Textile Machinery

Carrying on the philosophy of founder Sakichi Toyoda, which reflects his strong commitment to manufacturing, Toyota Industries responds to a broad range of needs with its extensive product lineup, from air-jet looms, for which we enjoy the world-leading market share* in unit sales, to ring spinning frames and roving frames.

Growing Needs for Air-Jet Looms

Toyota Industries’ air-jet looms are adopted by customers in China, India and many other countries. Produced fabrics are used broadly for towels, shirts and other clothing purposes as well as in industrial products such as materials for electronic substrates and vehicle airbags. Recently, an increase in mobile electronic devices has driven the need for fabrics of woven glass fiber for use in electronic substrates, and it is anticipated that applications for air-jet looms will expand further. On the sales front, the recent adoption of more stringent water quality regulations in China has prompted demand to replace water-jet looms with air-jet looms. In response, we plan to expand sales of air-jet looms by appealing their high environmental performance.

Reinforcing Position as a Leading Manufacturer of Quality Measurement Instruments for Fiber, Yarn and Fabric

Uster Technologies AG, a Swiss-based consolidated subsidiary manufacturing quality measurement instruments for fiber, yarn and fabric, made Israel-based Elbit Vision Systems Ltd. (EVS) into a subsidiary in 2018. EVS develops and produces inspection instruments for textile fabrics. The acquisition has made Uster the world’s only* manufacturer to offer quality measurement instruments for every stage of textile products from raw cotton to yarn and fabrics.

Business Overview in Fiscal 2019

The textile machinery market was weak in some countries in Asia but remained strong in China. Unit sales of air-jet looms increased 2,700 units, or 43% year-on-year, to 9,000 units. Net sales were up ¥10.8 billion, or 17%, over the previous fiscal year to ¥76.3 billion.

Promotion of ESG Initiatives

Further Promoting Initiatives to Sustain Growth in the Areas of Governance, Society and the Environment

Relevant sustainable development goals (SDGs) for Toyota Industries

Corporate Governance
Relationship with Our Stakeholders
Environmental Initiatives
Corporate Governance

Toyota Industries strives to enhance its corporate value in a stable manner over the long term and maintains society’s trust and confidence in its social responsibilities in accordance with its Basic Philosophy. To that end, Toyota Industries endeavors to further enhance its corporate governance in its efforts to maintain and improve management efficiency and the fairness and transparency of its corporate activities.

Corporate Governance Structure

Basic Perspective on Corporate Governance

Toyota Industries regards the most important managerial task as to earn trust broadly from society and enhance our corporate value on a stable, long-term basis. We aim to do this by implementing our Basic Philosophy, which consists of "Respect for the Law," "Respect for Others," "Respect for the Natural Environment," "Respect for Customers," and "Respect for Employees," and by earnestly fulfilling our social responsibilities. Our basic focus is on contributing to the creation of an enriched society through business activities, and we believe it is essential to cultivate good relationships with stakeholders other than shareholders (including customers, business partners, creditors, local communities and employees).

We seek to promote a constructive dialogue with shareholders.

Implementation Structure

Toyota Industries convenes monthly meetings of the Board of Directors to resolve important management matters and monitor the execution of duties by directors. We also appoint outside directors who have a wealth of experience and knowledge concerning business management. They attend meetings of the Board of Directors and give opinions and ask questions as deemed necessary. Through this supervisory function of outside directors, we ensure the legality and validity of the Board’s decisions as well as directors’ execution of duties from an objective perspective. The Management Committee, which is composed of directors at the executive vice president level and above as well as senior executive officers and other executives, deliberates on a variety of issues concerning important management matters such as our corporate vision, management policies, medium-term business strategies and major investments.

Toyota Industries has a divisional organization system, with significant authority delegated to each business division. For especially crucial matters, however, we have established the Business Operation Committee to enable the president to meet with the heads of each business division regularly to monitor and follow the status of their business execution. At meetings of the Management Council, directors, audit & supervisory board members and senior executive officers convene to report and confirm the monthly status and business operations and share overall deliberations at Board of Directors meetings and other management-related information.

In addition, issues pertaining to human resources, quality, production, procurement and technologies are discussed at the corresponding functional meetings. We have also put in place committees to deliberate on more specific matters, such as corporate social responsibility (CSR), the environment and export transaction controls. These functional meetings and committees discuss important matters and action themes in respective areas. Moreover, we strive to maintain and improve internal controls by establishing the Audit Department and conducting internal audits of Toyota Industries’ business divisions and departments as well as our subsidiaries.

Determination of Compensation for Senior Management and Directors

Compensation for senior management and directors consists of monthly salaries and bonuses. Our policy is to link their compensation with the performance of Toyota Industries, reflecting their duties and performance in compensation. Bonuses, in particular, are determined based on consolidated operating profit of each fiscal year while comprehensively taking into consideration dividends, employees’ bonus levels, trends among other companies, medium- to long-term business performance and past records of bonus payments.

As procedures to determine compensation, we review proposals based on this policy, exchange views and confirm details at the Executive Compensation Committee, which includes independent outside directors, and submit these proposals to the Board of Directors for resolution.

Evaluation of the Effectiveness of the Board of Directors

Through interviews with outside directors and audit & supervisory board members, Toyota Industries asks them to evaluate the effectiveness of the Board of Directors and collects their feedback. The results of their evaluation are summarized below.

(1) Appropriate decision-making and management oversight are ensured by holding several discussions on important matters and following up on the progress after the resolution of these important matters.
(2) The atmosphere of discussion among directors is free from formalities, allowing directors to freely make comments and engage in lively discussion.

(3) Meeting materials are simple and clear, and explanations are given in a straightforward manner.

As shown above, Toyota Industries’ Board of Directors has been evaluated as effective. We will continue to make efforts for further improvement.

Audit & Supervisory Board System

Toyota Industries has adopted an audit & supervisory board system. Two full-time audit & supervisory board members and two outside audit & supervisory board members attend meetings of the Board of Directors to monitor the execution of duties by directors. At the same time, meetings of the Audit & Supervisory Board are held once a month to discuss and make decisions on important matters related to auditing. The full-time audit & supervisory board members carry out auditing by attending primary meetings and receiving reports directly from directors. Additionally, we have assigned dedicated personnel, while audit & supervisory board members monitor the legality.
Compliance

Basic Elements of Compliance Activities

We believe that compliance means both adhering to laws and regulations as well as ethics and social norms. In order to ensure compliance, it is vital to instill an awareness of compliance in each and every employee.

Under the strong leadership of top management, we promote compliance throughout the Toyota Industries Group by formulating a Code of Conduct and thoroughly informing employees together with checking and monitoring compliance.

Formulation of Code of Conduct and Dissemination

Toyota Industries has formulated and distributed to executives and all employees the Toyota Industries Corporation Employee Code of Conduct, which serves as conduct guidelines that should be observed by employees. Consolidated subsidiaries in and outside Japan (31 in Japan and 79 outside Japan) have formulated their own Code of Conduct appropriate to their respective business lines and corporate cultures, and have been working to instill an awareness among their employees.

Simultaneously, to prevent significant risks of bribery and violations of antitrust laws, in addition to the Code of Conduct we have formulated corresponding regulations and been undertaking activities to familiarize employees with these regulations. Regarding bribery, Toyota Industries formulated the Global Guidelines for Bribery Prevention. Particularly, in countries with a high risk of bribery, each company has developed internal rules in accordance with the applicable laws in respective countries and been conducting activities to familiarize employees with these regulations. In fiscal 2019, we support bribery prevention education at our consolidated subsidiaries in and outside Japan, we created a video in Japanese, English, Chinese, Spanish, Portuguese, Indonesian, Vietnamese and Thai.

Early Detection and Prevention of Issues via Compliance Hotline

The Toyota Industries Group has in place a whistle-blower system for employees and their families (including suppliers in Japan) to report and seek consultation on compliance-related issues. In Japan, North America, Europe and China, in particular, we operate a compliance hotline (external helpline) that allows employees and their families to seek advice from external experts on compliance-related matters without being exposed to negative consequences. In fiscal 2019, we received 86 reports from Toyota Industries and from its consolidated subsidiaries in Japan on such matters as labor management, working environment and ethics. After verifying each report and inquiry, we have taken appropriate action regarding each case. Our responses have been reviewed and judged appropriate by external lawyers. Through these initiatives, we ensure the early discovery and prevention of issues and intend to become a “company on which society places greater trust.”

Activities in the Toyota Industries Group

Each company of the Toyota Industries Group has set up a compliance committee (in Japan) and appointed a compliance officer (outside Japan) in an effort to promote autonomous activities in respective communities in collaboration with the Compliance Subcommittees. In fiscal 2019, we continued to carry out activities in line with local needs.

Activities in North America

We held the Compliance Officer Conference in North America with the participation of compliance officers from 19 companies. Topics included cases that provide good examples of our response to reports made by whistle-blowers, response to the leakage of confidential information and reaffirming the need to comply with antitrust laws. After the conference, these 19 companies have been conducting activities in a mutually coordinated manner.
Activities in Europe, we held the Compliance Conference with four major companies, including Vanderlande Industries Holding B.V., which became a subsidiary in fiscal year 2018, to increase related knowledge and responsiveness by sharing compliance activities of each company and carrying out case studies of initial response to an emergency. As a tool to support compliance officers, we have developed and distributed a new checklist to evaluate the progress in compliance activities and encourage improvements.

Activities in China

In China, we held the Compliance Officer Conference with three companies in China to share the progress of and issues in compliance promotion activities of each company and discuss future activities.

Activities in Asia, Oceania and South America

In fiscal 2019, we reaffirmed with compliance officers of eight companies in Asia the roles and abilities required of compliance officers. We strive to raise compliance awareness of employees and deepen their understanding regarding bribery prevention and response to reports made by whistle-blowers.

In India, we held the Compliance Officer Conference with three companies in India to share the progress of and issues in compliance promotion activities of each company and discuss future activities.

Management of Confidential Information

Basic Perspective

We recognize that the personal information of customers, employees and business partners as well as information concerning our technologies and sales activities are assets that need to be protected. Accordingly, we are making our utmost efforts to safeguard confidential information and strengthen its management as one of the CSR areas.

Activity Examples

Activities up to fiscal 2018

Activities by Toyota Industries

- Rank-based group education
- Restrictions on taking photographs on company premises
- Attaching a security cable with a lock to all PCs to prevent unauthorized removal of the premises
- Restricting the copying of electronic data on recording media
- Monitoring of email correspondence
- Requiring employees to sign a confidentiality agreement upon retirement
- Verifying the status of confidential information management at Engineering and Production Engineering departments
- Providing training on response to targeted attacks through e-mail
- Activities in collaboration with other Toyota Group companies (Information Security Awareness Month) activities in May and October to raise employee awareness and conduct auditing by checking off the premises' removal of PCs and recording media, etc.

New activities in fiscal 2019

- Checking the status of confidential information management at Purchasing departments
- Strengthening the security of production bases
- Extending the target group of participants for incident/accident response training from the General Administration Departments of the Head Office and each plant and Engineering, Production, Engineering and Purchasing departments to Planning and Sales departments within each business division, etc.

Our consolidated subsidiaries in and outside Japan also appoint respective information security managers and information security administrators. We have also developed common guidelines concerning management of confidential information, and have been distributed among these subsidiaries, and follow up on their activities on a periodic basis in our efforts to raise the level of confidential information management throughout the Toyota Industries Group.

Implementation Structure

Toyota Industries has set up the Information Security Subcommittee (led by an executive in charge of the General Administration Department) as a subordinate organization to the CSR Committee to promote proper management of confidential information, taking appropriate actions against the risk of leakage of confidential information and complying with laws such as the Anti-Competition Prevention Act and the Act on the Protection of Personal Information.

To thoroughly implement the initiatives adopted by the subcommittees, we appoint information security managers*1 and information security administrators*2 at each department. We strive to raise awareness about information security among their staff by holding workplace meetings and conducting self-checks regarding their information security practices.

In fiscal 2019, to counter risk for leakage of confidential information we implemented the following initiatives.

1. Verify the status of confidential information management at each workplace
   - On-site inspection at and improvement guidance to Purchasing as well as Engineering and Production Engineering departments

2. Strengthen the security of production bases
   - Enlightenment activities to prepare for cyber attacks against our production bases and implementation of required measures at production lines

Our consolidated subsidiaries in and outside Japan also appoint respective information security managers and information security administrators. We have also developed common guidelines concerning management of confidential information, which have been distributed among these subsidiaries, and follow up on their activities on a periodic basis in our efforts to raise the level of confidential information management throughout the Toyota Industries Group.

Risk Management

Basic Perspective

Based on the Basic Policies for the Establishment of an Internal Control System in compliance with the Companies Act, Toyota Industries is working to strengthen regulations and a structure to promote risk management. We regard the following aspects as the basics of risk management and implement initiatives accordingly.

1. Incorporating measures to prevent and reduce potential risks into daily routines and follow up on the progress of implementation

2. Ensuring quick and precise actions to minimize the impact on business and society when a risk becomes apparent

Implementation Structure

Business divisions and other departments at the Head Office develop and promote annual action policies that integrate measures to prevent and control risks related to quality, safety, the environment, personnel, export transactions, disasters and information security. Progress is assessed and followed up by each functional management entity such as the CSR Committee and the Environmental Committee. At the same time, functional departments at the Head Office such as those responsible for quality, safety and the environment formulate rules and regulations and create manuals from a Group-wide perspective, including consolidated subsidiaries. By confirming and following up on the progress through operational audits and workplace inspections, they provide support for raising the level of risk management at each business division and consolidated subsidiary.

We have also formulated the Crisis Response Manual, which defines our initial response to a problem or a crisis. This manual lays out basic rules to be followed when a risk becomes evident and a problem or crisis occurs. The aim is to ensure quick reporting to top management, perform an accurate assessment of the impact on society and business activities and minimize damage through appropriate actions. The content is reviewed and revised as deemed necessary in response to changes in businesses and the surrounding environment.

Response to Possible Major Earthquake

We consider the impact of a major earthquake as one of the most significant risks and have accordingly formulated a business continuity plan. Based on the three basic policies of placing maximum priority on human life, placing
Disaster Prevention Structure

We strive to reinforce our disaster prevention structure to enable a smooth transition from the initial response stage to the production restoration stage.

The Disaster Prevention Response Headquarters, led by the central general safety and health supervisor and consisting of representatives from the functional departments at the Head Office, is responsible for collecting information from plants and other relevant parties and making Company-wide decisions based on the information collected.

Promoting Disaster Prevention at Home and Related Enlightenment Activities

Starting from fiscal 2017, we have been undertaking enlightenment activities for employees and their families as a measure to promote disaster prevention and avoid disaster-inflicted damage at home. Specifically, we encourage them to take three actions: preventing the overturning of furniture inflicted damage at home. Specifically, we encourage them to take three actions: preventing the overturning of furniture, stockpiling emergency goods, food and other necessities.

Efforts to Cultivate Personnel to Engage in Disaster Prevention Activities

1. Training at Disaster Prevention Response Headquarters

As one important role assigned to the Disaster Prevention Response Headquarters that oversees Company-wide disaster response, we conduct training in which employees collect information on damages to both inside and outside the company premises, swiftly make decisions and disseminate these decisions throughout Toyota Industries.

We are setting up a system to ensure prompt response even during nighttime or on a weekend or holiday by selecting members from the functional departments who live close to the Head Office.

2. Training at Plant Response Headquarters

In fiscal 2019, we focused on practical training by using predetermined procedures and forms and providing appropriate training to the head plant manager and members of each Plant Response Headquarters. By conducting training repeatedly, we intend to create a structure under which every member understands his or her role and responds to the situation flexibly.

3. Training Tailored to the Plant Environment

a) Power Restoration Drill

Based on the procedures to restore power supplies, including electricity and gas, which are essential in restoring production activities, each plant conducts gekchi genbutsu (go and see for yourself) training on a periodic basis. Through the training, we are identifying problems and making improvements to step up our efforts to ensure quick restoration activities.

b) System Restoration Drill

The e-Lab, responsible for managing Toyota Industries’ data servers, has created procedures to restore critical data after a disaster. We conduct restoration drills jointly with Toyota Industries IT Solutions, Incorporated, a consolidated subsidiary engaged in development and operation of information infrastructures and systems, and work to improve our readiness for quick restoration.

4. Training for Identifying Disaster Damage

We repeatedly conduct drills jointly with our affiliated companies and business partners in order to familiarize them with the use of IT tools to quickly identify the damage status during a disaster.

Type of Quality Sought by Toyota Industries

Quality Guideline 1

Manufacturing quality

Quality Guideline 2

Branding value

Quality Guideline 3

Brand strength

Quality Guideline 4

Organizational capabilities

"Every one of us should fulfill the roles assigned to us and deliver our best quality products to customers.""
needs of business divisions for discussion and resolution by all heads of quality assurance departments. In fiscal 2019, the council explored ways to expand the use of quality control (SQC)*3 techniques and big data analysis. To date, we have received 12 awards for employees’ creative ideas in the Creation of Things (IOT), big data and artificial intelligence (AI). If a defect is found in a product after its launch, the Quality Assurance Department of the responsible business division takes the lead in examining and identifying the cause by going back to its development, design and production processes. We implement countermeasures both from the process and technological aspects and revise our new product development process as necessary. Through these measures, we strive to thoroughly avoid the recurrence of the defect in subsequent models. Additionally, we make efforts to prevent the occurrence of defects in all products we develop and manufacture in the future. As an example, we provide education to production bases in and outside Japan with an eye to preventing defects by improving work procedures and processes.

Providing Support to Business Partners

Since improving the quality of our products requires concerted efforts with our business partners in and outside Japan, we are strengthening joint quality assurance activities with major business partners. In each annual quality audit, we determine priority issues for discussion and resolution by the council with major business partners. In fiscal 2019, we held procurement policy meetings and top manager seminars for major business partners to facilitate mutual understanding and cooperation. In addition, we provide such programs as quality control and technical skills training, guidance directed toward kaizen at their production sites and safety and health education throughout the year. We work hard to realize co-existence and co-prosperity with our business partners based on mutual trust. Every year, we provide workshop sessions to raise skills.

As for nurturing human resources who can take a leading role in manufacturing starts with nurturing excellent quality assurance, we are promoting the development of practices of each business division and promoting mutual improvement of each business partner’s quality assurance, we are promoting the development of human resources who constantly seek improvements.

Our production bases outside Japan also promote kaizen efforts and human resource development through QC circle activities. We help them undertake activities corresponding to their respective environments by training QC circle instructors and visiting them to give hands-on instructions for promoting QC circle activities. As a venue for presenting activity results, we hold the Global QC Circle Convention every year. QC circle activities and workshop sessions to raise skills.

As for nurturing human resources who can take a scientific approach, we encourage both the cultivation of knowledge and practical use of the learned knowledge. As specific examples, we hold presentations for sharing best practices of each business division and promoting mutual improvement. We have also set up a structure to help encourage the use of SQC and big data analysis.

Reducing Environmental Impact through Environmentally Preferable Purchasing

We aim to procure parts, raw materials and equipment from business partners that give sufficient consideration to the environment. In the sixth edition of our Environmentally Preferable Purchasing Guidelines, we added the aspirations in 2020. Accordingly, we have been strengthening environmental management in our entire supply chain and undertaking relevant initiatives throughout the product lifecycle.

Promoting Human Resources Development

We proactively provide education to enhance procurement knowledge both internally and externally. In fiscal 2019, along with education on Japan’s Subcontracting Law, we provided training on risk management by using subjects closely related to business partners’ daily operations. They included responses to lates, appropriate sale of waste and response to the revisions to Japan’s Dispatched Workers Act. These activities were attended by some 300 participants from affiliated companies and Hoeikai, an organization consisting of our business partners. We also work with Hoeikai to provide support to strengthen the management platforms of member companies through Toyota Production System (TPS) activities in manufacturing and QC circle activities.

Realizing Fair Trade throughout the Supply Chain

As part of efforts to realize fair trade throughout the supply chain, Japan’s Ministry of Economy, Trade and Industry announced an active promotion of fair trade management of molds for parts. In response, Toyota Industries has set up a mold management project to examine how we can “reduce molds, revise management and expand new systems” as stipulated in the action plan. In fiscal 2019, we laid down clear rules for the reduction of molds and shared them with our business partners. We will continue to undertake activities to achieve the goals of the action plan.

Business Continuity Plan (BCP) Activities for Possible Major Earthquake

In further promoting our BCP activities, we are making concerted efforts with business partners to reduce associated risks by implementing specific measures. As an example, we provided production restoration workshops (tabletop exercises) again in fiscal 2019 mainly to our affiliated companies and Hoeikai. Tabletop exercises yielded effective results, as we were able to formulate production restoration measures corresponding to each site and its current status against issues identified in advance.

In response to a growing need for quick identification of damage in disasters other than earthquakes, we will add wind and flood disasters, fires and explosions to the scope of our BCP activities.

Toyota Industries encourages open procurement and seeks co-existence and co-prosperity with our business partners (suppliers) based on mutual trust. We also facilitate environmentally preferable purchasing, human resources development, fair trade, disaster prevention activities for a possible major earthquake and more efficient purchasing.

Fair and Equitable Business Transactions Based on an Open Door Policy

We provide fair and equal opportunities to all potential business partners. We comprehensively evaluate our business partners based on such factors as quality, price, adherence to delivery times, technological capabilities and management information. We also assess their initiatives for safety, the environment and compliance as we strive for the timely and stable procurement of excellent products at lower costs based on fair business transactions.

Co-Existence and Co-Prosperity Based on Mutual Trust

We work hard to realize co-existence and co-prosperity with our business partners based on mutual trust. Every year, we hold procurement policy meetings and top manager seminars for major business partners to facilitate mutual understanding and cooperation. In addition, we provide such programs as quality control and technical skills training, guidance directed toward kaizen at their production sites and safety and health education throughout the year.
Relationship with Our Shareholders and Investors

We aim to obtain an appropriate company valuation in stock markets through timely, appropriate and fair information disclosure while promoting good communications with shareholders and investors.

Basic Perspective

Toyota Industries continually carries out timely, appropriate and fair information disclosure for shareholders and investors. In this way, we raise management transparency so that we obtain appropriate company valuation in stock markets. We proactively provide not only information required under disclosure laws and regulations but also information on our management policy and business activities. Also, we engage in various investor relations activities to facilitate productive dialogue with shareholders and investors.

General Shareholders’ Meeting

We hold our annual general shareholders’ meeting early to avoid the date on which many companies hold their respective shareholders’ meetings so that more shareholders can attend. We are further facilitating the exercise of voting rights of our shareholders by allowing them to exercise such rights via the Internet and by joining the electronic voting platform for institutional investors.

For institutional investors outside Japan, we hosted a variety of activities from June 12, 2018, in which 440 shareholders participated. Following the general shareholders’ meeting, we invited our shareholders for a tour of a plant that manufactures our mainstay lift trucks and a tour of the Toyota Commemorative Museum of Industry and Technology established as a joint project of the Toyota Group to foster a better understanding of our business activities.

Investor Relations Activities

For institutional investors and securities analysts, we conduct quarterly briefing sessions to explain our financial results, including business performance, as well as progress achieved at each business division and the future direction of our operations. In fiscal 2019, in addition to accepting individual interviews with analysts and others, we hosted an online financial results briefing and an open discussion with our shareholders for a tour of a plant that manufactures our mainstay lift trucks and a tour of the Toyota Commemorative Museum of Industry and Technology established as a joint project of the Toyota Group to foster a better understanding of our business activities.

We also participate in conferences hosted by securities companies, as well as issuing televised financial results briefing reports.

For individual and institutional shareholders, we conduct individual interviews/visits, teleconferencing, facility tours, issuing/delivering of financial results briefing reports, etc.

Earning High Scores in an External Evaluation of Our IR Activities

Toyota Industries was named in the All-Japan Executive Team rankings hosted by Institutional Investor, a U.S. financial magazine, in Japan’s Automobile Parts Manufacturers sector. The rankings are based on ballots by more than 1,000 securities analysts and institutional investors throughout the world, and Toyota Industries earned the highest scores in six out of the seven categories, including Best CEO, Best CFO, Best IR Professional and Best Investor Relations Program.

Major IR Activities

- For institutional investors and securities analysts in Japan
  - Quarterly financial results briefing
  - Individual interviews/visits
  - Small meetings
  - Teleconferencing
  - Business information session
  - Facility tour
  - Issuing/delivering of financial information reports

- For institutional investors outside Japan
  - Individual interviews/visits
  - Participation in conferences hosted by securities companies
  - Issuing/delivering of financial results briefing reports

- For individual shareholders and investors
  - Company information sessions/Company-hosted plant tours
  - Issuing/delivering notice of general shareholders’ meeting
  - Issuing/delivering financial results briefing reports

Returning Profits to Shareholders

Toyota Industries regards ensuring shareholder benefits as one of the most important management policies.

Accordingly, we strive to continue paying dividends at the consolidated dividend payout ratio of roughly 30% and meet the expectations of shareholders upon comprehensively taking into consideration such factors as business results and demand for funds. For fiscal 2019, Toyota Industries increased annual cash dividends by ¥5.0 over the previous fiscal year and paid annual cash dividends per share of ¥155.0 (interim cash dividend per share of ¥93.0 and year-end cash dividend per share of ¥62.0).

Relationship with Our Associates

Our ultimate goal is to create safe and secure workplaces for everyone, where each and every associate can exercise their diverse potentials and play active roles.

Building a Safety-Oriented Culture That Aims for Zero Industrial Accidents

In accordance with our fundamental policy of “creating people capable of autonomously maintaining occupational safety and health,” Toyota Industries strives to prevent industrial accidents and occupational disorders as well as realize better work environments by making equipment more immune to accidents or disorders as early as in their design stage.

In fiscal 2019, we continued to promote primarily “activities aimed at establishing a safety-oriented culture” and “safety and health measures from human, object, and administrative standpoints based on risk assessment.”

In establishing a safety culture, we believe it is vital that all associates, under the leadership of managers and supervisors, engage in relevant activities with strong safety awareness and a conviction that we can eliminate industrial accidents.

For fiscal 2019, we continued to promote primarily “activities aimed at establishing a safety-oriented culture” and “safety and health measures from human, object, and administrative standpoints based on risk assessment.”

In establishing a safety culture, we believe it is vital that all associates, under the leadership of managers and supervisors, engage in relevant activities with strong safety awareness and a conviction that we can eliminate industrial accidents.

As the investigation of risks requires information on past accidents and potentially serious near-accidents, we break down and organize such information into smaller stages of accident occurrence and disseminate it to improve the quality of risk assessment in each workplace.

For fiscal 2019, we experienced such unprecedented accidents as injuries caused by inappropriate handling of old equipment, to which we have made alterations to improve its usability but have not notified sufficiently of such alterations, and other cases of the breaking of a winch in the placement of goods, which went unnoticed. As a result, we recorded the frequency rate of lost workday injuries of 0.22.

We will step up our efforts more closely matched to each workplace based on the characteristics of the recent accidents.

Measures to Prevent the Breaking of Crane Wire Ropes

Since fiscal 2018, we have had several potentially serious near-accidents within Toyota Industries and at its consolidated subsidiaries, one of which occurred when a wire rope that had passed a periodic inspection. We take the matter seriously and have been investigating the life of wire ropes jointly with a wire rope manufacturer. For the time being, our focus is on checking the status of internal damage of wire ropes, which appear to be fine externally, caused by age deterioration and the relationship between the internal damage and wire diameters. For wire ropes that appear to be fine externally but having internal damage, we have temporarily restricted the number of use and have been ensuring safety during operation.

Measures to Prevent Slip and Fall Accidents

In recent years in Japan, there has been a sharp increase in the number of slip and fall accidents. Facing the aging of the
As part of mental health support activities, we have in place a system to offer early consultation through a health-related hotline. Other activities include upgrading our self-detection/detection/measures for persons on long-term leave for prevention of relapses. We have successfully achieved positive results through these activities.

Under the stress check system introduced in fiscal 2017, we again conducted a check-on all associates in fiscal 2019. As in fiscal 2018, we fed back the check results to all participants and workplaces with suggestions for improvement. We also set an interview with a doctor for those wishing to do so and provided improvement support as necessary to individual workplaces. As a means to feed back the results to workplaces, we operate an IT-based workplace check results viewing system that allows the users to perform a precise search of results and tips for improvement. In the future, we will further reinforce our workplace improvement activities by linking them with associate awareness surveys.

For these efforts, Toyota Industries was again recognized in the large enterprise category of the 2019 Certified Health and Productivity Management Organization Recognition Program (White 500) jointly promoted by Japan’s Ministry of Economy, Trade and Industry and the Nippon Kenko Kai. We will continue to undertake activities to promote both mental and physical health and create a workplace that enables all associates to work actively.

Enhancing Team Strength

Toyota Industries believes that it is essential to enhance team strength so that each associate can work with vitality and the Company can achieve sustainable growth. We believe that team strength is made up of ‘technical skills’ that form the basis of manufacturing operations, ‘management skills’ to make maximum use of technical skills and a ‘spirit of harmony’ that supports both. While further enhancing our team strength, we are striving to extend and hand it down beyond all business domains, generations and geographic regions.

[Technical Skills]

To diversify skills to support manufacturing, the Technical Learning Center, one of our training facilities, plays the central role in associate education, offering basic skills training at the Technical Training School and facilitating efforts to enhance the skills of young technical staff through in-house skill contests. We also work to cultivate highly skilled specialists through participation in the national and international skill contests.

At the 56th National Skills Competition*1 held in 2018, in addition to receiving prizes in various other categories, the Toyota Industries team won bronze medals in the "structural ironsmith" and "electrical welding" categories, thereby attaining medals for the 18th consecutive competition.

[Management Skills]

We conduct TICO Business Practices (TIBP) training targeting managers and associates in administrative and engineering fields, with the aim of mutually sharing the thinking and views of all associates. The Company gives importance to, as well as to improve our associates’ problem-solving capabilities. TIBP training programs are also provided at subsidiaries overseas. These efforts to raise the level of management skills throughout the Toyota Industries Group.

[Spirit of Harmony]

We are creating a bright, energetic and caring work environment that fosters a dynamic workforce and every member to demonstrate his or her capabilities both as an individual and as a team. We are proactively encouraging communication not only during work hours but also through social gatherings, sports days, summer festivals, Group-wide ekiden long-distance relay races and cheer squads for various sports events.

Establishing Work Environments Where Diverse Human Resources Can Play Active Roles

We are implementing a variety of measures to support a diverse range of human resources who can fully exercise their capabilities. These include promoting active roles of female associates, supporting the employment of persons with disabilities and creating an environment in which older associates can work more actively.

Promoting Active Roles of Female Associates

We have been formulating plans to harness a more diverse range of human resources and continuing to carry out activities since 2008. We have introduced such measures as a shorter work-hour system for child care and a telecommuting system. In addition, by introducing “a return-to-work (‘welcome-back’) system,” which allows associates who have left work to care for children and family members or to accompany their spouse for a job transfer to get reinstated under certain preconditions, we provide an environment for associates to work at Toyota Industries for longer years with peace of mind.

In terms of measures to promote more active roles for female associates, we have set the target of recruiting female graduate students to 40% in administrative positions and 10% in engineering positions, and tripling the number of female associates in managerial positions by the year 2020 compared with 2014, and intend to step up activities to achieve our goal.

In 2015, we set up a project to promote more active roles for female associates, comprising 11 males and females from different departments. This project was key for the identification of issues and formation of policy proposals in promoting the increased active roles of female associates through discussions and exchanges among project members and stakeholders. The results of these discussions formed the basis for the development of a
Company-wide action plan in clarifying the initiatives for this project. In carrying out the action plan, we specifically focus on the initiatives to change the mindset among managerial staff and work with all associates, provide career support for female associates and promote flexible working practices.

Since fiscal 2017, we have held a seminar for a cumulative total of more than 1,350 managerial staff members who directly engage in the mentoring and development of associates. In fiscal 2019, we conducted enlightenment activities to foster an understanding of the environment in which associates, both male and female, having limited working hours due to nursing care or child care are working. We also worked to raise awareness of human resources development that takes into account their life events.

In order to create an environment to allow associates who are balancing work and child/nursing care to work with higher motivation and pursue career development, we have enhanced our programs to support the early return to work from a break in their career. Efforts include a full-day telecommuting system launched in October 2016; pre-maternity leave seminars started in December 2017 for associates and their spouses to think about a way of working after returning to work; and a financial aid system for day care costs adopted in April 2018 for associates working while taking care of infants younger than one year old. We also introduced a system of leave for fertility treatment in September 2018 and a loan system in April 2019.

As a result of these initiatives, the number of female associates holding the assistant manager or higher position has been increasing every year. In January 2016, we were certified by the Aichi Labor Bureau as a "Female-Friendly Company" and received "Fubushii ("L Star"); L stands for Lady, Labour and Legible" certification from the Ministry of Health, Labour and Welfare in October of the same year. The latter certification is given to companies making excellent efforts in promoting active female roles in the workplace. We are working to improve workplaces so as to offer females a wider range of jobs and higher quality of work, and at the same time, to enable all associates working under time constraints to fulfill their individual potential.

Employment of Persons with Disabilities

We respect the idea of people with and without disabilities working together and sharing life and work values. Under this basic policy, we continue to employ persons with disabilities every year. They are assigned to a variety of sections and work with other members to perform their designated tasks. In fiscal 2019, the ratio of associates with disabilities on a non-consolidated basis was 2.3%.

Activities as a Corporate Citizen

Based on "Respect for Others" as described in our Basic Philosophy, we strive to fulfill our role as a good corporate citizen in every region where we do business and actively engage in social contribution activities to realize an enriched and healthy society. In our activities that emphasize social welfare, youth development, environmental protection and community contribution, we not only provide cooperation and support through personnel, facilities, funds and know-how but also strive to closely connect with participants. To foster employees’ awareness of their ties to society and raise their interest in contributing to society, we make enlightenment efforts such as sharing information on volunteer activities and providing venues for volunteer activities that encourage the participation of all employees. Employeeassociates1) are actively undertaking various activities to contribute to local communities, mainly in the areas of supporting welfare facilities and protecting the natural environment.

1) Voluntary organizations formally employed at each job level

Structure for Promoting Social Contribution Activities

The CSR Committee deliberates on policies of our social contribution activities while the Social Contribution Group within the General Administration Department at the Head Office takes the initiative in carrying out activities.

Activity Examples of Toyota Industries (Japan)

Supporting the Special Olympics Nippon National Summer Games in Aichi

The Special Olympics Nippon National Summer Games, which are hosted every four years by the Special Olympics (SO) Japan Foundation*, were held in Aichi Prefecture. With Keny City and several other cities and a town within the prefecture hosting competitions, some 1,000 athletes from across Japan gathered and enthusiastically competed in 13 events, including track and field, soccer and volleyball. Toyota Industries made a monetary donation to the project and cooperated in operating shuttle buses. During the three-day event, 53 employees volunteered to support the athletes and run the games.

*1) A global sports organization providing opportunities for people with intellectual disabilities to receive sports training and participate in competitions as an effort to support their independence and social integration

Holding an After-School Craft Workshop for Elementary School Children

Toyota Industries’ manager association visited an after-school club at an elementary school and held a workshop for 73 students, from first to sixth graders. The members of the association served as instructors to carefully teach the children to make simple mechanical toys and let them experience the joy of playing with toys they have made on their own.
Environmental Initiatives

Vision for Environmental Activities

We have defined our aspirations in 2050 and launched the Sixth Environmental Action Plan in fiscal 2017.

Global Environmental Commitment

As one tenet under our Basic Philosophy, Toyota Industries works to contribute to regional living conditions and social prosperity and also strives to offer products and services that are clean, safe and of high quality. Accordingly, in February 2011, we established the Global Environmental Commitment, a specific environmental action guideline, to be shared and implemented throughout the Toyota Industries Group. The entire Toyota Industries Group will dedicate concerted efforts to realizing a prosperous life in harmony with the natural environment.

Aspirations in 2050 and the Sixth Environmental Action Plan

Following the 2015 adoption of the Paris Agreement, an international framework for action against climate change, the establishment of low-carbon emission society has become a global common goal. For Toyota Industries as well, the need to take further proactive measures is growing as global environmental issues continue to become of greater concern, with more people becoming increasingly conscious about the environment.

Under the circumstances, we have defined our aspirations in 2050. The Global Environmental Commitment, which represents our basic approach to environmental activities, specifies four action themes, namely, (1) establishing a low-carbon emission society; (2) establishing a recycling-based society; (3) reducing environmental risk and establishing a society in harmony with nature; and (4) promoting environmental management. As a milestone toward achieving our aspirations in 2050, we have formulated the Sixth Environmental Action Plan, a five-year plan for the period from fiscal 2017 to fiscal 2021, and will resolutely undertake activities in accordance with the plan. We have created environmental panels that will serve as an internal check and will hold third-party audits to verify our activities. While the plan is not a legally binding document, we believe that by making the plan public, we will encourage our stakeholders to join us in our goal of realizing a sustainable living environment.

We will also provide clear and detailed data on our environmental performance on an annual basis, enabling stakeholders to verify our progress against our commitments. We will also continue to improve our structures and processes in order to further enhance our environmental management in the future.
Promotion of Environmental Management System

Toyota Industries has positioned environmental management as one of its most crucial management issues. To quickly reflect top management's decisions on business operations, Toyota Industries has established and been operating a Company-wide integrated environmental management system (EMS), with the president at the top.

■ Environmental Management Structure

As in the previous fiscal year, in fiscal 2019 we conducted introductory educational courses to foster the knowledge needed for environmental management and an introductory educational course for environmental audits to cultivate knowledge and techniques of environmental management.

As department heads and other personnel in managerial positions proactively attended these courses, we were able to promote the enhancement of environmental management and the development of internal auditors.

For internal auditors, we provided auditor training as an external lecturer for upgrading the quality of our internal auditors. The curriculum covered a method to audit on-site environmental management, which is one of the priority audit items for fiscal 2019, and participants accordingly learned required skills.

Environmental Audits

Toyota Industries implements annual internal environmental audits as well as external audits carried out by an independent third-party institute.

In fiscal 2019, the external review identified one minor non-conformance issue. We have taken corrective action and disseminated the details throughout the Company for the prevention of recurrence.

We continued to conduct internal audits under the mutual, interdivisional audit system. We strived to upgrade our auditing capabilities by organizing audit teams with the dual goals of fostering the development of auditors and increasing audit efficiencies. In the area of audits, our focus was placed on environmental policy management and onsite environmental management, and we clarified how much each business division contributes to overall environmental management and checked if there are any environmental risks in each division.

■ Companies Subject to Consolidated Environmental Management

(As of March 31, 2019, only the names of production bases are listed.)

Environmental Impact Flow and Environmental Accounting

In this section, we provide an overall picture of environmental impact resulting from our global business activities and report the results of environmental accounting (environmental conservation cost, environmental conservation benefits and economic benefits of environmental conservation initiatives).

Environmental Impact Flow

■ Energy (consolidated)

Energy consumption

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric power</td>
<td>17,514 TJ</td>
<td>16,238 TJ</td>
</tr>
<tr>
<td>Gas</td>
<td>1,309,763 MWh</td>
<td>1,213,475 MWh</td>
</tr>
<tr>
<td>LPG</td>
<td>5,112 t</td>
<td>4,848 t</td>
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<tr>
<td>Petroleum products</td>
<td>3,041 kl</td>
<td>4,038 kl</td>
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<tr>
<td>Coal products</td>
<td>7,802 t</td>
<td>7,955 t</td>
</tr>
<tr>
<td>LNG</td>
<td>1,406 t</td>
<td>1,398 t</td>
</tr>
</tbody>
</table>

■ Raw Materials (consolidated)

Raw material consumption

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<tr>
<th>Item</th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>830,588 t</td>
<td>833,302 t</td>
</tr>
<tr>
<td>Water consumption</td>
<td>4,620 km³</td>
<td>4,640 km³</td>
</tr>
</tbody>
</table>

■ Chemical Substances (Japan consolidated)

PFAS (perfluoroalkyl substances) - 50% or more designated substances

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<thead>
<tr>
<th>Item</th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water pollutants</td>
<td>331</td>
<td>83</td>
</tr>
<tr>
<td>Discharge of treated wastewater</td>
<td>2,463 km³</td>
<td>2,722 km³</td>
</tr>
</tbody>
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Environmental Accounting

Fiscal 2019 Environmental Accounting※3

Scope of data collection: Toyota Industries Corporation Period of data collection: April 1, 2018 – March 31, 2019

Environmental accounting data is collected in compliance with the Ministry of the Environment’s Environmental Accounting Guidelines 2005 Version.

■ Environmental Conservation Cost

(Millions of yen)

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<thead>
<tr>
<th>Category</th>
<th>FY2019</th>
<th>FY2018</th>
</tr>
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<tbody>
<tr>
<td>R&amp;D/Design</td>
<td>2,678</td>
<td>3,697</td>
</tr>
<tr>
<td>Procurement</td>
<td>4,135</td>
<td>4,103</td>
</tr>
<tr>
<td>Transportation/Sales</td>
<td>7,031</td>
<td>6,022</td>
</tr>
<tr>
<td>Total</td>
<td>13,844</td>
<td>13,822</td>
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■ Environmental Conservation Benefits

(Millions of yen)

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<tr>
<th>Category</th>
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<tbody>
<tr>
<td>Cost reduction by resource savings</td>
<td>139</td>
<td>120</td>
</tr>
<tr>
<td>Cost reduction by resource savings (including reductions in amount of water use, wastewater treatment costs, etc.)</td>
<td>34</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>173</td>
<td>159</td>
</tr>
</tbody>
</table>

Environmental Initiatives
Sixth Environmental Action Plan

The results of our activities in fiscal 2019 showed steady progress across the board toward achieving respective targets for fiscal 2021.

Progress of Sixth Environmental Action Plan

With an eye to realizing a prosperous life in harmony with the natural environment through the establishment of a sustainable society, we formulated the Sixth Environmental Action Plan for the period from fiscal 2017 to fiscal 2021 and are promoting activities according to the plan. Through activities undertaken during fiscal 2019, we made steady progress toward achieving respective targets for fiscal 2021.

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<tr>
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Sixth Environmental Action Plan Targets

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<thead>
<tr>
<th>Subject</th>
<th>Scope</th>
<th>Control Items</th>
<th>Case Year (FY)</th>
<th>Achievements</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2006</td>
<td>–14%</td>
<td>–10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2007</td>
<td>–32%</td>
<td>–28%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2008</td>
<td>–33%</td>
<td>–29%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2009</td>
<td>–33%</td>
<td>–29%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2010</td>
<td>–33%</td>
<td>–29%</td>
</tr>
</tbody>
</table>
Establishing a Low-Carbon Emission Society

We position the curbing of global warming as our most crucial environmental task. We have been working to reduce CO₂ emissions in our global business activities and at the same time accelerate our efforts to develop more environment-friendly products.

Our Approach

For Toyota Industries, dealing with global warming is not just a “risk.” It also presents “opportunities” in doing business to both differentiate ourselves by leveraging our technology-based product appeal and conduct eco-conscious production activities.

In our aspirations in 2005, we set a goal of establishing a zero CO₂ emissions society on a global basis and have been making efforts in various fields. In the area of product development, our focus includes electrification and increasing the fuel efficiency of engines. In production activities, promoting thorough energy savings and utilising renewable energy and hydrogen are the two pillars of our activities. As specific efforts, we will adopt solar and other renewable energy sources and effectively utilize hydrogen while thoroughly eliminating wasteful use of energy in production processes and increasing the efficient use of energy.

Summary
CO₂ Emissions (Production Activities)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total emissions (non-consolidated)</th>
<th>Emission volume per unit of production (global)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2019</td>
<td>14% reduction (vs FY06 level)</td>
<td>26% reduction (vs FY06 level)</td>
</tr>
</tbody>
</table>

Under the Sixth Plan, we are working toward achieving fiscal 2021 targets of reducing total non-consolidated CO₂ emissions by 10% and global emission volume per unit of production by 26%, both from the fiscal 2006 level.

Promoting Thorough Energy Savings
Reducing Energy Used in a Vehicle Coating Dry-Off Oven

The Nagakusa Plant, a vehicle assembly base in Aichi Prefecture, has been promoting comprehensive energy-saving activities.

In fiscal 2019, the plant achieved a significant result in its efforts to save energy used in a coating dry-off oven. In a conventional oven, vehicles had been carried from the previous process into the oven on a hanger, and this had required the heating of these hangars and extra space within the large oven, causing the wasteful use of energy.

To reduce such wasteful consumption, the plant replaced hangars with carts and started circulating carts within the oven to maintain its internal temperature. Changes also included designing the optimum shape for the oven to eliminate the extra space inside and moving the hot air outlets above the exhaust outlets after reviewing their placement to ensure efficient air circulation. Through these changes, the plant achieved uniform heat distribution within the oven with a smaller amount of energy.

The improvement allowed the plant to reduce its annual CO₂ emissions by approximately 345 tons.

Utilizing Renewable Energy and Hydrogen
Establishing Hi-PLAZA Hydrogen Station at the Takahama Plant

The Takahama Plant, a materials handling equipment production base in Aichi Prefecture, has been promoting CO₂ emissions reduction activities along with systematic energy-saving efforts by proactively using solar and other renewable energy and hydrogen.

The plant constructed Hi-PLAZA, a hydrogen station that uses renewable energy*, on the plant premises and started operations in March 2019. Hi-PLAZA produces, compresses and charges hydrogen to fuel cell (FC) lift trucks used within the plant according to their operational status. Through the efficient use of energy, this helps to reduce CO₂ emissions. Moreover, FC lift trucks do not emit CO₂ while in operation. They are able to be fully CO₂ free from hydrogen production to operation since they are charged with hydrogen generated by using solar or other renewable energy. This hydrogen station is subsidized by the Ministry of the Environment for CO₂ emissions reduction projects.

The Aichi prefectural government runs a program to certify hydrogen generated by using renewable energy as low-carbon hydrogen. Our hydrogen station is the third low-carbon hydrogen production project certified under the program in Aichi Prefecture, following the one at Chubu Centrair International Airport and another project.

Since commencing sales in November 2016, Toyota Industries’ FC lift trucks have been adopted by factories and airports around Japan for their excellent environmental performance and enhanced convenience of completing charging in about three minutes. In fiscal 2019, we increased the number of FC lift trucks used at the Takahama Plant.

FC lift trucks are expected to reduce the environmental impact at logistics sites of various industries and contribute to realizing a hydrogen-based society. Accordingly, Toyota Industries will continue to promote global environmental conservation through the effective use of hydrogen.

* Facility that produces hydrogen by using electricity generated by renewable solar power and can compress, accumulate and feed resulting hydrogen to vehicles

Environment Initiatives

Our Environmental Initiatives

Strategies and Businesses
Promotion of ESG Initiatives

Environmental Initiatives

Message from a Stakeholder

The Aichi prefectural government is encouraging the use of low-carbon hydrogen that does not emit CO₂ both while in use and production in order to accelerate its efforts against global warming.

Toyota Industries’ Hi-PLAZA is a model project in the field of low-carbon hydrogen production and use within a plant. Aichi Prefecture hopes to disseminate information on such examples to increase and broaden the use of low-carbon hydrogen.

Moreover, the development and manufacture of FC lift trucks and other materials handling equipment will lead to the expanded use for hydrogen use, and we hope to see further developments in this area toward the building of a hydrogen-based society.
Establishing a Recycling-Based Society

With a view to establishing a recycling-based society, we have been striving to reduce waste and the consumption of water and other resources.

Implementing Measures to Reduce Resource Consumption at the Source

Reducing Sand Waste from Foundry Process

The Hijashichita Plant, an engine production base in Aichi Prefecture, has been promoting the implementation of measures to reduce resource consumption at the source. For manufacturing engine components, the plant uses a large amount of sand to create die casts and resin-bonded casting sand cores. Sand waste accounts for the largest portion of the plant’s total waste.

In fiscal 2019, the Engine Division and the Head Office formed a collaboration team to reduce sand waste generated in the process to create sand cores.

Conventionally, a sand core is created in three steps: 1) feeding sand from the top of a molding machine, 2) preheating (intermediate step) and 3) creating a sand core at the bottom of the machine. When changing the type of sand, the entire amount of sand already fed to the intermediate step had been discarded. Focusing on reducing this wasted sand, the collaboration team incorporated a circuit to anticipate the number of sand cores to be created at the timing of sand change and apply a sand supply stopper so that only the required amount will be fed to the intermediate step.

This improvement has resulted in a reduction of approximately 54 tons of annual sand waste.

Our Approach (Waste)

Mass consumption, if continued on the back of the expanding world population and economic growth, will eventually deplete natural resources. Toyota Industries believes it is essential to promote SR (reduce, reuse and recycle) design for effective resource utilization and the recycling of waste as resources.

We set a goal of minimizing the use of resources in our aspirations in 2050. Accordingly, we have been making various efforts, including extending the life of components as well as reducing their size and weight in the area of product development. In production activities, implementing measures to reduce resource consumption at the source, ensuring the maximum resource recycling within a plant and reducing waste by using leading-edge technologies are the three pillars of our activities.

Summary

<table>
<thead>
<tr>
<th>Waste Generation Volume (Production Activities)</th>
<th>FY2019 Results</th>
<th>FY2021 target</th>
</tr>
</thead>
<tbody>
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<td>33% reduction (vs FY18 level)</td>
<td>29% reduction</td>
</tr>
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Under the Sixth Plan, we are working toward achieving the fiscal 2021 targets of reducing waste generation volume per unit of production compared with the fiscal 2006 level by 29% on a non-consolidated basis and by 27% for Toyota Industries and its consolidated subsidiaries in Japan.

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Reducing Environmental Risk and Establishing a Society in Harmony with Nature

We have been making efforts to reduce the use of substances of concern while carefully monitoring the latest trends in environmental laws and regulations on a global basis. At the same time, we have been promoting activities for conservation of biodiversity toward realizing a society in harmony with nature.

Our Approach (Substances of Concern)
Currently, air pollution by chemical substances has become a global issue having equal importance as global warming. As such, countries around the world are adopting more stringent environmental regulations each year. How Toyota Industries responds to these regulations will have a significant impact on the business activities we undertake in each country.

Based on this perception, we have been taking a forward-looking approach, anticipating fast efficiency and emissions regulations to be enforced by each country and region, and promoting product development accordingly. In production activities, we have been working to reduce emissions of volatile organic compounds (VOC), which are causal substances of photochemical oxidants that generate smog.

Summary/VOC Emissions (Production Activities)

\[ \text{Emissions per unit of production} \]

\[ \frac{\text{FY2019 Results}}{\text{(non-consolidated/automobile body)}} \]

\[ 36\% \text{ reduction} \]

Under the Sixth Plan, we set a target of reducing emission volume per unit of production for VOC from the automobile body painting process by 36% from the fiscal 2006 level and have been striving to reduce VOC emissions. In fiscal 2019, we continued our efforts to increase the recycling rate and enhance the maintenance and management of thinner. Consequently, we were able to cut down emission volume per unit of production in fiscal 2019 by 36%.

Strengthening Management of Chemical Substances at Consolidated Subsidiaries Outside Japan
Many of the chemical substances needed for our production activities may cause adverse effects on the environment. Thus, appropriate management of chemical substances is crucial in ensuring safe handling and minimizing potential harmful effects. To appropriately manage chemical substances contained in raw materials and products, we have been assisting our consolidated subsidiaries and business partners outside Japan in establishing a system to manage chemical substances. In fiscal 2019, we provided such support to two consolidated subsidiaries and several business partners. We will continue to provide support and undertake activities to prevent violations of chemical substances regulations at production bases outside Japan.

Our Approach (Conservation of Biodiversity)
Deforestation is now proceeding in various parts of the world, causing the fragmentation of the habitats of living organisms. In order for humankind to live in harmony with nature, it is essential to protect nature in each region.

In our aspirations to 2050, we set a goal of generating a positive influence on biodiversity and have been conducting various business activities while continuously paying attention to their impact on the natural environment. We have also formulated the biodiversity policy and been promoting initiatives accordingly. The policy clearly stipulates that we seek to reduce the impact of our business activities on biodiversity and work with local communities for the conservation of biodiversity.

Summary | Initiatives for Conserving Biodiversity
FY2019 Results

Under the Sixth Plan, we formulated a plan to connect green zones by undertaking activities for the conservation of biodiversity throughout the Toyota Industries Group. Accordingly, we have been collaborating with various organizations to carry out initiatives matched to the local characteristics of regions where our plants are located. In fiscal 2012, we joined the Chita Peninsula Ecological Network Council, an initiative of the Aichi prefectural government to promote the development of ecological networks within the prefecture. Since then, we have been carrying out activities linked to the conservation of biodiversity in the local natural environment in collaboration with various stakeholders, including local governments, companies, NPOs, and students. Working with the council, we established a biotope on company-owned idle land in Aichi Prefecture to create a network of green zones in the surrounding areas in fiscal 2013 and an animal path in the Higashiruma Plant in Aichi Prefecture to expand the habitat of foxes in fiscal 2019.

Conducting Surveys of Living Organisms in Our Biotope Jointly with Students
On the site of the biotope we developed in Aichi Prefecture in fiscal 2013, we have been conducting surveys of living organisms since fiscal 2018 jointly with students under the Life Relay Project*. In fiscal 2019, we conducted a total of four surveys, in each season. Based on the results of past surveys, we discussed and implemented measures with the students to encourage more diverse living organisms to populate the biotope.

Creating an Animal Path to Improve Natural Habitats of Living Organisms
Recently, we have found that foxes are living in the wooded area surrounding the Higashiruma Plant in Aichi Prefecture. But because there is not a large enough habitat, many were fatally involved in traffic accidents on the neighboring roads. To provide a safe passage between these wooded areas, Toyota Industries created an animal path within the plant premises and has been checking the inhabiting status. In October 2018, six months after the creation of the path, we observed foxes using the animal path for the first time. We will continue to monitor the status while implementing additional measures as necessary to create a better environment.

Environmental Initiatives

Toyota Industries’ Animal Path Winning a Prize in the Biodiversity Action Award Japan 2018
Every year, the Japan Committee for United Nations Decade on Biodiversity (UNDB-JP), in which the Ministry of the Environment serves as the secretariat, hosts an award program to commend projects that survey, conserve, and revitalizes nature or living organisms or those designed to conserve regional culture, with the aim of passing down enriched ecosystems to future generations. The animal path created within the Higashiruma Plant garnered a prize in the Protection category of the committee’s Biodiversity Action Award Japan 2018.

Planting Mangroves
Employees of P.T. TD Automotive Compressor Indonesia (TACI), a production subsidiary in Indonesia, have been planting mangrove trees since 2013. As of fiscal 2019, a total of 2,800 mangroves have been planted.

TACI will continue this activity and work to raise environmental awareness for living in harmony with nature and preventing global warming.

Planting Mangroves

Students who participated in survey activities

*1: A project jointly carried out by Aichi Prefecture, NPOs, companies and students with the aim of forming ecological networks by leveraging corporate green zones of the Chita Peninsula as well as developing young environmental leaders

*2: Committee to encourage collaboration among all sectors in Japan and promote initiatives related to biodiversity for helping to achieve the Aichi Biodiversity Targets, which represent the global targets for conservation of biodiversity.
Environmental Management

Toyota Industries proactively discloses its initiatives for the reduction of environmental risk and other environmental information.

Status of Compliance with Environmental Laws

In July 2018, there was one incident in which wastewater discharged from the Higashichita Plant in Aichi Prefecture exceeded the water quality standard values for phenol and chemical oxygen demand (COD).

In a survey, we found that cooling water used in the foundry process leaked from the tank and was discharged through a rainwater gutter. The leakage was caused by the erroneous operation of the valve, which resulted in an oversupply of industrial water into the cooling water tank through an unused pipe. As countermeasures, we removed the unused pipe and started showing a warning sign on an on-site irregularity display when the tank becomes full so that employees can quickly notice it. We have already reported the incident and our countermeasures to the relevant authorities.

Following the incident, we held a Company-wide response meeting to report the countermeasures taken at the Higashichita Plant and discuss what measures should be implemented by other plants. By sharing necessary information, we worked to prevent a recurrence throughout Toyota Industries.

Preparing ourselves should an irregularity occur, we will continue to undertake and reinforce activities throughout the Toyota Industries Group, such as emergency drills, to minimize the impact on the external environment.

Soil and Groundwater Pollution Countermeasures

As part of efforts to formulate its reorganization plan, the Higashichita Plant voluntarily conducted soil and groundwater surveys. The results showed that some substances contained in soil and groundwater were exceeding their standard values.

Based on the survey results, we will implement required measures under the guidance of Aichi Prefecture, while placing our utmost priority on not causing any impact on the surrounding environment.


Conducting Environmental Risk Inspections at Production Subsidiaries in Japan

In addition to our own production bases, we are promoting activities to reduce environmental risks at our manufacturing subsidiaries in Japan.

In fiscal 2019, we conducted mokonji genbutsu (go and see for yourself) environmental risk inspections at such subsidiaries to check facilities on their premises, the boundaries of their premises and the discharge outlets, as well as examined how they were managed.

We will continue to monitor the status of their responses to the identified issues and conduct risk inspections at our subsidiaries on an ongoing basis.

Environment Strengthening Period in the Toyota Industries Group

“More Greener” Activity (Japan)

Every year, Toyota Industries carries out a three-month Environment Strengthening Period from June to August with the aim of increasing environmental awareness of Group employees and their families through various events.

In fiscal 2019, as part of this initiative, we conducted a “More Greener” activity to increase flora and greenery, including green curtains, at home and in the workplace. The aim is to encourage employees and their families of Toyota Industries and its Group companies to take an interest in trees, flowers and other plants and cultivate their awareness to protect nature in their immediate environment.

We solicited photographs of flowers and greenery planted under this activity and received about 30 applications. Photographs of excellent works were posted on our intranet.

In fiscal 2019, we grew small melons and a sweet variety of mini tomatoes in our company vegetable garden as we had received requests from employees for some sweet fruits or vegetables. Melons and tomatoes survived heavy rains and the particularly hot summer, and we were able to serve them to everyone. Their smiles were very rewarding.

Comments from KTTM and TIEI Award Winners

During the Environmental Strengthening Period in June, KTTM and TIEI carried out various activities to raise employees’ awareness, including giving saplings to employees, planting trees, handing out eco-bags and holding an environmental essay contest. We participated in an environmental poster contest, soliciting entries from employees and their families.

This is an activity already taken hold in Japan as an event to raise environmental awareness. We have introduced the activity at our subsidiaries outside Japan, where it has been adapted corresponding to each company. We aim to raise environmental awareness within the Toyota Industries Group by constantly extending the scope of our awareness-raising activities.

Let’s save the environment for future generations!
Case Presentation at the Aichi Forum for a Low-Carbon Society

At the Aichi Forum for a Low-Carbon Society hosted by the Aichi prefectural government, we gave a presentation on our environmental initiatives. We explained our efforts for achieving zero CO2 emissions during production at plants and during product use by customers, along with building a society in harmony with nature. These are two of the goals of our aspirations in 2050, our medium- to long-term environmental vision.

We also participated in a talk session held on stage by the presenters, exchanged views on corporate initiatives for the creation of a low-carbon society and proactively appealed our environmental initiatives to outside parties.

Greenhouse Gas (GHG) Emissions in the Supply Chain

We recognize that measuring the three scopes defined by the GHG Protocol and turning the results into specific efforts to reduce CO2 emissions are important in creating a low-carbon society. Scopes 1 and 2 are GHG emissions from our business activities, the former being direct emissions from our use of fossil fuels and the latter being indirect emissions from the use of purchased energy resulting from generation of electricity by power plants and other facilities. Scope 3 emissions are indirect emissions associated with each product from the purchase of raw materials to end use by customers and disposal.

In the fiscal 2019 results, combined Scope 1 and 2 emissions accounted for 1.9% of the total emissions, with Scope 3 emissions reaching 98.1%. The largest source of emissions, which accounted for 92.2%, was Category 11 (Use of sold products) under Scope 3, followed by Category 1 (Purchased goods and services) also under Scope 3, which accounted for 4.7%.

Going forward, we will continue to monitor GHG emissions within the entire supply chain and accordingly promote CO2 emissions reduction activities.
Environmental Initiatives

Third Party Assurance of Environmental Performance Data

In order to ensure the transparency and accuracy of the information we disclose, the Toyota Industries Group obtained third party assurance for its energy-derived CO₂ emissions (Scopes 1, 2 and 3), waste generation as well as water consumption and wastewater discharge volume data for fiscal 2019.

Verification by a Third Party

Toyota Industries obtained third party verification of its energy-derived CO₂ emissions, waste generation volume, water consumption and wastewater discharge data for fiscal 2019. On-site verification was performed by the verification organization at two of our production bases in Aichi Prefecture, namely, the Obu Plant and Arno Plant, and the transparency and accuracy of our environmental data have been confirmed through the verification.

Using the procedures specified by the verification organization, Toyota Industries conducted verification at the remaining eight production bases of Toyota Industries as well as 13 consolidated subsidiaries in Japan and 21 consolidated subsidiaries outside Japan.

We will continue to utilize this third party verification in making continuous improvements in our environmental activities and disclose data to our stakeholders in a more transparent manner.

Environmental Initiatives

The verification statement of the third party organization is available at:
https://www.toyota-shokki.co.jp/csr/environment/process/items/Verification2018_ENG.pdf

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<thead>
<tr>
<th>Category</th>
<th>Names of Bases and Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-consolidated</td>
<td>Karuizawa Plant, Takahama Plant, Nagakusa Plant, Kiyosawa Plant, Obu Plant, Hikimata Plant, Higashikita Plant, Arno Plant, Morita Works (Total of 10 bases)</td>
</tr>
<tr>
<td>Japan consolidated</td>
<td>Tochigi, Tokyo, Aichi, Iwama Loom Works, HAMMER MACHINERY MFG., Morita Industry, Nagoa Kogyo, Nishina Industrial, HANDA Casting, Urka, Harasado, Aichi, Takachi Industrial Equipment Manufacturing (Total of 13 bases)</td>
</tr>
<tr>
<td>Consolidated subsidiaries outside Japan</td>
<td>NVIC, Raymond-Greene, Raymond-Muscatine, TIEM, MAAC, TACO, TCA, IHC, Cascade, TMM-M, TIK, TACK, YST, TBI, KTMM, TACI, TIEV, TDIK, TMM-M (Total of 21 bases)</td>
</tr>
</tbody>
</table>

Total of 44 bases


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Note: For details on the consolidated financial statements, please refer to the financial results and securities report, which are posted on the following Website: https://www.toyota-industries.com