

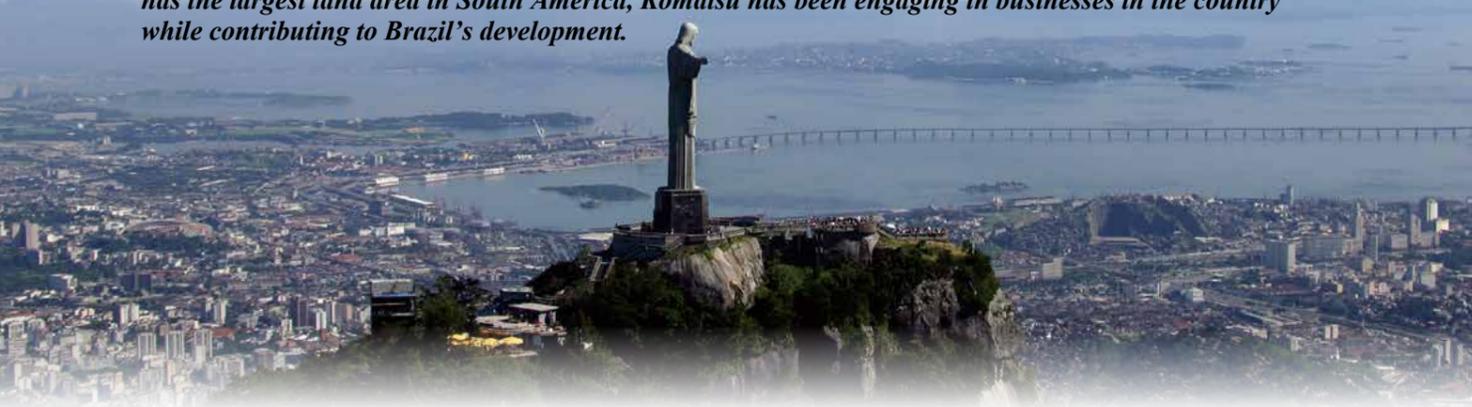


Komatsu in Brazil



Introducing Komatsu Operations in Brazil

Possessing the seventh largest economy by nominal GDP in the world, Brazil is rich in mineral reserves, a leading agricultural producer and major global pulp producer. Furthermore, ongoing economic growth is expected, stimulated by measures that include important steps taken toward fiscal sustainability and opening up the market, as well as major investments in urban and social development and transport infrastructure. Since establishing a subsidiary in 1970 in Brazil, which has the largest land area in South America, Komatsu has been engaging in businesses in the country while contributing to Brazil's development.



Komatsu do Brasil Ltda.

First Plant outside Japan That Engages in Diverse Business Operations

It was in response to legislation enacted by the Brazilian government in 1969, which prohibited imports of finished equipment from 1975 in order to protect nationalized products, that Komatsu decided to build its first plant outside Japan. After setting up a company there in 1970, a joint venture company was established in the city of Suzano in 1973 in collaboration with a local heavy equipment manufacturer. In 1975, production commenced at the 633,684-m² (6,820,975-ft²)* facility and the first locally produced bulldozers, the D50A and D65A, were launched. In 1976, Komatsu acquired a 100% equity stake and changed the company's name to Komatsu do Brasil Ltda. (KDB).

Currently KDB produces hydraulic excavators, wheel loaders and motor graders. It is also the main hub for manufacturing and distribution of



Suzano improvement showroom



midsize crawlers exported worldwide. In 2013, KDB built an 8,192-m² (88,179-ft²) warehouse next to its plant that now serves as a center of aftermarket parts operations in Brazil. Another important role is the remanufacturing of components for mining equipment, whereby the Komatsu Reman Center was established in 2013 at the same time Komatsu acquired a mining equipment distributor in Brazil to reinforce its mining business. Of particular note, KDB is the only equipment plant in Brazil that has its own foundry, which is used not only for production purposes but also for aftermarket products including teeth for mining machinery such as WA1200 wheel loaders and PC2000 hydraulic excavators.

* Expanded to 657,000 m² (7,072,000 ft²)

Komatsu Brasil International Ltda.

Establishing Construction Equipment Sales and Service Structures

Komatsu Brasil International Ltda. (KBI) was spun off as a sales and service subsidiary from KDB in 1998. KBI is responsible for construction equipment sales, marketing, parts sales and dealer improvement through providing technical advice and training. There are 10 construction equipment dealers with 33 branches nationwide to support customers in each region.

The first major milestone in the Brazilian market was in 2007 when demand for construction equipment reached nearly 7,000 units. In 2008, the global financial crisis occurred, but Brazil was one of the countries to recover quickly. In 2010, the second milestone took place with demand reaching more than 10,000 units. Both of these major milestones occurred under the Programa de Aceleração do Crescimento (PAC: Growth Acceleration Program) promoted by the Lula da Silva administration to stimulate the economy. Owing to a slowdown in the economy since 2011, market demand has remained stable at around 10,000 units.

Competition in Brazil is more intense as well. Five years ago, there were only six manufacturers, including Komatsu, with a plant in Brazil. Today, the number has increased to 14. Accordingly, Komatsu is actively seeking to take a lead in the market by leveraging its overall technical, product support and marketing capabilities.

Although Brazil's infrastructure lags behind other BRIC countries, the country has many opportunities for growth. Corresponding to major international sporting events in 2014 and 2016, for example, infrastructure improvement projects have been underway or are planned, giving rise to expectations for another milestone in market demand. KBI is responsible for grasping changes



MB Lagoa Santa Office

in the market and responding in a timely manner together with KDB.

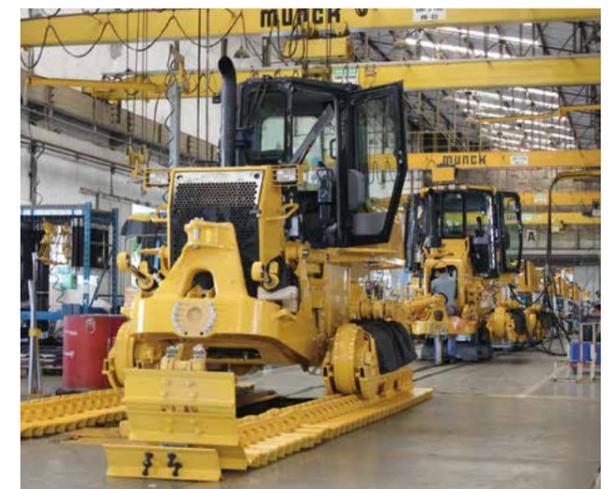
Strengthening Mining Operations

KBI established a wholly owned mining equipment distributor, MB Comércio de Peças e Serviços Ltda. (MB), in 2013. Located in the heart of mining operations in Minas Gerais state in the Central West region and Para state in the Northern region, MB handles KBI's mining distribution business, which encompasses the supply of new and remanufactured components, service, technical support, cost improvement activities, marketing and customer relationships.

A total of 325 units have been delivered to date and Komatsu expects continued growth in demand for its mining equipment in Brazil. With this in mind, it is becoming ever more important to improve machine utilization rates and thereby help customers further enhance their mining productivity. Main customers for the mining sector include one of the largest iron ore producers in the world and a global mining company with operations in South America and throughout the world.



Remanufactured axle for WD500 wheel dozers at Reman center, KDB



KDB's bulldozer assembly line

Komatsu Forest Ltda.

Forestry Business

Komatsu Forest Ltda. (KFB) was established jointly in 2012 by Sweden-based Komatsu Forest AB and KBI. KFB has 12 service units spread across six states and eight branches located in five states. Approximately half of sales is generated by parts and service. Known as a “service company that sells machines,” KFB is the market leader in the industry.

Forestry is one of the few industries in Brazil expected to realize steady expansion for the next decade, in which demand for pulp is forecasted to grow annually until 2023. The majority of this raw material in the future will come from the Eucalyptus plantations of countries in the southern hemisphere, specifically South America, Indonesia, Australia, China and Africa. Brazil is viewed as having a competitive advantage due the country’s land availability, industrial capacity, advanced technology in silviculture and industry, favorable environmental conditions and stable political environment.



Harvester 941 in operation in Brazil



PC200F harvesting in eucalyptus plantation

Outline of Brazil Operations

Company Name	Komatsu do Brasil Ltda. (KDB)
Main Business	Manufacture of construction equipment, fabricated components and steel castings
Plants	Suzano Plant (Reman center) Aruja Plant

Company Name	Komatsu Brasil International Ltda. (KBI)
Main Business	Sale and service of construction and mining equipment
Affiliated Company	MB Comércio de Peças e Serviços Ltda.

Company Name	Komatsu Forest Ltda. (KFB)
Main Business	Sale and service of forest machines



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