

## Message from the President

# Surviving a Once-in-a-Century Period of Profound Transformation



Over the past century, an estimated 15 million horses in the United States were replaced by the same number of cars. We may now be facing a paradigm shift of equal, if not greater, magnitude. Every day, I am reminded anew that the automotive industry has truly entered a once-in-a-century period of profound transformation.

Electrification, automation, connectivity, sharing—technological innovation in these and other areas is advancing rapidly. A contest with new rivals, under new rules of competition—not to win or lose, but to survive or perish—is now beginning.

### Mobility for All

I am determined to transform Toyota from a car-making company into a mobility company. This means that Toyota will provide all kinds of services related to transportation to people around the world.

Conversations like these have reaffirmed my belief that mobility for all—bringing the joy and freedom of movement to all people—is the goal that we must work toward as an automotive company.

About two years ago, a Paralympian told me something that greatly influenced how I think about mobility. She said, “Since I lost my future to a car accident, I have hated cars. But today, hearing that Toyota will sponsor the Paralympic Games, I realized that cars could also help rebuild my future.” On another occasion, Sir Philip Craven, a former President of the International Paralympic Committee and current independent director of Toyota, told me, “Freedom of movement is key to enabling the physically challenged to more actively participate in society.”

As we move forward we must also always keep in mind the importance of creating mobility that will be beloved. People feel a unique attachment to their cars. As a company whose roots are in making cars, Toyota will therefore remain committed to ensuring that the mobility it offers will inspire love.



### Our Real-world Track Record and Virtual-world Potential

At the beginning of 2018, we presented the e-Palette Concept Vehicle in Las Vegas and the GR Super

Sport Concept in Tokyo. In character, these two models are as different as they could be: the former is

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designed provide to mobility services, and the latter to be “Fun to Drive.” Both, however, are examples of next-generation mobility, featuring such cutting-edge technologies as electrification, automated driving, and connectivity. While these are still concept models, we have begun equipping mass-market models, such as the new Crown and Corolla Sport launched in Japan in June, with connected technology. In doing so, we are advancing the full-scale promotion of the spread of connected cars. Spearheading these efforts are Toyota companies leading the way in developing the virtual world, including Toyota Connected and Toyota Research Institute, the latter of which specializes in cutting-edge research into automated driving.

Whether we are considering future mobility or designing current mass-market models, we always start by paying close attention to our customers and their needs. Building the necessary customer rapport for this takes time and sustained effort. Here, our extensive history of working with our customers gives us a unique advantage.

### Uniting the Toyota Group to Take on the Future

Perhaps the greatest hindrance to reforms and innovation at Toyota is its experience of past success.

In the process of growing to be a full line-up car maker with annual global sales of 10 million units, certain priorities inadvertently took hold within Toyota. For example, developed markets came to be prioritized over emerging markets and passenger vehicles over commercial vehicles. These priorities, however, are

Our decades-long production of such much-beloved, long-selling models as the Crown and Corolla is part of our real-world track record. Our consistent production of better cars at better prices for more customers to enjoy using the Toyota Production System is part of our real-world track record, too. I myself have sat behind the wheel on roads around the world with fellow car lovers and spent my life developing cars that are safe, reliable, and emotionally appealing—this, too, is part of our real-world track record. All of these achievements have been built through the application of a *Genchi Genbutsu* (onsite, hands-on experience) approach and ongoing, real-world effort.

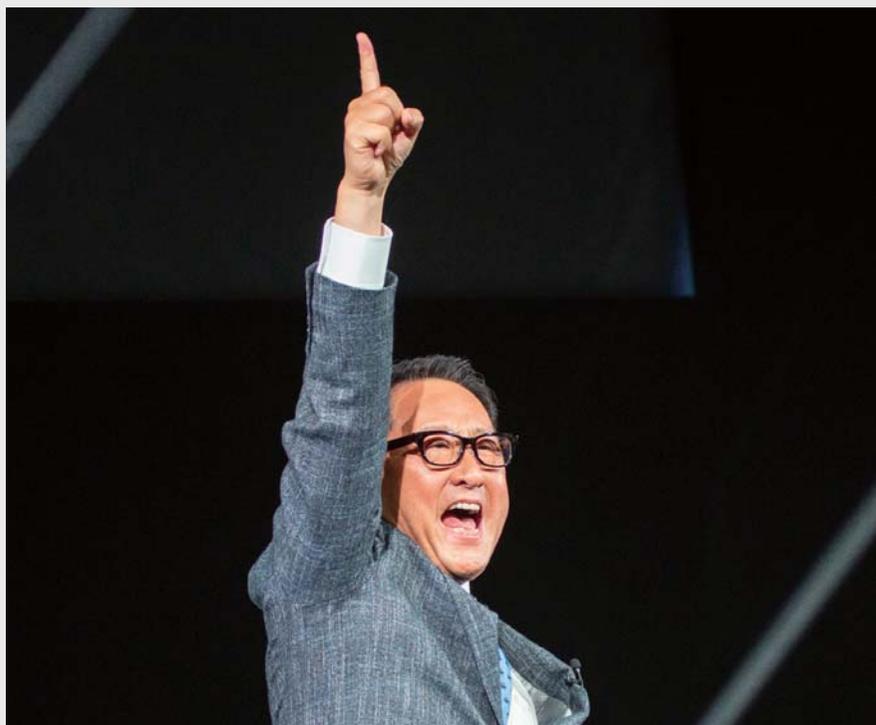
That Toyota boasts both such a track record in the real world and great potential in the virtual world will, I think, be a strength going forward.

We will continue to leverage the strengths we have amassed in the real world while blazing the way forward in the virtual world. In doing so, we aim to create new sources of strength for the future.

based on past sales volumes and profits and therefore cannot guarantee future growth. I want to make sure that every model and every region is the absolute top priority of someone in the Toyota Group. To place greater priority on the businesses and regions that will drive our future growth, we are reorganizing Toyota's businesses at the Group-wide level using a perspective we call “home and away.”



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Rather than relying just on its own abilities, Toyota is bringing together the full strength of the Group. We are identifying the strengths that make up each company's "home" turf to increase productivity and reinforce the competitive strength of the Group as a whole.

In June, we announced the consolidation within DENSO of the Group's core electronic component operations as well as an agreement to transfer all sales and marketing operations in Africa to Toyota Tsusho. Both these moves embody our "home and away" approach.

### Creating the Mobility Society of the Future

At the same time, I do not imagine that we can do everything purely within the Toyota Group alone. Having operated this long in the auto industry, working with vast networks of companies, we deeply understand the importance of collaboration. More than ever, we will need the help of a wide range of partners as we transform Toyota into a mobility company.

An acquaintance of mine shared with me some insights on the kinds of thinking and action that the coming era will require. As this person saw it, the key to action will not be adherence to precedent, but rather speed and disregard for precedent; the leadership needed will not be consensus building, but the ability to rally people behind a cause.

We are serious about creating the mobility society of the future. Accordingly, we must look beyond existing

The electronic components and the African market are critical parts of the mobility society of the future. As such, we decided to consolidate operations in these areas at group companies that consider them home turf, thereby raising their priority within the Group. In this urgent time, there is no room for intra-Group competition; the future of the Toyota Group depends on enhancing its competitiveness as a united whole.

frameworks, rally like-minded partners, and leverage our respective strengths as we continually take on the future.

I intend to personally lead the charge, fighting alongside all Toyota Group employees every day to survive and thrive in this once-in-a-century period of profound transformation. I ask for your continued confidence and support as we move forward.

October 2018

Akio Toyoda  
President, Member of the Board of Directors  
Toyota Motor Corporation