



SUSTAINABILITY REPORT 2010

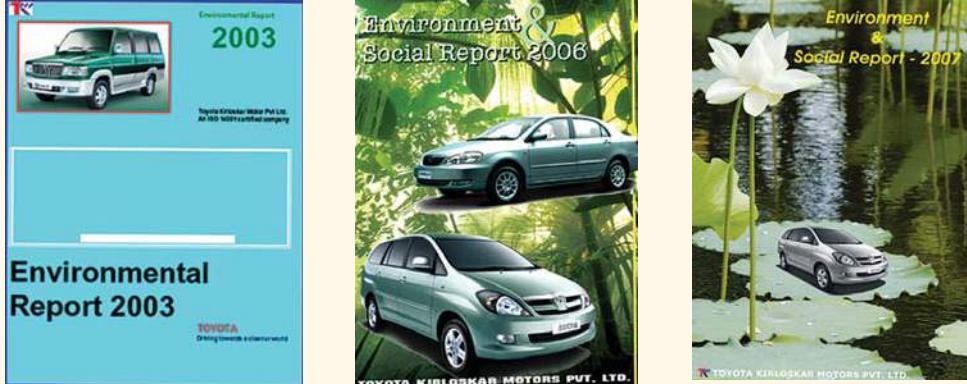


TOYOTA KIRLOSKAR MOTOR





About the Report



This report details Toyota Kirloskar Motor [TKM] Pvt. Ltd. India's, sustainability performance from April 1 2009 to March 31 2010.

Toyota Kirloskar Motor (TKM) published its first annual Environment Report in 2003 as a disclosure of information on the company's environmental activities. In 2007, the report widened its scope to include the company's activities in corporate social responsibilities.

Through this first Sustainability Report and the sixth annual report, TKM intends to provide transparency of its economic, environmental and social commitments as well as the

policies, strategies and performances affecting its business and stakeholders during the financial year April 2009 to March 2010.

The material included in this report is based on stakeholder feedback and extensive internal dialogue conducted through processes that form an integral part of the company's daily operations. TKM believes that this report covers a balanced and complete set of topics that illustrates our committed efforts in

the field and the results that follow.

Our key target audience is our internal and external stakeholders. They include employees, dealers, customers, suppliers, government, educational institutions, the media, Toyota Motor Corporation and other companies that have an interest in sustainability and reporting.

We welcome your feedback on this report. Please send us an email to: eco@tkm.co.in

We welcome your feedback on this report. Please send us an email to: eco@toyota-kirloskar.co.in

An online copy is available at:
<http://toyotabharat.com/inen/environment/index.asp>



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Message from MD

I take this opportunity to express my hearty thanks to all our stakeholders for your continuous support to Toyota Kirloskar Motors.

At TKM, we strive to be the most loved and admired automobile company in India by following the Toyota-way philosophy. Team Toyota India is committed to contributing to economic and social development for a sustainable future. We strive to contribute to the Indian economy by:

- Manufacturing value added products, with global standards of safety and quality
- Bringing innovative technology to the Indian market
- Generating employment
- Raising the skill levels by imparting training through initiatives like Toyota Technical Education Programme (TTEP) and Toyota Technical Training Institute (TTTI) .
- Creating road safety awareness through the Toyota Safety Education Programme (TSEP)

In line with Toyota's global vision towards sustainability, our aim is to make the process and products eco-friendly. The Etios plant is an eco-plant in harmony with nature where we have incorporated environment friendly technologies like water-borne paint, energy efficient equipment and water recycling.

The Delhi Auto Expo 2010 marked an important milestone in TKM's history through the launch of our Etios Concept and launch of hybrid car Prius in India which is the world's best selling hybrid car.

Towards our journey in achieving sustainability, we have planted 64,000 saplings. We will continue this journey towards creating a potential natural forest.

I thank my colleagues, the suppliers, dealers and all stakeholders for their continuous wisdom in meeting every challenge with speed, flexibility and cooperation towards sustainability.

I am delighted to present TKM's 2010 Sustainability Report to you and welcome your feedback.

Let's Grow Together,



Hiroshi Nakagawa,
Managing Director
Toyota Kirloskar Motor



Key Figures



Environmental Performance

- 23 %** Reduction in power usage
- 20 %** Reduction in Water Consumption
- 85 %** Coverage of Dealerships Compliant with ISO 14001
- 98 %** Coverage of Suppliers (core) Compliant with ISO 14001



Social performance	2008	2009	2010
Number of Employees	3762	3511	5637
Turnover rate for employees	6.3%	3.7%	2.8%
Community Investments (through Community Spirit and Community Sponsorships) in Mil. Rs.	85.5	106.5	108



Economic performance	2008	2009	2010
Units Manufactured	53,774	46,251	63,269
Units Imported as CBU (Completely Built Unit)	1,295	492	504
Net Profit after Tax [Rs. in Mil] (08/09 and 09/10 fiscal years)	2,073	1,226	3,093

A close-up photograph of the front of a light-colored car, showing the headlight, grille, and bumper. The car has a sleek, modern design.

Corporate Philosophy

Seeking Harmony between People, Society and
the Global Environment, and Sustainable
Development of Society through
Manufacturing...



Corporate Philosophy

Since its inception, Toyota has worked continuously towards contributing to the sustainable development of society through the manufacturing and provision of innovative and quality products and services that lead the times.

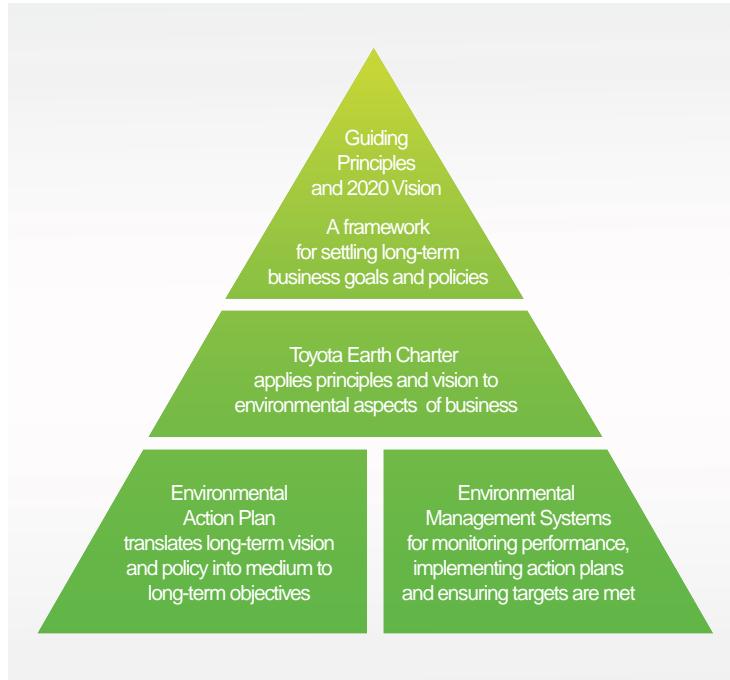
Toyota Kirloskar Motor's performance in India and our corporate culture are driven by Toyota's guiding principles and the Toyota way. In India, we reflect these global values through our sustainable plant activities and our customer first approach.

In every nation and region, Toyota aspires to be a good corporate citizen of the world

by applying its guiding principles of conducting open and fair corporate activities and also contributes to economic and social development through its local business activities.

Through its overseas subsidiaries, Toyota is dedicated to social contribution by addressing a variety of cultural and social issues and engaging in proactive local communication. Toyota will remain a locally based corporation and will continue to play its part in promoting the growth of each nation and region with its automobile production.

The Guiding Principles



The guiding principles at Toyota (adopted in 1992 and revised in 1997) reflect the kind of company that Toyota seeks to be in light of the unique management philosophy, values, and

methods that it has embraced since its foundation. The guiding principles (detailed in the section on 'Stakeholders') define the values the company delivers to its stakeholders.

Toyota Global Vision 2020



As we look ahead to 2020, Toyota believes that re-examining the relationship between nature and the industry and pursuing synergy between manufacturing, people,

society and nature is extremely important. Toyota is helping promote efforts toward finding a balance between the cycles of nature and the cycles of industry.

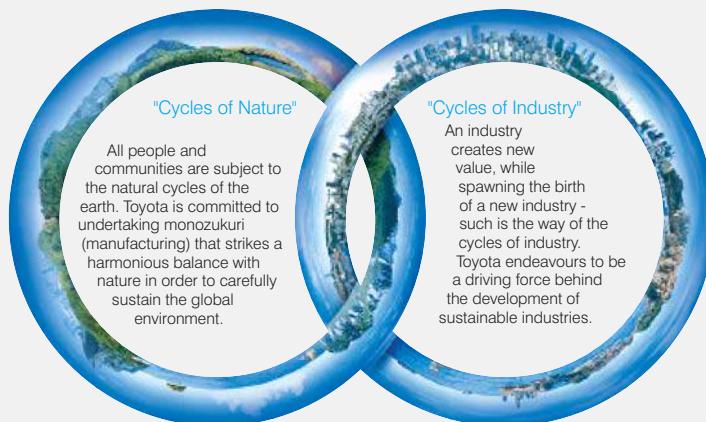
Toyota Global Vision

Economic development is accelerating in a number of regions throughout the world. With environmental and energy related issues having an impact on a

global scale, the environment surrounding the automotive industry is undergoing drastic changes. Amid these changes Toyota endeavors to remain a

useful member of both the global and local community and has formulated its Global Vision 2020, which provides a future vision for Toyota's place in the world.

Where Toyota would like to be in 2020



As it looks ahead to 2020, Toyota believes in re-examining the relationship between nature and industry and pursuing harmony between monozukuri, people, society in general, and nature is extremely

important. Also, by seeking harmony between monozukuri and the cycles of nature, Toyota is helping promote efforts toward finding a harmonious balance between challenges in new fields in order to achieve this.

TOYOTA GLOBAL VISION 2020



Open the frontiers of tomorrow through the energy of people and technology

Currently, Toyota is employing "Open the Frontiers of Tomorrow" as the slogan for Global Vision 2020. This slogan expresses the commitment of Toyota and each and every employee to never be satisfied with the status quo. To create a path to a new world and to work steadily towards the realization of society's dreams. This progress is to be achieved through the energy of people and technology.

The Toyota Earth Charter (formulated in 1992, revised in 2000) is based on the Guiding Principles at Toyota formulated in 1992 (revised in 1997), and embodies Global Toyota's comprehensive approach to environmental issues. The Toyota Earth Charter has been adopted by about 530 affiliates worldwide to date.

Toyota Earth Charter



Basic Policy

- 1. Contributing towards a prosperous 21st century society:** Contributing to a prosperous 21st century society. Aim for growth that is in harmony with the environment and set as a challenge the achievement of zero emissions throughout all areas of business activities.
- 2. Pursuit of environmental technologies:** Pursue all

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

3. Voluntary actions: Develop a voluntary improvement plan based on thorough preventive measures and compliance with laws that address environmental issues on the

global, national and regional scales and promotes continuous implementation.

- 4. 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, related companies and industries

II. Action Guidelines

Always be concerned about the environment. Take on the challenge of achieving zero emissions at all stages, i.e., production utilization and disposal.

- Develop and provide products with top-level environmental performance.
- Pursue production activities that do not generate waste
- Implement thorough preventive measures
- Promote businesses that

contribute towards environmental improvement

Business partners are partners in creating a better environment Cooperate with associated companies

As a member of society Actively participate in social actions

- Participate in the creation of a recycling-based society
- Support government environmental policies

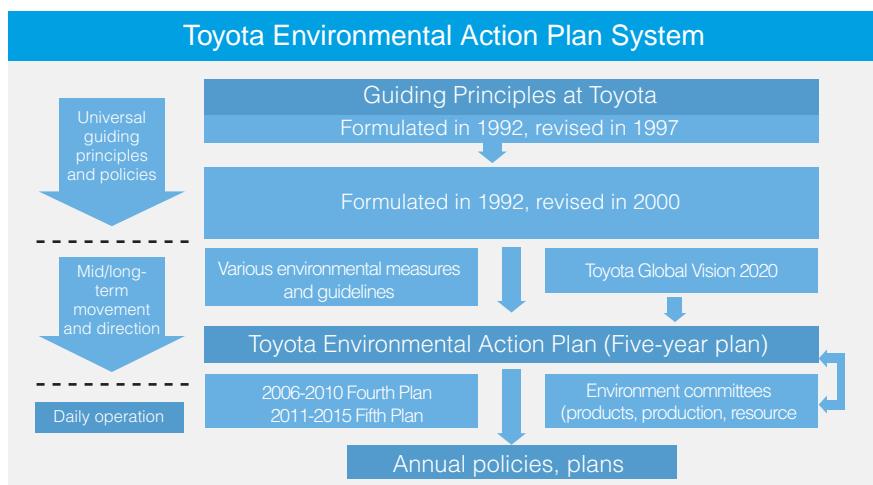
- Contribute also to non-profit activities

Toward better understanding Actively disclose information and promote environmental awareness



Toyota Environmental Action Plan

In accordance with the Toyota Earth Charter, Toyota Motor Corporation (TMC) has formulated the Fourth Toyota Environmental Action Plan, a five-year plan with medium-term goals covering the period from 2006 to 2010 to facilitate the promotion of environmental initiatives by each company.



Company Overview: TKM at a glance

As a joint venture between the Kirloskar Group and Toyota Motor Corporation, Toyota Kirloskar Motor Private Limited (TKM) aims to play a major role in the development of the automotive industry and the creation of employment opportunities through its dealer network and ancillary industries.



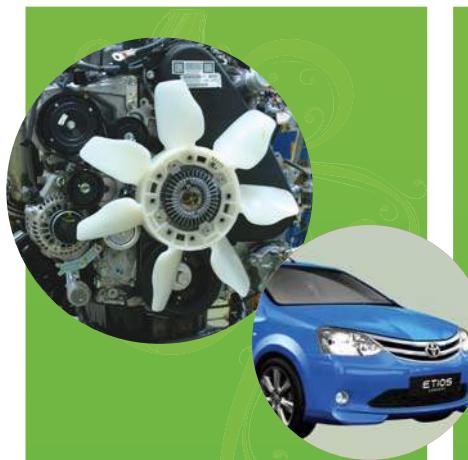
Company Overview: TKM at a glance



Who We Are

Toyota Kirloskar Motor [TKM] is a partly owned subsidiary of Toyota Motor Corporation, Japan (TMC). TMC is Japan's largest vehicle manufacturer and is now the largest automotive company in the world.

TKM employs about 4109 people and around 1528 more are indirectly employed at our manufacturing facility. We also offer a range of imported Toyota products through our Toyota dealerships. TKM has a national network of 105 independently owned dealers all over India.



Where We Are

Our corporate headquarters is based at our manufacturing plant in Bidadi, 25 km south of Bangalore which is popularly known as the Silicon Valley of India. We have a marketing office in Bangalore city and our regional offices and training centers are in Gurgaon, near New Delhi.



What We Do

TKM is an emerging passenger car manufacturer in India. We manufacture and sell new vehicles, parts and deliver customer service all over India through our independently owned dealer network.

Toyota Kirloskar Motor manufactures the Innova, Corolla Altis and Fortuner model vehicles. The Fortuner has been the best selling model in the SUV segment in India in 2009-2010. Also the Innova has been the best selling model in the MPV segment for the past five years in succession. We also import and sell the Camry, Land Cruiser, Prado and Prius models as CBUs [Completely Built Units] throughout our dealer network in India.

TKM also markets used vehicles under the 'Toyota U Trust' outlets. This is a dedicated used vehicle outlets refurbished by Toyota and backed by a comprehensive warranty that provides customers with a similar level of manufacturer's commitment as new car buyers.

Product Line-up



○ Corolla Altis



○ Innova



○ Fortuner

Corolla Altis ,Innova & Fortuner model automobiles (manufactured in India)

Key Milestones of Toyota in India

Initiated as a successful joint venture between the Japanese Toyota Motor Corporation and the Indian Kirloskar Group, TKM has emerged as a key player in the automobile industry over the past decade.



1997
Construction of TKM



1999 December
Qualis Production Started



2003 January
Corolla Production Started

1997

1997

1997 August
Establishment of TKM

1999



2001

2001

2001 April
ISO 14001 Certification

2003





Camry



Prado



Prius



Land Cruiser

The Camry, Prado, Land Cruiser 200 and Prius (imported into India as Completely Built Units)
Manufacturing /trading of service parts for the above models.

Toyota Kirloskar Motor took off in India with a beginning in the MPV segment and within a decade has diversified into the mid-range luxury and SUV segment. As a first of its kind venture by Toyota, TKM will be staging the manufacture of Toyota's small car in India for the first time.



2003 September
Reached 1 Lakh Product. Units



2007 August
TTTI Inauguration



2009 July
Plant 2 foundation laying

2003

2005

2007

2009

2009

2009

2005 February
Innova Production Started

2009 June
Afforestation Day – 21st June

2009 August
Fortuner Launch



A bird's eye view of the Toyota Kirloskar Motor, Bidadi manufacturing facility

TKM is situated in the Bidadi Industrial Area, which has been earmarked by the Government as an industrial area development project. No natural biodiversity habitats are affected by the location of the manufacturing facility.



Legend:

- 1, Toyota Technical Training Institute [TTTI]
- 2, National Parts Centre [NPC]
- 3, Test Track

4, Afforestation Zone

5, Plant 1

6, Plant 2

7, On-Site Supplier's Park [OSS]



Award & Accolades



"BEST EMPLOYER BRAND AWARD - AUTOMOBILE"
for the year 2009-10

CII-ITC SUSTAINABILITY AWARD 2009 among large business organizations in the category 'Commendation for Significant Achievement'.

This award is to recognize and appreciate commendable achievement in the Environment, Social and Economic dimensions towards achieving sustainability.

Mr. Mahesh Salkar, GM, TKM receiving the award from Mr. Jairam Ramesh, Hon. Minister of State (Independent Charge) of the Ministry of Environment and Forests, Govt. of India



AWARD FOR MOST INNOVATIVE ENERGY EFFICIENCY & CONSERVATION ACTIVITY by Bangalore Chamber of Industry & Commerce (BCIC).



TOP MERCHANT EXPORTER -Export Excellence Award For FY 2009-10 [FKCCI]

J D POWER AWARDS FOR PRODUCT PERFORMANCE



Corporate Governance

Philosophy:

TKM recognizes that good governance is a sine qua non for sustainability. The mission and vision statements, code of ethics and internal control mechanisms built in under Sarbanes Oxley Act compliance defines our value system and reflects our culture and commitment to the values of corporate governance.

Toyota Kirloskar Motor promotes a culture of high ethical standards, integrity, transparency and accountability in our all business transactions and in compliance with all laws and regulations. The company has established internal control mechanisms to ensure the observance of the norms of corporate governance and believes in a system driven performance with the highest priority given to these systems.

Governance Structure

Board of Directors

At the core of corporate governance practice is our Board of Directors, which is the highest governing body. The Board provides strategic guidance and reviews the corporate policies, regulatory compliance, significant management areas and overall performance of the organization.

The TKM Board comprises of seven fulltime Executive Directors and five Non-Executive Directors. Our company's Executive Directors are highly experienced

professionals in their functional areas and provide directions to the management on operational issues, adoption of systems and best practices in management. They also oversee the compliance of various legal and other requirements.

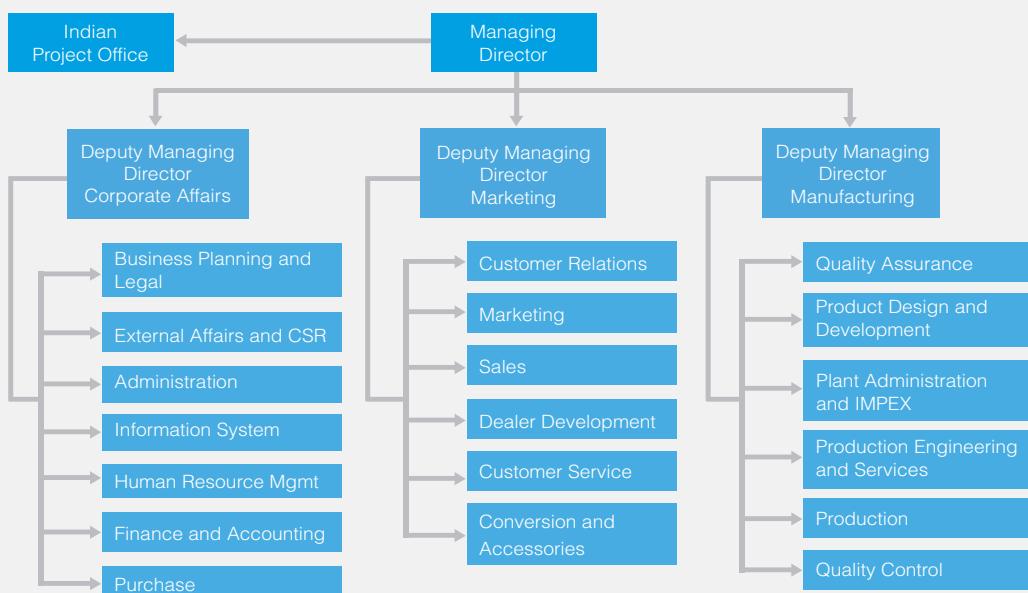
TKM has taken adequate steps to form various committees at the Board level to focus attention on crucial issues before placing the same before the Board for consideration.



TKM's Hierarchy:

Toyota Kirloskar Motor has a strong organization that takes up environmental initiatives and promotes them effectively. The organization is mainly divided under three heads, namely

Corporate Affairs, Marketing and Manufacturing. The details have been mentioned in the chart below.





TKM Vision and Mission

To enhance the quality of daily operations, inculcate a unique corporate culture that values innovative ideas, continuous improvements and

nurtures a commitment to the environment and to also build long standing relationships with the stakeholders to remain a trusted corporate

citizen, TKM faithfully abides by the following vision and mission statements:

Vision

- Delight our customers through innovative products, by utilizing advanced technologies and services
- Ensure growth to become a major player in the Indian auto industry and contribute to the Indian economy by involving all stakeholders
- Become the most admired and respected company in India by following the Toyota way
- Be a core company in global Toyota operations

- Touch the hearts of our customers by providing products and services of superior quality at a competitive price
- Cultivate a lean and flexible business model throughout the value chain by continuous improvement
- Lead Toyota's global operations in the emerging mass market
- Create a challenging workplace which promotes a sense of pride, ownership, mutual trust and teamwork
- Create an eco-friendly company in harmony with nature and society

Through these activities establish a superior brand image in India.

Mission

- Practice ethics and transparency in all our business operations

Code of Ethics

TKM has developed a code of ethics based on the guiding principles of Toyota. These business ethics and values are aimed at building a good organization and work culture while also being a good corporate citizen while achieving the company's vision and mission. The code of ethics is applicable to all team members and employees of TKM.

Whistle Blower Policy

TKM has formulated the Whistle Blower Policy which provides a framework for all employees to come forward with their complaints regarding fraud, bribery, unfair business practices and a breach of law or local customs, social rules and traditions. The Whistle Blower Policy has been circulated to our dealers and suppliers and is applicable to all team members of the company. The identity of

the whistle blower will be kept a secret and protected. The Whistle Blower Policy Committee is headed by members of the top management and a comprehensive system is put in place to investigate the complaints.

SOX Compliance

TKM, which is a subsidiary of Toyota Motor Corporation (TMC), is listed in the stock exchanges of USA, and complies with the requirements of the Sarbanes Oxley Act (SOX) of USA. TKM has rigid control systems and processes in place to ensure accuracy and reliability of its corporate financial statements. The company is focusing on continuous improvements in the compliance and reporting structures.

Managing Conflict of Interest

TKM's code of ethics

emphasizes that all team members should ensure that a conflict of interest, if any, arising out of factors like having a business interest in another organization, hiring the services of friends and relatives, doing business with friends and relatives, insider training, etc., will not affect the interests of the company in anyway. An employee should inform the Management and provide full disclosure if he is involved in any such activity.

Ensuring Legal Compliance

TKM has established a comprehensive legal compliance system, where each division head is responsible for the compliance of all laws and regulations for the functions under them. The reports of the Occupier and the Company Secretary are reviewed by the Board.



Toyota Guiding Principles

Toyota's guiding principles, which were adopted in 1992, define the mission of Toyota and the value the company delivers to stakeholders. How the guiding principles relate to each stakeholder group is listed in the diagram at the bottom of the page.

- | | | |
|--|---|---|
| <ol style="list-style-type: none"> 1. Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world. 2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the community. 3. Dedicate ourselves to | <p>providing clean and safe products and to enhancing the quality of life everywhere through all our activities.</p> | <p>while honoring mutual trust and respect between labor and management.</p> |
| | <ol style="list-style-type: none"> 4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide. 5. Foster a corporate culture that enhances individual creativity and teamwork, | <ol style="list-style-type: none"> 6. Pursue growth in harmony with the global community through innovative management. 7. Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits while keeping ourselves open to new partnerships. |

Stakeholder Engagement

TKM's stakeholders are all those groups which are perceived to be affected by, or who are capable of affecting the company's operations. The table below lists engagement activities undertaken in 2009-10.



**Business Partners
[Suppliers and Dealers]**
Guiding Principles 1&7

Customer satisfaction enhancement activities (see page 51)
Supplier development programs and TPS promotion (see page 55)



TOYOTA MOTOR CORPORATION
Guiding Principles 1&6

Regular liaison on operating issues including product, quality, sales and marketing



CUSTOMERS
Guiding Principles 1,3,4

Minimising environmental impact through eco-friendly engines and vehicles (see page 37)
Introduction of eco-friendly Prius in India (see page 61)



EMPLOYEES
Guiding Principles 1&5

Team member family involvement activities (see page 63)
Joint declaration between Management and Union (see page 42)



GOVERNMENT
Guiding Principles 1,2,4

Regular liaison on compliance issues including environment, safety and society.



COMMUNITY
Guiding Principles 1 to 4

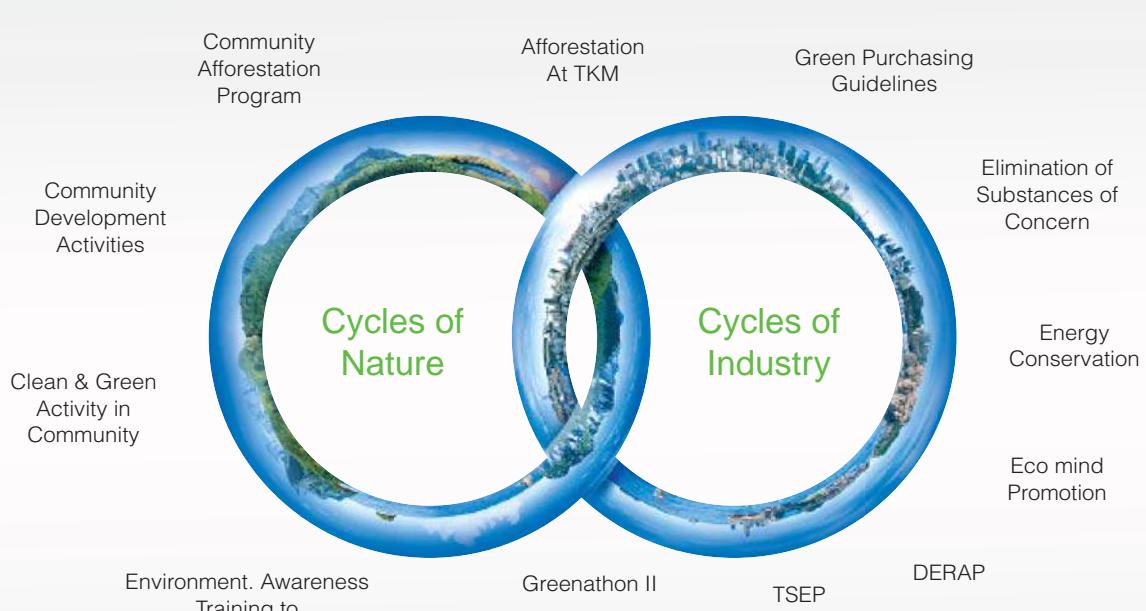
Community awareness and Philanthropic Activities (see page 45)
Traffic Safety Education Programme (see page 47)

Toyota Kirloskar Motor and Sustainability

At TKM, we strive to be the most loved & admired automobile company and have always endeavored to achieve this by doing business in a sustainable manner which is in harmony with nature.

Sustainability is inherent in Toyota culture and our vision, philosophy and guidelines are true reflections of our commitment for a sustainable future. This is evident in one of the core principles of Toyota- 'repay the earth and society through technological innovation (and contribute to enhancing the quality of life everywhere.)'

Throughout its journey, Toyota has believed in the guiding principle of 'contributing to the development of a prosperous society through the manufacture of automobiles.' It provides Toyota with a clear path towards achieving sustainable development and has enabled Toyota to harmonize between two areas of sustainability - nature and manufacturing.



Activities at TKM in alignment with Global Vision 2020

Environment Performance

Toyota Kirloskar Motors has focused on achieving harmony between its manufacturing activities and the natural world based on the concept of 'a plant that optimally utilizes natural resources, while operating in harmony with the natural environment.'

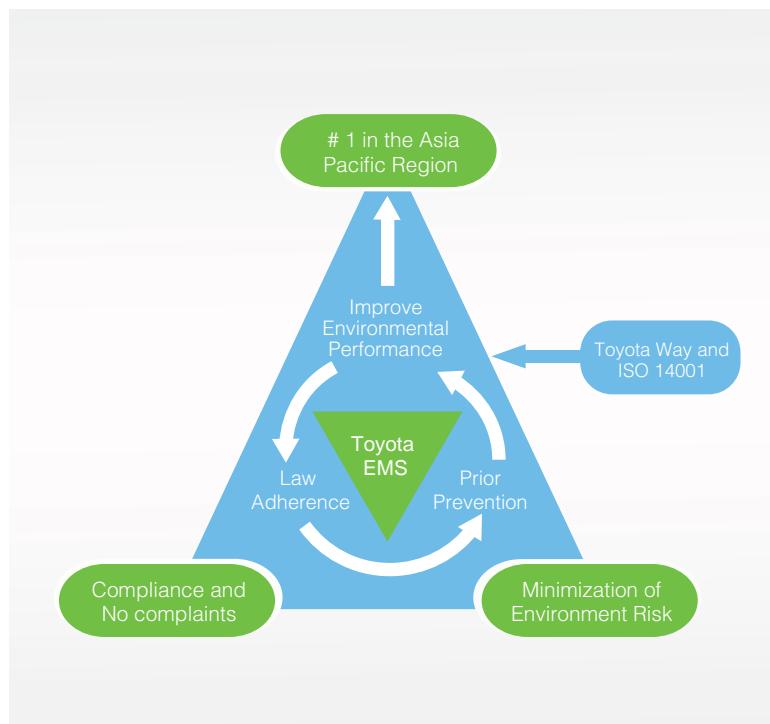


Environment Performance

Toyota Kirloskar Motors has focused on achieving harmony between its manufacturing activities and the natural world, based on the concept of 'a plant that optimally utilizes natural resources, while operating in harmony with the natural environment.'

In concurrence with Toyota's Environment Action guidelines, TKM has come up with its own set of initiatives towards promoting sustainability at the manufacturing site in India. This section elucidates the activities taken up at the manufacturing site at Bidadi, Bangalore in detail.

Toyota EMS Concept:



The Toyota EMS (Environmental Management System) holds the key to environment management efforts across Toyota affiliates and at TKM alike. Globally, Toyota has encouraged all affiliate plants to be ISO 14001 certified and TKM obtained the ISO 14001:1996 certification within a year of commencing operations in India. Toyota EMS is applied to drive a continuous performance improvement cycle in line with site specific objectives and corporate policies and strategies. The key elements of the EMS system are 'compliance/no complaints' and 'environment risk mitigation'.

In order to achieve the objectives of environment policy, the Environmental Management System (EMS) has been used effectively. EMS

forms the backbone of our commitment towards reducing our ecological footprint and we have been re-certified for ISO 14001:2004.

In a pioneering effort, TKM has been strongly promoting ISO 14001 certification among its suppliers and dealers. The core idea is to promote environment friendly operations among all our stakeholders. In a significant achievement, TKM has been successful in promoting ISO 14001 to 98 percent of its suppliers and more than 85 percent of its dealers.

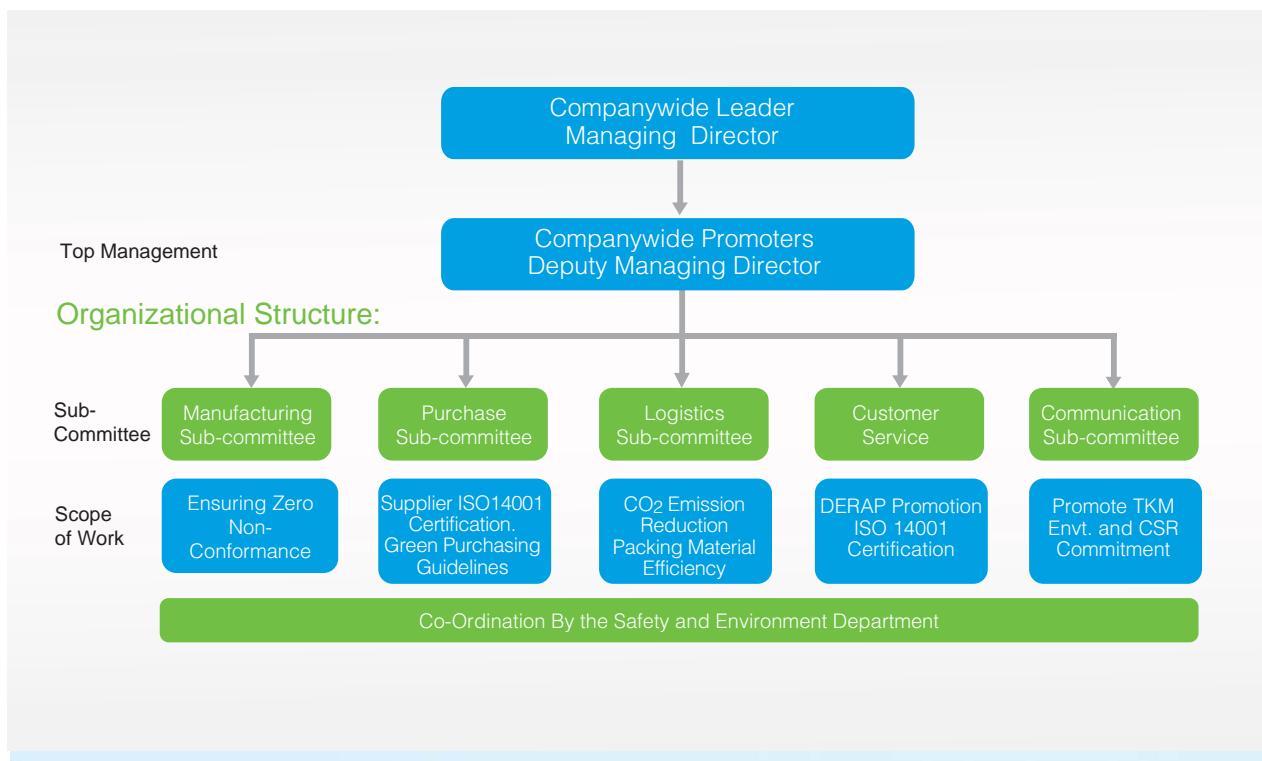
The highest degree of abidance to EMS (ISO 14001:2004) by TKM has been recognized by the External Auditing Agency, which has awarded TKM with Zero NC for four successive years.

TKM Environment Committee

The Toyota Motor Corporation (TMC) has established a regional headquarters TMAP (Toyota Motors Asia-Pacific) at Thailand. This organization is intended to

work towards energy conservation and environmental risk minimization. Toyota Kirloskar Motor also established an Environment Committee in its first

year of production in 2001, to take care of environmental and CSR activities as a specialized organization.



Performance Data

Environmental Action Plan

Toyota has been keen on responding to the needs of the environment as it does to its customer's requirements. It does so through its principles, policies and the Toyota Environmental Action Plan for Environment Management.

It has been TKM's long term

objective to minimize the impact of its activities on the environment, thus contributing to maintaining a balance of the economic, social and environment aspects of sustainability. The Five Year Environment action plan sets the guidelines for TKM's Environment Management and for the promotion activities of its operations. The annual Environmental action plan is

formulated based on the TKM Five Year action plan which in turn is derived from Toyota's Global Environment action plan. During the course of implementation of annual action plans, there is nearly a 4 percent reduction target so as to continuously improve the general performance of the previous year.

The following is a summarization of TKM's performance this year.

TKM five year Environmental Action Plan (2009 - 2010)			
Action Item	Specific action items and goals	Performance Data	
		Target	Actual
	Production:	4% Redn.	4% Redn.
Reduce CO2 emissions in production and logistics activities of each country and region.	Reduction in electricity consumption. (Purchased+generated)(kwh/veh) 20% based on Current year status	461 kwh/veh	416 kwh/veh
	Reduction in LPG consumption. (kgs/veh) 20% based on Current year status	29.2 kgs/veh	28.97 kgs/veh
	Reduction in energy.(Total of Electricity + LPG in GJ/veh) 20% based on Current year status	3.12 GJ/veh	2.93 GJ/veh
	Logistics :		
	Reduction in emission of CO2/unit 15% reduction based on 2006 values	4%	4%
Promote the effective use of resources to further contribute to the realization of a recycling based society	Production :		
	Increase Yield ratio	68.5%	70%
	Hazard Waste reduction :	4%	26%
	Reduction in generation of Hazardous waste (kgs/veh). 20% based on Current year status (Chemical sludge+Phosphate sludge+Paint sludge)	7.95 kgs/veh	5.87 kgs/veh
	Non-Hazardous Waste Reduction:	2%	2%
	Reduction in generation of Non Hazardous waste (Miscellaneous solid waste) by 20% based on Current year	14.42 kg/veh	16.69 kg/veh
	Logistics :		
	Reduction of packaging and wrapping materials	4%	4%
Reduce water consumption	Reduction of water consumption by 10% based on current year status (m ³ /veh)	2%	2%
		4.56 m ³ /veh	4.4 m ³ /veh
Initiative to reduce VOC emissions	VOC reduction	48.8 gm/m ²	43.92 gm/m ²

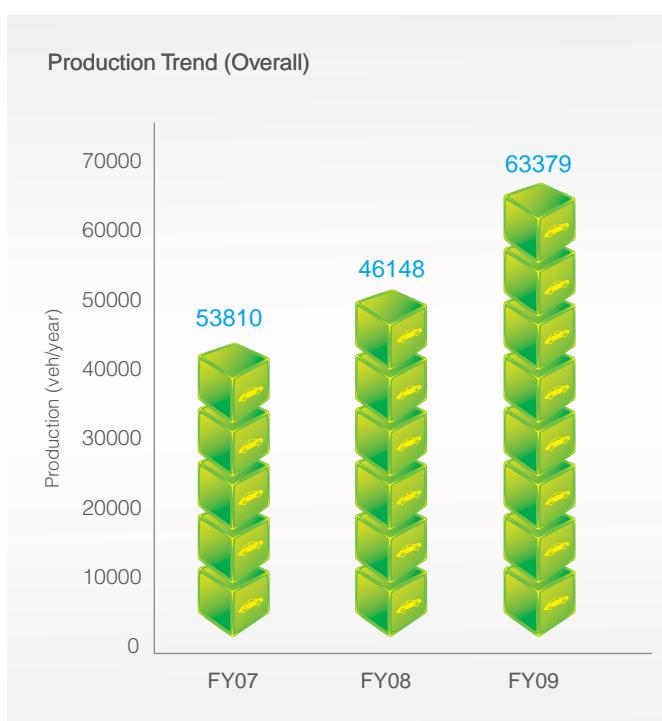
Environmental Performance: KPI Management

Towards fulfilling our basic obligation to the environment, TKM aims to use resources wisely and reduce waste from its business activities. For many years we have been reporting our energy and water usage and waste and recycling volumes from our site in concurrence to the saying 'what gets measured, gets managed'. To guide our actions in this direction, the environmental

policy commits us to control pollution and reduce energy at every possible opportunity. We strive continuously to minimize our water consumption, the generation of hazardous waste and air pollution and we continue to reduce CO₂ emissions and improve our energy efficiency. Our periodic internal audits and external audits have strengthened our environmental management system. Our environmental performance under various key indicators in the last three years is summarized below.

Note: The key performance indicators are measured and controlled by units which are usually based on the per car measurement over the entire year.

The market conditions for Toyota vehicles in the Indian automobile market were most unfavorable in 2008 and grew positively in 2009, consistent with the global market recovery. This has directly impacted a few environmental parameters as they are related to the fixed manufacturing demands.



Energy & Resource Conservation Activities towards maximizing the efficiency of processes

Energy and resource conservation form the basic responsibility of any company aspiring to be sustainable. Grappling with the ever increasing consumption of fossil fuels for energy production and the consequent CO₂ emissions is a major hurdle towards achieving environmental sustainability. TKM is promoting

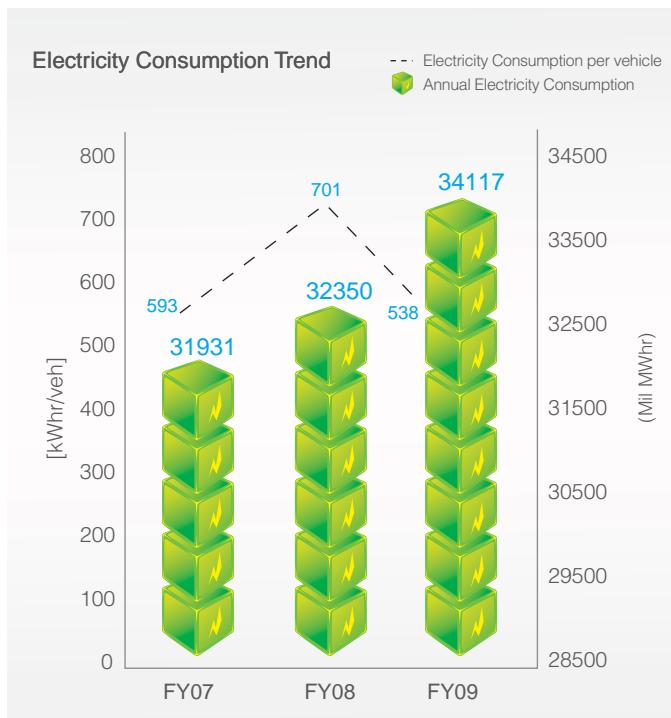
energy conservation activities in the manufacturing plant by embracing the Five Year action plan which sets the annual reduction targets for all environment parameters.

a. Electricity Consumption:

TKM's electricity consumption in the production area has decreased as compared to last year. By the end of 2009, the average amount of energy required to produce a vehicle

decreased by 23.25 percent and to 538 kWh per vehicle. This decline in consumption may be attributed to the increase in overall production volumes which led to the decrease in per vehicle consumption due to fixed loads. In 2009, TKM focused on ensuring the sustenance of energy saving activities and kaizens with the following:

- 1) High and low pressure air lines
- 2) Energy training to TL's and GL's
- 3) ESCO kaizen implementation.

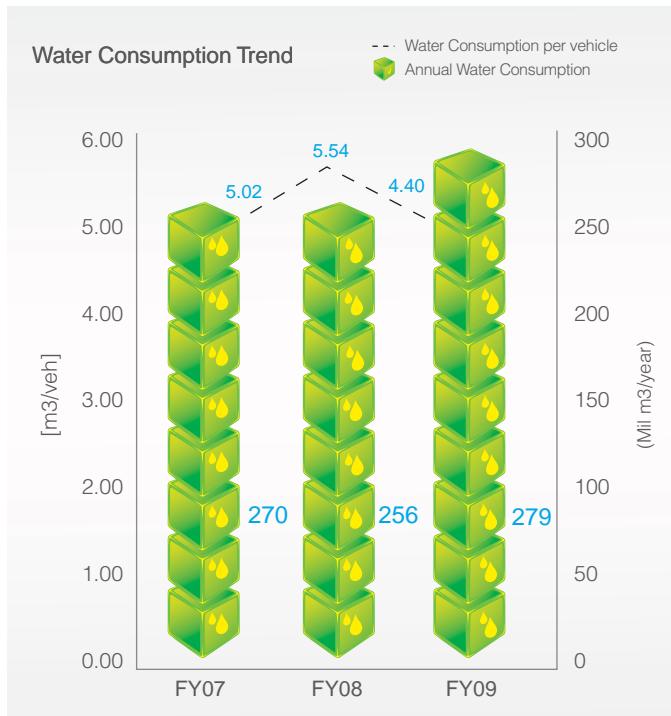


b. Water Consumption:

During the reporting period, the amount of water required to produce one vehicle decreased by 20.5 percent as compared to the previous year, to reach a

minimum of 4.4 m³ per vehicle. Water usage levels, like those for energy, were affected by the increase in production volume. Considerable efforts were made towards monitoring and standardizing day-to-day consumption.

TKM continued to target the elimination of unnecessary water usage through kaizen and by the implementation of best process technology such as Membrane Bio-Reactor (MBR) and Reverse Osmosis (RO) treatments that allow the recycling of wastewater.

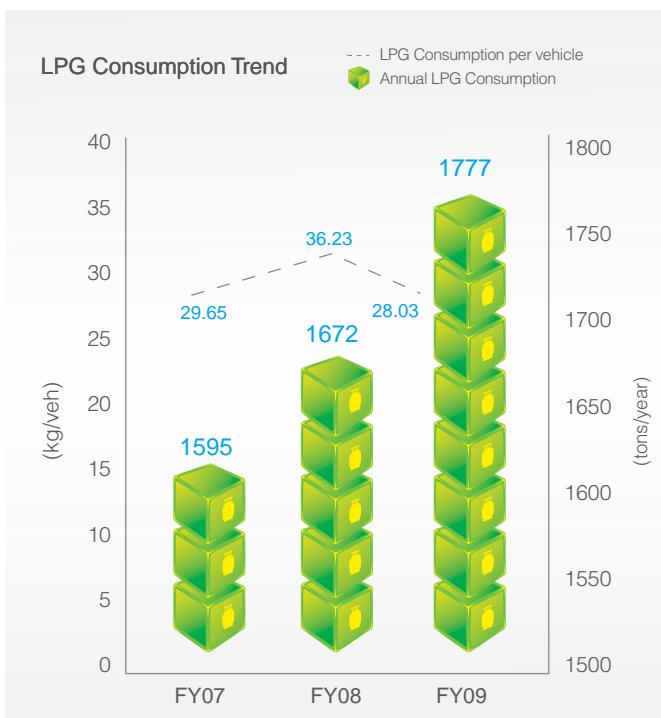


c. LPG Consumption:

Liquefied Petroleum Gas (LPG) serves as the prominent primary

energy source for heating purposes in ovens and boilers at TKM. The LPG usage was also observed to be on a decreasing

trend as compared to the last financial year.



This year, the LPG consumption fell to an average of 28.03 kg/vehicle by 22.63 percent as compared to the previous year. The main activity that was taken up at the paint shop to conserve LPG was the Oven and Booth temperature control optimization and the management of the chiller operation based on seasonal variation. However, owing to the increase of demand in the market, the per vehicle consumption decreased due to the fixed consumption of LPG in other processes, irrespective of the vehicles produced.

Towards Zeronizing Impacts on Environment by Reducing Emissions & Waste

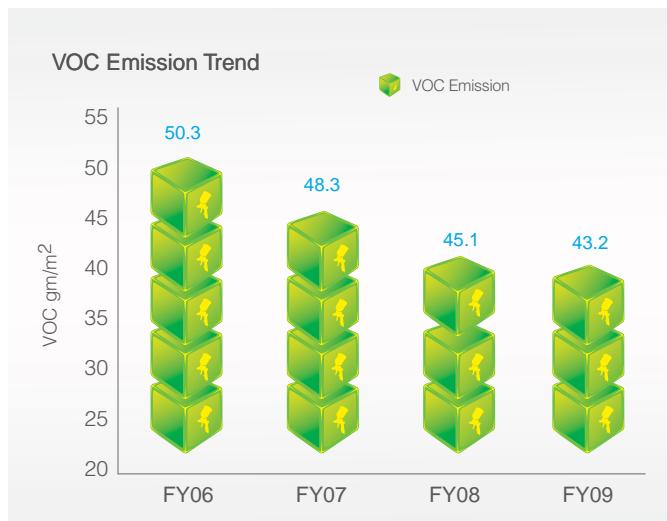
Concurrent to the Toyota Earth Charter which stresses on zero pollutant discharge, TKM has also adopted the same in its Environmental Policy. The areas of

concern related to the impacts of the manufacturing facility on the environment include the emission of pollutant gases (CO₂) and vapors (VOC).

a. VOC Management

Thinner based paint used on automobiles contains VOCs (Volatile Organic Compounds), which are known to cause odor and health hazards. They have also been attributed to the formation of photochemical smog. It is therefore necessary to reduce their use.

Although, there is no requirement or any law on VOC emission control in India, we at TKM have proactively taken up activities aimed at reducing VOCs. This aims at creating a better and safe environment for the future generations as the VOCs have the potential of accelerating global warming and producing photochemical smog.



There has also been a marginal decline in the VOC emission by 4 percent with the implementation of various kaizen (improvement activities). Transfer efficiency improvement in paint guns and robots through distance reduction, enhancing washing thinner usage in bumper and resin shops, solvent consumption reduction in manual cleaning during the painting process and in robot operation are a few practices that have been implemented. By following these practices, we have retained the global number one position among all Toyota affiliates having thinner based painting processes.

b. Waste Management

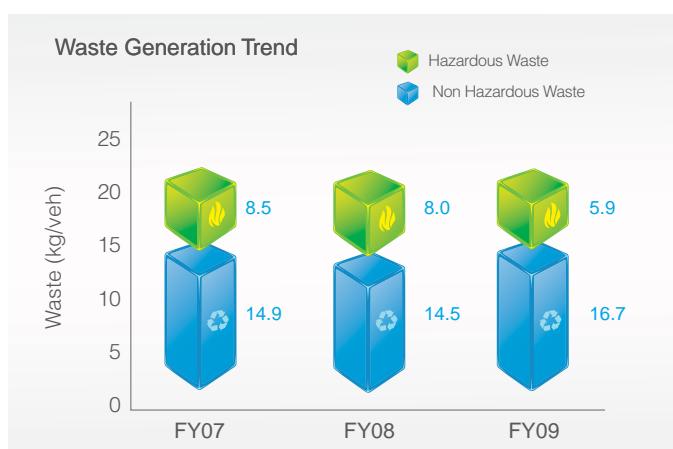
With the aim of achieving 'zero

wastes to landfill', TKM has been able to reduce its ecological footprint in terms of waste disposal. With the ideology of 'source reduction is to waste what preventive medicine is to health', we have two main action guidelines towards our waste management activities:

- Ensuring 100 percent segregation and reuse/recycle of non-hazardous process waste
- To achieve zero hazardous waste disposal at landfill

TKM has entered its second year in accomplishing the target of 'zero hazardous wastes to landfill'. Hazardous waste disposal is being carried out through co-processing at the ACC Cement Plant at Wadi, Gulbarga in

Karnataka. In 2009 a considerable reduction in hazardous waste quantum has been achieved in the light of activities promoted to reduce unnecessary moisture content in the sludges. This led to an average reduction of 26 percent in hazardous waste as compared to the previous year. However there has been an increase of 15 percent in the non-hazardous waste quantity resulting from the introduction of a new model. With the introduction of the Fortuner in the second half of this year, the packing material waste contributed greatly to the increase in non-hazardous waste. Though, we would like to draw the reader's attention to the fact that the waste under this category is subjected to complete material recovery and/or recycling.



Eco-initiatives : Towards an Eco-Friendly Plant



Toyota Kirloskar Motor is continuously moving towards sustainability in all its operations to reform itself into an eco factory in harmony with nature. TKM has devised and implemented a comprehensive approach towards sustainability right from the grass-root level, i.e. the employees. In

this regard, a methodological approach of Eco-Mind, Eco-Kaizen and Eco-Showcase have been taken up to sensitize our employees and the community at large. We aim to promote sustainability in all our operations.

Eco-Mind: Eco-Mind is a culture that we believe must get imbued into the minds of our team members so that they start thinking about the environment in their lives both inside and outside the company. Eco-Mind activities include all initiatives aimed at creating an environmentally conscious citizen. In other words, an employee with an Eco-Mind will always think and act in the best interests of the environment.

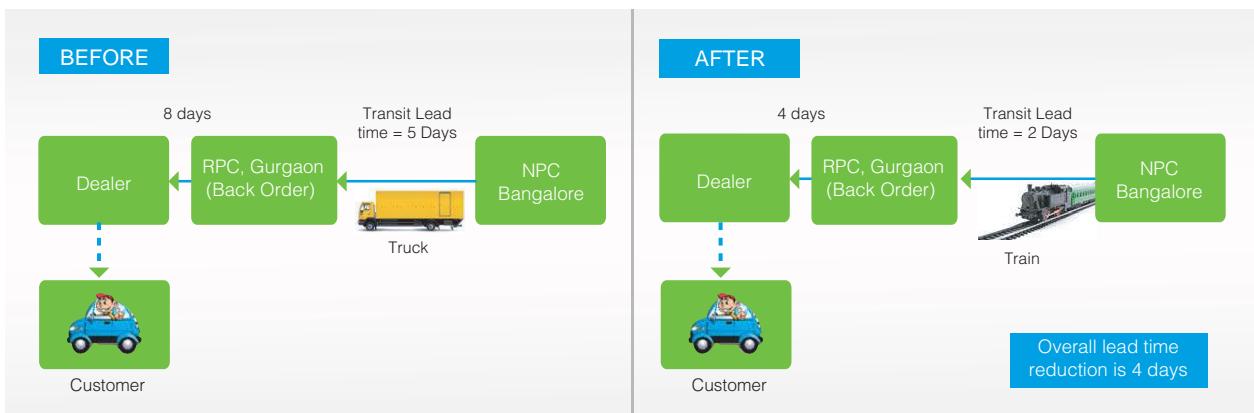
Eco-Kaizen: Eco-Kaizen is a continuous improvement activity that can be executed at the work

area. Eco-Kaizen includes all the improvement initiatives that are taken towards creating a sustainable plant and a low carbon society.

Eco-Showcase: Eco-Showcase is an effort to promote TKM's eco spirit to the community and the neighborhood. The activities include social outreach activities involving our external stakeholders whether they are our suppliers, dealers or customers and the surrounding eco-system too.

Several activities have been initiated at TKM to promote Eco-Mind, Eco-Kaizen and Eco-Showcase among the team members. Some of the key activities that have been implemented in the past year include:

Logistics Kaizen



Kaizen Idea:

Train Logistics Introduction in Serviceparts Operation between NPC (National Parts Center, Bangalore) and RPC (Regional Parts Center, Gurgaon) for back order parts.

Trial Period:

July 2009 to August 2009

Background:

The Serviceparts flow between NPC (National Parts Center,

Bangalore) and RPC (Regional Parts Center, Gurgaon) was through Transsystem trucks which had a high transit time. The emergency/back order parts reaching the customer on time was not always guaranteed.

Action Taken:

A trial survey was conducted to check the feasibility of transport by train and this had the positive result of saving lead time. By this kaizen we aim to be the best

customer service in town and achieve enhanced customer satisfaction. Since September 2009 all RPC back order serviceparts are transported by train six days a week.

Result:

- Overall lead time reduction by four days.
- Improved customer service, customer satisfaction and quality of delivery.



Voluntary Afforestation Activity

Continuing our efforts to create an environment friendly company, voluntary afforestation activities were conducted within the company premises. About 600 team members enthusiastically participated

in voluntary afforestation programmes between August 29 and September 5.

Keeping up the good spirit created on June 21, team members voluntarily participated to plant another 10,500 saplings after their

first work shift. This year, TKM has planted about 64,200 saplings over an area of 21400 square metres within the manufacturing facility. The average plant survival rate was about 98.8 percent.



Glimpses of our Voluntary Afforestation Activity

Social Performance

During the last decade, Toyota Kirloskar Motor has expanded its production and made advances in order to satisfy the needs of Indian customers buying Toyota vehicles. As the business grew, the company has contributed jobs and trade to the local economies in the country, enabling it to re-invest the profits earned from growth into green technologies and other community development initiatives for the future.



Social Performance - Customer



Special Feature: Quality Issues and Action

With the prime ideology of 'Customer First', TKM has made continued efforts to understand safety and quality objectives from a technological and professional standpoint and has been able to achieve them in material terms. However, in recent months, there have been several quality and safety concerns related to the use of Toyota products in several regions of the world.

Toyota has looked at this issue as an opportunity for renewal and improvement. We at TKM have also followed the same in India. We have taken this opportunity to encourage every employee to address the issues proactively by re-examining and recommitting to principles such as customer first, the customer's perspective and Genchi Genbutsu (on-site, hands-on experience). The specific

actions are outlined in this section:

Response in India:

Toyota in India strives to deliver quality products to its customers but has also been concerned about the recall of Toyota vehicles worldwide. This did not affect Toyota's operations in India as the concerned models are not sold or manufactured in India. As a proactive measure, in-line with the establishment of the Global Quality Committee by TMC, the India Quality Committee has been formed to enhance the quality and to respond to customer requirements dynamically.

India Quality Committee has been launched at TKM in order to achieve a customer interface that is based on safety and confidence. This is in concurrence with the establishment of the Special Committee for Global Quality chaired by the TMC President, Akio Toyoda. A series of approaches were implemented

to address a deterioration in information gathering and inconsistencies that arose in information sharing practices between the headquarters, the regional offices and dealerships.

Objective for Establishment of the Special Committee for Global Quality.

Review all the working steps from the customer's perspective, through the new interface, and reinforce the quality assurance system:

- Development
- Procurement (suppliers)
- Production
- Engineering
- Sales and service

The purpose of the Committee is to listen more respectfully than ever to customers from every region. This demonstrates the company's concerted commitment to a fundamental review of our operational attitudes and our aim of establishing a customer interface in every business sector across Toyota's entities worldwide. The improvement plans worked out by the Committee will be verified and assessed by four external advisors as well.

Key Objectives Identified by the Special Committee for Global Quality

- Early Detection and Early Resolution (EDER) based on customers' opinions
- Human resource development that reinforces our Customer First approach
- Assessment by outside experts
- Product development focused on customer safety and confidence
- Independence of quality management activities in each region of the world

India Quality Committee

Quality concerns are an important issue in India as the EFC project is the first major project for Toyota after the global recall and quality safety issues. The small car project has been a unique project with many new points -the first country of launch, a completely new model, new plant, new segment, new suppliers and new dealers.

Hence, special activities

have been taken up to ensure a 'Quality Revolution', to reinforce customer confidence in India and the Asia Pacific region alike.

The India Quality Committee is being headed by Mr. Hiroshi Nakagawa, MD, TKM and reinforces customer confidence by promoting activities required to ensure a 'Quality Revolution'.



Proceedings at the IQC activities

Customer First Exhibition

Based on our philosophy of harmonious growth, Toyota Motor Corporation is committed to passing on to TKM the DNA of the Toyota Way, which is defined by our 'Customer First' approach. This approach has helped us form successful relationships with our suppliers and dealers and develop a solid business base in India.

The 'Customer First' exhibition was organized at TKM to motivate the suppliers and the in-house team to design and manufacture quality through flexibility and cooperation keeping the customer in mind. This event provided an opportunity to strengthen the concept of always keeping the customer first, among our key stakeholders, namely employees and suppliers.



Glimpses of the Customer First Exhibition (Top left picture: Visit by Hon. Home Minister of Karnataka State to the exhibition)

Special Feature: Jikotei Kanketsu (JKK): Built - In Quality with Ownership

In the area of quality, which is the key focus of the customer first policy, TKM has been promoting company-wide Customer First (CF) activities, with the goal of meeting the expectations of customers and society at large, based on an enhanced awareness of relevant issues. The focus of these activities in 2009-2010 was Jikotei Kanketsu*.

*Jikotei Kanketsu is the concept of a defect-free process completion to ensure that no defective product leaves the production process.

This activity is aimed at enhancing the Team member's Quality Mind Awareness through 'Jikotei Kanketsu' (Built-In Quality through ownership).



JKK activity review by the TKM Top Management

Product Environment Stewardship: Changing Environment Scenario

The rapidly growing population and economic development are leading to a depletion of natural resources which is causing environmental degradation. The absence of required natural resources can retard the process of socio-economic development. Changing the consumption pattern has led to a rising demand for energy. The final outcome of degradation is air pollution, global warming and severe climate change.

Toyota in India:

Toyota India understands the need for minimizing the impact of its vehicles on the environment and the effects it has on climate change and biodiversity. It believes in reducing its impact with the following concepts:

Reducing, Eliminating,
Improving and
Innovating

Innova Ranked **#1 in MUV/MPV** segment in Initial Quality by JD Power Asia Pacific for **FIFTH CONSECUTIVE YEAR.**

Based on our Guiding Principles, Toyota India takes Initiatives to develop and Promote Technologies which contribute to the Protection as well as the Development of Society.

Elimination of Substances of Concern (SOC)

Chemical substances of concern like Lead, Mercury, Cadmium, and Hexavalent Chromium have a serious impact on the environment and human health. Toyota initiated the elimination of SOC elements

and switched to substances with lesser impact on the environment.

All Toyota products in India (parts and vehicles) are SOC free.

Minimizing Environmental Impact through Eco - Friendly Engines and Vehicles

Products and Services

As a responsible vehicle manufacturer, Toyota is engaged in developing a broad array of improvements in fuel efficiency and vehicle emissions. Toyota India is working on lowering the environmental impact of its vehicles through the latest emission regulations for its

engines. All Toyota vehicles meet the Bharat IV emission norms applicable in India since April 2010.

Improving Gasoline and Diesel Engine Technology

As the main automotive fuel is petroleum based, Toyota

strives to continuously build more fuel efficient vehicles without compromising the pleasure of driving. We continue to make improvements in gasoline and diesel engine technology as it will remain the mainstay for the next few decades. Power trains that run on a variety of power sources, including fuel efficient gasoline engines use Toyota's VVT-i technology and its common rail direct



Bharat IV Compliant : Toyota D4-D [Diesel] and VVT-i Engines [Petrol]

Toyota VVTi Engine

VVT-i (Variable Valve Timing with Intelligence) is an automobile variable valve timing technology developed by Toyota. VVT-i which was introduced in 1996 varies the timing of the intake valves by adjusting the relationship between the camshaft drive (belt, scissor-gear or chain) and the intake camshaft. Engine oil pressure is applied to an actuator to adjust the camshaft position. Adjustments in the overlap

time between the exhaust valve closing and the intake valve opening results in improved engine efficiency.

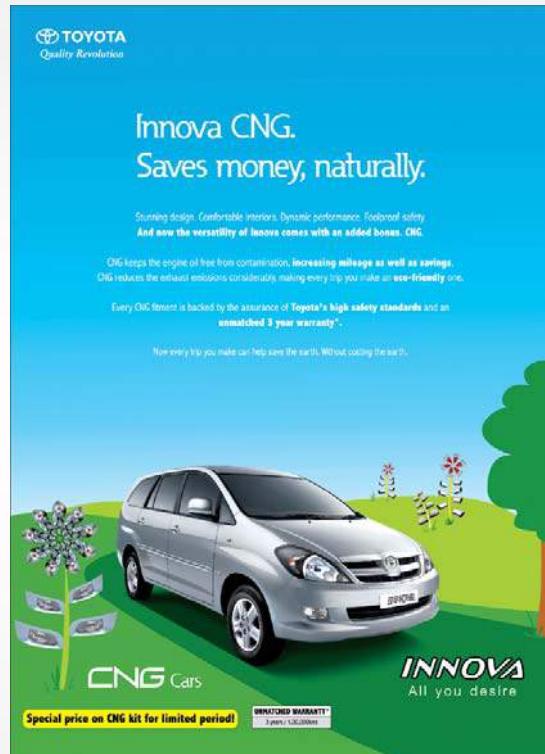
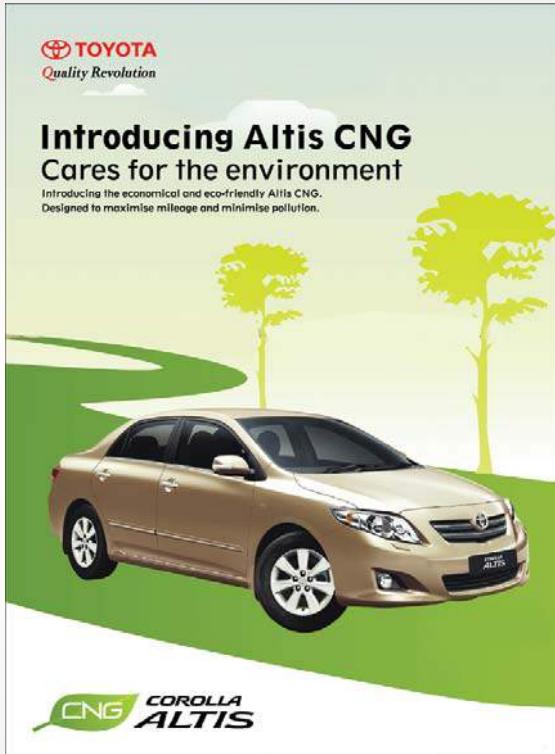
Toyota D4D Engine

D-4D stands for Direct Injection 4 Stroke Common Rail Diesel Engine. It is a combination of the direct injection and common rail diesel injection systems and has been designed to provide higher output power, better fuel economy, lower exhaust emissions and lower noise

and vibrations than conventional diesel engines. Toyota D-4D engines provide smooth and linear torque and also high power outputs. The D-4D's rev range is also wider than normal which is very useful and further enhances the driving experience. Toyota uses VVT-i technology for its gasoline range of vehicles in India, including the Innova, Corolla and Camry. The D-4D range of common rail direct injection engines is used in the Innova, Fortuner, Land Cruiser Prado and also the LC 200.

Moving Forward :

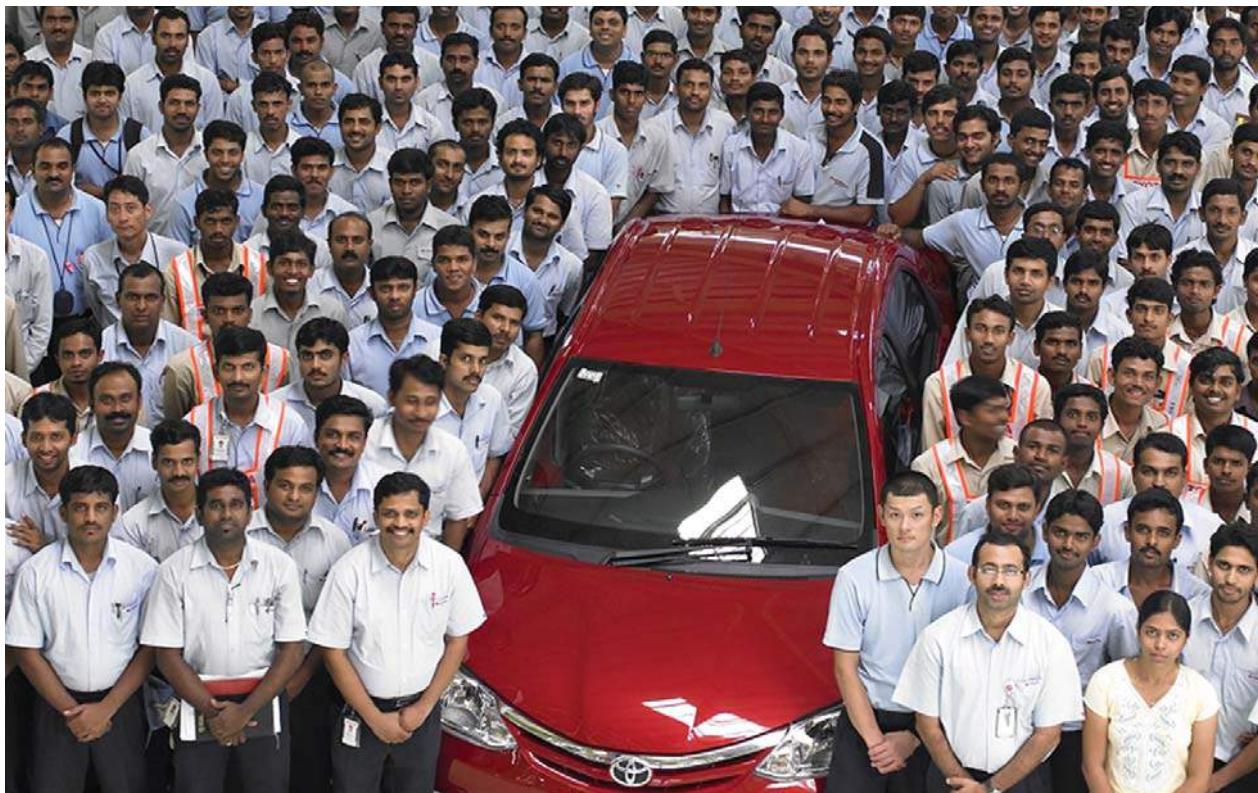
With the Government of India enhancing the use of the cleaner fuel, CNG, Toyota India introduced the alternate fuel CNG powered Innova and Corolla in 2009-2010.



CNG Innova and Corolla Altis showcased at Delhi Auto-Expo in January 2010



Social Performance - Employees



TKM perceives that human resource is the most valuable asset to the organization. The ultimate objective of human resource management is to establish mutual trust and responsibility between the company and its employees.

Towards realizing this goal, TKM has imbibed the following four point requisite in its activities while engaging with our employees who are our key stakeholders:

- Maintain secure working conditions

- Safe working environment
- Fair evaluation and proper treatment
- Creating an environment for human resources development

Basic Statistics in relation to the Current Status of Employment

The entire workforce based on the type of employment, employment contract, and region.

a. Type of employees

Sl. No.	Particulars	Number
1	Permanent employees	4109
2	Temporary employees	1528
Total		5637



- Temporary employees 27%
- Permanent employees 73%

b. Unionized and Non-unionized employees

Sl. No.	Particulars	Number
	Unionized employees	1624
	Non-unionized employees	2485
Total		4109



- Unionized employees 40%
- Non-unionized employees 60%

c. Female Vs. Male employees

- In India, the workforce in the automobile manufacturing industry has always been male dominated and there are very few women.
- The local applicable laws do not permit women to work between 7 pm and 6 am.
- However, since the company works in shifts, female team members are accommodated in the shift from 8:45 am to 5:30 pm.

Gender-wise Employment Ratio	
Female	2%
Male	98%

Rate of employee turnover

Compared to the industry average of 12 percent, TKM's employee turnover has been very much under control.

Sl. No.	Employee Turnover	2009 %
1	Grade-8 [Blue-Collar]	1.5%
2	Grade-7 and above [White-Collar]	3.4%

TKM does not have any part-time employees. Benefits are provided to full-time employees as per the law of the land. From the mid to long-term point of view, benefits and welfare facilities are provided to all full-time employees.

TKM's Labor Management: Providing equal opportunity to all

TKM strongly practices the principle of mutual trust and team work in issues concerning labor management. This involves maintaining thorough communications and promoting fair evaluation and treatment for all.

TKM ensures that there is no discrimination in terms of race, religion, caste, sex, national origin or any other factor deemed unlawful by the applicable laws and regulations. Activities like recruitment, promotion, compensation, benefits, training and the use of facilities are provided to all employees and the policies are also equally applied at all levels.

The following is a brief description of the significant labor management practices at TKM:

- Coverage under collective bargaining and freedom of association:

About 40 percent of the employees are covered by collective bargaining agreements.

Sl. No.	Particulars	Number	%
1	Unionized employees	1624	40%
2	Non-unionized employees	2485	60%

A minimum notice period of 21 days, as per the law is followed in case there are any significant operational changes.

Team members play a vital role in ensuring health and safety at the workplace. They are involved in the following programs to promote a safe workplace:

- Morning safety meeting (KYT)
- Safety pledge before work
- Kaizen activities to improve safety
- Safety Committees
- Workplace Committees



Occupational Health

No occupational diseases have been reported due to workplace conditions.

All team members are educated periodically about various diseases.

Key issues covered under occupational health and

safety promotion activities include:

- Common fevers, H1N1, dengue, malaria and other epidemic infection preventions
- Smoking de-addiction campaign
- Health awareness during induction training

- Counselling
- Annual medical check-up campaign

Ensuring the safety and health of team members is given the utmost importance during formal agreements with trade unions.



Joint Declaration signing by Employees Union representative [Left: Mr. Deepak RS] and Top management [Right: Mr. H Nakagawa, MD-TKM]

All human development programs aim at ensuring a lifelong learning. A Work Life Plan is designed to meet the career needs of all team members.

The entire workforce is reviewed regularly on its performance and career development. The following is a brief overview of the methodology used:

The company grasps the abilities and characteristics of each employee accurately and objectively, to develop and maximize the utilization of personnel through performance appraisal.

TKM also maintains and raises employee morale by properly evaluating and rewarding their abilities and their contribution to the company.

The opportunity is open to both men and women in the

composition of governance bodies and the breakdown of employees per category according to indicators of diversity. TKM works with diverse communities with people of different ages, religions and from different geographical regions.

Wages

- The salary for men and women are equal in the same categories. Equal pay for equal work is practiced at TKM.
- Toyota's objective is to raise employee morale and heighten productivity by providing wages, which balance the three aspects of company cost, employee livelihood, and the market price of labor.
- The wages are determined after accurately

comprehending the impact it has on the company and its employees, based on local labor practices and characteristics of the labor market. The benefits, working hours and welfare facilities, along with the wages are comprehensively reviewed from time to time.

- TKM reinforces the company's basic philosophy of mutual trust and responsibility and recognizes its team members as the most valuable resource of the company. We strive to provide long-term stable employment and to maintain and improve working conditions balanced with the growth of the company.
- TKM complies with local laws and regulations as far as the local minimum wage is concerned. We have a standard entry level wage that is competitive with comparable market levels. This secures the required human resources and fosters a sense of security among the employees.
- Based on the local labor practices and characteristics of the labor market, TKM determines the elements such as job classifications, positions, length of service, inflation and commodity prices which are reflected in the wage system.

Local hiring policies

- As a hiring policy, first of all, a clear-cut clarification of the capabilities and skill sets required for employment is determined.
- The human resources division has an established hiring policy. According to this policy, the hiring activities are carried out from a company-wide perspective.
- Quantity: Hiring the optimal number of personnel, based on mid to long-term business plans.
- Quality: The hiring is based on a comprehensive perspective including specialized abilities with mid to long-term potential.

The following are the activities conducted while TKM is hiring:

- Conduct PR activities (Advertising)
- Establishment of a selection method according to the capabilities and skill sets required
- Securing objectivity and fairness within the selection process
- Selection process
- Induction training and placement

Employee Development Programs: Creative Suggestion Scheme

The Creative Suggestion Scheme (CSS) is a concrete example of the effort Toyota makes to utilize the ideas of each employee to build the finest automobile possible. Through this system, the team members of Toyota take it upon themselves to resolve the questions and problems that occur at work - to do Kaizen. We strive to receive ideas/recommendations for

- Making a better product
- With greater safety



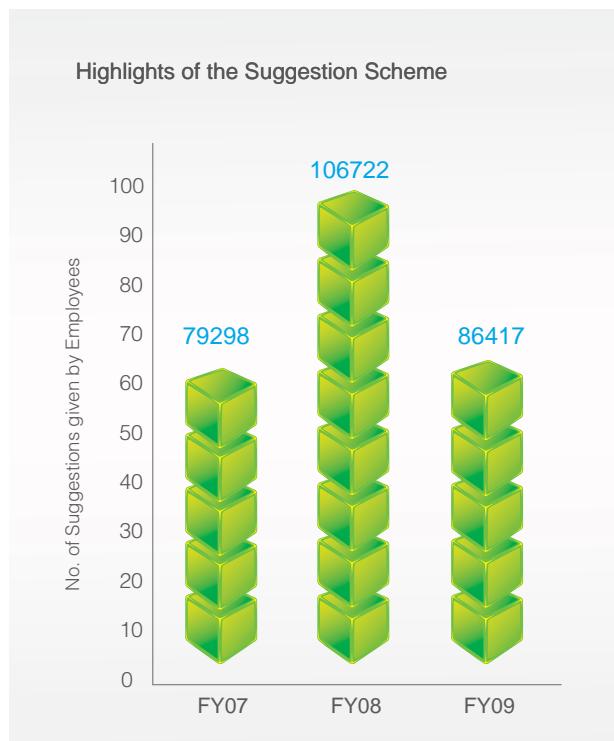
QCC Activity Review by TKM Top Management

- In an easier, more efficient way
- At a lower cost

'Good thinking, good products' (words by Sakichi Toyota) is the baseline for team members to provide their ideas/recommendations. We believe in combining the creative ability of our team members to make products which will satisfy our customers. On an average, 6000 suggestions are implemented every month at TKM.

Highlights of the Suggestion Scheme

- Since its inception 4, 92,863 suggestions have been implemented!
- An average of 44,000 suggestions per year!
- About 86,000 suggestions implemented in 2009!



External recognition by CII to TKM QCC Team

Employee Development Programs: Quality Control Circle

- Quality Control Circle (QCC) is an activity of a group of people in the same workplace. The circle members come together to solve problems according to the QC basic principles, QC steps and QC tools.
- QCC helps to generate ideas and implements the recommendations made by circle members. In the process, it helps to improve their capabilities and facilitates good communication at the workplace and ensures a better workplace.

The company takes every measure to prevent corruption in all its business units. Until now there have been no such violations.

- All employees are educated on the organization's anti-corruption policies and procedures.

- As part of the induction program, anti-corruption policies and procedures are explained to all employees.
- The whistleblower policy is in place to create awareness on corruption issues.
- Until now, no incident of corruption has been reported.

- No incidents of legal actions for anti-competitive behavior, anti-trust, and monopoly practices have been reported until now.
- TKM strives to ensure a 100 percent legal compliance of all local laws and regulations.

Assessment of effectiveness of deployment of resources for the benefit of the community.

TKM assesses its corporate social responsibilities through a regular interaction with the employees, local government bodies and people's representatives. We also conducted a survey in 2005-2006 to understand the impact of our contributions on the local community.

All the stakeholders including the local community, local government and government departments are involved in planning and implementing social development programmes.

For example: The government education department and the local Panchayats are involved in identifying beneficiaries and distributing education materials to the local community. Similarly, all activities are planned and implemented with the involvement of the stakeholders. The company leadership is always the guiding force behind all activities. The Top Management of the company also actively participates in the activities implemented by TKM.



Social Performance - Society



Books and Bags distribution at the Local community schools

Community Development Initiatives

At TKM, every effort is made to contribute to society. Toyota believes in helping people improve the quality of life in their

communities. With the objectives of our parent company, Toyota Motor Corporation in mind, TKM partners with organizations, schools, universities and other businesses to support community development programs. TKM has

a clear vision of growing with the society and is also focused on the welfare of its neighborhood. The following are the major efforts/activities undertaken by the company in this regard.

Education

Education plays an important role in shaping our future. Toyota is promoting education by supporting local school children.



- Residential School: TKM has re-constructed a residential school which houses 50 students mainly belonging to economically weaker sections at Byramangala, near TKM's plant in the Bidadi Industrial Area.
- Books and bags distribution: Every year TKM distributes books and bags to local school

children. As of 2010, this programme benefited more than 5000 local school children from 85 schools. This is a continuous activity, covering an additional ten schools every year. TKM has also contributed library books and laboratory equipment to educational institutions and also built the infrastructure needed.

Skill Development and Technical Training:

Toyota Technical Training



Institute (TTI): This institute is a state-of-the-art facility which provides a three-year, full-time course on automobile technology, free of cost to rural students who have passed their higher

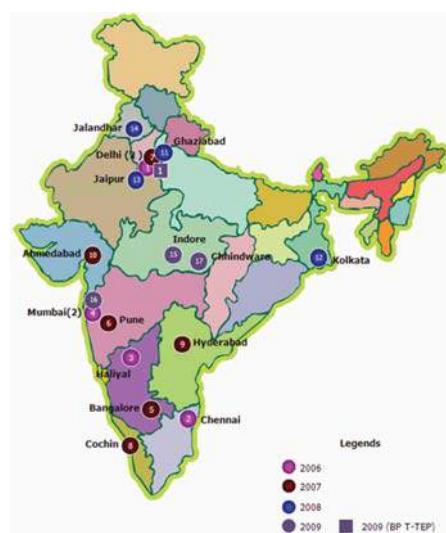
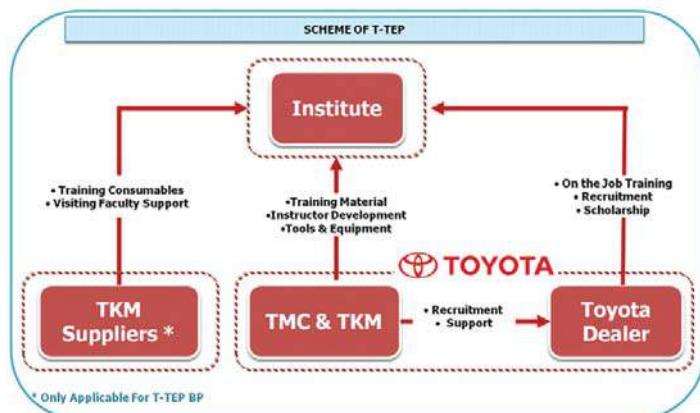
secondary education. The institute is fully focused on training only the rural youth in Karnataka and successful candidates are given job opportunities. It was

started in 2007 and takes in 64 students per year. 192 students have undergone training as of now and a new batch of 64 students joined in August 2010. The first batch graduated in 2010.



[Top] Dr. APJ Abdul Kalam, Former President of India, addressing the first batch of graduating students
Glimpses of the Graduation Ceremony and the Plant visit by Dr.APJ Abdul Kalam

Toyota Technical Education Programme (T-TEP):



This programme is focused on training the Industrial Training Institute (ITI) students across the country in advanced automobile technology. The successful

candidates are given job opportunities at Toyota dealerships.

For the first time in India, a course on Body and Painting is introduced at an institute in 2009.

The total no. of institutes implementing T-TEP: 18

The total no. of students who have participated in the T-TEP course: 428

Traffic Safety:



Glimpses of TSEP activity along with Bangalore Traffic Police

Keeping in mind the growing traffic conditions in cities, Toyota has now started to create awareness on traffic safety among school children through the Toyota Safety Education Programme. The Toyota Safety Education Programme (TSEP) is an interactive learning programme on traffic safety specially designed for children in the age group of 6 to 12 years.

- In 2009-2010, TSEP was conducted in five metros (Delhi, Mumbai, Chennai, Bangalore and Kolkata) covering 100,000 children.
- In the current year 2010-2011, the TSEP plans to continue in the same cities with special modules to sustain the programme. Partnering with

the city traffic police to educate school children on road safety, the forming of TSEP clubs in schools (which was already implemented in the previous years but needs to be continued) and extending the TSEP reach through Toyota dealerships are some of the modules.

Sanitation programme for the local community



Sanitation program inauguration

TKM has conducted a survey on the needs of the local community around the plant and it was observed that some villages did not have the basic toilet facilities in their homes. TKM considered this problem and addressed the issue

by implementing a sanitation programme for the local community around the factory catchments area. TKM is supporting the local community by constructing 310 individual toilets for each household in six villages



One of the 310 Project beneficiaries

under the Manchanayakanahalli Gram Panchayat. By this activity, the Manchanayakanahalli Gram Panchayat will achieve total sanitation and will qualify for the presidential award for total sanitation in a Gram Panchayat.

Environment



Plant visit by Local school children

At Toyota, the commitment to the environment extends beyond our products. Whether it is planting trees or organizing seminars on rainwater harvesting for the local Panchayats, TKM is working towards making the local community a better place.

As part of the environment month celebration, TKM conducts several

activities in the local community such as

- Painting and quiz/project competitions for the local school children in Ramanagara where winners are awarded prizes.
- Organizing a TKM plant visit for school children to educate



Glimpse of Science fair organized

them on environment conservation.

- Distribution of fruit bearing plants to all participants of the Environment Day event.
- Involving team members and conducting plastic free campaigns in the local areas.

Help During Natural Calamities:

Handing over to Chief Minister of Karnataka [Mr. BS Yediyurappa - 3rd from left]

TKM contributed Rs. 20 million and a day's salary of all its employees to the Karnataka Chief Minister's Relief Fund towards relief and rehabilitation for the North Karnataka flood affected victims in 2009-2010.

TKM contributed Rs. 1 million to the Andhra Pradesh Chief Minister's Relief Fund towards relief and rehabilitation for the Andhra Pradesh flood affected victims in 2009-2010.



Social Performance - Business Partners



Dealerships



Toyota does not just limit the environment protection efforts to its own premises but encourages its associates, both suppliers and dealers to also do their bit. In India, TKM has been actively involved from the very beginning in expanding its corporate social responsibilities. As a part of our global commitment, our dealers also take part in protecting the environment by minimizing the impact of their activities on the environment through pollution control, conservation of natural resources and continual improvement.

Dealer Environmental Risk Audit Program (DERAP) - Sustenance Tool

Complementing the ISO 14001 certification, this programme is designed by TMC to ensure the minimum requirement of environment risk management at dealer workshops. DERAP encompasses five crucial aspects of environment management;

- Presence of environment promotion staff

- Declaration of abidance to law
- Proper storage and treatment of hazardous waste
- Proper treatment of drainage water
- Proper recovery of HFC (AC gas)

Against the set target of 80 percent by TMC, more than 90 percent of TKM dealerships have achieved compliance with this programme. This is further driven by kaizen or continuous improvement both by the dealers and TKM.

One of the biggest challenges faced by TKM dealers is the safe disposal of hazardous waste. At the dealer level the hazardous wastes have been identified and stored safely. However, the mechanism to collect it from there for incineration/recycling is not adequately established in India at present. To help its dealers overcome this plight, TKM has initiated efforts to identify

authorized collectors of hazardous waste. Meanwhile with a three year plan, we will be able to achieve an effective and efficient EMS system at all dealerships.

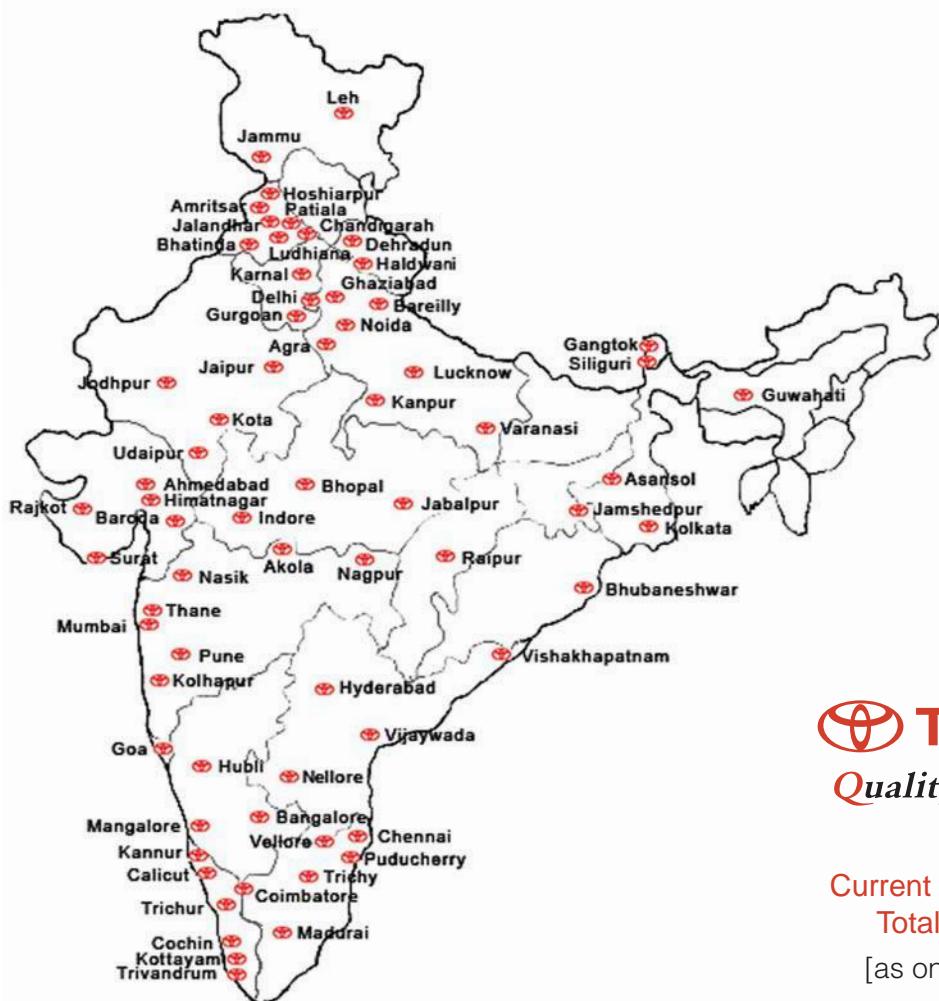
Dealer ISO 14001 Certification Promotion

TKM supports its dealers to maintain a very effective Environment Management System

(EMS). ISO 14001 certification recommended by TKM to its dealers, acts as a tool to structure the effectiveness of the EMS implementation at dealerships. As of now more than 70% of our TKM dealerships are ISO certified. At remaining new dealerships it is in progress. It has helped in creating awareness about Environment conscious function at the dealerships.



Nippon Toyota Dealership at Kerala received commendation certificate from Kerala State Pollution Control board for its best Environmental Practices & sustained efforts towards pollution control



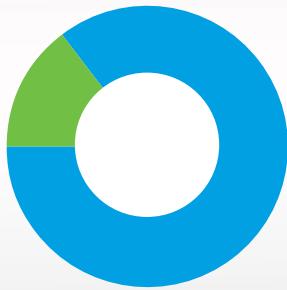
TOYOTA
Quality Revolution

Current Dealer Network
Total : 82 Outlets

[as on March 2010]

ISO Certification Status of Suppliers [Core]

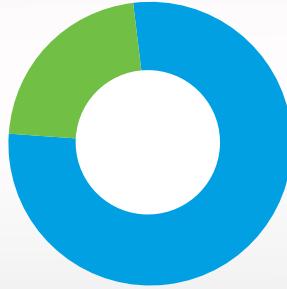
ISO Certification Status



85% Certified

- Certified 70
- Under Progress 12

DERAP Compliance Status



78% Compliant

- Under Progress 18
- Compliant 64

Voluntary Environment Initiatives Taken/Achievements by the Dealership

TKM dealers actively participate in various initiatives taken by the government as well as other bodies like SIAM towards environment conservation. The free pollution check campaign by SIAM on the World Environment Day and the 'Say No to Plastic'

campaign in Uttaranchal are some of the activities that TKM has participated in.

Such initiatives are duly acknowledged by the government too. For example, Nippon Toyota in Kerala has been awarded by the State Pollution Control Board for three consecutive years.

Customer Recognition

The effort of TKM and its dealers

towards preserving the precious environment is appreciated by its customers as well. The customers gain confidence in their dealers not only because of the eco-friendly products but their service too. Activities like safe disposal of discharged automotive batteries are actively supported by the customers. TKM has further plans to enhance awareness about environment conservation among its customers through its dealerships.

Promotion of best environment practices at dealership facilities through DERAP



Wastewater Treatment



Safe collection & Recycling of Waste Oil Plant



Segregation & Collection of Waste & recycling



Dealer Level Corporate Social Responsibility Activity

- Until today, TKM has conducted CSR activities at the company level only (Clean Bangalore, flood relief, village adoption etc.)
- As more than 50 percent of Toyota vehicles are driven by chauffeurs, they are the potential interest group for TKM's CSR activities
- Drivers are a strong link between the service team and owners and also influence the CSI ratings based on their experience and feedback to owners
- With the view of reaching out to a larger audience before the launch of Etios and also as a brand building activity, there is a need to conduct CSR activities at the dealer level
- Dealers have also started customer retention activities for drivers, as a reflection of the seasonal service campaigns

Proposal:

Conduct CSR activities for drivers with the theme 'Health, Safety and Education'.

Activity Details:

Activity duration: A total of seven days in May 2010 (after 10th May 2010) Target Drivers ~10,000



Toyota Q-Promise

Towards our aspiration of taking Toyota closer to our customer's heart, we have launched the "Toyota Q-Promise" campaign. Toyota Q-Promise is to assure Toyota Quality for delightful ownership with the core theme of "Customer First".



Safety Awareness Program at dealership

Background

- As per the study regarding the 4S and safety conditions at all dealerships, much improvement is required.
- At the dealer technical conference held on November 26, 2009, TKM showcased the

importance of 4S and safety.

- As a part of the safety awareness program, Ravindu Toyota (Bangalore), Lanson Toyota (Chennai) and Harsha Toyota (Chennai) started an in-house safety program by conducting the 'best slogan' contest.

Purpose

- To encourage and motivate team members to take the required safety precautions at work.
- To follow safety rules at the dealership.

Best Slogan Award: The slogan is displayed at all key areas of the dealership to educate team members about safety.



Use safety process and prevent Accident!

Ravindu Toyota:
Winner: Mr. Gopalappa



Develop the safety measures today; See the healthy world tomorrow.

Lanson Toyota:
Winner: Mr. Narayana Pillai and Mr. Elayaraja



No safety know pains,
Know safety no pains.

Harsha Toyota:
Winner: Mrs. Selvanayaki

Best Practice at Vehicle Washing Area: Galaxy Toyota (Azadpur-Delhi)



The professional uniform of the washing team indicating area of work.



Floor mat cleaning and drying done as per TKM recommendations.



Good 4S condition of the washing area.

promise

Our Quality comes from putting
our Customer First in everything we do.



knowing that
you, no matter what.
assistance
need it.



WE PROMISE TO LIVE UP TO YOUR TRUST

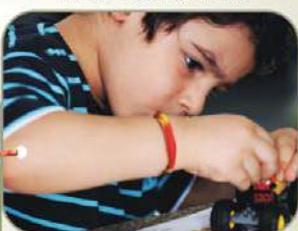
For our customers,
Toyota means 'Bharosa'.
Over 4 lakh happy customers
in just 10 years.

WE PROMISE TO KEEP YOU SAFE

When it comes to protecting our loved ones,
nothing can be left to chance.
9,000+ component safety checks.



WE PROMISE A GREEN TOMORROW
Mother Nature has nurtured us all,
it's time we showed our gratitude.
Sustainable afforestation programmes
that go beyond planting trees.



WE PROMISE TO NURTURE TALENT
Because every child is born with
dreams in his eyes.
Toyota Technical Training Institute
for the less privileged.

Watch out for **TOYOTA ETIOS**

Business Partners - Suppliers



The automotive sector is subject to enormous global pressures to improve product quality whilst at the same time reducing cost. These pressures impact car manufacturers and that has strong effects on the flow to suppliers. An innovative, capable and cost competitive supplier base is critical to the viability of the Indian automotive industry. Toyota Kirloskar Motor has almost 3500 suppliers, of which 82 are original

equipment (OE) suppliers.

Toyota has been propagating and undertaking initiatives to all its consolidated subsidiaries around the world, to contribute to the harmonious and sustainable development of society and the earth. Toyota expects its business partners to support this initiative and comply fully with all applicable laws, regulations and societal norms both in Japan and overseas and conduct activities

with the utmost respect to everyone.

TKM has been enabling its suppliers to ensure the long-term and stable procurement of the best products at the lowest prices in the most speedy and timely manner. TKM also ensures periodical reviews and confirms the status of implementation of the activities described in the guidelines.

TKM Purchasing Policy.

Toyota Kirloskar Motor's fundamental approach to building business relationships has not changed since the foundation of the Toyota Motor Corporation (TMC) 70 years ago. The company's approach is articulated in the Purchasing Mission. A supply based company that gains the respect and trust of society while remaining competitive and long-term provides a stable procurement of the best products at the best prices and in the best

1. Fair competition based on an open-door policy

Fair competition based on an open door policy supporting TKM's aim of continuously improving the supplier base and preparing a solid foundation for the future.

2. Mutual benefit based on mutual trust.

Mutual benefit based on mutual trust ensuring that the purchasing activities are managed by equal business partners and result in an even stronger interdependent relationship based on openness and honesty.

3. Contributing to the local economic vitality and being a good corporate citizen.

Toyota aspires to be a good corporate citizen by contributing to local economies and societies thus contributing to the company's vision even in these challenging times.

Supplier Development programs: Towards Sustainable Supplier Base

[Toyota Basic Approach to supplier : "SUPPLIER PARTNER"](#)

Supplier development programs are designed to give a sense of Partnership to the supplier, through which we can work along with supplier partners .

We at TKM, work jointly with Supplier to implement Toyota Production System. The scope of implementation is not constrained to Toyota's Business , but we

promote to implement the same to entire scope of supplier operation irrespective of customer.

With this, Toyota's Stable and sustainable supplier base can contribute to the growing Auto Industry in turn to the country's economy.

Toyota is promoting TPS implementation at suppliers to enhance their productivity and achieve mutual growth. Toyota Kirloskar Motor, through its Supplier's Association is jointly working to expand and enhance TPS culture among all Toyota suppliers.

[Toyota Production System \[TPS\] promotion initiative](#)

TPS is the key to the success of Toyota operations worldwide.



Training to Supplier group and TKM Top Management Visit to Supplier facility as a part of TPS implementation review

Quality Circle Competition: To Bring out the Best in the Suppliers

Quality Circle Concept: The supplier team solves the identified problem in their respective companies.

Gemba QCC: Judges will visit participating companies to understand their implementations and also guide the QCC team for further improvement.

Regional QCC: All companies assemble to present their presentations. Regional winners are decided and awarded.

Final QCC: Regional winners will compete in the finals. The winners will then be decided and awarded.



Supplier activity review by TKM Top Management



QCC awarding

Kaizen Festival : Kaizen festival is an exhibition where the suppliers display their best kaizen [process improvements] under one roof. Three of the best kaizens will be awarded during Annual Supplier Meet.



Glimpse of Supplier Kaizen festival and information sharing

Showcase visits : Sharing the best practices of identified companies among regional suppliers.

The identified suppliers will be visited by nominated members from quality, production, & engineering groups of TKM to understand and implement the best practices.

Overseas visit : To benchmark the Supplier's Association activities at TMT / TMMIN. To enhance TPS implementation and other activities at showcased suppliers.



Benchmarking visit to TMT [Toyota Motors Thailand]

Safety promotion among supplier companies

TKM has been promoting mutually beneficial safe working practices among its supplier groups as a part of the CSR activities. The basic approach is to promote awareness and inculcate safe working conditions among the members to avoid accidents.



Glimpses of Supplier group training on Occupational Health and Safety

Environment Initiatives

Green Purchase Guidelines

Comprehensive environmental management means looking beyond the boundaries of our own operations to the wider supply chain. TKM has adopted the 'Green Purchasing Guidelines' policy which includes the environmental criteria in every purchasing decision we make and encourages our suppliers to improve their environmental

performance. In addition to meeting traditional expectations of quality, service and price we give preference to suppliers and products with better social and environmental credentials.

Reduction in the use of Substances of Environmental Concern

Toyota's global standard promotes the elimination of substances of environment concern. Hexavalent

Chromium, Cadmium, Lead and Mercury have been eliminated from almost all parts of the Innova, Corolla and Fortuner at TKM.

Although, there is no requirement or law regarding the end of a vehicle's life in India, we at TKM have proactively taken up in early elimination. This aims at creating a better and safe environment for the future generations to come as the SOCs can be very toxic even in small concentrations.



Acquisition of ISO 14001 Certification:



Toyota Kirloskar Motor undertakes the systematic management of environmental preservation activities and works to continuously improve them. TKM

requests that all suppliers create the systems necessary to carry out environmental preservation activities and constantly improve them. To do this suppliers are requested to acquire the ISO 14001 certification.

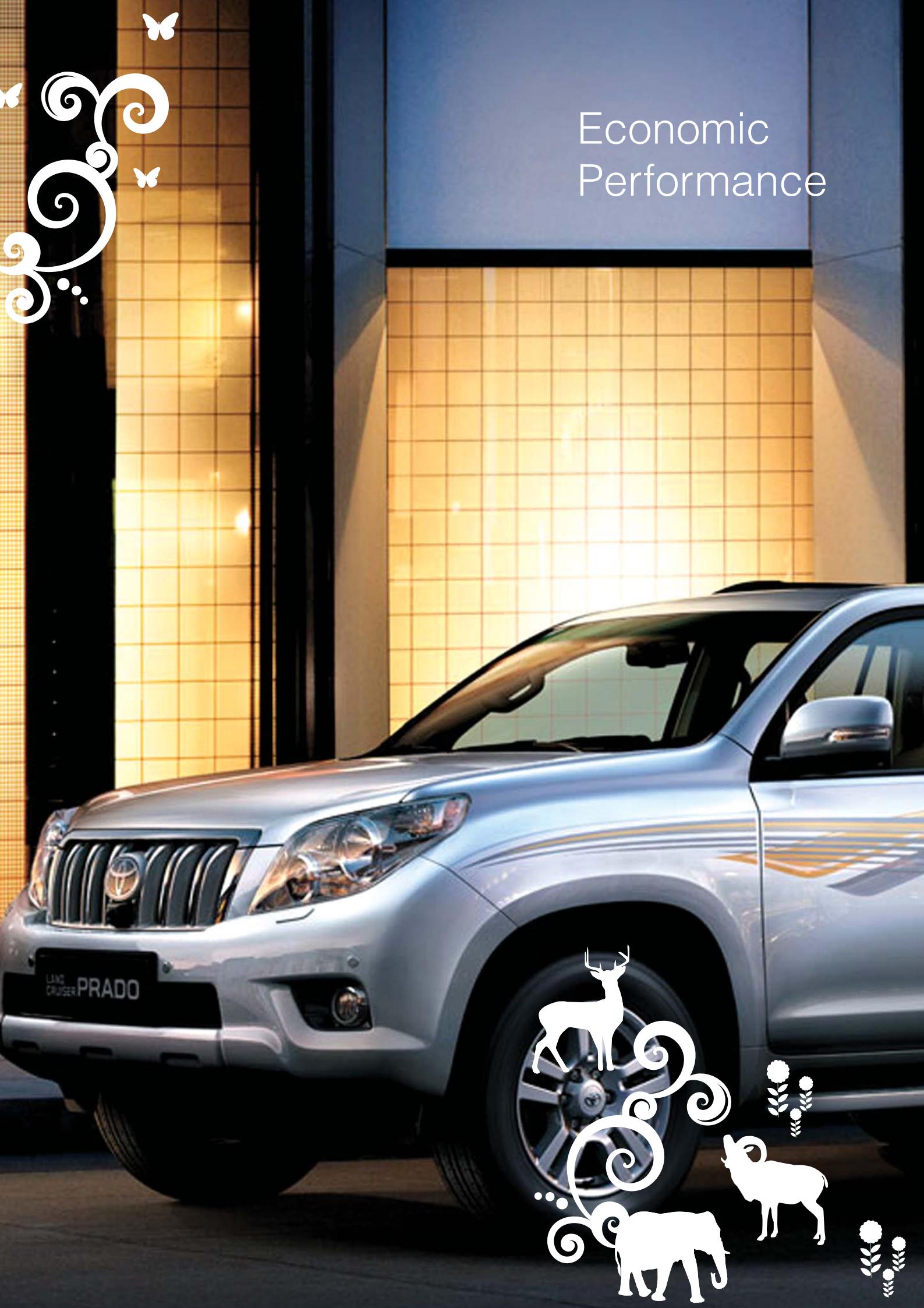
Environmental initiatives related to suppliers business activities:

In addition to the initiatives taken by Toyota Motor Corporation (TMC), Toyota Kirloskar Motor (TKM) has set ambitious targets to work on various environmental improvement activities. Suppliers delivering parts, raw materials and supplementary materials should also take an active approach to environmental initiatives as a part of their business activities.

- Compliance with environmental laws and regulations
- Enhancement of environmental performance

Reduction of CO2 Emissions and the use of packing and wrapping materials in logistics:

The transportation of goods results in the consumption of energy and reducing this consumption of energy becomes a major issue. Thus, TKM undertakes active measures to reduce CO2 emissions (energy consumption) in logistics. TKM is also working to reduce the use of packaging and wrapping materials. The suppliers involved are also requested to implement environmental measures in their logistic activities.



Economic
Performance



Economic Performance

The Indian automobile industry demonstrated its resilience in the face of a global downturn in 2010 by racking up sales of over 1.95 million cars. During the same period, TKM has introduced new models like the Fortuner and the Land Cruiser and achieved an all time high sales of 63,824 numbers, representing a growth of 36 percent. TKM now has an impressive array of vehicles all of

which symbolize the Toyota touchstone of refined quality and high dependability. TKM has also clearly announced its green vision with its widely acclaimed Toyota Greenathon campaign and the introduction of the world renowned Prius, the only mass produced hybrid vehicle.

TKM has targeted the growth of its market share to 10 percent by

2015. This will be achieved through the launch of its small car Etios, another first for TKM and Toyota. This prestigious project has been executed with an outlay of Rs 3,200 crore and was recently introduced in the market. With this, TKM will be a force to reckon with in the demanding Indian auto market.

Key Financial Data		2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	Rs. in Mil
Net Profit after Tax		3,093	1,226	2,073	1,057	534	
Sales Revenue		56,037	37,603	41,016	37,344	33,352	
Capital Expenditure		1,176	1,921	544	638	412	
Total Assets		15,768	14,663	12,847	12,447	11,842	

Product / Services	Production / Outputs*			Share of Turnover (%)			Market Share [in respective segments] (%)		
	07-08	08-09	09-10	07-08	08-09	09-10	07-08	08-09	09-10
1. INNOVA							35	34	32
2. COROLLA	53,774	46,251	63,269	78	77	84	15	27	23
3. FORTUNER							-	-	54
4. CAMRY							24	9	6
5. PRADO	1,295	492	504	5	3	3	6	4	25
6. LAND CRUISER							-	-	2
7. Traded Parts	176,190	134,412		17	19	14			

Special Feature: Delhi Auto Expo Jan-10



Etios Concept unveiling by TMC and TKM Top Management

The 10th Auto Expo was held at Pragati Maidan, New Delhi from January 5-11, 2010. This seven day event was organized by the Automotive Component Manufacturers Association of India (ACMA), Confederation of Indian Industry (CII) and the Society of Indian Automobile Manufacturers Association (SIAM) accredited by OICA.

The seven day Auto Expo was visited by over two million enthusiasts who came to catch the buzz surrounding some of the most advanced cars showcased by global majors.

Toyota Kirloskar Motor Pvt. Ltd. (TKM) re-emphasized its commitment to the Indian market with its theme of 'Quality Revolution' at the Auto Expo 2010. One of the main attractions at the Auto Expo was the display of the Toyota compact car.

Toyota Kirloskar Motor Pvt. Ltd. (TKM) unveiled the concept model of its soon to be launched new compact cars in India. Named as the Etios concept, it incorporates the advanced technology and superior quality features that have been developed by Toyota specifically for India, by

leveraging the world-class innovations that Toyota is globally renowned for. Etios is a Greek word and is derived from the word 'ethos' which means 'values'.

The concept cars were unveiled in the presence of Mr. Kazuo Okamoto (Vice Chairman, Toyota Motor Corporation), Mr. Akira Okabe (Senior Managing Director, Toyota Motor Corporation), Mr. Yashinori Noritake (Chief Engineer, Product Planning for Passenger Vehicle, Toyota Motor Corporation), Mr. Vikram Kirloskar (Vice Chairman, TKM), Mr. Hiroshi Nakagawa (Managing Director, TKM) and Mr. Sandeep Singh (Deputy Managing Director, Marketing, TKM).

Mr. Hiroshi Nakagawa, MD, TKM further explained the theme, "At Toyota, we believe that as we start developing our processes, there is room for continuous improvement. We then create bigger innovations for our cars and every little improvement is a step towards a revolution. In short, 'Quality Revolution' at Toyota begins with quality processes that help to make quality products with quality comfort, in turn, necessitating and bringing about quality service, thereby improving one's quality of life for a better tomorrow."



Special Feature - Prius Launch in India



Left: Prius launch at Auto Expo 2010. Right: Appreciation of Prius by Noble Laureate Dr. RK Pachauri [Director-TERI]

Moving forward towards Greener Tomorrow : Toyota Prius for India

Toyota is committed to bringing the latest technologies to India that will help reduce the carbon footprint associated with its product use. In addition to the fuel efficient and low emission Petrol and Diesel engines, Toyota has introduced the globally renowned Hybrid Technology in India.

Toyota Kirloskar Motor Pvt. Ltd.

(TKM) launched the latest third generation Prius in India at the Auto Expo in January 2010. Toyota Prius will be imported as a CBU (Completely Built Unit) and marketed through its wide dealer network across India.

Speaking about the Prius launch in India, Mr. Sandeep Singh, DMD-Marketing, TKM said, "Through the

launch of the Prius, Toyota is keen to demonstrate its commitment to offer the latest eco-friendly automotive technology to its customers in India. Since becoming the world's first mass-produced hybrid vehicle in 1997, the Prius has received worldwide acclaim, and we will continue to popularize hybrid vehicles worldwide to further our efforts to

Special Feature : Toyota NDTV Greenathon II



After a hugely successful first year, NDTV and Toyota came up with the second wave of the 'Green Campaign' which included the 24 hour non-stop television programming of 'Greenathon II'.

The first campaign had gathered over Rs. 2 crore to light up 50 villages in India for TERI's 'Lighting a Billion Lives' project.

The nationwide Green Campaign

was conducted to create environmental awareness and Toyota in association with NDTV telecasted Greenathon II, a 24 hour live non-stop programme which started at 7 pm on March 6, 2010 across the NDTV network television channels. The programme showcased a series of on-the-ground activities all over India.

The 24 hour programming was hosted by NDTV's Vikram Chandra and VJ Cyrus Broacha. Priyanka Chopra, the campaign ambassador lent her support to the cause by co-anchoring the event and urged people to do their bit for a greener tomorrow.

The ultimate test of man's conscience is
his willingness to sacrifice something
today for future generations..."

— G Nelson

Former governor of Wisconsin, Co-founder of Earth Day







TOYOTA
Quality Revolution

For further information and feedback on this Report please contact:

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