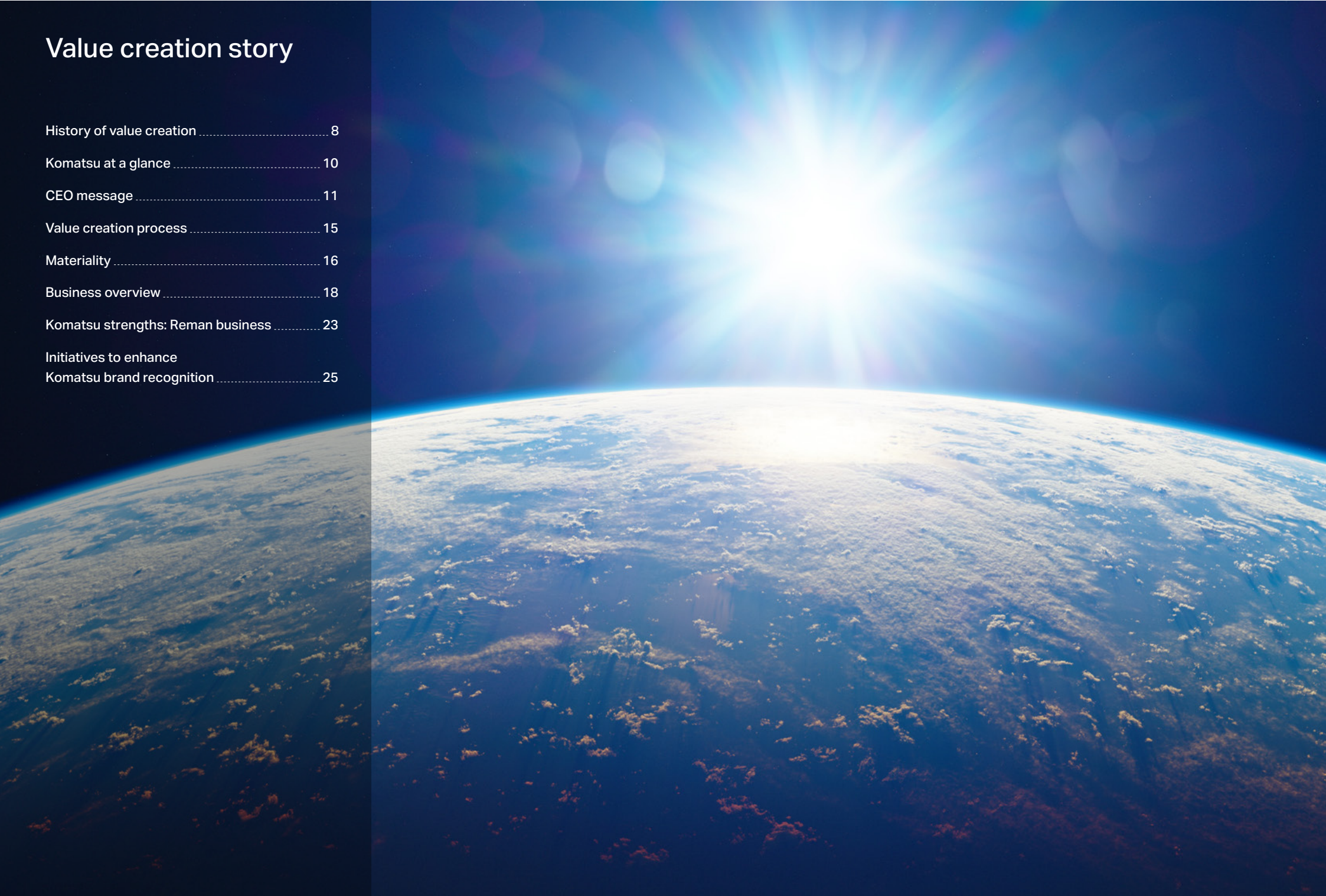


Value creation story

- History of value creation 8
- Komatsu at a glance 10
- CEO message 11
- Value creation process 15
- Materiality 16
- Business overview 18
- Komatsu strengths: Reman business 23
- Initiatives to enhance
Komatsu brand recognition 25



History of value creation

Since our founding, Komatsu has been a pioneer in conducting M&A to accelerate growth while expanding our business domain.

1921

Founding

Komatsu Ltd. was established to carry on the operations of Komatsu Iron Works Ltd. (established in 1917), which manufactured mining machines for use in the Yusenji copper mine located in Komatsu City, Ishikawa Prefecture developed by Meitaro Takeuchi, founder of Komatsu Ltd. Based on a firm belief that developing the machinery industry in rural areas and promoting its growth, as well as looking to transcend national boundaries with high-quality products, he emphasized the importance of developing technology and manufacturing products with an eye to international markets, even when he founded Komatsu. The four "founding principles" put forth by him continue to live on in the DNA of Komatsu today.

Founding principles

- Global expansion
- Quality first
- Technological innovation
- Human resource development



Meitaro Takeuchi
Founder

Acquiring technology

1961

Signed a technology tie-up agreement for diesel engines with Cummins Engine Co., Inc. (U.S.)

1988

Established a joint venture company with Dresser Industries (U.S.) to acquire super-large electric dump truck business

1994

Engaged in capital participation in Modular Mining Systems Inc. (U.S.), a developer of fleet management systems for mining equipment

1995

Established a joint venture company with Mannesmann DEMAG (Germany) to acquire super-large hydraulic excavator business

2004

Acquired Partek Forest AB (Sweden), a manufacturer and distributor of forestry equipment

2017

Acquired Joy Global Inc. (U.S.), a leading manufacturer of mining equipment

2021

Established EARTHBRAIN Ltd. (a joint venture company) to handle the planning and development of our solutions business

2022

Acquired Mine Site Technologies Pty Ltd (Australia), a company that handles communications equipment for underground mines

2022

Resolved to acquire GHH Group GmbH (Germany), a manufacturer of underground mining equipment (acquisition completed in 2024)

2023

Acquired American Battery Solutions Inc. ("ABS"; U.S.), a manufacturer of batteries

Strengthening our value chain

2000

Acquired Hensley Industries, Inc. (U.S.), a manufacturer of parts for construction and mining equipment

2011

Acquired DTSA (Chile), a manufacturer of dump truck bodies

2015

Acquired Lehnhoff Hart Stahl GmbH (Germany), a manufacturer of attachments

2018

Acquired Quadco Inc. (Canada), a manufacturer of forestry attachments

2019

Acquired TimberPro Inc. (U.S.), a manufacturer of forestry equipment

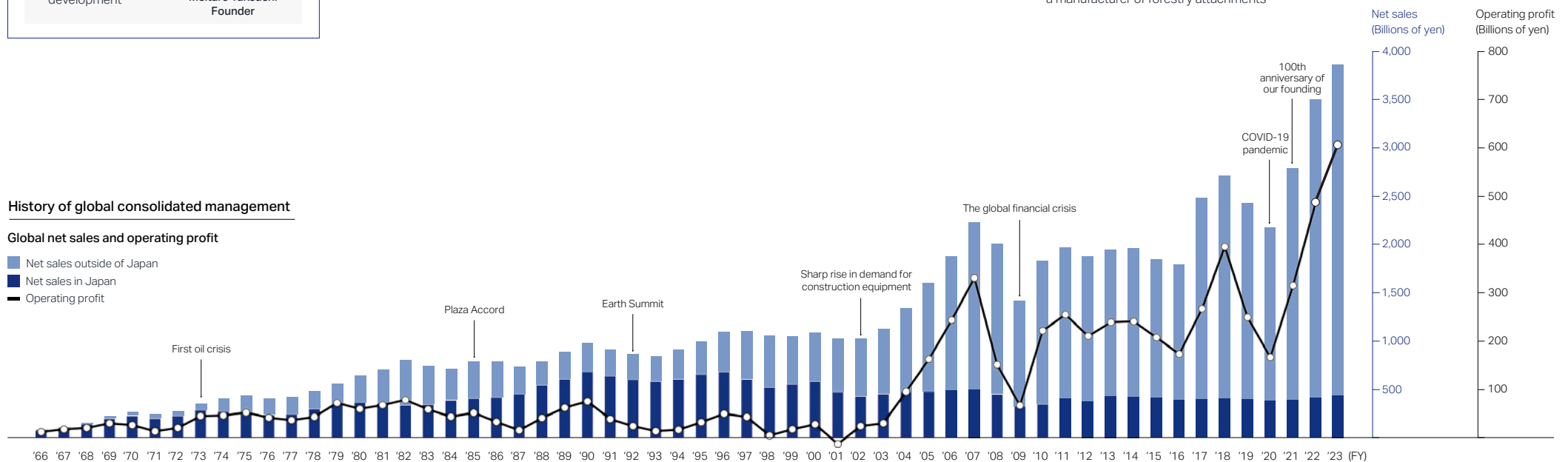
2022

Acquired Bracke Forest AB (Sweden), a manufacturer of tree-planting attachments

History of global consolidated management

Global net sales and operating profit

- Net sales outside of Japan
- Net sales in Japan
- Operating profit



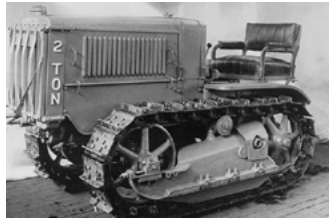
History of value creation

Product evolution

1931

Produced the first tractor in Japan

In response to a request from the Ministry of Agriculture and Forestry, Komatsu took on the challenge of developing crawler-type farm tractors in Japan. While other companies stopped at the prototype stage, Komatsu pressed on with a strong commitment to developing unique products that others could not imitate and completed the first tractor in Japan.



2008

Introduced the world's first hybrid hydraulic excavator to the market

Komatsu launched sales for the world's first hybrid hydraulic excavator. This proprietary system reduces fuel consumption by approximately 25% compared to conventional models. We expanded the lineup to include the 20-ton class and the 30-ton class in 2016.



2013

Introduced the world's first ICT construction equipment to the market

Komatsu introduced ICT bulldozers to the market. These bulldozers were the first to offer automated blade control during both excavation and the finishing processes of land preparation. In 2014, we introduced an ICT hydraulic excavator equipped with machine controls to the market.



2020

Standardized human-detection collision mitigation systems

Komatsu became the first in the industry to introduce hydraulic excavators to the Japanese market that standardize the installation of our in-house KomVision Human Detection & Collision Mitigation System. We support construction site safety through the provision of this system to a wide range of customers.



2020

Introduced battery-powered mini excavators to the market

Komatsu began introducing rental battery-powered mini excavators for rental on the Japanese market. These excavators provide the same excavation performance as the engine-driven version while also featuring zero exhaust emissions and a significant reduction in noise. These advanced models will play a role in the future expansion of human- and eco-friendly equipment.



2023

Received GX construction equipment certification for seven models of electrified construction equipment

All seven models (five battery-powered and two plug-in electric hydraulic excavators for the Japanese market) received certification from the GX (Green Transformation) construction machinery certification for the first time. This new certification system was established by the Ministry of Land, Infrastructure, Transport and Tourism and contributes to carbon neutrality.



Solution evolution

1995

Start of the Reman business

We started this business about 30 years ago to recycle and supply components collected from customers. Demand grew steadily, leading to our current global expansion related to circular economy known as the Reman* business.

* Reman stands for remanufacturing/remanufactured.



2001

Standardized the Komtrax (machine tracking system)

Komtrax is a machine tracking system that enables users to view construction equipment information from remote locations. We standardized the use of this system in models for the Japanese market. In 2002, we expanded the system to North America, Latin America and Europe, installing Komtrax in approx. 770,000 units of Komatsu construction equipment. (as of June 30, 2024)



2008

Introduced commercial Autonomous Haulage System (AHS) for mining

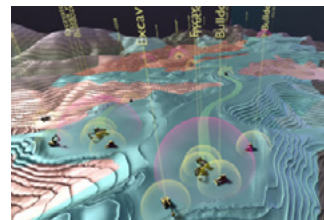
In 2005, Komatsu introduced trial systems in Chile, successfully introducing the world's first commercial AHS in 2008. To date, over 700 units have been installed between 23 mines in five countries around the world, with a cumulative total of 7.5 billion tons carried (as of February 29, 2024).



2015

Launched Smart Construction

Smart Construction is a solution that visualizes all aspects of construction sites using a variety of digital technologies, including IoT devices and applications. This visualization enables customers to resolve issues regarding safety, productivity and environmental adaptability. We work to advance our products in line with the evolution of digital technology.



2021

Launched sales of the Kom-mics system to visualize factory operations

Komatsu developed a platform that supports the visualization of factory operations and formulates optimization measures by collecting and analyzing various types of data (e.g., operation and processing data) from machine tools and robots. We sell Kom-mics through QUALICA Inc.



2023

Launched serial number management platform

Through the platform, it is possible to manage the development, production, operation and repair history of each equipment unit in one central location. Komatsu also offers the KomFleet screen for distributors to enhance sales and service proposals to best meet customer needs.



Komatsu at a glance

Business

Founding

 **May 13, 1921**

Komatsu was founded in Komatsu City, Ishikawa Prefecture by Meitaro Takeuchi, who aimed to contribute to the local economy.

Global

Start of exports from Japan

 **1955**

Komatsu was quick to advance onto the global stage beginning with the export of construction equipment to Argentina. The establishment of the first liaison office outside of Japan is in India in 1964 and then the start of overseas production is in Brazil in 1975.

Innovation

Number of units equipped with Komtrax

 **770,000**
(as of June 30, 2024)

Komtrax was first standardized in 2001, and since then has enabled uses to view construction equipment information worldwide from remote locations. We support our customers in the efficient operation of their equipment.

Sustainability

Decision-making priority

 **SLQDC**

Komatsu makes decisions prioritizing the principles of SLQDC (Safety and Health, Law, Quality, Delivery and Cost) to maximize the total sum of trust given to it by all stakeholders.

Consolidated net sales

 **¥3,865.1 billion**

Komatsu's consolidated net sales have tripled since FY2001. Komatsu is the world's second-largest manufacturer of construction and mining equipment by sales.

Sales ratio outside of Japan

 **91%^{*1}**

Traditional markets: 46% / Strategic markets: 54%.^{*2} Komatsu is characterized by a globally balanced distribution of sales.

^{*1} Construction, mining and utility equipment
^{*2} Traditional markets: Japan, North America, Europe; Strategic markets: Latin America, CIS, China, Asia, Oceania, Middle East, Africa

Aggregate number of units equipped with Autonomous Haulage System (AHS) for mine sites

 **754**
(as of June 30, 2024)

Komatsu launched the world's first commercial AHS in 2008. This system has continued to contribute to the safety and productivity of many mine sites.

* Autonomous Haulage System

CO₂ emissions from product use

 **22% reduction**
(Compared with 2010)

Komatsu is proactive in our efforts to develop electrified equipment and other low-carbon products to contribute to reduced environmental impacts. We aim to achieve a 50% reduction by 2030 and aim for carbon neutrality by 2050.

Global network

 **235 bases***

Komatsu has developed a global business through a network comprising 67 production bases, 78 sales bases and 90 parts, training and remanufacturing bases.

* Total for the construction, mining and utility equipment and the industrial machinery and others

Consolidated number of employees

 **65,738**

Approximately 70% of Komatsu employees work outside of Japan. We contribute to the success of customers by leveraging the teamwork of our global team of individuals from diverse backgrounds.

Digitalization solutions for construction sites Aggregate number of job sites using Smart Construction

 **40,307**
(as of June 30, 2024)

Since being introduced as an industry first in 2015, Smart Construction has continued to help address various issues surrounding workplaces, such as labor shortages.

Selected for the Dow Jones Sustainability World Index*

 **18 consecutive years**

Komatsu has been recognized as a company exhibiting excellence in terms of economic performance, environmental conservation efforts and social activities.

* A leading socially responsible investment index compiled by S&P Global Inc. of the United States

CEO message

We aim to achieve sustainable growth through commitment to quality and reliability, and by creating new customer value to achieve a positive cycle of solving ESG issues and increasing profits.



Hiroyuki Ogawa
President and Representative Director
Chief Executive Officer (CEO)

Risks are opportunities for a competitive edge

Changes in our business environment are becoming even more dramatic. We find ourselves in a time of increasing uncertainty regarding an unpredictable future, facing the complex interplay among risks involving global geopolitics, economic security, climate change, cybersecurity, and more.

Amid these circumstances, we look back at FY2023 performance in which we posted record-high sales and profits. Consolidated net sales amounted to ¥3,865.1 billion (up 9.1% year on year) and operating profit was ¥607.2 billion (up 23.7%). Positive factors contributing to our performance included the strong sales of mining equipment and parts, the impact of improved selling prices, and the effect of a weak yen. We see the results of our efforts in responding firmly to risk and continuing to build a structure resilient to the impact of the external environment.

In particular, we continued with our efforts to minimize the impact of supply chain risks. Supply chains across all aspects of society were disrupted during the COVID-19 pandemic. However, Komatsu responded quickly and agilely through a flexible production system supplying products and parts between regions. We call this production system *global cross-sourcing*, and we continue to build systems to supply products and parts to each market from the most optimal plant. Our decisions take into account for current exchange rates, production capacity, cost competitiveness at each plant and demand trends in each region. In addition, we have stepped up *multi-sourcing* to ensure the procurement of the same parts from multiple suppliers as a risk diversification measure.

Strengthening risk management during times of normal operation will become even more important. Komatsu introduced an enterprise risk management system (ERM), enhancing activities to identify, assess and mitigate all risks from a company-wide perspective. Even as we strengthen our preparedness to mitigate and avoid risk, we see risks as opportunities to take on new challenges and increase our competitive edge.

CEO message

Leveraging the strengths of our component strategy to grow our earnings power in the aftermarket business

Another driver of our strong performance has been the aftermarket business. The aftermarket refers to parts replacement and maintenance for customer-purchased new equipment. The aftermarket business already accounts for about 50% of Komatsu construction equipment and vehicle sales and 60% of profits. Demand for new equipment sales tends to fluctuate widely depending on economic conditions. Aftermarket demand, however, is based on the machine population already in operation in the market, which enables us to earn stable sales. Currently, around 770,000 units of Komatsu equipment are in operation worldwide. Maintaining and increasing this machine population will lead to stable earnings that are not easily affected by the economic climate.

And our in-house development and production of key components is what supports our profitability in the aftermarket. As differentiating our equipment itself from others becomes difficult, we develop and produce engines, transmissions, hydraulic equipment, and other key components in-house. These components determine the performance of our construction and mining equipment, and this in-house approach is an extremely important factor in our competitiveness. Since we develop and manufacture these components in-house, we use the best combination of components and advanced technologies for each model in product development. For example, sensors on components help us monitor durability using Komtrax (equipment operation management system), which enables us to suggest repairs at the appropriate time based on the data. By understanding the durability and reliability of components, we can offer extended warranty contracts with periodic maintenance, which allows customers to use our equipment with confidence and leads to the purchase of our genuine parts by customers. This approach also enables us to receive components at the appropriate timing and to offer high-quality *reman* products, which leads to the increase of value for used equipment. We recognize that Komatsu's strengths and differentiation lie in our ability to control QCD (quality, cost, and delivery) and establish business models based on in-house component development and production.



A tour of American Battery Solutions Inc., which joined the Komatsu Group in 2023

Accelerating efforts in electrified construction and mining equipment, looking ahead to future market formation

Another keyword in sustainable growth is *decarbonization*. Under our current mid-term management plan (FY2022 - FY2024), Komatsu pursues a challenge target of achieving carbon neutrality by 2050. We encourage everyone in the company to think about the issues and measures we can take to achieve this goal. One answer has been electrifying construction equipment, which we began selling and renting in Japan and Europe in FY2023. Hurdles remain in electrified construction and mining equipment in terms of installation costs and infrastructure for power supply, and the market has yet to form. However, Komatsu has introduced seven new models of electrified construction equipment to further accelerate our efforts to form a

market.

The trend toward decarbonization is now irreversible. We expect various regulations and standards—such as carbon pricing and carbon taxes—in the not-too-distant future. Given these circumstances, we fully expect customers to require environmentally friendly construction and mining equipment. Therefore, we believe it is important to conduct advanced research and development toward carbon neutrality in all technological directions, including hydrogen engines and carbon-neutral fuels.

However, we do not have enough in-house expertise in electrification technologies at this time. We must work with partners to develop such technologies. Toward future technology development, we welcomed battery manufacturer American Battery Solutions, Inc. (U.S.A.) to the Komatsu Group in FY2023. We also signed a joint development agreement with General Motors Company (U.S.A.) for hydrogen fuel cell modules used in ultra-class mining dump trucks.

CEO message

These mergers, acquisitions, and technology alliances are designed to place key component technologies in our hands for future electrified construction and mining equipment. We intend to plant seeds toward expanding the aftermarket and further earnings growth when construction and mining equipment transitions to electrification.

The Komatsu approach to an ideal vision of the future

The Komatsu vision is to develop safe, highly productive, smart and clean workplaces of the future together with our customers. As an example, I envision a sustainable society in which carbon neutrality and economic growth are compatible, and where knowledge from around the world gathers from beyond national borders through digital transformation, leading to solutions for various social issues. To achieve this vision, we aspire to create value for our customers in terms of both products and solutions.

When speaking of products alone, we understand that any product—no matter how advanced—will eventually become more difficult to differentiate. For this reason, an organization's growth will come to a halt if it lacks a strategy for creating a growth curve combining products and solutions. In digital technologies, Komatsu engages in M&A or creates carve-out organizations to accelerate development for applications, platforms, and other technologies that are remarkable advancements. We aim to create customer value that is uniquely Komatsu (*DANTOTSU Value*), offering new value in the form of solutions and products that are highly compatible with these solutions.

The important factor for this value creation is the speed of research and development. Originally, Komatsu has grown through total quality management (TQM), and our development style tended to focus on taking time to develop and release quality-assured to the market. Looking at the speed of the solutions business these days, however, we have to conduct development more quickly through trial and error. Working with outside partners to develop solutions is an essential part of embracing this agile development culture and increasing development speed.

But we must not compromise on quality. Our management principle is to commit ourselves to quality and reliability in order to maximize the total sum of trust (corporate value) given to us by society and all Komatsu stakeholders. This commitment to quality

and reliability and manufacturing and technology innovation are part of the Komatsu DNA and these are elements we must never change, no matter how the times change.

Sharing our values with all employees in the Komatsu Group and increasing our global presence

In the end, it is our *people* who demonstrate and pass down this DNA. The Komatsu Group consists of more than 65,000 employees globally, about 70% of whom work outside Japan. Needless to say, establishing shared values is important if such a diverse group of individuals is to work toward a single vision.

Komatsu shares values through the Komatsu Way, and we plan to revise this set of values with a target date of April 2025. The next revision will be the fourth update to the Komatsu Way. In this fourth version, I hope to communicate clearly and simply how our purpose, value, and Brand Promise—all defined in 2021 on the occasion of our 100th anniversary—interrelate with the Komatsu Way.

As the President and CEO, one of my most important roles is to communicate management policies clearly, share issues, and move the organization toward a vision for the future. To this end, I strive to communicate with employees through town-hall meetings and Q&A sessions, which we hold semiannually at each business location. Having an awareness of issues and latent desires on the workplaces of our business becomes a useful guideline to determine our future direction. This approach should be valued as the Komatsu Way for top management, no matter who serves as President.

Reform of head office functions, including building renovations, is another important measure in terms of fostering a corporate culture. Working styles not restricted to physical location have become a common culture in the wake of the COVID-19 pandemic. In terms of business continuity planning as well, our primary goal is to some headquarter functions closer to the operation bases where synergies can be expected, focus on the functions the head office of a global company should have, and make our head office a communications hub to enhance the Komatsu brand presence. Our signing a multi-year sponsorship agreement with the Williams Racing F1 team was one idea that emerged from discussions with overseas management who were aware of the challenges of raising awareness of the Komatsu Group and recruiting human resources. Moving forward, we intend to

accelerate our efforts to enhance the Komatsu brand presence, including conveying a globally consistent brand message.

Tying the power of diverse human resources to innovation

Diversity and inclusion are another important topic of focus. Komatsu believes that human resources diversity is the greatest source of value creation. We seek to execute many projects as a global team, ensuring employees with diverse backgrounds engage in constructive discussions to foster a broad range of innovations. More recently, we began conducting a regular diversity and inclusion development seminar toward developing female executives on a global basis.

On-the-job training is another important way we develop our human resources. Looking back on my own experience, I believe nothing tops practical and experiential learning. As a few examples, I had experiences in reorganizing production systems in Japan after the burst of the Japanese bubble economy, in operations after the Lehman Shock, and again in operations again during the Great East Japan Earthquake. Most recently, we all experienced the challenges of the COVID-19 pandemic. Those happened in very difficult times for both Komatsu and myself. What I am today is the result of many experiences—both good and bad. The 5Gs of Monozukuri (gemba, genbutsu, genjitsu, genten, kenzaika) may seem old-fashioned to the young people of today. But I hope our young employees grow up through experiences and various assignments in the actual workplace, learning the pride of being a manufacturer.



With members winning gold awards at all Komatsu QC convention in FY2023

CEO message

Sustainability and other future-oriented investments

Similar to the investment in human capital, investment in future growth is important, even if such investments do not lead to immediate sales and profits. For example, we see decarbonization, the circular economy, and other sustainable issues as business opportunities for future growth. We currently conduct materiality assessment to identify materiality in preparation for our next mid-term management plan. This assessment helps us keep a close eye on which areas we should invest in.

We must also invest in areas of future growth that are highly compatible with sustainability. For example, investments in promising businesses is important such as forestry machinery, hard rock mining equipment (iron ore, copper, nickel, etc.), and solutions, determining the cost effectiveness of such investments. Of course, profits are the first consideration when investing in these future growth areas. A company that doesn't make money cannot invest and make plans for growth.

Since our founding, Komatsu has contributed to solving social issues through our business activities. This stance has never changed. The most important thing is to create a positive cycle of solving ESG issues and improving profits. We believe this is the mission that Komatsu is expected to fulfill.

A message to our stakeholders

I always say that we should conduct business by putting emphasis on operating profit margin, since demand for construction and mining equipment fluctuates drastically. To improve operating profit margin, we should continue to implement fixed cost management, including business and structural reform. On top of this, as I mentioned earlier, the key for future growth is to expand the aftermarket business, where we will focus our efforts. Making these efforts, we strive to maximize our earning power, strengthen our profit structure further to achieve industry-leading profitability—one of our management goals—and continue to invest in growth areas for the future.

Our purpose is creating value through manufacturing and technology innovation to empower a sustainable future where people, businesses, and our planet thrive together. The basic approach to achieving this purpose is through the management principle that we maximize the trust given to us by our stakeholders and society through

a commitment to quality and reliability. Our mid-term management plan is positioned as the strategy to put this basic approach into practice. This history of Komatsu is a history of innovation ahead of the industry. In just the past few years, certain technologies have entered into the practical or commercial application stages. In addition, we are bolstering resources for future growth through acquisitions and

collaborative partnerships. I encourage you, our stakeholders, to look forward to future Komatsu innovations. In other words, look forward to DANTOTSU Value, or customer value creation which generates a positive cycle of solving ESG issues and improving profitability, as a means for sustainable growth at Komatsu.



Value creation process

Our business is supported by a wide range of internal and external capital. Komatsu invests this capital in our business to grow our business further while maximizing value and contributing to the sustainable development of society.



Business Activities and Strengths

*Figures are on a consolidated basis and FY2023 or as of March 31, 2024, unless otherwise noted.



Materiality

In recent years, the external environment has been becoming increasingly volatile and uncertain. Trends seen in this changing environment include digital transformation, carbon neutrality and diversity and inclusion. We see these trends as business opportunities, and it is increasingly important that we enhance our foundation for sustainable growth as well as contribute to solving issues through our business activities.

To this end, we revised our materialities from November 2020 to February 2021, set prior to the development of the current mid-term management plan, to strengthen our responsibilities to address changes in external environment business risks.

We reflect initiatives for addressing these material issues in the growth strategies of the mid-term management plan to achieve our vision to generate a positive cycle for solving ESG issues and improving earnings to achieve sustainable growth.

Moreover, we examined the identified materialities from the perspective of compatibility with our sustainability policy and the sustainable development goals (SDGs). Through this process, we defined 10 of the 17 SDG goals that have a strong connection to the Komatsu Group's materialities.

Going forward, we will conduct regular materiality analyses and reflect identified sustainability-related business risks and opportunities in management initiatives to respond flexibly to changes in the management environment.

Changes in the external environment and of ESG issues

Politics and economy

- Growing competition between the U.S. and China and economic security risks
- Impacts of domestic, economic and diplomatic policies in China
- Growing geopolitical risks (the situation in Ukraine, etc.)
- Unstable supply chains
- Need to increase our ability to address contingencies (including infectious diseases and natural disasters)



Environment and energy

- Growing momentum toward climate change and decarbonization (COP26: 1.5°Celsius target confirmed)
- Acceleration of carbon neutrality
- Shift to EVs (automobile industry)
- Water security and biodiversity conservation
- Growing green investments and rising demand for information disclosure



Technologies

- Acceleration of digital transformation
- Advancements in leading technologies and open innovation (automation, electrification, and remote-controlling, AI, etc.)
- Expansion of SaaS (Software as a service)
- Evolution of data analytics
- Growing cybersecurity risks



Society and values

- Prevalence of diversity and inclusion (gender equality, people with disabilities, LGBTQ, etc.)
- Progress with diverse workstyles
- Growing importance of employee engagement
- Rising societal demands for human rights and corporate ethics
- Strengthened governance and risk management



Figure: Komatsu materiality

	Relationship with the SDGs				Material issues (materiality)			
With people	 5 GENDER EQUALITY Gender equality	 8 DECENT WORK AND ECONOMIC GROWTH Decent work and economic growth	 10 REDUCED INEQUALITIES Reduced inequalities	 17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	Employees	<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 		
					Human rights	<ul style="list-style-type: none"> • Respect for human rights 		
With business	 9 INDUSTRY INNOVATION AND INFRASTRUCTURE Industry, innovation and infrastructure	 11 SUSTAINABLE CITIES AND COMMUNITIES Sustainable cities and communities	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible consumption and production	 17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	Customers	<ul style="list-style-type: none"> • Product safety and quality • Provision of solutions 		
					Ethics / Governance	<ul style="list-style-type: none"> • Corporate governance • Compliance 		
					Communities	<ul style="list-style-type: none"> • Contribution to local communities 		
With the planet	 7 AFFORDABLE AND CLEAN ENERGY Clean energy industry and innovation	 9 INDUSTRY INNOVATION AND INFRASTRUCTURE Industry, innovation, and infrastructure	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible consumption and production	 13 CLIMATE ACTION Climate action	 15 LIFE ON LAND Life on land	 17 PARTNERSHIPS FOR THE GOALS Partnerships for the goals	Environment	<ul style="list-style-type: none"> • Reduction of energy usage and GHG emissions • Development of low-carbon and low-emissions products, solutions and business models • Forest conservation through business activities • Resource recycling and remanufacturing

Materiality

■ Process of revising materialities

Komatsu followed the processes to revise and identify our materialities with support from the Business for Social Responsibility (BSR; a U.S.-based NPO), as a third-party aid.

1. Identification of sustainability issues

From a medium- to long-term perspective, we identified sustainability issues that could have a material impact on corporate value-creation activities and business performance. Our identification process referenced past materiality analysis, international targets and standards, reporting frameworks, management philosophy and strategies and the importance and relevance to stakeholders. As a result, we identified 46 items as sustainability issues.

2. Evaluation of identified sustainability issues

We held meetings with internal and external stakeholders* concerning the identified sustainability issues. These discussions aimed to assess and map the issues from the perspectives of business importance and impacts on sustainability (importance to stakeholders + environmental, social and economic impact).

*External individuals include institutional investors and representatives from the World Business Council for Sustainable Development, the World Wide Fund for Nature Inc., the Business & Human Rights Resource Centre, customers and suppliers.

*Directors, Executive Officers and Global Officers

3. Definition of material issues

Based on these analyses, Komatsu defined six material issues that we deem to have material importance in terms of their impact on sustainability and their importance to business. These material issues include employees, human rights, customers, ethics and governance, communities and the environment.

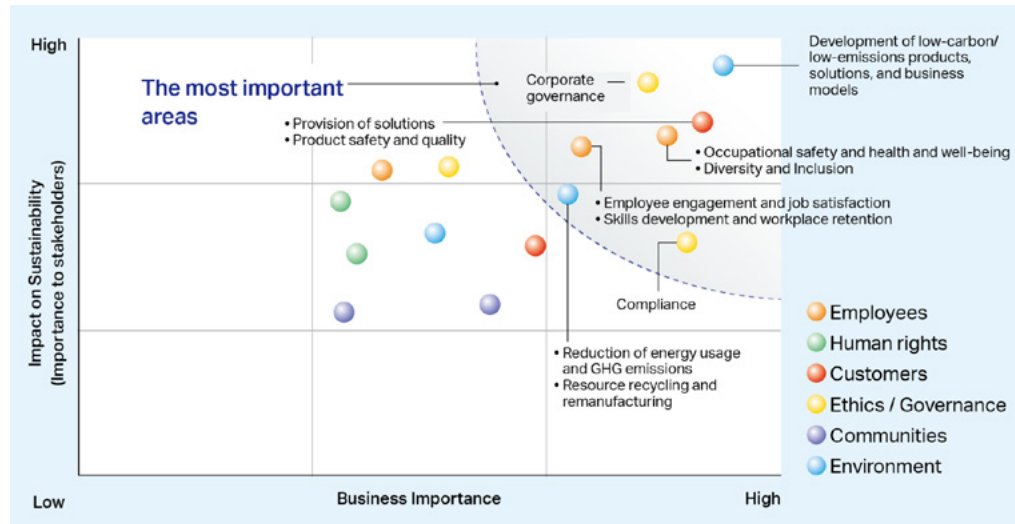
Furthermore, we identified the four areas of environment, customers, employees and ethics and governance to be of particularly high priority among these issues. We also incorporated initiatives to address these areas into the growth strategies of our mid-term management plan.

4. Board of Director approval of the mid-term management plan (including materiality)

The Board of Directors approved the revised materialities as a part of the mid-term management plan. The plan regards material issues as items we must address to generate a positive cycle of solving ESG issues and improving earnings through sustainable growth, based on the examination of our sustainability policy from an SDGs perspective.

Furthermore, we set KPIs (key performance indicators) to solve ESG issues steadily through the implementation of growth strategies. The Komatsu Report discloses the degree to which we accomplish such targets.

Figure: Importance assessment mapping



Business overview

Komatsu business consists of three main business segments. These segments are the construction, mining and utility equipment (¥3,615.2 billion in segment sales in FY2023), retail finance (¥103.5 billion) and industrial machinery and others (¥195.6 billion) segments.

■ Business outline of Komatsu

Komatsu is a full-line manufacturer of construction, mining and utility equipment ranging from small to super-large products in a wide variety of models. The construction, mining and utility equipment segment also develops, manufactures, sells and services construction and mining equipment. Our construction equipment includes small and medium-sized hydraulic excavators, bulldozers, wheel loaders used mainly in construction and civil engineering work, and forklifts and forestry machinery. For mining equipment, large dump trucks and other products used at mine sites. Sales ratio outside of Japan amounted to 91% of total sales for fiscal 2023. Sales composition by region is diverse, led mainly by the large markets in North, and Latin America.

Retail finance offers installment payments, leases, and other forms of financing to support customers purchasing construction and mining equipment.

Industrial machinery and others develops, manufactures, sells, and services presses, sheet metal, and machine tools for the automotive industry, as well as excimer lasers and temperature control equipment for the semiconductor industry.

■ Construction and mining equipment business model

We provide our customers with various services and solutions throughout the entire lifecycle of their equipment from purchasing new equipment to selling used. In this way, we develop a value chain business to support customers' fleet management. We support our customers in a multitude of ways. We offer suggestions on how to best procure equipment, operational guidance to improve fuel efficiency and productivity and regular maintenance and sales of replacement parts. We also provide support through the remote management of machine operating status, repairs and overhauls.

We develop and produce key components in-house and leverage our strengths in utilizing the abundant machinery operational data obtained using Komtrax (machine tracking system). In this way, Komatsu strives to expand our aftermarket business by providing solutions to the issues faced by our customers.

Figure: Construction, mining and utility equipment sales composition (by segment and region) (FY2023)

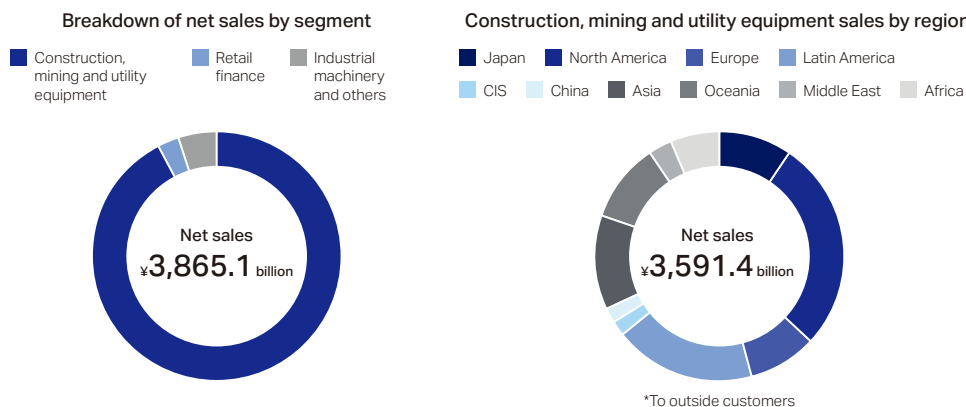
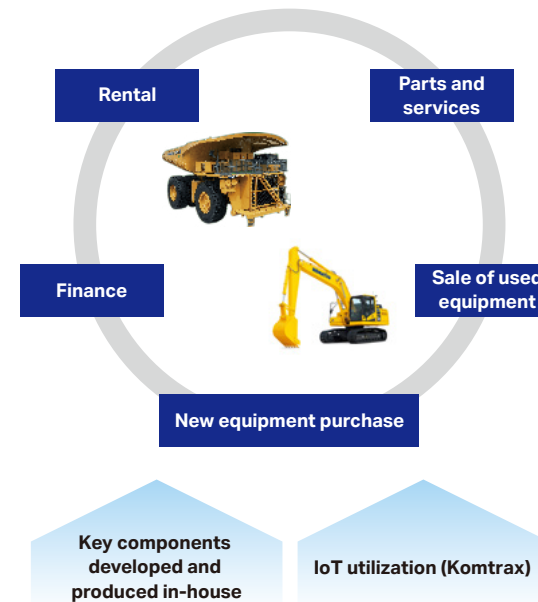


Figure: Construction and mining equipment value chain business model



Business overview

Construction, mining and utility equipment business

Construction equipment

Customer needs and business strategy

In developed countries, Komatsu meets customer needs for improved safety, environmental adaptability, productivity and efficiency in light of climate change, future labor shortages and other social issues. We develop construction equipment equipped with ICT, automation and remote operation functions that support construction efficiency and electrified construction equipment. We also offer Smart Construction, a digital solution that visualizes entire construction sites and supports construction process optimization.

Emerging countries focus more on machine robustness, cost and fuel efficiency. In these countries, we introduced two-model line strategy featuring the CE series (primarily for urban civil engineering and other low-burden jobs) and standard models to meet diverse customer needs.

Main products



ICT hydraulic excavators



ICT bulldozers



Wheel loaders

Figure: Construction, mining and utility equipment sales (construction and mining equipment ratio)



Mining equipment

Customer needs and business strategy

Major markets include countries rich in natural resources, such as North and Latin America, Oceania, Africa and Indonesia. Workplaces demand continuous operation for long hours in harsh environments. Our products address customer needs for safety, productivity, lower equipment life cycle costs, carbon neutrality and other needs in such workplaces. The life cycle of equipment is 10 to 15 years long, and customers choose equipment based on product quality, durability and the services offered to ensure stable utilization. To this end, Komatsu works to manage distributors directly and strengthen our aftermarket business. To improve the safety and productivity of workplaces, Komatsu launched the commercial operation of Autonomous Haulage Systems (AHS) for mining in 2008. We are also developing an open technology platform to optimize entire workplaces and are working to develop applications for optimal dump truck dispatch management and machine guidance.

In terms of carbon neutrality support at workplaces, we work to develop power-agnostic dump trucks compatible with all power sources through the GHG Alliance with 11 major resource companies. Other efforts include accelerating product development to meet an expected increase in demand for underground mining methods for copper, nickel and other ores over the medium to long term.

Main products



Electric dump trucks

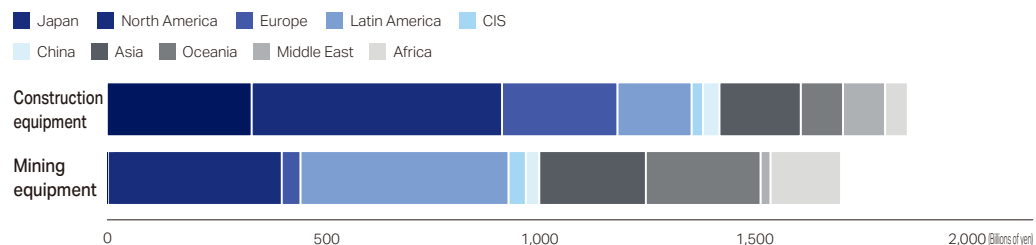


Rope shovels



LHDs (load, haul, dump machines)

Figure: Construction and mining equipment sales composition by region (FY2023)



Business overview

Construction, mining and utility equipment business

Aftermarket business (parts and services)

Our aftermarket business provides various after-purchase services, including replacement part and attachment sales, periodic maintenance and overhauls. Parts and services account for about 50% of sales in construction, mining and utility equipment and two-thirds of the sales in mining equipment. The aftermarket business aspires to enhance added value on a global level throughout the entire value chain after the sale of new equipment. To this end, we expand extended warranty contracts with maintenance and the Reman business which provides component refurbishment. We also expand our lineup of attachments, engage in digital marketing through online parts sales and other ICT, and pursue digital transformation using AI for troubleshooting.

Main products



Consumable parts (tooth (claw))

Figure: Construction, mining and utility equipment sales breakdown (FY2023)

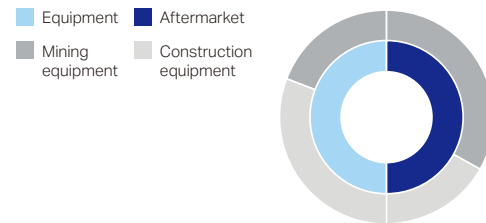
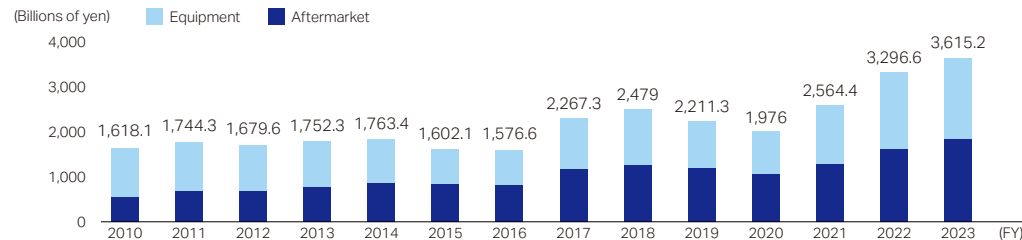


Figure: Construction, mining and utility equipment sales (equipment and aftermarket ratio)



Our aftermarket business to support profits

The aftermarket business sales composition in construction, mining and utility equipment increased from 33% to 50% between FY2010 and FY2023. This increase was due to the increased machine population and our strategy to increase profits in parts and services. The aftermarket business is highly profitable, especially for sales of genuine parts, and is expected to generate stable earnings in accordance with machine population and operation. We will continue to strengthen this business to establish a profit structure less susceptible to fluctuations in demand for new machines.

Forestry machinery

P.41 Special feature 2 Contributing to a sustainable and circulating forestry industry

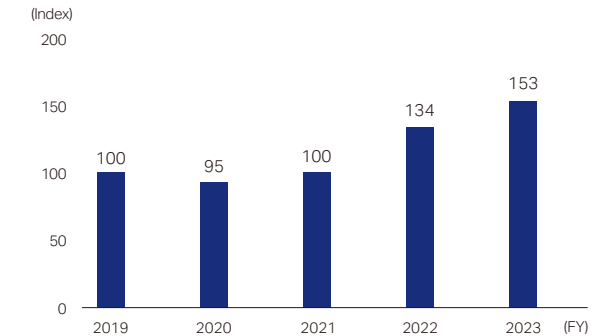
Major markets for the forestry machinery business are Europe (mainly Northern Europe), North America, Brazil and Indonesia. Demand for timber is rising against the backdrop of the growing world population, and at the same time, environmental afforestation also expands to absorb CO₂. Furthermore, there is a heightened need for mechanization in forestry operations, including silviculture, harvesting and extracting from the perspective of safety and efficiency in forestry operations. Komatsu offer products that contribute to the mechanization of forestry work processes. We also offer forest management solutions that combine information on machine operation with forest resource management using drones and satellites. In this way, we aim to help customers improve safety and productivity at their sites and achieve carbon neutrality.

Main products



Harvesters

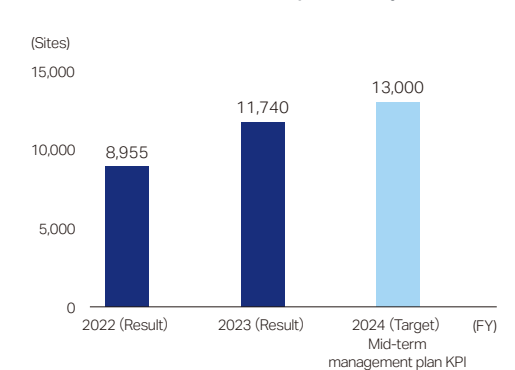
Figure: Forestry machinery business sales (FY2019=100; actual exchange rate)



Smart Construction

Smart Construction is a digital solution service that uses digital technology to visualize and solve various issues faced by construction work sites. This service manages 3D terrain data measured and generated by drones and other ICT equipment in one central location on the cloud. Users can check site conditions in real-time and achieve high-quality construction using ICT construction equipment equipped with machine guidance and other functions. Smart Construction also enables the efficient and effective management of all processes up to the inspection. Smart Construction has been installed at more than 10,000 sites per year worldwide, primarily in Japan. Komatsu works to expand the use of this system globally in North America, Europe, Australia, and Asia.

Figure: Number of job sites using Smart Construction (per fiscal year)



Business overview

Retail finance

Retail finance offers financing options in the form of installment payments, leases, and other methods to customers looking to purchase construction and mining equipment. We leverage the manufacturer strengths of Komtrax and used equipment circulation to expand the regions in which we operate, particularly in North America. Currently, we have 12 finance subsidiaries across the world that cover around 70% of global demand, with assets totaling 1 trillion yen. We strive to maintain sound and efficient business based on ROA, net debt-to-equity ratio, and other indicators, while expanding regional coverage in Asia and Africa, where future growth is expected. We also take active initiative in the forestry machinery business.

Figure: Retail finance business model

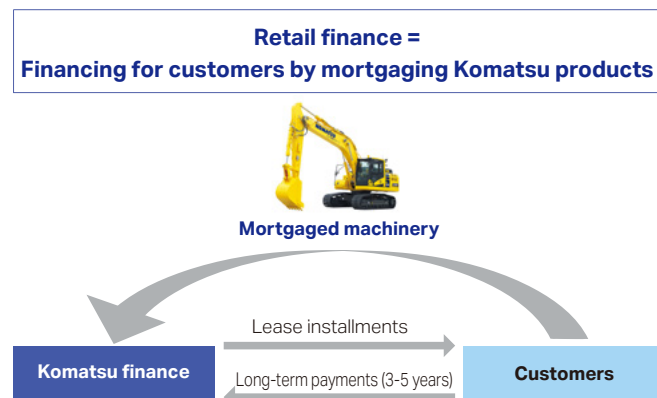
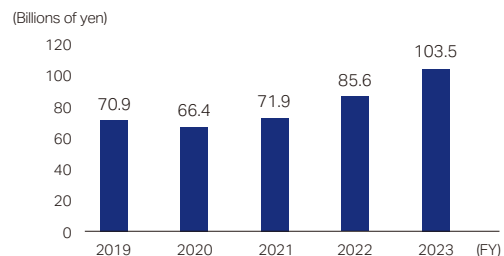


Figure: Retail finance sales



Industrial machinery and others

■ Semiconductor manufacturing equipment

GIGAPHOTON Inc. develops, manufactures, sells, and services excimer lasers used as light sources for lithography systems in semiconductor manufacturing equipment. KELK Ltd. develops, manufactures, and sells thermoelectric devices and temperature control devices used in semiconductor manufacturing equipment.

The semiconductor market is expected to grow over the medium to long term as the world transitions to a digital society due to the use of semiconductors in numerous fields. These fields include generative AI-related fields, data centers, advanced driver assistance systems (ADAS) and other automotive control systems, high-speed (5G) communications base stations and medical equipment.

Both companies strive to meet the needs of a growing market and increase the competitiveness of their excimer laser and temperature control equipment while maintaining high profitability.

Main products



Light sources for semiconductor lithography system (excimer lasers) (GIGAPHOTON)

■ Industrial machinery

Komatsu Industries Corp. contributes to customer production work, mainly in the automotive industry, by developing, selling servicing and retrofitting a wide variety of small to large models of presses and sheet metal machines. Komatsu NTC Ltd. also works mainly in the automotive industry to develop, design, manufacture, and sell various products. These products include machine tools and automation lines (e.g., machining centers and grinders), battery manufacturing-related equipment (e.g., laser tab molding machines), wire saws for silicon wafer processing processes for the semiconductor industry and image processing-related equipment.

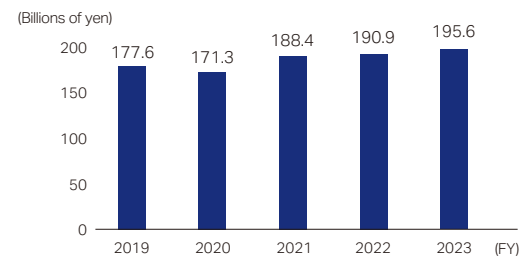
Both companies work to improve the competitiveness of their product technologies, including proposals for new construction methods, and to strengthen their aftermarket businesses, striving to capture new demand from changes represented by CASE (connected, autonomous, shared & service and electric) in the automotive industry.

Main products



Large-size AC servo presses (Komatsu Industries)

Figure: Industrial machinery and others sales



Business overview

■ Medium- to long-term direction of business portfolio transformation

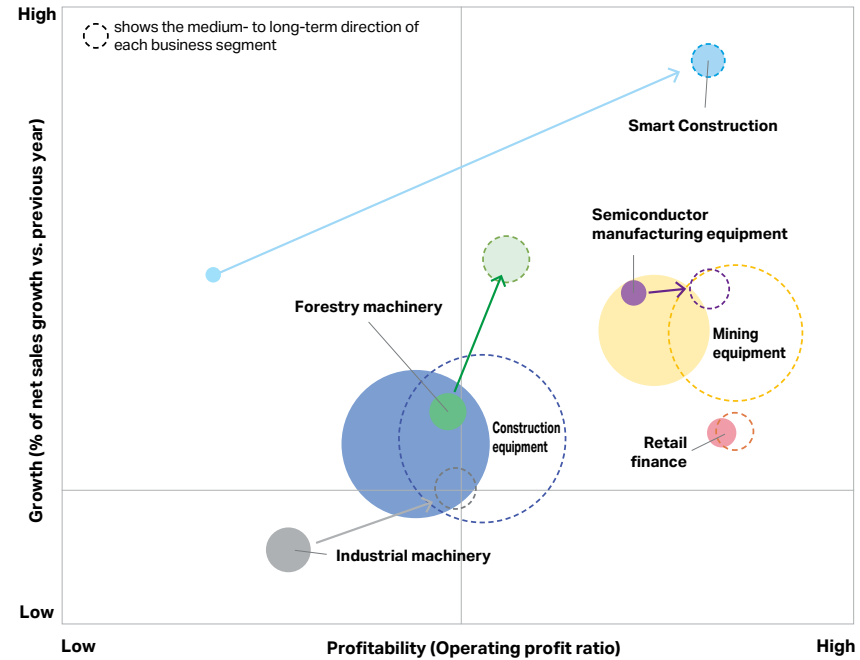
We work to improve growth and profitability by concentrating our management resources on construction and mining equipment, retail finance, and industrial machinery and others. We emphasize the operating profit ratio as an indicator of the earnings power of our business in particular when evaluating profitability.

In our mainstay business of construction and mining equipment, we will continue focused investment in growth areas and manage fixed costs. Komatsu identified various future growth areas. In terms of technology, these areas include automation, autonomous operation, electrification, remote control, components and software. Future business growth areas include the underground hard rock mining, forestry machinery, aftermarket and solutions businesses. We will focus investments in these areas while considering M&A as we strive to achieve sustainable growth through expanded solutions and value chain businesses. We will cultivate the forestry machinery business into a third pillar of our businesses, following the construction equipment and mining equipment businesses.

By combining Smart Construction and other solutions with highly-compatible product, we strive to create new value that resolves customers issues.

In the semiconductor manufacturing equipment business, we work to maintain and improve our high-profitability foundations by responding promptly to volatile semiconductor demand trends, developing competitive products, and strengthening our production and service systems. In the industrial machinery business, which focuses on the automotive industry, we will respond to the shift to EVs, trends in lighter automotive parts, and other changes in the environment. We will also improve profitability by capturing new demand through proposals for new manufacturing methods and by strengthening after-sales service.

Figure: Medium- to long-term direction of business portfolio



- The size of the colored bubbles indicates average sales for each business segment over the past 10 years (FY2012–2021).
- Forestry machinery and Smart Construction indicate the direction from FY2021 with construction equipment in parentheses.
- Smart Construction indicates the solutions-related portion.

Komatsu strengths: Reman business

Komatsu conducts the Reman business worldwide. This business covers engines, transmissions, and other components that have been used at customer sites for a long period of time. These components are removed from equipment and remanufactured to make them equivalent to new components in quality and delivered back to the market. We have continued to strengthen this business related to circular economy, which has become an essential element of our component strategy taking advantage of in-house development and production of key components, which is one of our strengths.

■ Reman business operates in 22 locations in 11 countries around the world

Reman refers to remanufacturing. Through this business, we remove components from our construction and mining equipment used over a long period of time, then remanufacture these components at our Reman plants to make these components equivalent to new. We offer these products in a timely manner to customers whose equipment requires overhauls with disassembly, inspection and repair. Mining equipment is the main source of the Reman business. Since the equipment is used for 10 to 15 years after purchase, repairs, parts replacement, and overhauls are essential during the life cycle (lifetime operating hours) of the equipment. While the quality of Reman products are equivalent to new, we offer them at a lower price than new components. In this respect, our Reman business makes positive contribution both to helping customers reduce life cycle costs and reducing environmental impact through resource reuse, and thereby, Reman continues to grow as a circular business.

The Reman business model leverages the strengths of our in-house development and production of key components such as engines and transmissions. In-house development and production allow us to remanufacture components according to the original information of the development and manufacturing processes. This approach enables our Reman products to be competitive in terms of quality, delivery, and cost. We also feedback information on durability to our development divisions through checking disassembled components. This information is used for product development, quality and serviceability improvement.

The Komatsu Reman business began about 30 years ago, when we launched component remanufacturing operations close to customer sites in North America, Europe, Australia and Indonesia. In response to steadily

growing demand in various regions, we established full-scale Reman production bases in Latin America and Indonesia, which are the two major demand areas in the world, to establish a supply system for higher-quality Reman products and more convenient services. In 2005, Komatsu established Komatsu Reman Center Chile (KRCC) to manufacture Reman products for components of electric dump trucks made in the U.S.A. In 2007, we established PT Komatsu Reman Indonesia (KRI) (now Remanufacturing Department of PT Komatsu Indonesia) to manufacture Reman products for components of equipment made in Japan. In this way, we operate a global reman operation system with two major bases. As of 2024, the business has expanded to 22 locations in 11 countries around the world.

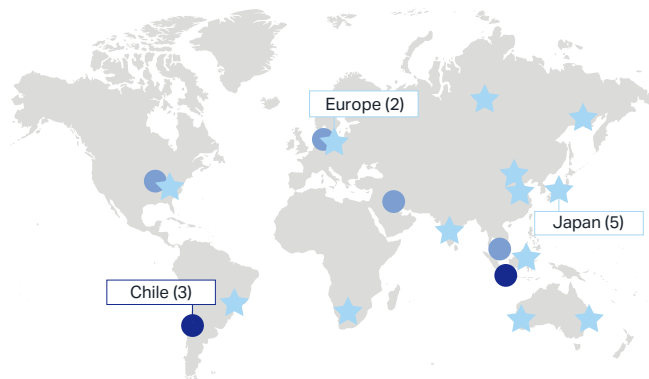
■ Achieving uniform quality across all locations through standardization

The Reman product supply process consists of an incoming inspection, disassembly, parts cleaning, parts inspection, salvage, assembly, performance inspection and painting. The global Reman operation manual provides common standards for evaluations on parts reuse and salvage methods. A system introduction for sharing Reman technical information and regular audits allows us to achieve the same quality for Reman products across all locations.

We also monitor detailed operating conditions of equipment using sensors mounted on components. This enables us to provide customers with highly convenient services such as parts delivery in a timely manner based on the data so we can conduct the prompt replacement of parts before equipment breaks down, rather than after the equipment fails to work properly.

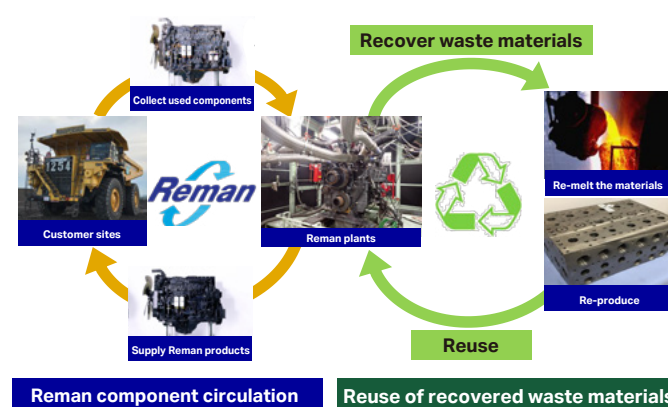
Figure: The Komatsu global Reman operation system

- Global Reman plants (4) ★ Regional Reman centers (18)
- Global Reman distributors



- Global Reman bases in Indonesia and Chile where supply Reman products worldwide
- Regional Reman centers established in countries with large demand

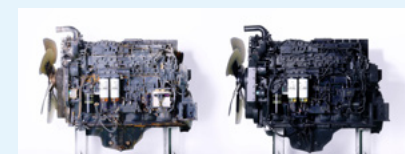
Figure: The Reman process and CO₂ reduction through business



Through the reman business, components are reused, leading to zero waste and CO₂ reduction.

The Reman process (engines)

Engines are exposed to high-temperature, high-pressure combustion gases, which cause damage to the surfaces of internal parts and wear on shafts and other sliding parts. Without repair, this damage will result in engine performance degradation, cause noise and vibration, and, in worst cases, break down. Damaged areas can be restored to a like-new condition through methods such as spraying metal powder followed by a finishing process.



Left: Engine before Reman Right: Engine after Reman

Komatsu strengths: Reman business

A Four-Win business for customers, global environment, distributors, and Komatsu

The Reman business is valuable not only to customers, but also to the global environment, distributors, and Komatsu.

- 1) Customers: By choosing Reman products, customers can reduce the life cycle cost of the equipment they own. Reman products also improves productivity by minimizing equipment downtime.
- 2) The global environment: The reuse of used components instead of disposal is estimated to reduce CO₂ by approximately 40,400 tons over the life cycle of a single unit of mining equipment. (Komatsu internal calculation)
- 3) Distributors: Distributors can increase earnings and strengthen customer contacts through new equipment sales through the appealing offerings of Reman products.
- 4) Komatsu: We help customers solve issues and maximize customer value, which is a deciding factor in repeat purchases. The Reman business is not only highly profitable, but also contributes to the improvement of product quality, since the data obtained from used components can be utilized for the development of future products.

Figure: The life cycle cost of mining equipment

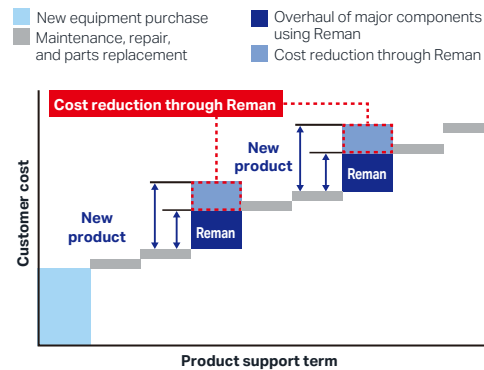
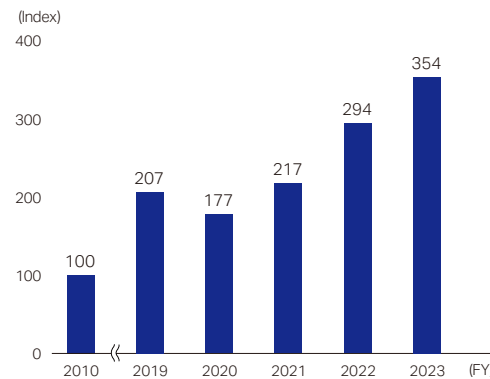


Figure: Trends of Reman transaction amount (FY2010=100; actual exchange rate)



Further growth through next-generation Reman products

Komatsu has engaged in reducing CO₂ from products by developing highly fuel-efficient products that include hybrid hydraulic excavators and diesel-electric trucks. Responding to the increasing population of this equipment, the Reman business expanded the product line-up in Japan in November 2023, including key components for hybrid hydraulic excavators such as capacitors and inverters. As a result, almost all key components developed and manufactured by Komatsu are Reman-compatible (including products sold only in certain regions). In conjunction with the future electrification of construction and mining equipment to achieve carbon neutrality, we must consider Reman support for batteries and other equipment. We hope to build a trove of technologies and explore the potential for new Reman businesses through collaboration with outside parties.

Message

The Reman business: Created to solve customer problems Aiming for evolution and higher growth



Naoyuki Sakurai

Executive Officer
President, Parts & Reman Promotion Division, Production Division

Mining equipment operates over extended periods of time in complex terrain and harsh operating environments. This type of equipment requires between one and three component overhauls over the approximately 10- to 15-year life cycle. These costs are not inexpensive. We began the Reman business in response to voices of customers to purchase remanufactured components with solid quality at reasonable prices and thereby reduce life cycle costs.

Reman business sales have tripled over the 13 years since 2010. This growth is due in part to increasing momentum behind sustainability in recent years. In addition to sales, profitability has also remained high. There is a risk of volatility in demand for new equipment depending on market conditions. However, the Reman business, as a part of aftermarket business, is less volatile to economic fluctuations or other factors, and contributes to generating stable earnings. Our current mid-term management plan calls for a 25% increase in Reman business sales (versus FY2021) by FY2024. By improving life cycle costs of customers through Reman offerings, Komatsu products themselves become more competitive, making customers to choose Komatsu again. For this reason, Reman has become an important business in the Komatsu management strategy.

With the arrival of the era of carbon neutrality and drastic changes in equipment components, including electrification, our Reman operations are required to establish new technologies to the component remanufacturing field. I am committed to advance our Reman business with sustainable growth contributing to Komatsu's entire business expansion from an aftermarket perspective.



In front of Reman products
(in the U.S.A, Mr. Sakurai is on the left)

Initiatives to enhance Komatsu brand recognition

Komatsu established our company brand around the world through the quality and reliability of our products and solutions for over 100 years since our founding. In 2021, Komatsu developed a common global brand purpose, promise and values for the next 100 years. This year, we are embarking on initiatives to strengthen our brand awareness and engagement. We aim to strategically enhance our sponsorship and communication initiatives, bolstering our global talent attraction and retention efforts.

■ The foundation for brand growth: Komatsu's brand identity

Komatsu celebrated our 100th anniversary in 2021 established the foundation for our global brand strategy by clarifying our purpose and values and developing a brand promise. We have since persisted in sharing our brand at company locations around the world.

Our Purpose

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

Our Values

Ambition Perseverance Collaboration Authenticity

Our Promise

Creating value together

■ Partnership with Williams Racing

Komatsu signed a multi-year sponsorship agreement with Williams Racing as a principal partner.

Under this partnership, the Komatsu logo will appear on Williams Racing machines and uniforms, but we will also take further action to create new content that embodies our shared commitment to manufacturing and innovation.

Williams Racing has made motorsports history as the second most successful team in Formula One. The team is committed to long-term growth through investment in challenge and innovation with a loyal fan base that spans generations.

Through this partnership, we hope to raise awareness of the Komatsu brand among the more than 1 billion racing fans around the world while raising further interest in our values, products, and company. This partnership is an opportunity to not only engage with the general public who have never heard of Komatsu before, but also to provide a new experience for our employees and distributors.

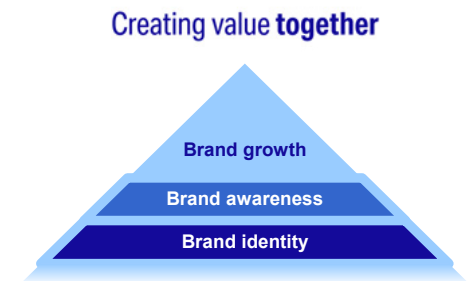


Williams Racing machine

■ The next stage: improving Komatsu's brand awareness

In 2024, Komatsu began forming partnerships with like-minded brands to enhance communication with emerging talent and stakeholders. Current partnerships include a global partnership with Formula One Williams Racing and our sponsorship of KidZania Tokyo. These partnerships elevate the Komatsu brand visibility and foster growth and resilience of the brand. Komatsu aims to introduce our brand to a wider, more diverse audience, focusing on the younger generation in particular.

Figure: Current strategies for brand growth



■ Komatsu pavilion opens at KidZania Tokyo

Children who became familiar with "working machines" in their childhood tend to lose touch with construction machinery as they grow older. Komatsu provides children with opportunities to experience construction machinery at Komatsu-no-Mori in Komatsu City, Ishikawa Prefecture, as well as at various plant fairs. However, there have been no such opportunities in the Tokyo area. Komatsu opened the Construction Equipment Development Center pavilion on March 19, 2024, as an official sponsor at KidZania Tokyo (Koto-ku, Tokyo). KidZania Tokyo is a facility for children to experience occupational and social activities planned, operated, and developed by KCJ GROUP Co..

Children become construction equipment developers in our pavilion using simulators to develop and test hydraulic excavators or bulldozers. We hope that by familiarizing children with construction machinery and facilitating learning about the role in society of such machinery and its advanced technology, children will develop an interest in construction machinery and technology, and will continue to develop an affinity with Komatsu as they grow older.



Children playing in the Construction Equipment Development Center pavilion