

## Human Resource Development Programs

Meitaro Takeuchi, the founder of Komatsu, advocated in his corporate philosophy when he established Komatsu in 1921 as follows: "The real development of Japan's industries is demonstrated when we export original products to the world. Only by competing against U.S. and European products which have come all the way to India and Shanghai, will we be able to realize the domestic growth of manufacturing industries as an independent nation." He was already interested in competing with the world. Since then, starting with our first export in 1955 of motor graders to Argentina, we have grown this far, showing that overseas sales account for about 80% of our consolidated sales of construction and mining equipment today. We also operate 41 plants in 16 countries. Our service engineers are supporting customers' machines around the world. In fact, about 45% of Komatsu Group employees are non-Japanese.

To ensure our sustainable growth into the future, it has become urgent for us to promote the growth of human resources, regardless of nationality or race, to support those who can enjoy working in the global business theater. We are working on this task through a variety of programs.

### Promoting Mutual Awareness with Top Management of Overseas Subsidiaries

In April 2006, we invited 12 top management and senior officers from major overseas subsidiaries in nine countries to Tokyo and held the Global Management Seminar. The participants from abroad discussed management issues in diverse aspects with our Japanese top management team, including the president and CEO. The Seminar was designed to promote mutual awareness about what we must do for our further growth. Specifically, the Seminar was designed to 1) promote mutual understandings of Komatsu's concepts of management and strategies, 2) share Komatsu's corporate culture and attitudes and study the ways to infiltrate on a global scale, and 3) promote mutual understandings of issues for our globalization. All participants discussed these topics intensely.



**David W. Grzelak**

Chairman and CEO  
Komatsu America Corp.

"The overseas participants in the Global Management Seminar were from different cultures with different experiences and

values. To my surprise, however, we had common opinions and ideas for Komatsu's growth and business improvements which we presented to Mr. Sakane, President and CEO of Komatsu Ltd.

About the KOMATSU Way which Komatsu Japan is developing, I feel quite comfortable with its implementation when compared with systems and processes I'm aware of in U.S. firms, because decision-making processes of Komatsu Japan are based on similar fact findings and continuous improvement activities. I would like to have all employees of Komatsu America Corp. understand this KOMATSU Way, and utilize it when engaging in continuous improvement activities."

### Fostering Systematic Growth of Key Management Officers of the Future

Since 1996 Komatsu has conducted the Selected Business Leader Training Program in order to foster the growth of candidates of key management officers who are competent in the global business environment. This program consists of the A training designed for employees aged around the mid 40s and the B training for employees aged 20s to 30s. For both courses, candidates recommended by all Komatsu Group companies are first screened through interviews and aptitude tests.

In the B training, some 30 selected employees receive lectures on management theories by university professors and engage in discussions with senior management officers for five days a month for nine months. On completion of the training, all candidates make presentations concerning solutions to management problems and other issues. This program places special emphasis on the future careers of the trainees. After completing the B training, participants are re-evaluated for future business leadership once a year for a few years. In the course of re-evaluation, they are classified individually into "α" for future executives, such as executive officers and top management of key plants and subsidiaries, "β" for general managers or "γ" for specialists. Those who have consistently attained α evaluations are assigned to important positions, such as offshore plant managers and executives of joint ownership companies.

Those who have completed the A training are sent to one-month intensive business school programs at universities in Japan and abroad. In addition to studying advanced management theories, they are expected to further enhance their awareness as business leaders by meeting participants from other companies.

As of March 31, 2006, 240 and 174 employees had completed B and A trainings, respectively. Of those who completed the B training, 31 employees have advanced to the A training. After 10 years of having this program in place, eight executive officers have been chosen from those who completed the A training.



**Zhang Hong**

General Manager of the IT Department  
Komatsu (China) Ltd.

"I am currently studying in the B training. I have been learning many things by sharing the same experience with 28

other members from the Komatsu Group over six months now. As we can learn about Komatsu's policies and strategies directly from the president and other top management officers, I have already gained very useful information and insights for my current position as general manager of IT. For me to lead future projects in China, in particular, I should be able to take a strategic stance of our overall operations in China, architecture plans and lead team activities. All in all, I have become more confident of my work."