



**Komatsu IR-Day 2024**

# **Aftermarket Business**

**2024/12/17**

**Toru Sunada**

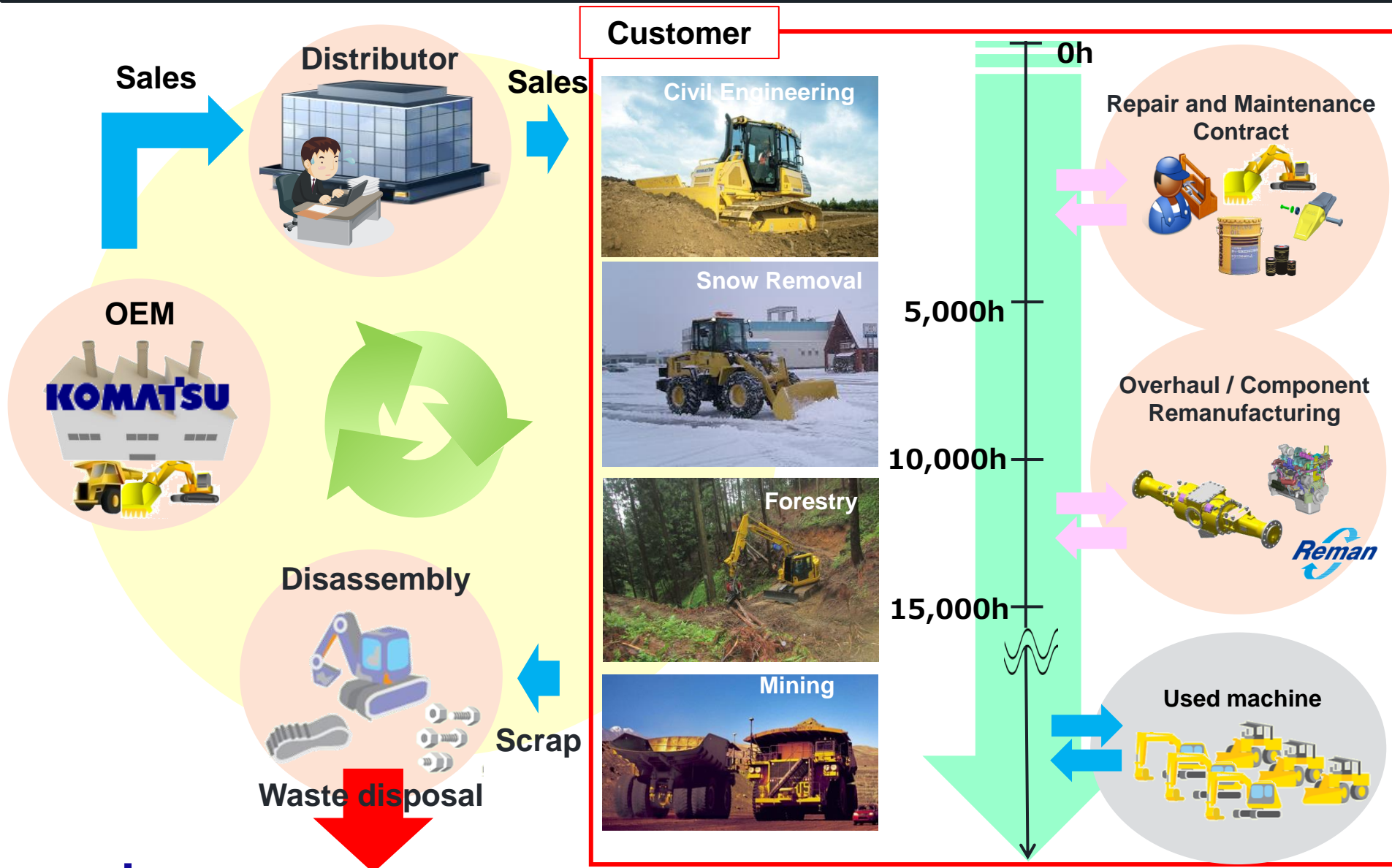
**President, Service division**

**Yoshihisa Hayashi**

**President, Aftermarket business division**

# Lifecycle of Construction Machinery

■ After sold as new machine, through repairs, maintenance, and overhauls, the equipment is used for a long period and passed to next user as a used machine



# Comparison of construction and mining machinery and automobiles (parts sales)

## 1. Life time working hours

\* Assumption: 100,000 kilometers in 10 years at an average of 40 kilometers an hour

Automobile



Service life (10 years)

2,500 2,500H

Consumer goods

2-3 K r p m

Const. Equip.



Service life (10-15 years)

2,500 2,500 2,500 2,500 2,500 12,000H

Producer goods

High-load

Mining Equip.



Service life (10-15 years)

2,500 2,500 2,500 10,000 20,000 30,000 40,000 50,000 60,000 70,000 80,000 75,000H

Producer goods

High-load

5 times as Automobile

30 times as Automobile

## 2. Parts consumption for life time

Automobile



<Parts Consumption amt vs New equipment Price>



10% of New Car Price

Const. Equip.



Same as New Eqp.

Mining Equip.



2time as New Eqp.

<Parts demand vs Machine price / unit>

New Car: 2 MJPY	
Parts : 0.2 M JPY	
Eqp: 20 MJPY	
Parts: 20 MJPY	
Eqp: 200 MJPY	
Parts: 400 MJPY	

# Size of Aftermarket (Spare Parts) business

- Construction machinery requires repair and maintenance parts for over 10 years after purchase or more than 15,000 hours of machine operating time
- Aftermarket (AM) business provides services and solutions throughout the total machine life to ensure that customers can use their machinery with peace of mind.

Total machine life : Parts Demand for Komatsu equipment JPY3 trillion/year

Consumable Parts: JPY1 trillion

Functional Parts: JPY2 trillion

New Machine Sales

~5,000H

1<sup>st</sup> Owner

~10,000H

2<sup>nd</sup> Owner

~15,000H

## Maintenance Parts



Filter(500H)



Oil(500H)

## GET (Grand Engaging Tool)



Tooth(500H)



Bucket (6000H)

## UC (Undercarriage)



Track shoe (12000H)



Roller (8000H)



## Attachment

Full Hydraulic Quick Coupler

Breaker



Crusher

## Reman(Remanufacturing) Component



Engine (12000H ~20000H)



Hyd. cylinder (6000H)

## Repair and Rebuild parts



Engine repair (12000H ~20000H)

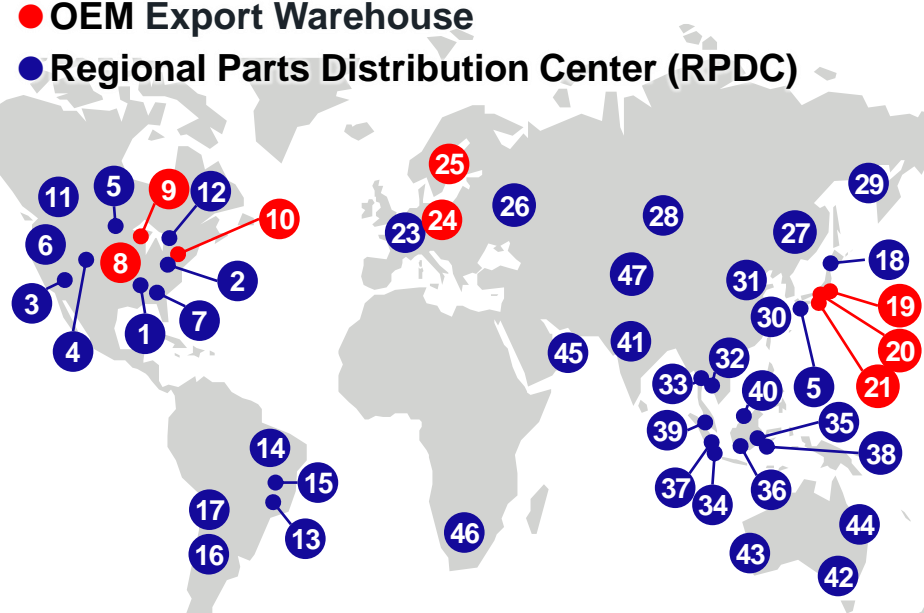


Hyd. Pump repair (12000H ~20000H)

# Parts supply bases (OEM Export Warehouse / PDC)

- Locate 47 sites at demand area for [ Availability up with Inventory optimization ]
- Storage consumable near customer (DB) / Fast-Moving at RPDC / Slow-Moving at OEM

Country	No.	Location
U.S.A.	1	Ripley
	2	Bridgeville
	3	Las Vegas
	4	Denver
	5	Minneapolis
	6	Portland
	7	Savannah
	8	Peoria
	9	Milwaukee
	10	Pittsburgh
Canada	11	Edmonton
	12	Mississauga
Brazil	13	Suzano
	14	Carajás
	15	Lagoa Santa
Chile	16	Santiago
	17	Antofagasta



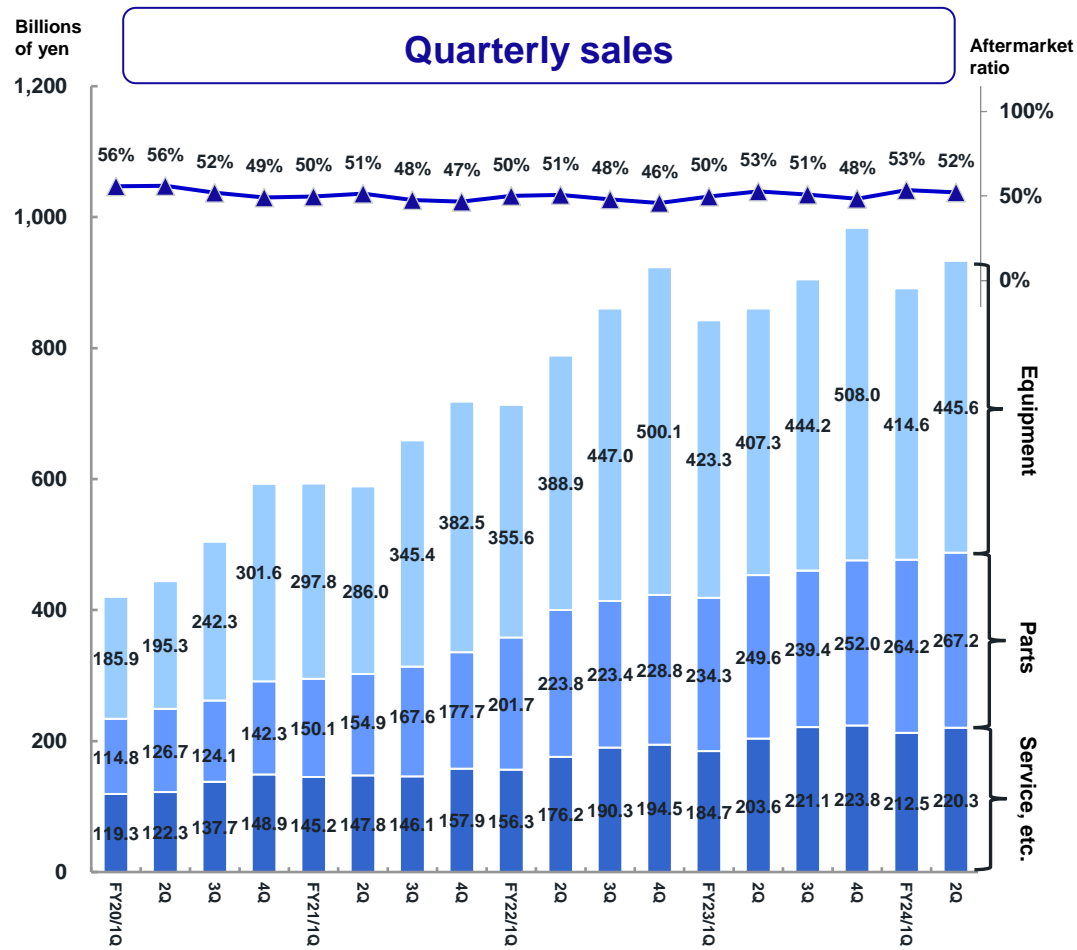
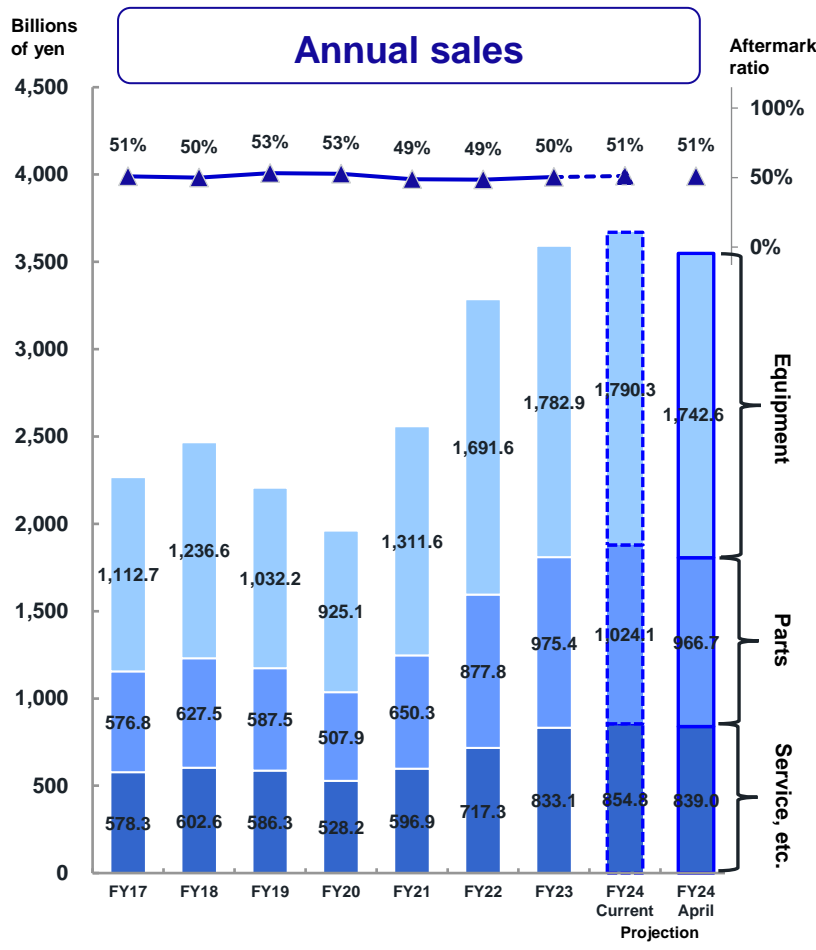
Country	No.	Location
Japan	18	Hokkaido
	19	Tochigi
	20	Ishikawa
	21	Osaka
	22	Fukuoka
Belgium	23	Vilvoorde
Germany	24	Düsseldorf
Sweden	25	Stockholm
Russia	26	Moscow
	27	Khabarovsk
	28	Polysaev
	29	Magadan
China	30	Changzhou
	31	Jining
Thailand	32	Chonburi
Indonesia	33	Samutprakan
	34	Jakarta
	35	Balikpapan
	36	Banjarmasin
	37	Palembang
	38	Sulawesi

Country	No.	Location
Malaysia	39	Selangor
	40	Sarawak
India	41	Nagpur
Australia	42	Melbourne
	43	Perth
	44	Brisbane
U.A.E.	45	Dubai
South Africa	46	Johannesburg
Kazakhstan	47	Almaty

	OEM Export Warehouse	RPDC
Site	8	39
Role	Export OEM parts to world	Supply in region

# Construction, Mining & Utility Equipment : Projection for Sales of Equipment, Parts and Service, etc. (To Outside Customers)

- In 2Q FY2024, sales of parts increased by 7% from the corresponding period a year ago, to JPY267.2 billion, accounting for 52% of the aftermarket, including service, etc.
- In FY2024, full-year sales of parts are expected to increase by 5% from FY2023, to JPY1,024.1 billion (Changed from the projection of April 2024), which will account for 51% of the aftermarket, including service, etc.



# Efforts to expand distribution and Parts business to date

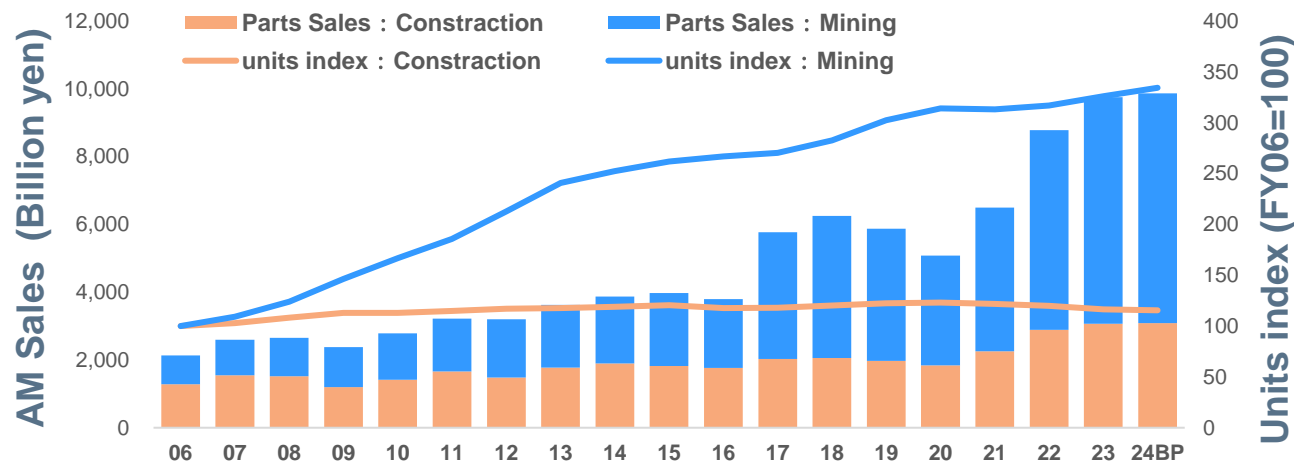
Parts sales for FY23 was 975.3 billion yen, and Parts business continued its activities to grow significantly as a major source of revenues in the construction equipment business.

## <Global Komatsu construction machinery unit and Parts Business sales trends>

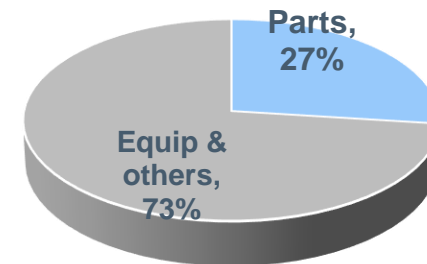
**Number of units delivered: 1.2 times (FY06 ⇒FY23)**    **Parts sales: 4.6 times (FY06⇒FY23)**

Mining: 3.3 times (FY23: 25000 units)  
Construction: 1.2 times (FY23: 550000 units)

Mining: 7.8 times  
Construction: 2.4 times



**FY23 Construction Machinery Business Sales: 3.6 trillion yen**



## <History of Parts Business Expansion>

	'90~'00	'01~'10	'11~'14	'15~'17	'18~'21	'22~'24
Basic Strategy of Parts Business	Spare parts business Restructuring	Strengthen strategic markets	AM Business Group established	Waiting culture ⇒ Selling culture	Wallet Share Activities AM to redefine	Expansion of maintenance warranty with extension
Strengthen parts supply system	Strengthening the Japan-U.S.-Europe	Depot layout to areas of demand (strategic market center): India, Thailand, Indonesia, Dubai, etc.				Improving supply speed
Establishment of a dedicated plant in parts		Plant Established for UC expert in KUI (Indonesia)'01 /KUCC (China)'08				
		Global Remanufacturing Plant established in KRCC (Chile)'05 /KRI (Indonesia)'07				
Business expansion through M&A	Hensley '00 Year (Bucket /GET)			Lehnhoff '16 Year (Attachment)		
		Montabert '17 Year (Attachment)				

# Sales expansion progress of AM key product

\*INDEX FY20 Sales=100

Expanding product lineup and programs to align with customer needs, capture demand and achieve further business growth

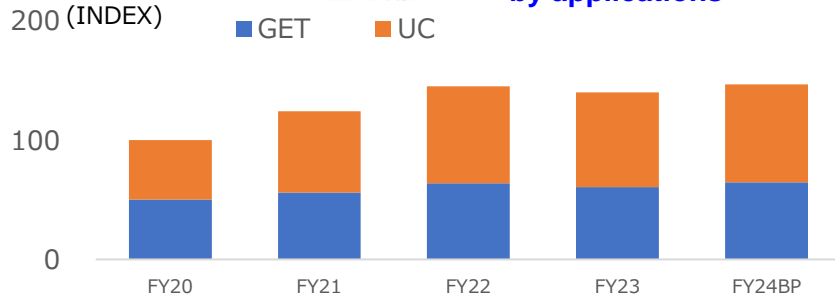
## GET/UC

【Patented tooth】 【Reinforced Bush】



### <Key Activities>

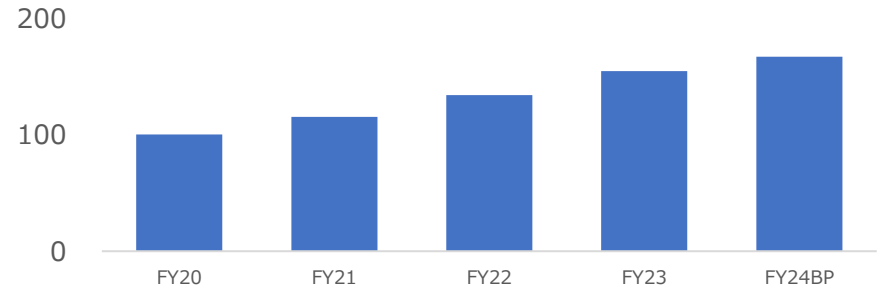
- Tooth share recovery
- Patented tooth sales expansion
- UC S/N mgmt. & HANSEI
- Product lineup expansion by applications



## Reman/Rebuild

### <Key Activities>

- Reman option expansion
- DB rebuilt expansion
- Establish the logic for Predictive Maintenance
- Secure OV demand after Ex-warranty



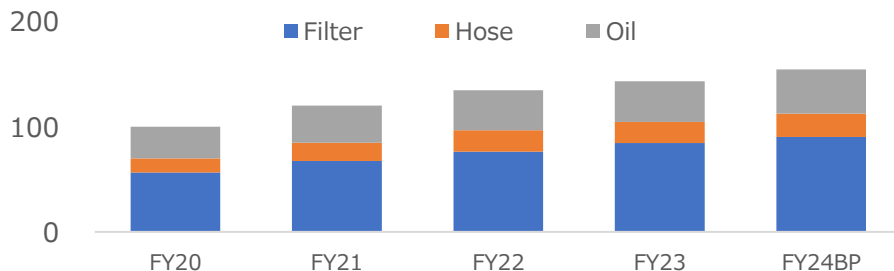
## Maintenance Parts

【Filter】 【Oil】 【Hyd. Hose】



### <Key Activities>

- Contract offer expansion
- Improve re-contract rate
- Product development dedicated to AM biz

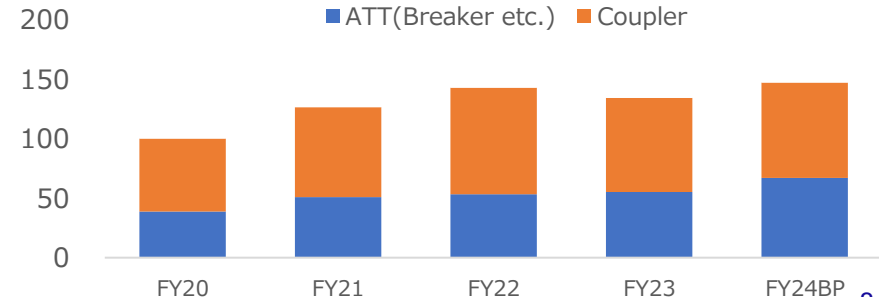


### <Key Activities>

- Sales expansion of current ATT product
- Sales expansion of Coupler
- Expand product lineup
- Enhance synergy with Lehnhoff and Montabert



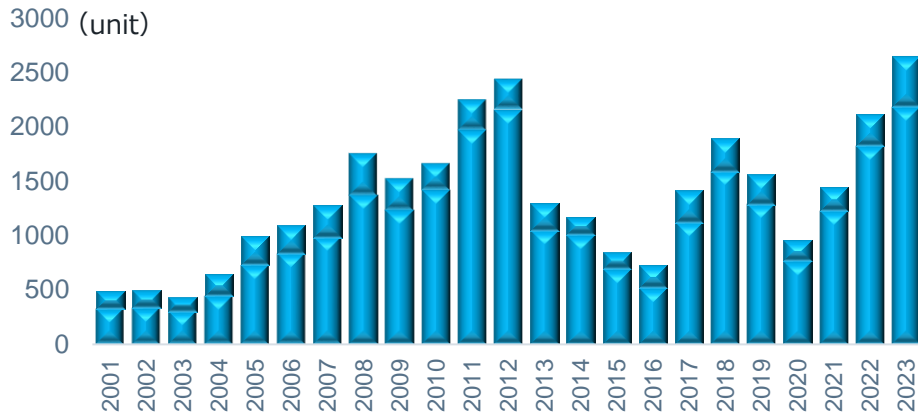
## Attachment



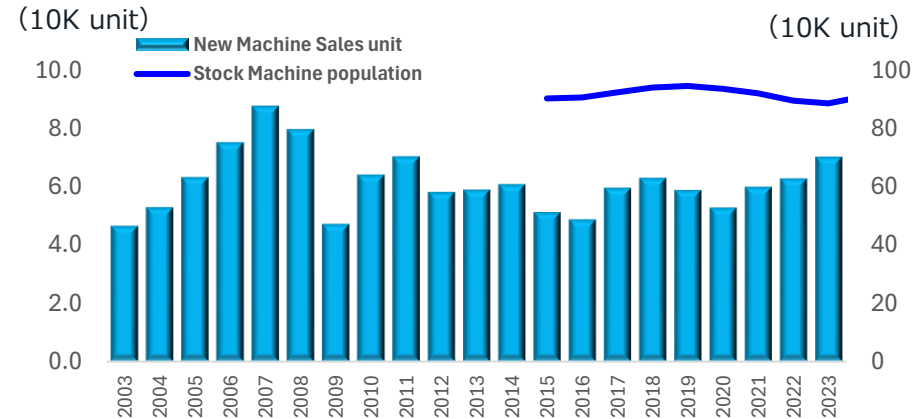
# Parts Demand Outlook until 2030 with machine population transition

- For mining: Demand will increase slightly until FY30, and significant growth is expected from FY31 onward.
- For Construction: Machine population is bottoming now, and will increase except for China in the future

## 1. Mining Unit Sales Trend (Single-year delivery basis)



## 2. Construction Unit Sales Trend (Single-year delivery basis)



### Demand to FY30 is expected to be increased slightly

- Steady capture of EDT demand in North America, Australia, Latin America and South Africa
- New opportunities in the Middle East and Africa

### Potential in low-share items and regions remains large

- Stock machine pop. in Japan, North America, and EU has bottomed out now and will continue to increase in the future
- Asia excluding China, and Middle East market remain almost unchanged

### Key Activities & Focused regions

- As significant growth as seen in the past few years is not expected, we will capture demand through the following activities
  - Secure OV demand by Serial Number mgmt
  - Capture consumable parts (GET/UC) demand
  - Sales expansion by All-Makes
  - Expansion of Reman / Rebuild business

### Key Activities & Focused regions

- To expand AM sales for Construction, we will enhance the following activities:
  - Expansion of extended warranty with service contracts
  - Expansion of Reman / Rebuild business
  - Expansion of Online sales
  - Enhancement of Attachment business
  - Expansion of product lineup by applications

# Extended Warranty Program with Service Contract of Each Region

- Adapting regional condition for warranty program and introduce it globally.

**Extended Warranty:** This program will warrant the machine after pass the Standard Warranty periods (Limit to Specific Year or Machine working hours)

**Service Contract:** This program will provide periodical maintenance by Distributor include Oil, Oil/Fuel Filter exchanges with inspect the machine.

<Extended Warranty Program with Service Contract >



USA : Komatsu CARE Plus  
Max 20,000h Warranty Program



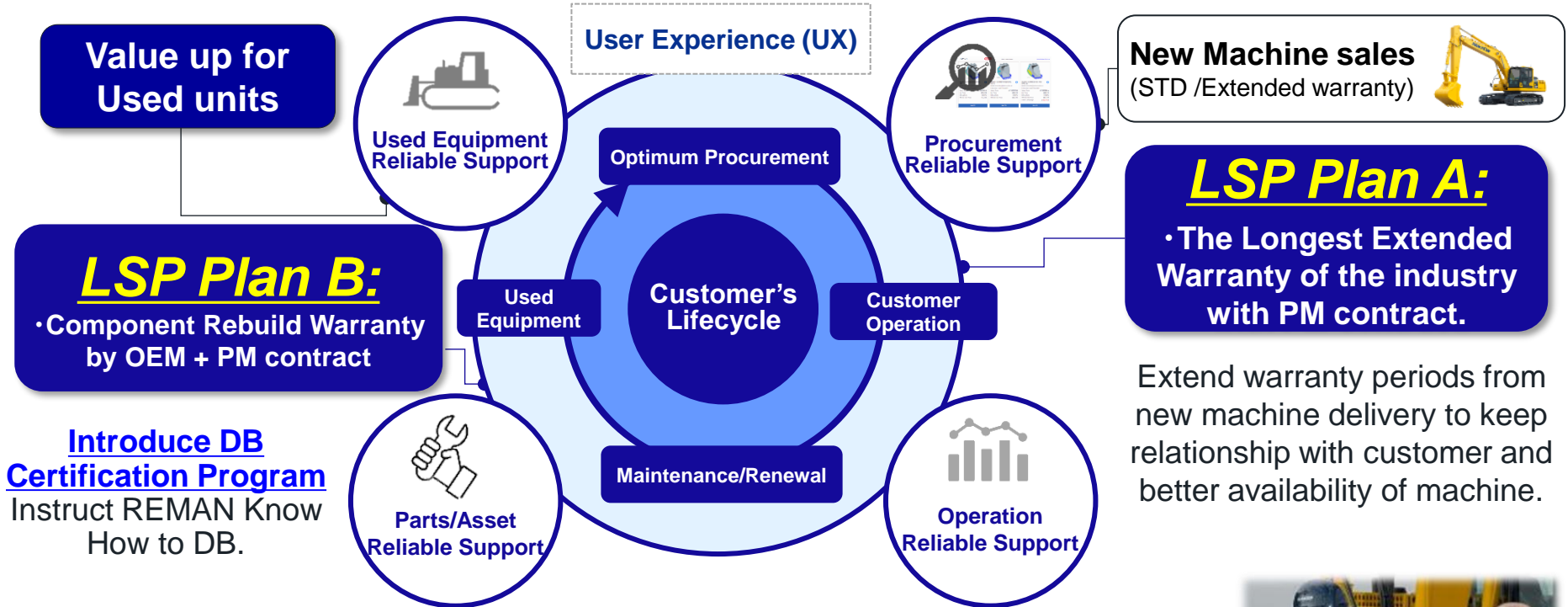
Asia(Thai):B-connect MAX  
Max 13,000h Warranty Program

**Purpose :** Continue to [keep in touch with Customer & Machine](#) improving CS, Machine PA, and AM sales. (Strength of Self-Developed Component Maker)

# LSP (Life Support Program) concept


















## ALL WIN

- Customer : Lower LCC, Higher Machine Availability and Resale value
- Distributor : Increase of new machines sales and aftermarket sales
- Komatsu OEM : Increase of sales, grasping durability data of major compo.



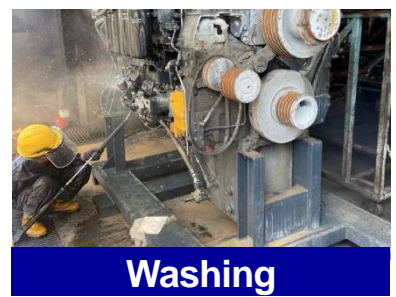
# Reman / Rebuild Component

- **Reman:** **Remanufactured** by OEM with **similar quality** and durability like **NEW**.
- **Rebuild**  
 Rebuild will be provided by Komatsu Distributor which is based on customer **demanded** quality and performance with budget.

	New (Ref.)	Reman	Distributor Rebuild		
Production Base					
	OEM (plant)	Reman center	Distributor		
Core Circulation					
	None	Need	Reuse (same core return to same unit*)		
Salvaging Standard					
	None	OEM drawing	Shop manual (Machining criteria only)		
Quality Durability					
	100	100 (same as new)	30-80 (based on customer demands)		
Cost/Price					
	100	60 - 70	30-60 (based on customer demands)		

# Reman Process (KI Reman)

■ Reman Feature is combination of **Salvage** Parts, **Reuse** Parts and **New** Parts



**Reman**

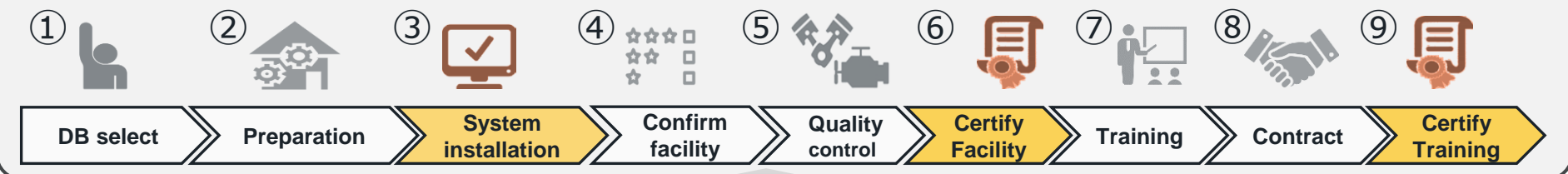
DB Rebuild is the simple inspection w/o Salvaging



# Distributor Rebuild Certification Process (9 steps)

■ Adopt Reman experience. Provide certificate for DB to rebuild following to the required quality of products by customer.

## 9 steps for DB rebuild certification



### 3 Elements of High-Quality DB Rebuild Providing

#### Rebuild Process

#### DB rebuild Facility

#### Mechanic Training



Standardize rebuild work processes thru the introduction of Reman System.



Facility check according to KLTD Standard.

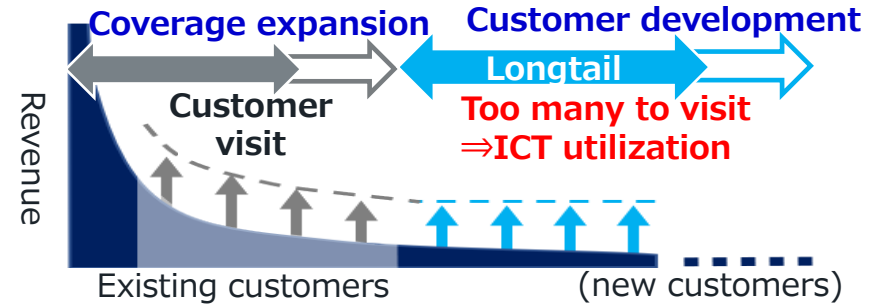


Develop educational program for certified DB. (Rebuild Training)

# Online Parts Sales

- Online parts sales are being introduced in various regions due to its convenience of purchasing and the advantage of customer development

## Online Parts Sales in Komatsu Aftermarket Business



**Customer Efficiency**

- ✓ Anytime, Anywhere
- ✓ Easy to access product information (images, spec)

**Customer Support**

Customer support with limited parts sales representatives

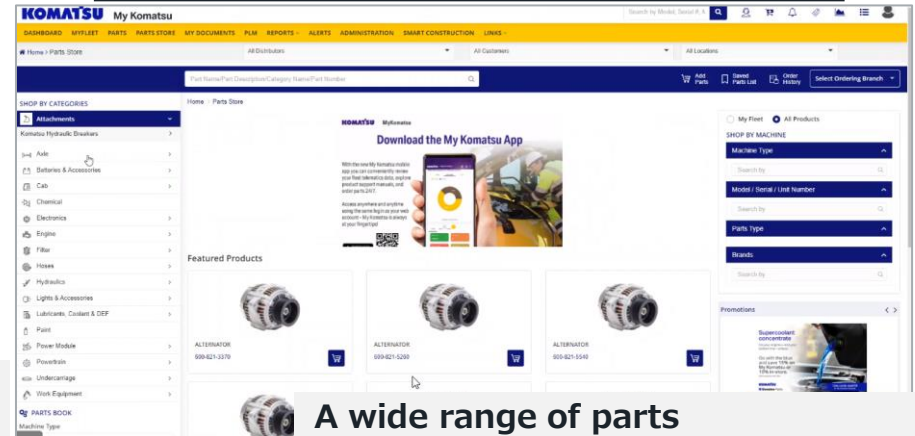
### China (eKOPEN)



Online purchase via smartphone has been common  
More than 30% of construction equipment parts sales in China



### North America (MyKomatsu)



A wide range of parts  
Possible to check machine condition

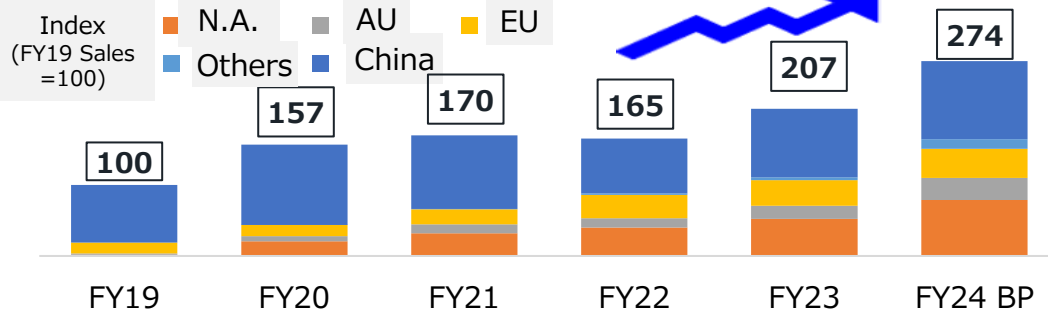
# Product Information Database for Online parts sales expansion

- Online parts sales reach 10% of construction equipment parts sales in introduced regions.
- PIM, Product information management system have been introduced to expand online sales

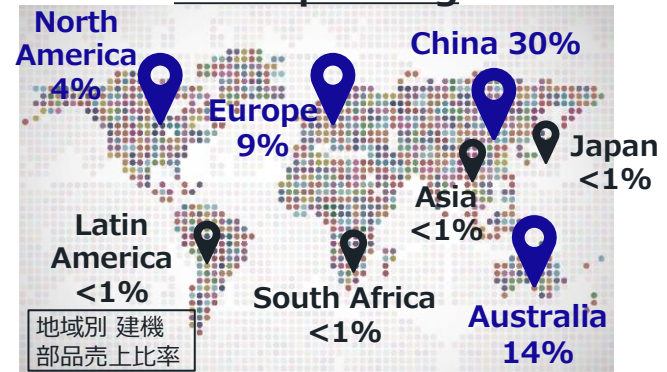
## Expanding Online Parts Sales

### Sales Progress

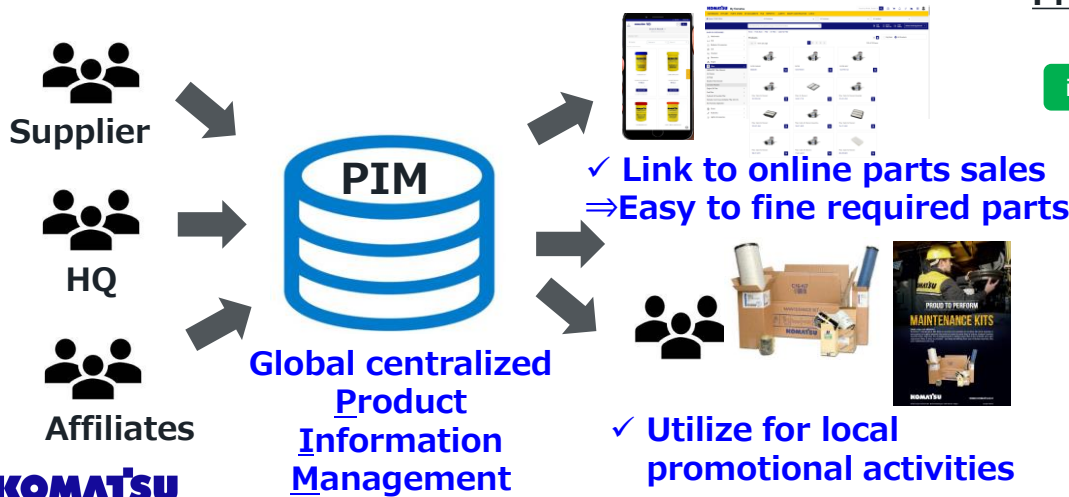
Steady expansion. 10% of Construction Equipment parts sales  
**Target: 20% of Construction equip. parts sales**



The regions which has implemented online parts sales are expanding



## Global centralized management of product information by PIM



## Product details shown on online sales screen

image, Description, spec, Long description, Materials, Item search by Model/ Serial#, Recommendation

# Business expansion in Construction segment (Non-mining segment)

### Mining:

Demand to FY30 is expected to be increased slightly, but it depends on Commodity price

### Construction:

Potential in low-share regions and items remains large with machine population growth expected

1. Retain customers for longer period by expanding **Extended warranty and Service Contract**
2. Respond to customers' needs and Retain customers through **long-term warranty** by **expanding Rebuild at Distributors** in addition to Reman
3. Promote DX such as **Online Sales** and establishing **Product Information Database**, aiming to **expand customer coverage**

# **KOMATSU**

Creating value **together**