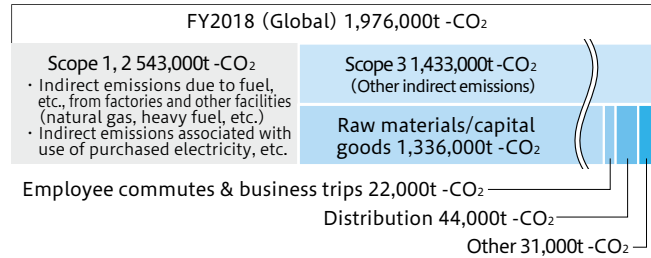


### Environmental impact in the value chain

From the perspective of preserving the earth, we have surveyed and disclosed not only GHG emissions (Scope 1\*<sup>1</sup>, Scope 2\*<sup>2</sup>) in our business activities but also emissions in our entire value chain including excavation of raw materials and product use and disposal (Scope 3\*<sup>3</sup>). To increase precision for a more accurate picture, we reviewed the calculation method and data collection for Scope 3.

\*1 Greenhouse gas emissions emitted directly by the company itself (natural gas and other fossil fuels, etc.)  
 \*2 Indirectly emitted greenhouse gases (electricity, etc.)  
 \*3 Greenhouse gases emitted in the supply chain that are indirectly emitted by the company (manufacturing, transport, business travel, commuting, etc.)

### CO<sub>2</sub> Emissions by Scope Level



## Building low-carbon societies

In addition to lighter weight products that lead to improved vehicle fuel efficiency, we are reducing CO<sub>2</sub> emissions through improved productivity and more efficient distribution.

### Basic philosophy

Keeping the rise in global temperature to below 2°C, as concluded in the Paris Agreement, is crucial and we must achieve greenhouse gas emissions of essentially zero by the end of the century. With the aim of minimizing CO<sub>2</sub> emissions as presented in the TG 2050 Environmental Challenge, we are utilizing new production techniques and product development skills with an eye toward next-

generation vehicles in addition to the manufacturing skills we have cultivated over time. Plans for execution are included in our 6th Environmental Action Plan with activity targets for FY2020. We are now formulating our mid-range targets and scenarios for FY2030. To reduce CO<sub>2</sub> emissions over the entire product lifecycle, we are making efforts to increase efficiency in distribution and other areas.

### Reducing CO<sub>2</sub> emissions

The Toyota Gosei Group is reducing CO<sub>2</sub> emissions (per unit sales) in the product stage, production stage, and over the entire lifecycle to achieve the targets set for FY2020.

#### ● Product development stage: Environmentally-friendly product development

In the product stage, we are making headway in providing parts for environmentally-friendly, next-generation vehicles and developing products with lighter weight for greater fuel efficiency and lower energy consumption across the areas of materials technology, product design, and production technology. Examples include switching

materials (e.g., from metal or rubber to plastic) in instrument panel peripherals and other interior products as well as in functional parts such as hoses, reducing the number of components, integrating functions, and using thinner material while ensuring strength.

#### ● Production stage: Reductions with development of new processes, daily *kaizen*

In the production stage, we are developing new production techniques that minimize energy usage and introducing energy-saving equipment through the Production Engineering Technology Environment Subcommittee started in fiscal 2016.

We also conduct regular *kaizen* to thoroughly eliminate waste. Today, the TG ESCO (expert team that conducts reduction activities with *genchi-genbutsu*) formed in 2016 is conducting *kaizen* activities that include the latest technologies and collecting and applying information on best practices from other companies.

#### ● Recycling: Reductions in materials and parts procurement, more efficient distribution

Toyota Gosei has prepared and distributed green procurement guidelines for materials and parts procurement with low environmental impact. Together with regular supplier surveys to ensure compliance, we also provide support when improvements are needed.

We are also making active efforts to reduce CO<sub>2</sub> emissions over the lifecycle with more efficient distribution, including reviews of truck allocation and transport modes with the aim of improving truck payloads and shortening distribution lines.