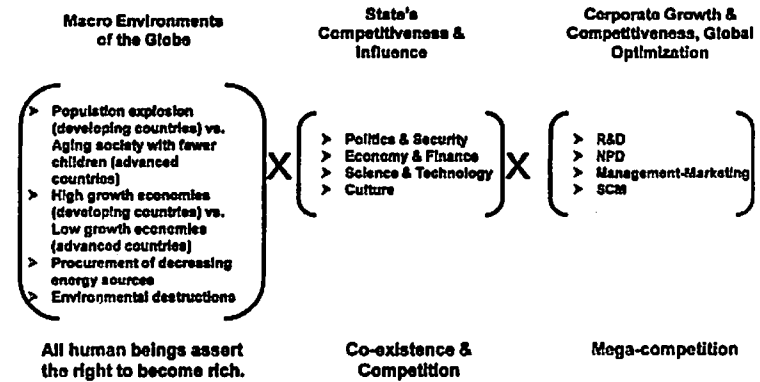


Global Competition between Japanese and Korean Automobile Companies

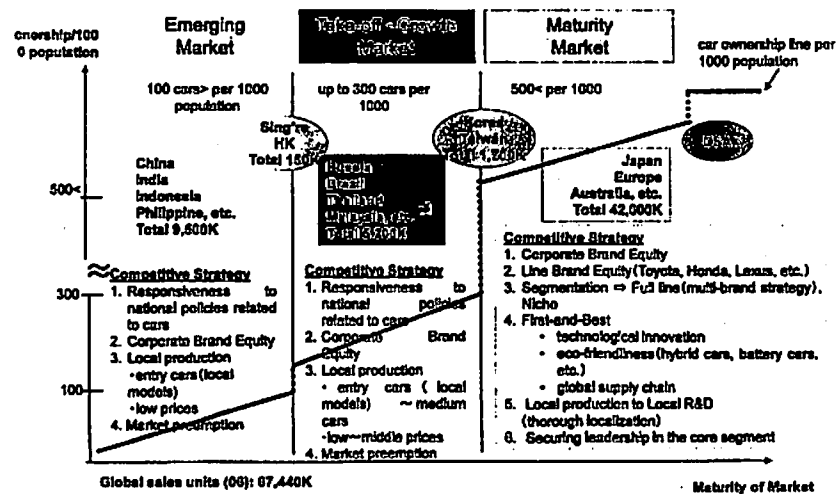
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Version 2008

World, Nation, Enterprise at Present....



Competitive Dimensions, Different from Market to Market



World-wide Car Market

Global Production Value at (¥) 283.5Trillion. Production value in Japan at (¥) 65.4Trillion or 23% of the world.

Ownership(%)	
US	27
Europe	30
BRICs	11
Japan	8
	78

(Nearly 800M Units: 07)

Production(%)	
Japanese Cos.	32
US Cos.	27
European Cos.	25
ROK Cos.	7
Chinese Cos.	5
	96

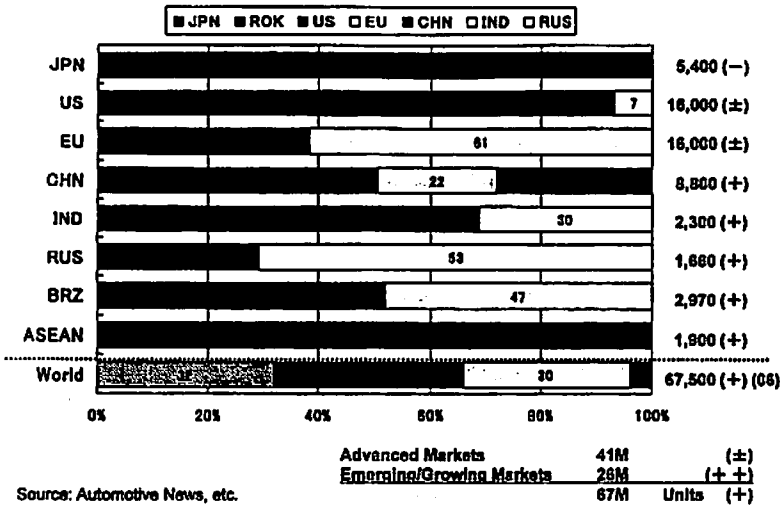
(Nearly 73M units: 07)

• JPN/US/EU Sharing 84% of Global Production
• JPN/China/Korea on rapid increase w/ 44%.

Sales(%)	
76% by 10 largest cos.	
(Nearly 68M Units: 08)	

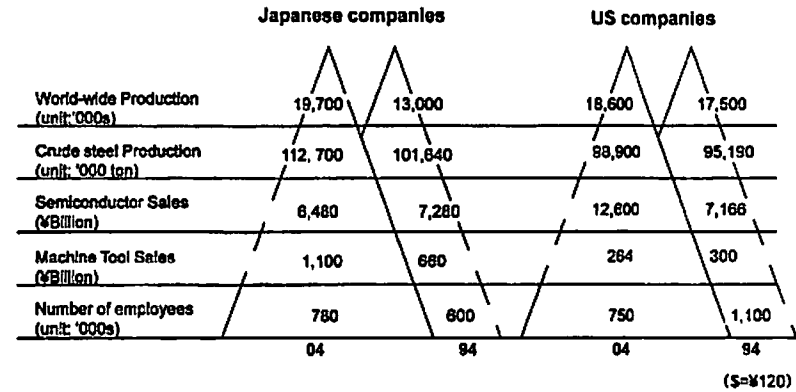
Split between Domestic and Overseas(%)		
Production	Domestic	Overseas
Japanese	50	50
Korean	70	30
Sales		
Japanese	25	75
Korean	20	80

Sales Units Share, Major Countries by Major Players (07, and partly 06)



Why Japan and Korea In Head-on Competition on Autos (1)

Auto Industry, the Biggest Growth Engine of Economy



Source: Japan Economic Journal (1/1/06)

Why Japan and Korea in Head-on Competition on Autos (2)

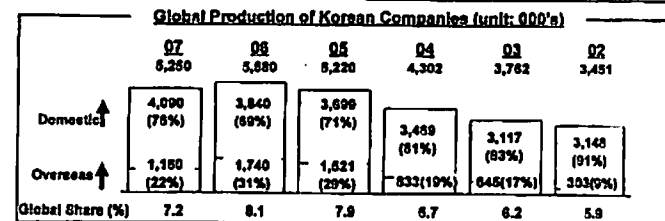
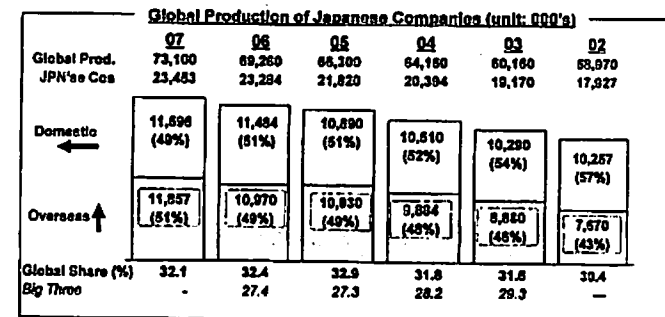
Auto Industry, the Biggest Growth Engine of Economy

Japan

- **Production value:** ¥45 Trillion, or 14.1% of total industrial outputs
- **Employment:** 850K employees, or 8.1% of total manufacturing industries
- **Including related industries (sales, service, transportation, logistics, insurance, finance, etc.), 5,130K employees in total, or 8.1% of the total employment in Japan.**

Source: Automobile Almanac Handbook (03/04)

Both Japanese and Korean Companies Expanding Global Share (2)



Both Japanese and Korean Companies Expanding Global Share (3)

BIG Three (unit: 000's)				
	Q7 18,987(Est)	Q6 18,952	Q5 18,103	Q4 17,801
Domestic	N/A	N/A	8,346 (46%)	8,925 (50%)
Overseas	N/A	N/A	8,757 (54%)	8,876 (50%)
Global Share (%)	25.9	27.4	27.3	28.2

07/06 Global Production Units: An increase of +3,900K. China shared 44%.

China	44%
BRI (w/o China)	21%
Others	35%
	100%

Both Japanese and Korean Companies Expanding Global Share (4)

Domestic Sales vs. Overseas Sales

Both show overseas sales increase in succession. Domestic sales in recession.

JPN'se Companies	Domestic(excl. light cars)	Overseas	Domestic/Overseas
03	5,828 (4,027)	13,342	30/70
04	5,853 (3,862)	14,541	29/71
05	5,852 (3,828)	15,483	27/73
06	5,740 (3,716)	17,544	25/75
07	5,350 (3,434)	18,103	23/77

J3	Domestic				
	Q7 (share)	Q6	Q5 (share)	Q4 (share)	Q3 (share)
Toyota(*)	2,261 (42.2%)	2,273	2,389(40.5%)	2,388 (40.8%)	2,295 (39.4%)
Nissan	721 (13.5%)	740	866 (14.6%)	827 (14.1%)	825 (14.2%)
Honda	822 (11.8%)	872	714 (12.2%)	743 (12.7%)	715 (12.3%)
Suzuki	671 (12.6%)	-	-	-	-

(*)incl. Daihatsu, Hino

	Overseas					Domestic/Overseas		
	Q7	Q6	Q5	Q4	Q3	Q7	Q4	Q3
↑	6,803	6,251	5,610	5,488	4,928	25/75	30/70	32/68
↑	2,850	2,743	2,727	2,303	2,117	20/80	26/74	28/72
↑	3,290	2,980	2,695	2,494	2,208	16/84	23/77	24/76

Source: JAMA (overseas sales = export + local production)

Both Japanese and Korean Companies Expanding Global Share (5)

Domestic Sales vs. Overseas Sales

KOR'an Companies

	Domestic	Overseas	Domestic/Overseas
03	1,318	2,460	35/65
04	1,093	3,212	25/75
05	1,150	4,107	22/78
06	1,196	4,384	21/79
07	1,219	4,031	22/78

Source: KAMA, etc.

	Domestic				
	Q7 (share)	Q6 (share)	Q5 (share)	Q4 (share)	Q3 (share)
Hyundai / Kia	880 (72.2%)	816 (68.2%)	783 (69.5%)	748 (69.8%)	886 (69.8%)
GM Daewoo	148 (12.0%)	129 (10.8%)	121 (10.7%)	121 (11.3%)	144 (11.1%)
Sangyang	74 (6.1%)	130 (10.9%)	109 (9.7%)	98 (9.1%)	131 (10.1%)
Samsung	119 (9.7%)	121 (10.1%)	95 (8.4%)	82 (7.6%)	110 (8.5%)

Source: Automotive News

Position Shift of Major Players (1)

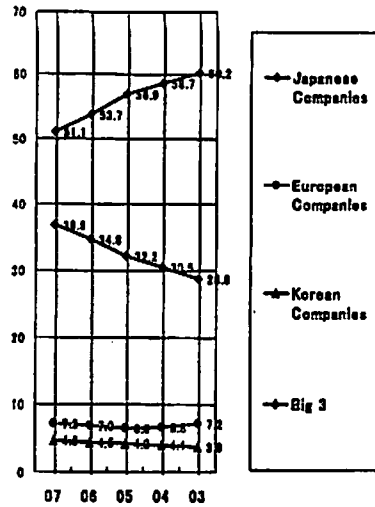
Global Sales (unit: 000's, 52 major nations/regions)

	Q7	Q6	Q5	Q4	Q3
	N/A	67,443	65,050	62,538	58,753
1. GM	9,369	9,080	9,200	8,990	8,600
2. Toyota (Japan)	8,366	8,800	8,100	7,470	6,780
3. Ford (US)	6,553	6,008	6,600	6,800	6,720
4. VW (Germany)	6,189	5,730	5,240	5,080	5,020
5. DC (Germany/US)	*	4,749	4,500	3,900	4,360
6. Hyundai (Korea)	3,867	3,753 6th	3,550 7th	3,180 6th	2,800 6th
7. Honda (Japan)	3,767	3,550 7th	3,425 8th	3,160 8th	2,910 8th
8. Nissan (Japan/France)	3,671 (H)	3,480 8th	3,598 6th	3,300 7th	2,970 7th
9. PSA (France)	3,428	3,368	3,390	3,380	3,270
10. Renault (France)	N/A	2,430	2,532	2,490	2,380
11. Chrysler	2,676				
12. Suzuki	2,375				

(*) DC is separated between Daimler and Chrysler.

Source: Japan Economic Journal, etc.

Japan-Korea Competition In US (1): Setbacks of Big3



	07	06	05	04	03
Toyota	18.2	15.4	13.3	12.2	11.2
Honda	9.6	9.1	8.8	8.2	8.1
Nissan	8.6	8.2	6.3	5.8	4.8
Hyundai	4.8	4.5	4.3	4.1	3.8
GM	23.7	24.5	28.2	27.5	28.3
Ford	15.8	17.5	18.6	19.6	20.9
Crysler	12.9(*)	14.4	14.9	14.4	14.1
(000's)	18,148	18,560	18,895	18,913	18,675
(*) w/o Mercedes					

Source:Automotive News

Japan-Korea Competition in US (3): Swift Growth of J-K Companies

Japanese Companies

- Continued quality improvement of small-medium cars resulting in higher cost performance and further expansion of consumers' acceptance.
- Further increase of local production and procurement by Toyota in Texas. Preemptive avoidance of auto-trade conflicts.
- Introduction of eco-friendly hybrid vehicles by Toyota and Honda. Consumers' strong appreciation and popularity in line with both increasingly high consciousness of eco-friendliness and higher gas prices.
- Aggressive entry into the Big 3's strongest segment of pick-up trucks by offering sedan-like driving comfort.

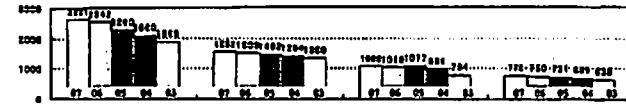
Korean Companies

While adopting and imitating Japanese companies' ①②③ strategies, they offer "second-and-cheaper" benefits, similar or equivalent to those of Japanese rivals at cheaper prices.

- Better initial quality of Sonata vs. Camry.
- Local production started in Alabama.
- Introduction of hybrid cars initially scheduled in 06, but later postponed till 09.
- Entry into the luxury segment, with Azera (06), Veracruz (06, SantaFe base), and Genesis (08).

Japan-Korea Competition In US (2): Successive Growth of J-K Companies

Units Sold (000's)



By Brand (000's)

	07	06	05	04	03
TOYOTA					
Toyota Brand	2,181	2,047	1,801	1,627	
Prius	181	107	105	84	
Camry	473	448	432	427	
Yaris	85	70	-	-	
Corolla/Matrix	371	387	341	331	
Sienna	138	183	181	153	
Tacoma	173	178	169	153	
Tundra	197	125	127	112	
Lexus Brand	329	322	303	283	
Scion Brand	130	173	155	98	
(Hybrid)	(-)	(170)	(151)	(-)	
HONDA					
Honda Brand	1,371	1,308	1,252	1,195	
Accord	322	354	353	387	
Civic	331	317	303	309	
CRV	220	170	150	149	
Fit	68	28	-	-	
Element	35	52	56	60	
Pilot	117	152	143	126	
Odyssey	173	174	174	154	
Acura Brand	161	201	210	199	
(Hybrid)	(-)	(37)	(44)	(-)	
HYUNDAI					
Hyundai Brand	487	456	455	418	
Elantra	86	89	118	113	
Sonata	148	150	130	107	
SantaFe	22	64	68	111	
XG350/Azera	22	27	15	17	
Tucson	41	52	61	7	
Kia Brand	305	294	278	270	
(Hybrid)	772	750	731	683	

Source:Automotive News

Prof. Hiroshige HAYASHI

Japan-Korea Competition in US (5): Toyota vs. Hyundai

1. Volume-sold car segment

- Toyota: Corolla & Camry, their local production to reach 60% or more (over 1.3 million units)
- Hyundai: Elantra & Sonata started local production in May, 05. Annual 300K units.
- Hyundai vigorously competing with Toyota and Honda with high IQS (initial quality study) evaluation following Toyota and equivalent to Honda. The company offering 100,000-mile warranty at 10%~20% cheaper price than Japanese rivals. However, "durable" quality is much lower than Toyota and Honda.
- Toyota's overwhelming brand power and localization efforts supported by US citizens cannot be easily overcome by Korean rivals.

2. Entry Car Segment

- Toyota with Scion entered Hyundai's franchise segment of entry cars, eating into the target segment of Elantra and Sonata.
- Toyota, not only competing with Hyundai, aims to capture the minds of 64 millions of young people coming into the entry segment in succession after acquiring a driving permit in the next 10 years. Toyota endeavors to succeed in guiding those young people to follow an upward migration starting from Scion to volume-sold cars such as Corolla, Camry, etc., then to pick-up trucks and luxury cars including Lexus.

Japan-Korea Competition in US (5): Toyota vs. Hyundai

3. Luxury Car Segment

- 1) J3 of Toyota (Lexus 330K units), Honda (Accura 180K units) and Nissan (Infinity 130K units) lead the segment.
- 2) Hyundai launched a semi-luxury sedan of Azera (3.6i) in November,05 to catch up J3, while announcing to introduce a luxury brand of Genesis in 08 to compete with Lexus, Accura, etc. Whether they will succeed with a Second-but-Better strategy against Toyota remains to be seen.
- 3) Hyundai's first trial of luxury car marketing looks challenging. They have to offer and satisfy consumers with a sense of owner's pride and prestige, and driving comfort and reliability beside conventional high quality vs. price trade-off. Those consumers look for more psychological and emotional benefits.



Japan-Korea Competition in US (6): Toyota's Strength

- Always successfully implementing First-and-Best product development and marketing strategies while keeping the leadership of the small and medium car segment. No.1 in the luxury segment with Lexus, rapid growth in the entry car segment with Scion, global leadership with Prius in the environment technology. Toyota accelerates "disruptive innovation" in both R&D and marketing areas.
- Being in pursuit for consumer satisfaction to perfection. Lexus' marketing is a case in point.
- Never satisfied with what's up today. A sense of crisis always being in place does encourage Toyota people to always chase for a First-and-Best performances.
- Creating new brands in succession for the future market. Scion and Prius are typical examples. The IMV (International Multi-purpose Vehicle) project in Asia is a third example.
- Thorough localization of R&D, Production, Sales & Marketing.
- Irritation of global spiral evolution of brand value creation (to be covered in details later).



Japan-Korea Competition in US (8): Hyundai, a dreadful tiger

1. Catch-up Strategy in US

While adopting and imitating Toyota's strategies, Hyundai developed second-but-cheaper strategies through speedy decision making, putting them into thorough implementation and accelerating catching up the Japanese rivals. Many of Hyundai America's key persons are ex-J3 executives of their US subsidiaries including Toyota Motors USA. They stage a frontal attacks against J3 with a slogan of "Catch up and Surpass J3".

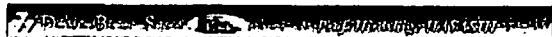
- Upward migration strategy of Entry cars →Medium cars →Premium/Luxury cars
- Introduction of eco-friendly hybrid cars
- In the future, Second-but-Better strategies have yet to be successful.

2. Catch-up Strategy in Japan

Several tens of Hyundai people staying in Nagoya and its vicinity doing AI transfer studies from Toyota. Their info is collected in the Hyundai's headquarters in Seoul as input for the company to develop competitive strategies against J3 all over the world.

1)Market-entry strategy, 2)Branding strategy, 3)Hybrid car strategy, 4)Follow-Lexus strategy, etc. being developed in Seoul and conveyed to major markets on the globe.

3. J3 still stronger than and ahead of Hyundai in the US and the ASEAN countries, but in the other markets including China, Europe, Russia, India, and Middle-East, Hyundai's "Second-but-Cheaper" strategies working well and even surpassing J3 in some countries.



Japan-Korea Competition in China (1): Market Dynamism

China Market (Units sold: 000's)

	07	06	05	04	03	02
All cars	8,882	7,150	5,720	5,230	4,440	3,290
Sedans including SUV & Minivan (Est)	6,300	5,200	3,950	3,200	2,083	—

Source: Searchina, Automotive News, etc.

Car Ownership/ 1000 (02)

China	20(04), 35(08)
Japan	577
ROK	272
Taiwan	250
India	11
Indonesia	24
Philippines	30
Thailand	100
Malaysia (99)	161



Japan-Korea Competition in China (2): Chinese Manufacturers

Volume Produced (units: 000's)								
	07	08	05	Share(%)	04	Share(%)	03	Share(%)
1. 第一汽車 (FAW)	1,150	1,180	983	17.2	1,080	24.3	880	19.3
2. 上海汽車 (SAIC)	1,690	1,250	1,050	16.0	850	19.1	800	17.9
3. 東風汽車 (DFM)	950	940	729	12.7	500+	11.3	470	10.6
4. 長安汽車 (CCA)	980	710	631	11.0	580	13.1	-	-
5. 北京汽車 (BAIEC)	570	680	597	10.4	500+	11.3	-	-
Chery (奇瑞)	369	302	*	*	*	*	*	*
Geely (吉利)	220	205	*	*	*	*	*	*

Source: Automotive News

Chinese Brands vs. Foreign Brands

	07	06
Domestic	29 (%)	28 (%)
Japanese	28	25
European	23	24
US	13	13
Korean	7	10

Japan-Korea Competition in China : Competition among Global Players

Units Sold by Global Players (units: 000's)					
	07	06	05	04	03
Toyota	455	308	294	258	210
Honda	422	323	243	214	118
Nissan	281	211	113	100	106
Hyundai	343	411	279	245	130
VW	946	775	794	698	725
GM	528	447	312	275	220
Ford-Mazda	270	182	187	164	107
Total (Sedans)	6,300	5,200	3,950	3,200	2,083

Source: Automotive News

Japan-Korea Competition in China (5): Emerging Hyundai, Growing Honda and Struggling Toyota

Hyundai Started a joint-venture with Beijing Motors in October, 02, challenging VW with a low-price strategy and achieving a high growth in the entry car segment. China is an entry car market by definition.

In China, almost everyone buys a car for the first time. The entry cars of Accent (1.4i) and Elantra (1.8-2.0i), and Sonata (2.4i) enjoying high popularity.

In the beginning, Elantra with IQS levels equivalent to those of Corolla priced at Yuan 25,000 lower than Corolla. Its design better fits "showy" tastes of Chinese consumers. They pay cash for a Hyundai car on the spot at the dealer, immediately drive out into the town, and showing it off to other people.

Corolla, on the other hand, asks for an advance payment and let them wait for a month or two before car delivery. Toyota does not understand how Chinese consumers feel excited when they are about to buy their very first private car in life.

In 07, Hyundai experienced a major drop of 16.5% of sales units vs. 06.

Honda High awareness and reputation already established with its motorcycle, enjoying strong brand equity and familiarity. Minimum negative association with HINOMARU, the Japan's national flag.

Japan-Korea Competition in Europe (28 nations): Units Sold in 000's

	07	06	05	
Toyota (1)	930	897	818	
Nissan	311	314	357	
Honda	314	276	258	
Hyundai (2)	561	513	561	
Total Market	15,958	15,385	15,255	
	07	06	05	
VW	3,151	3,112	2,895	
PSA	2,051	2,019	2,062	TOYOTA
Ford	1,888	1,824	1,838	Lexus
Renault	1,381	1,324	1,488	Toyota
GM	1,835	1,585	1,630	07
Fiat	1,249	1,156	989	06
Mercedes	826	828	914	05
BMW	848	793	779	40
				39
				22
				890
				858
				795

(1) Including Lexus
(2) Including KIA

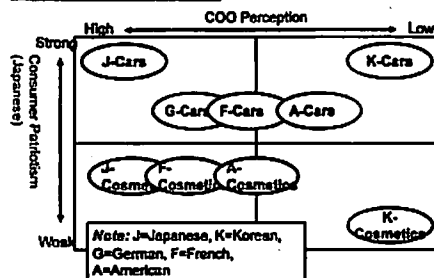
Source: ACEA

Korean Cars in Japan

Korean Car: Units Sold						
	07	08	09	04	03	02
Total Foreign Cars (000's)	232	247	249	244	246	260
Japanese Cars(000's) (Imported)	33	18	19	29	31	18
Total	265	262	268	273	281	276
Share of Foreign Cars (%)	(5.0)	(4.6)	(6.3)	(6.2)	(6.1)	(6.8)
Hyundai-Kia	1,223	1,651	2,295	2,524	2,426	2,432

Perception of Made-In Cars

Source: JAIA



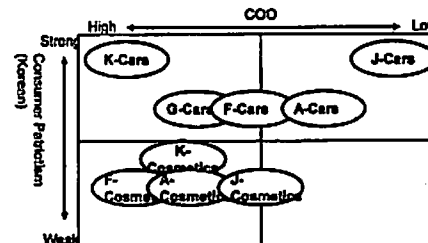
Japanese Cars in Korea

Japanese Car: Units Sold

	07	08	09	04	03	02
Lexus (J)	7,520	6,581	5,840	5,362	3,772	2,968
BMW	7,618	6,101	5,788	5,509	5,438	5,007
Mercedes	5,533	5,028	4,012	3,188	3,124	2,070
Honda (J)	7,109	3,912	2,709	1,475(1)	—	—
Infiniti (J)	3,004	1,712	531(2)	—	—	—
Audi	4,780	3,987	2,698	807	—	—
Share of Foreign Cars	53,390	40,530	30,901	23,345	19,461	16,119
	(4.2)	(3.3)	(2.6)	(2.1)	(1.5)	(1.0)

Perception of Made-In Cars

Source: KAVSA



Issues of Hyundai (1): Productivity and R&D Investment

- Low Productivity Coupled with Low R&D Investment, and Pressure for Quality Improvement, Will Hyundai be Another Toyota, or Mitsubishi ? -

Productivity/unit & R&D (04)

	# hours/unit (07) (US)	R&D (\$ M) (04)
Toyota	30.37	5,886
Honda	31.33	3,873
Hyundai	35.10	607
GM	32.28	5,751
Ford	33.88	N/A

Source: Chosun Ibo (8/28/05) / NIHON KEIZA (8/10/08)

Conclusion

1. Both domestic markets being stagnant for years, J-K companies keep growing in overseas markets where Japanese on steady growth while Koreans challenging Japanese. J-K companies leading the accelerating growth of the small and medium size segments of the world.
2. Japanese companies (J3 in particular) overwhelming Korean rivals in technology development and marketing-branding while Hyundai thoroughly benchmarking Toyota to catch up the difference. In the emerging markets of BRICs, Hyundai's competitiveness is threatening to Japanese rivals. In some markets of Europe and BRICs, Hyundai is already ahead of Honda and Nissan.
3. Japanese companies share 32-33% of the world production in aggregate units followed by American companies (Big3) with 26-27%. J3 take a combined share of 24%. Koreans produce 8% or one fourth of Japanese. Both Japanese and Koreans lead the growth of global production and sales.
4. To keep the global No.1 position, Japanese companies should keep creating and innovating first-and-best performances in technology development and marketing competitiveness. Toyota's superior global competitiveness in the areas is a strong engine of Japanese competitive advantage in the global scenes.