Automobile Industry Highlights

(January - March, 2015)

Competitive landscape

The production of passenger vehicles by Japanese manufacturers in 2014 saw a slight increase of 1% compared to the previous year. In general, the competitive landscape had not changed, with Toyota producing more than 1/3 of all passenger vehicles and other manufacturers holding market shares of between 7% and 11% of the market. Cars of standard size maintained their popularity, while production of compact cars fell by 7.3%. Notably, the production of lightweight cars showed a strong 11% growth, with total production of this vehicle type surpassing that of compact cars.

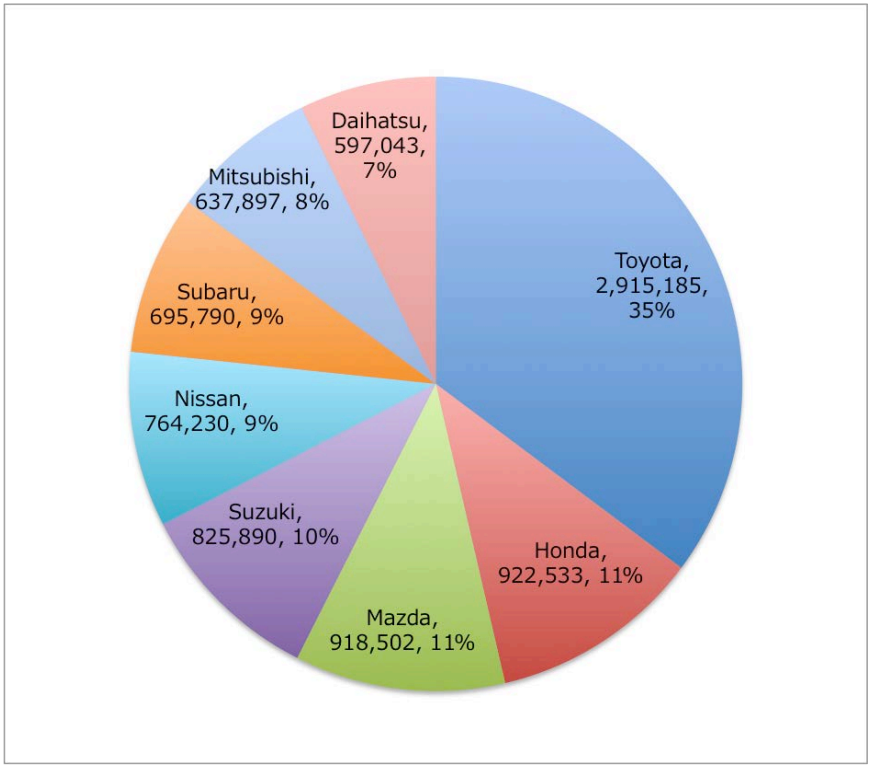

Figure 1: The market share of domestic automobile manufacturers in 2014

(Source: JAMA)

This strong growth in the popularity of the lightweight car category seems set to continue. While Toyota's Aqua (the company's flagship compact model) was still the number one best-selling car in January 2015, it was being fiercely chased by four other lightweight vehicles: N-BOX, Days, Move and Tanto. However, the tax on light vehicles is due to rise by 50% on cars purchased after April 1st 2015, which may have an adverse impact on sales for the category.

Ranking	Manufacturer	Model	Units Sold
1	Toyota	Aqua	16520
2	Honda	N-BOX	16199
3	Nissan	Days	15876
4	Daihatsu	Move	13141
5	Daihatsu	Tanto	13022
6	Honda	Fit	11027
7	Toyota	PRIUS	10606
8	Honda	N-WGN	9652
9	Nissan	Note	9546
10	Suzuki	Alto	8890

Table 1: Best-selling passenger cars in January 2015

(source: JADA and JLMVMA)

Foreign vehicles

Foreign vehicles are gaining traction in Japan, where over the past 5 years sales of cars made by foreign manufacturers have been steadily increasing while car

sales in general have fluctuated. In fact, 8.9% of the cars sold in 2014 in Japan were built by foreign manufacturers (not including reverse-imported cars manufactured in the overseas factories of Japanese companies.)

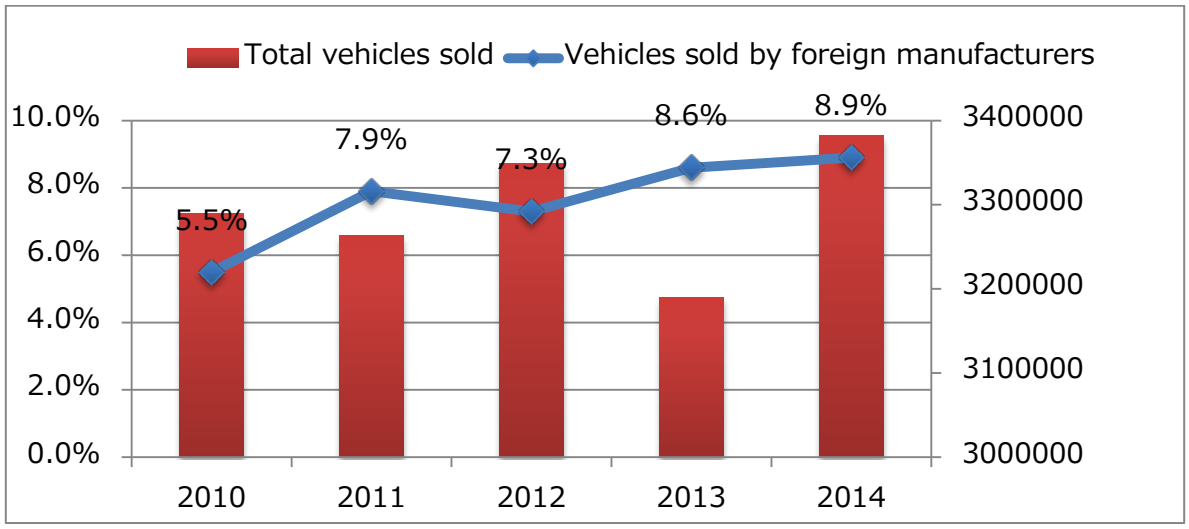

Figure 2: The proportion of cars sold in Japan made by foreign manufacturers (Source: Japan Automobile Importers Association)

Premium compact foreign cars are becomingly increasingly favored over time. Of the top ten best-selling cars by foreign brands in Japan, nine models fit into this category. Volkswagen, Mercedes Benz and BMW are dominant. The Volkswagen Golf is particularly popular, having maintained its position as the number one-selling foreign car brand in Japan over the past 10 years.

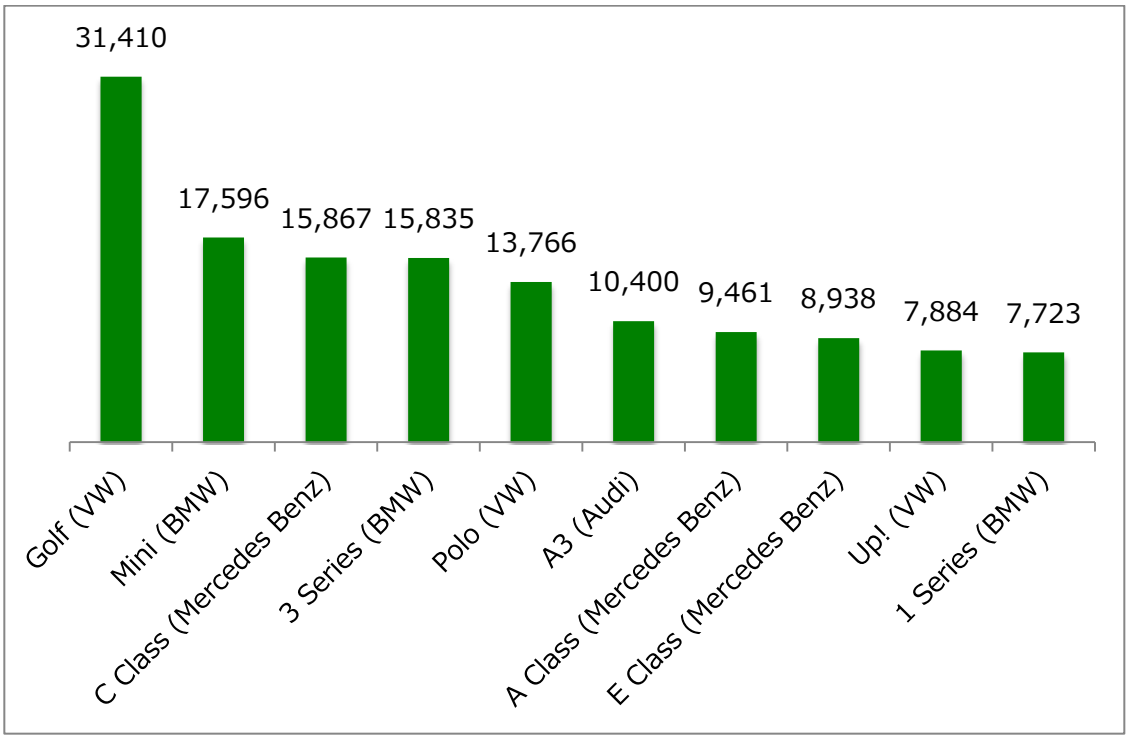

Figure 3: Japan's best selling foreign vehicles in 2014 (Source: JAIA)

Car sharing on the rise

Adoption of car sharing is rapidly increasing in contrast to the stagnant growth of passenger car sales. The number of members of car sharing services has been rising rapidly since 2010 and is now estimated to stand at over 600,000. This is equivalent to 0.47% of the population, making for arguably the second highest rate of market penetration for this type of service, after Switzerland's 1.3%. According to J-tips, the number of car sharing stations and available vehicles increased by 21.4% and 28.5% respectively.

Three companies lead the market:

- Times24 belongs to a nationwide parking lot company which has a robust track record (e.g. 437,823 registered members, 10,645 available cars, and 6,182 stations as of January 2015.)
- Orix Auto is a car rental service provider with the second largest number of registered users - 105,000 - as of March 2014.
- Careco Car Sharing Club is owned by Mitsui Fudosan Realty, which runs parking lots. Where Park24 and Orix Car Sharing boast nationwide networks, Careco Car Sharing Club is focused solely on the Tokyo metropolitan area, and suburban areas such as Chiba, Yokohama and Kawasaki.

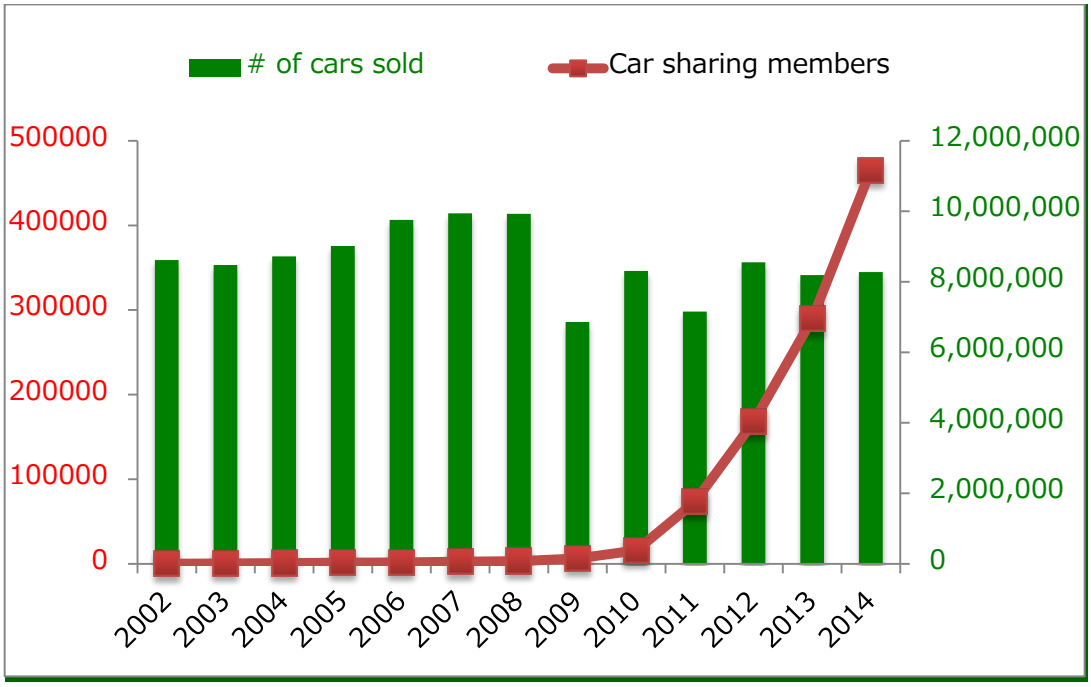

Figure 4: The growth in the number of users of car sharing services (Source: JAMA and FPPMET)

Car sharing in Japan, however, is still a limited phenomenon. The total number of cars available for sharing is just 5% that of the rental cars and 5.6% of that of

the taxis in the market. However, car sharing has the potential to tap a unique demand due to its interesting balance of granularity and autonomy compared to taxis. For instance, the minimum charge by Times24 is JPY206 (USD1.8) per 15 minutes, with no requirement of the purchase of extra insurance or gas.

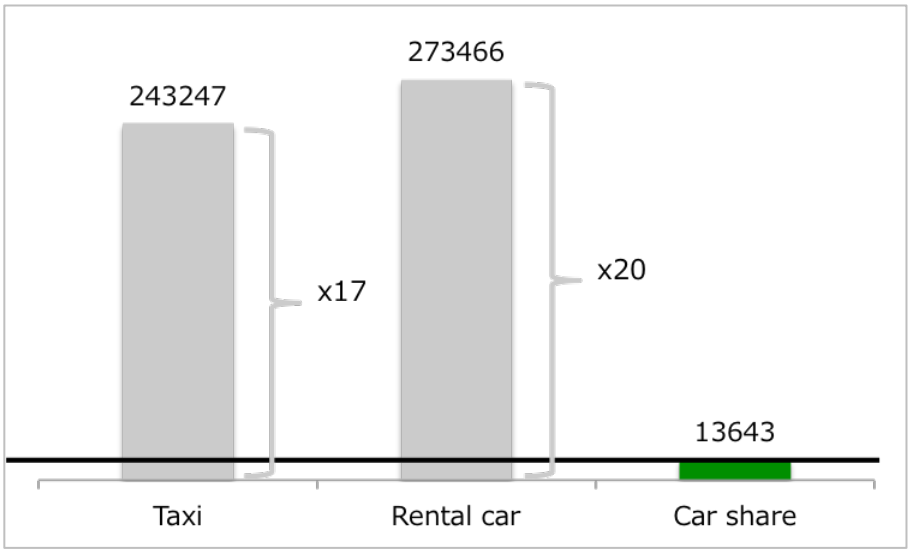

Figure 5: A comparison of vehicle availability by type

(Source: Taxi Japan, Rental Car Association, J-tips)

Fuel Cell Vehicles

Automobile manufacturers in Japan are paving the way for the market for hydrogen vehicles.

Adoption

Toyota has announced plans to increase production of MIRAI, a new fuel cell passenger car. The company had initial plans to build 700 units of the vehicle; however, it received 1500 orders within a month of the vehicle's launch.

Toyota's new plan, therefore, is to manufacture 2000 units of the vehicle in 2016, and 3000 in 2017.

Aside from the general consumer market, experimental adoption of fuel cell vehicles is also taking place, aided by a government subsidy for green transportation businesses. Local taxi companies in Kitakyushu City have recently decided to utilize fuel cell taxies. Also, Toyota and Hino have co-developed the Toyota FC BUS and will be conducting field experiments between Toyota City and Mikawa Toyota Station until March 30, 2015.

Figure 6: Toyota FC BUS (Source: Toyota)

Infrastructure

The widespread presence of FC stations is essential to the spread of FC cars. Although the government aims to establish 100 stations within the year, there were still only nine FC stations in operation as of March 17, 2015. Automobile and infrastructure companies are working together to tackle this issue. For example…

- Toyota, Nissan, and Honda have announced that they will cooperate in promoting FC stations. Although the government will pay a part of the cost of development, the automobile companies themselves will have to bear the costs of operation, which at present are difficult to forecast.
- Toyota Tsusho, Iwatani, and Taiyo Nissan have jointly established a new company which operates "mobile FC stations." These stations have a few advantages over regular FC stations in that they cost less, occupy less space and can be deployed more quickly.

Sources/References:

Competitive landscape

- Japan Automobile Manufacturers Association
- Japan Automobile Dealers Association (JADA in Japanese)
- Japan Light Motor Vehicle and Motorcycle Association (JAMVMA in Japanese)
- Japan Automobile Importers Association
- Japan Automobile Importers Association

Car sharing on the rise

- Foundation for Promoting Personal Mobility and Ecological Transportation (Japanese)
- Carsharing 360 – J-tips (Japanese)
- Park24 (Japanese)
- Orix CarShare (Japanese)
- Careco Car Sharing Club (Japanese)
- Taxi Japan (Japanese)

- Japan Rent-A-Car Association (Japanese)

Hydrogen vehicles

- Toyota
- Smart Japan – Fuel cell taxi (Japanese)
- Toyota FC BUS (Japanese)
- Smart Japan – Fuel cell station cost (Japanese)
- Fuel Cell Commercialization Conference of Japan (Japanese)
- Taiyo Nippon Sanso (Japanese)