



Japan Rental Market & Industry Challenges

Xiaoming Cheng
Nippon Caterpillar Division

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Agenda

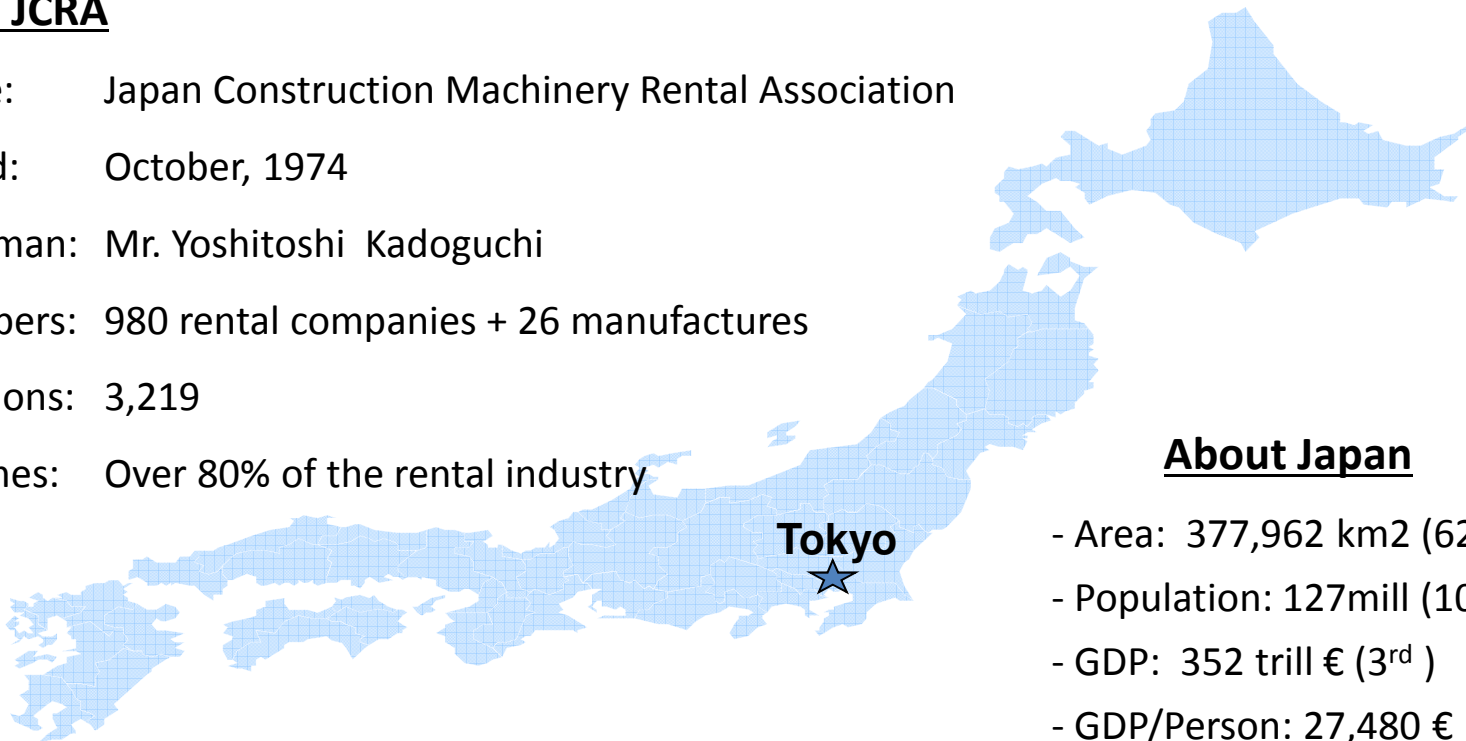
- About JCRA
- Customer Needs
- Equipment Distribution Flow
- Rental Penetration
- Industry Growth Trend
- Rental Operation Models
- Competition Landscape
- Asset Lifetime Profitability
- Industry Survey - 2013 Results, Key Issues & Key Initiatives
- Tier 4 Impacts
- e-Business Development

About JCRA

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About JCRA

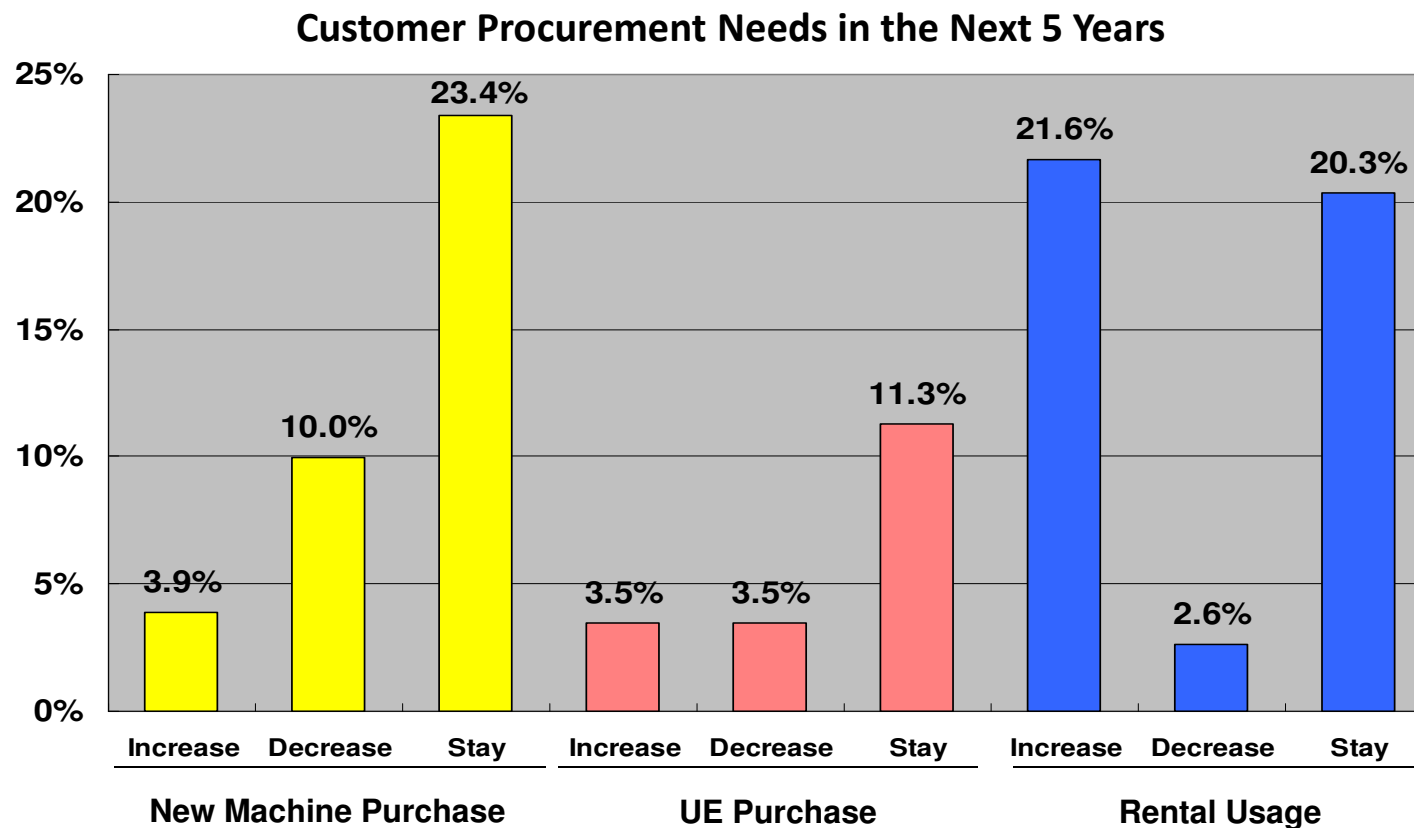
- Name: Japan Construction Machinery Rental Association
- Found: October, 1974
- Chairman: Mr. Yoshitoshi Kadoguchi
- Members: 980 rental companies + 26 manufactures
- Locations: 3,219
- Volumes: Over 80% of the rental industry



About Japan

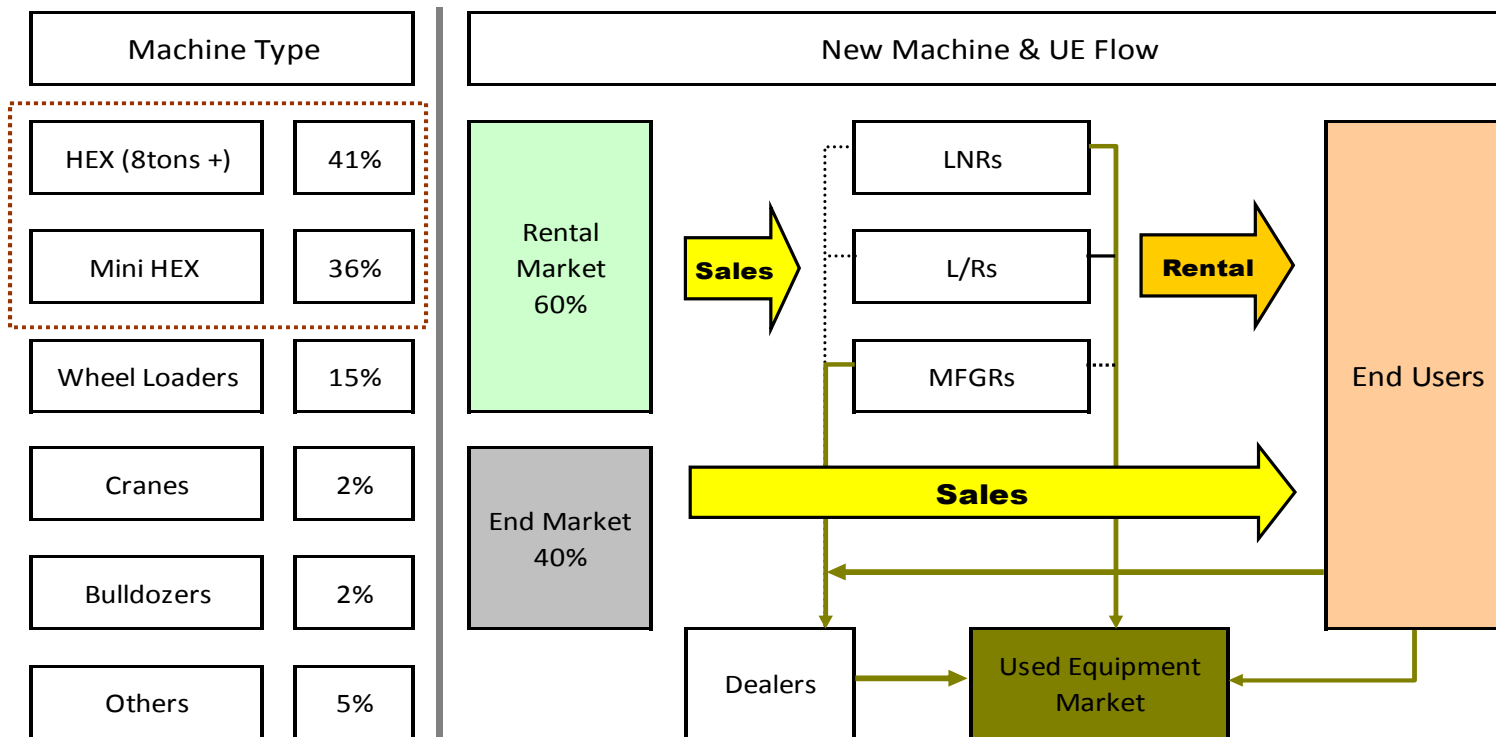
- Area: 377,962 km² (62nd)
- Population: 127mill (10th)
- GDP: 352 trill € (3rd)
- GDP/Person: 27,480 €

Customer Needs



Equipment Distribution Flow

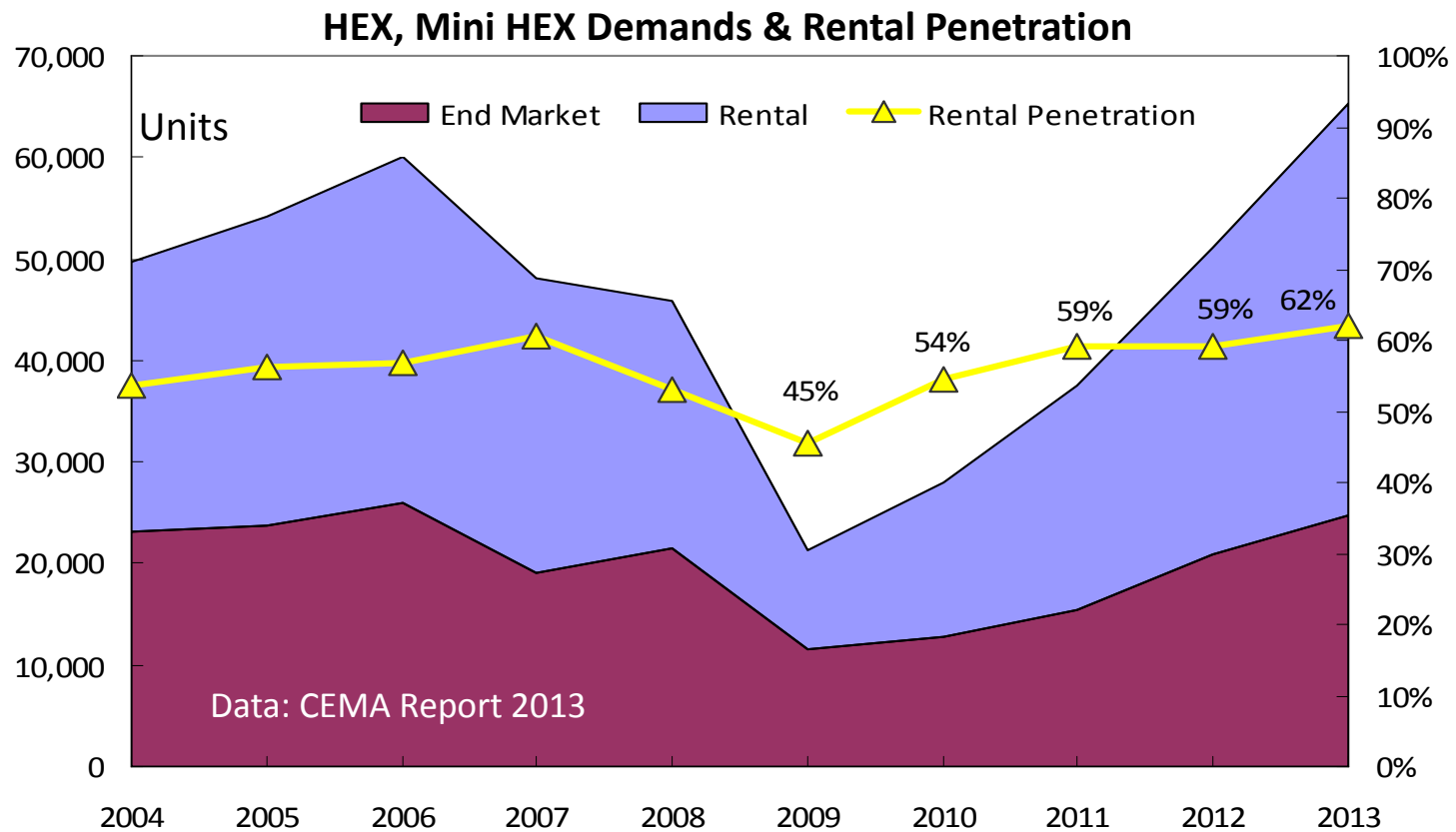
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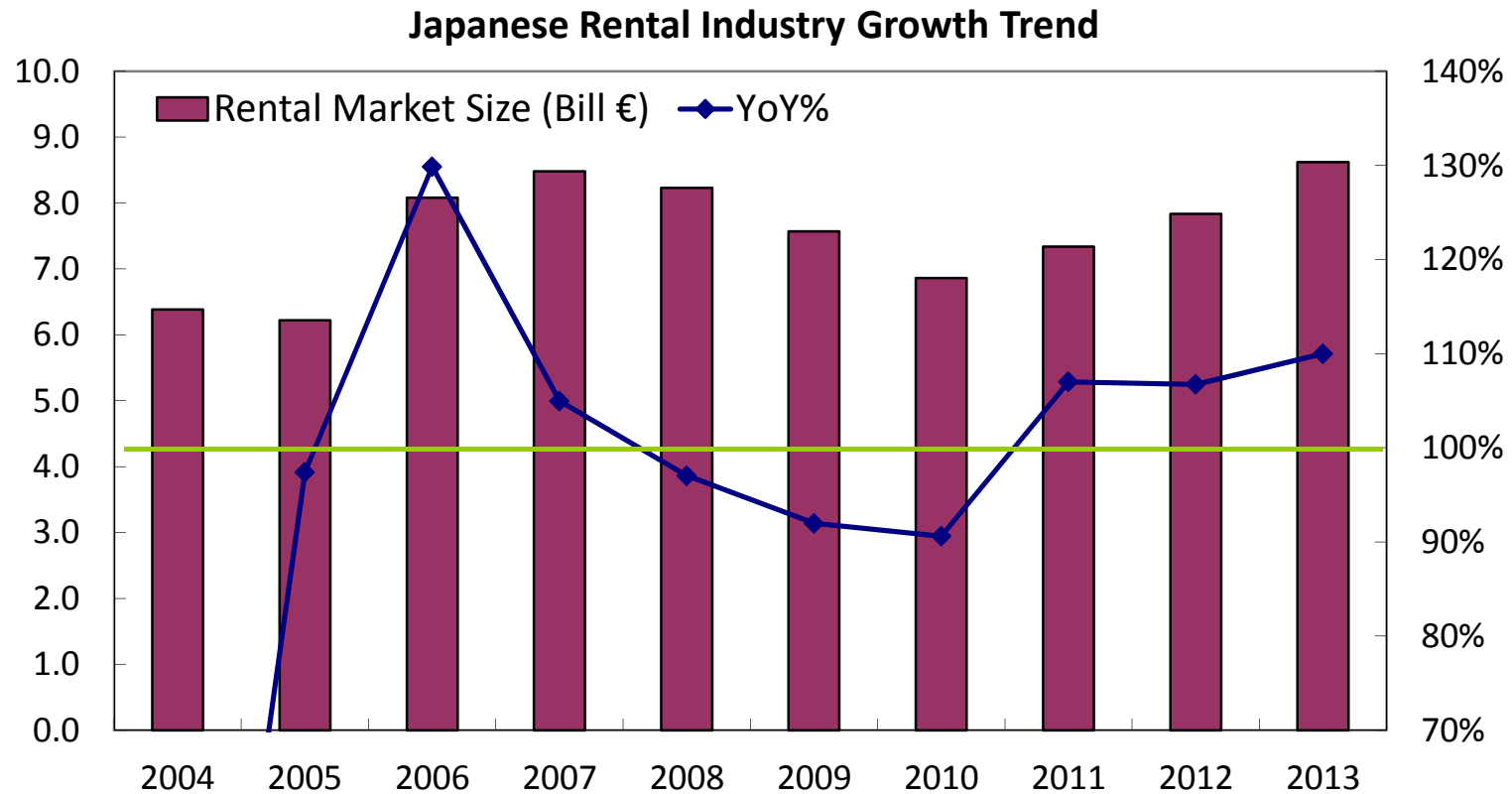
Data: Mizuho Report 2013

UE Market: Domestic 20~30%, Export 70 ~ 80%

Rental Penetration



Industry Growth Trend

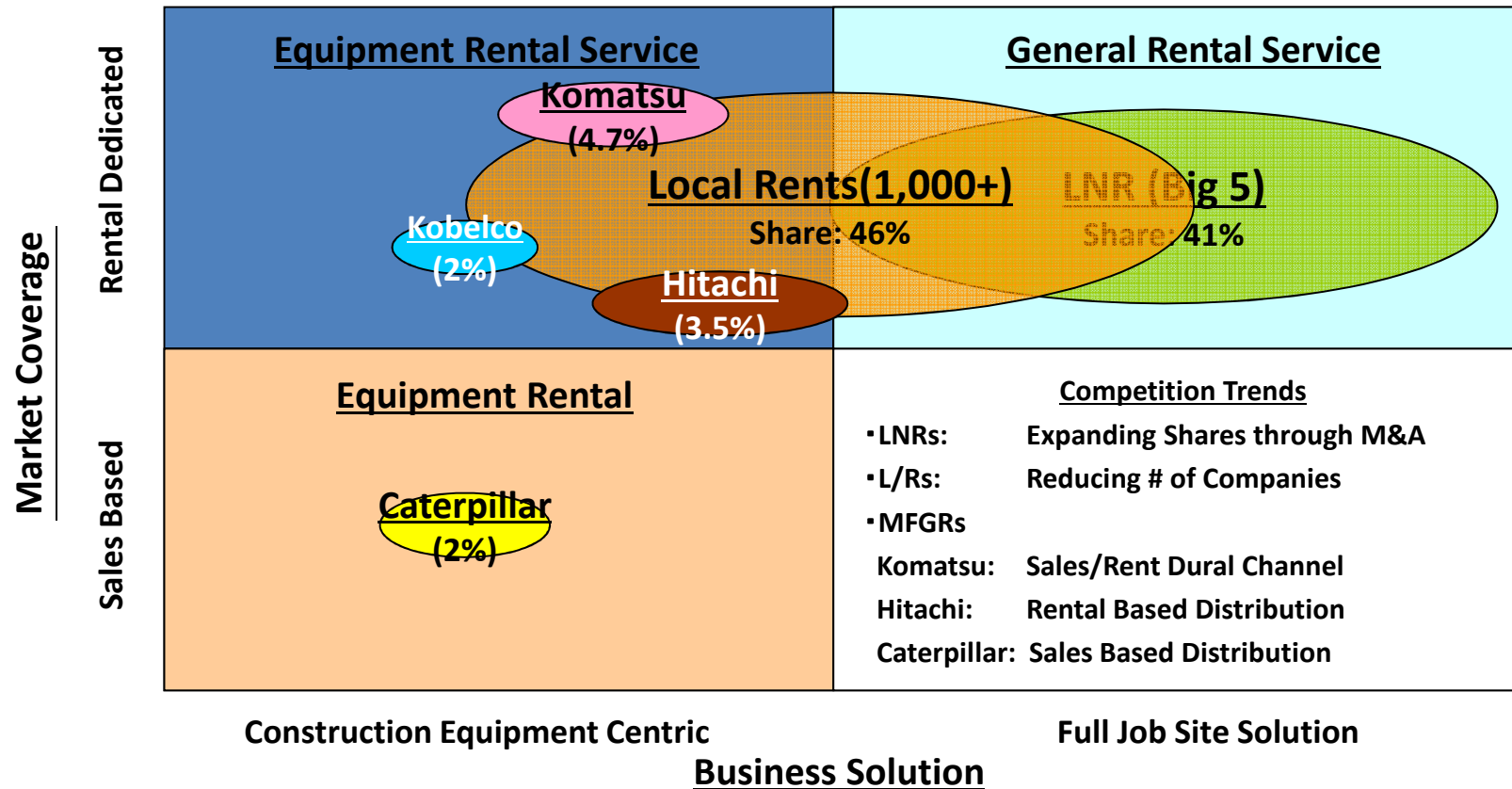


Data: Rental Industry Year Book 2014

Rental Operation Models

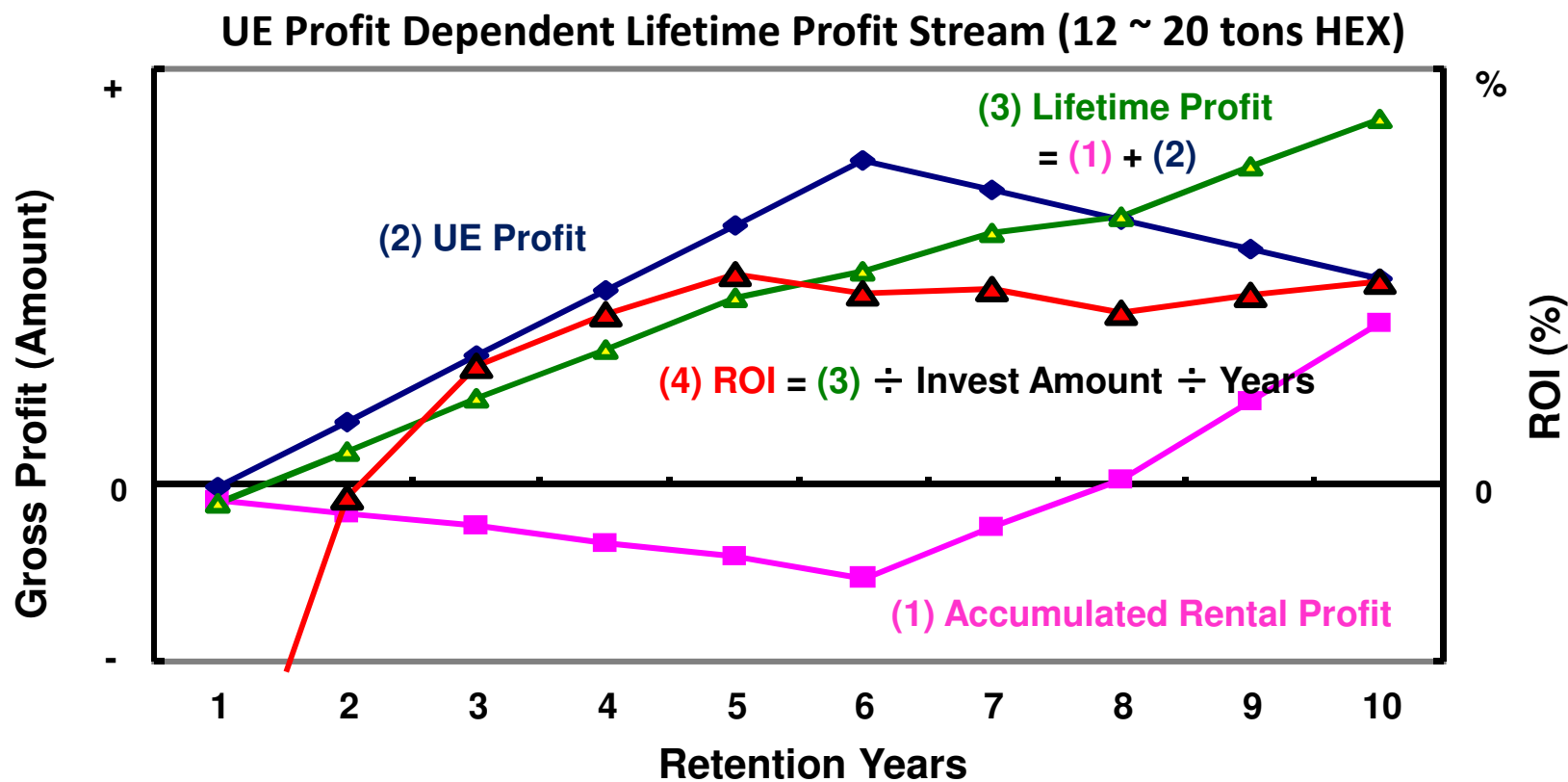
Market Coverage	Rental Dedicated	<u>Equipment Rental Service</u> <ul style="list-style-type: none"> ▪ C.E. + Work tools + Limited Allied ▪ Machine + Related Services ▪ Monthly (~50%) + Daily Rent (~50%) ▪ Dedicated Rental Store & Sales Reps ▪ R&UE Balanced Profit Stream ▪ Better Rental Profitability (G/M%: ~30%) ▪ Higher SG&A (~25%) 	<u>General Rental Service</u> <ul style="list-style-type: none"> ▪ C.E. + Wide Range Allied Products ▪ Machines, Materials, Related Services ▪ Daily Rent (Over 60%) ▪ Dedicate Rental Store & Rep ▪ Not depend on UE Profit ▪ High Rental Profitability (G/M%: ~39%) ▪ High SG&A (~31%)
	Sales Based	<u>Equipment Rental</u> <ul style="list-style-type: none"> ▪ C.E + Limited Work tools ▪ Single Machine + Little related services ▪ Mainly Monthly Rent (Over 80%) ▪ Sales Location & Sales Reps ▪ UE Dependent Profit Stream ▪ Poor Rental Profitability (G/M%: ~16%) ▪ Low SG&A (~16%) 	
		Construction Equipment Centric	Full Job Site Solution
		<u>Business Solution</u>	

Competitive Landscape



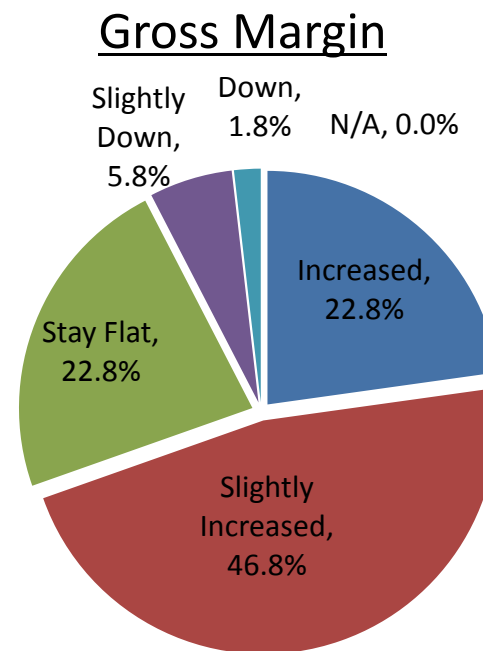
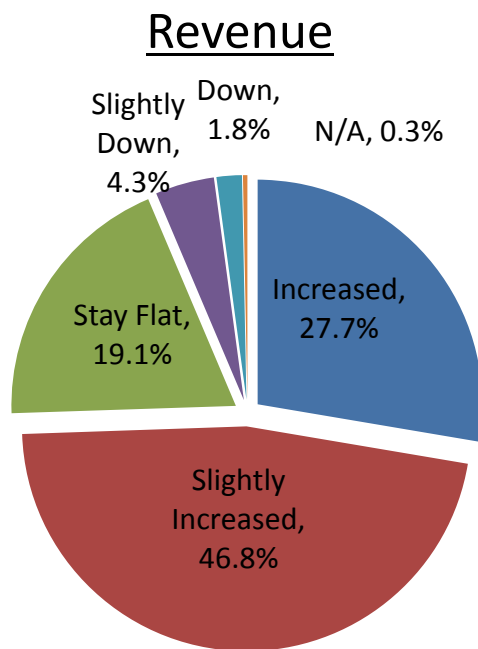
Asset Lifetime Profitability

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Industry Survey – 2013 Results

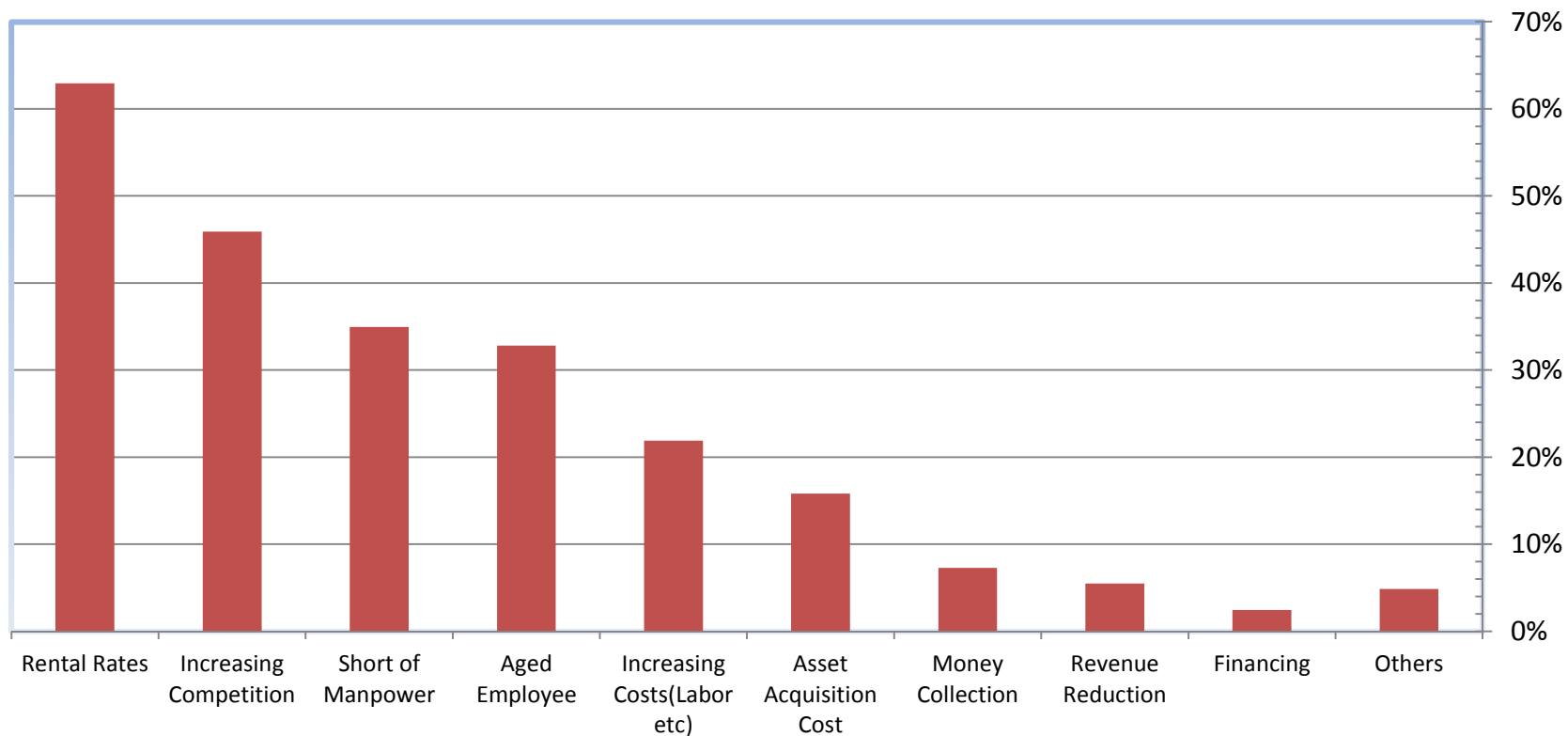
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Data: 2014 JCRA Survey (Answer from 329 JCRA member companies)

Industry Survey – Key Issues

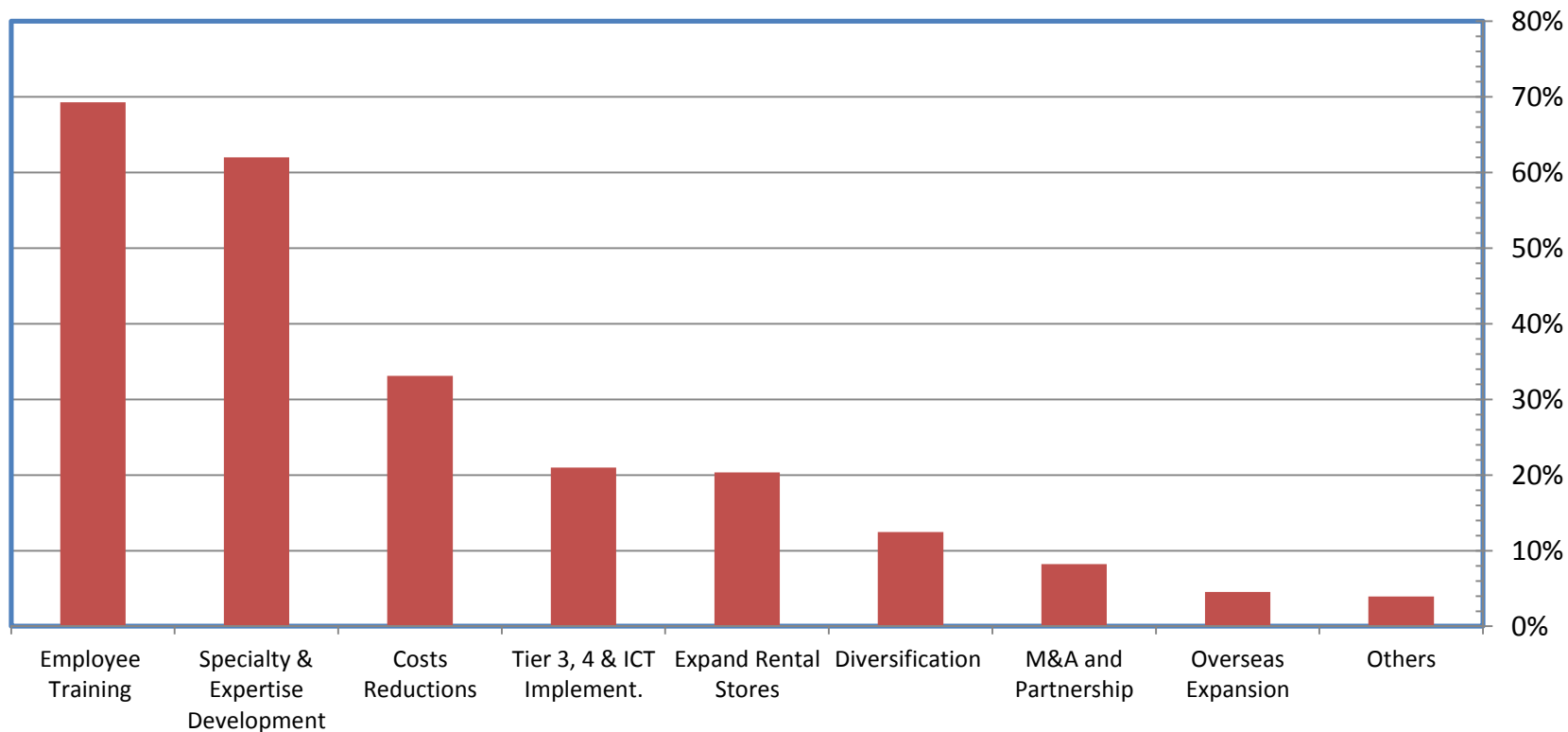
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Data: 2014 JCRA Survey (Answer from 329 JCRA member companies)

Industry Survey – Key Initiatives

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Data: 2014 JCRA Survey (Answer from 329 JCRA member companies)

Tier 4 Impacts

- **Changes UE Dependent Business Model.**
 - UE resale value may down by 30~70% due to hard to export to LRCs.
 - MFGR & LNR are highly dependent on UE profit.
 - Increase of rental rates seems unlikely within 5 years.
- **Causes High Ownership Costs.**
 - Higher Purchasing Price and Insurance Costs.
 - Higher Maintenance & Repair Costs.
 - Requires Skilled Technician and Service Equipment.
- **Proper Market Environment to Accept Tier 4**
 - 60% to 70% Higher Rate than Now
 - Governmental Regulations to Public Construction Project
 - Practicable De-tier Solutions
- **Distribution Impacts**
 - Huge Pre-Buying Demands (Tier 3) in 2012 & 2013
 - Potential Significant Demands Drop (Tier4) in 2014 & 2015

e-Business Development (e.g. Kenki.com)

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Outlines

- Nishio Rent-All (LNR) owns the store
- Trial run for e-business development
- Full functioned e-business
 - Web catalogues, quotation, reservation, shipping & return
- Target customer: Legal entity only
- Logistics: Parcel-delivery service
- Store hours: 24 hour, 365 days
- Payments: Invoicing, credit cards
- Rental Items
 - Construction, plant maintenance tools, surveying instruments etc.
 - Future: Construction equipment.

Kenki.com : The first web store in Japan (May 2012~)

