



# **Toyota Business Strategy Meeting 2008**

**Toyota Motor Corporation  
August 28, 2008**

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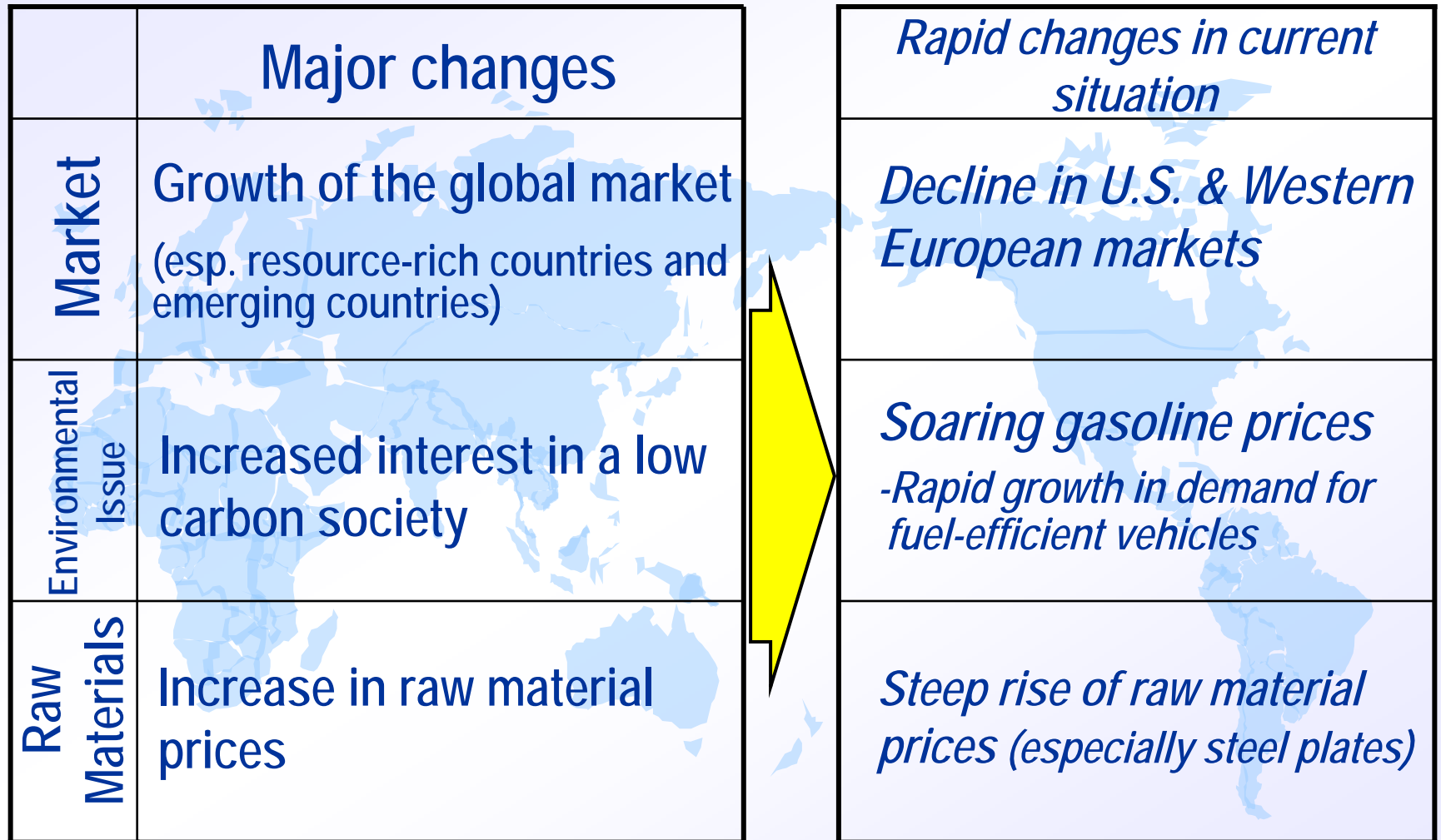
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Katsuaki Watanabe

President

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- I . Business Environment
  - II . Growth Strategy by Region
  - III . Initiatives towards a Low Carbon Society
  - IV . Management Foundation
  - V . Sales Plan
  - VI . Targeted Operating Income Ratio
  - VII . Shareholder Return

# I. Business Environment



## II. Growth Strategy by Region

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	Major changes	
Market	Growth of the global market (esp. resource-rich countries and emerging countries)	<i>Rapid changes in current situation</i>
Environmental Issue	Increased interest in a low carbon society	<i>Decline in U.S. &amp; Western European markets</i>
Raw Materials	Increase in raw material prices	<i>Soaring gasoline prices -Rapid growth in demand for fuel-efficient vehicles</i>
		<i>Steep rise of raw material prices (especially steel plates)</i>

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## II. Growth Strategy by Region

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Operations tailored to various conditions in each region

### Western Europe

- Increased interest in a low carbon society  
⇒ Low-emission vehicles

### United States

- Changes in demand  
⇒ Flexible response

### Japan

- Core of global operations

### China & Russia

- Market growth  
⇒Expansion of sales network  
⇒Increase in supply

### India & Brazil

- Market growth  
⇒Full-fledged entry

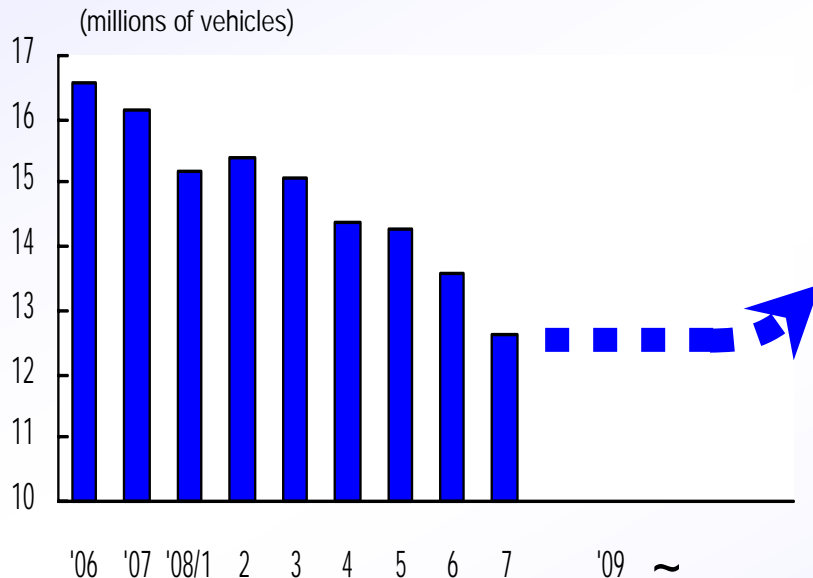
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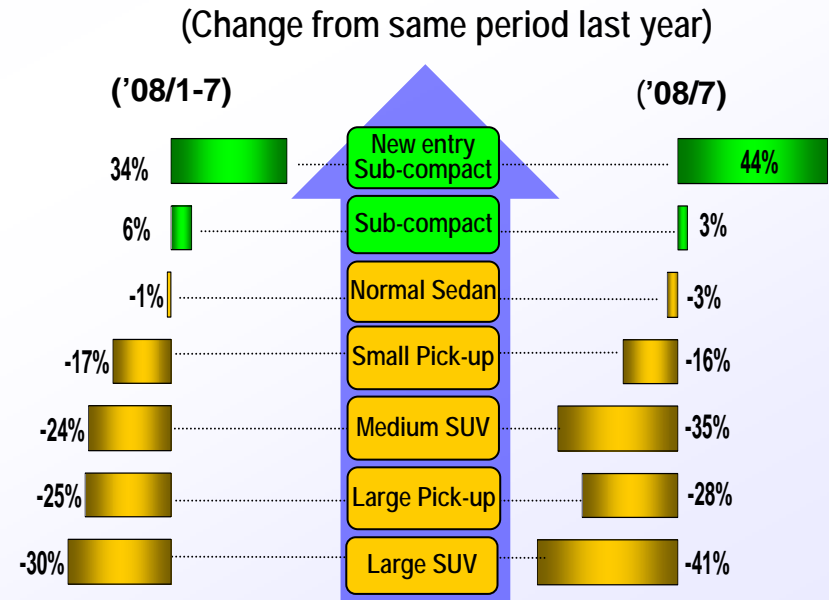
## Rapid change in market structure

- U.S. is a growing market in the medium-to long-term
- Demand shift towards fuel-efficient vehicles is a structural change

U.S. Market (SAAR)



Change in vehicle sales by segment



## Optimize production system to meet demand

- Increase supply of fuel-efficient vehicles: Start U.S. production of hybrid vehicles (TMMMS)
- Trucks(full-size pickups): Consolidate production (TMMTX)
- Flexible production of frame/unibody type models (TMMI)



## II-2. Western European Market

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### Successive launches of low-emission vehicles

- Launch of world top class low-emission models: iQ, Hybrid vehicles
- Launch of 18 low-emission models scheduled in late 2008 to 2009
- Maintain and improve model mix by reducing CO<sub>2</sub> emission across full product line-up



iQ:CO<sub>2</sub> emissions 99g/km



New 1.3 Liter  
gasoline engine



Hybrid Vehicles

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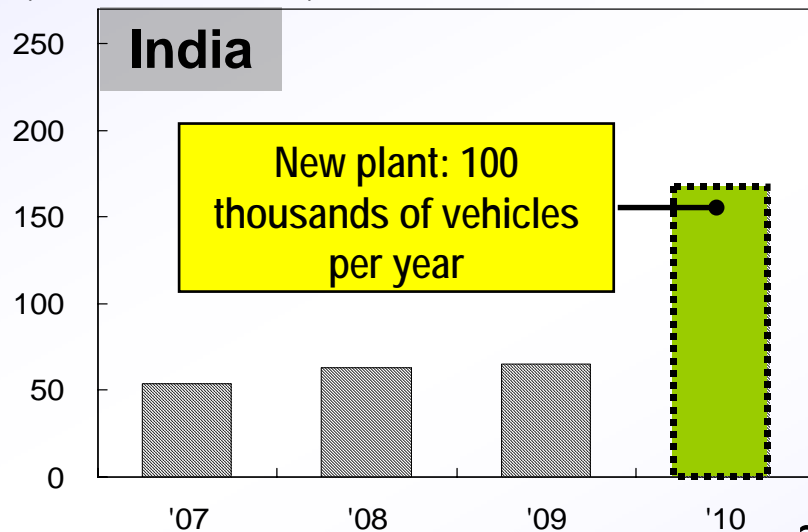
## II-3. Indian & Brazilian Markets

Full-fledged entry through new plants & newly-developed compact models

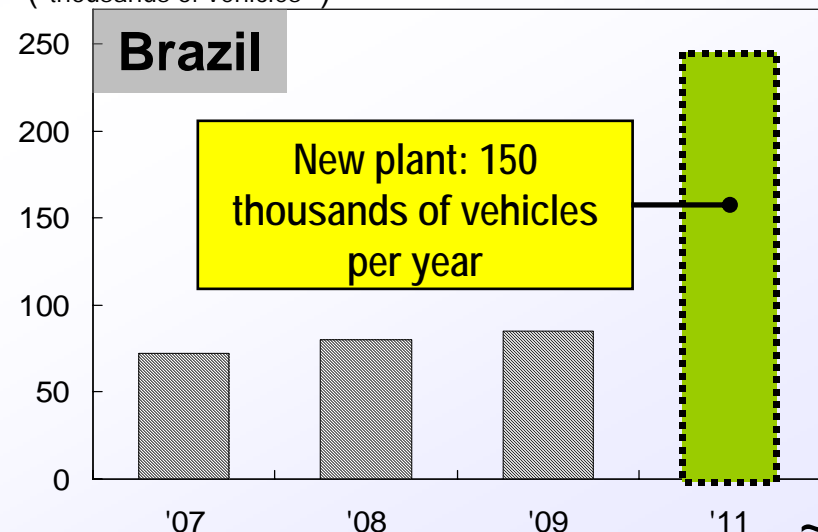
- Full-fledged entry into the compact vehicle market  
⇒ Attract users that upgrade to higher models
- Thorough cost reduction that meets local needs  
⇒ Secure profitability and apply cost-cutting measures to different models

Toyota & Lexus Vehicle Sales(Calendar Year)

( thousands of vehicles )



( thousands of vehicles )

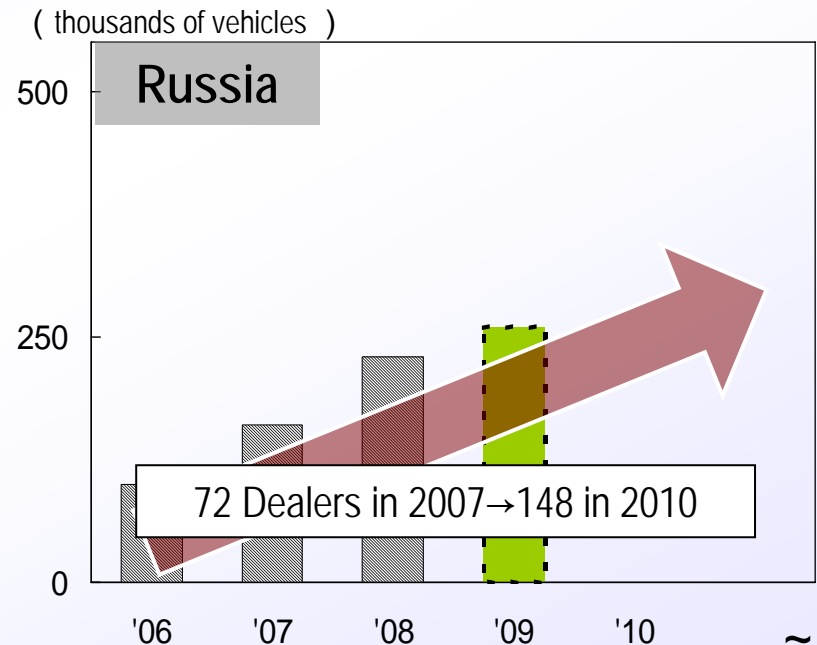
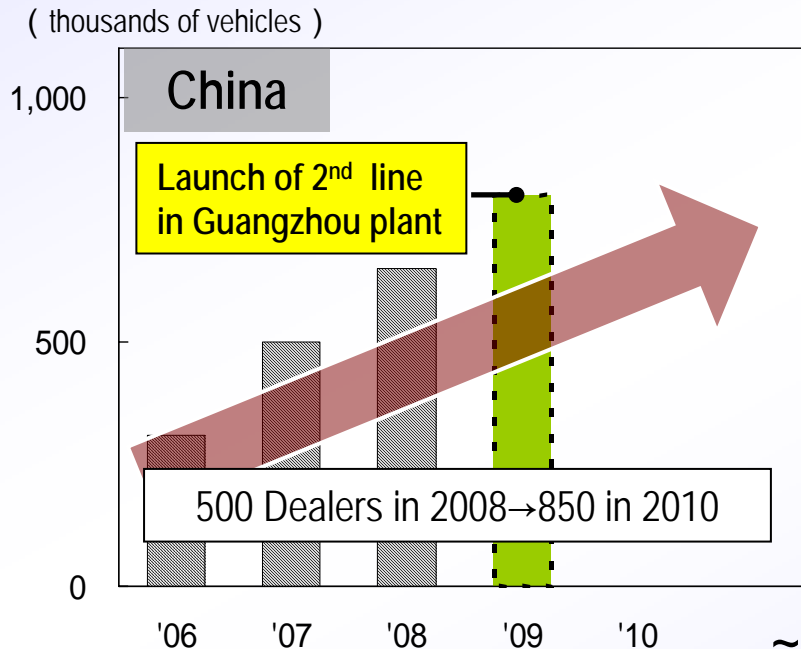


# II-4. Chinese & Russian Markets

## Increasing supply to growing markets

- China: Increase local production and expand sales and service networks
- Russia: Expand sales and service networks to regional cities

### Toyota & Lexus Vehicle Sales(Calendar Year)



## II-5. Japan

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### The core of global development and production system

- Strengthen development capabilities and product appeal in Japan
- Production system that flexibly responds to demand changes by region or model

### Introduction of models that reflect market characteristics

Alphard



Crown



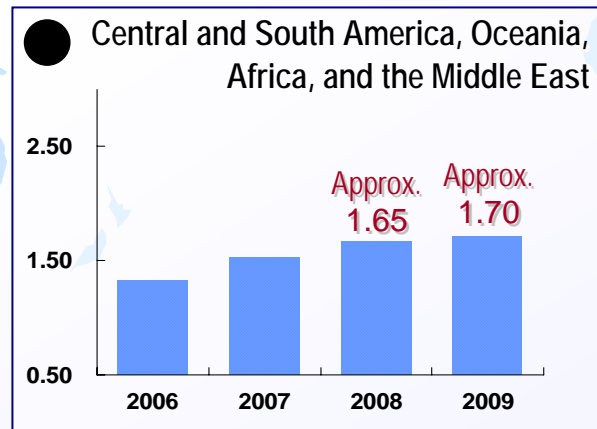
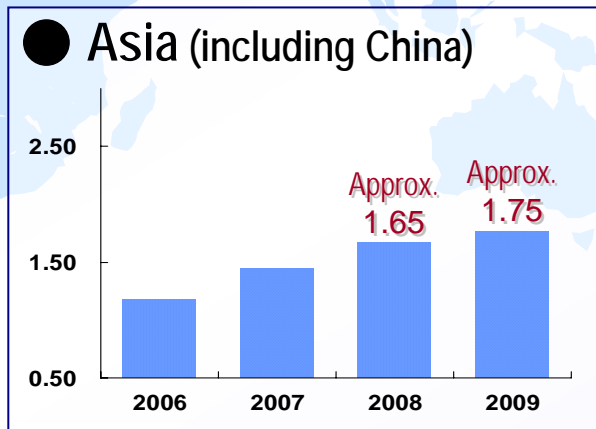
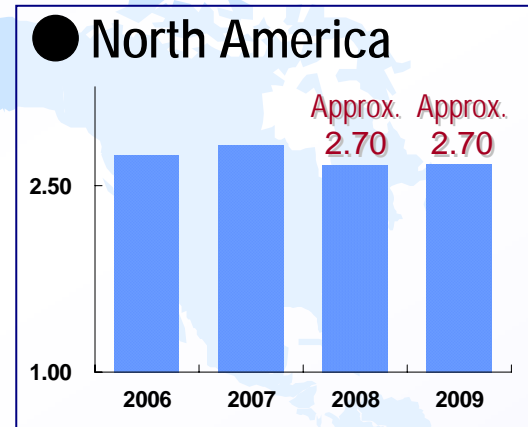
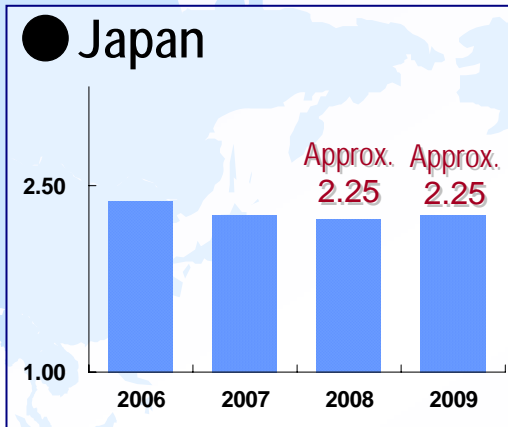
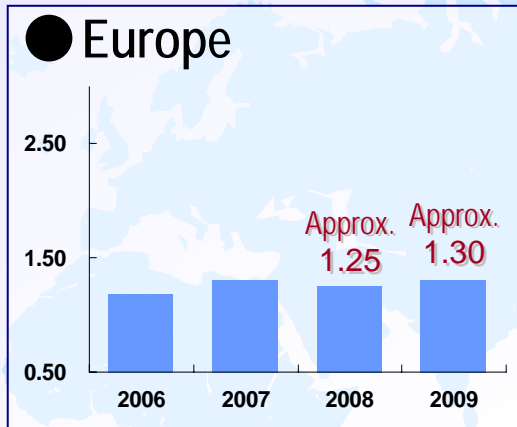
Tanto (Daihatsu)



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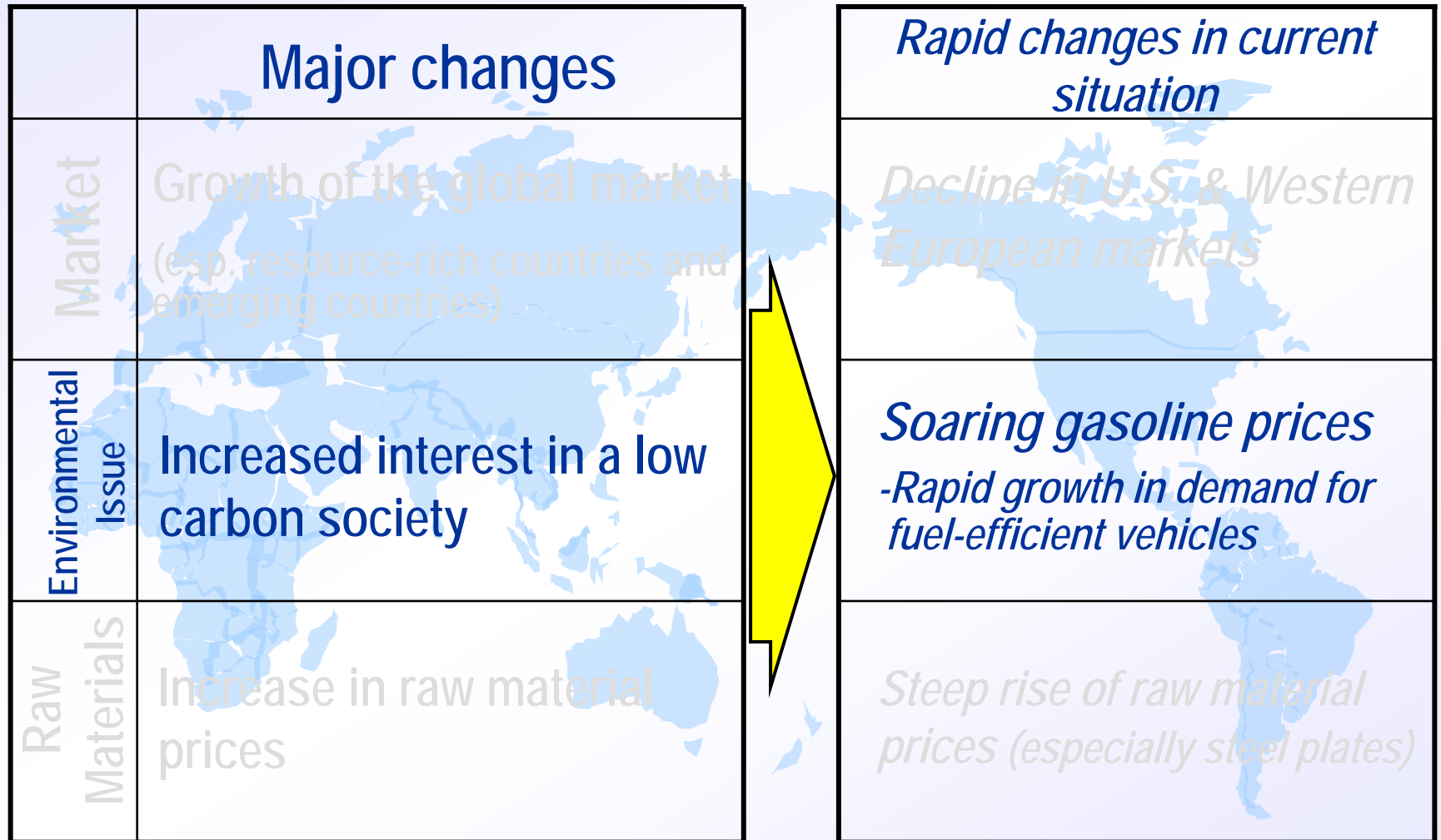
# II-6. Sales plan by region

Sales volume by region (retail sales,calendar year, including Hino & Daihatsu)



(millions of vehicles)

# III. Initiatives towards a Low Carbon Society



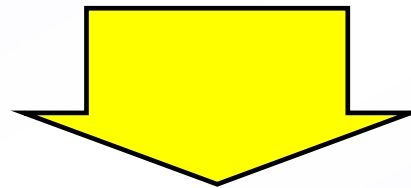


# III. Initiatives towards a Low Carbon Society

Maintain a balance between corporate growth and the pursuit of a low carbon society

- Toyota's policy

“Without a focus on measures to pursue a low carbon society, there can be no future for motor vehicles.”

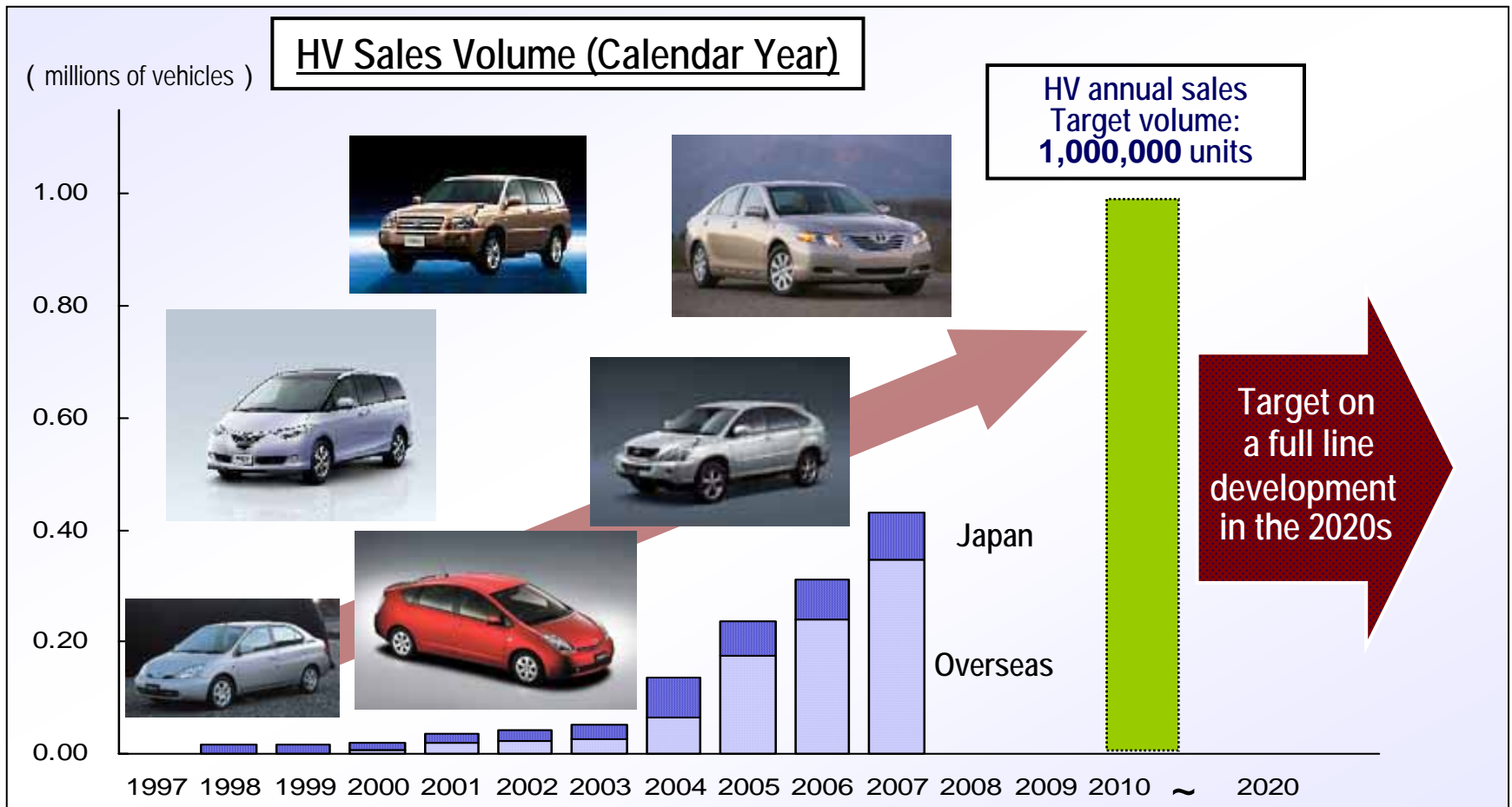


Pursuit of Sustainability

〔 Technological innovation to achieve a low carbon society 〕

# III-1. Hybrid Vehicle ("HV") Strategy

No. 1 sales in the HV market / Increase in sales and variety of models

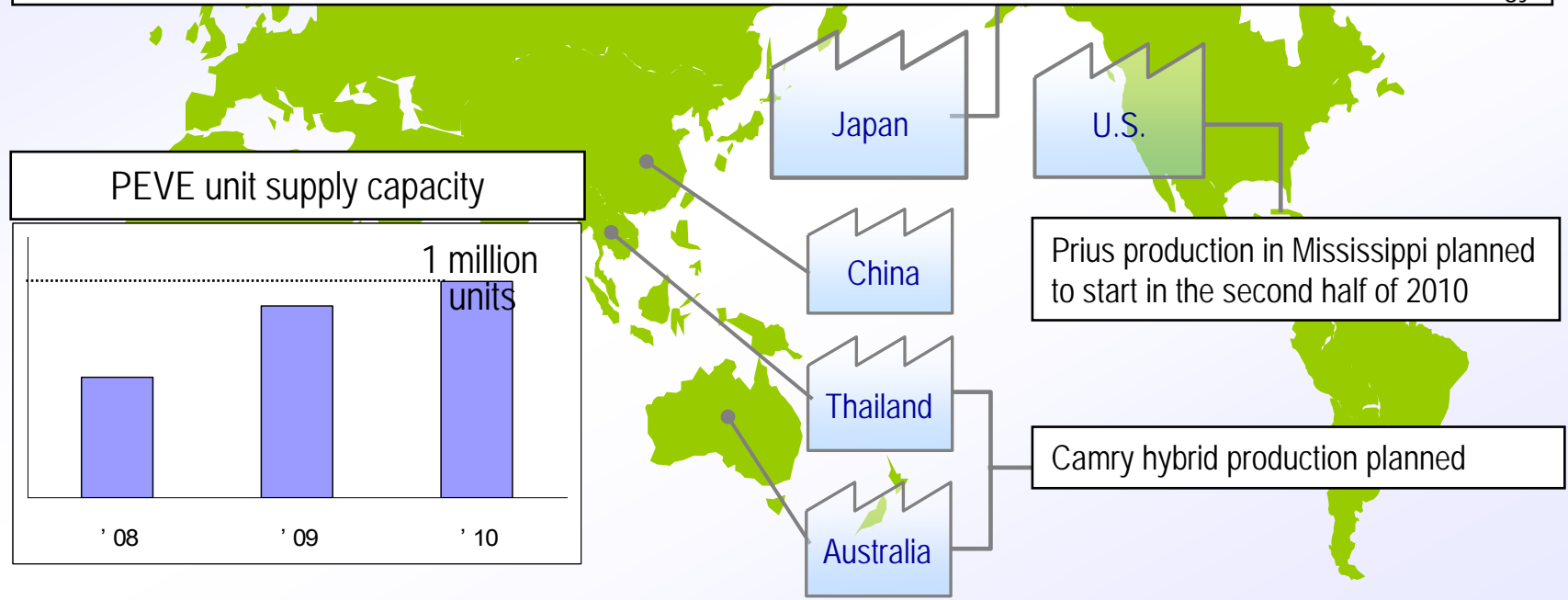


# III-1. Hybrid Vehicle ("HV") Strategy

## Increase in hybrid vehicle & unit supply capacity

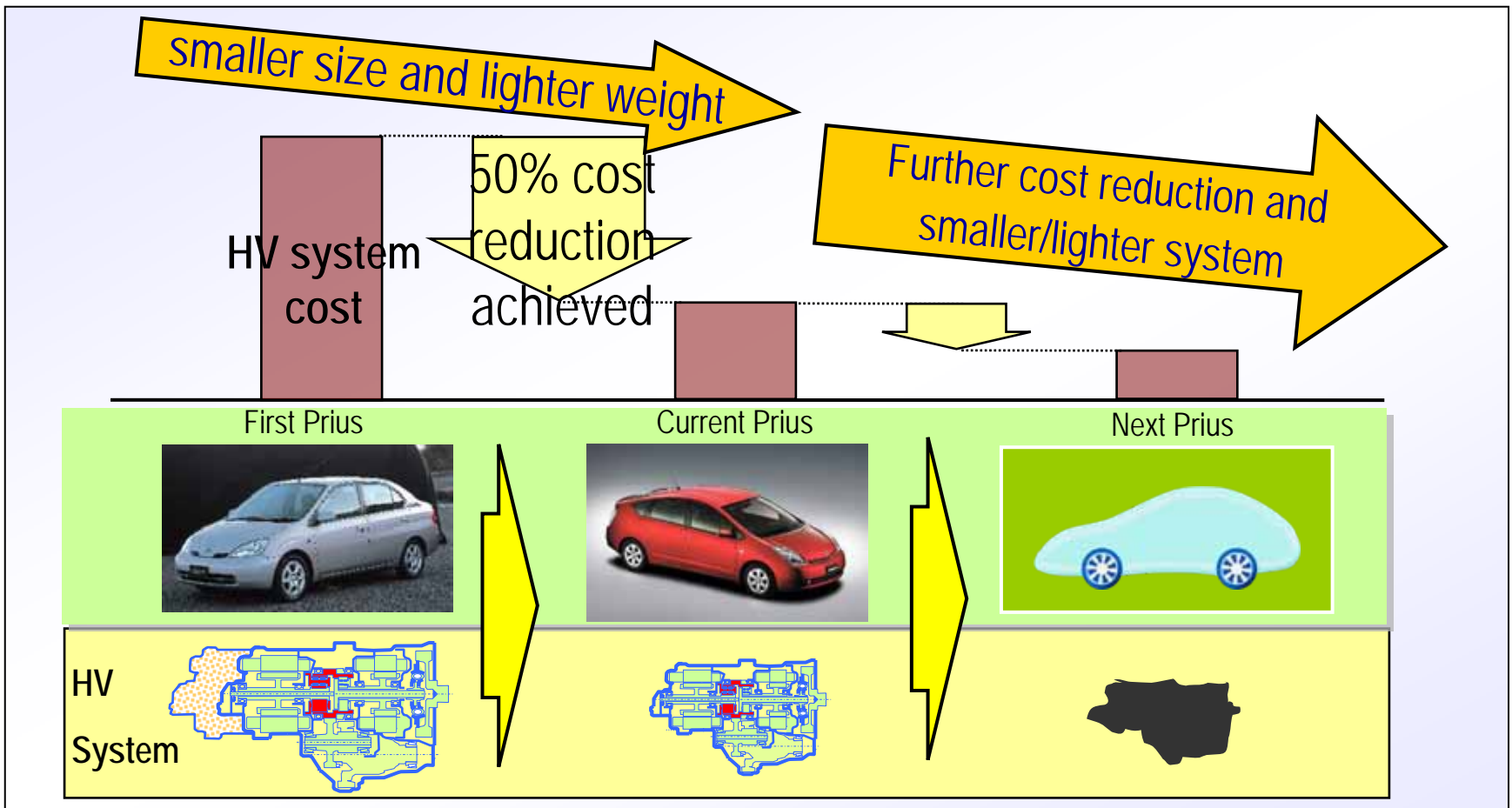
<Batteries> Establishment of 1-million unit production capacity of PEVE\* in 2010  
<Vehicles> Large increase of production capacity in 2009  
(new Prius & new HV-only vehicle)

\*PEVE: Panasonic EV Energy



# III-1. Hybrid Vehicle ("HV") Strategy

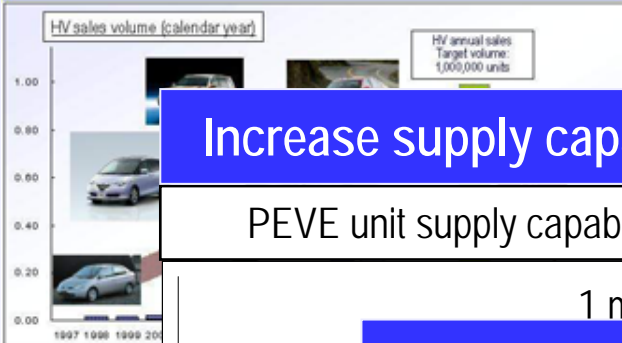
Make HV systems smaller and lighter, and lower the cost



# III-1. Hybrid Vehicle ("HV") Strategy

Increase in models and vehicle sales

No. 1 in HV sales performance > Increase in sales and variety of models



Increase supply capacity

PEVE unit supply capability

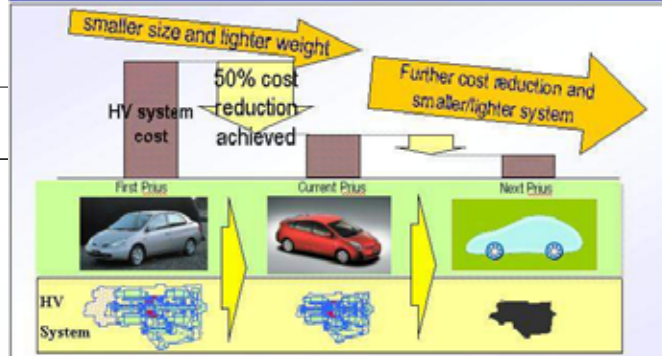
1 million



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Cost reduction of hybrid vehicles

Make HV systems smaller and lighter, and lower the cost



Increase in earnings from HV models

## Response to energy diversification

### Alternative Energy to Oil

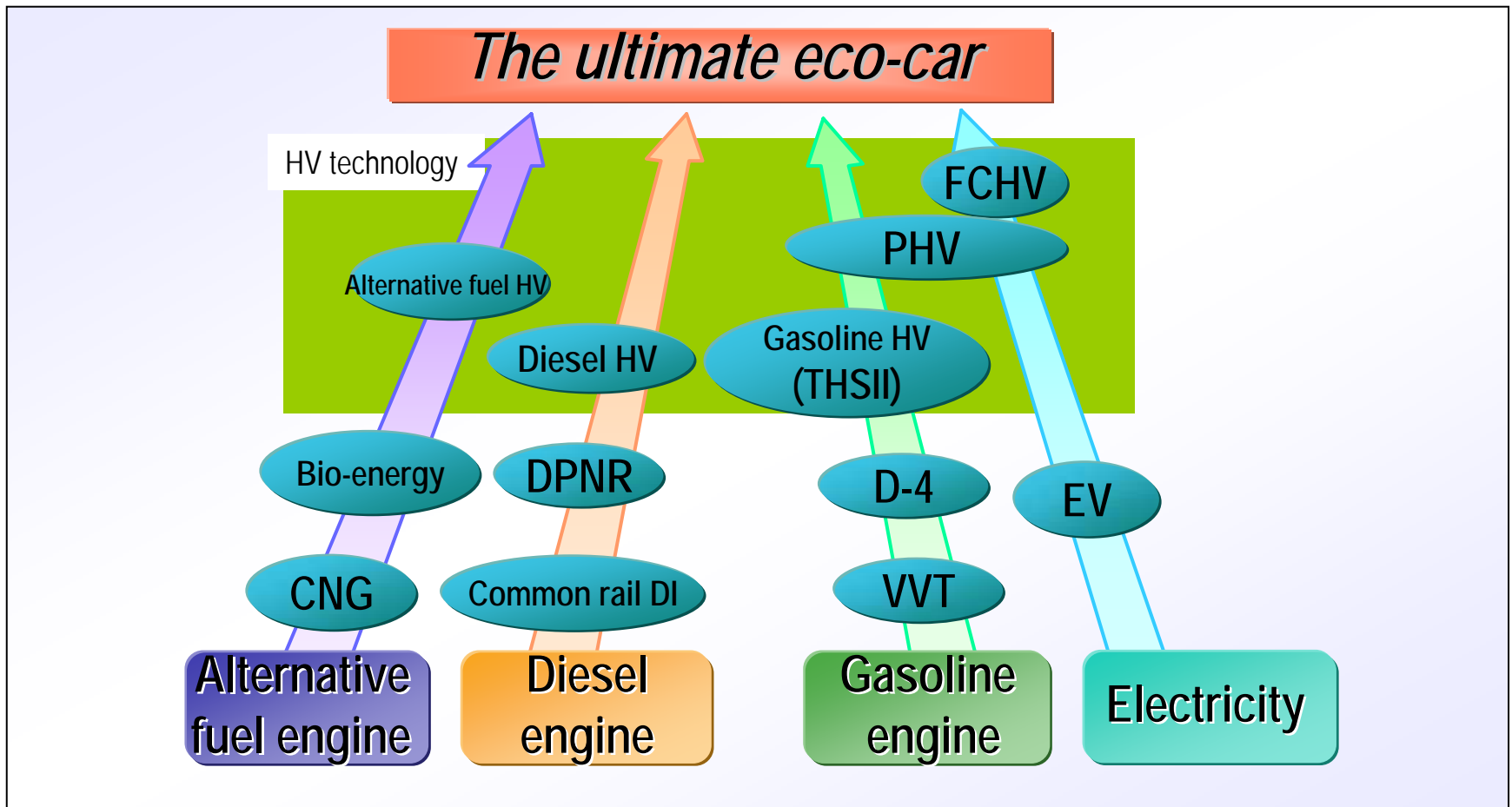
Electricity

Bio-  
energy

Hydrogen

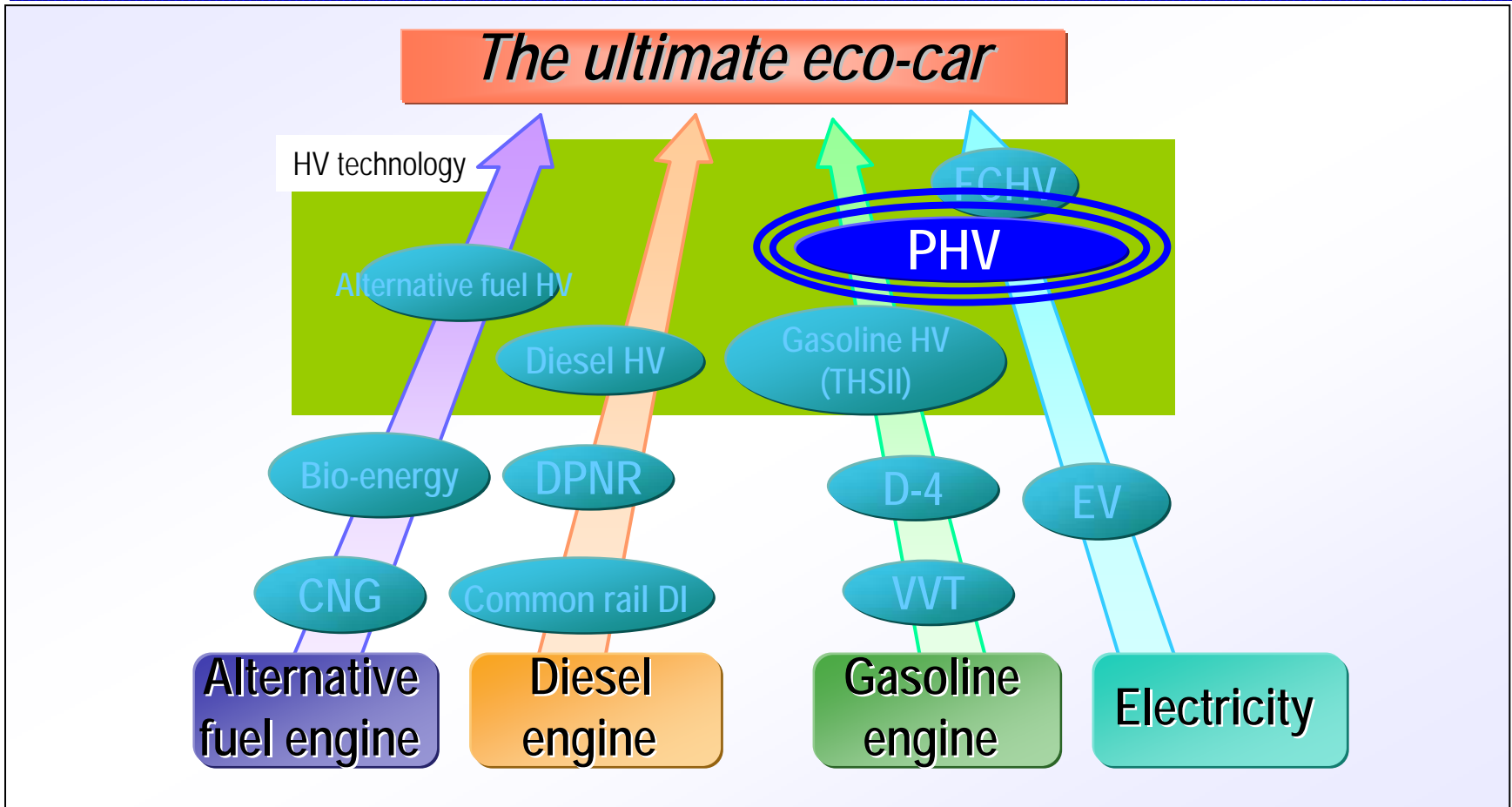
# III-2. Medium-to Long-term Strategy of Environmental Technology

Comprehensive development with HV as the core



# III-2. Medium-to Long-term Strategy of Environmental Technology

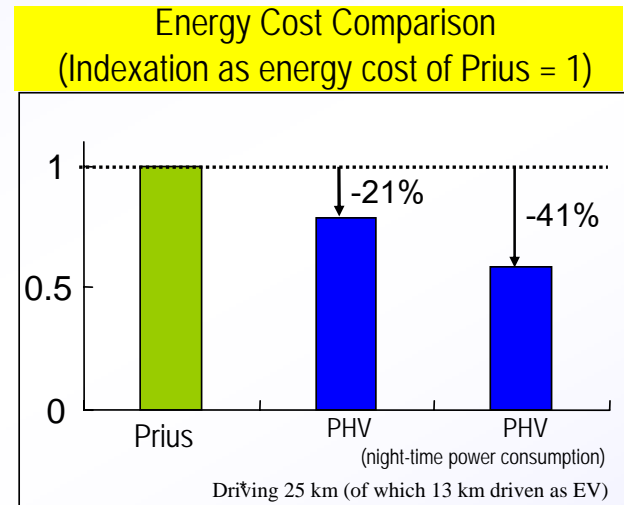
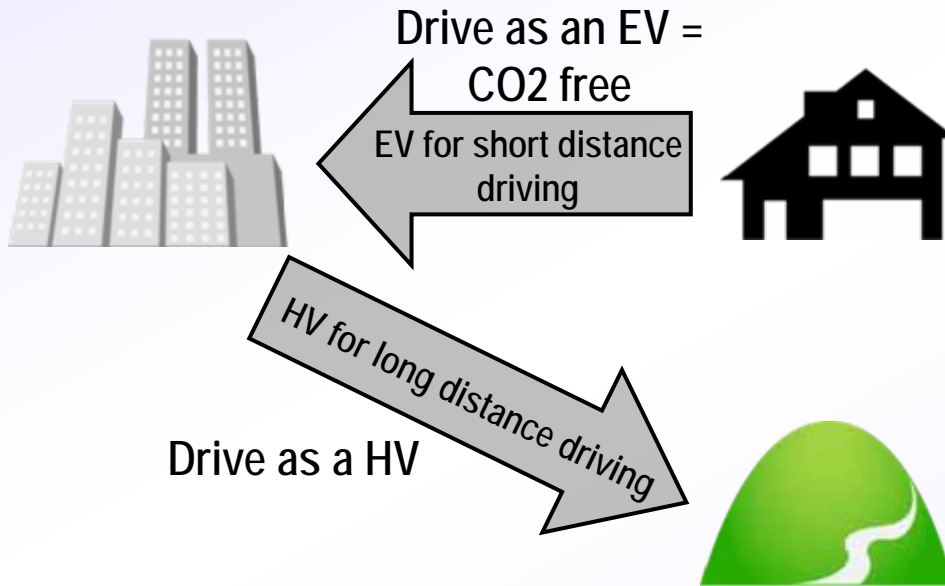
## Development of the PHV





## Development of the PHV

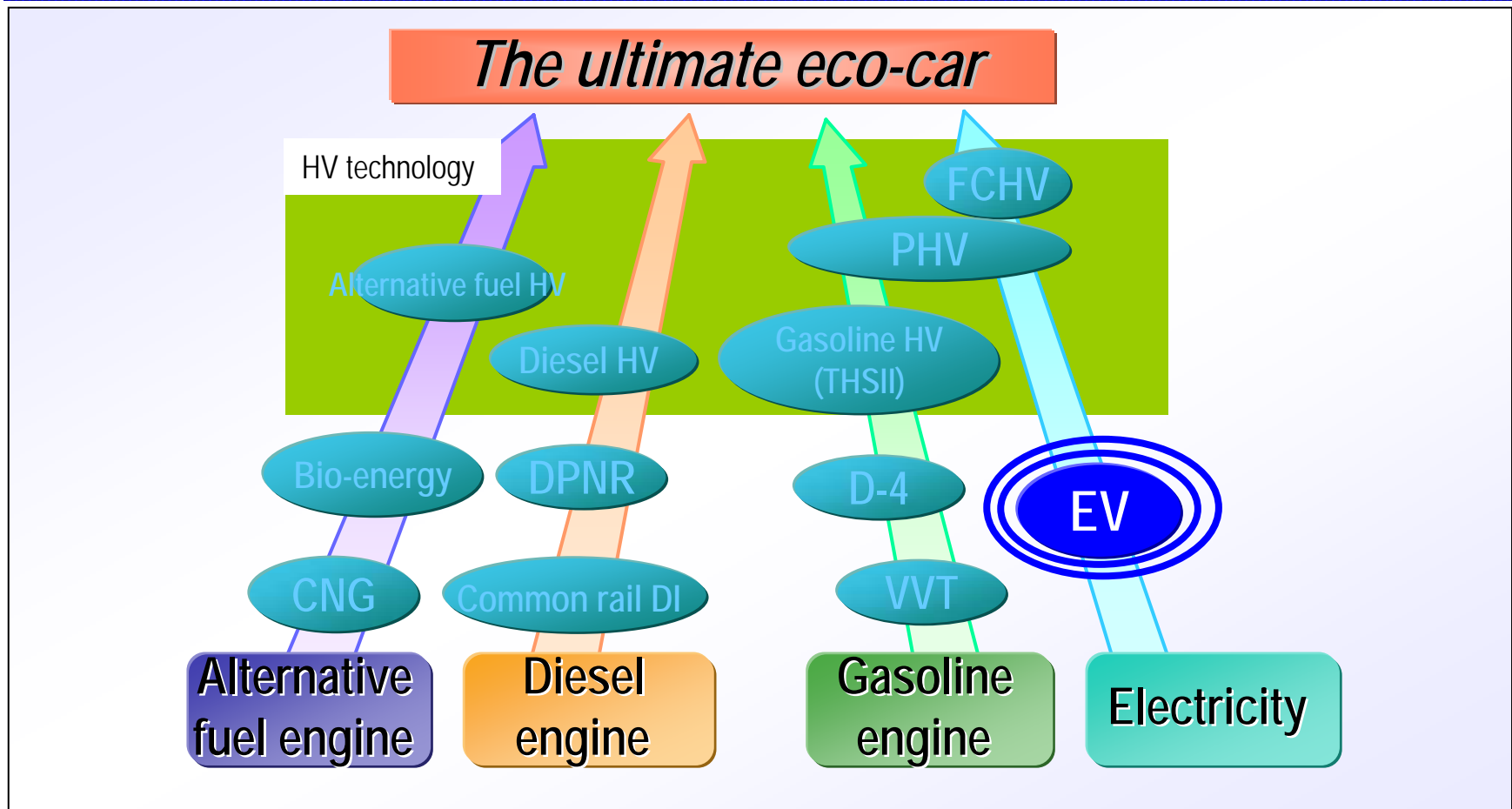
- Introduction of PHV for fleet users by the end of 2009



PHV

# III-2. Medium-to Long-term Strategy of Environmental Technology

## Accelerating research and development of EV



# III-2. Medium-to Long-term Strategy of Environmental Technology 27

## Accelerating research and development of EV

[Challenges of EV]

(1) mileage (2) cost (3) charging time (4) dedicated charging infrastructure

⇒ For the time being, realistic use is limited to commuting short-distances

Toyota RAV4 EV('97-'03)



Toyota e-com('99-'06:  
Tested on public roads)



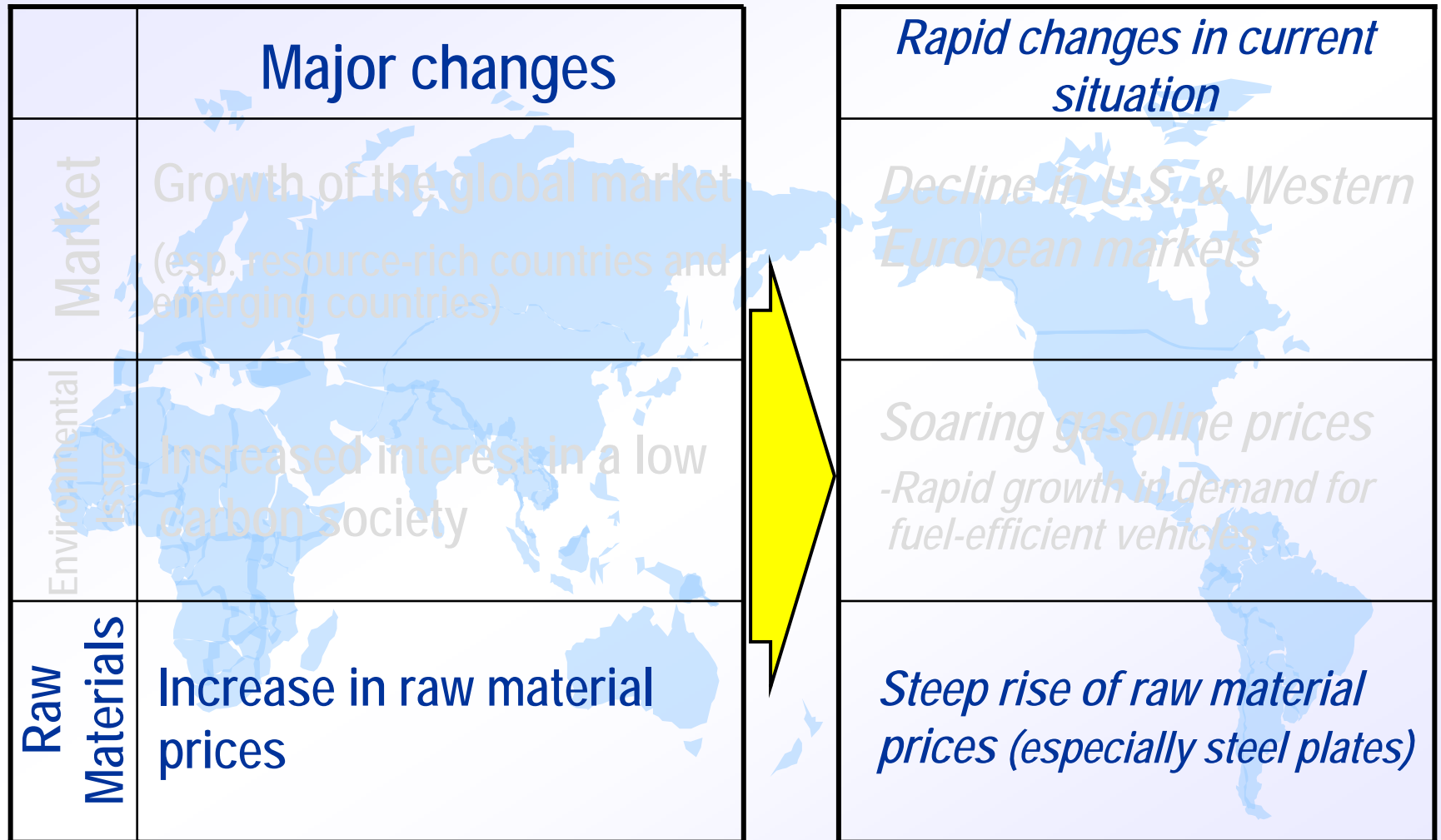
Production of next-generation EV (in the early 2010s)

• Accelerating R&D for next-generation battery



Establishment of battery research division & joint research by industrial & academic sectors

# IV. Management Foundation



# IV. Management Foundation: Cost

## Promoting cost reduction activities for compact vehicles

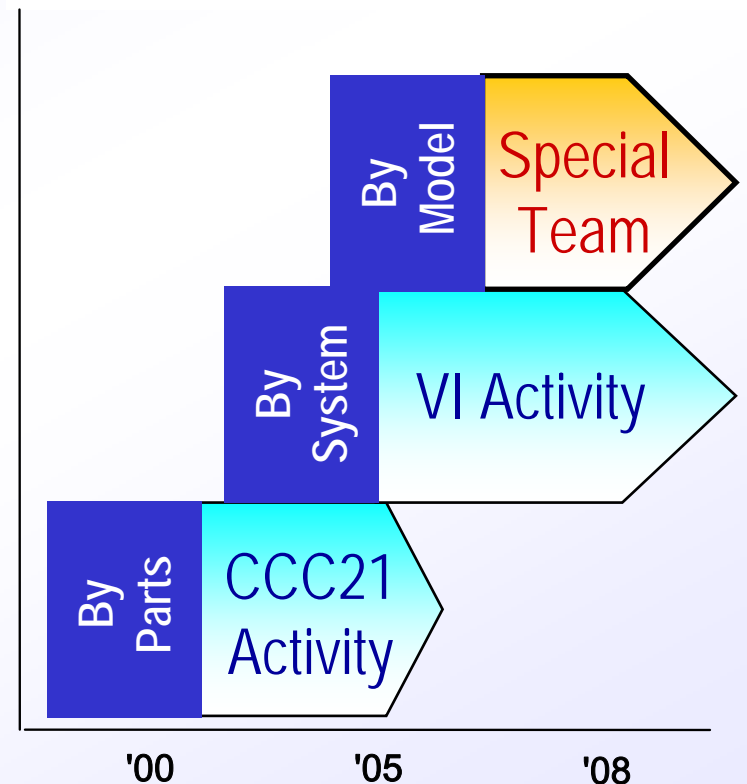
Organize a special team to work on compact vehicles

### The Concept

Optimize product specifications and performance to meet customers' needs

-Thoroughly review vehicle size, weight, and number of parts in order to realize cost reduction

### Cost reduction activities



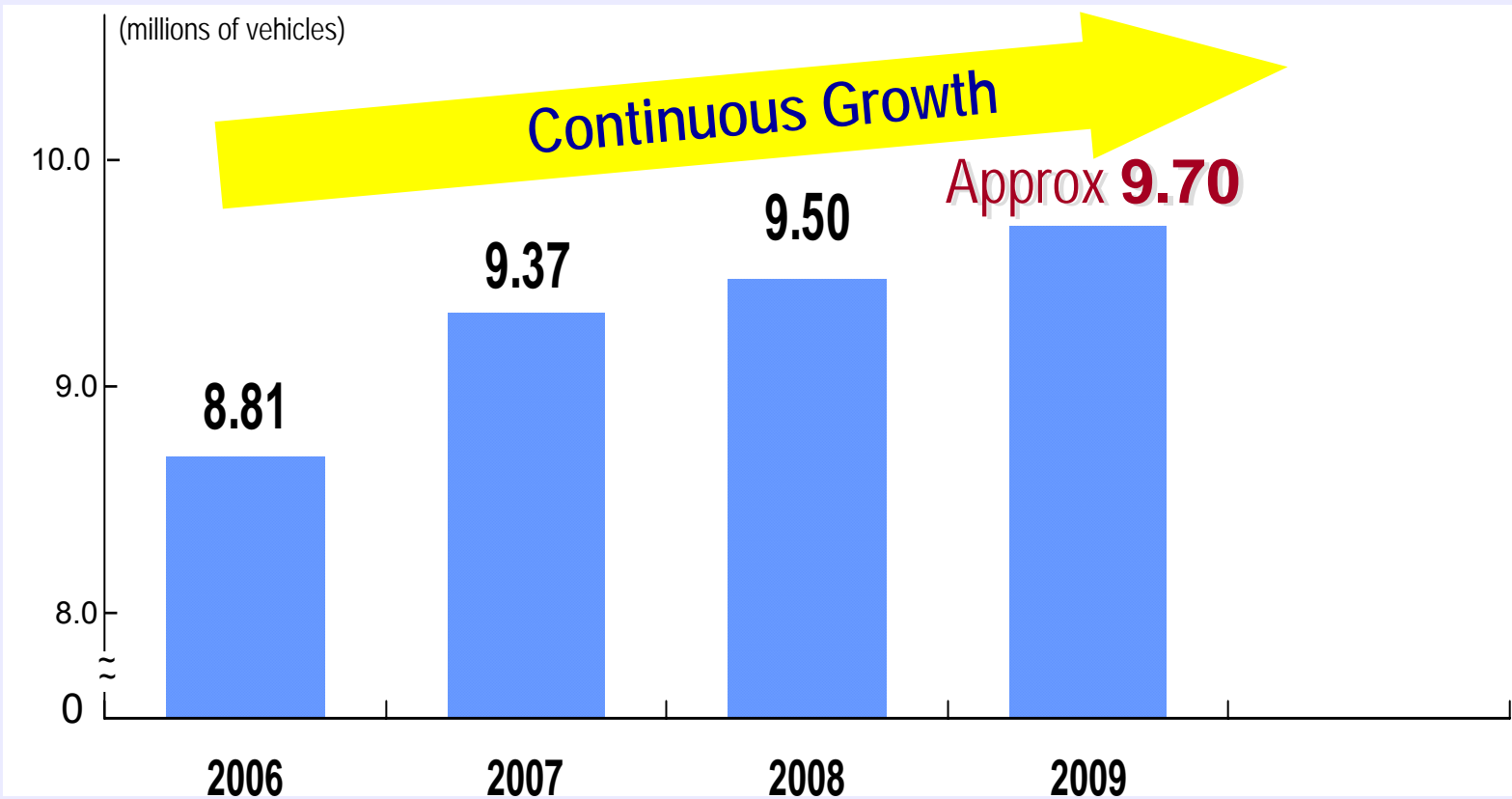
# IV. Management Foundation: Quality, Cost & Human Resources 30

Develop human resources to ensure Toyota quality  
and implement the Toyota Way



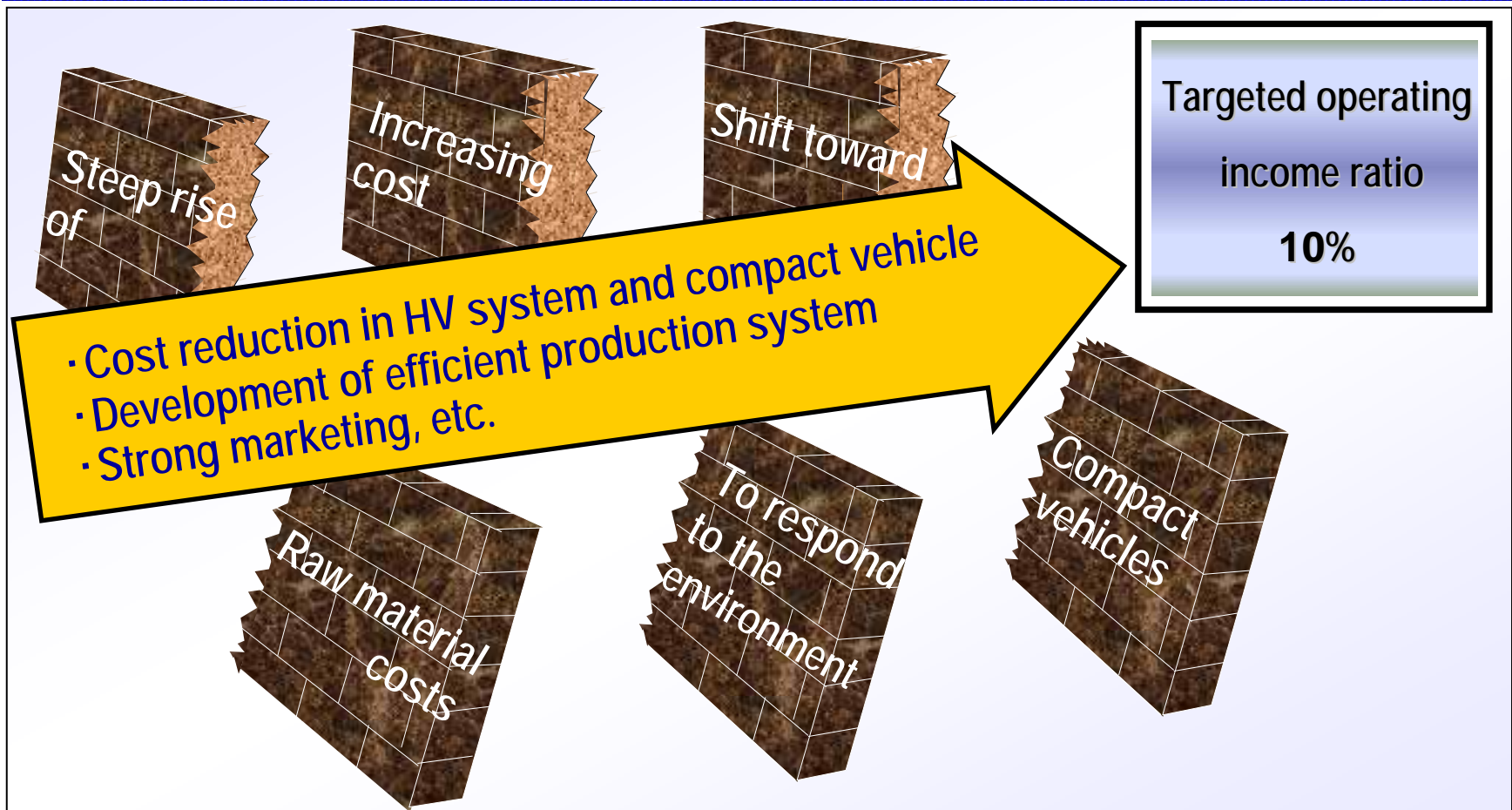
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||| Total sales volume (retail sales,calendar year, including Hino & Daihatsu )



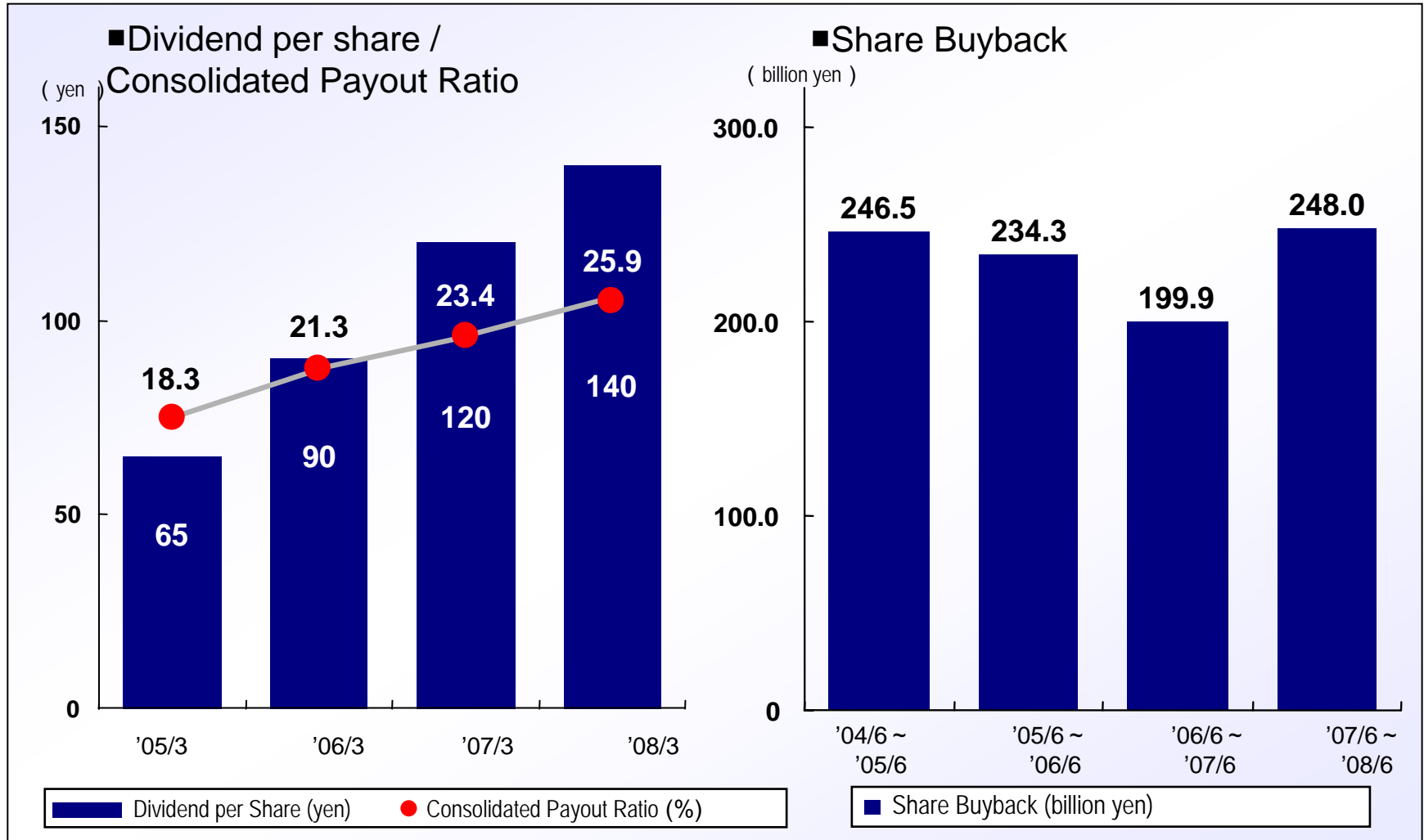
# VI. Targeted Operating Income Ratio

Achieve 10% operating income ratio by overcoming various obstacles





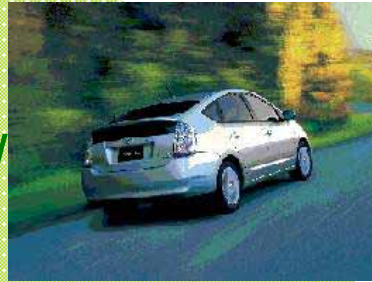
# VII. Shareholder Return



	Strategies
Market	<p>U.S. : Optimize production system to meet demand</p> <p>Western Europe: Successive launches of low-emission vehicles</p> <p>India &amp; Brazil: Full-fledged entry through new plants &amp; newly-developed compact models</p> <p>China &amp; Russia: Increase in supply to growing markets</p> <p>Japan: The core of global development and production system</p> <p>Introduction of models that reflect market characteristics</p>
Environmental Issue	<p>Increase hybrid vehicle &amp; unit supply capacity</p> <p>Make HV systems smaller and lighter, and lower the cost</p> <p>Comprehensive development with HV as the core</p> <p>-Accelerating research and development of EV &amp; PHV</p>
Cost	<p>Promote cost reduction activities for compact vehicles</p> <p>-Organize a special team to work on cost reduction</p>

The car and its evolution create new market value

Applying HV technology to all Toyota models



Implementing advanced driving assist systems

Realizing next-generation mobility



Evolution in new areas derived from the car

Developing next-generation batteries for various industries



Live-in Partner-Robots



Establishing biotechnology & fostering bio-resource distribution



Inheritance & Evolution of Toyota's Production Know-how