

Japan Auto Supplier Execs Fined Millions, Sent to Prison

Nine Japan-based companies and two executives have agreed to plead guilty and pay a total of more than \$740 million in criminal fines.

Guilty pleas were entered for their roles in separate conspiracies to fix the prices of more than 30 different products sold to U.S. car manufacturers and installed in cars sold in the United States and elsewhere.

In making the recent announcement, the Department of Justice stated that price-fixed automobile parts were sold to Chrysler, Ford and General Motors, as well as to the U.S. subsidiaries of Honda, Mazda, Mitsubishi, Nissan, Toyota and Fuji Heavy Industries – more commonly known by its brand name, Subaru.

“These international price-fixing conspiracies affected more than \$5 billion in automobile parts sold to U.S. car manufacturers, and more than 25 million cars purchased by American consumers were affected by the illegal conduct,” said Attorney General Eric Holder.

“The Department of Justice will continue to crack down on cartel behavior that causes American consumers and businesses to pay higher prices for the products and services they rely upon in their everyday lives.”

“Some of the price-fixing conspiracies lasted for a decade or longer, and many car models were fitted with multiple parts that were fixed by the auto parts suppliers,” said Scott D. Hammond, deputy assistant attorney general of the Antitrust Division’s criminal enforcement program.

“The Antitrust Division has worked hand-in-hand with its international competition colleagues who have provided invaluable assistance to the Justice Department in breaking up these worldwide price-fixing cartels.”

“These charges should send a message to companies who believe they don’t need to follow the rules,” said Ronald Hosko, assistant director of the FBI’s Criminal Division. “If you violate the laws of this country, the FBI will investigate and put a stop to the threat you pose to our commercial system. The integrity of our

markets is a part of the foundation of a free society.”

Including those recently announced, 20 companies and 21 executives have been charged in the Antitrust Division’s ongoing investigation into price fixing and bid rigging in the auto parts industry.

“... price fixing conspiracies affected more than \$5 billion in automobile parts sold to U.S. car manufacturers...”

– Eric Holder

According to the Justice Department’s public statement, all 20 companies have either pleaded guilty or have agreed to plead guilty and have agreed to pay more than \$1.6 billion in criminal fines.

Seventeen of the 21 executives have been sentenced to serve time in U.S. prisons or have entered into plea agreements calling for significant prison sentences.

Each of the companies and executives charged, the Justice Department reported, has agreed to cooperate with its ongoing antitrust investigation.

The plea agreements are subject to court approval. The companies’ and executives’ agreed-upon fines and sentences are:

- Hitachi Automotive Systems Ltd. to pay a \$195 million criminal fine;
- Jtekt Corporation to pay a \$103.27 million criminal fine;
- Mitsuba Corporation to pay a \$135 million criminal fine;
- Mitsubishi Electric Corporation (MELCO) to pay a \$190 million criminal fine;
- Mitsubishi Heavy Industries Ltd. to pay a \$14.5 million criminal fine;
- NSK Ltd. to pay a \$68.2 million criminal fine;
- TRAD Co. Ltd. to pay a \$13.75 million criminal fine;
- Valeo Japan Co. Ltd. to pay a \$13.6 million criminal fine;
- Yamashita Rubber Co. Ltd. to pay an \$11 million criminal fine;
- Tetsuya Kunida, a Japanese citizen and former executive of a U.S. subsidiary of a Japan-based automotive anti-vibration rubber products supplier, to serve 12 months and one day in a U.S. prison, and to pay a \$20,000 criminal fine; and

• Gary Walker, a U.S. citizen and former executive of a U.S. subsidiary of Takata to serve 14 months in a U.S. prison, and to pay a \$20,000 criminal fine.

The Justice Department reported that, generally, the companies, executives and co-conspirators engaged in the various price-fixing schemes by attending meetings and communicating by telephone in the United States and Japan to reach collusive agreements to rig bids, set prices and allocated the supply of auto parts sold to the car manufacturers.

They took measures to keep their conduct secret by using code names and meeting in remote locations. Those charged also had further communications to monitor and enforce the collusive agreements.

The multiple conspiracies also harmed U.S. automobile plants in 14 states: Alabama, California, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Mississippi, Missouri, Ohio, Tennessee, Texas and Wisconsin, the department said.

The DOJ has coordinated its investigation with the Japanese Fair Trade Commission, the European Commission, Canadian Competition Bureau, Korean Fair Trade Commission, Mexican Federal Economic Competition Commission, and Australian Competition and Consumer Commission.

Ford’s \$2.6B Pre-Tax Profit a 3Q Record

In its 17th consecutive quarter of profitability, Ford Motor Co. reported a record third-quarter pre-tax profit of \$2.6 billion.

Ford also reported third-quarter earnings of 45 cents a share, an improvement of 5 cents a share compared with a year ago.

Ford sources say they expect the year’s total company pre-tax profit to be higher than 2012, and its automotive operating margin to be higher than last year, rather than earlier forecasts of “about equal.”

The Dearborn automaker’s third-quarter net income of \$1.3 billion, or 31 cents a share, is down \$359 million, or 10 cents a share, from last year. The reduction is due to pre-tax special item

charges, including \$250 million for separation-related actions primarily in Europe and \$145 million associated with Ford’s U.S. salaried retiree voluntary lump sum payout program.

Ford also achieved a first-nine-months’ pre-tax profit of \$7.3 billion, an improvement of \$1 billion compared with a year ago. Its first nine months’ net income was \$4.1 billion.

In addition, Ford established a record third-quarter pre-tax profit for its automotive sector with continued strong results in North America and a combined profit for regions outside North America for the first time since the second quarter of 2011.

The automaker also reported a

record third-quarter profit for Asia Pacific Africa, a profit in South America and a loss in Europe, although that area improved substantially from the second quarter and from a year ago.

Record third-quarter automotive operating-related cash flow was \$1.6 billion, the 14th consecutive quarter of positive operating-related cash flow.

Lear Earnings, Sales Increase In Third Quarter

Lear Corporation reported sales of \$3.9 billion, up 11 percent, in the third quarter.

Other third-quarter financial highlights for Lear:

- Net income of \$113 million;
- Core operating earnings reached \$207 million, up 15 percent;
- Adjusted earnings per share were \$1.45, up 12 percent;
- Free cash flow was \$61 million;

The auto supplier now has an increased full-year outlook for sales, earnings and free cash flow.

In the third quarter, global vehicle production increased 4 percent from a year ago, reflecting production increases in all of the major automotive markets in the world.

Production was up 8 percent in China, 6 percent in North America and 2 percent in Europe and Africa.

“I’m pleased with our solid financial results in the third quarter,” said Matt Simoncini, Lear’s president and CEO. “Our sales are increasing faster than the overall industry, and the investments we have made in the business have improved our competitive position and are driving profitable growth.”

This compares with sales of \$3.5 billion, core operating earnings of \$179 million, net income of \$121 million and adjusted earnings per share of \$1.29 in the third quarter of 2012.

In the seating segment, sales were up 9 percent to \$2.9 billion, reflecting the addition of new business and higher production on key platforms.

Adjusted segment earnings were \$155 million or 5.4% of sales.

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