


Nissan boss Ghosn arrested in Japan for financial corruption

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 Carlos Ghosn, chairman and CEO of the Renault-Nissan-Mitsubishi Alliance, attends a press conference on the second press day of the Paris auto show, in Paris, France, on October 3, 2018. (Photo by Reuters)

Carlos Ghosn, chairman and CEO of the Renault-Nissan-Mitsubishi Alliance, attends a press conference on the second press day of the Paris auto show, in Paris, France, on October 3, 2018. (Photo by Reuters)

Nissan Motor Co Chairman Carlos Ghosn has been arrested for alleged financial misconduct and will be fired from the board this week, a dramatic fall for a charismatic leader hailed for rescuing the Japanese carmaker from close to bankruptcy.

Ghosn is also chairman and chief executive of Nissan's French partner Renault and one of the best known figures in the global car industry, and his departure will raise questions about the future of the alliance.

Nissan said that an internal investigation, triggered by a tip-off from a whistleblower revealed Ghosn engaged in wrongdoing,

including personal use of company money and under-reporting for years how much he was earning.

Nissan CEO Hiroto Saikawa said too much power had been concentrated on Ghosn, a rare foreign executive who enjoyed corporate superstar status in Japan for reviving the ailing Japanese brand.

"Looking back, the concentration of power was something we need to deeply reflect on," he said, confirming the arrest of Ghosn in Japan.

Saikawa said he could not give specifics on the personal use of company money, but said that the wrongdoing was serious and unacceptable and had gone on for years. Ghosn could not be reached for comment.

"To have so greatly violated the trust of many, I feel full of disappointment and regret," Saikawa told a news conference.

"It is very difficult to express this.... It's not just disappointment, but a stronger feeling of outrage, and for me, despondency."

French President Emmanuel Macron said the government, the French carmaker's top shareholder, will be vigilant about Renault and its alliance with Nissan.

Saikawa said he would propose at a board meeting on Thursday to remove Ghosn and Representative Director Greg Kelly.



Nissan President and Chief Executive Officer Hiroto Saikawa speaks during a news conference after Japanese media reported that Nissan Chairman Carlos Ghosn will be arrested on suspicion of under-reporting his salary, at the company headquarters in Yokohama, south of Tokyo, Japan, on November 19, 2018. (Photo by Reuters)

Kelly could also not be reached for comment.

Renault shares tumbled 11 percent in Paris to be among the worst performing stocks in Europe. Nissan's German-listed securities plunged 10 percent.

Cutting costs

Known as "Le Cost Killer" for overseeing turnarounds, including cuts at Renault, Ghosn has remained popular in Japan despite the massive job cuts that he brought and recent controversy over his lucrative pay package.

Japanese media reported that Ghosn had reported around 10 billion yen worth of annual compensation as around 5 billion yen for several years.

Ousting Ghosn, 64, is bound to raise questions about an alliance that he personally shaped and had pledged to consolidate with a deeper tie-up, before eventually stepping back from its operational leadership.

"The initial share price reaction shows how pivotal he is," Citi analyst Raghav Gupta-Chaudhary said on Monday.

The current alliance structure has long undervalued Nissan shares held indirectly by Renault investors, he added.

"Ghosn is viewed as critical for value unlock."

Renault owns 43.4 percent of Nissan, while Nissan owns 15 percent of Renault, with no voting rights in a partnership that began in 1999. Since 2016, Nissan has held a 34 percent controlling stake in its smaller Japanese rival, Mitsubishi.

Governance in question

The news is likely to raise questions about Nissan's accountability at a time when Japan has been pushing companies for better governance.

"The problem of governance was significant," Saikawa said.

The Asahi newspaper reported on its website that prosecutors had begun searching the offices of Nissan's headquarters and other locations on Monday evening.

Spokesmen for Renault and the Renault-Nissan-Mitsubishi Motors alliance did not immediately return calls and messages seeking comment on the arrest reports.

Brazilian-born, of Lebanese descent and a French citizen, Ghosn began his career at Michelin in France, moving on to Renault. He joined Nissan in 1999 after Renault bought a controlling stake and became its CEO in 2001. Ghosn remained in that post till last year.

In June, Renault shareholders approved Ghosn's 7.4 million euro (\$8.45 million) compensation for 2017. In addition to this, he received 9.2 million euros in his final year as Nissan chief executive.

(Source: Reuters)