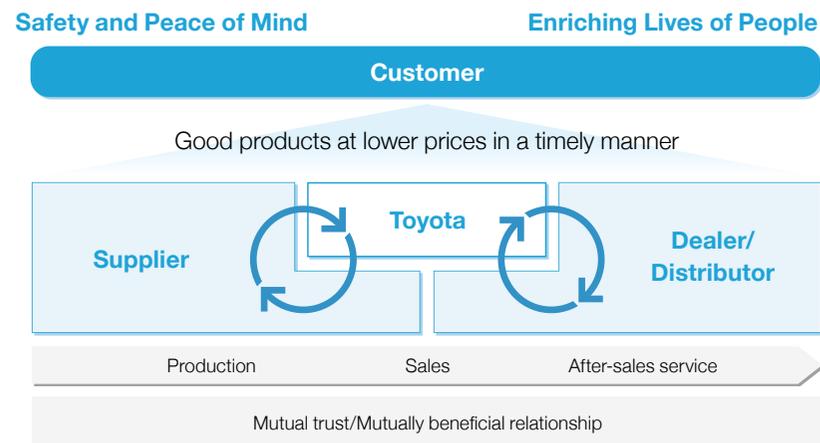


## Collaboration with Business Partners

**Fundamental Approach** In order to contribute to society through car-manufacturing and *monozukuri* (manufacturing) and put into practice the principle of “Customer First,” it is necessary to share principles and collaborate with our business partners such as suppliers and dealers. Toyota pursues open and fair business, and engages in CSR initiatives through close collaboration with business partners to raise quality in terms of safety and customer satisfaction.

### Excerpt from “CSR Policy: Contribution towards Sustainable Development”

- We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realize mutual growth based on mutual trust.
- Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths.
- We maintain fair and free competition in accordance with the letter and spirit of each country's competition laws.



### Results for the Previous Fiscal Year and Major Initiatives for the Current Fiscal Year

#### Major Initiatives during FY2018 (result)

##### Suppliers

- Continued initiatives to promote CSR measures in the supply chain
- Addressed issues concerning human rights in the supply chain including the issue of conflict minerals

##### Dealers

- Provided information to dealers through CSR website
- Proposed and carried out social contribution activities locally
- Promoted the J-ReBORN Plan

#### Major Initiatives during FY2019

- Continue and enhance the activities described on the left

- Continue and enhance the activities described on the left

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## Collaboration with Suppliers

Since its establishment, Toyota has worked closely with its suppliers in its manufacturing. As part of these efforts, Toyota has globally implemented its Basic Purchasing Policies according to the spirit of mutual benefit based on mutual trust. We have close relationships with existing and new suppliers to promote “Customer First.”

To address the increasing interest in corporate social responsibility, including supply chain, we have dialogues with supplier executives. Internally, we work to raise the awareness of all our employees, including buyers, through seminars and trainings.

Toyota is also committed to continue contributing to the sustainability of society and the earth by working with suppliers to ensure compliance, respect for human rights, and reduce negative environmental impact.

### Toyota Basic Purchasing Policies

#### 1. Fair Competition Based on an Open-door Policy

Toyota is open and fair to any and all suppliers, regardless of nationality, size, or whether they have done business with us before.

We evaluate suppliers by quality, technological capabilities, and reliability in delivering the required quantities on time, and efforts addressing social responsibilities, such as environmental issues.

#### 2. Mutual Benefit Based on Mutual Trust

We develop mutual benefit in long-term relationships.

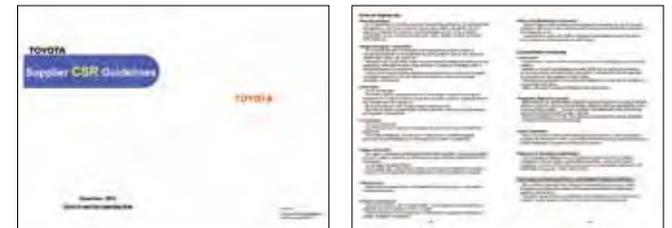
To foster the trust, we pursue close communication with suppliers.

#### 3. Localization with Good Corporate Citizenship

We actively procure from local suppliers, including parts, materials, tools, equipment and others materials. In this way, we aim to contribute to the local society and be a good corporate citizen.

## Implementation of the Toyota Supplier CSR Guidelines

At Toyota, we believe it is important to cooperate with suppliers, and issued the Toyota Supplier CSR Guidelines in February 2009. Toyota suppliers are requested to implement their own CSR activities based on the Guidelines and in turn develop their individual CSR policies and guidelines to their own suppliers. Furthermore, in December 2012, Toyota revised the guidelines to indicate its principles regarding human rights issues (strengthening of monitoring and corrective actions, and approaches towards conflict minerals) in order to enhance CSR initiatives.



[Web https://www.toyota-global.com/sustainability/society/partners/supplier\\_csr\\_en.pdf](https://www.toyota-global.com/sustainability/society/partners/supplier_csr_en.pdf) Toyota Supplier CSR Guidelines

## Respecting Human Rights

The Toyota Supplier CSR Guidelines indicate the policy of respecting human rights and what is expected of suppliers.

Furthermore, as part of efforts to strengthen its initiatives regarding human rights and labor issues, Toyota created a questionnaire for assessment at each supplier. When necessary, Toyota requests improvement and monitoring of improvement activities as needed.

## Promoting Environmental Activities

As Toyota believes that it is important to work with its suppliers to carry out environmental activities, the Toyota Green Purchasing Guidelines has been introduced.

In January 2016, Toyota published a revised edition based on the Toyota Environmental Challenge 2050. The main revisions include enhancing initiatives such as for greenhouse gases (GHG) and biodiversity, reinforcing lifecycle perspectives and strengthening the supply chain management.

[Environmental Initiatives p. 126](#)

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### Approaches towards Conflict Minerals Issue

Based on its Policies and Approaches to Conflict Minerals Issues, Toyota strives to procure conflict-free raw materials that do not involve human rights infringements or other abuses. We conduct investigations that trace global supply chains and take measures to avoid use in cases where there are concerns that raw materials are being used as a source of funds for armed groups.

[Respect for Human Rights p. 44](#)

### Bribery Prevention

In response to the global expansion of its business and societal demands, Toyota adopted the Anti-Bribery Guidelines in 2012 to completely eliminate corruption. Toyota is strengthening its preventive measures by deploying the Guidelines to our suppliers.

[Web https://www.toyota-global.com/sustainability/society/partners/pdf/anti-bribery\\_en.pdf](https://www.toyota-global.com/sustainability/society/partners/pdf/anti-bribery_en.pdf) Anti-bribery Guidelines (For Business Partners)

### Suppliers' CSR Activities

To promote CSR, Toyota suppliers voluntarily hold CSR lectures and workshops, and engage in volunteer activities.

CSR lectures are held every year by Toyota's supplier associations, Kyohokai and Eihokai, with the aim of improving member companies' awareness and understanding and encouraging CSR initiatives. In July of FY2018, Toyota held a lecture titled "Requirements for Successful Work Style Innovation." Japan is facing a variety of labor-related issues, including long work hours, productivity, and worker shortages. It provided an opportunity to recognize the importance of work style innovation, such as creating a society in which women, young and old can fulfill their potential, and realize work-life balance. Toyota also holds CSR Study Meetings every year to support the CSR activities of its suppliers. Toyota is also working to accumulate knowledge about CSR and about various issues such as "Why CSR needs to be promoted" and "Why the entire supply chain needs to be included."

In FY2018, a CSR Study Meeting was held and 450 persons from 350 suppliers attended. The topic was a legal issue, "trends and initiatives in fair trading." Toyota participates in the supplier CSR training program of the Automotive Industry Action Group (AIAG)\* to support its overseas suppliers in their activities to promote CSR. In the previous fiscal year, Toyota participated in the development of the Supplier Responsibility Training Project. This new e-learning program is available to suppliers on AIAG website. Toyota will continue working to help raise awareness of CSR across its supply chains.

\* AIAG: Automotive Industry Action Group (<https://www.aiag.org/>)



CSR Study Meeting



CSR lecture



CSR workshop



Volunteer welfare council

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## Collaboration with Sales Networks

Dealers are the front line where Toyota's "Customer First" policy is directly observed. Toyota and its dealers share the value of its products/services and always work as one to enhance customer satisfaction based on a strong relationship of trust through close two-way communication.

### ● Domestic Dealers

The Toyota domestic sales network comprises 281 dealers, operating around 5,500 locations (including used car outlets, as of July 2018).

Under the Customer First policy, we have a "Customer First, Dealer Second, Manufacturer Third" concept. Toyota supports dealers in making concerted efforts to meet customer expectations in order to raise the level of customer satisfaction. We believe that, through these efforts, we will realize growth for both dealers and Toyota.

### Support of Toyota Dealers in Japan

The Toyota National Dealers' Advisory Council (TNDAC) established the CSR Study Group and created the TNDAC CSR Guidelines in 2005. In the following year, TNDAC adopted the Toyota Dealers CSR Declaration and have been promoting unified CSR activities involving all Toyota dealers in Japan ever since.

In 2016, the CSR Study Group was reorganized into the Compliance Study Group, which has been studying to ensure legal compliance and giving suggestions to all Toyota dealers.

Additionally, to help dealers carry out compliance activities, TNDAC distributes the CSR Checklist made up of nearly 400 items to dealers each year.

Toyota supports TNDAC and dealers, including the following:

- Setting up a compliance support website that lists best practices from dealers
- Providing information through seminars and lectures held by TNDAC
- Supporting revisions of the CSR Checklist in accordance with legislative amendments

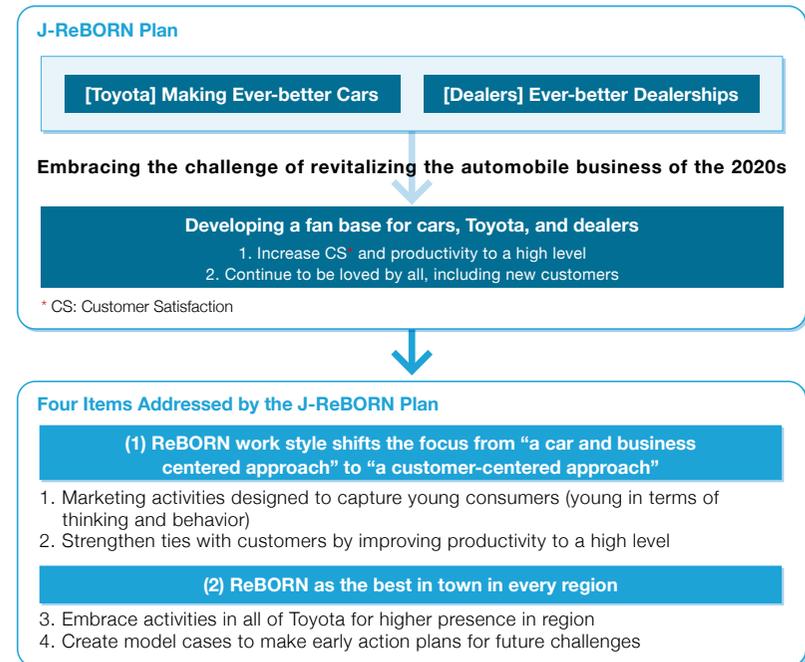
### TNDAC's Major CSR Initiatives

- Distribution of the CSR Checklist and the evaluation feedback sheet
- Operation of the Toyota Dealers Helpline, distribution of the Helpline Report Digest, various types of tools, and handouts
- CSR workshop
- CSR lecture

## J-ReBORN Plan Aiming to Revitalize Japan with Dealers

To respond to changes in the Japanese automotive market due to depopulation, aging, a shrinking market and technological advances, Toyota is promoting the J-ReBORN Plan, a new domestic sales strategy.

The plan is rooted in the idea of using the nationwide dealer network to revitalize Japan. Toyota promotes "Ever-better Dealerships" and is working to attract every stakeholder including customers. Toyota is taking on the challenge of making more car fans.



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### Dealer Staff Participating in Soccer Instructions through the JFA Youth & Development Programme (Japan)

In May 2017, Toyota signed a JFA Youth & Development Programme (JYD) partnership agreement with the Japan Football Association (JFA). As an official JYD supporter, Toyota is supporting soccer instruction activities for preschoolers nationwide.

JYD is a program that JFA has been running since January 2016, with the goals of continuous development of soccer and its players in Japan.

Staff members of nationwide Toyota dealers, parts distributors, and rental & leasing companies obtain the JFA Official Kids Leader license. Since July 2017, they have been offering classes for kids in local kindergartens, nursery schools, etc. to teach soccer skills as well as the joy of sports, in collaboration with soccer associations in individual prefectures.

In FY2018, the program provided onsite instruction to 8,363 children at 263 kindergartens and nursery schools.

The goal of these activities is to help the next generation to grow up healthy in mind and body.



Signing of an agreement in May 2017

### Toyota Gentaiken Program

The Toyota Gentaiken Program aims to nurture future car fans by providing children of the “virtual era” with opportunities to gain real-life experience using five senses and to experience the global environment and economy. This program works together with local dealers to offer “traveling classrooms” at elementary schools in the area.

The theme of the classroom activities is to offer fun and hands-on experiences. The class for fourth graders teaches about the power and control of a car using a model and real car in Car Gentaiken Class. The class for fifth graders is the Class to Fully Understand Cars, which teaches the students about the relationship of cars with environment and economics using quizzes or games, as part of learning about the automotive industry in their social studies class.

In FY2018, the Car Gentaiken Class was conducted at 117 schools and the Class to Fully Understand Cars at 336 schools, for a total of 453 schools. Since starting in 2008, the program has provided classroom activities to approximately 160,000 children in 3,267 schools.

#### Comments from Participants

- I had to think a lot on how to control the air-powered car and it was fun to learn about its structure. (Fourth grader)
- The staff's cheerful and courteous interactions with the children allowed them to relax and learn. (Fourth-grade teacher)
- The board game helped me get really interested in cars. I learned the importance of balancing the environment and car development. (Fifth grader)
- Because the program can help children learn about the car manufacturing process as well as its relationships to the environment and social contribution, it expands their scope of learning. (Fifth-grade teacher)



Fifth-grade classroom instruction

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## TOYOTA SOCIAL FES!! (TSF)

AQUA SOCIAL FES!! (ASF), which was started in 2012 to encourage environmental activities following the launch of the Aqua hybrid vehicle, was renamed TOYOTA SOCIAL FES (TSF). The name change reflects the expansion of the activity theme from aqua (water) to the environment for the next generation, with the goal of improving local communities and the future.

With the hope of creating a brighter future, infused into the Mirai fuel-cell vehicle, the Prius PHV, and widely popular hybrid vehicles, TSF carries out a variety of action programs in all 47 prefectures in Japan, from Hokkaido to Okinawa.

Toyota is in charge of the overall TSF planning, promotion and operation. Developing and running the action programs are carried out by regional NPOs and local newspapers. Recently, TSF has been making changes. For example, local governments municipalities are including environmental restoration costs in their budget and local corporations are utilizing TSF in their employee training.

There are 10,000 participants in TSF events each year. In the summer of 2018, seventh year of the events, the cumulative total of participants exceeded 70,000. The average age of the participants is 30.5, and the activities are varied, including the clean-up of rivers, lakes, seas and mountains; extermination of invasive species; tree planting; and revitalization of terraced rice paddies and *satoyama*.

Nearly 90 percent of the participants answered positively about the program, saying, "I got interested in the local area" or "I want to participate again."



Project to preserve the rich waterfront of Toyama Bay (Toyama Prefecture)



Project to protect the natural environment (Nagasaki Prefecture)

## Onsite Visit from Toyota Dealers Overseas

Every year, Toyota dealers from all over the world visit Toyota dealers in Japan to learn customer satisfaction (CS) activities. They learn how Japanese dealers improve customer satisfaction and create more Toyota fans throughout the entire value chain, including new car sales, service, insurance, used cars, and credit. After *genchi genbutsu* (onsite hands-on experience), they incorporate what they have learned into various activities at their own dealers.

Through active communication among dealers with different cultural backgrounds, these visits offer each dealer new ideas.



Visitors



## ● Overseas Distributors

The overseas distributors are important Toyota partners in providing ever-better cars for customers worldwide. Toyota has approximately 170 distributors and 10,000 dealers overseas that are creating Toyota fans through their involvement in the local community.

### Organization and Structure

Toyota's sales operations are divided into six regions (excluding Japan) throughout the world: North America, Europe, China & Asia, East Asia/Oceania & the Middle East, Africa, and Latin America & Caribbean, to provide the best cars and services according to the market characteristics of each region. The car usage conditions and environment, as well as the required functions and services, can vary greatly depending on the country and region. Toyota strives to comprehend customer feedback in a timely manner through overseas dealers, in order to make ever-better cars.

Furthermore, in order to realize product planning, sales strategies, and local sales promotion activities that respond better to these different local needs, Toyota reorganized its business units in 2013. Toyota No. 1 was in charge of developed nations where car markets had matured and replacement demand and products with advanced technologies were required. Toyota No. 2 was in charge of emerging nations where prompt introduction of products were needed to meet exploding market needs and acquire new customers.

Afterwards, as environmental regulations and the business environment change in various countries, Toyota in April 2017 reorganized, integrating Toyota No. 1 and Toyota No. 2 into the Business Planning & Operation Unit, which coordinate with the product-based in-house companies. This change is designed to enable rapid and effective responses to customer needs.

Under this organization, Toyota further enhanced its cooperation with distributors in each country and region to deliver ever-better cars that meet the needs of customers in each market.

Since 1984, a World Convention has been held every four years to bring together overseas distributors and executives of Toyota. At this convention, Toyota expresses its appreciation for the hard work and shares its policies, to make it an opportunity to reaffirm further improvement of customer satisfaction.



### Environmental Initiatives in Collaboration with Domestic and Overseas Dealers and Distributors

Toyota is working with domestic and overseas dealers and distributors to create environmentally-friendly dealers and members to lower environmental risks through sales activities.

[Environmental Initiatives p. 127](#)