Toyota lifts profit outlook on weaker yen prospects

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Toyota Motor Corp raised its full-year profit forecast by 16 percent on Friday, citing expectations of a weaker yen, after posting a smaller-than-expected drop in quarterly profit.

The world's No. 2 automaker said it now **expects full-year operating profit of 1.85 trillion yen ($16.80 billion)**, up from a previous forecast of 1.6 trillion yen but down from 1.99 trillion yen last year.

Toyota posted an operating profit of 574.29 billion yen for April-June, down 11 percent from 642.23 billion yen a year ago. Analysts on average expected 538.3 billion yen, according to Thomson Reuters I/B/E/S.

The results come as it is expected to announce plans to join forces with smaller rival Mazda Motor Corp to build a $1.6 billion U.S assembly plant and develop electric vehicle technologies, according to a person briefed on the matter.

Toyota said it is assuming an average U.S. dollar rate of 110 yen and euro rate of 124 yen for the year, compared to earlier estimates of 105 yen and 115 yen, respectively.

A weaker yen makes its cars more competitive overseas and boosts the value of repatriated earnings.

"Due to a weaker yen we've changed our currency assumption rate, and **we've implemented additional marketing measures and cost reductions**," senior managing officer Tetsuya Otake told reporters at a briefing, explaining the change in profit forecast.

For the quarter, Toyota weathered a slowdown in demand in the U.S. auto market, the world's second largest after China, which is delivering a knock to many global automakers after years of growth boosted profits.

By region, Toyota posted a 1% rise in North American vehicle sales to 723,000 due to strong demand for its recently launched C-HR compact SUV model, while **sales in Asia, including in China, fell 5.4%** to 363,000.

But it downgraded its full-year sales forecast for North America to 2.78 million

vehicles from a previous forecast of 2.82 million.

(Reporting by Naomi Tajitsu, Reuters)