

**Max Yasuda - FINAL Speech
CEO & President, Toyota Australia
CEDA – The Committee for Economic Development of
Australia Address
14 November, 2008**

1 – Title Slide

Good afternoon everyone.

On behalf of Toyota Australia, I am very pleased to have the opportunity to meet with you all.

Today, I will share Toyota's philosophy and approach in addressing the increasingly serious challenges of global warming and energy issues.

The issues we face are complex and daunting.

Only this week the Federal Government announced its new car plan. A plan that represented the formal response to the review of the Australian automotive industry conducted by former Victorian Premier the Hon Steve Bracks earlier this year. A response that encourages the local industry to build cars that are greener and cleaner.

The key feature of the new policy is the introduction of the Green Car Innovation Fund.

Ultimately, the responsibility for the future rests with the industry. The Government's policy will provide a strong incentive for local manufacturers and component suppliers to introduce new technology and processes that support the production of innovative vehicles, parts and production systems for local and export markets.

In our view, the Government's policy will assist the industry to evolve to meet the demands placed on it through global competition and changing economic conditions - to enable us to innovate to achieve sustainability.

2 – Toyota Global Overview

Toyota globally last year sold almost 9.4 million vehicles around the world. This number has been increasing steadily in recent years although current economic conditions around the world might see the rate of increase plateau. Australia remains one of the key markets for Toyota globally.

3 – Toyota Global Overview – Map

From a manufacturing perspective, Toyota operates in 27 countries with 53 plants. The factories marked in red are those that make similar models to Toyota Australia – namely the Camry. Toyota Australia must compete for capital and resources with all of these Toyota plants who in turn want the same as us – the opportunity to grow our business. It is a tough and intensely competitive environment.

This is compounded by the world's financial crisis which is negatively impacting the economy worldwide.

Automotive markets globally are faced with severe sales depression due to the downturn in the economy. Only last week our parent company, Toyota Motor Corporation or TMC announced a fall in our Q3 results, and forecast more difficult times ahead.

The reason for these results is that markets are contracting rapidly, particularly in developed countries.

The deterioration in earnings have been influenced by the fluctuations in currency in Japan, Europe and United States – and the sudden rises in prices of materials due to high resource demands.

TMC has described this as an unprecedented situation and is already taking measures to support operations through this period and to reset the business for a new operating environment in the future.

4 – Toyota Operations in Australia

So what do these changes mean for us locally? Firstly let me provide some background information on our local operations.

In Australia, our headquarters and manufacturing operations are based in Melbourne, while the sales and marketing operations are based in Sydney. We employ more than 4500 people in Australia. In addition, we have representation in each state, along with more than 200 dealerships across the country.

5 – Toyota Australia Performance

The total market exceeded one million vehicles for the first time last year and expectations are that we will have another solid performance, despite a softening in the market domestically. Toyota is the only car company in the country to sell more than 200,000 vehicles in a calendar year and this year we are on track for more than 240,000. Exports last year were close to 100,000, primarily to the GCC countries of the Middle East including Saudi Arabia, Oman, UAE etc.

It might interest you to know the automotive sector is Australia's largest exporter after mining, generating export earnings of around \$5 billion a year.

Production in 2008 is heading towards 142,000 vehicles made up of the four cylinder Camry – currently the only four cylinder car made in Australia – and the six cylinder Aurion.

[PAUSE]

The overall market is running at similar levels compared to last year – and we expect 2008 sales would exceed 1 million for the second consecutive year, however falling consumer confidence and credit issues will dictate the direction for the remainder of this year and into 2009.

6 – Toyota logo – Blue background

So, let's move onto the topic for today. (PAUSE)

The idea of sustainable mobility is central to Toyota's thinking worldwide. Even more so during these uncertain times – where we dream of a vehicle that could drive across Australia on one tank of fuel, while its emissions actually improve the quality of the air.

And globally, Toyota is pursuing sustainability plans that address its social, economic and environmental contribution.

7 – President & Logo

It's no co-incidence that the president of Toyota Motor Corporation in Japan, Katsuaki Watanabe, is also Chairman of the company's Environmental Committee.

8 – President with Bulls Horn Logo

He recently said that the addressing of environmental issues by automakers will contribute to sustainable development in society.

The Environment Committee has affirmed that one of the top priorities for Toyota management is to urgently tackle climate change.

As car makers we acknowledge that our impacts are far-reaching.

Car ownership is expected to exceed one billion vehicles in 2010 and reach 1.5 billion vehicles in 2020. Though cars are essential to economic and social development, if usage continues to increase around the world, the earth's environment will be profoundly and adversely affected.

It will come at a time when we as an Australian community are aiming to reduce greenhouse emissions.

As a result, the impact on the global environment from this growth in mobility must be less, not greater. Toyota seeks to minimise the negative effects of cars while maximising their positive aspects: convenience, comfort and the pleasure of driving. In manufacturing, too, Toyota is seeking to integrate its plants more harmoniously with the environment and to strengthen relationships with local communities.

9 – President & Quote

Mr Watanabe, as Toyota president has re-stressed the guiding principle of Toyota to be 'contributing to the development of a prosperous society through the manufacture of automobiles'.

He has also reinforced our core principle, which is to 'repay the Earth and society through technological innovation and contribute to enhancing the quality of life everywhere'.

(Pause)

Without a focus on measures to address global warming and energy related issues, there can be no future for cars. Toyota has made a company-wide commitment to technological innovation for sustainable mobility, that is a society that harmonises mobility, people and the planet.

This concept was enshrined in the teaching of Sakichi Toyoda, the founder of the Toyota group, and was embodied in the Toyota precepts he compiled in 1935.

10 – Sustainable Mobility

Sustainability will mean a fundamental change to how we live, work and for that matter travel. The key to achieving that, and to developing a prosperous low-carbon society, is to reduce the footprint of products and the processes that create them through technological innovation.

Sustainable mobility is a fundamental part of the way Toyota intends to continue to do business - a fundamental goal to which Toyota intends to drive its business.

11 – Toyota Earth Charter

To reinforce that, look at the four elements of the Toyota Earth Charter... (on screen)

...A contribution to a prosperous 21st century society while aiming for growth that is in harmony with the environment and the achievement of zero emissions.

...The pursuit of all possible technologies that will enable the environment and the economy to coexist harmoniously.

...The development of a voluntary plan of continuous environmental improvement.

...The building of close and co-operative relationships with individuals and organisations involved in environmental preservation.

These are not just words and statements. They are backed up by concrete and specific actions...

12 – Exhaust

...The reduction of energy consumption and therefore CO₂ emissions.

13 – Water

Recycling and reduction of water consumption and wastage.

14 – Recycle

...Improvement in the recyclability of vehicles.

15 – Pollution

...Reduction in atmospheric pollution – both at the factory and from the vehicles.

16 – Toyota logo

...And a culture of continuous improvement in environmental management from Toyota as well as our partners, suppliers and dealers.

17 - Boardroom and sustainability report

The board of Toyota Australia has developed our own plan based on these global guidelines.

Our plan is communicated publicly through our website and sustainability report, so please keep an eye on our progress.

Our plan has five key objectives...

18 – TMCA objectives

...Complying with legislation and community standards.

This is clearly the basis for any plan – our licence to operate.

...Reducing the cost of process waste. There are obvious business as well as environmental benefits in reducing waste – lower costs, improved quality and production efficiency.

...Meeting the expectations of stakeholders. This gathering today is an example of the growing expectations that we need to respond to.

...Contributing to the reputation of the company and the brand. We have a strong reputation for our environmental performance and community engagement – this has not come about by chance or good advertising – it has been built on continual and substantial action.

...And reducing environmental impact – something we do because we must.

(pause)

19 – 2011 and earth image

Okay, let's get specific. At the start of 2006, based on this strategy, we set certain targets to be achieved by March 2011.

Here's a progress report.

20 – CO2 Emissions

We aimed to reduce CO₂ emissions from the manufacture of each vehicle from the Altona plant by 13% from 1.71 kg CO₂e/vehicle to 1.48 kgCO₂e/veh.

By last year we managed to achieve a 30% reduction to 1.18 kgCO₂e/veh and we aim to reduce even further to 1.056 kgCO₂e/veh by 2011.

21 – Water Consumption

Initially we aimed to reduce water consumption by 25% from 4.23kl per vehicle to 3.17 kl per vehicle. Again we've already achieved a 31% reduction.

22 – Total Waste to Landfill

We also aimed to reduce waste per vehicle by 25% from 15.74 kg/veh to 11.80 kg/veh by 2011. Here we are in 2008 and we've improved 34% on our 2005/2006 performance to 10.39 kg/veh.

23 – Toyota Brand Slide

Please don't think we weren't aiming high. These were ambitious targets when we made them and our success in exceeding them so soon is testament to the efforts and passion of our people here at Toyota.

In fact, two years into our five-year plan and work is underway to reset the targets so that we continue to improve! That is the Toyota Way.

24 – Environmental Improvement Plans

I mentioned waste reduction. Looking for, and achieving, ways to eliminate waste is another of the key planks of the Toyota Way and inherent in our environmental improvement plans.

Let me give you a case study from our Altona Manufacturing Plant. It relates to the manufacture of aluminium engine components.

25 – Altona Plant

We have developed a 'just in time' process which allows us to receive the aluminium from our supplier in liquid form rather than as a stockpile of solid ingots. This saves substantial energy as we don't need to reheat the aluminium for our casting process.

At the other end of the process, one of our frontline teams identified an opportunity to process waste aluminium shavings. This allowed the aluminium to be recycled, coolant to be reused – and the company was saved the cost of waste disposal.

26 – Paint Robots

And our paint robots now dispense exactly the right amount of paint to each car. This eliminates the need to flush paint lines with solvent every time we need to change colours.

(pause)

But it's not just in the vehicle manufacturing process that we have identified improvements.

27 – Plant and light switch

For example, our plant is not in operation on Sundays – so we've been examining whether all equipment is switched off when not being used.

28 – Workers

And we switch off the lighting in the Plant admin office during the lunch break. This, incidentally, has a double benefit. We not only save energy, but we also encourage our engineers to take a proper break. It's good for the environment and it's good for our people.

29 – Recycle

We've looked at all aspects of our operation. Although we currently recycle 95% of our waste, we're constantly looking at how we can reduce the 5% that is still going to landfill.

As an example, a recent waste audit identified that 7% of that landfill waste we were generating from Altona was from used gloves. 7%! That was costing us \$400,000 a year! Glove disposal is now a recycling project.

30 – Trucks

In our logistics operations, we've also managed to achieve a 21% reduction in CO₂ emissions this year by improving the loading efficiency of trucks and introducing an electronic Kanban system with our suppliers. The Kanban system is a Toyota management tool that controls material flows.

31 – Dealerships

We've been working with our dealers to assist them to understand the need for responsible environmental management – and to identify best practices and to learn from each other.

32 – Bumper Bars

Another area of waste that was a concern was the number of bumper bars that are discarded when non-standard

accessories are installed. We are now involved in a recycling scheme to deal with this problem.

(pause)

33 – Sustainability

So you can see, we are looking carefully at every aspect of our operation, constantly seeking better and more sustainable ways of doing things.

34 – Innovation

But the real area of technological innovation – the place where we can make a huge contribution to the reduction of our environmental impact – is in the vehicles that we build and sell.

35 – VVTi

We have introduced significant improvements into all of our vehicles. VVTi is providing efficiency gains.

36 – Corolla and GVG

Corolla is the only car among Australia's top selling vehicles that rates 4 and half stars on the Federal Government's Green Vehicle Guide.

Nearly all of our vehicles are certified to the tough Euro 4 emissions standards – or even beyond.

37 – Lexus and Prius hybrid

The real excitement comes from the leaders of the pack – our alternative energy vehicles. We are especially proud to have in our line-up the hybrid Prius and the Lexus hybrids. These are spectacular vehicles incorporating world-leading technology.

38 – Hybrid – One million

We've already sold a million hybrids globally. Early next decade we will meet our target of selling that many – one million – every year.

39 – Toyota jump / hybrid

Of course, this year, Australia joined the exclusive ranks of hybrid vehicle manufacturing. While in Japan on 10

June, The Prime Minister Kevin Rudd joined Toyota President Katsuaki Watanabe to announce that Australia would become only the fourth country in the Toyota world to build hybrid Camry.

This is a very significant initiative. This was the one and possibly only chance that Toyota Australia had to secure this opportunity. Production will begin in the early part of 2010. It now places Toyota Australia – and the accompanying components sector – in a position to take advantage of future developments in hybrid drive-train technology as they become available.

I also should mention that the support of the Federal and Victorian governments was critical in securing this investment for Australia. Without their support, hybrid would not have come to Australia. Instead, we would have imported the vehicles from Thailand or Japan.

40 – R&D

Because hybrid technology can be applied to all forms of energy, Toyota has positioned it as a core technology into which we continue to conduct significant research and development.

We conduct wide-ranging R&D into fuel cells, the use of bioethanol and improving the fuel efficiency of regular petrol engines.

41 – City smog

Our aim is to realise sustainable mobility. To do this, certain issues must be resolved – the reduction of CO₂ emissions, making exhaust emissions cleaner and reducing atmospheric pollution.

42 – Toyota range of vehicles

Responding to the need for energy diversification is an important part of this.

43 – Chart – ultimate eco car

This means looking at a wide range of technologies – alternate fuel engines, diesel engines, petrol engines and electrical energy – as steps towards developing the ultimate eco-car.

44 – The future is hybrid

For Toyota, the future is a hybrid one. Regardless of the prime energy source – be it petrol, diesel, LPG or hydrogen, it is likely that a hybrid powertrain will be present – to ensure that each energy source is used in the most efficient way possible.

And plug-in hybrids will start to yield benefits in markets where they are sustainable.

(pause)

Our hybrid technology is already a reality and is very successful in moving towards the achievement of our environmental aims.

45 – Energy Use diagram

The beautiful thing about the hybrid is that its benefit is derived from capturing and re-using waste. How good is that? Our hybrid vehicles captures and uses waste energy – another example of Toyota's aversion to waste.

Normally, when brakes are applied, energy is lost. But these hybrid vehicles use this energy to charge its battery – to supplement the power available for acceleration and to eliminate the need for the petrol engine to run at all in certain situations.

It's easy to believe that the future has started to arrive.

(pause)

46 – Corporate Sustainability

So far I've spoken at fair length about environmental matters, but before I finish I want to go into a bit more detail on the overall corporate sustainability programs that have been mentioned earlier.

47 – Workplace Safety

I'll start with Workplace Sustainability. This is all about providing a safe and secure workplace for all our people in every part of the organisation. Toyota treasures its reputation as a leading employer – and we firmly believe that a happy, healthy and well rewarded workforce is critical to our business success.

We would not consider ourselves successful if we were not taking the best possible care of our people.

48 – Social Sustainability

Next is Social Sustainability. This is all about maintaining Corporate Social Responsibility and engaging with our local communities – respecting their willingness to have us in their midst and generally being a good neighbour.

Around the world, Toyota is working to strengthen sustainability in the communities it serves. Toyota provides practical support to ongoing activities at the grassroots level.

49 – Community Liaison

And as a part of that, Toyota Australia has a Community Liaison Committee consisting of representatives from Toyota as well as a range of local authorities, councils, industrial neighbours and local residents. This committee meets regularly to discuss environmental issues in the neighbourhood of our Altona plant.

50 – Community Spirit

The company has also established Toyota Community Spirit – our corporate citizenship program. TCS doesn't just provide financial support to good causes – it is all about creating partnerships and building capability.

The two key organisations with whom TCS works are the Conservation Volunteers Australia and the Australian Business Arts Foundation.

Conservation Volunteers make environmental volunteering more accessible, while the AbaF is an organisation established to develop private sector support for the arts.

(pause)

51 – Logo

We know that the future is all about brand integrity, economic viability and social responsibility – in short, being a true global citizen.

Toyota will continue to develop and improve into the future. That ultimately is the Toyota Way

52 - Close

Since its establishment, Toyota's fundamental philosophy has been to contribute to the creation of a prosperous society by manufacturing cars. Today, given the critical risk that automotive industry faces unless global environment and energy issues are resolved, we are dedicated to the development of vehicles that can coexist in harmony with the Earth.

This means that at Toyota, we have set ourselves the vision to Zeronise and Maximise.

We are endeavouring to minimise or "zero out" the negative aspects of vehicles on people and the environment – while trying to 'maximise' the positive aspects such as convenience, comfort and excitement.

We believe to contribute to the sustainable development of society and the earth we must pursue "Sustainability in three areas": research and development, manufacturing and nurturing society.

We are working to satisfy the needs of both environmental preservation and economic growth.

Eventually, we hope to contribute to the realisation of a prosperous, low-carbon society...achieving sustainable mobility.

Thank you very much.