



By: Tomorrow's Affairs Staff

Is Toyota late in its EV transformation or are others in too much of a hurry?



If the market leader has a different strategy than yours, it is time to ask the question: Are you wrong, or is the market wrong? There is no point in questioning the validity of the long-time number-one strategy.

While the entire car market is frantically moving to the electric vehicle sector, leaving behind the era of internal combustion engines as a shameful past, Toyota has a different vision.

This year was a sad one for the Toyoda family. Shoichiro Toyoda, the son of Kiichiro Toyoda, an industrialist who founded Toyota Motors in Nagoya in 1937, died last February aged 97.

Shoichiro Toyoda will be remembered as a business leader who turned a family company into a global brand and the world's largest car manufacturer today.

This year will be important in the company's calendar. A non-Toyoda person took over the company's management last April. Koji Sato, the former chief engineer at Lexus, is the CEO of Toyota instead of Akio Toyoda, Shoichiro's grandson.

Historical investment in EVs

With the arrival of the new boss, Toyota announced that it expected operating income to grow in the next fiscal year (until March 2024) by 10%, to a record \$22 billion. Profits are expected to be higher, as Toyota usually makes very cautious business forecasts.

A gigantic investment in EV production of an additional USD 7.4 billion by 2030 is an even bigger innovation by the company's new CEO.

It aims for a total amount of around \$37 billion.

This move means that Toyota wants to catch up with the global trend of turning to EV production, which seems to be running late.

No competing company can afford such an investment, which speaks of Toyota's ambition to maintain its leading position in the car manufacturer market.

Despite such a large investment, Toyota's EV strategy is still very restrained and out of step with the general global trend of abandoning internal combustion engines and turning to EVs.

Hybrid vehicles have not been abandoned

The company that pioneered this revolution in the 1990s is not giving up on the concept of hybrid gas-electric vehicles and plans to sell 3.6 million hybrid vehicles this year alone, more than EVs in 2030.

More than 20 million hybrid vehicles, cars, trucks, and SUVs have been sold worldwide, with about 5 million in the US alone.

The new CEO continues the strategy of his predecessor, Akio Toyoda, where hybrid vehicles had high profits, which would eventually be invested in the production of EVs.

While many have wondered about Toyota's slow inclusion in the global shift to EV production, the company has a compelling

and, traditionally, more cautious projection.

They want to skip the current phase of low-profit margins for EVs, which are such because of the still high car prices, primarily due to the high prices of its main component - the battery, which makes up about a third of the value of a new vehicle.

According to the new strategy, the company will sell 1.5 million EVs in 2026 and 3.5 million in 2030, thanks to a large investment.

Expectations are that the costs, particularly the cost of batteries, will decrease so that profits at the end of the period will be the same as today.

Toyota's slow involvement in the EV revolution is the result of relying on its dominance in the technologically older, hybrid car generation, which, even after 20 years, shows no signs of leaving the scene.

Its caution lies primarily in the still insufficient availability of lithium, the principal material for making EV batteries, particularly in the conditions of the mass transition of manufacturers to this technology, where they undoubtedly see the future.

The delay is illusory

Toyota's management has traditionally been suspicious of the EV concept's engineering limitations, such as slow charging, heavy and expensive batteries, and the still limited range of the vehicles they power.

However, due to technological improvements and mass incentives for the purchase of EVs in

the largest markets, the US and the EU, for example, Toyota is forced to invest more in the development and production of EVs just to catch up.

Even if this is a delay, it is only at the technological level, which Toyota will overcome with its planned 10 new models by 2026, as announced by Koji Sato.

But the Company will not fall behind in the financial aspect, given that the shift to EVs will make all current competitors pay more, with a smaller profit margin, higher production costs due to still very expensive batteries, and insufficient demand due to high prices.

Toyota will not be able to count on government incentives for the production and purchase of EVs, primarily in the US and Europe, to the extent that some of its main competitors, which are transforming faster, are counting on them.

But the company's plans say this is not a major concern. Market projections say that in the early 2030s, at least half of the global market will still consist of traditional petrol-powered vehicles.

The shift to EVs, which Toyota seems to be late to, may turn out to be too expensive for everyone else, perhaps even premature.