

Promoting Modal Shift and Tackling Logistics Challenges

Our CSR Report 2016 carried a highlight article titled, "Aim to Reduce CO₂ by Changing the Distribution Structure through a Modal Shift."* To lead the company's efforts in improving the efficiency of its logistics, the Logistics Section was established in 2020 under the Production Division's Production Administration Department. This article interviews the leaders of the section about the current status of the project and its future prospects.

* Modal shift: An initiative to reduce CO₂ emissions by changing the mode of transport for passenger or cargo transportation from truck to railway or ship, allowing mass transport.

WEB CSR Report 2016 Aim to Reduce CO₂ by Changing the Distribution Structure through a Modal Shift



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Tell us about the current status of the efforts initiated in 2013.

Activities for the reduction of CO₂ emissions

In 2019, before the official establishment of the Logistics Section, the team started working with plants and domestic group companies to identify issues that needed to be addressed in order to reduce CO₂ emissions and compiled them in an annual plan (see table below).

As we were not able to reach an agreement with a railroad company regarding transport volume and delivery times, we could not increase the number of railway sections used for the transport of our freight. We have therefore been focusing more on addressing issues concerning trucking. For issues that have not progressed as planned due to the decrease in our total volume of freight transported, we are on standby to address them at any time once the situation changes.

▼ Activities to reduce our CO₂ emissions from distribution: Number of issues addressed in each year

Unit: issues

Issues addressed	FY2019	FY2020	FY2021	FY2022	FY2023
Issues concerning marine transport sections	7	9	13	13	14
Issues concerning railway transport sections	4	4	4	4	4
Issues concerning increase in truck loading efficiency	1	2	8	9	9
Issues concerning combined orders for trucking delivery	0	0	1	1	1
Total	12	15	26	27	28

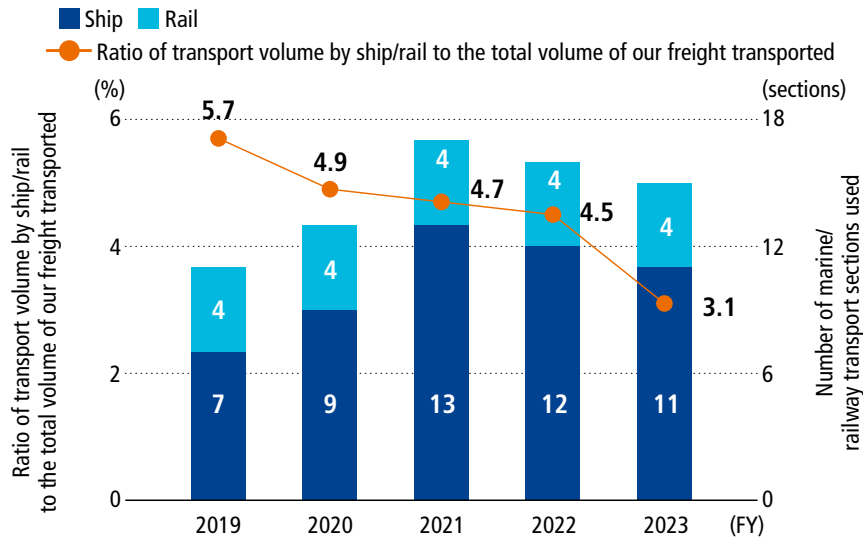


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Progress of modal shift

LINTEC has been working with both internal and external parties to advance a modal shift since 2016, trying to identify sections of freight transportation routes where trains and ships can replace trucks. During the past five years, although the ratio of transport volume by ship/rail to the total volume of our freight transported actually decreased due to the relocation of the company's production sites and the change in its production volume, we worked hard to increase and maintain the number of marine/railway transport sections (see graph below).

▼ Number of marine/railway transport sections available for our freight and the ratio of transport volume by ship/rail to the total volume of our freight transported



Measures taken to reduce environmental impact of distribution

To reduce CO₂ emissions from trucking, we have been striving to enhance loading efficiency. The introduction of a two-tiered loading system and a deck rack system are examples of such efforts, with the former used to transport large quantities of a single type of product and the latter used for mixed loading of different products. It has been confirmed that they are effective in reducing the number of vehicles needed while providing the same level of reliability as traditional methods. We are promoting the use of the systems for a greater part of our trucking routes.



Two-tiered loading system



Deck rack system



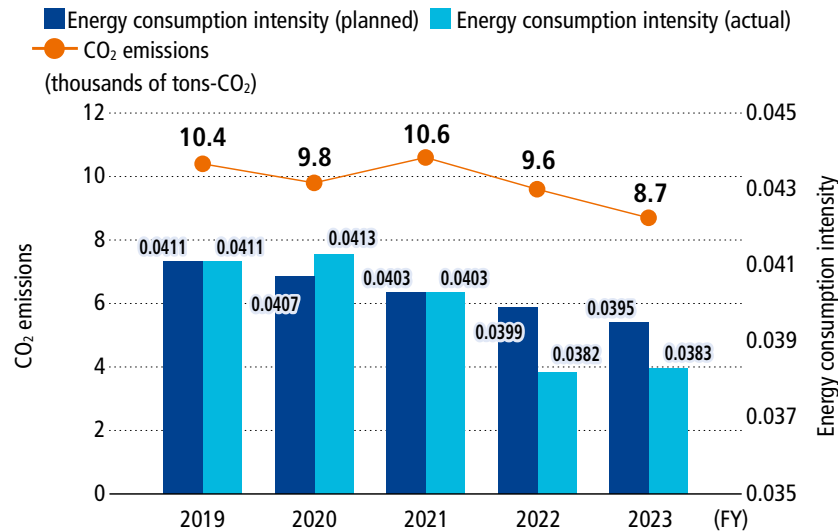
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Current status of CO₂ emissions from distribution

LINTEC aims to reduce transportation energy consumption intensity by at least 1% annually, and has achieved an average annual reduction of 1.74% over the past five years. But we are also aware that effects of our existing activities on reducing CO₂ emissions are limited and that there is a need to adopt additional ways to accelerate the reduction (see graph below).

Going forward, we will introduce new insights and technologies that lead to the reduction of CO₂ emissions from distribution, while continuing the current efforts to reduce transportation energy consumption intensity by at least 1% each year.

▼ CO₂ emissions and transportation energy consumption intensity



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What feedback have you received from customers and others regarding your efforts to date?

We believe that our efforts to support Japan's distribution structural reform and reduce CO₂ emissions have also helped alleviate or reverse the truck driver shortage stemming from the workplace reform laws.

We have received positive feedback from customers and trucking firms that cooperated with us in switching to two-tiered loading and deck rack systems. The comments included expressions of appreciation of the increased loading efficiency, which in turn leads to less vehicles being required and reduced stress on drivers. There were also comments on the benefit of the two-tiered loading system that improves the efficiency of loading and unloading.



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Your efforts, which were originally aimed solely at reducing CO₂ emissions from distribution, are now expanding in scope to encompass other issues including the truck driver shortage and changes in the external environment, such as workplace reform. What are you planning to do going forward?

We are currently working on the activities listed below in connection with the so-called "2024 problem" (truck driver shortage) and the White Logistics movement*. We will continue to support the distribution structural reform in cooperation with customers and others.

* White Logistics movement: A movement aimed at addressing the serious shortage of truck drivers in order to support industrial activity and boost economic growth as well as maintain stable logistics operations, which are an essential service

1. Revision of freight charges:

We have revised freight charges in consideration of the workplace reform for truck drivers.

2. Adjustment of receiving and shipping window:

We have brought forward the order cutoff time for same-day shipment with the agreement of customers to regulate the working hours of truck drivers.

3. Joint shipment from the company's multiple plants:

We are promoting the use of a single vehicle to transport multiple shipments from different plants to increase loading efficiency.

▼ Example of joint shipment

