

Toyota's Profit Quadruples Despite Recall Woes

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TOKYO (AP) — Toyota's second quarter profit more than quadrupled despite lingering worries about the safety of its cars after massive recalls that are still dogging its sales in the U.S.

Toyota reported July-September profit of 98.7 billion yen (\$1.2 billion) on Friday, up dramatically from 21.8 billion yen profit a year earlier but lower than analysts expected. Quarterly sales rose 5.8 percent to 4.807 trillion yen (\$59.5 billion).

Toyota Motor Corp. is the only major automaker whose U.S. sales have been sluggish despite a recent onslaught of incentives that have boosted other automakers' results — underlining how its once sterling image continues to be tarnished in that crucial market.

Like other Japanese exporters, Toyota is also fighting damage from a strong yen that erodes the value of overseas earnings.

The world's top automaker by vehicle sales raised its profit forecast for the year through March 2011, albeit modestly, to 350 billion yen (\$4.3 billion) from an earlier forecast for 340 billion yen (\$4.2 billion) profit.

That would mark a 67 percent rebound from the previous year, when the maker of the Prius hybrid and the Camry sedan was hit hard by the recall woes. But that's a shadow of what it used to rake in during its heyday.

Toyota raised its global vehicle sales forecast for the full year to 7.41 million vehicles from 7.38 million. That would be a 2.4 percent gain from 7.24 million vehicles sold the previous year.

Toyota said it was more upbeat about sales in Japan, the rest of Asia and Europe, but lowered its forecast for North American sales by 80,000 vehicles.

"We continue to suffer a strong backlash from the repercussions," said Executive Vice President Satoshi Ozawa of the quality problems. "The situation may be tough for us, but we will try to sell one car at a time."

Over the past year, Toyota has recalled more than 11 million vehicles around the world for a range of problems, including faulty gas pedals, floor mats that can trap accelerators, defective braking and stalling engines.

Just Thursday, Toyota recalled 135,000 compact cars in Japan and Europe for a software problem that could cause power steering to stop working.

Koji Endo, an auto analyst with Advanced Research Japan Co., thinks more time is

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needed before Toyota can patch up its image because "the Toyota Way," reputed for quality and long the foundation of the automaker's growth, has been debunked.

"We can't see any overall vision or a model for its business that points the direction in a big way about where Toyota is going," he said. "We are not going to see a powerful Toyota for a long time yet."

Toyota's results follow even stronger earnings recoveries from other Japanese automakers including Honda Motor Co. and Nissan Motor Co.

Like Toyota, both had booming sales in China and other emerging markets despite the strong yen.

Toyota said it had calculated the dollar trading at an average of 86 yen for the latest quarter, while it had been at 94 yen last year. In recent months, the dollar has tumbled to about 80 yen.

Where Toyota differs is the serious damage to its reputation in the U.S. because of the recalls and a perception that it was slow or reluctant to come forward with problems.

Toyota faces hundreds of lawsuits in the U.S., many from families of people who died or were injured in accidents related to unintended acceleration suspected of being linked to the quality lapses.

Jesse Toprak, Vice President of Industry Trends and Insight at TrueCar.com, said Toyota lost market share in the U.S. despite hefty incentives.

"Toyota has not recovered from the recalls," he said. "Until we stop hearing news about another recall, consumers are not going to gain confidence in the brand — if they haven't already left."

One bright spot in Toyota's performance is the popularity of the Prius in Japan, where it was the best-selling model for the 18th straight month for October, even after green car subsidies ended.

For the fiscal first half, Toyota's profit totaled 289 billion yen (\$3.6 billion), a reversal from the loss of 56 billion yen a year earlier. First half sales climbed 15.5 percent to 9.68 trillion yen.

Toyota stock finished 2,964 yen, up 1.9 percent. Earnings were announced after trading ended.

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Shino Yuasa in Tokyo and Tom Krisher in Detroit contributed to this report.

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