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Katsuaki Watanabe
President
Agenda

- Growth Philosophy
- Building a Solid Foundation
- Growth Drivers
- Sales Plan
- Shareholder Return
Growth Philosophy

Quality Improvement ➔ Long-term and Stable Growth

Growth Drivers
- Technology
- Production & Supply
- Sales & Marketing

Product Quality / Cost

Human Resources

Take-in
- Opportunities
- Full-line & All Regions

Avoid
- Risks
Solid Foundation

Product Quality / Cost

Human Resources

Technology

Production & Supply

Sales & Marketing

TOYOTA
II - 1. Product Quality

Product Quality

CF Activity

CF Activity Promotion Committee

Design
Manufacturing
Suppliers
After Sales

Group-wide Activity

Reinforce “Built-in Quality with Ownership”

Trend of Quality Issue

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007 (prospect)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Quality</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Quality after Initial Period of Use</td>
<td></td>
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Significant improvement in initial quality
Promote VI activities to increase net profits

Value Innovation (VI) Activity

- ’05 - ’06 - ’07 - ’08 - ’09 - ’10 - ’11 - ’12

- Idea
- Model based

- Design

Focus on:
- Overseas Production
- Compact Vehicles
- Raw Material

Product Quality | Cost | Human Resources
II –3. Human Resources

Global Promotion of Self-Reliance

Japan:
Explicit Knowledge of business conduct (=Toyota Way) expand

Overseas:
Human resources development by putting knowledge into practice

Improve capacity of overseas operations

< Develop Certified Trainers >

Japan

North America

Europe

Asia

# of supporting staff from Japan

Changeover of Corolla

New Plant Preparation

Previous Model Current Model Indiana Texas

-50% -70%

Explicit Knowledge of business conduct (=Toyota Way)

Develop Certified Trainers

Certified Trainers (Approx. 700)

TOYOTA
Growth Drivers

Product Quality / Cost

Human Resources

Technology

Production & Supply

Sales & Marketing
### Challenges for Sustainable Mobility

**CO₂ Reduction ✗ Fuel Efficiency ✗ Alternative Energy Sources**

<table>
<thead>
<tr>
<th>Technology</th>
<th>Engine / Transmission</th>
<th>Diesel</th>
<th>Hybrid</th>
</tr>
</thead>
</table>
|                     | ● Redesign all to improve environmental performance ( -2010) | ● Strengthen line-up (Joint development of 1.6L with Isuzu) | ● Reduce cost through more compact, lighter system
|                     |                       | ● Further reduce emissions (Expansion of clean diesel) | Expand model line-up
|                     |                       |                                            | => 1 million unit HV sales in the early 2010s
|                     |                       |                                            | ● Evolve HV technology (Test of PHV on public road)                  |

**Diesel**
- Redesign all to improve environmental performance ( -2010)
- Strengthen line-up (Joint development of 1.6L with Isuzu)
- Further reduce emissions (Expansion of clean diesel)

**Hybrid**
- Reduce cost through more compact, lighter system
- Expand model line-up
- => 1 million unit HV sales in the early 2010s
- Evolve HV technology (Test of PHV on public road)

*PHV=Plug-in Hybrid Vehicle*
Challenges for Sustainable Mobility

Stronger need for next generation environmental technology
( Hybrid System / Engine / Transmission )

Early commercialization with state of the art environmental technologies

Development of Technology through Closer Coordination
Production & Supply

Sustainable Plant Activity

- Introduction of Innovative Manufacturing Technology

New production line at Takaoka Plant began operation (8/07 -)

Effects
- Reduction in CAPEX
- Improvement of product quality and productivity
- CO₂ reduction

[Takaoka Plant]

[Stamping] [Body Weld] [Paint] [Assembly]

Transfer technology to other plants

[e.g. Welding Line]

Previous GBL

GBL=Global Body Line

Innovative Line

Shorten production lead time

Reduce processes & space

Small Robot

New Slim Robot

Large Robot

Sales & Marketing

TOYOTA
Sustainable Plant Activity - Harmony with the Natural Environment

Tsutsumi Plant Initiatives

- Supply of electricity from photovoltaic power generation
- Use of photocatalytic paint
- Active planting of vegetation in and around the plant

Photovoltaic Power Generation

Significant improvement of environmental performance
- Innovation and Kaizen of manufacturing Technology

Motomachi Plant represents a center to develop all manufacturing technologies related to vehicle bodies.

- Efficiently support pre-production and facility installation

Realize high level of productivity & quality

GPC=Global Production Center
Regionally Balanced Growth

Change in Geographical Composition
(Retail sales, including Hino & Daihatsu)

2000 5.85 million vehicles
2003 6.79 million vehicles
2006 8.81 million vehicles

Japan 26.9%
North America 26.9%
Europe 32.3%
Asia 13.4%
Others 14.2%

Ⅲ—3. Sales & Marketing
Strategy by Region - Japan

Introduce attractive products to create new markets

- Blade
- Voxy
- ist
- Vanguard
- MARK X Zio

- Introduce new models
- Build social infrastructure to support use of automobiles
- Effectively communicate attractiveness of automobiles

Aim to revitalize the Japanese Market
Strategy by Region - North America

- Introduce attractive products to create new markets
  - Launch of New Tundra in ’07
  - Successful entry into full-size pick-up truck market

- Enhance Lineup
  - Aim to grow in all product categories

Cars shown: Tundra, Prius, Scion xD, Highlander
Strategy by Region  -Europe

Introduce attractive products to create new markets

- Promote sales of core models

- Reinforce response to the CO₂ reduction
  - Innovative compact model
  - Expand diesel line-up
  - Promote sales of HVs

A new concept vehicle to be displayed at Motor Show in Frankfurt

- Aygo
- Yaris
- Auris
- Avensis
- RAV4
- LS600h
### Strategy by Region - China

Aim to further increase profits by expanding sales networks and local manufacturing.

#### Change of Sales Volume / Operating Income

- **2004**:
  - Vehicle Sales (Local Production): 116 (thousands of vehicles)
  - Vehicle Sales (CBU): 20.0 (billion yen)
  - Operating Income in China: 20.0 (billion yen)

- **2005**:
  - Vehicle Sales (Local Production): 183 (thousands of vehicles)
  - Vehicle Sales (CBU): 40.0 (billion yen)
  - Operating Income in China: 40.0 (billion yen)

- **2006**:
  - Vehicle Sales (Local Production): 308 (thousands of vehicles)
  - Vehicle Sales (CBU): 1 Million Vehicles
  - Operating Income in China: Approx. 1 Million Vehicles

- **2007**:
  - Vehicle Sales (Local Production): 430 (thousands of vehicles)
  - Vehicle Sales (CBU): Approx. 1 Million Vehicles
  - Operating Income in China: Approx. 1 Million Vehicles

Early 2010’s

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Operating Income in China = Operating Income of Consolidated Subsidiaries + Operating Income of Affiliated Companies * Equity Ratio of Affiliated Companies

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TOYOTA
### Strategy by Region - Emerging Markets

#### Russia
- **Market Change**
  - Toyota Sales: 2K in 2000, 106K in 2006
  - Segment where Toyota is represented:
    - Small
    - Domestic Brands
- **Respond to rapid market expansion**
  - New Plant (12/07 -)
  - Expansion of Sales Network

#### Brazil
- **Segment where Toyota is represented**
  - Small Low Price
- **Toyota Sales**
  - 25K in 2000, 70K in 2006
- **Consider response to the rapid expansion of low price segment**
  - Development of Low Cost Technology (Securing quality & profitability)

#### India
- **Segment where Toyota is represented**
  - Small Low Price
- **Toyota Sales**
  - 21K in 2000, 49K in 2006
- **Introduce global models (Corolla, IMV)**
Strategy by Brand  -Lexus

Increase Sales by Improving Lineup

5’07 Flagship Model
LS600hL

Improve line-up steadily

Build foundation for the brand
- Expand countries/areas to sell
- Increase Lexus exclusive dealers

Change in Vehicle Sales (K vehicles)

The Number of Countries/Areas Where Lexus is Sold

~2000 ~2006 ~2010 (plan)
58 68 76
III—3. Sales & Marketing

Financial Services

Cooperate with dealers and support vehicle sales

Promote various marketing programs & strengthen customer-retention

- Cover 32 Countries/areas
- Low Cost Funding
  - Highest Rating
- Thorough Risk Management
  - Low Default Ratio

Operating Income from Financial Service Sector

*Excluding Swap Evaluation Loss/Profit

Further profit increase
IV. Sales Plan

Sales Plan by Region (Retail sales, including Hino and Daihatsu)

- **Europe**: Approx. 1.450
- **Japan**: Approx. 2.400
- **North America**: Approx. 3.100
- **Asia (including China)**: Approx. 1.900
- **Others**: Approx. 1.550

(millions of vehicles)
IV. Sales Plan

Total Vehicle Sales (Retail sales, including Hino and Daihatsu)

- 2006: 8.81 million
- 2007: 9.34 million
- 2008: 9.80 million
- 2009: Approx. 10.40 million

Sustainable Growth in Profit
Target of Operating Income Ratio in Medium & Long-term 10%
Maintain Strong Growth Rate
V. Shareholders Return

**Dividend per Share and Consolidated Payout Ratio**

Aim for 30% consolidated payout ratio in the short term

- 3/'03: 16.8 yen
- 3/'04: 13.0 yen
- 3/'05: 18.3 yen
- 3/'06: 21.3 yen
- 3/'07: 23.4 yen

**Share Buyback**

Continue share buyback to improve capital efficiency

- 3/'03: 499.2 billion yen
- 3/'04: 392.8 billion yen
- 3/'05: 246.5 billion yen
- 3/'06: 234.3 billion yen
- 3/'07: 199.9 billion yen
- 3/'08: 250.0 billion yen

*as authorized by AGM

Share buyback (billion yen)
Building a Platform for Growth

Contribution to the Sustainable Development of the Earth and Society

Three Sustainability Concepts

- Research & Development
- Manufacturing
- Contribution to the Society

Long-term Sustainable Growth