

# Scandal-Hit Olympus May Become Buyout Target

TOKYO, Nov. 11 (Kyodo) — Having succeeded in building a strong presence in the medical equipment market, Olympus Corp. now faces the challenge of survival and may become a buyout target as its corporate value is being downgraded after admitting it hid past securities investment losses.

The 92-year-old camera and medical equipment maker is exposed to the possibility of being delisted from the Tokyo Stock Exchange unless it presents financial results to the Finance Bureau of the Ministry of Finance by Dec. 14 as stipulated by law.

"When a listed company is found to have been falsifying financial statements, it could be delisted if the TSE acknowledges its effect (on the market) is critical," said TSE spokesman Satoshi Mimura.

Even if the company announces its financial results by that date, it will still face the risk of delisting as the bourse is examining whether the stock meets delisting standards, including whether the company's financial reports included major misstatements.

The TSE is expected to start full examination to see whether Olympus engaged in serious misstatements after the company announces the size of the losses it concealed.

The company's stock is now placed on a watch list to remind investors of its possible delisting after saying it is unlikely to release its April to September earnings report by Monday as planned.

Olympus stock met heavy selling, led possibly by overseas investors, after the company dismissed Michael Woodford as president on Oct. 14, saying he "proceeded with decision making for the organization on his own authority."

The share price continued to free-fall after the company admitted Tuesday it used funds for past acquisitions, including British medical equipment maker Gyrus Group Plc in 2008, to hide latent losses on securities investments since around the 1990s.

The stock has lost more than 80 percent of its value since the day before the dismissal of Woodford, who has raised questions about Olympus' past acquisitions. On Friday, it fell nearly 5 percent to end the day at 460 yen.

"Although our stock value dropped, the (product) value we are offering to the public has not changed," Olympus President Shuichi Takayama said at a press conference Tuesday.

But some analysts say Olympus' corporate value is likely to be undermined, at least

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in consumer electronics such as digital cameras.

"I cannot imagine people choosing Olympus cameras for gifts at the year-end shopping season in the United States and Europe, for example," said an analyst at a Japanese securities firm who asked not to be named.

"Regarding Olympus' camera business, its corporate value has been damaged significantly," he said.

Meanwhile, he added that its mainstay gastrointestinal endoscope business, in which its products account for about 70 percent of global market share, is likely to remain competitive at least for the time being, considering its overwhelming share and the nature of the product.

"From the standpoint of doctors, the product requires skill to use, so it isn't easy for them to switch to other companies' products just because Olympus' reputation is hurt," the analyst said.

Taking into account the strength of Olympus' endoscope business, some investors, possibly investment funds, have started buying the shares with prospects of a possible buyout of the business, a securities analyst said.

"Some funds appear to be buying the shares on speculation it could be separated into the endoscope and camera businesses for buyouts, seeking to obtain a premium when they're actually bought by other companies," said the analyst, who spoke on condition of anonymity.

While media reports continue to uncover such information as the size of hidden losses and a scheme the company used to clear them, Olympus faces increasing pressure from its shareholders day by day.

On Tuesday, major shareholder Southeastern Asset Management of the United States urged former President and Chairman Tsuyoshi Kikukawa, who is still a board member, and three other executives to resign.

"It is vital that a new and trusted management team is brought in as soon as possible to ensure that Olympus' excellent business can be managed effectively while the problems with previous management are investigated," it said in a statement.

On Thursday, Olympus announced it had received a letter from a shareholder asking the company to file suit against its 21 current and former board members to return 139.42 billion yen as they may have caused damage to Olympus through illegal conduct.

The move could develop into a shareholders' lawsuit if Olympus decides not to file a suit in about next two months.

Yuko Kawamoto, a professor in Waseda University's graduate school, said that not

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just Olympus, but all Japanese companies have come under scrutiny from overseas regarding their information disclosure and corporate governance.

"It took time for the Japanese authorities and media to make a move after the issue was reported overseas," Kawamoto said. "Olympus faces the need to thoroughly disclose correct information and fulfill accountability."

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