Overseas Market Conditions of Construction and Mining Equipment

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Hisashi Shinozuka
Senior Executive Officer
President of Construction and Mining Marketing Division
Komatsu Ltd.
1. Market Conditions by Region  PP. 3-10
2. Mining Equipment Business  PP. 11-12
3. Parts, Service and Other Businesses  PP. 13-14
Seven major products (exc. mini equipment): Crawler-type hydraulic excavators, wheel-type hydraulic excavators, bulldozers, wheel loaders, rigid dump trucks, articulated dump trucks, and motor graders.
Investors Meeting FY2012

North America

Demand for 7 major products


Demand for 7 major products and U.S. housing starts

Housing starts
Thousand units

Projected

0 10,000 20,000 30,000 40,000 50,000 60,000 70,000 80,000

'95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12

Demand for 7 major products


Demand for 7 major products: Estimated by Komatsu
North America

Breakdown of demand by industrial segment (Unit basis)

Year-on-year growth rate

- Rental: +73%
- Mining: +12%
- Energy: +17%
- Highways: +21%
- Public works: -2%
- Construction:

Percentage of coal vs. natural gas in power generation

- Coal: 44.5%, 44.8%, 42.2%, 34.6%
- Natural gas: 23.2%, 23.7%, 24.6%, 30.2%

Source: IEA

Change in energy source in the U.S.

Shifting from thermal coal to natural gas driven by shale gas
Construction of shale gas well
- Clear forests and mountains and develop flat land.
- Build access roads to the developed sites.
- Install drilling equipment.
- Build ponds to discharge water.
- Remove drilling equipment to complete construction of wells and then redevelopment of adjacent land.

Characteristics of construction equipment for use in the shale gas drilling method:
1) Smaller machines
2) Short construction period

Expanding rental demand

Develop infrastructure by clearing forests
Drilling equipment
Pond for discharged water
Access road
Demand for 7 major products by region

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012FC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>30,000</td>
<td>35,000</td>
<td>40,000</td>
<td>45,000</td>
<td>50,000</td>
<td>55,000</td>
<td>60,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Northern Europe</td>
<td>10,000</td>
<td>12,000</td>
<td>14,000</td>
<td>16,000</td>
<td>18,000</td>
<td>20,000</td>
<td>22,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Western Europe</td>
<td>15,000</td>
<td>18,000</td>
<td>21,000</td>
<td>24,000</td>
<td>27,000</td>
<td>30,000</td>
<td>33,000</td>
<td>36,000</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>5,000</td>
<td>6,000</td>
<td>7,000</td>
<td>8,000</td>
<td>9,000</td>
<td>10,000</td>
<td>11,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>5,000</td>
<td>6,000</td>
<td>7,000</td>
<td>8,000</td>
<td>9,000</td>
<td>10,000</td>
<td>11,000</td>
<td>12,000</td>
</tr>
</tbody>
</table>

Percent of demand for 7 major products

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<tr>
<th>Region</th>
<th>FY2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012FC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>50%</td>
<td>55%</td>
<td>60%</td>
<td>65%</td>
<td>70%</td>
<td>75%</td>
<td>80%</td>
<td>85%</td>
</tr>
<tr>
<td>Northern Europe</td>
<td>20%</td>
<td>22%</td>
<td>24%</td>
<td>26%</td>
<td>28%</td>
<td>30%</td>
<td>32%</td>
<td>34%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>15%</td>
<td>17%</td>
<td>19%</td>
<td>21%</td>
<td>23%</td>
<td>25%</td>
<td>27%</td>
<td>29%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
<td>16%</td>
<td>18%</td>
<td>20%</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>5%</td>
<td>7%</td>
<td>9%</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
<td>17%</td>
<td>19%</td>
</tr>
</tbody>
</table>

3 major markets: U.K., France & Germany. Northern Europe: Norway, Sweden, Finland & Denmark. Southern Europe: Spain, Portugal, Italy & Greece. Western Europe: Western countries other than above. Eastern Europe: Eastern countries.
Quarterly demand for 7 major products

Change in demand in major countries: Apr – Sep 2011 vs. Apr – Sep, 2012

<table>
<thead>
<tr>
<th>Major markets</th>
<th>Change in total demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Thailand</td>
<td>+95.6%</td>
</tr>
<tr>
<td>Philippines</td>
<td>+70.9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>+20.1%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>-47.9%</td>
</tr>
<tr>
<td>Southeast Asia (total)</td>
<td>+3.4%</td>
</tr>
</tbody>
</table>
Indonesia: Quarterly demand for 7 major products

Price of thermal coal

Price of CPO (Crude Palm Oil)

CPO Price Trend Weekly 2010 - 2012

CPO spot price
Nov22: $778/ton
China

Demand for 7 major products (foreign makers only)

Investment in railway fixed assets

Monthly demand for hydraulic excavators (6t & larger) (foreign makers only)
Building Up Operations in Mining Markets

Basic policies for distributors of mining equipment:
Face-to-face operation by Komatsu (preferably, consolidated distribution subsidiary)

As Komatsu is responsible for functional parts and Reman operation, Komatsu and distributors team up and engage in customer-specific activities mainly through JoifUL (Joint Follow-up Log), CI (Continuous Improvement) and R&M (Repair & Maintenance) programs.

<China>
Komatsu China Mining Ltd. [KCML] est. (2010/10)

<Brazil>
Komatsu Brasil International [KBI] to start direct marketing and product support. (2013/4)

<Colombia>
Made equity participation in Tecpalsa. (2012/2)

<Peru>
Acquired 40% equity of Komatsu Mitsui Maquinarias Peru S.A. [KMMP] (2009/1)

<Countries serviced by Komatsu’s wholly owned or majority-held distributors>
South Africa, China, Australia, Chile, Colombia and Brazil (planned for April 2013)
Demand for Mining Equipment

- Europe + CIS
- Australia
- Africa + M.East
- Latin America
- N.America
- China
- Asia

Units

- Growth

FY98
FY99
FY00
FY01
FY02
FY03
FY04
FY05
FY06
FY07
FY08
FY09
FY10
FY11
FY12

Europe + CIS
Australia
Africa + M.East
Latin America
N.America
China
Asia

+50%
+40%
-33%
Expansion of Parts & Service Operations

Product lifecycle costs

<table>
<thead>
<tr>
<th>Construction</th>
<th>100</th>
<th>80～100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of new equipment</td>
<td>100</td>
<td>160～210</td>
</tr>
</tbody>
</table>

1) Maintenance (periodic inspection)
2) Repair
3) Parts replacement

In addition to 1) thru 3), there are overhaul costs for key components (engines, transmissions, hydraulic equipment, etc.)

Parts business will growth stably, supported by an increase in machine population in Strategic Markets and of mining equipment.

Reinforcing human resource development in Strategic Markets

- Training through academia-industry collaboration
  China: Shandong Jiaotong Univ. (2004 --)
  Russia: Yaroslavl Institute of Technology (Sep. 2010 --) and Pacific National Univ. (Oct. 2011 --)

- “Visualization” of technical levels and training records

Training service engineers of mining equipment

- Training distributors’ service engineers
- Increasing the number of training programs for foreign participants at Techno Training Center (Komatsu City, Japan)
- Training service engineers at Komatsu HRDC (Philippines) and training distributors’ engineers by Komatsu HRDC (Philippines) graduate
- Acquiring the Mining Equipment Division of a distributor in Brazil (to be completed in April 2013)
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Reinforcement of Global HANSEI (Sales and Production) Operation

Promoting “visualization” of total supply chain
- Retail information
- Inventory of equipment

Established the Global HANSEI Operation Center on the premise of the Osaka Plant

Distribution bases in Panama and Dubai began operations in April 2010 and October 2012, respectively.
⇒ Speeding up deliveries to customers and reducing distributors’ inventories.

Supply of equipment from Panama to Latin America
Supply of equipment from Dubai to the Middle East (Africa in the future under consideration)

Dubai (UAE)
Komatsu (Japan)
Panama