

# The Basic Stance of Management

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## The Basic Stance of Management

As the cornerstone of its management, the Komatsu Group is committed to enhancing Quality and Reliability in order to maximize corporate value. Komatsu considers corporate value to be the total sum of trust given to it by society and all corporate stakeholders.

This principle of Quality and Reliability not only applies to the Komatsu Group's products and services that bring satisfaction to customers, but also extends to all other aspects of the Group, including organizations, businesses, employees, and management.

## Enhancing Quality and Reliability

In particular, the Komatsu Group has been working to strengthen corporate governance and *Monozukuri* in order to enhance Reliability, which has been a source of Komatsu's strength.

### ■ Strengthening Corporate Governance

To maximize its corporate value, it is important for the Komatsu Group to design a framework in which the Group can enhance its corporate value in a steadfast manner. This task calls for not only maximizing the total market value of Komatsu shares and working to expand sales and profits but also striving to satisfy a broad range of stakeholders, especially customers, to the fullest extent.

Top management officers of Komatsu Group companies are expected to conduct steady management with full awareness of Corporate Social Responsibility (CSR) while making constant efforts to ensure Quality and Reliability in management. Moreover, the officers are stepping up the revitalization of the Board of Directors—the core body for corporate governance—and the establishment of an internal

controls system while continuing to enhance the transparency and soundness of management.

All employees of Komatsu Group companies are expected not to postpone but to promptly work on solutions and corrections when they discover issues and/or problems related to the rules in all business areas and domains.

### ■ Strengthening *Monozukuri*

It is critical for Komatsu as a manufacturer to promote reform based on the *Monozukuri* concept in order to enhance its competitiveness.

This concept means that the Komatsu Group has to rise to every challenge toward creating safe and innovative products in the spirit of unified teamwork of every division and partner related to the value chain—the chain of entities through which added value emerges—spanning from research, development, procurement, manufacturing, sales, and after-sales service divisions to the management division as well as to partner companies and sales agents. Furthermore, the Group emphasizes environmental friendliness in all activities throughout the product lifecycle.

## The KOMATSU Way

### ■ Formulating The KOMATSU Way

Komatsu defined the strengths it has built up through the process of growth and development, as well as the convictions, attitudes, and code of conduct that support those strengths, in The KOMATSU Way, which the Group formulated in July 2006.

The KOMATSU Way is a statement of values that the Komatsu Group should pass down in a lasting way wherever it operates, including in its management, to ensure its continuing commitment to

## Topics

### Overview of The KOMATSU Way

#### Priorities in Management

Komatsu has set forth principles for top management at Komatsu Ltd. and Group companies to follow strictly as they grasp up-to-date and authentic information originating at each workplace and carry out the following:

#### Five Principles for Top Management

1. Vitalize the functions of the board of directors.
2. Take the initiative in communicating with all our stakeholders.
3. Comply with the rules of the business community.
4. Never put off responses to risks.
5. Keep thinking about your successor.

#### Seven Ways of KOMATSU

In The KOMATSU Way, Komatsu positions the Seven Ways of KOMATSU as shared values that promote *Monozukuri*, or manufacturing competitiveness.

#### Seven Ways of KOMATSU

1. **Commitment to Quality and Reliability:** Quality is our top-priority commitment, and thus we will never make any compromise on quality.
2. **Customer Oriented:** By valuing the opinions of our customers, we continue to offer the products and services that they are proud to own.
3. **Defining the Root Cause:** By clearly defining all processes from product planning to machine conditions in the field, we always work to find and fix the root cause of problems in order to prevent the problem from recurring.
4. **Workplace Philosophy:** Workplaces (*Genba* in Japanese) offer information which should constitute the foundation of our policies, strategies, improvement plans and other vital initiatives. It's important to emphasize and look at the facts of workplaces, making information "visible."
5. **Policy Deployment:** As soon as top management policies are announced, employees on all levels understand their respective roles, make their own activity plans, and implement them on their initiative.
6. **Collaboration with Business Partners:** In all operations from development to sales and after-sales service, we work together with our business partners from around the world to solve problems and improve operations, share know-how and work for our mutual growth as "One Komatsu."
7. **Human Resource Development:** It is the human resources, i.e., employees, that support sustainable corporate growth. Employees are the most valuable corporate asset and thus human resource development and educational programs for employees are indispensable worldwide.



At the Global Management Seminar held in March 2007, top management and managers from Komatsu Group subsidiaries outside Japan gathered to deepen their understanding of The KOMATSU Way.

enhancing Quality and Reliability in the service of corporate value. By sharing these values, the Group can build global teamwork that transcends nationalities and generations while amassing and fortifying the Komatsu Group's "strength of job capabilities"—the dynamism of all employees and the entire organization plus the ability to improve their own workplaces and worksites—which in turn further enhances Quality and Reliability.

■ **Enabling The KOMATSU Way to Spread and Be Shared by All**  
Komatsu has been spreading and cultivating The KOMATSU Way to

enable it to firmly take root in each Group company, guided by The KOMATSU Way Division that was established in July 2006. To facilitate understanding of The KOMATSU Way, as of March 31, 2007 the Group had convened a total of 56 explanatory sessions at Group companies around the globe, with the executive officers in charge visiting locations in person to deliver the explanations.

Each division has compiled collections of more detailed conduct principles for individual workplaces into division-specific versions of The KOMATSU Way, paving the way for sharing values globally. As concrete ways of strengthening employees' ability to improve their own workplaces, the Group also uses education for activating the Total Quality Management (TQM) that has been cultivated in the Group along with various kinds of management education.

### Promoting Corporate Social Responsibility (CSR)

Komatsu has intensified corporate social responsibility (CSR) activities in which the Group conducts business management that gives serious consideration to the company's stakeholders in order to enable the Group to keep earning trust from society on a global, Group-wide scale.

#### ■ Organization Related to Corporate Social Responsibility

To fulfill the numerous aspects of its social responsibility, Komatsu has established departments that have responsibilities for handling matters in each particular area. Moreover, the Group has formed various committees to examine each of these areas, with executive officers also present to discuss the relevant issues. Established in May 2004 as the department to oversee these issues, the CSR Department has been reporting directly to the office of the President since April 2006.

#### Organization Related to Corporate Social Responsibility

