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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
  - 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

TOYOTA
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 after Initial Period of Use
- Initial Quality

Significant improvement in initial quality

2003 2004 2005 2006 2007 (prospect)
Value Innovation (VI) Activity

Idea

‘08 Model

System based

‘09 Model

‘10 Model

Design

Model based

‘11 Model

‘12 Model

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

Promote VI activities to increase net profits
Human Resources

Global Promotion of Self-Reliance

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

Overseas:
Human resources development by putting knowledge into practice

< Develop Certified Trainers >

Japan: Certified Trainers (Approx. 700)

Product Quality | Cost | Human Resources

<table>
<thead>
<tr>
<th># of supporting staff from Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changeover of Corolla</td>
</tr>
<tr>
<td>Previous Model</td>
</tr>
<tr>
<td>100</td>
</tr>
</tbody>
</table>

Improve capacity of overseas operations
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>
<tbody>
<tr>
<td>• Redesign all to improve environmental performance ( -2010)</td>
<td>• Strengthen line-up (Joint development of 1.6L with Isuzu)</td>
<td>• Further reduce emissions (Expansion of clean diesel)</td>
<td>• Reduce cost through more compact, lighter system Expand model line-up =&gt; 1 million unit HV sales in the early 2010s • Evolve HV technology (Test of PHV on public road)</td>
</tr>
</tbody>
</table>

*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

Design → Production Technology
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

Stamping | Body Weld | Paint | Assembly

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

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

Photovoltaic Power Generation

Significant improvement of environmental performance
**Sustainable Plant Activity**

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

- Innovation and Kaizen of Production Technology

[Motomachi Plant]

'09 - Development of Next Generation Technology

Global Production Preparation

GPC (Skill Training)

Global Assembly Plants

- 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 10.6%
North America 40.2%
Europe 30.2%
Asia 12.2%
Others 6.8%
Strategy by Region - Europe

Introduce attractive products to create new markets

- Promote sales of core models

- Aygo
- Yaris
- Auris
- Avensis

- Reinforce response to the CO₂ reduction

- Innovative compact model
- Expand diesel line-up
- Promote sales of HVs

- RAV4
- LS600h
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 - 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
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

Vehicle Sales (CBU)  Vehicle Sales (Local Production)  Operating Income in China
Strategy by Region - Emerging Markets

Thoroughly respond to local needs

**Russia**
- Market Change (K vehicles)
  - Segment where Toyota is represented
  - Domestic Brands
  - Small
  - Low Price
  - Commercial Vehicles, etc.
- Toyota Sales
  - 2000: 2K
  - 2006: 106K

**Brazil**
- Segment where Toyota is represented
  - Small
  - Low Price
  - Commercial Vehicles, etc.
- Toyota Sales
  - 2000: 25K
  - 2006: 70K

**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, IMV)
- Consider response to the rapid expansion of low price segment
- Development of Low Cost Technology (Securing quality & profitability)
Strategy by Brand - Lexus

Increase Sales by Improving Lineup

5’07 Flagship Model

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

Change in Vehicle Sales
(K vehicles)

Change in Vehicle Sales
(K vehicles)

The Number of Countries/ Areas Where Lexus is Sold

~2000 ~2006 ~2010 (plan)

Improve line-up steadily

TOYOTA
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

Further profit increase

*Excluding Swap Evaluation Loss/Profit
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

(in millions of vehicles)
Sales Plan

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (millions of vehicles)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8.81</td>
</tr>
<tr>
<td>2007</td>
<td>9.34</td>
</tr>
<tr>
<td>2008</td>
<td>9.80</td>
</tr>
<tr>
<td>2009</td>
<td>Approx. 10.40</td>
</tr>
</tbody>
</table>

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

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