

# Current Market Conditions of Construction Equipment in Japan and Komatsu's Basic Strategies

August 11, 2011

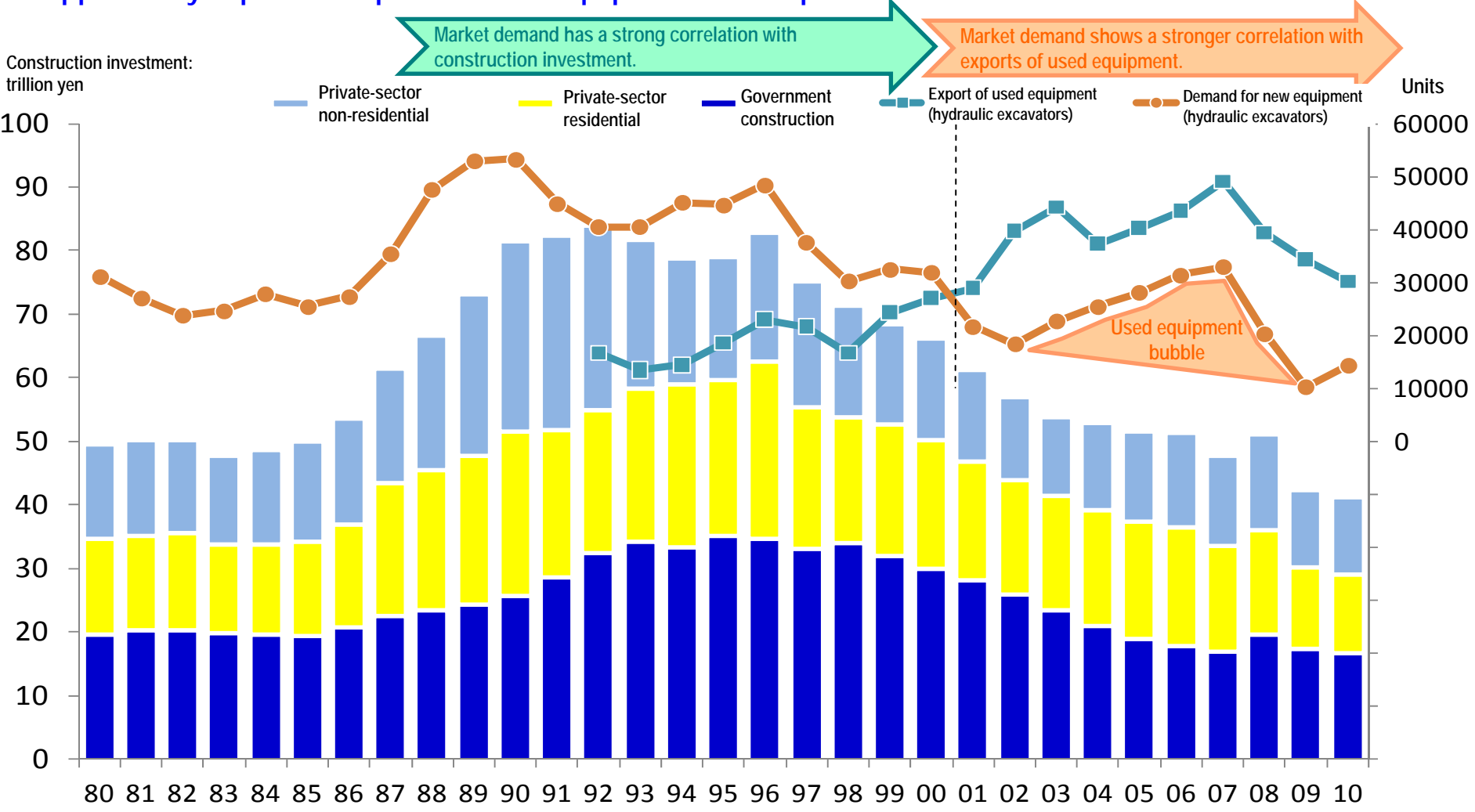
Takenori Tokunaga

Executive Officer

President, Japanese Domestic Marketing  
Construction & Mining Equipment Marketing Division

# Changes in Japanese Market

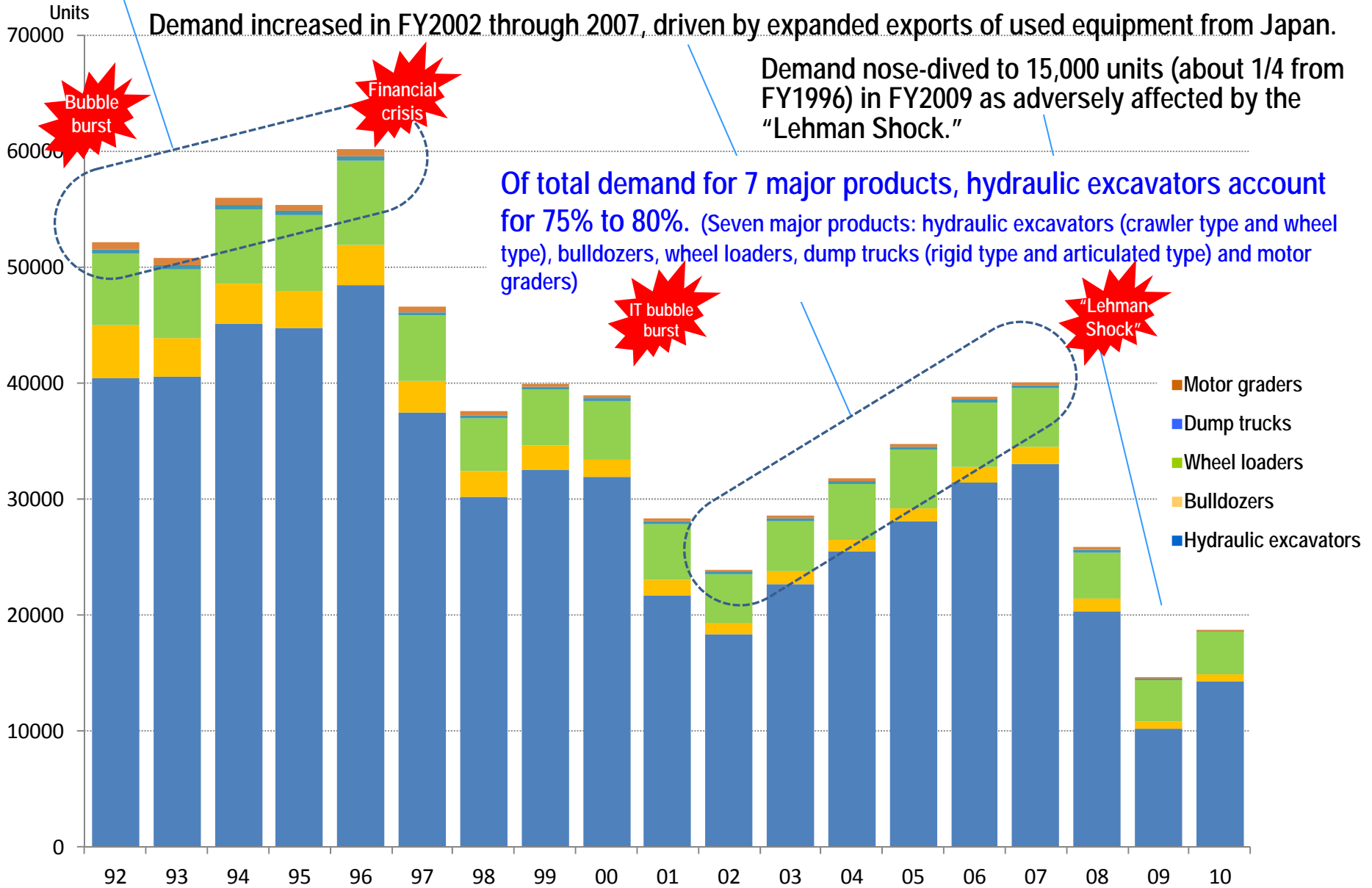
Construction investment has continued to slide since FY1996, registering 41.1 trillion yen in FY2010, a level comparable to the 1970s. Demand for new equipment increased in the period from FY2003 to 2007, supported by expanded exports of used equipment from Japan.



Recessionary economy under stronger yen /Bubble economy
Economic stimulus measures
Fiscal structural reforms
"Lehman Shock"

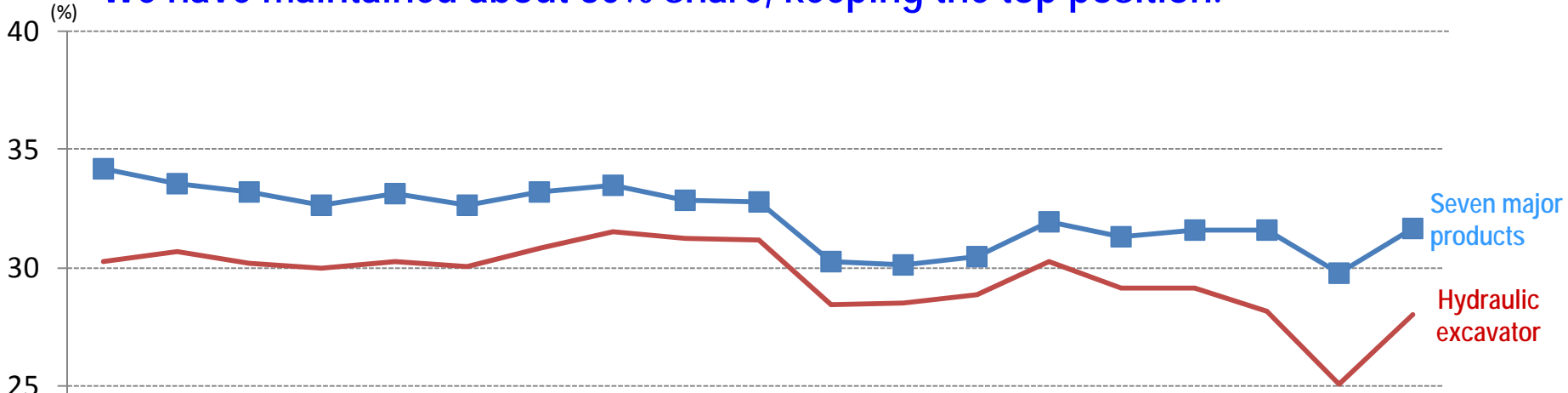
# Demand for Seven Major Products in Japan

Demand peaked in the first half period of the 1990s, registering 50,000 to 60,000 units.

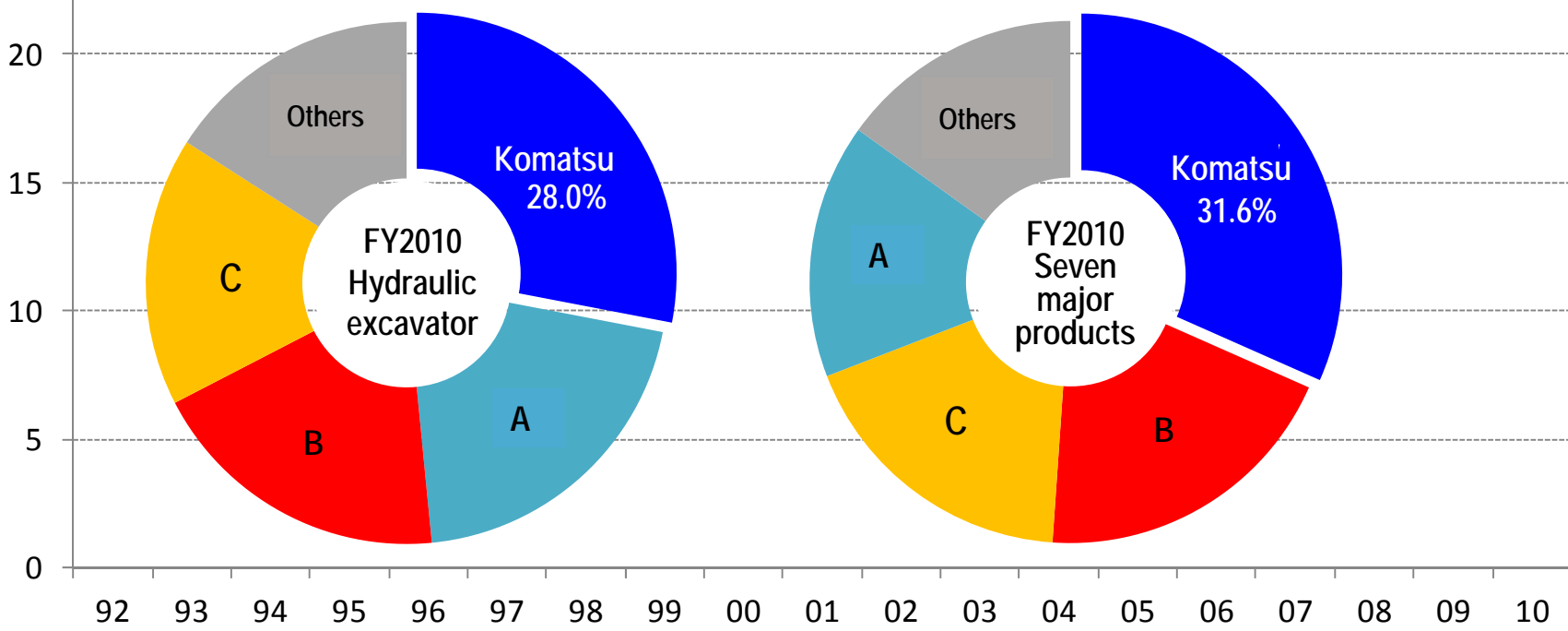


# Market Shares for Seven Major Products in Japan

We have maintained about 30% share, keeping the top position.



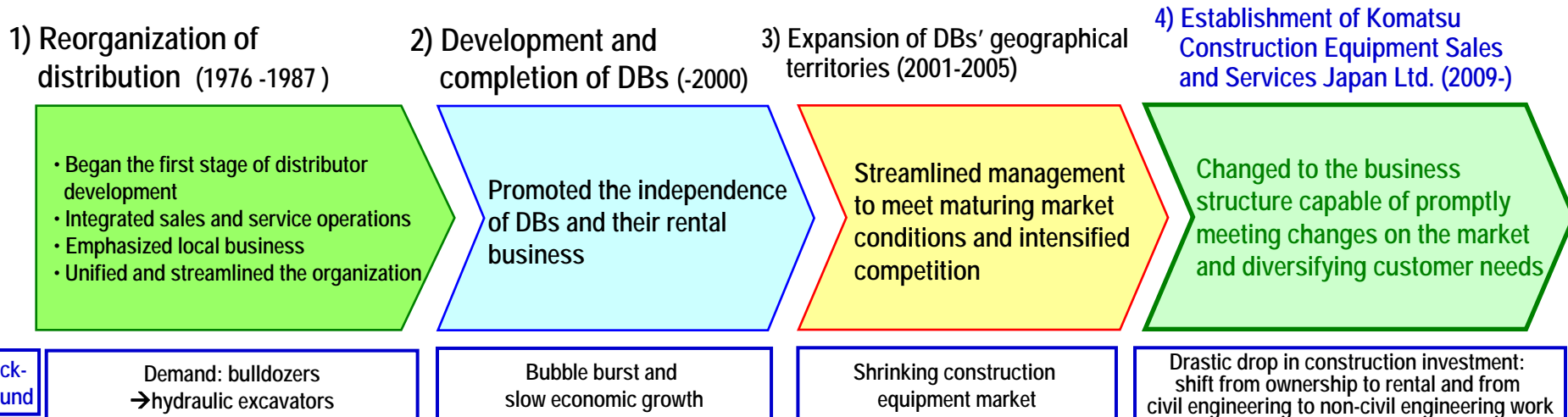
Market share by manufacturer: Hydraulic excavators and 7 major products



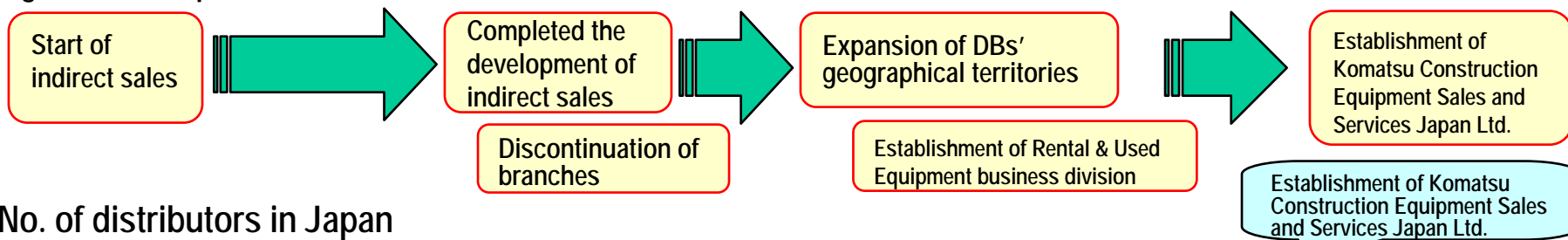
# Changes in Our Distribution

## Changes in our distribution      Changes in sales: Direct to indirect sales

DB : distributor



### Changes in sales operations



### No. of distributors in Japan

FY	98	99	00	01	02	03	04	05	06	07	08	09	10	11
No. of distributor	44	44	43	42	37	36	35	33	30	30	29	1+17	1+16	1+16

Completed the development of indirect sales by 44 DBs in 47 prefectures (1DB per 1 prefecture in principle)

Reduced the number of DBs by expanding their territories

Komatsu Construction Equipment Sales and Services Japan Ltd. and 16 independent DBs

# Focused Efforts: 1) Launching Hybrid Hydraulic Excavators

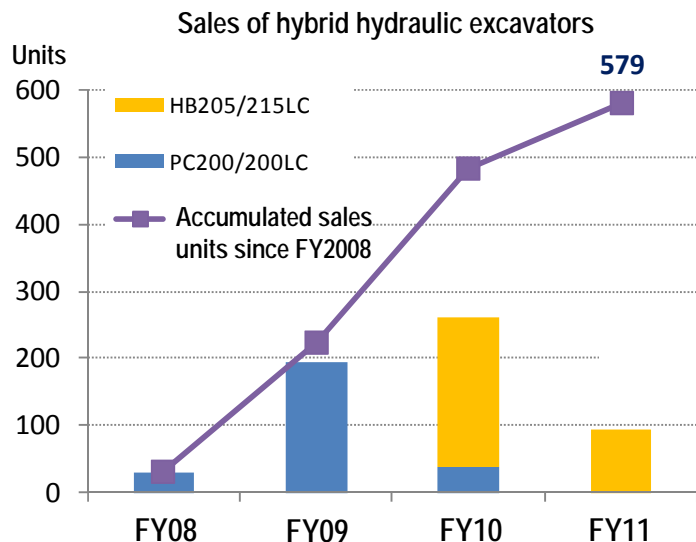
## 1. Marketing policies

Phase1 FY2008 Focus on Tokyo metropolitan and adjacent areas.	Phase2 FY2009 Move to nationwide and full-scale sales.	Phase3 FY2010 Accelerate sales
Limit to 30 units and check market response.	Enhance their exposure. Sell at least one unit in each prefecture (centering on Komatsu-exclusive customers).	Expand sales to customers who own more equipment made by competitors. Launch models with special specs.
PC200-8E0		HB205

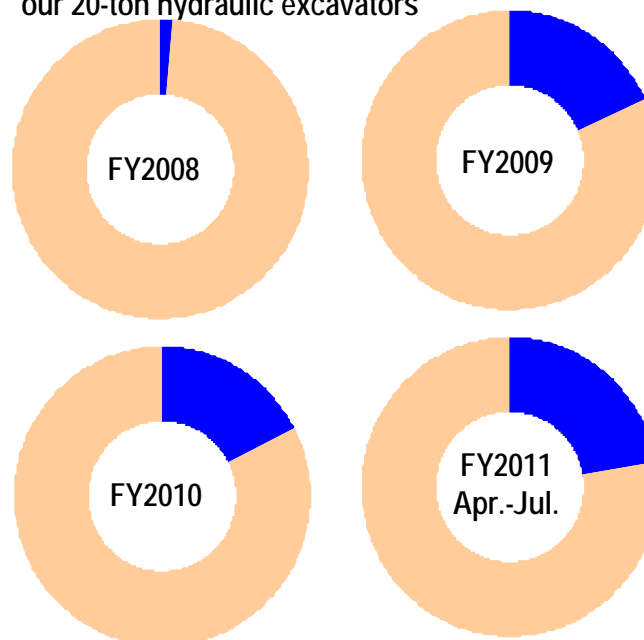


## 2. Sales of hybrid hydraulic excavators

Sold 579 units since the market introduction in 2008.  
(as of July 2011)



Sales of hybrid hydraulic excavators as a percentage of total sales of our 20-ton hydraulic excavators

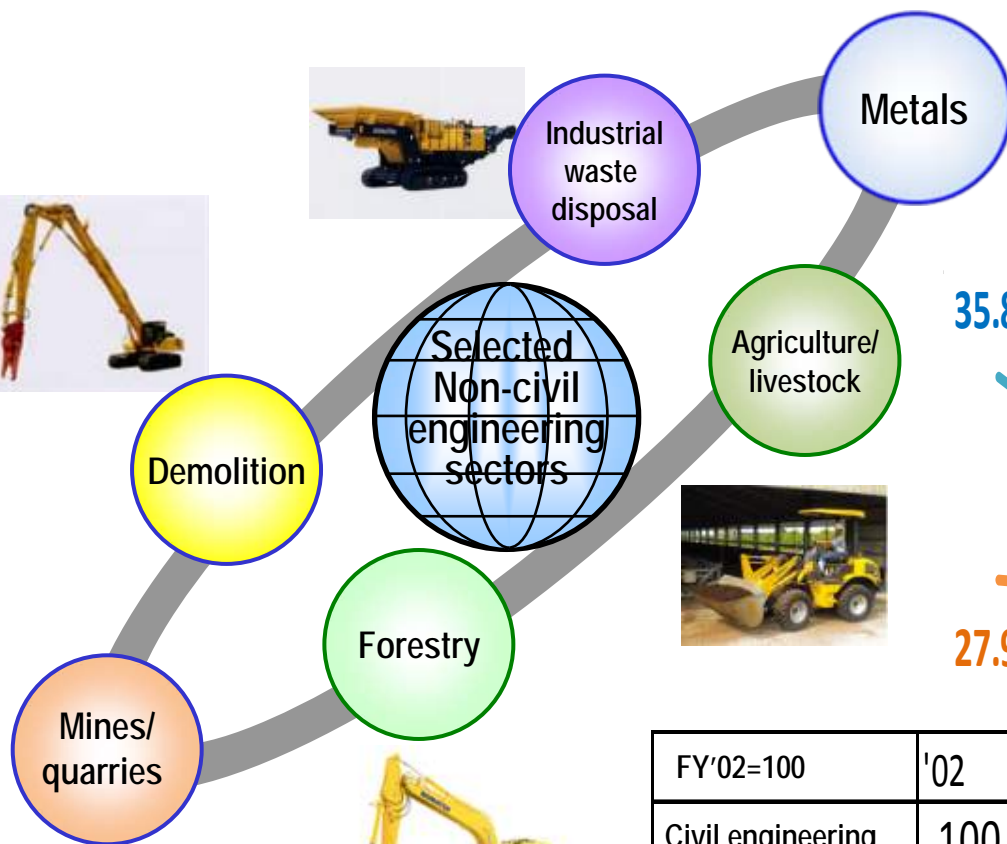


After full-scale sales, hybrids accounted for about 20%. We are working to increase the percentage in FY2011.

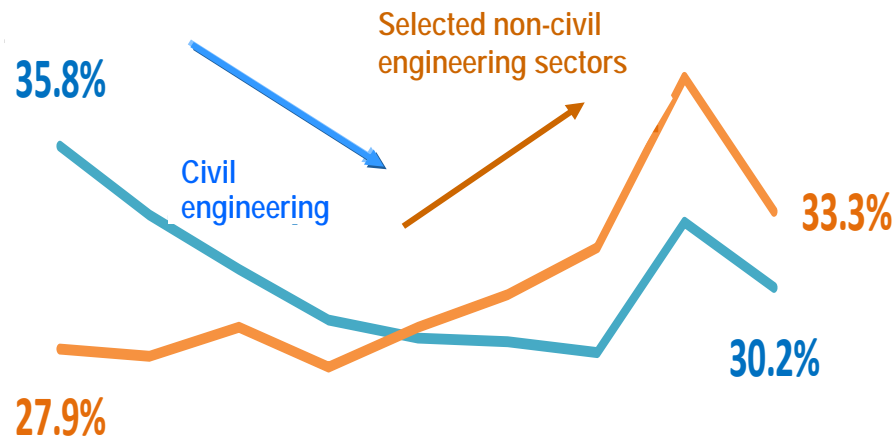
20t hydraulic excavators:  
PC200(LC)  
PC228US(LC)  
HB205(215LC)

## Focused Efforts: 2) Expanding Sales in Selected Non-Civil Engineering Sectors

We are working to expand sales in the non-civil engineering sectors which are growing their percentage of use in total applications of construction equipment.



Percentage share of the selected non-civil engineering and civil-engineering sectors in total sales



FY'02=100	'02	'03	'04	'05	'06	'07	'08	'09	'10
Civil engineering	100	102	102	113	111	118	81	53	63
<b>Selected non-civil engineering sectors</b>	<b>100</b>	<b>109</b>	<b>122</b>	<b>135</b>	<b>145</b>	<b>162</b>	<b>120</b>	<b>80</b>	<b>89</b>
Rental	100	119	132	168	173	182	121	45	81

The rate of decline in sales of selected non-civil engineering sectors was smaller than that of other sectors.

## The Great East Japan Earthquake and Tsunami: Damages and Support Activities in Devastated Regions

Tohoku Company of Komatsu Construction  
Equipment Sales and Services Japan Ltd.



Ofunato Branch  
of Komatsu  
Iwate Ltd.



Kamaishi Branch  
of Komatsu  
Iwate Ltd.



The Great East Japan Earthquake and Tsunami: Damages and Support Activities in Devastated Regions



