

May 30, 2023

Remarks by the Chairperson at 22nd General Assembly Meeting

Japan Land Engine Manufacturers Association
Masatoshi Kimata, Chairperson

Thank you very much for attending today despite your busy schedule.

I would also like to once again thank you for your extraordinary support and cooperation in the management of our association. I would like to say a few words at the occasion of the 22nd General Assembly Meeting.

LEMA was established on May 1, 1948, and this year marks 75 years since its establishment. We would like to express our heartfelt gratitude to our members for their efforts to contribute to the development of this industry through the transition to a general incorporated association in 2012. It is a great pleasure to meet with so many of you today at General Assembly Meeting this year, which marks a milestone of LEMA history. Thank you very much for attending.

In regard to the economic situation, the government's monthly economic report for April states that "Concerning short-term prospects, the economy is expected to show movements of picking up, supported by the effects of the policies, under the "new normal". However, slowing down of overseas economies is downside risk of the Japanese economy, amid ongoing global monetary tightening and other factors. Also, full attention should be given to price increases, supply-side constraints and fluctuations in the financial and capital markets", and although COVID-19 has subsided, there are still concerns about an economic slowdown due to rising raw material prices and supply constraints caused by the prolonged situation in Ukraine, rapid increases in interest rates in Europe and the United States, and other factors.

Next, regarding the production status of the land-use engines we deal with, we announced on April 1 that the annual domestic production of the land-use engine in fiscal 2022 is expected to decrease for the first time in 2 years overall, to 3,605,000 units, 95.4% of the previous fiscal year, due to a decrease in gasoline and diesel engines, although gas engines increased from the previous fiscal year. In addition, overseas production volume is also expected to decline for the first time in two years, to 9,467,000 units, 90.0% of the previous year, due to a significant decline in gasoline and gas engines, and the combined domestic and overseas production volume is expected to decline for the first time in two years, to 13,072,000 units, 91.4% of the previous year. In fiscal 2022, although the impact of COVID-19 was partly remains such as the China lockdown and supply chain issues, the strong demand for construction machinery, industrial machinery and generators in Europe and the United States resulted in high production levels, especially for diesel engines. On the other hand, we see a slowdown in the gasoline engine market, due to the convergence of special

demand for the gardening and leisure activities which was grown under COVID-19 circumstance, inflation caused by the situation in Ukraine, and concerns about an economic slowdown.

Regarding the outlook for fiscal 2023, we expect strong demand for construction equipment, industrial machinery and generator, and high levels of diesel engines and gas engines as COVID-19 effects and logistics problems are resolved. We are, however, concerned about semiconductor supply shortages, energy prices and price increases due to the Ukrainian situation, economic slowdown due to interest rate hikes, and sluggish consumer spending. In this environment, domestic production is expected to increase for the first time in 2 years, to 3,658,000 units, 101.5% of the previous fiscal year, due to an increase in diesel and gas engines, although gasoline engines will decrease. On the other hand, overseas gasoline engine production is expected to fall below 8 million units for the first time in 14 years since FY 2009 down to 7.83 million units, 82.7% of the previous year. Despite an increase in diesel engines and gas engines, total overseas production is expected to be 11,488,000, 87.9% of the previous fiscal year, which falls below 12 million for the first time in 14 years.

Next, I would like to introduce two main business activities of LEMA in 2023.

The first one is the publication of a commemorative magazine for the 75 year anniversary of LEMA.

On the occasion of the Association's 75 year anniversary, we are pleased to publish "75 Years of the Association's Progress and Prospects in Statistics Materials (tentative)." Based on the current overview of land-use internal combustion engines and LEMA, looking back over the last 10 years, with a focus on statistical data, we plan to summarize the future outlook of the land internal combustion engine industry based on the changes in the surrounding environment and the movement of LEMA and industries during this period and the movement toward carbon neutrality in the future.

The second is about carbon neutrality. Discussions on how to reform energy toward carbon neutrality in 2050 are underway in various occasions. Our association also continued discussions with the national government and related organizations, and in fiscal 2022 updated and disseminated its "Carbon Neutrality Scenarios in Internal Combustion Engines", which was published in fiscal 2021. We plan to compile and release the 2023 edition.

In closing, I would like to extend my best wishes to all of our members for their continued success, development, and good health to all who attend.

Thank you for your time today.