Toyota keeps net profit forecast despite production woes

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Toyota said the weaker yen had helped boost revenue.

Toyota kept its annual net profit forecast unchanged on Tuesday as the weaker yen offsets supply-chain disruptions that have forced the Japanese car giant to slash production targets.

The world's top-selling automaker said it now expects to sell half a million fewer vehicles than planned in the current financial year because of a global chip shortage and other supply problems.

Chief financial officer Kenta Kon warned that "headwinds are blowing" as he listed the uncertainties facing the company.

"Energy and material prices, as well as the global labour situation, are changing rapidly and significantly," along with shifting monetary policies and forex rates, he told reporters.

"A number of changes are happening simultaneously, including the semiconductor situation—any one of which could have a major impact on the future of the automotive industry."

Semiconductors are an essential component of modern cars, and the pandemic-triggered chip drought has pummelled Toyota and its rivals worldwide.

On Tuesday Toyota revised down its full-year production plan to 9.2 million units "due to risks such as procurement of semiconductors".

The weak yen should help inflate revenues, however, and the carmaker now predicts annual sales worth 36 trillion yen ($240 billion), up from the previous forecast of 34.5 trillion yen.

Buoyed by the cheap yen—which has lost more than 20 percent of its value against the dollar this year—Toyota in August upgraded its full-year net profit forecast to 2.36 trillion yen, which it maintained on Tuesday.

Production 'bottleneck'

Net profit in the six months to September fell 23 percent year-on-year to 1.2 trillion yen.

Toyota said higher material costs pushed down its profits in North America in the first half, while business in Europe was affected by its decision to pull out of Russia.

The company announced in September its decision to end production in Russia, citing supply chain problems.

"It is hard to see six months ahead in the automotive industry, and it is really difficult to foresee Toyota's earnings," Kon said.

But the company can broadly maintain production levels "thanks to steady work over a long time, with many stakeholders, to improve financial health", he added.

Some analysts say Toyota has been less affected by the chip shortage than its Japanese rivals, due in part to the stronger ties it cultivated with domestic suppliers after Japan's 2011 earthquake and tsunami.

A key question will be how much longer Toyota is willing to keep up this approach, said Kohei Takahashi, an analyst at UBS Securities.

As the automaker readies to pivot toward new businesses and technologies, "there will come a moment Toyota will demand suppliers give something back," he said.

Seiji Sugiura, an analyst at Tokai Tokyo Research Center, told AFP ahead of the earnings release that Toyota will face difficulties ahead.

"Domestic production issues are emerging as a bottleneck," he warned, while "reduced exports could affect the extent to which (the forex rate) contributes to the company".

Toyota said each drop of one yen per dollar is estimated to translate into a 45-billion yen increase in operating profit.

So "benefits from the yen's depreciation will remain palpable", Sugiura predicted.

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