

# Crisis-hit Nissan issues fresh profit warning

April 24 2019, by Richard Carter, Anne Beade

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Nissan ex-chairman Carlos Ghosn in happier times

Nissan issued a profit warning on Wednesday, deepening the woes of the Japanese car giant as it seeks to recover from the shock of former boss Carlos Ghosn's arrest.

The firm downgraded its projection for net profit in the fiscal year to March 2019 from 410 billion yen (\$3.7 billion) to 319 billion yen, the second cut in its forecast in recent months.

Nissan appeared to acknowledge the recent difficulties surrounding the Ghosn affair, which has cast questions over the company's own corporate governance.

It cited as a reason for the downgrade "the adverse operating environment facing the company during the fourth quarter, and the impact of recent corporate issues on sales."

Another reason was given as "additional expenses arising from the implementation of a warranty extension campaign covering certain vehicles sold in the US market."

Chief Financial Officer Hiroshi Karube said the "executive misconduct in Japan" had had an impact on "potential new clients."

He added that the company was suffering in America where the market was "not growing and recovering as we expected."

"We overstretched in recent years and the impact of that is big," said Karube.

The profit warning came as ex-chairman Ghosn awaits his fate after prosecutors hit him with a fourth set of charges over alleged financial misconduct.

Authorities suspect he syphoned off around \$5 million for his personal use from money transferred from Nissan to a dealership in Oman.

Ghosn denies that charge and also insists he is innocent of all allegations

against him. His lawyers have filed for bail which the Tokyo District Court is considering.

In February, Nissan already slashed its full-year forecast, as it revealed that nine-month net profit had dropped 45 percent—a decline the firm blamed on rising raw material costs and foreign exchange difficulties.

It was forced to downgrade its net profit forecast for the fiscal year to March to 410 billion yen, compared to 500 billion yen earlier.

## **'Backstabbing'**

The results came as Nissan and its partners Renault and Mitsubishi Motors are seeking to turn the page on Ghosn's arrest for financial misconduct, which has exposed a rift in the three-way tie-up.

In a complicated management structure, Renault—15-percent of which is held by the French state—owns a 43-percent stake in Nissan.

French President Emmanuel Macron and Japanese Prime Minister Shinzo Abe on Tuesday pledged their backing for the alliance, despite the strains caused by Ghosn's arrest.

The two leaders "reaffirmed their attachment to the Renault-Nissan alliance which is going to celebrate its 20th anniversary and is a major symbol of industrial cooperation between France and Japan," according to a statement.

Ghosn was ousted as head of Nissan and Mitsubishi Motors almost immediately after his arrest and later resigned as chairman and CEO of Renault.

The tycoon says the allegations against him are part of a plot by some

"backstabbing" Nissan executives concerned about a closer relationship between the two firms.

The other reason for this "plot" was the "deterioration in Nissan's performance for two years," he charged in a video message recorded before he was dramatically rearrested earlier this month.

Before his sudden downfall, Ghosn was hailed as a titan of the auto sector who had saved Nissan from the brink of bankruptcy by forging an unlikely alliance with Renault, the French stalwart he also headed.

Critics said he was unwise to try to forge an alliance between two companies headquartered some 11,000 kilometres apart.

But Ghosn slashed costs and revived Nissan's fortunes, earning him praise as a rare success story for a foreign corporate boss in Japan.

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