Growing with the Value Chain

Komatsu believes that growth with the value chain, which includes our customers, as well as our sales and service distributors and business associates (suppliers), is essential to increasing corporate value.

### Working Together with Customers and Distributors

At Komatsu, our aim is to increase corporate value by providing products and after-sales service that satisfy our customers and becoming an indispensable business partner for our customers. One concrete measure to this aim is the KOMTRAX (vehicle management system).

#### VOICE

**From the Customer Sites in China**

**Zhou Chuan Yu**

General Manager, KOMTRAX
IT Promotion Division, Komatsu (China) Ltd.

In China, individual owners make up a large percentage of construction equipment purchasers. Many cases involve hiring operators to perform the construction work, so the main concern for these customers is to know how they can operate their equipment efficiently and how they can make management of the equipment easier. The service Komatsu offers based on KOMTRAX is ideally suited to meet this kind of customer’s needs. And, there are also customers for whom KOMTRAX offers a new kind of lifestyle.

**KOMTRAX Widens the Scope of Business Opportunities for Customers**

The following case is about Mr. Li, a customer from Tianjin. Mr. Li had been successful in various businesses, and when a coal shortage for thermal power generation occurred in 2009, he recognized a new business opportunity. Mr. Li purchased two PC360 Hydraulic Excavators and contracted to mine coal in an Inner Mongolian coal mine. From among the many equipment makers in the market, he chose Komatsu because he was impressed with the KOMTRAX system. With this extremely convenient system, he is able to see at a glance the operating condition and “health” of his equipment without having to travel the 500 or more kilometers from Tianjin to Inner Mongolia. And, for the most part, he can deal with any issues with one phone call.

Komatsu (China) is also developing and offering a variety of convenient ICT tools to meet the various needs of its customers. A fleet management system that manages multiple vehicles at one time is one such system. This convenient service allows the user to simultaneously check and compare the condition of multiple vehicles through a mobile phone-based platform, which uses WAP and SMS to notify the user of vehicle information.

Mr. Wongfu, a customer from Guangxi, jointly invested in a PC360 and a PC200 for the construction of a highway. To monitor the condition and “health” of his equipment, Mr. Wongfu was very interested in the KOMTRAX system. With this system, he is able to simultaneously check and compare the condition of multiple vehicles through a mobile phone-based platform, which uses WAP and SMS to notify the user of vehicle information.

KOMTRAX reports he receives help put his mind at ease. These monthly reports provide him with a clear indication of the data, such as the operating hours, and working days and off-days, and he is very satisfied with this service.

With the spread of mobile phone and 3G networks, it is very easy to access the system through the Internet from a mobile phone. The KOMTRAX-WAP system, also developed by Komatsu (China), adds to the large selection of ICT tools available to our customers. When I visited Xian, I introduced this system to a person in charge of a mid-range state-owned enterprise. He showed great interest and immediately instructed his people in charge of equipment management to learn about how to use the system. According to this customer, the company has been computerizing its management, and a feature that quickly provides vehicle information to the equipment manager is extremely useful.

#### Improving Service by Distributors

Komatsu (China) distributors are also using KOMTRAX to manage the vehicles they sell. By using KOMTRAX data, they are able to offer more proactive service as compared to the past, and have thus greatly improved the trust that their customers put in them. And, by riding on the large wave of the computerization age, Komatsu (China) has developed application of KOMTRAX data even further, by combining the accumulated vehicle data with the location data of the distributor’s service vehicle, and is using this in its service activities. This lets service personnel quickly receive information on which of the customer’s vehicles need service. Currently all distributors are making use of this new feature to improve their service activities (which we call SOK (Service Operation Kaizen)).

At Komatsu (China), a major revolution is being brought about by computerization, albeit quietly, but with certainty. And the source of this revolution is, quite simply, KOMTRAX.
In the same way that automobiles require regular engine oil and oil filter replacement, construction equipment also require periodic maintenance. However, because construction equipment operates under much harsher conditions, maintenance must be extremely efficient, to ensure that the productivity of the equipment is stable. Ideally, inspections and part replacements should happen according to the number of operating hours logged on the equipment. However, because conventional equipment servicing has required service personnel to travel to the customer’s site to confirm the number of operating hours, parts are often replaced too early, or sometimes too late, resulting in higher maintenance costs.

KOMTRAX makes equipment information, such as the operating hours, the last date a part was replaced, and the next replacement period, available in real time. This allows service personnel to plan timely inspections and part replacements, as well as to take preventative maintenance measures. As a result, maintenance-related waste is for the customer steadily reduced, together with the maintenance costs that are associated with this waste.

It is also possible to use the information obtained from KOMTRAX to propose more efficient ways of using the equipment based on the characteristics of the customer’s worksite. Selecting more appropriate equipment models and using the equipment more efficiently leads to a decrease in fuel consumption and less environmental impact for the customer.

**Development and Expansion to China**

There are now over 160,000 KOMTRAX-equipped machines worldwide, with more than 55,000 operating in China (as the end of March 2010). With the strong growth of the Chinese economy from 2002 to 2003, the Chinese government introduced monetary tightening measures to prevent the economy from overheating. KOMTRAX has an anti-theft locking feature that can remotely prevent the engine of a machine from being started. At the time, many of the banks in China were trying to implement credit controls, and were not providing financing for construction equipment unless a device such as KOMTRAX was installed. It was because of this that KOMTRAX began drawing attention in China, and then became standard equipment on Komatsu’s main construction equipment models sold in China.

In the face of the continuing world economic recession, the construction equipment market in China was one of the first to recover, due to the effect of the government’s economic stimulus policy. Throughout a long history of collaboration, the company and its business associates have overcome various difficulties by jointly addressing issues to realize solutions.

**Partnerships with Business Associates**

Relationships of trust with business associates (suppliers) form the foundation of the Komatsu Group’s manufacturing operations. Komatsu considers its business associates to be equal partners. By taking a long-term perspective rather than seeking temporary results, Komatsu takes an “agricultural” approach to procurement, nurturing companies of excellence much the way farmers raise crops. Ultimately, this will give rise to stability in product quality at Komatsu.