

Editorial Policy	Contents	Overview of Toyota Motor Corporation	Corporate Principles/CSR Structure	<b>Society</b>	Environment	Governance	CSR Data				
Initiatives for Improving Traffic Safety	Customer First and Quality First Measures	Creating an Affluent Society	Social Contribution Activities	Respect for Human Rights	Collaboration with Business Partners	Employees	Safety and Health	Human Resources Development	Diversity and Inclusion	Creating Attractive Workplaces	Stakeholder Engagement

## Customer First and Quality First Measures

**Fundamental Approach** The origins of Toyota's "Customer First" and "Quality First" principles lie in the Five Main Principles of Toyoda, which embody the thinking of Sakichi Toyoda, and the spirit of audit and improvement of Kiichiro Toyoda. Since its foundation, Toyota has established a corporate culture that focuses particular attention on quality that will produce customer smiles and on *kaizen* (continuous improvement) achieved through *genchi genbutsu* (onsite hands-on experience). In accordance with our commitment to quality as stated in the Toyota Global Vision, each employee in every area maintains a constant and strong awareness of issues and a sense of ownership and makes ongoing efforts to implement *kaizen* and to collaborate closely with personnel in other fields to enhance customer safety, peace of mind, and satisfaction.

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

Major Initiatives during FY2018 (result)	Major Initiatives during FY2019
<b>Quality</b> <ul style="list-style-type: none"> <li>Laid down a solid foundation for measures to comprehensively prevent reoccurrence of recall issues that occurred in the past</li> <li>Introduced new technology and established quality assurance systems to support those technologies</li> <li>Expanded quality-learning facilities on a global scale to teach personnel about the Customer First and Quality First principles</li> </ul>	<ul style="list-style-type: none"> <li>Build a system for incorporating customer feedback into products</li> <li>Thorough review and reinforcement of company-wide business processes related to legal compliance</li> <li>Build quality standards from the customer's view point focused on product safety</li> </ul>
<b>Customers</b> <ul style="list-style-type: none"> <li>Held customer feedback exhibitions to raise awareness of "something is different" or "something is missing" compared to customer expectations</li> <li>Deployed a system for searching customer feedback on the company intranet</li> </ul>	<ul style="list-style-type: none"> <li>Improving the support level at customer assistance centers</li> <li>Staff education based on visualizing customers' real voices</li> </ul>

### Initiatives to Improve Quality

Toyota sees quality as the combination of product quality, sales and service quality, and the quality of work performed by each employee that serves as the foundation supporting the other aspects of quality.

We also believe that products and services that gain the confidence of customers can be created only when each employee, who engages in every process from development, purchasing, production, and sales to after-sales service activities, builds in quality and implements the quality assurance cycle.

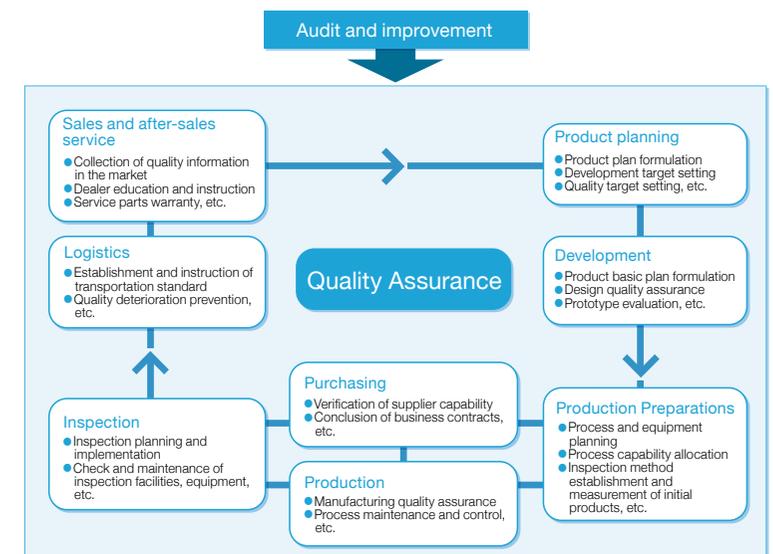
The origins of quality lie in the spirit of audit and improvement, and Toyota's unchanging *monozukuri* (manufacturing) pursues ever higher quality through continuous improvement based on repeated implementation of PDCA\* cycle.

\* PDCA: The circular process of Plan-Do-Check-Action for continuous improvement

#### Toyota's Concept to Quality



#### Quality Assurance Cycle



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## Organization and Structure

Toyota establishes a Quality Function Policy each year based on the policy for 2018. In 2018, we have identified focal activities and are working on various issues based on the policy of “Establish a solid foundation by adhering rigidly to the work basics and build competitive quality from the customer’s viewpoint.”

The fundamentals of action are function management and policy management.

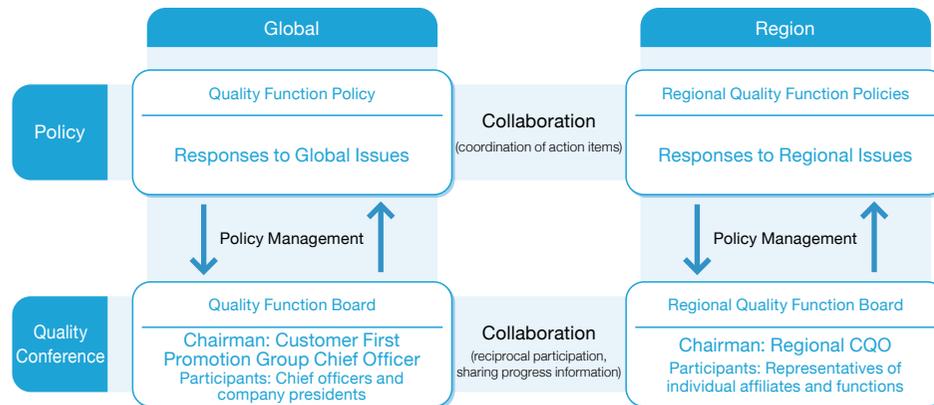
Function management refers to setting company-wide policies based on a function that ensures quality and each group and company taking action in collaboration with other divisions.

Policy management refers to the formulation and implementation of action plans for achieving targets in each group and company, based on the company-wide policy. During the implementation phase, progress and results are reported through Quality Function Board and other forums and responses are carried out as needed.

In addition, in order to strengthen quality improvement activities led by the regions, Toyota has appointed Chief Quality Officers (CQOs) in Japan and other regions around the world to address regional issues and promote global collaboration.

In 2012 the Customer First Promotion Group (CF Promotion Group) was established to strengthen in-house systems for quality improvement in order to be a Quality Leader from customer’s perspective.

### Global Implementation Structure of Policy and the Quality Conference



## Strengthen Quality Improvement Measures through Region-driven Measures Centered on CQOs

In 2010, we established the Chief Quality Officer (CQO) system to strengthen collaboration with each region for the purpose of gathering and globally sharing information on the real voice of regional customers and measures being taken. We are taking actions to improve quality on a global scale. For example, among the meetings of the Quality Function Board, the highest-order global conferences held by TMC several times each year, the one in January requires CQOs from all regions to attend. Also, appropriate CQOs are invited to other meetings, depending on their agendas.

Additionally, each region has organized a variety of quality-related conferences. For the highest-order conference chaired by the regional CQO, TMC sends its Global CQO or a secretariat member in order to facilitate and support better communication and collaboration.

### Quality Month Activities for Raising Employee Awareness regarding Quality

Toyota designates every November as Quality Month and sets a theme each year with the aim of encouraging each employee to consider the importance of the Customer First and Quality First policies and raising work quality so that we can be rewarded with the smiles of customers. Activities are conducted to promote the sense of ownership in quality by employees in a manner that will lead to action. The theme in FY2018 was “Let’s listen to customer’s voice with sincerity and take action obediently and rapidly!” to return to Toyota’s founding principles and be rewarded with the smiles of customers. Company-wide measures were taken to learn about the current status of quality challenges Toyota is facing and for each employee to ensure higher quality of work. There were two issues behind this theme.

The first was “listening more carefully to customer voice and quickly incorporating it into products to improve them,” which was made clear by the evaluation information from customers and society. The second was “completely eliminating simple mistakes such as wrong assumptions and copying mistakes,” which was made clear from thorough root cause analysis of the recent measures taken in the market. Recognition about these issues was shared throughout the entire company, and each employee analyzed and reassessed his/her day-to-day work through discussions on quality held at each workplace. These steps have helped improve work quality and provided us with an opportunity to return to the starting point of “Customer First,” “Quality First,” and “Genchi Genbutsu (onsite hands-on experience),” which express the true character of Toyota.

We have also taken other actions, such as holding exhibits of quality examples targeting both Toyota internal employees and suppliers, the All-Toyota TQM Convention, and lectures for facilitating understanding about the usage environment of cars in each region. The goal was to enhance the quality awareness level in each workplace.



Quality Month poster

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### Coping with Quality Troubles

We have a system whereby each employee takes action to enhance quality in accordance with the Customer First Principle and prepares for and responds in a timely manner to quality-related issues. When making recall decisions, quality failures are determined not simply based on legal compliance, but also from the customer's perspective, putting safety and assurance first. Final decisions are made with the participation of regional representatives, who are closest to customers, so that feedback from regional customers can be accurately reflected.

After the decision to recall is made, Toyota contacts individual customers through dealers, and additionally posts information on its website to ensure prompt repair service.

We will continue to improve our products so our customers can drive Toyota cars safely and with peace of mind.



Recall information in Japan [Web https://toyota.jp/recall/](https://toyota.jp/recall/)

### Storytelling Activities to Maintain Focus on the Series of Recall Issues

February 24, the day that President Akio Toyoda attended U.S. Congressional hearings held to investigate the series of recall issues that occurred in 2010, was designated "Toyota Restart Day." We are creating mechanisms and taking measures to raise awareness in order to maintain focus on the lessons learned from the experiences Toyota underwent at that time.

For example, in 2014 Toyota established its Customer Quality Learning Centers as education facilities for conveying the experiences and lessons Toyota learned from the series of recall issues to future generations of employees. Exhibits that appeal to the five senses, such as actual examples of faulty parts and vehicle simulators, help Toyota employees learn the importance of quality. The Customer Quality Learning Centers are open to voluntary visits by Toyota employees and can also be utilized as facilities for rank-specific education. The Centers offer important programs to educate new employees who are unfamiliar with the situation at the time of the series of recall issues. Every year, on Toyota Restart Day, current quality issues are added to renew the program. We are making these efforts to create key education facilities for maintaining focus on all that Toyota learned. Globally, Toyota has opened approximately 30 Customer Quality Learning Centers (as of the end of March 2018).

We are also working to ensure employees in each region and each plant thoroughly understand the importance of quality. In storytelling activities, employees who experienced those recall issues take on the role of storyteller to convey the facts and lessons learned from the series of recall issues within their

own work sites. As the number of employees who experienced the recall issues firsthand dwindles, human resources who can hand down this information at each worksite are essential for permanently maintaining the experiences and lessons of the recalls. Starting in 2017, this activity was expanded companywide, with the storytellers speaking at their work sites about their experiences and the lessons they learned. They are also working to train the next generation of storytellers in order to prevent any fading of the lessons learned from the recall issues.



Rank-specific program targeting new employees (Customer Quality Learning Center)

### Roundtable Discussion with Executive Vice President as the Storyteller

As one of the company-wide events related to Toyota Restart Day, a storytelling meeting was held in 2017. Then, in February 2018, a roundtable discussion was held at the Lecture Hall at headquarter office with the executive who was the Vice President of North America affiliate at the time when the series of recall issues occurred.

Twenty-seven employees who had been stationed in the U.S. or had been involved in design at that time, along with 220 storytellers, participated in the event. The experiences and lessons learned were shared under the theme, "The situation as viewed from the outside (i.e., the U.S.), TMC's challenges, and what must be addressed in the future."

Participants' comments included: "I want to widely convey what I learned today to my workplace," "I want to utilize what I heard today for my own education," and "I want to hear more detailed stories."



Roundtable discussion

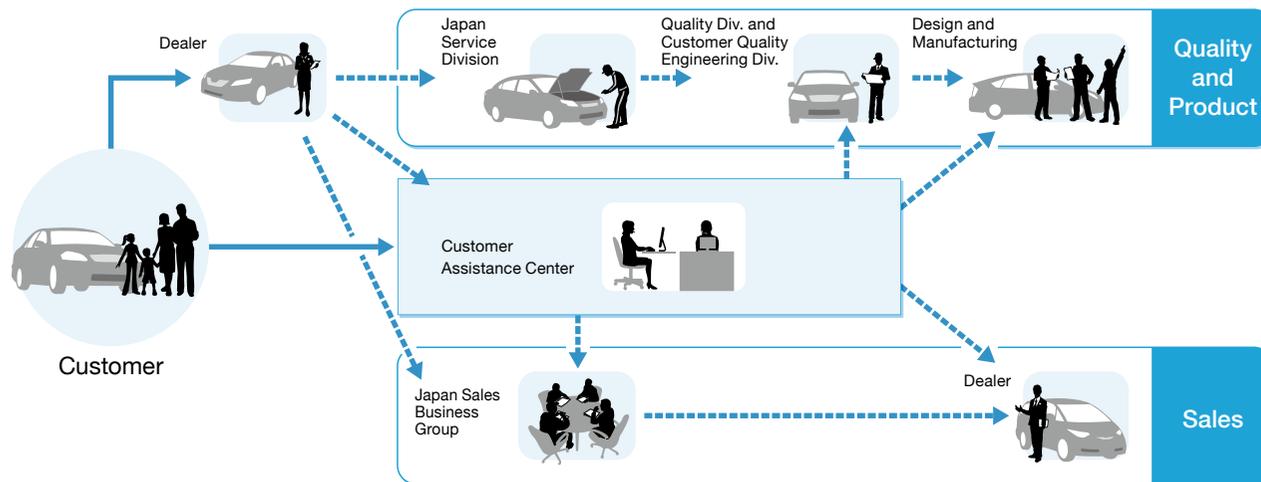
## Customer First Measures

Toyota's principle of Customer First exists for the purpose of providing customers with products and services that earn their smiles. Toyota hopes to offer cars with superior features in terms of environmental, safety and quality performance, while also offering the intrinsic appeal of cars, such as high driving performance, at an affordable price.

We humbly and obediently accept information provided by our dealers and customer feedback received at customer assistance centers, taking them to heart and utilizing them for making ever-better cars.

### System for Implementing Customer Feedback (Japan)

In order to respond to customer inquiries, opinions, and requests, the most recent customer feedback is gathered from dealers. Also, we established the customer assistance centers and are taking actions which lead to the creation of ever-better cars and services.



### Toyota Customer Assistance Center and Lexus Information Desk

The Toyota Customer Assistance Center and the Lexus Information Desk are open for consultation 365 days a year, and have established a structure designed to ensure constant customer satisfaction.

Toyota offers speedy, appropriate and empathetic responses to customer inquiries, and listens to opinions and requests, based on the principle of Customer First. At the same time, Toyota addresses all issues while also maintaining close cooperation with its dealers. Furthermore, the Salesperson Support Desk has been established in order to support dealers in implementing the Customer First principle.

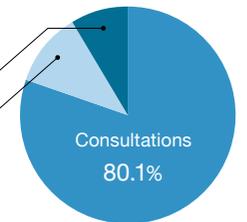
Toyota also conducts surveys of customers who use our telephone service via an automated response system, in an effort to continuously make further improvements.

### Number and Content of Calls Received by the Center and the Desk in 2017

Number of calls received: 293,000 (Japan)

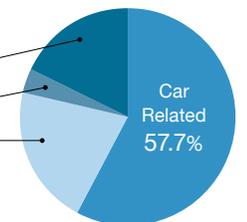
Breakdown of call content (Japan)

Opinions and issues	8.7%
Salesperson support	11.3%



Content of calls received (Japan)

Other (car delivery date etc.)	17.9%
Brochure requests	3.6%
Navigation and audio systems related	20.7%



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### Customer Feedback from Each Country and Region

In order to put the Customer First principle into practice worldwide, Toyota has established customer

assistance centers not only in Japan, but also in the U.S., Europe, other Asian countries, and we are giving our full attention to customer voices daily.

## Customer Feedback Delivered to Toyota

### [Compliments]

**U.S.**

I own a 1985 Supra and have been driving it for 32 years, covering 176,000 miles (282,000 km).  
**When I drive it around town, many people stop and do a double take.**  
 I bought a Lexus LC500 last month.  
 I think this car will also become my next "permanent buddy" and I will end up driving it over 176,000 miles in the next 32 years.  
 Even though I have driven it for only two weeks,  
**I have already noticed that everyone does a double take, just like when I was driving the Supra.**  
**I am very lucky to be able to drive two such exciting cars.**  
**Thank you for making such good cars. I'm really impressed.**

**New Zealand**

An incident happened when my boyfriend and his friend had gone fishing to a remote lake and were driving home.  
 Although he was a safe driver,  
**a bad road made steering impossible, and the Prado slid 65 m down to the bottom of a canyon.**  
 He sustained cuts and bruises, and his friend hurt his wrist and shoulder ligament.  
**I cannot express in words how grateful I am that they were fortunate enough to survive such a serious accident.**  
 We have promised each other that we are absolutely going to buy another new Prado when we have enough money. I cannot think of owning any other car.  
**I'm really grateful to our Prado as well as to Toyota Motor Corporation, which manufactured this car.**

**Japan**

The other day, **I was helped by an employee working at a Toyota Motor Corporation plant.**  
 When my car had a flat tire in the parking lot of a large-volume retail store and I was at a loss because I could not get in touch with my family, this employee offered to change the tire.  
 Because I had never experienced a flat tire before, I was so shaken up that I forgot to get the name or contact information of the kind employee.  
 Since I did hear that the person was a Toyota Motor Corporation employee, I am writing this letter.  
**I consider myself fortunate to be driving a car made by wonderful people who would kindly offer to help someone in a dire situation.**  
**I sincerely hope that Toyota Motor Corporation will continue to be a company where many people with such wonderful spirit make cars that can be driven safely and with peace of mind.**

### [Claims and Consultations]

**Japan**

**"I cannot figure out how to use the navigation system!"**  
**"Answers to questions related to the navigation system take too long!"**

**Counter-measures**

**[Initiatives for Improvement]**

**Deployment of Navigation Corner Where Specialists Handle Navigation-related Inquiries**

Navigation-related issues account for 20 percent of all customer inquiries. Since navigation-related inquiries are diverse we have assigned navigation specialists to minimize the amount of time customers must wait. Moreover, many customers ask questions while operating their navigation systems. Therefore, we have provided models of all Toyota genuine navigation systems installed in our vehicles over the past 10 years at the Navigation Corner to create the same operational environment as those of customers.



Navigation Corner

**Japan and U.S.**

To repair my hybrid car, the whole inverter had to be replaced,  
**which was very expensive.** Is it possible to replace only the broken part with a new part?

**Counter-measures**

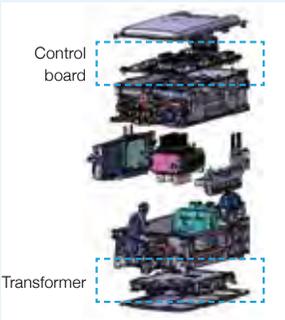
**[Initiatives for Improvement]**

**Initiatives for Overhaul and Reuse of Hybrid Vehicle Parts**

Some hybrid vehicle components are dismantled and parts are repaired or replaced in order to reduce repair costs. We are also working to establish rebuild/reuse technologies for rebuilding collected failed parts and supplying them inexpensively, and plan to expand the number of vehicle models that will be handled.

Example: Prius

We made it possible to replace the internal control boards and transformer components of power control units so that repairs can be made at lower cost compared to replacing the entire unit.



Control board  
Transformer

## Ongoing Customer First Staff Education

To coincide with the designation of every May as Consumer's Month by the Japanese government, Toyota has declared it Customer's Month, and undertakes initiatives aimed at spreading awareness of the Customer First principle throughout the company. The Customer Feedback Exhibitions present feedback from customers not just in Japan but around the world, as well as initiatives taken from the customer's perspective. The exhibitions serve as forums for each employee to reconfirm the importance of listening to customer feedback.

The exhibition in May 2018 was held under the theme "Does Toyota's (your) common sense deviate from customers?" and presented customer feedback categorized into product/usage disparities and response/action disparities. The exhibition provided us with an opportunity to contemplate the "disparities between customers' expectations, requests, and actual situations" and "the actions that we at Toyota consider appropriate." It also exhibited customer voices of appreciation, helping our employees gain awareness and motivation. A lecture was also held on customer-first measures taken by companies in other industries.

As part of employee education, "Experience and Learn from Customer Feedback" sessions are held to observe and experience the functioning of our call center, the Customer Assistance Center. A Customer Feedback Board summarizing customer feedback has been posted on the company intranet, drawing employee attention to issues of concern to customers.

Furthermore, we are actively encouraging some of our employees to obtain the Consumer Affairs Advisor qualification, which is certified by the Japanese Prime Minister. Facility and vehicle evaluation from the customer's viewpoint is also held by a group of experts, the Toyota Consumer Affairs Advisor Group.



A customer feedback exhibition



Video shown at the exhibition

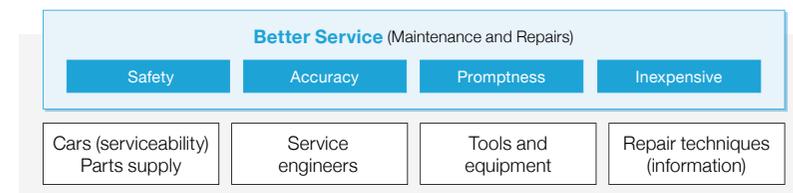
## After-sales Services Measures

To bring smiles to the faces of as many customers as possible, it is essential to simultaneously achieve both better cars and better services. Customer car use requires regular check-ups, legally mandated inspections, and repairs following breakdowns or accidents. After-sales service provides safety, peace of mind, and comfort to customers at these times, and continues support for the Toyota and Lexus brands. In recent years, the average duration of car use has been lengthening (in FY2018, the average vehicle age excluding minivehicles in Japan was 12.9 years), increasing by 1.3 years from 10 years ago. As a result, the role of after-sales service is becoming increasingly important. More than 100 million Toyota vehicles are currently owned worldwide and each of them is irreplaceable to the customer. Toyota is taking measures to provide ever-better services in accordance with the concept of the 3S Spirit (*Seikaku* + *Shinsetsu* = *Shinrai*: Accuracy + Caring = Trust) so that we can achieve high levels of customer satisfaction in using their Toyota vehicles.

## Organization and Structure

Better service means the ability to safely, accurately, promptly, and inexpensively perform maintenance and repairs in cases of breakdown. To do this, we are working to enhance the serviceability of vehicles that can be repaired quickly and the availability of service parts and to develop service engineers. Based on the idea that after-sales services begin at the stage of vehicle development, we believe that serviceability is also one aspect of a car's performance, and serviceability improvement based on market feedback is incorporated into vehicle development. Toyota has also established a system to deliver parts exactly when they are needed to countries around the world so that repairs and other services can be completed in a timely manner. Parts inventories and inspection work are being made more efficient by applying Toyota Production System concepts at dealer worksites.

## Better Service and Supporting Factors



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In terms of tools for supporting service operations, the number of diagnostic codes for identifying failure causes has been increased. When the on-board computer performs self-diagnosis and detects a failure, it sends the diagnostic code for the failed part to the dealer so that the part causing the problem in the vehicle can be quickly identified. We are also taking innovative steps to improve service operation efficiency by reducing the number of frequently performed operations or automating them. Service, technology, sales, and other divisions are collaborating on repair techniques to deploy easy-to-repair car manufacturing. They also provide manuals that quickly give the necessary information and make repair work quick and easy.

There are currently approximately 180,000 Toyota personnel involved in after-sales service in Japan and overseas, and educational systems and facilities are being established in each region. The Tajimi Service Center in Gifu Prefecture, Japan, plays a central role in enhancing the knowledge and technical skills of service staff worldwide.

**Measures to Help Customers Use Their Vehicles Safely**

To help customers enjoy driving their vehicles safely and comfortably, user's manuals are created and information on the latest models is posted on the Toyota website. We are also taking steps utilizing the product information provision tools for distributors and dealers, as well as the company website to accurately communicate the risks resulting from operational errors.



User's manual search screen (Japan)

**Initiative with Toyota National Dealers' Advisory Council to Listen Directly to Customer Feedback**

Since dealers offer services to customers directly, Toyota is working with dealers to provide ever-better cars and ever-better services.

In Japan, the sectional meetings of Toyota National Dealers' Advisory Council and Toyota are discussing after-sales services.

Technical Sectional Meetings, which have been held regularly since 1977, investigate quality issues and serviceability from the customer's perspective. At Service Meetings, held since 1990, various issues regarding the service sites of dealers are investigated. The results of both meetings are used to implement improvements.

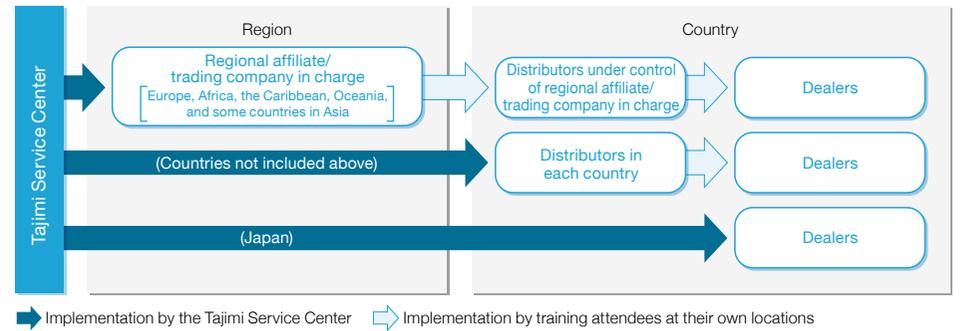
**Training Centers Develop Global Service Technical Staff**

The Tajimi Service Center in Gifu Prefecture, Japan provides training on service technologies and sheet metal painting to service engineers from dealers in Japan and overseas distributors worldwide.

The Tajimi Service Center, which opened in July 2013, includes classrooms, practice fields, and drive evaluation courses with a variety of road conditions on a vast 187,000 m<sup>2</sup> site. In FY2018, a total of approximately 2,200 staff members from 26 sites in Japan and overseas were trained at the center, bringing the cumulative total number of attendees to approximately 9,800.

The Center has completed the R&D functions for the latest service technologies compatible with the service, repair, and sheet metal painting/repair of Toyota cars on the market that are equipped with state-of-the-art technology. These new technologies will increase the knowledge and improve the technical skills of staff members who come to the center for training from all over the world, contributing to the creation of a foundation for reinforcing global competitiveness in service technology.

**Service Technology Training Process**



Tajimi Service Center