Toyota's Management Strategy
Dynamic & Stable Growth
Innovation Into the Future

Toyota Motor Corporation
September 24, 2002
Toyota’s Performance
Toyota’s Performance

10 Years of Dynamic Growth

Operating Income

* Assigning fiscal 1993 as factor of 100
Improved Management Efficiency

Operating Income

Net Sales, Total Assets, and Number of Employees

* Assigning fiscal 1993 as factor of 100
Global Unit Sales in 2001

(Millions of units)

* Including Daihatsu and Hino

<table>
<thead>
<tr>
<th>Region</th>
<th>Unit Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3.6</td>
</tr>
<tr>
<td>North America</td>
<td>2.3</td>
</tr>
<tr>
<td>Europe, Asia and Others</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Proportion of 2001 Unit Sales by Region

- Japan: 33%
- North America: 36%
- Europe, Asia and Others: 31%

Global Sales in Approximately 160 Countries and Regions Around the World

Toyota’s Performance
Our Vision for the Future

2010 Global Vision
15% Global Market Share

2001
Early in the 2010s
Brand Strategy

Improving Brand Value
Unshakable Brand Strength in Domestic Market

Japan’s Market Leader (more than 40% market share)

Basis of Global Competitiveness: Quality, Cost

Toyota’s Performance

2001 Market Share (excluding minivehicles)

Toyota (42.2%)
Honda (14.0%)
Nissan (18.0%)
Others (25.8%)

* Figures for 1998 and thereafter include Daihatsu;
Figures for 2001 and thereafter include Hino

Unshakable Brand Strength in Domestic Market

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2001 Market Share (excluding minivehicles)

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* Figures for 1998 and thereafter include Daihatsu;
Figures for 2001 and thereafter include Hino
North American Strategy: Growth of Product Line-up

Sales Target 2 million units (2003-2004 Planned)

Small passenger vehicles
- Camry
- Corolla
- Lexus LS430

Luxury vehicles
- Tundra
- Sequoia
- Highlander
- Lexus RX300

Large SUVs
- Highlander
- Lexus RX300

Crossover vehicles
- bbX

Youth-oriented vehicles
- SCION

Ranked first in 9 of 16 categories in the 2002 IQS survey by J.D. Power & Associates

Improving Brand Value

North American Strategy: Growth of Product Line-up

Sales Target 2 million units (2003-2004 Planned)
European Strategy: Growth of Product Line-up

Sales Target 800 thousand units + α (2005 Planned)

Yaris: Unit sales
2001: 210,000 vehicles
First half of 2002: 120,000 vehicles

Corolla

New Avensis (beginning of 2003)

Diesel Engines

D-CAT (2003 launch)

Sales to Other Companies (from 2003)
## Global Cars

<table>
<thead>
<tr>
<th></th>
<th>Countries and regions in which vehicle is marketed (approximate numbers)</th>
<th>2001 production volume (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corolla</td>
<td>140</td>
<td>871</td>
</tr>
<tr>
<td>Camry</td>
<td>100</td>
<td>527</td>
</tr>
<tr>
<td>Yaris</td>
<td>140</td>
<td>373</td>
</tr>
<tr>
<td>Hilux</td>
<td>140</td>
<td>302</td>
</tr>
</tbody>
</table>

### Improving Brand Value

- **2002**
  - **1 million units** (plan)

![Toyota Logo]
Motorsports

CURRENT LEADER IN MANUFACTURER'S CHAMPIONSHIP

F1
Competed in races with cars developed completely in-house (from 2002)
Strategy for Optimal Global Production

Producing Where Demand Exists
Expansion of Local Production in North America

Production volume (Thousands of units)

Exchange rate (yen/dollar)

Operating Income in North America (billions of yen)

Expansion of Local Production ➔ Stable Growth

2003 production capacity
From 1.25 million units to 1.48 million units
**Expansion of Local Production in Europe (1)**

**Producing Where Demand Exists**

**Expansion of Local Production and Procurement → Cost Reductions**


**France (TMMF):** Increased capacity (150,000 vehicles → 180,000 vehicles, 2003)

**Poland (TMMP):** Manual transmission production commenced (April 2002)

**Turkey (TMMT):** Corolla production, exports to Europe (February 2002)

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**Production volume (Thousands of units)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Local production volume</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1998</td>
<td>50</td>
<td>5</td>
</tr>
<tr>
<td>2000</td>
<td>150</td>
<td>15</td>
</tr>
<tr>
<td>2001</td>
<td>300</td>
<td>30</td>
</tr>
<tr>
<td>2002</td>
<td>350</td>
<td>35</td>
</tr>
</tbody>
</table>

*Proportion of local production = Local production volume / Local unit sales

**2003 production capacity 500,000 units (including Turkey)**
Expansion of Local Production in Europe (2)

Joint Production of New Concept Vehicle with PSA Peugeot-Citroën

Establishment of plant in Czech Rep. (TPCA)
(Production scheduled to begin in 2005)
100,000 Toyota branded vehicles (planned)

Expansion of Polish plant (TMMP) in 2004
Supply engines and transmissions to TPCA

Planned to Introduce Small Entry-Level Passenger Vehicle
Producing Where Demand Exists

Expansion of Production Network in Asia

Japan

Pakistan

India

China

Thailand

Taiwan

Vietnam

Malaysia

Philippines

Singapore

Indonesia
Major Leap Forward in Toyota’s China Operations

Operations in China at present

- Tianjin: Production of compact passenger vehicles (October 2002)
- Sichuan: Production of the Coaster (December 2000)

Expansion by cooperative relationship with FAW

- Medium/large-class luxury sedans: Production of 50,000 units / year (2005)
- SUV: Production of 10,000 to 20,000 units / year (2003)
- Minivehicles: *Production of 100,000 units / year (2003)

*Sold under the Daihatsu brand

By around 2010

Total production and sales of 300,000 to 400,000 units / year
Global Supply Network

Producing Where Demand Exists

Network for vehicles

Network for engine and other components

Production Bases in ASEAN Countries
- Toyota Motor Thailand
- Toyota-Astra Motor (Indonesia)
- Other production bases

Toyota Argentina S.A.

Toyota South Africa Motors
Technology Strategy

Stricter Regulations as a Business Opportunity
Next-Generation Technological Competition as a Business Opportunity

The Oil Crisis and Emission Controls Triggered Growth

Oil Crisis

Emission Controls

Emission Controls (NOx) and Fuel Consumption Regulations (CO2)

United States: LEV, ZEV
Europe: 140g/km
Japan: Fuel economy guideline by 2010

3.0 million units

4.0 million units

5.0 million units

38 times *

Toyota’s Opportunity

Hybrid

FCHV

New Diesel Catalyst (D-CAT)

3.3 times *

* Assuming a production volume of 1 car in 1960

Toyota Group production volume (domestic and overseas)

Global production volume


Stricter Regulations as a Business Opportunity
Increased Sales of Hybrid Vehicles

- Gas turbine HV (1969) 100,000 units
- Crown Mild Hybrid 50,000 units
- Estima Hybrid (4WD) 50,000 units
- Prius 50,000 units

Total 100,000 vehicles by 2001

300,000 units/year by around 2005

Stricter Regulations as a Business Opportunity
Stricter Regulations as a Business Opportunity

Toyota FCHV-4 (1)

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

Limited Marketing in 2002

<table>
<thead>
<tr>
<th>Feature</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum speed</td>
<td>150km/h</td>
</tr>
<tr>
<td>Cruising range</td>
<td>250km</td>
</tr>
<tr>
<td>Fuel cell output</td>
<td>90kw</td>
</tr>
<tr>
<td>Fuel</td>
<td>Pure hydrogen</td>
</tr>
</tbody>
</table>
Stricter Regulations as a Business Opportunity

Toyota FCHV-4 (2)

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

- Power control unit
- Motor
- Air compressor
- TOYOTA FC Stack
- High-pressure hydrogen storage tank
- Secondary battery
- Power control unit
- TOYOTA FC Stack
Stricter Regulations as a Business Opportunity

The Overall Fuel Efficiency of FCHVs

Overall Efficiency “Well-to-Wheel” (%)

- Gasoline engine: 14%
- Gasoline HV: 26%
- High-pressure hydrogen: 22%
- FCV: 29%
- FCHV: 42%

Further improvement in efficiency

Calculations by Toyota
Toyota’s Environmental Technology Development

The Ultimate Eco-Car

Hybrid Technology

Alternative energy

Diesel engine

Gasoline engine

EV & FCV

CNG

Diesel DI

Lean Burn

VVT-i

D-4

EV

THS-M (Crown)

THS-C (Estima)

THS (Prius)

FCHV

Stricter Regulations as a Business Opportunity

Toyota’s Environmental Technology Development

The Ultimate Eco-Car

Hybrid Technology

Alternative energy

Diesel engine

Gasoline engine

EV & FCV

CNG

Diesel DI

Lean Burn

VVT-i

D-4

EV

THS-M (Crown)

THS-C (Estima)

THS (Prius)

FCHV

Stricter Regulations as a Business Opportunity
**Strategy to Encourage Hybrid Popularization and Reduce Costs**

<table>
<thead>
<tr>
<th>Toyota-Nissan Tie Up</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Agreement of ten years or longer</td>
</tr>
<tr>
<td>● Toyota to supply hybrid components (transaxle, battery, inverter)</td>
</tr>
<tr>
<td>● Nissan to install hybrid system in vehicles for U.S. in 2006</td>
</tr>
<tr>
<td>● 100,000 units expected within five year of launch</td>
</tr>
<tr>
<td>● Ongoing discussions of joint development of components</td>
</tr>
</tbody>
</table>
### Innovative Welding Processes

<table>
<thead>
<tr>
<th>Highly flexible</th>
<th>(1 line for 8 models, small-lot to mass production)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment reduction</td>
<td>New facilities: 50% less  Model changes: 70% less (compared with former line)</td>
</tr>
</tbody>
</table>
Innovation into the Future
Innovation into the Future

Motorization on a Global Scale

- Expansion of U.S. market
- Increase in population
- Rapid expansion in Eastern/Central Europe, Russia
- True growth in the Asian market
Innovation into the Future

Recycling and a “Zero-Waste” Society

Development of New Materials and Processing Technology

- Development of environmentally-friendly biodegradable plastic from biomass (manufacture of automotive parts from high-yield sweet potatoes)
- Final technical evaluation and commercialization slated for immediate future

(Indonesia)

Plant-Based Biodegradable Plastic (Bioplastic)
Innovation into the Future

Expansion of ITS
Ubiquitous-Information Society

Car Multimedia
G-BOOK
(Automobile information network service)

Automobiles are equipped with information terminals and transmission modules to enable real-time exchange of information

Plan to launch in October

WiLL VC Concept
Innovation into the Future

Moving toward a Mature Global Society

Personnel Growth at Overseas Subsidiaries

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY1993</td>
<td>109 (16%)</td>
</tr>
<tr>
<td>FY1994</td>
<td>109 (16%)</td>
</tr>
<tr>
<td>FY1995</td>
<td>246 (27%)</td>
</tr>
</tbody>
</table>

Establishment of the Toyota Institute
Training and opportunities for overseas personnel

Number of personnel on a consolidated basis ( ): Percentage of personnel at overseas subsidiaries
Financial Strategy for Long-term Stable Growth
1) Disclosure for a better transparency

Disclose financial statements in accordance with both Japan & US GAAP

2) Conservative accounting

Implementation of rigorous standards (for valuation of marketable securities and inventories)

No impaired assets remain on balance sheet
### Financial Strategy for Long-term Stable Growth

#### Changing in Japan’s Accounting Standards

Adopted these changes to our accounting system in advance

<table>
<thead>
<tr>
<th>Principal changes</th>
<th>Systemic changes</th>
<th>Implemented by Toyota</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Interim consolidated results</td>
<td>00/9 -</td>
<td>98/9 -</td>
</tr>
<tr>
<td>2) Strengthened consolidated accounting</td>
<td>00/3 -</td>
<td>99/9 -</td>
</tr>
<tr>
<td>(introduction of criteria for actual corporate control*)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Tax effect accounting</td>
<td>00/3 -</td>
<td>99/9 -</td>
</tr>
<tr>
<td>4) Accounting for retirement benefits</td>
<td>00/9 -</td>
<td>00/9 -</td>
</tr>
<tr>
<td>5) Accounting for financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial instruments</td>
<td>00/9 -</td>
<td>00/9 -</td>
</tr>
<tr>
<td>Cross-holding of shares, etc.</td>
<td>01/9 -</td>
<td>00/9 -</td>
</tr>
</tbody>
</table>

*SPE (disqualified): Application of actual control criteria (no 3% rule)
Overview of Fiscal 2002
Consolidated Business Performance

(Billions of yen)

Operating Income
Net Income before taxes
Net Income

(Trillions of yen)

Overview of Fiscal 2002
Consolidated Business Performance

Financial Strategy for Long-term Stable Growth

Income

Operating Income
Net Income before taxes
Net Income

Net Sales

(US-GAAP) (Japan-GAAP)
FY2001

13.1
1,107
13.4
870
15.1
1,123

Net Sales

(Trillions of yen)

0
500
1,000
1,500

0
5
10
15

Net sales

(US-GAAP) (Japan-GAAP)
FY2002

14.3
1,093

Net Sales

870
864
615
556

US-GAAP
Japan-GAAP

Net Sales
Overview of 1Q of Fiscal 2003
Consolidated Business Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>297</td>
<td>394</td>
</tr>
<tr>
<td>Net Income before taxes</td>
<td>291</td>
<td>352</td>
</tr>
<tr>
<td>Net Income</td>
<td>162</td>
<td>613</td>
</tr>
</tbody>
</table>

This includes ¥187 billion gains due to return of substituted portion of employee pension fund.

Note: Based on standard for interim financial statement
## Long-Term Financial Targets

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income Ratio</th>
<th>Unit Sales on Consolidated Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY1999</td>
<td>5.8%</td>
<td>4,695</td>
</tr>
<tr>
<td>FY2000</td>
<td>6.3%</td>
<td>5,182</td>
</tr>
<tr>
<td>FY2001</td>
<td>6.8%</td>
<td>5,527</td>
</tr>
<tr>
<td>FY2002</td>
<td>8.5%</td>
<td>5,785</td>
</tr>
<tr>
<td>FY2003/1Q</td>
<td>12.7%</td>
<td>6,110 (Projection)</td>
</tr>
</tbody>
</table>

*Target of operating income ratio: 10% (Target of ROE: 10%)

Excluding effect due to return of substituted portion of employee pension fund

*(Japan GAAP)*
Continuing Efforts to Reduce Costs

Eliminate Waste

(Billions of yen)

Results of cost reduction efforts

Financial Strategy for Long-term Stable Growth
Financial Strategy for Long-term Stable Growth

Platform Integration

11 platforms now in use
Reduce to 6 platforms

(Production platforms for passenger vehicles)
Financial Strategy for Long-term Stable Growth

Financial Business

Global Sales Finance Network

Existing bases

Planned 2002 bases

Future expansion to bases in 30 countries

Operating income

(Billions of yen)

Operating income


Existing bases 22
Planned 2002 bases 2
Financial Strategy for Long-term Stable Growth

Cash Flow Management

Efficient Use of Capital ➔ Long-term Stable Growth & Increasing Shareholders’ Value

Image of Fiscal 2002 Consolidated Cash Flows

(Billions of yen)

- Net income: 615
- R&D: 592
- Depreciation: 699
- Capital investment: 940
- 374

*Japan GAAP
Shareholder’s Return

Dividends Payout: Increasing Steadily (¥14.5 per share to ¥28 per share)
Accumulative Value of Shares Canceled: ¥922 Billion

*(Annual dividends + Shares canceled) / Net income (On non-consolidated, Japan GAAP basis)*

Note: 1. Figures for FY95 only reflect 9-months result to reflect the change in fiscal year-end.
Note: 2. Amount of shares canceled decreased in FY2000 due to various legal constraints relating to Toyota’s listing on NYSE and LSE.
Note: 3. Figure of shares canceled in FY2002 includes ¥143 billion of shares repurchased during FY2002, and canceled during FY2003.
Share Repurchase

Authorized Amount of Repurchase

Up to ¥600 billion
Up to 170 million shares

(Between Annual General Shareholders’ Meetings 2002 and 2003)
Update on Current Toyota’s Share Ownership

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Held in trust accounts</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>Banks</td>
<td>34%</td>
<td>19%</td>
</tr>
<tr>
<td>Life and non-life insurance companies</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Corporations, etc.</td>
<td>21%</td>
<td>19%</td>
</tr>
<tr>
<td>Foreign investors</td>
<td>10%</td>
<td>16%</td>
</tr>
<tr>
<td>Individual investors</td>
<td>7%</td>
<td>9%</td>
</tr>
</tbody>
</table>

- 55% Financial institutions
- 1% treasury stock

Financial Strategy for Long-term Stable Growth
Long-Term Stable Growth in Share Value

Total Market Value of Toyota Shares in Tokyo Stock Exchange Market Cap
Rose from 1.4% in 1991 to 4.4% in 2002

\[
\text{Market value of Toyota Shares} = \frac{\%}{\text{Aggregate market value of TSE}}
\]

Changes in aggregate market value

*Calculated at the end of each fiscal year, assigning fiscal 1991 as factor of 100

Financial Strategy for Long-term Stable Growth
Basic Statement of Toyota Style Governance

Toyota Way

Focus on Shareholders

Harmonious Growth

CS No.1

Long-term Stable Growth

Management Efficient Operation

Effective Strategy for Long-term Stable Growth

Employees

Creditors

Community

Suppliers

Dealers

Shareholders

Customers
Prompt Decision Making and Intensive Risk Management

Higher Transparency Reviewed by “Many People”

- NYSE, LSE Listing (SEC Disclosure)
- International Advisory Board
- Labor-Management Council/Forum
- Internal Audit
- Corporate Ethics Committee
- Social Contribution Committee
- Stock Option Committee
- Monitor
- Decision-making
  - EVP and above
  - Execution
    - Senior managing director and below
- Toyota Way

Internal insider-trading regulations:
- 24-hour rules, Rules for trading Toyota shares
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