

# 2010 Automotive News World Congress

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*Key Quotes – Yoshi Inaba, 2010 Automotive News World Congress Speech*

On the “Great Recession”:

**“We will never be the same and the auto industry will never be the same, but the lessons we’ve learned...the lessons we’ve learned...are priceless for our future.”**

On the auto industry:

**“So our job in 2010...and beyond...is to radically transform our image from an industry that drags its feet to one that puts its best foot forward.”**

**“The first 100 years of this industry were about expansion and exploration. The second century is about innovation and harmony.”**

On meeting the transportation challenges of the future:

**“Bottom line, these tasks are beyond the scope of any one automaker. So we must combine our efforts and work together to move forward as an industry. And Toyota plans to be a leader in these collaborative efforts.”**

On Toyota North American production:

**“Along with new products, we are studying the possibility of moving even more production of our vehicles to North America. And we still plan to build the Prius in Blue Springs, Mississippi when the recovery hits full stride.”**

On Toyota’s approach to environmental challenges:

**“Toyota is taking what we call a ‘Comprehensive Environmental Technology’ approach to green cars of the future. Rather than putting all of our eggs in one technology basket, we are developing a wide array of advanced technologies with energy-enhancing hybrid systems at their core.”**

On the Toyota floor mat recall:

**“A product recall is an opportunity to reconnect with customers in ways we haven’t before...and to reprove ourselves in their eyes.”**

**“Our New Year’s resolution is to redouble our efforts to provide the best engineering, manufacturing and after-sales support in the auto industry.”**

On the future of Toyota:

**“We want to build a company so admired that consumers can’t imagine a world without Toyota.”**

**\*\*\*\*\*TEXT of SPEECH\*\*\*\*\***

As delivered by:

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*Chairman and CEO*

*Toyota Motor Sales, U.S.A., Inc.*

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[Introduction by Keith Crain]

Thank you, Keith, and good evening everyone...I hope the new year is off to a good start for you.

You know, over the holidays, I saw a television ad for Allstate Insurance that really captures the essence of what all of us in this industry have been through the past two years.

It asks simply, "When we look back, will we see the 'Great Recession' or a recession that made us great?"

No messages here about the bad things we've faced. Instead, it focuses on the good things we've learned...about ourselves...our work...and the important things in life.

We will never be the same and the auto industry will never be the same, but the lessons we've learned...the lessons we've learned...are priceless for our future.

Believe me; no one knows that better than all of us at Toyota.

During 2009, our commitment to quality and safety... the two most important attributes of Toyota...were severely questioned and we learned some lessons the hard way.

These issues generated plenty of debate...and unfortunately...some miscommunication...that was our own fault.

We have learned from these mistakes and we are confident that we're doing the right thing for our customers. With the support of our dealers, we will do everything in our power to demonstrate to customers: how much we care about them...how much we want them to continue having confidence in Toyota... and how committed we are to ensuring they are driving the safest and best built cars on the road.

We're totally committed to taking care of people as quickly as possible, with a minimum inconvenience.

A product recall is an opportunity to re-connect with customers in ways we haven't before...and to re-prove ourselves in their eyes.

And, of course, we won't stop there.

Our New Year's resolution is to RE-DOUBLE our efforts to provide THE BEST engineering, manufacturing and after-sales support in the auto industry.

EVERYONE at Toyota will be focused on that this year...and we believe it will make a HUGE difference.

And while all of us fight our own individual battles to improve ourselves and our companies, we can't forget about the BIGGER picture...the fight we share TOGETHER to transform the auto business into a leading industry of the 21<sup>st</sup> Century.

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There are a lot of people out there that think we are a dying...dirty...smokestack industry that takes more than it gives and refuses to change with the times. And they're causing others to reassess our value during times of

economic uncertainty, geo-political upheaval and environmental concerns.

So our job in 2010...and beyond...is radically transform our image from an industry that drags its feet to one that puts its best foot forward.

We must provide hope and vision and products that move people and nations forward to a brighter future. And that's what I want to talk to you about tonight...how we can work...TOGETHER...to achieve these goals and Toyota's commitment to help lead the charge.

I know this industry.

It's full of motivated, innovative people like you who really DO want to change the world for the better.

It's time to focus that incredible talent to change the way we operate.

It's time to show people we care and contribute.

And it's time to create a sustainable future where customers have great choices... cars live in harmony with the environment... and automakers and suppliers prosper.

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So let's start with the foundation... the economic condition of the United States.

After two difficult years, financial indicators are finally stabilizing and economists forecast continued moderate recovery through this year ... followed by stronger growth in 2011 and 2012.

The auto industry should follow that same gradual growth pattern. In fact, we're already seeing positive changes.

Last year, the industry booked annual sales of 10.4 million vehicles ... down from the previous year, but things improved during the last two quarters.

For 2010, Toyota forecasts that industry sales will increase by about one million units, with more growth beyond that.

And we have good reasons to be optimistic about the next few years.

For one thing, we have the best auto affordability on record, and there's strong demographic support coming our way.

Over the next six years...the number of potential new drivers will increase by 15 million. That's as many drivers as there are today in New York and New Jersey.

And an all-time high in the median age of passenger cars, combined with the highest vehicle scrappage rate since World War II, should create more demand for new vehicles.

Think about it....the U.S. car fleet shrunk by 3.6 MILLION vehicles last year and many of those cars will need to be replaced.

In addition, the industry's re-structuring and strong sales momentum at Ford and Hyundai are creating more competition and better cars... and that's GREAT news for consumers.

Everyone is stepping up their game on value, quality and customer service.

If you don't believe me, take a stroll down the street to the Detroit Auto Show. Consumers have hundreds of great choices. Just walking around... you get a sense that it's a different world with a different kind of customer.

You'll also notice a trend for cars and accessories geared toward younger buyers. That's important...because by the year 2020...Gen Y will become THE most important auto buying generation, followed by Gen X.

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So yes, a lot is changing in the auto industry...and so should our focus.

The first 100 years of this industry were about expansion and exploration. The second century is about innovation and harmony.

We need to find a better balance between giving customers what they want and power trains that can co-exist with our fragile environment.

That's what automakers are working on...and the industry as a whole is making great progress.

For instance, cars today are 99% cleaner from harmful emissions than those from the 1970s.

And they keep getting better EVERY year.

In fact, the 2010 federal Fuel Economy Guide lists more than 193 cars and trucks on sale that deliver 30 miles per gallon, or more...a 47% increase over last year.

Plus, our industry recently made a HUGE commitment to achieve significantly HIGHER federal mileage standards by 2016.

And we won't stop there because our industry has one of the biggest Research and Development war chests on earth.

According to a Booz & Company study, the auto industry spends \$86 BILLION per year on R & D... more than ANY OTHER manufacturing industry.

And, 3 out of the world's top 10 R & D companies are automakers.

I'm proud that Toyota was ranked the No. 1 company in R&D spending for all industries. We spent \$9 Billion on cars for the future... or an average of more than \$1 Million PER HOUR.

And our industry's massive research effort is starting to pay off.

There are 70 models on the market today that can run on alternative fuel. Ten years ago, there were just 12.

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So...where do we go from here?

First...we must continue to improve our current products and introduce more environmentally advanced vehicles. And we're doing that.

Right now, automotive engineers in labs around the world are fine tuning internal combustion gas engines so they will get even more mileage than today's super-efficient models.

Beyond that, the auto industry will introduce dozens of gas/electric hybrids and advanced diesels between now and the middle of the decade.

Second... we must be involved in planning the urban environment where these new technologies will live.

In the future, we foresee "mixed mobility" combining:

- intelligent highways...
  - mass transit...
- bike and walking paths...
  - shared vehicles...
  - recharging kiosks...
- and hydrogen fuel stations.

Third, we must develop public/private partnerships that include energy and transportation companies, along with universities and government agencies working together to help bring new technologies to market.

And fourth... we must decide on the energy sources we want to use and the best way to deliver those fuels to advanced-technology vehicles.

Bottom line...these tasks are beyond the scope of any one automaker. So we must combine our efforts and work together to move forward as an industry.

And Toyota plans to be LEADER in these collaborative efforts. We are eager to engage in partnerships that will: speed development of new technologies... benefit all parties...and reduce the impact our products and plants have on the world. The future of our INDUSTRY...and our SOCIETY depend on it.

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So...with that as a backdrop...where's Toyota headed in 2010 and beyond?

Well, during our 52 years in America, we've built a strong reputation on quality and safety and we need to live up to that reputation and our customers' expectations.

Although 80% of all Toyotas sold in the U.S. the last 20 years are still on the road today and our brands rank highest in resale value...we know we can do better.

That's why a big part of that \$9 billion in R & D spending I mentioned earlier supports Toyota's OWN safety goals which are among the most RIGOROUS in the world.

In fact...

- We crash more than 1,500 vehicles per year to test safety features...

- We've built a multi- million dollar NASA-style driving simulator with a moving dome to test driving behaviors, including the heartbeat and brainwaves of drivers...
- And, we've developed highly advanced computer "test dummies" to measure internal organ damage so we can develop better vehicle bodies and restraint systems.

And soon, the entire Toyota and Lexus lineup will feature our Star Safety System of Vehicle Stability and Traction Control...Anti-lock Brakes...Electronic Brake-force Distribution ... and Brake Assist — all designed to help keep the driver in control of the vehicle.

In addition, we're adding a brake override system as standard equipment on ALL Toyota and Lexus vehicles starting this month with production of our most popular cars...the Toyota Camry and Lexus ES 350.

And that's just the start of what we believe will be a good, solid year for us.

We're optimistic because we are launching 10 new or updated TMS products in 2010, including a new Toyota Sienna.

As part of that product onslaught, Scion will get a huge shot in the arm with two new products that will rejuvenate the brand and bring additional younger buyers into the Toyota family.

And Lexus, our luxury division, is back on track with a slate of new products that have been very well received by consumers. And more are on the way, including an all-new hybrid and the launch of the LFA... our ultra-exclusive supercar that is astonishing driving critics around the world.

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Along with new products, we are studying the possibility of moving even MORE production of our vehicles to North America. And we still plan to build the Prius in Blue Springs, Mississippi when the recovery hits full stride.

And we've reorganized our operations to be more responsive to the U.S. market.

When Akio Toyoda became Toyota's global President last year, he gave the company's major operating areas, including North America, more autonomy to react quicker to local market conditions.

This new streamlined organization places decision-making closer to customers.

That, plus our 14 manufacturing plants in North America...two design studios...test track in Arizona ...1,000 engineer R & D center in Michigan...and 500 U.S. suppliers, should help make us more agile and improve our ability to respond quickly to customer needs.

And a huge part of that effort will be developing an even broader array of environmentally advanced vehicles.

Among other things, we plan to heavily leverage our strength in hybrid technology. Today, 3 out of 4 hybrids on American roads are built by Toyota...and 1 in 2 is a Prius.

We now offer 7 Toyota and Lexus hybrids. And yesterday, TMS President Jim Lentz introduced a new compact hybrid concept we're hoping will eventually become part of a North American Prius family of vehicles.

But as good as hybrids are, we know they ALONE won't solve all our environmental issues.

That is why Toyota is taking what we call a “Comprehensive Environmental Technology” approach to green cars of the future.

Rather than putting all of our eggs in one technology basket, we are developing a wide array of advanced technologies with energy-enhancing hybrid systems at their core.

Our plans include:

- further refining our conventional internal combustion engines for even better fuel economy...
  - selling 1 million traditional hybrids per year later this decade...
    - offering a plug-in hybrid to consumers in two years...
    - putting a battery electric car on the market in 2012...
      - and selling electric fuel cell hybrids in 2015.

We’re moving forward on all these fronts because there is no ONE solution for future transportations needs...but the need for many. And Toyota plans to stay at the forefront of those breakthroughs.

And while Toyota’s economic and technology contributions are important, we are also proud of the grass roots support we give to many communities throughout the U.S.

We donated nearly \$65 million to U.S. charities last year, but what is really exciting is that many of our associates volunteer generously of their personal time to help many worthwhile groups.

For instance, in Central Falls, Rhode Island our associates used Toyota’s problem solving system to improve a local high school’s drop-out rate. And we have shared our highly-regarded Toyota Production System with hospitals, airports and even churches so they can operate more efficiently.

In fact, we estimate that Toyota associates across the country volunteer more than 116-thousand hours each year to charity. And we are very proud of that record.

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Well, I hope by now that I’ve given you some insight as to why all of us at Toyota are optimistic about OUR future, and the future of this great industry.

Like the industry, we are confident that we are getting back on track and that our new focus will bring Toyota to a full recovery and an even brighter future.

And as Toyota continues to strengthen itself... you have my word that we will continue developing products that rely on little or no oil...are fun to drive... and benefit society.

And, we won’t stop with cars.

We want to build a company so admired that consumers CAN’T imagine a world without Toyota.

That’s why our researchers and engineers are also working on:

- vehicles for aging consumers and people with special needs...

- intelligent roads and transportation systems...
  - future-generation housing...
  - Winglet personal transporters...
    - eco-plastics...
  - plants and trees that absorb more CO2...
  - microbes that treat contaminated soil...
- and humanoid robots that will serve in homes and hospitals

We're doing all this because Toyota's promise to the world is that we will enrich people's lives and help create a sustainable society.

I believe that's also a worthy goal for the auto industry as we embark on a new decade of progress.

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So tonight I'm asking you to share our vision of the future and help make it a reality.

A future where people, cars, and the earth live and work in greater harmony.

A future where people see the auto industry as a positive force for change.

And a future where we ALL enjoy cleaner air, a healing planet, better cars, and modes of transportation we haven't even invented yet.

By working together to find answers to these 21<sup>st</sup> Century challenges, we will not only create a better auto industry, but also a better future for ourselves, our families and society.

Thank you...and all the best in 2010!

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