

# The Right Way Forward



## “Make Better Cars and Contribute to Society”

The right way forward for Toyota is defined by the Company’s founding mission to “make better cars and contribute to society.”

It is also marked by a strong commitment to putting the customer first, practicing *genchi genbutsu*, and providing high-quality vehicles at an affordable price, so that customers around the world can enjoy the benefits of owning and driving better cars. Since the latter half of last year, the global automobile industry has faced a difficult operating environment.

Although further major changes are also anticipated, Toyota has overcome many challenges in its long history of making automobiles, and will continue to do so in the future.



### Local Roots, for Local Economic Growth

In 1938, just one year after the Company's founding, Toyota opened its first mass production facility in Koromo, Japan. It was a clear demonstration of Toyota's desire to contribute to the economic growth of the nation by pioneering the creation of a domestic automobile industry. This strong commitment to making better cars and contributing to society through product creation still lives on at Toyota today.

Contributing to society means responding to the needs of society and enabling people to lead more bountiful lives by providing them with better cars. And as a corporate citizen, it means putting down local roots, paying taxes, and helping regional economies to prosper.

Toyota's history shows this spirit of *monozukuri* product creation in action.



**A** A1 prototype passenger car produced by the Toyoda Automatic Loom Works, Ltd. Automobile Department (currently Toyota Motor Corporation) in the year of its establishment

**B** G1 truck, Toyota's first export vehicle, being loaded for shipment to China

**C** Production line at Toyota's first mass production factory in Koromo, Japan (currently Honsha Plant)

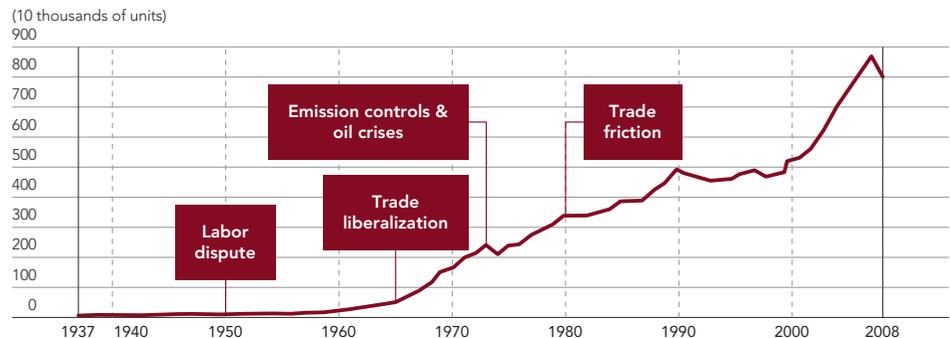
### Working Together to Overcome Obstacles

Toyota's history is also a history of tribulations. We faced a management crisis in 1950, pollution problems and oil crises in the 1970s, and trade issues and voluntary export controls in the 1980s. But whatever obstacles we faced, we overcame them by working together with our suppliers and dealers, using imagination and creativity.

Along with our corporate culture of Customer First and the *genba* first, the Companywide emphasis on technological development, and a healthy corporate environment in which people can teach and be taught—continually learning from one other—it is this ability to work together that is one of our great strengths.

Beginning in fiscal 2003, we increased our production capacity by more than 500,000 vehicles a year. Although this enabled us to meet our customers' needs, in the end it did not allow us to capitalize on our fundamental strengths. Now, when the entire automobile industry is threatened, it is more important than ever for every employee to share a sense of emergency, and work together as a group to better serve customers and society, realizing the full potential of our Toyota strengths to establish a solid foundation from which to overcome the serious challenges we face.

#### Overcoming Challenges—Toyota Vehicle Sales Growth



Source: Toyota Motor Corporation

### ☰ Putting the Customer First, to Make Better Cars

For Toyota to establish this solid foundation, it is important not only to strengthen technological development and productivity, but also to focus intently on the customer first *monozukuri* spirit together with suppliers and dealers. The management team installed on June 23, 2009, has called for making better cars through product-oriented management strengthened by market-oriented management.

By focusing on the basic principles of product and market management, employees across the Toyota Group can concentrate accumulated expertise in their respective fields. In addition, management resources can be efficiently allocated to technology and product development. It is this emphasis on the *genba* that will make it possible for us to create even more attractive and appealing cars.

An attractive and appealing car is a car that is a joy to own, drive, and share good times in. It is exciting and fun for everyone on board. This is the kind of car that product- and market-oriented management allows us to provide.

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#### A Management Team with Wide-Ranging *Genba* Experience

To provide the vehicles that customers truly want, and to ensure speedy implementation of Customer First and *genchi genbutsu* philosophies, President Toyoda is supported by a new management team of five executive vice presidents. In addition to their usual functions and areas of responsibility, four of the management team members will oversee regional operations, and the fifth will oversee new product management and technological development. Maintaining close communication at all times, the management team will work to clearly define the right way forward and implement effective product- and market-oriented management.

“Through strengthened communication aimed at addressing the issues we face, I will strive to create a corporate culture and structure that enables all workers to understand and implement Customer First, *genchi genbutsu*, and imagination and creativity.”

Yoichiro Ichimaru, Executive Vice President (Japan Sales)

“Guided by *genchi genbutsu* thinking, I will listen to the opinions of on-site personnel to get a firm grasp of the situation, and provide management that enables us to build a *monozukuri* organization that can respond flexibly to changing circumstances.”

Atsushi Niimi, Executive Vice President (North America Operations)

“In the highly competitive European market, I will work to refine Toyota’s strengths in customer first quality and technology, and build the brand power needed to ensure that customers continue to choose Toyota.”

Shinichi Sasaki, Executive Vice President (Europe Operations)

“With an emphasis on communication, cooperation, and consideration, I will aggressively work to increase sales of attractive and appealing commercial vehicles and family cars.”

Yukitoshi Funo, Executive Vice President  
(Emerging Markets Operations, including China, Asia, and Central and South America)

“In addition to strengthening and advancing the environmental and safety technologies that are two of Toyota’s greatest strengths, I will take on the challenge of creating vehicles that are truly exciting and fun to drive.”

Takeshi Uchiyamada, Executive Vice President (Product Management and Research & Development)

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### ☐☐☐ Focusing on Products

Product-oriented management enables Toyota to offer cars that meet the needs of customers in each region, at a price those customers can truly be satisfied with.

Toyota is also bolstering its human resources and training programs to foster the growth of employees who can work together as a team to identify emerging customer needs, and take the customer's point of view in every area of operations, from technological development and manufacturing, to sales and service.

In addition, we are drawing on our *genchi genbutsu* skill and expertise to review product development and materials costs.

The new Toyota Prius that went on sale in May 2009 combines world-beating, 38km/L\* fuel efficiency with driving performance that rivals that of a conventionally powered 2.4L car, further consolidating the leadership position that has made our name synonymous with hybrid technology. In addition, a 30% reduction in hybrid unit cost from the previous model makes the new Prius even more affordable, so even more customers can enjoy the benefits it offers.

In Japan, we will introduce a total of four hybrid models in fiscal 2009, including the new Prius and the HS250h, the first hybrid exclusive Lexus model. Overseas, we will introduce a total of three new hybrid models. And in late fiscal 2009, in preparation for full commercial release, we will begin lease-sales of approximately 500 units of a plug-in hybrid vehicle (PHV) worldwide. Based on the new Prius and powered by lithium-ion batteries that can be recharged using conventional household AC power, the new plug-in model will be offered to fleet owners around the world.

In addition, we are strengthening efforts aimed at mass production of compact electric vehicles, development of next-generation batteries, adaptability to various alternative fuel issues—including biofuel—development of fuel cell hybrid vehicles (FCHVs), and early commercial introduction of new safety technologies.

\* Measured using the 10–15 test cycle of the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT) based on a conversion value of 61g/km CO<sub>2</sub> emissions per kilometer (applicable to L grade vehicles only)



**A** HS250h, the first hybrid exclusive Lexus model

**B** PHV, to be introduced globally in late 2009 under a lease-sale program

**C** FT-EV, electric car concept model powered by lithium-ion batteries

### ☐☐☐ Focusing on Markets

Market-oriented management enables us to meet the needs of individual countries and regions through careful analysis of the role that we should play, and the presence we should strive for, in each market.

To respond to the needs of customers worldwide, our basic product strategy from 2000 to the present has aimed to offer a full lineup of vehicles in all countries and regions. As of March 31, 2009, we are rooted in communities worldwide, with 11 R&D facilities and 75 production facilities in Japan and abroad, and a global sales network that covers over 170 countries and regions.

However, amid the severe automobile market conditions of today, it has become difficult to expand in this manner and still fulfill our role as an automobile manufacturer that contributes to a bountiful society, economic growth, and the future of the Earth's environment.

For Toyota to implement optimal regional strategies under these conditions, we must identify areas where we want to compete and areas where we need to move more carefully, and revitalize our product development and lineup to better suit regional needs. To enable us to respond nimbly to change and implement market-oriented management in a timely and thorough manner, we have appointed five regional executive vice presidents who will watch markets closely, and apply their expertise to the development of a regional vision that will guide regional strategy development.

### Regional Vision to Create New Value

Signs of a medium-term recovery in global automobile demand can be seen in gradually improving automobile financing operations, a greater number of vehicles being retired from service than are being purchased, and continued growth in China, India, Brazil, and other emerging markets. But new fuel controls aimed at environmental preservation are anticipated, and there is a strong likelihood that the structure of markets will change. In addition, there is a need to grasp changes in regional markets as quickly as possible.

Our regional vision is the foundation from which we can quickly grasp such changes and develop strategies from the customers' point of view.

Toyota's regional vision recognizes that different regions are at different stages of economic development, and that relationships with competing manufacturers differ in each country and region. It allows us to identify the stance we should take, and to move from a full lineup product strategy in all markets to one that is focused on the specific types of vehicles that are most appealing to customers in each market. With this regional vision, Toyota can anticipate the needs of regional customers, propose new lifestyles, and develop new types of cars for customers to enjoy.

#### [Regional Market Initiatives and Direction]

##### Japan: Customer-Oriented Product Characteristics and Variations

In Japan, new vehicle sales (including minivehicles) and used cars totals 12 million units annually. Of this, new vehicle sales (excluding minivehicles) account for slightly under 3 million units annually. When we consider that there are as many as 75 million registered vehicles in Japan, there are obviously still considerable opportunities for growth. To take advantage of these opportunities, however, requires that we strengthen our product characteristics and variations.

For example, rising customer environmental awareness and government vehicle scrappage programs to replace older vehicles are helping to increase demand for environmentally friendly models. And with the entire Japanese automobile industry placing greater emphasis on the environment and energy, we will continue to aggressively promote the Prius and other hybrid models that incorporate Toyota core technologies.

In addition, we are developing new concept cars that anticipate customer needs, and are restructuring our lineup to provide the vehicles that customers truly want.

##### North America: Promoting Self-Sufficiency in Development and Production

The North American market is central to Toyota's overseas strategies and has been a key driver of its growth. Although now rapidly contracting, it is still a major market with some 250 million vehicles on the road today. Given that the population of North America is forecast to grow in the future, it is clear that the market will eventually recover. But when it does, it will no longer be focused on full-size models—it will have a different structure, requiring a different product lineup.

To Toyota, North America remains an extremely important market. And to continue to offer customers the cars they truly want, we will continue to strengthen our local roots and aim for greater self-sufficiency in both development and production.

### Europe: A Strong Presence Defined by a Distinct Identity

Europe has many major car manufacturers, each with its own history and roots in national markets. For Toyota, the right way forward is not simply to sell more cars or increase market share, but to establish a strong presence defined by a distinct identity.

Europe continues to be an important region for Toyota, and with environmental regulations being strengthened, we will take advantage of our signature hybrid technology and gradually shift to a more hybrid-focused product mix to consolidate our presence in the market.

### Emerging Markets: High-Quality Vehicles at an Affordable Price that Meet Regional Needs

China and other emerging markets in Asia and Central and South America promise to become a strong engine for Toyota's future growth. China's market, in particular, is potentially as large as the U.S. market, and needs to be addressed in a straightforward manner. We are establishing a business model that will enable us to see things from the customer's point of view, and will grow our business as the market grows by introducing competitive models that meet people's needs in a timely manner.

In the rest of Asia, South America, and other areas, there are still regions where Toyota's share is low, and further growth in demand is anticipated. In addition to manufacturing affordable, high-quality vehicles that can ride the wave of regional motorization, we will also develop products that can rank alongside the IMV\* as key strategic models.

\* IMV: An abbreviation for Innovative International Multipurpose Vehicle. Toyota uses an optimized procurement and production system spread across Asia, Argentina, and South Africa to provide these multipurpose vehicles to over 140 countries and regions worldwide.

### Communicating the Appeal of Cars to Even More Stakeholders

Toyota's strength lies not just in its ability to develop vehicles through innovative technology, but also in the tight integration of its Group companies. Drawing on this strength, we are aggressively implementing a variety of measures to increase customer interest in cars. We hold events to help customers understand the constantly evolving performance and features of cars where everyone, from children to adults, can experience the joy that cars offer, as well as the new automobile-related lifestyles and services we propose and provide. In addition, we conduct activities to help dealership staff deepen their knowledge of our products, so that we can invigorate the sites where we interact with customers.



**A** The Prius Cup (Eco-Run Automobile Race), where staff and engineers from dealerships throughout Japan compete in events testing their maintenance and driving skills

**B** The Driving Kingdom, where customers can participate in programs designed to help them enjoy and understand the benefits of technology and the experience of driving

**C** An experiential program for elementary school children aimed at deepening their understanding of cars in a fun and exciting way



What Toyota aims for is  
a goal shared by each and every Toyota employee  
who works, humbly and seriously, believing in a brighter automotive future.

By valuing the philosophy of making better cars  
and contributing to society that has been central to Toyota for 70 years,  
we will strive to understand market needs from the customer's point of view,  
so that we can continue to provide products and services that respond to those needs.

By valuing the satisfaction and happiness of each and every stakeholder,  
Toyota will continue to pursue the right way forward  
to further growth.

