

## Corporate Governance

### Toyota's Basic Policy on Corporate Governance

Toyota has positioned the stable long-term growth of corporate value as a top-priority management issue. We believe that in carrying this out, it is essential that we achieve long-term and stable growth by building positive relationships with all stakeholders, including shareholders and customers as well as business partners, local communities and employees, and by supplying products that will satisfy our customers. This position is reflected in the "Guiding Principles at Toyota," which is a statement of Toyota's fundamental business policies. Also, Toyota adopted and presented the CSR Policy "Contribution toward Sustainable Development," an interpretation of the "Guiding Principles at Toyota" that organizes the relationships with its stakeholders. We are working to enhance corporate governance through a variety of measures designed to further increase our competitiveness as a global company.

### Toyota's Corporate Governance System

Toyota formulated and announced the Toyota Global Vision in March 2011, based on what it has learned from the deterioration of the business environment following the Lehman Shock and a series of quality problems.

The Toyota Global Vision, based on Toyota's

values that have guided Toyota since its founding, such as "Guiding Principles of Toyota" and "Toyota Way," aims to exceed customer expectations by the development of ever-better cars and enriching lives of societies, and to be rewarded with a smile which ultimately leads to the stable base of business. Toyota is to keep this virtuous cycle by focusing on making ever-better cars.

To fulfill the Toyota Global Vision, Toyota made some changes to its management structure such as reducing the Board of Directors and decision-making layers. Toyota will continue to offer products and services that will satisfy evolving needs in every region. Toyota headquarters will provide overall direction and furnish support for the initiatives undertaken by the regional operations.

Specifically, with the aim of faster decision-making, Toyota drastically reduced the number of Directors and abolished the position of Senior Managing Director. Furthermore, Toyota will replace the current three-layer arrangement — Executive Vice President, Chief Officer, and Executive responsible for the operations involved — with two layers, eliminating the executive immediately below the Chief Officer. Moving forward with this new structure will support a swifter flow of information from the divisional general managers, who are intimately familiar with their operations, to senior management.

Toyota is to enhance clarity in organizational responsibilities: the Board of Directors decides

what Toyota will do as global Toyota, and Chief Officers decide how to implement that decision as chief executives for day-to-day operations, etc. The post of Chief Officer will be filled either by a "Senior Managing Officer" or "Managing Officer" in a flexible manner. Chief Officers responsible for the region or function conduct local operations basically at respective sites under the Executive Vice President responsible for each operational sector to vigorously reflect the voices of local customers in functions of R&D, production, and sales.

### Systems for Ensuring Appropriate Management

Toyota has an "International Advisory Board" consisting of advisers from each region overseas, and, as appropriate, receives advice on a wide range of management issues from a global perspective. In addition, Toyota has a wide variety of conferences and committees for deliberations and the monitoring of management and corporate activities that reflect the views of various stakeholders, including the "Labor-Management Council, the Joint Labor-Management Round Table Conference", and the "Toyota Environment Committee."

### Accountability

Toyota has engaged in timely and fair disclosure of corporate and financial information as stated in the CSR Policy "Contribution towards Sustainable Development." In order to ensure the accurate, fair, and timely disclosure of information, Toyota has established the Disclosure Committee chaired by an officer of the Accounting Division. The Committee holds regular meetings for the purpose of preparation, reporting and assessment of its annual securities report, quarterly report under the Financial Instruments and Exchange Law of Japan and Form 20-F under the U.S. Securities Exchange Act, and also holds extraordinary committee meetings from time to time whenever necessary.

### Compliance

In order to manage and implement important activities for fulfilling social responsibilities, Toyota has established the CSR Committee consisting of directors at the executive vice president level and above as well as representatives of corporate auditors, to review important issues relating to corporate ethics, legal compliance, risk management and social contribution, and also to develop action plans concerning these issues. Toyota has also created a number of facilities for employees to make inquiries concerning compliance matters,

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including the Compliance Hotline, which enables them to consult with an outside attorney, and takes measures to ensure that Toyota is aware of significant information concerning legal compliance as quickly as possible. Toyota will continue to promote the “Toyota Code of Conduct” which is a guideline for employees’ behavior and conduct for employees of Toyota and its consolidated subsidiaries (together “Toyota”) all around the world. Toyota will work to advance corporate ethics through training and education at all levels and in all departments.

Toyota has adopted an auditor system. Seven Corporate Auditors including four Outside Corporate Auditors play a role in Toyota’s corporate governance efforts by undertaking

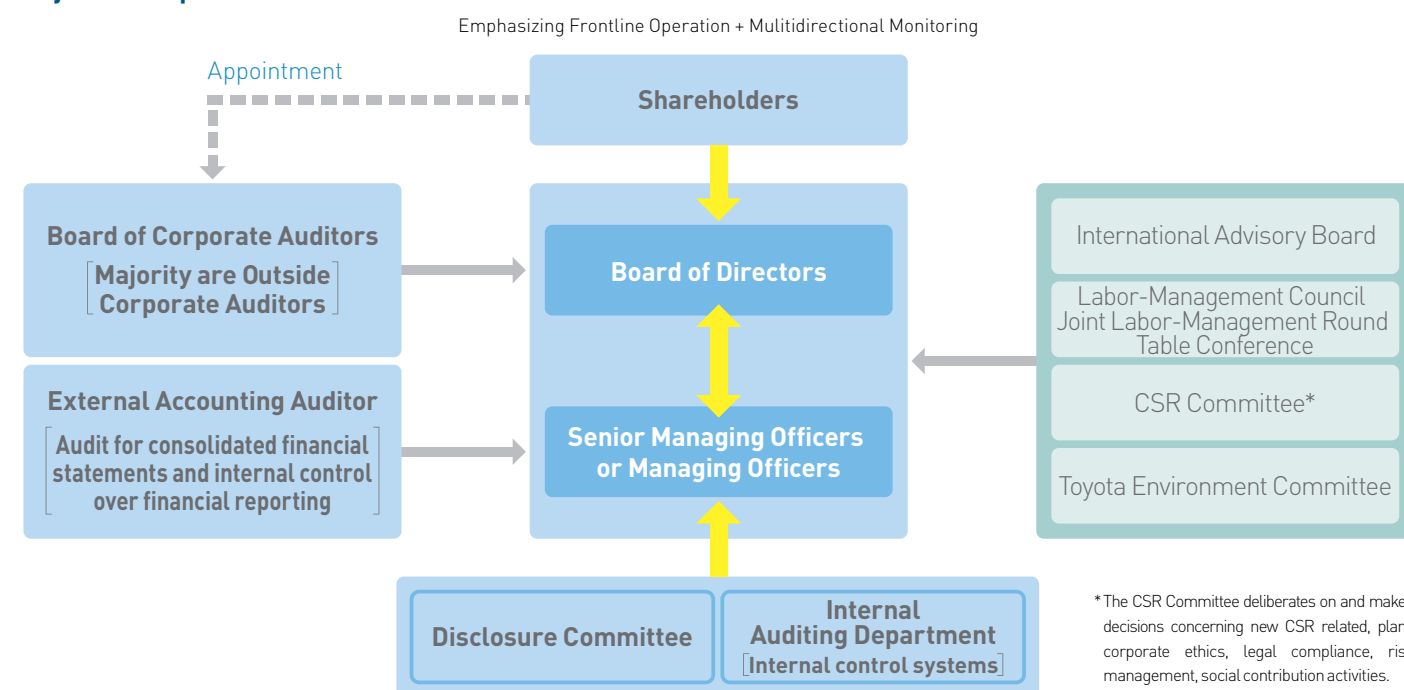
audits in accordance with the audit policies and plans determined by the Board of Corporate Auditors. In addition, Toyota has secured the personnel and framework supporting the audit by Corporate Auditors. The Outside Corporate Auditors advise Toyota from a fair and neutral perspective, based on their broad experiences and insight in their respective fields of expertise. The state of internal controls and internal audits are reported to Corporate Auditors (including Outside Corporate Auditors) through the Board of Corporate Auditors and the “CSR Committee,” and the status of accounting audits is reported by independent External Auditors to the Corporate Auditors (including Outside Corporate Auditors) through

the Board of Corporate Auditors. To enhance the system for internal audits, a specialized organization made independent of direct control by the management evaluates the effectiveness of the system to secure the appropriateness of documents regarding financial calculation and other information in accordance with Section 404 of the U.S. Sarbanes- Oxley Act and Article 24-4-4 (1) of the Financial Instruments and Exchange Law of Japan. In order to enhance the reliability of the financial reporting of Toyota, the three auditing functions — audit by Corporate Auditors, internal audit, and accounting audit by Independent External Auditors — aid in conducting an effective and efficient audit through meetings held periodically and as necessary to share information and come to understandings through discussion on audit plans and results.

established in May 2006, Toyota implements an internal control system while conducting necessary enhancements.

▶ [Additional details for Corporate Governance](#) [Click HERE](#)

## Toyota’s Corporate Governance



## Basic Approach to Internal Control System and Its Development

Toyota, together with its subsidiaries, has created and maintained a sound corporate climate based on the “Guiding Principles at Toyota” and the “Toyota Code of Conduct.” Toyota integrates the principles of problem identification and continuous improvement into its business operation process and makes continuous efforts to train employees who will put these principles into practice.

Under the following basic policies

### Basic Approach to Internal Controls

#### Fundamental Approach

- Draw out the goodwill, enthusiasm, and autonomous decision making abilities of the people who perform work, based on the idea of “respect for people”;
- Establish structures within the work performance processes carried out by people and organizations that incorporate internal controls and make possible checks and balances as well as management and oversight by directors;
- Establish inter-departmental organizations to supplement internal controls.

#### Basic Policy

- (1) Legal compliance by Directors
- (2) Retention and management of information relating to the execution of responsibilities by Directors
- (3) Regulations and other systems related to the management of risk of losses
- (4) Efficiency of execution of responsibilities by Directors
- (5) Legal compliance by employees
- (6) Appropriateness of the business operations of the group
- (7) Employees assisting the Corporate Auditors
- (8) Independence of employees described in the preceding item (7)
- (9) Report to Corporate Auditors
- (10) Ensure the efficient execution of audits by the Auditors