Materiality

Komatsu positions the resolution of social issues through business activities as our fundamental stance under the Sustainability Policy. We have identified 18 items across six areas as the important issues, or materialities, that Komatsu should address.

Background to materiality identification

Komatsu positions the creation of new customer value, based on our purpose, as the foundation for generating a positive cycle of solving social issues and improving profitability. This approach serves as the core concept of the Strategic Growth Plan to achieve sustainable growth. In 2024, in conjunction with the formulation of the current Strategic Growth Plan, we reviewed the materialities that our company should address.

The review adopted the concept of double materiality, which evaluates both financial impact and social and environmental impact. Komatsu analyzed both business impact and social and environmental impact. We incorporated these items in the priority initiatives of the Strategic Growth Plan.

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

P.28 Strategic Growth Plan

Importance assessment mapping and identified materialities

Materiality map

Specific challenges

Employees	❶ Occupational safety and health, well-being ❷ Talent acquisition, skills development, retention	❸ Fair labor practices ❹ D&I
Human rights	❺ Respect for human rights	
Customers	❻ Customer value creation through workplace optimization ❼ Product safety and quality ❽ Value chain continuity	❾ AI and DX ❿ Business strategy to ensure competitive edge and profitability
Ethics and governance	⓫ Privacy and data protection, cybersecurity ⓬ Governance aligned with business changes	⓭ Compliance
Communities	⓮ Contribution to local communities	
Environment	⓯ Climate change ⓰ Resource circulation ⓱ Nature positive	⓲ Preserving forests through business activities

Process of revising materialities

Komatsu reviewed materialities through the following process, with third-party support from Business for Social Responsibility (BSR), a U.S.-based nonprofit organization.

1) Identification of sustainability issues
We compiled a list of 39 items based on previous materiality assessments, international goals and standards, reporting frameworks, management philosophy and strategies, and issues considered important by stakeholders.

2) Evaluation of issues based on double materiality
We interviewed 26 internal and external stakeholders regarding the identified sustainability issues. Drawing on qualitative insights from these interviews, our public disclosures, and publicly available risk information, we evaluated and mapped each issue from both social and environmental perspectives and business perspectives, assessing each in terms of its potential impact and likelihood.

3) Identification of materialities
Based on the evaluation outcomes, we identified 18 materialities with a particularly large impact across six areas: employees, human rights, customers, ethics and governance, communities, and the environment.

4) Board of Directors' approval of the Strategic Growth Plan, including materiality
We confirmed the alignment of the identified materialities with our Sustainability Policy and the SDGs. The Board of Directors then approved these items and incorporated them into the Strategic Growth Plan as key issues to address in pursuit of sustainable growth through a positive cycle of solving social issues and improving profitability.

We also established key performance indicators (KPIs) to measure the progress and results of initiatives aimed at solving social issues for each materiality. We will disclose progress on these KPIs in the Komatsu Report.

P.32 KPIs for solving social issues

* External: Institutional investors, the United Nations Development Programme, environmental organizations (Global Environmental Forum), customers, suppliers, and others
Internal: Officers (Directors and Executive Officers, including Global Officers)

Materiality

Risks and opportunities for identified materialities

Komatsu identified major risks, opportunities, and policy directions through the materiality assessment process. We reflected these items in the development of priority initiatives under the Strategic Growth Plan. We established KPIs for these initiatives and disclose progress in the Komatsu Report. Refer to the appropriate page for KPIs for solving social issues.

P.32 KPIs for solving social issues

	Major risks	Major opportunities	Policy direction
Employees	• Labor shortages caused by difficulties in talent acquisition and employee outflow • Impact on employees from lack of appropriate occupational health and safety and fair labor practices	• Improved retention through diverse talent acquisition, utilization, and capability development • Improved retention through enhanced occupational health and safety and fair labor conditions	• Ensuring talent acquisition through greater recognition and strengthening global talent development • Strengthening partnerships and driving innovation through external collaboration • Enhancing occupational health and safety and well-being
Human rights	• Negative impact on employees and corporate reputation due to child and forced labor • Negative impact on employees and corporate reputation due to harassment	• Enhanced corporate credibility through proper human rights due diligence	• Strengthening human rights due diligence upstream, within Komatsu, and downstream
Customers	• Loss of trust from customers and society due to insufficient product safety or quality • Supply chain instability caused by political, economic, or natural disruptions • Risk of failing to contribute to customers due to changes in technology or market conditions	• Minimizing the impact of changes in the external environment and continuing to provide a stable supply to customers • Improving productivity and efficiency through AI utilization and digital transformation (DX)	• Providing solutions that optimize customer construction and fleet management • Providing solution-integrated products equipped with automation and other advanced technologies • Ensuring business continuity and expanding cross-sourcing and multi-sourcing • Enhancing productivity and creating value through AI and DX across all areas
Ethics and governance	• Legal issues and reputational damage resulting from lack of corporate ethics • Loss of trust from customers and society due to inadequate data management or cybersecurity	• Greater business opportunities through enhanced governance that matches the globalization and diversification of business	• Ensuring appropriate privacy and data protection and cybersecurity • Enhancing governance in response to changes in business
Communities	• Legal violations and damage to corporate reputation caused by infringement of the rights of local communities and indigenous peoples	• Building trust and ensuring business continuity through charitable and volunteer activities in local communities	• Respecting the rights of local communities and indigenous peoples at all business sites • Active contributions to local communities, including disaster recovery support
Environment	• Increased costs and damage to corporate reputation resulting from insufficient action on climate change • Loss of business opportunities due to failure to meet customer demand for low-carbon products	• Maintaining competitiveness and enhancing social reputation by meeting customer expectations for low-carbon products • Contributing to forest conservation and establishing new business pillars through more efficient forestry operations using forestry machinery	• Developing business models for low-carbon products and solutions • Expanding the forestry machinery and reman businesses