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As Prepared for Delivery

Good morning everyone.

I want to thank Libby Irwin and all the folks at Automotive News for putting together a great program and for inviting Toyota to participate.

After all our industry has been through, I am delighted to participate in a World Congress and have been asked to speak under a banner with a very hopeful title ... "A World of Opportunity."

I'm so excited about that, based on all the fun we all had last year that I can hardly wait to hear what I'm going to say....

[pause]

Let me start by briefly sharing with you our industry projection for 2009 and beyond.

In some ways we think this year will be a reversal of last year. In 2008 the first half wasn't too bad and the second half was horrible. This year, we think the first

half will be very tough while the second half will bring mild improvement and we'll begin to pull out of the tailspin.

We have a way to go but the blue skies are ahead. So, we just need to keep the faith, do our best and keep moving forward a step at a time.

The bigger message today is to re-assure you that after weathering the storm of the current recession there will be a world of opportunity waiting for us. There is a better market ahead ... with plenty of room for growth ... and great innovations to come.

I don't know when the market will turn, and I don't know anybody else who does, either. But I DO know that there are forces at work that...in time... will break loose a lot of pent-up demand for all of our products.

Our challenge as an industry is to weather the current economic storm ... and prepare ourselves to take full advantage of the opportunities we'll find on the other side of this recession.

And that's what I want to emphasize today: What I think we need to do now to get ready for those better times ahead.

Ours is a cyclical business. So what goes down will ... eventually ... go up again.

It will take some time, but once the country senses a turnaround, consumer confidence will return and the vehicle market will bounce back too.

Why?

Because of three key factors:

First, several independent studies indicate that consumers haven't given up their need or desire to own a new vehicle. They are simply postponing their purchase decision. The average delay is about 12-and-a-half months. Statistics show about 900,000 vehicle purchases have been deferred. That's nearly one-million future sales.

Second, consumers are junking old cars faster than they are buying new ones. Scrappage rates the last few years have been around 5% of total industry units in operation. That...alone...would support a 12.5 million market. And since the seasonably adjusted annual rate for new vehicle sales has been below that for a number of quarters, there's an ever-growing gap between desire and purchase.

And third, new vehicle affordability is near a 30-year low. The number of weeks of income needed to purchase a new vehicle hasn't been this low since Ronald Reagan's first year in the White House.

Add all three of these forces together and I think you will conclude...as we have...that when consumer confidence returns, strong pent-up demand will drive strong industry sales. .

And NOW is absolutely the perfect time to prepare to take full advantage of this upcoming opportunity.

[pause]

So where do we begin?

Well ... at Toyota ... we begin with the basics.

At its core, the car business is really rather simple. Our job as manufacturers is to listen to consumers ... and build good quality products that customers want.

Then partner with our dealers, whose job it is to sell and service those products and take good care of the customer.

It's that simple.

One of the reasons Toyota has been successful is that we listen to our customers. In fact, *genchi genbutsu* ... which means go-and-see-and-listen ... is one of our core principles ... it's in our company's D-N-A.

And one of the things we're learning today is that consumers are changing.

Recent consumer studies by DYG and the Roper Organization show that the mindset of consumers is being permanently altered by the events of the past two years.

And why not?

The past two years have been a white-knuckle roller-coaster ride.

The housing bubble burst in 2006 ... banks stopped lending ... companies started layoffs ... and gas prices shot to the moon before plunging back to earth.

So it's hardly surprising that consumer confidence is in the basement ... and consumers are hunkered down with a death grip on their wallets.

Even consumers who have jobs are feeling insecure and avoiding big purchases, like a new car or truck, even if they can afford them now.

They're not only worried about their jobs, they're worried about the future and whether it will be as good as it has traditionally been in this country.

According to DYG ...consumers have developed a long-term unease about their access to the American Dream. They are now worried about their prospects for the basic elements of that dream ... employment ... home ownership ... health care ... and retirement.

As a result, consumers are altering their behavior.

For example, big purchases used to be viewed as rewards. Now they are seen as risks. They need to rationalize and justify big purchases.

This shift in thinking means consumers are looking past the glitz to some of the grittier details, like long-term value ... and products that last. They are looking at brands that stand behind their products ... brands that are considered a safe bet.

Or, as DYG put it, consumers are looking for hard-working "tools," not just indulgences.

At the same time, consumers are trying to narrow the scope of their purchases.

Instead of seeking "more" choices," they are looking for more "relevant" choices.

Today, Americans want to buy products that show they are “smart” and “responsible.”

Consequently, they are spending more time “doing their homework.” This often involves researching various options on the Internet. In the automobile retail business, we’re certainly seeing more customers arrive at the dealership armed with as much or more product knowledge as some sales consultants.

This new focus on being smart, responsible and relevant consumers is also reflected in an emphasis on supporting the environment, but with a practical twist. It appears to be based less on moral grounds and more on efficiency.

One simple example of that attitude is the emergence of reusable shopping bags. They’re everywhere! In fact, at the check-out stand they no longer ask “Paper or plastic?” it’s now “Yours or ours”...

Now, I know what you’re thinking. What makes me think these changes in consumer mindset will last?

After all, the first oil crisis in the 1970s produced long lines at gas stations but failed to convert consumers to smaller cars. It wasn’t until the second oil crisis later in that decade that attitudes started to change.

I'll give you three reasons from a recent Roper poll why I think this mindset will persist:

- 56% of those surveyed said they are “still driving less than they used to,” even though gas prices have fallen sharply.
- Only 22% of adults surveyed thought the current recession would end quickly.
- And 61% agree that “the events of the past few months have permanently changed people’s attitudes about money and buying.”

So ... how do we approach the market and sell to this “new” consumer?

Well, we have to make sure our products and services meet some tough new criteria.

What we offer must have:

- Substance, not flash...
- Be an investment in quality that will last...
- Foster environmental consciousness..
- And include innovative, smart features.

And the great thing about this industry is that no one company has a monopoly on brand loyalty ... or quality products. Every automaker and supplier can adjust to these changing consumer trends and prosper too.

We just need to be better listeners...be more responsive ... and, above, all ... be more flexible in everything we do.

That's what we are doing at Toyota and that's what the most successful people and companies will do to prepare for the coming recovery.

[transitional pause]

So, there are some good reasons to be optimistic about the future of the U.S. auto market. Or as the title of this conference states, there is "A World of Opportunity."

But the sub-title of this conference is: "Global Strategies for Challenging Times."

So let me to offer a few thoughts on the worldwide automobile business from Toyota's researchers and analysts.

Global strategies require an understanding of what consumers around the world have in common. But global strategies also need to be aware of how consumer

trends and tastes are different in various regions of the world. We need to Think Globally, but Act Locally.

Toyota has studied consumer trends from a global perspective by collaborating with Toyota affiliates around the world. And we've identified some mega-trends that transcend geo-political boundaries.

Let's start with demographics. People are living longer, working longer, being active longer and...best of all for the auto industry...they are driving longer. Speaking for myself, this is a good thing.

Toyota is designing vehicles to accommodate physical challenges associated with aging and at the same time offering youthful design.

One example is our new navigation system in the N/G Lexus RX and the all-new Lexus HS dedicated hybrid that allows the screen to be set further back on the dashboard closer to the road line-of-sight while the controller is designed for ease of use at your fingertips...like the mouse on a computer.

Next is a mega-trend related to technology.

It appears that the youth of today and tomorrow are showing less interest in automobiles. Instead, they are spending their discretionary income on electronics and other technologies.

Through the Internet they have developed global social and information networks. That has created an openness to international tastes in product design.

To respond to this trend, Toyota and other automakers, such as Ford, are studying how to share common vehicle platforms globally, while offering the unique interior and exterior design elements that will attract young people around the world.

Scion in the U.S. is a great example of Toyota world platforms adapted for the U.S. youth market.

The Toyota IQ micro car being sold in Japan and Europe is another example of a world platform that we may want to adapt to the U.S. market. Although less than 3-meters long, it can carry up to four people and is ultra-great on gas, ultra clean for emissions and has the world's first rear air bag system for safety.

The IQ can figure into Toyota's response to another world mega-trend: Urbanization.

People are increasingly moving back into cities from suburbs or beyond. This allows them to live closer to their work, enjoy more entertainment and cultural events and support environmental sustainability.

Toyota is working with urban planners, architects, local governments and energy experts to design new modes of transportation for these communities of the future.

High-density developments favor smaller vehicles and shorter travel distances, making alternative powertrains more feasible. To prepare for that, Toyota displayed an urban battery-electric concept vehicle at the Detroit auto show last week.

The final global mega-trend I want to mention today involves our old friend, oil.

When the world's economies recover, demand for this finite resource will grow faster than supply. The unprecedented spike in oil and gasoline prices this summer was a rude awakening to what scientists have been warning us about for some time.

There will come a time in the not too distant future when we will reach the oil peak and supplies will begin to go downhill. Estimates of when we will reach this point range from several decades to as little as next year.

And while pump prices have slipped from their historic highs last summer, the experience has left an indelible impression on all of us as consumers. While families still have a need for passenger and cargo space, they are looking for more efficiency in packaging and fuel consumption.

That's why we offer seven hybrid models, including an all-new Lexus HS dedicated hybrid revealed at Detroit. Toyota has sold well over one million hybrids since the launch of the Prius in 1997, and we plan to sell even more in the future.

And nearly all other automakers are introducing hybrids and other forms of alternative power to meet the needs of consumers around the world...moves that will not only ensure our future as an industry, but also the future of our planet..

[transitional pause before the close/call-to-action]

So...when you put all that we talked about together this morning...what does it mean as we stand of the cusp of a new decade?

It means that the challenges we face as an industry, both here at home and around the world, are enormous, but they are not insurmountable.

It means that our industry WILL resume solid growth when the economy recovers.

And it means we must be a different industry with companies and products that are in-tune with our customers. We need to offer them relevant choices that solve problems WE know they will face in the future:

- Styling and features that wow young people so that they put new vehicles back at the top of their wish list...like systems that respond to casual language spoken commands ... or that help you find open parking spaces.
- Advanced safety technology like lane departure warning that makes it easy for active Boomers to enjoy driving well into their retirement years
- Small, safe, efficient cars that fit an urban lifestyle
- Alternative power trains, like plug-in hybrids and fuel cells, for better fuel economy when gas prices rise again as fossil fuel supplies decline
- And affordable, green vehicles that allow even the most frugal consumer to protect the environment.

It will take a lot of work, grit and determination to get through it all, but the winner, in the end, will be the consumer, driving off in a better, cleaner, safer and more efficient new car to fulfill their dreams.

And when it comes right down to it, that's the reason we come to work and why we love this industry. We do great things for people and move them forward in their lives.

So take heart, everybody ... better days ahead and you will help write a new chapter in one of the world's greatest and most enduring industries.

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