In Cooperation with Employees

Komatsu endeavors to create a safe work environment that enables peace of mind by implementing measures to reduce risks in the workplace as well as establishing a personnel system that will accurately reflect the abilities and achievements of employees, who are an extremely important corporate asset.

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 local community.

The role of supervising personnel and health and safety can be summarized in a single phrase—specifically, ensuring a safe work environment that enables peace of mind. The company tries its utmost to furnish a workplace in which individual employees can be healthy in both body and spirit, energized in his or her work with a forward-looking attitude. 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 work environment that enables peace of mind becomes possible, not through quick fixes but rather through a series of steady efforts with the participation of all employees.

Komatsu’s Relationship with 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 sum 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 therefore important to understand correctly and recognize those differences. At Komatsu, the fundamental principles common to all Komatsu Group companies for personnel systems are found in Komatsu’s Code of Worldwide Business Conduct as stated below. Each region uses these principles 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 nationality, 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 and implement personnel policies with a consideration for employees’ needs. Human resource policies and procedures shall be disclosed to the employees as fully as appropriate.

(4) In each region, the Komatsu Group will comply with the ordinances concerning the rights of employees.

Takenn 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 around the world. Furthermore, during the hiring of new employees, Komatsu has set forth Komatsu’s Five Principles for Hiring in the same way, namely:

(1) The company does not consider age or gender in hiring decisions.

(2) The company does not consider national or regional origins in hiring decisions.

(3) The company does not consider religious affiliation or beliefs in hiring decisions.

(4) The company does not consider the existence of disabilities that are not job performance-related in hiring decisions.

(5) The company highly evaluates work experience at other companies or in other industries in hiring decisions.

The company conducts hiring practices based on these five 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 should be reflected.

In keeping with the view that personnel systems emphasizing length of service do not necessarily fairly reflect 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 abilities, 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 Non-managerial 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 Divisonal 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 non-managerial 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 in other countries; 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.

Activities for Society
This system for retirement allowances and pensions lies 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.

Formulation of The KOMATSU Way and Extension of 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 the company puts them into practice were set down in writing as The KOMATSU Way in 2006. Komatsu has been doing its utmost to make it something shared by all Group companies, including those outside of Japan. The KOMATSU Way constitutes a continuation of the reform under which Quality and Reliability are pursued; emphasis on the importance of the individual workplace; 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 Total Quality Management (TQM) and will develop it as an educational method, along with The KOMATSU Way, to be shared by all Group employees around the world.

Development of Human Resources Globally
Under The KOMATSU Way, recognizing anew that one of Komatsu’s vital strengths dwells in the development of human resources and the vitality of its employees, the company educates its employees globally to enhance their capabilities. Every manager at various positions assumes his or her serious responsibilities—for top management to foster its future successors and for managers to train the people working under them.

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. The personnel division creates a wide variety of systems and infrastructure while also assisting employees in shaping careers through education and training and scheduled job rotations. Komatsu considers it important to bolster further investment in people in the future. In particular, the company plans to invest in extending The KOMATSU Way to Group employees outside of Japan, spreading commonly-shared education on TQM, and developing a succession plan for management outside of Japan.
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 the Komatsu President Regarding Health and Safety

In June 2007, the Message from the Komatsu President Regarding Health and Safety was revised.

President and CEO Kunio Noji delivered the message that, with a view to creating a company and workplace with no safety incidents or illness, all employees must make concerted and proactive efforts towards management of health and safety and respond to relevant issues in a prioritized and timely fashion. The major points of his address were as follows.

1. The Komatsu Group shall, first of all, strive to “ensure a safe and comfortable work environment” and “maintain and promote employees’ health.”
2. The Komatsu Group shall promote “proactive occupational safety and health activities” in order for all employees to achieve the above conditions by working together as one team.
3. 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 take the initiative in demonstrating the execution of 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

<table>
<thead>
<tr>
<th>Organization</th>
<th>Komatsu Head Office</th>
<th>Group companies and Komatsu divisions</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Health and Safety Administration Center (Centralized Group-level office)</td>
<td>Plant managers, division head (managers supervising overall health and safety)</td>
</tr>
<tr>
<td></td>
<td>Human Resources Department (Centralized Group-level office with consultative services)</td>
<td>Division head supervising general affairs and human resources</td>
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<tr>
<td></td>
<td></td>
<td>Section head supervising health and safety</td>
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<tr>
<td></td>
<td></td>
<td>Managers supervising health and safety in each division, persons assigned to the promotion of health and safety, persons overseeing health and safety, etc.</td>
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<td></td>
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<td>Employees</td>
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<td>Meetings</td>
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<td>Group Safety and Health Conference</td>
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Workplace Safety

In FY2006 Komatsu launched Occupational Safety & Health Management Systems (OSHMSs) in its plants and began activities for introducing these systems. Furthermore, the company incorporated proactive activities to enhance safety using risk assessments into a push towards “zero accidents” in order to propel safety activities forward through the participation of all employees. In FY2007, while further promoting “zero accidents” efforts, the company intends to acquire OSHMS certification and firmly establish the system. In the years to come, Komatsu plans to spread these systems throughout the Komatsu Group, thereby eradicating work-related accidents throughout the Group.

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

### Health and Safety Management at Sales Agencies and Rental Companies

In FY2004 Komatsu sales agencies and rental companies in Japan began the task of creating management systems for occupational safety and health. In FY2006 Komatsu supported these agencies and companies in originating follow-up activities to accelerate improvements in the Plan-Do-Check-Action (PDCA) cycle. In these activities, persons at Komatsu overseeing occupational health and safety visited offices, maintenance factories, and rental shops at agencies and companies to determine the extent to which management systems had been put into place and the state of safety management at these sites. The Komatsu persons in charge of oversight confirmed whether the PDCA cycle was being implemented without incident at each agency or company and gave guidance regarding implementation of the management system. In FY2007, Komatsu will be pursuing these activities still further.

### Health Management

#### Management of Physical Health

In FY2006, in addition to the regular health checks given for years, Komatsu began taking steps to prevent lifestyle-related diseases in employees by conducting computer-based diagnostic interviews in order to assess daily lifestyle habits. In FY2007, medical checkups will be given to prevent metabolic illnesses.

#### Management of Mental Health

Over the years, the Komatsu Group has introduced mental health education and activities to enhance awareness along with counseling from mental health professionals and the Employee Assistance Program (EAP), which makes use of specialized external institutions, enabling employees and their families throughout the Group to find solutions to their concerns.

In FY2006, Komatsu introduced computer-based diagnoses of stress in order for workers to be more aware of themselves. In FY2007, the company will launch e-Learning that, based on the results of the stress diagnoses, will introduce areas of care that employees can perform on their own.