

Door closes on Japan's Livedoor

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Scandal-plagued Japanese Internet group Livedoor was removed from the Tokyo Stock Exchange Friday, together with its subsidiary Livedoor Marketing Co. The company's last day on the bourse ended last Thursday with prices closing at \$0.80 per share, with a total market value of \$843 million, or about one-tenth of its 2004 peak.

Seeking compensation for the lost stock values primarily incurred by the company's wrongdoing, some 1,000 out of nearly 200,000 private investors are suing the firm for a collective loss of over \$34 million, potentially making it Japan's largest compensation suit.

The company's stock price fell to \$0.50 after its offices were raided by the Tokyo District Prosecutors Office in January. Later its four

executives were arrested on charges of issuing fraudulent earnings reports and partnering with other corporations based on false information.

The investors' saga may take years to conclude through the courts, experts predict. Those who sold quickly forced the TSE to close down the bourse early because its system could not process the sudden rush of "sell" orders. Subsequently, TSE upgraded its computer systems.

For the past six years, Livedoor has seen high performance on the stock market and in corporate financing, some of which now appears to have been illegal. The media and some politicians tried to exploit its performance, largely thanks to the personality of 33-year-old company president Takafumi Horie, who is now under arrest.

In 2004 Horie attempted to acquire a money-losing professional baseball team. In 2005 he tried to take over a major TV station by buying out the majority shares of its holding company. Both bids resulted in failure, but his chutzpah captured the public's imagination and encouraged entrepreneurial youth.

TV channels used his aura and authority in a variety of programs. His books were sold as bibles to young business people, with the message: "Money can do anything". With Horie's downfall, however, the media has had to undergo some soul-searching.

His "can do" message and business success suited the Koizumi reforms. In September's general elections for the House of Representatives, independent candidate Horie was openly supported by top Liberal Democratic Party politicians, including Prime Minister Junichiro Koizumi's author of reform, Heizo Takenaka, now minister of internal affairs and communications.

Horie's association with LDP Secretary General Tsutomu Takebe and his son inspired an ambitious opposition politician to attack Takebe in the Diet, using a dubious e-mail. When the e-mail turned out to be fake, the youthful politician, as well as the leadership of the main opposition Democratic Party of Japan, resigned.

Livedoor rhapsody was so loud and pervasive but now, with the dramatic turnaround of the once-cherished hero and the lifestyle he advocated, the whole nation seems to be taking a moment to reflect.

Intellectuals talk about the dark side of Koizumi reforms and "American-style" market economy, especially its shareholder-centric money game.

A best-selling book entitled "Dignity of Nation" written by mathematician Masahiko Fujiwara led many to ponder what and how Japanese society should become.

In the meantime, Livedoor itself is being saved by a cable broadcasting firm, USEN, which is about to become the majority shareholder, employing Livedoor's core business; internet portal technology.

While the president may have been lacking, there was a real substance in Livedoor.

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