Protocol

The checklist below (SLBP-1 ~ 5) is a DNV evaluation procedure created for Komatsu Group Sustainability-Linked Bond Framework Eligibility Assessment based on the requirements of SLBP.

SLBP-1 Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI - material to core sustainability and business strategy	<p>The issuer’s sustainability performance is measured using sustainability KPIs that can be external or internal. The KPIs should be material to the issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/ or future operations;</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>Confirmed documents:</p> <ul style="list-style-type: none"> - Framework - Komatsu Report 2021 - Mid-term management plan <p>Interviews with stakeholders</p>	<p>DNV has reviewed Komatsu sustainability KPIs and confirmed that the chosen KPIs are material and relevant to the company's core sustainability management.</p> <p>Komatsu has initiatives for "Carbon neutrality by 2050 (challenging goal in the management goals)", "Creating value for a decarbonized society", and "decrease in the rate of energy use (environmental materiality)". In reducing CO₂ emissions throughout Komatsu's supply chain, it is essential to reduce its own Scope 1 and Scope 2. Therefore, KPI 1 "Reduction of CO₂ emissions from production (intensity)" is positioned as the core KPI in the "Komatsu Mid-Term Management Plan (FY2022-FY2024)". KPI 2 "Reduction of CO₂ emissions from product use (intensity)" is positioned as a major KPI that contributes to the reduction of CO₂ emissions in the entire supply chain, as CO₂ emissions from product use account for approximately 90% of CO₂ emissions through Komatsu's entire supply chain.</p> <p>DNV has confirmed that the KPIs selected by Komatsu are consistent with the "Carbon Neutrality in 2050" targeted by the Japanese Government and are appropriately selected as comparable indicators. DNV believes that the initiatives to the KPIs are closely related to the "Challenges to create value (products and services) for carbon neutrality" set out in the "Komatsu Mid-Term Management Plan (FY2022-FY2024)" and will contribute to Komatsu's aim of "Accelerate growth by means of innovation" and be an important driving force for expanding profits. We believe it will contribute to Komatsu's aim of "accelerating growth through innovation" and will be an important driver to improve profitability. The KPIs are also considered to</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings			
				<p>contribute to realize the "Long-Term Vision for Carbon Neutral Initiatives" and to the alignment of Komatsu's business strategy with the goals relating to sustainability management.</p> <p>The selected KPIs are listed below (see Schedule-2 for details).</p> <table border="1"> <thead> <tr> <th>KPIs</th> </tr> </thead> <tbody> <tr> <td>KPI 1: Reduction of CO₂ emissions from production (intensity)</td> </tr> <tr> <td>KPI 2: Reduction of CO₂ emissions from product use (intensity)</td> </tr> </tbody> </table>	KPIs	KPI 1: Reduction of CO ₂ emissions from production (intensity)	KPI 2: Reduction of CO ₂ emissions from product use (intensity)
KPIs							
KPI 1: Reduction of CO ₂ emissions from production (intensity)							
KPI 2: Reduction of CO ₂ emissions from product use (intensity)							
1b	KPI - measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT's level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected. In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<p>Confirmed documents:</p> <ul style="list-style-type: none"> - Framework - Komatsu Report 2021 - Mid-term management plan - Calculation procedures and measures for CO₂ emissions from production - Calculation procedures and timeline for CO₂ emissions from product use <p>Interviews with stakeholders</p>	<p>DNV concludes that CO₂ emissions (intensity) as KPIs are measurable based on a consistent methodology (Komatsu's own calculation method) described in 1c, externally verifiable and able to be benchmarked to external references.</p> <p>DNV has confirmed that the KPIs selected by Komatsu are tied to the KPIs in the mid-term management plan and that performance over time is managed internally to align with that plan.</p>			

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1c	KPI - clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology.	Confirmed documents: - Framework - ESG Databook 2021 Interviews with stakeholders	DNV has confirmed that the KPIs chosen by Komatsu have a clear evaluation scope and calculation methodology. Specifically, they are calculated as follows: KPI 1: Total direct ^{*1} and indirect ^{*2} emissions at each factory/processing costs incurred in product manufacturing KPI 2: CO ₂ emissions through the life of each model ^{*3} /workload *1 Scope 1 calculated in compliance with the GHG protocol *2 Scope2 calculated in compliance with the GHG protocol *3 CO ₂ emissions calculated based on the product performance and work efficiency Note: CO ₂ emission factor is the figure given in the ESG Databook. DNV has confirmed that this calculation method correlates well with the method used to assess Komatsu's emissions intensity.

SLBP-2 Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target setting - meaningful	The SPTs should be ambitious, realistic and meaningful to the issuer's business and be consistent with the issuers' overall strategic sustainability/ESG strategy.	Confirmed documents: <ul style="list-style-type: none"> - Framework - Komatsu Report 2021 - Mid-term management plan - Calculation procedures and measures for CO₂ emissions from production - Calculation procedures and timeline for CO₂ emissions from product use Interviews with stakeholders	DNV has confirmed that the SPTs contain the perspective and specific plans that support the goals set out in Komatsu's "Carbon neutrality by 2050" and "Creating value for a decarbonized society" as well as the government target to which they refer, the "Carbon Neutrality in 2050", and that they are ambitious, realistic, and meaningful. DNV has also confirmed that the achievement of the SPTs is in line with Komatsu's initiatives to become carbon neutral.
2b	Target setting - meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	Confirmed documents: <ul style="list-style-type: none"> - Framework - Komatsu Report 2021 - Mid-term management plan - Calculation procedures and measures for CO₂ emissions from production - Calculation procedures and timeline for CO₂ emissions from product use Interviews with stakeholders	The targets set out by Komatsu; CO ₂ emissions from production (intensity): 45%/50% reduction by 2024/2030 vs 2010 base year (SPT 1.1/SPT 1.2), and CO ₂ emissions from product use (intensity): 24%/50% reduction by 2024/2030 vs 2010 base year (SPT 2.1/SPT 2.2) will contribute to achieve "Science-Based Targets (SBT): Well-below 2°C" that Komatsu obtained the initial certification in April 2017 and a renewal certification in March 2022, and are more ambitious than other companies in the industry that may go beyond "Business as Usual".
2c	Target setting - benchmarks	The target setting exercise should be based on a combination of benchmarking approaches:	Confirmed documents: <ul style="list-style-type: none"> - Framework - Komatsu Report 2021 	DNV has confirmed that the SPTs setting exercise has been based on an appropriate combination of benchmarking approaches. <ul style="list-style-type: none"> · From information on Komatsu's performance up to 2021 and

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<ol style="list-style-type: none"> 1. The issuer’s own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI 2. The SPTs relative positioning versus the issuer’s peers where comparable or available, or versus industry or sector standards 3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies 	<ul style="list-style-type: none"> - Mid-term management plan - Calculation procedures and measures for CO₂ emissions from production - Calculation procedures and timeline for CO₂ emissions from product use <p>Interviews with stakeholders</p>	<p>information on the KPIs based on appropriate data provided guidance for setting targets up to 2030.</p> <ul style="list-style-type: none"> • The SPTs are evaluated as ambitious based on Komatsu's recent performance levels. • DNV concludes that the SPTs are appropriately relevant to the government target "Carbon Neutrality in 2050". In addition, the Framework is consistent with national guidelines that are aligned with the achievement of the targets set out in the Paris Agreement. Komatsu's initiatives for "Carbon neutrality by 2050" will be supported by two KPIs/SPTs and their respective action plans.
2d	Target setting - disclosures	<p>Disclosures on target setting should make clear reference to:</p> <ol style="list-style-type: none"> 1. The timelines of target achievement, the trigger event(s), and the frequency of SPTs 	<p>Confirmed documents:</p> <ul style="list-style-type: none"> - Framework - Komatsu Report 2021 - Mid-term management plan 	<p>DNV has confirmed that the SPTs setting is properly disclosed as follows.</p> <ul style="list-style-type: none"> • The timelines of SPTs target achievement are set for the period up to 2024/2030. The SPTs' pathway to the 2024 and 2030 trigger judgments are based on linear interpolation from 2022 to

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		2. Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used 3. Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place 4. Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs	Interviews with stakeholders	2024 as a guide. <ul style="list-style-type: none"> The base year for the SPT on CO₂ emission reductions is 2010. This is to avoid including both the worsening of Japan's CO₂ emission factor due to the 2011 Great East Japan Earthquake and the impact on Komatsu's operations, which is reasonable in the long-term CO₂ emission reduction pathway. Through the framework, action plan and roadmap, it details how a 45%/50% reduction in CO₂ from production in 2024/2030 compared to 2010 (intensity) and a 24%/50% reduction in CO₂ from product use in 2024/2030 compared to 2010 (intensity) will be achieved. The report explains in detail how this will be achieved. <p>Based on the information provided by Komatsu, DNV concluded that the SPTs are realistic, the plan is feasible, and it is on track to achieve the SPTs targets outlined in the Framework.</p>

SLBP-3 Bond Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Bond characteristics - SPT financial/ structural impact	The SLB will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	Confirmed documents: - Framework Interviews with stakeholders	DNV has confirmed that the inclusion of trigger event(s) under the Framework is in line with the requirements outlined by SLBP. DNV has also confirmed that, for the sustainability-linked bond executed under the Framework, the trigger events and their scope of impact, with the observation period of specific SPTs and performance requirements, are linked to the achievement of targets and financial incentives.
3b	Bond characteristics - fallback mechanism	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained. Issuers may also consider including, where needed, language in the bond documentation to take into consideration potential exceptional events.	Confirmed documents: - Framework Interviews with stakeholders	DNV has confirmed that Komatsu has examined an appropriate fallback mechanism (fallback alternatives), and consequently Komatsu concluded that they would not set other SPTs or calculation method at this time since the risk of being uncalculated or unobservable is negligible. Komatsu explained that Komatsu may change the KPIs and SPTs due to both/either external factors and/or Komatsu's management decision result, such as when the changes of Komatsu's business circumstances, change of business structures and KPIs where reasonable demonstration.

SLBP-4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	<p>Issuers of SLBs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> 1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant 2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics 3. Any information enabling investors to monitor the level of ambition of the SPTs <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.</p>	<p>Confirmed documents: - Framework</p> <p>Interviews with stakeholders</p>	<p>DNV has confirmed that required information will be disclosed in a timely manner regarding the following required by SLBP.</p> <ul style="list-style-type: none"> • KPIs performance: Obtain verification by an external body, etc. and disclose on the website, etc. after the issuance of the sustainability-linked bond, at least once a year before the redemption is completed. • SPTs achievement status: Will be subject to annual verification from an independent reviewer and it is used to determine financial characteristics (interest rate of the bond) or other financial incentives.

SLBP-5 Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External verification	Issuers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year and for each SPT trigger event.	Confirmed documents: - Framework Interviews with stakeholders	DNV has confirmed that Komatsu plans to undergo independent validation of KPIs-related data at least once a year by a qualified external reviewer with relevant expertise in SPT trigger events.