

Toyota Global Vision and Strategy

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 towards a better future. The purpose is to unite all Toyota affiliates and employees around the world in a common understanding of the path that we should take towards sustainable growth.

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*¹. They are expressed in the Toyota Precepts, in the Guiding Principles at Toyota and in the Toyota Way, which form the foundation of our business.

The “fruit” that Toyota provides for customers, is creating “always 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 creating Toyota’s products that earn smiles from our customers, is the stable base of business.

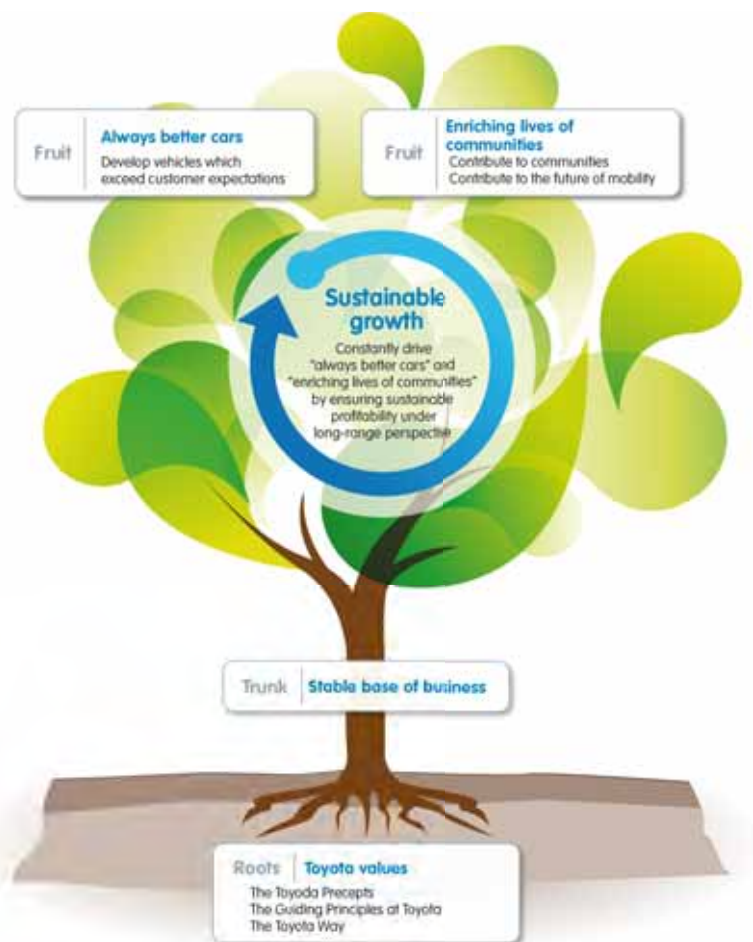
Toyota’s business activities are based on the concept: “ensuring sustainable growth by fostering the virtuous circle” **Always better cars → Enriching lives of communities → Stable base of business.**

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.”



1 *Monozukuri* covers a set of activities and processes through production to sales and services, that create added value for customers

Corporate Social Responsibility (CSR) Management

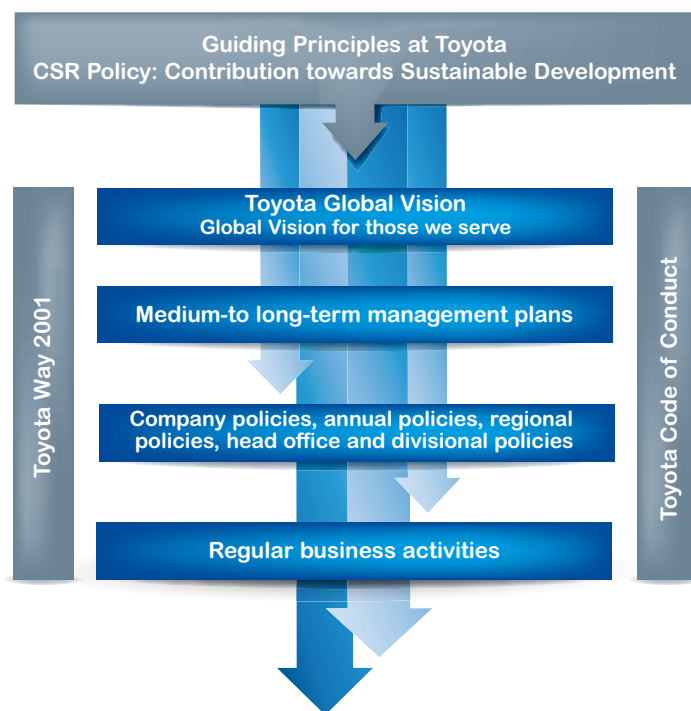
CSR Policy

Since its foundation, Toyota has strived to contribute to the sustainable development of society through leadership in the manufacturing and provision of innovative and quality products and services.

The foundations of these endeavors are the Guiding Principles at Toyota and an explanation paper entitled *CSR POLICY: Contribution towards Sustainable Development*.

This document interprets the Guiding Principles at Toyota. It was first released in 2005 and revised in 2008.

The Guiding Principles form the base of Toyota's Global Vision and, together with the Code of Conduct and the Toyota Way, contain the values and methods that we expect our employees to put into practice in their day-to-day activities.

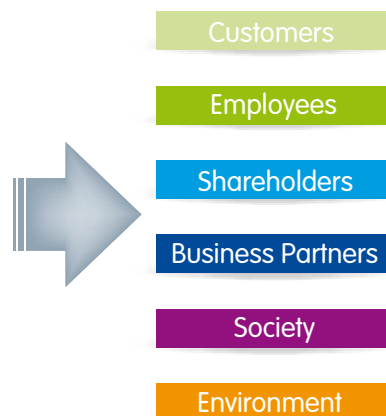


CSR Assessment 2011

As we strive for continuous improvement, TME has developed an internal assessment process to ensure our behaviour towards our stakeholders is consistent with the Corporate Social Responsibility (CSR) Policy. TMEs annual CSR assessment is conducted with subsidiary companies including our National Marketing and Sales Companies (NMSCs) and European Manufacturing Companies (EMCs).

The results of the CSR assessment enable us to:

- Identify key TME mid-term issues
- Prioritise improvement opportunities
- Act upon these opportunities and show progress over time



Together with the Global Vision and the European Mission, the assessment results contribute to the development of the European Regional Hoshin (ERH) or direction management. The ERH is a part of the *Hoshin Kanri* (Japanese for direction management). This is the tool that translates the company mission into yearly functional objectives for individual divisions and employees.



On a company level the six priorities of the CSR assessment for FY11 were:

- Health & Safety
- Employee satisfaction
- Quality
- Corporate value
- Customer First
- Compliance

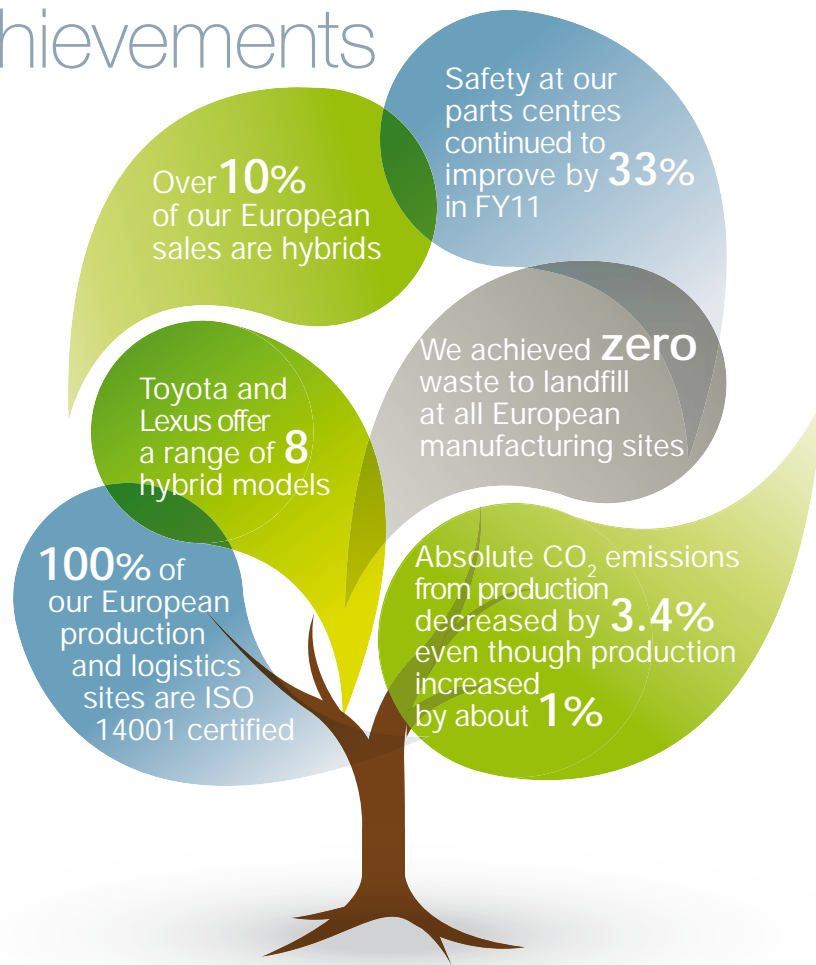
In FY11 the CSR assessment showed a high score on Compliance, Health & Safety, Quality, Corporate Value and Customer First. The Employee Satisfaction score decreased slightly in comparison to the previous year, primarily due to an increase in employee turnover. Further information can be found on page 108.

CSR Assessment 2012 and beyond

In FY12, driven by Toyota's renewed Global Vision and European Mission, we are conducting a full review of the CSR Assessment process.

Our intention is that the CSR assessment be more strongly linked with the direction and goals set in our mission statement and become a more explicit driver of change. On this basis, we are developing performance indicators and measurements with a longer term scope.

Key Achievements



Transparency and cooperation with stakeholders

- The Alliance for Synthetic Fuels in Europe (ASFE) brings together leading automotive companies (such as Toyota) and fuel supply companies, who share a commitment to reduce the environmental impact of road transport through improved energy efficiency and cleaner fuels. For more information please see www.synthetic-fuels.eu
- BusinessEurope (Confederation of European Businesses) comprises 40 industrial and employers' federations. We participate in the Confederation's working groups on subjects such as climate change and research and development. For more information please see www.businessseurope.eu
- We are a member of CSR Europe, a business organisation that promotes corporate social responsibility in Europe. For more information please see www.csreurope.org
- We have supported the Road Safety Performance Index (PIN) programme, run by the European Transport Safety Council, since 2006. PIN encourages EU member states to improve road safety and identifies key road safety performance indicators.
- TMC and TME are actively involved in a number of World Business Council for Sustainable Development activities and working groups, in particular those on Energy and Climate and Mobility for Development. For more information please see www.wbcsd.org



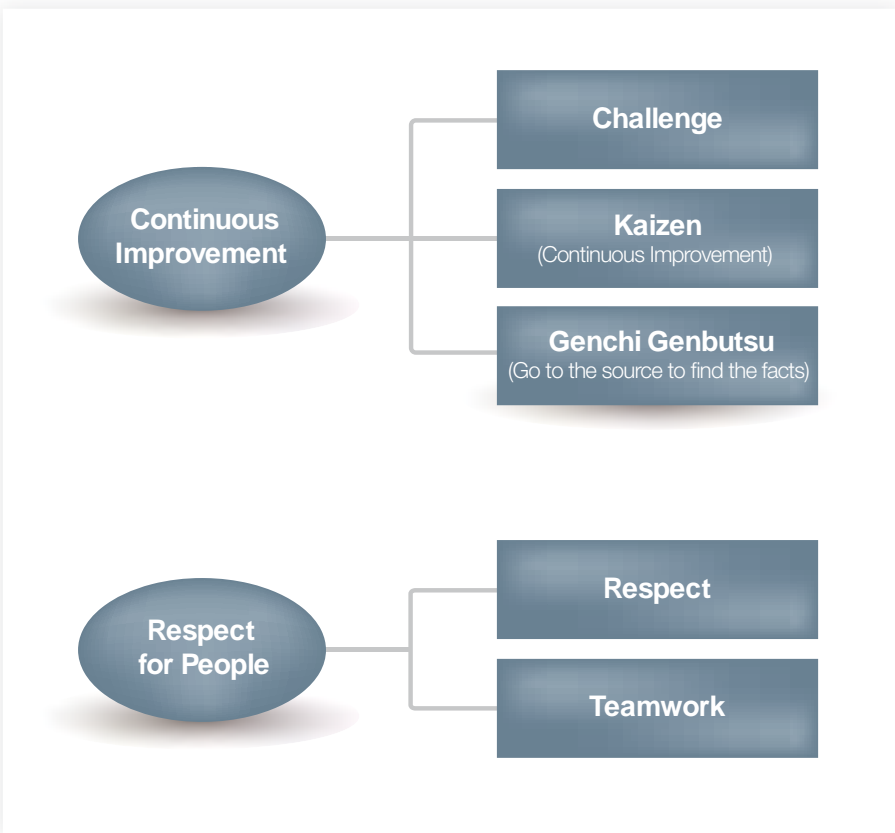
Toyota Way Values

Since its establishment in 1937, Toyota has developed a specific way of doing business that has evolved in time and through learning, into what we refer to as the 'Toyota Way'. The Toyota Way is a coherent system of values which guide our behaviours - steering the vision, mission and goals of the company. It is shared by employees through comprehensive Toyota Way training, and reflected in all company handbooks. It ensures that no matter the country or affiliate, all Toyota employees communicate through a common language and way of doing business.

Recent trends indicate the increase in corporate communications on sustainability led activities, with companies incorporating new values that correspond with new sustainable strategies. At Toyota, socially

responsible behaviour and ethics has long been guided by our Toyota Way principles, with such precepts as long-range perspective, zero-waste and respect for stakeholders. We view all activities towards sustainable practice as part of our continuous efforts to better practice the Toyota Way.

Through this year's sustainability report, we aim to explain not only developments in environmental, social and economic performance, but also the Toyota Way values and principles. These consist of two pillars: Continuous Improvement and Respect for People, which are subdivided into key principles (see diagram below). An explanation of each of the principles can be found throughout this report.



3 The Hybrid Market

Toyota's decision to develop a hybrid powertrain over 30 years ago is another example of delivering on one of our core visions, 'Always Better Cars'. It also shows the importance of long-term thinking at Toyota. Today, we continue to provide our customers with better mobility options by working towards sustainable mobility and the ultimate eco car.

Since the introduction of the Prius in 1997, the first commercially available full hybrid vehicle, we have sold over four million hybrids. We now have 19 hybrid models available in over 80 countries. On the journey to fulfil our vision to provide the ultimate eco-car, our hybrids have saved an estimated 26 million tonnes CO₂³. Apart from delivering a significant environmental benefit, hybrid sales now generate 15 per cent of Toyota's global sales. Furthermore, the strength and creditability of Toyota hybrid technology is industry leading: the Toyota Prius has been one of the best-selling cars worldwide (across all manufacturers) over the first quarter of 2012. Toyota Europe is a strong contributor to this success, putting over 400,000 hybrid vehicles on European roads since 1997. 2012 is an important year in our hybrid strategy: we are introducing five new hybrid vehicles in our line-up, Yaris Hybrid, Prius+, Auris Hybrid, Lexus GS 450h and Prius Plug-in Hybrid. Each of these vehicles will play a key role in our European strategy.

The new Toyota Yaris Hybrid represents a pioneering offer in the B-segment (compact town cars). It efficiently packages the hybrid powertrain, with no impact on the interior or boot space. It sets a new CO₂ emission level benchmark in the B-segment of just 79g/km, as well as a class leading fuel consumption of 3.1l/100km for the urban cycle. Yaris Hybrid goes beyond the usual benefits you would expect from a hybrid car, with its 100 horsepower engine providing an optimum balance of power and fuel consumption. Furthermore, thanks to the hybrid powertrain, commuting journeys can be undertaken with the petrol engine off, up to 60 per cent of the time, delivering close to zero emissions urban driving. Last but not least, the new Toyota Yaris Hybrid is the second Toyota full hybrid model produced in Europe. To cope with the production challenge, €125 million has been invested at TMMF (Toyota Motor Manufacturing France). The Auris Hybrid has been manufactured in TMUK (Toyota Motor Manufacturing UK) since 2010. Placing the hybrid technology into the B and the C (compact family cars) segments is part of our effort to bring hybrid technology to the broadest range of customers possible.

Toyota Prius Plug-in Hybrid (PHEV) brings us closer than ever to delivering one of Toyota's major commitments: its aim for zero emissions. The stand-out benefit of the new Toyota Prius PHEV is that it provides the best balance between electric and hybrid vehicles. Offering a 25 km range in Electric Vehicle (EV) mode and utilising the hybrid technology for long distance trips, the Prius PHEV is able to achieve CO₂ emissions of 49g/km and an amazing combined fuel consumption of 2.1l/100km.

According to Mr. Yoshikazu Tanaka (Toyota Prius PHEV Chief Engineer), "we are able to offer our customers a car with outstanding eco-credentials without sacrificing usability. We are also able to provide a car that can achieve customer acceptance and significant sales volumes, resulting in a significant positive impact to society." Our hybrid models are a key component of our plan to reduce dependence on fossil fuels and diversify transportation energy sources. These goals fit in with our wider aim to contribute to air quality improvements, especially with respect to particulate matter and NOx, and by reducing climate influencing CO₂ emissions.



³ Assumes the substitution of gasoline-powered vehicles

5 Energy Research Group

Toyota emphasises the importance of research and development (R&D) and has one of the largest R&D budgets in the industry. We understand the importance of not only delivering innovative, high-quality products that meet today's demands, but also the need to investigate how technology can better work within the limits of resource availability to meet our future needs. In Europe our Energy Research Group focuses on two vital areas:

- sustainable mobility, and
- future energy management and technology solutions.

Sustainable Mobility

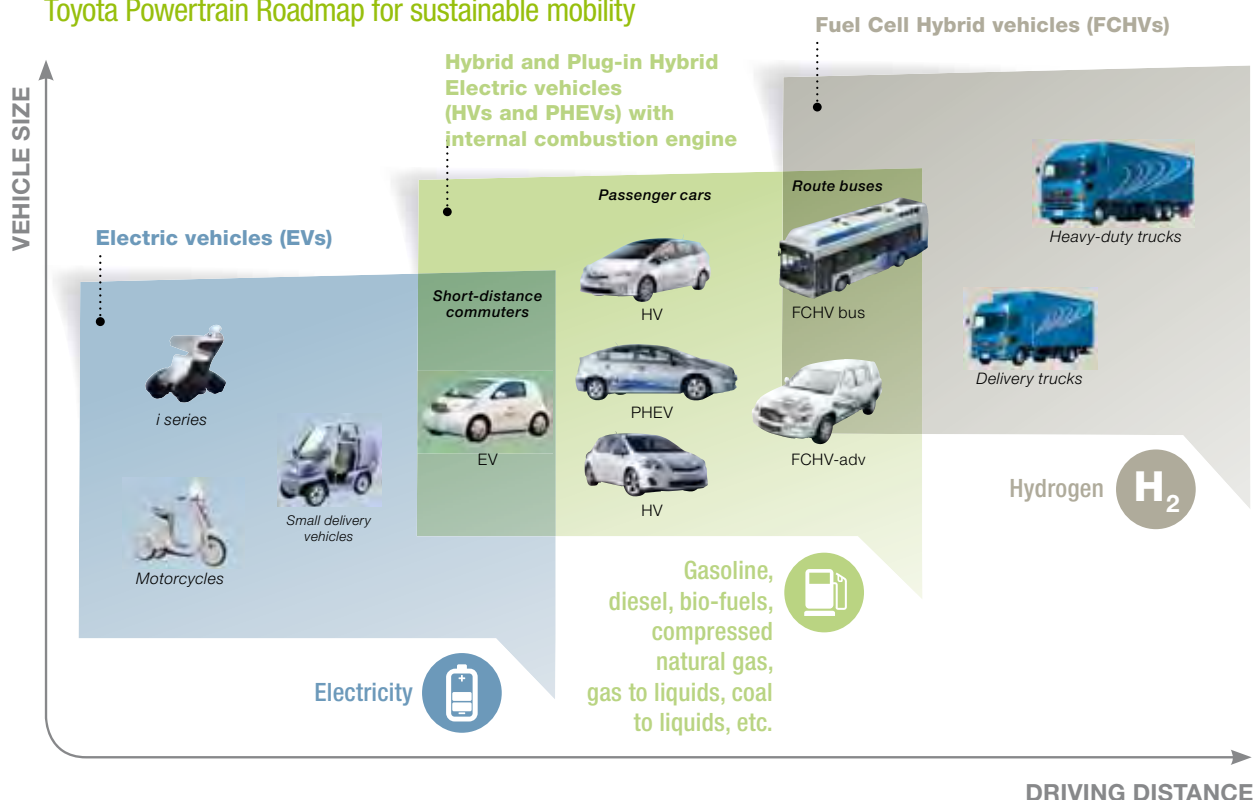
Ninety eight per cent of road transport depends on fossil fuels, and accounts for approximately 24 per cent of CO₂ emissions. European cities are increasingly congested and struggle to meet European air quality standards. The population of many EU countries is ageing, while a younger, more urbanised generation is less interested in car ownership than in the past. At the same time, an increasing global population coupled with growing wealth in the developing world will place further strain on resources and energy supplies.

These are just a few examples of the challenges that lie ahead of us. The World Business Council for

Sustainable Development (WBCSD) Mobility 2030 Report has concluded: "The current transport system is not sustainable and will not become sustainable if current trends continue"⁴. At the same time however, transport is extremely important to society. Mobility is vital for people living in remote rural areas, enabling children to go to school, and ensuring that health care and medical treatment remain within reach. It helps maintain relationships with friends and family, and last but not least, provides access to markets and economic growth. Together with the WBCSD, 28 leading global companies and hundreds of experts, we have defined a vision for 2050 that provides universal access to safe and low-carbon mobility, including 'must haves' – essential targets that must be achieved in order to succeed in making this vision a reality.⁵

Over the medium term (up to 2020), this will involve working on more efficient and alternative powertrains, integrated transport solutions, infrastructure and city planning, in addition to increasing awareness of energy use and biofuels standards. We are approaching mobility more holistically and as part of the foundation for a smarter transport system. At Toyota, we believe that we have an important contribution to make in overcoming the negative effects of the current mobility system. Through innovation we aim to maximise the positive social benefits mobility provides, while at the same time reducing its negative environmental impacts.

Toyota Powertrain Roadmap for sustainable mobility



⁴ <http://wbcscd.org/Pages/EDocument/EDocumentDetails.aspx?ID=69&NoSearchContextKey=true> ⁵ <http://wbcscd.org/vision2050.aspx>

Based on these studies and supporting research we have developed a powertrain roadmap. The roadmap focuses on pure electric mobility and last mile mobility devices⁶ appropriate for short distance driving in cities; hybrid and plug-in hybrid electric vehicles (PHEVs) to connect short, mid and long-distance driving; and fuel cell vehicles for long distance driving and logistics (See picture p.23).

Our Global Vision includes leading the way to future mobility. We have set up teams in various parts of the world to analyse energy and mobility trends and to propose new solutions. For example, through road usage experiments, we have analysed consumer behaviour and mobility patterns and found that 65 per cent of daily trips taken were shorter than 20km.

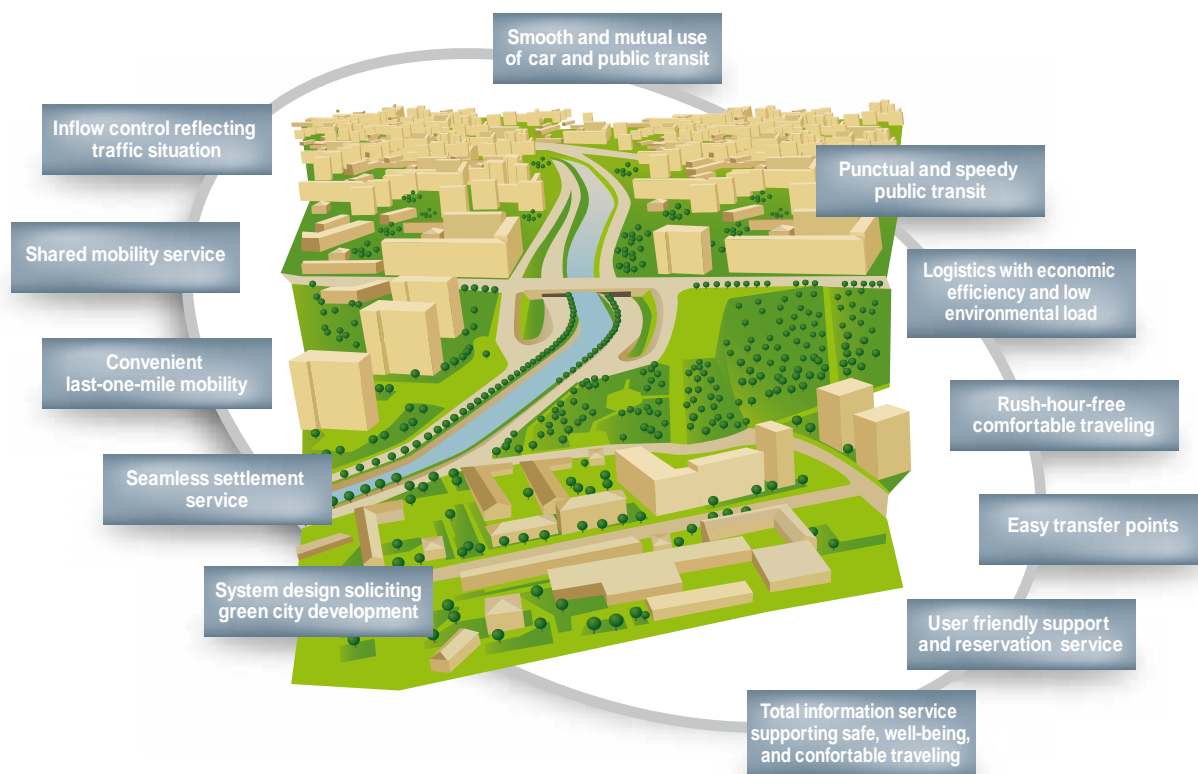
Our teams are working with partners such as the International Energy Agency,⁷ modeling the best energy mix for the future. However, if society is to develop sustainable transport, it will need to go beyond powertrain technology and energy mix solutions. To reduce CO₂ emissions by 60 per cent or more in road transport by 2050 (the goal set by the European Commission), solutions will need to incorporate energy distribution, fuel types, mobility infrastructure, and of course, customer behaviour.

In light of the fundamental nature of the challenge, we must work with all relevant stakeholders, for example

investigating potential solutions with fuel and energy providers to better understand and devise solutions to the limits of conventional fuels, biofuels and electricity. Biofuel blending activities in various European countries must also be monitored to ensure that our future engine line-up is prepared for any developments in European biofuel usage and standards. We provide information to customers on the status of their vehicles with regard to biofuel compatibility through a public web site (see http://www.toyota-europe.com/about/news_and_events/e10-biofuels.tmx).

We are involved in projects with a number of European cities, developing an understanding of the opportunities and limits of city planning⁸. We are speaking to infrastructure providers and to information service providers to assess what will be required to integrate multiple information sources into the car, and better connect the car with the outside world.⁹ Our findings are shared with our partners¹⁰ and together we analyse the potential impact of proposed solutions, both practically, and in a broader economic context (for instance assessing the public budget requirements of a solution).

By adopting a wider, interdisciplinary approach, we are able to progress toward defining a new mobility system that is acceptable to our customers and at the same time is leading us towards an increasingly sustainable, societal transport solution.



6 The final mile between a transport hub – such as a train station – and home 7 http://www.iea.org/subjectqueries/keyresult.asp?KEYWORD_ID=4121
 8 <http://wbcsd.org/work-programme/systems-solutions/urban-infrastructure.aspx> 9 http://www.toyota-global.com/innovation/intelligent_transport_systems
 10 http://www.acea.be/news/news_detail/our_future_mobility_now_urban_mobility_webinar

1 The Life Cycle Approach to Environmental Management

In 2011, Toyota Motor Corporation (TMC) launched its fifth 5-Year Environmental Action Plan, which formed the direction for Toyota Motor Europe's (TME) FY11-FY15 Environmental Action Plan. Four main objectives were set:

- Establishing a low-carbon society
- Establishing a recycling-based society
- Environmental protection and establishing a society in harmony with nature
- Establishing efficient Environmental Management Systems (EMS)

High Level Environmental Strategy for FY11-FY15

A. TOWARDS A LOW CARBON SOCIETY	1 Hybrid to become mainstream technology solution, recognized by consumers
	2 Next generation vehicle technologies and fuels have to be promoted for market acceptance, and achieve the best fuel economy to reach the required CO ₂ levels (120g/ 2015 & 95g/2020)
	3 Based on Climate Change agenda, identify roadmaps towards 2050 in view of de-carbonizing transport
	4 Reduce energy and emissions at facilities
	5 Reduce energy and emissions in transport logistics
B. TOWARDS RECYCLING BASED SOCIETY	6 Reduce waste volumes and improve recycling
	7 Reduce packaging waste
	8 Practice efficient water management
	9 Collect, treat, and recycle HV batteries according to EU Battery Directive
	10 Collect, treat, and recycle ELV's' according to EU ELV Directive
	11 Integrate recycling concepts in vehicle design
C. ENHANCING ENVIRONMENTAL PROTECTION	12 Improve air quality
	13 Strengthen chemical substance management
	14 Address bio-diversity
D. EFFICIENT ENVIRONMENTAL MANAGEMENT	15 ISO 14001 is used as a basis for legal compliance and performance improvements
	16 Strengthen sustainable constructions, operations, plants, and retailers
	17 Promote environmental activities at suppliers
	18 Enhance education and awareness, promote sustainable mobility
	19 Promote social contributions related to environment
	20 Disclose environmental information

These four objectives cascade down through all TME functional areas, who are required to develop relevant plans, targets and key performance indicators (KPIs), aligned with their operational activity. For example, 'Establishing a low-carbon society' means:

- Enhancing hybrid technology and researching alternative energy, in **Design**;
- Reducing energy use and emissions at facilities, in **Production**;
- Optimising route planning and transport choices to reduce emissions, in **Logistics**;
- Promoting next generation vehicle technologies for market acceptance and sustainable mobility, in **Sales and Marketing**.



1 Stakeholder Dialogue

To maximise the potential for CO₂ and pollutant emissions reduction from road transport, Toyota Motor Europe (TME) promotes an integrated approach, engaging numerous stakeholders from our value chain - vehicle manufacturers, oil/fuel distributors, repairers, customers/drivers and public authorities. Sustainable mobility (as defined in chapter 1) can only be achieved by engaging with a wide range of influential entities and decision-makers within society.

We engage with society in a number of different ways. First, we promote a partnership approach whereby we work with political decision makers such as the European Commission, the European Parliament and the EU Member States.

With these bodies, we discuss the contributions Toyota can make toward improving the environment (automotive technologies such as hybrid, plug-in-hybrid, fuel cell) and how we move toward a sustainable mobility solution for the future. To help create and enforce this understanding, we give our stakeholders the opportunity to test-drive our vehicles.

Secondly, we try to engage in and be part of best practice behaviour. We take part in and develop improvement projects, such as our large-scale plug-in-hybrid project in Strasbourg (France) and the World Business Council for Sustainable Development (WBCSD) Urban Infrastructure Initiative (UII). Since July 2010, we have been testing over 200 Prius Plug-in Hybrid prototypes, spread over 18 countries in Europe. For this test, we partnered with several companies such as Siemens, EDF and Google. We hope to understand customers' expectations, validate actual Plug-in Hybrid Electric Vehicles (PHEV) performance in real-world conditions and contribute to the development of measurement methods for fuel consumption and emissions of PHEVs. The results after two years are very encouraging.

Toyota has been involved with the UII since its inception in 2009 and is advocating to avoid the exclusion of 'green cars' from city centers.² It is Toyota's opinion, that a complete ban on vehicles is impractical and unrealistic and doesn't correspond with people's needs and desires. Instead we propose that vehicles be regulated according to their emissions (CO₂, PM and NOx). In addition, Toyota prioritises co-modality (getting from A to B via various transport modes) as opposed to a complete modal shift (complete shift to public transport) and lobbies for initiatives such as smart parking, whereby environmentally friendly cars have designated parking spaces and reduced parking costs.



Members of European Parliament at TME

² Electric and hybrid vehicles still contribute to congestion and as such a number of local authorities remain opposed to them in city centres.