

## **SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and Yanmar Power Technology Co., Ltd. (Yanmar), with its principal location at 1-32, Chayamachi, Kita-ku, Osaka, 530-8311, Japan (collectively, the "Parties," or individually, "Party").

### **LEGAL BACKGROUND**

- (1) Purpose. The California Health and Safety Code mandates the reduction of emission of air pollution from off-road engines. (Health & Saf. Code §§ 43013; 43018.)
- (2) Regulation. CARB adopted the "*Off-Road Compression-Ignition Engines and Equipment*" Regulation (Cal. Code Regs., tit. 13, §§ 2420-2427) (Off-Road CI Regulation) to reduce emissions of, *inter alia*, oxides of nitrogen (NOx) and hydrocarbons (HC) from off-road compression-ignition (CI) engines. Further, CARB adopted the "*Off-Road Large Spark Ignition Engines*" Regulation (Cal. Code Regs., tit. 13, §§ 2430-2439) (LSI Regulation) to reduce emissions of, *inter alia*, NOx and HC from off-road large spark-ignited (LSI) engines above 19 kilowatts, and equipment and vehicles utilizing such engines.
- (3) Regulatory Provisions. Manufacturers of new off-road CI engines and LSI engines that are manufactured for sale, sold, offered for sale, introduced or delivered for introduction into commerce, or imported into California are required to certify these engines and obtain an Executive Order (EO) from CARB. The engines must meet the emission standards (either through a direct standard or through a family engine level or "FEL" under the averaging, banking, and trading or "ABT" program), and the manufacturer must also properly label, provide for defects investigation and reporting, and conduct production engine testing based on the model year (MY) and maximum engine power. Manufacturers may produce equipment and engines that are exempt from meeting current MY emission standards for a portion of their California-directed production volume using flexible allowances but must meet the notification, reporting, warranty, testing and labeling requirements. (Cal. Code Regs., tit. 13, §§ 2420-2427; Cal. Code Regs., tit. 13, §§ 2430-2439.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to forty-eight thousand seven hundred eighty-eight dollars (\$48,788.00 USD) for each strict liability violation of the Off-Road CI Regulation and the LSI Regulation for each noncompliant engine. (Health & Saf. Code, § 43016; Cal. Code Regs., tit. 13, § 2420 et seq.; Cal. Code Regs., tit. 13, § 2437.)

## **CASE BACKGROUND**

- (5) Corporate Entity. At all relevant times, Yanmar America Corporation, an affiliate of Yanmar Power Technology Co., Ltd., was organized under the laws of Georgia as a stock company and conducted business in the State of California.
- (6) Allegations. CARB alleges that Yanmar violated the Off-Road CI Regulation and LSI Regulation test procedures for certain Model Year 2013-2025 off-road CI and LSI engine families, including by omitting complete emission test results from its applications for CARB Executive Orders (Title 40, Code of Federal Regulations, section 1039.205(r)(1), as incorporated in Cal. Code Regs., tit. 13, § 2423, and Title 40, Code of Federal Regulations, section 1048.255(c)(2), as incorporated in Cal. Code Regs., tit. 13, § 2433, respectively), resulting in 194,392 violations, representing the number of engines the parties estimate that Yanmar America Corporation sold, introduced or delivered for introduction into commerce in California in the affected engine families. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against Yanmar for each and every one of these engines.
- (7) Acknowledgment. Yanmar acknowledges that it self-disclosed to CARB test procedure issues giving rise to CARB's allegations referenced in Paragraph 6, as described in the mitigating factors in Paragraph 32 below. Yanmar admits to the facts in Paragraphs 1 through 5, and acknowledges CARB's allegations in Paragraph 6, but denies any liability resulting from said allegations.
- (8) Consideration. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, Yanmar has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

## **TERMS AND CONDITIONS**

In consideration of CARB not filing a legal action against Yanmar for the alleged violations referred to above in the Legal Background and Case Background, and Yanmar's agreement to complete all terms and conditions set forth below, CARB and Yanmar agree as follows:

- (9) Settlement Amount. Yanmar shall pay a civil penalty of two million four hundred twenty-nine thousand nine hundred dollars (\$2,429,900.00 USD). Yanmar shall make all payments within thirty (30) calendar days from the Notification Date.

- (10) Notification Date. The date upon which CARB notifies Yanmar according to Paragraph 13 (Notices), that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to Yanmar, whichever occurs first.
- (11) Civil Penalty Payment Method. Yanmar shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. Yanmar is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty amount into the Air Pollution Control Fund for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to Yanmar in accordance with Paragraph 13 (Notices).
- (12) Documents. Yanmar shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 13 (Notices).
- (13) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board  
Enforcement Division / Settlement Agreements  
Vehicle, Parts & Consumer Products Enforcement Branch/Engine and  
Parts Enforcement Section  
P.O. Box 2815  
Sacramento, California 95812-2815  
[Settlement\\_Agreement@arb.ca.gov](mailto:Settlement_Agreement@arb.ca.gov)

As to Yanmar:

Ryan M. Pott, JD, CCEP  
Yanmar America Corporation  
101 International Parkway  
Adairsville, Georgia 30103  
[Ryan\\_Pott@Yanmar.com](mailto:Ryan_Pott@Yanmar.com)

As to Yanmar's Legal Representation:

Jonathan S. Martel  
Arnold & Porter Kaye Scholer LLP  
601 Massachusetts Avenue, NW  
Washington, DC 20001  
[Jonathan.Martel@arnoldporter.com](mailto:Jonathan.Martel@arnoldporter.com)

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (14) Recovery of Costs. If the Attorney General files a civil action to enforce this Settlement Agreement, Yanmar shall pay all costs of investigating and prosecuting the action, including expert fees, reasonable attorneys' fees, and costs.
- (15) Repeat Violations. Yanmar agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (16) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of 8 pages and 34 paragraphs.
- (17) Binding Effect. This Settlement Agreement binds Yanmar, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
- (18) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (19) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (20) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
- (21) Choice of Law. This Settlement Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
- (22) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the

extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit.

- (23) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (24) Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.
- (25) Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.
- (26) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (27) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (28) Release. In consideration of full payment of the civil penalty, and all other undertakings above, CARB hereby releases Yanmar and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) above and in Yanmar's May 30, 2024 voluntary self-disclosure letter with respect to the affected engine families.
- (29) Authority. Each Party warrants that the individual executing the Agreement on behalf of such Party is duly authorized to do so.

## **PENALTY BASIS**

- (30) Per Unit Penalty. The per unit or per vehicle penalty in this case is a maximum of forty-eight thousand seven hundred eighty-eight dollars (\$48,788.00 USD) per action under Health and Safety Code section 43016, for violations of the Off-Road CI Regulation (Cal. Code Regs., tit. 13, §§ 2420 et seq.) and LSI Regulation (Cal. Code Regs., tit. 13, §§ 2437). The penalty of \$2,429,900.00 USD is for 194,392 noncompliant off-road CI and LSI engines. The per unit penalty in this case is approximately \$12.50 USD per noncompliant unit.
- (31) Emissions. The provisions cited in Paragraph 6 (Allegations) above prohibit emissions above a specified level. Without information on usage and emission rates, it is not practicable to quantify the excess emissions. However, since CARB has alleged that the off-road CI and LSI engines did not meet the regulatory requirements, CARB alleges that all of the emissions from the violations were excess and illegal.
- (32) Aggravating and Mitigating Factors. CARB determined the penalties in this matter in consideration of all relevant circumstances, including statutory factors as described in CARB's Enforcement Policy. CARB considered Yanmar's voluntary disclosure following a self-audit; the absence of harm to public health, safety and welfare from the alleged violations; that emissions (if any) did not exceed the thresholds listed in the relevant Executive Orders; the nature and persistence of the alleged violations; that Yanmar cooperated with the investigation and acted transparently and in good faith; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to alleged violation; action taken to mitigate the alleged violation; and the financial burden to the alleged violator. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.
- (33) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by Yanmar or confidential settlement communications.
- (34) Effect of Settlement/Reservation of Rights. The following shall apply:
- (a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.

- (b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against Yanmar with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against Yanmar with respect to:
- (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
  - (ii) Facts that were not disclosed by Yanmar to CARB.
  - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved in this Settlement Agreement.
  - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
  - (v) Any criminal liability.
  - (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, Yanmar shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of Yanmar or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against Yanmar, except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.
- (e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. Yanmar is responsible for achieving and maintaining compliance with all applicable federal, State,

and local laws, regulations, and permits; Yanmar's compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that Yanmar's compliance with any aspect of this Settlement Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

**California Air Resources Board**

Signature: /S/

Name: Steven S. Cliff, Ph.D.

Title: Executive Officer

Date: March 19, 2026

**Yanmar Power Technology Co., Ltd.**

Signature: /S/

Name: Tomohisa Tao

Title: President

Date: March 9, 2026