

Honda nine-month operating profit falls on exploding airbag costs

Honda reported a fall in nine-month operating profit due to "quality-related" costs, seen as linked to an exploding airbag crisis at parts supplier Takata, but said net profit rose.



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Net profit in the nine months through December rose 2.4 per cent to 437.9 billion yen (\$3.62 billion), as sales jumped 11.3 per cent to 10.94 trillion yen, the company said in a statement. But operating profit fell 3.0 per cent to 567.2 billion yen, "due to an increase in sales costs, including quality-related ones", Honda said, trimming its full-year sales forecast to 14.55 trillion yen from the previous 14.60 trillion yen.

Despite growth in sales, "the negative impact of US dollar valuations against other currencies" also led to the weak operating profit, Honda said. For the full-year to March, the maker of the Civic sedan kept forecasts for net profit and operating profit at 525 billion yen, up 3.1 per cent year-on-year, and 685 billion yen, up 2.1 per cent compared to the previous year, respectively.

Sluggish sales

"Honda is recovering steadily," Shigeru Matsumura, analyst at SMBC Friend Research Center, told AFP ahead of the carmaker's latest earnings report. "We assess that Honda is turning the corner from the negative impact of the airbag accidents and is now able to concentrate on its primary sales operation."

Sales in Japan, however, have been sluggish after a sales tax rise last year dented consumer spending and as younger urban residents delay buying vehicles. In June, Honda revised down its annual earnings for the previous fiscal year, blaming the expanding recalls of faulty airbags made by embattled supplier Takata, which have been linked to 10 deaths and scores of injuries.

Of the dozen global automakers affected by the airbag crisis, Honda has been the hardest hit, with the company recalling more than 24 million vehicles to fix the defect. Honda's earnings announcement came as reports said Takata's president was set to resign on Friday over the crisis, which the company later denied in a statement.

Source: AFP

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