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Katsuaki Watanabe
President
Agenda

I. Business Environment
II. Growth Strategy by Region
III. Initiatives towards a Low Carbon Society
IV. Management Foundation
V. Sales Plan
VI. Targeted Operating Income Ratio
VII. Shareholder Return
# I. Business Environment

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|                  | Steep rise of raw material prices (especially steel plates)               |

- Rapid rise of raw material prices
## II. Growth Strategy by Region

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II. Growth Strategy by Region

Operations tailored to various conditions in each region

**Western Europe**
- Increased interest in a low carbon society
  ⇒ Low-emission vehicles

**China & Russia**
- Market growth
  ⇒ Expansion of sales network
  ⇒ Increase in supply

**Japan**
- Core of global operations

**United States**
- Changes in demand
  ⇒ Flexible response

**India & Brazil**
- Market growth
  ⇒ Full-fledged entry
II-1. U.S. Market

Rapid change in market structure

-U.S. is a growing market in the medium-to long-term
-Demand shift towards fuel-efficient vehicles is a structural change

U.S. Market (SAAR)

Change in vehicle sales by segment
(Change from same period last year)

('08/1-7) ('08/7)

New entry
Sub-compact 44%

Sub-compact 3%

Normal Sedan -3%

Small Pick-up -16%

Medium SUV -35%

Large Pick-up -28%

Large SUV -41%

(millions of vehicles)
II-1. U.S. Market

Optimize production system to meet demand

- Increase supply of fuel-efficient vehicles: Start U.S. production of hybrid vehicles (TMMMS)
- Trucks (full-size pickups): Consolidate production (TMMTX)
- Flexible production of frame/unibody type models (TMMI)
II-2. Western European Market

Successive launches of low-emission vehicles

- Launch of world top class low-emission models: iQ, Hybrid vehicles
- Launch of 18 low-emission models scheduled in late 2008 to 2009
- Maintain and improve model mix by reducing CO₂ emission across full product line-up

iQ: CO₂ emissions 99g/km

New 1.3 Liter gasoline engine

Hybrid Vehicles
II-3. Indian & Brazilian Markets

Full-fledged entry through new plants & newly-developed compact models

- Full-fledged entry into the compact vehicle market
  ⇒ Attract users that upgrade to higher models
- Thorough cost reduction that meets local needs
  ⇒ Secure profitability and apply cost-cutting measures to different models

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<th>Year</th>
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- **India**: New plant opening in 100 thousands of vehicles per year.
- **Brazil**: New plant opening in 150 thousands of vehicles per year.

⇒ Attract users that upgrade to higher models.
II-4. Chinese & Russian Markets

Increasing supply to growing markets

- China: Increase local production and expand sales and service networks
- Russia: Expand sales and service networks to regional cities

Toyota & Lexus Vehicle Sales (Calendar Year)

**China**
- Launch of 2nd line in Guangzhou plant
- 500 Dealers in 2008 → 850 in 2010

**Russia**
- 72 Dealers in 2007 → 148 in 2010
II-5. Japan

The core of global development and production system

- Strengthen development capabilities and product appeal in Japan
- Production system that flexibly responds to demand changes by region or model

Introduction of models that reflect market characteristics

Alphard  Crown  Tanto (Daihatsu)
II-6. Sales plan by region

Sales volume by region (retail sales, calendar year, including Hino & Daihatsu)

Europe
- 2006: Approx. 1.25
- 2007: Approx. 1.30
- 2008: Approx. 2.25
- 2009: Approx. 2.25

Japan
- 2006: Approx. 2.25
- 2007: Approx. 2.25
- 2008: Approx. 2.70
- 2009: Approx. 2.70

North America
- 2006: Approx. 1.65
- 2007: Approx. 1.70
- 2008: Approx. 1.65
- 2009: Approx. 1.65

Asia (including China)
- 2006: Approx. 1.25
- 2007: Approx. 1.65
- 2008: Approx. 1.75
- 2009: Approx. 1.75

Central and South America, Oceania, Africa, and the Middle East
- 2006: Approx. 1.25
- 2007: Approx. 1.65
- 2008: Approx. 1.70
- 2009: Approx. 1.70

(millions of vehicles)
### III. Initiatives towards a Low Carbon Society

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## III. Initiatives towards a Low Carbon Society

Maintain a balance between corporate growth and the pursuit of a low carbon society

- **Toyota’s policy**

  “Without a focus on measures to pursue a low carbon society, there can be no future for motor vehicles.”

---

**Pursuit of Sustainability**

- Technological innovation to achieve a low carbon society
III-1. Hybrid Vehicle ("HV") Strategy

No. 1 sales in the HV market / Increase in sales and variety of models

**HV Sales Volume (Calendar Year)**

- **Target on a full line development in the 2020s**

- **HV annual sales**
  - Target volume: 1,000,000 units

Graph showing sales volume from 1997 to 2020, with a significant increase expected in Japan and overseas in the 2020s.
III-1. Hybrid Vehicle ("HV") Strategy

Increase in hybrid vehicle & unit supply capacity

<Batteries> Establishment of 1-million unit production capacity of PEVE* in 2010
<Vehicles> Large increase of production capacity in 2009
(new Prius & new HV-only vehicle)

*PEVE: Panasonic EV Energy

PEVE unit supply capacity

- 2008
- 2009
- 2010

1 million units

- Japan
- U.S.
- China
- Thailand
- Australia

Prius production in Mississippi planned to start in the second half of 2010
Camry hybrid production planned
III-1. Hybrid Vehicle ("HV") Strategy

Make HV systems smaller and lighter, and lower the cost.

*smaller size and lighter weight*

50% cost reduction achieved

Further cost reduction and smaller/lighter system

First Prius

Current Prius

Next Prius

HV system cost

HV System

TOYOTA
III-1. Hybrid Vehicle ("HV") Strategy

Increase in models and vehicle sales

- No. 1 in HV sales performance > Increase in sales and variety of models
- Increase in models and vehicle sales

Increase supply capacity

- PEVE unit supply capability
- 1 million units

Cost reduction of hybrid vehicles

- Make HV systems smaller and lighter, and lower the cost

Increase in earnings from HV models

Response to energy diversification

Alternative Energy to Oil

- Electricity
- Bio-energy
- Hydrogen

Comprehensive development with HV as the core

The ultimate eco-car

HV technology

Alternative fuel HV

Bio-energy

CNG

Alternative fuel engine

Diesel HV

DPNR

Common rail DI

Diesel engine

Gasoline HV (THSII)

D-4

VVT

Gasoline engine

Electricity

FCHV

PHV

EV

TOYOTA
Development of the PHV

The ultimate eco-car

Development of the PHV

- Introduction of PHV for fleet users by the end of 2009

Drive as an EV = CO2 free
EV for short distance driving

HV for long distance driving

Drive as a HV

Energy Cost Comparison (Indexation as energy cost of Prius = 1)

|     | Prius | PHV  | PHV
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<td>Cost</td>
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Driving 25 km (of which 13 km driven as EV)

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PHV

TOYOTA

Accelerating research and development of EV

The ultimate eco-car

- HV technology
- Alternative fuel HV
- Bio-energy
- CNG
- Alternative fuel engine

- Diesel HV
- DPNR
- Diesel engine

- Gasoline HV (THSII)
- VVT
- Gasoline engine

- FCHV
- D-4
- Electricity

TOYOTA

Accelerating research and development of EV

[Challenges of EV]
(1) mileage (2) cost (3) charging time (4) dedicated charging infrastructure
⇒For the time being, realistic use is limited to commuting short-distances

Toyota RAV4 EV (’97-’03)
Toyota e-com (’99-’06: Tested on public roads)

Production of next-generation EV (in the early 2010s)

- Accelerating R&D for next-generation battery
⇒ Establishment of battery research division & joint research by industrial & academic sectors
IV. Management Foundation

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Organize a special team to work on compact vehicles

The Concept

Optimize product specifications and performance to meet customers’ needs

- Thoroughly review vehicle size, weight, and number of parts in order to realize cost reduction

Cost reduction activities

Special Team

VI Activity

CCC21 Activity

By Model

By System

By Parts

'00

'05

'08
IV. Management Foundation: Quality, Cost & Human Resources

Develop human resources to ensure Toyota quality and implement the Toyota Way.

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

Product Quality / Cost

Human Resources
V. Sales Plan

Total sales volume (retail sales, calendar year, including Hino & Daihatsu)

(millions of vehicles)

Continuous Growth

2006: 8.81
2007: 9.37
2008: 9.50
2009: Approx 9.70

Approx 9.70
VI. Targeted Operating Income Ratio

Achieve 10% operating income ratio by overcoming various obstacles

- Steep rise of cost
- Increasing cost
- Shift toward raw material costs
- To respond to the environment
- Compact vehicles

Targeted operating income ratio

- Cost reduction in HV system and compact vehicle
- Development of efficient production system
- Strong marketing, etc.

Achieve 10% operating income ratio by overcoming various obstacles
VII. Shareholder Return

- **Dividend per share / Consolidated Payout Ratio**
  - '05/3: 18.3 yen
  - '06/3: 21.3 yen
  - '07/3: 23.4 yen
  - '08/3: 25.9 yen

- **Share Buyback**
  - '04/6 ~ '05/6: 246.5 billion yen
  - '05/6 ~ '06/6: 234.3 billion yen
  - '06/6 ~ '07/6: 199.9 billion yen
  - '07/6 ~ '08/6: 248.0 billion yen
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Create a new future for people, society, and our planet

The car and its evolution create new market value

Applying HV technology to all Toyota models

Implementing advanced driving assist systems

Realizing next-generation mobility

Evolution in new areas derived from the car

Developing next-generation batteries for various industries

Live-in Partner-Robots

Establishing biotechnology & fostering bio-resource distribution

Inheritance & Evolution of Toyota’s Production Know-how