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(Speaker' Notes)

Inspection of Light Motor Vehicles in Japan

1. Introduction

[SLIDE 1]

Thank you for the introduction. My name is Takekazu IWATA. I am assigned to registration and inspection affairs at the Japan Light Motor Vehicle Inspection Organization. Following the presentation by the National Agency of Vehicle Inspection and representing our Organization, I am greatly honored and pleased to make a presentation on the subject of light vehicle inspection in Japan.

This photo shows the Tokyo registration and inspection station of our Organization renovated this April.

[SLIDE 2]

First, I wish to introduce the category of "light motor vehicles - LMVs -" which are unique to Japan. Then, I will brief you on the history of the Japan Light Motor Vehicle Inspection Organization established as a public organization responsible for the registration and inspection of LMVs. Finally, I hope to speak on the current framework, management and activities of our Organization.

2. What's a Light Motor Vehicle?

[SLIDE 3]

In Japan, an LMV is defined as a three-wheeled or four-wheeled vehicle whose overall length does not exceed 3.4 meters; width excluding the door

mirrors is no more than 1.48 meters; height not more than 2 meters from the ground. In addition, the engine displacement of LMVs should not exceed 660 cubic centimeters. Compared to the so-called "A" segment cars, I might add, LMVs belong to the "sub-A" segment. To improve the running performance and to meet the tightened safety and environmental regulations, the size limit on LMVs has been expanded gradually several times in the past as shown here.

[SLIDE 4]

Because Japanese LMVs are not on sale in Europe, I'd like to show you some pictures for better understanding. This LMV, whose brand name is SUZUKI WagonR, is the best-selling passenger car model in Japan, selling over 220,000 units a year.

The major specifications of this car in the representative grade are shown here. Including these standard equipment, the WagonR is priced at about 5,700 euros; its CO2 emission is 98 grams per kilometer; crash safety is rated at five stars out of the total six stars in JNCAP assessment.

[SLIDE 5]

As shown by this slide, the WagonR is even smaller than the Fiat Panda but is roomy enough for four occupants.

Through the designing and development of LMVs, Japanese automakers have accumulated a wealth of environmental technologies for small engines; crash safety technologies and compartment optimal packaging technologies for compact vehicle bodies, while keeping the vehicle price low. Making use of these accumulated technologies, Japanese automakers are preparing to introduce in the European market vehicles meeting the 2012 CO2 regulation and also to introduce in the fast growing Asian and Latin American markets vehicles low in price but high in performance.

[RETURN TO SLIDE 3]

On the strength of their advantage in energy conservation, CO2 reduction and space saving, LMVs have been widely used to answer the short-distance transit needs of urban residents in Japan. For example, they are widely used for commuting, shopping, family transit, and door-to-door package delivery service in the city. In rural areas where the public transit network is underdeveloped, senior citizens find LMVs handy to drive as means of everyday transit.

[SLIDE 6]

For these reasons, as shown by this graph, the sales and the fleet of LMVs are growing strongly while those of larger vehicles are slowing down. As of the end of March 2007, there were a total of 75.83 million motor vehicles in use in Japan, of which LMVs numbered 24.76million, accounting for 32.6% of the total fleet.

Safety and environmental regulations have been tightened while inspection capabilities have been enhanced to ensure compliance to the tightened regulations. And LMVs have encouraged technological development by automakers and improved mobility and safety for vehicle users. Between light vehicles and automakers and users, there is a win-win relationship.

3. Mandatory Inspection of LMVs and the Founding of the LMVIO

[SLIDE 7]

The registration, maintenance and inspections of motor vehicles are mandatory requirements under the Road Vehicles Act of Japan. Also, automotive technical standards on safety and environmental protection are enforced under the Road Vehicles Act. In the past, inspection of LMVs was not a mandatory requirement, but in June 1972 the Road Vehicles Act was amended to require LMVs to be inspected at regular intervals.

One background factor for this change was the rapid increase in the number of LMVs in use, from 2.23 million units at the end of March 1966 to 5.41 million units at the end of March 1971. Another factor was the increase of road accident fatalities, which recorded the worst 16,765 toll in 1970 whereas the toll in 2007 was 5,744 or one-third of the 1970 peak. The third factor for the mandatory inspection of LMVs was the worsening of exhaust emission and noise pollution, which led to the introduction of the Air Pollution Control Law and the Noise Control Law in December 1968.

However, although larger vehicles had been inspected at the governmental inspection stations run by the Ministry of Transport, LMVs were required to be inspected under the leadership of a public but non-governmental organization. The primary reason for this differentiation was that partly because the dimensions and engine displacement of light vehicles were limited by regulation and partly because their usage was relatively confined, LMVs were believed to have similar structures and their inspections were considered much simpler than inspections of other vehicles.

[SLIDE 8]

As a result of this amendment of the Road Vehicles Act, our Organization was founded as the sole public organization engaged in the inspection and registration of LMVs. The government provided a capital of 150 million yen, and the Minister of Transport (currently the Minister of Land, Infrastructure, Tourism and Transport) was made responsible to supervise our Organization.

For example, it was the Minister of Transport who approved the establishment of our Organization; appointed our president; made approval of our standard inspection and registration procedures, annual budget and business plan. The Minister was also given the authority to examine our annual balance sheets and financial statements and to provide the regulations for our inspector qualifications, inspection facilities and equipment. The Road Vehicles Act prohibits the members of the Organization to be involved in other business such as the manufacture, sale and maintenance of motor vehicles. It is the Minister who can order the Organization to submit various reports and also authorize the government staff to make on-the-spot investigations of our offices and facilities. In consequence, the Minister can issue a command for the Organization to take a certain step, if necessary.

As designated by the government, the Japan Light Motor Vehicle Inspection Organization carries out the inspection and registration of light vehicles; issues inspection certificates and stickers; maintains an inspection and registration database; checks the tax payment and insurance statuses of LMV users.

[SLIDE 9]

With the approval of the Minister of Transport, the Organization was established in August 1972 and inaugurated in October 1973. At that time, we had 53 registration and inspection stations with 66 inspection lanes and 555 staff members. It is required that the fees charged by the Organization should be determined on a non-profit basis according to the actual cost and should be endorsed by Cabinet Order. The inspection fee for an LMV was 600 yen initially and was raised a number of times. It has been maintained at 1,400 yen or roughly nine euros since 1994.

Subsequently, as part of the government's administrative reformation policy, the Road Vehicles Act underwent another amendment, resulting in our return of the capital money to the government and our evolution into a private corporation. At the same time, the requirement for our president to be appointed by the Minister of Transport was abolished, while the board of councilors was created as the top management body of our Organization. However, the Organization remains as the sole public organization responsible for the registration and

inspection of LMVs, and continues being subject to supervision by the Minister of Land, Infrastructure, Tourism and Transport including the Minister's approval of our annual budget and business plan.

4. Current Status of the LMVIO

[SLIDE 10]

Our Organization, the LMVIO, has expanded its inspection and registration capacity in keeping with the increase of LMVs in use. As of the end of March 2008, the Organization has 86 registration and inspection stations with 144 inspection lanes. But the number of our staff members has been kept as low as possible, at 592; in addition, there are around 600 part-time staff doing clerical work at the registration sections of our stations.

In fiscal 2007, our Organization handled a total of 11,593,425 registration and inspection cases, of which 3,809,944 cases involved the actual test in our inspection lanes. Of these actual vehicle inspections, 15.4% of vehicles failed to satisfy the inspection regulations. There were 7,339,671 cases of updating the registration and inspection database only and therefore not involving the actual inspection of a vehicle.

According to our financial report, our Organization has a gross asset of 51.8 billion yen or approximately 320 million euros and a reserve of 9.2 billion yen or about 57 million euros as of the end of March 2007. For fiscal 2006, our organization recorded an income of 14.7 billion yen or nearly 92 million euros and a net profit of 3.2 billion yen or roughly 20 million euros.

[SLIDE 11]

Now, I'd like to quickly show you an outline of the registration and inspection work of our Organization by a video clip. Passenger cars, including light passenger cars, are required to undergo the first in-use inspection three years after the initial inspection and registration and, thereafter, cars in use must be inspected every two years.

First, the inspection testee visiting a registration and inspection station pays the inspection fee for renewing the inspection certificate at the fee payment window, and has an application form with a seal of payment receipt. He also pays the tax. Next, he receives an inspection slip at the registration and inspection window. Taking this slip, he drives his vehicle to the entrance of an inspection lane in the station's property. The inspector checks the vehicle with the information given in the registration and inspection certificate: the license

plate number, chassis number, and other items are checked.

After correspondence between vehicle and inspection certificate is confirmed, the inspection is started. First, there is a visual inspection on engine room devices, lamps, wipers, mirrors, upper vehicle body, and devices inside the compartment. Then, the testee takes his vehicle onto the inspection lane where automated inspections are performed by several inspection equipment. The inspection order is from carbon oxide and hydrocarbon concentrations in idling exhaust emission; then, side slip behavior which indicates the wheel alignment condition. While the side slip behavior is checked, the wheelbase of the vehicle is measured at the same time, and the testing machine is adjusted to fit the wheelbase. Then, the tester measures accuracy of the speedometer; followed by static brake capability; then, luminous intensity and aim of the headlamps. After the tests by the inspection equipment, the results are printed out on the slip. Finally, the vehicle is lifted up and the inspector visually examines the underbody, wheels, steering system, suspension system and brake system. The inspection ends when all the results are entered in the inspection slip and the slip is handed to the testee.

The testee then takes the application form for renewing the registration and inspection certificate and the inspection slip together with the tax payment receipt, insurance certificate and the current inspection certificate to the registration and inspection window. The clerical staff, after verifying the documents, has the application form read by an optical character reading machine, whereby the application data is input into the database of our central computer system in Tokyo. The database is updated, and a new registration and inspection certificate is printed out at the inspection station. The clerical staff hands the new certificate and sticker to the testee.

It is also allowed for vehicles to be inspected at any of the private service shops designated by the government. In this case the testee receives a regulatory compliance certificate issued by the service shop and takes it to one of our inspection stations. Checking this compliance certificate, we update the database and issue a new registration and inspection certificate and sticker for a handling fee of 1,100 yen. In fiscal 2007, LMVs that underwent an in-use inspection at these service shops instead of our inspection stations accounted for 62% of the total number of LMV inspections.

[SLIDE 12]

I wish to mention the important issues confronting the registration and inspection work of our Organization. A while ago I reported that the registration and inspection fees of our Organization are endorsed by Cabinet Order. In

December 2005, the Japanese Cabinet decided on a 10% reduction in the fees by December 2012. As a result our Organization must reduce its annual running costs including personnel cost by about 1.5 billion yen or 94 million euros.

On the other hand, as the sole public organization responsible for the registration and inspection of LMVs, our Organization needs to continue investment, and the balancing of investment and cost reduction is now an important issue. The buildings and equipment that are getting old must be renovated, and the inspection stations receiving registration and inspection work beyond their capacities must be expanded in keeping with the increase of work load. The Organization is planning to invest a total of 22 billion yen or 140 million euros in purchase of land, construction of buildings and installation of new inspection equipment over the next five years. Additionally there will be an investment of 7.5 billion yen or 47 million euros over the coming five years to upgrade the data processing systems and to develop computerized and integrated inspection systems to make better use of information technology.

While taking the utmost care in protecting vehicle users' privacy, our Organization has been providing registration and inspection data to the national and local authorities and other public organizations from the perspective of public interest and technical advancement; also, we have been supplying data to the automakers who are planning to recall vehicles due to possible defects. Furthermore, in April this year we began an electronic information service for the whole automotive industries including the car dealers, auto leasing firms and maintenance service shops. We plan to invest a total of 580 million yen or 3.6 million euros over the next five years to fully expand this information service in order to facilitate the industry's customer information management, marketing operations and the innovation of new products and customer services. This way, we will further strengthen our win-win relationship with the related industries and vehicle users.

Also, there is a constant need to educate our staff members for greater knowledge of the latest safety, environmental regulations and other laws, for higher inspection skill, better service to vehicle users, and greater customer satisfaction.

[SLIDE 13]

Accordingly, back to back with the rebuilding of the Tokyo registration and inspection station, the Organization built a new training facility. This training center is furnished with 135 square meters of class rooms, 115 square meters of a practice room, and a trial inspection lane equipped with testing facilities to offer lectures based on textbooks and inspection skill trainings using motor

vehicles. Starting from this April, our staff members, ranging from raw recruits to station managers, are taking the curriculums designed for wide-ranging training levels.

[SLIDE 14]

This concludes my presentation on the Japan Light Motor Vehicle Inspection Organization. LMVs are a safe and convenient and environmentally friendly means of transit for people. Through the inspection of LMVs, we at the Organization hope to further consolidate our win-win relationship with the vehicle users, industries, regional communities and with the global environment.

Thank you for your attention.