

Toshiba CEO resigns as buyout offer stirs turmoil

April 14 2021, by Kyoko Hasegawa



Toshiba's president and CEO Nobuaki Kurumatani has resigned, as a buyout offer reportedly stirs turmoil inside the company

Toshiba's CEO resigned on Wednesday as a buyout offer from a private equity fund stirs turmoil inside the storied Japanese company, with

reports suggesting two other funds are considering bids.

Nobuaki Kurumatani's resignation is the latest development in years of upheaval at the firm, which only won back its spot on the first section of the Tokyo stock exchange earlier this year after restructuring.

The board accepted Kurumatani's resignation "as he has completed his mission of revitalising Toshiba", Osamu Nagayama, head of the firm's appointment committee told reporters after the company confirmed the departure.

Kurumatani declined to appear before journalists, but a statement from him was read out at the event.

His departure comes as board members raise questions about the buyout offer from CVC Capital Partners, where Kurumatani formerly headed Japanese operations—though Nagayama insisted claims of a conflict of interest had "nothing to do" with the resignation.

The [private equity firm](#) is reportedly offering a deal in excess of \$20 billion, but there are reports that some in Toshiba see that sum as too small.

The Japanese conglomerate has worked to right the ship after a major accounting scandal in 2015 and the 2017 bankruptcy of its US nuclear subsidiary.

After sweeping restructuring, its earnings rebounded and it returned to the prestigious first section of the Tokyo Stock Exchange in January.

A statement from Kuramtani said he was stepping down given the return, as he had "completed my mission".

But the departure is likely to be seen as a reflection of internal disagreements over the CVC offer.

The Financial Times said Wednesday that another private equity fund, KKR, is planning to offer its own larger buyout proposal.

And Bloomberg News reported that a third, Canadian Brookfield Asset Management, was also exploring a possible offer.

Toshiba officials did not address the reports at Wednesday's press conference.



Toshiba has been trying to improve its governance after an accounting scandal in 2015

'Sticky situation'

Toshiba last week confirmed it had received the CVC offer, which would take Toshiba private. Delisting the firm could produce faster decision-making by Toshiba's management, which has clashed with shareholders recently.

It could also allow Toshiba to concentrate resources on renewable energies and other core businesses.

But any buyout offer is likely to face significant challenges, including securing financing and regulatory approval.

Nagayama said Toshiba would consider CVC's offer cautiously but warned that it "lacks detail as an initial proposal".

"It's not something Toshiba has asked for, and it has come suddenly," he said.

"We will make the best choice for shareholders, our employees, and society" if a formal proposal is made, said Toshiba's new CEO Satoshi Tsunakawa.

Kurumatani worked for the CVC between 2017 and 2018 and his departure will "remove uncertainty over potential conflicts of interest", said Justin Tang, head of Asian research at United First Partners.

It will also "force the board to seek other offers that are in the best interests of shareholders", he told AFP.

"It is a very sticky situation at present."

CVC reportedly hopes to secure financing assistance for its buyout bid

and Toshiba last week warned that was likely to involve "a substantial amount of time and considerable complexity".

The CVC offer is reportedly around 5,000 yen a share, but Tang said he believes "a price north of 6,000 yen is necessary to get shareholders over the line".

Toshiba shares closed up 5.76 percent at 4,860 yen.

© 2021 AFP

Citation: Toshiba CEO resigns as buyout offer stirs turmoil (2021, April 14) retrieved 4 May 2024 from <https://techxplore.com/news/2021-04-toshiba-ceo-resigns-buyout-turmoil.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.