

Honda's annual profit slumps 8.9% as recall costs soar

TOKYO: Honda said on Tuesday, 28 April, that its fiscal-year net profit fell 8.9% to \$4.4bn as Japan's number three automaker grapples with soaring recall costs, including from an exploding airbag crisis linked to at least five deaths.



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The Civic maker downgraded profit forecasts twice before its results were published, warning the airbag scandal at supplier Takata would take a toll on its bottom line, as well as falling demand in Japan and the world's biggest vehicle market, China.

The company said it earned 522.7bn yen (\$4.4bn) in the year through March - worse than its most recent estimate of a 545bn yen profit - while operating profit dropped 13 percent to 651.6bn yen.

Annual sales rose 6.8% to 12.6tn yen.

For the current fiscal year, Honda forecast a net profit of 525bn yen on sales of 14.5tn yen, under a new system of accounting standards the carmaker has adopted.

Honda's airbag recalls - and others involving its Fit compact car and Vezel SUV - diluted the positive impact of a sharp decline in the yen, which has inflated profits for major Japanese exporters, including the auto industry.

The company said its fiscal fourth-quarter operating profit dropped 32.3%, while it took a \$425m recall-related charge in

the third quarter.

The declining results were "due primarily to an increase in selling, general and administrative... expenses including quality-related expenses and a decline in automobile unit sales in Japan," it said.

"This was despite profit-increasing factors such as strong sales in Asia and favourable currency effects associated with depreciation of the Japanese yen."

About 20 million vehicles produced by some of the world's biggest automakers are being recalled due to the risk their Takata-made airbags could deploy with excessive explosive power, spraying potentially fatal shrapnel into the vehicle.

Honda's biggest domestics rivals Toyota and Nissan, which report their results over the next couple of weeks, are among 10 major automakers affected by the airbag crisis.

Source: AFP

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