

## NEWS RELEASE

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Kobelco Construction Machinery Co., Ltd.

### Kobelco expands OEM agreement with Yanmar

Kobelco Construction Machinery Co., Ltd. and Yanmar Construction Equipment Co., Ltd. have entered into a memorandum of understanding to expand their current supply of OEM mini excavators and begin a new OEM supply agreement. The agreement covers two points:

1. Expanding the supply of OEM mini excavators from Yanmar to Kobelco
2. Forming a new OEM supply arrangement from Kobelco to Yanmar

#### **Outline of the Agreement**

##### **1. Expanding the supply of OEM mini excavators from Yanmar to Kobelco**

Yanmar currently supplies 0.5- and 0.8-ton class OEM machines to Kobelco exclusively for the Japanese market. Under the new agreement, models and regions are to be increased as follows:

##### **1.1 Increasing the number of OEM models**

The current OEM supply is limited to two conventional models: 0.5 and 0.8 tons. The new agreement will add four short rear tail swing models<sup>1</sup>: 1.0, 1.7, 2.0 and 2.5 tons. Conventional models will be expanded to six machines: 0.5, 0.8, 1.6, 1.8, 2.2, and 2.6 tons. This will expand the total number of OEM machines to 10.

##### **1.2 Expanding the regions of OEM Supply**

The current OEM supply is limited to Japan. Under the new agreement, marketing will expand to cover all areas of the world.

Marketing in North America, South Korea and Australia is anticipated to start from January 2015. Marketing in Europe and Japan is planned to begin from April 2015. Staged introduction to other regions is under review.

##### **2 Supply of OEM mini excavators from Kobelco to Yanmar**

Under the new agreement, Kobelco will supply 2.0-ton, 3.0-ton, 3.8-ton and 5.0-ton OEM mini excavators with an ultra-short swing<sup>2</sup> for the Japanese market to Yanmar. OEM supply is anticipated to commence from summer 2015.

#### **Background to the New OEM Agreement and Significance for Kobelco**

Facing the need to strengthen its product line-up with limited time and resources, Kobelco decided that it was necessary to concentrate on its core competencies in order to meet the growing global market for mini excavators, leading to this business decision. The agreement between Kobelco and Yanmar provides major advantages for both companies. The advantages for Kobelco are:

##### **1. Stronger Product Line-Up for Higher Japanese Demand and Growing Global Market**

In recent years, mini excavators has been on an upward trend in the Japanese market, and since 2013 Kobelco has reentered the U.S. and European markets. Kobelco has been working on reducing the fuel consumption and noise levels of its mini excavators

ranging from 2.8 to 5 tons, and since last year Kobelco has introduced new models. Kobelco has received high acclaim in the Japanese market for achieving low fuel consumption and for equipping its mini excavators with its original technology, iNDR (an engine cooling system). On the other hand, mini excavators of under 2.8 tons have a variety of needs outside of low fuel consumption and low noise. In the European market, the largest market for mini excavators, Kobelco faces a pressing need to strengthen its line-up of conventional machines of under 2.8 tons, which it doesn't have on its product menu. With expanded OEM supply from Yanmar, Kobelco will be able to offer worldwide a complete line-up of mini excavators.

## **2. Improved Profits by Sharing Development and Production**

To capitalize on the growing market for mini excavators, Kobelco decided it was necessary to move quickly to increase the supply of OEM machines from Yanmar. One of the special circumstances behind this decision is that in the global marketplace, only North America and South Korea require mini excavators of less than 3.0 tons to meet Tier 4 exhaust emission standards.

In addition, by supplying Yanmar on an OEM basis with four models of its outstanding ultra-short swing machines for the Japanese market, Kobelco anticipates increased production volume by model and thereby increasing manufacturing productivity.

Highly regarded for the low fuel consumption of its machines, Kobelco has been developing eco-friendly, energy-saving excavators with low fuel consumption. Meeting market needs, Kobelco has improved its product line-up of models noted for low fuel consumption and low noise.

In addition to the benefits of lowering the burden on the environment through lower fuel consumption and reducing customers' running costs, Kobelco is developing original technology and providing customers with products of further value.

### **Notes**

1. Short rear tail swing excavators have a short tail swing radius. With a rear swing radius of no more than 10 percent beyond the crawler width, these machines are noted for their high workability in confined spaces.
2. Ultra-short swing excavators have a short swing radius. With a swing radius of no more than 10 percent beyond the front and rear of the machine, these machines can operate approximately within the width of the crawlers and are especially applicable for use in confined spaces.

### **Media contacts**

Masahiko Nakata  
Kayo Takamatsu  
Publicity & Secretariat Group  
Kobelco Construction Machinery Co., Ltd.  
Tokyo, Japan  
Tel +81-3-5789-2112

**KOBELCO CONSTRUCTION MACHINERY CO., LTD.**