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## Remarks by the President at 20<sup>th</sup> General Assembly Meeting

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Thank you for attending today out of your busy schedules.

Once again, I thank you for your continued support and cooperation in the management of our association. Here at the occasion of the 20th Ordinary General Meeting, I would like to make some remarks.

For the past two years, due to the spread of COVID-19, the General Assembly has been held with only a small number of participants. Today, I am delighted to be able to welcome you all together for the first time in three years.

As for the economic situation in the last fiscal year, socio-economic activities, which were largely limited by COVID-19, have gradually started to recover as the risk of severe disease has decreased due to the spread of the vaccination. Capital investment and personal consumption rebounded in the United States, China, and Europe. As a result, domestic economic activities, particularly exports, are expected to be revitalized.

Under these circumstances, Russia invaded Ukraine, and the countries that opposed Russia imposed economic sanctions against Russia, restricting trade in a wide range of fields including energy, mining and industrial materials, and food. As a result, the costs of raw material procurement and distribution, as well as commercial activities, which are related to global economic activities, have been affected. On the other hand, the economic recovery in China has been hampered by the suppression of real estate investment and the resurgence of the COVID-19 infection spread. In addition, the future situation is uncertain due to factors such as delays in the supply of semiconductors and stagnations of sea freight.

As for the production status of land-use engines which we handle, we announced on April 1, that the total domestic production of engines for fiscal 2021 is expected to be 3,818,000 units, 114.2% of the previous fiscal year, due to an increase in domestic production of gasoline, diesel and gas engines. Overseas production volume is also expected to rise to 10,288,000 units, 112.8% of the previous year. Combined domestic and overseas engine production volume is expected to increase to 14,106,000 units, 113.2% of

the previous year, marking the first significant increase in 3 years. The main factors are expected to be the slowing of the pandemic, recovery in demand in the United States and China, and the demand increase of diesel engines in Europe.

As for the outlook for fiscal 2022, despite sluggish growth in domestic production of gasoline engines, growth in production of diesel engines and gas engines has resulted in a forecast for total production of 3,816,000 units, 100.0% of the previous year. Overseas production is expected to rise to 10,798,000 units, 105.0% of the previous year, due to increased production of gasoline and diesel engines. As a result, total production of land-use engines in Japan and overseas is expected to be 14,614,000 units, 103.6% of the previous year, increasing for the second consecutive year.

Next, I would like to introduce two main activities of LEMA.

The first one is the voluntary emission regulations. Currently Japanese law does not regulate environmental standards for exhaust emission composition for engines below 19kW. Recognizing the need to comply with certain level of environmental standards for this class of engine, since 2003, the association members established and operated voluntary environmental regulations. Recently, however, engines made by overseas manufacturers, who are not members of the LEMA, are being sold in the consumer market in large numbers. Therefore, we revised the qualifications for participating in the LEMA voluntary regulations so that business operators who use engine products made by overseas manufacturers can also participate in the LEMA voluntary regulations. The contents of the voluntary regulations revision will be briefly introduced in today's agenda.

The second one is about carbon neutrality. Since former Prime Minister Suga's inaugural speech in October of the year before last, discussions on energy reform measures to achieve carbon neutrality by 2050 have begun on many fronts. Last year, we also developed a scenario for carbon neutrality of internal combustion engines and published it on LEMA website. As this agenda will have a significant impact on the future prospects of the internal combustion engines, we plan to continue to discuss on this matter.

Finally, I would like to conclude my remarks by expressing my sincerity for the continued success and growth of our members and for the health of those who attend.

Thank you for your cooperation today.