

# Komatsu America Corp.

Rod Schrader  
Chairman & CEO



D37PXi-23  
intelligent  
Machine  
Control

ConExpo  
March 4,  
2014



# Agenda

1. Intro to Komatsu America
2. Komatsu Ltd. 3<sup>rd</sup> Quarter Results & FY2013 / FY2014 Projection
3. North America Construction Market
4. Komatsu Technology and Innovation
5. Global Mining Market
6. Q and A



**Construction  
& Utility**

**Rental &  
Used**

**Mining**

**Parts**

**Komatsu  
Financial**

# **Komatsu America Corp**

**Komatsu  
Reman**

**North Latin  
America**

**Komatsu  
Forest**

**Komatsu  
Forklift**

**Industrial  
Machinery**

## **KAC Holding Companies & Subsidiaries**





# Komatsu North America Operations



## Peoria, IL

- Mining Truck Mother Plant
- Worldwide R&D for Electric Trucks



## Rolling Meadows, IL Headquarters



## Chattanooga, TN

- Excavators
- Forest Equipment
- Dozers and Forestry R&D
- Supply Chain Div.



## Cartersville, GA

- Demo Site
- Training Facility



## Ripley, TN

- Parts Distribution Center
- Reman Coordination Center

## Arizona Proving Ground

## Modular Mining Systems

### Tucson, AZ

- Information Management Solutions



## Hensley Industries, Dallas, TX

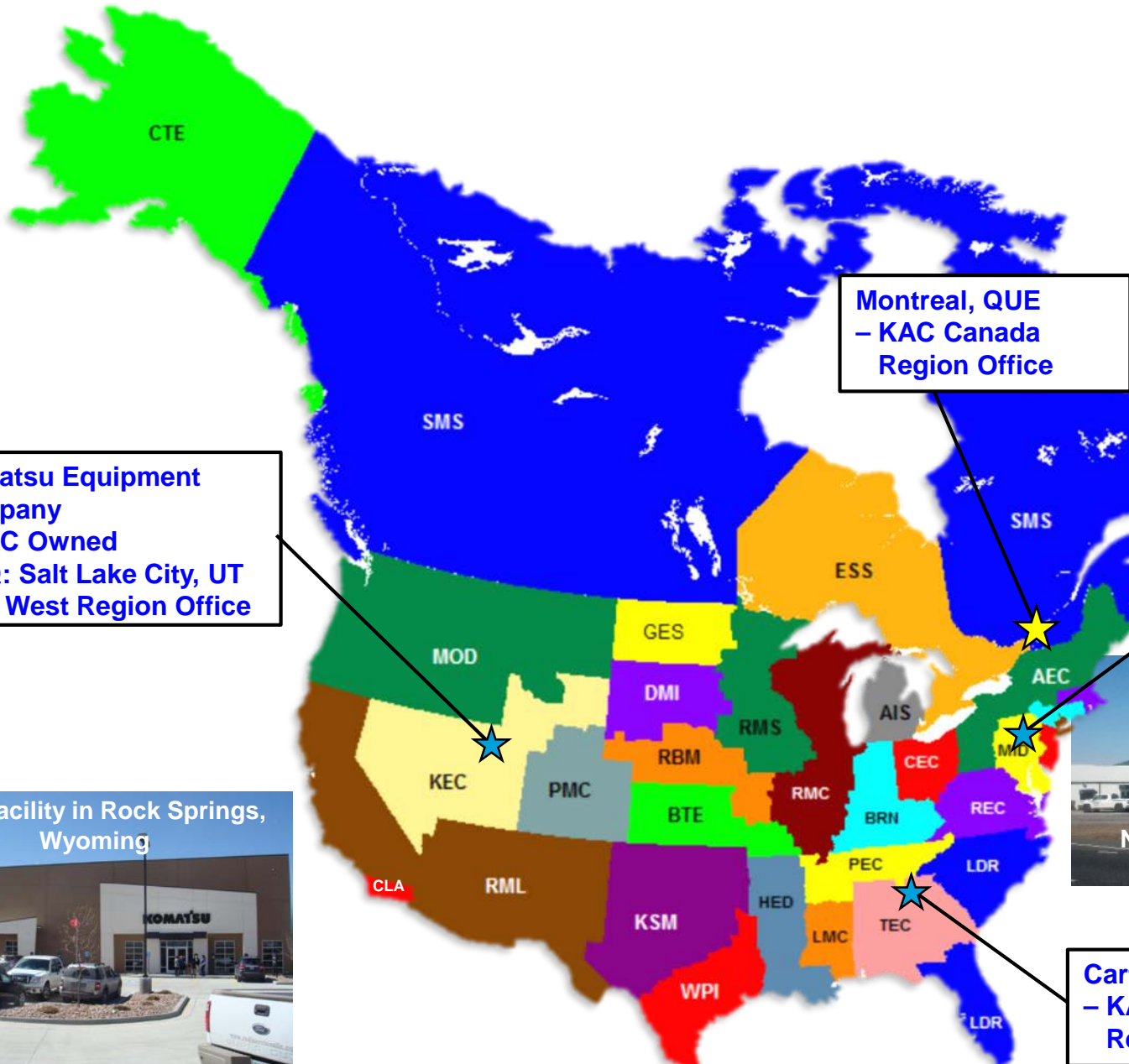
- GET
- Work Equipment (Buckets / Blades)



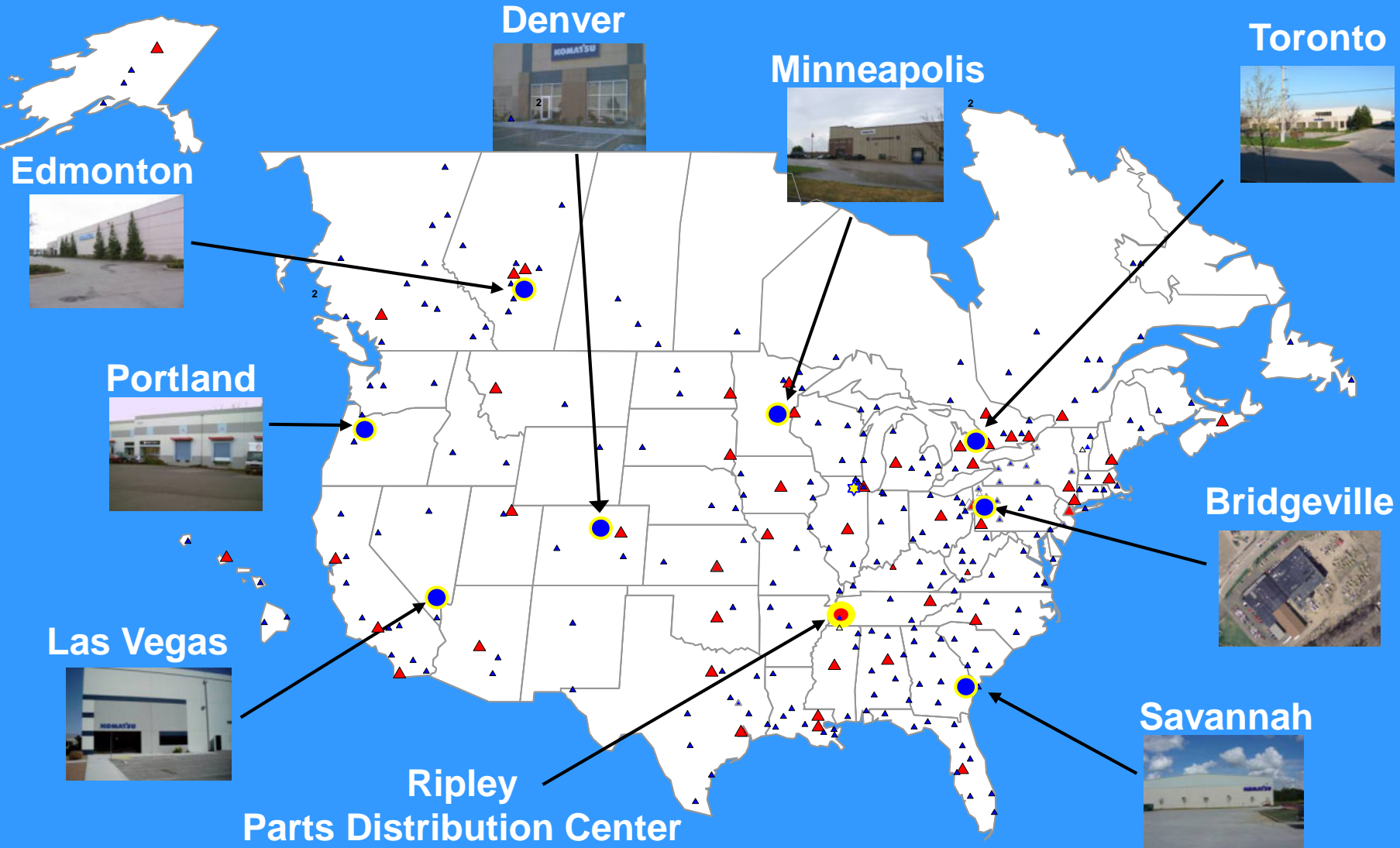
## Newberry, SC

- Wheel Loaders
- Forklifts

# 33 Distributors in North America



# Support from a Strong North American Parts Logistics Network



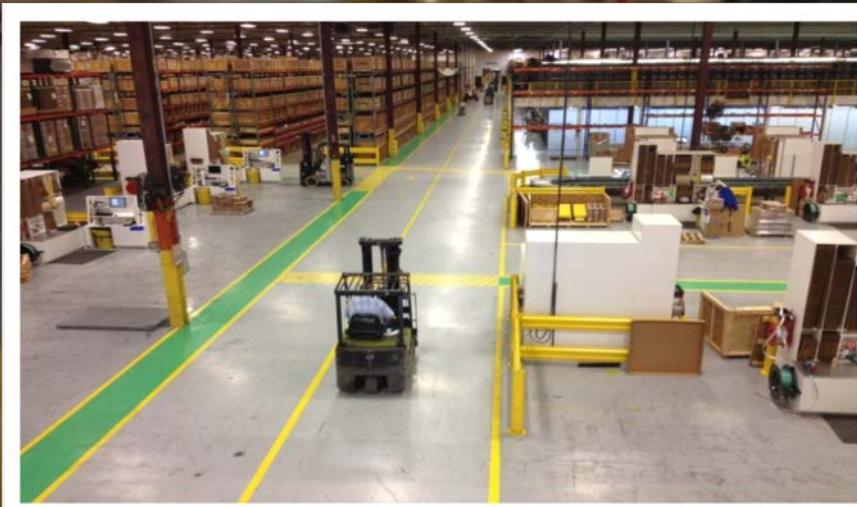
- Current Komatsu Parts Depot
- ▲ Komatsu DB Main Location
- ▲ Komatsu DB Branch





# Support from a Strong North American Parts Logistics Network

- 52 acre site
- 872,000 square feet inside storage (81,000+ m<sup>2</sup>)
- 238,700 bin locations
- 58,500 rack locations
- 38 dock doors
- Multiple shifts cover 24 hours



# Komatsu's Mid-Range Management Plan

- 1. Increase Komatsu's Corporate Value**
- 2. Commitment to Quality and Reliability**
- 3. Promote Continuous Improvement Activities based on The Komatsu Way**
- 4. Expand Investment for Business Growth through Refining Komatsu's Strengths and Transforming Customer Workplaces:**
  - a) Autonomous Haulage System (AHS)**
  - b) iMC Products**





# Together We Innovate GEMBA Worldwide

Integrated power of customers, distributors, suppliers and Komatsu Group employees.

Innovation will create new value.

Everything begins with GEMBA.

Our GEMBA is found all around the world.

**Komatsu Group employees worldwide will team up with distributors, suppliers and other partners, innovate customers' GEMBA together with them, and provide innovation designed to create new value, thereby working for sustainable growth of our core businesses of construction and mining equipment as well as industrial machinery.**

# Sales and Profits for Nine Months (April-December, 2013)

Consolidated sales increased by 2.9% from the corresponding period a year ago, mainly supported by increased sales of construction equipment in Japan and China, which compensated for the effects of sluggish demand for mining equipment. Similarly, operating income advanced by 10.1% and net income advanced by 26.6%.

	Japan ¥B			Apr-Dec, 2013 Reference US \$M 1US\$ = ¥98.5
	Apr - Dec 2012	Apr - Dec 2013	Change	
<b>Net Sales</b>	1,350.5	1,389.5	↑ 2.9%	\$14,107
Construction, Mining & Utility Equipment	1,207.6	1,250.7	↑ 3.6%	\$12,697
Industrial Machinery & Other	150.6	144.9	↓ -3.8%	\$1,471
Elimination	(7.6)	(6.1)		(\$62)
<b>Segment Profit</b>	151.0	163.7	↑ 8.4%	\$1,662
Construction, Mining & Utility Equipment	148.3	164.1	↑ 10.6%	\$1,666
Industrial Machinery & Other	3.8	1.1	↓ -70.7%	\$11
Corporate & Elimination	(1.1)	(1.5)		(\$15)
Other Operating Income (Expenses)	(0.5)	1.9		\$19
<b>Operating Income</b>	150.4	165.6	↑ 10.1%	\$1,681
Other Income (Expenses)	(4.9)	4.4		\$45
Income Before Income Taxes	145.5	170.1	↑ 16.9%	\$1,727
<b>Net Income</b>	91.0	115.3	↑ 26.6%	\$1,171

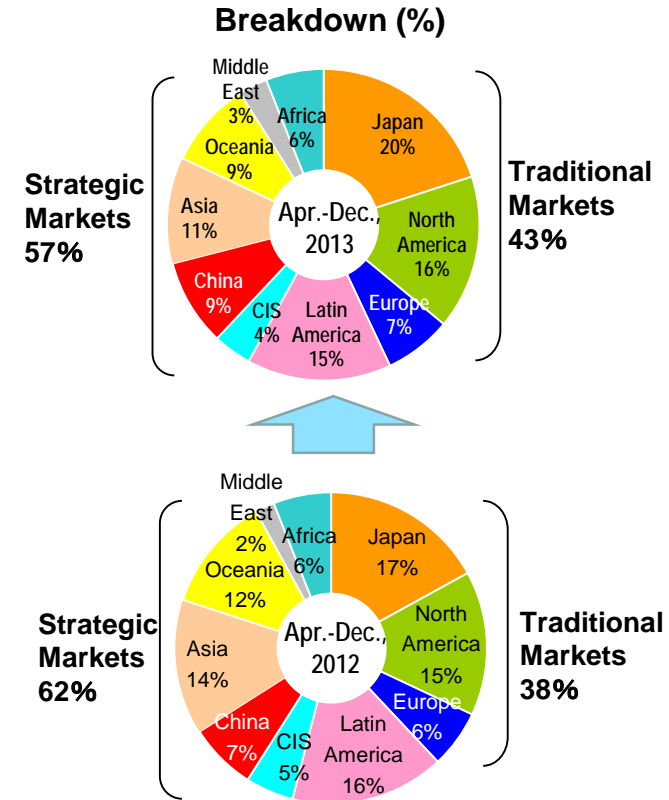
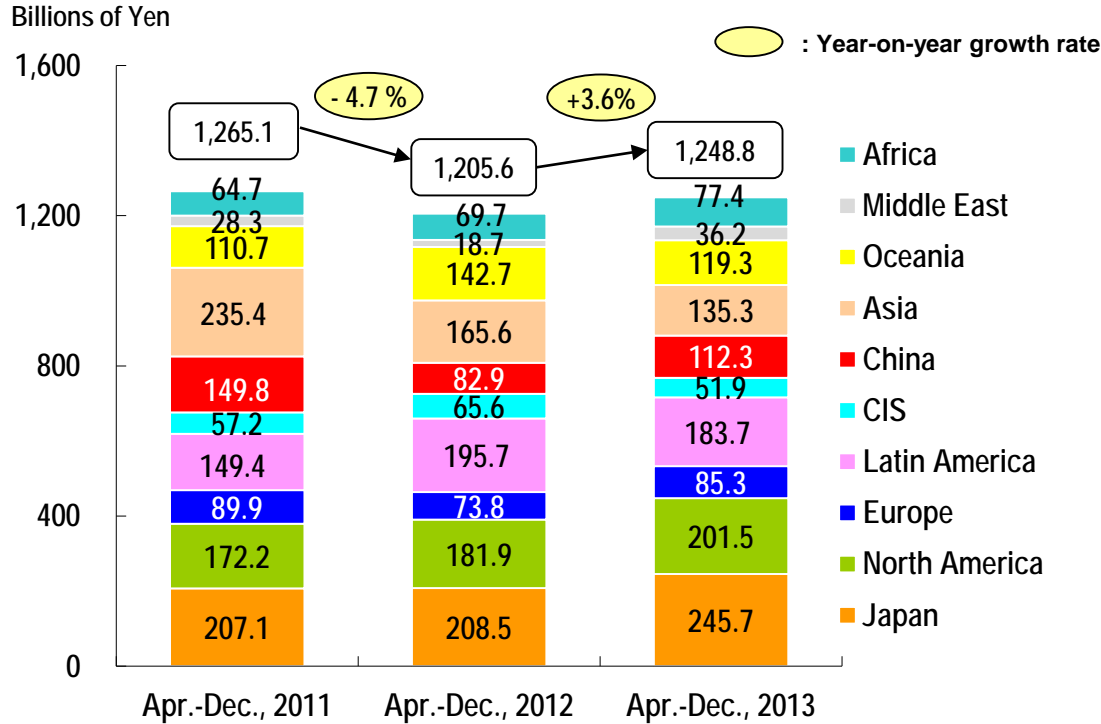


# Construction, Mining & Utility Equipment:

## Sales (to Outside Customers) by Region (Apr. – Dec., 2013)

While the percentage of sales in Oceania, Asia and Latin America declined in total sales against the backdrop of declined demand for mining equipment, that of Traditional Markets increased, driven by expanded sales in Japan with strong demand.

Sales by region (To outside customers)



Year-on-year growth rate of sales by region

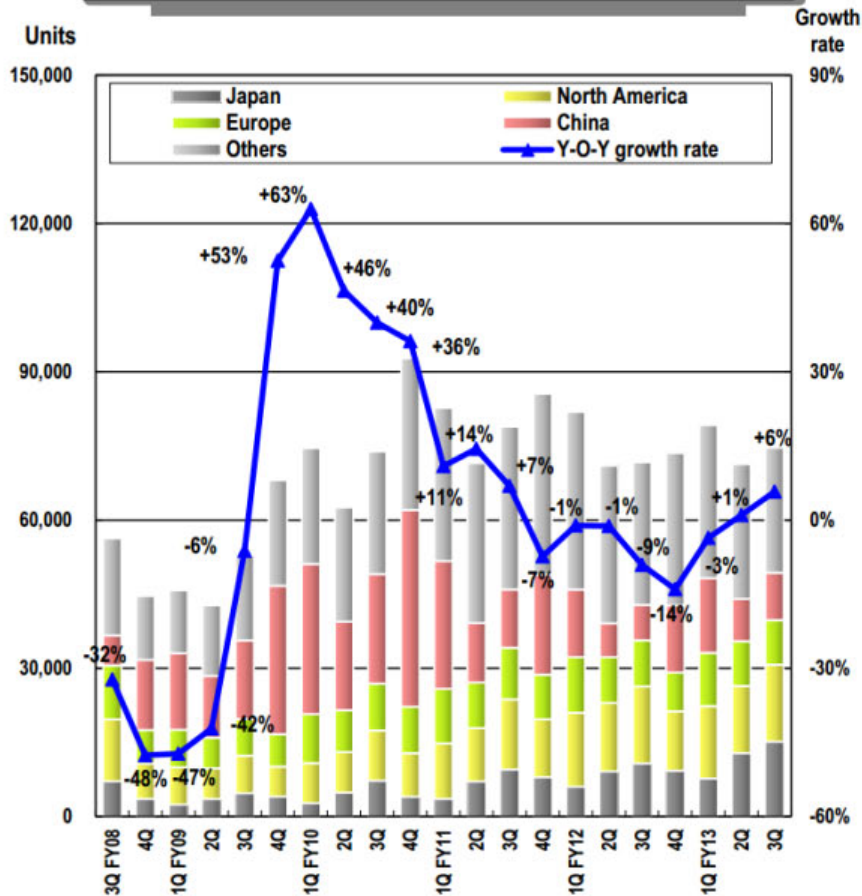
FY12 USD= JPY79.8 FY13 USD= JPY98.5	Japan	North America	Europe	Latin America	CIS	China	Asia	Oceania	Middle East	Africa	Total
Apr.-Dec.,2012	+0.7%	+5.7%	-17.9%	+31.0%	+14.8%	-44.6%	-29.6%	+28.9%	-33.9%	+7.8%	-4.7%
Apr.-Dec.,2013	+17.8%	+10.8%	+15.6%	-6.1%	-20.9%	+35.3%	-18.3%	-16.4%	+93.7%	+10.9%	+3.6%

# Construction, Mining & Utility Equipment:

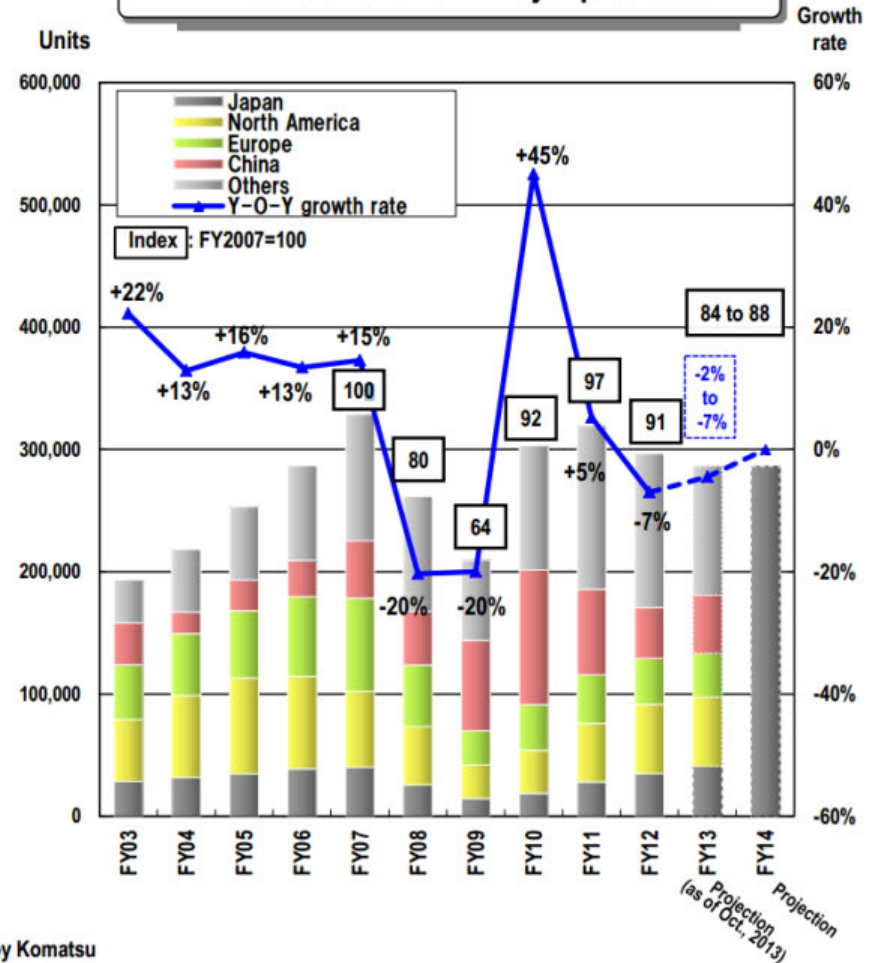
## Demand and Outlook for 7 Major Products

- In the third quarter, while demand for mining equipment remained sluggish, overall demand for construction and mining equipment increased by 6% from the corresponding period a year ago, mainly supported by increased demand in Japan where demand remained strong and in China where market conditions upturned for recovery.
- With respect to full-year demand in FY2013, we are keeping our projection of October 2013, i.e., a decline of 2% to 7% from FY2012.
- Concerning full-year demand in FY2014, we anticipate that it will be comparable to FY2013.

Quarterly demand for 7 major products



Annual demand for 7 major products



Demand: Estimated by Komatsu



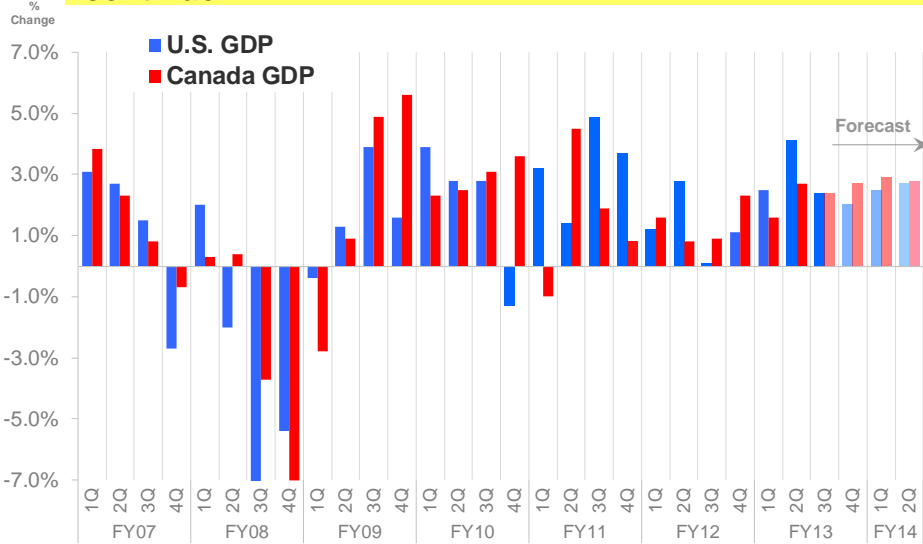
# Komatsu North American Construction Equipment Business



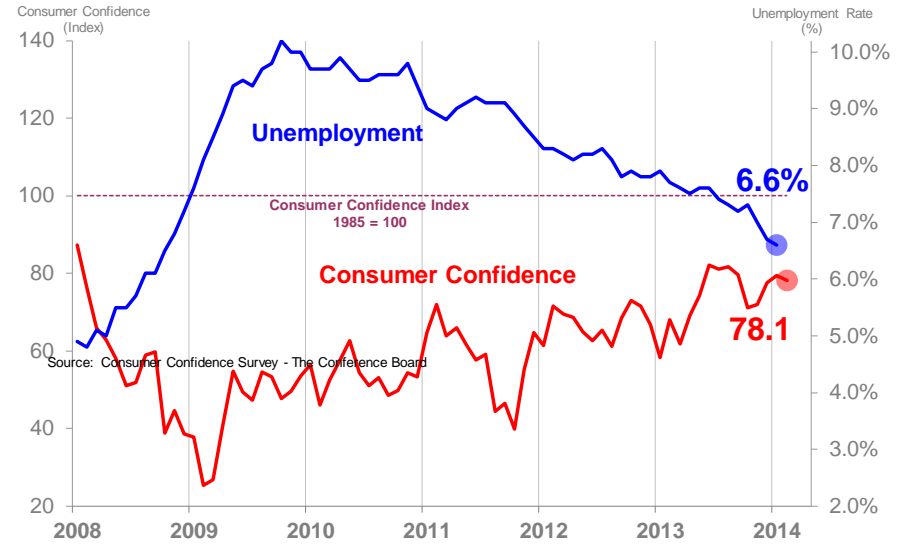
**PC88MR-10  
Tier 4 Final**

# Key Drivers of North American Construction Equipment Demand

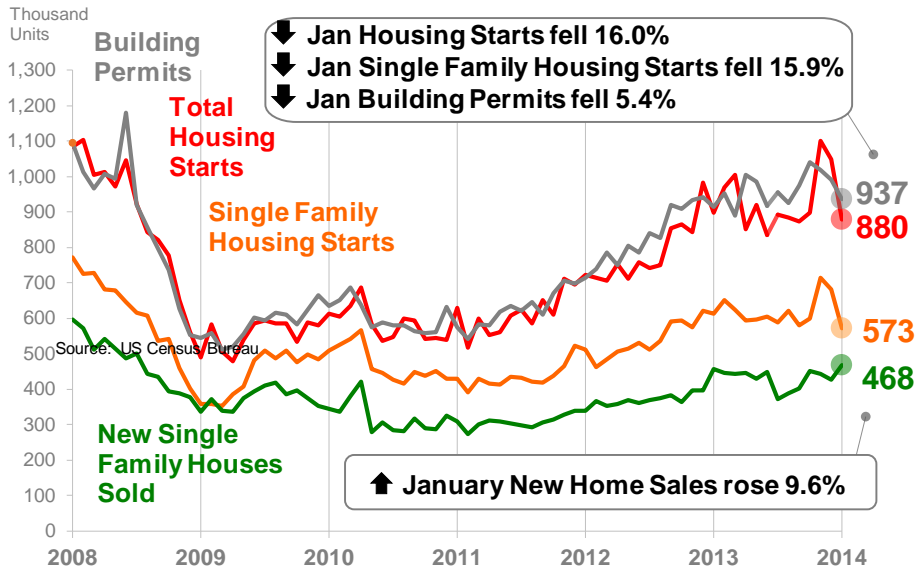
**Economic Growth, measured by GDP, is expected to continue...**



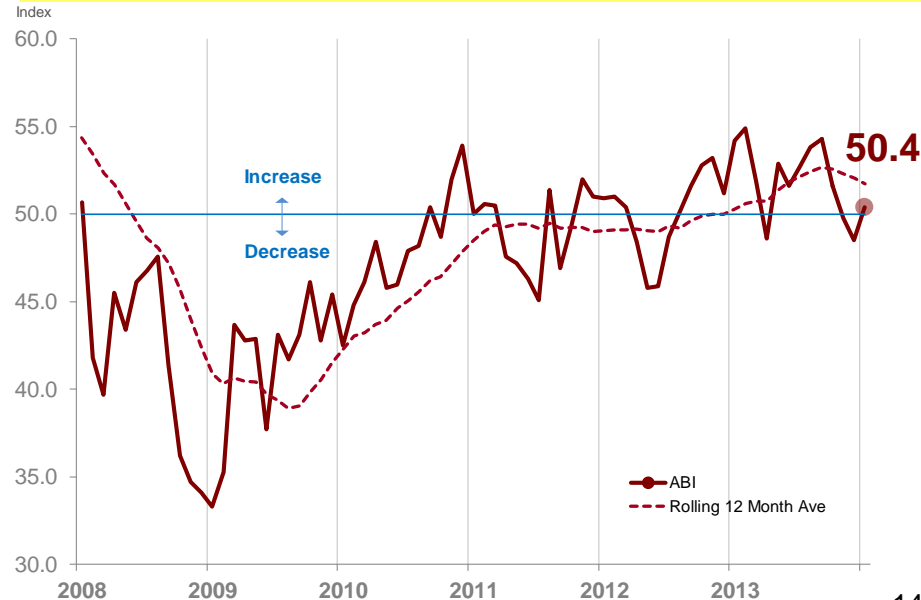
**...while Unemployment and Consumer Confidence show notable improvement from last year.**



**New home demand experiencing volatility, but generally follows an upward trend ...**

















**...and the Architecture Billings Index, a key Non-Residential leading indicator, remains positive.**





# North American Construction Equipment Market Trends

	FY2013	FY2014 Outlook	Trends
Residential Construction			The residential segment continues a gradual climb.
Non-residential Construction			Increasing with Energy and Housing.
Rental			Down from last year as rental companies increase existing fleet utilization. Still at a strong level.
Highway/ Transportation			Highway and Transportation continue steady increases.
Energy			Energy continues to be strong due to oil and gas projects, especially pipelines.
Mining / Quarry / S&G			Quarry seeing improvement, while mining faces challenges.
Other			Forestry increasing, while agriculture and recycling are nearly flat.

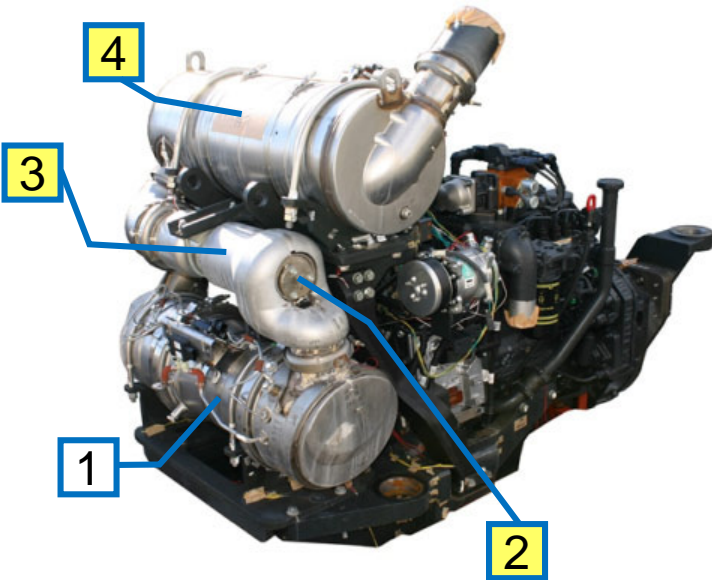
# Komatsu Technology and Innovation



**HB215LC-2 Third  
Generation Hybrid  
Excavator**



# Komatsu Tier 4 Final



1. Komatsu Diesel Particulate Filter assembly [KDPF]
2. AdBlue<sup>®</sup>/DEF dosing module
3. AdBlue<sup>®</sup>/DEF mixing tube
4. Selective Catalytic Reduction [SCR] assembly

 = New for Tier 4 Final



## Productive

- Non-Stop Production (Minimal Impact to Operator)
- Komatsu designed and manufactured components

## Dependable

- Peace of Mind through the suite of Komatsu Care Products
- Solid foundation
- Legendary Komatsu Reliability

## Efficient

- Operating Cost Reduction
- Fuel Economy Improved by up to 7 percent.
- Continuous Fuel Saving Feedback to Operator

# Tier 4 Final Products at ConExpo

## Dozers

D65

D155



## Excavators

PC55

PC88

PC240

PC490



## Trucks

HM300



**KOMATSU**<sup>®</sup>



# Commitment to Innovation and Environmental Stewardship

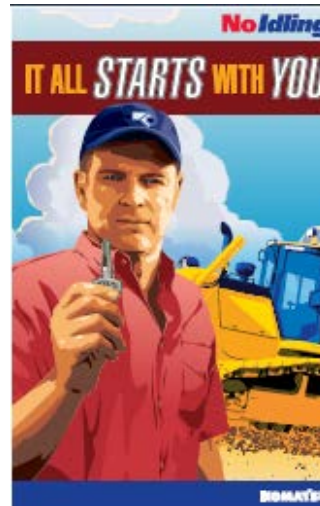
## Third Generation Hybrid Excavator

- Reduced Fuel Consumption
- High Performance



## Idle Reduction Activities

- No Idle Campaign
- Auto-Shutdown

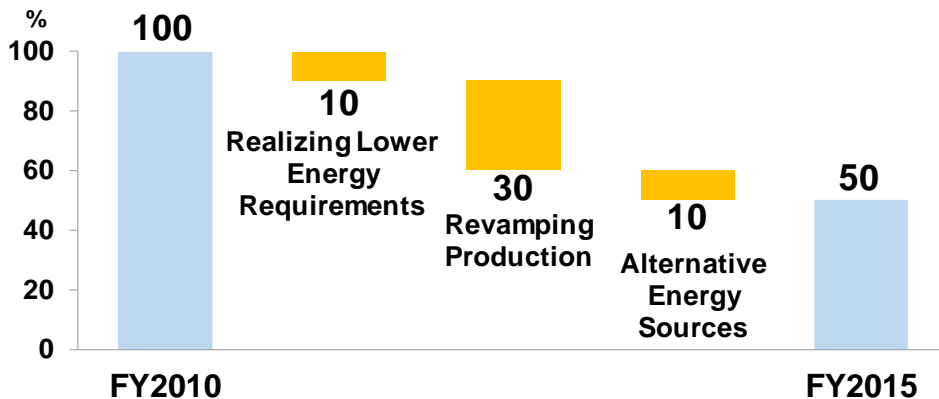


## Tier 4 Final Engines

- Reduced Emissions
- Reduced Fuel Consumption
- High Performance



## Komatsu Factories in Japan Aim to Reduce Summertime Peak Power Consumption by 50%



## In North America, PMO Factory Has Moved to 100% Wind Energy





# And the intelligent Machine Control Family Grows

- D61i
- D51i
- D39i
- D37i

Make Every Pass Count



# Leading the Market into the Next Generation of Machine Control

Komatsu D61PX-23 With Typical  
Aftermarket Machine Control System



✓ **13% More Efficient**  
(material moved per  
hour) than a Dozer with  
Traditional Machine  
Controls.

✓ **Over 50% of machines**  
sold in North America  
(through Dec 2013) were to  
customers who replaced a  
competitive dozer, or were first  
time machine control users.

## Innovative

Automated operation from  
rough dozing to finish grade.

## Intelligent

New dozing mode, load  
control performance features.

## Integrated

Standard factory installed  
integrated system.



## No Cables

No coiled cables between  
machine and blade.

## No Climbing

GNSS antenna and mast  
removed from blade.

## No Connections

No daily connections  
required between  
machine and blade.



# Industry Leading Customer Solutions for Industry Leading Products



**RENTAL**



**KOMATSU  
FINANCIAL**



**Help the customer increase production and availability while reducing costs, using the suite of Komatsu solutions.**



# Industry Leading Customer Solutions for Industry Leading Products



- Komatsu CARE is a complete service and advanced product support solution that Komatsu and our Distributors provide to our customers throughout the entire life cycle of the machine.
- Komatsu CARE helps our customers reduce their operating costs and maintain high levels of customer satisfaction.



## Customer Benefits:

**Low Operating Costs**

**Peace of Mind**

**Nearly 80% of Tier 4 machine customers decide to extend the maintenance or warranty contract after the standard complimentary period is over\***

\*North America data only

# KOMTRAX - Komatsu Machine Tracking System

## KOMTRAX<sup>®</sup> Facts:

- Proprietary hardware & software
- 330,000+ units worldwide
- 1<sup>st</sup> OEM with full line commitment

**Standard** equipment from the factory

Mining



Forklift



Utility



Forest



Construction



# KOMTRAX - Komatsu Machine Tracking System

## KOMTRAX Benefits

- Increased Productivity and Availability
  - ~ Maintenance Alerts
  - ~ Monthly Status Summary
  - ~ Daily Reports
- Asset Utilization and Safety
- Lower Fuel Costs



## KOMTRAX Mobile



## Improvement Enabling Technology

### Features



Locations & Hours



Utilization



Product Health

### Designed



By our customers

to be Easy to use

and Mission Critical

## KOMTRAX New Features

- AdBlue<sup>®</sup>/DEF usage and level
- Operator ID

## KOMTRAX Mobile New Features

- Spanish, French and Portuguese Languages Now Available



# KOMTRAX Mobile



AT&T LTE 9:18 AM 97%

**KOMTRAX**

Units: 60/60 1D 1W 1M

Fleet Hours	293.4	1849	6471
Cautions	2	8	17
Movement	7	25	42
No Comm	3	3	3
No Usage	14	2	0

bing

PSSR Sales Service Parts Coord

AT&T LTE 4:08 PM 61%

**KOMTRAX** Filter

Units: 790/790 1D 1W 1M

Fleet Hours	217.2	8573	42.1K
Cautions	8	71	154
Movement	1	360	530
No Comm	199	133	92
No Usage	535	191	103

**Directions**

Model: WA380-6 Cautions: 1  
 S/N(U/N): A54054 Hours: 8.9  
 SMR: 13460.4 Fuel: 26.0  
 Date: 02/24/2014 Idle %: 47.0%

PSSR Sales Service Parts Coord

AT&T 4G 10:46 AM 90%

**Driving Directions** Done

910.9 mi, 13 hr 38 min

Depart W Haven Dr toward S Kennicott Dr

PSSR Sales Service Parts Coord



Locations



Directions



Cautions



Movements



No Usage



Utilization



Failed Com.

# KOMTRAX Mobile



AT&T LTE 4:08 PM 61%

**KOMTRAX** Filter

Units: 790/790 1D 1W 1M

Fleet Hours	217.2	8573	42.1K
Cautions	8	71	154
Movement	1	360	530
No Comm	199	133	92
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Directions

Model: WA380-6 Cautions: 1  
 S/N(U/N): A54054 Hours: 8.9  
 SMR: 13460.4 Fuel: 26.0  
 Date: 02/24/2014 Idle %: 47.0%

PSSR Sales Service Parts Coord



AT&T LTE 9:54 AM 88%

**KOMTRAX** Filter

Model	S/N	SMR	Hrs.	Idle%	Fuel
WA500-6	55652	16398	138.2	74.9%	526.8
PC200LC-8	A89066	1466	34.0	70.8%	69.4
PC290LC...	A25412	1816	41.6	70.2%	93.1
WA470-6	A46048	5459	26.6	55.1%	83.0
PC200LC-8	A88805	7402	15.0	47.7%	44.9

% Idle

Day	% Idle
16	74.7
17	53.7
18	76.5
19	79.7
20	83
21	76.8
22	74
23	79.9
24	

02/17/2014 - 02/25/2014

PSSR Sales Service Parts Coord Pr



Locations



Directions



Cautions



Movements



No Usage



Utilization



Failed Com.

# KOMTRAX Mobile





# KOMTRAX Mobile



Locations



Directions



Cautions



Movements



No Usage



Utilization



Failed Com.

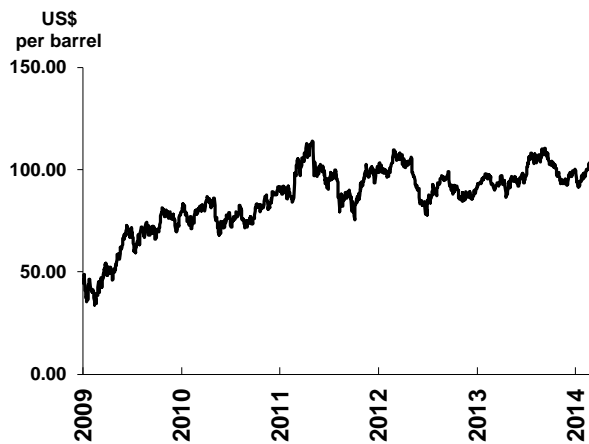
# Komatsu Global Mining Equipment Business



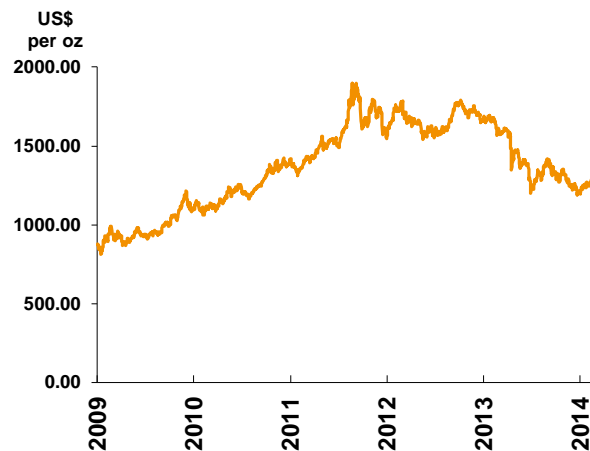
# Trend of Major Economic Indicators for Mining

Percent Change measured between Jan 1, 2013 and Feb 26, 2014

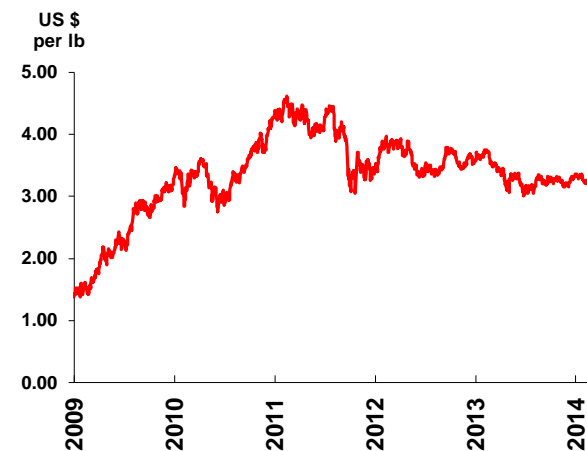
Oil ↑ 11%



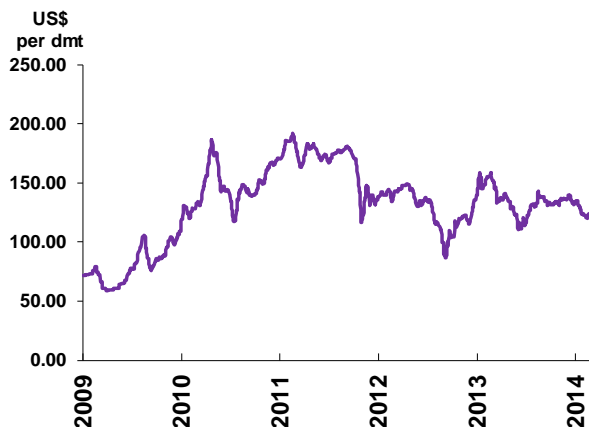
Gold ↓ 20%



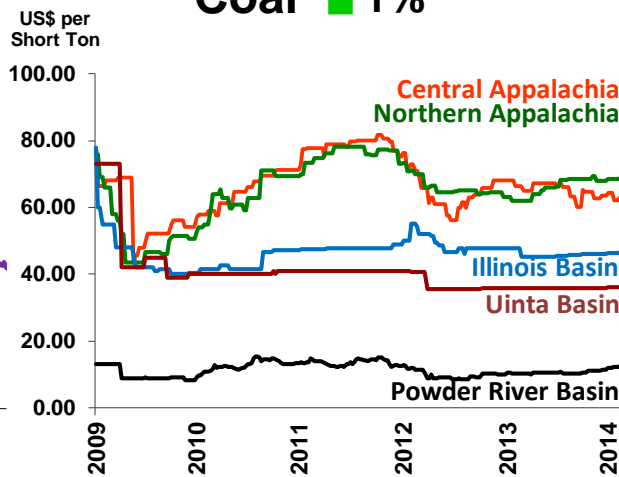
Copper ↓ 10%



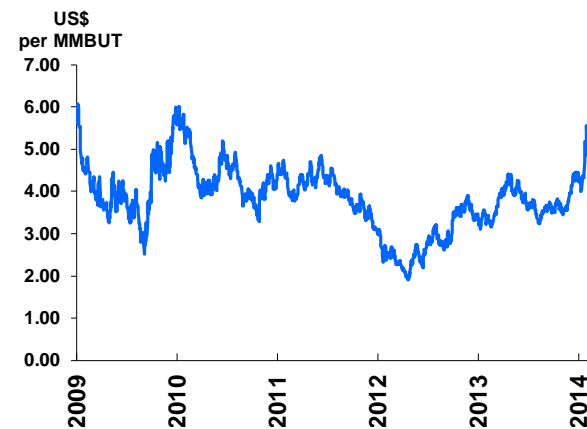
Iron Ore ↓ 19%



Coal ↑ 1%

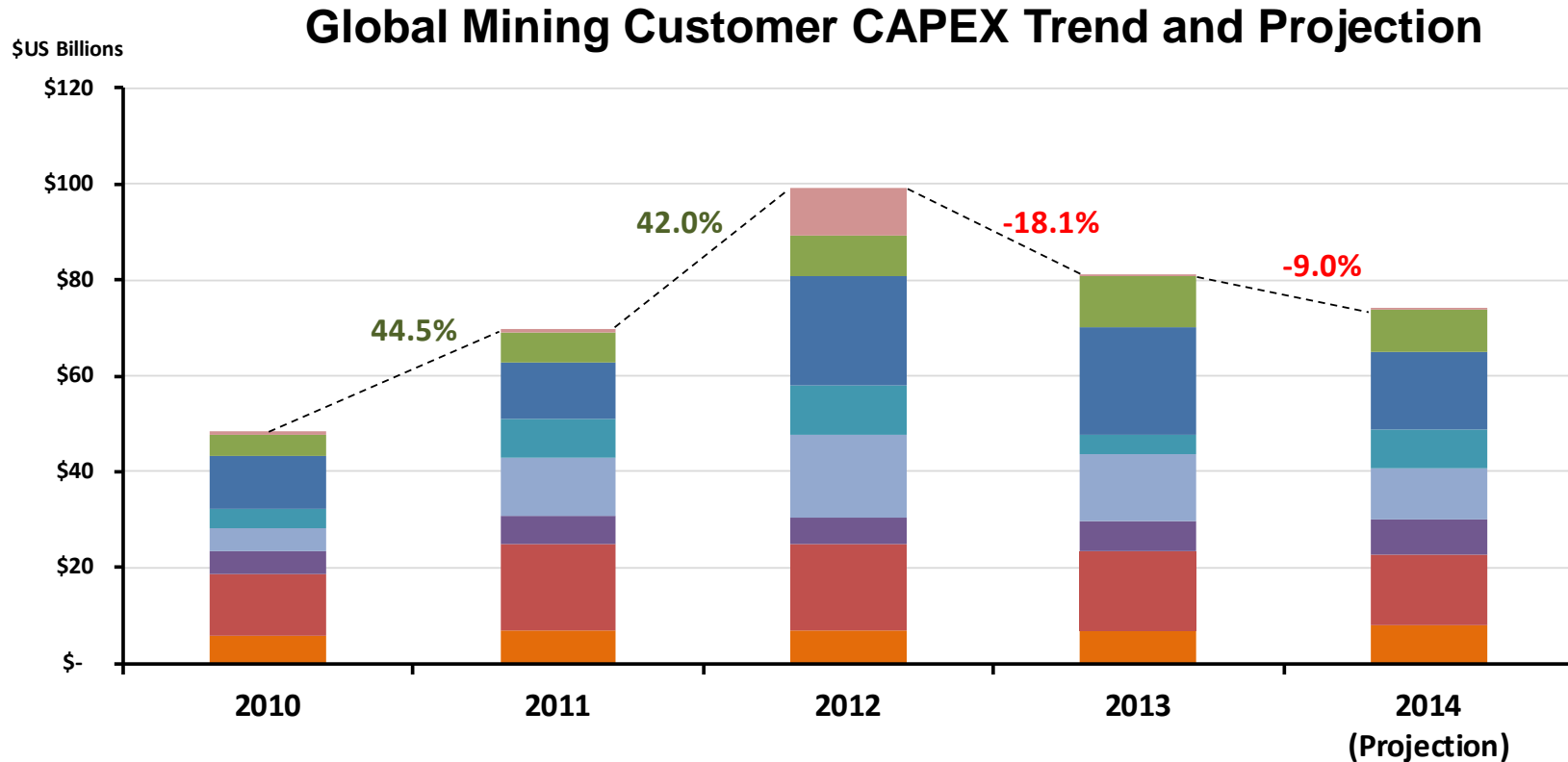


Natural Gas (US) ↑ 44%





# Reduced Capital Expenditures for Global Mining Customers Expected in 2014



Sources: Mining Company Corporate Publications, Mining Weekly and Reuters

# Peoria Manufacturing Operation

Peoria, Illinois

## Main Products:

- Super-large dump trucks

730E

830E

860E

930E

960E

*Komatsu America Corp.  
Peoria Manufacturing Operation*



# Continued Investment in our Mining Facilities



- **Peoria Test Lab Completed September 2013**
- **50,000+ square feet**
- **47 foot bay height**
- **Built for truck prototype testing, component testing and environmental testing**

- **Peoria Factory Expansion Completed in 2012**
- **Improved Flow of Material for Safer Operation**
- **Increased teardown area for shipping**





# 730E-1 (AC) and 960E-2K

200 st  
2,000 hp  
722,000 lbs GVW



360 st  
3,500 hp  
1,270,000 lbs GVW

# 960E Proven Availability

- Trucks Working in USA, Canada, Mexico, Chile, Australia, Zambia, Namibia and South Africa

Availability Continues to Be Over 90%





# Komatsu's Autonomous Haulage System

## Fleet Control

- Flexible and expandable
- Manual vehicle interaction
  - Grader interaction
  - Safety Bubbles

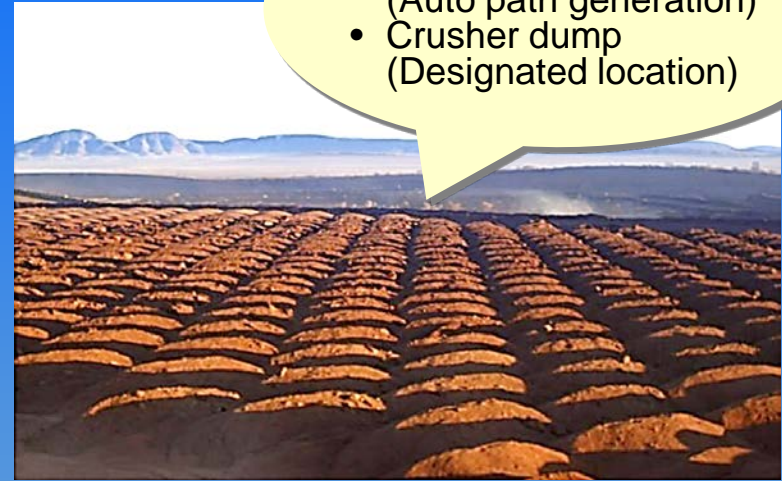


Master Link™



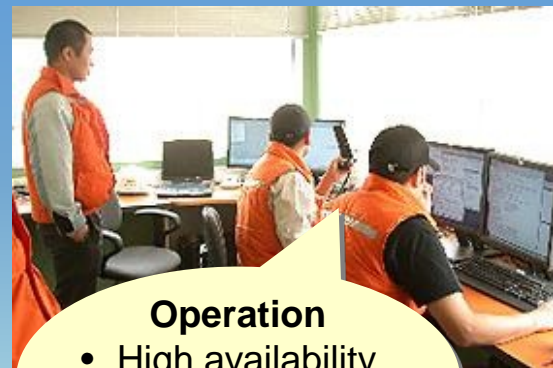
## Dumping site

- Paddock dump (Auto path generation)
- Crusher dump (Designated location)



## Hauling

- Precise navigation
- High speed and robust control



## Operation

- High availability
- Economical
- Reliable



## Loading Site

Automatic path generation to loading machine



# The Proven Value of AHS



**Safety**  
**Precision**  
**Productivity**  
**Reduced Costs**

# Summary

- 1. North American Construction Equipment Market Forecasted to Increase in 2014**
- 2. Komatsu's Investments in R&D and Focus On Customer Workplace Transformation Are Visible In Our New Products and Solutions**
- 3. Komatsu's Mining Solutions Are Well Positioned To Help Miners Reduce Costs While Maintaining High Production Levels**