

Nissan in tie-up talks with scandal-hit Mitsubishi

Nissan said on Thursday it is in talks with scandal-hit Mitsubishi Motors over a tie-up that could create one of the world's biggest auto groups, rivalling Toyota and Volkswagen.



Seiji Sugiura via [Pxabay](#)

The announcement came after Japanese media said Nissan will pay about \$1.8bn for 34% of Mitsubishi, which has been plunged into crisis after [bombshell revelations it cheated](#) on fuel-economy tests for years.

"Nissan and Mitsubishi are discussing various matters including capital cooperation, but nothing has been decided," Nissan said on Thursday. The firms will hold a joint news conference later Thursday after separate board meetings.

The proposed deal would amount to Mitsubishi coming under the control of Nissan, making it the top shareholder ahead of Mitsubishi Heavy Industries, which holds a 20% stake, according to major media including national broadcaster NHK. Demand for Mitsubishi's shares skyrocketed in Tokyo, where trading was yet to begin as buy orders overwhelmed sellers. The stock was set to surge about 16% when trading starts.

Mitsubishi admitted last month that unnamed employees had manipulated data to make cars seem more fuel-efficient than they were. The scandal - reported to cover almost every model sold in Japan since 1991 - also includes mini-cars produced by Mitsubishi for Nissan as part of a joint venture. It was Nissan that first uncovered the problems with Mitsubishi's fuel economy data, but Mitsubishi has said Nissan had no part in the cheating.

So far, Mitsubishi has confirmed that four models and more than 600,000 vehicles - all sold in Japan - were involved in the fuel cheating, but warned the number of cars affected would likely rise. The company has suggested employees fudged the tests because they felt under pressure to meet ambitious fuel-economy targets. In some cases, cars appeared to be about 15% more fuel-efficient than they were in reality.

Analysts said a tie-up would give Nissan access to Mitsubishi's strong foothold in Southeast Asia and some key technology, including hybrids and minicars, which are hugely popular in Japan. The move would also help drive Nissan CEO Carlos Ghosn's long-held target of running one of the world's top three auto groups.

"My initial impression is that Mr Ghosn is trying to reach the pinnacle of his career," said Seiji Sugiura, auto analyst at Tokai Tokyo Research Institute. "Nissan has been less than perfect in emerging markets (such as Thailand, Indonesia, India) but Mitsubishi's brand there is very strong."

A tie-up would also be cheaper for Nissan since Mitsubishi shares have plunged by about 40% since the scandal broke. Mitsubishi sold about one million vehicles globally last year, making it one of the smallest among Japan's eight major automakers, also including Honda, Suzuki and Mazda.

The combined sales of Nissan, its French partner Renault, and Mitsubishi would top 9.5 million units annually. That is not far behind the 10.15 million sold last year by Toyota, the world's top automaker, and 9.9 million shifted by German giant Volkswagen. Chevrolet and Cadillac maker General Motors moved 9.8 million vehicles globally in 2015.

It is unclear what sort of financial hit Mitsubishi will take over the scandal. But on Wednesday it said the cheating did not affect cars sold overseas, potentially limiting the scope of the problem, and it ruled out a bailout by its top shareholders.

Mitsubishi Motors was pulled from the brink of bankruptcy a decade ago after it was discovered that it covered up vehicle defects that caused fatal accidents. The Mitsubishi group stepped in with a series of bailouts to save the firm.

Source: AFP

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