Environmental Management

Positioning environmental preservation as an important challenge in management, the Tokai Rika Group establishes an Environmental Action Plan that constitutes our mid- to long-term action plan every five years, and we are developing activities to achieve compatibility between Monozukuri and environmental preservation.

Enhancing and promoting consolidated environmental management

In order to take action on global environmental challenges, the Tokai Rika Group has established environmental management systems, and is promoting concerted activities under organizational structures built in cooperation with our group companies and suppliers in Japan and overseas.

Promotion system for environmental management

In the Tokai Rika Group, an environment committee has been organized in order to promote environmental activities systematically. On the basis of policies that are decided by the Company-wide Environment Committee, the Production Environment Committee, Green Procurement Committee, and Domestic Group Companies and Facilities Environment Meeting roll out activities for committees and subcommittees in each company and region and are promoting continuous activities.

Production Environment Committee

The Production Environment Committee is promoting environmental initiatives related to production activities, such as CO2 reduction and response to environmental regulations, in cooperation with regional environmental committees and subcommittees. In FY 2017, we compiled policies for introducing solar power generation, in order to expand the use of renewable energy.

Product Environment Committee

By understanding the regulatory trends and customer requirements in each country, the Product Environment Committee decides on compliance policies and reflects them in the product design in a planned manner. We address the target products through regulated substance projects, and check the progress through the committee.

Domestic Group Companies and Facilities Environment Meeting

For the purpose of mutual improvement, we regularly hold meetings with the seven domestic group companies, through which we horizontally deploy example cases of improvements and problem countermeasures from each company, conduct energy-saving patrols, etc.
Establishment and implementation of an environmental management system

In order to conduct planned environmental management, we are setting up environmental management systems in each base and acquiring external certifications. All overseas production bases apart from the newly established TRMX (Mexico) have acquired the ISO14001 certification. Furthermore, five of our domestic group companies have newly acquired the Eco Action 21 certification, and all production bases have acquired external certifications for environmental management systems.

"Environmental Contribution Award" received by TRP (Philippines)

TRP’s improvements in use efficiency in order to eliminate waste regarding compressed air used in production and energy used in air conditioning were recognized, and the company was awarded the "Environmental Contribution Award" by Toyota Motor Philippines.

Environmental risk management

Response training for anticipated emergencies

We evaluate environmental risks with regard to equipment and work. And we have clarified how to respond to possible emergencies (such as drainage problems in semiconductor manufacturing processes that use harmful substances) by establishing emergency response procedures. We conduct periodic response training so that we will be able to respond quickly as described in the procedures in the event of an emergency. We conduct the training jointly with the relevant departments, confirming the roles and cooperation of each department.

Countermeasures against soil and underground water contamination

We are working on remediation of soil and underground water contamination caused by harmful substances such as trichloroethylene that were used in the past. At the former Nishibiwajima Plant, the soil was contaminated by hexavalent chromium, and the soil and underground water were contaminated by trichloroethylene and its decomposition products. We completed countermeasures in 2016, and are currently following up by monitoring underground water.

Storage status with regard to PCB (polychlorobiphenyl)

We are proceeding with the appropriate processing of PCB (polychlorobiphenyl), which has been designated as a prohibited substance. In FY 2017, the processing of two capacitors was completed. With regard to the luminaire ballasts and transformers that we currently own, we will proceed with the processing in a planned fashion. Until completion, we will continue to conduct appropriate management pursuant to the Act on Special Measures Concerning the Promotion of the Proper Treatment of PCB Waste, in order to ensure that outflow and soil contamination do not occur.

Storage status regarding PCB waste

<table>
<thead>
<tr>
<th>Plant stored at</th>
<th>Capacitors</th>
<th>Ballasts</th>
<th>Transformers</th>
<th>Switches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office / Plant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Toyota Plant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Otowa Plant</td>
<td>0</td>
<td>595</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Hagi Plant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Environmental Management

Promotion of environmental activities in cooperation with business partners

In order to achieve improvements regarding environmental issues, such as reduction of environmental loads throughout the life cycle and reduction of environmental risks in order to build stable production systems, we share information with suppliers and roll out cooperative activities.

Cooperative activities with suppliers

Study activities using the Genchi-Genbutsu method

In order to improve the levels of both Tokai Rika and our suppliers, we have been conducting study activities using the Genchi-Genbutsu (“actual place and actual thing”) method on a continuous basis since FY 2015. In FY 2017, we visited 10 suppliers and used the Genchi-Genbutsu method to check and study about compliance with environment-related laws, support for waste management and ways to make energy-saving improvements, and were able to successfully link this to reduction of environmental risks.

Activities of Tokai Rika Kyoryoku-kai

We have organized Kyoryoku-kai together with 51 suppliers, and are rolling out cooperative activities through it. At a meeting held every other month, we share information about revisions to environment-related laws and regulations and things like example cases of energy-saving improvements, environmental problems and near-miss incidents, and promote environmental activities while cooperating with suppliers.

Green Procurement Guidelines

We believe that in order to provide products that have less environmental load, the whole of the supply chain needs to construct a cooperative system and respond to the issue together. At Tokai Rika, we have established the “Green Procurement Guidelines” so that everyone will understand our way of thinking with regard to environmental preservation, and we have been pressing forward with environmental management that also includes the suppliers.

Improvement of the urban air environment in each country and region

In order to reduce the impact of automobile gas emissions to the air, which is the main cause of urban air pollution, we are proceeding with a changeover to low-emission company cars.

Introduction status of low-emission vehicles

<table>
<thead>
<tr>
<th>Head Office / Plant</th>
<th>Total number of company cars (vehicles)</th>
<th>Number of introduced HVs and FCVs (vehicles)</th>
<th>Low-emission vehicle introduction rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office / Plant</td>
<td>133</td>
<td>73</td>
<td>54.1%</td>
</tr>
<tr>
<td>Toyota Plant</td>
<td>15</td>
<td>9</td>
<td>60.0%</td>
</tr>
<tr>
<td>Otowa and Hagi Plants</td>
<td>41</td>
<td>8</td>
<td>19.5%</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>3</td>
<td>50.0%</td>
</tr>
<tr>
<td>Total</td>
<td>195</td>
<td>92</td>
<td>47.2%</td>
</tr>
</tbody>
</table>

Target for FY 2017 | 42% |
Actual result for FY 2017 | 47.2% |
Enhancing global employee education / enlightenment activities

In order to create a culture where each and every one of our employees works on environmental preservation as "their own problem," we are nurturing highly environmentally-aware and skilled employees through environmental education and enlightenment activities.

Environmental education

We conduct employee education for acquiring the necessary environmental knowledge in each workplace through systematic programs that correspond to the rank of the recipients and the details of the workplace, such as education for new employees, education on compliance with environment-related laws, and passing on of improvement know-how at energy-saving dojos. Furthermore, in order to operate environmental management systems on a continuous basis, we provide ISO education for internal auditors and employees responsible for environmentally important facilities.

Enlightenment activities during Environment Month

During the Environment Month of June, we carry out a variety of events each year, in order to make it a good opportunity for employees to think of the environment as being a matter that is close to home. In FY 2017, we held environment lectures, created green walls, and distributed environment crossword puzzles and the Environment Month Magazine, through which our employees can enjoy learning about the environment together with their families. Also, each department plans and implement initiatives tailored to suit their workplaces, such as energy-saving patrols and conducting environmental KYT.

Environment lectures

During Environment Month, we invite external lecturers and hold environment lectures every year. In FY 2017, we invited Professor Junko Edahiro from Tokyo City University as a lecturer, and held a lecture with the theme “For a sustainable society - Global trends and expectations for Japanese companies -.” We furthered understanding of the situation that surrounds companies, such as the movement toward decarbonization and the expansion of ESG investment (which are accelerating globally), and successfully made it an opportunity to share with many employees, as well as the management echelons, matters that we must consider when we address environmental problems as our corporate responsibility in the future.

Environment Month is a valuable opportunity for all employees to think about the environment. We plan events with a focus on making it easy to understand and learn using familiar environmental issues, in order to capture the interest of as many people as possible. We get feedback from participants saying that they would like to participate again next year, and I feel rewarded by my work every year.
At Tokai Rika, we ascertain the investments/expenses involved in environmental preservation and their effects, and use them as guidelines to advance environmental preservation activities more practically. The costs for environmental preservation in FY 2017 were an investment of 133 million yen, an expense of 1,575 million yen, and an economic effect of 1,289 million yen.

### Environmental accounting

Way of thinking with regard to environmental accounting

We ascertain and add up environment costs on a payment basis. Therefore, we understand capital investments as investment amounts, and do not record depreciation costs. With regard to items that are implemented together for purposes other than the environment, we record the figures by means of proportional division.

With regard to economic effects that accompany environmental preservation activities, we add up the figures under three items through which we are able to soundly understand the amount of the costs for each fiscal year.

### Environmental preservation costs

<table>
<thead>
<tr>
<th>Details of main activities</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Expenses</td>
</tr>
<tr>
<td>In-business-area costs</td>
<td>24</td>
<td>262</td>
</tr>
<tr>
<td>Costs for pollution</td>
<td>59</td>
<td>516</td>
</tr>
<tr>
<td>prevention (air, water,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>noise, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs for global</td>
<td>0</td>
<td>164</td>
</tr>
<tr>
<td>environmental preservation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs for disposal,</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>recycling and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>recycling of waste</td>
<td></td>
<td></td>
</tr>
<tr>
<td>materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up/downstream costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference arising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from purchasing products,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>fuels, materials,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>etc. with less</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental load</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social activity costs</td>
<td>6</td>
<td>223</td>
</tr>
<tr>
<td>Costs for construction/</td>
<td></td>
<td></td>
</tr>
<tr>
<td>operation of an</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>system, monitoring of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental loads and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>nature conserving/greening</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accompanying business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>development costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs required for the</td>
<td>0</td>
<td>456</td>
</tr>
<tr>
<td>research and development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for products, etc. that</td>
<td></td>
<td></td>
</tr>
<tr>
<td>contribute to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental preservation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social activity costs</td>
<td>0</td>
<td>21</td>
</tr>
<tr>
<td>Costs for measures to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>improve environments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>such as nature</td>
<td></td>
<td></td>
</tr>
<tr>
<td>conservation, greening</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and beautification,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>excluding with regard to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>offices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental damage</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs for remediation of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environmental pollution,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>insurance premiums</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for environmental damage,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>1,684</td>
</tr>
<tr>
<td></td>
<td>1,773</td>
<td>1,709</td>
</tr>
</tbody>
</table>

### Economic effect

<table>
<thead>
<tr>
<th>Items</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales amount for recycled</td>
<td>963</td>
<td>1,193</td>
</tr>
<tr>
<td>materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost reduction from</td>
<td>34</td>
<td>96</td>
</tr>
<tr>
<td>energy saving</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste disposal cost</td>
<td>14</td>
<td>0</td>
</tr>
<tr>
<td>reduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,011</td>
<td>1,289</td>
</tr>
</tbody>
</table>

### Effects in terms of quantities

<table>
<thead>
<tr>
<th>Items</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy saving effects</td>
<td>879</td>
<td>2,533</td>
</tr>
<tr>
<td>(t-CO2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of recycled</td>
<td>8,399</td>
<td>9,459</td>
</tr>
<tr>
<td>materials sold (t)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste disposal amount</td>
<td>124</td>
<td>(49)</td>
</tr>
<tr>
<td>compared to the previous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>year (t)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Input resources and emission to environment in business activities

We are trying to reduce the environmental load by understanding the whole picture regarding the energy and resources that are used in business activities and the discharge from our business offices, such as CO2 and waste.