

Accounting for the Economic Reality of the Renault-Nissan Alliance
Case prepared for Complex Deals by Robert Bushman

Case Overview

This case focuses on the financial accounting representation of the strategic alliance between the auto companies Renault and Nissan. The Renault-Nissan Alliance is multi-faceted, consisting of a direct ownership aspect and a “virtual” organizational aspect. At the time this case is being written, it is interesting to note that Carlos Ghosn is simultaneously the CEO of both Renault and Nissan, and is also heads up the Alliance Board of Renault-Nissan B.V.

This case focuses on the economic essence of the Renault-Nissan Alliance and how financial consequences of the alliance are reflected in Renault’s financial accounting reports. One important issue is that Renault owns shares of Nissan and Nissan owns shares of Renault.

Case Analysis Questions

Alliance Overview: Consider the structure of the alliance as represented in Figures 1, 2 and 3:

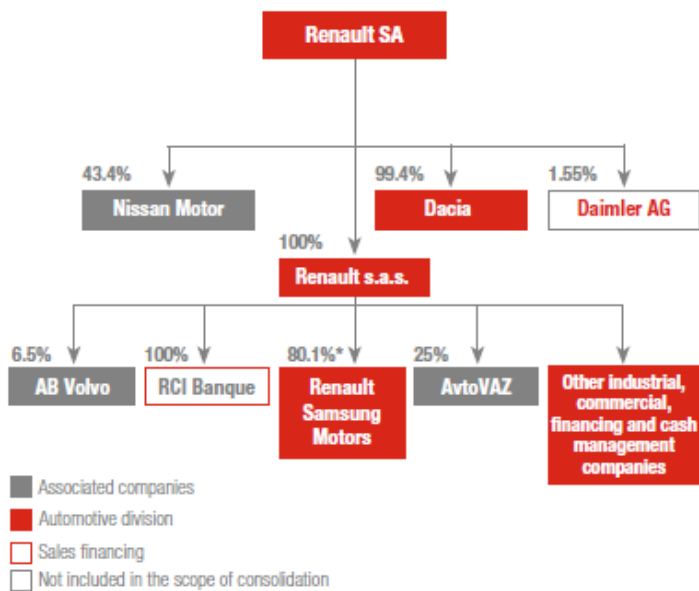
1. Figures 1 and 2 indicate that Renault Nissan B. V. (RNBV) is a central element of the alliance. Presumably the objective of the alliance is to generate synergies for both entities. Where is the synergy value generated by the entity called Renault-Nissan B.V. (RNBV) reflected in Renault’s results of operations?
2. What aspects of the alliance’s organizational design create incentives for Renault and Nissan to cooperate rather than each side seeking to opportunistically exploit the other?

Examine Renault’s balance sheet, income statement and Notes 10 & 14 to the financial statements:

3. How does Renault account for its direct economic investment in Nissan?
4. How much buried goodwill is on Renault’s 12/31/2010 balance sheet with respect to its investment in Nissan?
5. What conceptual issues does the cross-holding structure raise in terms of using the equity method to account for the alliance?
6. In notes 10 and 14 C&D, Renault refers to “neutralization” of Nissan’s investment in Renault. What is this “neutralization” doing to the reported Investment in Nissan, and why is it necessary to properly report the economics of Renault’s direct investment in Nissan?
7. The article at the end of the case discusses recent maneuvering by the French Government to maintain significant influence over Renault. To what extent will this maneuvering potentially undermine the stability of the alliance?

Structure of the Renault Group (see financial statement data below for a more extensive view)

SIMPLIFIED ORGANIZATION CHART AT DECEMBER 31, 2010 (AS A % OF SHARES)



The Renault-Nissan Alliance – The Philosophy

Signed on March 27, 1999, the Renault-Nissan Alliance has built a unique business model that has created significant value for both companies. In 2014, the Alliance sold a record 8.5 million units worldwide, up 2.5% from the previous year. The Alliance captured about 10% of the global market in 2014, ranking it fourth in volume terms behind Toyota, Volkswagen and GM.

The Alliance is based on trust, respect and transparency among all partners. It strives for “win-win” solutions that benefit Alliance partners and their customers. It seeks to maximize economies of scale while preserving the distinct identities of brands and corporate cultures.

Nissan and Renault, headquartered in Yokohama and Boulogne-Billancourt respectively, have separate management structures. The responsibility for managing their activities lies with their respective Executive Committees, which are answerable to the Board of Directors and their own shareholders. In March 2002, the Alliance set up a strategic management company, incorporated under Dutch law and jointly and equally owned by Nissan and Renault. The aim was to establish a common strategy and manage all synergies. Renault-Nissan b.v. (RNBV) hosts the Alliance Board, chaired by Carlos Ghosn. Renault has a 43.4% stake while Nissan’s stake in Renault is 15%.

The Renault-Nissan Alliance - Governance and Operational Structure

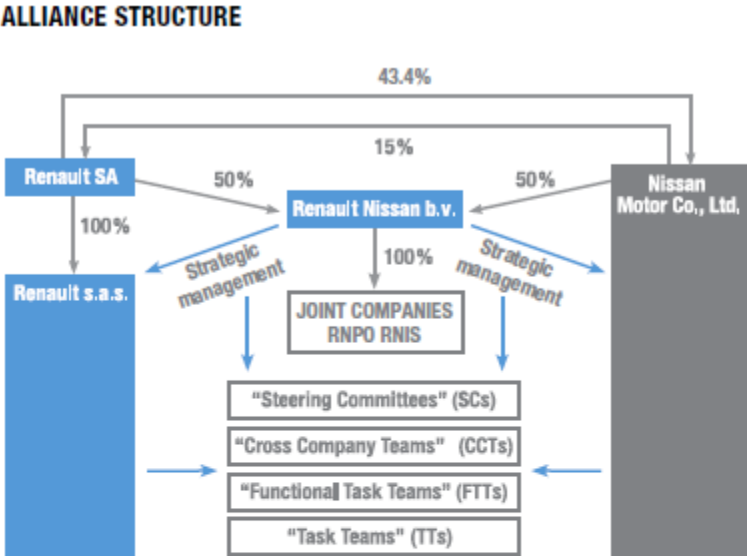
Formed on March 28, 2002, Renault-Nissan B.V. (RNBV) is a joint company, incorporated under Dutch law and equally owned by Renault SA and Nissan Motor Co., RNBV is responsible for the strategic management of the Alliance.

RNBV decides on the Alliance’s medium- and long-term strategy. It bolsters the management of the Renault-Nissan Alliance and coordinates joint activities at a global level, allowing for decisions to be made while respecting the autonomy of each partner and guaranteeing a consensual operating procedure.

RNBV possesses limited powers over both Renault SA and Nissan Motor Co., Ltd. Renault SA, headquartered in Boulogne-Billancourt, France, and Nissan Motor Co., Ltd., based in Yokohama, Japan, have separate decision making bodies. The responsibility for managing their activities lies with their respective Executive Committees, which are accountable to their respective Board of Directors and shareholders.

In addition, RNBV holds the shares of Renault-Nissan Purchasing Organization (RNPO), created in April 2001, and Renault-Nissan Information Services (RNIS), a common information systems company created in July 2002. RNPO was originally equally owned by Renault and Nissan until its shares were transferred to RNBV in June 2003.

The Alliance is a unique partnership of two global companies which aims at creating synergies while each company preserve its own distinct culture, brand identity and management.



All other aspects relating to Renault SA and Nissan Motor Co., Ltd., whether operational, commercial, financial or labor-related, are managed independently by each company and the corresponding decisions will be taken independently by these companies’ respective governing bodies. The two companies retain their autonomy of decisions, the identity of their respective brands, their employee-representative bodies and their employees. They are also responsible for their own results.

Figure 1

KEY MISSIONS OF THE CONVERGED FUNCTIONS

The main objective of Alliance Technology Development is to accelerate the commonization of parts, powertrains, platforms, and advanced engineering, and to optimize the use of the Alliance's engineering resources. The converged function will also enable the Alliance to get maximum leverage out of its size. The commonized technologies will be available for each company to use on their specific products.

The newly converged Purchasing function will further strengthen the long history of commonization between Renault and Nissan in this area. Convergence will help to reinforce global processes for purchasing, methodologies and supplier knowledge, as well as help localize parts procurement.

The creation of a Supply Chain Management function has enabled Renault and Nissan to bring together their Supply Chain and Logistics functions which will help the growing cross-production between the companies.

In Manufacturing, a common Industrial Strategy has been established. The Alliance has also established an Alliance Production Way and Industrial Performance teams. These will also contribute to optimize the cross-production of cars at Renault and Nissan plants and therefore optimize the use of manufacturing capacities. For example: the Nissan Rogue at the Renault Busan plant in Korea, the Renault Duster at the Alliance Chennai plant in India, and the next-generation Nissan Micra in Renault's Flins plant in France.

Regarding HR, personal exchanges and recruitment plans are now jointly managed in the converged function. Furthermore, the management of top Alliance executives and talent is now commonized.

1.2.4.2 OPERATIONAL ALLIANCE TEAMS AND COMMITTEES

In addition to the converged functions, the Alliance continues to look for synergies in functions that are not converged through Cross-Company Teams (CCTs) and Functional Task Teams (FTTs).

Dedicated Alliance Global managers within RNBV are also responsible for accelerating synergies and best-practice sharing in other areas. This team has been in place since 2009. Today the Alliance Global managers are focused on the following areas:

1. Alliance A-Segment Development;
2. Alliance IS/IT;
3. Alliance Control;
4. Alliance Communications & Marketing;
5. Alliance Finance & Economic Advisor;
6. Alliance Cooperation with Daimler group;
7. Alliance Customs and Trade;
8. Alliance Product Planning.

The Alliance managers report into the head of the Alliance CEO Office & RNBV, who reports directly to the Renault-Nissan Alliance Chairman and CEO.

FUNCTIONAL TASK TEAMS

The FTTs are made up of experts from both Renault and Nissan and provide the CCTs with essential support in terms of benchmarking, the promotion of best practices and the harmonization of tools used in the support functions.

STEERING COMMITTEES

The steering committees are tasked with defining the Alliance's cross-functional strategic operational priorities, submitting topics to the Alliance Board Meeting that may be given priority status in the agenda and coordinating the activities of the Cross-Company Teams (CCTs) and Functional Task Teams (FTTs) that fall within the scope of the steering committees. They take operational decisions that are not within the scope of the CCTs, report on progress to the Alliance Board Meeting and, wherever necessary, seek arbitration on and/or confirmation for decisions.

Today there are 13 steering committees, each focusing on a different field that supports the CCTs and FTTs in the implementation of Alliance projects.

- | | |
|------------------------------|---------------------------------|
| 1. Chief Competitive Officer | 8. Asia & Pacific (excl. China) |
| 2. Planning | 9. Middle East & India |
| 3. Sales | 10. Africa |
| 4. Services | 11. Americas |
| 5. Marketing | 12. Europe |
| 6. Communications | 13. Russia |
| 7. China | |

The number of SCs, CCTs and FTTs and their area of focus are constantly adapted in line with the needs of the Alliance.

CROSS-COMPANY TEAMS

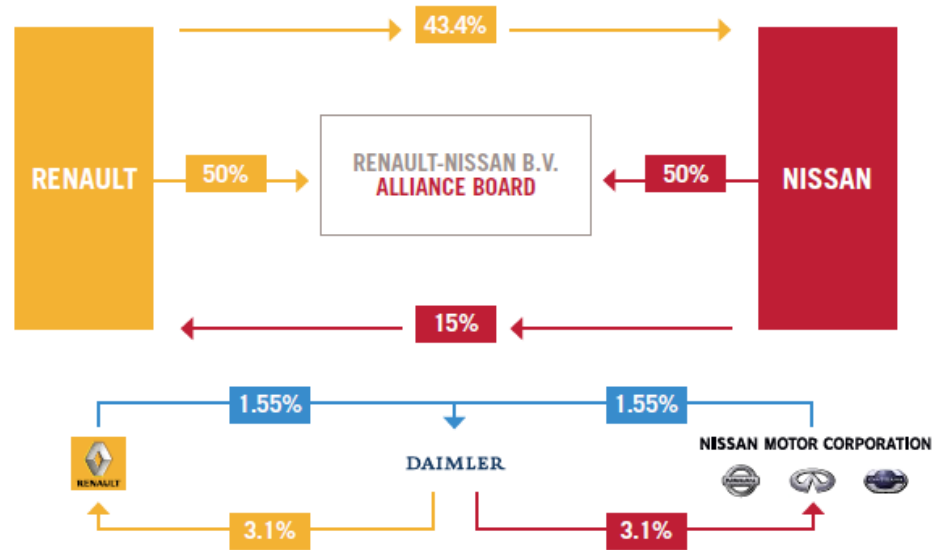
The CCTs are working groups comprising staff and experts from both companies that are tasked with exploring possible areas of cooperation and synergy between Renault and Nissan, defining and concretely specifying projects and then monitoring the implementation of projects approved by the Board. The CCTs are headed by two co-leaders, one from Renault and one from Nissan. With the convergence of the four key business functions in April 2014, several CCTs - eg. Research & Advanced Engineering, Process Engineering and Manufacturing - were dissolved and integrated into the new converged functions.


Today there are 11 teams working on the following areas:

- | | |
|-----------------------------------|--------------------------------------------|
| 1. Product Planning | 7. Korea |
| 2. Light commercial vehicle | 8. Africa |
| 3. Vehicle Information Technology | 9. Joint Market Research |
| 4. Vehicle Engineering | 10. India |
| 5. Parts & Accessories | 11. Association of Southeast Asian Nations |
| 6. Corporate Sales | |


There are 15 FTTs that cover the following key areas:

- | | |
|------------------------------------|-----------------------------------|
| 1. Corporate Planning | 9. Marketing Organization |
| 2. Product Engineering Performance | 10. Sales Expansion |
| 3. Quality | 11. Customer Experience |
| 4. Cost Management & Control | 12. Service Engineering |
| 5. Global tax | 13. Legal & Intellectual Property |
| 6. Joint Media Buying | 14. Alliance Motorsport |
| 7. Joint Events & Motor Shows | 15. Communications |
| 8. Joint Agencies | |







Thierry BOLLORÉ
Executive Vice President,
Chief Competitive Officer






Jérôme STOLL
Executive Vice President,
Chief Performance Officer,
Sales & Marketing




Mouna SEPEHRI
Executive Vice President
Office of the CEO




Bruno ANCELIN
Executive Vice President,
Product Planning and
Programs


Carlos GHOSN
Chairman and Chief Executive
Officer of Renault and Nissan




Hiroto SAIKAWA
Chief Competitive
Officer



Trevor MANN
Chief Performance
Officer



Greg KELLY
Alliance Executive Vice
President, Alliance Talent
Management



Philippe KLEIN
Chief Planning Officer

The Alliance Board is the common governance body of the Alliance, held by Renault-Nissan BV, headquartered in Amsterdam. RNBV is equally-owned by Renault and Nissan.

It is composed of four Renault senior executives and four Nissan senior executives, and it is supported by the full Executive Committee of both companies. It is chaired by Renault-Nissan Alliance Chairman and CEO Carlos Ghosn.

The board focuses on strategic direction, significant new opportunities for collaboration, and the progress of the Alliance relative to industry benchmarks.

Alliance Board Meetings typically include a focus on:

- ◆ Mid-term plan progress
- ◆ Validation of product plans
- ◆ Commonality of products and powertrains
- ◆ Strategic investments impacting the Alliance
- ◆ Strategic cooperations with third parties

Renault-Nissan BV headquarters, in Amsterdam.

Figure 2

RNVB implements the decisions made by the Alliance. RNVB has limited *decision-making power* with respect to Nissan and Renault. These decisions are those that it would be difficult for the two companies to take separately while being sure that they would be able to pursue global implementation and thus take advantage of economies of scale.

RNBV also has the exclusive *power to make proposals* on a range of decisions by the two operating companies, Nissan and Renault. These two entities are free to accept or reject these proposals. However, they can implement these decisions only if a proposal has been made by RNBV. The power of initiative of RNBV ensures that the partners harmonize their policies.

All other aspects relating to Renault and Nissan, whether operational, commercial, financial or labor-related, are managed independently by each company and the corresponding decisions will be taken independently by these companies' respective governing bodies. The two companies retain their autonomy of management, the identity of their respective brands, their employee-representative bodies and their employees. They are also responsible for their own results.

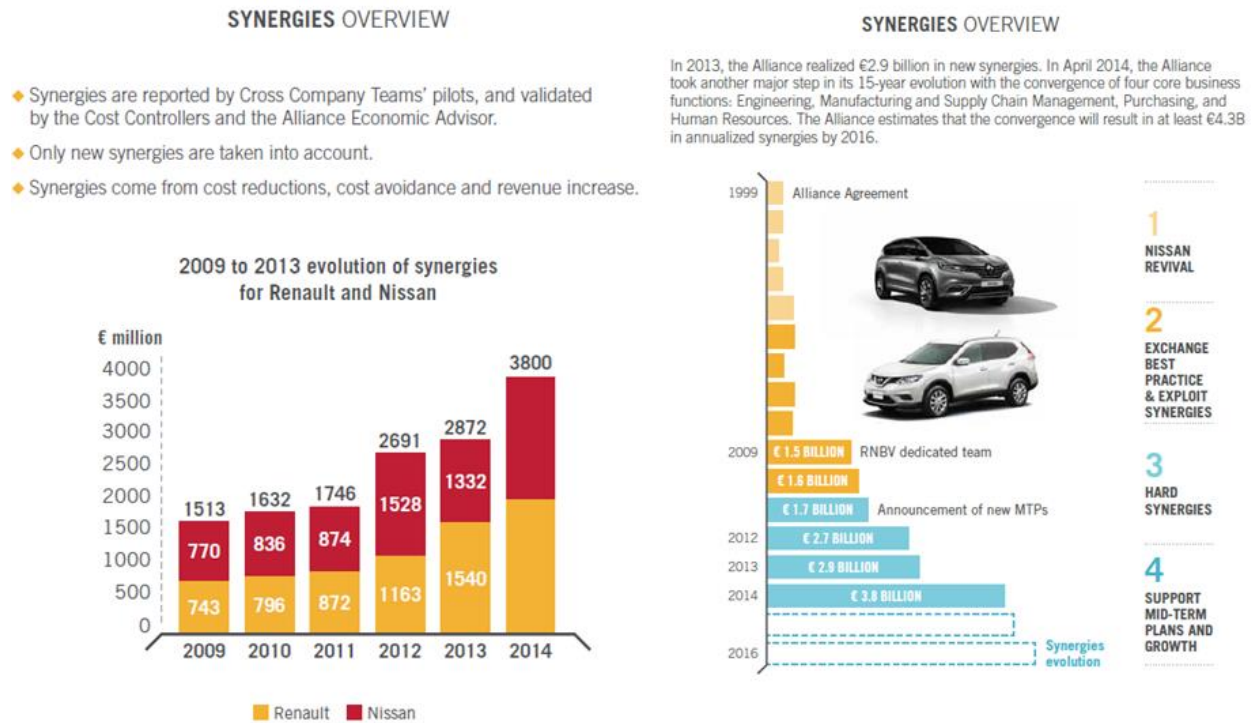
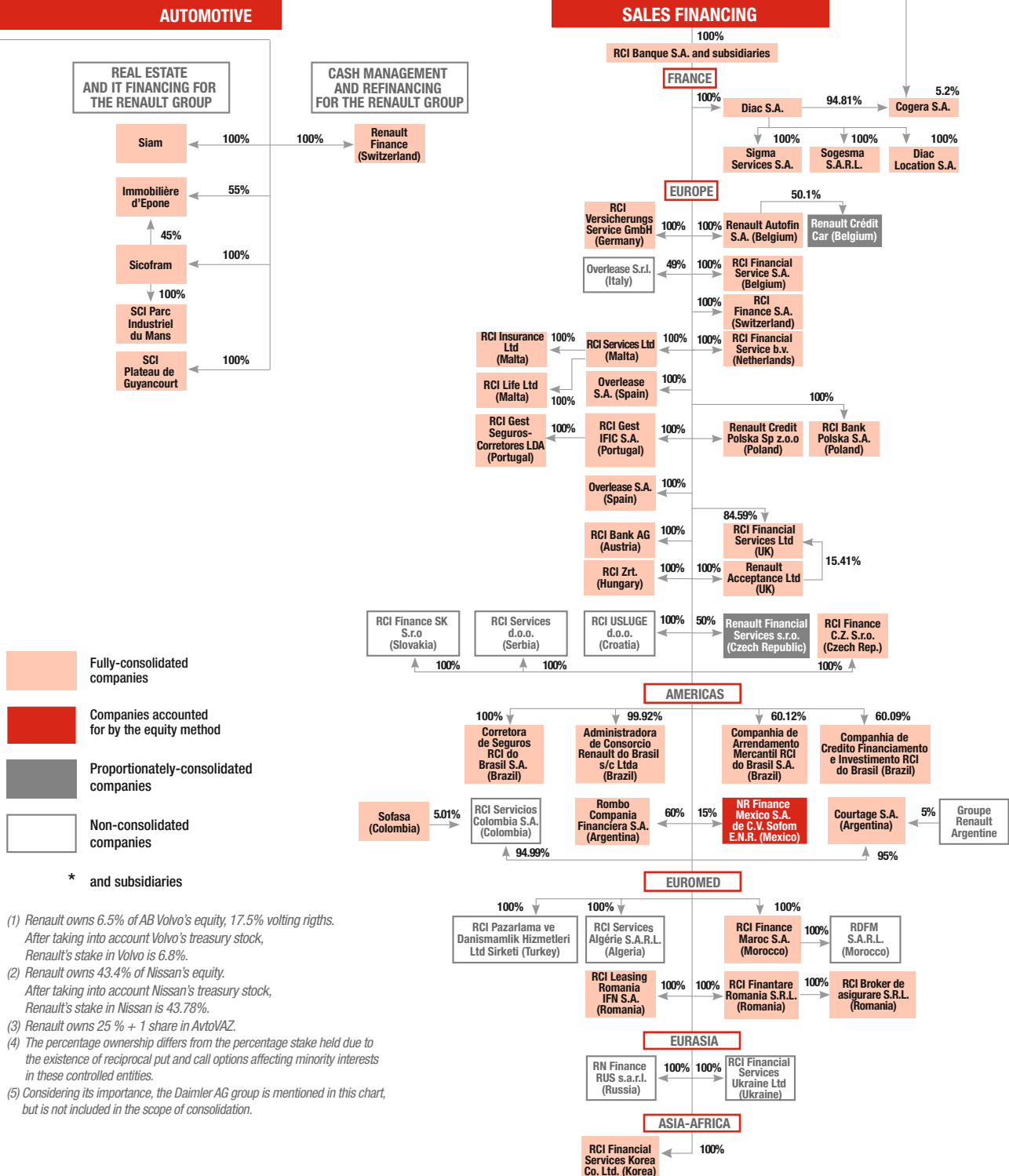


Figure 3

THE RENAULT GROUP PRESENTATION OF RENAULT AND THE GROUP

1,55% → DAIMLER AG⁽⁵⁾



(1) Renault owns 6.5% of AB Volvo's equity, 17.5% voting rights. After taking into account Volvo's treasury stock, Renault's stake in Volvo is 6.8%.
 (2) Renault owns 43.4% of Nissan's equity. After taking into account Nissan's treasury stock, Renault's stake in Nissan is 43.78%.
 (3) Renault owns 25% + 1 share in AvtoVAZ.
 (4) The percentage ownership differs from the percentage stake held due to the existence of reciprocal put and call options affecting minority interests in these controlled entities.
 (5) Considering its importance, the Daimler AG group is mentioned in this chart, but is not included in the scope of consolidation.

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FINANCIAL STATEMENTS CONSOLIDATED FINANCIAL STATEMENTS

4.2 CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 CONSOLIDATED INCOME STATEMENT

<i>(€ million)</i>	2010	2009
Sales of goods and services	37,654	32,415
Sales financing revenues	1,317	1,297
Revenues (note 4)	38,971	33,712
Cost of goods and services sold	(30,620)	(26,978)
Cost of sales financing (note 5)	(813)	(953)
Research and Development expenses (note 12-A)	(1,834)	(1,795)
Selling, general and administrative expenses	(4,605)	(4,382)
Operating margin (note 6)	1,099	(396)
Other operating income and expenses (note 7)	(464)	(559)
<i>Other operating income</i>	197	137
<i>Other operating expenses</i>	(661)	(696)
Operating income	635	(955)
Net interest income (expenses)	(354)	(353)
<i>Interest income</i>	146	118
<i>Interest expenses</i>	(500)	(471)
Other financial income and expenses	(22)	(51)
Financial income (note 8)	(376)	(404)
Gain on sale of AB Volvo Series B shares	2,000	
Share in net income (loss) of associates	1,289	(1,561)
<i>Nissan (note 14)</i>	1,084	(902)
<i>Other associates (note 15)</i>	205	(659)
Pre-tax income	3,548	(2,920)
Current and deferred taxes (note 9)	(58)	(148)
NET INCOME	3,490	(3,068)
Net income – non-controlling interests' share	70	57
Net income – parent-company shareholders' share	3,420	(3,125)
Earnings per share ⁽¹⁾ <i>(in €)</i> (note 10)	12.70	(12.13)
Diluted earnings per share ⁽¹⁾ <i>(in €)</i> (note 10)	12.70	(12.13)
Number of shares outstanding <i>(in thousands)</i> (note 10)		
<i>for earnings per share</i>	269,292	257,514
<i>for diluted earnings per share</i>	269,292	257,514

(1) Net income – parent-company shareholders' share divided by number of shares stated.

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FINANCIAL STATEMENTS CONSOLIDATED FINANCIAL STATEMENTS

4.2.3 CONSOLIDATED FINANCIAL POSITION

(€ million)	DECEMBER 31, 2010	DECEMBER 31, 2009
ASSETS		
Non-current assets		
Intangible assets (note 12-A)	3,677	3,893
Property, plant and equipment (note 12-B)	11,504	12,294
Investments in associates	14,199	12,084
<i>Nissan (note 14)</i>	<i>13,345</i>	<i>10,583</i>
<i>Other associates (note 15)</i>	<i>854</i>	<i>1,501</i>
Non-current financial assets (note 23)	1,728	1,026
Deferred tax assets (note 9)	705	279
Other non-current assets (note 19)	435	424
TOTAL NON-CURRENT ASSETS	32,248	30,000
Current assets		
Inventories (note 16)	4,567	3,932
Sales financing receivables (note 17)	19,276	18,243
Automobile receivables (note 18)	1,329	1,097
Current financial assets (note 23)	799	787
Current tax assets	178	195
Other current assets (note 19)	1,685	1,636
Cash and cash equivalents (note 23)	10,025	8,023
TOTAL CURRENT ASSETS	37,859	33,913
Assets held for sale (note 7-B)	-	65
TOTAL ASSETS	70,107	63,978

<i>(€ million)</i>	DECEMBER 31, 2010	DECEMBER 31, 2009
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	1,127	1,086
Share premium	3,785	3,453
Treasury shares	(145)	(229)
Revaluation of financial instruments	235	(109)
Translation adjustment	(554)	(2,568)
Reserves	14,367	17,474
Net income – parent-company shareholders' share	3,420	(3,125)
Shareholders' equity – parent-company shareholders' share	22,235	15,982
Shareholders' equity – non-controlling interests' share	522	490
TOTAL SHAREHOLDERS' EQUITY (NOTE 20)	22,757	16,472
Non-current liabilities		
Deferred tax liabilities (note 9)	125	114
Provisions – long-term (note 21)	2,243	1,829
Non-current financial liabilities (note 24)	7,096	9,048
Other non-current liabilities (note 22)	734	660
TOTAL NON-CURRENT LIABILITIES	10,198	11,651
Current liabilities		
Provisions – short-term (note 21)	965	914
Current financial liabilities (note 24)	4,546	3,825
Sales financing debts (note 24)	19,366	19,912
Trade payables	6,348	5,911
Current tax liabilities	106	54
Other current liabilities (note 22)	5,821	5,179
TOTAL CURRENT LIABILITIES	37,152	35,795
Liabilities associated with assets held for sale (note 7-B)	-	60
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	70,107	63,978

NOTE 10 – BASIC AND DILUTED EARNINGS PER SHARE

<i>(in thousands of shares)</i>	2010	2009
Shares in circulation	292,127	284,937
Treasury shares	(3,438)	(7,882)
Shares held by Nissan x Renault's share in Nissan	(19,397)	(19,541)
Number of shares used to calculate basic earnings per share	269,292	257,514

The number of shares used to calculate the basic earnings per share is the weighted average number of ordinary shares in circulation during the period, i.e. after neutralization of treasury shares and Renault shares held by Nissan.

NOTE 14 – INVESTMENT IN NISSAN**A – Nissan consolidation method**

Following the operations described in “Significant events”, Renault's investment in Nissan was down slightly, from 44.3% in 2009 to 43.4% in 2010. Renault and Nissan have chosen to develop a unique type of alliance between two distinct companies with common interests, uniting forces to achieve optimum performance. The Alliance is organized so as to preserve individual brand identities and respect each company's corporate culture.

Consequently:

- Renault does not hold the majority of Nissan voting rights;
- the terms of the Renault-Nissan agreements do not entitle Renault to appoint the majority of Nissan directors, nor to hold the majority of voting rights at meetings of Nissan's Board of Directors; at December 31, 2010 as in 2009, Renault supplied four of the total nine members of Nissan's Board of Directors;
- Renault Nissan b.v. owned 50% by Renault and 50% by Nissan, is the Alliance's joint decision-making body for strategic issues concerning either group individually. Its decisions are applicable to both Renault and Nissan. This entity does not enable Renault to direct Nissan's financial and operating strategies, and cannot therefore be considered to represent contractual control by Renault over Nissan. The matters examined by Renault Nissan b.v. since it was formed have remained strictly within this contractual framework, and are not an indication that Renault exercises control over Nissan;
- Renault can neither use nor influence the use of Nissan's assets in the same way as its own assets;
- Renault provides no guarantees in respect of Nissan's debt.

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FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS / NOTE 14 – INVESTMENT IN NISSAN

In view of this situation, Renault is considered to exercise significant influence in Nissan, and therefore uses the equity method to include its investment in Nissan in the consolidation.

B – Nissan consolidated financial statements included under the equity method in the Renault consolidation

The Nissan accounts included under the equity method in Renault's financial statements are Nissan's consolidated accounts published in compliance with Japanese accounting standards (as Nissan is listed on the Tokyo

Stock Exchange), after adjustments for the requirements of the Renault consolidation.

Nissan publishes consolidated financial statements quarterly, and annually at March 31. For the purposes of the Renault consolidation, Nissan results are included in line with the Renault calendar (the results for the period January to December are consolidated in Renault's annual financial statements).

Following the transactions described in "Significant events", Nissan held 0.9% of its own shares at December 31, 2010, compared to 3.0% at December 31, 2009. Consequently, Renault's percentage interest in Nissan was 43.8% at December 31, 2010, compared to 45.7% at December 31, 2009.

C – Changes in the investment in Nissan

			SHARE IN NET ASSETS	NET GOODWILL	TOTAL
	BEFORE NEUTRALIZATION	NEUTRALIZATION PROPORTIONAL TO NISSAN'S INVESTMENT IN RENAULT ⁽¹⁾	NET		
<i>(€ million)</i>					
At December 31, 2009	10,817	(962)	9,855	728	10,583
2010 net income	1,084	-	1,084	-	1,084
Dividend distributed	(88)	-	(88)	-	(88)
Translation adjustment	1,756	-	1,756	162	1,918
Effect of the Alliance/Daimler cooperation ⁽²⁾	(212)	(13)	(225)	(12)	(237)
Other changes ⁽³⁾	85	-	85	-	85
At December 31, 2010	13,442	(975)	12,467	878	13,345

(1) Nissan has held 15% of Renault since the acquisition in 2002, excluding the subsequent impacts of Renault's repurchases of its treasury shares.

(2) These effects are described in "Significant events".

(3) Other changes include Renault dividends received by Nissan (if any), the change in actuarial gains and losses on pension obligations, the change in the financial instruments revaluation reserve and changes in Nissan treasury shares.

D – Changes in Nissan equity restated for the purposes of the Renault consolidation

<i>(in billions of yen)</i>	DECEMBER 31, 2009	2010 NET INCOME	DIVIDENDS	TRANSLATION ADJUSTMENT	EFFECTS OF THE ALLIANCE/ DAIMLER COOPERATION ⁽¹⁾	OTHER CHANGES ⁽²⁾	DECEMBER 31, 2010
Shareholders' equity – Nissan share under Japanese GAAP	2,690	277	(21)	(190)	86	16	2,858
Restatements for Renault group requirements:							
Restatement of fixed assets	354	(2)					352
Provision for pension and other long-term employee benefit obligations ⁽³⁾	(234)	32		2		26	(174)
Capitalization of development expenses	565	(25)					540
Deferred taxes and other restatements ⁽⁴⁾	(225)		(1)	11	(5)	(19)	(239)
Net assets restated for Renault group requirements	3,150	282	(22)	(177)	81	23	3,337
<i>(€ million)</i>							
Net assets restated for Renault group requirements	23,660	2,468	(201)	3,940	639	198	30,704
Renault's share	45.7%						43.8%
(before neutralization described below)	10,817	1,084	(88)	1,756	(212)	85	13,442
Neutralization proportional to Nissan's investment in Renault ⁽⁵⁾	(962)				(13)		(975)
Renault's share in the net assets of Nissan	9,855	1,084	(88)	1,756	(225)	85	12,467

(1) Operations described in "Significant events".

(2) Other changes mainly include the change in actuarial gains and losses on pension obligations and the change in the financial instruments revaluation.

(3) Including actuarial gains and losses recognized in equity.

(4) Including elimination of Nissan's investment in Renault, accounted for by the equity method.

(5) Nissan has held 15% of Renault since the acquisition in 2002, excluding the subsequent impacts of Renault's repurchases of its treasury shares.

E – Nissan net income under Japanese GAAP

Since Nissan's financial year ends at March 31, the Nissan net income included in the 2010 Renault consolidation is the sum of Nissan's net income for the final quarter of its 2009 financial year and the first three quarters of its 2010 financial year.

	JANUARY TO MARCH 2010		APRIL TO JUNE 2010		JULY TO SEPTEMBER 2010		OCTOBER TO DECEMBER 2010		JANUARY TO DECEMBER 2010	
	FOURTH QUARTER OF NISSAN'S 2009 FINANCIAL YEAR		FIRST QUARTER OF NISSAN'S 2010 FINANCIAL YEAR		SECOND QUARTER OF NISSAN'S 2010 FINANCIAL YEAR		THIRD QUARTER OF NISSAN'S 2010 FINANCIAL YEAR		REFERENCE PERIOD FOR RENAULT'S 2010 CONSOLIDATED FINANCIAL STATEMENTS	
	<i>(in billions of yen)</i>	<i>(€ million) ⁽¹⁾</i>	<i>(in billions of yen)</i>	<i>(€ million) ⁽¹⁾</i>	<i>(in billions of yen)</i>	<i>(€ million) ⁽¹⁾</i>	<i>(in billions of yen)</i>	<i>(€ million) ⁽¹⁾</i>	<i>(in billions of yen)</i>	<i>(€ million) ⁽¹⁾</i>
Net income – parent-company shareholders' share	(12)	(92)	107	908	102	919	80	714	277	2,449

(1) Converted at the average 2010 exchange rate for each quarter.

F – Nissan financial information under IFRS

The table below presents Nissan financial information, restated for the purposes of the Renault consolidation, for the period January 1-December 31, 2010. The restatements include adjustments for harmonization of accounting standards and the adjustments to fair value of assets and liabilities applied by Renault at the time of acquisitions in 1999 and 2002.

	<i>(in billions of yen)</i>	<i>(€ million) ⁽¹⁾</i>
2010 revenues	8,460	72,645
2010 net income ⁽²⁾	304	2,613
Shareholders' equity at December 31, 2010	3,618	33,299
BALANCE SHEET TOTAL AT DECEMBER 31, 2010	11,025	101,472

(1) Converted at the average exchange rate for 2010 i.e. 116 JPY = 1 EUR for income statement items, and at the December 31, 2010 rate i.e. 109 JPY = 1 EUR for balance sheet items.

(2) The net income reported does not include Renault's contribution to Nissan net income.

French Clout at Renault Roils Nissan Deal

Government bid for greater voting power challenges deal between two car makers



Renault and Nissan CEO Carlos Ghosn at the Shanghai motor show on Monday. The French government is looking to acquiring additional shares to gain outsize voting influence at Renault. *PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGE*

By **YOKO KUBOTA** in Shanghai and **JASON CHOW** in Paris

April 20, 2015 2:45 p.m. ET

The French government's move to expand its voting control at Renault SA is roiling the delicate balance of power in the car maker's partnership with Nissan Motor Co. , one of the auto-industry's most successful cross-border alliances.

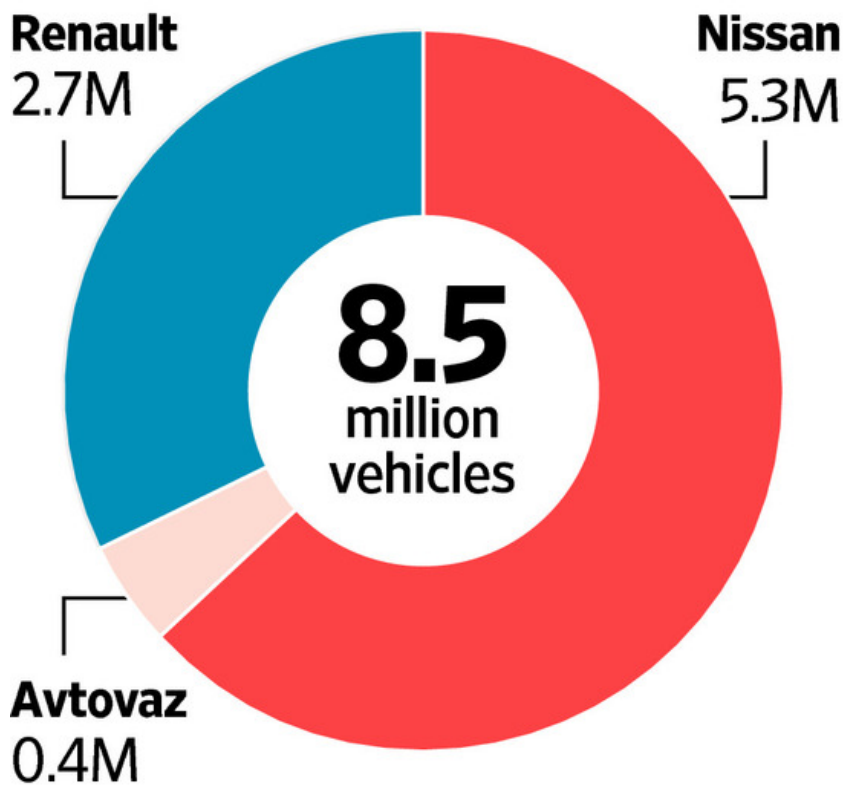
Carlos Ghosn, chief executive officer of Renault and Nissan, said the Japanese firm's board of directors will meet this week to discuss the French state's maneuvers to double its voting rights in the French car maker. France wants to lift its stake to 20%, effectively giving it double voting rights in the auto maker. Renault directors oppose the state's great clout.

The Renault-Nissan Alliance is a development, procurement and production alliance. Each company has its own board and publicly traded shares. But there are cross shareholdings that favor the French car maker.

Renault forged the alliance when it bailed out a struggling Nissan in 1999. The French auto maker's 43.4% stake in Nissan comes with voting rights. Nissan owns 15% of Renault but has no voting rights.

Sales Clout

Total vehicle sales of the Renault-Nissan Alliance in 2014



Note: Renault-Nissan alliance jointly owns Russia's Avtovaz.

Source: the companies

THE WALL STREET JOURNAL.

People familiar with Nissan management's thinking say that the balance between the two companies isn't just determined by cross-shareholdings or size of sales and profit. For instance, they say three of the four top posts beneath Mr. Ghosn in the alliance are now filled by Nissan executives.

Earlier this month, the French government said it would spend up to €1.23 billion (\$1.3 billion) to buy more shares in Renault. The move would allow it to veto a pending resolution to maintain a one-share, one-vote corporate governance system, and effectively gain outside clout in the company. The resolution will be voted on at Renault's annual shareholder meeting on April 30.

People familiar with the matter said the government's decision to increase its stake

caught Renault's board by surprise. They also said the French government's potentially

expanded influence over Renault has irked Nissan.

A Renault-Nissan alliance spokeswoman declined to comment.

A person close to French Economy Minister Emmanuel Macron reiterated the French government's wish to preserve the alliance.

Renault held an emergency board meeting on Thursday and instructed Mr. Ghosn to preserve the existing one-share-one-vote governance, putting it on a collision course with the government. Nissan hasn't stated how it will react to the French state's move.

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Renault and Nissan started their partnership 16 years ago when Renault invested in the Japanese manufacturer. Nissan's stake has no voting rights due to French laws that prevent reciprocal control between two companies. However, Nissan would be allowed voting power if Renault were to reduce its shares in Nissan to below 40%, according to French rules.

The alliance has long been touted by Mr. Ghosn as a way for both companies to maintain their respective brand identities while saving costs on engineering, purchasing, production and research. The two now share common platforms that allow them to use similar parts for production, increasing their economies of scale.

Nissan's growth has made it the larger and more profitable of the two even though Renault's stake gives it effective control of its partner. Nissan produces and sells almost twice as many cars as Renault, and the Japanese company contributes the lion's share of Renault's profits.

The partnership's balance of power is "out of whack" given that Nissan has grown considerably larger than its partner, said one person familiar with the workings of the alliance.

One Nissan engineer said the two sides had no choice but to live with each other given

fierce competition in the auto industry. “Ten years ago, when we started working closer on technologies, we Nissan engineers thought we were better than Renault,” he said. “Since then, we’ve grown up, and we’ve given up on saying who is better or who’s worse. Competition is getting increasingly harsh globally, and we can’t afford to waste time debating this.”