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NEWSLETTER OF THE JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION OF CANADA

Solid results for 2004 production, exports and sales among Japanese automakers in Canada

Although light vehicle sales in Canada fell for the second year in a row, down 3.7% to 1.53 million units from 1.59 million in 2003, there is a silver lining. On the production side of the industry, total Canadian light vehicle output rose 5.7% over last year to 2.66 million units. As about 85% of all vehicles made in Canada are exported, primarily to the US, the rise of production in Canada in 2004 is consistent with market growth in the US. Sales in the US rose 1.4% due to a 3.6% gain in light truck sales. As a result of more robust demand south of the border, Canadian production reached a record 16.6% share of total North American light vehicle output, including Mexico, in 2004.

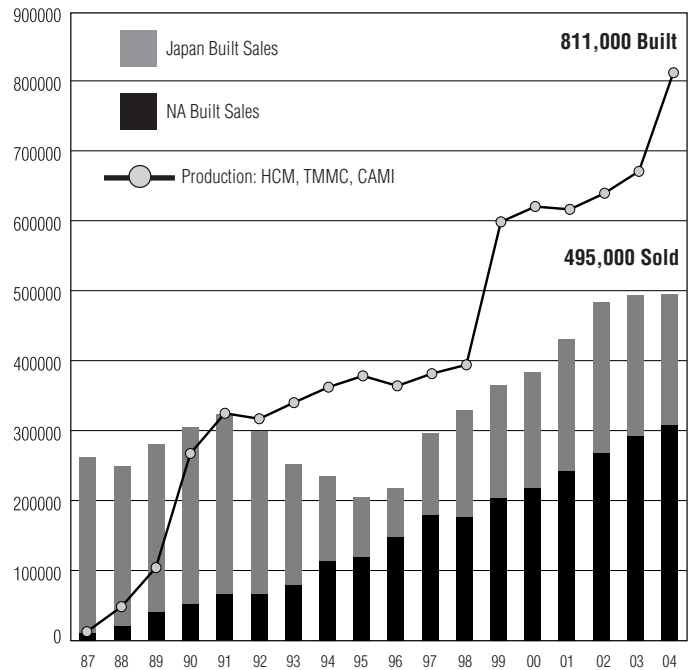
What's more, vehicle production in Ontario surpassed total output in Michigan for the first time. While much has been made of this in the media, most analysts expect that production will rebound as new truck capacity at Ford in Michigan, as well as the ramp-up of Mustang production at Flat Rock, comes on stream in 2005. Over the past decade, Michigan has averaged about 3 million units per year, while Ontario peaked at 2.9 million units in 1999. (Since the closure of the GM plant in Quebec in 2002, which produced the Camaro & Firebird, all Canadian light duty assembly plants are now in Ontario.) At the same time, production in Ontario is also expected to rise in 2005 as a result of a third shift at the DaimlerChrysler plant in Brampton, and the launch of the new Pontiac Torrent at the CAMI plant in Ingersoll. However, lower production of Freestar and Monterey minivans is expected at Ford's Oakville plant which may offset some of the gains at other automakers.

Vehicle Sales

As a group, Japanese automakers in Canada reached a new record for light vehicle sales in 2004; however the miniscule gain of 0.2% represents a little more than 1,000 units compared to 2003. Passenger cars outperformed light trucks as car sales rose 0.6% to 360,644 units, while light trucks including minivans, pick-ups and sport utility vehicles dropped 0.8% to 134,380 units. Also of note was the 5.5% gain in sales of vehicles made in North America to 307,673 units, including both cars and light trucks. By contrast, sales of imports from Japan fell 7.4% to 187,351 units. As a result, five out of every eight vehicles sold in Canada in 2004 (62.2%) were made in North America, compared to 59% in 2003.

Six of the top ten best selling cars in Canada in 2004 were models from JAMA Canada members, including the top three. In first for

Vehicle Production & Sales in Canada



the fifth year in a row was the Honda Civic, coming in second was Toyota Corolla and in third, Mazda3 – all compact cars.

- **Honda Civic** 61,041
- **Toyota Corolla** 44,563
- **Mazda3** 42,680
- Pontiac Sunfire 33,724
- **Toyota Echo** 31,252
- Chevrolet Cavalier 29,229
- Ford Focus 28,391
- **Honda Accord** 25,814
- Chevrolet Impala 20,876
- **Toyota Camry** 20,135

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Light Vehicle Sales in Canada, by Company

Company	Jan-Dec 2004			Jan-Dec 2003			% Change		
	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL	CARS	TRUCKS	TOTAL
HONDA	106,562	37,893	144,455	113,530	41,100	154,630	-6.1	-7.8	-6.6
N.A. Built	97,544	22,505	120,049	103,283	23,269	126,552	-5.6	-3.3	-5.1
Japan Built	9,018	15,388	24,406	10,247	17,831	28,078	-12.0	-13.7	-13.1
TOYOTA	124,742	45,474	170,216	119,959	45,065	165,024	4.0	0.9	3.1
N.A. Built	86,732	27,852	114,584	70,944	22,619	93,563	22.3	23.1	22.5
Japan Built	38,010	17,622	55,632	49,015	22,446	71,461	-22.5	-21.5	-22.2
MAZDA	60,449	13,439	73,888	49,576	15,974	65,550	21.9	-15.9	12.7
N.A. Built	10,213	8,576	18,789	6,399	8,587	14,986	59.6	-0.1	25.4
Japan Built	50,236	4,863	55,099	43,177	7,387	50,564	16.3	-34.2	9.0
NISSAN	42,585	26,868	69,453	48,738	20,796	69,534	-12.6	29.2	-0.1
N.A. Built	36,460	7,538	43,998	39,877	5,980	45,857	-8.6	26.1	-4.1
Japan Built	6,125	19,330	25,455	8,861	14,816	23,677	-30.9	30.5	7.5
SUZUKI	6,866	3,052	9,918	4,878	4,483	9,361	40.8	-31.9	6.0
N.A. Built	0	744	744	0	1,006	1,006	0.0	-26.0	-26.0
Japan Built	6,866	2,308	9,174	4,878	3,477	8,355	40.8	-33.6	9.8
SUBARU	12,026	4,285	16,311	11,078	4,684	15,762	8.6	-8.5	3.5
N.A. Built	6,493	84	6,577	5,001	304	5,305	29.8	-72.4	24.0
Japan Built	5,533	4,201	9,734	6,077	4,380	10,457	-9.0	-4.1	-6.9
MITSUBISHI	7,414	3,369	10,783	10,798	3,324	14,122	-31.3	1.4	-23.6
N.A. Built	1,924	1,008	2,932	4,297	101	4,398	-55.2	898.0	-33.3
Japan Built	5,490	2,361	7,851	6,501	3,223	9,724	-15.6	-26.7	-19.3
TOTAL	360,644	134,380	495,024	358,557	135,426	493,983	0.6	-0.8	0.2
N.A. Built	239,366	68,307	307,673	229,801	61,866	291,667	4.2	10.4	5.5
Japan Built	121,278	66,073	187,351	128,756	73,560	202,316	-5.8	-10.2	-7.4

* car sales include Mexican built

Source: AIAMC, DesRosiers Automotive Consultants Inc.

Motor Vehicle Production in Canada

	Jan-Dec 2004	Jan-Dec 2003	% Change
HONDA (HCM)	392,528	392,230	0.1
TOYOTA (TMMC)	287,859	227,543	26.5
CAMI	131,190	51,475	154.9
TOTAL	811,577	671,248	20.9

Source: JAMA Canada

Motor Vehicle Exports from Canada

	Jan-Dec 2004	Jan-Dec 2003	% Change
HONDA (HCM)	334,903	318,526	5.1
TOYOTA (TMMC)	219,837	147,805	48.7
CAMI	121,790	44,244	175.3
TOTAL	676,530	510,575	32.5

Source: JAMA Canada

Vehicle Imports (Shipments) to Canada

	Jan-Dec 2004	Jan-Dec 2003	% Change
JAPAN	166,858	192,230	-13.2
U.S./MEXICO	160,353	153,001	4.8
TOTAL	327,211	345,231	-5.2

Source: JAMA, JAMA Canada

• Continued from page 1... Solid Results For 2004

Among individual companies, the unit volume leader among JAMA Canada members was Toyota Canada with a total of 170,216 retail deliveries, up 3.1% over 2003. Mazda Canada recorded the highest year over year growth as sales rose 12.7% to 73,888 units. Suzuki Canada enjoyed a 40.8% increase in passenger car sales and ended up with a 6.0% gain in total light vehicle sales. Demand for all wheel drive vehicles from Subaru Canada drove sales up 3.5% to 16,311 units, their second best year on record after 2002. While Nissan Canada sales were unchanged from 2003, the Nissan division reached a new record of 61,618 units, 1.7% ahead of the previous record last year. Honda and Mitsubishi both finished 2004 in negative territory as Honda sales slid 6.6% to 144,455 units, while Mitsubishi plunged 23.6% over 2003, due in part to their exit from the fleet side of the market. Market share for all Japanese automakers combined rose to 32.3% from 31.0% last year.

In the commercial medium/heavy truck segment (Class 4 through 7), Hino Motors Sales Canada broke their previous record from last year with retail sales of 1,233 units. At the same time, Mitsubishi Fuso Canada sales improved 21.4% for a new record of 153 units. Total medium/heavy duty truck sales in Canada (including Class 8) jumped 27.6% to 43,832 units altogether in 2004.

The traditional Big Three (GM, Ford and the Chrysler Division of DaimlerChrysler) had a combined drop in 2004 sales of 4.6% to 865,556 light vehicles. Ford led the decline falling 11.7%, while GM

• See Solid Results For 2004... continued on page 3

• Continued from page 2... **Solid Results For 2004**

was off 2.5% and DaimlerChrysler slid 1.0% over the previous year. Combine Big Three market share also declined to 56.4% from 57.0% in 2003.

Sales of European brand automakers also declined in 2004, down 8.0% to 88,738 units. Porsche, Saab and Volvo made gains, but Mercedes Benz and Audi were in negative territory, while Volkswagen, Jaguar and Land Rover experienced double digit decreases. Combined market share was cut to 5.8% from 6.1% in 2003.

Korean automakers' sales (Hyundai & Kia) also softened in 2004, dropping 11.3% to 85,075 units. As a result, market share fell to 5.5% from 6.0%.

Production, Exports & Imports in 2004

Total light vehicle production in Canada rose 5.7% in 2004 to 2.66 million units, up 143,000 units over 2003. Although combined output by the Big Three was flat at 1.85 million, DaimlerChrysler light vehicle production jumped 24.1%, while output at Ford dropped 19.3% and GM dipped 1.7%. Canadian light vehicle production in 2004 represented 18.7% of total North American output (Canada/US), up from 17.6% in 2003.

Among Japanese affiliated plants, Honda in Alliston made about 300 more vehicles than last year for a record 392,528 units. Toyota in Cambridge built over 60,000 more vehicles in 2004, most of which were Lexus RX 330 models, to set a new TMMC record of 287,859 units, a gain of 26.5% over 2003. CAMI in Ingersoll more than doubled output from last year, up 157.4% to 131,190 units. In February 2004, CAMI launched the Equinox and is preparing to begin production of the Torrent in mid-2005. Both models are being built for General Motors. Total output for the three companies rose 20.9% to a record 811,577 vehicles in 2004.

Japanese vehicle manufacturing in the US rose 9.7% in 2004 to a total of 3.15 million units. Total Japanese affiliated production in North America (Canada/US) in 2004 was 3.96 million units, of which Canada's share was 20.5%, up from 19.0% in 2003.

Exports of finished vehicles from plants in Canada surged 32.5% in 2004 to a record 676,530 units. Shipments from Honda rose 5.1% to 334,903 units, exports from TMMC grew 48.7% to 219,837 units, while CAMI shipped 121,790 vehicles, primarily to the US, up 175.3% over last year. The record production and export performance is due to new models and stronger demand in the key US market.

At the same time, finished vehicle imports for Japanese automakers in Canada declined 5.2% in 2004 to 327,211 units. While shipments from Japan dropped 13.2% to 166,858 units, exports from plants in the US and Mexico increased 4.8% to 160,353 units. Expanded capacity in North America has increased local sourcing within NAFTA and reduced the level of imports from Japan. As a result, exports from Canadian plants were over 4 times the volume of finished vehicles imported from Japan in 2004.

The Outlook for 2005

It is worthwhile to keep in mind that there are two rather distinct facets of the auto industry in Canada - production which is largely exported, and consumption which is about 75% comprised of imported vehicles. Moreover, due to the integration of the industry

in North America over the past thirty years, Canada produces much more than we consume year in and year out. In 2004, the production to sales ratio was 1.73 in Canada (we made 1.73 vehicles for every 1 sold), compared to 0.78 for North America overall. This structural overcapacity is a key factor in Canada's significant trade surplus in automotive goods over the past two decades.

While auto analysts seem to be split on whether sales will be up or down in the year ahead, JAMA Canada is relatively optimistic about 2005, even though the Canadian economy is expected to lag the US this year. As the Canadian economy begins to pick up steam through 2005, the US is expected to lose momentum built up in the last quarter of 2004. Other factors that could undermine consumer confidence include the threat of higher interest rates, rising levels of personal debt, and continuing upward volatility in the value of Canadian dollar. However, if the US auto market continues as some forecast to bring in sales of 16.5 million units in 2005, this will still be favourable for production in Canada as about 85% of all production is exported to the US.

As a result, the outlook for manufacturing augurs well for Japanese-affiliated plants. Production of the Honda Ridgeline which was launched in January and the 2006 Civic launch later in the year at HCM will maintain capacity output in Alliston. CAMI will also be adding a new vehicle the Pontiac Torrent that will join the Equinox in mid-2005.

With respect to sales in Canada, the good news for consumers is that over the next couple of years there will be record numbers of new models coming on the market across the whole spectrum of vehicle segments. Where, in previous years, there may have been about 35 new models launched during a model year, there were 53 new introductions last year, 60 are expected in 2005 and 73 in 2006. Needless to say, competition is about to get even hotter in the years ahead - a rising challenge for automakers, and a cornucopia for consumers.

Japan Society & Ontario Government plan business and investment missions to Japan in April

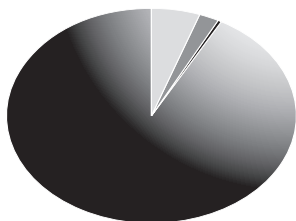
The Japan Society in cooperation with the Canadian Chamber of Commerce in Japan and the Automotive Parts Manufacturers Association of Canada is organizing a business mission to Japan under the banner Canada & Japan: New Horizons "Partners in Excellence". The mission will take place from April 22 - 29, 2005 and will include briefings and seminars in Tokyo, an automotive seminar in Nagoya and VIP access for delegates to the Expo 2005 in Aichi. At the same time, Ontario Minister of Economic Development & Trade, Hon. Joe Cordiano will also be in Japan to promote further automotive related investment in Ontario. Minister Cordiano will participate as the Keynote speaker at a dinner sponsored by Honda Canada in Tokyo on April 24, and at the closing dinner in Nagoya on April 28.

For further information on the Japan Society mission, please contact the Japan Society office in Toronto at (416)366- 4168 or on the web at www.japansocietycanada.com.

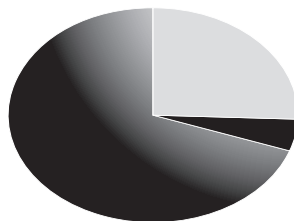
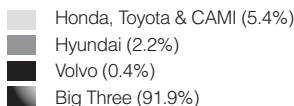
A snapshot of the Japanese auto industry in Canada in 2004

- Combined production at Honda (HCM), Toyota (TMMC) and CAMI (Suzuki / General Motors joint venture plant in Ingersoll) totaled 811,577 units in 2004, up almost 21% over 2003, and representing 30.4% of total Canadian production, up from 5.4% in 1989.

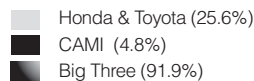
Light Vehicle Production in Canada



Total 1989 – 1.9 million

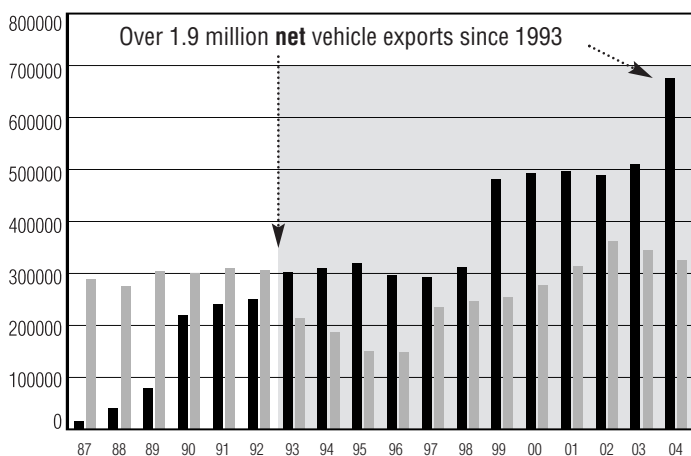


Total 2004 – 2.7 million



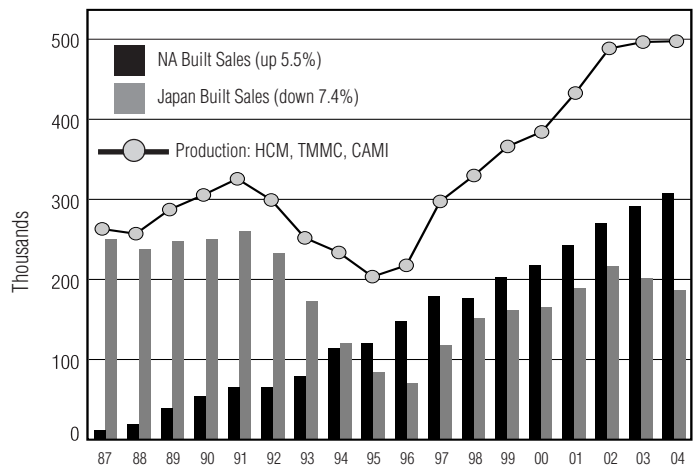
- Both HCM and TMMC set new production records in 2004 - 392,500 and 287,800 respectively.
- Exports from those plants topped 676,500 units, which represents an 83% export ratio.

Vehicle Exports & Imports in Canada



- Canada has been a net exporter of 'Japanese' vehicles since 1993. Over these 12 years about 1.9 million more vehicles have been exported from Canada than imported from Japan, the US and Mexico combined.
- Vehicle sales in 2004 set a new record of 495,000 units - a record 32.3% market share.
- The best selling car in Canada in 2004 was the Honda Civic, followed by the Toyota Corolla - both of which are made in Canada.

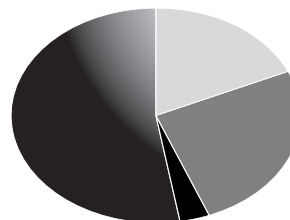
Japanese Brand Vehicle Sales



What's more, six of the top ten best selling passenger cars in 2004 were Japanese brand vehicles.

- Five of every eight vehicles sold in Canada by Japanese automakers were built in North America in 2004.

Employment



Total employment in Canada – 57,000



- Over 25,000 manufacturing jobs have been created in vehicle and auto parts related manufacturing plants, while dealerships across Canada employ another 30,000 and head offices and regional sales and distribution operations account for 1,900 jobs. In total, direct and indirect employment stands at 57,000.
- There are 49 auto parts, materials and machine tool plants currently operating in Canada.

AJAC 2005 Car of the Year Awards

In December, AJAC announced the winners of the 2005 Car of the Year awards in ten sub-categories. JAMA Canada members won five awards.

Family Car	Mazda6 Sport
Station Wagon	Mazda6 Sportwagon
Minivan	Honda Odyssey
Pickup Truck	Toyota Tacoma
Alternative Power Vehicle	Honda Accord Hybrid
Canadian Truck of the Year	Honda Odyssey

The AJAC Awards are determined as a result of a comprehensive battery of 'real-world' tests comparing new or substantially new 2004

• See AJAC 2005 Car of the Year Awards... continued on page 5

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model year vehicles by automotive journalists over a four day period last fall at the Shannonville Motorsport Park in Belleville, Ontario.

Further details about AJAC and the Car of the Year Awards can be found at www.ajac.ca.

EnerGuide Awards for Most Fuel-Efficient Vehicles, 2005

The following vehicles from JAMA Canada members received EnerGuide Awards for the 2005 model year: Fuel Consumption

- **Honda Insight** - 2-seater

City: 3.9 L/100 km (72 mi./gal.)

Hwy: 3.3 L/100 km (86 mi./gal.)

- **Toyota Echo Hatchback** - Subcompact

City: 6.7 L/100 km (42 mi./gal.)

Hwy: 5.2 L/100 km (54 mi./gal.)

- **Honda Civic Hybrid** - Compact (CVT)

City: 4.9 L/100 km (58 mi./gal.)

Hwy: 4.6 L/100 km (61 mi./gal.)

- **Toyota Prius** - Mid-size

City: 4.0 L/100 km (71 mi./gal.)

Hwy: 4.2 L/100 km (67 mi./gal.)

- **Mazda B2300** - Pickup Truck

City: 10.0 L/100 km (28 mi./gal.)

Hwy: 7.5 L/100 km (38 mi./gal.)

- **Toyota Matrix** - Station Wagon

City: 7.9 L/100 km (36 mi./gal.)

Hwy: 5.9 L/100 km (48 mi./gal.)

- **Honda Odyssey EX-L** - Van

City: 12.0 L/100 km (24 mi./gal.)

Hwy: 7.7 L/100 km (37 mi./gal.)

From the 2005 Fuel Consumption Guide, published by Office of Energy Efficiency, Natural Resources Canada. For further information visit the EnerGuide website at www.vehicles.gc.ca.

Honda Canada launches Ridgeline truck production in Ontario

Honda of Canada Manufacturing (HCM) in Alliston, Ontario launched the new Ridgeline pick-up, or sport utility truck to be more precise, at the end of January. HCM is comfortable in the role of pioneer among Honda's global manufacturing operations, as it has been the lead plant globally for large van (Odyssey) and SUV (Acura MDX and Pilot) since Plant 2 opened in 1998. And now HCM is the sole plant producing the first pick-up truck in Honda's history.

While Honda may be a latecomer in the pick-up segment in North America, the Ridgeline is unique in a number of ways. First, instead of body on frame construction, typical of almost every other pick-up,



(l to r) Mike MacEachern, Mayor of New Tecumseth; Masaharu Hinaga, President, HCM; Hisao Yamaguchi, Consul General of Japan (Toronto); Hon. Monte Kwinter, Minister of Community Safety and Correctional Services (Ontario); Hon. Jerry Pickard, Parliamentary Secretary to the Minister of Industry; Japanese Ambassador Sadaaki Numata; Peter Gordon, Senior VP, HCM; Joe Sperduti, GM, Administration, HCM.



Honda's Alliston Plant 2 is the sole source for the Ridgeline.



Honda Canada President, Hiroshi Kobayashi displays the unique in-bed trunk of the Ridgeline pick-up.

the Ridgeline incorporates a unit-body construction together with a ladder frame with two longitudinal rails and seven cross-members, which gives the Ridgeline 20 times stiffer in rear torsion rigidity than any other body on frame compact truck. Second, the unit-body construction offers improved safety as it absorbs more collision forces than body on frame trucks. Third, the Ridgeline is the first truck to offer an in-bed trunk, an 8.5 cubic foot storage space built into the cargo bed floor.

HCM is scheduled to build about 50,000 units in the first year for markets in North America. The Ridgeline will be built alongside the Acura MDX and Honda Pilot in Plant 2. In an effort to localize as much as possible, there are 58 Canadian suppliers to the Ridgeline program.



Contributing to the U.S. Economy

As auto manufacturers, whether JAMA members, the U.S. Big Three, European or Korean manufacturers, we all take pride in the positive contributions we make to the U.S. economy and the communities in which we operate.

JAMA's newly appointed Vice Chairman and President Yoshiyasu Nao believes that one of JAMA's top priorities will be promoting those contributions, which JAMA member companies bring to the many economies around the world. Nowhere is this more important than in America where Japanese companies now produce 64 per cent of the vehicles they sell here.

In support of this priority JAMA has recently published a brochure that details the concrete gains arising from Japanese investment in the U.S. over the past 20 years. The numbers tell a story of extraordinary change and impact:

- In 1980 Japanese manufacturers exported from Japan all the vehicles they sold in the U.S. By contrast, in 2003 JAMA members produced 2.8 million Japanese brand vehicles in the U.S. In 2004, US production grew to more than 3 million units.
- The market share of Japanese brand vehicles built in North America has increased from 15.3 percent in 1999 to 18.5 percent in 2003. The 2004 sales data just released brings this up to 20.6 percent.
- Approximately 59,000 Americans design and produce these vehicles. Another 351,000 distribute and sell them.
- The total dollars invested in America to bring this about has topped \$26 billion in 20 manufacturing facilities. Other facilities are in the planning or construction stage.
- Some of these plants are joint ventures and produce vehicles for the U.S. Big Three as well. For example, Mazda's joint venture with Ford in Flat Rock, Michigan, is now producing Ford's new Mustang. Toyota's joint venture with GM in Fremont, California, produces the Pontiac Vibe and Mitsubishi's plant in Normal, Illinois, produces the Chrysler Sebring.

The Future

However, even more important in this story is the promise for the future. Investment dollars and jobs are the two most visible ways that Japanese automakers have become part of the fabric of the U.S. economy and for that matter other economies as well. Yet economic contributions go beyond the numbers to the introduction of a new economic dynamic. Cutting edge production technology, research and development, product innovation, improved vehicle safety, environmental solutions, and new designs all bring about a powerful energy that promises an even stronger economy for tomorrow. This energy tells us that we can look forward to increasing productivity, growing employment, and improving product quality at affordable prices. In short this investment promises a more creative society and a higher standard of living, which ultimately is the true value of the competition which made it all happen in the first place.

Prime Minister Martin's Visit to Japan: launching a new economic partnership

On January 19, Prime Minister Koizumi and Prime Minister Martin agreed to undertake discussions for the development of a flexible, innovative Canada-Japan Economic Framework as a concrete measure to propel our bilateral economic and trade relations toward their full potential.

The framework will be structured to focus on forward-looking strategic priorities, including policy dialogue, facilitation and promotion of trade and investment, regulatory cooperation and the promotion of cooperation in a number of priority areas including social security, anticompetitive activities, food safety, customs, trade facilitation, transportation, investment, science & technology, information and communication technology, e-commerce, e-government, energy and natural resources, climate change, tax convention and tourism promotion. Building on the close cooperation already established between the two countries, Canada and Japan have agreed to the following:

1. Address new and emerging economic challenges and opportunities, as well as respond in an effective and timely manner to the concerns of the Canadian and Japanese private sectors;
2. Promote economic cooperation through policy as well as business development initiatives, with a focus on enhancing both countries' capacities in innovation and in the knowledge-based economy;
3. Launch a joint study on the benefits and costs of further promotion of trade and investment and other cooperative issues.

The Canadian and Japanese Governments will develop this innovative economic framework within a period of six months. They will report to Prime Ministers on the result of the discussion for the development of the framework at the end of this timeframe.

The full text of the Canada-Japan Economic Framework is available at www.international.gc.ca/ni-ka/2005_Launch_Econ_Framework-en.asp

Motor Vehicle Industry in Japan		
Passenger Cars, Trucks, Buses		TOTAL
PRODUCTION ¹	Jan-Dec 2004	10,511,518
	Jan-Dec 2003	10,286,018
	% change	2.2
EXPORTS ²	Jan-Dec 2004	4,957,663
	Jan-Dec 2003	4,756,343
	% change	4.2
SALES/ REGISTRATIONS ³	Jan-Dec 2004	5,853,379
	Jan-Dec 2003	5,828,178
	% change	0.4
IMPORT VEHICLE SALES ^{4*}	Jan-Dec 2004	272,880
	Jan-Dec 2003	278,804
	% change	-2.1

* (including models built by Japanese automakers overseas) source: 1,2-JAMA; 3-JADA, JMVA; 4-JAIA