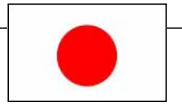


## JAPAN



## Scaling the heights of Asian private equity

### *Olympus Capital takes partnership approach to Asian investments*

The market for private equity investors in Japan may be one of the most lucrative in Asia. However, the difficulty in actually doing deals has resulted in many a foreign firm jumping on and off this particular bandwagon. Few have successfully mastered the market. Olympus Capital Holding Asia may be one of them.

Olympus was established in 1997 with the initial support of Ziff Brothers Investments LLC, the primary investment vehicle of the Ziff family of Ziff-Davis Publishing fame. The firm currently manages more than \$600 million of private equity capital, of which more than \$400 million is deployed in almost 20 Asian companies including five joint ventures with large corporations. The firm employs around 20 professionals and has offices in Tokyo, Hong Kong, New York and Seoul.

Besides ZBI and Sumitomo Trust, investors in Olympus include such notables as Reservoir Capital Group; Pantheon and General Electric's pension fund manager GE Asset Management.

"Olympus has been actively investing in Japan for three years, although I have personally been doing business there for more than a decade, and the joint venture approach that Olympus Capital focuses on across the region is especially well suited to Japan" says Larry Miao, a founding Managing Director of Olympus.

Other co-founders were Daniel R. Mintz (formerly head of Morgan Stanley Private Equity in Asia) and Frederick Long (from ZBI Asia). Prior to joining the Asian private equity space, Miao was an Executive Director with infrastructure developer Hopewell Holdings and Consolidated Electric Power of Asia, both groups have extensive business ties with major Japanese financial institutions and manufacturing companies.

#### **Strong relationships**

"We are seeing a tremendous increase in our flow of deals in Japan, especially in the financial services and manufacturing sectors," says Miao, who is focusing his efforts on working with Olympus Capital's Tokyo office, which already has five seasoned investment professionals, to source, execute and manage investments in Japan. Many of the opportunities are stemming from domestic bank restructurings, and range from \$100 million to more than \$1 billion.

Deal flow also comes from a variety of proprietary sources. "In deal sourcing, Japan is similar to most of Asia—deals must be developed directly. We source deals from our network of contacts, many of whom are long-term relationships," says Miao. "In addition, in targeted industries, we are creating investment opportunities by working with senior operating executives who we have been cultivating," he adds.

The firm has very strong ties within corporate Japan. In 2000, Olympus joined with founding investor Sumitomo Trust & Banking, in establishing Olympus Japan Fund LP, a co-investment vehicle, which will participate alongside the firm's regional fund in Japan-based private equity transactions.

To date, Olympus has invested over \$100 million into Japan. The deals have included partnerships with leading local institutions including trading house Tomen Corp (Tomen Mediacom, a operator and acquirer of Japanese cable services systems), Fuji Bank (a joint venture that invests and manages a pool of assets throughout the Asia-Pacific region) and as well as one with NYSE-listed Convergys. According to Miao, joint ventures with strategic partners like these are the kind of deals that Olympus typically prefers to develop and invest in—once governance, management and exit requirements are agreed upon



Larry Miao

#### **Mutually beneficial**

Olympus says its J/V approach is paying off well. The benefits are not just in sourcing and structuring deals, but also in the cultural aspect of the business. By partnering with local institutions, potential investees won't look at Olympus as a hostile rival. "They see us as an Asian private equity firm with a strong long-term commitment, focusing on creating value for all shareholders" says Miao.

The poster boy for Olympus' approach will probably be Korea Exchange Bank Credit Services, the firm's Seoul-based joint venture with Korea Exchange Bank. When Olympus first invested in KEBCS, the company had net income of 20 billion won and achieved over Won 210 billion in net income in 2001. In addition, the credit card unit listed in December 2001, raising Won 100 billion from an IPO that was 136 times oversubscribed.

Unlike many of its peers, Olympus has shown no signs of slowing down despite recent market turbulence. The firm recently announced its latest deal, another J/V, this time with Convergys Corporation, the US-based leader in billing and customer care for the cable, satellite, wireless industries. The JV, called Convergys Broadband Asia Pte. Ltd., is aimed at the rapidly growing markets for Convergys' cable, satellite and ISP billing services in Japan, Taiwan and elsewhere in Asia. The market is expected to yield double-digit growth in all Asian markets and is worth at least \$1 billion in the Japan market alone. □

— ALLEN LEE