Relations with Employees

Labor-Management Relations

Toyota’s labor-management relations are based on mutual trust between labor and management. Following a labor dispute in 1950, mutual trust between labor and management was adopted as the foundation of labor-management relations in the joint labor and management declaration concluded in 1962. Since then, repeated discussions have led to deeper understanding and trust between labor and management.

Mutual Trust Between Labor and Management

The basic concepts of mutual trust between labor and management are: improvements in the lives of employees are realized through the prosperity of the company, and labor and management thus share the same goal of company prosperity as a common value; management will take into consideration the greatest possible extent stable employment and will continuously strive to improve working conditions; and employees will cooperate with the company’s policies in order to promote the company’s prosperity.

In the Labor and Management Resolutions for the 21st Century signed by labor and management representatives in 1996, mutual respect was added to mutual trust as a foundation of labor-management relations, and this is reflected in the current Guiding Principles at Toyota Motor Corporation.

Labor and Management Resolutions for the 21st Century (Summary)

(1) As a global company, we will endeavor for the progress of the world economy, and at the same time contribute to international society.
(2) The relationship between labor and management shall be based upon mutual trust and respect.
(3) In order to create a company environment in which workers can fully utilize their potential and additional value can be obtained, we, labor and management will endeavor to faithfully perform the roles entrusted to us, while standing on common ground.
(4) We will contribute to the realization of a truly affluent society and life for working people, taking into consideration the future of Japan as a whole.

Basic Principles of Personnel Management

In order to create a relationship of mutual trust and respect between labor and management, personnel management is conducted in accordance with four basic principles: (1) Creating a workplace environment where employees can work with their trust in the company; (2) Creating a mechanism for promoting constant and voluntary initiatives in continuous improvements; (3) Fully committed and thorough human resources development; and (4) Promoting teamwork aimed at pursuit of individual roles and optimization of the entire team.

Stable Employment

Stable employment that avoids simple layoffs and terminations is a key pillar in the relationship of mutual trust between labor and management. In addition, the Toyota management system is based largely on bringing out to the greatest extent employee abilities, reasoning skills and creativity. Consequently, the simple disposal of human resources, a major management asset, not only damages the relationship of trust, but also hinders the spontaneous display of ability by employees. Accordingly, Toyota always takes a medium- to long-term management perspective and has made the realization and continuation of stable employment through all possible employment policies the fundamental basis of its management philosophy.

Creating Good Workplace

In order to reflect the ideas and opinions of employees in corporate activities, in addition to promoting communication between employees of different rank within the company, Toyota has also established a Toyota Creative Suggestion System and started QC circle activities.

Toyota has established a number of hotlines for the fast and fair resolution of issues related to compliance, gender harassment, mental health and working conditions. The employee awareness survey conducted every year indicates that “pride in the company” and “employee satisfaction” remain high.
Safety and Health

Safety, along with quality and the environment, is an important topic relating to the very foundation of a corporation. Based on the philosophy of “Respect for People,” and the fundamental policy that “Safety is management itself” and “it is everyone’s responsibility, from senior executives to every employee at the workplace, to place safety first,” Toyota is making an effort to create a safe and energetic work environment.

5-Year Policy (2000 - 2004)

1. Zero STOP6-type accidents and designated occupational diseases by reinforcing the proactive prevention system and structure
2. Building a workplace environment which is healthy for the mind and body
3. Inherent safety:
   - 2. Designated occupational diseases:
     - Injury from dust and noise, or musculoskeletal disorders
4. Completely healthy Toyota employees:
   - 3. Development of measures for ergonomic (musculoskeletal) disorders with overseas in view
5. Building Good Health
   - 5. The ratio of Toyota employees whose health-related work restrictions were lifted

Main Action Taken in FY2002

1. Development of activities which demonstrate assurance of zero accident record (for STOP6+accidents which occur in each shop, occupational diseases)
2. Pursuit of inherent safety based on risk assessment while guaranteeing and maintaining safety functions
3. Development of measures for ergonomic (musculoskeletal) disorders with overseas in view
4. Steady implementation of measures against noise and dust
5. Strengthening of management and guidance for construction work by contracted companies on Toyota’s premises

Industrial Accident Frequency
(Frequency Rate of Lost Workday Cases)

<table>
<thead>
<tr>
<th>Year</th>
<th>All industries</th>
<th>Manufacturing industries</th>
<th>Automobile manufacturing industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>'02</td>
<td>2.0</td>
<td>1.5</td>
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<tr>
<td>'98</td>
<td>0.0</td>
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</tr>
</tbody>
</table>

*The figures for all industries, manufacturing industries and the automobile industry for 2002 are preliminary

Building Good Health

Toyota is conducting employee health checks, including items required by law as well as its own items. In 2002, the percentage of completely healthy Toyota employees was only 55%, falling short of the goal of 70%. Participation in lifestyle guidance meetings, one measure toward early recovery, was 75%, a lower percentage than the previous year. The ratio of Toyota employees whose health-related work restrictions were lifted to those who participated in the lifestyle guidance meetings was, however, twice as high as that of the previous year.

Mental Health Care

Regarding mental health at the workplace, in addition to education in traditional knowledge, all of the newly appointed managers and supervisors undergo active listening courses that are effective in the prevention and early detection of mental problems. In FY2002, 810 newly appointed department general managers, group managers, and others at Toyota received this training.

Regarding individual mental health care, by strengthening ties among personnel, the workplace, and workers’ families, Toyota is improving its follow-up system for people who are on leave.

Through these activities, Toyota aims to create a workplace with better communication in the future.

Active listening courses

Experiential training in methods of building good communication through understanding and sympathy for others’ feelings and emotions; a technique of active listening

Learning communication techniques at an active listening course
Human Resources Development

“Because people make our automobiles, nothing gets started until we train and educate our people.” As seen in these words, which were expressed by Honorary Advisor Eiji Toyoda, Toyota seeks to develop human resources through the activity of making things. Toyota believes that the development of human resources requires the handing down of values and perspectives. In conjunction with the geographic expansion of business and the growth of business areas, undertaking global actions for the development of human resources has become a priority issue. Toyota is building both tangible (a new learning facility) and intangible (course content) structures relating to team member development that ensures a secure and steady flow of qualified human resources to conduct Toyota’s global business in the 21st century.

Fully Committed and Thorough Human Resources Development

Toyota conducts systematic company-wide and divisional training and assignments for training purposes with an emphasis on on-the-job training (QJT) to ensure that associates can fully utilize their abilities.

Toyota has defined the required qualifications of “professional staff” for office and engineering positions, and “T shaped human resources” who are able to perform day-to-day activities and expand their skills in technical positions. Company-wide training is conducted based on employee qualifications, as well as specialized training for individual divisions, language training, and special knowledge and skill training.

In October 2002, Toyota created the booklet “Toyota — Developing People” and distributed it to all associates to create a common understanding that “the source of Toyota’s competitiveness is human resources development” and to promote the creation of workplaces where personnel development takes place at all sites and at all levels.

1. Professional Staff:
   Associates who can create added value on their own and contribute to society, as well as utilize their strengths and exercise teamwork

2. T Shaped Human Resources:
   Team members with a broad range of skills, such as English language skills and operational knowledge (the crossbar of the “T”) as well as highly specialized knowledge and experience in a particular field (the vertical bar of the “T”)

A Shared Toyota Way

In order to carry out the Guiding Principles at Toyota Motor Corporation, in April 2001 Toyota adopted the Toyota Way 2001, an expression of the values and conduct guidelines that all employees should embrace. In order to promote the development of Global Toyota and the transfer of authority to local entities, Toyota’s management philosophies, values and business methods, that previously had been implicit in Toyota’s tradition, were codified. Based on the dual pillars of “Respect for People” and “Continuous Improvement,” the following five key principles sum up the Toyota employee conduct guidelines: Challenge, Kaizen (improvement), Genchi Genbutsu (go and see), Respect, and Teamwork. In 2002, these policies were advanced further with the adoption of the Toyota Way for individual functions, including overseas sales, domestic sales, human resources, accounting, procurement, etc.

Key Principles of The Toyota Way 2001

1. Continuous Improvement
2. Challenge
3. Improvement
4. Genchi Genbutsu
5. Respect
6. Teamwork

Outline of Training Programs

<table>
<thead>
<tr>
<th>Objective</th>
<th>Content</th>
<th>Attendants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Leadership School</td>
<td>Development of executive human resources capable of showing leadership from a global perspective</td>
<td>Future global leaders from around the world</td>
</tr>
<tr>
<td></td>
<td>- Enhanced leadership ability based on the Toyota Way</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Reinforced business management knowledge and skills</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Global human networking</td>
<td></td>
</tr>
<tr>
<td>Management Development School</td>
<td>Training of management to systematically understand and implement the Toyota Way as it relates to each core business area (production, sales, etc.)</td>
<td>Middle management from around the world</td>
</tr>
<tr>
<td></td>
<td>Production: Understanding of the Toyota Way at various functions at Toyota’s manufacturing companies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sales: Understanding of the latest marketing methods, etc., based on the Toyota Way in sales and marketing</td>
<td></td>
</tr>
</tbody>
</table>

Toyota Institute

In January 2002, the Toyota Institute was established as an internal human-resource development organization that aims to reinforce the organic integration of global Toyota companies by way of sharing the Toyota Way as well as to promote self-sufficiency. The purpose behind the Toyota Institute’s establishment is to promote the human resources development of global Toyota in order to promote true globalization and to realize the advancement of Toyota’s core values. TMC President Fujio Cho is the Toyota Institute’s first president, with 16 full-time associates managing the business.

Within the Toyota Institute, the Global Leadership and the Management Development Schools constitute the specific content of the training programs.

In 2002, the Toyota Institute conducted training programs targeting global leadership candidates from TMC and overseas companies and for middle management personnel to enhance understanding of the Toyota Way, enable best practice sharing and drafting of action plans, as well as contribute to the creation of a global human network.
Diversity and Equal Opportunities

With the on-going changes in the labor market environment, due to such factors as the globalization of business and social advances of women, one major task for increasing a company’s competitiveness is to have management that can make use of human resource diversity. In 2002, Toyota started a Diversity Project based on the concept expressed in Toyota’s Global Vision 2010 of “promoting the creation of environments featuring people from around the world with various abilities and values who are given the opportunity to experience self-realization as individuals.” Through this, Toyota aims to increase its employees’ motivation and optimize the value of its human resources.

See pp. 4 - 5 for the Global Vision 2010

Toward Promotion of Women’s Participation

In 2002, based on the principle of respecting diversity and with the aim of reforming management throughout the company, Toyota set its sights on women’s participation, reviewing its arrangement with regard to female employees, and taking steps to put a better environment in place. In order to promote the creation of an environment more conducive to participation by motivated female employees, Toyota has made a three-pronged effort to: (1) Help enable women to work and raise children at the same time; (2) Assist in women’s career building, and (3) Reform the working environment and employee awareness. Toyota has also introduced flexible working arrangements and constructed child-care facilities at business sites.

System for Helping Employees Accomplish both Child Rearing (or Nursing Care) and Work

Trends in Number of Employees Taking Child Rearing Leave

As of March 2003, Toyota had approximately 5,800 female employees, accounting for 9% of the total workforce, but the number of women employed has grown steadily each year as female students’ awareness increases.

Trends in Ratio of Female Employees (Example of Administrative Positions)

Trends in Toyota’s Disabled People Employment Ratio

Employment of Disabled Persons

As of March 2003, Toyota employed about 800 disabled people in many kinds of positions at various workplaces. Toyota believes in helping the disabled achieve autonomy within society, and makes it a basic rule to have them work together with other employees. Human consideration is given to the conditions of their disability at the business sites and ways are devised to accommodate them in workplace facilities so as to create a workplace environment that is safe and easy to work in.

As of the end of March 2003, Toyota’s disabled employees ratio was 1.95%, exceeding the 1.8% Legal Employment Quota.*

*Legal Employment Quota: In accordance with the “Law for Employment Promotion, etc. of the Disabled,” private companies normally employing 56 or more employees are obligated to employ disabled people (either physically or intellectually disabled) at a ratio exceeding 1.8% of their total workforce.

Best Practice

Career Design Forum

With the objective of assisting women’s career building, Toyota held the Career Design Forum in November 2002 for about 400 female employees.

The purpose was to help the women build a network within the company and to give them the motivation to create their own career visions independently and actively.

Best Practice

Facility to Help Child Rearing “Toyota Child Care Bubu Land”

In March 2003, the “Toyota Child Care Bubu Land,” an on-site childcare facility (in Toyota City, Head Office area), was opened so that all employees, both male and female, who wished to continue working while raising children could do so without worry. The facility has many useful features, which include having a resident nurse on the staff and staying open until 10:30 pm. One female employee using the facility (with a one-year-old child in care) expressed her sentiments in the following way: “It’s located at the company, so drop-off and pick-up are easy, and I can continue working without having to worry if extra work should suddenly crop up.”