Toyota Becomes First Japanese Company to Report Net Profit of More Than ¥1 Trillion

TOYOTA Motor Corp. marked a record-high ¥1.162 trillion in consolidated net profit in the fiscal year to March, an increase of 54.8% from the year before, making it the first Japanese company to attain a net profit eclipsing ¥1 trillion. On a global basis, Toyota's net profit follows those of Exxon Mobil Corp. and General Electric Co., both of the United States, and Britain's BP p.l.c. and is much higher than those of U.S. automakers such as General Motors Corp. and Ford Motor Co.

Toyota's vehicle sales worldwide grew 9.9% to a record-high 6.71 million units, with sales in North America, the largest overseas market for Toyota, gaining 6.1% to 2.1 million units and sales in Europe continuing to perform well due largely to the popularity of the new Avensis model. Steady rises were also seen in Japan, other Asian countries and the Middle East. Overall sales hit a record-high of ¥17,294.7 billion, a strong 11.6% gain.

In the North American market, Toyota has successfully raised the satisfaction of American customers and enhanced brand awareness among consumers on the strength of the close ties between its manufacturing plants and dealerships. Toyota became the second largest auto maker in global sales volume after General Motors last year, topping Ford Motor. In China, which is expected to become the main battlefield for global carmakers in the years ahead, Toyota formed tie-ups with Tianjin FAW Xiali Corp. and Guangzhou Auto Group Corp. in an unusually active move that surprised its peers because the automaker is widely known for its conservative corporate strategy.

Toyota has now become a "shelter" for the Japanese economy, which is moving on a recovery track due in part to ongoing industrial restructuring. "We may ask for your help in terms of employment in the future," an executive of the Mitsubishi group reportedly told a Toyota executive in late April when DaimlerChrysler decided to stop financial support for struggling Mitsubishi Motors Corp. Japan Post in April began adopting a highly efficient method for operating its 1,000 post offices nationwide modeled after Toyota's production know-how ahead of the planned privatization of the nation's postal services in 2007. Toyota employees are using stopwatches to measure the sorting speed of postal articles at post offices in an attempt to increase efficiency.

Photo: Kyodo News

Cho Fujio (center), president of Toyota, at a press conference

Toyota, Japan's strongest business corporation, is not entirely free from clouds on the horizon, however. One of the problems is finding a successor to President Cho Fujio. About nine years have passed since Okuda Hiroshi, currently chairman, became the first president of Toyota from outside the Toyoda family in 28 years. Toyota officials say Okuda and Cho combined to boost Toyota's presence in the global marketplace. But Okuda is now 71 years old and Cho is 67. Industry analysts believe the duo will return the helm of the auto giant to the Toyoda family, namely 48-year-old Senior Managing Director Toyoda Akio. But his managerial prowess is unknown. "The cohesive power of the Toyoda family is unusually strong. We are not worried about the succession issue at all," a Toyota executive said. An analyst at a securities firm said, however, "The name of the Toyoda family alone will not be enough to lead the giant group at a time when the auto industry is locked in fierce competition in the global market."

COMING UP

The key to breaking into the Japanese market successfully is having an accurate understanding of the defining characteristics of the Japanese consumer. The next issue of *Japan Spotlight* will report on the latest Japanese consumer trends, with insight and analysis from the point of view of an economist and foreign companies already operating in Japan. It will also cover the current boom in digital home appliances.