Toyota Unfazed By 4 Million Vehicle Recall

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TOKYO (AP) — The big danger for Toyota isn't the cost of the massive U.S. recall to replace gas pedals, but instead shrinking income from the surging yen, a top executive said Friday.

Toyota Motor Corp. Executive Vice President Yukitoshi Funo acknowledged the cost was considerable for replacing gas pedals on about 4 million vehicles to prevent a problem of floor mats getting stuck and possibly causing sudden acceleration.

The recall, announced last week, was Toyota's largest in the U.S.

But Funo shrugged that off, noting that the expense was dwarfed by other costs such as incentives and advertising.

"The effect on our business is not so big," he said at Toyota's Tokyo office, while declining to give a specific number. "It's not the factor that determines whether we stay in the black or not."

Funo, in contrast, was visibly alarmed by the recent surge of the yen. The dollar fell to a 14-year low of 84.81 last week, although it has recovered moderately to about 88 yen.

He said Toyota faced tough times when the dollar was trading at about 90 yen, but things were far worse at near 85 yen.

A strong yen erodes overseas income for Japanese exporters like Toyota, the world's No. 1 automaker. For every yen the dollar falls, Toyota loses 30 billion yen ($340 million) in operating profit, according to Funo.

"I think it is extremely difficult," he told a small group of reporters.

Toyota has built a reputation for quality based on its special production methods that empower rank-and-file workers.

But the massive U.S. recall, which follows a series of quality problems that surfaced earlier in Japan, underlines the serious challenges the world's biggest automaker faces as it expands globally.

Funo acknowledged there was little Toyota could do but cut costs and try to build cars where they are sold to fight the damage of a soaring yen.

Toyota — the manufacturer of the Camry sedan, Prius hybrid and Lexus luxury cars — has been looking to rapidly growing markets like China to offset sluggish sales in the U.S.

Overall U.S. sales have gradually recovered from the financial crisis last year, but fears linger about another decline amid high unemployment.

In China, Toyota's sales, now at about 700,000 vehicles a year, have been growing. Toyota still trails Volkswagen AG of Germany and U.S. automaker General Motors Corp. in Chinese market share.

Funo said Toyota was comfortable with its No. 3 position.

"I don't think we should go after quick numbers," he said, adding Toyota needs to do more charity and other work to contribute to Chinese society to win acceptance there.

It has taken Toyota 50 years to win acceptance in the U.S., where it is now No. 2 after GM, said Funo, who has worked in the U.S.

"It took 50 years of history for us to blend into the community," he said.

China's auto market has exceeded the U.S. as the world's largest in sales so far this year.

Toyota is expecting a 200 billion yen ($2.27 billion) loss for the fiscal year through March 2010, its second straight year of red ink. Toyota has repeatedly said it wants to avoid a third year of losses.

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