KOMATSU ZENOAH CO.

Head Off ice: 2-142-1, Sakuragaoka, Higashlyamato, Tokyo, Japan. Telephone(425)65-7441 Telecopier(425)64-8984

January 12, 1998

Mr. Robert H. Cross Mobile Source Control Division, Air Resources Board 9528 Telstar Avenue El Monte, CA 91734-8001 U.S.A.

Subject: Our Production Plan for Calirornia-compliant Products

Dear Mr. Cross:

Thank you for your letter of December 19 in which you requested some additional information regarding the above subject.

As a company of hand-held gasoline engine for outdoor equipment, Komatsu Zenoah is working hard to make exhaust gas from these engines as clean as possible to meet environmental requirement worldwide. Development of 2-stroke stratified scavenging engine for ourselves is the one among such activities as 4-stroke engine with ROP.

As far as 2-stroke stratified engine is concerned, we plan to start production of it as Califoria-compliant products by model year 2000, with sizes of engines which are to be most sold from the view point of these applications through our business in the U.S. market. These engines will be for trimmer/brush-cutter applications.

It is crucial to make this plan realized that both technological feasibility and business profitability are fulfilled for 2-stroke stratified scavenging gasoline engine.

As you are aware of, the emission level of particulate matter to regulate is the key in addition to whether or not PM measurement is required on production models. If the latest draft officially available from CARB is to be reviewed as we mentioned in the letter attention to Mr. Carter of September 23, 1997, then our production plan in the above becomes further realistic as a corporate business plan.

We truly appreciate your attention to our engine development. We hope this reply will be helpful to you. If you may have any questions, please feel free to contact us.

Sincerely,

Tasutsune Miyajiri

Director, R & D center, Komatstu Zenoah Co.

cc: Mr. Tommy Tanaka

Komatsu Zenoah America Inc.