

Mitsubishi Motors Gripped by Crisis

The prestigious brand name of Mitsubishi (three diamonds) is now in crisis. In the 1970s, Mitsubishi Motors Corp. won respect for its high technology, churning out popular vehicles equipped with high-performance engines such as the Galant GTO and FTO as well as the Lancer.

Japan's largest automaker Toyota Motor Corp. has posted a net profit exceeding ¥1 trillion while Nissan Motor Co. also reported record-high profits, backed by a Carlos Ghosn-led managerial revolution. The strong results of these firms are dwarfing the performance of Japan's fourth-largest automaker. Under such circumstances, public attention is now focused on whether struggling Mitsubishi Motors will be able to move out of the current quagmire.

The downfall of Mitsubishi Motors has deep roots. In 1996, a U.S. federal commission filed a sexual harassment lawsuit against Mitsubishi Motors' U.S. unit on behalf of its female workers. It took three years for the company to reach a settlement with the women by paying the largest ever award for a sexual harassment case in the United States. The automaker was embroiled in a

"*sokaiya*" corporate racketeer payoff scandal the following year. In 2000, the company was found to have systematically covered up in-house documents that indicate the need for recalls of its vehicles and complaints from its customers, forcing it to seek full support from DaimlerChrysler.

The latest blow to Mitsubishi Motors was dealt in 2002 when a wheel came off a trailer truck made by Mitsubishi Fuso Truck and Bus Corp. which was spun off from Mitsubishi Motors in January 2003. The wheel hit and killed a 29-year-old woman and injured her two younger children in Yokohama. In an apparent bid to avoid recalls of its vehicles, the automaker reported to the Ministry of Land, Infrastructure and Transport that the accident was due to faulty maintenance of the vehicle although it knew there were defects in the wheel hubs of some of its large vehicles, according to investigative sources. In May, former Mitsubishi Motors executives were arrested in connection with the fatal truck accident, leading to the downfall of the "three-diamond" brand.

The managerial crisis of Mitsubishi

Motors can be attributed largely to its lax corporate structure.

Mitsubishi Motors was created through its spin-off from Mitsubishi Heavy Industries Ltd. in 1970. The newcomer of the Mitsubishi group has failed to make decisions on its own, depending on Mitsubishi Heavy Industries, Mitsubishi Corp. and the Bank of Tokyo-Mitsubishi in the decision-making process.

Mitsubishi Motors found it hard to move ahead of Daimler in Europe and of Chrysler in the United States because DaimlerChrysler is its largest shareholder with a 37% stake.

In a consolidated earnings report for the fiscal year to March 2004, Mitsubishi Motors said it incurred huge pretax losses. Since DaimlerChrysler decided not to raise its stake in Mitsubishi Motors, public attention is now focused on to the extent to which the Mitsubishi group will be able to support it. Some industry analysts speculate that the restructuring of Mitsubishi Motors may lead to a realignment of the domestic auto industry that would involve Toyota, Honda and foreign funds.

Note : The Mitsubishi group and a corporate revival fund adopted a plan in May to turn around struggling Mitsubishi Motors. The plan calls for providing ¥450 billion in financial support, reducing Mitsubishi Motors' workforce by 11,000 or 20% of the total and shutting down manufacturing plants. However, Mitsubishi Motors' sales have plunged after the latest revelation that the automaker concealed defects in most of the models in its passenger vehicle lineup during the past decade.