

PERFORMANCE ASSESSMENT OF AUTOMOBILE INDUSTRY IN JAPAN USING RATIO ANALYSIS

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ABSTRACT

This study is on performance assessment of firms in the automobile industry using ratios as the tool of analysis. Three companies in the automobile industry of Japan are selected for the study for six years from 2010 to 2015. The companies are Honda Motor Corporation, Mazda Motor Corporation, and Toyota Motor Corporation. Data collection is from published annual reports from the companies' websites. The study shows that TMC is the most efficient in assets utilization due to the high inventory velocities recorded by the company. Mazda is the most liquid, closely followed by HMC and TMC. Further, it is concluded by the study that TMC is the riskiest because of the high proportion of debt to finance capital and assets. It is concluded that to employ high debt in the automobile industry helps to boost production of modern automobiles that will increase both production and sales volume. Profitability status of HMC is noted to be the highest in terms of GPR but became very low in terms of NPR because of the presence of high cost especially interest. The GPR of Mazda appears as the second, but its NPR becomes the highest because of interest cost that is very low since it uses little of debts. TMC records the lowest on both GPR and NPR. Present profitability status of Mazda may not be sustained because of inadequate investment in innovation and Research and Development (R/D). TMC and HMC are better options for investment at the moment.

KEYWORDS: Performance Assessment, Ratio Analysis, Published Annual Reports, Liquidity Status, Leverage Ratio, Efficiency Ratio, and Profitability Ratio