

Message from the President

Sharing Our Passion to Create the Future



Making Ever-better Cars and Human Resource Development: The Forces That Power Sustainable Growth

The net losses recorded after the global financial crisis and the series of recall issues that began in the United States taught us an important lesson. We at Toyota learned the hard way that even rapid growth, if not built on a solid foundation, can ultimately fail to serve the interests of stakeholders when it leads to rapid downturn.

To do right by our customers, investors, and other stakeholders, I believe that we must build Toyota into a company that can sustainably grow in any environment. We must manage it so that, like a tree, the Company will grow larger and stronger over time, adding new growth rings year by year so that it can bear abundant fruit in the future.

At the financial results press conference in May this year, I said that I want the current fiscal year to be one in which we take a critical look at our true selves and do everything we can to improve our competitiveness. By competitiveness, I do not refer only to quantifiable things, like costs and productivity. It is crucial that we improve the intangibles that make us competitive, by, for example, developing human resources who are passionate about making ever-better cars and making the world a better place and who work to make constant improvements based on *Genchi Genbutsu* (onsite, hands-on experience).

The Five Continents Drive Project is one initiative aimed at human resource development. Project participants drove across Australia in 2014, then the Americas, divided into North America in 2015 and Latin America in 2016. In 2017, they are driving across

Europe. Beginning with 80 participants in Australia, a total of approximately 500 people (including the European leg this year) have now participated over the project's four years.

Below are a few remarks from participants.

"On long-distance drives in real-world use environments, noise levels on cars that had cleared internal standards on test courses sometimes began to grate. It really brought home that some things don't come across through data alone."

"In North America, we met people who live in places where having a breakdown can be a life-or-death situation. For them, a car that won't break or fail is an absolute necessity. I want to always remember that for customers, cars function as partners that they trust with their lives and livelihoods."

"The experience made me painfully aware of the limits of my knowledge about cars. Working in an administrative division, I can't engage with a car the way an engineer can, but the things I learned about what people think when driving were very valuable. These two weeks changed my professional life."

There are a few things I always tell participants after they come back. "You've driven the actual roads. You've had conversations. You've experienced the road, the cars, and the people who use them with your own senses. You've talked about these things and more with your companions there using whatever knowledge of the local language you had. That's the kind of situation where the true essence of things emerges. Sometimes, the essence gets across best when you have limited words to express it. So, don't rely solely on

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data. I want you to take what you felt with your own senses, take the true essence of things, and use it to make ever-better cars. We need you to help break down walls that Toyota itself has built.”

We've started a virtuous cycle. Participants are driving the same roads as our customers, engaging with the cars and with the road.

Taking on the Future

In the near future, cars are expected to connect with people and communities and take on new roles as part of the social infrastructure. New areas, such as AI, automated driving, robotics, and connected cars, are becoming especially important, and it is no longer enough to focus just on developing excellent cars and technologies or to carry on sales and service in the same old ways.

To take on a new breed of initiatives, we therefore felt it crucial to form a new team, rather than use previous frameworks. Accordingly, in January 2016, we established Toyota Research Institute, Inc. (TRI), welcoming Dr. Gill Pratt as its CEO.

I first met Dr. Pratt in August 2015.

I asked him, “Why do you want to work with Toyota?”

His response was very simple.

“I want to eliminate the everyday tragedy of traffic accidents and contribute to making society better.”

At the press conference announcing TRI's establishment, he added to this, saying “I think Toyota will contribute to society by transforming from a successful hardware company to a new company by integrating software technologies; this is why I joined Toyota.”

Then, they are coming back to work, telling their junior colleagues about their experiences, and applying those experiences in their own work. The road teaches the people, and the people make the cars. I hope that more and more of our colleagues will come to understand this process at a visceral level.

What made me think that we ought to work with Dr. Pratt, made me want to work with him, was not just that he is an amazing researcher and engineer, but because I believe that his goals and motivations are the same as ours.

As we aim for the mobility society of the future, we are headed into unknown territory, seeking to ascend as-yet unconquered peaks. To climb these uncharted mountains, new technologies and the Sherpas who know the paths will be indispensable. Dr. Pratt agreed to be our Sherpa. This is what I told him: “Your companions at Toyota are right behind you, sharing your goals and start-up mindset. And, I'm right there at the front of them. So don't worry, and take the path you believe in.”

No one knows when we'll reach the summit we're seeking, or even if we're on the right path. What I do know is that only those who reach the summit can see the opportunities that lie beyond.

In addition to TRI, we are actively collaborating and allying with other companies and partners in other industries, chiefly in new business areas. By humbly learning from these new partners and combining our strengths, we are endeavoring to make the mobility society of the future better, looking 10 and 20 years down the line.



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Leading the Way Forward with Passion and a Start-up Mindset

This year marks Toyota's 80th anniversary. Toyota's earliest roots are in automatic looms. Back then, I doubt that anyone could have predicted that an automatic loom company would evolve to make automobiles.

Today, we are faced with a number of new rivals. We share with them the start-up mindset of wanting to make the world a better place. Just as no one could have foreseen Toyota's evolution, no one knows what businesses will give rise to the mobility of the future. What I can say for certain, however, is that the next forms that mobility takes will be created by those with an outstanding passion to make the world a better place.

We want to make ever-better cars.

We want to make sure that cars remain a beloved form of mobility, no matter how they evolve.

We want to make our mobility society better and better.

I am confident that no one wants these things more than we at Toyota. I also believe that we cannot build the future by ourselves. Having operated this long in the auto industry, working with vast networks of companies, we deeply understand the need for partners who share our aspirations. Rather than taking an adversarial stance, we want to form ties with a wide range of new partners to work with shared passion to create the future.

I want Toyota to be not just an automotive company, but a *human movement company*. "Move" refers not just to transportation, but also to inspiring deep emotion or excitement. We intend to take on

all areas of human transportation, working always from a desire to make transportation itself an exciting, moving experience.

Lastly, I'd like to conclude with a few things that I believe.

I believe growth must be sustainable.

I believe if you do the right thing, the money will follow.

I believe we have to earn our customers' smiles every day and exceed their expectations.

I believe there is no "best," only "better."

I believe we are a company of dedicated, passionate people that can accomplish anything.

And, I believe Toyota will continue to constantly strive to improve the lives of customers and society as a whole.

Thank you for your continued confidence and support.

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