

Restore and Renew Our Production Structure for Further Growth

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Promoting restoration and renewal by enlisting the strength of on-the-spot human resources The Toyota Group has established a trilateral structure to unite us in our effort to build better cars

The Toyota Group's production bases were affected by the Great East Japan Earthquake, which struck on March 11, 2011. Nonetheless, by July we had restored our production levels to more or less normal in terms of volume. We are moving forward with efforts to reconstruct our production structure so as to restore and renew it to enable further future growth. We will maximize the strengths and resources of each company in our Group, and use our combined power to enhance the international competitiveness of Japanese manufacturing.

Impact of the Earthquake and Forecast

Impact of the earthquake and status of recovery

Many of our parts suppliers are located in the affected areas of Tohoku and northern Kanto, so Toyota did suffer some effects in the immediate aftermath of the Great East Japan Earthquake, such as a temporary production halt at our domestic auto manufacturing facilities. Toyota immediately initiated relief efforts in the aftermath of the earthquake, such as dispatching personnel to the affected areas, and we, together with our Group companies and affiliates, began working to recover from the disaster. In terms of impact on our 2011 Production Plan, we experienced a loss of production of approximately 800 thousand units through June, and despite a forecast recovery of approximately 350 thousand units from October onward we expect to come in at roughly 450 thousand units under our production goal for FY2012 (as of June 10, 2011).

Our plants, dealers and suppliers have been working in unison to restore production to normal levels, and from April 18 all of our plants, including the Central Motors Plant in Miyagi Prefecture and the Kanto Motors Plant in Iwate Prefecture, were again producing cars. By June, we had returned to around 70% of our normal production levels overall for our domestic and overseas plants, and by July we had recovered to the levels on which our annual plan was based. Production of all lines and models are forecast to be at normal production levels for the second half of FY2012.

Production forecast for the second half of FY2012

Toyota began steps to normalize both domestic and overseas production in June. Unit production will recover in the second half of the year, with unit production of Toyota and Lexus vehicles for the fiscal year ending March 31, 2012, expected to be approximately 7.39 million units, an increase of 48 thousand units over the same period in the previous year (April 2010–March 2011) (as of June 10, 2011).

Adjustments were made to North American production after the earthquake, and we aimed to normalize production ahead of schedule, that is, in May, of eight of the 12 vehicles made there. In China, the status of parts supply and inventory varies from plant to plant, and we have been working since June with our partners to confirm and negotiate parts supply so as to proceed toward the normalization of production. We have set supply targets for the 17 plants in Asia and Oceania where production adjustments were made and are working to restore normal operations or increase rates of operation to achieve normalization.

Efforts toward Further Growth

Reconstructing our production structure

Our philosophy is "to produce where there is demand" globally, so our basic strategy is to strengthen our supply capacity in emerging economies and resource-rich countries while maximizing the potential of Japan and the developed countries.

The manufacturing environment in Japan is challenging, but Toyota's policy is to maintain production in Japan of three million vehicles. We believe that we can accelerate Toyota's medium- to long-term growth, as well as that of Japanese industry, and contribute to global economic development by developing new technologies and manufacturing methods that are "possible in Japan," and subsequently establishing mass production of these technologies at Japanese manufacturing sites and spreading them throughout the world.

Restructuring the Group to strengthen manufacturing

Toyota has established a new plan for restructuring our domestic production structure so as to strengthen manufacturing. Toyota has reached agreement with Toyota Auto Body and Kanto Auto Works to convert those companies to wholly owned subsidiaries of Toyota in January 2012. In addition, Kanto Auto Works, Central Motor Co. and Toyota Motor Tohoku Corporation have reached an agreement to begin discussions for the proposed merger and integration of the three companies (targeted July 2012). The goal is to enhance manufacturing specialization and provide a more accurate response to customer demands, while reducing the costs of development and production.

Until now, each auto manufacturer in the Toyota Group has had a defined role to play from development through production in supporting the manufacturing of Toyota vehicles. The new structure will call for each auto manufacturer to act on its own initiative in fulfilling a role in its area of expertise. This means each will become a company that can execute the Toyota business strategy. We will strengthen ties in the area of supply strategy as well, including marketing and product planning strategy and overseas business.

Creation of new markets through a trilateral domestic production structure

By restructuring the production structure in Tohoku, Toyota is moving forward with plans to create a Tohoku area manufacturing hub, which would be Toyota's third national manufacturing hub following Chubu and Kyushu. The Tohoku hub will specialize in the development and production of compact cars as a comprehensive, independent base for production and the procurement of engines and other units, as well as parts. Toyota has also decided to produce our new small hybrids, one of the main focuses of our effort to build environmentally friendly vehicles, in Tohoku. Toyota expects Kyushu to become the hub for mid-sized and Lexus brand vehicle production and Chubu to become the hub for technological and manufacturing innovation. The role of each region has been clarified so as to lead to the building of better cars and to create new markets that will allow our suppliers and manufacturers worldwide to work as one and please our customers.

Roles of the three hubs

	Role	Concept
Chubu	Core of domestic production/Hub of new technology and new manufacturing method development	Development of technological innovation
Kyushu	Hub for mid-sized and Lexus brand vehicle production	Application of mass production innovation
Tohoku	Specializing in compact cars	