Olympus Vows To Go After Erring Executives

Yuri Kageyama, AP Business Writer

TOKYO (AP) — Olympus Corp. vowed Wednesday to go after erring executives involved in an elaborate scheme to hide $1.5 billion of investment losses.

The Japanese camera and medical equipment maker said it will investigate some 70 people including former and current board members, auditors and other officials for their possible involvement in the deception that has become one of Japan's biggest corporate scandals.

President Shuichi Takayama bowed deeply in apology at a Tokyo hotel, a day after a third-party panel released the findings of an investigation that showed top executives who were "rotten to the core" had orchestrated the accounting cover-up spanning three decades.

The company said it hopes to avoid being booted off the Tokyo Stock Exchange by meeting the Dec. 14 deadline set by the bourse for reporting earnings, including its latest and revised reports going back five years.

Tokyo-based Olympus is also setting up panels of outsiders such as former judges and prosecutors to check on possibly faulty auditing, to reform management, and probe executive responsibility.

The company may target any wrongdoers in lawsuits, including possibly pursuing criminal charges, said Olympus official Nobuyuki Onishi.

The scandal burst into the spotlight after former Chief Executive Michael Woodford, a Briton, went public with his doubts about high fees for financial advice and expensive acquisitions. Woodford was fired in October.

Takayama said a decision on whether Woodford will return as head of the company will be decided at a shareholders' meeting, which will be held after the company releases its revised earnings. He did not give a date for the meeting.

"We do give some positive assessment to his action," he said.

Woodford has said he would like to see Olympus come clean, with him at the helm.

The independent panel found that as of 2003, Olympus had racked up 117.7 billion yen ($1.5 billion) in investment losses dating back to the 1990s.

A $687 million fee for financial advice and overvalued acquisitions of several companies had been part of the cover-up, which used overseas banks and several funds to keep the massive losses off the company's books.

"The management was rotten to the core and contaminated what was around it, creating in the worst sense a group mentality of the typical salarymen," the report said in a reference to Japan's culture of corporate loyalty.

It said it found no involvement of "anti-social groups," a euphemism for Japanese criminal gangs, as some news reports have speculated. The panel said it traced the money and the various funds used to cover up investment losses, and no underworld groups were involved.

Takayama said at least two former presidents knew about the scheme, Tsuyoshi Kikukawa and Masatoshi Kishimoto.

He said Olympus will beef up corporate governance and, after the investigation is over, operate under a new board. He did not elaborate on who the new members might be, and said shareholders will decide.

"We hope to be reborn as a renewed Olympus," said Takayama.

The company's bookkeeping is now under investigation in Japan, the U.S. and Great Britain. Woodford has met with authorities in all three countries.

The scandal has cast a harsh light on Japanese corporate governance, which has been criticized as lagging global standards.

Kikukawa, who tapped Woodford as his successor to lead Olympus, has since resigned from the board.

When questioned why Olympus had developed such a shady corporate culture, Takayama replied: "The management system had become too much about one man."

Source URL (retrieved on *09/01/2014 - 9:56am*):
http://www.impomag.com/news/2011/12/olympus-vows-go-after-erring-executives?qt-recent_content=1