

Sony ties up with Olympus, takes 11 percent stake (Update)

September 28 2012, by Yuri Kageyama



In this Feb. 27, 2012 file photo, newly-appointed President of Olympus Corp. Hiroyuki Sasa, left, speaks as his predecessor Shuichi Takayama, second left, and two outside directors of the company, Hiroshi Kuruma, second right, and Yasuo Hayashida, attend a press conference in Tokyo when the entire board of scandal-tainted Olympus resigned and the new president was tapped to lead a turnaround at the Japanese medical equipment maker. Sony and Olympus have agreed on a business alliance that will see Sony Corp. invest 50 billion yen (\$640 million) for an 11 percent stake in the embattled medical equipment and camera company. Olympus has been on shaky ground after its British chief executive turned whistleblower and helped unearth a scandal involving a systematic cover-up of massive losses. (AP Photo/Koji Sasahara)

(AP)—Sony is expanding its sprawling electronics to movies business empire with a new venture—looking inside the human body.

The company on Friday said it will spend 50 billion yen (\$640 million)

for an 11 percent stake in Olympus Corp., an embattled maker of endoscopes, which are the long thin camera-equipped instruments that allow medical professionals to peer inside the body.

The deal was widely expected as Sony president Kazuo Hirai had expressed interest in moving into the medical equipment business.

Olympus Corp. is the world's biggest maker of endoscopes and is also known for its cameras. It has been on shaky ground after its British chief executive Michael Woodford turned whistleblower and helped unearth a scandal involving a systematic cover-up of massive losses.

Sony Corp. has its own problems and is hoping new businesses will be part of its turnaround. Sony has reported losses for four straight years as it fell behind in portable music players, flat-panel TVs and smartphones. Sony's red ink for the latest fiscal year through March was the worst in its 66-year history.

The two companies said they will set up a new medical equipment company together later this year, 51 percent owned by Sony and the rest by Olympus.

The alliance between Sony and Olympus will focus on the camera business as well, and both sides can benefit from sharing their technology, and working together to become more competitive, they said. In such alliances, companies can share in procurement on parts, boosting their bargaining power with suppliers and lowering costs.

"I will do my best to make this meaningful and profitable for both Olympus and Sony," Hirai said in a statement. Sony will become the biggest shareholder in Olympus after acquiring the 11 percent stake.



In this April 12, 2012 file photo, office workers leave the headquarters of Sony Corp. in Tokyo. Sony and Olympus have agreed on a business alliance that will see Sony invest 50 billion yen (\$640 million) for an 11 percent stake in the embattled medical equipment and camera company. The deal, announced Friday, Sept. 28, was widely expected as Sony president Kazuo Hirai had expressed interest in such a move as part of a turnaround at the Japanese electronics and entertainment company. (AP Photo/Koji Sasahara, File)

Olympus President Hiroyuki Sasa said working with Sony will help shore up Olympus' finances, and that its endoscope business would benefit from Sony's image-sensor technology.

Sasa and Hirai plan a joint news conference Monday morning in Tokyo, where they will likely face questions about how two troubled Japanese companies getting together might lead to them competing more successfully on the global stage.

Earlier this week, Sasa was at the Tokyo District Court to enter a guilty plea for Olympus, along with three former executives who faced charges as individuals, in the opening session of a trial into the fraudulent financial reports.

Olympus has said it hid 117.7 billion yen (\$1.5 billion) in investment

losses dating to the 1990s.

Prosecutors outlined in detail the elaborate schemes concocted over the years, using overseas bank accounts, paper companies and transactions controlled behind-the-scenes, all to keep massive losses off the company books.

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