

The Toyota Global Vision

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Thank you for taking the time to be with us here today. I will take this opportunity to describe for you our newly drafted Toyota Global Vision.

The word “vision” conjures notions of quantitative targets for things like sales and operating income in some sort of time frame. What we have prepared is a vision of a different kind. We have sketched the outlines of the kind of company that we want to be. We have identified the values that we want to cherish. Our vision is thus a qualitative rendering of our ideal for Toyota and of the path that we will take toward bringing about that ideal. The executives responsible for our regional operations will determine the roles for their operations to play in fulfilling the vision. They will translate the vision’s emphases into concrete management targets. In my remarks, I will outline the vision. And I will describe my expectations of our regional operations.

In the backdrop of this vision, there is our fall into the red after the Lehman Brothers collapse, as well as our reflection over a series of quality problems. I came to realize the necessity of having a dream or goal that all people who work for Toyota could have in common, one that would define what kind of company we want to be—what kind of company we should be.

As for our series of quality problems, I, personally, played a direct role in explaining to the U.S. Congress, to members of the media around the world, and, to, most of all, our customers, what kind of company we are and what kind of values we hold. That experience led me to keenly feel anew the importance of making it known to all our customers and to the public at large the direction our company intends to take. Together with my personally reflection on the matter, it awakened me to the need for articulating our vision for Toyota.

In that spirit, I began trying to articulate for myself what kind of company I wanted Toyota to be, what kind of company I thought we ought to be. My conclusion was that I wanted Toyota to be a company that customers would choose and a company that they would be happy to have chosen. That was the beginning of the Toyota Global Vision. We then assembled a team of members from different regions of the world to formulate the vision.

The members of our team discussed in hammering out the vision that you see here. This is a distillation of our resolve and commitment at Toyota. Allow me to explain for you what we have expressed here.

“Toyota will lead the way to the future of mobility.” This reaffirms an item in the Toyota Precepts, which calls for us to stay ahead of the times through research and creativity. We will strive to lead our industry in tackling technological advance that will spawn next-generation mobility. That will include exploring possibilities in new modes of personal mobility. It will also include exploring possibilities in so-called smart grids, which employ information technology in optimizing energy usage and consumption.

“Enriching lives around the world.” This reiterates our founding spirit of contributing to society through manufacturing automobiles. All of us at Toyota continue to dedicate ourselves to fulfilling society’s need for safe and reliable means of transport. Our success in fulfilling that need generates profits, which we share with our host nations and communities through taxes, and it generates stable employment for people wherever we operate.

“With the safest and most responsible ways of moving people.” Here, we state unequivocally that safety is our highest priority. This echoes the commitment that we expressed in the Toyota Guiding Principles to “providing clean and safe products and to enhancing the quality of life everywhere through our activities.” Note the dual meanings expressed in the phrase “moving people.” We are determined to move people emotionally, as well as transporting them physically. That means providing products and service that are genuinely exciting and that impart happiness to people.

“Through our commitment to quality, constant innovation.” This is what I have been emphasizing in continually calling for us to make “*always better cars*”. It is a commitment that is in our DNA at Toyota. True to our DNA, we will continue to reinvent ourselves. We will tackle constant innovation to position ourselves in the vanguard of technological progress and to provide automobiles that will satisfy evolving needs in every region.

“Respect for the planet,” of course, is a special emphasis at Toyota. We will continue striving to minimize environmental impact throughout the vehicle life cycle, from the manufacturing of new cars to the scrapping of end-of-life-vehicles. We will do that in developing and refining a state-of-the-art production system that minimizes waste.

I will skip here to the statement, “We will meet challenging goals by engaging the talent and passion of people.” All of us at Toyota will set high goals for ourselves in the name of making great cars and in the name of making the most of our individual potential. When I mention the “passion of people”, by “people”, I am referring not only to those who work for

Toyota, but also to our customers and numerous other stakeholders, with who's strength and opinions we hope will help us achieve the challenges we lay out before us.

We conclude the vision with the reminder that we at Toyota are people “who believe there is always a better way.” Every kaizen improvement is the beginning of other kaizen improvements. Kaizen is an unending process. All of us at Toyota share a commitment to that fundamental principle of the Toyota Way.

That brings me to the vision's signature statement, which I skipped a moment ago: “We aim to exceed expectations and be rewarded with a smile.” All of us at Toyota are determined to demonstrate our gratitude to our customers. In that spirit, we will continue striving to exceed their expectations—by at least a little all the time and by a lot whenever possible. We want to deliver cars that will be stimulating and even inspiring and that will thereby earn smiles from our customers. This is what the Toyota Precepts mean in reminding us to “be kind and generous” and to “create a warm, homelike atmosphere.” The idea is to earn as many smiles as possible. It means building relationships of trust and mutual respect with customers and also with business partners, with members of the community at large, and with our fellow team members at Toyota. The smiles that we earn from our customers are our greatest reward.

Something that we referred to repeatedly in preparing the vision was the metaphor of a tree. The roots of the tree are the shared values that have steered Toyota from the beginning. Those are the values that underlie our *monozukuri* commitment to conscientious manufacturing. They are values that people at Toyota have expressed over the years in the Toyota Precepts, in the Toyota Guiding Principles, and in the Toyota Way. Our corporate identity is a function of what kind of trunk stands atop our roots, what kinds of limbs and branches stretch out from the trunk, what kinds of blossoms bloom on the tree, and what kinds of fruit the tree bears. I will comment briefly here on the fruit of the tree in terms of “*always better cars*” and enriching lives of communities and on the trunk of the tree in terms of stable base of business..

Creating “*always better cars*” is our chief focus as an automaker. And our success in earning smiles from our customers and from other people in our host communities contributes to community vitality. As I have noted, it enables us to generate steady employment and to engage in mutually beneficial business with partners.

We also strive to contribute to communities through our work on advanced infrastructure, such as intelligent transportation systems, smart grids, and other system solutions for mobility needs. Our goal in that work is to support amenable lifestyles for our friends and neighbors in the communities that we serve. Our profitability increases when our

efforts succeed in winning the hearts of a growing number of customers. We are grateful for that return, which reinforces our stable base of business. In that spirit of gratitude, we reinvest our earnings in creating ever-better cars. And that virtuous circle enables us to earn more smiles from our partners, from members of the community at large, and from our fellow team members. In my view, achieving sustainable growth by fostering that virtuous circle is our foremost responsibility in management. I am therefore determined for everyone at Toyota to share this vision. I want us to dedicate ourselves to fulfilling the vision and to work in unison, moving in the same direction to achieve that goal. We in management need to provide the requisite leadership and to put in place a framework that enables employees to make the most of their efforts. That is the essence of visionary management. And it requires a clearly articulated statement of purpose, which is why we have prepared the Toyota Global Vision.

Fulfilling our vision will depend on our regional operations exercising more initiative in management. I will now outline the role that I am counting on our regional operations to play. Our regional operations need to earn a welcome place in their host nations through locally based corporate activity. All of us at Toyota worldwide need to stand united in support of each other's activity in addressing local needs and circumstances. We need a management framework that will support that kind of global unity and regional focus.

Our global headquarters in Japan will provide overall direction and identify *what* we need to do. We will invest our regional operations with the authority and the responsibility for determining *how* to proceed. We at headquarters will provide the regional operations with a full measure of support as they take the initiative in addressing regional needs and circumstances. The regional operations are our customer interface. So we will equip them to make the decisions that ought to be made in the marketplace, near the customer.

As we work to fulfill the global vision, the regional operations will have a bigger say than ever in formulating policy. They will provide decisive input in determining how to provide their customers with the best possible cars and how to maximize our contribution in their regions. They will take the initiative in defining their mission and in preparing their own management plans. Our chief regional officers will spearhead that autonomy in cooperation with the executive vice president responsible for their regions. I will describe later in my presentation how that will work in our new management framework. But now, let me outline my expectations of the different regions.

In Japan, we need to make the most of our rich accumulation of expertise and know-how, including our advanced technology, our skill base, and our kaizen capabilities. Our subsidiary Central Motor recently opened a new vehicle plant in Miyagi Prefecture. That plant is a showcase of sophisticated manufacturing equipment and unexcelled skills and

know-how. Its opening served as a reassuring reminder for me of the immense potential that manufacturing retains in Japan. Japan will remain our main manufacturing platform for high-value-added models, such as Lexus models and hybrid models. And we will continue to produce an extensive array of other models in Japan, from minicars to large minivans equipped with three-row seating. Underlying our manufacturing vitality in Japan are our *monozukuri* tradition and we need to continue to provide automobiles that will satisfy customers.

In North America, our operations will attain even more autonomy and local integration. For the Camry and other vehicle series, we plan for North America to become a global center responsible for R&D and production, as well as exports. I also want to reinforce our work on future mobility through collaboration with North American leaders in information technology, and other leading-edge fields. Our successful alliance with Tesla Motors is a good example of the potential benefits of collaboration.

Europe, meanwhile, is the scene of intense competition among several superior automakers backed by long and proud histories. Amid this, we hope that our operations in Europe will play the role of a global planning center for the A, B and C segments. This role is not one to be limited to only keeping an antenna up and benchmarking others, but one, I hope, will include competitive engagement, not only in business, but also in motor sports and other activities to hone our vehicles and people toward the making of better products.

China and other emerging markets are the subjects of great expectations in our industry. At Toyota, we hold especially high hopes for the Chinese market. We have set a target of securing 15% of our global unit sales in China, and we are working to achieve that target as soon as possible. We have established a development center in China to provide onsite support to our manufacturing and service operations there in regard to safety, environmental, and other automotive functions. We are also counting on that center to help enrich our Chinese model line with new product offerings, such as vehicles for disabled persons.

In other Asian nations and in Oceania, we will step up our work in cultivating human resources in support of greater localization. We will tap the growth potential in Asian emerging markets with a continuing stream of models tailored to local needs. Those will include models in our Innovative International Multipurpose Vehicle family and our newly developed small-cars. We hope our operations in these countries will grow into global bases of lean and efficient R&D and production ramp-ups.

Several nations in the Middle East, in Africa and in Latin America are on the verge of

rapid growth in vehicle ownership. People in those nations can learn from the experience of other regions and maximize the benefits of motor transport while minimizing the drawbacks. We at Toyota will serve customers in those nations with appealing vehicles that will combine Toyota quality with affordable pricing.

Let us turn now to some measures that we will tackle as steppingstones toward fulfilling our vision. Our time horizon for these measures is the year 2015.

In terms of product development, design and improving perceived quality, we will set up structures that will allow local operations to play leading roles in the making of our vehicles. We will expand our line of hybrid models, launching about 10 more by 2015. And we will continue to develop a full range of plug-in hybrid vehicles, pure electric vehicles, and fuel cell vehicles. Our idea is to position Toyota to be ready with whatever technology captures the imagination of the car-buying public.

As for the Lexus brand, we will work to position it as a global premium brand. I want Lexus to be the brand of choice for sophisticated drivers intimately familiar with high-performance luxury automobiles. Bringing into play the Lexus market slogan in Japan, we will aim to add such elements as emotional driving, leading-edge design, a full hybrid lineup, advanced technologies and telematics, along with service overflowing with a sense of Japanese hospitality and a sense of Lexus advancement.

Our product strategy in the years to 2015 will center on models for minimizing environmental impact and on models optimized for needs in emerging markets. We will expand our line of hybrid models and deploy those models more extensively in markets worldwide. In emerging markets we will serve growth in demand by fortifying our locally produced core models, including the Innovative International Multipurpose Vehicle models and newly developed subcompact models. I am counting on the measures that I am describing to improve the geographical balance in our sales portfolio through increasing sales in emerging markets. Our target for 2015 is to achieve approximately equal weightings in unit sales between industrialized nations and emerging markets.

Here is the supply strategy that we will implement with that balance in mind.

In Japan, we will make the most of our existing production capacity and of the best-in-the world manufacturing expertise in manufacturing hybrid vehicles and other technologically advanced, high-value-added products.

In North America and Europe, we will maximize productivity at existing plants and

otherwise make the most of existing resources. In emerging markets, we will expand production capacity, analyzing demand prospects in each region carefully to determine the geographical positioning, the timing, and the scale of investment in expanded capacity.

Our work on future mobility will encompass new ventures. We will participate, for example, in developing what are known as smart communities. Those are communities where vehicles will manifest new kinds of added value as part of integral linkages between vehicles, homes, and information networks. We have already accumulated pertinent expertise in related undertakings that will serve us well in smart-community projects. In another sector, we will collaborate with world-leading information technology companies in deploying so-called smart centers on a commercial basis.

In support of our strategic initiatives, we will strengthen the three core functions of quality maximization, cost minimization, and human resources development. We will shape a solid and lean business foundation by asserting parallel strengths in product appeal and cost competitiveness. And we will reinforce that foundation by working to achieve as soon as possible the goals of raising consolidated operating return on sales to five percent and of restoring TMC unconsolidated to profitability.

Toyota posted an operating loss of ¥460 billion in the fiscal year ended March 31, 2009. Sweeping improvements enabled us to post an operating gain in the fiscal year to March 31, 2010. Our target is to position our organization to consistently achieve an annual operating return on sales of 5%. That would be operating income of about ¥1 trillion at our present sales volume. And we aim to achieve that level of profitability at a yen/dollar exchange rate of ¥85 to the dollar and at a unit sales volume of 7.5 million vehicles. That is our bottom line for sustainable growth. It would keep us profitable even if our unit sales were to decline up to 20% amid another economic downturn.

What I have described for you today is our vision for positioning Toyota as a company capable of sustainable growth. We know that it is the result of delivering great cars and contributing to the vitality of our host communities and our host nations. And that is the spirit in which we aspire to sustainable growth.

Next, I will describe the changes that we will be making in our management structure. Those changes center on our board of directors.

First, I will explain the aim of these changes. In working our way out of the red in our financial results, as well as throughout our series of quality problems, among others, we have been encouraged and helped by a truly great number of people. For this, I express my deepest appreciation.

Through this experience, backed by the advice of numerous people, I keenly became aware of the importance of better listening to customer feedback, of being more attentive to what is happening on the ground so that we can make quicker management decisions based on information from each region, and of continuously monitoring how customers and other members of the community perceive such management decisions. With this in mind, reshaping our board of directors will position us to fulfill the Toyota Global Vision effectively and swiftly.

First, we will reduce the number of directors. We presently have 27 directors, and we will reduce that number to 11, pending approval at the next general meeting of shareholders. Our slimmed-down board of directors will comprise the chairman, the president, five executive vice presidents, and four directors responsible for corporate planning, accounting and external affairs. The 11 directors will maintain close and vigorous communication with each other to achieve fast decision-making. The board of directors will decide what Toyota will do. And we will devolve increased authority to the chief officers responsible for regional and functional operations to decide how to implement our decisions.

Next, we will reduce layers in decision-making. Presently, each important decision takes place through the executive responsible for the operations involved, the chief officer responsible for the region or function in question, and the executive vice president responsible for that operational sector. We will gradually shift this three-layer arrangement to a two-layer arrangement, eliminating the executive immediately below the chief officer. For vast operations for which there were both chief officers and deputy chief officers, we will clarify such executives' roles to make sure there is no redundancy in the course of normal operations. Until now, senior managing directors have filled the post of chief officer. But, from now, with an eye toward tapping the most appropriate person for each post, the post will be filled by senior managing officers and managing officers. Senior managing officer will be a new position that is not one of board member, but, like managing officer, one of non-board executive officer.

Moving forward with this new structure will support a swifter flow of information from the divisional general managers, who are intimately familiar with their operations, to senior management.

In addition, it will clarify organizational responsibilities. For me, that will mean knowing better who to ask about anything that I need to know. For my subordinates, it will mean knowing better to whom one needs to report. At the operational level, the change will improve efficiency by moving decision-making authority closer to the operations involved.

To further promote these changes, the new position of executive general manager will be established. We will appoint executive general managers in areas that call for more-direct management than the managing officers can provide. Specifically, we will appoint executive general managers to serve as the chief engineers who oversee vehicle-development projects; as the heads of principal technological sectors, such as engines, bodies, and electronics; and as plant managers.

Executive general managers will be free from the meetings and other distractions of corporate policy making, allowing them to focus on the operations under their authority. That will help us make more of the Toyota's greatest strength: our genchi genbutsu focus on the workplace. The executive general managers will mesh deeper into the workplace. My intent is that they become, in other words, personnel with both a worm-eye view, as well as with the sensitivity of a fish to read the currents. I am counting on the post of executive general manager to establish a new career-path ideal for people on the engineering side of our organization. I envision it as a post to which engineers will aspire.

Next is the building of a structure for devolving increased decision-making authority to our operations outside Japan. While we will, in principle, station the chief officers for our regional groups in the regions for which they are responsible, we will also, in stages, transfer abroad the functions of regional-management divisions. This will enable us to quickly reflect feedback from our customers around the world in our R&D, production and sales operations. Formerly, we at headquarters received information from operations outside Japan through separate channels for different functions. Now, we will receive information from each region through a single channel for that region. Dealing with our overseas operations on a regional basis, rather than a functional basis, will enable us to conduct decision making on a more-comprehensive basis. We are also preparing to station in each region abroad the senior managing officers and managing officers under the chief officers. That would include executives responsible for product development, manufacturing, and marketing in the regions involved. We will evaluate the merits of overseas stationing on a case-by-case basis and will shift the officers overseas wherever possible. This will result in an increase in the number of directors and officers stationed outside Japan (by 2) to 15, from 13 at present. That increase will occur despite the overall declines in the numbers of directors and officers.

Now, I would like to discuss our measures for making us more attentive to opinions outside our organization and for obtaining advice about how to address those opinions effectively.

Specifically, first, will be the establishment of a regional advisory committee in major regions, such as North America, Europe and Asia. The members of these committees

will be active intellectuals, with whom I have met with directly to seek their assistance.

Here, you can see the names of several individuals who have agreed to serve as regional advisors. Each of these individuals has sufficient expertise for each region and possesses abundant experience and insight. They will benefit us greatly with their insights, including insights that might occasionally be painful to hear. I hope we have the opportunity to receive guidance from these individuals on a lasting basis. Also will welcome Professor Yoko Wake, of Keio University, as a corporate auditor. As some of you may know, Professor Wake is a leading expert in international economics and in environmental issues. Upon speaking with her, while being deeply impressed by her discerning attitude and broad-ranging expertise, she impressed me as an individual who will be absolutely frank in providing us pertinent and valuable input. And I look forward to being able to largely reflect her unfettered views on our management practices.

To implement as quickly as possible the changes I have described, a portion of them will be carried out before the holding of a general meeting of shareholders, starting on April 1, which is the day we begin to implement company policies for the 2011 business year. The changes will reduce the aggregate number of managing officers and directors to 60, from 77.

Toyota has encountered numerous challenges in its 74 years as an automaker. Through all those challenges, the people at our company have derived encouragement from the smiles that they earned from customers. And they persevered through adversity by rededicating themselves to serving society through manufacturing quality automobiles. The Toyota Global Vision reflects our determination to persevere in the same spirit through whatever adversity the future might present. It affirms our determination to be a company that will earn smiles by exceeding the highest expectations of our customers, our business partners, our friends and neighbors in the community at large, our fellow team members, all of you here today, and everyone who encounters Toyota in any way. And it reaffirms our awareness of sustainable growth as the result of becoming that kind of company.

I know that I have described a lofty ideal. And I know that we are embarking on an eternal quest. But all 300,000 of us at Toyota worldwide will be as one in pursuing that ideal. We will advance together, step by step, ever forward.

Thank you.