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Auto Industry

## Toyota Pushes EV-First Strategy

*Koji Sato says car maker needs 'EV-first mind-set' as it optimizes parts and manufacturing for electric vehicles*



Koji Sato is set to become chief executive of Toyota Motor Corp. in April.

By  
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TOKYO—Toyota Motor Corp.’s next chief executive said he wanted to accelerate development of parts and manufacturing methods optimized for electric vehicles, calling for an “EV-first mind-set” in building out Toyota’s EV lineup.

“We need to drastically change how we do business,” said Koji Sato, who is set to become chief executive in April, taking over from longtime leader Akio Toyoda.

Mr. Sato said Toyota would develop new EVs for its luxury Lexus brand by 2026 using an EV-specialized manufacturing platform—the underlying architecture on which various models can be built.

Until now, Toyota has generally relied on existing technologies to manufacture EVs. Its current EV manufacturing platform is partly repurposed from one used for gasoline-powered vehicles, and its EVs are assembled on lines that also produce other types of cars.

Mr. Sato said an “EV-first mind-set” was needed as Toyota builds out its electrified lineup. Lexus will lead this new strategy, which will ultimately extend beyond just Lexus, he said. Beyond the new Lexus models, Toyota will continue to expand its current EV lineup, he said.

Mr. Sato, 53, was considered a dark-horse candidate to succeed Mr. Toyoda, 66, who has been Toyota’s leader since 2009. The company said that effective in April it would give new posts to three executives who had been seen as leading contenders for the CEO job.

Among them are Kenta Kon, currently Toyota’s chief financial officer, and Masahiko Maeda, currently chief technology officer. Mr. Kon will work on initiatives at Toyota’s advanced technology and software arm Woven Planet, which is to be renamed “Woven by Toyota” in April, while Mr. Maeda will handle Asia-market strategy.

Toyota previously said it aimed to make its Lexus brand all-EV by 2035. Lexus is being led by Mr. Sato until he starts as CEO in April. Mr. Sato said Toyota would announce more specifics about its EV strategy after he officially assumes his new role.

Even before Mr. Sato, a longtime Toyota engineer, was handed the CEO role, the auto maker had been weighing some changes to its EV strategy.

By making bigger upfront investments in EV-dedicated parts and manufacturing, Toyota hopes to make its EV business more efficient and take advantage of economies of scale. It also wants to make its own batteries and invest in the supply chain for battery parts rather than relying solely on ready-made batteries from outside suppliers.

The challenge for Mr. Sato is that other auto makers are ahead in implementing some of those ideas—not just Tesla Inc., but also some legacy auto makers as well as China’s BYD Co.

EVs already make up a big chunk of vehicle sales in China and Europe, and they are expected to pick up in the U.S. as well in response to more generous tax credits.

Toyota today is the leader in selling hybrid gas-electric vehicles, a technology it pioneered with the Prius in the late 1990s, but its EV sales are minuscule. Last year, EVs made up less than 1% of Toyota and Lexus retail sales. By 2030, the company aims to lift that proportion to about a third of its annual sales of roughly 10 million vehicles.

Mr. Toyoda has frequently said Toyota should offer consumers a range of options including hybrids and hydrogen-powered cars, and he has questioned whether EVs should be pursued exclusively. Mr. Sato echoed Mr. Toyoda’s views by saying that the car maker will “continue with an omnidirectional approach without wavering.”

Mr. Sato said the new EV strategy was the product of years spent alongside Mr. Toyoda examining business models and considering how to manufacture EVs so that they are “uniquely Toyota.”

“We’ve seen the kind of EVs we are aiming for,” Mr. Sato said. “Now that the timing is right, we will accelerate that development with a new approach.”