

Nissan shares plunge as report says Honda merger talks off

AFP – Nissan shares plunged on Wednesday after Japan's Nikkei business daily said the carmaker had decided to withdraw from merger talks with rival Honda.

The newspaper and other Japanese media had earlier reported that Honda had proposed making Nissan a subsidiary, instead of the previous plan to integrate under a new holding company.

“Strong opposition” within Nissan to this proposal had led it to walk away, the Nikkei said, adding that discussions on a holding company had faltered as the pair disagreed on the integration ratio and other conditions.

In late afternoon trade in Tokyo, Nissan shares were down 4.8 percent. Honda shares, however, soared 12 percent.

Tokyo Stock Exchange then suspended trading of Nissan shares, saying that confirmation of the authenticity of media reports related to the cancellation of the merger was necessary.

Nissan and Honda agreed in December to launch discussions on joining forces to create the world's third largest automaker, seen as a bid to catch up with Tesla and Chinese electric vehicle firms.

Honda's CEO insisted at the time it was not a bailout for Nissan, which last year announced thousands of job cuts after reporting a 93 percent plunge in first-half net profit.

Lacklustre consumer spending and stiff competition in several markets are making life hard for many automakers.

Business has been especially tough for foreign brands in China where electric vehicle manufacturers such as BYD are leading

the way as demand grows for less polluting vehicles.

China overtook Japan as the biggest vehicle exporter last year, helped by government support for EVs.

Honda and Nissan are Japan's number two and three automakers after Toyota.

They already agreed last year to explore a partnership on EV software and components among other technologies, an initiative joined by Mitsubishi Motors in August.

But the smaller automaker's chief said this week it would make a final decision on whether to join the Honda-Nissan merger talks in mid-February or later.

In December, reports said Taiwanese electronics behemoth Foxconn had unsuccessfully approached Nissan to acquire a majority share.

It then reportedly asked Renault to sell its 35 percent stake in Nissan – a pursuit that was put on hold before the merger talks were announced.

Nissan has weathered a turbulent decade, including the 2018 arrest of former boss Carlos Ghosn, who later jumped bail and fled Japan concealed in a music equipment box.

The company is also saddled with billions of dollars of debt that will reportedly mature over the next two years.

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