

# Developing Together with Employees

Komatsu endeavors to foster a safe and comfortable work environment 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.

## 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. Thus, people—the employees of Komatsu Group companies—are an irreplaceable asset for the Group. Komatsu recognizes the role of the personnel system in enhancing the quality and reliability of the company's human resources. It therefore endeavors to foster a work environment with opportunities for challenges and creativity. The company works to maximize the sum of trust given to it by its employees.

### Basic Policy on Global Human Resources

Personnel systems reflect the history and culture of each particular region. It is therefore important to recognize and correctly understand those differences. At the Komatsu Group, the basic policies for personnel systems common to all Group companies around the world are found in *Komatsu's Code of Worldwide Business Conduct* as stated below. Each region uses these policies to formulate a personnel system that has a competitive edge over other companies.

#### Chapter 5 of *Komatsu's Code of Worldwide Business Conduct*

- (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 origin, race, religion, age, sex, disability or other factors. 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) In developing and implementing personnel policies, accordance with the understanding of employees must be ensured. Human resource policies and procedures shall be disclosed to the employees as appropriately and fully as possible.
- (4) In each region, the Komatsu Group will comply with the ordinances concerning the rights of employees.

In addition to these policies, the Group 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; and (5) the company gives significant consideration to work experience at other companies or in other industries in hiring decisions. Komatsu conducts its hiring practices based on these five principles, which are disclosed 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 Training 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 stances 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 these guiding principles. The KOMATSU Way highlights the continuous reforms towards greater Quality and Reliability, the importance of the individual workplace (*genba*), and the ability of employees at each level to swiftly implement management policies and transfer them into practice. Komatsu has long utilized Total Quality Management (TQM) training to support employees in improving these capacities. The company will expand TQM and The KOMATSU Way as common educational tools 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 substantial 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 develop human resources on a global, Group-wide basis by further bolstering investment in people who can sustain corporate growth over the years. In particular, the Group is organizing programs aimed at training employees of Group companies outside Japan as well as those of business associates, enhancing employees' technical and technological capabilities, and improving their abilities to address operational issues through Total Quality Control (TQC) training.

## Creating a Safe and Comfortable Work Environment

For a company to create a safe and comfortable work environment, it must treat employees fairly. Komatsu has already changed its personnel system to the kind described earlier that better incorporates abilities and achievements. To ensure fair and appropriate evaluations for each individual employee, in April 2004 the company organized refresher training for all managers on how to conduct evaluations. Since then, evaluation training has been 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 19 in March 2009 to 20 as of April 2009, and the number of employees taking advantage of the system for childcare leave increased from 25 in FY2007 to 31 in FY2008. Komatsu will continue to aim to bring about working conditions that take into account the needs of working parents.

### Enhancing a Work-Life Balance

Reducing the total number of actual working hours is one of key aspects in achieving a healthy work-life balance 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 formulate concrete action plans in order to have it 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

As of April 2009, 1.64% of employees at Komatsu were persons with disabilities, a figure lower than the legal standard of 1.8%. Recognizing the need to enhance its hiring rate of persons with disabilities, in April 2008 Komatsu established within the personnel division a Business Creation Center designed exclusively to increase the hiring of persons with mental disabilities. Ten such people are now employed at this Center, raising the rate of employment for persons with disabilities compared to the previous year. Komatsu is determined to work to employ more disabled persons in the years to come.

## Accommodating the Lay Judge System in Japan

To accommodate the lay judge system in Japan that commenced in May 2009, Komatsu introduced a system for special leave in 2007 and held internal explanatory sessions for all managers in November 2008 before the first notices for lay judge candidates were sent out. A total of 12 explanatory sessions were held at ten business units across Japan, with about 1,200 managers participating. The company clarified its stance of proactively supporting employees selected for service to participate in proceedings without worry and requested each workplace to make preparations in assisting them.

Based on the principles set out below, Komatsu will lighten the burden of employees selected as lay judges and support them in amply fulfilling these socially significant duties.

- Komatsu shall enhance employees' knowledge of the system as a whole, including such elements as not disclosing publicly that one has been selected as a lay judge (or lay judge candidate) and maintaining the confidentiality of deliberations.
- Komatsu shall manage information that an employee has been selected as a lay judge (or lay judge candidate) strictly at the relevant personnel section and shall not use it for any purpose other than to allocate special leave.
- Komatsu shall give proper attention to mental health care for such employees once service as a lay judge has been completed and shall take appropriate steps in collaboration with an industrial health medical advisor when necessary.

## Topic

### Komatsu's Human Resources Development Rooted in Local Communities: Strongholds for Developing Global Human Resources

Komatsu has established bases for fostering human resources around the globe. The company is reinforcing its *Monozukuri*, or manufacturing competitiveness, and upgrading product support capabilities encompassing the Komatsu Group while contributing to local development and employment.

#### Chile

##### Establishing an Apprentice School to Provide Specialized Technical Training to Young People

Komatsu Cummins Chile Ltda. (KCC) has established an apprentice school to train young people as technicians specialized in mining equipment, covering both product knowledge and product support skills. The three-year course has already graduated 43 trainees, all of whom are now employed at KCC.

KCC also conducts a program in which students studying electronics engineering visit KCC's Reman Center and interact with professionals at the center's electronic shop. Students are able to acquire practical and worldwide state-of-the-art technologies, while KCC has the opportunity to train "from the cradle" those technicians that have future potential with the organization.



#### The Philippines

##### Upgrading the Technical Knowledge of Service Engineers

At the Komatsu Human Resources Development (HRD) Center in Manila, the Philippines, Komatsu is providing training to upgrade the technical knowledge of Filipino service engineers working for Komatsu at various sites worldwide. The center adopts a medium-to long-term viewpoint in systematically fostering service engineers who can work around the world by recruiting new college graduates and helping them to master product support skills from a basic level. The curriculum includes Komatsu's quality control and quality assurance system, expertise in knowledge of products, and technical service skills.

Courses are run in a facility owned by the Construction Manpower Development Foundation (CMDF), an auxiliary organization of the Department of Trade and Industry (DTI) of the Philippines. The Komatsu HRD Center further enhances the technical service skills of CMDF trainers, dispatches instructors to CMDF, and organizes training programs for operators and mechanics jointly with CMDF, thereby contributing to the Philippines' human resources development program.



### Collaborating with Educational Institutions

#### Industry-Academia Collaboration

Komatsu has concluded industry-academia collaboration agreements to pursue leading-edge technologies collaboratively with four universities in China and Japan, namely Shandong University in China and Yokohama National University, The Graduate School of Engineering of Osaka University, and Kanazawa University Graduate School of Natural Science & Technology in Japan. The company also held the Osaka University-Komatsu Joint Research Symposium in cooperation with The Graduate School of Engineering of Osaka University and a series called Lectures in Cooperation with Society jointly with the School of Engineering of The University of Tokyo. In convening these fora, Komatsu aims to research technologies for an increasingly diverse society while also nurturing human resources who will advance academic and societal developments.

#### Dispatching Lecturers to Universities and Engaging in Joint Research in Japan

Komatsu dispatches lecturers upon request to instruct university students in technology development and corporate management being practiced at Komatsu. The company is also involved in joint research to pursue state-of-the-art and future-looking technologies, after discussing the intersection of Komatsu's "needs" and the university's "seeds."

#### Hosting Plant Tours for Elementary and Junior High School Students in Japan

Komatsu hosts social studies-related study tours for local elementary and junior high school students and organized tours for families affiliated with The Japan Society of Mechanical Engineers to provide children opportunities to see its plants and recycling operations and learn more about construction equipment (see "Contributing to Local Communities" on P. 32 for details).

## 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.

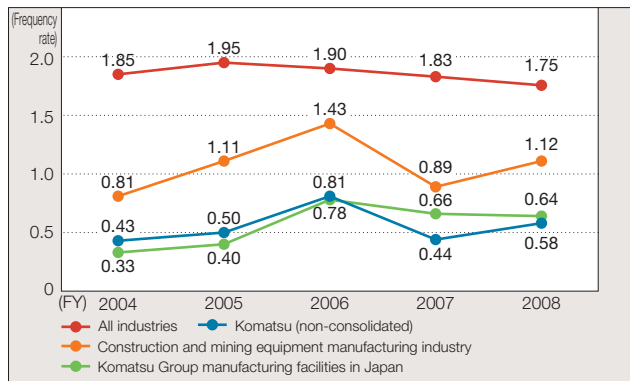
### Overview of Health and Safety System

	Komatsu Head Office	Group companies and Komatsu divisions
Organization	<ul style="list-style-type: none"> <li>• Safety and Health Administration Department (Centralized Group-level office)</li> <li>• Health Promotion Center</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>• Industrial health medical advisors, industrial health care staff, etc.</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>

### Occupational Safety

In FY2008 the Komatsu and Mooka Plants acquired Occupational Safety & Health Management System (OSHMS) certification, following upon acquisition by the Awazu and Osaka Plants in FY2007. The Komatsu Group has carried out assessments to anticipate risks mainly through workplace small-group activities on safety aiming at “zero accidents.” The Group as a whole has been conducting compliance and risk audits on safety to confirm the state of compliance with relevant laws and regulations. In FY2009 the Group will steadily implement OSHMS at plants already certified and promote acquisition of OSHMS certification at other Komatsu plants, while simultaneously fostering occupational safety mainly through “zero accidents” small-group activities and upgrading safety-related education and training. The Komatsu Group is working to eradicate occupational accidents throughout the entire Group.

**Incidence Rate of Occupational Accidents (Frequency rate of missed work)**



### Health and Safety Management at Komatsu Group Sales Agencies and Rental Companies in Japan

In FY2004 Komatsu Group sales agencies and rental companies in Japan began creating management systems for occupational safety and health. In FY2008 Komatsu continued follow-up activities to support them in this area.

Persons overseeing occupational health and safety at Komatsu and its agencies and companies provided guidance on areas for improvement through visits to relevant offices, maintenance factories, and rental shops to verify firsthand the state of safety management onsite. At agencies and companies where occupational accidents had occurred, Komatsu gave assistance in determining the causes and formulating countermeasures and applied these measures to other agencies and companies across Japan. Through joint efforts in safety education and training and risk anticipation the Komatsu Group succeeded in reducing occupational accidents in FY2008, continuing the decline achieved in FY2007.

### Health Care

#### Physical Health Care

Besides the health checks for lifestyle-related diseases the company has long provided, Komatsu has been taking further steps to prevent these diseases since FY2007, launching computer-based diagnostic interviews and expanding the range of health checks. Beginning in FY2008, Komatsu has been working 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 institutions.

#### Mental Health Care

Over the years, the Komatsu Group has introduced mental health education and awareness-raising programs while also providing counseling from mental health professionals and the Employee Assistance Program (EAP), which makes use of external specialized institutions to assist employees and their families throughout the Group in finding solutions to their concerns. Komatsu will revamp the EAP in FY2009, launching the Komatsu Health Consultation Hotline to provide all-encompassing support by unifying physical and mental health care services. The company has continued its computer-based stress diagnoses and stress awareness education for self-recognition begun in FY2007. In FY2009 Komatsu intends to utilize the results of stress diagnoses to improve work environments still further.