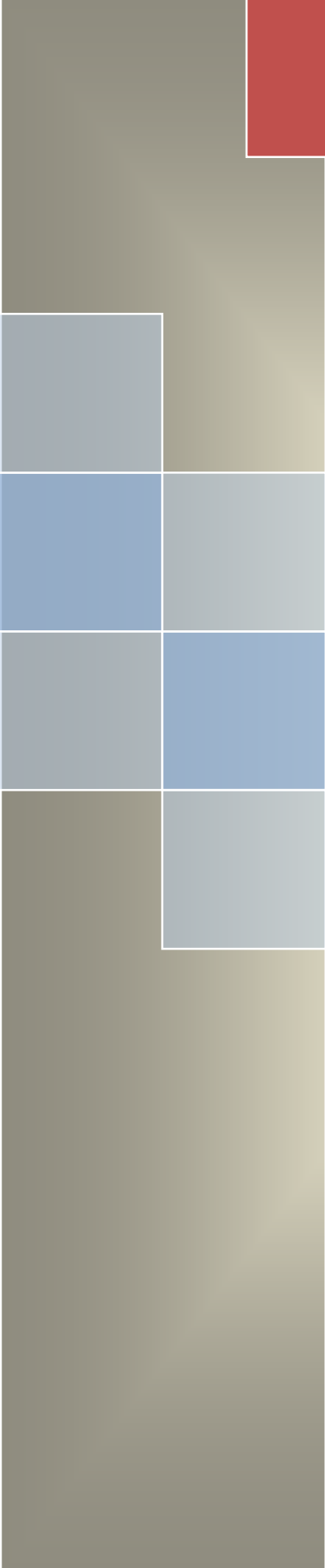




Analysis of Toyota Motor Corporation

By: Thembani Nkomo

This paper will explore the external and internal environment of Toyota Motor Corporation, and suggest recommendations to sustain its competitive advantage.



ANALYSIS OF TOYOTA MOTOR CORPORATION

TABLE OF CONTENTS

1	COMPANY OVERVIEW
2	EXTERNAL ENVIRONMENT OF THE AUTOMOTIVE INDUSTRY
2.1	Industry Overview and Analysis
2.2	Industry Life Cycle
2.3	Industry Demand Determinants
2.4	Porter's Five Forces
2.5	Industry Cost Structure Benchmark
2.6	Industry Competitive Landscape
2.7	Major Competitors
2.8	Key Success Factors in Industry
3	INTERNAL ENVIRONMENT OF TOYOTA
3.1	Core Competencies
3.2	Distinct Competency
3.3	SWOT Analysis
3.4	BCG Matrix: Internal Analysis of Toyota Portfolio
3.5	VRIO Framework Analysis
3.6	Toyota's Efforts in Emerging Economies
3.7	Case Study: Toyota's Successful Strategy in Indonesia
3.8	Strategic M&A, Partnerships, Joint Ventures, and Alliances
3.9	Analysis of Financial Performance
4	RECOMMENDATIONS
5	APPENDICES
6	REFERENCES

1. TOYOTA CORPORATE OVERVIEW:

Founded in 1937, Toyota Motor Corporation is a Japanese company that engages in the design, manufacture, assembly, and sale of passenger cars, minivans, commercial vehicles, and related parts and accessories primarily in Japan, North America, Europe, and Asia. Current brands include Toyota, Lexus, Daihatsu and Hino. Toyota Motor Corporation is the leading auto manufacturer and the eighth largest company in the world. As of March 31, 2013, Toyota Motor Corporation's annual revenue was \$213 billion and it employed 333,498 people.¹

2. EXTERNAL ENVIROMENT OF AUTOMOTIVE INDUSTRY:

2.1. Industry Overview and Analysis

Toyota Motor Corporation competes in the automotive industry. The past five years were tumultuous for automobile manufacturers. Skyrocketing fuel prices and growing environmental concerns have shifted consumers' preferences away from fuel-guzzling pickup trucks to smaller, more fuel-efficient cars. Some automakers embraced the change by expanding their small-car portfolios and diversifying into the production of hybrid electric motor vehicles. Other automakers were more reluctant to shift their focus from big to small cars, expecting the price of fuel to contract eventually, bringing consumers back to the big-car fold. When fuel prices did fall during the second half of 2008, it was due to the US financial crisis ripping through the global economy. This had a domino effect throughout the developed and emerging worlds, with many Western nations following the United States into recession. Industry revenue fell about 15.4% in 2009.² Pent-up demands will aid industry revenue growth, estimated at 2.1% in 2013, thus bringing overall revenue to an estimated \$2.3 trillion.³ Overall, the large declines followed by recovery are expected to lend the industry average growth of 2.2% per year during the five years to 2013. Throughout the past five years, growth in the BRIC countries supported production. Rising income in these countries led to an increase in the demand for motor vehicles. Also, Western automakers moved production facilities to BRIC countries to tap into these markets and benefit from low-cost production. Over the next five years, the emerging economies will continue their growth, and demand for motor vehicles in the Western world will recover. Industry revenue is forecast to grow an annualized 2.5% to total an estimated \$2.6 trillion over the five years to 2018.⁴

2.2. Industry Life Cycle

This industry is in the mature stage of its life cycle.

2.3. Industry Demand Determinants

Worldwide automobile demand is tied to vehicle prices, per capita disposable income, fuel prices and product innovation. On the supply end, vehicle prices stem from material and equipment costs, with higher steel and plastic prices raising manufacturers' purchasing costs and, ultimately, retail prices. During the past five years, automakers have been plagued with high steel and plastics prices, which have raised manufacturing costs and product prices. On the demand side, per capita disposable incomes determine affordability for consumers. As incomes increase, the propensity to purchase motor vehicles increases as they become more affordable. Incentives are used to generate sales during periods of low economic growth. Over the past five years, there has been a significant increase in the number of automobile financing companies being established in the BRICs. This has resulted in the number and range of automobile loans increasing, which has contributed to stronger industry demand. In the developed world, overall improved quality among most manufacturers has caused buyers to feel freer to use price to differentiate similar products. Consumers are increasingly better informed about a vehicle's actual cost and less likely to accept large annual price increases. In an era of low inflation, customers familiar with dealer cost information from consumer publications and the internet have become more astute when negotiating the purchase of a vehicle. In this way, consumer awareness and access to information can determine demand. Movements in fuel prices also generally influence the demand for vehicles by type. During periods of high fuel prices, more fuel-efficient vehicles are in demand. Over the past five years, the price of fuel has been rising, which has encouraged the adoption of hybrid and other fuel-efficient models. For example, Japanese carmakers offering more fuel-efficient vehicles took market share from manufacturers of large vehicles throughout the latter half of the past decade. Last, product innovation can spur demand, especially with regard to more fuel-efficient vehicles such as hybrids and electric models. The more fuel-efficient a model is, the more likely a consumer will be willing to invest up front in a new car for potential savings on fuel costs down the road.

2.4. Porter's Five Forces of the Automotive Industry

Threat of New Entry (Weak):

- Large amount of capital required
- High retaliation possible from existing companies, if new entrants would bring innovative products and ideas to the industry
- Few legal barriers protect existing companies from new entrants
- All automotive companies have established brand image and reputation
- Products are mainly differentiated by design and engineering quality
- New entrant could easily access suppliers and distributors
- It is very hard to achieve economies of scale for small companies
- Governments often protect their home markets by introducing high import taxes

Supplier power (Weak):

- Large number of suppliers
- Some suppliers are large but the most of them are pretty small
- Companies use another type of material (use one metal instead of another) but only to some extent (plastic instead of metal)
- Materials widely accessible
- Suppliers do not pose any threat of forward integration

Buyer power (Strong):

- There are many buyers
- Most of the buyers are individuals that buy one car, but corporates or governments usually buy large fleets and can bargain for lower prices
- It doesn't cost much for buyers to switch to another brand of vehicle or to start using other type of transportation
- Buyers can easily choose alternative car brand
- Buyers are price sensitive and their decision is often based on how much does a vehicle cost
- Buyers do not threaten backward integration

Threat of Substitutes (Weak):

- There are many alternative types of transportation, such as bicycles, motorcycles, trains, buses or planes
- Substitutes can rarely offer the same convenience
- Alternative types of transportation almost always cost less and sometimes are more environment friendly

Competitive Rivalry (Very Strong):

- Moderate number of competitors
- If a firm would decide to leave an industry it would incur huge losses, so most of the time it either bankrupts or stays in automotive industry for the lifetime
- Industry is very large but matured
- Size of competing firm's vary but they usually compete for different consumer segments
- Customers are loyal to their brands
- There is moderate threat of being acquired by a competitor

2.5. Automotive Industry Cost Structure Benchmark

Purchases (70.7%), wages (6.3%), depreciation (6.0%), rent & utilities (1.7%), other (10.4%), profit (4.9%) ⁵

2.6. Automotive Industry Competitive Landscape

Market share concentration in the industry is low. The industry is deemed to have a low level of concentration, and the largest four automakers are estimated to account for about one-third of global revenue.

2.7. Major Companies in the Automotive Industry

Toyota (10.2%), Volkswagen (9.6%), General Motors (6.9%), Ford (5.6%), Others (67.7%) ⁶

2.8. Key Success Factors in the Automotive Industry:

- ***Flexibility in determining expenditure:*** Controlling employee-related costs, such as health and pension costs, makes manufacturers in the developed world more competitive.

- **Establishment of export markets:** Development of export markets helps negate any downturns in domestic markets.
- **Use of most efficient work practices:** Good industrial relations through a motivated workforce assist in minimizing industrial disputes.
- **Effective cost controls:** A close relationship with suppliers and good distribution channels assist controlling costs.
- **Access to the latest available and most efficient technology and techniques:** The industry is highly competitive, so enterprises need a technology-enabled competitive edge.
- **Optimum capacity utilization:** Excessively high plant utilization is required for success in any modern automobile and light-duty motor vehicle manufacturing plant.

3. INTERNAL ENVIRONMENT OF TOYOTA:

3.1. Core Competency

The core competence of Toyota Motor Corporation is its ability to produce automobiles of great quality at best prices, thereby providing a value for money to the customers. This core competence of quality can be attributed to its innovative production practices. The quality aspect of Toyota's products have revolutionized the automobiles in the past and almost all the automobile companies had to try and better the quality of their products. It is a cornerstone of the cost leadership strategy that the company pursues.

3.2. Distinctive Competency

Toyota's distinctive competence is its production system known as the "Toyota Production System" or TPS. TPS is based on the Lean Manufacturing concept. This concept also includes innovative practices like Just in Time, Kaizen, and Six Sigma and so on. Toyota has worked tirelessly over the years to establish this distinctive competence. No other automobile manufacturer can do it as well as Toyota does. This distinct competence has led to a competitive advantage that has given Toyota a sustainable brand name and a market leader position.⁷

3.3. SWOT Analysis

Strengths:

- **Strong market position and brand recognition:** Toyota has a strong market position in different geographies across the world. The company's market share for Toyota and Lexus brands, (excluding mini vehicles) in Japan was 45.5% in FY2012. Similarly, Toyota has a market share of 12.2% in North America, 13.4% market share in Asia (excluding Japan and China), and 4.3% market share in Europe. In addition, the company holds a 7% share of the Chinese market and a significant market share in South and Central America, Oceania, Africa and the Middle East regions. Such strong market position allows the company to gain competitive advantage and also expand into international markets. In addition, Toyota holds a portfolio of strong brands in the automotive industry. Thus, the company's strong market position gives it significant competitive advantage and helps it to register higher sales growth in domestic and international markets.⁸
- **Strong focus on R&D:** Toyota has a strong focus on R&D to expand its product portfolio and improve the functionality, quality; safety and environmental compatibility of its products. The company's R&D efforts are directed at developing new products and processes and improving the capabilities of existing products. The company conducts its R&D operations at 14 facilities worldwide. Strong focus on R&D has helped the company in incorporating newer features to its existing range of products and also in bringing out latest technologies in the varied areas. The company's strong focus on R&D allows it to uphold the technological leadership in most of its product segments. It also enables Toyota to develop innovative products, leading to strong sales.⁹
- **Extensive production and distribution network:** Toyota has an extensive production and distribution network. Toyota and its affiliates produce automobiles and related parts and components through more than 50 manufacturing companies in 27 countries and regions besides Japan. During FY2012, the company produced 7,435,781 vehicles, including 3,940,000 vehicles in Japan and 3,495,000 vehicles across all other manufacturing locations. In addition, Toyota has an extensive distribution network. While the company's geographically well spread production base diversifies business risks, its extensive distribution network provides a wider reach, thus boosting revenues.¹⁰

Weaknesses:

- **Product recalls could affect brand image:** Toyota has conducted a number of product recalls in the recent past, which could affect the brand image and overall sales of the company. For instance, in 2011, Toyota recalled 111,000 models of Toyota and Lexus brands' vehicles due to the damage to elements of the substrate and potential shutdown of the hybrid system. Further in the year, Toyota recalled 181,000 vehicles in Japan in relation to abnormal noise and oil leakage that

may have resulted from slack of bolts in the sub transmission and the rear wheel differential. In addition, the company was involved in government investigations related to product recalls. For instance, in February 2012, the National Highway Traffic Safety Administration initiated a preliminary investigation of a potentially faulty power window master switch in the driver-side doors in model year 2007 Camry and RAV4 vehicles. This could also result in significant penalties, which could affect the operational margins.¹¹

- **Declining sales in key geographic segments:** Toyota witnessed a decline in its sales in key geographic segments. In FY2012, the company witnessed declining sales across North America, Asia, Europe and other geographic regions, which together accounted for 60.8% of the total revenues of the company. Thus, a continuous decline in the company's key geographic segments could put pressure on the profit making segments and the overall revenues of Toyota.¹²
- **Poor allocation of resources as compared to peers:** Toyota has low return on equity (ROE) and return on assets (ROA) compared to its peer companies. The company's competitors such as Honda Motor and Nissan Motor have more ROE when compared to Toyota. Honda Motor's ROE was 4.8%, while Nissan Motor's ROE was 8% in FY2012. In contrast, Toyota's ROE was 2.7% in FY2012. Lower ROE and ROA compared to its peers indicates that the company is not using the shareholders' money efficiently and that it is not generating high returns for its shareholders. Thus, poor allocation of resources could hurt shareholder's value and confidence in the long term.¹³

Opportunities:

- **Growing global automotive industry:** The global automotive industry was severely affected by the economic downturn, with a decline in revenues being recorded in 2008 and 2009. However, 2011 saw a strong rebound which has continued into 2012. According to MarketLine, the global automotive manufacturing industry grew by 8.9% in 2012 to reach a value of \$1,563.9 billion. The recovery of global automotive industry thus provides Toyota an opportunity to gain more customers and increase revenues.¹⁴
- **Toyota poised to benefit from growing partnership with BMW:** Toyota is poised to benefit from the growing partnership with BMW. In June 2012, BMW and Toyota signed a memorandum of understanding aimed at long-term strategic collaboration on technological fields. As part of the agreement, the two companies will partner for the joint development of a fuel cell system, joint development of architecture and components for a future sports vehicle, collaboration on power-train electrification and joint research and development on lightweight technologies. The growing partnership between the two companies is expected to boost the technological know-how of the companies and may result in the development of new products thus increasing revenues in the long run. Also, in the short run, the combined partnership will result in significant synergies and cost-savings, boosting the operational margins.¹⁵
- **Strong outlook for the global new car market:** The global new cars market has experienced moderate growth during 2008-2012. However, forecasts suggest this will accelerate to strong double digit growth during the 2012-2016 periods. Thus, the strong outlook for the global new car market coupled with the company's new product launches provides a growth opportunity for the company.¹⁶

Threats:

- **Intense competition:** The worldwide automotive market is highly competitive. Toyota faces strong competition from automotive manufacturers in its various markets. The competition among various auto players is likely to intensify in light of continuing globalization and consolidation in the worldwide automotive industry. The factors impacting competition include product quality and features, the amount of time required for innovation and development, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and large inventory, which may result in downward pricing pressure, thus impacting the financial condition and results of operations of the company.¹⁷
- **Appreciating Japanese Yen a major concern:** Toyota is sensitive to the fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese Yen, the US dollar and the Euro. The strengthening of the Japanese Yen against the US dollar and fluctuations in foreign exchange rates would have a material adverse effect on Toyota's reported operating results, which in turn would impact the valuation of the company.¹⁸
- **Natural disasters could impact production structure:** Toyota is subject to disruption of production due to natural disasters such as earthquakes, floods, among others. Toyota primarily operates in Japan which is a highest earthquake prone region in the world. The country has witnessed many devastating earthquakes in the recent years which seriously disrupted the economy. In 2011, the country witnessed one of the worst hit earthquakes in its history in the form of 2011 Tohoku earthquake, which led to a temporary production halt at its domestic auto manufacturing facilities. In the same year, major floods occurred in Thailand which halted its operations and production of about 150,000 Toyota automobiles. Such natural calamities, if occur frequently, could severely influence the production output of the company due to work stoppages and in turn impact the overall revenue base and profitability.¹⁹

3.4. BCG Matrix: Internal Analysis of Toyota Portfolio

	High Relative Market Share	Low Relative Market Share
High market growth	STAR - Lexus- luxury sedans - Prius hybrid - Land Cruiser SUV	QUESTION - Scion – for youth in USA - Camry / Corolla – as hybrids - Bio –fuel, Solar –powered , hydrogen gas - Diesel engine cars for India, Southeast Asia - Small cars for India / China - More SUVs and MPVs : Fortuner
Low market growth	CASH COW - Camry , Corolla sedans - Innova , Venza –MPV - Daihatsu -small cars	DOG - Celica , MR2 -for youth - Tundra –pick-up - Crown, Cressida, Corona, Quails: Withdrawn - Declining markets in UK, Europe - Petrol cars to be phased –out

3.5. VRIO Framework Analysis

- **Valuable:** Yes, because it has been proven to keep production costs low
- **Rare:** Yes, just-in-time production is a popular strategy used by companies in all industries; however, Toyota's methodology is very rare.
- **Inimitable:** Yes, many companies have tried to recreate the system; however none have been able to do it in as efficient of a manner.
- **Organization:** Yes, Toyota has been using this system since the 1960's and have been perfecting it along the way.
- **Competitive Implication:** This creates a sustained competitive advantage

3.6. Toyota's Efforts in Emerging Economies

Toyota's emerging market sales have increased significantly in the period 2000 to 2011, from 18.6% to 45%.²⁰ If this trend continues, Toyota's sales in emerging markets will shortly surpass its sales in developed markets. Toyota successfully observed and responded to the needs of the rising of middle class in the emerging markets. Through localization initiatives, Toyota designs and produces cars in these markets to meet these consumers' unique needs.

3.7. Case Study: Toyota's Successful Strategy in Indonesia

Toyota first began selling cars in Indonesia in 1971 and began producing them in 1977. Toyota entered the market via a joint venture with Astra Motor.²¹ From 2008 to 2012, sales have more than doubled from 199,000 units to 409,000 units.²² In terms of market share, Indonesia is Toyota's best performing market, with an estimated market share of 40%.²³ Four of the top ten best-selling cars in Indonesia are Toyotas, with the Toyota Avanza taking the clear lead. The success of Toyota in Indonesia can be attributed to its "Innovative International Multi-Purpose Vehicle" strategy launched in 2003. Specifically, Toyota designed and produced cars in Indonesia to meet the needs of the local market, with the Toyota Avanza priced at \$16,000. Toyota launched its second auto plant in Indonesia in March 2013 at an investment of \$340 million, and earlier this year, Toyota announced that it plans to invest an additional \$1.3 billion over the next five years.²⁴ If Toyota proceeds with this plan, this will represent a doubling of Toyota's FDI of the last 40 years in the country. Motives for Toyota's FDI initiatives in Indonesia include:

- To capture Indonesia's growing middle class; which is expected to double by 2020.
- To maintain its market dominance.
- In response to Government incentives for new car buyers, which include tax breaks as low as 0% for low cost eco-friendly cars, while maintaining interest rates in the low single-digits.

3.8. Toyota's Strategic M&A, Partnerships, Joint Ventures, and Strategic Alliances (2009 – 2013)

Shown in **APPENDICES 2 & 3.**

3.9. Analysis of Financial Performance

Overall, Toyota has outperformed the industry over the past five years. Total assets increased 586.8 billion yen from the end of the previous fiscal year to 3,243.7 billion yen due mainly to an increase in market value of investment securities. Liabilities amounted to 1,718.8 billion yen, an increase of 259.7 billion yen from the end of the previous fiscal year due mainly to an increase in deferred tax liabilities. Net assets amounted to 1,524.9 billion yen, an increase of 327.1 billion yen from the end of the previous fiscal year. Cash flows from operating activities increased by 151.2 billion yen in fiscal 2013, due mainly to posting income before income taxes of 80.1 billion yen. Net cash provided by operating activities increased by 49.5 billion yen compared with an increase of 101.7 billion yen in fiscal 2012. Cash flows from investing activities resulted in a decrease in cash of 274.2 billion yen in fiscal 2013, attributable primarily to an increase in payments for purchases of property, plant and equipment amounting to 112.4 billion yen. Net cash used in investing activities increased by 264.8 billion yen compared with a decrease of 9.4 billion yen in fiscal 2012. Cash flows from financing activities resulted in an increase in cash of 7.0 billion yen in fiscal 2013, due mainly to 51.7 billion yen of net increase in short-term loans payable, despite the redemption of bonds payable of 54.1 billion yen. After adding translation adjustments and cash and cash equivalents at beginning of period, cash and cash equivalents as of March 31, 2013 stood at 179.3 billion yen, a decrease of 117.5 billion yen, or 40%, over fiscal 2012.²⁵ **Detailed Financial Ratios are shown in APPENDIX 1.**

4. RECOMMENDATIONS:

- 1) Toyota should continue to undertake concerted efforts to strengthen its management platform and raise corporate value.
- 2) As immediate tasks, Toyota should promote business and cost structure reforms to realize a solid management platform so that it can respond quickly to the changing market circumstances. Specifically, Toyota should maintain a streamlined structure through the reduction of fixed costs and enhance its business in established markets in developed countries.
- 3) Toyota should accelerate its business expansion into rapidly growing emerging countries by thoroughly and meticulously monitoring market conditions in respective regions and introducing products suited to the characteristics and needs of each market. Toyota should also strive to establish production and supply structures to realize optimum product pricing and delivery, and to enhance the value chain to provide a wide range of customer services in each country and region.
- 4) Toyota should consider making Lexus a priority in the Chinese market. This will enable it to become competitive with other car manufacturers in the luxury segment. By increasing production facilities in Asia, this will enable Toyota to have cheaper delivery channels and become closer to the emerging market customer. Toyota should also cut out layers of middle management so that engineers get more authority over what specific customer needs are answered in the design and development of a new car.
- 5) Toyota should pursue the development of environmentally conscious, energy-saving products while incorporating functions and services demanded by customers (value chain) and delivering them to the global market. Acting on these measures, Toyota should aim for growth in three business units, namely, “solutions” in the areas of materials handling equipment, logistics and textile machinery; “key components” in the fields of car air-conditioning compressors and car electronics; and “mobility” in the domains of vehicles and engines.
- 6) To support consolidated management on a global scale, Toyota should enhance the power of the workplace and diversity in the use of human resources, and strive to nurture global human resources.
- 7) In addition to placing top priority on safety, Toyota should thoroughly enforce compliance, including observance of laws and regulations, and actively participate in social contribution activities.
- 8) Toyota should aim to support industries and social infrastructures around the world by continuously supplying products and services that anticipate customers’ needs in order to contribute to engendering a compassionate society.
- 9) Overall, Toyota has outperformed the industry over the past five years and gained market share. A shift toward smaller, more fuel-efficient vehicles, which Toyota can manufacture at a relatively low price, will support growth in the United States.

5. APPENDICES:

APPENDIX 1: Key Financial Ratios of Toyota Motor Corporation

Financial Ratios - Annual Ratios

Toyota Motor Corporation, Annual Ratios						
Key Ratios	Unit/Currency	2009	2010	2011	2012	2013
Equity Ratios						
EPS (Earnings per Share)	JPY	-139.13	66.79	130.16	90.21	
Dividend per Share	JPY	100	45.00	5.00	5.00	
Dividend Cover	Absolute	-1.39	1.48	2.60	1.80	
Book Value per Share	JPY	3208.41	3,303.49	3,295.08	3,331.51	
Cash Value per Share	JPY	793.86	720.18	728.57	555.61	
Profitability Ratios						
Gross Margin	%	8.31	9.25	9.66	9.23	
Operating Margin	%	-2.25	0.78	2.47	1.91	
Net Profit Margin	%	-2.13	1.11	2.15	1.53	
Profit Markup	%	9.76	10.98	11.48	10.86	
PBT Margin (Profit Before Tax)	%	-2.73	1.54	2.97.00	2.33	
Return on Equity	%	-4.34	2.02	3.95.00	2.69	
Return on Capital Employed	%	-2.5	0.75	2.46	1.88	
Return on Assets	%	-1.5	0.69	1.37	0.93	
Return on Fixed Assets	%	-2.6	0.85	2.60	1.94	
Return on Working Capital	%	-64.96	6.18	45.08	65.90	
Growth Ratios						
Sales Growth	%	-22.75	-7.56	0.54	-1.73	
Operating Income Growth	%	-120.31		217.44	-24.06	
EBITDA Growth	%	-122.99		93.26	-23.15	
Net Income Growth	%	-125.43		94.88	-30.53	
EPS Growth	%	-125.74		94.88	-30.70	
Working Capital Growth	%	387.77	236.42	-56.49	-48.05	
Cost Ratios						
Operating Costs (% of Sales)	%	102.25	99.22	97.53	98.09	
Administration Costs (% of Sales)	%	12.35	11.18	10.06	9.90	
Liquidity Ratios						
Current Ratio	Absolute	1.07	1.22	1.10	1.05	
Quick Ratio	Absolute	0.93	1.09	0.98.00	0.91	
Cash Ratio	Absolute	0.28	0.38	0.33	0.25	
Leverage Ratios						
Debt to Equity Ratio	%	125.42	120.79	120.02.00	113.79	
Net Debt to Equity	Absolute	100.68	98.99	97.91	97.12	
Debt to Capital Ratio	%	0.68	0.64	0.65	0.64	
Efficiency Ratios						
Asset Turnover	Absolute	0.71	0.62	0.64	0.61	
Fixed Asset Turnover	Absolute	2.77	2.82	3.01.00	2.98.00	
Inventory Turnover	Absolute	11.97	11.23	12.26	9.74	
Current Asset Turnover	Absolute	1.82	1.45	1.61	1.51	
Capital Employed Turnover	Absolute	2.04	1.83	1.84	1.76	
Working Capital Turnover	Absolute	28.93	7.94	18.28	34.44	
Revenue per Employee	JPY				53,733,192.00	
Net Income per Employee	JPY				870,066.00	
Capex to Sales	%	11.32	7.59	8.90	8.24	

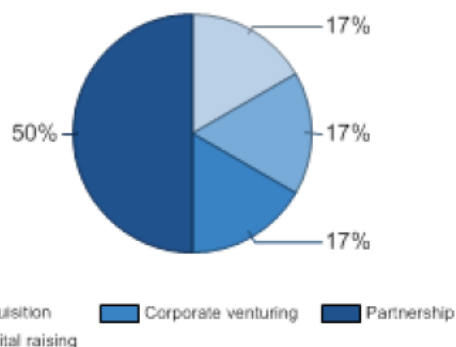
Financial Ratios - Interim Ratios

Toyota Motor Corporation, Interim Ratios						
Key Ratios	Unit/Currency	Mar-2012	Jun-2012	Sep-2012	Dec-2012	Mar-2013
Interim EPS (Earnings per Share)	JPY	25.81	38.22	91.68	81.45	31.55
Dividend per Share	JPY		3.00		3.00	
Book Value per Share	JPY	3,196.71	3,331.51	3,318.88	3,391.08	3,556.13
Gross Margin	%	9.78	11.42	12.59	12.91	11.08
Operating Margin	%	3.08	4.18	6.42	6.30	2.35
Net Profit Margin	%	1.66	2.12	5.28	4.77	1.88
Profit Markup	%	11.53	13.60	15.26	15.70	13.29
PBT Margin (Profit Before Tax)	%	4.08	4.13	7.55	7.02	2.47
Operating Costs (% of Sales)	%	96.92	95.82	93.58	93.70	97.65
Administration Costs (% of Sales)	%	9.47	9.10	8.64	9.04	11.20
Current Ratio	Absolute	1.02	1.05	1.05	1.06	1.03
Quick Ratio	Absolute	0.89	0.91	0.91	0.92	0.89
Debt to Equity Ratio	%	116.70	113.79	111.57	109.19	114.52
Net Debt to Equity	Absolute	98.65	97.12	94.41	92.64	102.39
Debt to Capital Ratio	%	66.51	63.62	63.30	62.17	63.61

*Source: GlobeData***APPENDIX 2: Top Strategic M&A, Partnerships, Joint Ventures, and Strategic Alliances (2009 – 2013)**

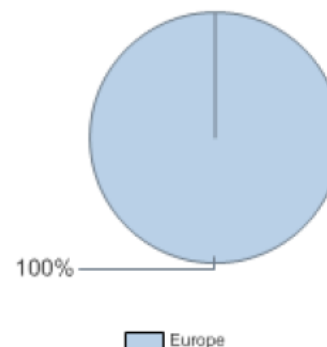
Target/Partner (Country)	Announcement date	Deal status	Deal Type	Deal value (\$m)
Toyota Credit Canada, Inc. (Canada)	Jul 11, 2013	Announced	Private placement	475.44
Primearth EV Energy Co., Ltd. (formerly Panasonic EV Energy Co., Ltd.) (Japan)	May 29, 2013	Announced	Partnership	51.12
Hunan Corun New Energy Co., Ltd. (China)	May 29, 2013	Announced	Partnership	51.12
Toyota Tsusho Corporation (Japan)	May 29, 2013	Announced	Partnership	51.12
Undisclosed Company - Beijing-based Investment Business - China (China)	May 29, 2013	Announced	Partnership	51.12

Source: MarketLine Financial Deals

APPENDIX 3: Breakdown of Strategic M&A, Partnerships, Joint Ventures, and Strategic Alliances (2009 – 2013)**Toyota Motor Corporation activity by deal type - volume (trailing twelve months (TTM))**

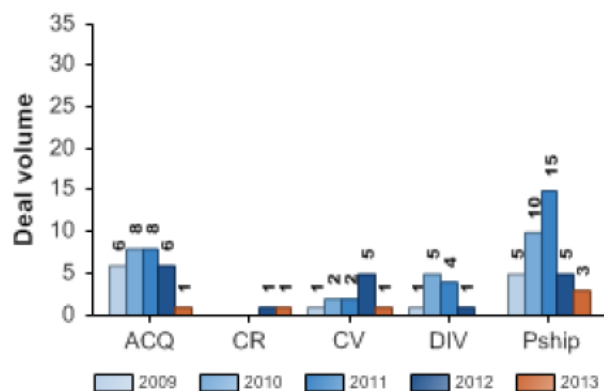
Source: Financial Deals

MARKETLINE

Toyota Motor Corporation M&A activity by geography (TTM)

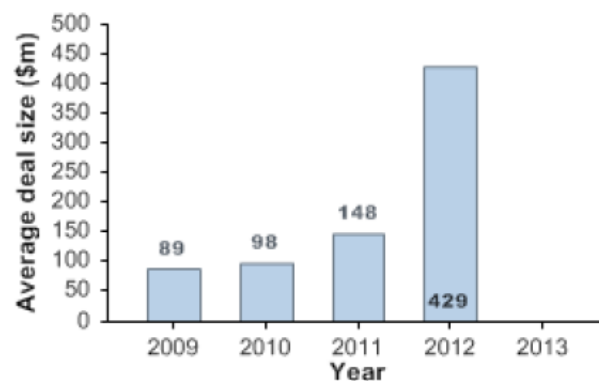
Source: Financial Deals

MARKETLINE

Toyota Motor Corporation activity by deal type - volume (2009-YTD2013)

Source: Financial Deals

MARKETLINE

Toyota Motor Corporation M&A average deal size - value (\$m)

Source: Financial Deals

MARKETLINE

Deal type	2009	2010	2011	2012	2013
Acquisition (ACQ)	6	8	8	6	1
Capital raising (CR)	-	-	-	1	1
Corporate venturing (CV)	1	2	2	5	1
Divestments (DIV)	1	5	4	1	-
Partnership (Pship)	5	10	15	5	3

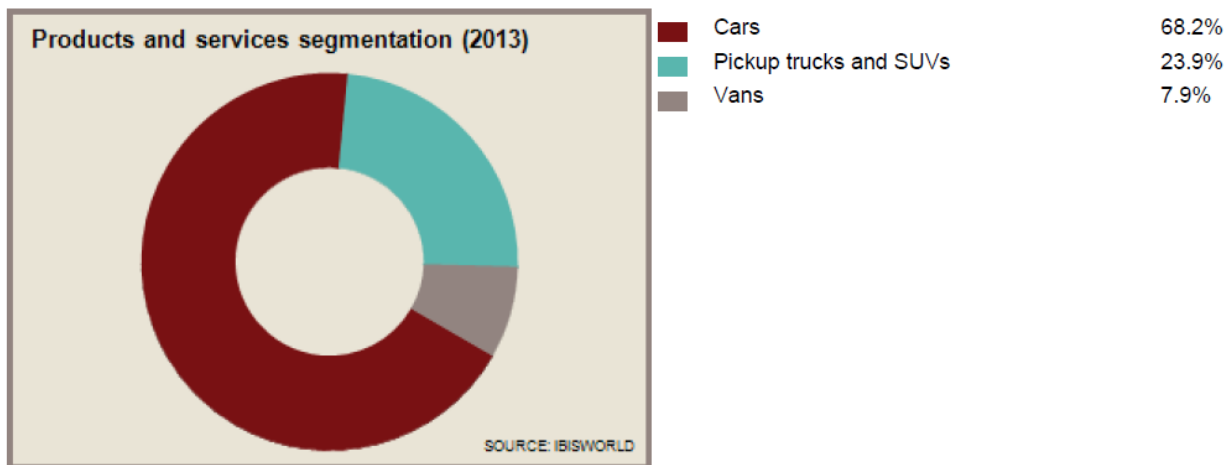
Year	Number of deals	Average deal size (\$m)
2009	6	88.7
2010	8	98.39
2011	8	147.72
2012	6	428.76
2013	1	-

Note: Zero deal value indicates transactions with undisclosed deal values

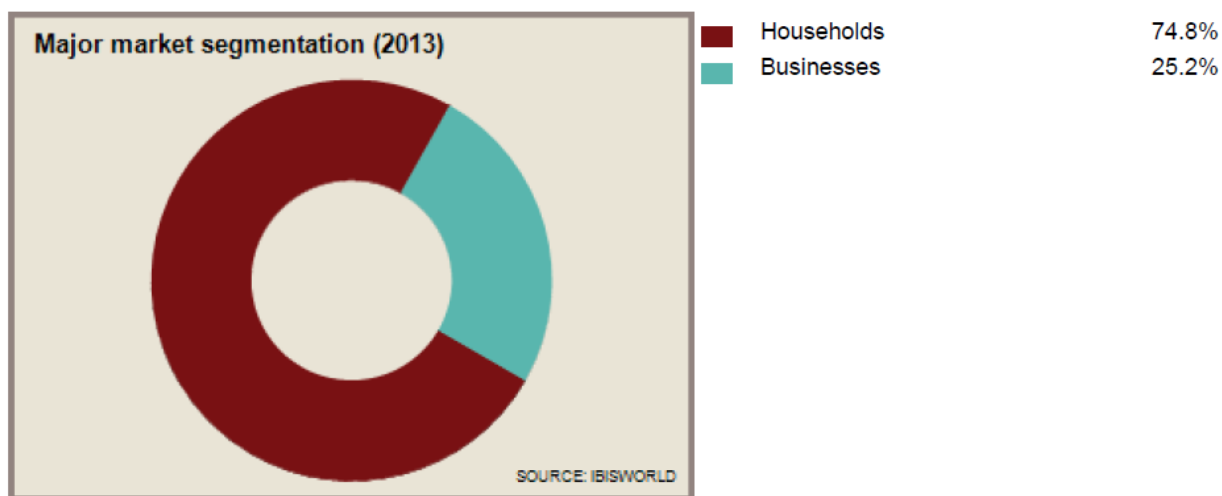
Source: MarketLine Financial Deals

APPENDIX 4: Industry Overview

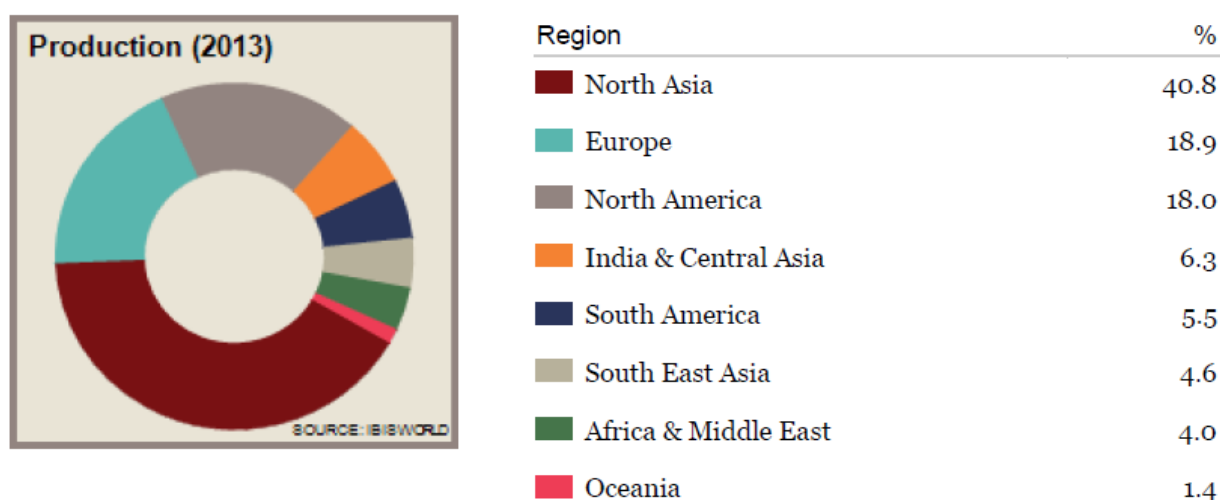
Industry Products and Services Segmentation:



Industry Market Segmentation:



Industry Business Locations:



Source: IBIS World 2013 Global Car Manufacturing Industry Report

APPENDIX 5: Industry Costs

Purchases	70.7%
Wages	6.3%
Depreciation	6.0%
Rent & Utilities	1.7%
Other	10.4%
Profit	4.9%

Source: IBIS World 2013 Global Car Manufacturing Industry Report

APPENDIX 6: Industry Barriers to Entry

Barriers to Entry checklist	Level/Impact
Industry Competition	High
Industry Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	High
Technology Change	High
Regulation and Policy	Heavy
Industry Assistance	High

Source: IBIS World 2013 Global Car Manufacturing Industry Report

APPENDIX 7: Industry Cost Structure Benchmark:

Purchases	70.7%
Wages	6.3%
Depreciation	6.0%
Rent & Utilities	1.7%
Other	10.4%
Profit	4.9%

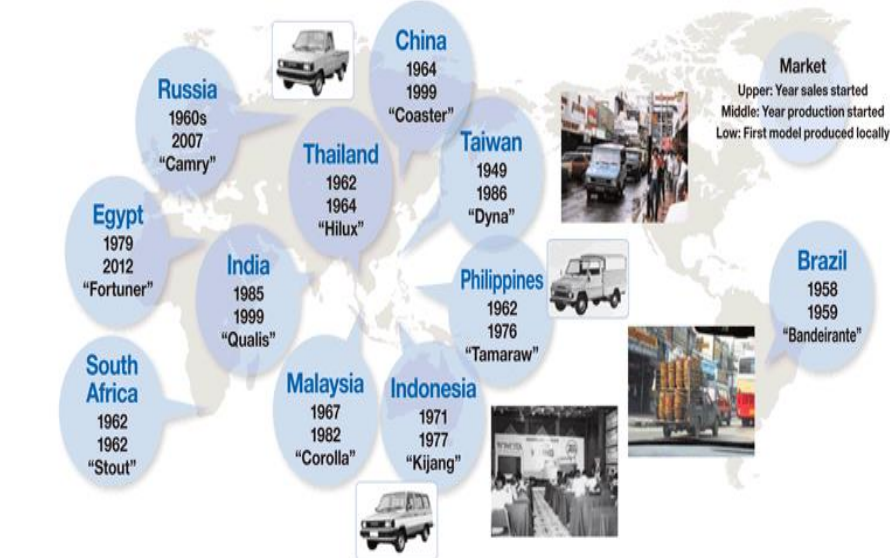
Source: IBIS World 2013 Global Car Manufacturing Industry Report

APPENDIX 8: Map of Toyota's Worldwide Operations



Source: Toyota Motor Corporation 2012 Annual Report

APPENDIX 9: Toyota's History in Emerging Markets



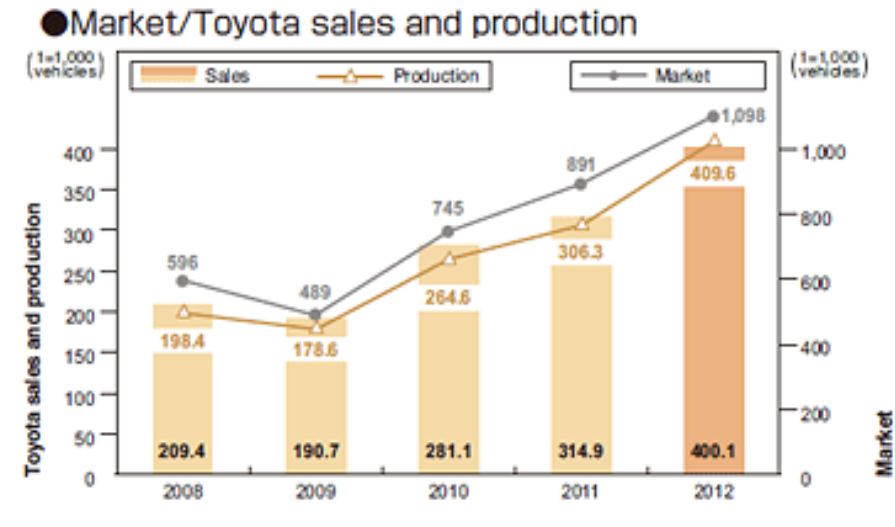
Source: Toyota Motor Corporation 2012 Annual Report

APPENDIX 10: The Rise of Toyota's Sales in Emerging Markets

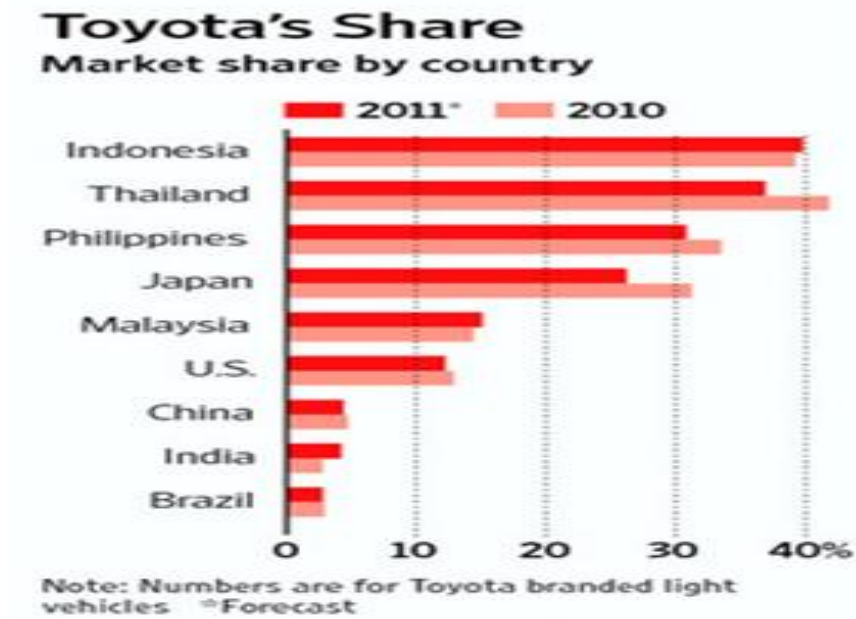
In 2011, emerging markets accounted for **45%** of Toyota's global vehicle sales

Toyota Vehicle Sales												Thousands of units
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Global	5,154	5,262	5,519	6,070	6,708	7,268	7,922	8,429	7,996	6,980	7,528	7,097
Emerging Markets	960	987	1,142	1,417	1,695	2,027	2,246	2,658	2,849	2,646	3,145	3,193
Composition Ratio	18.6%	18.8%	20.7%	23.3%	25.3%	27.9%	28.4%	31.5%	35.6%	37.9%	41.8%	45.0%

Source: Toyota Motor Corporation 2012 Annual Report

APPENDIX 11: Toyota's Growth in Indonesia**Indonesia**

Source: Toyota Motor Corporation 2012 Annual Report

APPENDIX 12: Toyota's Market Share in Select Countries

Source: J.D. Power Automotive Forecasting

6. REFERENCES:

- ¹ Yahoo Finance, accessed November 9, 2013, <http://finance.yahoo.com/q/pr?s=TM+Profile>
- ² IBIS World: Global Car & Automotive Manufacturing Report, May 2013
- ³ IBIS World: Global Car & Automotive Manufacturing Report, May 2013
- ⁴ IBIS World: Global Car & Automotive Manufacturing Report, May 2013
- ⁵ PRWeb, <http://www.prweb.com/releases/2013/9/prweb11088066.htm>
- ⁶ Motor Trends, accessed November 9, 2013
http://www.motortrend.com/features/auto_news/1202markets_share_for_the_top_five_automakers/
- ⁷ Toyota Motor Corporation, http://www.toyota-global.com/company/vision_philosophy/toyota_production_system/
- ⁸ MarketLine: Toyota Motor Corporation Report, January 2013
- ⁹ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁰ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹¹ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹² MarketLine: Toyota Motor Corporation Report, January 2013
- ¹³ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁴ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁵ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁶ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁷ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁸ MarketLine: Toyota Motor Corporation Report, January 2013
- ¹⁹ MarketLine: Toyota Motor Corporation Report, January 2013
- ²⁰ Toyota Motor Corporation 2013 Annual Report
- ²¹ Toyota Indonesia, accessed November 9, 2013, www.toyota.co.id
- ²² Forbes, "Toyota Eyes Big Growth Ahead in Emerging Markets," accessed November 9, 2013,
<http://www.forbes.com/sites/greatspeculations/2013/04/04/toyota-eyes-big-growth-ahead-in-emerging-markets/>
- ²³ JD Power Auto Forecasting
- ²⁴ Livemint, "Toyota to Invest \$337M in Indonesia Expansion," September 21, 2011,
<http://www.livemint.com/Companies/vu8CW8UesUhBPHxQ99LWdL/Toyota-to-invest-337-mn-in-Indonesia-expansion.html?facet=print>
- ²⁵ Toyota Industries: Financial Summary, FY 2013