Toyota’s Global Strategy
—Moving toward Global Motorization—

April 16, 2003
Toyota Motor Corporation
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Fujio Cho
President
Toyota Motor Corporation
I. Global Manufacturing & Marketing in 2002

Growth in Production Volume

Global output (Millions of units)

Overseas output (Millions of units)

1986 1999 2002

Global output:

- 1986: 0.45
- 1999: 1.62
- 2002: 6.31

Overseas output:

- 1999: 2.17
- 2002: 2.17

* includes Toyota/Lexus, Daihatsu and Hino brands.

2002 Global (million units)
Output: 6.31*
Sales: 6.17*

Annual sales surpass 1 million units

* Corolla

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II. 2010 Global Vision

Major change in the global economic environment

<Taking on the challenges for change>

<Expected society>

Global motorization

Achieve global production & sales of 6 million units

* Regional strategies – North America, Europe, Asia, China and Japan
* Technological innovation

Market & population growth in the US
Rise of markets in Eastern & Central Europe and in Russia
Strong growth of Asian markets

2002

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2010s
III. Regional Strategy

North American Market (1):
Creating market through new product launches

2002 sales: 1.91 million units

2000 2002

Luxury SUVs

Full-sized trucks

Commercial vehicle
(light truck) market

No. 1 in 2002 passenger vehicle sales

Entry-level vehicle for young drivers

Corolla

Camry

Toyota

<US market>
III. Regional Strategy

North American Market (2):
Production growth centered on light truck manufacturing

- #1 NUMMI
- #2 Kentucky
- #3 Canada ⇒ First Lexus production base
  - #4 Indiana
- #5 Mexico
- #6 Texas ⇒ “Made-in-Texas” trucks

<Manufacturing capacity expansion plan>
(Millions of units)

- Indiana plant expansion (Sienna)
- Canada plant expansion (RX330)
- Mexico plant (Tacoma)
- Texas plant (Tundra)

Present 1.40  
Fall 2003 1.48
2005 1.50
2006 1.65

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III. Regional Strategy

European Market: Integrated manufacturing & marketing

Marketing organization restructuring starting April 2003

2002 sales: 760,000 units

New “Avensis” launched in March 2003 as upper core model

⇒ First Japan market launch of UK-made vehicle in fall 2003

Action in the wider EU market

Toyota Motor Europe (TME)

Leading marketing companies

Manufacturing plants
III. Regional Strategy

Asian Market: Manufacturing & export base for pickups/multipurpose vehicles

⇒ Development of global manufacturing base and mutual distribution network (IMV Project starts in 2004)

To more than 80 nations/regions

- Thailand: Global manufacturing base
- Other Asian nations: Manufacturing bases for engines & main components

- South Africa & Argentina: Intra-regional manufacturing bases
- To Europe & Africa
- To South America
- To South America

- Japan
- India
- Others
- Philippines

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: Pickups & multipurpose vehicles

: Engines & main components
III. Regional Strategy

Chinese Market: Manufacturing & marketing to be strengthened in response to market growth

- Establish full product lineup
- Establish Toyota brand image

Product lineup:
- Luxury SUV
- Land Cruiser/Prado
- Large & Luxury sedan
- Crown
- Compact
- Vios
- Daihatsu (Compact)
- Corolla

Aggressive product launches

Production capacity:
- Several hundred thousand units/year
- 50,000 units/year
- 30,000 units/year
- 25,000 units → 15,000 units/year
- 50,000 units/year

Year:
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
- 2010
Japanese Market: Introduction of Lexus & Reorganization of Sales Channel

⇒ Preparations for future changes (in market structure & customer values)

After reorganization

<table>
<thead>
<tr>
<th>Lexus (new)</th>
<th>Development of new Lexus dealership network in 2005 (150 dealers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota brand</td>
<td></td>
</tr>
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</table>
### III. Regional Strategy

**Japanese Market: Introduction of Lexus & Reorganization of Sales Channel**

⇒ Preparations for future changes (in market structure & customer values)

<table>
<thead>
<tr>
<th>Present</th>
<th>After reorganization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Toyota brand</strong> (5 channels)</td>
<td><strong>Lexus</strong> (new) Development of new Lexus dealership network in 2005 (150 dealers)</td>
</tr>
<tr>
<td><strong>Vista</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Netz</strong></td>
<td>Consolidation of Netz &amp; Vista networks in spring 2004 → Foothold in new market segment</td>
</tr>
<tr>
<td><strong>Toyota</strong></td>
<td>Luxury vehicle channel for the Toyota brand</td>
</tr>
<tr>
<td><strong>Toyopet</strong></td>
<td>Leading channel for the medium-size car market</td>
</tr>
<tr>
<td><strong>Corolla</strong></td>
<td>Largest volume-sales channel, centering on compact vehicles</td>
</tr>
</tbody>
</table>

#### Toyota brand (5 channels)

- **Toyota**
- **Netz**
- **Vista**
- **Toyopet**
- **Corolla**
IV. Technology Strategy (1)

Development of a wide range of technologies and products with focus on market creation

<Technology development>
- Nanotechnology
- Material technology
  - Biotechnology
  - Energy technology
- Engine
- Body
- Transmission
- Electronics
- Chassis
- Environment
- Safety
- IT

<Marketing>
- Assessing customer needs
- Proposal of business vision

Products focused on market creation

“Comfort” “Kindness” “Excitement”
IV. Technology Strategy (2)

Harmonizing “Ecology” with “Emotion”
V. Conclusion

Global-scale motorization

- Market & population growth in the US
- Rise of markets in Eastern & Central Europe and in Russia
- Strong growth of Asian markets

Addressing challenges for change — toward further growth
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—Moving toward Global Motorization—

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Toyota’s Financial Strategy

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Ryuji Araki
Executive Vice President
Toyota Motor Corporation
# I. Business Performance

## Operating income by market segment

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>649</td>
<td>870</td>
</tr>
<tr>
<td>North America</td>
<td>175</td>
<td>265</td>
</tr>
<tr>
<td>Europe</td>
<td>-2</td>
<td>-12</td>
</tr>
<tr>
<td>Asia &amp; other regions</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Consolidated elimination</td>
<td>-12</td>
<td>-19</td>
</tr>
<tr>
<td>Consolidated total</td>
<td>818</td>
<td>1,123</td>
</tr>
</tbody>
</table>

(Billions of yen)

<table>
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<tr>
<td>Japan GAAP</td>
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<tr>
<td>Consolidated total</td>
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<td>Asia &amp; other regions</td>
</tr>
<tr>
<td>Europe</td>
</tr>
<tr>
<td>North America</td>
</tr>
<tr>
<td>Japan</td>
</tr>
</tbody>
</table>

(Japan GAAP)
II. Profit Earnings

Growth and targets in operating income ratio & ROE

Operating income ratio:
- FY1999: 6.1%
- FY2000: 6%
- FY2001: 6.5%
- FY2002: 7.4%
- April-Dec., 2002: 9.1%
- Target: 9%

ROE:
- FY1999: 5.8%
- FY2000: 6.3%
- FY2001: 6.8%
- FY2002: 8.5%
- April-Dec., 2002: 11.3%
- Target: 10%

(Billions of yen)

(Japan GAAP)
III. Dividend Payments & Share Buyback

Cash flow allocated to dividend payments and share buyback

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash flow</th>
<th>Dividend &amp; share buyback</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY1999</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td>FY2000</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>FY2001</td>
<td>500</td>
<td>400</td>
</tr>
<tr>
<td>FY2002</td>
<td>600</td>
<td>500</td>
</tr>
</tbody>
</table>

* Cash flow = Current net income + Depreciation costs - Capital expenditures

(Billions of yen)

*TOYOTA*
IV. Change in Share Ownership

Shareholding by banks:

- [Sept. 30, 1999] 34%
- [March 31, 2003 (estimate)] Approx. 15%

VS

Increase in foreign shareholders (listed on NY and London exchanges in September 1999)

Increase in individual shareholders (reduction in stock unit in August 2000)

Dramatic drop
V. Toyota’s Actions on Corporate Governance and Information Disclosure

**Internal Mechanisms ➔ Reinforcement of internal controls**

- General shareholders’ meeting
- Board of directors
- President
- Managing Officers
- Disclosure Committee
- NY/London stock listing - Disclosure based on SEC standards - Identical information disclosure in New York, London and Tokyo
- International Advisory Board
- Labor-Management Council & Forum
- Social Contribution Program Committee
- Corporate Ethics Committee
- Stock Option Committee

**Internal Mechanisms**

- Accounting audits based on US & Japan auditing standards
- Board of statutory auditors (Half are external auditors)

**Monitoring**

- <Internal/external auditing>
- <Internal information management>

**<Monitoring>**
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Toyota’s Technology Strategy

April 16, 2003

Toyota Motor Corporation
Akihiko Saito
Executive Vice President
Toyota Motor Corporation
Prius: The World’s First Production Hybrid Vehicle

- Power train
- Design
- Packaging

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Development Goals of First-Generation Prius

- Innovative advances in fuel economy, surpassing conventional gasoline-fuel engine
  - Fuel economy
    - 1.5 times
    - 2.0 times
  - 1/10 of regulation levels
- Drastically cleaner emissions
Toyota Hybrid System (THS)

Start-up: Electric motor only

Normal driving: Engine operating with maximum efficiency

Acceleration: Motor and engine

Deceleration: Battery charging, Energy recovery

Stopping: Engine shuts off, No energy consumption
HV Technology Matrix

*EV Drive

Series HV

Parallel HV

Series/Parallel HV

( HV of Hybrids)

Strong

THSII SU-HV

THSII NG-Prius

THS Prius

Estima HV

Mild

Japanese Vehicle A

Japanese Vehicle B

Crown Mild HV

European Concept Vehicle Plug-in/Switching

non EV Drive

Toyota Coaster

* : propelled by electric motor only

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## Overall Efficiency < Well-to- Wheel >

### 10-15 mode

<table>
<thead>
<tr>
<th></th>
<th>Well to Tank (%)</th>
<th>Tank to wheel (%)</th>
<th>Overall efficiency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gasoline-engine vehicle</strong></td>
<td>88</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td><strong>Diesel-engine vehicle</strong></td>
<td>91</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td><strong>Prius (THS)</strong></td>
<td>88</td>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>

Estimated by Toyota
Gasoline Engine approaching Ambient Air level
Hybrids help catalyst warm up hence reach very low emission level
Internal Development of Toyota Hybrid System

Engine & Motor & Generator

Power control unit

Internally developed components
Increased Sales of Hybrid Vehicles

Units 100,000  Total vehicles

Year 2001

Gas turbine HV (1969)  Prius

50,000

Estima Hybrid (4WD)

Crown Mild Hybrid
Hybrid Synergy Drive

Fuel Economy

Existing hybrid vehicle

Hybrid Synergy Drive

Improvement of conventional engines

Fun to Drive
Next-Generation Hybrid System (THS II)

- Secondary battery
- Voltage boost converter
- Inverter
- Motor (150% increase in output)
- Power split device
- Generator
- Engine
- Power control unit
- Driving wheel

Hybrid Synergy Drive
Broader Application of the Next-Generation Hybrid System

(SU-HV)
Fuel Cell Vehicle
## Development of Toyota FCHV

**FCHV: Fuel Cell Hybrid Vehicles**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Start of FCHV development</td>
</tr>
<tr>
<td>1996</td>
<td>Announcement of the hydrogen FCHV at the EVS-13 (Osaka)</td>
</tr>
<tr>
<td>1997</td>
<td>The world’s first FCHV with Methanol Reformer</td>
</tr>
<tr>
<td>2001</td>
<td>Announcement of the FCHV-3, FCHV-4, FCHV-BUS1, and FCHV-5</td>
</tr>
<tr>
<td>2002</td>
<td>Announcement of FCHV-BUS2 &amp; limited marketing with the delivery of Toyota FCHV</td>
</tr>
</tbody>
</table>
Internal Development of Core Technologies

Independent In-house Development of Total System Including Fuel Cell Stacks

- Motor
- Air compressor
- Secondary battery
- Power control unit
- High-pressure hydrogen storage tank
- TOYOTA FC Stack
- Internally developed components

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Application of Hybrid Technology

PRIUS

ICE Hybrid Vehicle (PRIUS)

TOYOTA FCHV

Toyota Fuel Cell Hybrid Vehicle

<table>
<thead>
<tr>
<th>Engine</th>
<th>Power Control Unit</th>
<th>Motor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Battery</td>
<td></td>
<td></td>
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</table>

| Fuel Cell |
| Power Control Unit |
| Motor |
| Secondary Battery |
### Overall Efficiency <Well-to-Wheel>

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<tr>
<td><strong>FCV (High-pressure hydrogen)</strong></td>
<td>58</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td><strong>FCHV (High-pressure hydrogen)</strong></td>
<td>58</td>
<td>50</td>
<td></td>
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</tbody>
</table>

*Based on current consumption

10-15 modes Estimated by Toyota

*Based on current consumption*
Future Image of Powertrain Development

- Fuel cost + fuel cell cost
- Internal combustion engine vehicles
- Internal combustion engine fuel cost + Internal combustion engine cost
- Fuel cell vehicle

Year (in billions)

Total world vehicle ownership

2000

20X0

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Toyota’s Environmental Technology Development

The Ultimate ECO-Car

Hybrid Technology

- FCHV
- THS

Alternative fuel
- CNG
- Diesel DI
- Lean Burn
- VVT-i

Diesel-engine vehicle
- D-4

Gasoline-engine vehicle
- DPNR

EV & FCV
- EV

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