

Livedoor's fall hurts Japan's can-do spirit

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The spectacular rise of Japan's most flamboyant entrepreneur could be outdone only by his very public fall that has rattled the country's financial markets and shaken its confidence in starting up new businesses.

When Takafumi Horie's Internet portal group Livedoor came under criminal investigation as Tokyo district court prosecutors raided its offices last week, not only did share prices in the company itself plummet, but the overall Japanese stock market tumbled. In fact, investors' fears about the outlook for the nation's broader market was so badly shaken that the Tokyo Stock Exchange was forced to close down early as the bourse was unable to process the tsunami of sell orders.

Still, the benchmark Nikkei quickly bounced back and the investor confidence in the market has quickly become bullish once again, as many expect the Japanese economy to have finally emerged stronger from over a decade of no growth.

The fate of Livedoor, on the other hand, has gone from bad to worse this week as the 33-year-old Horie was arrested along with three other company executives on charges of violating securities exchange laws, namely issuing fraudulent or misleading earnings reports and partnering with other corporations based on false information. As a result, the start-up that was valued at over \$6 billion earlier this month is now estimated at \$2 billion and continues to fall in value, even as Horie continues to protest his innocence. Nevertheless, he has resigned as chief executive of the company and has instead been replaced by Kozo Hiramatsu.

The demise of Horie has had repercussions far beyond shattering the value of Livedoor, however. While the overall stock market has more or less recovered from the initial shock of his arrest, and many blue-chip companies are now valued above the price they reached before the corporate scandal broke out, there is growing unease across the nation about starting up businesses and being aggressive about becoming a successful business executive independent of a well-established company.

"The responsibility Mr. Horie has is far greater than just the crime he committed," Japan's Asahi Shimbun wrote in an editorial Tuesday. Having given people hope about changing Japan and reforming the country, he played with the hopes of people that had been expecting a great deal of good from change, the daily added.

Certainly, Horie had quickly become a cultural icon, and younger people in particular were attracted to his ability to defy the old, established system of corporate Japan and use the media to his advantage. Even as he tried to buy out a number of major Japanese companies, he shunned wearing a suit and tie and instead went about in a wrinkled T-shirt with a baseball cap and relished being photographed with beautiful models in his Porsche at some of Tokyo's hottest scenes.

In short, he made it exciting to be a successful business executive and to start up a company in a country where men who obtain degrees from the country's top universities are still expected to join some of the biggest names in corporate Japan and remain with the company for decades.

In fact, local media have reported that the popularity of seminars on starting up one's own company has soared on college campuses, and many believe that Horie has single-handedly encouraged them to be excited about striking it out alone.

The question remains whether that interest would remain high following Horie's downfall.

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