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Mitsuo Kinoshita
Executive Vice President and CFO
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

Products

Production & Supply ➔ Sales & Marketing

Product Quality / Cost

Human Resources

Take-in

Opportunities

Full-line & All Regions

Risks

Avoid
Solid Foundation

Product Quality / Cost

Human Resources

Technology

Production & Supply

Sales & Marketing
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

- Quality related to long term durability
- Initial Quality

2003  2004  2005  2006  2007 (prospect)

Significant improvement in initial quality
Cost

Value Innovation (VI) Activity

<table>
<thead>
<tr>
<th>Year</th>
<th>Idea</th>
<th>Design</th>
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<tbody>
<tr>
<td>'05</td>
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<td>'12</td>
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Focus on:
- Overseas Production
- Compact Vehicles
- Raw Material

Promote VI activities to increase net profits
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 >

# of supporting staff from Japan

<table>
<thead>
<tr>
<th>Changeover of Corolla</th>
<th>New Plant Preparation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Model</td>
<td>Current Model</td>
</tr>
<tr>
<td>Indiana</td>
<td>Texas</td>
</tr>
</tbody>
</table>

-50% -70%

-70%

North America

Europe

Asia

: Certified Trainers (Approx. 700)
## Challenges for Sustainable Mobility

<table>
<thead>
<tr>
<th>Technology</th>
<th>CO₂ Reduction</th>
<th>Fuel Efficiency</th>
<th>Alternative Energy Sources</th>
</tr>
</thead>
</table>

- **Engine Transmission**
  - Redesign all to improve environmental performance (-2010)

- **Diesel**
  - 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
**Sustainable Plant Activity**

- Introduction of Innovative Production 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]**

- Innovative Production Technology

- Transfer technology to other plants

**[e.g. Welding Line]**

- Previous GBL

  GBL = Global Body Line

- Innovative Line

  Reduce processes & space
  Shorten production lead time

**Sales & Marketing**

- Small Robot
- New Slim Robot
- Large Robot
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

Significant improvement of environmental performance
Sustainable Plant Activity

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

‘09- Development of Next Generation Technology

Global Production Preparation

GPC (Skill Training)

Efficiently support pre-production and facility installation

Global Assembly Plants

Production System based on Global Link

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: 34.0%
- North America: 32.3%
- Europe: 13.2%
- Asia: 13.4%
- Others: 14.2%

Sales & Marketing
Technology
Production & Supply
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

Tundra

Prius

Scion xD

Highlander
Strategy by Region - Japan

Introduce attractive products to create new markets

- 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 - 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
Strategy by Region - China

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

Change of Sales Volume / Operating Income

- Sales Increase
  - Approx. 1 Million Vehicles

Operating Income in China = Operating Income of Consolidated Subsidiaries + Operating Income of Affiliated Companies * Equity Ratio of Affiliated Companies
Strategy by Region - Emerging Markets

Thoroughly respond to local needs

Russia
- Market Change (K vehicles)
- Segment where Toyota is represented
- Domestic Brands
- Small

Brazil
- Segment where Toyota is represented
- Commercial Vehicles, etc.
- Small Low Price

India
- Segment where Toyota is represented
- Small Low Price
- Commercial Vehicles, etc.
- Toyota Sales 2000: 21K, 2006: 49K

- Respond to rapid market expansion
  - New Plant (12/07 -)
  - Expansion of Sales Network

- Introduce global models (Corolla, Hilux(IMV))
- Consider response to the rapid expansion of low price segment
  - Development of Low Cost Technology (Securing quality & profitability)
Strategic by Brand - Lexus

Increase Sales by Improving Lineup

5’07 Flagship Model
LS600hL

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

Change in Vehicle Sales (K vehicles)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
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<tbody>
<tr>
<td>2005</td>
<td>390</td>
</tr>
<tr>
<td>2006</td>
<td>480</td>
</tr>
<tr>
<td>2007</td>
<td>510</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>

The Number of Countries/Areas Where Lexus is Sold

<table>
<thead>
<tr>
<th>Year</th>
<th>Lexus Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>~2000</td>
<td>58</td>
</tr>
<tr>
<td>~2006</td>
<td>68</td>
</tr>
<tr>
<td>~2010</td>
<td>76 (plan)</td>
</tr>
</tbody>
</table>
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 (AAA / Aaa)
- Thorough Risk Management
  - Low Default Ratio (less than 1%)

Operating Income from Financial Service Sector

*Excluding Swap Evaluation Loss/Profit

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

- **Europe**: Approx. 1.45
- **Japan**: Approx. 2.40
- **North America**: Approx. 3.10
- **Asia (including China)**: Approx. 1.90
- **Others**: Approx. 1.55

(millions of vehicles)
Sales Plan

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

- 2006: 8.81 million vehicles
- 2007: 9.34 million vehicles
- 2008: 9.80 million vehicles
- 2009: Approx. 10.40 million vehicles
- 2010: Approx. 10.40 million vehicles
- 2011: Maintain Strong Growth Rate

Profit

- Target of Operating Income Ratio in Medium & Long-term 10%
- Sustainable Growth in Profit
Shareholders Return

Dividend per Share and Consolidated Payout Ratio

Aim for 30% consolidated payout ratio in the short term

Dividend per Share

Consolidated Payout Ratio (%)

Share Buyback

Continue share buyback to improve capital efficiency

*as authorized by AGM
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