TOYOTA

TOYOTA MOTOR CORPORATION

Integrated Report 2023

Integrated Report 2023

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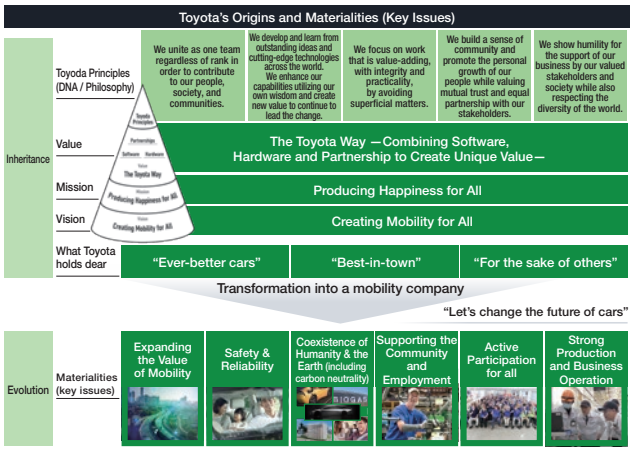
From Toyota's Leaders

As the concept of the automotive sector is undergoing a major transformation, the Toyota Group is aiming to change its model to become a corporate group that provides smiles and happiness to people around the world.



The Source of Our Value Creation:

What Makes Us Toyota

Chairman Akio Toyoda declared that he would "restore what makes us Toyota," and as a result of his many years of struggle, the foundation of Toyota as we know it today has been laid.

Value Creation Story:

Toyota's Vision for the Mobility Society of the Future as a Car Company

We are taking on the challenge of evolving cars and changing the future of automobiles based on the concepts of "making ever-better cars" and becoming a "best-in-town" carmaker.

Providing our customers around the world with options for mobility under our multi-pathway strategy while also promoting decarbonization of our *monozukuri* (manufacturing) and supply chains serves as the core of our activities.

Business Foundations for Value Creation

Corporate Data

The *Integrated Report 2023* is intended to communicate to stakeholders Toyota's policies and strategies for addressing management issues to achieve its vision for the future. More detailed information is available from the Toyota Times website as well as Toyota's other reports and websites.

(Published February 2024)

Toyota's Reports and Publications

Integrated Report

Toyota Times website

Securities Reports/SEC Filings

Financial Results/Operating Results

IR section of Toyota's website

Sustainability Data Book

Corporate Governance Report

Sustainability section of Toyota's website

Financial ⟷ Non-financial

Notes throughout this publication

The names of some people, businesses, organizations, etc. that appearing in this publication's text have been abbreviated.

Period Covered

FY2023 (April 2022 to March 2023). Some initiatives executed in FY2024 (April 2023 to January 2024) are also included.

Scope of Report

Initiatives and activities of Toyota Motor Corporation and its consolidated subsidiaries, etc., in Japan and overseas

Reference Guidelines

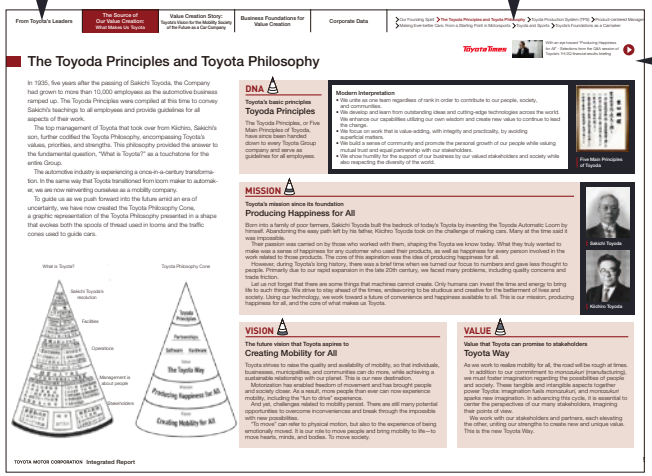
This report was prepared with reference to the International Integrated Reporting Framework issued by the IFRS Foundation.

About the PDF

This file is an interactive PDF and can be navigated by clicking on the following elements.

Main menu — Jump to the beginning of each of the report's main sections

Sub-menu — Jump to specific parts within each section



Icons

Each section contains ❗ icons that link to related pages of the report as well as ▶ and Toyota Times icons that link to relevant web pages online.

* Requires an internet connection.

Message from the Chairman

I would like to express my deepest gratitude to our loyal Toyota car customers around the world, to our shareholders who support our efforts, and to all of our stakeholders. We are able to go forward in spite of the many obstacles we encounter on a daily basis because of all of you.

The automobile industry is now entering what has been called a once-in-a-century transformational period. Against this backdrop, we at Toyota are taking on the challenge of making a full model change into a mobility company.

Company founder Kiichiro Toyoda once said, "Rather than simply making automobiles, we must create a domestic automobile industry through the intellect and skills of the Japanese people." As such, Toyota is not a company established simply for the creation of automobiles. It is a company born from the philosophies of "producing happiness for all" and "building a better future."

As the automobile industry directly serves its customers with products that become an integral part of their daily lives, the smiles of those customers are central to the future we envision. Also, the automobile industry as a whole encompasses a comprehensive range of businesses and is supported by 5.5 million of our colleagues in Japan, a number we foresee growing to 8.5 million and eventually 10 million as it continues to grow into a mobility industry. We also have the support of even more colleagues around the world.

I believe that "the future is something we create together." I also believe that a future created by colleagues who share a philosophy of "building a better future for the smiles of our customers" and who trust and empathize with each other will be vastly different than one created through regulations and external pressure.

The world we live in today is becoming increasingly confrontational and divided. The experience of living in such an era is precisely why I have come to firmly believe that it is important that today's adults consider the nature of the visions of the future are they are sharing with and the lessons they are passing on to the children who will one day inherit it. In Japan, we have the beautiful word *arigato* (thank you). *Arigato* is a magic word that has the power to make those around us happy. Together with our many colleagues, we at Toyota hope to create, for the sake of future generations, a Japan in which *arigato* is a word frequently shared in a society that is supported through trust and empathy.

Nothing would bring us more joy than to have all of our stakeholders share in this desire with us. It is our sincere hope that you will continue to support Toyota's activities for a long time to come.

Message from the President

I would like to express my deepest gratitude to our esteemed shareholders and stakeholders for their ongoing support of Toyota's activities.

Over the past 14 years, we have made repeated efforts to restore what makes us Toyota to our products. We have poured our sweat into our *genba* (front lines) to make "ever-better cars" for the sake of our customers' smiles. We have aimed to be a "best-in-town" company that is supported by the local communities in which we do business. As a result of these years of effort to return to the basics and product- and region-based management, we now have a foundation for sustainable growth rooted in what makes us Toyota along with the ability to leverage a full product lineup and a global business foundation.

With this foundation in place, I believe we are entering our "implementation acceleration" phase. We will accelerate processes and raise the level of implementation because we believe providing concrete solutions that demonstrate our vision is critical to the realization of a future in which mobility generates a great deal of happiness.

"Let's change the future of cars!" serves as our shared motto for this endeavor.

In order to fulfill our mission of "producing happiness for all," we will work to minimize the detrimental effects that automobiles have on society—including traffic accidents, pollution, and congestion—while maximizing the benefits—including convenience, comfort, and the enjoyment of driving. To this end, we aim to transform ourselves into a mobility company by leveraging our foundation of "making ever-better cars"—a desire expressed through the phrase "Let's change the future of cars." We are taking on multifaceted challenges based on the Toyota Mobility Concept, which summarizes the three specific areas of our efforts: "transitioning cars to mobility," "expanding mobility access," and "synergy of mobility and infrastructure."

In response to the pressing need for carbon neutrality, we will keep decarbonizing our supply chain and *monozukuri* (manufacturing). In terms of mobility, we will offer a range of solutions under our multi-pathway strategy to provide options to our customers worldwide. The fundamental idea here is to close in on the "future of energy" and the "expectations of our customers around the world."

From a sustainability perspective and given the characteristics of energy, I believe that, in the medium to long term,

electricity and hydrogen will become the dominant energy sources supporting the society of the future. On the other hand, given the global energy situation, we need a variety of short-term mobility options that will contribute to a stable supply of energy in a way that addresses environmental concerns while ensuring the protection of lifestyle affluence.

With this in mind, Toyota is committed to achieving carbon neutrality through practical transitions while looking to the future of energy, so that no one is left behind.

To meet the diverse needs of our customers, we are currently strengthening development to increase the number of plug-in hybrid vehicle options by clearly positioning them as "practical Battery EVs" while also expanding sales of hybrid vehicles, which are the most promising option for the time being, especially in emerging countries.

Through collaboration with various partners, we are accelerating the creation of the infrastructure necessary to the promotion of hydrogen mobility, starting with commercial vehicles. In this way, we will help realize a hydrogen-powered society.

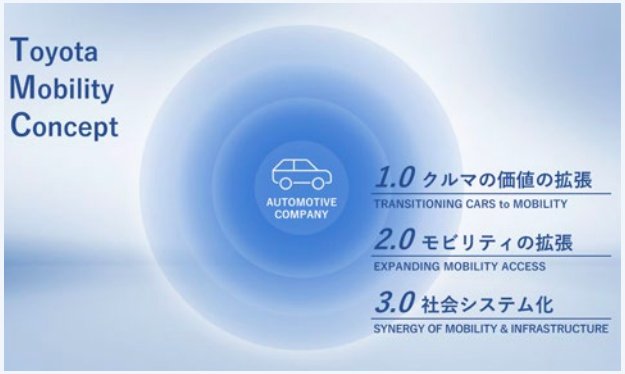
We are working tirelessly to create next-generation battery EVs by utilizing our expertise as carmakers and bolstering our lineup.

We want to not only electrify the powertrain but to develop battery EVs that will set a new value standard for cars. Our new architecture, which allows for a low center of gravity and a low hood, will transform both car design and the driving experience. We will also connect with various partners, services, and society through the software platform Arene, which we developed in collaboration with Woven by Toyota, to make mobility more convenient and fun.

The future of Toyota's unique "Software Defined Vehicle" (SDV), which we are aiming for with the next-generation battery EV as our lead project, will be built on a foundation of well-designed hardware, and we will leverage the power of software to freely expand the value of cars to meet the needs of each individual customer.

Starting with SDVs, the car of the future will be able to create new value that complements our daily lives by integrating with social systems via connections with various types of movement, including people, goods, information, and energy. We will also pursue the possibility of a new value chain by enhancing the value of cars and mobility through collaboration with financial services, energy infrastructure, dealerships, and housing.

As we continue to build on carbon-neutral initiatives, we at Toyota are committed to spearheading the shift from the automotive to the mobility industry and will rise to the challenge alongside our many colleagues. I believe that the evolution of mobility and new business growth will result from our efforts to enhance the added value of cars with the various industries that support our customers' lives.



The key to realizing new value through these challenges is to enhance the creativity of Toyota's human resources.

As innovation arises from a diversity of values, it is critical to establish a workplace culture that supports the exchange of diverse ideas, encourages employees to take on challenges without fear of failure, and enables them to connect diversity to future value. We need to secure a foundation that empowers all employees to realize their full potential. This is exactly why, as a Company-wide project, we intend to enhance our comprehensive investment in human capital, which includes promoting digital innovation, promoting diversity among our human resources, reforming our corporate culture and workstyles, and enhancing the workplace environment, including factories.

Uniting the strengths of the 370,000 members of Global Toyota and many more, we will continue to take on the challenge of creating a future of mobility based on trust and empathy, and we look forward to the ongoing support of all of our stakeholders.

Toyota Group Vision: "Inventing Our Path Forward, Together"

ToyotaTimes


Toyota Unveils Group Vision—Chairman Toyoda: "I Will Lead the Transformation"


"Inventing Our Path Forward, Together"—Chairman Toyoda Presents His Vision for Toyota

"I would like to express my deepest apologies to our customers and stakeholders for the inconvenience and concern caused by the successive irregularities at Hino Motors, Daihatsu and Toyota Industries."

"As the person responsible for the Toyota Group, I will lead the transformation, and hope that I can count on your continued support."

On January 30, before the assembled press, Chairman Akio Toyoda declared his commitment to leading the Toyota Group.

Ahead of this press conference at the Toyota Commemorative Museum of Industry and Technology, senior managers and *genba* (front line) leaders from 17 Group companies gathered at the venue to hear Chairman Toyoda outline his vision.

Unlike the press conference, in this session, Chairman Toyoda spoke about the company's past leaders, the core duty of a carmaker, and the attitudes for ensuring that Toyota remains needed in the future.

Committing to our next step forward

One of the reasons I invited everyone here to the Commemorative Museum of Industry and Technology, which is rich in Toyota Group history, is because I wanted us all to consider what lies ahead.

Let's follow the threads of history back to August 27, 1945, less than two weeks after the war's end. On this day, the Toyota Group's holding company, Toyoda Sangyo, held its first postwar board meeting.

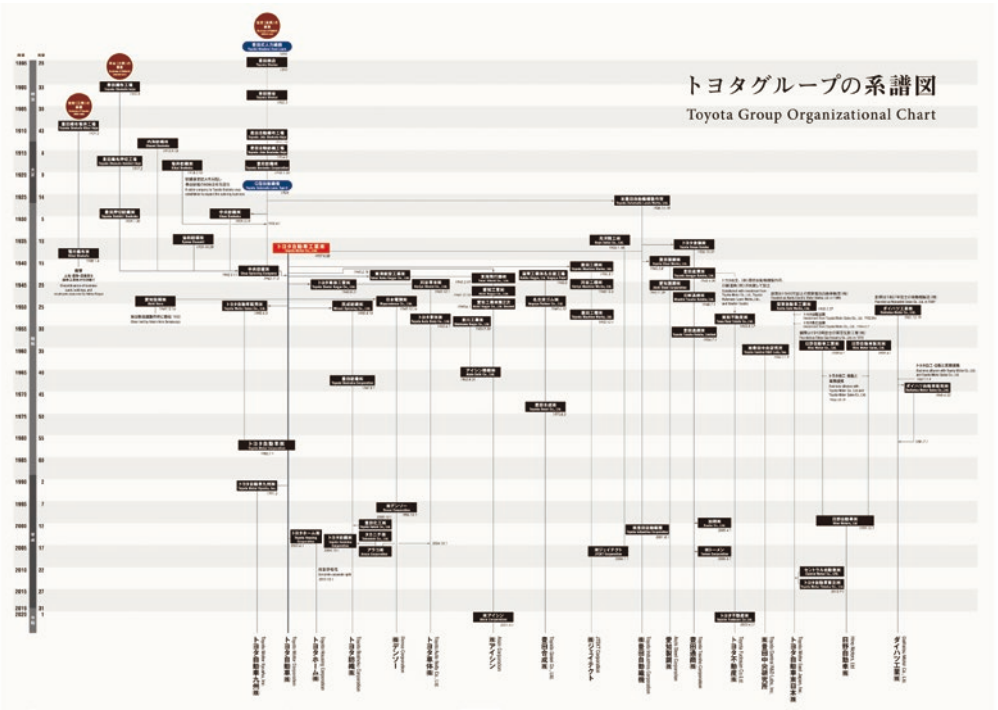
All those in attendance had sustained the company since its founding.

When they met immediately after the war, what did they discuss?

At that time, the Toyota Group was making a major shift in its business areas, from the textile industry to automobiles and machinery manufacturing, primarily for aircraft production.

With the end of the war, demand for machinery manufacturing had instantly dried up, and the Group urgently needed to figure out how it would operate.

This board meeting was of tremendous significance in determining the direction of the entire Toyota Group.



The session was held not at the Toyoda Sangyo head office, but rather at Toyoda Automatic Loom Works, the Group's spiritual core.

When faced with a crisis, everyone comes together and returns to the company's origins.

I believe that's how our forefathers overcame numerous crises.

And now the same is needed of us.

Today, I stand here in the hope that, on this day, the Toyota Group will commit to our next step.

Passion for invention is the Toyota Group's true starting point

The above chart depicts the Toyota Group's lineage, starting with the establishment of Toyoda Shoten in 1895.

Eager to ease the burden on his mother, Sakichi Toyoda immersed himself in researching weaving machines, and in 1890 invented the Toyoda wooden hand loom.

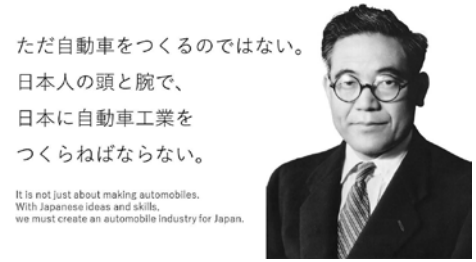
Thinking of others, learning, honing skills, making things, and bringing smiles to people's faces—I believe that this passion and attitude toward invention is truly the Toyota Group's starting point.

Toyota Group Vision: "Inventing Our Path Forward, Together"

From there, Toyoda Boshoku and Toyoda Automatic Loom Works were established, extending the company vertically like the warp threads on a loom.

In the 1930s, Kiichiro Toyoda began to get actively involved in the business.

"It is not just about making automobiles. With Japanese ideas and skills, we must create an automobile industry for Japan."



At that time, the technological standards of Japanese industry were lagging far behind the West.

He, therefore, sought to revamp the country's industrial base by producing automobiles domestically.

In addition to automobiles, Kiichiro also studied aircraft. He is said to have told his son, Shoichiro, to "build a house no fire can burn down."

What Kiichiro wanted to create was happiness for the people of Japan, and a future that allowed the next generation to dream.

Of course, neither an automobile nor the future can be created by a single person.

We need partners to share the struggle, to encourage and elevate each other.

Many companies in the parts, steel, rubber, and electronics industries started following in Toyota's footsteps.

Not all bore the Toyoda name.

Despite their different backgrounds, Toyota joined forces with partners who possessed a shared purpose: to establish an automobile industry.

As we formed alliances with companies possessing their own unique character and strengths, the Toyota Group's lineage extended horizontally, like the weft on a loom.

The Company's founding spirit, the carmaker's core duty

Next, please look at the following chart.

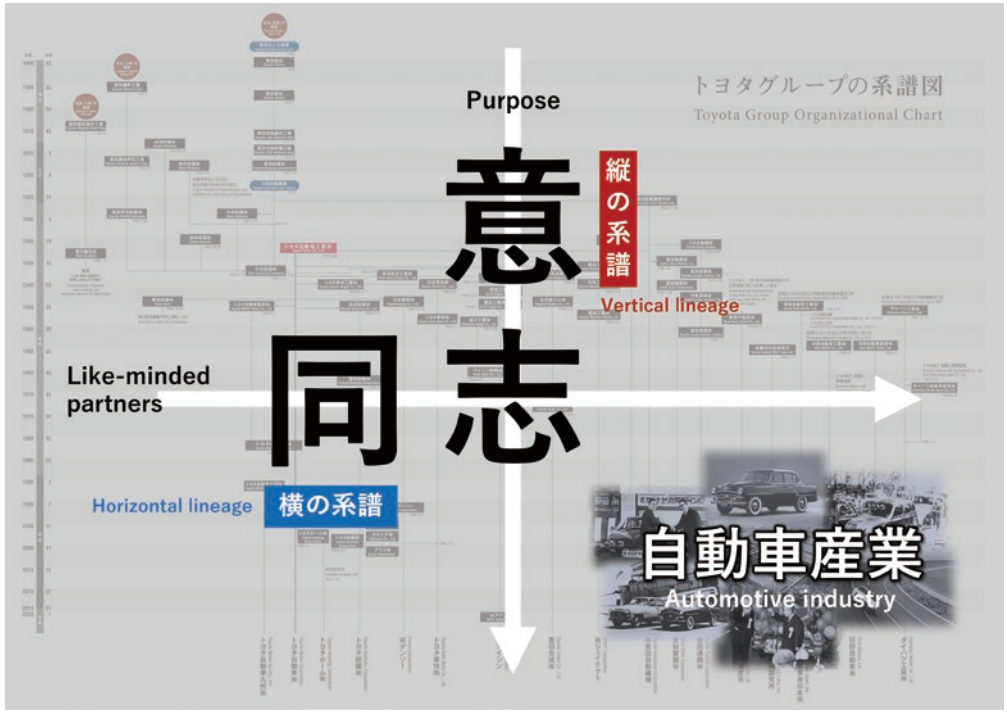
In the Group's vertical and horizontal expansions, I found distinct meanings.

Our vertical lineage continues to evolve through our unwavering commitment to paving the way for the future.

And our horizontal lineage continues to evolve together with our like-minded partners.

You could say we have been living in an automobile industry that was woven together by the vertical and horizontal threads spun by our predecessors.

Do we understand and appreciate how fortunate we are?



I think the first to forget this sentiment was none other than the Toyota Motor Corporation.

To make the mobility that sustains people's lives more enjoyable and richer, we need to make ever-better cars.

This is the company's founding spirit and our core duty as a carmaker.

However, somewhere along the way, we turned into a company that prioritizes volumes and profits—a company that makes money, not cars.

When the numbers go up, you get showered with praise. And people want to be praised. No one can criticize that desire.

What we must consider, however, is where those volumes and profits are coming from.

If you merely reap from the fields seeded, plowed, and cultivated by those who came before, such a business cannot last long.

That was the case at Toyota Motor when I first became president.

The 2008 financial crisis caused us to fall into the red for the first time in company history, causing trouble for the many people who support the automobile industry.

Furthermore, global recalls caused us to lose the trust of our customers, which is of the utmost importance to us.

Toyota Group Vision: "Inventing Our Path Forward, Together"

I consider the Toyota Motor Corporation to have collapsed at that point.

Over the next 14 years I gave my all, and together with our partners managed to rebuild the company to the point where we can once more be called a carmaker. And yet, if we are not careful, I think we will soon find ourselves back in the same situation.

The Toyota Group's path forward

This is not just about Toyota Motor Corporation.

Given the horizontal threads that connect us so closely, I believe that, just as Toyota Motor lost sight of our origins, the same thing is now happening at other Group companies.

When a crisis threatens a company's survival, as managers, we are always given two paths.

One heads for short-term success via stopgap measures and all-or-nothing bets.

The other leads back to the founding origins that give our existence meaning.

For us, there is only one right path—returning to the company's starting point and fixing what had gone wrong with our character.

Yet, that is not all.

At the same time, we must always continue to sow seeds and take on new challenges for the future.

Personally, while continuing the fight to restore Toyota's essence, I vowed not to stop sowing seeds for the future, including TNGA and other R&D investments, as well as building partnerships in new fields. I carried on with unwavering commitment.

Because such efforts weave the vertical warp threads of our lineage.

Sowing seeds does not grant immediate results. However, you also don't need to struggle alone.

Our forefathers left us Toyota's horizontal weft threads of our lineage.

Today, I am truly grateful for these connecting threads.

The future is something we all build together.

Creating mutual gratitude and being needed in the future

Although the history of our companies and the products we make are different, I believe that all of us here share the same love and passion for *monozukuri* [manufacturing] and the same desire to make the world's children happy.

The Toyota Group's essence is about valuing the origins and characters of each company and engaging earnestly and honestly with *monozukuri*.

That is, loving humanity and serving society.

With this in mind, I have formulated a vision to which all of us at the Toyota Group can return.

"Inventing our path forward together"

Even as times change, the spirit of invention—a desire to create something better—has been passed down to us through the generations.

I believe these are our true roots.

We should all embrace the spirit of invention within us, think of others, hone our skills, and continue to make the right things.

By doing so, we will build a culture of mutual gratitude and ensure the Toyota Group is needed in the future.

I have put together a list of attitudes to guide our way.

– Aim high and care deeply.
– Trust and uplift your colleagues.
– Endlessly improve your craft.
– Honesty first, integrity always.
– Connect and collaborate.

We create the path

The world we live in is undergoing a once-in-a-century transformation.

A time when there is no right answer.

Instead of seeking instant recognition, wouldn't it be great to receive a "thank you" from those who will live in the future and those who paved the path that brought us here?

In this age of constant division, conflict, discord, and vilification, wouldn't you like to show how adults can live for the sake of children, for someone other than ourselves, and for the future?

A path was left for us by those who came before. But as yet, no path lies ahead.

It is up to us to create it.

Inventing our path forward together

With mobility as our core business, we will bring smiles to people around the world.

We will build a future in which the children of tomorrow can dream more freely and more richly.

To everyone at the Toyota Group: let's invent our path forward, together.

Toyota Group Vision: "Inventing Our Path Forward, Together"

After outlining his thoughts behind the Group's vision, Chairman Toyoda took questions from the press. Reporters eagerly asked the man responsible for Toyota about his response to the irregularities and plans for revamping the Group.

Regarding the Group vision

—— Toyota has long adopted various guiding principles, such as the "Five Main Principles of Toyoda." What do they have in common with this new vision, and what new changes or developments have you made?

In my mind, the words "Inventing our path forward, together" contain the past, present, and future. "Forward" points to the future, "path" is the present, and "inventing" refers to the Toyota Group's origins, namely (company founder and renowned inventor) Sakichi Toyoda (i.e. the past).

Expressing the past, present, and future in modern terms, it sets out a shared vision for all of us to build a path for the future together.

I think the English version is even clearer than the Japanese, which doesn't include the word "together."

Upon becoming president of Toyota, I set forth the vision of "making ever-better cars." People in the media said they didn't know what I was talking about and asked why I couldn't put up numerical targets.

Employees often asked me, "What do you mean by 'ever-better cars?'"

I replied that this was for them to figure out and deliberately avoided explaining what "ever-better cars" meant to me. I believe that is why Toyota has come up with such a wide range of cars.

Had I supplied an answer, we may have ended up with nothing but sports cars.

Yet our TNGA, in-house company system, and regional focus have led to new launches (or model changes) for many different cars—commercial vehicles, everyday cars, family cars, and models that hadn't been updated in many years.

Similarly, I believe the "path" in this vision will yield many different interpretations. And by setting a Group vision around our invention-driven origins, I hope to start by spurring a fresh start under the banner of making and inventing things.

—— Amid a string of irregularities within the Group, how have company leaders reacted to this vision? Could you share what was discussed at the briefing?

No company controls the Toyota Group. As I understand it, the term "governance" means to oversee, command, or administer.

In companies, governance is about creating administrative structures to ensure sound corporate management.

What I did at Toyota was restore authority to the *genba* and enable everyone, regardless of their position or background, to be involved in running the company. I view this as my own style of governance.

A nice way of putting it is that I created a corporate culture where the *genba* can think and act on its own initiative based on the straightforward vision of making ever-better cars.

You could also call it vision-driven management, *genba*-centered management, or product-centered management.

If you look up the origins of the word governance, you'll find that it refers to guiding or steering a ship. To me, that sounds closer to what I have been doing than "overseeing, commanding, or administering."

I was able to do this thanks to the philosophy, skills, and conduct of Toyota's *genba*. And a simple vision: "Let's make ever-better cars."

Above all, I believe that in being the person responsible for Toyota's past, present, and future, I was able to establish governance that returns authority to the *genba*.

There is a concept known as the "five stages of corporate decline" proposed by American economist Jim Collins. In expressing my intent to be responsible for the Toyota Group, I spoke with many Group company heads and *genba* leaders about wanting to create a corporate culture where the *genba* can think and act on its own initiative.

Instead of merely a one-way talk, I created an opportunity for exchanging information and presenting my ideas while answering all sorts of questions, mainly from *genba* personnel.

I imagine many people came to the venue expecting some rather strong words from me, but contrary to those expectations, I think the top management more or less embraced the idea that creating such circumstances gives everyone the chance to voice their opinions.

Response to irregularities

—— As Chairman, how do you regard the series of irregularities? What do you see as the causes of the successive irregularities uncovered within the Toyota Group?

We did things we should not have done. What were these things? The common thread between Daihatsu, Hino, and Toyota Industries Corporation is that they committed misconduct related to certification systems.

I hoped to look through the third-party committee reports, but have not had the time to go through everything.

I have, however, been briefed by people who verified it.

Japanese certification testing is a system of rule-based measurement for checking whether vehicles meet certain safety and environmental standards. If these standards are not met, the vehicles cannot be produced or sold.

Therefore, unless a car clears certification, it cannot be mass-produced. However, these companies mass-produced cars while engaging in certification irregularities. I believe that is what happened in these cases.

Because of the three companies' misconduct in certification, products that should not have been sold were delivered to customers.

This is something that must never be allowed to happen. Certification systems exist to give customers peace of mind when driving their cars, and we abused these systems.

We recognize the extreme gravity of these acts, which betray the trust of our customers and shake the very foundations of the certification system. As the person responsible for the Group, I apologize.

I am sure that regaining our customers' trust will take time. That is why, first of all, I am taking responsibility.

During my 14 years as Toyota's president, I was able to make decisions and take responsibility. I resolved to do so, but being responsible for a group is not like being the head of a company.

In my experience, however, the first to lose trust was Toyota Motor Corporation. I think that experience and my track record in turning Toyota back into a carmaker make me a dependable advisor for the Group's current leaders.

To prevent recurrence, we will move to track down the causes.

If there was a single cause, the solution would be very simple, but I believe these events stemmed from a combination of many factors.

Exactly one year has passed since I stepped down as president.

And in becoming chairman, I felt a degree of hesitation and a certain distance toward the current executive team and the individual companies, but I want to take another look at the Toyota Group and Toyota Motor Corporation as the person responsible for both.

I certainly don't intend to be here just for show. Or to make myself stand out.

That said, I want to use the fact that I have restored authority to the *genba* as the first step for the three companies that have committed irregularities, and the Toyota Group, to move forward according to our vision.

—— I understand you faced various crises during your 14-year presidency—how serious are these irregularities, and what is their significance? I would like to hear your perspective.

These are events of great consequence. I think the biggest issue is that we have lost sight of our origins.

While explaining the Group vision, I thought again about the Toyota Group's starting point.

I see it as the moment when a shift from automatic looms to automobiles was first discussed. If we lay out the lineage, initially it developed vertically, then at a certain point began to grow horizontally.

These irregularities have occurred at a time when Toyota is working to transform itself into a mobility company.

Despite having the same roots, the companies have become vast entities with different values, with most contact based on functional specialization.

Interacting on a functional basis doesn't allow us to assess a company's operations and management. And since Toyota is often the one placing orders, I think it becomes difficult to speak up to Toyota.

Instead of peculiar hierarchies, we need to recognize that we have inherited and grown together from the same *monozukuri* roots, and from this starting point talk normally, from an equal standpoint, with a new shared vision.

Having stepped down as president to be just an ordinary car-loving guy, as master driver, I too need to speak with many different people.

The title of Toyota Chairman gets in the way. While breaking down those barriers, I want to explore the individual circumstances with the peers I have gained over my 14 years as president.

These irregularities are serious, and I believe the main issue is that we have lost sight of our origins. That is why I chose to share them again today.

Yet simply doing so will not mean a fresh start. They must be thoroughly digested and understood before we can translate them into words and actions.

I will be looking into it and hope that you will also share your critical observations.

Being responsible for the Group

—— As the person responsible for Toyota, what specific initiatives will you tackle in the immediate future?

I can't offer any specific initiatives, but I want to start by acting. Today, in front of company heads and *genba* leaders, I called for "inventing our path forward, together."

And I also asked them each to consider the fact that I restored Toyota's authority as a company back to the *genba*, to the products.

My next action will be to attend this year's shareholder meetings for all 17 companies. I told them that I wanted to see and study their companies through the eyes of a shareholder.

When I chaired Toyota's meeting, some shareholders commented that they could not attend all Group company meetings because the schedules clashed.

Now, they are all held on different dates. I want to take the opportunity to attend the annual meetings and see the Toyota Group from the perspective of its shareholders and stakeholders.

Since we have a few months until the shareholders' meetings, I hope to discuss what we thought about and did in the interim.

—— Many people look to Toyota and the automotive sector, the leaders of Japanese industry, to do the right thing. In pursuing transformation, how do you view the responsibility of the management teams leading Daihatsu and Toyota Industries Corporation? To prevent recurrence, does Toyota plan to revise its ordering from the companies where irregularities occurred?

I consider Toyota to have been a failed company at one point, 14 years ago. Over those 14 years, I worked to transform the company in many ways.

The companies that committed these irregularities did something they should not have done.

In response, I believe we have to be prepared to rebuild the companies.

Rebuilding means leveraging the strengths of each company. The work they have done up to now—the work they devoted their lives to—will not be wasted.

As the person responsible, what I need to do is find ways of making these changes such that the people in these positions will be glad to be a part of our companies.

I am sure each company will announce how the changes will take place at the appropriate time. I hope you will continue to follow their progress. And since I have made clear that I am responsible, I will also be available for discussion.

What's important is that any changes leave the people in these jobs glad to be part of the company. And that our resources are allocated in a way that allows us to plant seeds that we can cultivate and reap in the future. I think these are the two key points.

—— You spoke of being responsible for the Group as opposed to heading a company. On the other hand, regarding the misconduct at Daihatsu, decisions taken during your presidency placed many senior managers from Toyota within the wholly-owned subsidiary. How do you regard Toyota's responsibility, and your own responsibility, in failing to detect the misconduct at Daihatsu Motor?

Why weren't we able to detect it? Personally, the 14 years of my presidency, just as now, were far from uneventful.

To begin with, I took over the company in the red. From there, it was a series of crises, including the financial crisis, recall issues, the Great East Japan Earthquake, and flooding in Thailand. In all honesty, I was stretched to the limit.

Frankly, it took everything I had just to get Toyota back on its feet. It's not so much that I wasn't looking; I honestly couldn't.

Becoming chairman last year (2023) was a major turning point. I figured that the chairman is not quite as pressed for time as the president.

My 14 years as president began by figuring out the essence of Toyota and creating a vision for the company.

Now, I want to set forth a vision for the Toyota Group and fulfill my role as the person responsible.

Then there is the reality that these are separate companies. Understanding the histories and relationships between the companies is about more than just capital ties.

I will lead the Toyota Group's revitalization to ensure that all stakeholders—from the employees who work there to our business partners and customers—are eager to see the company grow further.

I hope you will take a long-term perspective and give us your encouragement.

The Group's future

—— Toyota cherishes the TPS concept, but how do you plan to balance efficiency and quality?

The purpose of the Toyota Production System is not efficiency. It is to create a culture that drives improvement.

Problems inevitably occur at any company—you can take as many different steps (countermeasures) as you like, yet they will always happen.

Within the Toyota Production System is the concept of "managing abnormalities." Controlling every normal aspect is extremely difficult. Instead, you clearly identify what is abnormal and what must not be allowed to happen. Then, you begin by correcting the areas that exceed these limits.

Then, by continuing the Toyota Production System cycle of *kaizen* (improvement), you move toward a better corporation.

Yet despite that, when you take on new challenges, problems will arise. The key is to find and eliminate them early, one by one, to avoid them becoming big problems such as these. I think we need to regain that kind of mentality.

That is why we first need a vision as our starting point. From here, I want to attend shareholder meetings, hear from many different people, and search for abnormalities based on our vision.

However, I have only been granted the same terms as everybody else: two eyes, two ears, and 24 hours a day, 365 days a year. What I alone can achieve is very limited.

Fortunately, it is also true that, compared to my early days as Toyota's president over a decade ago, I now have more colleagues who tell me the truth.

Working with the partners and networks I cultivated over those 14 years, I want to restore that kind of culture. I hope you will continue to follow us closely with a long-term view.

—— Following successive irregularities at Hino, Daihatsu, and Toyota Industries Corporation, many people suspect there may be other misconduct within the Group. Every report notes that people were unable to speak up even if they noticed the irregularities. It would be appreciated if you asked anyone who is currently aware of misconduct to come forward immediately. Also, in presenting your vision and taking responsibility for the Group, what goals do you have in mind?

As far as I know, there are no other irregularities.

If I had been responsible, I think what would have changed is the timing of announcements.

In the case of Hino, for instance, the public announcement came more than a year after I learned about the situation. Daihatsu took about six months, and Toyota Industries around ten months.

Had I understood the events from the outset, I would have announced them before the timeframes I just mentioned. Because I'm the one accountable.

When I attended the (U.S. Congressional) public hearings 14 years ago, I did so as Toyota's president. But at Toyota Motor, there was a three-month gap before information reached the president's ears.

Even as the head of the company, there was a limit to the information I could gather about what happened in the *genba*, and a gap of about three months.

Since then, however, at Toyota, "top-down" has meant top management coming down. In my actions and results, people have seen that information is something you go and obtain for yourself.

I, therefore, think that putting my name forward as the person responsible for the Toyota Group will help build a long-term commitment and a sense of reassurance that people can speak out about these things.

This morning, in front of all the company heads, I also received candid questions from our *genba* leaders. These were wide-ranging questions from diverse people, and I believe the climate that enables such conversations is something that I created over my 14 years. At the very least, we have employees who sense such a climate.

While I can't solve everything, I have shown everyone who they can turn to when in doubt, or unsure whether they are doing the right thing.
I believe moving forward in this way, step by step, is important.

There are no end goals. As with the Toyota Production System, this is about continuous improvement, something we will keep doing.

If I were to offer one, it would be creating more people within the management who have the same sensors and sensibilities as myself.

After giving advice, guidance, and encouragement to nurture these sensors, my own personal goal would be to have the outside world acknowledge the Toyota Group's wealth of human resources.

—— You say there are no end goals, but in what timeframe and form will we see the results of you taking responsibility? Are we correct to understand this as a strengthening grip on the Group? Will taking responsibility potentially strengthen the Toyota Group's unity, including a revision of capital ties?

I couldn't say how many years. I was president for 14 years before passing the baton to President Sato.

Serving as president, I realized there was no one at Toyota Motor who would tell me, "It's time to call it quits." I, therefore, felt I should decide on the timing myself, and in my 14th year, I resolved to hand over the presidency.

In essence, I felt that I had established Toyota Motor's foundations as a carmaker and given it the strength to transform into a mobility company.

Moving forward, as we transform into a mobility company, we will have younger leaders supported by more diverse people.

Again, in the case of the Toyota Group, taking responsibility does not mean I'm taking up a position as a chairman or president.

However, I want to remain committed to restoring authority to the *genba* and our products.

I also want to tighten the Group's grip in terms of the *genba* and products.

Although I've moved from president to chairman at Toyota Motor, my business card still reads "master driver," and I also retain my roles as a decision maker and sensor in making ever-better cars.

As to whether I will be a master driver for Daihatsu, Hino, and Toyota Industries, I will not.

Aside from the difficulty of obtaining a forklift license or a special large vehicle license at this point, I would not be able to judge how cars made by Daihatsu should drive.

For that reason, this morning, I asked each company to start by establishing their own master drivers.

I hope you will understand that my grip starts with the selection of personnel.

—— I believe the job of a master driver is not only to determine how a car feels but also to serve as the final filter. I also think they should serve as the final filter for Daihatsu and Toyota Industries, where the problems occurred, and I would like to hear your thoughts.

Currently, the roles I have been assigned at Toyota are those of chairman and master driver.

In taking responsibility for the Group companies, I want to bring my role as master driver, not as Toyota's chairman, to the forefront and exercise my grip through the products and *genba* capabilities.

I want the companies to select people who are not simply in charge of creating each brand's flavor but can also communicate the role and mission of vehicles beyond the product concept, including the kind of cars they want to make and what these cars will accomplish.

I want to start by personally getting in a car with the people chosen by each company, to understand what kind of sensors they possess and what kind of dialogue they are capable of.

What's more, I'm sure each company will select people based on their specs. This may not make for good dialogue, but I will respect each company's will in their personnel choices.

On a different note, for this morning's meeting, I asked for company leaders to be invited. From Toyota Motor, attendees even included the head coaches of sports teams and recreational study groups.

Unfortunately, Toyota Group companies chose by titles—by titles and by roles. I think we differ on this point.

I want to strengthen my grip not with titles but through the role of master driver. This is my way of doing it.

Though my methods may differ, I am certain that this path will lead to a product-centered corporate culture that values people. I hope you will appreciate this.

Toward a fresh start

Following questions from the press, Chairman Toyoda once again shared his thoughts as the person responsible for the Toyota Group.

Thank you very much for gathering here today on such short notice.

Since today was about presenting my vision, I did not go into the irregularities that occurred within the Toyota Group or the individual circumstances of the three companies, but I hope I have given you a slightly better understanding of my personal perspective and way of thinking.

In taking responsibility for a Group that did things it should not have done, I would like to once again apologize for the concern we have caused.

From today, however, I will be working as the person responsible for the Group, and ask for your continued encouragement.

Sustainability Issues and Initiatives: Materiality

Positioning of Materiality

In 2020, Toyota unveiled what it has dubbed the Toyota Philosophy along with a mission statement that outlines the Company's drive toward "producing happiness for all." This philosophy is rooted in "manufacturing domestically produced cars for the masses," a challenge undertaken and realized by Kiichiro Toyoda, founder of Toyota Motor Corporation. It was the dream of Kiichiro Toyoda to make cars—vehicles that bring happiness—available to all. The mission of "producing happiness for all" links Kiichiro's dream with our future as a mobility company.

Under the leadership of President Sato, Toyota has reviewed its materiality (key issues) in order to transform itself into a mobility company. As we are in an era in which we simply don't know what the "correct" answer is, the issues to which we as a company must respond also change on a daily basis. We will maintain our continuous evaluation of our materiality, considering shifts in the societal landscape as well as feedback from our stakeholders.

Key Remarks from Stakeholders

Employees:

- Once we understand how our roles are connected to Toyota's values, we can accelerate our efforts.
- I'd like to use this as a compass to get the concepts communicated by top management down to a tangible level of detail.

NGOs and NPOs:

- We'd like Toyota to express its perspective on the "society and future" it wishes to create.

Experts:

- "Nature Positive" will be an important initiative in the future and should be considered.

Institutional investors:

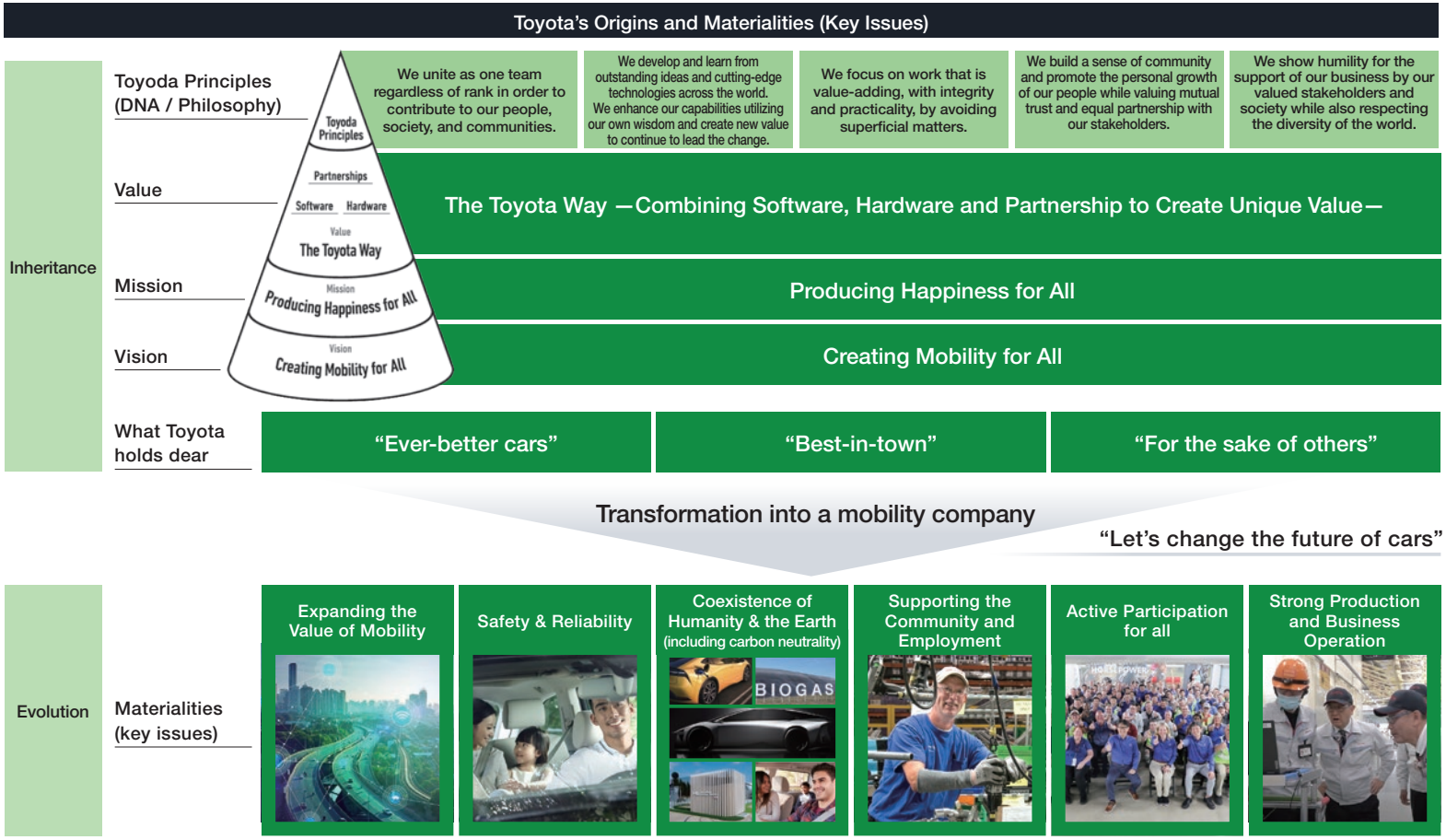
- It is taken directly from Toyota's DNA and has a quality that is unique to this Company.
- It is important to have a story that connects such KPIs as financial impact with materialities.
- Toyota's stance on addressing climate change should be communicated in clear language.

Materiality Identification Process

Step 1: Universal values like the Toyota Philosophy were classified as "inheritance," and issues necessary to promote our transformation into a mobility company were classified as "evolution." Referring to both internal and external information, we organized and identified all issues that are pertinent to Toyota in terms of the impact Toyota has on the environment and society as well as the impact the environment and society have on Toyota itself while also determining issues that must be addressed to ensure Toyota's transformation into a mobility company. Furthermore, we employed such references as the European Sustainability Reporting Standard (ESRS), the Sustainability Accounting Standards Board (SASB), and such ESG assessment indicators as MSCI and FTSE during the selection process.

Step 2: Discussions regarding the issues identified and organized in Step 1 were held with our own employees, eight NGOs and NPOs, four specialists, and 10 institutional investors. We then reordered the issues in response to the feedback we received.

Step 3: Discussions regarding the issues identified in Step 2 were held by the Sustainability Subcommittee, which is an executive body, and the Sustainability Meeting, which is an advisory body chaired by President Sato and attended by Outside Directors and executives, with six key issues ultimately being identified.



Our Founding Spirit: For the Sake of Others

Sakichi Toyoda Sought to Ease His Mother's Burden

Sakichi Toyoda, the founder of the Toyota Group, was born the son of a carpenter in the village of Yamaguchi, now part of Kosai City, Shizuoka Prefecture, in 1867. Full of curiosity, Sakichi is said to have spent his early years reading a wide range of books, thinking about how he might make a contribution to society. One day, Sakichi was thinking about his mother and how every evening she toiled at her loom, weaving fabric late into the night. He wondered if there might be a way to make her work easier. At the time, weaving was a laborious process, requiring the use of both hands and legs to control the threads of warp and weft in sequence. At the age of 23, Sakichi invented his first loom, the Toyoda Wooden Hand Loom, which could be operated with only one hand and greatly increased efficiency. He patented the loom in May 1891.

Seeking to more dramatically increase capacity, Sakichi turned his attention to developing a powered loom and invented Japan's first, the Toyoda Power Loom, for which he received a patent in August 1898.

Sakichi continued to invent and improve looms for more than two decades. This work came to head with the Non-Stop Shuttle Change Toyoda Automatic Loom, Type G, invented in 1924 in collaboration with his son, Kiichiro.

At the time, automatic looms had to be constantly watched over by human operators so that they could intervene when unpredictable anomalies, such as threads breaking, occurred. The Type G automatic loom used a mechanism to detect anomalies like running out of or breaks in the thread, stopping automatically in response.

Furthermore, the Type G automatically changed the loom's shuttle when the thread was close to running out. When changing the shuttles holding the weft thread, operators previously had to use their mouths to suck the end of the thread through the eye of the shuttle, inhaling cotton dust, which caused problems in the lungs of many workers. Sakichi, Kiichiro, and their colleagues invented a way to pull the thread through using a simple manual action that took advantage of the thread's tension.

The drive to serve others and make their work easier—like Sakichi's desire to ease the burden of his mother and employees—was carried on by his son Kiichiro and remains a core value of Toyota today.

The Type G automatic loom was said to boast the best performance of any loom in the world, improving productivity more than twentyfold and dramatically increasing textile quality. The success of the Type G empowered Kiichiro Toyoda to take on the challenge of establishing a Japanese automotive industry, which many at the time, more than 80 years ago, considered beyond the capabilities of Japanese industry. This was the work to which he would dedicate the rest of his life.

Making Domestic Cars and Establishing a Japanese Auto Industry

Kiichiro Toyoda, the son of Sakichi, was born in 1894. After graduating from college in 1921, he went to work at Toyoda Boshoku, his father's company, and traveled to Europe and the United States for the first time. In the 1920s, the streets of the United States were teeming with Ford Model Ts. The automotive era was dawning. In Japan, the number of imported automobiles was gradually rising, but their use was confined to the very wealthy.

Kiichiro was already determined to produce domestic cars and establish a Japanese auto industry. In 1926, Kiichiro was named managing director of the newly established Toyoda Automatic Loom Works, Ltd. and began studying automobiles in earnest. The company established an automotive department in September 1933 and in 1934 officially entered the automotive business, completing its first engine prototype.

In 1935, the first Toyoda Model A1 prototype passenger car was completed, and the Toyoda Model G1 Truck was announced. The very next year, in 1936, mass production of Model AA passenger cars commenced. Toyota Motor Co., Ltd. was established in 1937, with Kiichiro becoming its president in 1941.

Management Crisis, Labor Disputes, and Commitment to Providing Employment

In post-war 1949 Japan, measures to curb inflation rapidly stabilized prices, but the resulting reduction in the money supply plunged industry into serious funding shortages, triggering the so-called "Dodge Line Recession." The prices of iron, steel, and other materials rose, but the officially fixed price of automobiles stood unchanged, causing the profitability of the automotive industry to decline significantly.

In December of that year, Toyota Motor Co., Ltd. and its labor union signed a memorandum aimed at cooperating to overcome the crisis, stating that the Company was at all costs to avoid job cuts as a means of overcoming the crisis. Kiichiro had faced employment issues at Toyoda Automatic Loom Works during the Showa Depression in 1930 and was determined to never again allow such a situation to arise. His entry into the automotive industry had been in part a strategy to diversify and thereby avoid the recurrence of employment problems, so he was, of course, resolved to avoid job cuts at all costs in the face of the 1949 business crisis.

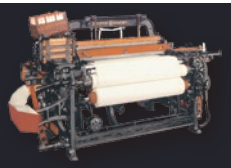
In January 1950, negotiations with the Bank of Japan began on the Toyota Motor Co., Ltd. reconstruction plan. In April of that year, Toyota Motor Sales Co., Ltd. was established to resolve the problem of delays in payments for vehicles, a major cause of the Company's financial troubles. Far from improving, however, the situation worsened further. As the Company's business results showed no sign of improvement, labor-management negotiations with the Toyota Motor Co., Ltd. labor union deteriorated into a protracted dispute. During collective bargaining that April, the Company made reconstruction proposals centered on job cuts that the labor union could not accept, and the dispute continued for another month and a half until a memorandum was finally signed in June.

Accepting responsibility for the labor disputes, Kiichiro Toyoda resigned as president of the Company in May 1950. In March 1952, he agreed to make his much-awaited return to the position, but, before he could do so, he passed away at the age of 57. Nevertheless, his aspirations were kept alive by his colleagues, who persevered with purely home-grown technologies as other Japanese automakers were forming technology alliances with U.S. and European manufacturers. These efforts led to the 1955 launch of the Toyopet Crown, the first passenger car to be developed and built entirely in Japan, a long-held dream of Kiichiro Toyoda.

The Spirit of Sakichi and Kiichiro Toyoda

Born into a poor family, Sakichi Toyoda was driven to make others' work easier, teaching himself in order to invent automatic looms and going on to build Toyota's foundations. Not content to simply follow the easy path set by his father, Kiicihro Toyoda took on the challenge of domestic car-making, which many at the time said was impossible, navigating tremendous social changes as he built the Company and the foundations of Japan's automotive industry. The spirit they embodied—of striving to stay ahead of the times and endeavoring to be studious and creative for the betterment of lives and society—lives on in Toyota today. It is the core of what makes us Toyota.

Sakichi's first invention: The Toyoda wooden hand loom
(photo provided by the Toyota Commemorative Museum of Industry and Technology)



Type G automatic loom

Model A1 passenger car prototype completion ceremony

The Toyoda Principles and Toyota Philosophy

ToyotaTimes

With an eye toward "Producing Happiness for All"—Selections from the Q&A session of Toyota's 1H/2Q financial results briefing

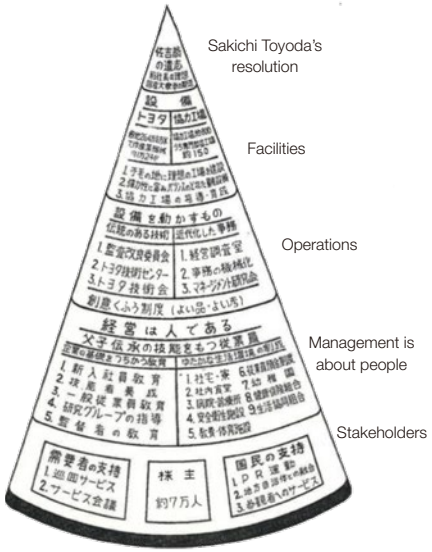
In 1935, five years after the passing of Sakichi Toyoda, the Company had grown to more than 10,000 employees as the automotive business ramped up. The Toyoda Principles were compiled at this time to convey Sakichi's teachings to all employees and provide guidelines for all aspects of their work.

The top management of Toyota that took over from Kiichiro, Sakichi's son, further codified the Toyota Philosophy, encompassing Toyota's values, priorities, and strengths. This philosophy provided the answer to the fundamental question, "What is Toyota?" as a touchstone for the entire Group.

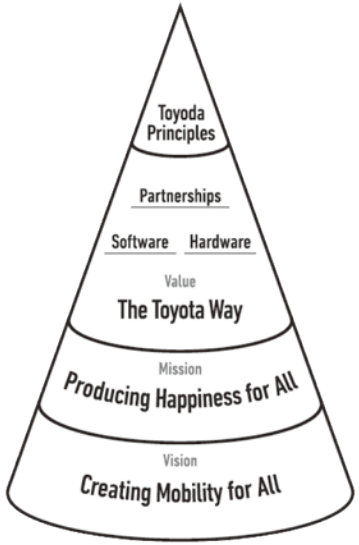
The automotive industry is experiencing a once-in-a-century transformation. In the same way that Toyota transitioned from loom maker to automaker, we are now reinventing ourselves as a mobility company.

To guide us as we push forward into the future amid an era of uncertainty, we have now created the Toyota Philosophy Cone, a graphic representation of the Toyota Philosophy presented in a shape that evokes both the spools of thread used in looms and the traffic cones used to guide cars.

What is Toyota?



Toyota Philosophy Cone



DNA

Toyota's basic principles

Toyoda Principles

The Toyoda Principles, or Five Main Principles of Toyoda, have since been handed down to every Toyota Group company and serve as guidelines for all employees.

Modern Interpretation

- We unite as one team regardless of rank in order to contribute to our people, society, and communities.
- We develop and learn from outstanding ideas and cutting-edge technologies across the world. We enhance our capabilities utilizing our own wisdom and create new value to continue to lead the change.
- We focus on work that is value-adding, with integrity and practicality, by avoiding superficial matters.
- We build a sense of community and promote the personal growth of our people while valuing mutual trust and equal partnership with our stakeholders.
- We show humility for the support of our business by our valued stakeholders and society while also respecting the diversity of the world.

Five Main Principles of Toyoda

MISSION

Toyota's mission since its foundation

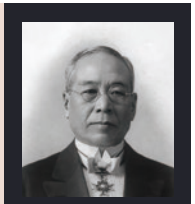
Producing Happiness for All

Born into a family of poor farmers, Sakichi Toyoda built the bedrock of today's Toyota by inventing the Toyoda Automatic Loom by himself. Abandoning the easy path left by his father, Kiicihro Toyoda took on the challenge of making cars. Many at the time said it was impossible.

Their passion was carried on by those who worked with them, shaping the Toyota we know today. What they truly wanted to make was a sense of happiness for any customer who used their products, as well as happiness for every person involved in the work related to those products. The core of this aspiration was the idea of producing happiness for all.

However, during Toyota's long history, there was a brief time when we turned our focus to numbers and gave less thought to people. Primarily due to our rapid expansion in the late 20th century, we faced many problems, including quality concerns and trade friction.

Let us not forget that there are some things that machines cannot create. Only humans can invest the time and energy to bring life to such things. We strive to stay ahead of the times, endeavoring to be studious and creative for the betterment of lives and society. Using our technology, we work toward a future of convenience and happiness available to all. This is our mission, producing happiness for all, and the core of what makes us Toyota.



Sakichi Toyoda

Kiichiro Toyoda

VISION

The future vision that Toyota aspires to

Creating Mobility for All

Toyota strives to raise the quality and availability of mobility—so that individuals, businesses, municipalities, and communities can do more—while achieving a sustainable relationship with our planet. This is our new destination.

Motorization has enabled freedom of movement and has brought people and society closer. As a result, more people than ever can now experience mobility, including the "fun to drive" experience.

And yet, challenges related to mobility persist. There are still many potential opportunities to overcome inconveniences and break through the impossible with new possibilities.

"To move" can refer to physical motion, but also to the experience of being emotionally moved. It is our role to move people and bring mobility to life—to move hearts, minds, and bodies. To move society.

VALUE

Value that Toyota can promise to stakeholders

Toyota Way

As we work to realize mobility for all, the road will be rough at times.

In addition to our commitment to *monozukuri* (manufacturing), we must foster imagination regarding the possibilities of people and society. These tangible and intangible aspects together power Toyota: imagination fuels *monozukuri* and *monozukuri* sparks new imagination. In advancing this cycle, it is essential to center the perspectives of our many stakeholders, imagining things their points of view.

We work with our stakeholders and partners, each elevating the other, uniting our strengths to create new and unique value. This is the new Toyota Way.

Toyota Production System (TPS)

ToyotaTimes  What is the Toyota Production System? Akio Toyoda's View

In May 2020, at Toyota's financial results briefing, Chairman Akio Toyoda reflected on the efforts the Company had made over the previous few years, saying:

> "Over the past few years, we came to feverishly engage in both a fight to bring back **what makes us Toyota** and the complete redesign of Toyota for the future."

Revisiting messages President Toyoda gave starting from a few years ago, two of the things he repeatedly has said that makes us Toyota are the Toyota Production System, or TPS, and cost reduction.

In August 2020, at Toyota Motor Corporation in Japan, a new training program was started to nurture a select group of "TPS leaders" from various divisions across the Company. To emphasize the importance of the program and to share his own thoughts about TPS, Chairman Toyoda joined the kick-off session.

1. Sakichi Toyoda Sought to Ease His Mother's Burdens

This training program was created for Toyota's management leaders who don't work at manufacturing front lines to gain a deeper understanding of TPS in order to help the Company accelerate its efforts to bring back the essence of what makes it Toyota as it looks to completely redesign Toyota for the future.

Toyoda
I was a little concerned to hear today's participants' statement of determination to "change Toyota any way possible by utilizing what's learned and obtained through this program."

There are two key concepts deeply rooted in Toyota since its foundation, or even before then. Does anyone know what they are?

Participant A
I think they are "Just-in-Time" and "automation with a human touch," or "*Jidoka*."

Toyoda
That's it! That's what I wanted to hear! (everyone laughs)

That's why I volunteered to be the lecturer today to help kick off the TPS training program. Hopefully, I can help narrow the gap between my understanding of *Jidoka* and Just-in-Time and yours.

First of all, let's talk about *Jidoka*. It'll be easier to explain the concept by first looking at the automatic loom invented by Sakichi Toyoda. Thinking about his mother, and how she toiled to weave fabrics every evening and late into the night, the young Sakichi wondered if there might be a way to ease her burden.

When Sakichi developed his first automated loom, both hands were used to control the threads of warp and weft. His invention allowed his mother to operate a loom using only one hand. It also helped improve quality, increasing overall efficiency and dramatically improving productivity.

> Often at Toyota, TPS is considered the process of making things efficient, and people talk about it as if changing work processes is TPS's purpose. But, I think the purpose should always be to make someone's work easier.

2. Improving Productivity Was Not the Main Purpose

> The Type G automatic loom is the machine that helped drive a redesign of Toyota's business. Automatic looms back then were always monitored by one operator, based on a mindset of "one person, one machine." Each person was the "guard" of their machine. This was because operators were unable to predict abnormalities.

With this automatic loom, Toyota was able to secure the capital required to shift its business model from an automatic loom manufacturer to a car manufacturer. This was because a world-leading automatic loom company in the United Kingdom asked Toyota to sell its automatic loom technology.

> The most common abnormalities that occurred when weaving fabric with automatic looms were when thread ran out or broke. The Type G was able to detect such abnormalities at a time when there were no sensors.
>
> When the thread ran out, it automatically changed to another wooden shuttle with a new thread.
>
> The shuttle needs to have the thread end out on the surface. Before this machine was invented, workers had to suck it out themselves. The problem was that there was a lot of cotton dust in the air in textile factories, which could damage workers' lungs when they inhaled deeply. Sakichi invented a new feature that automatically brought out the thread end. This invention was the result of Sakichi simply exploring a desire to do something for his team members on the manufacturing front lines who were suffering damage in their lungs.
>
> Thus, Sakichi determined what the abnormalities were and then came up with system to prevent or stop them. As a result, productivity improved—not the other way around. He did not do all this just to improve productivity.

3. How President Toyoda Sees *Jidoka* (Automation with a Human Touch)

> In my view, *Jidoka* is about being centered on people. It's about putting yourself in the shoes of someone working there. You can't just issue orders to improve efficiency or reduce resources from the safety of your position far from the front lines. Toyota also has this idea about adjusting the work per person to match the full output of one unit of manpower (pursuing *ichi-nin-ku* in Japanese).

This concept of *ichi-nin-ku* means the amount of work that one worker can or should accomplish in a day.

> We all have only 24 hours in a day. This applies equally to everyone. And employees spend a lot of that time devoted to work for a company. Knowing this, supervisors must make the work being done by team members as meaningful as possible. That is what Toyota's manufacturing front lines have been pursuing.

The focus is creating more free time for workers by eliminating waste in work processes to reduce overtime. Pursuing *ichi-nin-ku* means valuing each person's time.

4. How President Toyoda Sees Just-in-Time

A phrase that is commonly associated with the concept of Just-in-Time is "provide what is needed, when needed, in the amount needed." The key to understanding Just-in-Time is the idea of "lead time," the amount of time required for products or services to be delivered after they are ordered.

> **Toyoda**
> What comes to mind when you think about Just-in-Time?
>
> Taking a "what is needed when needed" approach, to respond quickly to customer needs, there would need to be a lot of inventory, right? One finished vehicle consists of about 30,000 parts. So, it would follow that for a production line to flexibly produce orders quickly, a tremendous amount of inventory would need to on hand, right?
>
> **Participant B**
> But if we know and can meet what customers want...
>
> **Toyoda**
> Who do you mean by "customers"?
>
> **Participant B**
> Each downstream process... or our final end users.
>
> **Toyoda**
> But we sell around 10 million new vehicles annually, and that means we have the same number of customers. How can we understand what is needed by each specific customer? We can't, so instead, we have to have a lean operation in place to detect abnormalities right away and halt the pipeline so that we can make improvements quickly. And that's why we need Just-in-Time.
>
> In this way, I think the key concept that makes Just-in-Time easier to understand is "lead time."

At Toyota, a common term for the next process in a workflow, whether it be in manufacturing or in an office, is "downstream process." Those in the downstream are considered a "customer." Chairman Toyoda was trying to convince the participants to think of "Just-in-Time" in the context of the bigger picture, to consider not only the immediate downstream, but how things relate to the company as a whole to deliver Toyota's vehicles to the end customers "just-in-time."

5. Achieving the Lead Time of a Sushi Restaurant?

> Take, for example, sushi. When you go to an authentic sushi restaurant, are the finished orders just waiting in front of the chef? I don't think so. Each piece is made to order. You can't prepare every specification in advance for 10 million customers. It's important to understand what we can't do. The key, then, is trying to shorten lead time.

Product-centered Management

At the November 2021 Nationwide Toyota Dealers Convention, Chairman Toyoda spoke about product centered management.

Over the decades, Toyota has provided society with a wide range of products aimed at meeting customer needs, beginning with the Toyoda Model AA in 1936. Looking back on our history of car marking, I see two key themes.

The first is "sports cars."

The 1960s were a key era for Toyota's sports cars. This decade saw the birth of many sports cars that would eventually achieve legendary status, such as the Publica Sports, Sports 800, and 2000GT. Then, in the 1980s, Toyota launched the Supra, MR2, Celica, and Levin/Trueno. In this way, Toyota had created sports cars that brought together the most cutting-edge technological prowess of the era every two decades.

Why is that? I think it was because Toyota was treating sports car development as the front line for developing the skills and knowledge that will be passed down as well as for human resource development. For Toyota, sports car development was like a rite of renewal and rebirth carried out every 20 years.

Following this cycle, the next generation of Toyota sports cars should have hit the scene in the 2000s.

They did not.

Around that time, Toyota was growing its vehicle sales, mainly outside Japan, and pursuing scale expansion. Amid that push, the role of its old renewal rite was forgotten, and sports cars disappeared from Toyota's vehicle lineup.

I was not the only one who sensed how dangerous this was. Our test drivers, in fact, felt the danger more keenly than I did. I think that feeling was part of why Hiromu Naruse, then Toyota's chief test driver, told me, very frankly, that he didn't want to be preached to about cars by someone who didn't know anything about them. But, he said, if I was interested, he would teach me to drive. That was the start of my journey, under the new nickname Morizo, to becoming a master driver.

From there, though a decade late, Toyota went on to develop the LFA in the 2010s, recapturing the "secret sauce," that flavor unique to Toyota and Lexus cars.

We went on to revive the 86 and the Supra as well, but all of these were made in collaboration with outside partners. We still wanted to once again make a sports car that would be all our own. This dream led to the development of the GR Yaris.

For years, I have constantly been talking about "ever-better car making." Now, as the number of my colleagues taking action with me has grown, this has evolved into "ever-better car making from a starting point in motorsports."

The second key theme is "long sellers."
Toyota's long sellers have included the Crown and Corolla, which drove the motorization of Japan, as well as the Prius, which created the hybrid electric vehicle market. More rugged long sellers include the Land Cruiser, Hiace, and Probox. The Coaster and Century were long sellers, too.

Indeed, Toyota boasts numerous models that have been beloved by customers for decades.

Despite this, when Toyota was focusing on the number of vehicles sold and making vehicles mainly for overseas markets, the position of long-selling cars within the Company shifted greatly.

The Crown and Corolla began to undergo regular model changes based solely on an annual schedule, while rugged vehicles like the Land Cruiser and Hiace no longer had model changes at all. These long-selling cars had been beloved by customers and an integral part of their lives for so long, but now it was considered unimportant for them to change or evolve.

Product-centered Management

However, I believe that only by constantly changing to meet the needs of the times can a car be a long seller. We have already begun working to reclaim this approach.

The Vitz, as it was known in Japan, was unified under the name Yaris, which had taken root overseas, and we expanded its lineup to include the GR Yaris and Yaris Cross. Similarly, the Corolla lineup saw the addition of the Corolla Sport and Corolla Cross. Our strategy was to build a lineup tailored to current needs while leveraging the brand strength of our long sellers.

"Let's make ever-better cars."

This idea was the impetus for the transformation of Toyota's car making.

Three pillars supported this transformation.

The first pillar, and the first that we took on, was the Toyota New Global Architecture (TNGA).

To achieve excellent performance in the basic functions of a car—propulsion, turning, and stopping—a solid platform is essential.

However, creating a new platform and promoting standardization is not so easy. I found myself wishing that Toyota had moved away from the one-model, one-platform approach and implemented platform reforms while its sales volumes and revenues had been expanding.

During the very difficult time after the 2008 global financial crisis, when Toyota fell into the red and we could not increase unit sales, we all had to grit our teeth and work even harder. The fruit of this labor was a powerful tool—the TNGA.

I believe that it is precisely because we have the TNGA that we are able to restore the sports cars and long sellers that for so many years have supported the Toyota brand to their proper places and tackle the challenge of building up their lineups.

The second pillar is the in-house company system. A defining characteristic of Toyota is its full lineup of diverse vehicles that meet a comprehensive range of customer needs.

Offering a full lineup means that we must always have people who are passionate and responsible about creating cars in all genres, from sports cars to commercial vehicles. Ensuring this is the true objective of the in-house company system.

The lure of increasing unit sales and revenue in the short term is hard to resist. This is why we must nurture people and organizations capable of focusing and placing the highest priority on creating the cars that Toyota and society really need.

The final pillar is a figure at the top who can take final responsibility. It's embarrassing to say so myself, but I think that one thing that sets Toyota apart, that it has and other OEMs don't, is a master driver in top management.

A president who can take responsibility for the "flavor" of the products we put out. A president who is able to definitively say "no" to projects, even ones that our development teams have worked hard on, if they don't have that unique Toyota/Lexus flavor.

Morizo, master driver, and president of Toyota.

Wearing these three hats at once, I have gone to front lines myself and worked alongside my colleagues these past 12 years. I am sure that all of that effort shows in our products.

By continuing to make ever-better cars, our brand will continue to evolve.

This is what I believe to be the essence of product centered management.

It means not aiming to be the biggest in the world in terms of units sold, but aiming to be the best in town by creating better cars that bring smiles to customers' faces.

At first, when I spoke about making ever-better cars, few understood me, or even tried to.

However, thanks to the support of my colleagues who believed in me and to the support of our dealers, I think that Toyota's products have slowly but surely changed for the better.

Going forward, we will continue to do our utmost to make ever-better cars.

I hope to convey the heart and the story of Toyota, which we put into every product, to all our dealers and as many customers as possible. Nothing would please me more than if that story were to become one of the many new stories connecting the hearts of our dealers and customers.

History of Toyota's Car Making

Two key words

1. Sports cars
2. Long sellers

The Three Pillars of Ever-better Car Making

1. Platform reforms via the TNGA
2. In-house company system transforming people and organizations
3. A master driver in top management taking final responsibility

Making Ever-better Cars: From a Starting Point in Motorsports

Recently, Chairman Akio Toyoda has often been adding "from a starting point in motorsports" when using the phrase "ever-better car making." He spoke about the idea behind this at the press conference announcing the 2022 TOYOTA GAZOO Racing drivers and management members.

In 1952, shortly before his death, Toyota founder Kiichiro Toyoda wrote the following.

Kiichiro Toyoda

"The Japanese automobile production industry must master the art of manufacturing passenger vehicles. In order to test the durability and performance of their cars, companies ought to participate in auto races, demonstrate the full performance of their vehicles, and compete for superiority. This will both lead to progress in their vehicles and spark the enthusiasm of automobile fans. Such races must not be regarded as a simple matter of curiosity, for they are indispensable to the development of Japan's automobile manufacturing industry."

I think that these words provide the core principle of "ever-better car making from a starting point in motorsports." There were two cars that led me to this core principle.

I rode in the first of these cars with racer Kamui Kobayashi at Gamagori four months before entering the Super Taikyu 24-hour race. It was while I was in the car that I made up my mind to enter the race. Although four months was hardly enough time for the engineers to prepare, I safely finished the 24-hour race as well as three subsequent races. For each race, they continued to improve the car, making it stronger and faster.

The other car is the GR Yaris.

We made this car for a specific purpose: to win the World Rally Championship.

Until now, Toyota has made its race cars by modifying its mass-production cars. That was the limit of what we could do.

The GR Yaris is our attempt to flip this approach by designing a race car from the ground up. From the initial stages of development, we reached out to professional drivers to have them drive the car. When problems came to light during their drives, they were fixed, and then we had them drive the car again. Development progressed nimbly, and the car evolved into one that is fun to drive. As Morizo (my driver name), I partnered with this car on the Gamagori dirt course for training to hone my driving skills.

Drive it, break it, fix it, strengthen it, drive it again, and break it again.

By repeating this process, the engineers not only advanced the car's development, they also changed themselves. I think that they came to understand Kiichiro's words not just intellectually, but in a deeper, visceral way.

Come to think of it, it has been 14 years since Hiromu Naruse and I drove used Altezzas in the 24 Hours of Nürburgring endurance race. Racing on the streets toughens people up and makes cars stronger. I want to enable Toyota to make cars that way again. That may be what I have been working toward all along.

In 2009, when I became president, I implored our employees to make ever-better cars. Since then, I often get asked what kind of cars are ever-better cars.

I have a certain idea of what makes a better car. It's not necessarily the same as someone else's idea of a better car. What makes a better car depends on the driver. It is for this reason that cars can only be made in the streets and not at a desk.

However, back in 2009, not many people understood what I meant by this. It's not enough to simply tell someone that the streets make the car. I knew I had to show them what it means. That's why I continued to take part in the 24 Hours of Nürburgring endurance race.

"The streets make cars and toughen people up" became something of a catchphrase. However, changes in car making do not happen so fast.

On the front lines, each department was focused on its own specialized area of car making, and they were not handling the overarching car making process as a united team.

That was when I first went to Le Mans. It was the year after the car driven by Kazuki Nakajima, which was in the lead, suffered a mechanical failure just before the finish line. When I dropped into the pit, the drivers talked with me. In a qualifying race, Kamui Kobayashi had seized pole position with an astounding time. He passed the trophy to me while thanking me. It made me want to get closer to the drivers and race alongside them.

Racing, however, is hard. That year, only Kazuki's car finished the race, with the team coming in 8th overall, and 2nd in its class. The other two cars had to be retired from the race. After the race, the drivers said to me, "We're sorry it won't be at the very top, but would you stand on the winner's podium with us?"

The difference between first and second place podium was a height of about 70 centimeters. I thought, is this frustration—this second-place podium—the highest we can reach? I desperately

Making Ever-better Cars: From a Starting Point in Motorsports

wanted to help the drivers stand at the top. I wanted to prove that Toyota could make the kind of strong car that they would want to drive. I swore to myself, standing on that podium one level down, that we would change Toyota to be capable of the kind of car making needed to achieve that, no matter what.

That year, we took on another new challenge: The World Rally Championship, or WRC. We entrusted the task of putting together a team from scratch to Tommi Mäkinen. A legend himself, having won the WRC four times, he knew how to win. However, that was not the only reason I asked for his help. There were many things I wanted to learn from him, with his knowledge of a wide range of cars, including those of Mitsubishi and Subaru. We made only one promise to each other: to make the Yaris at the end of the season the strongest Yaris ever. The team kept this promise.

Our current team principal, Jari-Matti Latvala, was a star driver for other teams before Toyota returned to the WRC. He was such a star, in fact, that I waited in the hotel lobby for him to come out when I first went to watch the WRC. Since then, he has helped secure numerous victories as a Toyota driver, and this season, as team principal, became a triple crown holder.

Over the past five years, Latvala has, without a doubt, constantly helped make the Yaris stronger as both a driver and principal. For next year's WRC, to which Toyota will bring a new car, I am sure he will assemble a team of professionals that is like a close family and hates to lose.

Recently, I have been deliberately adding "from a starting point in motorsports" to the phrase "ever-better car making."

For 12 years, people have told us that there's no way that Toyota can realize this kind of car making. Now, however, Toyota has finally changed, realizing a kind of car making in which not only its engineers and mechanics, but its professional drivers, professional engineers, and professional mechanics all work together, as a team, to advance car making.

Now that this team has come together, we have at last reached the point where we can begin ever-better car making from a starting point in motorsports.

Motorsports are a starting point for an ever-better car.

We will leverage motorsports to make ever-better cars, from the top categories driven by professional drivers, to customer motorsports driven by amateur racing drivers, the sports cars driven by our many customers, and even down to family cars, and beyond that, automated driving.

As for myself, what I know is that I love cars, and I love driving.

I am very fortunate to now have others who love cars, love driving, and are passionate about motorsports working alongside me.

Initiatives Promoting a Carbon-Neutral Society in Finland

In August 2023, the City of Jyväskylä (Mayor: Timo Koivisto), TOYOTA GAZOO Racing World Rally Team (CEO: Yuichiro Haruna, hereinafter TGR-WRT) and Toyota Mobility Foundation (Chairman: Akio Toyoda, hereinafter TMF) signed a Letter of Intent (LOI) towards future collaboration, aiming to achieve a carbon neutral, sustainable, and diversified society through community development in harmony with people and nature.

The purpose of the LOI is for the three parties to identify short-, medium-, and long-term joint initiatives in this area, centered around a new TGR-WRT Development Center to be established in Jyväskylä, Finland.

The City of Jyväskylä is situated in the heart of the Central Finland lake district. With a population of 146,000, the seventh largest and most popular city in Finland to live in, Jyväskylä, is considered the country's capital of sport as well as being a youthful city with dynamic universities and businesses.

TGR-WRT has been based near the city of Jyväskylä since Toyota returned to the FIA World Rally Championship (WRC) in 2017, during which time it has built a strong relationship with the city. The new TGR-WRT Development Center, with a focus on community development, not only plays a central role in the operation of the WRC activities, but also serves as a new base for developing ever-better cars in Europe, utilizing the variable surface test roads available in the Jyväskylä area. The Development Center will also aim to reduce the CO_2 emitted by entire TGR-WRT's WRC activities through decarbonizing and emissions reduction initiatives developed with the city of Jyväskylä and TMF and offset CO_2 emissions through the introduction of wooden buildings with carbon storage benefits, forest protection through biodiversity enrichment and continuous cover management, and private power generation facilities and mobility using hydrogen.

(Left to right) Shigeru Hayakawa, Deputy Chairman of Board Directors of TMF; Akio Toyoda, Chairman of the Board Directors of TMF; Timo Koivisto, Mayor of Jyväskylä; Yuichiro Haruna, CEO of TGR-WRT

Rendering of the completed TGR-WRT Development Center

Toyota and Sports

ToyotaTimes  TOYOTA TEAMS & ATHLETES

Sports Embody the Values and Corporate Culture That Toyota Cherishes

Passion for Sports Passed Down Since Toyota's Founding

Toyota's passion for sports has been a constant since the Company's founding in 1937. That same year, founder Kiichiro Toyoda organized Toyota's first sports club, the track and field club. Since then, Toyota and its athletic clubs have grown and developed together. Chairman Akio Toyoda explains why he thinks this came to be.

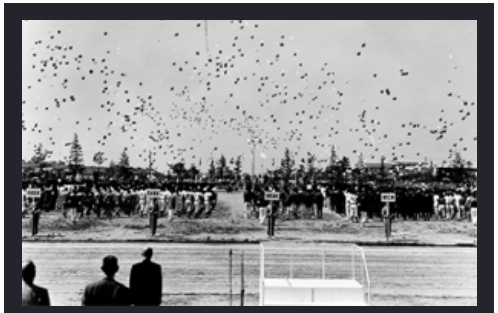
"More than 80 years ago, our founder Kiichiro Toyoda created a sports club along with the Automobile Division. But what was the sports club for? The spirit of "never giving up" and the spirit of working "for the team," which encourages effort on the behalf of others—I believe these were exactly the mindsets the founding members needed as they recklessly took on the challenge of establishing an automotive industry in Japan. Kiichiro must have felt that sports could help strengthen the values they should cherish, creating Toyota as we know it today.

Sports clubs grew in tandem with the Company

Sports Clubs Grow alongside the Company

Following the track and field club, a judo club was created in 1938. As the years went on, Toyota added more sports clubs to its roster, notably soccer, rugby, and volleyball clubs. Club activities were put on hold during the war years but resumed in earnest thereafter. Four clubs, including men's and women's volleyball clubs, were established in 1946 alone, and a total of twelve were set up in the five years from then to 1951.

1951 also marked the first-ever All-Toyota Games, an event in which Toyota Group companies competed with each other through various athletic events, representing growing enthusiasm for sports activities at Toyota.



Opening ceremony of the All-Toyota Games in May 1965

In 1964, Tokyo hosted the Olympic and Paralympic Games, a proud moment for the country that led to increased popularity of corporate sports leagues and teams in Japan. Around this time, Toyota helped establish a corporate-backed sports league, the Japan League, to allow companies from across the country to come together in friendly competition. Not only did this build solidarity among Toyota's employees, it helped forge ties across Japan's economic sector. It was also during this era that Toyota started to open and operate overseas, leading to a growing international view of the world, including with regard to sports activities.

By the 1970s, Toyota had 35 different sports clubs divided among its primary working locations in Japan. For example, the Tokyo office had basketball, while track and field club was in Aichi Prefecture, where the Tahara Plant is located, and at the Higashi-Fuji Technical Center in Shizuoka Prefecture it was soccer. Some of these clubs started to include athletes that participated regularly in worldwide competitions. Sports had taken a prominent position in the minds of employees at Toyota.

Internationally, Toyota made the decision to become the main sponsor of the Toyota Europe/South America Cup (Intercontinental Cup) soccer competition in the mid-1980s. This event brought together reigning champion clubs from the European and South American confederations in a competition to claim the distinction of the world's top club team. The event was renamed the "Intercontinental Cup" in 1984, and the "FIFA Club World Championship presented by Toyota" in the mid-2000s. Toyota continued to support the competition as its main sponsor for three decades until 2014.

Developing Sporting Equipment for the Paralympics—Seizing Opportunities to Transform into a Mobility Company Offering Freedom of Movement for All

It was around this time that the Olympic and Paralympic spirit spread to Toyota. In 2015, Toyota signed on to become the official worldwide mobility partner of the International Olympic and Paralympic Committees.

Approximately 300 Global Team Toyota Athletes from 50 countries and regions competed at the recent Olympic and Paralympic Games in Tokyo and Beijing. Toyota not only joined with Group members and partners around the world to cheer these athletes on, the Company worked with the event staff, developed sporting equipment, and supported athletes' second careers.

We believe that sports are not just about competition; first and foremost they are about bringing people together. In this spirit, we've worked with local chapters of the Special Olympics over the years, and in 2017 we became an official global partner.

The Special Olympics strives to create a better world by fostering the acceptance and inclusion of all people through sport and promotes Unified Sports, which joins people with and without intellectual disabilities on the same teams in order to build relationships of mutual understanding and support. We see the opportunity to work with Special Olympics as a way to expand our own view of the world and help create a more inclusive, harmonious society.

Sports Embody the Values of Toyota

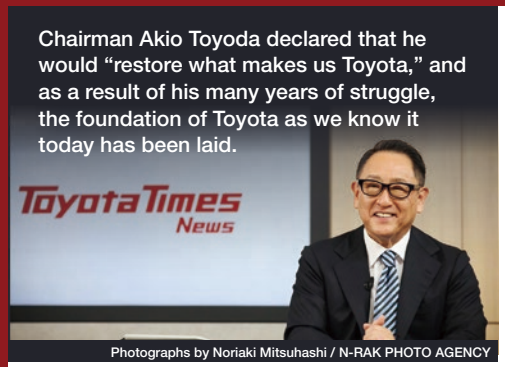
Since its founding, Toyota has continued to believe in the power of sport to bring people together and boost morale, regardless of market conditions or the broader business challenges it faces. We are proud of the long history of our sports teams, and will continue to cherish them.
The values of sport—taking on challenges, never giving up, teamwork, and respect—are also the values and corporate culture of Toyota.

Every day, across the globe, athletes demonstrate the values of humility, hard work, determination, and perseverance.

It is our admiration for these values that continues to drive us to support the creation of a more inclusive and sustainable society in which all people can start their impossible.

Toyota's Foundations as a Carmaker


Honorary Chairman Shoichiro Toyoda Inducted into Automotive Hall of Fame—Akio's Message



Photographs by Noriaki Mitsuhashi / N-RAK PHOTO AGENCY

Toyota's Origins Rediscovered in a Desperate Start

During his tenure as company president, Chairman Toyoda often remarked that he "couldn't recall a single year of peace and quiet." His term as president began just after Toyota fell into the red during the very difficult time after the 2008 global financial crisis. Through crisis after crisis—major recalls, the Great East Japan Earthquake, the floods in Thailand, and the COVID-19 pandemic—the Company has always maintained "what makes us Toyota" as its guiding light.

Just prior to Toyoda's appointment as president, Toyota experienced the worst annual loss since its founding. Although triggered by the 2008 global financial crisis, the root cause of the loss was the Company's policy of expansion in pursuit of volume and profit. As this growth continued without a solid base beneath it, Toyota gradually lost sight of itself. After much reflection on these missteps, then-President Toyoda set out on a mission to bring back what makes us Toyota.

Just what is it that makes us Toyota? To start, Toyota relies on the Toyota Production System (TPS). Though the TPS is typically defined as an automotive production system that improves efficiency by eliminating waste and pursuing rationality, its true essence lies in making people's work easier. This is an idea that can be traced back to Toyota's roots of Toyoda Automatic Loom Works Ltd., founded by Sakichi Toyoda in 1926. Sakichi was inspired to begin manufacturing looms out of a desire to make his mother's work easier, seeing her work late into the night at her loom. The ingenuity born from that desire resulted in increases in both efficiency and productivity.

The TPS does not apply only to the production *genba* (front lines); it is a philosophy and skillset for everyone working at Toyota. For this reason, Toyota has also provided TPS training geared toward engineering and administrative departments. Our predecessors at Toyota have united like a family around the TPS as a common language to bring together their wisdom. Like the annual rings of a tree, these efforts have built up over time and become the very core of Toyota's competitiveness. This is precisely what makes us Toyota, what we must bring back, and what will become the power we need to blaze a path toward the future in these turbulent times.

Bold Organizational Structure Reforms for What Makes Us Toyota

We have also placed our focus on implementing changes to our internal organization.

The number of officers in our management team has been greatly reduced and an in-house Company system has been introduced to accelerate decision making. The personnel system was also shifted to one that emphasizes roles rather than titles.

In addition, the triangular table used by the Labor-Management Council has also garnered a lot of attention. At ordinary Labor-Management Council meetings, representatives of the company and the union sit on opposite sides of a table, facing each other. In contrast, at Toyota's Labor-Management Council meetings, the management team, representatives from the Company (from operating officers to section managers), and union representatives are seated at the three sides of a triangular table, with everyone facing each other. Our goal for these meetings is for union representatives, executives, managers, key personnel, and everyone else involved with Toyota to able to engage in face-to-face discourse and conduct open and honest discussions on what makes us Toyota.

Chairman Toyoda once made an appeal for members of the Toyota family to try seeing things from perspectives outside of their own. In discussions, rather than simply arguing your own point of view, discuss what you can do for the customer or for your colleagues. As Toyota itself originated from the idea of making the work of others easier, he was calling for a basic stance based on what makes us Toyota.

One of the philosophies Chairman Toyoda was absolutely determined to put into practice was what he called the "top-down" management approach. For Toyota, "top down" refers to members of the management team going down to various *genba* and trying things out on their own, without unduly shifting responsibility upon their subordinates. This is in line with Toyota's traditional idea of *genchi genbutsu* (onsite, hands-on experience) and fundamental focus on the *genba*. It is, in a word, the practice of what makes us Toyota.

At the same time, we ask our employees to work "from the bottom up." This means approaching members of top management with ideas and having them voluntarily change the way work is done rather than forcing the logic of those on the front lines upon them. An organization in which members of both the upper and lower levels complement one another, working side-by-side, is the Toyota ideal.

Hope Shining beyond Hardship

In 2020, the Toyota Philosophy was announced, born from a reinterpretation of a cone-shaped diagram labeled, "What is Toyota?" that was developed more than 60 years ago.

The Toyota Philosophy includes the mission of "producing happiness for all," which has roots in the dream of Toyota Motor Corporation's founder Kiichiro Toyoda to manufacture a domestically produced car for the masses. Kiichiro wanted to make the car, a vehicle that brings happiness, available to everyone. Our mission of "producing happiness for all" is to bring Kiichiro's wish into the future as a mobility company. It is through the daily improvements we make toward this goal that we find what makes us Toyota.

At the Toyota Philosophy's announcement, then-President Toyoda remarked, "What is important is that we use that cone graphic as a base to continue discussing what it is that makes us Toyota. I believe we should use this as a tool to reflect on ourselves as we face changes in the environment."

Over the past 14 years, we have faced unprecedented crises time and again. What makes us Toyota—that unique quality inherited from our predecessors—has been the light of hope that shines beyond the hardships. Toyota is what it is today, because we have continued to look straight ahead, pushing forward toward that light.

In 2023, the late Honorary Chairman Shoichiro Toyoda was inducted into the Japan Automotive Hall of Fame with Chairman Toyoda receiving the award on his behalf. The following is the address Chairman Toyoda gave for the occasion.

> From an early age, my father learned about the *monozukuri* (manufacturing) spirit from his grandfather Sakichi and father Kiichiro, and practiced the ethos of action over words and always following through. Then, at the age of 27, following Kiichiro's death, he joined Toyota as a director.
>
> Beginning in the turbulent postwar period, he shouldered the heavy responsibility of being a Toyota leader for more than half a century. I believe he embodied Sakichi's words—"Open the door, it's a big world outside"—by paving the way for Toyota to move beyond Japan and become a global company.
>
> Yet, he was more than a businessperson. As chairman of Keidanren, Expo 2005 Aichi, and the Institute of Invention and Innovation, he maintained strong convictions and a broad perspective, working to create a society where children could have hopes and dreams and all the world's people live in peace and prosperity.
>
> Above all, he was a man who continued to pursue Kiichiro's dream, vision, and spirit in seeking to make Japan a prosperous nation.
>
> This was rooted in ideas that Toyota has cherished since its founding: *genchi-genbutsu*, building quality into the process, ceaseless innovation, and the belief that *monozukuri* is about developing people.
>
> I will never forget these words from my father: "Creating something new means racking your brains, toiling, and losing yourself in the process. These moments are the ultimate pleasure. There is no greater joy or excitement than seeing someone enjoying or benefiting from a product that you worked hard to make. That's what drives Toyota to keep learning and striving to create something even better."
>
> As these words suggest, my father was also an engineer with a lifelong love and dedication to *monozukuri*. Knowing my father, I am sure nothing would make him happier than to follow the respected Kenya Nakamura* as an inductee into the Japan Automotive Hall of Fame.
>
> * Toyota's first chief engineer in charge of the development of the Crown and the Century.

Toyota's Vision for a Mobility Society

ToyotaTimes  Accelerating the shift to a Mobility Company: President Sato Talks about Toyota's Future

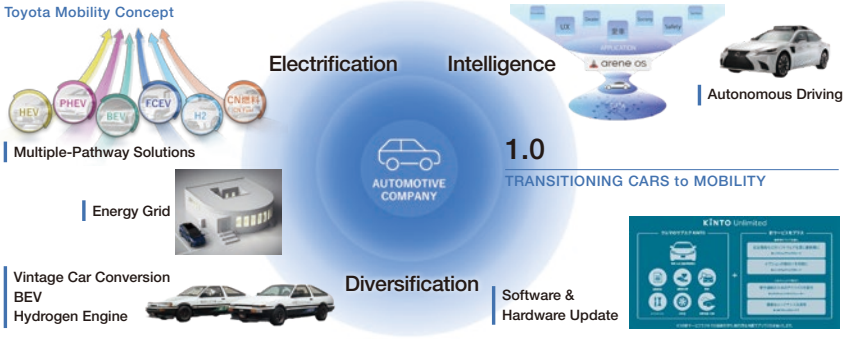
Toyota Mobility Concept

Carbon Neutrality and Expanding the Value of Mobility: Two Principles of the Toyota Mobility Concept

Evolving the car to be more useful to society based on essential values—safety, security, and being fun to drive—cultivated over decade and realizing a mobility society in which everyone can move freely, happily, and comfortably... As we work toward such a future, we will continue our transformation into a mobility company in three domains.

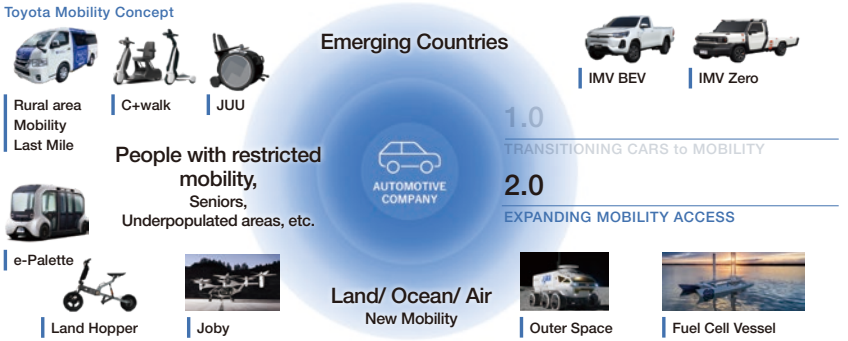
"Mobility lies beyond the future of the car"
Cars lie at the center of our transformation into a mobility company. To expand the possibilities of cars, it is necessary to evolve based on the long cultivated concepts of "best-in-town" and "ever-better cars."

Mobility 1.0 Transitioning Cars to Mobility



Battery electric vehicles offer new possibilities in such roles as mobility that transports electricity, collectively serving as an energy grid, and enhancing society's energy security. Intelligence can also evolve cars even further by utilizing information gathered from them and our customers. Our software platform Arene OS holds the key to this new kind of car-making. Connecting the latest hardware and software will enable cars and various software applications to link freely. Arene OS will fulfill an important role as a platform to support this kind of evolution.

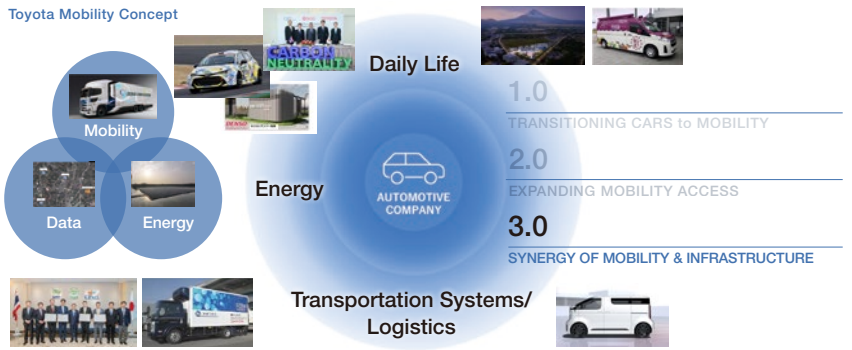
Mobility 2.0 Expanding Mobility Access



There are many people for whom we are as yet unable to provide mobility support, such as the elderly, people living in depopulated areas, and people in emerging markets in which the car market is still under developed. New mobility possibilities, such as mobility in the sky, are also expanding. Toyota, in addition to having a full lineup of vehicles, has a network of colleagues across industries, including in new forms of mobility, such as the e-Palette, and the domain of MaaS (Mobility as a Service).

Leveraging these strengths, we would like to go beyond our current scope of business to provide greater mobility support to our customers around the world.

Mobility 3.0 Synergy of Mobility & Infrastructure



We will proceed with our demonstration experiments in Woven City to create mobility ecosystems that tie into energy and transportation systems, logistics, and our daily lives as well as being integrated with cities and society and a future that realizes well-being.

For example, we will advance our development of a new logistics system, and city-integrated autonomous mobility while demonstrating a CO_2-free hydrogen supply chain that starts from Woven City and potential uses of hydrogen in our daily lives.

In addition to these demonstrations that utilize digital technologies, from 2025, we will accelerate comprehensive demonstrations in real cities, leading to social implementation together with our partners.

Toyota's Vision for a Mobility Society

Why a Mobility Concept?

Toyota's commitment to becoming a mobility company was made by Chairman Toyoda back in 2018.

At that time, while CASE* technology was seen as the driver of change in the automotive industry, then-President Toyoda was clear that this transition was about something bigger.

People's lives the world over are changing. From what we wear, to what we eat; from what we watch, to where we sleep; from how we work, to how we learn—people have literally become addicted to choice.

And with this expansion of choice, people have more flexibility to align their consumption with their personal values.

Gone are the days of mass trends in design and fashion. People are empowered and confident to live their lives on their own terms, in their own way.

Meanwhile, technology has further enabled and inspired this change, creating a spiral of progress that shows no signs of stopping.

Quite simply, becoming a mobility company is all about creating unique mobility solutions and experiences for everyone.

Mobility that embraces not only the movement of people, but also fully integrates the goods, services and connectivity that they demand—mobility that gives people "freedom in motion."

This is why we are moving forward with the multi-pathway approach.

*Connected, autonomous, shared, and electric

1.0 Transitioning Cars to Mobility

Providing choice starts with looking at all people, all around the world.

Our global business, the "best in town" approach, is structured to give us this insight.

Different communities need to take different paths to a sustainable future. Wherever in the world they live, whatever their situation, whatever their income level, we don't want to leave anyone behind.

Multi-Pathway Approach

So, providing mobility choice may start with a multi-pathway approach, but we are also acutely aware that BEVs are the missing piece in this strategy.

We believe the future customer will be unwilling to compromise when it comes to choosing between emotional design and functional needs.

They will expect ecological solutions as well as the exhilaration of movement. They will expect the connectivity and integration of their digital lives to be seamlessly and intuitively built in, and they will expect specific solutions to their diverse lifestyle desires.

BEVs, through their unique attributes, offer the chance to provide answers to these needs in the form of new and exciting choices, enhancing our entire line-up, and allowing us to take the first step toward the "transition cars toward the mobility era."

That's the theory…so what does it mean in practice?

There are three key areas that will require a paradigm shift in thinking if we are to answer these needs.

Firstly, to truly provide a "no compromises" experience, we have to fundamentally rethink the vehicle layout.

Next-generation architecture allows us to radically change the distribution of space between human and machine and to deliver more from less.

The driver moves forward, creating space efficiency in a smaller, lighter footprint. The front of the vehicle is dramatically reduced in size for incredible visibility. The occupants sit low, creating a sleek and beautiful silhouette as well as a low center of gravity for improved driving dynamics.

The key to achieving these breakthroughs is that, simply put, all components, from battery height to HVAC and motors to gigacasting, will be minimalized to achieve the most efficient engineering without losing one ounce of beauty.

The Lexus LF-ZC is the result of these efforts, and a commitment to starting production in 2026.

Secondly, to produce the connectivity with not only people's lives, but also with society, we have to break the cycle where digital attributes are considered separately from physical hardware.

At a fundamental level, the synergy of hardware with the Arene OS will act as a catalyst for new experiences and solutions.

For example, the content and services of the digital era are crucial to creating unique choice but, in many cases, the driver is not part of that experience.

In a fundamentally new approach, traditional control devices will be replaced by content that is displayed depending on the situation, creating an intuitive and simpler user interface that anticipates needs.

Software-enabled hardware will also allow user-defined drive programs that instantaneously change the character of the vehicle for a personal driving experience like no other.

And it doesn't end there.

The car is literally a moving sensor that can see, touch, hear, and even smell. Input from cameras, microphones, and other sensors enables unprecedented personalization and also provides information for application makers to create previously unseen content based on the unique situation and location of each and every car and user.

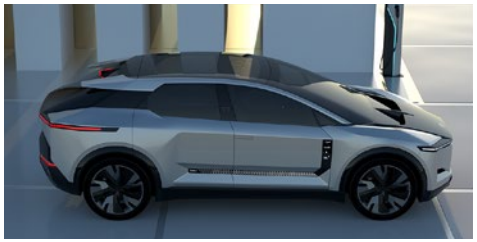
Toyota's Vision for a Mobility Society

A fusion of sensors, data, AI, and a voice concierge allows digital interaction with the world surrounding the car in real time, redefining the car as a sensor and creating unique content from motion.

And thirdly, we have to embrace the exponential diversity of mobility as people increasingly demand concepts that answer all their lifestyle needs.

The next-generation platform not only minimalizes components, but also has flexibility and adaptability built in from the outset.

For example, the three-part chassis, or the standard "steer by wire" approach allows us to adapt the same internals to create a new ultra-versatile SUV like the FT-3e, or when an adrenaline rush is needed, how about a four-wheel drive sports car like the FT-Se?



The possibilities for excitement in the BEV age don't end there. The Land Cruiser Se and EPU further demonstrate how our future lineup will continue to inspire fun and adventure in our customers.

What sets us apart in our thinking on BEV car-making is simple—we love cars!

I think you will agree that these vehicles are anything but commodities and that software will allow all these cars to grow and improve with the user, increasing the experiential value of the vehicle throughout ownership.

So, part 1.0 of the mobility concept "transitioning cars to mobility," satisfies the need for vehicles that provide unique, connected experiences without compromises.

2.0 Expanding Mobility Access

As a company, we could easily stop there, but for Toyota, "mobility for all" is about providing opportunity for all.

People are no longer prepared to accept the restrictive "norms" of the present day, and we don't think they should either.

People want to live life to the full, regardless of physical constraints. They want unique solutions for their economic and cultural circumstances and they want the freedom to go further than traditional mobility can take them.

2.0 of the mobility concept is about increasing opportunities for people who are currently excluded.

We promised that nobody would be left behind, but the reality is that there are 1.3 billion people in the world who experience serious disability, and for them, together with the elderly, the loss of mobility is the same as losing their independence. In Japan, this is especially relevant as almost a third of the population is over 65, and this in itself represents a chance to lead the world in seeking new solutions.

While we cannot promise solutions for all, there are many for which we can imagine answers that would radically change the potential for them to enjoy for freedom of mobility.

Toyota's 60 years of providing mobility for disabled people is something that we are incredibly proud of. And, with the technical innovations just outlined, new possibilities are now a reality.

The NEO steer system, developed together with Paralympic skier Taiki Morii, allows total control of the vehicle without use of the lower body. This is only made possible by steer-by-wire technology, where minimal lock-to-lock allows all controls to be mounted on the steering wheel.

Toyota's Vision for a Mobility Society

The JUU allows independent movement whatever the infrastructure situation.

The future of mobility for the physically impaired should not be a passive approach, but rather one that is based on empathy and respect, understanding that everyone wants to enjoy their life to the fullest. Where and how you live also makes a big difference in the choices you seek.

IMV 0 is a low-cost vehicle specifically aimed at South East Asia. Income is one of the biggest hurdles to mobility access, but not the only one. Usage scenarios in some parts of the world are more varied and more specific than others. We see an opportunity to offer vehicles only 70% complete at point of sale—the remainder is limited only by the customer's creativity.

Build your own car at your own pace, according to your own budget to meet for your own unique needs.

But, no matter how flexible cars are, there will always be places they cannot reach.

The all-electric Land Hopper forms a seamless extension of the car, taking you further than the car's capability alone would allow. Individual mobility will also no longer be restricted to land.

Joby* and Toyota Marine will bring zero-emission personal travel to the air and the water, while the Lunar Cruiser will explore the furthest reaches of mankind, showing that hydrogen is as essential now as it was for the first moon landing.

* Joby Aviation. Toyota and Joby are collaborating on the development and commercialization of all-electric vertical take-off and landing (eVTOL) aircraft.

3.0 Synergy of Mobility & Infrastructure

3.0 is the final piece of the jigsaw puzzle. Integrating products, services, and goods with infrastructure is in many ways the ultimate goal of becoming a holistic mobility company.

Kayoibako, as a B2B product, is an example of how this can be achieved, as it allows you to do what you want, when you want, where you want. It is designed to be efficient and effective in all respects—transporting goods, as a platform for selling goods or adapted to serve as a moving multi-use space for personal use.

However, it doesn't finish with the physical box. More importantly, it is designed to interact with society and other mobility solutions.

For delivery, robots can potentially do the loading and unloading at warehouse and customer points. In hospitals in Japan, Toyota robots already negotiate corridors and elevators to deliver medicine.

Together with real-time Digital Twin modelling, working in parallel with the real world at an even greater efficiency is possible. We have already started on this road with the CJPT Alliance, where we are currently carrying out real life testing through the E-TOSS system. This has already shown that sharing information between vehicles in real time can achieve significant energy and manpower savings, as well as cost reduction. Increasingly, however, society is defined by how you manage energy and data.

We believe that a sustainable future requires that mobility not only uses energy, but also stores, carries, and shares energy symbiotically with other parts of society.

As mobility makes cars literally become sensors on wheels, the ability to share collected data and computing capacity also opens up new possibilities.

Inter-connecting vehicles with people, goods, and information is not only about efficiency, it could also provide security and peace of mind, helping people to live life on their own terms.

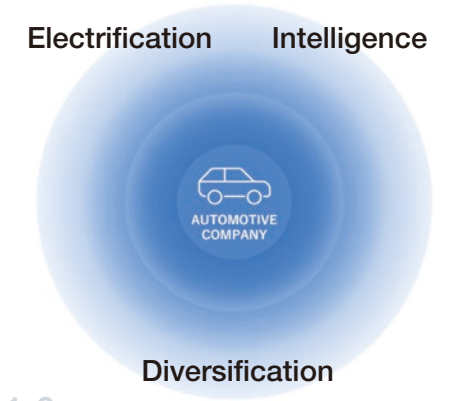
The three stepping stones to the mobility world will not be easy, but we believe that mobility is opportunity, and that opportunity is one route to happiness for all.

Toyota's Vision for a Mobility Society

Product-centered Management

Right now, the right answers for the future are unknown. It is therefore all the more important to blaze the path forward. With this in mind, Executive Vice President Hiroki Nakajima spoke about product-centered management.

Toyota Mobility Concept



The Toyota Mobility Concept. It is centered on enhancing the value of the car, expanding new mobility and freedom of movement, and providing new services and energy solutions as part of social systems.

I will explain the three approaches that hold the key to realizing this vision: electrification, intelligence, and diversification.

Electrification

Let's start with electrification. I want to begin by saying that **we remain firmly committed to our multi-pathway approach**. We will continue to tailor electrification to the needs of customers and individual regions by drawing on the strengths and characteristics of each vehicle type.

1. BEVs (Battery Electric Vehicles)

We have plans for 2026 to release next-generation BEVs entirely different from those of today—BEVs created by carmakers. This new generation of BEVs will double driving range by using batteries with far greater efficiency while also offering design and driving performance to set hearts racing.

At the same time, we will transform manufacturing. Drawing on the strengths of the Toyota Production System, we will change the way we work to reduce the number of processes by half. This will entail a shift to more efficient lines, including autonomous inspections and unmanned transport powered by connected technology. We will completely transform the landscape of our production plants.

We also aim to achieve carbon neutrality at all of our global plants by 2035. Also, we will overhaul existing supply chains by working with suppliers to procure superior quality parts at lower prices.

To realize these transformations, we created a new specialized unit in May 2023. Working under a single leader entrusted with full authority, this all-in-one team will handle every function, from development to production and business operation.

Supporting this is our competitiveness in such areas as per-unit development cost and investment in in-house production, both of which have been halved by the Toyota New Global Architecture (TNGA). We will provide the team with comprehensive support through the power of our 10-million-unit-strong sales and revenue base.

2. PHEVs (Plug-in Hybrid Electric Vehicles)

By increasing battery efficiency to extend the EV-mode cruising range beyond 200 km, we will reposition PHEVs as "the practical BEV" and put greater focus on developing this as another BEV option.

3. FCEVs (Fuel Cell Electric Vehicles)

We will pursue mass production centered on commercial vehicles. One feature of FCEVs is that the energy source, hydrogen, is lightweight. As such, even when designed for greater cruising ranges, vehicles are not as heavy as BEVs, and less space is required. Refueling is also much quicker.

Taking advantage of these strengths, we will work with business operators to promote FCEVs by starting with commercial vehicles, such as medium- to heavy-duty trucks. Additionally, we started basic research on hydrogen engines for heavy-duty commercial vehicles 2022.

4. HEVs (Hybrid Electric Vehicles)

We will continue to improve our products with a focus on high quality and affordable prices by accounting for local energy conditions and customer ease of use.

We are also committed to becoming carbon neutral with fuel options not only for new vehicles, but also for vehicles already on the road, which outnumber new vehicles by a factor of about 20.

Intelligence

Next is intelligence. Specifically, the role of intelligence in the cars themselves, the underlying services, and in expanding our connection to society.

First, the shift to intelligent cars. This will involve expanding advanced safety technology, multimedia, and other constantly evolving feature updates to all of our vehicles. At the same time, alongside advances in the onboard operating system, **our next-generation BEVs will enable users to customize "ride feel" according to their preferences for how the vehicle accelerates, turns, and stops.** By also honing the vehicles' essential attributes, we will create cars that are more fun to drive in terms of both hardware and software.

Next is intelligent services. From 2023, we began the public rollout of new services that connect cars to cities and infrastructure. Examples of such services include, logistics systems that use real-time traffic information to boost transport efficiency and systems that provide optimal energy management. Partnering with cities and public facilities, we will also expand our BEV charging network while providing a variety of services that support the energy grid and daily living. These efforts are already under way at Lexus.

Then, there is the role of intelligence in society. **Woven City, our mobility test course, will serve as a living laboratory for trialing various ways of connecting people, cars, and society.**

For example, in the area of connected logistics services, we will use Woven City to address any issues that come to light through real-world trials, before once again implementing these services on public roads. By repeating this process, we will accelerate the realization of an intelligent society.

Toyota's Vision for a Mobility Society

Diversification

Finally, we come to diversification. Our approach to diversification goes beyond cars to mobility itself and even the energy sector.

Firstly, the diversification of cars will involve expanding our product lineup, services that utilize connected technology, as well as parts, accessories, and business collaborations with new partners.

Next is the diversification of mobility. For example, we have developed a one-touch system for securing wheelchairs in vehicles that utilizes the know-how we have accumulated over many years of developing assisted mobility vehicles. Sales of the system were planned to start in 2023, and we remain committed to ensuring stress-free travel for wheelchair users. We will also expand our efforts to new mobility businesses, such as our collaboration with Joby.

Next we have energy diversification.
Demonstrations using hydrogen extracted from water as well as unused food and other waste in addition to carbon-neutral fuels made from biomass and other resources have already begun in Japan and Thailand. We will hone these energy use technologies through motorsports, aiming to promote their widespread adoption in society.

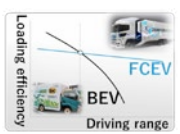
Today I've talked about electrification, intelligence, and diversification. Through our cars, we aim to create the future by working together with like-minded partners to spread the value of these ideas to all of society.

Electrification

Multi-Pathway Solutions

BEV — BEVs created by a carmaker

FCEV — Mass production centered on commercial vehicles



PHEV — Practical BEVs

HEV — Catering to local needs

Intelligence

Expanding Our Connection with Society

Car — Intelligent cars

Always up to date

Run
Turn
Stop
→ Customizable "ride feel"

Advanced safety
Multimedia
→ Updates

Services — Intelligent services

Optimization

Real-time management

Society — Intelligent society

Car test course

Mobility test course

Living laboratory

Public trials

Diversification

Car to Society

Car — Car diversification

Mobility — Mobility diversification

Energy — Energy diversification

Toyota's Vision for a Mobility Society

Region-centered Management

Executive Vice President Yoichi Miyazaki spoke recently about Toyota's efforts to enhance region-centered management.

Maintaining and strengthening our solid business foundation will remain essential to realizing the Toyota Mobility Concept.

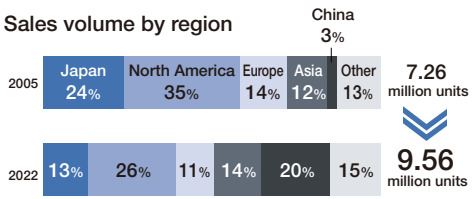
I would like to begin with a review of the role that region-centered management has played and the results it has achieved so far.

Reductions Equivalent to 7.7 Million BEVs

Aiming to become a best-in-town carmaker, under the banner of "let's make ever-better cars," Toyota has provided high-quality cars developed based on the Toyota New Global Architecture (TNGA). Taking care to account for the unique characteristics and individuality and needs of each region, these cars have been sold under the leadership of the regional CEOs.

Results of Region-centered Management

Sales volume by region



As a result, **we have increased sales in emerging markets and achieved an exceptionally well-balanced regional sales mix**.

In addition to lowering R&D costs and buyer incentives through the effects of the TNGA, the steady, continued application of our strengths in **timely product improvement to meet the needs of each region and cost reduction in cooperation with suppliers** has led to a dramatic increase in earning power. As a result, **we have evolved to be able to grow earnings while investing in the future for further growth**.

Together with our employees, shareholders, and suppliers, we have built a cycle of growth.

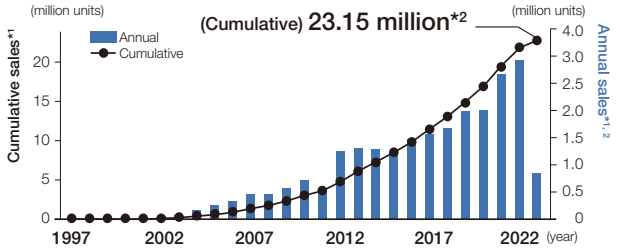
We have also actively promoted the introduction of electrified vehicles. Since the introduction of the first-generation Prius, we have sold a cumulative total of 23.15 million units, **resulting in a CO_2 emissions reduction equivalent to that of approximately 7.70 million BEVs**.

The lead role has been played by HEVs, the performance and cost of which has been refined with each successive generation. As a result, **the cost of hybrid systems has dropped to one-sixth of the original cost, making the profitability of HEVs comparable to that of gasoline vehicles.**

Toyota has thus been able to **greatly enhance its earning power while investing in the future, growing with stakeholders, and reducing CO_2 emissions. This truly is an achievement of our region-centered management based on efforts to make ever-better cars**.

We will continue to deepen our region-centered management to further solidify our business foundation.

Cumulative Electrified Vehicle Sales

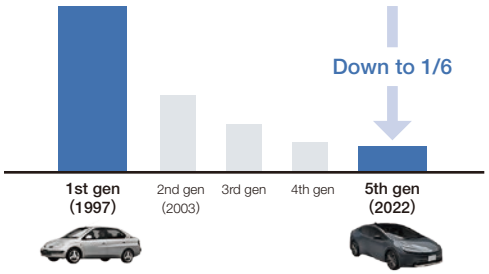


CO_2 emissions reduction effect equivalent to Approx. 7.7 million BEVs

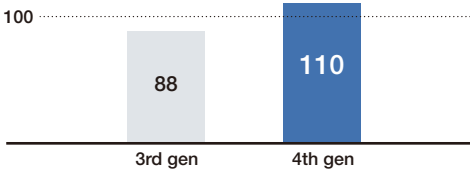
*1 Vehicle sales figures are the total of HEV, PHEV, BEV, and FCEV sales
*2 As of March 31, 2023

Growing HEV Profitability

HEV cost (difference from gasoline vehicles)



Per-unit profit on HEVs (with profit for gasoline vehicles as 100)



Figures for SUVs in North America

Carbon Emissions Know No Borders

To do so, the first thing that we must consider is how to achieve carbon neutrality.

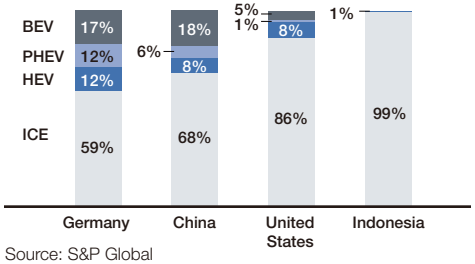
Carbon knows no borders, and finding ways to reduce CO_2 emissions is an issue that cannot wait. We need to immediately start with what we can do now.

To spread the use of electrified vehicles as quickly as possible and with as many vehicles as possible, we need to be very attentive to the specific needs of our customers, taking into account local electrification progress and the diverse ways that cars are used.

Accordingly, alongside the enhancement of our BEV lineup, we will continue to enhance the attractiveness and competitiveness of all powertrains, including HEVs and PHEVs.

A Detailed Regional Approach Is Needed to Accommodate Differences In Electrification Progress

Market composition by powertrain (2022)



Source: S&P Global

Carbon Neutrality

Multi-pathway approach

Toyota's Vision for a Mobility Society

Preparing for Next-generation BEVs and Dramatically Expanding Product Lines in Developed Markets

From here, I will touch upon our BEV initiatives in each region.

In developed countries, parallel to the preparation of next-generation BEVs, we will greatly expand our product lineup, focusing primarily on models in the bZ series with further refined performance.

In the United States, in 2025 we will start the local production of a three-row SUVs equipped with batteries made in North Carolina, where we will work to increase production capacity.

In China, along with the bZ4X and the bZ3, announced in March 2023, **we will launch two BEV models locally developed to fit local needs in 2024**. We will continue to increase the number of models in subsequent years.

In Asia and other emerging markets, we will diligently work to meet the nascent demand for BEVs. Specifically, **local production of BEV pickup trucks launched in 2023, and smaller battery models will be introduced in the future.**

In developed countries, the switch to BEVs is expected to advance as markets mature, while in emerging nations, markets are expected to expand due to new demand.

With a full lineup of profitable HEVs and PHEVs and a growing selection of diverse BEV options, Toyota will steadily meet wide-ranging global demand and pursue further growth.

Targeting Growth in Emerging Markets with HEVs as a Source of Income

For growth in emerging markets, profitable HEVs will be used as a source of income. With a value chain of 10 million units, we will also capture a wide range of business opportunities.

In addition, we will make the most of cost reductions achieved by leveraging the strengths of the Toyota Production System (TPS) and the benefits of *Kaizen* (continuous improvement).

As a result, **we will generate greater future investment capacity for the expansion of BEVs and the mobility domain, and we will establish a strong business foundation whereby carbon neutrality and growth can both be achieved**.

Going Deeper to Be Even More Welcome Locally

Next, I will explain how we will work to realize the Toyota Mobility Concept.

With technological innovations in electrification, intelligence, and diversification progressing, we will ambitiously work toward contributing to local communities and the greater good through industry from a broader perspective.

For example, in the United States, the automotive industry is facing major challenges, with people moving away from the manufacturing sector and structural costs increasing.

By combining worksite-honed **craftsman skills with intelligence to propose new processes of manufacturing and automation, we can give back to the United States in the form of keeping manufacturing in the country while solving the labor shortage problem**.

We also announced an overview of collaborations with Charoen Pokphand and the Siam Cement Group in Thailand on April 3, 2023.

This is the start of the implementation of electrification and connected technologies to link vehicles, people, and information, and utilize mobility as if it were part of the social infrastructure.

Through these initiatives, **we will take on the challenge of solving such local problems as heavy traffic congestion, air pollution, and frequent road accidents**.

We believe that this approach is one way of realizing the mobility concept.

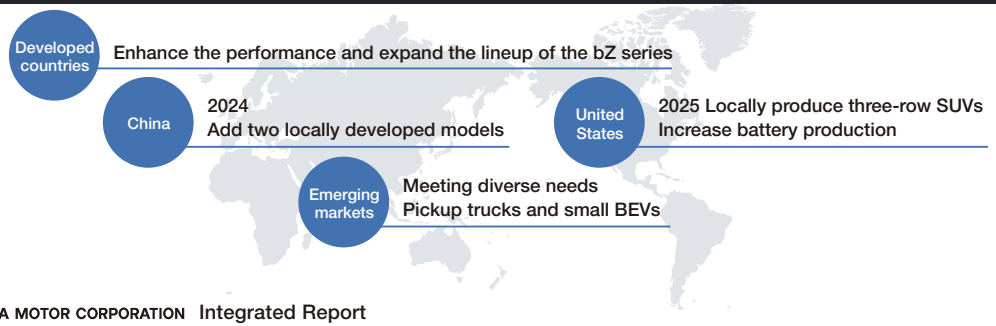
While leaving no one behind, contributing to the achievement of carbon neutrality, and addressing local social issues, we will advance our transformation into a mobility company.

The source of further growth will be to have people in each region happy to see Toyota growing and doing more in their communities.

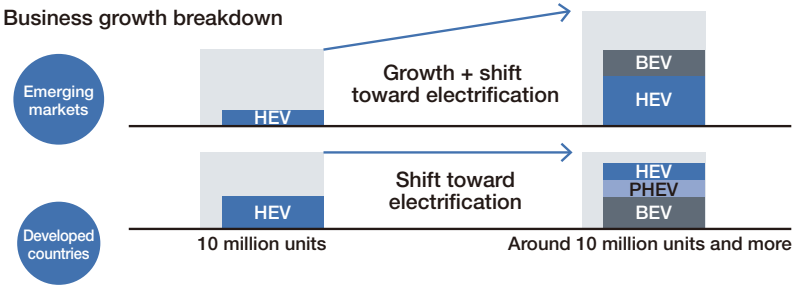
We will strive to align our standards and ways of thinking with the broader communities where we operate and look inwards at ourselves from the outside. With flexible thinking and a willingness to take on challenges, we will take positive action.

Putting these principles into practice, we will grow as a company that is even more deeply accepted by local communities.

BEV Initiatives by Region (Up to 2026)



Addressing both Electrification and Growth in Emerging Markets with the Global Lineup



ToyotaTimes  Will Toyota's New Technology Get More People Hooked on Motorsport?—Round 5 Motegi

Human-centered Car Making

Motorsports—Developing the DAT

Photographs by Noriaki Mitsuhashi / N-RAK PHOTO AGENCY

Toyota's history in motorsports dates back more than 60 years. Having raced in all manner of motorsports throughout the world, Toyota's major successes gained under the most extreme conditions serve as the flesh and blood for building tomorrow's cars. In order to embody the concept of "Roads Build People and Cars," Toyota refines every aspect of its cars on the world's roads and unsparingly applies the knowledge and technology gained in this way as feedback.

All in the name of "making ever-better cars."

Embracing this philosophy which has remained unchanged for more than 60 years, Toyota continues to push the limits.

With the thought of making ever-better cars on his mind, Chairman Toyoda continues to take the wheel to hone his special knack for building the kind of vehicles he loves.

"To make motorsports sustainable." There is a powerful motivation that's evident as Chairman Toyoda, aka Morizo, looks back over his activities.

Morizo's current efforts to advance motorsports are shining the spotlight in one particular direction: a newly developed eight-speed sport automatic transmission (AT), called Direct Automatic Transmission, or DAT.

At Round 5 of the 2023 ENEOS Super Taikyu Series Supported by Bridgestone, held in September, Morizo drove a GR Yaris equipped with the new technology. He and his team successfully completed the five-hour race.

An AT That Outpaces Manuals

In the hands of a skilled driver, cars with manual transmissions (MTs) can be faster than those with ATs. Thus, most cars used in racing have an MT.

The DAT, however, was developed to be faster than an MT. Driver Hiroaki Ishiura, who also oversees ROOKIE Racing's #32 Super Taikyu car, explains how the DAT differs from regular ATs.

Photographs by Noriaki Mitsuhashi / N-RAK PHOTO AGENCY

> On a racetrack, a regular AT feels slippery (due to the mechanics), giving you little sense of a direct connection (with the gears).
>
> That's where the D in DAT comes in: Direct. It locks in from the moment you set off, responding linearly to gas pedal input and allowing you to shave time off your laps without any loss.
>
> For example, in an MT car, you usually drop a gear before entering a corner. DAT senses when you're braking fully and downshifts for you in preparation for the next acceleration. It anticipates the actions ahead, just as we normally do when driving.
>
> A standard AT would head into the corner without changing and only recognize that acceleration is needed when you floor the gas pedal, dropping a gear (known as a kick down). This creates a massive time lag.

A New Option for the AT-driving Majority

Project General Manager Naohiko Saito served as the GR Yaris's chief engineer and leads DAT development. He says the aim is to "expand the reach of motorsports."

Photographs by Noriaki Mitsuhashi / N-RAK PHOTO AGENCY

> Since 2016 (when GR Yaris development began), I have learned a great deal from Morizo and the pro drivers, and have gradually come to understand what makes a fun car.
>
> One day, Morizo remarked that not many people can drive an MT car, and said he wanted "to spread the joy of driving." That's how we got started working on DAT. We started figuring out the concept in the second half of 2020.

How to open the door to motorsports for this vast AT driver majority? This was the question that gave rise to the DAT concept. In 2021, with Vice Chairman Shigeru Hayakawa as the development driver, the technology was thrown into the fray at the TOYOTA GAZOO Racing Rally Challenge, a beginner-friendly event.

Photographs by Noriaki Mitsuhashi / N-RAK PHOTO AGENCY

The following year, DAT appeared in the All Japan Rally Championship in the hands of Tomoyuki Shinkai, a driver with several titles.

In 2023, the project expanded further to circuit racing, where DAT is being honed in the demanding environment of high speeds, high G-forces, and long distances.

Morizo: "DAT Is a Game-Changer"

As the project's initiator, Morizo also has high expectations for this technology.

> DAT will be a game-changer. ATs are more than just slower versions of MTs that we put up with because they make it easier for many to drive, like some think.
>
> I really want to make this (commercial release) happen, and for many people to drive these cars.
>
> One thing I learned in Super Taikyu is the difference in shifting between myself and the pro drivers. When changing gears on a straight, I lose 0.2 seconds. With two changes, I fall nearly half a second behind.
>
> With DAT, there's no time lost when shifting, so the gap between myself and the pros was smaller than usual. I can just concentrate on braking and accelerating.

While there are a few problems that must be solved before this technology can be commercialized, development of this highly anticipated new technology continues, with many racing and rally fans eagerly looking on.

ToyotaTimes

Halving Production Processes with Craftsmanship & Digital Tools—— Toyota's Monozukuri Genba on Display

The Forefront of Monozukuri : Endeavoring to Change the Future of Cars

Our Inheritance of Craftsmanship

The advanced technologies that will change the future of cars take shape at the manufacturing *genba* (the front lines). We will change the plant environment and the future of cars through human-centered *monozukuri* (manufacturing). Toyota CPO Kazuaki Shingo spoke about these strengths of Toyota's *genba*.

In this time when there are no clear answers, maintaining and enhancing the strengths of Toyota's *genba* will require development and production to transcend barriers and for us to work together like a startup to create the future, as well as plants where workers can thrive, working with enthusiasm and vigor.

The Unmatched Strengths of Toyota's *Monozukuri*

I would like to share some aspects of Toyota's manufacturing *genba* power.

First, wherever I go at Toyota, I sense the same spirit of wanting to make someone else's work easier and make everyone smile. This spirit has been present since the Company's founding is still alive and well at the *genba*. Just as when Sakichi Toyoda invented the automatic loom, that startup power is still alive and well today—creating something out of nothing, making improvements, and introducing attractive products to the world.

Seconds *monozukuri* that is highly skilled and technologically advanced is being effectively passed down. In automation, even as human operators teach robots how to achieve both high quality and high productivity, human operators are raising the level of their own skills and in turn teaching these improved skills to the robots. As this cycle continues, Toyota's skills and technologies are being refined ever more.

Third is our training of human resources and the strength of the workplace. I realized that the power of the *genba* lies in having the Toyota Production System (TPS) take root, having everyone feel a passion for manufacturing and pursuing *Kaizen* (continuous improvement) themselves, and training people for just those things. This *genba* power has enabled us to achieve a full lineup with annual sales of 10 million units, answering the diverse needs of our customers.

The automotive industry is now in an era of transformation, a change in the game with survival at stake. Because we are in such an era, it is all the more important to effectively pass on Toyota's unique techniques and the three things I felt at the *genba*—the *monozukuri* strengths that only Toyota possesses.

Evolving *Monozukuri*

I want to change the future of car-making through Toyota's techniques. To achieve this, we need to evolve *monozukuri* through the fusion of skills and techniques with digital and innovative technologies; and to shorten lead times so that we can be agile and continually take on challenges.

Toyota has a TPS-based technique called lead-time reduction. I believe that the strength of Toyota's *monozukuri* lies in increasing the speed of evolution and responding to broader changes in the industry and society.

We will also change the future of *monozukuri* by changing the plant environment. To do this, I am willing to break the status quo of our production divisions.

We will halve the number of processes using Toyota's techniques along with digital and innovative technologies. We will eliminate the barriers between development and production to provide new mobility quickly. We will also work to resolve issues in the foundations underlying *monozukuri*, such as factory carbon neutrality and logistics. All these will be achieved through the power of the *genba*, where people and technology help each other.

Toyota has been and will continue to be a pioneer, mass-producing happiness for all by creating people-centered *genba* where work is done to bring smiles to others, where gratitude overflows, and where people can work with enthusiasm.

Preparing a high-gloss "Piano Black" style bumper using paintless technology

A master sheet metal worker creating a hammered finish

The Century: A Singular Automobile Representing the Height of Japanese Sensibilities

On September 6, 2023, the new Century, a singular automobile representing the height of Japanese sensibilities, enjoyed its world premiere. Presenter Simon Humphries, Toyota's Chief Branding Officer (CBO), introduced this chauffeur-driven car that has evolved with the times

It Takes a Nation to Build a Century

Today marks a special moment for a car at the very pinnacle of the Toyota portfolio—the Century. The Century is a singular automobile representing the height of Japanese sensibilities. Born as the pride of Toyota, the Century has become the pride of Japan. It takes a nation to build a Century.

It takes a nation to build a Century.

And that nation is changing. But to understand the future, we must first understand the past. Every great product is created by great people. Through those products, they inspire ever greater accomplishments. The Century was named in honor of one of those individuals.

Century for the Next Century

First introduced in 1967, the Century commemorated the centenary of the birth of Sakichi Toyoda, founder of the Toyota Group. The principles of disciplined creativity that Sakichi lived and worked by remain the core principles of Toyota to this day.

During the development of the first Century in the 1960s, Japan was still a rising economy. Toyota was yet to compete with exotic imported luxury cars.

When Shoichiro Toyoda commissioned the Century, it was a huge gamble.

For over a year, Shoichiro worked day and night embedded in the Century team led by Chief Engineer Kenya Nakamura. Cutting-edge technology alone was not enough—they needed to embrace Japan's heritage and cultural values to create something completely new and unique. The philosophy that gave birth to the Century was handed down from generation to generation. Throughout this time, Shoichiro remained personally involved in the development of all three generations of Century.

For the most recent sedan in 2018, I witnessed this attention to detail firsthand. Over 90 years old at the time, his single-minded vision for the Century was unclouded. I remember being taken aback by the detail of his questions, down to the exact position of the rear seats.

But millimeter by millimeter, degree by degree—he led us to see what he saw. To explain this focus, I need you to imagine a day in the life of a Century customer—often an individual for whom public service extends to every movement in every moment they are seen. Where arrivals and departures are the first and last impressions they imbue. The elegance of the transition from public to private realms is an art in itself. The Century's role was to make that transition as natural and seamless as possible.

His greatest lesson to us—the key to the finest attention to detail in car-making—is to show the finest attention to detail in customer understanding. And that customer is changing. New generations are leading new industries with new ways of thinking and new ways of working. Akio Toyoda was acutely aware of this. He knew that the Century had to change.

But he also believed that it had the potential to move with the times without sacrificing what it stood for. He inspired us to embrace those changing times and take a more adventurous path.

A Century that was dignified but bold, thoughtful but confident, subtle but expressive...
The Century's phoenix motif could not be more fitting. The opening of a new era...
Ladies and gentlemen, a Century for the next century!

Toyota's Vision for a Mobility Society

A Bold Addition to the Legacy

I think you'll agree, this is a bold addition to the Century legacy. I remember when we first showed the car to Chairman Akio Toyoda, his reaction was a simple, "wow!" A completely new direction, but still very much a Century.

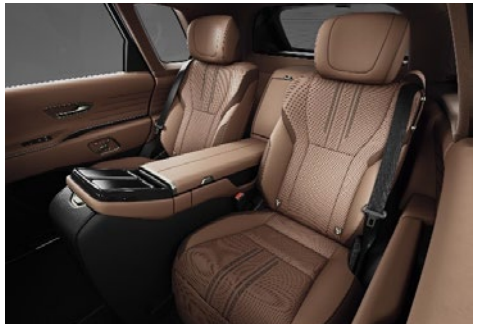
And together with the sedan, the new vehicle was worthy to stand at the apex of Toyota—the two wings of the phoenix.

So how did we get to this answer?
It all revolves around the requirements of a unique group of customers. They need space to work, but also to rest. They want space to converse, but also to escape.

They seek space to think, but also be inspired. They value privacy, but also embrace public life. That is, we needed to create a car that allowed the customer to curate their own personal experiences—both practically and emotionally. The result is a flagship like no other and it's uniquely Japanese.

This architecture allows customers to seamlessly move between experiences, by the minute and in the moment. And, at the center of this world is the rear seat.

When concentration and productivity is a necessity, everything you need is at your fingertips, but never in your way. Not only practical elements, but also creating just the right distance for privacy between passenger and driver. But, productivity also requires inspiration and creativity—space to think and relax.



As the quietest car we make, the Century is the perfect environment. At any speed, occupants can converse naturally without raising their voices. With the plug-in powertrain, the majority of everyday journeys will be silent—and zero emission.

This, together with four-wheel-steering and four-wheel drive, will allow professional drivers even greater control over vehicle dynamics, providing an even smoother ride for all passengers. Within this serene environment, you can freely choose the lighting and acoustics to suit your mood—from electrochromatic glass to an audio system that taps into Japan's experience in creating some of the world's finest musical instruments. But there are times when sleep is the only answer. Take off your shoes, fully stretch out, and recline into a cocoon-like environment—your own private oasis. And these features are just the start. Naturally, every Century can be tailor-made to your requirements—whether that's color or materials or seat configurations or even down to how you choose to alight from the vehicle on arrival...

In other words, you can even choose your own door—whether that's the ultra-wide-opening swing door or maybe something more dramatic. How about that for an entrance? Rest assured, when your journey comes to an end, you will step out of the Century refreshed. The opportunities are limited only by your imagination. If you want to drive the vehicle yourself at the weekend, the GRMN* will certainly not disappoint.

* Gazoo Racing, tuned by the Meister of the Nürburgring

The possibilities are endless and open to discussion.

At Toyota, we believe in the value of Freedom in Motion for everyone, whatever their situation or position.

Within this, the role of chauffeur-driven mobility cannot be underestimated. The car is an expression and extension of the customer's values—whether that be the sleek elegance of the zero-emission, fuel cell Crown sedan, or the ultimate power and space of the Alphard and Vellfire.

We provide the opportunity for people to choose how they wish to express themselves.

The Century sits at the tip of Toyota's vision for chauffeur-driven mobility. It is bold and dynamic, but still retains its discerning taste. It's inherently simple, but also has great depth. It is modern, but still has a connection to its heritage. The Century embodies everything that's good about Japanese sensibilities, both aesthetically and conceptually.

The heritage of tomorrow is the innovation of today. *Kuruma no mirai wo kaete iko!* (Let's change the future of cars!)

Toyota's Vision for Carbon Neutrality

Basic Concept of Multi-pathway Strategy

The push for carbon neutrality is a matter of urgency if cars are to remain a necessary part of society.

Providing our customers around the world with options for mobility under our multi-pathway strategy while also promoting the decarbonization of our *monozukuri* (manufacturing) and supply chains serves as the core of our activities.

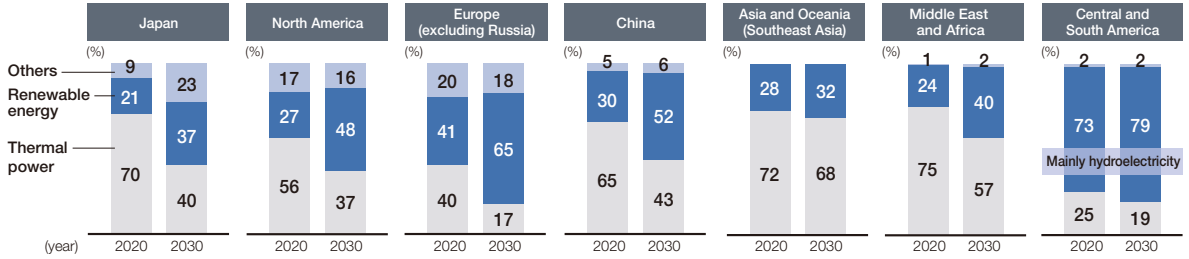
Considering ways in which mobility takes into account the future of energy is important.
The strategy's basic premise is that we need to move away from fossil fuels from the perspective of the global environment and sustainability.

Furthermore, over the medium to long term, renewable energy sources will continue to proliferate, with electricity and hydrogen emerging as the primary energy sources sustaining society. In the short term, however, it is critical to acknowledge global realities and implement changes in practical ways that maintain energy security.

This is precisely why we are committed to providing mobility options that are in tune with a diverse range of energy situations and customer needs, while also keeping an eye on the future of electricity and hydrogen. In short, the underlying concept of our multi-pathway strategy is to focus on promoting practical transition even as we pursue carbon neutrality.

Varying Energy Situations by Region

Source: IEA WEO2021 STEPS scenario



Diverse options (Multi-pathway solutions)

- Next-generation BEVs to be launched in 2026
- Sales volume to reach 3.5 million units per year by 2030

- Practical BEVs
- Developed PHEVs with EV driving range of 200 km or more

- Effective means to reduce CO_2 emissions immediately

- Contributes to CO_2 emissions reduction from owned vehicles*1

*1 New and previously sold vehicles

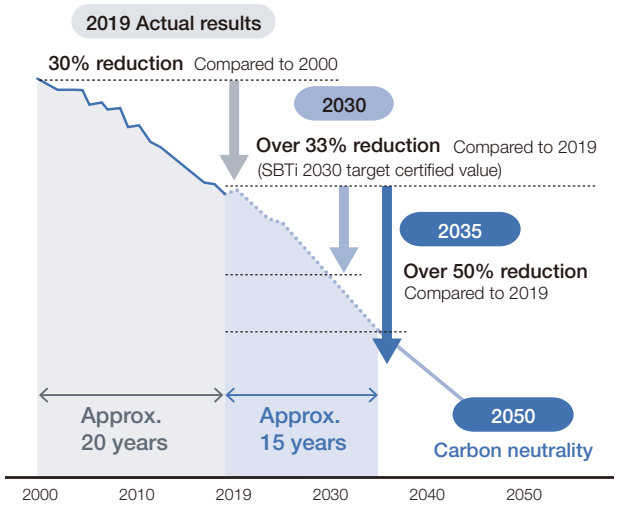
- Development of hydrogen engines utilizing internal combustion engine technology

- Mass production and commercialization of vehicles mainly used for commercial purposes
- The annual number of Toyota vehicles equipped with fuel cells will total 100,000 (2030)

Greenhouse Gas (GHG) Reduction Targets

We are fully committed to the goal of achieving carbon neutrality in 2050 over the entire life cycle of our vehicles. We aim to reduce the average greenhouse gas emissions of vehicles sold worldwide by 33% by 2030 and by more than 50% by 2035 compared to 2019.

Well to Wheel GHG Reduction Targets*2
Global (including emerging countries)
Amount of new car greenhouse gases per car

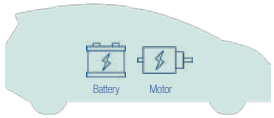


*2 Includes greenhouse gases emitted during the production of fuel and electricity, in addition to greenhouse gases emitted while driving

Toyota's Vision for Carbon Neutrality

References Source: Global sales (S&P Global)

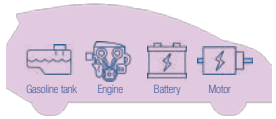
BEV
Battery **E**lectric **V**ehicles



Electric vehicle
As it lacks an engine, the vehicle is powered solely by a motor. Vehicle can run without direct CO_2 emissions while in operation.

2022 Global Market
8.15 million units
Main markets where penetration is expected
China / North America / Europe

PHEV
Plug-in **H**ybrid **E**lectric **V**ehicles

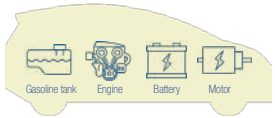


Rechargeable and, like BEVs, capable of running solely on electricity without CO_2 emissions in various circumstances of daily use. For long-distance driving, the vehicle can run on both motor and engine power, offering a long cruising range.

- Operation is possible without charging infrastructure

2022 Global Market
3.05 million units
Main markets where penetration is expected
Developed Countries / China

HEV
Hybrid **E**lectric **V**ehicles

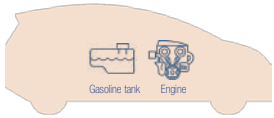


Hybrid vehicle
Achieves low fuel consumption by effectively using two propulsion systems: an engine and a motor.

- No need for new infrastructure facilities

2022 Global Market
10.4 million units
Main markets where penetration is expected
All over the world including emerging countries

CN Fuel
Carbon **N**eutral **F**uels

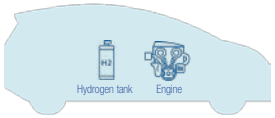


Utilizes e-fuel (synthetic fuel) and sustainable biofuels in conventional internal combustion engines. Although CO_2 is emitted during combustion, the fuel is called carbon neutral because it utilizes CO_2 in the surrounding atmosphere as a raw material and has no effect on the total amount of CO_2.

- No need for new infrastructure facilities
- Can be used with already owned vehicles

Main markets where penetration is expected
All over the world including emerging countries

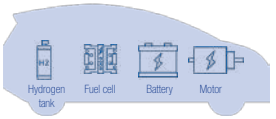
H2
Hydrogen Engine Vehicles



Hydrogen is used as fuel in conventional internal combustion engines.
Despite being an internal combustion engine vehicle, it can run with virtually no CO_2 emissions while in operation. Development is underway as a new option for the future.

Main markets where penetration is expected
China / Europe / North America / Japan

FCEV
Fuel **C**ell **E**lectric **V**ehicles



Fuel cell vehicle, also known as hydrogen fuel cell vehicles
The engine-less vehicle runs on a motor powered by electricity generated through a chemical reaction between the hydrogen and oxygen in the tank. Vehicle can run without direct CO_2 emissions while in operation

2022 Global Market
20,000 units
Main markets where penetration is expected
China / Europe / North America / Japan

Energy Use (mid- to long-term)

Electricity — Hydrogen

Carbon neutral fuel

The Challenge of BEVs

1. Life cycle GHG emissions*3 vary depending on the local energy situation

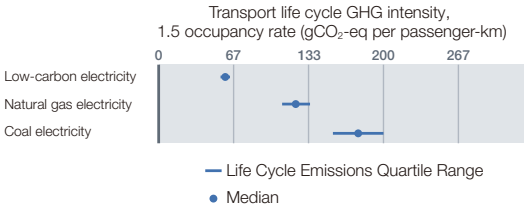
Compared to power generated from coal or natural gas, electricity from renewable energy sources emits fewer emissions of greenhouse gas.

While pursuing carbon neutrality, we must address the diverse energy situations of the world in the short term.

*3 Greenhouse gas emissions throughout the production process all the way through to driving and disposal.

Life Cycle GHG Emissions of BEVs by Source

Source: IPCC AR6 WG3 Chapter 10 "Transport"

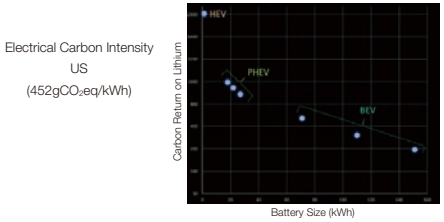


2. Effective Use of Battery Resources

When a small number of batteries are installed per vehicle, electric vehicles can effectively reduce greenhouse gas emissions. However, as the number of batteries increases, the effect becomes less significant because the average driving distance per vehicle is insufficient. This means that battery resources must be used effectively.
(The carbon return for each powertrain is represented by the dots on the graph; lower lithium levels correspond to more effective greenhouse gas emission reductions.)

Battery Loading and GHG Emission Reduction

$$\text{Carbon Return on Lithium (CROL)} = \frac{\text{GHG emissions prevented (g)}}{\text{Lithium invested (g)}}$$



Source: carghg.org

Open-Source Software
Open-Source,
Actual Driving Data
Peer-Reviewed Papers

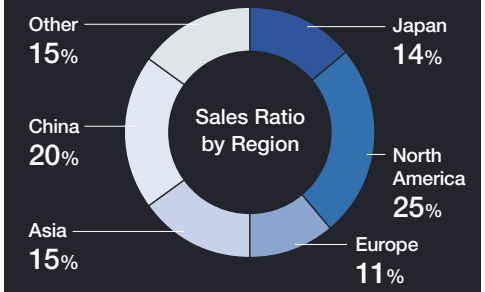
Model:
Same Vehicle
(Latest Model Year Small SUV)
Different Power Trains

Multi-pathway Strategy

Meeting Diverse Global Needs with Our Full Lineup

(Toyota and Lexus Vehicle Sales for the Fiscal Year Ended March 2023)

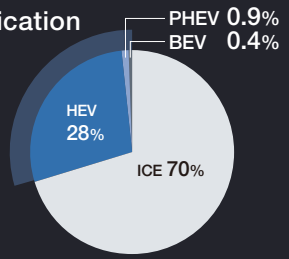
Global



Sales by Series (Thousands of units)

Series	Units
Corolla	1,538
Yaris	900
RAV4	847
Hilux	648
Camry	642
Highlander	379
Tacoma	260
Levin	195
Fortuner	177
Avanza	175

Electrification rate 30%



(Thousands of units)

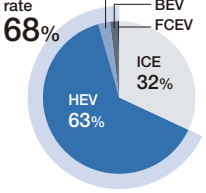
Powertrain	Sales
Internal combustion engine (ICE)	6,761
Hybrid electric vehicle (HEV)	2,720
Plug-in hybrid vehicle (PHEV)	88
Battery electric vehicle (BEV)	38
Fuel cell electric vehicle (FCEV)	3
Total	**9,610**

Europe

Sales by Series (Thousands of units)

Series	Units
Yaris	359
Corolla	179
C-HR	113
Aygo	93
RAV4	87
Proace	70
Hilux	43
Land Cruiser Prado	23
Lexus NX	17
Lexus UX	12

Electrification rate 68%



(Thousands of units)

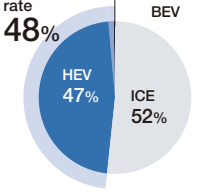
Powertrain	Sales
ICE	339
HEV	660
PHEV	26
BEV	19
FCEV	7
Total	**1,044**

Japan

Sales by Series (Thousands of units)

Series	Units
Yaris	175
Corolla	140
Roomy	99
Sienta	93
Hiace	91
Aqua	74
Noah	73
Voxy	71
Raize	70
Alphard	60

Electrification rate 48%



(Thousands of units)

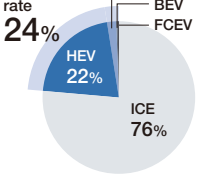
Powertrain	Sales
ICE	729
HEV	665
PHEV	11
BEV	2
FCEV	1
Total	**1,407**

North America

Sales by Series (Thousands of units)

Series	Units
RAV4	467
Corolla	348
Camry	314
Tacoma	259
Highlander	234
Tundra	122
4Runner	114
Lexus RX	106
Sienna	69
Lexus NX	67

Electrification rate 24%



(Thousands of units)

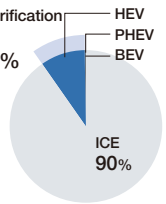
Powertrain	Sales
ICE	1,827
HEV	528
PHEV	39
BEV	5
FCEV	2
Total	**2,400**

Asia (excluding China)

Sales by Series (Thousands of units)

Series	Units
Hilux	224
Avanza	159
Corolla	155
Yaris	127
Innova	123
Fortuner	111
Agya	82
Rush	64
Vios	63
Raize	49

Electrification rate 10%



(Thousands of units)

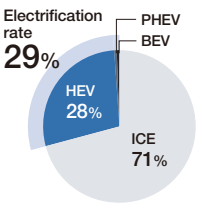
Powertrain	Sales
ICE	1,265
HEV	132
PHEV	2
BEV	1
FCEV	0
Total	**1,400**

China

Sales by Series (Thousands of units)

Series	Units
Corolla	465
Camry	221
Levin	195
RAV4	150
Wildlander	127
Highlander	117
Avalon	98
Sienna	87
Lexus ES	83
Yaris	81

Electrification rate 29%



(Thousands of units)

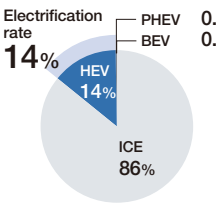
Powertrain	Sales
ICE	1,325
HEV	531
PHEV	9
BEV	11
FCEV	0
Total	**1,876**

Other

Sales by Series (Thousands of units)

Series	Units
Hilux	352
Corolla	251
Yaris	145
Land Cruiser	140
RAV4	83
Camry	73
Fortuner	65
Land Cruiser Prado	58
Hiace	41
Rush	36

Electrification rate 14%



(Thousands of units)

Powertrain	Sales
ICE	1,276
HEV	205
PHEV	1
BEV	1
FCEV	0
Total	**1,483**

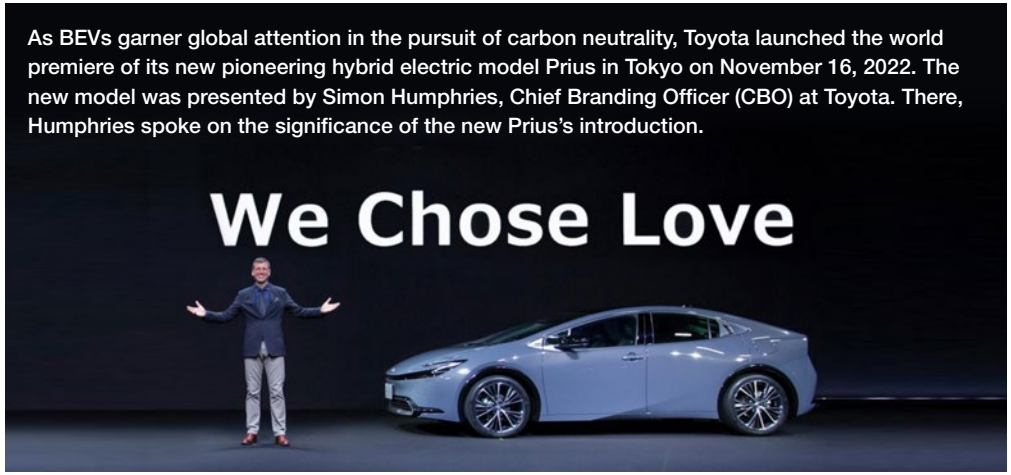
ToyotaTimes 

Why Keep Making Hybrids? Mission of the All-New Prius

Hybrids and Plug-in Hybrids

The Prius: A Car That Is Loved for More than Its Numbers

As BEVs garner global attention in the pursuit of carbon neutrality, Toyota launched the world premiere of its new pioneering hybrid electric model Prius in Tokyo on November 16, 2022. The new model was presented by Simon Humphries, Chief Branding Officer (CBO) at Toyota. There, Humphries spoke on the significance of the new Prius's introduction.



The Prius's Greatest Achievement

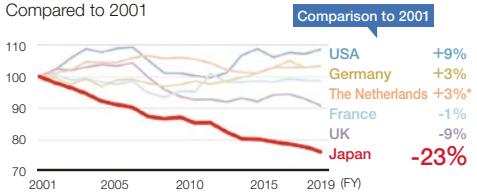
You know, with the current focus on BEVs it seems not a day goes by without hearing "How long are you going to keep making hybrids...?" So today, I'd like to talk about Toyota's new hybrid car! But maybe I can give you an insight into the passion behind the next-generation Prius, including an interesting struggle between President Akio Toyoda [current Chairman] president and the development team, about the direction we should take.

The Prius debuted in 1997. Its name comes from the Latin word for Pioneer. Since the launch of the first-generation Prius, Toyota has sold a total of 20.3 million hybrids globally, reducing CO_2 emissions by approximately 162 million tons. Japan has reduced its CO_2 emissions by 23% compared to 20 years ago, a high level by international standards.

International Comparison of CO_2 emissions by Automobiles

The reduction of CO_2 emissions by 23% is significantly larger than other countries. The Japanese automotive industry has an advantage in having led the reduction efforts.

2001: CO_2 emissions for the future as a whole set at 100
Compared to 2001



* The Netherlands 2018 Source: IEA

In North America, Toyota alone has sold more than 5.2 million hybrid vehicles and reduced emissions there by approximately 82 million tons. However, the Prius's greatest achievement lies not only in those numbers. Rather, it opened up a viable alternative to gasoline and diesel. Since then, hybrid technology has been adopted and developed not only by Toyota, but by the entire automotive industry. The Prius opened the door to a different way of thinking.

Why We Need Hybrids Today

And here in 2022, times have changed; not a day goes by without talk of the road to carbon neutrality. But in addition to hybrids, BEVs are also achieving major technological breakthroughs and solidifying their position as the standard for the future. As President Toyoda stated at the BEV event on December 2021, "an EV for everyone," Toyota has embraced BEV as a critical part of our product portfolio.

We have started to introduce a full lineup of exciting electric vehicles that meet the diverse needs of our global customers, together with hybrid, plug-in hybrid, and fuel cell technologies. But as President Toyoda says, "BEVs are an important solution, but they are not always the best option for everyone. In a diversified world, we need a variety of options."

The Reason for the Prius' Existence

However, despite these explanations, we're still faced with people asking "how long are you going to keep making hybrids...?" In the face of this, President Toyoda was adamant that "The Prius is a model that must be kept."

Why? Simply because the Prius is an eco-car within everyone's reach.

In order to achieve carbon neutrality, everyone in the world must participate. We need ecological solutions within reach of many. And it needs to start today, not tomorrow.

Toyota believes that eco-cars can only contribute to the environment if they are popularized. And from that point of view, the Prius is a car for the majority. It is a car to be driven by all people, not just a few. That is its greatest strength, the reason for its existence, and the reason the Prius brand should not be lost. Although everyone in the development phase agreed to these goals, the methods to achieving them were hotly debated.

"Commodity" or Something to "Love"?

Should the next Prius focus on becoming a "Commodity" or something to "Love?" President Toyoda proposed that the next Prius should evolve toward becoming a true commodity. Why don't we make the next Prius a taxi? Increasing the number of Priuses in heavy use, long mileage situations would simultaneously increase its contribution to the environment.

He also proposed to sell the Prius as an OEM vehicle through other manufacturers, taking the environmental technology of the Prius, which has been cultivated over many years, and not limiting it to just the Toyota group. This would contribute to a carbon-neutral society by spreading the Prius's environmental technology beyond the boundary of a single manufacturer.

But on our side, we also believed there was another way. We wanted to make a car that people would choose not only for its rational benefits, but also for the emotional experience.

Multi-pathway Strategy

Without a doubt, pursuing rationality, fuel efficiency and other numerical values imposes many restrictions and makes designing the car no easy task. However, we really believed that the next step for Prius was to become a car without compromises in order to increase its appeal to the customer. A car that is loved not only for its numbers.

I honestly don't think President Toyoda thought we would be able to achieve this, given the difficulties we had faced in the past. But he did not oppose us. On the contrary, he gave us a chance to fight, saying our team's choice of love instead of commodification was "interesting." When he saw the final design, he said "That's cool!" Together, we chose love. Everybody, the new Prius.

Five Reasons to Love the Prius

We hope there will be many reasons to love this car, but here are my top five!

Number one, it's beautiful, or at least I'd like to think so! So, what has changed this time? I think it was a mutual understanding that good design cannot be created by designers alone. The engineering team's efforts to lower the ride height, lengthen the wheelbase, and increase the tire size to 19 inches are not exactly logical.

But because of that we were able to take the iconic silhouette of the Prius to the next level. It's not only sleek, it's strong and stable. It's not only bold and simple, it's full of surface movement, it's got attitude! But it's not just design that triggers an emotional response.

Number two, it is a BEV with an engine. Dual Power with Synergy PHEVs deliver unparalleled performance thanks to the dual synergy of motor and engine.

2.0L Plug-in hybrid system

It can accelerate from 0 to 100 km/h in six seconds. Its range in EV mode has been extended by more than 50% compared to the current vehicle. In many average usage situations, it is, to all intents and purposes an EV.

Number three, amazing driving dynamics. The TNGA platform has matured, and the driving dynamics will not let you down.

We have achieved a lower center of gravity, even with large-diameter tires. By increasing the rigidity of the body, we have achieved firm and stable response in straight lines and easy line tracing in corners according to the driver's intention. Combined with the latest powertrain, the result is an even more captivating driving experience.

Number four, digitalization and quality. In this day and age, a superior integrated digital experience should not be ignored. Not only has a 12.3-inch center screen been adopted, but the layout is such that the digital environment enhances rather than detracts from the driving experience.

Prius interior

Combined with high material quality and innovative illumination, we have also made the interior user experience a captivating one.

Number five, yes, it is still the most efficient hybrid vehicle in its class, in the world. You can be safe in the knowledge that all the exciting stuff has not come at the expense of actively contributing to carbon neutrality. The road to zero emissions is certainly a steep one. But we must not forget that we are doing it for the sake of the earth.

Beyond Zero, a brighter and happier future awaits all of us. But that journey has to start, not only today, but also with the maximum number of active participants. Whether the technology is battery electric, plug-in hybrid, fuel cell, hybrid, hydrogen, or some yet-to-be-discovered technology, we will make every effort to offer better solutions for the majority of people around the world.

Something Only Customers Can Answer

Will commodities or love prevail? That's only something the customer can answer. How do you guys think this match will go? Personally, I look forward to seeing people around the world enjoying and growing to love the new Prius.

ToyotaTimes  Toyota Reveals the Future of Cars with Next-Generation Battery and Hydrogen Technologies

Battery EV Strategy

In May 2023, Toyota launched BEV Factory, a specialized organization that brings together all the functions and authority needed for the development of next-generation BEVs only a carmaker can provide. Mr. Kato, who leads the BEV Factory, expressed his thoughts as follows.

The BEV Factory hopes to change the future through the transformation of cars, manufacturing, and work

The Future of Cars

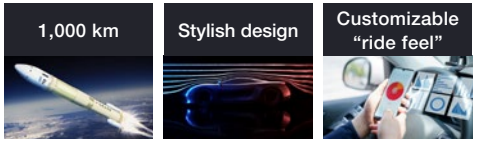
First, we will change the future of cars. This means evolving the products we provide to customers.

Through the integration of next-generation batteries and sonic technology, we will achieve a game-changing vehicle cruising range of 1,000 km.

Next, we will capture customers' hearts with stylish design. AI will be used to help ensure excellent aerodynamic performance, doubling the time that designers can devote to creating beautiful cars.

What's more, the "ride feel" will be customizable. The Arene OS and full over-the-air (OTA, a system of providing car software updates via wireless transmission) support will infinitely expand the possibilities for enjoying cars.

We will deliver exciting surprises and fun, like the manual EV, to our customers with technologies that only a carmaker could create.

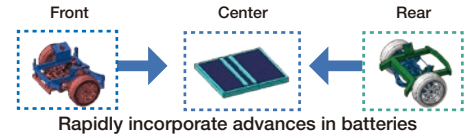


Next-generation batteries and sonic technology | AI support | Full OTA

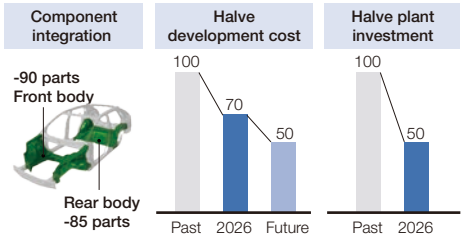
The Future of *Monozukuri* (Manufacturing)

Car bodies will be constructed from three main components in a new modular structure. Cars are assembled after each of the three modules is completed, meaning that each module can evolve separately, allowing us to move quickly, especially in the race to develop better batteries.

New Modular Structure for Car Bodies



Rapidly incorporate advances in batteries



Furthermore, the use of giga casting will allow significant component integration, contributing to the reduction of vehicle development costs and plant investment.

The future of manufacturing is about halving. Halving processes, plant investment, and production lead time—halving BEVs, so to speak.

Specifically, the new modular structure and self-propelling production technology will halve the number of processes and the amount of plant investment required. Self-propelling production, especially, will be key to building next-generation BEVs. By greatly reducing the time, effort, and cost required to modify production technologies, factories and buildings whenever a new model is introduced, this technology will accelerate the launch of new products to market.

These and other new manufacturing ideas, combined with the use of digital twin technology, will halve production lead time.

New modular structure | Self-propelling production | Digital twin

The Future of Work

BEV Factory is an all-in-one team under one leader that brings together all functions and regions, including Woven by Toyota and external partners, going beyond the framework of a carmaker.

This one organization is charged with developing the entire lineup from start to finish—from development to production planning, business planning, designing the product fleet, including that for overseas, and procurement strategy.

We will change the way we work. This one team will bring all functions to the same site, allowing everyone to share the same awareness of the issues in order to achieve quick decision making and initial response. Though still in its early days, we are already seeing positive results from this structure.

Furthermore, using Arene OS, we will improve development and evaluation efficiency. And, wide-ranging external collaboration will foster new, creative thinking, and that individual growth will change the future of the Company.

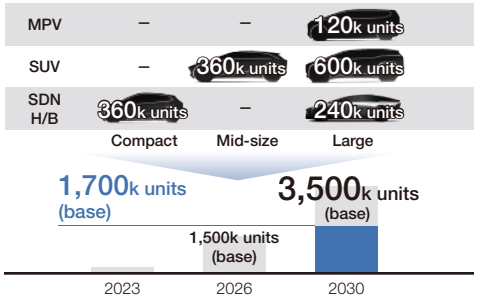
Decision making and first response | Enriching creativity

Let's Change the Future with BEVs

Our new batteries will be a key selling point that powers strong revenues in this business. Through these batteries, which will only be available in our next-generation BEVs, we are determined to become a world leader in BEV energy consumption. This is why we must first focus on battery development. Toyota's development of both batteries and vehicles in-house provides an advantage in this area.

With the resources we earn, we will improve our product appeal to exceed customer expectations and secure earnings.

Global Full Lineup Integrated Planning



Multi-pathway Strategy

Toyota has announced plans to sell 1.5 million BEVs in 2026 and 3.5 million in 2030.

We are advancing the integrated planning of the full global lineup for the next-generation BEVs. The first of these vehicles will be launched in 2026. By 2030, 1.7 million units out of Toyota's 3.5 million total BEV units sold will be provided by BEV Factory.

We plan to begin with the simultaneous launch of two large-class models, a sedan and an SUV, in 2026, followed by several models in 2028.

This unprecedented plan will be challenging, but we are motivated by the knowledge that without it, Toyota's BEV business will be eclipsed by the competition.

We must not only increase product appeal, but change our manufacturing and reduce the processes, investment, and lead time while securing revenue and increasing volume. Without all of these changes, I believe that Toyota will lose its competitive edge.

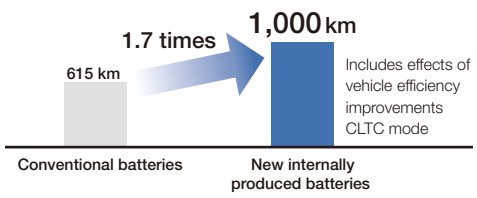
Next-Generation BEVs: Smaller is More

The next battery EV will be full of new initiatives and challenges.

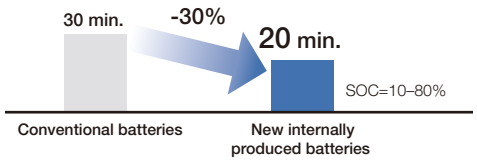
We have been focused on the potential for expansion and constant evolution of BEVs—making components smaller and uses broader.

First, our new batteries. These new batteries, with a low height and high energy density, play a key role in the evolution of BEVs. Low-height batteries, together with more compact peripheral components, enable unparalleled stylish design. Performance will also be greatly improved, with a cruising range of 1,000 km and charging time of 20 minutes.

Cruising Range

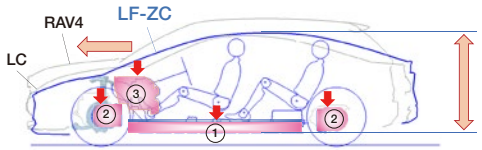


Charging Time



Changing the Shape of Cars

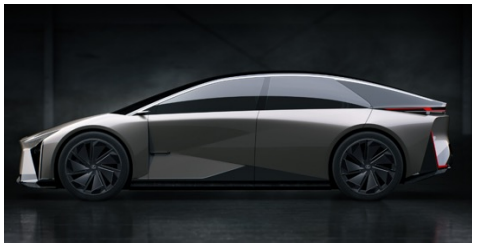
Downsized components will change the form of the entire car. On a BEV, the battery is mounted under the floor of the cabin, near the middle of the car. The larger the battery installed there, the greater the cruising range. However, using longer batteries requires increasing the distance between the front and rear tires, leading to a long, stretched-looking car body. This limits the possibilities for car design.



①Low-height, high-energy-density batteries
②Small eAxle ③Downsized HVAC system
Cruising range 1,000 km (CLTC)

The higher energy density of the new batteries means that the batteries themselves can be smaller without sacrificing cruising range, allowing greater freedom of design.

The Lexus LF-ZC features a condensed, ground-hugging form. The low-height battery, small eAxle, and downsized HVAC system together make possible a new silhouette.



This design shatters the notion that BEVS have to be tall. The combination of downsized components achieves a sleek, elegant styling.

The vehicle interior will also change. The dashboard sits low, providing a superior range of vision, with the sky stretching out in front of you.

The lower dashboard means that the seats can be lower, so that, with the same vehicle height, the ceiling feel strikingly high. I think that passengers of all heights will find it comfortable and relaxing.

We are also focusing on the basics to change the way it drives. To create a drive feel worthy of its styling and enhance responsiveness, we are developing a new suspension.

Expanding from Cars to Mobility to Change the World

Software is expanding our world.

With software, a single car can, for example, replicate the feel of any other—the handling, the sound, the vibration—be it that car you loved when you were young, or the model you've always dreamed of driving. It can be a beloved car that helps customers connect to their memories or look forward to their future lifestyle.

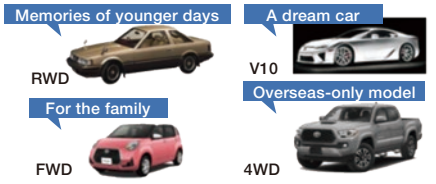
For us, nothing is more important than our connections with the customers who have chosen and loved our cars over the years.

By effectively using intelligent BEVs as a medium for transferring energy and data and linking vehicle, lifestyle, and energy data, we will expand our efforts from cars to a world of mobility.

Continually Evolving Potential for Expansion

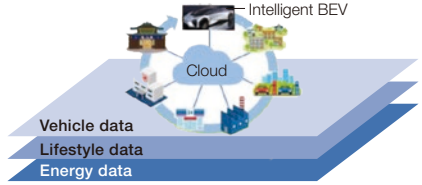
Car-focused perspective

Memories of younger days



Social perspective

Effective use as a medium for energy and data transfer



Let's change the future with BEVs. Together with our customers, we will find the way forward and build a new future.

Toyota's Innovative Battery Electric Vehicle Technology

Batteries

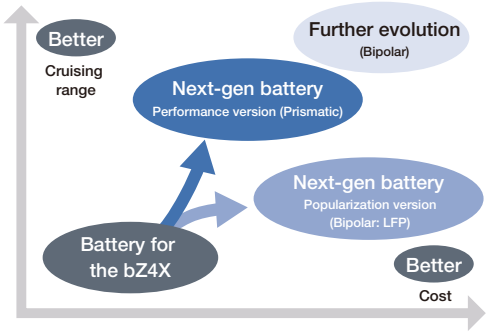
The battery is the heart of the BEV. Just as the heart pumps blood through the body, the battery transfers electricity to the vehicle. As Toyota advances its efforts toward introducing next-generation BEVs in 2026, it is also evolving batteries with new technologies to meet customer expectations.

Liquid lithium-ion batteries, which are currently the mainstream, will gain enhanced performance through improvement to the energy density of prismatic batteries, an area in which Toyota has longstanding expertise. In addition, by using the bipolar battery structure developed for HEVs in BEVs, we will expand our lineup to provide customers with a variety of options, from low-cost batteries for popularization to batteries optimized for maximum performance.

Furthermore, all-solid-state batteries, which are highly anticipated as game-changers, are finally approaching the phase of practical application for use in BEVs. Our full lineup of competitive batteries will support the evolution of Toyota's BEVs in the future.

Note: The performance version next-generation battery is being developed with Prime Planet Energy & Solutions Corporation, while the popularization and high-performance versions of the next-generation battery and all-solid-state battery for BEVs are being developed with Toyota Industries Corporation, combining the knowledge of the Toyota Group.

Offering BEV Options



Liquid Lithium-ion Battery Development

1. Next-generation Batteries: Performance Version

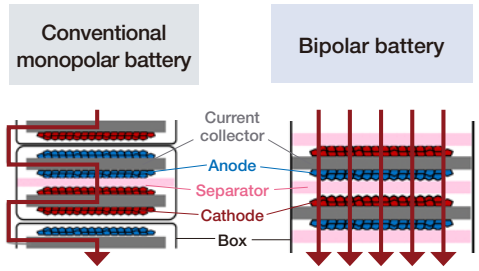
The next-generation BEVs to be introduced in 2026 will have a cruising range of 1,000 km.* For such cars, we are developing a performance-oriented rectangular battery to expand the degree of freedom in vehicle design. While increasing the energy density of the battery, we also aim to extend cruising range by improving vehicle efficiencies, such as aerodynamics and weight reduction, while at the same time reducing costs by 20% compared with the current bZ4X and achieving a quick charge time of 20 minutes or less (SOC=10–80%).

2. Next-generation Batteries: Popularization Version

Toyota is also developing good, low-cost liquid lithium batteries that will contribute to the widespread use of BEVs to provide customers with a variety of battery options.

Bipolar structure batteries, which have been used in the Aqua and Crown hybrid vehicles, are now being applied to BEVs. These batteries use inexpensive lithium iron phosphate (LFP) and are expected to be commercialized in 2026–2027.

We are aiming for a 20% increase in cruising range* and 40% reduction in cost compared with the current bZ4X, as well as quick recharging in 30 minutes or less (SOC=10–80%). We are also considering installing these batteries in BEVs in the popularization price range.



In a regular battery, individual current collectors are coated on both sides with either an anode or cathode, then paired to make a set. In contrast, every current collector in a bipolar configuration is coated with an anode on one side and a cathode on the other, making for a simpler structure that requires only one-third as many components. At the same time, material costs can be reduced by using LFP for the cathode in place of rare metals, such as nickel and cobalt.

However, to make these batteries a reality, Toyota must overcome three difficulties: applying the material evenly, doing so at high speeds, and simultaneously sealing all the cells. Furthermore, all this needs to be achieved in batteries large enough to power a car.

In tackling these challenges, Toyota is drawing on 26 years of battery production technologies honed through its HEVs along with bipolar nickel-metal hydride battery technology and expertise, precision coating used for fuel cell electric vehicles (FCEVs), and various digital technologies. Using all of these together, we are advancing development toward mass production.

3. Bipolar Lithium-ion Battery: High-performance Version

The high-performance version of the battery combines the best aspects of both the performance and popularization versions. This battery combines a bipolar structure with a high-nickel cathode to achieve further advances.

Even greater performance than the performance version of the prismatic battery will be achieved along with a 10% increase in cruising range* and a 10% reduction in cost, as well as a quick charge time of 20 minutes or less (SOC=10–80%). We aim to commercialize this battery in 2027-2028.

* Including vehicle efficiency improvements such as aerodynamics and weight reduction

Battery type		Shape	Structure	Positive electrode material	Start of production	EV cruising range (CLTC mode, including vehicle improvements)	Cost (For the same cruising range)	Fast charge time (SOC=10–80%)
Conventional	Battery for the bZ4X	Prismatic	Monopolar	NCM	2022	615km	—	30 min. or less
Next-gen battery	1. Performance version	Prismatic	Monopolar	NCM	**2026**	**200%** Compared with the bZ4X	**-20%** Compared with the bZ4X	**20 min. or less**
	2. Popularization version	New structure	Bipolar	LFP	**2026-2027** Expected to be commercialized	**20% up** Compared with the bZ4X	**-40%** Compared with the bZ4X	**30 min. or less**
Further evolution	3. High performance version	New structure	Bipolar	Ni	**2027-2028** Expected to be commercialized	**10% up** Compared with next-gen performance version battery	**-10%** Compared with next-gen performance version battery	**20 min. or less**

Multi-pathway Strategy

Developing All-solid-state Batteries

All-solid-state batteries have a solid electrolyte, allowing faster movement of ions and greater tolerance of high voltages and temperatures. It is hoped that this technology will result in increased power output, longer cruising range, and shorter charging times.

The tradeoff, meanwhile, is thought to be a shorter battery life. Solid electrolytes repeatedly expand and contract as the battery charges and discharges, which can create cracks in the solid state battery that inhibit the movement of ions between the cathode and anode. Toyota has discovered a new technology that overcomes this issue.

This technology will unlock an even greater cruising range than Toyota's next-generation batteries, along with recharging in under 10 minutes

Aiming for commercialization in 2027–2028, Toyota continues to advance product development and the development of mass production methods.

Current battery production consists of three main processes: materials processing, battery processing, and battery assembly. While the sequence is the same for all-solid-state batteries, to ensure the battery's performance, the assembly process requires high-speed, high-precision stacking that does not damage the materials. Technology for doing so is key to mass production.

The equipment developed by Toyota solves this problem by making the pallets that carry and receive batteries all move at the same speed; that is, at zero relative velocity. In addition, the pallets and machinery are equipped with *karakuri* (non-powered mechanical gadgets that help improve productivity and reduce costs) to prevent misalignment as batteries are passed through. Together, these solutions enable the high-speed, high-precision stacking that is crucial for mass production.

In October 2023, Toyota announced a partnership with Idemitsu Kosan to work toward the mass production of all-solid-state batteries for BEVs. By integrating the two companies' materials development technologies, along with Idemitsu's materials manufacturing technologies and Toyota's battery processing and assembly technologies honed in electrified vehicle development, the partners aim to realize the mass production of solid electrolytes and all-solid-state batteries that will be widely used by consumers.

Aerodynamics Based on Rocket Technology

Battery development alone does not dictate the performance of BEVs. Vehicle design considerations, such as minimizing aerodynamic drag, improving energy regeneration, and overall energy and heat management, must also be addressed at the same time.

One such aspect of vehicle design is aerodynamic technology. In this area, Toyota is working with the Space Systems Division of Mitsubishi Heavy Industries to apply hypersonic rocketry technology to cars. We are studying technologies that protect rockets from the heat caused by air friction and compression and looking for ways to transfer that knowledge to the speed range of a car.

Aerodynamic drag can be lowered by controlling points of contact with the airflow, for example, through body surface treatment. Toyota hopes to reduce the drag coefficient (Cd) to around a tenth of that for existing car bodies (0.20).

This technology has the potential to enable designs that are both stylish and aerodynamic without placing restrictions on the shape of a car or whether the material is steel or aluminum.

Development is under way, with the goal of commercial release in 2026. In addition to battery innovation, we will take on the challenge of further extending cruising range by minimizing aerodynamic drag and continue to improve the appeal of our BEV products to exceed customer expectations.

A model for wind tunnel testing

Evolution in Manufacturing: Halving Production Processes

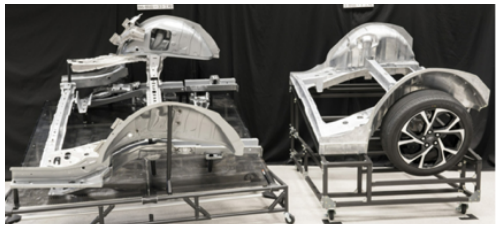
To ensure the profitability of BEVs, we are working on both vehicle technology and manufacturing. First, the vehicle body will be made simple and slim in structure and molded using giga casting, realizing significant parts integration. Also, we will create highly flexible production plants without conveyors by introducing concepts like a self-propelling assembly line. In designing the BEV production plant, we will employ digital technology to increase the accuracy of process verification. Through these efforts, we aim to reduce production preparation lead time, production processes, and factory investment for mass-produced vehicles to half their current levels while achieving a significant reduction in fixed costs.

1. Giga Casting

Toyota's next-generation BEVs will be employ a new modular structure in which car bodies are divided into three sections: front, center, and rear. One of the production technologies that will make such modular structures possible is a method of casting known as giga casting.

At present, the rear section of a bZ4X is made with 86 sheet metal parts and requires 33 press processes. Using integrated molding with aluminum die-casting can reduce this to a single part made by a single process.

This approach seeks to reduce both cost and weight below conventional models as well as boost productivity by leveraging one of the Company's strengths, the Toyota Production System (TPS).



Currently, we are building prototypes at our factories in Japan and working to improve productivity with an eye toward application to mass production.

One hurdle is that giga casting requires regular mold replacement. Whereas a typical changeover might take 24 hours and require a large crane, giga casting molds, which weigh more than 100 tons, lead to even greater time loss. Toyota's approach to giga casting solves this problem by dividing molds into two pieces: general-purpose molds that remain mounted on the machinery and specialized molds, the shape of which differs by car model. During a replacement, only the compact specialized molds detach themselves automatically from the general-purpose molds. With these just-in-time mold changes—replacing only what is needed, when it is needed, in the quantity needed—Toyota aims to bring lead times down to 20 minutes or less and thus reduce operational downtime.

This division of molds and automated mounting/detaching is the culmination of improvements made over many years of handling every aspect of mold design, fabrication, and maintenance in-house. When molds expand or contract under the heat of casting, the general-purpose and specialized parts may become misaligned, with the latter unable to release. The necessary clearance is maintained by the skills of mold craftsmen.

Furthermore, Toyota's proprietary giga casting analysis technology will help improve cast quality and prevent defects. Toyota uses proprietary simulation software that draws on expertise accumulated in the mass production of engine blocks and other components. The advanced craftsmanship and skills of

Multi-pathway Strategy

Toyota's people have also been digitized and incorporated into parameters and computation methods to create quality products.

Amid a general trend toward using commercially available equipment, in-house development allows Toyota to add parameters or change computation methods. Building high quality into the machinery reduces the number of defects in the resulting products.

Through these and other efforts based on the TPS, we are reducing downtime and waste to achieve higher productivity.

2. Next-generation BEV Production Line

On our next generation BEV production lines, we aim to halve the number of production processes as well as the amount of factory investment by utilizing the new modular structure and self-propelled production.

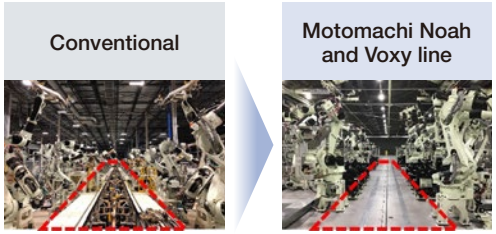
The new modular structure entails dividing the underbody (the lower part of a vehicle's body that includes the front frame and the cabin/trunk floor) into three sections—front, center, and rear—each fitted with its own parts. This approach is expected to improve work efficiency, as workers will no longer need to climb inside a vehicle during assembly.

After parts are assembled onto each module, and the three sections are combined, the car proceeds forward autonomously. With this new vehicle structure, seats and other components can be mounted before the roof and side panels are attached, simplifying the designs and operations of robots and other equipment.

This self-propelling assembly line utilizes the vehicle control and sensor technologies that Toyota has cultivated through the development of autonomous driving. Cameras throughout the plant track the cars, keeping them moving along the set route at 0.36 km/h.

Eliminating the need to convey vehicles offers greater flexibility in terms of plant layout. The system also saves billions of yen in capital investment and drastically shortens the years-long lead times for switching to new models.

A simplified line concept using unmanned transport robots has already been trialed in part of the welding process for the Noah and Voxy models, providing feedback to assist with issues in the development of next-generation BEV equipment.



Heavy-duty conveyor equipment

No fixed conveyor equipment

For plant equipment and mass-produced vehicles alike, Toyota has brought every step of the process, from development to production, in-house. Drawing on this strength, the Company is striving to simplify and automate operations with the aim of minimizing the need for heavy conveyor machinery and enabling more flexible response to change.

3. Next-Generation Production Plant Design

We are exploring ways to apply digital technology in the next-generation BEV plant. Technologies such as giga casting and self-propelling assembly lines are highly compatible with digitalization, and digital technology is being actively employed in plant design, including process study and improvement. We will shorten mass production preparation lead times through reproduction accuracy at the 1 mm error level. Toyota will shift to more efficient production lines with unmanned transport using connected technology and autonomous inspections while incorporating TPS concepts to transform the way factories operate.

We are also using digital technologies to create our facilities.

To deliver products that customers want when they want them, the timely set-up of production facilities capable of manufacturing said products is essential. However, in the process of setting up new production facilities, problems and difficulties not anticipated in the drawings often come to light, resulting in wasteful redoing and long lead times. To address this issue, a digital environment was utilized to first create a 3D model, or digital twin, allowing equipment designers, manufacturing managers, and the front-line workers to identify potential issues in advance.

Simulating tasks with digital technology. The image seen by the worker wearing a head-mounted display is visible on the rear monitor.

As a result, the knowledge and experience of Toyota's front-line workers are incorporated into the 3D model from the design stage, and the equipment is already highly refined when introduced to the shop floor. This eliminates the need for reworking and thus cuts the lead time from design to the start of production in half.

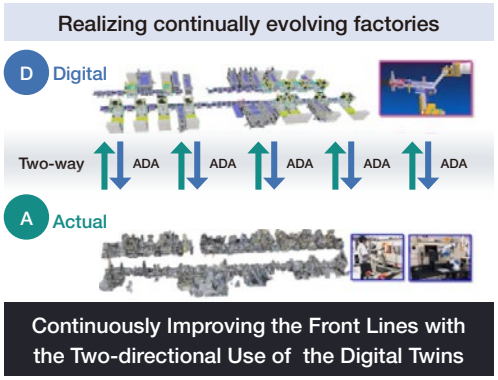
Toyota is working to expand such digitally driven *monozukuri* (manufacturing) among the Group and manufacturing partners, seeking to maximize the competitiveness of the entire Toyota Group.

And, these technologies are not only being used to develop new equipment. At mold and equipment parts processing facilities, material loading and other operations that had previously relied on human labor have been improved and automated using 3D models. Changes first made to the digital twin were then reflected at the real facility. As a result, productivity tripled, and lead times were reduced to one-third of the previous times.

Similarly, we are using these technologies in human resource development. We have developed training equipment that uses AR technology to teach specialized skills that are difficult to explain and tend to be treated as tacit knowledge.

The use of digital tools is typically a one-way process, with such technologies helping design things for the actual front lines. However, Toyota aims to create continually evolving plants through two-directional digital twins, where front-line improvements are reflected in digital models, and further improvements are made there before being fed back to the front lines.

Toyota's Digital *Monozukuri*



Multi-pathway Strategy

Fundamental Technologies to Improve BEV Product Appeal

We are further developing fundamental technologies by leveraging the wealth of technologies we have cultivated through manufacturing. The Toyota Group as a whole will take advantage of the small eAxle (see below) and internalize next-generation semiconductor technologies to improve the commercial potential of BEVs under development.

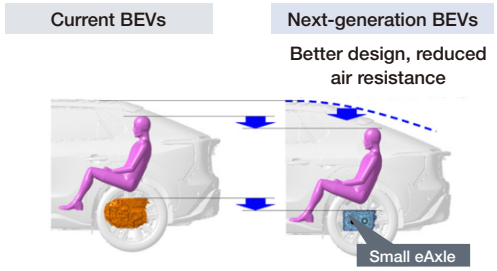
1. Small eAxle

In BEVs and other motor-powered cars, the eAxle combines the main components needed to make the vehicle run (motor, gear train, and inverter). We are now working to downsize the eAxle. The project brings together the technologies of Aisin Seiki, Denso, and Toyota, as well as BluE Nexus, a venture set up with funding from said companies.

Along with increasing the motor's RPM and optimizing the shape and placement of magnet slots, the compact eAxle leverages technologies that have been cultivated for HEVs, including lubrication design and fluid analysis technologies, reduced power control unit (PCU) condenser capacity, and improved cooling performance. The motor is roughly 40% smaller than that of an HEV, while the gear train and inverter are slimmed down by 53% and 58%, respectively.

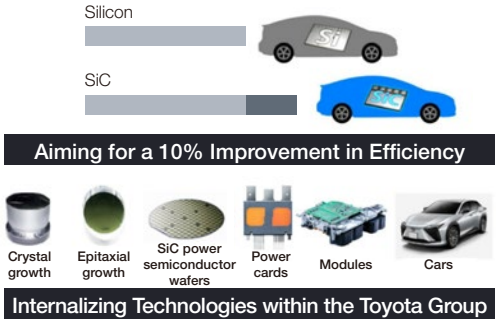
These improvements allow us to increase cabin and cargo space while reducing aerodynamic drag, thus increasing cruising range while enhancing comfort and design.

Contribution of eAxle to vehicles



2. SiC Wafers for BEV Inverters—Next-generation Semiconductors with 50% Lower Power Loss

Toyota is developing next-generation semiconductor materials from crystal growth that will contribute to improving the energy consumption of BEVs. In addition to the gas method, which has the advantage of a crystal growth speed that is 10 times faster than the industry standard, we are also developing the industry's largest 8-inch wafer, promoting the internalization of technology within the Toyota Group.

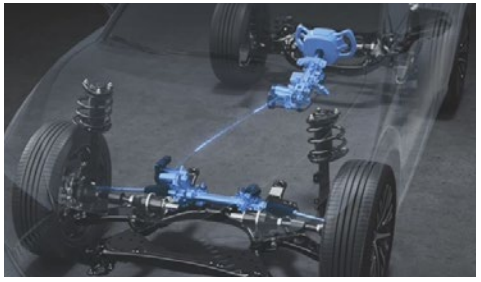


Note: Diagram based on excerpts from the DENSO Corporation website

3. Steer-by-Wire

Steer-by-wire is system that controls steering and tires with electric signals.

This provides a new driving experience, including intuitive operation and a significant reduction in the amount of steering operation required.



Electrified steer-by-wire system

Multi-pathway Platform

Because we are advancing development based on multi-pathway platform that enables us to offer a variety of electrified vehicles, we have the technological capability to rapidly provide BEV models. We will expand our BEV product lineup even before the introduction of the next-generation BEVs, with a baseline of 1.5 million units in 2026.

As an example of our technological capability to provide not only the bZ series but also fun-to-drive BEVs that meet the diverse needs of our customers, we have converted the powertrain of the Crown into a BEV.

The same lines produce cars with various powertrains (BEV, FCEV, HEV, ICE) and silhouettes (sedan, minivan, SUV) that support Toyota's multi-pathway approach and address customer needs.

The wisdom and ingenuity cultivated at the *genba* (the front lines) is essential to make this work. To facilitate work on the models of varying sizes coming down the line, we use a wheeled step platform that allows workers to flexibly adjust their elevation, reducing the burden on workers while helping improve work quality. In addition, the floor at assembly lines is painted in sections of yellow and green, making the line brighter and significantly enhancing both safety and operational efficiency.

We have promoted human resource development through steady improvement activities, quality education, leader training, and the development of multi-skilled workers. The results of these efforts now support our multi-pathway production.

Manual BEVs

Although BEVs lack an engine or gearbox, motor control reproduces the feel of a manual transmission. The use of the shift lever and clutch pedal offers drivers the fun of driving a manual transmission.

A carmaker's unique attention to detail has been lavished on this feature, from powerful acceleration in the lower gears to the shift shock that accompanies a mistimed gear change.

The transmission can be also switched from manual to automatic at the touch of a button, allowing family members who only drive automatic to feel at ease behind the wheel.

Roughly 5 Trillion Investment in BEVs and Batteries through 2030

In May 2023, Toyota announced a roughly 5 trillion investment in BEV production and additional battery plants through 2030.

Starting in 2025, assembly of an all-new, three-row, battery electric SUV will commence at Toyota Kentucky. This vehicle, the Company's first U.S.-assembled BEV, will be powered by batteries from Toyota North Carolina.

ToyotaTimes  Toyota Reveals the Future of Cars with Next-Generation Battery and Hydrogen Technologies

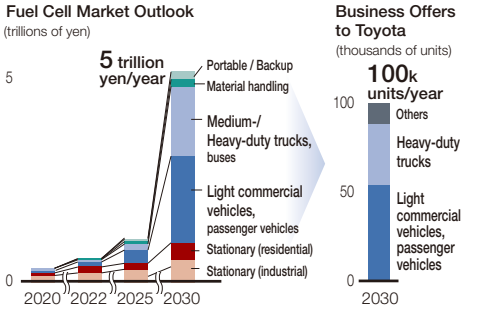
Hydrogen Business Strategy

The Hydrogen Factory was newly established in July 2023 as a dedicated organization to accelerate customer-oriented product development and the production of fuel cells and hydrogen-related products. Hydrogen Factory President Mitsumasa Yamagata spoke about his vision for building hydrogen businesses.

In 2030, China, Europe, and North America will be the largest markets for hydrogen by far. China and Europe have set specific targets for the use of hydrogen in mobility.

The fuel cell market, similarly, is expected to see rapid growth in the runup to 2030, reaching 5 trillion yen a year. The majority of the market is expected to comprise medium- and heavy-duty trucks and light-duty commercial vehicles.

Fuel Cell Market Outlook and Offers to Toyota



Note: Prepared by Toyota based on data from market research by Fuji Keizai

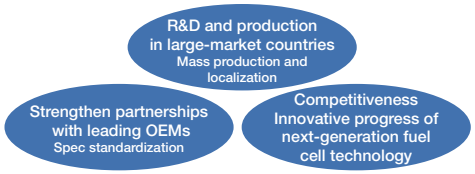
Using the Mirai's hydrogen units, Toyota is also promoting external sales of fuel cells. We have received offers for external sales of 100,000 units by 2030, most of which are for commercial vehicles.

Three Axes for Advancing the Hydrogen Business

Established in July 2023 in order to respond to rapid changes in the market, the new Hydrogen Factory is an organization that, under a single leader, is capable of making quick decisions on aspects ranging from sales and marketing to development and production.

The Hydrogen Factory is advancing business based on three key axes.

The Hydrogen Factory Business Policy



The first axis is to localize R&D and production in countries within the major markets.

In Europe, we currently have development operations under Toyota Motor Europe, through which we conduct sales to external customers, and we will establish a production base as soon as possible.

In China, we have already established a development and production base in collaboration with SinoHytec. This base will begin production of fuel cells in April 2024.

The second axis is to strengthen alliances with leading partners.

In Europe, we announced a partnership with Daimler Truck in May 2023. This partnership includes collaboration on hydrogen-related development. Leveraging this opportunity, we will work closely with other OEMs in Europe and strive to deliver fuel cell products to customers in large quantities and at affordable prices.

In China, meanwhile, we established a six-company alliance with 2020 with Guangzhou Automobile Group, China FAW Group, Foton Motor, Dongfeng Motor, and SinoHytec. We have succeeded in building relationships with OEMs that collectively hold approximately half the Chinese market share, and we intend to reach significant volumes at affordable prices here, as well.

The third axis is competitiveness and technology.

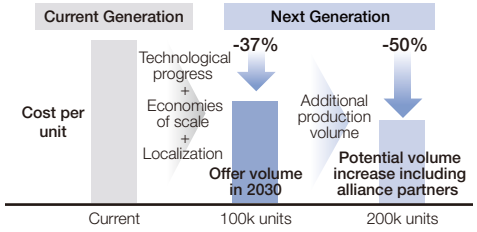
The most important aspect of competitiveness for fuel cells is cell technology. We will fully utilize our measurement, analysis, and predictive technologies, including one for measurement that is the first of its kind, to develop competitive cells.

Furthermore, utilizing our production technology honed over 30 years of development in this area, we will start mass production of high-performance next-generation cells.

Future Outlook

Next, I would like discuss the outlook for next-generation cells in terms of business feasibility.

Business/Profit Outlook



The next-generation fuel cell system will achieve a 37% cost reduction in comparison with the current Mirai fuel cell system through technological progress, economies of scale, and localization. This will enable us to meet the expectations of customers who make us offers in 2030, meaning that we will be able to generate profits on an ongoing basis.

In addition, by working with the partners mentioned earlier, if we were to receive offers for sales of 200,000 units in 2030, we would be able to meet the Chinese and U.S. government targets for that year. This is a very high target, and these are highly competitive markets.

We will therefore work together across development, production, and sales in each region to achieve this goal.

Let's Change the Future with Hydrogen

The price of hydrogen is still very high. To promote the widespread use of hydrogen, we must lower its price.

Among the stages of producing, transporting, and using hydrogen, Toyota is working with partners on producing.

Efforts in the Hydrogen Production Market

Electrolyzer at DENSO Fukushima

Hydrogen production from biogas with CP Group in Thailand

We recently introduced hydrogen production equipment that uses water electrolysis in Fukushima. This equipment is based on Toyota's stack technology. In Thailand, we are working with the CP Group, and with the cooperation of Mitsubishi Kakoki, to produce hydrogen from biogas.

Leveraging the opportunities presented by these relationships with powerful partners, we will establish bases for customer-oriented development, production, and sales within each major market, and provide affordable products in sufficient quantities.

Toyota will take this opportunity to further accelerate the commercialization of hydrogen.

The Technology behind Our Hydrogen Business Strategy

Hydrogen is an important fuel in Toyota's CO_2 emission reduction efforts aimed at achieving carbon neutrality. We are promoting its utilization to contribute to the creation of a hydrogen-powered society. Our efforts to this end include the development and demonstration of fuel cell electric vehicles (FCEVs), such as passenger cars and commercial trucks and buses; fuel cell stationary generators; and hydrogen engine vehicles with internal combustion engines. Through such initiatives, we are working with various industry partners in the areas of producing, transporting, and using hydrogen.

Next-generation Fuel Cell System for Commercial Use

Fuel cell systems comprise stacks of circuits embedded in thin sheets—the "cells"—that generate electricity through chemical reactions between oxygen and hydrogen. Toyota is developing innovative next-generation fuel cells that deliver industry-leading performance for commercial use (long life, low cost, and low fuel consumption).

These next-generation cells, which we aim to commercialize in 2026, are expected to improve generating capacity by 30% compared with current fuel cells. On the durability front, FCEVs could stay on the road 2.5 times as long as standard diesel machines before requiring maintenance, making them virtually maintenance-free over the life of a vehicle. Compared with current cells, Toyota's next-generation systems will also halve the cost of fabricating a stack and increase cruising range by 20%. This improvement will make it possible to drive from Tokyo to Osaka without refueling.

These next-generation cells reflect the expertise that Toyota has built up over 30 years: real-time measurement and analysis of the processes occurring within cells, simulations for nanoscale mapping of chemical reactions, and precision coating of the catalysts that drive these reactions. Toyota's advanced technical capabilities help inhibit deterioration caused by corrosion and other factors, lowering the cost of materials needed for manufacturing.

Large Commercial Tank Standardization

To accelerate the expansion of hydrogen demand, we are taking on the standardization of tanks for large commercial vehicles, which are expected to consume hydrogen on a large scale. We aim to reduce manufacturing costs by 25% by unifying the tank standards of European, U.S., and Japanese companies in order to realize economies of scale. We are also developing liquid hydrogen tanks for large commercial vehicles.

Applying Carmaking Technologies to Produce Hydrogen

By applying the fuel cell stack and cell technologies developed for the Mirai, we have developed a new electrolyzer that produces hydrogen by electrolyzing water. Trials of this electrolyzer began in March 2023 at the DENSO Fukushima plant.

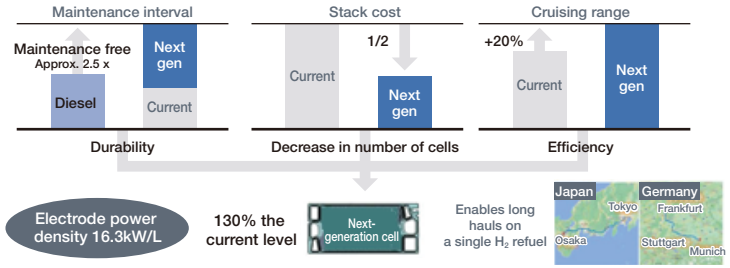
Furthermore, we have started an initiative to produce hydrogen from biogas derived from local chicken manure and food waste in Thailand in collaboration with Mitsubishi Kakoki Kaisha, Ltd. and Toyota Tsusho Corporation.

Hydrogen Engines: Trial Vehicles

Toyota is accelerating the development of hydrogen engine vehicles for commercialization as a new option for contributing to carbon neutrality. In doing so, we will consider the entire vehicle by, for example, incorporating an exhaust purification system that utilizes diesel engine vehicle technology. Trials of these vehicles have begun on public roads as a step toward future commercialization.

Next-generation Fuel Cell Systems

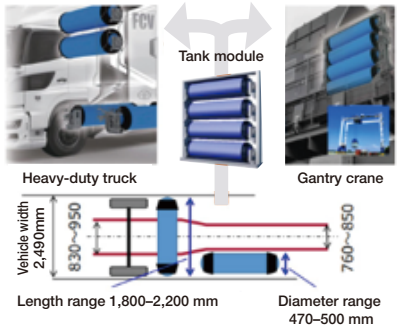
Innovative Cell Performance



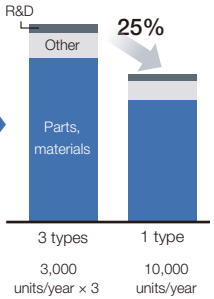
Enhancing Performance of Cells for Commercial Use (Low Fuel Consumption, Long Life, Low Cost)

Standardization of Tanks for Heavy-Duty Vehicles (Base Unit of Commercial Tanks)

Unified Standards for European, U.S., and Japanese Companies



Tank Cost



Hydrogen Production

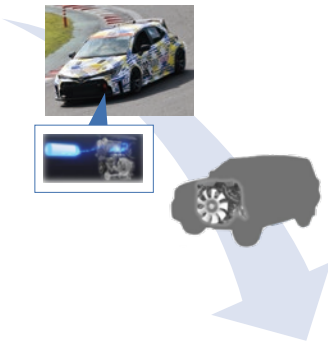
H_2 production from water with an electrolyzer

Commercialization-oriented demonstration started (DENSO Fukushima)

H_2 production from biogas

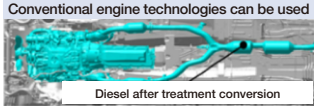
Start of H_2 production in demonstration unit by the end of 2023 (Thailand)

Hydrogen Engines



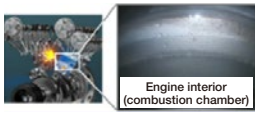
Merits of engines

Conventional engine technologies can be used



Challenges

Typical example: Dealing with water generated by hydrogen combustion



Motorsports—Hydrogen Engines

Racing a Liquid Hydrogen Engine-equipped Corolla, a World First

In 2023, Toyota's efforts to race a Corolla equipped with one of its hydrogen engines currently in development entered their third year.

Hydrogen engines work like modified versions of conventional gasoline engines powered by burning hydrogen directly as fuel. The fuel is 100% pure hydrogen, unmixed with gasoline. As no fossil fuels are burned, hydrogen-engine vehicles emit almost no CO_2 when in operation—only that from the combustion of minute amounts of engine oil. The hydrogen engine is thus one option that offers great potential to contribute to carbon neutrality while making use of technologies for internal combustion engines built up over the decades and protecting engine-related jobs in the automotive industry.

In late 2020, after taking a test drive in a hydrogen engine prototype car, master driver Morizo (Chairman Akio Toyoda) decided on the spot to enter a hydrogen engine car in Super Taikyu Series races. The development of race vehicles is dramatically faster and more agile than that of mass-production vehicles. We decided that racing would provide the ideal environment for honing our hydrogen engines being developed with the goal of achieving carbon neutrality.

In 2021 and 2022, Toyota raced a Corolla with a hydrogen engine that ran on gaseous hydrogen fuel. Building on these achievements, in the 2023 season, we have launched a world-first initiative to expand the options for producing, transporting and using hydrogen by employing liquid hydrogen fuel.

Switching to liquid hydrogen fuel increases the fuel's volumetric energy density, approximately doubling the vehicle's cruising range, which had been an issue with gaseous fuel. In addition, liquid hydrogen stations take up only a quarter of the space required to install a gaseous hydrogen station, enabling refueling in the pit itself.

The liquid hydrogen-powered Corolla was scheduled to compete for the first time at the Round Suzuka Super Taikyu 5 Hours Race in March 2023. However, during a private test run shortly before the race, a vehicle fire occurred due to a hydrogen leak from a gaseous hydrogen pipe in the engine compartment. The vehicle could not be repaired in time, and Toyota was forced to drop out of the race.

Over the following two months, aiming to race in the Fuji 24 Hours Race, the design of the hydrogen piping that caused the vehicle fire was changed, with safety as the highest priority. As a result, a hydrogen engine-equipped Corolla completed the Fuji 24 Hours Race in May 2023. This achievement was made possible by agile development and improvement efforts advanced through motorsports with the support of our many partners.

Expanding Our Partnerships

Toyota could not have taken on this initiative with liquid hydrogen alone.

A portion of the liquid hydrogen used in the hydrogen engine-equipped Corolla in the Fuji 24 Hours Race was lignite-derived hydrogen produced and transported from Australia in the Suiso Frontier liquid hydrogen carrier built by Kawasaki Heavy Industries, Ltd. as part of the HySTRA project. In addition, the mobile liquid hydrogen station used at the circuit was jointly developed by Iwatani Corporation and Toyota. Moreover, the switch to liquid hydrogen fuel required the modification of many parts. Through cooperation with our numerous partners, the liquid hydrogen-fueled Corolla successfully completed the race, and, as a result of such efforts, our number of partners has grown from eight companies in May 2021 to 45 companies by the end of the 2023 season.

Our Efforts to Develop Hydrogen Engines Continue

Furthermore, the Corolla with the liquid hydrogen engine took part in Round 4: the Super Taikyu Race in Autopolis in July as well as Round 7: the S-Tai Final Fuji 4 Hours Race with Fuji Niq Festival in November.

The maximum number of laps (cruising range) that may be driven with a single hydrogen supply rose from 16 to 20 in the six months between the May 24-hour race at Fuji and the November final race at the same venue. Additionally, the vehicle weight was lowered by 90 kilograms.

The mobile hydrogen station's joints, which previously caused strain on operators while refueling, have become lighter, and the time needed to refuel has been cut down from one minute and forty seconds to about one minute. In these ways, both the vehicle and hydrogen station evolved significantly.

Toyota will continue to expand the possibilities of hydrogen engines. Aiming to create a carbon-neutral world, we will continue to evolve alongside our partners in line with the principle of "ever-better car making from a starting point in motorsports" and our multi-pathway approach.

Contributing to the evolution of combustion technology

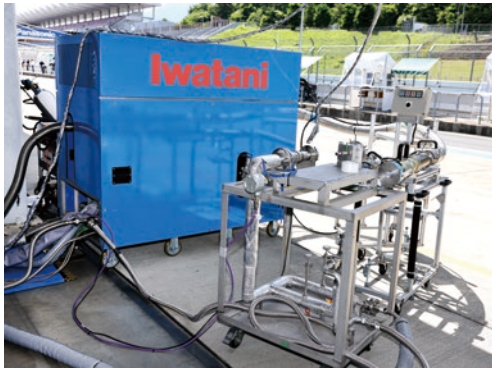
Toyota has never stopped pushing the boundaries of engine technology; the Company's work on hydrogen engines is closely related to its work on conventional gasoline engines' combustion technologies.

Gasoline engines have up until now used rapid combustion to boost thermal efficiency and adjusted the fuel-to-air ratio based on the situation to minimize harmful compounds. Since hydrogen burns even more quickly than gasoline, ever-more-accurate combustion control and sophisticated analysis and simulation technologies are needed, which should result in even lower CO_2 and gasoline engine emissions.

Toyota plans to leverage the significantly shorter development timeframe in motorsports as opposed to mass production vehicles. This will enable Toyota to achieve carbon neutrality while utilizing internal combustion engines.

The hydrogen engine-equipped Corolla that raced in the Fuji 24 Hours Race

Refueling with liquid hydrogen



Mobile liquid hydrogen station developed by Iwatani Corporation and Toyota

ToyotaTimes  Brazil's Unique Decarbonization Efforts Build on 50 Years of Technological Progress

Carbon Neutral Fuel Initiatives

Carbon Neutral Fuel

To achieve carbon neutrality, it is important not only to promote the spread of electrified vehicles, especially in new car sales, but also to reduce CO_2 emissions during driving of vehicles already owned by customers who use them in their daily lives.

To meet the needs of diverse vehicles, regions, and customers, we must offer a variety of energy options. We are working with various partners across industry boundaries to reduce CO_2 emissions and public trials of hydrogen, synthetic fuels, and bioethanol fuels based on electricity derived from renewable energy sources, from raw material procurement through the manufacturing process.

e-fuel

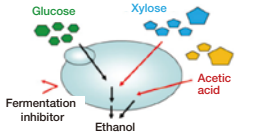
In areas with low-priced hydrogen (locally produced and locally consumed), hydrogen is used as-is in fuel cells (FC). In regions where hydrogen is expensive, however, we are examining the potential for total cost advantages by producing and transporting e-fuel from regions where production costs are low.

Biofuels

In July 2022, seven private companies including Toyota established the Research Association of Biomass Innovation for Next Generation Automobile Fuels and began promoting research of a production technology structure for second generation bioethanol fuel.

Toyota Initiatives

Toyota yeast



World top-class ethanol fermentation concentration

Production 10%up

Tech research association (Fukushima)

"Make/Carry/Use" integrated promotion

ENEOS SUZUKI SUBARU DAIHATSU

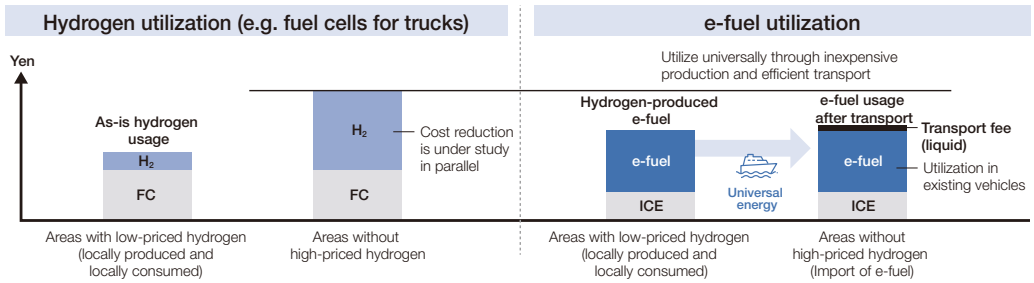
We are expanding use in emerging countries by promoting deployment of the right vehicle in the right place at the right time, including the introduction of biofuel (ethanol)-compatible vehicles.

Vehicle Capability

- **Biofuel (10%) can be used in all vehicle types**
- **In Brazil, 100% biofuel-compatible HEVs are sold**

- **India also announced the launch of HEVs adaptable to biofuels (Nov. 2022)**

Multi-pathway e-fuel Utilization



Brazil's Unique Decarbonization Efforts

Bioethanol becomes Widespread in Brazil

Brazil is the world's largest producer of not only sugar, but also bioethanol made from sugarcane.

Because sugarcane absorbs CO_2 from the air as it grows through photosynthesis, the resulting ethanol is an environmentally friendly biofuel that doesn't increase atmospheric carbon when burned. Moreover, the fuel is 20-30% cheaper than gasoline, making it a popular choice at gas stations.

The cars, however, must be specially modified for the purpose. Ninety-seven percent of cars produced domestically are flex-fuel vehicles, which can run on 100% gasoline, 100% ethanol, or any mixture of the two.

Toyota Technology Cuts CO_2 Emissions to 30% those of Gasoline Cars

Toyota rolled out its first flex-fuel vehicle for the Brazilian market in 2007 and has been producing ethanol-powered cars ever since.

In 2019, Toyota's Brazilian engineers joined forces with counterparts in Japan, combining their respective expertise in flex-fuel vehicles and hybrid technology to develop flex-fuel hybrids and begin local production.

Initially, the locally produced lineup included only the Corolla sedan, with the Corolla Cross added in 2021.

Compared to conventional engines, the hybrid technology improves efficiency by at least 30% and, when combined with renewable fuel technology, can reduce CO_2 emissions by some 70%.

Then, in April 2023, Toyota announced that it would begin manufacturing a new compact flex-fuel HEV in 2024. The car will be produced at the Sorocaba Plant in Sao Paulo and exported to 22 countries in Latin America.

As enhanced safety and environmental technologies continue to push vehicle prices upward, the company is hoping that offering a flex-fuel HEV option among lower-priced compact cars will further boost adoption.

Sugarcane also makes for greener BEVs and FCEVs

We have highlighted the potential of sugarcane and bioethanol not only as fuel for engines, but also as raw inputs that can also make electric vehicles carbon neutral.

For example, biogas can be obtained from the straw that remains after harvesting sugarcane or bagasse left over from the ethanol production process. This biogas can be used to generate green electricity.

In addition, since ethanol contains abundant hydrogen, research is also underway to produce green hydrogen from bioethanol.

By harnessing these technologies, BEVs could be charged with electricity generated from sugarcane-derived fuels while FCEVs run on hydrogen made from ethanol. We will continue our efforts to make this a practical and sustainable option for achieving carbon neutrality.

Ethanol can also serve as a sustainable aviation fuel and the raw material for bioplastics. New technologies are being developed for turning sugarcane residues into second-generation ethanol (biofuel made from inedible biomass not usable as food products).

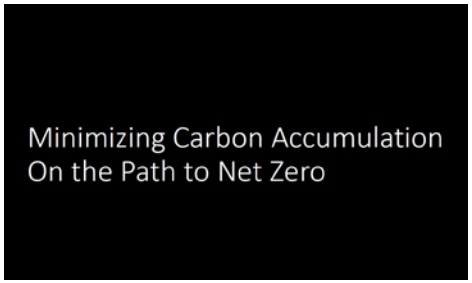
Multi-pathway Strategy Initiatives

Dr. Gill Pratt's Presentation at Davos

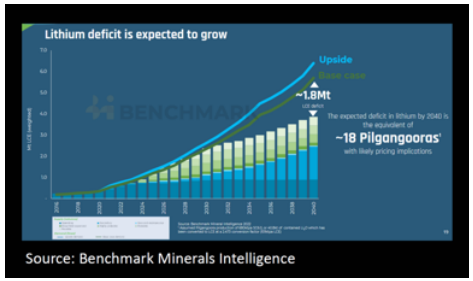
The Solution to Uncertainty is Diversity

The 2023 World Economic Forum Annual Meeting in Davos, Switzerland, brought together more than 2,700 participants from 130 countries, including 47 heads of state. The theme for 2023 was "Cooperating in a Fragmented World." Held over five days beginning January 16, the meeting included more than 480 sessions.

Dr. Gill Pratt, Chief Scientist for Toyota and CEO of the Toyota Research Institute (TRI), spoke at one of these sessions, entitled "Reinventing the Wheel," moderated by the Wall Street Journal. Dr. Pratt emphasized the importance of diverse solutions to achieve net zero emissions in an uncertain future. He explained the scientific rationale for Toyota's multi-path strategy to lowering carbon emissions. By offering diverse drivetrains, we are providing opportunities for all types of customers in all kinds of regions to contribute to lowering their carbon impact as much as possible, as soon as possible.



How do we get to net zero emissions while minimizing carbon accumulation? I use the word accumulation because carbon accumulates like water filling up a bathtub. It stays in the atmosphere for a long time, up to a hundred years or more. So, it's not how much carbon we put out in one year that matters, it's the total net amount that accumulates over time. To minimize that total amount, we need to minimize carbon emissions as much as possible, as soon as possible. I'd like to show you why this is a problem that keeps me up at night.



Source: Benchmark Minerals Intelligence

This graph, from Benchmark Materials Intelligence, predicts the supply versus the demand for lithium all the way to 2040. Base-case lithium demand is indicated by the green line, while the bars show supply, color coded to indicate mines currently in various stages of planning and development. You'll notice that there's an incredible gap between supply and demand, which will expand to the equivalent of 18 times the output of the Pilgangoora project in Australia by 2040.

The International Energy Administration (IEA) actually has this gap even bigger, by a factor of two. There won't be enough lithium. This is because lithium mines take 10 to 15 years to get established, or even 16 years according to some of yesterday's sessions. On the other hand, battery factories only take two to three years to bring online. There's going to be a huge material supply crunch. That means that carbon will keep accumulating.

So, what do we do? This is problem not just for Toyota, but for all the leaders of the world.

Our thesis is that, while we should electrify vehicles as much as possible, we don't have to electrify them in only one way—namely, the one way that you're the most familiar with, which is the pure battery electric vehicle (BEV). That's the one that plugs in and then drives purely on the batteries but uses a lot of lithium. Another type is the plug-in hybrid vehicle (PHEV), or a range-extended battery vehicle, which has an engine that can recharge the batteries while the car is driving beyond a certain range, but otherwise plugs in. Finally, the hybrid electric vehicle (HEV), which is older technology, uses gasoline, but very efficiently. All of these use lithium, but they use it in different amounts.

Here's a visual that illustrates the difference in lithium use by powertrain.

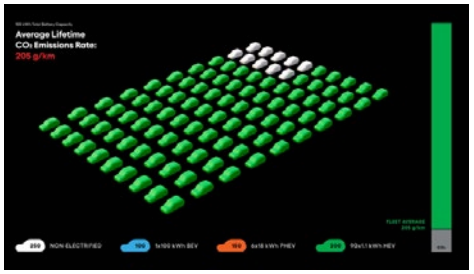
First, we have a hundred conventional gasoline vehicles. Each one puts out an average of 250 g-CO_2 per kilometer.

If we use 100 kWh worth of lithium ion batteries, we can replace one of these hundred vehicles with a BEV. However, our thesis is that this isn't necessarily the best thing to do all of the time. Why is that? Because, in this case, we've replaced only one, and the 99 others are still traditional internal combustion cars, so the average emissions of these 100 cars has dropped only a little, from 250 g to 248.5 g-CO_2.

What if we use that same 100 kWh and spread it among six PHEVs? These cars plug in and have a gas engine that allows for a larger travelling range. This means each car can have smaller batteries, allowing us to distribute that same amount of batteries over six vehicles rather than one. This actually reduces the fleet average emissions to 244 g-CO_2.

Multi-pathway Strategy Initiatives

If we really want to go to the extreme, we can take a look at the HEV.



The HEV emits 200 g-CO_2 per kilometer, about twice as much as the BEV. But, with the same 100 kWh of batteries, we can replace 90 gasoline vehicles, because the batteries in each one are smaller. From this, I hope that you see that, if lithium is really the critical limited resource, the net effect of having diverse options like this is enormous.

To be clear, we're not proposing a switch to using only HEVs. In fact, Toyota is going to make 3.5 million BEVs per year by 2030, seven years from now.

But, we think that in certain parts of the world, where the charging infrastructure is not as green as it is here in Switzerland, or where people don't have easy access to the charging network, some of these other options may be better.

Considering the total amount of lithium that the world has, the key is to use it where it does the most good. So, the real thrust of our argument is diversity. We think that diverse circumstances call for diverse solutions.

Next, I'd like to discuss what happens when cars reach the end of their life.

This picture shows us with one of our partners, a lithium ion battery recycling startup. The canisters that you see here are batteries that have come out of our HEVs and PHEVs. In the future, our partner is going to recycle lithium-ion batteries from our BEVs, as well. However, while recycling is of course an incredibly important part of circularity, it's not all of circularity. We also know that, while BEVs are increasing tremendously, the number of older batteries that will be available for recycling is not going to be that large for another 10 or so years. So, we're all in on recycling, but recycling is not going to solve the lithium shortage. We will, however, continue to work on improving this process.

So, how can we improve recycling?

The big cubes of metal you see here are metal car parts that have come out of a crusher during the recycling process. Automobiles are one of the world's most highly recycled products. The vast majority of the materials in automobiles are actually recycled presently.

How can we improve this further? We can lower the amount of energy used to do the recycling, and thus lower the amount of carbon emissions. Right now, we're working very hard to create a kind of a reverse assembly process. Factory staff are taking apart the car to find parts that can be reused, as some BEV parts last a long time.

Moreover, in conventional systems, cars are crushed and ground into tiny pieces, and then the materials are sorted after. Our question right now is whether we can sort the materials at the macro scale first to lower the energetic cost of recycling.

Dr. Pratt's Comments during the Discussion Session

Our view is that customers should decide on the right powertrain for them. It's like the difference between equity and equality. People have different circumstances. Even in the same part of the world, some people live near very convenient charging, and so for them, a BEV or PHEV is a wonderful answer, particularly if the electrical power has low carbon intensity. For others, though, if they live in a low-density area, or have difficulty finding convenient charging, or, for instance, are in an urban area and park in a place without an overnight charger, an HEV makes more sense. Such is the case in huge swaths of the world.

As a global company, our responsibility is to lower carbon emissions as much as possible. Giving everybody a way to lower their emissions, as much as they can given the circumstances that they're in, is very important, as is affordability—one of the key things you all voted for in the survey earlier.

Right now, because lithium prices are so high, batteries are very expensive. As long as that's true, BEVs will be a much more expensive option for a typical customer than some of the other options.

Toyota has been working on hydrogen for a long time. One use is fuel cells, and the other is internal combustion hydrogen engines. Where we see hydrogen being used in the future is mostly larger vehicles, for which recharging or refueling time matters a great deal. And, given the hydrogen needs of agriculture and other industries, we also expect that very environmentally friendly, renewable hydrogen will be available in the future. That, in turn, will kickstart the use of hydrogen, particularly in larger vehicles.

Sodium also has great potential as an alternative to lithium for use in batteries. What's wonderful about sodium is that it's plentiful in the ocean.

There are tradeoffs in using sodium versus lithium, as well as real practical questions to figure out in terms of durability and rate of charge. As a scientist, I believe that we can't predict the future, so I never try to say how things will be five years from now. Part of the reason we have these diverse options is because we believe diversity to be the solution to uncertainty. My answer is, let's find out.

Intelligent Technologies Bring New Value to Cars

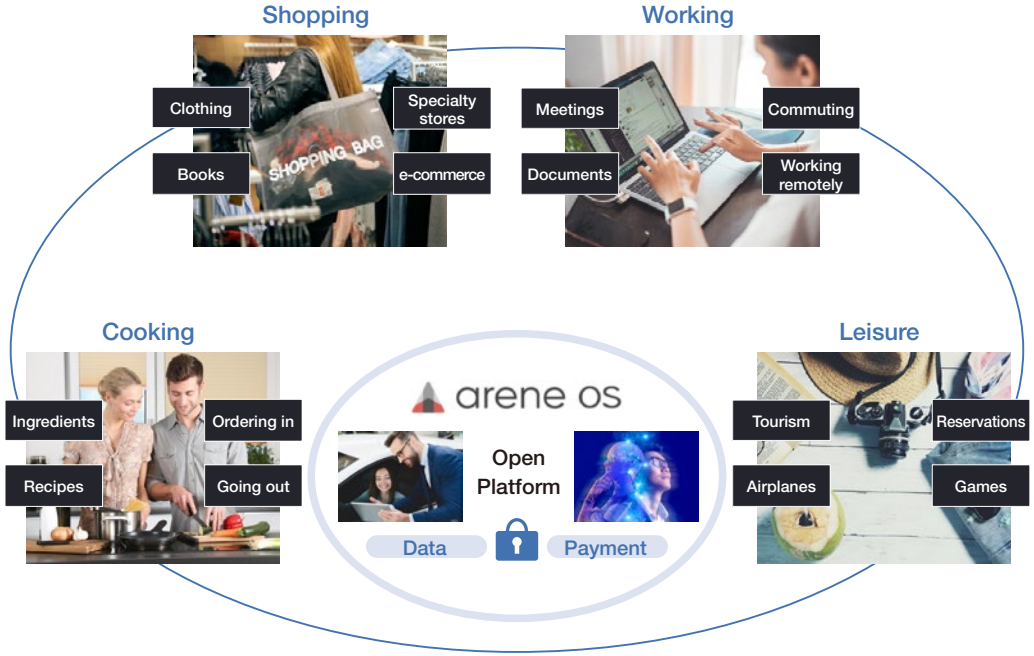
Intelligent Technologies

Toyota is committed to providing new value based on software for the realization of a mobility society. By seamlessly connect daily lives and cars. as well as proposing and delivering experiences and services that are one step ahead of their expectations, we will alter lifestyles, transform mobility into excitement, and enrich our customers' lives. Connecting people and cars, and social systems and cars, will create an ecosystem that becomes part of the social system, leading to the realization of well-being.

Arene OS is a software platform that accelerates such intelligence, providing applications that bring a comfortable riding experience through advanced safety technologies and infotainment in the in-car experience. This will be updated to reflect the changing times. Regarding the out-car experience, we will increase the value we offer via cross-industry collaboration with partners in housing, energy, logistics and other sectors serving as essential components of social systems.

Toyota's competitive advantage lies in its extensive global dealer network. By interacting directly with customers, we are able to gain a realistic understanding of the information and needs that are critical for a vehicle to add value. By combining that information and those needs with vehicle data, we create value the likes of which only Toyota can provide.

Enriching Customers' Lives



Change through "Car Business"

Comfortable Ride Experience (In-Car Experience)

1. Conversing with Cars

Using the latest AI technology, we are making the in-car experience even higher quality. The voice recognition system developed by Toyota can handle users making multiple requests or changing their minds, resulting in agile, responsive interactions that feel more like chatting with a human operator than merely voicing commands.

Moreover, the system may keep connecting and picking up new information through conversation, enabling it to recommend things based on knowledge of your likes and circumstances and develop into a reliable companion.

2. Improved Driving Experience through Cockpit Innovation

The driving experience will be greatly enhanced by digitalization and intelligence. Apart from the steer-by-wire system's intuitive operation and the considerable reduction in steering volume, the control panel's simplified layout and easy-to-operate location at the driver's fingertips allows them to maintain a forward-facing view at all times.

Applications catering to various needs can be accessed by the passenger via a screen situated in the front passenger's seat.

Driver & Passenger Equal Access to Intelligence

Digital driver UI basic unit
Eyes always on the road + multifunctional, simple hand-held operation

+

Open platform options
Responding to diverse needs

3. Interaction Linking People, Cars, and Society

It will also be possible to connect with surrounding towns, stores, people, and cars while driving. As the car develops, it will connect the inside and outside of the car, enabling freer communication; this will create a platform that offers new value not only in getting to one's destination, but in transportation itself.

Contributing to Richer Lifestyles and Solutions to Social Issues (Out-Car Experience)

We will propose services that allow cars to be smoothly integrated into cities and their infrastructure. For instance, a car may utilize vital data it receives from the driver and relay it back to them in order to facilitate safer and more secure driving. With the input of lifestyle data like schedules, friends, and community, cars will be able to recommend outings based on our schedules and physical condition, as well as issue one-stop tickets. By seamlessly connecting cars to society, we will be able to offer

Intelligent Technologies Bring New Value to Cars

experiences and services that surpass our customers' expectations.

It also contributes to solving social issues. Utilizing vehicle data and connected technology, real-time delivery systems can be realized. This can lead to decreased CO_2 emissions and workforce in addition to increased transportation efficiency. In addition, "enhanced safety" is a key concept for enhancing people's lives via mobility. We will leverage the vast amount of data and expertise that we have amassed over the years toward our goals of the pursuit of zero traffic accidents, freedom of movement for all, and contributions to industry through mobility value.

1. Tackling Logistics Challenges with Connected Technologies

To tackle challenges within the logistics industry, Toyota has developed the Efficient Transport Operation Support System (E-TOSS).

This system looks to boost the efficiency of transport from warehouses to retailers and has roots in the Toyota Production System (TPS) mindset. It can prepare efficient transportation plans that accurately capture the daily fluctuations in cargo volumes by bringing together Toyota's real-time information processing capabilities, big data, and information specific to commercial vehicles, like truck driving data and traffic restrictions.

These capabilities improve the truck load factor—thought to be less than 50% across the industry—and help identify efficient transport routes, helping reduce the distances traveled and the number of journeys.*

Note: For specific initiatives, please refer to Commercial Sector Initiatives on p. 55.

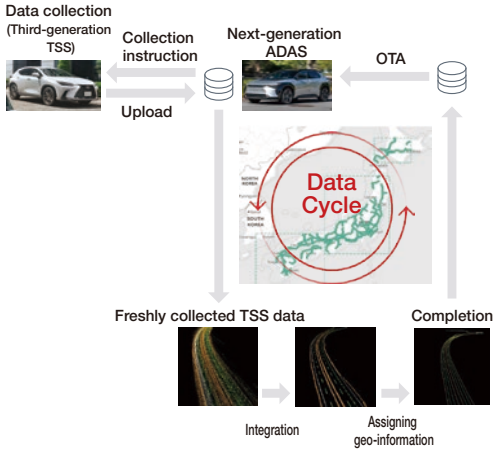
* Estimated 10–15% reduction in CO_2 emissions and logistics costs, based on the decrease in total mileage during trials at AEON distribution centers.

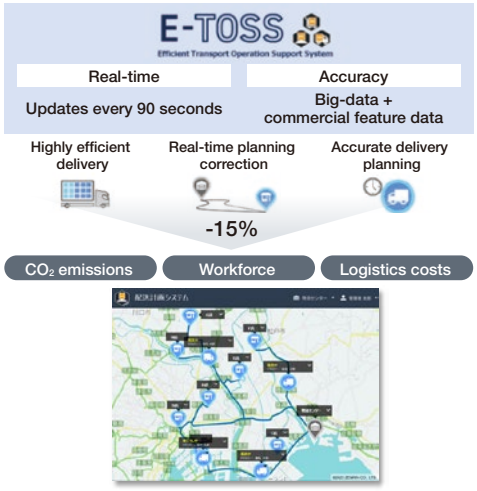
2. Enhancing Safety Performance Using Big Data

Toyota is upgrading the safety performance of its Advanced Driver-Assistance Systems (ADASs) by drawing on a wealth of data that could only be amassed by a company shipping 10 million cars each year.

The next-generation ADAS currently in development uses data collected from vehicles equipped with third-generation Toyota Safety Sense (TSS). Situations involving emergency braking or steering are identified and used to train the AI. With this process, a greater pool of similar cases leads to higher recognition rates and accuracy. Toyota's large vehicle volumes thus provide an advantage, making it possible to acquire a usable degree of information even for uncommonly occurring near-miss scenarios.

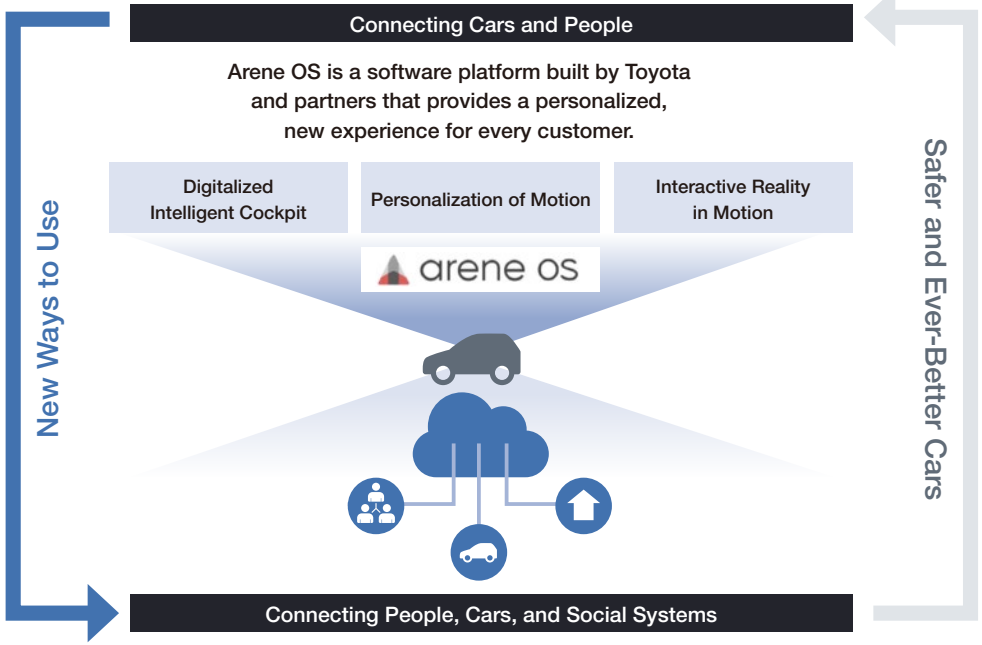
The Toyota data trove also powers automatic map generation (Geo). Thanks to this, the interval between 3D map updates is reduced from six months to a single day, producing maps closer to current conditions. By using information about road conditions beyond the range of onboard cameras or radar, the system assists with safe driving in bad weather or other challenging conditions, while the use of road gradient information improves fuel or energy efficiency.





Arene OS

Arene OS is a software platform that provides a personalized, new experience for every customer via learning. TOOLS in Arene OS allows Toyota and its partners to efficiently develop and evaluate car software. In addition, the Software Development Kit (SDK) enables quick and easy integration into the car. Furthermore, it will serve as an interface between cars, people, and social systems.



Diversifying Mobility: Enhancing Freedom of Movement

Diversity Initiatives

Mobility that offers greater comfort and freedom is an important aspect of making everyday life with cars a richer experience. Toyota operates around the world, and the needs and values of our customers differ from region to region and generation to generation. To meet these expectations, we seek to offer a diverse selection of products and services.

For example, we have developed a one-touch wheelchair fastening device for vehicles, utilizing the know-how we have accumulated through the development of assisted mobility vehicles over the years. We are also working to diversify mobility with the JUU electric wheelchair, which is capable of traversing uneven surfaces, such as stairs, and features a modern, stylish design. Combining freedom of movement with fun, we are working to further diversify mobility.

One-touch Wheelchair Fastening Device

Toyota has developed a system that allows anyone to easily and securely anchor a wheelchair in a vehicle to enable freedom of movement for wheelchair users.

The most common conventional anchoring method used on public buses and other vehicles requires the driver to secure the wheelchair in place using a belt with three hooks. Even for experienced drivers, this process takes around two minutes and can thus take an emotional toll on wheelchair users, making them feel self-conscious as the other passengers are kept waiting. The task is also physically taxing for drivers, who must squat down to attach the hooks.

Using the newly developed device, once the wheelchair is in position, with the press of a switch, the one-touch fastening device installed in the vehicle latches onto the anchor bar mounted at the base of the wheelchair, securing it in just two seconds.

The widespread use of this technology could make it practical for wheelchair users to, for example, take their private car from their home to a bus stop, transfer onto a bus to the airport, and from there fly to their destination. Even stress-free travel by taxi or boat at the destination is possible. The automobile and wheelchair industries are working together to create standards to make this a reality.

Toyota is looking to make the device available for all manner of vehicles, from ships to airplanes, to ensure that wheelchair users can enjoy the freedom of stress-free mobility.

The one-touch wheelchair fastening device being developed by Toyota. The white hooks at the center of the righthand photo latch onto the wheelchair's anchor bar to secure it in place, with the entire process taking just two seconds once the switch is pressed.

JUU Electric Wheelchair

The JUU is a form of mobility that can go up and down stairs and traverse uneven surfaces, contributing to barrier-free access.

The JUU's most significant feature is its ability to negotiate steps up to 16 cm tall (30 cm deep) while the user remains seated. When climbing stairs, the JUU's "tail" drops down from behind the backrest to support the wheelchair as it moves upward. Similarly, on the descent, the tail prevents the wheelchair from tipping over, maintaining stability as the JUU backs down the stairs.

For the wheelchair's drive system, Toyota's engineers used electric power steering motors normally found in cars. The torque they deliver improves safety by ensuring that the tires do not counter-rotate when ascending or descending. At the same time, the use of car components also offers advantages in terms of cost.

e-Palette

In June 2023, we unveiled two types of "e-Palette": one equipped with a driver's seat and a manual driving system that is currently ready for social implementation, and one without a driver's seat but equipped with an automatic driving system intended for unmanned operation that will be released in the future. As latest models of "e-Palette," both types boast a large interior space that can be used to flexibly meet the needs of a variety of mobility services.

Toyota will begin offering services to the public with the piloted e-Palette in the first half of the 2020s, while the driverless version is being developed for places like Woven City.

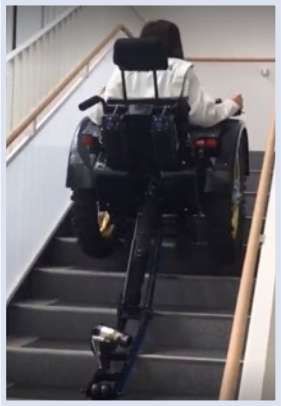
In terms of automated driving technology, e-Palette vehicles will be equipped with the system currently developed by Denso, Woven by Toyota, and Toyota.

We are working toward the realization of automated driving in a way that only a carmaker can, based on our advanced intelligent technologies derived from vast amounts of data and our long-accumulated expertise on vehicle safety.

e-Palette set up as a mobile convenience store

JUU: Stair Climbing Feature

Steps of up to 16 cm tall



JUU

Joy · Job · Universal · Utility

From Wheelchair to Mobility
Mobility for All

Commercial Sector Initiatives: Contributing to Carbon Neutrality through Commercial Vehicle Electrification and Enhanced Logistics Efficiency

The Acceleration and Spread of CASE through Commerce

In April 2021, Isuzu Motors Limited, Hino Motors, Ltd., and Toyota Motor Corporation established Commercial Japan Partnership Technologies (CJPT), a new company, with the aim to accelerate the implementation and spread of CASE in society to help address various difficulties facing the transportation industry as well as help achieve a carbon-neutral society. Suzuki Motor Corporation and Daihatsu Motor Co., Ltd. joined the partnership in July 2021.

Distribution by truck accounts for about 90 percent of overland logistics in Japan, and the transportation sector (including buses and taxis) involves 2.7 million people. Commercial vehicles account for about 40 percent of the total distance traveled by automobiles and about half of all CO_2 emissions from automobiles in Japan. Furthermore, the more than 60,000 logistics companies operating in Japan currently face numerous management issues, such as high-frequency distribution, harsh work environments, labor shortages, and rising operating costs. The power of CASE, centered on connected technologies and services, is a promising approach to effecting improvements that will help resolve these issues. Given the increasingly pressing circumstances surrounding carbon neutrality, CJPT seeks a wide range of like-minded partners, aiming to apply their diverse strengths for the sake of those supporting transportation and for society.

Note: In October 2023, CJPT reinstated Hino Motors Ltd. as a partner.

The Two Pillars of Carbon Neutrality

Our efforts to achieve carbon neutrality center on two pillars: electrification and enhanced logistics efficiency.

In the area of electrification, we will ambitiously work with more partners to find solutions to a variety of problems while giving customers more electrified vehicle options in accordance with their specific needs. We will also realize just-in-time logistics to improve transport efficiency and work to reduce CO_2 emissions by constructing a platform for commercial vehicles that links the partner companies and by leveraging one of the Toyota's strengths—the TPS.

Projects Connecting Fukushima and Tokyo and in Fukuoka

We are working with shippers and logistics companies in Fukushima Prefecture and Tokyo on the large-scale social implementation of electric vehicles. A total of 580 vehicles will be used, including heavy- and light-duty fuel cell electric trucks, and light-duty BEV trucks and mini-commercial vans, to comprehensively cover transportation from trunk lines to the last mile. As of the end of October 2023, over 50 electrified vehicles have hit the roads. In addition to promoting implementation in cities with populations of around 300,000, which is typical of Japan, we will also work to develop standards for these vehicles and develop an energy management system that is integrated with operation management to lessen the social burden associated with the introduction and use of electric vehicles and address transportation-related issues.

Furthermore, in a public-private initiative aimed at carbon neutrality, we have begun sharing data with national bodies promoting digital transformation for commercial vehicles. This includes data about electrified vehicles on the road, such as that on driving, batteries, charging and refueling with hydrogen.

The city of Fukuoka, Fukuoka Prefecture, has begun implementing FCVs as garbage compactor trucks, ambulances, food delivery trucks, BRT buses, and other vehicles that support daily living, utilizing hydrogen stations operated by the city and other entities. Together with local communities, we are promoting the social implementation of these vehicles to make them more familiar to residents and enable their widespread use by more municipalities.

Logistics Improvement Begun with AEON

CJPT is working with AEON KYUSHU Co., Ltd. and AEON GLOBAL SCM Co., Ltd. on a logistics improvement project for the AEON Group in the Kyushu area that will solve problems faced by the logistics industry, such as soaring logistics costs and driver shortages.

By combining the accumulated logistics expertise of AEON KYUSHU and AEON GLOBAL SCM with the connected technologies of the companies participating in CJPT, the project aims to establish new operations to improve efficiency by linking each process in the supply chain as well as to improve efficiency by minimizing cargo and operational stagnation (logistics downtime) through the use of strengths in big data and real-time processing on connected technology infrastructure, among other efforts. We are advancing these initiatives in collaboration with a wide range of partners. In particular, a demonstration project that began at AEON's Minami-Osaka distribution center in 2022 has already begun expansion to actual operations and is producing results, such as improved loading efficiency of trucks. We have applied this model to the Kyushu region, where we have confirmed improvements. We will further expand the range of these efforts to such areas as wholesaling from manufacturers and distribution centers to build a total logistics improvement model. We will continue ambitiously pushing forward with logistics reforms by expanding the results of our efforts with AEON in Minami-Osaka and Kyushu to an even wider range of logistics sites.

Expansion to Asia and Thailand

CJPT reached an agreement with Charoen Pokphand Group (CP) and Siam Cement Group (SCG) in Thailand to promote carbon-neutral initiatives that are unique to Thailand utilizing the country's resources. To contribute to the happiness of the 67 million people of Thailand, CJPT is promoting activities under the concept of "doing what can be done now, together with partners who share the same view."

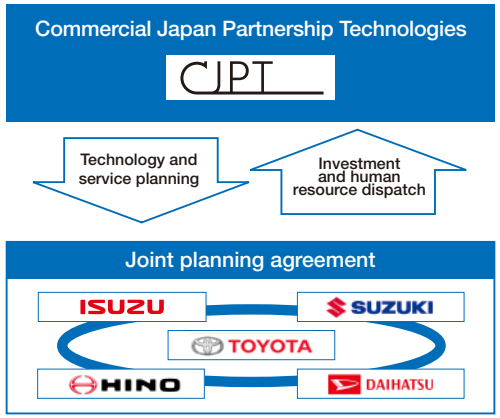
Along with CP and SCG, Toyota, Isuzu, Hino, Suzuki, and Daihatsu will participate in CJPT-Asia, which will be established to further promote initiatives in Thailand and accelerate efforts in the three areas of energy solutions, data solutions, and mobility solutions.

We are accelerating our efforts, such as introducing heavy- and light-duty fuel cell trucks, the Hilux Revo e, the JPN Taxi LPG-HEV, and mini-commercial vans to the logistics and transportation industry from September 2023. In November, we also commenced pilot testing of hydrogen production from biogas at poultry farms and data-driven delivery efficiency enhancement.

1. Energy Solutions
- Use of renewable energy, such as hydrogen, and energy management

2. Data Solutions
- Enhancement of the efficiency of the logistics and transportation industry using connected technology to improve loading efficiency and optimize delivery routes

3. Mobility Solutions
- Provision of a variety of solutions that meet Thailand's diverse needs



ToyotaTimes  Mitsubishi Fuso and Hino Motors Merger-4 Firms Collaborate on Hydrogen and More

MFTBC and Hino Motors Merger—Four Firms Collaborate on Hydrogen

On May 30, it was announced that Mitsubishi Fuso Truck and Bus (MFTBC) and Hino Motors have agreed to merge.

They will seek economies of scale through joint development, procurement, and production. At the same time, the pair will speed up the decarbonization of the transportation industry by drawing on the CASE technologies of their respective parent companies, Daimler Truck and Toyota.

The merger will also entail the establishment of a holding company, with shares split evenly between Daimler Truck and Toyota.

Although Mitsubishi Fuso and Hino will become wholly owned subsidiaries of the new company, both will retain their brands and sales networks in Japan and abroad. They plan to finalize the agreement within the fiscal year to March 2024, with the merger to be carried out by the end of that calendar year.

Our Focus Area is Hydrogen

Koji Sato,
President

Daimler Truck, MFTBC, Hino, and Toyota have agreed to work together on strengthening their commercial vehicle businesses.

MFTBC and Hino will merge on an equal footing to strengthen their global competitiveness. In addition, our four companies will pursue new possibilities in commercial vehicles by leveraging the CASE technologies of Daimler Truck and Toyota.

Today, I would like to talk about the aims and vision behind this collaboration.

Behind this partnership lies a strong desire, shared by our four companies, to build the future of commercial vehicles together.

Commercial vehicles sustain our daily lives through the movement of people and goods, serving as a vital source of mobility that is part of the social infrastructure. Integrating these vehicles into social systems can further boost the value of mobility.

To achieve carbon neutrality, the commercial vehicles that currently make up 40% of global automotive CO_2 emissions must evolve into an environmentally friendly mode of mobility.

In other words, the challenge of building a new future for commercial vehicles will play an important role in creating a prosperous mobility society.

The key to this future lies in CASE technologies such as electrification and autonomous driving. These technologies can only serve society if widely adopted, and require the capabilities to develop them.

In this CASE era, the relatively small size of Japan's commercial vehicle market means that individual companies will struggle to survive on their own.

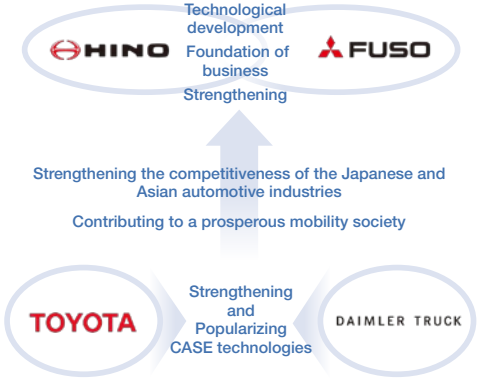
To create a prosperous mobility society, what we need is not just competition, but all of us working together to create the future.

With this mindset, we hope that our four-way partnership will help to accelerate the spread of CASE technologies.

Through the merger, MFTBC and Hino will seek to boost synergies and streamline development, procurement, and production, thereby strengthening their competitiveness and business foundations for pursuing CASE technologies.

Daimler Truck and Toyota will combine their respective strengths to support the merged companies with CASE technologies, while also working to further enhance the technical capabilities between them.

Building the Future of Commercial Vehicles Together



The coming together of our four companies also opens up new possibilities for the future.

In particular, we see initiatives in the hydrogen domain as a key focus area for cooperation, contributing to the creation of a prosperous mobility society.

Daimler Truck and Toyota were quick to recognize the potential of hydrogen energy and have driven the development of fuel cell and hydrogen engine technologies.

Daimler Truck & Toyota's Hydrogen Initiatives

We have also worked to commercialize products and establish hydrogen infrastructure to promote the widespread use of these technologies.

Together with MFTBC and Hino, our companies plan to speed up the adoption of hydrogen mobility, beginning with commercial vehicles.

Our joint effort to create this future starts with the merging of Mitsubishi Fuso and Hino to establish the business foundations for competing on the global stage.

Through robust competition, we will contribute to a better future for commercial vehicles.

With Mr. Daum, CEO of Daimler Truck, we've talked about shaping the future of commercial vehicles, the need for scale in promoting the widespread adoption of CASE technologies, and the idea that the future is ours to create together.

While sharing these aspirations and values, we discussed how the partnership should come together.

This process allowed us to confirm each other's visions, and I believe we had very meaningful discussions.

I would like to invite Mr. Daum to share his thoughts on this collaboration.

Commercial Sector Initiatives

Scale is Key

Martin Daum,
Daimler Trucks CEO

We intend to link the future of two amazing companies, and to shape the future of the commercial vehicle industry in Japan, in Asia, and even beyond. Let me give you some context.

With our vehicles, our customers keep supermarkets, factories, and construction sites up and running. And they bring people to work, to school, to their favorite destinations.

In short, trucks and buses keep the world moving. This is true today, and it will also be true tomorrow.

Though this will not change, one thing will change; tomorrow, trucks and buses will need to be emission-free. This means our products will become even more amazing.

As we are accelerating towards zero emissions, there is one big challenge, and this is the required funding.

The transformation of our industry means we have to fund several new drive technologies at the same time: batteries, hydrogen-based fuel cells, and potentially also hydrogen internal combustion engines.

This is quite a stretch even for the leading companies in our industry. There is only one way to make this parallel tech development work: economies of scale. Scale is key.

What we are announcing today does not just have the potential to make our company stronger; creating a leading domestic company can also revitalize the Japanese economy.

The Foremost Player in Asian Transportation

Karl Deppen,
MFTBC CEO

The world is changing. And our industry needs to change with it. Japan's economy and the societies of Asia need state-of-the-art transportation. At the same time, Japan has committed to be carbon neutral by 2050.

We take it as our task to be part of the solution to decarbonize transportation. Connectivity, automation, electrification—a whole range of advanced services and technologies to make logistics as safe, as efficient, and as profitable as possible, all while causing the least possible harm to the environment. I'll be frank—developing takes enormous investment, resources, and also expertise.

This merger will position us as the foremost player in the Asian transportation industry, strong enough to compete with all the new brands we see entering the market, especially outside of Japan.

This collaboration can only work if we join as equals—respecting each other, respecting each other's strengths, and working together to make a future brighter than either of us could find alone.

The Time for CASE Technologies Is Now

Satoshi Ogiso,
Hino President

The certification misconduct that Hino disclosed last year is an issue we are taking very seriously. To ensure that our company does not allow something like this to happen again, we are pursuing the three areas of reform announced last October.

To regain the trust of our customers and other stakeholders, all Hino employees are engaging earnestly in each of these reforms.

Hino's strength lies in contributing to our customers' business in every aspect from sales to after-sales service, extending beyond the products themselves to overall quality, reliability, and maintenance.

As we work to address the misconduct issue and rebuild, many of our dealers and other partners, who have themselves been inconvenienced, are helping us in various ways to engage with customers and protect the Hino brand.

These experiences have keenly emphasized how important it is to revamp the company so that we can continue to contribute to our customers in the future.

At the same time, we find ourselves in a period of once-in-a-century transformation. We have no time to lose in developing the CASE technologies to address social problems such as carbon neutrality, driver shortages, and traffic accidents.

Even as we thoroughly address our certification issues, Hino has continued to look to the future by devising initiatives to tackle carbon neutrality and other challenges.

Together with our partners, we are constantly trying to figure out ways to fulfill the expectations of our customers and other stakeholders.

While our ongoing efforts to address the misconduct have started to yield results, it is very difficult for Hino to simultaneously deal with environmental changes such as carbon neutrality on our own and as we have agonized over this situation for a long time, we view the four-company collaboration as a golden opportunity.

Daimler Truck and Toyota are leading companies in commercial and passenger vehicles, with outstanding CASE technologies. Likewise, Mitsubishi Fuso has a long history as one of Japan's commercial vehicle manufacturers. United in our ambition to contribute to society by supporting mobility, I feel a tremendous significance in moving toward the future with these three companies.

At Hino, we are committed to rebuilding our foundations following the certification issues, and to shaping the future as part of this four-company collaboration.

MFTBC and Hino were quick to establish a presence in the countries of Southeast Asia, engaging with local communities and helping to improve lives through the movement of people and goods. We believe this new collaboration is essential for ensuring that we can continue making these contributions into the future.

For Hino, this project will be a company-wide effort. After the merger scheduled for late-2024, we are determined to work with CEO Deppen and his colleagues to establish a close-knit team of mutual learning and respect.

"The Future Is Ours to Create Together"

President Sato said the following when asked about the synergistic effects of collaboration.

I believe it comes down to one thing: "The future is ours to create together."

While capital ties and other aspects are very important, no single company can dictate the future faced by the automotive industry. It is crucial that we facilitate greater collaboration and increase the speed with which our technologies become part of society.

Engaging in many partnerships allows us to simultaneously tackle a wide range of challenges on multiple fronts. Ultimately, I believe this approach is vital for creating a more prosperous and productive mobility society.

"The future is ours to create together." With this mindset, we will seek to make the most of every opportunity to deepen our collaborative partnerships.

Woven City: A City of Test Courses Producing Future Happiness for All

TOYOTA woven city

The Woven City project was first announced in January 2020. The initial building is set to be completed in summer 2024, with limited demonstration testing kicking off in 2025. Toyota and a variety of partners will work together, using Woven City, a city of test courses, to demonstrate cutting edge technologies in such areas as automated driving, mobility as a service (MaaS), personal mobility, robotics, smart homes, and artificial intelligence (AI). Through these efforts, we aim to create new systems and services that will contribute to "well-being for all."

Building on Our History of Manufacturing

Woven City will be constructed on the site of Toyota Motor East Japan's former Higashi-Fuji Plant, which was a pillar of production for Toyota for 53 years, starting in 1967. At its peak, the plant had about 2,000 employees, and a total of around 7,000 individuals worked there over its history, producing such vehicles as the Toyota Century, Toyota's flagship chauffeur car infused with Toyota craftsmanship, and the JPN Taxi, a car that requires many times the durability of an ordinary passenger car.

The concept for Woven City can be traced back to the Great East Japan Earthquake in 2011. Chairman Akio Toyoda sought to create jobs for the region's people, who were hit hardest by the disaster, by creating a third base of operations in the Tohoku region. Guided by his strong leadership, Toyota established Toyota Motor East Japan, Inc. in 2012. However, this also led to the difficult decision to close the Higashi-Fuji Plant. Looking for a way to carry on the Higashi-Fuji Plant's legacy of manufacturing to help create future mobility for the next 50 years, he arrived at the idea of transforming the site into a test course that is woven into the fabric of daily life.

The name "Woven City" comes from Toyota's origins in automatic looms. Toyota Group founder Sakichi Toyoda was driven to invent an automatic loom out of a desire to make his mother's work easier. We have guarded and nurtured this spirit of service to others ever since. Woven City will take up this commitment from the Higashi-Fuji Plant, growing and evolving as the foundation for a new era at Toyota.

A Test Course for Toyota as a Mobility Company

Woven City will be a kind of test course, enabling us to rapidly implement development and demonstration cycles for diverse forms of mobility in both the virtual and the real world. Both of these are essential—alone, neither the virtual nor the real is sufficient to quickly provide mobility in today's diversified world. Guided by the three concepts of "human-centered," "a living laboratory," and the "ever-evolving city," Woven City will comprise three types of roads woven together like warp and weft: paths for people, roads shared by people and personal mobility devices, and roads for autonomous vehicles. We will use these roads to advance demonstration testing that integrates the aspects of people, vehicles, and the traffic environment. Woven City will demonstrate technologies from logistics to energy and food as it grows into a test course conducive to the timely generation of new inventions that address social issues.

Aiming to Expand Mobility

At Woven City, we aim to make people happy by expanding what mobility can do for human beings and building systems that will create novel value. We will invent the technologies and services that will become the future fabric of life by interweaving cars with social infrastructure to expand the mobility of people, goods, and information while inspiring excitement and moving people emotionally. This is the meaning of "expand mobility" and the vision of Woven City. In this new city, Toyota aims to transform into a true mobility company.

With our sights on commencing limited pilot testing in 2025, we will continue to reinforce collaboration among Toyota, Toyota Group companies, and our external partner companies. Through Woven City, we will work to realize the Toyota Mobility Concept.

Let's Change the Future of Cars: Japan Mobility Show 2023

ToyotaTimes  JAPAN MOBILITY SHOW 2023

"The Future is Something We All Create"

Creating a place where the finest Japanese technology and trailblazing business leaders come together in order to connect and share the country's future vision with the world—that was the idea that transformed the Tokyo Motor Show into the JAPAN MOBILITY SHOW 2023, which kicked off at Tokyo Big Sight on October 26.

A day earlier, President Koji Sato attended a press briefing at the Toyota booth. He presented the concept of the Company's presentation to the world—"Find Your Future"—and spoke about three future scenarios driven by mobility in response to the diverse values and needs of our time.

Welcome to the Toyota Booth!

Here at the Toyota booth, we are communicating a mobility future full of diversity. There are as many diverse needs and values as there are people in the world.

The future is not decided by someone else. The future is something we all create. This is what we believe.

This is why we made "Find Your Future" the Toyota Booth concept. I know you will find your future among Toyota's cars.

Today, I'm going to talk about three future car scenarios that are driven by mobility.

A Look at the Future through Three Types of Mobility

The first story is our future life with battery electric vehicles (BEVs.)

BEVs are not only eco-friendly. They also offer their own flavor of driving fun, what we call "automotive seasoning." And, they can deliver diverse experience value. This is our vision for BEVs.

We are making BEVs like only a true carmaker can. This means revisiting the fundamental principles of car making and delivering basic performance, like cruising range, as well as value that only BEVs can offer.

One example is making cars with both a low center of gravity and a spacious interior, which was not possible in the past.

To do this, we need to make the main components much smaller and lighter, and deploy our strengths as a carmaker to put them together in the best package possible.

Achieving this will mean that the design, the drive feel, and everything else can be transformed. Driving in these cars, the scenery looks completely different. The Lexus brand will be the first to produce cars that tell this story.

Of course, Toyota and GR brand cars, like the two models here, will also change.

With the technology to make cars smaller, lower, and lighter, we can create a diverse lineup with outstanding qualities, from sports cars and SUVs to pickup trucks and small vans.

And, on top of this hardware, is Arene, our new software platform, delivering new experience value.

Making Travel More Convenient and Fun

Arene can stay up to date with the latest software and use vehicle data to speed up development that meets customer needs to provide more value that delights customers.

A wide range of apps will also increase the cars' value. For example, entertainment providers will create services and content.

Connected to new software partners, these cars will make getting around more convenient and fun.

You will be able to shop via an app in your car. While driving, you can have fun with the automotive seasoning in Manual mode. After parking, you can share electricity in energy grid mode to help the community. These are just some of the examples of the future that awaits.

Each and every customer will help create the value of these cars. The role of cars will be to connect to and expand the possibilities of society.

Your desires will shape a car that's just for you.

That is the future with next-generation BEVs and software-defined vehicles.*

* Cars designed to be upgraded via software updates that continue to add functions and boost performance after purchase.

Let's Change the Future of Cars: Japan Mobility Show 2023

Creating these electrified vehicles, and meeting the diversifying needs of customers around the world, requires a multi-pathway approach.

One such pathway is hardware expandability to give individuals the cars that are just right for them.

Cars are essential to people's work and personal lives. This is true for many of our customers.

Different people want to transport different things and do different things with their cars. We intend to provide solutions for all these needs. We will deliver solutions with high-quality, affordable cars unique to Toyota.

The second story I'm going to tell you about is the future with this IMV 0.

Its shape is infinitely customizable to the customer's needs.

For example, it can transport a great volume of freshly harvested fruits and vegetables. Arriving in the city, it quickly transforms into a produce stand.

In a city square, it can turn into a coffee shop or a food truck. At night, it can become a bar or even a DJ booth.

The IMV 0 will soon launch in Asia, where lots of ideas for how to customize it are already circulating.

This is how unique and diverse cars will become an integral part of our world. Cars will be the platform, and customers will be the ones who expand their value.

There will be more new business possibilities and new partners in the value chain.

The IMV 0 is aimed at delivering a mobility future that we all create together.

Creating the Value of Mobility in Society

In such ways, mobility that meets diverse needs will become an integral part of our world and connect you to society.

In our car plants, we use configurable shipping containers called *kayoibako* to transport all kinds of parts between worksites.

This mobility performs the same role in society.

Using the properties of BEVs, it can keep you connected to social infrastructure and service providers and bring more convenience and fun to your work and personal life, anytime and anywhere.

This is why we have named this mobility the *Kayoibako*.

I'd like to share three future scenarios with you today.

They are forms of mobility that connect people and society. This means that all of us will be able to do more and better enjoy the many facets of our lives.

Let's say you're a delivery driver with your *Kayoibako*.

Slide open the door, and you can load lots of cargo in its spacious interior. Using infrastructure-connected data, you can deliver goods quickly and efficiently to the customers who ordered them.

On days off, it completely transforms. Say you love camping and the outdoors. You can pick up the camping backpack you ordered, load the *Kayoibako* with a tent and barbeque supplies, and head out of town.

Not too big, and not too small—it's just the right size for many different situations. It can serve as community mobility by enabling easy access for wheelchair users, serve as a remote office, or be used as a mobile shop.

It will better connect you to society.

Everyone will take part in creating mobility's value in society. That is the future the *Kayoibako* aims to deliver.

Go Out and Find Your Future

The three mobility scenarios I shared are in a future created with electrification, intelligence, and diversification.

They have one thing in common—how the value of this future mobility will expand as it meets our lifestyle needs.

This is why our mission at Toyota is to meet the needs of customers around the world and continue delivering diverse mobility options.

This is the multi-pathway approach to the future that Toyota envisions. Let me say once again, the future is something that we all create together.

We want to create a better future. If we all act with this aspiration and with passion, the landscape before us is sure to change.

A future world full of smiles. We want mobility to continue being at the center of this world. With this intention, and together with our many partners, we will take on greater and greater challenges.

Our motto is "Let's change the future of cars!"

The Mobility Show is an important starting point for this—this journey to go out and find your future.

I hope you will enjoy visiting the Toyota Booth as you find your future.

Message from the CSO

Yumi Otsuka
Chief Sustainability Officer

The Toyota Mobility Concept: Toyota's Vision for a Mobility Society

Toyota is currently accelerating its transformation aimed at continuously contributing to the future of society. Building on the foundation established through the reforms led by Akio Toyoda since he assumed the presidency around the key concepts of "Ever-better cars," "Best in town," and "For the sake of others," we are now putting our full force into making new, tangible contributions as a mobility company. First, we presented the Toyota Mobility Concept, which crystallizes the mobility society we aim to create as a mobility company. In the three domains of Mobility 1.0, 2.0, and 3.0, the concept lays out the evolution of the car to be more useful to society based on its essential values, which have been cultivated over time, such as safety, security, and being fun to drive. By changing the future of the car, we will contribute to the sustainability of the Earth and society while realizing a mobility society in which everyone can move freely, happily, and comfortably.

Review of Materiality (Key Issues)

Based on the Toyota Mobility Concept, we reexamined and reviewed our material issues and used them to share with internal and external stakeholders more concrete details about the kind of society we aim to realize and Toyota's contribution toward it. In addition to discussions at the Sustainability Meeting, the review process included discussions with employees, such external parties as NGOs, sustainability experts, and investors. Through dialogue with diverse stakeholders of various ages, genders, and backgrounds, we gained numerous insights on what should be tackled and what the best terminology to use would be. In other words, while we have been communicating Toyota's approach and initiatives through the Toyota Times and other media outlets for some time, this time, through thorough dialogue on the overall picture, we were able to not only understand what perspectives we are lacking and what information has not been getting across, but also areas that have been well received as part of our unique Toyota approach.

Human Resources Who Act "For the Sake of Others"

In considering what approach to sustainability would be right for Toyota, we reaffirmed the core of our efforts to be the nurturing of human resources with the spirit of working for the sake of others, which has been handed down since the Group's founding, rather than focusing on trying to clarify the fine details of strategies and tactics. The key lies in increasing Toyota's ranks of people with the will and passion to unwaveringly tackle a wide range of material issues to create a better future, as well as the ability to make that will a reality amid a rapidly changing environment and rising uncertainty. In 2023, we began small-group discussions between executives and employees called "Toyo Talks." I feel these have been a great help in deepening the overall understanding of the Company's vision and identifying factors that impede employees' efforts and growth as well as the success of our diverse human resources, thereby accelerating our vision's implementation.

A plant's female shop floor employees

Many people at Toyota today are putting the idea of "for the sake of others" into action. These include leaders at the Kentucky Plant who are passionate about contributing to carbon neutrality through the use of *karakuri* (non-powered mechanical gadgets that help improve productivity and reduce costs) to reduce energy use wherever possible; employees of the Honsha Plant who have a strong desire for growth and are not willing to let outages keep them from improving; working mothers around the world who give their all to support their junior colleagues at manufacturing plants despite the numerous challenges that still come with balancing working and raising children; and a group of manufacturing employees that has been holding recreational events for children at a local welfare facility for more than 20 years based on a strong desire to contribute to their local community.

Speaking with them, I've come to realize that their efforts aren't for themselves, but rather for society and the next generation. They get others involved and don't accept the status quo as unchangeable, continuing to act in order to bring their ideals to life.

Toyota Kentucky Paint Shop

A recreation event at a child welfare facility

Through ongoing engagement with internal and external stakeholders, all of us at Toyota will continue to check in to see where we stand, working sincerely to meet stakeholders' expectations of us as we together take action toward our mission of producing happiness for all.

Roundtable Discussion with the Outside Directors

Masahiko Oshima | Philip Craven | Emi Osono | Ikuro Sugawara

Management Changes since the Announcement of the New President

Sugawara In January 2023, Toyota announced that Akio Toyoda, its president of 14 years, would transition into the role of chairman, and Koji Sato would assume the role of president.

During his tenure, then-President Toyoda's agile leadership steered Toyota through difficulties and environmental changes, altering the Company significantly. This was a feat I believe only Akio Toyoda could have managed. The executive team is well aware of this, and of the importance of effectively passing on certain aspects of Chairman Toyoda's thinking to the next generation. To this end, Chairman Toyoda has put time and effort into passing on the key aspects of his knowledge and experience while taking care not to intrude too much. Akio Toyoda's *Juku* is a prime example of this.

The executive team, on the other hand, has a very young president—53 years old—whose energetic moves are garnering attention.

One concrete way this has manifested is in explanatory initiatives for the multi-pathway approach Chairman Toyota has touted. While BEVs are a major pillar of this approach, Chairman Toyota's highly ambitious target—producing 3.5 million BEVs by 2030—has not been well understood. Under the new leadership, teams have been formed to more proactively reach various stakeholders, such as investors and the general public, using such channels as mass media and the Toyota Times. They are aggressively working to more effectively communicate about topics on which there has been a lack of understanding, such as Toyota's multi-pathway approach, especially with regard to BEVs.

In June, Toyota also welcomed new Outside Audit & Supervisory Board Members who attend meetings of the Board of Directors. Through this, we are now spending more time on sharing information prior to meetings.

Furthermore, even outside of Board of Directors meetings, there has been a significant increase in other opportunities for discussion, such as study meetings of the Outside Directors. Through trial and error, we are in the midst of working to make the Board of Directors meetings more fruitful.

Craven It's never easy to take over from a highly successful President.

President Sato and the executive team have approached this task in line with the Toyota Way and with a spirit of challenge, working to make ever-better cars. Toyota has also established the new BEV Factory and Hydrogen Factory, headed by presidents Kato and Yamagata. They're so passionate about what they do, and there's great teamwork. As Mr. Sugawara said, I think the new team has made a very positive start.

In that same vein, Executive Vice President Miyazaki has demonstrated leadership in region-based management that I think is just excellent and shows the new emphasis Toyota places on being truly a global company. We have to think of the whole world, and what each region requires, particularly with regard to carbon neutrality.

Another major point is that President Sato's immediate decision to chair the Sustainability Meeting is an absolute key element of Toyota moving forward and transforming.

Chairman Toyoda, working with Executive Fellow Uchiyamada, spent a lot of time ensuring that they got not only the right people, but also the right structure for the future. That is why, at the end of the day, Akio Toyoda is Toyota's *Iemoto* (master of the house). The passion and the spirit of Toyota lives so strongly within him, and the new team carries that same spirit. President Sato fully understands the importance of people, and of really thinking of people and society, not just looking at the bottom line or the share price. That has to happen in order to save the planet.

Aspirations as Outside Directors

Oshima Prior to my appointment as a director, I considered Toyota to be a business with a strong *genba* (front-line), strong corporate culture, and good financial standing as well as robust profitability. While these impressions were not wrong, what I feel more now that I am on the board of directors is that people are being trained more than I had seen from the outside.

When I began working for Toyota, I discovered that, in contrast to my preconceived notions of a homogeneous workplace where employees with similar attributes congregate in a flock together manner under a strong corporate culture and where everyone strives hard and advances in the same direction, executives from every department express their opinions openly and honestly without referring to documents.

Although executives in many large Japanese companies are expected to speak from prepared documents, I find it amazing that Toyota executives, even when unexpectedly called upon to speak during meetings, unwaveringly speak their minds. I've gotten the impression that Toyota's people are trained on a daily basis with those selected for higher ranking positions being further trained and elevated to higher levels. I find the strength this method creates on an individual level to be very impressive. Toyota today has a widespread culture of nurturing and training people under the direction of managers who are resolute in their pursuit of big goals.

While Toyota has always been the top carmaker in Japan, a car enthusiast's eyes will see that there are a lot more attractive cars now than there were ten or twenty years ago. I have heard that a lot has changed in the 14 years Chairman Toyoda served as president, and I am confident that one of the primary causes of this increase is that his message has been widely disseminated and many employees are still sincerely thinking and working to make ever better cars.

Toyota's current management boasts the strength to continue its efforts to move forward on what it believes to be the right path without being swayed by short-term events such as the movement of current

Roundtable Discussion with the Outside Directors

stock prices. This is a wonderful thing, but at the same time, I feel that Toyota's merits and strengths are not yet sufficiently known to the outside world. The more I've learned about global trends in the automotive industry since becoming a board member, the more I've realized that the world's major trends are heading in the same direction as Toyota's multi-pathway strategy. I think it is also critical to accurately convey to the outside world that Toyota is way better and stronger than people imagine.

I fully support the Toyota management team's pursuit of challenges in my capacity as an outside director. This is a highly rewarding task, and I will do everything in my power to fulfill it.

Osono Since coming on as an Outside Director, I have been struck by the strength of Toyota's *genba*.

This comes through in the front-line response to the recent rapid rise in production and in the efforts to digitalize and improve transparency with notifications of car delivery timing when production is backlogged. At such moments of crisis, Toyota connects its various front lines in purchasing, production, sales, and planning with digital technologies, applying its full force to solve problems. This is a real strength.

I have also noticed many other things since joining Toyota, the first being that Toyota has set up new frameworks for making better cars since Akio Toyoda's term as President.

When I came on as an Outside Director, I remarked to then-President Toyoda that it seemed like implementing the Toyota New Global Architecture (TNGA) had been good for Toyota. I was struck by his response. He said that had the TNGA not been correctly understood, its focus would not have evolved beyond cost reduction. Toyota's TNGA is not a tool just for promoting efficiency or cutting costs. Rather, it was implemented with a clear vision of how the extra capacity that such improvements free up would be used. An excellent example of this is the simultaneous announcement of four Crown models made using the TNGA; the way that the entire Company was mobilized to create better cars really left an impression on me.

The second thing I noticed was that Chairman Toyota granted Toyota a more human quality. My impression was that Toyota's people just diligently moved along the rails of these structures in their work. To the extent that that's the case, I think it's actually a strength. However, Toyota also has a deep culture of valuing people based on its core philosophy and beliefs, and it effectively communicates this. This culture is evident in the Company's decision to terminate production in Russia and in how communication is handled. The Company's more human quality stems from this practice of humanized management.

The third thing I noticed was a return to the essentials. Toyota has written about this via Toyota Times, but I think the shift that has allowed participants at the Labor-Management Council, for example, to speak so frankly is the result of a major change in mindsets toward returning to the fundamentals in all employees' work.

What excites me the most right now is how everyone is ambitiously pushing toward the future. President Sato often says that whatever other factors may be at play, there can be no results without action. To that end, Toyota has been taking investment and risks decision-making, and I think that going forward, we will increasingly see a variety of results. I look forward to it.

As Toyota's aims are long-term and complex, I believe the hurdles going forward will be ensuring the Company can take on the necessary challenges and risks, figuring out the right scale for experiments, learning from them in a positive way that will move Toyota forward, and steadily maintaining that stance over time. I am excited to see how clears these hurdles as it strives toward the future.

Contributing to Toyota's Transformation into a Mobility Company

Sugawara Chairman Toyoda began calling for Toyota to transform into a mobility company around five years ago. This was the earliest such call among the Japanese OEMs, at least. However, I still feel that no one has quite articulated exactly what being a mobility company will mean.

When sailing uncharted waters, it's impossible to know exactly where to head, or what kind of obstacles you will encounter on the way; nevertheless, there is no choice but to set sail and journey forward. I think that Chairman Toyoda understands this very clearly.

In the near future, technological innovations beyond anything we can anticipate are sure to emerge, as seen with the recent leaps forward in generative AI. Consumer needs, similarly, are changing at a dizzying pace. Meanwhile, efforts toward carbon neutrality for the sake of the environment and geopolitical risks have only grown larger. Finding the right route forward without a map while avoiding obstacles is hard; in these circumstances, most people will shun change. They imagine that if they stay put, they will be safe from risk. The truth is, however, that staying still at such times invites even more risk. Steering the ship is thus difficult, as one must neither resist change nor blindly rush forward inflexibly, but face change as it comes.

Take, for example, the way opinions on BEVs have changed. Two or three years ago there was a swell of calls for 100% BEVs, but since then many people have realized that this was a mistake and have seen the value of the multi-pathway strategy. To confront constant change without being swept away by the tides of the moment, I think it is crucial to remember one's own strength while sailing forward.

I believe that Toyota's strength lies in, as you all have mentioned, its car making, the Toyota Way, and the Toyota Production System—and in evolving these while continuing to press forward. Remembering what the Company's strengths are is key to successfully navigating uncharted waters.

As for how we can contribute as Outside Directors, we may be able to see obstacles and opportunities that those within Toyota cannot based on our past experience or various personal connections. It is our duty to do all we can to alert executives to potential risks, or to good routes forward, engaging in discussion to select the right path forward together.

Oshima I was curious about the meaning of "transforming into a mobility company," being particularly struck by Chairman Toyoda's remark to recently appointed outside directors, "Toyota is constantly tackling a question with no definite answer. It is never easy, but if we do not take on challenges, we will clearly fall behind." Not only is car making moving at great speed, but we are also facing rapidly evolving global trends in other areas as well, so if we do not continue to respond to them, we will fall further and further behind. I believe that the challenge is to respond to these significant once-in-a-century changes, while maintaining Toyota's strengths and distinctiveness.

The fulfillment of the multi-pathway strategy requires a significant financial expenditure. The cost of the batteries alone for BEVs will likely be considerable, but spending will still prove to be insufficient in the long term. However, Toyota boasts excellent profitability and robust financial position. This is precisely why Toyota is able to continue making significant investments in multiple areas, including BEVs and plug-in hybrid vehicles (PHVs), while maintaining ongoing strength in manufacturing even though the exact solution is yet unknown. Should it manage to maintain this level of efficiency and effectiveness, Toyota is likely to make advancements that no other automaker can match.

Roundtable Discussion with the Outside Directors

As an outside director, I want to use my unique experiences and values, which are distinct from people who built their careers within Toyota, to support the challenges in this no-solutions environment. I also think that by doing this, I will be able to see aspects of Toyota's strengths and depths that I was unaware of. I am very much looking forward to it.

Osono Yes, the meaning of transforming into a mobility company is tricky to pin down.

First, Toyota must work with new partners that bring different cultures and skills from those it has had until now in order to create new value. These will be partners, both within and outside Toyota, in the creation of new products and services. Transformation will, of course, require consideration of user perspectives as well as back casting from the future in terms of environmental considerations. This is therefore an area I intend to keep a close eye on.

Also, given the scale and scope of this transformation, I'd like to make sure that we maintain a constant awareness of what it is all for. That may change over time, and so I feel it is my role to take part in discussions about those overarching targets to continue forming and refining them together.

For example, right now, I think the Company's vision of the future is one that offers greater safety, convenience, and freedom as well as more choices. I hope to take part in discussions of what, then, Toyota's role in that future will be. The form that a future mobility society will take will vary by country, so it will be important to think not only about Japan, but to fully incorporate the perspectives of various regions and make sure that we consider the mobility that best suits them. It can be hard to be sure whether discussions are adequately incorporating varied perspectives, but I think that success in this area shows up in various figures, such as those related to engagement, and depend on whether Toyota is a workplace that easily attracts talent.

Furthermore, I believe that the most effective way of going about this is to visit the front lines, talk with the people there, and confirm whether their views are being heard properly and if discussions are being held in an equitable and open manner.

Craven Part of what makes us Toyota is the idea of "for the sake of others," and I think that is critical to Toyota's future, as is being referred to about the importance of being close to customers.

Also, I've seen an improvement in proactive communication. There have been far more technical announcements that seem to have excited the financial analysts. They now know more about what we're doing and where we're going, and that's really great.

I love the fact that Chairman Toyoda stuck to his guns on multi-pathway. He was hammered from all sides, but he said "no, this is the right way," and now he is being proven correct. We just need to look at India. They have adopted the approach, the multi-pathway philosophy, if you will. And so, I think Toyota is in a good place. There's a lot of work to do, but I think, together, we're going to do it.

Message to Employees for Transforming into a Mobility Company

Sugawara In taking on change, accumulated experience and knowledge are, of course, very useful. However, looking toward change across the next 10 or even 20 years, the most important thing will be to focus on the society of tomorrow and the future that today's young people see.

The key to Toyota's future will be whether or not it can proactively incorporate the opinions and sensibilities of young people as well as their values and perceptions.

To that end, in addition to the efforts of current leaders to transform Toyota into a mobility company, I think the most important thing is to create an environment in which today's young employees are able to excitedly participate in building Toyota's future. We cannot expect them to succeed if this is merely forced onto them from above. We must make Toyota a company in which the young employees are excited to take part in the push toward the creation of a mobility society. In fact, I think the success of Toyota's efforts to become a mobility company will hinge upon whether or not it can become a company that talented young people from the outside want to join.

Craven Let me tell you what the vision of the International Paralympic Committee (IPC) was when I was president. I'm reminded of it by the word "excited" that Mr. Sugawara used—you must be excited. Our vision was to enable para athletes to achieve sporting excellence and inspire and excite the world. So excitement, for me, is so fundamental.

With a massive workforce of 370,000, we need to make it very clear that every member is just as important as the next. And that any member, particularly those at the *genba*, has the opportunity to become a future leader. People need to believe, truly, that Toyota will look after them, but also that they must look after Toyota. Let's try to ensure that we're all together in this fantastic adventure.

Oshima Regarding our transformation into a mobility company, I would like to share some opinions to our current employees, particularly the younger ones.

First, the transformation into a mobility company entails developing new strengths and values; this is a very different world from the traditional world of car manufacturing and automobile companies, where one had to learn for five or 10 years before finally reaching the start line and becoming able to handle their tasks based on empirical rules. This means that the field in which young people with new values can contribute more quickly will undoubtedly expand. It is a very difficult challenge, but I would like to convey to you that opportunities and chances to create new values more quickly will be expanding before your eyes as you work hard, and that your continued efforts will result in "changing the future of cars," as advocated by President Sato.

Second, Toyota is a world-class carmaker, but more importantly, it has a strategy and direction for the future of the industry, and the world is actually moving in that direction. To achieve carbon neutrality, there are many challenging obstacles to overcome, but Toyota has the experience, resources, and strategic direction to make this happen, and I am confident that these assets will empower each of you to do your utmost to seize the opportunities presented by the future automotive industry. This is a historic once-in-a-century moment of great change, so I want you to take on this challenge yourselves with all your might and focus. Let us work hard together!

Osono My mother-in-law has lost her mobility within her home as her knees worsened. Thinking about this, I noticed how hairdressers often move around while seated on wheeled stools. So, I bought one for her, and with it, she is now able to get around the house more easily. As her case shows, mobility for seniors is also an issue.

Additionally, in today's society, many people deal with limited mobility. Take, for example, parents who have to constantly hold their children's hands so they won't get lost, or push a stroller around with them anywhere they go. I think that most have just accepted these restrictions as normal.

Today, however, technology is opening up a wide range of new possibilities. That is why I believe that having ongoing discussions of the kind of mobility that everyone in Toyota wants to create, based on their various perspectives, will make their work meaningful.

Craven Following on from what Ms. Osono said, I drove a Neo Steer car when I was here in June, with Executive Vice President Nakajima. Even mentally, the different option it presents gives you a greater sense of freedom because you don't have to use foot pedals as everything's hand controlled, which is what I do anyway. That's another aspect of mobility and moving forward. As with Ms. Osono's mother-in-law, that feeling of mobility is important.

"Freedom of the mind as much as the body." I love it.

Dialogue with Shareholders and Investors

On April 3, 2023, Toyota Director Ikuro Sugawara, Audit & Supervisory Board Member George Olcott, and Chief Human Resources Officer Takanori Azuma met with approximately 25 representatives of 15 institutional investors for a 90-minute dialogue on corporate governance.

Toyota's principal investor relations activities in the year ended March 2023 were as follows.

(times)

Financial results briefings	4
Small meetings	11
Dialogues with individual shareholders and institutional investors	More than 900
Conferences organized by securities companies	More than 40

In addition, Toyota held a briefing about electrification strategy in North America. As for dialogue with individual shareholders and institutional investors, the Company's outside officers, along with the Chief Financial Officer, Chief Technology Officer, Chief Human Resources Officer, Chief Digital Officer, Chief Sustainability Officer, and other members of top management discussed such topics as profit structure, electrification strategy, software strategy, governance, and diversity. They also went on an overseas roadshow and held shareholder relations meetings.

1. New Leadership Team

Azuma I'd like to explain the process behind the change in leadership announced January 26, 2023. Top management appointments are ultimately decided by the Board of Directors, but are first discussed by the Executive Appointment Meeting. The Meeting comprises five Directors, including three Outside Directors, and drafts proposals on top management appointments and compensation that are then submitted to the Board of Directors. In December 2022, then-Chairman Uchiyamada and then-President Toyoda recommended Koji Sato as the latter's successor. Between then and the January 26 announcement, the Executive Appointment Meeting met five times to discuss the matter.

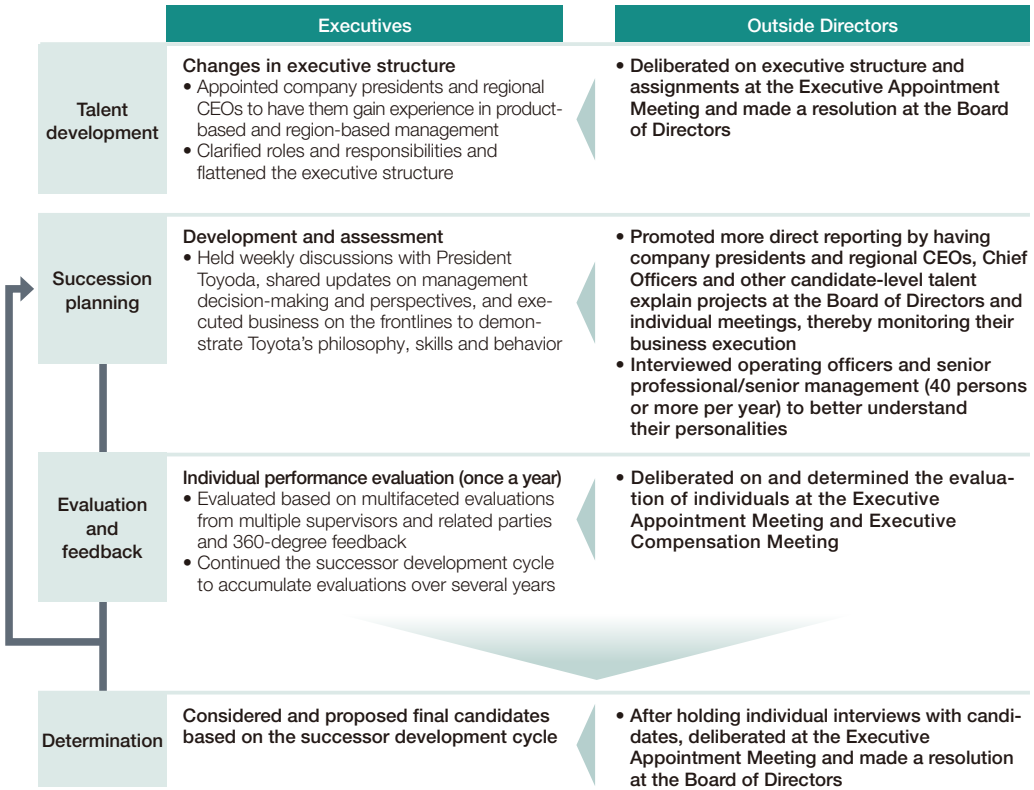
In terms of developing the next generation of leaders on the internal, executive side, Toyota adopted the in-house company system in 2016 to advance product-centered management. Under this system, we appoint in-house company presidents as the leaders responsible for each product category, namely, compact cars, commercial vehicles, mid-sized vehicles, Lexus, and GAZOO Racing. Furthermore, we appoint regional CEOs responsible for their specific regions. We have thus created opportunities for candidates to gain top officer experience while working for Toyota. For the past few years, we have held weekly meetings of the regional CEOs, providing opportunities for direct dialogue between President Toyoda, the regional CEOs, and the in-house company presidents. This has helped communicate the factors and issues behind management decisions and convey the thinking that goes into them to younger participants, with President Toyoda himself taking time to pass on the essential philosophy, skills, and behavior of Toyota.

We have also maintained an internal social media platform for communicating with President Toyoda, used mainly for reporting by top management. Last year, President Toyoda responded personally to around 1,000 posts on the platform, providing another form of dialogue with top management. Users directly communicate their thoughts and ideas back and forth on an open platform viewable to other users, helping to share information about the factors and processes that lead to management decisions. In addition, last year saw approximately 2,000 reports delivered on paper to the President, who often wrote directly on them to provide detailed feedback. Over the past few years, we have sought to develop the next generation of human resources by allowing them to observe this kind of internal dialogue. It was through this process that our new President, Koji Sato, emerged. The Executive Appointment Meeting's members have greatly valued the time spent in dialogue with President Sato and the other next-generation leaders. Mr. Sugawara can speak more about that.

Sugawara Regarding the passing of the baton, it was in December 2022 that President Toyoda informed us of his intentions to step down. However, he had unofficially made this decision two or three years prior to that, so we have been making preparations, knowing that as outside directors we would be devoting a significant amount of time to training his successor. First, at meetings of the Outside Directors, we identified themes in the issues that operating officers and other future candidates for President would need to overcome and had each candidate present their thoughts on such issues before the six Outside Directors and Audit & Supervisory Board Members, who then started taking more time to discuss and take a deeper look into the quality of each candidates. Specifically, all the Outside Directors and Audit & Supervisory Board Members met separately from the Board of Directors seven times in both 2020 and 2021, and 11 in 2022. Furthermore, after the Ordinary General Shareholders' Meetings in 2022, I personally met with a total of around 40 to 50 operating officers and members of management on a one-on-one basis for about an hour each, discussing their work to get a sense of their ways of thinking and character, and whether they might be the right person to lead Toyota in the future.

Amid this process, we heard from President Toyoda that he wanted Koji Sato to be his successor. The three of us Outside Directors were very familiar with Mr. Sato's personality and work as an operating officer, the issue was how the new team should be formed. The current structure is the result of about two months of intensive communications. Having once again heard the detailed ideas of the new executive team at the internal and external policy briefings, I believe that the team has become one with promise and that I was able to make a contribution to it as an Outside Director.

Process for Appointing the President



Dialogue with Shareholders and Investors

Question 1 Regarding the selection process for President Sato, does this mean that you have ultimately just signed off on President Toyoda's decision?

Sugawara Keep in mind, Toyota is not a company with a three-committee structure. As Toyota is a company with an Audit & Supervisory Board, both its Executive Appointment Meeting and Executive Compensation Meeting are voluntarily established bodies. The Executive Appointment Meeting exists to provide feedback on executive proposals but, legally speaking, does not have veto power. In any case, the Meeting in no way merely signed off on President Toyoda's proposal. Substantive discussions and evaluations were held in which other possible candidates were examined along with specific candidates' strengths and weaknesses, resulting in the final proposal. The Executive Appointment Meeting and Executive Compensation Meeting have the same members, so every year, meetings are held every two to three months to discuss personnel and compensation matters, including internal evaluations of operating officers and new candidates and how they stack up against industry compensation standards. The opinions that come out of these meetings are reflected in the proposals drafted by executives. President Sato's appointment went through this process, as well; it was not just a rubber stamp, but was decided based on various inputs and discussions over time.

Question 2 How did the dynamics of the Board of Directors change after the Shareholders' Meeting in June?

Sugawara As announced on March 22, 2023, one Outside Director retired while two Outside Directors joined the Board. With this, the number of Directors increased from nine to 10, and the number of Outside Directors from three to four. Of these, one is a woman, and two are non-Japanese nationals. We will publish the new skills matrix by the time of the Shareholders' Meeting.

Emi Osono is a scholar who has spent many years at Hitotsubashi University analyzing industrial structures in Japan and around the world, including the automotive industry, with a focus on Toyota. In addition to examining existing literature, she has analyzed the future of the automotive industry based on current conditions in various regions through field research. I look forward to hearing her fresh views on management based on her knowledge and academic perspective. Masahiko Oshima, meanwhile, has been involved in high-level bank management and has a wealth of international experience. I am sure he will relay his understanding of trends in the broader world, knowledge, and experience to the Board of Directors. The Board will now be able to provide executives with even more valuable insight from a wider range of viewpoints. In addition, two of the Outside Audit & Supervisory Board Members will change. One of the new members, Catherine O'Connell, is a woman, a non-Japanese national, and an attorney. The opinions of Toyota's Outside Audit & Supervisory Board Members will also be proactively factored into by the Board of Directors when the latter passes a resolution. I think Toyota's new leadership team will be able to exchange a wide range of views.

Olcott When I first became a Board member of a Japanese company 15 years ago, the Audit & Supervisory Board Members at most Companies played a rather passive role at the Board. At Toyota, however, the Audit & Supervisory Board Members, including myself, feel very free to speak their minds. Two out of three independent Audit & Supervisory Board Members are now non-Japanese, which I think must be fairly unique amongst Japanese companies. With this, I think that the level of intervention and expression by the Audit & Supervisory Board Members will be all the greater.

George Olcott, Audit & Supervisory Board Member

Question 3 Mr. Olcott, how much time do you spend as a Toyota Audit & Supervisory Board Member compared your previous experience as an auditor at other companies?

Olcott I don't think I've ever spent as much time in one position as I have with Toyota. That's because of the complexity of the company and what we are trying to achieve. I may be in a slightly special position being a foreigner, and I think the way I see things and the way I try to add value is probably different from the other, Japanese members. For example, in the case of Toyota, we're trying to become a software company, and this means completely changing the culture of the Company. It's going to be very difficult for Toyota to let go of their old hardware specialties and change their mindsets into the new software mode. I see it as a very important function of mine to make sure that this goes as smoothly as possible, because it's one of the most important challenges that Toyota faces going forward. So, I have spent a lot of my time just on that—seeing people at Toyota and at Woven by Toyota, just trying to understand where the bottlenecks are and checking that the governance of Woven by Toyota is working effectively and holding discussions so that everyone is working toward the same goals, at the same speed, in the same way. That is one of the areas of my focus.

2. Composition of the Board of Directors: Diversity and Independence

Azuma The topics taken up by Toyota's Board of Directors are wide ranging, from sustainable growth to transforming into a mobility company. When selecting members, including outside members, we have people who will provide management with views that will help propel transformation join our ranks. As such, we select candidates with a focus on people, regardless of gender, nationality, or race.

Senior management outside of the Board of Directors is also becoming increasingly diverse. To promote the professional participation of women, Toyota has hired female new college graduates to administrative and technical positions since 1992. Since then, we have implemented evolving measures that support women balancing career and family obligations and help them advance professionally. In 2014, the number of women in managerial positions was 100; we set the targets of reaching four times that number by 2025, and five times it by 2030. We are currently on track to reach these targets. The Company actively works to support the professional advancement of women and approximately 50% of our administrative positions and 20% of technical roles were filled by women at time of hiring in 2023. Diversity was also a topic of discussion at 2023's Labor-Management Council, and management and labor are united in the desire to ensure that each individual is given the opportunity to succeed. Furthermore, we are aiming for 100% of eligible male employees to take childcare leave by the end of the year. Creating conditions in which all employees can thrive, regardless of factors like gender or nationality, will naturally lead to the emergence of diverse Director candidates.

Question 1 Other than gender, what kinds of diversity will be necessary to improve the effectiveness of the Board of Directors over the medium to long term?

Sugawara The Outside Directors comprise myself, an ex-administrative official; Sir Philip Craven, who has experience in organizational management via the Paralympics; Masahiko Oshima, who boasts knowledge of finance Toyota does not have internally and an international finance network; and Emi Osono, an industry analysis expert. I think that the four of us will be able to challenge Toyota's executives, who tend to focus narrowly on cars, with a diverse range of perspectives and opinions. While being attentive to gender and what sort of external skills candidates possess is important, I think what is really important is whether they have the resolve to frankly discuss things with executives for the sake of making Toyota a better company. Members with that resolve will naturally want to know more about Toyota, and once they do, will understand both where Toyota shines and where it falls short. To that end, I hope that new members will focus on how to have fruitful discussions at future Board of Directors meetings and meetings of Outside Directors.

3. Strategic Shareholdings and Group Governance

Sugawara Since coming on as an Outside Director in 2018, I have felt that the implementation of these mechanisms and systems. Toyota's strategic shareholdings was problematic, in terms of both their quantity and monetary value, and have been vocal in my view that this should be corrected. In 2018, apart from shares of Group companies, Toyota had strategic shareholdings in 80 companies; today, that number is down to 49. After determining which are meaningful and which are not, Toyota should decisively reduce its holdings of those that are not. Among those that are meaningful, there are some that I feel we should not be too quick to decry, for example, Toyota's investment in the semiconductor manufacturer Renesas and its holdings those in NTT and KDDI, with which Toyota is working to develop connected technologies, or holdings maintained as part of win-win relationships aimed at implementing shared strategies and achieving shared goals, such as those with Subaru, Suzuki, Mazda, and Isuzu. More than half of the remaining 49 companies fall into this category. As for the remainder, Toyota should work to determine their importance to business strategy and quickly offload unnecessary holdings. The acceleration of this process is crucial.

Cross-shareholdings between Group companies are also not all bad, because in addition to Company synergy, there is the positive aspect of the efficient joint development of new technologies and business models through inter-Group cooperation. However, when Toyota holds too many shares, or Group companies together hold close to half the shares in a given company, this can lead to complacency. A need exists to reduce holdings to the minimum point at which they still provide synergy with Group companies. Toyota's current executives are attempting to put nothing off-limits in their discussions regarding cross-shareholdings between Group companies. We would like to deepen the discussion on the necessity and scale of cross-shareholdings between Group companies.

Question 1 Strategic shareholdings are a major reason for the lackluster price-book-value ratios (PBR) of both Toyota and the companies in which Toyota holds shares. Does Toyota really need to retain its cross-shareholding in order to proceed with business? If the cross-shareholdings are to remain, the gap between the capital market's view and Toyota's view can be bridged by clearly stating the benefits and policies of continuing them.

Sugawara There are a variety of factors behind the low PBR, which has been mentioned by many people, but I believe that the most significant reason is that the Company has not fully explained its vision for the future, including its BEV strategy and other carbon neutral concepts, as well as its specific path to transforming into a mobility company. Toyota cannot increase PBR merely by reducing strategic shareholdings, so it will also be crucial to clearly explain to the world Toyota's vision for the future. While it is logically true that shared goals are enough to build cooperative relationships, if even just one party holds shares in the other, both can be more confident about sharing sensitive information in the course of R&D, and the exchange of personnel will become easier. With that said, we should of course carefully examine the actual necessity of cross-shareholdings so that they don't just become a matter of course whenever R&D or business alliances are involved, regardless of their real utility.

Ikuro Sugawara, Member of the Board of Directors

Olcott I have been favorably impressed by the way the Company is tackling this issue. But, certainly, if we're going to have some kind of technological or R&D relationship with a company, we must ask the question, do we really need the capital tie-up? There has been a tendency, especially among Japanese companies, to automatically require cross-shareholdings in order to do business, but I do not believe this has really changed enough. It's our role as Outside Directors or Audit & Supervisory Board Members to keep asking that question. There is a very strong idea internally about where we're heading with those holdings. This is a very, very sensitive issue in Japan, so I don't know how much transparency there is going to be, but my overall impression is that we're heading in the right direction. I do think the old attitude is changing, even if I would like it to change a bit more quickly. I would certainly like investors to keep pressing on these points.

Question 2 Would you say that the governance issues at Hino, Toyota Industries Corporation, and others are also being addressed too slowly?

Sugawara The governance issues at Hino and Toyota Industries Corporation are a situation that Toyota Motor Corporation, as the Group's parent company, cannot overlook. If the problems are the result of a lack of urgency on the part of management, a form of management with a stronger sense of urgency should be pursued, even if they are Group companies.

Compliance problems, especially when it comes to quality, are absolutely unacceptable in a manufacturing business. These are the kinds of issues that most damage the brands that the companies have worked so hard to build. Although Toyota itself has built robust compliance mechanisms and systems, at the level of Group companies and subsidiaries, it has left such systems too much to those entities' discretion. Toyota needs to expand the scope of the adoption of its mechanisms and systems as widely as possible and, as a Group and subsidiary shareholder, strongly pressure these companies in the direction of implementing these mechanisms and systems. It is important that Group companies are able to systematically prevent the occurrence of compliance problems, instead of merely expecting that their employees always act in good faith.

4. External Communication

Question 1 How does the Board of Directors oversee Toyota's lobbying activities?

Sugawara As a Director, I push Toyota hard on the importance and necessity of BEVs and their uptake. That said, however much governments or other parties may insist on, for example, making all new vehicles BEVs by 2030 or 2035, from the standpoint of the status of factors such as lithium supply, battery factories, and carbon neutral power supply, BEVs alone cannot solve the world's environmental problems. Toyota is offering a reasonable and realistic approach based on serious consideration of the most important thing for the environment, namely, reducing CO_2 emissions as much as possible. I think that the fault for any misunderstanding to the effect that Toyota is opposed to BEVs is attributable to clumsiness in the Company's efforts to communicate with and lobby governments and related parties. As such, Toyota must communicate its ideas about offering optimal options for the sake of the global environment with greater clarity.

What information is communicated externally, and how, is a subject for the Board to discuss. Toyota's policies regarding carbon neutrality, broadly speaking, are discussed by the Board several times a year. As part of that, the Board regularly reviews what kind of information is being communicated externally from the Group.

Corporate Governance

Fundamental Approach

Toyota regards sustainable growth and the stable, long-term enhancement of corporate value as essential management priorities. Building good relationships with all stakeholders, including shareholders, customers, business partners, local communities, and employees, and consistently providing products that satisfy customers' needs are key to addressing these priorities. To this end, Toyota constantly seeks to enhance corporate governance.

Corporate Governance Report
Securities Report

Business Execution and Supervision

Toyota's Corporate Governance

Contributing to society through *monozukuri* (manufacturing) is the basis of Toyota's corporate value. To enhance its corporate value in the medium- to long-term, it is appropriate for Toyota to be a company with an Audit & Supervisory Board, one in which internal executives who have long engaged in and have deep knowledge of manufacturing and outside executives who are capable of providing advice for the creation of new value from a broad perspective can participate in well-balanced decision making at Board of Directors' meetings.

With respect to its framework for executing operations, Toyota has been focused on ever-better car making since the 2008 global financial crisis, aiming to provide a full lineup of good quality, affordably priced products in the right place at the right time while offering products and services suited to customers in each country and region. To this end, following the introduction of "region-based management" in 2011, the "business unit system" in 2013, and the "in-house company system" in 2016, in 2017, Toyota further clarified that Members of the Board of Directors are responsible for decision making and management oversight and that operating officers are responsible for operational execution in order to further accelerate the implementation of decisions.

Furthermore, in 2018, Toyota brought forward the timing of executive changes from April to January in order to further accelerate management oversight and ensure full coordination with the workplace. In addition, Toyota transformed the company structure into one that enables decision making that is both close to the needs of customers and close to where the action takes place by taking measures such as reviewing the corporate strategy function and restructuring the Japan Sales Business Group into an organization based on regions rather than sales channels.

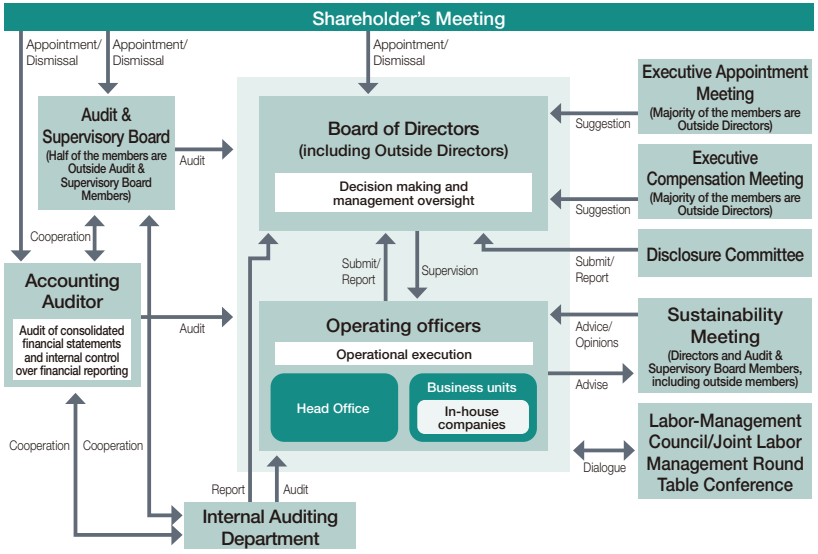
In 2019, to further advance its "acceleration of management" and the development of a diverse and talented workforce, Toyota made executive and organizational changes as follows: 1. Executives are composed of only senior managing officers and people of higher rank. 2. A new classification called "senior professional/senior management" (*kanbushoku* in Japanese) grouped and replaced the following titles or ranks: managing officers, executive general managers, (sub-executive managerial level) senior grade 1 and senior grade 2 managers, and grand masters. With an eye to appointing the right people to the right positions, those in the senior professionals/senior management category hold a wide range of posts, from chief officer, deputy chief officer, plant general manager, and senior general manager to group manager, regardless of age or length of employment, in order to deal with management issues as they arise and to thereby strengthen their development as members of a diverse and talented workforce through *Genchi Genbutsu* (on-site learning and problem-solving).

In April 2020, Toyota consolidated the posts of executive vice president and operating officer into the post of operating officer and, in July 2020, clarified the responsibilities of operating officers. We redefined the role of operating officer to be members who, together with the president, have cross-functional oversight of the entire Company. Furthermore, in-house company presidents, regional CEOs and chief officers, as on-site leaders of business implementation elements, were given authority and consolidated into the rank of senior professionals/senior management. The roles of operating officers and senior professionals/senior management were determined where and as needed, and persons appointed as operating officers and senior professionals/senior management changed in accordance with the challenges faced and the path that should be taken, as the Company exercises greater flexibility than ever in appointing the right people to the right positions.

However, because of the rapidly changing business environment, Toyota now recognizes that there is an increasing need for such executives to fulfill management roles (related to people, goods, and money) alongside the President. Therefore, in April 2022, Toyota again reorganized the roles of operating officers and reestablished the position of executive vice president, defining it as an operating officer who is focused on business from a management perspective. In April 2023, under the theme of "inheritance and evolution," Toyota revised its description of operating officers, defining them as a team that practices product-centered (ever-better cars) and region-centered (best in town) management, and selecting executive vice presidents who have abundant knowledge and experience in terms of both products and regions.

Thanks to its basic policy of appointing the right people to the right positions, Toyota has been swiftly and continuously innovating. We will further press forward with the tide of such innovations, aiming for a corporate structure capable of carrying out management from a viewpoint that is optimal for a global company.

Toyota's Corporate Governance



Changes in Governance Structure

As of June 2023

		–2010	2011–2015	2016–2020	2021–
Number of Directors (total)		27	2011–2016: between 11 and 16 (temporarily increased due to the introduction of Outside Directors)		2023: 10
Outside Directors					2023: 4
Executives	Executive Vice Presidents		2011–2020: between 4 and 7		April 2023: 2
	Senior Managing/Managing Officers	64	2011–2018: between 42 and 49		April 2022: Position reestablished
	Operating Officers			(Excluding the president and executive vice presidents)	June 2023: 5
	Advisors/Senior Advisors		2011–2017: between 55 and 68	2018: 9 due to organizational changes, July 2020: 0	
Audit & Supervisory Board Members (total)		7	2014: 6		
Outside Audit & Supervisory Board Members		4	2014: 3		
Meetings	Executive Appointment			2017: Outside Members accounting for half	2019: Outside Members Compensation accounting for a majority
	Compensation				
Sustainability		2007–2014: CSR Committee	2014: Corporate Governance Meeting	2018: Sustainability Meeting	

April 2011	• Reduced the number of Members of the Board of Directors from 27 to 11 members (currently 10 members) • Reduced decision making layers (discontinued the positions of executives responsible for the operations concerned and introduced a two-tiered arrangement of executive vice presidents and chief officers) • Flexibly assigned senior managing officers or managing officers to chief officer posts (abolished the position of senior managing director) • Established the role of executive general manager • Stationing of, in principle, regional chief officers in their respective regions
April 2013	• Established business units • Reorganized regional groups • Appointed Outside Directors
April 2015	• Changed the roles of officers • Enhanced diversity (appointing non-Japanese executives and female executives)
April 2016	• Established in-house companies, shifted from functional to product-based focus
April 2017	• Further clarified the responsibilities of Members of the Board of Directors as decision making and management oversight and of operating officers as operational execution • Reduced the number of Members of the Board of Directors (including Outside Directors) to 9 (June)
October 2017	• Changed the system of advisors and senior advisor system
January 2018	• Increased the appointment of people with high-level expertise from both within and outside of the Company (the Toyota Group, people with technical backgrounds, etc.) • Executive vice presidents, in addition to supporting the president, personally lead in the field as in-house company presidents and organizational group chief officers • Newly established a fellow system to secure people with high level of specialist expertise and expand the breadth of executive human resource development
January 2019	• Created a new classification: "senior professional/senior management," encompassing managing officers, executive general managers, (sub-executive managerial level) senior grade 1 and senior grade 2 managers, and grand masters
January 2020	• Discontinued use of the field general manager rank, shifting to senior general manager and fellow
April 2020	• Integrated the roles of executive vice president and operating officer into the category of operating officer
July 2020	• Further clarified the roles of operating officers
April 2022	• Reorganized the roles of operating officers and established the position of executive vice president to create a position for focusing on management perspectives alongside the President
April 2023	• Under the theme of "inheritance and evolution," revised the description of operating officers, defining them as a team that practices product-centered (ever-better cars) and region-centered (best in town) management.

Members of Board of Directors and Audit & Supervisory Board

Board of Directors and Related Structures

The Members of the Board of Directors are selected based on a comprehensive consideration of their responsibilities to ensure Toyota's sustainable growth and to enhance its corporate value over the medium to long term. Toyota believes that it is critical to appoint individuals who practice product-centered and region-centered management and contribute to decision making aimed at sustainable growth into the future in accordance with the Toyoda Principles, which set forth our founding philosophy. Moreover, these individuals should be able to play a significant role in transforming Toyota into a mobility company in the areas of electrification, intelligence, and diversification; building external partnerships; and contributing to the solution of social issues, including climate change. In order to make important business decisions and supervise management appropriately, the Board of Directors should consist of members with a balance of abilities, and members are appointed with consideration for diversity. A summary of the knowledge, experience, and abilities of the Members of the Board of Directors is provided and disclosed in a skills matrix. The Executive Appointment Meeting, of which the majority are Outside Directors, makes recommendations to the Board of Directors regarding individual Director candidates.

Furthermore, four Outside Members of the Board of Directors have been appointed in order to adequately reflect the opinions of those from outside the Company in management's decision-making process. All of the Outside Directors are registered as independent officers with the relevant financial instrument exchanges.

Toyota considers the appointment of Outside Members of the Board of Directors as independent officers in accordance with the requirements for Outside Members of the Board of Directors set out in the Companies Act and independence standards established by the relevant financial instrument exchanges.

Outside Members of the Board of Directors provide advice in Toyota's management decision-making process from a standpoint independent of management based on their broad experience and insight.

To make full use of the insight of the Outside Members of the Board of Directors and the Audit & Supervisory Board, Toyota takes the following measures:

❶ Review of the criteria for the submission of proposals to the Board of Directors as needed to regulate the inflow of proposals submitted, so that sufficient time can be secured to discuss each proposal.
❷ Provision of explanations of all proposals in advance to help understand their background.
❸ Creation of periodic opportunities, besides the Board of Directors meetings, for two-way communication between Outside Members of the Board of Directors and the Audit & Supervisory Board as well as the operational execution side on important management issues and medium- to long-term issues.

In recent years, to facilitate active discussion at Board of Directors' meetings, Toyota has reduced the number of participants (Directors and Audit & Supervisory Board Members) in Board of Directors' meetings (from 34 in 2010 to 15 in 2020). As a result, opportunities for each participant to speak at Board of Directors' meetings have increased, and Outside Members of the Board of Directors and the Audit & Supervisory Board speak on almost all proposals.

Analysis and Evaluation of the Effectiveness of the Board of Directors

In order to improve the effectiveness of the Board of Directors, Toyota conducts an analysis and evaluation of the Board of Directors every year. The most recent evaluation was performed as below.

1. Analysis and evaluation

A survey assessing the composition, operation, and efficacy of the supervisory function of the Board of Directors was carried out. Views and proposals regarding the background and causes of issues identified by the survey, as well as regarding the improvement of such issues, were compiled and reported to the Board of Directors, then discussed at the Board of Directors.

- Method of evaluation: Self-evaluation through surveys
- Subject of evaluation: Members of the Board of Directors and Audit & Supervisory Board Members
- Implementation period: March 2023
- Matters to be evaluated:
  ❶ The composition and operation of the Board of Directors
  ❷ Management and business strategy
  ❸ Corporate ethics and risk management
  ❹ Communication with stakeholders, such as shareholders

2. Summary of the findings

It was confirmed that the operation of the Board of Directors and the quality and content of its discussions were improving year by year, and that effectiveness was ensured through such measures as providing sufficient explanations of agenda items in advance and engaging in periodic exchanges of views with external officers on matters such as medium- to long-term management challenges.

The evaluation showed improvement in the provision of information to the Outside Members of the Board of Directors. However, further issues were identified with respect to time allocation, discussions of business strategy, and sustainability-conscious management.

In order to further improve the effectiveness of the Board of Directors, Toyota will secure more opportunities for the Board of Directors to discuss important management strategy topics and promote the appropriate selection of topics to be proposed. At the same time, to provide more information to Outside Members of the Board of Directors and Outside Audit & Supervisory Board Members and thereby facilitate more effective and vigorous discussions, Toyota will work to make further improvements through such measures as enhancing opportunities for dialogue and exchange with management.

Audit & Supervisory Board System

Toyota has adopted an Audit & Supervisory Board system. The six Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) play a key role in Toyota's corporate governance by undertaking audits in line with the audit policies and plans determined by the Audit & Supervisory Board.

In order to appropriately audit Toyota as it transforms into a mobility company with the aim of sustainable global growth, the Audit & Supervisory Board is composed of Full-time Audit & Supervisory Board Members, who possess deep knowledge of internal Company matters, and Outside Audit & Supervisory Board Members, who have a high level of expertise and knowledge. Toyota ensures that each Audit & Supervisory Board Member is able to exert audit authority independently.

In appointing Audit & Supervisory Board Members, Toyota believes it is necessary to elect individuals who have broad experience 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. Toyota's Executive Appointment Meeting discusses recommendations to the Audit & Supervisory Board regarding the appointment or dismissal of Audit & Supervisory Board Members.

Toyota has appointed three Outside Audit & Supervisory Board Members, all of whom are registered as independent officers with the relevant financial instrument exchanges. When appointing Outside Audit & Supervisory Board Members, Toyota considers the requirements set out in the Companies Act as well as the independence standards established by the relevant financial instrument exchanges.

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

Toyota's Outside Members of the Board of Directors and Outside Audit & Supervisory Board Members must understand and practice the spirit of making ever-better cars and *Genchi Genbutsu* (onsite, hands-on experience) and contribute to decision making aimed at sustainable future growth. As such, Toyota offers a variety of opportunities to provide them with the necessary information. Also, as explained above, we offer outside members opportunities other than the Board of Directors Meetings to deepen their understanding, such as advance explanations on proposals submitted to the meetings and two-way communication with executives on important management issues and medium- to long-term issues.

Members of the Board of Directors (As of June 2023)

Name	Sex	Age	Length of service	Outside/Independent Member	Current position/responsibility at Toyota			Attendance at Board of Directors' meetings (No. of meetings attended)*
					Meetings		Responsibility	
					Executive Appointment	Executive Compensation		
Akio Toyoda	Male	67	23				Chairman of the Board of Directors	100% (18/18)
Shigeru Hayakawa	Male	69	8		Chairperson	Chairperson	Chief Privacy Officer	100% (18/18)
Koji Sato	Male	53	—				Chief Executive Officer	—
Hiroki Nakajima	Male	61	—				Chief Technology Officer	—
Yoichi Miyazaki	Male	59	—		Member	Member	Chief Financial Officer Chief Competitive Officer	—
Simon Humphries	Male	56	—				Chief Branding Officer	—
Ikuro Sugawara	Male	66	5	Outside independent	Member	Member		100% (18/18)
Sir Philip Craven	Male	72	5	Outside independent	Member	Member		100% (18/18)
Masahiko Oshima	Male	62	—	Outside independent	Member	Member		—
Emi Osono	Female	57	—	Outside independent	Member	Member		—

* Status of attendance at Board of Director's meetings in the fiscal year ended March 2023

Executive Compensation

The amount of executive compensation, how its calculation method is determined, and the calculation method are described as follows.

Decision Policy and Process

Toyota believes that it is critical to appoint individuals who practice product-centered and region-centered management and contribute to decision making aimed at sustainable growth into the future in accordance with the Toyoda Principles, which set forth our founding philosophy.

Corporate Governance

Moreover, these individuals should be able to play a significant role in transforming Toyota into a mobility company in the areas of electrification, intelligence, and diversification; building external partnerships; and contributing to the solution of social issues, including climate change. Toyota's executive compensation system is an important means to promote various initiatives and is determined based on the following policy.

- The system should encourage Members of the Board of Directors to work to improve the medium- to long-term corporate value of Toyota
- The system should support compensation levels that will allow Toyota to secure and retain talented personnel
- The system should motivate Members of the Board of Directors to promote management from the same viewpoint as our shareholders with a stronger sense of responsibility as corporate managers

The Board of Directors decides by resolution the policy for determining remuneration for and other payments to each Member of the Board of Directors. Remuneration amounts and methods are determined in a manner that effectively links them with corporate performance while reflecting individual job responsibilities and performance.

Remuneration for Outside Members of the Board of Directors and Audit & Supervisory Board Members consists only of fixed payments. As a result, this remuneration is not readily impacted by business performance, helping to ensure independence from management.

The amounts of remuneration and other payments to each Member of the Board of Directors and the remuneration system are decided by the Board of Directors and the Executive Compensation Meeting, a majority of the members of which are Outside Members of the Board of Directors, to ensure the independence of the decisions.

The Board of Directors resolves the policy for determining remuneration for and other payments to each Member of the Board of Directors and the executive remuneration system as well as the total amount of remuneration for a given fiscal year. The Board of Directors also resolves to delegate the determination of the amount of remuneration for each Member of the Board of Directors to the Executive Compensation Meeting. The Executive Compensation Meeting reviews the executive remuneration system on which it advises the Board of Directors and determines the amount of remuneration for each Member of the Board of Directors, taking into account such factors as corporate performance as well as individual job responsibilities and performance, in accordance with the policy for determining remuneration for and other payments to each member of the Board of Directors established by the Board of Directors. The Board of Directors considers that such decisions made by the Executive Compensation Meeting are in line with the policy on determining remuneration and other payments for each member of the Board of Directors.

Remuneration for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the scope determined by resolution of the shareholders' meeting.

To decide the compensation for the fiscal year under review, the Executive Compensation Meeting was held in April 2022, March 2023, and April 2023. Also, preparatory meetings attended solely by Outside Directors were held five times in July, September, and October 2022 and January and February 2023 as a forum for discussions in preparation for the Executive Compensation Meeting. The compensation for the Members of the Board of Directors was decided with the agreement of all members of the Executive Compensation Meeting.

Major Matters Discussed at the Executive Compensation Meeting

- Compensation levels according to position and responsibilities
- Benchmarks and results evaluation for FY2023
- The remuneration for each individual

Method of Determining Performance-based Remuneration (Bonuses, Share-based Compensation)

1. Directors with Japanese citizenship (excluding Outside Directors)

Toyota sets the total amount of remuneration received by each director in a year ("Annual Total Remuneration") based on consolidated operating income, fluctuation in Toyota's market capitalization,* and individual performance evaluations. The balance after deducting monthly remuneration, which is fixed remuneration, from Annual Total Remuneration constitutes performance-linked remuneration.

Toyota sets the appropriate levels of Annual Total Remuneration based on individual position and duties by referencing a benchmark of Japanese and global companies selected based on the size of each person's role and other factors. Table 1 Table 2

* Calculated by multiplying the closing price of Toyota's common stock on the Tokyo Stock Exchange by the number of shares issued after deducting treasury stock

Method of Setting the Annual Total Remuneration

Annual Total Remuneration is set according to a formula based on the benchmark results of executive compensation. Annual Total Remuneration for each position is set based on consolidated operating income and fluctuation in Toyota's market capitalization and then adjusted based on individual performance evaluations. Individual performance evaluations take into consideration the individual's efforts made in accordance with the Toyoda Principles (including ESG perspectives), which set forth our founding philosophy, and other aspects, such as the trust of others and promotion of human resource development. Based on the evaluations, the amount of Annual Total Remuneration for each director is determined within the range of 50% above or below the Annual Total Remuneration for each position.

2. Directors with foreign citizenship (excluding Outside Directors)

Fixed remuneration and performance-based remuneration are set based on remuneration levels and structures that allow Toyota to secure and retain talented personnel, taking into account each member's job responsibilities and the remuneration standard of his/her home country.

Performance-based remuneration is set based on consolidated operating income, fluctuation in Toyota's market capitalization, and individual performance evaluations. The approach to setting each item is the same as that for directors with Japanese citizenship (excluding Outside Directors). Differences in tax rates in Japan and their home countries may be considered and compensated for.

Share-based Compensation System

The Board of Directors decides share-based compensation using the maximum values for share-based compensation set at the 115th and 118th Ordinary General Shareholders' Meetings held on June 13, 2019 and June 15, 2022 (a maximum of 4.0 billion yen per year, with the total number of common shares of Toyota to be allotted to the Members of the Board of Directors, excluding Outside Directors, capped at 4 million). For more details, please refer to p. 112 of the Securities Report (for the fiscal year ended March 2023). Table 3 Table 4

Table 1 Explanation of Indicators

Consolidated operating income	Indicator for evaluating Toyota's efforts based on business performance
Fluctuation in Toyota's market capitalization	Corporate value indicator for shareholders and investors to evaluate Toyota's efforts
Individual performance evaluation	Qualitative evaluation of each Director's performance

Table 2 Method and Reference Value for Evaluating Indicators and Evaluation Result

	Evaluation weight	Evaluation method	Reference value	Evaluation result for the fiscal year
Consolidated operating income	70%	Evaluate the degree of attainment of consolidated operating income in the fiscal year, using required income (set in 2011) for Toyota's sustainable growth as a reference value	1 trillion yen	180%
Fluctuation in Toyota's market capitalization	30%	Comparatively evaluate the fluctuation in Toyota's market capitalization for the relevant fiscal year (average from January through March), using the market capitalization of Toyota and TOPIX for the previous fiscal year (average from January through March) as reference values	Toyota's market capitalization: 30.4 trillion yen TOPIX: 1,909.75	

Table 3 Remuneration by Executive Category, Remuneration by Type, and Number of Applicable Executives

Executive category	No. of applicable executives	Remuneration by type (million yen)			Total remuneration (million yen)
		Fixed remuneration	Performance-linked remuneration		
		Monthly remuneration	Bonuses	Share-based compensation	
Directors (of which Outside Directors)	10 (3)	961 (150)	397	808 (421,000 shares)	2,166 (150)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	8 (5)	264 (56)	—	—	264 (56)

(Notes) 1. Cash compensation consists of monthly remuneration and bonuses.
2. Performance-based compensation is granted in the amount calculated by multiplying the closing price of common stock on the date immediately before the date of the allotment resolution by the number of shares stated above, pursuant to the resolution of the Board of Directors Meeting held on May 10, 2023.

Table 4 Names and Details of Those Who Receive Total Consolidated Remuneration of One Hundred Million Japanese Yen or More

Name (executive category)	Company category	Total consolidated remuneration by type (million yen)				Total consolidated remuneration (million yen)
		Fixed remuneration	Performance-linked remuneration		Retirement benefits	
		Monthly remuneration	Bonuses	Share-based compensation		
Takeshi Uchiyamada (Director)	Reporting company	122	197	—	—	319
Shigeru Hayakawa (Director)	Reporting company	77	1	73 (38,000 shares)	—	151
Akio Toyoda (Director)	Reporting company	264	—	735 (383,000 shares)	—	999
James Kuffner (Director)	Reporting company	108	68	—	—	810
	Consolidated subsidiary Woven Planet Holdings, Inc.	587	48	—	—	
Kenta Kon (Director)	Reporting company	52	56	—	—	120
	Consolidated subsidiary Hino Motors, Ltd.	11	—	—	—	

(Notes) 1. The fixed remuneration paid to Director James Kuffner by Woven Planet Holdings, Inc., a consolidated subsidiary, includes the amounts of fixed remuneration paid every three months and every 12 months. In addition to the above remuneration, Toyota and consolidated subsidiary Woven Planet Holdings, Inc. paid compensation (520 million yen) to Director James Kuffner to make up for differences in tax rates between Japan and his home country.
2. Woven Planet Holdings, Inc. was renamed Woven by Toyota, Inc. on April 1, 2023.

Risk Management and Compliance

Risk Management

Fundamental Approach

Amid a period of tremendous change in the conditions and priorities of the automotive industry, including the push toward carbon neutrality and CASE, as well as major changes in the international order, Toyota is constantly taking on new challenges and advancing *Kaizen* (continuous improvement) while also working to reinforce its risk management structure to handle the corresponding increase in uncertainty. Toyota has appointed a Chief Risk Officer (CRO) charged with global risk management. The CRO is working to prevent and mitigate the impact of risks that could arise in Toyota's global business activities.

Beneath the CRO are regional CROs appointed to handle risk management in specific regions. At head office departments (such as Accounting and Purchasing), risk management by function is assigned to chief officers and risk managers of individual divisions, while at in-house companies, risk management by product is assigned to the company presidents and risk managers of individual divisions. This structure enables coordination and cooperation between the regional head offices and sections.

Appropriate Risk Management

Under the supervision of risk managers, we regularly take steps to identify risks, monitor business impacts from changes in the external environment, and appropriately manage risks that may occur in the course of business activities in coordination with regional affiliates and Toyota Group companies. Furthermore, we have established the Governance and Risk Subcommittee, chaired by the CRO, to identify, address, and monitor important risks from a Company-wide perspective. The Subcommittee regularly checks and discusses the status of measures to address especially important risks. Key issues are reported to the Board of Directors and other deliberative bodies as appropriate to advance business. We have also designated reporting routes as part of a framework for swiftly and appropriately responding in the event of an incident.

Business Continuity Management

In preparation for large-scale disasters, such as earthquakes and floods, Toyota formulates business continuity plans (BCPs) for the rapid restoration of business operations using limited resources. Toyota works to constantly improve the practical effectiveness of its BCPs through the implementation of a PDCA cycle, including training. These activities constitute our business continuity management (BCM), promoted through coordination among employees and their families; Toyota Group companies, suppliers, and dealers; and Toyota.

Through this process of BCP formulation and review, we aim to develop risk-resilient organizations, workplaces, and individuals.

Building a Resilient Supply Chain

Toyota provides disaster recovery support in the following order of priority: (1) Humanitarian aid; (2) Rapid recovery of the affected area; (3) Restoration of Toyota's operations and production. Since the Great East Japan Earthquake, we have worked with suppliers in each country and region to build a disaster-resilient supply chain by sharing supply chain information and implementing disaster-readiness measures to ensure prompt initial response and rapid recovery.

Furthermore, in recent years, issues of economic security and geopolitical tensions have led to increased risks of disruptions to supply chains and the supply of important supplies. To ensure business continuity, we monitor supply chains and appropriately manage risks, working to secure, maintain, and reinforce optimal supply chains.

Compliance

Fundamental Approach

The Toyota Code of Conduct outlines the basic frame of mind that all Toyota personnel should adopt. It sets forth concrete guidelines to assist them in upholding the Toyota Philosophy and Guiding Principles at Toyota and in doing their part to ensure that Toyota carries out its corporate social responsibility. Established in 1998, the Code was amended in October 2023 with expanded provisions related to such topics as bribery and corruption prevention and human rights. It is distributed to all employees of Toyota, including consolidated subsidiaries, with the aim of raising awareness and facilitating training.

Under the leadership of the Chief Compliance Officer and Deputy Chief Compliance Officer, Toyota implements compliance activities to ensure that all employees of Toyota act responsibly, maintaining strict compliance based on the Toyota Code of Conduct.

Toyota Code of Conduct

Bribery and Corruption Prevention Measures

To promote the eradication of bribery and corruption, Toyota has adopted the Toyota Global Anti-Bribery and Anti-Corruption Policy as a common policy for the worldwide Group.

Furthermore, we have adopted the Anti-bribery Guidelines for internal divisions and business partners. In line with the Guidelines, we strive to prevent bribery and corruption.

Toyota Global Anti-bribery and Anti-corruption Policy
Anti-bribery Guidelines

Taxation

Since its founding, Toyota has aspired to enrich peoples' lives through car making and to enrich local economies by creating employment and paying taxes as a corporate presence firmly rooted in local communities.

Toyota seeks to achieve sustainable financial performance through the Toyota Production System (TPS) and cost reduction and is committed to fulfilling its responsibility to make appropriate tax payments as the most basic form of social contribution in the communities in which it operates.

Tax Policy

"Speak Up" Hotline

Toyota's "Speak Up" Hotline enables quick and appropriate responses to workplace- and work-related concerns, complaints, or questions that employees and other relevant parties may have. We promote awareness of the hotline using the Company intranet and various other media. Consultations can be submitted through a law firm, the Company website, email, telephone, or other means. For topics related to employees or workplaces, the hotline is also open to third parties, including employees' family members and business partners, in addition to employees. The hotline can also be used anonymously.

The content of a consultation is investigated with care to ensure that hotline users who wish to remain anonymous cannot be identified. If the results of the investigation indicate an issue, a response is implemented immediately.
(Hotline consultations handled in FY2023: 707)

Hotlines have also been set up at Toyota Motor Corporation for use by employees of overseas and domestic subsidiaries.

Checks to Enhance Compliance

In line with the amendment of the Toyota Code of Conduct, we have revised the fields and items included in compliance checks to confirm that systems are in place to enable full compliance with the Code. Based on these revisions, we are implementing checks, including at global subsidiaries. Issues identified through checks are addressed through ongoing efforts aimed at achieving meaningful improvement by the time of following year's checks.

Certification Testing Misconduct at Daihatsu Motor*

* The information on this page is current as of December 20, 2023.

On April 28, 2023, Daihatsu Motor Co., Ltd (Daihatsu), a consolidated subsidiary of Toyota Motor Corporation (Toyota), confirmed and publicly announced that it had discovered fraud in the application for certification of side collision tests for vehicles developed by the company for overseas markets. On December 20 of the same year, Daihatsu received a report from the Independent Third-Party Committee (chaired by Makoto Kaiami) commissioned by Daihatsu to investigate the procedural irregularities, which it reported to Toyota in turn.

The investigation found new irregularities in 174 items within 25 test categories in addition to the door lining irregularity in April and the side collision test irregularity in May. These encompassed a total of 64 models and 3 engines of vehicles (total of models currently being produced, developed, or having ceased production)

We would like to express our sincere apologies for the inconvenience and concern this has caused to all stakeholders, including customers.

In response to these findings, Daihatsu has decided to temporarily suspend shipments of all Daihatsu-developed models currently in production, both in Japan and overseas.

Over the course of the investigation by the Independent Third-Party Committee, Daihatsu received some information regarding models that may have been involved in the procedural irregularities. In response, Daihatsu has been conducting in-house technical verifications and actual vehicle testing for these vehicles to one-by-one ensure that their safety and environmental performance meet legal standards.

In the final stage of the investigation, it was discovered that a different airbag control unit (ECU) than the mass-production model was used for the airbag tests for the Daihatsu Move / SUBARU Stella, and Daihatsu Cast / Toyota Pixis Joy, Daihatsu Gran Max / Toyota Town Ace / Mazda Bongo. Although technical verification confirmed that the airbag met standards of occupant protection performance, in the course of testing, it was found that the "Safety Performance Standard for Occupant Evacuation (Unlocking)" in the side collision test of Daihatsu Cast / Toyota Pixis Joy may not comply with the law. At this time, we are not aware of any accident information related to this matter, but we are conducting thorough technical verification and investigating the cause to take necessary measures as soon as possible.

For other cases, we have confirmed that the performance standards specified by the regulations are met, and the validity of the verification results and process has also been confirmed by TUV Rheinland Japan (TRJ), a third-party certification organization.

Certification consists of having the national authorities inspect and confirm that vehicles meet various standards so that customers can drive their vehicles with peace of mind. We consider certification to be a major prerequisite for doing business as an automobile manufacturer. We recognize the extreme gravity of the fact that Daihatsu's neglect of the certification process has shaken the very foundations of the company as an automobile manufacturer.

Since 2013, Toyota has been increasing the number of OEM models it receives from other companies, mainly compact vehicles. We deeply regret that the development of these vehicles may have been a burden on Daihatsu and that we were not aware of the situation with the company's certification operations.

Daihatsu has informed us that, going forward, it will clarify the situation with the authorities and take appropriate action under their guidance. It will also thoroughly investigate whether there have been any other similar cases to ensure customer safety first and foremost. We at Toyota will also fully cooperate with this investigation.

We believe that in order to prevent recurrence, in addition to a review of certification operations, a fundamental reform is needed to revitalize Daihatsu as a company. This will be an extremely significant task that cannot be accomplished overnight. It will require not only a review of management and business operations but also a review of the organization and structure, as well as changes in human resource development and the awareness of each and every employee. Toyota will provide its full support to Daihatsu's revitalization so that it can return to its roots as the "compact mobility company" that Toyota and Daihatsu are striving for it to be as well as regain the trust of all stakeholders.

Soichiro Okudaira,
President of Daihatsu Motor Co.

We have requested an unbiased, independent third-party committee to investigate the fraudulent activities in the certification application that was made public in April and May of 2023 in order to shed light on the situation in its entirety, identify the root causes, and suggest preventive measures. We have received the report and have forwarded it along with our proposed course of action to the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Ministry of Economy, Trade and Industry (METI).

A total of 174 irregularities in certification applications were discovered. An investigation of 25 test items determined 64 models and three engines marketed domestically and abroad were affected. Based on these findings, we decided to temporarily halt the shipment of all vehicle models presently being produced in Japan and overseas.

We extend our deepest apologies for any inconvenience and worry that this may have caused to our stakeholders and customers.

Daihatsu has been developing small cars and other vehicles that are appropriate to the types of terrain found in Japan and the roads that serve as the country's transportation system. These vehicles have found favor among customers in Japan as well as overseas.

We again offer our sincere apologies for betraying the trust of these customers.

We recognize that obtaining the appropriate certification is a prerequisite for operating as a carmaker. Before being placed on the market, our vehicles must be screened and certified as meeting various standards stipulated by government-approved certification systems, obtaining official affirmation that customers may drive these vehicles with peace of mind.
We acknowledge that the certification irregularities constitute a level of misconduct deserving of criticism as well as the culpability of management in creating the conditions leading to this misconduct.

We take this situation very seriously as it undermines the very foundation of our position as a carmaker.

Hiroki Nakajima,
Executive Vice President, Toyota Motor Corporation

Toyota Motor Corporation offers its heartfelt apologies to customers who use Daihatsu-supplied Toyota cars as well as any other affected parties for any worry or trouble this incident may have caused.

With regard to the Daihatsu investigation, Toyota is supporting the in-house technical verification of data as well as the testing of the actual vehicles, including with regard to vehicle safety performance.

We at Toyota sincerely regret having failed to recognize that the growth in number of vehicles supplied on an OEM basis since 2013—mainly compact cars, including models produced for overseas markets—may have increased the burden on development and certification sites.

Hiromasa Hoshika,
Executive Vice President, Daihatsu Motor Co.

Since May, we have had the Independent Third-Party Committee searching for irregularities similar to the two announced in April and May. Said committee is not restricted in terms of time or kind of vehicle.

The following three classifications provide a summary of the 174 newly discovered irregularities.

- Those involving an intentional unauthorized modification or adjustment to the vehicle or experimental equipment.
- Those involving the intentional submission of a test report containing false information to obtain certification.
- Those involving the intentional entry of false information in an experimental report, etc., through the fabrication, misappropriation, or falsification of test data.

Corporate Governance

I would like to discuss a few examples of specific anomalies that are introduced in the Committee's report. The first is the case of airbags, a case that is categorized as an "unauthorized modification or adjustment."

In the side collison test of the airbags, a computerized ECU (engine control unit) designed for mass-produced vehicles should have been used, but was not, and an application for certification was filed nevertheless without acknowledging the modification.

We accept that this is a very serious problem because the tests were not being performed on the correct vehicles and parts.

In the second instance, a speedometer test, the tire air pressure differed from that specified, and the submitter made a false entry on the application. This falls into the category of "submission of a test report containing false information."

The third is a data replacement case, which is categorized as a "falsification of test data."

The data from the witness test in a frontal collision test was replaced with the data measured in the rehearsal carried out prior to the test. The replaced data was thus submitted.

Including these cases, 174 irregularities were found.

The vehicles affected by these irregularities comprise 64 models and three engines. This number includes vehicles supplied to other companies as well as 28 models and one engine produced for the Japanese market and 18 models produced for overseas markets.

We have asked the Independent Third-Party Committee to provide some information about potential fraudulent cases discovered in the course of its investigations in order to confirm whether these irregularities may affect the safety of our customers' vehicles. We have been pursuing the in-house technical verification of data based on this information, for example, verifying and confirming technical materials and data obtained at the time of development, data from completion inspections at our plants, and measurement data from our suppliers. As the need arose, we also conducted physical testing on the vehicles in question.

We have verified that every vehicle in question now conforms to the legal requirements, and we believe that this isn't a scenario requiring customers to immediately cease vehicle use.

In addition, TÜV Rheinland Japan, a third-party certification authority, has validated the procedure and outcomes, affirming that there are no issues.

However, during this technical verification, we discovered the possibility that the Daihatsu Cast and the Toyota Pixis Joy—which are already out of production—may not have met the Safety Performance Standards for Occupant Evacuation in their side collision test.

This is due to the fact that, following a collision, the doors lock, rendering it difficult to open them from the outside and possibly complicating efforts to rescue vehicle occupants.

At this point in time, we are not aware of any accidents involving the aforementioned vehicles; nonetheless, we will expedite efforts to determine the root causes of the matter as well as the types of vehicle that could be affected. We will then submit a report to and confer with relevant authorities, including the Ministry of Land, Infrastructure, Transport and Tourism, in addition to notifying our customers of the situation and responding to relevant customer inquiries.

Soichiro Okudaira,
President of Daihatsu Motor Co.

The Independent Third-Party Committee noted that "a management flaw, namely, the promotion of short-term development without adequate safeguards against fraud in place," was the root cause of the fraudulent activity.

It is our belief that the misconduct resulted from management and supervisors failing to recognize the full extent of the workloads and struggles that *genba* (frontline) workers experience. Furthermore, management took no substantial steps to improve the work environment and culture, actually making it difficult for employees to raise concerns when they encountered difficulties.

As a result, we believe that this caused the formation of a corporate culture that prioritized project promotion while failing to enforce compliance with laws, regulations, and rules, for which management is wholly responsible.

To stop this from happening again, a number of recommendations have been brought forth by the third-party committee. These include senior management communicating their sincere remorse to employees, decisively launching reforms, and reviewing the development and certification process in light of tight schedule conditions.

In line with these recommendations, management will first and foremost adopt a new perspective, visit the *genba* in order to better grasp the circumstances there, and work in collaboration with employees to establish an organization that guarantees "psychological safety" and constructive communication.

Based on our fundamental obligation to ensure legal compliance and accurate certification work, we will also design suitable procedures and a system that allows for longer development lead times and that can be suspended whenever necessary.

We are dedicated to implementing thoroughgoing measures aimed at preventing the recurrence of such issues, carrying out organizational and structural reviews, creating operational regulations, formulating work standards, and following through on other initiatives that have been undertaken up to this point.

Based on the recommendations and guidance of relevant authorities, we shall report separately on specific steps taken to prevent recurrence and the enforcement mechanism in place to support them.

While the Independent Third-Party Committee has undertaken a thorough and comprehensive inquiry, the Company has cooperated to the best of its ability by, for example, reviewing the documentation of its certification procedure.

Nevertheless, we will keep an eye out for similar issues to ensure our customers' safety.

If any other problems arise, we will report them to the authorities immediately and take the necessary action.

We take very seriously the fact that, through this fraud, we have betrayed the trust of many customers who have supported us by choosing our light and compact vehicles, which play an essential role in navigating roads and daily life in Japan and abroad.

We will return to Daihatsu's roots of "staying close to our customers and enriching their lives" and, with the support of Toyota, will make a determined companywide effort to revitalize Daihatsu.

Hiroki Nakajima,
Executive Vice President, Toyota Motor Corporation

We believe that this incident of finding the 174 irregularities involving 25 test items could potentially cause the loss of our reputation as a certified manufacturer.

As explained by Daihatsu, first and foremost, Toyota will cooperate fully and meticulously investigate to confirm the absence of other issues.

Spanning management and business operations to corporate organization and structure to human resource development and awareness reform for every employee, revitalizing a company is not something that can be completed overnight.

We at Toyota, with whom Daihatsu does business, also view this as an incredibly significant challenge.

We will fully support Daihatsu's revitalization, so that our two companies may return to their original shared goal, which is to become a compact mobility company.

Going forward, we will make further announcements about specific measures and initiatives to be undertaken that reflect, for example, guidance from the authorities.

Message from the CFO: Realizing a Cycle of Growing Together with Our Stakeholders

ToyotaTimes

TMC's FY2024 2Q Financial Results Press Briefing

Yoichi Miyazaki
Executive Vice President
Chief Financial Officer
Chief Competitive Officer
President, Business Planning & Operation

At the November 2023 financial results presentation, Toyota CFO Yoichi Miyazaki gave the following presentation.

Toyota's profit structure is steadily improving.

The foundation we have built for sustainable growth has been made possible thanks to our customers around the world who chose Toyota cars, as well as the support of our shareholders, dealers, suppliers, and all other stakeholders. Once again, on behalf of Toyota, I would like to express our deepest gratitude.

We intend to further strengthen this foundation with our many stakeholders who support and sustain us from a medium- to long-term perspective extending from the past to the present and into the future.

From here, I would like to discuss the kind of growth we aim to achieve.

First, let me talk about the three main characteristics of our business foundation.

- First is our full lineup of vehicles worldwide and a balanced regional representation.
- Second is our global customer base, which currently drives more than 100 million units.
- Third is our hybrid options, which provide both CO_2 emissions reduction and profitability.

These characteristics help stabilize earning power, making it less susceptible to the effects of fluctuations in economic and market environments around the world.

Another important aspect of our business foundation is the careful timing of our investment decisions. Our comprehensive assessment of investments in BEVs and batteries encompass the energy situation and infrastructure in each country, the evolution of technology, and changes in actual customer demand. This has enabled us to achieve a strong financial foundation upon which we can promote investments for the future.

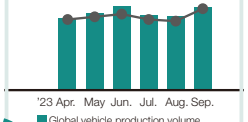
Efforts in Delivering Cars to Customers

(1) Efforts in Product Development

Develop and launch products that match customer needs

(2) Efforts in Production (including suppliers)

Maintain a high level of production through continuous efforts



(3) Efforts in Logistics

Improve logistics efficiency by working together with partner companies

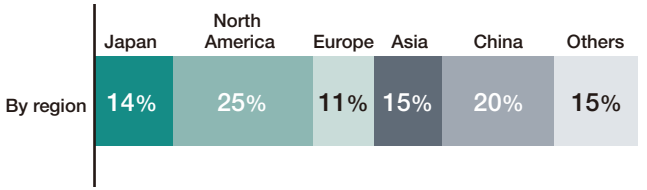
(4) Efforts in Sales

Improve the visibility of supply and demand using DX

Characteristics of Toyota's Business Foundation

Full lineup of vehicles worldwide

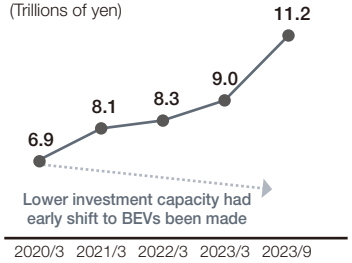
FY2023 Retail Vehicle Sales



Matching Investment Decisions to Actual Demand

Volume of Net Liquid Assets*1

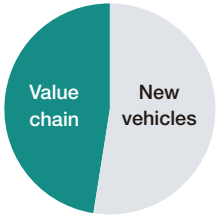
(Trillions of yen)



Strength of 100 million units owned by our customers

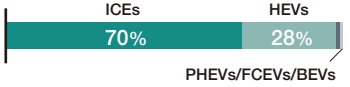
Profit Structure

(FY2020–FY2023 cumulative operating income)



HEV Business Supporting Multi-pathway

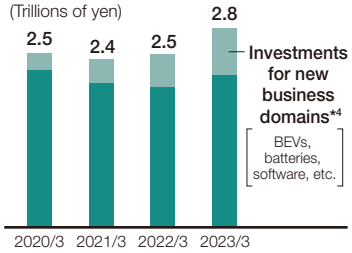
Retail Vehicle Sales by Powertrain in FY2023



Operating Income by Powertrain in FY2023

R&D Expenses*2 and Capital Expenditures*3

(Trillions of yen)



1. Net liquid assets = cash and cash equivalents, time deposits, public and corporate bonds and investment in monetary trust funds, excluding in each case those relating to financial services, less interest-bearing debt (not including lease liabilities), excluding that relating to financial services.
2. R&D activity-related expenses incurred during the reporting period.
3. Excluding vehicles under operating leases and right of use assets.
4. R&D expenditures and capital expenditures related to battery electric vehicles, batteries, hydrogen business, software businesses, etc.

This financial foundation has been made even more successful by the steady *Kaizen* (continuous improvement) activities of our suppliers, dealers, and those on the front lines of manufacturing and logistics.

On the front lines of manufacturing, we are working to improve quality and productivity by accumulating improvements at the second-by-second level, reducing the burden on workers through digitalization, and visualizing the skills of our craftspeople.

On the front lines of logistics, amid a shortage of truck drivers and ships, we have been advancing *Kaizen* by drawing on the wisdom of the companies we work with. As a result, in parts distribution, we have simplified routes and increased load factors, and in completed car distribution, we have reduced vacant space rates by jointly transporting vehicles with other companies.

On the front lines of sales, we are utilizing digital transformation to build a system that links production, transport, and sales in order to provide customers with accurate delivery-date information and deliver vehicles quickly, without waste.

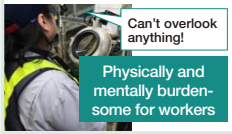
Message from the CFO: Realizing a Cycle of Growing Together with Our Stakeholders

Examples of Manufacturing Efforts

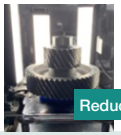
We utilized the period of operational downtime caused by the COVID-19 pandemic to **work on accumulating improvements at the second-by-second level, such as improvement in quality and productivity through digitalization**

Automation of defect detection using AI

Before: Visual inspection



After: AI camera inspection



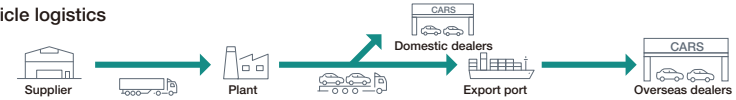
Visualization of skills through VR

Reduction of burden on trainers for the sealer application process (difficult skills)

Examples of Logistics Efforts

Managing volume increases amid a shortages of truck drivers and ships

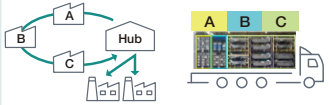
Parts and vehicle logistics



Milk run (total optimization)

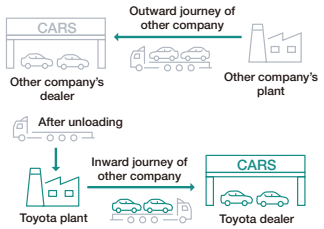
Before: Complicated route / low load factor

After: Simplified route / higher load factor



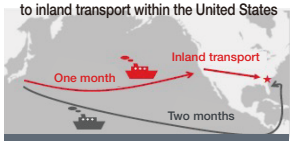
Joint transportation

Mutual use of transportation networks with other companies



Vehicle unloading on the U.S. West Coast

Higher rotation rate of ocean vessels by shifting to inland transport within the United States



Main reasons for severe shortage of ocean vessels

Demand ↑ Exports of finished vehicles from China increased

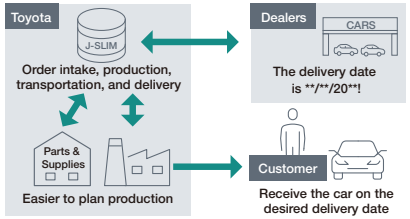
Supply ↓ Shipbuilding decreased due to COVID-19

Examples of Sales Efforts

Improving customer convenience by implementing digitalization and visualizing the entire process, from order intake to delivery

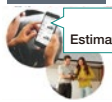
Introducing sales and logistics management system (J-SLIM)

Visualization of information by introducing a unified system



Introducing online tool SmartPath

Customers Seamless online and in-shop experience



- Understanding inventory and transportation schedules
- Shorten business negotiation time

Toyota Tracking vehicle status

Cycle of Growing Together with Our Stakeholders

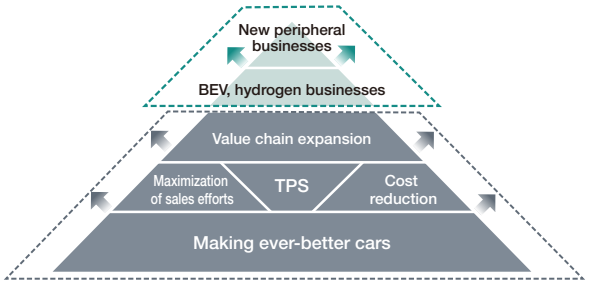
We intend to continuously evolve our cycle of growth together with stakeholders by leveraging the business foundation we have built up by making ever-better cars and through front-line efforts that maximize that foundation's effectiveness, including the efforts of our partners.

We will continue striving to deliver ever-better cars that meet the needs of customers in each region, cultivate new customers in emerging markets, and further strengthen our unique and solid business foundation.

We also plan to expand and strengthen our investment in the future, including in BEVs, hydrogen, software, and energy, and broaden touchpoints with our customers and alliance partners beyond the automotive industry as a total package. We hope to link these efforts to the expansion of our business domain toward becoming a mobility company and the transformation of the Group's business structure.

A. Strengthening Earning Power

- **Strengthening business foundation based on making ever-better cars**
- **Expanding business domains to become a mobility company**



Expansion of business domains

- Competitive BEV and hydrogen businesses
- Creation of businesses based on software and energy

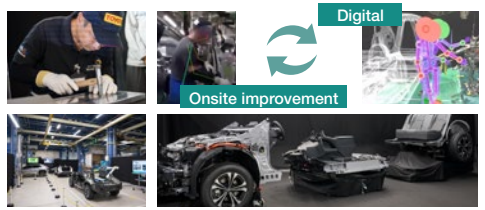
Strengthening of business foundation

- Making ever-better cars
- Expanding sales of HEVs and PHEVs in emerging markets
- Continuously strengthening structure through TPS and cost reduction
- Maintaining and expanding customer touchpoints worldwide

B. Investment

Technological prowess
(Shifting of resources to advanced fields)

Manufacturing techniques
(Fusion of TPS/onsite capabilities & digital/innovative technologies)



Future of mobility overflowing with diversity

Message from the CFO: Realizing a Cycle of Growing Together with Our Stakeholders

Next is investment in the future.

The future does not come all at once, but is made up of the steady accumulation of day-to-day effort. To leave many options for the future, we are advancing forward-looking investment in technology in various areas, and we plan to actively sow the seeds for the future by combining our manufacturing techniques with digital and innovative technologies.

And for key investments in mass production, we plan to determine and execute investment timing while closely watching market trends based on the technologies and skills we have honed from a long-term perspective.

When it comes to shareholder returns, we aim to continue to stably increase dividends to reward long-term shareholders.

Finally, there is our capital strategy. Our transformation into a mobility company requires a muscular balance sheet. While selling strategic shareholdings that have declined in significance for us and conducting "Home & Away" activities within the Toyota Group, we have been building alliances to accelerate our transformation.

By continuing to reduce our strategic shareholdings, reviewing intra-Group cross-shareholdings, and utilizing treasury stock and cash on hand, we aim to build a capital formation optimized for a mobility company and thereby maintain and improve our competitiveness.

In summary, to realize a cycle of growth with our stakeholders, we will continue striving to strengthen our earning power, accelerate investment for the future, utilize our accumulated assets, and create a new capital formation optimized for a mobility company to gain a competitive edge.

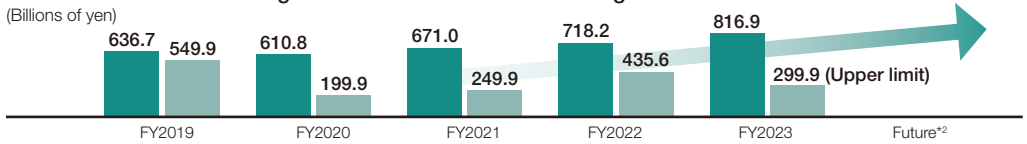
Precisely because this is an age in which it is hard to predict the future, we hope to work together, with your support and encouragement, to create the future of mobility.

To this end, we would like to use the results we have been able to generate thanks to our many stakeholders as a source of growth together with our customers, shareholders, suppliers, employees, and local communities. If we do not act, we will not be able to carve out a future for ourselves.

We ask for your continued support and hope that you will continue to look forward to what Toyota can do.

C. Shareholder Returns

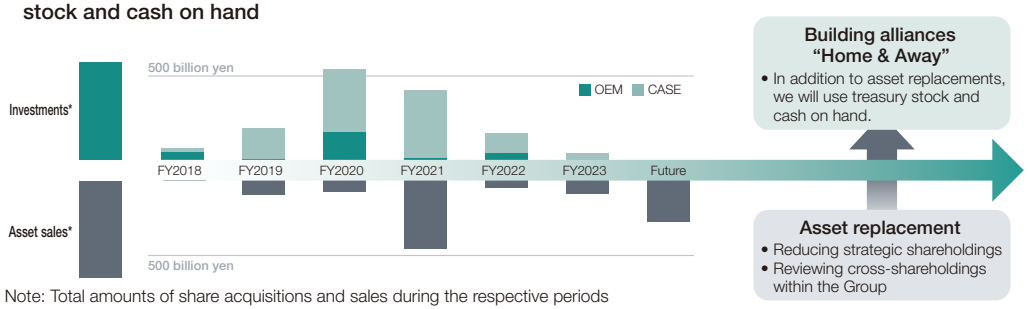
- Policy of implementing stable and continuous dividend increases
- Shifting focus to dividends to reward long-term shareholders



*1 Including dividends on First Series Model AA Class Shares (however, dividends are not included on such shares from FY2020 onward due to the application of IFRS)
*2 For illustrative purposes only; not a forecast

D. Capital Strategy

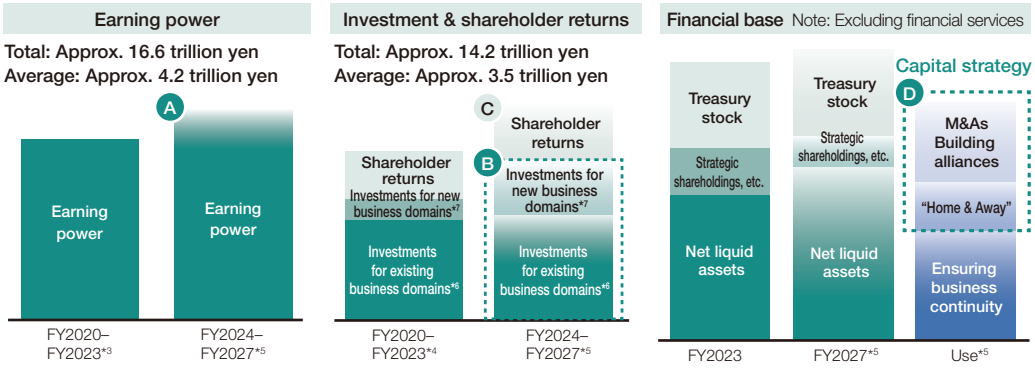
- Building a formation optimized for a mobility company to maintain and improve competitiveness
- Reducing strategic shareholdings, reviewing intra-Group cross-shareholdings, and utilizing treasury stock and cash on hand



Note: Total amounts of share acquisitions and sales during the respective periods

Realizing a Cycle of Growth Together

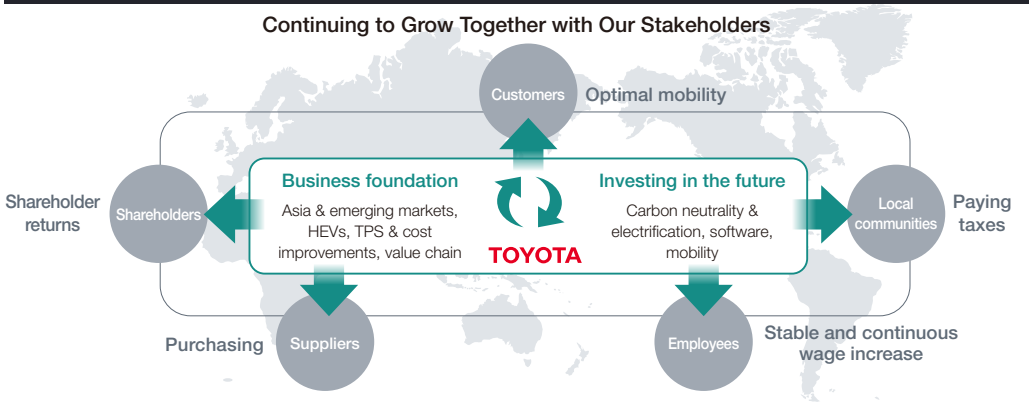
- Further strengthening earning power and accelerating investment for sustainable growth
- Leveraging accumulated assets to gain a competitive edge



*3 Earning power = Automotive business operating cash flow + R&D expenses (R&D activity-related expenditures incurred during the reporting period)
*4 Investment & shareholder returns = R&D expenses (R&D activity-related expenditures incurred during the reporting period) + capital expenditures + dividends + share repurchases
*5 For illustrative purposes only. These are not forecasts of the amounts in question for or as of the relevant periods or dates, or breakdowns thereof.
*6 R&D expenses and capital expenditures for businesses related to internal combustion engine vehicles, etc.
*7 R&D expenses and capital expenditures for battery electric vehicles, batteries, hydrogen business, software business, etc.

Cycle of Growing Together

Continuing to Grow Together with Our Stakeholders



Capital Strategy

Three Pillars

The three pillars of Toyota's financial strategy are stability, growth, and efficiency. By maintaining adequate stability while pursuing growth and efficiency over the medium and long terms, we aim to build a robust financial foundation to support sustainable growth.

1. Stability: Securing Liquidity

Having experienced financial crises and the Great East Japan Earthquake, in order to ensure business continuity in any business environment, we maintain a sufficient level of liquidity to cover half a year of both fixed costs in the automotive business and refinancing requirements in the financial services business.

Ample liquidity is essential to maintaining a full lineup in each region and retaining the ability to respond to all options and opportunities. As such, it is a vital part of the foundation supporting the creation of corporate value.

2. Growth: Aggressive Forward-looking Investment

As the auto industry approaches a once-in-a-century turning point, Toyota is focusing on technological innovation aimed at transforming into a mobility company. Every year, we spend more than 1 trillion yen on R&D. By enhancing efficiency in existing areas, we are strategically increasing the portion of R&D spending allotted to cutting-edge fields.

3. Efficiency: Enhancing Capital Efficiency

Using cost reduction and the thorough application of the Toyota Production System (TPS), we are reinforcing the profit structure and securing funds to invest in advanced and cutting-edge technologies.

In capital expenditures other than R&D expenses as well, we are carefully assigning priority to individual projects and tracking their progress while advancing measures to improve productivity, such as streamlining development in existing fields, making equipment more compact, shortening processes, and facilitating faster response to changes in production quantities.

Furthermore, in addition to sustainably increasing ROE by repurchasing shares, we are strengthening investment management by regularly evaluating the rationality of our strategic shareholdings in terms of the needs of our business strategies and economic utility. In these ways, we are striving to enhance capital efficiency.

Shareholder Returns

Toyota deems the benefit of its shareholders an important element of its management policy, and its basic policy for shareholder returns is to reward long-term shareholders. Specifically, Toyota strives to ensure the stable and continuous payment of dividends. Toyota flexibly repurchases its common stock while comprehensively considering such factors as the price of common stock.

For the year ended March 2023, Toyota paid an interim dividend of 25 yen per share and a year-end dividend of 35 per share, for an annual dividend of 60 yen per share, up 8 yen per share from the previous fiscal year.

Toyota repurchased 149.9 billion yen of its common stock to return profits for the fiscal year ended March 2023 to shareholders.

With a view to surviving tough competition and transitioning to a mobility company, Toyota will utilize its internal funds mainly for its investment in growth for the next generation, such as environmental technologies to achieve carbon neutrality and safety technologies for the safety and security of its customers, as well as for the benefit of stakeholders, such as employees, business partners, and local communities.

Strategic Shareholdings

1. Policies on Strategic Shareholdings

Toyota's policy is to not maintain strategic shareholdings except for in cases where such holdings are deemed to be meaningful. Cases where such holdings are deemed to be meaningful are defined as cases where it is determined that, in the business of manufacturing of automobiles, in which it is essential to maintain a variety of cooperative relationships throughout the entire process of development, procurement, production, distribution, and sales, such holdings contribute to the improvement of corporate value from a medium- to long-term perspective based on a comprehensive consideration of business strategy; the establishment, maintenance, and strengthening of relationships with business partners; and contribution to and cooperation in the development of society.

2. Assessment of the Propriety of Strategic Shareholdings

When necessary, Toyota engages in constructive dialogue with the issuers of shares that it holds to encourage them to improve corporate value and achieve sustainable growth. These dialogues provide opportunities to share and address business challenges. Every year, at the Board of Directors, Toyota reviews whether its individual shareholdings are meaningful in light of changes in the business environment, specifically examines whether the benefits and risks from such holdings are commensurate with the cost of capital, etc., and assesses the propriety of Toyota's strategic shareholdings.

If Toyota determines that a shareholding is no longer meaningful or the meaning of a shareholding has been diluted due to changes in the business environment or other reasons, Toyota will proceed with the sale of such shares once it has adequately explained its reasons for doing so to the issuer.

Consequently, the number of companies whose shares Toyota strategically holds has been reduced to 141 (including 49 listed companies) as of March 31, 2023 from 189 (including 80 listed companies) as of March 31, 2018.

Woven Planet Bonds

In the year ended March 2021, Toyota issued Woven Planet Bonds to raise funds for projects that contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). The issuances comprised 100.0 billion yen in yen-denominated straight bonds for individual investors, as well as 130.0 billion yen in yen-denominated sustainability bonds and 275.0 billion yen in foreign currency-denominated sustainability bonds for institutional investors. Most recently, Toyota issued 100.0 billion yen in yen-denominated sustainability bonds for institutional investors in June 2023, followed by 1.5 billion USD in foreign currency-denominated sustainability bonds in July 2023.

	2019/3	2020/3	2021/3	2022/3	2023/3
Dividends per share*1 (yen)	44	44	48	52	60
Total amount of payment (billions of yen)	626.8	610.8	671.0	718.2	816.9
Payout ratio*2	33.8	30.2	29.8	25.3	33.4
Share repurchases (billions of yen)	549.9	199.9	249.9	435.6	299.9
Total shareholder return*3 (billions of yen)	1,186.7	810.8	921.0	1,153.8	1,116.9
Total return ratio*4	63.0	39.8	41.0	40.4	45.6

*1 The above figures show dividends per common share on a post-stock split basis (values for after the five-for-one stock split of shares of our common stock conducted on October 1, 2021).
*2 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.
*3 Includes dividends paid for First Series Model AA Class Shares until 2019/3; these dividends are not included from 2020/3 onward due to the application of IFRS.
*4 Total return ratio: Total shareholder returns divided by net income attributable to Toyota Motor Corporation.

The Environment (Climate Change-related Financial Disclosures Based on the TCFD Recommendations)

*TCFD (Task Force on Climate-related Financial Disclosures)

Toyota endorsed and signed on to the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) in April 2019 and appropriately discloses information concerning climate change-related risks and opportunities and its analysis thereof.

Governance

a) The Board's Oversight of Climate-related Risks and Opportunities

Toyota addresses climate-related issues at the Board of Directors' meetings to ensure effective strategy formulation and implementation in line with latest societal trends. The Board deliberates and oversees related strategy, major action plans, and business plans, and important climate-related matters are included in the Board's agenda.

The Board of Directors monitors progress toward qualitative and quantitative targets for addressing climate issues. As part of monitoring, the Board considers climate-related issues, including risks/opportunities related to products, such as fuel efficiency/emission regulations, and risks/opportunities related to low-carbon technology development, as well as the financial impact thereof. These governance mechanisms are used in formulating long-term strategy, including the Toyota Environmental Challenge 2050, and in formulating and revising medium- to long-term targets and action plans.

Examples of decisions made by the Board of Directors in 2022 include the following.

The Board decided to identify carbon neutrality as a key matter in relation to climate change and to develop a plan to transition to carbon neutrality by 2050. The Board also decided by resolution the level of battery-related investment in order to secure the necessary number of vehicle batteries, which sets the pace for the expansion of its line of BEVs.

Toyota Supercharges North Carolina Battery Plant with New $8 Billion Investment

b) Management's Role in Assessing and Managing Climate-related Risks and Opportunities

The Board of Directors is Toyota's ultimate decision making and oversight body for addressing climate related issues. The committees below are the major bodies for assessing and managing climate related risks and opportunities.

Bodies That Address Climate Change Issues

	Sustainability Meeting (Consultation)	Sustainability Subcommittee (Execution)	Environmental Product Design Assessment Committee	Consolidated Environmental Committee
Frequency of reporting on climate related issues to the Board of Directors	—	When an important event arises	When an important event arises	When an important event arises
Roles	• Helps enhance corporate value by reflecting opinions and external advice about key sustainability-related issues in management practices to achieve sustainable growth	• Implements operations related to the promotion of sustainability • Consults with the Sustainability Meeting about key issues and submits reports to the Board of Directors	• Manages the assessment of product-related risks and opportunities, formulation and implementation of strategy and plans, monitoring, etc.	• Assesses risks and opportunities related to production activities, logistics activities, and other non-production activities, determines countermeasures, conducts monitoring, etc.

Strategy

a) Climate-related Risks and Opportunities the Organization Has Identified over the Short, Medium, and Long Term

Toyota strives to identify the various risks and opportunities that will arise from environmental issues, takes action while continuously confirming the validity of strategies, such as the Toyota Environmental Challenge 2050, and works to enhance its competitiveness.

In particular, climate change requires measures in a variety of areas, including the adoption of new technology and responding to tighter government regulations. As climate change progresses, higher temperatures, rising sea levels, and increases in the severity of such natural disasters as storms and flooding are expected. Such developments may have various impacts on Toyota's business fields. These impacts may pose risks to Toyota's business. However, we believe that responding appropriately to the impacts of climate change can lead to enhanced competitiveness and the acquisition of new business opportunities. In accordance with this understanding, we have categorized the risks relating to climate change and identified particularly significant risks in line with risk management processes based on the degree of impact and stakeholder interest.

Significant Risks and Opportunities and Toyota's Measures

	Risks	Opportunities	Toyota's measures	Scenario analysis: Stated policies future storyline	Scenario analysis: 1.5 °C or less future storyline
Tightening of regulations for fuel efficiency and ZEVs (acceleration of electrification)	• Fines for failure to meet fuel efficiency regulations • Decrease in total vehicle sales due to delays in complying with ZEV regulations • Impairment of internal combustion engine manufacturing facilities	• Increase in sales of electrified vehicles • Increase in profits from external sales of electrification systems	• Promotion of research and development to improve fuel and battery efficiency • Increase in investment in batteries and shift of resources • Start of sales of electrification systems • Expansion of electrified vehicle lineup • Reduction of CO_2 emissions from vehicles currently in use	Impacts will be in line with current conditions →	Impacts will increase ↗
Expansion of carbon pricing	• Increase in production and purchasing costs due to the introduction of carbon taxes, etc.	• Decrease in energy costs due to the introduction of energy saving technology • Improvement of energy security by diversifying energy supply sources	• Comprehensive reduction of energy use and promotion of renewable energy and hydrogen use • Promotion of emission reductions in collaboration with suppliers	Impacts will be in line with current conditions →	Impacts will increase ↗
Increase in frequency and severity of natural disasters	• Production suspension due to damage to production sites and supply chain disruptions caused by natural disasters	• Increase in demand for electrified vehicles due to increased need for supply of power from automobiles during emergency situations	• Continuous adaptive improvements to business continuity plans (BCPs) in light of disaster experiences • Reinforcement of information gathering in collaboration with suppliers to avoid purchasing delays	Impacts will increase ↗	Impacts will be in line with current conditions →

b) Impact of Climate-related Risks and Opportunities on the Organization's Businesses, Strategy, and Financial Planning

Recognizing that climate-related issues may have a substantive impact on its businesses, strategy, and financial planning, Toyota reviews its strategy based on the risks and opportunities associated with climate-related issues whenever necessary. The table on page 79 describes the specific impacts on our businesses, strategy, and financial planning.

Toyota identifies risks, determines their degree of significance, and sets priorities in accordance with the Toyota Global Risk Management Standard (TGRS). Details regarding the TGRS are provided on page 80 under "Risk Management."

The Environment (Climate Change-related Financial Disclosures Based on the TCFD Recommendations)

Impact on Strategies

	Products and services	Supply chains/value chains	Investments in R&D	Adaptation activities and mitigation activities
Significant climate-related risks	• Risks of decarbonization regulations in different countries (fuel economy regulations, GHG*1 emission regulations, etc.)	• Risks of decarbonization regulations in different countries (fuel economy regulations, GHG emission regulations, etc.)	• Risks of decarbonization regulations in different countries (fuel economy regulations, GHG emission regulations, etc.) • Market risks, such as changes in consumer needs	• Regulatory risks, such as the introduction of carbon pricing and decarbonization • Market risks, such as increased cost reductions, including those due to sudden jumps in low-carbon and renewable energy prices, etc.
Impact on Strategies	The following strategies were influenced: • Long-term strategy (2050 Target): Toyota Environmental Challenge 2050 announced in 2015 • Medium-term strategy (2030 Target): 2030 Milestone announced in 2018, SBTi*2 validation and approval in 2022 • Short-term strategy (2025 Target): 7th Toyota Environmental Action Plan announced in 2020			
History of impacts	• Numerical targets for CO_2 emissions reduction were set as part of the New Vehicle Zero CO_2 Emissions Challenge. • Targets for Scope 3 Category 11 were approved by SBTi in 2022. • In 2021, the decision to aim for sales of 3.5 million battery electric vehicles (BEVs) in 2030 was announced. • In April 2023, Toyota announced a new average GHG emissions target for new vehicles and set an expansion pace target based on selling 1.5 million BEV units by 2026.	• Numerical targets for CO_2 emissions reduction in the entire value chain were set as part of the Life Cycle Zero CO_2 Emissions Challenge. • The medium-term strategy takes into account the following: · Manufacturing and disposal of batteries for the manufacture of electrified vehicles · Collaboration with suppliers · Risks and opportunities related to recycling	• Sales targets for electrified vehicles were set as part of the New Vehicle Zero CO_2 Emissions Challenge. • An increase in R&D expenses was assumed in the promotion of R&D of electrified vehicles. • In 2021, the decision to aim for sales of 3.5 million BEVs in 2030 was announced. • In April 2023, Toyota announced a new average GHG emissions target for new vehicles and set an expansion pace target based on selling 1.5 million BEV units by 2026.	• Numerical targets for CO_2 emissions reduction related to plant operations were set as part of the Plant Zero CO_2 Emissions Challenge. • In 2021, the decision to aim for carbon neutrality at plants by 2035 was announced. • Targets for Scope 1 and 2 were validated by SBTi in 2022.

*1 GHG: Greenhouse gases
*2 Science Based Targets initiative: Initiative established by the CDP, United Nations Global Compact, World Resources Institute (WRI), and World Wide Fund for Nature (WWF)

c) Resilience of the Organization's Strategy, Taking into Consideration Different Climate-related Scenarios, Including a 2°C or Lower Scenario

STEP1

Set Future Storylines Assuming Climate Change Effects

Climate change and the policies of various countries may expose the automobile industry and mobility society as a whole to substantial change. These changes will present both risks and opportunities for Toyota. Based on risk and opportunity analysis, using such scenarios*3 as those of the International Energy Agency (IEA), we envisioned three future storylines of society and the external environment in around 2030: the stated policies future storyline, 2°C future storyline, and 1.5°C or less future storyline.

*3 Set with reference to such scenarios as the 4.5 equivalent Representative Concentration Pathway (RCP) of the Intergovernmental Panel on Climate Change (IPCC), IEA's Stated Policies Scenario (STEPS), Sustainable Development Scenario (SDS), and Net Zero Emissions by 2050 Scenario (NZE)

STEP2

Consider the Impacts on Toyota

If adequate climate change measures are not implemented throughout society, as described in the stated policies future storyline, production suspensions due to the increased frequency and severity of natural disasters, such as flooding, as well as production decreases and suspensions due to supply chain disruptions are likely to increase.

In the society of the 1.5°C or less future storyline, the role of electrified vehicles (especially ZEVs*4) will increase. The percentage of new vehicle sales accounted for by ZEVs will increase greatly, and the use of carbon neutral fuels*5 will also expand. With regard to the effects on production and purchasing, because the introduction of carbon taxes and increased tax rates may lead to higher costs, expanding the use of energy-saving technologies, renewable energy, and hydrogen to mitigate risks.

*4 ZEVs: Zero emission vehicles. Vehicles that have the potential to emit no CO_2 or NOx during driving, such as battery EVs (BEVs) and fuel cell EVs (FCEVs)
*5 Carbon-neutral fuels: Next-generation biofuels and synthetic fuels

STEP3

Toyota's Strategies

In April 2021, Toyota proclaimed that it would address global-scale challenges to achieve carbon neutrality by 2050. Recognizing that they can only contribute to reducing GHG emissions if they are widely used (multi-pathway), we will develop diverse technologies that will encourage customers in different regions to choose eco-friendly vehicles. These vehicles include HEVs, PHEVs, BEVs, and FCEVs.

Toyota currently sells cars in over 200 countries and regions, among which economic conditions, energy and industrial policies, and customer needs vary significantly. Therefore, it is important to have a strategy that offers a variety of electrified vehicle options.

Based on this electrified vehicle strategy, Toyota has sold a cumulative total of over 23.15 million electrified vehicles worldwide. As one of the first companies to respond to climate change risks, Toyota has realized a cumulative CO_2 emissions reduction of over 176 million tons through the marketing of these vehicles (as of March 2023).

Going forward, with regard to BEVs, we will successively introduce models based on a dedicated platform and seek to supply practical vehicles through battery development and production strategies.

We have designated the expansion pace targets of launching 10 new models and selling 1.5 million BEV units by 2026 to reach the target of 3.5 million vehicles sold globally each year by 2030. To achieve this, we will advance the sale of electrified vehicles optimized to suit regional conditions and customer preferences.

In addition to BEVs, we will promote electrification strategy from all directions. We will flexibly and strategically adapt total electrified vehicle sales and other conditions in response to changes in the market while leveraging the strengths that we have gained through experience. This will encourage customers in each region to choose us and thereby accelerate the increased use of electrified vehicles.

Even if battery demand increases in accordance with shifts in customer needs, as in the 1.5°C or less future storyline, we will flexibly work toward carbon neutrality by such means as enhancing collaboration with existing and new partners and swiftly establishing production structures at suppliers that have capital ties with Toyota.

In addition to increasing the number of electrified vehicles, Toyota is working on CO_2-reducing off-cycle technology*6 (items not necessarily reflected in driving mode fuel efficiency). Furthermore, there is a wide range of other technologies that can contribute to reducing CO_2 emissions, including carbon neutral fuels that can be used with vehicles already in use as well as hydrogen fuel and hydrogen engine vehicles. We are therefore working to expand options for such technologies.

Our efforts related to the development of new technologies to achieve a carbon neutral society include the following.

- Announced the launch of the new Lexus RZ450e, a BEV-only model.
- Established the Research Association of Biomass Innovation for Next Generation Automobile Fuels with five other companies to research fuel production process efficiency improvement and promote technological research into the use of biomass and the efficient production of bioethanol fuels for vehicles.
- Joined the Hydrogen Utilization Study Group in Chubu. The Study Group participates in the Chubu Conference for Promoting the Use of Hydrogen and Ammonia in Society and formulated the "Chubu Hydrogen and Ammonia Supply Chain Vision," which sets out the direction of initiatives aiming at the practical introduction and use of hydrogen and ammonia in the Chubu region.

The Environment (Climate Change-related Financial Disclosures Based on the TCFD Recommendations)

Six Private Companies Establish "Research Association of Biomass Innovation for Next Generation Automobile Fuels"
"Chubu Hydrogen and Ammonia Supply Chain Vision" Established (Japanese)

*6 Off-cycle technology: Technologies such as high efficiency lighting, waste heat recovery, active aerodynamic improvement, and solar radiation/temperature management that improve actual fuel consumption. The United States has a system of offering credits in proportion to the amount of improvement achieved.

Achieving Carbon Neutrality

To achieve carbon neutrality in the automotive industry, it is vital that energy policies (renewable energy, charging infrastructure, etc.) and industrial policies (purchasing subsidies, supplier support, battery recycling systems, etc.) are advanced in a unified manner. Initiatives must be implemented in coordination with various stakeholders, such as national governments and industry organizations.

In its global business activities, Toyota will coordinate with national governments to establish infrastructure for promoting electrification while implementing electrified vehicle strategies that contribute to reducing CO_2 emissions throughout the entire vehicle life cycle.

Initiatives in the Production Field

In the production field, we have announced that we aim to achieve carbon neutrality at global plants by 2035, and we are implementing preparations to face such risks as carbon taxes. We are promoting the reduction of CO_2 emissions through comprehensive energy-saving conservation and the introduction of renewable energy and hydrogen at plants. We have already achieved 100 percent renewable electricity use at all plants in Europe.

Reinforcing Strategic Resilience

Toyota will prepare measures to respond to natural disasters, such as formulating business continuity plans (BCPs), strengthening supply chains by enhancing information gathering, and improving communication.

Working together with not only the automobile industry but all industries, Toyota will implement initiatives that are both practical and sustainable, continuously striving to ensure compatibility with the society of the 1.5°C or less future storyline.

To demonstrate progress and validate Toyota's strategies, we will appropriately disclose information regarding various ESG assessment indicators and enhance dialogue with stakeholders, including institutional investors. We believe that this will enable stable fund procurement and sustained corporate value enhancement.

Media Briefing on Batteries and Carbon Neutrality (September 7, 2021)
Toyota Unveils New Technology That Will Change the Future of Cars (June 13, 2023)

Risk Management

a) The Organization's Processes for Identifying and Assessing Climate-related Risks

Toyota identifies, assesses, and manages all risks, including climate-related risks, based on a Company-wide risk management system called the Toyota Global Risk Management Standard (TGRS) that covers all risks related to global corporate activities.

Risk assessment is carried out based on the two perspectives of magnitude of impact and vulnerabilities to clarify the substantive financial or strategic impact on the Company's business.

The magnitude of impact is assessed based on the four elements of finance, reputation, violation of laws and regulations, and business continuity. Each of these is evaluated on a five-point scale, with finance assessed using the ratio of the impact to sales as an indicator.

Vulnerabilities are assessed based on the two elements of current status of countermeasures and probability of occurrence.

b) The Organization's Processes for Managing Climate-related Risks

Once risks by region, function (manufacturing, sales, etc.), and product are identified by each division and assessed from the perspectives of magnitude of impact and vulnerability according to the TGRS, each region and each group mutually cooperates and supports one another to implement a prompt response. The group chief officers and in-house company presidents supervise the activities of the in-house companies and, at the subordinate level, the general managers supervise the activities of divisions and implement and monitor countermeasures.

Furthermore, climate-related risks and opportunities are identified and assessed by the Environmental Product Design Assessment Committee, Consolidated Environmental Committee, and Sustainability Subcommittee and then deliberated by the relevant divisions and officers. The above three committees each monitor the status of efforts to deal with issues in their respective areas and make revisions as needed. The Environmental Product Design Assessment Committee focuses on fuel economy regulations and procurement; the Consolidated Environmental Committee focuses on direct operations, such as CO_2 emission regulations on plants, logistics, and other non-production locations as well as water risks; and the Sustainability Subcommittee focuses on the relevance of initiatives implemented in consideration of issues related to promoting sustainability and external stakeholders.

Meetings of these three committees are held about four times a year with the participation of executive- or general manager-level members of relevant divisions, such as technology, environment, finance, purchasing, and sales. These committees assess risks multiple times a year. Important risks and opportunities that require prompt response are reported as needed to the Board of Directors Meeting, where response measures are determined.

c) How Processes for Identifying, Assessing, and Managing Climate-related Risks are Integrated into the Organization's Overall Risk Management

As described above, the processes using the TGRS constitute a Company-wide risk management system that covers all risks and opportunities related to corporate activities, including climate change.

At the meetings of the Environmental Product Design Assessment Committee, Consolidated Environmental Committee, and Sustainability Subcommittee, which bring together members from relevant divisions, climate-related risks and opportunities are identified and assessed, and countermeasures are examined.

Metrics and Targets

a) Metrics Used by the Organization to Assess Climate-related Risks and Opportunities in Line with Its Strategy and Risk Management Process

Toyota recognizes that establishing multiple metrics to comprehensively manage climate-related risks and opportunities is an important measure for adaptation to and the mitigation of climate change. As such, Toyota's metrics include not only the amount of greenhouse gas (GHG) emissions but also other elements deeply related to climate change, such as energy, water, resource recycling, and biodiversity.

These metrics are systematically incorporated into the following targets as the "six challenges."

- Long-term strategy (2050 Target): The Toyota Environmental Challenge 2050
- Medium-term strategy (2030 Target): 2030 Milestone, validation and approval by SBTi
- Short-term strategy (2025 Target): Seventh Toyota Environmental Action Plan

■ Toyota aims to achieve carbon neutrality regarding Scope 1, 2 and 3 emissions by 2050 by promoting the following initiatives, which are part of the six challenges.

Initiatives	Correlation between coverage and Scopes 1, 2 and 3
Life Cycle Zero CO_2 Emissions Challenge	Scopes 1, 2 and 3
New Vehicle Zero CO_2 Emissions Challenge	Average GHG emissions from new vehicles (Scope 3, Category 11)*1
Corporate activities	Scopes 1 and 2 + voluntary actions*2
Plant Zero CO_2 Emissions Challenge	Scopes 1 and 2 at production sites + voluntary actions*2

*1 Per vehicle, gCO_2e/km, well to wheel: Includes GHG emissions from the production of fuel and electricity, as well as GHG emissions during vehicle operation.
*2 Production sites of Toyota Motor brands other than consolidated subsidiaries

■ Internally, certain carbon prices are used as indicators when examining capital investment and other activities.
■ The structure of each target can be found in the table on the next page.

b) Scope 1, Scope 2, and, if Appropriate, Scope 3 Greenhouse Gas (GHG) Emissions, and Related Risks

Requests for the disclosure of non-financial information, such as that relating to climate change, are growing and increasingly being legislated around the world. Toyota has worked extensively over the years to disclose environmental information and will continue to review conditions for disclosure, as needed, so that information is released in accordance with local systems.

The Environment (Climate Change-related Financial Disclosures Based on the TCFD Recommendations)

CO_2 Emissions

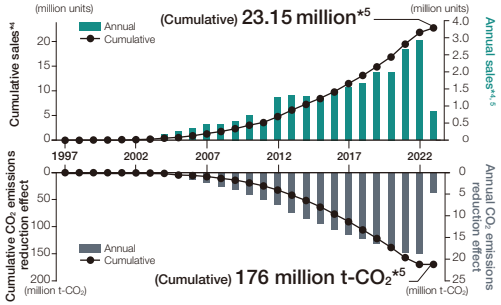
Scope 1 (Direct Emissions), Scope 2 (Energy-related Indirect Emissions) and Scope 3 (Other Indirect Emissions); Global

(million t-CO_2)

	2020	2021	2022
Scope 1 (Direct Emissions)	2.45	2.48	2.37
Scope 2 (Energy-related Indirect Emissions)	3.15	3.39	2.87
Scope 3	-340.41*1	-267.39*1	439.45
Total	-346.01*2	-395.74	575.73*3

Scope: Toyota Motor Corporation and consolidated subsidiaries
*1 Category 11 (CO_2 emissions from use of products sold) covers Toyota Motor Corporation and Daihatsu Motor Co.
*2 The number of vehicles manufactured was lower in 2020 due to the COVID-19 pandemic.
*3 After 2022, the calculation conditions for Scope 3 Category 11 will be changed based on the SBTi Guidance.

Cumulative CO_2 Emissions Reduction Effect from Electrified Vehicles



*4 Vehicle sales figures are the total of HEV, PHEV, BEV, and FCEV sales
*5 As of March 31, 2023

c) Targets Used by the Organization to Manage Climate-related Risks and Opportunities and Performance Against Targets

Structure of Environmental Strategies

Toyota is continuously monitoring social trends and customer opinions. Toyota considers which issues it should focus on, quickly anticipates future issues, and addresses environmental issues by applying new ideas and technologies. However, global environmental issues, such as climate change, water shortages, resource depletion, and biodiversity loss continue to spread and grow more serious every day. Through a process of back casting from Toyota's medium- and long-term vision, we determine specific activities that we implement in collaboration with our global consolidated subsidiaries and business partners with the aim of realizing a sustainable world.

We formulated the Toyota Environmental Challenge 2050 in 2015 and the 2030 Milestone in 2018 so that each one of us can understand better these issues and continue to tackle challenges from a long-term perspective, looking toward the world 20 and 30 years in the future. In 2020, we set the 2025 Target as the most recent target of the Toyota Environmental Action Plan, a five-year plan for achieving the above targets.

In September 2022, we received validation and approval*6 from SBTi for our Scope 1 and 2, and Scope 3, Category 11, reduction targets and updated our medium-term targets accordingly.

Validation and Approval of Toyota's Emissions Reduction Targets by the Science Based Targets initiative (SBTi)

Emissions		Target year	Base year	Reduction rate	Validation / Approval class
Scopes 1 and 2		2035	2019	68%	1.5°C
Scope 3, Category 11 (emission intensity)	Passenger light duty vehicles and light commercial vehicles	2030		33.3%	Well Below 2°C
	Medium and heavy freight trucks			11.6%	

*6 SBTi validates the Scope 1 and 2 emissions reduction targets of companies as being in line with the science-based criteria established by SBTi to limit the global average temperature increase to 1.5°C above pre-industrial levels. With regard to automobile companies, in conjunction with the above-mentioned validation, SBTi also approves Scope 3, Category 11, emissions (gCO2e/km) reduction targets as being in line with the science-based criteria to hold the increase in the global average temperature to well below 2°C above pre-industrial levels.

In April 2023, Toyota announced its intention to reduce average GHG emissions from vehicles sold worldwide by 33% from 2019 levels by 2030 and over 50% by 2035.

Long-term targets	Medium-term targets		2022 Initiatives (Results)
Toyota Environmental Challenge 2050		2030 Milestone	
• Achieve carbon neutrality for GHG emissions throughout the vehicle life cycle*7 by 2050		• Reduce GHG emissions by 30% throughout the vehicle life cycle*7 by 2030 compared to 2019 levels	• 5% reduction of GHG emissions compared to 2019
• Achieve carbon neutrality for average GHG emissions*8 from new vehicles*9 by 2050	• Reduce average GHG emissions*8 by more than 50% from new vehicles*9 by 2035 compared to 2019 levels	Reduce average GHG emissions*8 from new vehicles*9 by 2030 • Passenger light duty vehicles and light commercial vehicles: 33.3% reduction compared to 2019 levels • Medium and heavy freight trucks: 11.6% reduction compared to 2019 levels	
• Achieve carbon neutrality for GHG emissions from corporate activities*10 by 2050	• Reduce GHG emissions from corporate activities*10 by 68% by 2035 compared to 2019 levels		
• Achieve zero CO_2 emissions from production at plants*11 by 2050	• Achieve carbon neutrality for CO_2 emissions from production at plants*11 by 2035		• 25% reduction in CO_2 emissions compared to 2013 (calculation period: January to December)

*7 Applies to GHG emissions from energy consumption in the corporate activities of Toyota Motor Corporation and financially consolidated subsidiaries as well as GHG emissions from suppliers and customers in relation to vehicles under the brands of Toyota Motor Corporation and financially consolidated subsidiaries. (Per vehicle, Scopes 1, 2, and 3) (Applies to Toyota Motor Corporation alone in 2050)
*8 Per vehicle, gCO_2e/km, well to wheel: Includes GHG emissions from the production of fuel and electricity, as well as GHG emissions during vehicle operation.
*9 Applies to finished vehicles under the brands of Toyota Motor Corporation and financially consolidated subsidiaries. (Scope 3, Category 11) (Applies to Toyota Motor Corporation alone in 2035 and 2050)
*10 Applies to GHG emissions from energy consumption in the corporate activities of Toyota Motor Corporation and financially consolidated subsidiaries, as well as GHG emissions related to the production of Toyota brands other than by financially consolidated subsidiaries (Scopes 1 and 2 + voluntary actions).
*11 Applies to CO_2 emissions from energy consumption in the plants of Toyota Motor Corporation and financially consolidated subsidiaries, as well as CO_2 emissions from the production of Toyota brands other than by financially consolidated subsidiaries (Scopes 1 and 2 + voluntary actions).

Environmental Management System: Organizational Boundary and Management Steps

We have built an environmental management system that covers 494 companies considered consolidated subsidiaries on an accounting basis and seven unconsolidated vehicle production companies (as of 2022). Under this system, we carry out the following three steps.

We will maintain and improve this system in the future so that we can further promote environmental initiatives.

Environmental Management Steps

1. Organize internal structures (governance system)
2. Ensure thorough risk management and compliance (including voluntary actions)
3. Maximize environmental performance

ISO 14001/ISO 50001

As of 2022, all plants of Toyota Motor Corporation and consolidated subsidiaries (121 companies) have obtained ISO 14001 certification, and seven of these companies have also obtained ISO 50001 certification.

Awards Received

Selected for Two CDP A Lists

In December 2022, Toyota was selected for inclusion in the climate change A List and the water security A List—the highest ranking in this category—by CDP.*12

CDP DISCLOSURE INSIGHT ACTION A LIST 2022 WATER

*12 CDP: An international NGO that encourages and assesses corporate disclosures on environmental actions based on calls from global institutional investors with high levels of interest in environmental issues

Disclosure of External Relations on Climate Change Policies

Toyota publishes an annual report on its basic stance on important climate change policies, its approach to external relations activities, and an overview of the economic and industry associations to which it belongs.

Toyota's Views on Climate Public Policies 2023

Circular Economy

Toyota Revs Up Battery 3R Initiatives to Achieve Circular Economy

Toyota is promoting a number of initiatives aimed at realizing a "circular economy" (an economic system that recycles resources), such as working toward the creation of carbon neutral vehicles and making sure that the raw materials and the products that circulate them can be used for as long as possible. One such initiative is incorporating the 3Rs of reduce, reuse, and recycle into our designs to minimize waste.

In particular, when it comes to batteries for electric vehicles, we will first create batteries that are long-lasting and resource-efficient, allowing them to be used in cars for an extended period of time with peace of mind. Afterwards, the batteries are rebuilt and reused, and at the end, their composite rare metals are recycled using a process that produces a minimal amount of CO_2 emissions, creating what we believe to be an essential battery eco-system that carefully makes use of limited resources by adhering to the concept of "Battery 3Rs" (❶ Reduce, ❷ Rebuild and Reuse, and ❸ Recycle).

The Seventh Toyota Environmental Action Plan calls for the "establishment of a safe and efficient Battery 3R system in anticipation of the spread of electric vehicles" by 2025. We are currently working on two specific initiatives: maximize global battery recovery and detoxification and kickstart the Battery 3R system in five regions: Japan, the U.S., Europe, China, and Asia.

In order to accelerate the Battery 3R system, it is imperative that used batteries from electric vehicles be collected first. Toyota seeks to increase the amount of used batteries collected by leveraging such means as its dealer network. With batteries circulating throughout the battery ecosystem, a stable supply of rare metals will be made available, leading to the widespread use of electric vehicles. We will accelerate our efforts by collaborating with various partners in accordance with the situation in each country and region, such as the availability of battery plants that can procure batteries locally. We will thus contribute to the development of the social infrastructure that supports the widespread use of electric vehicles.

Examples of Battery 3R Initiatives

❶ Reduce

Battery Innovation

As Toyota advances its efforts toward introducing next-generation BEVs in 2026, the company is developing next-generation batteries that feature new chemistries and even new physical structures. From further improving the energy density of liquid lithium-ion batteries and adopting bipolar structures for all EVs, Toyota is expanding its lineup to provide customers with a variety of options, from low-cost, popular batteries to advanced batteries that pursue even higher performance.

Improve battery-related performance of current BEVs

For its conventional BEV models, such as the bZ4X, Toyota is constantly working to improve vehicle practicality by shortening the charging time in low ambient temperatures via improvements to the battery warm-up performance in cold weather. We are also extending actual cruising range by reducing power consumption and optimizing air conditioning control.

❷ Rebuild and Reuse

Sweep energy storage system for power systems with batteries for BEVs

The prevalence of renewable energies must be increased in order to achieve carbon neutrality, but expanding the adjustment capability on the power system side is just as important as increasing the number of power generation facilities. As the amount of electricity generated by renewable energies is highly variable as it depends on wind and sunlight, fluctuations in the resulting output often go beyond the range where supply and demand can be adjusted, which is necessary for stable electricity supply. Because of this, the amount of the excess output subject to power generation restrictions has grown year by year. Conversely, the main means of adjusting for insufficient power generation is thermal power generation; however, this system has drawbacks as well, including large amounts of CO_2 emissions and shortages due to aging power generation facilities. For these reasons, it is anticipated that energy storage systems will be widely used as a substitute for this approach.

In response, Toyota has developed a sweep energy storage system that utilizes the drive batteries of electric vehicles by leveraging the technologies cultivated in the development of electric vehicles (HEVs, PHEVs, BEVs, and FCEVs). The system has many features, such as: (1) the ability to simultaneously use a variety of battery types, as well as batteries with varying degrees of degradation; (2) the ability to greatly simplify the power conversion equipment, resulting in lower facility costs and less energy loss during power conversion; and (3) the ability to replace degraded batteries while the system is operating, resulting in lower operating costs. We will create new value from used batteries by using sweep technology to reuse various types of used batteries with varying degrees of deterioration as stationary storage batteries. In this way, we will utilize batteries collected from end-of-life vehicles in the future when BEVs are widely used. In addition, by establishing a business that covers the entire value chain, including the recycling of used batteries into battery materials, we aim to promote the spread of renewable energy and the efficient use of resources.

To achieve this, we are working with JERA Co., Inc., which generates approximately 40% of Japan's thermal power, to demonstrate a sweep energy storage system (1.3 MWh) at the Yokkaichi Thermal Power Station, and we succeeded in grid-connected operation in 2023. We are currently considering the installation of an even larger scale energy storage plant.

Development and demonstration of stationary storage battery systems

Tokyo Electric Power Company Holdings, Inc. (TEPCO HD) and Toyota developed a stationary storage battery system (1 MW output, 3 MWh capacity) that combines TEPCO's operating technology and safety standards for stationary storage batteries and Toyota's system technology for used electrified vehicle storage batteries. Toyota Tsusho Corporation and Eurus Energy Holdings Corporation installed this system at the Eurus Tashirohira Wind Farm, with a demonstration test now under way.

❷ Rebuild and Reuse, ❸ Recycle

Hybrid Battery Initiatives

Currently, Toyota inspects and reassembles (rebuilds) used nickel-metal hydride batteries removed from HEVs in the Japanese market. The batteries have been reused as stationary batteries since 2013 and for vehicles since 2014, as an eco-friendly renewable source of energy.

Initiatives in North America

We are collaborating with Redwood Materials Inc. and Cirba Solutions in North America to collect and recycle batteries all throughout the United States.

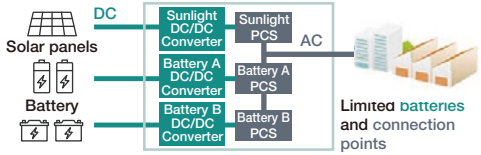
Redwood Materials Inc.

- Battery recovery and recycling partner on the U.S. West Coast
- Expanding the HEV and BEV end-of-life battery recycling collaboration between the two companies
- Sourcing cathode active material (CAM) and anode copper foil from Redwood's recycling network
- Recycle recovered rare metals and return them to the battery supply chain, thereby creating a materials cycle within North America.

Cirba Solutions

- Battery recovery and recycling partner in the Midwest and East
- Contract signed with Cirba for the collection, storage, testing, and processing of vehicle batteries
- Collaboration with Cirba Solutions is expected to reduce costs associated with the transportation and logistics of used batteries for Toyota and Lexus vehicles by 70%, as well as reduce CO_2 emissions from transportation.
- Aiming to extract up to 95% of critical minerals from used batteries

Conventional Energy Storage Systems



Toyota's Sweep Energy Storage System

Human Resource Development

Employees

Fundamental Approach

Toyota has been focusing efforts on human resource development since its foundation based on the belief that *monozukuri* (manufacturing) depends on human resource development. We develop human resources with the ability to continuously think and act for the benefit of others and to win supporters. In addition, in order to advance transformation into a mobility company and fulfill the corporate mission of "Producing Happiness for All" in the face of a once-in-a-century transformation, we will emphasize the importance of employees—Toyota's most important asset—working and challenging themselves, and aim to become a company where anyone can take on new challenges at any time, as many times as possible, without fear of mistakes.

To this end, we are developing Company-wide human resources with empathy* and expertise that have a positive impact on others and are capable of winning trust and confidence along with the ability to act to move things forward. We are implementing initiatives based upon three main pillars—diversity, growth, and contributions—designed to transform the Company into a place where anyone can take on new challenges at any time, as many times as possible, without fear of mistakes.

* Empathy in this context is defined as the capacity to make efforts for others, such as customers and teammates, and the capacity to learn respectfully from others and keep improving

Anyone can take on new challenges at any time, as many times as possible, without fear of mistakes

Three main pillars of our initiatives

Diversity: Living the life you choose
Growth: Seeing challenges and mistakes as fuel for growth
Contributions: For the future of the industry

Strengthening the foundation of the three pillars

Enhancing resources | **Management support**

1. Diversity: Living the life you choose
   - Enhancing systems to support employees balancing work and family commitments and creating a work environment where 100% of eligible employees can take partner childcare leave without hesitation (if they choose to do so). The system will be in place before the end of 2023
   - Full implementation of in-house recruitment (newly established in-house free-agent system), career consultations, and other support for employees to build their ideal career
2. Growth: Seeing challenges and mistakes as fuel for growth
   - Ensuring the best personnel are chosen for each position by taking a close look at individual roles and skills, regardless of nationality, sex, years of service, initial employment type, academic background, or job type while promoting skill development for all employees
   - Initiatives to change processes and the evaluation system to see challenges and failures as valuable experiences
3. Contributions: For the future of the industry
   - Matching human resources and assets, and utilizing both effectively for the benefit of the 5.5 million people working in the automotive industry

We are working to enhance resources and management support to add capacity to promote diversity and to take on new challenges—the foundation of the aforementioned three main pillars.

Recruitment

To recruit ideal candidates, Toyota has revised its conventional recruitment practices as follows:

1. Recruitment criteria
   - To accelerate the introduction of workstyles based on teamwork and alliances in preparation for the launch of mobility services, recruit more people who are attractive for other employees to work with
   - Introduce external knowledge and promote the reexamination of work processes and workstyles
2. Enhancing mid-career recruitment
   - To introduce external knowledge and promote the reexamination of work processes and workstyles, increase mid-career recruits from 10% to 47% (FY2023 result). We will continue efforts going forward to maintain mid-career recruits (administrative and engineering positions as) at approximately 50%
   - Introduce referrals (introduction by Toyota employees) and other new means of recruitment
3. Hiring new graduates with diverse backgrounds
   - Promote the recruitment of diverse people from universities from which no graduates have previously been hired by Toyota, technical colleges, vocational schools, and high schools
4. Course-specific recruitment of new graduates
   - To accelerate the development of professional human resources, hire students who have a concrete vision of what they want to do at Toyota
   - Determine the course they will be assigned to at the time of recruitment, thereby ensuring the recruitment of diverse human resources suited to the characteristics of specific workplaces, such as with IT-related personnel

Evaluation of and Feedback to Employees

The work roles of Toyota employees and the main focus of their work are to be fulfilled and defined in accordance with policies. Evaluation and feedback are based on close communication between subordinates and superiors.

Specifically, employees' roles and main focus are determined at the beginning of each fiscal year, and employees consult with their supervisors periodically. Through these consultations, supervisors assess the employees' self-evaluations and provide feedback. Repeating this cycle leads to employees' capacity development. In addition, we carry out 360-degree feedback for the purpose of employee growth. By giving employees feedback on their strengths and weaknesses from people working with them, we help them reflect on their own actions and make improvements.

In 2019, our personnel system was revised to better reward hard workers regardless of age or qualifications. Furthermore, in 2020, we introduced a system for centrally managing employee information, including employee evaluations, the results of consultations with their supervisors, and questionnaire results regarding workplace management. This system has made it possible to refer to each employee's previous evaluations, personnel information, and stated intent, thereby enhancing the development and allocation of employees with consistency through job assignment based on a better understanding of employee aptitude and intent. Results for each half year are reflected in bonuses and performance abilities demonstrated over the past year are reflected in salary raises for the following year.

Global Employee Development

We seek to develop human resources who can act in line with the Toyota Philosophy with the aim of transforming into a mobility company while inheriting the precept of the Toyoda Principles.

Global Executive Human Resource Development

The Global 21 Program aims to provide skilled employees around the world with knowledge suitable for global Toyota executives and enable them to exercise their strengths to the fullest in their respective areas of responsibility.

The program comprises the following three pillars.

1. Indication of management philosophy and expectations of executives
   - Disseminating the Toyota Philosophy and incorporating it into global personnel system and training.
2. Human resource management
   - Applying appropriate personnel evaluation standards and processes in each region based on Toyota's common values
3. Assignment deployment and training programs
   - Carrying out global assignments and executive training.
   - Holding regional succession committees to accelerate the identification and training of next-generation leaders.

Shifting Resources to Transform into a Mobility Company

To transform into a mobility company, Toyota must promptly shift resources from existing car manufacturing and sales businesses to new areas,

Human Resource Development

such as CASE and the value chain.

To that end, we are proactively advancing recruitment, reskilling, and redeployment with an eye to enhancing the potential of employees and carefully examining the roles and abilities of each individual in order to ensure the placement of the right person in the right position. By doing so, we aim to enhance the competitiveness of the Company and its organizations.

In addition, Toyota is leveraging its strength in promoting innovation, rallying all employees and management to transform into a mobility company. To enhance the effectiveness of this comprehensive effort, we are striving to enhance communication, including holding labor-management talks throughout the year, and fostering a culture in which diverse human resources actively participate.

Hone fundamental skills, flexibility, and agility to enhance the workforce's potential

Recruitment | **Redeployment** | **Reskilling**

Fostering a culture that promotes the active participation of diverse human resources with the right person in the right position

Toyota believes that a diverse workforce is what drives innovation. One initiative in securing diverse human resources is the push to acquire new software talent for CASE businesses.

To realize a mobility society, we have revised the software development structure of the Toyota Group, establishing a new organization in October 2023 for the integrated promotion of software-related businesses and software development, replacing the existing in-house structure of dispersed functions.

In addition, Toyota will enhance its collaboration with Woven by Toyota to realize the Toyota Mobility Concept through initiatives at Woven City, a mobility test course for software development to accelerate vehicle intelligence and demonstrations of various technologies that connect people, vehicles, and society.

To meet these targets, we are stepping up the hiring of software talent. Specifically, we are expanding the rate of mid-career hiring and aim to increase the proportion of software professionals among all mid-career hires from 22% in FY2019 to 50% in FY2023.

In addition, we are working to create an in-house development environment encompassing the dispatch of personnel to different industries and parts of the supply chain. As of 2021, we had dispatched more than 400 people to Woven Planet and other software development entities. We plan to increase the number of participants in reskilling education to 9,000 by 2025.

Employee Engagement Survey

At Toyota, we aim to ensure that each and every employee thinks and acts to create a work environment where they can work actively and reach their full potential. To this end, employee engagement surveys are conducted and analyzed every year. The results are then used in planning and implementing measures to enable employees to work with vigor.

Results are shared as feedback in each workplace to promote dialogue and improve activities. Through these efforts, we are working to promote changes to workplace culture from both a bottom-up perspective through dialogue and a top-down perspective focusing on company management.

Percentage of Employees Who Feel Satisfied with the Company (%)

	FY2021	FY2022	FY2023
Toyota Motor Corporation, non-consolidated	78.7	78.2*1	77.2*2

		FY2019	FY2022	FY2023
Overseas	Administrative and engineering employees	77.0	70.0*3	67.9*4
	Shop floor employees	70.0	72.1*3	73.5*4

*1 Survey questions revised in FY2022
*2 Administrative, engineering, and *gyomushoku* employees (not including shop floor employees)
*3 Weighted averages of 18 companies
*4 Weighted averages of 20 companies for administrative and engineering employees and 17 companies for shop floor employees

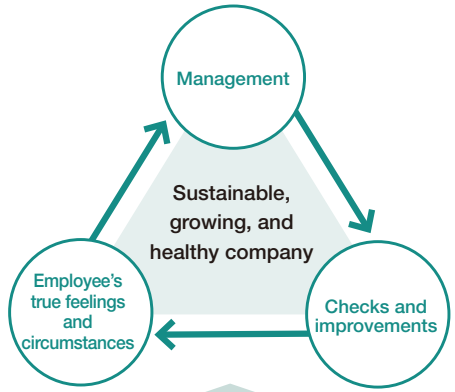
Percentage of Employees Who Feel Personal Growth (%)

	FY2021	FY2022	FY2023
Toyota Motor Corporation, non-consolidated	82.1	85.1	82.3

Promoting Psychological Well-being

Toyota Motor Corporation is working to improve psychological well-being, aiming to have employees take joy and happiness from being a key part of the automotive industry.

Staff with a high level of expertise carry out measures to promote psychological well-being for all employees. Information regarding the true feelings and circumstances of employees obtained through activities conducted by our dedicated staff is anonymized and sent directly to management, which then looks into it and uses it to improve Company policies. Then, employees are surveyed again and further improvements are made. This forms a cyclical system that creates a sustainable, growing, and healthy company.



As part of our fundamental initiatives, we have created an environment in which all employees can freely access and apply for consultation services and a variety of training at any time.

Our well-being improvement training includes mandatory ongoing group psychoeducation for all supervisors and officers with the aim of preventing harassment and promoting well-being. In addition, all employees are offered optional psychoeducation provided by dedicated staff who encourage them to value well-being and bring about changes in awareness and behavior that help both them and others mutually enhance their well-being.

As part of our well-being monitoring efforts, beginning in FY2024, we have been conducting the Well-being Survey for all employees. This survey gathers information about subjective well-being and experiences of happiness as well as satisfaction with Company measures that can serve as key drivers. We perform statistical correlation analysis using the results and select measures that offer significant contribution or promise to more efficiently implement measures that can bring about sustainable growth.

First, take action. Promotion of DCAP

To survive in an era in which the "correct" answer is unknown, it is important to be at the *genba* (front lines) and to keep things moving. Up until now, we've utilized the PCDA cycle to consider what actions we should take, make plans as necessary, and execute them. From now on, however, we must first take action (Do), review the results (Check), make any necessary improvements (Adjust), and finally formulate ways to promote product- and region-centered management in a sustainable and autonomous manner (Plan). We will promote our human resources by having our leaders try this DCAP system for themselves and lead their employees by example.

Labor-Management Discussion

Rather than having union members and Company representatives engage in disputes over wages and bonuses, the goals of Toyota's labor-management negotiations are to help both sides come to a better understanding of the business environment in which Toyota operates to aid in its transformation into a mobility company and for all parties involved to engage in frank and vigorous discussions on the issues at hand.

Herein lies the essence of the 1962 Joint Declaration of Labor and Management, which was signed by members of both labor and management. With phrases like "standing on common ground," the declaration lays out a labor-management relationship in which "the Company wishes for the happiness of its employees and the union wishes for the development of the Company." As a result, the Company considers the hiring of its employees to be of the utmost importance and the labor-management alliance will work together to protect them.

At a total of four labor-management council meetings in spring 2023, President Sato shared his thoughts on "people."

Part 1: The Mission of Toyota Labor and Management

We aim to maintain this labor-management relationship in which "the company wishes for the happiness of its employees and the employees wish for the prosperity of the company." This is our most fundamental pillar. As such, I'd like to engage in frank discussions with members of both the labor union and management as we are all on the same page.
Today, we take a look back at the relationship between both parties over the past 13 years.

For me, the most significant shift in the last 13 years has been the permeation of the "values" that we at Toyota must hold dear.

"Let's make ever-better cars."
"Let's become 'best-in-town' carmakers."
"Let's work for the sake of others."
Values such as these.

Can we link our actions to these core values without wavering from them? That is something I believe we will have to answer in the future.

I believe the basis for practicing these values lies in a labor-management partnership that permits open and sincere communication. We have had talks all year long, and I think that both labor and management have become more knowledgeable about workplace concerns and management issues.

I believe that Toyota's greatest asset is its people. After all, it is people who make cars.

What enables car manufacturing isn't something inorganic like "manpower" or "man-hours," but rather each individual using technology and their talents to independently think and take on new challenges.

This is precisely why we would like to strengthen our investment in people, not only in terms of compensation, but also by getting closer to each and every one of our employees and increasing the fulfillment and satisfaction they get from their work.

The mission of Toyota's labor and management is to develop human resources capable of working energetically and acting in the best interests of others. We also need to connect this ability with increasing the competitiveness of all Toyota companies and the industry as a whole.

Part 2: Diversifying the Way We Work

Diversity, in my opinion, is what gives humanity its vigor, and it will undoubtedly improve medium- and long-term outcomes.

With regard to accommodating a diverse way of doing things, there are, in my opinion, some immediate obstacles that must be addressed. Our discussions have raised important issues regarding how to address practical, on-the-ground difficulties.

It has often been said that we live in an era in which we simply don't know what the "correct" answer is. However, I believe that not knowing what is "correct" is precisely why tackling new challenges is so important. By taking on various challenges through a diverse set of values, we can boost the Company's overall potential. That being said, I do feel that there are still certain factors that prevent us from taking on such challenges in the real world.

We are engaged in discussions regarding our contributions to our 5.5 million colleagues. To that end, what's most important is for us to first muster our own extra strength and work in a manner that takes those 5.5 million people into account. Should we fail to do so, our contributions to them will become nothing more than mere talk.

We will carefully consider just what we can do now to become a Toyota with power to spare, where people are nurtured and everyone plays an active role. Going forward, we hope to continue engaging in open and sincere discussions that lead to action.

Part 3: All Members Leverage Their Individuality

"Producing happiness for all" is only possible when the happiness of each and every Toyota employee and the 5.5 million people in the automotive industry are first achieved.

On top of that, today helped me to once again get the feeling of wanting to share the value of car-making being fun with so many of my colleagues.

While the challenge of creating something new with your colleagues can be quite a daunting task, it can also be extremely enjoyable. There are so many ways to get involved with car manufacturing, and I believe that number will only continue to grow as we work toward becoming a mobility company.

To me, car manufacturing isn't simply designing and developing a car. Rather, car manufacturing comprises every aspect, including the creation of peripheral value and enhancing the car's attractiveness.

By providing additional possibilities, I believed that we should foster an environment wherein each person may look for ways to be active in the car industry, pursuing ways that bring them joy and fulfillment.

Part 4: Becoming a Company Where Anyone Can Take on New Challenges at Any Time, as Many Times as Possible, Without Fear of Mistakes.

As I've said, I believe Toyota's greatest asset is its people. People make cars, and cars will play a central role in our transformation into a mobility company.

I believe the creation of cars and mobility that are unique to Toyota will be achieved only when we effectively harness the power of everyone working in a way that suits them.

Things that cannot be done alone can surely be achieved together with colleagues who work toward the same dream together. That is a power that I believe all of us here at Toyota possess.

Which is precisely why we'd like to empower people for the future.

What's more, the core value from which we must not stray is contributing to the 5.5 million people who work in the automotive industry.

The first item in the Joint Declaration of Labor and Management lays out Toyota's mission to "contribute to the development of the national economy through the prosperity of the automotive industry."

I would like to once again take this starting point to heart.

We aspire to be a firm where 5.5 million of our colleagues proclaim, "I want to work with Toyota." To that end, each and every one of us will put in a lot of effort every day while remaining conscious of our contribution to the industry as a whole.

As failure is a part of any struggle, I believe that the only way to recognize the various challenges we face is through engaging in discussion.

Nevertheless, I believe that together we can overcome anything, so long as we value mutual trust and honest conversations.

For the sake of the 5.5 million people, for the sake of our future, let's move forward together!

Diversity, Equity, and Inclusion (DE&I)

Fundamental Approach

Toyota is working to transform from an automotive company into a mobility company by promoting continuous innovation in existing areas and taking on new frontiers. To this end, we aim to ensure that employees with diverse skills and values can demonstrate their abilities to the fullest.

Toyota does not tolerate any form of discrimination, including that based on gender, age, nationality, race, ethnicity, creed, religion, sexual orientation, gender identity, disability, marital status, or the presence of children. We respect diverse lifestyles and workstyles and provide opportunities for all employees to thrive according to their ambitions and abilities. We also strive to create open, harassment-free workplaces.

Women's Participation in the Workplace

Although we have consistently striven to promote the professional participation and advancement of women globally, we recognize that gender diversity remains an issue, particularly at Toyota Motor Corporation in Japan, and we are implementing initiatives that include the following.

- 2002: Launch of initiatives centered on expanding and establishing measures to support women who are balancing work and childcare
- From 2012: Focusing on initiatives for creating work environments that motivate and inspire women and on supporting their participation (especially the development of female managers)
- From 2021: Unconscious bias training for all internal management and supervisors
- From 2022: Reinforcing diversity training (basic courses and management courses)

Initiatives to Empower Persons with Disabilities

We provide various work opportunities in a variety of workplaces to persons with disabilities by setting up work environments that allow them to fully leverage their individual attributes and abilities based on the concept of a harmonious society in which all persons, with or without disabilities, work and live together.

For example, to help enable such individuals to utilize their abilities, we have set up a consultation hotline that ensures privacy and introduced a special holiday system that can be used by employees to receive medical care. To ensure that people with disabilities are given fair opportunities, we dispatch sign language interpreters, provide a variety of support tools, and make workplace improvements as needed. (Toyota Motor Corporation's rate of employment of people with disabilities, including those serving at a special-purpose subsidiary, is 2.49% as of June 2023.)

Special-purpose Subsidiary Toyota Loops

Toyota Loops Corporation began operation with employees with disabilities in April 2009. As of June 2023, Toyota Loops employed 394 such employees. Toyota Loops primarily handles office support work outsourced from Toyota, such as internal printing, the collection and delivery of internal mail, and document digitalization.

In addition, some Toyota Loops employees participate in the development of assisted mobility vehicles, a form of work and contribution uniquely available to people with disabilities. For example, during vehicle development, wheelchair users have participated in evaluating the ease of getting in and out of vehicles and provided opinions on aspects of the development of automated driving vehicles.

LGBTQ+-related Initiatives

To ensure respect for individuals' sexual orientation and gender identity, Toyota strives to promote the development of a corporate culture of proper understanding, recognition, and acceptance.

At Toyota Motor Corporation, the prohibition on discrimination or harassment targeting LGBTQ+ people has been incorporated into the employee behavioral guidelines, and we no longer require new graduate candidates to fill in their gender on job applications. We have also been advancing facility-related measures, such as establishing an internal consultation hotline and gender-neutral restrooms. Starting from July 2020, we have introduced revised internal systems to allow employees in same-sex or common-law marriages to use the same internal benefit systems (holidays, employee benefits, etc.) as those in marriages legally recognized in Japan.

In terms of corporate culture, we require all employees and officers to receive training covering basic knowledge about LGBTQ+ issues.

Promotion of Female Employee Participation: Our Challenge and Course of Action (Toyota Motor Corporation)

Our Challenge	The ratio of women in managerial positions is low p. 87 Percentage of Women Hired at our Entities in Each Country/Region (FY2023)	
Target	Increase the number of women in managerial positions in 2014 fourfold by 2025 and fivefold by 2030	
Our Course of Action	Hiring	Maintain certain hiring rates for female new graduate candidates (40% or above for administrative positions and 10% or above for engineering positions) and the active hiring of women throughout the year
	System Development	Create a system for reporting on the progress of female talent development in each department and in-house company to the Members of the Board of Directors
	Employee Development	Develop and implement plans for individual employee development and utilize a mentoring system
	Networking	Host a global women's conference and symposiums for managerial class and female promotion candidates

Social Recognition

The PRIDE Index
In November 2023, Toyota Motor Corporation was awarded Gold on the PRIDE Index 2022. The PRIDE Index was established by "work with Pride," a Japanese volunteer organization that supports and develops diversity management initiatives for sexual minorities.

Top 50 Companies for Diversity 2023
In May 2023, Toyota Motor North America ranked 4th in the general division of the Top 50 Companies for Diversity 2023 ranking published by U.S.-based Diversity Inc.

Diversity, Equity, and Inclusion (DE&I)

Promotion of Female Employee Participation: Initiatives at Major Global Operations

Toyota Motor Europe NV/SA (TME) (Belgium)



- Held company-wide events during the week of International Women's Day (video message from top management, workshops, etc.)
- Networking to promote gender diversity
- Working couple support: Telecommuting system, part-time working regimes, support in finding employment for spouses of employees temporary transferred to TME
- Women's career development: Mentorship system, sponsorship system
- Active hiring of promising candidates to career positions
- Unconscious bias awareness training for all managers
- Setting of targets for employment and management positions

Toyota South Africa Motors (Pty) Ltd. (TSAM) (South Africa)

- Leadership workshops for management to ensure acceptance of women and promote their participation and advancement in the workplace
- Setting of employment targets

Toyota Motor (China) Investment Co., Ltd. (TMCI) (China)

- Nursing break of up to one hour each day for lactating female employees

Toyota Motor North America (TMNA) (United States)

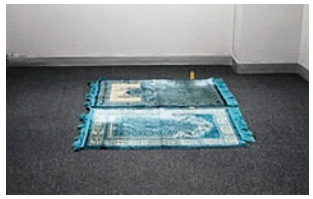


- Annual North American Women's Conference, to which all executive level women and many high-potential women in middle management positions, as well as male directors and executives, are invited to attend in order to network and encourage women's participation and advancement in the workplace
- Unconscious bias awareness training for all managers

- D&I KPIs for executives and managers are scored using a diversity scorecard to encourage initiativess
- Diversity Advisory Board, which is responsible for monitoring and reporting on the progress of diversity, including career development for women
- Childcare facilities at multiple operation sites to allow flexible workstyles for employees with small children
- Events sponsored by the Business Partnering Group, which provides networking and educational opportunities to employees as an organization representing the interests of minority groups

Toyota Daihatsu Engineering & Manufacturing Co., Ltd. (TDEM) (Thailand)

- Nursing rooms



- Female prayer room
- Reserved parking area for pregnant employees

Toyota do Brasil Ltda. (TDB) (Brazil) + Toyota Argentina S.A. (TASA) (Argentina)


- Designation of Women's Day, which promotes open conversation about the challenges women face in balancing their professional and personal lives
- Healthy pregnancy program for pregnant employees: Guidance and advice related to health as well as orientation on breastfeeding and baby care

- Telecommuting system
- Unconscious bias awareness training for all managers
- Setting of employment targets
- Dialogue between human resources division and management to promote internal diversity via employee emplacement
- Mentor system to support female leaders
- Soft-landing Program to support employees returning to work after childbirth
- Support for nursing care costs for employees who return to work early
- Providing all employees with children with essential school supplies

KPIs Related to the Promotion of Women's Participation in the Workplace

We are continuing initiatives that promote women's participation and advancement in the workplace so that the percentage of positions held by women from initial hiring to executive positions, will consistently increase.

Percentage of Women Hired at our Entities in Each Country/Region (FY2023)

	Percentage of women [%]				Average period of employment (years)	
	People hired	Full-time employees	Managerial positions	Director positions	Men	Women
Global*1	25.5	14.2	14.8	5.5	12.0	9.3
Japan	27.8	13.4	3.4	12.5	16.6	13.7
North America	25.0	24.0	34.0	—	11.3	9.9
Europe	36.0	19.0	15.0	0	13.3	8.6
China*2	4.6	11.8	23.7	0	11	15
Asia-Pacific	19.0	7.0	16.0	4.0	12.9	9.9
Latin America	32.0	9.0	9.0	9.0	9.2	5.0
Africa	63.0	26.0	28.0	13.0	—	—

*1 Data for Japan and 44 overseas companies (excluding China)
*2 Data for fiscal 2022

Health and Safety and Social Contribution Activities

Health and Safety

Fundamental Approach

Toyota aims to provide safe workplaces in which all people working for Toyota can stay physically and mentally healthy and continue to play an active role.

Health and safety policies and KPIs are formulated by the Company safety and health supervising manager, and efforts are made at all workplaces in all regions to improve in line with these policies.

Health Initiatives

Based on the principle of putting health first, Toyota's health initiatives are focused on prevention, including the promotion of lifestyle disease prevention, mental health, and improvements to create more fulfilling, employee-friendly work environments. Through health and productivity management, we aim for employees and the Company to grow together, increasing productivity via the active participation of diverse human resources.

Safety Initiatives

Based on a policy of promoting health through mutual awareness-raising and the establishment and enhancement of a safety-focused work culture, Toyota implements activities based on the three pillars of safe people, safe work, and safe places/environments. Toyota promotes safety and health activities rooted in each worksite, aiming to ultimately reach and maintain zero accidents at all worksites.

Three pillars of safety

1. Safe people

Promote the development of human resources who are capable of predicting risks, comply with rules, and think and act proactively

- Leaders who take the initiative to always demonstrate a safety-first attitude are the foundation of people-based efforts. Safety education programs are aimed at developing safety-oriented human resources based on the experiences of our predecessors while reflecting changes in operations, encouraging us to review our daily awareness and behavior.

2. Safe work (risk management)

Reduce and manage high-risk operations toward the achievement of zero serious accidents

- Key to workplace safety are the 4Ss—*seiri* (sorting), *seiton* (straightening), *seiso* (cleaning), and *seiketsu* (hygiene)—and the standardization of operations based on an assessment of safety risks that takes operability into consideration.

Before

After

3. Safe places/environments

Aim to build positive and people-friendly processes, identify issues, and quickly make decisions and take action

- Work environments are managed in accordance with statutory and regulatory environmental measurements
- Equipment-related measures are implemented in order of priority, as work environments are significantly affected by the production equipment used, season, and other such factors.

Work-related Injuries (Frequency of Lost Workday Cases*1)

	2018	2019	2020	2021	FY2023*3 (2022)
Global*2	0.23	0.25	0.24	0.23	0.28 (0.30)
Japan	0.08	0.04	0.10	0.03	0.07 (0.07)
North America	0.93	1.01	0.89	0.93	1.25 (1.43)
Europe	0.35	0.42	0.27	0.13	0.05 (0.05)
China	0.19	0.07	0.11	0.08	0.03 (0.03)
Asia-Pacific	0.02	0.05	0.02	0.07	0.06 (0.05)
Other	0.12	0.23	0.23	0.31	0.40 (0.37)
All industries (Japan)	1.83	1.80	1.95	2.09	— (2.06)
Manufacturing industry (Japan)	1.20	1.20	1.21	1.31	— (1.25)

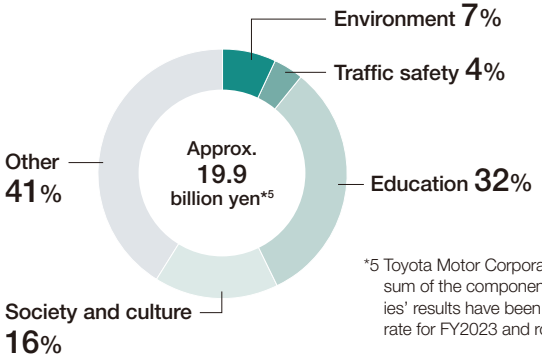
Sources for domestic data: Statistical tables from the Ministry of Health, Labour and Welfare

*1 Frequency of lost workday cases: Number of deaths and injuries per 1,000,000 hours worked, calculated as (Deaths and injuries / Hours worked) × 1,000,000

*2 Toyota Motor Corporation and 53 overseas locations

*3 Results calculated by fiscal year are disclosed from fiscal 2023

Expenditure for Social Contribution Activities (FY2023)



*5 Toyota Motor Corporation and major subsidiaries (61 companies). The sum of the components does not equal 100%, because major subsidiaries' results have been converted to yen based on the average exchange rate for FY2023 and rounded to the nearest whole number.

Social Contribution

Toyota proactively undertakes social contribution activities that support sustainable social prosperity, joining forces with local communities and effectively drawing on its resources to advance initiatives in such areas as human capital development.*4 We approach issues in specific areas with a sense of ownership and take action on a *Genchi Genbutsu* (onsite, hands-on experience) basis. We proactively team up with partners to work toward the solutions of broader range of social issues.

We have identified the areas that we will focus on: "contribution to a harmonious society," "human capital development"*4 and "community cocreation," as well as "Mobility for All," which is Toyota's aim in its main business. In these areas, we work with stakeholders toward our philosophy of "producing happiness for all" and the achievement of the Sustainable Development Goals.

*4 Human capital development: Working to develop the diverse and essential potential possessed by each individual

Example of initiatives

- Social contribution programs (in the areas of harmonious society, human capital development, and community co-creation)
- Promotion of employee volunteer activities (Toyota Volunteer Center)
- Support of activities undertaken by NPOs, NGOs, etc. (donations and sponsorship)
- Activities to promote the understanding of automobile and mobility culture as well as Toyota corporate culture (Toyota Kaikan Museum, Toyota Automobile Museum, etc.)

Social contribution activity website

Respect for Human Rights

Fundamental Approach

Toyota refers to and respects the United Nations Guiding Principles on Business and Human Rights (UNGP) and promotes actions related to human rights based on the UNGP. Seeking the happiness of others is a part of Toyota's founding principles and was a driving force that led to the invention of the automatic loom, which can be considered the beginning of Toyota. This spirit is still within us today. Under the mission of "producing happiness for all," within every country and every region in which we operate, we aim to be the best company in town, one that is both loved and trusted by the people. The automobile industry depends on the support of numerous people, including local communities, business partners (such as suppliers and dealers), and customers. We will continue to protect the human rights of our employees, customers, and all people involved in our business activities and to improve such protections in order to benefit these stakeholders and society.

Human Rights Policy

Human Rights Due Diligence*1

To address human rights-related issues throughout the supply chain, Toyota applies the Toyota Supplier Sustainability Guidelines, which specifically state its expectation that its suppliers respect human rights. Working together with suppliers on risk monitoring, tracking, and mitigation, Toyota provides guidance and support to potentially affected stakeholders.

Furthermore, we work with NGOs and other external stakeholders to both understand societal expectations and assess our prioritized activities from a third-party perspective. By doing so, we hope to increase transparency and ensure that corporate activities are fair and appropriate.

Toyota's Action Taken for Forced Labor of Migrant Workers (Statement on the Modern Slavery Acts)

Based on the United Kingdom's Modern Slavery Act 2015 and similar legislation in other countries,*2 Toyota has issued statements under the title "Toyota's action taken for Forced Labor of Migrant Workers (Statement on the Modern Slavery Acts)," covering its domestic facilities and aimed at promoting efforts at both domestic and overseas production facilities and reporting on their current status.

In this report, we disclose Toyota's commitment to the relevant laws and describe measures we have implemented to prevent any instance of modern slavery, including human trafficking, in either our direct operations or supply chain.

Toyota's action taken for Forced Labor of Migrant Workers (Statement on Modern Slavery Acts)

Addressing Human Rights Issues Related to Foreign Workers: Participating in the Japan Platform for Migrant Workers towards a Responsible and Inclusive Society

In 2020, Toyota took part in the establishment of the Japan Platform for Migrant Workers towards a Responsible and Inclusive Society (JP MIRAI),*3 a multi-stakeholder framework for resolving issues faced by migrant workers in Japan. In May 2023, following a year-long trial period, JP MIRAI officially launched a grievance mechanism for migrant workers with the aim of understanding and resolving issues in a timely manner. This mechanism has the support and cooperation of Toyota.

*1 The process of identifying, preventing, and mitigating negative human rights impacts
*2 Australia's Modern Slavery Act 2018, etc.
*3 JP MIRAI comprises over 600 members, consisting of a variety of stakeholders, such as private companies, local governments, NPOs, academics, and lawyers

Japan Platform for Migrant Workers towards Responsible and Inclusive Society

Education Related to Human Rights

To promote the correct understanding of human rights issues and non-discrimination, as well as to encourage action toward open and honest communication, we implement the following human rights training for executives, employees, and business partners.

Human Rights in General

Training for	Details
Executives (Toyota Motor Corporation)	• Explanation of international human rights guidelines and associated expectations, the responsibilities required of companies, and recent key human rights issues
All employees (Toyota Motor Corporation)	• Education on corporate responsibilities and their scope based on international norms using positive and negative examples, thereby helping protect human rights in daily operations
Top management and HR employees to be transferred to overseas affiliates (including main suppliers)	• Examples of positive labor-management communications, past labor disputes, and labor-management negotiations as well as the latest trends in human rights, international norms, and regulations
Purchasing function employees to be transferred to overseas affiliates (Toyota Motor Corporation)	• Training on building healthy labor-management relationships at local suppliers, including human rights issues, to support ordinary purchasing duties at overseas postings

Anti-harassment

Training for	Details
Employees, including executives, supervisors, management, overseas transferees, and new hires (Toyota Motor Corporation)	• Awareness of harassment prevention in various situations **FY2023 Results** • All senior professionals/senior management and all professionals/management: Approx. 7,500 employees, 2,500 hours • All assistant managers and all those in lower ranks: Approx. 24,000 employees, 6,000 hours • All shop floor employees: Approx. 41,500 employees, 15,000 hours
Supervisors (Toyota Motor Corporation)	• On-line training by psychiatry and psychology specialists **FY2023 Results** • Supervisors: Approx. 12,000 employees

Responsible Material Procurement

Toyota gives maximum consideration to the potentially detrimental impacts of its business activities on human rights and the environment. We strive to identify, prevent, and mitigate risks, and have established a Company-wide internal task force that works closely with related departments to promote initiatives in this area.

Implementation of Countermeasures

Materials	Initiatives
Cobalt Lithium Nickel Natural graphite	• Commenced dialogue with and surveys of major battery manufacturers (from 2023) • Conducted a survey on cobalt in 2020 Toyota has been advancing activities to clarify the supply chain for batteries, in which cobalt is the primary component, using the CRT, provided by the Responsible Minerals Initiative (RMI). We have identified several smelters in our supply chain.
Tin Tantalum Tungsten Gold (3TG/conflict minerals) Conflict Minerals Report	• Since 2013, Toyota has implemented annual supply chain surveys in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas • We request that the suppliers make corrections if there are any errors and/or omissions in their responses in order to improve the effectiveness of our efforts • In cooperation with the RMI, Toyota Motor North America (based in the United States) has been participating in the activities of the Conflict-free Sourcing Working Group and the working group of the Automotive Industry Action Group (AIAG) on conflict minerals originating from the Democratic Republic of the Congo Example: Background surveys of smelters/refiners and prompting smelters/refiners to participate in the Responsible Minerals Assurance Process (RMAP) Conflict Minerals Report
Natural rubber	• Toyota is a member of the Global Platform for Sustainable Natural Rubber (GPSNR), has established a policy for purchasing sustainable natural rubber, and advances efforts in cooperation with suppliers Policy for Sustainable Natural Rubber Procurement

Value Chain Collaboration

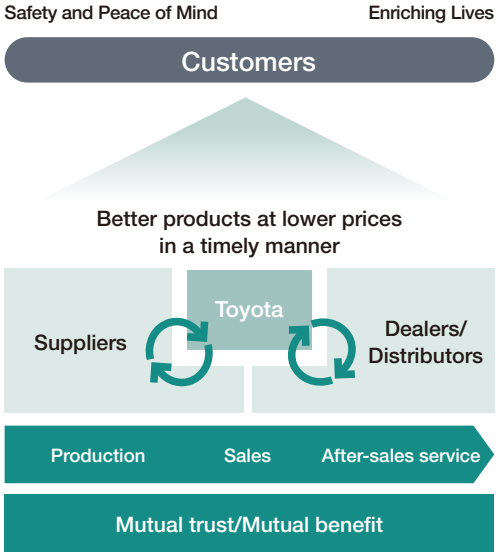
Fundamental Approach

We are promoting activities based on our Customer First policy through collaboration with suppliers and dealers.

Toyota promotes open and fair business practices and steadily implements initiatives to promote sustainability. At the same time, we work closely with suppliers and dealers to improve quality and provide safety and peace of mind to our customers as we strive to achieve a high level of customer satisfaction.

Supply Chains

Since its establishment, Toyota has worked closely with suppliers in its manufacturing operations. As part of these efforts, Toyota has globally implemented its Basic Purchasing Policies in accordance with the spirit of mutual benefit based on mutual trust between suppliers and Toyota. We strive to maintain close relationships with existing and new suppliers as we work together to promote our Customer First policy.



When conducting business transactions, we conclude contracts that clearly stipulate legal compliance, respect for human rights, and considerations for local and global environments. Internally, we work to raise the awareness of all our employees, including buyers, through seminars and training.

Organizational Structure

The Purchasing Group, supervised by the chief officer and deputy chief officer for purchasing, takes the lead in promoting value chain collaboration activities in close cooperation with relevant departments, including those responsible for the environment, human resources, and compliance, as well as the Sustainability Management Department. The direction and challenges of sustainability initiatives are reported to and discussed by the Sustainability Subcommittee. Key issues are then reported to the Sustainability Meeting for consideration, and the Board of Directors supervises and makes final decisions.

Toyota Supplier Sustainability Guidelines

Toyota established the Toyota Supplier Sustainability Guidelines in 2009 to share the importance of sustainability initiatives with suppliers and request that they carry out business activities in line with the Guidelines.

In 2021, sections related to the environment and human rights were revised and expanded to reflect the increasing importance of environmental and human rights issues.

As of March 2023, more than 90 percent of Toyota's domestic suppliers have endorsed the principles of the Guidelines. Furthermore, the Guidelines stipulate that tier 1 suppliers must expand the implementation of the Guidelines to tier 2 suppliers and beyond to ensure that these principles are disseminated and implemented throughout the supply chain.

The Guidelines are also shared globally, as regional purchasing divisions apply them to overseas suppliers.

Toyota Supplier Sustainability Guidelines

Compliance with and Implementation of the Guidelines

Checks Using Self-inspection Sheets

To ensure understanding and implementation of the Guidelines, all domestic Toyota suppliers are requested to periodically check the status of their implementation using a self-inspection sheet.

In October 2020, around 350 tier 1 suppliers, which account for over 90 percent of our purchase volume in Japan, submitted the results of their self-inspections, indicating their status of implementation. Self-inspections based on the latest version of the Guidelines, reflecting the November 2021 revisions, are scheduled for the near future.

Responses When Problems Are Identified

When a problem is identified, we communicate with the supplier concerned and ask them to make improvements. Our stance has always been that the business relationship may be reconsidered if no improvements are made. In addition, to prevent reoccurrences at other suppliers, we send notices explaining the issue to suppliers and ask them to implement thorough preventive measures.

In 2020, for example, we asked suppliers to provide better assistance to foreign technical internship trainees who were unable to return to their home countries during the COVID-19 pandemic.

Tier 1 suppliers are requested to work with tier 2 suppliers in the same way.

Preventing Bribery

In response to the global expansion of its business and societal demands, Toyota has adopted the Anti-bribery Guidelines to ensure the thorough prevention of bribery and corruption. Toyota is strengthening its preventive measures by promoting awareness of the guidelines among its suppliers.

Anti-bribery Guidelines

Toyota's Basic Purchasing Policies

1. Fair Competition Based on an Open-door Policy

Toyota is open and fair to any and all suppliers, regardless of nationality, size, or whether they have done business with us before. We evaluate suppliers by quality, technological capabilities, and reliability in delivering the required quantities on time and by their efforts in addressing social responsibilities, such as environmental issues.

2. Mutual Benefit Based on Mutual Trust

We develop mutual benefit in long-term relationships. To foster trust, we engage in close communication with suppliers.

3. Localization with Good Corporate Citizenship

We actively procure from local suppliers, including parts, materials, tools, equipment and other materials. In this way, we aim to contribute to the local society and be a good corporate citizen.

Value Chain Collaboration

Supplier Hotline

The supplier hotline has been set up to allow suppliers to report any violations of laws, regulations, rules, or the above guidelines while assuring anonymity.

p. 71 "Speak Up" Hotline

Awareness-raising Activities

Toyota is working to educate and raise awareness among all employees, including buyers. We request that suppliers work to promote sustainability through their own, voluntary initiatives while also working closely with them on cooperative sustainability promotion.

Major Initiatives Led by Toyota

Target Audience		Details	
Toyota	All purchasing division staff	Training on sustainability for those newly assigned to purchasing divisions	• Training related to sustainability
		Regular seminars	• Regular seminars related to human rights, the environment, and other sustainability topics
	Employees dispatched overseas from purchasing divisions	Predeparture training	• Labor relations training provided by the human resources division

Suppliers	Suppliers in Japan	Seminars	Recent seminar topics
			• Foreign technical internship trainees (2023)
			  • Conducted a survey on the status of foreign technical internship trainees from March to June 2023. Held a briefing on Toyota's efforts to address societal trends and environmental changes related to human rights in order to spread and deepen awareness of human rights issues throughout the supply chain.
			• Briefing on achieving carbon neutrality (2021 and 2022)
			  • Dissemination of specific emission calculation methods and tools to help achieve CO_2 reduction targets
			  • Presentation of items that reduce CO_2 emissions
			  • Implementation of a matching service to link companies providing emission reduction solutions with suppliers that are having trouble reducing their emissions
			• Requiring suppliers in tier 1 to encourage suppliers in tier 2 and beyond to participate in the initiatives above in order to disseminate this information throughout the supply chain

Voluntary Supplier Activities*1

	Details
Corporate Executive Round-table Conference	• We hold the Corporate Executive Round-table Conference to encourage corporate executives to take the initiative in carrying out sustainability activities. • 2022 results Executives from Toyota attended the conference, taking part in discussions on digital transformation. The participants shared information, identified issues, and planned measures to address said issues.
Kyohokai Environmental Research Group and Eihokai SDGs Study Group	• Suppliers engage in dialogue with each other to mutually enhance awareness, improve understanding, and advance initiatives
Volunteer Activities	• Activities carried out by Toyota's supplier associations Kyohokai and Eihokai

*1 Kyohokai and Eihokai carry out a variety of volunteer activities.

Dealers

Dealers are the front line where Toyota's Customer First policy is directly observed. Toyota and its dealers share the value of its products and services and constantly work as one to enhance customer satisfaction based on a strong relationship of trust through close two-way communication as partners. Toyota follows a "Customer First, Dealer Second, Manufacturer Third" approach. We work alongside dealers to meet customer expectations and raise the level of customer satisfaction. We believe that, through these efforts, we will realize growth for both dealers and Toyota.

Support for the Compliance Activities of TNDAC*2 and Dealers

	Details

TNDAC initiatives	• Dealers promote efforts using various inspection tools and the Legal Compliance Manual*3 in accordance with TNDAC's annual compliance initiative schedule
	  • Details: Overview and checklists related to the following laws, the development of various inspection tools, etc.
	  — Laws related to dealers' duties, including sales talks and responses to customers (Act on the Protection of Personal Information, Act against Unjustifiable Premiums and Misleading Representations, Copyright Act, Consumer Contract Act, Insurance Business Act, Installment Sales Act, Act on Specified Commercial Transactions, Garage Act, civil law, and criminal law)
	  — Laws related to safety and the environment (Road Transport Vehicle Act, End-of-life Vehicle Recycling Law)
	  — Laws related to labor and employment (Labor Standards Law, Industrial Health and Safety Act, Act on Securing, etc., of Equal Opportunity and Treatment between Men and Women, laws and ordinances related to harassment)
	  — Laws related to transactions (Antimonopoly Law, Subcontracting Law)
	• TNDAC Helpline
	  • Repeated notices to dealers and employees to prevent and quickly detect any legal or regulatory violations

Support from Toyota	• Implemented the following initiatives in response to designated vehicle maintenance violations and improper handling of personal information by dealers. (From FY2022 onward)
	  • Compliance seminars for dealer representatives and other personnel
	  • Supporting improvement activities at dealers by disseminating Toyota Production System (TPS) know-how and holding training sessions
	  • Supporting dealers' initiatives through the distribution of a Privacy Governance Guidebook reflecting amendments of the Act on the Protection of Personal Information promulgated in April 2022
	• Disseminating Toyota Motor Corporation's Human Rights Policy to dealers
	  • The policy has a particular focus on appropriate management of foreign technical internship trainees and creating harassment-free workplaces

*2 The Toyota National Dealers' Advisory Council (TNDAC) is an organization comprising Toyota dealers in Japan
*3 A set of tools to support voluntary legal compliance activities by dealers

Support for improving customer satisfaction and employee satisfaction to improve the management of domestic dealers

	Details

Support from Toyota	• Customer satisfaction: Provide dealers with a customer satisfaction survey system and implement support activities according to the status of each dealer's initiatives
	  • Collect and share examples of dealer initiatives that are useful for improving customer satisfaction; create opportunities for information exchange among dealers
	• Employee satisfaction: Provide dealers with workplace environment surveys and recommend their periodic implementation at each dealership
	  • Regularly hold Ever-better Company Building Workshops to promote the application of the results of workplace environment surveys at dealers
	  • Introduce an information website and consultation service (JP-MIRAI) for foreign workers in Japan on a trial basis

Vehicle Safety

Fundamental Approach

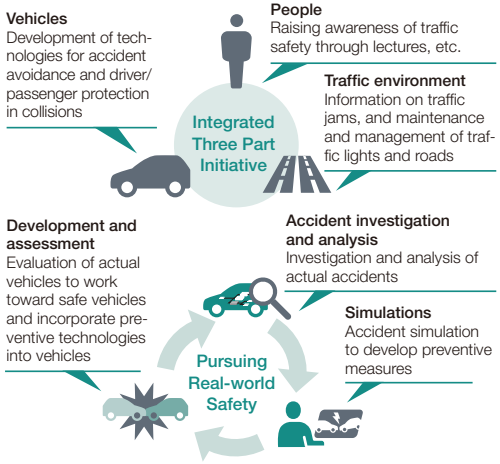
For Toyota to achieve its ultimate goal of eliminating traffic accident causalities, the development of safe vehicles is, of course, important, but it is also essential to educate people, including drivers and pedestrians, and to ensure safe traffic infrastructure, including traffic signals and roads.

To achieve a safe mobility society, Toyota believes it will be important to implement 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 defined its Integrated Safety Management Concept as the basic philosophy behind its technologies for eliminating traffic casualties and is moving forward with development.

Integrated Safety Management Concept

Toyota provides optimized driver support for reasonable safety at every stage of driving, from parking to normal operation, the moment before a collision, during a collision, and post-collision emergency response. We also aim to enhance safety by reinforcing links between vehicle safety systems, rather than thinking about each system as a separate component. These are the approaches behind our Integrated Safety Management Concept.



Active Safety

The Toyota Safety Sense system packages multiple active safety functions that help reduce serious traffic accidents causing death or injury. The major functions Pre-Collision Safety (PCS), which assists in avoiding and mitigating damage from collisions with cars ahead or pedestrians; Lane Departure Alert (LDA), which contributes to preventing accidents caused by leaving the lane of travel; and Automatic High Beam (AHB), which helps ensure optimal forward visibility during nighttime driving.

Since its market launch in 2015, Toyota Safety Sense has been installed in more than 40.5 million vehicles globally (as of July 2023). Toyota Safety Sense is now available on nearly all passenger car models (as standard or option) in the Japanese, U.S., and European markets. It has also been introduced in a total of 144 countries and regions, including such key markets as China, other select Asian countries, the Middle East, and Australia.

Passive Safety

Passive safety combines vehicle bodies that absorb the energy of collisions with devices that provide support to protect drivers, passengers, and pedestrians and thereby minimize collision damage.

In 1995, in the pursuit of world-leading safety, Toyota created its own stringent internal target related to passive safety performance called "Global Outstanding Assessment (GOA)" and developed a collision-safety body structure and passenger protection devices. Since then, Toyota has continued to evolve GOA, striving to improve the real-world safety performance of its vehicles in a wide variety of accidents.

To analyze vehicle-related injuries, Toyota collaborated with Toyota Central R&D Labs., Inc. to develop the Total Human Model for Safety (THUMS), a virtual human body model. THUMS is being used in the research and development of a variety of safety technologies, including seat belts, airbags, and other safety devices, as well as vehicle structures that mitigate injuries in accidents involving pedestrians. Toyota made the THUMS software available on its website free of charge in January 2021 in the hope that as many users as possible will benefit from it.

Emergency Response

Every minute counts in the response to an accident or medical emergency. In the event of an accident or medical emergency, Toyota's HELPNET® emergency reporting system service contacts a dedicated operator that then contacts police, fire, or ambulance services to ensure the rapid dispatch of emergency vehicles. HELPNET® automatically contacts an operator when the airbags deploy and supports D-Call Net®, a service that makes quick deployment decisions for air ambulances. This service is provided by sending vehicle data to the HELPNET center from an on-board data communication module (DCM).

Automated Driving Technologies

Toyota has been engaged in the research and development of automated driving technologies since the 1990s. The Mobility Teammate Concept is an automated driving concept unique to Toyota that seeks to enhance communication between drivers and their cars, enabling them to assist one another in coordinated driving as companions. Rather than cars taking over driving from people and replacing them, drivers and cars act as partners to protect one another so that drivers can enjoy the experience of driving while deferring to automated driving at times, achieving truly safe, secure, and unrestricted mobility.

The Lexus LS and Mirai models launched in April 2021 are equipped with Toyota/Lexus Teammate state-of-the-art driving assist technology, with some grades including Advanced Drive, a system that assists driving on an expressways or other motor-vehicle-only roadways. The Advanced Drive on-board system will appropriately detect the vehicle's surroundings, make decisions, and assist driving under the driver's supervision according to actual traffic conditions. It can keep the vehicle in its lane, maintain the distance from other vehicles, navigate a lane split, change lanes, and overtake other vehicles until leaving the roadway for the destination. The system achieves high levels of safety and peace of mind, reducing driver fatigue and providing a pleasant journey to the driver's destination.

Deep learning-focused AI technologies support driving by predicting and responding to a wide variety of situations that could occur when driving. In addition, Advanced Drive uses software updates, allowing cars to stay up to date with the latest software via either a wireless or wired connection.

Cars have many uses, and needs continue to diversify. Accordingly, Toyota is advancing R&D into automated driving technologies not only for personally owned vehicles (POVs), but also in the field of mobility as a service (MaaS) for people and goods. Toyota is one of the first companies to launch advanced automated driving technology for vehicles sold to corporate customers. Data collected from these vehicles will then be collected, analyzed, and fed back into development to further evolve automated driving technologies.

Raising Traffic Safety Awareness

Toyota carries out awareness-raising initiatives for drivers and pedestrians to help prevent traffic accidents.

One such initiative for drivers is the Toyota Driver Communication safe driving technique seminar held periodically at Toyota Safety Education Center Mobilitas, on the grounds of Fuji Speedway. For pedestrians, in cooperation with Toyota dealers across Japan, Toyota has been donating traffic safety teaching materials to kindergartens and nursery schools nationwide since 1969.

ToyotaTimes 
The Key to Zero is Love—Shared Commitment to Traffic Safety Transcends Company Lines

Tateshina Meeting: Transforming Passion into Action

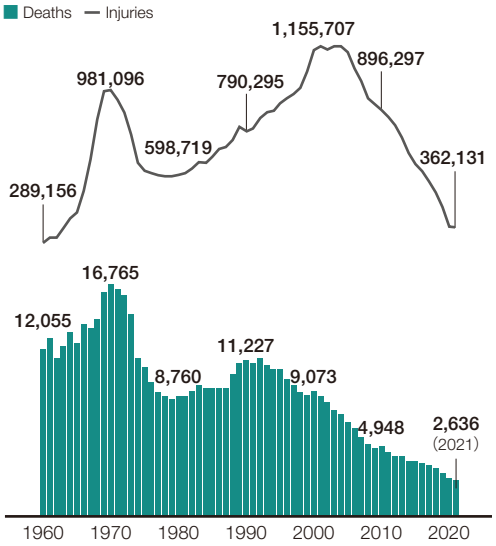
In the verdant foothills of Mt. Tateshina in Chino City, Nagano Prefecture, is nestled Shoko-ji Temple.

Shoko-ji Temple was established by Toyota and Toyota dealers in 1970 as a site to pray for victims of traffic accidents and the elimination of future accidents. Since then, every year, on July 17 and 18, Toyota's top management and representatives from dealers around the country gather at Shoko-ji for a Summer Festival, offering prayers for the safety of all drivers.

2023 marked the 53rd annual festival. Toyota Chairman Akio Toyoda and President Koji Sato, together with other participants, lit candles at the temple, offering prayers for the victims of traffic accidents.

The Tateshina Meeting, held during the Summer Festival, was inaugurated in 2019 in response to then-President Akio Toyoda's insistence that safety technology can only contribute to society if it is widespread, and that this calls for partnerships, rather than just competition. The meeting serves as a forum for discussion and partnership building aimed at eliminating traffic accident fatalities. In 2023, approximately 100 individuals participated, including executives from over 30 companies and organizations from Japan and overseas.

Deaths and Injuries from Traffic Accidents in Japan



A Message to the World: Working toward Zero Casualties

Akio Toyoda,
Chairman

The Mount Tateshina Shoko-ji Temple Summer Festival is held at this time every year.

This temple was constructed some 50 years ago, during a period known as the "Traffic War," when road accident deaths in Japan were at their peak. We wanted to do whatever we could to bring the number of traffic accident casualties down to zero.

At that time, 16,000 people lost their lives in traffic accidents every year in Japan. Although that number has fallen to less than 3,000 today, we are still far from reaching the initial goal of zero traffic accident casualties.

In 2019, a year before the temple's 50th anniversary, Dr. Gill Pratt gave a presentation on safe driving here in Tateshina ahead of the Shoko-ji Summer Festival. On that occasion, Dr. Pratt noted that in 2013, 1.25 million people had perished in traffic accidents across the globe.

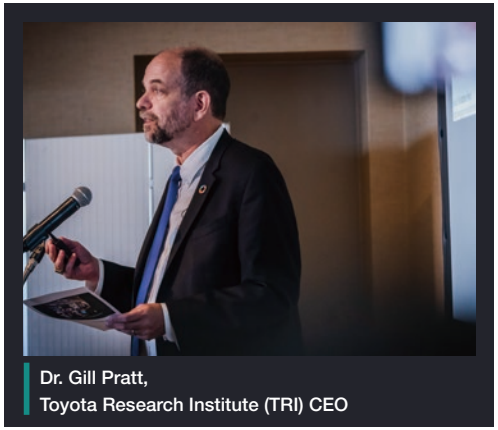
More recently in 2021, the global figure had risen to 1.3 million, of which Japan accounted for 3,000. On behalf of Japan, which has been striving toward nationwide zero traffic accident casualties, I hope that this safety conference, representing the 5.5 million people of Japan's auto industry, will serve as a first step in sharing our message to the world.

With the world focused on tackling environmental challenges, I would like to spend this day putting safety first. Today, let's make safety our top priority.

Diving Deeper in the Keynote Speech

In Japan, advances in vehicle safety have been accompanied by measures targeting people and infrastructure, including traffic safety education and 30 km/h zones. As a result, the number of traffic accident casualties has fallen from 16,765 in 1970, the year of the so-called "First Traffic War," to 2,636 in 2021. However, while traffic accident casualties are decreasing, the decline has slowed and started to plateau in recent years.

The keynote speech looked back on past traffic safety initiatives, such as the development of safety technologies, legislation, and infrastructure. This was followed by presentations on cutting-edge efforts to make cars even more intelligent. The final presentation explored the possibility of combining humans and AI in the future to maximize the capabilities of both, leading to safer driving.



Dr. Gill Pratt,
Toyota Research Institute (TRI) CEO

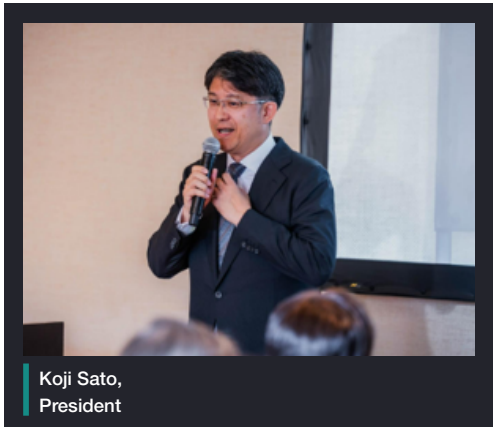
Like all technologies since the advent of fire, generative AI [which has potential for use in future safety technology] holds the potential to yield both positive and negative results. When used positively, technology allows companies to create products imbued with a greater love for their customers.

Customers can tell whether a company loves them or not. If companies make products that show love for customers [by positively leveraging AI], those customers will return the love, both to the product and the company that created it.

As the AI age draws near, nurturing empathy and consideration for others from early childhood gives the Japanese an advantage in creating products imbued with love. This trait of Japanese culture will prove to be the most important source of competitive strength.

Spurring Vast Collaboration to Achieve Traffic Safety

President Koji Sato wrapped up the proceedings, remarking that the key to pursuing the shared goal of zero traffic casualties lies not in each person striving on their own, but rather in spurring vast collaborations through which everyone contributes to traffic safety. He also spoke of his hopes to develop next year's meeting into one in which participants will return and share the results of their actions.



Koji Sato,
President

I now believe that there is actually a very profound significance in the fact that Chairman Toyoda began this meeting with talk of Mount Tateshina in his opening remarks. This meeting will be followed by the Summer Festival, through which we offer up our prayers. The act of praying itself embodies a spirit of altruism, wishing for the happiness of someone other than yourself.

One of today's themes was the word "love."

Dr. Pratt reminded us of the need to think with love. In Japanese, however, the word for "love," *ai*, sounds very much like "I"—when considering traffic safety, our focus must be *ai*, not the self-centered "I," to ensure we are moving in the right direction.

Positioning the Summer Festival and prayer as the jumping-off point of our efforts helps us understand that our goal must be zero, and that we must all do our part to achieve the shared objective of zero traffic accident casualties.

If we approach this from the "I" perspective, we can't help but see things in terms of industry success, or feel that we are already doing our best, and there is nothing more we can do.

Instead, I realized that starting with an offering of prayers unites the Tateshina Meeting and Summer Festival around a single powerful idea: working together toward the shared goal of zero traffic casualties.

In pursuing that zero casualties goal, the key lies not in each of us striving on our own, but rather in spurring vast collaborations through which we all contribute to traffic safety.

Despite our different backgrounds, we all have the same goal as we work toward creating a mobility society. Today made me realize that there are still many problems we can solve through collaboration and highlighted the importance of tackling them together.

This Tateshina Meeting has given me renewed purpose.

When we leave this room, rather than seeing it as a return to our other—original—selves, I hope that we will all pledge to act, so that at next year's meeting we can each share the results of our actions and say, "This is how I felt here last year, at the Tateshina Meeting that began with talk of Mount Tateshina, and this is what it inspired me to do."

Formation of Subcommittees to Collaborate with a Wide Array of Companies and Organizations

On the day of the meeting, subcommittees were also formed to more effectively pursue the traffic safety initiatives raised at the Tateshina Meeting. In light of the keynote speech's discussion of the significance of leveraging the elements of our three-part initiative—people, vehicles, and traffic environment—to attain zero fatalities and injuries in traffic accidents, 35 companies and organizations have decided to enhance cross-organizational cooperation in order to carry out our three-part initiatives in five areas: Data utilization and visualization of dangerous locations; safe driving support for the elderly; new awareness-raising activities for children; bicycles and motorbikes; and overseas.

List of the Tateshina Meeting subcommittees and participating companies

Subcommittee Secretariat: Toyota Mobility Foundation

Data utilization and visualization of dangerous locations subcommittee

New awareness-raising activities for children subcommittee

Bicycles and motorbikes subcommittee

Safe driving support for the elderly subcommittee

Overseas subcommittee

* The lists of companies primarily reflect order of registration with the subcommittee, and changes made to some of the main companies, etc.

Quality and Information Security

Quality

Fundamental Approach

The origins of Toyota's "Customer First" and "Quality First" principles lie in the Five Main Principles of Toyoda, which embody the thinking of Sakichi Toyoda, and the spirit of audit and improvement espoused by Kiichiro Toyoda. Since its foundation, Toyota has built a corporate culture that focuses particular attention on quality that will produce customer smiles and on *Kaizen* (continuous improvement) achieved through *Genchi Genbutsu* (onsite, hands-on experience). Each employee in every area maintains a constant and strong awareness of issues and a sense of ownership, making ongoing efforts to implement *Kaizen* and collaborate closely with personnel in other fields in order to enhance customer safety, peace of mind, and satisfaction.

Toyota sees quality as the combination of product quality, sales and service quality, and, as the foundation supporting these, the quality of the work performed by each employee.

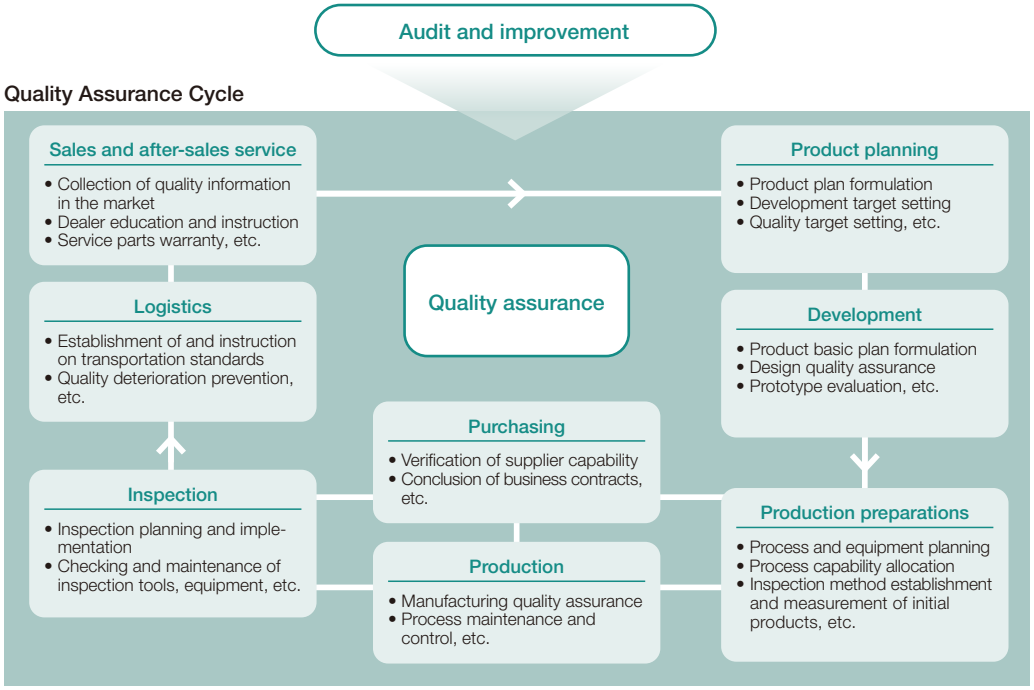
We believe that products and services that gain the confidence of customers can be created only when all employees across every process—from development, purchasing, production, and sales to after-sales service—build quality into their work, coordinate with one another across processes, and implement the quality assurance cycle.

Fostering Awareness and Corporate Culture

To foster a corporate culture in which each member is committed to building in high quality, Toyota works to develop human resources and improve work quality by holding quality awareness promotion events for all employees every year and by providing qualification-specific education in quality assurance. Furthermore, February 24, the anniversary of the day that then-President Akio Toyoda attended the U.S. Congressional hearings held to investigate the series of recall issues that occurred in 2010, has been designated "Toyota Restart Day." We have created mechanisms and are taking measures to raise awareness in order to keep the lessons learned from the series of recall issues fresh.

In 2014, Toyota established its Customer Quality Learning Center as a crucial education facility for conveying the experiences and lessons learned from the series of recall issues to future generations of employees. Recent quality issues are added to update the Center's program every year to maintain focus on lessons we have learned. We have also set up customer quality learning centers unique to individual plants and global sites as part of efforts to ensure employees in each region and at each plant thoroughly understand the importance of quality.

Quality Assurance Cycle



Information Security

Fundamental Approach

Cyberattacks are growing more sophisticated and complex. Their corporate targets include confidential information, information systems, and plant and vehicle control system networks, such as those for onboard devices, as well as supply chains. Toyota strives to protect information assets against the threat and risks of cyberattacks and ensure customer safety and peace of mind. We implement measures to prevent information leakage based on the Information Security Policy.

Information Security Policy

Information Security Initiatives

To prevent leaks of confidential information and protect product information assets from cyberattacks, Toyota implements inspections and audits based on the All Toyota Security Guidelines (ATSG).

The ATSG ensure information security through a multi-faceted approach encompassing organizational management, human resource management, technical security, physical security, and incident/accident response. To adapt to the latest environmental changes, the ATSG are revised periodically.

By annually inspecting the information security initiatives being implemented at consolidated subsidiaries and other Group companies in line with the ATSG, Toyota works to ensure the continuous maintenance and improvement of their information security. A specialized team continuously carries out on-site audits of each company to check responses to the ATSG and the status of implementation of physical security measures at each company.

Furthermore, in terms of automobile-related initiatives, Toyota is a member of the Automotive Information Sharing & Analysis Center (Auto-ISAC) in Japan and the United States, a framework for sharing knowledge related to information security. Toyota actively utilizes this framework to learn promptly about cases that occur within the industry and put them to use in development.

Defending against Information Leaks and External Attacks

To defend against information leaks and external attacks, a specialized team performs information gathering and monitoring functions. When problems arise, a response team, that includes members of management, is formed to resolve the situation appropriately and promptly.

The specialized team conducts training at least once a year based on assumptions of increasingly complex and sophisticated threats and prepares procedure scenarios for rapid recovery to ensure readiness in case of a large-scale issue.

In addition, we receive third-party evaluations based on NIST SP800-82/53, ISO 27001/27002, IEC 62443, and other standards regarding the status of security measures pertaining to management and technical aspects of security systems. We implement measures to address problems identified through these evaluations as needed, working to raise the level of security.

Intellectual Property and Privacy

Intellectual Property

Fundamental Approach

By ambitiously engaging in forward-looking research and development, Toyota strives to enhance product appeal and technological prowess, which have served as the sources of its competitiveness. At the core of its products created through this research and development lies intellectual property, including inventions, know-how, and brands. This intellectual property constitutes an important management resource. By protecting and utilizing our intellectual property in an appropriate manner, we strive to contribute to society.

Intellectual Property Activities

To realize the mobility society of the future, Toyota is carrying out intellectual property activities in line with management priorities. For example, we are focusing resources on such areas as carbon neutrality, including the development of electrified vehicles and batteries, and on software and connected initiatives, including connected and automated driving technologies. We are also reinforcing efforts to obtain and utilize intellectual property licenses in such areas to strengthen our future competitiveness.

Organizational Structure

With intellectual property functions at its R&D centers in Japan, the United States, Europe, and China, Toyota supports technological development globally through the organic and systematic coordination of R&D and intellectual property activities. We work in collaboration with approximately 110 highly capable law firms around the world to collect intellectual property information and appropriately handle any intellectual property disputes that may arise in specific countries or regions.

To enhance the close coordination of management, R&D, and intellectual property, Toyota maintains the Intellectual Property Management Committee. The members of the Committee discuss and make decisions on matters related to obtaining and utilizing important intellectual property conducive to management as well as policy for responding to management risks related to intellectual property.

Intellectual Property Activity Achievements

Toyota files approximately 14,000 patents annually in Japan and abroad and successfully registers approximately 11,000.

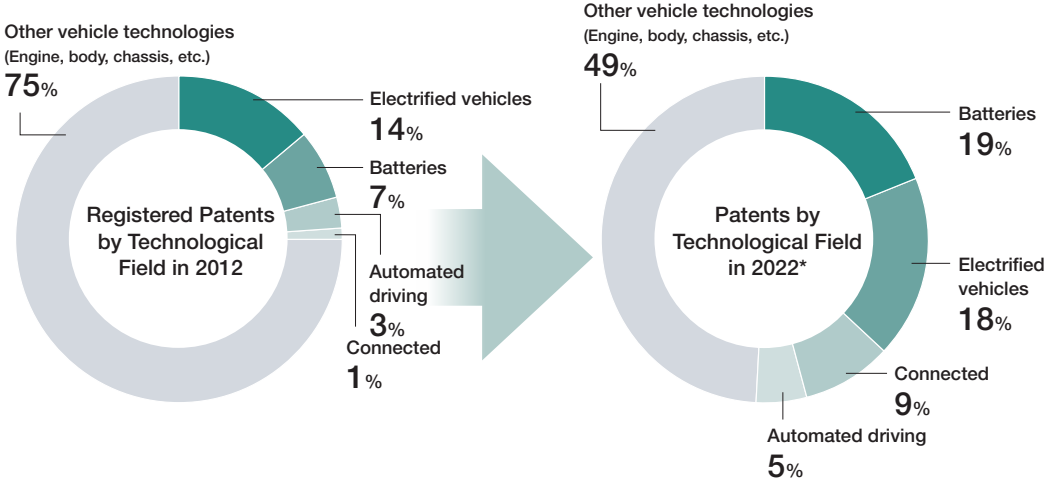
In 2022, Toyota was the holder of the most patents among car manufacturers in Japan and the United States.

Privacy

Based on its "Customer First" policy, Toyota complies with the relevant laws and regulations of the countries and regions in which it operates and respects privacy as a member of international society. By appropriately managing and correctly utilizing information, Toyota strives to make ever-better cars and contribute to enriching the lives of communities.

Specifically, based on the Toyota Code of Conduct and the basic policies for the protection of personal information established in each country and region, we have set up and operate a privacy governance framework centered on the appropriate management and protection of personal information and other data related to privacy. While maintaining compliance with the Act on the Protection of Personal Information and other laws and regulations, Toyota strives to utilize information to solve social issues and provide better products and services.

Toyota Code of Conduct (Personal Information)
Privacy



*Total patents registered or under application in Japan and overseas

Code of Conduct

Customer first	Carefully and sincerely listen to and consider consumer feedback on privacy issues
Quality first	Practice Privacy by Design by taking privacy considerations into account early in the development and operation of products and services
Product and experience	Use consumer personal information responsibly to develop products and services tailored to the consumer with the goal of achieving consumer happiness and satisfaction
Compliance	Ensure that personal information is managed and processed throughout the enterprise in a manner that complies with applicable laws and regulations
Stakeholders	By cooperating and coordinating on privacy issues across all business functions throughout the enterprise, work to create and sustain an appropriate personal information management system

Human resource development
Promote a corporate culture that respects privacy via continuous training and education

Board of Directors and Audit & Supervisory Board Members (As of January 2024)

Akio Toyoda

Male
May 3, 1956

Chairman of the Board of Directors

Position and areas of responsibility

Chairman of the Board of Directors

Brief career summary

Apr. 1984	Joined Toyota Motor Corporation
Jun. 2000	Member of the Board of Directors of Toyota Motor Corporation
Jun. 2001	Chief Officer of the Asia and China Operations Center of Toyota Motor Corporation
Jun. 2002	Managing Director of Toyota Motor Corporation
Jun. 2003	Senior Managing Director of Toyota Motor Corporation
Jan. 2005	Chief Officer of the Asia, Oceania & Middle East Operations Group Chief Officer of the China Operations Group of Toyota Motor Corporation
Jun. 2005	Executive Vice President of Toyota Motor Corporation Representative Director in charge of IT & ITS, etc. of Toyota Motor Corporation
Jun. 2009	President of Toyota Motor Corporation
Apr. 2023	Chairman of Toyota Motor Corporation (to present)

Shigeru Hayakawa

Male
September 15, 1953

Vice Chairman of the Board of Directors

Position and areas of responsibility

Chief Privacy Officer
Chairman of the Executive Appointment Meeting
Chairman of the Executive Compensation Meeting

Brief career summary

Apr. 1977	Joined Toyota Motor Sales Co., Ltd.
Jun. 2007	Managing Officer of Toyota Motor Corporation
Sep. 2007	President of Toyota Motor North America, Inc.
Apr. 2012	Senior Managing Officer of Toyota Motor Corporation
Apr. 2013	Chief Officer of the External Affairs & Public Affairs Group of Toyota Motor Corporation
Jun. 2015	Member of the Board of Directors and Senior Managing Officer of Toyota Motor Corporation
Apr. 2017	Vice Chairman of Toyota Motor Corporation (to present)

Koji Sato

Male
October 19, 1969

President, Member of the Board of Directors

Position and areas of responsibility

Chief Executive Officer

Brief career summary

Apr. 1992	Joined Toyota Motor Corporation
Apr. 2017	Executive General Manager of Toyota Motor Corporation
Jan. 2020	Operating Officer of Toyota Motor Corporation President of Lexus International Co. of Toyota Motor Corporation
Sep. 2020	President of GAZOO Racing Company of Toyota Motor Corporation
Jan. 2021	Operating Officer of Toyota Motor Corporation
Apr. 2023	Operating Officer and President of Toyota Motor Corporation
Jun. 2023	Member of the Board of Directors, Operating Officer and President of Toyota Motor Corporation (to present)

Hiroki Nakajima

Male
April 10, 1962

Member of the Board of Directors

Position and areas of responsibility

Chief Technology Officer

Brief career summary

Apr. 1987	Joined Toyota Motor Corporation
Apr. 2014	Executive General Manager of Toyota Motor Corporation
Apr. 2015	Managing Officer of Toyota Motor Corporation
Jan. 2020	Operating Officer of Toyota Motor Corporation President of Mid-size Vehicle Company (to present)
Feb. 2021	President of CV Company of Toyota Motor Corporation
Apr. 2023	Operating Officer and Executive Vice President of Toyota Motor Corporation
Jun. 2023	Member of the Board of Directors, Operating Officer and Executive Vice President of Toyota Motor Corporation (to present)

Yoichi Miyazaki

Male
October 19, 1963

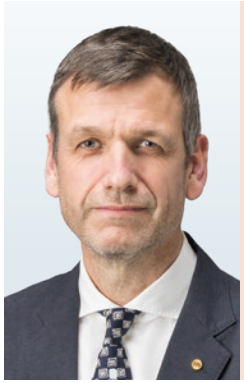
Member of the Board of Directors

Position and areas of responsibility

Chief Financial Officer
Chief Competitive Officer
Member of the Executive Appointment Meeting
Member of the Executive Compensation Meeting

Brief career summary

Apr. 1986	Joined Toyota Motor Corporation
Apr. 2015	Managing Officer of Toyota Motor Corporation
Apr. 2017	Chief Executive Officer, East Asia & Oceania Region of Toyota Motor Corporation
Jan. 2019	Operating Officer of Toyota Motor Corporation
Jun. 2020	Regional CEO of Asia operations of Toyota Motor Corporation
Apr. 2022	Operating Officer of Toyota Motor Corporation President, Business Planning & Operation of Toyota Motor Corporation (to present)
Apr. 2023	Operating Officer, Executive Vice President of Toyota Motor Corporation
Jun. 2023	Member of the Board of Directors, Operating Officer and Executive Vice President of Toyota Motor Corporation (to present)



Simon Humphries

Male
March 30, 1967

Member of the Board of Directors

Position and areas of responsibility

Chief Branding Officer

Brief career summary

Sep. 1988	Joined DCA Design, UK
Nov. 1989	ILI Design Inc., Japan
Sep. 1994	Joined Toyota Motor Corporation
Jul. 2016	President of Toyota Europe Design Development S.A.R.L.
Jan. 2018	Executive General Manager of Toyota Motor Corporation
Apr. 2023	Operating Officer of Toyota Motor Corporation
Jun. 2023	Member of the Board of Directors, Operating Officer of Toyota Motor Corporation (to present)

Board of Directors and Audit & Supervisory Board Members

Ikuro Sugawara

Male
March 6, 1957

Member of the Board of Directors

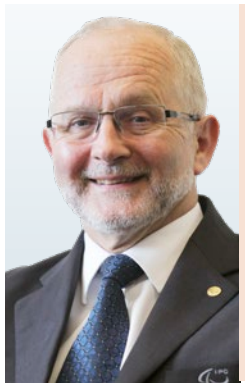
Position and areas of responsibility

Member of the Executive Appointment Meeting
Member of the Executive Compensation Meeting

Outside | Independent

Brief career summary

Apr.	1981	Joined Ministry of International Trade and Industry
Jul.	2010	Director-General of the Industrial Science and Technology Policy and Environment Bureau, Ministry of Economy, Trade and Industry
Sep.	2012	Director-General of the Manufacturing Industries Bureau, Ministry of Economy, Trade and Industry
Jun.	2013	Director-General of the Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry
Jul.	2015	Vice-Minister of Ministry of Economy, Trade and Industry
Jul.	2017	Retired from Ministry of Economy, Trade and Industry
Aug.	2017	Special Advisor to the Cabinet
Jun.	2018	Retired as Special Advisor to the Cabinet Member of the Board of Directors of Toyota Motor Corporation (to present)



Sir Philip Craven

Male
July 4, 1950

Member of the Board of Directors

Position and areas of responsibility

Member of the Executive Appointment Meeting
Member of the Executive Compensation Meeting

Outside | Independent

Brief career summary

Jul.	1989	Founding President of the International Wheelchair Basketball Federation
Dec.	2001	President of the International Paralympic Committee
Jul.	2002	Retired as President of the International Wheelchair Basketball Federation
Sep.	2017	Retired as President of the International Paralympic Committee
Jun.	2018	Member of the Board of Directors of Toyota Motor Corporation (to present)

Masahiko Oshima

Male
September 13, 1960

Member of the Board of Directors

Position and areas of responsibility

Member of the Executive Appointment Meeting
Member of the Executive Compensation Meeting

Outside | Independent

Brief career summary

Apr.	1984	Joined The Mitsui Bank Limited
Apr.	2012	Executive Officer of Sumitomo Mitsui Banking Corporation
Apr.	2014	Managing Executive Officer of Sumitomo Mitsui Banking Corporation
Mar.	2017	Director and Managing Executive Officer of Sumitomo Mitsui Banking Corporation
Apr.	2017	Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation
Apr.	2018	Senior Managing Corporate Executive Officer of Sumitomo Mitsui Financial Group, Inc. Director and Senior Managing Executive Officer of Sumitomo Mitsui Banking Corporation
Apr.	2019	Director and Deputy President of Sumitomo Mitsui Financial Group, Inc. Deputy President and Executive Officer of Sumitomo Mitsui Banking Corporation
Apr.	2023	Deputy Chairman of Sumitomo Mitsui Banking Corporation (to present)
Jun.	2023	Member of the Board of Directors of Toyota Moter Corporation (to present)

Emi Osono

Female
August 8, 1965

Member of the Board of Directors

Position and areas of responsibility

Member of the Executive Appointment Meeting
Member of the Executive Compensation Meeting

Outside | Independent

Brief career summary

Apr.	1988	Joined The Sumitomo Bank, Limited
Apr.	1998	Assistant Professor at Waseda Institute of Asia-Pacific Studies (WIAPS)
Apr.	2000	Assistant Professor at School of International Corporate Strategy, Hitotsubashi University Business School
Oct.	2002	Associate Professor at School of International Corporate Strategy, Hitotsubashi University Business School
Apr.	2010	Professor at School of International Corporate Strategy, Hitotsubashi University Business School
Apr.	2018	Professor at School of Business Administration, Hitotsubashi University Business School
Apr.	2022	Dean and Professor at School of International Corporate Strategy, Hitotsubashi University Business School (to present)
Jun.	2023	Member of the Board of Directors of Toyota Motor Corporation (to present)

Board of Directors and Audit & Supervisory Board Members

Masahide Yasuda

Male
April 1, 1949

Full-time Audit & Supervisory Board Member

Brief career summary

Oct. 1972	Joined Toyota Motor Corporation
Jan. 2000	General Manager, Overseas Parts Division of Toyota Motor Corporation
Jun. 2007	President of Toyota Motor Corporation Australia Ltd.
May 2014	Chairman of Toyota Motor Corporation Australia Ltd.
Jun. 2018	Audit & Supervisory Board Member of Toyota Motor Corporation (to present)

Katsuyuki Ogura

Male
January 25, 1963

Full-time Audit & Supervisory Board Member

Brief career summary

Apr. 1985	Joined Toyota Motor Corporation
Jan. 2012	Seconded to Toyota Motor (China) Investment Co., Ltd. (TMCI)
Jan. 2015	General Manager, Affiliated Companies Finance Dept. of Toyota Motor Corporation
Jan. 2018	General Manager of Audit & Supervisory Board Office of Toyota Motor Corporation
Jun. 2019	Audit & Supervisory Board Member of Toyota Motor Corporation (to present)

Takeshi Shirane

Male
September 5, 1952

Full-time Audit & Supervisory Board Member

Brief career summary

Apr. 1977	Joined Toyota Motor Corporation
Jan. 2001	General Manager of Production Control Division of Toyota Motor Corporation
Jan. 2004	General Manager of Global Procurement Planning Division of Toyota Motor Corporation
Jun. 2005	Managing Officer of Toyota Motor Corporation
Jun. 2009	Senior Managing Director of Toyota Motor Corporation
Jul. 2012	President of Toyota Motor East Japan, Inc.
Oct. 2019	Chairman, Member of the Board of Directors of Toyota Motor East Japan, Inc.
Apr. 2023	Senior Executive Advisor to Toyota Motor East Japan, Inc. (to present)
Jun. 2023	Full-time Corporate Auditor of Toyota Motor Corporation (to present)

George Olcott

Male
May 7, 1955

Audit & Supervisory Board Member

Outside | Independent

Brief career summary

Jul. 1986	Joined S.G. Warburg & Co., Ltd.
Feb. 1999	President of UBS Asset Management (Japan)
Jun. 2000	Managing Director of Equity Capital Market of UBS Warburg Tokyo
Sep. 2001	Doctoral Program, Judge Business School, University of Cambridge
Mar. 2005	FME Teaching Fellow of Judge Business School, University of Cambridge
Mar. 2008	Senior Fellow of Judge Business School, University of Cambridge
Jun. 2022	Audit & Supervisory Board Member of Toyota Motor Corporation (to present)

Ryuji Sakai

Male
August 7, 1957

Audit & Supervisory Board Member

Outside | Independent

Brief career summary

Apr. 1985	Joined Nagashima & Ohno
Sep. 1990	Joined Wilson, Sonsini, Goodrich & Rosati (USA)
Jan. 1995	Partner at Nagashima & Ohno
Jan. 2000	Partner at Nagashima Ohno & Tsunematsu
Dec. 2022	Audit & Supervisory Board Member of Toyota Motor Corporation (to present)
Jan. 2023	Senior Counsel at Nagashima Ohno & Tsunematsu (to present)

Catherine O'Connell

Female
February 10, 1967

Audit & Supervisory Board Member

Outside | Independent

Brief career summary

Jan. 1987	Joined Japan Travel Bureau Inc.
Nov. 1994	Senior Solicitor of Anderson Lloyd Barristers & Solicitors (New Zealand)
Nov. 2002	In-House Counsel of Olympus Corporation
Jan. 2004	Senior In-House Counsel of Matsushita Electric Industrial Co., Ltd. Motor Company, Senior In-House Counsel of Matsushita Electronic Components Co., Ltd.
Jan. 2008	Joined Hogan Lovells Horitsu Jimusho Gaikokuho Kyodo Jigyo
Mar. 2012	Head of Legal of Molex Japan LLC
Jun. 2017	President of O'Connell Consultants
Jan. 2018	CEO of Catherine O'Connell Law (to present)
Jun. 2023	Audit & Supervisory Board Member of Toyota Motor Corporation (to present)

Operating Officers and Organizational Structure (As of January 2024)

Koji Sato
President,
Chief Executive Officer

Hiroki Nakajima
Executive Vice President,
Chief Technology Officer

Yoichi Miyazaki
Executive Vice President,
Chief Financial Officer,
Chief Competitive Officer

Tetsuo Ogawa
Chief Executive Officer,
North America Region

Tatsuro Ueda
Chief Executive Officer,
China Region

Jun Nagata
Chief Communication Officer

Simon Humphries
Chief Branding Officer

Kazuaki Shingo
Chief Production Officer

Audit & Supervisory Board Office / Internal Audit Dept.

Head Office

CEO Office / Digital Transformation Promotion Dept. / Toyota System Supply / BR Next-generation Supply Process Office / Sustainability Management Dept.

- BEV Factory
- Hydrogen Factory
- Frontier Research Center
- TPS Group
- Business Development Group
- External & Public Affairs Group
- General Administration & Human Resources Group
- Information Systems Group
- Accounting Group
- Sales Financial Business Group
- Purchasing Group
- Customer First Promotion Group
- Production Group

Business Units

Regions

- North America Region
- Europe Region
- Japan Sales Business Group
- China Region
- Asia Region
- India, Middle East, East Asia & Oceania Region
- Latin America & Caribbean Region
  - Africa Support Div. / BR Value Chain Business Planning Dept.
  - Business Planning Div. / Sales & Operation Planning Div. / KD Business Planning Div.
  - Mobility Business Planning Div. / Parts Operations Div.

Products

- Advanced R&D and Engineering Company
- Carbon Neutral Engineering Development Center
- Software Development Center
- Vehicle Development Center
- Toyota Compact Car Company
- Mid-size Vehicle Company
- CV Company
- Lexus International Co.
- Powertrain Company
- Production Engineering Development Center
- GAZOO Racing Company
- Emerging-market Compact Car Company

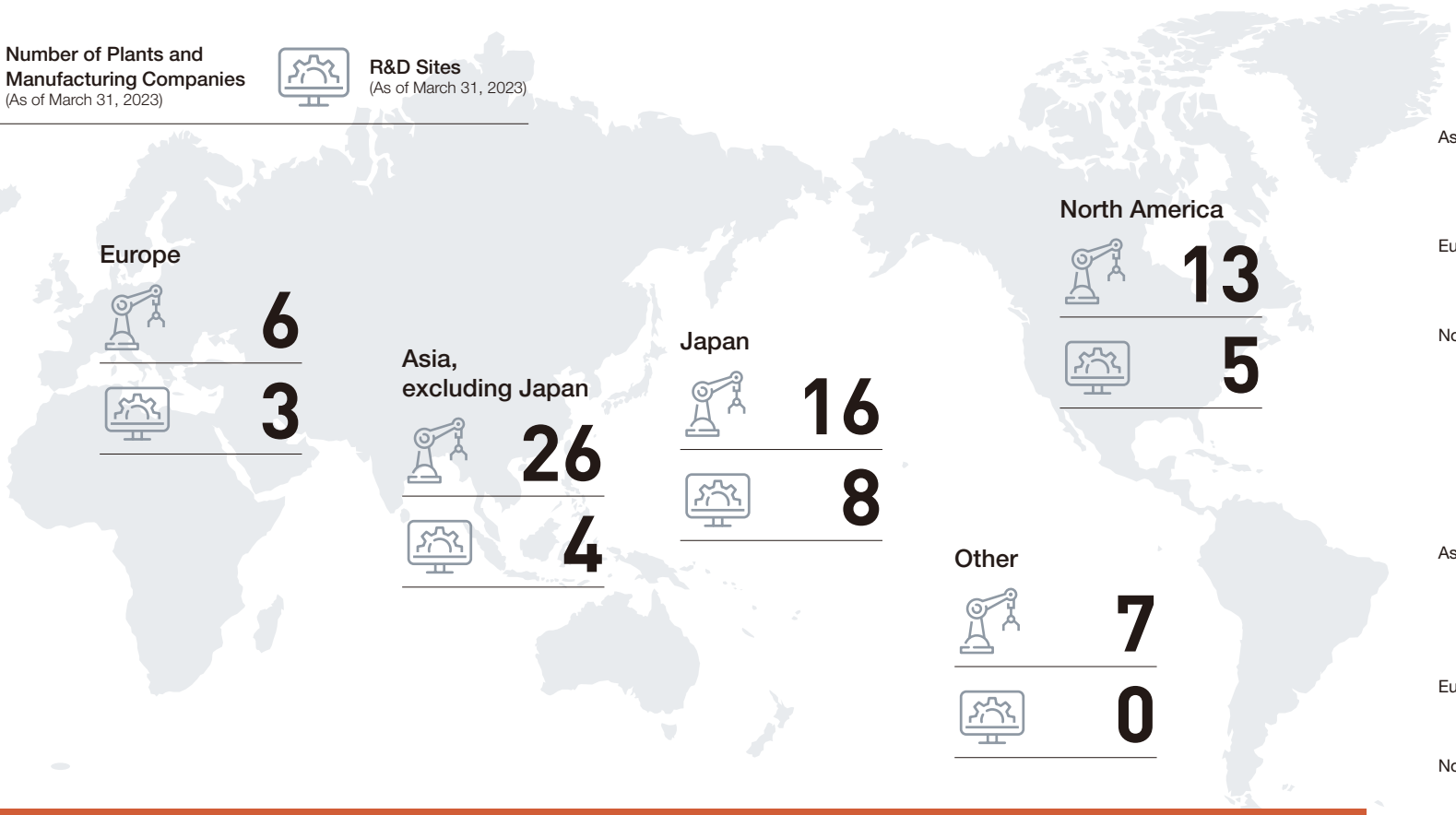
Fellows

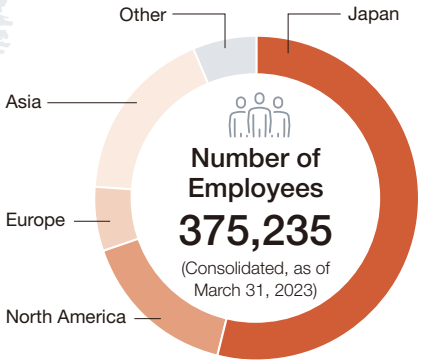
- Takeshi Uchiyamada — Executive Fellow
- Mitsuru Kawai — Executive Fellow (*Oyaji*)
- Koji Kobayashi — Executive Fellow (*Banto*), Chief Risk Officer, Chief Compliance Officer
- Shigeki Terashi — Executive Fellow
- Shigeki Tomoyama — Executive Fellow
- Gill A. Pratt — Chief Scientist and Executive Fellow for Research
- Keiji Yamamoto — Senior Fellow, Chief Information & Security Officer
- Yumi Otsuka — Senior Fellow, Chief Sustainability Officer
- James Kuffner — Senior Fellow

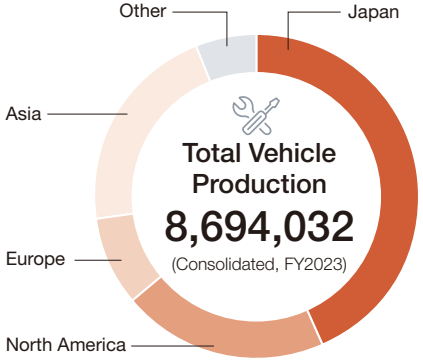
Global Perspective/Data by Region

Number of Plants and Manufacturing Companies (As of March 31, 2023)

R&D Sites (As of March 31, 2023)







FY2023 Financial Highlights (Consolidated)

The second of each pair of figures is the year-on-year change.

Total Vehicle Sales
8,822 thousand
+591 thousand

Sales Revenues
¥37,154.2 billion
+¥5,774.7 billion

Operating Income
¥2,725.0 billion
-¥270.6 billion

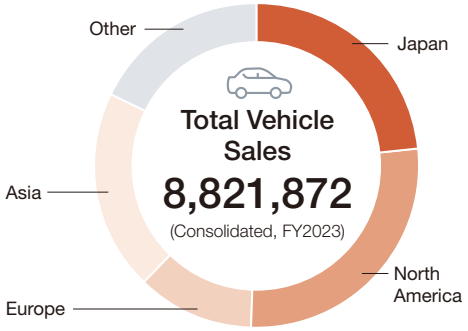
Net Income Attributable to Toyota Motor Corporation
¥2,451.3 billion
+¥398.7 billion

Total Liquid Assets
¥11,313.7 billion
+¥796.4 billion

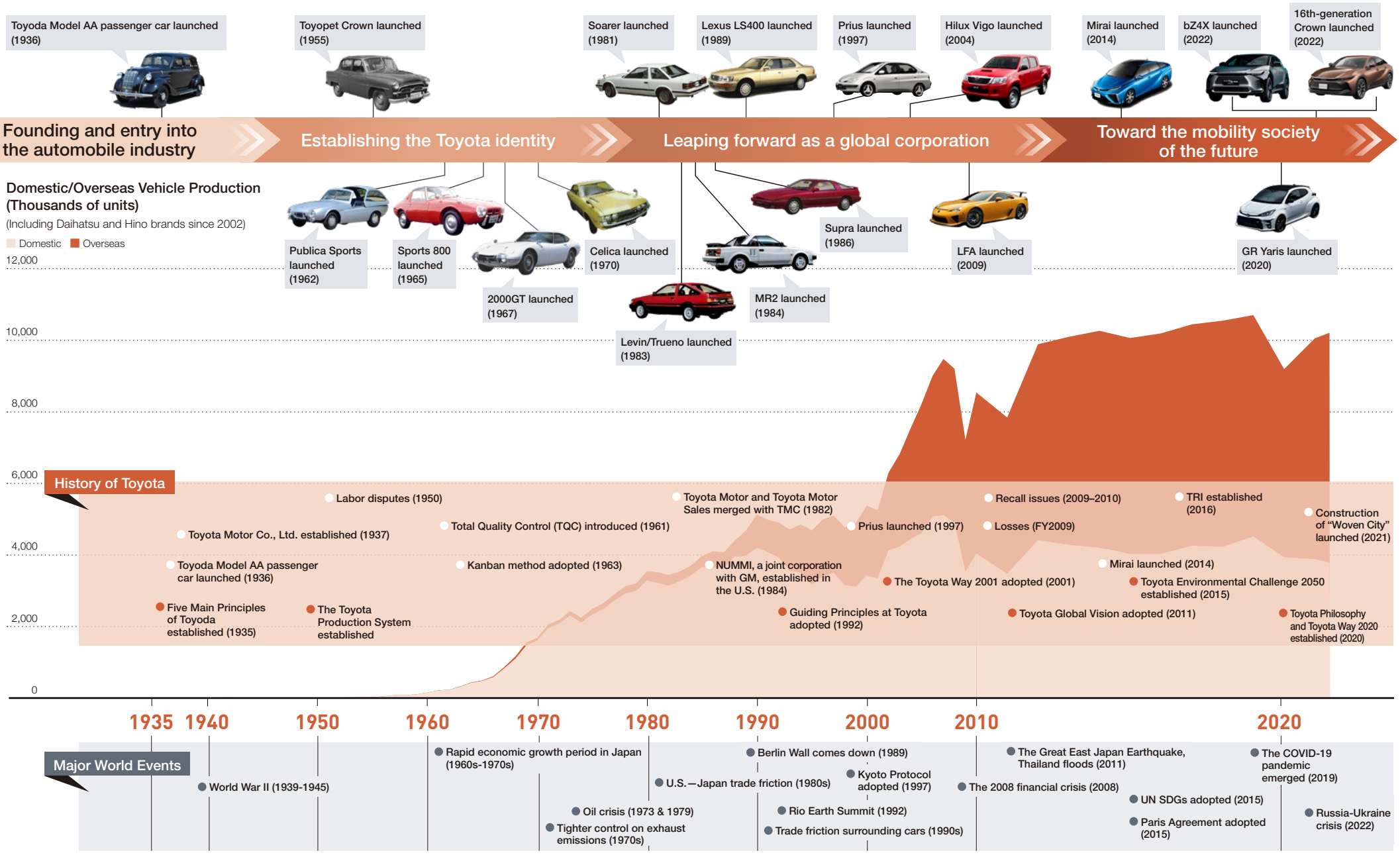
Total Shareholder Return (Max)
¥1,116.9 billion
-¥36.9 billion

R&D Expenses
¥1,241.6 billion
+¥117.4 billion

Capital Expenditures
¥1,605.8 billion
+¥262.8 billion



History



75 Years of Toyota

Financial Summary (Consolidated)

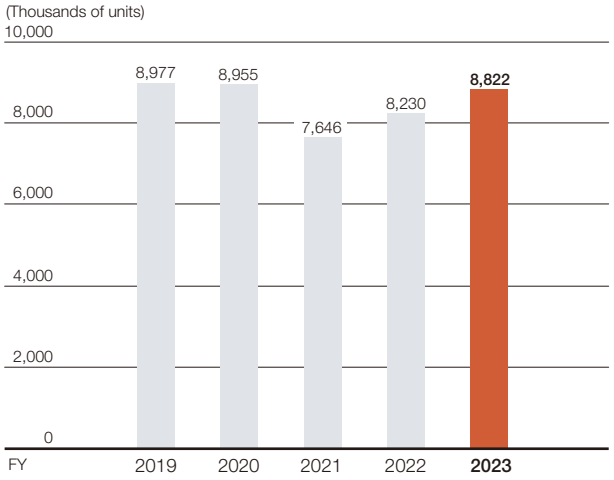
Fiscal years ended March 31			U.S. GAAP							IFRS			
U.S. GAAP	IFRS		2014	2015	2016	2017	2018	2019	2020	2020	2021	2022	2023
Consolidated Vehicle Sales		(thousands of units)	9,116	8,972	8,681	8,971	8,964	8,977	8,958	8,955	7,646	8,230	**8,822**
Foreign Exchange Rates (Average)	Yen to U.S. Dollar Rate		100	110	120	108	111	111	109	109	106	112	**135**
	Yen to Euro Rate		134	139	133	119	130	128	121	121	124	131	**141**
Net Revenues	Sales Revenues	(billions of yen)	25,691.9	27,234.5	28,403.1	27,597.1	29,379.5	30,225.6	29,929.9	29,866.5	27,214.5	31,379.5	**37,154.2**
Operating Income	Operating Income	(billions of yen)	2,292.1	2,750.5	2,853.9	1,994.3	2,399.8	2,467.5	2,442.8	2,399.2	2,197.7	2,995.6	**2,725.0**
Income before Income Taxes	Income before Income Taxes	(billions of yen)	2,441.0	2,892.8	2,983.3	2,193.8	2,620.4	2,285.4	2,554.6	2,792.9	2,932.3	3,990.5	**3,668.7**
Net Income*1	Net Income Attributable to Toyota Motor Corporation	(billions of yen)	1,823.1	2,173.3	2,312.6	1,831.1	2,493.9	1,882.8	2,076.1	2,036.1	2,245.2	2,850.1	**2,451.3**
Common Shares	Cash Dividends	(billions of yen)	522.9	631.3	645.5	627.5	642.6	626.8	610.8	610.8	671.0	718.2	**816.9**
	Cash Dividends per Share*2	(yen)	33	40	42	42	44	44	44	44	48	52	**60**
	Payout Ratio	(%)	28.7	29.0	28.3	34.6	26.1	33.8	29.9	30.2	29.8	25.3	**33.4**
Value of Shares Repurchased [shareholder return] *3		(billions of yen)	180.0	293.3	639.3	449.9	549.9	549.9	199.9	199.9	249.9	435.6	**299.9**
R&D Expenses		(billions of yen)	910.5	1,004.5	1,055.6	1,037.5	1,064.2	1,048.8	1,110.3	1,110.3	1,090.4	1,124.2	**1,241.6**
Depreciation Expenses*4		(billions of yen)	775.9	806.2	885.1	893.2	964.4	984.8	812.8	803.3*6	876.9	1,007.2	**1,185.0**
Capital Expenditures*4		(billions of yen)	1,000.7	1,177.4	1,292.5	1,211.8	1,302.7	1,465.8	1,393.0	1,372.3	1,293.2	1,343.0	**1,605.8**
Total Liquid Assets*5		(billions of yen)	7,661.9	8,508.2	9,229.9	9,199.5	9,372.1	9,454.4	8,685.1	8,602.6	11,579.4	10,517.3	**11,313.7**
Total Assets		(billions of yen)	41,437.4	47,729.8	47,427.5	48,750.1	50,308.2	51,936.9	52,680.4	53,972.3	62,267.1	67,688.7	**74,303.1**
Toyota Motor Corporation Shareholders' Equity	Toyota Motor Corporation Shareholders' Equity	(billions of yen)	14,469.1	16,788.1	16,746.9	17,514.8	18,735.9	19,348.1	20,060.6	20,618.8	23,404.5	26,245.9	**28,338.7**
Return on Equity	Return on Equity (ROE)	(%)	13.7	13.9	13.8	10.6	13.7	9.8	10.4	10.0	10.2	11.5	**9.0**
Return on Assets	Return on Assets (ROA)	(%)	4.7	4.9	4.9	3.8	5.0	3.7	4.0	3.8	3.9	4.4	**3.5**

*1 Shows "Net income attributable to Toyota Motor Corporation"
*2 The above figures show dividends per common share on a post-stock split basis (values for after the five-for-one stock split of shares of our common stock conducted on October 1, 2021).
*3 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 the dilution of shares)
*4 Figures for depreciation expenses and capital expenditures do not include vehicles under operating leases and right of use assets
*5 Represents cash and cash equivalents, time deposits, and investments in public and corporate bonds and trust funds, excluding those deriving from the financial services business
*6 Depreciation methods were revised at the beginning of the fiscal year ended March 31, 2020

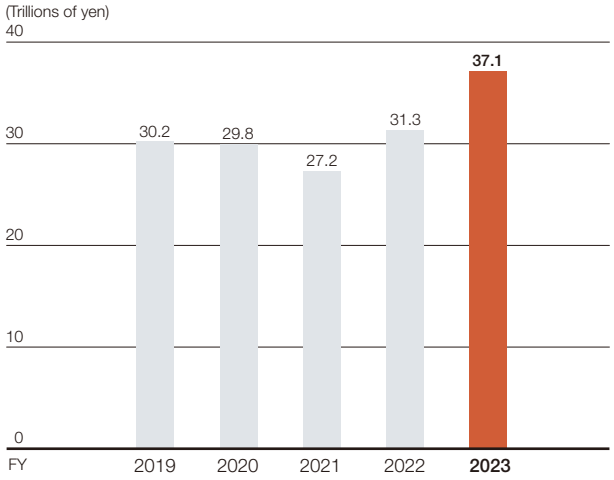
SEC Filing

2019 (U.S. GAAP) /2020-2023 (IFRS)

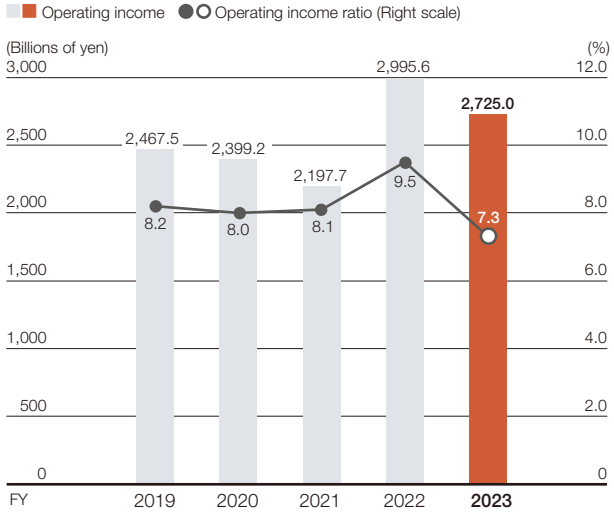
Consolidated Vehicle Sales



Sales Revenues

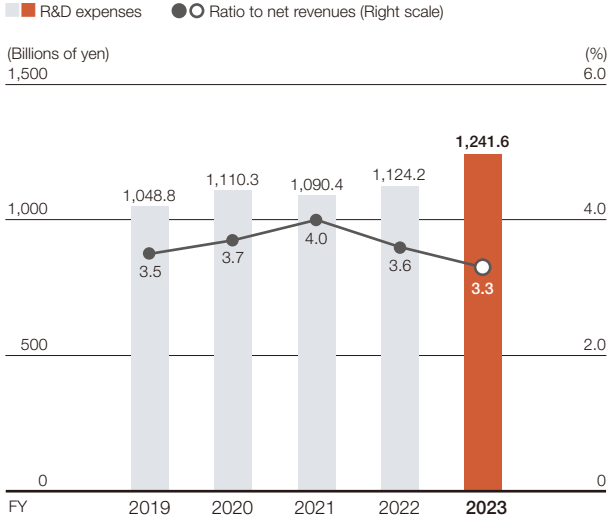


Operating Income



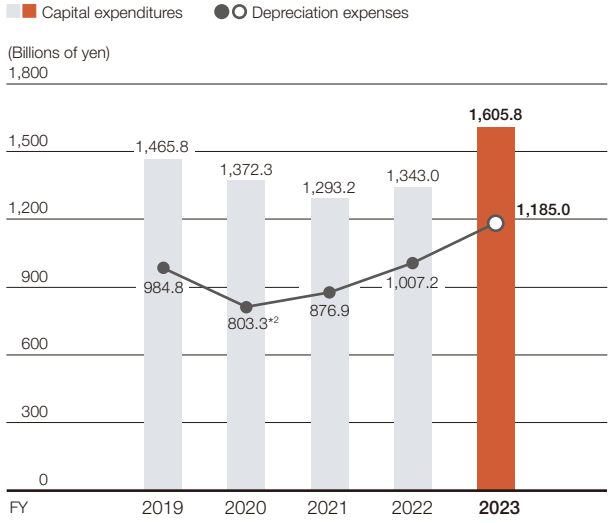
Net Income Attributable to Toyota Motor Corporation

R&D Expenses*1



*1 Expenses incurred in connection with R&D activities during the reporting period

Capital Expenditures



*2 Depreciation methods were revised at the beginning of the fiscal year ended March 31, 2020

Corporate Information and Stock Information (As of March 31, 2023)

Corporate Data

Company Name	Toyota Motor Corporation
Established	August 28, 1937
Common Stock	¥635,402 million
Fiscal Year-End	March 31
Accounting Auditor	PricewaterhouseCoopers Aarata LLC
Number of Affiliates	**Consolidated subsidiaries:** 569 **Affiliates accounted for by the equity method:** 168
Number of Employees	375,235 (Parent company: 70,056)
Corporate Website	**Corporate information:** https://global.toyota/en/ **IR information:** https://global.toyota/en/ir/ **Toyota Times:** https://toyotatimes.jp/en/

Stock Data

Number of Shares Authorized	50,000,000,000 shares
Number of Shares Issued	Common shares: 16,314,987,460 shares
Number of Shareholders	989,548
Stock Listings	**Japan:** Tokyo, Nagoya **Overseas:** New York, London
Securities Code Japan:	7203
American Depositary Receipts (ADRs)	**Ratio:** 1 ADR=10 common shares **Symbol:** TM
Transfer Agent in Japan	Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikko-cho, Fuchu City, Tokyo 183-0044, Japan Japan toll-free: (0120) 232-711
Depository and Transfer Agent for ADRs	The Bank of New York Mellon 240 Greenwich Street, New York, NY 10286, U.S.A.

Contact Points

City Head Office: 1, Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan
Tel: (0565) 28-2121

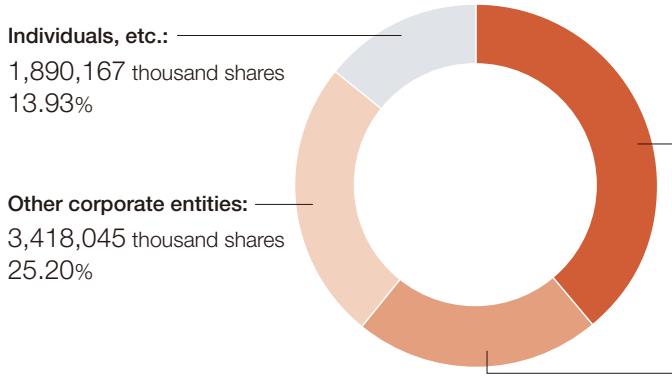
Tokyo Head Office: 1-4-18, Koraku, Bunkyo-ku, Tokyo 112-8701, Japan
Tel: (03) 3817-7111

Major Shareholders (Top 10)

Name	Common shares (1,000 shares)	Percentage of Shareholding (%)
The Master Trust Bank of Japan, Ltd.	1,905,736	14.05
Toyota Industries Corporation	1,192,331	8.79
Custody Bank of Japan, Ltd.	908,259	6.70
Nippon Life Insurance Company	633,489	4.67
JP Morgan Chase Bank, N.A. (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	535,113	3.94
DENSO Corporation	449,576	3.31
State Street Bank and Trust Company (Standing Proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	335,369	2.47
The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders (Standing Proxy: Sumitomo Mitsui Banking Corporation)	292,036	2.15
Mitsui Sumitomo Insurance Company, Limited	284,072	2.09
Tokio Marine & Nichido Fire Insurance Co., Ltd.	255,324	1.88

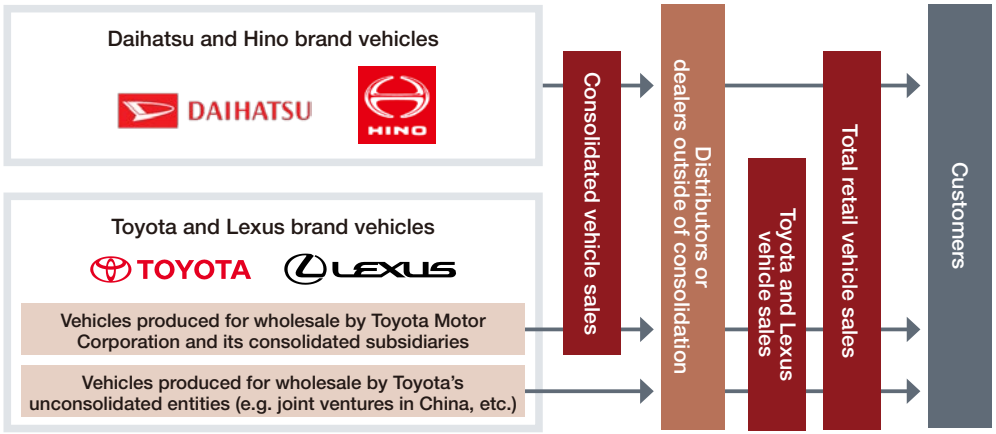
(Note) Percentage of shareholding is calculated after deducting treasury stock (2,749,808 thousand shares) from the total number of shares issued.

Ownership Breakdown



(Note) The above percentages indicate the ratios of shareholdings to the total number of shares issued after deducting treasury stock (2,749,808 thousand shares)

Definitions of Consolidated and Retail Vehicle Sales



* There are a limited number of exceptional cases in which sales are made other than in accordance with the flowchart above.

Cautionary Statement with Respect to Forward-looking Statements, and Other Information

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:

(i) 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

(ii) 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 Canadian dollar, and the British pound), stock prices and interest rate fluctuations

(iii) Changes in the funding environment in financial markets and increased competition in the financial services industry

(iv) Toyota's ability to market and distribute effectively

(v) Toyota's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management

(vi) 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

(vii) Political and economic instability in the markets in which Toyota operates

(viii) Toyota's ability to develop and achieve market acceptance of new products that meet customer demand in a timely manner

(ix) Any damage to Toyota's brand image

(x) Toyota's reliance on various suppliers for the provision of supplies

(xi) Increases in prices of raw materials

(xii) Toyota's reliance on various digital and information technologies, as well as information security

(xiii) 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

(xiv) The impact of natural calamities, epidemics, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism, and labor strikes, including their negative effect on Toyota's vehicle production and sales

(xv) The impact of climate change and the transition towards a low-carbon economy

(xvi) The ability of Toyota to hire or retain sufficient human resources

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.

SEC Filing

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