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.

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.

Toyota is a supporter of Education for Sustainable Development (ESD). ESD activities are aimed at creating a sustainable society.

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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.

Message from the President

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.

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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 ideals, 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 and provision of innovative and quality products and services that lead the times. Cars are useful because they afford us freedom and 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, information technology, 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 will share the policy with our consolidated subsidiaries and all employees recognize and put into practice our CSR Policy. We will also expect our business partners to have shared the policy with our consolidated subsidiaries and all employees recognize and put into practice our CSR Policy.

The Toyota Precepts embody the thinking of the founder of the Toyota Group, Sakichi Toyoda, and have provided moral support for employees in company principles. They continue to role today in the form of the Guiding Principles at Toyota (adopted in 1993 and revised in 1995).

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

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.

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

- 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_global_vision/1_global_vision_for_those_weserve/index.jspx.html
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

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.

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

[Monozukuri at one with the region]

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

[New Business Vision]

3 New Business VISION

Building production infrastructure for compact cars

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

[Social Contribution Vision]

2 Social Contribution

Kokoro Hakobu Project

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

[Automotive Business Vision]

1 Automotive Business

Making Tohoku the third car manufacturing hub in Japan

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

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

F-Grid Concept Initiative

• Strengthen compact car production capabilities

F-Grid Concept Initiative

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

Reusable power supplies for the local community

Utilizing waste heat generated by in-house power generators

Flexible energy exchange with nearby plants

Emergency information service

Energy independent facility

Emergency power supply units fitted to cars in public/can/BS/traffic of charge

For details, please refer to pp. 34-38 of the Full Version.
In order to strengthen our research and development systems, we are expanding the role of our chief engineers (ICE) as a way of clarifying their positions as 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 standardization 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 binding factors in design and production planning
  
  ● Optimize the design review process (CE is responsible for design review)

- Greater authority to the CE
  
  ● CE gets final authority regarding new model introduction
  
  ● Overall authority of development is given to individual models, with responsibility for product management

- Stronger emphasis on regional characteristics
  
  ● Assess consumer expectations in each market, brand quality and product appeal
  
  ● Utilize research to expand product appeal, especially under emerging markets

- Refined organizational structure
  
  ● The CE has full responsibility for the entire process of developing a model, and each regional bureau focuses on specific technologies

- Future Initiatives
  
  - Further improvements in technology
    
    ● PropArt (Toyota New Global Architecture)
    
    ● Substantial basis to further development

  - Stronger focus on markets in emerging economies
  
  - Further enhance product appeal through environmental and other technologies

Global Rollout of Innovative Technology Established in Japan

In order to manufacture quality products at affordable prices, even in small quantities, we plan to implement the net efficiency rate of our facilities, make possible the 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 breakdown, easy to repair, and involves reduced depreciation cost;
- "variable models in variable volume," meaning introducing small-scale general-purpose lines with simple set-up changes to new/different models; and
- "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 responses 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 capability. 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.

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.
Aqua – from Tohoku to the World

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 car, Prius, which gained favor with many customers. Toyota has released the hybrid car Aqua for the compact car market—in which Toyota is the highest-ranked in the world—environmentally-friendly cars will contribute to society. During the launch of the new Aqua, a local operator was invited to the launch event in Tohoku to talk about his thoughts concerning the Aqua. The Aqua is now produced by Toyota’s joint-venture company that is dedicated to the production of the Aqua.

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.

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

1. World-leading fuel-efficiency plus exhilarating driving
2. A fun and easy-to-use hybrid
3. Stylish, yet surprisingly spacious
4. Reasonably priced

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.

Aqua – the Ideal Compact Car for 2020

Toyota has received the hybrid car Aqua for the compact car market—in which Toyota is the highest-ranked in the world—for its special fuel-efficiency and environmentally-friendly cars will contribute to society. The launch of the new Aqua is a local operator was invited to the launch event in Tohoku to talk about his thoughts concerning the Aqua. The Aqua is now produced by Toyota’s joint-venture company that is dedicated to the production of the Aqua.

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

Aqua – from Tohoku to the World

Toyota has long been 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

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.

Nobuki Takahashi
Quality Control Co., Ltd.,
Toyota Motor East Japan, Inc.

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 (except trainees from local industries)

Promote development of new technologies and parts through partnership with private, public and academic institutions

Strengthen compact car production

Rigorously implement manufacturing fundamentals; lean and driving management

Strengthen local procurement that is at one with regional industry

Strong partnership with local communities

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

Toyota Motor East Japan, Inc.

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.

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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

Strengthen compact car production capabilities

Establish a local-procurement promotion center in Tokyo (January 2012)

Strengthen the Tohoku technical center

Promote development of new technologies and parts through partnership with private, public and academic institutions

Contribute to the revitalization of the local economy over the medium- to long-term through development of human resources in manufacturing (except trainees from local industries)

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Toyota Motor East Japan Technical Skills Academy

Toyota Motor East Japan Technical Skills Academy (artist’s rendition)
Contributing to the creation of next-generation communities, pioneering the future of the automotive industry, and realizing new mobility societies and affluent local communities

Nobuyori Kodaira
Executive Vice President

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 community, 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.

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.

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.
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 (IPVs) 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 topic 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 method of utilizing self-supplied electricity and managing battery charging efficiently to control electricity consumption, thus providing an ideal lifestyle support service 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.

Toyota’s Role in Creating Communities of the Future

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.

Main Advancements and Demonstration Test Results for FY2011

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.

Participating in Demonstration Tests in Various Countries and Regions

Toyota participates in demonstration tests in various countries and regions 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.

Altering to Create Clean and Comfortable Next-generation Communities

The aim is to achieve optimal energy usage 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

- Effective energy use
- Ubiquitous usage
- Collecting data
- Providing an information center
- Contributing to the Realization of a Low-carbon Society

Toyota Home’s Smart House, SWICE Evelas, launched in April 2012

Smart Grid Envisioned by Toyota!
**EDMS Initiatives for Realizing a Comfortable, Environmentally Friendly Society**

The Smart Multi: 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 area is gathered and analyzed to determine how much energy can be generated. 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.

**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). 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 86% of users charging batteries at the ideal late night time.

**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 CO₂ 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.

**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.
**Stable Base of Business**

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

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.

Sharing the Origin of the Toyota Way with All Employees

This ideology has been systematized and 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.

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

**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 across 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 severer 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 ¥100 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.

**Regional Strategy**

- Reduce production capacity
- Strengthen 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%

**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**

- 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

At Toyota, the customer always comes first. The funding creates forms that focus on our everyday basic operations. To ensure that we always deliver the best possible products to the market, we maintain a strong commitment to quality and monozukuri (manufacturing) while constantly striving to refine our various quality initiatives.

Toyota understands that ultimately, products are manufactured by people, and that monozukuri is predicated on workers. So to make monozukuri, we must consider the industrial culture and context of our workplace. All employees have a shared appreciation of the Toyota Way, and our comprehensive vision of training and development programs based on the job training system (TFT) utilize both in-context and out-of-context quality audits 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—and in those words, to us at Toyota, “quality” is the most important thing, 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

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

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 World-Skills 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 Hami 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.

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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.

Seven Japanese and Four International Gold Medals

The 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 1,064 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 65 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 two.

Atsuya Kamioka Plant Engineering Div.

Toyota President Akio Toyoda with gold medalists

Toyota President Akio Toyoda, Yuichi Sawaki (autobody repair), Kengo Watanabe (CNC milling)

President Emeritus Yoichiro Toyoda, Toyota President and CEO

President Emeritus and Toyota Chairman

Toyota President and CEO

Toyota’s over-30s are already in the WorldSkills Competition since 2007. In 2011, Thailand and Indonesia each sent two employees as their country’s representatives, and one employee took the gold medal. For the WorldSkills Competition, Toyota is dedicated to the Grimace Project. Toyota’s overseas affiliates have been entering the WorldSkills Competition since 2007. In the 2011 competition, Toyota sent two employees to hold the first ever gold medal for a Toyota 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.

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 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.

Training for the WorldSkills Competitions

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.

COMMENTS FROM SECRETARIAT

Tatsuya Kamioka Plant Engineering Div.

Toyota President Akio Toyoda with gold medalists

Toyota President Akio Toyoda, Yuichi Sawaki (autobody repair), Kengo Watanabe (CNC milling)

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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 2011 forward 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 how to what extent 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 said to need “the concept of the environment and minimizes 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 us 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 resource 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 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

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.

Sustainability Report 2012

Editorial Policy

The objective of this report is to convey Toyota’s efforts to realize harmony with people, society, 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 announced in March 2011, and from 2012 we are reorganizing 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.”

Sustainability Report 2012

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 establishing socially responsible investment (SRI). His expertise is in corporate and corporate environmental assessment from the viewpoints of environmental management and CSR.

From March 2005 until May 2009, I was one of the experts in the Japanese delegation to the UN Social Responsibility Standards Working Group.

I would have liked to see examples of overseas subsidiaries practicing ‘management that shows respect for 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.

Response to the Third-party Opinion

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.