

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

Toyota Motor Corp. President Akio Toyoda discusses the company's transition from a car company to a mobility company.

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DAVID RUBENSTEIN: So, here's what we're going to do this morning. I'm going to give a brief introduction to our guest. We will then see a video. He will then come and make a talk in English, and then we'll have an interview that will be interpreted. So, you have your headsets there. So, you'll need that when we do the interview.

So, our guest today is the president of Toyota Motor Corporation. This is a company that his fraternal grandfather started. And his maternal grandfather actually started another very impressive company, Takashimaya department stores in Japan. He is a person who was educated in Japan at Keio University, got a law degree. He then came to the United States and got an MBA at Babson College. And he then joined the company that his father had worked at and also his – was started by his grandfather.

He worked his way up. He worked in Asia. He worked in the United States. He worked in Japan. And in – he started in the company in 1984. And he's been the CEO – or, the president for the last eight years. He has been running a company that has a well-known brand around the world. Toyota was actually started as a motor corporation in 1936. Today, it has a market value of about \$170 billion. It has revenue of about \$270 billion and employs about 370,000 employees around the world. It employs 37,000 employees in the United States. And if you count the dealers, it's 137,000 employees.

Today the company is one of the largest automobile manufacturers in the world. The company is well-known for its automobiles, but also the company is well-known in other areas as well. For sports cars – this is the sportscar Supra that the company is now coming out with again this year. The company is also involved with the space agency in Japan, helping to produce a mobile vehicle that will ride around on the moon.

What we're going to do today is talk about the issues that Toyota faces in the United States and around the world relating to regulatory problems and relating to market tastes and consumer tastes around the world. Before we do that, though, I'd like you all to see this video. Run that.

[Video presentation begins.]

AKIO TOYODA: With the Supra, I could be a master driver. I trained my master driver ability by driving Supra a long time ago. I went to Nürburgring and together with Mr. Naruse, who taught me how drive the car. Many cars [are] driving more than 200 kilometers. So, I'm so scared. One lap is about 10 minutes. I felt like 10 minutes from now am I still alive? At that time, Supra is no longer in production, no longer sells. All other car makers, their vehicle is [a] vehicle which they are going to introduce two or three years from now. Only Toyota, only myself, is driving [a] used car.

Today I meet a friend from long, long time ago. We are kind of separated, but now we meet again.

We are up in Nürburgring for final testing of the new Supra.

MR. TOYODA: Toyota levels are working for Supra. I think we need a Supra story again.

[Music.]

[Video presentation ends.]

[Applause.]

MR. RUBENSTEIN: So, Mr. Toyoda, as you can see, is a master – licensed master driver. And this car here is going to be sold for – didn't you tell me it costs about \$6,000, or something like that? [Laughter.] No, a little bit more than that, but you can talk about it. Mr. Toyoda.

[Applause.]

MR. TOYODA: Thank you, David, for your kind introduction. And good morning, ladies and gentlemen.

AUDIENCE: Good morning.

MR. TOYODA: It's an honor to be with you today. And of course, I wouldn't be doing my job if I didn't try to tempt you with a brand new Supra. [Laughter, applause.] A car that is near and dear to my heart. We recently launched the Supra in Detroit at the North American Auto Show. And it made me realize just how far we've come the first vehicle we ever sold in the U.S., the Toyopet. [Laughter.] It had a nice paint job – [laughter] – but was so underpowered it could barely manage 45 miles per hour. Thankfully, we worked a few things out since then.

Since the first Toyota dealership opened in Hollywood, California in 1958 we've sold almost 65 million vehicles here in the U.S. But actually, Toyota didn't start out as car business. We began as a maker of fabric, weaving looms in Japan. My great-grandfather Sakichi Toyoda invented the automatic loom in 1924. His son, my grandfather Kiichiro, wasn't so interested in the family business, however. An engineer by training, he went to the U.S. and fell madly in love with American cars. He returned home determined to persuade his father to let him try to build cars. The first Toyota, the Model AA, debuted in 1936. And the rest, as they say, is history.

In fact, my grandfather was just inducted into the American Automotive Hall of Fame. Thank you. [Applause.]

Although he died before I was born, I know in my heart this is an honor he would never have thought possible, and one that would mean so much to him. So, I am now the third generation Toyoda to run this company. And perhaps you have heard the saying that the third generation ruins everything. [Laughter.] Well, hopefully that will not be the case. So far so good, but you never know. [Laughter.] My love of cars began at an early age. In fact, when I was a little boy, I wanted to grow up to be a taxi driver. [Laughter.] I didn't quite get there, but close enough. [Laughter.]

My love of all things American began when I was a student at Babson College in Boston, a place that was to instill in me a lifelong belief in entrepreneurship, perseverance, and the Red Sox. [Laughter, applause.] Now, to say there were challenges when I became CEO in 2009 is an understatement. But as I had learned from my days in Boston, I was determined to never give up and to make Toyota a better, more responsive company, not just for our customers and our employees, but for society at large. Toyota was founded on the principal of continuous improvement, or kaizen. And I believe that you can never rest, never assume you know all there is to know.

In fact, to quote the great American philosopher Yoda – [laughter] – I believe that sometimes you must unlearn what you have learned in order to grow and move forward. This has never been truer in our industry than today. I believe automotive industry is undergoing the same level of disruption as when we moved from horses to cars. It's why I founded Toyota Research Institute in 2015 with offices in Silicon Valley, Boston and Ann Arbor, to focus solely on the development of autonomy, robotics, and artificial intelligence.

And that's why I also launched another stand-alone company here in the U.S. called Toyota Connected, which has developed a software platform for all kinds of mobility services, such as car sharings. Last year, we introduced our e-Palette concept, an autonomous mobility solution for e-commerce, retail and beyond, including ride sharing, delivery and retail. Today, you have to travel to the store. In the future, with e-Palette, the store will come to you.

New forms of power trains are also driving change in our industry – electric vehicles, what everybody's talking about these days. That and the final season of Game of Thrones. [Laughter.] But there's still much work to be done to increase consumer demand for all electric vehicles, which is why we are working with government to create the charging stations and infrastructure necessary to support all electric vehicles, pursuing emissions-free technologies, and reducing greenhouse gas is also a huge priority for us – as it should be for everyone.

We began our effort to help the environment many years ago by introducing hybrid technologies. And our fuel cell technology continues this journey. Recently we began testing heavy-duty, zero-emission fuel cell trucks in the port of Long Beach and Los Angeles – the place where 10 percent of the vehicles cause 50 percent of the pollution. One year in, we are well on our way to making this operation commercially viable as we help to improve the air quality in this part of the U.S.

Now, I have to say, without question, the U.S. has played a critical role in our success as a company. And it is something that we continue to be grateful for. Today, we currently have 10 plants in the U.S., and we just broke ground on our 11th in Huntsville, Alabama in partnership with Mazda. Two years ago, we officially opened the doors of our new U.S. headquarters in Plano, Texas. And believe me, it's way nicer than my office in Japan. [Laughter.] In 2017, we announced an additional investment in the U.S. of \$10 billion over a five-year period, which we are actually increasing to \$13 billion, to support additional production in our Kentucky, Alabama, and West Virginia plants, as well as our customers in the United States.

One thing that unites people, no matter where you live, is Olympics, which is why we decided to become the worldwide sponsor of the Olympics, Paralympics, and Special Olympics. Because in a time when so much seemed to divide us it's good to remember how much actually unite us.

[Video presentation.]

[Applause.]

MR. TOYODA: As global citizens, I believe it's up to all of us, especially a corporation like Toyota, to do our parts to help make the world a better place. We have a set of values at Toyota, passed down to us to [from] my grandfather, that we refer to as the "Toyota Way." Values that include integrity, humility and respect for others. And for us, the Toyota Way is more than just words. It's a guiding light, a reflection of who we are as a company, and how we believe it's our duty to shine the light everywhere we can. So, on behalf of the nearly 200,000 Toyota employees, suppliers and dealers here in America, I want to thank you for inviting me here today. Our tagline in the U.S. is: Let's go places. And together, I hope that's exactly what we continue to do. Thank you very much. [Applause.]

ANNOUNCER: Ladies and gentlemen, during our conversation please make sure your headsets are connected to your receiver and turned on. Channel one is for English, channel two is for Japanese. And now David Rubenstein, President of the Economic Club of Washington, D.C.

MR. RUBENSTEIN: So, thank you for that presentation. My first question is this: Is it a burden to have the last name Toyoda when you are working at Toyota? So, when you joined the company, did people think you would inevitably rise to the top? Or did you feel there was a lot of pressure on you, and maybe it would have been better if you'd worked at another company, rather than Toyota?

MR. TOYODA: First of all, let me speak in Japanese.

[Continues through interpreter.] When I was a little boy, I felt being named Toyoda a burden, because when I was in junior high or maybe in grade school, well, you are a son of a president, who said: And you can do this because you are – you do have this Toyoda family name. So that's when all this happened, when I was a little boy. So, I wanted people to take me for what I was. And that's why I joined the world of sports, where I dedicated myself. Now, today in this time and age, am I ready to restart my life with a totally different family name? I still think I like this, and I prefer this name Toyoda.

Actually, my grandfather passed away when he was 57 years old. I'm already 62. So, 57 – when I passed the age of 57, I always thought of my grandfather. The founding members of Toyota, they never experienced the good part of Toyota. They just reinvented Toyota prior to the – from the weaving company. So, I wanted then to use me.

MR. RUBENSTEIN: So, you may have noticed that Toyota is spelled differently than you spell your own last name. Toyota has a T in it, and you have a D. So, have you thought about

changing the name of the spelling of Toyota, or changing your own spelling of your name?
[Laughter.]

MR. TOYODA: Many people ask me the same questions. [Laughter.]

MR. RUBENSTEIN: I thought that was an original question. I thought nobody else ever asked that. [Laughter.]

MR. TOYODA: And once my father told our family members: Why don't we change the name from Toyoda to Toyota, all family members, including myself said no because we think Toyota is a company name, and Toyoda is the family name. So, they are – because Toyota is no longer the Toyoda family's company, this is more like everybody's companies. That's why I think Toyoda and Toyota.

MR. RUBENSTEIN: OK. So, the biggest challenge that an automobile manufacturer today has – Toyota, Ford, General Motors – is, what, the changing nature of the cars that people want to buy, or is it regulation? What is the biggest challenge automobile manufacturers have today?

MR. TOYODA: [Through interpreter.] First and foremost, each country and each region do have different roads. So, we have to build cars that are just right and most suitable for roads in a specific region or country. And so those cars, best fit for that roads of that country is recognized. And therefore, the home country manufacturers knows the roads best, knows the customer needs best. So, in that sense, the car makers from the home country, in that they do know the customers and roads, do have some advantage.

But in our case, we have taken root here in the United States for the past 50 years. So, through that history, working together with American partners, we came to know the roads, came to know American customers here. And therefore, we don't distinguish American manufacturers or Japanese manufacturers.

MR. RUBENSTEIN: Now, let's talk about ridesharing, for example, Uber or Lyft. If people continuously use Uber or Lyft, or their equivalent, won't that mean that automobile manufacturers will sell fewer cars? So, is this a threat to you? And what are you doing about it?

MR. TOYODA: [Through interpreter.] The car business model is very well-made, I believe, because, first of all, people will change their cars. So, they go to a new car, which has a more advanced technology. And when they trade in their old cars, that would create the used car market. And there are other factors in the value chain, such as insurances and other things. And cost sharing, as you mentioned, so-called C-A-S-E – CASE¹ – that business model itself – the automotive business model itself may be disrupted. Therefore, compared to the past business model, may no longer be viable. However, in the real world where people do use the vehicle or the cars, that's something that we have to keep doing. I think people expect us to keep manufacturing automobiles.

¹ CASE - Connected, Autonomous, Shared, Electrified

MR. RUBENSTEIN: Now, one of your competitors, Ford, announced not long ago that they were not going to be making traditional passenger cars going forward. They're just going to make SUVs and light trucks, because that's what their customer base wanted. Is there any chance, in your view, that you will get out of the passenger car business and just make SUVs or light trucks? And why do you think Ford decided to do that?

MR. TOYODA: [Through interpreter.] The usage is really changing, I think. Each era or each period it goes through changes. I don't think if people stop using the vehicle itself it could be a threat to us seriously. However, the type of vehicles that people like to use from sedan to SUV, I think that changes are taking place, so that happens. So, I think we just need to respond to that.

MR. RUBENSTEIN: OK. So, in the United States, and Japan and China, they are your three biggest markets – the United States, Japan and China. How different are the car buyers in their tastes between Japan, the United States, and China? Are they much different, or actually the same when they go in and buy a car? They ask for the same things, they're concerned about the same things? Or are they different?

MR. TOYODA: [Through interpreter.] I think the preferential taste is different from country to country. And the reason why the taste is different is, as I said earlier, the roads are different. And also, the history of using the car is different. For instance, in Toyota, in the U.S. market we have about 15 percent share, in China about 5 percent, and in Japan we have about 30 percent share. In Europe, perhaps our share is about 5 percent. So, you know, we have – we have existing in all the markets, but we really have to think about the different product lineup depending on the marketplace we serve.

MR. RUBENSTEIN: Now, in the United States, if I buy a car that's a Toyota car, is that made in the United States 100 percent? Or 50 percent of the cars you sell here are made in the United States, and of the ones not made in the United States, where are they made?

MR. TOYODA: [Through interpreter.] Out of those automobiles sold here in the United States about 50 percent are made in the United States. However, made in America and made in Japan, what we are really concerned about is made by Toyota. The vehicle is made by Toyota, whether it's, you know, in the United States, or done in Japan, or done in any other country. We want to provide the same level of quality.

MR. RUBENSTEIN: All right. So, if I ask you to get into a Toyota car, could you tell whether it was manufactured in Japan or the United States by just driving it?

MR. TOYODA: [Through interpreter.] I don't think so. I am the master driver in Toyota. The U.S.-made cars smells like America. [Laughter.]

MR. RUBENSTEIN: OK. All right. Do they – do the automobile manufacturers put a special, like, chemical in to make the car smell new? Because I notice that they always smell new, and people like that smell. Is that done on purpose, or is that just an accident?

MR. TOYODA: [Through interpreter.] I don't know exactly why, but the cars made in Europe really smells Europe. And Japan, perhaps it tastes like soy sauce. [Laughter.]

MR. RUBENSTEIN: OK. So now, do you think the cars that are made in Japan that are shipped to the United States, that they are national security threats? Are you arming them with guns or other things like that that would make them dangerous for people? [Laughter.] Or what is the national security threat that you see there?

MR. TOYODA: [Through interpreter.] Since I'm really speaking in front of this many people, I have to be very careful.

MR. RUBENSTEIN: Nobody would pay attention. [Laughter.] We'll keep it a secret, don't worry. Just between us. [Laughter.]

MR. TOYODA: [Through interpreter.] Well, first of all, I love [the] United States. I love America. And outside of Japan, I have lived in the United States the longest. And for many years, those dealerships in the United States who supported Toyota and our suppliers, I am very thankful and grateful to them. And I'm very proud of them. So, I just don't know why, you know, they call it a national security threat. That really makes me feel sad. I hope that this kind of conversation can go away. Just one thing if I am to promise, regardless of the direction we go, we will never leave [the] United States. We'll stay here. [Applause.]

[Continues in English.] Thank you very much.

MR. RUBENSTEIN: Have you ever met President Trump and talked to him about automobiles or your concerns about national security issues? Have you met the president or not?

MR. TOYODA: [Through interpreter.] Well, when President Trump came to Japan – went to Japan in the International Guest House, Prime Minister Abe introduced me to him.

MR. RUBENSTEIN: All right. And did you tell him about your concerns on national security issues, or didn't have a chance to do that?

MR. TOYODA: [Through interpreter.] No. Instead of doing that I gave this sticker to President Trump.

MR. RUBENSTEIN: This sticker? [Laughter.] OK. It says: It's impossible. [Laughter.] Start your impossible. OK. [Laughter.] So, let me ask you, if I go in to buy a Toyota car this afternoon, I go to a dealer and I negotiate the price. And the dealer says: Let me go check with my sales manager about whether the price is acceptable. Are they really negotiating, or the prices are pretty much set? [Laughter.] I mean, is there much negotiating you can really do these days?

MR. TOYODA: This is another sensitive question. [Laughter, applause.] Because there are some dealers –

MR. RUBENSTEIN: Oh, the dealers, OK. [Laughter.]

MR. TOYODA: So, the – first of all, the dealer is not the company. Their job is only to sell the car. Their job is to maintain what – the car user’s feelings, and maintain the services, and take care of the insurance and everything. So, the price is not that important.

MR. RUBENSTEIN: OK, so they make their money on the dealer preparation, so called, the resale, used cars. Is that where the greater profit is for the dealers, or?

MR. TOYODA: [Through interpreter.] That’s true. That’s correct. But what we have to be fully aware of is that the price is set and determined by the market and the customers. We have to be fully aware of that and must have full understanding of that. For them to have that as all we [are], we dedicate ourselves creating [a] quality car offered at affordable prices.

MR. RUBENSTEIN: Now, a few years ago, Toyota had a problem. There was a car in California where the accelerator did not seem to work appropriately, and someone died. The – you then came before Congress and testified about that. So, what was actually the problem? Why did you choose to testify, when you could have somebody else do it? And has that problem been fixed forever?

MR. TOYODA: [Through interpreter.] At that time when the brake was stepped on, the decelerating distance was quite long. In the case of Prius, as an example in this case, once you put your foot on the braking pedal, the deceleration distance was longer than 60 centimeters. So that’s a technical aspect of this problem. However, according to the media reports, my explanation may have been not adequate enough. And therefore, the fact that stopping distance extended by 60 centimeters was taken as [the] car taking the life itself of its own and achieving sudden acceleration. And that’s, of course, misunderstood. And also, our explanation was not really adequate enough at that time.

MR. RUBENSTEIN: So now you sell, roughly, in the United States every year about 2.4 million cars. Are they mostly passenger vehicles, SUVs, light trucks? What is the breakdown of the types of cars you sell here?

MR. TOYODA: [Through interpreter.] Well, he knows the details. Compared with other OEMs,² Toyota sells a large number of sedans. Our percentage of sales accounted for by sedans – because in terms of our product line it’s been more or less focused on sedans. And therefore, when it comes to SUVs, our switching over to those was a bit slow.

MR. RUBENSTEIN: All right. Suppose I wanted to buy a luxury car tomorrow. And I say, well, there’s Mercedes, and there’s BMW, and there is Lexus. Why would I want to buy a Lexus over the other two? Why is your Lexus better than the Mercedes or the BMW equivalent? [Laughter.]

MR. TOYODA: [Laughs.] Don’t ask that kind of question to me. [Laughter.] Because I’m salesman of Lexus. [Laughter.]

² OEM – Original Equipment Manufacturer

MR. RUBENSTEIN: OK. So, you would say it's better because it's faster, less expensive, better made, better president of the company? [Laughter.]

MR. TOYODA: Maybe better president of the company. [Laughter.] But if you go to the restaurant, each restaurant has [its] own taste. So, the Toyota taste, the Mercedes taste, and the BMW taste is different. So [if] your preference is near to the Lexus taste, maybe you better buy the Lexus.

MR. RUBENSTEIN: OK. Supposed I wanted to buy that car there? What's so special about that car? Is that something new you're doing, the Supra. How fast does that car go?

MR. TOYODA: Depends on the driver. [Laughter, applause.]

MR. RUBENSTEIN: OK. Well, so no limit?

Now you're a master driver.

MR. TOYODA: Yes, yes.

MR. RUBENSTEIN: Now, is that safe for the president of the company to be a master driver, because you're riding around at very fast speeds. Isn't that unsafe, for a company that depends on you?

MR. TOYODA: Oh, you are talking to – very close to my father. [Laughter.]

MR. RUBENSTEIN: OK.

MR. TOYODA: My father is – because I'm driving this kind of car – always say to me very negative things. [Laughter.]

MR. RUBENSTEIN: OK. Now you've done these kind of speed races where you – 24-hour races. Isn't that kind of – that is dangerous, 24 hours driving around and fatigue, and so forth?

MR. TOYODA: That's dangerous. But I am participating race, but I didn't do the race.

MR. RUBENSTEIN: What do you mean?

MR. TOYODA: Because racing is kind of, like –

[Continues through interpreter] – I mean, you pass other cars, you go around other cars. But in my case, I did not compete against others. When there are faster cars coming behind me, let them go first. But as those many cars drive, to make sure that your car is safe, that's very important when we sell cars to the customers, to make sure that our car is safe enough. To make sure of that on the circuit is important. So, I don't think I'm doing something very dangerous by

being the master driver or driving those circuits. What I wanted to do is to demonstrate that I really love cars that we are producing. And that's – there's nothing wrong about that.

MR. RUBENSTEIN: Well, back in Tokyo, do you drive to work, or do you have somebody drive you to work, or you're –

MR. TOYODA: Sometimes I drive to work, and sometimes my driver drives me.

MR. RUBENSTEIN: All right. When you drive to work, what kind of car do you drive?

MR. TOYODA: Oh, all kinds of. One is a big land cruiser. And one Japanese – specific Japanese – [inaudible].

MR. RUBENSTEIN: And when you're driving do people, like, notice you? You're Mr. Toyoda driving around in a Toyota. Are they –

MR. TOYODA: Oh, very rarely. Very rarely.

MR. RUBENSTEIN: They don't know? OK.

MR. TOYODA: The people, doesn't think I'm driving.

MR. RUBENSTEIN: So, when – let's suppose you want to test your competitors' cars. Do you ever try the BMW or Mercedes or Ford or –

MR. TOYODA: Many times.

MR. RUBENSTEIN: And which of those is the best? [Laughter, applause.] Which do you think is the best? If you were to buy something other than Toyota, would you recommend any of those?

MR. TOYODA: Porsche.

MR. RUBENSTEIN: Really?

MR. TOYODA: Yeah.

MR. RUBENSTEIN: Because a sportscar? You like to go fast, or?

MR. TOYODA: Well, Porsche has a, like, Macan, SUV type.

MR. RUBENSTEIN: OK. So today, in the United States you manufacture a lot of – half your cars are manufactured here. They tend to be in the South. Is there a reason why your manufacturing facilities are in the southern parts of the United States typically?

MR. TOYODA: The people of the United States, they decide where to build.

MR. RUBENSTEIN: OK. And –

MR. TOYODA: [Through interpreter.] Where our plants are located, we really – we really value our relationship with the local community. So, we had various candidate locations. And depending on the needs of Toyota at a given time, where we feel that we can most strongly support it, usually ended up being the location where, you know, we have those 11 plants now.

MR. RUBENSTEIN: Now, well, there's a new phenomenon called driverless cars or – people don't like that phrase – call them autonomous driving cars. Are you manufacturing, or do you plan to manufacture driverless or autonomous cars, eliminating the need for people to be drivers? Are you producing those kinds of cars, or how far in the future you think Toyota will be before they actually have driverless cars?

MR. TOYODA: [Through interpreter.] Even if we are going into the autonomous driving, I think we still have to have this fun to drive – this very basic concept that relates to the cars. For example, someone who's not quite a mature driver, but they can sort of enjoy and experience driving as if that person is a professional driver. And so that's one of the things that we have to provide. And I think that's the thinking we have to have as an automotive maker.

MR. RUBENSTEIN: Now, are you also producing or thinking about producing cars that fly?

MR. TOYODA: [Through interpreter.] Yes. Well, I would like to have this vehicle that can fly in the sky.

[Continues in English.] However, nobody listens to the president. [Laughter.] You're not listening to me. [Laughter.]

MR. RUBENSTEIN: OK. All right. But you don't think it's happening anytime soon?

MR. TOYODA: [Through interpreter.] Well, if possible, I hope that we can show it at the Tokyo Olympic Games.

MR. RUBENSTEIN: OK. Now, do you think that driving cars should be an Olympic sport as well? I mean, you're sponsoring the Olympics. Do you have any influence with the Olympics people to say: Let's have speed racing as an Olympic sport?

MR. TOYODA: [Through interpreter.] I would love for them to think about it. Motorized sports is – that is the only thing that both in the Olympics and the Paralympics they can apply the same rules and they can really do it in the same way. I hope that they would start considering to take this into one of the Olympic games.

MR. RUBENSTEIN: So, when somebody goes to buy a car – a Toyota or any other type of car – what do you think the most important question they should ask the sales person? The price, the quality, where it's manufactured? What do you think? If you were to go buy a car, what would you want to ask the sales person?

MR. TOYODA: [Through interpreter.] Well, whether you'll like it or not, whether that customer would like it or not.

MR. RUBENSTEIN: OK. And the buyers of cars, are they more men or women? Or women or men? Who actually makes a decision in car buying in your experience?

MR. TOYODA: In my family case, women. [Laughter.]

MR. RUBENSTEIN: Women, in your case. And generally, around the world?

MR. TOYODA: Generally, I don't know. [Laughter.]

MR. RUBENSTEIN: OK. So today, when you are looking at making a new car, do you get in the middle of the design with the designers? Do they run – you have to approve every new car design? And do you test them yourself before they're manufactured?

MR. TOYODA: Toyota produces a lot of vehicles, a lot of styling, so it's impossible for me to get involved to all of them. But all of the car is something input of my kind of taste, my seasoning. That's kind of the role of the master driver.

MR. RUBENSTEIN: Of the cars you manufacture and sell, what is the most popular color?

MR. TOYODA: Popular color?

MR. RUBENSTEIN: Color.

MR. TOYODA: White.

MR. RUBENSTEIN: OK.

MR. TOYODA: White, black, and silver.

MR. RUBENSTEIN: In that order? White, black, and silver?

MR. TOYODA: Mmm hmm, is almost 90 percent.

MR. RUBENSTEIN: OK. Now, in Tokyo, when you manufacture cars, do you have to worry about potholes in the roads, because we have – you know what a pothole is?

MR. TOYODA: Pothole?

MR. RUBENSTEIN: Pothole? It's like a big hole in the road that kind of ruins your car when you drive over them? You haven't seen those in – they don't have those in Tokyo, I guess, a pothole?

MR. TOYODA: Pothole.

MR. RUBENSTEIN: A pothole.

MR. TOYODA: Pothole. [Laughter.]

MR. RUBENSTEIN: Well, drive around Washington, you'll find out. [Laughter.]

MR. TOYODA: Oh, yesterday I tried. [Laughter.]

MR. RUBENSTEIN: And you saw them? Did you see the holes? They don't have those in Tokyo, or you don't have to worry about that so much?

MR. TOYODA: Not yet. Not yet. [Laughter.] But there is one pothole my friends ride. I use a share bike.

MR. RUBENSTEIN: Now, I said earlier that you're planning to develop a vehicle that would go to the Moon – drive on the Moon, I should say.

MR. TOYODA: Oh, yes, yes.

MR. RUBENSTEIN: Why are you doing that? I mean, is there a big profit in going to the Moon, or something like that?

MR. TOYODA: That's, I think, the dream of our engineers. Our engineers are doing some jobs, but they need that kind of dreams.

MR. RUBENSTEIN: OK. So, based –

MR. TOYODA: I'm sure that's not profitable. [Laughter.]

MR. RUBENSTEIN: OK. OK.

MR. TOYODA: Not profitable at all. [Laughter.]

MR. RUBENSTEIN: So, what would you say is the state of the U.S.-Japan relationship these days? Do you think the government-to-government relationship is good? Or what would you say it is?

MR. TOYODA: Personally, I really grateful for three things. I really appreciate the U.S. customers which for the long time they choose Toyota and Lexus vehicles. And also, I'm very much appreciate our dealers and suppliers which help us. And also, the – thirdly, the – all the states, which they accept us as we are doing the business there.

MR. RUBENSTEIN: Now, you know Prime Minister Abe. What does he think of President Trump? [Laughter.] Does he like him? Does he not like him? What does he think? Did he ever tell you? Did you ever ask him?

MR. TOYODA: I think they are golf rivals.

MR. RUBENSTEIN: Really? And who's a better golfer? [Laughter.]

MR. TOYODA: President Trump. [Laughter, applause.]

MR. RUBENSTEIN: Really? OK. [Laughter.] Now, you're not a golfer. Do you play golf yourself?

MR. TOYODA: I used to play golf a lot, but not recently.

MR. RUBENSTEIN: You just drive more?

MR. TOYODA: That's right.

MR. RUBENSTEIN: OK. So, if somebody wants to rise up at Toyota and get to the top, other than having the Toyoda name, what is the best way to rise up? Hardworking? Smart? What would you say is the way people rise up in your company?

MR. TOYODA: Good to me. [Laughter.] Behave good to me. [Laughter, applause.]

MR. RUBENSTEIN: OK.

MR. TOYODA: [Laughs.]

MR. RUBENSTEIN: Well, that's usually the way it works in most companies. [Laughter.] OK. So, you have a son. He's 31 years old.

MR. TOYODA: Thirty-one, yes.

MR. RUBENSTEIN: Thirty-one years old. So, is he likely to be the CEO and President of Toyota in 30 years or so?

MR. TOYODA: Oh, he's too young to think that way.

MR. RUBENSTEIN: But does he think that way? Or does he want to –

MR. TOYODA: We never talked about this.

MR. RUBENSTEIN: Oh. Now, if he said he wanted to be a master driver and drive cars very fast, what would you say to him?

MR. TOYODA: Actually, he's doing that.

MR. RUBENSTEIN: And it's not a problem for you?

MR. TOYODA: The – first of all, I felt like – I felt like my father. Why would you do this? But what the difference between my father and myself is I jointly to drive together with my son.

MR. RUBENSTEIN: That's dangerous. The two of you –

MR. TOYODA: That's fun. [Laughter.]

MR. RUBENSTEIN: Yeah, but the two of you – I mean, the two Toyodas, they can't be in the same car at the same time, can they?

MR. TOYODA: Yes, yes, yes. [Laughter.]

MR. RUBENSTEIN: Really? Geeze, I would think that would be dangerous.

MR. TOYODA: Oh, thank you. Thank you very much.

MR. RUBENSTEIN: So, what do you think is the biggest misperception in the United States about Japanese manufacturers or about Toyota? Is there a perception in the United States about Toyota that you're not happy about and you would like people to know something different than what you think they already believe? Is there a misperception of Toyota, in your view, or Japanese manufacturers by people in the United States?

MR. TOYODA: [Through interpreter.] Well, in the case of Toyota, we are considered to be Japanese car makers. And of course, we are a Japanese company. But we try to be the best-in-town car maker in the community. That's what we do. I'm using analogy of a dentist. There are best-in-the-world dentist, best-in-United States dentist, and best-in-town dentist. Which would you prefer? I would prefer best-in-town dentist. And this applies to car makers as well. I want to be the best-in-town car maker, to be evaluated and to be loved by the community in which it operates. And that, I think, is very important. And in any community or any location in which we have invested, and we are doing business, we are making efforts to be loved by that, to be supported by that community and the township. And that's what I would like Americans to understand fully.

MR. RUBENSTEIN: Now, people often say that the most challenging demographics in the world are in Japan. You have the oldest population in the world, the oldest number of people over – percentage-wise – over 65, the oldest percentage-wise over 100. And today your population is not reproducing itself. So, are you worried about that for the future of Japan, that your population is aging and shrinking? Is that a big concern for Toyota? And is that one of the reasons why you want to spend more time, let's say, selling cars outside of Japan?

MR. TOYODA: [Through interpreter.] Well, when one ages, are they not going to use cars? That's not the case. The senior citizens of Japan they are very rich and very wealthy. But they

may have physical difficulties and they are not strong enough, or eyesight decreasing. So autonomous driving or robotics, those areas will be advanced through research and development. And those are the areas needed in terms –

MR. RUBENSTEIN: So, if I wanted to become a master driver, what would I have to do? How hard is that, to be a master driver?

MR. TOYODA: First of all, you come to the circuit and you follow me. [Laughter.]

MR. RUBENSTEIN: Really? OK. Well, I might try that. Do you have body armor for something like that, but I – you know, it could be unsafe. Is it not unsafe to learn how to be a master driver?

MR. TOYODA: [Through interpreter.] Well, you just have to follow me and drive after me. So just training like that is good. Driving fast doesn't mean one is a master driver.

MR. RUBENSTEIN: OK. Now, some people in your company say electric cars are not good as hybrid cars, because for electric cars you have to produce batteries. You can't produce enough batteries to really have a big impact. But you can make more hybrid cars. So, are you a big fan of electric cars? Or do you think hybrid cars are really safer for people in terms of the environment?

MR. TOYODA: [Through interpreter.] Well, Toyota has a full lineup of technology of electrification – electric vehicles, plug-in hybrid, fuel cell vehicles, and also hybrid vehicles, and conventional gasoline engine vehicles. So, we have a full lineup of those. And which one to choose is up to the customers and market to choose. So, while Toyota is a manufacturer of a full lineup of electrified vehicles, we are ready to respond to whatever is required by the market and customers. And we are ready to serve them.

MR. RUBENSTEIN: So final question is, let's suppose I wanted to go buy a Toyota car today, would you come to the dealer with me and see whether you could help negotiate a good price? [Laughter.] Because if you came, I'm sure I'd get a better price.

MR. TOYODA: Yes. I'd love to. [Laughter.]

MR. RUBENSTEIN: OK. All right. We'll do that.

All right. Well, thank you very much for the conversation.

MR. TOYODA: Thank you very much. Thank you very much. Thank you very much. [Applause.]



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

Toyota Motor Corporation President Akio Toyoda has a passion for cars, and as a master driver, he personally tests every Toyota and Lexus vehicle before it goes on sale.

Perhaps more importantly, he believes in providing mobility for all.

As the grandson of Toyota founder Kiichiro Toyoda, Akio feels responsible for guiding the automaker into the next phase of its evolution. Toyota began in the 1920s as a loom company. Kiichiro's vision turned it into one of the top automakers in the world. Now, almost 100 years later, Akio is transitioning the family business from a car company into a mobility company. By developing innovative technology, autonomous driving and artificial intelligence, Akio aims to help move people across the room, across the country and around the world.

The cars are still there, and they're better than ever – like the Camry, Lexus LC and newly-revealed Supra. But Akio, who assumed the role of president in 2009, offers a wider, more expansive vision for what Toyota can mean to the world.

That vision, combined with the company's success, helped rank him No. 29 on Forbes' "Powerful People 2018" list after the company increased profits 33 percent and invested nearly \$3 billion into research and development for autonomous driving and artificial intelligence. Meanwhile, Akio has reaffirmed the company's commitment to America. Since launching the Toyota brand in the U. S. in 1957, the company has invested over \$26 billion in its operations. Toyota is also in the midst of a five-year commitment to invest an additional \$10 billion to upgrade its 10 U.S. assembly plants and is currently building a joint venture plant with Mazda in Huntsville, Alabama.