Mitsubishi Electric update

The Associated Press

TOKYO, Dec. 21 (Kyodo) — Mitsubishi Electric Corp. said Friday the firm and three subsidiaries overcharged the Defense Ministry and others by around 37.4 billion yen on defense-related contracts.

Mitsubishi Electric, one of Japan's leading defense contractors, also said the total amount it will have to pay the ministry over decades of overcharging is projected to total around 77.3 billion yen, which includes around 39.9 billion yen in penalties and interests.

Company President Kenichiro Yamanishi said at a press conference the bill padding had become common over the years as a means to sustain profits.

"We had barely acknowledged (it) was inappropriate," Yamanishi said.

Mitsubishi Electric manipulated material costs and overreported working hours in setting the contract prices, as comparable market prices were unavailable for most of the orders.

The company revised downward its group net profit projection for the current business year through March to 50 billion yen, compared with an earlier-forecast 120 billion yen as it will book expenses for the payment.

Yamanishi also said he will take a cut in pay worth six months of his salary to take responsibility for the bill padding, and other executives will face a pay cut of one month.

Meanwhile, the Defense Ministry said earlier in the day that Mitsubishi Electric overcharged the ministry by around 24.8 billion yen, but it will take several months to determine the amount, which will include penalties, that the company has to pay the ministry.

The total is expected to be around 40 billion to 50 billion yen, the largest sum ever involving a single company for overcharging on contracts with the ministry, exceeding the around 31.8 billion yen NEC Corp. paid in 1999.

Mitsubishi Electric had been overcharging the Defense Ministry, Japan Aerospace Exploration Agency and others since at least around 1970, the ministry said.

Another four affiliated firms of Mitsubishi Electric also overcharged the ministry by around 6.9 billion yen, it said.

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