

## Toyota: A Pillar of Japanese Corporate Identity

It is difficult to overstate the significance of Toyota Motor in Japanese corporate culture. It is not simply because of its size or global importance as the world's largest automaker, but because it has long embodied the ideals and core values of Japan Inc.

Toyota's success story was seen by the nation as mirroring Japan's rise from post-war devastation and evolution into a global powerhouse. Unlike many Japanese symbols of post-war recovery, Toyota has endured. Toyota became a symbol of national pride and ingenuity, proving that Japanese corporate values and culture could succeed internationally. For decades, Toyota has epitomised "Japaneseness"; group companies, cross-shareholdings, lifetime employment, consensus decision-making and keeping closed ranks. Corporate governance naysayers have argued that it's been these very qualities that have kept companies like Toyota strong, leading the company to be seen by some as an "emblem of resistance to corporate governance reform<sup>1</sup>".

### Akio Toyoda's Proposal for Privatisation

The proposal by the grandson of Toyota's founder himself to initiate a buyout of Toyota Industries carries substantial significance, with the potential to generate far-reaching repercussions across the market. Akio Toyoda, Chairman of Toyota Motor, has stunned corporate Japan and investors by seeking to set up a special purpose vehicle (SPV) and marry his personal wealth with megabank loans to facilitate one of the largest global privatisation deals in history, valued at \$42bn. The fact that Toyota Industries is the "original" Toyota, preceding even Toyota Motor, lends the move even more symbolic weight. From our position as constructive activists long-invested in Toyota group companies, there are several key points to highlight.

### Foreign Pressure and Internal Scrutiny

Pressure on Toyota has been mounting for some time, from different sources and through various channels. Foreign shareholders have been an increasing presence on their register, a fact not lost on Akio Toyoda himself. As Chairman of Toyota Motor, he has felt the increasing heat from corporate governance reform, with his approval rating at Toyota's last AGM in 2024 falling to 72% from 96% in 2022. External forces have also played a role, as even Toyota has not escaped the eye of the Tokyo Stock Exchange and METI. Cross-shareholdings have been a point of contention for Group parent companies like Toyota, as have parent-child listed subsidiaries and persistently low valuations. METI's ongoing efforts to promote greater transparency and sophistication in takeover proposals also deserve commendation.

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<sup>1</sup> Financial Times, Jan 8 2020

Then of course, there are the activists. AVI holds Toyota Industries in both our Japan and Global strategies and has been applying pressure on the company for years to consolidate or privatise. Since 2015, the team has been encouraging management to unwind their cross-shareholdings and investment securities, which made up almost half of Toyota Industries' balance sheet assets. At the same time, AVI was also invested in Aichi Corp (since 2019), which was majority owned by Toyota Industries. Working with both companies, the team sought to catalyse change in their ownership structures as part of a broader set of recommendations. Our efforts with Aichi moved into the public sphere last year, when we launched a campaign entitled [Taking Aichi Higher](#). In March of this year, Toyota Industries and Aichi announced a sale and buyback that would bring Toyota Industries' controlling stake of 52% in Aichi down to 20%.<sup>2</sup>

At Toyota Motor itself, there have been signs that change is slowly creeping in. Toyota group companies have suffered increased scrutiny following emissions scandals and recalls over the past year, putting further pressure on the board. In February 2025, Toyota announced its intention to transition from a company with an Audit and Supervisory Board to a Committee structure, subject to shareholder approval in June. Post-transition, independent directors will constitute half of the 10-member board, and three out of four Audit and Supervisory Committee members will be independent. Given reports in December last year that the company aims to double its ROE to 20%, perhaps we should expect to see more activity from Japan's ultimate blue-chip.

### **The Broader Impact of Toyoda's Actions**

What Toyoda has accomplished is something ONLY Toyota, in their position as the pinnacle of Japanese corporate culture, could achieve. They have implicitly acknowledged, ratified and supported the mantra of both activists and Abenomics advocates. At the same time, they have dissolved a symbolic bastion of resistance to the wave of corporate governance reform, opening the floodgates for that wave to spread its influence throughout the market. If EVEN Toyota supports these changes, there must be something to them. Perhaps Toyota's efforts will be viewed as an example of one of their most lauded Japanese core values, that of *kaizen*, the pursuit of excellence through the art of continuous improvement.

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<sup>2</sup> Toyota Industries, Mar 19 2025