JARA
Japan Automotive Recyclers Alliance

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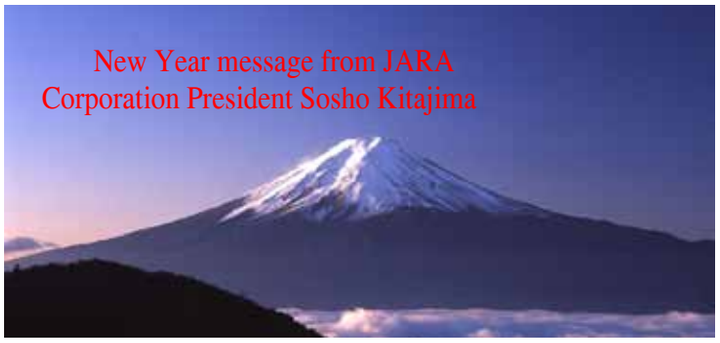
Tokyo Head Office: Shinwa Bldg. 1-2-2-7F
Nihonbashi, Chuo-ku, Tokyo, JAPAN 103-0027
Phone: +81 3 3548 3010 / Fax: +81 3 3231 4690



Happy New Year!

Last year we had two big changes. In April, SPN Co. merged with EcoLine Co. and, then, to accelerate vehicle acquisition, we acquired a subsidiary SuperLine Tohoku Co. in October.

Through the merger, I believe JARA Corporation is now on the verge of offering better support to its members, as concerns the changing business environment brought on by advanced vehicle technologies, which have sharply progressed in recent years, as well as in terms of system management.

Also, we are now receiving unprecedented amount of information and various proposals from related divisions one after another, including an idea for our vehicle-acquisition business. I think this year we will make such proposal to a reality one by one.

As a hardware upgrading effort, we have set up new meeting rooms at our Tokyo Head Office, the Nagoya Branch, the Sendai Branch and others in order to deepen communications through regional meetings and training programs. In the latter half of last year, an operation training course for two existing systems was made available. Moreover, various courses and seminars are now open to member companies. Your active use of these programs will be appreciated.

Although we were unable to offer full-scale supports to our members within a half year of operations last year, we will gradually announce new solutions this year.

I wish you all continued success and prosperity. Your support and cooperation will be highly appreciated throughout 2015.

January 1, 2015
Sosho Kitajima

Turning point approaching recycled auto parts industry

Raising awareness is key

CO_2 Reduction Effect

(based on Super-Line System)

The use of Reuse Parts saved

2,724 tons of CO_2 emissions in November 2014

The reference figure represents the difference of carbon dioxide (CO_2) emissions at the vehicle repair using genuine (new) parts and recycled parts.*

*: Based on "Green Point System", which was jointly developed by the Japan Automotive Parts Recyclers Association and Waseda University Environmental Research Institute using a life cycle assessment (LCA) technique.

Moves in the recycled auto parts businesses are entering a transition. In order to cope with negative factors, such as rising transport costs, revised auto insurance premiums, as well as a declining population, recycler groups are accelerating the building of ties with in building ties with other groups or in marketing globally. Some companies even launched aggressive initiatives independently. Amid the growing number of hybrid vehicles (HVs) and electric vehicles (EVs) in Japan, recyclers are forced to respond to new technologies. They are facing tough challenges at home and abroad. Moreover, acquiring end-of-life-vehicles (ELVs) is becoming greatly more difficult as many used vehicles are exported to overseas markets. Recyclers are truly faced with trying to survive in a severe competitive encironment.

Needs of recycled parts identified but the usage is low

"Customers seeking to repair vehicles at their own costs are increasing these days," a Kanto-based repair station said, suggesting that the use of recycled parts for car repair has begun to increase. In October 2012, the car insurance premiums were

Continued on Page 2 —

JARA Corporation formed a business partnership with Carpart.com, the leading U.S. recycled parts marketer, aiming for mutual distribution of recycled parts between Japan and the United States.

Turning point approaching

Global development will be one of strengths of Japanese company

Continued from Page 1 —

revised. To avoid expensive insurance-covered car repairs, car owners seem to be turning to low-priced recycled parts. However, more than a few repair stations admit that confidence in the quality of recycled parts is not strong. Raising awareness of recycled parts is not easy. This is a problem for the entire industry. In Japan, recycled parts account for only 5 percent of all repair parts, including genuine parts, showing a big gap with Europe, where the recycled parts ratio is 40 percent.

But Japan's recycled parts industry is not sitting still. Led by the Japan Automotive Parts Recyclers Association, the "Automotive Recycled Parts Promotion Committee" entered its second year of conducting nationwide campaigns to promote recycled parts. The committee is jointly supported by the General Insurance Association of Japan, the Japan Used Car Dealers Association, and the Japan Auto Body Repair Association. In October 2014, a grass-root campaign took place in the public area of Japan Railways Yurakucho Station in Chiyoda Ward, Tokyo. Staff members set up a booth featuring recycled parts and distributed leaflets to consumers that introduced the environmental advantages of recycled parts. "We want to make as many people as possible aware of recycled parts," said one of the leading members.

Tough conditions continue for acquisition of high price ELVs

Toward diffusion of recycled parts, issues are piling up. Every day, it is becoming increasingly difficult for recyclers to procure ELVs day by day. An Abenomics-inspired weaker yen is the primary factor. Instead of going to recyclers, many ELVs are now going to auto auctions and are then exported. Exports of used vehicles have increased to 1.3 million units a year. "It is going to becoming a crisis," said one recycled parts group executive. Mostly relatively new used vehicles are going to auto auctions, making it hard for recyclers to make successful bids on because such vehicles go at high prices. The rising procurement cost of ELVs is putting further pressure on the recyclers' businesses.

According to statistics released by the Japan Automobile Recycling Promotion Center (JARC), in April-September of 2014, ELV acquisition totaled 1,711,479 units, up 2.1 percent from a year earlier. Although total acquisition increased, it was not as high as what the center anticipated in the wake of a rush in demand for new cars before the consumption tax hike in April. JARC previously forecasted the full year result of 3.4 million ELVs for this fiscal year, but it now says, "It may fall below the 3.3 million –unit -mark."

The rising transport cost of recycled parts is also putting pressure on recyclers' earnings. For recycled parts, which tout prices lower than those of new parts, swelling transport costs could damage their position against new parts in the market. To cope with this issue, the Recycled Auto Parts Logistics Study Team was established. It is participated by not only recycled parts sales groups, but also system developers and major transport companies, in an effort by members of different industries to take joint action to counter rising transport costs. Under the initiative of the team, practical solutions have already been developed, including the unifying of packaging material and creation of a packaging instruction manual. As such, expectations are building in the industry. However, a recent decision made by a major transport company confused recyclers. The company decided that it will not pay compensation for auto parts damaged in transport if they are not insured. This sudden measure has already been introduced in some areas. "What the heck is happening?" seems to represent the sentiment of worried recyclers. The transport situation is constantly worsening, even as discussions to improve it. The recycling industry has yet to find a fundamental solution.

Pioneering overseas business,

JARA Corporation held the 8th Automotive Recyclers International Roundtable 2014 in Kushiro City, Hokkaido. The event, at which opinions were exchanged not only with recyclers from Europe and the United States but also from Asian countries, --set forth anew the notion that Japan should lead the world as an advanced vehicle recycling country. Also, at the gathering, JARA Corporation also formed a business partnership with Carpart.com, the leading U.S. recycled parts marketer, aiming for mutual distribution of recycled parts between Japan and the United States. Global development will likely be one of strengths of the Japanese company.

Meanwhile, in 2014, joint meetings for reviewing the Automobile Recycling Law were carried out between Japan's Ministry of Economy, Trade and Industry and Ministry of Environment. In the view of the 10th anniversary of the law, which went into effect in 2005, both ministries concurred that they will evaluate and examine the law, as circumstances have changed from the year of introduction.

Among next-generation vehicles, use of hybrid vehicles has sharply expanded, while vehicle imports now include electric vehicles. In November 2014, Toyota Motor Corporation announced a production fuel cell vehicle (FCV), a new genre in next-generation vehicles.

The recycling industry is really entering a transition period. "The era of bipolarization is coming," said an industry watcher. Hectic developments are likely to continue for some time to come. *(Daily Automotive News Dec. 12, 2014 issue)*

Go Go Japan Industry (M) Sdn Bhd
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52000 Kuala Lumpur, Malaysia.
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< Parts Supplying Fully Back Up by HIDA TEC Japan >

Government tightens control of airbag recycling

apan Auto Recycling Partnership (JARP) is likely to tighten controls over dismantlers regarding the appropriate processing of airbags. The organization will revise the rules (Clause 7 of the Automobile Recycling Law) of the airbag deployment process at the dismantling site and show samples of illegal acts of such process to dismantlers. If a dismantler violates the rules, a forced stop will be applied to the daily operation of the dismantler concerned.

JARP found that some airbags of ELVs were not processed, or deployed and then transferred to shredder operators. Therefore, the organization decided to strictly prohibit such a process.

Prohibited acts for dismantlers are 1) To transfer airbags to the next process, those which are not activated, or deployed, 2) To sell airbags which are not activated to others, and 3) To export parts of vehicles (half-cuts), in which airbags are not activated. In addition, even if they do not attempt to sell airbags detached from a vehicle, the folowing two cases will be punished: a) To store them without appropriate reasons, and b) Vehicles with inactivated airbags are placed so as to be involved in the next process.

Hida TEC becomes 3-time winner of auto recycling

Niigata Prefecture-based recycler, Hida TEC Co., won the Recycling Award of the Team TH carmaker group for the third consecutive year. A carmaker group highly evaluated the recyclerÕs aggressive attitude toward 100% recycling of end-of-life vehicles.

The award was given by the Team TH of carmaker group. The team consists of 8 carmakers and brands: Daihatsu, Toyota, Hino, Honda, Audi Japan, BMW Corp., Peugeot Japon and Volkswagen.

Hida Tec processes 30,000 ELVs a year based on a 100% recycling process. In order not to generate ASRs (automobile shredder residues) in the whole recycling process, the company injects huge manpower. As a result, the companyÕs effort largely contributes to environment conservation.

At the presentation ceremony, Toyota Tsusho Corp.Õs Niigata Branch director presented the prize to President Hida. Toyota Tsusho manages sales networks of recycled products of the Team TH.

Hida Tec is also rated highly by the Team ART (Isuzu, Suzuki, Nissan, Subaru, Mazda, Mitsubishi Motors, Mitsubishi Fuso, UD Trucks, etc.) and won the award for the fourth consecutive year. <Daily Automotive News June 2 issue>

Kobelco hosts resources recycling meeting

obelco Construction Machinery Co. hosted the 2010 Kobelco Resources Recycling meeting on May 27 in Tokyo. The meeting is held once every year to promote to users of the companyÕs nibblers and other construction machinery.

This year Kobelco, which also displayed its new hybrid shovel at the N-Expo 2010 environment exhibition on the same day as the meeting, arranged attractive topics for people in the steel and scrap industry.

Mr. Seiichi Hayashi, President of Steel Recycling Research, presented a lecture titled ÒYear 2010 from Viewpoint of Steel ScrapÓ. He forecasts continuing price hike due to demand growth against supply and concerns of further heat up in competition among players.

A special lecture ÒToday and Tomorrow of Recycling Industry in China,Ó was provided by Mr. Kenmin Liu, Chairman of the China Recycling Association. He urged stronger partnership between Japan and China in the recycling field.

Rebuilders' group aims to expand membership

ebuilt Industry Association decided to change its name to the Japan Automotive Rebuilt Parts Association to enhance the organizational presence. The group, led by Chairman Hiroshi Fukazawa, after talks with Japan Automotive Parts Recyclers Association, announced its new policy at the 42nd General Meeting held in Miyagi Prefecture.

Sales of recycled parts unexpectedly on the rise

ecycled auto parts sales are running at a brisk pace. Sales of NGP are expected to increase from 37.5 billion yen last year to 40.0 billion yen for this fiscal year. SPNÕs monthly sales are also showing around a 10% increase year-on-year from April this year. The cause, however, is not clear.

In recent years, sales of recycled parts were hard to increase despite an increasing number traded. The unit price has been sharply falling. This industry-wide tendency has changed.

From June, NGP extended its guarantee period for itsices of recycled parts is also found. Some recyclers sell rare parts, such as used sliding doors, to repair factories at the same high price as the genuine one because Òit is a rare one.Ó This causes some repair factories to dislike such high-priced recycled parts.

ÒThis tendency to sell at high prices will have a negative impact on the recycled parts market,Ó warned a repair factory operator.

In the past six month of this year, recycled parts have moved to a new stage. The reasons are still unknown. <Daily Automotive News August 11 issue >

Major dismantlers use strip machines for wire harness recycling

In order to improve the values of products, major dismantlers are introducing strip machines for recycling automobile wire harnesses. They also anticipate future growth of the trade of copper wires, which are increasingly much used in automobiles due to the diffusion of electric vehicles and hybrid cars.

The strip machine will be able to process wire harnesses into nuggets. It strips the outer coating of the wire and then cuts the wire into chips. The trade price of such copper nuggets is more than double that of the wire harness itself. Showa Metal Co., Saitama Prefecture and Iwama Works Co., Shizuoka Prefecture, have already introduced such strip machines.

The machine costs around 20 million yen for a small type. Iwama Works has set up a process line dedicated to putting the wire harnesses, which are taken from ELVs in the yard of the factory, into the strip machine.

The reason why dismantlers pull out wire harnesses from ELVs is to remove copper from steel scrap. Under the Automobile Recycling Law, the content percentage of copper in steel scrap must be less than 0.3% if it is processed in an electric furnace. Dismantlers thus have been selling wire harnesses to brokers and exporters.

Such wire harnesses have mostly been exported to China. The trade price of wire harnesses, however, depends largely on the international market. Exporters of wire harnesses have often been rejected when the market price is too low. Therefore, dismantlers decided to introduce strip (nugget) machines to secure stable sales of copper scrap made from wire harnesses.

Trade price of harnesses is around 250 yen per kilogram, while that of copper scrap (nugget type) has climbed to double that level. If it sells for three times that of wire harnesses, the copper scrap (nugget type) business will be profitable because it requires machine costs and workers. One of the goals of dismantlers who install such machines is to improve the efficiency of the processing work.

Dismantlers anticipate a rise in ELV delivery prices after the scrap incentive program ends in September. In order to raise the values of ELVs, they will expand their product lineups to include stainless and forged parts. The copper nugget business is one of those efforts. Dismantlers hope for a price hike of scrap products in the future as the natural resources are expected to be exhausted.

< Daily Automotive News August 11 issue >

Metal Recycle Monthly Interview with SPN President Sosho Kitajima < 4 of 4 >

Continued from August issue.

MRM: How do you see todayÕs recycling industry and the future?

Kitajima: The number of automobiles in use across Japan, which has been growing year by year in the post World War II period, began to decline for the first time in 2008. Last year, new vehicle sales fell to 4.61 million units, which is nearly 60% of that recorded in 1990.

Amid declining births and population aging, the average age of ELVs is becoming high in Japan. The government introduced a scrap incentive program last year. The user of a car aged 13 years old or older can receive a 250,000 yen (125,000 yen for a minivehicle) subsidy when the person replaces the old car with an eco-friendly new car. Carmakers recently extended their guarantee period from the previous 5 years to 7 years due to the heating up of competition.

With this background, the auto aftermarket was forced to shrink to a range of vehicles to be handled aged between 7 years and 13 years to be handled. In addition, vehicles aged 13 years old or older have mostly vanished in the market! There may be no room in Japan for such old cars to play an active part in society. They also were resources for the export business.

Looking from an international viewpoint, Japanese cars are increasingly fading in the global market as Chinese and Korean cars are expanding. Japanese carmakers, including Toyota, had supported the strength of the aftermarket of Japanese products so far. We have to see that we are facing a threat of a globally changing market.

How does SPN respond to that? SPN needs to enhance the ability of its Internet-based sales system and strengthen its ties through JARA with overseas partners and companies. In other words, SPN has to be gentle as a company.

We will strive to make SPNÕs system a hub for Japanese Internet sales systems through the Gate Way solution. With regard to international relationships, JARA has already contributed to establishing overseas industry organizations, such as KARA in Korea and MAARA in Malaysia.

Why does SPN extend its relationships overseas? It is to find a way out of the shrinking domestic business. SPN has to expand its overseas business and increase its value-added systems. When trouble happens in overseas trade, customers can ask SPN in Japan or ask overseas counterparts such as ARA in the U.S. and ARRAA in Australia whenever needed. We will assist our customers and each other so as to safely enter the overseas markets.

MRM: What is Òbeing gentleÓ as an enterprise?

Kitajima: ÒIf I wasn't hard, I wouldn't be alive. If I couldn't ever be gentle, I wouldn't deserve to be alive.Ó This is a famous phrase. I think that a kind of consideration is inevitable for an enterprise to develop in society. ThatÕs why SPN joined an aid effort taken by the Japan Committee of Vaccines for World Children and sent collected money from our members to the committee. Members send donations based on five children per one ELV processed. That effort has been disclosed on the Òproduct informationÓ of SPNÕs website from August 2007. We think that the Internet pages are our message to the children, our future itself.

Hida Tec to provide cutting-edge skills to Chinese recycler

ida Tec Co. has signed an agreement with Guolian Automobile Recycling Co., a local recycler in Tianjin, China, to build an end-of-life-vehicle (ELV) recycling factory there. The new factory is scheduled to start from July 1.

By sending technical staff to China, Hida Tec will provide its cutting-edge skills of engineering as well as appropriate equipment to the facility. Based on know-how about ELV recycling, Hida Tec will mark its first step into the Chinese market.

Hida TecÕs new plant is located in the Tianjin industrial area which is the biggest recycling area in northern China. Hida Tec was recommended as an ELV recycler by the Tianjin government last year because of its experience of exporting recycled parts to 14 overseas markets. The company has also received awards from the Japanese carmakers every year as it is aggressively involved in 100% recycling of ELVs.

Hida TecÕs local staffs, who will return to Japan, are expected to go back to China for the maintenance of equipment. Hida Tec is seeking new business through long-term support of the national-class car recycling project. < *Daily Automotive News June 9 issue* >

Broadleaf Co. President & C.E.O. Kenji Oyama gave a lecture titled ÒIT and Networks Help Japanese Auto Recycled Parts Market Expand,Ó at the 3rd AAEF. He introduced the latest information systems of auto recycled parts sales in Japan and the role of the company in the market. Sales expansion through information systems is a common interest in each Asian country.

In Japan, automobile dismantlers have strengthened the used parts business as scrap prices fell sharply. In the 1990s, to meet the growing information traffic among parts sales firms, integrated systems inside each sales group were developed and became popular among recyclers.

BroadleafÕs Parts Station, which made its debut in 2000, is an advanced Intenet-based system that provides a settlement service (2001), parts image registration (2005), and linkage with auto auction sites (2008). At present, the system is serviced as a network linked with approximately 12,000 recyclers, used parts dealers, and vehicle repair factories. About 4 million used parts are stored on the network, which is the largest inventory in Japan.

The AI functions of the system can automatically distinguish the used parts which are highly likely to be sold soon, which encourages users to achieve effective sales operations. < Daily Automotive News October 20 Issue >

JAERA begins rare earth metals recycling project in Hokkaido

The Japan ELV Recyclers Association (JAERA) completed its collection step of the rare earth metals recycling project, which is a support program approved by the Ministry of EnvironmentÕs Advanced Collection Scheme Project. Hokkaido-based JAERA member recyclers successfully collected rare earth metals from 2,000 ELVs by January this year. They will go to the next steps to examine standardization of collection and storage methods as well as cost performance. In March, a report, which includes analysis of collected materials, will be submitted to MOE. Daily Automotive News interviewed the project chief Mr. Itami.

Q. Why did you join the project?

<Itami>: It is becoming increasingly important to secure rare earth metals, which are essential to next-generation automobiles. Japan will be a recycling leader of the world. We wanted to act and achieve something to help that move. Last October, we saw MOE inviting participants in the Advanced Collection Scheme Project and then applied for a proposal that a team of small-scale dismantlers will work with ELV-based rare earth metal recycling. MOE chose us.

Q. How did you do the collection steps?

<Itami> During last December through this January, we conducted collection work at 5 firms in Hokkaido, 12 firms in Yamanashi, and 4 firms in Chiba. The target items were engine computers, airbag controllers and oxygen sensors. Through the secondary separation process, they were separated into materials, including computer chips and couplers of airbag controllers. Refinery firms are involved in the analysis and evaluation of each material.

Q. Why did you choose sites in Hokkaido, Yamanashi and Chiba?

<Itami>: We thought we would to find differences in recycling performance which would be affected by regional characteristics. Recycling in Hokkaido should be conducted in a vast area and requires long distance transport. In Yamanashi, small-volume collection of various types is necessary. In Chiba, large-volume collection should be done in a short time. On March 7-8, we will hold a participants meeting to discuss operational conditions and improvement. That will be an important to enter into the next project steps.

Q. Your team have collected 2,000 ELVs.

<Itami> We have successfully achieved the target number despite a short time for preparation. We have to express our appreciation to all participants. It was found that at least 1 ton of materials are necessary as the minimum to deliver it to a non-ferrous refinery, which means 5,000 units of ELVs. That will be possible if the nationwide dismantlers join forces.

Q. How did you feel about that involvement?

<Itami> Today we cannot do creative business if we fail to recognize that dismantling is a recycling business. We believe that even small-scale firms can achieve a big goal if they team up. We want to meet with many others from related industries to talk about the direction of automotive recycling.

Q. What will you do from now on?

<Itami> We are planning to compile the project results in a leaflet and send it to our members. In late March, we will submit a report to the Ministry of Environment. <*Daily Automotive News March 3 issue*>