



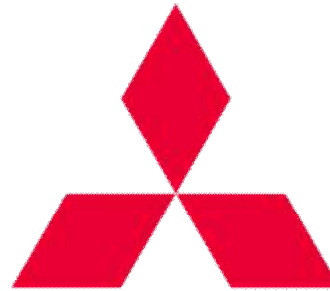




# Mitsubishi Motors

**Mitsubishi Motors Corporation**

三菱自動車工業株式会社



**MITSUBISHI  
MOTORS**

<b>Type</b>	Public (TYO: 7211)
<b>Founded</b>	April 22, 1970
<b>Headquarters</b>	33-8, Shiba 5-chome, Minato, Tokyo 108-8410 Japan
<b>Key people</b>	Takashi Nishioka ( <i>Chairman</i> ) Osamu Masuko ( <i>President</i> ) Heki Kasugai ( <i>EVP</i> )
<b>Industry</b>	Automobile manufacturing
<b>Products</b>	Automobiles and light trucks
<b>Revenue</b>	¥1,973,572 million (2008)
<b>Net income</b>	-¥54,883 million (2008)
<b>Employees</b>	33,202 (2007)

**Mitsubishi Motors Corporation** (三菱自動車工業株式会社 *Mitsubishi Jidōsha Kōgyō Kabushiki Kaisha*) is the sixth largest automaker in Japan and the seventeenth largest in the world by global vehicle production. It is part of the Mitsubishi *keiretsu*, formerly the biggest industrial group in Japan, and was formed in 1970 from the automotive division of Mitsubishi Heavy Industries.

Throughout its history it has courted alliances with foreign partners, a strategy pioneered by their first president Tomio Kubo to encourage expansion, and continued by his successors. A significant stake was sold to Chrysler Corporation in 1971 which it held for 22 years, while DaimlerChrysler was a controlling shareholder between 2000 and 2005. Long term joint manufacturing and technology licencing deals with the Hyundai Motor Company in South Korea and Proton in Malaysia were also forged, while in Europe the company co-owned the largest automobile manufacturing plant in the Netherlands with Volvo for ten years in the 1990s, before taking sole ownership in 2001.

Thanks to these alliances it benefitted strongly in the 1970s and '80s, increasing its annual production from 250,000 to over 1.5 million units. But its strong presence in south-east Asia meant it suffered more than most of its competitors in the aftermath of the 1997 East Asian financial crisis, and since then the company has struggled to consistently increase sales and maintain profitability.

## History

Mitsubishi's automotive origins date back as far as 1917, when the Mitsubishi Shipbuilding Co., Ltd. introduced the Model A, Japan's first series-production automobile. An entirely hand-built seven-seater sedan based on the *Fiat Tipo 3*, it proved expensive compared to its American and European mass-produced rivals, and was discontinued in 1921 after only 22 had been built.

In 1934, Mitsubishi Shipbuilding was merged with the Mitsubishi Aircraft Co., a company established in 1920 to manufacture aircraft engines. The unified company was known as Mitsubishi Heavy Industries (MHI), and was the largest private company in Japan. MHI concentrated on manufacturing aircraft, ships, railroad cars and machinery, but in 1937 developed the PX33, a prototype sedan for military use. It was the first Japanese-built passenger car with full-time four-wheel drive, a technology the company would return to almost fifty years later in its quest for motorsport and sales success. Immediately following the end of the Second World War, the company returned to manufacturing vehicles. Fuso bus production resumed, while a small three-wheeled cargo vehicle called the Mizushima and a scooter called the Silver Pigeon were also developed. However, the *zaibatsu* (Japan's family-controlled industrial conglomerates) were ordered to be dismantled by the Allied powers in 1950, and Mitsubishi Heavy Industries was split into three regional companies, each with an involvement in motor vehicle development: West Japan Heavy-Industries, Central Japan Heavy-Industries, and East Japan Heavy-Industries.



East Japan Heavy-Industries began importing the Henry J, an inexpensive American sedan built by Kaiser Motors, in knockdown kit (CKD) form in 1951, and continued to bring them to Japan for the remainder of the car's three year production run. The same year, Central Japan Heavy-Industries concluded a similar

contract with Willys (now owned by Kaiser) for CKD-assembled Jeep CJ-3Bs. This deal proved more durable, with licensed Mitsubishi Jeeps in production until 1998, thirty years after Willys themselves had replaced the model. By the beginning of the 1960s Japan's economy was gearing up; wages were rising and the idea of family motoring was taking off. Central Japan Heavy-Industries, now known as Shin Mitsubishi Heavy-Industries, had already re-established an automotive department in its headquarters in 1953. Now it was ready to introduce the Mitsubishi 500, a mass market sedan, to meet the new demand from consumers. It followed this in 1962 with the Minica kei car and the *Colt 1000*, the first of its Colt line of family cars, in 1963.

West Japan Heavy-Industries (now renamed Mitsubishi Shipbuilding & Engineering) and East Japan Heavy-Industries (now Mitsubishi Nihon Heavy-Industries) had also expanded their automotive departments in the 1950s, and the three were re-integrated as Mitsubishi Heavy Industries in 1964. Within three years its output was over 75,000 vehicles annually. Following the successful introduction of the first Galant in 1969 and similar growth with its commercial vehicle division, it was decided that the company should create a single operation to focus on the automotive industry. Mitsubishi Motors Corporation (MMC) was formed on April 22, 1970 as a wholly owned subsidiary of MHI under the leadership of Tomio Kubo, a successful engineer from the aircraft division.

The logo of three red diamonds, shared with over forty other companies within the *keiretsu*, predates Mitsubishi Motors itself by almost a century. It was chosen by Yataro Iwasaki, the founder of Mitsubishi, as it was suggestive of the emblem of the Tosa Clan who first employed him, and because his own family crest was three rhombuses stacked atop each other. The name Mitsubishi is a portmanteau of *mitsu* ("three") and *hishi* (literally, "water chestnut", often used in Japanese to denote a diamond or rhombus).

## **Chrysler connection**

### **1970s**

Part of Kubo's expansion strategy was to increase exports by forging alliances with well-established foreign companies. Therefore, in 1971 MHI sold U.S. automotive giant Chrysler a 15 percent share in the new company. Thanks to this deal, Chrysler began selling rebadged Galants in the United States as Dodge Colts, pushing MMC's annual production beyond 250,000 vehicles. In 1976, the Galant was sold as the Chrysler Scorpion in Australia. By 1977, a network of "Colt"-branded distribution and sales dealerships had been established across Europe, as Mitsubishi sought to begin selling vehicles directly. Annual production had by now grown from 500,000 vehicles in 1973 to 965,000 in 1978, when Chrysler began selling the Galant as the Dodge Challenger and the Plymouth Sapporo. However, this expansion was beginning to cause friction; Chrysler saw their overseas markets for subcompacts as being directly encroached by their Japanese partners, while MMC felt the Americans were demanding too much say in their corporate decisions.

### **1980s & MMAL**

Mitsubishi finally achieved annual production of one million cars in 1980, but by this time its ally was not so healthy; as part of its battle to avoid bankruptcy, Chrysler was forced to sell its Australian manufacturing division to MMC that year. The new Japanese owners renamed it Mitsubishi Motors Australia Ltd (MMAL). In 1982, the Mitsubishi brand was introduced to the American market for the first time. The Tredia sedan, and the Cordia and Starion coupés, were initially sold through 70 dealers in 22 states, with an allocation of 30,000 vehicles between them. This quota, restricted by mutual agreement between the two countries' governments, had to be included among the 120,000 cars earmarked for Chrysler. Toward the end of the 1980s, as MMC initiated a major push to increase its U.S. presence, it aired its first national television advertising campaign, and made plans to increase its dealer network to 340 dealers. By 1989, Mitsubishi's worldwide production, including its overseas affiliates, had reached 1.5 million units.

## **Diamond-Star Motors**

Despite the ongoing tensions between Chrysler and Mitsubishi, they agreed to unite in a vehicle manufacturing operation in Normal, Illinois. The 50/50 venture provided a way to circumvent the voluntary import restrictions, while providing a new line of compact and subcompact cars for Chrysler. Diamond-Star Motors (DSM)—from the parent companies' logos: three *diamonds* (Mitsubishi) and a *pentastar* (Chrysler)—were incorporated in October 1985, and in April 1986 ground was broken on a 1.9 million square-foot (177,000 m<sup>2</sup>) production facility. In 1987, the company was selling 67,000 cars a year in the U.S., but when the plant was completed in March 1988 it offered an annual capacity of 240,000 vehicles. Initially, three platform-sharing compact 2+2 coupés were released, the Mitsubishi Eclipse, Eagle Talon and Plymouth Laser, with other models being introduced in subsequent years.

## **1988 IPO**

Mitsubishi Motors went public in 1988, ending its status as the only one of Japan's eleven auto manufacturers to be privately held. Mitsubishi Heavy Industries agreed to reduce its share to 25 percent, retaining its position as largest single stockholder. Chrysler, meanwhile, increased its holding to over 20 percent. The capital raised by this initial offering enabled Mitsubishi to pay off part of its debts, as well as to expand its investments throughout south-east Asia where it was by now operating in the Philippines, Malaysia, and Thailand.

## **1990s**

Hirokazu Nakamura became president of Mitsubishi in 1989 and steered the company in some promising directions. Sales of the company's new Pajero were bucking conventional wisdom by becoming popular even in the crowded streets of Japan. Although sales of SUVs and light trucks were booming in the U.S., Japan's car manufacturers dismissed the idea that such a trend could occur in their own country. Nakamura, however, increased the budget for sport utility product development, and his gamble paid off; Mitsubishi's wide line of four-wheel drive vehicles, from the Mitsubishi Pajero Mini kei car to the Delica Space Gear passenger van, rode the wave of SUV-buying in Japan in the early to mid-1990s, and Mitsubishi saw its overall domestic share rise to 11.6 percent in 1995.

## **Independence**

In 1991, Chrysler sold its equity stake in Diamond-Star Motors to its partner, and from then on they continued to share components and manufacturing on a contractual basis only. Chrysler decreased its interest in Mitsubishi Motors to less than 3 percent in 1992, and announced its decision to divest itself of all its remaining shares on the open market in 1993. The two companies nevertheless continued their close alliance, with Chrysler supplying some parts for engines and transmissions for DSM, and Mitsubishi marketing Chrysler products overseas. DSM was officially renamed Mitsubishi Motor Manufacturing of America on July 1, 1995, and Mitsubishi Motors North America, Manufacturing Division in 2002.

## **DaimlerChrysler**

Two years after the merger of Daimler and Chrysler to form DCX, the U.S.-German conglomerate paid US\$1.9 billion for a controlling 34 percent of MMC, in an effort to fulfil Chairman Jürgen Schrempp's vision of a "*Welt AG*" ("world corporation"). The price reflected a US\$200 million discount on the originally agreed figure, caused by the public disclosure of the defect cover-up scandal. In March 2001 it increased its stake to 37.3 percent when it acquired Volvo's stake in MMC's truck-making operations, further boosting Mercedes' share of a market it already dominated. However, boardroom wrangles at DCX prevented them

offering financial assistance as Mitsubishi attempted to reduce its crippling debts. When a US\$4 billion rescue package was agreed with Tokyo-based Phoenix Capital in May 2004, DCX's stake was reduced to 23 percent, and further recapitalisations subsequently diluted the holding to 12.4 percent. Finally, on November 11, 2005, the remaining stock was sold for US\$1.1 billion—an US\$800 million loss in five years. Three days later the buyer, investment bank Goldman Sachs sold the shares on for US\$80 million profit. New major stockholder Phoenix Capital followed suit the following month, selling all but 50 million of its 575 million shares to JPMorgan on December 9, 2005. Once again, the investment bank offloaded their purchase within a few days for tens of millions in profit. In both cases, the eventual buyers were part of the Mitsubishi *keiretsu*, returning MMC to Japanese ownership.

## **Other alliances**

### **Hyundai**

Hyundai of South Korea, now one of the most successful tiger economy auto-makers, built the Hyundai Pony in 1975 using MMC's Saturn engine and transmissions. Korea's first car, it remained in production for thirteen years. Mitsubishi held up to a 10 percent stake in the company, until disposing of the last of its remaining shares in March 2003.

### **Proton**

Proton of Malaysia was even more dependent on the Japanese company, initially only assembling their 1985 Proton Saga using MMC components at a newly established facility in Shah Alam. Subsequent models like the Wira and Perdana were based on the Lancer/Colt and Galant/Eterna respectively, before the company finally produced an entirely self-developed vehicle with 2001's Waja. At its peak, this joint venture controlled 75 percent of its domestic market, although Mitsubishi ended their 22-year partnership in 2005, selling their 7.9 percent stake for RM384 million.

### **Volvo**

Mitsubishi participated in a joint venture with rival car-maker Volvo and the Dutch government at the former DAF plant in Born in 1991. The operation, branded NedCar, began producing the first generation Mitsubishi Carisma alongside the Volvo S40/V40 in 1996. The Dutch government sold out to its partners in 1999 and Volvo, by now owned by Ford, sold its stake to Mitsubishi in early 2001 to leave the Japanese company as the only remaining shareholder. The factory currently produces the latest Mitsubishi Colt and superminis (partner DaimlerChrysler cancelled production of the Colt-based Smart Forfour in 2006). Production of European market-bound Mitsubishi Outlanders, and badge engineered versions of this vehicle, are also be manufactured in the Netherlands.

### **PSA Peugeot Citroën**

Mitsubishi have been allied with PSA Peugeot Citroën since 1999, after they agreed to co-operate on the development of diesel engines using the Japanese company's gasoline direct injection (GDI) technology. They united again in 2005 to develop the Peugeot 4007 and Citroën C-Crosser sport utility vehicles (SUVs), based on the Japanese company's Mitsubishi Outlander.



Two further ties were established between the companies in 2008, first with the establishment of a jointly-owned production facility in Kaluga which will manufacture up to 160,000 Outlander-based SUVs for the fast-growing Russian market. They are also collaborating in the research and development of electric powertrains for small urban vehicles. Japanese newspaper *Nikkei* claims that Peugeot Citroën will sell the electric city car Mitsubishi i MiEV in Europe by 2011.

## **Colt & Lonsdale**

The Colt name appears frequently in Mitsubishi's history since its introduction as a rear-engined 600cc sedan in the early 1960s. Today, it most commonly refers to the Mitsubishi Colt subcompact in the company's line-up, but is also the name of MMC's import/distribution company in the United Kingdom, the Colt Car Company, established in 1974. For the first decade of its existence, before Far Eastern auto manufacturers had established their reputations, its cars carried the "Colt" badge in Britain instead of "Mitsubishi". In 1982 & '83, Mitsubishi introduced the Australian-built Chrysler Sigma to the UK as the Lonsdale Sigma in an attempt to circumvent British import quotas, but the new brand was unsuccessful. It then carried Mitsubishi Sigma badges in 1983–84 before abandoning this operation entirely.

## **Recent troubles**

### **Asian economic downturn**

The benefits Mitsubishi had seen because of its strong presence in south-east Asia reversed themselves as a result of the economic crisis in the region which began in 1997. In September of that year the company closed its Thai factory in response to a crash in the country's currency and plummeting consumer demand. The large truck plant, which had produced 8,700 trucks in 1996, was shut down indefinitely. In addition, Mitsubishi had little support from sales in Japan, which slowed considerably throughout 1997 and were affected by that country's own economic uncertainty into 1998. Other Japanese automakers, such as Toyota and Honda, bolstered their own slipping domestic sales with success in the U.S. However, with a comparatively small percentage of the American market, the impact of the turmoil in the Asian economy had a greater effect on Mitsubishi, and the company's 1997 losses were the worst in its history. In addition, it lost both its rank as the third largest automaker in Japan to Mazda, and market share overseas. Its stock price fell precipitously, prompting the company to cancel its year-end dividend payment.

In November 1997, Mitsubishi hired Katsuhiko Kawasoe to replace Takemune Kimura as company president. Kawasoe unveiled an aggressive restructuring program that aimed to cut costs by ¥350 billion in three years, reduce personnel by 1,400, and return the company to profitability by 1998. But while the program had some initial success, the company's sales were still stagnant as the Asian economy continued to sputter. In 1999, Mitsubishi was forced once again to skip dividend payments. Its interest-bearing debt totalled ¥1.7 trillion.

### **Vehicle defect cover-up**

In what was referred to as "one of the largest corporate scandals in Japanese history", Mitsubishi was twice forced to admit to systematically covering up defect problems in its vehicles. Four defects were first publicized in 2000, but in 2004 it confessed to 26 more going back as far as 1977, including failing brakes, fuel leaks and malfunctioning clutches. The effect on the company was catastrophic, forcing it to recall 163,707 cars (156,433 in Japan and 7,274 overseas) for free repair. Further recalls by Fuso truck & bus brought the total number of vehicles requiring repair to almost one million. The affair led to the resignation and subsequent arrest of president Kawasoe, along with 23 other employees who were also implicated. Three of them have since been acquitted, with the judge stating that there was no official request from the Transport Ministry ordering them to submit a defect report.

## **0-0-0**

In an effort to boost sales in the U.S. at the start of the decade, Mitsubishi began offering a "0-0-0" finance offer—0 percent down, 0 percent interest, and \$0 monthly payments (all repayments deferred for 12 months). Initially, sales leapt, but at the end of the year's "grace period" numerous credit-risky buyers defaulted, leaving Mitsubishi with used vehicles for which they had received no money and which were now worth less than they cost to manufacture. The company's American credit operation, MMCA, was eventually forced to make a US\$454 million provision against its 2003 accounts as a result of these losses.

### **Australian production**

In October 2005, MMAL introduced the Mitsubishi 380 to the Australian market as the replacement for its long-running Mitsubishi Magna, and the sole vehicle being built at its Australian assembly plant at Clovelly Park. Despite an investment of AU\$600 million developing the car, initial sales projections have so far proven optimistic; after only six months Mitsubishi scaled back production from 90/day, and reduced the working week from five days to four. It remained an ongoing concern in the Australian auto industry as to whether this would be sufficient to restore the plant to profitability and ensure its long term survival.

The drop in local sales could not be mitigated by exports outside of the Australian and New Zealand market. On February 5, 2008 Mitsubishi Motors Australia announced it would be closing down its Adelaide assembly plant by the end of March. Between 700 and 1000 direct jobs would be lost and up to 2000 jobs will be lost in industries supporting Mitsubishi's local manufacturing operations.

### **Revitalization plan**

After a starvation of new investment caused by lack of cashflow, the company introduced the award-winning Mitsubishi i kei car in 2006, its first new model in 29 months, while a revised Outlander has been introduced worldwide to compete in the popular XUV market niche. The next generation of its Lancer and Lancer Evolution was launched in 2007 and 2008.

Slow selling vehicles were eliminated from the U.S. market, purchase projections for the Global Engine Manufacturing Alliance have been scaled back, and 10,000 jobs have been shed to cut costs with 3,400 workers at its Australian plant and other loss-making operations still under threat. Meanwhile, in an effort to increase production at its U.S. facility, new export markets for the Eclipse and Galant are being explored in Ukraine, the Middle East, and Russia, where the company's bestselling dealership is located. Mitsubishi has also been active in OEM production of cars for Nissan, and announced a similar partnership with PSA Peugeot Citroën in July 2005 to manufacture an SUV on their behalf.

Mitsubishi reported its first profitable quarter in four years in the third quarter of 2006, and returned to profitability by the end of the 2006 financial year, and sustained profitability and global sales of 1,524,000 through 2007 and later.

### **Electric vehicles**

Mitsubishi Motors will start selling its i MiEV, the all-electric mini-car with a lithium-ion battery pack tucked under its floor, to retail customers in the summer 2009, a year ahead of schedule. The automaker had initially planned to start leasing the minicar-based vehicle to businesses and municipalities in the summer 2009 and to wait until 2010 for the retail launch. It has also announced its plans to offer five other e-drive vehicles.

## Motorsport

Mitsubishi has almost half a century of international motorsport experience, predating even the incorporation of MMC. Beginning with street races in the early 1960s, the company found itself gravitating towards the challenge of off-road racing. It dominated endurance rallies in the 1970s, the Dakar Rally from the '80s, and the Group A and Group N classes of the World Rally Championship through the '90s. Ralliart is Mitsubishi's Motorsport subsidiary.

### Circuit racing

Mitsubishi's motorsport debut was in touring car racing in 1962, when it entered its Mitsubishi 500 Super DeLuxe in the Macau Grand Prix in an effort to promote sales of its first post-war passenger car. In an auspicious debut, the diminutive rear-engined sedan swept the top four places in the "Under 750 cc" category, with Kazuo Togawa taking class honours. The company returned the following year with their new Colt 600 and again swept the podium with a 1–2–3 in the "Under 600 cc" class. In its final year of competition with touring cars in 1966, Mitsubishi scored a podium clean sweep in the "750–1000 cc" class of the 1964 Japanese Grand Prix with the Colt 1000, their first front-engined competition vehicle.

The company began concentrating on the Japanese GP's emerging open-wheel "formula car" categories from 1966, winning the "Exhibition" class. They also scored class 1–2 in 1967 and 1968, and reached the podium in 1969 and 1970. They finished on a high with an overall 1–2 in the 1971 Japan GP, with the two litre DOHC F2000 driven by Kuniomi Nagamatsu.

### Off-road racing

The East African Safari Rally was by far the most gruelling event on the World Rally Championship calendar in the 1970s. MMC developed the Lancer 1600 GSR specifically for the marathon race, and won at the first attempt in 1974. Their highpoint was a clean sweep of the podium places in 1976 in an event where only 20 percent of the starters typically reached the finish. They also achieved a 1–2–3–4 in the 1973 Southern Cross Rally, the first of four consecutive victories in this event with drivers Andrew Cowan and Kenjiro Shinozuka.

During the 1980s Mitsubishi continued to participate in the WRC, first with the Lancer EX2000 Turbo and the Starion. It then scored its first outright Group A victories with a Galant VR-4 in the late '80s, Mitsubishi homologated the Lancer Evolution, and in the hands of Finland's Tommi Mäkinen, winner of the drivers' title for four consecutive years (1996–1999), they won the manufacturers' championship in 1998. They have won 34 WRC events since 1973. The Lancer Evo has also dominated the FIA championship for showroom-ready cars, winning seven consecutive Group N titles with four different drivers from 1995–2001. Even in 2002 when it ostensibly lost the title, the class-winning manufacturer was Proton using a Lancer Evo-based Pert.

Mitsubishi is also the most successful manufacturer in the history of the Dakar Rally, one of the most challenging and dangerous motorsport events in the world. MMC's maiden entry was in 1983 with their new Pajero, and it took only three attempts to find a winning formula. Since then, they have won in 1992, '93, '97, '98, and '01–'07, an unprecedented seven consecutive victories and twelfth overall with nine different drivers.





































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LAST AFRICAN SAFARI

KENYA

BCAL

JOGINDER SINGH  
DAVID DOIG

46

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