



**Toyota**



# History



- ◆ Began as a textile company in 1926 (Toyoda Automatic Loom Works)
- ◆ In 1933 an automobile department was established within Toyoda Automatic Loom Works.
- ◆ In 1937 Toyota Motor Co. was established as an independent company.
- ◆ Becomes a major supplier of trucks to The Imperial Army during WWII.
- ◆ Plants were scheduled to be destroyed by allies, but the war ended first.

- ◆ In 1947 started passenger car production.
- ◆ In 1958 sold their first cars in the U.S.
- ◆ In 1959 opened first plant outside of Japan, in Brazil.
  - Since then Toyota has maintained a philosophy of producing and designing cars in the countries where they are to be sold.
- ◆ In 1989 the first Lexus was introduced after several years of development.
- ◆ In 1997 Toyota introduced the first hybrid (Prius) to the Japanese market.
- ◆ Scion is introduced for 2004 model year

# Where they are today

- ◆ Second Largest automaker, but most profitable
- ◆ 51 manufacturing companies in 26 countries
  - Produce a vehicle every 6 seconds
- ◆ Brands: Toyota, Lexus, Scion
- ◆ Business partners with Daihatsu and Hino
- ◆ automotive business accounted for 90% of revenues
- ◆ Other 10%: housing, marine, GAZOO, telecommunications, ITS, Biotechnology and Afforestation
- ◆ Success attributed to Toyota Production System

# Place

- ◆ Toyota started their hybrid technology in Japan
- ◆ After the high success in Japan, Toyota moved their Prius to the US market where it has been very successful.
- ◆ The first introduction of the Prius was in 2002 and since then Toyota has come out with the Highlander and Lexus RX 400H and next year they will release the Camry.
- ◆ Most Toyota hybrid vehicles are available for purchase nationwide
- ◆ Toyota Prius is offered nationwide but there are waiting lists for the vehicles
- ◆ Lexus first hybrid RX400H is available for purchase nationwide
- ◆ Toyota Highlander has limited availability as of right now, consumers can order the vehicle but they are not available on sales floors.



# Promotion

- ◆ Toyota Overall Promotion
  - The main promotion for Toyota hybrids is the tax deduction given to consumers who purchase hybrid vehicles
- ◆ Toyota Prius Promotions
  - Bluetooth technology
    - ◆ Option with in the Prius that if the consumer has a Bluetooth mobile phone, that allows customers with onboard navigation system and hands free phone capabilities with the vehicle
  - Land Speed Prius
    - ◆ Aiming for the younger market by having a race car that reached the speed of 130.794 mph
  - Prius is the national sponsor for the American Lung Association



# Promotions Cont.

- ◆ Lexus RX 400 H
  - Being marketed as the First luxury Hybrid
  - The slogan for the RX 400 H “ The heart of a Hybrid; The soul of a Lexus.”
- ◆ Toyota Highlander
  - Limited promotion because the Highlander Hybrid has limited availability right now
- ◆ Toyota Camry
  - Was recently announced that the hybrid Camry will be available in 2006





# Strengths

- ◆ Dedication to R&D
- ◆ Strong environmental focus
- ◆ Marketing appeal to distinct niches
  - HEV
  - Lexus
  - Scion
- ◆ Distinct competency corporate culture – fosters innovation and streamlining through continuous improvements
- ◆ Brand Value

TOYOTA'S TECHNOLOGICAL  
DEVELOPMENT VISION

"Zero-nize"

"Maxi-mize"

Environment  
Eliminate  
Environmental  
Burden

I

Fans  
Excitement

Safety  
Eliminate  
Accidents

II

Peace of Mind

User-  
Friendliness  
Eliminate  
Inconvenience

III

Relaxation  
Comfort



(1) Environmental  
technology  
- **New Prius**

Area I Technologies

FCHV (Fuel Cell Hybrid Vehicles)  
Gasoline Hybrids  
Clean Diesel



# Weaknesses

- ◆ Global company, but really two countries primarily (Japan & U.S.)
  - Foreign Exchange risk magnified
- ◆ Risk that R&D outlays will not generate new competitive advantages
  - Forecast decrease in operating income to fuel accelerated R&D
- ◆ Little diversification to allied lines

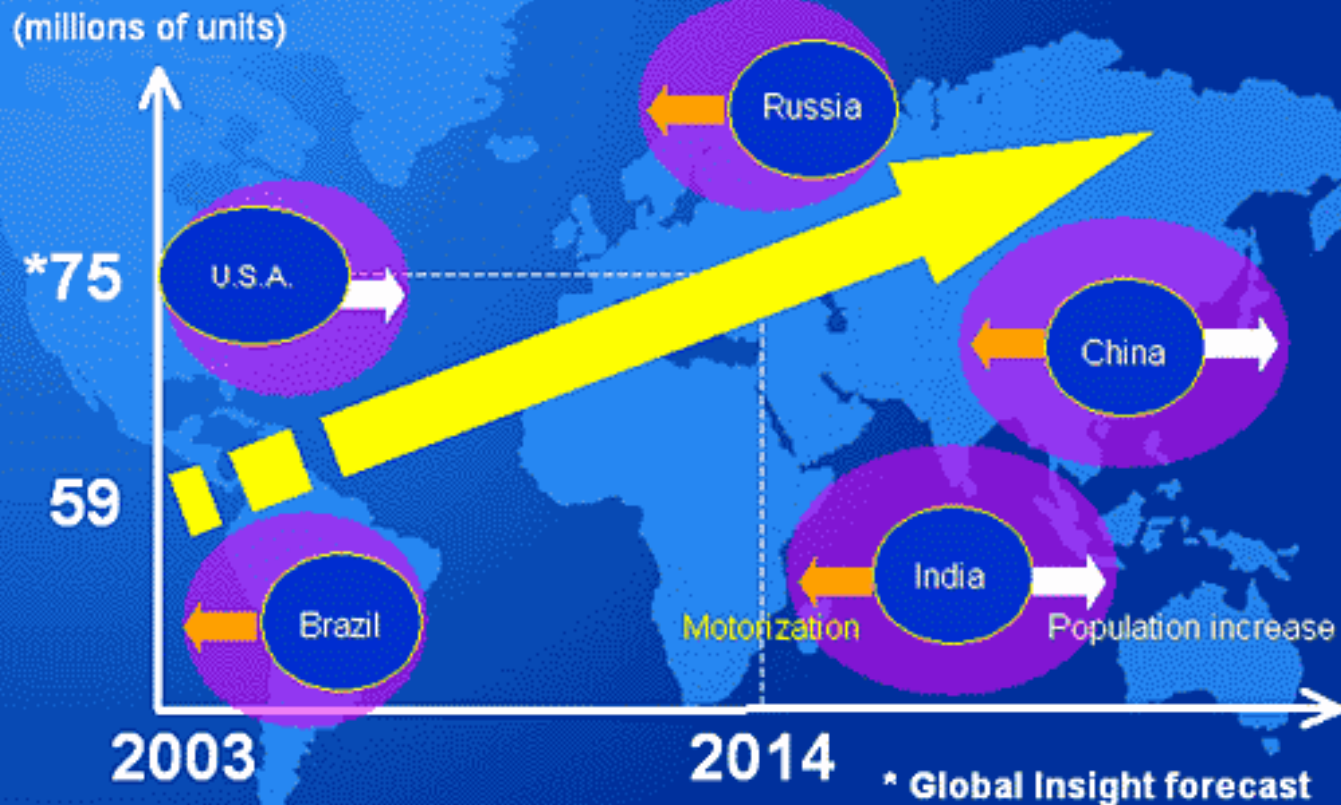
# Opportunities

- ◆ Expanding HEV line in U.S. – gain more market share
- ◆ Demand growth in China and India
- ◆ Modifying designs that are proven for other countries
- ◆ Consolidation through acquisition – European foothold



# The Global Market Continues its Growth

Forecast for automobile sales



## *HV (Hybrid Vehicles)*



*GS450h*



*Harrier*



*Prius*



*Estima Hybrid\*\**



*Alphard Hybrid\*\**



*Dyna HV\*\**



*Tofuace HV\*\**



*RAV4 Hybrid*



*Highlander HV*



*FUTURE TRUCK CONCEPT  
full-size pickup truck Hybrid\*\**



*CS&S\**



*LF-S\**



*Kluger*

*\* Show model*

*\*\* Available only in Japan*

# Threats

- ◆ Supply chain costs tied to oil (materials, production and shipping)
- ◆ Foreign exchange fluctuations
- ◆ HEV competition increase could move market to price basis eroding profits

# Toyota

- ◆ Public company traded on the NYSE and the ADR exchange in Tokyo
- ◆ Employed 264,410 people in 2004
- ◆ Revenue of \$172,749 Million in 2005
  - Year end of March



# Toyota

- ◆ Revenue - \$172,749 million
- ◆ Gross Profit - \$43,517 million
- ◆ Operating Income - \$15,571 million
- ◆ Total Net Income - \$10,907 million

# Competitors

- ◆ Annual Revenue
  - Ford - \$171,652 million
  - General Motors - \$193,517
  - Honda - \$80,705

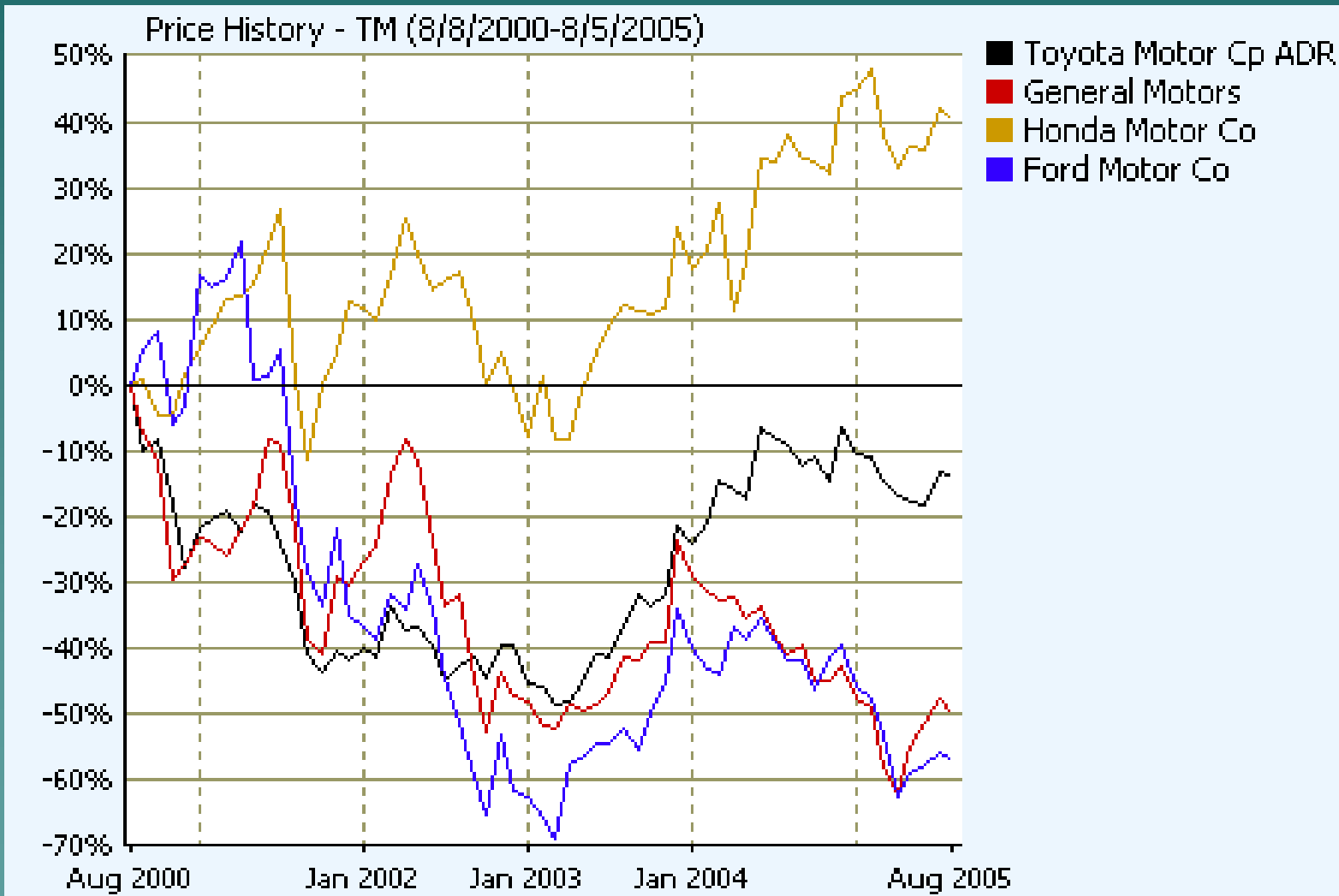
# Growth

- ◆ 1-year sales growth: 5.6%
- ◆ 1-year net income growth: 0.8%
- ◆ 1-year employee growth: 0.1%

# Toyota Stock Prices



# Competitors



# Thoughts on the Future

- ◆ The hybrid push is a goal of Toyota's strategy: increase their share of the world's auto market to 15 percent, which should vault them past General Motors as the world's largest automaker.
- ◆ Admitting "If you can't beat 'em, Join 'em!", Ford has an agreement to use Toyota's Hybrid Technology System in future Ford products, joining Nissan, which signed a similar agreement in 2002.
- ◆ Ford "has not yet completed their own hybrid system". Using Toyota's system instead might help. Nissan will use it first in the 2006 Altima.



- ◆ Toyota Motor Corp. wants hybrids to make up 25 percent of its U.S. sales by early in the next decade and is considering adding the technology to its entire lineup, including trucks
- ◆ Toyota has 10 hybrids under development.



- ◆ Toyota executives have said that the volatility of gas prices, political instability and environmental issues make the development of the technology a priority
- ◆ Fuel efficiency will increasingly be a determinant of automakers competitiveness in the near future.
- ◆ With gas prices continuing to increase the Big 3 could have layoffs of up to 300,000.



# Hybrid Synergy Drive

- ◆ Auto industry analysts estimate that Toyota will pass Ford in global vehicles sold in 2005, and if current trends continue, it will eventually pass GM to become the largest automaker in the world.
- ◆ Research shows that US automakers incentives between 2001 and 2004 correlate almost exactly to increases in fuel operating costs.

# Hydrogen fuel cell...?



FCHV-3



FCHV-4



FCHV-5



MOVE FCV-K-2



Toyota FC Stack



TOYOTA FCHV



FCHV-BUS2



Fuel: Natural gas  
Output: 1kW

Residential fuel cell  
cogeneration system