

2012 Economic Club of Chicago - Yoshi Inaba

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The Economic Club of Chicago

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Yoshi Inaba, President & COO, Toyota Motor North America, Inc.

Thank you very much, Charlie...and good afternoon everyone!

It is GREAT to be back in Chicago!

This is where I landed on my very first trip abroad, on my way to the Kellogg School of Management in Evanston.

To be perfectly honest with you, I had never heard of Northwestern before.

I also didn't know that Kellogg ranked among the best schools of management in the world.

I will admit that I had been lobbying hard to go to Notre Dame, because I heard they had a great golf course on campus!

As it turned out, I began my MBA classes at Kellogg in 1974...a very important year for Toyota.

It marked the beginning of Toyota's expanded globalization.

Although we had been exporting vehicles for many years, we stepped up our pace and entered many new regions.

As a result, Toyota management knew there would be a need to transfer talent overseas to support the company's international growth.

And I was among a group of people chosen to help lead those efforts.

So the time I spent in the Chicago area...and my studies at Kellogg...had a great deal to do with the direction of my life.

In fact, one of the greatest lessons I ever learned, I learned here...

And I'd like to share that lesson with you today:

Chicago's deep dish pizza is the best!

Over my forty-plus year career, I've never lost my passion for the auto business...and I must tell you...I am more excited about the industry today than EVER.

Why?

Because after several incredibly tough years, the auto industry is making a strong comeback.

That's positive news for everyone here because the auto industry is the largest manufacturing sector in the nation.

In fact, the auto industry is responsible for 8 million American jobs...and the industry expects to add 150,000 new jobs over the next 4 years, according to the Center for Automotive Research.

As auto sales improve and jobs expand, our industry will act as a POWERFUL engine that tugs the U.S. economy forward.

And if you still need convincing, take note of this.

The auto industry's current 500-BILLION-dollar payroll ranks ONLY below the Defense Department and Social Security.

So we make a tremendous positive impact on this country and...collectively...the industry will help lead America to better days ahead.

I'm equally excited about 2012 because my company will launch 19 new or updated products this year under the Toyota, Scion and Lexus brands, including the Lexus GS and Scion FR-S on display here.

And, nearly half will be hybrids or electric vehicles.

Today, I want to talk about how Toyota and the auto industry are answering environmental and energy conservation needs and delivering what customers want.

Let's start with meeting environmental and energy needs.

In the future, cars will run on a variety of fuels, including gasoline.

As long as anyone here can remember, gasoline has been THE fuel for cars and trucks in America.

And it will continue to be for the foreseeable future.

But fossil fuels are tough on the environment...and supplies are not keeping up with growing world demand as countries like China, India and Brazil develop into industrialized nations.

And...as you well know...when demand is high and supplies are low...prices soar.

We see that at the pump now and the U.S. Energy Department is warning that gas supplies may tighten even further this spring and summer...leading to even HIGHER prices.

So it's prudent to explore other alternative fuels...and that's what Toyota is doing.

Long ago, we realized that no one kind of car would meet the different needs of customers.

After all, what works well in Springfield may not be right for Shanghai, Sydney or Singapore.

So, we are taking a wide portfolio approach to cars of the future.

It all started a decade and a half ago when we introduced Prius to the United States.

We thought it was a novel idea...but at the time...gas cost less than a dollar a gallon and some people thought a

car with BOTH an electric motor and gas engine was a silly idea.

Fast-forward to today, and hybrids are mainstream products.

We now offer 9 different Toyota and Lexus hybrids.

We recently sold our one millionth Prius in America.

And we have more than 3 million hybrid vehicles on the road worldwide.

So, if you see a hybrid car on the streets of Chicago today, chances are one in two that it's a Prius...and seven in ten that it's a Toyota or Lexus.

Hybrids are a great solution for high gas prices, cleaner air and U.S. energy independence.

Ours get about twice as much mileage as conventional cars and produce 66% less smog-forming emissions than the average new car on the road.

In fact, compared to the average car since the year 2000, our Prius has saved an estimated:

- 1.1 Billion gallons of gas...
- 16 million tons of CO2...
- And \$2.9 Billion in fuel costs.

And...according to a recent study...if everyone in the U.S. drove a Prius, we could reduce our dependence on foreign oil by 70%!

That's why we are introducing an ENTIRE family of Prius products to meet the various needs of American consumers...including a plug-in Prius and the new Prius c coming this spring.

The Prius Plug-in has room for five, a short charging time and combines the benefits of the standard Prius with extended electric vehicle driving.

To judge the efficiency of plug-in hybrids, the EPA created a new mileage measurement called MPG-e...or miles-per-gallon equivalent.

I am happy to report that our new Prius Plug-in is expected to achieve an estimated 95 MPG-e in combined driving.

The Prius c is a small, sporty fun-to-drive hybrid with great technology...the highest city mileage...and lowest price for any hybrid without a plug.

We will also add two battery electric vehicles to our line-up this year.

An all-electric version of our popular crossover vehicle, the RAV4, featuring the space and advantages of an SUV and a "real world" range of 100 miles.

And the Scion iQ EV, a micro car aimed at short-range urban driving and car-sharing programs.

And our environmental technology goes well beyond the development of better hybrids and electric vehicles.

We are also working on:

- Fine-tuning internal combustion engines and reducing vehicle weight for more mileage and fewer

emissions...

- creating advanced solid-state and metal-air batteries that could double the performance of today's lithium ion cells...
- using more carbon-neutral, eco-plastics made from plants to craft interior components for our vehicles...
- and selling a zero-emission, hydrogen fuel cell vehicle in 2015.

So, depending on the fuels available, we will be ready to meet customer needs no matter where they live.

And we are always working to make our hybrids even better.

For instance, the Toyota NS4 plug-in hybrid concept illustrates our vision for sporty Toyota sedans around 2015...take a look...

The NS4 brings together expressive design...state-of-the-art safety...and the best of pure electric and hybrid power for maximum efficiency, fuel economy and environmental friendliness.

Look for a car like this from Toyota in the next few years.

Along with meeting the needs of the environment, the auto industry is developing cars that are much more efficient at conserving energy.

Part of this drive has to do with federal fuel economy standards agreed upon by the government and automakers.

And part of it has to do with the rising cost of gasoline.

To reach this goal, automakers are making conventional gas cars much more efficient...while at the same time...developing alternative powertrains.

I already mentioned the many options we're developing for the future, but hybrids will remain the CORE technology for Toyota's future vehicles.

That's because our hybrid systems can easily be adapted to other powertrains to further conserve energy.

For example, if you team a hybrid system with a fuel-cell, the vehicle will get better fuel economy than a standard fuel cell vehicle.

And since hybrid systems are so adaptable, it is possible to drive a great looking car that is more fuel efficient and kinder to the environment... SOONER rather than later.

Let me show you what I mean.

Take a look at the Lexus LF-LC concept coupe...

Did I mention this is a hybrid?

Imagine the fun you could have driving a car like that while doing your part to conserve energy and the environment at the same time.

This is just a concept at this point...but judging from the fantastic reception it received at the recent Detroit Auto Show...people want us to build it.

In fact, hybrids are SO important to the future, that I want to share an announcement with you today that is

positive for both consumers AND the American economy.

You may know that Toyota directly employs more than 30 thousand Americans...and that our total U.S. investment stands at 18 billion dollars.

And we currently build our Camry hybrid at our Georgetown, Kentucky factory...one of nine vehicles we build at 10 American plants that are the source of 70 percent of our U.S. sales.

Today...backed by a technical center in Michigan where we employ 1,000 engineers...we are taking the next step in hybrid manufacturing in the United States.

I am happy to announce that Toyota will now build our Highlander SUV hybrid in the United States at our plant in Princeton, Indiana.

To do that, we will invest \$400 million to expand the plant so it can build an additional 50,000 Highlanders, including hybrids.

As a result of moving Highlander hybrid production to Princeton from Japan and expanding capacity for the gas model, we will create 400 more American jobs and many more at our U.S. suppliers.

That's great news for this region...for our American customers...and for the U.S economy because every auto job creates three-and-a-half "spin off" jobs that support those workers.

This expansion of our American workforce follows the opening in November of our plant in Mississippi, where we added 2,000 new jobs.

Even better, we plan to export some of those Highlanders to other countries.

Our exports of "made-in-America" products to 21 countries have topped 100,000 vehicles...and we've just begun exporting American Camry sedans and Sienna minivans to South Korea.

So there are a lot of fuel-efficient vehicles coming to America's highways SOONER rather than later.

I should also mention that we will have more good news tomorrow when we make an announcement about a major philanthropic program that will benefit communities across America.

So stay tuned.

Along with answering environmental and energy conservation needs, the auto industry is working hard to deliver what customers want.

Now, when you ask the question..."What do customers want?" most people in business today will answer with one word: "EVERYTHING!"

And in the car industry, that means consumers want looks...efficiency...connectivity...affordability...and fun.

That's a tall order...and even the world's largest automakers are finding that hard to deliver totally by themselves.

So increasingly, car companies are reaching out to form alliances and partnerships that will help them deliver what customers want.

In the past...Toyota was one of those companies that liked to “go-it-alone.”

But that’s changing in a major way.

Under the leadership of our young, dynamic global president...Akio Toyoda...we are reaching out to cutting-edge companies to ensure that Toyota products will meet the changing needs of our customers and society.

For example, in the last 21 months:

- we forged an alliance with Tesla to bring to market an electric RAV4 faster than expected...
- we teamed with Ford to develop hybrid systems for pick-ups and large SUVs...
- we partnered with Microsoft to ensure we have the latest cloud technology to connect future cars anywhere on earth...
- we set up a partnership with computer chip giant... Intel... to develop better inside-car touch, gesture and voice technologies that reduce driver distraction...
- and, we formed a partnership with BMW to jointly work on lithium-ion batteries and other environmental technologies.

So there is more to come from Toyota...A LOT MORE.

And we are not alone.

You will see more automotive alliances as car-makers stretch to meet the growing needs of consumers.

Today’s cars are also well on the way to meeting the needs of connected customers.

More and more, car makers are working to make sure their in-car electronics are compatible with the smartphones that have become the communications center of our lives.

In fact, our Lexus Enform system on the new GS you see here provides navigation and sound entertainment as well as popular apps like Pandora radio...Bing search and Open Table for restaurant reservations.

The key is to provide these connected activities in a way that won’t distract drivers and create safety issues.

So developing better voice recognition systems is on the “to-do” list of nearly every automaker.

At Toyota, we’re also working on:

- iPad-type consoles ...
- wave switches that operate touchpads even when you have gloves on...
- cameras that replace inner and outer rear-view mirrors...
- new glass technologies that block 99% of harmful sun rays and splatter rain drops to improve visibility in bad weather...
- And even steering wheel health monitors.

As we do these things to serve the needs of our customers, the environment and society, I am extremely optimistic the auto industry will grow, prosper and have a very bright future.

In short, it’s a great time to be in the auto business.

We're entering an era of innovation that will significantly alter transportation in the 21st Century.

Well...by now...I hope you are getting a sense of the exciting future we can all expect as automakers develop the cars of tomorrow.

I can't promise you flying cars or Star Trek remotes that beam you up.

But I CAN promise you that Toyota and the rest of the auto industry will be eagerly developing cars that look great...are fun to drive...easy on fuel and the environment...AND will help us reach our dreams in the future.

Thank you...and I wish you good fortune and success.

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