

## **President's Greetings from the 5<sup>th</sup> Annual General Assembly Meeting**

### **President Hiroshi Kanda Japan Land Engine Manufacturers Association (LEMA)**

"I would like to thank all of you for attending today, and express my gratitude for the outstanding support and direction you provide our association in its everyday operations.

Now, I would like to take a few moments to let you all know where our association stands and in what direction we are headed.

The so-called "Abenomics" in which we find ourselves is a wholistic effort on the part of the government to revive Japan's economy by focusing on domestic demand. It involves a change in mindset towards infrastructure investment and improvements in exporting conditions to correct the excessive appreciation of the yen, but the outlook is good that recovery will continue. However, according to the Japanese Cabinet's April Economic Report, "The economy is continuing to gradually recover, but as a reaction to the buying frenzy before the consumption tax increase, recovery looks to slow down dramatically from April." Because of this, the local government has made the first downward adjustment in performance estimates in 17 months. That being said, there are many who believe this reactive decrease in demand is limited, and for industries like ours where a large part of sales derive from outside Japan, the effects of the tax increase look to be minimal.

According to the semi-annual inspections we perform to estimate yearly production results of the 20 engine makers that comprise LEMA and reported in April, the combined number of units produced domestically and internationally rose to 14.6 million units, a 3.7% increase compared to the last fiscal year. Of that number, gasoline engines experienced a 3.1% increase at 12.6 million units, and diesel engines rose 6.3% to 1.91 million units. Natural gas engines, added to official statistics this year, look to reach 90,000 units.

We are increasing our overseas production in efforts focused on international demand and increasing competitiveness, and it looks like in this fiscal year, this shift of focus out of Japan will only continue. In 2012, production outside Japan broke 70% of total production, and this year is estimated to reach 78%. In the same way, diesel engines, which have been comparatively lower in the past, jumped five points last year to 27% and are expected to surpass 30% this year. Together, the overseas gasoline and diesel engine manufacturing of the corresponding 12 companies in the Association is

estimated to comprise 70% to 72%. As a point of reference, the weight of overseas operations for the 8 leading Japanese automobile manufactures averaged 64% last fiscal year. Just like the automobile industry, we are competing against the entire world to succeed in the market. We feel confident in our innovative spirit, because we have secured a large share of the world market through the many years of effort put in by member enterprises to expand internationally and create products superior in both quality and performance.

In fiscal 2014, our business plan centers around three main points: “environmental awareness”, “globalization”, and “solid fundamentals”. The first, “environmental awareness” began in January of this year with LEMA implementing Phase 3 voluntary regulations on small gasoline engines. With the second point, “globalization”, LEMA will now be involved in the new International Council of Combustion Engines composed of 9 organizations from Japan, the US, Europe, China, and India. The last point, “solid fundamentals”, involves solidifying our most basic activities, from statistical research to reevaluating regulations, to enhanced transmission of technological information.

Earlier, I mentioned the success we have experienced internationally due to our many years of effort, but we must continue to challenge ourselves even more if we want to remain a major player in the international land engine market. I truly believe we can increase our market presence by utilizing the advanced technology and steadfast research our member companies possess. LEMA as well, will be right there with everyone, working together to make this goal a reality.”