

# Ghosn scandal: What we know

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Carlos Ghosn, one of the world's most influential executives, is under arrest in Tokyo, in a stunning fall from grace that raises questions about the future of his sprawling Franco-Japanese auto group.

Details are starting to emerge about the allegations of financial misconduct against the 64-year-old executive, who has not yet issued a statement on his fate.

Here is what we know so far about the unfolding scandal:

## **What is Ghosn accused of?**

Nissan said it had uncovered "numerous significant acts of misconduct" including a sustained under-reporting of his compensation package.

After a months-long internal probe using information from whistleblowers, Nissan handed over its evidence to authorities.

Prosecutors accused Ghosn and representative director Greg Kelly of conspiring to understate the chairman's income five times between June 2011 and June 2015.

They said income was reported of 4.987 million yen (\$44.5 million) instead of the actual 9.998 million yen in financial statements submitted to authorities.

Nissan also accused him of "personal use of company assets".

Public broadcaster NHK reported Nissan had paid "huge sums" to provide Ghosn with luxury homes in Rio de Janeiro, Beirut, Paris and Amsterdam "without any legitimate business reason".

## **What has the reaction been?**

There has been a brutal reaction on the markets. Nissan shares plunged more than five percent after the [news](#) broke while sister company

Mitsubishi Motors dropped nearly seven percent.

The news came out while European markets were still open, meaning that Renault was worst affected by the initial sell-off, falling more than 12 percent at one point in Paris.

Paris and Tokyo have scrambled to shore up the Franco-Japanese "alliance" of Nissan, Renault and Mitsubishi Motors, with finance ministers in both countries pledging "strong support".

President Emmanuel Macron said France would remain "vigilant" over the stability of Renault—in which the French state holds a 15-percent stake—as well as the alliance.

There has been no reaction from Ghosn or his representatives. The tycoon is being held in a detention centre in northern Tokyo.

## **Is he still in a job?**

Nissan will hold a board meeting on Thursday to decide its chairman's fate. However, things are not looking good after the current CEO laid into him and his legacy at a news conference following his arrest.

Hiroto Saikawa said "too much authority" had been placed in his former mentor's hands and lamented the "dark side of the Ghosn era".

On the other hand, Renault declared after an emergency board meeting that it was sticking by its boss as it had not yet seen Nissan's evidence against him.

Nevertheless, it promoted chief operating officer Thierry Bollore to deputy CEO with the "same powers" as Ghosn, who was "temporarily incapacitated".

Mitsubishi Motors is expected to decide Ghosn's fate some time next week.

## **What impact on his reputation?**

Overnight, the reputation of the once-loved tycoon is in tatters.

He had already sparked concern over his high pay packet and lavish lifestyle, including a reported Marie Antoinette-themed party at the Palace of Versailles outside Paris in 2016.

Now local media cite employees as calling him "greedy" and "all about the money".

In an astonishing news conference, Saikawa hauled Ghosn's reputation and legacy over the coals, even appearing to downplay his part in Nissan's revival.

## **What happens next?**

Under Japanese law, Ghosn can be held for 48 hours after which prosecutors must decide whether to press formal charges, release him or prolong his detention.

His detention can be prolonged for two periods of 10 days, during which he will be questioned.

At the end of this period, the process can begin again with a new charge.

If found guilty, the crime of deliberately hiding income is punishable by a fine of 10 million yen and/or 10 years behind bars.

However, he does not appear to be facing the music in France.

Economy Minister Bruno Le Maire said he had ordered an inquiry into Ghosn's tax affairs immediately after learning of his arrest in Japan but that it showed up "nothing in particular about his tax situation".

The allegations levelled against Ghosn in Japan do not include tax evasion in France.

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