



UPDATE 3-Mitsubishi Motors hit by massive recall

00V-421

TOKYO, Feb 15 (Reuters) - Japanese automaker Mitsubishi Motors Corp, its image tarnished by a defect cover-up scandal, announced its second massive recall in less than a year on Thursday, affecting an estimated 1.35 million cars.

Japan's Transport Ministry said the automaker submitted plans to recall 401,106 vehicles, including 110,000 cars that had been subject to a previous recall last year after the company admitted to hiding defects and customer complaints for more than 20 years.

Mitsubishi Motors President Takashi Sonobe added the company expected to recall 950,000 cars in the United States, although it had yet to work out details with its U.S. subsidiary.

Sonobe estimated the total cost of the recalls at 17 billion yen (\$146.3 million).

"We must again apologise to the public for diminishing their trust in us," Sonobe told a news conference. "We will take various steps to make sure that this never occurs again."

His words were familiar, echoing apologies by his predecessor Katsuhiko Kawasoe, who resigned last September to take responsibility for a cover-up that came to light over the summer and led to recalls or checks of nearly one million vehicles.

Mitsubishi Motors has been struggling in the wake of that scandal to restore its image and its financial health with the help of DaimlerChrysler AG, which took a 34 percent stake in the company last year.

"We hope to develop a system of checks with DaimlerChrysler," Sonobe said.

SALT IN THE WOUNDS

Mitsubishi Motors' shares slid 8.3 percent on Thursday to close at 364 yen, a low for the month. The benchmark Nikkei average ended the day up 0.33 percent at 13,327.39.

The shares had been trading just under 500 yen last summer before news broke that Mitsubishi had systematically covered up customer complaints for decades rather than reporting them to the authorities for possible recalls, as the law required.

Mitsubishi's share price tumbled more than one-third in the wake of the scandal before finally stabilising late last year. The recalls and checks triggered by the scandal also forced the company to post an 11.5 billion yen special loss for the business year to March.

Analysts expected the additional recalls would rub salt into the automaker's wounds.

"At this point, I can't suggest buying their stock. They need to complete a drastic overhaul of their operations under the close watch of Daimler," said Yoshinobu Muraoka, fund manager at DLBJ Asset

Management

"If you look at their domestic sales numbers, it's clear they are in a tough bind. This will weigh heavily on their stock price. At the same time, it's hard to say they can be sold much lower than the current level."

The company's sales volume in Japan has been sliding in recent months, dropping at double-digit rates from year-earlier levels in four of the last five months.

A Transport Ministry official said the company reported defects in 11 car and truck models sold in Japan, mostly faulty ball joints in its Galant sedan and defective airbags in mini versions of its Pajero sport-utility vehicle.

The recalls in the United States involved four models, including the Galant, a company spokesman said.

(Additional reporting by Mitsuo Suzuki, Nathan Layne)
(\$1-116.20 Yen)

Copyright © 2001 Reuters Limited. All rights reserved. Republication or redistribution of Reuters Limited content, including by framing or similar means, is expressly prohibited without the prior written consent of Reuters Limited. Reuters Limited shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.