Toyota net profit hits Q1 record but forecast unchanged

August 4 2021, by Shingo Ito

Toyota, the world's top-selling automaker, logged an $8.2 billion first-quarter net profit.

Toyota's net profit soared more than fivefold in the first quarter as strong sales were fuelled by the recovery from the coronavirus crisis, but

the firm left its annual forecast unchanged Wednesday citing "uncertainties" ahead.

The world's top-selling automaker has bounced back quicker than its competitors from the impact of Covid-19 lockdowns, reclaiming the top spot for sales last year.

The Japanese giant has also so far weathered a global chip shortage that has forced rivals to slash production targets, although it is now facing some disruption.

For the three months to June, Toyota logged an 897.8 billion yen ($8.2 billion) net profit—a record for the first quarter, and up from 158.8 billion yen in the same period last year.

Sales surged 72.5 percent to 7.9 trillion yen.

"The first-quarter results were the result of our maintaining... stable sales and supply, despite the semiconductor shortage and spread of Covid-19," the company said in a statement.

But it maintained its full-year net profit forecast at 2.3 trillion yen, warning of "uncertainties in and after the second quarter".

Last week, Toyota said group global sales hit a record high for the six months to June, thanks to healthy demand for its Highlander and Camry models in the United States and Corolla and Lexus brands in China.

"Toyota has sustained its strong performance," said Satoru Takada, an auto analyst at Tokyo-based research and consulting firm TIW.

The firm "has a good chance of retaining the crown of the world's number one carmaker", Takada told AFP before the results were

released.

Chip shortage

In June, Toyota temporarily suspended operations at two domestic plants because of the global chip crunch, with a third short hiatus currently at a separate factory.

Microchips are essential for the electronics systems of modern cars, and have been in short supply since the end of last year.

When the pandemic hit, carmakers worldwide scaled back orders, so chipmakers shifted output to consumer electronics as people splurged on equipment to work and relax at home.

That left automakers in a tight situation as demand returned, with many slowing or even temporarily halting production.

"Semiconductor supplies are expected to remain tight at least until next year, because the global economic recovery from the coronavirus pandemic should further boost chip demand in many sectors," said Yasuo Imanaka, chief analyst at Rakuten Securities.

"On top of the semiconductor shortage, the impact of the spread of the Delta strain of the coronavirus on both sales and production in Asia is a potential risk for Toyota," added TIW's Takada.

Toyota shares erased early gains and closed down 0.84 percent on Wednesday, with investors disappointed at no upward revision.

Analysts are also focusing on the recent shift to electric vehicles among leading automakers, driven by growing concerns over emissions.

Toyota, which pioneered hybrid cars, has announced plans for its first global line-up of battery-powered electric vehicles as other carmakers have pulled ahead in the sector.

In early July, rival Nissan unveiled plans to build a massive battery factory in northeastern England, where it will also manufacture a new electric vehicle.

Last week, Nissan upgraded its annual outlook, projecting a return to the black for the current fiscal year.

Later Wednesday, Honda upgraded its full-year forecast as it returned to the black in the first quarter.

Honda's net profit for the fiscal year to March 2022 is now forecast at 670 billion yen, up from the previous estimate of 590 billion yen.

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