Always Better Cars

Customers’ expectations and ways of using cars vary widely.

Making always better cars in order to exceed customer expectations

What customers expect from their cars depends on their lifestyle, family configuration, country/region of residence, driving situation, etc. For example, they may want to use their cars to visit certain places or to go on family outings. Toyota believes that giving its full attention to carefully listening to customers is the starting point for making better cars. Furthermore, to accurately respond to the wide-ranging needs of customers, Toyota is employing a new framework for developing better cars, called the Toyota New Global Architecture (TNGA). Toyota is committed to continuing to make better cars that exceed customer expectations. By making better cars that deliver high quality, safety, and security and are simultaneously exciting and environmentally considerate, Toyota’s wish is to bring a smile to every customer’s face.

KPI for Always Better Cars in FY2012

<table>
<thead>
<tr>
<th>Quality</th>
<th>J.D. Power [US] Initial Quality Study (IQS) ranking No. 1, 5 segments</th>
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<tbody>
<tr>
<td>Safety</td>
<td>Percentage of calls taken at the Toyota Customer Assistance Center, 94%</td>
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<tr>
<td>Environment</td>
<td>Cumulative hybrid vehicle sales (as of the end of December 2012), 4.794 million units</td>
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<tr>
<td>Global average fuel efficiency (Japan, US and Europe), Index assuming the 1997 figure to be 1, 1.43</td>
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Toyota’s New Approach to Car-making

Toyota New Global Architecture (TNGA) – making affordable cars that satisfy customer needs

Regional optimization and differentiation to suit customer preferences

New architecture to intelligently improve basic performance

Bringing a Smile to Every Customer

Toyota’s New Organizational Structure

1. The TNGA Planning Division and the Product & Business Planning Division were established to place the notion of making always better cars at the core of company management.
2. The automotive business was reorganized into four business units.
   - Lexus International (Lexus business)
   - Toyota No. 2 (China, Asia & Middle East, East Asia & Oceania; Africa, Latin America & Caribbean)
   - Toyota No. 1 (North America, Europe and Japan)
   - Unit Center (Engine, transmission and other “unit”-related operations)
Aiming for the Best Suited Vehicles

Toyota aims to manufacture vehicles that earn smiles from our customers in each country and region through our business activities that are strongly entrenched in those countries and regions.

Toyota’s basic stance towards doing business outside Japan is to contribute to the development of the economy, employment, transportation, and other areas of the country in question throughout the automotive industry. This stance has underpinned Toyota’s initiatives in emerging nations in particular over the past half century as it has made operations more deeply rooted in local regions and manufactured vehicles that earn smiles from our customers. The global network that Toyota has built gets to form a solid base to make ever better vehicles going forward.

**Toyota’s Initiatives in Emerging Nations – Manufacturing Vehicles with a View to Developing Local Industry and Contributing to the Betterment of Society**

Ever since commencing sales in Taiwan in 1967 and establishing a production plant in Brazil in 1959, Toyota has continued to produce and sell vehicles in emerging nations, including in Latin America, Asia, Africa, and elsewhere throughout the world. Toyota’s basic stance towards expanding into emerging nations is to “contribute to the development and welfare of the country” (a Toyoda Precept), which means identifying, cultivating and developing the supporting industries and creating strong bonds with the local communities. This thinking has underpinned Toyota’s efforts over the last half century to create employment, contribute to economic development, and actively promote numerous social contribution activities in the various local communities where Toyota does business.

Since the 1970s, Toyota has worked with local residents in the ASEAN region to develop the automotive industry there, focusing on producing vehicles that earn smiles from our customers and contribute to improving the quality of life of local communities, and on developing automotive industry infrastructure and fostering parts suppliers.

The sudden globalisation of the world economy from the latter half of the 1990s, Toyota has matched pace and accelerated the globalisation of its operations. Toyota launched the IMV Project in 2004, a global strategy to localise procurement and production and develop products that meet differing needs in various countries and regions. In March 2012, the total number of IMV series vehicles produced reached five million units. These have been sold in 170 countries around the world, and produced by 12 overseas affiliates in emerging markets.

**Key Development Aspects of the IMV Project Aimed at Providing Customers with Vehicles that Earn Smiles from Our Customers**

**Product Development Meeting the Needs of Each Country and Region**

The IMV Project has to date launched a number of different products meeting the needs of customers in various regions by employing the group’s production (on-site, hands-on experience) concept to observe and analyze how vehicles are used in different countries and regions around the world, and subsequently develop specific models that are tailored to local customer preferences and usage environments. Furthermore, in order to reduce costs and improve efficiency, Toyota has consolidated the original 11 small-scale production bases into four plants, allowing us to provide vehicles at an even more affordable price, put in place a production system that eliminates customer waiting time after an order has been placed, and institute a more fulfilling after-sales service system.

**New Compact Cars to Meet Customer Needs in the Growing Emerging Markets**

Automobile markets in emerging nations are growing every year in tandem with their developing economies. In particular, the number of customers wanting compact cars is increasing. In response to this situation, Toyota has positioned the Asia region (primarily ASEAN nations) as its “second home base” and is strengthening the production and supply of compact cars there as a second pillar of its business in Asia alongside the IMV Project.

Starting with the Etios launched in India in December 2010, Toyota intends to introduce a total of eight different compact car models specifically developed for emerging nations. Amid our plan to produce vehicles in emerging nations, and sell more than one million vehicles a year to more than 100 countries and regions around the world, Toyota began exporting the small car Etios and the Etios Liva hatchback, produced by Toyota Kirloskar Motor Pvt. Ltd. (TKM), India, to South Africa in April 2012.

**Future Initiatives**

- **Positioning of the Asia region as Toyota’s “second home base”**
- Make better compact car that meet market needs based on consumer feedback
- Annual sales of one million compact cars, across eight different models, aimed at emerging nations
Vios Development Started with a Return to the Viewpoint of Customers in Growth Markets

At the Bangkok Motor Show in Thailand in March 2013, Toyota debuted the new Vios, a compact car specifically designed for emerging nations. Developed based on the concept of sharing the dream of car ownership with first-time buyers, the Vios has achieved the highest level of comfort and fuel efficiency within its class, along with a refined exterior, providing the ultimate in the joy of car ownership, the pleasure of driving, and comfort. In economically thriving emerging nations, customer needs are rapidly evolving. To precisely satisfy customers’ needs at an affordable price, the new Vios features carefully selected performance levels, equipment, and specifications.

The Vios, along with the Etios, is positioned as the ultimate car to lead the expanding compact car market in emerging nations.

From the developer

The motif on the children’s faces when that first car is delivered, the father’s satisfaction when his daughter is able to drive the car, and the joy of owning a car that makes good traveling in that vehicle someone are the images we set out to create a car that would allow us to share the dream and the joy with customers. Initial and was important for us to create a car with amazing value at a genuinely affordable price. We revisited the usual approach of planning for new vehicles in a manner that perfectly matched customers’ needs with the broadest possible scope of the customers’ real needs. Each such example is an innovation of an audio system compatible with a USB-based external media player. We listened to customer requisition as we wanted to develop the new Vios as a car that would bring up worthwhile realization of their dreams to all customers as possible.

Three Key Selling Points of the Vios

The exterior, interior, and dealer make an impression, and everything including the specification. The ‘Vios’ also features an upgraded and more powerful engine. The Vios will meet the needs to proudly present to family members and friends.

Class-surpassing spacious cabin and luggage space

An expanded vehicle size has enabled a class-leading spacious cabin and luggage space. As a result, the rear seat is placed lower than in the conventional car, allowing for an increased amount of luggage in the boot. A wide rear windshield and rear window provide exceptional rearview, and the large roof spoiler that is easy to use.

The Toyota brand’s high levels of basic performance and durability

The Vios was developed with particular attention given the basic performance of safety, comfort, and reliability as well as the customer’s challenges that allow the driver to drive it with a sense of security even on rough roads.

New Yaris Premiered at the Shanghai Auto Show

Toyota displayed the new Yaris as a world premier car at the Shanghai International Automobile Industry Exhibition held in April 2013. Production and sales of the new Yaris, based on the global-strategic concept car unveiled at the Beijing Auto Show last year, will commence in China at the end of 2013. The world premiere cars-to-be sold exclusively in China—were also on display at the show: a concept car equipped with a hybrid system currently under development and a six-seater developed to appeal to young Chinese consumers.

Making Always Better Cars for the Japanese, European, and North American Markets

Toward the realization of the Toyota Global Vision and to achieve sustainable growth, Toyota restructured its automotive operations into four business units in April 2013. With the goal of building a truly competitive business group, Toyota No. 1 will be responsible for the Japanese, European, and North American markets while Toyota No. 2 will be responsible for markets in emerging nations. Each of these units will handle the entire business process from product planning to production and sales. This section describes the initiatives taken in FY2012 in the Japanese, European, and North American markets.

Focus

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Initiatives in Japan

Crown Reborn with Completely New Styling, Technologies, and Production and Sales Methods

The original Crown debuted in 1955 and established a tradition of more than 60 years. The Crown has been evolved into a model that leads the premium car market in Japan. The 15th-generation of the Crown debuted in December, revives its roots while refining the technologies and performance that give customers peace of mind and gain their favor. The new Crown has been developed by focusing on the needs of owners and consumers, including achieving reasonable, and stands at the forefront of Toyota ongoing efforts to make always better cars that exceed customer expectations.

Initiatives in Europe

New Parts/Spares Now Available as Welcabs

Based on the philosophy of “providing freedom of mobility in comfort to all people,” Toyota has been developing a wide variety of Welcabs: comfortable and comfortable vehicles for people with physical disabilities, the elderly, and their caregivers. In FY2012, Toyota enhanced its line-up to offer 58 types of Welcabs. In FY2013, Toyota will launch Welcabs in 29 vehicle series in order to address the diversifying needs for accessible mobility vehicles.

New Avalon/Luxi launched Designed by North American Team for the North American Market

The Avalon debuted as Toyota’s flagship U.S. sedan in 1994 and has been produced and sold in the U.S. The 5th generation of the Avalon was introduced to U.S. customers in May 2012. Toyota held a line-off ceremony for the 4th generation of the Avalon, and commemorated cumulative total production of 25 million vehicles in North America. On October 30, the same day it introduced the new Avalon, Toyota announced the “Avalon Challenge: Mission to 1 Million,” a challenge to sell one million vehicles in the U.S. by the end of 2016.

The new Avalon features a completely new design, incorporating a new Toyota’s signature “Keen Look” design theme. The new Avalon’s front grille is larger and lower, while the headlights are slimmer and elongated. The wheels are larger and have a more geometric shape than the old model. The new Avalon’s interior is designed to provide a more luxurious and comfortable feel.