

Toyota Nets \$1.2 Billion Profit In First Quarter

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TOKYO (AP) — Toyota cruised back to profit in the latest quarter as the world's top carmaker cut costs and hitched a ride on the global auto sales recovery while fighting to salvage its reputation for quality.

But the automaker's top executive and analysts alike said Toyota is still far from a full recovery while another potential blow to its image looms after U.S. federal authorities launched a fresh investigation into a steering recall.

Toyota Motor Corp. said Tuesday that January-March profit totaled 112 billion yen (\$1.2 billion) compared with a 766 billion yen loss the year before.

Quarterly revenue jumped to 5.28 trillion yen (\$57 billion) from 3.54 trillion yen a year earlier, when purchases of cars and other vehicles were slumping amid the global financial crisis.

Toyota, which makes the Prius hybrid and Camry sedan, is forecasting even better results for the fiscal year through March 2011, projecting annual profit to rise 48 percent to 310 billion yen (\$3.3 billion).

Whether the world's biggest automaker can continue its recovery rests in part on salvaging its reputation after recalling more than 8 million cars worldwide for faulty gas pedals, a braking software glitch, faulty floor mats and other defects.

On Monday, the U.S. National Highway Traffic Safety Administration said it is carrying out a new investigation into Toyota to see whether it had stalled on a recall for a steering defect in 2005 in the U.S. It had carried out recalls for similar problems in Japan in 2004.

Toyota has already paid a maximum fine of \$16.4 million for dallying on a recall for acceleration problems, and NHTSA could slap it with a fine of up to that amount again over the steering issue.

U.S. Transportation Secretary Ray LaHood, who is in Japan to visit Toyota and inspect high-speed trains, said Monday that additional fines may be levied against Toyota.

"There's still a long way to go before a full recovery," said author Masaaki Sato, who has written books on the history of Toyota. "It barely managed to return to the black."

Sato said the latest results show a Toyota that's weakened compared with its heyday just a few years ago when its profits were booming, its models were topping consumer surveys and annual global sales were approaching 10 million vehicles.

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President Akio Toyoda, who is the grandson of the automaker's founder, said Tuesday the company was cooperating with the U.S. investigation, but did not elaborate.

Toyoda, appointed president in June last year, acknowledged that his job was similar to steering a ship in the middle of a storm. He said the ship was sailing toward what appeared to be sunny skies because employees were working together "in one spirit."

"I feel that I am now at last standing at the starting point with the latest earnings," he told reporters at Toyota's Tokyo office. "This year will mark a new beginning for Toyota."

Toyota's 29 top executives have given up their bonuses since the global fallout from the collapse of investment bank Lehman Brothers sent the automaker into the red.

Toyoda said that will continue and, of the top executives, 11 board members will also return a portion of their monthly remuneration to take responsibility for the recall mess, although he did not give figures.

The latest results appear to show Toyota has managed to contain the damage from the spate of recalls — at least, so far.

Toyota officials said the company spent 100 billion yen on recall-related measures, and lost between 70 billion yen and 80 billion yen in sales during the year ended March 31.

They were vague about such damage for the current year, except to say Toyota estimates spending 80 billion yen for incentives to boost sales.

Although sales have held up in recent months, much of that came from unprecedented incentives to lure customers in North America as well as growth from fast-growing Asian nations like China.

For the fiscal year through March 31, Toyota posted a 209 billion yen (\$2.3 billion) profit, a dramatic reversal from a 437 billion loss in the previous fiscal year, which was the automaker's worst annual red ink since being founded in 1937.

The annual results were much better than analysts' forecasts and Toyota's cautious, internal forecast for an 80 billion yen profit.

Global sales for the year ended March 31 totaled 7.24 million vehicles, down 4 percent from the previous year. Toyota is expecting that to improve to 7.29 million for the current fiscal year.

Toyota is forecasting revenue to improve 1.3 percent to 19.2 trillion yen for the year through March 2011, from 18.95 trillion yen for the year ended March 31. That had marked a 7.7 percent decline from the previous year.

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Toyota said it has figured in costs for recall-related expenses in its forecasts for the current fiscal year.

"To achieve further profit recovery, what we need to do is offer high quality, reasonably priced vehicles," said Toyoda, while stressing that tough times were likely to continue.

He said Toyota will focus on green vehicles such as hybrids and emerging markets, including China, for its next phase of growth.

Honda Motor Co. has also seen a recovery, with profit surging 96 percent to 268.4 billion yen (\$2.9 billion) for the year ended March 31. Japan's No. 2 automaker is forecasting a 340 billion yen (\$3.7 billion) profit for the year through March 2011. Nissan Motor Co. reports earnings Wednesday.

Toyota's stock price slipped 0.7 percent to 3,495 yen in Tokyo.

Associated Press Writer Mari Yamaguchi contributed to this report.

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