

### Special feature 3

# Promotion of human capital management

Komatsu believes that human resources are one of the most precious assets for creating new value. We continuously invest in human resources based on the philosophy that maximizing the abilities and individuality of our diverse employees leads to innovation and sustainable corporate value enhancement. At the same time, we endeavor to strengthen human capital management by developing measures that align more closely with management strategy.



#### Executive Officer message

#### ■ For the sustainable growth and development of both employees and the company

Komatsu is promoting management based on our purpose by developing our sustainability policy consisting of three elements: (1) With people; (2) With business and (3) With the planet. Under this policy, we established a global personnel policy calling for diverse people from around the world to contribute to the growth of our business as one team. Under the current mid-term management plan (FY2022-FY2024), we uphold enriching our base of human resources with diversity as one of our key initiatives. We are conducting a variety of measures designed to foster human resources who take on challenges to solve various problems and create new customer value.

In the world today, against the background of environmental changes such as a declining working population, especially in developed countries, and a rising remuneration levels, it has become a pressing issue for

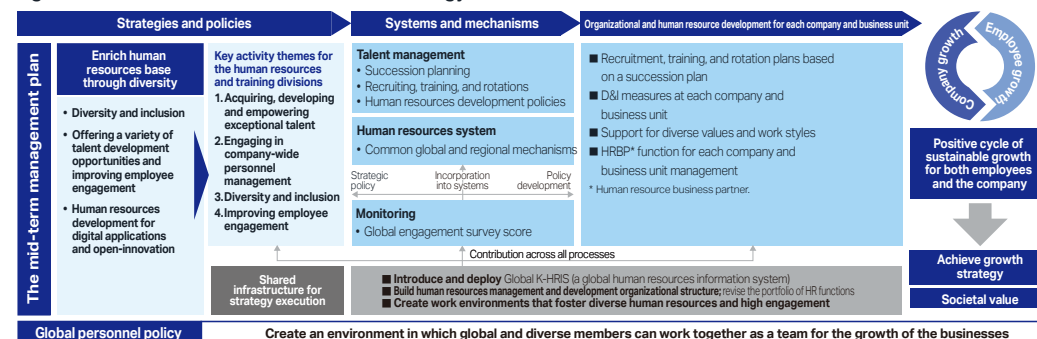
companies to attract and acquire people and develop employee career and skills. Komatsu is no exception to this trend. It is our urgent task to secure human resources by implementing measures such as organizational development focused on skills, further enhancing of diversity and inclusion, and promoting employee well-being. We will focus on making investment in these measures. At the same time, it is essential for us to increase employee engagement globally to achieve sustainable growth. Komatsu has long facilitated human resources management respecting the labor practices of each country and region, as we promoted management localization. Localizing management leadership is part of this effort. As a result, many of the top management positions at our group companies outside of Japan are filled by national employees in the respective regions. On the other hand, since the COVID-19 pandemic,

we recognize that work styles are no longer restricted by physical location, a fact which enables us to utilize human resources effectively beyond national and regional borders, working as a global team to solve common issues. While we respect the circumstances of each region, we will aim to realize an environment in which employees worldwide can make the most of their talents as One Komatsu. It remains unchanged for us to share the values of the Komatsu Way with all employees around the world and value our commitment to quality and reliability and manufacturing and technology innovation. By keeping these efforts in place, we are aiming to achieve our management strategy through global teamwork and create a positive cycle of sustainable growth for both employees and the company.



Mitsuko Yokomoto  
Director and Senior Executive Officer (Jomu)  
Supervising Human Resources, Education and Sustainability

Figure: The Komatsu human resources strategy



<With people>

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Figure: Global personnel policy

**Komatsu Group companies have established a personnel management system that can be tailored to the unique needs and circumstances of each region based on the following basic policy, with the aim of realizing an environment in which diverse human resources worldwide can contribute to business growth as a team.**

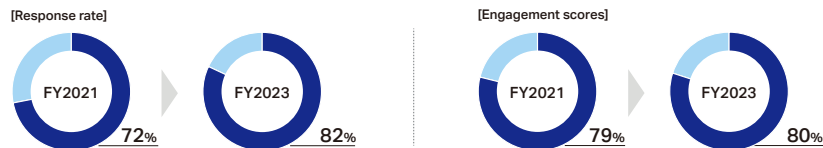
- We shall respect each employee’s human rights, personality, individuality and legally-protected privacy.
- We shall respect diversity and treat and appraise each employee in a fair and impartial manner. We shall not discriminate against any employee on the basis of race, ethnicity, color, sex, sexual orientation, gender identity, age, religion, national ancestry, disability, marital status or other legally protected status. We shall vigorously promote equal opportunities for employment.
- We shall give due consideration to work-life balance and physical/mental health, and endeavor to provide the employees with workplaces where they can effectively accomplish their tasks with satisfaction and pride.
- We will not tolerate inappropriate behavior and speech which prevents employees from working effectively and comfortably. In particular, all Komatsu employees must not engage in any type of harassment, including harassment of subordinate personnel, sexual harassment, or harassment related to pregnancy, childbirth, parenting, or nursing care, in or outside of the workplace.
- In designing and implementing Komatsu policies on employment conditions (such as wages, fringe benefits, performance appraisals, and promotions), we shall assure that such policies are, and are understood to be, fairly and clearly implemented. Such policies shall be accurately communicated to employees and, to the extent practicable, made open and accessible.
- We shall comply with all applicable laws and regulations governing employee rights and faithfully accommodate, whenever applicable, conversations or discussions with employees or their representatives.
- We shall not tolerate child labor or forced labor.
- We shall offer terms and conditions of employment that are sufficiently competitive in their respective regions.

**Infrastructure supporting global human resources policies**

**Global engagement survey**

We conducted the second survey in June 2023 (68,000 respondents globally 82%; response rate). We saw favorable trends across multiple categories compared with the first survey (conducted in 2021). In particular, the scores in the D&I category increased significantly. We recognize that there is still room for improvement in the categories such as innovation and talent management, which we emphasize. We will continue activities to enhance strengths and improve issues based on action plans formulated by each country and division.

Figure: FY2023 global engagement survey overview

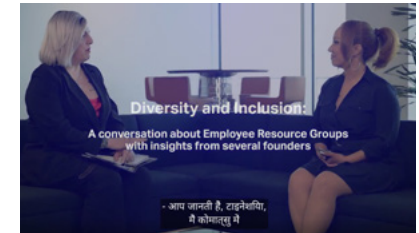


<b>Objectives</b>	To regularly identify and analyze employee engagement globally, clarify our strengths and challenges at that time and take them into consideration when deciding plans for the future.
<b>Survey overview</b>	60 questions related to employee engagement and the factors that influence engagement, including vision (values, management policies), strategy and competitive advantages (goals, policy initiatives), leadership, and well-being (organizational culture, work environment, aspects related to satisfaction, happiness, and mental and physical health).

**Diversity and inclusion**

Komatsu regards D&I as the driver of innovation. We create workplaces where diverse human resources engage in lively and constructive discussions respecting each other's individuality and talents. We believe making these efforts will enhance the improvement of employee engagement and the transformation of corporate culture, which in turn leads to the creation of innovation and growth of overall company. With this understanding, we endeavor to create an environment in which diverse human resources, including people subject to global rotations, different genders, LGBTQ, people with disabilities, and seniors can play active roles. In addition, we are conducting a variety of measures such as the enrichment of our human resources systems and a systematic approach to human resource development and training.

We also engage actively in activities to promote employee awareness and understanding of D&I. Since FY2022, activities have included a message from the president and 14 PR videos, including best practices from around the company, available in 13 languages.

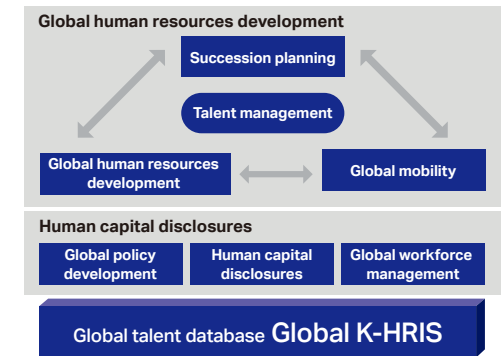


Best D&I practices are introduced by videos with subtitles in multiple languages, and distributed globally. (D&I promotion activities)

**Global HR information system**

Komatsu has introduced Global K-HRIS, a global HR information system as a foundation supporting human resources management, working to link our global system with local HR systems around the world. We will promote global human resources development and data-driven human capital management by visualizing human resources information for all Group employees. By making these efforts, we are aiming to create an environment in which global and diverse members can work together as a team for the growth of the businesses, maximizing employee and organizational performance.

Figure: Global K-HRIS



**Support for self-directed career development**

To achieve a positive cycle of employee development and business growth, we believe that it is essential for each employee to take a proactive approach to their career development. Komatsu has shifted focus from conventional business with company-led human resources management to new businesses with management that considers employee will, supporting active career development.

In Japan, we introduced the Career challenge system in January 2024 to connect employees seeking new assignments with departments that have human resources needs. The program encourages approximately 11,000 eligible full-time employees in the mid-grade level and above to register the type of assignment they want to take on in the future. This system makes employees more proactive to the new career opportunities than in the conventionally company-led internal program for open requisition.

<With people>

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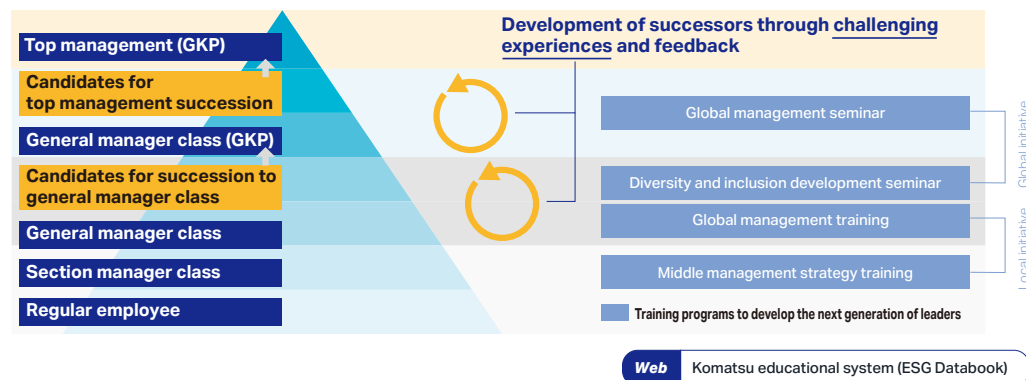
## Human resources development and utilization

### Global human resources development

As Komatsu conducts businesses worldwide and 90% of sales of construction, mining, and utility equipment business coming from outside of Japan, the development of global leaders is key to our future growth.

We appoint top management of major group companies outside of Japan as Global Officers responsible not only for their respective regional performance, but also for Komatsu Group consolidated management. Furthermore, some of those managers are appointed as Executive Officers of Komatsu Ltd., required to play central roles in Komatsu Group management and we have developed succession plans under which approximately 700 major positions in Japan and overseas are classified as global key positions (GKP). In addition, we have promoted the strategic development of next-generation leaders globally. Such efforts include the global management seminar and the diversity and inclusion development seminar for managers and management candidates. We also have the Komatsu Way leadership development program for middle management professionals who play central roles with respect to business and functional operations.

Figure: Linking succession planning and human resources development



**Web** Komatsu educational system (ESG Databook)

### Global management seminar (GMS)

This program is conducted on a regular basis to foster management-level development at group companies. The purpose of the program is to deepen participants' understanding of global management strategies through discussions with Komatsu's management and among participants, and to develop global leaders who embody management rooted in the Komatsu Way. In the 2023 program, participants discussed and exchanged opinions on management policies from a medium- to long-term perspective under the topic of the Komatsu future vision and proposals for the mid-term management plan for 2030 and beyond.



Group photo of 2023 GMS participants

### Diversity and inclusion development seminar (DIDS)

This program is held on a regular basis (third time in 2024) for female candidates serving in global management executive positions. The purpose of this program is to diversify the Komatsu Group management team. Thirteen people from nine countries participated in the program. They worked in groups addressing the topic of what they should do globally and locally to achieve D&I toward innovation. On the final day of the seminar, the participants presented proposals for Komatsu's business as a result of discussions and opinion exchanges with Komatsu management.



Group photo of 2024 DIDS participants

### Developing human resources to support the future of our business

The Komatsu Way is the core element of human resources development. Through this shared value, we enhance total quality management (TQM) trainings to sustain the foundation of manufacturing capabilities as well as develop training systems for the level of roles and functions. Moreover, we also focus on developing human resources with digital expertise to keep pace with rapidly advancing technologies.

#### The Komatsu Way

The Komatsu Way is the very DNA of Komatsu. It defines and stipulates the strengths of Komatsu, the beliefs underlying our strengths, the basic attitudes and manner of action, which have been built through the experiences of our predecessors who tackled and overcame numerous challenges. The Komatsu Way consists of three chapters—(1)Leadership/top management, (2)“Monozukuri” for all employees, and (3)Brand management. This approach better presents our principles in a manner that reflects the roles of specific employees. The Komatsu Way has been translated into 13 languages to foster an understanding among employees of different cultures and customs. We continue activities to gain a wider appreciation of The Komatsu Way for employees to put it into practice.



The Komatsu Way booklet

**Web** Training hours and cost per employee (ESG Databook)

### Commitment to quality and reliability

Komatsu has cultivated organizational capabilities at various workplaces through TQM activities over the years to enhance the competitiveness of our manufacturing operations. In FY2023, Bangkok Komatsu Co., Ltd. (Thailand) received the Deming Prize in recognition of longstanding quality improvement activities. This recognition marks the third time a group company outside Japan has received this award.

We began a TQM Instructor Training Program for employees of group companies outside of Japan to further TQM promotion. The program is conducted both in Japan and other regions to train TQM instructors to work in their respective areas.



With members of Bangkok Komatsu Co. at Deming Prize award ceremony

## &lt;With people&gt;

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## Technology innovation

Komatsu conducts the AI engineer development program to foster key individuals to enhance collaboration with various functions in the field of AI, and the DX education program to develop employees who will lead the transformation into sustainable business models. We also launched the innovation training program in FY2023 to develop human resources who learn and practice design thinking and other skills that lead to innovation. We plan to expand the curriculum with reference to advanced technologies and case studies from other companies.



Capstone event of innovation training program in Silicon Valley

## Utilizing global human resources

With 70% of our employees working outside of Japan, we must utilize various human resources globally, not only at the top management level, but also throughout the leadership and staff levels in each function. The Komatsu Way Promotion Committee, chaired by the president, includes Executive Officers and Global Officers. The committee discusses future global human resources and education measures. We also hold a regular Global HR Conference in which the HR department managers from major group companies outside of Japan share and discuss common issues and measures across our global operations. Through these activities, we exchange opinions actively regarding the utilization of global human resources beyond regional boundaries, linking the outcomes to considerations of personnel policies. The head office and each region's operations work together to strengthen head office functions through global teamwork as part of our efforts to utilize global human resources. Efforts include the appointment of North American and Australian employees as branding leaders and the appointment of North American and Latin American employees as deputy general managers in charge of human resources at our global head office.

## Message

## The formula for company sustainable growth is values and people

## Greg Elliott

Deputy General Manager,  
Human Resources Department, Komatsu Ltd.  
Chief Human Resources Officer and EVP,  
Komatsu Mining Corp.



Mr. Elliott joined Komatsu Mining in 2017 after serving as CHRO for two Fortune 500 companies. He is CHRO and EVP of Komatsu Mining and also serves as Deputy GM of Komatsu Human Resources Department from April 2022.

Competition in business today is as great as it's ever been, especially given the speed of change brought about by new technologies, such as generative AI, as well as an ever-increasing customer demand for products that generate lower environmental impact. All companies are working to anticipate this customer demand, now and in the future, and to get to the market more quickly and with higher degrees of quality and service. So how does a company distinguish itself from the competition, when most generally have access to the same systems, processes, information sources, consultants, suppliers, etc.? The short answer is values and people. When properly nurtured and grown, this combination cannot be replicated by others.

Prior to joining Komatsu, I researched the company and was drawn to

the Seven Principles of the Komatsu Way that serve as the bedrock of the company's culture. It appeared to me that Komatsu, which was approaching its 100th anniversary, understood that values and people would be the formula for sustainable success. This formula is how the company distinguishes itself from the competition and is a key element of the employee value proposition.

Each principle is critical, but the one that resonates most strongly with me not surprisingly is employee development. At Komatsu, we recognize that for us to adapt to and lead change, our employees must share the company's values and commit to continuous learning. Change also requires that the company provides the right tools and opportunities to employees to leverage each person's unique experience and talents.

Komatsu is a company of over 65,000 employees distributed around the world. Our challenge and opportunity are to unleash the creativity of every single one to develop new products and services that help our customers be even more successful and serve the communities in which we do business.

The company has several valuable global initiatives underway, including a global employee engagement survey, global HRIS implementation, the diversity and inclusion development seminar, and the global management seminar. Three other global initiatives are described in more detail below.

## Succession plans

Each year, regional and operational offices around the world identify employees who are being considered and developed for Global Key Positions (GKP). Discussions are held with the top leadership in the region

to select or validate succession candidates who are then slotted into each GKP. The candidate's background, developmental needs and level of readiness are included as part of this process. Having a regular and robust process allows top executive management to have visibility to approximately 700 GKPs and plans to ensure leadership continuity.

## Global innovators program

Last year, we launched the global innovators program to accelerate our capabilities around design thinking. The innovators program helps students better understand how design thinking can be a valuable tool in various ways, including how to develop innovative products and services, create new businesses, revitalize an existing brand and establish new processes. Our first cohort was 17 employees from around the world who participated in this program, which included a capstone event held in Silicon Valley with faculty and Komatsu Chairman Tetsuji Ohashi. Each participant presented a case study during this capstone event.

## Global mining trainee program

Given some of the unique demands within the mining business, the company recognized the need to accelerate the development of employees who are at the front end of their careers. As a result, the company launched the global mining trainee program (GMTTP). The GMTTP selects candidates from around the world for assignments outside of their home countries. We expect these shorter-term assignments to increase the probability of an employee accepting an overseas opportunity.

&lt;With people&gt;

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## Talent acquisition

### ■ Recruitment policy and strategy

Our basic policy and strategy is to address issues common across global operations in a coordinated manner. We formulate and implement compensation and recruitment strategies appropriate to each country and region, taking into consideration the respective labor practices and other factors. Globally, we stated and visualized the employee value proposition (EVP), sharing this concept through the Komatsu EVP Playbook. We are also strengthening our efforts to increase the global recognition of the Komatsu brand. These efforts include our partnership with the F1 Williams Racing team and other measures to enhance our ability to attract and acquire employees in each country.

In Japan, we pursue strategic and talented human resources through diverse hiring methods (referrals and alumni, etc.) to secure people who meet our expectations and who can perform assigned tasks immediately.

#### What is EVP?

EVP represents the values that our company provides to employees, including our mission and vision, corporate values and culture, human resources development system, career development environment, work environments, compensation and benefits, and more. By stating, visualizing, and communicating these values as EVP to employees and job seekers, the program aims to instill our corporate philosophy, increase employee engagement, strengthen competitiveness for employees, and reduce turnover.

Komatsu developed the Komatsu EVP Playbook through discussions based on interviews with employees in each region conducted by a task force consisting of HR and marketing employees in North America, Latin America, Europe, Oceania, Asia, Africa, and Japan. In line with the Playbook, the company pursues human resources recruitment and retention activities tailored to each location.



Komatsu EVP Playbook

### ■ Recruiting highly skilled human resources in asia

We recruit STEM (science, technology, engineering and mathematics) talent by working with top science and technical universities in Asia and other areas. In addition to hiring people with skills in data analysis, machine learning, communication protocols, etc., we also strengthen training programs for executive candidates whom we expect will assume management roles in overseas offices in the future.



Information exchange among Bina Nusantara University, PT Komatsu Indonesia and Komatsu Ltd. Development Department.

### ■ Acquiring digital talent

Komatsu has long been involved in IoT for construction machinery. We are stepping up our efforts to attract exceptional talent at EARTHBRAIN Ltd., a DX company launched as a joint venture in 2021 to expand our solutions business. EARTHBRAIN is home to members with diverse backgrounds, from startups, mega-ventures, and overseas (India, Vietnam, etc.). The company is accelerating the development of digital solutions through new offices in North America and Vietnam.



The EARTHBRAIN Development Center in Vietnam

### ■ Creating attractive workplaces

In January 2024, Komatsu began reconstruction work on our head office building (Akasaka, Minato-ku, Tokyo, Japan). The goal of this reconstruction is to enhance corporate resilience, as stated in the growth strategy section of our mid-term management plan. We will use the new head office building (scheduled for completion in September 2026) to strengthen the functions of the innovation center, including expanded industry-academia collaborations, industry-industry collaborations, and open innovation. The building will also be an important base for attracting talented human resources to support sustainable growth. We will offer more opportunities to engage with Komatsu through new recruiting events and internships that make full use of real-world and online resources.



Exterior view of the new head office



Conceptual diagram of the new head office entrance