

Japan car group: China protests to hurt auto sales

By Yoshio Takahashi

–Japanese car makers will see an impact on China sales in September, auto association head predicts

–He says China remains important for Japanese car makers in the long-term

–He also says the Bank of Japan's latest monetary easing isn't enough

(Recasts story. Adds comments by the association's chairman on China and background throughout)

TOKYO—The head of Japan's auto manufacturers group said Thursday that even though it's still unclear as to what extent the damage from the flare-up in anti-Japanese sentiment in China will be, he expects to see an impact on sales in September.

But Akio Toyoda, chairman of the Japan Automobile Manufacturers Association, said China remains an all-important market for many Japanese auto makers and hopes that the problem stemming from the territorial row between the two countries will be solved as soon as possible.

“The situation is still fluid,” said Mr. Toyoda, who is also president of Toyota Motor Corp. , at a press conference.

“I hope for an early solution so that Japanese brands can come back on (customer) shopping lists.”

The dispute between China and Japan over a small group of islands forced Japanese companies in broader sectors to shut their stores, factories and offices earlier this week, as protests in some cities turned violent with Japanese cars smashed and Japanese-owned shops and factories vandalized.

Major car makers like Toyota, Honda Motor Co. (7267.TO) and Nissan Motor Co. (7201.TO) temporarily suspended production in the country, though they have mostly resumed operations.

The anti-Japanese protests could dent the momentum that Japan's auto industry is regaining as they emerged from last year's natural disasters – the March 11 earthquake and tsunami and the massive floods in Thailand.

Toyota and other Japanese car makers are betting on China as a key growth driver stepping up investment in the world's biggest auto market.

Among Japan's top three car makers, Nissan garners a fourth of its net profit in China while Toyota and Honda chalk up 21% and 16% respectively in the booming market, according to estimates by Merrill Lynch.

In August, Toyota and its Chinese partners sold about 75,300 cars, down 15% from a year earlier, while Honda's August sales in China rose 15% and Nissan's sales were up 0.6%.

But Chinese sales at many Japanese car makers are likely to come under pressure in September, Mr. Toyoda said.

A drop in sales is likely to inflict pain as China is even more important since the additional monetary easing the Bank of Japan's policy board decided upon Wednesday did little to turn around the strength of the yen.

A strong yen reduces the cost competitiveness of vehicles built in Japan overseas and deflates income earned overseas when repatriated.

Mr. Toyoda said he "appreciates" the decision but added that it wasn't enough as "the yen remains at levels that offset companies' cost-cutting efforts."

The dollar was trading around Y78.24 at 0750 GMT, worse than Y78.60 before the meeting concluded.