Q : Why were net revenues only reduced by 1,500 billion yen, despite a reduction in consolidated vehicle sales by 700,000 vehicles? Are there any specific reasons? Please breakdown the "Effects of Marketing Activities" -570 billion yen.

A : Considering that the average net revenues are around 2-2.5 million yen per vehicle, the revised figure for consolidated net revenues is not unreasonable.

Of -570 billion yen, -450 billion is attributable to the decline in the full year vehicle sales by 700,000 vehicles from 8.24 million vehicles (planned at the time of the 2Q financial results announcement) and deterioration of the model mix; -50 billion yen is attributable to an increase in marketing expenses; and the remaining -70 billion yen is attributable to the financial business.

Of the -70 billion increase in expenses in the financial business, -50 billion yen is due to an increase in expenses related to bad debts, reflecting our revised assumption of the US unemployment rate at 8% after April 2009, rather than an actual increase in bad debts; -10 billion yen is due to an increase in residual value-related expenses; and the remaining -10 billion yen is due to a decrease in the investment return in the insurance operation.

Q : Please elaborate on the FY09 earnings prospects below the operating line.

A : Income before income taxes, minority interests and equity in earnings of affiliated companies will be -50 billion yen (loss);
income taxes will be 60 billion yen (cost);
minority interests will be 40 billion yen (cost);
equity earnings of affiliated companies will be 200 billion yen (profit)
As a result, net income will be 50 billion yen.

Q : What is your expectation of depreciation expenses, R&D expenses and labor costs for the next financial year?

A : First, please do not assume that double the -750 billion operating loss for the second half of this financial year will apply to FY10. We are decreasing vehicle sales to a very low level of 2.86 million vehicles during this second half. Therefore, although details still need to be confirmed, we should expect a higher annualized volume for FY10 than the current second half.

Second, we should be able to expect positive earning contribution from declining raw material/precious metals pricing. In addition to our plan to reduce CAPEX to less than 1 trillion yen, depreciation expenses will remain at the current level (1.1 trillion yen) or slightly less in FY10. Further, we plan to reduce R&D, on a basis excluding labor costs, sales and marketing expenses and other expenses by 10% to 20%.

Q : In the presentation, Toyota mentioned that it intends to become profitable even with annual sales of 7 million vehicles. What is the intended timeframe for such achievement and what are your foreign exchange rate assumptions?

A : The 7 million vehicle sales mentioned in the presentation refers to Toyota-brand vehicle sales on a retail basis. This, translated into consolidated basis, implies a volume that is the same or slightly less than the current financial year projection.

Based on the current 90 yen per US dollar forex assumption, we will also strive to build a corporate structure which can generate positive earnings. Although we are unable to make commitment in terms of exact timing, we intend to achieve this in the next financial year.

Q : What are your prospects for vehicle production by region? (You mentioned 7.92 million units on global automotive production of Toyota brand at the announcement of 2Q financial results.)

A : I wish to refrain from providing details of our vehicle production plan. Having said that, we plan to reduce vehicle production between January and March 2009, and as a result, Toyota's total automotive production will be about 500,000 to 600,000 vehicles less than the 7.92 million vehicles that we projected in November.

Q : What are the company's thoughts about dividends?

A : Nothing has been decided at this point of time. There has been no change in Toyota's past track record of not reducing dividends per share or our emphasis on maintaining a relationship of trust with our shareholders. However, considering the increasingly challenging short-term earning environment, we expect varied views regarding dividends in the course of discussions going forward.

In any case, we are unable to foresee the level of earnings for FY10 at this point of time and it is still too early to begin such discussions within the company.

Q : Please explain your plan for reducing production – what are the schedule and details?

A : In response to current demand, we plan to operate 16 lines at single shift starting in January 2009. We believe that line-consolidation will be even more important going forward and are currently examining how we should proceed.

Q : Please breakdown the revised FY09 consolidated vehicle sales for "other" regions.

A : 270,000 vehicles for Latin America (down from 300,000 vehicles at 2Q announcement); 280,000 vehicles for Africa (down from 310,000 vehicles at 2Q announcement); 260,000 vehicles for Oceania (down from 280,000 vehicles at 2Q announcement); and 620,000 vehicles for Middle East (down from 650,000 vehicles at 2Q announcement).