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Toyota Stays Committed to Output in Japan

By CHESTER DAWSON

TOYOTA CITY, Japan—Toyota Motor Corp. 7203.TO +1.16% President Akio Toyoda repeated his pledge to maintain domestic vehicle production at three million vehicles a year, despite the negative impact of the strong yen on exports.

Speaking at the company's annual meeting at its headquarters on Friday, Mr. Toyoda and other senior executives defended keeping about 40% of total production in Japan and called on authorities in Tokyo to combat the yen's rise against the dollar. "The Japanese auto industry won't give up on Japan-based manufacturing and will appeal to the government for help in defending this last bastion" of the country's industrial base, Mr. Toyoda said.

Japan's largest auto maker is more exposed to yen-related currency risk than its chief domestic rivals, with 41% of its global volume last year manufactured domestically.Honda Motor Co. 7267.TO +1.06% makes 28% of its vehicles in Japan, and Nissan Motor Co., 7201.TO +0.27% 25%.

Toyota plans to make 8.65 million vehicles this year, 3.4 million of which will be built in Japan.

A strong yen hurts Japanese exporters by eroding price competitiveness and reducing earnings from overseas sales.

How the maker of the Yaris subcompact, the entry-level luxury Lexus ES sedan and other models deals with that challenge is being watched closely by institutional investors. "I think they have a plan and we just have to monitor their execution of it to see how things go," said Sandy Lim, an analyst for Aberdeen Investment Management, who attended the shareholder meeting here.

Toyota's commitment to production in Japan arose in pointed questions from several shareholders, including the first of the meeting, which lasted an hour and 46 minutes. "Some of those three million cars can be exported, but do have you any plans to cut that in line with Honda and Nissan?" an investor asked.

Mr. Toyoda cited the competitive advantage from domestic factories and a strong network of parts suppliers. He said Japan's export-oriented industrial base is vital for safeguarding the country's foreign-currency reserves and middle class, saying that manufacturing wages are higher than service-sector wages.

His top lieutenants in charge of finance and manufacturing said they would seek to protect profit margins by cutting costs. "We are endeavoring to do what it takes to remain profitable, even if the dollar is below ¥80," said Chief Financial Officer Satoshi Ozawa.

Toyota's full-year earnings forecast is based on a projected rate of ¥80 to the dollar. In Friday trading, the dollar was hovering around ¥79.

Mr. Ozawa said Toyota is facing a stiff challenge from rivals based in South Korea and Germany because of the weakness of the won and euro against the dollar. Toyota's market share in the U.S. and other global markets has been under pressure in important product segments from such companies as South Korea's Hyundai Motor Co. 005380.SE 0.00% and Germany's Volkswagen VOW.XE +0.25% AG.

He said Toyota wants the Bank of Japan and other government authorities to do more to arrest the yen's rise against other currencies, especially if interest-rate differentials widen between the U.S. and Japan.

Toyota forecast last month that net would more than double to ¥760 billion ($9.66 billion) in the fiscal year through March 2013 and that sales would rebound.

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