

Toyota keeps profit forecasts despite supply chain headwinds

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Semiconductors are an essential component of modern cars, and Toyota has struggled to keep up with its own production targets.

Japan's Toyota left its annual forecasts unchanged on Thursday despite ongoing disruption from the global chip shortage, as the cheaper yen

offsets the impact of soaring materials prices.

The world's top-selling automaker, which reshuffled its executive line-up last month, is still suffering production setbacks caused by the semiconductor shortage along with other industry players.

"Dealers, suppliers and production sites worked hard under circumstances where production plans fluctuated greatly due to factors such as semiconductor shortages and natural disasters," Toyota said in a statement.

But it said it still expected net profit of 2.36 trillion yen (\$18 billion) in the 12 months to March 2023, down 17 percent on-year.

Toyota said it was "striving to quickly evaluate alternative semiconductors and respond to design changes for securing stable procurement of semiconductors".

The company logged a third-quarter net profit of 727.9 billion yen, down eight percent on-year, and for April-December, [net profit](#) dropped 18 percent to 1.90 trillion yen.

While operating profit fell over the nine months, it was up in the third quarter "as the positive effects of a weaker yen and volume increases exceeded the negative effect of soaring materials prices", Toyota said.

The carmaker has struggled to meet its production targets simply because "there are not enough semiconductors", said Seiji Sugiura, senior analyst at Tokai Tokyo Research Institute.

But Toyota is in a better position than many of its smaller rivals as it "has strong bargaining power" with parts suppliers, Sugiura told AFP before the earnings release.

China's decision to end its zero-COVID policy and any economic stimulus measures from Beijing are also positive factors, he said, although Toyota cautioned that Chinese customers' enthusiasm remained lukewarm for now.

New CEO and president

In January, Toyota set a confident 2023 production target of 10.6 million vehicles—higher than in recent years, including the nine million made in pre-pandemic 2019.

Still, it warned that actual production could be 10 percent lower because of parts shortages.

Vehicle sales rose 16 percent in the third quarter thanks to the recovery in the global market, especially in North America and Asia, Toyota said Thursday.

The automaker made a surprise shake-up of its leadership last month, replacing Akio Toyoda, whose grandfather founded the company, with 53-year-old Koji Sato as CEO.

Toyoda, 66, will become board chairman as Sato—previously chief branding officer, and president of Toyota's luxury Lexus brand—takes up the roles of chief executive and president.

Sato is taking the helm at a time of major upheaval for the [auto industry](#), with [electric vehicles](#) now centre-stage.

Toyota pioneered [hybrid cars](#), but some critics say the company has been slow to make the shift to battery-powered engines, even as demand soars for low-emission automobiles.

A year ago, the automaker hiked its targets for the sector and announced it would roll out 30 battery-powered electric models by the end of the decade.

Chris Redl of Gordian Capital Japan told AFP he thought Toyoda had done a "very good job" as CEO.

"Anybody could naturally assume that his stepping down has something to do with their bungled EV strategy," he said.

"But... I think that he actually is completely correct in staying lukewarm on the electrification of Toyota's fleet" given the high price of lithium.

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