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May 22, 2007

**Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, California 95814**

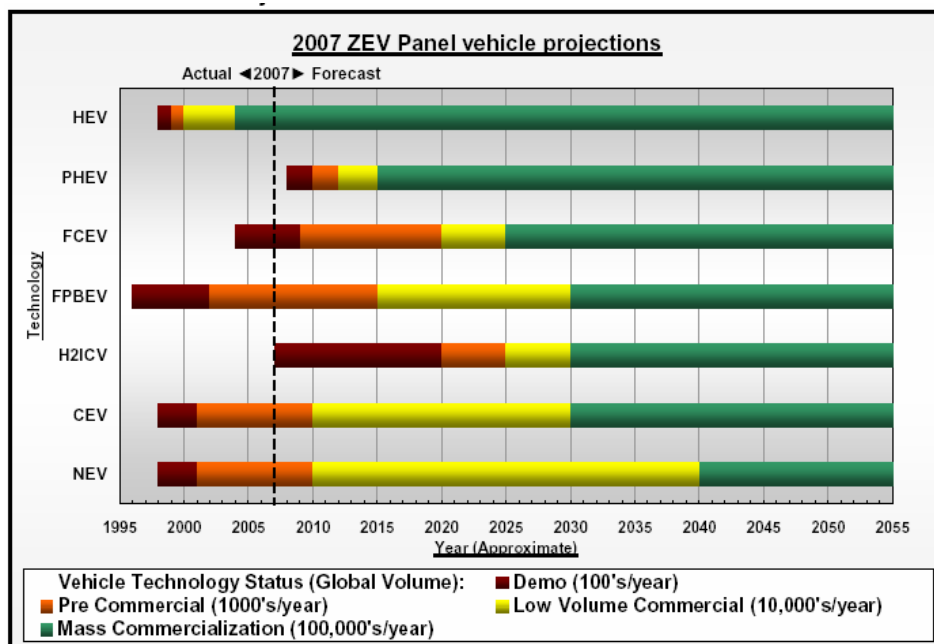
Dear Chairman Sawyer and Board Members:

Toyota thanks you for the opportunity to provide some preliminary comments in connection with the ZEV program and would also like to thank and commend the Staff and the Expert Review Panel for their hard work assessing the state of development efforts on the wide spectrum of ZEV program technologies. Toyota has long supported the goal of zero emissions and the development of technologies in support of this goal and we are committed to helping the ARB craft a program that will bring a zero emission vehicle future closer to reality.

Toyota offers a wide range of ZEV program technologies. We continue to engage in research and development of fuel cell hybrid vehicles and have sold more than 180,000 PZEVs in California alone. We have also sold more hybrid vehicles (over 1 million units worldwide and 150,000 in California) than any other manufacturer. These include the AT-PZEV certified Camry and, of course, two generations of the Prius. Our efforts reflect our core belief, which we believe we share with the ARB, that advanced technologies must become *mass market technologies* to become true solutions.

General Comments on the Expert Review Panel Report

The Expert Review Panels findings are summarized by the "2007 ZEV Panel vehicle projections" figure on the following page:



For the most part, Toyota finds the Panel's assessments of the state of ZEV related technical development sound. That said, and although we are not prepared to provide detailed comments at this time, we believe that further consideration of certain issues is necessary including, for example, the appropriate volumes for FCHVs and the commercialization timing for PHEVs.

Specific Comments on the Staff Report

Toyota also agrees with the staff's recommendations that the Board adjust the Alternative Compliance Plan (ACP). The crucial issue at this time is to align the fuel cell volumes in the ACP Phase II (2009-2011) and Phase III (2012-2014) with the status of technology and infrastructure development. We would like to continue discussion with staff to determine an appropriate volume for both phases. This discussion should also include the extension of the so-called "travel provision" (which allows fuel cell vehicles placed in California to count in combination with any placed in other ZEV states) since this affects the total number of fuel cell vehicles.

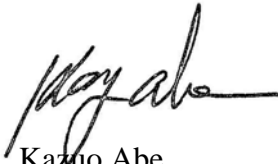
Toyota is also very mindful of recent heightened interest in Plug-in Hybrid Electric Vehicle (PHEV) technology. Toyota generally believes that PHEV's have great potential to reduce oil consumption, reduce CO2 and improve urban air quality. Additionally, PHEVs have the potential to stimulate battery development and further progress on hybrid componentry. There are still many questions that we need to explore more carefully including the most effective way to promote PHEVs as a possible future mass market technology.

Summary

Toyota firmly believes that modifications to the ZEV regulation are necessary and advisable. We support the staff's recommendation to "re-examine and adjust" certain elements of the program and therefore request that the Board direct the Staff to begin a more formal rulemaking process. Because of the wide ranging impact of the ZEV program, we hope that the Board will avoid premature conclusions at this time about the best approaches for refining the ZEV program and will allow time for further discussion and exchange of ideas.

Toyota looks forward to continuing to work with you and the ARB staff over the next few months to optimize the effectiveness of the ZEV program. We thank you again for this opportunity to provide some initial thoughts and comments.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kazuo Abe", with a stylized, flowing script.

Kazuo Abe
Vice President, Technical and Regulatory Affairs