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## TM - Toyota Motors

Posted by Nick Holzman - 2007/08/16 03:00

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Toyota is a very good company and their performance in the weak auto market is very promising. They have good efficiency numbers and I believe their growing popularity in the US will be good for business. Toyota would give our the portfolio exposure in an area that we are lacking.

[http://www.iupsmip.com/components/com\\_joomlaboard/uploaded/files/TM\\_Report.doc](http://www.iupsmip.com/components/com_joomlaboard/uploaded/files/TM_Report.doc)

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## Re:TM - Toyota Motors

Posted by short\_seller - 2007/08/16 18:36

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I like Toyota for several reasons. 1.) Okay cars, 2.) Just built a plant to manufacture the full sized tundra in the USA, and lastly 3.) a Rep. gave me a hat at the auto show!

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## Re:TM - Toyota Motors

Posted by KrisJonA - 2007/08/17 04:50

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Toyota appears to have dropped very significantly in 07. They no longer have the title of top sales globally anymore. GM is comparable, and maybe a better bargain if you want to stick to a large vehicle manufacturer. Toyota seems to react strongly to global currency changes as GM doesn't appear to do so. A report on GM may in my future because the more i look at it the more i like it. Im not saying Toyota sucks, but its steady at best, the IBM of car stocks.

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## Re:TM - Toyota Motors

Posted by j.g.mussey - 2007/08/17 17:23

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That is a good point with the what effect various moves in currency prices could have on TM (and GM). So would a declining dollar hurt or help TM compared to other car companies? Because of how international the auto industry is, which company produces more cars in the U.S.? If the dollar weakens vs. the Yen, will that hurt or help TM? Toyota trades in Yen in reality because it trades on the U.S. market via ADR's, but produces many cars in the U.S., meaning that is benefits from a low USD and would also be helped by a stronger Yen (Anyone, if I am wrong here please correct me, this is all hypothetical). What % of their cars are made in the U.S. that sell here? How does that work with other major nations that buy Toyota? Could a high % of cars sold in the U.S. that are produced here help them be less at the mercy of international exchange rates? Do they produce cars in the major nations in which they sell them? With increasing energy prices, it costs more to ship goods, and so because of that it may become more beneficial to produce cars in the nation in which they sell, do you feel that is true? I know its alot, but it's important we look at some of these angles.

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## Re:TM - Toyota Motors

Posted by admin - 2007/08/17 17:47

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I can help in explaining the effects of currency on the prices of imported goods to the US.

To get a better understanding, we have to look at currencies in pairs so if we are comparing Toyota and GM, we would use the currency pair USD/JPY (US Dollar vs. Japanese Yen).

In a market where the USD depreciates versus the JPY, such that we have had over the past couple weeks, the cost of Japanese goods in the United States would go up in comparable terms. This would help US car companies and hurt Japanese companies, because the Japanese cars would cost more per dollar.

Example:

Japanese car fixed manufacturing costs: 1,000,000 Yen

USD/JPY FX Rate #1: 150 Yen/Dollar

USD/JPY FX Rate #2 (Depreciating Yen): 200 Yen/Dollar

Cost to US Consumer FX Rate #1: \$6,666.66  
Cost to US Consumer FX Rate #2: \$5,000.00

From this example you can see how a depreciating Yen actually help Japanese car companies compete against US Car companies.

In a market where the JPY depreciates versus the USD, the cost of Japanese goods in the United States would decline in comparable terms. This scenario would help Japan car companies, because one USD would be able to buy more JPY, thus Japanese cars would cost less to Americans.

The last scenario is that the two currencies stay roughly equal. In this case, the Japanese car companies would benefit, because the Yen is historically undervalued and kept that way to ensure that the export-driven economy of Japan can stay competitive. Plus they have more control over their costs because there are less restrictive contracts and unions in Japan.

#### Conclusion

I would feel safer holding a Japanese car company over a domestic one at this time, because they have greater cost savings and the fact that they have a monetary policy that encourages exporting. The problem we may run into is if the Japanese Yen appreciates rapidly, then we could run into problems where domestic car manufacturers would be a better bet. However, I am still on the fence with the automotive industry and I am having a hard time convincing myself that this is an industry that the portfolio should be invested in at this time.

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### Re:TM - Toyota Motors

Posted by j.g.mussey - 2007/08/17 18:46

Bryan,

I understand how the weakening of the USD vs. JPY could hurt TM if they produced only in Japan, but if TM produces cars in the U.S., they're spending U.S. dollars to do that. So if the dollar depreciates against the Yen, it might not have that profound an impact on Toyota sales of the vehicles because many are produced in the U.S. right?

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### Re:TM - Toyota Motors

Posted by Chelsea - 2007/08/18 23:37

Isn't it true that although Toyota has dropped in 2007 it is still outperforming GM? I agree that their cars are becoming more popular in the US, and I think it would be a good buy. Their cars are great because they run forever; they may not be a better bargain but its worth it to most. I'm going to have to go for Toyota over GM on this one.

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### Re:TM - Toyota Motors

Posted by KrisJonA - 2007/08/19 21:24

if they build US and sell US than ther is no currency difference, Does anybody really know how much Toyota builds domestically and sells domestically or builds foreign and sells foreign?? i believe it is more of a importing exportng issue and not much of a currency issue. If that is the case then GM and Toyota can be compared somewhat equally and in that case I would like to report and reserach GM for a future investment opportunity.

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### Re:TM - Toyota Motors

Posted by short\_seller - 2007/08/22 12:14

Kris, Toyota is growing rapidly in the US and Canada. Please refer to the attachment to see a map of their locations along with a brief write up from their website.

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## Re:TM - Toyota Motors

Posted by admin - 2007/08/22 16:00

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I don't know how Toyota accounts for this through their ADR, but typically, the money made in the United States would need to be converted back to Yen in order for the parent company to close the books. The cars produced here in the US would be produced under the Toyota USA division, yet, as with any division that is internationally based, at some point the money needs to be put back into the parent company's coffers.

Toyota may hedge their currency exposure, so that may be an area of focus for future research. For now I think the Yen is going to stabilize at these levels so I am not concerned with that aspect.

If we are looking to compare GM and TM together, we would have to take their United States division and compare them that way to see what differences exist.

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