

The Nissan Case

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Nissan Co. until 1999

- Nissan is one of the leading automobile makers in Japan.
- The company was founded in 1933.
- Until 1980, Nissan was deadly competing with Toyota in the domestic and international share.
- Nissan has strong reputation in technical innovation, while Toyota is superior in marketing.
- Since 1980, Nissan has been losing grounds to Toyota.
- The economic slump in 1990 gave a fatal damage on Nissan.

The Renault-Nissan Alliance

- In 1999, Nissan was almost bankrupt, while most of Japanese firms were struggling with their own financial problems, and unable to provide financial support to Nissan.
- Renault, a French auto maker, provided \$5.4 billion to Nissan, acquired 36% of the Nissan shares, and sent Carlos Ghosn as the CEO of Nissan.
- Ghosn closed the factories in Tokyo and Kyoto, and brought a drastic recovery to the company.

Carlos Ghosn

- Carlos Ghosn was born in Brazil from the Lebanese parents in 1954. He was a Christian in the Maron church (sect).
- He was educated in a middle school in Paris, graduated from the Ecole polytechnique in 1974, and was given a doctor degree in engineering from the Ecole des mines de Paris in 1978.
- He was hired by the Michelin Corporation, and soon promoted to the head of the Michelin South America and then of the Michelin North America.
- In 1996, he switched to the Renault as a vice president.

Why Nissan needed a foreign CEO?

- In the late 1990s, Japanese economy was suffering from financial crisis, and the financial sector is unable to provide financial supports to nearly bankrupt companies.
- In fact, many firms in financial troubles received financial supports from international investment funds:
 - The Chogin (The Long-Term Credit Bank of Japan, LTCB) was purchased by the Ripplewood in 2000.
 - The Cerberus invested 100 billion yen in the Seibu Railroad Co. in 2006.

Shigarami

- It was difficult for Japanese managers to shrink business with the steak holders in the long-term cooperation.
 - Closing factories, firing employees.
 - Terminating the *keiretsu* relationship with parts suppliers
- There is a strong pressure from the government on firms to maintain local employment.

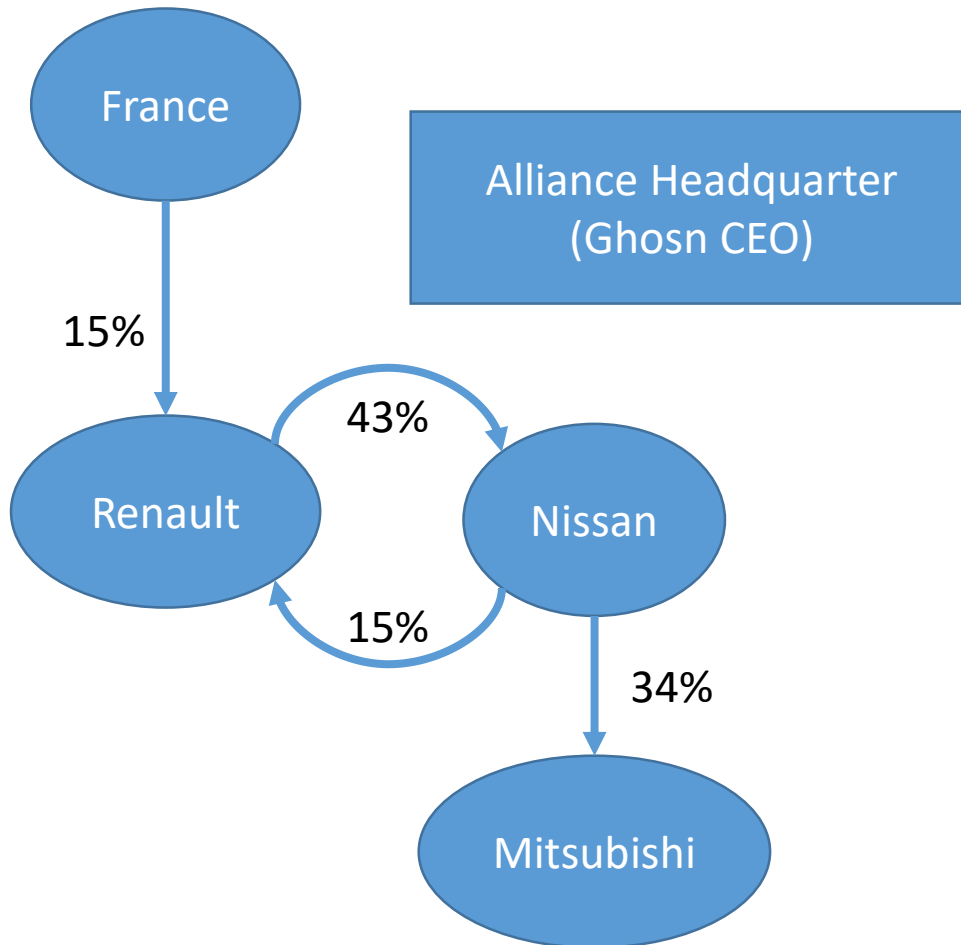
Glory

- Nissan recovered drastically in the early 2000s.
- In 2005, Ghosn was appointed as the CEO of the Renault.
- In 2014, Ghosn was elected as the chairman of the Association des Constructeurs Europeens d'Automobiles.
- In 2016, the Nissan acquired 34% of the shares of the Mitsubishi Auto Co., which was in a trouble of being accused for the fuel consumption data falsification.
- Now Ghosn is the CEO of the second most-selling automaker (Renault-Nissan-Mitsubishi alliance, 2017) in the world.

Accusation

- In November 19, 2018, Mr. Ghosn was suddenly arrested by police in Tokyo, for the accusation of falsification of his income as the chairman of the Nissan executive board.
- According to media coverage,
 - He received much more income than what has been formally reported, and
 - Holding many luxurious houses and apartments abroad for private use, while they were purchased as the investment by the Nissan for business use.

Background



- Renault holds 43% share of Nissan, while Nissan holds only 15% share of Renault.
- Under French law, Nissan's voting right for Renault is invalid.
- Under Japanese law, Renault's voting right for Nissan would be invalid if Nissan held more than 25% share of Renault.
- The French government holds 15% share of Renault, and has requested Ghosn to make the Renault-Nissan partnership to be "irreversible".
- However, the sales of Nissan now overwhelms those of Renault, and more than 50% of the profits of Renault come from the dividends paid by Nissan.
- The rate of return to hold the Nissan share is 6%, quite higher than other Japanese firms.

Nationalism and multinational corporations

- Ghosn originally respected the mutual independence of Renault and Nissan.
- However, Ghosn seems to become more aggressive for the integration of Renault and Nissan, since his tenure was extended to 2022 in February 2018.
- In 2000, Ghosn closed two major factories in Japan and fired more than 20 thousand employees, while he has extended the capacity of Renault factories in France.
- Even a CEO of a global company cannot neglect the will of the national leader, whose decision is crucial to his position.

Similarity to the *Horiemon* case

- In 2005, Horiemon tried to acquire the full control of the Fuji TV, which was then the media giant, by purchasing more than 50% share of the Nippon Radio, which held 20% share of the Fuji TV.
- The Nippon Radio was smaller in the stock market value than Fuji TV, as is Renault than Nissan.
- Market Value, spring 2017
(<https://zuoonline.com/archives/146877>)
 - Nissan - \$36 billion
 - Renault - \$21 billion
- The strong reaction against the Renault-Nissan integration from the Nissan management is similar to that of the Fuji management in 2005.

What can Nissan do?

- The Nissan management wants to reduce the control by Renault. How is it possible?
- Nissan can eliminate the voting right of Renault, by acquiring more than 25% share of Renault. But who will sell that much share?
- Even though Ghosn is kicked out of Nissan, Renault can send replacements to the management board of Nissan.
- Renault still holds more than 40% share of Nissan.

Hostage Justice

- Japan's criminal justice might be severely criticized by the international media.
- Ghosn was unexpectedly arrested at Tokyo.
- He is now investigated by the Tokyo District Public Prosecutors Office, with no contact allowed to the lawyer or his family.
- The Tokyo District Public Prosecutors Office can detain a suspect for up to 20 days for one accusation.
- It can arrest the same person repeatedly under other accusations.