Komatsu’s Aftermarket Business Strategies

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Komatsu Ltd.
1. Introduction: Product Support Operation

Lifecyle costs of construction equipment

- Costs
- Trade-in of used equipment
- Period of product support

Lifecyle costs of mining equipment

- Costs
- Scrap
- Period of product support

Activities to keep machine running after delivery

A: - Maintenance (periodic inspection)
- Repair
- Spare parts

B: - Overhaul of key components via Reman/rebuild
(Engines, transmissions, hydraulic equipment, etc.)

By offering A and B to customers through high-quality service:

1) we keep machine downtime minimum and improve customer satisfaction in order to become indispensable to our customers, and

2) we also ensure our distributors’ base of stable earnings.

Strengthen

Capture A and B unfailingly.
- Expand sales of parts.

Roles of product support

Komatsu/Overseas Subsidiaries
Local distributors
Customers

Roles
- Supply of spare parts
- Stock of functional parts
- Quality assurance
- Supports
  - Training of distributors
  - Human resource development
- Point of contact and response to customers
- Sales of parts
  - Stock of wear-out parts
  - Maintenance/repair
  - Info. gathering and transmission
  - Training
2. Parts Market: Komatsu’s Machine Population

- Our machine population has been growing, supported by expanding demand for new equipment.
- Parts sales are less impacted by economic conditions, when compared to sales of equipment.

- We are working to further expand sales of parts as our base of stable earnings.
- Especially, we are focusing efforts to boost sales of strategic parts (see below).

Machine population of Komatsu mining equipment
(Cumulative total of units sold in the last 10 years)

<table>
<thead>
<tr>
<th>FY</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Projected</th>
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<td>110</td>
<td>125</td>
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Machine population of Komatsu construction equipment
(Cumulative total of units sold in the last 10 years)

<table>
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Expanding sales of Strategic parts

- Reman (Re-manufacturing) of engines, transmissions, etc.
- Periodic replacement parts
- Oil
- Hoses
- Engine
- Filter
- Bucket
- Idler
- Roller
- Sprocket
- Track shoe
- GET (Ground Engaging Tool)
- UC (Undercarriage)
3. 10-Year Review of Parts Business


1. Reinforcement of sales force: Waiting → Visiting [Distributor’s personnel in charge = PSSR reinforcement]

2. Expansion of inventory and supply capacity

1) Genuine oil and hydraulic hose – JIT delivery

Hoses: 2008-China, Indonesia, Asia, Middle East and Russia

2) Undercarriage

Oil: 2001-Japan, 2011-Global: 30 million liters

KUI est. (Indonesia)
KUI: new plant built
KUI: Reorganize as business unit (Direct sales by UT)

3) GET

Hensley Industries acquired
Hensley: New plant built

4) Reman

KRI est. (Indonesia)
KI: Cylinders
KCRC est. (China)
KRA: majority stake (Indonesia)
KPA est. (Indonesia: Att)
KCAC est. (China: Att)
Rebuild centers est. (Chile, India, Russia)

PSSR: 626 persons
4,200 persons

Billions of yen

<table>
<thead>
<tr>
<th>Year</th>
<th>Functional parts (excl. Reman)</th>
<th>Periodic replacement</th>
<th>Reman</th>
<th>UC</th>
<th>GET</th>
<th>Parts sales</th>
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Oil: 2001-Japan, 2011-Global: 30 million liters
1. Purpose

To accelerate the speed of developing and sales of strategic parts by establishing the division which handles them exclusively.

1) Reinforcement of development and design depts.: Development and timely supply of unique products.

2) Establishment of headquarter organization to support distributors’ Product Support Sales Representatives (PSSR) as well as train and assign more Sales Engineers (SE) to overseas subsidiaries.

Notes: 1) PSSR: Distributors’ sales personnel in charge of parts and service
2) SE: Komatsu’s personnel (incl. those on loan) in charge of sales of parts and technical support

2. Operations

**<Products>**
- Strategic parts
  - GET (ground-engaging tools)
  - UC (undercarriages)
  - Buckets
  - Attachments
  - Dump truck vessels
  - Periodic replacement parts, such as hoses, oil and filters
  - Overhauled components, etc.

- Applicable construction and mining equipment: Komatsu and other brand equipment being used by customers

**<Organization>**
- Organized in line with the segments of strategic

**Development Division**
- GET
- UC
- Buckets
- Attachments
- Dump truck vessels
- Periodic replacement parts
- Reman, overhauled components

**Parts Sales Planning Dept, Construction & Mining Dept. Mkt Div**
- Overseas mfg. subsidiaries (parts)
  - Overseas subsidiaries
  - Distributors

**Aftermarket Business Division**
2. Operations (cont.)

<Description>

1) Reinforcement and expansion of sales by strategic parts and regions
- Narrow down target regions and place priorities. Strengthen operations best suited for the respective regions.
- Allocate SEs and designers to plants to quickly incorporate customer needs.
- Specialize PSSRs by strategic parts.
  (Note) SE : Sales Engineer, PSSR : Product Support Sales Representative

2) Expansion of product mix
- Develop products to help customers’ business (reduction in the lifecycle costs, improvement of productivity)
- Develop unique products which offer the values of safety and convenience to customers and broaden the product mix.
- Expand business into attachments and vessels and reinforce engagement.

3) Reinforcement of human resource development and collaboration
- Develop human resources in a planned manner so that they will become a group of experts.
- Strengthen collaboration with plants and suppliers in addition to distributors and overseas subsidiaries.

<Sales targets>

FY2015 sales
- Total parts: 1.8 times from FY2011
- Strategic parts: Over 40% of total sales of parts