TOYOTA

Annual Report

Sustainable Management Report **2016**

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We will take on the challenges for the future without wavering from our three main goals.

This year, we are seeing many changes taking place.

If I were to summarize my thoughts about this fiscal year, I would say this year will be a test of whether we can transform our intentions to reality. We have been working to strengthen our management foundation, knowing that there will be more uncertainties which could result in a multitude of changes.

Rather than simply reacting to events as they occur, we must always be ready to overcome any circumstances and face up to the changes ahead without wavering from our main goals.

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

From an intentional pause to purpose-driven investment

Following the rapid growth in the first decade of the 2000s, Toyota fell into the red for the first time in our history due to the financial crisis in 2008. We also experienced a multitude of challenges following that. What we learned from this is that financial losses, even after a rapid growth, could bring anxiety to stakeholders.

What is important now is not focusing our energy solely on quantitative expansion, but consistently strive to continue making ever-better cars; this is what will bring forth sustainable growth in a way similar to how a tree forms ring after ring as it grows each year.

Acting on what we have learned, we improved our productivity and developed human resources during a time of intentional pause – strengthening our foundation in order to prepare ourselves to face upcoming challenges.

In last year's announcement, I mentioned that we had shifted from an "intentional pause" to an "implementation phase" and that we would start making new purpose-driven investments.

In doing so, we have three main goals.

The first is to strengthen competitiveness by putting increased effort into making ever-better cars. For instance, we will move forward more aggressively with TNGA*, which we have been working on for the last few years.

The second is to sow seeds for growth in both existing automobile manufacturing business and in fields beyond that as challenges for the future.

The third is to reinforce our management and financial foundation in order to make the first two goals a reality. Strengthening our management foundation is of particular importance for Toyota not only for today but also for tomorrow's generations.

* **TNGA**

Special Feature 2: Challenge of Ever-Better Cars
- TNGA: New Approaches in Car Production Design Concept (P9)

Human resource development

In April this year Toyota drastically changed its organizational structure.

Today, with over ten million annual vehicle sales, decision-making often requires too much coordination time to make a single decision. On the other hand, we have learned about car manufacturing technology, passion, speed of decision-making, and the use of resources amongst many other things, through the alliances with other automakers. Additionally they offer us opportunities to reflect upon our own practices.

We have introduced smaller independent and product-focused in-house companies. We are also prepared to aggressively promote the development of cutting-edge technology and foster new values. We have implemented this change in order to speed up decision-making and reform working practices so that employees will be able to work irrespective of organizational boundaries. Above and beyond that, I had an additional ambition, which was to create an organization to develop a talented workforce that would shape the future of Toyota.

As an organization grows larger, people tend to have a muddled sense of ownership and to be less motivated to take on new challenges. Through the introduction of the in-house company system, we want to create a "smaller Toyota" out of each organizational unit. I hope it will be an organization that encourages employees to give themselves a new challenge and will be a company through which employees are able to sense their own personal growth.

Next generation leaders

For the management, I believe that when one's role changes from being in charge of a specific unit or function (former setup) to being responsible for an entire in-house company, that person becomes more resolute. When "decision" is written in Chinese characters, its characters mean "to determine" "an act of breaking." Taking into account the interests of the in-house company as a whole, leaders may have to make difficult decisions sometimes. On these occasions it is important that they care about and think of the people on-site who are affected by these decisions. I am hoping to make the most of this organizational change and to turn it into another opportunity for those of us in the management to nurture leadership qualities.

Innovation and what makes Toyota who we are

Our circumstances are likely to change in the future and there is increasing uncertainty in societal trends. At the same time, automobiles themselves are reaching a critical turning point.

Since its foundation, Toyota has grown through pioneering innovation. In January this year we established Toyota Research Institute, Inc. to accelerate research and development of Artificial Intelligence (AI) technology, a key to future society. It is an integrated part of our “purpose-driven investments” for TMC and Toyota Group to keep contributing to an affluent future society.

In parallel, the distinctive characteristics of Toyota, exemplified in the Toyota Production System, that were formed by and have been handed down from our people in earlier days are still being upheld to date. Going forward, we wish to realize sustainable growth through further innovation and the evolution of Toyota’s unique characteristics.

Passing on our core belief

The job of Toyota’s president is not just to ponder about things that could occur during your tenure of office, but rather to assume the role of a successor who will eventually hand over the company for it to thrive for the next 100 years. For that reason we must carry forward our core belief of creating ever-better cars internally and Enriching Lives of Societies to coming generations.

To achieve that, we must have the purpose and will to work with a vision for the future.

To maintain sustainable growth without drifting away from your goals even in adverse business circumstances, the management should demonstrate that they themselves are ready to take on new and difficult challenges. To put this in my own words, the management should “take a bat in hand and step up to the plate” and let employees see them doing so.

Toyota has entered uncharted territory with global sales exceeding ten million vehicles. From here on, we will walk an unprecedented path which we will need to pave ourselves. This is also a path that we will walk with every one of our stakeholders. While anticipating much more adversity along the way, we will continue to courageously step up to the plate without backing away from fear of failure. We would very much appreciate the continued support and understanding of our stakeholders.

September 2016

Akio Toyoda
President, Member of the Board of Directors
Toyota Motor Corporation

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Special Feature

We explore the future of a smart mobility society that will bring a smile to people worldwide

Toyota continues to take on various challenges toward the realization of the Toyota Global Vision*.
Toward a society where mobility means safety, efficiency and freedom.
Toward a net positive society going beyond zero environmental impact.
Striving for ever-better cars through TNGA,
toward a society with new wonder and exhilaration utilizing AI and Big Data.

Rewarded with a smile, by exceeding your expectations.
Through Safety and Peace of Mind, Environmental Sustainability, and *Waku-doki* (excitement and exhilaration that wows you), Toyota is pioneering the future of a smart mobility society.

* **Toyota Global Vision**

Web Company (Global Vision)

New Prius PHV (Japan spec.)
Exhibited in Smart Community Japan 2016.

Special Feature 1

Automated Driving x Connected

Excitement of Mobility for Everyone

Toyota has continued unrelentingly to face challenges with its founding principles of "Contributing to society by making automobiles." With the business environment greatly changing and the technological progress further accelerating, we will continue to provide a new value of mobility meaning safety, efficiency, and freedom for everyone by merging all of our accumulated technological power with state-of-the-art technologies.

Using Artificial Intelligence (AI) technology applied to automated driving, we will establish a teammate relationship between people and cars. Using connected technology will enable a variety of customers to drive cars safely, confidently and happily. Toyota is actively addressing open innovation as well as in-house research and development to contribute to a more affluent society where everyone can live safely and freely with peace of mind.

Taking on challenges with numerous possibilities in order to create new value

Gill Pratt, CEO of Toyota Research Institute Inc.

The Toyota Research Institute (TRI) is committed to researching and developing artificial intelligence (AI) in order to build an affluent society.

In our research and development projects, we will focus first on researching ways people and machines can work together in the area of mobility. I believe that automated driving technologies allow people and cars to help one another in a partnership, creating a new enjoyment in cars if the driver does not have to worry about traffic accidents.

When my father reached the age of 83, I saw that driving was now becoming dangerous for him and I had to convince him to hand over his car keys. If automated driving technologies had been developed at that time, he would not have had to give up his freedom to move around by himself. We will use AI to take on these types of issues.

In addition, we hope to provide the freedom of "mobility" to all persons, not just moving around outside in cars, but also moving around inside from room to room. Because I believe that this freedom can drastically improve the quality of life.

Furthermore, we will continue to research the possibilities of AI in other areas besides mobility. We are committed to developing technology for applications in a wide range of fields, such as the discovery of new materials and production management systems.

TRI will continue to search for numerous possibilities and take on challenges in order to create new value.

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People and Cars as Teammates

Accelerated Development of Automated Driving Technology

Through the continuous study of automated driving since the 1980s aiming at ever-better cars, in October 2015, Toyota announced the concept for automated driving: the Mobility Teammate Concept. This is a unique philosophy of Toyota which seeks out a relationship between people and vehicles so they have the same objectives, stand by and support one another as companions would do, in order to realize a society in which every person can enjoy mobility safely, comfortably and freely. In addition, the Mobility Teammate Concept contains Toyota's sincere hope to "provide precious cars for all" including those who love driving or are not good at driving, senior citizens and the visually challenged.

MOBILITY TEAMMATE CONCEPT
Automated Driving Tech.

Technological Development Measured by Degree of Difficulty in Automated Driving

Technologies required for automated driving differ in difficulty according to road conditions. Toyota recognizes these challenges and organizes them in accordance with the level of difficulty to solve them. By steadily progressing step by step Toyota will lead the world in the field of automated driving.

Required driving capability	Driving safely, following all traffic rules		Driving on known roads wisely	Driving on any roads
Road conditions	Highway	Major surface roads	Surface roads	Any roads
Required driving intelligence	360°recognition of surrounding vehicles	Recognition with wider area and higher density	Recognizing/predicting behavior of various moving objects	Ability of self learning and self improving
Degree of difficulty	Low → High			

Three types of intelligence crucial to the success of the Mobility Teammate Concept

- Advanced recognition and predictive decision -making functions — Driving Intelligence
- Vehicle-to-vehicle and vehicle-to-infrastructure communication, as exemplified by the ITS Connect, etc. — Connected Intelligence
- Recognition of driver's status, transfer of control between driver and car, etc. — Interactive Intelligence

Aiming at realization around 2020

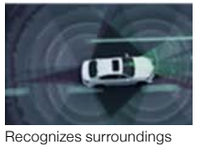
Highway Teammate

In October 2015, developed under the Mobility Teammate Concept, Toyota debuted an automated driving demo car equipped with Highway Teammate functions for highways. The built-in system in this car has enabled automated driving possible from the on-ramp to the off-ramp on a highway, merging onto and exiting from a highway, lane changes, and maintaining safe distances from lane lines and other vehicles through appropriate recognition, decision-making, and action according to actual traffic conditions. We are aiming at the realization of Highway Teammate around 2020.

Automated driving technologies work by using three critical processes

Recognition

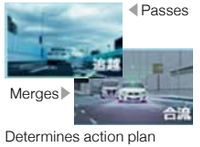
Checks map to calculate vehicle position



Recognizes surroundings

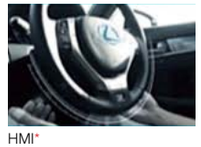
Decision-making

Assesses situation



Determines action plan

Taking action



HMI*

Controls vehicle

* Human Machine Interface

The Highway Teammate requires a higher level of coordination in three processes from recognition, decision-making, to taking action. Therefore, we are developing travel technologies where the car can find a safer route automatically by the integrated use of detailed maps to grasp car positions correctly, high-end sensing technology and recognition technology to identify the types of moving items, and auto-sensing technology to realize smooth driving.

Utilization of Artificial Intelligence (AI) Technology and Big Data

The Challenge of Automated Driving on Ordinary Roads

To "provide everyone with freedom of movement" is Toyota's hope contained in the Mobility Teammate Concept. In order to realize this dream, we are aware of the need to address the challenge of automated driving on all roads on which people throughout the world drive along. Therefore, Toyota is committed to realizing automated driving on ordinary roads which is more difficult than highways. We are aiming at the realization of a sustainable smart mobility society in the future by merging the accumulated technology and insight of *Monozukuri* (manufacturing) with state-of-the-art technology such as AI technology and Big Data.

Highway
Comparatively simple road environment
- Simple driving direction
- Simple road formation

Ordinary road
Complicated road environment
- Intersections, signals, and signs
- Pedestrians, motorcycles
- Higher accident risks

Challenge to Ordinary Roads

Utilization of AI Technologies

In order to make smarter decisions, in the existing rule descriptions in its system designs, Toyota is applying state-of-the-art AI technologies such as machine learning, one of which is deep learning of existing rule descriptions in its system designs.

Rule descriptions
- Pre-programmed by people using 'if-then' solutions to conditions
- This approach, however, has limitations in the case of ordinary roads where presumed conditions are numerous.

Machine learning, etc.
- Programming learning methods only to allow the machine itself to make smart decisions through repetitive learning of success and failure based on a large volume of data.
- However, the process of why the decision is made could turn out to be a black box.

Utilize both by determining their advantages.

Utilization of Big Data

Toyota considers both making a concerted effort to acquire driving data during the development of automated driving, and the vast amount of data acquired from connected cars released in the market driving under diverse global road conditions, as key factors to accelerate AI learning.

After the results learned from driving data of individual cars are reviewed using the vast data including information from other cars, all connected cars will receive feedback of the results. This will allow the occurrence of near miss accidents anywhere in the world to become empirical knowledge of every car worldwide.

Big Data
- Toyota's yearly car sales have reached approximately 10 million vehicles, totaling 100 million units in 10 years. If every vehicle runs 10 thousand km a year, in total, the driving data will reach one trillion km a year.

Every car worldwide can acquire empirical knowledge instantly, realizing the same quality driving as a skilled driver.

Urban Teammate

Driving demonstrations of an automated driving demo car on an ordinary road were held

To realize automated driving on ordinary roads, Toyota gave a driving demonstration of an automated driving demo car, equipped with an Urban Teammate function under development, at the Summit Conference of the Leading Industrialized Nations (so-called Ise-Shima Summit) held on May 26 and 27, 2016.

Further Use of AI Technology Expanding the world with Big Data

Advanced AI technology can bring innovation not only to automated driving but also to a wide range of fields such as robot technology. In addition, it is expected to underpin future industrial technologies and create new industries.

In order to further strengthen research and development in AI technology, Toyota has established a new company, the Toyota Research Institute (TRI) in the United States, where we will focus on AI technology that can harmonize with people, such as accident-free cars, mobility that enables everyone to enjoy freedom of travel, and robots supporting seniors' life with dignity. Furthermore, we will work on the technological development of new material, production control systems, etc.

As summarized above, Toyota will work towards realizing a more affluent Smart Mobility Society through information sharing and connecting with all customers including drivers.

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People, Cars and Communities Will Be Connected

Connected technology will expand new possibilities

Toyota will not only promote the creation of ever-better cars, but also create new value in sustainable mobility societies by using the connected services utilizing Big Data beyond the framework of the completed vehicle business.

Utilize Big Data Riding on the Strength of Toyota

Big Data is not only used to advance Toyota's driving technologies. By analyzing and reflecting on the vast data acquired by the 10 million vehicles sold every year, we can create ever-better cars from research and development, production and sales to after-sales service.

Functions of Agents

- Predict the driver's actions, understand their intention, and support them for safer and more comfortable driving.
- Provide services, for example, recommending preventative check-ups at the dealer by predicting car trouble and wear before it happens.
- Make remote software updates available based on the usage conditions of the driver.

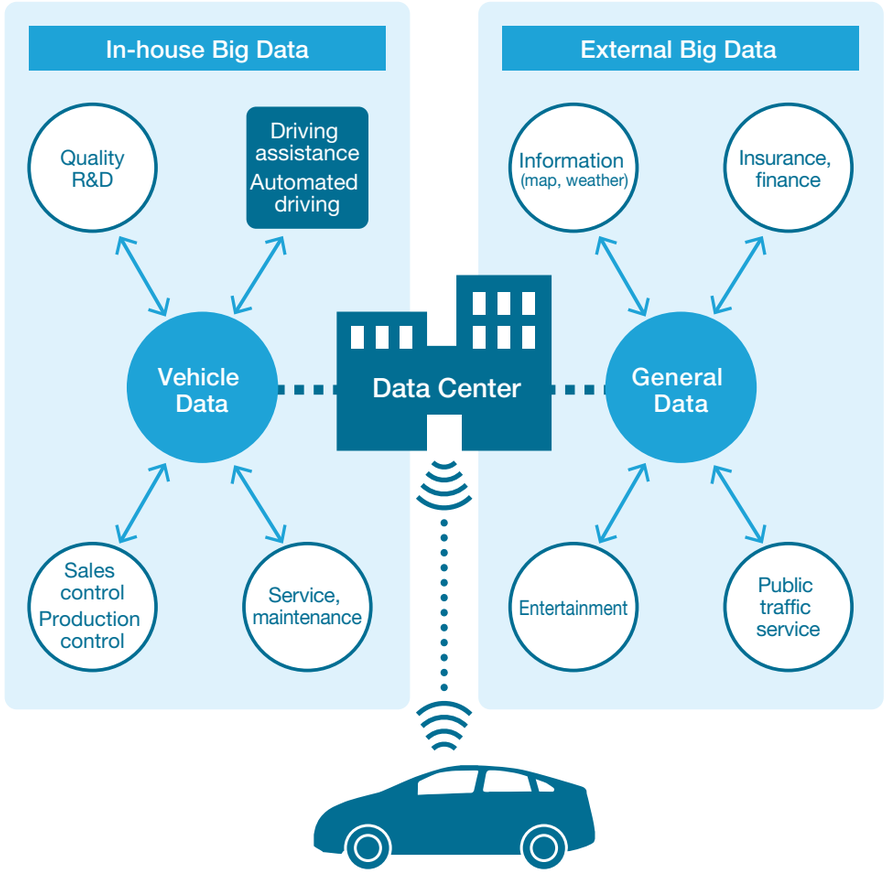
Next Generation's CRM*/Marketing

- Realize the next generation's marketing/customer service of cars, users, dealers, and manufacturers working together while protecting personal information.

* Customer Relationship Management

Remote Maintenance

- Provide solutions to car abnormalities by quickly detecting and sensing on-going symptoms from a remote place.
- Always monitor car conditions with <communication + data processing>, to enable prompt maintenance service.



Utilize a combination of various social data

By combining a variety of data generated by cars connected to a social information infrastructure, we will be able to create new services useful for communities. Toyota hopes to utilize this technology beyond the framework of completed vehicle business to make our lives and communities safer and more affluent.

Social Information Service

- Utilize car data for life information service in combination with weather, finance, and electric power data etc.
- Use weather information to offer new traffic information and forecast service.
- Provide "Route History Map" to inform drivers of traffic conditions just after a large earthquake, etc.

Sustainability Data Book 2016: Published Route History Maps in the Aftermath of Kumamoto Earthquake (Focus) (P23)

Traffic Information Service

- Provide traffic information in combination with weather information, etc. to help avoid traffic jams and accidents.

New Service Useful for Daily Life

- A new service is available in cooperation with car lease and ride sharing businesses.
- An initiative for telematics car insurance started in the United States jointly with Aioi Nissay Dowa Insurance Co., Ltd.

Web New Telematics Car Insurance Services Company to be Launched in U.S.

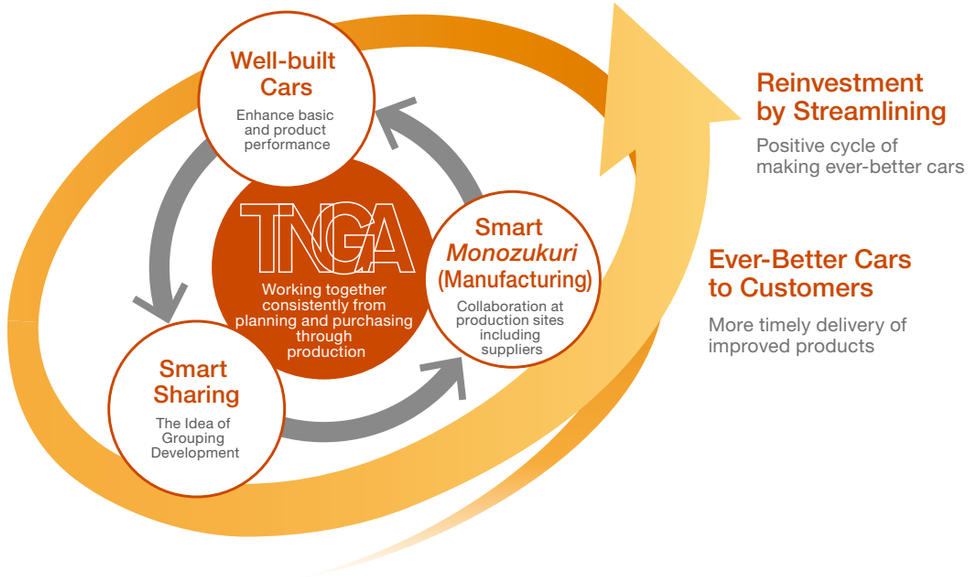
Special Feature 2

TNGA Toyota New Global Architecture
New Approaches in Car Production Design Concept

Challenge of Ever-Better Cars

Under the Customer First policy, Toyota has worked towards ever-better cars to respond to our customer's requests from all over the world. With the expansion of production volume, however, we have faced new challenges to our existing development and production approaches that are optimized for individual models. Toyota has therefore undergone structural reorganization named Toyota New Global Architecture (TNGA) based on a new way of thinking to promote and continue our ever-better cars principle. Starting from the Prius* until around 2020 about half of Toyota cars will be produced in line with our ever-better cars principle through TNGA.

* Launched in Japan in December 2015



TNGA Cycle Accelerates Making Ever-Better Cars

The idea of TNGA cycle underlies the improved basic and product performance of Well-built Cars while incorporating smart sharing that considers total optimization, and promotes Smart *Monozukuri* (manufacturing) in collaboration with suppliers and production sites. This initiative has enabled a 20% reduction in development resources compared to the conventional ratio by reinvesting reserves to improve quality and product performance, leading to more timely delivery of ever-better cars.

Interview with the development leader of the first TNGA car Prius

The development of the New Prius was in tandem with the TNGA Development. This was really the fruit of cooperation and collaboration.

Koji Toyoshima, Chief Engineer

When I was assigned as the development leader of Prius, I felt it was necessary to clearly determine what is required for Prius under our making ever-better cars policy. I decided to thoroughly investigate what hybrid cars should be and to create a list of unique Toyota features and improvements to make a new Prius. In addition, we worked together hand-in-hand to develop both Prius and TNGA; so we had to simultaneously develop TNGA parts to be equipped for Prius. As we consider Prius to be the standard for Toyota's vehicle development hereafter; we set our target higher and continued to aim for it. The new model Prius, the first launch in TNGA initiatives, is the fruit of the challenges thought to be impossible by many members from design and production engineering divisions and supplier partner companies.

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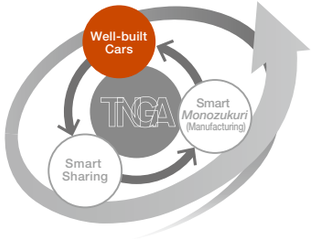
Well-built Cars

Enhance Basic and Product Performance

At first sight, you long for this car.
Once taking a ride, you want to keep driving it for ever.
This is Toyota's idea of ever-better cars.



TNGA

Resonate with Feeling
COOL STYLE
FUN TO DRIVE

Listen to Reason
HIGH FUEL EFFICIENCY
SAFETY AND PEACE OF MIND

TOYOTA C-HR (For Europe)
In March 2016 Toyota C-HR was displayed at the Geneva International Motor Show. It will be launched in Japan in 2016, and in Europe in early 2017.

Newly Developed Powertrain and Platform

The foundation of TNGA is to make well-built cars by enhancing basic and product performance. We have refined them more than ever to create "The design you long for at first sight and the driving performance you don't want to lose after taking the first ride." In order to drastically improve the basic performance, we have developed a new heart in our vehicles; the power train unit including the engine, transmission, and HV system, and the platform for the maximization of respective functions and performance as well as the car's total optimization.

New platform by TNGA

New Powertrain

Revolutionary improvement both in fuel efficiency and vehicle performance was achieved by reforming the whole system combining the engine, transmission and HV unit. It is expected that the fuel efficiency of the conventional model engine system will be improved by more than 25%* and vehicle performance by more than 15%*; while the fuel efficiency of the HV system will be also improved by more than 15%*.

* At conventional ratio

New Platform

The top-class low center of gravity was realized by reforming the underbody and suspension and by lowering the position of the powertrain. Along with contributing to the car's low-lying attractive style, these reforms also offer better controllability and a more sophisticated ride with improvement in passive safety performance that ensures safety and peace of mind.

New Body Structure and Safety and Peace of Mind

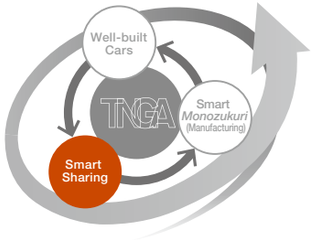
The framework structure was drastically reviewed to try to improve body stiffness (improved by 30 to 65% of the conventional ratio) and to further strengthen the body joints using newly-adopted laser-welding technology, etc. Always seeking customers' safety and peace of mind, we have pursued more stringent standards for collision safety GOA* and Toyota Safety Sense, a Collision Avoidance Support Package.

* Global Outstanding Assessment

Smart Sharing

The Idea of Grouping Development

Incorporating Grouping Development,
and being smart to share well-built parts,
we deliver ever-better cars that meet customers' needs.

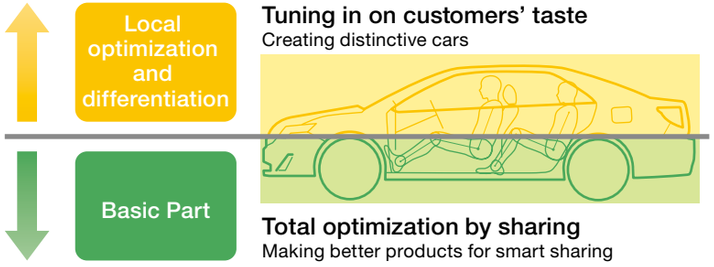


Balancing the Total Optimization with Individual Optimization at a Higher Level

The following illustration shows the image of making ever-better cars by TNGA. It is divided into two parts. The basic part (green) includes powertrain, platform, etc. aimed at Smart Sharing in order to improve car's basic performance. The differentiated part (yellow) includes the car's interiors and exteriors tailored to the customers' tastes. Toyota will continue to make ever-better cars by balancing the Total Optimization using smart sharing with Individual Optimization to make every model more attractive.

[Individual Optimization] Make Every Model the Most Attractive

Tuning in on regional needs and customers' tastes, the chief engineer in charge of development designs every car model. We will make attractive cars along with the adoption of specially designed parts and fine tuning of driving.



[Total Optimization] Smart sharing across the models and their platforms

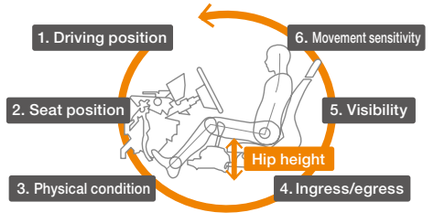
In a new way of making cars with TNGA, a medium and long term product lineup strategy is decided based on body size, body type, region, and proposed timing of the car launch. Based on this strategy, the architectural design concept will be determined to improve basic performance. Then in accordance with the planned product lineup and the architecture, the optimized lineup scenario by part will be strategically established.

Example of Architecture: Driving Position

TNGA has established the architecture to optimize basic performance by identifying the best driving position as indicated below. Based on this architecture, the hip height was sorted into five positions in order to conduct smart sharing for each component surrounding the driver.

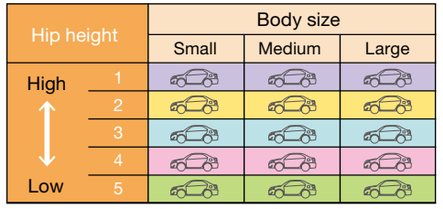
Define the optimum driving position with six viewpoints

By placing the well-built parts in the best position, the concept to realize the "High Performance = Optimum Driving Position" has been defined.



Sorted into five groups of hip points

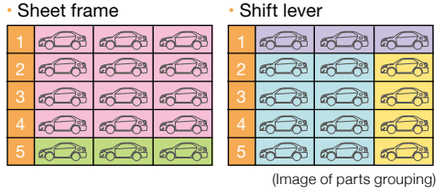
Based on the mid- and long-term products lineup, all the driving positions for all products were sorted into five hip points.



(Image of parts grouping)

Smart Sharing of each part

Smarter sharing is done by not only the grouping into five parts but also through further creative investigation for the other part on the car body. (There are various restrictions in reality: FF/FR, body width of compact cars/full-size cars, variation in model parts such as shift-by wire, etc.)

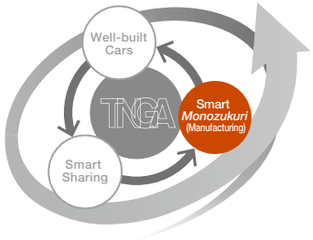


(Image of parts grouping)

Smart *Monozukuri* (Manufacturing)

Collaboration at Production Sites Including Suppliers

In purchasing and manufacturing, focusing on smart manufacturing of ever-better cars, we make the most of the merits of Smart Sharing.



Promoting Further Cooperation with Suppliers

Many car parts are purchased from suppliers; so close cooperation with them is essential for smart sharing of parts and modules by TNGA. Toyota has strived for "*Monozukuri* Innovation" with suppliers to reduce *Muri* and *Muda* (impossibility and waste) by considering vehicle development, parts design, and production at the same time. We have been promoting drastic reform activities to change the flow of making cars in tandem with TNGA.

Monozukuri Innovation Supporting Ever-Better Parts Manufacturing

Monozukuri Innovation involves Toyota's individual divisions making a part-based cross-functional team with suppliers, and running the drawing and production process with *Genchi Genbutsu* (on-site hand-on experience) simultaneously at the early development stage. In order to realize ever-better parts manufacturing, we identify waste at production sites and combine the wisdom from the design stage through production. For example, waste is eliminated to reduce the number of parts by changing the design structure, reviewing production lines and processes and so on. At the same time, in order to improve quality and strengthen competitiveness further, we are committed to manufacturing every single part to the best of our abilities.

Consistent Four Initiatives

Toyota Works Together with Suppliers + **Cross Function** + **Front Loading** + **Waste Elimination**

Working together across the company's boundaries on-site with our suppliers

Working together across the functional barriers of planning, purchasing, production, etc.

Planning and implementing the ideal state of drawing and processes simultaneously during early development stage.

Regarding anything apart from added-value as waste, reforming thoroughly from design to production

Prompt Delivery of Ever-Better Products to Customers

Sharing across the platforms by TNGA will lead to more efficient production. By establishing a mid- and long-term product lineup, the car structures to be introduced in the future can be predicted to eliminate waste, which will lead to more simple and slim production lines. Production line configuration (such as how to attach parts to the body and the facility specifications) can therefore be standardized allowing the prompt development of TNGA car production in factories all over the world. Eventually products of the same quality can be delivered more promptly to customers throughout the world.

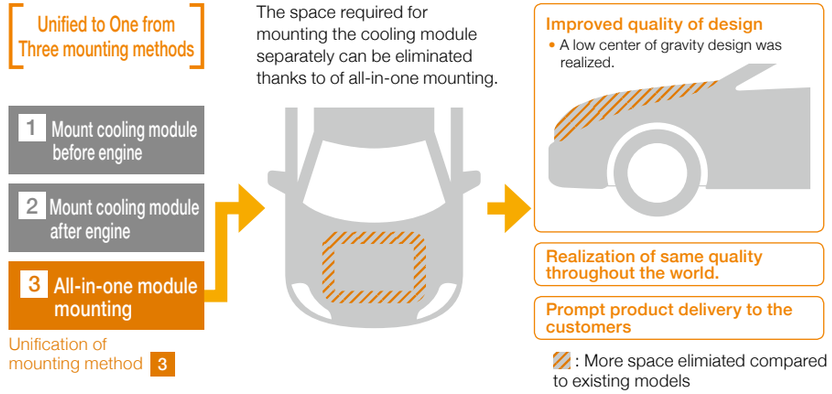
Promoting modularization such as all-in-one engine mounting of cooling module in tandem with TNGA will enable a positive cycle to realize cars with excellent design.

Related Information

Initiatives for Sustainable Growth (Value Chain): Production (P38)

Merits of Sharing: Example of All-in-one Engine Mounting of Cooling Module

The cooling module for the all-in-one engine mounting, which used to have three types of mounting methods, has enabled us to cut out the space required for individual mounting, realizing a low center of gravity design along with improved quality and productivity.



Special Feature 3

Toyota Environmental Challenge 2050

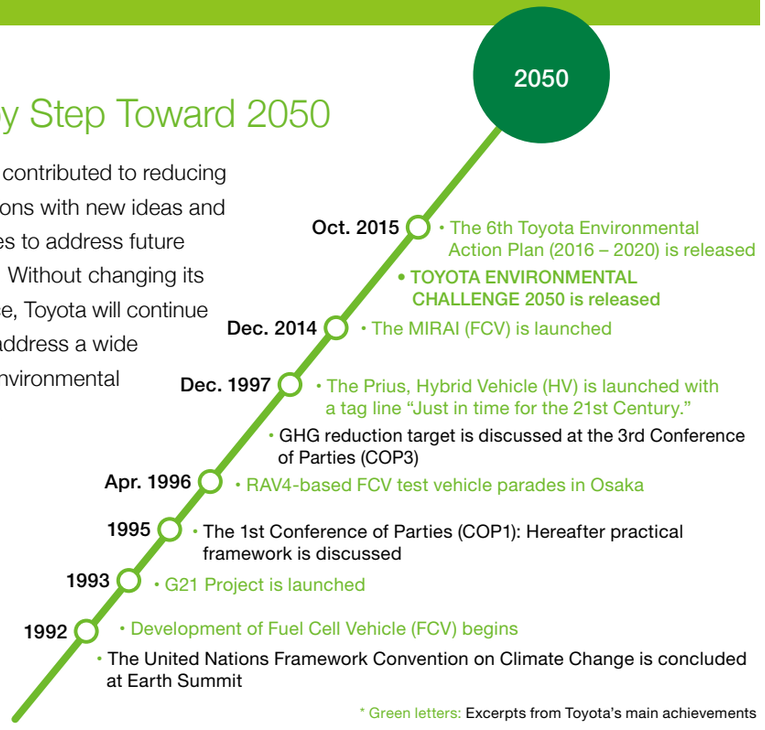
Aiming to Establish a Future Society in Harmony with Nature

We have formulated the Toyota Earth Charter based on the Guiding Principles at Toyota, considering environmental issues as a paramount importance, and have established a promotion structure to address such issues. In the course of perceiving public opinions or world trends while considering our focus in the years to come, we have embarked on new challenges to tackle unsolved environmental issues.

In October 2015, we formulated and announced the Toyota Environmental Challenge 2050. Our ideal goal has grown higher from "Toyota's presence will not impact environment" to "Toyota's presence will have a positive impact on the environment." We are going further with an aim to establish a future society in harmony with nature.

Step by Step Toward 2050

Toyota has contributed to reducing CO_2 emissions with new ideas and technologies to address future challenges. Without changing its basic stance, Toyota will continue striving to address a wide variety of environmental challenges.



* Green letters: Excerpts from Toyota's main achievements

Leading Innovation with Technology and Creativity to Address Environmental Challenges

Takeshi Uchiyamada, Chairman of the Board of Directors

~From the Keynote Speech at the 2015 Toyota Environmental Forum~

Since its foundation, Toyota has inherited the corporate philosophy, "Contributing to society through manufacturing of cars." Similarly, we have embraced unshakable belief of "Leading innovation with technology and creativity." The first-generation Prius launched in 1997 is one of our achievements. Upholding a mission to "Manufacturing new vehicles for the 21st century," we developed the HV system not available at that time, and its unprecedented fuel efficiency performance contributed to the reduction of environmental impact.

I believe that the keys to success are to reverse ways of thinking, "to make the impossible possible" and "breakthrough technology." We will never change this basic stance, "Do what should be done instead of doing what is possible." This spirit of innovation challenge is the Toyota's DNA. We wish to continue to be a company that creates a desirable future with our stakeholders and brings smiles to our customers and society.

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Background and Purpose

Realization of Challenge to ZERO & Beyond

Toyota has promoted a wide range of environmental initiatives to address worsening global environmental issues. We will strive to reduce the environmental impact of automobiles as close to zero as possible, and will roll out new initiatives towards a sustainable society looking to make a positive impact on the earth and society.

Serious Environmental Issues Facing Earth and Society

The impacts on the global environment are becoming more serious.
Social demands have also become stringent due to growing concerns on the environment.

- Extreme weather phenomena attributed to GHG emissions
- Aggravated air pollution in cities
- Water shortages due to population growth
- Resource depletion such as metals
- Fragmentation of ecosystem due to development
- Degrading biodiversity due to ecosystem changes and climate change

Six Challenges for 2050

I. Challenge of Achieving Zero

Challenge 1

New Vehicle Zero CO_2 Emissions Challenge

Target Reduce global average new vehicle CO_2 emissions by 90% from Toyota's 2010 global level

Actions Further popularize next-generation vehicles to save energy and use diverse fuels
- Further popularize HV & PHV globally
- Further popularize zero emission vehicles such as FCV & EV

Challenge 2

Life Cycle Zero CO_2 Emissions Challenge

Target Completely eliminate all CO_2 emissions, including materials, parts and manufacturing from the vehicle lifecycle

Actions
- Reduce CO_2 emissions during material production by developing and adopting more low CO_2 emission materials
- Reduce environmental impact by adopting more recycled biomaterials

Challenge 3

Plant Zero CO_2 Emissions Challenge

Target Achieve zero CO_2 emissions at all plants by 2050

Actions Introduce and develop low CO_2 technologies and daily *Kaizen*, and promote use of renewable energy and hydrogen
- Reduce energy use to one third by simplifying and streamlining production processes and innovative energy saving
- Use wind power produced on-site at our Tahara Plant by around 2020

II. Net Positive Impact Challenge

Challenge 4

Challenge of Minimizing and Optimizing Water Usage

Target Enact effective wastewater management and minimize water consumption based on individual local situations

Actions Reduce water consumption in existing manufacturing processes as well as introducing technologies that reduce industrial water consumption through rainwater use and improving water recycling rates

Improve local environment by ensuring by our own standards that plant wastewater is cleaner than local river water

Challenge 5

Challenge of Establishing a Recycling-based Society and Systems

Target Promote global rollout of end-of-life vehicle treatment and recycling technologies developed in Japan

Actions Establish a recycling-based society with four key areas:
(1) utilizing eco-friendly materials;
(2) using parts for longer;
(3) developing recycling technologies;
(4) manufacturing vehicles from end-of-life vehicles

Two global rollout projects started from 2016:
1) Toyota Global 100 Dismantlers*1 Project
2) Toyota Global Car to Car Recycle Project

Challenge 6

Challenge of Establishing a Future Society in Harmony with Nature

Target Promote global rollout of the nature conservation activities beyond the Toyota Group and its business partners

Actions Expand Toyota's long-standing nature conservation activities in the areas of forestry, environmental grants, and environmental education

The following three future-oriented projects started from 2016 to share our knowhow and experience gained from these environmental activities
1) Connecting communities: Toyota Green Wave Project
2) Connecting with the world: Toyota Today for Tomorrow Project
3) Connecting to the future: Toyota ESD*2 Project

*1: Business operators who dismantle automobiles
*2: Education for Sustainable Development

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Formulation Process

Identify Key Environmental Issues (Materiality) for Six Challenges

Since environmental issues may involve some risks whereas they will create business opportunities, it is essential to identify key challenges when formulating a long-term vision. In order to grasp potential risks and business opportunities, Toyota has collected information, and simultaneously analyzed and identified environmental challenges from the aspects of their importance for both stakeholders and our business.

After the Toyota Environmental Challenge 2050 was authorized by the Corporate Planning Meeting that determines the mid-term and long-term strategies of the corporation, we started focusing on the establishment of a company-wide structure. When we formulate our Environmental Action Plan every five years, we review the plan accordingly.

Process to Identify and Implement the Key Challenges

1 Grasp the Global Trends, Social Demands, Risks and Opportunities

Global discussions, policy on environment, and consumer trends

- IPCC 5th Assessment Report, GB-Outlook 4, UNFCCC, CBD-COP SDGs, WBCSD
- Major indexes of ESG investors and investigative organization (CDP, SAM, ISO26000, GRI)
- Trends of international organizations and NGOs (IUCN, WWF)
- Trends of consumers (Media and our global marketing surveys)
- Trends of government (White Paper on Environment, EU & USA policies)

2 Grasp the Importance of Issues for Toyota

Grasp key issues for our business

- Environmental philosophy & policy
- Communication with related in-house divisions
- Communication with overseas affiliates

3 Grasp the Importance of Issues for Stakeholders

Identify important issues for the stakeholders

- Advice and comments from experts and professors
- Communication with stakeholders

4 Identify Environmental Issues (Materiality)

Identify the issues to be resolved

- Analyze and prioritize environmental issues measuring the level of stakeholder concern and potential business impacts by using a matrix
- Identify six areas of challenges

5 Establish the Toyota Environmental Challenge 2050

Discuss and approve by the top management

- Discussions within Product, Production, & Resource Recycling Committees
- Approval by Corporate Planning Meeting (CSR Committee)

6 Regularly Review and Disclose Information

Perform PDCA based on KPI

- Establish KPI in accordance with the six challenges
- Review them every five years when formulating the 5-year Environmental Action Plan

Collect and Analyze Information

When we collect and analyze information, we grasp the trends of the macro economy and the key points to address, based on the scientific predictions concerning the environment in 2050, global framework, policy trends, movements of emerging countries, major index of credit rating agencies, and world leaders' remarks on environmental issues at G7 Summits.

Grasp Importance of Challenges

We grasp the importance of challenges by analyzing the consistency with the Guiding Principles at Toyota and the Toyota Earth Charter, maintaining good communication with our stakeholders and input from in-house Divisions.

Identify the Key Challenges

We identify the key environmental challenges, measuring the impact level of stakeholder concern and our business activities or potential business opportunities by using a matrix. Consequently we analyze and prioritize the importance of the said challenges.

Steadily Implement Challenges

In order to steadily implement environmental activities, it is important that the management regards them as business opportunities, plans proper investments for environmental strategies, and enhances collaboration with business partners by involving global group companies on a company-wide basis.

We will establish a steady promotion structure with a regular progress check and a review of the action plan.

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Progress of Action Plans

Steadily Promote the Action Plan for Realization

We are proactively promoting multiple activities to realize the Toyota Environmental Challenge 2050 released in October 2015, along with developing more practical strategies and roadmaps. Following is the two examples of our activities.

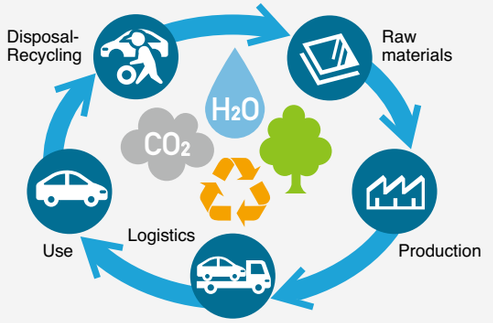
Revision of the Toyota Green Purchasing Guideline

In accordance with the Toyota Environmental Challenge 2050, we revised the Toyota Green Purchasing Guideline in January 2016.

Major Revision Points

1. **Expanded environmental initiatives such as greenhouse gas emissions, water environment, resource recycling and biodiversity**
2. **Enhanced "Environmental consciousness in the entire vehicle lifecycle" from raw material purchase to disposal and recycling**
3. **Enhanced the environmental management of the entire supply chain**

We will continue strengthening our collaboration with suppliers world-wide, and strive to realize a sustainable society with them.



Further green purchase in collaboration with suppliers

The initiative started with the International Union for Conservation of Nature (IUCN)

Toyota has initiated a partnership with one of the international organizations, IUCN, to provide funding to expand knowledge of threats to global biodiversity. This is one of the projects in Challenge 6 in the Toyota Environmental Challenge 2050, and part of "Toyota Today for Tomorrow Project" that connects us with the world.

IUCN and Toyota will broaden the scope of the "IUCN Red List of Threatened Species™" through a five-year partnership from 2016, and this will increase the knowledge on the extinction risk of more than 28,000 species. At the same time, we will disseminate data to stop the loss of biodiversity and knowledge of key food sources for a significant portion of the global population.

(From left to right)
Inger Anderson, IUCN Director General,
Didier Leroy, Executive Vice President, Toyota Motor Corporation
Dr. Jane Smart, Global Director of IUCN's Biodiversity Group

Ambitious Declaration that Defined the 21st Century Ahead of the World

Hiroshi Komiyama
Chairman of the Institute, Mitsubishi Research Institute, Inc./President, Platinum Society Network

For the past 20 years I have continually reiterated in the Vision 2050 (Japanese book: *Chikyu Jizoku-no Gijyutsu* - Technology of Global Sustainability) that human civilization can be sustainable if we can realize a resource recycling-based society by making use of "urban mines", significant improvement of energy efficiency by technology, and use of renewable energies including solar, wind, hydropower, geothermal power, and biomass energy.

I believe that the Toyota Environmental Challenge 2050 released in October 2015 is really the way we can put this idea into practice. It is a bold and aggressive declaration. In particular, the challenges of reducing CO_2 emissions from driving vehicles by 90 percent; plants' zero CO_2 emissions; and building vehicles from end-of-life vehicles, are excellent.

Hereafter, I sincerely expect Toyota to lead Japan and the world through the disclosure of its action plan to steadily implement this declaration and its progress.

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Editorial Policy and Table of Contents

Editorial Policy

Toyota has issued our Annual Report: Sustainable Management Report 2016. This report provides our stakeholders with comprehensive information regarding how we are planning to contribute to the sustainable development of society and the earth through business activities that we carry out from a mid- and long-term perspective.

(Issue Date: October, 2016 - English version)

Annual Report/Publication Structure

* The Toyota Official Website lists our initiatives not included in the above annual report.

Sustainability	http://www.toyota-global.com/sustainability/
Environment	http://www.toyota-global.com/sustainability/environment/
Social Contribution Activities	http://www.toyota-global.com/sustainability/social_contribution/

Period Covered : Fiscal Year 2015 (April 2015 to March 2016)
Some of the initiatives in Fiscal Year 2016 are also included

Scope of Report : Toyota Motor Corporation (TMC)'s own initiatives and examples of those of its domestic and overseas consolidated affiliates, and so on.

About this PDF

This PDF file is an interactive PDF and its menu can be operated as follows:

- Left menu tab
  The left menu tab enables you to navigate to each section
- Clicking the arrow buttons below the Left Menu enables you to navigate to the previous or next page
  Clicking the loupe button enables you to conduct a keyword search in the PDF
  Clicking index button enables you to return to this page
- Web Icons located on each page provide links to related pages or related websites*

* These links work by connecting to the Internet

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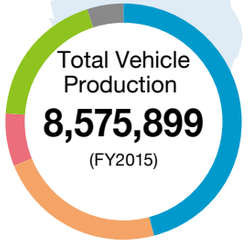
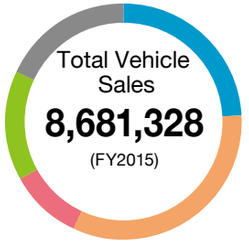
At a Glance Global Perspective/Data by Region

Europe	Asia *Excluding Japan	Japan	North America	Other
9	24	16	11	9
29	16	—	5	117
3	4	5	3	1

No. of Plants and Manufacturing Companies (As of February 29, 2016)
Distributors (As of June 30, 2016)
R&D Sites (As of March 31, 2016)





	No. of Employees	Total Vehicle Production	Total Vehicle Sales
Japan	57%	46%	24%
North America	13%	23%	33%
Europe	5%	7%	10%
Asia	18%	19%	15%
Other	7%	5%	18%

Non Automotive Business

Financial Services
Toyota offers financial services centered around its automobile loan and leasing services in more than 30 countries and regions globally.

Housing Services
Consolidating the Toyota Group's strengths, Toyota Home offers a wide variety of housing related services to meet different customer needs.

Information Technology Services
Toyota is working on a variety of "connecting" services which utilize our information technology capabilities, including information communication and ITS-related operations.

Other Business
Toyota is also working on operations in other areas such as Marine, Biotechnology, and Afforestation.

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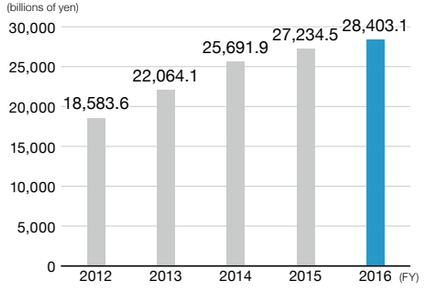
At a Glance

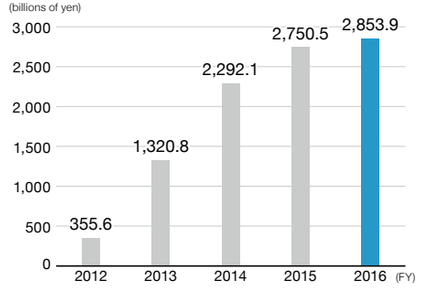
Selected Financial Information (Consolidated)

Fiscal years ended March 31

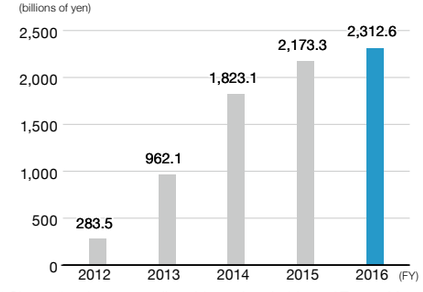
Net Revenues



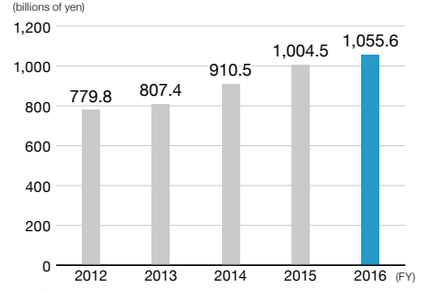
Operating Income



Net Income

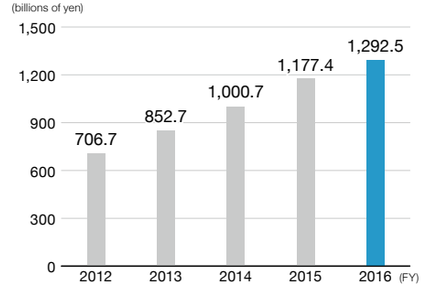


R&D Expenses



* Shows "net income attributable to shareholders of Toyota Motor Corporation"

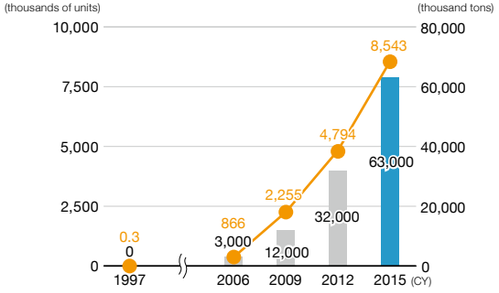
Capital Expenditure



* Figures for capital expenditures do not include vehicles in operating lease

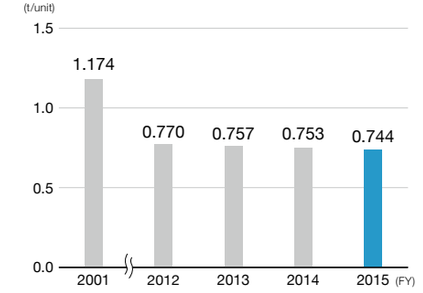
Selected Non-Financial Information

Cumulative HV Sales and Effect on CO_2 Emission Reductions



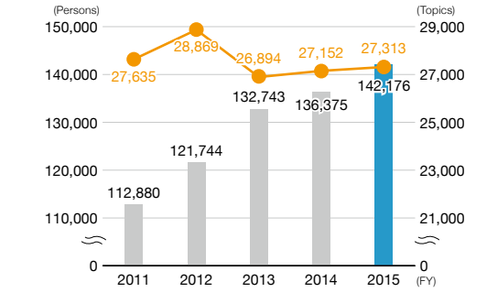
* Target data: Cumulative global sales at Toyota Motor Corporation

CO_2 Emissions per Unit Produced



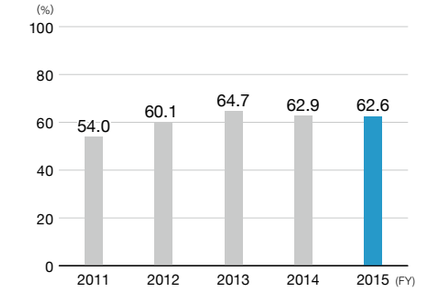
* Emissions from fixed sources such as plants and offices
* From a total of 121 companies including Toyota Motor Corporation and consolidated subsidiaries in and outside of Japan
* The CO_2 conversion coefficient was calculated using GHG protocol.

No. of Participants in QC Circle and No. of Topics Covered



* Target data: Global data from Toyota Motor Corporation

Percentage of Local Employees acting as Overseas Subsidiary Executives



* Target data: From 32 key overseas subsidiaries of Toyota Motor Corporation

*** QC Circle**

Initiatives for Sustainable Growth :
Human Resource Development (Major Initiatives) (P49)

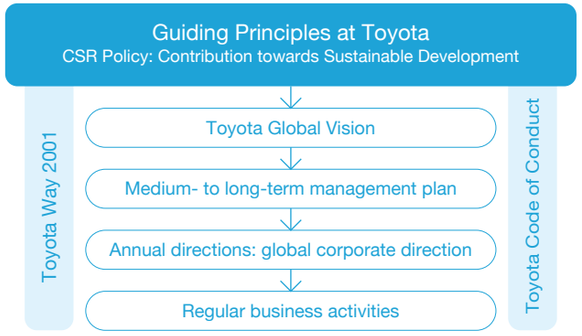
Corporate Principles

Toyota strives to be a good corporate citizen trusted by all stakeholders and to contribute to the creation of an affluent society through all its business operations.
We would like to introduce the Corporate Principles which form the basis of our initiatives, values that enable the execution, and our mindset

Guiding Principles at Toyota: The spirit of the Five Main Principles of Toyoda has been carried forward to the present

Since its foundation to the present day, Toyota has handed down the "Five Main Principles of Toyoda" which embody the thinking of the founder of the Toyota Group, Sakichi Toyoda, and are the basis of the corporate management philosophy. These precepts went on to be revised and organized into the Guiding Principles at Toyota in 1992 in response to changes in society and business structure. The Guiding Principles clarify how Toyota is expected to be and indicates ways that it should make progress with firm conviction during times of change.

Toyota places high priority on contributing to the development of a sustainable society and the earth through all its business operations.



Web Guiding Principles at Toyota
Web CSR Policy
Web Toyota Global Vision
Web Toyota Way 2001
Web Toyota Code of Conduct

Practice of the Guiding Principles at Toyota

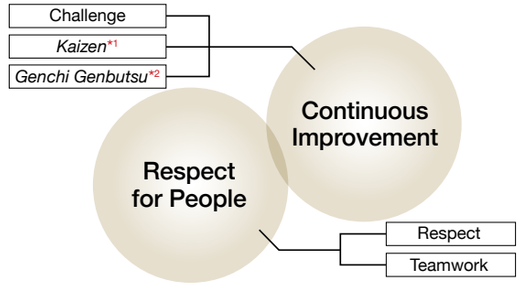
In March 2011, Toyota adopted "Toyota Global Vision," which is based on the Guiding Principles at Toyota. In order to achieve this vision, a medium- to long-term management plan is drafted and Toyota works toward achieving the goals specified in the plan. The Toyota Way 2001 and The Toyota Code of Conduct serve as an important guideline for the implementation of daily business operations.

The Toyota Way 2001 clarifies the values and business methods that all Toyota employees around the world should embrace.

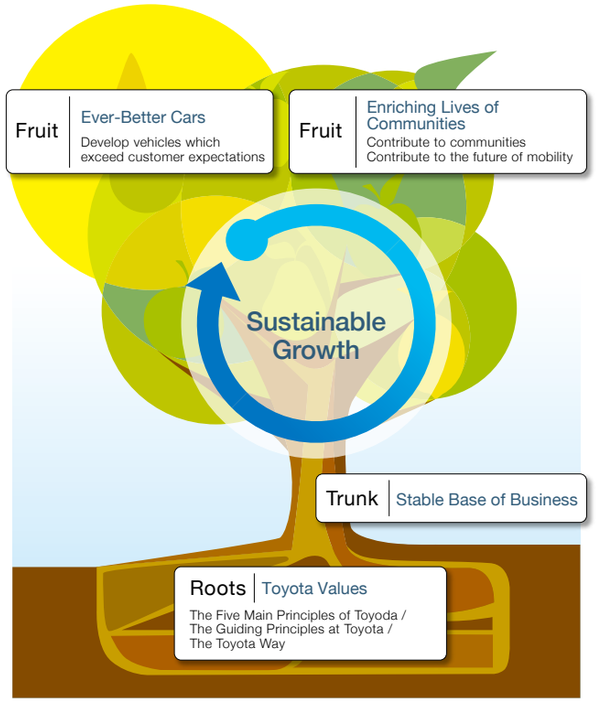
With the diversification of business, accompanied by a greater degree of varying values of employees, the values and business methods that had been passed on as implicit knowledge were identified and defined in 2001.

The Toyota Code of Conduct details the basic attitudes and mindset necessary for people to adhere to rules and act in good faith in their work at the company and private life in society.

The Two Pillars and Five Keywords of the Toyota Way



*1 Improvement
*2 On-site Hands-on Experience



Rewarded with a smile Toyota Global Vision

The Toyota Global Vision -announed in March 2011- reflects lessons learned from financial losses as a result of the global economic crisis of 2008 and quality issues. It also articulates the kind of company that Toyota wants to be and the kind of values it should esteem, which should be embraced throughout Toyota. It was announced as a clear statement to Toyota's customers and society as a whole. We will strive to implement a positive cycle of making ever-better cars that exceed customer expectations, contributing to Enriching the Lives in communities, and being rewarded with the smile of customers and communities. This leads to a Stable Business Base. We aim to generate such virtuous cycles and achieve sustainable growth.

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History

Growth through innovation - looking ahead of the times to further challenges

Domestic/Overseas vehicle production (thousands of units)
Domestic Overseas

10,000 / 8,000 / 6,000 / 4,000 / 2,000 / 0

1930 1940 1950 1960 1970 1980 1990 2000 2010 2015

Refer below for the terms in blue. About Toyota: The Toyota Way of Sustainable Growth (Glossary) (P23)

Toyota's roots and challenges we've taken on in the automobile industry

- Sakichi Toyoda invented a weaving machine including an "*Jidoka* (automation with a human wisdom)" function
- Alongside the launch of Toyota's first production passenger car, the Toyoda Model AA, Kiichiro Toyoda established Toyota Motor Cooperation, foreseeing future motorization
- Toyota used *Genchi Genbutsu* to carry out *Kaizen* (improvement), maintaining the Customer First spirit when responding to initial-stage defects
- Toyota incorporated the "Just-in-Time" concept in building new plants, aiming to control all aspects of production with assembly-line operation
- Labor disputes served as the basis for mutual "**respect**" built between workers and employers


Kiichiro Toyoda (1894-1952)


Toyoda Model AA passenger car launched (1936)

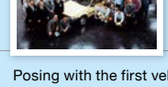
Establishing Toyota identity and innovation to resolve social issues

- Toyota organized its mass-production structure, while establishing a method for quality control through "building quality through the processes" and the "Toyota Production System"
- Regarding air pollution, which had become a serious social issue, Toyota took on problems that were hard to resolve only by the continuation of existing technologies; taking action by using its innovation to achieve one of the strictest gas emission regulations in the world at the time
- Through experiencing the first and second oil crises, Toyota worked on resource and energy saving activities as well as activities for prime cost improvement by its **cross-functional team**


Chaser (2000cc) launched (1977)
Vehicle launched for the first-time to meet the 1978 emissions standards

A series of challenges and the expansion of globalization

- In response to trade friction between Japan and the U.S., Toyota started its first overseas mass-production project as NUMMI, a joint corporation with GM
- Before increasing concern about global warming, Toyota took on the challenge of developing and mass-producing **the world's first commercial hybrid vehicle, the Prius**
- Toyota expanded its overseas production in anticipation of the future motorization of emerging countries. In 2007 its overseas production volume exceeded that of domestic production
- When facing the difficulties of losses incurred due to financial crisis, quality issues, the Great East Japan Earthquake, and flooding in Thailand, Toyota overcame each difficulty through **teamwork** and by following the Customer First policy


Posing with the first vehicle to come off the production line at NUMMI (1984)


The world's first mass production hybrid vehicle, the Prius, was launched (1997)


Ground-breaking ceremony at Tianjin Toyota Motor Co., Ltd. (2000)

Toward the future of a new mobility society

Toyota has clarified its attitude towards offering "**Ever-Better Cars**" through the Toyota Global Vision, while controlling quantitative expansion during the three years leading up to FY2015, declaring those years as its "**intentional pause.**" During this time, Toyota reinforced its foundation and worked towards further strengthening its operational base with the goal of sustainable future growth.

From here on, in our "**implementation phase,**" we at Toyota will continue to take up future-orientated challenges by continuously focusing on our three goals; to "**put increased effort into making ever-better cars,**" to "**sow seeds for growth in both existing automobile manufacturing business and in fields beyond that as challenges for the future,**" and to "**reinforce our management and financial foundation.**"


MIRAI launched (2014)

TRI established (2016)

TNGA Toyota New Global Architecture

TOYOTA ENVIRONMENTAL CHALLENGE 2050
Toyota Environmental Challenge 2050 announced (2015)

MOBILITY TEAMMATE CONCEPT

- Toyota Motor Co., Ltd established (1937)
- Five Main Principles of Toyoda established (1935)
- Labor dispute (1950)
- *Kanban* method adopted (1963)
- Total Quality Control (TQC) introduced (1961)
- NUMMI established (1984)
- Toyota Motor and Toyota Motor Sales merged with TMC (1982)
- Guiding Principles at Toyota adopted (1992)
- The Toyota Way 2001 adopted (2001)
- Losses (FY 2008))
- Toyota Global Vision adopted (2011)
- Recall issues (2009-2010)
- World War II (1939-1945)
- Rapid economic growth period in Japan (1960s-1970s)
- Oil crisis (1973&1979)
- Tighter control on exhaust emissions (1970s)
- U.S.-Japan trade friction (1980s)
- Berlin Wall comes down (1989)
- Trade friction of cars (1990s)
- Rio Earth Summit (1992)
- Kyoto Protocol adopted (1997)
- The 2008 financial crisis (2008)
- The Great East Japan Earthquake/Thailand floods (2011)
- UN SDGs adopted (2015)

Related Information
Web 75 Years of TOYOTA

The Toyota Way of Sustainable Growth

With uncertainty increasing globally, Toyota considers that its business will be affected by a complication of social and market trends, various regulations, technological growth, etc. in a complex form. In consideration of such uncertainty, while capitalizing on Toyota identity and its strengths including *Kaizen* and Innovation accumulated until now, Toyota will strengthen its business base by contributing to the creation of ever-better cars and Enriching Lives of Communities that would exceed customer expectations. By maintaining and improving this positive cycle, we can continually create for communities with three values: Safety and Peace of Mind, Environmental Sustainability, and *Waku-doki* (excitement and exhilaration that wows you). At the same time, we will aim at enhancing Toyota's corporate values.

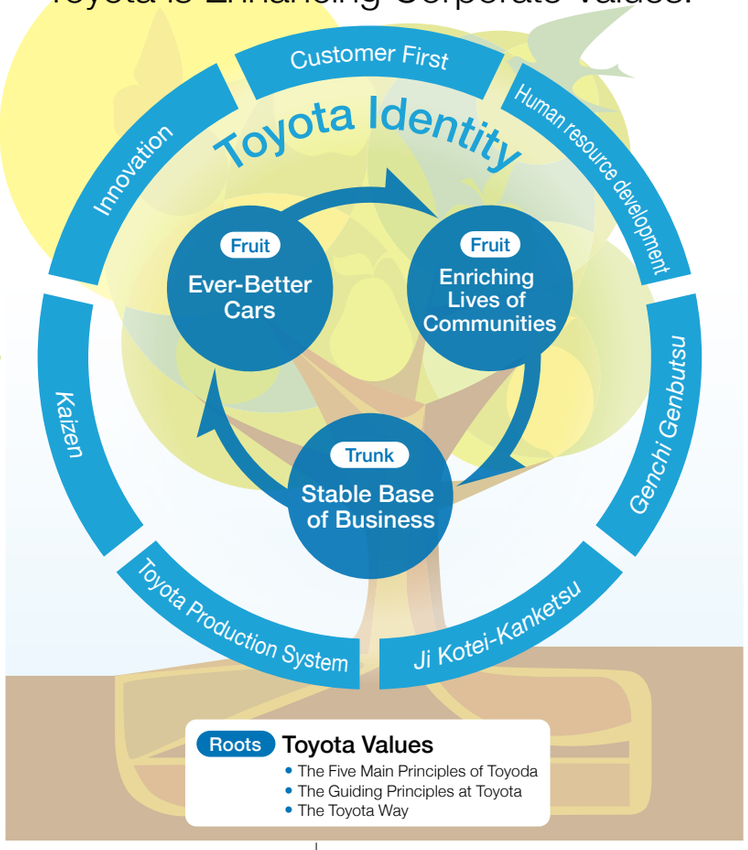
Focusing on Sustainability, Toyota is Enhancing Corporate Values.

Society and Market Trends
- Ongoing motorization and urbanization along with economic growth of emerging countries
- Ongoing aging and worker shortages in developed countries
- Emerging new mobility businesses along with changed values in car ownership (e.g.: ride sharing)

Regulatory Trends
- Strengthening environmental and safety regulations
- Deregulation for economic revitalization has lead to a more diversified mobility business

Technological Progress
- Making jumps in the advancement of technology by introducing AI, Big Data and Connected technologies

Business Environmental Change



Values for Society

Safety and Peace of Mind
- Elimination of traffic casualties
- Society in which everyone can enjoy freedom of mobility

Environmental Sustainability
- Zero CO_2 emissions
- Net positive society in harmony with nature

Waku-doki
(excitement and exhilaration that wows you)
- Spreading the excitement of cars throughout the world
- New wonder and exhilaration

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Glossary

Innovation

Sakichi Toyoda, the founder of the Toyota Group, endeavored to invent a loom for his mother, for the country, and with a desire to contribute to society. Since then, Toyota has continued in his footsteps and continued to develop more and more new technologies; launching the truly domestic car “Toyoda Model AA Sedan” in 1936, satisfying vehicle emissions control in the 1970s, and launching the Prius in 1997. Since its foundation, Toyota has always maintained a give-it-a-go attitude, looking ahead to the future with the goal of developing technology in order to do good in the world.

Kaizen

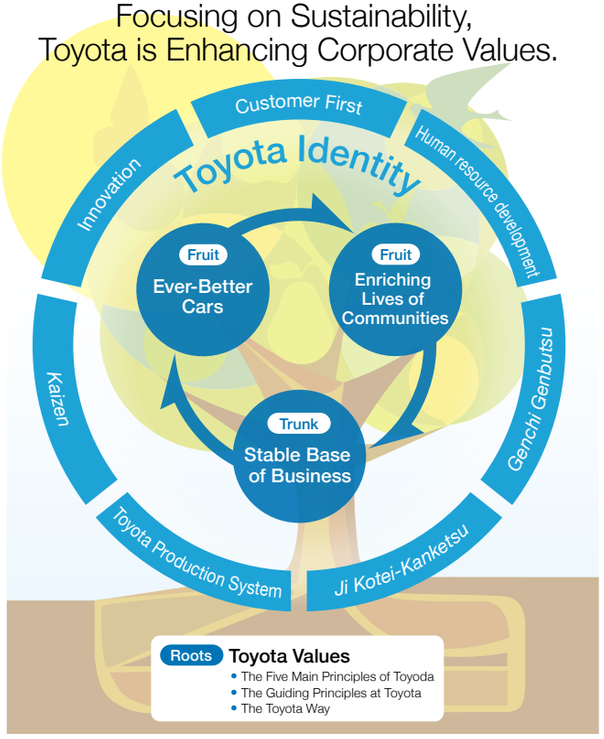
Kaizen is one of the five key words of the Toyota Way and reflects our desire to maintain a spirit of improving our business operations continuously, always driving for innovation and evolution. Each employee consistently asks "why" at least five times, investigates the true causes of issues, takes countermeasures, and shares their findings to practice a spirit of *Kaizen*.

The Toyota Production System

The Toyota Production System was born out of Toyota's unique philosophy of efficient manufacturing for timely delivery of good and affordable cars to customers. It consists of two concepts: *Jidoka* (loosely translated as automation with a human touch) which means that when a problem is detected, the production lines stop, and the Just-in-Time system in which each process produces only what is needed by the next process in a continuous flow.

Customer First

Along with the concepts of Quality First and *Genchi Genbutsu*, the principle of Customer First was the beginning of the Toyota quality guarantee that was established at its foundation, and is still being handed down nowadays in everything from onsite production to company management. In the Toyota Global Vision established in 2011 we set a goal of bringing a smile to the customers. And we are currently organizing a system to carry out corporate activities in a way that is rooted in the community and closer to our customers in order to relay customer's opinions and onsite information promptly to management.



Human resource development

Toyota highly appreciates people who “always set high goals and actively take on challenges” and “can respect others’ values and opinions and place high value on teamwork.” In the same way that we say “*Monozukuri* (manufacturing) is about developing people,” we place a high value on relationships in which we can teach and learn from each other, and we also encourage individuals to exercise leadership. At the same time, the goal of our corporate culture is for creative individuals to work together as a team; respecting one another, sharing common values, and increasing results.

Genchi Genbutsu (on-site hands-on experience)

Genchi Genbutsu is one of the five keywords in the Toyota Way: go to the source to find the facts to make correct decisions, build consensus and achieve goals at our best speed. Irrespective of business type, *Genchi Genbutsu* is an initiative to ensure that solutions to problems are found on-site through experiencing and confirming what happened there.

Ji Kotei-Kanketsu (built-in quality with ownership)

Toyota has always worked from a deeply-rooted traditional principle regarding how to make processes; specifically, “do not produce bad items and do not pass bad items onto the next process,” meaning that “quality is manufactured in each process.” Based on this principle in conjunction with a scientific approach, we are aiming for a workplace in which “individuals can make a decision regarding their work quality onsite.” This *Ji Kotei-Kanketsu* system has been extended to administrative divisions where every employee takes responsibility to work towards improving work quality with the goal of putting the Customer First and Quality First principles into action.

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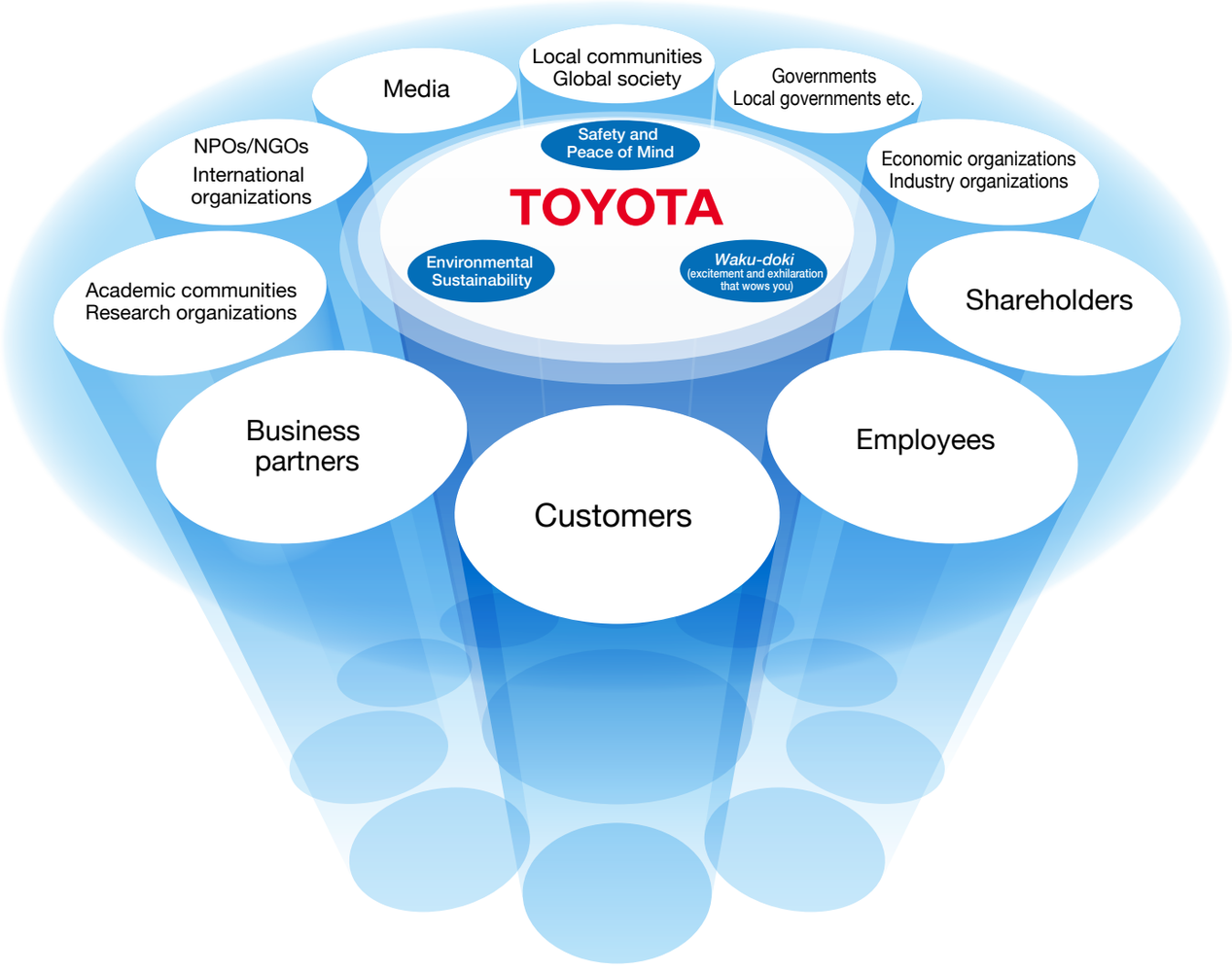
Together with our Stakeholders

Toyota strives to operate with a focus on all our stakeholders; aiming to maintain and develop a sound relationship with stakeholders through open and fair communication in order to work towards the sustainable development of our society and the earth.

As our business develops and expands, communication with our stakeholders is also expanding and deepening to a new level.

Working hand-in-hand with our stakeholders at all times and growing together, Toyota will continue to offer three values.



Related Information

Sustainability Data Book 2016: Stakeholder Engagement (P61)

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Towards Sustainable Growth

Business Environmental Change

The business environment surrounding Toyota has entered a major change. Complicated and multiple interactions and changes such as changing markets and regulations, developments in technology, and the entry from other industries are changing the automotive business itself.

Society is facing increasing uncertainties such as social polarization, actions that counteract globalization, and increasing geopolitical risks. In order to target sustainable growth, we must look ahead in regard to these uncertainties as well.

Society and Market Trends

- Ongoing motorization and urbanization along with economic growth of emerging countries
- Ongoing aging and worker shortages in developed countries
- Emerging new mobility business along with changed values in car ownership (e.g.: ride sharing)

Regulatory Trends

- Strengthening envoronmental and safety regulations
- Delegulation for economic revitalization has lead to a more diversified mobility business

Technological Progress

- Making jumps in the advancement of technology by introducing AI, Big Data and Connected technologies

2015 2020 2025 2030 2035 2040 2045 2050

MEGA TREND

Economic growth in emerging countries

Social polarization

Climate change

Changing demographics

Aging societies
Focused around Developed Countries

Urbanization

Resource depletion

Labor shortages
Focused around Developed Countries

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Towards Sustainable Growth | Toyota's Goals and the Value Toyota Creates

Toyota believes that creating value that exceeds our customers' expectations with the future and foreseeing coming changes will lead to our own sustainable growth. In order to do so we believe it is important to continue future-focused "purposeful investment" even in situations in which the business environment is increasingly demanding.

Our Three Goals

Toyota will proactively challenge itself to keep moving forward with its goals into uncharted territory on an unprecedented scale. In order to do so we need to strengthen our current endeavors while taking on future-focused challenges at the same time, and strive to create a foundation from which we can realize these.

The Challenge of Making **"Ever-Better Cars"** & **Investing ahead** in the creation of a future mobile society **Sowing seeds** for future innovation and creation of new value

Strengthening of a management and financial base needed to achieve these

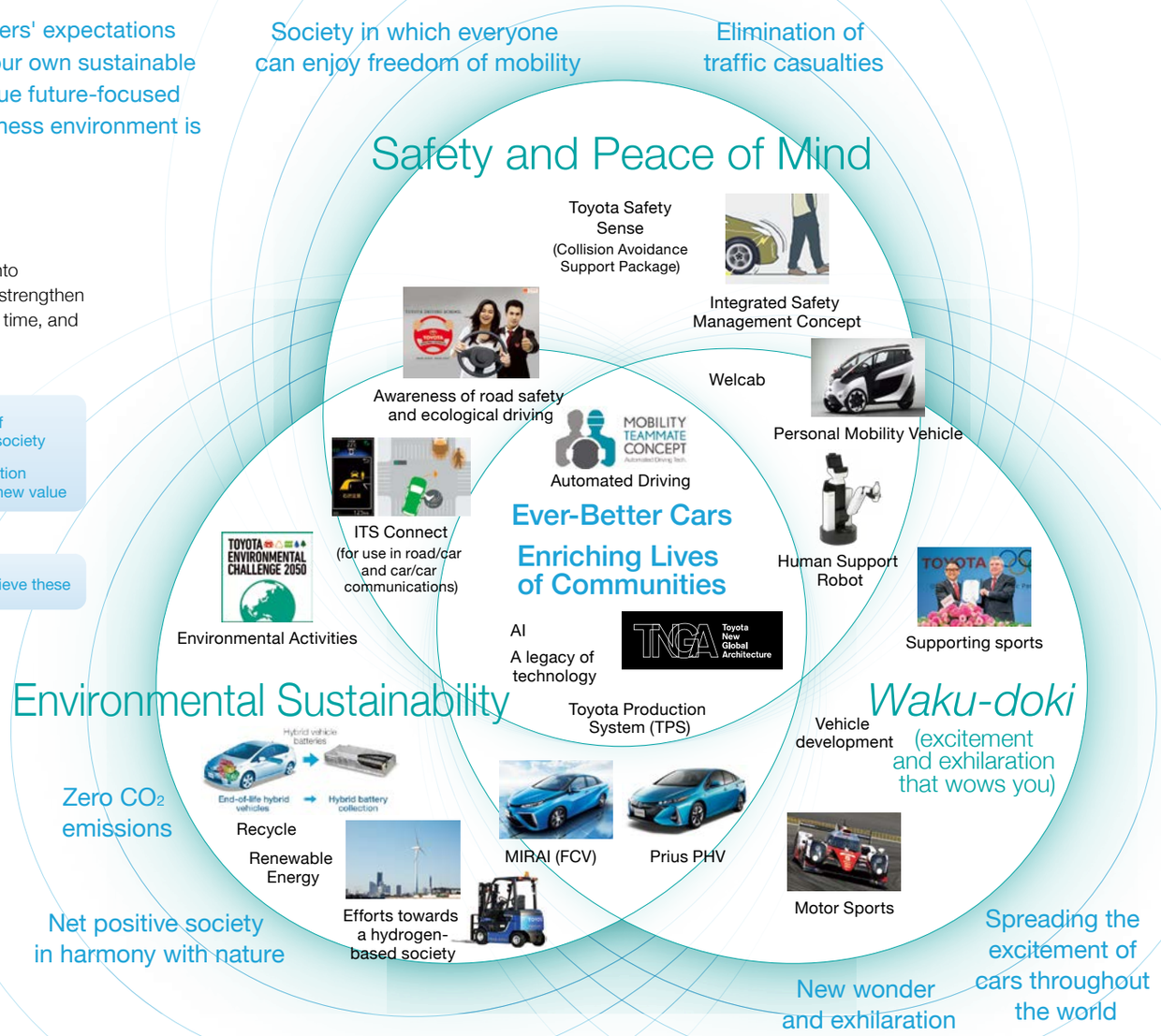
The Value Toyota Creates for Customers

Toyota aims to become a company both needed and loved by society by helping solve social issues and develop a sustainable society. Regardless of how much society changes, the value Toyota creates for society with will not change. We will continue to contribute to the development of an affluent society in a way that goes beyond just automobiles and offer society Safety and Peace of Mind, Environmental Sustainability, *Waku-doki* (excitement and exhilaration that wows you)

Providing **Safety and Peace of Mind** first and foremost

Seeking to develop **Environmentally Sustainable** mobility and transportation systems

Providing products and services that are ***Waku-doki*** (excitement and exhilaration that wows you)



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Towards Sustainable Growth | Challenging Ourselves to Create Value

Safety and Peace of Mind

Toyota's ultimate goal is the Elimination of Traffic Casualties, and this is why Toyota has developed a wide range of safety technology and always offered society safe and reliable cars equipped with these technologies. We will continue to create new mobility value; combining previously developed technology with cutting-edge technology so that everybody, everywhere, can move around safely.

Pursuing even safer cars

Toyota believes it is important to promote an Integrated Three Part Initiative, involving people, vehicles, and the traffic environment, as well as to pursue "real-world safety" by learning from actual accidents and incorporating that knowledge into vehicle development. Toyota has also defined its Integrated Safety Management Concept as the basic philosophy behind technologies toward achieving the elimination of traffic casualties and is moving forward with developing such technologies. Toyota's approach is to enhance the safety level through development of various safety systems that work together in a car rather than developing each separately. The scope of responses, which previously focused on the moments immediately before and after an accident, is widened to provide optimal driver support during every stage of driving from parking to normal operation, the pre- and post-crash timeframe, and post-accident rescue. The Integrated Safety Management Concept seeks to create safer cars through these measures.

In 1995, Toyota developed the GOA* Safety Assessment, with a goal to achieve world-class collision safety performance across all categories of the global automobile market, and is still working to heighten its level of functionality. Toyota Safety Sense, a collision avoidance support package that began to be used widely in 2015, is also being used more and more in global car series recently.

* GOA: Global Outstanding Assessment

People and cars partnering through automated driving technologies

Toyota publicized its thinking regarding automated driving in October 2015 in the "Mobility Teammate Concept." This concept expresses Toyota's unique development aims; namely, to achieve a society where mobility means safety, efficiency and freedom for everyone by building relationships between people and cars that share the same purpose, like close friends who sometimes watch over each other and sometimes help each other out." At the same time, an automated driving test car equipped with the "Highway Teammate" function was unveiled. Then, at the G7 2016 Ise-Shima Summit in May, Toyota offered test drives of an experimental vehicle featuring the Urban Teammate function that focuses on ordinary roads. The Toyota Research Institute was established in January 2016 in order to speed up research into and development of the AI technology necessary for automated driving.

We also believe it is extremely important to use connected-vehicle technology and Big Data in order to further increase the accuracy of the newest AI technology.

Creating new value through AI and Connected Technology

At Toyota we use Big Data not only in car-making, but will also use it to share information and connect with all our customers, including drivers, in order to create an affluent mobility society.

We are also thinking about using cutting-edge AI technology in areas other than just automated driving technologies; for example, in robot technology. Furthermore, by fusing AI technology with our strong *monozukuri* (manufacturing) processes that we have developed thus far, we aim to create even more possibilities as well as new value.

Related Information

Special Feature 1: Excitement of Mobility for Everyone - Automated Driving x Connected (P5)

Environmental Sustainability

Toyota developed and made public the "Toyota Environmental Challenge 2050" in October 2015 and has already begun to take specific steps towards this. We are also undertaking many verification tests with the hopes of creating a future that utilizes hydrogen.

Promoting the Toyota Environmental Challenge 2050

Toyota has taken on three challenges towards achieving Zero Environmental Impact and three Net Positive Impact Challenges, working towards 2050.

Challenge of Achieving Zero

- New Vehicle Zero CO_2 Emissions Challenge
- Life Cycle Zero CO_2 Emissions Challenge
- Plant Zero CO_2 Emissions Challenge

As well as speeding up our efforts towards zero emissions through next-generation vehicles that save energy and use diverse fuel, Toyota is moving forward with CO_2 reductions throughout the vehicle lifecycle from manufacturing through to driving and disposal, the introduction and development of low CO_2 technologies, daily *Kaizen*, and promotion of the use of renewable energy and hydrogen.

Net Positive Impact Challenge

- Challenge of Minimizing and Optimizing Water Usage
- Challenge of Establishing a Recycling-based Society and Systems
- Challenge of Establishing a Future Society in Harmony with Nature

We are also expanding our recycling technology globally and expanding our conservation activities, as well as reducing water consumption and cleaning water thoroughly before returning it to the area.

* **Toyota Environmental Challenge 2050**

Special Feature 3: Aiming to Establish a Future Society in Harmony with Nature - Toyota Environmental Challenge 2050 (P13)

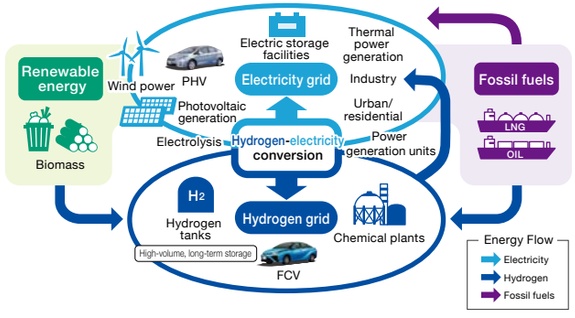
Towards Sustainable Growth | Challenging Ourselves to Create Value

Driving into a future that utilizes renewable energy and hydrogen

Our fuel cell vehicle “MIRAI” was put on the market before any competitors, and we believe the joint use of renewable energy and hydrogen is an effective way to solve environmental and resource problems and develop a sustainable society, and that we need to continue to take steps towards making this a reality.

The amount of electricity that can be generated from renewable energy is affected by nature, but by converting electricity into hydrogen and storing it, it is possible to supply energy in response to demand. If this system is established, we will be able to make progress in local production and consumption and minimize energy risk. Using hydrogen also results in zero CO_2 emissions.

However, a wide variety of issues still remain that need to be tackled in preparation for introducing energy systems that mix renewable energy and hydrogen, including the establishment of necessary infrastructure. Targeting the year 2030, Toyota is carrying out verification and showcasing activities that match regional characteristics, cooperating with regional communities and promoting team building toward achieving a hydrogen-based society. The use of fuel cell forklift trucks at Kansai International Airport has begun alongside verification of CO_2-free hydrogen fuel made with renewable energy in the Keihin coastal area. We will develop a template based on our findings from verification and continue to work towards the realization of a full-fledged hydrogen-based society.



Waku-doki
(excitement and exhilaration that wows you)

We will continue to pursue the true enjoyment of cars and offer new surprises and excitement that exceed customer expectations in order to put a smile on their faces.

Offering a new mobility society

Toyota has taken steps towards the development of a mobility society that is comfortable, safe, and without traffic jams, through provision of services such as T-Connect*1 and ITS Connect*2. From hereon we aim to use Big Data to offer cars that can team up with their owners in their daily lives through Connected Technology that brings people, cars, and society together. With developments in applications that use AI technology, we will also continue to contribute to an affluent mobility society in which cars become more person-like and treasured by their owners. We have already begun research into a new insurance service using the Big Data and will continue to collaborate with other industries, going beyond car manufacturing, to create increased opportunity for the pioneering of new mobility-related businesses.

*1 Next-generation telematics service
*2 Cooperative driving support system which utilizes vehicle-to-infrastructure and vehicle-to-vehicle communication

Assisting in daily life and lifestyle creation

People meet new people, things, and gain a sense of excitement (*Waku-doki*) by moving around. In an effort to create a society in which all people can move around freely, Toyota has already developed the Welcab to assist people with disabilities and the Ha:mo personal mobility system which assists in easy travel. From hereon we also plan to broaden our efforts to include not only outdoor transport through cars, but also technology such as robots that can assist with indoor movement and robots that use AI to partner even more closely with individuals in their everyday lives.

Related Information

Special Feature 1: Excitement of Mobility for Everyone - Automated Driving x Connected (P5)

Sharing the enjoyment of cars

No matter how convenient cars get, cars will always be something we can enjoy. Toyota will continue to develop ever-better cars that make our slogans “fun to drive, again” a reality; guaranteeing that cars will “still be enjoyable for the next 100 years.” At the same time, we want to see the number of car fans around the world grow through motor sports that train both people and cars and events in which fans can participate.

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Towards Sustainable Growth | Strengthening our management base

The global environment and new trends in society are causing changes in Toyota's business environment on a scale and at a speed yet unprecedented; even including jumps in development and innovation such as AI technology.

Despite being surrounded by change, Toyota will continue to aim for new levels of growth while still creating value that exceeds our customers' expectations. In order to do so we need to move forward with "ReBORN" - endeavors that break free from conventional technology.

In April 2016 Toyota carried out company-wide restructuring and is making adjustments to work and re-create structures to support these changes. Rather than going with the flow, we strive to use our goals to make intentional changes in the way we work. By doing this we are able to sow seeds that will allow us to break into the future while also raising our competitiveness to a new level.

Restructuring of work into product-based companies

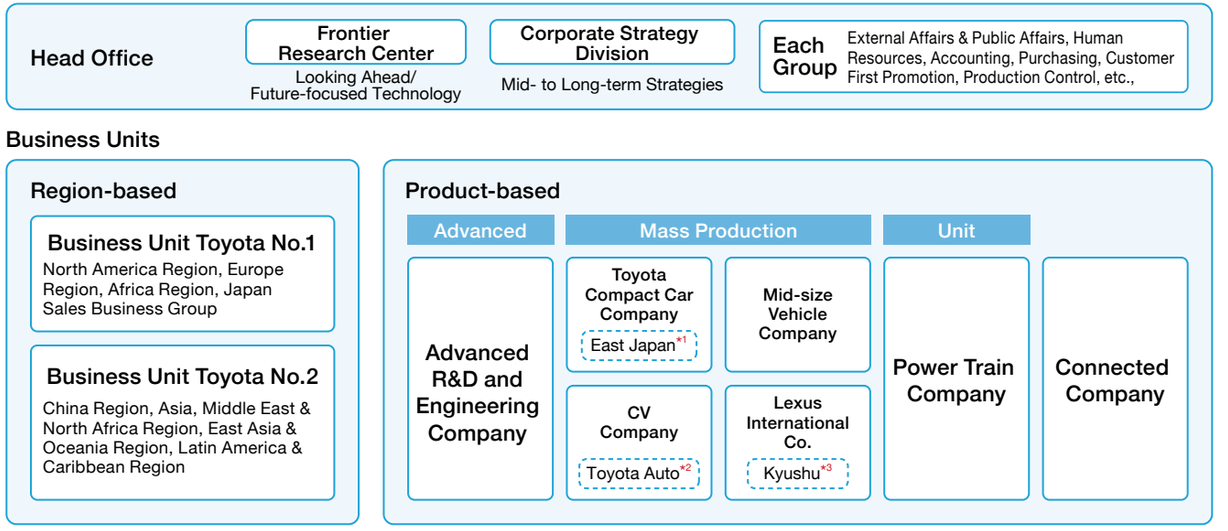
Now that Toyota is producing over ten million vehicles across the globe annually, we are entering uncharted territory and need to pave our own path into the future. In 2011, Toyota divided its global market into "Toyota No. 1" and "Toyota No. 2" and at the same time changed its structure to an autonomous regional-based management system that allows management to happen in a way that is more closely connected to each region. In 2013 the "Business Unit system" was introduced and Lexus International Co. and the Unit Center were established.

We have always sought to train personnel in a way that is centered around *Genchi Genbutsu* (on-site hands-on experience) but our way of working has always been an extension of previous processes. Thus far we had been largely dependent on individual efforts made by its own team members and stakeholders and in many cases, cross-functional coordination has been found to consume a disproportionate amount of time and effort.

This time in our restructuring, we have introduced seven product-based in-house companies and have made each company responsible for the short to mid-term product and manufacturing planning for each product. Furthermore, the responsibility for and rights to each product section have been consolidated under the president of each company, and now each company will oversee product operations from planning through to manufacturing.

Rather than being categorized by "function" such as technology or production, by working in "product" categories we aim to move beyond the walls of function and create compact and highly specialized structures that will also result in decreased time spent on coordination. We are also strengthening cross-function staff interaction and collaboration with vehicle body manufacturers, and by doing so are moving beyond function to focus on the big picture and connect this to training personnel who can make the manufacturing of ever-better cars a reality.

Organization Overview (As of April 18, 2016)



Toyota Group affiliates *1 Toyota Motor East Japan, Inc. *2 Toyota Auto Body Co., Ltd. *3 Toyota Motor Kyushu, Inc.

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Towards Sustainable Growth | Strengthening our management base

Formation of a system to implement PDCA company-wide

Toyota's head office is responsible for looking ahead to the future and coming up with mid- to long-term strategies. They not only look ahead to changing trends and suggest strategic product lineup based on these, but are also responsible for planning thorough resource distribution amongst the Toyota Group, including resources to be used by our Global Alliance.

From there, product- and region-based business units are able to come up with action plans tailored to on-site circumstances and carry out business management under each leader. "Product-based" companies not only manage product operations from planning through to manufacturing, but are also responsible for profit from products. On the other hand, existing Toyota No. 1 and No. 2 "region-based" companies will be structured so that they are more strongly rooted in each region and will be responsible for sales profits in their region as well as management of local affiliates.

We also intend to not only develop smoother collaboration between product- and region-based companies, but also build relationships in which all parties can work closely together in order to reflect the needs of the market in our car-making. In this way, we aim to have each business unit come up with implementation plans based on the mid- to long-term strategies developed by head office, then for performance to be evaluated and reflected in following strategies and, in this way, facilitate company-wide PDCA.

Development of advanced technologies and creation of new value

Sustainable growth requires the ongoing creation of new technology and value. Toyota has a track record of putting technology such as hybrid technology and fuel cell technology on the market before our global competitors. Despite this, however, our development sites were often lacking resources; as resources for product development were scarce, not enough resources could be distributed for use in technology development.

Therefore, as part of this restructure, we separated product and technological development and established an "Advanced R&D and Engineering Company" to focus on the development of new and advanced technologies. Bringing R&D and product engineering together here was another way of speeding up technological development and setting up a structure in which engineers can intentionally and creatively challenge themselves to develop new technology. We also consolidated all our Connected Technology, which had previously been handled by multiple departments, under a single company; the Connected Company. With developments in areas such as digitalization, computerization, and intelligence technology, the definition of ever-better cars continues to diversify and be exposed to external threats that did not exist before. With this in mind, we aim to implement changes in our operations as well as providing new value and excitement by connecting customers, cars, and Toyota itself.

Furthermore, we are also embarking on a new future-related initiative. In order to further our ability to create new value from a long-term society-based perspective, we have established the Frontier Research Center where we are bringing together our future-focused research. The center will not only be involved in the all-Toyota research structure "ReBORN" and collaboration amongst industry, government, and academia, as well as open innovation, but will also be working to establish structures to facilitate early field testing of promising future technology. We are also coming up with new ideas to move beyond the current Toyota and will continue to create new value and explore the next foundation for these new ideas.

Strengthening the Toyota Group

When Toyota was first established it originally manufactured car parts within the company, but later several sections left the company and went on to become international parts manufacturers.

However, each area seeking to enhance their own competitiveness has resulted in multiple companies working in the same area of business. In order move forward and wholeheartedly promote ever-better cars both now and in the future, we need to rethink the functions that we have doubled up on within the Toyota group. We have consolidated break, diesel engine, and manual transmission operations within the Toyota Group. Our aim is that by doing so we are able to increase the level of specialization in each area, work towards greater competitiveness in development and production, and develop efficient business systems.

Structural change itself is not our end goal - we want it to be an opportunity for each employee to change the way they work in the position they are in. Restructuring is only the beginning, and we aim to grow together within this new system and develop a talented workforce that will carry Toyota into the future.

Financial strategies

Building upon the long term relationships of trust with our stakeholders, we will continue to strengthen our financial foundation.

Developing a Strong Financial Foundation

We believe that our corporate value represents a comprehensive assessment of benefits for all stakeholders in Toyota, including shareholders, customers, business partners and local communities.

Our objective is to make ever-better cars that meet and exceed customers' expectations and to contribute to enriching lives of communities, rather than merely pursuing quantitative growth such as in unit sales. This should enable us to raise our corporate value sustainably and to enjoy stable and continued prosperity with our stakeholders.

To realize this goal, we are implementing our financial strategy focused on three pillars: "growth," "efficiency" and "stability," which require an optimal balance over the medium to long term.

1.Growth

Continuous Investments for Sustainable Growth in the Future

The automotive industry is now facing a major turning point in its one hundred years of history. The future mobility is required to address not only environment and safety but also competitive development of automated driving technology and connected vehicles, alongside the rapid progress in the new fields of technologies such as artificial intelligence and robotics.

We will invest actively to build a business foundation strong enough to support our ten million annual vehicle production and sales, for example: in research and development for ever-better cars, plant innovation and the development of people who are able to analyze issues and make decisions based on ground-level evidence (*Genchi Genbutsu*).

We will also allocate our free cash flow generated from the automotive business more actively to the development of advanced and cutting-edge technologies such as the next generation eco-cars and artificial intelligence, in order to realize a mobility society in which everyone can live safely, securely and more affluently.

2.Efficiency

Enhancing Profitability and Efficiency of the Balance Sheet

Under the Toyota New Global Architecture (TNGA), we are reforming all our activities including planning, engineering, part-procurement and production. This aims to improve our cars' basic performance and product appeal dramatically, while promoting the sharing of components and units and the efficiency in vehicle development by adopting a grouping development approach.

In addition, we are working to improve production efficiency and control capital expenditure for plants by maximizing the utilization of our existing production capacity and developing production lines that adapt more flexibly to fluctuations in demand.

The outcome of these efforts will be transferred globally to our new production lines including those that will start production in Guangzhou, China in 2017 and in Tianjin, China in 2018 and to new plants such as the one in Mexico that will start production in 2019.

We will continue to strengthen our profit structure by improving the gross margin per vehicle through continuous cost reduction activities and adequate control of fixed costs.

3.Stability

Maintenance of Liquidity

Having experienced the global financial crisis and the Great East Japan Earthquakes, we believe it is important to maintain a sufficient level of net cash to cover both the fixed costs for the automotive business for half a year and the refinance requirement for the financial services for half a year.

This represents a financial foundation which enables Toyota to grow sustainably in any business environment.

The above level of net cash is not only necessary for creation of further corporate value but also essential for Toyota's management in order to maintain a full line-up in each region while utilizing every single opportunity in the next generation technologies.

Through our full line-up and all-embracing approach, we are able to hedge risks and continue operations timely in an adequate scale no matter how and unexpectedly our business environment changes.

With sufficient net cash, we have maintained our long-term uninterrupted development of technologies, which has enabled us to successfully develop and commercialize hybrid vehicles and fuel-cell vehicles.

In summary, it is our aim to establish a strong financial foundation which will support Toyota's sustainable growth by pursuing growth and efficiency in the medium to long term while maintaining sufficient stability.

Financial strategies

Model AA Class Shares

Toyota issued the Model AA class shares to develop a new relationship with shareholders. The purpose of the issuance was to 1) raise funds for medium to long term research and development activities, 2) enhance the base of long-term shareholders, and 3) diversify the means of fund raising.

The raised funds will be utilized for research and development in the areas of advanced and cutting-edge technologies such as fuel cells, infrastructure, information technology and highly intelligent mobility.

We appreciate the opinions of our shareholders who support Toyota from a long-term stand point. By reflecting them in Toyota's management, we intend to increase our corporate value further.

Shareholder Return

Shareholder return is an important part of our management policies. In principle, it is determined on the basis of net income.

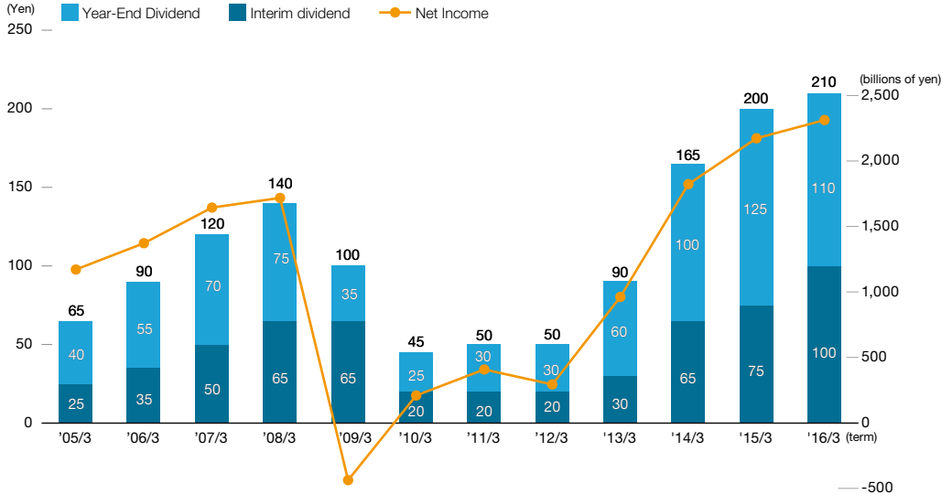
With regard to dividends, we strive for a stable and sustainable payment benchmarked at 30% of consolidated dividend pay-out ratio while considering factors such as our financial results, investment plans and liquidity. For the fiscal year to March 2016, we paid an annual dividend of 210 yen per share.

Since the interim period of the same fiscal year, we have pursued a better balance between interim and year-end dividends. As for repurchase of shares, we intend to exercise repurchase flexibly in consideration of long-term capital efficiency and in response to changes in our business environment.

For the fiscal year to March 2016, we repurchased 639.3 billion yen, equivalent to 123 million shares as shareholder return, which marked a new record level.

Going forward, we intend to build a strong financial foundation while further improving profitability. At the same time, we would like to enhance long-term relationships of trust with our shareholders through constructive dialogues and stable shareholder return. On the basis of this, we aim to realize both sustainable growth and increased corporate value.

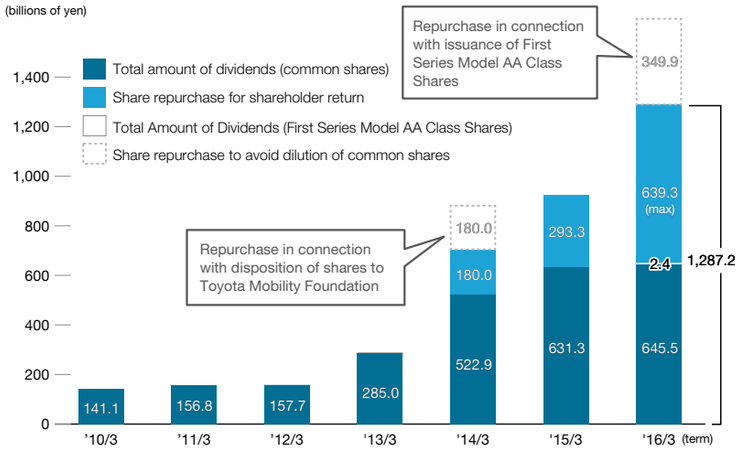
Dividend per Share and Net Income



	'05/3	'06/3	'07/3	'08/3	'09/3	'10/3	'11/3	'12/3	'13/3	'14/3	'15/3	'16/3 (term)
Total Amount of Payment (billions of yen)	212.7	292.1	384.6	443.2	313.5	141.1	156.8	157.7	285.0	522.9	631.3	645.5
Payout Ratio*	18.3%	21.3%	23.4%	25.9%	-	67.4%	38.4%	55.6%	29.6%	28.7%	29.0%	28.3%

* Payout Ratio: This is the ratio of (i) the amount of dividend per common share to (ii) net income attributable to Toyota Motor Corporation per common share.

Total Shareholder Return and Total Return Ratio



	'10/3	'11/3	'12/3	'13/3	'14/3	'15/3	'16/3 (term)
Total Shareholder Return (billions of yen)*1	141.1	156.8	157.7	285.0	702.9	924.6	1.287.2 (max)
Total Return Ratio*1,2	67.4%	38.4%	55.6%	29.6%	38.5%	42.5%	55.6% (max)

*1 Excluding repurchase made to avoid dilution of common shares.
*2 Total Return Ratio: This is the ratio of (i) the sum of dividends on both common shares and the First Series Model AA Class Shares and the amount of repurchase of common shares for shareholder return to (ii) net income attributable to Toyota Motor Corporation.

TOYOTA

Annual Report
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Initiatives for Sustainable Growth

Overview of Initiatives

Toyota sustainably creates three values for society: "Safety and Peace of Mind," "Environmental Sustainability" and "*Waku-doki* (excitement and exhilaration that wows you)," while striving to enhance its corporate value.

The figure on the right shows an overview of initiatives for sustainable growth that Toyota is striving to secure in terms of the relationship between the business units and their role in the value chain.

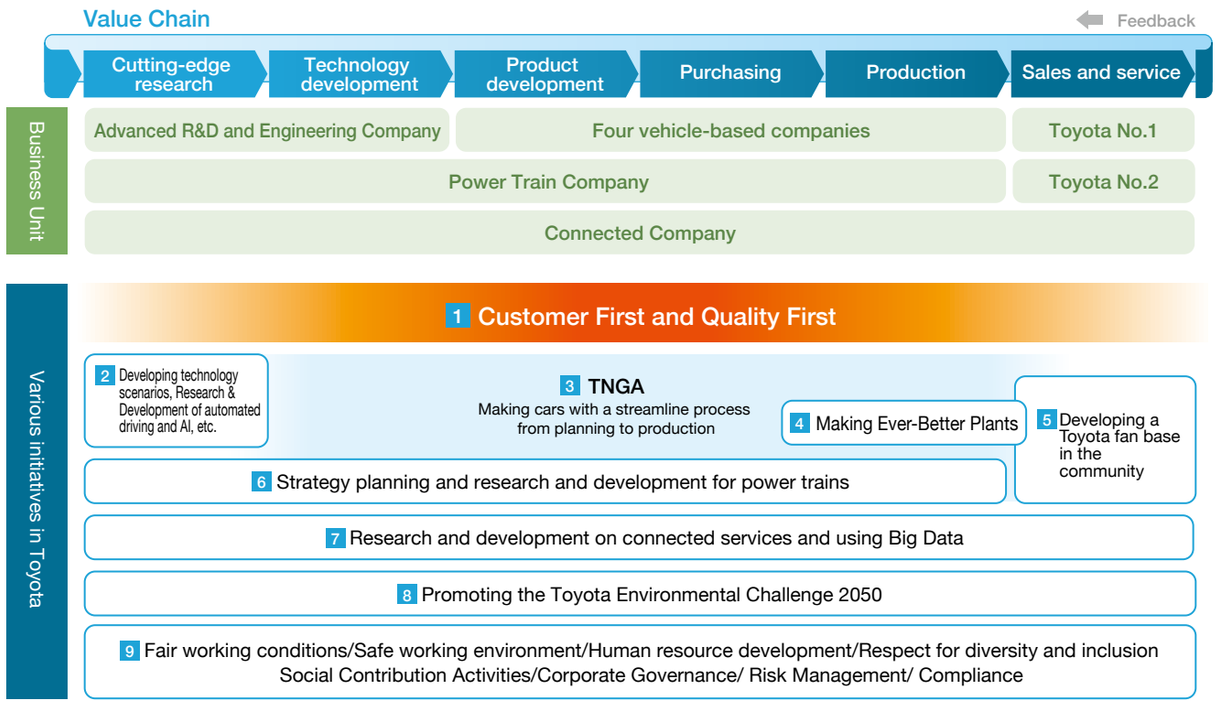
In April 2016, we made a transition to a new structure* in order to further strengthen our sustainable growth initiatives. The goal of this transition is to streamline our work processes to handle a scale of 10 million cars globally. Going forward, business units can respond more quickly and flexibly in their decision-making process based on long-term strategies established by the head office.

In this new system, we shall continue to promote our Customer First and Quality First policies, strive to make ever-better cars using TNGA, and build up our fan base using initiatives rooted in each local community. In addition, we shall push forward with initiatives such as the Toyota Environmental Challenge 2050 and human resource development for the future.

This section describes the initiatives in the value chain for research and development, purchasing, production, sales and service, as well as the CSR structure, corporate governance, risk management, compliance, human resource development, the environment and social contribution activities, which form the base of business in Toyota.

* new structure

Towards Sustainable Growth: Strengthening our management base (P29)



1 Initiatives for Sustainable Growth (Value Chain): Sales and Service (P40)

2 Initiatives for Sustainable Growth (Value Chain): Research and Development (P34)
Special Feature 1: Excitement of Mobility for Everyone - Automated Driving x Connected (P5)

3 Special Feature 2: Challenge of Ever-Better Cars - TNGA: New Approaches in Car Production Design Concept (P9)

4 Initiatives for Sustainable Growth (Value Chain): Production (P38)

5 Initiatives for Sustainable Growth (Value Chain): Sales and Service (P40)

6 Special Feature 2: Challenge of Ever-Better Cars - TNGA: New Approaches in Car Production Design Concept (P9)
Initiatives for Sustainable Growth (Value Chain): Research and Development (P34)

7 Special Feature 1: Excitement of Mobility for Everyone - Automated Driving x Connected (P5)
Initiatives for Sustainable Growth (Value Chain): Research and Development (P34)

8 Special Feature 3: Aiming to Establish a Future Society in Harmony with Nature - Toyota Environmental Challenge 2050 (P13)
Initiatives for Sustainable Growth (Toyota's Business Base): Environment (P50)

9 Initiatives for Sustainable Growth (Toyota's Business Base) (P42-51)
Sustainability Data Book 2016: Society (Employees) (P46)

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Research and Development

Business Conditions and Advancement in Technology

The business conditions facing the automotive industry constantly undergo changes due to new areas of competition, such as electrified powertrains, automated driving, AI and Big Data. And now more than ever, technology development has even greater influence on business growth. To respond to these evolving business conditions, it is becoming more important to have a comprehensive strategy in place, which strengthens the technology development system further and uses management resources including external alliances effectively.

Reorganization Approach

To handle sudden changes in business conditions, the development system was reorganized in April 2016.

The powertrain section that first shifted to the new system continues on, and this time, the research and development system for the body section was reorganized. Specifically, under the direction of the chief engineer, the compact product development system* has been designed to be able to make swift decisions onsite. The advanced technology research and development team was made into the Advanced R&D and Engineering Company as a separate entity to empower it and ensure the system is quick to focus on future technology and tie it into commercialization.

In addition, the Connected Company has been assigned the role to create new appeal and new value in vehicles by linking vehicles, people and society. The Head Office features a Frontier Research Center set up to create new value in society for the long term, as well as a Corporate Strategy Division that works closely with technology development, forming a system that focuses on long term business strategies based on future technical scenarios.

* There are 4 product-based in-house companies: Toyota Compact Car Company (TC), Mid-size Vehicle Company (MS), CV Company (CV) and Lexus International Co. (LI).

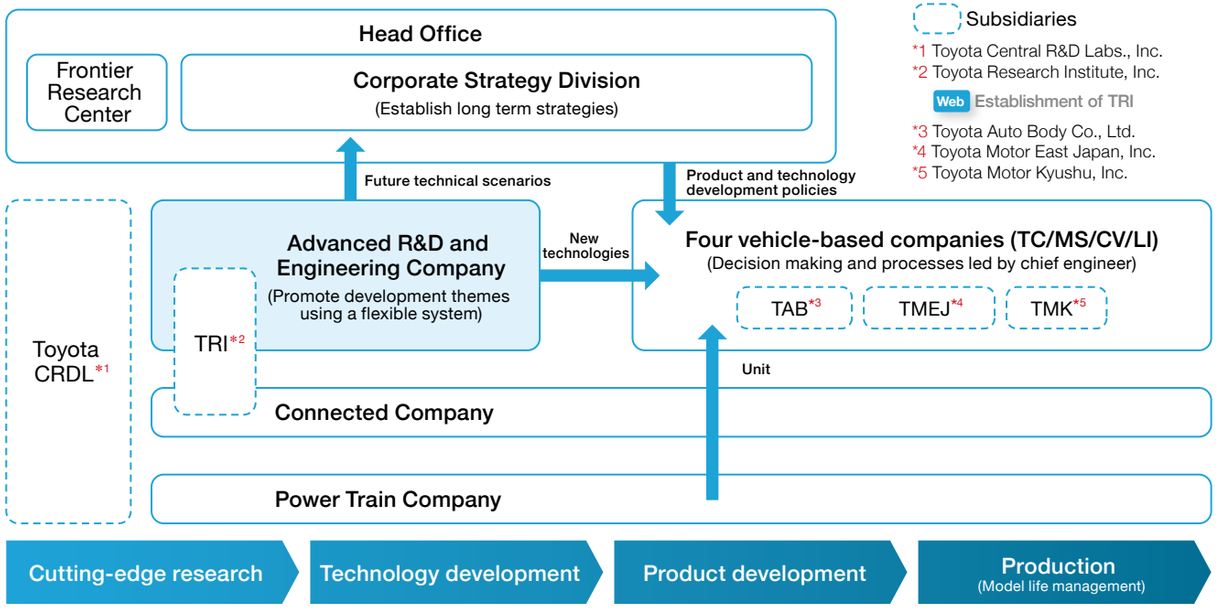
Research and Development Process

Toyota continues to push forward with a complete research and development system from research to product improvements in order to build safer, more environmentally-friendly and more comfortable vehicles. To achieve this, the system includes cutting-edge research to identify the seeds for development, technology development that puts next-generation technology into practical applications, product planning and development that meets the needs of the market and new technologies, and model life management for improving marketability after mass production.

Each company has a role, shown in the figure below, and executes their mission in the research and development process. All companies keep research and development, production engineering and manufacturing linked together in order to accelerate the process of making ever-better cars.

- Advanced R&D and Engineering Company: Technology development in next generation technologies such as automated driving, as well as development for technology application
- Vehicle-based companies: New model development and product improvements for product groups headed by each company
- Power Train Company: Research and development for power trains, such as engines, transmissions and electric units etc.
- Connected Company: Research and development and field implementation of technology, vehicle components, centers and services required for connectivity

Overview of research and development system flow and setup of companies



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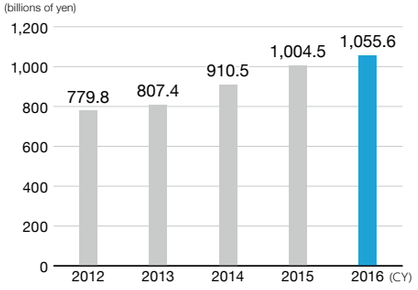
Value Chain
Research & Development
Overview of Initiatives

Research and Development

Research and Development Expenses

In fiscal 2015, the research and development expenses totaled 1.556 trillion yen, up 5% from the previous fiscal year, as a result of introducing new models and the development activity in advanced technologies related to the environment, energy and safety. Toyota's policy is to continue future investment in high level research and development in order to maintain a competitive edge in technology as well as products.



Consolidated financial results from the fiscal year closing March 31

Global System

There are R&D centers in each region that work with the head office to carry out global activities in order to ensure that *kurumazukuri* (car-making) meets the expectations of the customer and market characteristics. Toyota continues to push forward with a system in which the centers in each region - located close to the local market - can carry out independent development projects and thereby respond to the local needs better.

Main R&D Centers

Toyota Motor Europe NV/SA
Belgium (Brussels), U.K. (Derby)

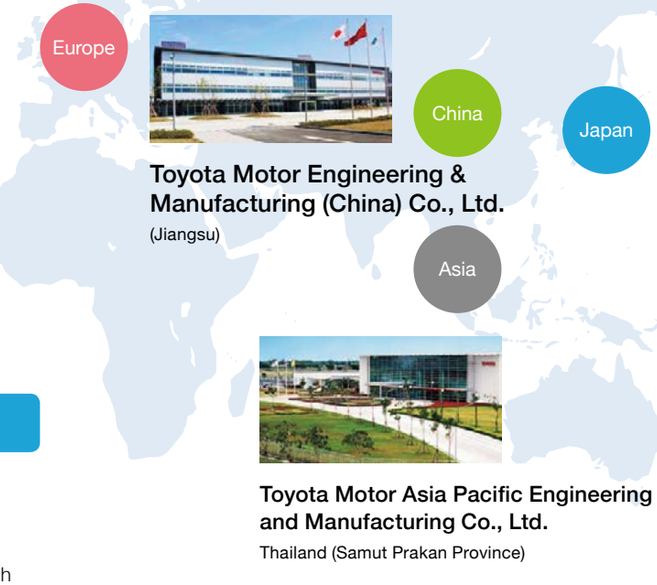
Toyota Motor Engineering & Manufacturing (China) Co., Ltd.
(Jiangsu)

Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd.
Thailand (Samut Prakan Province)

Toyota Motor Engineering & Manufacturing North America, Inc.
U.S.A. (Michigan, California, Arizona, Washington D.C.)

Head Office Technical Center
Japan (Toyota City, Aichi Prefecture)

Higashi-Fuji Technical Center
Japan (Susono City, Shizuoka Prefecture)



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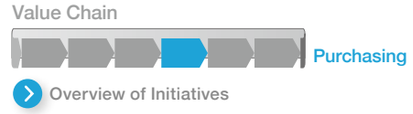
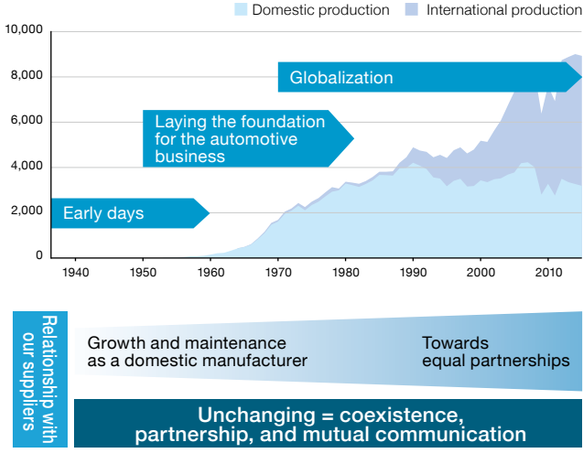


Purchasing

Basic philosophy regarding purchasing

A single car is comprised of about 30,000 parts, and as the majority of these parts are made using manufacturing methods that require skillful coordination across multiple processes, cars need to be made in close collaboration with the suppliers. Furthermore, in purchasing activities Toyota also believes that it is important that we build a stable and equal partnership with our suppliers in order for our customers to be able to use its products for the long-term and with peace of mind. Even with business activities becoming increasingly globalized, we continue to seek equal standing in our dealings with our suppliers and to grow and develop together.

Domestic / international production volume (thousands of units)



Our three basic policies

Toyota is moving forward with the basic policies below in our purchasing activities in order to make cars that satisfy our customers.

1. Fair competition based on an open-door policy

Toyota is open to any and all suppliers, regardless of nationality, size, or whether they have done business with us before. Our choice of suppliers is purely on the basis of business considerations. We evaluate the overall strengths of prospective suppliers, including their quality, technological capabilities, and reliability in delivering the required quantities on time. In addition, we consider their operational approach and systems for tackling ongoing reform and efforts addressing social responsibilities, such as environmental issues.

2. Mutual benefit based on mutual trust

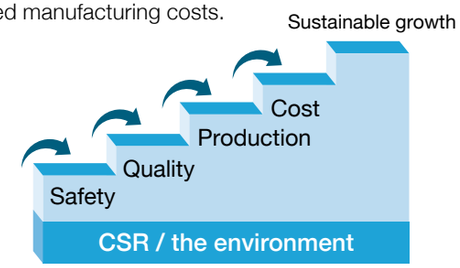
We believe in developing mutually beneficial, long-term relationships based on mutual trust. To foster that trust, we pursue close and wide-ranging communication with suppliers.

3. Contributing to local economic vitality through localization: Good corporate citizenship

Toyota is vigorously promoting local production in response to demand for automobiles in each region worldwide. For local production, we actively procure from local suppliers, including parts, materials, tools, equipment and others materials. In this way, we aim to contribute to the local society and act as a good corporate citizen.

Priorities in our initiatives

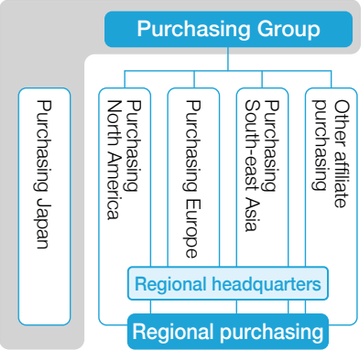
In developing our purchasing base, Toyota is working towards *monozukuri* (manufacturing) that prioritizes safety first and foremost as well as manufacturing and production that ensures and maintains quality while resulting in reduced manufacturing costs.



Management structure

In order to be able to promote the common goals in functions across worldwide purchasing, the Purchasing Group comes up with purchasing policies, creates plans, and pushes forward with developments, and purchasing in each region implements their operations based on these strategies.

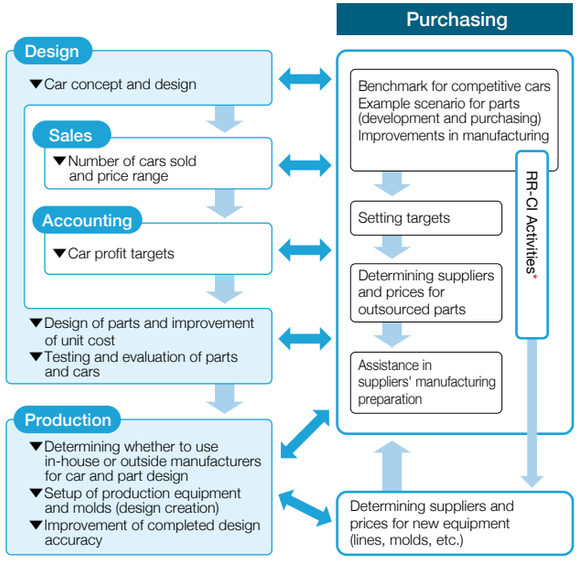
Additionally, the Purchasing Group is also working toward better purchasing operations through the development of structures for global human resource development and the development of purchasing systems.



Purchasing

Collaboration with in-house and outside departments

We collaborate with all in-house departments at Toyota during purchasing including design, sales, accounting and production in all phases from car development through to production preparation, mass production and supply.



* *Ryohin Renka* (reasonably-priced, good products) Cost innovation: cost reduction activities for cross-series parts in order to ensure mid- to long-term price competitiveness.

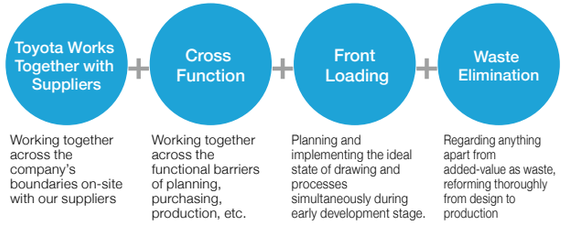
The divisions in Toyota responsible for each function also collaborate with those suppliers who work towards making ever-better cars through implementing improvement measures.

Process example

Pursuing more reasonably priced, good products through *Monozukuri* Innovation

Monozukuri Innovation involves Toyota's individual divisions making a part-based cross-functional team with suppliers, and running the drawing and production process with *Genchi Genbutsu* (on-site hand-on experience) simultaneously at the early development stage. In order to realize ever-better parts manufacturing, we identify waste at production sites and combine the wisdom from the design stage through production. For example, waste is eliminated to reduce the number of parts by changing the design structure, reviewing production lines and processes and so on. At the same time, in order to improve quality and strengthen competitiveness further, we are committed to manufacturing every single part to the best of our abilities.

Consistent Four Initiatives



Related Information

Special Feature 2: Challenge of Ever-Better Cars
- TNGA: New Approaches in Car Production Design Concept (P9)

Building a disaster-resilient supply chain

Toyota has provided recovery support in accordance with the following priorities: (1) Humanitarian aid; (2) Recovery of the disaster-affected area; (3) Restoration of Toyota's operations and production. Since the Great East Japan Earthquake, with the aim of prompt initial action and early recovery, we have united with suppliers in each country and region to build a disaster-resilient supply chain by sharing supply chain information and setting up measures of preparedness.

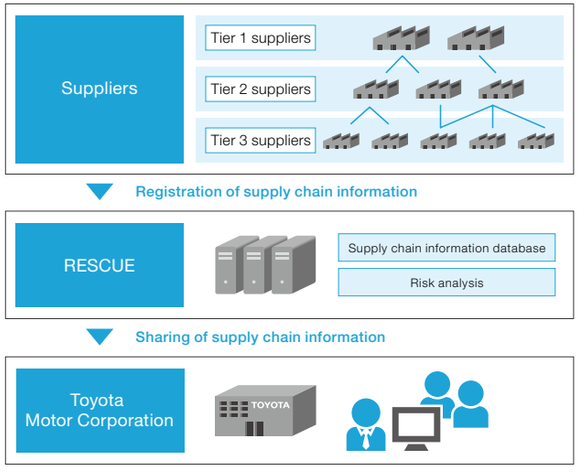
In regards to visualization of supply chain information, we receive information from our suppliers through our long-standing relationship of trust, and we use this information to build a database based on the concept of protecting Japanese *monozukuri* (manufacturing). This is called the RESCUE* system.

Additionally, in regards to disaster resilience, we use the above database to identify issues in the supply chain and work alongside our suppliers to implement measures of preparedness in order to reduce accidents and dispersion in base production, etc.

Through continued implementation of the above, we were able to speed up our response to the Kumamoto earthquake in April 2016 resulting in a quicker recovery phase.

* REinforce Supply Chain Under Emergency

The RESCUE system storing supply chain information



Related Information

Sustainability Data Book 2016:
Collaboration with Suppliers (P38)

Production

Progress with Initiatives

Making Ever-Better Cars and Better Plants

In the early 2000s, Toyota used the concept of Simple, Slim and Speedy and introduced several innovative manufacturing technologies, thereby making the company more competitive in terms of quality and costs. In addition, we set up new plants throughout the world to meet increasing demands.

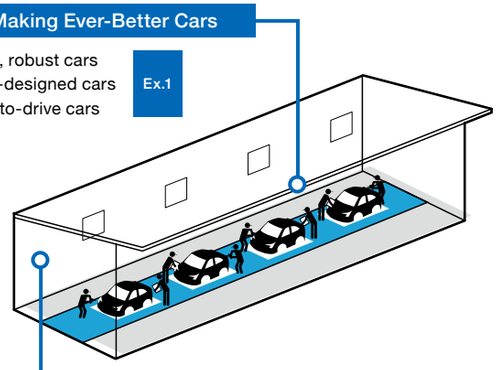
However, the recent global financial crisis caused a surplus in production resources and the subsequent fall in sales led the company directly to being in the red. Toyota learned two lessons from this experience. First, we must not get too caught up with the producing side and forget the customer's viewpoint. Second, excess production resources increase our fixed costs, making us inflexible in a volatile market.

These lessons made us believe that making ever-better cars and better plants in our production division is essential, which has led us to pursue various initiatives.

1 Making Ever-Better Cars

- Safe, robust cars
- Well-designed cars
- Fun-to-drive cars

Ex.1



2 Making Ever-Better Plants

- Simple logistics holding minimal inventory — Ex.2
- Flexible, simple and slim production system — Ex.3 Ex.4
- Environmentally-friendly production minimizing impact on people — Ex.5

1 Working on Making Ever-Better Cars

Focus on coordination between planning and production, and introduce new technologies

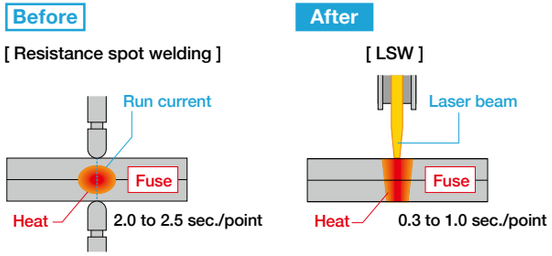
Toyota identified the requirements to achieve ever-better cars by outlining specific characteristics: Safe, Robust Cars, Well-designed Cars and Fun-to-drive Cars. To ensure this standard of *kurumazukuri* (car-making), the production division must conduct research, carefully consider the content and try out specific points to attain ever-better cars, but it is also essential for them to coordinate with the planning development team and the production site. For example, Laser Screw Welding (LSW), which will be covered in the next section, is a technique that increases the robustness of the body. Using this technique improves the stability and controllability targeted by developers, and specifically helps the vehicle to respond well when steering the wheel.

Coordination across divisions

Specific initiatives

Ex.1 Laser Screw Welding (LSW)

Spot welding involves a processing technique that is set up on the top and bottom. However, LSW welds from only one spot at the top, reducing interference and limitations during the welding process and improving design flexibility. Welding points set closely at a joint area also helps improve the robustness of the body.



Using Japanese techniques and master craftsmanship

We focus on traditional Japanese craftsmanship and techniques. We specifically took hints from *karakuri ningyo** (traditional Japanese mechanized puppets) and made improvements on the mechanism that change the gravitational force of the product into the power to carry things without using a power source. In addition, we also carried out initiatives on the tacit knowledge (tricks and knacks learned on-the-job) of our veteran engineers used in sheet metal processing and coating, etc., and transformed it into explicit knowledge to integrate into our robots. We utilize Japanese techniques and Toyota's master craftsmanship to help us making ever-better cars.

* Mechanisms that move tools or dolls using gravitational force, spiral springs, springs, cogwheels and strings, etc.

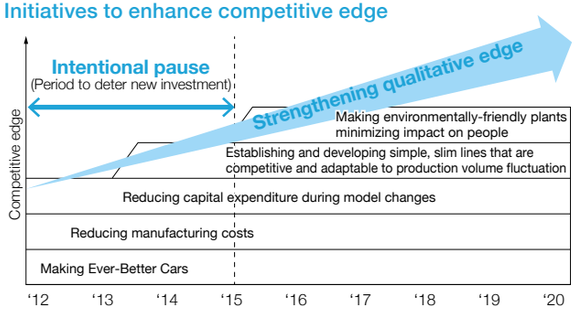
Production

2 Promote Making Ever-Better Plants

Initiatives during intentional pause in production

Toyota applied an intentional pause in production these last few years to carry out initiatives that re-establish our qualitative edge. First, we focused on effectively using the existing resources to their maximum potential and were able to reduce capital expenditures related to changing models to 40% less than in 2008. Then, we used the funds that were freed from reducing investments to promote the concepts of making ever-better cars and making attractive plants. These initiatives help Toyota make steady progress and prepare for a new stage toward sustainable growth.

Initiatives to enhance competitive edge



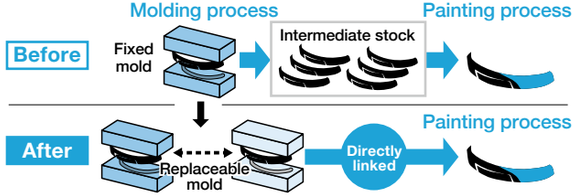
3 key phrases for making ever-better plants

At the foundation of making ever-better plants is establishing a production system that can raise its competitive edge and be adapted to market volatility. The 3 key phrases associated with this are "Logistics," "Simple and slim" and "Environmentally-friendly minimizing impact on people." Logistics advocates "One piece flow production" which is based on the Toyota Production System. Simple and slim not only cuts costs but improves quality, for example, by making the equipment more universal and reducing the production setup time. Finally, being environmentally-friendly and minimizing impact on people means making a bright and orderly plant that focuses on safety and the environment.

Specific initiatives

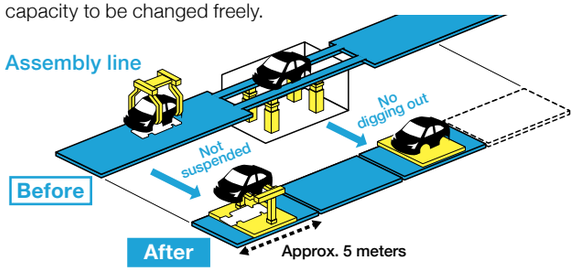
Ex.2 One piece flow production for bumpers
(Example of logistics)

Up until now bumpers have been molded using lot production as the mainstream and making the same component for a certain quantity. Then, a sizable intermediate stock of bumpers was accumulated before being passed on and used in the subsequent painting process. As shown below, Toyota changed to production leveling which uses "One piece flow production," linking the molding process (including the mold change process) directly to the painting process. This approach reduced the intermediate stock dramatically regardless of the bumper type and significantly improved productivity.



Ex.3 Flexible assembly line
(Simple and slim example 1)

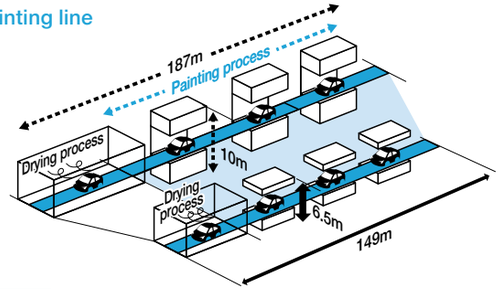
A flexible line was developed which can be rearranged and quickly adapted to production volume fluctuation. Vehicle bodies are no longer suspended, the line uses a conveyor with an elevated platform to move and lift the vehicles, and the line is composed of approximately 5 meter sections. The section-based line can be extended or shortened as necessary, allowing the production capacity to be changed freely.



Ex.4 Compact and shortened painting line
(Simple and slim example 2)

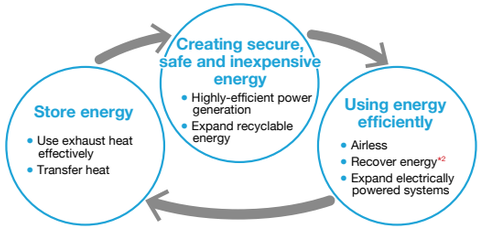
Making the supplementary equipment more compact enables the booth to be more compact. The line from painting to drying is shortened by changing the conveyor speed for each process.

Painting line



Ex.5 Making an environmentally-friendly plant
(Example of environmentally-friendly minimizing impact on people)

Not only are we involved in making a bright and orderly plant, but we promote activities that ensure safety and peace of mind as well as environmental protection. In addition, we integrated a number of initiatives to create an environmentally-friendly plant that uses energy efficiently. For example, we integrated an airless approach*1 into several lines, adopted energy regeneration technology that recovers the braking energy in robots and reuses that power, expanded the use of recyclable energy and used the exhaust heat more effectively.



*1 Approach that reduces the pneumatic power with large air supply loss

Related Information

Sustainability Data Book 2016:
Kamigo Plant: Reducing CO_2 Emissions from Engine Manufacturing for Vehicles for Japanese and Overseas Markets (Focus) (P78)

*2 Recovers the braking energy in robots and reuses that power

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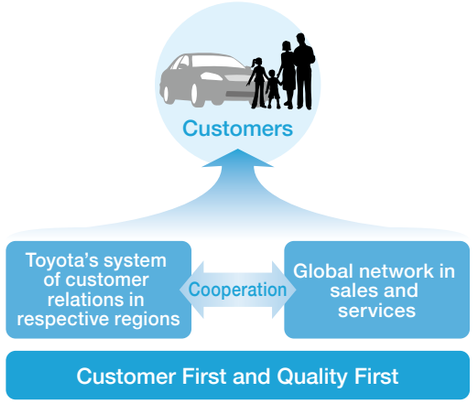
Sales and Service

Basic Philosophy

Adopting the Customer First and Quality First principles, Toyota collaborates in all business activities from product planning through sales and services to maintain high quality in manufacturing in order to realize further customer satisfaction.

In addition, we have established a system consisting of eight global regions to respond to customers' needs appropriately which differ from region to region. In cooperation with our important partners, dealers and distributors in Japan and overseas, we are delivering ever-better cars rooted in respective regions by dealing sincerely with our customers.



For Overseas Regional Customers

The global automobile market is divided into eight regions consisting of North America, Europe, Africa, China, Asia-Middle East-North Africa, East Asia-Oceania, Latin America, and Japan. Toyota has established the optimum car service system in response to regional market characteristics.

Car use environments and required functions and services vary by region and country. The voices and requests from a variety of customers through our sales networks lead us to the realization of ever-better cars, planning of sales strategies, and support of local sales activities.

We have developed a global network of about 280 dealers and about 5,500 sales outlets (U-car outlets included) in Japan, and globally about 170 distributors and about 10,000 dealers. They are our front lines facing the customers where we are offering service with a smile through local activities to gain new Toyota fans.

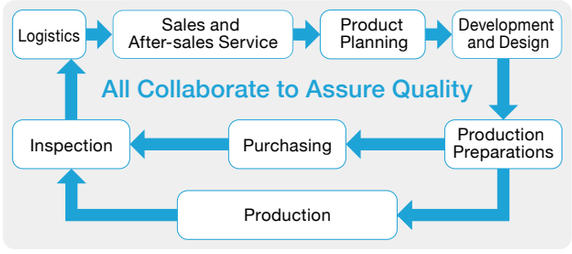
Related Information

Sustainability Data Book 2016: Collaboration with Sales Networks (P41)

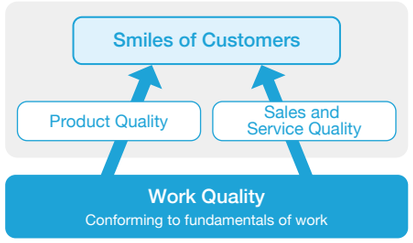
The Principles of Customer First and Quality First

In order to provide the quality that will satisfy our customers, collaborative initiatives are essential from product planning, development and design, to procurement, production, sales and after-sales service.

At Toyota, quality includes product quality, sales and service quality, and the quality of the work performed by each employee that serves as the foundation supporting the other aspects of quality. We believe that the combination of these three constitutes quality and it is only when all three aspects of quality are secured that we can provide products and services that can gain the trust of customers. The origins of quality lie in the spirit of audit and improvement, and Toyota's unchanging *monozukuri* (manufacturing) pursues ever higher quality through continuous improvement based on repeated implementation of PDCA.



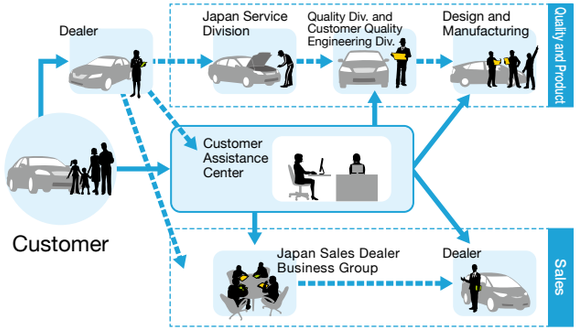
Definition of Quality



Applying Customer Feedback to the Creation of Better Products and Services

Offering cars with superior features in terms of environmental friendliness, safety and quality performance with the intrinsic appeal of affordable price. To create ever-better cars, Toyota makes rigorous use of customer opinions gleaned from dealers and the Customer Assistance Centers and establishes a system that incorporates them for better products and services.

System for Implementing Customer Feedback [Domestic Examples]



Related Information

Sustainability Data Book 2016: Customer First and Quality First Measures (P16)

Sales and Service

J-ReBORN Plan Hopes to Invigorate Japan with Dealers

To respond to changes in the Japanese automotive market due to depopulation, aging and a shrinking market, in FY2015 Toyota established the J-ReBORN Plan, a new domestic sales strategy scheduled to start from FY2016. The plan is rooted in the idea of using the dealer network to revitalize each region and Japan overall.

Toyota has coined the slogan "Ever-Better Dealerships" and is working together with the dealers to promote activities that attract everyone including customers. Toyota is taking on the challenge to try and win back as many car fans as possible.

J-ReBORN Plan

[Toyota] Ever-Better Cars

[Dealers] Ever-Better Dealerships

Embracing the challenge of revitalizing the automobile business of the 2020s

Developing a fan base for cars, Toyotas and dealers

1. Increase CS* and productivity to a tremendously high level
2. Continue to create and retain Toyota fans

* Customer Satisfaction

Four Priorities Addressed by the J-ReBORN Plan

(1) ReBORN changes the focus from "the car and business" to "a customer-centric approach"

1. Marketing activities designed to capture young consumers (young in terms of thinking and behavior)
2. Strengthen ties with customers by improving productivity to a tremendously high level

(2) ReBORN transforms Toyota into the best company in every region

3. Embrace activities of whole Toyota group that increase Toyota's regional presence
4. Create and promote examples of dealers that look ahead at future issues

Related Information

Sustainability Data Book 2016: Collaboration with Business Partners (P42)

Improvement of After-Sales Services

Better service and better cars are, as it were, the two wheels of the cart to provide customers with safe and comfortable driving in their daily life. Based on this concept Toyota is trying to provide better services under the umbrella of the 3S spirit (*Seikaku* + *Shinsetsu* = *Shinrai*; meaning "Accuracy + Caring = Trust" so that customers enjoy driving.

Currently in Japan the after-sales services are delivered by about 310 companies, about 5,000 dealers and parts distributors, totaling about 46,000 service staff members, while overseas there are about 170 companies, 10,000 dealers, or 134,000 service staff members.

In addition, Toyota has established a quick parts delivery system required by each country, realizing more efficient parts inventory and shorter delivery time at car inspections, etc. by utilizing the concept of the Toyota Production System on the dealer sides.

Global Learning Facility, Tajimi Service Center

187,000 m² of vast premises contains study centers and drive-evaluation courses for a variety of road conditions, welcoming about 3,100 service staff members a year from all over the world to help them improve their knowledge and skills.

Related Information

Sustainability Data Book 2016: Customer First and Quality First Measures (P20)

Environmental Initiatives in Cooperation with Sales Networks

Initiatives in Japan

At CSR workshops held by the Toyota National Dealers' Advisory Council (TNDAC), all Toyota dealers have worked together to promote voluntary activities based on the Toyota Dealer CSR Guidelines set forth in 2005. To further promote these initiatives, they called for increased acquisition of third-party certification of environmental management systems to accelerate the development of human resources and the creation of environment-friendly dealerships, and to bolster the level of trust from customers.

Global Initiatives

Toyota continues the Dealer Environmental Risk Audit Program (DERAP) to reduce environmental risks at overseas dealer service shops. These audits aim to establish a framework to deal with five fundamental environmental requirements including the proper management of waste and treatment of wastewater. In FY2015, 70 distributors and 3,692 dealers from 66 countries worldwide participated in the program, representing an increase of 10 distributors and 228 dealers from FY2014.

* Dealer Environmental Risk Audit Program

Related Information

Sustainability Data Book 2016: Promote Environmental Activities in Cooperation with Business Partners (P101)

Initiatives for Waste Recycling

Toyota dealers and parts distributors throughout Japan promote recycling as much as possible throughout the use of vehicles, including collecting and recycling damaged and removed parts such as bumpers and lead wheel balance weights. Toyota also promotes activities to reduce resource usage, such as selling rebuilt and used parts, and using tanker trucks to reduce drums for transporting oil.

Related Information

Sustainability Data Book 2016: Steady Progress in Recycling at Dealers and Parts Distributors (P83)

CSR Structure

Overview of Initiatives

Basic Philosophy

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. Motor vehicles greatly expand the freedom of mobility, but impact society and the environment in various ways. Always bearing this in mind, we listen carefully to our customers and the local community as we pursue a business that works towards harmony with people, society, and the global environment, as well as the realization of a sustainable society through *monozukuri* (manufacturing.)

CSR Policy

Toyota's CSR policy was an interpretation of the Guiding Principles at Toyota with a focus on relationships with stakeholders (established in January, 2005, revised in August, 2008). Toyota aims to become a company that is admired and trusted by society through ensuring that all employees recognize and act on our CSR Policy. We also share this policy with our consolidated subsidiaries, make a point of putting it into practice together, and expect our business partners to embrace its spirit and act in accordance with it as well. 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.

Organization and Structure

We strive for sustainable growth by providing society with values such as "Safety and Peace of Mind," "Environmental Sustainability," "*Waku-doki* (excitement and exhilaration that wows you)" through our business activities. Toyota established the Corporate Planning Meeting and the Corporate Governance Meeting to promote these activities from a long-term and company-wide perspective.

Preamble of CSR Policy: Contribution towards Sustainable Development

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.

Web CSR Policy: Contribution towards Sustainable Development Full Text

Corporate Planning Meeting and Corporate Governance Meeting

In October 2007, Toyota established the CSR (Corporate Social Responsibility) Committee to coordinate and promote CSR activities. Through the CSR Committee, we have ensured legal compliance, conducted social contribution activities and promoted initiatives for environmental issues.

Since April 2015, organizational changes have been made with the intention of incorporating CSR into management and raising corporate value. These changes were designed to bring CSR-specific discussions that previously took place in the CSR committee into more general management and business operation-related discussions. Therefore, the functions of the CSR Committee have been transferred to the Corporate Planning Meeting and Corporate Governance Meeting. Under the oversight of General Shareholders' meetings and the Board of Directors, the Corporate Planning Meeting discusses growth and business strategies, taking into account a wide range of social issues. An optimal governance structure has been deliberated in the Corporate Governance Meeting, which serves as a supervising body over business implementation, to realize these growth and business strategies.

CSR Structure (Corporate Value Enhancement)

Corporate Governance

Overview of Initiatives

Basic Philosophy

Toyota has positioned the sustainable growth and the stable long-term growth of corporate value as priority management issues. It believes that in carrying this out, it is essential that it both builds positive relationships with all stakeholders, including shareholders and customers as well as business partners, local communities and employees, as well as continues to supply products that will satisfy its customers. This position is reflected in the "Guiding Principles at Toyota," which is a statement of Toyota's fundamental business policies. Also, Toyota adopted and presented the CSR Policy "Contribution towards Sustainable Development," an interpretation of the "Guiding Principles at Toyota" that organizes the relationships with its stakeholders. Toyota will work to enhance corporate governance through a variety of measures. Toyota is implementing each principle of the Corporate Governance Code adopted in June 2015 and the details of the measures for implementation are deliberated at the Corporate Governance Meeting then reported to the Board of Directors.

Organization and Structure

In March 2011, Toyota announced the "Toyota Global Vision" and commenced "Visionary Management." This is based on Toyota's values that have guided Toyota since its founding, such as "The Toyoda Precepts," the "Guiding Principles at Toyota" and the "Toyota Way," which aim to exceed customer expectations by manufacturing ever-better cars and enriching the lives of societies, and to be rewarded with a smile that ultimately leads to the stable base of business.

Execution of Duties and Supervision

In April 2011, as a management structure towards "fulfillment of the Toyota Global Vision," Toyota has reduced the Board of Directors and decision-making layers, and has endeavored to swiftly communicate the views of customers and information from operations on-ground to management and facilitate rapid management decision-making.

In April 2013, Toyota made organizational changes with the aim of further increasing the speed of decision-making so that each of the four units* is responsible for its own operations and earnings. In April 2015, with the aim of enhancing operational oversight and further increasing the speed of decision-making and execution of operations, the responsibility for executive vice presidents was changed to making decisions regarding management from a medium to long-term perspective and supervising execution of operations, with executives at senior managing officer level and below now responsible for execution of operations, such as business units, regional operations and key functions.

Moreover, in April 2016, Toyota made organizational changes with the aim of further promoting its overarching goal of manufacturing ever-better cars and the continued development of a talented workforce to serve such goal, and delegated substantial power to the new nine business units*, including the seven product-based in-house companies that will be responsible for short- to mid-term product strategy and development. By implementing a streamlined operation from planning through manufacturing, Toyota intends to promote quicker decision-making.

Under the Board of Directors, the "Corporate Planning Committee" considers growth strategies that weave in Toyota's contributions to various social issues and Toyota promotes on a company-wide basis CSR and enhancement of corporate value as part of business operations. As part of management of operations, the "Corporate Governance Committee" deliberates the corporate governance structure that executes such strategies.

Furthermore, Toyota has an "International Advisory Board" consisting of advisors from each region overseas, and, as appropriate, receives advice on a wide range of management issues from a global perspective. In addition, Toyota deliberates on and monitors management and corporate activities based on views of various stakeholders through a wide variety of bodies for deliberations, including the "Labor-Management Council, the Joint Labor-Management Round Table Conference."

*1 Lexus International, Toyota No.1, Toyota No.2, Unit Center
*2 Advanced R&D and Engineering Company, Toyota Compact Car Company, Midsize Vehicle Company, CV Company, Lexus International Co., Power Train Company, Connected Company, Toyota No.1, Toyota No.2

System regarding Members of the Board of Directors

With respect to the system regarding members of the Board of Directors, Toyota has comprehensively considered and appointed the right person for the right position to make appropriate and prompt decision-making. Toyota believes that it is important to elect individuals that comprehend and engage in the manufacturing of ever-better cars and problem solving based on the actual situation on-site (Genchi Genbutsu) that Toyota emphasizes, and contribute to decision-making aimed at sustainable growth into the future. Members of Toyota's "Executive Appointment Meeting," which is comprised of the Chairman, President, Executive Vice President in charge of Human Resources and an Outside Director, discuss recommendations to the Board of Directors concerning appointment of Members of the Board of Directors.

At the 109th Ordinary General Shareholders' Meeting held in June 2013, three Outside Members of the Board of Directors were appointed in order to further reflect the opinions of those from outside the company in management's decision-making process, and all of them are registered as independent officer with the relevant financial instruments exchanges. Toyota considers the appointment of Outside Members of the Board of Directors as independent officer in accordance with requirements for Outside Members of the Board of Directors set forth in the Companies Act and independence standards established by the relevant financial instruments exchanges. Toyota's Outside Members of the Board of Directors advise it in its management decision-making process based on their broad experiences and insight in their respective fields of expertise, independently from management structure.

Furthermore, Toyota appointed the first foreign executive vice president in FY2015. At the senior managing officer level and below, officers from group companies and foreign officers have been appointed. Toyota has built a diverse management structure with the right person for the right position.

Corporate Governance

Overview of Initiatives

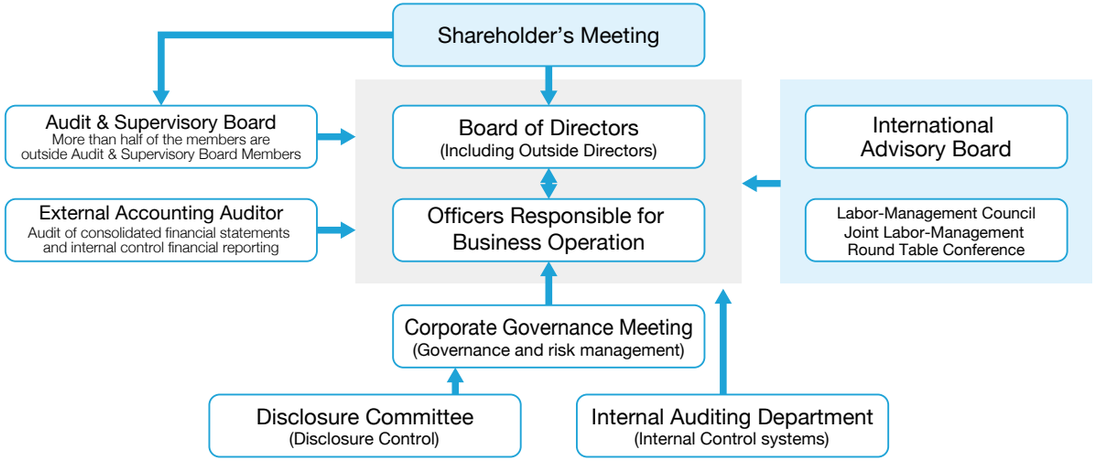
System regarding Audit & Supervisory Board Members

Toyota has adopted an Audit & Supervisory Board system. Six Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) play a role in Toyota's corporate governance efforts by undertaking audits in accordance with the audit policies and plans determined by the Audit & Supervisory Board. In appointing Audit & Supervisory Board Members, Toyota has appointed individuals who have broad experiences and insight in their respective fields of expertise and can advise management from a fair and neutral perspective, as well as audit the execution of business. Members of Toyota's "Executive Appointment Meeting," which is comprised of the Chairman, President, Executive Vice President in charge of Human Resources and an Outside Director, discuss recommendations concerning appointment of Audit & Supervisory Board Members to the Audit & Supervisory Board.

Toyota has appointed three Outside Audit & Supervisory Board Members, all of whom are registered as independent officers with the relevant financial instruments exchanges. Toyota considers the appointment of Outside Audit & Supervisory Board Members in accordance with requirements for Outside Audit & Supervisory Board Members set forth in the Companies Act and independence standards established by the relevant financial instruments exchanges.

Corporate Governance Organizational Diagram

(Emphasizing frontline operations + multidirectional monitoring)



Remuneration for Members of the Board of Directors and Audit & Supervisory Board Members

Remuneration for Members of the Board of Directors consists of fixed basic payment and variable bonus. Toyota's remuneration structure ensures a link with company performance, reflecting job responsibilities and performance of individuals. Level of remuneration is also considered based on the remuneration level in countries of origin. Bonus is determined based on consolidated operating income of each year, comprehensively taking into account dividends, level of bonus for employees, trends of other companies, mid- to long-term business performance and amounts paid in the past. With respect to remuneration for Outside Members of the Board of Directors, bonus will not be paid in light of their role of monitoring and supervising management from an independent position. Members of Toyota's "Executive Remuneration Meeting," which is comprised of the Chairman, President, Executive Vice President in charge of Human Resources and an Outside Director, discuss recommendations to the Board of Directors concerning remuneration for Members of the Board of Directors.

Remuneration for Audit & Supervisory Board Members consists only of fixed basic payment and bonus is not paid. By making the compensation structure less susceptible to business performance, independence from management is ensured. Remuneration for Audit & Supervisory Board Members is determined upon consultation among Audit & Supervisory Board Members within the scope of remuneration determined by the resolution at the Ordinary General Shareholders' Meeting.

Basic Policy regarding the System to Secure the Appropriateness of Business

Basic understanding of system to ensure appropriateness of business operations

Toyota, together with its subsidiaries, has created and maintained a sound corporate climate based on the "Guiding Principles at Toyota" and the "Toyota Code of Conduct." Toyota integrates the principles of problem identification and continuous improvement into its business operation process and makes continuous efforts to train employees who will put these principles into practice.

System to ensure the appropriateness of business operations and outline of implementation status of such systems

Toyota has endeavored to establish a system for ensuring the appropriateness of business operations as a corporate group and the proper implementation of that system in accordance with the "Basic Policies on Establishing Internal Controls. "Each business year, Toyota inspects the establishment and implementation of internal controls to confirm that the organizational units responsible for implementing internal controls are functioning autonomously and are enhancing internal controls as necessary, and findings from the inspection are reviewed at Corporate Governance Meetings and the Board of Directors' meetings.

Accordingly, Toyota has developed its basic policy regarding the items as stipulated in the Companies Act. For further information on the 2016 Corporate Governance Report "IV Basic Approach to Internal Control System and its Development", please visit the webpage:

Web Investors (Corporate Governance Reports)

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Management System [Board of Directors] (As of June 15, 2016)

Overview of Initiatives

Chairman of the Board

Takeshi Uchiyamada

Apr. 1969 Joined TMC
Jun. 1998 Member of the Board of Directors of TMC
Jun. 2001 Managing Director of TMC
Jun. 2003 Senior Managing Director of TMC
Jun. 2005 Executive Vice President of TMC
Jun. 2012 Vice Chairman of TMC
Jun. 2013 Chairman of TMC (to present)

President, Member of the Board

Akio Toyoda

Apr. 1984 Joined TMC
Jun. 2000 Member of the Board of Directors of TMC
Jun. 2002 Managing Director of TMC
Jun. 2003 Senior Managing Director of TMC
Jun. 2005 Executive Vice President of TMC
Jun. 2009 President of TMC (to present)

Executive Vice President, Member of the Board

Mitsuhisa Kato

- Frontier Research Center (Chief Officer)

Apr. 1975 Joined TMC
Jun. 2004 Managing Officer of TMC
Jun. 2006 Toyota Technocraft Co., Ltd. President
Jun. 2006 Advisor of TMC
Jun. 2007 Retired from Advisor of TMC
Jun. 2010 Retired from Toyota Technocraft Co., Ltd. President
Jun. 2010 Senior Managing Director of TMC
Jun. 2011 Senior Managing Officer of TMC
Jun. 2012 Executive Vice President of TMC (to present)

Takahiko Ijichi

- Chief Financial Officer, Sales Financial Business, Purchasing

Apr. 1976 Joined TMC
Jun. 2004 Managing Officer of TMC
Jun. 2008 Senior Managing Director of TMC
Jun. 2011 Member of the Board of Directors and Senior Managing Officer of TMC
Jun. 2013 Advisor of TMC
Jun. 2013 Director and President of TOWA REAL ESTATE Co., Ltd.
Jun. 2015 Retired from Advisor of TMC
Jun. 2015 Executive Vice President of TMC (to present)
Jun. 2015 Retired from Director and President of TOWA REAL ESTATE Co., Ltd.

Didier Leroy

- Toyota No. 1 (President), Chief Competitive Officer

Apr. 1982 Joined Renault S.A.
Aug. 1998 Retired from Renault S.A.
Sep. 1998 Joined Toyota Motor Manufacturing France S.A.S.
Sep. 1998 Toyota Motor Manufacturing France S.A.S. Vice President
Jan. 2005 Toyota Motor Manufacturing France S.A.S. President
Jun. 2007 Managing Officer of TMC
Jul. 2007 Toyota Motor Europe NV/SA Executive Vice President
Jul. 2009 Toyota Motor Manufacturing France S.A.S. Chairman
Jun. 2010 Toyota Motor Europe NV/SA President
Jul. 2010 Retired from Toyota Motor Manufacturing France S.A.S. Chairman
Apr. 2011 Toyota Motor Europe NV/SA President and CEO
Apr. 2012 Senior Managing Officer of TMC
Apr. 2015 Toyota Motor Europe NV/SA Chairman (to present)
Jun. 2015 Executive Vice President of TMC (to present)

Shigeki Terashi

- Strategic Top Executive Meeting Office (Secretary General), Global Audit Div. (Chief Officer), Corporate Strategy Div. (Chief Officer), Research Div. (Chief Officer), Quality

Apr. 1980 Joined TMC
Jun. 2008 Managing Officer of TMC
Jun. 2008 Toyota Motor Engineering & Manufacturing North America, Inc. Executive Vice President
May 2011 Toyota Motor Engineering & Manufacturing North America, Inc. President and COO
Apr. 2012 Toyota Motor Engineering & Manufacturing North America, Inc. President and CEO
Apr. 2012 Toyota Motor North America, Inc. President and COO
Apr. 2013 Retired from Toyota Motor Engineering & Manufacturing North America, Inc. President and CEO
Apr. 2013 Retired from Toyota Motor North America, Inc. President and COO
Apr. 2013 Senior Managing Officer of TMC
Jun. 2013 Member of the Board of Directors and Senior Managing Officer of TMC
Jun. 2015 Executive Vice President of TMC (to present)

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Management System [Board of Directors / Audit & Supervisory Board Members] (As of June 15, 2016)

Overview of Initiatives

Member of the Board

Nobuyori Kodaira

- Chief Risk Officer

Apr. 1972 Joined Ministry of International Trade and Industry
Jul. 2004 Director-General, Agency for Natural Resources and Energy
Jul. 2006 Retired from Director-General, Agency for Natural Resources and Energy
Aug. 2008 Advisor of TMC
Jun. 2009 Managing Officer of TMC
Jun. 2010 Senior Managing Director of TMC
Jun. 2011 Member of the Board of Directors and Senior Managing Officer of TMC
Jun. 2012 Executive Vice President of TMC
Jun. 2016 Member of the Board of Directors (to present)

Shigeru Hayakawa

- External Affairs & Public Affairs Group (Chief Officer), Chief Communications Officer

Apr. 1977 Joined Toyota Motor Sales Co., Ltd.
Jun. 2007 Managing Officer of TMC
Sep. 2007 Toyota Motor North America, Inc. President
Jun. 2009 Retired from Toyota Motor North America, Inc. President
Apr. 2012 Senior Managing Officer of TMC
Jun. 2015 Member of the Board of Directors and Senior Managing Officer of TMC (to present)

Ikuo Uno

Outside Independent

Mar. 1959 Joined Nippon Life Insurance Company
Jul. 1986 Director of Nippon Life Insurance Company
Mar. 1989 Managing Director of Nippon Life Insurance Company
Mar. 1992 Senior Managing Director of Nippon Life Insurance Company
Mar. 1994 Vice President of Nippon Life Insurance Company
Apr. 1997 President of Nippon Life Insurance Company
Apr. 2005 Chairman of Nippon Life Insurance Company
Apr. 2011 Director and Advisor of Nippon Life Insurance Company
Jul. 2011 Advisor of Nippon Life Insurance Company
Jun. 2013 Member of the Board of Directors of TMC (to present)
Jul. 2015 Honorary Advisor of Nippon Life Insurance Company (to present)

Haruhiko Kato

Outside Independent

Apr. 1975 Joined Ministry of Finance
Jul. 2007 Director-General of the Tax Bureau, Ministry of Finance
Jul. 2009 Commissioner of National Tax Agency
Jul. 2010 Retired from Commissioner of National Tax Agency
Jan. 2011 Senior Managing Director of Japan Securities Depository Center, Inc.
Jun. 2011 President of Japan Securities Depository Center, Inc.
Jun. 2013 Member of the Board of Directors of TMC (to present)
Jul. 2015 President and CEO of Japan Securities Depository Center, Inc. (to present)

Mark T. Hogan

Outside Independent

Sep. 1973 Joined General Motors Corporation
Aug. 2002 Group Vice President of General Motors Corporation
Aug. 2004 Retired from Group Vice President of General Motors Corporation
Sep. 2004 President of Magna International Inc.
Dec. 2007 Retired from President of Magna International Inc.
Jan. 2008 President and CEO of The Vehicle Production Group LLC
Feb. 2010 Retired from President and CEO of The Vehicle Production Group LLC
Mar. 2010 President of Dewey Investments LLC (to present)
Jun. 2013 Member of the Board of Directors of TMC (to present)

Full-Time Audit & Supervisory Board Members

Masaki Nakatsugawa

Apr. 1976 Joined Toyota Motor Sales Co., Ltd.
Jul. 2006 Full-Time Audit & Supervisory Board Member of TMC (to present)

Masahiro Kato

Apr. 1975 Joined TMC
Jan. 2009 Toyota Motor (China) Investment Co., Ltd. President
Jun. 2009 Managing Officer of TMC
Apr. 2011 Retired from Toyota Motor (China) Investment Co., Ltd. President
Jun. 2011 Full-Time Audit & Supervisory Board Member of TMC (to present)

Yoshiyuki Kagawa

Apr. 1983 Joined TMC
Jun. 2015 Full-Time Audit & Supervisory Board Member of TMC (to present)

Outside Audit & Supervisory Board Member

Yoko Wake

Outside Independent

Apr. 1993 Professor of Faculty of Business and Commerce of Keio University
Jun. 2011 Outside Audit & Supervisory Board Member of TMC (to present)
Apr. 2013 Emeritus professor of Keio University

Teisuke Kitayama

Outside Independent

Jun. 2005 President and Director of Sumitomo Mitsui Financial Group, Inc.
Jun. 2005 Chairman and Director of Sumitomo Mitsui Banking Corporation
Apr. 2011 Retired from Chairman and Director of Sumitomo Mitsui Banking Corporation
Jun. 2014 Outside Audit & Supervisory Board Member of TMC (to present)

Hiroshi Ozu

Outside Independent

Jul. 2012 Prosecutor-General
Jul. 2014 Retired from Prosecutor-General
Sep. 2014 Admitted to the bar
Jun. 2015 Outside Audit & Supervisory Board Member of TMC (to present)

Risk Management

Overview of Initiatives

Basic Philosophy

In response to the series of recall issues in 2010, Toyota has been reinforcing its risk management systems. A Risk Management Meeting (now renamed Corporate Governance Meeting) was established in June 2010 and risk managers were appointed as part of global measures in each section to take preventive action across the range of risk occurring in business activities.

Organization and Structure

Appointment of Risk Management Personnel

Toyota appointed a Global Chief Risk Management Officer (CRO) to head global risk management and established a structure under the Global CRO to monitor risks on a daily basis. This makes it possible to respond immediately in the event of an emergency.

Regional CROs are appointed under the Global CRO to oversee individual regions, and each region has its own risk management structure. In the in-house Head Office, the chief officers and the risk managers in each department and division are appointed to be responsible for managing risks according to function, while in each company the respective presidents and risk managers are appointed to be responsible for managing risks according to products to cooperate with and support each Regional Head Office.

Promotion by Corporate Governance Meeting

Since April 2015, an optimal governance structure has been deliberated in the Corporate Governance Meeting, which serves as a supervising body over business implementation, to realize growth and business strategies that have taken a wide range of social challenges into consideration. The Meeting discusses matters related to risk management.

Two of the five yearly meetings of the Corporate Governance Meeting are attended by the CRO of each region, all Chief Officers and all Company Presidents. This enables the meeting to comprehensively identify risks to business activities and initiate preventive action. At the meeting, improvements and reinforcements to the risk management system of each region are confirmed and serious risks are reported along with all current risk items. Reports are also made on the status of initiatives against imminent serious risks and other risks with global implications. In particular, we are focusing on information security and Business Continuity Management (BCM) where businesses are recently exposed to increased risk.

Risks that could affect Toyota's business operations are listed in the Form 20-F. These risks include items that could impact the decision of investors.

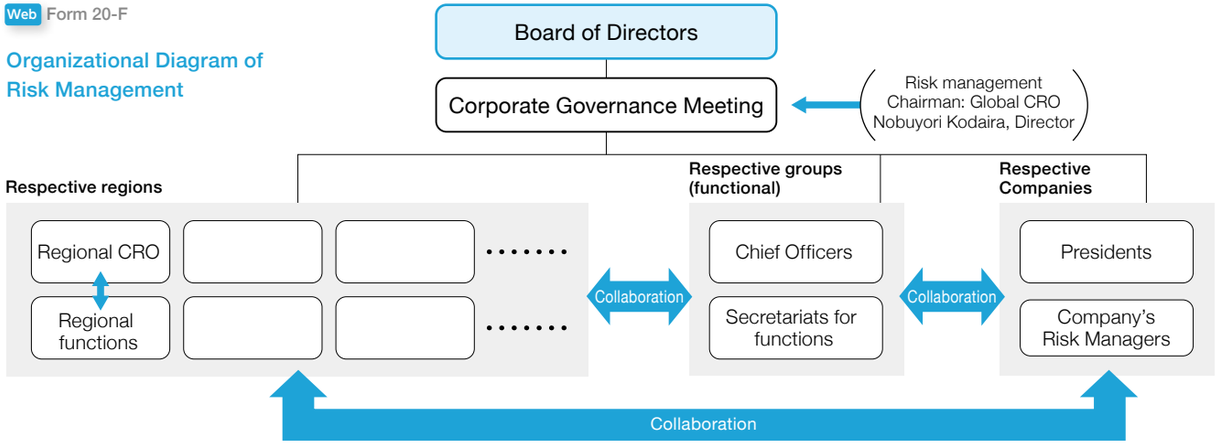
Related Information

Web Form 20-F

Business and Other Risks

Industry and Business Risks	• The worldwide automotive market is highly competitive • The worldwide automotive industry is highly volatile • Toyota's future success depends on its ability to offer new, innovative and competitively priced products that meet customer demand on a timely basis • Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales • Toyota's success is significantly impacted by its ability to maintain and develop its brand image • Toyota relies on suppliers for the provision of certain supplies including parts, components and raw materials • The worldwide financial services industry is highly competitive • Toyota's operations and vehicles rely on various digital and information technologies
Financial Market and Economic Risks	• Toyota's operations are subject to currency and interest rate fluctuations • High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability • A downturn in the financial markets could adversely affect Toyota's ability to raise capital
Political, Regulatory, Legal and Other Risks	• The automotive industry is subject to various governmental regulations • Toyota may become subject to various legal proceedings • Toyota may be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism and labor strikes

Organizational Diagram of Risk Management



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Compliance

Overview of Initiatives

Basic Philosophy

The Guiding Principles at Toyota states that Toyota will "honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world." It is through this process that Toyota seeks to fulfill the responsibilities expected of it, which leads to compliance. In accordance with its Basic Approach to Internal Controls, Toyota is promoting initiatives centered on the construction of frameworks such as those for adopting and implementing the Code of Conduct and human resource development through education and other means. Toyota has also established consultation hotlines to ensure that no issue is overlooked and detailed responses can be made.

Toyota Code of Conduct

The Toyota Code of Conduct (adopted in 1998 and revised in March 2006) organizes fundamental concepts and sets forth concrete guidelines for all Toyota personnel so that we can put the Guiding Principles at Toyota into practice and carry out our social responsibilities.

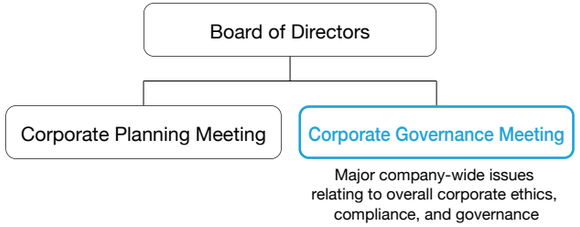
A booklet containing a copy of the Toyota Code of Conduct is distributed to all employees to put into practice at work and in society.

Web Company (Toyota Code of Conduct)

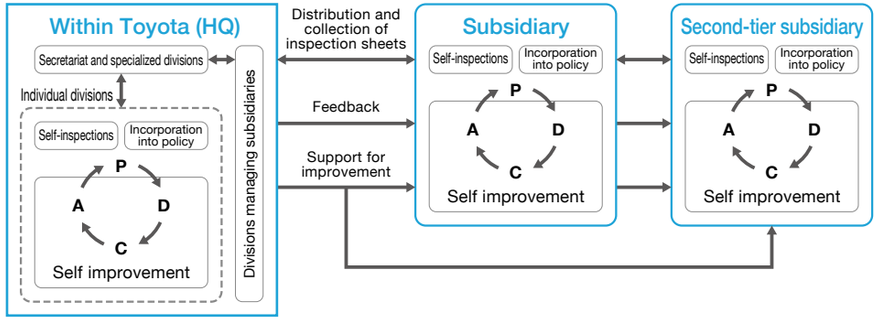
Organization and Structure

Since April 2015, an optimal governance structure has been deliberated in the Corporate Governance Meeting, which serves as a supervising body over business implementation, to realize growth and business strategies that have taken a wide range of social challenges into consideration. The Meeting discusses matters related to compliance.

Organizational Diagram



Activity Diagram



Checking Activities to Enhance Compliance

In FY2008, Toyota started checking activities to enhance its compliance structure. In FY2009, Toyota also started the checking of subsidiaries in addition to internal checking. These activities are being implemented annually with improvements. The results of the activities were reported to the Corporate Governance Meeting, and Toyota continues to push ahead with improvements based on the results.

By incorporating areas that need improvement into action plans for each fiscal year, we are able to undertake continuous measures without interruption.

We also make visits to subsidiaries and take action to determine actual conditions and provide suitable support.

Human Resource Development

Overview of Initiatives

Basic Philosophy

Toyota is committed to developing human resources in accordance with the philosophy that "*Monozukuri* is about developing people." In order to sustain growth, it is important to strive toward achieving people-centric *monozukuri* (manufacturing) and utilize people's wisdom to make improvements day after day.

In order to support the globalization of business with the various cultures and customs that exist, all employees must share the same values to carry out policies such as ever-better cars and Customer First.

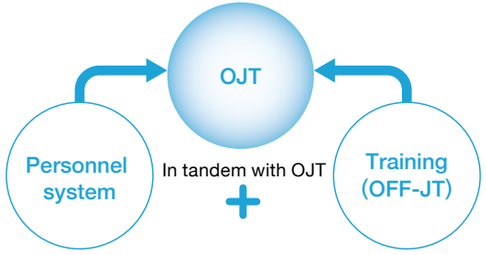
To ensure this, Toyota develops human resources for sustainable growth by implementing an educational program centered on the Toyota Way* globally, which is based on OJT that is crucial for the development and passing down the tradition of excellent *monozukuri* (manufacturing).

* Toyota Way

Web Toyota Way 2001

OJT (On the job training) Development of human resources through *Genchi Genbutsu*

We believe the basis for developing human resources at Toyota is our workplace. Daily work (OJT), being mentored by supervisors and seniors while also mentoring subordinates and juniors, and building "relationships in which we can learn from one another" inspire us all to grow further and achieve more. Additionally, Toyota also offers a variety of training as OFF-JT to supplement OJT.



"Global Content" designed to implement the Toyota Way all over the world

We have organized and arranged job types and techniques into what we call "Global Content" to share values and ways of thinking so that The Toyota Way can be understood and practiced by Toyota employees working all over the world. This Global Content is practiced by Toyota employees through training and OJT both in Japan and overseas. Workers share the Global Content, which act as a common language, giving Toyota an advantage that unifies everyone and providing a platform to work more effectively.

List of Global Content

	Administrative and Engineering employees	Shop floor employees
Managers	**Policy management** Managing items to be implemented to accomplish workplace missions and create	**Skills and roles of management and supervision** • Manager and supervisor skills for managing execution of standard operations • Group and team operational knowledge, etc. for managing irregularities
Managers	**Education of subordinates** Systems for training subordinates through one's daily work	
General employees	**Problem solving** Techniques for improving current conditions in order to realize ideal working conditions	
General employees	***Ji kotei-kanketsu*** **(built-in quality with ownership)** How to work in order to continually produce the best output	**Production skills** • Knowledge regarding recognizing irregularities and crucial points • Trouble-shooting capability
General employees		**Basic skills** Minimum skills necessary for production line work
General employees	**Toyota Way** Values and ways of thinking that should be held by those working for Toyota	

Major Initiatives

Transfer Program to TMC Head Office from Overseas Affiliates

With the goal of promoting self-reliance in overseas affiliates, we have a program in place where employees temporarily transfer from overseas affiliates to the TMC (Toyota Motor Corporation) Head Office for human resource development using OJT. Transferees focus on learning skills, know-how and the Toyota Way throughout their training period, which ranges from six months to three years. In addition, executives of affiliates serve as a general manager at the Head Office to learn about the decision-making process in Toyota and build a network with other employees.

As of May 2016, a total of 438 transferees from 59 affiliates in 30 countries were working in Japan under the program.

"QC* Circle Activities" to develop human resources for the shop floor

Toyota is developing QC* Circle Activities as part of a system to develop human resources capable of carrying on its business activities on a global scale. The circles are formed primarily by employees in shop floor jobs, who actively engage in activities to identify and solve on-the-job problems. All employees come together and participate, going beyond titles and positions, and try to raise the energy level of people and organizations.

* Quality Control

Related Information

Sustainability Data Book 2016: Society (Employees) (P53)

Promoting development of human resources by work style innovation

Under our new organization structure formed in April 2016, we will reform our traditional way of working in order to keep offering "ever-better cars."

For example, each vehicle-based company now uses a compact team to cover everything from development to production; this helps us develop people capable of making decisions from wider, cross-functional perspectives, with a view to optimize the entire team.

Related Information

Company: Towards Sustainable Growth (Strengthening our management base) (P29)

Environment

Overview of Initiatives

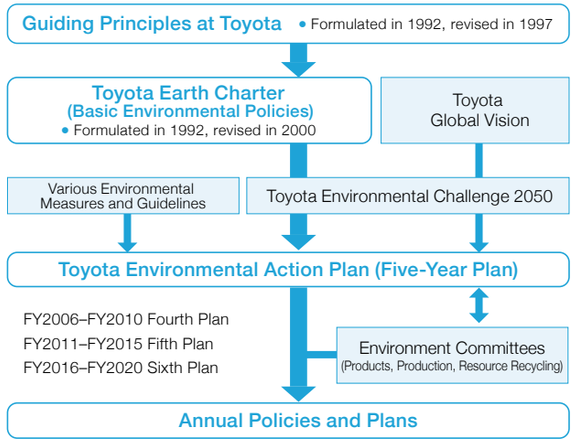
Basic Philosophy

Toyota's philosophy and policies on the environment are based on the Guiding Principles at Toyota, which were established in 1992 and revised in 1997. Policies for environmental initiatives were formulated as the Toyota Earth Charter in 1992 and then revised in 2000. This Charter is shared among 559 Toyota consolidated affiliates around the world.

The Toyota Global Vision announced in 2011 stresses the importance of "respect for the planet." Based on its philosophy and policies, in FY2015 Toyota formulated the Toyota Environmental Challenge 2050, its first long-term vision for environmental initiatives. In FY2016, Toyota will begin the Sixth Toyota Environmental Action Plan (2016–2020) and take steps to grow sustainably together with society toward the year 2050.

Web Environmental Management (Toyota Earth Charter)
Web Toyota Environmental Challenge 2050

Toyota Environmental Action Plan System



The Sixth Toyota Environmental Action Plan

The Sixth Toyota Environmental Action Plan defines the activities to be implemented over FY2016–2020 in order to meet the six challenges outlined in the Toyota Environmental Challenge 2050.

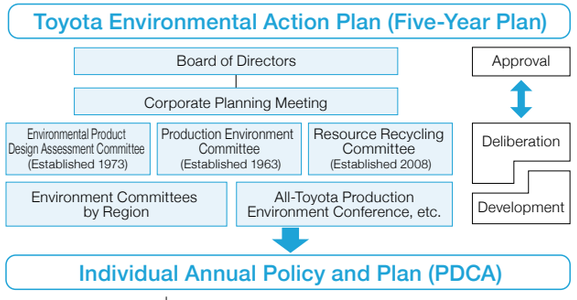
In formulating the plan, environmental activities were categorized according to the three priority themes of the Fifth Plan: "contribution to a low-carbon society," "contribution to a recycling based society," and "environmental protection and contribution to a society in harmony with nature." Embracing these three themes, Toyota will contribute to the sustainable development of society and the planet by ensuring harmony with the global environment in its *monozukuri* (manufacturing), *kurumazukuri* (car-making) and delivery of products and services.

Web The Sixth Toyota Environmental Action Plan

Promotion Structure and Framework

Since April 2015, Toyota has been considering growth and business strategies that take a variety of social issues into account at the Corporate Planning Meeting. Environmental actions are discussed alongside business strategies in this meeting. Through the following three committees—the Environmental Product Design Assessment Committee, the Production Environment Committee, and the Resource Recycling Committee—issues and response policies in all areas are investigated, and company-wide initiatives are promoted in liaison with all relevant divisions.

Organization Framework



Promotion Structure for Global Environmental Management

Toyota positions the environment as a key management issue and has formed and promoted activities through a promotion structure for global environment management. From the standpoint of "more Toyota people should take the initiative in concern for the environment," the scope of our programs covers not only consolidated subsidiaries, but also voluntarily participating non-consolidated affiliate companies and production companies for a total of 559 firms. These companies cover almost 100 percent of the total production volume and approximately 90 percent of the total sales volume.

Promotion Structure for Global Environmental Management

Toyota actively discloses its environmental information. Please refer to The Environmental Report 2016 for more details about our environmental initiatives.

Web Environmental Report 2016

Social Contribution Activities

Overview of Initiatives

Basic Philosophy

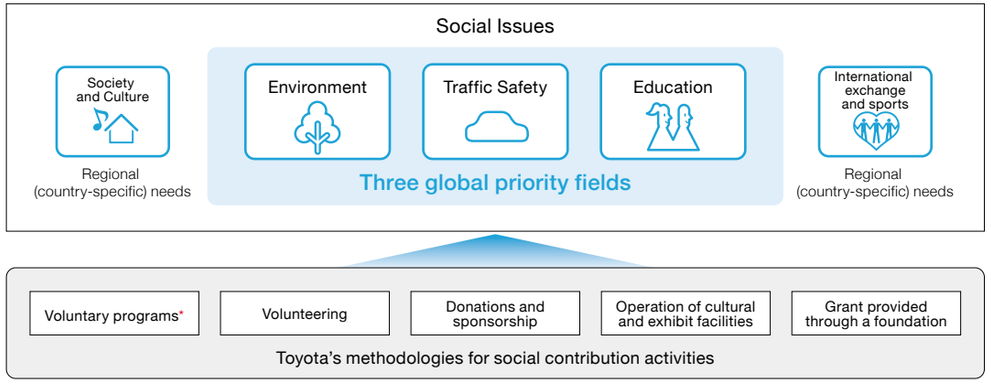
Based on Toyota's origins, which can be traced back to the founding principle of contributing to society by making automobiles, we have been striving to contribute to the advancement of society.

The Corporate Citizenship Activity Committee was established in 1989 under the leadership of the president, the CSR Principles were adopted in 1995, and the Corporate Citizenship Division was established in 2006. In this way, Toyota has established systems for the steady implementation of CSR programs and is undertaking collaboration on a global scale.

We set the environment, traffic safety, and education as the three global priority fields for our initiatives, in addition to making social contributions through our main business. To these, we have added fields such as society and culture according to the social needs of each country or region, undertaking active measures while utilizing our resources including technology and expertise. Also, emphasis has been placed on support for volunteering and sustaining automotive and manufacturing cultures.

The Toyota Global Vision announced in March 2011 that it positioned enriching the lives of communities as one of the main objectives of Toyota's business, in addition to making ever-better cars. We are taking steps to solve local issues in order to enrich the lives of communities and with a sense of gratitude toward the people in them.

Social Contribution Activity Fields



* Social contribution activities that are planned, developed, and implemented by a company on its own depending on the situation

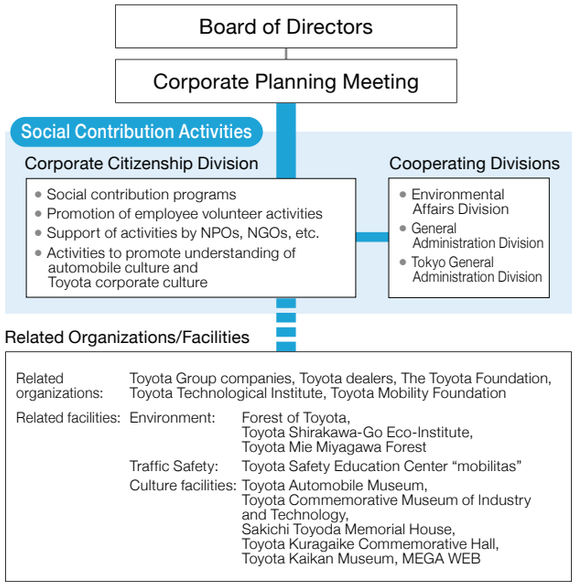
Organization and Structure

Implementation Structure Centered on Corporate Citizenship Division

The Corporate Citizenship Division, a specialized division for corporate social contribution activities, plays a lead role in deploying activities.

Since April 2015, Corporate Planning Meeting has been held to discuss growth and business strategies , taking into account a wide range of social issues. Business strategies and initiatives related to social contribution activities are discussed at the Meeting.

Implementation Structure



Overseas: Implementation Structure Centered on Toyota Regional Headquarters

Toyota and Toyota regional headquarters in North America, Europe, Asia and China have formed a network to strengthen their promotional efforts. The regional headquarters conduct promotional activities within their regions while maintaining close communications with Toyota.

Related Information

Sustainability Data Book 2016: Social Contribution Activities (P105)

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Financial Results and Position

Consolidated Financial Results

Reviewing the general economic environment for FY2016 (April 1, 2015 through March 31, 2016), with respect to the world economy, the U.S. economy has seen ongoing recovery mainly due to steady progress of personal consumption, and the European economy has seen a moderate recovery in the eurozone. Meanwhile, weaknesses have been seen in China and other Asian emerging countries. The Japanese economy has been on a moderate recovery as a whole, while weakness could be seen in personal consumption and other areas.

For the automobile industry, although markets have progressed in a steady manner, especially in the U.S., markets in some emerging countries have become stagnant, and the Japanese market has slowed down mainly in the sales of mini-vehicles due to the tax increase. Meanwhile, the development of automated driving technology, as well as efforts toward improvement in environmental friendliness and safety, has made significant progress.

Under these conditions, consolidated vehicle unit sales in Japan and overseas decreased by 291 thousand units, or 3.2%, to 8,681 thousand units in FY2016 compared with FY2015 (April 1, 2014 through March 31, 2015). Vehicle unit sales in Japan decreased by 95 thousand units, or 4.4%, to 2,059 thousand units in FY2016 compared with FY2015 under the declined market in Japan. However, with the efforts of dealers nationwide, Toyota and Lexus brands' market share excluding mini-vehicles was 46.8%, and market share (including Daihatsu and Hino brands) including mini-vehicles was 43.2%, each remaining at as high a level as in FY2015. Meanwhile, overseas vehicle unit sales decreased by 196 thousand units, or 2.9%, to 6,622 thousand units in FY2016 compared with FY2015, because of decline in sales in Asia and the Middle East despite sales expansion in North America.

As for the results of operations, net revenues increased by 1,168.5 billion yen, or 4.3%, to 28,403.1 billion yen in FY2016 compared with FY2015, and operating income increased by 103.4 billion yen, or 3.8%, to 2,853.9 billion yen in FY2016 compared with FY2015. The factors contributing to an increase in operating income were cost reduction efforts of 390.0 billion yen, the effects of changes in exchange rates of 160.0 billion yen, and other factors of 13.4 billion yen. On the other hand, the factors contributing to a decrease in operating income were the increase in expenses and others of 340.0 billion yen, and the effects of marketing activities of 120.0 billion yen. Income before income taxes and equity in earnings of affiliated companies increased by 90.5 billion yen, or 3.1%, to 2,983.3 billion yen in FY2016 compared with FY2015. Net income attributable to Toyota Motor Corporation increased by 139.3 billion yen, or 6.4%, to 2,312.6 billion yen in FY2016 compared with FY2015.

Consolidated Financial Position

Net cash flows from operating activities resulted in an increase in cash by 4,460.8 billion yen in FY2016. Net cash provided by operating activities increased by 775.1 billion yen from 3,685.7 billion yen in FY2015. Net cash flows from investing activities resulted in a decrease in cash by 3,182.5 billion yen in FY2016. Net cash used in investing activities decreased by 630.9 billion yen from 3,813.4 billion yen in FY2015. Net cash flows from financing activities resulted in a decrease in cash by 423.5 billion yen in FY2016. Net cash provided by financing activities decreased by 729.6 billion yen from 306.0 billion yen in FY2015. After taking into account the effect of changes in exchange rates, cash and cash equivalents increased by 654.8 billion yen, or 28.7%, to 2,939.4 billion yen at the end of FY2016 compared with the end of FY2015.

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Financial Results and Position

Consolidated Balance Sheets

(Yen in millions)

	FY2016 (March 31, 2016)	FY2015 (March 31, 2015)	Increase (Decrease)
Assets			
Current assets	**18,209,553**	**17,936,397**	**273,156**
Cash and cash equivalents	2,939,428	2,284,557	654,871
Time deposits	1,032,034	149,321	882,713
Marketable securities	1,511,389	2,782,099	(1,270,710)
Trade accounts and notes receivable, less allowance for doubtful accounts	2,000,149	2,108,660	(108,511)
Finance receivables, net	5,912,684	6,269,862	(357,178)
Other receivables	451,406	420,708	30,698
Inventories	2,061,511	2,137,618	(76,107)
Deferred income taxes	967,607	978,179	(10,572)
Prepaid expenses and other current assets	1,333,345	805,393	527,952
Noncurrent finance receivables, net	**8,642,947**	**9,202,531**	**(559,584)**
Investments and other assets	**10,834,680**	**11,295,183**	**(460,503)**
Marketable securities and other securities investments	7,439,799	7,632,126	(192,327)
Affiliated companies	2,631,612	2,691,460	(59,848)
Employees receivables	32,998	45,206	(12,208)
Other	730,271	926,391	(196,120)
Property, plant and equipment	**9,740,417**	**9,295,719**	**444,698**
Land	1,352,904	1,354,815	(1,911)
Buildings	4,311,895	4,282,839	29,056
Machinery and equipment	10,945,267	10,945,377	(110)
Vehicles and equipment on operating leases	5,652,622	5,199,986	452,636
Construction in progress	513,953	581,412	(67,459)
Less – Accumulated depreciation	(13,036,224)	(13,068,710)	32,486
Total assets	**47,427,597**	**47,729,830**	**(302,233)**

	FY2016 (March 31, 2016)	FY2015 (March 31, 2015)	Increase (Decrease)
Liabilities			
Current liabilities	**16,124,456**	**16,431,496**	**(307,040)**
Short-term borrowings	4,698,134	5,048,188	(350,054)
Current portion of long-term debt	3,822,954	3,915,304	(92,350)
Accounts payable	2,389,515	2,410,588	(21,073)
Other payables	1,040,277	913,013	127,264
Accrued expenses	2,726,120	2,668,666	57,454
Income taxes payable	343,325	348,786	(5,461)
Other current liabilities	1,104,131	1,126,951	(22,820)
Long-term liabilities	**13,214,955**	**13,651,005**	**(436,050)**
Long-term debt	9,772,065	10,014,395	(242,330)
Accrued pension and severance costs	904,911	880,293	24,618
Deferred income taxes	2,046,089	2,298,469	(252,380)
Other long-term liabilities	491,890	457,848	34,042
Total liabilities	**29,339,411**	**30,082,501**	**(743,090)**
Mezzanine equity	**479,779**	**—**	**479,779**
Shareholders' equity			
Toyota Motor Corporation shareholders' equity	**16,746,935**	**16,788,131**	**(41,196)**
Common stock, no par value	397,050	397,050	—
Additional paid-in capital	548,161	547,054	1,107
Retained earnings	16,794,240	15,591,947	1,202,293
Accumulated other comprehensive income (loss)	610,768	1,477,545	(866,777)
Treasury stock, at cost	(1,603,284)	(1,225,465)	(377,819)
Noncontrolling interests	**861,472**	**859,198**	**2,274**
Total shareholders' equity	**17,608,407**	**17,647,329**	**(38,922)**
Total liabilities, mezzanine equity and shareholders' equity	**47,427,597**	**47,729,830**	**(302,233)**

Note: Mezzanine equity consists of the Model AA Class Shares, which is reported as a separate line item between Liabilities and Shareholders' equity.

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Financial Results and Position

Consolidated Statements of Income

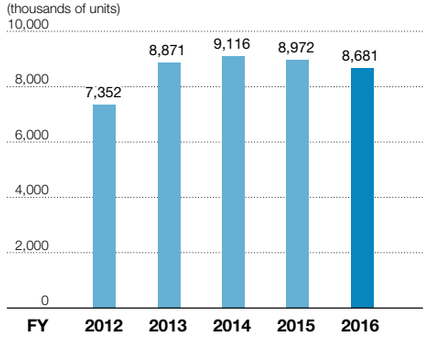
(Yen in millions)

	FY2016 (For the year ended March 31, 2016)	FY2015 (For the year ended March 31, 2015)	Increase (Decrease)
Net revenues	**28,403,118**	**27,234,521**	**1,168,597**
Sales of products	26,549,111	25,612,836	936,275
Financing operations	1,854,007	1,621,685	232,322
Costs and expenses	**25,549,147**	**24,483,957**	**1,065,190**
Cost of products sold	21,456,086	20,916,362	539,724
Cost of financing operations	1,149,379	925,314	224,065
Selling, general and administrative	2,943,682	2,642,281	301,401
Operating income	**2,853,971**	**2,750,564**	**103,407**
Other income (expense)	**129,410**	**142,264**	**(12,854)**
Interest and dividend income	157,862	147,122	10,740
Interest expense	(35,403)	(22,871)	(12,532)
Foreign exchange gain (loss), net	(5,573)	88,140	(93,713)
Other income (loss), net	12,524	(70,127)	82,651
Income before income taxes and equity in earnings of affiliated companies	**2,983,381**	**2,892,828**	**90,553**
Provision for income taxes	**878,269**	**893,469**	**(15,200)**
Equity in earnings of affiliated companies	**329,099**	**308,545**	**20,554**
Net income	**2,434,211**	**2,307,904**	**126,307**
Less – Net income attributable to noncontrolling interests	**(121,517)**	**(134,566)**	**13,049**
Net income attributable to Toyota Motor Corporation	**2,312,694**	**2,173,338**	**139,356**

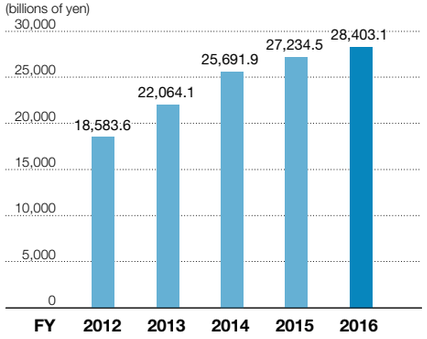
Note: Net income attributable to common shareholders for the fiscal year ended March 31, 2016 is 2,306,607 million yen, which is derived by deducting dividend and accretion to Model AA Class Shares of 6,087 million yen from Net income attributable to Toyota Motor Corporation.

Net income attributable to Toyota Motor Corporation per common share			(Yen)
Basic	741.36	688.02	53.34
Diluted	735.36	687.66	47.70

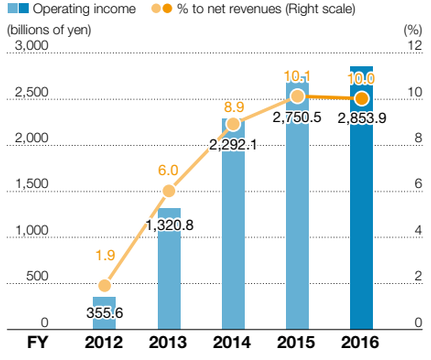
Consolidated Vehicle Sales



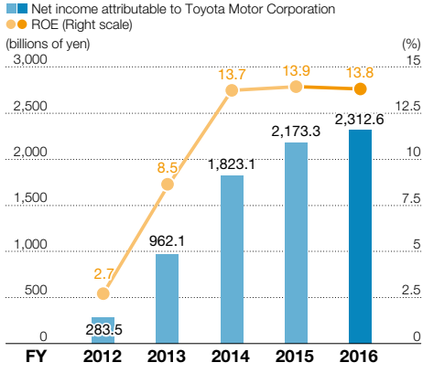
Net Revenues



Operating Income and Ratio of Operating Income to Net Revenues



Net Income Attributable to Toyota Motor Corporation and ROE



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Financial Results and Position

Consolidated Statements of Cash Flows

(Yen in millions)

	FY2016 (For the year ended March 31, 2016)	FY2015 (For the year ended March 31, 2015)
Cash flows from operating activities:		
Net income	2,434,211	2,307,904
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,625,837	1,409,075
Provision for doubtful accounts and credit losses	159,265	78,969
Pension and severance costs, less payments	8,833	(3,161)
Losses on disposal of fixed assets	33,329	31,625
Unrealized losses on available-for-sale securities, net	9,272	2,578
Deferred income taxes	32,889	(26,887)
Equity in earnings of affiliated companies	(329,099)	(308,545)
Changes in operating assets and liabilities, and other	486,320	194,195
Net cash provided by operating activities	4,460,857	3,685,753
Cash flows from investing activities:		
Additions to finance receivables	(13,549,278)	(13,126,596)
Collection of and proceeds from sales of finance receivables	13,115,854	12,450,388
Additions to fixed assets excluding equipment leased to others	(1,282,545)	(1,146,318)
Additions to equipment leased to others	(2,776,671)	(2,211,250)
Proceeds from sales of fixed assets excluding equipment leased to others	42,147	41,547
Proceeds from sales of equipment leased to others	1,111,727	803,423
Purchases of marketable securities and security investments	(2,197,477)	(3,194,294)
Proceeds from sales of and maturity of marketable securities and security investments	3,415,815	2,683,001
Changes in investments and other assets, and other	(1,062,116)	(113,391)
Net cash used in investing activities	(3,182,544)	(3,813,490)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	4,845,872	5,029,018
Payments of long-term debt	(4,176,202)	(3,462,237)
Decrease in short-term borrowings	(10,903)	(288,724)
Proceeds from issuance of class shares	474,917	—
Dividends paid to Toyota Motor Corporation class shareholders	(1,225)	—
Dividends paid to Toyota Motor Corporation common shareholders	(704,728)	(554,933)
Dividends paid to noncontrolling interests	(73,129)	(69,295)
Reissuance (repurchase) of treasury stock	(778,173)	(347,784)
Net cash provided by (used in) financing activities	(423,571)	306,045
Effect of exchange rate changes on cash and cash equivalents	(199,871)	65,079
Net increase in cash and cash equivalents	654,871	243,387
Cash and cash equivalents at beginning of year	2,284,557	2,041,170
Cash and cash equivalents at end of year	2,939,428	2,284,557

Financial Results and Position

Segment Operating Results

Automotive

Net revenues for the automotive operations increased by 915.2 billion yen, or 3.7%, to 25,977.4 billion yen in FY2016 compared with FY2015, and operating income increased by 123.6 billion yen, or 5.3%, to 2,448.9 billion yen in FY2016 compared with FY2015. The increase in operating income was mainly due to cost reduction efforts and the effects of changes in exchange rates.

Financial services

Net revenues for the financial services operations increased by 235.0 billion yen, or 14.2%, to 1,896.2 billion yen in FY2016 compared with FY2015. However, operating income decreased by 22.6 billion yen, or 6.2%, to 339.2 billion yen in FY2016 compared with FY2015. The decrease in operating income was mainly due to the decrease in valuation gains on interest rate swaps stated at fair value in sales finance subsidiaries.

All other

Net revenues for all other businesses decreased by 78.4 billion yen, or 6.2%, to 1,177.3 billion yen in FY2016 compared with FY2015. However, operating income increased by 0.8 billion yen, or 1.3%, to 66.5 billion yen in FY2016 compared with FY2015.

FY2016
(As of and for the year ended March 31, 2016)

(Yen in millions)

	Automotive	Financial Services	All Other	Inter-segment Elimination and/or Unallocated Amount	Consolidated
Net revenues:					
Sales to external customers	25,923,813	1,854,007	625,298	—	28,403,118
Inter-segment sales and transfers	53,603	42,217	552,089	(647,909)	—
Total	25,977,416	1,896,224	1,177,387	(647,909)	28,403,118
Operating expenses	23,528,418	1,556,998	1,110,880	(647,149)	25,549,147
Operating income	2,448,998	339,226	66,507	(760)	2,853,971
Assets	15,621,757	21,709,010	1,917,148	8,179,682	47,427,597
Investment in equity method investees	2,532,644	9,168	10,801	78,776	2,631,389
Depreciation expenses	900,434	697,991	27,412	—	1,625,837
Capital expenditure	1,389,289	2,638,111	41,826	(10,010)	4,059,216

FY2015
(As of and for the year ended March 31, 2015)

(Yen in millions)

	Automotive	Financial Services	All Other	Inter-segment Elimination and/or Unallocated Amount	Consolidated
Net revenues:					
Sales to external customers	25,006,224	1,621,685	606,612	—	27,234,521
Inter-segment sales and transfers	55,905	39,464	649,179	(744,548)	—
Total	25,062,129	1,661,149	1,255,791	(744,548)	27,234,521
Operating expenses	22,736,819	1,299,316	1,190,141	(742,319)	24,483,957
Operating income	2,325,310	361,833	65,650	(2,229)	2,750,564
Assets	15,897,022	22,378,941	1,889,433	7,564,434	47,729,830
Investment in equity method investees	2,588,127	8,801	10,000	84,294	2,691,222
Depreciation expenses	819,280	564,619	25,176	—	1,409,075
Capital expenditure	1,262,670	2,086,481	39,503	(31,086)	3,357,568

Note: Unallocated corporate assets included under "Inter-segment Elimination and/or Unallocated Amount" for FY2016 and FY2015 are 9,369,868 million yen and 8,742,168 million yen, respectively, and consist primarily of funds such as cash and cash equivalents, marketable securities and portion of security investments held by TMC.

Financial Results and Position

Geographic Information

●Japan
Net revenues in Japan increased by 355.6 billion yen, or 2.5%, to 14,759.4 billion yen in FY2016 compared with FY2015, and operating income increased by 106.0 billion yen, or 6.7%, to 1,677.5 billion yen in FY2016 compared with FY2015. The increase in operating income was mainly due to cost reduction efforts and the effects of changes in exchange rates.

●North America
Net revenues in North America increased by 1,374.3 billion yen, or 14.2%, to 11,051.9 billion yen in FY2016 compared with FY2015. However, operating income decreased by 55.7 billion yen, or 9.5%, to 528.8 billion yen in FY2016 compared with FY2015. The decrease in operating income was mainly due to the increase in expenses and others, and the effects of changes in exchange rates.

●Europe
Net revenues in Europe decreased by 186.9 billion yen, or 6.6%, to 2,661.3 billion yen in FY2016 compared with FY2015, and operating income decreased by 8.7 billion yen, or 10.7%, to 72.4 billion yen in FY2016 compared with FY2015.

●Asia
Net revenues in Asia increased by 22.6 billion yen, or 0.5%, to 5,003.8 billion yen in FY2016 compared with FY2015, and operating income increased by 27.4 billion yen, or 6.5%, to 449.1 billion yen in FY2016 compared with FY2015. The increase in operating income was mainly due to the effects of changes in exchange rates and cost reduction efforts.

●Other (Central and South America, Oceania, Africa and the Middle East)
Net revenues in other regions decreased by 239.0 billion yen, or 9.8%, to 2,210.2 billion yen in FY2016 compared with FY2015, and operating income decreased by 2.6 billion yen, or 2.3%, to 108.9 billion yen in FY2016 compared with FY2015.

FY2016

(As of and for the year ended March 31, 2016)

(Yen in millions)

	Japan	North America	Europe	Asia	Other	Inter-segment Elimination and/or Unallocated Amount	Consolidated
Net revenues:							
Sales to external customers	8,588,437	10,822,772	2,507,292	4,475,623	2,008,994	—	28,403,118
Inter-segment sales and transfers	6,171,051	229,198	154,039	528,236	201,220	(7,283,744)	—
Total	14,759,488	11,051,970	2,661,331	5,003,859	2,210,214	(7,283,744)	28,403,118
Operating expenses	13,081,966	10,523,151	2,588,915	4,554,670	2,101,305	(7,300,860)	25,549,147
Operating income	1,677,522	528,819	72,416	449,189	108,909	17,116	2,853,971
Assets	14,291,434	16,622,979	2,612,210	4,415,700	2,579,113	6,906,161	47,427,597

FY2015

(As of and for the year ended March 31, 2015)

(Yen in millions)

	Japan	North America	Europe	Asia	Other	Inter-segment Elimination and/or Unallocated Amount	Consolidated
Net revenues:							
Sales to external customers	8,338,881	9,430,450	2,690,803	4,531,178	2,243,209	—	27,234,521
Inter-segment sales and transfers	6,064,986	247,146	157,491	450,062	206,029	(7,125,714)	—
Total	14,403,867	9,677,596	2,848,294	4,981,240	2,449,238	(7,125,714)	27,234,521
Operating expenses	12,832,391	9,093,077	2,767,176	4,559,458	2,337,729	(7,105,874)	24,483,957
Operating income	1,571,476	584,519	81,118	421,782	111,509	(19,840)	2,750,564
Assets	14,466,432	16,961,700	2,640,054	4,753,850	2,903,474	6,004,320	47,729,830

Note: 1.Unallocated corporate assets included under "Inter-segment Elimination and/or Unallocated Amount" for FY2016 and FY2015 are 9,369,868 million yen and 8,742,168 million yen, respectively, and consist primarily of funds such as cash and cash equivalents, marketable securities and portion of security investments held by TMC.
2."Other" consists of Central and South America, Oceania, Africa and the Middle East.

Financial Summary (Consolidated)

〈U.S. GAAP〉

Fiscal years ended March 31				2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consolidated Vehicle Sales			(thousands of units)	8,524	8,913	7,567	7,237	7,308	7,352	8,871	9,116	8,972	8,681
Foreign Exchange Rates (Average)	Yen to US Dollar Rate			117	114	101	93	86	79	83	100	110	120
	Yen to Euro Rate			150	162	144	131	113	109	107	134	139	133
Net Revenues			(billions of yen)	23,948.0	26,289.2	20,529.5	18,950.9	18,993.6	18,583.6	22,064.1	25,691.9	27,234.5	28,403.1
Operating Income (Loss)			(billions of yen)	2,238.6	2,270.3	(461.0)	147.5	468.2	355.6	1,320.8	2,292.1	2,750.5	2,853.9
Income (Loss) before Income Taxes			(billions of yen)	2,382.5	2,437.2	(560.4)	291.4	563.2	432.8	1,403.6	2,441.0	2,892.8	2,983.3
Net Income (Loss)		(Note 1)	(billions of yen)	1,644.0	1,717.8	(437.0)	209.4	408.1	283.5	962.1	1,823.1	2,173.3	2,312.6
Common Shares	Cash Dividends		(billions of yen)	384.6	443.2	313.5	141.1	156.8	157.7	285.0	522.9	631.3	645.5
	Cash Dividends per Share		(yen)	120	140	100	45	50	50	90	165	200	210
	Payout Ratio		(%)	23.4	25.9	—	67.4	38.4	55.6	29.6	28.7	29.0	28.3
Value of Shares Repurchased [shareholder return]		(Note 2)	(billions of yen)	247.9	69.9	—	—	—	—	—	180.0	293.3	639.3 (maximum)
R&D Expenses			(billions of yen)	890.7	958.8	904.0	725.3	730.3	779.8	807.4	910.5	1,004.5	1,055.6
Depreciation Expenses		(Note 3)	(billions of yen)	947.0	1,042.4	1,072.1	1,032.0	812.3	732.9	727.3	775.9	806.2	885.1
Capital Expenditures		(Note 3)	(billions of yen)	1,482.6	1,480.2	1,302.5	579.0	642.3	706.7	852.7	1,000.7	1,177.4	1,292.5
Total Liquid Assets		(Note 4)	(billions of yen)	4,264.0	4,215.4	3,324.1	4,656.3	4,943.4	4,968.1	5,883.1	7,661.9	8,508.2	9,229.9
Total Assets			(billions of yen)	32,574.7	32,458.3	29,062.0	30,349.2	29,818.1	30,650.9	35,483.3	41,437.4	47,729.8	47,427.5
Toyota Motor Corporation Shareholders' Equity			(billions of yen)	11,836.1	11,869.5	10,061.2	10,359.7	10,332.3	10,550.2	12,148.0	14,469.1	16,788.1	16,746.9
Return on Equity			(%)	14.7	14.5	(4.0)	2.1	3.9	2.7	8.5	13.7	13.9	13.8
Return on Asset			(%)	5.4	5.3	(1.4)	0.7	1.4	0.9	2.9	4.7	4.9	4.9

(Note 1) Shows "Net income (loss) attributable to Toyota Motor Corporation"
(Note 2) Value of common shares repurchased (shareholder return on Net Income for the period, excluding shares constituting less than one unit that were purchased upon request and repurchases made to avoid dilution of shares)
(Note 3) Figures for depreciation expenses and capital expenditures do not include vehicles in operating lease
(Note 4) Excludes financial subsidiaries

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Corporate Information & Stock Information (As of March 31, 2016)

Corporate Data

Company Name	Toyota Motor Corporation
Established	August 28, 1937
Common Stock	¥635.40 billion
Fiscal Year-End	March 31
Public Accounting Firm	PricewaterhouseCoopers Aarata LLC
Number of Affiliates	[Consolidated Subsidiaries] 548 [Affiliates Accounted for by the Equity Method] 54
Number of Employees	72,721 (Consolidated: 348,877)
Corporate Web Site	[Corporate Information] http://www.toyota-global.com [IR Information] http://www.toyota-global.com/investors

Stock Data

Number of Shares Authorized	10,000,000,000 shares
Number of Shares Issued	[Common Shares] 3,337,997,492 shares [First Series Model AA Class Shares] 47,100,000 shares
Number of Treasury Stock	300,321,622 shares
Number of Shareholders	682,802
Number of Shares per Trading Unit	100 shares
Stock Listings	[Japan] Tokyo, Nagoya, Osaka, Fukuoka, Sapporo [Overseas] New York, London
Securities Code	[Japan] 7203
American Depositary Receipts (ADR)	[Ratio] 1 ADR=2 common stocks [Symbol] TM
Transfer Agent in Japan	Mitsubishi UFJ Trust and Banking Corporation 10-11, Higashisuna, 7-chome, Koutou-ku, Tokyo 137-8081, Japan Japan Toll-Free: (0120)232-711
Depositary and Transfer Agent for ADR	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Tel: (201)680-6825 U.S. Toll-Free: (888)269-2377, (888) BNY-ADRS [Depositary Receipts] http://www.adrbnymellon.com [Transfer Agent] https://www-us.computershare.com/investor

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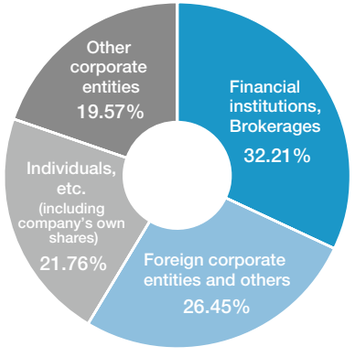
601 Lexington Avenue, 49th Floor, New York, NY 10022, U.S.A.
Tel: (212) 223-0303 Fax: (212) 759-7670

U.K. Toyota Motor Europe NV/SA
Curzon Square, 25 Park Lane, London W1K 1RA, U.K.
Tel: (207) 290-8500

Major Shareholders (Top 10)

Name	Number of Shares Held (Thousands)
Japan Trustee Services Bank, Ltd.	358,791
Toyota Industries Corporation	224,515
The Master Trust Bank of Japan, Ltd.	149,005
Nippon Life Insurance Company	120,390
State Street Bank and Trust Company (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	115,230
DENSO CORPORATION	86,513
JP Morgan Chase Bank (Standing proxy: Settlement & Clearing Service Division, Mizuho Bank, Ltd.)	73,483
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	66,933
Trust & Custody Services Bank, Ltd.	64,005
Mitsui Sumitomo Insurance Company, Limited	62,063

Ownership Breakdown



TOYOTA

Annual Report
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Cautionary Statement with Respect to Forward-Looking Statements

This report contains forward-looking statements that reflect Toyota's plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause Toyota's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- Changes in economic conditions, market demand, and the competitive environment affecting, the automotive markets in Japan, North America, Europe, Asia and other markets in which Toyota operates;
- Fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro, the Australian dollar, the Russian ruble, the Canadian dollar and the British pound, and interest rates fluctuations;
- Changes in funding environment in financial markets and increased competition in the financial services industry;
- Toyota's ability to market and distribute effectively;
- Toyota's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management;
- Changes in the laws, regulations and government policies in the markets in which Toyota operates that affect Toyota's automotive operations, particularly laws, regulations and government policies relating to vehicle safety including remedial measures such as recalls, trade, environmental protection, vehicle emissions and vehicle fuel economy, as well as changes in laws, regulations and government policies that affect Toyota's other operations, including the outcome of current and future litigation and other legal proceedings, government proceedings and investigations;
- Political and economic instability in the markets in which Toyota operates;
- Toyota's ability to timely develop and achieve market acceptance of new products that meet customer demand;
- Any damage to Toyota's brand image;
- Toyota's reliance on various suppliers for the provision of supplies;
- Increases in prices of raw materials;
- Toyota's reliance on various digital and information technologies;
- Fuel shortages or interruptions in electricity, transportation systems, labor strikes, work stoppages or other interruptions to, or difficulties in, the employment of labor in the major markets where Toyota purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold;
- The impact of natural calamities including the negative effect on Toyota's vehicle production and sales.

A discussion of these and other factors which may affect Toyota's actual results, performance, achievements or financial position is contained in Toyota's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission.

Web Investors (SEC Fillings)