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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



Overseas business and agriculture: Engines of next-generation business of Daikou Shoji

Akita Prefecture-based major automobile recycler Daikou Shoji Co. is enjoying stable acquisition of end-of-life-vehicles, thanks to its closely built relationships with car dealers in Akita. Its sales of used parts are ranked at a class-topping level even for the entire Tohoku region. As engines of next-generation business, the company has set its sights on investing in business opportunities overseas and expanding in the field of agriculture. As such, the company, which has based its current strength on used car parts for the Japanese market, is planning to undergo a long-term transformation.

Daikou Shoji's sales come 50 percent from used parts for the domestic market, 30 percent from exports, and 20 percent from trade in materials. For the domestic parts business, the company has always ranked as one of the leaders in the JARA group, earning a top-place finish for sales this past April.

Daikou's acquisition of ELVs, which from the base of the used parts business, totals 1,300 units monthly on average. Of the total, half of the sourced vehicles come from car dealers, and half from repair shops, body and paint shops (or light repair shops), used car dealers, auto insurers,

leasing firms, and others. The remarkably high rate of sourcing from car dealers underlines Daikou's procurement stability.

Today's success is an outcome of the company's strategy. Ten years ago, Daikou started to build firm relations with car dealers. It actively supported events hosted by local car dealers, and cooperated with used car fairs by each the Akita Prefectural Car Sales Association and Japan Light Vehicle and Motorcycle Association, by setting up a booth displaying its agricultural products. Through such steady efforts, Daikou established strong ties with car dealers.

As a result, the company's acquisition of ELVs has been increasing year by year for the past six years. At the same time, its sales increased for five years in a row.

Daikou President Goro Domon, however, takes a stern view of the future. "For the time being, strong demand for used parts will allow us to maintain the current situation. But, in the long term, business is likely to slow down." Domon attributed his projection to the declining number of vehicles in use and a change in vehicle parts due to the diffusion of hybrid and electric vehicles. Demand for higher-prices used parts such as engines and transmissions is expected to go down with greater use of hybrids, and, of even more concern, electric cars have no engines. "Used-parts demand may be limited to only exterior and suspension parts," Domon worries.

To respond to the cloudy future, Daikou established a two-pillar, next-generation business plan. One pillar of the plan is to expand Daikou's automobile recycling business overseas. The first step will be constructing a dismantling plant in Malaysia. A plot of land has already been secured in Kuala Lumpur, and construction, jointly with local capital, is expected to commence within this year. The company's Akita Honsha Plant will serve as a model for the Malaysian plant. The Honsha Plant uses two 2.8-ton overhead travelling cranes

and six lifts for efficient recycling. In consideration of the environment, draining and other pre-compacting steps are conducted in a separate building to keep waste oils and fluids from entering the main building. Such advanced Japanese dismantling facilities will be replicated at Malaysian plant.

Furthermore, the company plans to build such plants in Myanmar, Indonesia, and Thailand with parts and materials marketed locally, using setups similar to the one Daikou uses in Japan.

Used tires help greenhouse cultivation of mushrooms and tomatoes

The other pillar of Daikou's next-generation business plan is a greenhouse vegetable farming by utilizing that uses the thermal recycling of used tires. In August 2012, Daikou established Deco Farm Co., which built a large greenhouse facility on the 2,000-square-meter plot of land near Daikou's Honsha Plant. Today, the greenhouse produces approximately 40 tons of mushrooms and 10 tons of tomatoes a year with daily shipments to local supermarkets, an upscale super-market in Sendai City, and a fruit-and-vegetable market in Shinjuku, Tokyo.

Domon launched the business to make use of the large volume of used tires produced by vehicle recycling and to contribute to local employment by promoting agriculture.

Domon plans to expand the greenhouse facilities and has already acquired an additional 23,000-square-meter site. In addition to increasing vegetable production, processed products such as dried fruit and jams will be added to the lineup for export to Malaysia, Russia, and Mongolia. His company has earned praise, including in the form of "sixth-sector industry" certified by Japan's Ministry of Agriculture, Forestry and Fisheries for its approach toward agricultural production, processing and sales. (Daily Automotive News, May 29 issue)

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BEST Recyclers Alliance hosts marketing workshop for executives

JARA Corp. President Sosho Kitajima encourages participants at the workshop, pictured.

BEST Recyclers Alliance, which consists of four sales groups of recycled auto parts, held the inaugural session of the “Marketing Workshop” on May 17 at JARA Corp.’s Tokyo head office. A total of 24 executives from BEST member recyclers took part.

The workshop, for which a total of five sessions is planned for this fiscal year, aims to develop managers for strengthening the management culture and organizational power of each member firm.

At the opening, lecturer JARA Corp. President Sosho Kitajima said, “Although such a workshop was held for our former SPN members, this is the first marketing workshop for BEST members. I really want you to learn marketing in a comprehensive manner to help increase your companies’ sales.” Big Wave President Atsushi Hattori followed and encouraged participants by saying, “I want you to consider what you learn today from a variety of angles and make it useful in your daily work.”

For the first session, under the theme: “Why you need to become No.1 in your region?”, JARA Corp. President Sosho Kitajima, as the lecturer, encouraged participants to review the exact status of each

firm’s positions, as well as to learn about the latest trends and strategy of repair and body & paint businesses.

Kitajima explained how to increase sales of recycled parts in detail, referring to the necessity of accurate analysis by each company of its weak points and strengths using key performance indicators, as well as to develop strategies. He also explained, using case studies, the latest trends of repair and body & paint businesses, and forecasts for each group’s moves. And he stressed what is needed to become a regional leading company and what to do to out-compete rivals. (Daily Automotive News, June issue)

Standard specs for door packaging undergo examination

The third meeting of the Automobile Recycled Parts Logistics Study Association was held on March 20 at JARA Corp.’s head office in Tokyo. The association consists of four major recycled parts sales groups: NGP, Big Wave, JARA Corp., ARN, and

NPO JARA supports business seminar in Yamagata

On May 15, The Republic of Fiji Business Seminar was held at Hotel Metropolitan Yamagata in Yamagata, Yamagata Prefecture, hosted by the Embassy of Republic of Fiji. The Japan Automotive Recyclers Association supported the seminar.

About 60 people attended the seminar, including representatives from car sales companies and automobile recyclers in Yamagata Prefecture.

At the event, Fiji Ambassador, Ishikeli U. Mataitoga and JARA Vice Chairman Takayuki Moriya jointly welcomed the attendees and then appealed for economic partnership between Fiji and Japan. They also introduced the charms of tourism in Fiji.

Ambassador Mataitoga said, “We want to make this business seminar a chance of development of trade with Yamagata-based enterprises. Please consider Fiji as a key site for your investment.” After the seminar, a party was held, at which attendees had pleasant talks with each other. (Daily Automotive News, May 23 issue)

system developer, Broadleaf Co. and a major transport firm.

A video of the conventional packaging of the left-side front door of a 177 Series Toyota Crown jointly taken at the first and second meetings and a video showing application of NGP’s returnable packaging materials were examined. While comparing the two approaches, members of the March 20 meeting discussed standard specifications in terms of time required, safety, and cost performance. They concluded which practices were optimal, photographed them, and agreed to adopt them as regular processes in the case of using cardboard for door packaging.

Attendees also decided that, at the next meeting, they will examine videos taken in advance by each company of the packaging of 30 Series and 40 Series Toyota Estima front bumpers.

Meanwhile, attendees expressed concerns regarding increasing transport costs, as well as regarding a growing cost-saving trend in the recycled parts industry. They confirmed that they, starting with the major transport firm that joined the study group, will move forward in building a lower-cost logistics system for recycled auto parts. (Body Shop Report, May issue)

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