TOYOTA MOTOR CORPORATION

Key Messages

Sustainability Report 2012

Processing

Toyota Loops is a special-purpose subsidiary of Toyota Motor Corporation, founded to provide greater employment opportunities for people with serious disabilities. Toyota Loops handles in-house printing, intra-company mail receipt and delivery, and other such operations that were previously done inside Toyota Motor Corporation. Toyota Loops handles the printing and binding of this report.

Editing, Plate Making

This report is compiled using the Computer to Plate (CTP) system, resulting in the total elimination of film, an intermediate material, during the plate making process.

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This report is printed on paper made with wood from forest thinning for sound forest management.

Ink

The ink used contains less than 1% VOC (volatile organic compound) as petroleum-based solvents are replaced by vegetable oil-based solvents, principally soybean oil.

Toyota has participated in activities of the WBCSD (World Business Council for Sustainable Development) as a member of this organization.

WBCSD engages in advocacy activities aimed at realizing sustainable development based on the three pillars of economic growth, environmental protection and social development.

World Business Council for Sustainable Development

Toyota is a supporter of Education for Sustainable Development (ESD).

ESD activities are aimed at creating a sustainable society.

+ Education for Sustainable Development

Cover design: The tree on the cover represents the Toyota Global Vision and illustrates what kind of company Toyota wants to be: the firm roots stand for Toyota's shared values, the fruit for "always better cars" and enriching lives of communities, and the trunk for the stable base of business. The firm roots produce fruit and allow the trunk to grow thick and strong, ensuring the next crop of fruit. This virtuous circle reflects Toyota's vision to be a company achieving sustainable growth.

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EA-1209

By delivering “always better cars” to customers and contributing to the betterment of towns and communities, we aim to be a company whose growth is welcomed by as many people as possible

I first would like to express my sincere gratitude for your ongoing support and understanding of our company.

No matter how harsh the business environment becomes, Toyota has always strived to make better cars that exceed expectations and bring smiles to those who choose them.

In our vehicle manufacturing, as well as in our social contribution activities and across the whole of our business activity, we have a responsibility to consider how to respond to society's expectations in a range of areas—from the environment and safety, to employment, human resource development, and our response to the aging society.

As stated in the Toyota Global Vision announced in March 2011, making better cars and contributing to the betterment of towns and communities leads to a stable business base. This is the Toyota approach to business: achieving sustainable growth through a virtuous cycle. I believe the new cars we launched in the fiscal year 2011 show the direction we are headed in.

It is likely that the very difficult business environment the world is facing now will continue. All 320,000 of us at Toyota around the world will work as one to be a company that can realize sustainable growth. Toyota will move forward, never turning back. I, and everyone at Toyota, request your continued and ongoing support.

August 2012

Akio Toyoda
President
Toyota Motor Corporation

Toyota Global Vision

The 'Toyota Global Vision' announced in March 2011, is an articulation of what kind of company we want to be — what kind of company we ought to be. It clarifies our value, “we want Toyota to be a company that customers choose and brings a smile to every customer who chooses it.” The 'Toyota Global Vision' is a distillation of our resolve at Toyota for the future.

Rewarded with a Smile
by exceeding your expectations

Toyota will lead the way to the future of mobility,
enriching lives around the world
with the safest and most responsible ways
of moving people.

Through our commitment to quality,
constant innovation and respect for the planet,
we aim to exceed expectations
and be rewarded with a smile.

We will meet challenging goals by engaging
the talent and passion of people,
who believe there is always a better way.

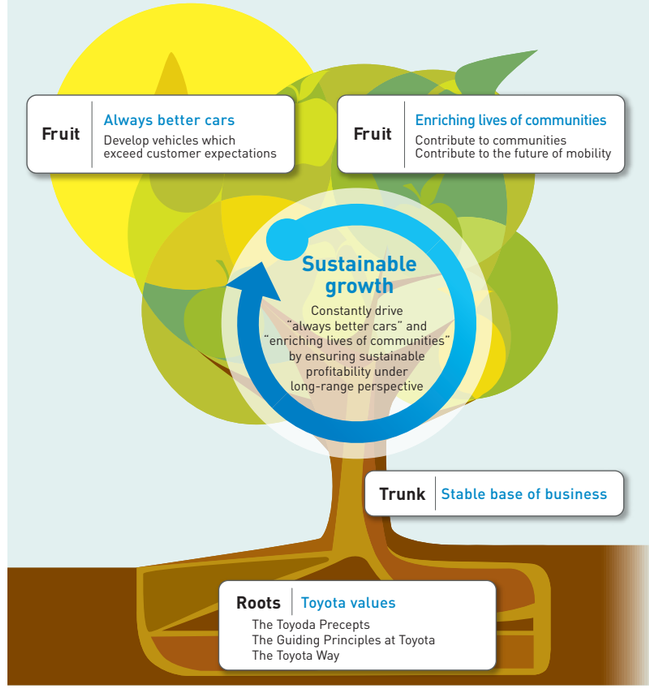
Backdrop and Progress

In the backdrop of this vision, there is our fall into the red after the Lehman Brothers collapse, as well as our reflection over a series of quality problems.

To unite all Toyota together to advance our efforts for the recovery of business performance, we came to realize the necessity of having a dream or a path that we should take that all people who work for Toyota could have in common, one that would define what kind of company we want to be — what kind of company we should be.

We also keenly felt the importance of making what kind of company we are and what kind of values we hold known to all our customers. Based on our ideal for Toyota, the members of our team gathered to discuss and finalize the vision. This is a distillation of our resolve at Toyota.

Toyota Visionary Management



The image of a tree has been chosen to symbolize the Toyota Global vision — its “roots to fruits.”

The roots of the tree are the shared values that have steered Toyota from the beginning and that have underlain our ***monozukuri***. They are values expressed in the Toyoda Precepts, in the Guiding Principles at Toyota, and in the Toyota Way, which are the basis of our business.

The “fruit” that Toyota provides for customers is making better cars and enriching lives in communities.

Through these efforts, we aim to become an admired and trusted company in the various regions where we conduct businesses.

The “trunk” of the tree, the underlying support for Toyota's creating of products that earn smiles from our customers, is the stable base of business.

Toyota's business activities are based on the concept of ensuring sustainable growth by fostering the virtuous circle, “Always better cars → Enriching lives of communities → Stable base of business.”

Toyota's CSR Initiatives

Seeking Harmony with People, Society, and the Global Environment, and Sustainable Development of Society through *Monozukuri* (Manufacturing)

Since its foundation, Toyota has continuously strived to contribute to the sustainable development of society through the manufacture and provision of innovative and quality products and services that lead the times. Cars are useful because they afford us freedom of mobility. On the other hand, they impact society and the environment in various ways. Always bearing this in mind, we listen carefully to our customers and neighbors in local communities to pursue our business, seeking harmony with people, society, and the global environment, as well as the sustainable development of society through *monozukuri*.

In the main line of our business automobile manufacturing we develop and introduce environmentally friendly hybrid vehicles in addition to mechanisms for active and passive safety. We also roll out new businesses in such areas as biotechnology, afforestation, and energy. Furthermore, we pursue initiatives for social contributions that focus on "the environment," "traffic safety," and "education." Such activities centering on automobile manufacturing are designed to help people in the wider community and bring them happiness—this is Toyota's aspiration.

The basis of our rationale is our CSR Policy: Contribution towards Sustainable Development. Toyota aims to become a company that is admired and trusted by society by ensuring that all employees recognize and put into practice our CSR Policy. We have shared the policy with our consolidated subsidiaries and take appropriate action. We also expect our business partners to support this initiative and act in accordance with it. In addition, we participated in the formulation of and observe the standards outlined in the Charter of Corporate Behavior of the Nippon Keidanren (Japan Business Foundation), an alliance of leading Japanese corporations.

For more details, please refer to p. 21.

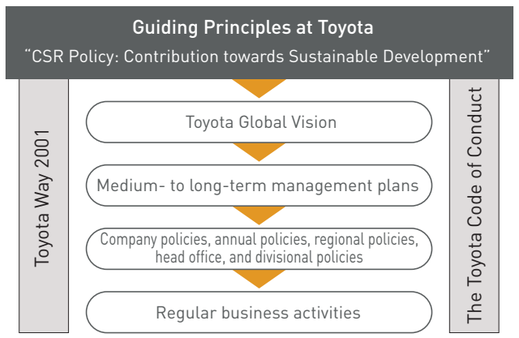
The Toyoda Precepts

1. Be contributive to the development and welfare of the country by working together, regardless of position, in faithfully fulfilling your duties.
2. Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement.
3. Be practical and avoid frivolity.
4. Be kind and generous, strive to create a warm, homelike atmosphere.
5. Be reverent, and show gratitude for things great and small in thought and deed.

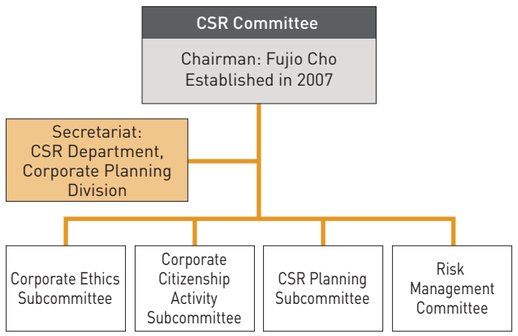
The Toyoda Precepts embody the thinking of the founder of the Toyota Group, Sakichi Toyoda, and have provided moral support for employees as company principles. They continue that role today in the form of the Guiding Principles at Toyota (adopted in 1992 and revised in 1997).

Overview of Toyota's CSR Activities (automobile manufacturing, new business, and social contribution)

Positioning of the CSR Policy

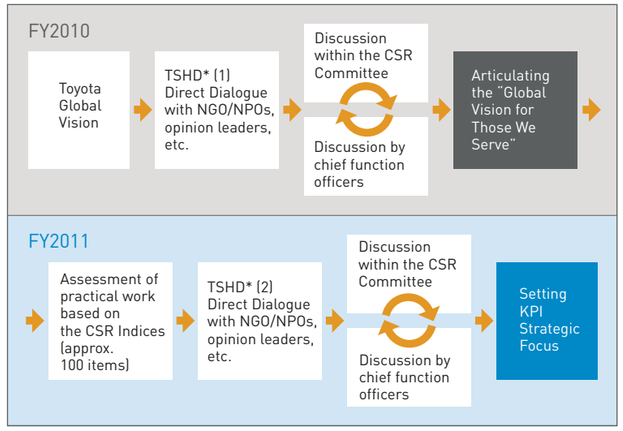


Organizational chart



Global Vision for Those We Serve —Process for devising KPI Strategic Focus—

After we drew up the Global Vision for Those We Serve, which describes how we embody the Toyota Global Vision, we commenced full-scale KPI (Key Performance Indicators) development. Based on the KPI Strategic Focus, which were newly-established after a process extending over two years, our CSR activities have been further enhanced from FY2012 involving the efforts of both external experts and Toyota executives.



*TSHD: Toyota Stakeholder Dialogue

VOICE Opinions Expressed at the 11th Stakeholder Dialogue Held in November 2011

"KPI" to Realize the "Global Vision for Those We Serve"

- Presenting some numeral targets and time boundaries would increase reliability. And even if some targets are not achieved, explaining the reason why they were not achieved could be part of communication.
- Need for disclosure varies according to country and region. It would be effective to work out numerical values by region or segment as well as global ones.

For more details, please refer to the following web page.
http://www.toyota-global.com/sustainability/csr_initiatives/toyota_stakeholder_dialogues/index_csr.html

	Global Vision for Those We Serve		Main KPIs
Always Better Cars	Provide safe and reliable vehicles that inspire enthusiasm at affordable prices.	● Achieve the highest level of customer appraisal in terms of safety, quality and moving people	Receiving appraisal in each country for high safety standards (NCAP, IIHS, etc.) Receiving high external appraisal for product quality (JDPower, IQS/VDS, etc.)
	Listen sincerely to customer voices and continue to reinvent ourselves through sufficient information disclosure and dialogue.	● Increase customer satisfaction at the Toyota Customer Assistance Center etc.	No. of calls at the Toyota Customer Assistance Center etc. Customer satisfaction level
Enriching Lives of Communities	Contribute for economic development of local communities with open stance to new suppliers and dealers and through sustainable growth based on mutually beneficial business relationships with dealers/distributors and suppliers.	● Suppliers: Promote local purchasing globally ● Dealers/distributors: Establish sales networks together to be rewarded with a smile	Diversification of suppliers (Japanese/non-Japanese) Local purchasing No. of countries where Toyota deploys business Evaluation by dealers
	Reduce environmental burdens through lifecycle by developing various eco-friendly vehicles and technologies and making them prevail.	● Aim to improve global average fuel efficiency by 25% by FY2015 (compared with FY2005) ● Promote reduction of CO_2 emissions from our business activities	Global average fuel efficiency Cumulative HV sales CO_2 Emissions
	Be aware of responsibilities of developing and producing vehicles and contribute for realization of new mobility society free from traffic accidents and congestion.	● Engage in advanced/cutting-edge research for a new mobility society, and promote the practical application and popularization thereof	No. of models mounted with safety support systems No. of Smart Community Service users
	As a good corporate citizen, respect the culture and customs of every nation and contribute to social development.	● Continue stable social contribution activities at an appropriate level as a good corporate citizen	Total expenses of social contribution activities No. of specific program participants
Stable Base of Business	Create working environments for various employees to work proudly and with loyalty and confidence in fulfilling their potential, which realize their self-growth.	● Increase the ratio of employees who feel that their jobs are rewarding	Employee Satisfaction Frequency rate of lost workday cases
	Ensure sustainable growth by fostering the virtuous circle, Always better cars > Enriching lives of communities > Stable base of business.	● Establish a stable base of business	Operating income ratio/Break-even point CSR/SRI evaluation

For disclosure of the KPI results, please see pp. 60-61 of the Full Version.

Close up

Creating the Future of Japan Together from Tohoku

With "All Toyota" united efforts, continuously supporting Tohoku revitalization in three areas

Tohoku Revitalization Initiatives by Toyota

VISION 1 Automotive Business

Stimulating the economy through *monozukuri* (manufacturing) at one with the Tohoku region

Making Tohoku the third car manufacturing hub in Japan

VISION 2 Social Contribution

Continuous assistance for the affected areas

Kokoro Hakobu Project

VISION 3 New Business

Developing new business capable of promoting revitalization

F-Grid Concept combining Toyota strength with lessons learned from the disaster

In the aftermath of the Great East Japan Earthquake, Toyota understood that recovery of production would not be possible without recovery of the affected areas. To this end, Toyota immediately got involved in a range of support programs with swift decision-making and implementation based on the following order of priority: (1) lifesaving efforts; (2) early recovery of the affected areas; and (3) recovery of production.

Furthermore, in July 2011, Toyota launched new regional revitalization initiatives in the Tohoku region, based on the concept of building a brighter future for Tohoku in cooperation with local communities through *monozukuri*. The revitalization initiatives include making Tohoku Toyota's third car manufacturing hub in Japan and boosting the involvement in social contribution activities and programs.
With "All Toyota" united efforts, we will continue to carry out initiatives to promote Tohoku revitalization based on the three pillars: the automotive business, social contribution, and new business.

VISION 1 Automotive Business

Making Tohoku the third car manufacturing hub in Japan

Establishment of Toyota Motor East Japan (July 2012)

Kanto Auto Works, Ltd., Central Motor Co., Ltd. and Toyota Motor Tohoku Corporation have been merged with the aim of "creating the world's most attractive compact cars."

[Major Approaches of the New Company]

Build production infrastructure for compact cars

- Develop a profitable management structure for compact cars
- Strengthen compact car production capabilities

Aqua, the star of the Tohoku revitalization (launched December 2011)

Monozukuri at one with the region

- Establish a local-procurement-promotion center in Tohoku (January 2012)
- Strengthen the Tohoku technical center

Aqua component disassembly exhibition and trade show (April 2012)

Medium- to long-term human resources development

Toyota East Japan Technical Skills Academy (scheduled to open in April 2013)

For more details, please refer to pp. 8-9.

VISION 2 Social Contribution

Kokoro Hakobu Project

"All Toyota" revitalization initiatives

Kokoro Hakobu means "to deliver one's heart," which refers here to delivering the warm supportive hearts ("kokoro" in Japanese) of people all over Japan and our feeling of "wanting to do something useful" for the affected areas. We put these two hearts into carrying out various continuous and long-term revitalization assistance activities.

Special open classes of the Toyota First Experience Program were held for elementary students in the affected areas

External power-supply units fitted to cars in public use (Prius) free of charge

Special Tohoku performance of the Toyota Master Players, Wien (all ticket sales proceeds donated)

For more details, please refer to pp. 34-38 of the Full Version.

VISION 3 New Business

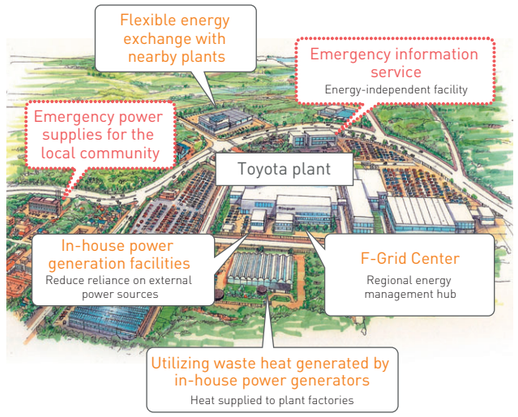
F-Grid Concept*

Create new-style "smart communities" with the leading plant in the town playing a central role

F-Grid Concepts is a new initiative with the aim of addressing energy issues amplified by the disaster, such as security, environmental performance, and economic efficiency, through comprehensive energy management that is not limited to Toyota plants but also encompasses the entire industrial and surrounding areas.

* "F" stands for factory

[F-Grid Concept Initiative]



COLUMN

CSR Boost-up Initiative: Toyota's Initiatives toward Revitalization after the Disaster

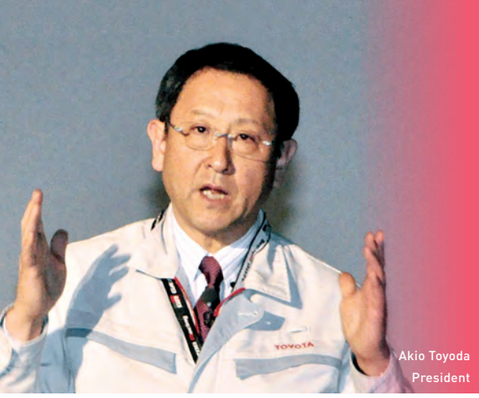
The CSR Boost-up Initiative on the theme of Toyota's Initiatives toward Revitalization after the Disaster was held on March 21, 2012 for the benefit of employees, as a means of raising awareness of the Toyota's principles to address social challenges and Toyota's CSR initiatives. The event also provided an opportunity to reexamine our role as a good corporate citizen in the community.

Due to the high level of awareness and interest in the revitalization process, the number of applications was far greater than the venue capacity. For employees unable to attend, a video of the event was prepared and shared at a later date.

The event gave a general overview of Toyota's initiatives toward revitalization along with individual presentations of people working on the front line in disaster-stricken areas. In addition there were two external speakers who talked about Toyota's contributions and discussed potential future collaboration.

VOICE Quotes from Those Who Attended

- It gave me a better overall understanding of Toyota's work and guiding principles in this area, including things I was not previously aware of.
- The stories from those who have actually gone there to help out were very moving.
- It has inspired me to do something to help others without thinking just of myself.
- It made me think about what I can do to contribute.
- I look forward to seeing similar CSR events in the future.



Akio Toyoda
President

Sustainable Growth through Always Better Cars that Exceed Customer Expectations

People's expectations of cars are constantly changing. People are beginning to experience the pleasure of ownership in emerging countries—which are experiencing rapid economic growth—and everyone has high expectations for greater driving enjoyment and environmental performance. In an era of sudden and drastic change, we need the ability to see what is already apparent, as well as to foresee the next advancement. It is the customer who drives such change. By remaining firmly focused on customers and continuing to listen to them, we can adapt to change and make sustainable growth possible. Continuing to make "always better cars" that earn smiles from our customers is the only way forward to a successful future. Based on this conviction, Toyota will carry on working to meet the diverse needs of different customers and make "always better cars" that can satisfy customers. To enable us to continue meeting this goal, we are working to preserve and strengthen Japan's *monozukuri* (manufacturing) tradition.

Toyota New Global Architecture (TNGA): A New Approach to Car Manufacturing from Toyota

Working Toward Always Better Cars

In order to strengthen our research and development systems, we are expanding the role of our chief engineers (CE) as a way of clarifying their position as the development representatives closest to the consumer, thus speeding up the decision-making process. We have also strengthened our design systems by introducing a design process in which the CE plays the central role. In order to make better cars that match the needs of each region, we have strengthened regional R&D bases, posted regional general managers (North America and China, Japan and Europe, and emerging countries), and are coordinating operations with regional sales divisions and research and development bases.

TNGA: A Smart New System for Making Better Cars

TNGA represents an initiative to make better cars hereafter and a new framework for car manufacturing that will simultaneously realize a large increase in product appeal and cost reductions at an advanced level. It delivers improved performance in the basic performance of driving, turning, and stopping, and enables the standardizing of parts and major components across different models to reflect the preferences of local markets.

Through cooperation between the development and design divisions, newly developed car platforms will help to realize the development of cars with never-before-seen inspiring designs and superb handling. The TNGA initiative will commence with three front-wheel-drive platforms (accounting for approximately half the total unit production volume). To coincide with TNGA, Toyota will introduce "grouping development"—the simultaneous planning and development of multiple vehicle models—allowing the standardization of parts and major components across a greater number of car models and cost reductions in cooperation with suppliers. This approach means that development manpower and costs can be targeted at those development processes that relate to customer preferences and region-specific characteristics, thus achieving differentiation and realizing further improvements in product appeal.

Current R&D Initiatives

Improved design
- Eliminate limiting factors in design and production technology
- Overhaul the design review process (CE is responsible for design review)

Greater authority to the CE
- Speed up decision-making by responding directly to the chief officer
- Overall authority of development units for individual models, with responsibility for product group

Stronger emphasis on regional characteristics
- Assess consumer expectations in each market, boost quality and product appeal
- Shift resources to expanding markets such as China and other emerging markets

Refined organizational structure
- The CE has full responsibility for the whole process of developing a model, and each specialized division develops individual technologies

Future Initiatives
- Further improvements in design
- TNGA (Toyota New Global Architecture)
- Substantial boost to development efficiency
- Stronger focus on markets in emerging economies
- Further enhance product appeal through environmental and other technologies

NS4 (next-generation 4-door concept car: 2.0L PHV)

This concept car realizes excellent environmental performance and is fitted with advanced safety technology and technology that links people, cars and social infrastructure. In addition, it achieves high standards across the board, ranging from design and dynamic performance to actual quality feel.

The "86" won first place in the New Car Sales category of the 2011 Toyota Awards

The Toyota Awards were instituted with the aim of making better cars and are determined based on the numbers of votes from all employees.

Camry

Innovations in Product Engineering Enable the Making Better Cars

Delivering Good Quality at an Affordable Price that Outperforms International Competitors

In order to reflect our policy of "always better cars" in our production phase, we strive for "making better cars" and competitive *monozukuri*.

The automotive industry operates in diverse market environments. While market expansion in emerging nations has created a demand for cars of good quality at an affordable price adapted to regional needs, the limited markets of developed countries are the scene of fierce competition centered around environmentally friendly cars. Moreover, current issues in society ranging from the unprecedented strength of the yen to the crisis in electricity supply—produce very challenging conditions for *monozukuri*. Nevertheless, Toyota has a strong track record in *monozukuri* and as a result of technological innovations, the company has overcome a series of major environmental changes in the past, from the oil crises and stringent emissions standards to the bursting of the Japanese economic bubble.

Going forward, innovations must focus on the need to become a company capable of winning in a climate of global competition and delivering to customers quality products at more affordable prices. Toyota sees this challenging social environment as a major opportunity and aims to achieve groundbreaking cost reductions through *monozukuri* innovations originating in Japan. To reach this goal, we must rebuild our production system, for example by increasing our workplace strength, which is rooted in our knowledge of *monozukuri* and consummate technological skill; strengthening our technological innovation capabilities by integrating advances in production technology together with the creation of new methods and materials and product development; and by developing a three-region system to rebuild production systems based in the Tokai, Kyushu, and Tohoku regions.

This policy orientation means (1) One-by-one production, (2) Production at the optimum speed for sale, and (3) Small-scale production, all of which form the basic principles of the Toyota Production System and the concrete realization thereof.

Orientation of Production Technology for Making Better Cars

Making better cars
Competitive *monozukuri*

Direction of Technology Innovation

(1) One-by-one production
(2) Production at the optimum speed for sale
(3) Small-scale production

Global Rollout of Innovative Technology Established in Japan

In order to manufacture quality products at affordable prices, even in small quantities, we plan to increase the net efficiency rate and universality of our facilities, make possible gradual investment (investment starting at a low level and increasing in line with requirements), and promote the merging and discontinuance of processes as well as other improvements. We believe that this will in turn facilitate localization of production. The following four key phrases form the basis of achieving such technological innovation: "simple and slim," meaning equipment that is resistant to breakage, easy to repair, and involve reduced depreciation cost; "variable models in variable volume," meaning introducing small-scale general-purpose lines with simple set-up changeovers to new/different models; "net shaping," meaning a reduced number of processes and high levels of skill; and "high added value" through miniaturization, higher performance, higher design values, and reasonable prices. Applying this innovative technology will allow timely response to changes in production model or quantity, reducing lost opportunities, and also enable reductions in investment costs, thus strengthening our management systems.

Henceforth, Toyota will rapidly develop and mature innovative technologies that focus on Japan and roll them out globally in a timely manner. The basis of production is to manufacture where the market is. We will therefore implement localization of production. Nevertheless, the source of our competitiveness lies in Japan's strong production sites, advanced production technology, high added-value product manufacturing, and strong sales capacity. In order to maintain and enhance this competitiveness, we are maintaining production in Japan of three million cars and making effective use of this system. This is our approach.

*Net efficiency rate: Proportion of input material used effectively in the final output, such as the time and material process yields that increase added value

Key Phrases for Technological Innovation

Simple and slim
- Simple equipment Break-resistant, easy to repair
- Capital investment reduction Depreciation cost reduction

Variable models in variable volume
- High-volume production line Small-scale production line (Eliminate waste of production capacity)
- Simple set-up changeovers to new/different models

Net shaping
- Process reduction (Reduce stock removal)
- Craftsmanship

High added value
- More compact, higher performance, more stylish, more reasonably priced

Making better cars
- Good style, appearance
- Stability and controllability
- Environment friendly

Competitive *monozukuri*
- Following volume fluctuations
- Prompt changeovers
- More compact at lower cost

Aqua – from Tohoku to the World

Launching a world-leading fuel-efficient car, surpassing Prius, "from Tohoku to the world" Debut of the "Made in Tohoku" Aqua, boosting the popularity of hybrid cars and promoting the development of Tohoku

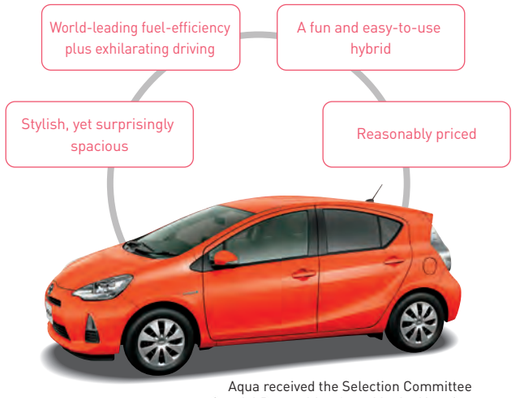
Toyota has released the hybrid car Aqua for the compact car market—in which demand is the highest—based on the belief that the spread of environmentally-friendly cars will contribute to society. During the launch of the new Aqua, a live broadcast was made from the Iwate Plant in Tohoku where the Aqua is produced. The plant has been reinvigorated by the orders for 60,000 cars prior to the launch and production line operators appeared in the broadcast, speaking passionately about the Aqua. The Iwate Plant commenced production firmly believing that the launch of the Aqua would assist in the revitalization of Tohoku. A plan to make Tohoku into the third car manufacturing hub in Japan after Tokai and Kyushu has now begun.

Aqua – the Ideal Compact Car for 2020

Toyota has sold more than 4 million hybrid cars worldwide since 1997 when it released the world's first mass-produced hybrid car, Prius, which gained favor with many customers. Over the intervening years, Toyota has expanded its range of cars fitted with hybrid engines to include minivans, sedans, SUVs and wagons, broadening the scope of hybrids. In addition, responding to the increasing environmental awareness of customers in recent years and the demand for fuel-efficient cars, Toyota has developed the compact and affordably-priced car, Aqua.

Aqua is not simply a smaller version of the Prius. Instead, the concept behind Aqua is to present a revolutionary hybrid compact car designed for 2020. It is a lighter and more compact, fun and easy-to-drive car, boasting the best fuel efficiency at an affordable price. The car name is derived from the Latin word for water, evoking a clean and free-flowing image, to encourage more people to experience the joy of driving hybrids. It has the same hybrid system as the Prius —the Toyota Hybrid System II (THS II)—but most parts, such as the smaller motor, have been redesigned to make them lighter and more compact.

Also, ingenious features support driving to help the driver to better enjoy the capabilities of the hybrid car. These include features to support eco-friendly driving such as Eco Judge, which monitors the level of eco-driving in different driving situations and Eco Wallet, which displays the cost-saving achieved through greater fuel efficiency.



Aqua received the Selection Committee Special Recognition Award in the New Car Sales category at the 2011 Toyota Awards

Seeking to Take Root in Tohoku while Continuing *Monozukuri* (Manufacturing) Activities at One with the Region, and Aiming to Be a Corporate Citizen that Is Admired

In July 2012, Kanto Auto Works, Ltd., which operated the Iwate Plant, Central Motor Co., Ltd., and Toyota Motor Tohoku Corporation were merged to form Toyota Motor East Japan, Inc.

The newly formed company will participate in manufacturing globally competitive compact cars, leveraging the innovative technological strengths of its three predecessors.

Tohoku's production sites, including the Iwate Plant, make use of the region's advantages—such as the local support, outstanding local personnel, and a wide variety of fundamental technologies—to reinforce their capability for compact car production.

Toyota Motor East Japan will provide the world's most attractive compact car that closely fits the needs of customers by creating streamlined and flexible manufacturing sites which handle the production of major components through to assembly, and by making improvements and reforms to car production through unified development, manufacturing technology and production. We believe that this will enable us to preserve Japanese *monozukuri*.

Toyota's quintessential compact car, the new Corolla launched in May 2012, is also produced in Tohoku, at the Miyagi Plant, boosting the local procurement rate to 40% and giving impetus to the car production industry in the region.

Production line for the Aqua

Three Key Measures for Providing the World's Most Attractive Compact Cars

Build production infrastructure for compact cars	Develop a profitable management structure for compact cars	→	Rigorously implement manufacturing fundamentals; lean and strong management
	Strengthen compact car production capabilities	→	Strengthen engineering skills and further improve manufacturing capabilities
Monozukuri at one with the region	Establish a local-procurement-promotion center in Tohoku (January 2012)	→	Strengthen local procurement that is at one with regional industry
	Strengthen the Tohoku technical center	→	Promote development of new technologies and parts through partnership with private, public and academic institutions
Medium- to long-term human resources development	Establish a training center in April 2013	→	Contribute to the revitalization of the local economy over the medium- to long-term through development of human resources in manufacturing (accept trainees from local industry)

Nobuaki Takahashi
Quality Control Div.
Iwate Plant
Toyota Motor East Japan, Inc.

VOICE Comments from the Field

Our motto is "Delivering shiny new cars to our customers"

Aqua, the first hybrid car we have produced, is the shining star of Iwate for the revitalization of Tohoku. As "Team Iwate," we have replaced our inspection checklist with an evaluation from the customer's perspective and, by closely coordinating each process, we succeeded in the early launching of a high quality car. We will continue to aim for even higher quality, with a goal of one day seeing the Aqua sold everywhere as the highest quality car in the world.

Toyota East Japan Technical Skills Academy Contributes to Local Development by Nurturing Talent

Toyota has long being engaged in human resource development based on the principle that "***monozukuri*** is about developing people." For Toyota Motor East Japan, it is the Toyota East Japan Technical Skills Academy that will reinforce the foundation of ***monozukuri*** by developing people.

The Academy's founding concept is to be a school that will cultivate future strength based on three pillars: "human resource development," "environmental and energy management" and "coordination with local communities."

In concrete terms, it will establish a Manufacturing Equipment Course for students to learn about production technology and manufacturing equipment, and will recruit new graduates from technical high schools in the Tohoku region. It is a one year program providing approved vocational training based on the Ministry of Health, Labour and Welfare's Human Resources Development Promotion Act. Of the 1,760 class hours, approximately 60% is dedicated to practical skills training, 30% to general education for the body and mind and 10% to academic subjects. In addition, programs are planned for learning about the roots of Tohoku ***monozukuri***, club activities and conducting local volunteer work.

Through such training opportunities, the Academy will make a medium- to long-term contribution to community development in Tohoku.

Toyota East Japan Technical Skills Academy (artist's rendition)

Nobuyori Kodaira
Executive Vice President

Enriching Lives of Communities

message

Contributing to the creation of next-generation communities, pioneering the future of the automotive industry, and realizing new mobility societies and affluent local communities

A variety of problems exist in our rapidly progressing modern society. These include responses to energy problems and global warming, the preservation of biodiversity, food and water shortages, poverty, discrimination, unemployment, a falling birthrate and the aging of society-some of which are global issues, while others differ by region. Corporations such as Toyota, which are rooted in each local communities, must work to resolve these issues.

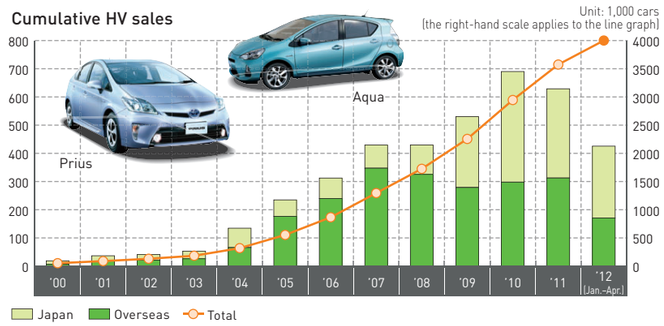
To achieve this end, our Global Vision declares that we will contribute to enriching lives of communities as well as the making of "always better cars." Toyota proposes amenable, low-carbon mobility in addition to new lifestyles involving, for example, the early practical application of personal robots that provide support for medical care and nursing. We also contribute to creating comfortable, livable communities by developing and promoting next-generation, eco-friendly cars including hybrid vehicles (HVs), as well as safe mobility through interaction with transport infrastructure. We will proceed forward together with members of each region to accomplish our goal of enriching lives of communities.

Contributing to New Mobility Societies

In order to ensure the sound future development of a mobility society that relies on automobiles as a means of transportation, it is necessary to minimize their impact on the environment while significantly reducing traffic accidents, traffic congestion, and other negative aspects. Based on the concept that the spread of eco-friendly cars is the key to their contributing to society, Toyota is developing and promoting various eco-friendly cars that will help realize a low-carbon society. In addition, we provide safe mobility through interaction with transport infrastructure, amenable, low-carbon mobility, and new societies that link people, cars, robots, and houses. In this way we are actively working toward realizing sustainable, affluent societies.

Contributions through Cars Aimed at a Low-carbon Society

The Prius went on sale in 1997 as the world's first mass-produced HV. Other HVs have since been introduced and are currently sold in approximately 80 countries and regions around the world. In April 2012, cumulative sales of HVs exceeded four million units, with a CO_2 emissions reduction of roughly 26 million tons. The Prius PHV went on sale in December 2011, and the RAV4 EV is scheduled to go on sale after summer 2012. Furthermore, Toyota intends to enter the fuel cell car market in around 2015.



More Linked Cars for a More Linked World: Smart Communities

Toyota is also resolving issues by linking cars and society—not only with people, but with houses and infrastructure as well. The Smart Grid to which Toyota has been devoting energy in recent years is one representative example.

Toyota's concept of the Smart Grid involves linking cars, houses, and society via Toyota Smart Center, and improving energy efficiency through energy management as a means to contribute to a low-carbon society. Cars account for a sizeable proportion of the energy used in regular households. Because Toyota also sells PHVs and EVs powered by electric motors, we believe there is much we can accomplish in this field.

In addition, we have been engaged in our housing business, Toyota Home, for over 30 years. We began selling SINCÉ feelas, a type of Smart House, in April 2012. Furthermore, we have made accomplishments in relation to car telematics through activities including the G-Book. By making use of these strengths for initiatives in this field, we intend to help realize a low-carbon society and create pleasant, convenient lives.

A townscape from the Toyota City pilot project—a Smart Community with the aim of zero CO_2 emissions from houses and cars

More Linked Cars for a More Linked World: Safe Mobility through Interaction with the Transport Infrastructure

Efforts to improve the safety of the cars themselves are basically a major component of our initiatives. We also work to further improve the safety of cars by linking them with infrastructure.

For example, our efforts include improving car safety by automatically detecting dangers in accident-prone areas such as intersections and warning drivers of such dangers. We introduce such systems and technologies that have passed verification stages through cooperation with the nation, government, and related industries.

More Linked Cars for a More Linked World: New Lifestyles

With the goal of achieving societies where all people are able to lead more enjoyable, affluent lives, Toyota is developing partner robots that are useful to people by combining cutting-edge technologies from various disciplines including the robotic, automotive, and IT fields. For example, we are currently developing and testing assist robots which provide support in various realms of nursing in order to fulfill the needs of an aging society together with specialized medical institutions, with the aim of practical use in the early 2010s.

Patient transfer assist robot

Contributions through Our Business Activities

We are working to resolve various issues through the evolution of cars themselves and via links with cars. We have a fundamental role that we must fulfill as we carry out our business, which includes responding to issues related to employment and the aging of societies.

Toyota produces automobiles in 50 countries across the globe and has over 300,000 employees. Furthermore, the number of relationships we have is dozens of times greater if we include the dealers and suppliers that support us, as well as the family members that support them. We believe that our role is to contribute to employment and the affluence of communities by carrying out sustainable business—with no peaks or troughs—together with the people who support Toyota. Toyota will continue to contribute to the sustainable growth of local communities through cars themselves, links with cars, and our business activities.

Special Feature
Enriching Lives of Communities

Contributing to the Realization of a Low-carbon Society

Linking Cars, Homes, and People—the New Future Envisioned by Toyota

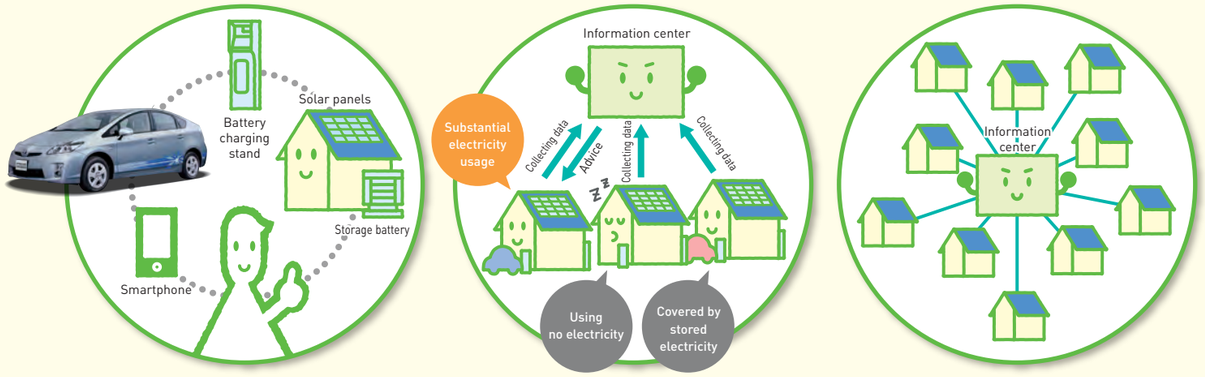
With changing social conditions and technological innovations (as exemplified by declining birth rates, the aging of society, and energy diversification), the role of the car is likely to extend beyond just providing a means of transport to becoming a part of society and people's lifestyles. To create the possibility of economic growth without the intensive use of energy and resources and contribute to a sustainable, low-carbon society, Toyota is moving beyond the existing framework to produce new cars with added value and appeal. Furthermore, with respect to people's lifestyles and activities, we wish to continue contributing to the creation of genuinely prosperous lifestyles with peace of mind for everyone.

This is the Smart Grid Envisioned by Toyota!

1 Cleverly controlling PHV and EV battery charging and household electricity

2 Providing an information center for the diverse energy uses of households

3 Effective energy use in the whole region



Toyota's Role in Creating Communities of the Future

Toyota is making use of smart grid* technology from the perspective of vehicle users by linking cars, homes, and people to help customers live comfortable, low-carbon, and energy-efficient lifestyles, as well as to assist in creating next-generation "smart communities."

In the future, as the use of eco-friendly vehicles including plug-in hybrid vehicles (PHVs) and electric vehicles (EVs) expands, the peak electricity demands of communities will increase if battery charging commences simultaneously. The optimal way to control battery charging is an important issue in the popularization of eco-friendly vehicles. The "smart house" developed by Toyota Home is equipped with a solar power generator and functions to efficiently control electricity consumption, thus providing an ideal method of utilizing self-supplied electricity and managing battery charging for cars. This initiative for battery charging grew out of a single PHV and one smart house, and will be expanded in stages to eventually create large eco cities. This is the smart grid envisioned by Toyota.

Toyota has vast expertise in the numerous technologies needed for the operation of smart grids including of course vehicle technologies, and also IT and housing-related technologies. These will be incorporated into smart grids, or smart communities, in cooperation with various industries and local governments. Cutting-edge information technologies and extensive information management infrastructure are also needed. By coordinating this with future car manufacturing, cars will become not just a means of transport, but also a contact point for people's daily lives and an important element of social systems. Providing comprehensive lifestyle support services to customers through cars—Toyota believes that this will be a valuable business that will respond to communities' requirements and contribute to environmentally friendly societies of the future.

* Smart grid: In general terms, the smart grid is a new power network for achieving stable electricity supply and energy saving by controlling supply and demand through the use of information technology.

Toyota Home's smart house, SINCÉ feelas, launched in April 2012

Participating in Demonstration Tests in Various Countries and Regions

Toyota participates in demonstration tests in several locations worldwide to realize the smart grid that the company envisions and popularize next-generation environmentally friendly vehicles. Through these tests, Toyota has developed new technologies and evaluated the usability of cars, peripheral devices, and so on from the customer's perspective.

China
Tianjin/Beijing

France
INES project
Strasbourg

America
Boulder, Colorado

Japan
Rokkasho Village, Aomori Prefecture

Toyota City, Aichi Prefecture
Kitakyushu City, Fukuoka Prefecture
EV/PHV Towns

Main Advances and Demonstration Test Results for FY2011

Rokkasho Village, Aomori Prefecture	• As a result of the demonstration tests, several products have been put into production and commercialized (Toyota Smart Center, G-Station, HZV Manager, etc.) • Steady progress has been made in the horizontal expansion of demonstration tests to Toyota City (smartphone apps, predictive algorithms, etc.)
Toyota City, Aichi Prefecture	• See below
Kitakyushu City, Fukuoka Prefecture	• Commencement of energy data analysis using FEMS (Factory Energy Management System), a fixed electricity storage system utilizing spent nickel-metal hydride batteries from hybrid vehicles, and a solar power generation system

Boulder, United States	• Monitoring of 108 households where 18 PHVs were used on a rotational basis for three-month periods, evaluation of PHV usability, and observation of reactions to battery charging time controls
INES project, France	• Testing of optimal control of PHV battery charging in a large parking lot with solar power generation
PHV demonstrations	• Observations of vehicle use and customers' battery charging behavior in the market and application of findings to the development of the Prius PHV • Application of demonstration test results to increase PHV appeal and to PR activities within Toyota and externally

Aiming to Create Clean and Comfortable Next-generation Communities (Smart Melit: Smart Mobility & Energy Life in Toyota city)

In one of the demonstration test—the Smart Melit: Smart Mobility & Energy Life in Toyota city—the Ministry of Economy, Trade and Industry and Toyota City, in conjunction with private enterprises including Toyota, is undertaking initiatives relating to the creation of a low-carbon society and alternative energy. The trial involves the monitoring the owners of 67 smart houses, that had undergone demonstration tests, for the optimization of energy use in their daily lives (at home), during transportation (PHV/EV, traffic systems), and at destinations (commercial or public facilities, etc.).

The aim is to achieve optimal energy use in these combined spheres of life to create next-generation low-carbon societies in regional cities. The plan is to construct low-carbon social systems that provide a high level of resident satisfaction, and which are the most cost-effective in the world, over the five years of the demonstration test period between 2010 and 2014, and then to communicate this to the rest of the world. It is also hoped that the results may be of assistance in creating new communities when rebuilding areas damaged by the Great East Japan Earthquake.

Outline of Trial

Targets	Aims	Controlling organization	Demonstration test period	Demonstration test contents
A 20% reduction in CO_2 emissions from household energy use and a 40% reduction from the transport sector	As one of the projects in the Ministry of Economy, Trade and Industry's Demonstration of Next-Generation Energy and Social Systems, creation of consumer-oriented low-carbon communities	Smart Melit: Smart Mobility & Energy Life in Toyota city, comprising 33 organizations including Toyota City and Toyota (as of April 2012)	Five years from 2010 to 2014	The occupants who purchased the 67 Toyota Home's smart houses are being monitored with the aim of optimizing energy use in their daily life. To link this with the construction of low-carbon traffic systems, approximately 4,000 publicly available PHVs and EVs are included in the trial.

Outline of the Smart Melit: Smart Mobility & Energy Life in Toyota city

Combined spheres of life
Support of consumer activities and optimization of energy use by overall society
Realization of an environmentally friendly lifestyle with a reasonably high quality of life
- Analysis of energy usage data using an Energy Data Management System (EDMS)
- Allowing visualization of energy saving
- Balance of supply and demand in anticipated battery charging and discharging
- Provision of incentives by awarding eco-points, etc.
- Giving commendations, etc. for eco activities

Transportation
Construction of low-carbon traffic systems
Provision of diverse means of transport and their coordination to reduce carbon emissions
- Promotion of usage of public transportation by utilizing a Traffic Data Management System (TDMS)
- Promotion of shared use of personal mobility and next-generation vehicles
- Introduction and promotion of next-generation vehicles
- Installation and expansion of battery charging infrastructure and hydrogen stations
- Use of ITS to ease traffic congestion and promotion of eco-driving

Model regions in urban centers
Preliminary introduction of trial technology and provision of locations for showcasing purposes in Japan and overseas

Within households
Optimal energy utilization within households
Controlling of devices for energy generation, energy saving, and energy storage, and optimization of electricity use from solar energy
- Development of Home Energy Management System (HEMS) devices and systems with storage batteries
- Visualization of electricity consumption and calorific values, etc.
- Development of PHVs and EVs with battery charging and discharging capabilities

Destinations
Optimization of energy use in commercial and public facilities, etc.
Maximum use of untapped energy at destinations and at community level
- Use of EV and PHV onboard storage batteries for power supply during power failures and disasters
- Installation of infrastructure for battery charging from renewable energy
- Utilization of wood and other biomass energy
- Introduction of power storage equipment at commercial facilities (convenience stores, shopping centers, etc.)

EDMS Initiatives for Realizing a Comfortable, Environmentally Friendly Society

The Smart Melit: Smart Mobility & Energy Life in Toyota city involves the introduction of an original Energy Data Management System (EDMS) to achieve optimal utilization of energy across combined spheres of life. This project is also testing the provision of services for optimal lifestyles. By connecting the energy management systems of each household, data on the electricity consumption of the whole region is gathered and analyzed and the amount of solar power that can be generated is predicted. This information is used to encourage carbon reductions and shift peak electricity demand through measures such as varying the timing of battery charging. Mechanisms for achieving a low-carbon society that can be enjoyed by consumers are also being considered alongside the establishment of indicators for satisfaction with eco-lifestyles. In this way, the project is testing the provision of services for optimal lifestyles. In addition, plans are also being implemented to increase environmental awareness through initiatives such as awarding points according to electricity generation and power saving, and establishing a system of commendation.

* EDMS (Energy Data Management System)

EDMS was developed to enable energy management in the pursuit of optimal energy use in living spaces at the community level. Electricity supply and demand is balanced by measures such as the transfer of surplus power, not just between smart houses but also at the level of the surrounding community, including convenience stores and schools. In addition, trials for achieving optimal energy management are being carried out using information and communication terminals such as smartphones to link cars, homes, and people in real time.

Outline of Results of Energy Use Optimization within Households in FY2011

Reduction in Energy Consumption through the Introduction of EDMS

Data on the power consumption of each household is gathered through EDMS (11 households with EDMS as of May 2012), while trials using the points system as an incentive to encourage carbon reductions are being carried out. Regarding the energy transferred within a community, the lower the amount of carbon, the more points awarded. Compared to smart houses of the same standard in which the service has not been introduced, there was an average reduction in the community in electricity consumption of around 30% (equivalent to a 34% reduction in carbon emissions).

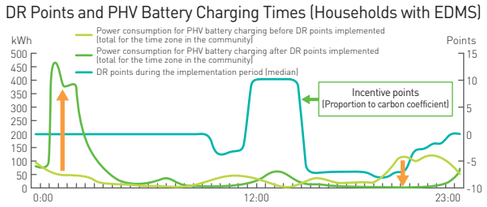
Trial Results in Shifting of PHV Battery Charging Times

Using a system similar to the carbon reduction incentives, trials were conducted on the shifting of PHV battery charging times through a service provided by EDMS for peak electricity consumption. By means of advice on ideal battery charging times and the awarding of points, there was a change in conduct with 84% of users charging batteries at the ideal late night time.

Reduction in Electricity Consumption through EDMS

	Demonstration contents	Rate of reduction
Visualization period	Instructions on ideal battery charging times *Explanation detailing how late night PHV battery charging is beneficial to local production of energy for local consumption	-8.1%
DR points period	Incentives given for battery charging times *Introduction of a system in which a large number of points are awarded if PHV batteries are charged late at night	-30.7%
Recommendation period	Information provided on more effective electricity use through analysis *Information was displayed in special photo frames showing messages such as "Tomorrow will be sunny. Recommended car battery charging time from 11:00 a.m. to 4:00 p.m."	-25.2%

DR Points and PHV Battery Charging Times (Households with EDMS)



*DR (demand/response): Indicates regional energy conditions and encourages restraint in power consumption

VOICE Comments from a Smart House User

- Living in a smart house increased my awareness of power saving
- Solar panels and storage batteries provide peace of mind, even in an emergency
- I try to do the housework when I have plenty of solar power
- It's handy because I can see how much electricity I'm using in which room.
- I decide on my target electricity costs and take care not to exceed them

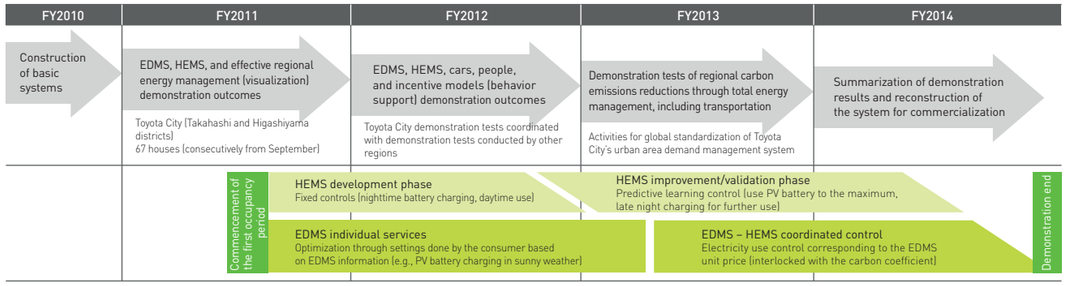
VOICE Comments from the Employee in Charge of Demonstration Tests

Masayuki Kawamoto
R&D Management Div.

Striving to balance the environment and consumer satisfaction

Based on regional electricity consumption data gathered by EDMS, we are implementing initiatives to allow citizens to lead environmentally friendly lifestyles that are comfortable and enjoyable. In the Smart Melit: Smart Mobility & Energy Life in Toyota city, based on the idea of effectively utilizing natural energy to reduce carbon emissions, power generated by solar panels in each household is saved in storage batteries and excess amounts are shared across the region. The cornerstone of these trials is EDMS. There is strong interest in smart houses among people in the region, and between September 2011 and May 2012 40 households moved into smart houses and are cooperating in the demonstration tests. We are keen to promote activities that balance the environment and consumer satisfaction, and that are aimed at the creation of next-generation communities that are both environmentally friendly and comfortable to live in.

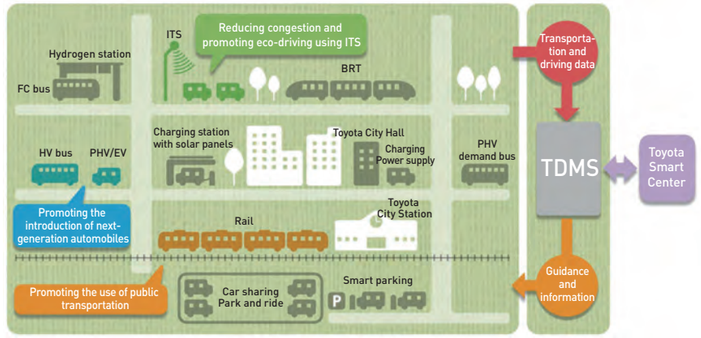
EDMS Demonstration Plans



Demonstration Tests for TDMS as Part of a Low-carbon Transport System

In addition to reducing carbon emissions by using next-generation eco-friendly vehicles such as PHVs, EVs, and FCVs for transport, improving traffic flow and promoting the eco-driving of vehicles equipped with ITS, the Traffic Data Management System (TDMS) was developed with the aim of constructing a smooth traffic flow system by providing guidance on optimal modes of transportation according to actual conditions. Demonstration tests of the system will commence in FY2012. TDMS is a traffic system that is intended to form a part of smart communities by balancing supply and demand in traffic and improving energy utilization effectiveness through coordination with regional energy management systems. Specifically, it will gather transportation and driving data within regions by coordinating with the Toyota Smart Center IT platform. The aim is to construct an urban traffic system that will reduce carbon emissions and deliver smooth transportation by providing information and guidance from time to time on optimal modes of transportation (such as car sharing "park and ride," etc. coordinated with public transportation availability).

Outline of the Smart Melit: Smart Mobility & Energy Life in Toyota city



FC Bus: Clean Energy Public Transport of the Near Future

As an initiative to achieve a low-carbon society through the utilization of public transportation, Fuel Cell (FC) buses are being trialed in the types of environments in which they will actually be used. FC buses use fuel cells as their power source to generate electricity via an electrochemical reaction of hydrogen with oxygen from the air. Producing no CO_2 or exhaust gas by-products other than water, the buses will provide clean and highly efficient public transportation for the near future. In addition, as they can also be used as power generating equipment, a single FC bus can provide supplementary electricity to an ordinary household for a month and thereby FC buses can contribute to society as emergency power sources.

FC bus

Use of Ultra-compact EVs in Next Generation One-mile Mobility

To promote a modal shift to the coexistence of cars with public transportation, demonstration tests for "one-mile mobility" will commence in FY2012. The objective of one-mile mobility is to construct a next generation feeder transport system using ultra-compact EVs. The "last mile" is the distance between the home or other daily destinations in daily life and rail, bus, and other key transport systems. The aim is to promote the use of public transportation for traveling these short distances and contribute to the realization of a low-carbon society.


Satoshi Ozawa
Executive Vice President

Stable Base of Business

message

Achieving sustainable growth through the virtuous cycle—Making better cars and enriching lives of communities leads to a stable base of business

In order to engage in ***monozukuri*** (manufacturing) that exceeds the expectations of customers, it is necessary to have a strong desire to sincerely listen to the opinions of people who support Toyota, as well continue to reinvent ourselves and fulfill challenging goals. Underlying this feeling are Toyota's values that have been passed down since its establishment—the Toyota Precepts, Toyota Guiding Principles, and Toyota Way. Each of Toyota's more than 300,000 employees around the world share these values while carrying out their individual business activities. The sharing of such global values is the foundation of making better cars, contributing to society through these cars, and consequently increasing the number of cars sold and profit. This leads to reinvestment in the making always better cars. Toyota's concept for its business activities is to accomplish sustainable growth through this virtuous cycle. We will work to create solid profitability that is able to respond to environmental changes and support this cycle through further, continual improvements.

Contributing to Society through Management that Shows Respect for People and Is Based on Mutual Trust and Mutual Responsibility

A Relationship of Mutual Trust and Mutual Responsibility Supporting a Stable Base of Business

In order to support making better cars and accomplish a stable base of business, Toyota aims to realize management that shows respect for people and build stable labor-management relations based on mutual trust and mutual responsibility, as well as to have all employees display their abilities to think, be creative, and utilize their strengths to the maximum extent possible.

Toyota experienced labor disputes and personnel cuts during the management crisis of the 1950s. These difficult experiences led Toyota to create a company where it would never again have to dismiss its employees. After holding exhaustive discussions on the best course of action between labor and management, both parties came to a mutual understanding where employees would proactively cooperate to improve productivity, while the company would work to maintain and improve working conditions. Further, by sharing information and enhancing employee awareness in times of crises, Toyota also created a relationship of mutual trust and mutual responsibility based on which all employees execute their duties and responsibilities for the prosperity of the company.

The Four Principles of Building a Relationship of Mutual Trust and Mutual Responsibility

First of all, we believe that employment, safety, and health are matters of the highest priority so that employees can work with confidence, and to this end we have developed a range of measures. In addition, we have worked to cultivate teamwork and promote continual improvements by enhancing two-way communication between the company and its employees, sharing information during times of crises and encouraging a sense of unity throughout the entire company. Efforts are also being made to create ample systems and develop human resources with the aim of enabling employees to demonstrate their abilities to the fullest.

We believe that carrying out personnel and labor management that is based on these four principles makes it possible to maximize the entire company's performance and create a stable base of business.

Basic Principles of Human Resources Management

1. Creating a workplace environment where employees can work with their trust in the company
2. Creating a mechanism for promoting constant and voluntary initiatives in continuous improvements
3. Fully committed and thorough human resources development
4. Promoting teamwork aimed at pursuit of individual roles and optimization of the entire team

↓

Establishing a relationship of mutual trust and mutual responsibility

↓

Realizing management that shows respect for people

Sharing the Origin of the Toyota Way with All Employees

This ideology has been systematically organized as the Personnel and Labor Toyota Way, which is shared throughout all of Toyota's global business units. In this way, management and various measures based on the Toyota Way are implemented around the world.

At Toyota, we believe that we can strengthen the bonds between labor and management for which this relationship of mutual trust and mutual responsibility serves as a foundation. We also believe that we can contribute to society and customer satisfaction by realizing management that shows respect for people.


Signing ceremony for the Joint Declaration of Labor and Management in 1962
(Right: then-President Fukio Nakagawa;
Left: Toyota Motor Workers' Union Chairperson Kazuo Kato)

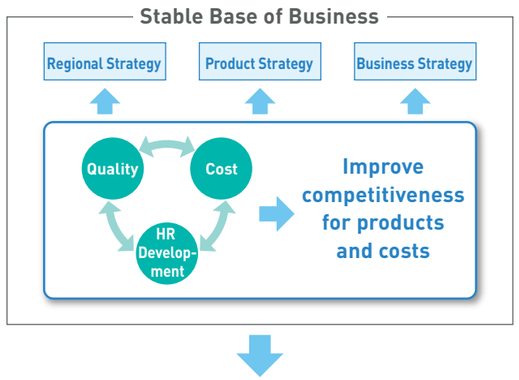
Making Efforts toward Continual Improvements to Accomplish Solid Profitability, and Making Better Cars

Toyota's basic management principles entail contributing to society through its business activities while realizing stable, long-term growth. The three key components of Toyota's financial strategy are "growth," "efficiency," and "stability." We believe that by implementing policies for these three components while maintaining balance over the medium- and long-term, it will be possible to accomplish stable, sustainable growth and at the same time lead, increase our corporate value.

In addition, Toyota aims to achieve sustainable growth hinging on always better cars and based on the Global Vision, even in the midst of any type of severe management environment. If customers accept our products as better cars, this will lead to increased numbers of cars sold and higher profits, which will make it possible for us to invest in always better cars. Delivering always better cars and contributing to the enrichment of the lives of communities consequently leads to greater profit. This is the spirit to which we aspire to achieve sustainable growth. This cycle is supported by the aims of the Global Vision. Even amid a harsh management environment with a yen/dollar exchange rate of ¥85 to the dollar and a unit sales volume of 7.5 million cars, we will endeavor to restore Toyota (unconsolidated) to profitability. We will work toward achieving a consistent consolidated operating income of approximately one trillion yen and a consolidated operating income ratio of 5%.

Production was reduced in FY2011 due to the Great East Japan Earthquake and the floods in Thailand. However, production was normalized more quickly than expected and we were able to move toward recovery as a result of devoted efforts to restore production. Regarding the sharp appreciation of the yen, the entire Group joined together and made efforts including those to cut costs. In this way we were able to accomplish further constitutional improvement toward the creation of solid profitability.

Toyota will continue to work toward becoming a corporation that is capable of realizing sustainable growth, and will move forward with a sense of unity between all 320,000 Toyota employees worldwide.



Solid Profitability

- Achieve consolidated operating income ratio of 5% (approximately one trillion yen)
- Restore Toyota (unconsolidated) to profitability

Achieve both goals as soon as possible

Regional strategy

Providing Toyota's unique products and services tailored to the needs of each community and country

Product strategy

- Strengthening product appeal
- Expanding the lineup of eco-friendly vehicles
- Positioning Lexus as a truly global premium brand from Japan
- Global sales ratio (2015 Sales Plan): Industrialized nations (Japan/North America and Europe) 50%, emerging markets 50%

Supply strategy

- Japan: Manufacturing hybrid vehicles and other technologically advanced, high-value-added products
- North America and Europe: Striving to maximize productivity at existing plants
- Emerging markets: Expanding production capacity as necessary, then analyzing the timing and scale of investments

New business strategy

Developing the Smart Community Service to link vehicles, homes, and information networks (contributing to the building of next-generation communities)

Monozukuri Is about Developing People

An ongoing commitment to developing human resources to enhance workplace strengths is the key to staying at the forefront of *monozukuri*

At Toyota, the customer always comes first. This founding credo forms the basis of our everyday business operations. To ensure that we always deliver the best possible products to the market, we maintain a resolute commitment to quality and ***monozukuri*** (manufacturing) while constantly striving to refine and enhance our skills and competencies.

Toyota understands that ultimately, products are manufactured by people, and that ***monozukuri*** is predicated on workers. Since as a manufacturer, our growth is dependent on the skills and competencies of our workers, all employees have a shared appreciation of the Toyota Way, and our comprehensive system of training and awareness programs based on on-the-job training (OJT) provides a solid foundation for the quality ideals that lie at the heart of the Toyota management philosophy.

Engineers Pursue Global Quality Standards and Strive to Realize World-leading Quality

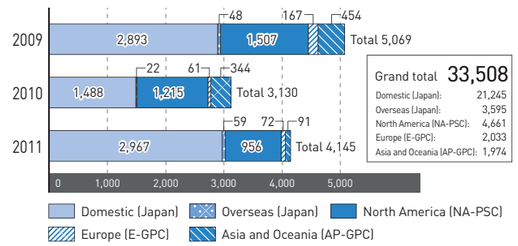
As a global producer with manufacturing operations throughout the world, quality assurance is our single most important objective—in other words, to ensure that every Toyota product, no matter where it is made, meets the same exacting quality standards. We want every one of our products to be "Made by TOYOTA," as opposed to "made in the respective country of manufacture." To this end, the GPC* coordinates training and skills programs for local employees at all Toyota plants in order to ensure that quality standards are consistent throughout the world. Meanwhile, in the pursuit of the world's highest quality, we provide training and development for our young employees and actively support participation in the WorldSkills Competition.

*GPC: Global Production Center

In Line with the Made by TOYOTA Principle, GPC Promotes a Uniform Approach Towards Developing Employees Who can Meet Rigorous Global Standards

The Global Production Center was set up in 2003 to improve the efficiency of skills development programs, provide tools and framework for supervisors and administrators, and maintain the strictest quality standards at production affiliates throughout the world. The GPC has developed and provided a range of training equipment as well as training manuals complete with animations and videos that are designed to promote faster and more efficient skills acquisition. Local GPCs have also been set up in the United States, United Kingdom and Thailand in a bid to accommodate increased production capacity and promote skill levels in line with the global standards. The experience of the 2009 recall demonstrated the need for more rigorous quality control in production involving improved training in the fundamentals of manufacturing, higher individual skill levels of managerial staff and production employees based on ongoing quantitative monitoring of quality standards in everyday procedures and specialized pre-process and post-process training. Toyota is working closely with related divisions to ensure that training and skills development programs are both up to date with the latest developments in manufacturing and production technology and tailored to both regional differences and the specific circumstances of production affiliates.

GPC Trainees



WorldSkills Competition

The WorldSkills Competition, which consists of 40 events in ten categories and is targeted specifically at young engineers, is a kind of "Olympics for Engineers." The international version was launched in 1950 in Europe and is held every two years, while the National Skills Competition in Japan, held annually, began in 1963.

Toyota's first entry into the WorldSkills Competition was in the 11th international competition in 1962, where it won gold in the milling machinery category. The company next appeared at the 6th National Skills Competition in 1968, and has attended every competition since. Gold medal winners from the Japanese championships are automatically chosen to represent Japan at the WorldSkills Competition the following year. The aim of the WorldSkills Competition is to promote vocational training in the workplace.

Toyota is a staunch supporter of the WorldSkills Competition, which brings rewards in the form of skills enhancement, discipline and increased workplace motivation. The maximum age of competitors is 23, which means that most are specially selected new recruits who have undergone extensive training at the Homi Training Center. In order to create human resources that will form the core of the company's future *"**monozukuri**,"* many hours are spent developing problem-solving techniques that require both technical skills and concentration. Those who take on the challenge of appearing at the WorldSkills Competition have the ability to take on challenges and overcome obstacles through perseverance and hard work. These people will form the next generation of skilled engineers at Toyota.

Seven Japanese and Four International Gold Medals

The Japanese national championships in December 2011, held in the aftermath of the Great East Japan Earthquake, was spread across 17 sites in four prefectures (including Shizuoka prefecture). There were 1,066 participants. Toyota entered nine events and took home a record tally of seven gold medals. The number of prize-winners by group company also hit a record. Meanwhile, four Toyota employees represented Japan at the WorldSkills Competition in London in October 2011, which attracted a total of 944 participants in 850 teams drawn from 51 countries and regions. Toyota employees contributed four of Japan's haul of 11 gold medals, while a Toyota Motor Thailand Co., Ltd. (TMT) employee also won a gold medal for Thailand, bringing Toyota's global medal tally to five.

Prizewinners at the National Skills Competition

	Gold	Silver	Bronze	Endeavor award	Total
Grand total	115	173	154	213	655
2011	7	4	6	10	27
2010	4	8	7	6	25
2009	5	5	7	7	24

Prizewinners at WorldSkills Competition

	Gold	Silver	Bronze	Endeavor award	Total
Grand total	23	13	8	6	50
2011	4	0	0	0	4
2009	0	2	0	0	2
2007	2	1	1	0	4

Toyota President Akio Toyoda with gold medalists
Left to right: Keisei Sogabe (creative modeling), Atsuya Kamioka (IT network system admin), President Akio Toyoda, Yuichi Sawaki (autobody repair), Kengo Watanabe (CNC milling)

VOICE Winner at the WorldSkills Competition

Atsuya Kamioka Plant Engineering Div.
IT Network Systems Admin category

I've been training hard since winning the silver medal last time around. The international event is more difficult because there are so many people watching, so I got everybody to come and watch me train so that I'd get used to it. Thanks for your help! I couldn't have done it without you!

VOICE Comments from Secretariat

Tamotsu Nishijima
Toyota Secretariat for WorldSkills Competition

The WorldSkills Competition gets more difficult every year, so the instructors need to be constantly learning. The longstanding emphasis on education at the heart of the Toyota corporate culture is the reason for our success at the WorldSkills Competition. Skills are hard to regain once lost, which is why Toyota is committed to passing on our proprietary skills and corporate culture to the next generation.

COLUMN Gold Medal Win by Overseas Affiliate Demonstrates High Technical Prowess

Toyota's overseas affiliates have been entering the WorldSkills Competition since 2007. In 2011, Thailand and Indonesia each sent two employees as their country's representatives, and one employee took home the first ever gold medal for an overseas affiliate. Local workers who were trained at the GPC in Japan are now responsible for training the next generation back home. Toyota provides assistance for WorldSkills Competition participants as part of the overall commitment to employee training and development.

The four WorldSkills Competition entrants from overseas affiliates came to Japan with their supervisors to undergo additional training alongside the Japanese entrants. It was an inspirational learning experience, with the winner of the gold medal in particular seen as a model young employee who is setting a great example in the workplace.

Training for the WorldSkills Competition

VOICE WorldSkills Competition Winner

Tanongsak Hengsawad,
Toyota Motor Thailand (TMT)
Creative Modeling category

So many people helped me on my way to winning this gold medal. I look forward to using the experience I have gained in my everyday work. And I want to pass on my skills to subordinates in the future.

Third-party Opinion

Eiichiro Adachi

Counselor, The Japan Research Institute (JRI)

Biography

Currently the head of JRI's ESG Research Center, he previously served in the Corporate Strategy Research Department and Technology Research Department in JRI.

Adachi is responsible for providing financial institutions with corporate information for socially responsible investment (SRI). He specializes in industrial research and corporate assessment from the viewpoints of environmental management and CSR.

From March 2005 until May 2009, he was one of the experts in the Japanese delegation to the ISO/Social Responsibility Standards (ISO26000) Working Group.

I have been granted the opportunity to read through Toyota Motor Corporation's Sustainability Report for the second year in a row. The president's message at the beginning says that," I believe the new cars we launched in the fiscal year 2011show the direction we are headed in." I have similarly noticed a number of changes to the information disclosure in this report. The Toyota Global Vision formulated in March 2011 included the heading, "Rewarded with a smile by exceeding your expectations." In my Third-party Opinion last year, I highlighted the fact that Toyota has declared reference points for its corporate conduct to include not just the law, its corporate philosophy, internal rules, and industry customs-but also, its stakeholders' expectations. This time, as a reader of the new report, my greatest interest was to find out the extent to which this focus on stakeholders' expectations has been put into practice.

Through the articles "Revitalization of the Earthquake Affected Areas" and "Aqua - From Tohoku to the World" in this "Key Messages" version of the Sustainability Report, I was able to learn about the Toyota Group's high aspirations in "seeking to take root in Tohoku while continuing ***monozukuri*** (manufacturing) activities at one with the region" in order to respond to the region's and employees' expectations, even in the difficult environment of the strong yen. In the article, "Contributing to the Realization of a Low-Carbon Society," I noticed the fundamental recognition that is shown of "the need to consider the environment, and minimize the negative impact of problems such as road accidents and traffic congestion," which are sometimes the subject of issues raised by stakeholders. When reading the article, "***Monozukuri*** Is about Developing People," which focuses on the challenges faced by skilled workers, I was very interested to see the content on the employee's personal perspective. These reports establish the appropriate theme of "expectations" as a base point for commencing corporate activities.

On the other hand, in the section, "Always Better Cars," I felt that it would be desirable to have more information on how the Toyota Group views "expectations for cars." There are references to "the pleasure of ownership in emerging countries," "driving enjoyment," and "expectations of environmental performance." However, there could perhaps be more specific recognition given to how the strengthening of R&D systems and innovations in production are positively connected, not just to what is logical for the company, but also to the demands of society.

The section "Enriching Lives of Communities" strengthened my hopes of seeing reports of continuing advances in the future. These initiatives have just begun and the demonstration tests in each region will show in essence what "did work" or what "didn't work." In that respect, I hope that the information disclosed from the next fiscal year will include what "didn't work well." Clarifying the issues would also remind people of the importance of changing consumer lifestyles and the possibility of cooperation with other companies. As these are trials for the future, I hope the experiences from them will definitely be made public.

In the section, "Stable Base of Business," I would have liked to see examples of overseas subsidiaries practicing "management that shows respect for people." Of the Toyota Group's employees as a whole (in the manufacturing companies and distributors) the Japanese proportion is only 20%. Meanwhile, many Japanese companies are struggling to construct global human resources systems. In overseas business, as well as in Japan, "management that shows respect for people" provides evidence of the accomplishment of a stable business base, and I think it is also a key to fostering the market's trust in the Toyota Group.

In any event, the "Key Messages" version, which is intended as a report on Toyota's core CSR matters, is an information disclosure initiative that I would definitely like to see continued from the next fiscal year.

Response to the Third-party Opinion

Riki Inuzuka

Managing Officer
General Manager
Corporate Planning Div.

Thank you very much for your valuable opinion on the report. The composition of this year's report has been rearranged to reflect the three elements of the Toyota Global Vision. The report includes Toyota's concepts of these elements and the special features which show them in concrete form. The contents also reflect Toyota's consciousness of the impact that we have on the society around us.

Next year, with your opinion as a reference, we would like to include more specific examples of Toyota's concepts. In addition, we will push ahead with our management based on the Toyota Global Vision, with the aim of becoming a company that exceeds expectations from society.

Sustainability Report 2012

Editorial Policy

The objective of this report is to convey Toyota's efforts to realize harmony with people, societies, and the global environment, as well as a sustainable society through ***monozukuri*** (manufacturing). In our 2011 report, our efforts were organized according to each stakeholder. Toyota is carrying out management based on the Toyota Global Vision we announced in March 2011, and from 2012 we are rearranging the report according to the three elements ("Always better cars," "Enriching lives of communities," and "Stable base of business") of Toyota Visionary Management that aims for sustainable growth for society and Toyota alike. The information in each section has been further divided into two parts: "message" part and the "special feature" part. This report is comprised of a printed version and a website. Information of particular importance is included in the printed version, while further initiatives and detailed information are available on the website. The report on environmental initiatives (published in 2011 as the Environmental Report) has been renamed the "Sustainability Report Separate Volume: Environment Facts & Figures."

Disclosure of CSR Information

Sustainability Report 2012 Full Version (Website)
PDF: http://www.toyota-global.com/sustainability/report/sr/
HTML: http://www.toyota-global.com/sustainability/
Society/ Environment/ Governance

Websites for overseas affiliates' reports
(15 countries and regions)
HTML
http://www.toyota-global.com/sustainability/report/overseas/

Sustainability Report 2012 Key Messages
(Printed version and website)
PDF http://www.toyota-global.com/sustainability/report/sr/
HTML http://www.toyota-global.com/sustainability/

Sustainability Report 2012 Separate Volume: Environment Facts & Figures
(Printed version and website)
PDF http://www.toyota-global.com/sustainability/report/er/
HTML http://www.toyota-global.com/sustainability/

TOYOTA Annual Report 2012
(Website)
Finance
HTML
http://www.toyota-global.com/investors/ir_library/annual/

Period covered	The period covered in the report's data is from April 2011 to March 2012. For major ongoing initiatives, the most recent status update in FY2012 has been included.
Scope of report	Toyota Motor Corporation's own initiatives and examples of those of its overseas consolidated affiliates, and so on.

CSR POLICY: Contribution towards Sustainable Development

Preamble

We, Toyota Motor Corporation and our subsidiaries, take initiative to contribute to harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region, based on our Guiding Principles. We comply with local, national and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity. In order to contribute to sustainable development, we believe that management interacting with its stakeholders as described below is of considerable importance, and we will endeavor to build and maintain sound relationships with our stakeholders through open and fair communication. We expect our business partners to support this initiative and act in accordance with it.

Customers

■ Based on our philosophy of "Customer First," we develop and provide innovative, safe and outstanding high quality products and services that meet a wide variety of customers' demands to enrich the lives of people around the world.(Guiding Principles 3 and 4)
■ We will endeavor to protect the personal information of customers and everyone else we are engaged in business with, in accordance with the letter and spirit of each country's privacy laws. (Guiding Principles 1)

Employees

■ We respect our employees and believe that the success of our business is led by each individual's creativity and good teamwork. We stimulate personal growth for our employees. (Guiding Principles 5)
■ We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them.(Guiding Principles 5)
■ We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees.(Guiding Principles 5)
■ We respect and honor the human rights of people involved in our business and, in particular, do not use or tolerate any form of forced or child labor.(Guiding Principles 5)
■ Through communication and dialogue with our employees, we build and share the value "Mutual Trust and Mutual Responsibility" and work together for the success of our employees and the company. We recognize our employees' right to freely associate, or not to associate, complying with the laws of the countries in which we operate.(Guiding Principles 5)
■ Management of each company takes leadership in fostering a corporate culture, and implementing policies, that promote ethical behavior.(Guiding Principles 1 and 5)

Business Partners

■ We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realize mutual growth based on mutual trust. (Guiding Principles 7)
■ Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths. (Guiding Principles 7)
■ We maintain fair and free competition in accordance with the letter and spirit of each country's competition laws. (Guiding Principles 1 and 7)

Shareholders

■ We strive to enhance corporate value while achieving a stable and long-term growth for the benefit of our shareholders. (Guiding Principles 6)
■ We provide our shareholders and investors with timely and fair disclosure on our operating results and financial condition. (Guiding Principles 1 and 6)

Global Society/Local Communities

Environment
■ We aim for growth that is in harmony with the environment by seeking to minimize the environmental impact of our business operations, such as by working to reduce the effect of our vehicles and operations on climate change and biodiversity. We strive to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously, and to build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation. (Guiding Principles 3)
Community
■ We implement our philosophy of" respect for people" by honoring the culture, customs, history and laws of each country. (Guiding Principles 2)
■ We constantly search for safer, cleaner and superior technology that satisfies the evolving needs of society for sustainable mobility. (Guiding Principles 3 and 4)
■ We do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agencies and public authorities. (Guiding Principles 1)
Social contribution
■ Wherever we do business, We actively promote and engage, both individually and with partners, in social contribution activities that help strengthen communities and contribute to the enrichment of society.(Guiding Principles 2)

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