

Toyota Profit Beats Estimates, Increases Sales Forecast

By Anna Mukai and Masatsugu Horie Toyota Motor Corp. (7203), Asia's biggest carmaker, reported first-quarter profit that beat analysts' estimates, helped by sales of the Prius hybrid in Japan and Camry sedan in the U.S. Net income increased to 290.3 billion yen (\$3.7 billion) in the three months ended June 30, from 1.16 billion yen a year earlier, the Toyota City, Japan-based carmaker said in a statement today. Profit climbed to the highest in four years and beat the 253.7 billion yen average of seven analysts' estimates compiled by Bloomberg. Toyota, plagued by natural disasters in 2011, raised its 2012 volume sales forecast after it outsold General Motors Co. (GM) and Volkswagen AG (VOW) to lead the industry for two straight quarters as sales surged in Japan and the U.S. The company, led by President Akio Toyoda, is now counting on the Prius and Camry to sustain earnings growth in the U.S. as analysts project demand to slow in Japan. "Toyota's business results for the first quarter were strong but we should keep in mind that the sales surge was aided by domestic subsidies and new cars like the Camry in the U.S.," said Koichi Sugimoto, a Tokyo-based auto analyst at BNP Paribas SA. (BNP) "For the three quarters left this fiscal year, the biggest concern for Toyota should be currency rate." Beating Estimates Toyota has gained 19 percent in Tokyo trading in 2012 and last closed at 3,065 yen before the latest earnings announcement. Still, the stock has surrendered about half of its gains since the end of March after the yen turned into the best-performing major currency from the worst performer within a quarter. Operating profit, or sales minus the cost of goods sold and administrative expenses, was 353.1 billion yen, beating the 316.2 billion yen average estimate. Revenue rose 60 percent to 5.5 trillion yen, compared with the 5.48 trillion yen average analyst estimate. The maker of Corolla, the world's best-selling car, forecast sales -- including those of its Daihatsu Motor Co. (7262) and Hino Motors Ltd. (7205) units -- will increase to 9.76 million vehicles from January to December, raising an earlier target of 9.58 million, on demand for its cars in North America and Japan. The company also projected production of 10.05 million units for the period. In the U.S., April-to-June deliveries increased 48 percent to 558,812 vehicles, helped by sales of the best-selling Camry sedans, Corolla compact sedans and Prius hybrids as Toyota led the Japanese auto industry's recovery from last year's production disruptions, according to data compiled by Bloomberg. North America Operating profit from North America quadrupled to 117.6 billion yen from 28.9 billion yen a year earlier. That compared with the 115.5 billion yen average estimate of three analysts surveyed by Bloomberg. In July, Toyota's U.S. sales rose 26 percent and the company is ahead of its full-year target of 15 percent growth. Industrywide sales of light vehicles in July grew 8.9 percent to 1.15 million units, according to researcher Autodata Corp. The improvement, buoyed by gains at Japanese carmakers, means the industry's is headed for its biggest number of annual deliveries in five years. Toyota expects industrywide deliveries to reach about 14.3 million in the U.S. this year, and for "the momentum that was generated through the first six or seven months" to continue through the rest of this year, Bill Fay, group vice president of U.S. Toyota-brand sales, said this month. Japan Doubles In July,

Toyota led full-line automakers by reducing spending on discounts and promotions in the U.S. by 24 percent to \$1,849 per vehicle, according to Autodata estimates. For the quarter ended June 30, it increased incentive spending 4.2 percent, according to Autodata. In Japan, Toyota's deliveries almost doubled last quarter, led by the Prius hybrid, as pent-up demand and government subsidies for fuel-efficient cars helped spur demand. The Japanese market expanded 54 percent in the first six months of 2012, the fastest growth among the world's biggest automobile markets, according to data compiled by Bloomberg. Toyota generated profit from Japan for a second-straight quarter after posting eight consecutive quarters of losses. Operating profit at home was 107.1 billion yen, versus the 47.3 billion yen average analyst estimate. Growth in Japan may slow after the budget for government subsidies runs out as soon as this month, according to Sugimoto at BNP Paribas. That means Japanese carmakers will be under pressure to introduce new models and spend more on marketing the models to sustain demand, he said.

Europe Sales In Europe, where the region's main auto association is predicting the market to shrink to the lowest since 1995, deliveries rose 20 percent last quarter. The company posted an operating profit of 3.4 billion yen from the region, compared with the average analyst projection for profit of 4.18 billion yen. The region caused losses of 7.55 billion yen a year earlier. Still, Toyota is less reliant on European demand than companies such as PSA Peugeot Citroen (UG) and GM, making the Japanese carmaker less vulnerable to the region's debt crisis. Toyota, which estimates its European market share to have been about 4 percent in 2011, accounted for about 10 percent of global sales last year, according to data compiled by Bloomberg. GM, struggling to turn around its money-losing Opel unit, reported yesterday that second-quarter profit slid 38 percent as losses widened in Europe where the auto market is heading toward its fifth year of sales declines.

Asian markets outside of Japan, including China and India, contributed 101.5 billion yen in operating income, compared with the 104.1 billion yen average analyst estimate. Total wholesale deliveries of passenger vehicles in China may rise 11 percent to 16.09 million units in 2012, according to the China Association of Automobile Manufacturers. Toyota kept its exchange-rate assumptions of 80 yen to the dollar, though it revised its assumption for the euro to 101 yen from an earlier 105 yen estimate.