

Toyota Dealer Representation

1. Dealership Requirements:

- 1.1 When deciding to appoint a Toyota, Hino or Lexus Authorised Dealer or Satellite, Toyota South Africa Motors (Pty) Ltd (TSAM) will consider the viability and likely return on investment of a dealership as investors in the dealership are required to provide capital to establish the dealership. The Dealership must be for a new or open area.
- 1.2 TSAM will also consider the following factors when deciding on the viability of a dealership:
 - 1.2.1 an area with enough potential vehicle buyers in the immediate vicinity (the **"market potential"**).
 - 1.2.2 the existence or not of another Toyota (Hino or Lexus) Authorised Dealer in the area, and whether the existing Toyota Authorised Dealer is unable (through performance or capacity constraints) to serve the market potential.
 - 1.2.3 a suitable location in the area that allows access for vehicle buyers or owners.
 - 1.2.4 the availability of proper facilities and the capacity to achieve the market potential.
 - 1.2.5 the required stock levels for new vehicles, used vehicles, demonstration models, parts, accessories, and the service capacity required to achieve the market potential.
 - 1.2.6 the necessary staff levels needed in the dealership to further accomplish the market potential. Toyota reserves the right to approve the appointment of all senior management, including the Dealer Principal, involved in the management of the dealership.
 - 1.2.7 all other cost considerations relating to the establishment of a new dealership;
 - 1.2.8 whether the applicant can display access to sufficient capital or funding to serve the above factors.
 - 1.2.9 whether the applicant has adequate floorplan finance for new vehicle stock levels to achieve the expected cash flow cycle.
 - 1.2.10 whether the applicant can display that he or she is a capable business operator, and is in good standing with other market participants, public authorities and financial institutions.
 - 1.2.11 whether the applicant is free from any conflict of interest; and
 - 1.2.12 whether the applicant can demonstrate that in the foreseeable future, after a reasonable payback period, he or she will be profitable.

- 1.3 Toyota categorises its dealers based on turnover breakpoints of established dealers, namely mega, large, medium and small. These categories serve as benchmarks for new dealerships based on the market potential study.
- 1.4 There are four blueprints for physical dealer facilities, each according to the aforementioned dealership categories, namely mega, large, medium and small. Deviations from the blueprints are permitted in certain circumstances.
- 1.5 Although financial gearing is permitted, minimum levels of equity are required.

2. Transformation and inclusivity

- 2.1 TSAM is fully committed to transforming our dealer network.
- 2.2 Following on the support provided to Automotive Industry Transformation Fund (AITF), and TSAM's Level 5 B-BBEE Scorecard (2021), all South African Toyota dealers are expected to submit compliant scorecards according to the date of their next Financial Year.
- 2.3 All new points are subject to a minimum of 51% Black Ownership.
- 2.4 Opportunity for improvement of black interest is pursued where-ever it may present itself, such as Share-holding change or complete change of ownership of existing dealers.
- 2.5 Under the AITF arrangement TSAM, together with the parties involved, pursues funding for qualifying approved projects.
- 2.6 Where suitable markets for full dealerships do not exist, but sufficient aftersales potential exist, TSAM employs a Satellite (2S) strategy. Dealers appointed accordingly, have lower hurdles to overcome, are limited to the supply and selling of service, parts and if suitable, used vehicles under the Automark brand. Any Satellite appointed is called a Satellite as it is a Satellite of an existing nearby dealer. Such existing dealer will hold up to 49% of the equity (and contribute proportionately thereto) of the Satellite and be responsible for the mentorship thereof.

3. How do interested parties become aware of Toyota dealership opportunities?

- 3.1 Dealer representation of Toyota vehicles is at a very mature stage. The Toyota Products and Services are already sold across most of Southern Africa and there is limited market potential for new Toyota Authorised Dealerships. TSAM, therefore, does not advertise or otherwise pursue new enquiries for Toyota Authorised Dealerships.
- 3.2 On the rare occurrence of a new market potential arising, TSAM responds to those entrepreneurs who have identified the market potential and have indicated their

interest though the link in the Toyota web site. Should such opportunities be found, a tender approach is utilised to identify suitable applicants

- 3.3 Where an existing Toyota Authorised Dealership changes ownership, the current owner of the dealership will market it and see to the sale. These sales are subject to the approval of Toyota.
- 3.4 Occasionally TSAM may make use of Market Research to identify new market opportunities. Should such opportunities be found, a tender approach is utilised to identify suitable applicants.
- 3.5 In all cases, TSAM will inform an applicant of the requirements to become a Toyota Authorised Dealer and will be guided by the TSAM Senior Regional Manager who is responsible for the area/country.

4. **Enquiries, Applications and turnaround times**

- 4.1 Enquiries should be submitted via the applicable link in the Toyota website, which will be forwarded to the relevant Toyota Regional Office. The Regional Office will investigate viability, (as per 3.2 above) and will respond with their finding and, if applicable, the procedure to follow in order to apply for the new point as well as Toyota's minimum requirements therefor.
- 4.2 A variety of documents and supporting papers apply.
- 4.3 The turnaround for the approval or rejection of applications for Toyota Authorised Dealerships is approximately three months. However, this can take longer if the applicant does not supply the required information timeously or indeed supplies incorrect information.