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Mitsuo Kinoshita

Executive Vice President

and CFO
Agenda

I. Business Environment

II. Strategic Priorities

III. Growth Strategy by Region

IV. Initiatives towards a Low Carbon Society

V. Management Foundation

VI. Sales Plan

VII. Targeted Operating Income Ratio

VIII. Shareholder Return
## I. Business Environment

<table>
<thead>
<tr>
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<th>Rapid changes in current situation</th>
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II. Strategic Priorities

Focus corporate resources on the three strategic priorities:

1. Increase supply of low CO2 / fuel-efficient vehicles (HVs and compact vehicles)

2. Improve profitability through cost reduction

3. Accelerate PHV and EV development

- Expand operations in resource-rich countries and emerging markets (Full entry into Indian and Brazilian markets)
### III. Growth Strategy by Region

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III. Growth Strategy by Region

Operations tailored to various conditions in each region

- **Core of global operations**

  **Japan**

  - Changes in demand
  - Flexible response

  **W. Europe**
  - Increased interest in a low carbon society
  - Low-emission vehicles

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

  **United States**
  - Market growth
  - Full-fledged entry

  **India & Brazil**
III-1. U.S. Market

Rapid change in market structure

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

U.S. Market (SAAR)

(Change from same period last year)

Change in vehicle sales by segment

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

34% -41%
6% -28%
-1% -35%
-17% -16%
-24% -28%
-25% -34%
-30% -41%

New entry
Sub-compact
Sub-compact
Normal Sedan
Small Pick-up
Medium SUV
Large Pick-up
Large SUV

('06 '07 '08/1 2 3 4 5 6 7 '09)

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

Optimize production system to meet demand

- Increase supply of fuel-efficient vehicles: Increase of Corolla / Yaris
  U.S. production of HVs (TMMMS)
- Trucks (full-size pickups): Consolidate production (TMMTX)
- Flexible production of frame/unibody type models (TMMI)

TOYOTA
III-2. Western European Market

Successive launches of low-emission vehicles

- World class low-emission models: iQ, Hybrid vehicles
- 18 low-emission models to be 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
III-3. Indian & Brazilian Markets

Make a full entry through new plants & newly-developed compact models

- 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

Indian & Brazilian Markets

Make a full entry through new plants & newly-developed compact models

- 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

Toyota & Lexus Vehicle Sales (Calendar Year)

India

New plant: 100 K vehicles per year

Brazil

New plant: 150 K vehicles per year
III-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
III-5. Japan

The core of global development & 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)
III-6. Sales plan by region

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

- Europe
- Japan
- North America
- Asia (including China)
- Central and South America, Oceania, Africa, and the Middle East

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

### Major changes

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- Steep rise of raw material prices (esp. steel)
IV. Initiatives towards a Low Carbon Society

Achieve both corporate growth and a low carbon society

• Toyota’s policy

“There can be no future for motor vehicles unless we pursue the goals of a low carbon society.”

Pursuit of Sustainability through Technological Innovation
IV-1. Hybrid Vehicle (“HV”) Strategy

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

HV Sales Volume (Calendar Year)

HV annual sales
Target volume: 1M vehicles / year

Target:
full line development in the 2020s
<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

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

Make HV systems smaller and lighter, and reduce cost

- 50% cost reduction achieved
- Further cost reduction and smaller/lighter system

Comparison of HV systems:
- **First Prius**
- **Current Prius**
- **Next Prius**
IV-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 supply capacity

PEVE unit supply capability

1 million units

Cost reduction of hybrid vehicles

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

Increase in earnings from HV models
IV-2. Mid-to Long-term Strategy of Environmental Technology

Response to energy diversification

Alternative Energy to Oil

- Electricity
- Bio-energy
- Hydrogen
IV-2. Mid-to Long-term Strategy of Environmental Technology

**Comprehensive powertrain development with HV system**

**The ultimate eco-car**

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

- Diesel HV
- Common rail DI
- FCHV
- PHV
- Gasoline HV (THSII)
- D-4
- WT
- EV
- Gasoline engine
- Electricity
- TOYOTA
The ultimate eco-car

IV-2. Mid-to Long-term Strategy of Environmental Technology

Development of the PHV
IV-2. Mid-to Long-term Strategy of Environmental Technology

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

Drive as a HV
HV for long distance driving

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

Driving 25 km (of which 13 km driven as EV)

-21% -41%

Driving as a HV = CO2 free
PHV

TOYOTA
IV-2. Mid-to Long-term Strategy of Environmental Technology

Accelerating R&D of EV

The ultimate eco-car

HV technology
Alternative fuel HV
Bio-energy
CNG
DPNR
Common rail DI

Diesel HV
D-4

gasoline HV (THSII)

FCHV
PHV

Gasoline engine

WT

Electricity

TOYOTA
IV-2. Mid-to Long-term Strategy of Environmental Technology

Accelerating R&D 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

- Accelerating R&D for next-generation battery
  Establishment of battery research division & joint research by industrial & academic sectors

Toyota RAV4 EV ('97-'03)
Toyota e-com ('99-'06: Tested on public roads)
Production of next-generation EV (in the early 2010s)
## V. Management Foundation

### Major changes

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### Rapid changes in current situation

- Decline in U.S. & W. European markets
- Soaring gasoline prices
  - Rapid growth in demand for fuel-efficient vehicles
- Steep rise of raw material prices (esp. steel)
V. Management Foundation: Cost

Promoting cost reduction activities for compact vehicles

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

By Model

Special Team

By System

VI Activity

By Parts

CCC21 Activity

'00 '05 '08
V. 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
VI. Sales Plan

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

(millions of vehicles)

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

Continuous Growth

TOYOTA
VII. Targeted Operating Income Ratio

Achieve 10% operating income ratio by overcoming various obstacles

- Steep rise of cost
- Increasing raw material costs
- Shift toward compact vehicles
- To respond to the environment
- Cost reduction in HV system and compact vehicle
- Development of efficient production system
- Strong marketing, etc.

Targeted operating income ratio
10%
VIII. Shareholder Return

<table>
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<tr>
<th>Year</th>
<th>Dividend per Share (yen)</th>
<th>Consolidated Payout Ratio (%)</th>
<th>Share Buyback (billion yen)</th>
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<tr>
<td>'05/3</td>
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<td></td>
<td>246.5</td>
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<tr>
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<td>90</td>
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- Dividend per Share / Consolidated Payout Ratio
- Share Buyback (billion yen)
Focus corporate resources on the three strategic priorities

1. Increase supply of low CO2 / fuel-efficient vehicles
   (HVs and compact vehicles)
2. Improve profitability through cost reduction
3. Expand operations in resource-rich countries and emerging markets
   (Full entry into Indian and Brazilian markets)
4. Accelerate PHV and EV development
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

R&D of Partner-Robots

Establishing biotechnology & fostering bio-resource distribution

Inheritance & Evolution of Toyota’s Production Know-how