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FEBRUARY 4, 2010, 2:27 P.M. ET

Toyota's Influence Looms Over Japan

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By MARIKO SANCHANTA And MIHO INADA



Reuters

Toyotas make up a large portion of Japan's taxi fleets, such as these cabs in Tokyo. The car maker's tentacles reach into many industries and government agencies, where ex-Toyota officials work.

TOKYO—The emperor of Japan, its prime minister and nearly half of the population of the world's second-biggest economy have one thing in common: They all ride in Toyotas.

The world's biggest auto maker's tentacles and its sprawling subsidiaries stretch from cars to real estate to the upper echelons of government. It is the nation's biggest company by market capitalization and its second-biggest corporate employer. Its advertisements grace nearly every magazine and newspaper. So great is its reach that Japan sometimes is called Toyotaland.

Read More on Toyota's Recall

[Toyota Investigates Brakes on All Hybrids](#)

[Toyota Sees Profit, Pegs Recall Cost at \\$2 Billion](#)

[MarketWatch: The Japanese Art of Public Apology](#)

Vote: Would you buy a Toyota today?

Video: Toyota Can't Catch Break

Alumni from [Toyota Motor Corp.](#)'s executive ranks are scattered like seeds: in the government, in Japan's leading business lobby group, on company boards such as [Sony Corp.](#)'s. Last year, 48% of all new standard passenger vehicles sold in Japan were either a Toyota or its luxury Lexus brand, according to the Japan Automobile Dealers Association.

In short, Toyota is to Japan what General Motors Corp., in its heyday, was to America. And for a beleaguered country that has suffered a series of institutional blows in recent months—



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the collapse of the long-ruling political party, the bankruptcy of its champion national airline, a renewed bout of deflation—the global humiliation of Toyota may be the most psychologically damaging blow of all.

The once-impregnable car maker is facing questions over its reputation, quality control and trustworthiness in a market where it has long been a pillar, if not the pillar, of Japan Inc. Even worse, those questions are focused squarely on Japan's best-selling car, the Prius hybrid, over a possible defect in its braking system.

"I trusted Toyota," said Ryota Motoike, 25, an employee of a railway company, who bought a Toyota Wish. "The fact that the problem occurs in the popular Prius, which I was thinking of buying at one point, bothers me," he added. "I cannot trust Toyota for now at least. I don't want to get hurt in an accident."

Until the Prius brake issue came to light Wednesday in Japan, consumers here were relatively sheltered from the daily deluge of recall news emanating from the U.S. Japanese newspapers wrote curiously little about the issue.

"Toyota is a major advertiser in Japan and the media and so there is a tendency to not say anything too severe about such a big advertiser. That's the difference between how this is playing in the U.S. and Japan," said Shoichi Yoshikawa, a managing director at public relations agency Hill & Knowlton Inc. in Tokyo.

Aftershocks from the crisis in Japan will be felt far and wide, but nowhere more acutely than in Aichi prefecture, where the company is based. Normally, about 20% of the prefecture's corporate tax revenue comes from Toyota and its group companies. Last year, when the car maker reported its first loss in over 50 years, its ratio of corporate tax revenue plummeted to 3%, according to Kazuhiko Nomura, an official of the Aichi prefecture who watches tax revenues.

The prefecture's tax revenue is forecast to fall to 968 billion yen (\$10.64 billion) for the fiscal year ending March 31, from 1.3 trillion yen for the previous year, its largest year-over-year drop ever. That is forcing some 70,000 public workers of the prefecture, including teachers and police, to endure a 4% salary cut.

"Toyota has a huge impact on companies around it. Whether it's good or bad, its impact would ripple through its group companies and subcontractors, and sub-subcontractors. Thus, it's hard to gauge how much effect this problem will have," said Mr. Nomura.

Across corporate Japan and in Kasumigaseki, Tokyo's hub of government, Toyota's former and present executives wield considerable influence. Fujio Cho, the chairman of the board of Toyota, also is a director at Sony and a vice chairman of Japan's Keidanren, the country's most influential business lobby. Japan's economics, trade and industry minister, Masayuki Naoshima, is a former Toyota employee and was vice chairman of the Confederation of Japan Automobile Workers' Unions.

Japan's emperor and empress glide around in a Toyota Century Royal, the official state car that is custom-made for \$500,000. The official car of Prime Minister Yukio Hatoyama is a Lexus hybrid LS600HL. In the summer of 2008, the government decided that all high-ranking ministers and public servants must switch to eco-friendly cars such as hybrid or fuel-cell cars by the end of March 2013.

Akira Kaneko, an official in charge of procurement and maintenance of the prime minister's car, said, "As a user, all we care is whether the car is among the defected models. Fortunately, it's not the new Prius. While this is a Lexus, this is not the Lexus sold in the U.S. We're not making a fuss over this issue at all."

—Daisuke Wakabayashi contributed to this article.

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