

## 2015 New Year's Greeting from the President of the Japan Land Engine Manufacturers Association (LEMA)

Hiroshi Kanda, President  
Japan Land Engine Manufacturers Association

I would like to wish you all a happy New Year for 2015.

I would also like to sincerely thank all our members for your ongoing involvement and support for the association.

Last year was blighted by a series of natural disasters, with freak snowstorms and major typhoons as well as an upsurge in volcanic activity. To those of you affected, I would like to take this opportunity to express my sympathy once more and to wish you a tranquil and disaster-free year ahead.

While last year, 2014, got off to a brighter start than we have seen for some time, with the Abenomics upturn and Tokyo winning the right to host the Olympic Games, this was followed by a consumption tax hike and subsequent economic downturn, giving the impression that the Abenomics upturn had ended all too quickly with the economy having peaked at the start of the year, so that, in contrast to the expectations with which it had begun, the year came to be viewed as one of deep uncertainty. With the second round of preliminary estimates for the July-September quarter real GDP released in December of last year having undershot most predictions, and with two consecutive quarters of negative growth leading to Prime Minister Abe's postponement of the consumption tax increase to 10%, followed by the general election at the end of the year, 2015 has started out with the sentiment that "Abenomics is progressing". I hope that this year will be one in which we can get Japan afloat once more by putting economics at the top of the agenda and by making a success of the growth strategies that are the key to progress.

Looking at last year's statistics for Japan's production of land engines, total production from January to August including both Japan and the rest of the world increased by 8% to 1.22 million units over the same period a year earlier for diesel engines, and fell by 1% to 8.47 million units for gasoline engines. This gave a total production, including gas engines, of 9.75 million units, much the same as the year before. Extrapolated to a full year, this figure of 9.75 million indicates an annual production of 14.6 million engines, roughly the same as the year before.

In terms of trends, three points can be made. To begin with, both domestic and overseas production of diesel engines are holding up well. Nevertheless, the proportion of overseas production fell by three points to 25%, indicating a break in the trend toward expanding overseas production. Finally, there were no significant signs of flow-on effects from the consumption tax hike in April of last year.

In terms of the environmental regulation of our land engines, those we produce internationally fall into the category of “non-road engines”, the next largest market after automobiles and motorbikes. Recently, we saw the formal launch of the International Internal Combustion Engine Manufacturers Association (IICEMA), an umbrella group for national industry associations and manufacturers who deal with this non-road engine category. Its aim is “to take the initiative, as an international industry association, on the global harmonization of regulations such as those for non-road engine emissions”, and we at the LEMA recognize the need to make a responsible contribution.

The land engines we deal with have been developed as power sources for construction machinery, industrial machinery, agricultural and forestry equipment, generators, and other equipment, and we have continued to grow by responding appropriately to various changing social needs, starting with environmental compliance. We in the land engine industry are at the core of Japanese manufacturing, and therefore I believe that we need to take a leading role in creating a vibrant economy. On behalf of the LEMA, this is a duty that I intend to conscientiously fulfill.

Finally, I would like to wish you all the best for the coming year, and to express my hopes for your future progress and good fortune.