Toyota’s Tasks and Challenges in Global Recession

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Toyota Motor Corporation
AGENDA

1. Situation of Global Automobile Market
2. Toyota’s Situation
3. Toyota’s Challenge
4. Policy Proposals
1. Situation of Global Automobile Market

![Bar chart showing the situation of global automobile market from 2000 to 2008. The chart indicates the production volumes in units, with different colors representing different regions: Mid. East, Africa, Oceania, Latin America, Asia, Europe, North America, and Japan. The x-axis represents the years from 2000 to 2008, and the y-axis represents production volumes in units, with a scale from 0 to 8000 units. Each bar is divided into segments for each region, showing the distribution of production volumes over the years.]}
Automobile Market Trend in US
(annualized rate)

- **Bear Stearns Relief Merger**
- **Stimulus Policy Agreement**
- **Start of Tax rebate**
- **Gas Price Record-high**
- **“Lehman Shock”**
  - Emergency Economic Stabilization Act rejected by the House
- **Big3 Public Hearing**
- **Big3 Bailout** (bridge loan)
- **Annual rate fall below 10mil. units for the first time since Oct. 1982**
- **Chrysler files for Chap.11**
- **GM files for Chap.11**

1=10,000 units
Automobile Markets in BRICs

Market volume change year-to-year basis

- China
- Brazil
- India
- Russia

2008 Jan, Mar, May, Jul, Sep, Nov, 2009 Jan, Mar, May
2. Toyota’s Situation

[Bar chart showing Overseas Sales and Domestic Sales from 2000 to 2009 with a forecast for 2010.]

1=10,000 units

- Overseas Sales
- Domestic Sales

CY
Characteristics of Automobile Industry

1. Broad-based industry
2. Integral architecture
3. Large investment
   - Comprehensive competitiveness
   - Quick reaction to market fluctuation
   - Contribution to local economy
3. Toyota’s Challenge

1. Get back to the origin – pursuing basic philosophy
   “Contribute to local community through automobile manufacturing”

2. Product-focused Management
   (1) Offer Products based on customers’ needs in each region
       Japan : Strengthen market suitability and appeal/variation.
       Necessary and sufficient line-up
       US : Response to market changes once centered on full-sized vehicles
       Europe : Shift toward HV
       Developing : Timely launch of competitive products
       Countries : Launch of newly-developed compact vehicles (starting in India)
   (2) Promote environmental technology development
   (3) Develop “fun- to drive” products and technologies
Challenges for EV:
1) Cruising range, 2) cost, 3) charging time, 4) dedicated charging infrastructure

For the time being, a realistic option as compact commuter vehicles.

EV Initiatives

Accelerate R&D of new generation EV (in early 2010s)

Toyota e-com

Toyota RAV4 EV
HV and PHV covers a wide area; EV will be introduced as short range commuter and FCHV as large and mass transporter.
4. Policy Proposals

1. Short-term
   (1) Market stimulus policy
   (2) Response to protectionism

2. Mid-and-long term
   (1) Strengthen relationship among Industry, Government and Academia toward development of next-generation advanced environmental technology
   (2) Liberalization/Facilitation of Trade and Investment
      1) Promotion of WTO/EPA  2) Harmonization of regulations/certifications
   2) Standardization of certification criteria
   (3) Protection of corporate property rights
      1) Prevention of double taxation caused by transfer pricing tax
      2) Protection of intellectual property
## Outline of Automobile Market Stimulus Policies in each Country

<table>
<thead>
<tr>
<th>Country</th>
<th>Period</th>
<th>Contents of Policy</th>
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</thead>
<tbody>
<tr>
<td>France</td>
<td>08/12-09/11</td>
<td>Scrap incentives</td>
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<tr>
<td>Germany</td>
<td>09/1-12</td>
<td>Scrap incentives</td>
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<tr>
<td>Japan</td>
<td>09/4-12/3</td>
<td>Tax reduction on low carbon vehicles</td>
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<td></td>
<td>09/4-10/3</td>
<td>Scrap incentives</td>
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<tr>
<td>US</td>
<td>09/2-12</td>
<td>Sales tax deduction from income tax on new vehicle</td>
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<tr>
<td></td>
<td>09/7-12</td>
<td>Scrap Incentives</td>
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Continue market stimulation and CO2 reduction efforts
Improvement in Toyota Fuel Efficiency

28% improvement for average fuel efficiency of all Toyota vehicles sold in Japan over the past 10 years.
Promotion of Environmental Technology Development

<table>
<thead>
<tr>
<th></th>
<th>Japan (Gov. grant)</th>
<th>US (Gov. grant)</th>
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</thead>
<tbody>
<tr>
<td>Lithium</td>
<td>Development of high-performance technology</td>
<td>Electric transportation</td>
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<td>electric storage system for new-generation</td>
<td>grants program</td>
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<tr>
<td></td>
<td>vehicles</td>
<td>$ 400 mil.</td>
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<td>¥ 2.5 bln.  ( \times 5\text{yrs} )</td>
<td>Advanced battery</td>
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<tr>
<td></td>
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<td>grants program</td>
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<td>Post-Lithium</td>
<td>Advanced scientific research project for</td>
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<td>innovative battery</td>
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<tr>
<td></td>
<td>¥ 2.9 bln.  ( \times 7\text{yrs} )</td>
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</tbody>
</table>

Strengthen and expand cooperation still more among industry, government and academia toward development of next-generation advanced environmental technology
Thank you.