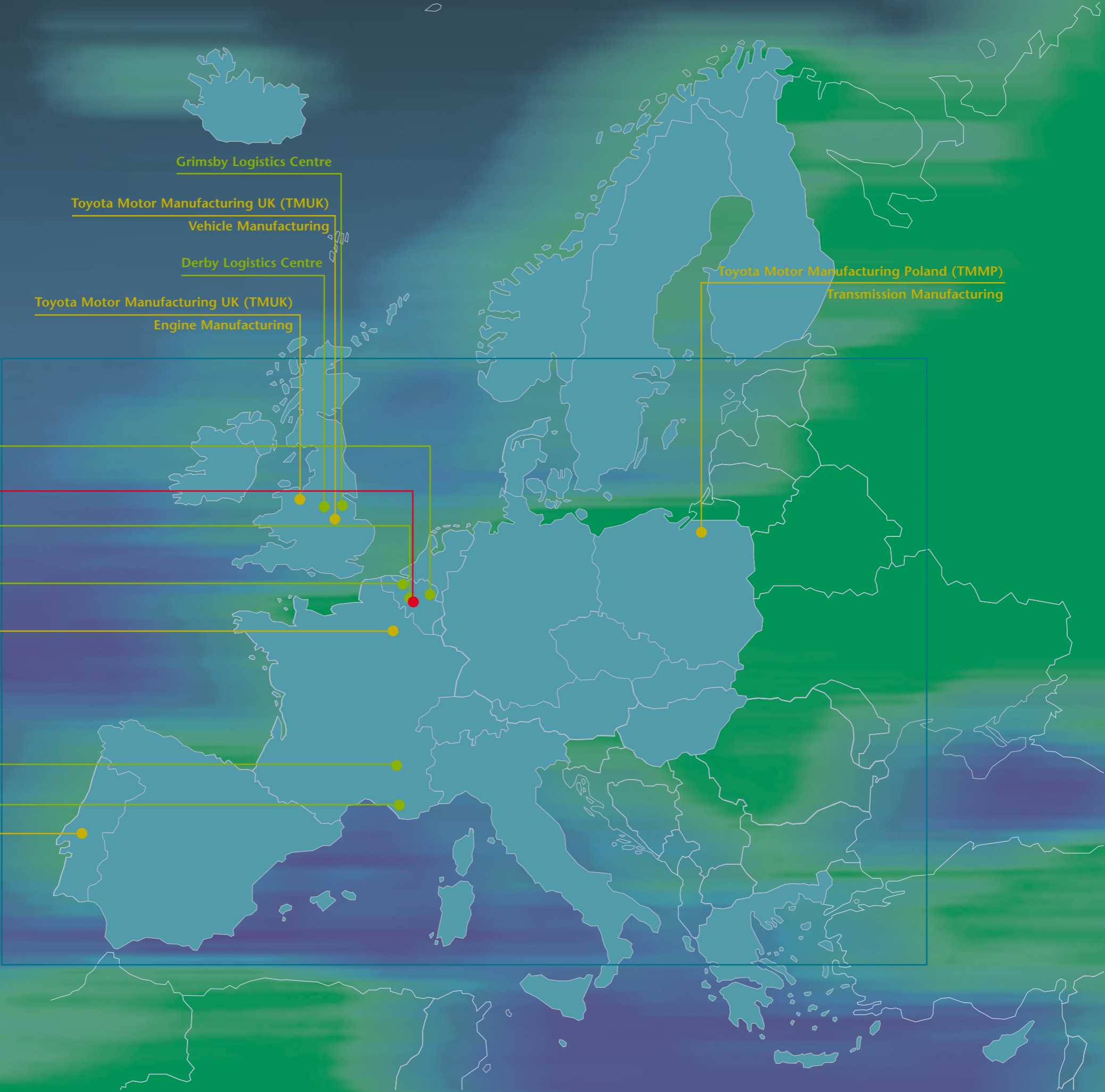


European Environmental Report 2001



TOYOTA

Toyota in Europe



Profile of Toyota in Europe

Toyota Motor Corporation (TMC)

TMC is the third largest automotive manufacturer in the world. In Europe, TMC manufactures and markets vehicles through its subsidiaries under the Toyota and Lexus brands.

Toyota Europe Design and Development Center ED²

ED² is located near Nice, in the South of France. The centre is a 100% TMC subsidiary, one of the four Toyota design centres around the world.

Toyota Motor Europe Marketing & Engineering (TMME)

TMME is a 100% TMC owned subsidiary, established in 1990 as an umbrella organisation to handle marketing, engineering and product design support for Toyota's growing operations in Europe. TMME manages the wholesale marketing and engineering of Toyota and Lexus vehicles, parts and accessories. TMME comprises the following facilities:

- > **Toyota Head Office.** Opened in 1993 and located in Brussels, Belgium. Head Office handles all sales and marketing-related operations for the company's Toyota and Lexus brands in Europe.
- > **Toyota Parts Centre Europe (TPCE).** Located in Diest, Belgium. The centre is responsible for the ordering and distribution of all spare parts and accessories. TPCE presently supplies Toyota's National Marketing and Sales Companies (NMSCs) in 27 countries.
- > **Toyota Technical Centre (TTC).** Located in Zaventem (Brussels). The centre assists Toyota's European manufacturing operations and provides support and recommendations to Toyota's engineering operations in Japan. TTC's functions include product design, material evaluation and engineering, vehicle homologation and technical research, vehicle engineering and powertrain engineering.
- > **Toyota Training Centre.** Also in Zaventem, this facility provides essential training to service instructors and engineers from Toyota's European NMSCs.
- > **Toyota Accessory and Service Centre (TASC).** Located at the Head Office, housing after sales, conversion and accessories activities. Functions include overall coordination of Toyota's after sales service operations, investigation of field technical matters, car body and paint training, accessories development and planning, vehicle conversions.
- > **Grimsby and Derby Logistics Centres (UK).** Responsible for the distribution, shipping and handling of Toyota's UK-produced Avensis and Corolla passenger cars.
- > **Zeebrugge Vehicle Logistics Centre.** Located in the Port of Zeebrugge, this vehicle hub is one of the main import platforms for Japan and UK produced vehicles. It is also the export port for Yaris models produced in France. The hub performs PDI (Pre-Delivery Inspection) and PPO (Post Production Options) activities for a growing number of markets.

Toyota Logistics Services France (TLSFR)

TLSFR is a subsidiary of TMME and undertakes vehicle and parts logistics services for France.

- > **Toyota Parts Centre South of France.** Located in Le Pouzin, near Lyon, the centre will become operational by late 2001, and is responsible for order processing, warehousing and distribution of service parts and accessories.
- > **Valenciennes Car Logistics Centre.** Located next to the production facility, this facility handles the despatch of Yaris models produced at the factory and serves as a logistics hub for all vehicles destined for the French market.

National Marketing and Sales Companies (NMSCs)

Toyota markets, sells and services its vehicles through a network of National Marketing and Sales Companies and a widespread network of professional Dealers. NMSCs are either a TMC subsidiary, an affiliate or are independent companies. The subsidiaries (100% TMC ownership) are Toyota Deutschland GMBH, Toyota (GB) PLC, Toyota France S.A., Toyota Motor Italia S.p.A., Toyota Danmark A/S, Toyota Motor Sweden AB, Toyota Auto Finland OY, Toyota Motor Poland CO, LTD.

Toyota Motor Europe Manufacturing (TMEM)

Toyota Motor Europe Manufacturing is a 100% TMC subsidiary that supports and co-ordinates all Toyota's manufacturing operations in Europe, as well as their purchasing functions.

Toyota Motor Manufacturing UK (TMUK)

- > **Vehicle Manufacturing Plant.** Located at Burnaston (Derbyshire). Operations include stamping of body panels, welding, painting, plastic moulding and vehicle assembly. The annual production capacity is around 220,000 units.
- > **Engine Manufacturing Plant.** Located at Deeside (North Wales). The plant has an annual production capacity of around 400,000 units.

Toyota Motor Manufacturing France (TMMF)

- > **Vehicle Manufacturing Plant.** Located at Valenciennes, northern France. The plant began production in January 2001. A maximum annual production capacity of 180,000 units is foreseen for 2003.

Toyota Motor Manufacturing Poland (TMMP)

- > **Transmission Plant.** Situated in Walbrych 500 km south of Warsaw, this plant will begin production of manual transmissions in early 2002.

Salvador Caetano I.M.V.T. SA

- > **Vehicle Manufacturing Plant.** A range of Toyota commercial vehicles are produced under licence in Portugal in co-operation with Salvador Caetano.

Key figures

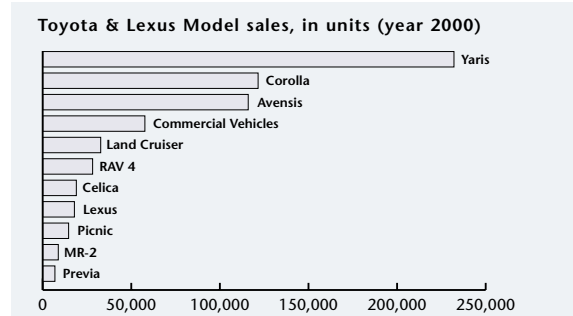
Toyota and Lexus European Sales and Market Share

The table and graphs below show European sales of Toyota and Lexus passenger and commercial vehicles in 1999 and 2000.

	Year 1999	Year 2000
Global Sales (in units)	4,722,454	5,150,000
Total Unit Sales ¹	592,346	655,823
Passenger Vehicles	536,287	601,137
Market Share for Passenger Vehicles ²	3.2%	3.7%

¹ Sales figures include all passenger and commercial vehicles

² Source: Newreg



Toyota Vehicle Production Data

One car production plant and one motor production plant were operating in Europe in 1999 and 2000, both located in Great Britain. All other cars sold were imported. The new French plant, producing Yaris, started operation in February 2001.

	Year 1999	Year 2000
Global Production (in units)	4,730,000	5,180,524
European Production	179,000	170,000

Financial Information

Total Capital Investments in Europe (€ million) up to European FY 2000

TMME	301.10
TMMF	637.60
TMUK	2,574.20
TMMP	102.50
ED ²	13.70
TOTAL Investments	3,629.10

Consolidated Financial Data (€ million) Japanese FY 2001¹

Net Sales	127,852.00
Operating income	8,287.00
Ordinary income	9,260.00
Net income	4,489.00
Total assets	166,852.00
Shareholders' equity	67,758.00

¹April 2000 - March 2001

Employment in Europe

In Europe, Toyota employs more than 45,000 people, directly and through Dealer channels. Global employment totals approximately 210,000 people.

TMME	1,247
TMEM	250
TMUK	2,829
TMMF	1,500 (end 2001 plan)
ED ²	28
Salvador Caetano	404

Dear Reader,

Across Europe Toyota is successfully meeting the challenge of continuously reducing the environmental impacts of its activities. Likewise, Toyota in Europe is also making great efforts to develop Environmental Management Systems. The publication of information and data on its environmental achievements clearly demonstrates Toyota's commitment to communicate with all stakeholders in an open, direct and efficient manner.

December 1998 saw Toyota Motor Corporation issue an Environmental Report for the first time.

It concentrates on activities carried out in Japan, and a fourth issue was published this year (Environmental Report 2001). For further details visit the web site at <http://www.globaltoyota.com>

As part of the implementation of the Consolidated Management System throughout Toyota's consolidated subsidiaries in Japan and overseas, the company has decided to publish "regional" environmental reports, in addition to the Toyota Motor Corporation one.

This first 2001 edition of the "European Environmental Report" covers environmental issues relating specifically to Europe. It complements the "Toyota Motor Corporation Environmental Report 2001", and will be published regularly from now on.

The production of this Report has been made possible only because of the enormous contributions of so many employees within TMME and TMEM. We wish to thank them for their strong support and environmental involvement.

The "European Environmental Report" is designed to focus on Toyota's environmental commitments in Europe. The Report sets out the goals and actions necessary to reduce the environmental impact of our activities over the entire vehicle life cycle, from development to end-of-life, through design, manufacturing, use, maintenance and repair.

Facts and figures in this edition cover the full calendar year 2000, and the first quarter of 2001.

The Report is destined for an audience comprising all stakeholders, employees, shareholders, public authorities, the general public and Toyota/Lexus customers.

In writing this Report, we have taken into account the environmental guidelines of the Global Reporting Initiative (GRI), and we have endeavoured also to include other international environmental reporting recommendations. As for the future, we intend to work towards the development of sustainable reporting and extend the use of eco-efficiency indicators.

We warmly welcome your feed-back, comments and suggestions on this Environmental Report, as well as on our environmental activities in general. May we kindly ask you to use the contact details mentioned on the inside back cover.

We invite you all to visit our web site at <http://www.toyota-europe.com>, where you can find an electronic version of this Report.

We hope that you will find this first "Toyota European Environmental Report" both interesting and enjoyable.

Brussels, November 2001

Manuela Ojan & Willy Tomboy
Environmental Affairs Co-ordination Office

On the road to greater sustainability in the automotive industry

The activities of Toyota in Europe are many and varied. With a clear vision for the future, a growing market share, rapidly expanding manufacturing operations, an exciting range of vehicles - with state-of-the-art engines - and a proven track record of customer satisfaction, Toyota continues to strengthen its sales and market share across Europe.

Toyota's approach to Europe is to design and produce vehicles locally, for European customers. In 1992, fully-fledged production of cars and engines began in the United Kingdom. In January 2001, our second production plant began operations in France, and a transmission plant, being built in Poland, will commence production in 2002. Toyota in Europe continues to work hard at making our operations leaner and more efficient. For example, we are progressively putting in place vehicle and parts logistics processes that reduce costs, whilst simultaneously increasing speed, efficiency and customer satisfaction. And in our manufacturing operations, we implement the Toyota Production System to continuously improve productivity, quality and environmental performance.

In 2000, Toyota successfully introduced the first mass-produced hybrid sedan, Prius, in Europe, making eco-friendly technology an affordable option to a wider public. And the company's success looks set to continue. Supported by an ambitious investment programme, Toyota plans to reach annual sales in Europe of 800,000 units, or 5% market share, by 2005. However, our success in Europe does not affect the attention we pay to the impact that our activities - and vehicles - have on the environment. Transport in general, and motor vehicles in particular, are often seen as one of the main concerns in the debate on sustainable development. Addressing society's environmental concerns is one of Toyota's main priorities in Europe. In this area, Toyota takes a holistic approach significantly reducing stationary and mobile source emissions, by increasing conservation of non-renewable resources, and substantially reducing waste by taking into account the entire life-cycle impact of our products.

Our aim is to deliver sustained economic development that runs shoulder to shoulder with environmental performance in Europe. With this objective in mind, Toyota Motor Europe fully adheres to Toyota's Earth Charter and its third Environmental Action Plan, from which we have derived our European Environmental Policy. Both Toyota's Manufacturing and Sales & Marketing Operations have introduced detailed Environmental Plans for Europe.

Toyota employees across Europe are strongly committed to the environment, and contribute significantly to improvements in our environmental performance. We encourage them, together with our Suppliers, National Marketing and Sales Companies and Dealers to continue these efforts.

The Environment both needs, and deserves, the care and attention of all of us!

Brussels, November 2001

Dr. Shuhei Toyoda
President & CEO
TOYOTA MOTOR EUROPE MANUFACTURING (TMEM)

Akira Imai
President & CEO
TOYOTA MOTOR EUROPE MARKETING & ENGINEERING (TMME)



Corporate Values and Principles

Toyota's Guiding Principles are the cornerstones of the overall management philosophy of Toyota Motor Corporation. These Guiding Principles, first issued in 1992 and revised and updated in 1997, clearly guide the way towards achieving sustainable development.

The environment is one of these Guiding Principles, encouraging us to contribute towards a prosperous 21st century, and seek harmonious growth with people, society and the global environment.

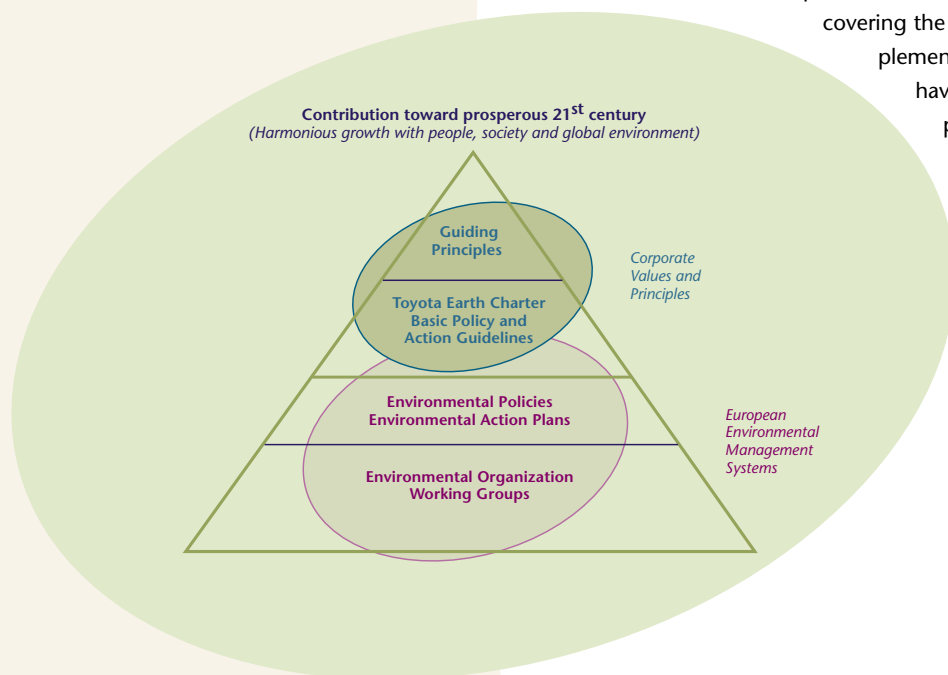
In 1992, the "United Nations Framework Convention on Climate Change" (UNFCCC) "Earth Summit" took place in Rio. Here, many international initiatives, concerning sustainable development, were agreed and have since been advanced.

Based on these fundamental guiding principles and international initiatives, and as a response to Japanese Economic Federation initiatives, Toyota has established a comprehensive approach to global environmental issues - resulting in the development of the "Toyota Earth Charter".

The revised version, published in April 2000 and included in this Report, describes Toyota's Basic Policy and Action Guidelines. The purpose of these Action Guidelines is to engender action-oriented environmental improvements.

In addition, Toyota Motor Corporation has prepared a further action plan, and a "Third Toyota Environmental Action Plan", covering the period 2001 through 2005, is being implemented. Toyota's consolidated subsidiaries have been asked to prepare their own action plans, with specific goals and initiatives.

Manufacturing plants were instructed to develop their individual plans during 2000, while other subsidiaries have been given until the end of 2001 to do likewise.



New Toyota Earth Charter

Implementing Consolidated Environmental Management

Basic Policy

I. Contribution toward a prosperous 21st century society

In order to contribute toward a prosperous 21st century society, aim for growth that is in harmony with the environment, and challenge achievement of zero emissions throughout all areas of business activities.

II. Pursuit of environmental technologies

Pursue all possible environmental technologies, developing and establishing new technologies to enable the environment and economy to coexist harmoniously.

III. Voluntary actions

Develop a voluntary improvement plan, not only based on thorough preventive measures and compliance to laws, but that addresses environmental issues on the global, national, and regional scales, and promotes continuous implementation.

IV. Working in cooperation with society

Build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation including governments, local municipalities, as well as with related companies and industries.

Action Guidelines

1. Always be concerned about the environment

Challenge achieving zero emissions at all stages, i.e., production, utilization, and disposal.

- Develop and provide products with top-level environmental performance
- Pursuit of production activities that do not generate waste
- Implement thorough preventive measures
- Promote businesses that contribute toward environmental improvement

2. Business partners are partners in creating a better environment

Cooperating with associated companies.

3. As a member of society

Actively participate in social actions.

- Participate in creation of cyclic society
- Support environmental government policies
- Contribute also to non-profit activities

4. Toward better understanding

Actively disclose information and promote environmental awareness



Environmental Management Overview

Toyota Environmental Action Policies

Along with other Toyota subsidiaries, Toyota in Europe is developing a five-year Environmental Action Plan, which will be in line with Toyota Motor Corporation Policies, guidelines

which were published in the "Third Environmental Action Plan 2001-2005". For this Report, these guidelines have been grouped according to the vehicle life cycle, allowing them to be easily tracked within the various sections.

Life Cycle	Item	Action Policies	Guidelines for Europe
Environmental Management	Comprehensive environmental management	Establish and promote a consolidated environmental management system	Implement Consolidated EMS that covers automobile-related production companies (beginning in FY2001); Expand the consolidated EMS to cover all business areas (by FY 2005)
	Employee awareness	Enhance environmental education system	Establish, implement systematically and improve company-wide employee education (by FY2005)
Development and Design	Fuel efficiency	Secure top levels of efficiency in all vehicle classes in each country and region > Develop and commercialise CO ₂ reduction technology > Promote actions for early achievement of fuel efficiency standards for each country	Steady responses to achieve goals of European voluntary commitment for fuel efficiency (2009 JAMA average 140g/Km)
	Exhaust emissions	Promote appropriate emissions reduction responses considering specific urban environment needs in each country and region > Promote technological development challenging zero emissions > Respond to regulations	Develop ultra-clean diesel vehicle
	Clean energy vehicles	> Take actions to expand the use of hybrid vehicles > Active development of next-generation technologies such as Fuel Cell Hybrid Vehicles (FCHV)	Improve the Toyota Hybrid System and start mass production; Develop and accelerate introduction of FCHV; Develop clean energy vehicles such as EV and CNG
	Recoverability	Promote development of recycling designs that can contribute to a vehicle recovery rate of 95% by 2015 Promote expanded uses for recycled materials	Appropriate responses to EU End-of-Life Vehicles Directive and regulation in each Member State
	Substances of environmental concern	Global management of chemical substances and promote actions to become top-class world-wide in this field	
	Automobile noise	Further reduction of all sources of noise pertaining to automobiles	Development of noise reduction technology that can coexist with improved fuel efficiency and reduced emissions
	Air conditioning systems	Develop new air conditioning refrigerant as an alternative to HFC to prevent global warming	Development of air conditioning using CO ₂ as refrigerant, etc.
Purchasing and Manufacturing	Global warming	Promote active CO ₂ reduction measures	Develop plant specific performance improvement plans setting targets for CO ₂ , VOC, hazardous substance and water reduction and striving towards eliminating the disposal of waste to landfill
	Substances of environmental concern	Reduce VOC's aiming for top global performance level Voluntary reduction of Pollutant Release and Transfer Register (PRTR) substances	
	Waste and resources	Reduce waste aiming for achievement of zero emissions and promote resource conservation activities	
	Water resources	Implement new actions for saving water resources	
Logistics, Marketing, Sales and After Sales	Logistics	Actively promote logistics rationalisation aiming to reduce CO ₂ emissions and packaging and wrapping material waste	Further improve logistics efficiency
	Prior - assessment system	Further improve comprehensive prior assessment system of environmental impact assessments generated from overall product life cycle (production, use and disposal)	Promote environmental design and low impact production technologies Improve the management of substances of concern in the car's life cycle stages, and monitor status of reduction goals for products
	Environment - oriented related business ventures	Actively promote businesses, such as ITS (Intelligent Transport System) and the re-forestation that contributes to improvement in the environment	Develop and promote various ITSs that contribute to transportation system improvements Steady promotion of re-forestation business
	Suppliers' co-operation	Promote propagation, establishment and activities of the Toyota Environmental Purchasing Guidelines Further promote "green purchasing"	Globally expand the Environmental Purchasing Guidelines Procurement from European affiliates: beginning FY2001
	Dealer's co-operation	Promote propagation, establishment and activities of the Toyota Dealer Environmental Guidelines	Globally expand the Dealers' Environmental Guidelines (by FY2005)
End Of Life	Recoverability	Actively participate in social actions aimed towards realisation of recovery rate of 95% by 2015	Appropriate responses to EU End-of-Life Vehicles Directive and regulation in each EU Member State
Stakeholder Support	Public awareness	Enhance environmental communication activities in each country and region	Provide better environmental information using the internet; issue regional environmental reports; conduct various symposia, exhibits on environmental themes
	Socially-contributing activities	Globally promote and demonstrate support for environmental education, reforestation activities, basic academic research, etc.	Development of Global 500 Award commemoration projects

Environmental Management Systems

To ensure that the Basic Policy and Action Guidelines are cascaded down through the organisation, as a first step in Europe, Toyota has put in place environmental structures, covering various levels and units. These structures are monitored and adapted where appropriate within the growing European organisation.

Taking a broader perspective, Toyota intends to establish a Consolidated Environmental Management System. In fact, Toyota believes that having an Environmental Management System (EMS) in place leads to greater systematisation, internal and external transparency and full employee participation in environmental activities. This results in improved environmental performance and stronger corporate culture.

Through the Consolidated Environmental Management System, Toyota Motor Corporation (TMC) is promoting the establishment and the implementation of environmental management systems based on the international standard ISO14001 for all its subsidiaries. TMC has requested all its consolidated companies to work hard to become top-level, environment-focused companies within their respective region or country.

Toyota Motor Europe Manufacturing (TMEM)

Toyota is proud that all Toyota and Lexus cars sold on the European market have been produced in plants, whether in Japan or Europe, that hold the ISO14001 certification. The new production plant in France has also begun implementing the system according to ISO14001 standards, and plans to receive certification in early 2002.

Each European manufacturing plant has a policy and action plan. An example of such a policy is highlighted in the adjacent text box.

In 2000, TMUK worked on ensuring the steady advancement of its Action Plan 1998-2000 (see Purchasing and Manufacturing section) for the Deeside and Burnaston plants and drafting the Action Plan 2001-2005.

Toyota (UK) Policy

Principles

1. Toyota (UK) will, at a minimum, meet all regulatory and legislative requirements
2. Toyota (UK) is committed to the continual improvement in environmental performance and prevention of pollution. This will be achieved by:
 - a. aiming to minimise the environmental effects of new materials and processes, through prior assessment of the environmental impact
 - b. seeking ways to minimise the consumption of resources, to eliminate or reduce the production of releases to the environment, and to minimise the quantity of waste requiring disposal
3. Toyota (UK) engages in the continual development and strengthening of the understanding of all company members on the best environmental operating and management practices.
4. It is the aim to cultivate community awareness of Toyota (UK)'s commitment to the environment, and to continue to support and participate in environmental activities ancillary to automobile manufacturing.

Responsibilities

1. The Toyota (UK) Environmental Steering Committee is responsible for establishing and reviewing the environmental targets and objectives for the continued improvement in environmental performance
2. To assist in safeguarding the environment, it is the responsibility of every Toyota (UK) member or contractor to be diligent in the control and operation of processes, and in the handling and disposal of materials
3. It is the responsibility of Environmental Affairs to provide guidance to all departments and to co-ordinate the implementation of appropriate management and operational procedures, to ensure compliance with regulatory and legislative requirements



Environmental Management Overview

Environmental Organisation

TMEM is a relatively new organisation and is currently in the process of developing an overall environmental organisational structure. Nevertheless, environmental structures are in place at all individual manufacturing plants. The TMUK Managing Director has ultimate responsibility and authority for the environmental activities of TMUK. The specific representative for consolidated environmental management is the Deputy Managing Director for Manufacturing. There is an Environmental Affairs Team at TMUK with responsibility for ensuring compliance to the company's Environmental Policy. These include all aspects of the management system, from planning and operational implementation, to progress verification and taking corrective measures. The environmental performance of manufacturing plants is reviewed at Environmental Steering Committee meetings, held several times a year.

Employee Environmental Training

At UK production plants, training for new employees and on-the-job training are given. The purpose of this training is to raise awareness of the effects of manufacturing and to ensure that each person understands their individual responsibility for protecting the environment.

During 2000, TMUK launched a new initiative with the aim of standardising the level of on-the-job training given. Relevant environmental information was issued

to each team, enabling each group leader to train their members. Group leaders set training targets for each member, and the level of training was tracked against these targets. A future strategy has now also been agreed, involving classroom training and



practical exercises. A learning resource centre, containing environmental information now also exists, and is available to all employees.

Environmental Management and Internal Auditing Systems for UK Plants

The first Toyota plants outside Japan to achieve ISO14001 certification were Burnaston and Deeside in the UK in 1996. Their system has constantly been improved, clearly demonstrating TMUK's commitment to achieving a high standard of environmental control, whilst maintaining its position as a

highly competitive manufacturer. To achieve continual improvement in environmental performance, TMUK has applied the philosophy of the Toyota Production System, based on flexibility, cost awareness, local control and environmental management. This is reflected in the environmental management system which was implemented at the onset of production in 1992.

During 2000 there were 43 active internal auditors and there were 157 internal audits scheduled. Throughout the year, work was ongoing to computerise the integrated audit system. A database was created holding all the audit information, and access given to all departments. This ensures that all departments and management can view the status of the system at any time.

Pioneering an Integrated Management System

As well as holding ISO14001 certification, TMUK has also obtained ISO9000 certification for its quality management. In 2000 the environmental and quality management auditing systems were merged, benefiting both systems. The main benefits of this merger were:

- > To enable central co-ordination – both for the company and within departments
- > To avoid duplication – auditors are now able to audit environmental and quality systems at the same time
- > To increase auditing skills and expertise for the internal auditors who gained a broader view of the management system. Internal auditors were cross-trained in ISO14001 and ISO9000 standards

The first external audit of the Integrated Management System was held in February 2001, and the result was successful. TMUK was re-certified to both standards by the Vehicle Certification Agency, with no "non-conformances".

Toyota Motor Europe Marketing and Engineering (TMME)

TMME began developing an Environmental Management System in 2000, covering marketing and engineering, sales and after sales activities. ISO14001 accreditation is expected by Autumn 2001.

Within the scope of the EMS, TMME has issued an environmental policy, and an action plan, covering the period FY 2000-2001. A medium-term action plan will be issued during 2001, based on TMME policy and Toyota Motor Corporation guidelines for Europe.

TMME Environmental Policy

TMME recognises that the automotive business is deeply related to the environment and to sustainable development. TMME will pursue environmental activities to enable the environment and economy to coexist harmoniously.

TMME will adopt and TMME personnel will commit to the following Environmental Policy:

1. Meet all relevant regulatory and legislative environmental requirements, as well as commit to voluntary agreements.
2. Pursue continual improvements in environmental performance and challenge the achievement of zero emissions throughout all stages of the product life cycle by:
 - Including environmental objectives in the yearly Group/Division/Department targets which will have a direct or indirect impact on the environmental performance
 - Pursuing activities that increase eco-efficiency
 - Providing products and services with top-level environmental performance
 - Promoting businesses that contribute toward environmental improvement
 - Implementing thorough preventive measures
3. Co-operate with associated companies as partners in creating a better environment:
 - At European distributor and dealer level: promote activities and support businesses that contribute toward improvement of environmental performance
 - At supplier and contractor level: co-operate with partners in order to promote business in line with Toyota Environmental Policy
4. Strengthen the awareness and understanding of TMME employees as well as Toyota distributors on the best environmental management practices and on how the environment is influenced by our different business activities.
5. Actively disclose information about the environmental work of our Company and promote environmental awareness.
6. Adhere to the New Toyota Earth Charter and strive for the achievement of the objectives put forward by Toyota Motor Corporation in the Environmental Action Plans.

A. Imai
President & CEO, Chairman of
TMME Environmental Committee
September 2000



Environmental Organisation

To bolster implementation, to better control and monitor environmental policy goals, and to ensure the integration of environmental performance throughout the business process, Toyota Motor Europe Marketing and Engineering (TMME) has established an organisational structure. In line with corporate organisation in Japan, it includes the Environmental Committee, the Working Groups, and the Environmental Affairs Co-ordination Office (EACO).

Environmental Committee

In 2000, TMME created an Environmental Committee, chaired by TMME's President & CEO. All TMME Directors are members of this committee. The committee has a clearly-defined role: to promote concrete activities which prevent and control environmental impacts throughout the vehicle life cycle. The Committee's principal responsibilities cover the implementation of the environmental policy, approval of the environmental action plan and the monitoring of its implementation. The committee also communicates with TMC on European environmental strategies.

Working Groups

To address the main environmental issues in the most effective, practical manner, Toyota in Europe has developed six Working Groups. These Working Groups prepare and implement specific group action plans and report the status of the activities to the Environmental Committee. They also communicate the decisions made by the Committee to all working-level divisions and ensure that policies are implemented and goals achieved. All divisions - whether Public Affairs, Logistics, Finance or Personnel - have delegates who participate in these Working Groups. Their participation ensures, and clearly illustrates how environmental issues have become genuinely integrated into all Toyota's business processes.

Environmental Affairs Co-ordination Office

In January 2000, TMME created a dedicated Environmental Affairs Co-ordination Office (commonly known by its abbreviation EACO), reporting directly to TMME's President & CEO. Some of the office's key responsibilities include: drafting the five-year

environmental action plan for Europe; preparing annual plans; supporting the introduction of all system elements internally and with NMSCs; supporting the Environmental Committee and the Working Groups; and increasing the overall environmental awareness and commitment of Toyota employees across Europe.

Involving National Marketing and Sales Companies and Dealers

Toyota is committed to securing and enhancing its brand image as a leading environmentally-conscious company. Therefore the support and inclusion of local NMSCs and Dealers is essential. In March 2001, TMC and TMME issued Environmental Guidelines for NMSCs. These guidelines explain in detail Toyota's fundamental environmental awareness and expectations, along with its requirements for NMSCs. These include detailed methodology for carrying out specific activities. The main guidelines are:

- > Take an environmentally-sensitive approach to all sales and after sales activities
- > Collect and evaluate environmental information (national trends, policies, public opinions)
- > Promote environmental communications and education (public relations activities, environmental specifications in catalogues, etc.)
- > Develop an environmental management system to carry out the above activities, taking a systematic and streamlined approach

An instruction document, the "Dealer Environmental Guidelines in Service Area", was drawn up to support NMSCs in the promotion of environmental activities by the Dealer service areas and body shops.

Through the guidelines, NMSCs have been requested to take voluntary actions towards systems implementation, achieving certification in line with ISO14001 by the end of 2005 at the latest. Some countries are already forging ahead:

- > The Swedish NMSC acquired certification in the Summer of 1998 - the first Toyota NMSC in the world to obtain ISO14001 standards
- > In Switzerland, the Central Warehouse acquired certification in 2000
- > In Finland, a Toyota Dealer acquired certification in May 2001.

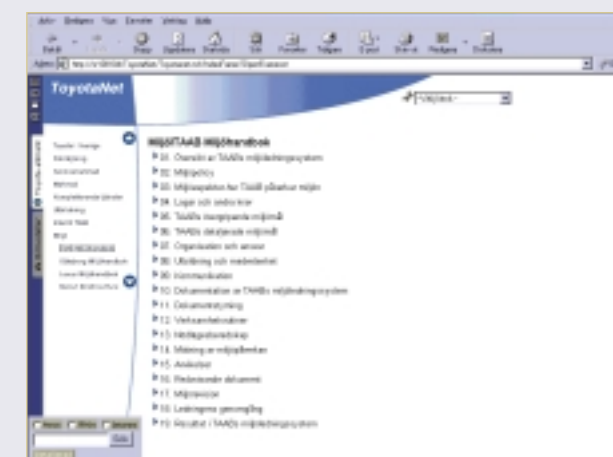
Toyota Sweden's Integrated Management System

Toyota Sweden, TMC's Swedish subsidiary, imports, markets and distributes Toyota and Lexus cars, parts and accessories. These are sold through a network of 67 Dealers. In 2000, Toyota's market share in Sweden was almost 6% and approximately 17,000 vehicles were sold.

ISO14001 Standards at Toyota Sweden

In the Summer of 1997, at Toyota Sweden, we began the development of an environmental management system. Importation, distribution, marketing of cars, parts and accessories all fell under the scope of the system, the ultimate goal of which was to both satisfy environmental legislation and the demands of our customers. The process to system implementation and reaching certification to the ISO14001 standard took about 18 months. In December 1998, we acquired the certificate, the first Toyota NMSC in the world to do so.

At the heart of our environmental management system is a clear environmental policy with both short and long-term targets. The targets outlined for 2000 were, for example, to reduce the amounts of unsorted waste by 10% (actual result 47%), reduce the use of cardboard at the warehouse by 5% (actual result 6%), initiate environmental actions at Dealers and press important suppliers to implement their own systems. Toyota Sweden's EMS is set out in an Environmental Handbook, now available on the intranet, ToyotaNet, giving access to all employees.



Dealers' Environmental Programme

During 2000, an environmental programme for Dealers was developed. Several environmental targets focused on individual environmental performance, and a key target for all main Dealers was the implementation of a waste management

system. By the end of the year, all but two had waste management systems in place. In October 2000 Prius was launched. The introduction of Prius on the Swedish market was seen as an opportunity for Dealers to enhance their environmental image and show commitment. In line with this commitment we requested that all Dealers selling Prius must have an environmental management system in place.

We have outlined our Dealer programme in a "Five-Step Environmental Programme" guide.

In this document we ask Dealers to 1), carry out an initial environmental review of their business, 2) implement an environmental policy, 3) develop environmental activities with related action plans, 4) implement a waste management system, and 5) appoint an environmental co-ordinator.

To push the five-step Programme and strive towards certification, we also offered environmental training to the Dealers. Three large training seminars were carried out during Autumn 2000 in the cities Växjö, Stockholm and Umeå. The training group was targeted at CEOs and Environmental Coordinators. Over half of the main Dealers participated in the training. Environmental training was also carried out just before the Prius launch. Fleet sales personnel at Dealers underwent specific Prius training, through which they were made aware of the uniqueness of the product and the car's link to Toyota's overall environmental strategy.

In September 1999, four of the main Dealers, and Lexus Sweden, began implementing ISO14001 standards. Toyota Centre Gothenburg acquired certification in April 2001, the first Toyota Dealer outside Japan to do so, and they were followed in mid 2001 by Lexus Sweden. The target is for all main Dealers to achieve ISO14001 certification by the end of 2003.

Supplier Environmental Management System

Early in the implementation of our EMS, we required our main suppliers to also develop environmental management systems. This has also proved to be a successful venture.

In mid-2000, the company responsible for Toyota's PDI (Pre-Delivery Inspection) operations was certified to ISO14001 standards. Amongst the improvements they have initiated under the EMS is the installation of a new water efficient car wash facility and a complete waste management system. Another of our integrated suppliers, which transports cars to the Dealers, is also certified to ISO14001 standards, and our main dismantling supplier in Växjö has had ISO14001 certification for many years.

