

Our Tax Policy

1. Overview of Our Concept of Tax Payments

Toyota's founding philosophy was to contribute to the national economy by establishing an automobile industry, by "enriching people's lives through car making" and "creating employment and enriching the local economy by paying taxes as a locally rooted company".

Toyota will seek to achieve sustainable results through the Toyota Production System ("TPS") and cost reduction, and commits to its responsibility to making the appropriate tax payments as the most basic form of social contribution in the communities in which Toyota conducts its operations.

2. Tax Principles

■ Compliance

Toyota complies with local applicable laws and regulations in all jurisdictions in which we operate our business as well as relevant international tax standards, such as the OECD Transfer Pricing Guidelines, arm's-length standards, as established by international organizations. In addition, Toyota structures its normal business operations consistent with our low tolerance for tax risk and does not plan into tax avoidance structures outside of our normal business operations.

■ Governance

Tax compliance falls under the responsibility of the Chief Financial Officer. Across our businesses, Toyota ensures oversight and governance of tax matters through internal review and approval procedures by members of the Regional Tax Function, local entities and Executive Boards where appropriate, consistent with our risk management framework.

When we face tax issues, Toyota Motor Corporation or its Regional headquarters in cooperation with each applicable local entity, will seek to resolve them in a timely fashion. At the same time, we define highly important issues based on business criteria. These issues are reported and evaluated in our board of directors' meeting regularly. These issues are reported to Audit and Supervisory Board Members regularly as well.

Toyota is committed to educating its employees on complying with its tax policy through trainings and e-learning.

We value tax transparency by actively strengthening tax governance throughout the Toyota organization by partnering with our business divisions and through strict internal controls and high standards.

■ Shareholder engagement

In order to optimize tax expense and improve shareholder value, we aim to strengthen the above governance and utilize tax incentives in line with the business substance of our operations to provide sustainable results within the parameters of our strategic and commercial objectives.

■ Good relationship with tax authorities

We seek to develop and maintain good relationships with tax authorities by being open, constructive and transparent, based on integrity and mutual trust and respect.

Where there is a difference of opinion between the tax authorities and Toyota on a particular tax matter due to the complexity of the tax laws and regulations, Toyota seeks to work collaboratively with the tax authorities in order to resolve disputes and to achieve early agreement. Sometimes, however, it could

be necessary for these differences in interpretation to proceed to national or supranational resolution procedures to clarify the interpretation of the law.

■ Prevention and elimination of double taxation

Toyota adheres to the arm's length principles as defined by the OECD and allocates income according to business functions and risks appropriately in order to prevent double taxation.

When we face double taxation, we seek to eliminate it by applying available tax relief systems in each country or the mutual agreement procedure regulated in the tax treaties.

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