



Toyota Business Strategy Meeting 2008

**Toyota Motor Corporation
September 5, 2008**

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Katsuaki Watanabe

President

- Business Environment
- Strategic Priorities
- Growth Strategy by Region
- Initiatives towards a Low Carbon Society
- Management Foundation
- Sales Plan
- Targeted Operating Income Ratio
- Shareholder Return

I. Business Environment

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

II. Strategic Priorities

Focus corporate resources on the three strategic priorities

1.

- Increase supply of low CO₂ / fuel-efficient vehicles
(HVs and compact vehicles)
- Improve profitability through cost reduction

2.

- Expand operations in resource-rich countries and emerging markets
(Full entry into Indian and Brazilian markets)

3.

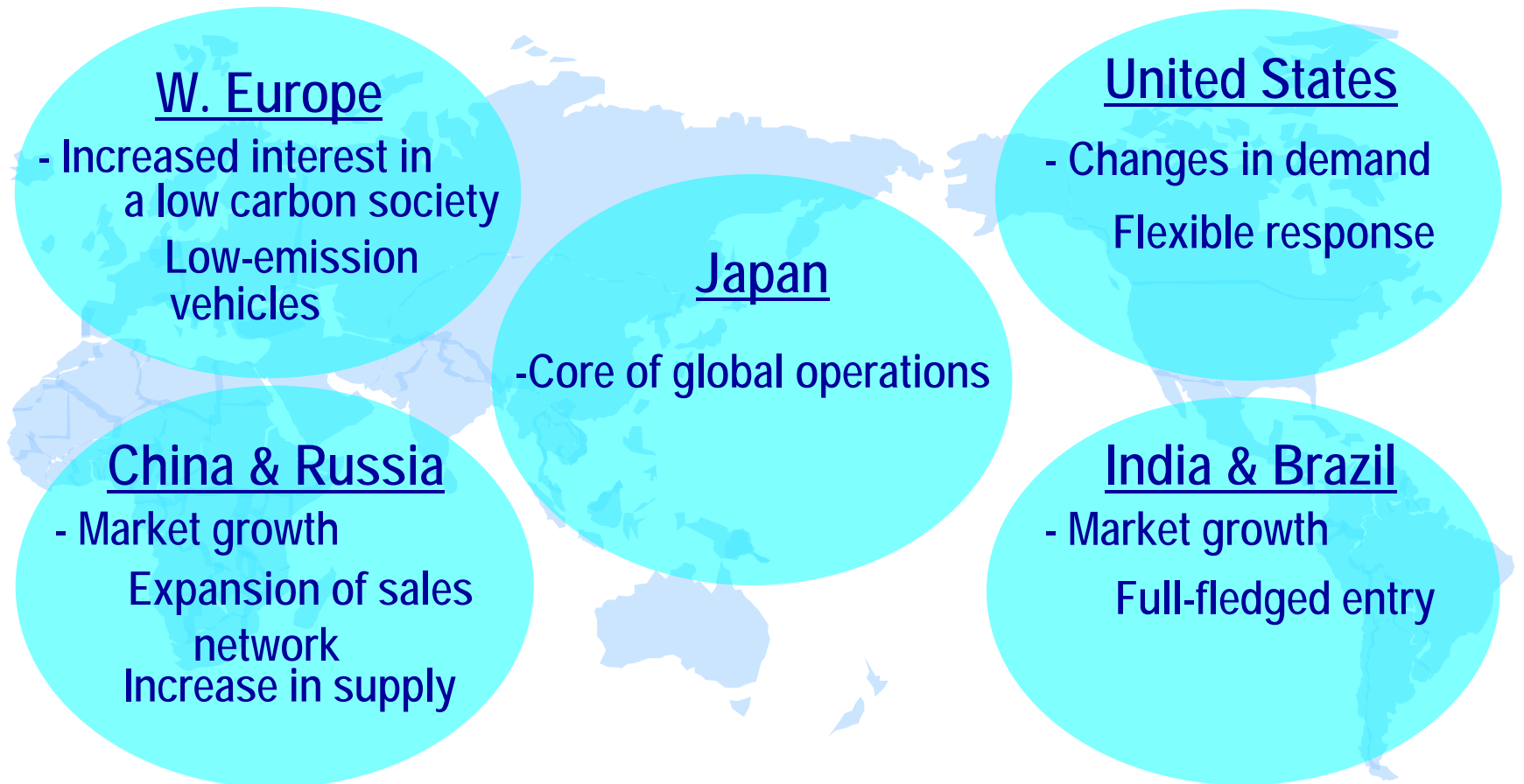
- Accelerate PHV and HV development

III. Growth Strategy by Region

	Major changes	
Market	Growth of the global market (esp. resource-rich countries and emerging markets)	<i>Rapid changes in current situation</i>
Environmental Issue	Increased interest in a low carbon society	<i>Decline in U.S. & W. 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 (esp. steel)</i>

III. Growth Strategy by Region

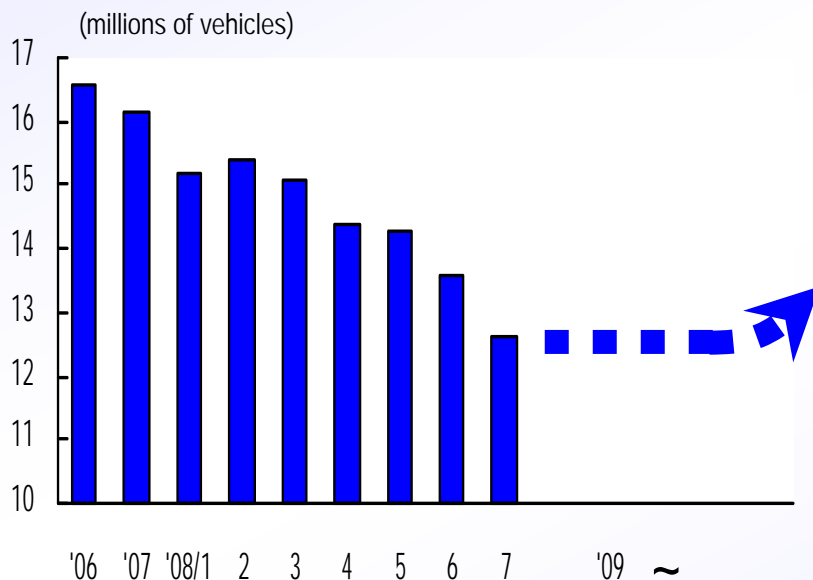
Operations tailored to various conditions in each region



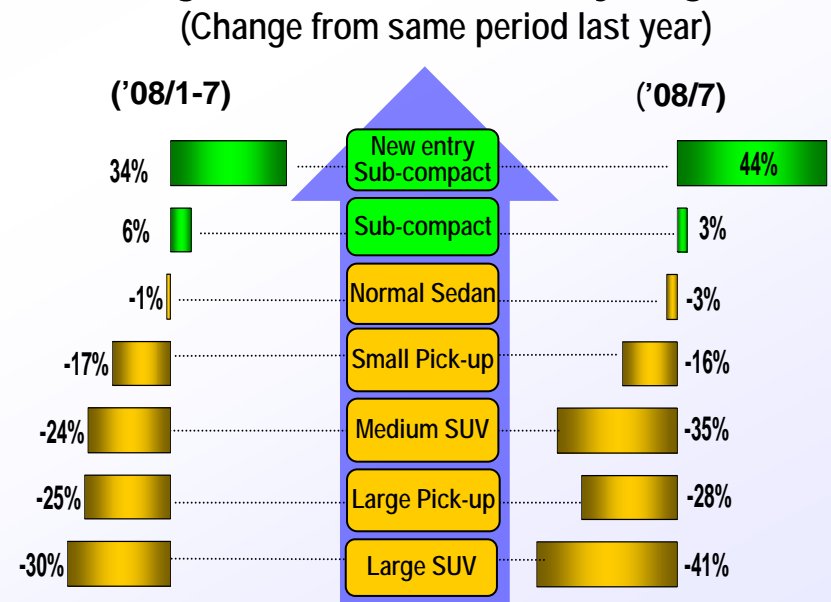
Rapid change in market structure

- U.S. is a growing market in the mid-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: Increase of Corolla / Yaris
U.S. production of HVs (TMMMS)
- Trucks (full-size pickups): Consolidate production (TMMTX)
- Flexible production of frame/unibody type models (TMMI)



III - 2. Western European Market

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Successive launches of low-emission vehicles

- World class low-emission models: iQ, Hybrid vehicles
- 18 low-emission models to be launched in late 2008 to 2009
- Maintain and improve model mix by reducing CO₂ emission across full product line-up



iQ:CO₂ emissions 99g/km



New 1.3 Liter
gasoline engine



Hybrid Vehicles

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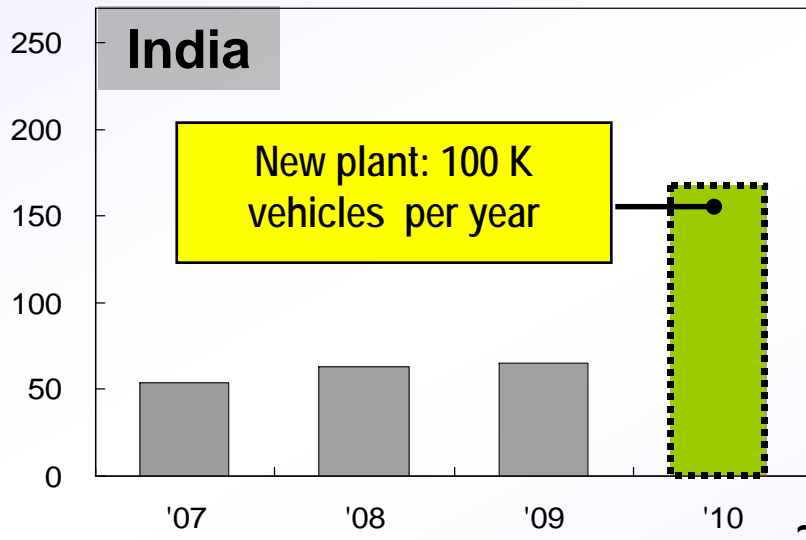
III - 3. Indian & Brazilian Markets

Make a full entry through new plants & newly-developed compact models

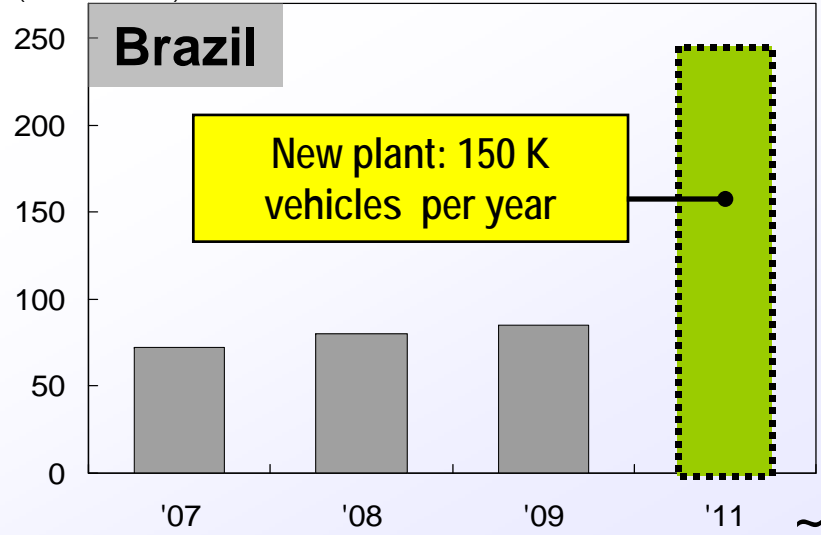
- Entry into the compact vehicle market
Attract users that upgrade to higher models
- Thorough cost reduction that meets local needs
Secure profitability and apply cost-cutting measures to different models

Toyota & Lexus Vehicle Sales (Calendar Year)

(1K vehicles)



(1K vehicles)

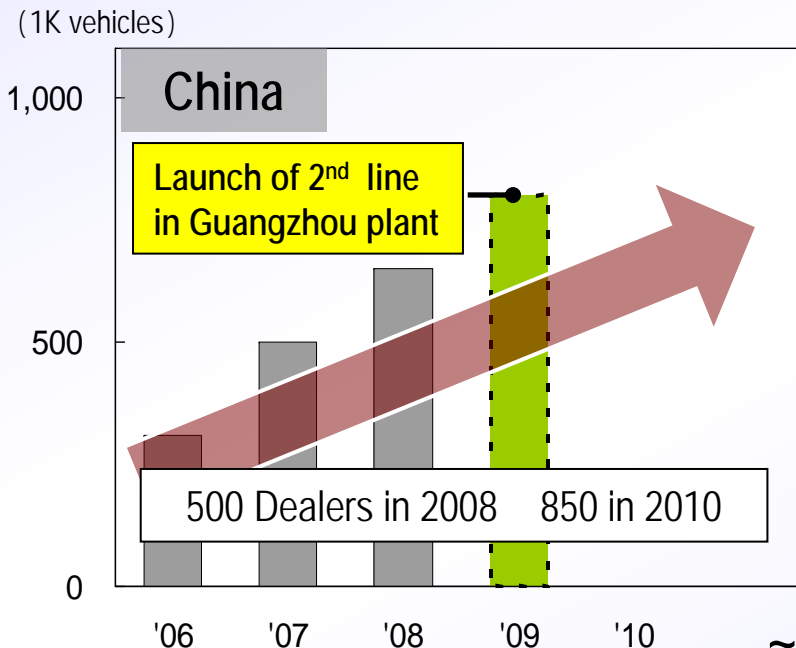


III - 4. Chinese & Russian Markets

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)



The core of global development & 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

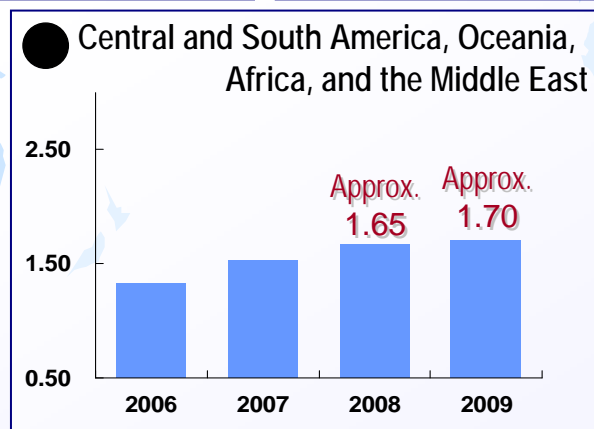
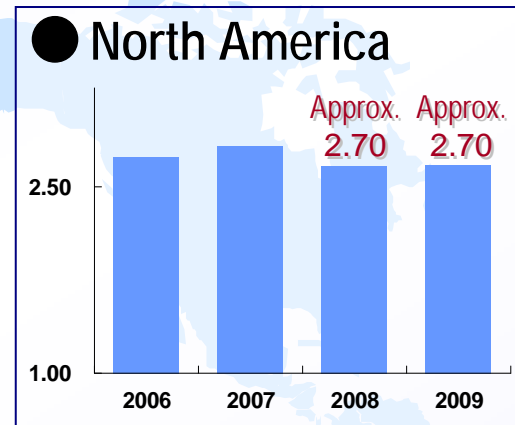
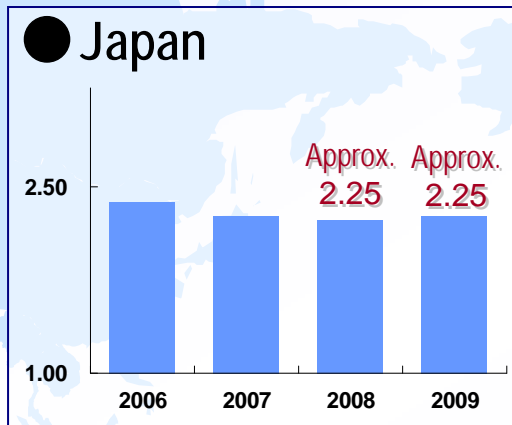
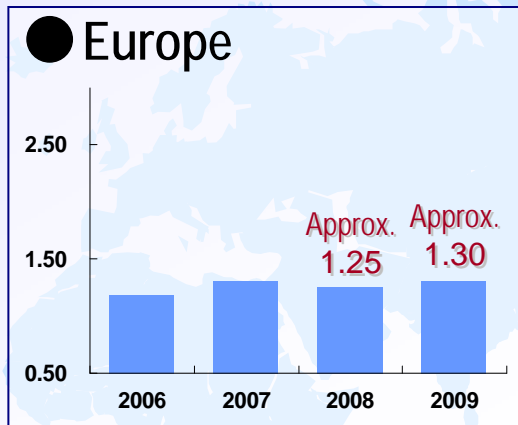


Tanto (Daihatsu)



III - 6. Sales plan by region

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



(millions of vehicles)

IV. Initiatives towards a Low Carbon Society

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

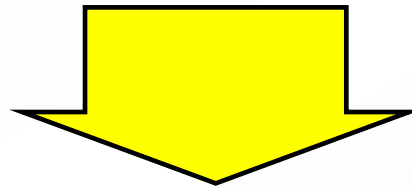
IV. Initiatives towards a Low Carbon Society

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Achieve both corporate growth and a low carbon society

Toyota's policy

"There can be no future for motor vehicles
unless we pursue the goals of a low carbon society."

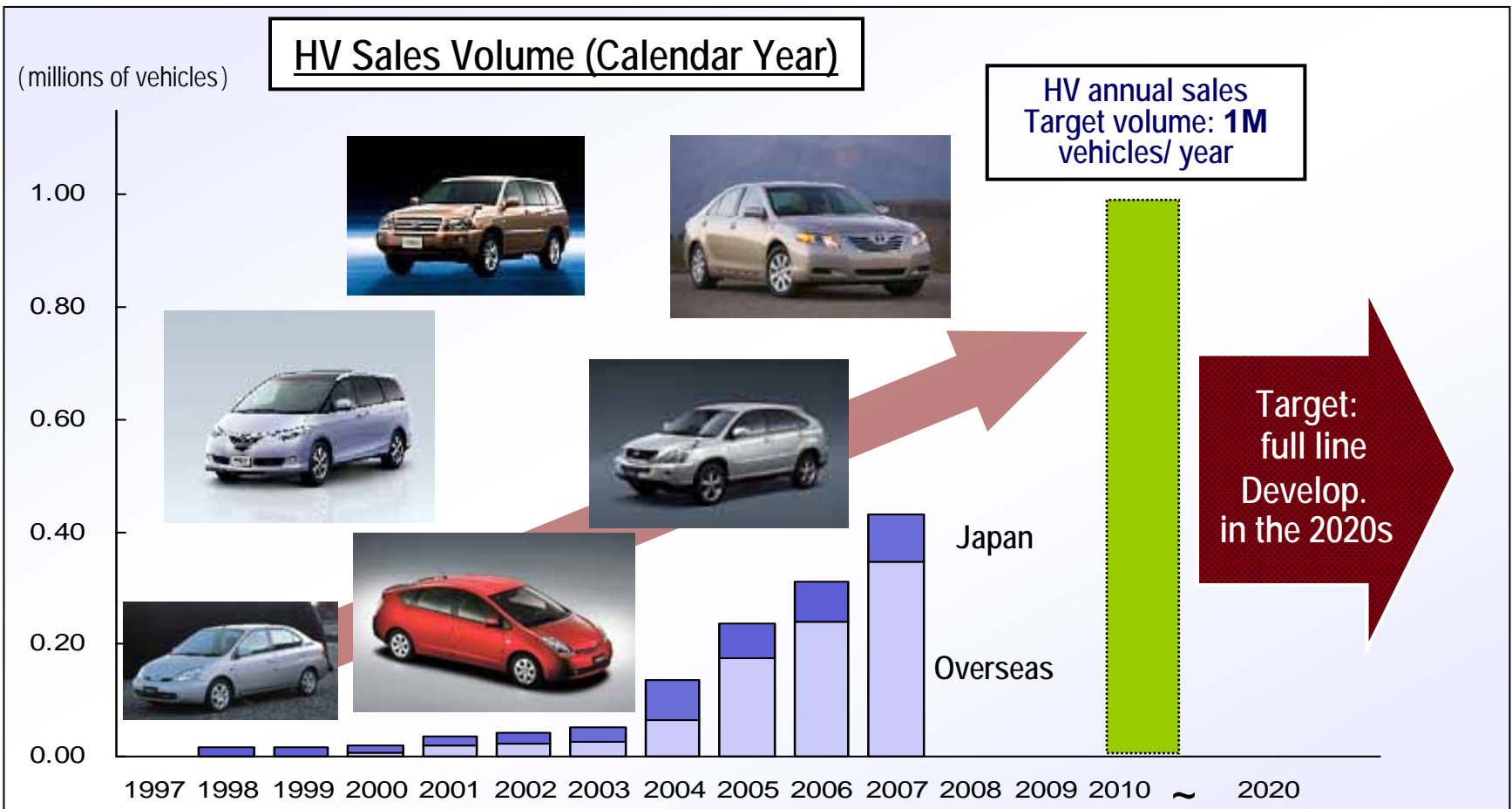


Pursuit of Sustainability through Technological Innovation

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IV - 1. Hybrid Vehicle ("HV") Strategy

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

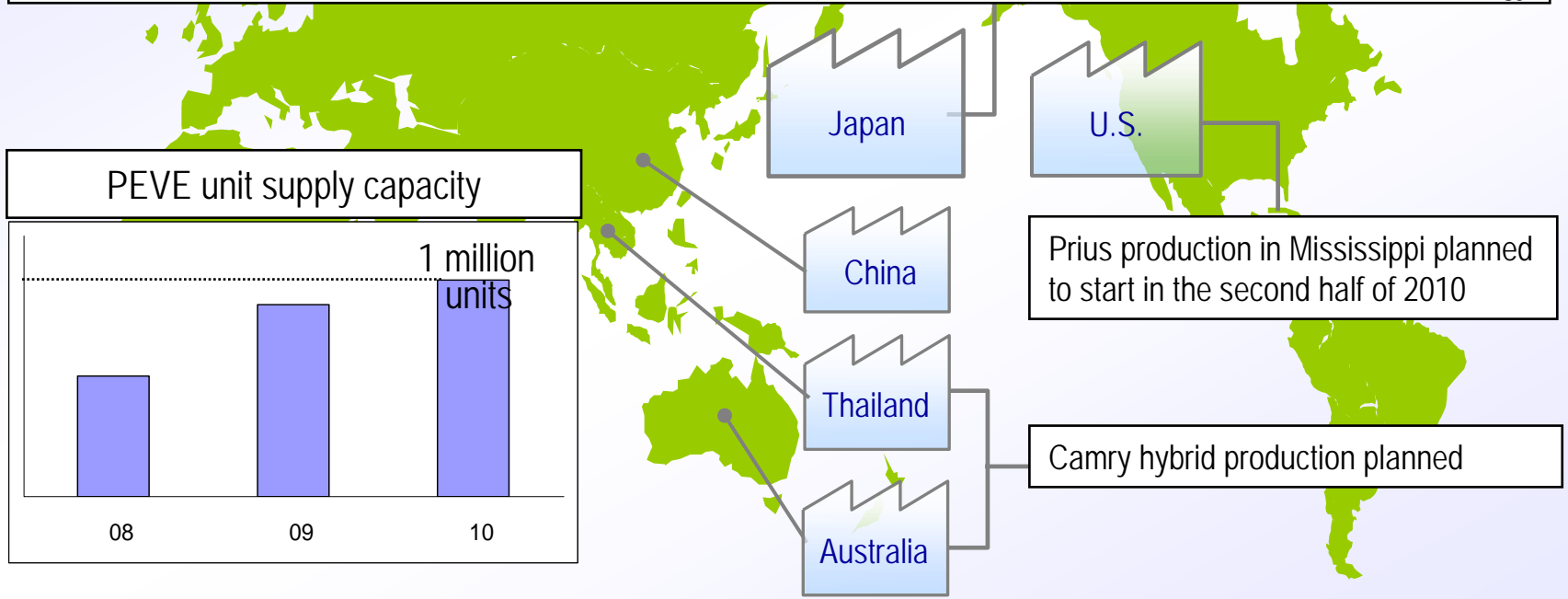


IV - 1. Hybrid Vehicle ("HV") Strategy

Increase in hybrid vehicle & unit supply capacity

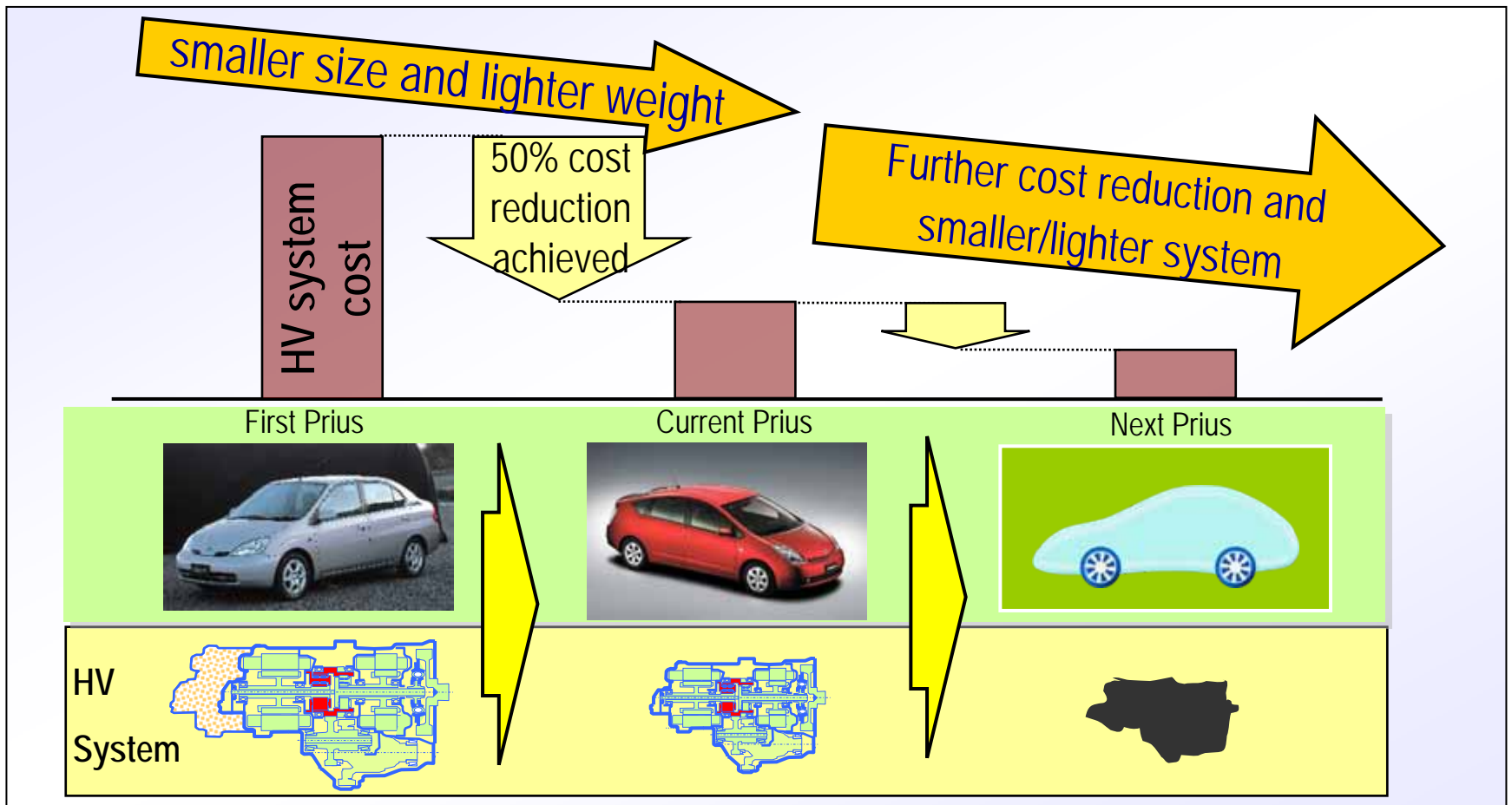
<Batteries> Establishment of 1-million unit production capacity of PEVE* in 2010
<Vehicles> Large increase of production capacity in 2009
(new Prius & new HV-only vehicle)

*PEVE: Panasonic EV Energy



IV - 1. Hybrid Vehicle ("HV") Strategy

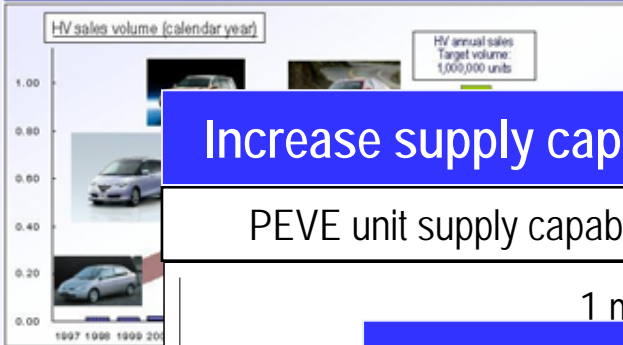
Make HV systems smaller and lighter, and reduce cost



IV - 1. Hybrid Vehicle ("HV") Strategy

Increase in models and vehicle sales

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

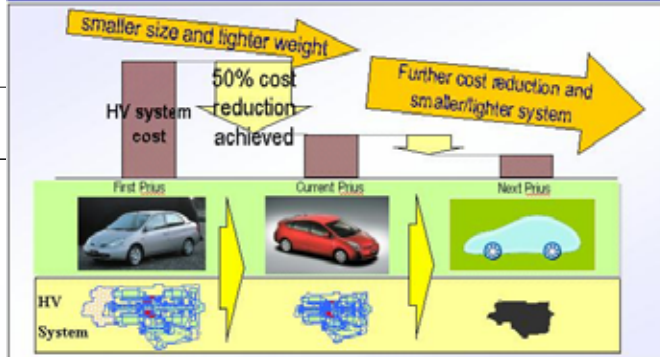


Increase supply capacity

PEVE unit supply capability

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

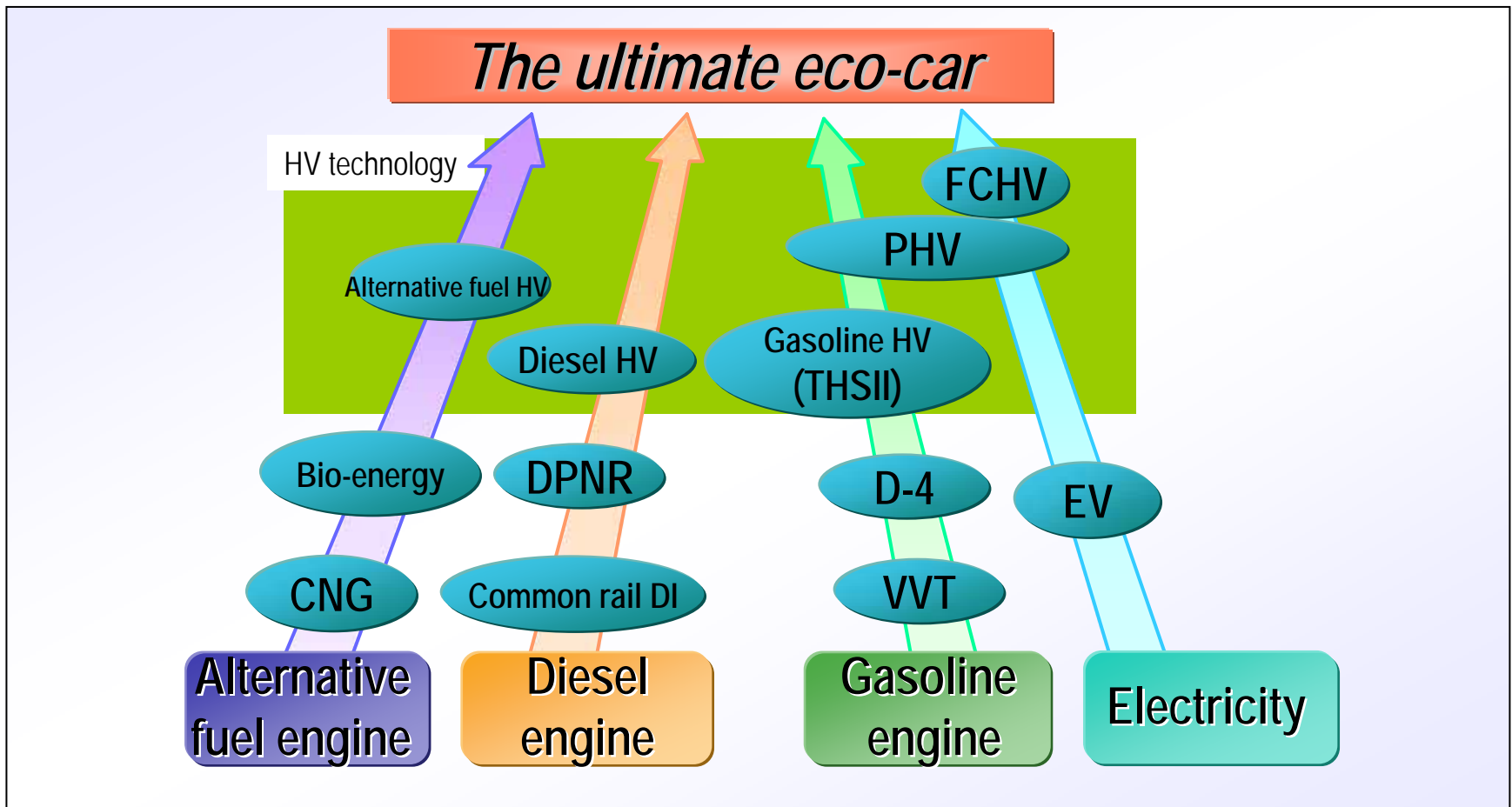
Electricity

Bio-
energy

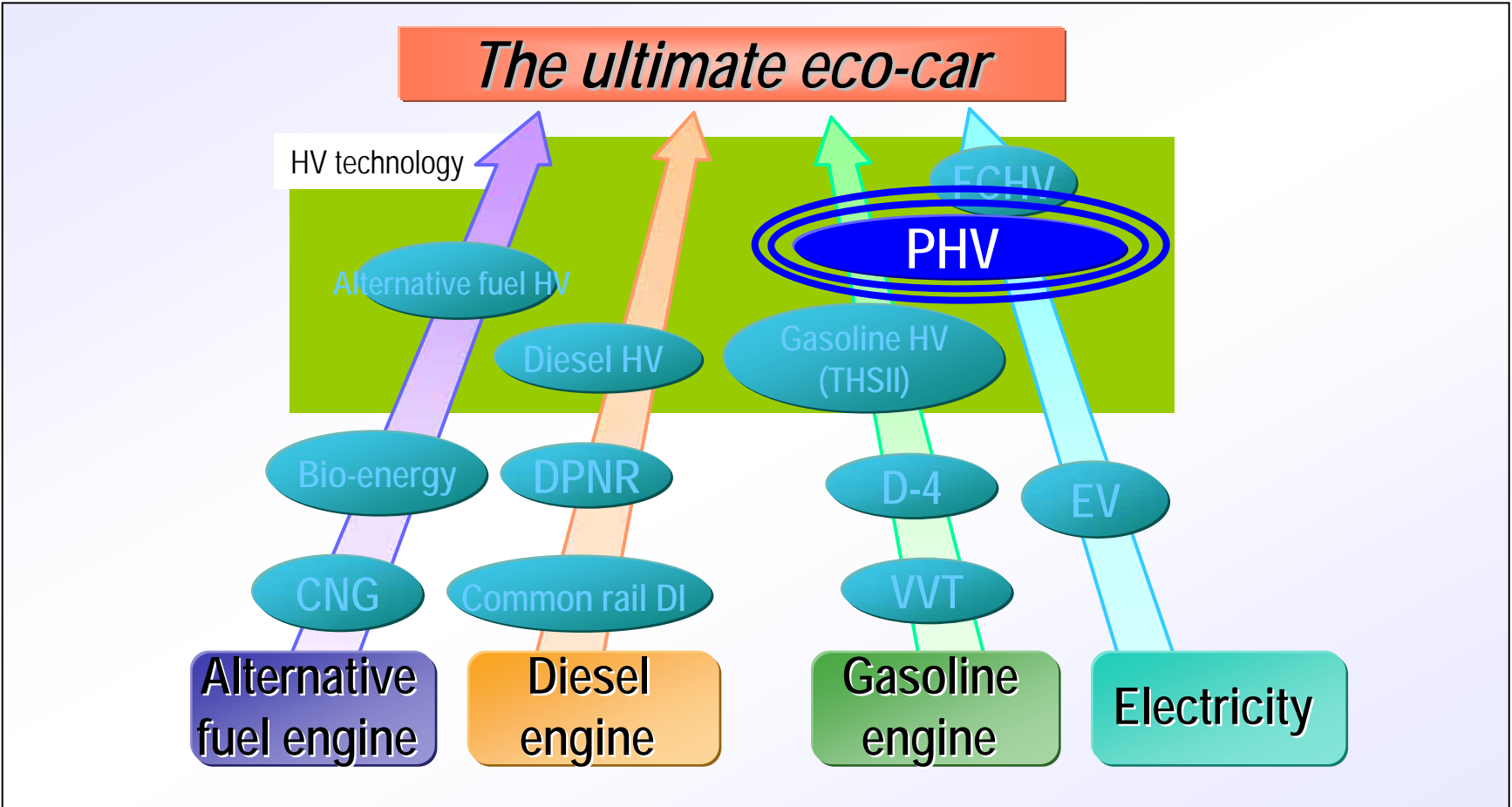
Hydrogen

IV - 2. Mid-to Long-term Strategy of Environmental Technology 24

Comprehensive powertrain development with HV system

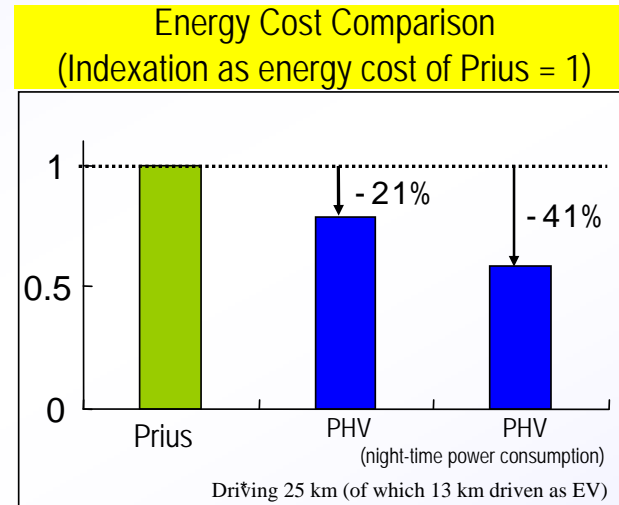
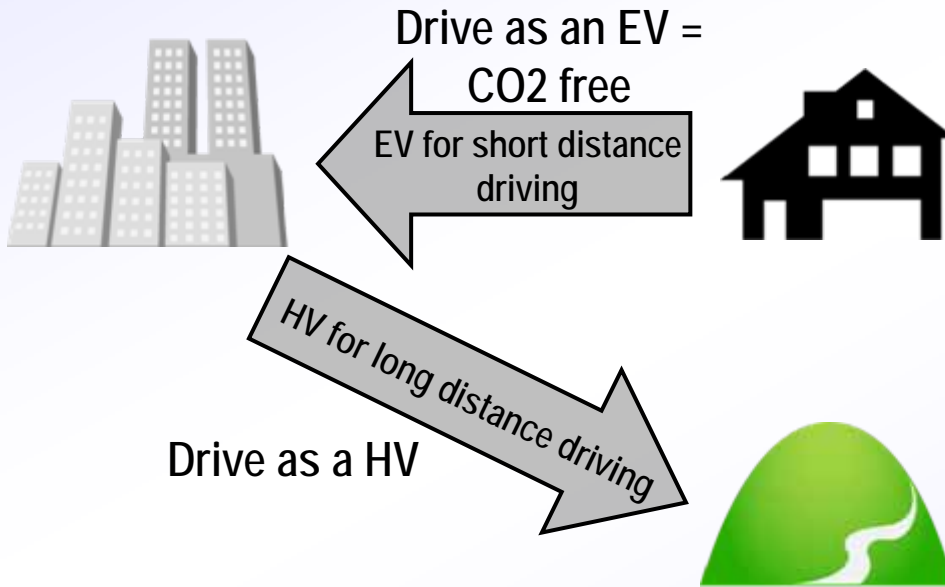


Development of the PHV



Development of the PHV

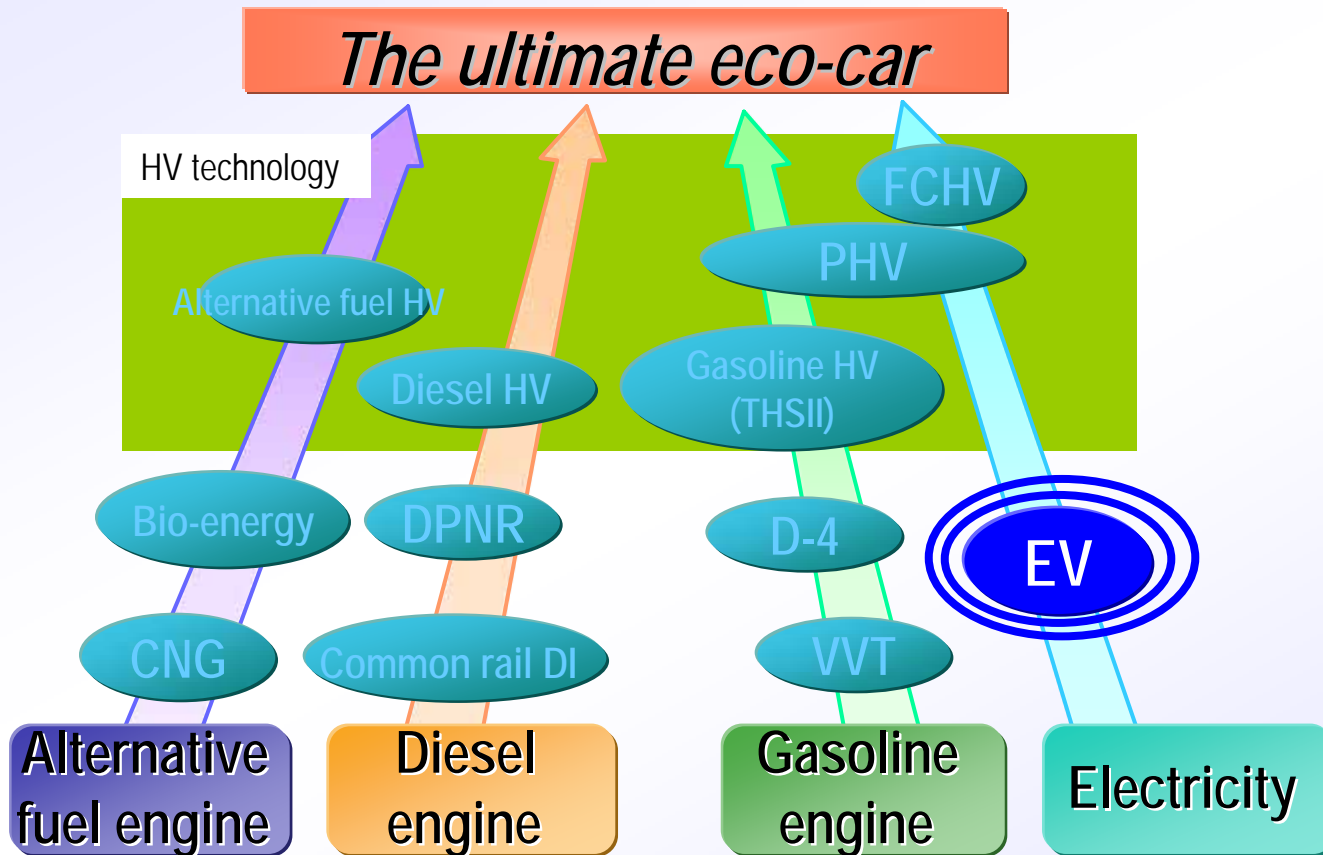
- Introduction of PHV for fleet users by the end of 2009



PHV

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Accelerating R&D of EV



Accelerating R&D 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)



• Accelerating R&D for next-generation battery

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



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

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

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V. Management Foundation: Cost

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Promoting cost reduction activities for compact vehicles

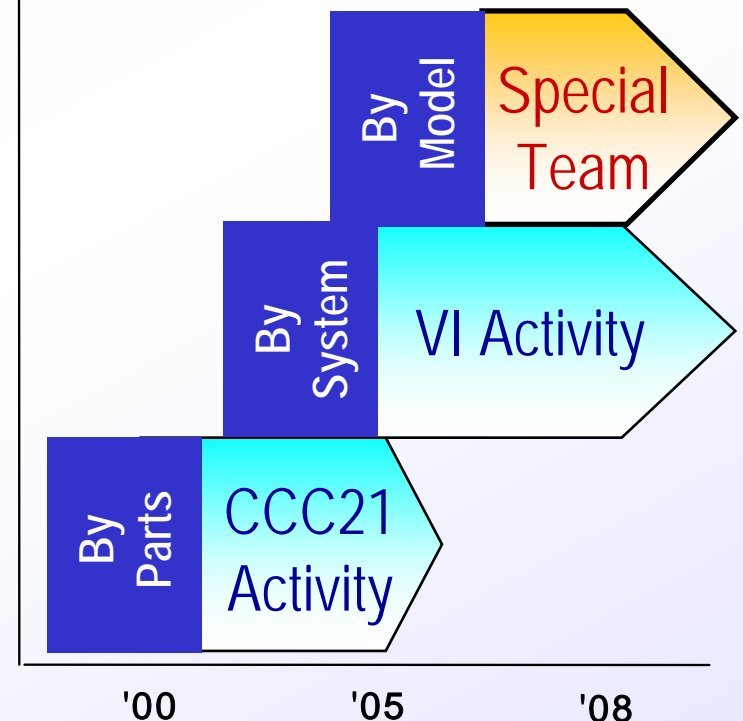
Organize a special team to work on compact vehicles

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



V. Management Foundation: Quality, Cost & Human Resources 31

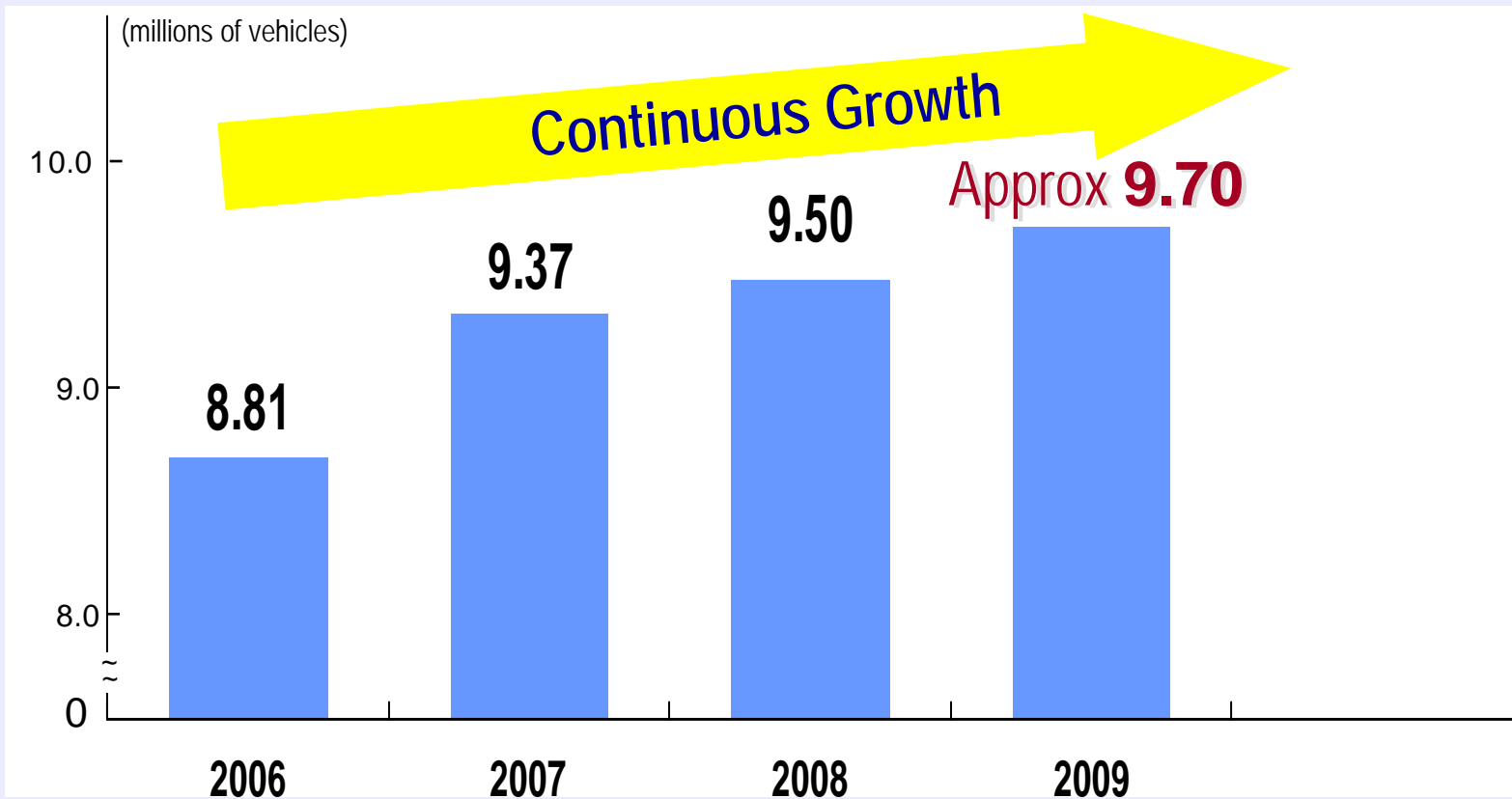
Develop human resources to ensure Toyota quality
and implement the Toyota Way



TOYOTA

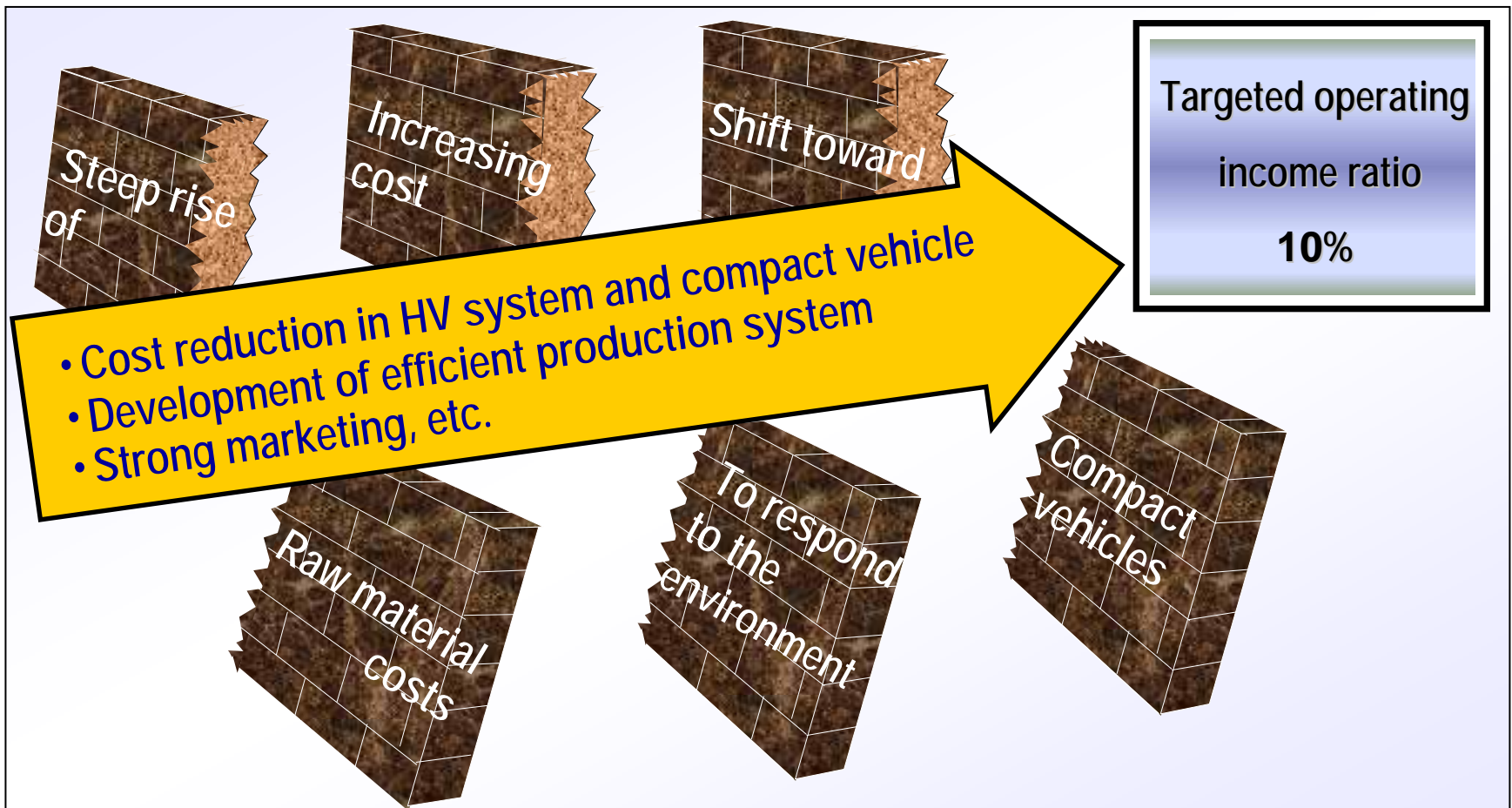
VI. Sales Plan

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

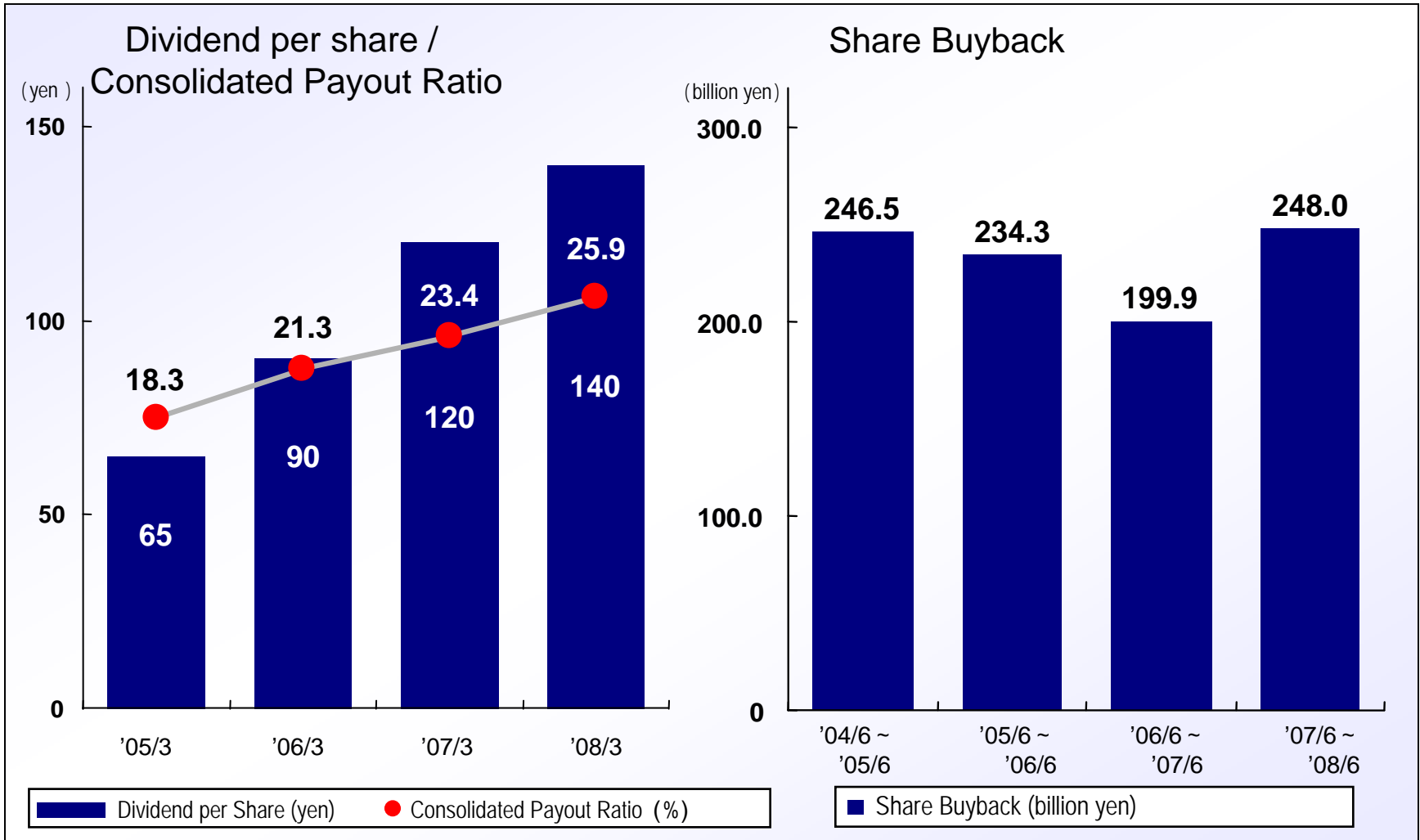


VII. Targeted Operating Income Ratio

Achieve 10% operating income ratio by overcoming various obstacles



VIII. Shareholder Return



Focus corporate resources on the three strategic priorities

1.

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(HVs and compact vehicles)
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2.

- Expand operations in resource-rich countries and emerging markets
(Full entry into Indian and Brazilian markets)

3.

- Accelerate PHV and HV development

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



R&D of Partner-Robots



Establishing biotechnology & fostering bio-resource distribution



Inheritance & Evolution of Toyota's Production Know-how