

Current Conditions of Japanese Construction Equipment Market and Komatsu's Basic Strategies

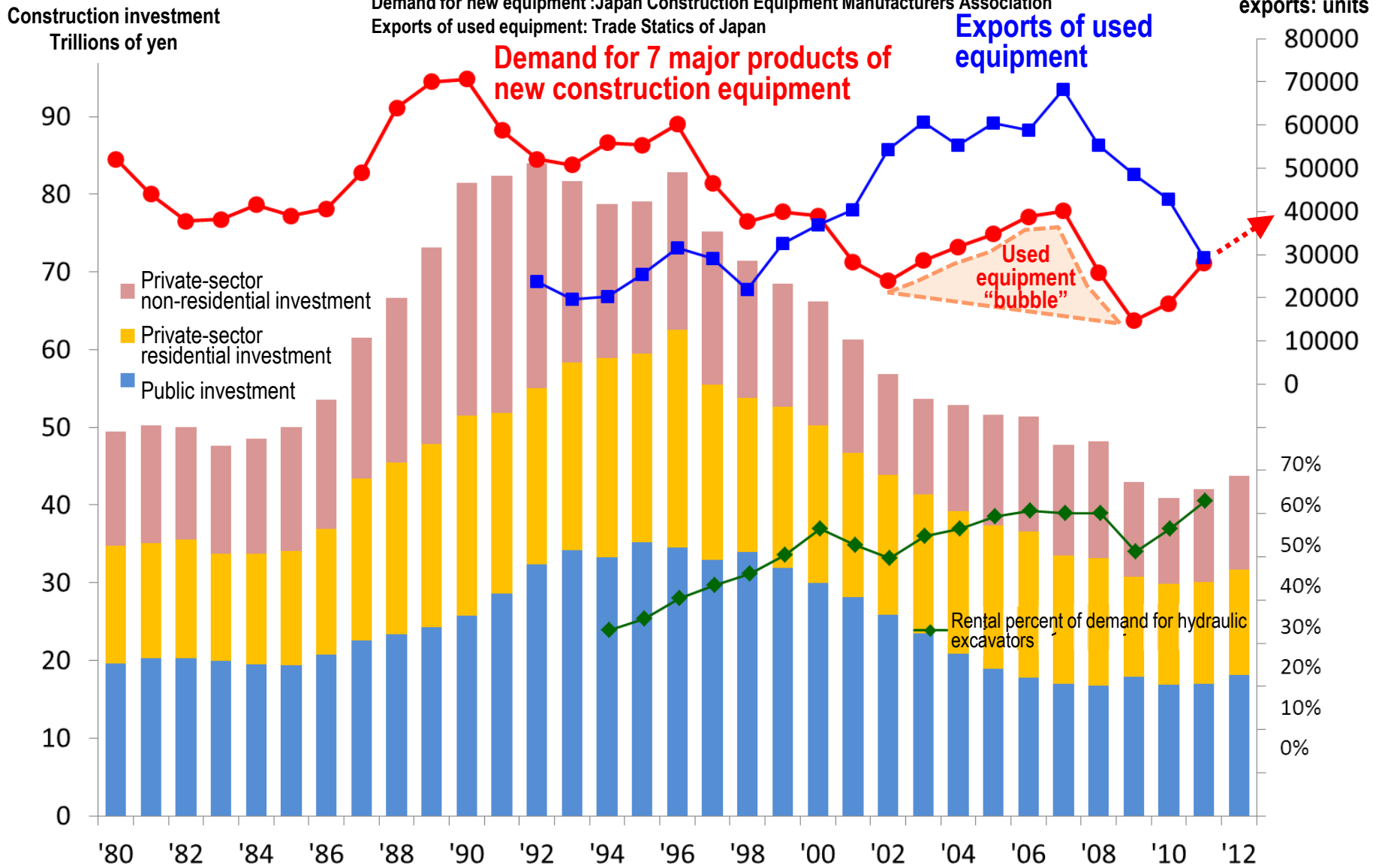
2012/12/17

**Takenori Tokunaga
Executive Officer
President of Japanese Domestic Marketing Division
Komatsu Ltd.**

Demand for Seven Major Products in Japan

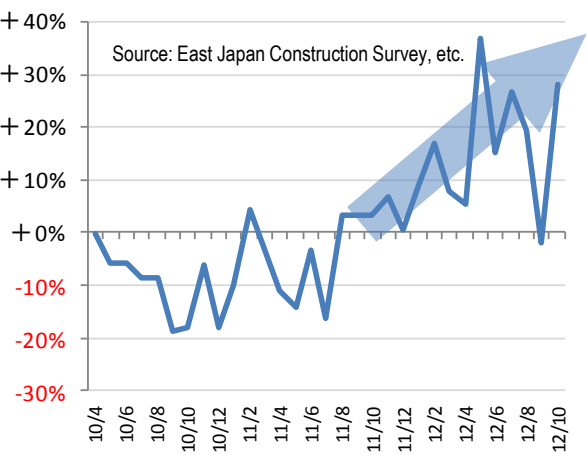
Demand expanded by 42% in the first half period (Apr. – Sep. 2012) of FY2012 from the corresponding period a year ago, driven by rental companies. In the second half period, while demand is estimated to slow down in the rental equipment sector, we anticipate that it will continue to increase from the first half period in the general user sector.

Sources: Construction investment: Ministry of Land, Infrastructure, Transport and Tourism, Research Institute of Construction and Economy
 Demand for new equipment :Japan Construction Equipment Manufacturers Association
 Exports of used equipment: Trade Statics of Japan

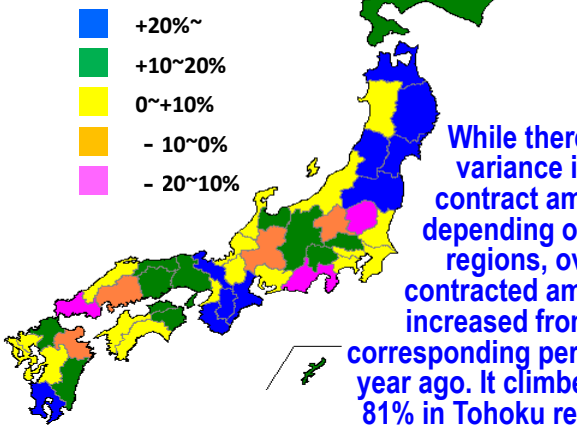


Both public works orders and construction contract amount for the first half period increased from the corresponding period a year ago. Construction environment has been improving.

Public works contract amount: Growth rate

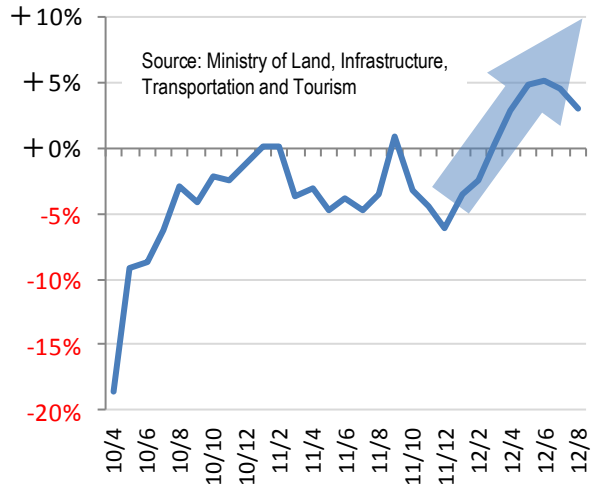


Public works contract amount: Rate of growth by region (Apr. – Oct. 21012)



While there is a variance in the contract amount depending on the regions, overall contracted amount increased from the corresponding period a year ago. It climbed by 81% in Tohoku region.

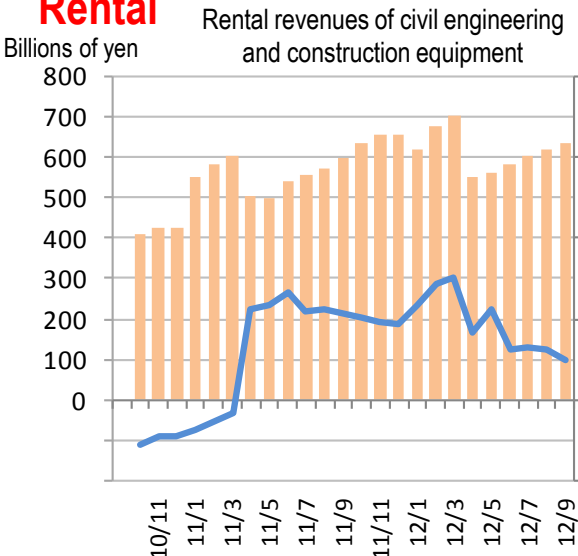
Value of construction put in place (performance basis): Growth rate



Trends by sector

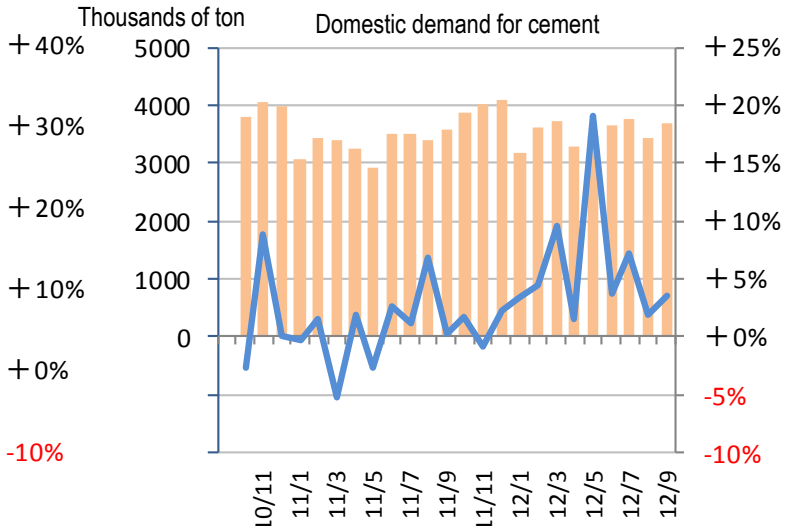
Conditions remains good in the rental and quarrying sectors.

Rental



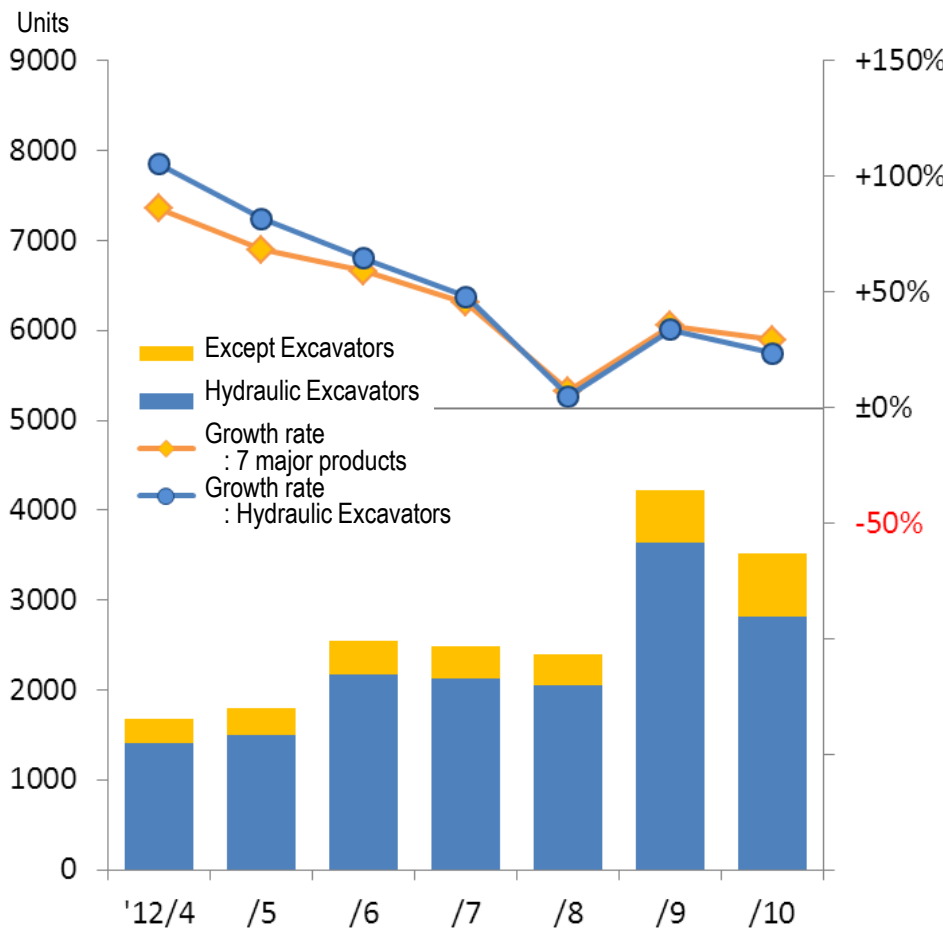
Source: Current survey of selected service industries, Ministry of Economy, Trade and Industry

Mining and quarrying



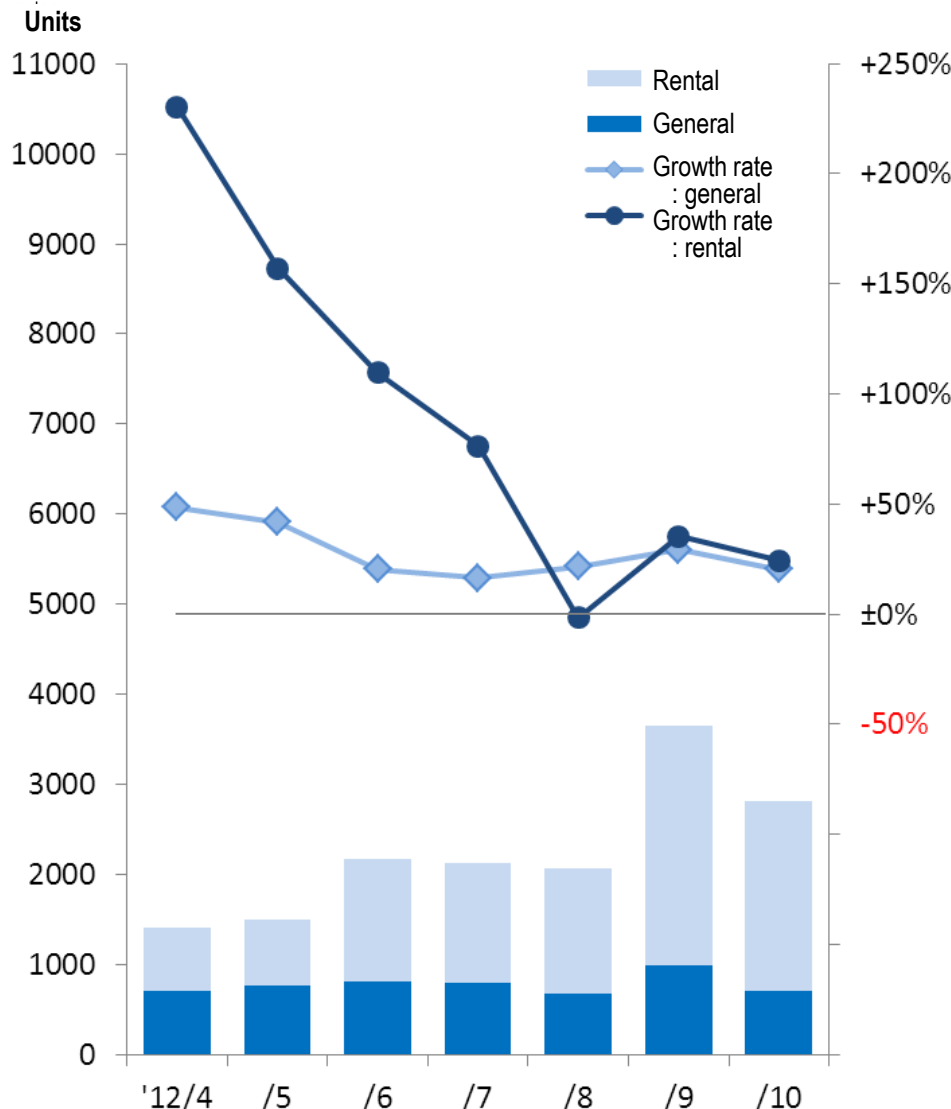
Source: Japan Cement Association

Latest demand for 7 major products
 Demand for hydraulic excavators increased driven by the rental sector in the first half period, and this condition has not changed in October. A substantial increase in demand is continuing.



Source: Japan Construction Equipment Manufacturers Association

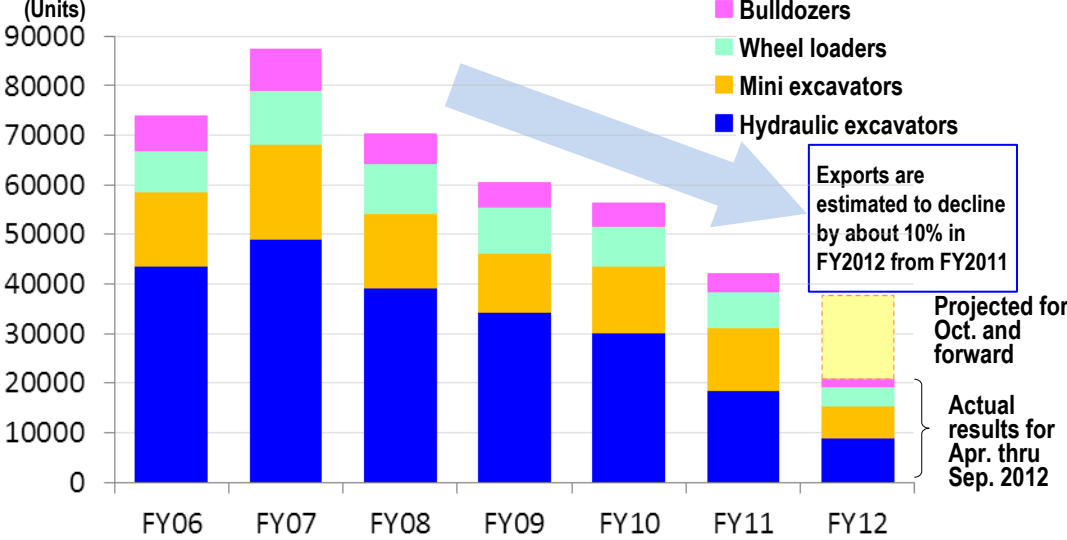
Latest demand for hydraulic excavators by general and rental sectors



Source: Japan Construction Equipment Manufacturers Association

Exports of used equipment by product type

Source: Trade Statistics of Japan, Ministry of Finance

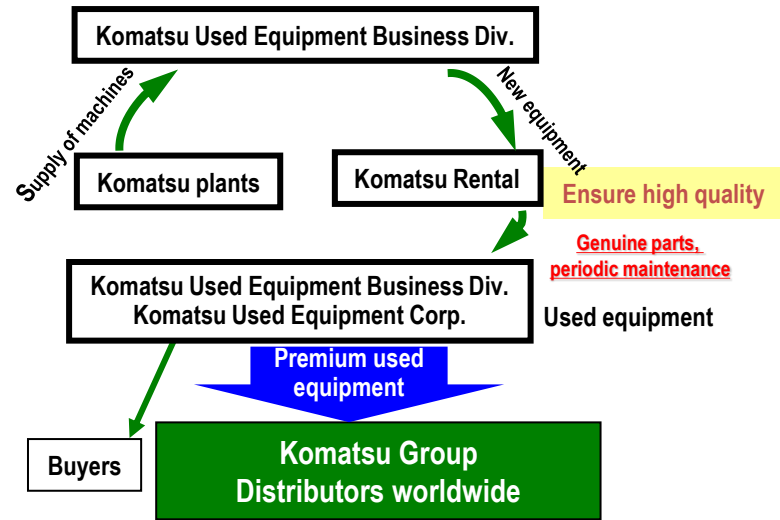


As market stock adjustment of used equipment is coming to an end in Japan, the amount of available used equipment has declined.

⇒ Exports of used equipment has decreased steadily year after another.

Targets of our used-equipment business

- 1) To enhance the value of used equipment: Increased price of used equipment → Promotion of sales of new equipment and price hikes of new equipment
- 2) To expand consolidated earnings: Sales of high-reliability and high-quality used equipment by Komatsu Group companies in Japan and overseas.
- 3) Used-equipment business by capitalizing on manufacturer's strengths
 - ICT-deployed used-equipment business
 - Compliance



Used equipment generated stably by Komatsu Rental enjoys good evaluations overseas as well. They are valuable products for Komatsu distributors worldwide.

Premium used equipment

- Complete maintenance and operation management of machines
- Repair history
- KOMTRAX reports
- Powertrain inspection involving 30 items

Komatsu controls the quality of used equipment.

Komatsu Premium Certified Used Equipment

1. Community redevelopment

1) Today, there are small to medium-scale construction projects in six areas (three cities and one town). As the work centers on excavating top soil of the mountains and using it for landfill, we are anticipating the use of medium-sized machines.

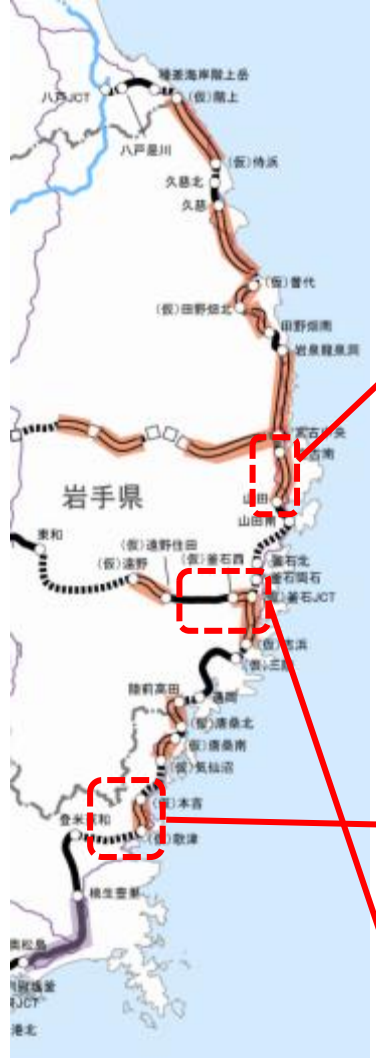
Township	Area of relocation (ha)	Outline of relocation (No. of areas)			Start of construction				
		Total	High land	Flat land	Survey	Construction/preparation	FY'13		
							FY'12 1H	FY'13 1H	FY'13 2H
Ishinomaki	90	18	10	8	9	2	Feb		
Sendai	100	23	0	23	19	1	Feb		
Iwanuma	90	3	0	3	2	2	Aug		
Yamamoto	50	7	0	7	7	1	Jun		

2. Today, there are four large-scale construction projects, for which orders have been placed but not started in two cities and one town. As these projects mainly call for cut & fill works (cutting down the mountains and reclaiming land), we are anticipating the use of medium-sized to large hydraulic excavators and dump trucks.

Rikuzentakata, Iwate	200	10	8	2	10	0		Aug (civil engineering)
Matsushima, Miyagi	70	8	1	7	7	0		Aug (civil engineering)
Onagawa, Miyagi	230	28	28	0	2	0		Apr (civil engineering)

2. Road construction

We are expecting full-scale ordering to start with three sections, for which construction start-up ceremonies have been held, in next fiscal year and forward. These projects should take the form of large-lot construction (packaged construction).



Sanriku Coastal Highway (PPP)

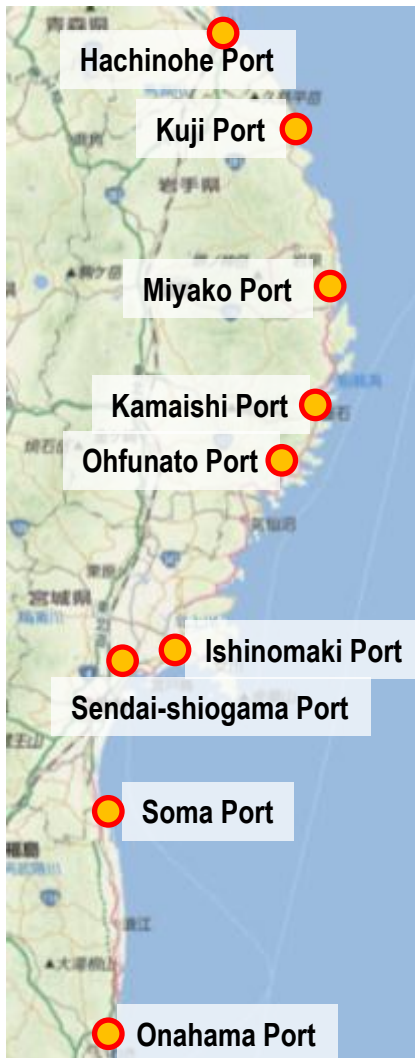
Section	Length
Hirono	20km
Fudai-Kuji	25km
Tarou-Fudai	20km
Miyako-Tarou	21km
Miyako-Hakoishi	33km
Yamada-Miyako	14km
Yoshihama-Kamaishi	20km
Rikuzentakata	8km
Kesenuma-Karakuwa	10km
Utatsu-Motoyoshi	12km
Total	183km

Kamaishi-Hananomaki Highway

- Kamaishi- Kamaishi West: 6km

3. Ports

While reconstruction work began immediately after the disaster and orders have been placed for most projects, main work has been performed with barges.



Orders placed for major ports

Port	No. of orders	Value Bn JPY
Hachinohe	15	13.0
Kuji	10	4.0
Miyako	10	8.3
Kamaishi	12	20.0
Ofunato	7	4.8
Ishinomaki	11	9.0
Sendai-shiogama	12	4.6
Soma	20	15.0
Onahama	29	13.0

Note: Some exerts only

Most construction expected for completion before the end of next fiscal year

Efforts of Tohoku Operation Dept.



New Safety Training Centers Opened (Miyagi & Natori)



Restoration of Amphibious Bulldozer



Tohoku Operation Dept. established (Apr. 2011)

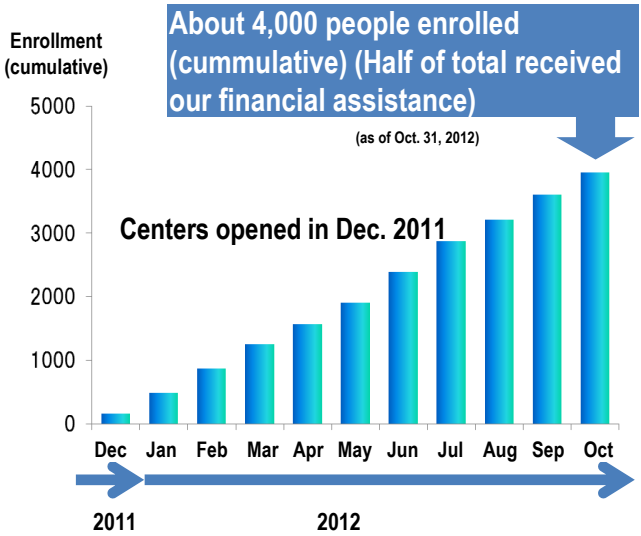
Offered assistance equivalent of about JPY1.9 bn (cumulative) as of October 2012. Continuing efforts into the future.

Tohoku Service Center established (Oct. 2011)

Service by 16 shift mechanics

Keep machines from downtime

Helping local communities by ensuring operation of machines.



- Restored D155W-1 amphibious bulldozer (made in 1993) owned by a customer at our Osaka Plant.

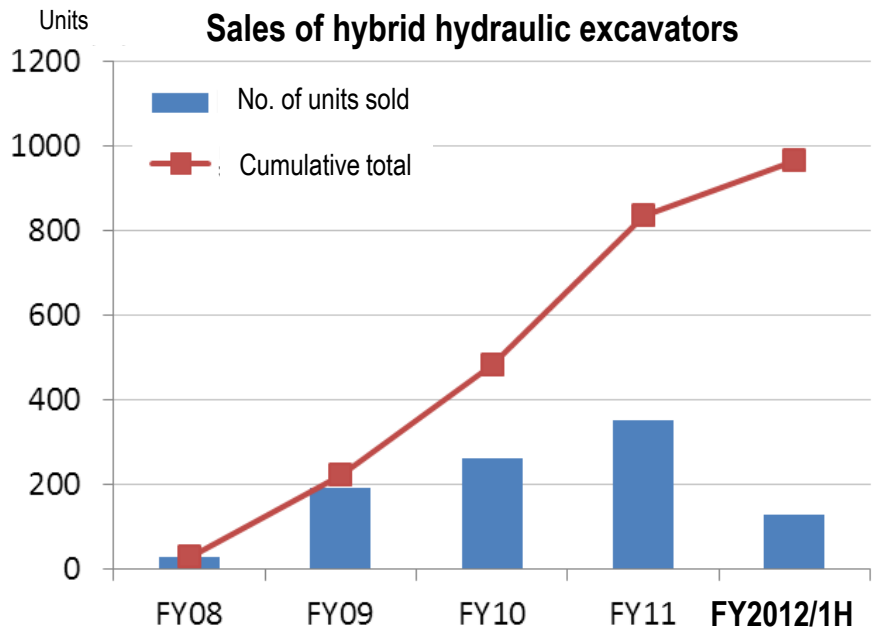
- Completed in Sep. 2012 thanks to about 100 suppliers' cooperation.

- Planning to deploy it after testing performance.

Objectives

- Training operators who are urgently needed in the disaster-damaged regions.
- Supporting those who lost work to get new work.

D155W amphibious bulldozer
 Developed: 1972
 Weight: 43 tons on the ground and 27 tons underwater
 Operating depth: 7 meters



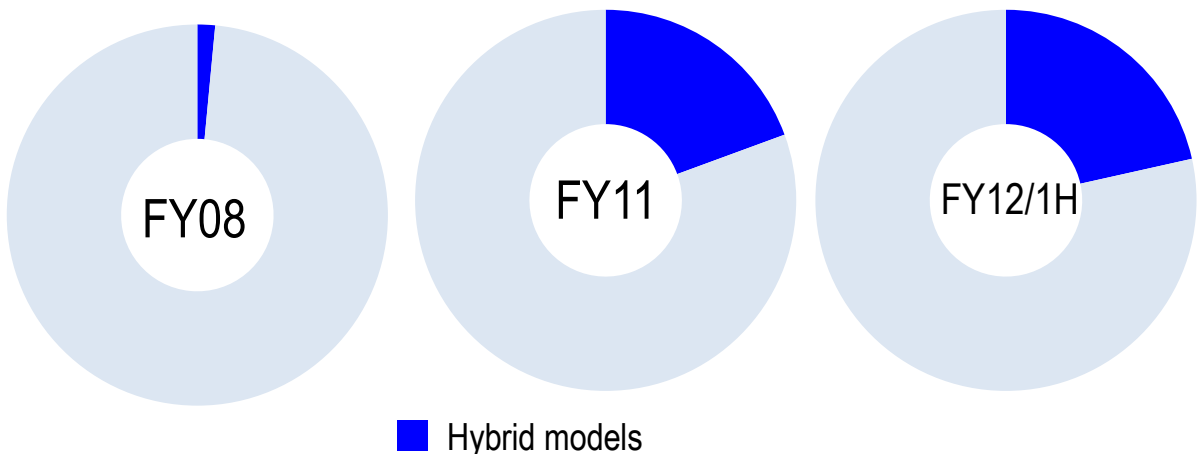
Since launched in FY2008, sales have steadily increased year on year. As of November 2012, cumulative sales topped 1,000 units.



Proportion of sales of hybrid models in total sales of PC200-family hydraulic excavators

PC200-family hybrid excavator models PC200/210(LC) HB205(215LC)

Today, hybrid models account for about 20% of total sales of new units of the PC200-family hydraulic excavators. When sales to rental customers are excluded, sales of hybrid models have topped 30% recently.



Focused Efforts in Japan: Launchings of Tier4-Compliant Models

Held a seminar for the emissions of non-road special motor vehicle act of 2011, exhibited and demonstrated new models.
(Dec. 3, 2012)

<Models launched>

PC200/210(LC)-10

PC220/230(LC)-10

PC300/350(LC)-10

PC400/450(LC)-10

D61EX/PX-23

D65EX/PX-17, D155AX-7

WA500-7

HM300/400-3



Percent of sales of Tier4-compliant models in total sales of new equipment :
About 15%