

Annual Report 2017



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The *Annual Report 2017* is intended to communicate to stakeholders the ways that Toyota is contributing to the sustainable development of society and the earth based on its long-term strategies. More detailed ESG information is published in the *Sustainably Data Book 2017*.

(Published November 2017)

## Toyota's Reports and Publications



\* Toyota also publishes information on business and sustainability initiatives not included in the above reports and publications via its official website.

Investors <http://www.toyota-global.com/investors/>

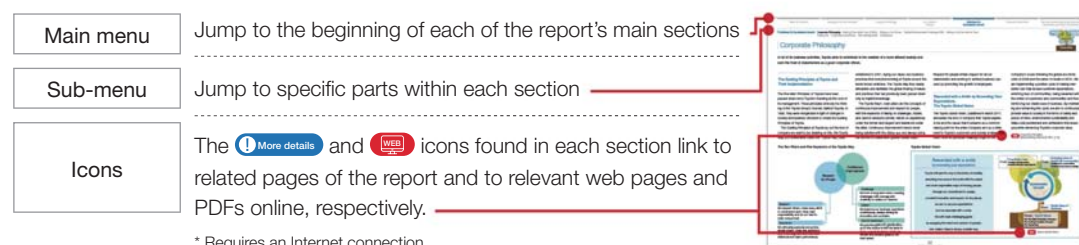
Sustainability <http://www.toyota-global.com/sustainability/>

**Period Covered:** Fiscal 2017 (April 2016 to March 2017) Some of the initiatives in fiscal 2018 are also included

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

## About the PDF

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



\* Requires an Internet connection.

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## Message from the President

# Sharing Our Passion to Create the Future



## Making Ever-better Cars and Human Resource Development: The Forces That Power Sustainable Growth

The net losses recorded after the global financial crisis and the series of recall issues that began in the United States taught us an important lesson. We at Toyota learned the hard way that even rapid growth, if not built on a solid foundation, can ultimately fail to serve the interests of stakeholders when it leads to rapid downturn.

To do right by our customers, investors, and other stakeholders, I believe that we must build Toyota into a company that can sustainably grow in any environment. We must manage it so that, like a tree, the Company will grow larger and stronger over time, adding new growth rings year by year so that it can bear abundant fruit in the future.

At the financial results press conference in May this year, I said that I want the current fiscal year to be one in which we take a critical look at our true selves and do everything we can to improve our competitiveness. By competitiveness, I do not refer only to quantifiable things, like costs and productivity. It is crucial that we improve the intangibles that make us competitive, by, for example, developing human resources who are passionate about making ever-better cars and making the world a better place and who work to make constant improvements based on *Genchi Genbutsu* (onsite, hands-on experience).

The Five Continents Drive Project is one initiative aimed at human resource development. Project participants drove across Australia in 2014, then the Americas, divided into North America in 2015 and Latin America in 2016. In 2017, they are driving across

Europe. Beginning with 80 participants in Australia, a total of approximately 500 people (including the European leg this year) have now participated over the project's four years.

Below are a few remarks from participants.

"On long-distance drives in real-world use environments, noise levels on cars that had cleared internal standards on test courses sometimes began to grate. It really brought home that some things don't come across through data alone."

"In North America, we met people who live in places where having a breakdown can be a life-or-death situation. For them, a car that won't break or fail is an absolute necessity. I want to always remember that for customers, cars function as partners that they trust with their lives and livelihoods."

"The experience made me painfully aware of the limits of my knowledge about cars. Working in an administrative division, I can't engage with a car the way an engineer can, but the things I learned about what people think when driving were very valuable. These two weeks changed my professional life."

There are a few things I always tell participants after they come back. "You've driven the actual roads. You've had conversations. You've experienced the road, the cars, and the people who use them with your own senses. You've talked about these things and more with your companions there using whatever knowledge of the local language you had. That's the kind of situation where the true essence of things emerges. Sometimes, the essence gets across best when you have limited words to express it. So, don't rely solely on

# Message from the President

data. I want you to take what you felt with your own senses, take the true essence of things, and use it to make ever-better cars. We need you to help break down walls that Toyota itself has built.”

We’ve started a virtuous cycle. Participants are driving the same roads as our customers, engaging with the cars and with the road.

## Taking on the Future

In the near future, cars are expected to connect with people and communities and take on new roles as part of the social infrastructure. New areas, such as AI, automated driving, robotics, and connected cars, are becoming especially important, and it is no longer enough to focus just on developing excellent cars and technologies or to carry on sales and service in the same old ways.

To take on a new breed of initiatives, we therefore felt it crucial to form a new team, rather than use previous frameworks. Accordingly, in January 2016, we established Toyota Research Institute, Inc. (TRI), welcoming Dr. Gill Pratt as its CEO.

I first met Dr. Pratt in August 2015.

I asked him, “Why do you want to work with Toyota?”

His response was very simple.

“I want to eliminate the everyday tragedy of traffic accidents and contribute to making society better.”

At the press conference announcing TRI’s establishment, he added to this, saying “I think Toyota will contribute to society by transforming from a successful hardware company to a new company by integrating software technologies; this is why I joined Toyota.”

Then, they are coming back to work, telling their junior colleagues about their experiences, and applying those experiences in their own work. The road teaches the people, and the people make the cars. I hope that more and more of our colleagues will come to understand this process at a visceral level.

What made me think that we ought to work with Dr. Pratt, made me want to work with him, was not just that he is an amazing researcher and engineer, but because I believe that his goals and motivations are the same as ours.

As we aim for the mobility society of the future, we are headed into unknown territory, seeking to ascend as-yet unconquered peaks. To climb these uncharted mountains, new technologies and the Sherpas who know the paths will be indispensable. Dr. Pratt agreed to be our Sherpa. This is what I told him: “Your companions at Toyota are right behind you, sharing your goals and start-up mindset. And, I’m right there at the front of them. So don’t worry, and take the path you believe in.”

No one knows when we’ll reach the summit we’re seeking, or even if we’re on the right path. What I do know is that only those who reach the summit can see the opportunities that lie beyond.

In addition to TRI, we are actively collaborating and allying with other companies and partners in other industries, chiefly in new business areas. By humbly learning from these new partners and combining our strengths, we are endeavoring to make the mobility society of the future better, looking 10 and 20 years down the line.



# Message from the President

## Leading the Way Forward with Passion and a Start-up Mindset

This year marks Toyota's 80th anniversary. Toyota's earliest roots are in automatic looms. Back then, I doubt that anyone could have predicted that an automatic loom company would evolve to make automobiles.

Today, we are faced with a number of new rivals. We share with them the start-up mindset of wanting to make the world a better place. Just as no one could have foreseen Toyota's evolution, no one knows what businesses will give rise to the mobility of the future. What I can say for certain, however, is that the next forms that mobility takes will be created by those with an outstanding passion to make the world a better place.

We want to make ever-better cars.

We want to make sure that cars remain a beloved form of mobility, no matter how they evolve.

We want to make our mobility society better and better.

I am confident that no one wants these things more than we at Toyota. I also believe that we cannot build the future by ourselves. Having operated this long in the auto industry, working with vast networks of companies, we deeply understand the need for partners who share our aspirations. Rather than taking an adversarial stance, we want to form ties with a wide range of new partners to work with shared passion to create the future.

I want Toyota to be not just an automotive company, but a *human movement company*. "Move" refers not just to transportation, but also to inspiring deep emotion or excitement. We intend to take on

all areas of human transportation, working always from a desire to make transportation itself an exciting, moving experience.

Lastly, I'd like to conclude with a few things that I believe.

I believe growth must be sustainable.

I believe if you do the right thing, the money will follow.

I believe we have to earn our customers' smiles every day and exceed their expectations.

I believe there is no "best," only "better."

I believe we are a company of dedicated, passionate people that can accomplish anything.

And, I believe Toyota will continue to constantly strive to improve the lives of customers and society as a whole.

Thank you for your continued confidence and support.

October 2017



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



# The Changing Business Environment and the Expansion of Mobility Value

The current pace and scale of structural change in society and industry are unprecedented. Values and lifestyles are diversifying, while environmental problems and a wide range of social issues, such as urbanization, are growing more pronounced. At the same time, innovation is driving rapid technological development in such areas as information, intelligence, the Internet of Things (IoT), and robotics.

In this time of immense change, Toyota is taking a brand new approach, imagining the world in 2030 in order to create value propositions from a long-term perspective.

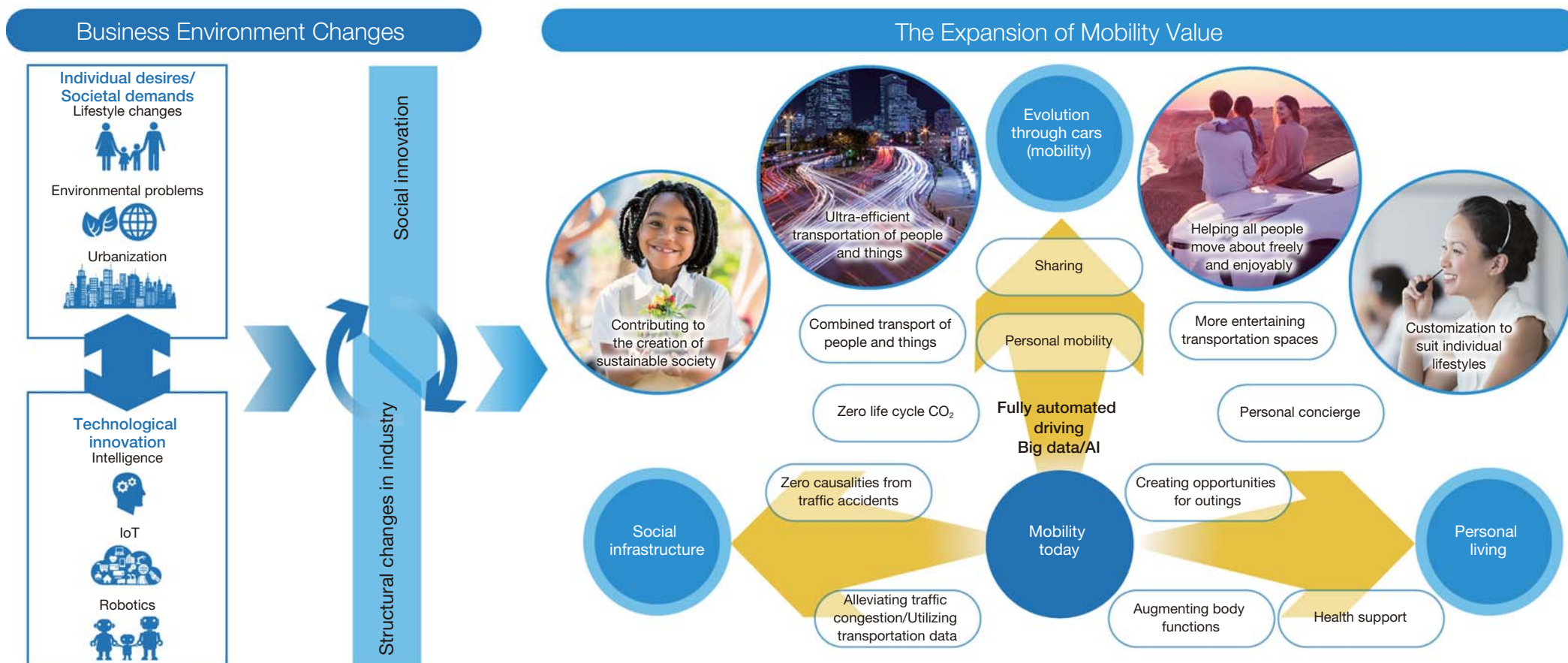
Today, Toyota provides customers with the value of mobility through cars. Going forward, in addition to evolving this value as provided through cars, we plan to expand it in the directions of social infrastructure and personal living.

Toyota aims to provide value related to social infrastructure by achieving zero life cycle CO<sub>2</sub> emissions from its vehicles to help create a sustainable world, eliminating causalities from traffic accidents, and improving transportation efficiency through the combined transport of people and things.

We seek to expand the value we provide into the area of personal living by working to help all people

move about freely and enjoyably and by providing services optimized to individual lifestyles.

Going forward, Toyota will create a sustainable future mobility society by working hand-in-hand with partners across industry lines to provide broad-ranging value that exceeds customer expectations.



# Focused on the Mobility of the Future

## Making Ever-better Cars and Our Strategic Shift toward Electrification, Information, and Intelligence Technologies



**Shigeki Terashi**  
Executive Vice President,  
Member of the Board  
of Directors

Based on the Toyota Global Vision, announced in March 2011, Toyota strives to implement a positive cycle of making ever-better cars that exceed customer expectations, enriching lives of communities, being rewarded with the smiles of customers and communities, and thus reinforcing

dramatically. Today, it is possible to provide convenient transportation to virtually anywhere at any time. The development of mobility has underpinned economic growth and the development of society and culture. The heart of this evolution has been the steady improvement of vehicle performance, safety, and convenience.

Now, changes driven by innovation in automated driving technologies that employ artificial intelligence (AI), connected car technologies, robotics, and other areas are on the verge of linking cars, people, and social infrastructure in new ways, transforming industry, society, and the very ways we live.

We believe that our customers today greatly enjoy car ownership—they feel attached to their cars and appreciate car design and the fun of driving. However, with environmental and resource-related problems growing more severe, cars are increasingly being seen as emblematic of pollution and the waste of energy and resources.

The technologies driving the rapid changes in the business environment surrounding cars, such as electrification, connected systems, and AI, have the

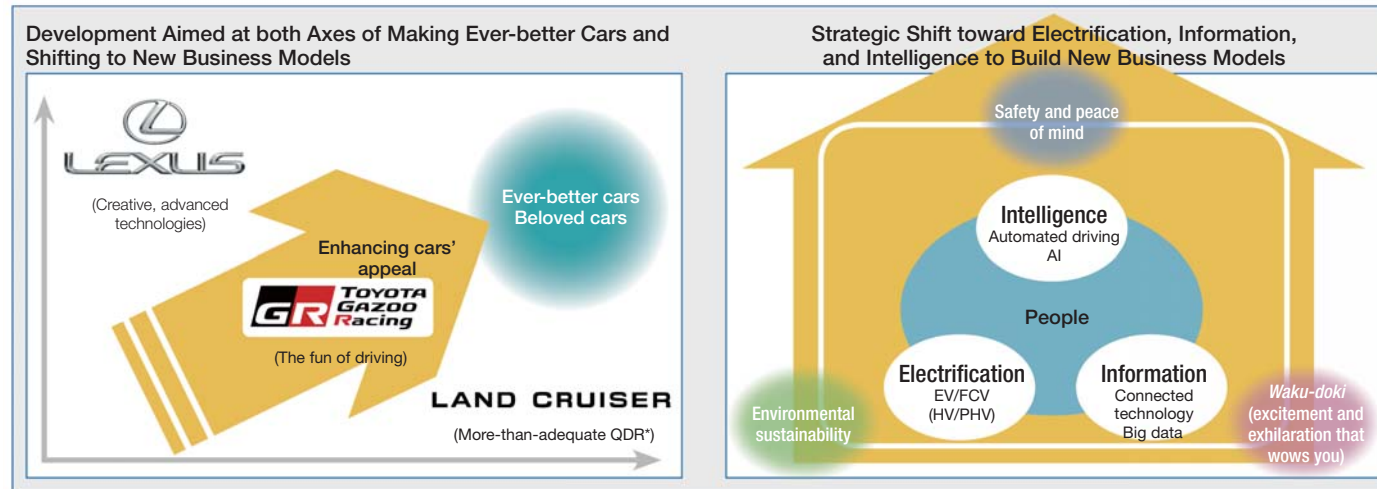
potential to provide never-before-seen value. They are also driving the provision of social value by, for example, helping to eliminate traffic accidents and environmental burden. Going forward, the costs associated with these technologies, such as those of enhancing functionality to meet needs related to environmental regulations, automated driving technology, and connected technologies, may significantly impact our businesses. However, mobility services and connected services that utilize such technologies also present opportunities to create new revenue models. Based on this understanding, we believe that Toyota must now endeavor to both make ever-better cars in order to sustain and enhance the automobile manufacturing business, its current mainstay, and shift to new business models for the future.

To make ever-better cars, we are striving to enhance the specific appeal of each type of car, whether it be a Lexus, part of our GR sports car series, or a Land Cruiser, clearly defining the role and key characteristics of each. By doing so, we provide value in the form of uniquely Toyota cars that will be cherished and appreciated by customers for years

and years. At the same time, by making a strategic shift toward electrification, information, and intelligence to build new business models, we are expanding our range of business.

In these ways, we will not only continue to evolve our existing car manufacturing business, but expand the scope of innovation to encompass social platforms that meet society's needs and technological platforms, such as AI, that extend beyond cars. By doing so, we aim to provide broad-ranging value that exceeds customer expectations as we work to create the mobility society of the future.

There is a limit to what Toyota can do to provide such future value. To blaze the trail toward a new mobility society, we must find partners who share our aspirations and will inspire us to continue pushing forward while cooperating and competing with players in other industries.



\* QDR: Quality, durability, and reliability

# Focused on the Mobility of the Future

## Eco-car Strategy: Electrification

Toyota is exploring all available options in powertrain development. We believe that we can build a highly energy efficient mobility society by allowing governments and markets to select the cars best suited to regional energy and infrastructure conditions and allowing customers to choose the cars with the specific characteristics best suited to their needs.

For the time being, the further development of technologies for conventional engines, which are still the mainstream, is a practical, highly realistic way to help reduce CO<sub>2</sub> emissions. At the same time, we are working to develop and increase the use of fuel cell vehicles (FCVs), the ultimate eco-cars, and advancing other initiatives in coordination with diverse stakeholders to realize our goal of establishing a low-carbon society that uses hydrogen. We are also accelerating the development of electric vehicles (EVs), another zero-emission vehicle option. To this end, we have established the EV Business Planning Department and a business and capital alliance with Mazda Motor Corporation, launching a new company to implement joint technological development.

Toyota boasts a wealth of accumulated know-how regarding vehicle electrification technology and commercialization that dates back to the launch of the Prius 20 years ago. We will continue to advance initiatives to accelerate our technological development and further reduce CO<sub>2</sub> emissions.

## Connected Strategy: Information

Big data collected from cars will enable a wide range of new mobility services, such as accident and breakdown prediction, the generation of dynamic maps using probe data (vehicle tracking information generated using GPS), and agent functions to help users drive safely and comfortably.

Aiming to build new business models, Toyota is shifting toward a focus on electrification, intelligence,

and information, and has created what it calls Connected Strategy. The three pillars of this strategy are as follows. 1. Connect all cars to build a data collection platform, 2. Utilize big data to revolutionize Toyota's business, and 3. Collaborate with partners in various other industries and IT companies to produce new mobility services.

We aim to combine Toyota's strengths—such as know-how developed in the automobile manufacturing business and contact with customers through sales of more than 10 million vehicles annually—and the strengths of companies in other industries, including IT. By doing so, even as car usage shifts from ownership toward service-based models, we are working to create a safe, convenient, and exciting future mobility society by providing customers with appealing services.

## Automated Driving and Utilizing AI: Intelligence

Toyota's overall development philosophy for automated driving technology is the Mobility Teammate Concept, an approach built on the belief that people and vehicles can work together in the service of safe, convenient, and efficient mobility.

We believe that it is essential that we develop automated driving technology to be human-centric and, above all, safe. In addition to sophisticated safe driving assistance, we are developing automated systems that can perform full-time dynamic driving. At the same time, by utilizing our advanced safety technology know-how, we are working to promote the rapid uptake of new safety technologies in the market.

Toyota has established Toyota Research Institute, Inc., with Dr. Gill Pratt, one of the world's foremost AI researchers, as its CEO, and set up a related venture capital fund. Through these efforts, we are accelerating initiatives in such areas as automated driving, AI, and robotics.

Toyota believes that safe, fun automated driving technologies will expand freedom of movement for all, bringing cars and people even closer together, such that cars will continue to be loved by people.

**More details** Electrification, information and intelligence, p. 9-17

## Advancing Our Business Structure

Toyota is working to enhance its true competitiveness, particularly in the automobile manufacturing business, and shifting to new business models. In line with these strategies, we are advancing initiatives focused on ensuring ongoing growth 10 years from now, 20 years from now, and beyond. Seeking to break free of the restraints of Toyota's existing conventions and rules, we have started from scratch, focusing on the future as we set about to advance business innovation. Ongoing growth will be impossible unless we overcome the major issues created by Toyota's expansion. Today, Toyota makes and sells more than 10 million automobiles annually. To survive at this scale, we are establishing new ways of operating to achieve the following two targets.

- Develop a sufficient number of people who can lead with quick judgment, quick decisions and quick action based on *Genchi Genbutsu* (onsite,

hands-on experience), because the changes the company faces require new ways of thinking and acting

- Reduce the time and effort consumed by cross-functional coordination and establish work processes that allow us to focus on making ever-better cars

One of Toyota's traditional strengths has been the process by which its experts on each function and process engage in thorough discussion to find optimal solutions. However, before we began our current efforts to advance business innovation, overemphasis on function-based logic and reasoning had become a weakness, leaving Toyota unable to make quick decisions in response to a rapidly changing environment.

Toyota regards the changes it has been making as opportunities. We seek to take on new challenges, unrestrained by existing approaches and remembering always that there are better methods waiting to be discovered.

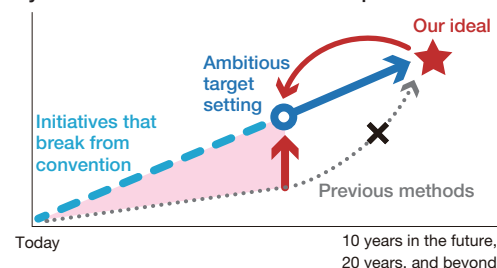
## Making Ever-better Cars and Developing People

Toyota has revised its internal organization a number of times to enhance true competitiveness and promote sustainable growth.

In 2011, we adopted a system of autonomous region-based management, stationing the chief officers responsible for each region in their respective regions to ensure operations are more closely linked with local communities. In 2013, we adopted the Business Unit System, under which we organized workflows by business model. Through these efforts, we made progress toward achieving management closely rooted in local areas and speedy product development.

At the same time, however, it became clear that even with these changes, Toyota's ways of operating were still basically extensions of the old forms, and

## Toyota's Business Innovation Concept





## Focused on the Mobility of the Future

thus carried with them the same problems—coordination across functions and decision making were taking too long.

In April 2016, we adopted a new system with smaller business units organized around products, aiming to dissolve the barriers between functions, reduce the need for cross-unit coordination, speed up decision making, and better link all the work we do to making ever-better cars while developing human resources to support that goal.

Specifically, we concentrated our forward-looking R&D and production engineering teams within the Advanced R&D and Engineering Company and established four vehicle-based companies specializing in compact cars, mid-size cars, commercial vehicles (CVs), and the Lexus brand. We furthermore concentrated powertrain component-related operations in the Powertrain Company and connected technology-related operations in the Connected Company.

The new product-based companies serve to remove all barriers between functions, consolidating the entire process from planning to production under the authority and responsibility of a single leader and providing all necessary business functions within a compact structure for streamlined, integrated operations.

Toyota also reorganized its head office, which is responsible for corporate functions. We established the Corporate Strategy Division, charged with formulating long-term strategy for ongoing growth, and the Frontier Research Center, responsible for actively incorporating insight from outside the Company to create the technologies and businesses of the future from a long-term, society-oriented perspective.

Continuing our business innovation efforts, we established the EV Business Planning Department in December 2016. Then, in January 2017, we created the Emerging-market Compact Car Company, aiming to bring highly competitive ever-better cars to market based on Daihatsu Motor Co., Ltd.'s approach to manufacturing affordable, high-quality products.

In this way, we set up the EV business as an internal start-up under the direct control of the president. This too was in order to make a clean break from old habits and establish fast ways of operating to help drive Toyota's overall efforts to advance business innovation.

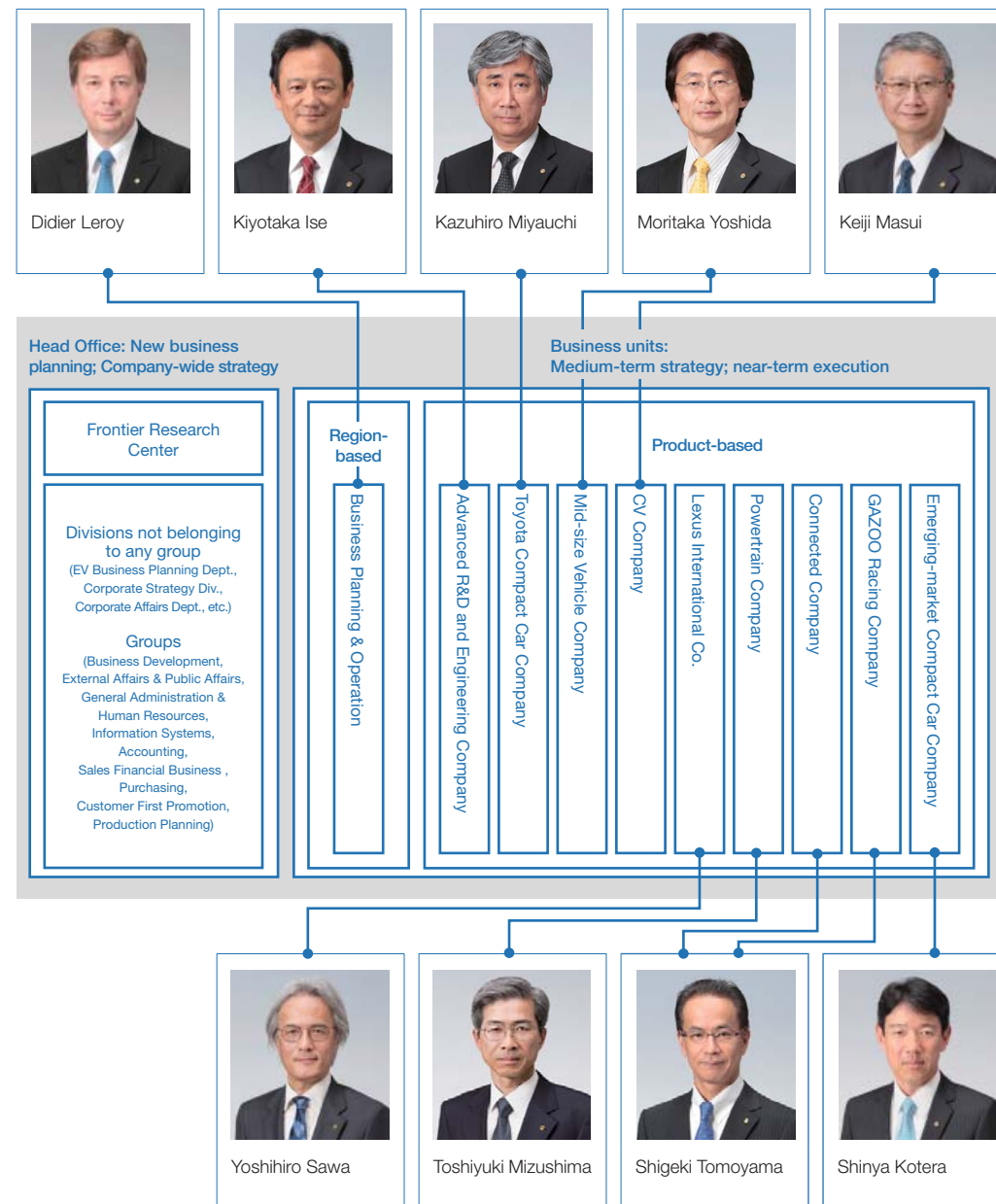
In April 2017, a year after transitioning to the new system, in line with our ongoing Company-wide business innovation efforts, we established the GAZOO Racing Company, aiming to leverage our accumulated motor sports know-how to develop and release cars that offer customers true *Waku-doki* (excitement and exhilaration that wows you). We also consolidated our regional business units into the Business Planning & Operation Unit, unifying region-based operations to facilitate cooperation with the product-based companies.

The new framework has enabled the consolidation of responsibility and authority in the company presidents, helping to speed decision making.

Furthermore, the new framework has helped us operate with a greater awareness of the entire car manufacturing process. This has brought to light previously unnoticed issues, and better positioned us to flexibly change organizational frameworks going forward.

**Toyota is stepping up its competitiveness by making ever-better cars while making a strategic shift toward electrification, information, and intelligence to advance initiatives aimed at expanding future mobility value. To achieve the goals of our long-term strategies, we are developing human resources and revamping internal structures and advancing business innovation while reinforcing alliances with a wide range of partners, including those in other industries. Looking at the enormous changes surrounding cars as opportunities, Toyota is steadily advancing toward the creation of a better mobility society.**

### Business Unit Presidents



# Eco-car Strategy: Electrification

Toyota considers responding to environmental issues a top management priority and has long endeavored to contribute to the realization of a sustainable mobility society. To this end, we have taken on tremendous challenges, resulting in, for example, the release of the world's first mass-produced hybrid vehicle, the Prius, in 1997, and a fuel cell vehicle, the Mirai, in 2014.

Nevertheless, severe heat, heavy rainfall, drought, and other extreme weather phenomena attributable to climate change caused by rising levels of greenhouse gases continue to threaten livelihoods around the world. Furthermore, the world's reserves of oil, the main energy source that powers cars, are not infinite. In response to these circumstances, in 2015, Toyota unveiled the Toyota Environmental Challenge 2050, starting work on six challenges aimed at not only eliminating CO<sub>2</sub> emissions, but making a net positive impact on the planet and society.

The first of the six challenges is the New Vehicle Zero CO<sub>2</sub> Emissions Challenge, under which we aim to reduce global average new vehicle CO<sub>2</sub> emissions by 90% from Toyota's 2010 global level. Toyota is developing and promoting the use of a variety of eco-cars to help achieve the Paris Agreement\* goal of keeping global warming below 2°C.

\* The Paris Agreement, reached in December 2015, was negotiated at the 21st yearly session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change, held in Paris. The agreement set the long-term goal of limiting global warming to well below 2°C compared with pre-industrial levels and calls for net zero anthropogenic greenhouse gas emissions to be reached during the second half of the 21st century.

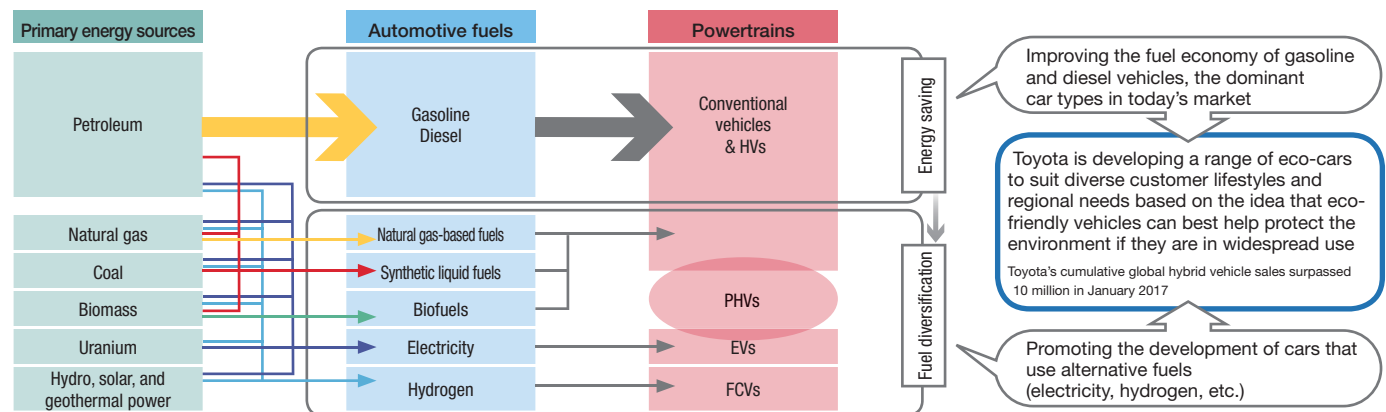
## Toyota's Environmental Technology Strategy

Toyota believes that it is vital to pass down to the next generation the gains in the mobility of people and things achieved thus far by global mobility society while also addressing climate change and the uncertain future of petroleum resources. We are therefore focusing efforts on developing eco-cars that save energy and use diverse fuels while also promoting their widespread use. Automotive fuels can be produced by processing a variety of primary energy resources. By developing different powertrains optimized for a range of such fuels, Toyota is working to save energy and respond to fuel diversification.

As illustrated in the chart entitled "Alternative Fuel Comparison" on the next page, there are multiple alternatives to petroleum, each with its own pros and cons. Similarly, energy policy varies by country and region. Toyota is advancing development on all fronts, including hybrid vehicles (HVs), plug-in hybrid vehicles (PHVs), fuel cell vehicles (FCVs), and electric vehicles (EVs). Each type of eco-car has a unique set of characteristics. By enabling customers to pick eco-car that is right for them, we believe that we are helping to build a highly energy-efficient mobility society.

 Toyota's stance on keeping global warming below 2°C  
(Message from the President, Environmental Report 2017)

## Automotive Fuels and Powertrain Diversification



# Eco-car Strategy: Electrification

## Accelerating Electrification Initiatives

Toyota is advancing development on all fronts, with a particular focus on electric and hydrogen power, which it views as especially promising approaches to fuel diversification. FCVs offer convenience on par with conventional gasoline vehicles in terms of cruising range and refueling time. Moreover, hydrogen can be produced from a wide variety of materials and used for a wide range of applications. And, while EVs currently face hurdles due to battery limitations, namely cruising range and charging time, they offer the advantages of being chargeable at home and requiring only relatively simple infrastructure development. Policies and regulations aimed at promoting the use of zero-emission vehicles are developing rapidly around the world. Toyota believes that it is therefore necessary to advance the development of eco-cars in a way that is responsive to the energy challenges and infrastructure of each country and region as well as the ways customers use vehicles.

We take such an approach with EVs, one zero-emission vehicle option; at the end of 2016, we set up the EV Business Planning Department as an internal start-up aimed at creating and releasing products based on the market characteristics of individual countries and regions. Aiming to quickly bring EVs to market, the new department is amassing a wide range of technological know-how and resources from the Toyota Group, such as those of Toyota Industries Corporation, Aisin

Seiki Co., Ltd., and DENSO Corporation, working within a small corporate structure to advance development at a speed not seen before.

We entered a business and capital alliance with Mazda Motor Corporation toward the goal of making more-appealing cars, announced in August 2017. One aim of this alliance is joint development of technologies for electric cars. Demand and expectations for EVs are growing worldwide. Details are yet to be determined, but Toyota and Mazda are considering the joint development of technologies for the basic structure of competitive electric vehicles. These technologies will enable rapid, flexible response to changing regulations and market conditions. To the extent necessary for the joint development of EVs, we aim to combine the strengths of both companies and freely share know-how related to EVs in order to nimbly and efficiently respond to difficult-to-predict changes in the EV market during the development period. In addition, in late September 2017, Mazda, Denso, and Toyota signed a joint technology development agreement related to basic structural technologies and established EV C.A. Spirit Corporation to facilitate said development.

Toyota's Corolla Hybrid and Levin Hybrid, equipped with hybrid units produced in China, have been well received in the Chinese market. We intend to release plug-in hybrid variants of the Corolla and Levin in this market in 2018 and are considering plans to introduce EVs within a few years.

The development of both EVs and FCVs presents opportunities to leverage Toyota's electrification technologies, which have been honed by its extensive know-how and experience regarding hybrid technology, one of Toyota's core technologies.

As our competitors also accelerate their electrification initiatives, we expect that competition to procure onboard batteries will intensify. Among secondary batteries, which can be repeatedly charged and used, lithium ion batteries offer the best performance in terms of power and energy per unit mass and volume. Toyota developed the world's first method for observing the behavior of lithium ions contained in lithium ion batteries' electrolyte solution during charging and discharging. This is expected to lead to new insights in research and development aimed at improving battery performance and durability, helping to enhance the cruising distance and battery life of PHVs and EVs.

Lithium ion batteries employ flammable organic solvents, so they must be built to prevent leaks. Given this, Toyota is advancing R&D aimed at creating a solid-state battery that will serve as a high-performance, next-generation battery. In addition to R&D conducted by our own dedicated internal R&D divisions, we are working with universities and other research organizations in this area.

## Building a Low-carbon Society

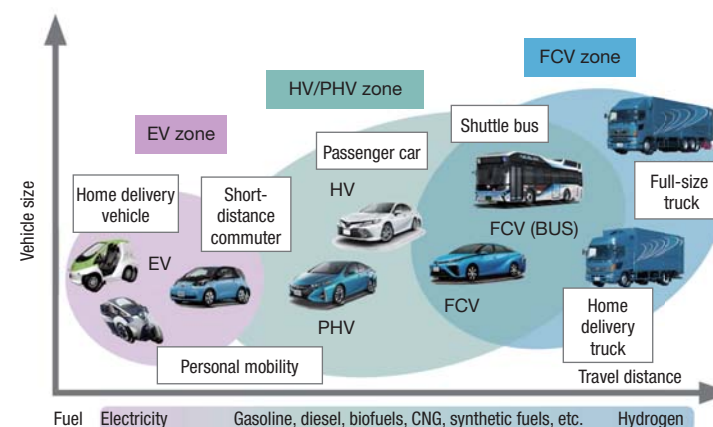
Spurred by the 2020 Tokyo Olympics and Paralympics, further development toward the creation of a hydrogen society is expected in the coming years. Toyota seeks to contribute to this development. Since the 2014 release of the Mirai, Toyota has continued to focus on technological

## Alternative Fuel Comparison (at present, in Japan)

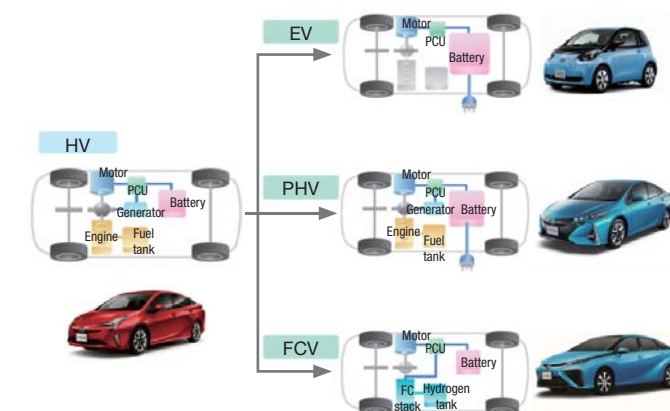
	Electricity	Hydrogen	Biofuel	Natural gas
	EVs	FCVs	Internal combustion systems	Internal combustion systems
Well to Wheel CO <sub>2</sub> *	☆☆☆☆☆	☆☆☆☆☆	☆☆☆☆☆	☆☆
Supply	☆☆☆☆	☆☆☆☆	☆	☆☆
Cruising range	☆	☆☆	☆☆	☆
Refueling/recharging time	☆	☆☆	☆☆	☆☆
Infrastructure	☆	☆	☆☆	☆

\* A comprehensive assessment of CO<sub>2</sub> emissions that takes into account all energy consumption from the extraction or production of the primary energy to the use of the vehicle.

## Choosing the Right Eco-car for the Job



## Hybrid Technology for Next-generation Eco-cars





## Eco-car Strategy: Electrification

development related to FCVs, working with numerous important stakeholders, including policy makers, infrastructure- and energy-related industry bodies, international organizations, and citizen groups, as it steadily implements a wide range of initiatives aimed at the overarching goal of building a low-carbon society.

Infrastructure is essential to the widespread adoption of FCVs. In Japan, the government's Council for a Strategy for Hydrogen and Fuel Cells has compiled a Strategic Road Map for Hydrogen and Fuel Cells, laying out goals for public-private initiatives, aiming, for example, to establish 160 hydrogen stations and have 40,000 FCVs on the road by 2020. Based on this roadmap, an all-Japan consortium led by 11 companies, including Toyota and other automotive and energy companies, has begun work aimed at accelerating the full-scale strategic construction of hydrogen stations. A memorandum of understanding to this effect was signed in May 2017.

Furthermore, Toyota participates in the Hydrogen Council, a global initiative promoting a united vision and long-term goals for the transition to new energy using hydrogen (launched in January 2017). The Hydrogen Council was created by 13 leading global companies involved in energy, transportation, manufacturing, and other various sectors spanning the hydrogen value chain and has grown to include 27 member companies.

In Japan, we have begun studies with Seven-Eleven Japan Co., Ltd. on reducing CO<sub>2</sub> emissions and energy use related to distribution and store operations. We are considering such measures as using fuel cell



trucks newly developed by Toyota for deliveries to stores and introducing fuel cell power generators that utilize automotive fuel cell units as a base power source at stores with hydrogen stations.

In the United States, we have begun a pilot test using commercial heavy-duty trucks equipped with fuel cell systems at the Port of Los Angeles in California. These trucks are equipped with two of the fuel cell stacks (power generators) used in the Mirai and boast a gross combined weight rating (including cargo) of 36 tons. In addition, to promote infrastructure development and facilitate the adoption of FCVs in the United States, Toyota and Honda Motor Co., Ltd. are providing financial support for a plan being implemented by U.S.-based Shell Oil Company to install hydrogen refueling equipment at seven existing retail stations in northern California.

Furthermore, Toyota is participating in a project called Accelerating the Development and Commercialization of Fuel Cell Vehicles in China being implemented by the Chinese government, which is aggressively promoting the spread of FCVs and establishment of related industry. Under this project, Toyota will begin pilot tests using the Mirai in regions around the country. We are currently testing the Mirai in Canada, working to foster understanding of FCVs.

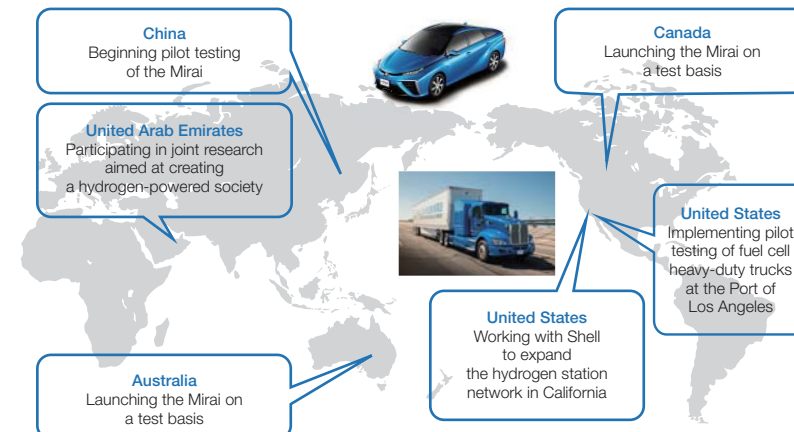
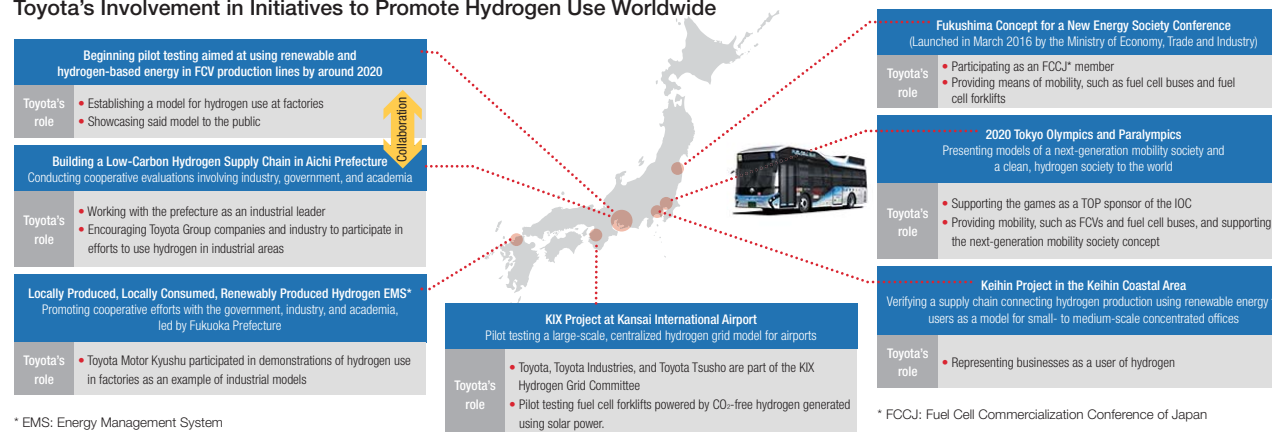
### In-house Development and the Promotion of R&D

The rapid expansion of the zero-emission vehicle business requires not just product development, but changes in production structure. Just in

the area of the powertrain—the section of the vehicle most impacted by electrification—in addition to conventional gasoline and diesel engines, we now need motors, inverters, batteries, high-pressure hydrogen tanks, fuel cell stacks, and more. In terms of production technologies, besides conventional machining, polishing, assembly, and iron and aluminum casting, we need technologies that enable increased precision, thinner components, and an expansion in the use of plastics as well as those related to coatings, new materials, nano-scale production, and chemistry. Toyota has internally developed the fuel cell stacks and high-pressure hydrogen tanks that form the heart of the FCV, and has achieved world-class performance in both. We are thus acquiring technologies through in-house development while advancing business innovation to prepare for the anticipated pressures on production site management resources arising from electrification.

**20 years ago, Toyota launched the Prius, the world's first mass-produced HV. Since then, we have continued to hone our core electrification technology, releasing PHVs and FCVs. The technological prowess, know-how, and experience built up in bringing these products to market are strengths of Toyota. We will provide a wide range of options in its powertrain development. We believe it is up to markets to decide between the options, based on national and regional conditions, customer tastes, and other factors. Aiming to achieve zero CO<sub>2</sub> emissions from new vehicles, Toyota will diversify its powertrains and strive to make those of each type best-in-class.**

### Toyota's Involvement in Initiatives to Promote Hydrogen Use Worldwide



## Connected Strategy: Information

### Building a Connected Platform for the Connected Cars of Tomorrow

As the Internet of Things (IoT) develops, cars are increasingly connected to information networks, enabling consumers to enjoy a variety of new services. Connected technologies have the potential to create new value and new services by creating new modes of use and new roles for cars. In particular, big data collected from connected cars will be put to use in a wide range of services and businesses. As such, connected platforms that encompass information infrastructure will become extremely important business platforms for automakers.

In preparation for the full-scale arrival of connected cars, in April 2016 Toyota established the Connected Company, and in November of the same year announced its Connected Strategy, consisting of three major points (its “three arrows”).

1. Connect all Toyota and Lexus cars and build a connected platform that will serve as information infrastructure
2. Use this platform to utilize big data collected from cars and contribute to the good of customers and society while revolutionizing Toyota's own businesses
3. Building on this platform, coordinate with various different industries and IT companies to create new mobility services and establish a value chain

### Toyota's Information Technology Initiatives to Date

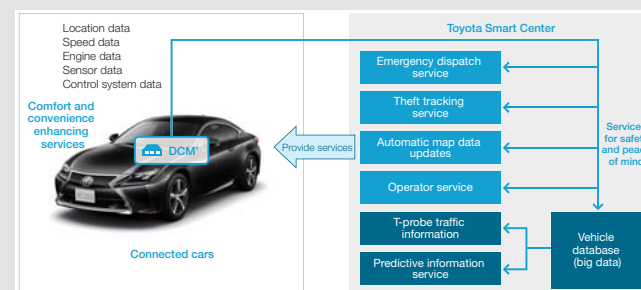
Toyota has rolled out information technology in the form of telematics services, in which communication devices installed in cars are used to interactively provide drivers with information via wireless networks and data centers.

In 2002, Toyota launched its G-BOOK comprehensive telematics service. Since then, we have improved navigation functions and added the HELPNET emergency dispatch service and G-Security theft-prevention/stolen car tracking service, enhancing functionality centered on safety and peace of mind.

In 2014, we released T-Connect, a new service based on G-BOOK. T-Connect offers more advanced functions, such as search functions controlled through an interactive voice-controlled interface called Agent as well as Apps, which allows customers to select and install a variety of applications on the onboard navigation system.

Furthermore, Toyota uses probe data from cars (tracking data generated using GPS) to generate its proprietary T-probe traffic information, which it offers as a predictive information service. This service predicts the destination of each car and provides information to help drivers avoid potential issues, such as accidents and congestion, along their anticipated route.

### Connected Services Today



\* DCM: Data communication module. An on-board integrated transmission module developed especially for telematics services.

### Toyota's Information Technology Initiatives

2000	Established GAZOO Media Service Corporation (now TOYOTA Connected Corporation)
2002	Commercialized DCMs for cars, launched G-BOOK services
2005	Made DCMs standard on Lexus models in Japan
2008	Expanded standard installation of DCMs on Lexus models to North America and China
2011	Built the Toyota Smart Center
	Established the in-house company Connected Company
2016	Established Toyota Connected Inc (now Toyota Connected North America, Inc.)

# Connected Strategy: Information

## How We're Building a Connected Platform

Key to the first arrow, connecting all cars, are our data communication modules (DCMs). In 2002, Toyota commercialized its DCMs and launched the G-BOOK service for Toyota vehicles. DCMs were then made a standard feature in Lexus cars, and Toyota launched the G-Link service in Japan before expanding it to North America and China. As the first step toward connecting all vehicles, Toyota plans to adopt common standards for its worldwide DCMs by 2019, equip virtually all passenger vehicles it sells in Japan and the United States with DCMs by 2020, and steadily equip more vehicles with DCMs in major markets around the world. By promoting the spread of connected cars, Toyota is expanding its points of contact with customers around the world, enabling it to provide enhanced service.

Communications between DCMs and the Toyota Smart Center pass through a global communications platform built in cooperation with KDDI Corporation. The platform comprehensively manages communications by automatically connecting with selected telecommunications carriers in each country or region based on car location data. At the same time, in North America, Toyota Connected North America, Inc., established in collaboration with Microsoft Corporation, operates the Toyota Big Data Center (TBDC), which consolidates big data collected from cars, and engages in research and development leveraging big data. Toyota Connected North America also works in close coordination with Toyota Research Institute, Inc., a research organization focused on artificial intelligence.

Going forward, as the number of connected cars and connected services increase, we expect the volume of data handled by the TBDC to increase dramatically. We are also at work on the development of next-generation smart center technologies to process the increasingly vast

amounts of data expected to be generated as more cars are equipped with DCMs. As part of these efforts, in March 2017, we announced an agreement with Nippon Telegraph and Telephone Corporation to collaborate on ICT platform research and development for connected cars.

In addition, as part of its collaboration with U.S.-based Ford Motor Company, Toyota has announced that it will use the open-source SmartDeviceLink (SDL), which enables users to control apps on their smartphones via the vehicle control interface. On January 4, 2017, Toyota and Ford established the SmartDeviceLink Consortium to promote SDL as a global standard.

## Revolutionizing Toyota's Own Businesses with Connected Cars

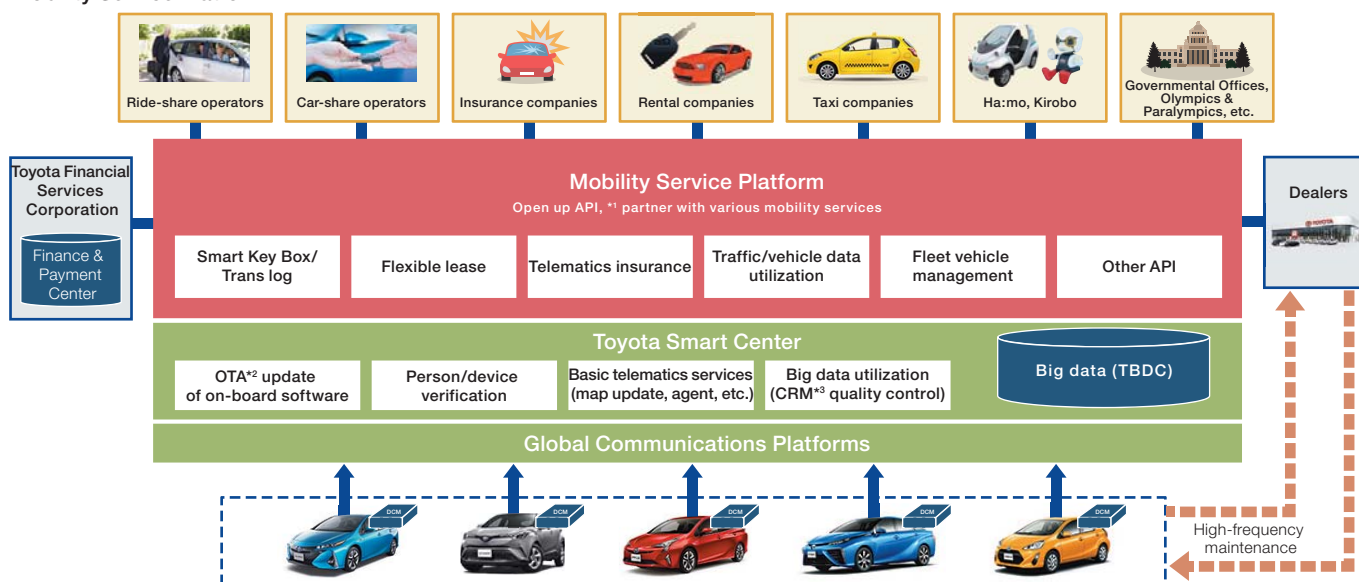
Becoming connected will change the very ways that cars interact with customers and society. Toyota will be creating millions of new contact points with customers and society around the world every year, enabling the roll out of a variety of new services and businesses.

Connecting cars and establishing a connected platform that will serve as information infrastructure is the first arrow of our Connected Strategy. The second and third arrows are aimed at expanding our businesses that utilize the platform. We are implementing the Connected Strategy not by firing the arrows in sequence, but by releasing them all virtually simultaneously.

In line with the second arrow, aimed at contributing to the good of customers and society while revolutionizing Toyota's own businesses, we are already using big data collected from connected cars equipped with DCMs to provide a real-time traffic information service covering all of Japan. Using this data, Toyota provides information on which roads are passable by tracking where cars are actually going. This information was used during emergency response and recovery operations following the Great East Japan Earthquake and Kumamoto Earthquake.

Currently, such big data is being fed back to design and quality control divisions to help quickly identify and respond to problems with cars on the market and as a tool to enable them to make ever-better cars. Furthermore, we have launched the e-Care service, which uses data from individual cars to anticipate breakdowns or the need for servicing, encouraging customers to bring their cars to a dealership before problems occur.

## Mobility Service Platform



\*1 API: Application Program Interface Functions used for programming. App functions maybe used simply by calling these functions.

\*2 OTA: Software update 'Over The Air' by wireless transmission.

\*3 CRM: Customer Relationship Management



## Connected Strategy: Information

To provide even greater value through cars, we are accelerating research aimed at generating dynamic maps\* that contain information on lane-specific congestion and obstacles based on images collected by on-board cameras to provide more advanced driving assistance services.

\* Map data based on a high-resolution (25 cm relative precision, 1:500 scale) map linked to constantly updated information about traffic restrictions, congestion, vehicle location, and other factors.

### Creating New Services through Our Mobility Service Platform

At the center of the connected platform powered by the Toyota Smart Center will be the Mobility Service Platform (MSPF). The third arrow, creating new mobility services, entails connecting big data collected by

Toyota through the MSPF with a variety of companies and services to globally develop new services and markets, and thus enhance the diversity and sophistication of the value provided by cars in the mobility society of the future. Toyota will continue developing new growth strategies based on the MSPF.

Our first major initiative in this area is the development of telematics car insurance services in North America. We are providing multiple insurers with solutions that enable them to offer insurance based on scores generated from big data collected on policyholders' driving distance and other driving patterns.

Furthermore, we are accelerating the creation and commercialization of new mobility services by implementing pilot testing around the world in collaboration with car sharing and ridesharing services and taxi operators.

**Toyota is working to build a platform utilizing data collected from cars. Connecting all the new cars that Toyota sells will enable data collection from more than 10 million additional cars every year. In the future, all kinds of information, including that from cars, will be integrated in the cloud. We believe this kind of big data technology is the key to building a rich mobility society. As it seeks to provide services that exceed customer expectations, Toyota is working with a wide range of partners, taking on the future with a start-up mindset.**

### Uses of Big Data from Vehicles and Toyota's Alliances with Diverse Partners

#### Partnership with a Major U.S. Semiconductor Manufacturer to Develop Artificial Intelligence (AI) for Automated Driving

We are partnering with NVIDIA Corporation to develop automated driving technologies using AI, aiming to develop automated driving systems using NVIDIA's graphics processing unit technology, which is well suited to deep learning.

#### Investment in a Mobility as a Service (MaaS) Company

Toyota Financial Services Corporation, together with Aioi Nissay Dowa Insurance Co., Ltd., has invested in MaaS Global, a Finnish company developing multi-modal services. MaaS Global is providing new services that enable efficient transportation combining wide-ranging means of transit, including taxis, rental cars, and other automobiles as well as trains, buses, and other forms of public transportation, alongside reservation and payment services through smartphone apps.

#### Uses of Big Data from Vehicles

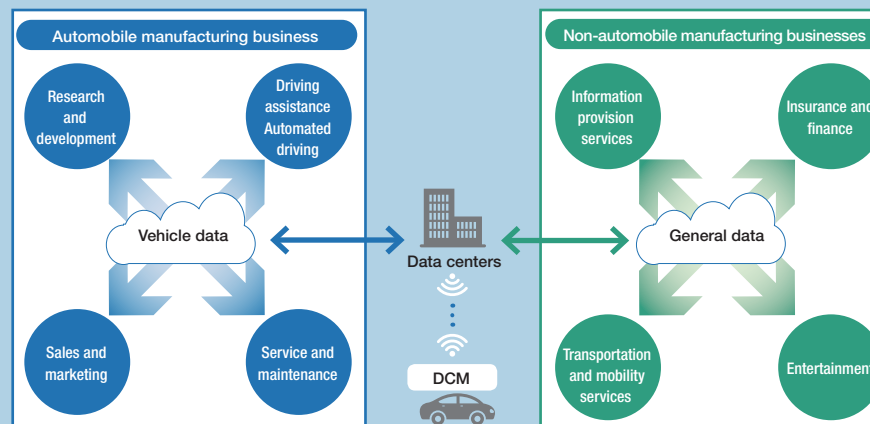
Toyota has made an additional investment in Preferred Networks, Inc., to accelerate the joint research and development of automated driving technologies and other AI technologies in the mobility business field.

Toyota, Intel Corporation, Ericsson, DENSO Corporation, Toyota InfoTechnology Center, Co., Ltd., Nippon Telegraph and Telephone Corporation, and NTT DOCOMO, Inc. formed the Automotive Edge Computing Consortium, aimed at building a platform to support a variety of businesses necessary for the development of connected cars.

Toyota and Nippon Telegraph and Telephone Corporation are collaborating on R&D related to ICT platforms for connected cars.

Toyota is working with KDDI Corporation to build a global communications platform not dependant on conventional roaming services to secure high quality, stable data transmission globally for communications between DCMs and the cloud, which is vital to connecting cars.

Toyota jointly established Toyota Connected, Inc. with Microsoft Corporation with the aim of collecting and analyzing data from cars and using the results to inform product development.



Toyota established a company to support the development of telematics car insurance services in the United States in collaboration with Aioi Nissay Dowa Insurance Co., Ltd., and Toyota Financial Services Corporation.

Under the open innovation program TOYOTA NEXT, Toyota selected five partners for the joint development of people-centered services that will provide customers the experience of an exciting future to look forward to.

Toyota is collaborating with Line Corporation with the aim of creating new car-related services, such as voice-operated agent services, by linking the cloud-based AI platform Clova being developed by LINE with DCMs and smartphone apps using SDL.

Toyota and Ford Motor Corporation established the SmartDeviceLink (SDL) Consortium to promote industry standardization related to connecting cars with smartphone apps.

Toyota, KDDI Corporation, and Tokyo Hire-Taxi Association are implementing demonstration testing related to the transmission and use of high-volume driving data from connected taxis.

Toyota and Uber Technologies, Inc., are collaborating in the area of ridesharing.

Toyota is collaborating with Grab, Inc., a major ride-hailing service company in Southeast Asia, in the area of ride-hailing.

Toyota is developing a car share application for dealers and distributors and implementing pilot testing in Hawaii.

# Automated Driving and Utilizing AI: Intelligence

## Toyota's Unique Approach to Automated Driving

Since the 1990s, Toyota has engaged in automated driving technology research and development aimed at contributing to the complete elimination of traffic casualties. Today, Toyota is advancing development in this area based on its Mobility Teammate Concept. This concept is an expression of Toyota's unique approach to automated driving and is built on the belief people and vehicles can work together in the service of safe, convenient, and efficient mobility.

As implied by the word "partner," the inclusion of people is central to this approach, based on our belief that people should have choices. The true value of automated driving technologies, we believe, lies not in the technology itself, but in the social value it creates—helping to create a rich mobility society in which everyone can enjoy safe, convenient, and enjoyable transportation.

Moreover, we believe that the most important factor in the development of automated driving is safety. This conviction is in line with our long-held stance of prioritizing the improvement of safety with the ultimate goal of eliminating casualties from traffic accidents. To create a safe mobility society, Toyota implements three-pronged initiatives aimed at developing safe cars, raising awareness among people, and improving the traffic environment while also pursuing real-world safety by utilizing information from actual accidents in product development.

To eliminate casualties from traffic accidents, we must develop safe driving systems that are highly effective in real-life situations as quickly as possible and promote their uptake as widely as possible. To do this, Toyota is promoting, in parallel, the development of advanced safety technologies and utilizing insights gained through such development to develop popularized technologies. We have already begun to put our active safety technologies on the market in such packages as Toyota Safety Sense and Lexus Safety System+. We plan to offer such packages as standard or optional features on almost all new Toyota and Lexus models sold in Japan, Europe, and the United States by the end of 2017.

The mobility as a service (MaaS) market, including car sharing and rideshare services, is expanding. As a mobility service platform provider, Toyota is actively exploring this market's possibilities. We believe that mobility service platforms will accelerate the development of automated driving technologies and help bring the freedom and joy of movement to all people, including those who cannot drive. Going forward, the spread of automated driving technology through MaaS will enable the collection of enormous volumes of data, which is extremely valuable to the further development of automated driving systems, giving rise to a virtuous cycle that will provide customers with safer, more convenient, more affordable transportation services.

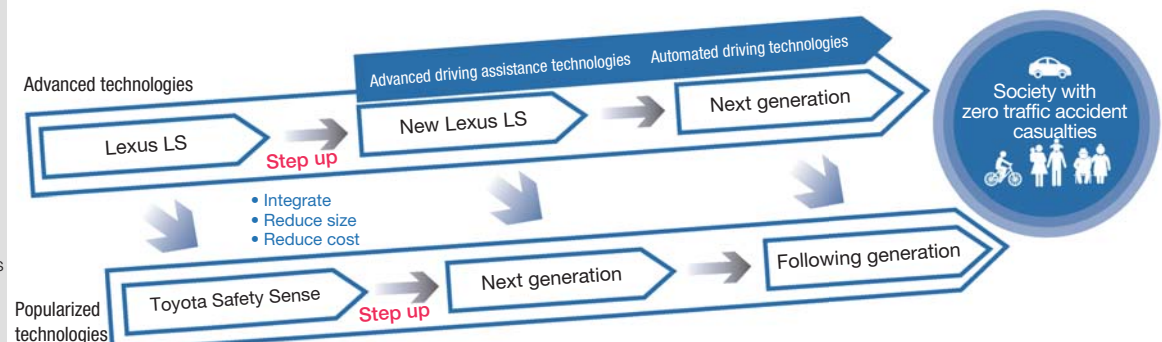


Initiatives for Improving Traffic Safety (Sustainability Data Book 2017, p. 11)

## Our Guiding Development Philosophy



## Developing and Promoting the Use of Advanced Technologies



# Automated Driving and Utilizing AI: Intelligence

## Specific Approaches to Automated Driving

Under the Mobility Teammate Concept, Toyota is developing automated driving systems based on two approaches: Guardian and Chauffeur.

Guardian is a unique Toyota approach that assumes that a human will drive the car, while automated driving systems operating alongside the driver provide support when needed, such as when the car is in danger of collision, to protect the car's passengers. This kind of system might detect, for example, that the driver is distracted and, after giving a warning, brake and steer to allow the car to safely negotiate a curve.

Chauffeur refers to automated driving at level four or five autonomy as defined by the U.S. non-profit SAE International, and does not assume a human driver. Systems designed under this approach would allow, for example, the vehicle to drive autonomously while avoiding obstacles and to safely change lanes without human input to avoid obstacles in the road ahead even if there are other cars traveling at the same speed in adjacent lanes.

The Mobility Teammate Concept aims to give people the freedom of choice by allowing them to enjoy the benefits of automated driving technologies while still allowing them to drive safely, enjoyably and freely when they wish. Drivers will be able to choose Chauffeur mode for some situations, such as expressway and long-distance travel, and Guardian mode for others, such as for low-speed and short-distance trips.

## Toyota's Approaches to Automated Driving

Guardian	Chauffeur
Provides driving support when needed, such as when the car is in danger of collision, to protect the car's passengers; assumes a human driver	Achieves automated driving at level four or five autonomy as defined by the U.S. non-profit SAE International; does not assume a human driver
The same sensors and cameras will be used for both approaches	

Moreover, the Mobility Teammate Concept's approach to safety and communication goes beyond the relationship between driver and car to encompass interaction with fully autonomous vehicles and others sharing the road, including pedestrians, bicyclists, and other drivers.

In the near term, Toyota is working to bring the two vehicle systems below, which offer automated driving capabilities, to market.

## Vehicle Systems with Automated Driving Functions

	Launch target	Features
Highway Teammate	2020	The Highway Teammate will enable driver-supervised automated driving on expressways that includes merging onto and exiting expressways, maintaining and changing lanes, and maintaining appropriate distance from other vehicles
Urban Teammate	Early 2020s	The Urban Teammate will enable the use of the Highway Teammate's functions on regular roads. In addition to detecting people and bicycles around the vehicle, it will use map data and visual data from intersections and traffic lights to obey local traffic rules.



TRI Advanced Safety Research Vehicle - Platform 2.1

## R&D Framework and Collaboration with Stakeholders

Toyota believes that the development of automated driving technologies and the use of big data with artificial intelligence (AI) technologies can solve a range of issues faced by society as well as promote the realization of a sustainable future mobility society. To this end, we are seeking out partners who share these aspirations around the globe and accelerating a wide range of initiatives.

Toyota established Toyota Research Institute, Inc. (TRI) in the United States to reinforce its AI research. Under the direction of Dr. Gill Pratt, previously program manager at the Defense Advanced Research Projects Agency (DARPA), TRI is advancing AI research toward the following four targets.

1. Enhance the safety of automobiles with the ultimate goal of creating a car that is incapable of causing a crash.
2. Increase access to cars for those who otherwise cannot drive, including older persons and those with special needs.
3. Translate Toyota's expertise in creating products for outdoor mobility into products for indoor mobility.
4. Accelerate scientific discovery by applying techniques from artificial intelligence and machine learning.

Also in the United States, Toyota Connected North America, Inc. (formerly Toyota Connected, Inc.), established in collaboration with Microsoft Corporation, operates the Toyota Big Data Center, which consolidates collected data, and engages in research and development aimed at using big data for a variety of services.

Furthermore, to reduce traffic accident casualties, Toyota's Collaborative Safety Research Center (CSRC), which engages in joint research with North American universities, hospitals, and research institutions, launched CSRC Next, a new five-year program, in January 2017. Under this program, CSRC has partnered with eight leading research institutions in North America to set up 11 research projects focused on safely transitioning to emerging modes of mobility by addressing the opportunities and challenges presented by evolving vehicle technologies.



# Automated Driving and Utilizing AI: Intelligence

With these organizations, Toyota is advancing cutting-edge research, working to quickly bring the goal of zero casualties from traffic accidents closer to reality.

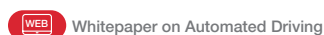
Furthermore, in July 2017, TRI invested \$100 million to establish a venture capital fund to provide funding to start-ups in the fields of artificial intelligence, robotics, autonomous mobility, and data and cloud technology. The fund, operated through Toyota AI Ventures, newly established by TRI, will feature decision-making by a dedicated management team with abundant investment knowledge and experience, operating separately from TRI's R&D operation. In addition to considering unsolicited pitches made by investment candidates, the fund aims to establish an investment model in which it identifies key research challenges and then supports the creation of new companies to solve them.

Legal and regulatory updates, social system reform, and public acceptance—there are numerous hurdles, varying by country and region, on the road to realizing and popularizing automated driving. Given this, Toyota believes that coordination across national and regional boundaries involving a wide range of stakeholders, including those not directly connected to the traditional auto industry, is crucial. In non-competitive

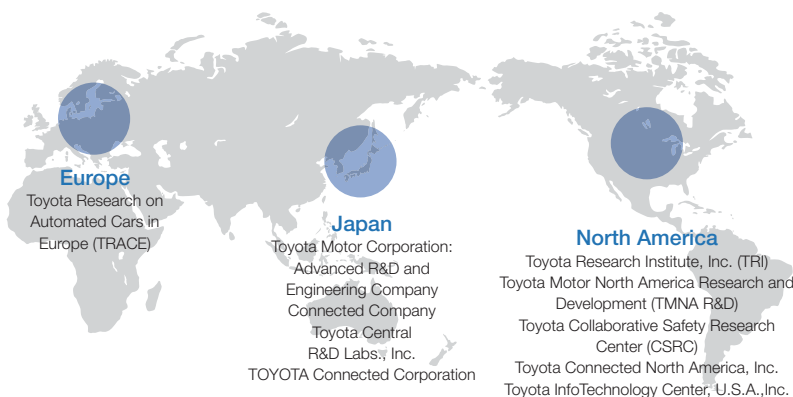
areas, such as basic infrastructure and systems, cooperation with a wide range of actors to create solutions is an effective way forward. Building on that shared foundation, companies can then advance development individually, competing to better allow customers to move about safely, freely, and conveniently; we believe that this approach will be efficient and benefit customers and society.

**Toyota's ultimate goal in developing automated driving technologies is not simply to create autonomy for cars, but to expand autonomy for people—to create a world in which mobility is safe, convenient, enjoyable, and available to everyone. Safety is our top-most priority as we pursue this goal. We believe that we can enhance safety by building partnerships between drivers and their cars.**

**Even in a future where driving is automated, we believe that cars will continue to be loved. Toyota believes that safe and fun automated driving technologies have the potential to expand freedom of movement for all and bring cars and people even closer together.**



## Automated Driving Technology R&D Framework



## Collaborative Automated Driving Development

<b>Massachusetts Institute of Technology</b>	Research aimed at furthering the development of automated driving technologies through projects ranging from autonomy to self-awareness
<b>Stanford University</b>	Research projects investigating human-computer and human-robot interactions, particularly focusing on the development of innovative and impactful approaches, algorithms and data
<b>University of Michigan</b>	Research focused on enhanced driving safety, partner robotics, indoor mobility, automated driving, and student learning and diversity

## Toyota's Concept of the Cars of the Future

In January 2017, Toyota unveiled the Concept-i, a concept car developed with the aim of building a new driver-vehicle relationship in which artificial intelligence (AI) enables cars to understand the driver, allowing people and cars to grow together as partners. The Concept-i aims to be a beloved car of a new era based on the idea that cars are among the most beloved of manufactured goods. Combining technology that understands people with automated driving and agent technologies, the Concept-i provides drivers with safety and peace of mind as well as new "Fun to Drive" experiences that enrich the enjoyment of transportation. For example, to provide safety and peace of mind, in addition to monitoring the car's external conditions, the Concept-i assesses the driver's condition using technology that understands people and monitors the reliability of the driver and the car. If the car's reliability is high and the driver is overcome by a dangerous or high-stress situation, for example, the Concept-i will decide that support from the car is deemed necessary and switch to automated driving. With such functions, the Concept-i embodies Toyota's Mobility Teammate Concept, which envisions a future in which people and vehicles monitor and help one another.

Toyota plans to conduct road tests of vehicles equipped with some of the functions presented at Tokyo Motor Show 2017 by around 2020.



Concept-i

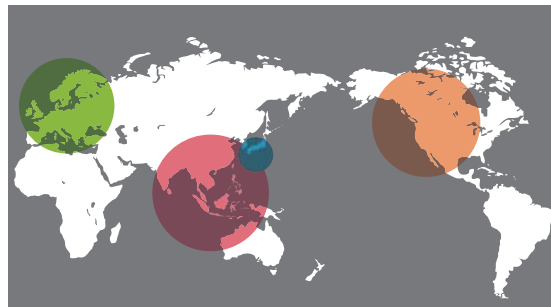
## At a Glance

### Financial Highlights for the Year Ended March 31, 2017 (Consolidated)

Net revenues/YoY change	Operating income/Ratio of operating income to net revenues	Net income*/Ratio of net income to net revenues*	R&D Expenses/YoY change	Capital Expenditures/YoY change
¥27,597.1 billion -2.8%	¥1,994.3 billion 7.2%	¥1,831.1 billion 6.6%	¥1,037.5 billion ¥-18.1 billion	¥1,211.8 billion ¥-80.6 billion

\* Net income attributable to Toyota Motor Corporation

### Global Perspective/Data by Region



	Number of Plants and Manufacturing Companies (As of February 28, 2017)	Distributors* (As of December 31, 2016)	R&D Sites* (As of March 31, 2017)	Number of Employees 364,445 (Consolidated, as of March 31, 2017)	Total Vehicle Production 8,975,509 (Consolidated, FY2017)	Total Vehicle Sales 8,970,860 (Consolidated, FY2017)
Japan	16	—	5	58%	46%	25%
North America	11	5	3	13%	23%	32%
Europe	9	29	3	5%	7%	10%
Asia excluding Japan	24	20	4	17%	19%	18%
Other	9	113	1	7%	5%	15%

\*Number of bases for Toyota and Lexus brands

## History



Toyota Model AA passenger car launched (1936)



Toyopet Crown launched (1955)



Corolla launched (1966)



Celica launched (1970)



Soarer launched (1981)



Lexus LS400 launched (1989)



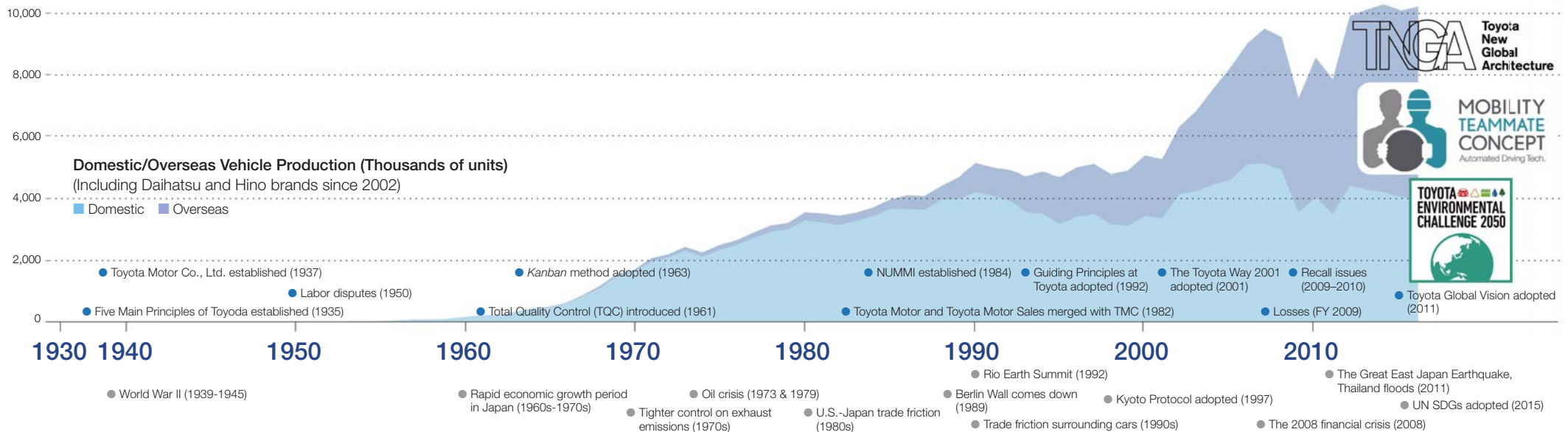
Prius launched (1997)



MIRAI launched (2014)



TRI established (2016)



## Toyota's roots and entry into the automobile industry

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

## Establishing the Toyota identity and innovating to resolve social issues

- Toyota organized its mass-production structure while establishing a method for quality control by building quality through processes and the Toyota Production System
- Regarding air pollution which had become a serious social issue, Toyota took on problems that could not be solved just by working with existing technologies, responding to the world's strictest exhaust gas regulations (at the time) with innovation
- Having experienced the first and second oil crises, Toyota worked to reduce resource and energy use, and its cross-functional team implemented cost improvement initiatives

## A series of challenges and the expansion of globalization

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

## Toward the future of a new mobility society

Toyota regards the tremendous changes in the automotive industry as opportunities. In accordance with this view, we are working to make ever-better cars and to implement a strategic shift toward electrification, information, and intelligence in order to build new business models. In these ways, we will not only continue to evolve our existing car manufacturing business, but expand the scope of innovation to encompass social platforms to meet society's needs and technological platforms, such as AI, that extend beyond cars, to provide broad-ranging value that exceeds customer expectations as we work to create the mobility society of the future.



## Initiatives for Sustainable Growth

Toyota strives to implement a positive cycle of making ever-better cars that exceed customer expectations, enriching lives of communities, being rewarded with the smiles of customers and communities and thus reinforcing its stable base of business. Through this cycle, Toyota aims to grow sustainably in concert with society.

Even as the business environment transforms and new challenges arise, Toyota will leverage the qualities, honed over time, that make it unique as it shifts to a longer term strategic perspective in order to maintain and enhance this positive cycle. By doing so, we will provide value to society in the forms of safety and peace of mind, environmental sustainability and *Waku-doki* (excitement and exhilaration that wows you).

### Business Environment Changes

#### Individual desires/ Societal demands

Lifestyle changes



Environmental  
problems



Urbanization



#### Technological innovation

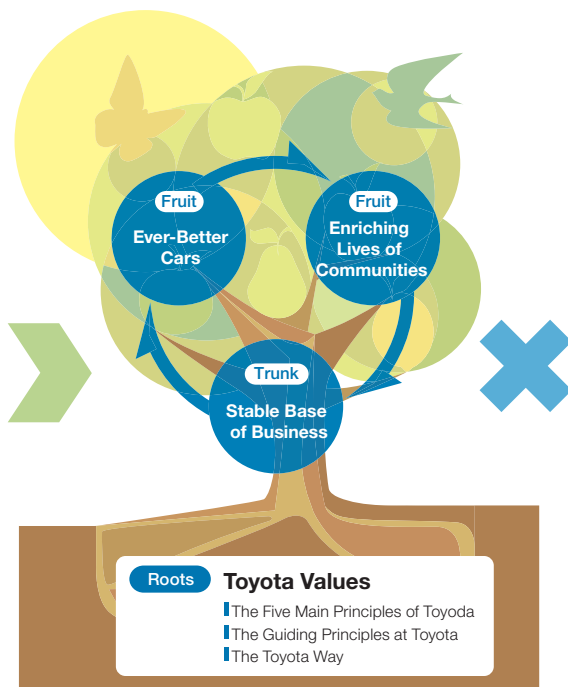
Intelligent  
technologies



IoT

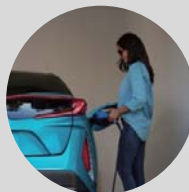


Robotics



### Strategic Shifts

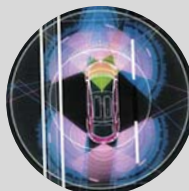
#### Electrification



#### Information



#### Intelligence



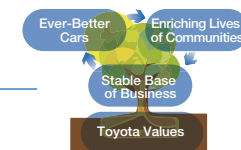
### About Our Tree Icon

Toyota is implementing Visionary Management based on the Toyota Global Vision. We use the image of a tree to symbolize this approach. The fruits of the tree are our contributions to making ever-better cars and the enrichment we bring to the lives of communities, the tree's trunk

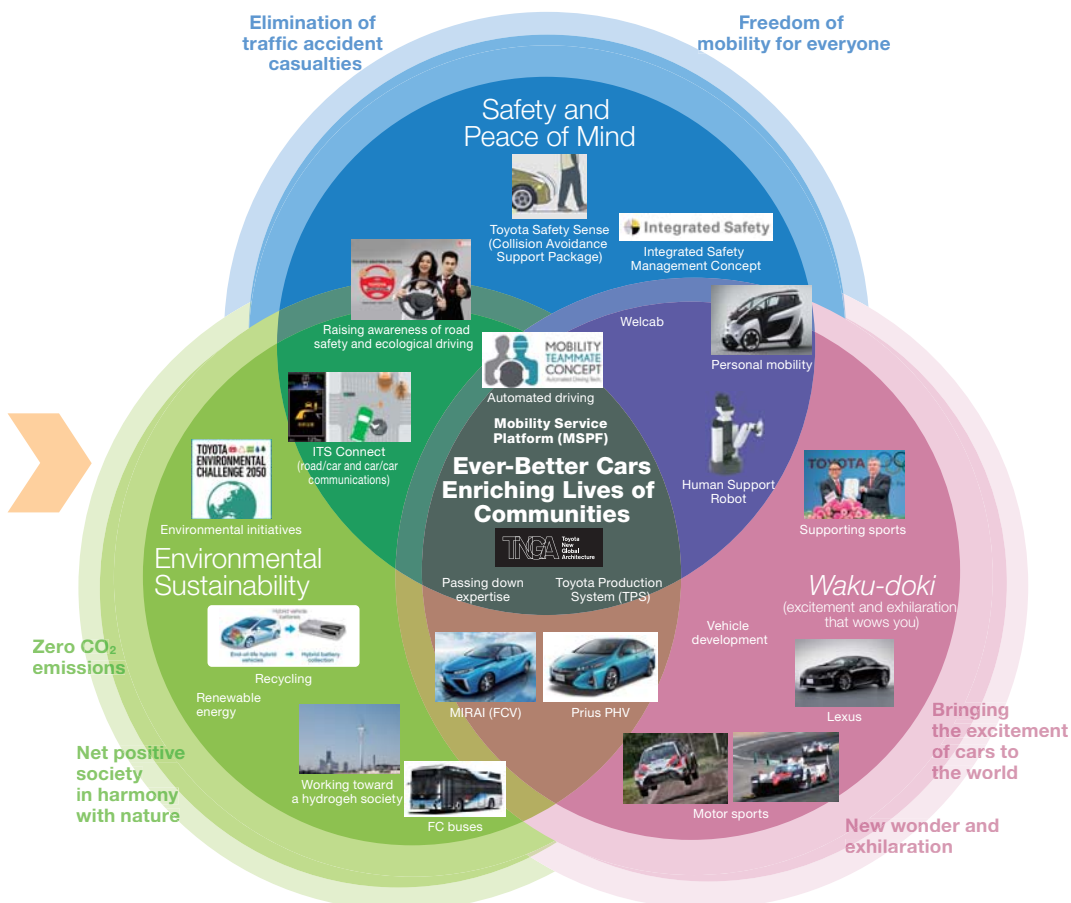
! More details Toyota Global Vision, p. 22

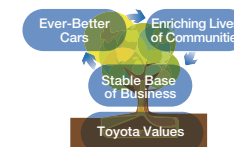
represents our stable base of business that supports these efforts, and the tree's roots are the Toyota Values.

The tree icon in the upper right corner of each page of this section shows the connection of the content presented to Toyota's Visionary Management.



## The Value Toyota Creates





## Initiatives for Sustainable Growth

### Toyota's Approach to Sustainable Growth

Toyota has taken the initiative in contributing to the sustainable development of society and the planet through all its business activities. Cars have provided freedom of movement but have also had a wide range of other social and environmental consequences. Toyota bears this in mind and listens closely to customers and communities as it seeks to achieve harmony between individuals, society and the global environment through *monozukuri* (manufacturing).

Looking more closely at, for example, our environmental efforts, we are implementing initiatives under the Toyota Environmental Challenge 2050 as a top-priority management issue. Specifically, we are working to help resolve major global environmental issues, including climate change, water scarcity, resource depletion and biodiversity degradation. As part of this, we are aiming to not only achieve net zero CO<sub>2</sub>

emissions to help meet the Paris Agreement\* goal of keeping global warming below 2°C, but to have a net positive impact on the environment.

\* The Paris Agreement, reached in December 2015, was negotiated at the 21st yearly session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change, held in Paris. The agreement set the long-term goal of limiting global warming to well below 2°C compared with pre-industrial levels and calls for net zero anthropogenic greenhouse gas emissions to be reached during the second half of the 21st century.

Toyota is also utilizing its strengths to help solve global social problems in line with the United Nations Sustainable Development Goals (SDGs), promulgated in January 2016. In addition to addressing climate change (in line with SDG 13), Toyota is working to reduce traffic accident injuries and deaths (SDG 3) and to promote sustainable community building and improved mobility (SDG 11). Furthermore, Toyota places value on all stakeholders in the management of its businesses and strives to maintain and develop

sound relationships with stakeholders through open, fair communication in order to contribute to the sustainable development of society and the planet. As our businesses develop, our communications with stakeholders also broaden and deepen. By working always hand-in-hand with stakeholders and growing together, Toyota consistently provides the three forms of value listed above.

Stakeholder Engagement  
(Sustainability Data Book 2017, p. 74)

### Toyota's Implementation Framework

Toyota's implementation framework for sustainable development includes the Corporate Planning Meeting and the Corporate Governance Meeting, which carry out their respective activities from a long-term, Company-wide perspective.

Toyota established a CSR Committee in October 2007 to coordinate and implement CSR activities. With guidance from this committee, Toyota works to

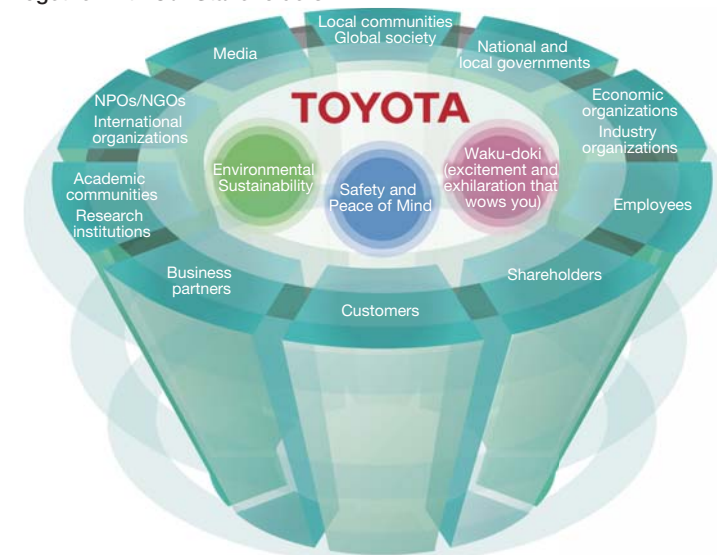
ensure compliance, carry out social contribution activities and address environmental problems.

In April 2015, this framework was revised to emphasize corporate value enhancement, an approach that makes CSR an integral part of management. This change was aimed at integrating the specialized CSR-focused discussions that had until then been confined to the CSR Committee into broader discussions of overall management and business activities. To this end, the functions of the CSR Committee were transferred to the Corporate Planning Meeting and Corporate Governance Meeting. The Corporate Planning Meeting, under the Shareholders' Meeting and Board of Directors, takes a wide range of social issues into account when considering growth and business strategy. The Corporate Governance Meeting serves to oversee business operations and makes decisions regarding the governance framework under which such strategies are implemented.

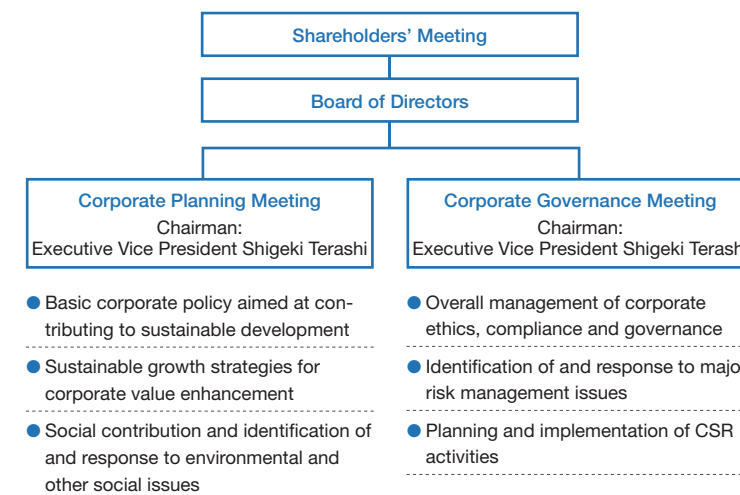
### Helping Solve Global Social Problems



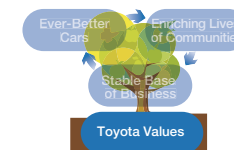
### Together with Our Stakeholders



### Implementation Framework



**Initiatives for Sustainable Growth** Corporate Philosophy Making Ever-better Cars (TNGA) Taking on the Future Toyota Environmental Challenge 2050 Aiming to Be the Best in Town  
Employees Corporate Governance Risk Management Compliance



## Corporate Philosophy

In all of its business activities, Toyota aims to contribute to the creation of a more affluent society and earn the trust of stakeholders as a good corporate citizen.

### The Guiding Principles at Toyota and Their Implementation

The Five Main Principles of Toyoda have been passed down since Toyota's founding as the core of its management. These principles embody the thinking of the Toyota Group's founder, Sakichi Toyoda. In 1992, they were reorganized in light of changes in society and business structure to create the Guiding Principles at Toyota.

The Guiding Principles at Toyota lay out the kind of company we want to be. Building on this, the Toyota Way 2001 (hereinafter called the "Toyota Way") was

established in 2001, laying out values and business practices that everyone working at Toyota around the world should embrace. The Toyota Way thus clearly articulates and facilitates the global sharing of values and practices that had previously been passed down only as implicit knowledge.

The Toyota Way's main pillars are the concepts of continuous improvement and respect for people, with the keywords of taking on challenges, *Kaizen*, and *Genchi Genbutsu* (onsite, hands-on experience) under the former and respect and teamwork under the latter. Continuous improvement means never being satisfied with the status quo and always doing our utmost to create even greater added value.

Respect for people entails respect for all our stakeholders and working to achieve business success by promoting the growth of employees.

### Rewarded with a Smile by Exceeding Your Expectations. The Toyota Global Vision

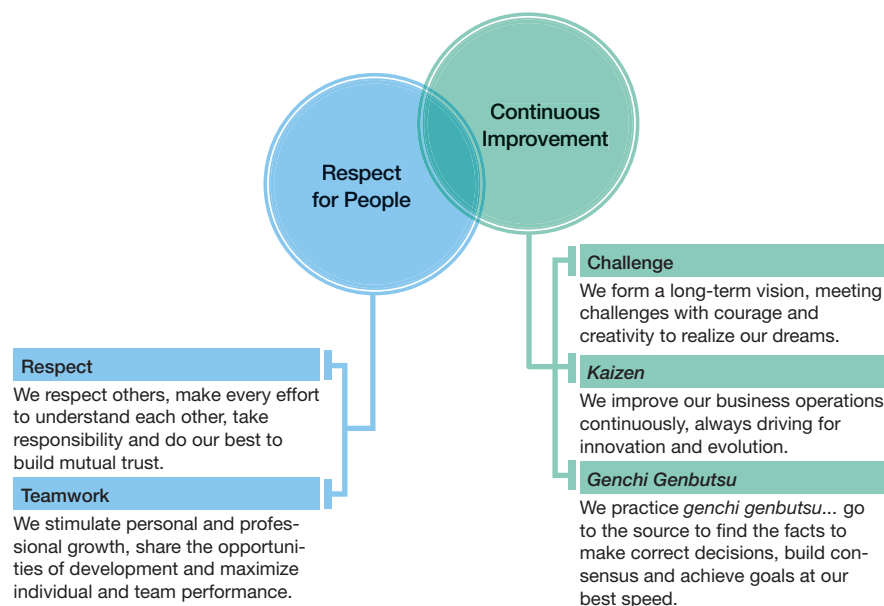
The Toyota Global Vision, published in March 2011, articulates the kind of company that Toyota aspires to be and the values that it esteems as a common rallying point for the entire Company and as a statement to Toyota's customers and society at large. The vision took on particular meaning in light of the

Company's losses following the global economic crisis of 2008 and the series of recalls in 2010. We are implementing a positive cycle of making ever-better cars that exceed customer expectations, enriching lives of communities, being rewarded with the smiles of customers and communities and thus reinforcing our stable base of business. By maintaining and enhancing this cycle, we aim to continuously provide value to society in the forms of safety and peace of mind, environmental sustainability and *Waku-doki* (excitement and exhilaration that wows you) while enhancing Toyota's corporate value.

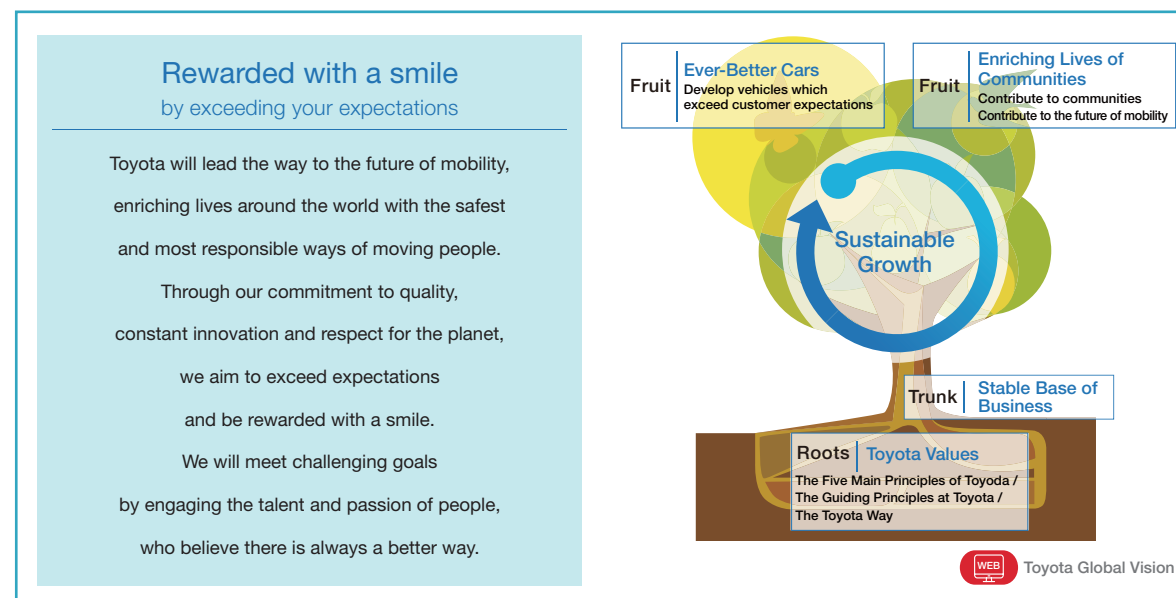


Corporate Principles  
(Sustainability Data Book 2017, p. 5)

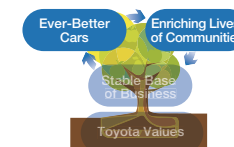
### The Two Pillars and Five Keywords of the Toyota Way



### Toyota Global Vision







## Making Ever-better Cars (TNGA)

In line with its Customer First policy, Toyota strives to make ever-better cars that surpass customer expectations.

The automobile business is in the midst of tremendous change. In the automobile manufacturing business, Toyota's most important business today, we seek to make cars even more appealing so that they will be loved by customers for years and years. To this end, we are implementing Company-wide structural innovation across our global car making business. In terms of corporate structure, we have adopted a product-based in-house company system with the aim of more quickly responding to customer demand.

Since its founding, Toyota has developed unique methods and values, such as the Toyota Production System (TPS) and *Kaizen* (improvement), handing them down as sources of competitiveness. Going forward, while we will leverage these strengths, we will not be bound by precedent as we endeavor to make ever-better cars.

### TNGA Accelerates Our Efforts to Make Ever-better Cars

With the aim of making ever-better cars, Toyota is implementing a program of structural innovation it calls the Toyota New Global Architecture (TNGA). TNGA is how we are changing the basic architecture of our cars, entailing the integrated development of new powertrain units (engines, transmissions, and HV units) and platforms (chassis) from the ground up. By doing so, TNGA is aimed at dramatically improving basic functionality—propulsion, turning, and stopping—and enhancing product appeal so that

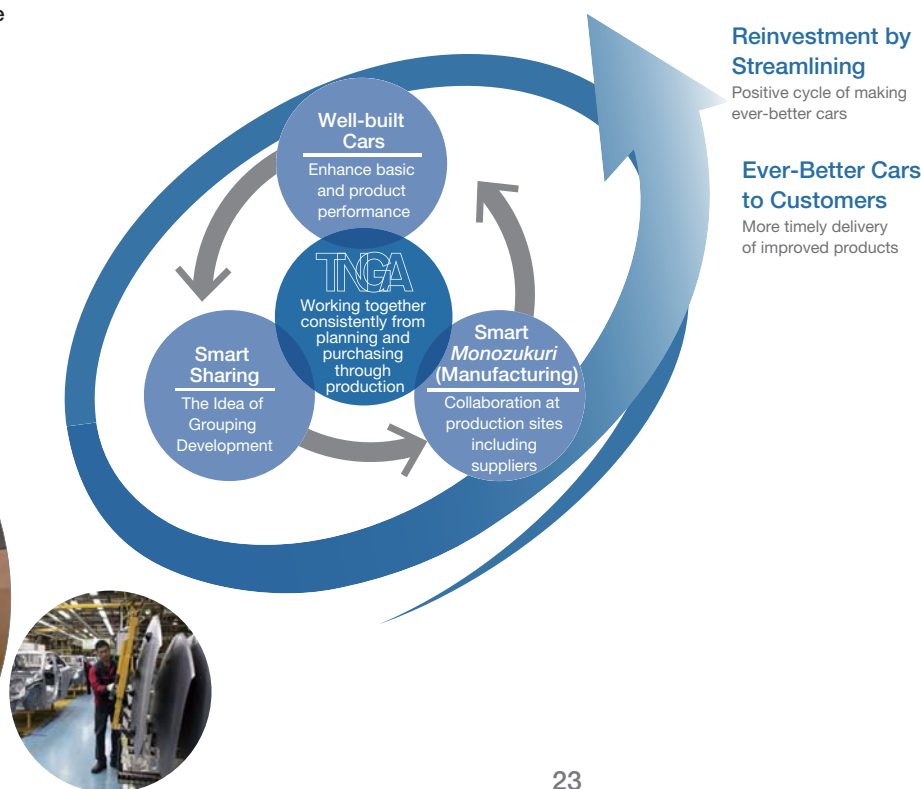
customers will love their cars for year and years. We expect these initiatives to cut development resource requirements by about 20%, permitting greater reinvestment in enhancing quality and product appeal and thus accelerating a virtuous cycle, enabling us to deliver ever-better cars faster than ever before.

TNGA comprises two main aspects: total optimization and individual optimization. Total optimization entails exhaustively enhancing cars' basic performance and implementing smart sharing of the results, while individual optimization is achieved through the exacting design of each model by a chief engineer, who acts as development leader, in line with each region's market needs and customer preferences.

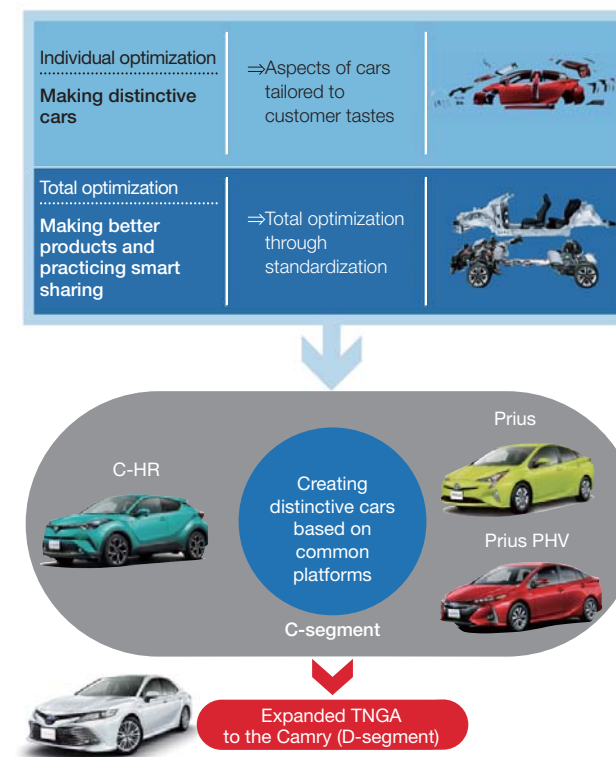
For example, the C-HR shares a platform (labeled "total optimization" in the diagram below) with the Prius, also in the C-segment. In contrast to the Prius's development concept, beautiful hybrid, the C-HR was designed in line with the development concept of responsive driving performance, with a focus on performance-enhancing features unique to the C-HR. The C-HR's exterior architecture features a distinctive diamond theme, and its styling is enjoying considerable popularity in the rapidly growing compact SUV market.

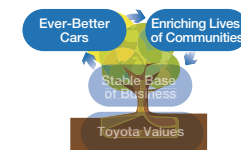
Toyota began the TNGA initiatives with the fourth-generation Prius (launched in Japan in December 2015), followed by horizontal expansion within the

### The Integrated TNGA Cycle



### Making Cars under TNGA





## Making Ever-better Cars (TNGA)

C-segment to include the C-HR (launched in Japan in December 2016) and Prius PHV (launched in Japan in February 2017). Leveraging the know-how gained from these earlier releases, we released the new Camry (launched in Japan and the United States in summer 2017) in the D-segment, expanding the range of car types produced under the TNGA.

### Powertrain Development

One specific initiative under TNGA is the development of new powertrains, which form the core of the automobile, that have a lower center of gravity, thus promoting both excellent driving performance and excellent environmental performance.

Our approach to powertrain development aims to simultaneously enhance product marketability and improve production and development efficiency. To enhance product appeal, we are, of course, working to ensure excellent environmental performance while also seeking boost driving performance by focusing development on customers' sensory experiences

under the theme "Direct & Smooth." Through this approach, we have developed powertrain units that, by themselves, improve power performance approximately 10% and fuel economy approximately 20%. In terms of production efficiency, we are globally unifying processing and assembly standards as well as process and equipment specifications in order to create a global architecture that will be able to quickly and flexibly respond to customer needs. Looking at development efficiency, to take the example of engines, we are unifying the design of combustion chambers and cylinders while achieving engine variation using different combinations of cylinder volume and number of cylinders, thus promoting integration and reducing the types of engines under development by approximately 40%.

Using TNGA-based modular development, in the five years leading up to 2021, Toyota plans to introduce a vehicle lineup that consists of 37 variations of 19 models to meet diverse driver needs. Beginning with the new Camry, Toyota will steadily increase the lineup of cars incorporating the new powertrains, aiming for such vehicles to account for 60% or more of all new vehicles sold in 2021 on a non-consolidated basis (in Japan, the United States, Europe and

China). We estimate that the increased fuel economy of the new powertrains alone will reduce the CO<sub>2</sub> emissions from the cars sold by Toyota on a non-consolidated basis in 2021 by at least 15%.

### Reinforcing the Powertrain Development Framework

As part of the Toyota Environmental Challenge 2050, to help conserve the global environment, Toyota is working toward the goal of reducing its global average new vehicle CO<sub>2</sub> emissions by 90% from its 2010 global level.

Conventional engine-powered vehicles account for the vast majority of vehicles currently on the market, and even hybrid vehicles (HVs) and plug-in hybrid vehicles (PHVs) have internal combustion engines. Toyota therefore believes that the further technological development of conventional engines and transmissions, which will remain dominant for some time to come, is a sure, steady, realistic, and effective means of reducing CO<sub>2</sub> emissions. At the same time, to advance the electrification of vehicles, Toyota must also accelerate

its development of hybrid technologies (electrification technologies), such as those used in electric motors, batteries, and power control units (PCUs).

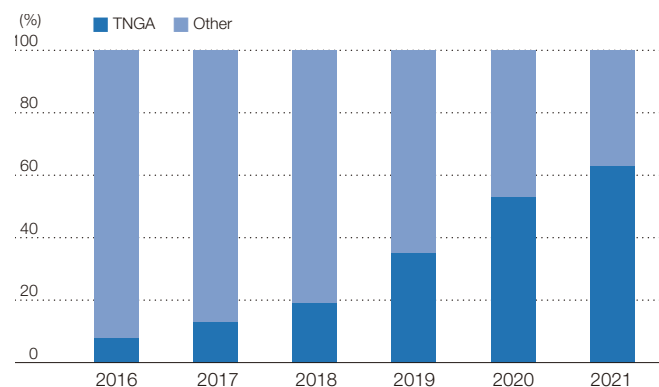
Going forward, to produce greater results than ever using limited resources, we believe that we must implement business innovation, and we plan to carefully review the technologies we have with the aim of further acquiring technologies through in-house creation while sharing technologies within the Toyota Group and expanding areas of joint development. By strengthening coordination within the Group and efficiently utilizing resources, we aim to quickly establish new technologies, enhance the collective ability of the Group, speed up development, and increase scale through the proliferation and expansion of environmental technologies.

Furthermore, to advance electrification and speed up the development of hybrid technologies, which are at the core of PHVs, FCVs, and EVs, we plan to increase the number of personnel involved in hybrid technology development by approximately 30% by 2021.

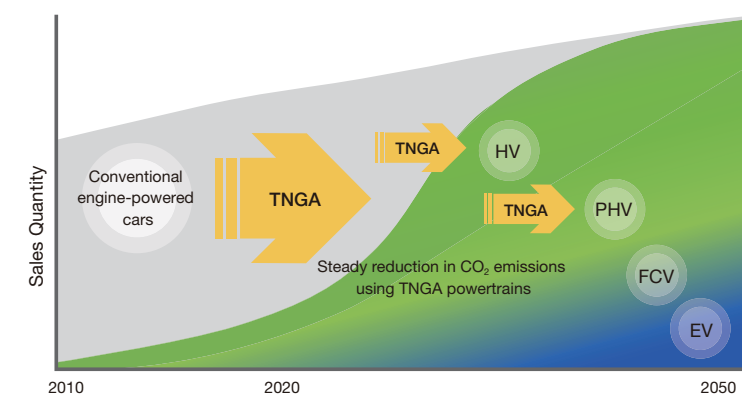
### Dynamic Force Engine (2.5-liter) in the New Camry

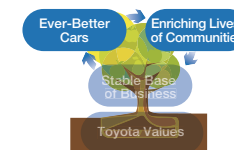


### TNGA Powertrain Adoption Plan (% of total sales in Japan, the United States, Europe and China)



### TNGA Powertrains' Environmental Contribution





## Making Ever-better Cars (TNGA)

### Achieving both Smart Sharing and Outstanding Car Manufacturing

The transition to a product-based in-house company system as part of the 2016 structural reforms was intended to better enable us to make ever-better cars while developing human resources to support that goal. Accordingly, R&D operations, which had been organized by function, have been divided into the categories of advanced and mass production, and those in the latter category have been allocated to the related in-house companies. The new system thus enables integrated operations, from planning to production, under the authority of each in-house company president.

Advanced R&D is handled by the Advanced R&D and Engineering Company, which removes barriers

between R&D and production engineering to speed up technological development. This company works with Toyota Central R&D Labs., Inc., Toyota Research Institute, Inc. (TRI), and the Frontier Research Center on cutting-edge research, exploring the possibilities of future automotive technology as it drives development. In addition, this company creates technological scenarios as global benchmarks to help Toyota understand how to achieve its vision for the future. Moreover, the Advanced R&D and Engineering Company supports development at the product-based in-house companies through its innovative technological development.

In April 2017, we established GAZOO Racing Company, creating a framework for building up motor sports technical capabilities to serve as know-how for adding flavor and spice to driving. Using this know-how, we aim to develop and release cars that offer customers true *Waku-doki* (excitement and

exhilaration that wows you). Taking a *Genchi Genbutsu* (onsite hands-on experience) approach rather than relying solely on data, we are positioning motor sports at the heart of our efforts to make ever-better cars.

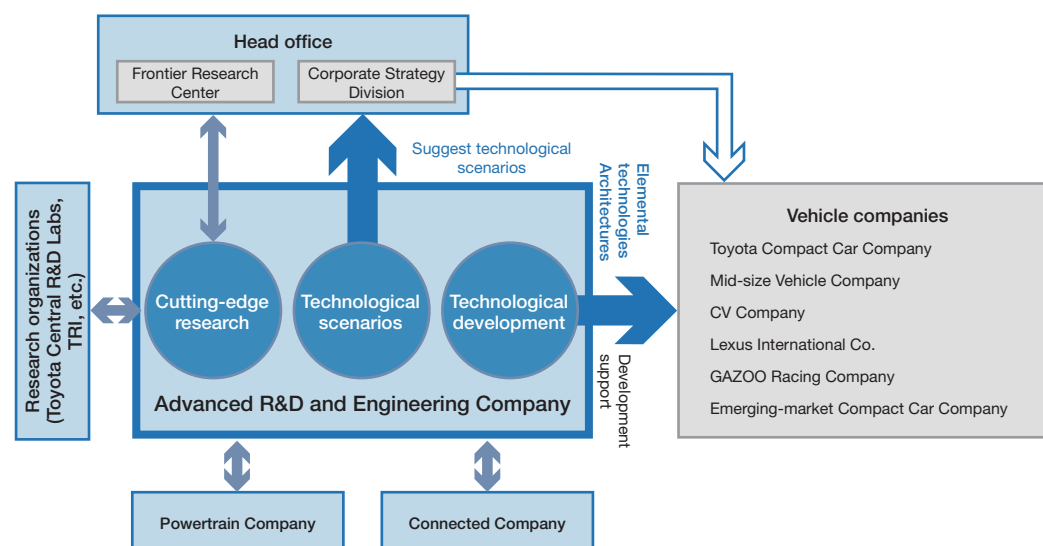
Each in-house company, due to its integrated operations, bears the final responsibility for product revenue. To strengthen this system, in September 2017, we reorganized the Cost KAIZEN Division (now the Cost KAIZEN Department), reallocating approximately 60% of its cost planning staff to the in-house companies. The Cost KAIZEN Department staff remaining at the head office will promote overall optimization.

More than a year after the transition to the in-house company system, the new approach to making ever-better cars has begun to take root, but areas that require improvement have also come to light. In particular, we are still learning from our partners in business alliances and subsidiary Daihatsu Motor Co., Ltd. about efficient development and car manufacturing

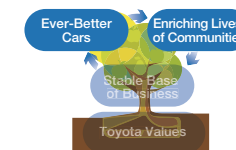
with a rigorous focus of the customer's perspective. As part of such initiatives, we are encouraging healthy competition between in-house companies, such as that related to new compact vehicle projects between the Emerging-market Compact Car Company and Toyota Compact Car Company.

Going forward, we will continue working to make ever-better cars that exceed customer expectations, seeking to translate structural reforms into opportunities to improve ourselves based on the belief that the process of *Kaizen* (improvement) never ends and that innovation is created only through steadfast, ongoing *Kaizen*.

### Framework for Making Ever-better Cars



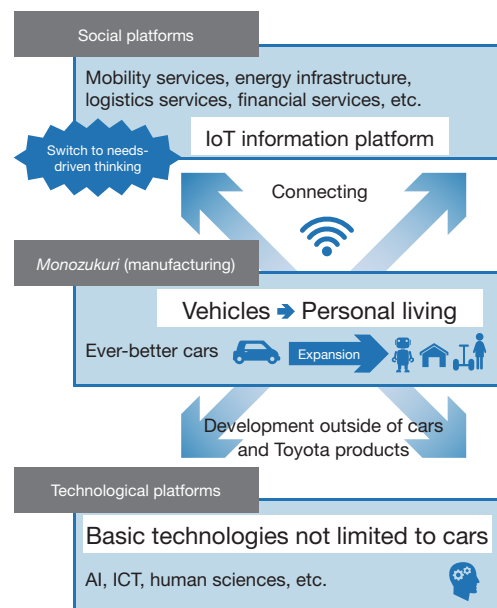




## Taking on the Future

Society and industry are undergoing structural changes of unprecedented pace and scale. Values and lifestyles are diversifying, while a wide range of social issues are growing more pronounced, and innovation is driving rapid technological development. We believe that the value of mobility is also beginning to change not just through the evolution of cars, but through an expansion into aspects of personal life, including social infrastructure.

Toyota is taking on the future by not only evolving its long-standing *monozukuri* (manufacturing), but expanding its focus to encompass social platforms that address society's needs as well as technological platforms, such as AI, that extend beyond cars. By doing so, we aim to provide broad-ranging value that exceeds customer expectations.



## Creating New Industries

The Frontier Research Center was established as part of the April 2016 structural reforms with the objective of creating new value from a long-term perspective to achieve sustainable growth by bringing together wisdom from across Toyota's Group companies and affiliates. The center is charged with, in short, fostering innovation in the value-creating industries that will come after automobiles from the perspective of serving the world and its people.

We are now at a once-in-a-century turning point. We believe that we must not only continue to make ever-better cars that will be irreplaceable assets for our customers; in order to ensure that Toyota remains a best-in-town company, we must think about how we can next contribute to society—this time outside of automobile manufacturing, sales, and services—and get started. The Frontier Research Center is working to leverage Toyota's traditional strengths in *monozukuri* (manufacturing), generate lasting employment, and create new industries for the next generation.

The Frontier Research Center takes an open stance, advancing initiatives in collaboration with partners that share its vision.

## Contributing to Agriculture

Toyota developed *Housaku Keikaku*, an agricultural IT management tool, to help improve agricultural productivity by applying production management methods and operational improvement know-how cultivated in the automotive business to agriculture. In 2014, we began providing the tool to rice growing agricultural cooperatives. Starting in April 2014, as part of the Advanced Model Agricultural Business Formation Trials by the Japanese Ministry of Agriculture, Forestry and Fisheries, we established the Rice Production Kaizen Network, a consortium formed with nine rice growing agricultural cooperatives in Aichi and Ishikawa prefectures and the Ishikawa prefectural government. Through this consortium, we are providing *Housaku Keikaku*, conducting pilot testing aimed at further efficiency and quality improvement, and building a foundation for human resource development through front-line *Kaizen* (improvement).

In April 2017, we announced new partnerships in Hokkaido and Nagano. As of May 2017, 33 cooperatives were using *Housaku Keikaku*. Going forward, we will continue to expand the number of users of the tool, seeking to contribute to enhancing the efficiency and quality of rice farming.

## Investing in Start-ups through a Fund to Create New Value

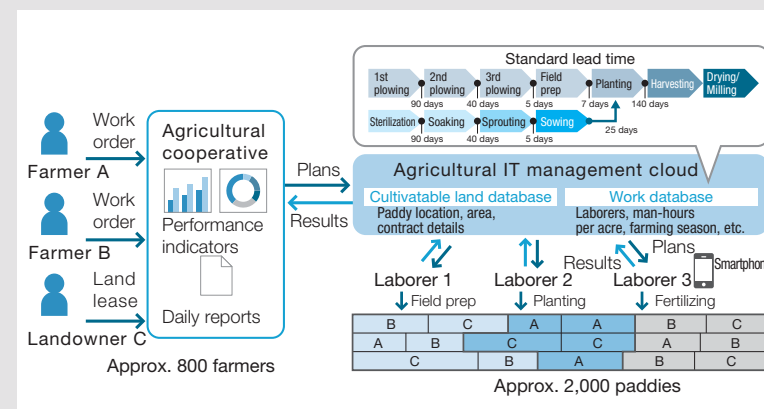
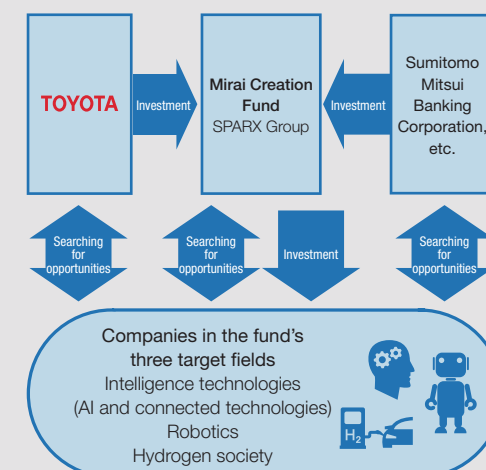
Mirai Creation Investment Limited Partnership ("the Mirai Creation Fund") is an investment fund established by SPARX Group Co., Ltd. to accelerate future-oriented innovation. Along with Sumitomo Mitsui Banking Corporation, Toyota has participated in this fund as an investor since its establishment.

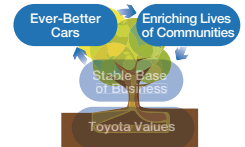
The fund's basic purpose is to help accelerate innovation by investing in and nurturing enterprises that possess technologies with the potential to drive future-oriented growth and to promote said potential worldwide by building a portfolio of the promising businesses it finds. The fund also shares the corporate information it collects with Toyota, supporting new technological development by introducing potential partners and facilitating the execution of capital alliances. The fund focuses investment on core technologies in the areas of intelligence (AI and connected technologies), robotics, and making a hydrogen society a reality.

Since its establishment, the fund's investment in start-ups has progressed as initially planned. As of June 30, 2017, of its total ¥36.7 billion, it had

invested ¥14.3 billion in 29 companies in the United States, the United Kingdom, Israel, and Japan.

Examples of companies in which the fund has invested include PKSHA Technology Inc. in the AI field and Getaround, Inc. in the connected technology field. These companies are advancing research and development in cooperation with Toyota.





## Taking on the Future

### Solutions for the Problems Facing a Graying Society

Since the announcement of its development vision in 2007, Toyota has been applying its technology and know-how developed for industrial robots used in vehicle manufacturing to create partner robots that offer support for everyday living, working to bring these robots to market. So-called service robots for non-industrial use include robots designed to inspect infrastructure or provide emergency response. Toyota, however, is focusing on partner robots that work closely with people to provide support for living. Japan is rapidly graying, and its working-age population is decreasing. Because of these shifts, the burden on the working-age population of supporting the elderly is forecast to balloon to approximately three times the 2000 level by 2050. Toyota aims to use partner robots to instead keep this burden at around the 2000 level.

Under its vision for partner robot technology, “freedom of mobility for all, and the joy of self-reliance,” Toyota is working to bring products to market in the four main areas of Senior Life Support, Welfare Support, Independence Support, and Medical Support.

### Focusing First on Needs Created by the Low Birth Rate and Graying Population

#### Senior Life Support

Toyota is developing the Winglet, a personal mobility robot ridden while standing that facilitates seamless travel indoors and out, so that seniors can easily leave home with safety and peace of mind. The Winglet is now undergoing pilot testing on public roads.



Winglet

#### Welfare Support



Conversation robot, Pocobee

The patient transfer assist robot is being developed to reduce the burden on caregivers at elderly care facilities and elsewhere by helping transfer individuals who cannot move unassisted from, for example, a bed to a wheelchair.

Conversation robots are being developed to help prevent the onset and progression of dementia and reduce the burden on caregivers in light of the forecast increase in Japan's number of individuals with dementia and decrease in the working-age population.

#### Independence Support

The human support robot (HSR) offers such functions as picking up and fetching objects and is being tested for use in areas that include preventing the need for nursing care, health management and assistance with housework. This robot is being provided to universities and other research institutions as a platform in order to foster a development community and accelerate development and testing through open innovation.



HSR

The HSR was selected as the standard platform in the “@HOME” division for RoboCup2017 Nagoya Japan and as the platform robot for the World Robot Summit 2020 Partner Robot Challenge (a competition centered on uses for robots in the home).

#### Medical Support



Welwalk WW-1000

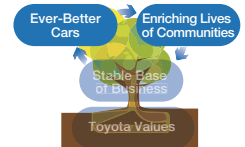
In autumn 2017, Toyota will commence the rental of the Welwalk WW-1000, a rehabilitation robot designed to aid in the gait training of patients with lower limb paralysis due to stroke or other factors.

The Welwalk WW-1000 comes with a range of rehabilitation support functions based on motor learning theory, including the ability to adjust the difficulty level of gait training to suit the patient and to provide feedback about the patient's gait characteristics.

### Commercialization Schedule and Development Status

	2017	Approx. 2020	Target areas
Gait training robot	The rehabilitation robot Welwalk WW-1000 received medical device certification in November 2016. Rental of the robot will begin in autumn 2017.		Senior Life Support, Medical Support
Conversation robot	The robot is being tested at the National Center for Geriatrics and Gerontology with the aim of helping prevent the onset and progression of dementia, and we are working to quickly bring it to market.		Medical Support, Welfare Support
Standing personal mobility robot	We are testing the robots at test-ride events in retail facilities and on public roads as we work with the police and government to expand areas where they can be used.		Senior Life Support
Balance training assist robot	The robot is in use at 21 medical institutions across Japan for clinical research. We are incorporating feedback from doctors, physical therapists and other users as we work to bring the product to market.		Medical Support
Human support robot (HSR)	We are creating a development community based on open innovation to advance technological development and testing aimed at commercialization.		Independence Support
Patient transfer assist robot	We are implementing a development and testing cycle to create an easier to use device and bring the product to market		Welfare Support
	Development	Pilot testing	Commercialization





# Toyota Environmental Challenge 2050



Toyota has long carried out a wide range of initiatives aimed at addressing a host of mounting environmental problems, including extreme weather phenomena attributable to greenhouse gases, biodiversity loss due to development, and water shortages due to population growth.

Toyota announced the Toyota Environmental Challenge 2050 in October 2015. In addition to continuing efforts to reduce the environmental burden attributable to automobiles to zero, we have set ourselves six challenges aimed at helping to build a sustainable world through initiatives that will positively impact the earth and society.



## 0 Challenge of Achieving Zero



### New Vehicle Zero CO<sub>2</sub> Emissions Challenge

**Target** Reduce global average new vehicle CO<sub>2</sub> emissions by 90% from Toyota's 2010 global level

#### Actions

Further popularize next-generation vehicles to save energy and use diverse fuels

- Further popularize HVs and PHVs globally
- Further popularize zero emission vehicles such as FCVs and EVs<sup>\*1</sup>

<sup>\*1</sup> Zero emissions: The elimination of all harmful exhaust gases; in recent years, this term has been used to refer particularly to automobiles that emit no CO<sub>2</sub> whatsoever, such as EVs and FCVs. More broadly, the term encompasses efforts to completely eliminate waste that must be incinerated or put in landfills for final disposal.



### Life Cycle Zero CO<sub>2</sub> Emissions Challenge

**Target** Completely eliminate CO<sub>2</sub> emissions from the entire vehicle life cycle

#### Actions

Reduce CO<sub>2</sub> emissions from the entire life cycle, from materials, parts, and vehicle production to driving and disposal

- Reduce CO<sub>2</sub> emissions during material production by developing and adopting more low CO<sub>2</sub> emission materials
- Reduce environmental impact by adopting more recycled materials



### Plant Zero CO<sub>2</sub> Emissions Challenge

**Target** Achieve zero CO<sub>2</sub> emissions at all plants by 2050

#### Actions

Introduce and develop low CO<sub>2</sub> technologies, implement daily *Kaizen*, and promote the use of renewable energy and hydrogen

- Reduce energy use to one third by simplifying and streamlining production processes and implementing innovative energy saving
- Use renewable energy, including wind power produced on-site at our Tahara Plant by around 2020

## ✕ + Net Positive Impact Challenge



### Challenge of Minimizing and Optimizing Water Usage

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

#### Actions

Reduce water consumption in existing manufacturing processes, introduce technologies that reduce industrial water consumption through rainwater use, and improve water recycling rates

- Manage wastewater quality by complying with strict standards, improving the local environment by returning clean water



### Challenge of Establishing a Recycling-based Society and Systems

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

#### Actions

Establish a recycling-based society with four key areas:

- (1) utilizing eco-friendly materials;
- (2) using parts for longer;
- (3) developing recycling technologies;
- (4) manufacturing vehicles from End-of-life vehicles

Two global rollout projects started from 2016:

- 1) Toyota Global 100 Dismantlers Project
- 2) Toyota Global Car-to-Car Recycle Project



### Challenge of Establishing a Future Society in Harmony with Nature

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

#### Actions

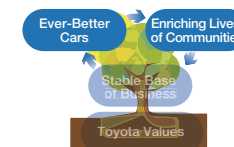
Expand Toyota's long-standing nature conservation activities in the areas of forestry, environmental grants, and environmental education

The following three future-oriented projects started from 2016 to share our know-how and experience gained from these environmental activities

- 1) Connecting communities: Toyota Green Wave Project
- 2) Connecting with the world: Toyota Today for Tomorrow Project
- 3) Connecting to the future: Toyota ESD<sup>\*2</sup> Project

<sup>\*2</sup> Education for Sustainable Development





# Toyota Environmental Challenge 2050

## Key Fiscal 2017 Initiatives under Toyota Environmental Challenge 2050

### CHALLENGE 1 New Vehicle Zero CO<sub>2</sub> Emissions Challenge

#### Cumulative Hybrid Vehicle Sales Surpass 10 Million

Toyota places top priority on environmental initiatives. Aware that eco-friendly vehicles can best help protect the environment if they are in widespread use, we have been working to promote the spread of hybrid vehicles (HVs). Toyota released the Coaster Hybrid EV in August 1997 and in December of the same year released the Prius, the world's first mass-produced HV. Since then, Toyota's HVs have enjoyed the support of customers around the world, and in January 2017 Toyota's cumulative HV sales surpassed 10 million vehicles.

The business environment surrounding eco-friendly cars has changed greatly in the 20 years since Toyota introduced HVs to the world. Environmental performance has come to be one of the standards by which customers choose their cars, and the increasing number of companies developing and releasing HVs has firmly established HVs as an important vehicle category. With customers around the world increasingly choosing HVs and other fuel-efficient vehicles, the automotive industry has been better able to contribute to solving environmental problems.

### Hybrid Vehicles: Reducing CO<sub>2</sub> Emissions

Toyota calculates that the 10 million Toyota HVs sold as of January 31, 2017 have resulted in an approximately 77 million ton reduction in CO<sub>2</sub> emissions compared with what would have been emitted by gasoline-powered vehicles of the same class (in terms of size and horsepower). By the same comparison, these 10 million vehicles represent a savings of approximately 29 million kiloliters in gasoline.

### Toyota's Mainstay Next-Generation Eco-Friendly Vehicle: The Prius PHV

To further reduce CO<sub>2</sub> emissions, Toyota is promoting energy savings by focusing on the effective use of the finite supply of fossil fuels while also accelerating the adoption of other, diverse fuels, including the use of hydrogen and electric power. Specifically, HVs represent Toyota's key environmental technologies for saving energy, while fuel cell vehicles (FCVs) and electric vehicles (EVs) represent key environmental technologies related to using diverse fuels. Currently, plug-in hybrid vehicles (PHVs), combining the best aspects of HVs and EVs, are the Toyota vehicles best able to contribute to the environment.

Toyota positions the Prius PHV as the mainstay next-generation eco car to succeed HVs. In February 2017 a significant step forward was marked with the launch of the second-generation Prius PHV. With a higher capacity battery, the latest Prius PHV boasts an EV-mode cruising range of 68.2 km and, when

running as an HV, achieves fuel efficiency of 37.2 km/l, equal to that of the fourth-generation Prius.\* Furthermore, the new Prius PHV features a solar charging system, the first ever on a mass-produced vehicle, that is capable of generating enough electricity per day to drive the car up to 6.1 km.

\* Excluding A grade models (JC08 test cycle fuel efficiency values)

### CHALLENGE 4 Challenge of Minimizing and Optimizing Water Usage

#### The Toyota Water Environment Policy

Making cars requires a great deal of water. Toyota is working to minimize its impact on the natural aquatic

environment in terms of both input, by rigorously reducing the amount of water it uses, and output, by rigorously cleaning water it has used.

While the specific issues and ways of addressing them vary by region, Toyota has created the Toyota Water Environment Policy to help it accomplish the challenge it has set itself with regard to the aquatic environment.

The Water Environment Policy is composed of a Basic Stance, the Challenge of Minimizing and Optimizing Water Usage, and Three Directions for Initiatives. By carrying out the policy, we aim to help maintain rich aquatic environments.

#### Toyota Water Environment Policy

Toyota prioritizes the sustainability of water resources and aims to create an affluent society to ensure that sound aquatic environments can be shared by future generations.

#### Challenge of Minimizing and Optimizing Water Usage

##### Rigorous reduction of water consumption

Minimize water intake at each factory and utilize rainwater to minimize impact on local water sources



##### Being the best factory in the region to contribute to the whole community's prosperity



##### Rigorous cleaning of all water before discharge

Make a positive impact on the environment by making wastewater cleaner than the body into which it is discharged



#### Three Directions for Initiatives

##### Pursuit of Technology

We will pursue technological possibilities and rigorously make water resource use more efficient.

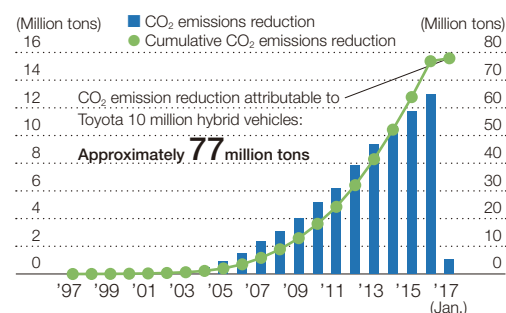
##### Operations Rooted in Communities

We will implement ongoing measures to improve aquatic environments, conscious that water is an asset that belongs to its locality.

##### Coordination with Society

We will actively communicate and disclose information to promote coordination and cooperation with stakeholders.

### CO<sub>2</sub> Emissions Reduction Effects of Toyota Hybrid Vehicles (Toyota Calculations)



Prius PHV

### CHALLENGE 6 Challenge of Establishing a Future Society in Harmony with Nature

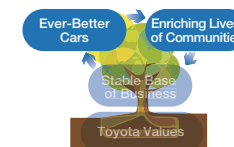
#### Five-Year Partnership with WWF

In July 2016, Toyota and the World Wide Fund for Nature (WWF) began a five-year partnership aimed at accelerating the globe's transition to sustainability. Toyota is the first car company and the first Japanese company to sign a Global Corporate Partnership agreement with WWF.

To help conserve biodiversity under the partnership, in 2016 Toyota donated US\$1 million and began offering other forms of support to the Living Asian Forest Project. The Living Asian Forest Project will reinforce existing WWF initiatives to conserve tropical rainforests and biodiversity in Southeast Asia and help develop new conservation initiatives.



Environmental Report 2017



## Aiming to Be the Best in Town

Based on a philosophy of contributing to society through the manufacture of automobiles, Toyota endeavors to proactively contribute to sustainable development in harmony with society and the earth through all its business activities in countries and regions around the world.

Toyota currently faces a business environment on the verge of tremendous change. Given this, we believe that in the coming years, aiming to be the best company in town, even more than being global or the best company in the world, will be more important than ever before.

We aim to make ever-better cars in order to enrich customers' lives in the regions and countries where we operate based on relationships of sincerity and respect. This means maintaining and further developing sound relationships with increasingly diverse business partners and local communities through fair and open communication. We believe that by doing so, we can become the most trusted, most loved company in every town where we have the privilege of doing business.

In line with this approach, we are advancing a variety of initiatives to help address social issues confronting the regions and countries in which we operate.

Toyota will continue to use the technologies and know-how it has built up in car manufacturing to contribute to local prosperity and contribute to "enriching lives of communities" as it aims to always be the best company in town.

### The Toyota Mobility Foundation: Supporting Ideas and Initiatives to Enrich Mobility

Established by Toyota in August 2014, the Toyota Mobility Foundation (TMF) aims to help realize a prosperous mobility society and eliminate disparities in mobility.

TMF focuses on bringing together Toyota's know-how and resources and the outstanding vision and experience of like-minded partners to create innovative technologies and systems with the potential to change the world, looking to share the fruits of these efforts with society at large.

As part of these efforts, TMF supports initiatives to provide more people with enhanced freedom of movement by, for example, diversifying modes of transportation to ease and prevent traffic congestion and developing vehicles and systems to help solve mobility

challenges facing seniors living in remote mountainous areas. In addition, in July 2017, TMF turned its attention to addressing energy problems, establishing a research program to support innovative research aimed at creating a hydrogen society, and began soliciting research proposals. TMF plans to first narrow down candidate research themes and then collect information on universities, research institutions, and NPOs working in areas related to said themes before developing proposals with potential partner organizations. The proposals that TMF will support will ultimately be selected by TMF's Board of Directors, with input from external experts on their practicability as well as legal and financial considerations.

Now, three years after its founding, TMF is shifting its focus to creating a better future, working to find innovative technologies and ideas while leveraging the lessons learned from problem-solving initiatives undertaken to date.



Toyota Mobility Foundation

### TMF's Projects

#### Ueyama, Mimasaka City, Okayama, Japan

Sustainable personal mobility model for remote mountainous areas

Period	Jan. 2016–Sep. 2019
Grant recipients	Research institute for sustainable rural villages (NPO) Aida Ueyama Tanadadan (NPO)
Grant amount	Approx. ¥220 million

#### Asuke, Toyota City, Aichi, Japan

Sustainable personal mobility model for remote mountainous areas

Period	Apr. 2016–Mar. 2019
Grant recipients	Nagoya University, University of Tokyo
Grant amount	Approx. ¥360 million

#### Bengaluru, India

Improving subway access (first- and last-mile connectivity)

Period	Dec. 2016–Mar. 2018
Grant recipients	World Resources Institute
Grant amount	Approx. ¥33 million

#### Bangkok, Thailand

Traffic congestion mitigation

Period	Apr. 2015–Mar. 2017
Grant recipients	Chulalongkorn University
Grant amount	Approx. ¥400 million

#### Da Nang, Vietnam

Traffic congestion prevention and mitigation

Period	Apr. 2015–Apr. 2019
Grant recipients	Danang People's Committee
Grant amount	Approx. ¥360 million

### Projects Bangkok, Thailand Traffic Congestion Mitigation Project in Bangkok Completed

TMF's inaugural project, launched in April 2015 and aimed at mitigating traffic congestion in Bangkok, Thailand, was completed in March 2017.

The project was aimed at controlling traffic volume and improving traffic flow in Bangkok's Sathorn District, where congestion is especially severe, through a range of measures implemented in cooperation with private companies, the government and academia, including Chulalongkorn University, the grant recipient. One of the main measures taken to control traffic volume was the creation of a park and ride system. Parking lots were set up near railway stations to encourage people travelling to the city center to transfer from private cars to public transportation. The program also provided shuttle bus service to two local schools to alleviate congestion caused by private cars dropping off and picking up students.

To improve traffic flow, the project identified traffic bottlenecks and worked to improve them. Implemented in close coordination with local police and transport operators, initiatives included measures to discourage drivers from unnecessarily stopping or changing lanes and the establishment of bus lanes.

The results of the project were used to formulate a roadmap for future cooperative initiatives encompassing companies, government, and academia aimed at alleviating traffic congestion. This roadmap was then proposed to the National Traffic Management Board, which serves as an advisory body to one of Thailand's deputy prime ministers. At a project closing event in April 2017, private, public, and academic participants agreed to continue working under government direction in accordance with the roadmap.



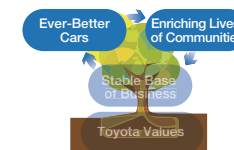
Project room at Chulalongkorn University



Park and ride







## Aiming to Be the Best in Town

### KURUMA-IKU (Nurture with Cars) Cultivates Children's Spirit of Inquiry and Creativity

As forms of value grow more complex, opportunities for learning that foster the creativity to develop new value and culture are more important than ever. At the same time, interest in cars has been falling markedly among young people, to the point that car ownership culture itself may disappear in the near future.

In light of this educational environment in Japan and the changes facing the automotive industry, in 2013, Toyota began a workshop program focused on future communities and mobility based on the concept of using cars as a learning material to foster a spirit of inquiry and creativity. Programs for children in elementary school and below include activities that prompt participants to think about the roles of cars in society using anthropomorphized cars and activities

in which they rediscover the value of mobility by attaching steering wheels to everyday objects. For junior high and high school students, we have developed and implemented programs including "3H Drive," in which participants plan a three-hour trip that exploits the features of their community and forms of mobility; "History Drive," in which they learn about the past and present to create the community and the mobility of the future; and "Ideas Drive," in which they walk through the community to identify challenges and imagine future forms of mobility. In the programs for junior high and high school students, in particular, we strive to provide opportunities for participants to think about their communities and their connections to society through the lens of mobility.

Going forward, we plan to expand these programs across Japan in collaboration with a wide range of partners under the name *KURUMA-IKU Lab* (Nurture with Cars Lab). We will involve communities, providing opportunities for children and adults to interact on a level

playing field and learn from one another, and for Toyota employees to gain new insights into the future of mobility along the way. We hope to expand the range of these initiatives, with an eye to implementing them globally.

 *KURUMA-IKU Lab* (Japanese language only)

### Taking Our Founding Principle of Social Contribution Global

Toyota has a long history of social contribution that traces back to the desire of Sakichi Toyoda—the father of Toyota Motor Corporation's founder, Kiichiro Toyoda—to support inventions that would enrich people's lives. Kiichiro and his team, who together built Toyota's automotive business, kept this spirit of social contribution alive after Sakichi's death, espousing the concepts of contributing to the development and welfare of the country and remembering to always be grateful. These concepts were eventually woven into the Five Main Principles of Toyoda, the Guiding Principles at Toyota and the Toyota Global Vision. In these various forms, this spirit of social contribution has been handed down to today.

In addition to contributions made through its businesses, Toyota is pursuing social contribution in three designated global priority fields: the environment, traffic safety, and education. We are also promoting activities in social, cultural and other fields to meet the social needs of specific countries and regions, utilizing our technologies, expertise, and other


resources to proactively advance initiatives.

Furthermore, Toyota strives to support volunteering and to sustain automotive and manufacturing cultures.

Specifically, in the area of the environment, Toyota actively provides environmental education, supports environmental programs, and undertakes greenification. As forests are an important basis of a sustainable society, Toyota carries out ongoing stewardship and preservation, based on appropriate management, of the woodlands that it owns. Toyota also implements environmental activities in and outside Japan with an emphasis on collaboration with local and regional communities, and its employees volunteer on their own to undertake regional environmental preservation.

In the area of traffic safety, Toyota carries out multifaceted activities focused on the three distinct pillars of people, cars, and the traffic environment with the aim of completely eliminating traffic casualties. As a part of these efforts, since the 1960s Toyota has been conducting activities targeting people—such as drivers and pedestrians—to raise awareness of traffic safety, and it implements a variety of programs for a wide range of people on an ongoing basis. In recent years, such programs have also been launched at overseas affiliates.

In the area of education, based on the principle that monozukuri is about developing people, Toyota implements occupational and educational support initiatives as well as activities designed to cultivate participants' sensibilities and convey the importance of *monozukuri* (manufacturing) in order to promote the development of the leaders of tomorrow worldwide.

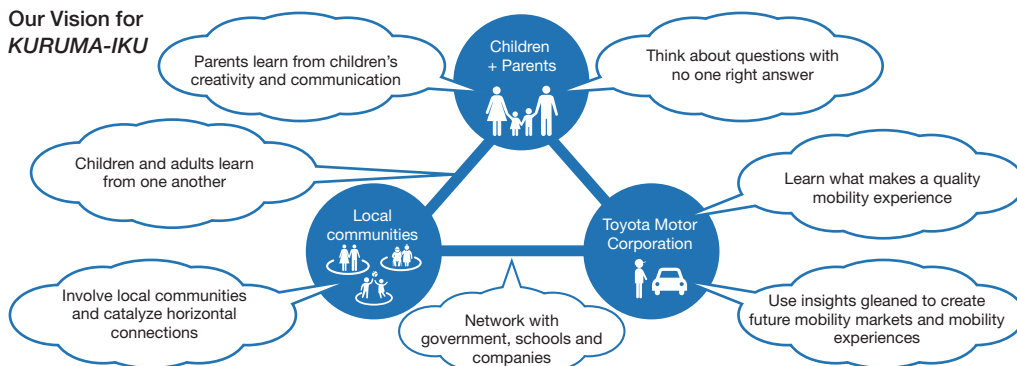
 Social Contribution Activities



Program for children in elementary school and below  
Held so far in locations in Tokyo, Nagoya, Toyota, Hakodate, and Austria

Program for junior high and high school students  
Held so far in locations in Kanazawa, Onomichi, Kawasaki, Okayama, and Minami-Ise

### Our Vision for KURUMA-IKU



Hands-on nature program for local elementary school students (Japan)



Support for free cleft palate surgery project (Venezuela)

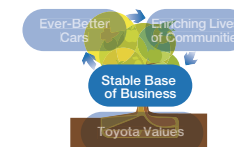


White Road traffic safety program for children (Thailand)



Support for toilet construction and improving hygienic habits (India)





## Employees

Toyota prioritizes respect for people, aiming to provide employees with opportunities to make social contributions and realize self actualization through their work and to allow them to exercise their ability to think, create, and take action.

To achieve this goal, a relationship of mutual trust and mutual responsibility between labor and management is essential. In such a relationship, the company places the highest priority on ensuring stable employment for its employees and proactively strives to improve labor conditions, while employees do their utmost to enhance the prosperity of the company. This philosophy is shared by all Toyota affiliates around the world and is reflected and implemented in Toyota's management and policies.

Toyota believes that this approach leads not only to management that operates with respect for people, but to customer satisfaction and social contribution.

### Fundamental Approach regarding Human Resource Development

Toyota is committed to developing human resources in accordance with its philosophy that *monozukuri* (manufacturing) is about developing people. In order to sustain growth, it is important to strive toward achieving people-centric *monozukuri* and to utilize the wisdom of our people to make constant improvements.

Furthermore, in light of the globalization of Toyota's businesses amid the world's many cultures and customs, to make ever-better cars and carry out our Customer First policy, all employees must share certain values.

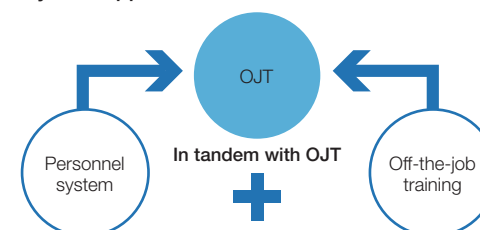
To this end, Toyota is implementing human resource development aimed at sustainable growth through a global educational program centered on the application of the Toyota Way. On-the-job training (OJT), a crucial part of developing and passing down Toyota's tradition of superior *monozukuri*, is the foundation of this program.



### On the Job Training Human Resource Development Rooted in Genchi Genbutsu

In line with Toyota's concept of *Genchi Genbutsu* (onsite, hands-on experience), we believe that the workplace is the basis for human resource development at Toyota. Being mentored by supervisors and senior colleagues and, in turn, mentoring subordinates and junior colleagues to build mutually beneficial learning relationships in the course of daily work

#### Toyota's Approach to OJT



(OJT) provide the basic experiences that drive professional growth. In addition, to supplement OJT, Toyota offers a variety of off-the-job training programs.

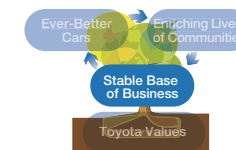
### Sharing the Values of the Toyota Way Globally

We have organized job skills and techniques into a framework that we call Global Content to help Toyota employees around the world understand and practice the Toyota Way as a shared set of values and ways of thinking.

Global Content is utilized by Toyota employees through both on- and off-the-job training in Japan and overseas. Providing a common language for talking about ways of working, the Global Content gives Toyota an advantage by providing a platform for employees around the world to come together to improve efficiency.

#### Global Content Overview

	Administrative and engineering employees	Shop floor employees
Managers	<b>Policy management</b> <ul style="list-style-type: none"> <li>Activities aimed at realizing <i>Kaizen</i> on a Company-wide scale</li> <li>Mechanisms to maximize overall output</li> </ul>	<b>Skills and roles of management and supervision</b> <ul style="list-style-type: none"> <li>Manager and supervisor skills for optimizing standard operations</li> <li>Knowledge about organizational and team operations gleaned from managing irregularities</li> </ul>
	<b>On-the-job development (OJD)</b> <ul style="list-style-type: none"> <li>A four-step method for human resource development through regular business activities and instruction</li> </ul>	
	<b>Toyota Management Training Program</b> <ul style="list-style-type: none"> <li>An overview of management roles at Toyota</li> <li>Measures to implement for effective workplace management</li> </ul>	
General employees	<b>Problem solving</b> <ul style="list-style-type: none"> <li>An eight-step method for identifying and solving problems (implementing the Toyota Way)</li> </ul>	<b>Problem solving</b> <ul style="list-style-type: none"> <li>Techniques for improving current conditions in order to realize ideal working conditions</li> </ul>
	<b>Ji Kotei-Kanketsu (built-in quality with ownership)</b> <ul style="list-style-type: none"> <li>A three-step method for building quality into processes</li> </ul>	
		<b>Production skills</b> <ul style="list-style-type: none"> <li>Knowledge regarding recognizing irregularities and key points in tasks</li> <li>Ability to correct irregularities</li> </ul>
	<b>Basic skills</b> Minimum skills necessary for production line work	
	<b>The Toyota Way</b> • Toyota's values • The foundation of all work	



# Employees

## Promoting Diversity and Inclusion

Toyota has positioned the promotion of diversity and inclusion in the workplace as an important management strategy. We are working to create workplaces where human resources with diverse abilities and values can thrive and each individual can achieve positive self actualization.

Diverse perspectives help to generate novel ideas and uncover problems. Toyota aims to use these contributions to help enhance its competitiveness and make ever-better cars.



## Work Style Reforms

Toyota is advancing work style reforms to improve productivity and support employees seeking to continue working while raising children or providing nursing care for a family member. In October 2016, we expanded our existing telecommuting system with the introduction of the Free Time & Location (FTL) system. By adopting more flexible work styles, Toyota aims to make the most of each individual's abilities and maximize results. While the previous telecommuting system was available only to employees with childcare or nursing care responsibilities, all employees that meet certain conditions can request the permission of their supervisors to use the FTL system. As of March 31, 2017, of the approximately 13,000 employees who qualify for the FTL system, approximately 2,300 are using it.

Over the next two years, Toyota plans to distribute dedicated computers for telecommuting to employees eligible to work from home. We have received a great deal of positive feedback from users of the program already, with employees commenting, for example, that the system has made them more aware of time and thus more efficient when working, and that they have more time to spend with family.

## Diversity Management

Toyota's employees in managerial positions are leading diversity management initiatives to create workplaces where diverse human resources can thrive. Toyota seeks to develop supervisors who successfully implement diversity management. We are working to develop supervisors who understand and support the values and career goals of subordinates, taking a flexible approach to management to produce results at the organizational level while also giving

ample consideration to the quality of the private lives of themselves and their subordinates.

To develop such supervisors, Toyota implemented a trial program in which 200 employees in managerial positions tried working from home. More than 90% of participants found that working from home was helpful and noticeably improved their productivity. These results are helping to foster a culture in which employees use the telecommuting programs available to them.

## Developing Executives Globally

The GLOBAL 21 program is aimed at developing executives globally. The program serves to enable outstanding human resources from around the world to obtain the skills and discernment expected of global-level Toyota executives and to fully realize their individual strengths in their respective roles. The program consists of the following three pillars.

### 1. Ensuring understanding of our management philosophy and the expectations of executives

We are applying the Toyota Way and Toyota Global Vision, incorporating them into global personnel evaluation systems and education.

### 2. Personnel management

We are unifying evaluation standards and processes globally to ensure fairness and consistency. Our main evaluation criteria are individuals' ability to set tasks, carry out tasks, manage their organization, and effectively utilize human resources as well as the level of trust and respect that others have for them. We assign and transfer human resources on a global basis, across countries, regions, and functions.

### 3. Development framework and education programs

We are allocating human resources and developing executives globally. Our development of human resources at overseas affiliates is based on education

conducted by affiliates in each region, with OJT at Toyota Motor Corporation (TMC) so that participants can learn Toyota-style ways of working. In addition, we are also implementing a program similar to GLOBAL 21 for employees of TMC.

## Localizing the Management of Overseas Affiliates

Taking a long-term perspective, Toyota seeks to localize the management of its overseas affiliates, with deciding what to do as the role of TMC in Japan and deciding how to do it the role of local affiliates.

In principle, chief officers and other executives responsible for operations in overseas regions are stationed in their respective regions as part of efforts to create a management system closely rooted in local communities.

We also actively hire and promote local human resources. As of July 2017, three of the Group's eight regional headquarters are led by non-Japanese chief officers, and TMC's top management includes seven non-Japanese nationals (of whom one is an Outside Member of the Board of Directors). Local employees hold 65.8% of Toyota's overseas executive positions.

### Overseas Executive Positions Held by Local Employees (%)

Fiscal year	2013	2014	2015	2016	2017
Local employees	60.1	64.7	62.9	62.6	65.8

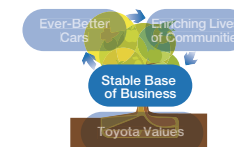
### Non-Japanese Executives in Charge of Operations in Overseas Regions

Region	Name	Title
North America Region	James E. Lentz	Senior Managing Officer
Europe Region	Johan van Zyl	Senior Managing Officer
Latin America & Caribbean Region	Steve St. Angelo	Senior Managing Officer



## Initiatives for Sustainable Growth

Corporate Philosophy Making Ever-better Cars (TNGA) Taking on the Future Toyota Environmental Challenge 2050 Aiming to Be the Best in Town  
Employees Corporate Governance Risk Management Compliance



## Employees

## Toyota's Work Style Innovation: Comments from the Field

Are We Falling Behind?  
The Realization  
That Propelled Us  
to Aim for the Top

Next-Generation Purchasing  
Team, Purchasing Group



In 2014, in line with President Toyoda's announcement of Toyota's "intentional pause," we began reforms. First, through comparisons with other companies, we identified Toyota's strengths and weaknesses. We found that, while Toyota's purchasing processes had been ahead of their time in 2000, they had not changed much since then. Specifically, we found weaknesses in horizontal global transactions and that Toyota was lagging behind its competitors in this area.

Our long history of diligently working to reduce costs in cooperation with suppliers as business partners is one of our unique strengths. While reducing prices from a *Genchi Genbutsu* (onsite, hands-on experience) perspective is the core of this work, when we closely examined buyers' workflows, we found that a great deal of time was tied up with paperwork before they even got to that stage.

To address this, we have been breaking down the entire division's work process flows, including those overseas, by degree of depth and detail, reorganizing them into new processes with the aim of globalizing purchasing operations. The realization that we were falling behind other companies propelled us forward, providing the urgency needed to tackle major reforms.

Rolling out TNGA  
Globally with Photos  
and Comments

MS General Assembly  
Engineering Division



Aiming to make ever-better cars and enhance competitiveness under the Toyota New Global Architecture (TNGA), we have been steadily switching over to new processes at our assembly plants around the world. The lead times required to get factories up and running have shrunk dramatically over the course of the TNGA roll out, and we are now working at a speed unprecedented in automobile manufacturing. We are striving to maximize efficiency as we set up the TNGA globally. This necessitates sharing information about problems and effective countermeasures found at the factories in Japan that switched over first in as close to real time as possible. If information about issues on the ground is shared only after things have settled down, it will be too late to prevent the same kinds of problems from cropping up elsewhere.

To deal with this, we set up a dedicated internal SNS for TNGA where we could post and share photos and video from security cameras with comments. This has enabled the sharing of information from the plants involved in the first wave of transition in Japan with those overseas in later waves as well as sharing between overseas plants. Furthermore, automatically sharing the information on the SNS with equipment specialists in Japan has helped us get expert comments and advice whenever needed. This system is the product of Toyota's corporate culture of helping those in trouble and offering mutual support, and we expect it to positively impact human resource development, as well.

Finding My Own  
Leadership Style by  
Balancing Work  
and Home

Natsumi Kakiuchi  
Engine Manufacturing  
Division 1, Kamigo Plant

I serve as a team leader for conveying operations on the engine production line. My husband, like me, works on the shop floor, and we have a 10-year-old at home. My husband and I strive to ensure our child isn't left alone, even when the two of us have back-to-back shifts on a two-shift schedule.

I think that my ability to communicate effectively with my colleagues to facilitate our work is a strength of mine. I wasn't always the leader type, though; those who knew me when I first came to Toyota might hardly recognize me now. When I became a parent, there were certain things that, for the sake of my child, I was determined not let slip, no matter what. I think that being a parent gave me that strength, which I am now able to apply at work. Still, juggling work and childcare really is hard. It has shown me, though, that with the right tweaks both at work and at home, anyone can become a leader. It's important to create an atmosphere in which everyone at work is supportive, even if, for example, someone suddenly has to take a day off. And in return, those juggling both work and home responsibilities will strive to do what they can, as best they can. I think that this kind of mutual understanding and support will help women and other employees juggling home responsibilities excel.

Finding New Ways to  
Work Thanks to  
Telecommuting

MS Product Planning Division  
Shinya Mori

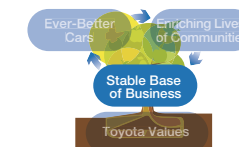
I live with my wife, who has an office position, and our two year old. At work, I serve as the team leader of a cost planning team, and my wife and I both use the FTL\* system to balance childcare and work.

Everyone on my team, including those without children, uses the FTL system. I use the system to go home early, take care of childcare tasks, then work at home. To improve productivity by using time more effectively—one of the advantages of the FTL system—focusing on results at the team level is crucial. To that end, I think it's necessary to share common work practices so that anyone can tell where things stand, no matter where they are or when they check. The FTL system has been greatly beneficial, allowing me to maintain my output at work while increasing the time I spend with my family.

\* Free Time & Location: A new telecommuting program launched in October 2016







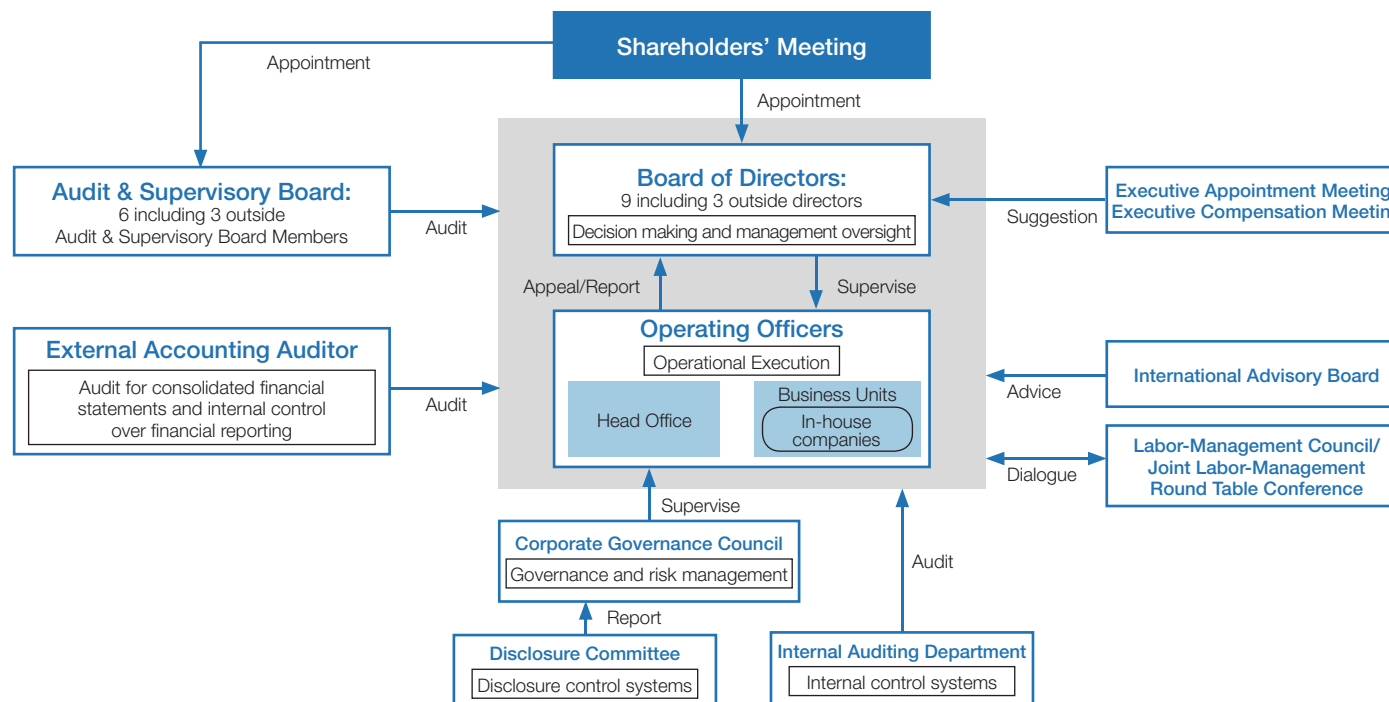
# Corporate Governance

## Fundamental Approach

Toyota regards sustainable growth and the stable, long-term enhancement of corporate value as essential management priorities. Building positive relationships with all stakeholders (including shareholders, customers, business partners, local communities, and employees) and consistently providing products that satisfy customers are key to addressing these priorities. To this end, Toyota constantly seeks to enhance corporate governance. Moreover, the Company complies with the general principles of the Corporate Governance Code promulgated in June 2015. The specifics of these efforts are discussed by the Corporate Governance Meeting and reported to the Board of Directors.

## Toyota's Corporate Governance (Emphasizing Frontline Operations + Multidirectional Monitoring)

Toyota is a company with an Audit & Supervisory Board. Three of the nine members of Toyota's Board of Directors are outside members, and three of the six members of its Audit & Supervisory Board are outside members. In addition to auditing carried out by the Audit & Supervisory Board and an external accounting auditor, Toyota incorporates the perspectives of diverse stakeholders, including outside experts, to deliberate on and monitor management and corporate conduct.



## Business Execution and Supervision

Toyota has established rules governing its Board of Directors that clearly lay out the matters to be discussed by and reported to the Board. In accordance with these rules, management execution is delegated to operating officers, helping to ensure rapid decision making and appropriate oversight.

With the aim of achieving the Toyota Global Vision, Toyota has been implementing ongoing revisions in its operational framework in order to quickly respond to the unprecedented rapid changes occurring in the

external environment. Toyota introduced region-based management in 2011, followed by the business unit system in 2013 and the in-house company system in 2016.

[More details](#) Business Execution Framework, p. 8

Under the in-house company system, product-based in-house companies handle integrated operations spanning from product development to production. These companies work with the Business Planning & Operation Unit to promote the development of ever-better cars from the customer's

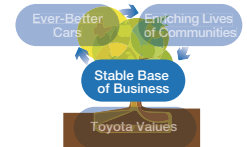
viewpoint (the existing region-based business units were reorganized into this unit in April 2017).

In April 2017, to accelerate decision-making and business execution, Toyota more clearly delineated the roles of the Members of the Board of Directors as decision making and oversight, and the role of executives as business execution.

The Corporate Planning Meeting operates under the Board of Directors. This meeting considers growth strategies, factoring in the positive impacts that Toyota's operations have on various social issues, and works with management to promote CSR and enhance corporate value on a Company-wide basis.

The Corporate Governance Meeting provides operational oversight by deliberating on issues related to the governance structure arising in the course of the implementation of these growth strategies.

Toyota has also established an International Advisory Board, comprising experts from around the world. The board provides advice on management issues from a global perspective as needed. Toyota also deliberates on and monitors management and corporate conduct from the diverse stakeholder perspectives provided by a wide variety of meetings, such as the Labor-Management Council/Joint Labor-Management Round Table Conference.



# Corporate Governance

## Board of Directors

Toyota's Board of Directors comprises nine members, three of whom are outside members. The Members of the Board of Directors are selected based on comprehensive consideration of suitability with the aim of ensuring prompt, appropriate decision making and appointing the right person to the right position. Toyota believes that it is crucial to appoint individuals who comprehend and are capable of putting into practice its core concepts of making ever-better cars and *Genchi Genbutsu* (onsite, hands-on experience). Moreover, these individuals must be able to contribute to decision making aimed at sustainable growth into the future. Toyota's Executive Appointment Meeting, half the members of which are Outside Members of the Board of Directors, makes recommendations to the Board of Directors regarding such appointments. In order to ensure that outside perspectives are adequately reflected in management decision making, the Company has three Outside Members of the Board of Directors, all of whom are registered as independent officers with the relevant financial instruments exchanges. When selecting Outside Directors who will serve as independent officers, Toyota considers candidates in line with the requirements set forth in the Companies Act and the standards of independence established by the relevant financial instruments exchanges. Toyota's Outside Members of the Board of Directors draw on their broad experience and insight, including their respective fields of expertise, to inform decision making from a perspective that is independent of business execution.

## Audit & Supervisory Board

Toyota has adopted an Audit & Supervisory Board system. The six Audit & Supervisory Board Members (including three outside members) play a key role in Toyota's corporate governance by undertaking audits in line with the audit policies and plans established by said board. Toyota's appointments to the Audit & Supervisory Board are based on the belief that candidates must offer broad-ranging experience and insight, particularly in their respective fields of expertise, and be able to audit business execution and advise management from a fair and neutral standpoint. Toyota's Executive Appointment Meeting, half the members of which are Outside Members of the Board of Directors, makes recommendations to the Audit & Supervisory Board regarding such appointments. Three individuals, all of whom are registered as independent officers with the relevant financial instruments exchanges, have been appointed as Outside Audit & Supervisory Board Members. When selecting Outside Audit & Supervisory Board Members, Toyota considers candidates in line with the requirements set forth in the Companies Act as well as the standards of independence established by the relevant financial instruments exchanges.

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

Basic remuneration and bonuses for Members of the Board of Directors are effectively linked to corporate performance while reflecting individual job responsibilities and performance. Remuneration standards in each member's home country are also taken into account when determining remuneration amounts and methods. Bonuses are paid based on the

relevant fiscal year's consolidated operating income, comprehensively taking into account dividends, the levels of bonuses for employees, trends at other companies, medium- to long-term business performance and past remuneration. Because the role of Outside Members of the Board of Directors includes monitoring and supervising management from an independent standpoint, they are not paid bonuses. Director remuneration and bonuses are decided by the Board of Directors with reference to proposals submitted by the Executive Remuneration Meeting, half the members of which are Outside Members of the Board of Directors.

Remuneration for Audit & Supervisory Board Members consists only of fixed basic payments and does not include bonuses. As a result, this remuneration is not readily impacted by business performance, helping to ensure independence from management. Remuneration for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the scope determined by resolution of the Shareholders' Meeting.

## Analysis and Evaluation of the Effectiveness of the Board of Directors

Based on instruction given by the Chairman of the Board of Directors, the Secretariat of the Board of Directors conducts quantitative analyses of the execution of the Board of Directors' duties, followed by a survey of the members of the Board of Directors and Audit & Supervisory Board on the execution of such duties and its oversight. Furthermore, based on the results of this survey, the secretariat conducts individual interviews with the Outside Members of the Board of Directors and the Outside Members of the Audit & Supervisory Board. The Secretariat of the Board of Directors compiles the results of these efforts and presents them to the Chairman of the Board of

Directors, after which they are reported to and discussed by the Board of Directors. In fiscal 2017, these evaluations found that the Board was effective. The insights gleaned from these evaluations regarding information sharing and administration are being used in fiscal 2018 to further improve effectiveness.

## Fundamental Approach to and Maintenance of Internal Control Systems

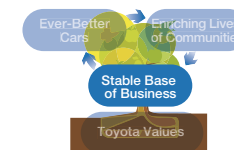
### Basic Stance on System for Ensuring Appropriate Business Operations

Toyota and its subsidiaries work to foster a sound corporate culture based on the Guiding Principles at Toyota and the Toyota Code of Conduct. Toyota integrates the principles of problem identification and *Kaizen* into its operational processes and continuously strives to develop employees who will put these principles into practice.

### System to Ensure Appropriate Operations

Toyota endeavors to maintain and properly operate a system for ensuring the appropriateness of business operations as a corporate group in accordance with its Basic Policies on Establishing Internal Controls. Each fiscal year, Toyota inspects the maintenance and implementation of internal controls to confirm that the organizational units responsible for implementing internal controls are functioning autonomously and enhancing said controls as necessary. The findings of these inspections are reviewed by the Corporate Governance Meeting and Board of Directors.

For further information on Toyota's fundamental approach to internal control systems and the maintenance of such systems, please refer to "IV. Basic Approach to Internal Control System and its Development" in the Corporate Governance Report.



# Corporate Governance

## Board of Directors and Audit & Supervisory Board Members (As of June 14, 2017)

### Chairman of the Board of Directors



Takeshi Uchiyamada

### Vice Chairman of the Board of Directors



Shigeru Hayakawa

### President, Member of the Board of Directors



Akio Toyoda

### Members of the Board of Directors



Didier Leroy



Shigeki Terashi



Osamu Nagata



Ikuo Uno  
Outside and Independent Director



Haruhiko Kato  
Outside and Independent Director



Mark T. Hogan  
Outside and Independent Director

### Full-Time Audit & Supervisory Board Members



Masaki Nakatsugawa



Masahiro Kato



Yoshiyuki Kagawa

### Outside Audit & Supervisory Board Members



Yoko Wake  
Outside and Independent Member

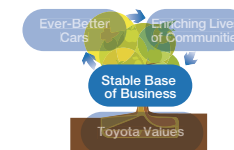


Teisuke Kitayama  
Outside and Independent Member



Hiroshi Ozu  
Outside and Independent Member





# Risk Management

## Fundamental Approach

Toyota has been working to reinforce its risk management systems since the series of recall issues in 2010. In June 2010, Toyota established the Risk Management Committee (now the Corporate Governance Meeting) and appointed risk managers for the global group and each business division as part of global measures to prevent and mitigate the impact of risks that could arise in the course of business activities.

## Organization and Structure

### Appointment of Risk Management Personnel

Toyota has appointed a global chief risk officer (CRO) to head global risk management and established a structure under the global CRO to monitor risk on a daily basis. This structure enables the Company to respond immediately in the event of an emergency.

Beneath the global CRO are regional CROs appointed to oversee specific regions, and each region has its own risk management structure.

Within the head office, risk management is assigned by function to chief officers and risk managers, while in each in-house company, risk management is assigned to the company president and company risk managers. These individuals coordinate and cooperate with the regional head offices.

### Corporate Governance Meeting

Toyota established the Corporate Governance Meeting in April 2015 as a business supervisory body. The meeting discusses the governance structure with the goal of ensuring the success of growth and business strategies in light of a wide range of social challenges. Two of the yearly meetings of the Corporate Governance Meeting are attended by the regional CROs, all chief officers and all in-house company presidents. This practice is intended to aid in the initiation of action to prevent risks. Meeting participants comprehensively identify risks to business

activities, review and report on major current risk items, and review the status of improvements and reinforcements to each region's risk management system. Reports are also made on the status of initiatives to address imminent and serious risks with global implications. In these ways, the meeting endeavors to manage and prevent risk.

In addition, the meeting advances special measures related to information security and business continuity management (BCM), areas in which the level of risk facing corporations has been growing in recent years.

Risks related to Toyota's businesses and other factors that could significantly impact the decisions of investors are listed in Toyota's Form 20-F under the categories Industry and Business Risks; Financial Market and Economic Risks; and Regulatory, Legal, Political, and Other Risks.

Risk Management (Sustainability Data Book 2017, p. 133)

Form 20-F for the year ended March 31, 2017

## Business and Other Risks

### Industry and Business Risks

- The worldwide automotive market is highly competitive
- The worldwide automotive industry is highly volatile
- Toyota's future success depends on its ability to offer new, innovative and competitively priced products that meet customer demand on a timely basis
- Toyota's ability to market and distribute effectively is an integral part of Toyota's successful sales
- Toyota's success is significantly impacted by its ability to maintain and develop its brand image
- Toyota relies on suppliers for the provision of certain supplies, including parts, components, and raw materials
- The worldwide financial services industry is highly competitive
- Toyota's operations and vehicles rely on various digital and information technologies

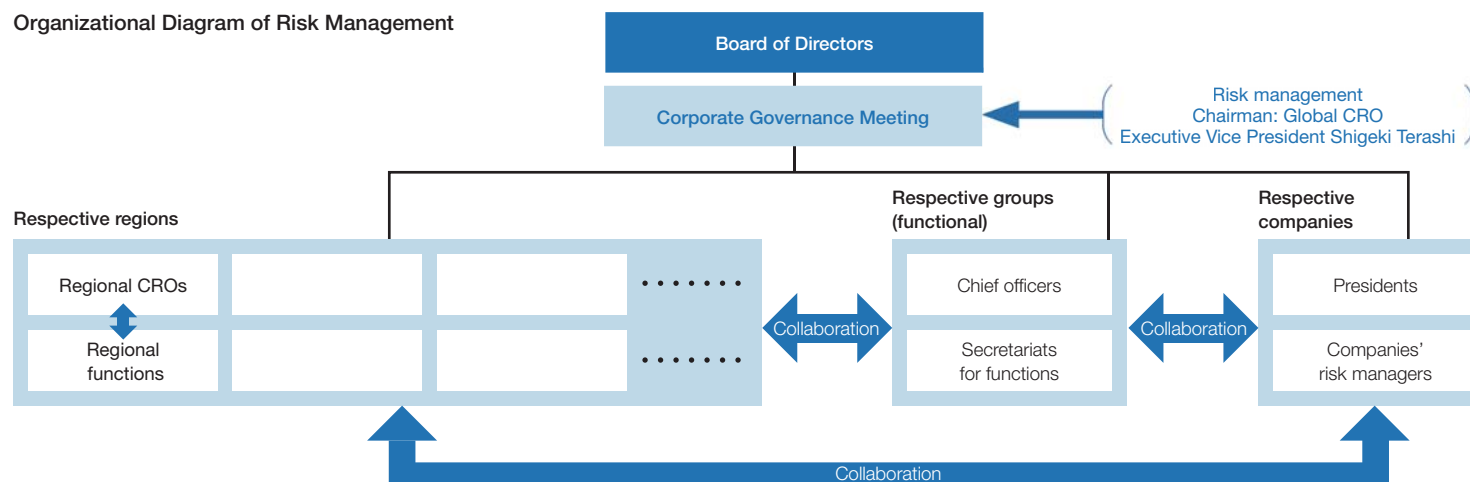
### Financial Market and Economic Risks

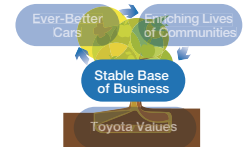
- Toyota's operations are subject to currency and interest rate fluctuations
- High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability
- A downturn in the financial markets could adversely affect Toyota's ability to raise capital

### Regulatory, Legal, Political, and Other Risks

- The automotive industry is subject to various governmental regulations
- Toyota may become subject to various legal proceedings
- Toyota may be adversely affected by natural calamities, political and economic instability, fuel shortages or interruptions in social infrastructure, wars, terrorism, and labor strikes

## Organizational Diagram of Risk Management





# Compliance

## Fundamental Approach

The Guiding Principles at Toyota state that Toyota shall “honor the language and spirit of the law of every nation and undertake open and fair business activities to be a good corporate citizen of the world.” Toyota believes that by adhering to this principle in its actions, it can fulfill its corporate social responsibility and ensure compliance.

In accordance with its basic internal control policies, Toyota promotes initiatives centered on the construction of frameworks, including the adoption and enforcement of the Code of Conduct as well as education and other means of human resource development. Toyota has also established consultation hotlines; any concerns that are reported to said hotlines are assiduously addressed to ensure that no potential problem is overlooked.

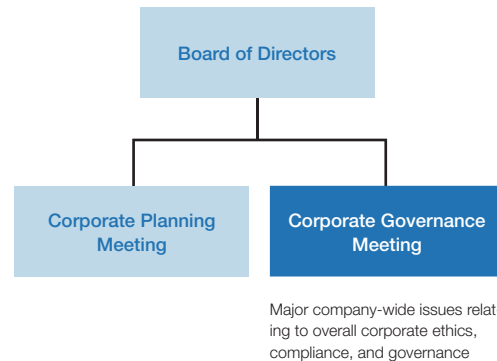
## Toyota Code of Conduct

The Toyota Code of Conduct (adopted in 1998 and revised in March 2006) outlines the basic frame of mind that all Toyota personnel should adopt and sets forth concrete guidelines to assist them in upholding the Guiding Principles at Toyota and doing their part to ensure that Toyota carries out its corporate social responsibility. A booklet containing the Toyota Code of Conduct is distributed to all employees to better enable them to put the code into practice in their own lives both at work and in the community.

## Organization and Structure

Toyota established the Corporate Governance Meeting in April 2015 as a business supervisory body. The meeting discusses governance structure with the goal of ensuring the success of growth and business strategies in light of a wide range of social challenges. Matters related to compliance are discussed by this meeting.

### Organizational Diagram



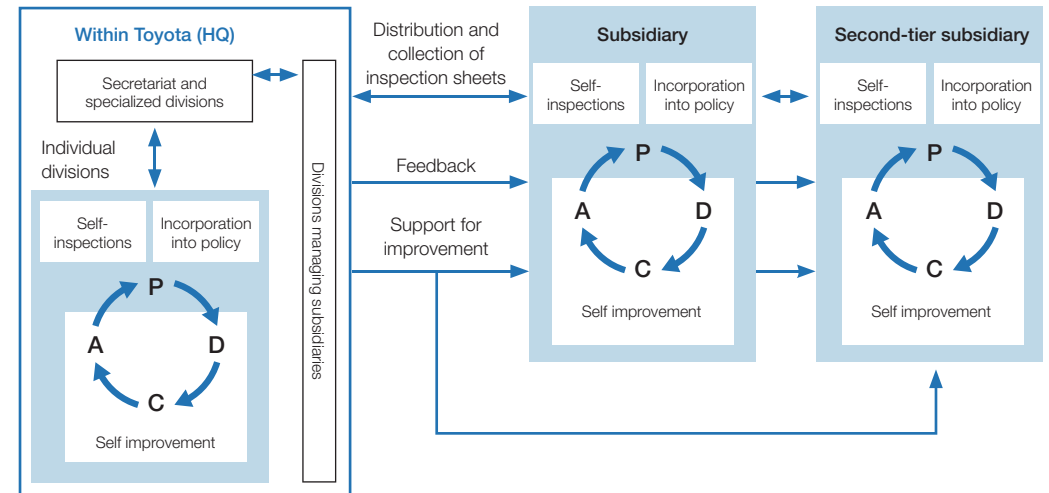
## Checks to Enhance Compliance

In fiscal 2009, Toyota began implementing internal checks to enhance its compliance structure. In fiscal 2010 these checks were extended to subsidiaries in and outside Japan. Since then, these checks have been carried out and improved upon every year. Results are reported to the Corporate Governance

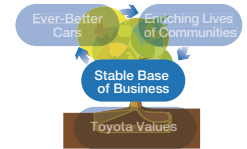
Meeting and used as a basis for further improvement. By incorporating improvement initiatives into each year's action plans, we ensure that these checks lead to ongoing positive action.

Moreover, subsidiaries are visited in order to keep track of their compliance efforts and provide them support as needed.

### Activity Diagram



# Financial Strategy



## Developing a Strong Financial Foundation



**Osamu Nagata**  
Chief Financial Officer,  
Executive Vice President,  
Member of the Board  
of Directors

We believe that by striving to make ever-better cars that provide value to customers and enriching lives of communities we can sustainably increase our corporate value and enjoy stable, ongoing development with our stakeholders.

To realize this goal, we are implementing a financial strategy based on the three pillars of growth, efficiency, and stability, striving to maintain balance between said pillars over the medium and long-terms.

### 1. Growth: Continuous Investments for Sustainable Growth in the Future

The auto industry is on the verge of a once-in-a-century turning point. We believe that artificial intelligence (AI), automated driving, robotics, and other new fields are especially important to the mobility of the future. Given these circumstances, we must nurture both the strengths that will enable us to survive today and the strengths that will enable us to survive tomorrow.

If the strengths for surviving today are essentially defense-oriented, then I think those for surviving tomorrow are offense-oriented. We have always sought to promote both, but I think we may have been shifting more toward the defensive. Going forward, we will seek to focus more on our offense.

We have already begun initiatives to this end through such measures as shifting resources to R&D in key fields and investing through Toyota AI Ventures and the Mirai Creation Investment Limited Partnership in order to secure technical prowess.

Moreover, we have spent around 1 trillion yen on R&D investment, capital expenditure, and shareholder returns each to date. However, this will not be enough to provide new value going forward; we will also need to work with partners in different industries and new fields.

We will consider all available options, including M&A, as we work to develop the strengths that will enable us survive tomorrow.

### 2. Efficiency: Enhancing Profitability and Efficiency of the Balance Sheet

We continue to work to strengthen our profit structure.

Through the Toyota New Global Architecture, we are working not only to dramatically enhance the basic performance and product appeal of our cars, but also to enhance development efficiency by standardizing parts and components through grouping development. Furthermore, we will continue efforts to reduce expenses and appropriately manage fixed costs.

In terms of capital expenditure, we are working to thoroughly revise our expenditure priorities and plans, make equipment more compact, shorten processes, enable multi-model production, facilitate faster response to changes in production quantities, and make effective use of existing equipment in order to improve productivity and reduce the need for investment.

We aim to make smart and efficient use of management resources, including people, things and money, and by doing so maintain and enhance our asset efficiency.

### 3. Stability: Maintenance of Liquidity

Having experienced the global financial crisis and the Great East Japan Earthquakes, we believe it is important to maintain a sufficient level of net cash to cover both the fixed costs for the automotive business for half a year and the refinance requirement for the financial services for half a year. This represents a financial foundation which enables Toyota to grow sustainably in any business environment.

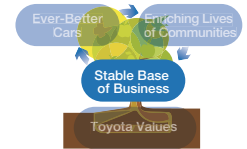
The above level of net cash is not only necessary for creation of further corporate value but also essential for Toyota's management in order to maintain a full line-up in each region while responding to all options and opportunities, including next-generation technologies and M&A.

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

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



# Financial Strategy



## Model AA Class Shares

Toyota issued the Model AA class shares to develop a new relationship with shareholders. The purpose of the issuance was to 1) raise funds for medium to long-term R&D activities, 2) enhance the base of long-term shareholders, and 3) diversify the means of fund raising. The raised funds will be utilized for R&D in the areas of advanced and cutting-edge technologies such as fuel cells, infrastructure, information technology and highly intelligent mobility.

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

## Shareholder Return

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

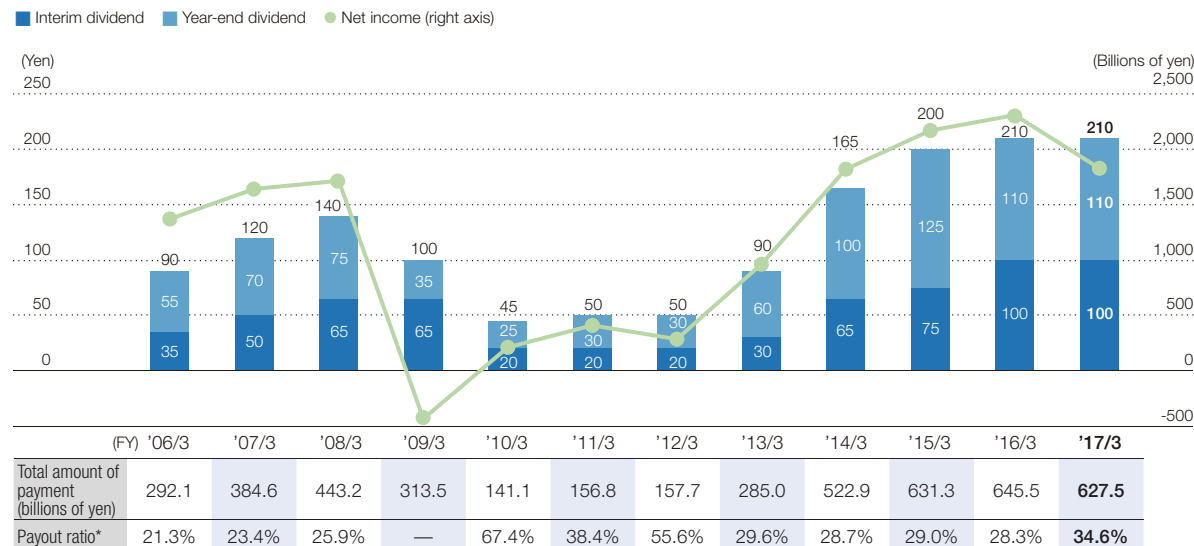
With regard to dividends, we strive for a stable and sustainable payment benchmarked at 30% of consolidated dividend payout ratio while considering factors such as our financial results, investment plans and liquidity. For the fiscal year to March 2017, we paid an annual dividend of 210 yen per share. Since the interim period ended September 30, 2015, we have pursued a better balance between interim and year-end dividends.

As for repurchase of shares, we intend to exercise flexibly in consideration of long-term capital efficiency

and in response to changes in our business environment. For the fiscal year to March 2017, we repurchased 449.9 billion yen, equivalent to 69 million shares as shareholder return.

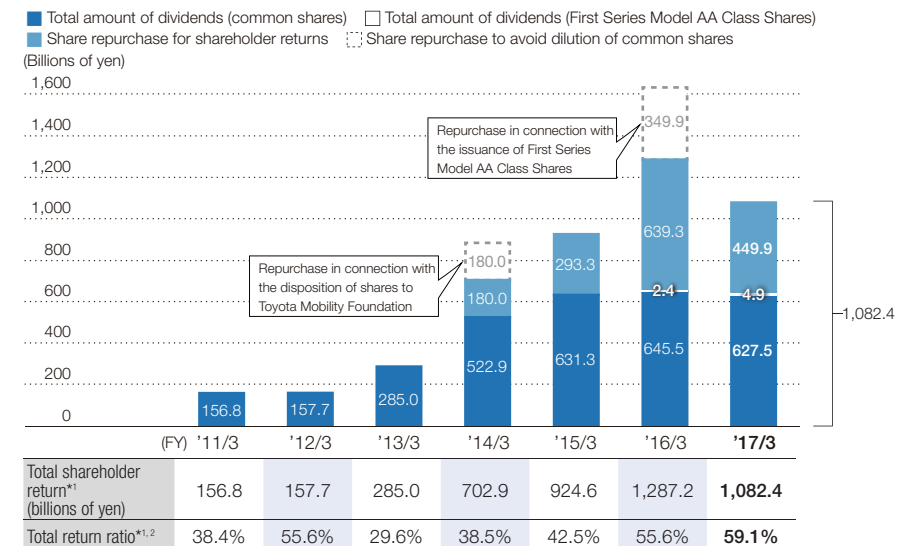
Going forward, we intend to build a strong financial foundation while further improving profitability. At the same time, we would like to enhance long-term relationships of trust with our shareholders through constructive dialogues and stable shareholder return. On the basis of this, we aim to realize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

## Dividend per Share and Net Income



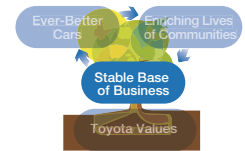
\* Payout ratio: This is the ratio of (i) the amount of dividend per common share to (ii) net income attributable to Toyota Motor Corporation per common share.

## Total Shareholder Return and Total Return Ratio



\*1 Excluding repurchase made to avoid dilution of common shares.

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



# Financial Results and Position

## Consolidated Financial Results

Reviewing the general economic environment for FY2017 (April 1, 2016 through March 31, 2017), with respect to the world economy, the U.S. economy has seen ongoing recovery due to increasing personal consumption owing to improvements in employment and income conditions, and the European economy has continued its moderate recovery. Meanwhile, weaknesses have been seen in some emerging countries. The Japanese economy has been on a moderate recovery due to improvements in employment and income conditions.

For the automobile industry, although markets have progressed in a steady manner in the developed countries and expanded in China due to effects of a sales tax cut on small cars, markets in resource-rich countries have slowed down. Meanwhile, efforts toward improvement across businesses in areas including automated driving technology, connected vehicles, environmental technologies used in fuel cell vehicles and electric vehicles, as well as car-sharing and ride-sharing have become active.

Under these conditions, consolidated vehicle unit sales in Japan and overseas increased by 290 thousand units, or 3.3%, to 8,971 thousand units in FY2017 compared with FY2016 (April 1, 2015 through March 31, 2016). Vehicle unit sales in Japan

increased by 215 thousand units, or 10.4%, to 2,274 thousand units in FY2017 compared with FY2016, primarily as a result of the active introduction of new products and the efforts of dealers nationwide. Toyota and Lexus brands' market share excluding mini-vehicles was 47.8%, while market share (including Daihatsu and Hino brands) including mini-vehicles was 45.0%, representing a record high. Each remained at as high a level as in FY2016. Meanwhile, overseas vehicle unit sales increased by 75 thousand units, or 1.1%, to 6,697 thousand units in FY2017 compared with FY2016, because of sales expansion in Asia and Europe despite decline in sales in the Middle East.

### Result of Operation for FY2017

Net revenues	27,597.1 billion yen (a decrease of 805.9 billion yen or 2.8% compared with FY2016)
Operating income	1,994.3 billion yen (a decrease of 859.5 billion yen or 30.1% compared with FY2016)

Income before income taxes and equity in earnings of affiliated companies

2,193.8 billion yen  
(a decrease of 789.5 billion yen or 26.5% compared with FY2016)

Net income attributable to Toyota Motor Corporation

1,831.1 billion yen  
(a decrease of 481.5 billion yen or 20.8% compared with FY2016)

### Changes in operating income and loss for FY2017

Marketing efforts	an increase of 210.0 billion yen compared with FY2016
Effects of changes in exchange rates	a decrease of 940.0 billion yen compared with FY2016
Cost reduction efforts	an increase of 440.0 billion yen compared with FY2016
Increase in expenses and others	a decrease of 530.0 billion yen compared with FY2016
Other	a decrease of 39.5 billion yen compared with FY2016

Note: Translational impacts concerning operating income of overseas subsidiaries and concerning provisions in foreign currencies at the end of the fiscal year are included in "Effects of changes in exchange rates" from the consolidated fiscal year ended March 31, 2017.

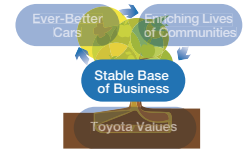
## Consolidated Financial Position

Cash and cash equivalents increased by 55.6 billion yen, or 1.9%, to 2,995.0 billion yen at the end of FY2017 compared with the end of FY2016. The increases or decreases for each cash flow activity compared with the previous fiscal year are as follows:

Cash flows from operating activities  
Net cash flows from operating activities resulted in an increase in cash by 3,414.2 billion yen in FY2017.  
Net cash provided by operating activities decreased by 1,046.6 billion yen from 4,460.8 billion yen in FY2016.

Cash flows from investing activities  
Net cash flows from investing activities resulted in a decrease in cash by 2,969.9 billion yen in FY2017.  
Net cash used in investing activities decreased by 212.6 billion yen from 3,182.5 billion yen in FY2016.

Cash flows from financing activities  
Net cash flows from financing activities resulted in a decrease in cash by 375.1 billion yen in FY2017.  
Net cash used in financing activities decreased by 48.4 billion yen from 423.5 billion yen in FY2016.



# Financial Results and Position

## Consolidated Balance Sheets

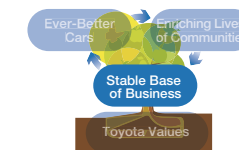
	FY2017 (March 31, 2017)	FY2016 (March 31, 2016)	Increase (Decrease)
<b>Assets</b>			
<b>Current assets</b>	<b>17,833,695</b>	<b>18,209,553</b>	<b>(375,858)</b>
Cash and cash equivalents	2,995,075	2,939,428	55,647
Time deposits	1,082,654	1,032,034	50,620
Marketable securities	1,821,598	1,511,389	310,209
Trade accounts and notes receivable, less allowance for doubtful accounts	2,115,938	2,000,149	115,789
Finance receivables, net	6,196,649	5,912,684	283,965
Other receivables	436,867	451,406	(14,539)
Inventories	2,388,617	2,061,511	327,106
Deferred income taxes	—	967,607	(967,607)
Prepaid expenses and other current assets	796,297	1,333,345	(537,048)
<b>Noncurrent finance receivables, net</b>	<b>9,012,222</b>	<b>8,642,947</b>	<b>369,275</b>
<b>Investments and other assets</b>	<b>11,707,160</b>	<b>10,834,680</b>	<b>872,480</b>
Marketable securities and other securities investments	7,679,928	7,439,799	240,129
Affiliated companies	2,845,639	2,631,612	214,027
Employees receivables	25,187	32,998	(7,811)
Other	1,156,406	730,271	426,135
<b>Property, plant and equipment</b>	<b>10,197,109</b>	<b>9,740,417</b>	<b>456,692</b>
Land	1,379,991	1,352,904	27,087
Buildings	4,470,996	4,311,895	159,101
Machinery and equipment	11,357,340	10,945,267	412,073
Vehicles and equipment on operating leases	5,966,579	5,652,622	313,957
Construction in progress	474,188	513,953	(39,765)
Less – Accumulated depreciation	(13,451,985)	(13,036,224)	(415,761)
<b>Total assets</b>	<b>48,750,186</b>	<b>47,427,597</b>	<b>1,322,589</b>

	FY2017 (March 31, 2017)	FY2016 (March 31, 2016)	Increase (Decrease)
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>17,318,965</b>	<b>16,124,456</b>	<b>1,194,509</b>
Short-term borrowings	4,953,682	4,698,134	255,548
Current portion of long-term debt	4,290,449	3,822,954	467,495
Accounts payable	2,566,382	2,389,515	176,867
Other payables	936,938	1,040,277	(103,339)
Accrued expenses	3,137,827	2,726,120	411,707
Income taxes payable	223,574	343,325	(119,751)
Other current liabilities	1,210,113	1,104,131	105,982
<b>Long-term liabilities</b>	<b>12,762,268</b>	<b>13,214,955</b>	<b>(452,687)</b>
Long-term debt	9,911,596	9,772,065	139,531
Accrued pension and severance costs	905,070	904,911	159
Deferred income taxes	1,423,726	2,046,089	(622,363)
Other long-term liabilities	521,876	491,890	29,986
<b>Total liabilities</b>	<b>30,081,233</b>	<b>29,339,411</b>	<b>741,822</b>
<b>Mezzanine equity</b>	<b>485,877</b>	<b>479,779</b>	<b>6,098</b>
<b>Shareholders' equity</b>			
<b>Toyota Motor Corporation shareholders' equity</b>	<b>17,514,812</b>	<b>16,746,935</b>	<b>767,877</b>
Common stock, no par value	397,050	397,050	—
Additional paid-in capital	484,013	548,161	(64,148)
Retained earnings	17,601,070	16,794,240	806,830
Accumulated other comprehensive income (loss)	640,922	610,768	30,154
Treasury stock, at cost	(1,608,243)	(1,603,284)	(4,959)
<b>Noncontrolling interests</b>	<b>668,264</b>	<b>861,472</b>	<b>(193,208)</b>
<b>Total shareholders' equity</b>	<b>18,183,076</b>	<b>17,608,407</b>	<b>574,669</b>
<b>Total liabilities, mezzanine equity and shareholders' equity</b>	<b>48,750,186</b>	<b>47,427,597</b>	<b>1,322,589</b>

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



# Financial Results and Position



## Consolidated Statements of Income

(Yen in millions)

	FY2017 (For the year ended March 31, 2017)	FY2016 (For the year ended March 31, 2016)	Increase (Decrease)
<b>Net revenues</b>	<b>27,597,193</b>	<b>28,403,118</b>	<b>(805,925)</b>
Sales of products	25,813,496	26,549,111	(735,615)
Financing operations	1,783,697	1,854,007	(70,310)
<b>Costs and expenses</b>	<b>25,602,821</b>	<b>25,549,147</b>	<b>53,674</b>
Cost of products sold	21,543,035	21,456,086	86,949
Cost of financing operations	1,191,301	1,149,379	41,922
Selling, general and administrative	2,868,485	2,943,682	(75,197)
<b>Operating income</b>	<b>1,994,372</b>	<b>2,853,971</b>	<b>(859,599)</b>
<b>Other income (expense)</b>	<b>199,453</b>	<b>129,410</b>	<b>70,043</b>
Interest and dividend income	158,983	157,862	1,121
Interest expense	(29,353)	(35,403)	6,050
Foreign exchange gain (loss), net	33,601	(5,573)	39,174
Other income (loss), net	36,222	12,524	23,698
<b>Income before income taxes and equity in earnings of affiliated companies</b>	<b>2,193,825</b>	<b>2,983,381</b>	<b>(789,556)</b>
<b>Provision for income taxes</b>	<b>628,900</b>	<b>878,269</b>	<b>(249,369)</b>
<b>Equity in earnings of affiliated companies</b>	<b>362,060</b>	<b>329,099</b>	<b>32,961</b>
<b>Net income</b>	<b>1,926,985</b>	<b>2,434,211</b>	<b>(507,226)</b>
<b>Less – Net income attributable to noncontrolling interests</b>	<b>(95,876)</b>	<b>(121,517)</b>	<b>25,641</b>
<b>Net income attributable to Toyota Motor Corporation</b>	<b>1,831,109</b>	<b>2,312,694</b>	<b>(481,585)</b>

Note: Net income attributable to common shareholders for the fiscal year ended March 31, 2017 and 2016 is 1,821,314 million yen and 2,306,607 million yen, respectively, which is derived by deducting dividend and accretion to Model AA Class Shares of 9,795 million yen and 6,087 million yen, respectively, from Net income attributable to Toyota Motor Corporation.

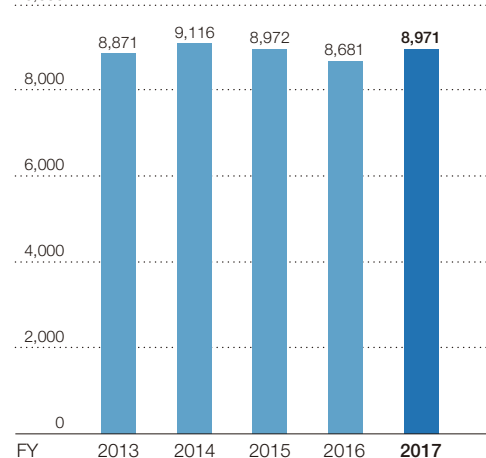
## Net Income Attributable to Toyota Motor Corporation per Common Share

(Yen)

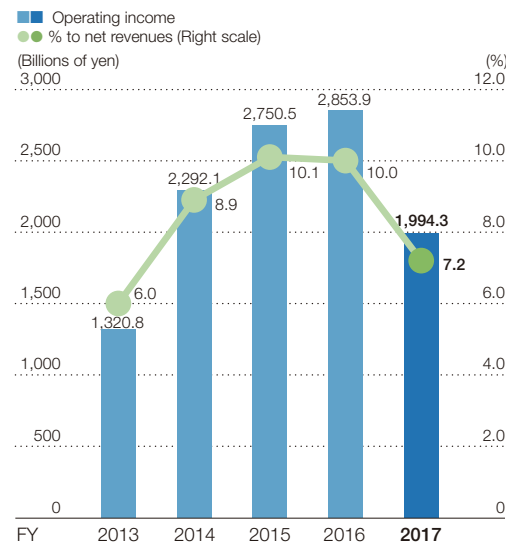
	FY2017	FY2016	(Decrease)
Basic	605.47	741.36	(135.89)
Diluted	599.22	735.36	(136.14)

## Consolidated Vehicle Sales

(Thousands of units)

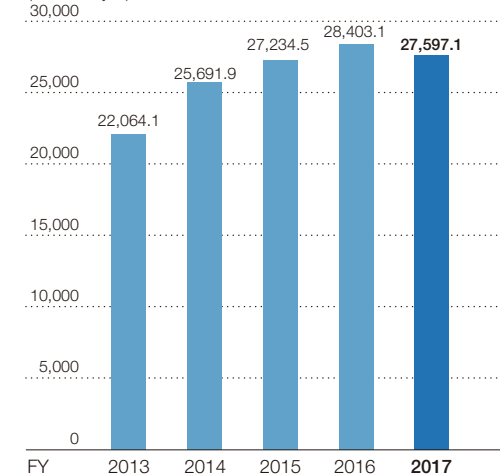


## Operating Income and Ratio of Operating Income to Net Revenues

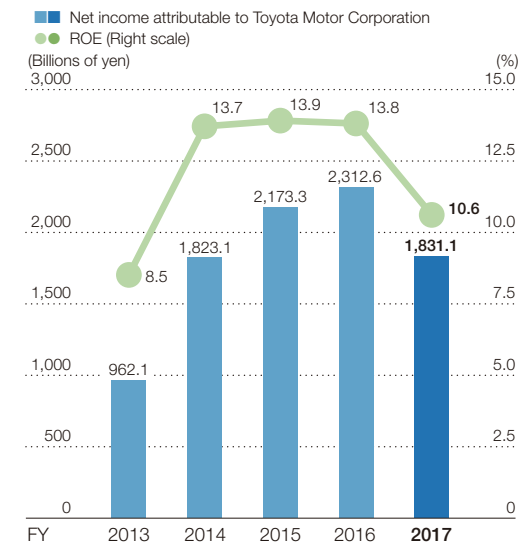


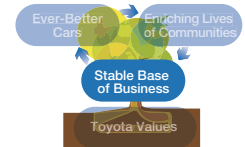
## Net Revenues

(Billions of yen)



## Net Income Attributable to Toyota Motor Corporation and ROE



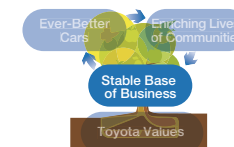


# Financial Results and Position

## Consolidated Statements of Cash Flows

(Yen in millions)

	FY2017 (For the year ended March 31, 2017)	FY2016 (For the year ended March 31, 2016)
<b>Cash flows from operating activities:</b>		
Net income	1,926,985	2,434,211
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,610,950	1,625,837
Provision for doubtful accounts and credit losses	98,666	159,265
Pension and severance costs, less payments	23,253	8,833
Losses on disposal of fixed assets	30,673	33,329
Unrealized losses on available-for-sale securities, net	7,073	9,272
Deferred income taxes	(53,299)	32,889
Equity in earnings of affiliated companies	(362,060)	(329,099)
Changes in operating assets and liabilities, and other	131,996	486,320
<b>Net cash provided by operating activities</b>	<b>3,414,237</b>	<b>4,460,857</b>
<b>Cash flows from investing activities:</b>		
Additions to finance receivables	(13,636,694)	(13,549,278)
Collection of and proceeds from sales of finance receivables	12,927,981	13,115,854
Additions to fixed assets excluding equipment leased to others	(1,223,878)	(1,282,545)
Additions to equipment leased to others	(2,317,559)	(2,776,671)
Proceeds from sales of fixed assets excluding equipment leased to others	41,238	42,147
Proceeds from sales of equipment leased to others	1,238,278	1,111,727
Purchases of marketable securities and security investments	(2,517,008)	(2,197,477)
Proceeds from sales of and maturity of marketable securities and security investments	1,901,541	3,415,815
Payment for additional investments in affiliated companies, net of cash acquired	44,274	628
Changes in investments and other assets, and other	571,888	(1,062,744)
<b>Net cash used in investing activities</b>	<b>(2,969,939)</b>	<b>(3,182,544)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of long-term debt	4,603,446	4,845,872
Payments of long-term debt	(3,845,554)	(4,176,202)
Increase (decrease) in short-term borrowings	273,037	(10,903)
Proceeds from issuance of class shares	—	474,917
Dividends paid to Toyota Motor Corporation class shareholders	(3,697)	(1,225)
Dividends paid to Toyota Motor Corporation common shareholders	(634,475)	(704,728)
Dividends paid to noncontrolling interests	(63,936)	(73,129)
Reissuance (repurchase) of treasury stock, and other	(703,986)	(778,173)
<b>Net cash used in financing activities</b>	<b>(375,165)</b>	<b>(423,571)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(13,486)</b>	<b>(199,871)</b>
<b>Net increase in cash and cash equivalents</b>	<b>55,647</b>	<b>654,871</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,939,428</b>	<b>2,284,557</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,995,075</b>	<b>2,939,428</b>



# Financial Results and Position

## Segment Operating Results

### Automotive

Net revenues for the automotive operations decreased by 895.5 billion yen, or 3.4%, to 25,081.8 billion yen in FY2017 compared with FY2016, and operating income decreased by 756.0 billion yen, or 30.9%, to 1,692.9 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the effects of changes in exchange rates and the increase in expenses and others.

### Financial services

Net revenues for the financial services operations decreased by 72.6 billion yen, or 3.8%, to 1,823.6 billion yen in FY2017 compared with FY2016, and operating income decreased by 116.7 billion yen, or 34.4%, to 222.4 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the increase in expenses related to credit losses and residual value losses in sales finance subsidiaries.

### All other

Net revenues for all other businesses increased by 143.6 billion yen, or 12.2%, to 1,321.0 billion yen in FY2017 compared with FY2016, and operating income increased by 14.8 billion yen, or 22.3%, to 81.3 billion yen in FY2017 compared with FY2016.

### FY2017

(As of and for the year ended March 31, 2017)

(Yen in millions)

	Automotive	Financial Services	All Other	Inter-segment Elimination and/or Unallocated Amount	Consolidated
<b>Net revenues:</b>					
Sales to external customers	25,032,229	1,783,697	781,267	—	27,597,193
Inter-segment sales and transfers	49,618	39,903	539,785	(629,306)	—
<b>Total</b>	<b>25,081,847</b>	<b>1,823,600</b>	<b>1,321,052</b>	<b>(629,306)</b>	<b>27,597,193</b>
<b>Operating expenses</b>	<b>23,388,874</b>	<b>1,601,172</b>	<b>1,239,725</b>	<b>(626,950)</b>	<b>25,602,821</b>
<b>Operating income</b>	<b>1,692,973</b>	<b>222,428</b>	<b>81,327</b>	<b>(2,356)</b>	<b>1,994,372</b>
<b>Assets</b>	<b>16,156,496</b>	<b>22,507,613</b>	<b>2,170,498</b>	<b>7,915,579</b>	<b>48,750,186</b>
<b>Investment in equity method investees</b>	<b>2,745,437</b>	<b>9,792</b>	<b>—</b>	<b>90,193</b>	<b>2,845,422</b>
<b>Depreciation expenses</b>	<b>912,797</b>	<b>671,155</b>	<b>26,998</b>	<b>—</b>	<b>1,610,950</b>
<b>Capital expenditure</b>	<b>1,293,564</b>	<b>2,182,149</b>	<b>53,710</b>	<b>12,014</b>	<b>3,541,437</b>

### FY2016

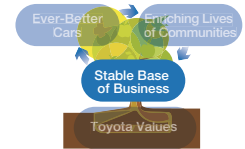
(As of and for the year ended March 31, 2016)

(Yen in millions)

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

Note: Unallocated corporate assets included under "Inter-segment Elimination and/or Unallocated Amount" for FY2017 and FY2016 are 9,177,953 million yen and 9,369,868 million yen, respectively, and consist primarily of funds such as cash and cash equivalents, marketable securities and portion of security investments held by TMC.





# Financial Results and Position

## Geographic Information

### Japan

Net revenues in Japan increased by 71.3 billion yen, or 0.5%, to 14,830.8 billion yen in FY2017 compared with FY2016. However, operating income decreased by 475.2 billion yen, or 28.3%, to 1,202.2 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the effects of changes in exchange rates and the increase in expenses and others.

### North America

Net revenues in North America decreased by 812.8 billion yen, or 7.4%, to 10,239.0 billion yen in FY2017 compared with FY2016, and operating income decreased by 217.6 billion yen, or 41.2%, to 311.1 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the increase in expenses and others as well as the increase in expenses related to credit losses and residual value losses, and the recording of valuation losses on interest rate swaps stated at fair value, both in sales finance subsidiaries.

### Europe

Net revenues in Europe increased by 19.7 billion yen, or 0.7%, to 2,681.0 billion yen in FY2017 compared with FY2016. However, operating income decreased by 84.6 billion yen to an operating loss of 12.2 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the increase in expenses and others.

### Asia

Net revenues in Asia decreased by 184.0 billion yen, or 3.7%, to 4,819.8 billion yen in FY2017 compared with FY2016, and operating income decreased by 14.0 billion yen, or 3.1%, to 435.1 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the effects of changes in exchange rates.

### Other (Central and South America, Oceania, Africa and the Middle East)

Net revenues in other regions decreased by 49.1 billion yen, or 2.2%, to 2,161.0 billion yen in FY2017 compared with FY2016, and operating income decreased by 50.2 billion yen, or 46.1%, to 58.6 billion yen in FY2017 compared with FY2016. The decrease in operating income was mainly due to the increase in expenses and others.

## FY2017

(As of and for the year ended March 31, 2017)

(Yen in millions)

	Japan	North America	Europe	Asia	Other	Inter-segment Elimination and/or Unallocated Amount	Consolidated
<b>Net revenues:</b>							
Sales to external customers	8,798,903	10,033,419	2,517,601	4,279,617	1,967,653	—	27,597,193
Inter-segment sales and transfers	6,031,965	205,672	163,438	540,204	193,421	(7,134,700)	—
Total	14,830,868	10,239,091	2,681,039	4,819,821	2,161,074	(7,134,700)	27,597,193
<b>Operating expenses</b>	13,628,623	9,927,897	2,693,283	4,384,642	2,102,380	(7,134,004)	25,602,821
<b>Operating income (loss)</b>	1,202,245	311,194	(12,244)	435,179	58,694	(696)	1,994,372
<b>Assets</b>	14,791,969	17,365,237	2,846,469	4,486,021	2,819,935	6,440,555	48,750,186

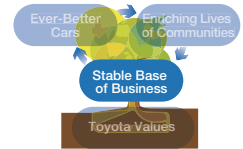
## FY2016

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

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

Note: 1. Unallocated corporate assets included under "Inter-segment Elimination and/or Unallocated Amount" for FY2017 and FY2016 are 9,177,953 million yen and 9,369,868 million yen, respectively, and consist primarily of funds such as cash and cash equivalents, marketable securities and portion of security investments held by TMC.

2. "Other" consists of Central and South America, Oceania, Africa and the Middle East.



# Financial Summary (Consolidated)

<U.S. GAAP>

Fiscal years ended March 31		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Consolidated Vehicle Sales (thousands of units)		8,913	7,567	7,237	7,308	7,352	8,871	9,116	8,972	8,681	8,971
Foreign Exchange Rates (Average)	Yen to US Dollar Rate	114	101	93	86	79	83	100	110	120	108
	Yen to Euro Rate	162	144	131	113	109	107	134	139	133	119
Net Revenues (billions of yen)		26,289.2	20,529.5	18,950.9	18,993.6	18,583.6	22,064.1	25,691.9	27,234.5	28,403.1	27,597.1
Operating Income (Loss) (billions of yen)		2,270.3	(461.0)	147.5	468.2	355.6	1,320.8	2,292.1	2,750.5	2,853.9	1,994.3
Income (Loss) before Income Taxes (billions of yen)		2,437.2	(560.4)	291.4	563.2	432.8	1,403.6	2,441.0	2,892.8	2,983.3	2,193.8
Net Income (Loss) (Note 1) (billions of yen)		1,717.8	(437.0)	209.4	408.1	283.5	962.1	1,823.1	2,173.3	2,312.6	1,831.1
Common Shares	Cash Dividends (billions of yen)	443.2	313.5	141.1	156.8	157.7	285.0	522.9	631.3	645.5	627.5
	Cash Dividends per Share (yen)	140	100	45	50	50	90	165	200	210	210
	Payout Ratio (%)	25.9	—	67.4	38.4	55.6	29.6	28.7	29.0	28.3	34.6
Value of Shares Repurchased [shareholder return] (Note 2) (billions of yen)		69.9	—	—	—	—	—	180.0	293.3	639.3	449.9 (maximum)
R&D Expenses (billions of yen)		958.8	904.0	725.3	730.3	779.8	807.4	910.5	1,004.5	1,055.6	1,037.5
Depreciation Expenses (Note 3) (billions of yen)		1,042.4	1,072.1	1,032.0	812.3	732.9	727.3	775.9	806.2	885.1	893.2
Capital Expenditures (Note 3) (billions of yen)		1,480.2	1,302.5	579.0	642.3	706.7	852.7	1,000.7	1,177.4	1,292.5	1,211.8
Total Liquid Assets (Note 4) (billions of yen)		4,215.4	3,324.1	4,656.3	4,943.4	4,968.1	5,883.1	7,661.9	8,508.2	9,229.9	9,199.5
Total Assets (billions of yen)		32,458.3	29,062.0	30,349.2	29,818.1	30,650.9	35,483.3	41,437.4	47,729.8	47,427.5	48,750.1
Toyota Motor Corporation Shareholders' Equity (billions of yen)		11,869.5	10,061.2	10,359.7	10,332.3	10,550.2	12,148.0	14,469.1	16,788.1	16,746.9	17,514.8
Return on Equity (%)		14.5	(4.0)	2.1	3.9	2.7	8.5	13.7	13.9	13.8	10.6
Return on Asset (%)		5.3	(1.4)	0.7	1.4	0.9	2.9	4.7	4.9	4.9	3.8

(Note 1) Shows "Net income (loss) attributable to Toyota Motor Corporation"

(Note 2) Value of common shares repurchased (shareholder return on Net Income for the period, excluding shares constituting less than one unit that were purchased upon request and repurchases made to avoid dilution of shares)

(Note 3) Figures for depreciation expenses and capital expenditures do not include vehicles in operating lease

(Note 4) Excludes financial subsidiaries

# Non-Automotive Businesses

## Financial Services

Toyota Financial Services Corporation provides financial services, mainly auto loans and leasing, to more than 26 million customers across its network, which spans more than 35 countries and regions. In April 2016, Toyota Motor Corporation created an internal Sales Financial Business Group, better enabling its financial services and automotive business divisions to work together to rapidly implement automotive sales and value chain initiatives. In fiscal 2017, the financial services business recorded net revenues of ¥1,823.6 billion and operating income of ¥222.4 billion.

With the automotive industry undergoing major changes, Toyota has been implementing numerous new initiatives related to the use of information technology in cars, especially in the area of connected cars, to cultivate new business areas.

One such initiative was investment in a new telematics car insurance services company in the United States. This company is developing insurance services in which driver-specific data on distance driven and other driving patterns is collected and analyzed to calculate insurance rates.

Furthermore, Toyota has entered a partnership with Uber Technologies Inc., the largest ridesharing company in the United States. Through collaboration with Uber in ridesharing outside Japan, Toyota aims to build safe, convenient and appealing mobility services.

Going forward, we will continue to develop and provide financial services in line with customer needs and local market characteristics to help customers enjoy the benefits of driving.



## Network Spanning More Than 35 Countries and Regions



## Housing Services

In housing services, Toyota Housing Corporation operates a range of housing-related businesses, including detached house construction as well as condominium development and housing renovations. The mainstay detached house construction business has a sales area covering 28 of Japan's prefectures, with three factories across the country. In fiscal 2017, the housing services business sold 10,321 units on a consolidated basis and generated net revenues of ¥300.8 billion.

Under the brand vision "Sincerely for You," we have been working to strengthen our brand and the competitiveness of our products. As a result, we achieved greater growth in orders received than the average for Japan's top eight prefabricated home companies in fiscal 2017. Furthermore, aiming to create housing that will support working women and enable seniors to enjoy rich, active lives, we created the KenBiKenJu Laboratory, a next-generation housing research facility that brings together technologies

from across the Toyota Group. Using this facility, we aim to accelerate joint housing development with companies throughout the Toyota Group, focusing on housing ten years down the road and beyond.

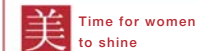
In November 2016, Toyota Housing and Misawa Homes Co., Ltd. entered a capital and business alliance, under which Misawa became a subsidiary of Toyota Housing. Since 2005, when Toyota Motor Corporation and Misawa Homes formed a capital alliance, the two companies have engaged in joint materials purchasing, joint land purchasing and subdividing, joint development of rental housing, and personnel exchange. The new alliance will accelerate both sides' growth strategies and link their businesses, particularly their detached house business and new businesses, to provide customers with better products and services.



Exploring smart living using cutting-edge technology to achieve greater comfort than ever before.



Facilitating daily health management, offering refreshment for the body and mind, and providing quality sleep.



Reducing the burden of housework, childcare, and nursing care to give women time to shine, helping them participate fully in society.



Extending healthy life expectancy and providing the safety and security to enjoy life.



KenBiKenJu Laboratory, a next-generation housing research facility



# Corporate Information and Stock Information (As of March 31 2017)

## Corporate Data

<b>Company Name</b>	Toyota Motor Corporation
<b>Established</b>	August 28, 1937
<b>Common Stock</b>	¥635.4 billion
<b>Fiscal Year-End</b>	March 31
<b>Public Accounting Firm</b>	PricewaterhouseCoopers Aarata LLC
<b>Number of Affiliates</b>	Consolidated subsidiaries: 597 Affiliates accounted for by the equity method: 54
<b>Number of Employees</b>	364,445 (Parent company: 73,875)
<b>Corporate Website</b>	Corporate information: <a href="http://www.toyota-global.com">http://www.toyota-global.com</a> IR information: <a href="http://www.toyota-global.com/investors">http://www.toyota-global.com/investors</a>

## Stock Data

<b>Number of Shares Authorized</b>	10,000,000,000 shares
<b>Number of Shares Issued</b>	<b>Common shares:</b> 3,262,997,492 shares <b>First series Model AA class shares:</b> 47,100,000 shares
<b>Number of Treasury Stock</b>	288,274,636 shares
<b>Number of Shareholders</b>	687,028
<b>Number of Shares per Trading Unit</b>	100 shares
<b>Stock Listings</b>	<b>Japan:</b> Tokyo, Nagoya, Fukuoka, Sapporo <b>Oversea:</b> New York, London <b>Japan:</b> 7203 <b>Ratio:</b> 1 ADR=2 Common Stock <b>Symbol:</b> TM
<b>Securities Code</b>	
<b>American Depositary Receipts (ADRs)</b>	Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikko-cho, Fuchu City, Tokyo 183-0044, Japan Japan toll-free: (0120) 232-711
<b>Transfer Agent in Japan</b>	
<b>Depository and Transfer Agent for ADRs</b>	The Bank of New York Mellon 101 Barclay Street, New York, NY 10286, U.S.A. Tel: (201) 680-6825 U.S. toll-free: (888) 269-2377, (888) BNY-ADRS <b>Depository Receipt:</b> <a href="http://www.adrbnymellon.com">http://www.adrbnymellon.com</a> <b>Transfer Agent:</b> <a href="https://www-us.computershare.com/investor">https://www-us.computershare.com/investor</a>

## Contact Points for Investors

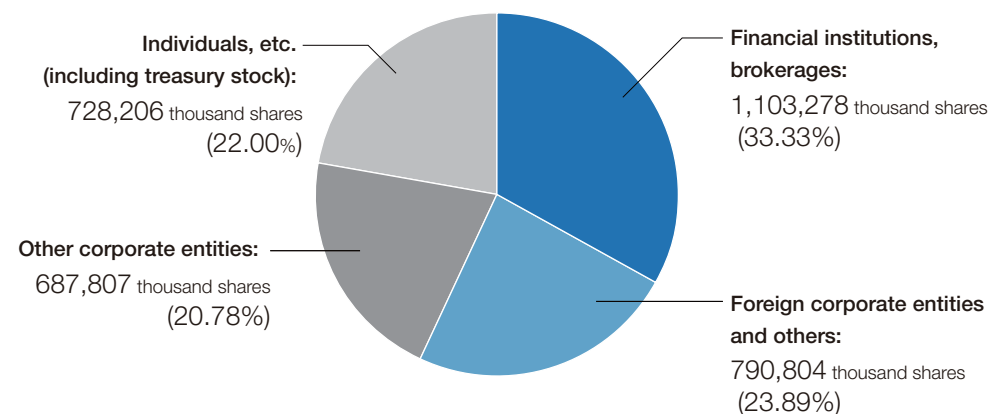
<b>Japan</b>	<b>Toyota City Head Office:</b> 1, Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan Tel: (0565) 28-2121 Fax: (0565) 23-5721 <b>Tokyo Head Office:</b> 4-18, Koraku 1 chome, Bunkyo-ku, Tokyo 112-8701, Japan Tel: (03) 3817-7111 Fax: (03) 3817-9092
<b>U.S.A.</b>	Toyota Motor North America, Inc. 1114 Avenue of the Americas, Suite 4115, New York, NY 10036, U.S.A. Tel: (212) 715-7447 FAX: (212) 759-7670
<b>U.K.</b>	Toyota Motor Europe Second Floor, Caroline House, 55-57 High Holborn, London WC1V 6DX, U.K. Tel: (207) 290-8511

## Major Shareholders (Top 10)

Name	Common shares (1,000 shares)	First series Model AA class shares (1,000 shares)	Total (1,000 shares)	Percentage of Shareholding (%)
Japan Trustee Service Bank, Ltd.	364,158	180	364,338	12.06
Toyota Industries Corporation	229,274	—	229,274	7.59
The Master Trust Bank of Japan ,Ltd.	156,668	—	156,668	5.18
Nippon Life Insurance Company	120,045	560	120,605	3.99
State Street Bank and Trust Company (Standing Proxy: Settlement & Cleaning Services Division, Mizuho Bank, Ltd.)	104,004	—	104,004	3.44
DENSO Corporation	86,882	—	86,882	2.88
JP Morgan Chase Bank, N.A. (Standing Proxy: Settlement & Cleaning Services Division, Mizuho Bank, Ltd.)	72,050	—	72,050	2.38
Mitsui Sumitomo Insurance Company, Limited	60,811	—	60,811	2.01
Trust & Custody Services Bank, Ltd.	58,941	—	58,941	1.95
The Bank of New York Mellon as Depository Bank for Depository Receipt Holders	56,099	—	56,099	1.86

- The Bank of New York Mellon as Depository Bank for Depository Receipt Holders is the nominee of the Bank of New York Mellon, which is the Depository for holders of TMC's American Depositary Receipts (ADRs).
- The percentage of shareholding is calculated after deducting the number of shares of treasury stock (288,274 thousand shares) from the total number of shares issued.

## Ownership Breakdown



Note: Ratio indicates the share of ownership to the total number of shares issued.

## Cautionary Statement with Respect to Forward-Looking Statements

This report contains forward-looking statements that reflect Toyota's plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause Toyota's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. These factors include, but are not limited to: (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 Russian ruble, the Canadian dollar and the British pound, and interest rates fluctuations; (iii) changes in 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 timely develop and achieve market acceptance of new products that meet customer demand; (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; (xiii)



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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; and (xiv) the impact of natural calamities including the negative effect on Toyota's vehicle production and sales.

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

