

Overseas Market Information



Brief Report on Construction & Farm Machinery in Asia-Pacific Market

Market Overview

The global construction and farm machinery market is deemed to be the revenue accrued by manufacturers of rolling machinery, earthmoving and construction equipment and heavy farm machinery.

Although companies have suffered a variety of pressures recently including elevated materials and crude oil costs, Asia-Pacific markets are exhibiting particularly healthy growth. In order to main efficient business operations across expansive markets, leading companies are becoming increasingly dependent upon innovative IT systems. With fierce price competition within the market, increased costs cannot be passed onto customers and therefore detract form profit margins.

Market Analysis

The construction and farm machinery market has exhibited exceptionally strong growth in the last few years, due to strong parallel growth in end-user industries. In particular, sizeable growth in demand for construction machinery is being driven by the Chinese Government investments in construction projects to improve the country's infrastructure following its entrance into the WTO.

The market generated total revenues of \$ 35 billion in 2005, this representing a compound annual growth rate (CAGR) of 15.3% for the five-year period spanning 2001-05. Japan contributed 54.9% of overall revenues within Asia-Pacific, a share which is anticipated to fall to approximately 48% as the construction industry continues to grow strongly across developing nations especially China. The Asia-Pacific market is the second largest in the world accounting for 34.1% of revenues, compared to 37.4% generated within the US market.

The sale of construction machinery proved the most lucrative in Asia-Pacific in 2005, generating total revenues

of \$ 23.4 billion, equivalent to 66.9% of the market's overall value. In turn, the sale of agricultural machinery accounted to \$ 11.6 billion in 2005, equating to 23.12% of the market's aggregate revenues.

Looking forward, the market is forecast to decelerate from the recent performance, with a compound annual growth rate (CAGR) of 4.9% for the five-year period 2005-2010 expected to drive the market to a value of \$ 44.5 billion by the end of 2010. Sales will be supported moving forward as sub-users switch to machinery that meets more stringent emissions standards. In comparison, the US market is anticipated to exhibit similar growth with a CAGR of 4.6% forecast for the period 2005-2010.

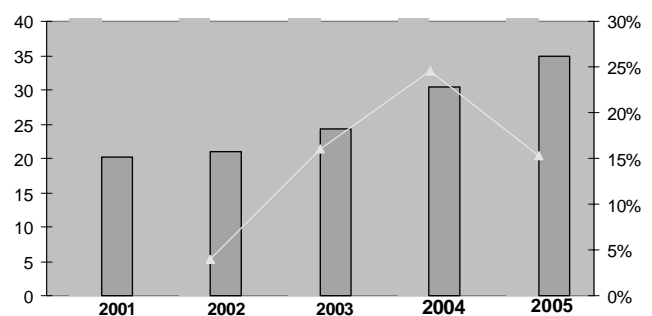
Market Value

The Asia-Pacific construction and farm machinery market grew by 15.3% in 2005 to reach a value of \$ 35 billion. The compound annual growth rate of the market in the period 2001-2005 was 14.7%.

Asia-Pacific Construction & Farm Machinery Market (Value \$ Bil)

Year	\$ Billion	% Growth
2001	20.2	-
2002	21.0	3.90%
2003	24.4	6.10%
2004	30.4	4.50%
2005	35.0	5.30%

Asia-Pacific Construction & Farm Machinery Market (Value \$ Bil)

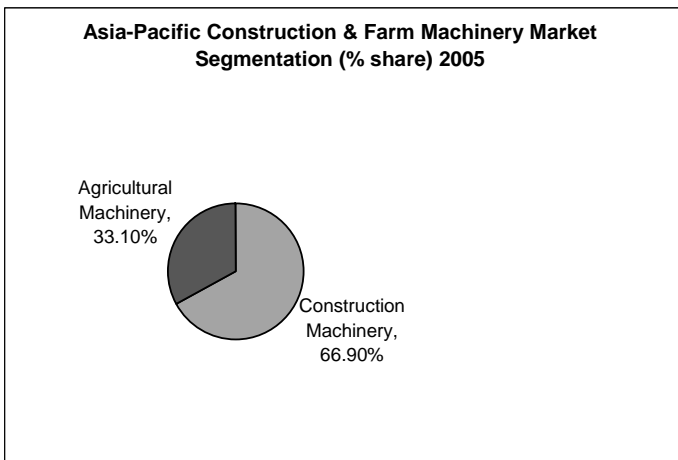


Market Segmentation - I

The construction machinery segment generates 66.9% of the market's total value. Agricultural machinery accounts for the remaining 33.1% of the market.

Asia-Pacific Construction & Farm Machinery Market Segmentation - I (% share) 2005

Category	% Share
Construction Machinery	66.90%
Agricultural Machinery	33.10%

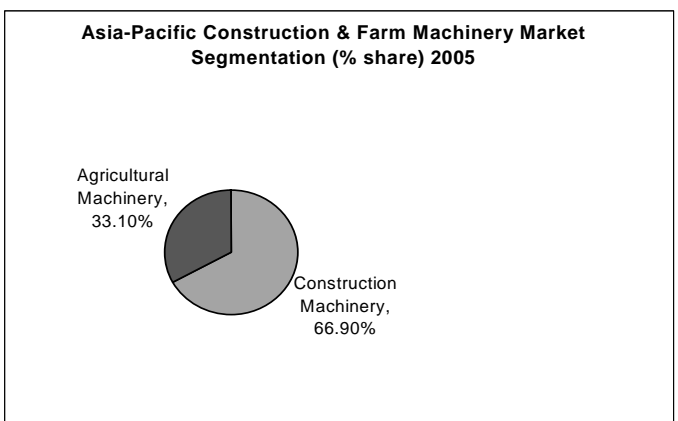


Market Segmentation - II

Japan is Asia-Pacific dominant market, accounting for 54.9% of the aggregate value.

Asia-Pacific Construction & Farm Machinery Market Segmentation - II (% share) 2005

Geography	% Share
Japan	54.90%
Rest of Asia-Pacific	45.10%



Competitive Landscape

Although companies have suffered a variety of pressures recently, including elevated materials and crude oil costs, Asia-Pacific markets are exhibiting particularly healthy growth. For example, the construction industry within China is booming. The Chinese Government is investing heavily in improving the country's infrastructure in preparation for the 2008 Olympics and demand for construction machinery is high. Many western manufacturers have earmarked Asian markets for expansion, which will put considerable competitive pressure upon domestic manufacturers.

In order to maintain efficient business operations across expansive markets, leading companies are becoming increasingly dependent upon innovative IT systems. For example, Komatsu Komtrax management system enables the company effectively to respond to changes in the market. Such systems can be used to aid business restructuring and reform production and sales procedures, which enables companies to comfortably grow beyond a level where unaided business structures suffer. Companies who invest in such systems wield a considerable competitive advantage in being able to respond rapidly and effectively to changing market conditions, where traditional business organizational methods may stall.

Manufacturers have been hit hard recently by the current high price of metal and elevated crude oil prices, which have considerably increased manufacturing costs. With fierce price competition within the market, increased costs cannot be passed onto customers and therefore, detract from profit margins. Large companies who have sufficient economies of scale and diverse product portfolios can largely offset fluctuations in manufacturing costs thus boosting their competitive strength.



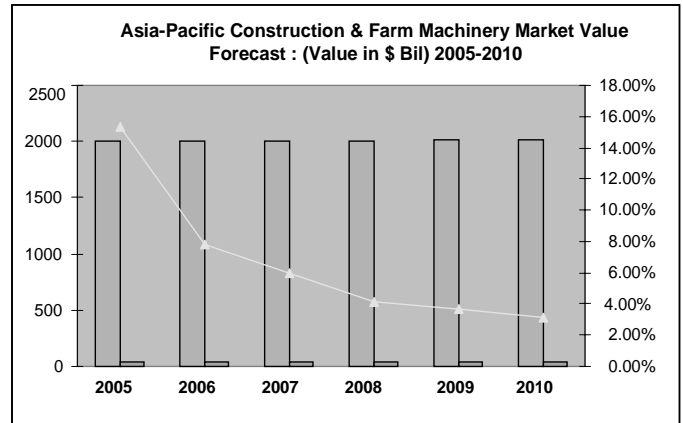
Market Forecasts

Market Value Forecast

In 2010, the Asia-Pacific construction and farm machinery market is forecast to have a value of \$ 44.5 billion, an increase of 27.2% since 2005. The compound annual growth rate of the market in the period 2005-2010 is predicted to be 4.9%.

Asia-Pacific Construction & Farm Machinery Market Value Forecast : (Value \$ Bil) 2005-2010

Year	\$ Billion	% Growth
2005	35.0	15.30%
2006	37.7	7.80%
2007	40.0	6.00%
2008	41.6	4.10%
2009	43.2	3.70%
2010	44.5	3.10%
CAGR, 2005-2010		4.9%



[Source : International Enterprise (IE), Singapore]