

CHAPTER II

OUR ACTIVITIES IN THE COMPANY

Based on a philosophy of “Customer First”, TOYOTA strives to provide attractive products and services that meet the needs of customers worldwide. TOYOTA also seeks to achieve the top-level world standard in environmental protection and safety measures. In these regard, TOYOTA is unfolding daring plans both domestically and abroad concerning environment and safety, and in relation to research, development, procurement, production, distribution, sales and services.

When carrying out our work, each of us should all be aware that our work is linked to all of the business activities of the company. In this regard, TOYOTA does not tolerate illegal or criminal acts or acts in violation of the company policy and rules, regardless of whether such acts were motivated “in the interests of the company” or “in the interests of the customer”. We should comply with the law and should always act with awareness and responsibility. We should rise to the challenge of solving the many issues that arise, as customer needs diversify and as progress is made in TOYOTA’s globalization, such as mastering of the world’s most advanced technologies, establishing the world’s most suitable procurement and supply networks, meeting environmental and safety standards, and improving customer satisfaction.

This Chapter II explains how we should contribute to each of the major business activities of TOYOTA and provides the points that we should all be aware of.

2 –1. Compliance with Laws and Regulations - *With sound social norms in mind* -

TOYOTA will comply with applicable laws, internal company policies and rules, abide by sound social norms, and take appropriate action against any illegal or criminal acts or acts in violation of the company's policies and rules. TOYOTA will not make any exceptions to this commitment, regardless of whether an unlawful act is motivated "in the interests of the company" or "in the interests of the customer", or carried out under the instructions of one's superior.

We should implement the "Toyota Code of Conduct" and make a commitment to comply with applicable laws, as well as internal company policies and rules, and to abide by sound social norms in all aspects of our work.

[Guiding Principles 1 and 2]

2 –2. Use and Management of Assets and Confidential Matters - *Ensuring asset maintenance and confidentiality management* -

TOYOTA possesses a wide variety of tangible*¹ and intangible*² assets that are indispensable and invaluable to its successful business operations. In order for TOYOTA to use such assets effectively and at any time during the course of its business activities, TOYOTA manages such assets with a firm hand in order to prevent such assets from being lost, stolen or used illegally or wrongfully.

TOYOTA endeavors to manage and protect confidential information (e.g., its trade secrets) and to use such information in an appropriate manner. At the same time, TOYOTA does not tolerate the illegal use of another party's assets or intellectual property or the unauthorized use of another party's confidential information.

We must manage and protect TOYOTA's assets, intellectual property, company secrets (such as trade secrets etc.) and personal information, as well as respect the assets, intellectual property and confidential information of others.

[Guiding Principles 1]

* 1 Examples of tangible assets: Land, buildings, facilities, equipment; products, merchandise, materials; office equipment; networks; office supplies; cash and deposits, securities and bonds; corporate credit card, etc.

* 2 Examples of intangible assets: Intellectual property rights such as patent rights, trademarks, copyrights, design rights, know-how etc.; Confidential corporate matters such as product and technology information, procurement and sales information, personnel and accounting information, software (e.g. program, data), etc.

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—3. Insider Trading *- Act as an investor with sound common sense -*

TOYOTA possesses a large amount of valuable internal (confidential) information and does not allow people working for it to engage in insider trading, such as using confidential information to buy and/or sell stocks.

We must understand that insider trading is clearly not permitted. Not only is it illegal in many countries, but it also destroys the mutual trust that TOYOTA has built with its investors, affiliated companies and business partners. Therefore, we shall not engage in or permit any insider trading.

[Guiding Principles 1]

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—4. Activities Promoting Safety *- Enhancing vehicle safety -*

For an automotive manufacturing company such as TOYOTA, the pursuit of safer vehicles is always one of its main challenges and mission. TOYOTA endeavors as a group, in cooperation with our suppliers and dealers, to engage in research and development, design, production, quality control and after-sales services in order to deliver its customers Toyota and/or Lexus vehicles that display sophisticated safety levels under various conditions and that provide a comfortable experience for drivers. TOYOTA will also be actively involved with “People Education” (i.e., Driver Education) and with improving the “Traffic Environment.”

We should endeavor to think from the standpoint of our customers and pursue ways to make vehicles safer and offer our customers safety and trust.

[Guiding Principles 3]

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—5. Environmental Preservation Activities *- Building environmentally and people friendly vehicles -*

TOYOTA has a deep understanding of the necessity of environmental conservation on a global scale. Therefore, TOYOTA has decided to “dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities” (Guiding Principles 3). Furthermore, TOYOTA has developed a proactive policy and plans to assure continual improvements in environmental performance in the “Toyota Earth Charter” and “Toyota Environmental Action Plan”.

TOYOTA regards environmental issues as one of the company’s major challenges and takes environmental impact into consideration at all life-cycle stages of its vehicles, including development, production, usage and disposal. TOYOTA promotes compliance with international environmental standards, implementation of enhanced environmental assessments, and realizing the principle of “building people and environmentally friendly vehicles” in cooperation with its suppliers, dealers, etc.

We must endeavor to attain the highest level of environmental stewardship in each country and area.

[Guiding Principles 3]

2 —6. **Research and Development Activities** - *Developing vehicles from the standpoint of our customers* -

In order to provide innovative, safe and outstanding high-quality products and services that meet the needs of customers through “research and innovation”, TOYOTA has established research and development centers around the world. These centers are well-staffed with leading innovators and actively cooperate with other TOYOTA group companies, as well as universities and research institutes, in order to strongly promote research and development of advanced technologies in various fields.

TOYOTA does not tolerate research and development that violates any applicable laws or breaches of its agreements with its research and development partners. TOYOTA also does not tolerate the illegal or unauthorized use of another party’s intellectual property.

Our goal is to develop vehicles from the customers’ perspective and to promote research and development.

We respect the views of our research and development partners and seek to cultivate and maintain mutual trust. In addition, we use our best efforts to build a relationship of mutual trust by satisfying our obligations to our partners.

We shall be mindful of respecting the intellectual property rights of others when conducting research and development and when realizing production.

[Guiding Principles 4]

2 —7. **Procurement Activities** - *Reasonable and sincere transactions* -

Based on following three basic policies, TOYOTA engages in fair and open procurement activities:

(a) **Fair competition based on an open-door policy**

Regardless of nationality or size of transaction, TOYOTA offers fair opportunities to all candidates. TOYOTA evaluates candidates based on their overall strengths, including quality, technology, price, volume and reliability of delivery, as well as the stability of their business management and technological development capabilities.

(b) **Mutual growth based on mutual trust**

In order to build relationships that result in mutual growth, TOYOTA and its suppliers strive for mutual collaboration and close communications as equal partners.

(c) **Promoting localization in view of good corporate citizenship**

In order to contribute to its local communities, TOYOTA globally promotes local production of Toyota and/or Lexus vehicles and endeavors to actively promote local procurement of parts and materials.

We engage in procurement activities with fairness and integrity, in consideration of the above three basic policies and compliance with the law.

[Guiding Principles 1 and 7]

—8. Production and Distribution Activities

- Building vehicles that win customer trust and faith -

TOYOTA endeavors to produce high-quality Toyota and Lexus vehicles and parts and deliver them in an efficient manner in order to meet customers' expectations. In order to realize such production and supply goals, TOYOTA endeavors to build the "world's optimum production network" and a "global distribution network".

In addition, in order to enhance the global competitiveness of Toyota and Lexus vehicles, TOYOTA developed the Toyota Production System, which continues to evolve according to the characteristics of particular regions of the world and aims to achieve worker and environmentally friendly plants.

We endeavor to maintain the safety and quality of products and to comply with laws related to production and distribution.

[Guiding Principles 4]

—9. Sales Activities

- Winning the trust of customers and dealers -

Based on the following three ideas, TOYOTA strives to build a sales and service structure that meets various customer needs in a timely manner. In order to achieve such structure, TOYOTA endeavors to build relationships with dealers based on mutual trust, and to bring mutual growth and support for fair competition and transactions.

(a) Philosophy of "Customer First"

Based on a "Customer First" philosophy, TOYOTA strives to create a sale and service structure that promptly responds to the various needs of customers worldwide. To achieve this, TOYOTA develops products that meet customer expectations and implements a marketing strategy and sales style that matches the product profiles and various customer needs.

(b) Mutual growth based on mutual trust

TOYOTA develops and provides attractive product lineups, various styles of dealer showrooms and sales styles, and a meticulous customer and revenue management system. TOYOTA does this to contribute to the improvement of sales efficiency and profitability of its dedicated dealers, to build mutual trust and to bring mutual growth.

(c) Importance of fair market competition

TOYOTA respects free trade and market competition, implements ambitious sales strategies in order to obtain customer satisfaction and support in various areas of the world, and endeavors to engage in fair competition and transactions.

We conduct our sales activities with the above ideas in mind.

[Guiding Principles 1 and 4]

2 –10. Overseas Business Activities - *To become a global company trusted worldwide* -

TOYOTA engages in business worldwide and many of its activities are conducted outside Japan, including not only manufacturing activities, but also research and development. TOYOTA recognizes the ever-changing environment surrounding its business operations, global diversity, the specificity of each local area in terms of its own rules and customs, etc., and the rapid changes in world political and economic climate. TOYOTA respects international rules and laws, as well as the culture, customs and history of local societies. Thus, TOYOTA promotes its business activities from “both a global and local” standpoint so as to contribute to the development of local economies and society.

We contribute to expansion of TOYOTA’s business overseas by respecting the culture, customs and history of each country, as well as national, regional and international laws and rules.

[Guiding Principles 1 and 2]

2 –11. Profitability Enhancement Activities - *Building a stronger profit foundation* -

In order to respond to the expectations of investors and society, TOYOTA endeavors to perform various measures to improve business management efficiency, achieve sustainable increases in profit and strengthen the foundation of its management and profit.

When determining investments or financing for various domestic and overseas projects, TOYOTA’s decisions are made after conducting thorough pre-studies, including anticipated profitability. As for fund management, TOYOTA places the highest priority on safety and certainty.

Based on the appropriate financial performance indices, TOYOTA assesses business management efficiency and profit make-up on both an individual and consolidated basis. TOYOTA does its best to continuously improve these, and to timely and fair disclosure of its financial condition and to make appropriate payment of taxes. In order to realize such disclosure, TOYOTA strives to appropriately oversee the financial condition of its subsidiaries and affiliates.

[Guiding Principles 6]