



SPN NEWS

JAPAN AUTOMOBILE RECYCLE NETWORK NEWS

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NEW YEAR'S MESSAGE



Best Wishes for the New Year!

Last year Japan's automotive recycling industry experienced hard times to secure ELVs because the government subsidy program for the purchase of environmentally friendly vehicles ended.

In 2012, I had opportunities to join the International Roundtable Meeting, which was held in Liverpool, United Kingdom, in June, and the 5th Asian Automotive Environmental Forum, held in the Gold Coast of Australia in November. I felt a sense of impending crisis of the Japanese auto market's position in the world as well as the changing Japanese used auto parts market.

I believe that our recycled parts business has significantly progressed in the entire automotive industry so far. However, such "cheap, safe and good quality" parts are used by only a few users. It is a fact that most car users are burdened with higher costs of parts.

In 2013, we will make our best efforts to build a system which allows many car users in the world to use recycled parts and enjoy car life.

I look forward to your continued good will in the year of 2013!

Kindest Regards,

January 1, 2013
Sosho Kitajima,
President, SPN Co.

AAEF in Gold Coast

SPECIAL REPORT

*Shinichi Aoyama,
Daily Automotive News*

On December 1, 2012, the 5th Asian Automotive Environmental Forum (AAEF) was held at a hotel located in the Gold Coast of Australia. The Auto Recyclers Association of Australia (ARAA) hosted the international conference. It was the first time for the Asian-based event to be held outside of the region.

The AAEF 2012 was originally scheduled to be held in South Korea. But the host country was suddenly changed to Australia in a meeting during the 4th AAEF held in Malaysia in 2011. Attending associations might have an intention to expand the business area from Asia to outside the region.

No auto recycling law in Australia

ARAA also has a strong interest in used parts exports to Southeast Asia. But there are no mandatory rules for automobile recycling in Australia. From 2013, the Australian government is reportedly to launch a system of resource collection by item (e.g., tires) thereby raising the recycling rate of automobiles. But it does not cover the whole of ELV recycling.

According to ARAA's presentation, the government unveiled a draft of the automobile recycling law in 2002 but it vanished without being noticed. "Even today only a few recyclers work with environmentally friendly operations," it said. Valuable resources of ELVs are put into the shredder machine as they are.

Buyers "pick up" used parts at the site

Prior to the meetings, I joined a factory tour to the largest-scale shredder operator located in Queensland, as well as used parts sellers of passenger cars and trucks.

In the shredder factory, wire harnesses

and aluminum were separated and collected from ELVs. But the factory is not exclusively for automobiles. So ELVs were processed in the same way as other metals.

In the used parts sales yard, like in the U.S., buyers "pick up" used parts from ELVs there. Each buyer pays 2 Australian dollars to enter the site and pick up parts. ELVs, from which fluid and oil were already drained, were placed on the ground by brand groups such as Toyota, Honda, Holden and Hyundai. Buyers, using their own tools, pick up parts and then bring them to the cashier. Price ranges are set for each item. There are 200-240 ELVs at the site. Engines detached from ELVs are exported, while car carcasses are processed by the shredding machine.

Australia targets used parts exports to Southeast Asia

Until recently Australia has been one of the customers for Japanese used parts. But now only a few Japanese recycler ship containers filled with used parts go to that nation. Demand for Japanese used parts sharply became weak since the Australian government introduced a license system for the recycling business. Therefore, Japanese recyclers attending the AAEF seem to feel less interest in the Australian market and they simply renew their old friendships with local recyclers.

Today, Australia enjoys a brisk economy and new car sales are increasing. In the Gold Coast, one of the hottest sightseeing spots of the country, many new cars run on the city streets. Toyota is the best-selling

— CONTINUED ON PAGE 2



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AAEF in Gold Coast



— CONTINUED FROM PAGE 1

brand in Australia. However, ARAA is facing tough conditions as the recycling market is shrinking. Australian recyclers thus are seriously considering exports to Southeast Asia. They may become a new rival of Japanese recyclers in the region in the future.

In light of the future development of AAEF, South Korean representative Koh, backed by Hyundai Motor Co., called out to the audience “Let’s change AAEF to the Asian Automotive Recycling Network (AARN) and then grow into a global automotive recyclers network! (GARN)”

South Korean representatives distributed their new name cards, on which AARN’s logo was already printed, in the conference venue. Other countries’ representatives might have been surprised by the sudden

proposal from Koh but they finally agreed to the new direction. However, it is difficult for Japan to join the new wave of AARN in consideration of today’s conditions of the Japanese auto industry.

Aims of each country

In Japan, the rate of ELV recycling has already surpassed 95 percent. Recyclers and related authorities are considering a technology transfer of auto recycling to China. But Japanese carmakers are unlikely interested in such a move toward other countries.

In contrast, South Korean carmakers are highly aggressive in ELV recycling overseas markets despite their own recycling system being under development. For example, the South Korean government conducted surveys on hybrid vehicles in Mongolia. It revealed that ELVs of hybrid cars are piling up in Mongolia because car maintenance technology is not available there. It also found that the Mongolian government has been encouraging the import of Japanese hybrid cars. The survey and other activities taken by the South Korean side are closely related to Hyundai Motor’s strategy.

Japanese carmakers had just been looking on AAEF calmly so far. But it is a fact that the carmaker’s attitude toward AAEF affects the competitiveness of the auto

industry of the country. AAEF is increasingly placing greater impact on the industry in Mongolia, India, Vietnam and neighboring countries.

China also has interest in “urban mining”

Along with the development of AAEF, the ELV recycling rate of 95 percent has become a standard target of each country. South Korea set up its goal to achieve that rate in 2015, while China aims to hit the rate in 2020.

According to a Chinese representative, the ELV recycling rate will achieve 20 percent by the use of rebuilt and reuse parts, and 75 percent by material recycling. Since 2009, several government projects have started to process ELVs, in which some Japanese firms are involved. In the rebuilt parts field, 14 projects have been progressing.

In order to secure resources, China has begun to have strong interest in the development of “urban mine”. Immediately after the AAEF, the “1st Urban Mining Exposition” took place in Beijing, in which an array of equipment and technologies of recycling was displayed. German manufacturers are aggressively going to the Chinese market. As for Japanese manufacturers, technological cooperation with the Chinese government is needed to enter the market. <Daily Automotive News December 13 and 20, 2012 issues>

INDUSTRY TODAY

“We have not caught up with the needs yet,” Kitajima said

— Daily Automotive News Interview with SPN Co. President Soshō Kitajima —

DAN: How do you see the production and sales of reuse auto parts in 2012?

Kitajima: Both the production and sales of our company increased by around 20 percent from the previous year. One of the positive factors is increased demand for low-cost repair as vehicles’ service life for both corporate and individual use lengthens. Many car users prefer repair instead of getting new ones these days and that helps increase demand for repair and parts replacement. Proactive sales efforts taken by our 81 member firms also contributed to the positive results. However, as for the question about whether we fully meet the needs, I should say “Not enough.” We have to get more opportunities to deliver our products to users even for a new car if it is involved in an accident. In general, you can expect that the sales of recycled parts will increase if car users become more aware of the value of recycled parts.

DAN: What about the group’s efforts to market expansion?

Kitajima: We have been promoting skill-up courses and other seminars for members’ personnel. Every year we welcome a dozen candidates for middle management from each firm to

provide knowledge about the market and sales conditions of the industry. After the courses, participants then work for each firm as key personnel of daily operations in the sales front and production area. Moreover, we as a whole group, emphasize public promotion activities, such as creation and distribution of leaflets, to raise awareness of our business.

DAN: What is the strain on the profitability of your business?

Kitajima: The procurement cost of ELVs is rising and also related costs for this as well as sales operation costs. These are negative factors for our company’s profit. Together with Super Line Tohoku, a group company of SPN, we should increase sales of recycled parts on a group basis.

DAN: How do you increase acceptance of ELVs.

Kitajima: By utilizing our group network, we will share information with each other.

DAN: How about progress on quality assurance?

Kitajima: We have been involved in that area at higher levels of effort. Recently, we added a new item of quality assurance, which is evidence of our effort to meet customer needs.

DAN: What is your activity to increase membership?

Kitajima: We are building a truly cooperative system through BEST Recyclers Alliance. The team was formed not only to simply increase members, but also pursue how to join forces with each other. With the system, we will make efforts in each business area.

DAN: What are your countermeasures for rising transport cost?

Kitajima: Since last summer, we have been talking with transport firms as another group rather than BEST. Also, we held a “packaging

competition” in each of the 6 blocks of Japan in order to share know-how among members on ideal downsizing and improvement in the efficiency of the packaging of parts. This was the first competition of its kind but we will hold another event to further respond to the rising transport cost.

DAN: Any request to the government?

Kitajima: We have no specific request to the government. Instead we will help deepen discussions on how to diffuse recycled auto parts as a whole in the industry. <Daily Automotive News December 19 issue>

SPN holds “Smile Contest”

Tokyo-based major marketer of reuse parts, SPN Corp., held a unique competition titled the “SPN Smile! Contest 2012”. The event was designed to highlight the staffs of each member firm, who are the unsung heroes or those who do thankless tasks in everyday operations.

A total of 67 persons applied for the contest and five passed the primary examination. Finally, two persons were chosen as the Grand Prix Award. They were Eiichi Onuki, CAREC Co., Fukushima Prefecture, and Alisa Ikeuchi, Yatsuzuka Co., Ehime Prefecture. The two winners will appear, as representatives of the group, on posters and other promotional materials.

“Smile is a basic factor of working. Through the competition, people have a chance to come across nice smiles, through which smiles will spread to the customers, I hope.” said SPN President Kitajima.

Kitajima presented the Grand Prix Prizes to the two winners at an annual event held in Hiroshima Prefecture.