Toyota posts record Q1 net profit, maintains full-year forecast

August 3 2018

Toyota maintained its forecast that for the fiscal year to March 2019, net profit would fall 15 percent

Japanese car giant Toyota on Friday posted a record first-quarter net profit but warned that threatened US sanctions on the auto sector could have a "very big" impact on earnings.

The firm added that ongoing trade frictions between the US and China, as well as Washington's tariffs on metal imports, would also eat into its bottom line.

US President Donald Trump has unsettled rivals and allies alike with harsh trade rhetoric and a raft of tariffs that have affected sectors ranging from agriculture to auto.

Toyota said strong sales in the US and Asia, helped boost profits 7.2 percent to 657.3 billion yen ($5.9 billion) in April-June, its highest-ever first-quarter result.

Operating profit jumped 18.9 percent to 682.7 billion yen, with sales up 4.5 percent at 7.4 trillion yen.

But it maintained a forecast for net profit to fall 15 percent for the fiscal year to March 2019, with lingering concerns about threatened auto tariffs and raw material costs rising amid trade tensions.

"On trade issues, we are expecting profits will decline by 10 billion yen because of (higher costs of) steel and aluminium in North America," Toyota senior managing director Masayoshi Shirayanagi, told reporters.

"We have not yet factored in the impact of auto tariffs. If they are imposed, we think the impact will be very big," he added.

Satoru Takada, an analyst at TIW, a Tokyo-based research and consulting firm, told AFP: "Compared to its domestic rivals, Toyota has been relatively competitive.

"The firm performed strongly in North America and its sales in China are steady."

But Trump's threat to impose stiff tariffs on vehicles imported into the world's number two car market remains a concern for Japanese automakers.

"US tariffs will be a major risk for the Japanese auto industry. If tariffs are imposed, it will deal a big blow to Japanese carmakers," said Takada.

Kentaro Arita, senior economist at Mizuho Research Institute, estimated the US tariffs could cost Japan's auto industry as much as $10 billion.

"In particular, auto parts makers will suffer the impact drastically," Arita told AFP.

Toyota's global sales grew as the auto giant scored growth in the key North American, European and Asian markets.

Increased sales volume and marketing efforts helped boost the bottom line by 45 billion yen while cost cutting contributed 15 billion yen, the company said.

Foreign exchange rates—a major factor for the industry—had little effect on its earnings for the quarter, it added.

Last week rival Nissan said its net profit for the three months to June plunged more than 14 percent, under pressure from rising material costs and a higher yen.

It said sales were up in China in the three months to June, but fell in North America and Europe.

For the year to March 2018, Toyota reported a record net profit thanks to a weaker yen and US tax cuts.

"The business environment for the industry remains severe," Takada said.

"Japanese carmakers need to step up their investment in new technologies, such as self-driving systems, in order to compete with their global rivals, while growing costs of raw materials are pressuring their earnings," he added.

Shares in Toyota fell 0.85 percent to close at 7,220 yen after its earnings announcement.

"Earnings figures are not bad at all but uncertainty over its future lingers due to the trade frictions," Makoto Sengoku, market analyst at Tokai Tokyo Research Institute, said.

Citation: Toyota posts record Q1 net profit, maintains full-year forecast (2018, August 3) retrieved 18 April 2024 from https://phys.org/news/2018-08-toyota-q1-net-profit-full-year.html