

# **Toyota's Global Strategy**

## **—Moving toward Global Motorization—**



**April 16, 2003**

**Toyota Motor Corporation**

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**Fujio Cho**  
**President**  
**Toyota Motor Corporation**

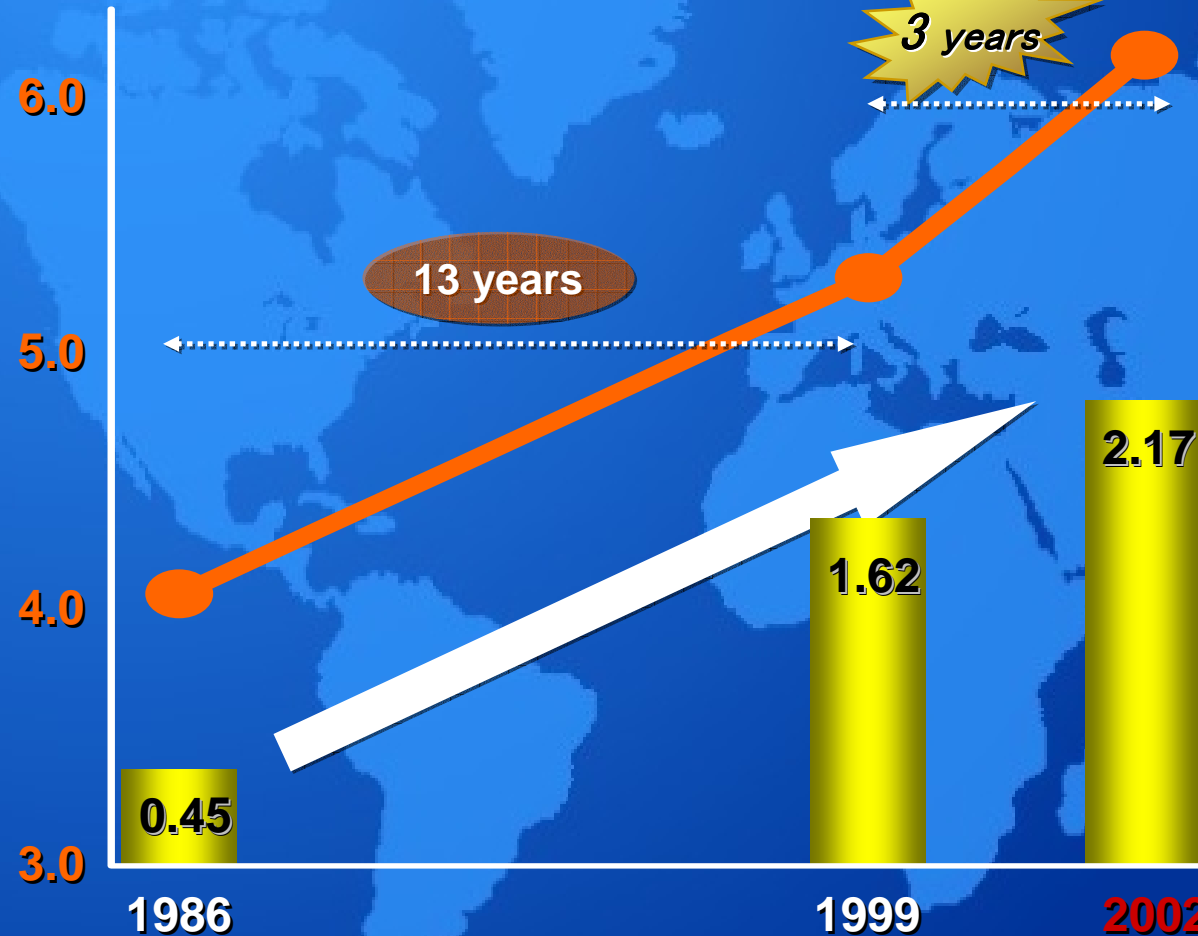
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# I. Global Manufacturing & Marketing in 2002

## Growth in Production Volume

Global output  
(Millions of units)

Overseas output  
(Millions of units)



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

\* includes Toyota/Lexus,  
Daihatsu and Hino brands.

Annual sales surpass  
1 million units



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Overseas output Global output

# II. 2010 Global Vision

Major change in the global economic environment

<Expected society>

*Taking on the challenges for change*

**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

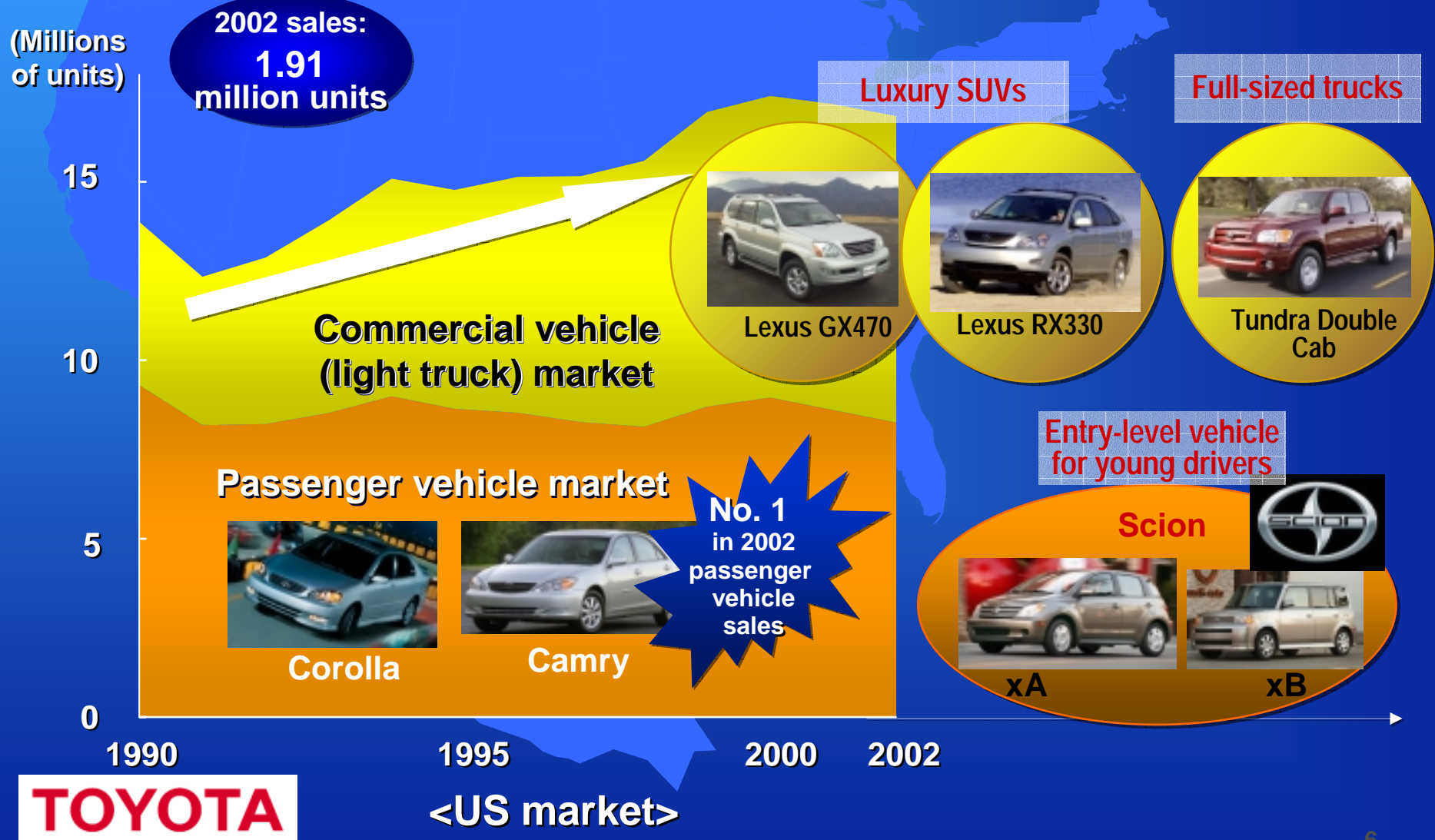
2002 2010s





# III. Regional Strategy

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



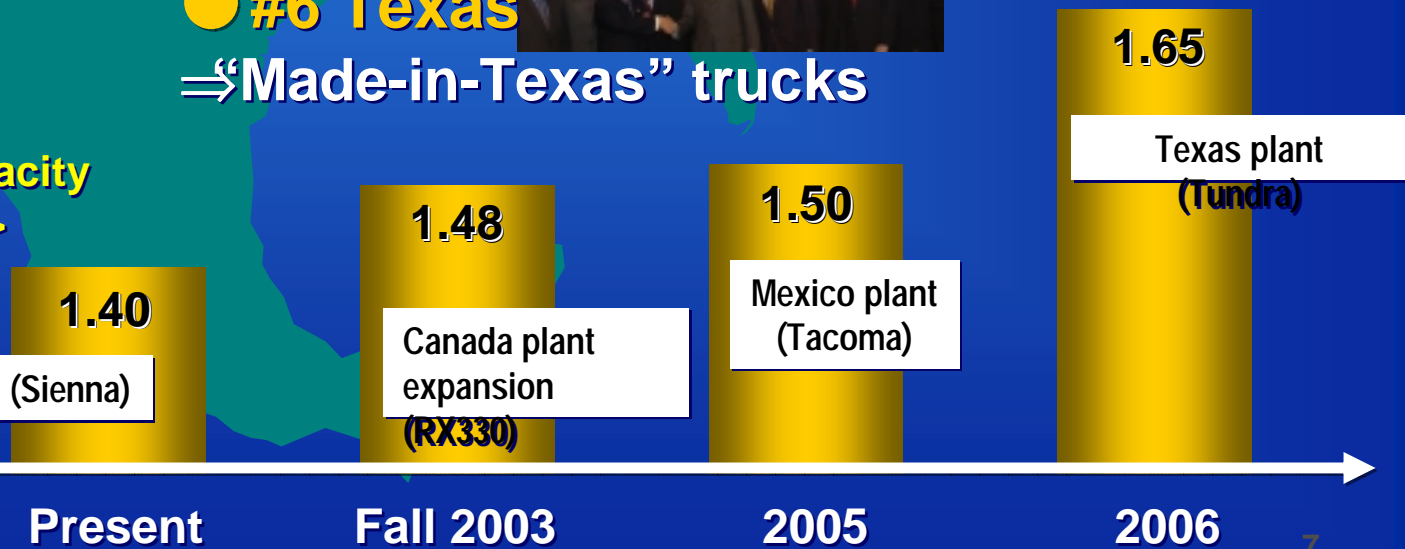
# III. Regional Strategy

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



<Manufacturing capacity expansion plan>

(Millions of units)



# III. Regional Strategy

## European Market: Integrated manufacturing & marketing

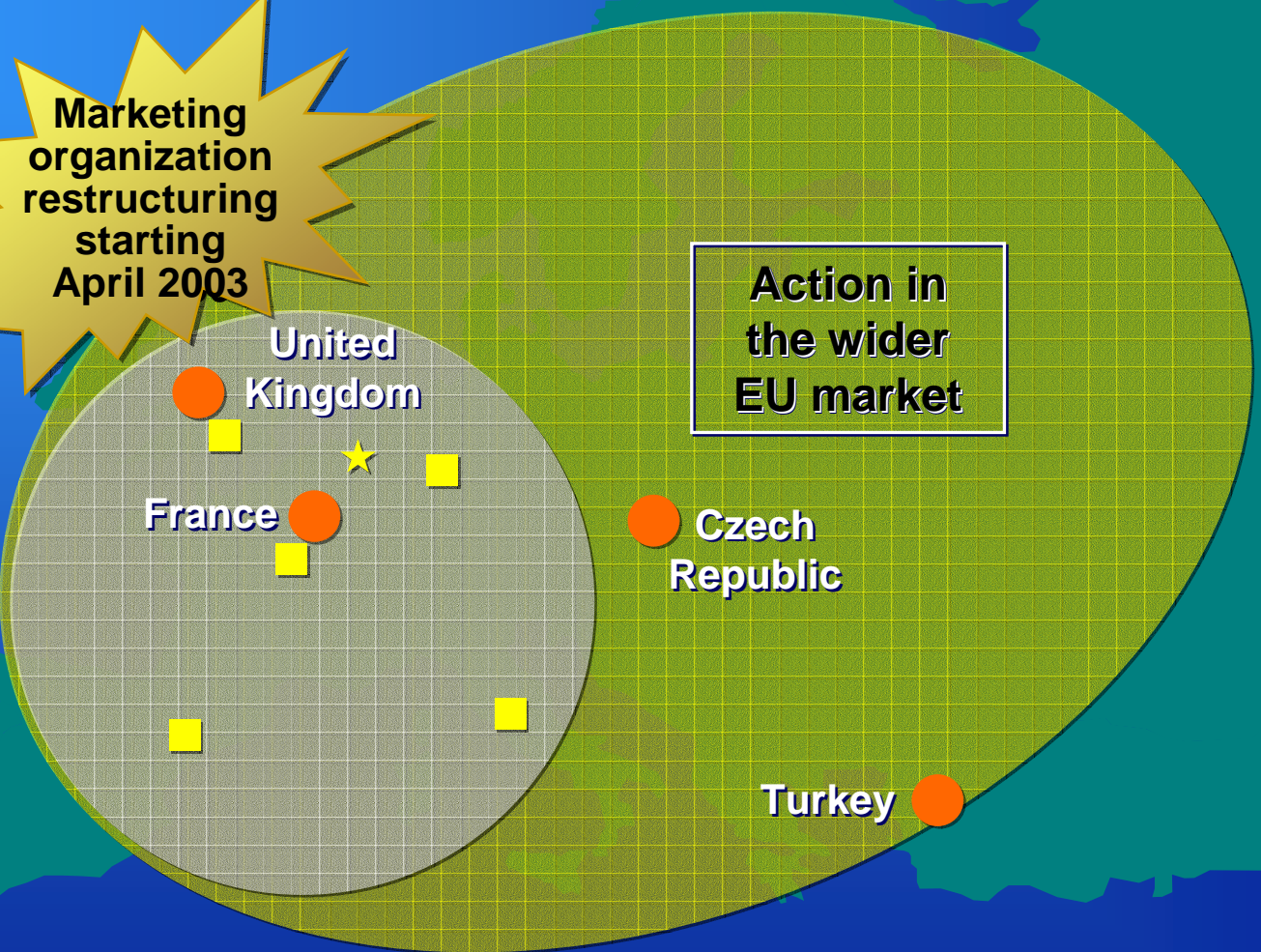
2002 sales:  
760,000  
units

Marketing organization restructuring starting April 2003



New "Avensis" launched in March 2003 as upper core model

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



- ★ 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)

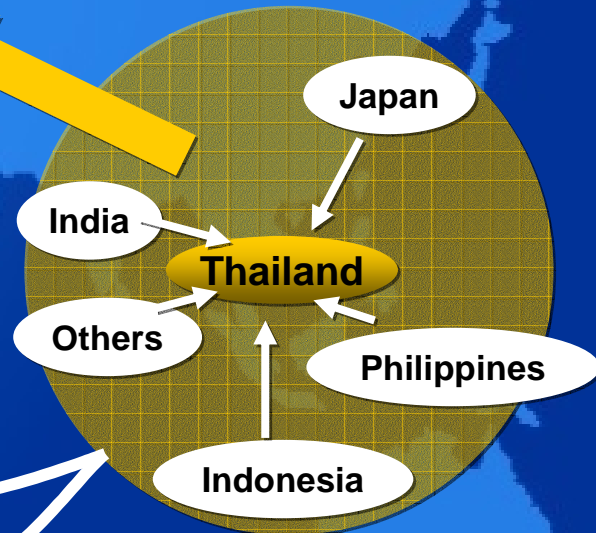
To more than 80 nations/regions

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



South Africa

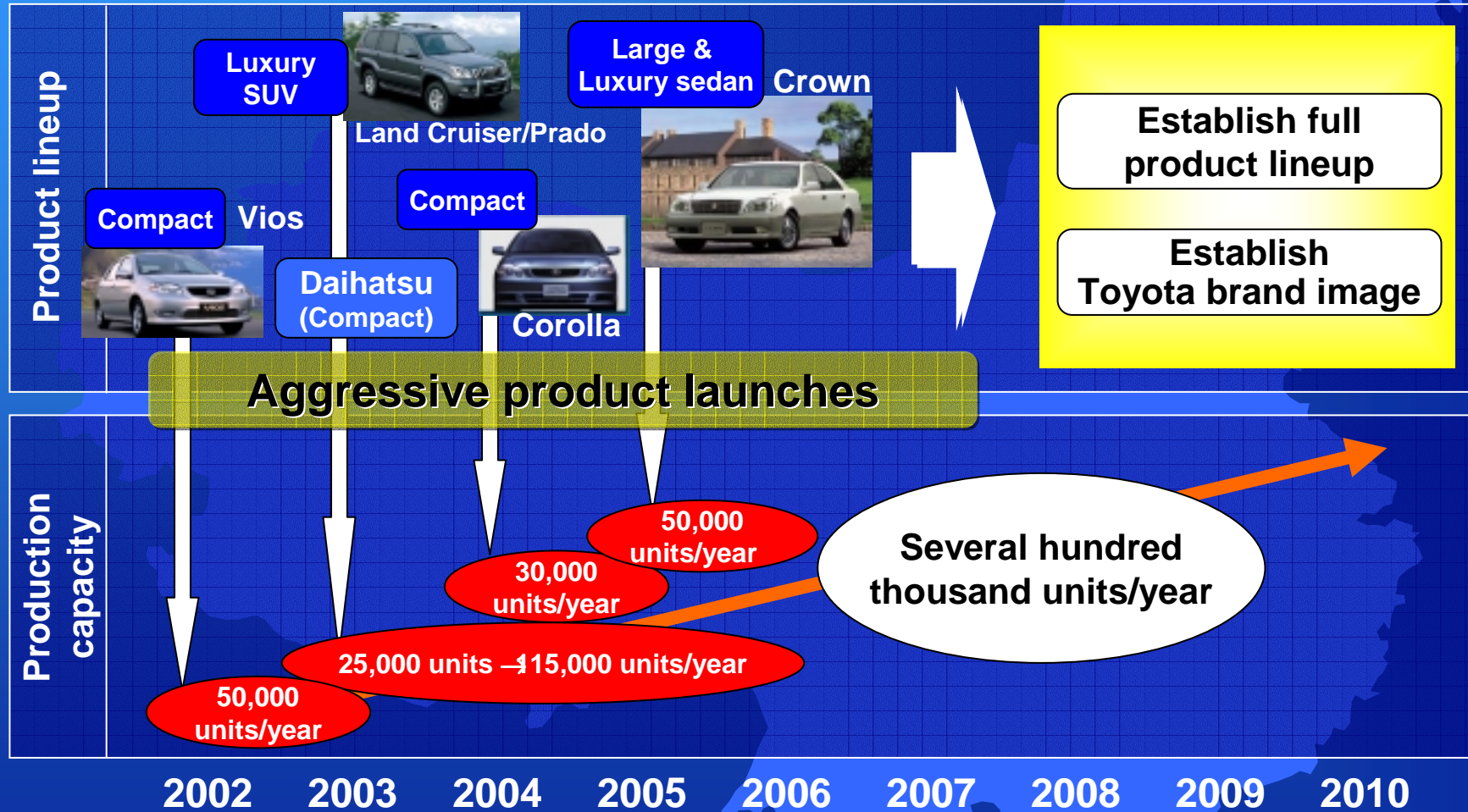
Argentina

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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**



# III. Regional Strategy

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

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

### After reorganization



Lexus  
(new)

Development of new Lexus dealership network in 2005 (150 dealers)





# III. Regional Strategy

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

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

### Present

<b>Toyota brand</b> (5 channels)
Vista
Netz
Toyota
Toyopet
Corolla



### After reorganization



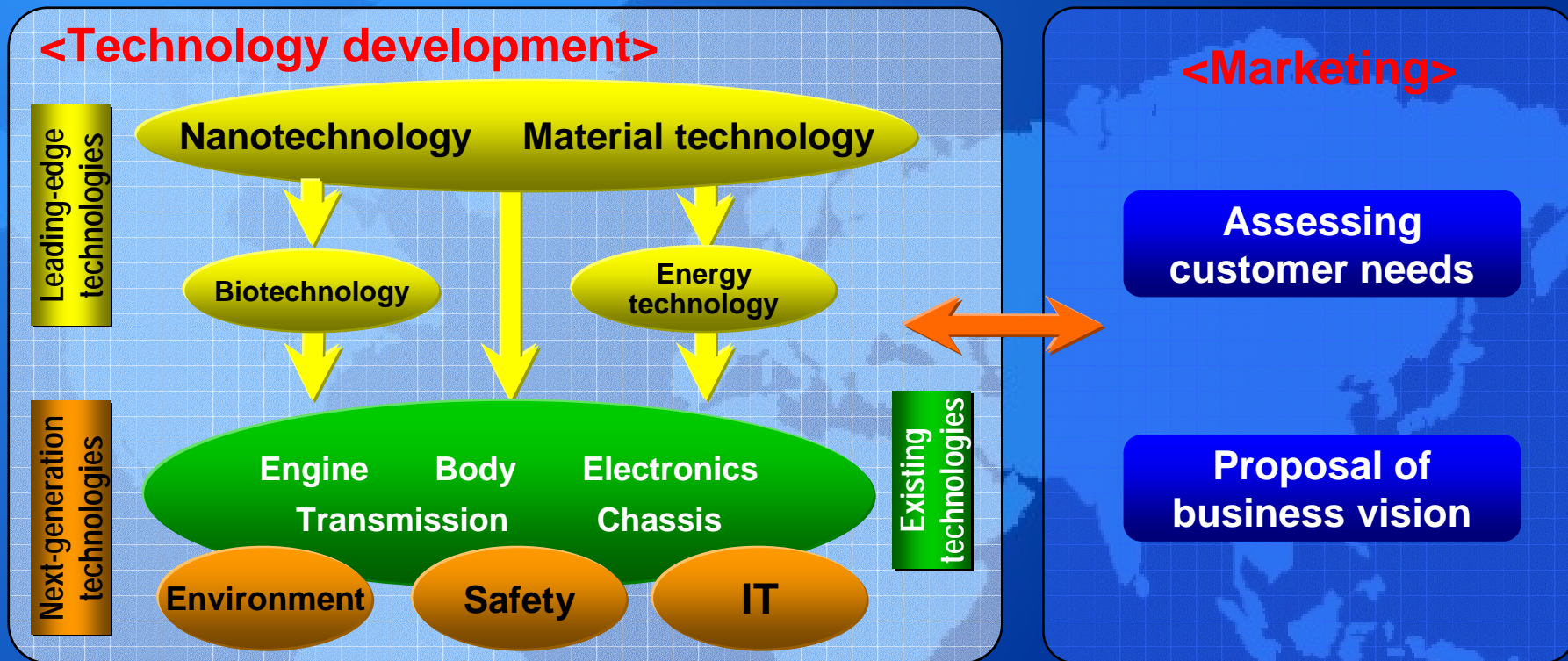
<b>Toyota brand</b> (4 channels)

Lexus (new)	Development of new Lexus dealership network in 2005 (150 dealers)
Netz	Consolidation of Netz & Vista networks in spring 2004 → Foothold in new market segment
Toyota	Luxury vehicle channel for the Toyota brand
Toyopet	Leading channel for the medium-size car market
Corolla	Largest volume-sales channel, centering on compact vehicles



# IV. Technology Strategy (1)

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



**Products focused on market creation**  
*"Comfort" "Kindness" "Excitement"*



## IV. Technology Strategy (2)



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# 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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# **Toyota's Global Strategy**

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# Toyota's Financial Strategy



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**Ryuji Araki**

**Executive Vice President  
Toyota Motor Corporation**

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# I. Business Performance

## Operating income by market segment

(Billions of yen)

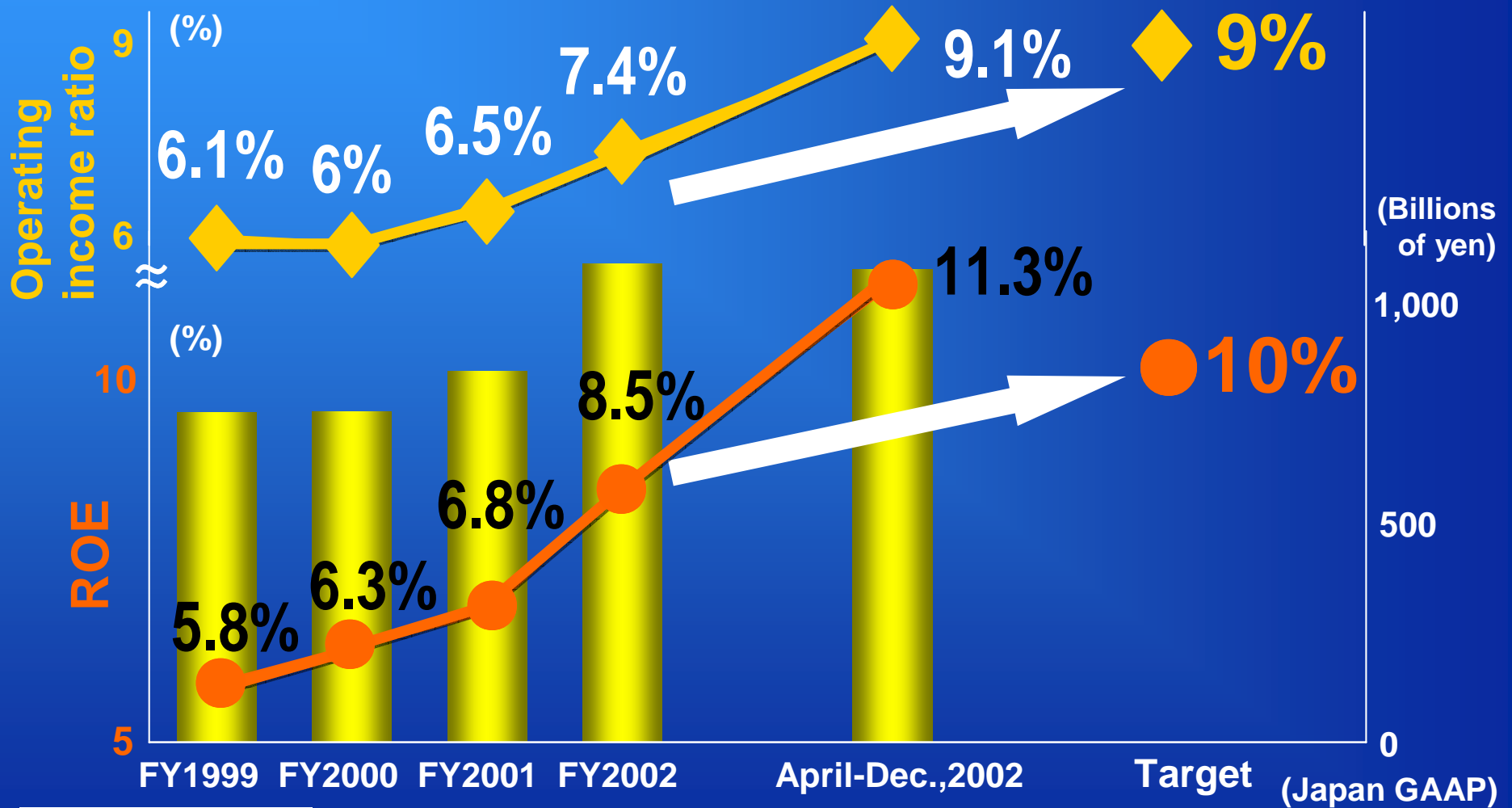
	<b>FY1998</b> (April,1997-March,1998)	<b>FY2002</b> (April,2001-March,2002)	<b>FY2003/9mos.</b> (April-Dec.,2002)
Japan	649	870	813
North America	175	265	268
Europe	-2	-12	5
Asia & other regions	8	19	41
( Consolidated elimination	-12	-19	-17
<b>Consolidated total</b>	<b>818</b>	<b>1,123</b>	<b>1,110</b>

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(Japan GAAP)

# II. Profit Earnings

Growth and targets in operating income ratio & ROE



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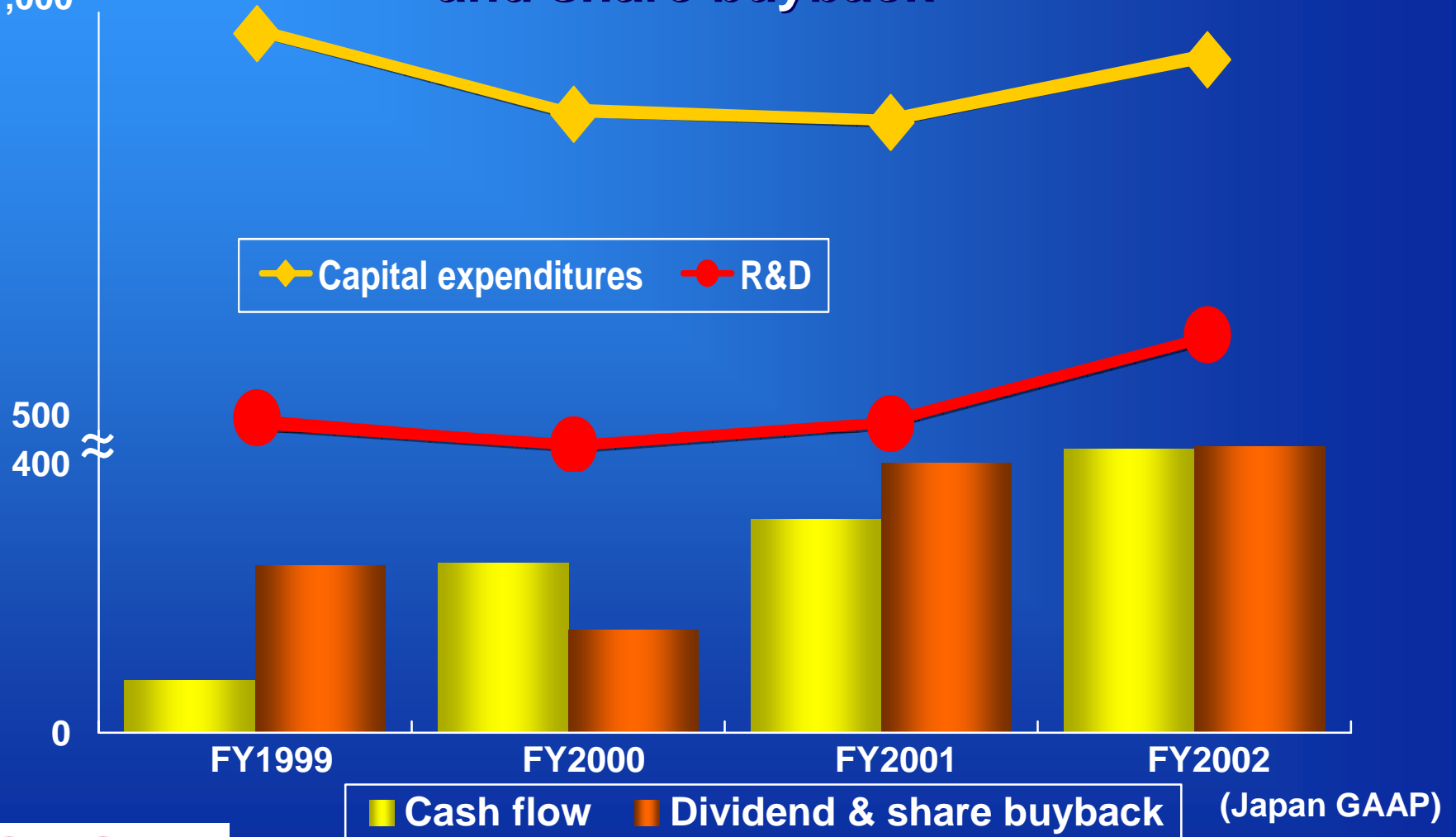
■ Operating income   
 ◆ Operating income ratio   
 ● ROE



# III. Dividend Payments & Share Buyback

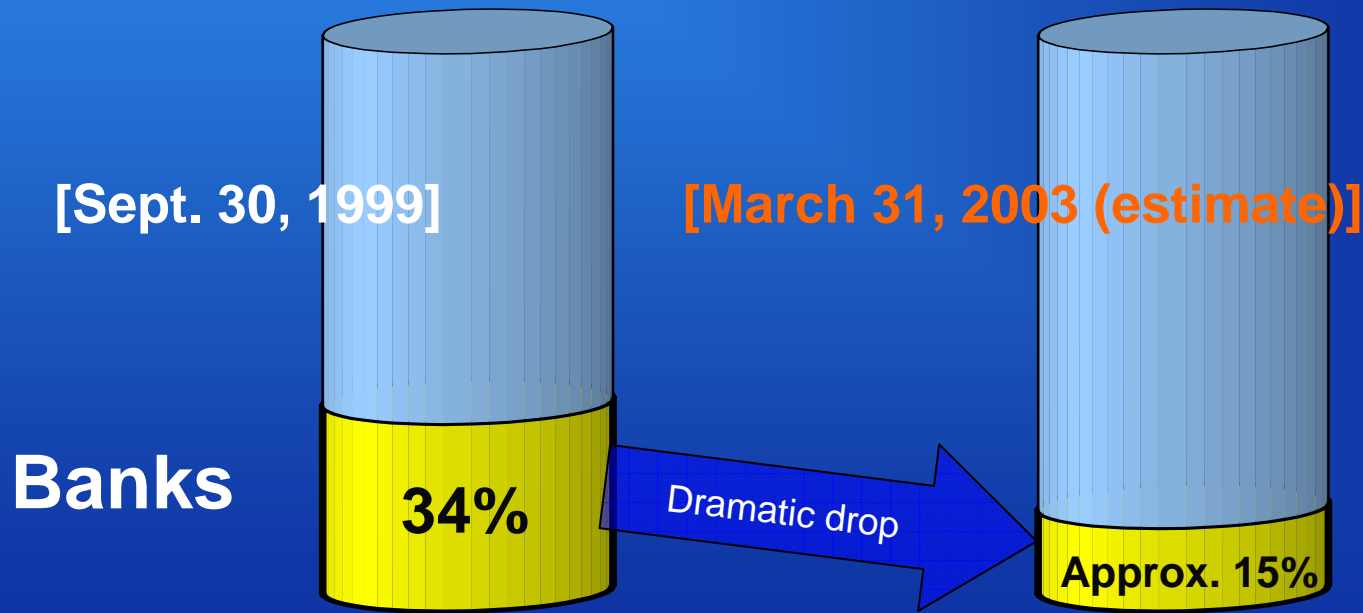
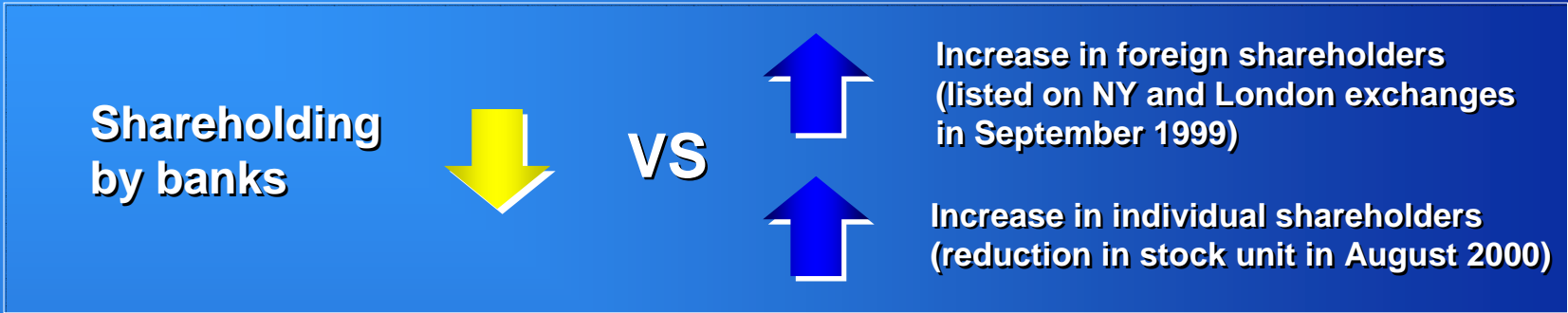
## Cash flow allocated to dividend payments and share buyback

(Billions of yen)  
1,000



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

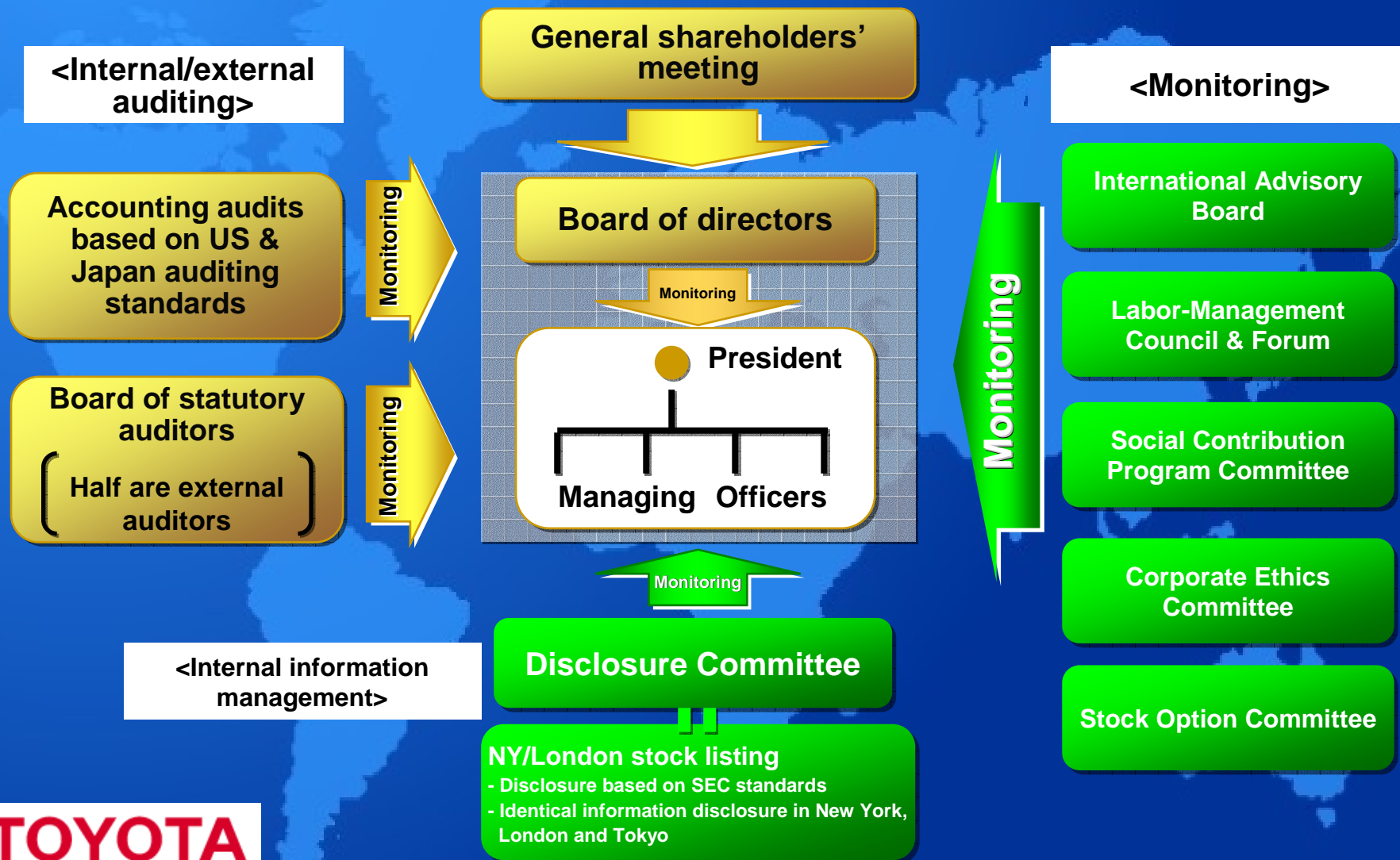
# IV. Change in Share Ownership



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# V. Toyota's Actions on Corporate Governance and Information Disclosure

Internal Mechanisms ⇒ Reinforcement of internal controls



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# Toyota's Technology Strategy



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**Akihiko Saito**

**Executive Vice President  
Toyota Motor Corporation**

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# 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**

- ◆ Drastically cleaner emissions

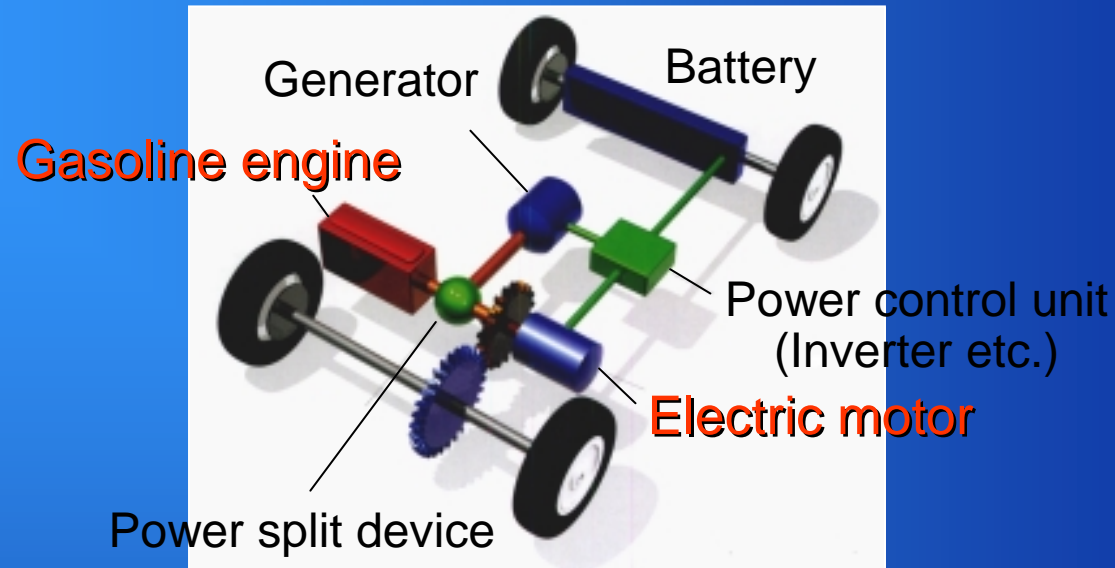


**1/10 of regulation levels**

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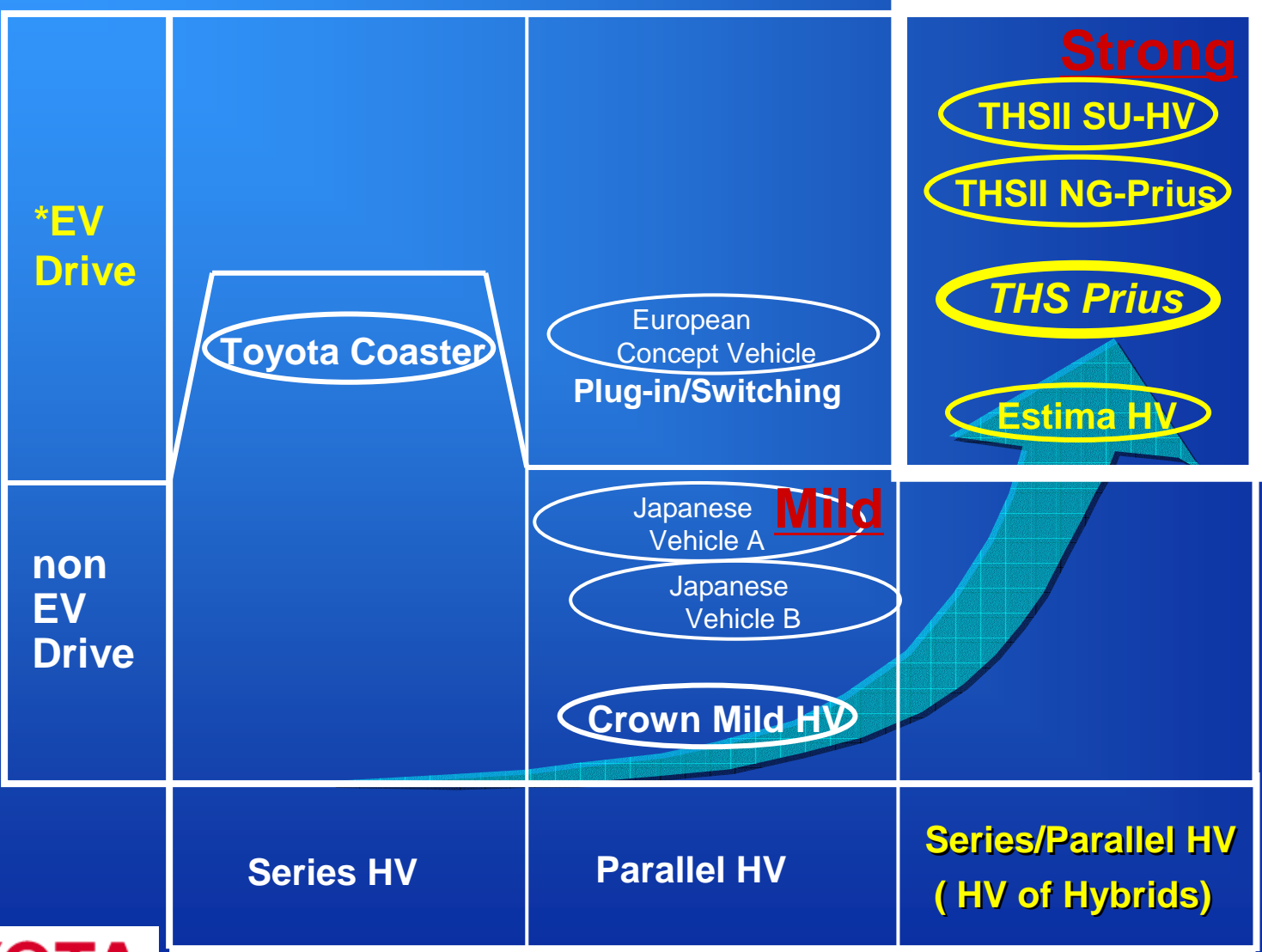
# Toyota Hybrid System (THS)



Start-up	Normal driving	Acceleration	Deceleration	Stopping
Electric motor only	Engine operating with maximum efficiency	Motor and engine	Battery charging Energy recovery	Engine shuts off No energy consumption

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# HV Technology Matrix



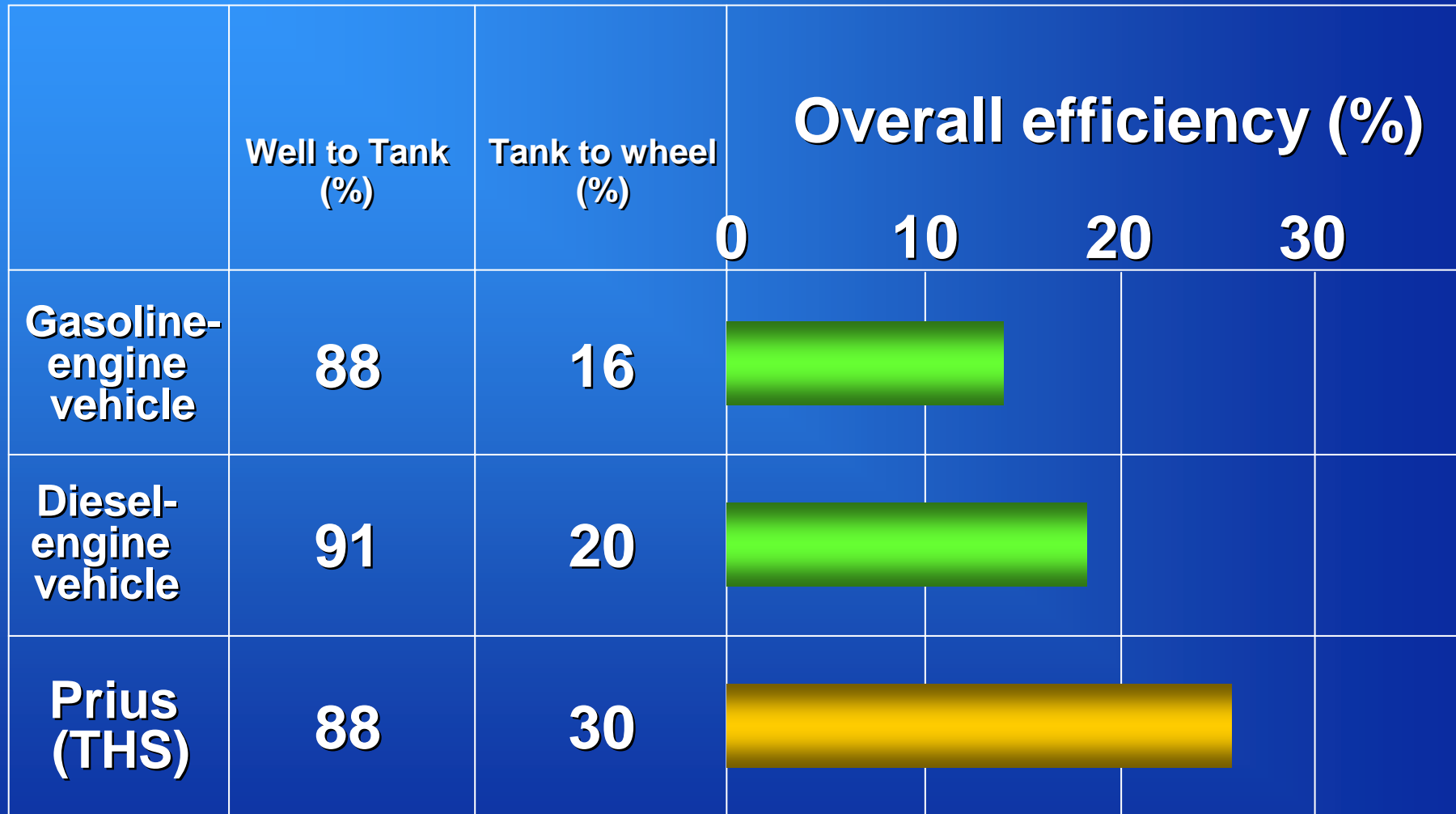
Motor Power / Vehicle Power Ratio



\* : propelled by electric motor only

# Overall Efficiency < Well-to- Wheel >

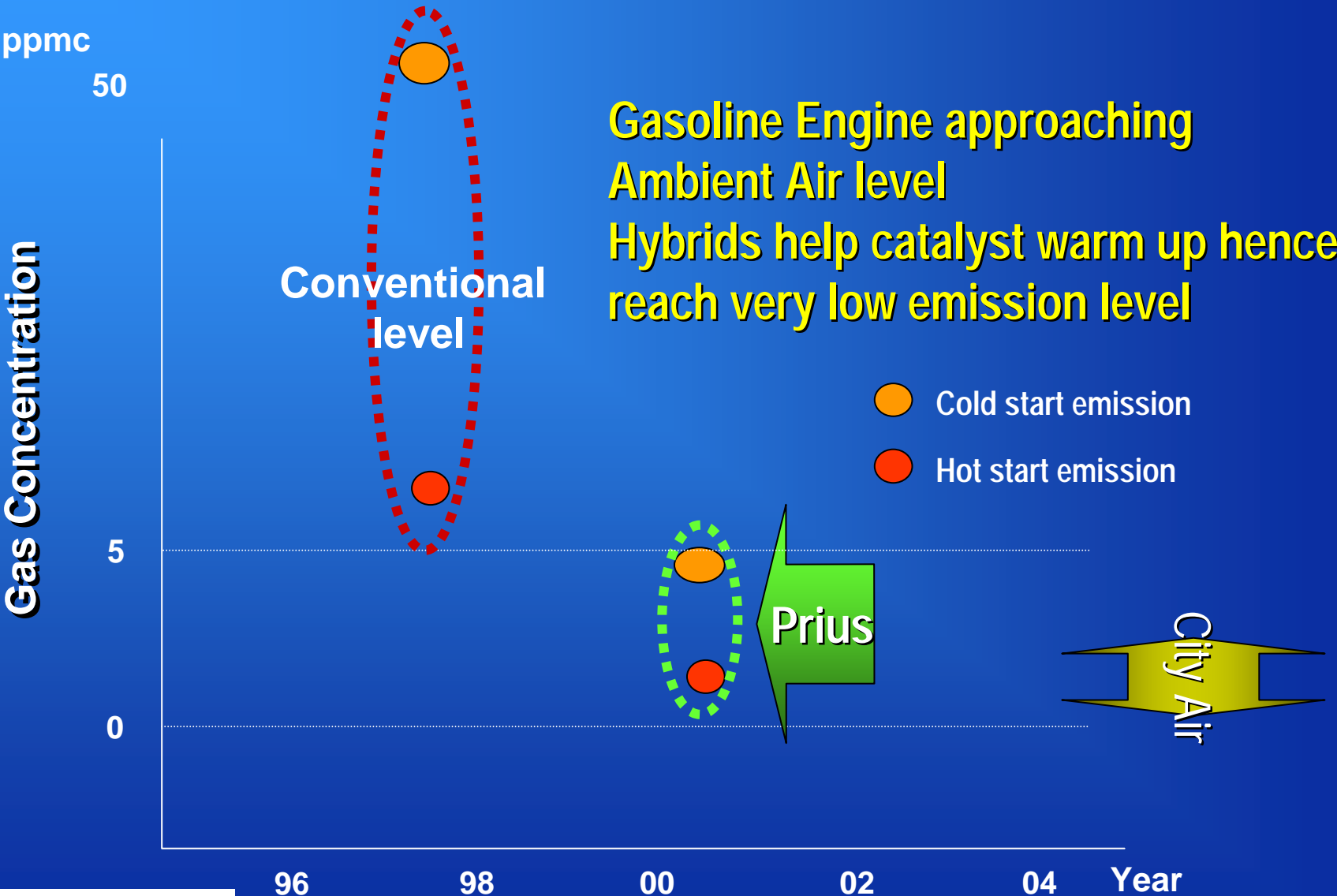
10-15 mode



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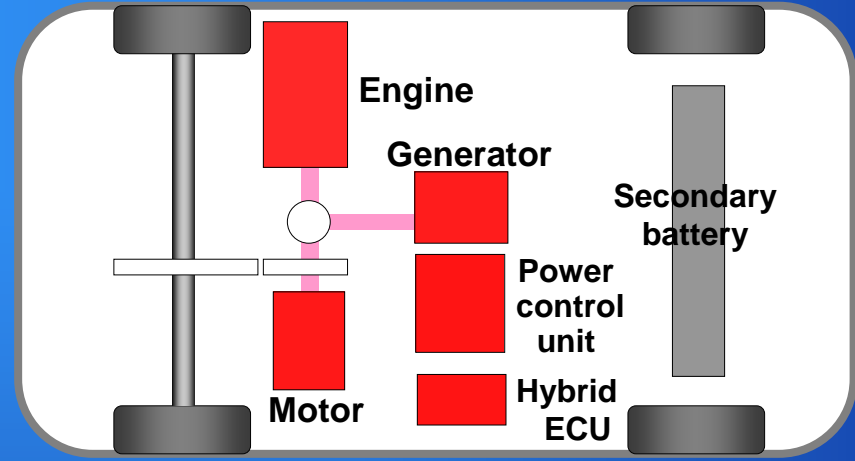
Estimated by Toyota

# Low Environmental Impacts (Emissions)





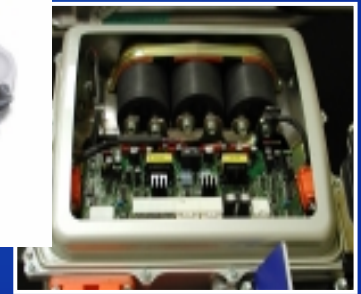
# Internal Development of Toyota Hybrid System



Engine & Motor & Generator



Power control unit



 Internally developed components

# Increased Sales of Hybrid Vehicles

Units 100,000

Total vehicles

50,000



Gas turbine HV (1969)



Prius



Estima Hybrid (4WD)



Crown Mild Hybrid

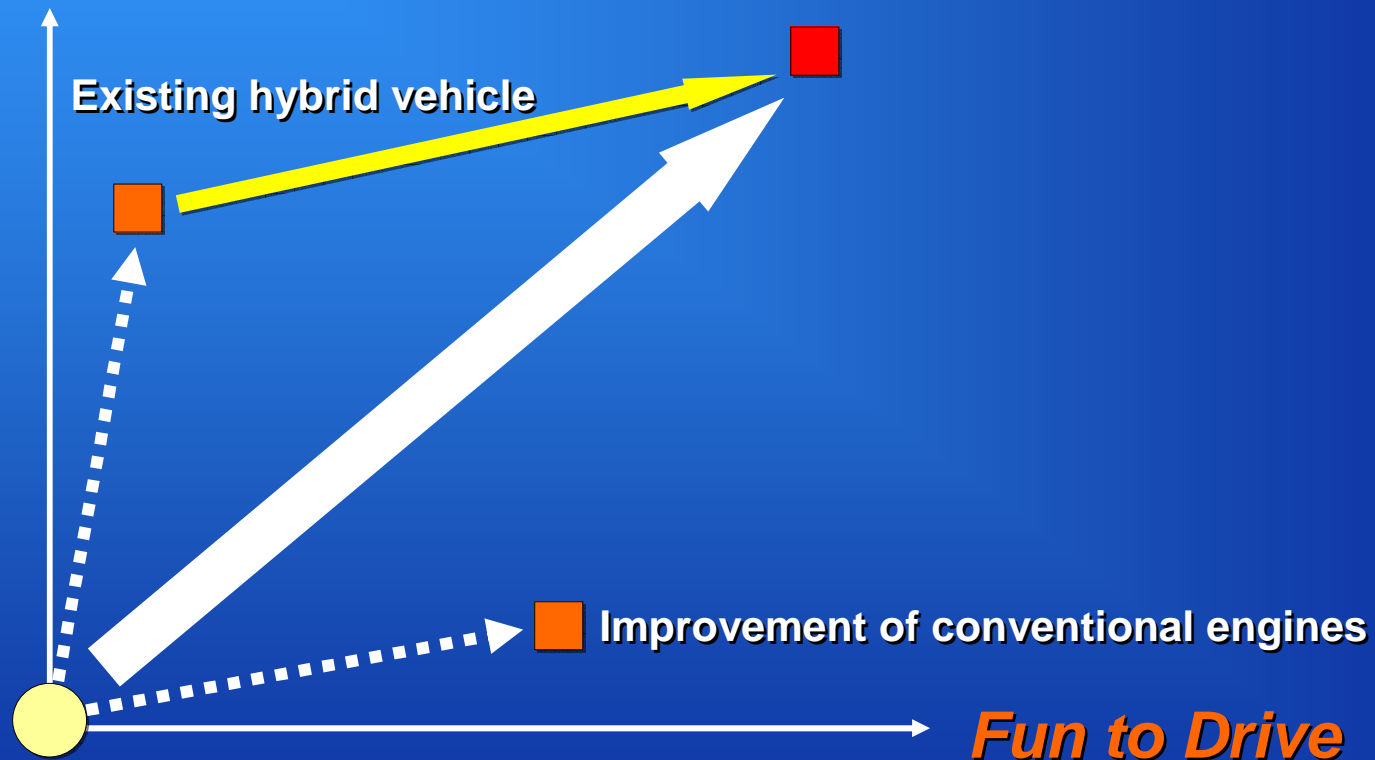
Year 2001

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# Hybrid Synergy Drive

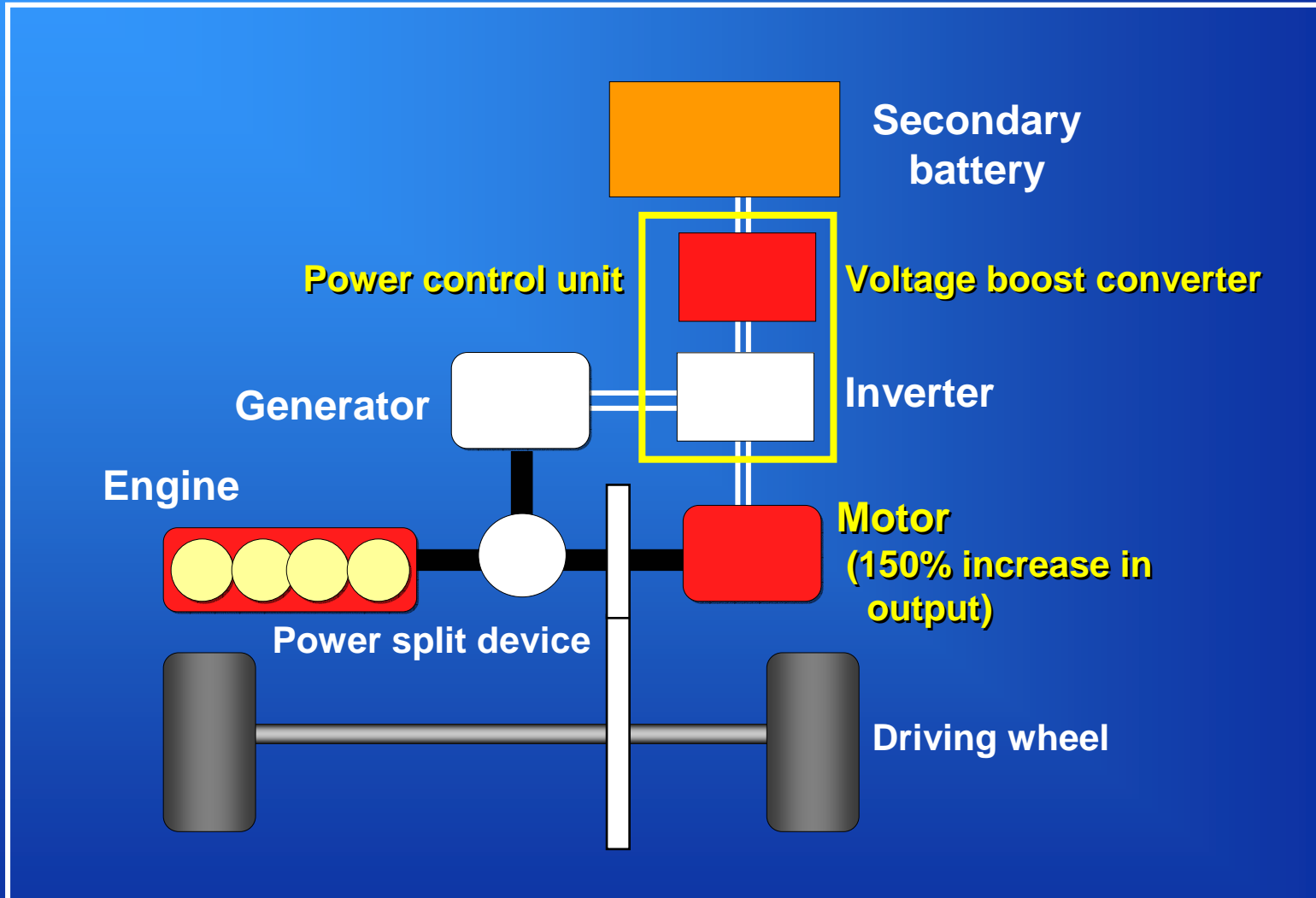
*Fuel Economy*

*Hybrid Synergy Drive*



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# Next-Generation Hybrid System (THS II)



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*Hybrid Synergy Drive*

# Broader Application of the Next-Generation Hybrid System



**(SU-HV)**

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# Fuel Cell Vehicle



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# Development of Toyota FCHV

## *FCHV: Fuel Cell Hybrid Vehicles*

**1992**

Start of FCHV development

**1996**

Announcement of the hydrogen FCHV at the EVS-13 (Osaka)

**1997**

The world's first FCHV with Methanol Reformer

**2001**

Announcement of the FCHV-3, FCHV-4, FCHV-BUS1, and FCHV-5

**2002**

Announcement of FCHV-BUS2 & limited marketing with the delivery of Toyota FCHV



**1996**



**1997**



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**2002**



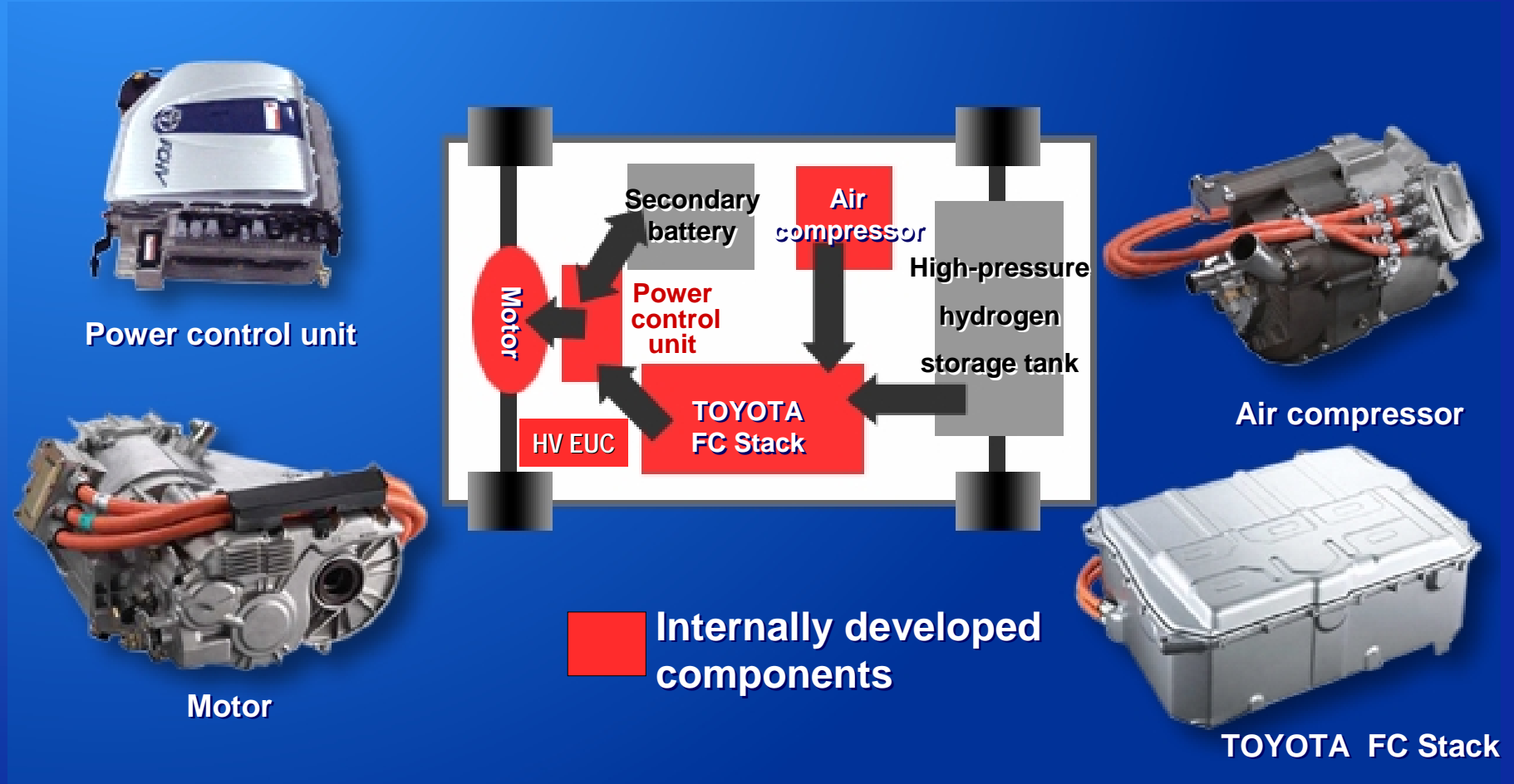
**2002**



**2001**

# Internal Development of Core Technologies

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



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# Application of Hybrid Technology

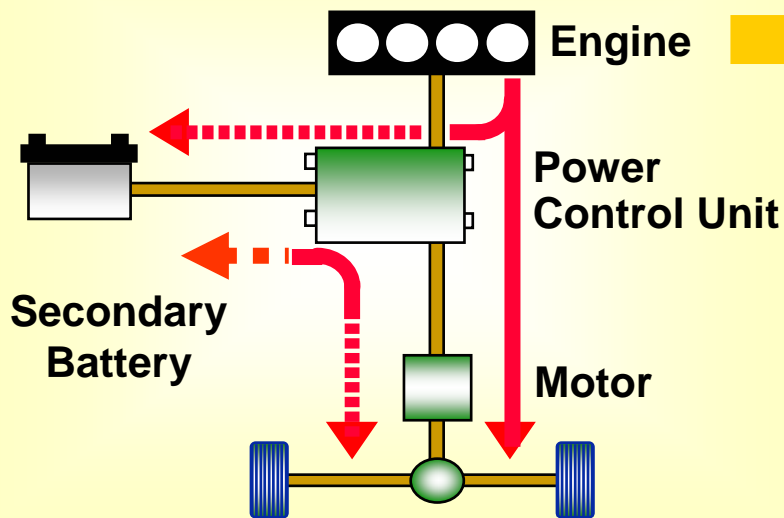
PRIUS



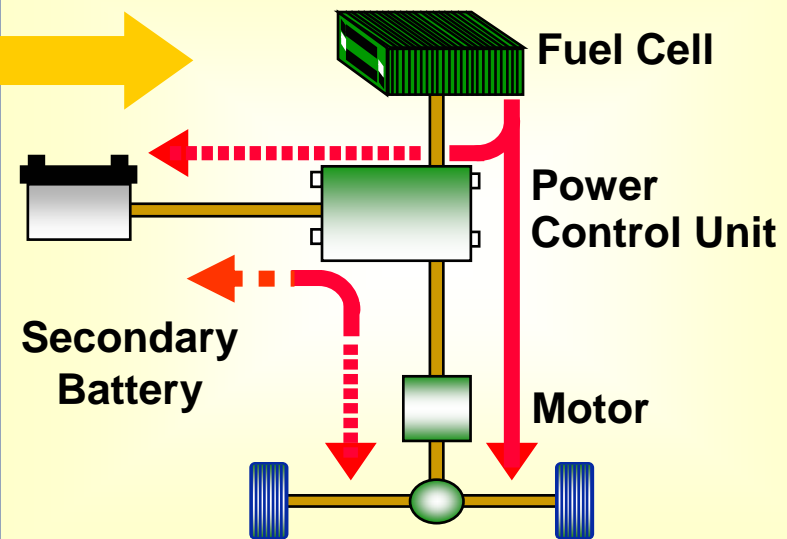
TOYOTA FCHV



ICE Hybrid Vehicle (PRIUS)

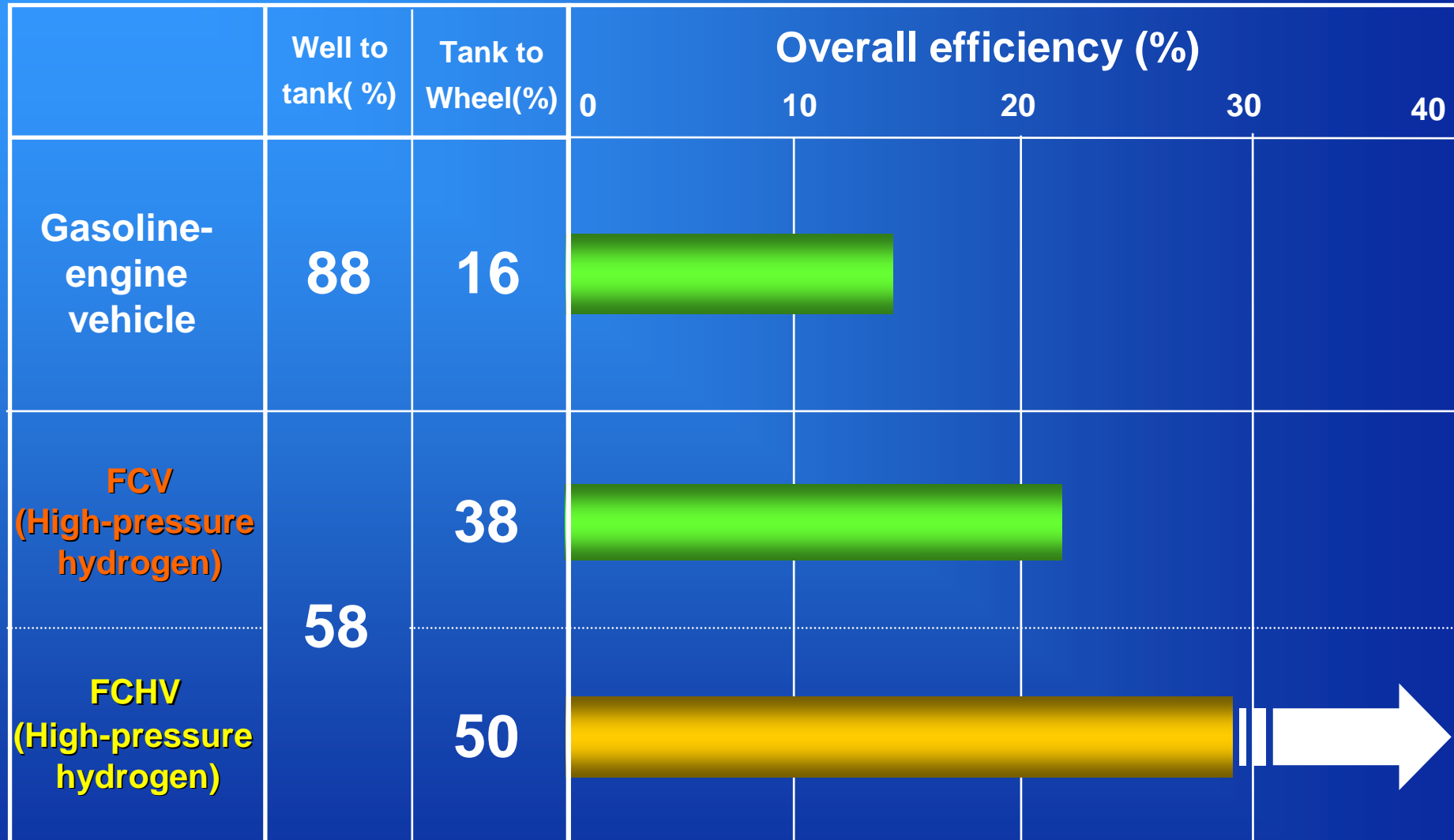


Toyota Fuel Cell Hybrid Vehicle



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# Overall Efficiency <Well-to-Wheel>



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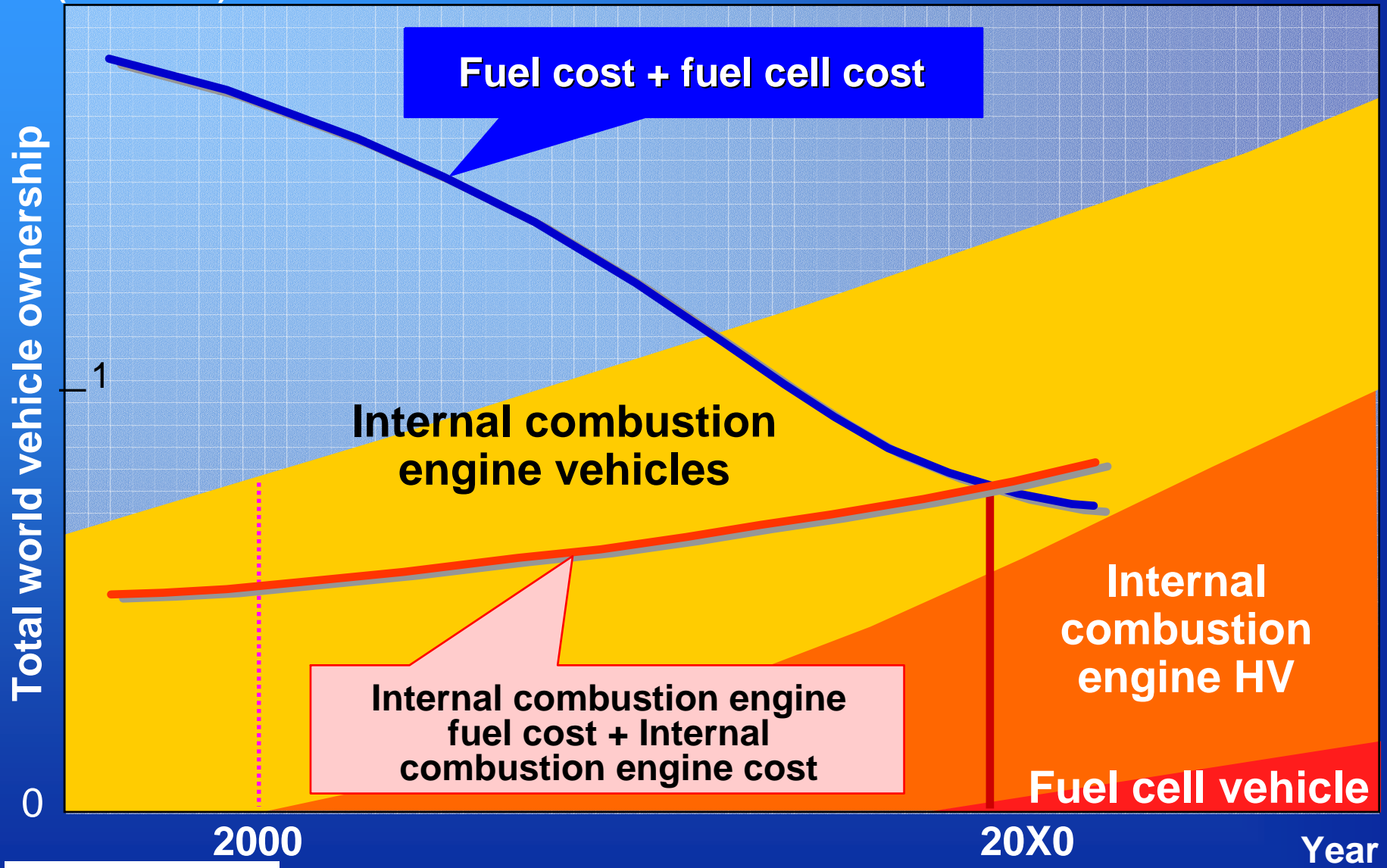
10-15 modes Estimated by Toyota

\* Based on current consumption



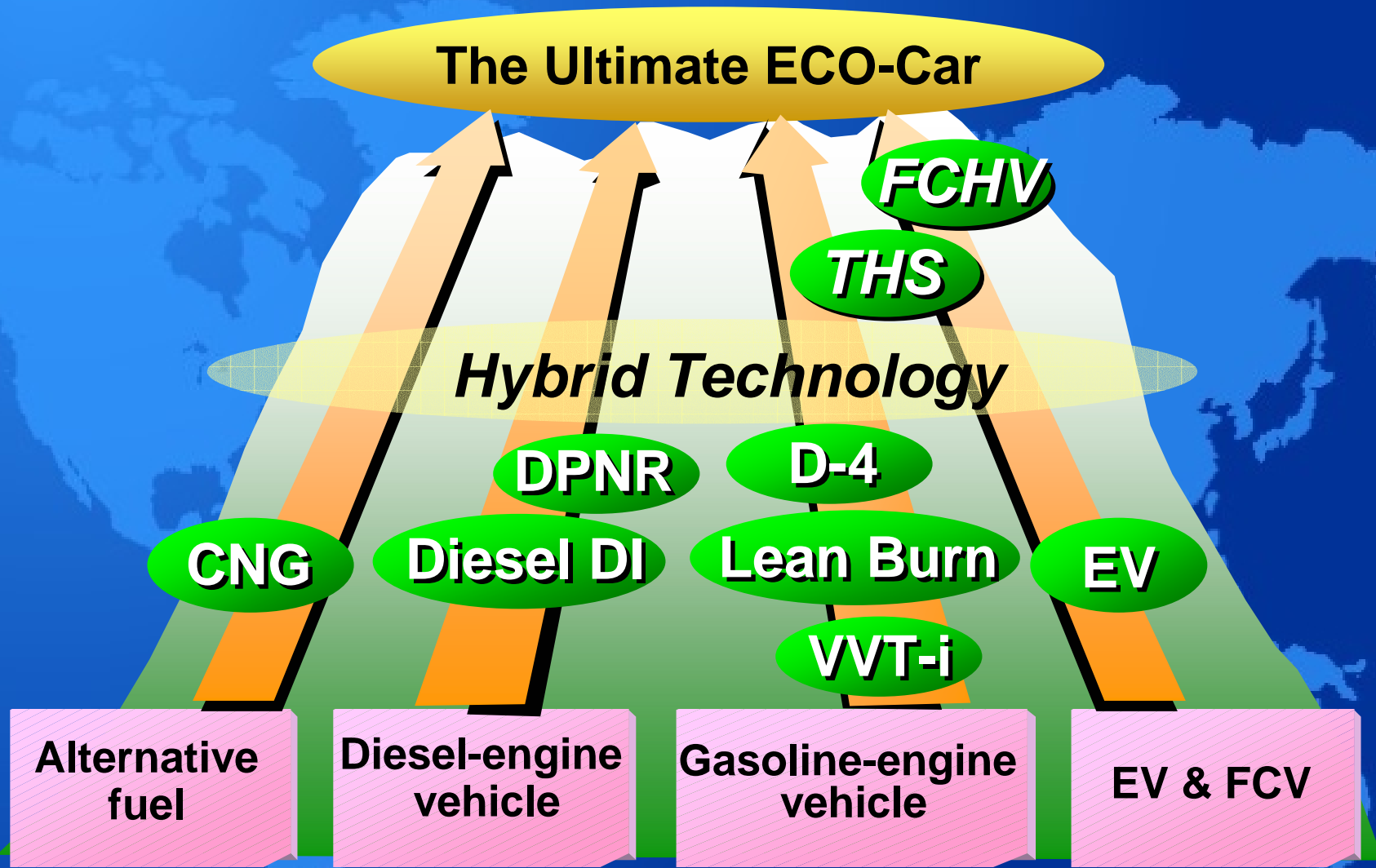
# Future Image of Powertrain Development

2 (in billions)



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# Toyota's Environmental Technology Development



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