

Environment

Taking on the challenge of carbon neutrality and a circular economy with the concerted strength of the Toyoda Gosei Group

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Global warming, resource depletion due to mass production and disposal, and waste problems have become shared issues worldwide. Under our slogan of “A Greener, Richer World for Our Children,” Toyoda Gosei is accelerating its efforts by bringing together the entire Group to realize carbon neutrality and a circular economy as soon as possible by maximizing its strengths in rubber and plastic polymer technologies in both production and products.

Contributing to Environmental Preservation through All Our Business Activities

Basic Philosophy

The Toyoda Gosei Group formulated its 1st Environmental Action Plan in 1993 based on its Environmental Policy, and since that time has been actively confronting environmental issues. In February 2016, we announced our long-term targets in the TG2050 Environmental Challenge, and have set milestone targets to be reached by 2030. We have also formulated a five-year action plan in which activity items

and targets are set and are carrying out activities to preserve the environment. Globally, we have placed integrated environmental functions in the regions of the Americas, China, ASEAN, and India. The Group is also making efforts as a whole with area control in five global regions, the above four plus Europe/South Africa. These efforts are made in conjunction with government agencies, customers, and suppliers.

Environmental Policy

1. Environmentally-friendly business activities

We are keenly aware that all stages of our business relate deeply to the environment, from development, production, and sales to end-of-life disposal. The Toyoda Gosei Group, including all internal departments, domestic and international affiliates, and suppliers, conducts all business activities with concern for the environment in cooperation and coordination with customers, government authorities, and others.

2. Good corporate citizenship

As a good corporate citizen, we participate in, support, and cooperate with environmental activities by many groups while also working on environmental activities in the community and broader society. We also provide education for all employees to support them in becoming involved in environmental activities as members of the community and society, and support social contributions and volunteerism.

3. While spreading information on these initiatives, we listen to the opinions of people at all levels of society and work to improve our initiatives wherever we can.

TG2050 Environmental Challenge

The Toyoda Gosei Group specializes in the field of rubber and plastic polymers. Our symbol is the benzene ring, a hexagonal hydrocarbon structure that is the starting point for polymers. Borrowing from the six sides of the benzene ring, the TG2050 Environmental Challenge sets six challenges to enhance our environmental efforts with a long-term view to the year 2050. As a roadmap to

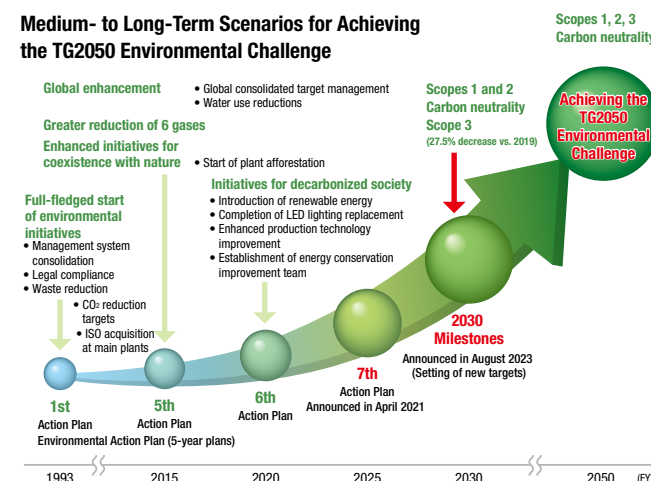
achieve that, we have formulated a five-year Environmental Action Plan and are actively working toward its implementation. Furthermore, in August 2023, we announced our decision to accelerate the achieving of carbon neutrality (Scopes 1 and 2) from 2050 to 2030 to enhance our response to climate change issues.

Environmental Action Plan | Toyoda Gosei (toyoda-gosei.com)

TG2050 Environmental Challenge (Six Challenges)



Medium- to Long-Term Scenarios for Achieving the TG2050 Environmental Challenge

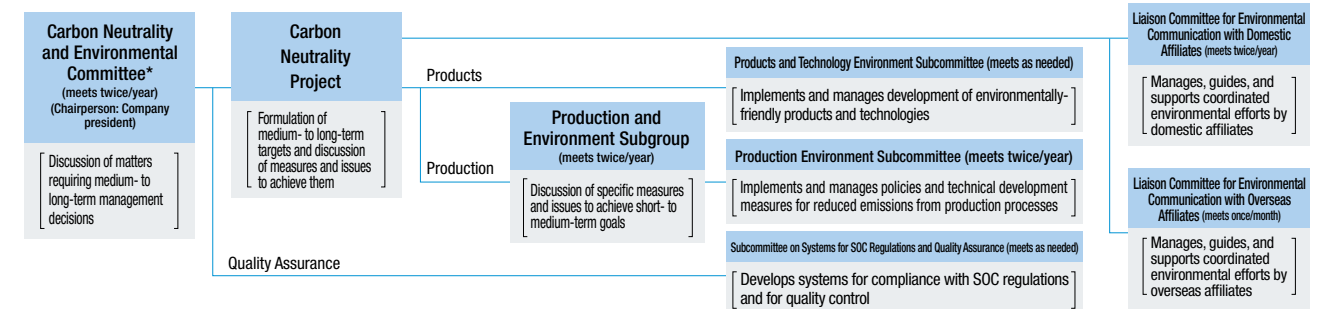


Implementing Organization

Our medium- to long-term policy and key action items are discussed and decided in a Carbon Neutrality and Environmental Committee chaired by the company president. The Carbon Neutrality and Environmental Committee consists of three subcommittees in the areas of products, production, and quality. In the area of production, a Production and Environment Subgroup has

been established to enhance environmental initiatives over the entire manufacturing process. As a subordinate organization under the subcommittee, we have established a working group to implement activities aimed at reducing environmental impact and prevention by reducing energy consumption, improving energy efficiency, and minimizing waste and water intake.

Environmental Organizational Structure

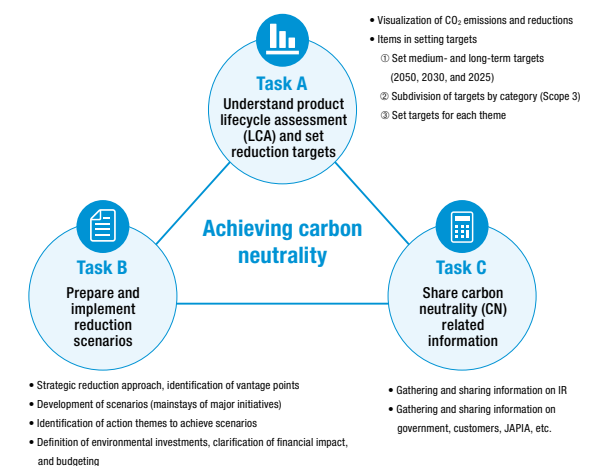


* The Carbon Neutrality and Environmental Committee is positioned within the organization as shown in the Corporate Governance System Chart (see p. 71), and the deployment of policies from the Carbon Neutrality and Environmental Committee, the Production and Environment Subgroup, and the respective subcommittees to plants and other operations is done by establishing expert committees in accordance with the ISO 14001 system at each plant.

Carbon Neutrality Project

Led by the president, with outside directors serving as advisors and relevant department heads as core members, we have launched a cross-departmental carbon neutrality project. This project enables swift decision-making and action across the entire product lifecycle.

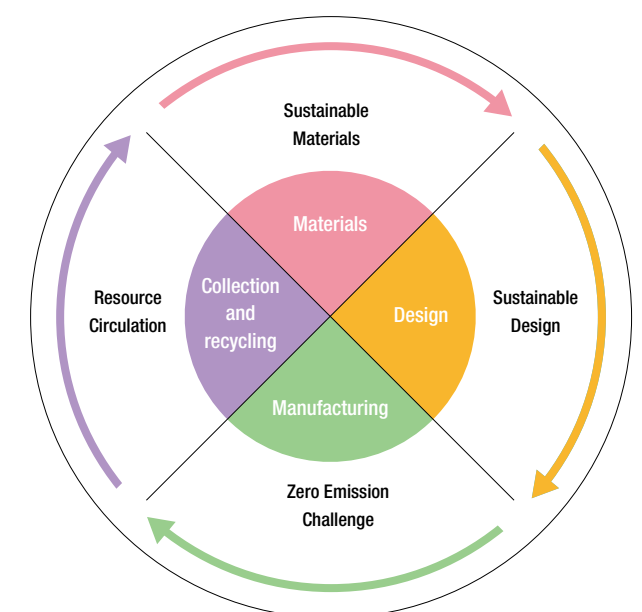
| | |
|------------|--|
| System | With the president at the top, the project leader is the vice president, and the core members consist of department heads and above. This is a system that enables speedy and immediate managerial decisions and their implementation. |
| Initiative | Each task is led by the head of the relevant department to carry out the initiative. |



Strategy on Carbon Neutrality and Circular Economy

We have established a strategy on carbon neutrality and circular economy for the entire product lifecycle and are implementing initiatives for achieving it. We have set Sustainable Materials, Sustainable Design, Zero Emission Challenge, and Resource Circulation as our goals, and have incorporated them into specific content from four perspectives, and in this way, we aim to realize carbon neutrality and a circular economy and link it to viable businesses.

Strategy on Carbon Neutrality and Circular Economy



| | |
|----------------------|---|
| Materials | We will strive to procure recycled materials for also ensuring stable supply and expand the use of bio-materials. |
| Design | We will strive to develop lightweight designs, easily-disassembled designs, compact designs, and other improvements. |
| Manufacturing | In addition to day-to-day improvements, we will also study the adoption of innovative processes, such as process downsizing and reduction of heat energy, as well as the use of hydrogen. |
| Collection/recycling | We will systematically minimize waste in our plants and build a system to collect parts from the market. |

Building a Decarbonized Society

Basic Philosophy

In order to achieve the Paris Agreement's goal of limiting the global average temperature increase to 1.5°C above pre-industrial levels, greenhouse gas emissions must be reduced to virtually zero by 2050. The Company recognizes societal demands for transitioning to a decarbonized society and supports the agreements on climate change countermeasures established under the Paris Agreement. In August 2023, we set a new goal to accelerate the achieving of carbon neutrality for CO₂

Endorsement of TCFD Recommendations

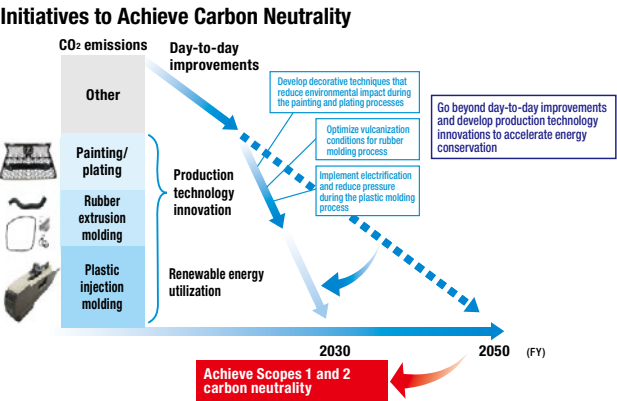
In May 2019, we expressed our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and conducted a scenario analysis of risks, opportunities, and responses based on the Guide. We are accelerating our efforts across our

emissions generated by our production operations (Scopes 1 and 2) from 2050 to 2030, bringing the target forward by 20 years. Also, we established targets for CO₂ emissions associated with the procurement of materials, components, and products (Scope 3). Furthermore, we obtained international certification for decarbonization (SBT Certification) and are actively working across the entire value chain.

business activities and proactively disclosing relevant information, including incorporating the results in our 2030 Business Plan and reviewing our TG2050 Environmental Challenge and 2030 milestones.

Moved Up the Timetable for Carbon Neutrality to 2030

Toyoda Gosei has established a new target to achieve carbon neutrality for CO₂ emissions (Scopes 1 and 2) generated from its production operations that is 20 years earlier than the previous target by moving it up from 2050 to 2030. We are accelerating daily improvements and production technology innovations more than ever to minimize energy consumption. When updating equipment, we are actively making environmental investments by introducing Internal Carbon Pricing (ICP) to facilitate the transition to a decarbonized society. Also, we will utilize renewable energy sources, such as green power, to meet necessary energy demands.



Obtained International Certification for Decarbonization (SBT Certification)

In November 2023, we obtained certification from the Science Based Targets initiative (SBTi), an international initiative, recognizing our 2030 targets as being aligned with the Paris Agreement's objectives.



| SBT-Certified Targets: Our FY2030 CO ₂ Reduction Targets (Compared to FY2019 levels) | | SBT Standard |
|---|----------------------|--|
| Scopes 1 + 2 | -46.5%* ¹ | -46.2% or more (1.5°C level)* ² |
| Scope 3 (Category 1) | -27.5% | -27.5% or more (WB2°C level)* ² |

*¹ The 2030 target aims to achieve carbon neutrality by combining renewable energy and other measures.
*² Refers to CO₂ reduction levels aligned with global warming targets, where "1.5°C level" means keeping temperature increases below 1.5°C, and "WB2°C level" means well below 2°C.

For short-term targets, refer to our website.

Environmental Action Plan | Toyoda Gosei (toyoda-gosei.com)

Reducing CO₂ Emissions

To achieve our 2030 target, we are reducing CO₂ emissions throughout the entire product lifecycle (Scopes 1, 2, and 3) by improving productivity and

efficiency of logistics, in addition to more lightweight designs for products leading to even higher vehicle fuel efficiency.

Product Development Stage: Environmentally-friendly Product Development

In the product development stage, we are making headway in providing products for environmentally-friendly, next-generation vehicles and developing products with lighter weight for greater fuel efficiency and lower energy consumption and CO₂ emissions across the areas of materials technology, product design, and production technology. Examples include the development of high-pressure hydrogen tanks for FCEVs and efforts to switch

materials (e.g., from metal or rubber to plastic), reduce the number of components, integrate functions, and use more lightweight designs while ensuring quality for the strength and other properties of instrument panel peripherals and other interior and exterior components and of functional components such as hoses. We are also actively working with suppliers to develop materials with low CO₂ emissions, such as bio-materials and recycled materials.

Production Stage: Reductions with Development of New Processes, Daily Improvements

We have set a 2030 milestone for achieving zero CO₂ emissions at our plants, and are rigorously reducing energy consumption through day-to-day improvements at plants, production technology innovations, utility efficiency enhancements, and more. Remaining energy

needs are being addressed through the expansion of renewable energy, such as installing solar power systems and purchasing green electricity. In particular, renewable energy initiatives are underway with the goal of converting all electricity to renewable energy by FY2030.

Logistics Stage: Improving Loading Efficiency

In collaboration with logistics companies, we are reducing CO₂ emissions by improving truck loading capacity and logistics efficiency through the use of AI and other means. We are also conducting demonstration

tests of renewable diesel fuel*³ as an alternative to diesel fuel and are studying its full-scale implementation.

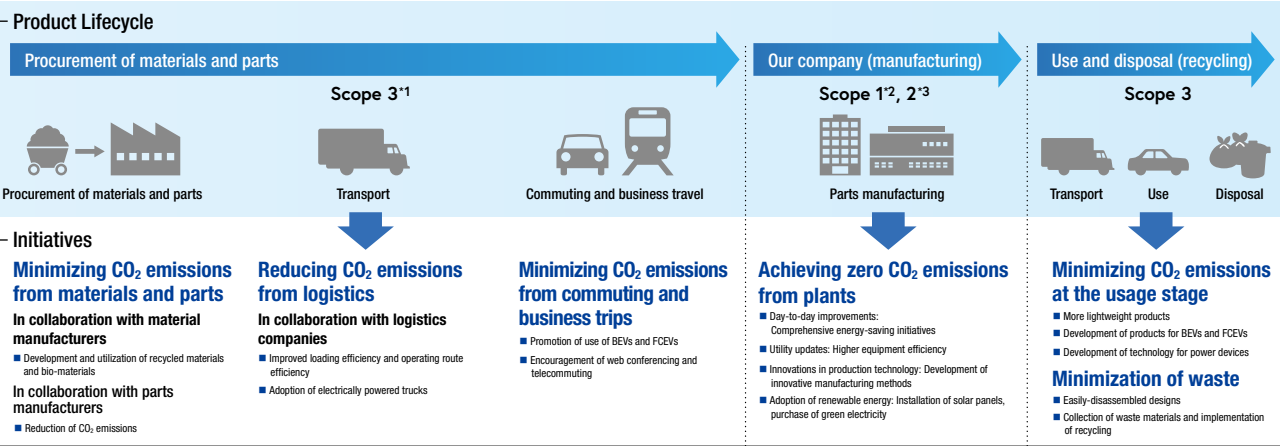
*³ Renewable diesel fuel: Fuel made from waste cooking oil and other materials, reducing CO₂ emissions by 90% compared to petroleum-based fuels.

Materials and Parts Procurement Stage: Emission Reduction through Collaboration with Suppliers

We implement CO₂ reduction by sharing good practices with suppliers through the Energy Saving Dojo and supporting actual data measurements.

Initiatives to Reduce CO₂ Emissions in the Value Chain

Toward Carbon Neutrality in the Value Chain by 2050



*¹ GHG emissions in the supply chain indirectly emitted by the company (e.g., raw material production, transportation, business trips, commuting) *² GHG emissions directly emitted by the company itself (e.g., fossil fuels, natural gas)
*³ GHG emissions indirectly emitted by the company (e.g., purchased electricity)

Reduction of Greenhouse Gas (6 gases)*⁴ Emissions

Of the six greenhouse gases, Toyoda Gosei uses three (HFC, PFC, SF₆) and is conducting initiatives to reduce all of them. By FY2015, we had completed a switch to alternative gases with a low environmental impact for

the shield gas and other gases used in the production of steering wheel cores. We will continue these reduction initiatives going forward.

*⁴ Hydrofluorocarbon (HFC), perfluorocarbon (PFC), sulfur hexafluoride (SF₆), methane (CH₄), nitrous oxide (N₂O), nitrogen trifluoride (NF₃)

Building a Recycling-Oriented Society

Basic Philosophy

In order to mitigate resource depletion and water risks, we not only take measures for defects and yield, which are the focus of our manufacturing divisions, but also work on emission control and recycling involving material and production technologies in the sourcing divisions for contributing to the attainment of a

recycling-oriented society. For water, we identify risks in each country and region where we conduct business globally while also striving to reduce risks by reducing water usage, recycling water, and returning cleaner wastewater to the community.

Risks and Opportunities Related to Resource Recycling

We consider risks and opportunities related to resource recycling as important management issues, and we are working on them company-wide as one of our priority issues to be addressed.

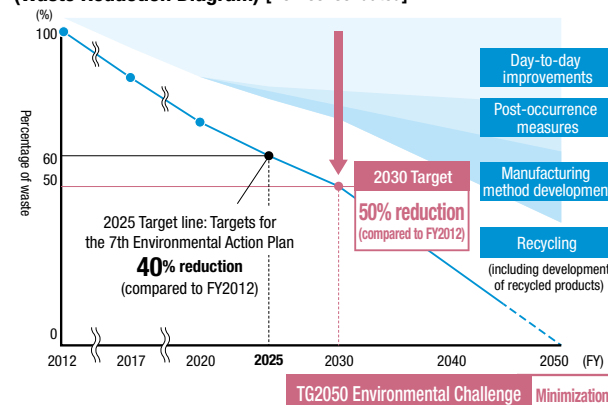
| Issue | Risks | Opportunities | Measures |
|-----------------------------------|--|--|---|
| Resource depletion (shortage) | <ul style="list-style-type: none"> Reduced earnings and production hindered by difficulty in procurement of raw materials and price hikes | <ul style="list-style-type: none"> Improved earnings through recycling technology and reduced material usage volume Improved corporate value through development of the above-mentioned technologies | <ul style="list-style-type: none"> Development of more lightweight products Development of recycling technology for raw materials Expanding the use of plant-derived biomaterials and recycled materials |
| Water risk (quantity and quality) | <ul style="list-style-type: none"> Production hindered by difficulty in securing water necessary for production Drop in product quality due to deterioration in water quality Production hindered by water damage | <ul style="list-style-type: none"> Improved earnings through reuse of water and reduced water usage Improved corporate value through development of the above-mentioned technologies | <ul style="list-style-type: none"> Development of water reuse technology Expanding the use of rainwater Review of production system and installation locations of electrical facilities |

Reduction of Industrial Waste

Establishment of 2030 Milestones

We are working to reduce industrial waste through measures such as curbing emissions, addressing sources of waste, recycling rubber and plastic scraps, and ensuring thorough sorting to maximize resource utilization.

Scenario for Minimizing Amount of Industrial Waste (Waste Reduction Diagram) [Non-consolidated]



Development of Product Recycling Technology

We develop and design easily recyclable products and materials by taking into consideration the entire lifecycle of automobiles. We are also developing recycling technology for waste material.

Milestones for Minimizing Waste Volume: Global

| Item | 2025 | 2030 | 2050 (FY) |
|---------------------|-----------------------------------|-----------------------------------|------------------------------|
| Toyoda Gosei | Compared to FY2012: 40% reduction | Compared to FY2012: 50% reduction | Minimization of waste volume |
| Overseas affiliates | Compared to FY2015: 50% reduction | Compared to FY2015: 55% reduction | |

Technology Development for Recycling ELV* Parts

| Key Item | Measures Implemented |
|---------------------------------------|--|
| New recycling | <ul style="list-style-type: none"> Composite material separation technology New recycling technology (high-quality material recycling) |
| Use of recycled materials in vehicles | <ul style="list-style-type: none"> ELV parts recycling technology Development of uses for recycled materials |
| Design of easily-recyclable products | <ul style="list-style-type: none"> Product design for easy dismantling Materials and composition changes for easy recycling |

* ELV: End of Life Vehicle

Reduction of Waste Materials in the Production Stage

The Production Engineering Dept. and the Manufacturing Division are working together to implement source-level measures and recycling initiatives. At each plant, we are conducting inspections for all types of waste to identify items for reducing waste by using the genchi-genbutsu

system (collecting facts and data at the actual site of the work or problem) to implement waste reductions. We also share examples of waste reduction with both domestic and international Group companies to implement waste reduction throughout the entire Group.

Reduction of Packaging in the Distribution Stage

By washing returnable boxes* more frequently and keeping them clean, we are reducing the amount of packaging materials used to prevent products from being soiled. We are also reducing packaging materials by putting lids on

returnable boxes and making other changes while maintaining a balance between ensuring product quality and reducing the amount of packaging materials used.

* Boxes for transporting products

Reducing Water Risks

Establishment of 2030 Milestones

In terms of water necessary for business activities, we comply with the laws and regulations established by each country. Also, we are assessing risks in both water usage and water quality in Japan and international locations, and making improvements at high-risk

locations. Even at low-risk sites, we are working to reduce water intake amounts by implementing measures such as utilizing rainwater. We are also working to systematically upgrade our wastewater treatment facilities to produce even cleaner wastewater.

Milestones for Minimizing Water Risk: Global

| Item | 2025 | 2030 | 2050 (FY) |
|----------------------------|-------------------------------|---|--|
| High-risk areas | Water quality (4 sites) | Measures implemented at 2 sites | Measures implemented at 4 sites (all sites) |
| | Water intake amount (7 sites) | Measures implemented at 3 sites | Measures implemented at 7 sites (all sites) |
| Low-risk areas | | Compared to FY2019: Water intake per sales unit: 6% reduction | Compared to FY2019: Water intake per sales unit: 11% reduction |
| Minimization of water risk | | | |

Building Environmentally-friendly Societies

Basic Philosophy

Based on the concept of Nature Positive, we have set coexistence with local communities as one of the materialities (key issues) to conserve biodiversity, and

are working on woodlands creation, building of biotopes, and conservation initiatives for tidal flats.

Risks and Opportunities Related to Biodiversity

We conduct initiatives by identifying risks and opportunities related to biodiversity. Going forward, we aim to enhance our contributions to

global environmental conservation while conducting disclosures based on the framework of the Taskforce on Nature-related Financial Disclosures (TNFD).

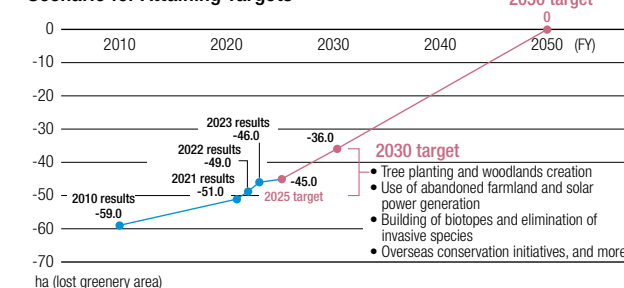
| Issue | Risks | Opportunities | Measures |
|------------------------------|---|---|---|
| Reduction of natural capital | <ul style="list-style-type: none"> Reduced earnings and production hindered by difficulty in procurement of raw materials and price hikes Drop in product quality due to deterioration in water quality Decline in public trust in the Company due to damage to surrounding areas caused by the discharge of contaminated wastewater | <ul style="list-style-type: none"> Business continuity by securing human resources and raw materials through nature conservation initiatives Sustainable production and enhancement of corporate value by securing good quality water resources through woodlands creation and river conservation | <ul style="list-style-type: none"> Development of more lightweight products Development of recycling technology for raw materials Expanding the use of plant-derived biomaterials and recycled materials Enhancing wastewater management and related controls |

Establishment of Medium- to Long-Term Targets

We have set a “No Net Loss of Greenery” goal of restoring 59 hectares of greenery by 2050, which is equivalent to the area of our plants, and are conducting initiatives to achieve this goal. Specifically, under the slogan “Connecting Activities with Water, the Source of Life,” we

are conducting initiatives in the areas of mountains, rivers, and oceans. Among these efforts, the biotope* maintained on the Company premises has been recognized as a biodiversity conservation area, designated as a “Nature Coexistence Site” by the Ministry of the Environment.

Scenario for Attaining Targets



The certified Heiwacho Plant biotope

