



JARA NEWS

March 2018, No. 121

from
Japan Automotive Recyclers Alliance
www.jara.co.jp

Published by JARA Corporation
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Meeting of the representatives of government, industrial and academia



Active discussion to revitalize the recycling industry

Current status and issues in the automotive recycling market (1)

— The first report from the Automotive Recycle Summit —

The Daily Automotive News hosted its "4th Automotive Recycle Summit" on February 2, 2018 at a hotel in Tokyo. Recycling industry leaders, government's administrative officers, and intellectuals persons participated in the event. The attendees shared information on the current status of and issues in the automotive recycling market, and participated in an active discussion. This is the first report on the event.

Higher scrap steel price helps the recycling industry

In 2017, the recycling industry witnessed a drastically change when compared to the previous year. Hiroyuki Kurihara, Chairman of the Japan Automotive Parts Recyclers Association said, "Our industry, as a whole, is helped by the scrap steel market remaining at a high price." Yasuo Sakai, Chairman of the Japan ELV Recycler's Association (JAERA) also noted, "The scrap steel market has been recovered compared to two years ago." Apparently, the surge in prices in the scrap steel market, which began in the latter half of the last year, has been supporting the recycling businesses.

On the other hand, Tsuyoshi Ishigami, Total Car Recycle Group warned about the future, by saying "I agree we are witnessing a good time, but we should take the situation lightly. The business is bipolar in our industry." Tiyoshi Tsubo, Chairman of the East Japan Automobile Dismantlers Association, pointed out, "As for scrap steel business, it is not a very good time because the purchasing cost is high."

ELV generation increases for the first time in three years

According to the Automobile Recycling Promotion Center, in 2017, the unit volume of end-of-life-vehicles (ELVs) accepted by the designated collecting operators increased by 7.7 percent compared to the previous year to 3,277,142 units. It marked yearly gain for the first time in three years.

However, concerns in the recycling businesses remain. JAERA's Sakai noted, "It is a fact that the generation of ELVs would decline in the long-term. The scrap steel market is also largely affected by external factors. Therefore, the uncertainty about the future would remain." Soshō Kitajima, President of Japan Automotive Recyclers Alliance Corporation (JARA), also pointed out severe conditions and said, "Although the transaction volume and sales inside our system are increasing, the performance of total all JARA group members might be less than the previous year. Future of the market is severe."

The truck recycling industry has also felt the uncertainty. Maki Miyamoto, Chairman of the Japan Truck Refine Parts Association said, "...new vehicle market for heavy- and middle-duty trucks in Japan ran on below the previous year's level since last autumn. Used vehicle sales might also show similar performance in the near future. This might put a negative impact on the vehicle repair business (which is a customer of the recycling business)."

Increased export of old vehicles, a factor of high cost of recycler's purchase

The most common problem that automotive recyclers face is the increased cost of used vehicle from which they source their parts. Atsushi Hattori, President of a major recycler group, Big Wave, said "there is a keen competition to source parts from used vehicles. At auto auctions, our recyclers are forced to get high-priced vehicles because buyers (exporters) of such vehicles also aggressively place bids. Masayuki Harigaya, President of Auto Recycling & Reuse Management Center Inc. said, "...purchasing cost is becoming high due to increased exports of vehicles."

The flow of ELVs to overseas has been a long-standing problem since the Automotive Recycling Law came into effect in 2005. "Under the law, exporters receive a refund of recycling fees when

the vehicle is exported. The ELV, which our recycler must accept first, goes abroad. I feel we are in a crisis." Yukio Sato, Chairman of the NGP Group warned, "...distribution of recycled parts is now in a bad condition. Selling price of such parts goes down as we dismantle much more vehicles."

Horiyasu Koyama of Japan Parts Association pointed out by saying "...users are increasingly getting recycled parts directly from the Internet such as Yahoo! Auctions, not through recyclers. This might become the mainstream of distribution."

Players join forces to improve the price scenario

Meanwhile, many attendees pointed out the cost hike in parts transport. NGP's Sato said, "...the transport cost is becoming higher than that of parts. That blocks the proper flow of parts distribution." Kaoru Okuma, President of SSG, showed an evidence in the following words, "the transport of a 15,000-yen door panel from Hokkaido to a Japan Sea side location costs more than 30,000 yen." He appealed to beyond fence action in the following words, "We are thinking of how to improve this. But this problem must be solved beyond the boundary of each group. We want to go forward with the support of others."

Norihiko Kondo, Chairman of RUM Alliance, said, "We don not think of the automotive recycling industry, society, and environment as separate entities. We need to think about how these relate to each other to transform our business model and set up a sustainable company."

Keeping Japan from becoming an exporter of industrial waste

Kenichi Togawa, Professor of Kumamoto University, said, "So far, Japan's *vein* industry including recycling, relied on China. Where should we go from here? Should we opt for domestic resource recycling or international resource recycling? Both might be crucial in terms of economic development. Nevertheless, initiatives must be taken to keep Japan from becoming an industrial waste exporter." He further added, "...a turning point in the industry will come in 2017 and 2018 when the business witness change following the implementation of a strict policy to regulate industrial waste export from China." (*Daily Automotive News, Feb 8 issue*)



Transport cost hike casts a shadow over the parts distribution



Mogee's business focuses on efficient operations



Mogee's headquarters factory operates ELV purchasing and recycling, as well as recycled parts production



Female employees work with registrations and packaging

Mogee, a JARA member, develops used car business centering on recycling

Mogee is a recycler and used car sales company in Watari-cho, Miyagi Prefecture. The company is cultivating a new demand for the reuse parts not sold by others for the exterior and interior, through the Internet. As a working environment, the company offers its unique working shift in which female employees can work comfortably as well as efficiently. Through its unique approaches, the company is seeking a new business model.

Mogee was established in July 2011 after the Great East Japan Earthquake hit. Company president Hiroshi Mogi recalled, "Numerous vehicles were damaged by Tsunami disaster at that time. I was asked from my acquaintance to take part in dismantling such damaged vehicles." He quit his office job and along with his partner, set up a company to be involved in recycling damaged vehicles toward the reconstruction from the disaster. One year later, his company joined the Miyagi Prefecture Used Vehicle Dismantling and Reuse Parts Wholesale Association (MTK). "We have learned a lot from the MKT members," said Mogi. He accumulated the know-how of proper recycling process and parts sales.

Women activation-oriented work place

One of Mogee's features is the lineup of reuse parts category. It includes caps of gasoline tanks, and fuel filler openings and glove box (compartment) that are not sold by other companies. These are on sale mainly through the Internet. "There is a gap between demand for, and supply of, parts. We always seek for the one that sells well," said Mogi. With a view toward the future business development, he conducts a study meeting every week.

Many female employees are active in the company. In addition to the front desk staff, female employees are engaged in the production and packaging work. "Working hours and days are flexible to fit their family circumstances," said Mogi.

Two years ago, he started used vehicles' sales and purchasing business. In the newly constructed "Natori Shop," there is a wide lineup from under 660cc minivehicles (K-cars), minivans, to SUVs. In the showroom, used tires, used wheels, and electronic toll collection (ETC) devices are available. Customers often ask the shop for vehicle maintenance, as well as seek the reuse parts for dress-up, audio, and car navigation systems. These efforts contribute to the improved awareness about the reuse parts in the society.

Active to social contribution

The company will commence a new business this year. Through a joint venture with a Bangladesh-based Grameen Group, which pursues

poverty-support solutions, and three Japanese companies, it will enter the Social Business. President Mogi visited Bangladesh, jointly with the partner company Sun Power Co.'s president Takuya Kawamura, and witnessed the local situation with his own eyes. He decided to invest on the joint venture: according to him, "we can help people struggling with poverty." The joint venture is expected to have a combined facility for automobile repair and dismantling. President Mogi has taken up the responsibility of hiring students and educating them with the vehicle repair and dismantling technologies.

Mogi focuses on a unique combination of the business development namely, providing female-oriented workplace, used vehicle sales, and social business. He has a strong passion toward raising the awareness about his company and automotive recycling business. He also aims to hire senior generation staff. Six and a half years from the start of the operations, Mogee is stepping forward to a sustainable business development. (*Daily Automotive News, Feb 25 issue*)



Natori Shop handles used car sales and purchasing, as well as reuse parts sales

JAERA and JAPRA to finalize merger talks

General Assembly to take place in June

The Japan ELV Recyclers Association (JAERA) and the Japan Automotive Parts Recyclers Association (JAPRA) unveiled that they have agreed to finalize their talks for a merger. The two associations plan to include JAPRA executives to JAERA board and aim to obtain approval from JAERA's General Assembly to be held in June this year.

JAERA will receive 13 directors from JAPRA. JAERA seems to firmly establish its policy. "One has to sink one's differences for the sake of common good," JAERA Chairman Yasuo Sakai said. In the wake of the

approval in June, the two associations will form a new board member. They will then appoint dedicated executives to prepare the organizational merger. Nobuo Shimizu will be invited to be a member of the executive team in addition to six members from each association.

It has been more than a year since the two associations began to move toward the merger. Although they held periodic meetings during this time, the fact remains that oppositions arose in a particular matter.

Nevertheless, in a drastically changing environment of automotive recycling, an early merger is inevitable as it will help obtain the industry's job certification and make industry-wide efforts toward the review work of the Automotive Recycling Law.

In fact, talks for the merger have simply reached the final step. This is just the beginning.

CO₂ Reduction Effect

(based on JARA System)

The use of Reuse Parts saved
2,392 tons of CO₂ emissions
in January 2018

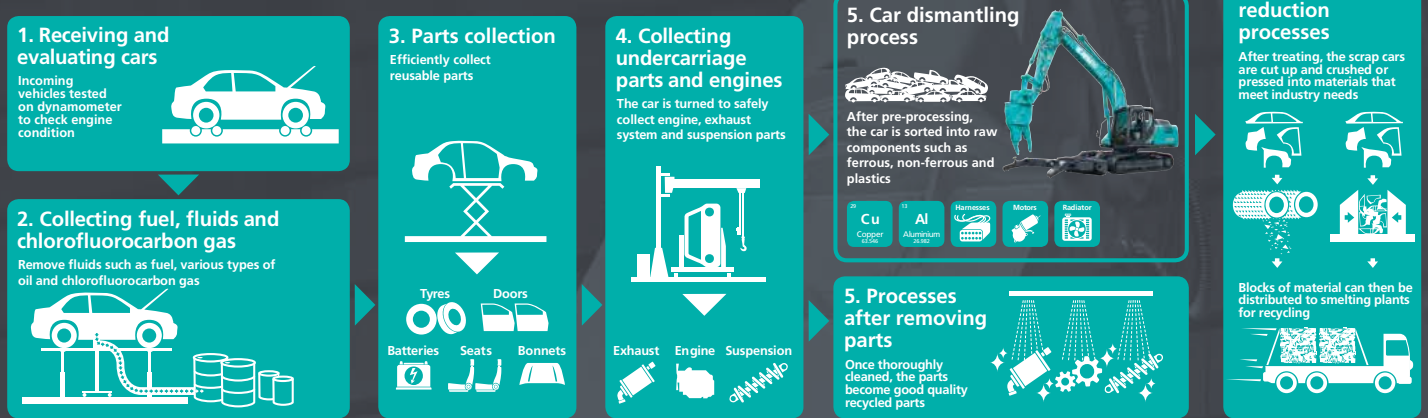
The reference figure represents the difference of carbon dioxide (CO₂) emissions at the vehicle repair using genuine (new) parts and recycled parts.*

*: 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.



Dismantling process flow chart

How the Car Dismantling machine works



The Evolution of car dismantling industry by Kobelco

Four times* the vehicle dismantling capability compared with hand dismantling.

*In one day (Kobelco test figures)

15 vehicles >
One operative working by hand.

60 vehicles >
One operative in a Kobelco Car Dismantling machine.

Engine, Catalytic Agents, Body Steel, Seats, Windows, Wheels/Tyres, Suspension, Radiator, Brakes, Front & Rear Bumpers, Transmission, Doors, Harnesses

The machine's special attachment is designed to strip materials from End-of-Life Vehicles (ELV) safely and thoroughly

Improved recovery rate of rare earth metals

Fe Iron	Al Aluminum	Cu Copper	Pt Platinum	Pd Palladium
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Separation of these valuable materials is quicker and easier and can be performed with one Kobelco machine.



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