

Toyota's Global Strategy

Attaining global growth and improved efficiency



Toyota Motor Corporation
September 12, 2003

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This presentation contains forward-looking statements that reflect Toyota's plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause Toyota's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. These factors include: (i) changes in economic conditions affecting, and the competitive environment in, the automotive markets in Japan, North America, Europe and other markets in which Toyota operates; (ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro and the British pound; (iii) Toyota's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management; (iv) changes in the laws, regulations and government policies affecting Toyota's automotive operations, particularly laws, regulations and policies relating to environmental protection, vehicle emissions, vehicle fuel economy and vehicle safety, as well as changes in laws, regulations and government policies affecting Toyota's other operations, including the outcome of future litigation and other legal proceedings; (v) political instability in the markets in which Toyota operates; (vi) Toyota's ability to timely develop and achieve market acceptance of new products; and (vii) fuel shortages or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to, or difficulties in, the employment of labor in the major markets where Toyota purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold. A discussion of these and other factors which may affect Toyota's actual results, performance, achievements or financial position is contained in the "Operating and Financial Review and Prospects" and "Information on the Company" sections and elsewhere in Toyota's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission.

Ryuji Araki

Executive Vice President
Toyota Motor Corporation

Agenda

Part I TOYOTA NOW
Global Manufacturing and Marketing in 2002

Part II TOYOTA NEXT

- a. Sales Strategy – Regional Strategies:
North America, Europe, Asia, China, and Japan**
- b. Building Global Development and Optimum
Production Systems**
- c. Future Growth through Market Creation**

Part III Financial Strategy

Part IV Technology Strategy

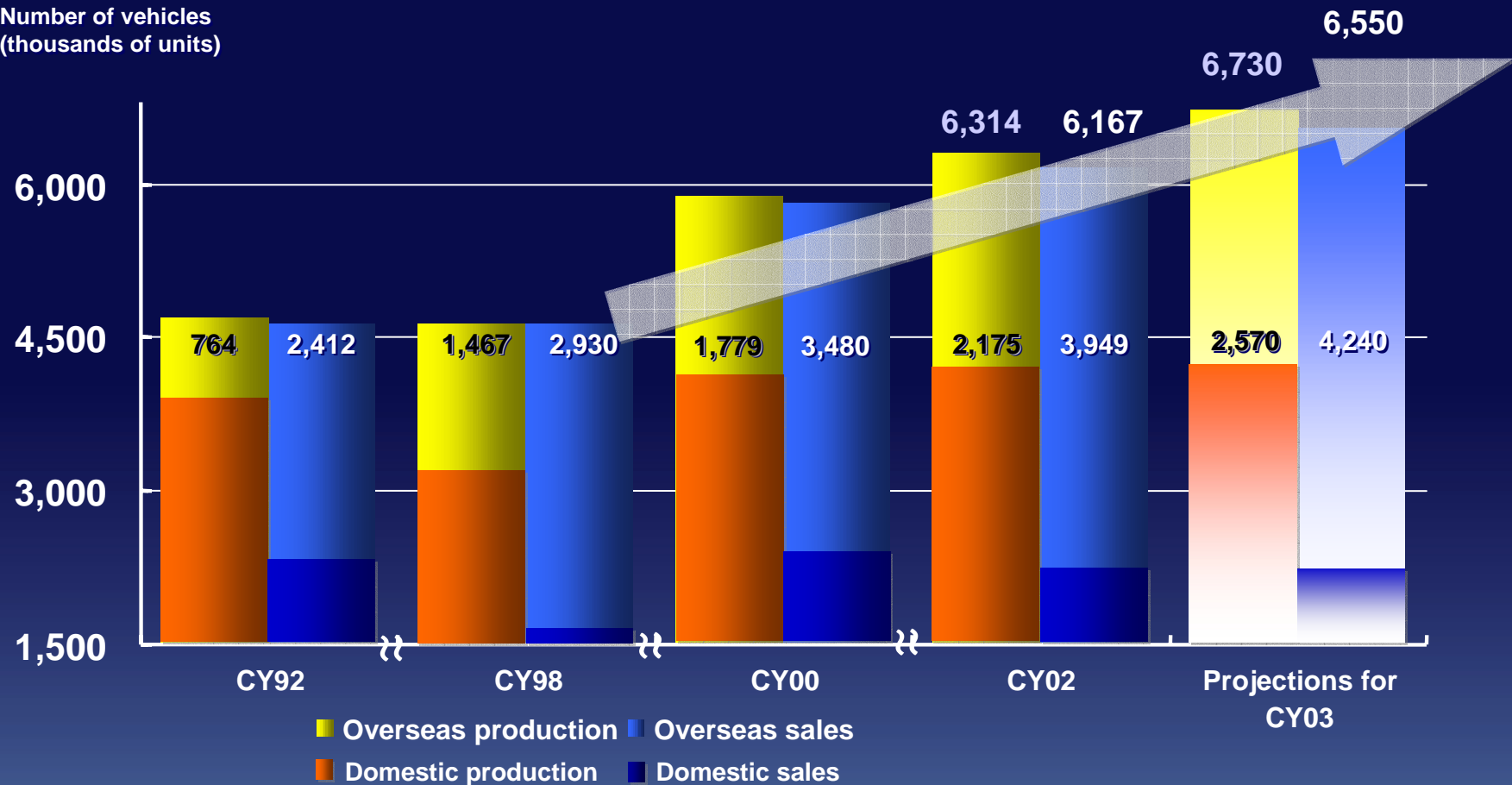
A world map is centered on the slide, rendered in a light blue color against a dark blue background. The map shows the outlines of all continents. Overlaid on the map is a white rectangular box containing the text 'Part I TOYOTA NOW'.

Part I TOYOTA NOW

Global Manufacturing and Marketing in 2002

Production and Sales

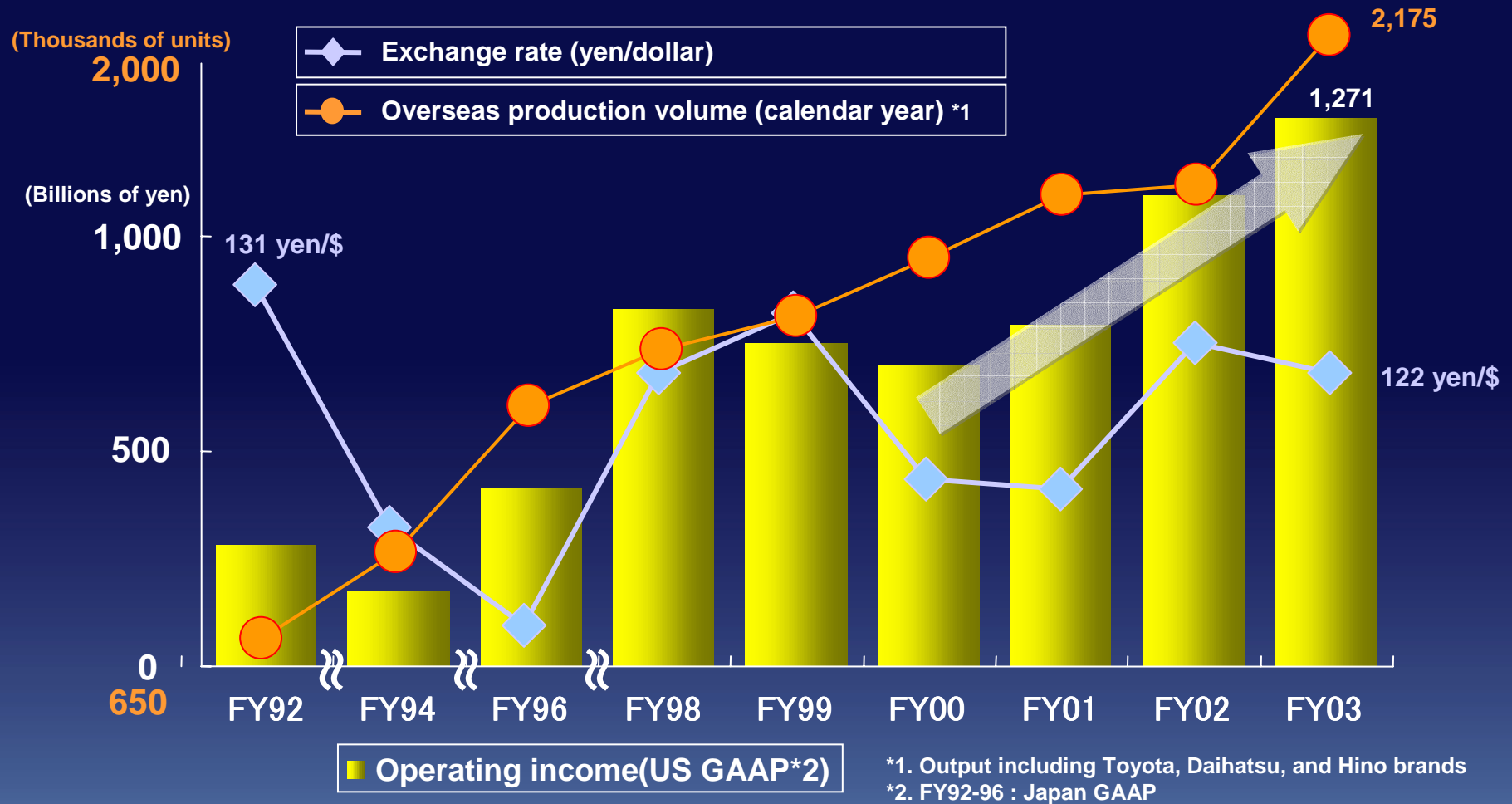
Number of vehicles
(thousands of units)



* Total units including Toyota/Lexus, Daihatsu, and Hino brands

Global Manufacturing and Marketing in 2002

Overseas Production and Operating Income



A world map is centered on the slide, rendered in a light blue color against a dark blue background. The map shows the outlines of all continents. Overlaid on the map is a white rectangular box containing the text 'Part II TOYOTA NEXT'. Below this box, the text 'Attaining global growth and improved efficiency' is written in white. At the bottom left of the slide is the Toyota logo, and at the bottom right is the number '8'.

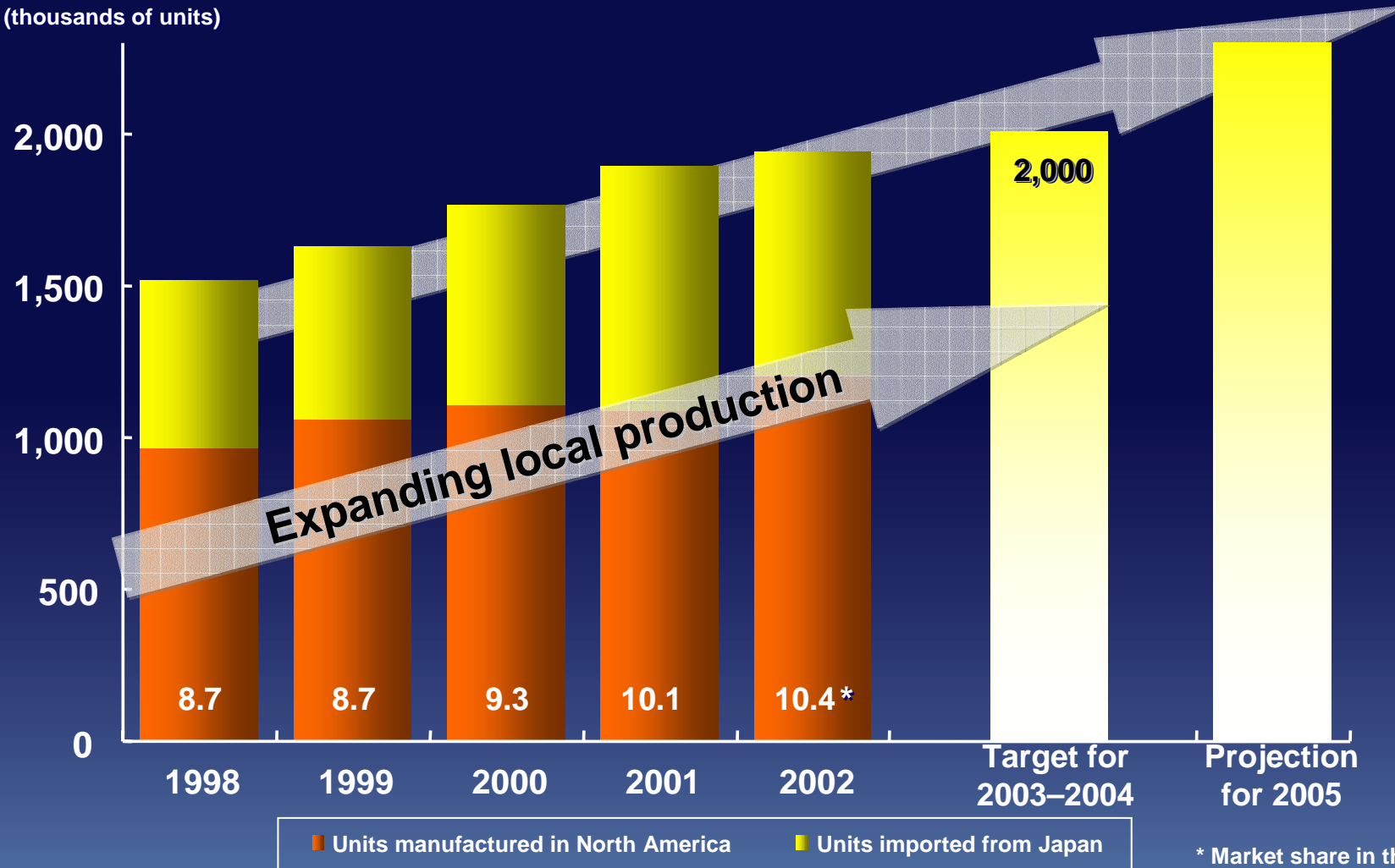
Part II TOYOTA NEXT

Attaining global growth and improved efficiency

a. Sales Strategy: North America

Steadily expanding sales towards the 2 million target

Number of vehicles
(thousands of units)



a. Sales Strategy: North America

Creating markets through new product launches

The U.S. market :

Number of vehicles
(millions of units)



TOYOTA

a. Sales Strategy: Europe

Achieving 800 thousand sales target ahead of time

Renewal of strategic core models completed

European core models



Number of vehicles
(thousands of units)

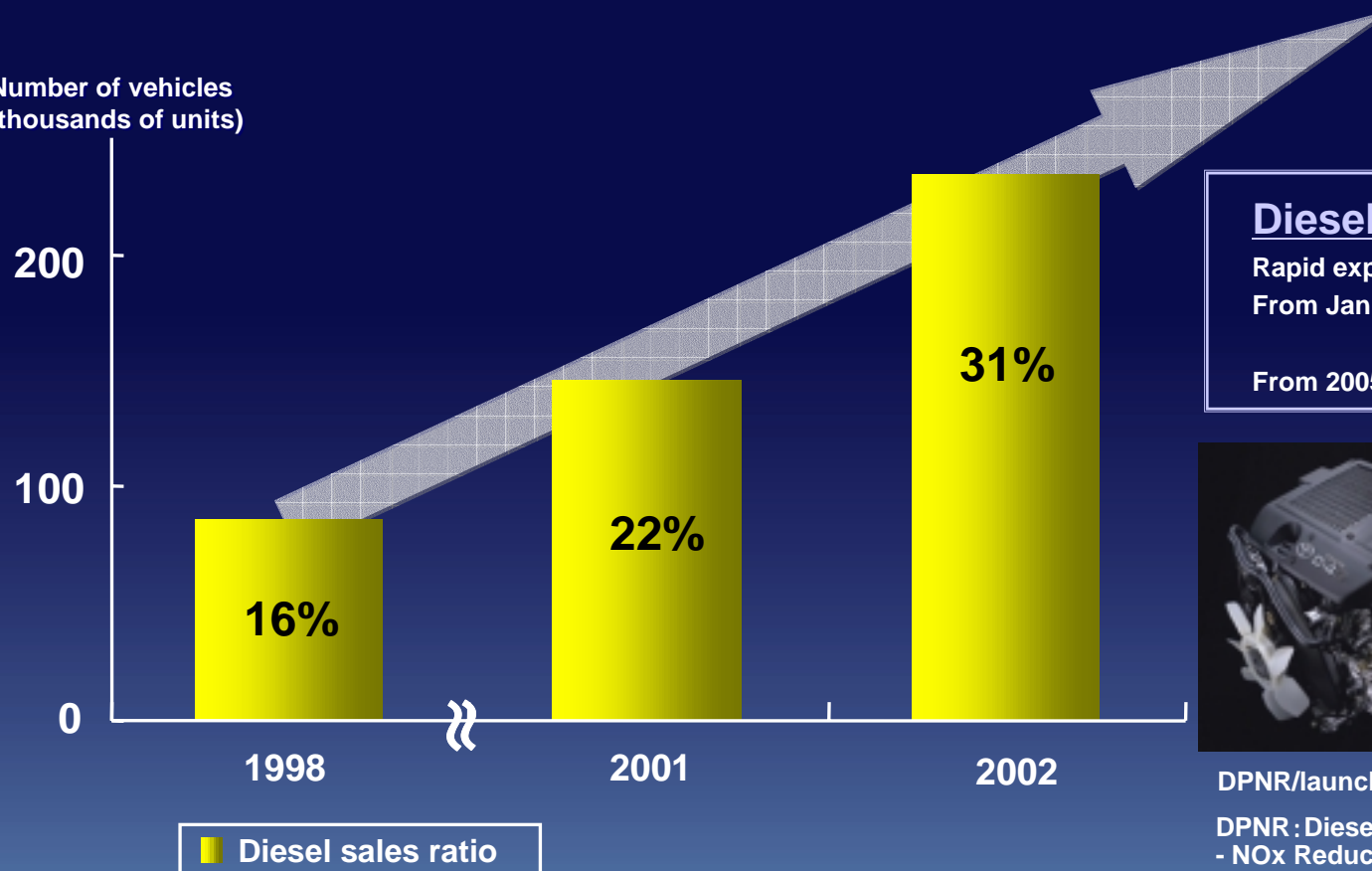


a. Sales Strategy: Europe

Improve products (diesel-powered vehicles)

- Expanding lineup for diesel-powered vehicles
- Expanding local production of diesel engines
- DPNR launch

Number of vehicles
(thousands of units)



Diesel Engines

Rapid expansion of local production
From Jan.03: TMUK 50,000 units
TMMF 30,000 units
From 2005: Poland 150,000 units



DPNR/launch in 2003

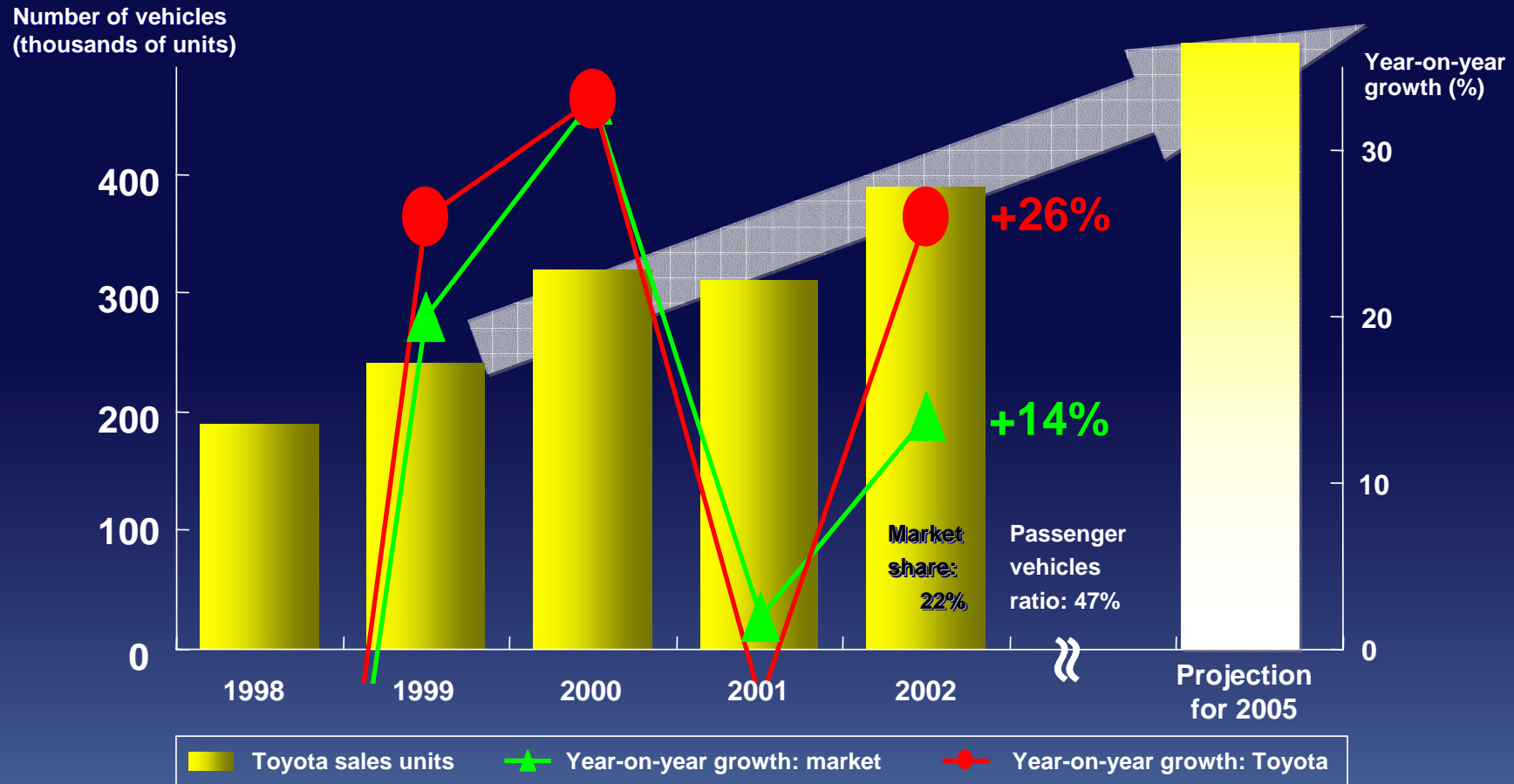
DPNR: Diesel Particulate
- NOx Reduction system



a. Sales Strategy: Asia

Establish a solid position as a top-brand in major markets

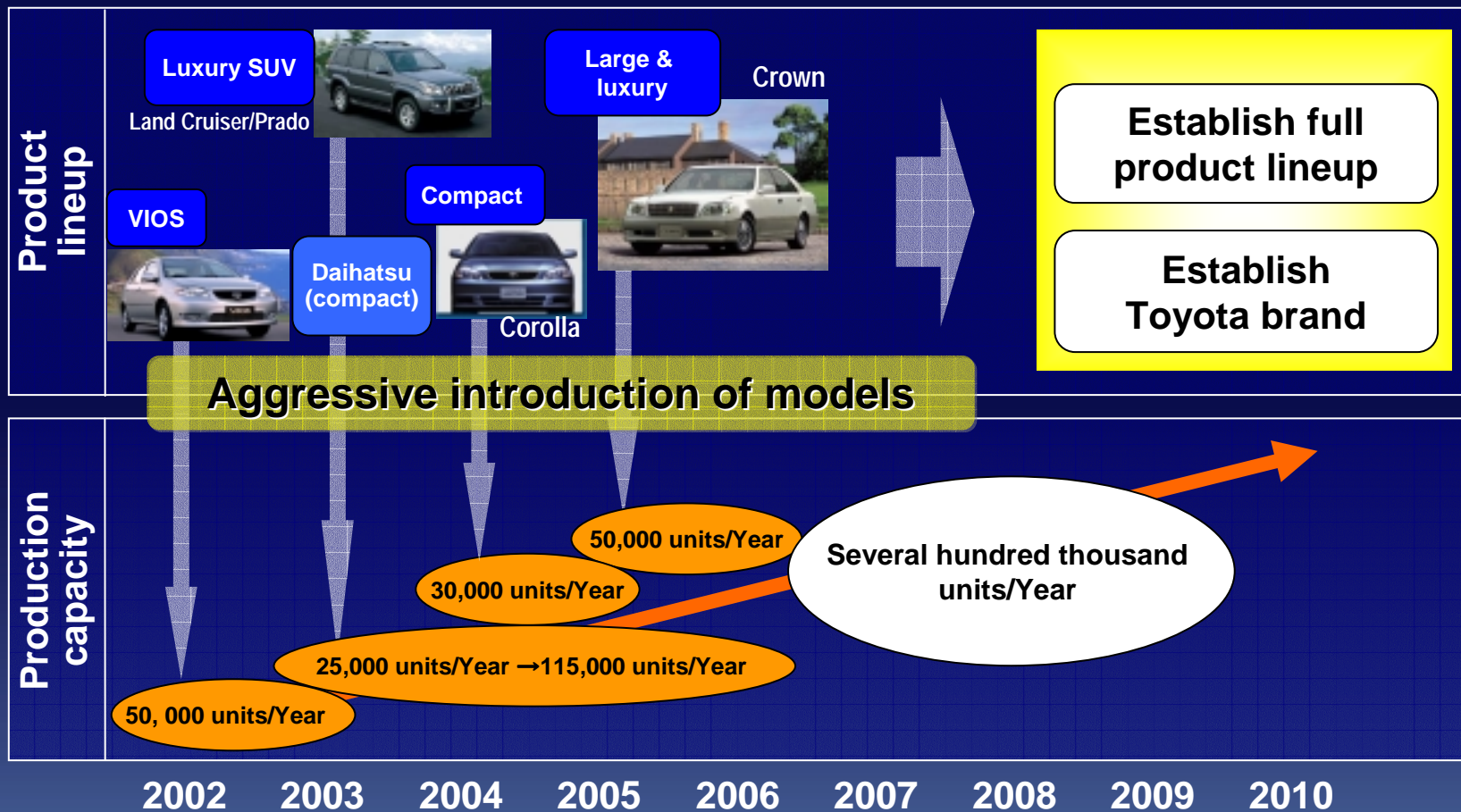
→ Expand faster than the market



* excluding China

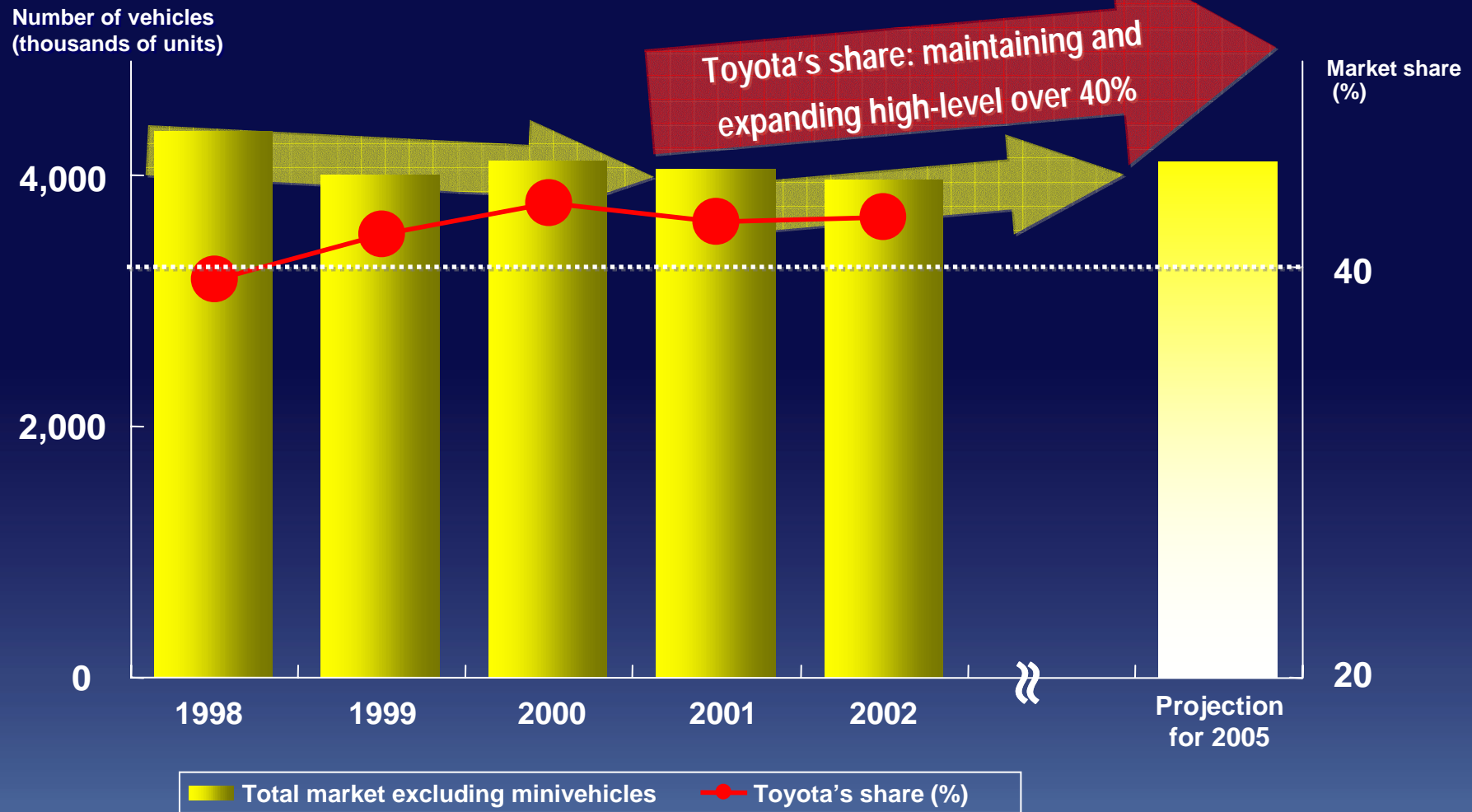
a. Sales Strategy: China

Manufacturing and marketing to be strengthened in response to market growth



a. Sales Strategy: Japan

Domestic market and Toyota sales



a. Sales Strategy: Japan

Toyota Sales by Category (excluding minivehicles)

Toyota's share (overall) :



a. Sales Strategy: Japan

Reorganization of sales channel and Lexus introduction

- Lexus brand: New introduction
- Toyota brand: 5 → 4 channels



b. Building Global Development and Optimum Production Systems

Pursue optimum product lineups by region

Core models



Tacoma



Avensis



Hilux



Previa/Estima

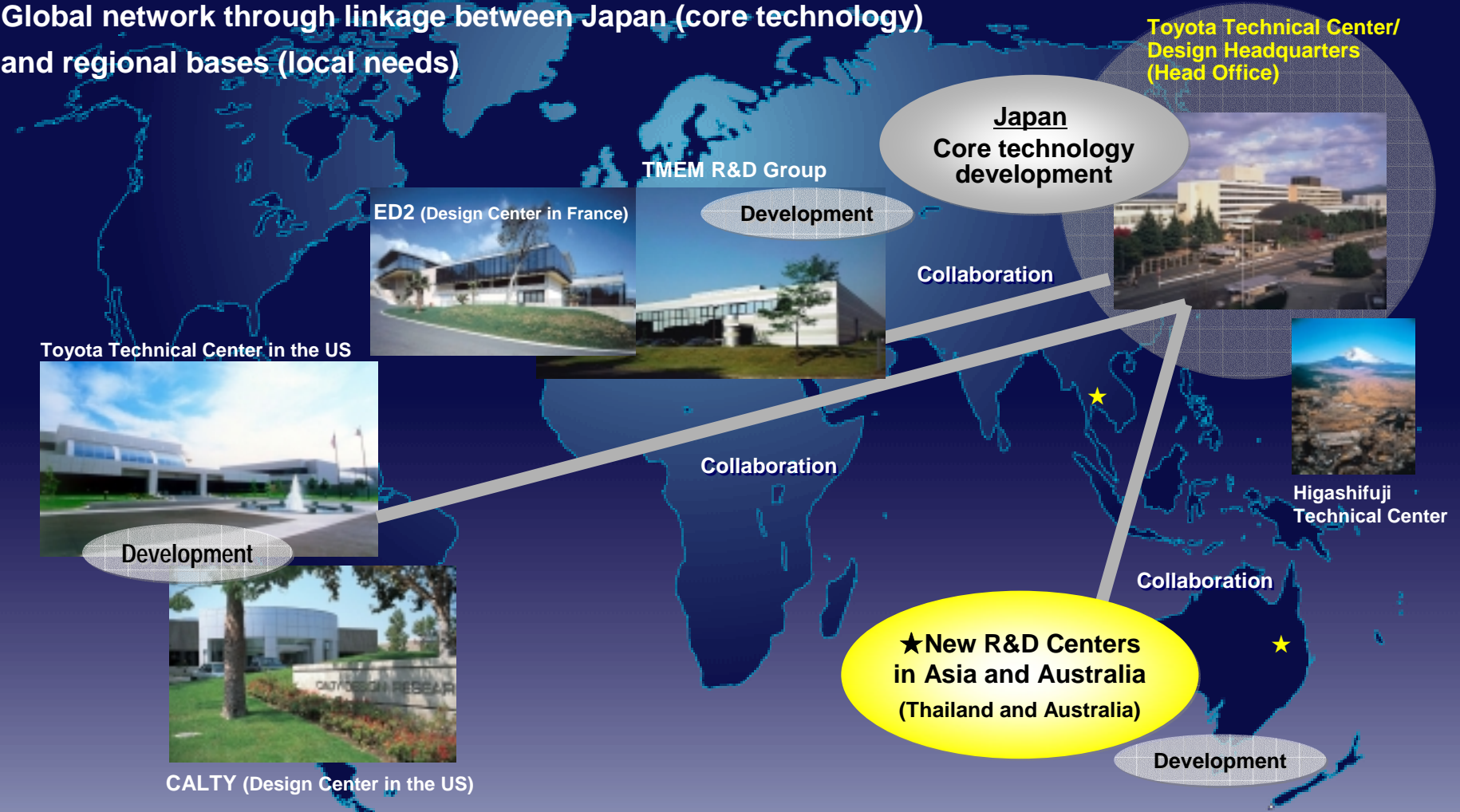


Region-specific models

b. Building Global Development and Optimum Production Systems

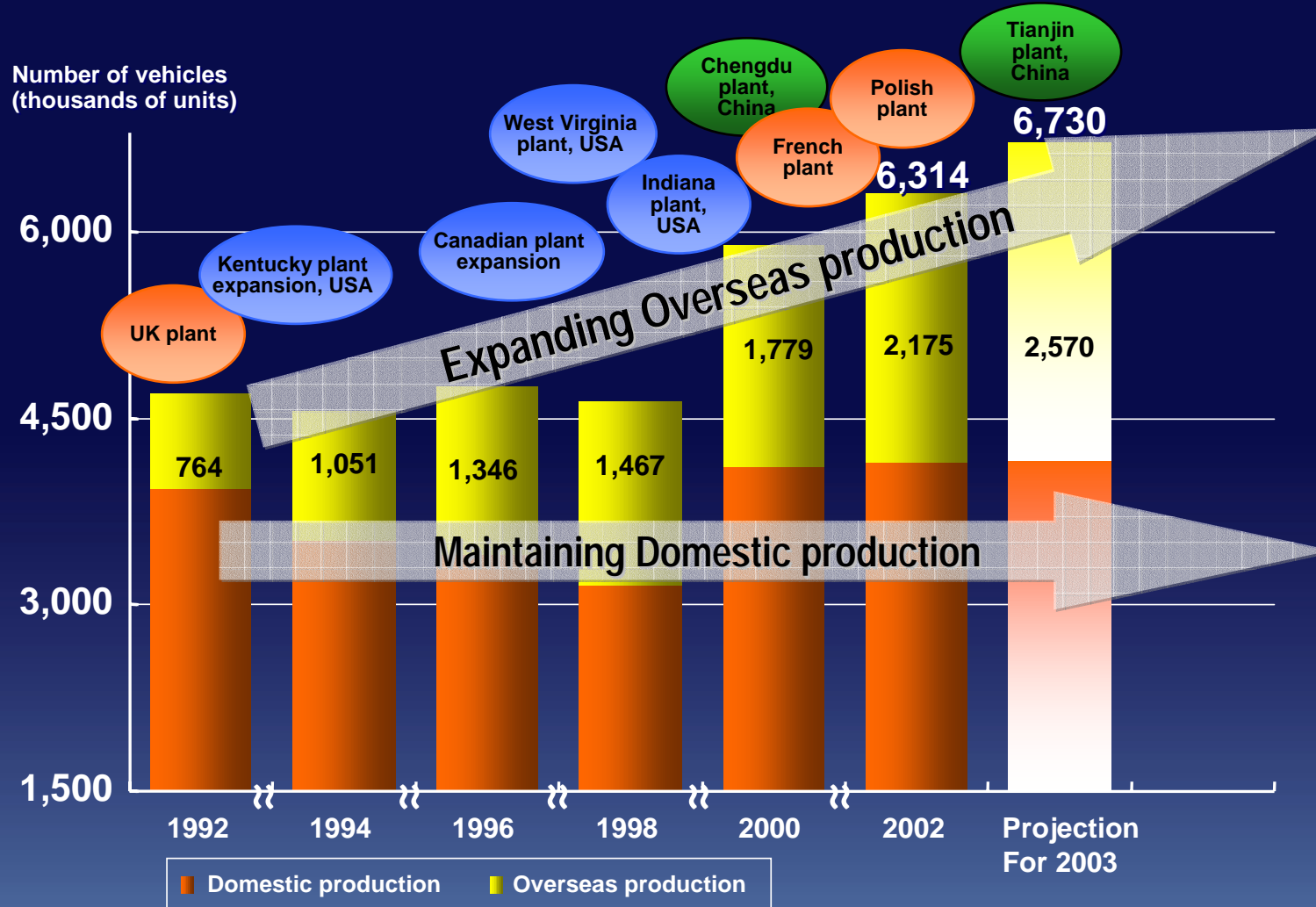
Research and development system:

Global network through linkage between Japan (core technology) and regional bases (local needs)



b. Building Global Development and Optimum Production Systems

Domestic/overseas outputs



* Total output including Toyota/Lexus, Daihatsu and Hino brands



b. Building Global Development and Optimum Production Systems

Strengthen production in major regions



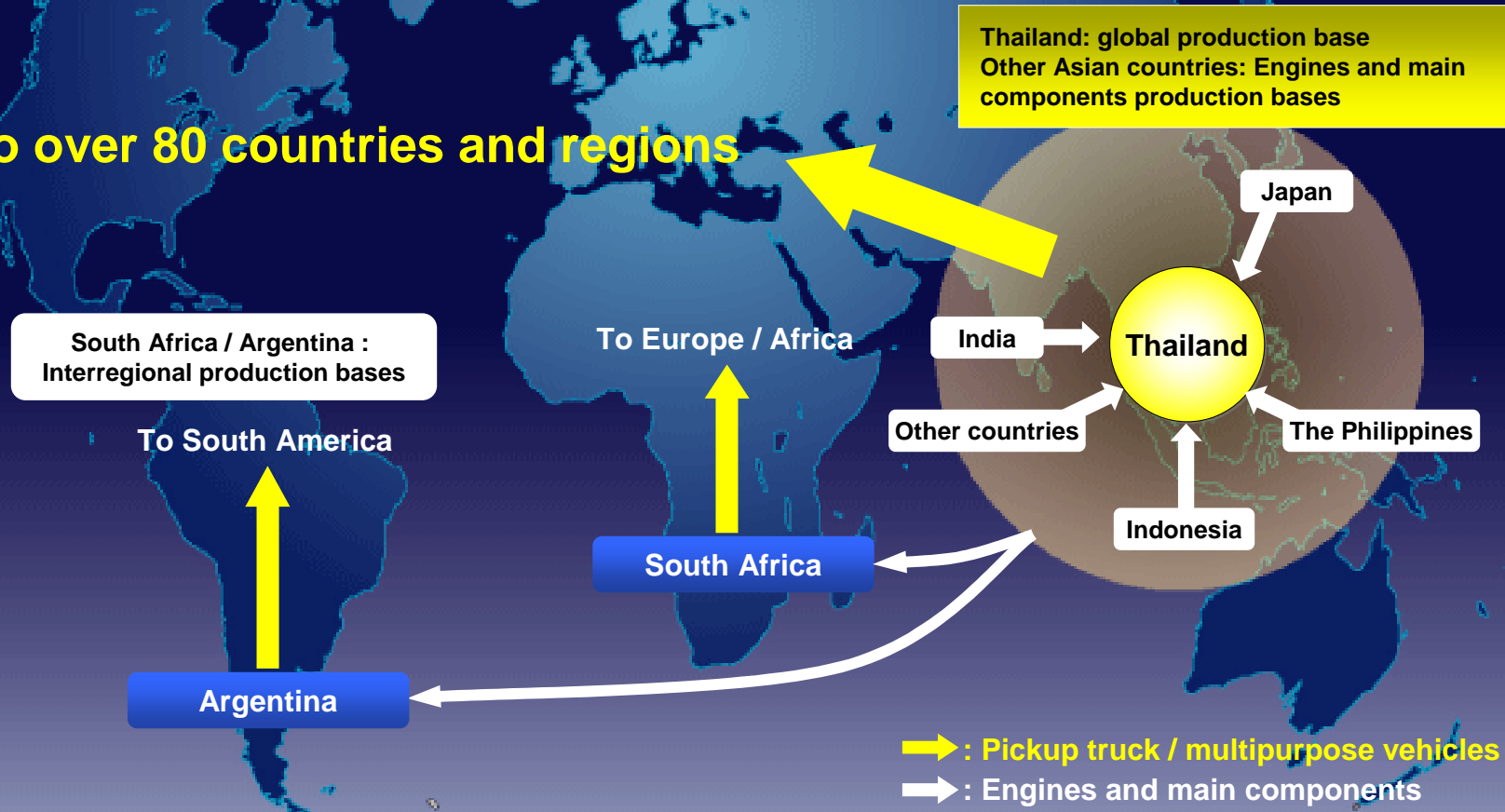
b. Building Global Development and Optimum Production Systems

IMV Project (from 2004)

A network base for manufacturing and export of pickup trucks and multipurpose vehicles.

➔ Consolidating production output on a global scale and creating a mutual supply network

To over 80 countries and regions



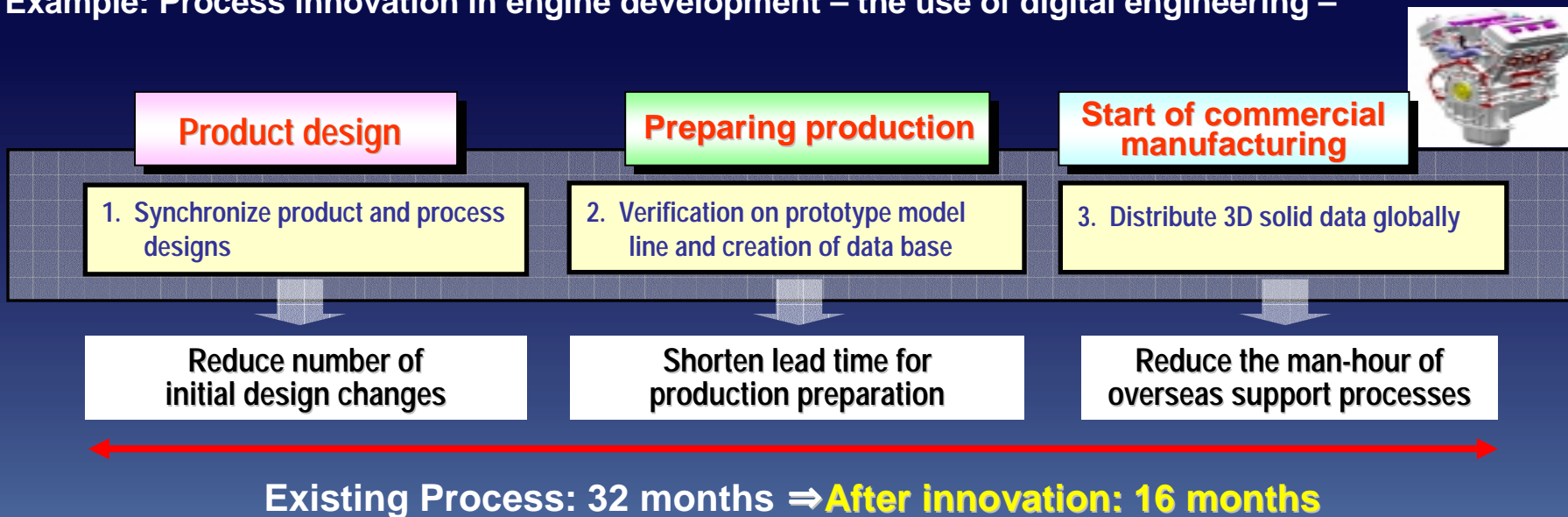
b. Building Global Development and Optimum Production Systems

UMR activity (Unit and Material Manufacturing Reform)

Attain “cost reductions,” “quality improvement” & global deployment through standardization and simplification



Example: Process innovation in engine development – the use of digital engineering –



c. Future Growth through Market Creation

Global-scale motorization



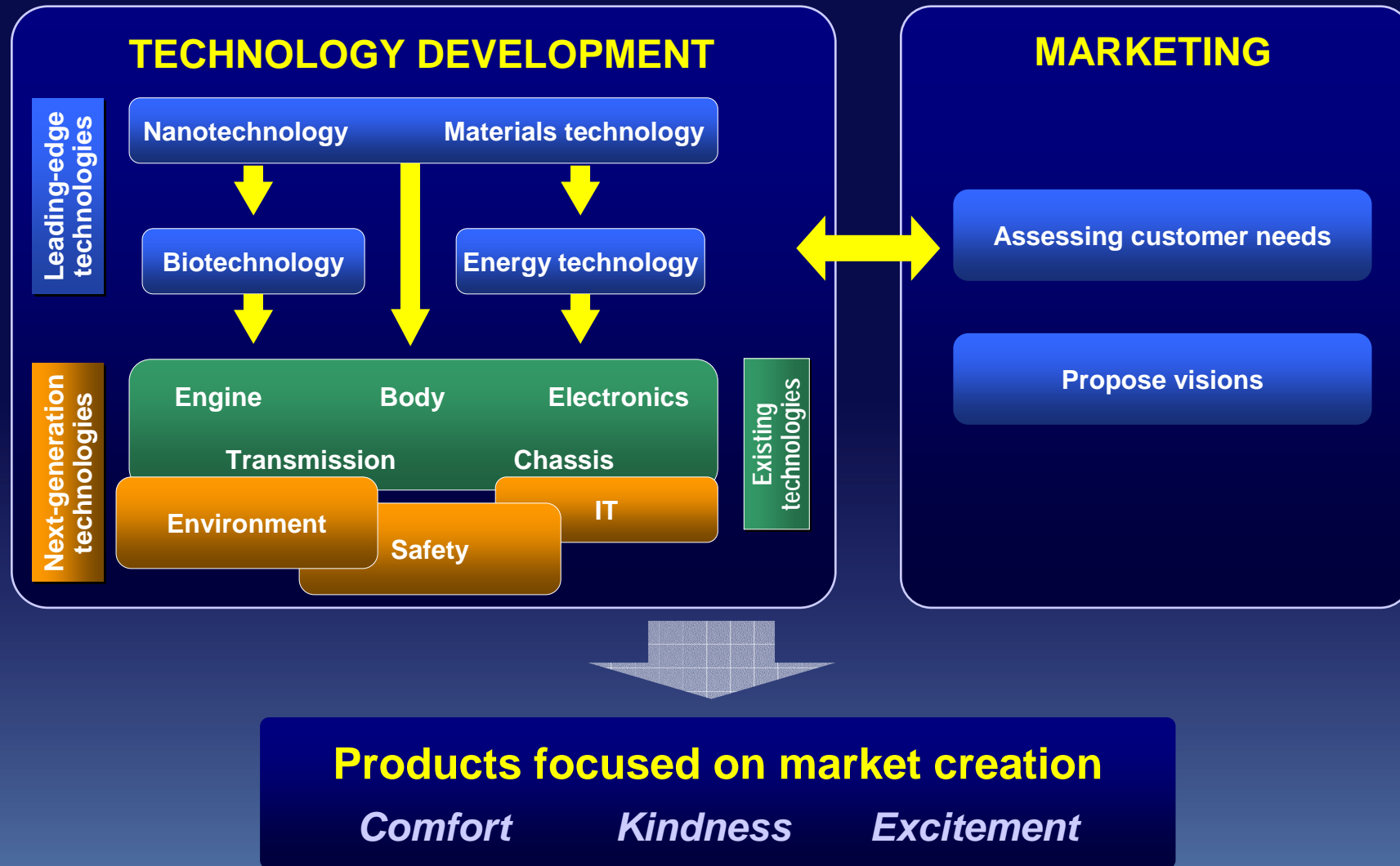
The U.S. market expansion
Growing population

Advances in
the Eastern &
Central European and
Russian markets

Strong growth
of Asian markets

The automobile industry still holds
great growth potential

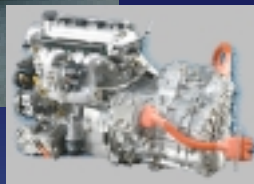
c. Future Growth through Market Creation



c. Future Growth through Market Creation

Next-generation technology development : Environment

Next-generation Prius and Next-generation hybrid system



**Achieve both superior
environmental and driving
performance**



Fuel cell hybrid vehicle Toyota FCHV

(limited marketing launched since December 2002)

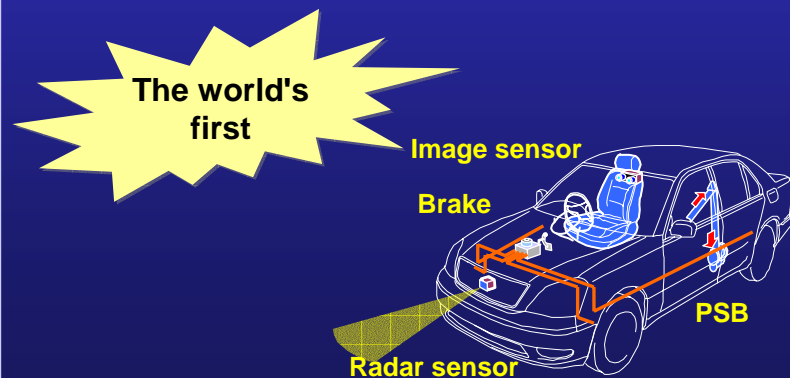
c. Future Growth through Market Creation

Next-generation technology development : Safety

➔ Improvement of real safety performance

Passive Safety

- Earning Euro NCAP 5★ (New Avensis)
- Addressing various types of crash situations
- Use of peripheral monitoring technology
Radar /PreCrash safety system
(commercialized in Japan in February 2003)

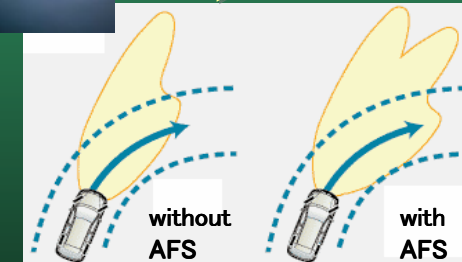


Active Safety

- Field of vision assistance
- Intelligent AFS*, etc.



The world's first



- Autonomy driving support
VSC, Navigation/Telematic etc.
- Network driving support

* AFS: Adaptive Front-lighting System

c. Future Growth through Market Creation



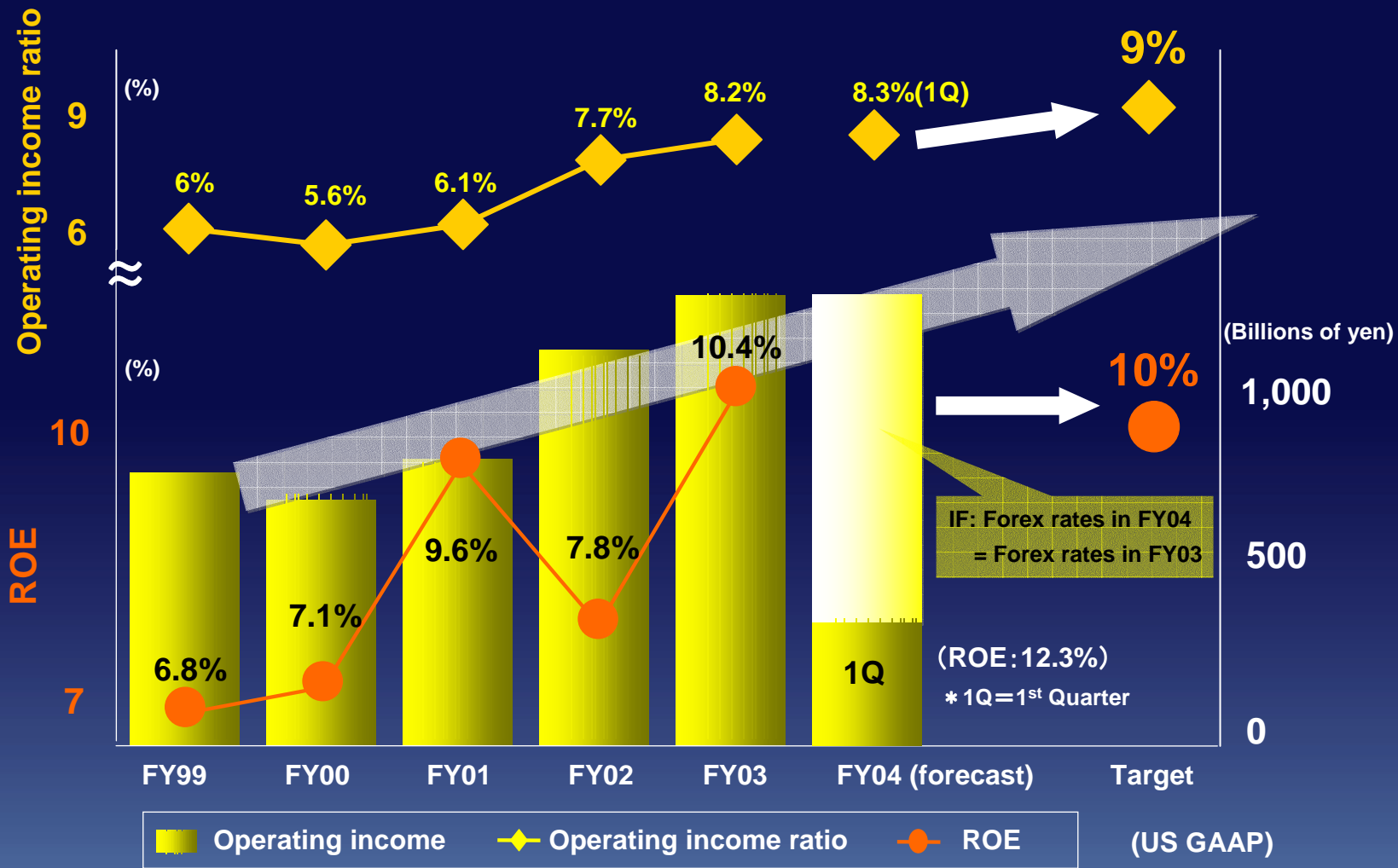
A world map is centered on the slide, rendered in a light blue color against a dark blue background. The map shows the outlines of all continents. Overlaid on the map is a white-bordered box containing the main title and subtitle.

Part III Financial Strategy

Towards a long-term, stable growth

Profit Earnings and Efficiency

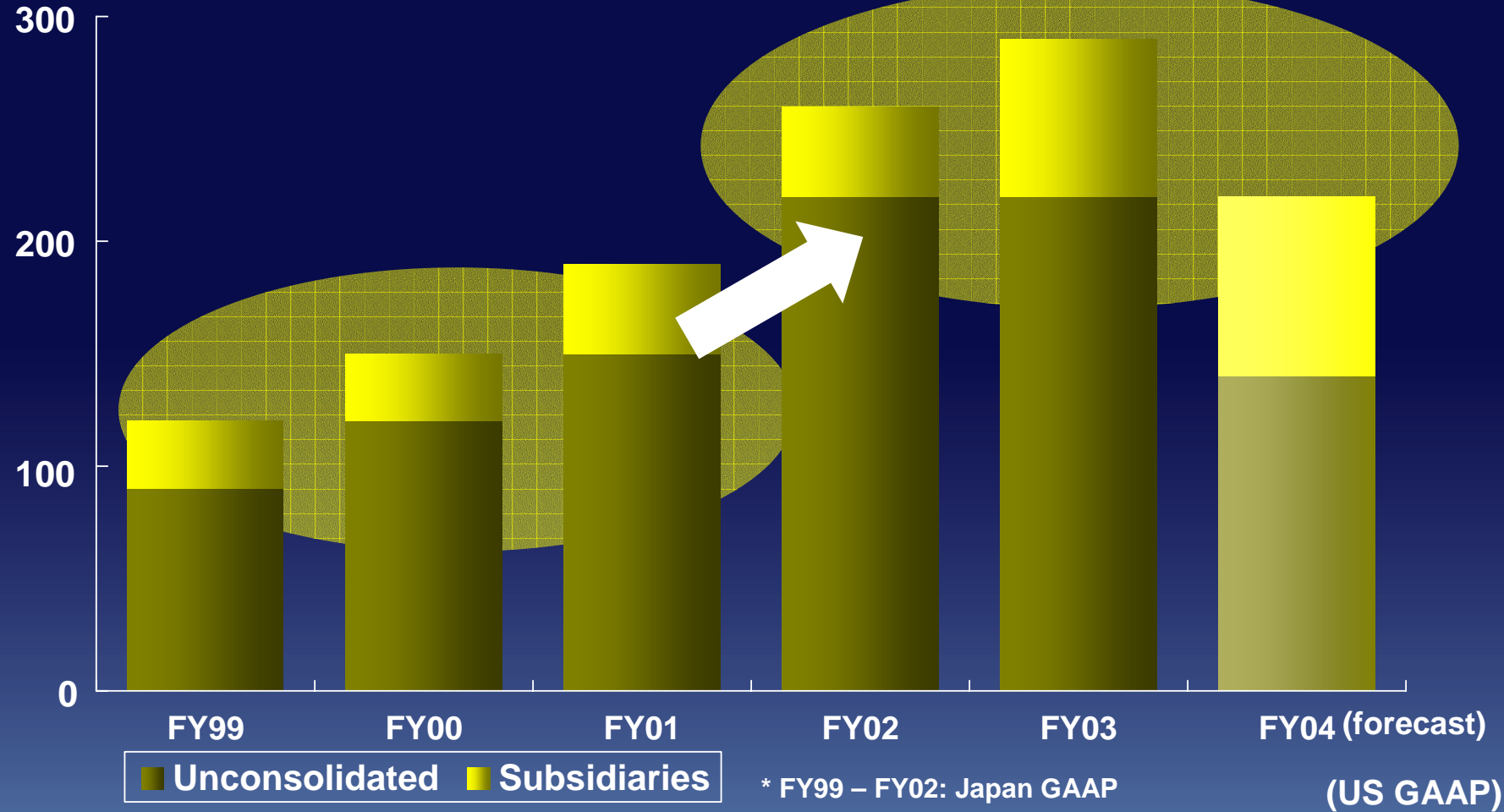
Growth and targets in operating income ratio & ROE



Cost Reduction

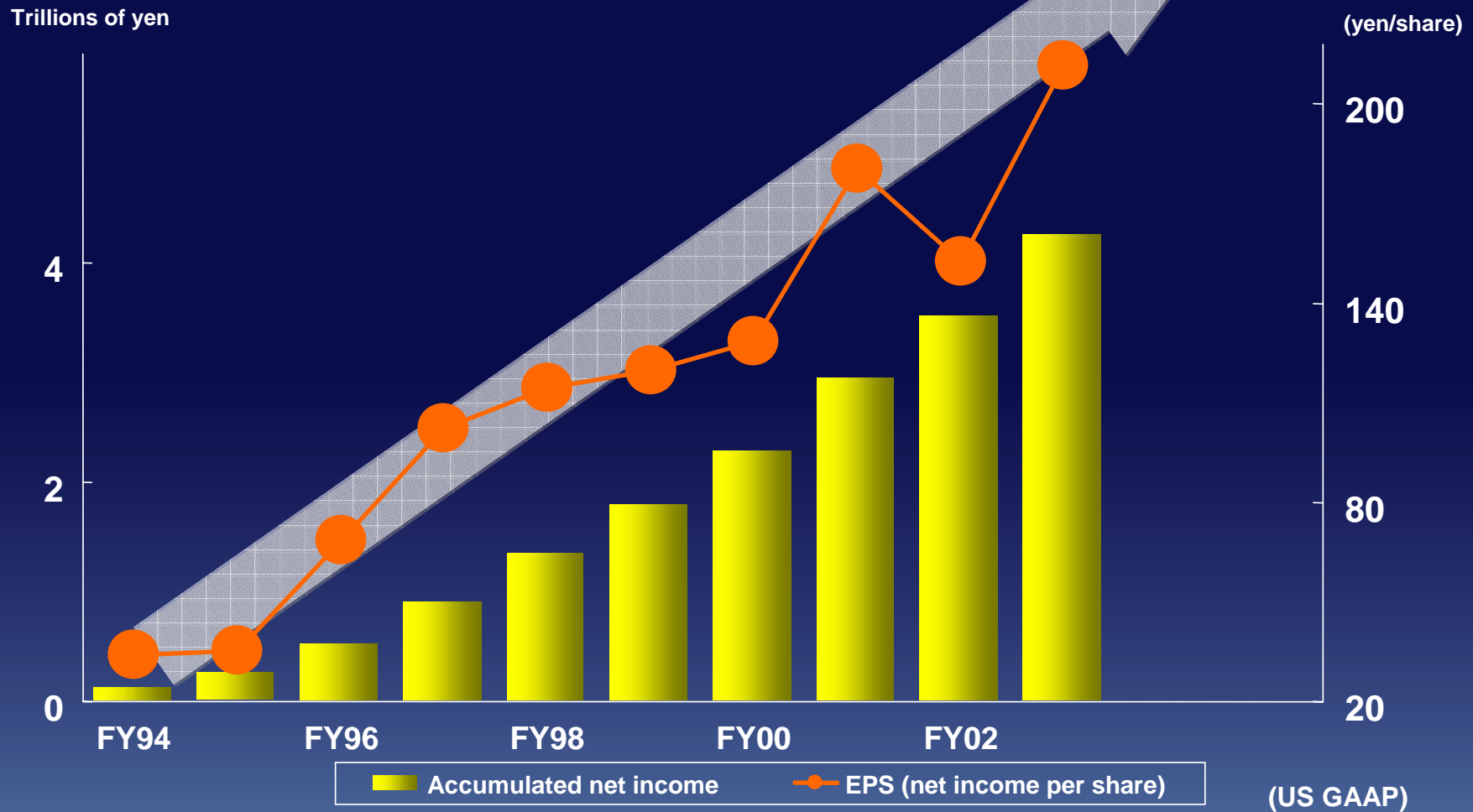
Enhanced cost reduction effects

Billions of yen



Long-term, Stable Growth

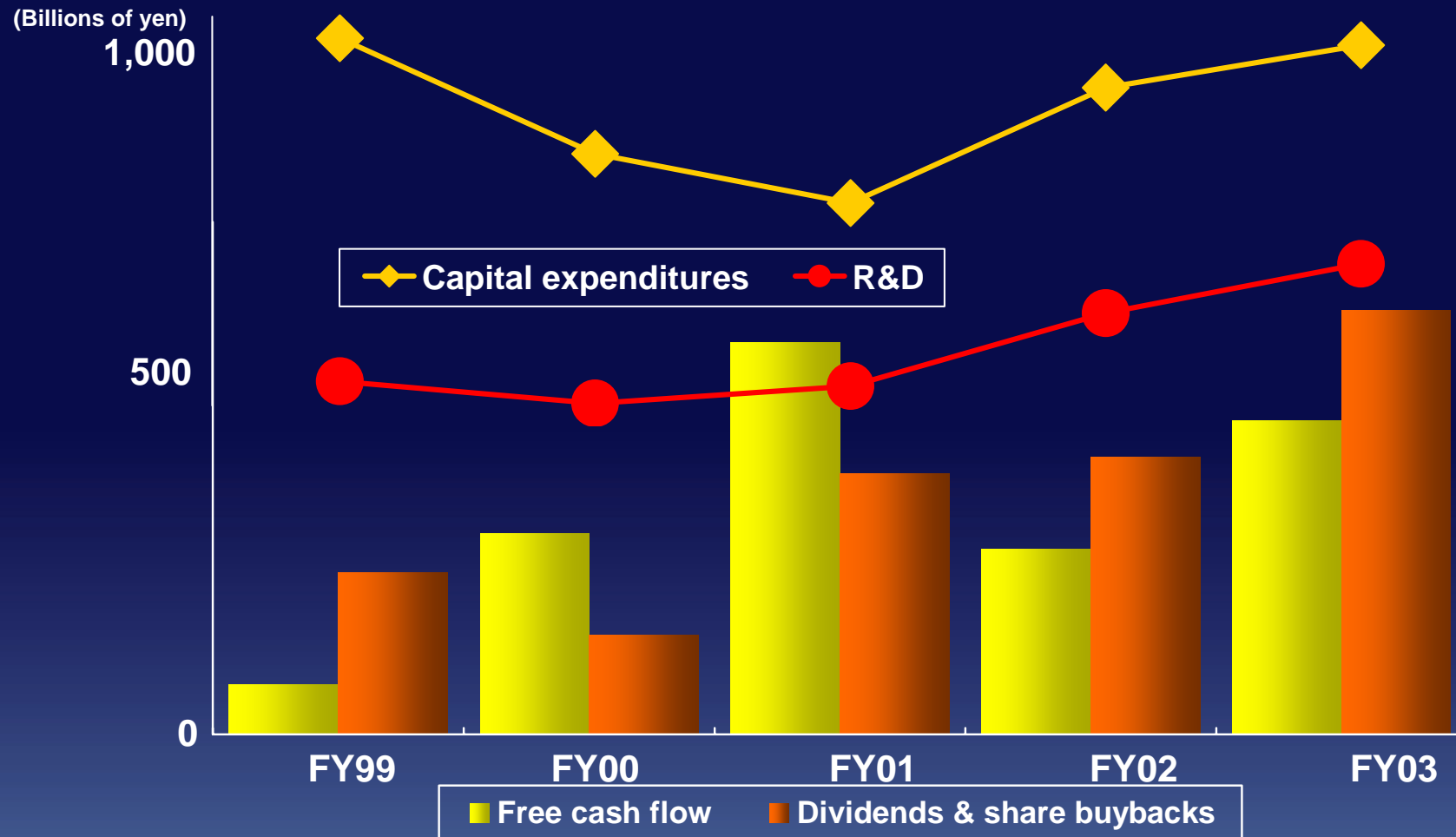
Accumulated net income and growth in EPS



* FY94 – FY97: Japan GAAP

Dividend Payments & Share Buybacks

Free cash flow allocated to dividend payments and share buybacks



*1. Free cash flow = Current net income + Depreciation costs - Capital expenditures

See Annex I for a reconciliation of free cash flow to net cash provided by operating activity

*2. R&D Expenses for FY99 – FY02: JAPAN GAAP

(US GAAP)

Change in Share Ownership

Shareholdings
by banks



VS



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

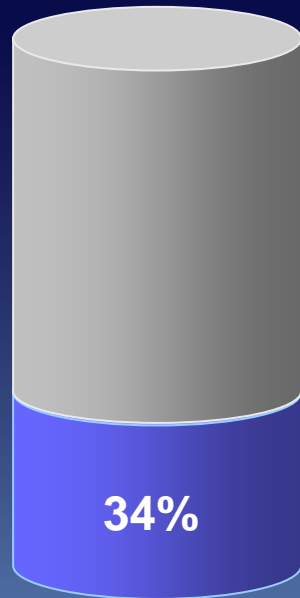


Increase in individual shareholders
(reduction in stock unit in August 2000)

[Sept. 30, 1999]

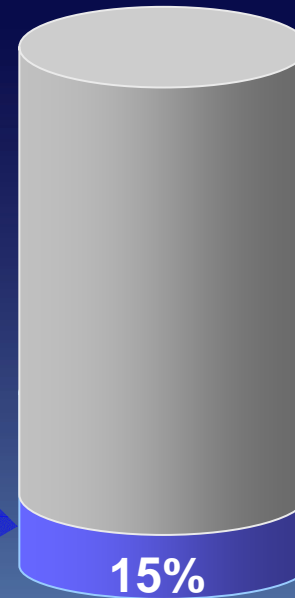
[March 31, 2003]

Banks



34%

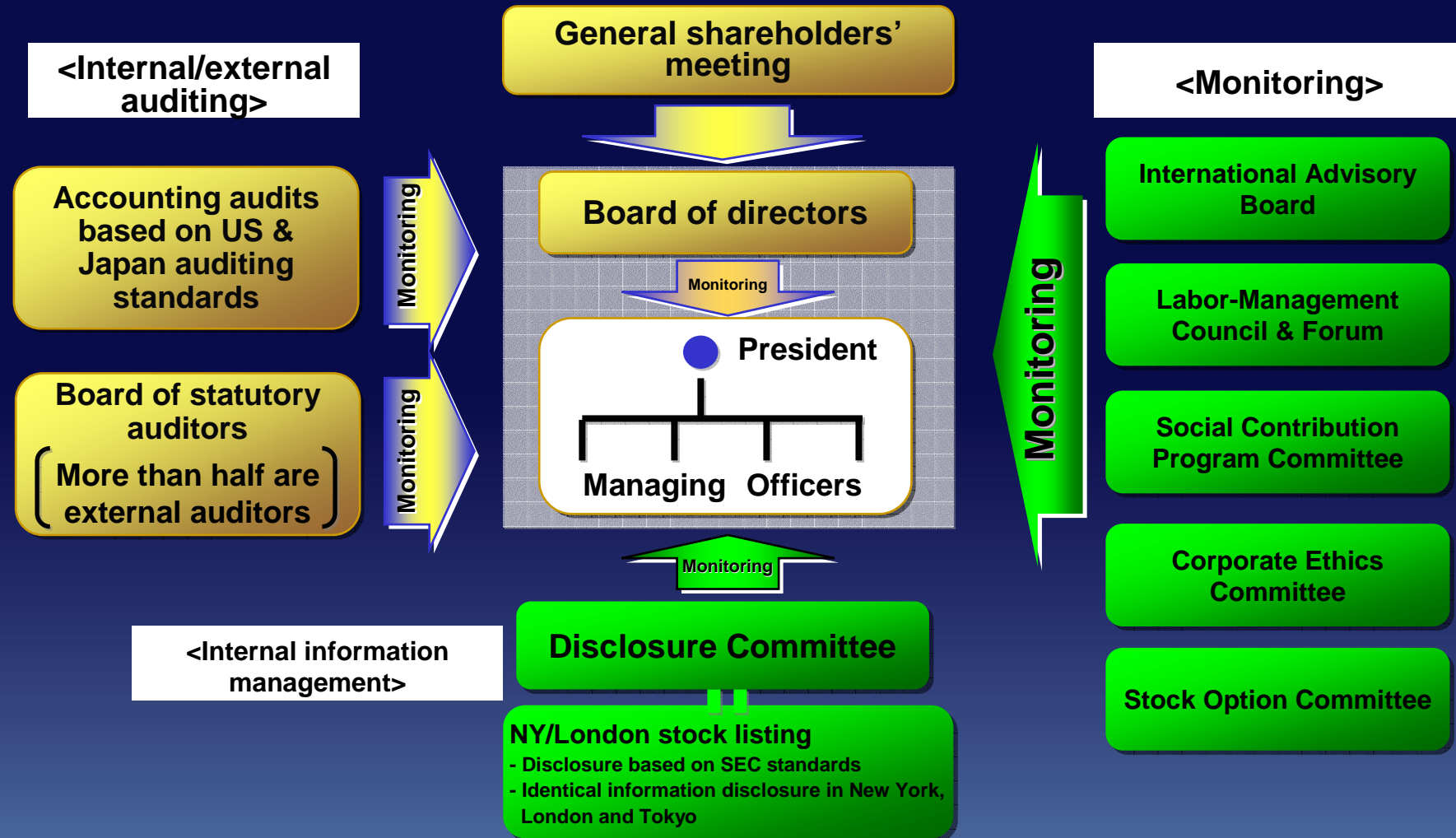
Dramatic drop



15%

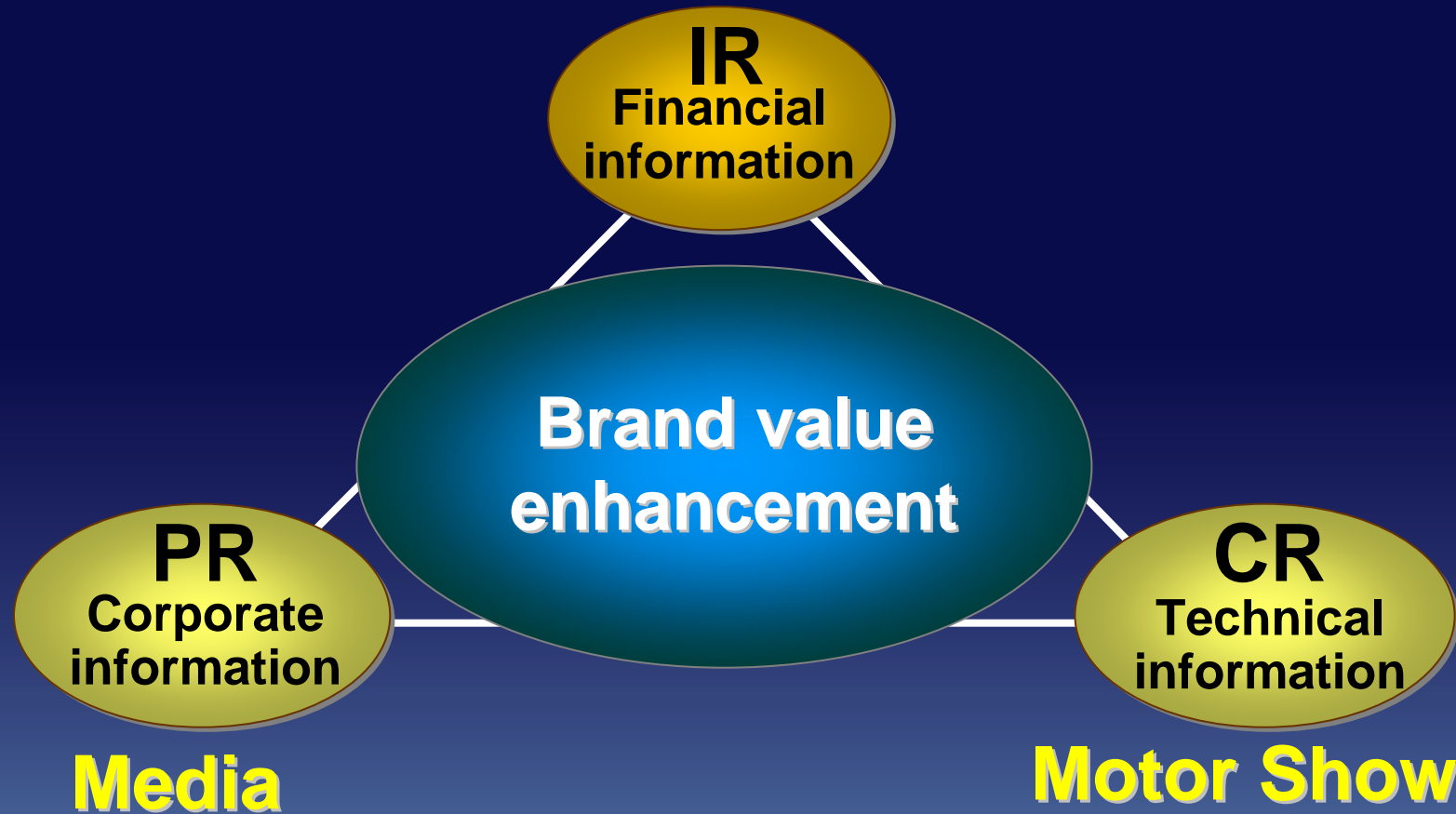
Speedy Decision Making and Strengthened Corporate Governance

Faster operations/strengthened monitoring by various stakeholders



IR Activities and Brand Value Enhancement

Investors & shareholders



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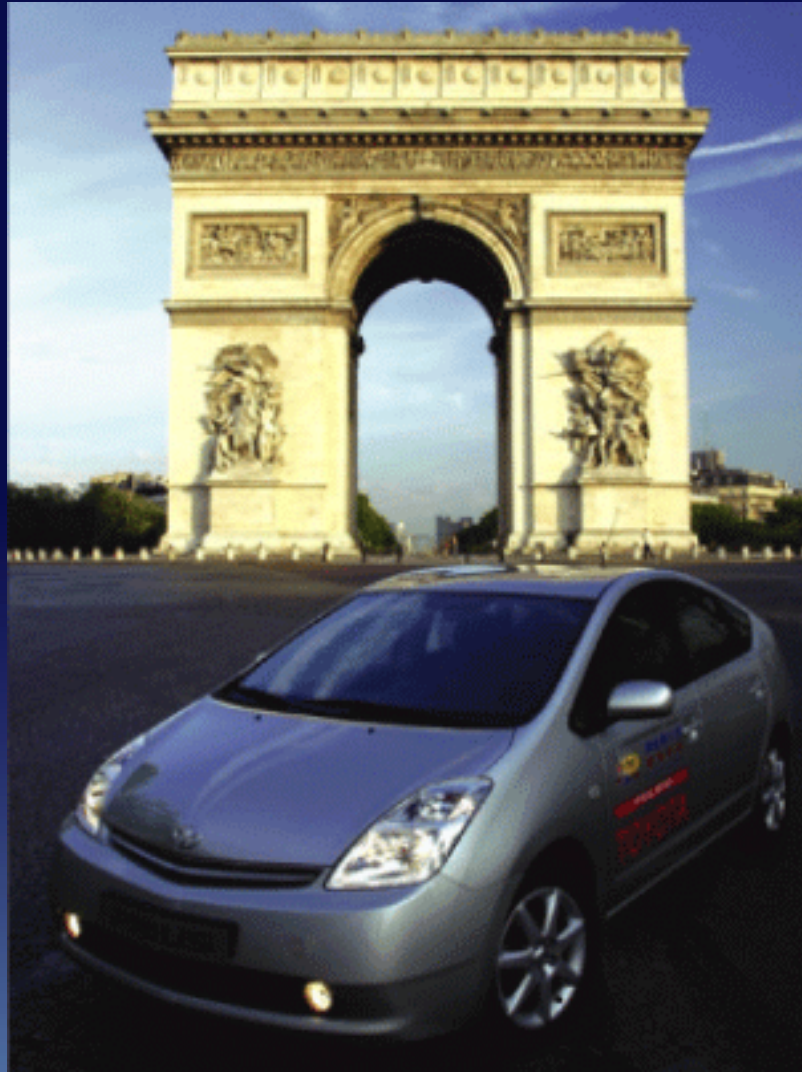
Part IV Technology Strategy

Akihiko Saito

Executive Vice President
Toyota Motor Corporation

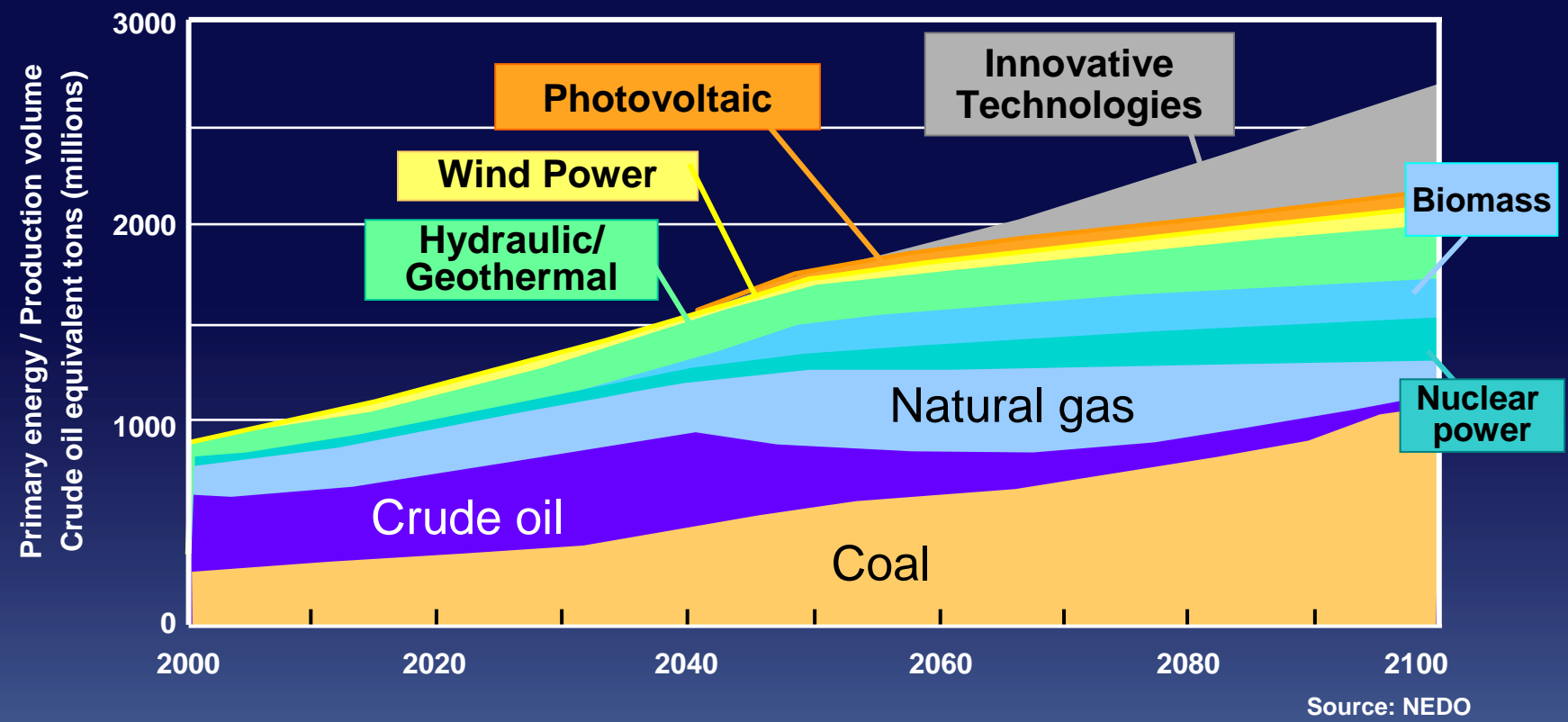


TOYOTA

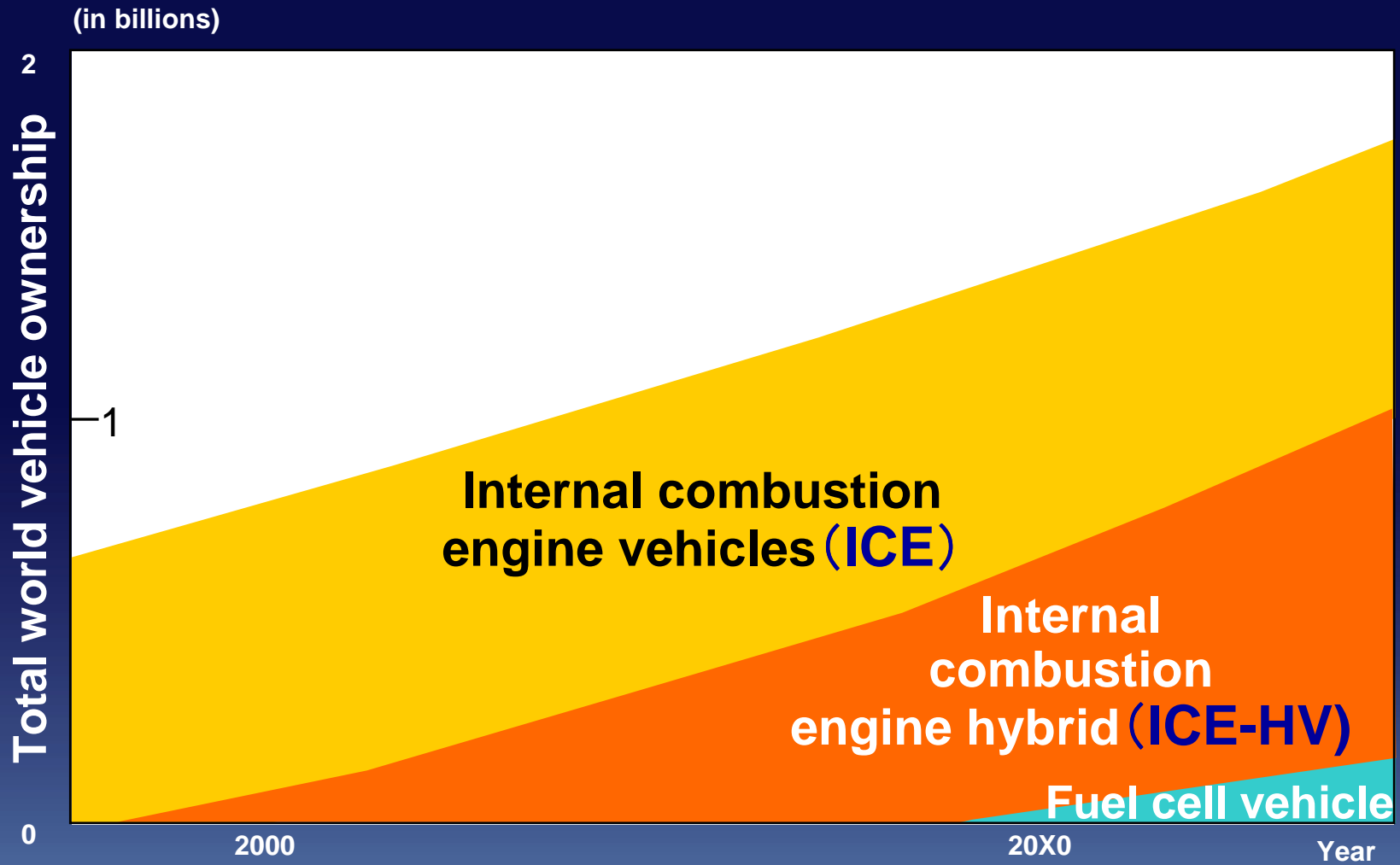


TOYOTA

Diversified Energy Scenario



Future Image of Powertrain Development



“Right vehicle” for the “Right place” at the “Right time”



Clean diesel engine vehicle

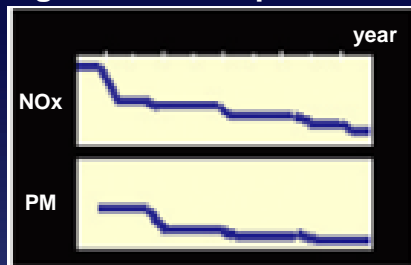


Gasoline hybrid engine vehicle

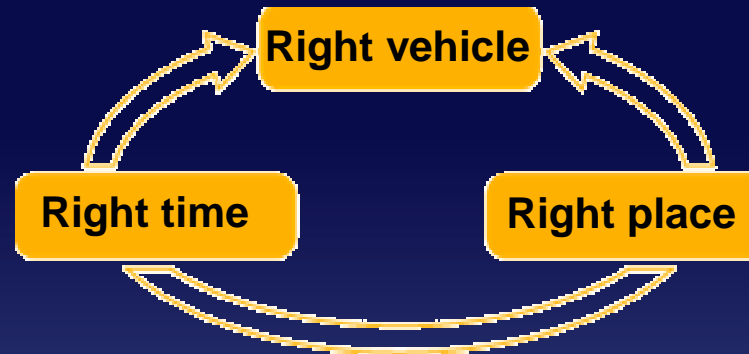
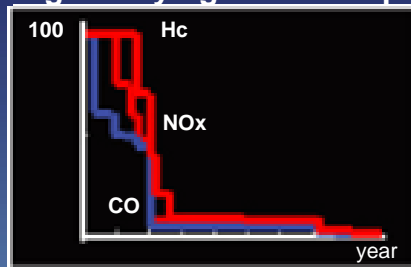


Fuel cell hybrid vehicle

NOx and PM regulatory figures for Europe



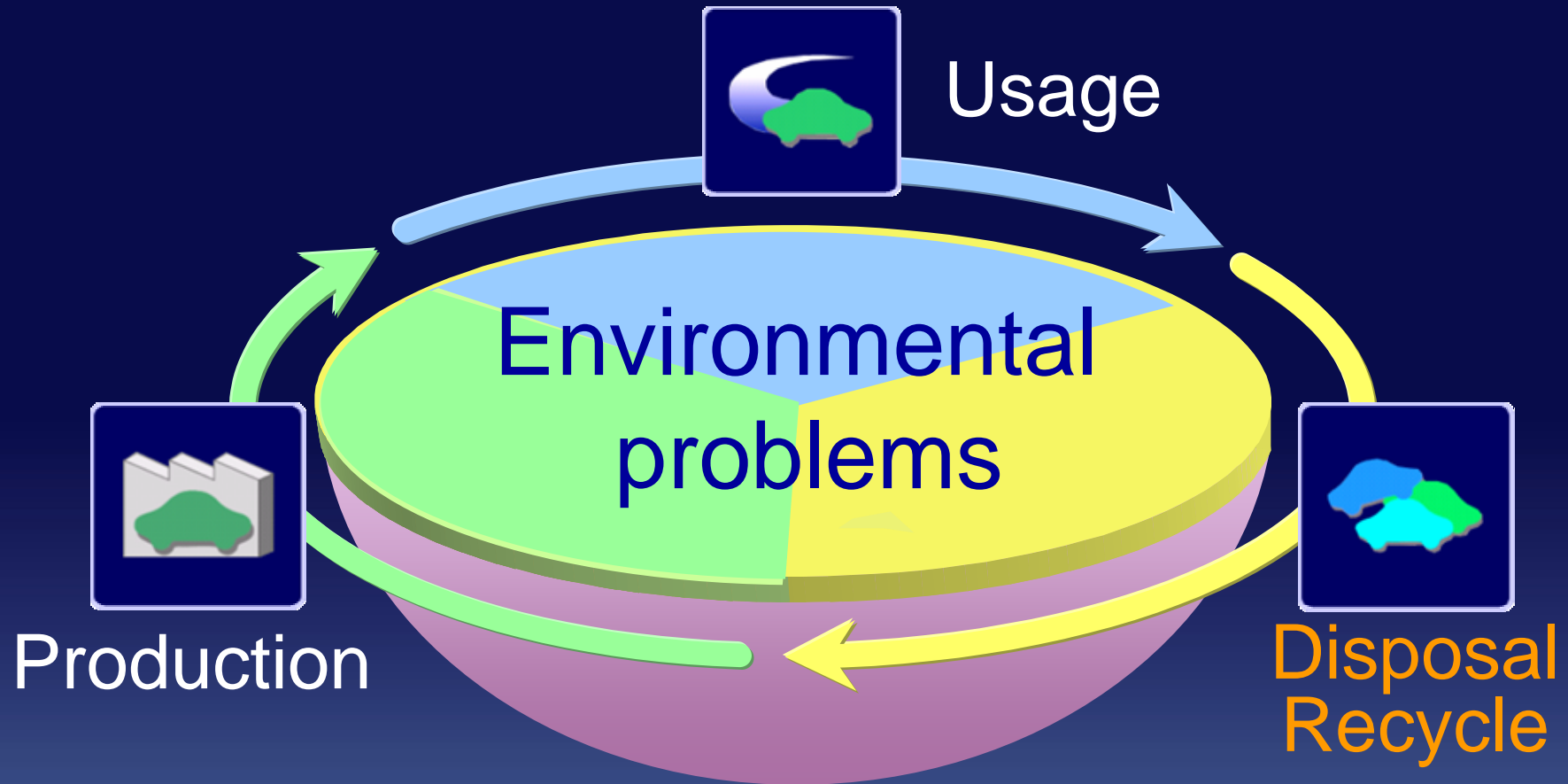
regulatory figures for Japan



hydrogen gas station

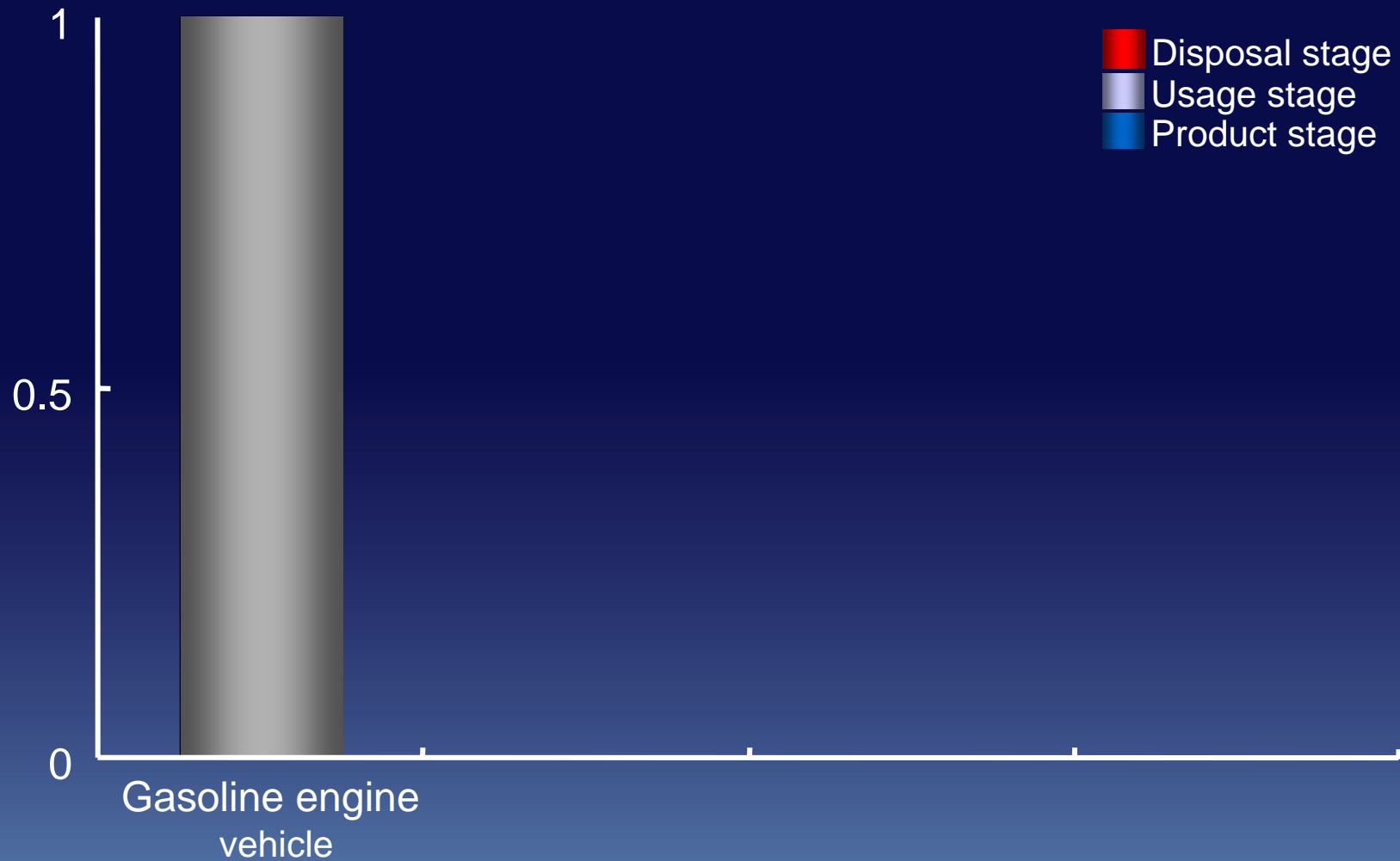


Approach to Environmental Problems

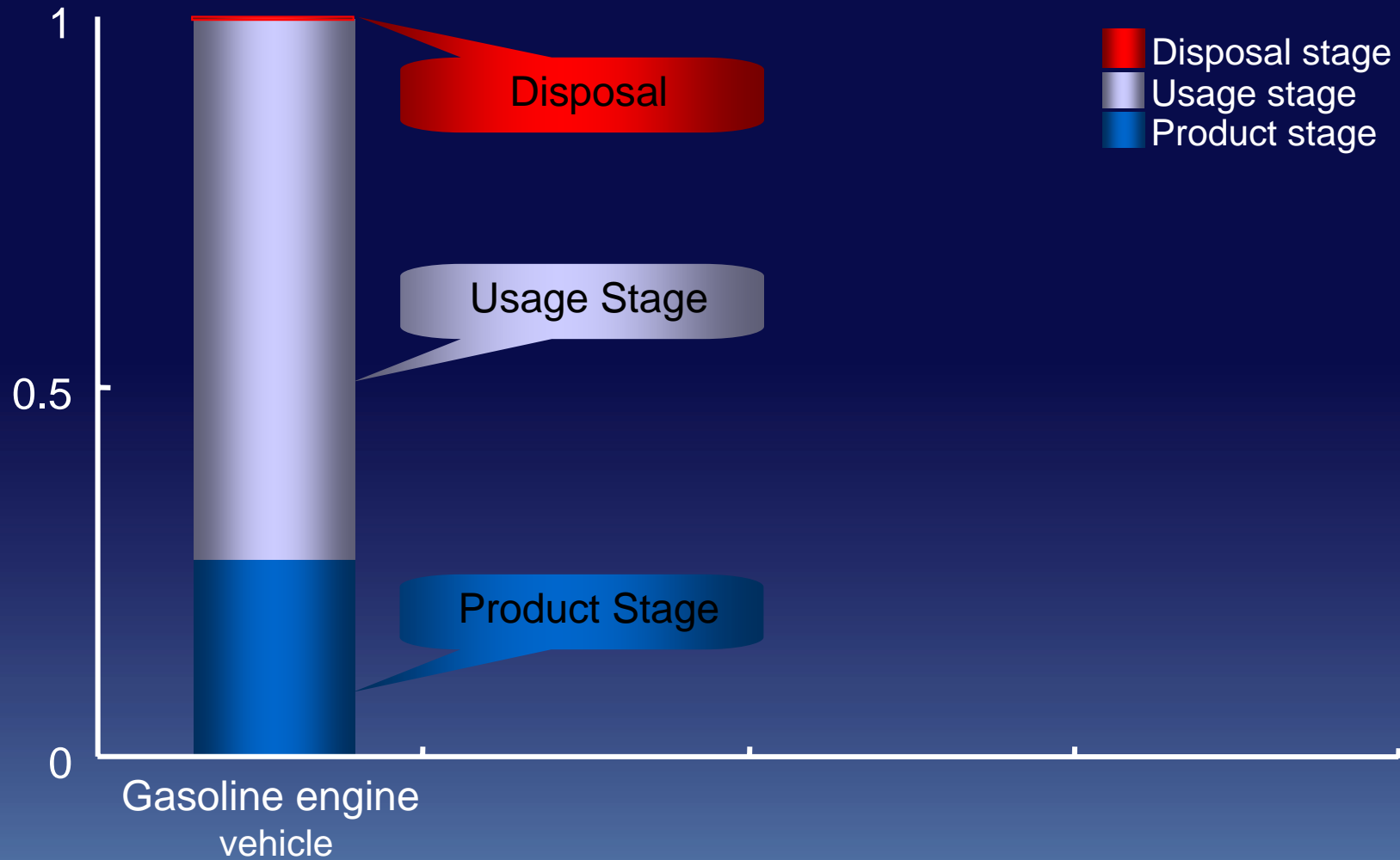


Approach through life cycle of vehicle

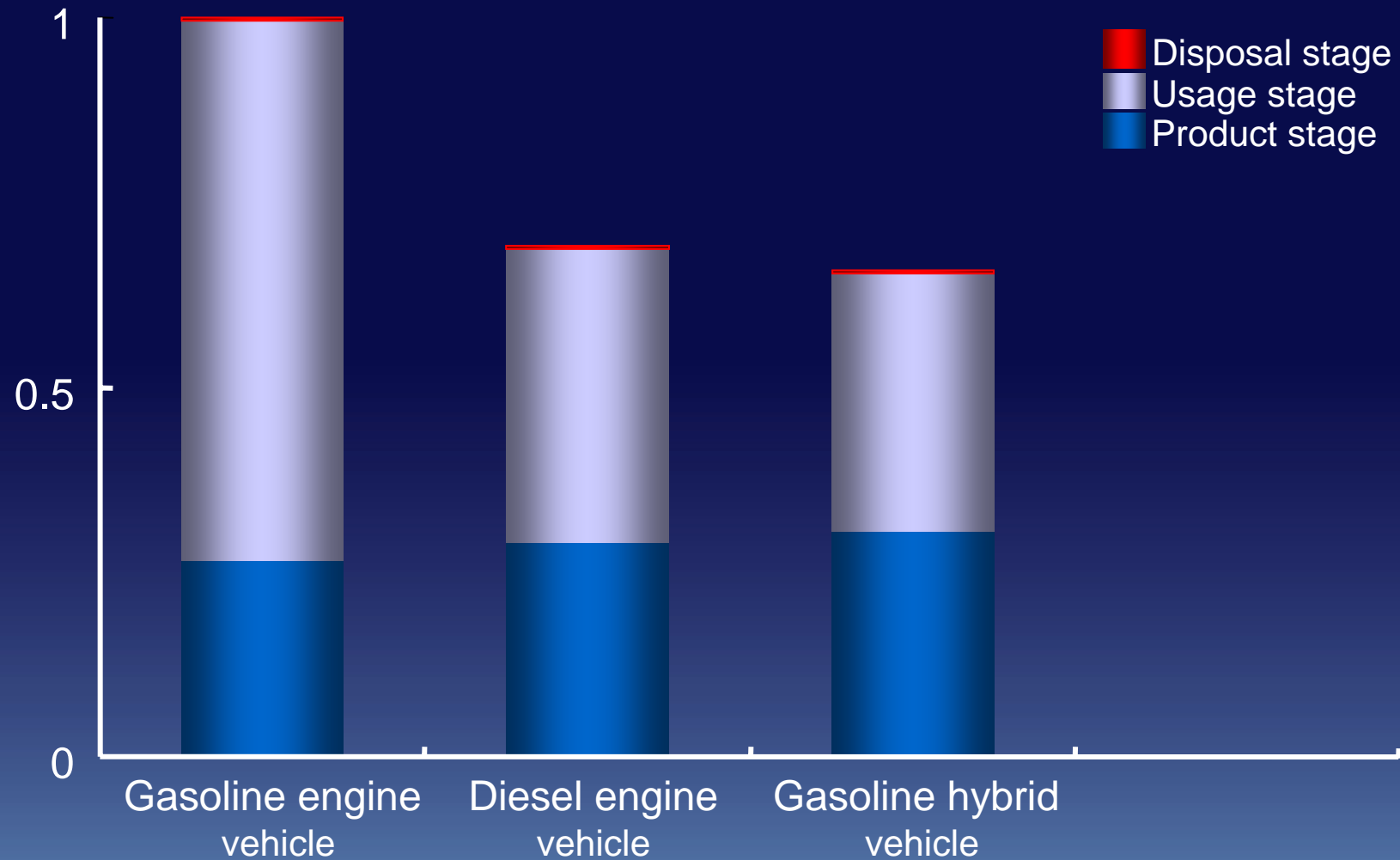
Example of LCA: CO₂ Replacement



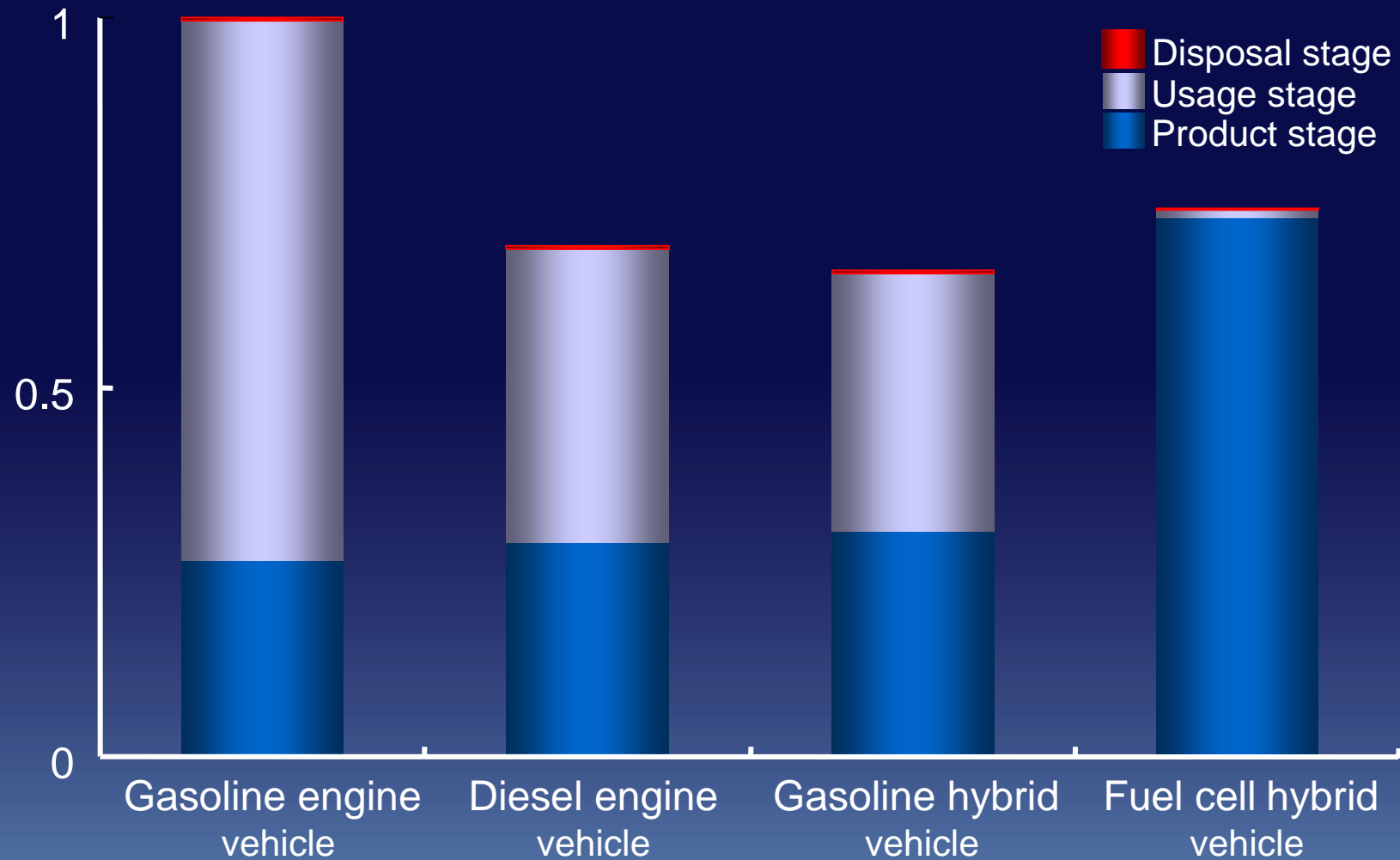
Example of LCA: CO₂ Replacement



Example of LCA: CO₂ Replacement



Example of LCA: CO₂ Replacement



Toyota's Technology Developments

Diesel Vehicle

2003
AVENSIS
with DPNR



Gasoline Hybrid Vehicle

1997
PRIUS



2003
Next
generation
PRIUS



Fuel Cell Hybrid Vehicle
(FCHV)

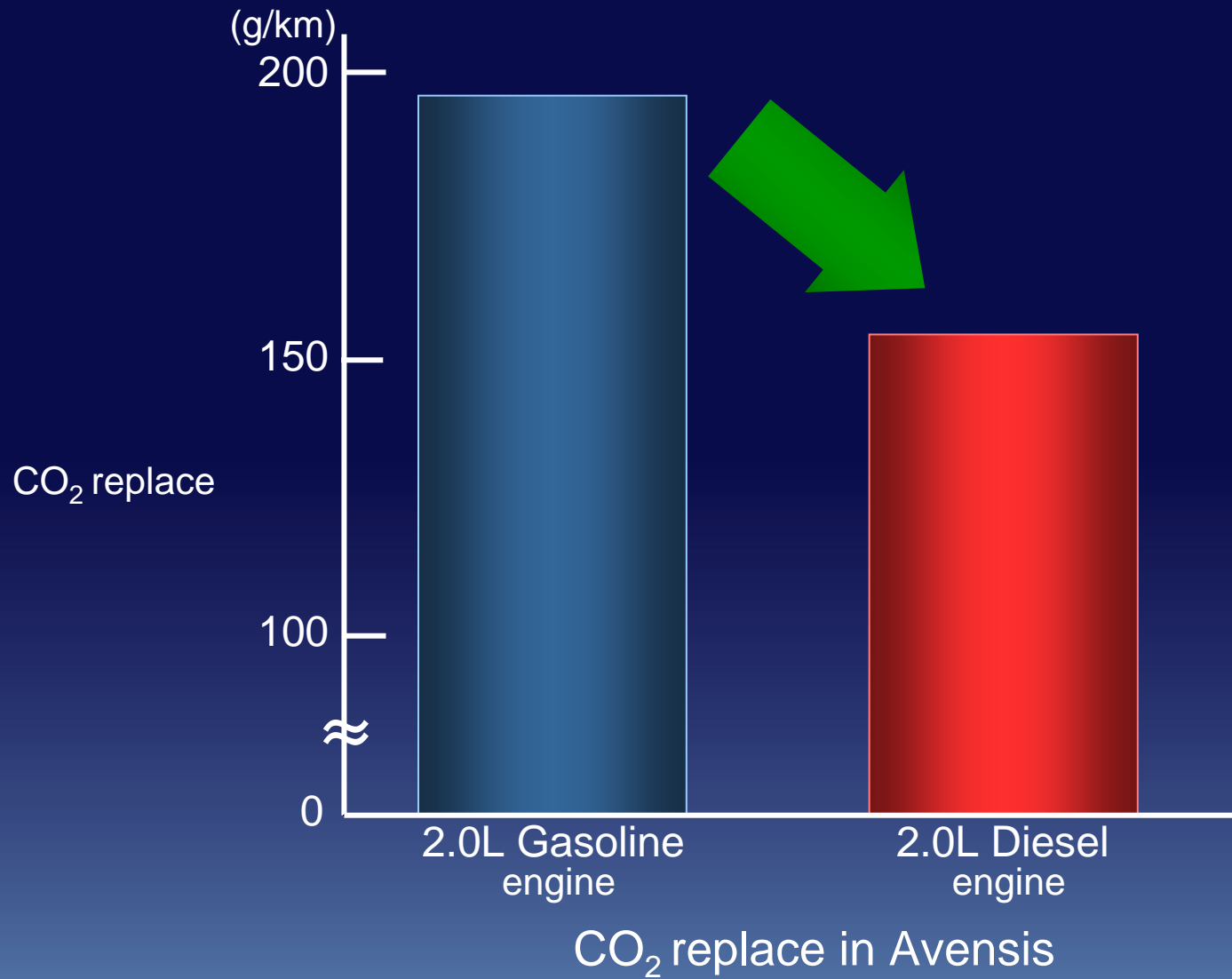
2003
TOYOTA FCHV



2003
TOYOTA
FCHV
BUS

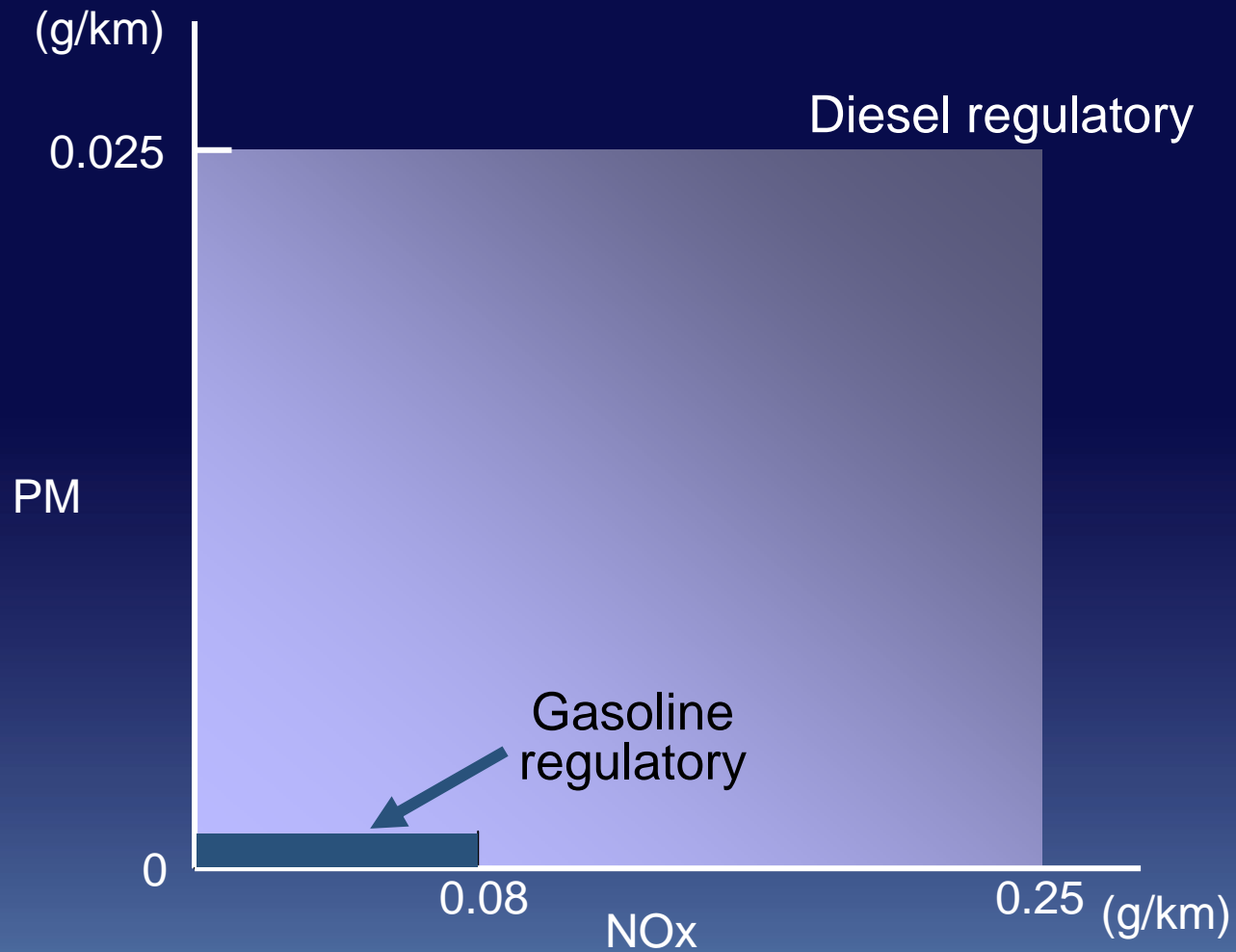


Comparison of the CO₂ Emissions for Diesel and Gasoline Vehicles

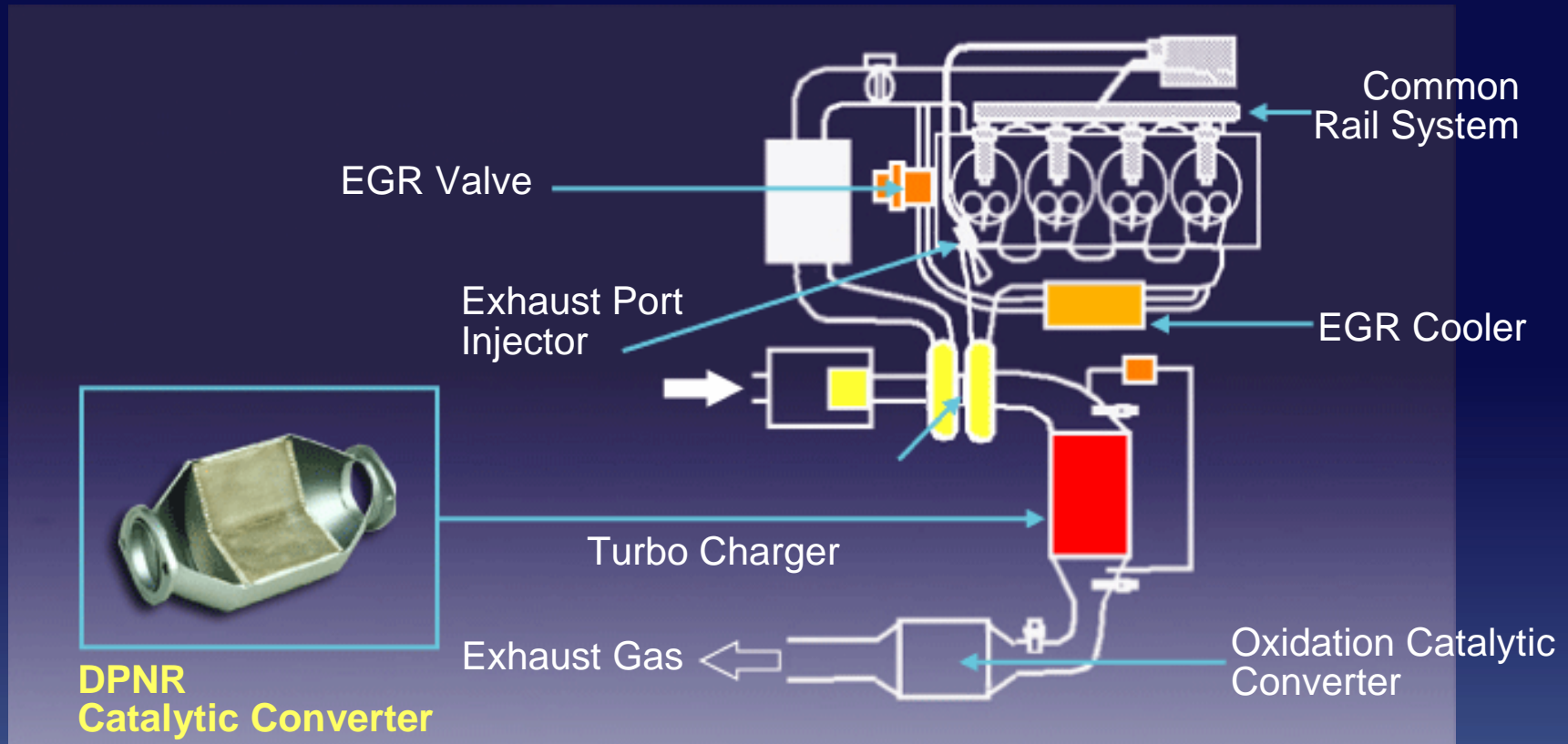


Comparison of NOx and PM* Regulatory Figures in Euro4

*particulate matter

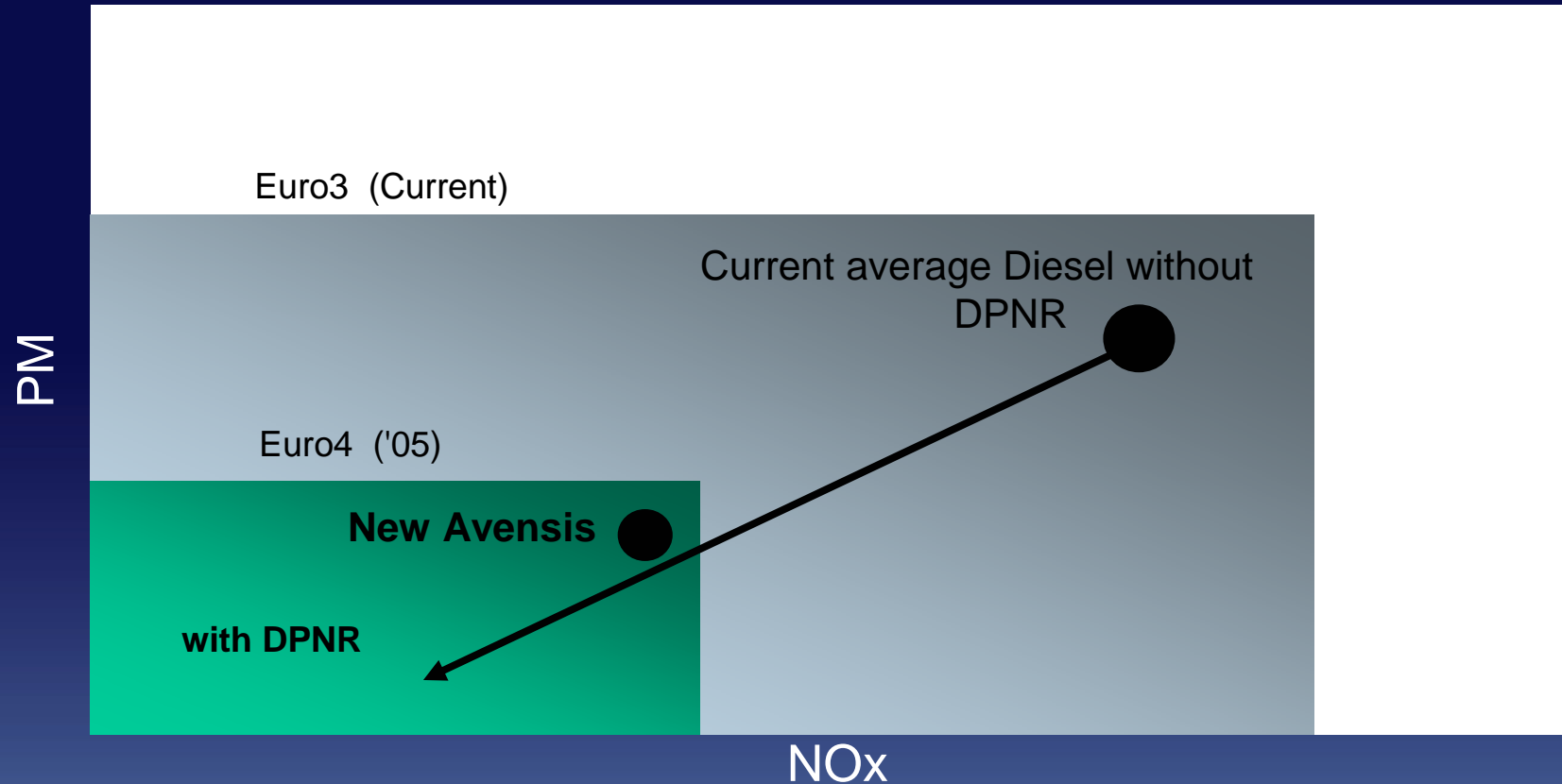


Diesel Engine with DPNR



Emissions of Common Rail Engine with DPNR

(EC mode)



Toyota's Technology Developments

Diesel Vehicle

2003
AVENSIS
with DPNR



Gasoline Hybrid Vehicle

1997
PRIUS



2003
Next
generation
PRIUS



Fuel Cell Hybrid Vehicle
(FCHV)

2003
TOYOTA FCHV



2003
TOYOTA
FCHV
BUS



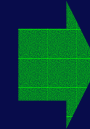
PRIUS: The World's First Mass-Produced Hybrid Vehicle



TOYOTA

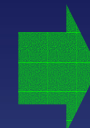
Development Goals of First-Generation Prius

◆ Innovative advances in fuel economy, surpassing conventional gasoline-fuel engine



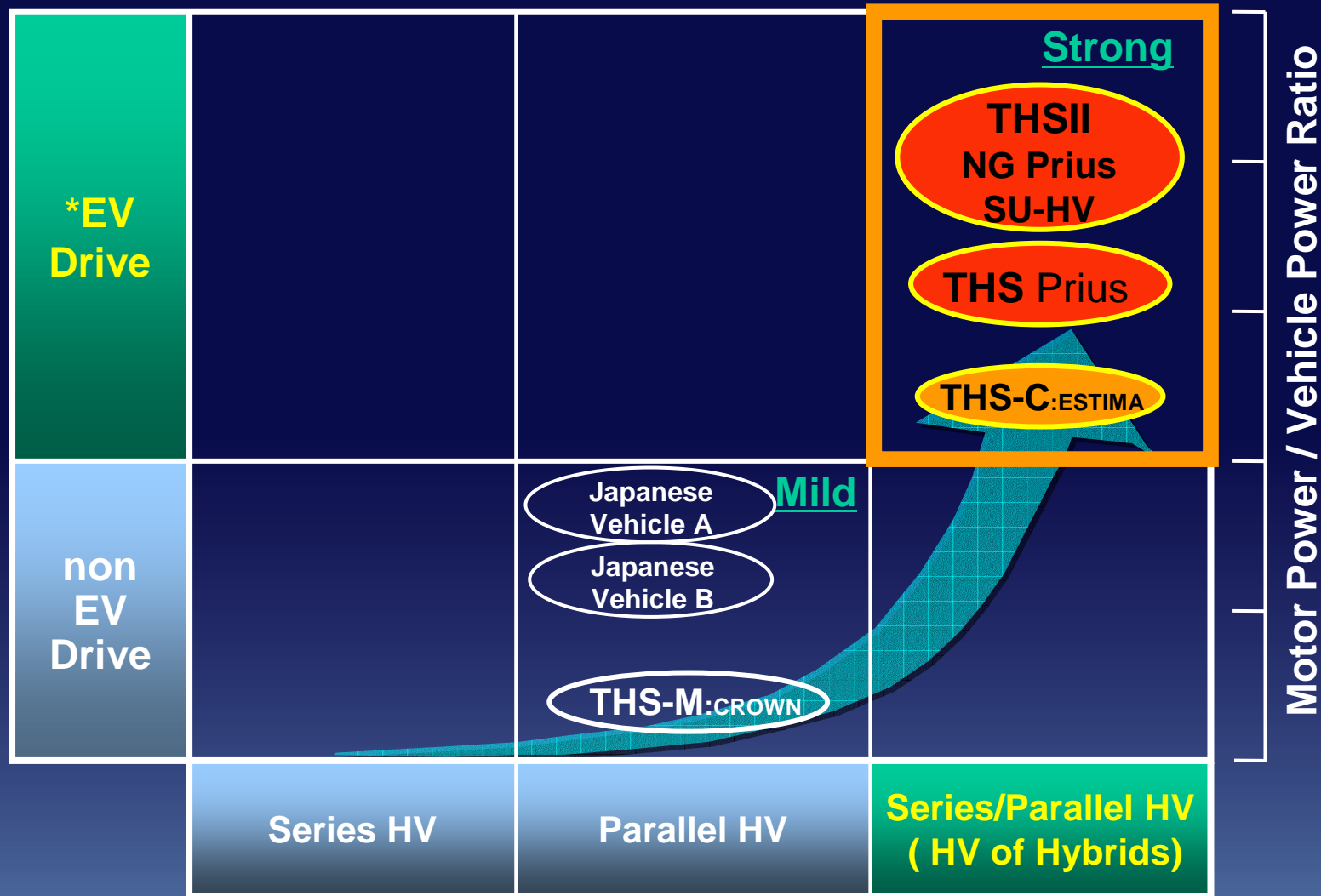
**Double
Fuel
Economy**

◆ Drastically cleaner emissions



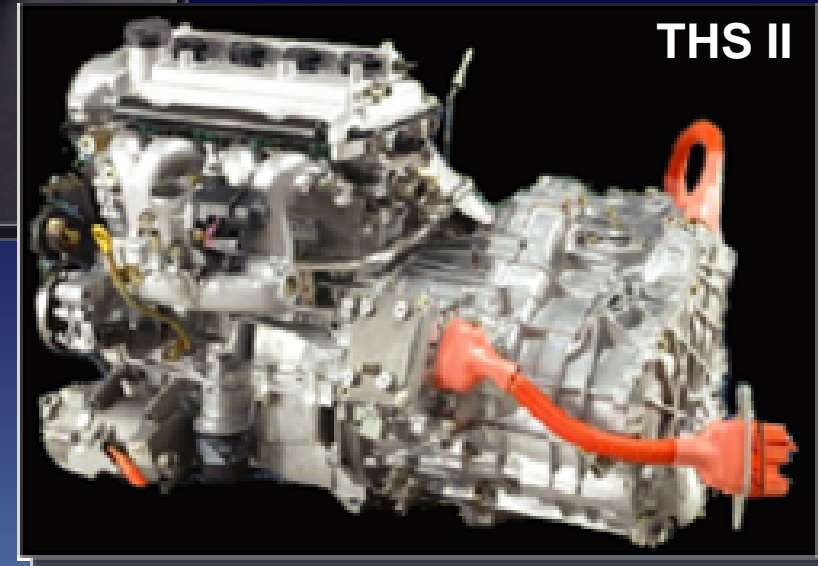
**Reduce
Emissions
by 90 %**

HV Technology Matrix



* :propelled by electric motor only

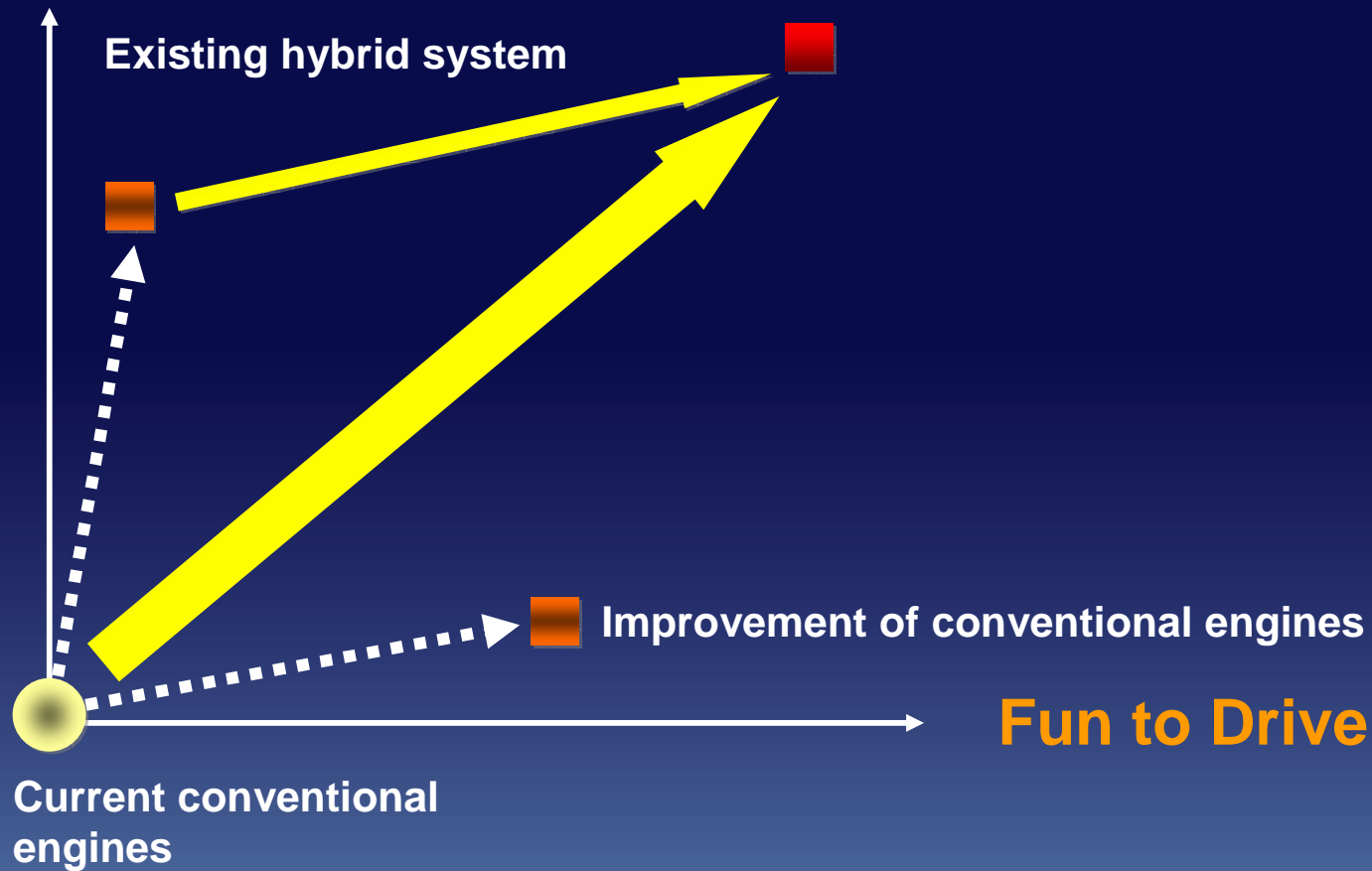
Next Generation PRIUS with New Hybrid System – THS II –



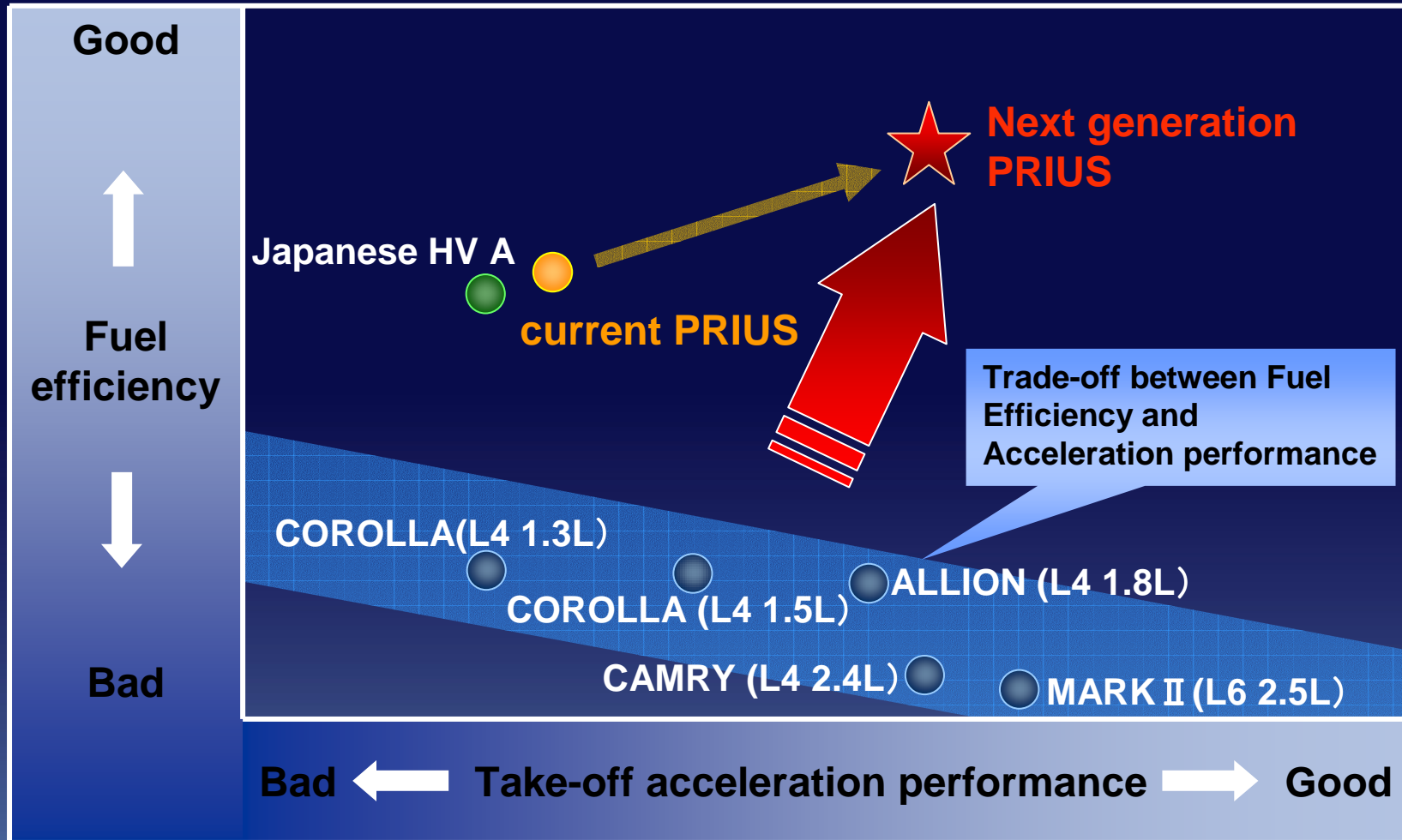
Hybrid Synergy Drive

Fuel Economy

Hybrid Synergy Drive



Acceleration Performance and Fuel Efficiency in New PRIUS



Toyota's Technology Developments

Diesel Vehicle

2003
AVENSIS
with DPNR



Gasoline Hybrid Vehicle

1997
PRIUS



2003
Next
generation
PRIUS



Fuel Cell Hybrid Vehicle
(FCHV)

2003
TOYOTA FCHV



2003
TOYOTA
FCHV
BUS



Development of TOYOTA FCHV

The FCHV
with hydrogen-absorbing
alloy tank
at the EVS-13 (Osaka)



1996

The world's first FCHV
with methanol reformer



1997

- ◇The FCHV-3
with hydrogen-absorbing
alloy tank
- ◇The FCHV-4
with high-pressure
hydrogen tanks
- ◇The FCHV-5 with CHF
reformer
- ◇FCHV-BUS1



2001



2002

- ◇Limited marketing
with the delivery of
TOYOTA FCHV
- ◇FCHV-BUS2

Insistence on In-house Development

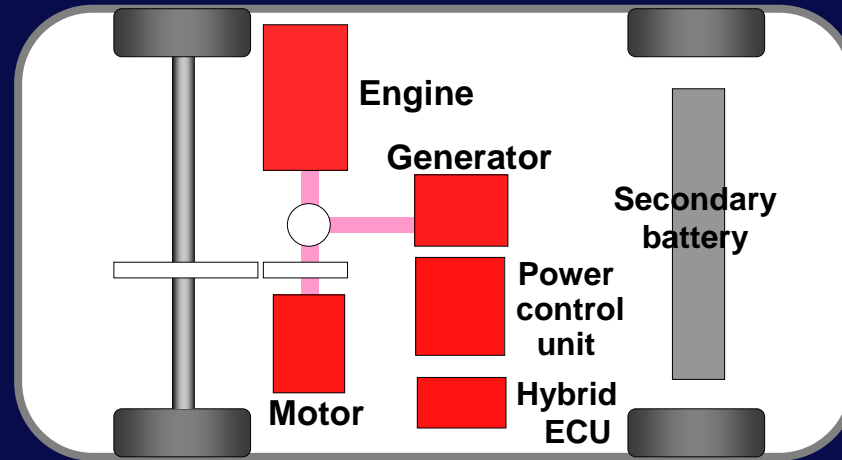


Next generation PRIUS (2003)



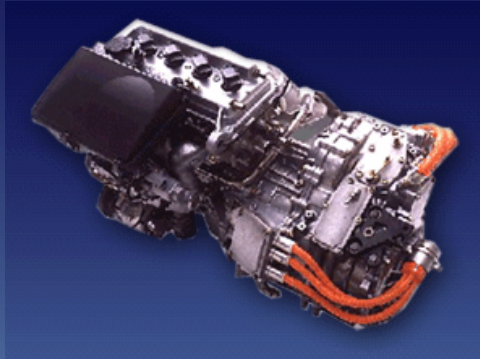
TOYOTA FCHV (2002)

In-house Development of Toyota Hybrid System

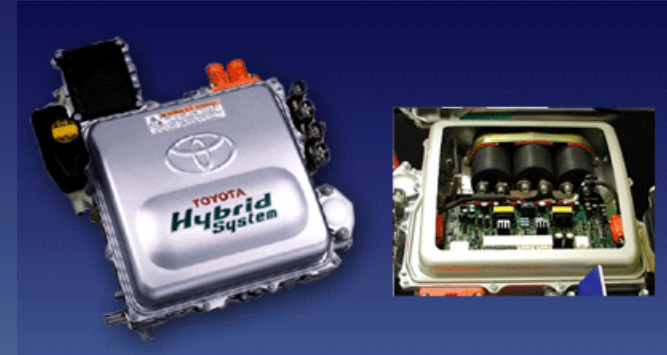


■ In-house developed components

Engine & Motor & Generator



Power control unit



In-house Development of FCHV System

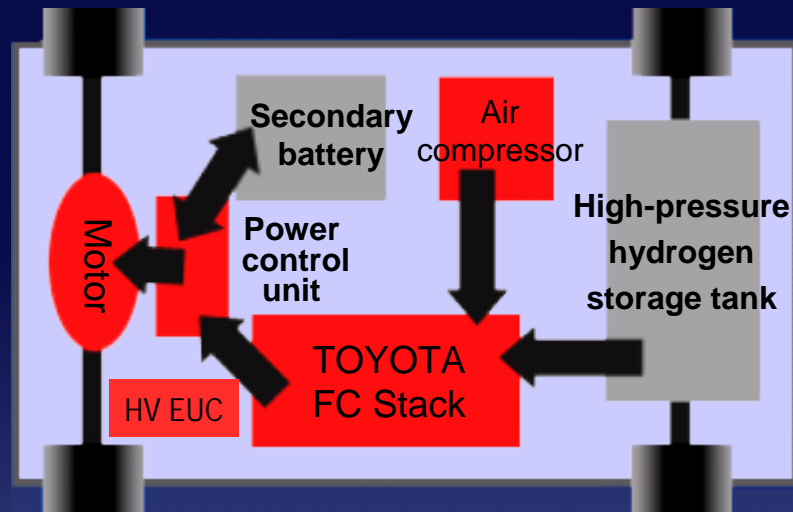
Independent In-house Development of Total System Including Fuel Cell Stacks



Power control unit



Motor



In-house developed components



Air compressor



TOYOTA FC Stack

Advantage of In-house Development



- I . World leading-technology
- II . Fastest commercialization in the world
- III . Truly effective cost reduction

Conclusion

1. Toyota's technology strategy for environmental problems

- (1) The mind set of "right vehicle" for the "right place" at the "right time"
- (2) LCA as method for evaluating vehicle environmental impact

2. Insistence on in-house development source of Toyota's competitive power



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Attaining global growth and improved efficiency



Toyota Motor Corporation
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