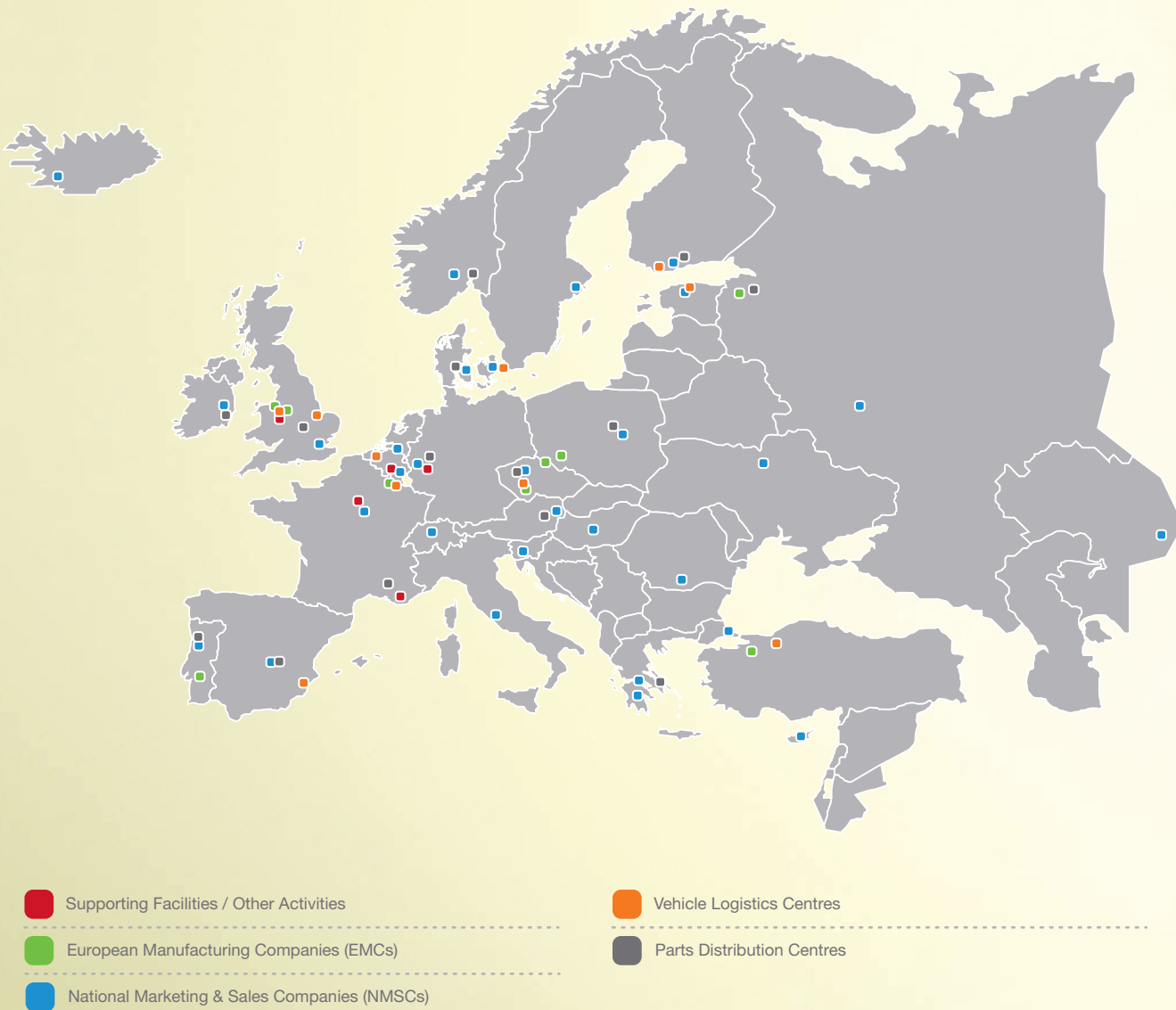


Toyota European Sustainability Report 2009



TOYOTA

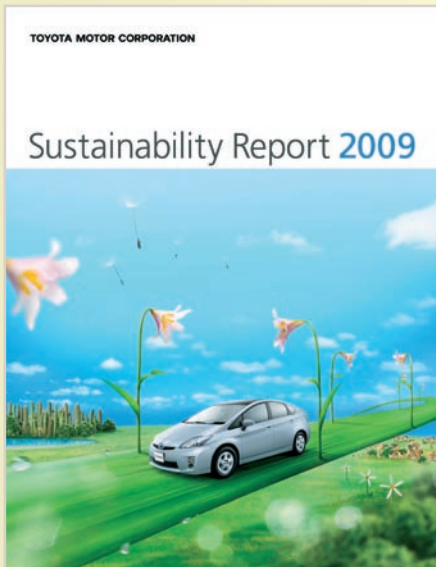
Toyota's European network



About the report

Toyota Motor Europe (TME) published its first annual European Environmental Report in 2001 to enhance disclosure of information on the company's environmental activities. In 2007, the remit widened to include information on the company's activities in the area of sustainability. In this, the eighth annual report, the company intends to provide transparency on its economic, environmental and social commitments as well as policies, strategy and performance affecting its business and stakeholders during the 2008 financial year (April 2008 to March 2009).

Selection of the material included in this report is made on the basis of stakeholder feedback plus extensive internal dialogue conducted through processes that form an integral part of the company's daily operations. TME believes that this report covers a balanced and complete set of topics and shows commitment and results befitting a company operating in Europe.



TME welcomes all comments and opinions you might wish to share with us relating to issues covered in this report by sending an email to eaco@toyota-europe.com.

This report complements the Toyota Motor Corporation's (TMC) global Sustainability Report 2009, which can be found at www.toyota.co.jp/en/environment/index.html.

Data sources

Financial data is obtained from the Group's accounting system and has been calculated in accordance with the principles of TMC's annual reporting procedures.

Environmental data is collected annually from the production companies in accordance with fixed reporting procedures and in a standardised format across seven manufacturing sites. Methodology used is based on the Greenhouse Gas (GHG) protocol of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

TME's latest manufacturing site in Russia has not yet been included in the Key Performance data. The manufacturing site in Salvador Caetano, Portugal, is not included in this report because it is not under management control of TME. Environmental data for other sites, such as logistics centres and National Marketing and Sales Companies (NMSCs), is collected annually according to fixed reporting procedures and in a standardised format. With the exception of new operations in Kazakhstan, all affiliated and non-affiliated NMSCs fall within the scope of this report. If unavailable, the environmental data for logistics operations is estimated. Social performance data is collected through the formal information systems of the various divisions involved, including Customer Satisfaction, Quality, Safety, Purchasing, CSR, etc. The social performance of affiliated companies controlled by TME, such as the NMSCs, is also covered in this report.

Ensuring reliability and accuracy

Many departments and data sources have provided input and information for this report. A great deal of time and effort has been placed on ensuring that information is accurate and of the highest quality.

Financial data and key environmental performance data relating to production companies is reviewed externally as part of the TMC global Sustainability Report. Environmental data is subject to internal and external ISO14001 audits. Social performance data is continuously monitored via Toyota's CSR Assessment.

As a baseline, this report references the Sustainability Reporting Guidelines (G3) developed by the Global Reporting Initiative (GRI). Alongside other recognised reporting guidelines, TME has applied experience and expertise gained by reporting on environmental responsibility and sustainability annually for the past years.

“2009 is the year of Toyota. This may sound surprising given the current economic crisis but this statement reflects the ability and spirit of the company to solve problems – to successfully navigate through difficult times.”



Tadashi Arashima

President and CEO, Toyota Motor Europe (TME)

Senior Managing Director, Toyota Motor Corporation (TMC)



At the time of writing, Toyota in Europe has just launched its annual Green Month Campaign, which this year urges our employees to “act and adapt” in the fight against Climate Change. This statement is particularly poignant for the times that we live in, and indeed extends beyond the challenge of Climate Change.

The last 18 months have been incredibly tough for automakers, and Toyota has not navigated through the rocky waters unscathed. We know that if we are to survive the storm, we cannot continue with “business as usual”. As a company, we have to act – yes, but more than anything we have to adapt.

Thanks to some creative compromises, Toyota Motor Europe has not resorted to the harsh actions taken by other companies in recent times, like reducing head count through lay-offs or dismissals, for example.

I believe – and certainly Toyota believes – that people are our greatest asset. Why? Because it is through our employees that today’s ideals will become tomorrow’s realities.

This is why we are making every effort to provide stable employment to our permanent employees, because by investing in their development we can ensure that both they and the company benefit longer-term.

We also need to be in the best possible position to react when the market rebounds, and we can only do this if we have the support of a highly-skilled workforce, each of whom must be motivated to see a fitter and stronger Toyota emerge from the crisis.

2009 has been a busy year for many reasons, and not least because of the launch of 16 new Toyota and Lexus models. Thanks to Toyota Optimal Drive and our improved full hybrid systems, each model comes equipped with advanced environmental technologies that improve the driving experience but also, importantly, bring down CO₂. So much so, that we will beat the 140 g/km target in 2009.

On the up side, national incentive schemes in many European markets are helping to push customers towards our increasingly CO₂-competitive car range – a reflection that our new product line-up arrives at exactly the right time. More pleasing, however, is that our new models are showing early signs that they’re indeed considered relevant and desirable by today’s drivers.

Our efforts to drive down CO₂ are not just reflected in the wave of new and increasingly eco-conscious products, like the Toyota iQ and new generation Prius, for instance. In collaboration with stakeholders like the World Business Council for Sustainable Development (WBCSD), we are also monitoring progress towards a post-Kyoto agreement, for which we hope to see resolution by the end of this year.

Our company's commitment to the issue of widespread CO₂ reduction is reflected in this issue's special feature on Climate Change. And we are joined by independent expert, Björn Stigson, President of the WBCSD, who also shares his views.

We have been hit with some tumultuous months, no doubt – but if you are to recall one important point about Toyota, it is that our desire to grow sustainably, in harmony with nature and society, has not been 'dethroned' or pushed aside by global market upheaval.

Rather, it is our conviction that, in our journey towards sustainable development, we can and will continue to pave a green road to growth.



Tadashi Arashima

President and CEO, Toyota Motor Europe (TME)

Senior Managing Director, Toyota Motor Corporation (TMC)

2008 was a challenging year for Toyota and the automotive industry. However, we are convinced that the fundamental environmental and social principles that we have introduced in the past years will help us to become even stronger and enable us to grow in harmony with society.

In 2008 we continued to **improve our environmental performance** along the whole life-cycle.

With the **new Avensis**, which was designed and developed in Europe, we have strengthened our European roots. With the iQ and new generation Prius we have introduced cars with CO₂ emissions of just 99 and 89 g of CO₂ per km respectively.

In 2008 we achieved fleet average **CO₂ emissions** of 145.3 g/km CO₂ paving the way to achieve 140 g/km this year.

The **Environmental Declaration of the new Prius** shows a CO₂ reduction of 37% compared to a conventional diesel car and demonstrates the overall CO₂ benefits of our full hybrid technology.

Our production **CO₂ emissions have decreased** from 339,000 tonnes in 2007 to 261,000 tonnes in 2008. Also the overall CO₂ emissions of our logistics operations have been decreased from 236,481 tonnes in 2007 to 210,645 tonnes in 2008. Both achievements are partially due to reduced production and sales volumes but also because of our efforts to become more efficient following the Toyota Way philosophy.

Although CO₂ emissions of our National Marketing and Sales Companies increased from 12,585 tonnes to 13,585 tonnes we started to implement a **sustainable retailer** concept where all of our 3,000 retailers are requested to do an energy audit to identify energy reduction potentials. New efficiency standards have been introduced and new retailers in La Rochelle, Salzburg and Maribor are now designed to have the lowest environmental impact and to even become CO₂ neutral.

Ensuring stable employment is another key objective of Toyota. In 2008 we made every effort to ensure a sustainable workforce. We used 2008 to enhance the training of all employees in order to strengthen the fundamentals of the Toyota principles.

Despite the challenging economic climate, Toyota spent **€ 7.8 million in 2008 for social contributions** in Europe in support of about 300 community projects.

In 2008 Toyota continued investing in Europe with the start of production of the new generation Avensis in the UK and the new Toyota Verso in Turkey, where we celebrated the production of the plant's one-millionth vehicle.

| Environmental performance | | FY2007 | FY2008 |
|----------------------------------|---|---------------|---------------|
| | ISO14001 – certified European Manufacturing Companies (EMCs) | 7 | 7 |
| | ISO14001 – certified National Marketing and Sales Companies (NMSCs) | 22 | 26 |
| | Certified Environmental Management System Toyota & Lexus retailers | 185 | 724 |
| | ISO14001 – certified Parts Distribution Centres* | 13* | 14 |
| | ISO14001 – certified Vehicle Logistics Centres | 8 | 9 |
| NEW | Percentage of vehicle parts suppliers that are ISO14001/EMAS certified | | 85% |
| | EMC energy usage (kWh/vehicle) | 1,356 | 1,495 |
| | EMC CO ₂ (kg/vehicle) | 417 | 443 |
| | CO ₂ emissions – EMC (t CO ₂) | 339,000 | 261,000 |
| | EMC water usage (m ³ /vehicle) | 1.98 | 2.11 |
| | EMC VOC emissions (g/m ²) | 19.9 | 18.9 |
| | EMC waste-to-landfill (kg/vehicle) | 0.05 | 0 |
| | EMC number of fines | 0 | 0 |
| | EMC number of prosecutions | 0 | 0 |
| | EMC number of complaints | 0 | 1 |
| | CO ₂ emissions – NMSC (t CO ₂) | 12,585 | 13,585 |
| | CO ₂ emissions – Production Parts Logistics (t CO ₂) | 103,000 | 87,000 |
| | CO ₂ emissions – Vehicle Logistics (t CO ₂) | 82,273 | 75,562 |
| | CO ₂ emissions – Service Parts Logistics (t CO ₂) | 51,208 | 48,083 |
| NEW | CO ₂ average emissions from Toyota vehicles (EU-15) | 150.7 | 145.3 |
| | Sales of remanufactured parts (units) | 69,201 | 75,441 |

| Social performance | | FY2007 | FY2008 |
|---------------------------|---|---------------|---------------|
| | Employment (direct) – TME HO, NMSCs, Logistics Group | 7,432 | 8,496 |
| | Employment (direct) – EMC | 18,920 | 18,702 |
| | Gender distribution – % of women in TME HO, NMSCs, Logistics Group | 26% | 28% |
| | Gender distribution – % of women in EMC | 10% | 9% |
| | Injury frequency rate – EMC (No. of lost-time-injuries x 1 million / No. of hours worked) | 3.04 | 2.65 |
| | Injury frequency rate – TME HO, Zeebrugge, Zaventem (No. of lost-time-injuries x 1 million / No. of hours worked) | 0.7 | 0.326 |
| | Injury frequency rate – TPCE (No. of lost-time-injuries x 1 million / No. of hours worked) | 18.17 | 35.17 |
| | Suppliers – purchased local European content of core models | >90% | >90% |
| | European social contributions – total amount (million €) (revised figures FY2007) | 10.5 | 7.8 |
| NEW | European social contributions – % of total spending linked to strategic focus on education, road safety, environment | 62% | 66% |

| Economic performance | | FY2007 | FY2008 |
|-----------------------------|---|---------------|---------------|
| | Net revenues (million €) | 24,651 | 20,924 |
| | Operating income (million €) | 874 | -995 |
| | Number of vehicles manufactured | 814,093 | 589,794 |
| | Number of engines and transmissions produced | 1,396,106 | 1,210,913 |
| | Annual total sales Toyota + Lexus (million €) | 1,238 | 1,061 |
| | Annual hybrid sales (CY) | 48,958 | 57,814 |
| | Market share (CY) | 5.6% | 5.3% |
| | Investment since 1990 (billion €) | almost 7 | over 7 |

* Excludes NMSC-owned Parts Distribution Centres
Comparisons with 2007 reflect the latest and most accurate data at date of publication

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Vision and strategy

“We strongly believe that true sustainable development can only be achieved if we manage to grow in harmony with society. In order to turn this vision into tomorrow’s reality, we have established a number of industry leading principles and policies as outlined below.”



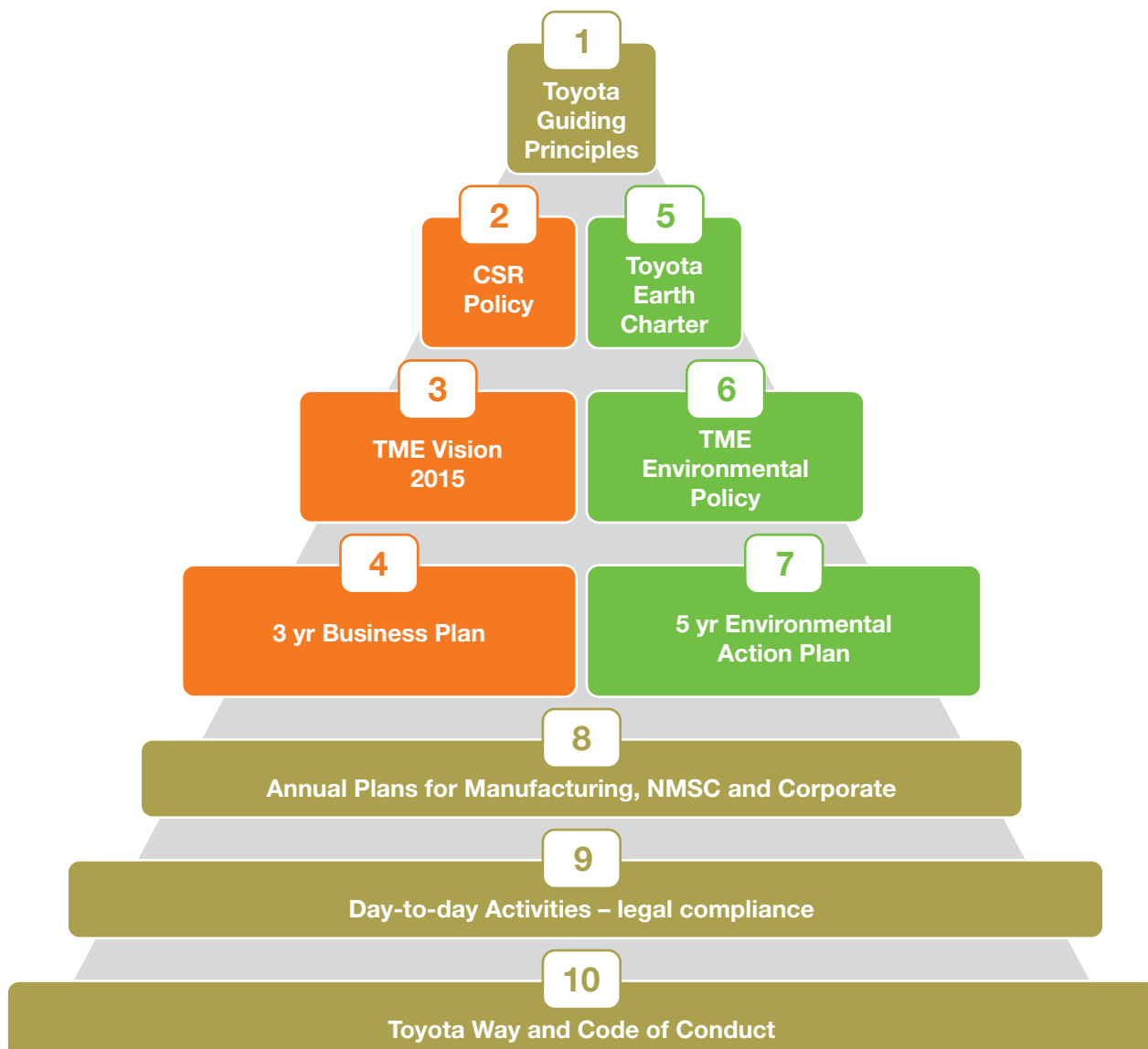
Tadashi Arashima

President and CEO, Toyota Motor Europe (TME)

Senior Managing Director, Toyota Motor Corporation (TMC)

The Toyota vision: Growth in harmony with society

The following chart gives an overview of the policies and principles in place.

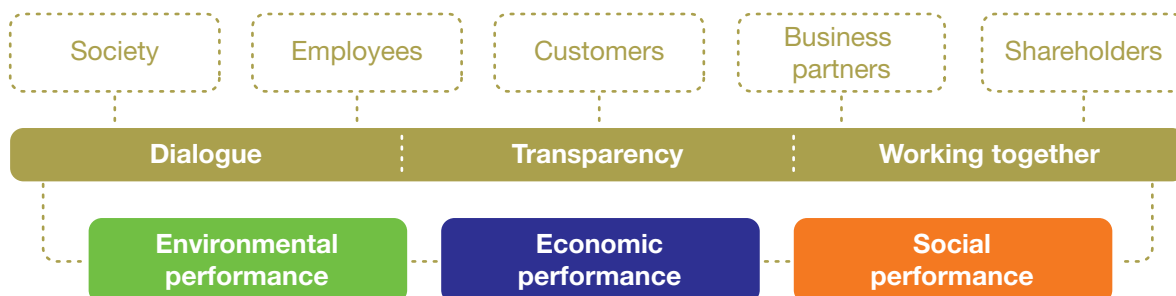


1 Adopted in 1992 and revised in 1997, **Toyota's Guiding Principles** reflect the kind of company Toyota Motor Europe (TME) seeks to be, and are:

- 1 **Honour** the language and spirit of **the law** of every nation and undertake **open and fair corporate activities** to be a good corporate citizen of the world.
- 2 **Respect** the **culture and customs** of every nation and contribute to economic and social development through corporate activities in the communities.
- 3 **Dedicate** ourselves to providing **clean and safe products** and to enhancing the quality of life everywhere through all our activities.
- 4 **Create** and develop **advanced technologies** and provide outstanding products and services that **fulfil the needs of customers** worldwide.
- 5 **Foster a corporate culture** that enhances individual **creativity and teamwork** value, while honouring **mutual trust and respect** between labour and management.
- 6 **Pursue growth in harmony** with the **global community** through innovative management.
- 7 **Work with business partners** in research and creation to achieve **stable, long-term growth** and mutual benefits, while keeping ourselves open to new partnerships.

2 Launched in 2005 and updated in 2008, the document **CSR Policy 'Contribution towards Sustainable Development'** sets out the fundamental principles that guide the way in which TME conducts its activities, as well as the company's commitment to sustainable development by enhancing its economic, environmental and social performance to meet the expectations of all stakeholders. This commitment is delivered in the following way:

Being a good European corporate citizen



3 The Guiding Principles and the CSR Policy are reflected in the **TME Vision 2015** which defines the company's goal to become a leading player in Greater Europe by:

- Being the **environmental leader** in every market
- Achieving **complete customer satisfaction**
- Being a **good European Corporate Citizen**
- Ensuring **self reliance**

4 These goals are further defined in the rolling **3 yr Business Plan**. The plan is informed by the results of the CSR Assessment – a tool designed to monitor the company's internal performance and management systems for Corporate Social Responsibility. Applying a Plan-Do-Check-Act (PDCA) cycle ensures a process of continuous improvement in the company's environmental and social performance.

- 5 Formulated in 1992 and revised in 2000, the **Toyota Earth Charter** is also firmly rooted in the company's Guiding Principles. The Charter embodies TME's comprehensive approach to addressing environmental challenges by:
 - Contributing to a prosperous 21st Century society by aiming for growth that is in harmony with the environment
 - Pursuing a full range of environmental technologies in order to develop and establish new technologies that enable the environment and economy to coexist in harmony
 - Developing a voluntary action plan of preventive measures and pre-compliance with laws addressing environmental issues
 - Working with society by building close, cooperative relationships with all stakeholders.

- 6 The Toyota Earth Charter is translated into company-wide policy via the **TME Environmental Policy**, which was updated in February 2009 to reflect current thinking and best practices ([see page 14](#)).

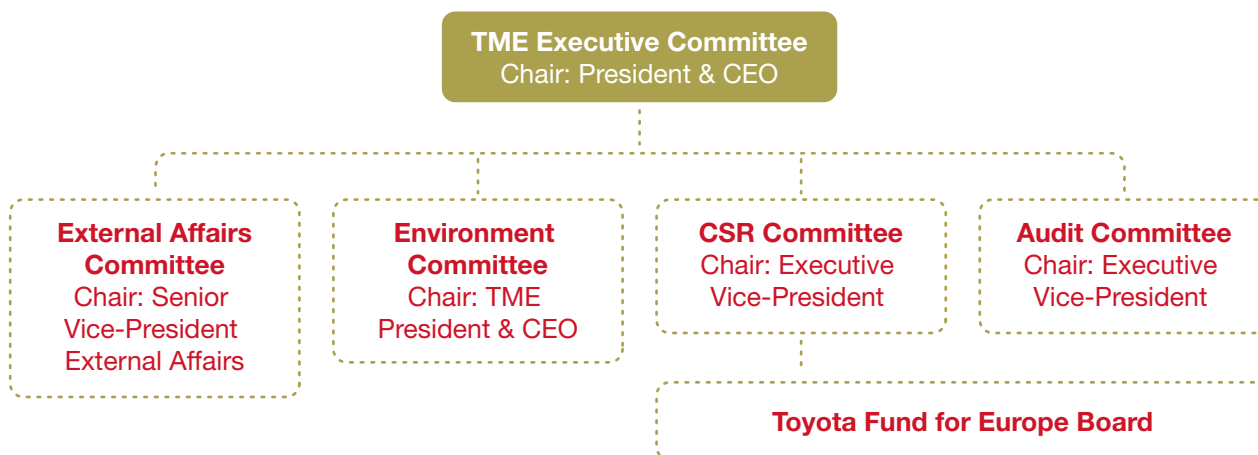
- 7 In turn, the TME Environmental Policy is translated into practice via the **5 yr Environmental Action Plan**.

- 8/9 The 3 yr Business Plan and the 5 yr Environmental Action Plan are implemented via the **Annual Plans for Manufacturing, NMSC and Corporate**. The Annual Plans cover operational actions of the CSR and environmental priorities identified and reflect the legal compliance as a minimum target.

- 10 The TME vision to grow in harmony with society is built upon the **Toyota Way** and the **Toyota Code of Conduct**. The latter was formulated in 1998 and revised in 2006. Together, these edicts shape the basic attitudes necessary for people working at Toyota to put the Guiding Principles into practice, to fulfil the company's social responsibilities as well as their own.

Governance structure of TME

Bringing the TME vision to life requires appropriate management and governance structures. TME has therefore established a number of governing committees to help define strategy on issues involving the environment and Corporate Social Responsibility (CSR). The various expert committees work proactively to ensure that legal compliance is reached prior to the date of legal enforcement. As a result of intense company-wide, cross-functional engagement on environmental and CSR issues, TME's governance structure, as outlined below, allows relevant issues to be brought to the attention of the executives in a timely manner by all employees.



Environmental performance

The following table summarises TME's main achievements in 2008 in areas of environmental performance, specifically; tackling energy challenges and global warming, improving recycling of resources, eliminating Substances of Concern (SOCs), improving atmospheric quality, and expanding environmental management. Please note that some results refer to the fiscal year, others to the calendar year.

TME's 5 yr Consolidated Environmental Action Plan (FY2006-2010)

| Key area | 2008 Achievements | See page | 2010 Targets |
|---|---|----------|--|
| I Tackling energy challenges & global warming | | | |
| 1 Reduce CO ₂ emissions in all TME operations including production and non-production areas (logistics, buildings, etc.) | 1.1 CO ₂ inventory management system extended and further consolidated | 18 | 1.1 Proceed with CO ₂ management throughout the entire company & consolidate all CO ₂ emissions for Toyota European operations |
| | 1.2 EMC CO ₂ emissions reduced by 23% to 261,000 tonnes (443 kg/vehicle) | 32, 34 | 1.2 EMC to reduce total CO ₂ emissions and CO ₂ /vehicle to 425 kg |
| | 1.3 EMC achieved 1,495 kWh/vehicle | 32 | 1.3 EMC to reduce energy consumption to 1,375 kWh/vehicle |
| | 1.4 NMSC CO ₂ emissions increased by 8% to 13,585 tonnes | 49 | 1.4 NMSC to reduce CO ₂ emissions |
| | 1.5 Logistics emissions reduced by 10.5% to 211,000 tonnes | 35-41 | 1.5 Reduce logistics emissions by 10% per unit |
| 2 Promote the development of technologies that achieve the best fuel efficiency | 2.1 2008 Toyota average CO ₂ emissions of 145.3 g CO ₂ /km in EU-15 | 45 | 2.1 Continue to contribute to the voluntary agreement of JAMA to achieve 140 g CO ₂ /km in 2009 |
| 3 Promote the development and sales of clean energy vehicles | 3.1 Continued corporate and brand environmental awareness advertising (surveys show further gains in the awareness of and favourability of Prius) | 43 | 3.1 Raise public awareness about the benefits of Toyota's full hybrid systems |
| | 3.2 Sold 59,889 hybrids in Europe; Full hybrid mix: 5.25% | | 3.2 Contribute to global sales of 1 million hybrids/year |
| | 3.3 Diesel mix: 33.7% Toyota and 16.4% Lexus | | 3.3 Promote clean diesel technology |
| | 3.4 Small cars: 31.3 % (iQ, Aygo, Yaris) | | 3.4 Increase sales of small cars |
| II Improve recycling of resources | | | |
| 4 Promote the effective use of resources to contribute to a recycling-based society | 4.1 2010 target of all plants to achieve zero waste to landfill already met | 32 | 4.1 Promote zero waste to landfill at all production sites |
| | 4.2 Modal shifts implemented wherever possible; factors such as load capacity and route planning evaluated and changes implemented | 35-41 | 4.2 Evaluate alternative modes of transportation to improve energy consumption in area of logistics |
| | 4.3 Use of returnable packaging for parts led to a 4.1% reduction in packaging waste compared with 2005 levels | 41 | 4.3 Reduce general and packaging waste |
| 5 Reduce water consumption | 5.1 2010 target of water volume of 2.11 m ³ /vehicle produced already met and new target set | 33 | 5.1 New target to reduce water volume/vehicle produced to 1.7 m ³ /vehicle |
| 6 Implement recycling systems in Europe | 6.1 Full compliance in all 27 Member States of the European Union covered by the End-of-Life (ELV) Vehicles Directive | 54 | 6.1 Fulfil all requirements of the EU ELV Directive 2000/53/EC |
| | 6.2 Full compliance in all non-EU countries in Europe that have implemented the ELV legislation | | |
| III Eliminate Substances of Concern (SOCs) | | | |
| 7 Reduce the use of Substances of Concern (SOCs) | 7.1 In full compliance with the ELV directive | | 7.1 Eliminate the use of 4 SOC's (lead, mercury, cadmium and hexavalent chromium) |
| | 7.2 Initiated internal process to guarantee compliance with the new European Chemical Policy REACH | 85 | 7.2 Comply with REACH regulation |

| Key area | 2008 Achievements | See page | 2010 Targets |
|---|--|----------|---|
| IV Improve atmospheric quality | | | |
| 8 Reduce exhaust emissions to improve air quality in urban areas | 8.1 Euro 5 2009 standard set for PM and NOx, TME well positioned for full compliance | | 8.1 Continue to promote clean diesel technologies |
| | 8.2 Branded environmental awareness campaigns led to continued rise in market share of diesel and hybrid technology models | | |
| 9 Reduce emissions of Volatile Organic Compounds (VOCs) | 9.1 Attained VOC emissions rate of 18.9 g/m ³ , beating 2006 target and nearly attaining 2010 target | 33 | 9.1 Reduce the volume of purge solvents in the vehicle painting process to 19 g/m ³ |
| | 9.2 161 body & paint shops joined the co-branded paint programme resulting in sales of 94,500 litres total of VOC compliant water-borne paint and ancillary products such as thinners, hardeners and clear coats | | 9.2 Expand the use of water-borne paint |
| V Expand environmental management | | | |
| 10 Strengthen consolidated environmental management | 10.1 Recertification of all TME operations accomplished with zero non-compliance issues | | 10.1 Recertification of TME's consolidated environmental management system, based on ISO14001 – Scope Head Office sites, parts logistics depots, and vehicle logistics hubs |
| | 10.2 33 internal audits conducted | | 10.2 Enhance internal auditing |
| | 10.3 Software-system under development | | 10.3 Further automate the Environmental Management System (EMS) |
| 11 Promote environmental management to business partners | 11.1 New Sustainability Purchasing Guideline under preparations | 82 | 11.1 Issue new 'Green Purchasing Guidelines' to suppliers and logistics partners |
| | 11.2 26/31 NMSCs obtained ISO14001 certification | 48 | 11.2 All NMSCs to obtain ISO14001 certification |
| | 11.3 Environmental compliance at retailers now monitored through the Toyota Service Marketing Programme | 47 | 11.3 Enhance environmental management and compliance at retailer outlets |
| 12 Enhance environmental education and awareness within the company | 12.1 Green Months campaign, based on the theme Switch Off: Think & Act, conducted at 55 sites | | 12.1 Run the Green Months campaign annually at all sites in conjunction with the UN World Environment Day |
| | 12.2 Environmental e-learning courses established and environmental training given to new hires in HO | | 12.2 Provide environmental training to all new employees |
| 13 Promote businesses that contribute to environmental improvements | 13.1 100% of energy required for TME's sites in Belgium derived from renewable sources | | 13.1 Purchase of green energy from renewable sources to run Head Office operations |
| | 13.2 Ongoing research into renewable energy opportunities for new projects | | 13.2 Evaluate renewable energy opportunities in new and expanding facilities |

Being a good European corporate citizen

Although environmental sustainability is a major challenge for all car manufacturers, the challenges of sustainable development are not limited to environmental topics; social responsibility plays an equally key role. The TME Corporate Social Responsibility (CSR) team within the Corporate Planning Division measures and coordinates improvement of sustainability performance in the triple bottom-line areas.

From strategy to plan

At the executive level, the CSR Committee governs TME's CSR strategy by overseeing all strategic aspects of sustainable development and analysing possible gaps between principles or targets and Toyota's actual environmental, social and economic performance. Based on an annual assessment of all TME operations, the CSR Committee approves the company's overall CSR strategy and,

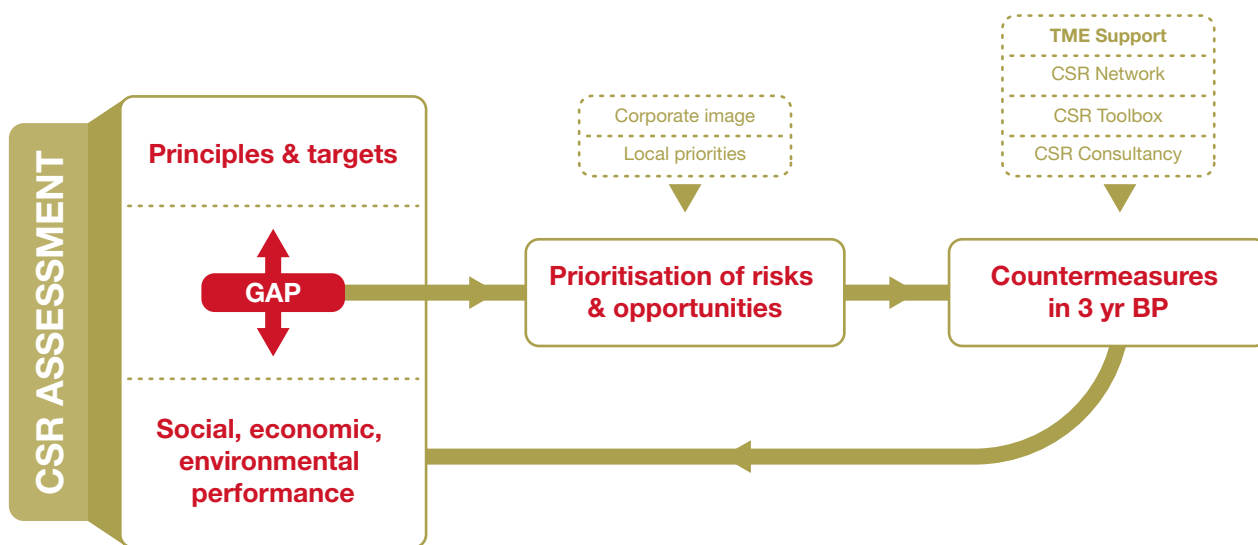
through various working groups, is responsible for successful implementation across all business operations. The Committee is formed of key executives from all relevant TME divisions.

Measure to manage

To successfully integrate CSR into the Toyota Way of doing business, it is important to first develop a common understanding of what CSR means to the company and to then establish standard procedures to measure performance. Based on the CSR policy, a comprehensive CSR performance measurement system, called the CSR Assessment, has been developed and deployed.

The CSR Assessment of NMSCs and EMCs has been conducted on an annual basis since 2003. The TME Head Office was first assessed in 2008.

Analysis of the CSR Assessment results has led to the identification of Kaizen⁽¹⁾ projects which are easily integrated into the planning cycles of TME and its affiliates in the following way:



CSR Kaizen: CSR 3 yr Business Plan

The CSR 3 yr Business Plan collates and categorises company-wide CSR projects under three key areas, namely; the integration of CSR Management in day-to-day business practices, value-added contributions to society, and increased stakeholder engagement. Within these three key areas, each TME affiliate identifies areas for improvement and details specific CSR projects that go on to be integrated into the 3 year planning cycle.

| Key area | 2008 Achievements | See page | 2010 Targets |
|--|---|----------|---|
| 1 CSR Management fully integrated in business processes / planning | Human resource management | | |
| | <ul style="list-style-type: none"> Countermeasures proposed based on gender-gap impact analysis of employee retention up to FY2008 Countermeasures on work-life balance implemented e.g. employee convenience services established at TME | 72 71 | <ul style="list-style-type: none"> Implement countermeasures to reduce gender-gap in employee attraction by 50% Further realise the multi-year action plan on work-life balance |

(1) Continuous Improvement

| Key area | 2008 Achievements | See page | 2010 Targets |
|---|--|----------|---|
| 1 CSR Management fully integrated in business processes / planning continued | Supply chain management | | |
| | <ul style="list-style-type: none"> CSR questionnaire results processed and countermeasure plan defined | 84 | <ul style="list-style-type: none"> Further development and articulation of CSR policy for suppliers Communicate survey results at Annual General Meeting and identify countermeasures |
| | Support to affiliated companies | | |
| | <ul style="list-style-type: none"> Detailed CSR Assessment of affiliates and TME Head Office completed | 58, 59 | <ul style="list-style-type: none"> Increase internal and external communication on CSR, including internal best practice sharing via CSR Toolbox Ensure definition of CSR European Action Plan Integration of CSR activities into business plans of all affiliated companies |
| | Special mobility | | |
| | <ul style="list-style-type: none"> Achieved additional roll out of programme in the UK, France, Portugal and Poland | 66, 67 | <ul style="list-style-type: none"> Increase cooperation with NGOs Focus on strengthening the programme in the UK plus one other core European country |
| 2 Enhanced efficiency in systems of social contributions that create both social and business value | <ul style="list-style-type: none"> 66% focus on the strategic areas of Environment, Road Safety and Technical Education achieved Further development of European-wide social contribution projects e.g. Eco-Driving, Eco-Schools, the UNEP One Billion Tree Campaign Development of employee involvement projects at the TME Head Office plus four manufacturing sites Toyota Fund for Europe (TFfE) Website launched and promoted | 89 | <ul style="list-style-type: none"> Increase alignment of social contributions with overall business strategy Enhance visibility of social contributions in Europe Additional focus on Environmental programmes Increase involvement of Retailers Increase involvement of Employees |
| 3 Key stakeholders to better understand TME's performance, building a positive image and local admiration | <ul style="list-style-type: none"> Second European Key Stakeholder Survey (EKSS) implemented Participation in and organisation of various stakeholder events | 60 | <ul style="list-style-type: none"> Conduct the European Key Stakeholder Survey bi-annually Set up and implement proactive stakeholder engagement strategy Develop KPIs for stakeholder relations |

Both Environment and CSR matters are deeply integrated in day-to-day operations. More details on how this is achieved can be found in the respective environmental and social performance sections of this report.



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Environmental performance

“Environmental sustainability is one of the major challenges of the 21st Century. We have always recognised the importance of taking leadership in this domain and even in current times, activities to protect the environment remain a crucial element of our business model.”



Hiroyuki Ochiai

Executive Vice-President, Co-Chair of Environmental Committee, TME
Managing Officer, TMC

Toyota's new Environmental Policy in Europe reflects environmental leadership

Toyota Motor Europe (TME) is a major contributor to Toyota Motor Corporation's global sustainability targets as set out in the Toyota Earth Charter.

TME first adopted a European Environmental Policy in 2001. The policy is valid for all Toyota's activities in Europe and is currently being rolled out to all sites.

In line with the vision to be a leader on environmental sustainability in Europe, TME has pledged to increase its contribution through a new environmental policy that addresses the entire vehicle life-cycle.

Toyota Europe Environmental Policy

Aim: reach environmental leadership throughout the whole vehicle life cycle

Based on CSR Policy and Toyota Earth Charter, members of Toyota Motor Europe commit to lead by example to reduce the environmental impact of Toyota's activities

Environmental pledge:

- Emissions reduction throughout whole vehicle life cycle
- Commitment to reduce, re-use and recycle (3R's)
- Ongoing quest to achieve the ultimate 'eco-car'

Continuous improvement:

- Environment performance, from design to disposal
- Compliance with legal standards
- Operations that use less energy

Open dialogue:

- Encouraging environmental performance with all stakeholders
- Create environmental mindset
- Opportunities to raise environmental awareness

T. Arashima

01 February 2009

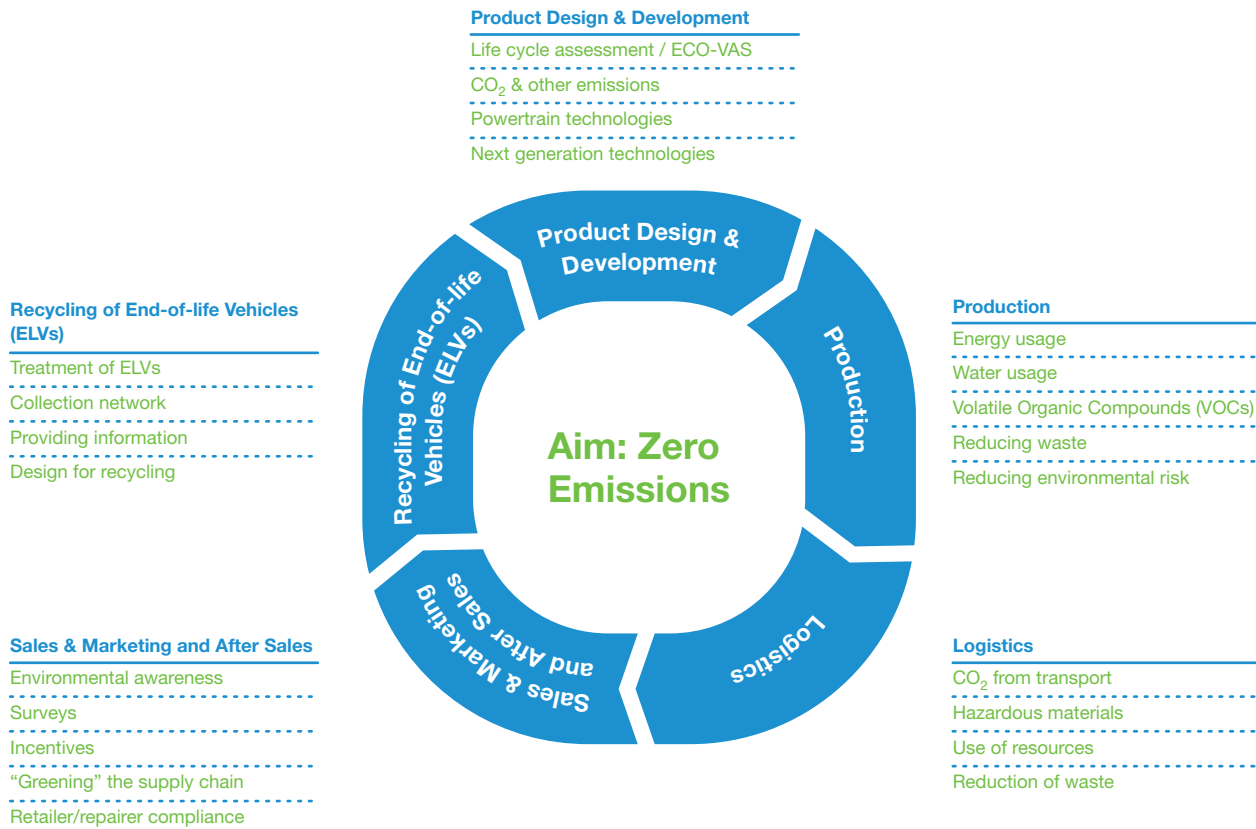
Tadashi Arashima
President & CEO
Toyota Motor Europe

TOYOTA

From design to disposal

To become an environmental leader at all stages of the vehicle life-cycle, TME must continue to reduce the environmental impact of all its activities. As well as developing low CO₂ emission vehicles, these efforts now include the manufacture, sale and recycling of vehicles. In order to provide clear evidence of this, the following diagram shows environmental performance along the entire vehicle life-cycle:

Vehicle life-cycle



“Toyota Motor Europe (TME) sees climate change as one of the most significant global environmental issues today and recognises that it poses a potentially serious threat to a broad spectrum of social environments and natural habitats.”



Graham Smith

Senior Vice President, External Affairs, TME

TME accepts the scientific evidence cited by the Intergovernmental Panel on Climate Change (IPCC) and other authoritative sources that points to the fact that global warming is taking place and that the increase in emissions of human-induced Greenhouse Gases (GHGs) is the likely cause. TME will make every effort to work with other European stakeholders to stimulate appropriate and effective countermeasures to global warming.

For many years now, Toyota has defined its mission as providing environmentally considerate products that are consistent with measures to counter global warming. Now more than ever, Toyota is committed to redoubling efforts to develop advanced and innovative automotive technologies that will help define a new model for sustainable mobility.

CO₂ emissions – 2009 voluntary commitment

More than a decade ago, the European Commission (EC) developed a strategy to reduce CO₂ emissions from passenger vehicles and improve fuel efficiency. In 1998, the EC signed voluntary commitments with the European, Korean and Japanese manufacturers’ associations, namely; ACEA, KAMA, and JAMA.

TME’s parent company, Toyota Motor Corporation (TMC), is a member of JAMA and as such, TME is making every effort to help JAMA meet its voluntary commitment to achieve CO₂ fleet average of 140 g/km by 2009 across all new cars sold in Europe. ACEA has committed to voluntarily achieving the same results as JAMA, and although TME became a member of ACEA in January 2008, Toyota remains party to JAMA’s preceding voluntary commitment.

TME is improving CO₂ emissions performance across the entire vehicle range – a range that is one of the widest in Europe – and is confident that the company’s CO₂ fleet-average emissions will fall below the 140 g/km target in 2009. Low CO₂ (below 140 g/km) emitting vehicles are expected to make up some 60% of TME’s total European sales by the end of 2009.

Future CO₂ regulation

At the end of 2008, the European Council and the European Parliament adopted legislation to reduce CO₂ emissions from new cars to 130 g/km over the period 2012-2015, with an additional 10 g/km reduction coming from complementary measures. Now that European institutions have agreed on the legislation, TME can start planning ahead. Despite the sudden, dramatic economic

downturn, TME will deploy all efforts necessary to meet this challenging CO₂ legislation and will continue to invest in R&D and new product programmes in order to reach the 2012-15 130 g/km target. The EU's long-term CO₂ emissions target of 95 g/km by 2020, the toughest CO₂ regulation in the world, will require technological breakthroughs.

The EU regulation in brief

Under the voluntary agreement, 65% of new cars will have to comply with the emission requirements in 2012, 75% in 2013, 80% in 2014 and 100% in 2015. A new ambitious objective of just 95 g/km has been fixed for 2020. It is hoped that eco-innovations will account for reductions of up to 7 g/km. There are special provisions for niche manufacturers that are conditional on an impact assessment.

Financial penalties will be imposed on a sliding-scale. Each vehicle breaching its target by more than 3 g will cost its manufacturer € 95. Lesser transgressions will be fined between € 5 and 25. As of 2019, all penalties will be a standard € 95; this will be reviewed in 2013 and in 2014. There will also be an evaluation of the average mass (weight) development of cars over the previous 3 years, with a possible adjustment of the slope's formula implemented in 2016. There will be a review every 3 years thereafter.

Reducing CO₂ emissions in transport – the responsibility of all stakeholders

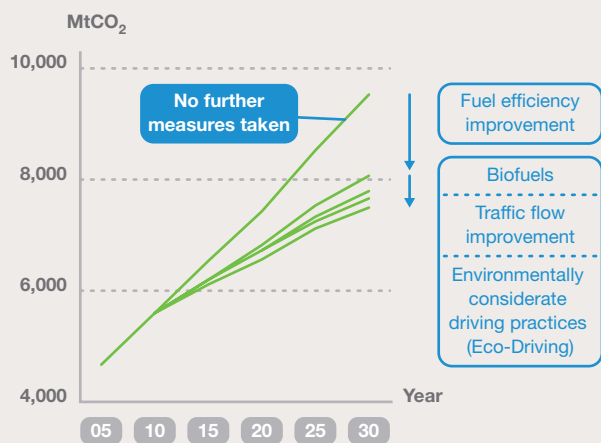
To achieve significant reductions in CO₂ emissions without compromising future prosperity, Toyota believes that the most important requirement for a vehicle manufacturer to be the development, introduction, and widespread adoption of innovative technologies. An effective international framework has the potential to stimulate and accelerate developments in this area.

Toyota is committed to making contributions in the areas where it can have the greatest impact, for instance by strengthening efforts in the field of technological innovation, including development of fuel-efficient vehicles and diversification of energy sources. However, in order to be able to reduce overall CO₂ emissions from transport the contribution of other stakeholders is required, too.

A vehicle's CO₂ emissions are determined by 4 factors; fuel-efficiency, the driving coefficient, CO₂ emissions coefficient of the fuel, and the total distance driven. Therefore, in addition to efforts made by vehicle manufacturers to improve fuel efficiency, it is important for governments and the private sector to work together on challenges such as reducing traffic congestion and improving driving methods, which can adversely impact the driving coefficient (an expression of both actual driving fuel-efficiency and fuel-efficiency), motivating the switch to low carbon fuels, and efficiently utilising transport resources through a modal shift.

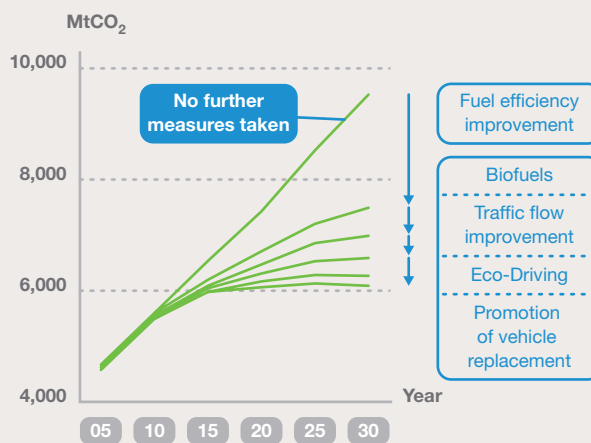
For example, JAMA has estimated future CO₂ emission levels from the world's combined road transport sector according to two scenarios; one in which the current level of measures is maintained and the other in which more comprehensive measures are implemented globally. The results show that if more comprehensive measures are implemented, the additional measures will have as great an impact on reducing CO₂ emissions as fuel efficiency improvements, and that total global CO₂ emissions could actually begin to decline in 2025.

Scenario in which the current measures are maintained



Source: JAMA

Scenario in which JAMA-proposed measures are implemented



Source: JAMA

How TME is reducing CO₂ emissions

Based on the Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD), in 2005 TME commenced a CO₂ inventory of all its direct and indirect CO₂ emissions in Europe.

Products and services

As a vehicle manufacturer, Toyota is engaged in developing a broad array of improvements in fuel efficiency and conducting research into alternative low CO₂ energy sources. In addition to this, the company is committed to promoting an even broader range of sustainable mobility initiatives. For example, TME has participated in initiatives to improve traffic flow based on Intelligent Transport Systems (ITS) technology and has been involved in customer education initiatives promoting environmentally considerate driving practices, known as Eco-Driving. Toyota has also introduced a Gear Shift Indicator which tells drivers when their vehicles are being operated in a fuel-efficient manner. In order to improve the environmental performance of the next generation of vehicles, Toyota is conducting life-cycle assessments which are embedded into the company's environmental management system, Eco-VAS. The current CO₂ emission level of the Toyota fleet in EU-15 is 145.3 g CO₂/km.

Production and logistics

With the aim of achieving the world's highest of environmental efficiency in vehicle production processes, TME continues to strive towards reducing CO₂ emissions in accordance with the principles of the Toyota Production System (TPS). Since 2001, TME is proud to have reduced per-vehicle energy consumption in the production process by 38%. In line with the target to achieve 1,375 kWh/vehicle by 2010, TME's 5 yr Environmental Action Plan calls for even greater reductions in energy consumption and CO₂ emissions across all of the company's business areas.

TME is also working to reduce CO₂ emissions in its logistics processes and has achieved significant positive results through measures such as improved loading rates, sharing vehicle transportation with other companies, and modal shifts. E.g. TME was able to reduce CO₂ emissions from vehicle logistics operations by 8% compared with 2007 levels. CO₂ emissions of all logistics operations were reduced by 10.5% compared with 2007.

Sales and marketing

TME is also committed to reducing CO₂ emissions in its sales and marketing operations. National Marketing and Sales Companies (NMSCs) are implementing measures such as those introduced by Toyota Belgium (TBEL) and Toyota Denmark (TDK) where steps have already been taken to ensure that 100% of energy purchased is from renewable sources. By implementing TME's Sustainable Retailer programme, retailers are also helping to reduce CO₂ emissions. By giving customers Eco-Driving tips and offering tests we help our customers to improve their fuel efficiency and to save money.

“Making a difference will mean leaving our differences behind.”

The world faces a climate challenge that will define our generation. How we deal with it will mark out the true leaders in our society and shape our world for decades to come.

The challenges are clear. By 2050, the world’s population is expected to grow by 50%, or three billion people, 85% of whom will live in what we now call developing countries. In an attempt to better their lives many of these people will move to the cities and it is hard to see how they will achieve that without better access to energy, water and mobility. Already, 1.6 billion people lack access to electricity, so it is clear that containing, let alone cutting, greenhouse gas emissions is going to be difficult.



Switching to an energy-efficient, low-carbon economy seems the only way and business knows it has a role to play. The world needs solutions and business, as the main tool for innovation and implementation, has taken a lead in helping to provide them. However, the twin problems of global recession and climate change mean business has some serious challenges ahead.

Business will seek as much certainty as is possible about the conditions into which it will be investing; it will need a clear, consistent policy framework within which to work. This framework must enable all countries to work collectively towards a low-carbon economy; meaning cuts in greenhouse gas emissions, more new technologies, incentives to enable investment in those technologies, cooperative sector-based approaches, and public-private partnerships on a scale never seen before.

This is why decisions made at the United Nations Climate Change Conference in Copenhagen in December 2009 will be vitally important. It is also why the World Business Council for Sustainable Development (WBCSD) has been working with its member companies, including Toyota, to amplify the voice of business in the climate negotiations and is working with governments and other groups to find common climate solutions.

Change is happening even before the Copenhagen talks begin, and it will continue after them. Business has a pivotal role to play throughout, but it is not a solo act. Addressing climate change is going to pose significant challenges to the way we work together, across all sectors of society, all industries, all peoples, and all countries. Making a difference will mean leaving our differences behind.

“I applaud Toyota Motor Europe for the work it has done thus far, and look forward to the innovations and solutions it delivers in the future.”

A handwritten signature in black ink, appearing to read 'Björn Stigson'.

Björn Stigson

President, World Business Council for Sustainable Development

“Even during these difficult times, we remain committed to the design and development of cars in Europe for Europeans and to developing leading edge technologies. We seek continuously to improve the safety, environmental and driving performance of all our cars.”

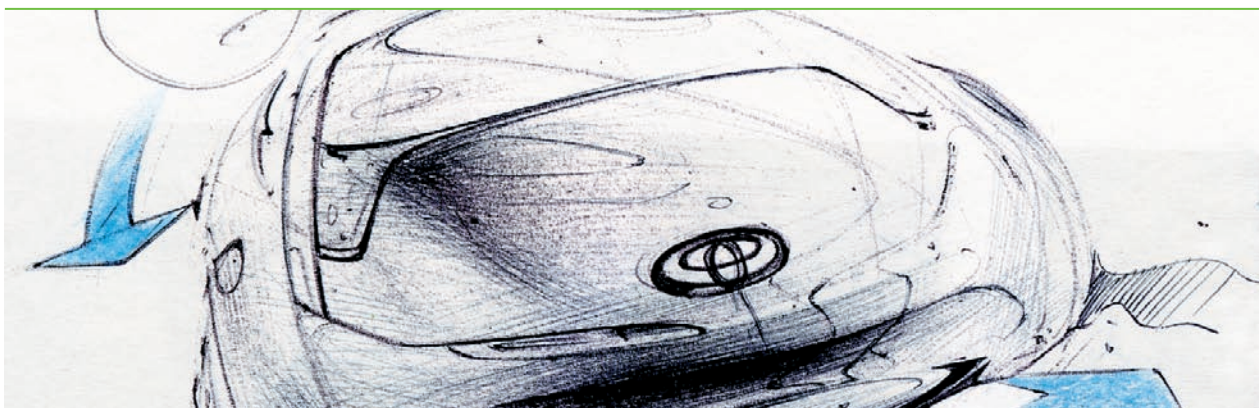


Masato Katsumata

Senior Vice-President R&D, TME

Design for Europe

In order to better satisfy the needs of our customers in Europe, to date Toyota Motor Europe (TME) has invested more than € 7 billion in its European operations. Since opening the European Design and Development Centre (ED²) in southern France in 2000, more and more cars have been designed in Europe. These include iQ, Yaris, Auris, Corolla Verso, Avensis, and Lexus GS.



“Tastes and interests evolve. Drivers don’t simply want cars that are fast and comfortable. They are increasingly concerned with safety, ecology, and social responsibility. We have to face the contradictory problems of modern society, and answer them with originality and attractiveness that will satisfy diverse demands.”

Elvio D’Aprile

ED² Chief Designer.

Towards the ultimate eco-car

Oil is a limited resource and its use has a negative impact on the environment. This means that now is the time to start developing vehicles powered by alternative fuels such as biofuels, electricity or fuel cells. By pursuing R&D in these areas to create the ultimate eco-car – a car with zero exhaust emissions and no negative impact on the environment – Toyota believes that a step change in reducing the environmental impact of the car can be achieved.

In the immediate future, no single engine technology or fuel can deliver the solution to the emissions problem, so Toyota is simultaneously exploring a whole range of cleaner and greener innovations. Having made a fundamental commitment to develop hybrid systems as the core technology for eco-cars, the company is able to combine different power sources in ways that maximise the strengths of each. The corporate vision is ambitious, but whilst working towards it, Toyota will continue to push technological advances onto the market providing the right car, for the right place, at the right time.

Meeting the highest environmental standards

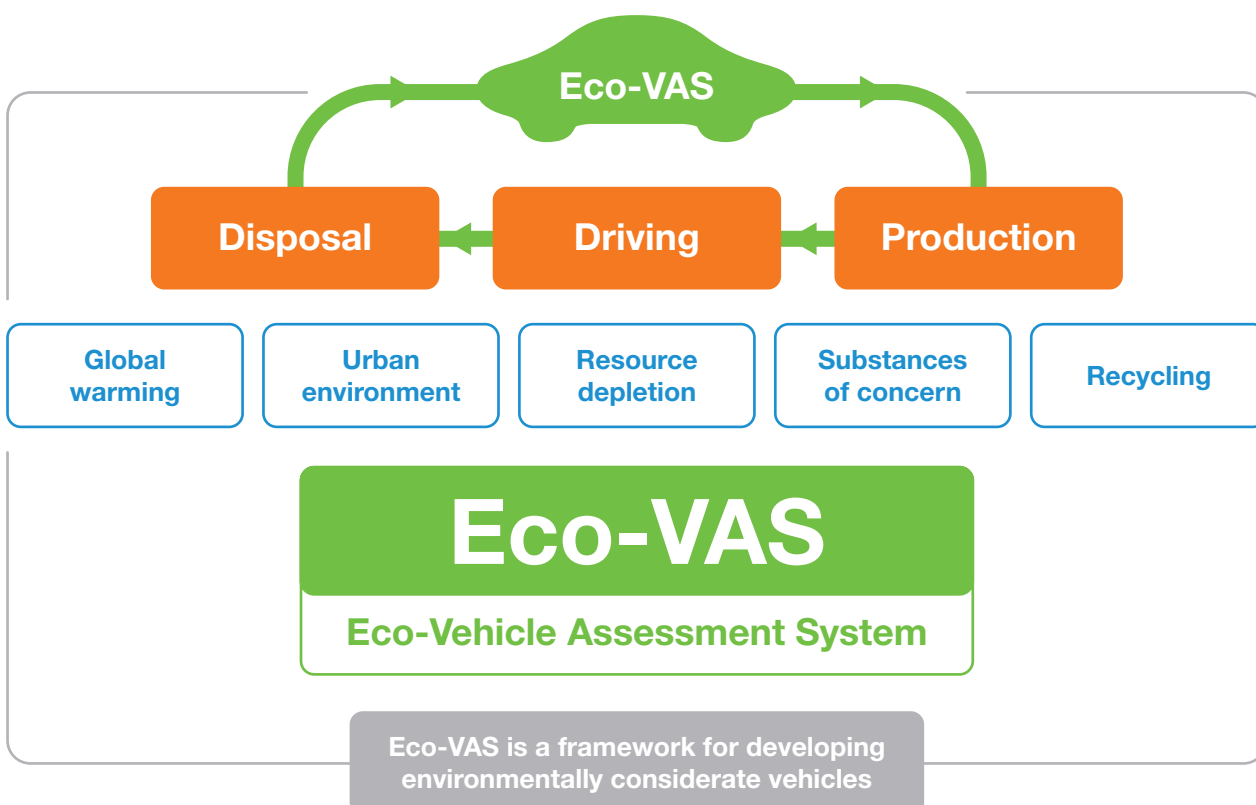
Vehicle development: Eco-VAS

Toyota Motor Corporation's R&D facilities obtained ISO14001 environmental management certification in 1998. Since then, the company has constantly monitored its progress towards achieving environmental impact reduction targets. One way it does this is through the **Eco-Vehicle Assessment System** (Eco-VAS), which has become the key environmental management tool for Toyota.

Eco-VAS allows the project leader responsible for a particular vehicle to set environmental impact reduction targets for that vehicle from the very first stages of design. Assessment of environmental impact is carried out over a wide range of areas, including; fuel efficiency, emissions and noise during vehicle use, the recoverability rate, the reduction of substances of environmental concern, and air emissions throughout the entire vehicle life-cycle – from production to disposal. Target achievement is tracked continuously throughout the development process by the project leader and other responsible parties.

Through these processes, necessary measures to reduce the environmental impact of each vehicle can be integrated from the earliest to the final stages of development. This not only ensures target achievement but also raises a vehicle's overall environmental performance. To date, Eco-VAS has been carried out on Yaris, RAV4, Corolla, Auris, iQ, Avensis, and the new Prius.

An overview of how Toyota developed three new models in Europe with Eco-VAS and Life-Cycle Analysis (LCA) is provided in the next section.



Design for recycling

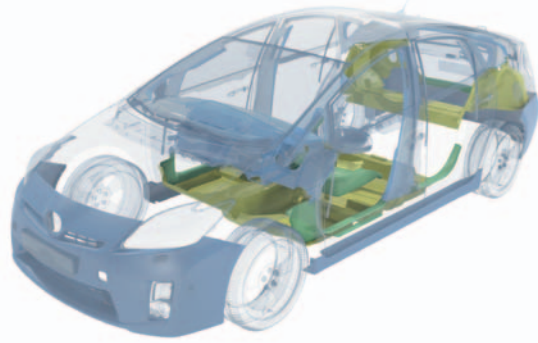
Toyota focuses on recycling at every stage of the vehicle life-cycle. The **Toyota Recycling Vision** sets specific targets for improving vehicle recovery rates, increasing the use of recyclable resources, recycled materials and used parts, and reducing substances of environmental concern.

Ecological plastic

Carbon neutral ecological plastic is used in many features of Toyota’s vehicles to reduce overall vehicle life-cycle CO₂ emissions. Ecological plastic is developed using a variety of compounding technologies in order to meet every requirement for vehicle interiors, including heat and shock resistance. Toyota’s innovative processes include molecular-level bonding and the homogeneous mixing of plant-derived and petroleum-derived raw materials.

An improved Toyota Super Olefin Polymer (TSOP) is now also widely used across the Toyota model range, greatly improving the recyclability of Toyota vehicles.

Conservation of resources



- Toyota Super Olefin Polymer (TSOP)
- Ecological plastics
- Recycled material (including recycled sound-proofing products)

Material Composition (Based on vehicle weight)

| | Comparable diesel vehicle | Comparable petrol vehicle | New Prius |
|-------------------------|---------------------------|---------------------------|------------|
| Steel & iron | 65% | 65% | 61% |
| Light alloys | 9% | 9% | 10% |
| Polymers | 16% | 17% | 18% |

A world first

Toyota’s ecological plastic is the world’s first injection-moulded material to be derived from plants. Ecological plastic emits 20% less CO₂ during a product’s life-cycle. Most of the CO₂ usually emitted at disposal is captured during photosynthesis as the plant grows.

The future

Toyota plans to increase the use of ecological plastic in future vehicle designs – yet another revolution that is being led by Toyota’s Next Generation Prius. This illustration provides an overview of some of the environmentally friendly materials used in the construction of the Next Generation Prius.

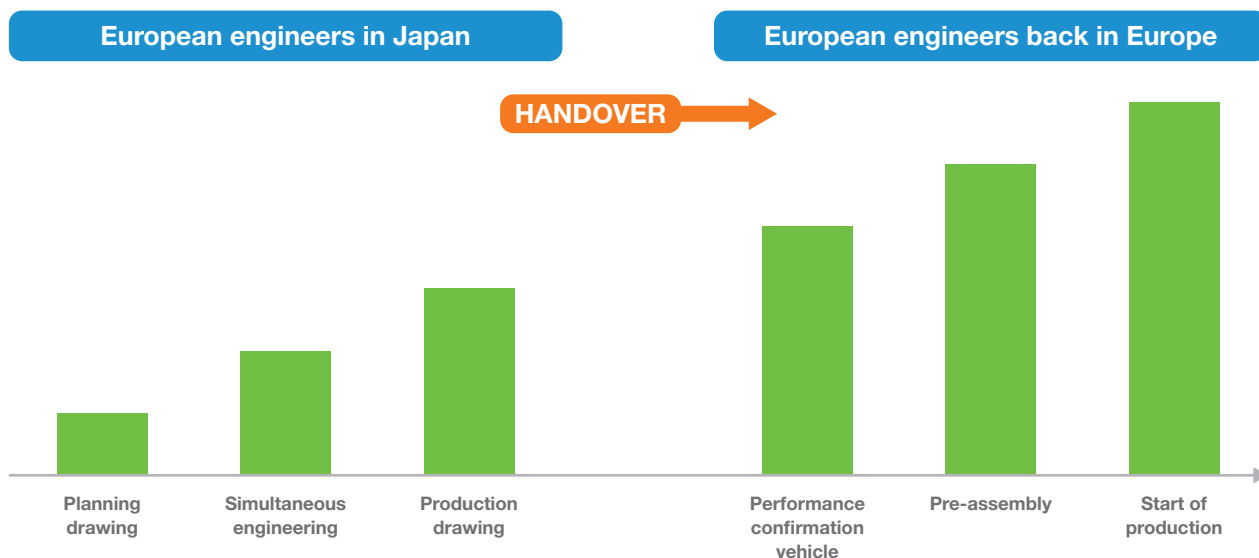


“From the initial stages, we strengthened our ties with European colleagues and introduced them to design and evaluation methods performed in Japan. In doing so, we were able to enhance features including upper body, interior, chassis, engine, transmission and electrical schematics and to create a genuine European automobile.”

Akira Matsumoto

Chief Engineer, Avensis

To realise the target of developing a truly European car, 35 European engineers spent several months with their peers in Japan during the first steps of planning, simultaneous engineering, and production drawing. After returning to Europe, the team was made fully responsible for all phases from performance confirmation to the start of production.





Some of the R&D Engineers who worked on the all-new Avensis, from left to right: Giovanni Berardo, Wil Fijneman, Fiona Coulter, Tomas Keppens and Serkan Karaman.

Case study: Interior noise, vibration and CO₂

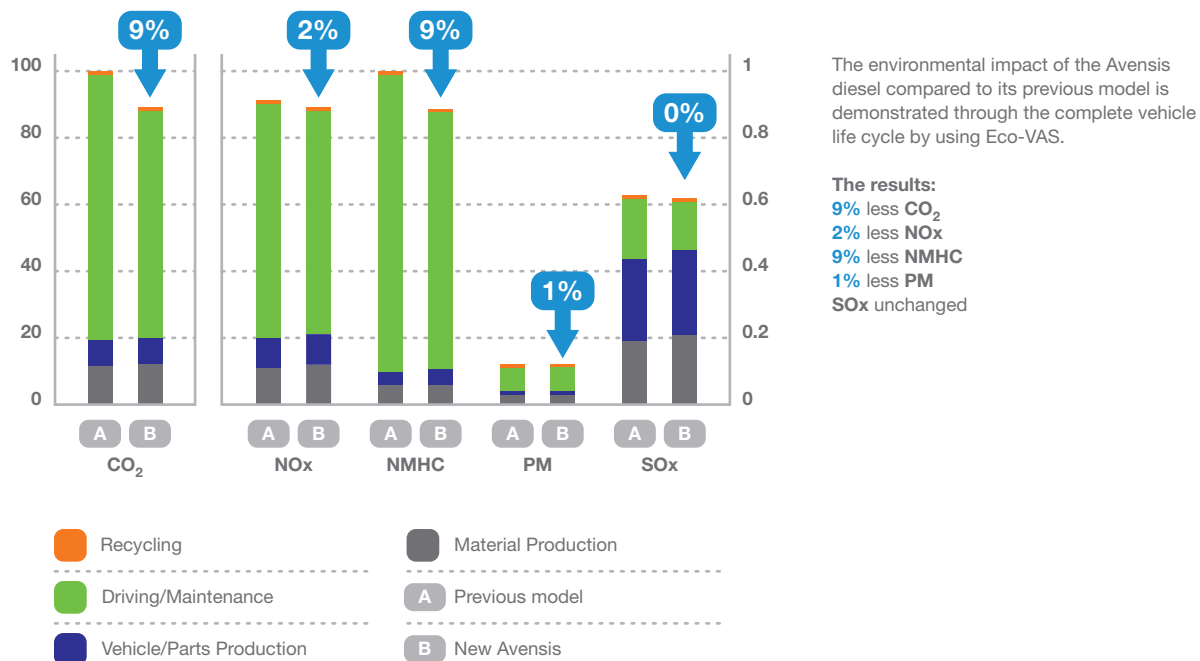
Tomas Keppens, who is in charge of noise and vibration in Body Evaluation, reflects upon two key learnings to come out of the increased level of collaboration with colleagues in Japan.

“Interior noise levels are among the key performances showing success in the D-segment. Rather than aiming for the best level for each performance, we want the best balance between all noise and vibration performances. The interpretation of balance strongly depends on the customer and driving conditions. With Avensis, we want to appeal all European customers. The popularity of diesel engines in Europe, the German high speed driving or French cruising style are obvious differences but other variables are not so evident. In the area of noise, for example, Europeans are more sensitive to high frequency noises compared to the Japanese who can tolerate them better.

What’s more, the condition of road surfaces in Europe is very specific and strongly influences interior noise. Making our new vehicles immune to the rough UK asphalt or the severely damaged Scandinavian roads after the winter season is in contradiction to sharp handling. The challenge for our team was to balance noise performance with the many other performances required to satisfy the diverse European market.”

As a direct result of the close collaboration between engineers in Europe and Japan, the new Avensis achieved not only excellent noise levels but also top level of CO₂ emissions. Measures taken in order to achieve this included reducing friction for each part, adopting Dual VVT-i, and improving the clutch by introducing flex lock-up controls.

The following graph shows the results of the vehicle life-cycle analysis for the new Avensis:





“By 2015, 70% of the European population will live in urban areas. iQ is anticipating this new trend by fulfilling the needs of this progressive and modern lifestyle. iQ also reflects Toyota’s environmental leadership by addressing the demand for environmentally friendly, urban mobility solutions.”

Hiroki Nakajima
Chief Engineer, iQ

Creating an ingenious packaging solution

iQ represents an ingenious new mode of transportation for cities. Thanks to its innovative design, iQ measures less than three metres in length yet has a flexible and spacious interior that allows up to three adults, plus a child or luggage, to travel comfortably and without compromising safety.

To bring this concept to life, Toyota utilised a completely new platform and included six unique engineering innovations aimed at creating the most efficient packaging in the world’s shortest four-seater car. The six innovations are:



1 A uniquely developed front-mounted differential integrated in a conventional transmission layout



2 A newly developed centre take-off steering gear



3 A super flat under-floor fuel tank, only 120 mm in depth



4 Newly developed slim-backed seats provide 40 mm more knee room for rear seat passengers.



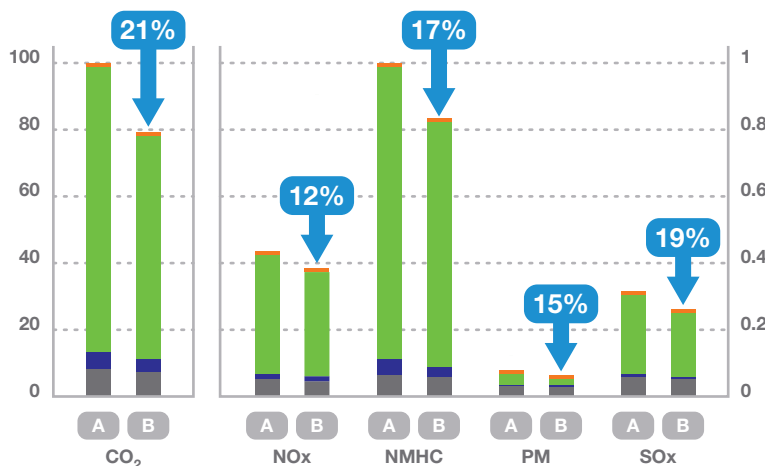
5 An ultra-compact air conditioning and heating unit, 20% smaller than a conventional unit without sacrificing performance



6 An asymmetric dashboard design allowing a significant increase in leg room for the front passenger

iQ is equipped with an Eco-Driving Indicator which informs the driver as to whether or not the accelerator pedal is being operated in an environmental friendly manner by illuminating the indicator light. In addition, a Gear Shift Indicator prompts gear changes to help reduce fuel consumption.

iQ is designed and engineered to minimise maintenance costs; there are fewer parts that require servicing and those that do are inherently durable thus extending the time between services. Impressively, iQ Petrol 1.0 litre engine emits just 99 g/km of CO₂.



The environmental impact of iQ 1.0 litre petrol compared to an equivalent model is demonstrated through the complete vehicle life cycle by using Eco-VAS.

The results:
 21% less CO₂
 12% less NO_x
 17% less NMHC
 15% less PM
 19% reduced SO_x





“Although the environmental performance and fuel efficiency are the greatest elements of hybrid vehicles – I challenged the development team to take the Prius spirit of innovation and vehicle performance to an even higher level – and they have.”

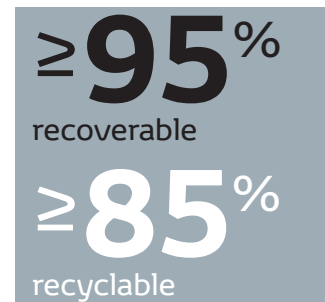
Akihito Otsuka
Chief Engineer, Prius

TME asked the Prius Chief Engineer what makes the new Prius the leading full hybrid on the European market:

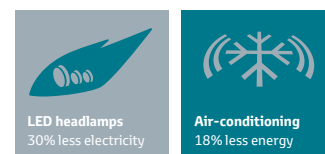
On design...

What role does design play in the environmental performance of Prius?

The findings from our Life-Cycle Assessment process are applied at the design development stage. Every design detail is analysed to ensure the lowest possible environmental impact throughout the vehicle’s life-cycle. This meticulous approach to design has led to an array of innovative features that each contribute to environmental efficiency. These include lightweight design and the conservation of resources, like the application of recyclable plastics (TSOP), recycled material and the use of ecological plastic made from a type of ecological plastic derived from plants ([see visual on page 22](#)).



Energy saving technology at the use phase



On production...

How is environmental efficiency ensured during production?

The Tsutsumi Plant in Japan, which produces Prius, is striving toward sustainable manufacturing with the concept of a ‘plant that fully utilises natural resources while existing in harmony with the natural environment’. By continuously implementing new measures at Tsutsumi, the overall CO₂ emissions in the production process were halved by 2006 compared the level in 1990.

Also, in order to conserve the local ecosystem, in May 2008 employees and community members planted 50,000 trees that are native to the region.

Eco factory efficiency Tsutsumi Plant

2003-2007

| | |
|-------------------------------------|-----|
| Waste reduction | 21% |
| Volatile Organic Compound reduction | 48% |
| Water reduction | 14% |
| CO ₂ emissions reduction | 36% |

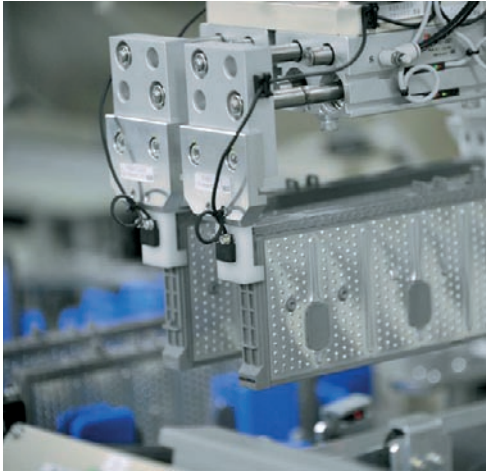
2008

In preparation for new Prius, more than 2,000 kw of photovoltaic solar panels were installed

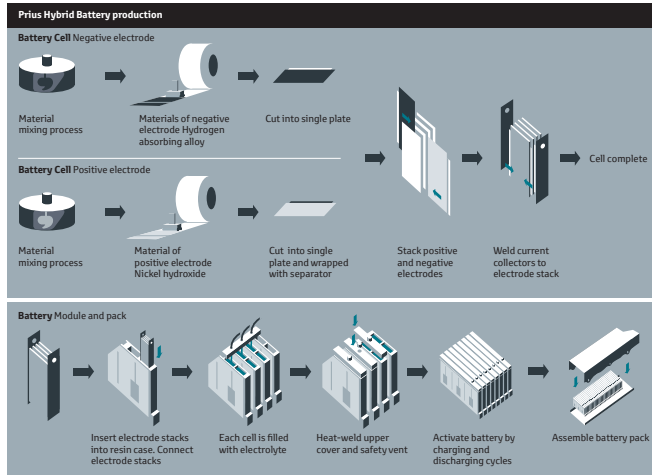
On hybrid battery production...

Is the battery produced in a sustainable way?

Yes. The battery is built by Panasonic EV Energy Co (PEVE) in their state-of-the-art plant in Japan. The plant operates in accordance with the Quality Management System ISO/TS16949 and the Environmental Management System ISO14001.



Hybrid battery production



On recycling...

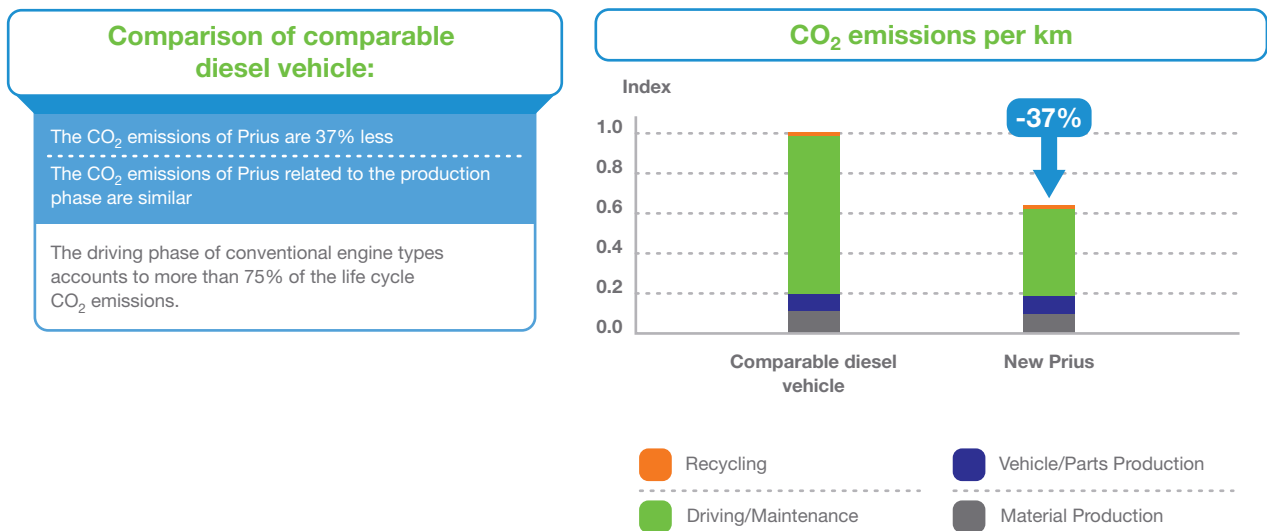
How is the recycling process maximised?

TME believes that it is vital to take a more proactive approach to recycling, geared toward the creation of a sustainable and recycling-orientated society. On the basis of such thinking, in 2003 Toyota adopted the Toyota Recycling Vision, which sets forth long-term goals for recycling End-of-Life vehicles (ELVs). And Toyota is proceeding to recycle End-of-Life vehicles and components including hybrid batteries as well as the implementation of easy-to-recycle design.

On Life-Cycle Assessment...

How has Life-Cycle Assessment influenced the evolution of Prius?

Toyota has made a big effort to improve CO₂ emissions along the complete life-cycle from design, through production, driving and recycling. Prius improves fuel economy despite higher power performance.



New technologies

Plug-in Hybrid Vehicle – the best of both worlds

Currently being road-tested in France and the UK, Toyota's Plug-in Hybrid Vehicle (PHV) represents the next step in the company's efforts to create the ultimate eco-car. A PHV can be charged either during driving like a regular hybrid (through cruising, deceleration or braking) or by plugging it in at home, at work, or at a dedicated power outlet using a standard electrical plug. Recharging takes just one and half to two hours. Compared to Toyota's full hybrid Prius, a PHV is able to run more often in its petrol-free, electric-only mode, meaning lower running costs and less CO₂ – especially when renewable electricity is used.

Toyota's Battery Research Department has been working with Panasonic EV Energy (PEVE) on more advanced lithium-ion batteries.

The power of partnerships

Our Plug-in Hybrid Vehicle (PHV) programme shows how environmental progress can be achieved through partnerships. In addition to our work with Panasonic EV Energy to boost battery performance, we have teamed up with EDF group in Europe, as part of a global R&D programme to road-test PHVs. PHVs are now being trialed as part of EDF's company fleet in London and Paris and we are working together to develop a recharging and payment system for a new generation of public charging stations.



As a critical next step towards commercialisation, Toyota Motor Europe (TME) will lease over 150 units of its experimental PHVs to selected fleet customers across Europe. France will be the first country to participate in the three-year pilot with discussions ongoing in several other countries. The first wave of PHVs will reach Strasbourg, France in late 2009. Based on Toyota's full hybrid technology, the new PHV will come equipped with a powerful lithium-ion battery, extending the vehicle's range in electric vehicle mode for a silent and zero-emissions drive.

Electric Vehicles



Approximately a decade ago, Toyota marketed the RAV4-EV. However, due to problems such as a limited cruising range, long charging time and a high price due to the need to use large batteries, it failed to gain wide support among consumers. Even though it is often said that the era of electric vehicles is just around the corner, these fundamental issues surrounding electric vehicles are not yet fully solved. With the belief that electric vehicles are best suited for short-distance urban commuting, Toyota has developed the Future-EV concept. Toyota's FT-EV concept imagines an urban dweller, driving up to 80 km between home, work and other forms of public transportation, such as high-speed rail. Although, for now, the FT-EV remains a pure concept, it represents a natural pairing of product strategies.

Fuel Cell Hybrid Vehicles

The chemical reaction between hydrogen and oxygen can produce clean electrical energy with no emissions except water vapour. Since 1992, Toyota has been researching how to store this energy in a fuel cell that can drive a car long distances. In 2002, Toyota built the world's first Fuel Cell Hybrid Vehicle (FCHV) equipped with the Toyota FC Stack – a fuel cell developed completely in-house. A number of FCHVs are currently being road tested in Japan and the US. Features of the latest prototype, the FCHV-adv (advanced) include:

- The Storage of hydrogen in an extremely high pressure tank (70 MPa)
- Increases in fuel efficiency by 25% compared to the FCHV
- A potential driving range between fuel stops of up to 830 km



Hybrid Fuel Cell

Biofuels

First generation biofuels are made from food crops such as corn, sugarcane, and soybeans. Their widespread adoption is having a serious knock-on effect on land use, protected species, and food supply and prices. To help remedy this, and as part of the company's continuous development of more efficient and stable fuels, TME is using biotechnology expertise to develop production capability for cellulosic ethanol – otherwise known as second generation biofuels. This will enable biofuels to be obtained from non-food plant sources, such as wood chips and straw.

With new technology comes new responsibility. TME is working with NGOs, governments, other vehicle manufacturers and industry bodies to develop standards and criteria to safeguard against any potentially negative consequences of biofuel production and use ([for more details please see Toyota European Sustainability Report 2008, page 48-49](#)).

“As part of our sustainable vision TME continues to examine technologies and solutions which can compliment our production processes and lessen our overall environmental impact.”



Ikuo Kasahara

Vice President, Production Engineering, TME

One of our guiding principles in the Toyota Way is that of Challenge; a spirit embraced by all at Toyota and the results of which are presented here. So, despite FY2008 being a challenging year with disappointing results in some areas, we are proud to report record performance for volatile organic compound (VOC) emissions and waste disposal.

TME’s strategic ambition remains the adoption of sustainable production practices; a journey embarked upon during FY2008 with some anticipated challenges. In line with the goal of becoming an industry-leader in sustainability, TME never sets targets that are within easy reach; this ambition is reflected by the fact we revised targets for FY2010 in FY2007 which are now as a result of the global economic condition, in some instances, even more challenging to achieve.

As part of our sustainable vision; examples of activities piloted during FY2008 included:

- Small-scale combined heat and power (CHP) installation
- Renewable energy utilisation feasibility studies
- Installation of in-house solvent recycling equipment
- Ultra Filtration (UF) of waste process water.

Also during FY2008, Toyota Motor Manufacturing UK, (TMUK) and Toyota Motor Manufacturing France (TMMF), our two nominated sustainable plants, spent considerable time and resources planning their sustainability strategies, with particular focus on:

- 1 Minimising the use of resources
- 2 Building awareness and involvement amongst employees
- 3 Studying renewable energy options.

These ongoing activities lay a strong foundation for continual environmental improvement and the realisation of our ultimate goal of sustainable production.

Manufacturing volumes

Following 15 years of continuous growth, in FY2008 TME’s vehicle assembly production volume fell by 27.6% on the previous year and over the same period, combined unit (engine and transmission) volumes fell by 13.3%. TME reports consolidated performance figures on a per vehicle basis and the fall in production volume has, in some instances, negatively affected performance. For full transparency, absolute figures are presented at the end of this section.

Energy and carbon dioxide (CO₂)

In FY2008, the average amount of energy required to produce a vehicle increased by 10.3% to 1,495 kWh/vehicle. This decline in performance was due to two main factors:

- 1 The reduction of overall production volume,
- 2 A change in production volume mix due to a higher ratio of unit production.

As a result, in FY2008 our European Manufacturing Companies (EMCs) concentrated heavily on ensuring the impact from loss of production volume was mitigated, where possible, by energy saving activities within their facilities.

Comparing energy used to produce a vehicle the last time production volumes were at a similar level (FY2004), there has been a 4.2% reduction in energy usage in FY2008. This may seem a small decrease but in reality results are masked by the fact that only 5 EMCs were included in the FY2004 results, whilst the FY2008 consolidated figures include 7 EMCs (1 additional unit & vehicle plant).

In FY2008, a CO₂ Key Performance Indicator (KPI) was introduced for all EMCs with targets set for individual sites but as a result of the increased energy used per vehicle, CO₂ emissions increased 6.2% to 443 kg/vehicle.

The introduction of the CO₂ KPI and the increased visibility of emissions, brought about by this activity has motivated all our EMCs to examine new and innovative ways to reduce their carbon footprint.

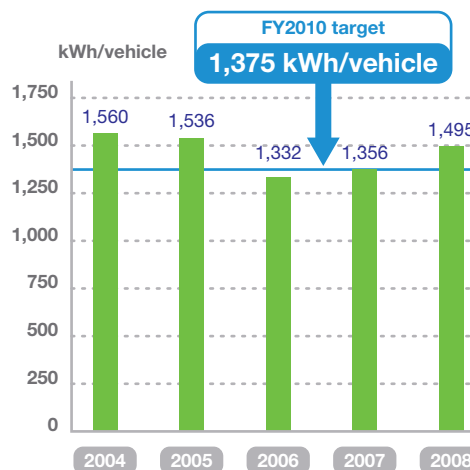
Currently TMUK at Burnaston remains the only EMC currently included within Phase II of the EU-Emissions Trading Scheme (ETS) for the period 2008-2012. During CY2008 TMUK used 6,916 tonnes of its 17,535 tonnes CO₂ allocation.

Waste reduction

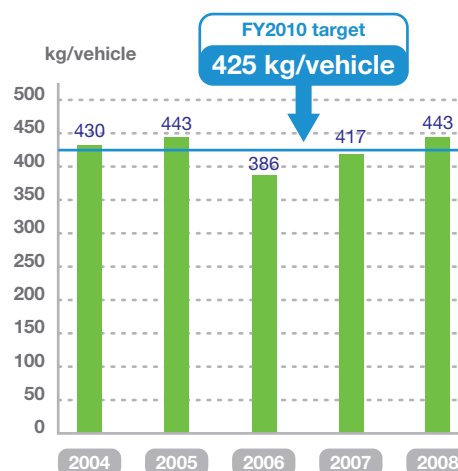
In pursuit of true environmental leadership, FY2008 marked the first complete reporting period during which our EMCs disposed of absolutely no waste to landfill. In fact compliance with our corporate policy of zero-waste to landfill was achieved from January 2008 onwards.

In FY2008, TME sought to increase waste reduction visibility by introducing a waste disposed of at cost KPI and, as a result of EMC efforts, performance improved by 12.4% to 25.5 kg/vehicle.

Energy usage

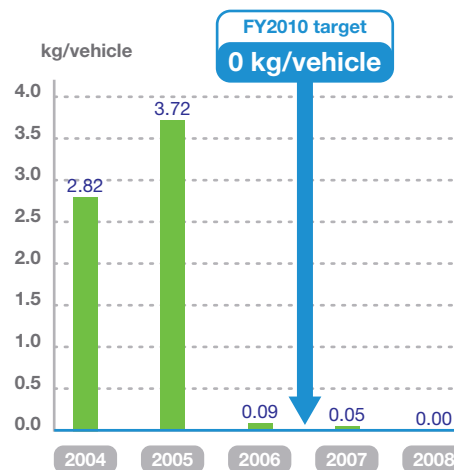


CO₂ emissions per vehicle



(CO₂ emissions – includes both direct emissions from fuels and indirect emissions from purchased electricity using published conversion factors).

Waste to landfill



EMCs are increasingly engaged with implementing the EU Waste Hierarchy which in practice means considering waste as a resource and the disposal of it as the least favoured option.

On the journey towards sustainability, TME is now examining the viability of a 100% waste valorisation policy which, as reported in FY2007, has already been achieved at TMMF and is at an advanced stage of planning at TMUK.

Water usage

During FY2008, the amount of water Toyota required to produce one vehicle in Europe increased by 6.6% compared with the previous year, to 2.11 m³/vehicle. Water usage levels, like those for energy, were affected by the rapid loss of production volume. To put this into perspective, the last time production volume was at a similar level (FY2004), water usage was 2.55 m³/vehicle – some 20% higher than today.

Considerable effort was made by several EMCs looking to harvest rainwater in significant quantities. Activities also included the successful trial installation of waterless urinals at Toyota Motor Manufacturing Poland (TMMF); the success of which has led to their inclusion in a planned office expansion.

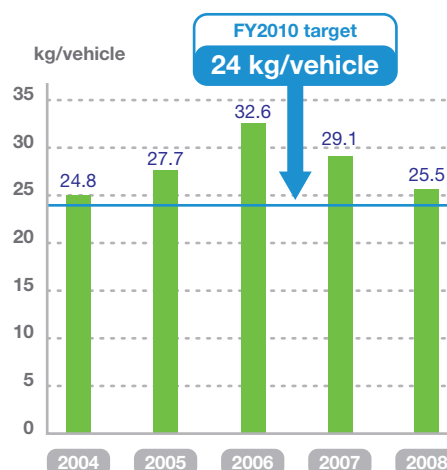
EMCs continue to target the elimination of unnecessary water usage through Kaizen, or continuous improvement, principles and by the implementation of best process technology such as reverse osmosis (RO) treatment that allows the recycling of wastewater.

Volatile Organic Compounds (VOCs)

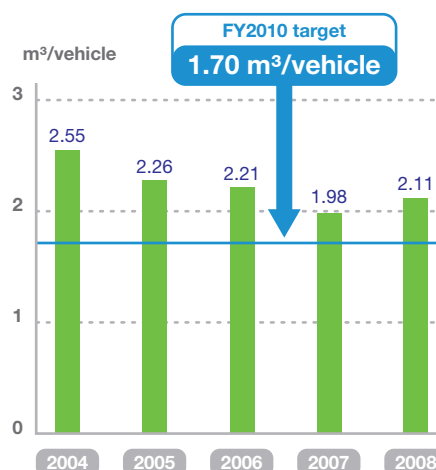
VOCs arise from the use of solvent-based paints and cleaners in vehicle painting processes. Over the past few years, TME has invested a great deal to ensure that all vehicle assembly facilities now use water-borne basecoat technology which significantly reduces the amount of VOCs released into the atmosphere.

This investment coupled with the strong performance of vehicle assembly plants in FY2008 has led to a 5% reduction on FY2007 VOC emissions levels to 18.9 g/m² of vehicle body surface area painted. This marks the first time that the consolidated figure has been below 19 g/m² and consequently means that the FY2010 target has been achieved two years ahead of schedule. Respecting Toyota's Kaizen principles ensures that the company will continue to pursue continual improvement, delivering results above and beyond targets set for FY2010.

Waste disposed of at cost



Water usage



Body painting VOC emission



Environmental management

All EMCs collaborate on environmental management activities, with the assistance of TME in its coordination role. TME's pan-European Production Working Group, which all EMCs are invited to attend, met three times during FY2008 in order to share future environmental management strategies and performance policies.

All EMCs have Environmental Management Systems (EMS) in place which are independently certified to ISO14001 standard. To complement this system, in FY2008 TME conducted corporate audits on all EMCs in order to check the implementation status of Toyota EMS. Toyota EMS builds on ISO14001 standards and specifies additional environmental management requirements. Over the coming years all EMCs will, through continuous improvement, be expected to level-up their current EMS to meet all of the Toyota-EMS standards.

Environmental leadership

TME aims to be at the forefront of environmental leadership within the automotive industry. During FY2008, several of our EMCs were recognised for displaying such leadership at a regional or national level:

Regional

- TMMF received the Citizens Actions Award for Environment (from Alliances NGO).

National

- TMUK received The Big Tick Awards for both Environmental Leadership and Eco-efficiency (from Business in the Community NGO).
- TMMP received the Patron of Polish Ecology Lifetime Award (from Europe Our Home NGO).
- TMIP received the Environmentally-friendly Company Award (from Europe Our Home NGO).

Key Performance Indicators – absolute emissions (last 5 yrs)

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---------|---------|-----------|-----------|------------------|
| Absolute Emissions ⁽¹⁾ | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 |
| Total Energy Usage (MWh) | 930,496 | 956,686 | 1,075,240 | 1,103,859 | 881,854 |
| Total CO ₂ (1,000 tonnes) ⁽²⁾ | 257 | 276 | 311 | 339 | 261 |
| Total Water Usage (1,000 m³) | 1,522 | 1,410 | 1,782 | 1,608 | 1,242 |
| Total VOC emission (tonnes) | 1,905 | 1,752 | 1,913 | 1,575 | 1,075 |
| Total waste-at-cost (tonnes)⁽³⁾ | 14,789 | 17,256 | 26,329 | 23,728 | 15,061 |
| Total waste-to-landfill (tonnes) | 1,680 | 2,319 | 71 | 44 | 0 |
| Legal compliance | | | | | |
| Total number of fines | 0 | 0 | 1 | 0 | 0 |
| Total number of prosecutions | 0 | 0 | 0 | 0 | 0 |
| Total number of complaints | 1 | 0 | 1 | 0 | 1 ⁽⁴⁾ |
| Total number of production volume (vehicles) | 596,544 | 622,907 | 807,134 | 814,093 | 589,794 |
| Number of plants covered by result | 5 | 5 | 7 | 7 | 7 |

(1) For TPCA joint venture – Toyota includes 1/3 reporting of total production volume & emissions

(2) This includes direct emissions from fuels and indirect emissions from purchased electricity

(3) All production waste which has net disposal cost (excludes scrap steel, project waste and recycled waste for which revenue was gained)

(4) Noise complaint at TMUK-B

“Logistics have an important impact on the environment as well as our company’s profitability. We continuously monitor our three logistics divisions to improve sustainable performance by implementing the most efficient as well as the most environmentally friendly solutions.”



Hiroyuki Ikeda
Vice-President, Production & Logistics Control, TME



Emile Benaim
Director, Vehicle Logistics Group, TME



Pierre van San
Director, Parts-Supply Chain, TME

Toyota Motor Europe’s (TME’s) logistics operations are divided into three separate divisions; Production and Logistics Control (PLC), Vehicle Logistics Group (VLG) and Parts Supply Chain Group (PSCG). Although all three divisions share the 2010 reduction target of 10% CO₂ / transported volume, their operations pose different environmental challenges.

1 Production and Logistics Control (PLC)

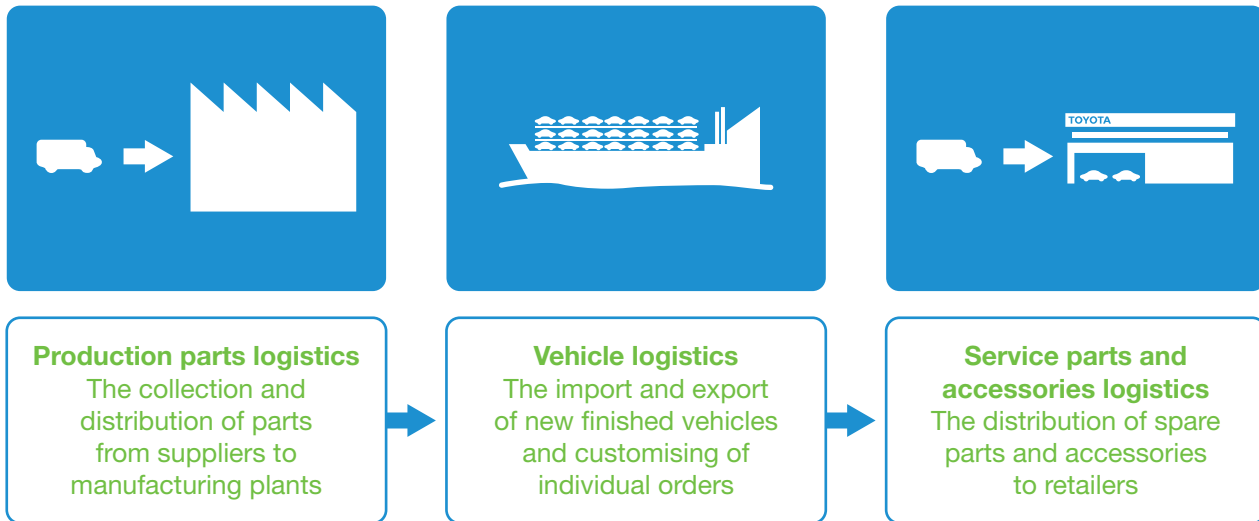
PLC collects components from suppliers and distributes them to manufacturing sites for vehicle assembly. PLC aims to reduce the number of kilometres covered each day despite an increase in volumes, suppliers and sites. On a monthly basis, CO₂ emissions from transportation activities are monitored and challenged against the target. PLC actions to reduce kilometres covered so far include: improving trailer fill capacity (e.g. reviewing the size of packaging and how pallets are stacked), shortening distances travelled (e.g. route optimisation and network review), switching transport modes (e.g. train or vessel), and optimising trailer movement within the sites.

2 Vehicle Logistics Group (VLG)

VLG manages the import and export of new vehicles and the customisation of individual orders and has already achieved considerable reductions in fuel consumption, due in part to the introduction by its logistics partners of a fuel-efficient truck fleet. VLG is also improving the green credentials of its European hubs, and is in the process of implementing environmental management standard ISO14001 throughout its operations.

3 Parts Supply Chain Group (PSCG)

PSCG manages the storage and distribution of spare parts and accessories; spare parts come from European suppliers, Toyota’s European Parts Centre in Belgium, and from Japan. Efforts to reduce CO₂ emissions resulting from transporting these parts involve a number of divisions playing a role, including; Transportation, Supply, Warehouse, Packaging, and even Purchasing. Reduction efforts include; increasing the use of mega trailers, improving truck load density (e.g. optimising the space in trucks), continuous review and optimisation of routes and transport modes (e.g. choosing short sea, inland waterways, rail over road), and changing packaging.



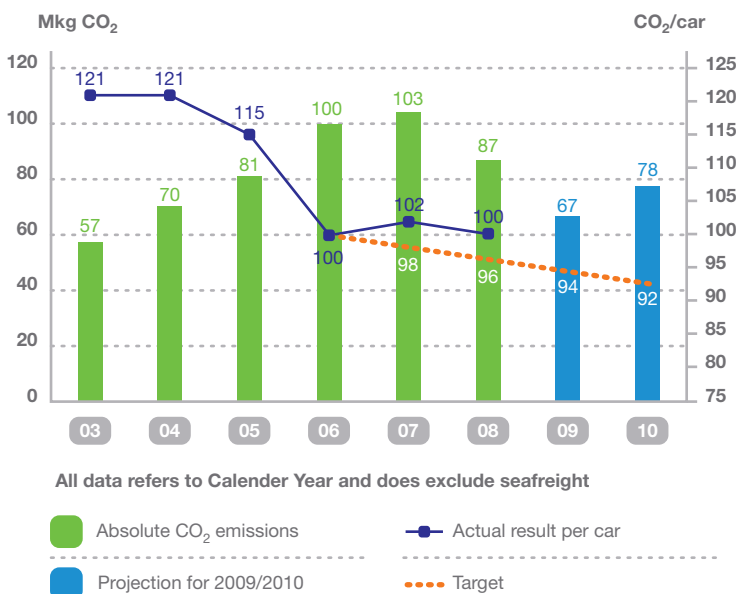
PLC's environmental performance in 2008

To tackle CO₂ emissions during transportation activities, PLC is challenging three core aspects of its operations:

- 1 The loading efficiency of trailers, trains and containers
- 2 The grouping of the suppliers to minimise km
- 3 The restructuring of the logistics network to reduce distance travelled between suppliers and EMC's.

The situation today

PLC is on target to reduce CO₂ emissions by 2 kg/vehicle, from 102 kg to 100 kg, exceeding the target of a 2% reduction per year but narrowly missing the original target for 2008 of 96 kg.



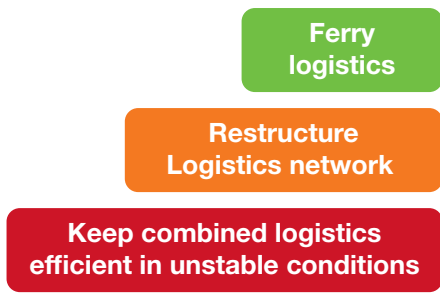
The recent encouraging trend is due to an increasing ratio of short-distance, high-efficiency routing within the network.

However, two main factors negatively impacted PLC's CO₂ performance:

- 1 The introduction of new models such as Avensis and Verso decreased efficiency during the market introduction phase.
- 2 Disturbances in European network, including strikes due to fuel price increases and a fire in the Eurotunnel, impacted site performance.

Outlook for the future

With the need to adapt the network to fit a dynamic production environment whilst simultaneously reducing CO₂ emissions, the coming year will be an extremely challenging one for logistics.



The challenge is triple-fold, with the simultaneous need to:

- 1 Keep combined logistics efficient but flexible to market conditions
- 2 Challenge the network to reduce waste (Muda) in transport
- 3 Challenge transport to introduce more environmental-friendly ways of delivering parts to manufacturing sites.

VLG's environmental performance in 2008

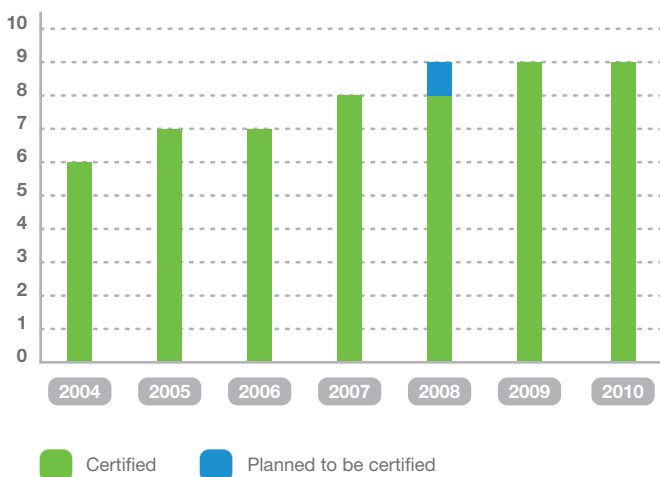
The Vehicle Logistics Group (VLG) continues to expand its European footprint with operations already established and continuing to develop in Central Europe. Since 2001, VLG's logistics activities in the region have grown rapidly, most notably with the new manufacturing plant in St. Petersburg, Russia (responsible for the distribution of Camry into the Russian market) as well as increased activity in Ukraine, Romania, Bulgaria, and Kazakhstan. Despite this continuing increase in volume and operations, VLG has identified several opportunities to reduce emissions. Some of the opportunities identified have required additional expenditure in order to maintain VLG's environmental commitments and targets.

Environmental management

In line with TME's 5 yr Environmental Action Plan, VLG's approach to environmental management is to achieve and maintain its environmental objectives at an operational level.

Firstly, VLG continues to implement the international standard ISO14001 throughout its European operations; VLG's new hub in Sagunto, Spain was successfully accredited in 2008. Implementation of the ISO14001 standard affords VLG the knowledge and confidence that the division is complying with local and national environmental legislation in the countries in which it operates. In addition, implementation serves as a basis on which to further improve environmental performance.

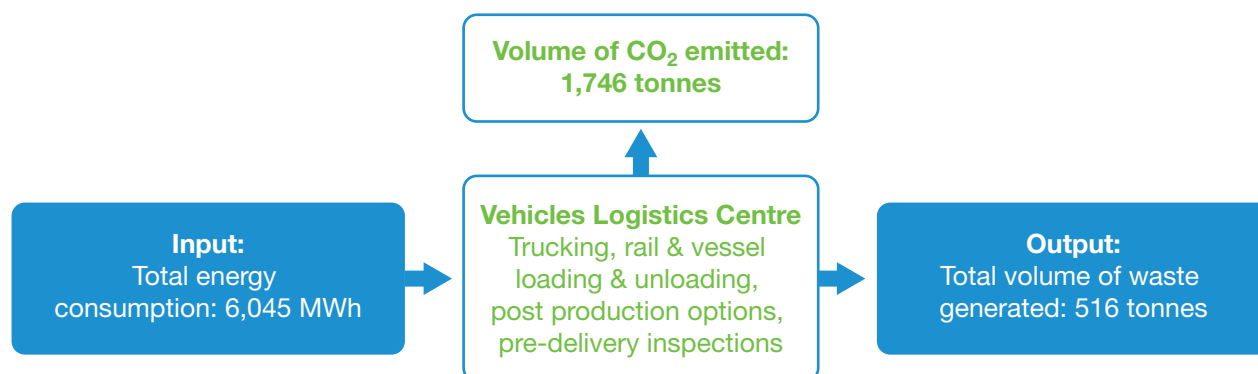
Vehicle Logistics Centres: ISO14001 implementation



Secondly, VLG continues to support the activities of its pan-European Environmental Team. At an operational level the team, which is composed of representatives from all hubs and meets on a regular basis, has been essential in moving towards VLG's objectives as set out in the 5 yr Environmental Action Plan. In 2008, the team's main objective was to manage and introduce new environmental KPIs on energy and waste for the vehicle logistics sites. The target, where possible, was to maintain 2006 levels of usage.

This target was achieved in regard to energy usage. Despite the severe European winter and the addition of a new hub in Sagunto, Spain, VLG managed to maintain energy usage per vehicle handled. This was due in part to adherence of Kaizen principles within the hubs, for example; reducing required lighting levels including the removal of 300 light bulbs in one workshop and changing lighting at workstations to allow users the flexibility to switch lights off when not required. Initial data indicates that these activities have already had a very positive impact on energy usage.

With regard to mixed waste levels, VLG achieved a 21% decrease in the amount of unsegregated waste/vehicle handled. This is due in part to several Kaizen activities and increased employee awareness ([see case study below](#)).



| | 2006 | 2007 | 2008 |
|---|------|------|------|
| Total energy (kWh) / total vehicles in & out | 2.52 | 2.15 | 2.15 |
| Total site waste (kg) / vehicle handled ⁽¹⁾ | 1.05 | 1.64 | 1.67 |
| Total mixed waste (kg) / vehicle handled ⁽¹⁾ | 0.61 | 0.56 | 0.44 |

(1) Pre-delivery inspection

Case study

The 2008 pilot in Zeebrugge, Belgium, to recycle wrap guard previously disposed of as general waste has successfully resulted in 11.04 tonnes of wrap guard being recycled so far. This contributed to an impressive 25% reduction in mixed waste disposal at the site.



Managing CO₂ emissions

VLG continues to analyse its distribution network. At every opportunity VLG seeks to implement the most efficient options thus minimising the number of movements and distances covered. Whenever and wherever possible, the more CO₂-friendly modes of vessel and rail transportation are used.

In line with the expansion of TME, VLG implemented the following logistics activities during 2008:

- Direct retailer delivery in Spain, as of April 2008
- An additional transport route from Zeebrugge (Belgium) to Bristol (UK) for cars coming from South Africa, as of January 2008
- In Balkan markets, as of January 2008
 - an additional transport route from Pireaus (Greece) to Pazardjik (Bulgaria) for cars coming from UK, Japan, South Africa and Thailand
 - an additional direct transport route for cars coming from France and Czech-Republic to Bucharest (Romania)

These expanded activities have led to additional CO₂ emissions of approximately 2,867 tonnes. However since 2007, continuous efforts to optimise the distribution system have had a positive impact on CO₂ emissions overall. Optimisation efforts include route changes for the Ukrainian market from Nagoya (Japan) via Pireaus (Greece) to Illichevsk (Ukraine). This has helped to reduce CO₂ emissions by about 506,224 kg.

Further decreases of CO₂ emissions were achieved because transport volumes on routes with lower CO₂ emissions increased as volumes on routes with higher CO₂ emissions conversely decreased.

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------------------------|---------|---------|-----------|-----------|-----------|
| Number of vehicles transported | 888,442 | 940,456 | 1,161,681 | 1,254,836 | 1,188,428 |
| Total km (million) | 1,317 | 1,578 | 1,999 | 1,869 | 1,476 |
| Kg CO₂/km | 0.042 | 0.040 | 0.042 | 0.044 | 0.051 |
| Total CO₂ (tonnes) | 55,660 | 62,831 | 84,499 | 82,273 | 75,562 |
| Kg CO₂ / vehicle | 62.65 | 66.81 | 72.74 | 65.57 | 63.58 |

Parts Supply Chain Group (PSCG)

Managing CO₂ emissions*

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|--------|
| Total CO₂ emissions (tonnes) | 29,919 | 38,174 | 46,429 | 51,208 | 48,083 |
| CO₂ emissions (kg/m³ transported) | 15.49 | 15.82 | 15.30 | 15.55 | 15.33 |
| CO₂ emissions (kg/km transported) | 0.489 | 0.499 | 0.516 | 0.509 | 0.488 |

* In order to get more realistic CO₂ emissions for our logistics operations we have updated CO₂ factors, verified distances, volumes and weights. To make data comparable we have applied the same methodology for previous years as well.

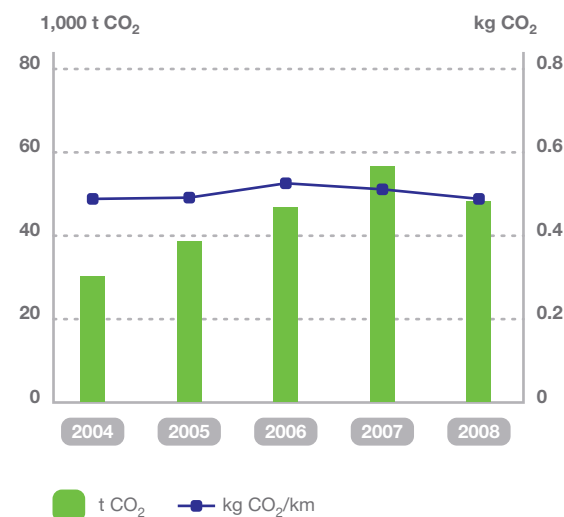
Information is provided by transportation contractors and calculation factors from DEFRA. The data include transportation through TME parts logistics sites all the way to the retailer.

The distribution of spare parts and accessories to retailers is handled by regional and national distribution centres and managed by TME's Parts Supply Chain Group (PSCG). The replenishment of these distribution centres is done from parts centres in Japan and from Toyota's European Distribution Centre in Belgium, TPCE, as well as directly from local suppliers.

In 2004, Toyota began collecting data on CO₂ emissions to identify areas where reductions can be made. For service parts and accessories logistics, this has resulted in the implementation of improvements in load efficiency, load capacity, route planning and transport modes. In the current 5 yr Environmental Action Plan (FY2006-2010) a reduction target of 10% CO₂/transported volume has been set, as compared to 2004.

In 2008 the absolute CO₂ emissions related to transport decreased significantly due to complete review and update of formulas and emissions factors which reflect reality more precisely, by individual lane re-verification (distance) and a number of other efforts and continuous improvements (Kaizen).

CO₂ emissions from logistics: service parts

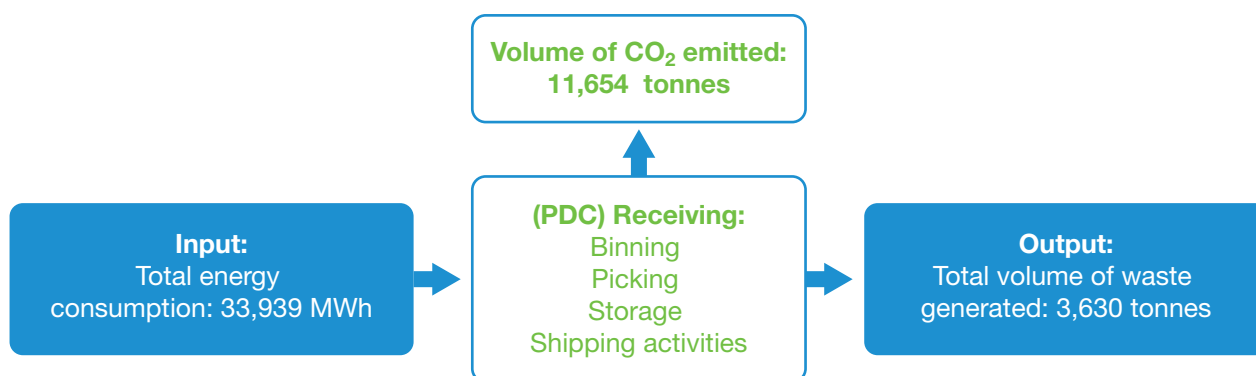


Kaizen activities included:

- Further increase of use of mega trailers in Portugal and Spain;
- Air transport to the Balears switched to sea transport (shift of 300 km per day);
- Modal shift from truck to train in Norway (shift of 2.500 km day);
- Modal shift from truck to train between Hamina (Finland) and St. Petersburg (Russia).

Future activities include:

- Modal shift from road transport to sea transport from Belgium to Portugal;
- Partially switching from road transport to sea transport for Finland and Ireland;
- Partially switching from road transport to rail transport for Italy and Greece.



Energy consumption

Due in part to the colder than normal European winter, PSCG's total energy consumption in 2008 rose slightly to 33,939 MWh, or 11,654 tonnes of CO₂. PSCG's two energy-related KPIs monitor total energy/1000 pieces shipped and total energy/warehouse volume multiplied by the number of operating hours; results of which can be seen in the table below. Efforts have been made to reduce energy consumption ([see case study on the next page](#)) and additional activities are planned for 2009.

Results of PSCG's energy-related KPIs

| | 2006 | 2007 | 2008 |
|---|--------|--------|--------|
| kWh/1000 pieces shipped | 292.69 | 329.54 | 343.19 |
| kWh/(WH m ³ x average daily operational hours) | 0.086 | 0.088 | 0.084 |

Case study: Reducing energy consumption of warehouse heating

In order to further reduce energy consumption and CO₂ emissions, Toyota Parts Centre Greece (TPCEL) undertook a comprehensive study of areas for efficiency improvements within the heating system in the TME depot in Athens, Greece. The warehouse is arranged over a ground and mezzanine-level space, rather than over two separate floors. The motivating factor behind this initiative was the discovery that the limited number of control units on the mezzanine-level meant the boiler/cooler remained in constant use even after a satisfactory temperature had been reached.

Based on results of the study, additional sensors were installed, the number of control units in the mezzanine-level warehouse increased from three to six, new air duct diffusers were installed, and the software of the Building Management System (BMS) was modified. As well as creating a better working environment, improvements have led to a decrease of energy consumption in 2008 of 11.78%. The improvements required an investment of € 10,000 and delivered cost savings of € 15,600, representing a Return on Investment after just ten months. TPCEL are planning additional innovative improvements in order to achieve the new target of a 15% reduction in energy consumption compared with 2007 levels.

Waste disposal

Another significant area of environmental concern for TME's parts distributions centres is the amount of waste generated, such as cardboard, plastics and metal. In 2008, a total of 3,630 tonnes of waste was produced by all parts distribution centres, of which 89% was recycled or treated. The goal for 2010, as set out in the 5 yr Environmental Action Plan, is to achieve zero-waste-to-landfill. TME has also introduced a set of waste-related KPIs, similar to the energy-related KPIs, which link waste production to operational activity; the results of which can be seen in the table below.

| | 2006 | 2007 | 2008 |
|--------------------------------------|-------|-------|------|
| Total site waste/1000 pieces shipped | 33.44 | 37.06 | 30 |
| % waste to landfill | 14% | 9% | 11% |
| % waste to recycling | 64% | 77% | 77% |

“2009 has been boldly dubbed The Year of Toyota as this year will see a burst of activity on different fronts including the launch of 12 Toyota and four Lexus cars. Despite the hard times foreseen in 2009, these 16 products will offer new depth to our line-up and are expected to put us in a better position to ride out the economic downturn.”



Andrea Formica

Senior Vice-President Sales & Marketing,
Product Planning and Communications, TME

Toyota’s commitment to environmental leadership is showing strong results in the marketplace. Sales of cleaner, greener models continued to rise in 2008. The results confirm TME’s strategy to grow in harmony with society by focusing on innovation and technology.

Toyota Motor Europe’s ongoing efforts to raise awareness on environmental issues helped boost sales of vehicles with low CO₂ emissions, such as hybrids and small petrol and diesel models. European sales of hybrid vehicles rose steadily to 5% of total sales in 2008.

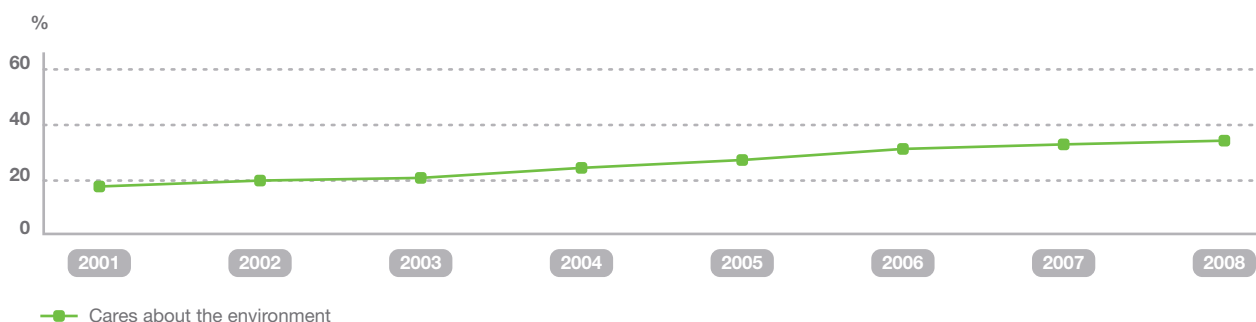
The perception of Toyota as a green car manufacturer continued to grow in 2008, as shown by the following customer survey results. Considerable gains in perception were made in the major European markets on the previous year with the 2008 results continuing the positive trend of the past seven years.

Survey results show that spontaneous awareness of the new Prius improved Toyota’s position as a company that cares about the environment by 40% to 70%. This indicates that the technological innovations brought forward by Prius have clearly and positively influenced the Toyota brand.

Building on the success of previous years, continuous growth can be seen in the awareness and favourability of Prius; success is clearly shown by the significant increase of awareness of Prius in 2008. The graph below illustrates consumer appreciation and acceptance of Prius which in turn translates into a positive image of Toyota.

Toyota environmental image – Germany, France, UK, Italy, Spain

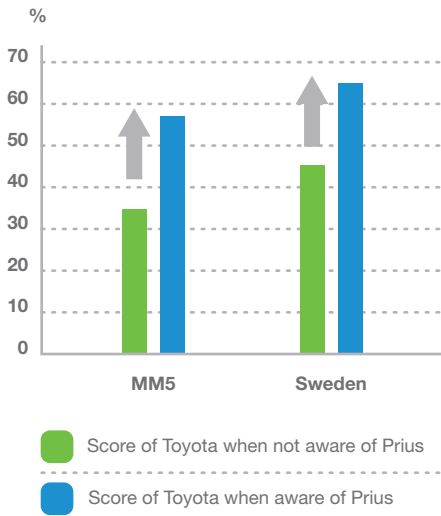
Toyota’s green image improves over time



Toyota environmental brand image

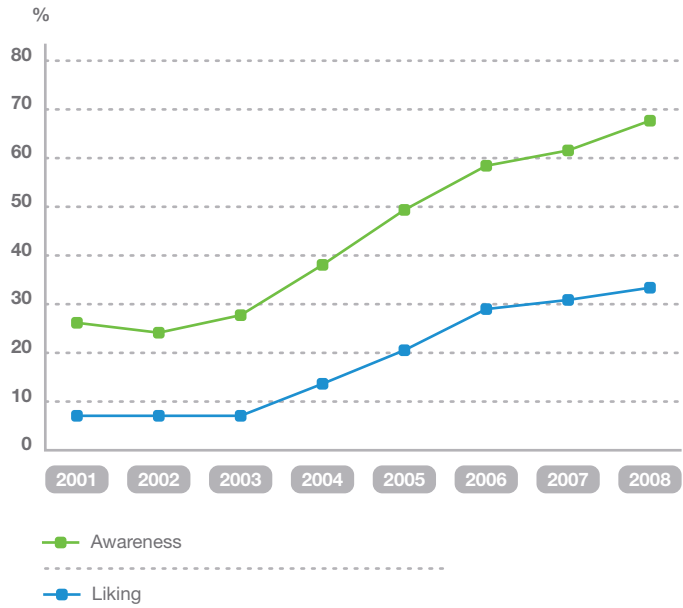
'MM5' (Germany, France, UK, Italy, Spain) vs. Sweden

The awareness of Prius helps to double Toyota's environmental image score



Toyota Prius awareness and liking

Germany, France, UK, Italy, Spain



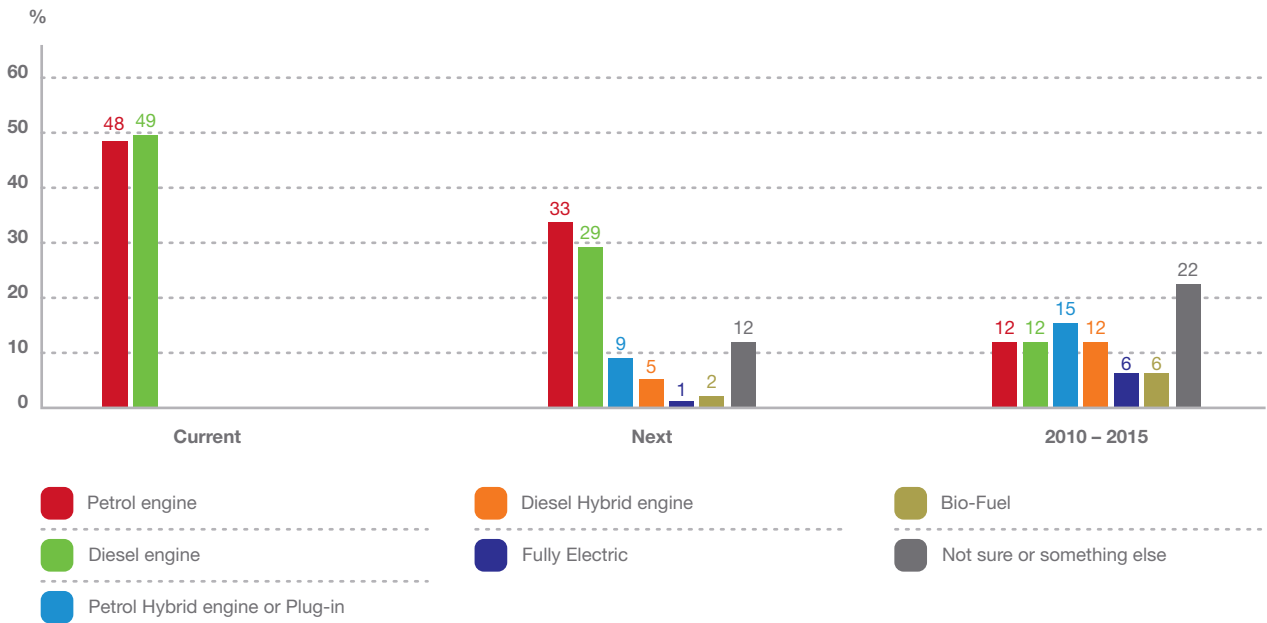
2008 review – choice of powertrain

In order to understand consumer's key motivations in the choice of powertrain and to identify the barriers to consumer acceptance of fuel alternatives, in 2008 an external agency conducted a powertrain market survey on behalf of TME, which revealed the following key findings:

Engine type of consumer's car in the future

'MM5' (Germany, France, UK, Italy, Spain)

Hybrid with potential to become a leading powertrain solution

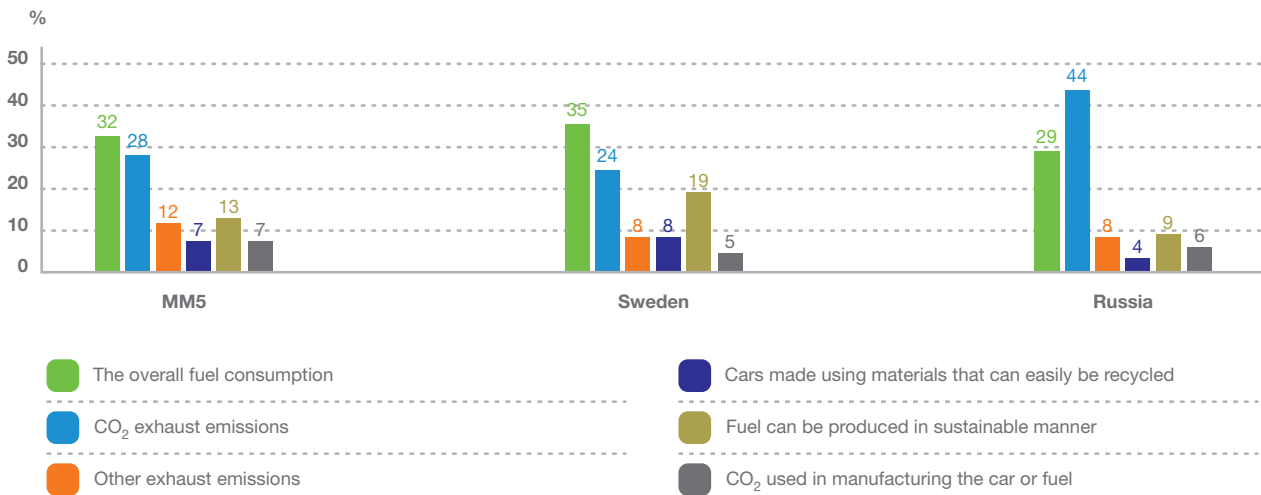


There is a high level of market uncertainty over which fuel type will be the main choice in the future. This indicates a clear opportunity for TME to establish hybrids as the solution for the future.

Environmental impact of cars

'MM5' (Germany, France, UK, Italy, Spain) vs. Sweden & Russia

Environmental impact of cars from the consumers' perspective = CO₂ and fuel consumption



What does the term environmental impact really mean to customers?

Customers were asked: "When we talk about the 'environmental impact' of cars, what do you understand to be the factors that have the biggest impact on a car's overall environmental impact?"

The results are quite clear; in relation to cars, customers believe the term "environmental impact" relates mainly to CO₂ emissions and fuel consumption.

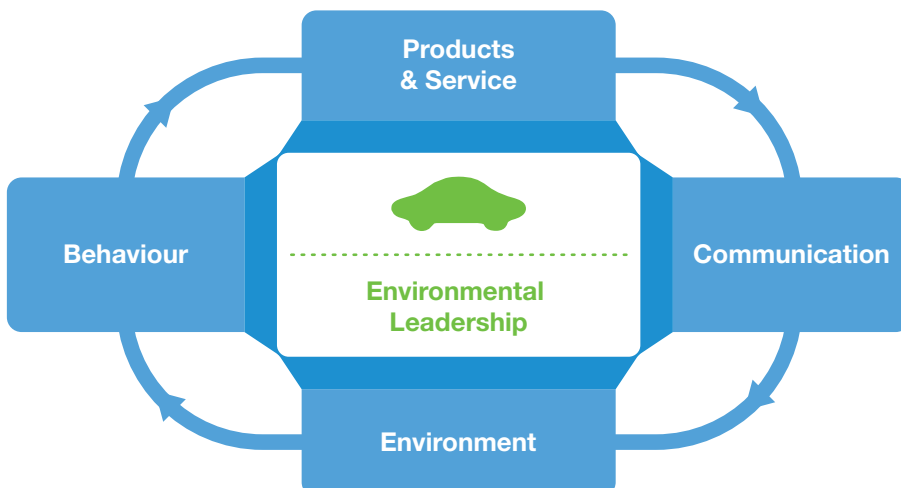
360° approach of TME's environmental leadership activities in 2008

"From Products and services to communication, from environment to behaviour, throughout 2008 we had a consistent approach towards Environmental Leadership. This is at the basis of Toyota's continuous growth in Brand Environmental awareness."

Fabio Capano

Director Product Communications and Marketing Operations, TME

360° environmental leadership



Products and service

Toyota Motor Europe continues to affirm its strong commitment to environmental leadership and is dedicated to meeting the EU-JAMA target of 140 g/km CO₂ by 2009. This need was anticipated some time ago and in 2008 TME made significant progress towards CO₂ reduction by achieving 145.3 g of CO₂/km.

TME's approach is two-fold: to focus on deploying Toyota Optimal Drive technology on all core models and to vigorously pursue a world leading Hybrid Synergy Drive strategy.

Toyota Optimal Drive®

Toyota Optimal Drive is the umbrella name for a series of new technologies with the emphasis on reducing emissions and fuel consumption whilst not compromising on driving pleasure. As an aspiring environmental leader, TME offers these technologies as standard, not optional. Therefore, from 2008 all new models launched will be equipped with Toyota Optimal Drive technologies and by the end of 2009; the aim is to have Toyota Optimal Drive in 84% of products on sale.



Toyota Optimal Drive technologies are underpinned by:

- The introduction of environmentally friendly technologies (e.g. Stop & Start, Valvematic)
- Powertrain optimisation (e.g. combustion efficiency, friction reduction, weight/size reduction)

Outstanding examples of Toyota Optimal Drive are:

- The introduction of Stop & Start technology on all 1.33 L models, reducing emissions with zero emissions at standstill, and delivering top-level driveability. Thanks to this technology Toyota was able to achieve best-in-class petrol CO₂ for Yaris 1.33 L petrol engine with 101 hp and only 120 g/km of CO₂.
- The development of the new Valvematic technology – optimal valve lift and timing system – is now available with the 1.6 L, 1.8 L and 2.0 L petrol engines. This achieved a 10% reduction in fuel consumption and a 10% increase in engine performance, as seen in the Verso 1.6 L offering 132 hp with 158 g/km CO₂.
- The introduction of refined diesel engines with the highest injection pressure (up to 2,000 bar) achieving class-leading levels of power and torque with high fuel efficiency. Avensis 2.0 L achieves 126 hp with only 134 g/km CO₂.

Typically found in the premium segment, TME has made these technologies available to customers as a standard inclusion in all new models. This means the customer does not have to choose between power and fuel economy as both are offered as standard.

Hybrid Synergy Drive®

Toyota's 'flagship' model, Prius, sold over 43,000 units in 2008 – double that of the previous year. The Next Generation Prius, launched at this year's Geneva Motor Show, is on sale as of mid-2009. TME is confident that sales will grow to 60,000 units with the new model in its first full year.



The Next Generation Prius builds on more than ten years of history in developing full hybrid technologies and will remain the undisputed industry reference point. Beyond confirming its environmental leadership, the Next Generation Prius sets new standards in terms of status, innovation, design and driving pleasure. It is the most advanced mainstream car on the market and represents the ultimate combination of three key customer benefits; incomparable driving, space and style, and total economy.

The new Prius will further enhance the appeal of the Toyota brand by creating affinity with an even broader audience.

Specifically, the Next Generation Prius features include:

- The only full hybrid powertrain in the mass-mobility market
- A 90% component redesign for a lighter, more compact and efficient hybrid drive system
- The world's lowest hatchback drag coefficient of 0.25
- A 14% improvement in overall fuel economy, with CO₂ emissions of just 89 g/km, a figure unmatched by any other family car
- A power increase of 22% to 136 DIH hp total system output
- EV (electric-only), ECO and POWER 'on-demand' drive modes for improved Hybrid Synergy Drive (HSD) performance, efficiency and fuel economy
- Eco Drive Monitor for more fuel-efficient driving
- Advanced safety features including; 7 airbags, VSC+, and Pre-Crash Safety System with Adaptive Cruise Control
- High technology innovations including; solar powered ventilation, remote air conditioning, Head-up Display, and Touch Tracer steering wheel switch control.

Communication

Toyota continues to raise environmental awareness in its marketing communications through two high profile campaigns:

- Toyota Optimal Drive – TV, print and online campaign
- 'I am the Next Prius. Follow Me.' – TV, print and online campaign



The following attractions were showcased at the 2008 Paris and Geneva Motor Shows:

- HSD area with Prius cut body HSD display
- Plug-in Hybrid following partnership announcement with EDF
- Introduction of Toyota Optimal Drive with four new cut engines
- The Next Generation Prius
- Comprehensive Environmental Technology featuring PHV, FT-EV, FCHV
- Highlights of Toyota Optimal Drive with communication of enhancing low CO₂ emissions cross car line

Environmental action at point of retail

Once again, TME is setting environmental standards in an ambitious new project to 'green' all 3,000 Toyota retailers in Europe. This new initiative dovetails with TME's long-standing commitment to developing sustainable production and vehicles. At the European Retailer Meeting (ERM) in London in May 2008, Toyota retailers received details of the future environmental guidance programme.

The **Sustainable Retailer** programme focuses on both new buildings and existing outlets. The main objectives are to reduce CO₂ emissions and energy consumption and to improve TME's effect on the environment whilst reducing retailer operating costs in all European retail facilities. A sustainable building is defined as one capable of being maintained at a steady level without exhausting natural resources or causing ecological damage. The overall aim of the Sustainable Retailer programme is to demonstrate that Toyota not only sells 'green' vehicles but also wants to sell them via a 'green' retailer. This can only be achieved by taking small steps within a Kaizen approach but TME has the ultimate objective of zero emissions in this area in the near future.

Provisions for new retailers

In terms of the construction of new retail facilities, all future developments will be required to carry out an environmental building assessment that dictates specific criteria designed to improve the building's environmental performance. The environmental building assessment tool has been developed by TME based on standards set by the UK's Building Research Establishment Environmental Assessment Method (BREEAM). The tool provides environmental criteria to retailers, architects and engineers on how to integrate environment-friendly elements into the design of new retailer outlets and focuses on eight key areas: energy, water, waste and materials, pollution, land use and ecology, health and well-being, management, and transport.

As part of the development of the BREEAM assessment tool, a designated sustainable retailer in France is currently undergoing reconstruction and transformation. For example, solar panels installed on all parking lot roofs at the new retail centre in La Rochelle will generate enough energy to make the retailer carbon neutral. Other Sustainable Retailers are planned in Maribor, Slovenia and Salzburg, Austria.



La Rochelle, France



Maribor, Slovenia



Salzburg, Austria

Provisions for existing retailers

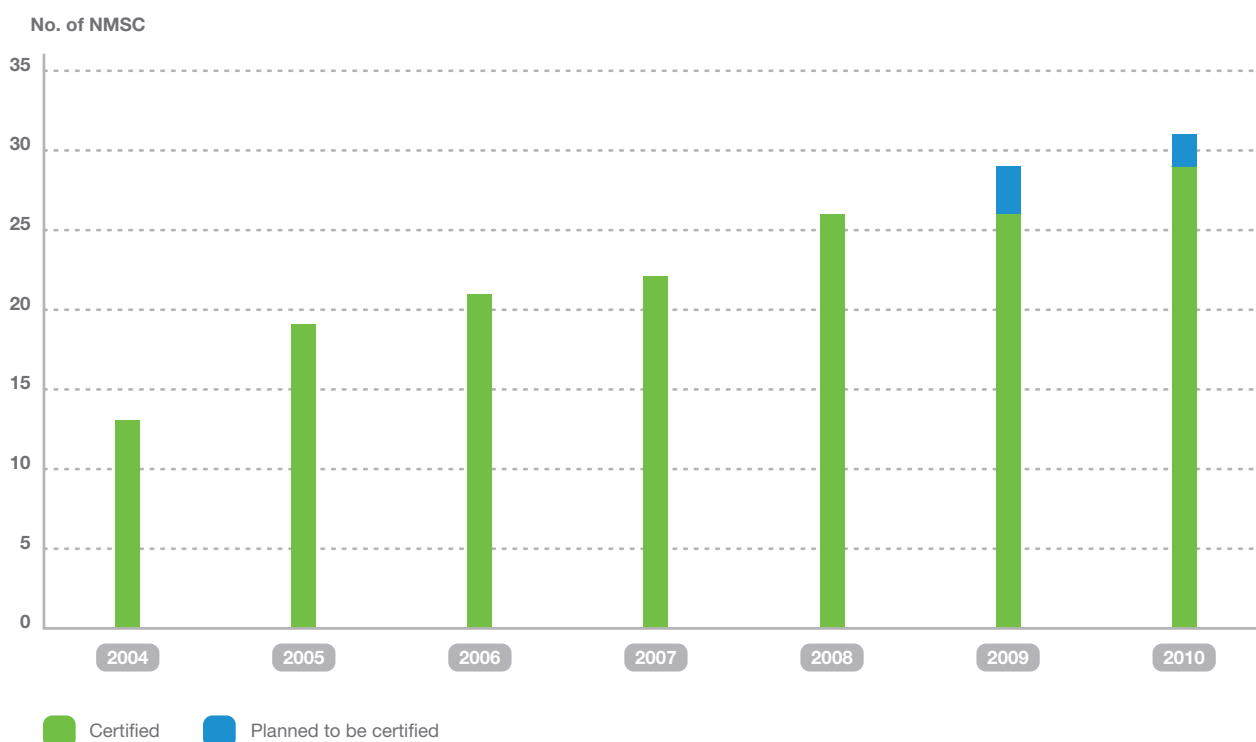
TME is introducing an energy-related Kaizen programme to help existing dealers identify problems and opportunities and to develop action plans to reduce energy consumption, CO₂ emissions, and operating costs. Already tested in three outlets in Germany, the results were very positive; energy consumption reduced on average by 11.5%, CO₂ emissions were cut by up to 15%, and in the best-case scenario ROI will be achieved within 1.6 year.

NMSC Environmental Management System

In addition to promoting sales and awareness of the environmental performance of Toyota's vehicles and technologies, all of the National Marketing and Sales Companies (NMSCs) in Europe continued to steadily improve their performance in energy consumption, waste management, water consumption and paper consumption. To manage and control their environmental impact, the NMSCs have all either attained ISO14001 certification or are planning to obtain it in the near future.

In 2008, three additional NMSCs (in Cyprus, Romania and Israel) attained ISO14001 certification, bringing the number of certified NMSCs to 26 out of a total of 31. It is planned to increase this number to 29 by 2009 and to the full 31 by 2010.

NMSC ISO14001 implementation and roadmap

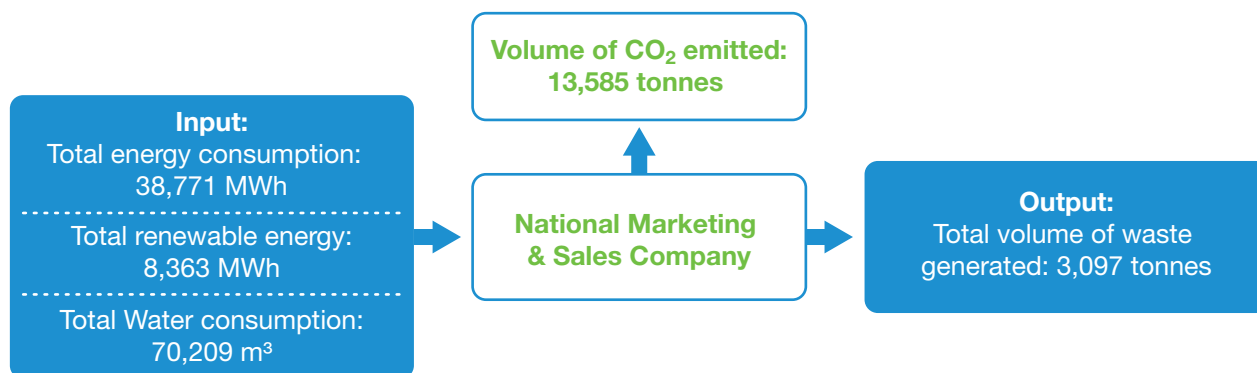


NMSCs environmental performance data

Each NMSC is responsible for operating their office and training facilities, and in some cases workshops that use specific natural resources. In 2006, a pan-European environmental performance database was introduced to NMSCs for reporting environmental data, including these specific resources. In addition, environmental KPIs have been established to allow the NMSCs to compare performance and share best practices.

In 2008, a total of 13,585 tonnes of CO₂ was produced by NMSC facilities – up 8% from the previous year mainly due to the colder winter and warmer summer. However, significant efforts have been made to increase the amount of energy used from renewable resources. Since 2006, the percentage of energy from either green electricity contracts or local production has increased by 79%, with the corresponding result that a total of 22% of all NMSC energy needs are now drawn from renewable sources.

Looking to further improve their environmental performance, NMSCs have made concerted efforts to reduce the total amount of waste going to landfill. Since 2006, the amount of waste-to-landfill has decreased by 83%, helping to reduce NMSC total waste-to-landfill to 19% of total waste.



| | 2006 | 2007 | 2008 |
|---------------------|------|------|------|
| Landfill rate (%) | 56% | 39% | 19% |
| % renewable energy* | 5% | 7% | 22% |

* Energy from either green electricity contracts or local production

Behaviour

A few years ago, environmentally-friendly cars – like Prius – were included in a company fleet policy mainly as a token gesture for political and image-related reasons. Today, economy and ecology do not need to be mutually exclusive as greener cars can offer competitive bottom line performance. This is one of the reasons why more and more European companies are turning to TME to help ‘green’ their fleets.

Thanks to Toyota Optimal Drive and Toyota Hybrid Synergy Drive, companies can now reduce the CO₂ emissions, fuel consumption and tax costs of their entire fleets whilst still maximising driving performance and pleasure for their employees. TME has definitely noticed a growing trend in this direction. Capgemini, Ikea and GlaxoSmithKline are just three examples of companies that have turned their fleets ‘green’ through the purchase of Prius vehicles in 2008.

The European GreenFleet® Awards recognise efforts to reduce the environmental impact of motoring. In June 2008, TME received the Car Manufacturer of the Year Award, presented by Malcolm Harbour, Member of European Parliament, UK, and Ms. Alenka Burja, Minister of the Environment and Spatial Planning, Slovenia. Winning this award proves that TME’s efforts in this domain are widely appreciated and confirms Toyota is in prime position to play a leading role in the promotion of innovative technologies which are friendly to the environment.



Prius handover to Endesa



Car manufacturer of the year

“Lexus is pioneering a number of technologies that offer a premium driving experience with category-leading environmental performance. Building upon the company’s leading knowledge and experience, the latest breakthrough is the 2nd Generation Lexus Hybrid Drive, which provides an incredibly refined and powerful drive with breakthrough CO₂ performance.”



Andy Pfeiffenberger
Vice-President, Lexus Europe

Engine technology

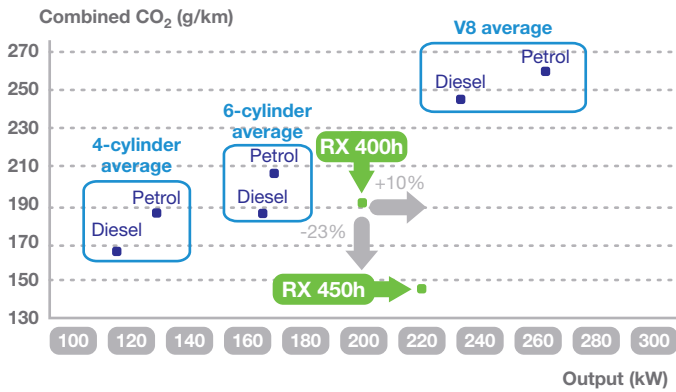
Both petrol and diesel will continue to be the dominant sources of vehicle power for some years, and so Lexus is making major efforts to reduce the environmental impact of engines using these fuels. By re-examining the whole structure of the internal combustion engine, Lexus has developed technologies such as electronic Variable Valve Timing with Intelligence (VVT-iE), which raises the efficiency of the combustion process meaning less fuel is used, and D-4S, which features both direct and port injection thus improving performance and efficiency across the power band and clean diesel technology. In addition, the Lexus Diesel Particulate NOx Reduction (DPNR) system uses a new four-way catalytic converter which reduces the release of Particulate Matter (PM) and Nitrous Oxides (NOx).

Full hybrid technology

Now in its second generation, the Lexus Hybrid Drive intelligently combines both electric motors and a petrol engine into a sophisticated power source that reduces emissions, boosts fuel economy, and offers breathtaking yet quiet, refined performance. The comprehensive improvements to the second generation Lexus Hybrid Drive system include adoption of the Atkinson combustion cycle, cooled exhaust gas recirculation (EGR) and exhaust heat recovery (EHR) to optimise the fuel-efficiency benefits of Lexus Hybrid Drive. Forward thinking, the essence of Lexus, is reflected in the fact that it is the only performance full hybrid range available in the market today. The Lexus Hybrid Drive fulfils customers’ demands for lower CO₂ emissions as well as their preference for performance. In addition, Lexus takes a holistic approach towards emissions, offering significant reductions in CO₂ as well as other harmful emissions such as NOx and PM.

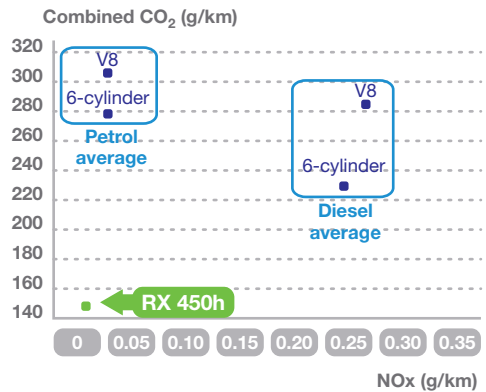
The demand for improved environmental performance continues to increase. Looking to the future, it is clear that clean powertrain technology will become a must-have. The concept of hybrid technology has huge development potential compared with conventional powertrains. The new RX 450h, the first vehicle to utilise the 2nd Generation Lexus Hybrid Drive, demonstrates advances that are already being made; compared to the previous model it benefits from a 10% improvement in power output yet delivers a stunning 23% reduction in CO₂ emissions. What’s more, the Lexus Hybrid Drive is a flexible platform which can be developed further as new technology becomes more feasible.

RX 400h and RX 450h system output and combined CO₂ vs competitors



CO₂ and NOx

– Lexus RX 450h vs competitors



Life-cycle assessment

Lexus also looks at the whole vehicle life-cycle to help measure its overall environmental impact in terms of materials, emissions, and End-of-Life Vehicles (ELVs). Lexus is pioneering the use of materials with high recoverability, researching and utilising parts that are easy to reuse at the end of their usable life. Even the least visible parts of a Lexus are designed with this in mind: bumpers are recycled into trim for the luggage compartment, and shredded soundproofing material is used as an effective silencer behind the dashboard.

Car door trims are now made with the stem of the kenaf plant – a member of the hibiscus family – rather than the woodchips previously used. Kenaf absorbs between two and five times as much CO₂ as other plants and is mixed with old waste bumpers from car repair shops to make door trim that is lighter, has better sound-proofing, and uses material that does not deplete forests.



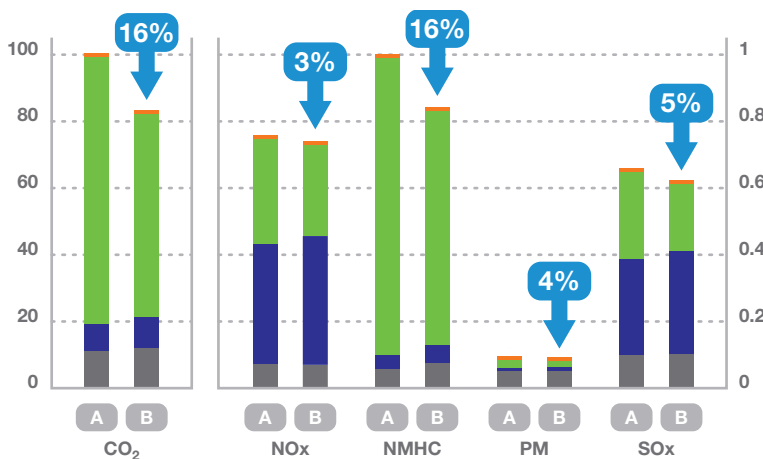
LS 600h



RX 450h



GS 450h



The environmental impact of the Lexus RX450h compared to the RX400h is demonstrated through the complete vehicle life cycle by using Eco-VAS.

The results:
 16% less CO₂
 3% less NOx
 16% less NMHC
 4% less PM
 5% reduced SOx

- Recycling
- Material Production
- A RX400h
- Driving/Maintenance
- Vehicle/Parts Production
- B RX450h

“With the number of Toyota and Lexus cars on the road reaching nearly 11.1 million at the end of 2008, the After Sales market is becoming more important. Our After Sales division contributes to environmental leadership by developing more environmentally friendly parts and accessories, by improving the environmental performance at Authorised Repairers as well as in After Sales logistics operations.”



Massimo Nordio

Vice-President, After Sales, TME

Toyota genuine motor oil

Engine oils

In 2007, Toyota Motor Europe (TME) successfully communicated the technical and ecological benefits of its latest motor oils, promoting its 5w-30 Premium Fuel Economy engine oil to NMSCs and Authorised Repairers. This new motor oil provides reduced overall emissions, including; lower Sulphated Ash, Phosphorus and Sulphur (SAPS), outstanding improvements in fuel economy, and optimum engine protection and performance. The oil is also recommended for use with Toyota’s Diesel Particulate and NOx Reduction (DPNR) catalyst.

In 2008, TME set the scene for the future evolution of 0w-20 engine oil, a ‘green’ oil engineered to deliver outstanding engine protection particularly on petrol application. The low friction, fully synthetic formula of 0w-20 increases engine efficiency, and offers the best fuel economy in the range.

Gear oils

TME made its LT and LX differential gear oils, available to Authorised Retailers. These oils, which offer superior fuel economy, are used for the first fill in the company’s most recent vehicles and are now available as part of the after sales service.

Toyota and Lexus car protection covers

To avoid unnecessary waste in workshops, TME has introduced reusable protection covers for Toyota and Lexus vehicles. As no magnets or lead weights are used in the reusable wing and front covers there are no metals to recover at the end of the vehicle life-cycle. What’s more, TME recently introduced disposable floor mats made from 100% recycled paper as well as steering wheels, protection for hand brakes, and gear levers made from recyclable plastic.

Remanufactured parts – sales

By remanufacturing many components TME is reducing the demand for new raw materials, thereby reducing the amount of energy needed to turn those raw materials into finished products. In 2008, the volume of remanufactured parts used by TME increased by 9% to 64,000.

[Further environmental achievements of the after sales logistics operations are highlighted on page 39-41.](#)



“Not only climate change is on the top of Toyota’s agenda, but also resource protection. There is a solid business case for recycling of resources, because of it’s potential for the conservation of raw materials, the decrease in energy consumption, the reduction of greenhouse emissions, and the minimization of hazardous materials being disposed off.”



Willy Tomboy

Director, Environmental Affairs, TME

End-of-Life Vehicles (ELV) Directive 2000/53/3C

In previous reports, we have already explained in detail the requirements of this important European Directive, implemented back in 2000.

The car industry has made serious efforts especially in the area of reducing and banning of certain substances of concern (hazardous materials), in the area of using recyclable and recycled materials in the production of new cars, setting up official collection networks with treatment operators (dismantlers, shredders) in all EU Members States and in all other countries that have implemented similar legislation.

However, we have noted over the years that the recycling industry is very diverse across Europe: infrastructure, technical capabilities, the economics of the waste streams, in some cases the total absence of investments, (which under today’s economic climate is likely not going to improve).

Also, the different interpretations of the Directive, (lack of harmonization) with varying monitoring/reporting methodologies by the Member States, make us doubtful whether the Member States and/or economic operators will be able to reach the 2015 target.

Toyota will be ready to achieve the targets – we are fully committed to take up this responsibility. Therefore, Toyota has developed a roadmap towards achieving the 2015 targets.

But we cannot do this alone: everybody needs to take up the shared responsibility: the recycling industry, as well as the Member States authorities.

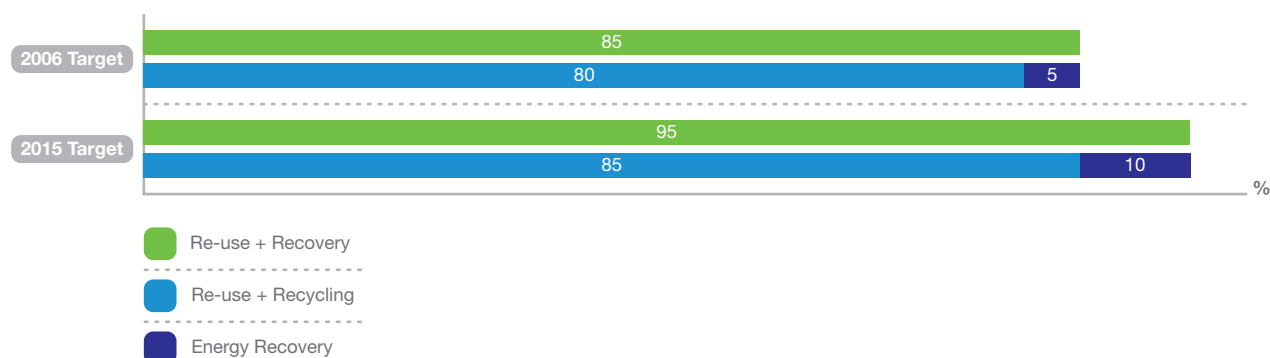
Reuse and recovery targets

ELV Recycling Directive (2000/53/EC)

EU Member States are required to report results to the EU Commission on an annual basis within 18 months of the relevant year end. Since 2006, the following results have been reported:

epp.eurostat.ec.europa.eu/portal/page/portal/waste/data/wastestreams/elvs

The following targets need to be attained:



Source: IARC – Munich, 11 March 2009

TME roadmap towards 2015 targets

The main principle of this roadmap to achieve the targets is close collaboration with all the partners in the treatment chain. Milestones include:

Best practice dismantling

Internationally approved parts and material coding standards are used to make it easier to identify parts and materials suitable for recycling. The International Dismantling Information System (IDIS: www.idis2.com) has supported economic operators in the treatment of ELVs by making all information on environmental pre-treatment and dismantling readily available.

Post-shredder treatment technology

Toyota will contribute technical know-how and funds to research projects looking at how to extract and refine fibres, plastics and mineral fractions from automotive shredder residue.

Working with the German waste technology specialist Sicon GmbH and the Fraunhofer Institute for Process Engineering and Packaging IVV, Toyota has already succeeded in evaluating and improving a refining process which enables shredded plastic to be recovered and reused in several automotive applications.



[Go to the Toyota website](#)



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Social performance

“We continue to value and honour commitments to our stakeholders, even more so in the current challenging business climate. Continued actions to improve our performance as a good European corporate citizen are essential for the medium and long-term growth of our company in harmony with nature and society.”

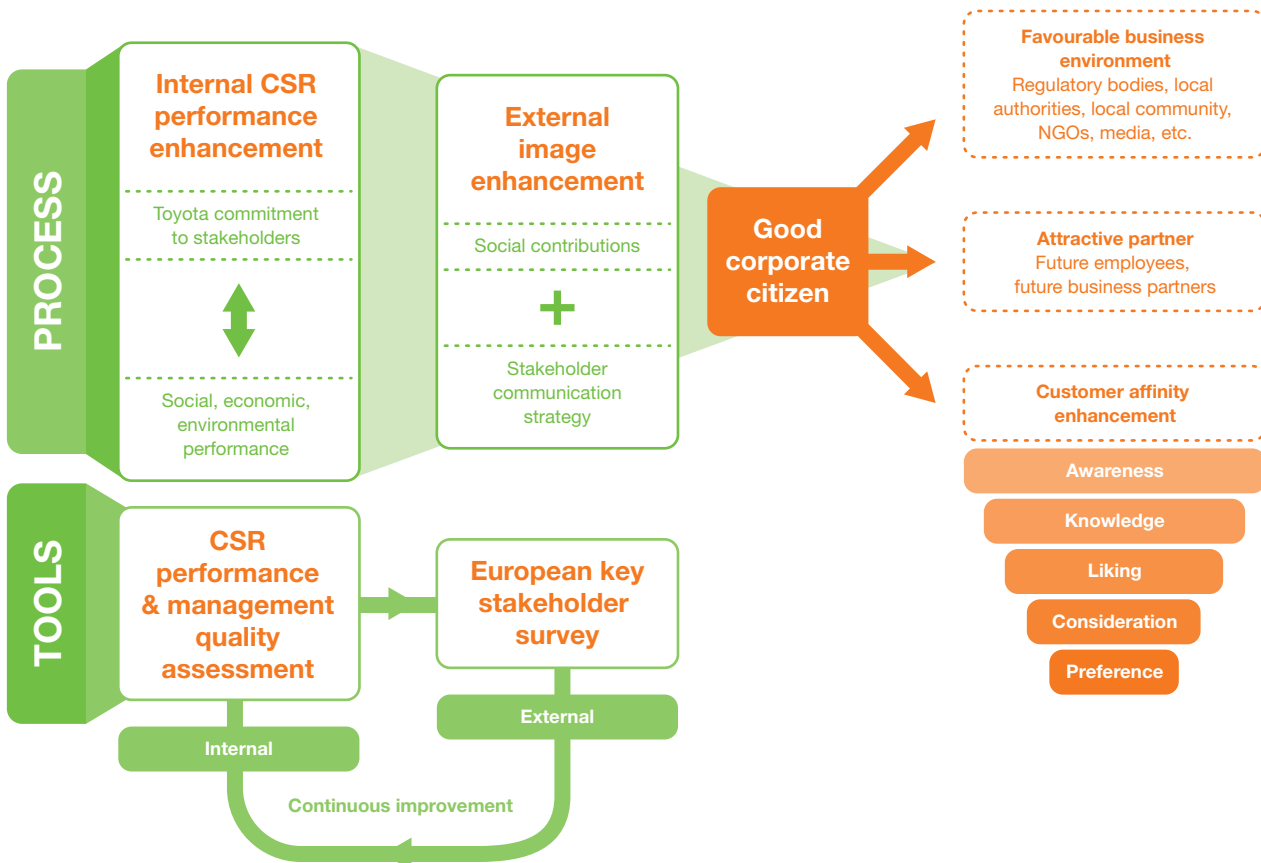


Didier Leroy

Executive Vice-President and Chair of CSR Committee, TME
 Managing Officer, TMC

Management of Corporate Social Responsibility (CSR) at Toyota Motor Europe (TME) is underpinned by the solid process of focussing on continuous improvement of the company’s performance in this area – kept in check by measuring the perceptions and expectations of external stakeholders. Through simultaneously measuring and working to improve CSR performance, TME can become a leader in all aspects of sustainability.

TME’s internal and external CSR process is based on internal and external performance measurements. The measurements deliver opportunities for improvement projects contributing to mid- and long-term growth. Projects are prioritised and realised in the following ways:



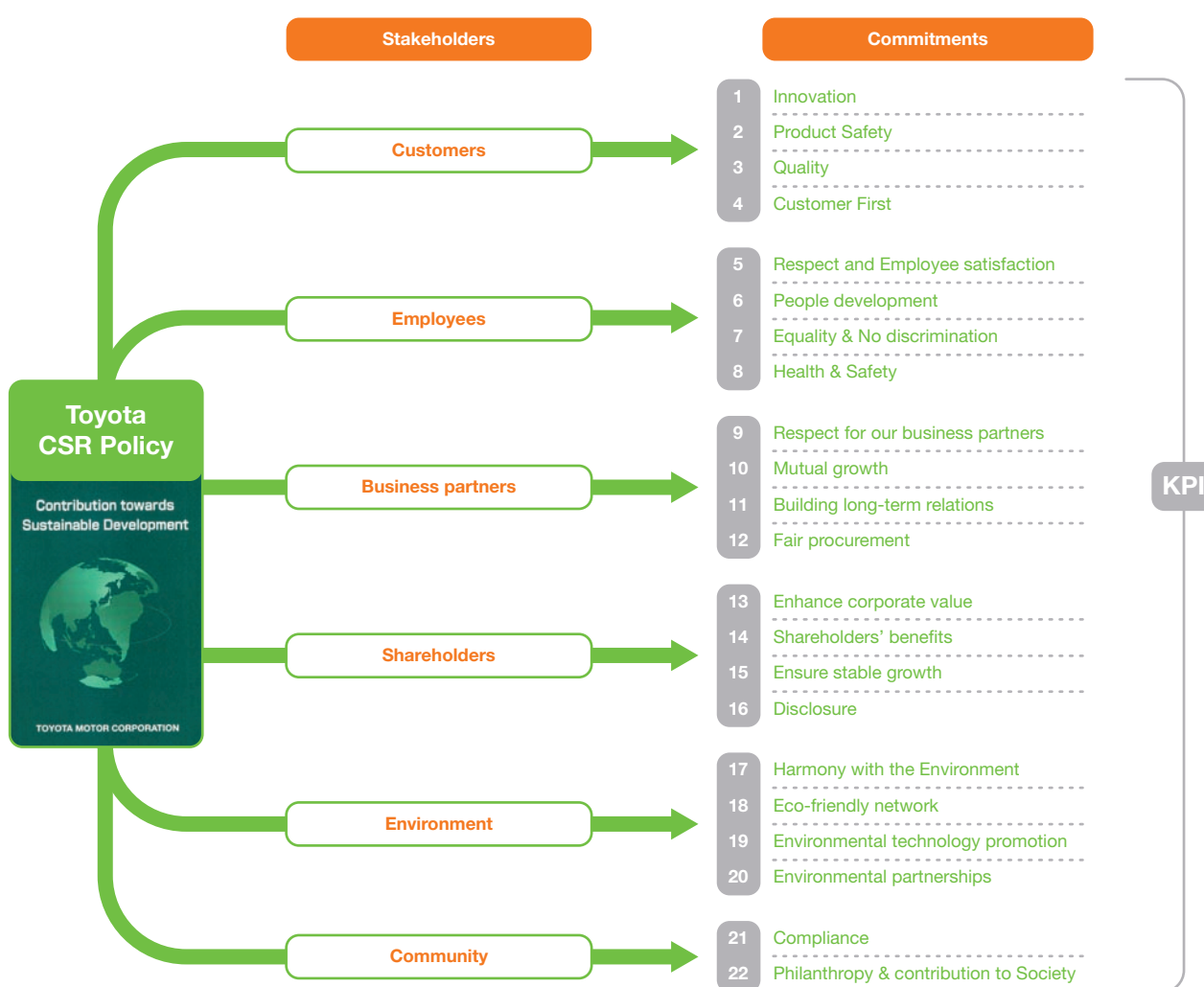
Measuring performance

TME's annual CSR Assessment is conducted within TME companies in Europe including National Sales and Marketing Companies (NSMCs) and European Manufacturing Companies (EMCs). In a 2008 pilot, the TME Head Office in Belgium also underwent a comprehensive CSR Assessment.

The purpose of the CSR Assessment is to identify CSR performance improvement opportunities allowing all TME companies to act upon these opportunities and to show progress over time.

CSR Assessment definition and process

The CSR Assessment was developed internally and is fully aligned with TME's activities. The main objective of the tool is to measure alignment of the company to its sustainable development principles, as expressed in Toyota's worldwide CSR policy. The CSR Assessment measures TME's performance on specific commitments made to Toyota stakeholders as stated in this policy; each commitment is mapped with Key Performance Indicators (KPIs).



CSR Assessment results

The CSR Assessment has already allowed TME to identify gaps between each affiliate's performance and the targets set, allowing for a solid understanding of areas that require improvement. Each affiliate receives a report which compares their results against the group average. Results flow into the company's planning cycle to ensure actions for improvement are taken and follow-up is possible.

Comparison of 2007 and 2008 results

TME's CSR Assessment results for 2007 and 2008 (per type of company) are presented here on a standardised scale of zero to ten.

The results show a good increase in performance of both the NMSCs and the EMCs, except for Community and Shareholders on EMC level. Lower scores in both areas are explained by the challenging financial situation. Results for the TME Head Office show that overall scores per stakeholder are satisfactory and that improvement opportunities can be found at the individual commitment level e.g. towards employees. In fact, employee development, diversity and continued attention to customer quality reveal themselves as company-wide priority activities across Europe for 2009.

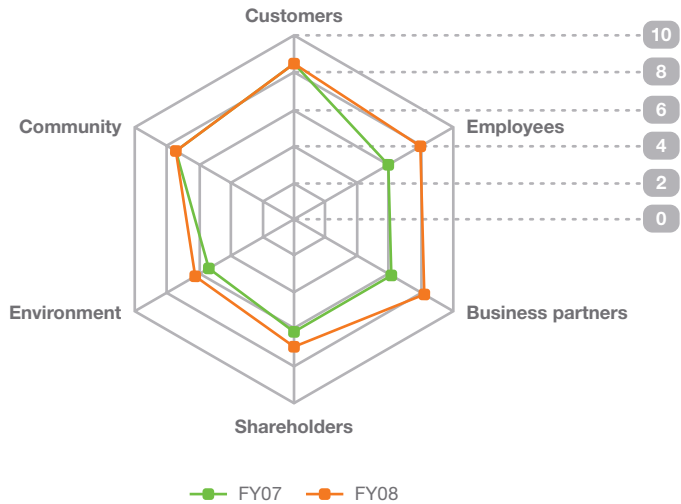
Looking at the results generally, different trends can be identified within each group related to the size and maturity of the respective company. In 2009, focus will be given to setting tailored and more ambitious targets for companies in each group.

Measuring perception

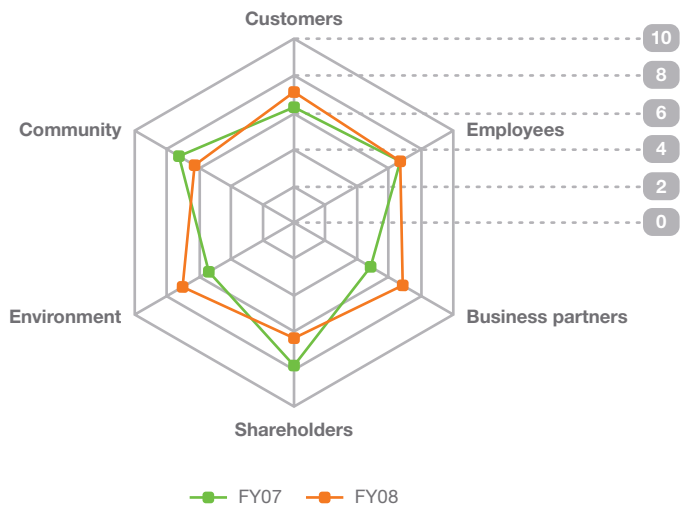
TME listens closely to all of its partners in society in order to understand their priorities and build long-term relationships based on true cooperation and transparency. TME measures its success in achieving these goals, as well as areas for improvement, through an annual Key Stakeholder Survey (EKSS) involving 11 European countries. The survey is designed to enable stakeholders to rate the company's environmental, social and economic performance.

CSR Assessment results

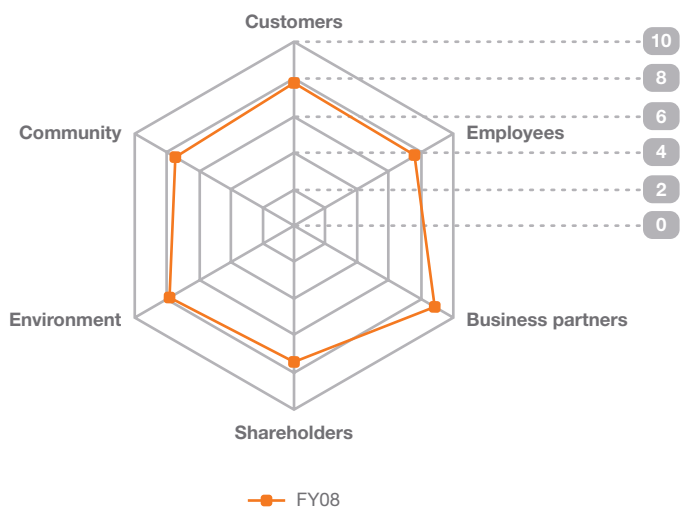
NMSC average comparison



EMC average comparison

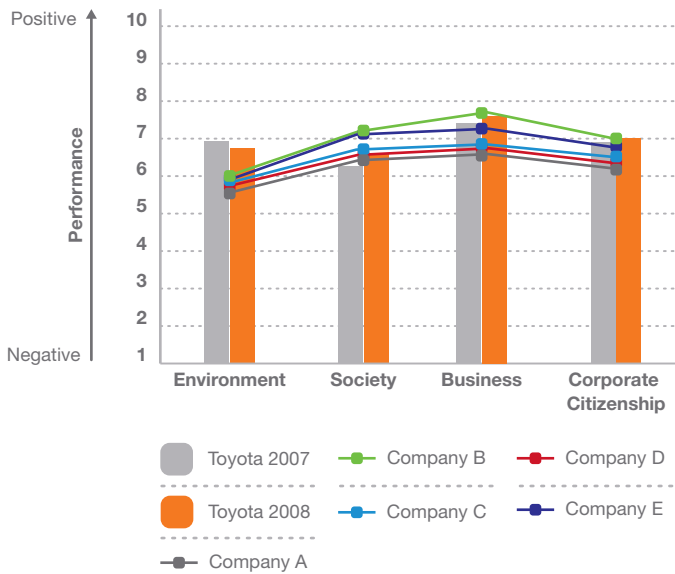


TME Head Office

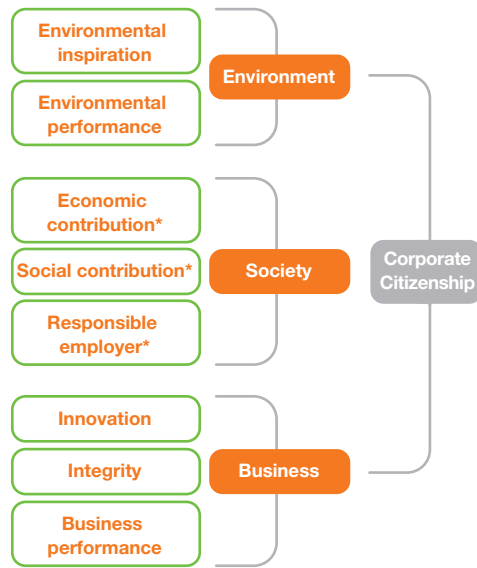


EKSS results

Overall corporate citizenship score compared to competitors in industry

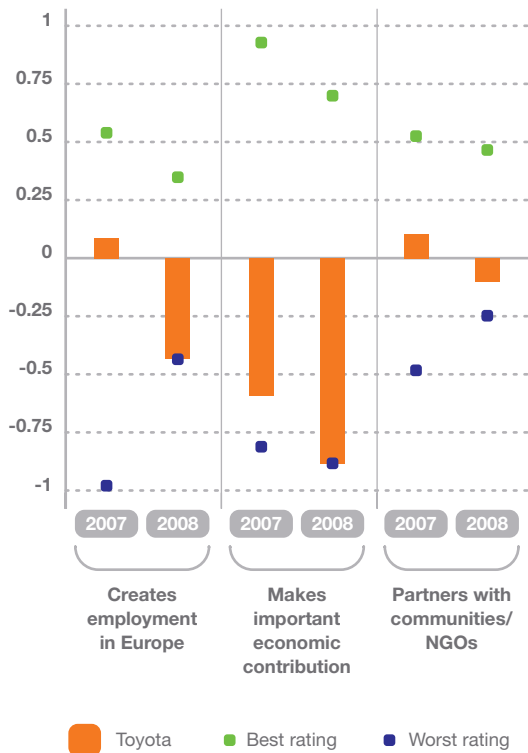


EKSS Corporate Citizenship model



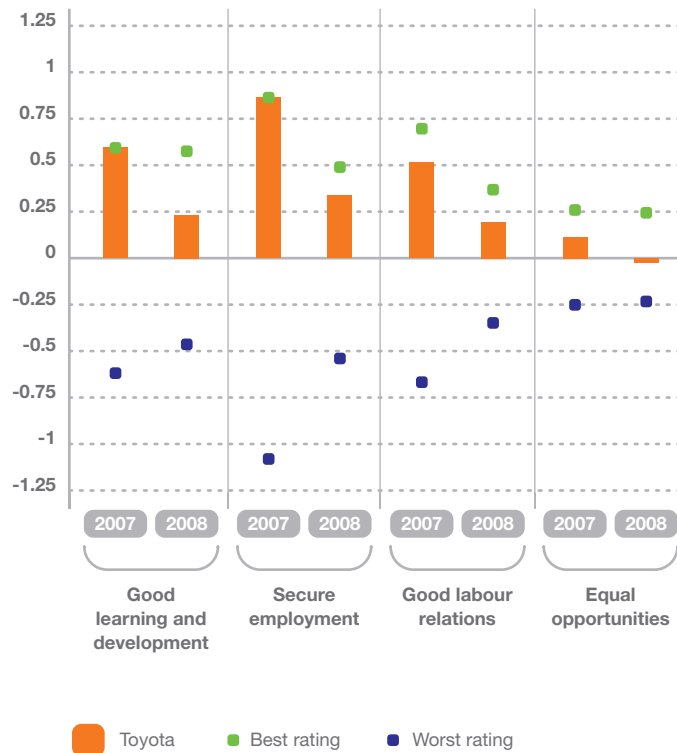
* Selected building blocks shown in graphs below

Rating for Toyota on 'Economic and Social contribution'⁽¹⁾ – deviation from industry average



(1) Selected building blocks

Rating for Toyota on 'Responsible Employer' – deviation from industry average



Results of the EKSS 2008 show an increase in overall corporate citizenship performance compared to 2007, which is driven by increased society and business scores. On environmental performance, TME is still ahead of its competitors and the industry average, but the company's lead is less pronounced than in the previous year.

Declining performance on a number of building blocks of the Contribution to Society performance in EKSS show that external stakeholders are not aware of the many initiatives TME is taking. Therefore, we will work on increased visibility through intensified communication.

Pan-European partnerships

TME is either a partner to or member of various European organisations related to Corporate Social Responsibility (CSR), including:



World Business Council for Sustainable Development

World Business Council for Sustainable Development (WBCSD)

TME is actively involved in a number of WBCSD activities and working groups, namely those on Energy and Climate, and Mobility for Development. For more information, please visit: www.wbcsd.org.



CSR Europe

TME is a member of CSR Europe, the business organisation that promotes corporate social responsibility in Europe. In the organisation TME participates in various topical discussions. For more information, please visit: www.csreurope.org.

BUSINESSEUROPE



BUSINESSEUROPE (Confederation of European Businesses)

In 2005, TME joined UNICE's Advisory and Support Group. UNICE, now BUSINESSEUROPE, is composed of 39 European national business federations. In 2008, TME participated in the Confederation's working groups on a wide range of subjects, including international trade, climate change, and R&D. For more information, please visit: www.businessseurope.eu.



European Automobile Manufacturers' Association (ACEA)

On 1 January 2008, Toyota Motor Europe became a member of ACEA and, as such, actively participates in the various expert groups dealing with issues of interest to the European automotive sector. For more information, please visit: www.acea.be.

“Customer satisfaction begins with an excellent retail experience. From the very first encounter, we seek to build a special relationship with customers, one that is based on trust and being truly attentive to their needs. We value each and every customer and work hard to earn this trust throughout the ownership experience.”



Massimo Nordio

Vice-President, After Sales, TME

Complete Customer Satisfaction (CCS)

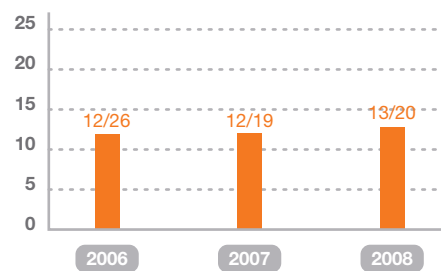
The success of a business is defined by the loyalty of its customers. To build this loyalty, TME has set the strategic objective of achieving Complete Customer Satisfaction (CCS) by delivering products and services of superior quality. By focussing on the total customer experience, from the time of purchase and throughout ownership, TME seeks to build a long-term relationship with customers, to create repeat business, and encourage recommendations of the Toyota brand to their family, friends and colleagues.

Complete Customer Satisfaction begins with listening to customers and delivering solutions that meet their needs and match their lifestyles. It also means performing beyond customer expectations in product quality as well as the customer experience within the retailer network. This is at the heart of TME's Customer First strategy. In Europe, TME has made CCS one of the key building blocks of its Vision, setting the target to be number one in Europe in CCS. To track progress towards this target, and to identify areas for improvement, TME created Key Performance Indicators (KPIs) that benchmark the company's Authorised Retailers against those of competitors. Benchmarking is conducted on an annual basis.

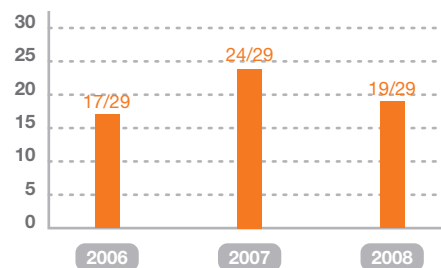
In 2008, TME's Authorised Retailers experienced a decline in results related to After Sales KPIs. However, remaining true to the spirit of the **Toyota Way** and in collaboration with NMSCs, TME has identified the root causes of this decline and has already implemented actions to reverse the trend.

In 2009, TME completely revised its CCS measurement tool and made it fully accessible to every Authorised Retailer in 26 countries across Europe.

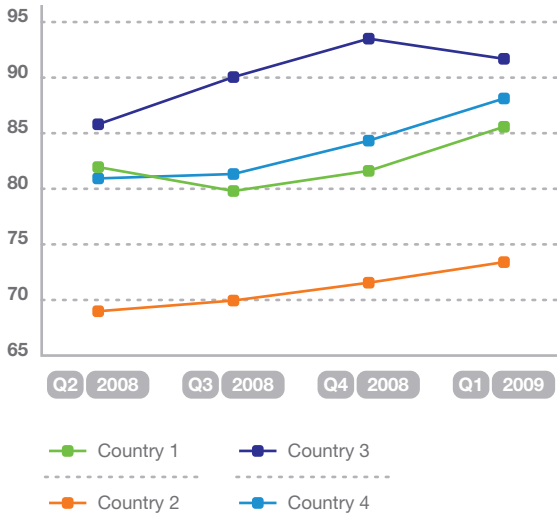
Toyota CCS #1 positions in European countries – sales



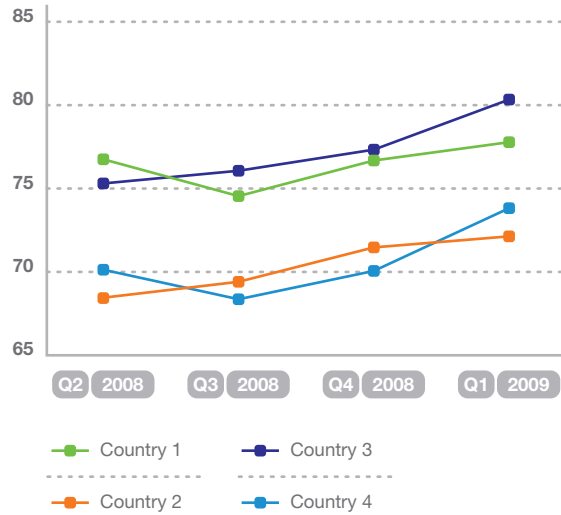
Toyota CCS #1 positions in European countries – after sales



CCS Sales score evolution
(4 sample markets)

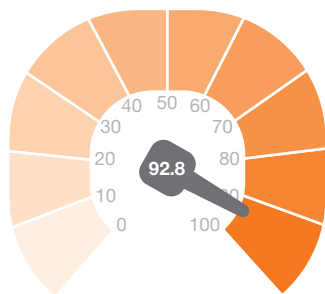


CCS After Sales score evolution
(4 sample markets)

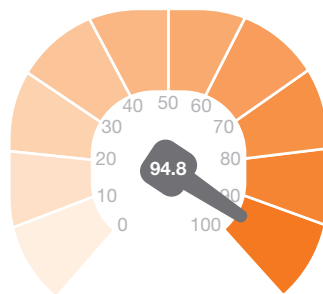


By setting KPIs for both Sales and After Sales, TME is able to continuously track the progress of the CCS strategy; measuring the customers experience from how they were first greeted to whether or not they feel their wishes and comments have been heard throughout and beyond the vehicle hand-over process. An **Alert** function allows the retailer to immediately detect any negative customer experience and respond in a timely manner with an individualised action to remedy the situation. What's more, each individual experience is treated as an opportunity to learn; Customer Relations specialists share the 'Voice of the Customer' with the rest of the organisation ensuring that appropriate improvements are made to all activities.

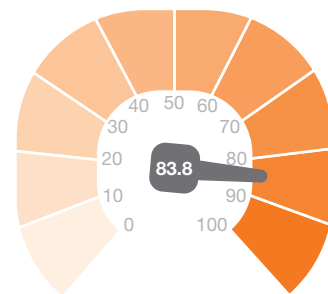
CCS Tool



Overall purchase satisfaction
National average: 92.81



Recommendation
National average: 94.83



Loyalty
National average: 83.78

In order to celebrate and recognise the achievement of the best CCS-performing retailers across Europe, in 2007 TME created the **Toyota Ichiban Award**. Ichiban means first, or number one, and comes from the Japanese phrase "Okyaku sama Ichiban" which translates as "Customer First".



Every year, around 2,500 of TME's Authorised Retailers across Europe are judged on the results of the CCS survey as coordinated by TME's Customer Satisfaction Department. The award winning retailers are selected for their exceptional performance across KPIs in both Sales and After Sales.

Quality management

Quality is the lifeline and one of the strengths of TME. It is the most important interface between the company and the customer; it is the basis for any day-to-day activity and is a part of TME's daily life.

Toyota DNA = Quality, meaning that quality is built in each process. TME's strength lies in the implementation of this understanding inherited from our founders and steadfastly and earnestly continued by each new employee.

Customer First

Since its foundation, TME has maintained a commitment to putting customers first. This meant ensuring customer satisfaction through the products and services the company offers.

The **Customer First** concept originated in the Toyota Production System; production engineers understood that no matter how good the final product might be, it would be worthless if it didn't meet customers' demands and satisfy their needs. The challenge for TME was to put customers' needs first by allowing their demands to shape the end product. Thus for TME, the true spirit of Customer First means putting the customer in the driver's seat before the car has even been designed.



Today, this same spirit can be found throughout all TME operations. The way to achieve the final and shared target of Complete Customer Satisfaction consists of many small processes. Therefore, at TME everyone has their own customer and everyone has responsibility to achieve Complete Customer Satisfaction of her/his customer. TME strongly believes that the company can only be assured of the quality provided the customer comes first at all times.

In 2005, TME established the Customer First Activity Promotion Committee with the aim of promoting built-in quality activities throughout the entire TME Group, including suppliers. The Committee's purpose is to meet increasingly rigorous customer requirements and raised expectations of products and/or services, especially in terms of conformance, reliability, durability, performance, appearance, user and environmental friendliness.

Jikotei-Kanketsu

The Japanese phrase "**Jikotei-Kanketsu**" can be translated as "built-in quality with ownership". It is a way of thinking that secures consistent quality in a product or service by building an efficient and effective process, continuously applying it, and actively improving processes over time. This approach ensures an environment within which employees can decide on the spot if output is incorrect, thus developing a sense of individual empowerment.

To integrate quality assurance into all of TME's organisational functions and processes requires changing behaviour, attitudes and working practices in a number of ways. Each and every TME employee needs to be committed to meeting the expectations of both internal and external customers.

"Built-in quality with ownership" is ingrained in TME's organisational culture and is conducive to a process of continuous improvement in which everyone can contribute to achieving Complete Customer Satisfaction.



360° approach to safety

As a major vehicle manufacturer, TME has a clear responsibility in the area of road safety. In working to reduce traffic accidents, injuries and fatalities, TME continues to pioneer new technologies that make vehicles safer to drive. Vehicle manufacturers such as Toyota also have a responsibility to raise awareness among the general public about safety and driving behaviour. TME therefore seeks to contribute to road safety in two ways:

- Raising awareness
- Real life, in situ practice.

Support for road safety initiatives at the European policy level

TME was the first automobile manufacturer to sign up to the European Road Safety Charter, established in 2006 by the European Commission as part of an initiative to halve the number of road fatalities by 2010. In 2007, Toyota Caetano Portugal became the first TME affiliate to sign up to the Charter.

The European Road Safety Charter serves as a platform for its signatories, including civil society organisations, to exchange experiences and new ideas, and to encourage concrete actions to improve road safety in Europe.

For further information, please visit: ec.europa.eu/transport/roadsafety/charter_en.htm.

European Transport Safety Council (ETSC) PIN Programme

The Performance Index (PIN) programme is an instrument designed to encourage stronger political leadership in the field of road safety by identifying the most important road safety performance indicators and by comparing European Member States' performance in all areas of road safety. Since 2006, TME and its affiliates helped organise and participated in PIN debates in 19 countries; Greece, Cyprus, Switzerland, Slovakia, Germany, Spain, Poland, Austria, Italy, the United Kingdom, Sweden, Portugal, Finland, Ireland, Denmark, France, Belgium, Slovenia, and the Czech Republic.



In the period 2008-2009, PIN highlighted gaps in road safety performance with regard to the vulnerable road users – being the elderly, motorcyclists and children – and assessed road safety on motorways and in capital cities as well as looking at the European New Car Assessment Programme (Euro NCAP) star-rating of new cars sold in each country. The findings of PIN will help shape targets for the new European Road Safety Action programme (2010-2020).

eSafety Aware initiative

eSafety Aware is a platform of communication dedicated to accelerating the introduction of life-saving technologies. Through a variety of information campaigns, the initiative hopes to promote awareness of the benefits of eSafety, or intelligent vehicle safety systems, among policy-makers and end-users. For further information, please visit: www.esafetyaware.eu.

During 2007 and 2008, the Choose ESC! campaign focused on promoting greater awareness of Electronic Stability Control (ESC), a safety technology that can reduce road accidents significantly, especially in wet or icy conditions. Since May 2007, stability control has been available on most Toyota models sold in Europe. For further information, please visit: www.euroncap.com/esc.aspx?make=18&model=244.



In 2009, the eSafety Aware will organise the eSafety Challenge event providing demonstrations and driving experiences of five advanced, active safety technologies: ESC, lane support systems, blind-spot monitoring, speed alert, and warning and emergency braking systems. TME will demonstrate the Pre-Crash Safety system at the event.

Euro NCAP status of the current European Toyota and Lexus fleet

Toyota and Lexus vehicles are currently among the best overall performers in safety across the full range of Euro NCAP safety tests. Despite a recent major change in the Euro NCAP test scheme combining adult protection with pedestrian protection, child protection and safety assist systems, TME proved its commitment to safety by volunteering two vehicles and achieving the top score.

| New rating scheme | Year | Overall rating | Adult | Child | Pedestrian | Safety Assist |
|-------------------|------|----------------|-------|-------|------------|---------------|
| Toyota Avensis | 2009 | ★★★★★ | 90% | 86% | 53% | 86% |
| Toyota iQ | 2009 | ★★★★★ | 91% | 71% | 54% | 86% |

| Old rating scheme | Year | Occupant protection | Child protection | Pedestrian protection |
|----------------------|------|---------------------|------------------|-----------------------|
| Lexus IS | 2006 | ★★★★★ | ★★★★ | ★★ |
| Lexus GS | 2005 | ★★★★★ | ★★★★ | ★★ |
| Toyota Corolla | 2007 | ★★★★★ | ★★★★ | ★★★ |
| Toyota Auris | 2006 | ★★★★★ | ★★★★ | ★★★ |
| Toyota RAV4 | 2006 | ★★★★ | ★★★★ | ★★★ |
| Toyota Yaris | 2005 | ★★★★★ | ★★★ | ★★ |
| Toyota Aygo | 2005 | ★★★★ | ★★★★ | ★★ |
| Toyota Prius | 2004 | ★★★★★ | ★★★★ | ★★ |
| Toyota Corolla Verso | 2004 | ★★★★★ | ★★★★ | ★★ |

Established in 1997, the European New Car Assessment Programme (Euro NCAP) has rapidly become a catalyst for encouraging significant passive safety improvements in new car design. It is now backed by five European governments, the European Commission and motoring and consumer organisations in every EU Member State.

TME involvement in European Safety Research Framework Programmes

For the last five years TME has been a partner in the European Community Framework Programme (FP) Advanced Protection Systems (APROSYS) Project. Originally, APROSYS was part of the EC thematic for Sustainable Surface Transport and was one of the EC tools to achieve relevant White Paper targets.

APROSYS focused on scientific and technology development in the field of passive safety, or crash safety. APROSYS is in line with TME's internal commitments to improve road safety. Recently, TME participated in the development and the validation of new testing methods to enhance passenger car crashworthiness in the case of frontal, side and pedestrian accidents.

Road safety in society

Through its products, people and participation in society, TME is totally committed to making roads safe. For further information on TME's road safety initiatives in the community, please see the dedicated section on engagement towards the communities on page 91.

For further information on Toyota's ground-breaking safety technologies, please see the 2007 Toyota and Safety brochure, available at: www.toyota.eu/Safety.

Genuine Mobility Programme

In addition to focusing on the quality and safety of its products, TME also strives to offer solutions which enhance the lives of customers with limited mobility. In 2006, TME introduced the Genuine Mobility Programme in Europe, which provides passengers with specially designed seats to improve access in and out of vehicles.

After successful introductions in the United Kingdom and France, in 2008 the programme was extended via official launches during the 8th Active Rehabilitation Games in Poland and, during the National Motor Show and the international disability meeting at the Lisbon University in Portugal.

Activities were reinforced in existing markets, for example in the United Kingdom an agreement was signed between Toyota Great Britain and the UK's Forum of Mobility Centres, a recognised assessment organisation.

For more information, please visit: www.toyota-europe.com/cars/conversion/mobility/index.aspx.



Special feature: Sustainable employment and caring for talent

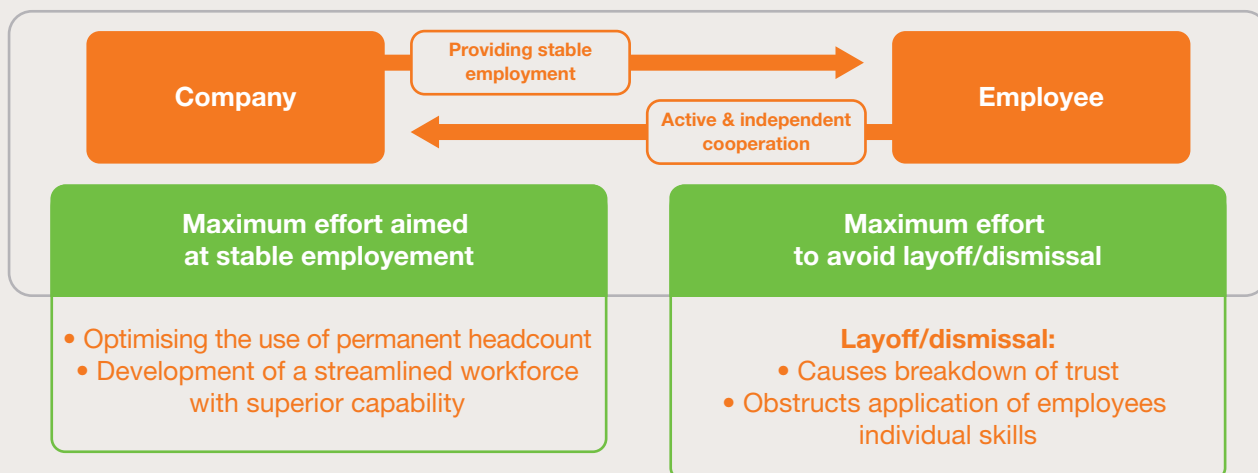
“For more than 50 years, mutual trust has been a basic principle for labour relations in Toyota. This is best exemplified by the company’s long-time commitment to make maximum effort to ensure stable employment for all of the permanent employees.”



Seiji Abe

Vice President, Human Resources, TME

By making this effort, and avoiding lay-offs or dismissals, trust can be maintained and employees will work to the best of their ability. At the same time, the company should optimise the use of the workforce, while striving to develop a highly capable and motivated team.



Toyota Motor Europe (TME) cares for its people and fosters talent both inside and outside the company in many ways. Concretely, TME recognises that:

- **People are a critical asset.**

As the company fully depends on its people, TME cannot afford to hire and fire. The Toyota Way and Toyota Guiding principles honour both Respect and Sustainable Development of our workforce and company.

- **Considerable investment to develop individuals is required.**

TME’s management system is founded on developing employee abilities. Key building blocks are on-the-job training and Toyota Business Practices, the latter based upon a specific Toyota problem solving methodology. In the spirit of the Toyota Way, Toyota also values diversity as a way of introducing varied and wide-ranging ideas to come to new solutions. Therefore we focus very much on promoting the richness of diversity within the company’s human resources.

- **The company’s perspective is long-term.**

Other companies may exhibit immediate returns by dismissals but TME aims to retain skilled people and strives to provide stable employment.

TME collective labour time agreement – a true example of a balanced consensus

Commenting on TME's recent collective labour agreement on the organisation of working time and labour cost reduction, **Mrs. Anne Goovaert, HR Director at Agoria**, the employer and trade association representing more than 1,600 high technology companies in Belgium, believes that it is: *"a very well drafted agreement, fully transparent, which only adds to the trust one can place in the company. Set up collectively, it has the main advantage of maintaining employment thus avoiding re-structuring and redundancies. The agreement is original and creative in finding solutions, especially in this sector"*.



The agreement sets out new rules, including:

- No overtime except in emergency situations
- Flexitime recuperation
- Collective shutdowns aligned to site closures
- Unpaid holidays for all grades
- The promotion of part-time, credit-time solutions and parental leave.

This challenging environment is an opportunity for the company to:

- 1 Maintain good labour and management relations based on two-way communications and mutual trust;
- 2 Look at improved work processes to decrease workload and hence working hours/required overtime through enhanced standardisation;
- 3 Use innovative and relevant work practices to improve flexibility and contribute to work life balance;
- 4 Maintain values of inclusion, diversity and values calling on our employees to respect our code of conduct;
- 5 To re-focus and prioritise our training and development;
- 6 Improve our working conditions especially in the area of Health and Safety.



In recognition of good practice in the area of sustainable employment, the Solidarnosc Trade Union has awarded Toyota Motor Poland the Employee Friendly Award which recognises leading efforts in the maintenance of stable employment, the stimulation of open social dialogue, and Health and Safety.

Caring for talent

TME's firm belief, as reflected in the long-term strategy, is that continuous development is necessary to enable all employees to face challenges and changes. In line with this belief, many training programmes exist within TME to continuously bring out the best in employees and develop their talents.

One example is the annual Team 21 competition, an internal TME pan-European challenge for the Sales and After Sales employees of Authorised Retailers. All 29 European NMSCs take part in the competition which allows them to select the Sales and After Sales experts who excel in applying TME's methodology, such as the Customer First philosophy, on a day-to-day basis.

Developing talent in society

TME cares not only for talent within the company but also outside. Therefore TME has established initiatives across Europe to support the development of talent in society. As a large European employer, TME believes it has a role to play in offering the best options for youngsters to develop skills for employability. The following programmes are just a small selection of TME's initiatives currently running across Europe:

T-TEP



TME's Technical Education Programme (T-TEP) is the first global training programme of its kind by a vehicle manufacturer. Founded in 1990, T-TEP delivers high quality technical education to aspiring automotive technicians thus improving their employability. The programme provides support via teaching tools, such as simulators and engine cutaways, as well as e-learning materials and teacher training. In 2008, TME invested € 1.1 million in T-TEP resulting in 12,386 graduates from 224 T-TEP schools across 23 European countries that year alone.

TMUK Technology Challenge



Since 2003, together with Rapid, a UK distributor of electronic components, electrical products, tools and educational resources, TMUK organises an annual Technology Challenge. Started as a local competition, the Challenge has now grown into a high-profile national event. The purpose is to educate students about environmentally friendly vehicle engineering and to encourage the consideration of engineering as a future career.

As the project itself is a team effort, students also practice teamwork. Teams of students build models of solar powered cars or cars equipped with a microcontroller enabling them to detect and avoid obstacles. Models are presented and raced in regional heats, with the regional winners going on to compete in the national final. Around 15,000 students were involved in the 2008 TMUK Technology Challenge.

“Despite the current economic downturn, Toyota Motor Europe (TME) aims to maintain its commitment to stable employment. TME is dedicated to enhancing its business performance in order to continue to provide employment and maintain fair and stable working conditions. At the same time TME aims to create a harmonious and stimulating work environment.”



Tony Walker

Executive Advisor, Human Resources, TME

TME believes that the continuous development of people is necessary to enable employees to cope with challenges and changes.

Today’s challenging business and operating environment is an opportunity to:

- Maintain good labour and management relations based on mutual trust and two-way communication
- Look at improved processes to decrease workload and hours/overtime through standardised work in an office environment
- Use innovative and relevant working practices to improve flexibility and contribute to the work-life balance
- Maintain values of inclusion, diversity and values calling on employees to respect the company’s Code of Conduct
- Refocus and prioritise training and development
- Continuously improve working conditions, especially Health & Safety.

Maintain good labour and management relations

TME’s European Works Council, called **Toyota European Forum** (TEF), meets in full assembly twice a year and holds smaller, more regular meetings to communicate on on-going business items.



Toyota European Forum meeting 2008

Since inception in 1996, TEF has helped to maintain good labour and management relations based on mutual trust and two-way communication. TEF has succeeded in improving transparency and motivating a better quality of dialogue between 15 members of TME’s management and 29 employee representatives who are supported by an external adviser.

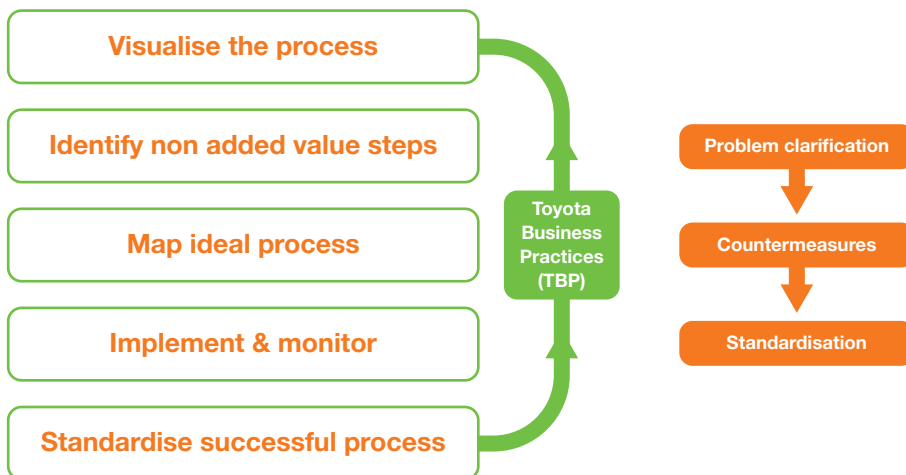
In all the European countries in which it operates, TME adheres to European and national legislation and has established employee representative bodies to inform and communicate within the framework of social dialogue. Where required, TME has established collective bargaining agreements covering all employees at a specified location. European and national consultations have helped to create and maintain awareness and motivated two-way communication concerning the company’s business position, surrounding environment and business challenges.

In 2008, TME held employee elections in the Head Office and TPCE in Belgium and at the company’s offices and site in France. Employee representatives were successfully elected to participate within local works councils as well as local Health and Safety bodies.

Improve processes through standardised work in an office environment

As part of TME’s continuous efforts to improve management systems and processes, as well as in an effort to tackle workload, TME has gradually rolled out a standardisation training scheme within its Head Office.

Standardised work in an office environment is a method used to secure quality in a product or service by building an efficient and effective process, continuously applying it, and actively improving the process over time. It is especially useful in the context of operating procedures allowing the easy mapping of a process flow, documenting it at each step, and improving it where possible. The collective benefits of such an approach are that it leads to improved productivity, lower costs, improved quality, and heightened morale.

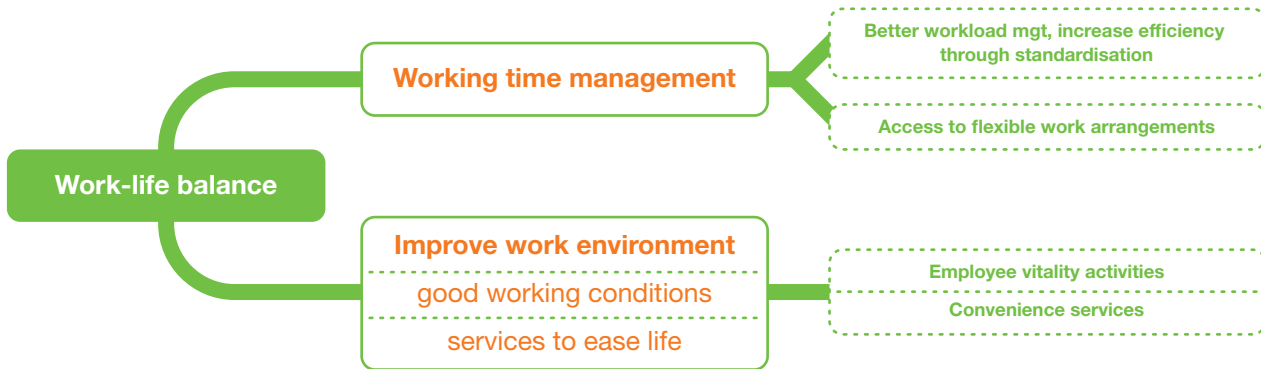


Improve flexibility and contribution to work-life balance

In the Kaizen spirit of continuous improvement, TME has integrated the philosophy of work-life balance into the company’s business plan. Doing so has contributed to increased employee attraction and retention rates, boosted motivation, and from a company point of view, enabled better management of people and resources.

TME considers a work-life balance which is based on two main pillars:

- Better time and workload management through the standardisation of repetitive processes, a reduction in overtime, and access to flexible working arrangements
- Improvements to the working environment, e.g. better working conditions and services to ease common pressures of working life.



Extensive fact-finding activities were conducted to define measures for improvement best-suited to TME. In partnership with the R&D Directorate of the European Commission, TME participated in a pan-European survey measuring the impact of work-life balance initiatives on male and female employees. In addition, the working group, Women in Science and Technology (WIST) illustrated the importance of not only acting on workload imbalances but also the need to promote role models and measures adapted to TME's unique work culture.

As a result, an official corporate directive promoting the use of flexible work arrangements was recently adopted and integrated into the Head Office Collective Labour Agreement.

Maintain the values of inclusion and diversity

The Toyota Way is based on continuous improvement and respect for people. Diversity is an integral part of promoting respect. TME's contribution towards sustainable development clearly states that the company supports equal employment opportunities, diversity and inclusion for all employees.

TME believes an effective workplace is one that allows people of different ages, genders, ethnic groups, and cultural backgrounds to work together as a team, with each individual reaching their full potential.

Lately, TME activities in this area have focused on gender diversity, as it is here that the company faces the biggest gap. With the support of the European Social Fund, TME worked in partnership with the Hasselt University in Belgium not only to highlight the business case for closing the gender gap but also to understand which work-life practices would best help and fit within TME's unique work culture.

TME's Code of Conduct is the tool reminding employees to deal with each other in a respectful way, in line with company values, on a daily basis. The Code of Conduct is shared with new employees during new-hire orientation briefing sessions. In 2008, some 230 new employees were comprehensively briefed on TME values and the Code of Conduct during a total of 120 dedicated training hours.

The Code of Conduct also establishes a confidential reporting channel allowing employees to report any serious misconduct through the company's Compliance Officer.

Dealing with violations of the TME Code of Conduct



As TME's General Counsel, Sophie Rouvez is also the company's Compliance Officer. That means she is responsible for dealing with reports of serious violations of TME's Code of Conduct and ensuring that the procedure is correctly followed. "The Compliance Officer has to act in an independent way when it comes to such issues," Sophie Rouvez says.

An important aspect of the Code of Conduct is the confidentiality that covers both the case and the identity of the reporting employee. "Also, if employees have any doubt about whether or not a certain behaviour or practice constitutes a serious violation of the Code of Conduct, they can always contact the Compliance Officer, who will, in a strictly confidential manner, provide further guidance," Sophie Rouvez says.

Refocus and prioritise training and development

At every stage of an employee's career, TME promotes and organises regular training sessions. These training sessions are complemented by annual performance appraisals and competency assessments for all permanent and temporary employees.

Besides on-the-job learning, the training curriculum includes:

- The Graduate Development Programme (GDP)
- Toyota Way Training (Toyota Business Practices, on-the-job learning etc.)
- Production supervisor courses at the European Global Production Centre
- Understanding of Quality Control Circles (QCC)
- Toyota's Retail Academy
- Training in the After Sales Network
- The Technical Education Programme (T-TEP).



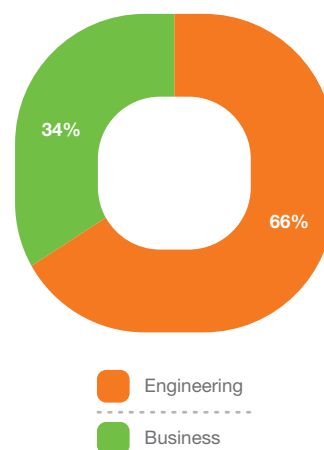
Graduate Development Programme (GDP)

TME recruits university graduates from all over Europe. With the aim of instructing graduates on the Toyota Way, the first 18 months of their careers with the company is spent on the Graduate Development Programme (GDP).

By the end of the programme each graduate will have a solid understanding of how TME functions as well as a good insight into company's management systems and business practices.

In 2008, some 120 graduates from 21 countries joined TME with 18% of those joining Head Office being women. The academic background of graduate hires in 2008 was either in engineering (66%) or in business (34%).

Education background



Toyota Way Training

Through the pan-European curriculum (the Toyota Way Training) employees are introduced to Toyota's cultural DNA and its global business methods, including; the eight-step problem-solving methodology (Toyota Business Practices or TBP), the Plan-Do-Check-Act work flow methodology, and the approach to consensus building through A3 reports. Additionally, managers are trained in On-The-Job Development (OJD), and Hoshin Kanri, Toyota's direction-setting process.

In 2008, more than 4,700 employees attended a Toyota Way Training course, delivered through a total of 294 training sessions. So far, 50% of Head Office employees have completed all of the Toyota Way Training courses. A New Hire Training Path was implemented to ensure that newcomers receive the relevant Toyota Way Training at the start of their career with TME. In response to the tough business environment, TME made the decision to place even greater focus on building critical Toyota Way skills that will deliver innovation, continuous improvement and efficiency.

Across the National Marketing and Sales Companies (NMSCs), the European Manufacturing Companies (EMCs), and the logistics services, to date 90% of managers and 75% of staff are trained in the key principles of the Toyota Way.

European Global Production Centre

Established in Derbyshire, UK in 2006, the European Global Production Centre (E-GPC) was set up to train manufacturing production supervisors in production skills and shop floor management techniques.

Supervisors spend one to two weeks at the centre to learn best practice skills in their area of operation. They then return to their respective sites to share and practice what they have learned with their teams. During 2008, 500 shop floor supervisors were trained at the E-GPC.

In Turkey, nine local employees qualified as trainers and are now able to train the 170 local team leaders at their site. This successful, national pilot scheme will soon be extended to other locations.

In additional training related to the standardisation of work and continuous improvement, 40 trainees participated in a series of 5-day training programmes which included the innovative use of line simulators allowing for learning in a risk free environment.

Quality Control Centres (QCCs)

TME's Quality Control Centres (QCCs) are a tool to train team members to identify and act on encountered problems in a production environment. Time spent at QCCs empowers employees to solve problems with the support of and recognition from their management.

TME's vision is that by 2015 all employees will have experienced some QCC training activities; a roadmap has been devised to help achieve this. In 2008, 63% of shop floor employees participated in the scheme and annual conventions to celebrate achievements were held at both TMC and TME.

Toyota's Retail Academy

The Toyota Retail Academy provides National Marketing and Sales Companies (NMSCs) with training solutions for Authorised Retailers and involves three core components:

- **Retail Skills Training**
skills and behaviour training with respect to general sales techniques and customer handling

- **Product Training**
the essential transfer of knowledge concerning Toyota products, to ensure that retailers are able to present them knowledgeably, professionally and in a friendly manner

- **The Learning Technologies Group**
a learning Management System to support training activities.



European Skills Grand Prix

The Retail Skills Training team is responsible for defining European skills and behaviour sets for TME's retail hosts, sales consultants, retail managers and retail principals.

Building on the Toyota Way and Complete Customer Satisfaction, the Retail Skills Training curriculum touches various aspects of Toyota history and values (via the Foundation Course), sales processes, customer handling and management performance, in addition to functional and specialist programmes. It provides NMSCs with all the necessary tools and materials for local implementation in order to ensure the best purchase and ownership customer experience across the network.

The **European Skills Grand Prix** for Sales is an annual competition designed to test, recognise and honour the competencies of Toyota Sales Consultants trained in the Retail Skills Curriculum.

Product Training

The Product Training team promotes the achievement of the best purchase and ownership customer experience through the delivery of comprehensive training courses for sales consultants.

In 2008, TME's priority within this area was to strengthen the implementation of the pan-European product training approach to all affiliates. Product Training emphasises knowledge transfer on cross-carline technologies with particular focus on Toyota Optimal Drive and e-learning. This approach has increased collaboration with Customer Service Technical Training.



E-learning Silver Award 2008 for the "Best e-learning project in securing widespread adoption"

120 NMSC trainers, alongside 7,500 sales consultants from 14 companies, attended a Train-The-Trainer event in Seville for the new Avensis, IQ, Yaris and Aygo.

Learning Technologies Group

The Learning Technologies Group developed an e-learning tool for NMSCs, called **Toyota Connect**. Amongst other components, the tool delivers:

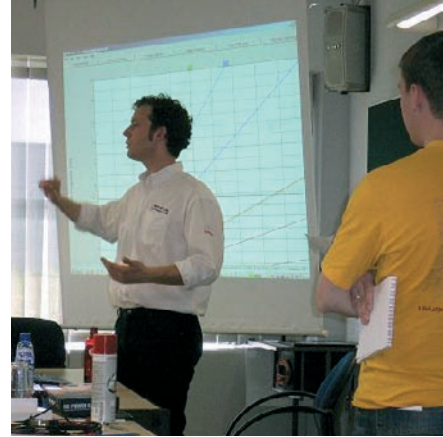
- Toyota and Lexus product courses and knowledge assessments
- Certification programs, Team 21 and the Toyota Way
- Management and sales skills development courses
- Three environmental education courses.

Toyota Connect has enjoyed much success, both internally and externally; the UK magazine, E-Learning Age, awarded the tool the Silver Award 2008 for the **Best e-Learning project in securing widespread adoption**.

Training in the After Sales Network

TME's Customer Service Training Centre provides training courses to NMSCs through a cascading Train-the-Trainer system.

In order to ensure the highest level of technical expertise in the network, the same training curriculum is provided to the NMSC's Technical Support staff.

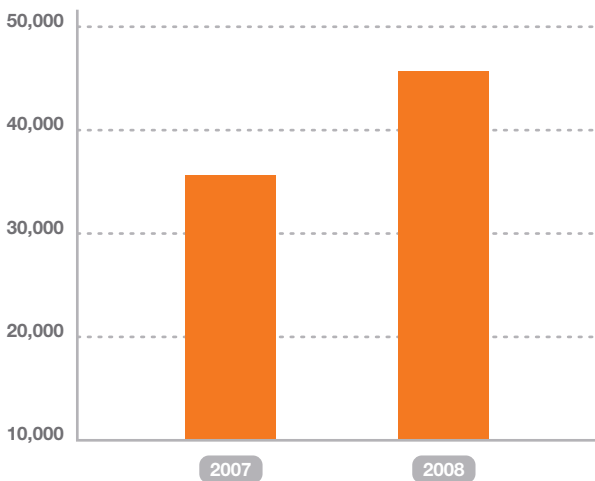


Adding to the technical curriculum is **TME's Technical Education for Automotive Mastery (TEAM)**, a technical education programme for the network which is conducted at a national level. TEAM is composed of four levels offering a career pathway and motivation to TME technicians from the basic Level 1 or Pro-Technician through to the highest skill Level 4 or Hi-Tech Master Diagnosis Technician. In addition, TME provides new model introduction training throughout the network.

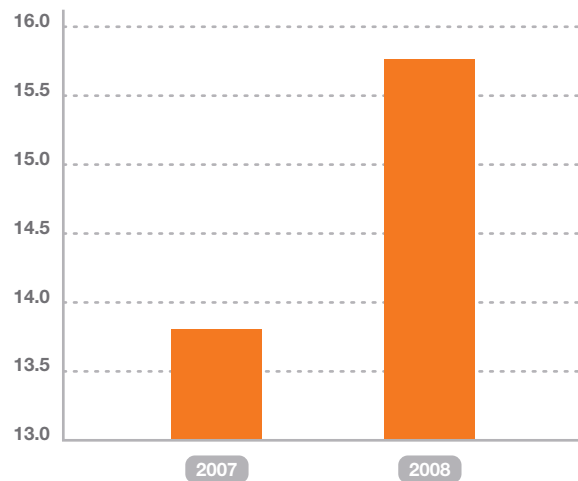
The **Toyota Service Adviser Programme (TSA)** trains service advisers in the network on the Toyota Way, customer handling skills, basic technical knowledge, and offers a career pathway through certification up to a management level. TSA includes Certified Body and Paint training which is conducted at various levels.

The graph below shows the total annual training hours and the training hours per person provided to the network (General Service Technical, Body, Paint and Service Advisers included):

Total annual training hours
(classroom + e-learning training hours)



Average training hours per person in the network
(classroom + e-learning training hours)



TME's Technical Education Programme (T-TEP)

The Technical Education Programme (T-TEP) is a global initiative. Through T-TEP TME seeks to enhance the quality of technical education and create sustainable employability in the automotive sector through collaboration amongst NMSC, Authorised Retailers, schools and other organisations. In 2008, TME invested € 1.1 million in T-TEP.

The pioneering programme launched almost 20 years ago addresses the shortage of qualified technicians available to Authorised Repairers. It is estimated that by 2010, there will be a need to recruit an additional 4,000 General Technicians, 3,000 Body and Paint Technicians and 3,000 Service Advisers.



The T-TEP team in Zaventem Training Centre

How does T-TEP work? The NMSCs are at the forefront of T-TEP; they select the best technical schools in their respective countries and establish long-term relationships with these schools. Participating T-TEP Schools receive all the necessary materials such as cars, simulators, engines, training manuals and cutaway models directly from the NMSCs. In addition, teachers receive regular updates on the latest automotive technologies to share with pupils. There are currently about 224 T-TEP Schools, with approximately half of these based in Europe. Across Europe 12,386 students graduated from T-TEP.

Continuous improvement of working conditions, especially Health & Safety

Providing good working conditions and maintaining a safe and healthy environment are among TME's top priorities. TME is constantly striving to drive down accident rates and provide a healthier, more productive workplace for all.

The following section covers Health and Safety for manufacturing sites, the European Parts Distribution Centre and other sites in Belgium.

Production sites

In FY2008 EMCs focused upon strengthening TME's foundation of safety management systems and developing member training and awareness.

Engineering control has enabled us to make significant progress in terms of safety management but in order to achieve a continuous reduction in accidents and constant development of safety we need to go beyond this. Working together to develop this safety culture is fundamental. Our European safety working group shares information and exchanges best practice ideas.

In FY2008 the development of safety management helped us to achieve a small drop in Lost Time injury rates.

Awareness raising

Raising awareness is an important part of safety management in Europe. As part of their FY2008 activity Toyota Motor Industries Poland (TMIP) developed a 'Safety Dojo'. The safety Dojo is a place, aside from the main manufacturing area, where members can develop fundamental skills to improve their own understanding of safety and risk prediction.

TMUK has also focused on development of member awareness and in FY2008 launched their 'safety eye' training course. Over 75% of accidents at TMUK were found to be heavily influenced by risk awareness.

During this half day 'safety eye' training course members are taught, what is an accident, the influence of human factors and types of error and violation. By improving members understanding of the factors that influence accidents TMUK can work towards driving down accident statistics.

TMMP continue to roll out their 'Group Leader' academy. Over 90% of GLs and 80% of assistant managers have taken part in the course. GLs and AMs receive tailor made training, making a significant impact to raise the level of safety awareness at TMMP and improve their understanding of Safety legislation.

Production line stop

TMMT took the unusual step to deliberately stop the production line for 30 minutes. The purpose of this line stop was to convey the president's message on safety and to ask members to identify hazards in their own work areas. 2488 people took part and a total of 4,192 hazards were spotted. Since this initiative was launched, 93% of all the hazards spotted have been counter measured.

STOP 6 activities

STOP 6 is a global Toyota system aimed at reducing the most serious and frequently occurring types of accident in our automotive manufacturing. This is an area of continued development for safety in Europe.

In FY2008 TMUK members visited TMMF and TPCE. From day one TMMF have strived to provide a good vehicle and pedestrian management system, whilst TPCE have recently implemented a new system of vehicle/pedestrian safety.

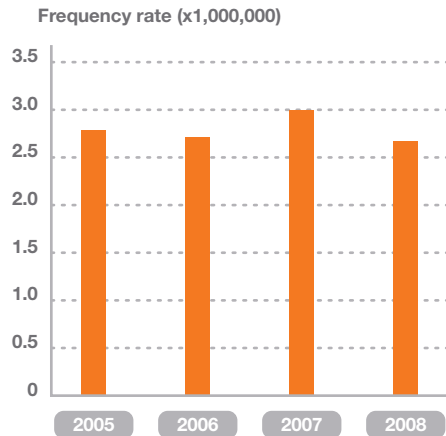
TMUK members studied both systems, the result is a much improved management system now being rolled out at TMUK.

Changes at TMUK include, additional and clearly marked crossing points, barrier installation, clear entry/exit points – maintaining ease of access as well as enabling this system to work with other safety management systems e.g. that of fire escape. These ideas have been promoted and shared through our working group network.

Throughout this process of change at TMUK, member involvement has been a key tool. Members who perform the manufacturing processes were directly involved in suggesting key layout changes in their area. As each layout change was made, an explanation – including images of the changes – was given by managers to their members.

Lost Time injuries

FY2008 we were able to see a reduction in our LTI (Lost Time injury) rate



New signage at TMUK Assembly 1



TMIP Safety Dojo

Through their STOP 6 activity TMIP found that Vehicle and Pedestrian accidents had a higher rate than other types of STOP 6 accidents. A total of 48 Kaizen (improvement) points were implemented including change of layout, change of transportation system and changes to the overall management system, reducing the risk of vehicle/pedestrian collision significantly.

TMUK Safety award

TMUK have continued their long history of winning awards in recognition for their continued efforts towards safety management & driving down accident rates. In 2008 TMUK were awarded a 'commended' by the Royal Society for the Prevention of Accidents (ROSPA).

European Parts Centre

Labour accidents at Toyota Motor Europe's Parts Centre in Diest, Belgium

Once construction of the new warehouse at Toyota's European Parts Centre (TPCE) was completed in 2008, TME invested more than € 250,000 in improving safety at the site. Improvements included the erection of special barriers and walkways as well as the installation of an Automatic Electronic Defibrillator (AED). The warehouse has been completely reorganised and the number of safety measures have increased drastically.

In January 2009, the Federal Government of Belgium held a press conference to present the safety activities at TPCE as a leading example of good practice.

Despite all the improvements, the absolute number of accidents rose slightly in 2008, mainly because employees were not familiar with the new business situation. However, the seriousness grade of the accidents overall fell in comparison with 2006, when the accident rate stood at 10.91. Thanks to the results of a completely new risk assessment, risks linked to the revised working methods were detected and tracked. TPCE is set to return to the positive safety figures achieved prior to the expansion.



Other sites in Belgium

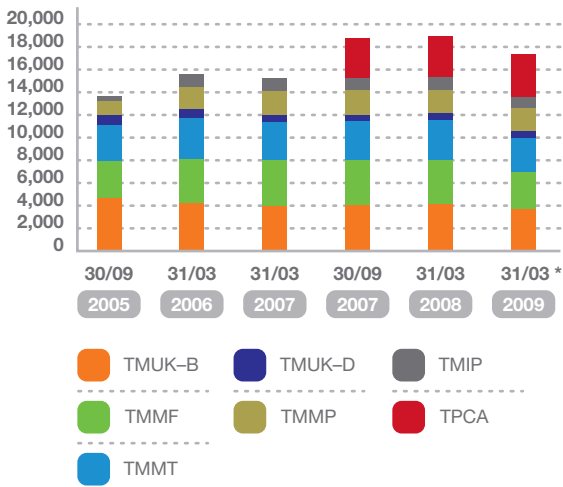
Health and Safety for other sites in Belgium such as the TME Head Office, Technical Centre and Vehicle Logistics Centre, is handled by the Health & Safety Department at Head Office. Officially this department fulfils the internal servicing role for prevention and protection at work for all Belgian sites, as stipulated by Belgian legislation. In 2008, the injury frequency rate⁽¹⁾ of these sites in Belgium was 0.326. There was only one accident reported in 2008 which resulted in 25 days lost, compared with two accidents reported in 2007 which resulted in 35 days lost.

(1) Measured as the number of lost time injuries x 1 million / number of hours worked

Basic statistics in relation to the current status of employment

Overall employment figures

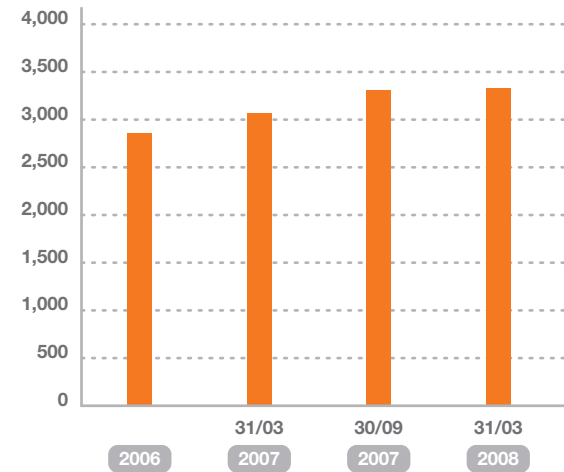
European Manufacturing Companies (EMCs)



* No turnover replacement, release of temporary employees

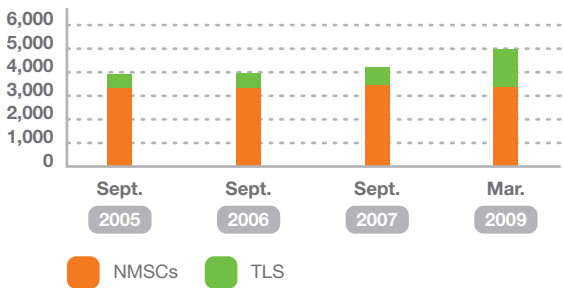
Overall employment figures

Toyota Motor Europe (headquarters)

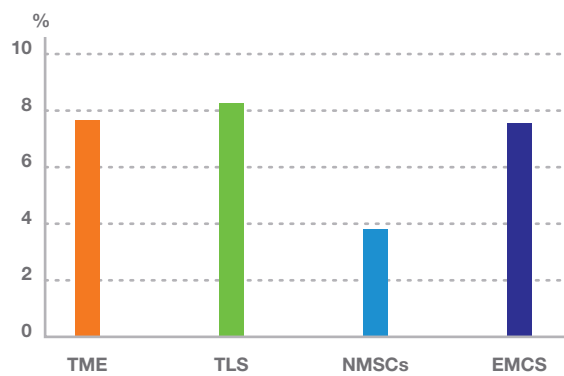


Overall employment figures

National Markets (NMSCs) & Sales Companies as well as Logistics Services (TLS) headcount

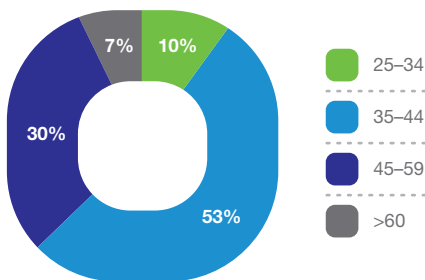


Yearly workforce turnover



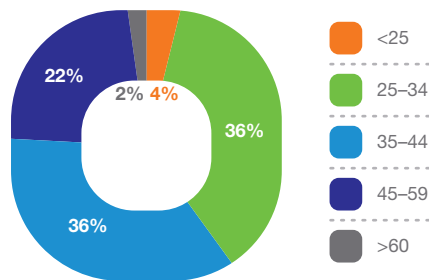
Workforce age breakdown

EMCs headcount break-down/age



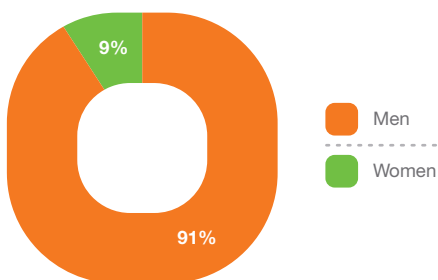
Workforce age breakdown

HO-NMSCs-Logistics Age breakdown



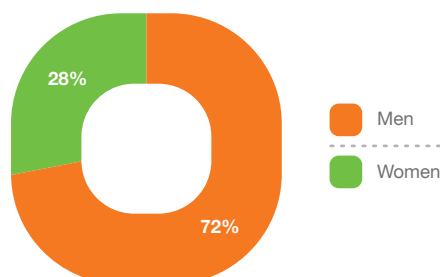
Workforce gender breakdown (production)

EMCs headcount breakdown/gender



Workforce gender breakdown (office)

TME NMSCs EMCs headcount breakdown/gender



“We will be consistent and fair, not only in times of prosperity but also adversity.”



Mark Adams

Vice President Purchasing, TME

After many years of continuous growth and business opportunity, the current global economic and automotive industry crises present Toyota Motor Europe (TME) and its suppliers with a number of shared challenges.

TME's commitment to supplier partnership, sincerity and openness in corporate communication is integral to surviving the crisis and emerging as a stronger company with its supply chain intact; but this alone is insufficient. The pressures of operating in such a tough business climate put a massive strain on the communication, and decisions made between automotive manufacturers and suppliers. By harnessing the **Toyota Guiding Principles** and the **Toyota Way** in Purchasing, TME will continue to act with integrity and work with suppliers as valued business partners.

Purchasing Policy

Toyota's fundamental approach to building business relationships has not changed since the foundation of the Toyota Motor Corporation (TMC) 70 years ago. The company's approach is articulated in the Purchasing Mission to build a supply base that gains the respect and trust of society while remaining competitive, thus securing long-term, stable procurement of the best products at the best price and in the best time possible. The three cornerstones of Toyota Purchasing Policy are:

- 1 Fair competition based on an open-door policy** supporting TME's aim of continuously improving the supplier base, preparing a solid foundation for the future.
- 2 Mutual benefit based on mutual trust** ensuring purchasing activities are managed between equal business partners and result in even stronger interdependent relationships that nurture openness and honesty.
- 3 Good corporate citizenship by contributing to local economies and societies** ensuring manufacturing is further strengthened and contributes to the company's vision even in these challenging times.

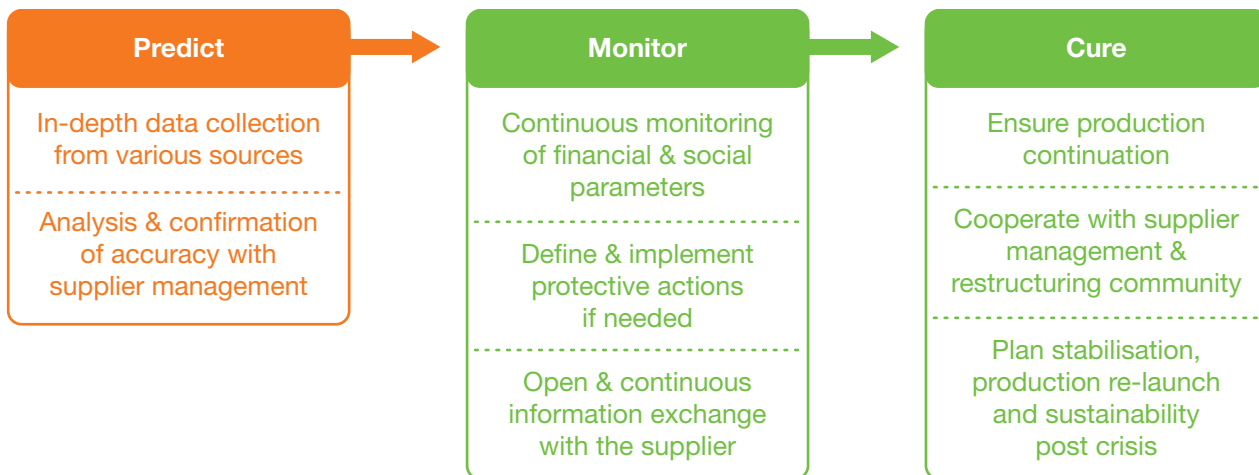
Despite the current business conditions, TME remains highly committed to ensuring that this Purchasing Policy is consistently practiced in order to support the overall company vision of growth in harmony with society.

Protecting the supply chain

A European cross-functional task force, led by the dedicated Purchasing Risk Management Team, has been established to ensure business and production continuation within the supply chain. Its effectiveness relies on the Toyota Way principles of transparency, clarity, honesty, mutual trust and speed of information sharing when managing relationships with all suppliers and other stakeholders in the business.

Through Toyota's global structure, the scope of the approach is tailored to ensure the jointly established solution benefits all actors in the supply chain.

Protecting the supply chain from financial or social distress and establishing a strong foundation for the future is made possible by adhering to the following bespoke process:



In 2009, TME purchasing expect to require an increased resource focus towards this essential risk management support to our supply chain.

Built-in quality in the supply base

Toyota's core principle of continuously improving the quality of its vehicles means also an increased focus on improving quality within the processes and products of every supplier. This principle is applied to both the development of new vehicles and existing production. As a result, the quality of all parts delivered to TME manufacturing sites showed an 72% improvement on 2006 levels.

To further support and improve quality delivered by suppliers and therefore enhance long-term sustainability, TME is reinforcing the range of support activities available to suppliers, including:

- Providing Just-In-Time information on the quality of delivered parts through the supplier web portal
- Engaging supplier senior management to support improvements in their organisation's quality performance
- Implementing Toyota's manufacturing know-how via the corporate philosophy of zero defect production through built-in quality in the manufacturing process.

Toyota in Europe Association of Manufacturers (TEAM)

TEAM is an association of 39 European Toyota business partners who come together to improve their individual and collective performance through networking, mutual assistance and the open sharing of ideas and techniques.

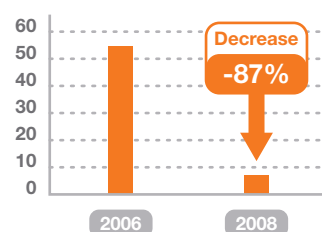
Suppliers are divided into core groups who meet regularly and exchange best practice from the shop floor, effectively learning from and coaching each other. TME acts as a facilitator, bringing all the stakeholders together for maximum mutual benefit.

In 2007, TEAM embarked upon a 3 yr Quality Improvement business plan which targets clear benefits for both TME and its suppliers. After many years of continuous growth and business opportunity, the current global economic and automotive industry crises present TME and its suppliers with a number of shared challenges.

From 2009 onwards, the 3 yr business plan developed and managed by TEAM aims to improve supplier self-reliance through self-development activities and will deliver an increased focus on quality. Issues addressed and delivered via the regular TEAM meetings and core groups include change management and practical problem solving.



TEAM quality improvement results (ppm)



TEAM 3 yr business plan



TEAM standardised work training at 2008 review meeting

Towards global Corporate Social Responsibility

During 2008, Toyota's worldwide commitment to sustainable development was strengthened by the introduction of the global Corporate Social Responsibility (CSR) policy. From this, specific CSR guidelines for suppliers have been defined, shared and requested to be cascaded throughout all tiers of the supply chain.

In 2009, CSR assessment results collected from TME suppliers have been mapped against the CSR guidelines. Although overall performance was strong, further improvements are scheduled for implementation through onsite monitoring, self-assessment, and best practice sharing by networking. All TME suppliers have been requested to implement similar improvements amongst their own suppliers to improve sustainability in the entire supply chain.

In 2010, additional self-assessment tools and methods will be made available to allow suppliers to continuously analyse their individual performance and improvement.

Dedication to the above activities illustrates TME's commitment to increase the awareness, knowledge, and importance of Corporate Social Responsibility as one of Toyota's business fundamentals.

Annual Business Meeting 2009 (ABM)

In today's economic and social climate, every opportunity to strengthen business relationships through consistent, open and honest communication is fundamental to Toyota. In line with this principle, in March 2009 Toyota held its annual supplier top management meeting (ABM). Hosting it at the Toyota Technical Centre in Zaventem ensured maximum efficiency in the sharing of messages, benefiting both suppliers and Toyota top management.

Delivered speeches focused on how best Toyota and its suppliers can 'weather the economic storm together'. Suppliers were encouraged to learn from case studies on supply chain risk management and to be more proactive in monitoring and managing the lower tiers in the supply chain for which they are responsible.

During the ABM, senior TME representatives openly discussed the challenges of 2009 – a year of reduced volume – and highlighted that this is an opportunity to study lean solutions to ensure business profitability for the future.

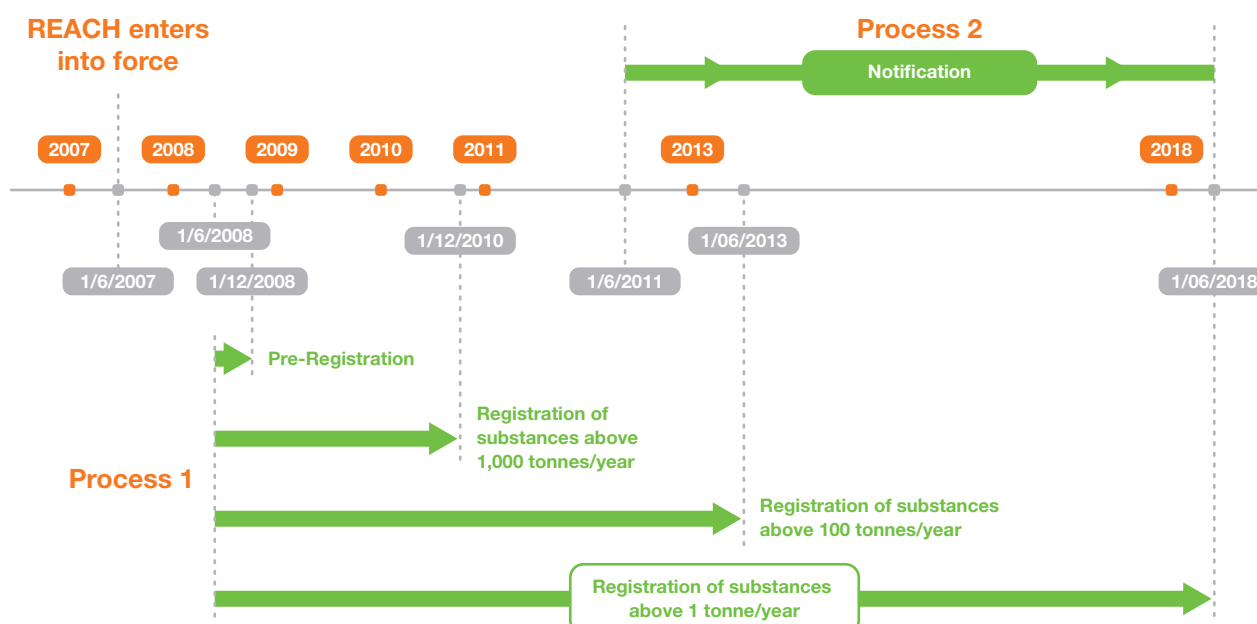
Trends in improved quality amongst suppliers were applauded alongside a cautionary note relating to the need for a continuous focus on improvement. Significant achievements of individual suppliers were celebrated during an awards ceremony recognising outstanding achievements in the areas of **Cost, Supply, Project Management, Value Analysis** and **Quality**.

The declared theme for 2009 is 'laying the competitive foundation of the future'.

The concluding message was that business fundamentals, including Corporate Social Responsibility must not be compromised in times of economic recession. On the contrary, quiet manufacturing years should be busy years for strengthening the execution of core corporate beliefs embracing the Toyota Way in Purchasing.

REACH

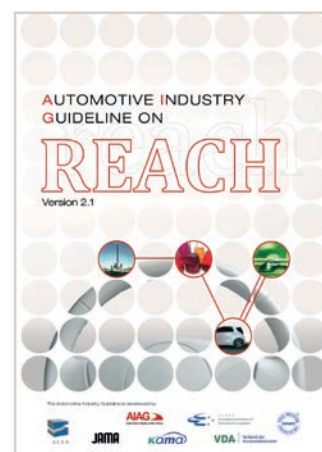
Although the link between chemicals and the car industry is not immediately obvious, a new EU regulation **Registration, Evaluation and Authorisation of Chemicals**, or REACH, has widespread and significant implications for the automotive sector. To reflect the importance of REACH, in June 2008, TME's Purchasing and Environmental Division organised a major REACH awareness-raising meeting to inform suppliers of the possible consequences.



Designed to improve existing EU chemical legislation, REACH places greater responsibility on industry to manage the risks that chemicals may pose to the health of European citizens and the environment. The regulation targets all categories of chemicals, ranging from those used in industrial processes to those found in everyday goods, including cleaning products, paint, and vehicles. Most significantly, REACH holds manufacturers responsible for both the chemicals they produce themselves and any chemicals used in their products or processes produced by third parties. According to a REACH timeline, all manufacturers and importers of chemicals must identify and manage risks linked to the substances they manufacture, market or use in their products or processes, as well as substances or goods intended for future release. This information must be registered with the European Chemical Agency (ECHA), the agency responsible for the central coordination and implementation of the overall process.

The European automotive industry has responded to REACH by setting up a pan-European Task Force to examine implications for the sector. This Task Force has drawn up Automotive Industry Guidelines (AIG) recommending a common schedule and an external communications strategy. The latest version of these guidelines was published in September 2008. The European Automobile Manufacturers' Association (ACEA), of which Toyota is a member, forms part of this Task Force. TME management stressed the importance of REACH to all its business partners during the 2008 Annual Business Meeting.

TME has also been busy tackling the issue at a practical level in the following ways:



- 1 The REACH awareness-raising meeting held in June 2008 for suppliers of parts, components and raw materials attracted 150 suppliers, representing nearly 50% of TME's total suppliers. The meeting succeeded in increasing supplier knowledge of the new regulation and ensured that the whole Toyota supply chain now understands the duties and responsibilities involved.
- 2 During the period 1 June to 1 December 2008, a declaration of intent was received from 100% of our suppliers, indicating that all phase-in substances used in Toyota and Lexus vehicles in quantities of 1 tonne or more per year will be pre-registered. By taking this initiative, extended registration deadlines were granted, depending on the tonnage band and hazards of the substance.
- 3 As a producer and importer of articles containing newly regulated substances intended for release, TME and its other European legal entities acted as an important pre-registrant for more than 15 substances.

For more information on REACH, please visit: www.acea.be/reach.

International Material Data System (IMDS)

Since December 2008, the '3R' certificate (RRR Directive 2005/64/EC) is mandatory for new vehicle types under whole vehicle type approval (2001/116/EC). Vehicles must fulfil the following requirements:

| | Recyclability Rate of vehicle | Recoverability Rate of vehicle |
|---|-------------------------------|--------------------------------|
| Reusable (reuse components for same purpose) | 85% | 95% |
| Recyclable (reuse material to make new components) | | |
| Recoverable – energy recovery (incineration of components to generate energy) | | |

Toyota uses the IMDS in the following ways:

- As a Material Data Collection Tool for the calculation of Recyclability and Recoverability rates.
- To confirm compliance with the End-of-Life Vehicle Directive (2000/53/EC) and Substances of Concern (SOCs).

Timetable for local production models IMDS data collection for 3R

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------------------|------|------|------|------|------|
| Trial project | ■ | | | | |
| Avensis, Aygo, Yaris, Corolla Verso | | ■ | | | |
| Auris | | | ■ | | |
| Future models | | | | ■ | |

“Our ambition to be a good European corporate citizen is carried by all companies and employees in the Group. In difficult economic times, caring for and taking part in the communities where we operate is even more important to us; we believe that our contribution to the community should go beyond maintaining economic activity.”



Takamasa Kurinami

Senior Vice President, Corporate Planning,
CSR, Legal and Environmental Affairs, TME

Working together

Toyota Motor Europe (TME) strives to honour its commitment to the broader community in which it operates, whether at the local, regional, national or international level. In Europe, TME aims to contribute to local communities in partnership with stakeholders including: national and international Non-Governmental Organisations (NGO's), international associations and federations, public authorities at all levels, and educational institutions. This approach allows TME, its affiliated companies, and employees to work more closely with members of the community to better understand their needs and expectations.

Local and pan-European activities

While recognising and respecting specific local needs, in regard to engaging the community TME has identified the following three areas for special attention:

- Environment
- Road safety
- Technical education.

TME believes it can maximise the company's positive impact on society in these areas as they are closely related to its core business (areas where it has the greatest corporate competency) and can most easily leverage resources both internally and externally. In addition, the three focus areas are in line with community needs as outlined by the European Union.

TME actively encourages all of its affiliated companies to contribute to and engage with their local communities. In order for each company to tailor their responses more closely to the needs of their local communities, TME has established a decentralised budget and decision making process.

Toyota Fund for Europe (TFfE)

TME seeks to ensure overall consistency and unity of its activities in the area of community engagement. This is one of the drivers for the creation of the Toyota Fund for Europe (TFfE) which works in close collaboration with TME companies across Europe and helps ensure that their contributions are consistent with the company's overall values and priorities.



TFfE's governing Board is composed of ten senior representatives from TME management and subsidiaries. The Board meets twice a year to define the overall social contributions strategy of both TFfE and TME as a whole. Essentially, the Board's role is to:

- Identify, select and fund appropriate community projects
- Review, follow up and evaluate projects funded
- Support TME subsidiaries with setting strategy and with project development.

According to these priorities and the official selection criteria, in 2008 the TFfE Board committed a total just shy of € 1 million to support 18 community projects in Europe, including the European Eco-Driving and Eco-Schools programmes, various national tree-planting initiatives and European road-safety projects with ETSC and Top-25. TME subsidiaries and/or their retailers are involved in all 18 projects.

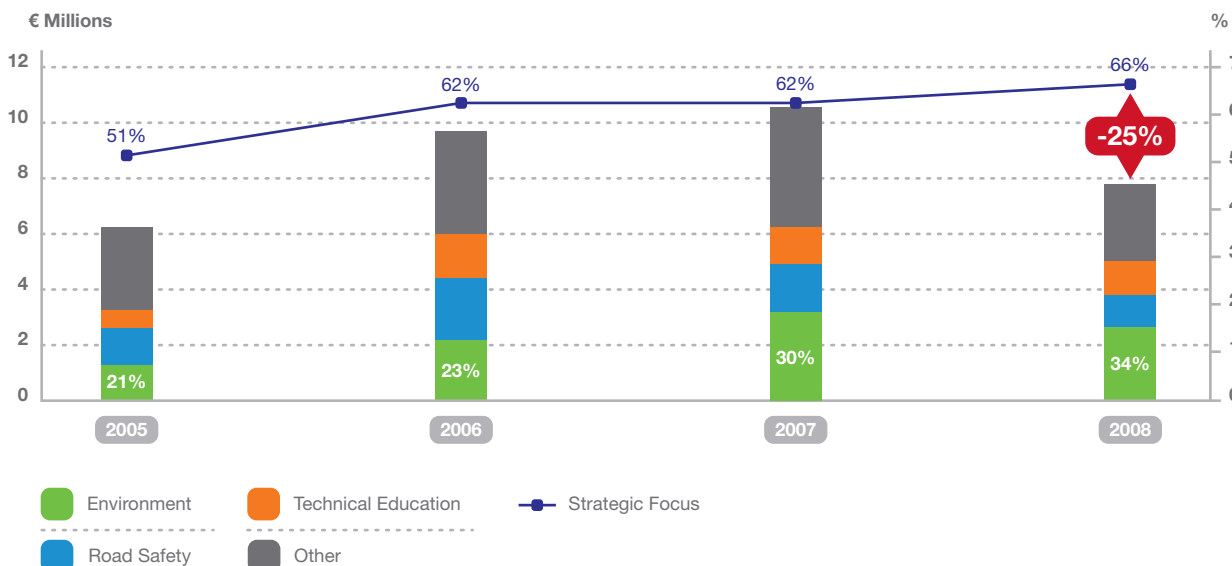
Despite the challenging business environment, TME has managed to maintain support of key international and national community projects through TFfE.

The TFfE Website was launched during 2008. The Website offers a comprehensive overview of TFfE's policies and projects. For further information, please visit: www.toyotafund.eu.

European total spend on social contributions 2008

Although a reduction in social contribution spending across TME operations has occurred because of the economic crisis, all companies managed to maintain a good level of support to their local communities during 2008.

Focus on the 3 strategic areas increased to 66% and environmental projects received more attention. Additionally, support to TME's non-profit partner organisations continued through employee involvement and in-kind donations.



New challenges

With TME's business operations rapidly expanding to encompass more European countries and subsidiaries, the company faces the new challenges of keeping focus and unity in community activities, as well as maintaining strong engagement amongst all employees – from EMCs to Authorised Retailers.

In 2009, TME plans to develop additional initiatives to help Authorised Retailers become more engaged in community issues, especially those on environment, and to better respond to the community's immediate needs and expectations. For other TME companies, including manufacturing sites and Head Office, employee involvement in the community will continue to be a key component of the company's social contribution activities.

Case study: Environment



TMUK employees volunteering in the Home-Start South Derbyshire garden

TMUK Community Gardens

Launched in 2008, and continuing in 2009, production line workers from both TME sites in the UK are using the current production downturn as an opportunity to transform a series of community gardens.

About ten highly-committed volunteers from the Toyota Burnaston Plant prepare each garden for use by local community organisations that promote healthy eating by showing families and school children how to grow their own vegetables.

Two gardens have already been completed, one at the Home-Start South Derbyshire offices and the other at the South Derbyshire Council for Voluntary Service (CVS) offices in Swadlincote, Derbyshire.

More community projects will follow in the course of 2009.

UNEP One Billion Trees Campaign

With the support of Toyota companies and NGO partners, the Toyota Fund for Europe (TFfE) aims to plant 1.2 million trees in Europe by the end of 2009 as part of UNEP's Billion Tree Campaign. The initiative, launched in 2007 by the United Nations Environment Programme (UNEP), is calling on citizens globally to plant seven billion trees – roughly one tree per person. Since 2007, TME has helped plant some 350,000 trees and invested an equivalent amount in related activities as part of a company-wide response to climate change.

Toyota companies across Europe have already stepped up to the tree planting challenge. In 2008, Toyota Deutschland GmbH supported the planting of 140,000 trees, and Authorised Retailers in Spain joined forces with over 8,500 people from the local community to plant 150,000 seedlings at 62 locations.



Case study: Environment

Toyota European Eco-Driving programme

Launched in 2008, the Toyota European Eco-Driving is unique in its kind. It is cross-divisional and aims to impact the behaviour of various stakeholder groups: the general public, our customers, employees and the informed public.

In 2008, good progress has been made in bringing Eco-Driving to our customers and the general public:

- Eco-Driving experience was offered to the general public at 15 major events across Europe with 7,150 participants, for example, at the Geneva, Zagreb and Vienna motor shows and the COP14 conference in December 2008 in Poznan. In October 2008, the 8,000 participants of the IUCN World Congress in Barcelona had the opportunity to test their Eco-Driving skills in the Toyota simulators as well.
- 55% of Toyota Retailers in Europe have started to implement Eco-Driving activities, informing their customers about Eco-Driving or making the customers experience Eco-Driving in a workshop or simulator session.
- Fleet customers are offered Eco-Driving trainings as part of their corporate deal with Toyota. For example, Coca Cola Hellenic Bottling Company in Greece trained more than 600 employees in Eco-Driving in the months after entering into the fleet partnership with Toyota.



Eco-Driving simulator at the IUCN World Congress in Barcelona



Eco-Driving event with Coca Cola Hellenic Bottling Company

Case study: Road safety

ETSC Roads to Respect

The European Transport Safety Council's (ETSC's) Roads to Respect (R2R) campaign aims to enlist students and young professionals in lobbying for and implementation of better infrastructure safety. Since 2006, when TFE first began supporting the Roads to Respect programme, the project has been successfully rolled out in 14 European countries.

After receiving a lecture on road safety infrastructure at their universities, students can enrol onto a specialised road safety camp held in Brussels. Prior to taking part in the camp, participants submit an improvement proposal for a high-risk site which could be implemented into their communities. During the camp, ETSC representatives are on hand to help optimise these proposals with the very best receiving an award. After the camp, ETSC representatives continue to assist the students in the promotion of their proposals to their respective local authorities.

The 2007 camp and follow-up led to the implementation of 4 road safety projects which turned high risk sites into safe environments for all road users. An additional 2 projects are under local authority consideration.



Safe cycling path by M.Jedynak, Poland

Case study: Technical education

EuroSkills 2008

In September 2008, through the Toyota Fund for Europe (TFE) and the Toyota Technical Education programme (T-TEP), TME supported Europe's first open skills competition and trade demonstration. Held in The Netherlands, EuroSkills 2008 hosted a total of 50 different trade competitions across six skills domains and attracted 26,400 visitors.

TME was the main industry partner for the Automotive Light Vehicle competition which saw ten students from the T-TEP programme competing against other young professionals. The German T-TEP candidate, Andreas Nitschmann came out second in the competition.

Simultaneously, Toyota organised a Roundtable on Skills for Employability with EU Commissioner Jan Figel and representatives from the European Union, industry, academia, and youngsters themselves.

TME's continued participation in EuroSkills is part of the company's pan-European drive to support technical education. In addition, participation provides an excellent opportunity to promote the automotive technician profession to European youth and fill the increasing business need for qualified technicians.

TFR Les Galapiats

Through the Les Galapiats programme, supported by Toyota France (TFR), suburban teenagers are given the opportunity to build and drive real racing cars. Through manual work on cars, the programme aims to introduce vocational education in mechanics and motivate teenagers to take up apprenticeships in trades related to the automotive industry. TFR contributes to the project by providing materials and know-how through its technical education institute, Université Toyota.

The Les Galapiats programme engages the teenagers outside of school hours, on weekends and during school holidays. Working together the children design and build a replica F1 racing car to a two-thirds scale and in doing so learn the spirit of teamwork. Once complete, Les Galapiats, or 'suburb kids', also get to drive the cars.



Case study: Technical education

Toyota Vehicle Logistics Centre (VLC)

Since 2007, TME's Vehicle Logistics Centre (VLC) in Zeebrugge, Belgium, has been cooperating with a local technical school to offer the students day visits to TME facilities so that they can complete practical multi-disciplinary tasks related to geography, economics, ecology, ICT and the arts. In 2008, the students of the publicity group undertook an assignment to develop advertising posters for Toyota.





“The automotive industry is experiencing a rapid contraction of markets globally, particularly in Japan, the US and Europe. Under these conditions, Toyota Motor Europe’s (TME’s) consolidated vehicles sales in Europe stood at 1,061,000 units, a fall of 17.3% compared with 2007. Compared with 2007, net revenues in Europe decreased to € 20,924 million, and operating income decreased to € -995 million. The decrease in operating income was mainly due to a reduction in both production volume and vehicle units sold.”



Ludo Vandervelden

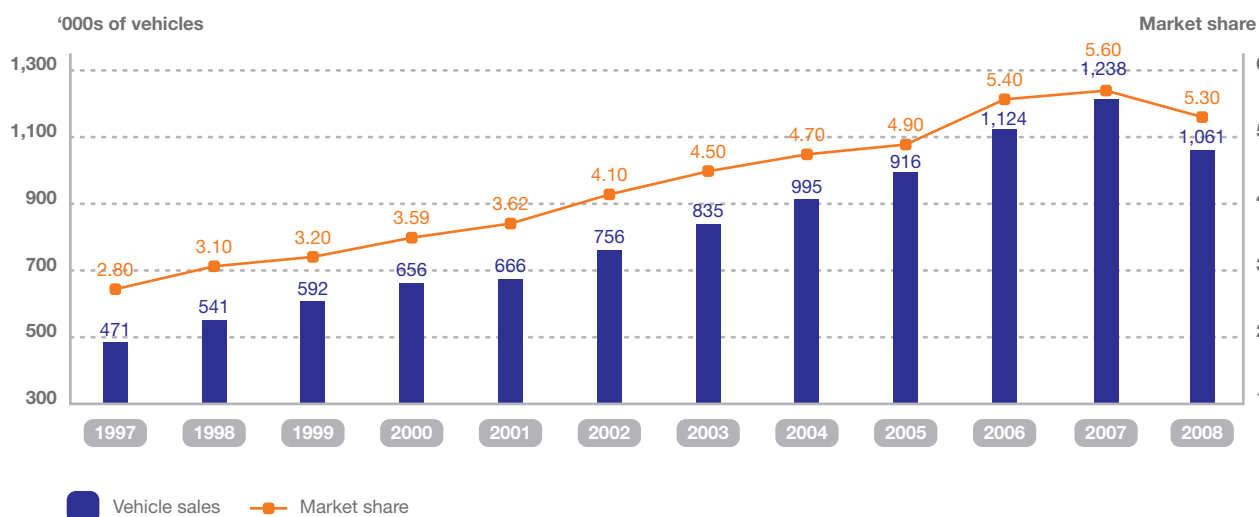
Senior Vice President, Accounting, Finance & Business Services, TME

Consolidated financial figures for Europe

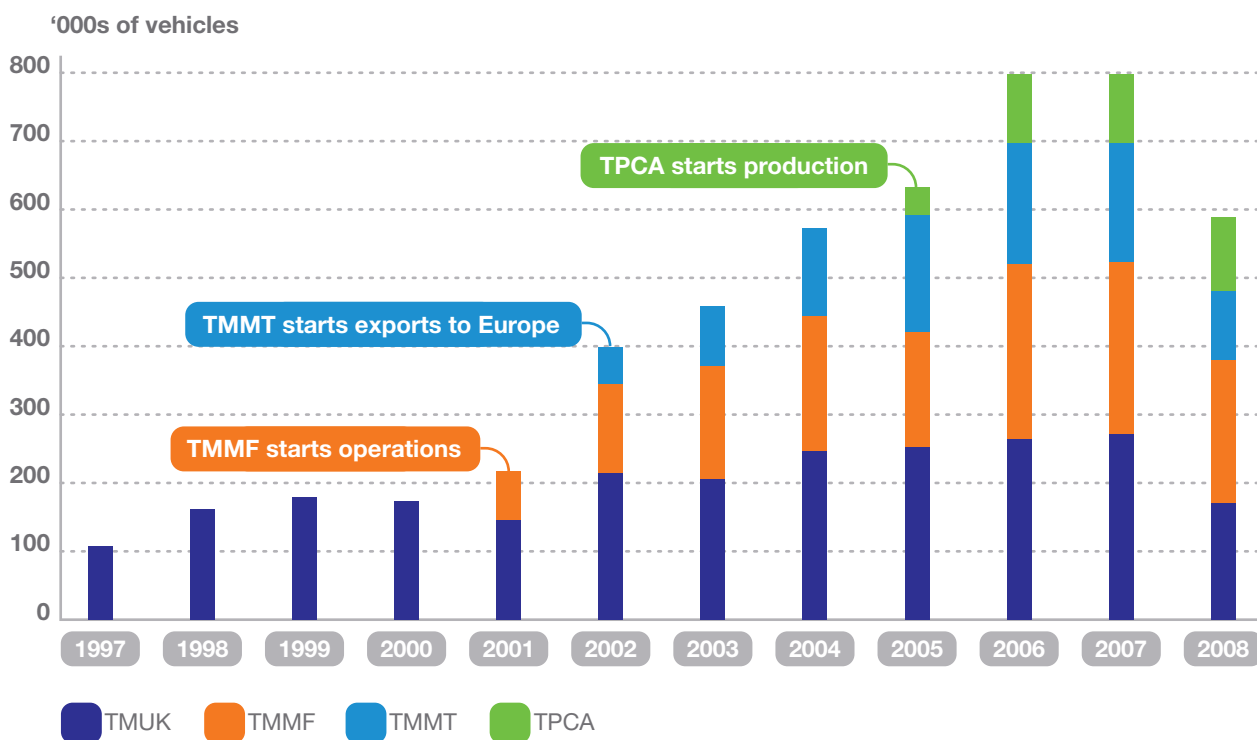
Consolidated figures

| | 2005 | 2006 | 2007 | 2008 |
|--------------------|-----------|-----------|-----------|-----------|
| In value | Million € | Million € | Million € | Million € |
| Net revenues | 19,764 | 23,615 | 24,651 | 20,924 |
| Operating expenses | 19,083 | 22,699 | 23,777 | 21,919 |
| Operating income | 681 | 916 | 874 | -995 |
| Assets | 17,908 | 19,448 | 19,294 | 16,143 |

Vehicle and market share in Europe



Production history in Europe



Medium and long-term management strategy

TME is working to create a structure that can respond flexibly to short-term changes in demand and eliminate waste, while implementing reforms to establish a strong yet flexible corporate structure to achieve steady growth in the medium to long-term. To carry out these reforms, Toyota Group as a whole will make an even greater effort to deliver the following three-fold agenda:

- 1 TME intends to reinforce customer-oriented products** by listening to the opinions and demands of customers in each country and region. Based on the principle of “Genchi Genbutsu” or “Going to the Source”, this approach will respond to changing customer needs by providing attractive high-quality products at a low price. As customer demand for fuel-efficient vehicles such as hybrid vehicles and compact vehicles is expected to increase in the future, TME will accelerate development to improve quality and performance of such vehicles while reducing cost. The company will also work to improve its line-up of commercial and low-priced vehicles which are expected to be in greater demand in resource-rich and emerging countries.
- 2 TME will promote the commercialisation of next generation environmental, energy and safety technologies** at an early stage. In the area of environmental responses, which is one of TME’s priority management issues, the company is focusing on the use of diverse energy sources that can replace oil. This will be achieved through; the practical use of plug-in hybrid vehicles that can be charged from household power supplies, mass production of electric vehicles, development of next generation batteries, use of biofuel as an alternative fuel source, and development of fuel cell vehicles.
- 3 TME will respond with flexibility to changes in the market environment** by creating a structure for efficient development, production and sales. Related measures include; working with suppliers to dramatically increase the efficiency of development, creating a production structure that can withstand changes in demand and currency exchange rates, reducing lead times from development to sales, and strengthening sales capabilities in line with local conditions.

By working to this ambitious agenda, TME is striving to enhance its corporate value and its reputation as a company that maintains growth in harmony with society. This will be achieved by revisiting Toyota’s fundamental principles of “Customer First”, “Going to the Source”, and “Continuous Improvement”, which are the sources of the company’s growth as well as its ability to respond promptly and with flexibility to changes in the market environment.

Start of production of the new generation Avensis in the UK

In 2008, TMUK's Burnaston Plant in Derbyshire began production of two new generation Avensis body types – a sedan and wagon. Designed, engineered and built in Europe, the all-new Avensis was also launched in Africa, Central and South America, and Oceania.

The model's 1.6 and 1.8 litre petrol engines are produced by TMUK's plant in Deeside, North Wales, while the 2.0 litre Valvematic is produced in Japan. TME's plants in Poland (TMIP and TMMP) manufacture the 2.0 and 2.2 litre D-4D diesel engines and the new 6-speed automatic transmission, a first for a Toyota diesel passenger car in Europe.

In 1992, TMUK started production as Toyota's first manufacturing company in Europe. Today, the site employs over 4,600 workers and to date has produced over 2.5 million vehicles for sale in Europe and to export overseas, including Carina E, Corolla, Avensis and Auris. TMUK represents a total investment of € 2.3 billion and is one of nine Toyota manufacturing companies in Greater Europe.

Start of production of new Verso and production of one millionth vehicle in Turkey

In 2008, Toyota Motor Manufacturing Turkey (TMMT) celebrated the production of its one millionth vehicle, a milestone which coincided with the start of production of Toyota's third generation (C-MPV) Verso at TMMT. Since 2004, TMMT's site at Adapazari has produced over 430,000 Verso models. This wealth of accrued expertise will be carried over to production of the new Verso to support a full-year European sales target of 55,000 units. Sales of the new Verso kicked off in April 2009.

TMMT produced its first Toyota vehicle in 1994. Today, the site employs 3,000 workers and has a production portfolio that includes Auris as well as Verso. TMMT represents a total investment of over € 1 billion. In 2008, Toyota's operations in Turkey distributed some 120,000 cars across Europe.

New Vehicle Logistics Centre (VLC) in Spain

In 2008, TME opened a new Vehicle Logistics Centre (VLC) in the port of Sagunto, Spain. The new centre supports Toyota España's continuing sales growth by providing brand new facilities to store, prepare and deliver Toyota vehicles to the Spanish market. The new development created additional jobs at the port which is managed by the Port Authority of Valencia.

Toyota to manufacture full hybrid Auris in the United Kingdom

TME plans to manufacture a full hybrid version of the Auris at its UK-based facility in Burnaston, Derbyshire. Production of Toyota's first European-built full hybrid will kick-off at Toyota Motor Manufacturing (UK) Ltd (TMUK) in mid-2010. Engines will be produced at TMUK's facility in Deeside, North Wales.

| | | | |
|-----------------------|--|----------------|---|
| ABM | Annual Business Meeting | LCA | Life-Cycle Assessment |
| ACEA | European Automobile Manufacturers' Association | MSDS | Material Safety Data Sheet |
| APROSYS | Advanced Protection Systems | NCAP | New Car Assessment Programme |
| ARERAP | Authorised Repairer Environmental Risk Audit Programme | NGO | Non-Governmental Organisation |
| ASR | Automotive Shredded Residue | NMSC | National Marketing and Sales Company |
| BREEAM | British Establishment for Environment Assessment Method | NMHC | Non Methane Hydrocarbons |
| CCS | Complete Customer Satisfaction | NOx | Nitrogen Oxide |
| CFC | Chlorofluorocarbon | OJD | On-the-job-development |
| CHP | Combined Heat and Power | PDC | Parts Distribution Centre |
| CO | Carbon monoxide | PDCA | Plan-do-check-act |
| CO₂ | Carbon Dioxide | PHV | Plug-in Hybrid Vehicle |
| CSR | Corporate Social Responsibility | PIN | Performance Index |
| CVT | Continuously Variable Transmission | PLC | Parts Logistics Centre |
| CY | Calendar Year (1 Jan – 31 December) | PM | Particulate Matter |
| D4 | Direct Injection 4-Stroke Petrol Engine | PP | Polypropylene |
| D-4D | Direct Injection 4-Stroke Diesel Engine | PSCG | Parts Supply Chain Group |
| DPNR | Diesel Particulate and NOx Reduction (catalyst) | PVC | Polyvinyl Chloride |
| EACO | Environmental Affairs Coordination Office | QCC | Quality Control Circles/Centre |
| Eco-VAS | Eco-Vehicle Assessment System | R&D | Research & Development |
| ECU | Engine Control Units | REACH | Registration, Evaluation, Authorisation of Chemicals |
| ED² | Toyota Europe Design Development Centre | ROI | Return on Investment |
| EDF | Electricité de France | SED | School for Employee Development |
| EKSS | European Key Stakeholder Survey | SOC | Substances of Environmental Concern |
| ELV | End-of-Life Vehicle | SOx | Sulphur Oxides |
| EMC | European Manufacturing Company | SUV | Sports Utility Vehicle |
| EMAS | Environmental Management and Audit Scheme | TBP | Toyota Business Practice |
| EMS | Environmental Management Systems | TEAM | Toyota in Europe Association of Manufacturers (Towards business partners) |
| ERM | European Retailer Meeting | TEAM | Technical Education for Automotive Mastery (Towards employees) |
| ESC | Electronic Stability Control | T-BEL | Toyota Belgium |
| ETS | Emissions Trading Scheme | TEF | Toyota European Forum |
| ETSC | European Transport Safety Council | TFE | Toyota Fund for Europe |
| EU | European Union | TMC | Toyota Motor Corporation |
| EV | Electric Vehicle | TME | Toyota Motor Europe |
| FCHV | Fuel Cell Hybrid Vehicle | TMIP | Toyota Motor Industries Poland |
| FY | Financial Year (1 April – 31 March) | TMMF | Toyota Motor Manufacturing France |
| GDP | Graduate Development Programme | TMMP | Toyota Motor Manufacturing Poland |
| Genchi | Japanese term that roughly translates to "go to the source to find the facts" | TMMR | Toyota Motor Manufacturing Russia |
| Genbutsu | | TMMT | Toyota Motor Manufacturing Turkey |
| GHG | Greenhouse Gas | TMUK | Toyota Motor Manufacturing UK |
| GPG | Green Purchasing Guidelines | Toyota | Toyota Diesel – Clean Advanced Technology |
| GRI | Global Reporting Initiative | D-CAT | |
| GRSI | Global Road Safety Initiative | TPCA | Toyota Peugeot Citroën Automobile |
| HAZMA T | Hazardous Materials | TPCCZ | Toyota Parts Centre Czech Republic |
| HO | Head Office | TPCE | Toyota Parts Centre Europe |
| Hoshin | Japanese term that translates to "direction" or "needle", as in a compass. Usually used as Hoshin Kanri, meaning Direction Management. | TPCEL | Toyota Parts Centre Greece |
| HSD | Hybrid Synergy Drive | TPCES | Toyota Parts Centre Spain |
| HR | Human Resources | TPS | Toyota Production System |
| IMDS | International Material Data System | TSA | Toyota Service Adviser Programme |
| IPCC | Intergovernmental Panel on Climate Change | TSM | Toyota Service Marketing Manual |
| IMDS | International Material Data System | TSOP | Toyota Super Olefin Polymer |
| IPCC | Intergovernmental Panel on Climate Change | T-TEP | Toyota-Technical Education Programme |
| ITS | Intelligent Transport Systems | TW | Toyota Way |
| ISO | International Organisation for Standardisation | UK | United Kingdom |
| JAMA | Japan Automobile Manufacturers' Association | VLG | Vehicle Logistics Group |
| Kaizen | Japanese term that roughly translates to "continuous improvement" | VOC | Volatile Organic Compounds |
| KAMA | Korean Automobile Manufacturers' Association | VVT-iE | Variable Valve Timing-intelligent Electric |
| KPI | Key Performance Indicator | WBCSD | World Business Council for Sustainable Development |
| | | WRI | World Resources Institute |
| | | 5Rs | Refine, Reduce, Reuse, Recycle, Retrieve |

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Quality Assessment by using Deloitte's Sustainability Reporting Scorecard

Toyota Motor Europe has asked Deloitte to perform an assessment on how well the TME Sustainability Report scores against the Deloitte Sustainability Reporting Scorecard*. The scoring measures quality aspects of the report in terms of relevance of information disclosed in the report on 30 criteria defined by Deloitte.

The European Sustainability Report of TME is especially strong on demonstrating commitment and management quality as well as to address the Sustainable Development Agenda. This years 2 focus areas for special feature; climate change and sustainable employment are highly relevant issues. The stronger focus on Human Resources makes the report more balanced compared to earlier years. Although the scorecard has remained consistent during 2005-2009 enabling comparison over time the yearly scoring reflects development of reporting practice, hence for example, the scoring of the TME 2009 Report in a 2005 context might have resulted in an even higher scoring. For comparison purposes the table below displays a similar scoring performed by Deloitte for the former 4 years Sustainability Reports of Toyota Motor Europe.



30 indicators of Deloitte's Sustainability Reporting Scorecard

| I Organisational profile | | |
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| 1 | Corporate Context | ↑ |
| 2 | Basic Principles of Reporting | |
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| 15 | Innovation | ↑ |
| 16 | Value/Supply Chain | |
| 17 | Financial Implications and Wider Economic Impacts | |
| 18 | Employee Involvement/ Relationship | |
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| V Quantify Performance | | |
|------------------------|-----------------------------------|---|
| 21 | Use of Metrics and Indicators | ➔ |
| 22 | Data Quality and Accuracy | |
| 23 | Trend over Time | |
| 24 | Quantitative Targets | |
| 25 | Interpretation and Benchmarks | |
| VI Achieve Credibility | | |
| 26 | Engagement with Stakeholders | ➡ |
| 27 | Balance of Issues and Suitability | |
| 28 | Connection to Reality | |
| 29 | Accessibility and Interactivity | |
| 30 | Assurance Service | |

Score compared to 2008:  improved  stable  went down

The scoring is not an assurance engagement and does not address whether the reported information is accurate, complete nor reflect an appropriate picture of Toyota Motor Europe sustainability intentions, management, implementation or performance.

To access Deloitte Sustainability Reporting Scorecard and information on its purpose, limitations and description of criteria go to www.deloitte.com/dk/scorecard. The Scorecard is complementary to Sustainability Reporting Guidelines from GRI.

