

# Nissan takes 34 pct stake in scandal-hit Mitsubishi Motors

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Nissan Motor Co. President and CEO Carlos Ghosn answers a question accompanying Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko during their joint press conference at the Nissan headquarters in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan Motor Co. is taking a 34 percent stake in scandal-ridden Mitsubishi Motors Corp. in what Nissan Chief Carlos Ghosn said was "a win-win" deal. (AP Photo/Eugene Hoshiko)

Nissan Motor Co. is investing 237 billion yen (\$2.2 billion) to take a 34

percent stake in scandal-ridden Mitsubishi Motors Corp. in what Nissan Chief Carlos Ghosn said is "a win-win" deal intended to repeat the success of his Nissan-Renault alliance.

Ghosn appeared with Mitsubishi Motors Chairman Osamu Masuko at a hastily called joint news conference Thursday in Yokohama, where Nissan is headquartered. Under the deal, Nissan becomes the top investor in Mitsubishi Motors. Mitsubishi group companies—Mitsubishi Heavy Industries, trading company Mitsubishi Corp. and the Bank of Tokyo-Mitsubishi UFJ—will continue to hold stakes in the automaker, but they have agreed to support the alliance with Nissan, both sides said.

Mitsubishi Motors has been rocked recently by a scandal over cheating to inflate mileage for minicar models. Reporters peppered Ghosn with questions about whether he was worried the scandal may grow.

"This is a breakthrough transaction and a win-win for both Nissan and Mitsubishi Motors. It creates a dynamic new force in the automotive industry that will cooperate intensively and generate sizeable synergies," said Ghosn, the Brazilian-born Frenchman who engineered Nissan's alliance with Renault, which began in 1999.

Adding Mitsubishi will be a plus in sharing platforms, purchasing and technology, and Nissan will benefit from its strengths in Southeast Asia, Ghosn said. The automakers will maintain separate identities, brands and dealerships, Ghosn and Masuko said.



Nissan Motor Co. President and CEO Carlos Ghosn, right, and Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko, left, walk in the venue of their joint press conference at the Nissan headquarters in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan is taking a 34 percent stake in scandal-ridden Mitsubishi Motors in what Ghosn said was "a win-win" deal. (AP Photo/Eugene Hoshiko)

Under the deal, Nissan will purchase 506.6 million newly issued Mitsubishi Motors shares for 468.52 yen a share. The deal is still subject to a formal signing of an agreement, regulators' and shareholders' approvals, but is expected to close by the end of the year. Nissan nominees will join the board at Mitsubishi Motors, including the chairman of the board.

When asked whether partnering with a company prone to fraud might be risky, Ghosn said he trusted Masuko.

"Obviously the problem is very serious, we don't take it lightly. At the same time there are solutions, not only to respond to this problem but also to avoid these kinds of problems," Ghosn told The Associated Press after the news conference.

"And we think Masuko-san from the beginning has been very transparent with us, looking very authentically into why this is happening, how it could happen, how can we limit this into the future," he said, using the Japanese honorific "san" to refer to Masuko.



Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko, right, speaks as Nissan Motor Co. President and CEO Carlos Ghosn, left, listens during their joint press conference at the Nissan headquarters in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan is taking a 34 percent stake in scandal-ridden Mitsubishi Motors in what Ghosn said was "a win-win" deal. (AP Photo/Eugene Hoshiko)

Masuko apologized for the scandal and welcomed the alliance with Nissan.

"This agreement will create long-term value needed for our two companies to progress toward the future," he said.

Tokyo-based Mitsubishi Motors, which makes the Outlander sport-utility vehicle and the i-MiEV electric car, acknowledged last month that it had systematically falsified mileage data for its eK wagon and eK Space light passenger cars, which were produced for Nissan as the Nissan Dayz and Dayz Roox.

It is common for a manufacturer to sell a product made by another company under its own brand.



Nissan Motor Co. President and CEO Carlos Ghosn, right, and Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko, left, walk in the venue of their joint press conference in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan is taking a 34 percent stake in scandal-ridden Mitsubishi Motors in what Ghosn said was "a win-win" deal. (AP Photo/Eugene Hoshiko)

The scandal surfaced after Nissan did its own mileage tests and raised questions. Nissan does not have minicars in its lineup, and placing Mitsubishi under its group umbrella is one solution.

But Nissan, which makes the March subcompact, Infiniti luxury models and Leaf electric car, will face a major challenge in repairing Mitsubishi's tarnished reputation and winning back consumer trust.

In the early 2000s, Mitsubishi disclosed a shocking scandal involving cover-ups of defects such as failing brakes, faulty clutches and fuel tanks prone to falling off, dating back to the 1970s. That resulted in more than



a million vehicles being recalled retroactively.

In the unfolding mileage scandal, Mitsubishi has said the rigging goes back 25 years, and may involve all its models, including discontinued ones.



Nissan Motor Co. President and CEO Carlos Ghosn, left, and Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko attend their joint press conference in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan is taking a 34 percent stake in scandal-ridden Mitsubishi Motors in what Ghosn said was "a win-win" deal. (AP Photo/Eugene Hoshiko)

Ghosn has saved Nissan from near-bankruptcy, imposing cost cuts that have been more efficient, if not brutal, than old-style Japanese management, which relies on cautious, harmonious decision-making by committee and vaguely defined responsibilities. The Renault-Nissan

alliance has built new partnerships such as the one with Russian automaker AvtoVaz.

Mitsubishi had an unsuccessful partnership involving foreign management, with DaimlerChrysler AG from 2000, that failed to reverse Mitsubishi's debts and lagging sales. The collaboration gradually unraveled, ending after about five years.

Also on Thursday, Nissan reported a 40 percent plunge in January-March profit to 71 billion yen (\$651 million), as sales dipped and currency perks faded. Quarterly sales edged down 1.2 percent to 3.25 trillion yen (\$29.8 billion). For the fiscal year, Nissan's profit rose 15 percent to 523.8 billion yen (\$4.8 billion), and Nissan forecast a 525 billion yen (\$4.8 billion) profit for the fiscal year through March 2017.

A weak yen had worked as a plus for exporters like Nissan, but the currency has been strengthening in recent months.





Nissan Motor Co. President and CEO Carlos Ghosn, left, and Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko pose for photographers after their joint press conference at the Nissan headquarters in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan is taking a 34 percent stake in scandal-ridden Mitsubishi Motors in what Ghosn said was "a win-win" deal. Ghosn said Nissan will invest 237 billion yen (\$2.2 billion) to become the top investor in Mitsubishi Motors. (AP Photo/Eugene Hoshiko)

Nissan shares dropped 1.4 percent in Tokyo trading as Japanese media reported that a deal with Mitsubishi was imminent. Mitsubishi Motors, on the other hand, surged 16 percent.

"I would not be putting 237 billion yen into a company if I was not optimistic about the prospect of the company. So I am voting with the money of Nissan," Ghosn said.

"We're going to have 34 percent of the company so we're going to make sure change will happen. Except that change will be done by Mitsubishi itself, not by Nissan. But we will make sure that the change will happen."



Nissan Motor Co. President and CEO Carlos Ghosn, left, and Mitsubishi Motors Corp. Chairman and CEO Osamu Masuko shake hands after their joint press conference at the Nissan headquarters in Yokohama, near Tokyo, Thursday, May 12, 2016. Nissan is taking a 34 percent stake in scandal-ridden Mitsubishi Motors in what Ghosn said was "a win-win" deal. Ghosn said Nissan will invest 237 billion yen (\$2.2 billion) to become the top investor in Mitsubishi Motors. (AP Photo/Eugene Hoshiko)



In this Oct. 28, 2015 file photo, Carlos Ghosn, president and CEO of Nissan Motor Co., unveils the Nissan IDS Concept vehicle in the media preview for the Tokyo Motor Show in Tokyo. Scandal-plagued Mitsubishi Motors Corp. may have a suitor, Nissan Motor Co., headed by auto-industry turnaround guru Carlos Ghosn. Both companies acknowledged Thursday, May 12, 2016, they were in talks on various issues, including a possible partnership involving stake ownership.(AP Photo/Shuji Kajiyama, File)

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