"Horiemon Shock" Hits Corporate Japan

– Japanese Businesses Souring Over Anti-TOB Steps –

JAPANESE businesses are hastily taking measures to counter potential hostile takeover bids, prompted by an attempt to acquire the Fujisankei Communications Group by Internet portal site operator Livedoor, led by President Horie Takafumi, popularly known as "Horiemon" in Japan. The start-up venture's bold bid to take over the giant media conglomerate seems to have stirred worries among Japanese corporate executives that their firms may also become targets of takeover bids if they remain inattentive. Corporate Japan is being unnerved by the "Horiemon shock."

In order to stave off unwanted acquirers, Matsushita Electric Industrial is taking measures modeled after the US-style "poison pill" strategy. It will require bidders for a 20% stake or more in terms of voting rights to submit documents delineating the objectives of the proposed purchase and the sources of funds for the deal. The company's board of directors will screen the documents, taking into consideration the possible negative effects the bidding would have on shareholders. If the effects are considered negative, the company will issue warrants or split its stock as a way to counter such a bid. Another electronics giant, NEC, has decided to more than double its authorized capital stock so that it can flexibly issue a substantial number of new shares, thus reducing an unsolicited suitor's stake in the company. Meanwhile, Japan's three big steel manufacturers – Nippon Steel, Sumitomo Metal and Kobe Steel – will boost their cross-shareholdings to enhance their defense against possible hostile takeover bids. "If you have ¥5-6 trillion, you can acquire one-third of the outstanding shares in Toyota, Japan's largest market capitalization worth ¥16 trillion," said Okuda Hiroshi, chairman of Toyota and concurrently chairman of Nippon Keidanren (Japan Business Federation), the nation's largest business lobby.

The Tokyo Stock Exchange, however, points to the need to look into a series of hedging measures, in order to ascertain whether such measures are aimed only at the self-protection of corporate executives or may hurt stakeholders' interests. In March, the government decided to extend for one more year (to 2007) the loosening of restrictions on foreign companies involved in M&A of Japanese companies. Critics say, however, that excessive defense measures against takeover bids may discourage foreign investment in Japan and impede M&A-based industrial revitalization.