

27 May, 2021

Remarks by the President at the 18th General Assembly Meeting

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Thank you very much for taking time out of your busy schedules to join us today, on-site and also via web conference.

First, may I again thank you for your continued support and cooperation in the management of our association. Here at the occasion of the 18th Ordinary General Meeting, I would like to make some remarks.

Contrary to expectations, this year's General Meeting was also held with the minimum number of on-site participants in response to the request for emergency measures against COVID-19. Thank you all for your cooperation in avoiding the "Three Cs (Closed spaces, Crowded places, Close-contact settings)" by choosing to participate via the web today or to exercise voting rights in writing.

According to the monthly economic report released by the Ministry of Internal Affairs and Communications (MIC) in April, the exports to Asia, including China, have already started to pick up, and a recovery is expected in machinery productions and capital investments. On the other hand, the economy in the U.S. and Europe is still in a difficult situation due to the re-spread of COVID-19. The situation, however, is expected to gradually improve in these regions with the spread of the COVID-19 vaccination.

Looking to Japan, Prime Minister Suga announced the new social goal of "Carbon Neutrality in 2050" in October last year, and then the Ministry of Economy, Trade and Industry (METI) announced the "Green Growth Strategy" in December. The policy is required to create a "Virtuous Cycle of Environment and Economy" by reforming the industrial structure and social economy, while taking proactive measures to address global warming as an opportunity for growth. Our association will also collect information on measures and technological trends toward carbon neutrality in internal combustion engines through exchanges with experts from National Research and Development Agencies and universities, and share the information with related industries.

Our internal combustion engines play an indispensable role in people's daily lives like agriculture, construction, flood control, landscaping, urban environmental improvement, and even power supply and drainage during disasters. In order to fulfill these roles in the future, we continue to pursue the environmental performance required by the times.

Next, I would like to introduce the production status of our land-use internal combustion engines. The 2020 annual production forecast for land-use engines announced on April 1st, 2021, is expected to decrease to 83.0% in Japan and 93.6% overseas compared to the previous year. The combined production volume of domestic and overseas engines is expected to be 11,911,000 units, 90.5% of the previous year's production volume. As a result, this is the second consecutive year of significant decrease. We consider that the reason was due to a drop in production in Asia, especially in China, caused by the trade friction between the U.S. and China, as well as a temporary drop in production due to lockdowns and plant closures in Europe and the U.S. to respond to COVID-19 that has spread globally since the beginning of the year.

However, there was an overall recovery trend due to the rapid recovery in China as a result of containment of the infection, and infrastructure investment policies, as well as, in Japan, demand for personal equipment due to special cash payments and demand for emergency generators due to government subsidies, and demand for gardening due to consumption from staying at home in Europe and U.S, since the second half of the fiscal year. As a consequence, the overseas production in 2021 is expected to increase for the first time in five years to be 10,285,000 units, 119.1% from the previous year due to a large increase in gasoline engines despite a decrease in diesel and gas engines. The domestic production is expected to increase for the first time in three years to be 3,536,000 units, 108.0% from the previous year due to an increase in diesel and gasoline engines. The total production volume in Japan and overseas is expected to increase for the first time in three years to be 13,821,000 units, 116.0% from the previous year.

Lastly, I would like to express my sincerity for the continued success and growth of our members. Thank you.