

In Cooperation with Employees

Komatsu endeavors to foster safe work environments that provide peace of mind by implementing measures to reduce workplace risks and administering a personnel system that accurately reflects the abilities and achievements of employees, an extremely important corporate asset.



Masakatsu Hioki
Senior Executive Officer
Supervising Compliance,
Legal Affairs, Human
Resources and Education, and
Safety & Health Care

Initiatives to better manage personnel and health and safety all have people—namely, Komatsu employees—as stakeholders. The beneficiaries are not only the employees themselves, but also their families and other relevant parties, with the effects reaching the local community. We at the Komatsu Group devote ourselves to the maximization of corporate value, the total sum of trust given to us by society and all stakeholders. Employees are one of the Group's important stakeholders and we recognize our role in enhancing the degree of trust we receive from employees. Towards this end, we are creating safe work environments that support peace of mind and ensuring opportunities for challenges and creativity.

In human resources management, Komatsu is committed to treating all employees fairly. We are steadily implementing measures, continually reminding employees that safety is essential and that health and safety cannot be attained through quick fixes.

I am determined to fulfill my responsibilities in creating safe work environments with workplace cultures that encourage employees to strive towards higher goals.

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. Even if the other elements remain constant, if "people" change, 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 reliability of the company's human resources. It therefore endeavors to foster workplaces with opportunities for challenges and creativity. 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. 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 formulate a personnel system that has a competitive edge over 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 is appropriate.
- (4) In each region, the Komatsu Group will comply with the ordinances concerning the rights 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 around the world.

Komatsu has set forth Komatsu's Five Principles for Hiring, 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 gives significant consideration to 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.

Komatsu's Initiatives

■ Personnel System that Accurately Reflects Employees' Abilities and Achievements

Personnel systems in Japan are typically based on the assumption that employees will work for a single company for many years. Therefore, when designing a system, a company must keep in mind the degree to which continuous employment should be considered. Komatsu believes that personnel systems emphasizing length of service do not necessarily reflect employees' abilities and achievements fairly. Instead, Komatsu has always strived to accurately evaluate the performance of employees as individuals, incorporating employees' achievements and abilities into its personnel system as the basis for fair evaluations.

Komatsu has been reinforcing this approach since 2003, revising its systems for salaries, bonuses, retirement allowances, and other personnel schemes accordingly.

■ Formulating The KOMATSU Way and Extending TQM Education Company-wide

As Komatsu has grown and developed, there has emerged a clear sense of the corporate strengths that are "quintessentially Komatsu." 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 in 2006 as The KOMATSU Way. Komatsu wants all Group companies including those outside Japan to share this philosophy. The KOMATSU Way continues the reform towards greater Quality and Reliability and highlights the importance of the individual workplace (*genba*) and policy deployment (the ability of employees at each level to implement management policies and transfer them into



In the spring of 2007, Komatsu opened the two-year Komatsu Training Institute in cooperation with Komatsu College in the city of Komatsu, Ishikawa Prefecture, Japan. Selected from among young Komatsu Group employees, all students live in dormitories and master knowledge and technical capabilities in manufacturing technology, TQM, and the information system communication skills required for

a workplace leader of the next generation. Students from Group suppliers were also part of the class entering in April 2008.

practice). Komatsu has long utilized Total Quality Management (TQM) to support this capacity and will expand TQM and The KOMATSU Way as common human resources development methods that are shared by all employees globally.

■ Developing Human Resources Globally

The development of global human resources is an ongoing theme for the Komatsu Group. The KOMATSU Way states that Komatsu recognizes anew that one of its vital strengths dwells in human resources development and employee vitality. It stipulates that based on this recognition, Komatsu should educate and train its employees globally to enhance their capabilities. All managers have responsibilities appropriate for their level. Top management must foster their future successors; managers must train the people working under them.

A basic principle in human resources development is for individual employees to aim towards higher objectives and advance their own careers. The personnel division establishes systems and infrastructure to help employees attain their personal goals while assisting them in shaping their careers through education and training and scheduled job rotations. The Komatsu Group intends to further bolster investment in people who can sustain corporate growth over the years. In particular, the Group is organizing programs on a worldwide basis to train employees at Group companies outside Japan, enhance technical and technological capabilities, and improve performance and raise abilities through TQC education.



Global Management Seminars are held twice a year for executive candidates at subsidiaries outside Japan to train future global leaders. In 2007, 24 participants joined in discussions with Komatsu managers and external lecturers to deepen their understanding of The KOMATSU Way and corporate culture and history at Komatsu.

Creating Safe Work Environments that Enable Peace of Mind

■ Creating Safe Work Environments that Enable Peace of Mind

A company must treat its employees fairly if it is to create safe work environments that enable peace of mind. Komatsu has already changed its personnel system to the kind described earlier that better incorporates ability and performance. To ensure fair and appropriate evaluations for each individual employee, in April 2004 the company organized refresher training for all managers regarding how to conduct evaluations. After that, evaluation training is given to newly appointed managers, backed by e-Learning based follow-up education. An evaluation committee has been established jointly with the labor union at each business unit to confirm 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.

Komatsu seeks to build a basis upon which employees can take on greater challenges. The internal posting of personnel vacancies was introduced in 1986, with positions now posted twice annually at regular intervals. Additionally, Komatsu is fortifying the educational programs that employees can participate in voluntarily both inside and outside the company.

■ Further Enhancing 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. Childcare leave and shorter working hours are among the working conditions that would contribute to an environment that facilitates productive careers, particularly for women. In 2007, Komatsu acquired the Japanese Ministry of Health, Labour and Welfare mark designating companies that assist in the growth of the next generation. Since then, the company has advanced discussions on working conditions through the appointment of seven female employees to a newly launched Panel on Fostering Future Generations. The four major recommendations from the Panel were incorporated into labor agreement revisions for FY2007, further improving the company's approach in this area. These recommendations were: (1) allocating five days of special leave in cases of pregnancy by the employee, delivery by the employee's wife, and childcare (such as to take care of a sick baby or toddler) by the employee; (2) extending the eligibility period of shorter working hours from March 31 after the child turns age four to the child's completion of the third grade at elementary school; (3) providing monetary allowances for childcare leave beyond the amount required under the law; and (4) providing financial support to offset the costs of nursery schools and babysitters.

The number of female managers increased from 18 in March 2008 to 19 in April 2008, and the number of employees taking advantage of the system for childcare leave increased significantly, from 16 in FY2006 to 25 in FY2007. Komatsu will continue to aim to bring about workplaces that take into account the needs of working parents.

▶ Promoting a Balance between Work and Private Life

Reducing the total number of actual working hours is one of key aspects in achieving balance between work obligations and private lives for employees. Komatsu has worked in coordination with labor unions on this issue to formulate numerical targets. The company has brought down to an average level the workload of divisions that are chronically shouldering intense levels of operations by hiring more employees, both newly graduated and experienced, and investing in necessary facilities and equipment. Komatsu has each workplace formulating concrete action plans in order to seriously address working hours management. These plans enforce appropriate numbers of working hours by reducing overtime and encouraging employees to take more paid annual leave.

▶ Employing Persons with Disabilities

In FY2007, 1.38% of Komatsu's employees were persons with disabilities, a figure lower than the legal standard of 1.8%. Insofar as operations at manufacturing divisions involve dealing with heavy objects, the hiring of persons with disabilities brings with it various challenges. Recognizing the need to enhance its hiring rate of persons with disabilities, in April 2008 Komatsu established a Business Creation Center within the personnel division. Designed exclusively to increase the hiring of persons with mental disabilities, this center now employs six such persons. Komatsu is determined to work to employ more disabled persons in the years to come.

Health and Safety

Message from the Komatsu President regarding Health and Safety

Komatsu has been disseminating the Message from the Komatsu President regarding Health and Safety throughout the entire Komatsu Group. President and CEO Kunio Noji delivered the message that, for the Komatsu Group to foster companies and workplaces with no safety incidents or illness, all employees must cooperate, managing health and safety proactively and responding 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 implementing the system depicted in the chart below to strengthen health and safety management.

Overview of Health and Safety System

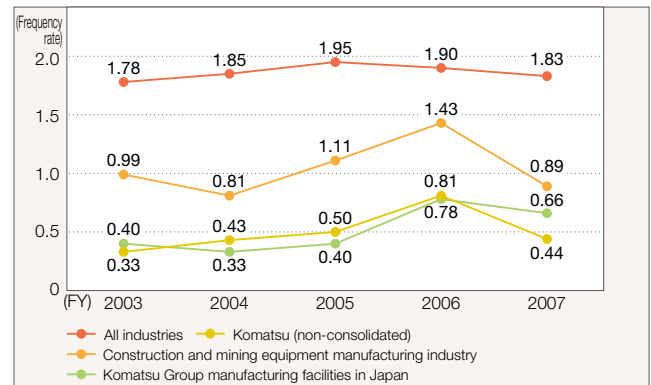
	Komatsu Head Office	Group companies and Komatsu divisions
Organization	<ul style="list-style-type: none"> ● Safety and Health Administration Department (Centralized Group-level office) ● Human Resources Department (Centralized Group-level office with consultative services) 	<ul style="list-style-type: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

Workplace Safety

In FY2007 Komatsu acquired Occupational Safety & Health Management System (OSHMS) certification at the Awazu and Osaka Plants. Through vigorous campaigns, the Komatsu Group has encouraged employees to join in workplace small-group activities on safety aiming at “zero accidents.” At the Group Safety and Health Conference, one group from each plant in the Komatsu Group was invited to report on their activities to facilitate Group-wide endeavors towards “zero accidents.” In FY2008, the Group will steadily implement OSHMS at plants already certified and promote OSHMS certification at other Komatsu plants. The Group will redouble its awareness-raising campaign focused on risk assessment and risk anticipation with their origin in “zero accidents” small-group activities.

The Komatsu Group plans to spread these activities across the 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 creating management systems for occupational safety and health. In FY2007 Komatsu supported these agencies and companies in originating follow-up activities to accelerate improvements in the Plan-Do-Check-Action (PDCA) cycle.

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. The Komatsu personnel confirmed whether the PDCA cycle was being utilized properly at each agency or company and gave practical guidance on implementation, leading to fewer accidents at these workplaces in FY2007. Komatsu will be pursuing these activities still further in FY2008.

Health Management

Physical Health Management

Komatsu has long provided health checks for lifestyle-related diseases. In FY2007 the company took further steps to prevent these diseases, launching computer-based diagnostic interviews and expanding the range of the health checks.

Beginning in FY2008, Komatsu will work to improve the health of employees in cooperation with its health insurance association to deliver health-related guidance and awareness education and through the use of external specialized organizations.

Mental Health Management

Over the years, the Komatsu Group has introduced mental health education and activities to enhance awareness and provided counseling from mental health professionals and the Employee Assistance Program (EAP), which makes use of specialized external institutions, helping employees and their families throughout the Group to find solutions to their concerns. In FY2007, Komatsu administered computer-based stress diagnoses and stress awareness education to promote self-recognition. In FY2008, the Group will begin improving workplace environments to eliminate or lessen causes of stress.