

2013 Toyota Hybrid World Tour - Bob Carter

August 28, 2013

As prepared for:

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Ypsilanti, Mich.

Wednesday, Aug. 28, 2013

Bob Carter, Senior Vice President, Automotive Operations, Toyota Motor Sales, U.S.A., Inc.

Today will be fun.

Not only is this the first time we've ever assembled our entire hybrid fleet in one place...

We've gathered many of the people who actually had a hand in figuring out what to do with an odd-looking little bundle left on our doorstep back in 1997 that in 15 years, has changed the industry.

I was in the field during the late 90s, when we first heard about this *Prius thing*.

We weren't sure what to think of it, but we knew we wanted it.

We wanted anything!

Back then, Toyota dealers were screaming for more cars.

It was THE brand...with demand.

They mostly wanted bigger trucks and SUVs, but they would take anything with a Toyota emblem. Even a \$19,000 compact 4-door sedan that got 41 MPG when nobody cared about MPG because gas was cheaper than a bottle of water.

We had about two years to build a market plan around a vehicle that was defined by a new technology that involved electricity.

Those are two things that mainstream consumers were not asking for.

In fact, they were suspicious of it.

We knew we would need to target early adopters, environmentalists and the tech-savvy; People who were generally ahead of all of us...and to reach them we used another new technology called the internet.

When we finally got the vehicle in 2000, it sold better than we thought, right out of the gate and it quickly proved that one car makes a difference.

The challenge wasn't getting people interested in a hybrid.

The challenge was figuring out how to manage demand and plead for more allocation.

In a few minutes, Geri Yoza and Ed LaRocque are going to explain in greater detail how Prius, so quickly and effectively, tapped into a need that consumers didn't know they had.

Even more importantly, we began to really understand how this technology, by being adapted in many shapes and applications, could change everything.

This was a vehicle, and a whole technology, that was designed to address the environmental and economic needs of the 21st century.

It was clean, affordable and delivered high fuel economy, *and* most important of all, it drove like a normal car.

But to take full effect, hybrid technology needed to be *consumed in high volume*.

Prius has demonstrated this is possible.

Starting with this one car, Toyota & Lexus hybrid offerings have grown to **23** worldwide, including the Prius plug-in.

The sale of 5 million Toyota and Lexus hybrids worldwide has led to a 34-million ton reduction in CO₂— the equivalent of taking 4.8 million vehicles off the road.

We estimate hybrids have saved their owners more than **3 billion** gallons of gasoline worldwide.

Beyond the numbers, this one car has made a difference in the lives of individual owners...often forging an emotional connection with consumers.

Arguably, Prius is more than a car.

It has become a pop culture icon. And it has allowed us to go mainstream with full hybrid technology.

We believe so strongly in this one car making a difference, that we have consistently encouraged the industry to expand the use of hybrid technology.

15 years after the arrival of what some have characterized as a *science project*, we are seeing this happen.

Over the past 5 years, the percentage of hybrid sales at Toyota has grown from 10 to **16** percent of our total sales mix.

Ford is less than 3 percent...and Honda is less than 2 percent.

Our product line is more than twice as large as any other manufacturer and we currently account for more than 60 percent of U.S. hybrid sales and 70 percent of the nearly 3 million hybrids on U.S. roads today.

And while hybrid as a percentage of the total market is just under 4 percent, we believe that it can...and *must* grow.

Therefore...I think it's appropriate to take this opportunity to offer a good natured challenge to the auto industry.

Toyota has now sold more than 5 million hybrids...globally.

I would like to see us, as an industry, accomplish the same thing in the U.S.; that is... *5 million hybrids in the U.S. by close of business 2016.*

It's do-able. And I believe we will do it.

One last point I'd like to make, which may not be obvious to everyone.

When we introduced the first Prius, the early adopters bought them because it was something completely new and that it was a safe bet because it was a Toyota.

The Toyota brand halo was the closer.

Today, I can say without reservation that **the success** of Prius has become the halo for Toyota, and hybrid technology, for the entire industry.

Later today, you will hear from Managing Officer, Mr. Satoshi Ogiso about some of our **future** hybrid plans.

To set the context this morning, you are going to hear some stories that I will bet you've never heard.

We'll examine how everything got started in the mid-90s, how we got to where we are today...and compare and contrast the hybrid environments in Europe, Japan and North America.

Thank you for joining us today.