

Honda Posts Record Profit, Mazda Minimizes Losses

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TOKYO (AP) — Honda's quarterly profit ballooned to a record \$3.2 billion while Mazda reduced its losses, rounding out a tale of recovery among Japanese automakers.

Nissan Motor Co. and Mitsubishi Motors Corp. have also reported stronger results but the prospect of a continued recovery for the Japanese automakers remains shaky.

The strength of the global economic recovery is in doubt and the yen's strength — which reduces the value of profits brought back from overseas — has been unrelenting. Meanwhile, government incentives that boosted sales in past months are set to expire.

Also casting a shadow are strikes in China at Honda ventures and suppliers as workers demand better wages, sometimes halting production. The world's No. 1 carmaker Toyota Motor Corp. has also been plagued by similar worker unrest in China. It reports April-to-June earnings on Wednesday.

Despite the uncertainties, Honda Motor Co. raised its full year earnings forecast Friday as sales grew in North America, Japan and the rest of Asia.

April-to-June profit at the maker of the Insight hybrid, Fit subcompact and Odyssey minivan increased 36-fold to 272.4 billion yen (\$3.2 billion) from 7.5 billion yen a year earlier when Japanese automakers were slammed by the financial crisis and global market slump.

Quarterly revenue jumped 17.9 percent to 2.361 trillion yen (\$27.5 billion) for the fifth straight quarter of year-on-year growth.

Honda was one of the few Japanese automakers that avoided losses during the global recession, partly because it focuses on smaller models that don't deliver hefty profit margins but whose sales held up.

Mazda Motor Corp. said Friday it reduced its losses for the April-June quarter to 2.1 billion yen (\$24 million) from 21.5 billion yen (\$250 million) a year earlier on growth in North America, China and Thailand. Quarterly sales jumped 35 percent to 578 billion yen (\$6.7 billion).

Honda and other automakers stand a chance to gain from Toyota's recent massive recalls — especially in North America, where its image has been most tarnished.

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Since October, Toyota has recalled about 10 million vehicles worldwide for faulty floor mats, defective gas pedals, software glitches and steering problems. It faces hundreds of lawsuits in the U.S. tied to accidents involving defective automobiles, the lower resale value of Toyota vehicles, and a drop in its stock value.

But Tsuyoshi Mochimaru, analyst at Mitsubishi UFJ Morgan Stanley Securities Co. in Tokyo, said Honda's robust results came from its success in emerging markets and a recovery in U.S. auto demand.

"I am very bullish on Honda," he said. "Whenever there is a sales recovery in North America, Honda is the kind of company that does well."

Honda is now projecting 455 billion yen (\$5.2 billion) in profit for the fiscal year ending March 2011, much better than the forecast from analysts surveyed by Thomson Reuters of 397 billion yen (\$4.6 billion) annual profit. But the strong yen forced the company to lower its annual revenue forecast.

Tokyo-based Honda also got a perk from its booming motorcycle division, where sales surged 28 percent to 2.89 million motorcycles. Honda's auto sales for the quarter posted robust growth of 17 percent to 899,000 vehicles, growing in every region except Europe.

Nissan and Mitsubishi have also reported rosier results. Nissans quarterly profit announced Thursday of 106.6 billion yen (\$1.2 billion) was a sharp turnaround from a 16.5 billion yen loss the previous year. Mitsubishi reported a smaller quarterly loss of 11.8 billion yen (\$135.6 million), about half the loss it had reported a year earlier.

Honda and Nissan are in a close race for the spot of the second-biggest Japanese automaker. Nissan sold 954,000 vehicles during the quarter around the world, up 32 percent from the same period in fiscal 2009.

Mazda, which makes the MX-5 Miata convertible, sold 317,000 vehicles worldwide in the first fiscal quarter, up 21 percent.

Demand was strong for the Mazda3 sedan in North America, where quarterly sales jumped 21 percent, while the smaller Mazda2 compact as well as the Mazda3 were popular in Japan, the Hiroshima-based automaker said.

In China, Mazda sales surged 28 percent, led by strong sales of the Mazda6 sedan, and Thailand was the main nation pushing up sales in other regions by 41 percent, according to Mazda.

Honda said cost cut efforts and production growth helped offset the damage from a strong yen and rising research costs.

The momentum for sales growth in North America and Asia came from the CR-V sport utility vehicle. The big-sellers in Japan were the CR-Z hybrid sport utility vehicle and the Fit subcompact.

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In one slight setback, Honda lowered its revenue forecast for the fiscal year through March 2011 to 9.1 trillion yen (\$106 billion) from 9.34 trillion yen (\$109 billion), mainly because of the surging yen.

When Honda made its forecast in April, it figured the dollar would average around 90 yen but now it has fallen to about 87 yen.

Yet even the revised revenue projection is a 6 percent improvement from the previous year.

Honda expects to sell 3.64 million vehicles for the fiscal year, up from 3.4 million a year earlier and better than its previous forecast of 3.62 million.

Honda shares inched down 0.3 percent to 2,709 yen. Mazda edged down 0.5 percent to 209 yen in Tokyo.

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