

## Activities for Society

Internally, Komatsu's activities for society include personnel system revisions and health and safety management improvements. Externally, the company emphasizes activities that contribute to society. Moreover, through various types of communication activities, Komatsu works to strengthen trust-based relationships with its stakeholders both inside and outside the company.

### Action Plans and Activities Undertaken in FY2005

Komatsu undertakes a wide variety of activities for society. In particular, it strongly promotes efforts concerning personnel, communication

with its stakeholders, and social contributions. These activities deepen the trust given to Komatsu by its employees, shareholders, and the host local society, all of whom are stakeholders in the company.

#### Action Plan

Implementation policies	Results (Asterisks indicate results for FY2005)	Medium- and long-term objectives	Further information
1. Personnel			
•Creation of an organization with human resource development and dynamism	Personnel system that reflects accurately the abilities and the achievements of employees Full implementation of education and training for employees	Extension of KOMATSU Way and TQM education company-wide Human resources development at the global level	P. 33–35
•Provision of a safe and comfortable work environment	*Implementation of model workplace activities on risk assessment *Convening of Global Safety and Environmental Affairs Meeting	Revision and implementation of safety management activities on a daily basis through the participation of all employees Introduction of Occupational Safety and Health Management System (OSHMS)	P. 35
2. Communication with company stakeholders			
•Establishment of trust-based relationship through the release of appropriate information in a timely manner	*Shareholders' meetings convened in Osaka, Kanazawa *Provision of a website with substantial IR information	Further implementation of these activities	P. 36–37
3. Social contributions			
•Promotion of social contributions as a member of the host local community	*Provision of assistance to areas affected by large-scale disasters (two instances) Promotion of ongoing activities *Formulation of guidelines for the provision of disaster assistance	Further implementation of these activities	P. 38–39

## Komatsu's Relationship with Its Employees



Masakatsu Hioki  
Executive Officer  
General Manager, Human Resources,  
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Efforts regarding personnel and health and safety all have people—namely, Komatsu's employees—as stakeholders. However, the beneficiaries are not only the employees themselves, but also their families and other relevant parties, with the effects reaching the host local society.

The role of being responsible for personnel and health and safety can be summarized in a single phrase—specifically, ensuring a safe and comfortable work environment. When implemented, it energizes each individual, energizing work performance and enhancing forward-looking attitudes. I intend to fulfill my responsibilities completely, confirming anew that employees are treated fairly and that, with regard to health and safety, the creation of a safe and comfortable work environment becomes possible not through quick fixes but rather through a series of steady efforts with the participation of all employees.

### Enhancing the Quality and Reliability of Employees

For a business, it is said that people, goods, money, information, and time are valuable assets and resources. Among these, even if the four elements other than “people” remain constant, if “people” are different, the results will be different. Therefore, “people”—the employees of Komatsu Group companies—are an irreplaceable asset for the Group. Komatsu recognizes the role of the personnel system in raising the quality and the reliability of the company's human resources and endeavors to create a system by which it can provide a workplace with opportunities for both creative and challenging endeavors. The company works to maximize the degree of trust from its employees.

### Basic Policy on Global Human Resources

Personnel systems reflect the history and the culture of each particular region, and it is thus important to understand correctly the differences in systems and recognize those differences. The fundamental principles common to all Komatsu Group companies for personnel systems is set forth in the *Komatsu's Code of Worldwide Business Conduct* as stated below. Each region uses these principles as a base to create a personnel system that has a competitive-edge compared with other companies.

- (1) The uniqueness, character and privacy of individual employees shall be respected.
- (2) Employees shall be fairly appraised and treated. They will not be unjustly discriminated against for reason of national or regional origin, race, religion, age, sex, or disability. Should any form of violation be discovered, such as sexual harassment or any other unlawful employment practices, it will be investigated and appropriate actions will be taken.
- (3) Komatsu will develop personnel policies with a consideration for employees' needs. Human resource policies and procedures shall be disclosed to the employees as fully as is appropriate.
- (4) In each region, the Komatsu Group will comply with the ordinances concerning the rights of employees and work to maintain and manage the mental and physical health of employees. (Taken from Chapter 5 of *Komatsu's Code of Worldwide Business Conduct*)

In addition to these principles, Komatsu also prohibits the use of child labor, which is a problem in certain regions overseas.

Furthermore, during the hiring of new employees, Komatsu has set forth Komatsu's Three Principles for Hiring in the same way, namely:

- The company does not consider age or gender in hiring decisions.
- The company does not consider national or regional origins in hiring decisions.
- The company does not consider religious affiliation or beliefs in hiring decisions.

The company conducts hiring practices based on these principles and discloses them publicly on its website.

### Efforts Undertaken by Komatsu

#### Personnel System that Reflects Accurately the Abilities and the Achievements of Employees

Typically in Japan, personnel systems are based on the assumption that employees will work for a single company for a long time. Therefore, during the designing of the system, a company must consider the degree to which the element of continued service be reflected. In keeping with the view that personnel systems emphasizing length of service do not necessarily fairly reflecting employees' abilities and achievements, Komatsu has been accurately evaluating the achievements of individual employees for many years. It has also made great efforts to utilize a system that reflects employees' achievements and ability, considering the reflection of employee performance within the personnel system to be the basis for making fair evaluations of its employees.

Komatsu has undertaken a further strengthening of this approach since 2003 and revised its personnel system accordingly. The most significant revisions have been as follows.

#### Wages for General Employees Calculated in Conjunction with Achievements and a Performance-based Grade System (2004)

Wages are now linked with improvements in employees' working capabilities, and have been decoupled with continued service to the extent possible.

#### Salaries for Managers based on Managerial Duties (including the Abolition of the Qualification System) and Monetary Awards for Departmental Achievements (2003)

Salaries for managers are determined based on the importance of the positions held and the degree of responsibility carried. Moreover, insofar as competition among divisions contributes to a heightening of Komatsu's overall competitiveness, performance of the division is also reflected in managers' salaries. Since FY2006, this system was extended to general employees at the level of assistant manager.

#### Bonuses Awarded Based on Achievements (2004)

Bonuses as given in Japan are not an incentive as they are overseas; instead, they are as a rule given to all employees. Through an agreement reached between labor and management, Komatsu has stipulated its bonus system as being connected to corporate performance, with the amount calculated based on a pre-determined formula. As a result, there is no need for future negotiations between labor and management regarding bonuses.

#### Cash Balance-configured Point System for Retirement Allowances and Pensions (2004)

This system for retirement allowances and pensions lies in between the defined-contribution system and the defined-benefit pension plan. Under this system, retirement allowances are not determined by years of continued service. Instead, they reflect the performance demonstrated in each fiscal year and the contributions made to the company.

#### Development of Human Resources

The most basic principle for the development of human resources is individual employees working towards higher objectives on their own and advancing their own careers. From the perspective of supporting the autonomy of such employees, the company provides education and training and conducts planned job rotations. For many years, major corporations in Japan including Komatsu have been involved with human resource development, and Komatsu considers it impor-

tant to strengthen further investment in people, as the company's management base has now been thoroughly prepared. In particular, the company is undertaking new investments in people. These include the extension of the KOMATSU Way to Group foreign employees overseas and the development of commonly-shared education regarding Total Quality Management (TQM) and the development of a succession plan for management overseas.

Through employee education Komatsu is working to create a fully-developed curriculum with the principal goal of supporting autonomy among its employees.

### Issues for the Future

Komatsu should invest particular effort in the future with regard to the following topics.

- Extension of the KOMATSU Way and TQM education company-wide
- Creation of a safe and comfortable work environment
- Further enhancement of diversity in the workplace

#### Extension of the KOMATSU Way and TQM Education Company-wide

As Komatsu has grown and developed, there has emerged a clear sense of what is quintessentially Komatsu-like—that is, what Komatsu enjoys as its strengths. The values and fundamental principles that support those strengths and the style by which it puts them into practice have been set down in writing as the KOMATSU Way. Komatsu is now undertaking efforts to make it something shared by all Group companies, including those overseas. The KOMATSU Way constitutes a continuation of the reform under which Quality and Reliability are pursued; emphasis on the importance of the individual work site; and the ability to develop a principle quickly and completely and transfer it into practice. As a problem-solving method to support this ability to develop and apply a principle, Komatsu has for many years utilized TQM and hopes to develop it as an educational method, along with the KOMATSU Way, to be shared by all Group employees around the world.

#### Creation of a Safe and Comfortable Work Environment Creation of a Safe and Comfortable Work Environment

The creation of a safe and comfortable work environment involves the issue of how the company can treat its employees fairly. Komatsu has already changed its personnel system to the kind described above, in which ability and performance are better reflected. The issue to be taken up next is how to evaluate each individual employee fairly and appropriately. For that reason, in April of 2004, the company conducted refresher training of all managers regarding how to conduct evaluations. After that, training in means of evaluation has been given to newly-appointed managers, and e-Learning based follow-up education is being conducted. Furthermore, an evaluations committee has been established jointly with the labor union at each business unit for the purpose of confirming that evaluations are conducted properly. Komatsu has provided individual feedback on evaluations to managers since 1998 and to non-managerial employees since 2001. The company has also set up a consultation office through which employees can express complaints and concerns.

Moreover, Komatsu is undertaking efforts to create a basis upon which employees can take on greater challenges. The public posting of personnel vacancies was introduced in 1986, with positions posted twice annually on a regular basis. Additionally, Komatsu is working to create well-developed educational programs both inside and outside the company, in which employees can participate voluntarily.

#### Creation of Safe and Healthful Companies and Workplaces

The importance of mental health in addition to physical health is increasing. While health management is primarily the responsibility of the individual employee, employee health is important for the company as well. In addition to regular health checks of employees, Komatsu is giving attention to health issues for family members by conducting mental health checks and checks for employees' spouses.

### Further Enhancement of Diversity in the Workplace Gender-equal Opportunity

Currently the number of women in managerial positions is low compared with the number of men, and Komatsu recognizes this as an issue to be addressed. In addition, the thorough realization of working conditions such as child-care leave and shorter working hours would contribute to an environment that facilitates productive careers, particularly for women. Through the revised labor agreement of 2003, Komatsu increased its flexibility in this area, allowing, for example, child-care leave to be taken for up to two years between the date of childbirth and the date on which the child enters nursery school (after

reaching his or her first birthday) and shorter work hours for childrearing (no less than five hours per workday) from the child's first birthday up to the March 31<sup>st</sup> immediately following the child's fourth birthday. Komatsu will continue to enhance its efforts to create workplaces that take into account the needs of working mothers and parents.

### Employment of Persons with Disabilities

Insofar as the manufacturing division's operations involve dealing with heavy objects, the hiring of persons with physical disabilities brings with it various challenges. Komatsu recognizes its hiring rate of persons with disabilities as warranting attention, and the company is determined to work to employ more disabled persons.

## Health and Safety

### Message from Komatsu President Regarding Health and Safety

At the Komatsu Group's Safety and Health Conference, President and CEO Masahiro Sakane sent a message that, with a view to creating a company and workplace with no safety incidents or illness, the company will promote steady and ongoing management of health and safety issues and address various issues regarding health and safety in a prioritized and timely fashion. The major points of his address were as follows.

- The Komatsu Group shall, first of all, strive to "ensure a safe and comfortable work environment" and "maintain and promote employees' health."
- The Komatsu Group shall promote "proactive occupational safety and health activities" in order for all employees to achieve the above commitment by working together as one team.
- Each and every person in a senior management position of the Komatsu Group shall acknowledge as top priority tasks the above two matters and shall execute daily duties accordingly.

### Overview of Health and Safety System

The Komatsu Group is working towards thorough implementation of the system depicted in the chart below.

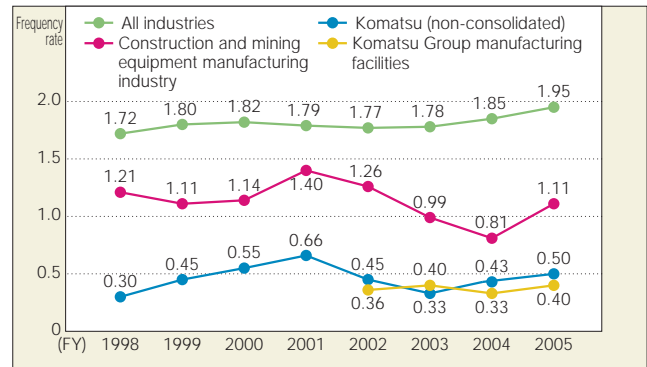
#### Overview of Health and Safety System

	Komatsu Head Office	Group companies and Komatsu divisions
Organization	<ul style="list-style-type: none"> <li>• Health and Safety Administration Center (Centralized Group-level office)</li> <li>• Human Resources Department (Centralized Group-level office with consultative services)</li> </ul>	<ul style="list-style-type: none"> <li>• Plant managers, division head (managers supervising overall health and safety)</li> <li>• Division head supervising general affairs and human resources</li> <li>• Section head supervising health and safety</li> <li>• Managers supervising health and safety in each division, persons assigned to the promotion of health and safety, persons overseeing health and safety, etc.</li> <li>• Employees</li> </ul>
Meetings	<ul style="list-style-type: none"> <li>• Group Health and Safety Committee</li> <li>• Group Safety Supervisor Meeting</li> <li>• Group Safety and Health Conference</li> </ul>	<ul style="list-style-type: none"> <li>• Health and Safety Committee</li> </ul>

### Activities in FY2005 and Plans for FY2006

Working towards the goal of introducing an Occupational Safety & Health Management System (OSHMS), Komatsu has conducted activities to assess the state of affairs at its four plants and has undertaken diagnostic activities to determine the degree to which the fundamental basis for OSHMS is in place.

### Incidence Rate of Work-related Accidents (Frequency rate of missed work)



### Introducing an Occupational Safety & Health Management System

Risk assessment activities were launched at all the manufacturing facilities of the Komatsu Group in 2004. In FY2005, in order to further solidify the basic approach to risk assessment, "model workplace" activities were implemented at each company and division within the Group and the number of workplaces introducing such activities has been expanded. In FY2006, building upon the foundation of these accomplishments, Komatsu will develop its activities to acquire certification in OSHMS at each of its plants.

### Mental Health

With regard to mental health issues, Komatsu asks its managers to pay close attention to their subordinates' situation at the workplace, notice at an early stage if there are symptoms, and then enlist mental health specialists to provide well-grounded guidance or advice. Since 2003, Komatsu has been educating managers regarding mental health, with the aim of fostering better understanding and awareness.

Additionally, the company has established at each business unit a system through which counseling can be conducted by a mental health professional, keeping full respect for the protection of employees' privacy. Since 2004, Komatsu has introduced on a trial basis an Employee Assistance Program that makes use of specialized external institutions. Since FY2005, this system has been introduced in earnest to all Group companies in Japan, enabling employees and their families to find solutions to their concerns. In the future the company intends to expand further education relevant to this area, facilitating the creation of a positive and healthy workplace.