Toyota Motor Corporation: Q&A Summary of the Second-Quarter Financial Results Briefing for Investors for FY2027

Date & Time	November 5, 2026 at 4:30pm-6:00pm (Japan)
Speakers	Yoichi Miyazaki, Executive Vice President and Chief Financial Officer Takanori Azuma, Chief Officer, Accounting Group Hiroyuki Ueda, Chief Officer, External & Public Affairs Group

Q. Thank you for the structured explanation of your medium- to long-term direction. I have two questions.

First, you discussed your approach to holding cash and announced a substantial cancellation of treasury shares. My understanding was that you previously retained these shares to maintain the flexibility to respond to potential future M&A opportunities.

You appear to have a wide range of new businesses and initiatives you would like to pursue. Could you explain the role of M&A within Toyota, where you see a need for it, and whether your emphasis has shifted toward developing businesses internally? How has your thinking changed? That is my first question.

Second, including your comments at the media briefing, Executive Vice President Miyazaki sounded relatively confident about the business in China. Your market share appears to have bottomed out and perhaps started to recover, but I do not feel that your performance has improved sufficiently to justify greater confidence in the future.

How are you analyzing the Chinese market, and where do you see a path to success? For example, do you intend to move further into lower-priced segments? Or has demand in those segments largely run its course, allowing you to see some traction with an approach more distinctive to Toyota? Could you explain your thinking in more detail? Those are my two questions.

A.(Takanori Azuma)

Thank you. I will answer your first question. Until now, we have maintained treasury share holdings at approximately 20% of issued shares.

In our discussions with investors, some pointed out that this level was weighing on the price of shares in circulation because of concerns about when the treasury shares might come onto the market. Taking into account factors such as the levels at other companies, we have revised our level from 20% to 15%.

Although this is a substantial cancellation, our first step has been to review the level through communication with the market and with all of you, while also considering how we might use treasury shares going forward.

The executive team is currently discussing how to use the treasury shares we hold.

(Yoichi Miyazaki)

To add to that, we discussed the appropriate level while listening to investors through our various exchanges. We are reducing the holdings, but a substantial amount remains. I expect we will also be asked what we intend to do with those holdings.

We need to ensure that we are prepared as we enter new businesses. There is also still room to consider the appropriate capital structure in the context of our relationships with various affiliated companies. With those considerations in mind, we would like to examine further what to do with the remaining shares.

On your second question, regarding China, the launch of vehicles jointly developed with our local partners has enabled us to halt the decline in market share. We are also seeing signs of a

turnaround. That is the progress I am sensing.

We are also making solid preparations for the vehicles we will develop next. I used the phrase “With China For China” in today’s presentation. Through our discussions with customers in China, we have learned that what they expect from Toyota is not the same vehicles that Chinese OEMs offer.

We frequently hear that they want vehicles that retain the character of “Made in Japan” and “Made by Toyota.” We will learn thoroughly from China in manufacturing, but we have confirmed that the distinctive Toyota and Lexus driving character we have developed with our master driver still resonates in China. Working with our chief engineers in China, we will develop the Toyota vehicles that customers there want, following “With China For China.”

With these preparations underway, I feel that we can turn the business around.

Q. Thank you. Let me briefly confirm one point regarding my first question. Is it correct to understand that the priority and potential for M&A are entirely separate from today’s capital allocation announcement and the cancellation of treasury shares?

A.(Takanori Azuma)

That is how we have been discussing it.

Q. My first question may be a little early, but how should we think about the direction for next fiscal year?

Operating income for this fiscal year is 3.9 trillion yen. Will next fiscal year be a year in which you try to reach 5 trillion yen again? Or, looking at the second-half plan and the substantial increase in input costs, will it be another year of offsetting cost increases and keeping operating income broadly flat?

There are various other major factors, including volumes, the easing of supply constraints, and price increases. When considering next fiscal year and beyond, using this second half as a starting point appears to imply a fairly low level. Could you explain how we should think about this?

My second question concerns the capital allocation chart. I do not know the profit assumptions, but broadly speaking, net cash will decline by around 7 trillion yen to 8 trillion yen. In the absence of exceptional uses of funds, such as strategic investments including M&A, does the chart indicate that you will allocate more than 100% of net income to shareholder returns over the next 5 years?

Could you explain the chart’s message in terms of the level of shareholder returns we should expect? Please also explain where adjustments would be made if, for example, profits were to increase or decrease.

A.(Takanori Azuma)

Thank you for your questions. At around the same time last year, investors also asked us about the difference between the first and second halves. Last fiscal year, the difference in actual results was approximately 245 billion yen. This fiscal year, it is 480 billion yen.

This is partly because the effects of materials related to the Middle East and the outcomes of negotiations with suppliers inevitably tend to fall in the second half. We have also revised our second-half exchange rate assumptions this time. That contributes to the difference between the first and second halves, making the gap larger than last fiscal year.

Nevertheless, we are finally seeing a year-on-year increase. The impacts of the Middle East and tariffs are very substantial, but we intend to fully offset higher materials prices and recover as much of the Middle East and tariff impacts as possible. We will work with the aim of generating even 1 more yen and selling even 1 more vehicle.

We still have the second half of this fiscal year ahead of us, so we are not yet in a position to comment on next fiscal year. However, that is the approach we intend to take.

Q. I believe materials prices will increase costs by around 1.3 trillion yen this fiscal year. Based on what you are seeing in the second half, do you expect a similar increase next fiscal year?

In particular, will electronic component and memory prices rise at the beginning of 2027? The possibility of further increases in the second half is also being raised. With that in mind, Mr. Azuma, were you talking about how to offset cost increases of a similar magnitude? Or were you suggesting that the increase might be somewhat smaller, potentially leaving a net positive effect? Could you clarify the nuance?

A.(Takanori Azuma)

I see two types of materials price increases. One is the increase in crude oil and aluminum prices resulting from the situation in the Middle East. We have included part of this under the Middle East impact. In May, we assumed a relatively large impact, but it has eased somewhat.

Meanwhile, we expect prices for memory chips, copper, steel, and other materials to continue rising. We have fully incorporated those effects into the second half. We cannot predict next fiscal year, but we need to prepare by improving how we work with suppliers and advancing cost reduction and improvement efforts.

For impacts other than those related to the Middle East, our approach is to assume further increases and take the necessary measures.

(Yoichi Miyazaki)

To add to the first point, our arrangements with suppliers and the effects on crude oil, aluminum, and other materials affected by the Middle East tend to be weighted toward the second half. That is partly a consequence of the rules governing price revisions.

Even including those effects, we have been able to offset this fiscal year's materials price increases through marketing efforts and cost reductions. I see that as significant progress this fiscal year.

It is important that our underlying structure has not deteriorated from the previous fiscal year. At the same time, we are not satisfied with the current level of cost reductions. The figures also show that there is still much more we need to do. As we look toward next fiscal year, we would like to strengthen our company-wide cost reduction efforts further.

If we do that, I believe we may begin to see the potential for a gradual recovery next fiscal year as well.

On your second question, we want to steadily do what we believe in and have profits follow as a result. Our goal is to increase dividends in a stable and continuous manner. We prepared the chart with those considerations in mind.

We would like to share further details as we make progress.

While remaining mindful of the recent pace of dividend increases, we intend to steadily implement measures that make shareholders feel, "I am glad I have held Toyota shares for the long term," and "I want to continue holding them with confidence in the future."

Q. I have two questions. First, perhaps this was intentional, but I noticed that you did not include the figure of 20% ROE this time. Nevertheless, it appears that the total payout ratio will remain at a very high level.

With equity of 38 trillion yen to 40 trillion yen, that would seem to imply a substantial level of net income. Although 20% ROE is your North Star, could you explain your thinking?

My second question concerns robotics. I felt that you had shifted up a gear this time. Could you explain the background, including any technological breakthroughs? You also said that this business would have a high profit margin, so could you give us some indication of

its scale and the sales revenues envisaged here?

A. (Yoichi Miyazaki)

Regarding ROE, investors have told us that we should manage equity, the denominator, properly rather than looking only at profits and sales revenues, and that this is part of the CFO's role.

Taking those comments into account, the executive team has held repeated discussions about what we should do with both the numerator and denominator to improve ROE.

Starting with the denominator, as I explained earlier, we have taken a further step toward bringing it to an appropriate level while balancing the capital needed for growth.

As also pointed out, we would like to continue increasing the total payout ratio. We believe that continuing to do so will, as a result, bring equity, the denominator, to an appropriate level.

Meanwhile, we will convert the cash we hold into assets through capital expenditures and research and development. However, if that were merely a 1-to-1 exchange, there would be little point. As a business, we must generate returns greater than the funds we invest.

To that end, we explore a wide range of future possibilities every day through Woven Capital, Toyota Ventures, and other channels. We are working to combine the early-stage technologies and ideas we identify with our existing technologies and turn them into businesses.

Among those opportunities, we have become more confident that robotics is an area in which we can make considerable use of our strengths. We have been discussing this with Toyota Group companies. Rather than creating entirely new technologies from scratch, we feel that combining technologies we already possess could enable us to develop something highly competitive.

Of course, we would like to turn this into a concrete business quickly. However, our trials in our own factories show that simply installing robots is not enough. Unless a robot that currently performs 1 task can perform 3 or 4 tasks, there is little benefit in Toyota doing this.

We are therefore aiming for versatile robots that can perform various tasks, just as people do. First, we want to develop and refine them thoroughly in our own factories, and eventually extend their use into everyday life. We are developing robots with people at the center, aiming for their presence beside us to feel entirely natural.

We have been discussing how developing these new businesses and generating returns greater than the funds invested could also move the relationship between the numerator and denominator of ROE in the direction we seek.

I expect new technologies to continue emerging. We would like to incorporate the technologies we identify through our exploration and commercialize them as quickly as possible. We will first develop and refine them thoroughly in our factories. At that stage, we would very much like you to visit the genba (where work is happening) and see them for yourselves.

Q. The materials state that substantial investment in factory automation, or FA, is expected across Toyota's supply chain. This includes robots and various other future FA investments. When you say "substantial," what scale do you envisage over, for example, the next 5 or 10 years? What would that investment include, including robots?

I imagine that Toyota's capital expenditures to achieve this scale of robot deployment will also be very substantial. Regarding investment to replace aging facilities, you have said for some time that plants such as Takaoka and Tsutsumi are already more than 50 years old and need to be addressed. Looking further ahead, how will you respond to issues such as the Nankai Trough?

Capital expenditures this fiscal year are just over 2 trillion yen. Over the next 5 or 10 years, what capital expenditure requirements do you envisage within your overall funding needs? My first question for Mr. Miyazaki concerns that scale.

Second, do you currently have any production bottlenecks? Some media reports refer to difficulties securing rare earths, semiconductor shortages, severe labor shortages, and

aging facilities, among other issues. In Japan, for example, customers still have to wait half a year or 1 year for most vehicles, despite your efforts. It feels as though this has not improved at all over the past 2–3 years. How do you view that?

There was a gathering to express appreciation for Mr. Okuda this morning. In the past, he often said that Toyota's biggest problem was that its supply lines were overstretched. Looking at the current figures, I cannot help feeling that Toyota's supply lines may still be overstretched today. Mr. Miyazaki, could you share your thoughts?

A.(Takanori Azuma)

I will address the first question before handing over to Mr. Miyazaki.

Capital expenditures and research and development expenses total approximately 4.1 trillion yen this fiscal year. They were approximately 2.4 trillion yen 5 years ago, so they have increased by around 1.7 trillion yen over those 5 years.

We did not decide on every initiative at the outset and then increase spending accordingly. This is the result of annual discussions in which we have built up investment in areas where we believe we should invest firmly.

Of course, some investment reflects the growth in the scale of the company. Meanwhile, approximately 1 trillion yen of the increase is strategic investment to develop future sources of earnings. We are allocating that investment to various fields, including quantum technologies and AI.

At the current level, we expect approximately 22 trillion yen in capital expenditures and research and development expenses going forward. We want to preserve sufficient capacity to continue making these investments.

We have not presented a specific amount for growth investment, but we intend to invest decisively in areas where we need to pursue future opportunities. That is how we would like to use those funds.

(Yoichi Miyazaki)

I will answer the second question. Broadly speaking, the current bottlenecks are body-on-frame vehicles and hybrids. Customers are facing long waits, both in Japan and globally.

Starting with body-on-frame vehicles, we still produce a large proportion in Japan, particularly Land Cruiser models. In some respects, our earlier assessment was insufficient. We expected demand for body-on-frame vehicles to decline as CO2 regulations became stricter worldwide. In fact, demand for vehicles that protect people's lives and serve as work vehicles did not decline. As a result, we fell behind in expanding production capacity, and customers are still waiting.

We are making various improvements, including the second line (new plant) in Texas, but we still need to rely partly on overtime and work on days off. We are planning domestic production of 14,000 vehicles per day from the second half of this year into next year, but production of body-on-frame vehicles is still not keeping up with demand.

In addition to keeping customers waiting, I imagine investors would say, "Producing more would also contribute to profits." We intend to take firm action here. We will reorganize production while also making use of investment to replace aging facilities.

The other area is hybrids. We expect to reach around 5 million vehicles this fiscal year, but we have less than five inventory days in the United States, and lead times in Japan remain long. Reaching 5 million vehicles is not the end. We are expanding capacity with the next level in mind.

Through these efforts, we will first build a business foundation that can reliably support a scale of 10 million vehicles, centered on hybrids. On top of that, we aim to add BEV growth without adversely affecting the model mix. That is the business structure we would like to establish toward 2030.

In doing so, we intend to identify and steadily resolve each bottleneck.

Q. How much investment will be required for robotics going forward? What scale of initial investment in robotics do you envisage?

A. (Yoichi Miyazaki)

Earlier, I said that we would make use of approximately 1 trillion yen in investment to replace aging facilities. That is not robot development spending. It is funding to actually introduce robots as factories replace aging facilities.

For development of the robots themselves, we would first like to work within our existing development spending. We believe the hardware, or the body, could be developed at a lower cost than developing a vehicle itself. We also believe some elements can be shared with vehicles and production equipment.

What remains uncertain is the brain. We are currently collecting video and other data, using it to train AI, and building our knowledge of the best approach.

However, collecting data in the wrong way can lead to extraordinary costs. Drawing on the knowledge we have gained through our work with external partners, we are also finding ways to train AI and accumulate data efficiently.

It is difficult to estimate the costs that will be required as the data accumulates because we have not done this before.

As CFO, my guidance has been to make this work within our existing development spending. However, we would like to assess it as we proceed.

Q. Thank you for the very passionate presentation and materials. There are still some points I have not fully digested, so I would like to ask two questions.

The first concerns the Asia/Global South slide. What particularly caught my attention was your statement that you would apply lessons from China elsewhere and use them to launch a new multi-pathway platform covering the A–C segments.

Could you provide more detail, including the timing of its introduction and the scale of the platform? Regarding lessons from China, the China section also refers to selecting suppliers based on competitiveness, so I imagine you intend to apply that approach elsewhere.

In applying those lessons, what do you intend to preserve, and in which areas do you see no need to resist change? Could you also explain your procurement strategy? That is my first question on Asia and the Global South.

My second question concerns robots. There are various types of robots, and, frankly, I do not yet fully understand them. However, regarding your strategy of introducing robots when replacing aging facilities, simply rebuilding an old factory would leave a single task as a single task. To enable what currently performs 1 task to perform 3, I believe you would need to change the vehicle body structure.

In that sense, I take it that you are beginning to pursue a very proactive strategy for changing vehicle body structures alongside your robotics strategy. A transition through 2040 sounds like perhaps the most proactive strategy among global mass-market manufacturers. Is that understanding correct, or am I letting my imagination run too far? Could you clarify this?

(Yoichi Miyazaki)

Thank you. I will address the first and second questions in turn.

First, for IMV and the Hilux, we are working to procure parts within the Global South rather than supplying them from Japan. We would like to apply what we have learned in China to those efforts.

Naturally, if a part made in China is the best choice for a particular vehicle, we will use it without hesitation. At the same time, we need to carefully consider the best sources of procurement

across the Global South as a whole.

Previously, I explained here that we were dismantling Chinese vehicles and reviewing the cost of each component. In the first vehicle we jointly developed with a partner company at that time, Japanese suppliers accounted for only about 10% of sourcing. That brought home the severity of the situation facing both us and our Japanese suppliers.

Since then, we have worked with suppliers to consider how to rebuild competitiveness. Through repeated cost reductions and cost improvements, the sourcing share rose to 30% for the second vehicle. For vehicles currently under consideration, it has reached 40 to 50%, and in some cases more than 50%.

Applying that experience elsewhere will enable us to develop sufficiently competitive vehicles with the suppliers that have already helped us build supply chains in Asia and the Global South. We are becoming more confident about that.

We originally wanted to deliver this platform to customers as early as possible in 2029. However, given the recent situation in Asia, we cannot simply leave the timing there. I discussed this with Mr. Nakajima yesterday. While considering the balance with other models, we will examine whether we can bring it forward, even a little.

Also, combining the A–C segments across Asia and the Global South would give us a scale of 1.5 million vehicles. We can bring together a large volume exceeding IMV as a single group, so we believe there is considerable potential for cost reductions, including through parts commonality.

On your second question, you are correct. That is precisely why we entrusted the leadership of robotics to CPO Shiga. Under Mr. Shiga's leadership, we will first consider the factory of the future. We will then consider vehicle structures suited to production in that factory.

If we are serious about automation, we need to reduce production processes, the number of items to be assembled, and ultimately the number of parts themselves. Otherwise, no number of robots will be enough.

We need to consider not only robots, but also what makes a vehicle easy for robots to build, and use that as the starting point for considering the vehicle body structure itself.

The division of responsibilities with suppliers will also change. Together with Toyota Group companies, including Denso, Aisin, and JTEKT, we will begin by considering what structure would be best. Those discussions have already started within the Toyota Group.

I believe it is appropriate to be somewhat proactive in this area. We want to fully recognize our strengths and move forward decisively. If we appear to be falling behind, I hope you will give us another firm push.

Q. My first question concerns shareholder returns on page 29. You indicate shareholder returns of 11–14 trillion yen. Could you explain the thinking behind that? Does this include the share repurchases being conducted this fiscal year?

If it does, share repurchases and shareholder returns this fiscal year could total as much as around 6 trillion yen. That would leave roughly 5 trillion yen to 8 trillion yen in returns from March 2028 onward, or around 1 trillion yen annually.

I imagine dividends would be the main component, with share repurchases of at most around 1 trillion yen to 1.5 trillion yen. Is your approach therefore to focus on dividends and use share repurchases primarily to absorb the unwinding of cross-shareholdings? Or will you also actively repurchase shares to some extent beyond absorbing the unwinding of cross-shareholdings? Could you explain your thinking? That is my first question.

My second question concerns a point that caught my attention in the earlier discussion of next fiscal year. At the media briefing, you indicated a tariff impact of around 1.1 trillion yen this fiscal year. Do you see a path to gradually reducing that impact?

I believe this fiscal year also includes one-time refunds and other items. Could the impact

therefore increase instead, or will it decline? Please explain how you view tariffs going forward.

You have also presented measures to increase volumes toward 2030. I believe RAV4 volumes have fallen significantly. As RAV4 production ramps up fully from next year, do you see overall volumes beginning to emerge from the current period of stagnation starting next fiscal year? Could you give us a sense of next fiscal year in terms of tariffs and volumes?

A.(Takanori Azuma)

On your first question, let me explain the baseline of 11 trillion yen.

Dividends currently total approximately 1.2 trillion yen annually, or approximately 6 trillion yen over 5 years. In addition, the baseline reflects our intention to continue increasing dividends in a stable and continuous manner, as well as share repurchases, including 3.7 trillion yen related to Toyota Industries, 1.3 trillion yen this fiscal year, and the 300 billion yen announced today. With those elements incorporated, we have set 11 trillion yen as the baseline.

How much we can add will depend on the funding priorities Mr. Miyazaki explained earlier. First, we need to generate solid profits, and then consider share repurchases. Because this will vary with future profit levels, we have presented a range of 11–14 trillion yen.

Please view 11 trillion yen as the baseline reflecting stable and continuous dividend increases and the share repurchases we have already announced.

On your second question, we expect the tariff impact to decline from the previous fiscal year to approximately 1.1 trillion yen this fiscal year. Some of you may have expected a larger decline, but increased exports from Japan have also expanded the scope of exposure to tariffs.

At present, taking into account refunds of parts tariffs, we expect some degree of impact to continue next year and beyond. However, we do not intend to accept 1.1 trillion yen as a fixed assumption. What matters is how we reduce it from here.

For example, we will review parts logistics routes and ship directly to Mexico where there is no need to go through the United States. We will also reduce the underlying scope of tariff exposure by increasing local production, as with battery production in North Carolina.

The transfer of production from Baja California to Texas also has a significant reduction effect in terms of both tariffs and logistics. By building on these efforts, we would like to work with our suppliers to determine how far we can reduce the impact, rather than treating 1.1 trillion yen as a given.

(Yoichi Miyazaki)

Regarding the RAV4, the changeover in Kentucky took place in April this year, so 2026 inevitably falls within the transition. We therefore plan to move firmly into full production toward 2027.

Q. I have two questions concerning the organizational restructuring.

First, does your restructuring mean that functions such as corporate planning will continue to reside within the in-house companies rather than at the corporate level?

You have changed the organizational groupings this time. Could you explain the background? Toyota has characteristically continued without a corporate planning function, so I would like to understand the thinking behind the new organization.

My second question concerns your supplier policy. You mentioned earlier that the competitiveness of parts sourced in China has been improving. At one point, expectations for a Toyota Group reorganization rose considerably, but my impression is that they have eased somewhat recently.

Mr. Azuma, you have headed human resources and accounting, and will now head a regional group. Having followed these areas throughout, how do you view them? Could

you share your impression of Toyota's current supplier structure? Those are my two questions.

A. (Yoichi Miyazaki)

As I explained today, one reason behind the restructuring is our desire to place people development at the center as we pursue various initiatives.

Another is our focus on the genba. There will be further explanation on this later, but we reconsidered how administrative functions should operate to advance the challenges undertaken by the genba rather than getting in their way.

Toyota has distinctive approaches: "kaizen" (continuous improvement) in production, "Ever-better Cars" in development, and "Best-in-Town" in regional operations. Administrative functions naturally also have important roles, including cost reduction and managing the figures. However, if Toyota is doing this, perhaps there should be a distinctly Toyota approach that goes beyond ordinary administration. Our discussions led to the "management through hands and eyes" approach I explained today.

When the genba takes on something new, these functions should do more than oversee it. They should actively support it. We believe having that capability will help develop people and strengthen the genba.

We have not done this before either. However, as team members ask themselves, "What should we do?", a Toyota approach to this form of supportive management may emerge. That was also part of our thinking behind the organizational changes.

For regions that require more detailed attention than before, such as India and the areas to its west, we are separating groups to establish a structure that allows more focused consideration.

Meanwhile, we do not have a large organization for what is generally called corporate planning. Twice a week, the executive team meets for around one and a half hours to discuss issues and determine the direction there and then.

Rather than bringing large volumes of materials to a monthly corporate planning meeting to make decisions, as in the past, the relevant people bring matters requiring consultation directly to the meeting, and we make quick decisions. First, decide and act. If we get something wrong, adjust. That is also something we have learned from Chairman Toyoda.

I see the executive meeting itself as our corporate planning meeting. We bring in feedback from the genba in a timely manner and resolve problems as they arise. That is how we would like to continue managing the company.

(Takanori Azuma)

On the first point, when we moved to the in-house company system in 2016, we placed functions such as accounting, human resources, production engineering, and cost planning within each in-house company. At the time, we made a substantial shift toward the in-house companies.

As we operated under that structure, however, we came to recognize again the benefits of keeping functions together for people development and company-wide strategic thinking.

This year, we therefore brought production-related administrative functions back together under Mr. Shiga. Of course, we are doing this while retaining personnel responsible for these functions within each in-house company.

We also reinstated the Cost Planning Division to regain its strengths. However, instead of returning it to headquarters, we placed it directly under the CTO in the engineering organization. When people are dispersed across in-house companies, it inevitably becomes more difficult to develop them through mutual teaching and learning.

Since September, we have also consolidated accounting and human resources functions within the Technical Support Division.

Having once swung the pendulum from a functional organization toward the in-house company system, we are now bringing it back somewhat. We want to retain the benefits of the in-house

company system while regaining the strengths that functional organizations offered in people development, expertise, and company-wide optimization. We are adjusting that balance now.

We are currently putting in place a structure in which those specialist functions can firmly support the executive team.

(Yoichi Miyazaki)

On your second question, regarding procurement policy, electrification was originally a major trigger for this discussion. As electrification advances, some suppliers, particularly those focused on parts for conventional vehicles, will be significantly affected. The discussion began with the question of whether that made supply chain restructuring necessary.

Our perspective has now shifted somewhat. Looking at the vertical integration of Chinese manufacturers and Tesla, and then reviewing our own procurement, we see individual parts moving back and forth among Toyota Group companies before finally reaching Toyota.

That makes us stop and ask, “Each time, we are buying and selling with selling, general and administrative expenses and profit added, are we not?” To improve cost competitiveness further, perhaps we need to review the division of responsibilities itself: for example, making Company A responsible for one component and consolidating another at Company B. Those are the discussions we are having now.

Furthermore, as pointed out earlier, we need to reduce the number of parts and assembly work hours, changing the vehicle body structure and component configuration themselves to achieve that. If we go that far, I believe a review of the division of responsibilities and structure with suppliers will be unavoidable.

From the outside, the discussion may appear to have cooled somewhat. Internally, however, the opposite is true. We are discussing it as a very active issue.

Q. Thank you for today’s presentation. I have two questions.

First, regarding your vision for fiscal 2030, the capital allocation explanation gave me a general sense of your thinking on equity. I would also like a clearer sense of your approach to profits.

My understanding is that operating income this fiscal year is approximately 3.9 trillion yen, comprising just over 2 trillion yen from the value chain and just under 2 trillion yen from new vehicle sales. You indicated a value chain profit scale of 3 trillion yen in 2030. How much profit would you envisage from new vehicles at that point?

Would the split still be roughly half and half, with new vehicle profits of around 3 trillion yen? You have also indicated preparations for production of 12 million vehicles toward 2030. Taking that into account, could you explain how you intend to translate this into profits? That is my first question.

Second, regarding the earlier China slide, unless I misread the pie chart, it appeared that sourced vehicles would account for around three-quarters of sales in 2030. That strikes me as a fairly bullish view.

Naturally, I do not think joint-venture models alone would account for that entire amount. Are you seeing a much clearer path to success? Could you share your sense of progress in China as you look toward 2030? Thank you.

A. (Yoichi Miyazaki)

Regarding the figures, I believe they should emerge as the result of doing what we need to do, rather than pursuing the numbers themselves. We would like to keep building on our efforts so that, ultimately, we achieve the figures we have presented.

On the value chain, I tell our team members, “There is still plenty of room to develop, and many areas to explore further.” However, the purpose is not simply to make money. It is to extend our relationships with the customers who choose Toyota vehicles. That is why we want to explore

those opportunities.

Of course, there are limits to what we can do at once. We are therefore discussing maintaining growth of around 150 billion yen annually as a first step. We believe this is fully achievable if we increase the number of vehicles in use, improve our customer retention rate, and extend the duration of our customer relationships.

The same applies to new vehicles. Development needs to create good cars, production needs to supply them reliably within the business structure I described earlier, and sales needs to continue selling each vehicle with a focus on its value, as it does today. Our discussion is that, if we can do that, we can overcome the impacts of U.S. tariffs and the situation in the Middle East.

By building on these efforts one by one, we would like our engagement with each customer and each vehicle to translate into the final figures.

In China, the NEV share has now reached 65%. We believe it could rise to more than 80% of the overall market toward 2030.

Whether Toyota should have exactly the same NEV share as the market is a separate discussion. However, in view of that market change, we need to prepare a corresponding lineup to reliably deliver vehicles to customers in China. On that basis, we are considering models and variants and preparing those vehicles now.

Q. Thank you. I would like to ask about the balance, or the thinking, between the organizational changes, the mobility company you aim to become, and the resulting achievement of 20% ROE or a higher level of ROE.

With these organizational changes, you are emphasizing manufacturing again through the idea that making things means developing people. At the same time, you appear to envisage generating profits in three broad areas: the new vehicle business, the value chain business just discussed, and new businesses such as robotics.

When considering 20% or a high level of ROE as an outcome, is it possible to approach 20% with businesses centered on manufacturing?

Is that your plan? Or, as you work toward becoming a mobility company, will the earnings profile of the new vehicle business also change? Will robotics become a major driver?

As you have just said, I understand that the figure itself is an outcome. However, could you provide more detail on which businesses will drive earnings and to what extent?

A. (Yoichi Miyazaki)

One request I hear from you every time is, “Please provide more detail.” I thought we had provided considerably more this time, but today’s questions have made me feel that we still need to go another level deeper.

With so many OEMs around the world, our survival depends on becoming a company customers choose not only for our vehicles, but also for the experiences and emotional connection that only Toyota can offer. I believe we must remain firmly committed to that.

To do so, simply extending what we have done before will not be enough. We need to develop people who do more than follow manuals: people who wrestle with problems themselves, think of new ideas, involve others, and move forward. Naturally, they will sometimes experience setbacks, but training cannot easily teach them how to recover from those setbacks.

We need to develop people who can struggle, encounter obstacles, and then pick themselves up again. To open up new businesses and expand the numerator of ROE, we first need to develop people like that. That also connects to the organizational restructuring.

At the same time, I believe it is true that, as the company has grown, we have seen more and

more “control, control, control” in the name of governance. We would like to streamline the organization itself while also improving capital efficiency, creating capacity for growth investment and shareholder returns.

The organizational changes and the business structure reforms explained today are individual measures we are taking as we step back and review the whole company.

Of course, if we tried to explain everything in a single presentation, even we would run out of breath. We would like to continue providing updates, showing you our progress, and discussing suggestions such as, “Would it be better to do this differently here?”

To be honest, in the past, even with vehicle sales volumes, part of me felt, “If we disclose that much externally, are we not helping our competitors?” Even now, I struggle with how much we should disclose.

However, when we explain our thinking externally like this, it naturally reaches other companies as well. Precisely for that reason, we need to strengthen ourselves again and be even further advanced the next time we come here.

In that sense, we would like to use these exchanges with you as a stimulus for Toyota’s own growth. I hope you will continue to support Toyota’s growth.

[END]