Regarding Environmental & Social Report 2004

Kanto Automobile Corporation has published an Environmental Report each year since FY2000 to actively disclose information concerning the company's environmental initiatives accompanying its business activities. Kanto Automobile believes that taking environmental initiatives and disclosing information about them is part of its corporate social responsibility.

The title of the 2004 edition has been changed to "Environmental & Social Report" to reflect the expanded content concerning the social and economic aspects of the company's activities.

Kanto Automobile will make even greater efforts concerning the environment and will improve its information disclosures in order to realize a sustainable society and sustainable corporate management.

Higashifuji Plant

Century

Soarer
Lexus SC430

Corolla Sedan

Corolla Spacio

Other vehicle series: Crown Sedan, Crown Comfort, Comfort and Celica

Iwate Plant

Windom
Lexus ES300/ES330

Mark Ⅱ

Altezza
Lexus IS200/IS300

Altezza Gita
Lexus IS SportCross

Contents

This report covers mainly Kanto Automobile's environmental activities on an unconsolidated basis during FY2003 (April 2003 to March 2004), but also includes some information pertaining to FY2004.

Pursuing Sustainable Development

Those of us involved in the automobile industry have contributed to the development of society and provided convenience and comfort to people through the production of automobiles. It is also true, however, that automobiles have an impact on the environment. We are aware that preserving the global environment is an issue of utmost importance that concerns the very continued existence of humankind.

Kanto Automobile Corporation has made the environment a top priority management issue and actively promotes the development and production of customer-oriented, environmentally considerate products. In addition to improving this type of environmental management, by harmonizing social and economic aspects we hope to contribute to the realization of a sustainable society.

The FY2004 report is entitled Environmental & Social Report 2004. It is an expanded report that includes greater disclosure of the environmental, social, and economic aspects of our business activities. It is my hope that this report will raise understanding of Kanto Automobile's views on its corporate social responsibility and its initiatives designed to fulfill those responsibilities.

In the future, we will continue to make all possible efforts towards the realization of a zero-emissions society that is people- and earth-friendly. I look forward to your frank comments and opinions concerning this report.

May 2004

Susumu Uchikawa
President,
Kanto Automobile Corporation

S. Uchikawa

Company Outline

Name: Kanto Automobile Corporation
Date of establishment: April 25, 1946
Capital: 6,850 Million yen (March, 2004)
Number of employees: 5,357 (March, 2004)
Stock exchanges on which the company is listed: Tokyo, Nagoya
Principal fields of operation: Vehicle bodies (Toyota vehicles), automobile-related parts and accessories, houses (Toyota Housing Corporation), engineering works, etc.

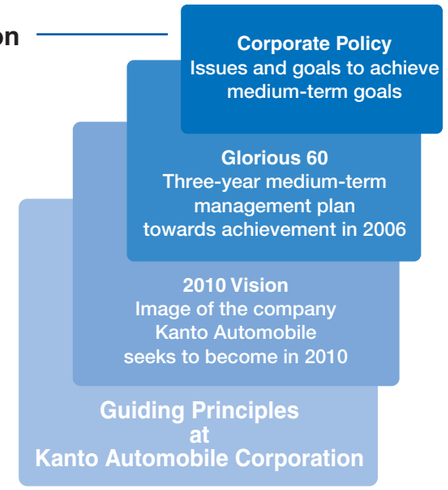
Business Principles

In 1992, Kanto Automobile adopted the concepts that serve as the pillars of its management as its Guiding Principles at Kanto Automobile Corporation.

Guiding Principles at Kanto Automobile Corporation

(adopted in 1992, revised in 1998)

1. We will honor the language and spirit of the law of every nation and work to become a company that is trusted by society through transparent corporate activities.
2. We will actively work to achieve harmony with society and the environment in all corporate activities.
3. Based on the "customer first" principle, we will conduct research, design and manufacturing, and provide outstanding products that respond to the needs of the times.
4. We will nurture a motivating corporate culture that abounds with creativity and a spirit of taking on challenges in the pursuit of long-term growth.
5. We will respect self-initiative in working to achieve our dreams and gain pride as a corporate citizen.
6. Based on fair business relationships and mutual trust, we will devote ourselves to mutual benefit to achieve long-term development.



2010 Vision

Within the automobile industry, international competition in areas such as technology development and cost reduction is becoming increasingly intense. Kanto Automobile adopted the 2010 Vision in September of 2002 so that it can compete successfully against such competition. Under this program, Kanto Automobile has placed priority on the four following measures in order to become the "world's leading manufacturing company."

Priority measures

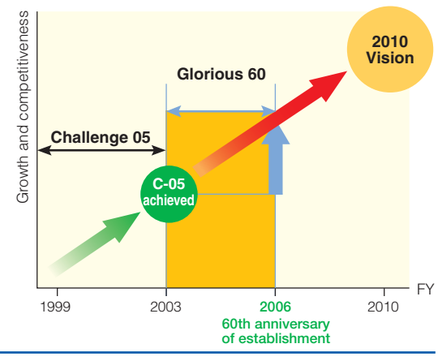
1. Value-added manufacturing
2. Global development
3. Creating and strengthening new business areas
4. Paradigm change (changes in employee awareness)

Glorious 60

In order to create the foundations for realizing the 2010 Vision, we adopted Glorious 60 as a new medium-term plan. With 2006, the 60th anniversary of Kanto Automobile's establishment, as the target year, Glorious 60 sets the following five priority policies.

Priority measures

1. Reinforcing product development capabilities
2. Reinforcing the competitiveness of production plants
3. Expanding overseas business
4. Expanding automobile-related business
5. Reforming the productivity of management and support divisions



The Starting Point of all Conduct

Kanto Automobile undertakes activities designed to create a "customer-oriented company," and at the end of last year declared a "customer-oriented stance" to be the starting point for all corporate activities.

In addition, all employees of Kanto Automobile use the phrase "moving forward" as the basic attitude for conduct in promoting all corporate activities.

当社はお客様本位の会社です
We will do our best for all customers.

The starting point of all conduct is a "customer-oriented stance"

"Moving forward" is the basic stance for all conduct

Three aspects that have been incorporated into the phrase "moving forward":

1. Adopt a stance of always "moving forward"
2. Front loading of plans
3. Always return to the starting point and start over

Compliance

Kanto Automobile has made compliance a priority management issue, and is strongly aware that strict compliance is one of the foundations of good management. Kanto Automobile views compliance as the strict observance of applicable laws and regulations as well as corporate ethics and internal regulations and strives to undertake the following:

- Strict observance of applicable laws and regulations;
- Strict observance of corporate ethics as required by society (ethical and societal norms that should be observed in corporate activities); and
- The creation and strict observance of internal regulations governing corporate conduct.

Development of Company-Wide Structures

Corporate Ethics Committee (established March 1998)

The Corporate Ethics Committee, comprised of all directors and auditors, was established and the Guiding Principles at Kanto Automobile Corporation were revised to prevent risks associated with ethical and legal violations in all corporate activities.

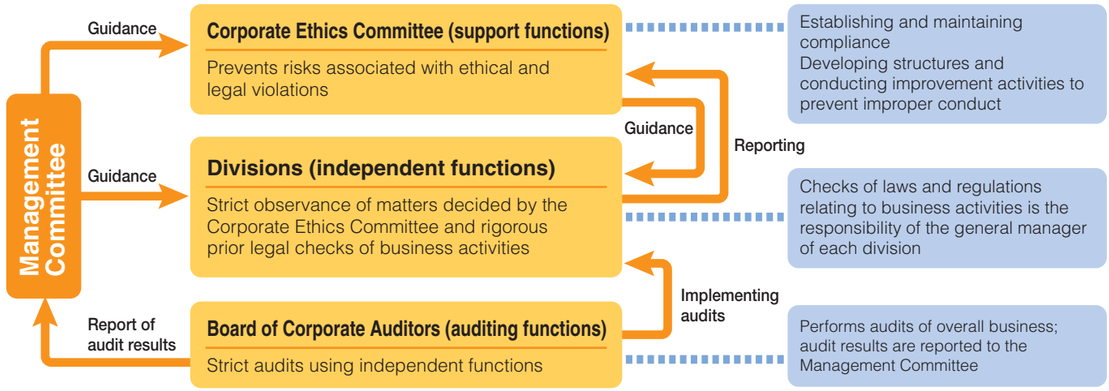
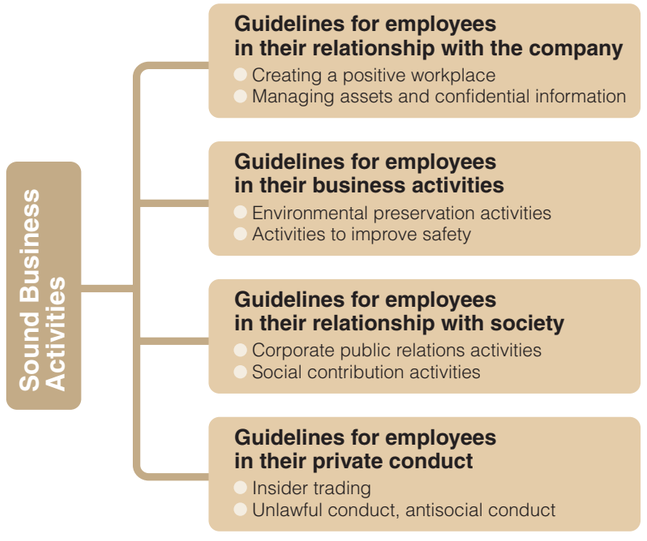


Diagram of Compliance Structures

Code of Conduct for Kanto Automobile Employees Adopted

Code of Conduct for Kanto Automobile Employees (adopted October 2000)

The Code of Conduct for Kanto Automobile Employees stipulates the basic employee attitudes necessary for putting the Guiding Principles into practice. The guidelines include rules to be observed and actions to be taken by employees. They also designate a consultation department for employees to consult on a case-by-case basis when facing difficult decisions and act as guiding principles for business conduct.



The Code of Conduct for Kanto Automobile Employees

Environmental Aspects

Photo: The Azusa River that flows through Kamikochi, Nagano Prefecture, Japan. In order to protect this beautiful piece of nature, there are ongoing efforts that include regulations preventing private cars from traveling the area and the improvement of facilities to restore and maintain the natural setting.

Environmental Management

Environmental Policy

Kanto Automobile responded to revisions to the Toyota Motor Corporation's Toyota Earth Charter, made in order to achieve ever higher goals, by revising its Comprehensive Approach to Environmental Issues in March of 2001 and undertaking action based on the revised policy. In addition, consideration of the environment as a priority management issue has been incorporated into the Guiding Principles at Kanto Automobile Corporation to enable environmental preservation activities with an even clearer stance.

Comprehensive Approach to Environmental Issues

1 Contribution toward a prosperous 21st century society

Contribute toward a prosperous 21st century society.
Aim for growth that is in harmony with the environment, and set as a challenge the achievement of zero emissions throughout all areas of business activities.

2 Develop environmentally considerate products and technologies

Consolidate the technologies developed thus far, enhance them, and promote the development of products and technologies that enable the environment and economy to coexist harmoniously.

3 Voluntary actions

Assess the impact on the environment in all stages from development and production to use and disposal and promote voluntary environmental initiatives that go beyond compliance with legal standards.

4 Working in cooperation with society

Build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation, including related companies.

Implementation Structure for Environmental Initiatives

Environment Conference
Directs important environmental programs and promotes comprehensive environmental preservation activities
Chairman: Susumu Uchikawa
(Established in May 1992)

Environmental Technology Committee
Promotes development of technologies that will reduce environmental impact relating to product development and production technologies
(Established in November 1991)

Global Environmental Preservation Committee
Promotes reductions in environmental impact such as reducing CO_2 emissions and waste generated from production and preventing pollution
(Formed by integrating the Global Warming Prevention Committee and the Environmental Preservation Committee in July 2002)

Yokosuka Region Environmental Conference

Higashifuji Region Environmental Conference

Iwate Region Environmental Conference

------ Each conference investigates and promotes environmental preservation activities in their respective region ------

Environmental Secretariat Committee
Coordinates and promotes environmental preservation activities through persons affiliated with regional offices

Global Environment Subcommittee
Shares environmental information with cooperating companies and promotes coordinated environmental preservation activities

Third Environmental Action Plan and Results of FY2003 Activities

Third Environmental Action Plan

In accordance with its Comprehensive Approach to Environmental Issues, revised in March 2001, Kanto Automobile has been following its Third Environmental Action Plan, which is a five-year plan extending into FY2005.

Action guidelines	Action	Action policy	Action Implemented and Goals
Development and provision of products with less environmental impact	Fuel efficiency improvement	Development of automobile weight-reduction technologies to help improve fuel efficiency and reduce exhaust emissions	●Development of lightweight yet rigid bodies, using CAE*1 structural analysis technology, etc. ●Expanded use of lightweight materials, such as plastics and aluminum *1 CAE: Computer Aided Engineering Design using structural analysis and mechanism analysis based on the finite element method (FEM) and other methods
	Enhanced recyclable designs	Incorporation of recyclable structures for vehicles that will help achieve the 95% recycling rate by 2015	●Expanded use of easy-to-recycle materials and development of recycling methods ●Development of easy-to-dismantle vehicle bodies, using modularization, integrated structures, simpler fastening methods, etc.
	Management of substances of environmental concern contained in products and reduction in their usage	Reduction in use of substances of environmental concern	●Reduction in usage of mercury, cadmium, arsenic, lead, polyvinyl chloride, etc. ●Switch to materials with less environmental impact and development of such materials
Pursuit of production activities that minimize the generation of waste	Promotion of measures to prevent global warming	Active promotion of measures to reduce CO_2 emissions	●Reduction of CO_2 emissions by 5% from the FY1990 level by the end of FY2005 (10% reduction by the end of FY2010) ●Comprehensive promotion of energy-conserving activities ●Development of energy-conserving production technologies ●Expanded use of clean fuels
	Management and reduction of substances of environmental concern	Appropriate management and voluntary reduction of chemical substances used in production processes	●Reduction of VOC*1 emissions from automobile painting processes by at least 50% (per painted area) from the FY1998 level by the end of FY2005 ●Reduction in the emissions of substances subject to PRTR*2 by 45% from the FY1998 level by the end of FY2005 *1 VOC: Volatile Organic Compounds *2 PRTR: Pollutant Release and Transfer Registry
	Reduction of waste and resource conservation	Promotion of activities to reduce waste toward achieving the goal of zero emissions, and to conserve resources	●Achievement of zero landfill waste at all plants by the end of FY2003 ●Reduction of combustible waste to at least 1/3 of the FY1990 level by the end of FY2005
	Conservation of water resources	Measures to conserve water resources	●Reduction of water consumption per vehicle at vehicle production plants by 30% from the FY1995 level by the end of FY2005
	Promotion of logistics streamlining	Active promotion of logistics streamlining toward the reduction of both CO_2 emissions and packaging and wrapping material usage	●Stabilization in CO_2 emissions to the FY1990 level or lower by the end of FY2005 through transportation efficiency improvements ●Reduction of packaging and wrapping material usage by 20% from the 1995 level by the end of FY2005
Environmental preservation through cooperation with suppliers	Improved cooperation with suppliers	Creation of environmentally considerate purchasing guidelines	●Request suppliers (parts and material suppliers) to establish environmental management systems and provide necessary support ●Promotion of management and reduction of substances of environmental concern contained in parts and materials ●Promotion of green purchasing (environmentally considerate parts and materials)
Active participation in social contribution activities as a corporate citizen	Promotion of social contribution activities	Promotion of harmony with local communities	●Active participation in community clean-up activities and other environmental events ●Support of volunteer activities by employees
	Promotion of PR activities and information disclosure	Enhancement of environmental communication activities	●Enhanced disclosure of environmental information using the Internet ●Enhancements to and continued issuance of environmental reports
	Employee training and education	Enhancement of the environmental education system	●Systematic and enhanced environmental education for employees
Promotion of environmental management that is in line with consolidated management	Promotion of consolidated environmental management	Establishment of consolidated environmental management	●Implementation of environmental management at production companies subject to consolidated environmental management ●Acquisition of ISO 14001 certification by the end of FY2003 at production companies subject to consolidated environmental management
	Enhancement of an environmental accounting system	Improvement of an environmental accounting system that can be utilized for management	●Building of a system that assesses investment in environmental preservation activity and its effectiveness, and incorporates the results into management

FY2003 Goals and Results of Activities

In FY2003, which was the third year of the Third Environmental Action Plan, Kanto Automobile established goals for the fiscal year and consistently took action. As a result, almost all FY2003 goals were achieved.

FY2003 goals	Activity results		Evaluation	Related pages in this report
Setting a goal for the vehicle weight of each vehicle series to be developed	●Promoted activities to achieve the goal for weight of each vehicle series developed		Good	P12
Setting goals for the recycling rate and dismantling time of each vehicle series to be developed	●Promoted recyclable vehicle designs and developed an easy-to-dismantle structure for each vehicle series developed		Good	P13
For each vehicle series to be developed: · Lead: 1/10 or less of the FY1996 level · Mercury and cadmium: Usage prohibited	●Switched the substances subject to the EU ELV*1 directive to alternative substances *1 ELV: End-of-Life Vehicle ●Status of usage in vehicles series developed · Lead: Lower than the target values · Mercury, cadmium: Not used		Good	P13
CO_2 emissions 97,989 CO_2-tons	96,334 CO_2-tons	●Optimized the painting booth temperature and humidity in winter ●Stopped using automatic wet sanding and drying ovens ●Stopped using cleaning systems in the parts painting processes	Good	P14
VOC 57g/m^2	54g/m^2	●Reduced the use of purge solvents and ensured thorough recovery ●Enhanced painting efficiency through increased use of painting robots	Good	P15
Substances subject to PRTR 954 tons (2.7 kg/vehicle)	874 tons (2.6 kg/vehicle)	●Reduced in connection with VOC-reduction measures ●Replaced purge solvents used in parts painting processes	Good	P15-16
Landfill waste: 11 tons	7 tons	●Recycling of waste collected from the plant floor	Good	P17
Combustible waste: 1,107 tons	848 tons	●Recycling of un-adhered paint and waste plastic		
Water consumption 3.4 m^3/vehicle	3.2 m^3/vehicle	●Stopped using automatic wet sanding in the painting process	Good	P18
CO_2 emissions 4,848 CO_2-tons	4,257 CO_2-tons	●Utilized returning delivery vehicles	Good	P18
Packaging and wrapping material usage 1,150 tons	1,147 tons	●Improved packing rates by changing box sizes	Good	P19
Promotion of green procurement based on the Purchasing Guidelines (June 2002)	●Asked suppliers to obtain ISO 14001 certification by 2005; 138 out of 163 suppliers have already done so ●Investigated the substances subject to EU ELV directive and asked all suppliers to switch to alternative substances		Good	P37
Implementation of clean-up activities Support of environmental protection organizations	●Carried out clean-up activities in the area surrounding each business site ●Supported the environmental protection activities of environmental organizations		Good	P31
Continued issuance of environmental reports	●Enhanced the content of the environmental report and continued issuing it		Good	P11
Implementation of position specific environmental education	●Provided training to current and newly recruited employees according to plan		Good	P11
Support of production companies subject to consolidated environmental management in acquiring certification	●In addition to production companies subject to consolidated environmental management obtaining ISO 14001 certification, non-production companies subject to consolidated environmental management have also obtained certification		Good	P23
Continued implementation of environmental accounting	●Continued the implementation of environmental accounting ●Increased range of areas where effects can be grasped		Good	P10

Environmental Management System

Kanto Automobile sees the development of an environmental management system (EMS) and the promotion of environmental preservation activities as something to be done as a matter of course, and following the acquisition of ISO 14001 certification by the Iwate Plant in 1997, has actively promoted acquisition by all business sites.

All business sites have undergone their three-year renewal audits, so in 2003, the environmental management systems of the Yokosuka region and the Technical Center, a development base, were integrated (partial integration) and continued certification was obtained.

Kanto Automobile is also promoting the creation of environmental management systems by consolidated companies and actively and continuously encourages improvements in environmental preservation activities by group companies.

(See page 23 for information on environmental management systems at consolidated companies.)

Continued Registration and Integration of EMS

Business site name	First acquired certification in	FY2000	FY2001	FY2002	FY2003
Iwate Plant	December 1997	Renewed in December			Renewed in December
Higashifuji Plant	October 1998		Renewed in October		
Yokosuka region*	November 1998		Renewed in November		Partial integration Expanded audit
Technical Center	March 2001	Acquired certification in March			

*Head Office / Taura Works

Key: ● Surveillance (annually) ● Renewal (every three years)

After acquisition of third-party ISO 14001 certification, the business sites undergo surveillance every year by a third-party audit organization to confirm that continual improvements to the EMS are being made.

Environmental Audits

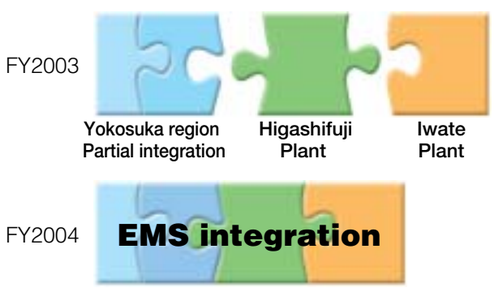
The Safety & Environmental Division plans and implements company-wide internal environmental audits in the years that the three-year renewal audits are performed, and each business site conducts internal environmental audits annually. The audits are performed by employees who have undergone environmental auditor training courses conducted by third-party organizations. The results are reported to management and continual improvements are promoted.

Internal audits

Company-Wide Integration of EMS

External certification started with production plants, which have relatively high levels of environmental impact. Based on a determination that company-wide uniform implementation of environmental preservation measures would be valuable in enhancing the effectiveness of environmental management systems, integration of those systems is being promoted.

In FY2004, company-wide EMS integration was effected by integrating the environmental management regulations of the Higashifuji and Iwate Plants and the Yokosuka region.

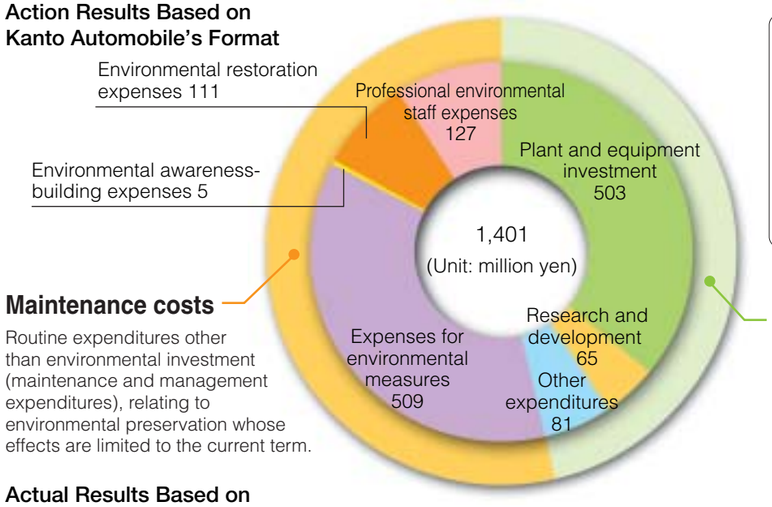


Environmental Accounting

In FY2003, total environmental costs were 1.4 billion yen, accounting for 0.3% of net sales. Compared to the previous year, plant and equipment investment such as for painting robots that reduce substances of environmental concern increased. Beginning this year, the economic effects also include the outstanding effects of lower paint costs resulting from environmental investments associated with reductions in VOC emissions.

Classification of Environmental Costs and Effects

Action Results Based on Kanto Automobile's Format



Environmental costs are defined as "expenditures for the purpose of reducing the environmental impact caused by the company's business activities and related expenditures." Environmental costs are divided into "environmental investments" and "maintenance costs."

Maintenance costs

Routine expenditures other than environmental investment (maintenance and management expenditures), relating to environmental preservation whose effects are limited to the current term.

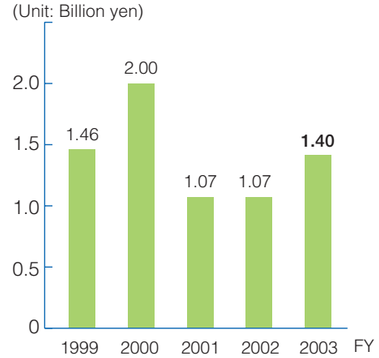
Environmental investment

Expenditures for the purpose of proactively reducing environmental impact, whose effects are judged to extend beyond the current term and into the future.

Actual Results Based on the Ministry of the Environment's Format (Unit: million yen)

Classification		Investments	Expenses
Business area costs	Pollution prevention cost	80	239
	Resource circulation cost (including global environmental preservation cost)	388	270
Upstream/downstream costs	Amount allocated by recycling-related industry organizations	35	32
Management activity costs	Environmental advertisements, environmental report publication costs, expenses for professional environmental staff, etc.	0	153
Research and development costs	R&D expenses for reducing substances of environmental concern	0	65
Social activity costs	Contribution to environmental preservation organizations, etc.	0	28
Environmental damage remediation costs	Soil and groundwater remediation costs, etc.	0	111
Total		**503**	**898**

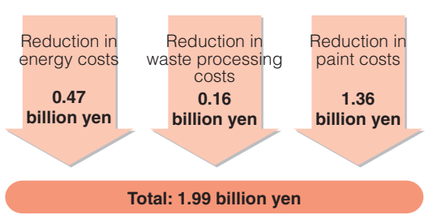
■ Trends in Environmental Costs



Effects Associated with Environmental Costs

The effects associated with environmental costs have been described on pages 12-19 of this report as improvements in reduction of environmental impact as a result of environmental preservation activities. Economic effects resulting from environmental investments were determined by totaling the actual effects for those items that could be backed by solid data, as indicated in the diagram on the right.

Economic effects from "reductions in raw material costs" (excluding paints), "contributions to product value addition," "environmental risks avoidance," and "improved corporate image" have not been calculated.



Environmental Education and Communication

Environmental initiatives are most effective when undertaken by all employees. With the objective of further promoting its stance on environmental initiatives, Kanto Automobile provides environmental education to its employees. In addition to education for newly recruited employees, Kanto Automobile also conducts environmental education designed for specific positions and work areas as well as training in the year of the ISO 14001 renewal audit.

Environmental Education

New Employee Training

In addition to the generalized training for newly recruited employees conducted by the Human Resources Division, new employees also receive environmental education. Even after new employees are assigned to business sites, environmental education geared towards the specific locale is conducted.

Training of Employees Working in Facilities with Significant Environmental Impact

Kanto Automobile has facilities and equipment that have been identified by the company to have a significant impact on the environment during production processes. Working in these facilities requires specialized knowledge and skills, so highly experienced workers use work manuals and inspection guidelines to progressively train other employees and improve their skills.

Environmental Education

Environmental Communication

Kanto Automobile's environmental responses are not limited to seeking reductions in environmental impact and increasing profits at the same time. Kanto Automobile believes it has social responsibilities in a broad range of fields including the economic, social, philanthropic and ethical aspects of its activities, and has determined that it is necessary to make detailed explanations of these activities to all stakeholders. Kanto Automobile publishes an environmental report and strives to disclose information, participates in events held by a variety of organizations, and conducts other activities to enhance communication.

Environmental Reports

Kanto Automobile has published an environmental report each year since 2000 and has worked to improve disclosures of environmental information including activities intended to reduce substances of environmental concern while maintaining close ties with employees and related companies. The complete reports are also available on the Kanto Automobile website for greater convenience of customers (see the back cover for the URL).

Participation in Various Organizations

In pursuit of coexistence with local communities, Kanto Automobile collaborates with various organizations and participates in and supports events throughout the year in order to contribute to environmental preservation, achieve harmony with society, and engage in good-faith corporate activities.

Organizations which Kanto Automobile is a Member of

- Japan Environmental Management Association for Industry (JEMAI)
- Kanagawa Prefecture Environmental Preservation Council
- Kanagawa-ken Employer's Association
- Yokosuka City Water Quality Preservation Council
- Shizuoka Industrial Waste Management Association,
- Water Quality Control Council considering Kano River System
- Iwate Prefecture Environmental Preservation Council
- Iwate Environmental Partnership Conference

Survey of water quality in a local river

Development and Design

Development of Environmentally Considerate Products and Technologies

The 21st century is the century of the environment. Kanto Automobile is continually striving to develop products and technologies that will help achieve a recycling-oriented society that is in harmony with the environment. To ensure that the products that are being developed and produced now will not adversely affect the environment in the future, Kanto Automobile uses LCA (Life Cycle Assessment). This methodology takes into consideration the impact that products will have on the environment starting at the development and production stages, all the way through the use and disposal stages, thus enabling the provision of products with less environmental impact.

Environmental Policy in Product and Technology Development

Kanto Automobile is actively developing products and technologies that will reduce environmental impact.

Promoting Reductions in Vehicle Weight

Kanto Automobile is helping to improve automobile fuel efficiency and reduce exhaust emissions by developing automobile body structures that are lightweight yet extremely strong.

Promoting Recycling

To improve the recyclable design of its products, Kanto Automobile is choosing environmentally considerate materials and developing easy-to-dismantle design structures.

Reducing Usage of Substances of Environmental Concern

Kanto Automobile performs prior assessment of materials that will be used in its products and is promoting the reduction of substances of environmental concern.

Promoting Reductions in Vehicle Weight

Kanto Automobile is proceeding with the development of weight-reduction design technologies by adopting lightweight materials such as aluminum, optimizing designs through structural analysis, and actively adopting high tensile strength steel plates. Through these efforts, Kanto Automobile is contributing toward improvements in fuel efficiency and reductions in exhaust emissions.

Status of Measures to Promote Vehicle Weight Reduction

Examples of Measures to Reduce Vehicle Weight

- Achieved lightweight and high strength by adopting high tensile strength steel plates
- Achieved lightweight and extremely rigid bodies by optimizing joint rigidity using structural analysis
- Began using aluminum
- Promoted vehicle weight reduction through modularization

Lightweight seat frame that uses high tensile strength steel plates

Promoting Recycling

Kanto Automobile is working on improving recyclable design from many aspects, including, for example, adopting easy-to-recycle materials, promoting the use of recycled materials, and using easy-to-dismantle structures with the aim of developing designs that effectively utilize the limited resources available and reducing the volume of waste generated.

Status of Measures to Promote Recycling

Examples of Measures to Promote Recycling

- Began using environmentally considerate materials made completely from plant-based raw materials
- Began using the “Easy to Dismantle Mark” to indicate certain points that assist in initial dismantling
- Attached dismantling belts to wire harnesses, etc., creating a structure that allows for more efficient removal
- Began using a high-performance soundproofing material, RSPP*, made from automobile shredder residue

*RSPP: Recycled Sound-Proofing Products

Spare-tire cover made of Toyota Eco-Plastic

“Easy to Dismantle Mark”

Dismantling belt for wire harness

Reducing Substances of Environmental Concern

In order to reduce the substances of environmental concern generated when disposing of ELVs (end-of-life vehicles), Kanto Automobile is actively implementing environmentally considerate action starting at the design and development stage.

Reduction Goals for Substances of Environmental Concern

(Japanese automobile industry’s new voluntary goals announced in November 2002)

Lead	Mercury	Cadmium	Hexavalent chromium
Reduction to 1/10 or less of the 1996 level in vehicles launched in 2006 and after (except in lead-acid batteries)	Usage prohibited after the Automobile Recycling Law comes into effect (except in LCD displays of navigation systems, combination meters, and other parts which aid in road safety)	Usage prohibited from 2007	Usage prohibited from 2008

Reduction Status of Substances of Environmental Concern

Examples of Measures to Reduce Substances of Environmental Concern

- Eliminated lead from the ceramic parts in windshields and rear window glass
- Began using chlorine-free TPO (Thermo Plastic Olefin) in moldings
- Began using wire harness covers that do not contain PVC resin

Production

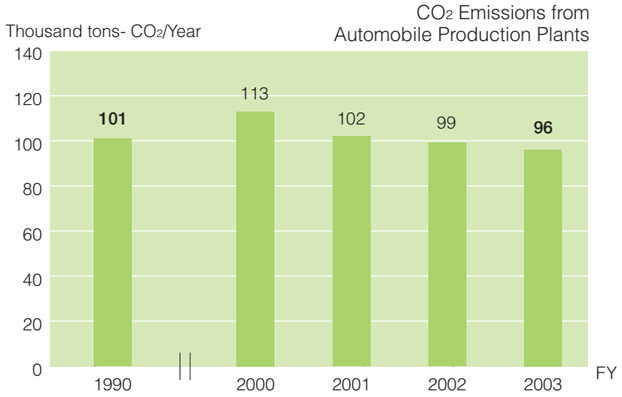
Prevention of Global Warming

To help prevent global warming, Kanto Automobile has set a goal of reducing CO_2 emissions from production activities by 5% from the FY1990 level by the end of FY2005. The goal for total CO_2 emissions in FY2003 was set at 98,000 tons-CO_2 or less, and reduction measures were promoted to that end.

Status of CO_2 Emissions

The key measures implemented in FY2003 included better control of air flow in the compressed air system and reduction in both temperature and humidity inside the painting booths. As a result, CO_2 emissions were reduced to 96,000 tons, a reduction of 3% from the previous year.

CO_2 Emissions from Automobile Production Plants



CO_2 coefficient[1]

Electricity	: 0.3817kg-CO_2 / kWh
A-type heavy oil	: 2.7000kg-CO_2 / ℓ
Kerosene	: 2.5308kg-CO_2 / ℓ
Butane gas	: 3.0094kg-CO_2 / kg
City gas	: 2.3576kg-CO_2 / m^3

1: CO_2 conversion coefficient
Conversion formula: (kg- CO_2) = (kg-C) X 3.67

Measures to Reduce Energy Consumption

Initiatives to conserve energy

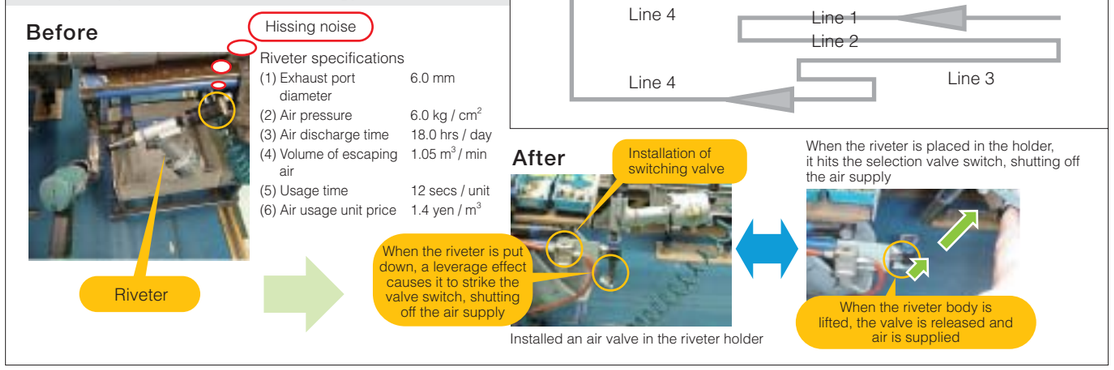
Kanto Automobile is actively implementing thorough measures to reduce energy loss, for example, by eliminating air leakage from compressed air systems on production lines.

Energy-conservation actions

- Promoted the implementation of measures to prevent air leakage from compressed air systems
- Reduced the air-conditioning temperature and humidity in all areas of the painting booth (reduction in energy consumption for heating)
- Ensured that equipment was running exactly according to production schedules and was stopped during non-operational periods

Example of Activities to Reduce CO_2 emissions

Shutting off the air supply to the riveter in the speaker installation process to conserve energy



Installed an air valve in the riveter holder

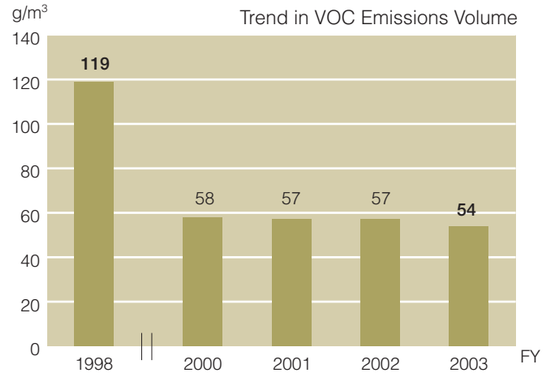
Reducing Substances of Environmental Concern

Kanto Automobile is promoting the proper management of chemical substances used in production processes and voluntary reduction in their usage. In the Third Environmental Action Plan, Kanto Automobile focused on the management and reduction of VOC emissions and substances subject to PRTR, and has been taking action focused mainly on automobile and parts painting processes.

Reducing VOC emissions

Kanto Automobile has been implementing measures with the goal of reducing VOC emissions from automobile painting processes by at least 50% (per painted area) from the FY1998 level by the end of FY2005. In FY2003, Kanto Automobile increased the use of painting robots for higher painting efficiency, carefully tracked the daily usage of paint thinners, and implemented strict control of each piece of equipment.

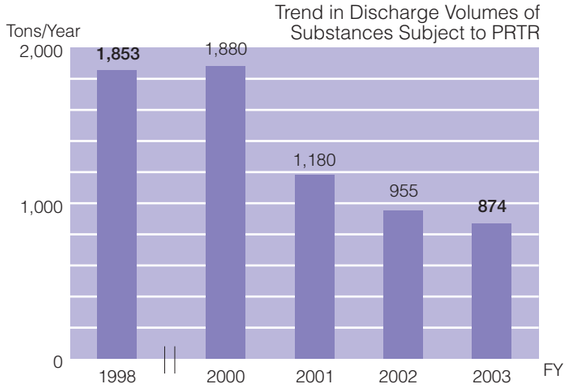
VOC:
VOC stands for Volatile Organic Compounds, and is known to be one of the source substances for photochemical oxidants and suspended particulate matter.



Reducing the Volume of Substances Subject to PRTR

Kanto Automobile has been taking action towards the goal of reducing the discharge volumes of substances subject to PRTR by 45% from the FY1998 level by FY2005. In FY2003, in addition to the aforementioned measures to reduce VOC emissions, Kanto Automobile switched to paints with lower content of substances subject to PRTR (toluene, xylene, etc.) not only in automobile painting but in parts painting as well, thereby reducing total VOC emissions.

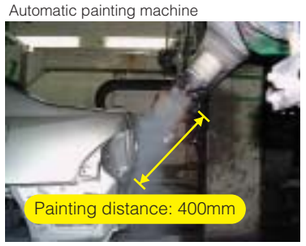
* Please see P. 16 for details



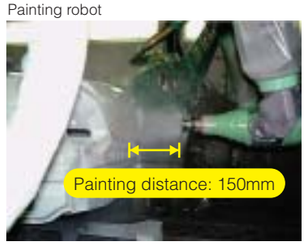
Example of Measures to Reduce Substances of Environmental Concern

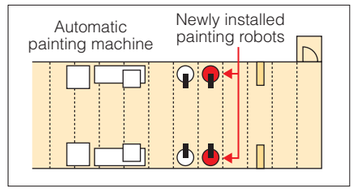
The amount of painting carried out by painting robots, as opposed to automatic painting machines, was expanded, making it possible to perform painting at a closer distance to the vehicle body, leading to a 15% improvement in painting efficiency.

Automatic painting machine



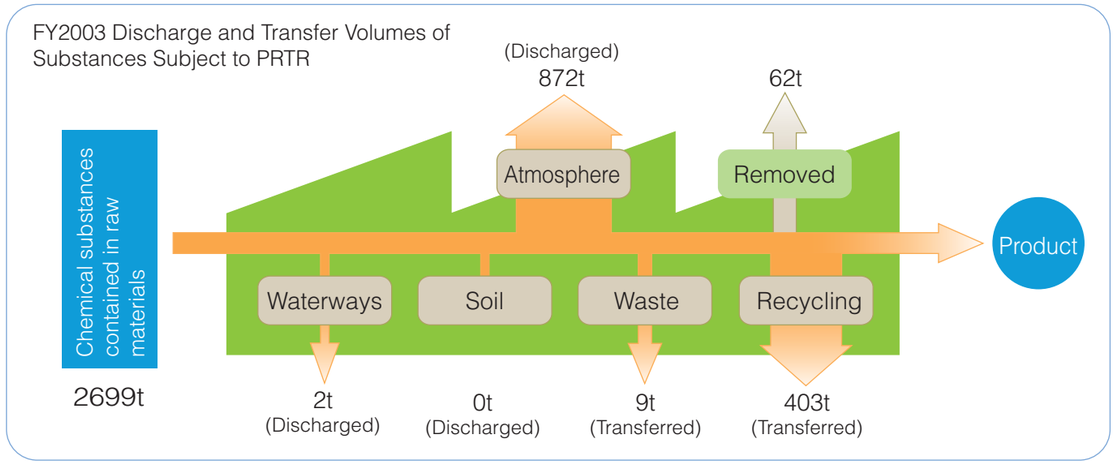
Painting robot





FY2003 Results of Reduction of Substances Subject to PRTR

In FY2003, Kanto Automobile reported 13 substances, such as toluene and xylene, out of the 354 chemical substances designated as Class I by the PRTR Law, as the total volume of substances subject to PRTR that were discharged or transferred. A 10% reduction in total emissions from the previous year was achieved through measures such as reducing the volume of raw materials used and promoting the use of other less hazardous substances not subject to PRTR. Kanto Automobile will continue making efforts to reduce the usage volume of the substances subject to PRTR and their discharge volumes.



Higashifuji Plant

Substance	Amount handled	Released volume		Transferred volume		Volume removed[1]	Consumption volume[2]
		Air	Waterways	Waste	Volume recycled		
Zinc compounds (soluble)	12,370	-	26	275	682	-	11,385
Di (2-ethylhexyl) adipate	1,908	-	-	38	-	-	1,870
Bisphenol A epoxy resin intermediate layer	15,455	-	-	2,445	-	-	13,010
Ethylbenzene	150,708	137,780	-	-	-	-	12,927
Ethylene glycol	542,982	-	-	-	-	-	542,982
Xylene	353,296	175,239	-	-	107,847	-	70,210
Organic tin compounds	27,122	-	-	271	1,112	-	25,739
1,3,5-Trimethylbenzene	34,038	21,658	-	-	12,380	-	-
Toluene	325,136	186,705	-	-	52,275	-	86,155
Nickel compounds	1,975	-	28	46	846	-	1,056
Hydrogen fluoride and its water-soluble salts	1,934	-	1,034	132	765	3	-
Benzene	9,585	67	-	-	-	-	9,518
Manganese compounds	2,276	-	118	76	483	-	1,600

Iwate Plant

Substance	Amount handled	Released volume		Transferred volume		Volume removed[1]	Consumption volume[2]
		Air	Waterways	Waste	Volume recycled		
Zinc compounds (soluble)	3,335	-	-	408	94	-	2,832
Bisphenol A epoxy resin intermediate layer	16,506	-	-	5,233	-	-	11,273
Ethylbenzene	106,160	83,842	-	-	620	10,930	10,768
Ethylene glycol	388,094	-	-	-	-	-	388,094
Xylene	307,158	75,117	-	-	142,974	31,822	57,246
Organic tin compounds	11,146	-	-	111	457	-	10,577
1,3,5-Trimethylbenzene	22,876	18,784	-	-	2,239	1,853	-
Toluene	270,620	115,281	-	-	60,877	17,761	76,700
Nickel compounds	1,491	-	4	40	655	-	792
Hydrogen fluoride and its water-soluble salts	2,406	-	832	135	1,438	-	-
Benzene	6,908	17	-	-	-	-	6,891
Manganese compounds	1,704	-	3	112	645	-	943

Head Office & Taura Works

Substance	Amount handled	Released volume		Transferred volume		Volume removed[1]	Consumption volume[2]
		Air	Waterways	Waste	Volume recycled		
Ethylbenzene	6,205	4,267	-	-	1,766	-	172
Xylene	19,112	16,371	-	-	1,766	-	975
Toluene	49,496	35,622	-	-	12,067	-	1,807

Technical Center

Substance	Amount handled	Released volume		Transferred volume		Volume removed[1]	Consumption volume[2]
		Air	Waterways	Waste	Volume recycled		
Xylene	2,073	386	-	-	258	-	1,429
Toluene	4,962	1,277	-	-	646	-	3,039

*Unit: kg/year
1: Volume removed: The volume of substances subject to PRTR that are neutralized, broken down, or changed to other substances in the particular plant
2: Consumption volume: The volume of substances that are contained in or accompanied with products and transported outside the particular plant

Reduction of Waste and Conservation of Resources

Kanto Automobile is promoting action with two objectives: achievement of zero landfill waste and reduction of combustible waste from production processes. Of the combustible waste generated, sludge generated during wastewater treatment is dehydrated in-house to be used as raw material for cement. In mid FY2003, recycling of un-adhered paints from the painting process became possible. Additionally, since FY2002, measures have been implemented to reduce the usage of steel plates in the stamping process, plastics in the plastic molding process, and paint in the painting

Activities to Reduce Waste

Goals

- **Zero landfill waste: Achievement at all plants by the end of FY2003**

Zero landfill waste is a reduction in landfill waste generated directly by plants to less than 5% of the FY1997 level

- **Combustible waste: Reduction to 1/3 or less of the 1990 level by the end of FY2005**

(Since the Iwate Plant was not operating in 1990, its goal is a 39% reduction from the FY1996 level to 1,055 tons or less)

Major initiatives

- Landfill waste: Recycling of the waste (sand) collected from the floor during cleaning
- Combustible waste: Reduction in the volume of un-adhered paint through improvements in painting efficiency; also melting of any un-adhered paint to be used as a raw material for roadbeds.

FY2003 Goals and Results in Automobile Production Processes

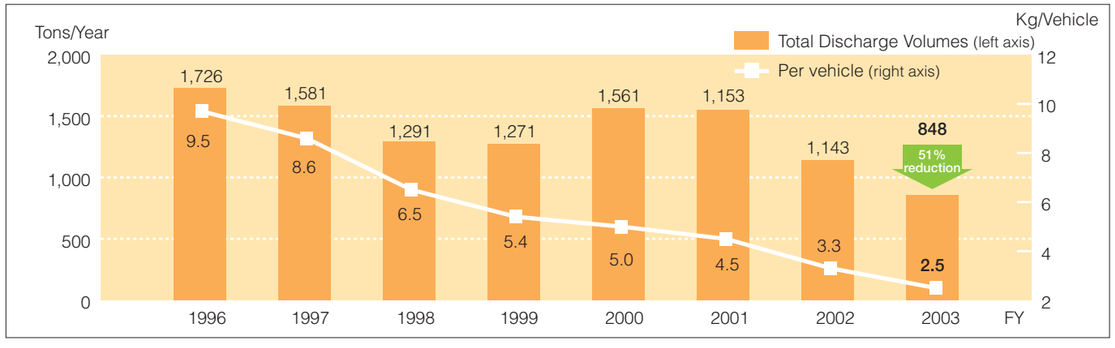
	Goal	Results
Landfill waste	11 tons or less	7 tons
Combustible waste	1,107 or less	848 tons

Major actions taken in FY2003

- Recycling of the waste (sand) collected from the floor during cleaning
- Recycling of un-adhered paint

The Iwate Plant achieved its goal of zero landfill waste in FY2001, followed by the Higashifuji Plant in FY2003, according to plan. With regard to combustible waste also, the goal of 1,055 tons or less by the end of 2005 was achieved two years ahead of schedule. Kanto Automobile will continue promoting actions to reduce waste.

Volume of Combustible Waste Discharged at Automobile Production Plants



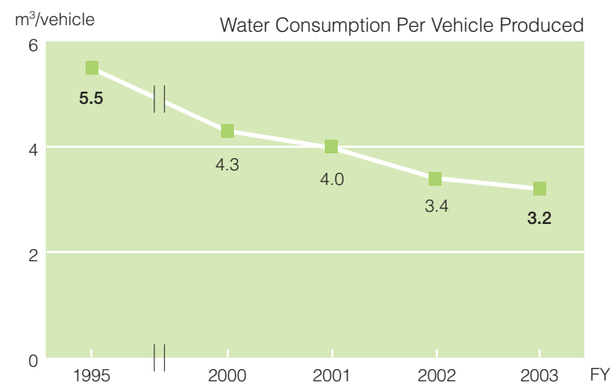
Activities to Conserve Resources

In light of the increasing need for resource conservation and in response to the government's policy, Kanto Automobile considers it extremely important to reduce the volume of waste generated during production processes. Kanto Automobile continues to promote and expand its resource conservation efforts through steps taken to reduce resource loss including a yield improvement in the steel plate stamping process, measures to reduce waste during the formation of instrument coverings, and further painting efficiency improvements.

Conservation of Water Resources

Kanto Automobile is implementing measures to reduce water consumption from the viewpoint of securing water resources and reducing environmental impact from wastewater. Further, by assessing water consumption volumes in production processes, Kanto Automobile is promoting activities to reduce water loss, determine appropriate water consumption levels, and reuse water.

- FY2003 goal: 3.4m^3 per vehicle
- Result: 3.2m^3 per vehicle
- 42% reduction from the FY1995 level

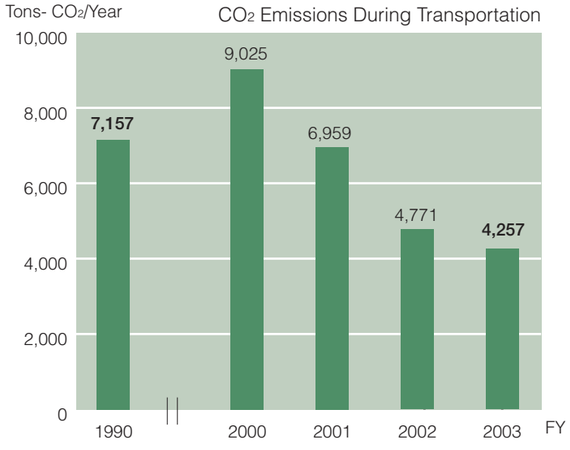


Streamlining of Logistics

Kanto Automobile is actively promoting measures related to the transportation and packaging and wrapping of parts with the aim of reducing both CO_2 emissions during transportation and usage of packaging and wrapping material through improvements in transportation efficiency.

Reducing CO_2 Emissions During Transportation

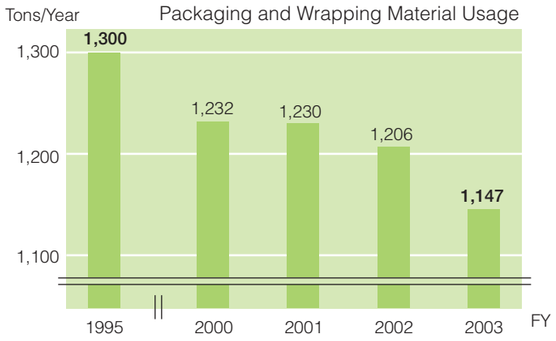
The number of freight runs and CO_2 emissions during transportation were reduced through mixed loading.



Shift to transportation by ships, which have low CO_2 emissions

Reducing Packaging and Wrapping Material

Kanto Automobile is making efforts to reduce packaging and wrapping material by changing the materials used and reducing their usage, improving packing form by using returnable containers, designing higher-productivity packaging methods, and introducing better packing materials.




Studying changes in box size

Key Measures Implemented in FY2003

Item	Key measures implemented
Continued implementation from FY2002	● Box size change (improved packing rate) ● Elimination of outer packaging (re-evaluation of excessive packaging) ● Promotion of the use of returnable containers
New measures implemented in FY2003	● Reduction in the use of corrugated cardboard for raw bumpers bound for the U.S.

Key Improvements

1. Changed the box size for the older-type bumper packing
2. Improved the shape of wrapping material for the Spacio grille
3. Elimination of individual packaging for the Comfort radiator support
4. Changed the material used for the bumper interior packaging (for all vehicle series)

Before improvement


Parts are packed in an inverted C shape

Before improvement: 3.9 kg

After improvement

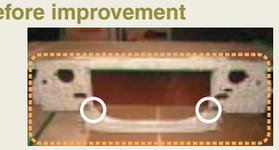

The packaging was changed to a boat shape to better fit the shape of the part.

After improvement: 2.7 kg (reduction of 1.2 kg)

Number of units shipped per month: 1,500
1,500 x 1.2 kg = 1,800 kg

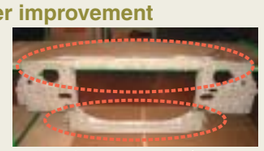
Reduction of 1,800 kg/month

Before improvement


Because the welded area is weak (the area indicated by O is thin and narrow), a cardboard box is being used to prevent deformation.

Before improvement: 2.3 kg

After improvement


A new part number was created for the upper, side portion of the radiator support, which is now separated from the member and delivered as is, without packaging.

After improvement: 0 kg (reduction of 2.3 kg)

Number of units shipped per month: 280
280 x 2.3 kg = 644 kg

Reduction of 640 kg/month

Environmental Initiatives at the Higashifuji Plant

Located at the foot of Mt. Fuji where nature abounds, the Higashifuji Plant is making efforts to coexist with the global and the local environment, and is promoting continual environmental management activities.

Preservation of the Local Environment

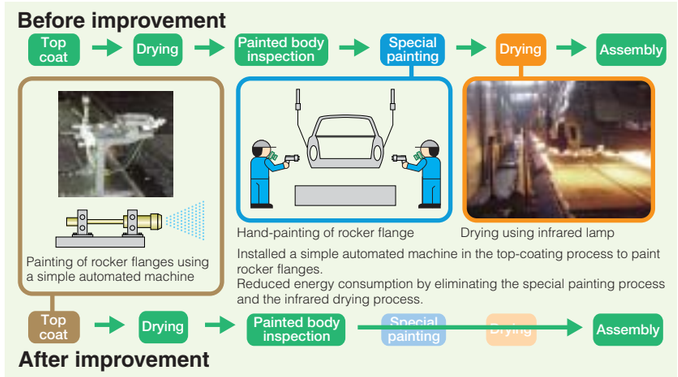
To prepare for possible accidental spills of paints and solvents used inside the plant, the Higashifuji Plant trains its workers in handling potential accidents in each process and also provides environmental training to the employees of related companies. Employees at the Higashifuji Plant carry out their duties with an understanding of the connection between their daily work-related activities and the global environment.


Training in handling potential paint spills


Environmental training for the employees of related companies

Prevention of Global Warming

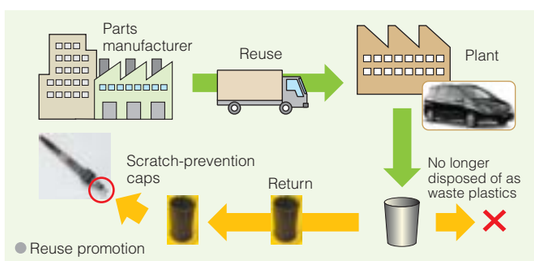
The Higashifuji Plant eliminated infrared light drying by installing a simple automated machine and modifying the painting process. The plant is also promoting CO_2 emissions reduction by using power generated by wind and solar energy.



Installed an omni-directional wind power generator and a solar power generator at the East Gate of the plant

Reduction of Waste

The Higashifuji Plant was able to achieve the goal of “zero landfill waste” in FY2003 according to schedule. It is also taking other measures to reduce waste, such as promoting the reuse of the protective caps used to prevent scratches on parts during transport.



Contribution to Local Communities

Employees help beautify the local environment in order to harmoniously coexist with the surrounding communities.


Cleaning the area around the plant

Environmental Initiatives at the Iwate Plant

Under the banner of "Building cars that are friendly to both humans and the environment," the Iwate Plant engages in production activities while harmoniously coexisting with the environment in Iwate Prefecture, which is rich in greenery.

Preservation of the Local Environment

The Iwate Plant holds regular training sessions so that its employees can quickly take the necessary action in emergencies. The actual final processing site is inspected to ensure that the waste generated by the plant is properly processed.

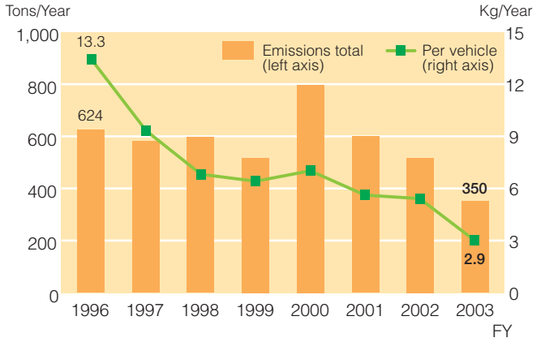
Emergency training assuming a wastewater problem (wastewater treatment facility)

Examination of subcontractor facilities

Reduction of Waste

By promoting the 3-R* principle, the Iwate Plant has significantly reduced the amount of combustible waste, thus achieving the FY2005 goal two years ahead of schedule.

*3-R: Reduce, Reuse and Recycle



Contribution to Local Communities

The Iwate Plant is making contributions to the local community by actively participating in local clean-up activities.

Regular clean-up of the roads in the vicinity of the plant

Promotion of Greening

Ever since the plant was constructed, it has been promoting the planting of trees and flower gardens. Wild birds come to visit the on-site forest.

Cherry trees planted as a result of greening promotion

On-site forest

Environmental Initiatives in the Yokosuka Region

Kanto Automobile was originally founded as Kanto Electric Automobile Industry in 1946. Although the site occupied by the Head Office and Taura Works was small, they were originally involved in automobile production. Presently, only a parts line is located there. The Technical Center integrates all development divisions and is working on developing automobiles that have as little environmental impact as possible, even long after their service lifespan has been reached.

Preservation of the Local Environment

Kanto Automobile Head Office/Taura Works and the Technical Center all located in the Yokosuka region are natural areas near the beautiful, blue ocean. Kanto Automobile considers the carrying out of corporate activities while minimizing the impact on this precious environment an important duty and is actively promoting environmental preservation activities that are in line with the Guiding Principles at Kanto Automobile Corporation – "to achieve harmony with society and the environment."

Introduction of CNG* Vehicle *CNG: Compressed Natural Gas

Kanto Automobile produces the Century, which is Toyota's flagship saloon car. When a CNG version, which emits less CO_2, was added to this luxury saloon series, Kanto Automobile adopted it in the company fleet.

Deposits of natural gas worldwide are said to be plentiful, and the CNG vehicle, which is powered by natural gas, emits much less particulate matter (PM), nitrogen oxides, and hydrocarbons, etc., and has won the "Ultra-Low Emissions" designation in the Ministry of Land, Infrastructure and Transport's Approval System for Low-Emission Vehicles.

Although many issues surrounding CNG vehicles still remain, e.g., insufficient infrastructure such as natural gas filling stations, Kanto Automobile is actively espousing CNG vehicles because they can help conserve local environments.

Ultra-low emissions vehicle: Century CNG model with CNG mark on fender

Partial Integration of Environmental Management System

Although each business site had been obtaining ISO 14001 certification separately, Kanto Automobile began company-wide system integration in order to establish system consistency and improve work efficiency. In FY2003, partial integration of the system at the Head Office/Taura Works, which obtained certification in November 1998, was carried out with the system at the Technical Center, which obtained certification in FY2000.

Examination by an external examination organization

Consolidated Environmental Management

Environmental Initiatives By Consolidated Companies

Kanto Automobile established the Collaborating Companies Environmental Liaison Committee in FY1996 to promote the sharing of environment-related information and environmental preservation actions. It was renamed the Global Environment Subcommittee in FY2003, and has been promoting enhanced environmental management in close cooperation with related companies.

Initiatives Towards Consolidated Environmental Management

Following the acquisition of ISO 14001 certification by the four consolidated production companies one year ahead of schedule in FY2002, consolidated non-production companies were also asked to create environmental management systems. In this way, Kanto Automobile is promoting consolidated environmental management in close cooperation with its consolidated companies.

In FY2003, Kanto Kosan Co., Ltd. and Kanto Shoji Co., Ltd. acquired ISO 14001 certification as shown in the table below. A comprehensive approach that includes all of the related companies is necessary to implement initiatives to reduce the environmental impact from automobile production. Kanto Automobile is striving to efficiently expand consolidated environmental management by sharing its know-how on building environmental management systems, exchanging information, etc. to increase overall effectiveness.

Companies that have Acquired ISO 14001 Certification and Audit Dates

■ Consolidated production companies ■ Consolidated non-production companies ■ Non-consolidated production companies

Companies	FY1999	FY2000	FY2001	FY2002	FY2003
K. I. K. Co., Ltd.			◎ Acquisition in November	●	●
Kanto-Seat Works Co., Ltd. (Kei-Es Ltd.)				◎ Acquisition in August (Kitakami) ◎ Acquisition in September (Sagamihara)	● Satellite Shop (SS) included ●
YIS Co., Ltd.				◎ Acquisition in February	●
Kanto Kosan Co., Ltd.				◎ Acquisition in May (Iwate Plant)	
Kanto Shoji Co., Ltd.					◎ Acquisition in October
Kyokuyou Industrial Co., Ltd	◎ Acquisition in February	●	●	●	●
Kanto Kasei Co., Ltd.		◎ Acquisition in March	●	●	●
TakaNichi Co., Ltd (Gotemba)					◎ Acquisition in August (Integration)

◎ Certification acquired ● Surveillance ● Renewal

Action Structure

NEXT* → Safety and Environment Study Group → **Global Environment Subcommittee**

- YIS Co., Ltd.
- K. I. K. Co., Ltd.
- Kanto-Seat Works Co., Ltd. (Kei-Es Ltd.)
- Kanto Kosan Co., Ltd.
- Kanto Shoji Co., Ltd.
- K.E. Protec Co., Ltd.
- Kanto Kasei Co., Ltd.
- Kyokuyou Industrial Co., Ltd.
- TakaNichi Co., Ltd. (Gotemba)

*NEXT stands for New Excellent Technical team, and is an association comprised of 140 suppliers.

Requests from the Purchasing Division

In June 2002, Kanto Automobile created the Green Purchasing Guidelines, which encourages the purchase of raw materials and supplementary materials that have less environmental impact than regular materials, from companies that are environmentally considerate. The operating philosophy of the entire Kanto Automobile Group was explained to 255 companies, and requests were made to achieve the goal of increased green procurement. (For details, please refer to “Cooperation with Suppliers” on page 37.)

Example of Environmental Initiatives at Consolidated Companies

Initiatives at K. I. K. Co., Ltd.

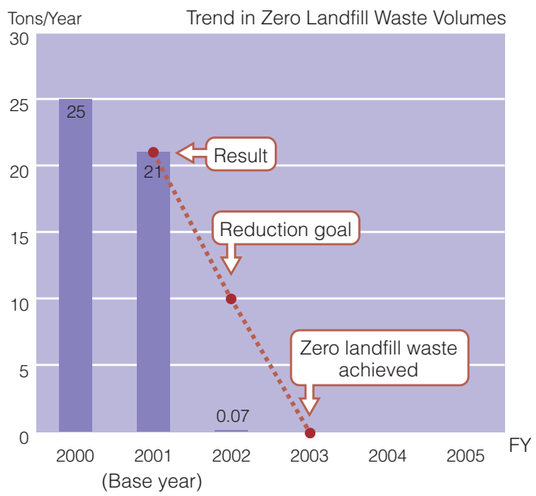
K. I. K. Co., Ltd was established in July 1992 in conjunction with the construction of Kanto Automobile’s Iwate Plant. The company has been responsible for the manufacture of key parts such as vehicle suspension members and fuel tanks, and is aiming to become a “supplier that is more than capable of responding to the needs of the time,” as expressed in the Guiding Principles. K. I. K. obtained ISO 14001 certification in November 2001 and has registered for certification for ISO 9001: 2000, which is a quality management standard.

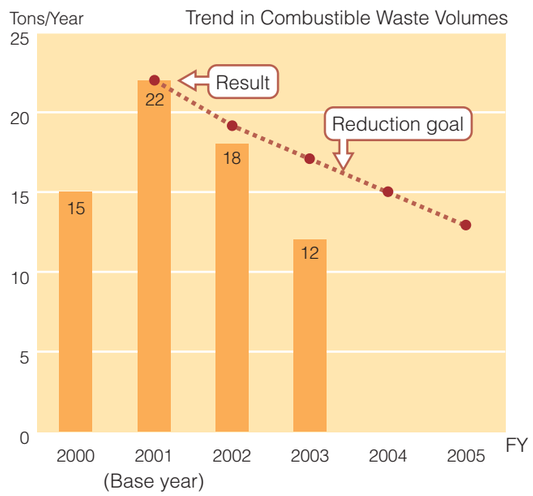
Prevention of Global Warming: Initiatives to Reduce CO_2 Emissions

To help prevent global warming, K. I. K. has set a new goal of reducing its CO_2 emissions by 3% from the FY2002 level by the end of FY2005 and is implementing necessary measures.

Initiatives to Reduce Waste

In FY2003, K. I. K. achieved its goal of zero landfill waste generated directly from plants according to schedule, and is currently taking actions to achieve the goal of reducing combustible waste by 41% from the FY2001 level by the end of FY2005. Action is being taken with the ultimate aim of establishing zero emissions.





Reduction Examples

Protective rubber caps for the tank assembly components used to be disposed of as landfill waste. However, by working with the supplier, K. I. K. began returning these caps to the supplier for reuse, thereby reducing the volume of waste.

Result → **Reduction of 90kg/year**

Environmental Data

Legend: Maximum / Average

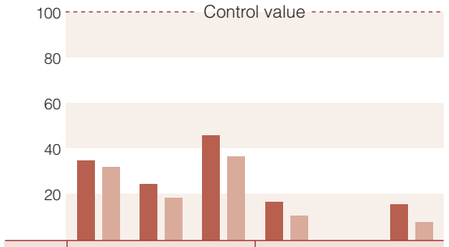
The graphs show actual measurements against a control value of 100

Higashifuji Plant

Site area: 447,690m²

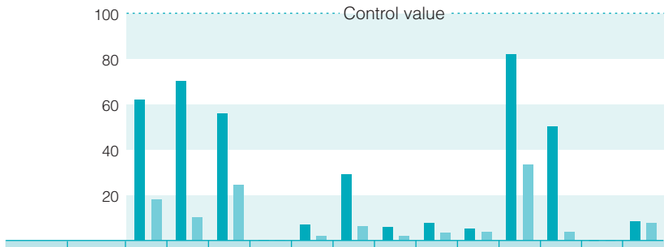
Location: 1200, Mishuku, Susono-city, Shizuoka Prefecture

Air Pollution Data Conforming to the Air Pollution Control Law and Pollution Control Agreement



Substance	NOx			PM		
Control value	250	230		0.1		
Actual measurement – Maximum	88	57	107	0.017	0.000	0.016
Actual measurement – Average	81	44	85	0.011	0.000	0.008

Water Pollution Data Conforming to the Water Pollution Control Law and Pollution Control Agreement



Substance	pH	BOD	SS	Oil	Phenol	Copper	Zinc	Iron	Mn	Nickel	Fluorine	Lead	Boron	*1
Control value	5.8 - 8.6	25	50	5	5	1	1	10	10	1	8	0.1	10	100
Actual measurement – Maximum	7.00 - 7.78	15.5	35	2.8	0.01	0.07	0.3	0.6	0.8	0.1	6.6	0.05	ND	8.5
Actual measurement – Average	7.49	4.5	5.1	1.2	0.002	0.02	0.06	0.2	0.3	0.07	2.7	0.004	ND	7.8

*Ammonia, ammonia compounds, nitrous acid compounds and nitric acid compounds

Technical Center

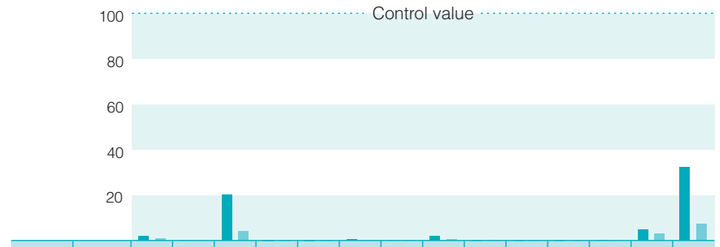
Site area: 56,668m²

Location:7-71, Funakoshi-cho, Yokosuka-city, Kanagawa Prefecture

Air Pollution Data Conforming to the Air Pollution Control Law and Prefectural Ordinances

There are no facilities subject to the Air Pollution Control Law

Water Pollution Data Conforming to the Sewerage Law



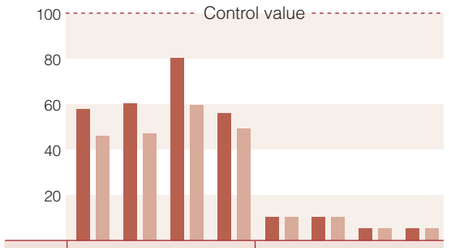
Substance	pH	BOD	SS	Oil	Phenol	Copper	Zinc	Iron	Mn	Nickel	Fluorine	Lead	Boron	Nitrogen	Phosphorous
Control value	5.0 - 9.0	600	600	5	0.5	3	3	10	1	1	15	0.1	230	120	16
Actual measurement – Maximum	7.16 - 7.43	12.4	2.1	1	ND	ND	0.02	0.02	0.02	ND	ND	ND	0.05	5.6	5.2
Actual measurement – Average	7.26	4.4	0.5	0.2	ND	ND	0.005	0.002	0.005	ND	ND	ND	0.04	3.7	1.2

Iwate Plant

Site area: 988,284m²

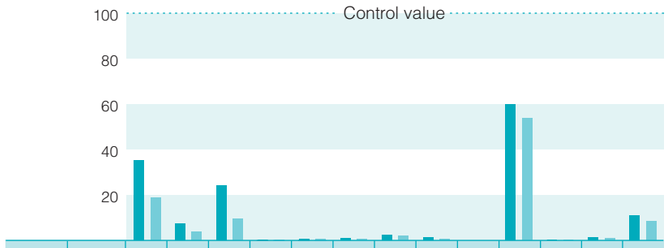
Location: 1, Nishinemoriyama, Kanegasaki-cho, Isawa-gun, Iwate Prefecture

Air Pollution Data Conforming to the Air Pollution Control Law and Environmental Preservation Agreement



Substance	NOx				PM			
Control value	120				0.1		0.2	
Actual measurement – Maximum	69	72	96	67	0.01	0.01	0.01	0.01
Actual measurement – Average	55	57	72	59	0.01	0.01	0.01	0.01

Water Pollution Data Conforming to the Water Pollution Control Law and Environmental Preservation Agreement



Substance	pH	BOD	SS	Oil	Phenol	Copper	Zinc	Iron	Mn	Nickel	Fluorine	Lead	Boron	*1
Control value	5.8 - 8.6	60	70	5	5	3	5	10	10	No control value	8	0.1	10	100
Actual measurement – Maximum	7.4 - 8.1	21	5	1.2	ND	0.02	0.05	0.2	0.1	0.03	4.8	ND	0.1	10.9
Actual measurement – Average	7.73	11.3	2.5	0.5	ND	0.02	0.03	0.2	0.07	0.03	4.3	ND	0.1	8.5

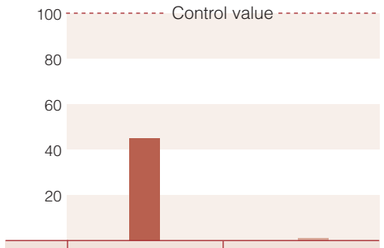
*Ammonia, ammonia compounds, nitrous acid compounds and nitric acid compounds

Head Office / Taura Works

Site area: 74,685m²

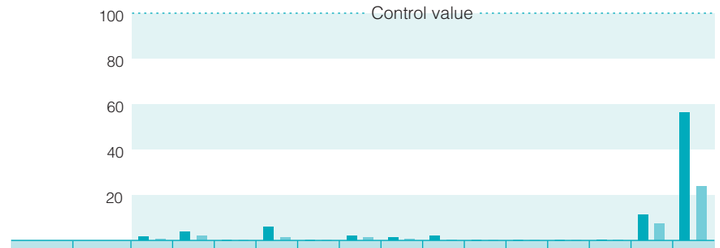
Location: Tauraminato-cho, Yokosuka-city, Kanagawa Prefecture

Air Pollution Data Conforming to the Air Pollution Control Law and Prefectural Ordinances



Substance	NOx	PM
Control value	150	0.2
Actual measurement	67.4	0.002

Water Pollution Data Conforming to the Sewerage Law



Substance	pH	BOD	SS	Oil	Phenol	Copper	Zinc	Iron	Mn	Nickel	Fluorine	Lead	Boron	Nitrogen	Phosphorous
Control value	5.0 - 9.0	600	600	5	0.5	3	3	10	1	1	15	0.1	230	120	16
Actual measurement – Maximum	7.78 - 8.33	9.3	21.5	ND	0.03	ND	0.06	0.1	0.02	ND	ND	ND	0.04	13.3	9.0
Actual measurement – Average	7.95	4.0	11.5	ND	0.006	ND	0.03	0.05	0.002	ND	ND	ND	0.04	8.6	3.8

Air Pollution Data

The units for air pollution are: Nox - ppm; PM - g/m³N
The actual measurement of NOx and PM refer to values with respect to the control values for each particular target facility with boilers.

Water Pollution Data

The control values for all substances are shown in mg/l, except for the pH item
N.D.: (Not detected) Below detectable levels.
pH: Hydrogen ion concentration
BOD: Biochemical oxygen demand
SS: Concentration of suspended solids in water
Oil: N-hexane extracts content
*The Technical Center and Head Office / Taura Works are not subject to control values for ammonia, ammonia compounds, nitrous acid compounds and nitric acid compounds.
*The Higashifuji Plant and Iwate Plant are not subject to control values for nitrogen and phosphorous.

There are some other control parameters whose actual measurements are below the N.D. level.

They include the following:

Cadmium, cyanide, organophosphorus compound, chromium(VI) compound, arsenic, total mercury, alkylmercury, polychlorinated biphenyl, total chromium, trichloroethylene, tetrachloroethylene, dichloromethane, carbon tetrachloride, 1,2-dichloroethane, 1,1-dichloroethylene, cis-1,2-dichloroethylene, 1,1,1-trichloroethane, 1,1,2-trichloroethane, 1,3-dichloropropene, thiuram, simazine, thiobencarb, benzene, selenium

Social Aspects

Kanto Automobile believes that the foundations of its contributions to society are putting sound corporate activities into practice. Kanto Automobile views society as including customers, employees, local communities, Japan, and every person in the world. This part of the report on social aspects introduces items considered important in terms of Kanto Automobile's relation with society.

Relations with Customers

Kanto Automobile engages in business activities according to the following clause of the Guiding Principles: Based on the "customer first" principle, Kanto Automobile will conduct research, design and manufacturing, and provide outstanding products that respond to the needs of the times.

A Customer-Oriented Stance

Based on the idea that "customers are the starting point for all of its activities," Kanto Automobile views not only those persons who purchase its products, but all persons that it comes in contact with as customers, and in December of 2003 announced the "customer-oriented stance."

Main Activities

Group	Activities
Corporate Information Center	● Improvement activities based on customer evaluation indices
Technical Group	● Creation of development structures based on the "quality that customers demand"
Production Engineering Group	● Development of core technologies for production facilities that will lead to customer satisfaction
Production Group	● Activities designed to enhance technical skills under the Individual Quality Improvement Declaration ● Zero customer complaint campaign activities and cleaning activities inside and outside plants

Ensuring High Quality

Basic policy

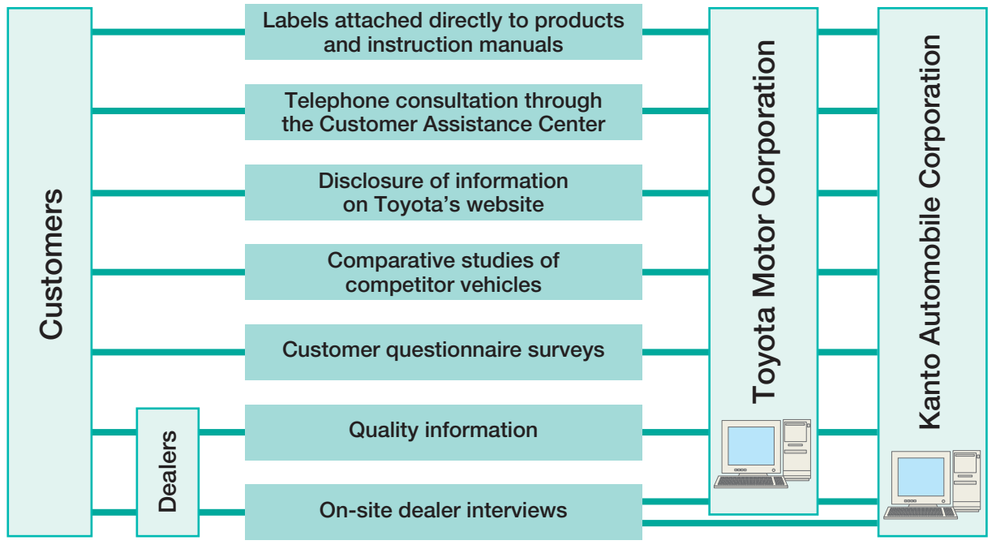
In December of 2003, Kanto Automobile declared a "customer-oriented stance" in an effort to provide customers with satisfaction and excitement through making automobiles. Kanto Automobile's strategy is to carry out specific activities based on two functions.

1. Each year, the leaders of each Group meet to draft annual policies regarding quality functions, and promote and manage priority issues and progress in a systematic and timely manner to ensure that high quality is maintained in the manufacture of automobiles.
2. Each Group (Technical Group, Production Engineering Group, Production Group and the Corporate Information Center) undertakes quality assurance as their own responsibility in accordance with the automobile manufacturing flow "development, production preparation, production."
   In addition, the Quality Division conducts audits of the entire system to confirm whether the overall work flow is being promoted properly and works on any areas that require improvement.

The following four areas are promoted as priority topics.

1. Collection of quality related information from customers in close collaboration with Toyota Motor Corporation (customer needs and expectations, quality levels, information on defects, etc.)
2. Preventive action designed to ensure that quality related issues do not arise (compliance with laws and regulations, new structures, new parts, etc.)
3. If issues do arise, enable early detection and early resolution in order to prevent reoccurrence (use of IT to quickly collect information, swiftly elucidate the causes, and initiate counter-measures)
4. Audits to confirm that each Group is conducting appropriate quality assurance activities and improvement activities (audit meetings, investigation meetings, etc.)

Providing Major Quality Related Information to Customers and Collecting Quality Related Information From Customers



Making Safe Automobiles

Safety

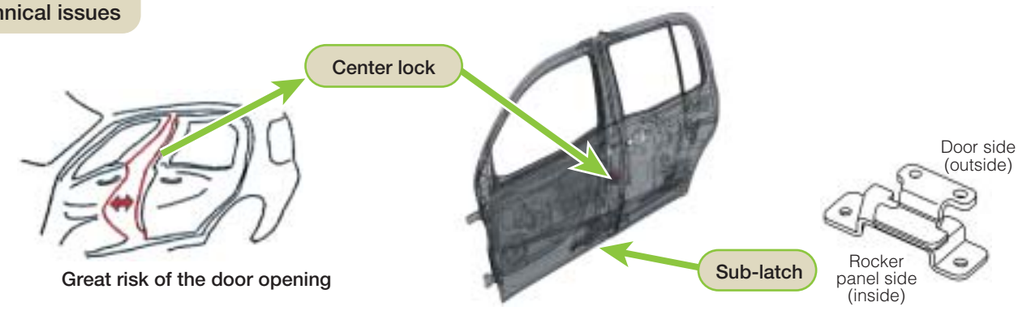
During the vehicle development process, the vehicle's safety performance is extremely important from the viewpoint of ensuring occupant safety.

When the new version of the Raum was being developed, the adoption of the left-side Panorama Open Door resulted in an asymmetrical body structure. Therefore, in addition to achieving the same level of passive safety performance on both the left and right sides, Kanto Automobile adopted the GOA*1 collision-safety body consisting of an impact-absorbing body and a high-strength cabin, and made efforts to ensure passive safety performance that is at the top level within the class worldwide.

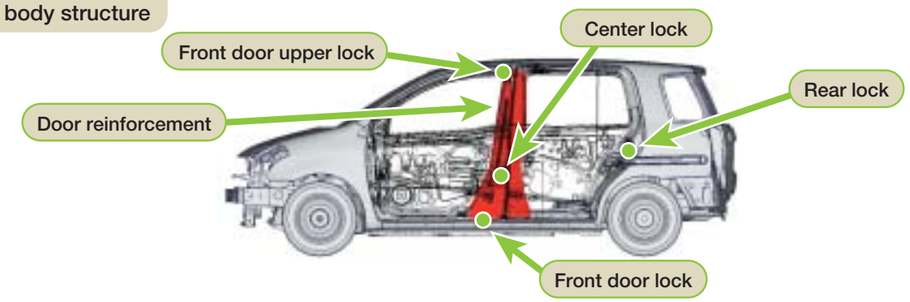
In particular, a left-side collision test was conducted using the JNCAP*2 evaluation index, as well as a test based on Toyota's unique omni-directional compatibility*3 concept, in an effort to achieve a further developed GOA collision-safety body.

*1: Global Outstanding Assessment (safety assessment in pursuit of the world's leading level of safety in vehicles of all classes)
*2: Japan New Car Assessment Program
*3: Front, side, and rear collision tests using the Celsior, which is heavier than the Raum, were conducted and the preservation of the cabin space was confirmed. The approach of improving the collision safety performance of lightweight cars and reducing the damaging effects of heavier-weight cars ensures the safety of both.

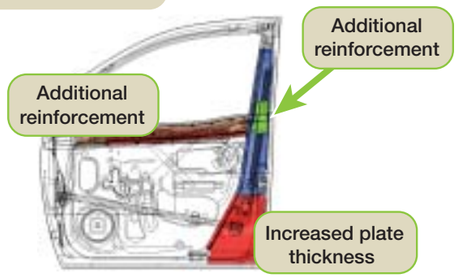
Technical issues



Basic body structure



Front door structure



Left and right side-impact collision tests at 55 km/h

Making User-Friendly Products

Vehicles for Disabled People

Automobiles play a crucial role in providing a means of mobility for people with physical difficulties such as disabled people and older people. Based on the concept of user-friendliness, Kanto Automobile is engaged in the development and production of vehicles for disabled people that are not only comfortable for those being cared for, but easy and safe to use for their carers.

FunCargo slope-type wheelchair adapted model

Features

- Provides a gently sloped ramp with a lowering mechanism. The ramp can be easily deployed and put away with one-hand operations.
- Provided with a one-touch wheelchair-securing device, which enables a person sitting in a wheelchair to get in and out of the vehicle.
- Provided as a small vehicle for transporting disabled people that is easy to handle and has a small turning radius.

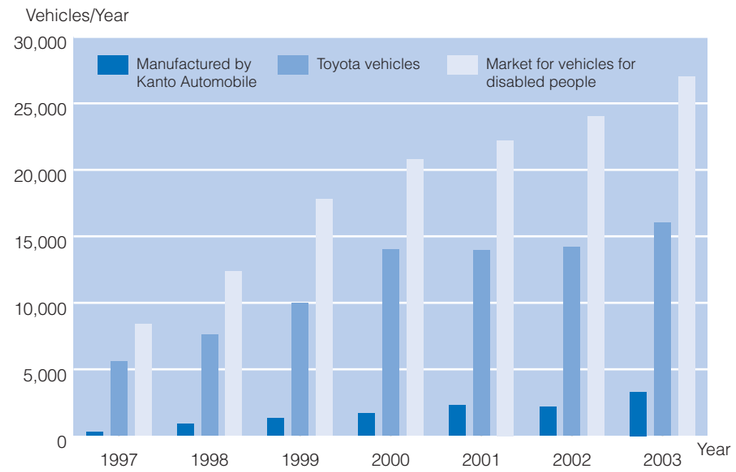
Lift-up Front Passenger Seat in the Raum

Features

- As the door is opened, the front passenger seat is electrically rotated and lowered outside the vehicle.
- A large opening with a Panorama Open Door enables a person in a wheelchair to smoothly move from the wheelchair to the vehicle seat and vice versa.

Market for Vehicles for Disabled People

Since entering the market for vehicles for disabled people in 1997, Kanto Automobile has increased the number of vehicle series for this market, and in 2003 held approximately 10% of the small car segment in terms of sales.



Cooperation with Society

Social Contribution Activities

In order to protect the global environment and pass on the bounty of nature to the next generation, Kanto Automobile's production plants and its other business sites cooperate with local governmental bodies and private organizations, to conduct social contribution activities. Each employee plays a leading role in actively promoting harmony with society and the natural environment based on the fundamental principles.

Major Social Contribution Activities Implemented in FY2003

- Expanded contacts with the local community in the region of the Higashifuji Plant through a large-scale business forum held by Sankoukai (chairman: President Susumu Uchikawa).
- Displayed vehicles designed for disabled people at the festival held by the Toyukai (chairman: President Susumu Uchikawa).
- Supplied vehicles for disabled people (manufactured by Kanto Automobile Corporation) and donated electric wheel chairs to Yokosuka City (Kaneikai).
- Supplied parade cars and drivers for the Yokosuka City Yokosuka Curry Festival, Kurihama Perry Festival, and Yokosuka Kaikoku Festival.
- Provided financial support for the Yokosuka Count Down Festival and displayed the Toyota F1 vehicle.
- Displayed vehicles and equipment developed by Kanto Automobile Corporation for disabled people at the Home Care & Rehabilitation Exhibition.

*The Sankoukai and Toyukai are organizations established by companies that do business with Toyota Motor Corporation in Shizuoka and Iwate prefectures for the propose of "promoting awareness of Toyota products among customers and increasing the number of Toyota fans."

Display of vehicles for disabled people

Yokosuka City Mayor rides in a vehicle for disabled people

Support for Environmental Organizations

- Support activity
  - ・OISCA International
  - ・Collection of empty can pull-tops
- Support activities
  - ・Red Feather Cooperative Fund
  - ・Nippon Television 24-Television Charity Fund
  - ・Donation of used telephone cards, stamps, etc.

Local Beautification Activities

Employees of Kanto Automobile Corporation engaged in a variety of activities to clean up areas around plants and business sites and local commuter routes and rivers in an effort to maintain and improve the natural environment through protection and beautification of the local environment.

Beautification of commuter routes

Traffic Safety Activities

It goes without saying that although automobiles have enhanced the degree of human mobility and freedom and made possible the transportation of large volumes of goods, those involved in the manufacture of automobiles must always keep traffic safety in mind. In addition to making safe vehicles, Kanto Automobile also actively promotes heightened awareness of traffic safety among employees and activities designed to prevent traffic accidents in cooperation with local organizations and governmental bodies.

Initiatives to Heighten Awareness of Traffic Safety

Yellow Stop Campaign (on-going activity since 2000)

Under the slogan "safe driving starts with tranquility," Kanto Automobile has conducted the Stop on Yellow Campaign, which urges drivers to stop for yellow traffic lights and calls on drivers passing through major intersections to drive carefully and considerately. This campaign is being carried out in cooperation with local governmental bodies.

Participation in "Safety Challenges"

The company has been participating in the Kanagawa Zero Accident and Safety Violation Challenge program for the past six years, taking on the challenge of achieving zero accidents or safety violations in order to raise awareness of safety issues and promote traffic safety. Three individuals register as one team, and the number of participants has been increasing each year, leading to improvements in safety.

Calling on drivers to stop for yellow traffic lights

Talk on traffic safety

Traffic Safety Educational Activities

- Flyers handed out to employees when they enter the premises
- Talks on traffic safety given by police
- Soliciting traffic safety slogans and publishing entries
- Awards presented to excellent drivers

Initiatives to Raise Driving Skills

Participation in Driving Skills Courses

In order to maintain awareness of traffic safety and improve driving skills, Kanto Automobile holds various courses and clinics and promotes traffic accident prevention.

- Motorcycle Driving Skills Course

A course is given on safe speeds and cornering techniques under the guidance of members of the Kanagawa Prefectural Police, focusing on drivers in the age group with the highest accident rate.

- Safe Driving Skills Clinic

Activities that enable drivers to obtain a diagnosis of their driving skills and to drive safely.

- Toyota Driver Communication

This course, held at the Fuji Speedway, allows participants to acquire comprehensive driving skills — from basic operation to experiencing the behavior of vehicles at their limits. (See photos)

Slalom training

Braking on slippery roads

Relations with Employees

The Labor-Management Relationship

Kanto Automobile's labor-management relations are promoted based on mutual trust between labor and management. Kanto Automobile believes that mutual understanding and cooperation between the company and its employees provides greater momentum to the company's management programs and ultimately, can contribute to both the company's development and employees' self-fulfillment.

Kanto Automobile will continue to adopt the method of repeated trial and error to improve the labor-management relationship.

Mutual Trust Between Labor and Management

In order to fully compensate the hard work of employees, it is necessary to consider first the company's continuated existence and growth. This requires that employees have an accurate understanding of the situation facing the company and the issues it must resolve. Kanto Automobile is working to explain in as many occasions as possible the company's management programs in light of financial prospects and the competitive environment.

The company also uses such opportunities to express its view that employees, just like customers, are of the utmost importance, and that the company takes their interests seriously.

Stable Employment

Despite sluggish automobile demand in the Japanese market and intense competition in global markets, Kanto Automobile has made every effort to ensure stable employment. The closure of the Yokosuka Plant in 2000 and the resulting division of the mass production plant into two production bases resulted in a shift in the residences of more than 1,000 employees and changes in their work environments, but mutual understanding and cooperation between labor and management made it possible to overcome this ordeal.

Under the current management program, Kanto Automobile is working to increase productivity, reinforce the establishment of new businesses, and enhance competitiveness while maintaining stable employment.

Maintenance and Improvement of Working Conditions

To realize the goal of both labor and management - a prosperous company = prosperous employees - Kanto Automobile is working to increase productivity and added-value.

Labor-management meeting in progress

Safety, Working Environments, and Health

The Entire Company is Working Together to Create Safe and Healthy Working Environments

Fundamental Principles and Structures

●Fundamental Principles of Safety and Health Management

Emphasizing the health and safety of each employee, making continual improvements, and having each individual carrying out his or her roles comprise the fundamental principles of Kanto Automobile's safety and health management.

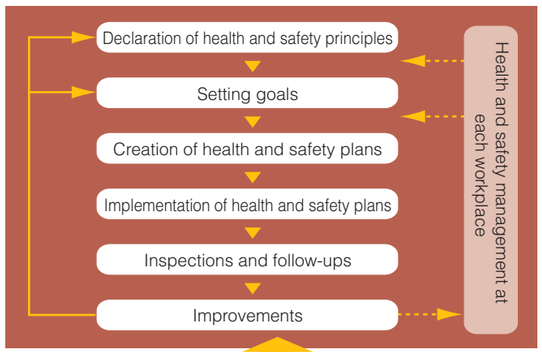
●Safety and Health Management Structure

Business Site Health and Safety Committees have been established in four business sites - the Yokosuka region, the Higashifuji Plant, the Iwate Plant, and the Housing Business Division.

Name of Meeting	Managerial Organization
Central Safety and Health Committee	General Safety and Health Supervisor (Senior Managing Director) (Human Resources Division, Safety & Environment Division)
Business Site Safety and Health Committee	General Safety and Health Administrative Supervisor (General Manager of business site) Safety Supervisor Health Supervisor Industrial Physician
Division Safety and Health Committee	Division Chairman (general manager class)
Workplace Safety and Health Committee	General Manager, Manager, general employees

●Health and Safety Management System

Kanto Automobile created a Health and Safety Management System in 1999 and continuously promotes voluntary activities.



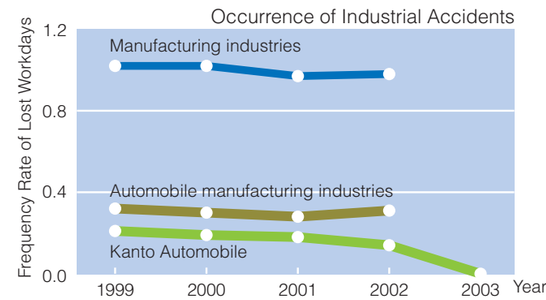
Safety inspections by the director of the Safety & Environment Division

Initiatives Taken in 2003 To Improve Safety and Work Environments

1. Goals Safety: Zero industrial accidents
Work environment: 100% achievement of work-environment improvement plan

2. Major Action Taken

1. Prevention of unsafe conduct through standardized work practices
   Improvement or elimination of dangerous, difficult, and abnormal work practices
2. Firm establishment of safety management at all worksites
   Improve management by determining the degree of safety management in practice and through *mieruka* (visualization)
3. Thorough enforcement of basic rules
   Drafting of plans and implementation of refresher courses for work requiring specific qualifications
4. Confirmation of the safety of new and existing facilities based on facility safety standards
5. Improvement of the work environment (measures against excessive heat and improvement of difficult work processes, etc.)

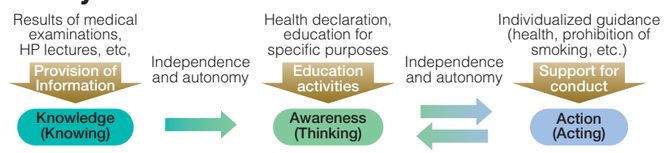


Frequency Rate of Lost Workdays = the number of days of work missed due to accidents divided by the number of man-hours times one million.

FY2003 Initiatives to Build Healthy Minds and Bodies

1. Framework of activities for health management

Establishing attitudes among employees to encourage them to independently and autonomously develop good health on the basis of the Health Declaration.



2. Main Action Taken

Physical Health	Mental Health
1 Promotion of a change in awareness through use of the Health Declaration Guidance and follow-ups by medical staff based on the Health Declaration	1 Support for individual mental health care by all employees Creation of a self-check system for stress
2 Reinforcement of anti-smoking activities Reinforcement of guidance primarily through increased educational activities and classes to help employees quit smoking	2 Mental health training for managers and supervisors Practical training that allows managers and supervisors to recognize health problems in subordinates
3 New measures to focus attention on health Introduction to other employees through solicitation of personal health techniques	3 Creation of a system that facilitates consultation by employees Creation of a specialist hotline for rapid detection and appropriate remedy of problems

Human Resource Development

The base of all Kanto Automobile's activities is the consistent adoption of a customer-oriented stance and the striving to become the world's leading manufacturing company. Kanto Automobile is implementing a variety of personnel measures and reforming organizations and management to ensure a steady flow of diverse personnel with the boldness and flexibility needed to achieve this. Through automobile and automobile-related industries that create "utility" and "welfare," Kanto Automobile hopes to develop personnel that are active throughout the world, and not only contribute to the prosperity of the employees and the company, but to the development of humankind as a whole.

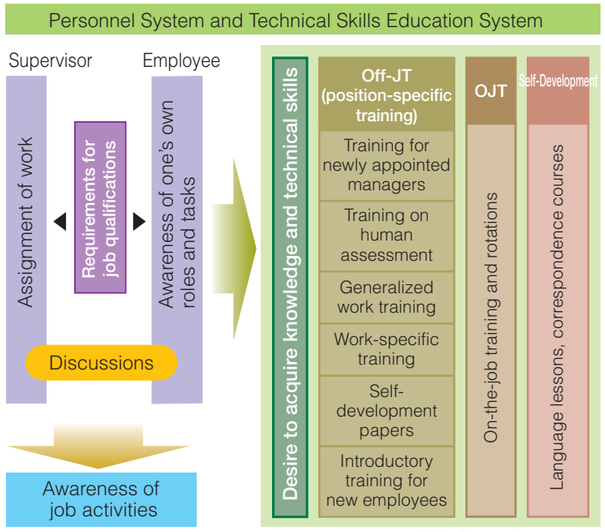
Administrative and Technical Personnel Training

Kanto Automobile implements educational measures to suit the qualifications required for certain jobs, with the ideal being "independent (autonomous) employees."

An independent (autonomous) employee refers to an employee who makes an effort towards self development, is able to make the maximum use of skills when performing work functions, sets his or her own work tasks, displays leadership, and is able to achieve goals. Kanto Automobile supports such employees in their efforts to gain new skills and constantly improve.

Education to fulfill internal needs such as raising communication skills to respond to globalization is also provided.

Specific training methods focus on off-the-job training, on-the-job training, and self-education in combined classrooms.



OJT: On-the-job training

Technical Staff Training

In order to become the "world's number one plant," it is essential to train personnel who can work throughout the world. This requires strong leadership and advanced skills. The foundation of personnel development is, needless to say, on-the-job training, but Kanto Automobile also implements a variety of supplementary measures.

First, in order to create processes centered on assistant managers and foremen, with the aim of raising productivity and enhancing competitiveness, Kanto Automobile has clarified the roles of supervisory personnel based on a reorganization of technical staff qualifications. In addition, individual skills maps were created on the basis of job qualification requirements and employee conferences conducted based on these maps. Through the training and education programs listed to the right, Kanto Automobile promotes initiatives to stimulate employee enthusiasm, improve skills, expand technical abilities, and develop human resources.

- **Job-specific training:**
  Foreman training, assistant manager training
- **Position assessment:**
  Process training, supervisor training, human assessment
- **Basic knowledge and skills training:**
  TWI-JI, QC, Toyota Production System

  Trainer education:
  Training to improve basic skills
- **Self development:**
  Technical skills testing

Diversity and Equal Opportunities

In response to on-going changes in the labor market, such as the increased role of women in society, falling birth rate, and an aging society, Kanto Automobile seeks to create workplaces where a diverse range of employees can work with enthusiasm. To this end, Kanto Automobile has instituted childcare and nursing care support and senior citizen employment programs.

Childcare and Nursing Care Support

In response to calls for assistance from employees caring for children or sick family members, and in response to societal demand, Kanto Automobile is working to improve its employment system through a support structure for such employees and by making it easier for such employees to work.

Protection of motherhood Childcare support program	Details	Pregnancy	Childbirth		Childcare			
			Six weeks before	Eight weeks after	1 year old	3 years old	6 years old	7 years and older
No requirement to work overtime or late nights during pregnancy	No requirement to work overtime or late nights (upon request from the employee)	■						
Maternity leave	Six weeks of leave prior to childbirth (14 weeks in the case of a multiple pregnancy) and eight weeks of leave after childbirth		■	■				
Measures to protect motherhood during pregnancy and after childbirth	Motherhood protection measures as prescribed by a doctor during pregnancy and for one year after childbirth (grants of special leave)	■	■	■	■			
Childcare and nursing care leave	Grants of leave for childcare and nursing care				■			
Childcare and nursing care time	Employees may leave the workplace up to twice a day for 30 minutes each time for childcare or nursing care				Nursing care time is limited to one year			
Limitations on overtime	Limitations on overtime (upon request from the employee) (up to 24 hours per month and 150 hours per year)				■	■	■	
No requirement to work overtime or late nights	No requirement to work overtime or late nights (upon request from the employee)				■	■	■	
Core-less flex time system	Elimination of core times from flex time system	■			■	■	■	■

Senior Citizen Employment Program (Re-employment upon reaching retirement age)

In order to take advantage of the skills and abilities developed over many years of employees who retire upon reaching age 60, Kanto Automobile promotes the re-employment of such employees upon their request.

Cooperation with Business Partners

Cooperation with Suppliers

In order to undertake more active environmental preservation in collaboration with suppliers, Kanto Automobile created the Green Purchasing Guidelines, a summary of its requests to suppliers. Kanto Automobile also promotes the purchase of green office supplies, office equipment, and uniforms that reduce environmental impact.

Green procurement: Selection and procurement of environmentally considerate containers and packaging materials, parts, raw materials and so on
(procurement of raw materials, components, semi-finished products, and finished products for production)
Green purchasing: Selection and purchase of products that have minimal environmental impact
(purchase of office supplies, uniforms, paper and other consumables)

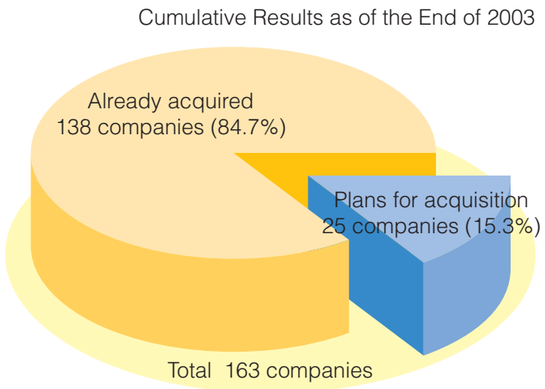
Basic Purchasing Policy

Engage in environmental preservation activities together with suppliers in an effort to attain the coexistence of and harmony with the Earth, people and society at large.

Creation of the Green Purchasing Guidelines

The Green Purchasing Guidelines make the following two requests to suppliers.

1. Creation of an environmental management system
Acquisition of ISO 14001 certification by 2005



2. Management of Substances of Environmental Concern
- Reports on substances of environmental concern contained in parts used in automobiles and materials used at Kanto Automobile's plants
- Reduction and management of substances of environmental concern used as raw materials by suppliers

Promotion of Green Purchasing

Kanto Automobile has held briefings and set up a website to encourage the priority purchase of environmentally considerate products by all divisions. By focusing not only on quality and price but also on the purchase of environmentally considerate products such as eco-mark certified products, Kanto Automobile has set the stage for achievement of 100% green purchasing of office supplies, office automation equipment, fixtures, and uniforms.

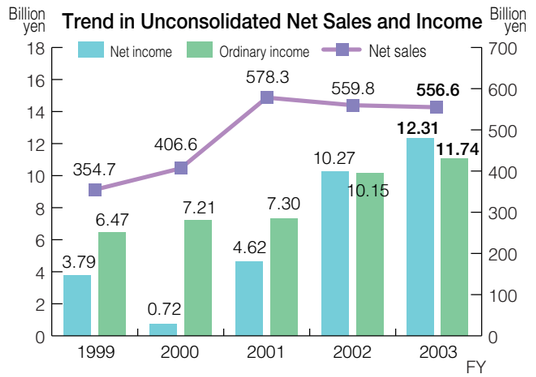
Economic Aspects

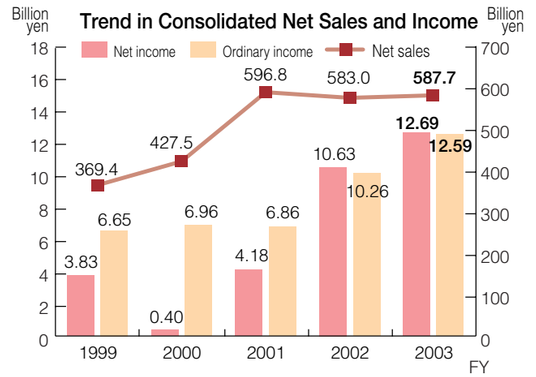
Economic Performance Indicators

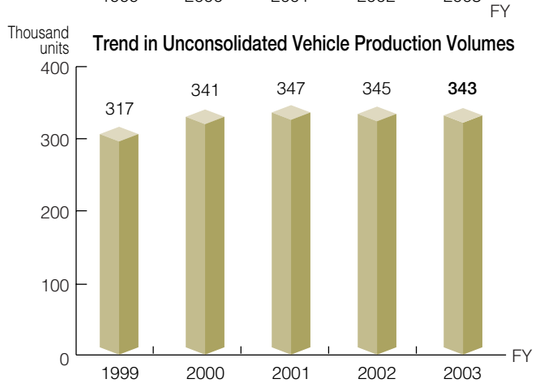
Economic Performance

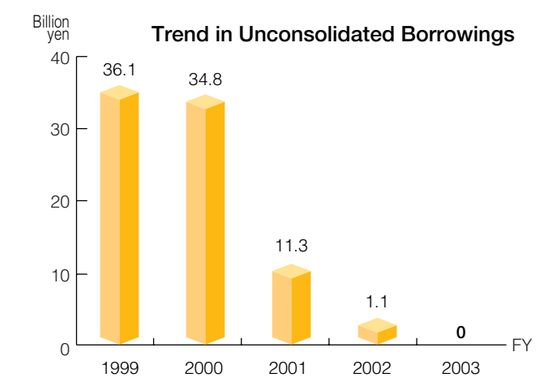
In order to achieve "compatibility between the environment and the economy," "fulfillment of responsibility towards society" and gain the trust of all stakeholders including customers, shareholders, society, and employees, Kanto Automobile is making efforts to strengthen management foundations based on a long-term vision and pursue stable growth. Representative economic performance indicators for Kanto Automobile are shown below.

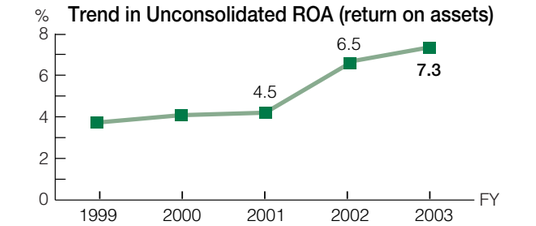
For more information, please refer to the "Investor Information" portion of Kanto Automobile's website. http://www.kanto-aw.co.jp/ir/top.htm (Japanese only)

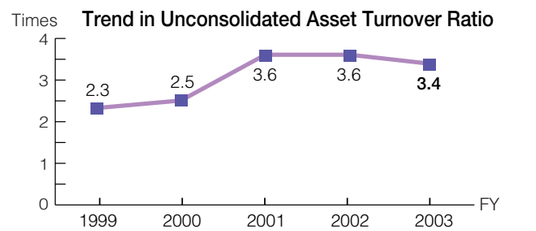












Major Management Indicators (April1, 2003 – March 31, 2004)

	Unconsolidated	Consolidated
Total assets	166 billion yen	174.1 billion yen
Shareholders' equity	77.3 billion yen	78.4 billion yen
Return on equity (ROE)	17.1%	17.4%
Return on assets (ROA)	7.3%	7.4%
Equity per share	1,108.91 yen	1,124.45 yen
Net income per share	175.13 yen	180.19 yen
Capital investment	11.8 billion yen	12.9 billion yen
Depreciation	13.4 billion yen	14.7 billion yen
R & D expenses	3.5 billion yen	3.5 billion yen
Number of employees	5,357	6,436

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http://www.kanto-aw.co.jp/