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The impact of revealed scandal of J-POP agency on the market value of sponsoring

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Abstract

The use of celebrities and personalities is common in drawing attention to consumers and increasing purchases by associating their positive images with the company's products and services. However, previous studies have reported that a celebrity scandal lowers the stock price of its sponsor companies. We aim to quantitatively measure the impact of the former Johnny & Associates sexual assault scandal on the stock prices of the 61 sponsor companies of Johnny's talents. The event study results show that the stock prices of sponsor firms do not necessarily react negatively to events revealing Johnny's scandal. The market reacts negatively if the scandal is reported by the "inside-media" such as NHK, but do not react if reported by the "outside-media," including foreign media and weeklies. In addition, the stock prices of sponsor firms do not react positively to events leading to the resolution of the scandal. Particularly, two press conferences held by Johnny's, which attracted the most attention, did not lead to an increase in stock returns. Behind such limited reactions are discrepancies in market reactions among sponsor firms. For instance, firms sponsoring multiple talents or those that announced the termination of the endorsement contract have experienced an increase in stock returns.

Keywords: corporate scandal; business ethics; celebrity endorsement; firm value; event study; J-POP

1. INTRODUCTION

The use of celebrities and TV personalities is common to draw attention to consumers and increase purchases by associating their positive images with the company's products and services. According to Schimmelpfennig and Hunt (2020), celebrity-featured advertisements account for about 10% of all advertisements in the United States and the United Kingdom, but as much as 40% in Japan and South Korea. However, when a celebrity or TV personality is involved in a scandal, their bad image is likely to deteriorate the sponsor's image. Previous studies have reported that celebrity scandals lower the stock prices of sponsor companies (Bartz et al. 2013; Kleine et al. 2024; Knittel and Stango 2014; Louie et al. 2001).

In Japan, the former Johnny & Associates (hereafter Johnny's) sex-abuse scandal in 2023 attracted media coverage and attention to its sponsor companies. The scandal was caused by Johnny Kitagawa, the agency's founder. However, growing public criticism made it difficult for TV stations and sponsor companies to use their talents. To date, academic research on this issue has been dominated by media studies based on a sociological perspective (Prusa 2024; Tanihara et al. 2024). In particular, Tanihara et al. (2024) use big data from news media and social media (X) to analyze the heat of the discussion. In contrast, to the best of our knowledge, no academic research has been conducted to examine the economic impact of this scandal. Therefore, this study aims to quantitatively measure the impact of Johnny's sexual assault scandal on the stock prices of the 61 sponsor companies with Johnny's talents.

It is important to note that Johnny Kitagawa passed away in 2019. However, the scandal that later came to light impacted the agency's talents and their endorsers in 2023. This context differs from the typical scenarios examined in previous studies on Western celebrity endorsements, which often focus on negative information about celebrities—such as drug use, car accidents, sex scandals, or gambling. From a cultural perspective, the United

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States exemplifies an individualistic society, whereas Japan is characterized by collectivism (Hofstede and Bond 1988). In Japan, a personhood is shaped by interconnectedness, conformity, and interdependence with others (Markus and Kitayama 1991). Therefore, even if the talents themselves are not involved in any misconduct, a scandal involving their agency is likely to harm the reputation of the endorsers.

The event study results show that stock prices of sponsor firms do not necessarily react negatively to the events revealing the Johnny's scandal. Market reacts negatively if the scandal is reported by the "inside-media" such as NHK, but do not react if reported by the "outside-media," including foreign media and weeklies (Prusa 2024). In addition, stock prices of sponsor firms do not react positively to the events leading to the resolution to the scandal. In particular, two press conferences held by the Johnny's, which attracted largest attention, did not lead to the increase of stock returns. Behind such limited reactions, there are discrepancies in market reactions among sponsor firms. For instance, the negative market reactions are smaller for IT industry sponsor firms. Firms sponsoring multiple talents or those that announced termination of endorsement contract experience the increase in stock returns since August 2023, when the UNHRC provided recommendations to the Johnny's scandal.

This study contributes to the related literature on the impact of celebrity scandal on sponsoring firms by providing the Japanese case, which is not accumulated compared to the Western cases (Wei 2024). It also highlights how market reactions vary in accordance with a type of reporting media, sponsors' characteristics and behavior. Our results show that negative information about a talent agency can harm the reputation of its endorsers, even when the talents themselves are not involved in any misconduct. This effect may be particularly pronounced in collectivist cultures, which contrast with the individualistic norms of Western countries. These findings offer practical implications for firms considering celebrity endorsements. To mitigate potential reputational risks, it is essential to evaluate not only the behavior of the talents but also that of their affiliated agency.

The remainder of this paper is organized as follows. Section 2 provides a literature review and develops our hypotheses. Section 3 explains the methodology and data. Section 4 presents the results of this study. Finally, concluding remarks are presented in Section 5.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Over half a century of research on celebrity endorsements has produced four foundational theories: the source credibility model, the source attractiveness model, the match-up hypothesis, and the meaning transfer model (Schimmelpfennig and Hunt 2020). These frameworks suggest that consumers are more likely to accept persuasive messages from endorsers who possess high credibility, physical attractiveness, perceived congruence with the brand or product, and/or culturally resonant meanings. Accordingly, investors often view celebrity endorsements as a value-generating advertising strategy for sponsors, whereas scandals involving celebrity endorsers tend to have adverse effects.

Previous studies that examine the impact of celebrity endorsements on market value use Western data and the event study methodology, which estimates market reactions to a specific event on a particular date. A list of previous studies that examined the effect of celebrity endorsements using the event study methodology is presented in Table 1. Although the use of celebrities in corporate advertising is more frequently observed in East Asian countries, including Japan, research that investigates the economic impact of celebrity endorsement is not accumulated in Japan.

Table 1. Previous Studies on the Effect of Celebrity Endorsement Using the Event Study Methodology

Authors	Year	Period	Events	Results
Agrawal & Kamakura	1995	1980-1992	110 celebrity endorsement contracts	Positive
Mathur et al.	1997	1995	Michael Jordan's return	Positive
Farrell et al.	2000	1996-1998	46 Tiger Woods' performance	Insignificant (positive for Nike)
Louie et al.	2001	1980-1994	128 endorsers' undesirable events	Negative
Ding et al.	2011	1996-2008	101 celebrity endorsement contracts	Insignificant
Elberts & Verleun	2012	1990-2008	341 celebrity endorsement contracts	Positive
Hood	2012	2009	Tiger Woods scandal	Insignificant

Authors	Year	Period	Events	Results
Bartz et al.	2013	1986-2011	93 endorsers' negative information	Negative (insignificant, if terminated)
Nicolau & Santa-Maria	2013	2009-2012	85 Rafael Nadal's performance	Positive
Knittel & Stango	2014	2009	Tiger Woods scandal	Negative (for rival firms, too)
Kleine et al.	2024	1981-2015	121 celebrity scandals	Negative (for rival firms, too)

Previous studies can be classified into three categories: (1) endorsement announcements, (2) celebrity performance, and (3) negative news about the celebrity (Bergkvist, 2016). Several studies report that stock prices respond positively to endorsement announcements and a celebrity's good performance (Agrawal and Kamakura 1995; Elberts and Verleun 2012; Nicolau and Santa-Maria 2013), while others find insignificant reactions (Ding et al. 2011; Farrell et al. 2000). In particular, Ding et al. (2011) do not find significantly positive market reactions to celebrity endorsement announcements, except for technology industry firms, which generated significantly positive reactions. Following Clark et al. (2002, 2009), they conclude that investors may expect technology firms' sponsorship to be strong enough to bear substantial and long-term marketing costs.

By contrast, negative information about the sponsored celebrity has an adverse impact on the stock price of the sponsoring company (Bartz et al. 2013; Kleine et al. 2024; Knittel and Stango 2014; Louie et al. 2001), although Hood (2012) does not find significant market reactions to the Tiger Woods scandal, and Bartz et al. (2013) show that the negative impact disappears once the contract is terminated.

It is important to note that previous studies using Western data examine the effect of negative information about celebrities—such as drug use, car accidents, sex scandals, or gambling. By contrast, this study focuses on adverse information about the talent agency. In fact, the founder of Johnny's who criticized by sex abuse passed away in 2019. However, we expect that his scandal revealed in 2023 should have impacted the value of endorsers of Johnny's talents. This conjecture is consistent with a cultural perspective, in which Japan is characterized by collectivism that cotrasts individualism in Western countries (Hofstede and Bond 1988). Because a personhood is shaped by interconnectedness, conformity, and interdependence with others in Japan (Markus and Kitayama 1991), even if the talents themselves are not involved in any misconduct, a scandal involving their agency is likely to harm the reputation of the endorsers.

Compared to prior studies based on Western data, economic evidence using Japanese data remains limited. However, examining the impact of celebrity endorsements in Japan is particularly important due to the country's economic scale, frequent use of celebrities in corporate advertising, and cultural distinctions from Western contexts. Among existing cross-cultural studies, Choi et al. (2005) highlight differences in advertising context and style between the United States and South Korea, showing that Korean celebrity advertising tends to convey less information and reflect more collectivism-oriented values than its U.S. counterpart. In contrast, Money et al. (2006) conduct a comparative study between the United States and Japan, finding that students in both countries exhibit similar responses to endorsed products—maintaining purchase intentions even when negative information about the celebrity is present.

Building on these cross-cultural studies, whether Japanese market reactions to negative information about celebrities differ from those in the United States remains an empirical question. Drawing on findings from prior research based on Western data, we propose the following four hypotheses:
H1: The stock prices of sponsor firms react negatively to events revealing Johnny's scandal.
H2: The stock prices of sponsor firms react positively to events leading to the resolution of the scandal.
H3: Negative market reactions are smaller for IT industry-sponsor firms.
H4: Negative market reactions disappear for sponsor firms that terminate advertising or do not renew contracts.
H1 follows the results of previous studies (Bartz et al. 2013; Kleine et al. 2024; Knittel and Stango 2014; Louie et al. 2001). H3 and H4 follow Ding et al. (2011) and Bartz et al. (2013), respectively.

3. METHODOLOGY AND DATA

To analyze the impact of Johnny's scandal on the market value of sponsor companies, we conduct an event study analysis covering 12 events in 2023 reported by the Nikkei newspaper (Table 2). Our choice of Nikkei newspaper is based on the following two considerations. First, Nikkei is a leading Japanese newspaper that primarily focuses on business and financial news. Second, previous studies indicate that institutional investors, the main readers of

the Nikkei newspaper, are less likely to use Internet sources than individual investors (Takeda and Wakao 2014; Adachi et al. 2017).

However, Tanihara et al. (2024) report that users of social media provided earlier and greater coverage of Johnny's scandal than news media. To measure public attention to this scandal, Figure 1 shows the Google search volume index for the keyword "Johnny's" over 2023 in Japan. Three spikes were observed on May 14, September 3, and October 1. As shown in Table 1, on May 14, Johnny's released an official video on their official website addressing the issue of sexual abuse by Johnny Kitagawa. On September 7, Johnny's held the first press conference following the report and recommendations from a special team. The spike on September 3 was likely an announcement of this event. On October 2, Johnny's announced a new organizational structure. The spike that occurred on October 1 was probably related to this event. These checks confirm that Internet reactions are observed earlier than in new media. To consider this gap, we include the previous trading day of the event in the event window, as September 3 and October 1 are the previous trading days of September 7 and October 2, respectively.

Table 2. Timeline of the Johnny & Associates' Scandal

Date	Event
3/7	A special program titled 'Predator: The Secret Scandal of J-Pop,' which delves into the issue of sexual abuse by Johnny Kitagawa towards his talents, was broadcast on the BBC.
3/22	Shukan Bunshun reported on the sexual abuse by Johnny Kitagawa towards former Johnny's Jr. members.
4/12	Kauan Okamoto, a former Johnny's Jr. member, held a press conference at the Foreign Correspondents' Club of Japan, where he testified about the sexual abuse he experienced.
5/14	Johnny & Associates released an official video on their official website addressing the issue of sexual abuse by Johnny Kitagawa.
5/17	NHK's 'Close-Up Gendai' aired a special feature titled 'No One Helped: Confessions and the Johnny's Sexual Abuse Issue.'
6/26	Two former Johnny's Jr. members initiated the establishment of the 'Johnny's Sexual Assault Victims Association (JSAVA).'
7/25	Experts from the United Nations Human Rights Council (UNHRC) conducted interviews with former talents who were victims.
8/4	Members of the United Nations Human Rights Council's Working Group on Business and Human Rights held a press conference, stating that 'the allegations against Johnny & Associates have come to light' and that 'Japanese media companies have reportedly been complicit in covering up this scandal for decades.
8/29	A special team of external experts established by Johnny & Associates held a press conference. They reported that 'Johnny & Associates had been repeatedly committing widespread sexual abuse against numerous teenage boys, primarily those who had not yet debuted, from the early 1970s to the mid-2010s.
9/7	Johnny & Associates held a press conference following the report and recommendations from the special team. President Julie Keiko Fujishima acknowledged and apologized for the series of sexual abuses committed by the founder, Johnny Kitagawa, both as a company and personally. She resigned as president, and Noriyuki Higashiyama was appointed as her successor. Vice President Shirahase also resigned.
9/13	Johnny & Associates established a 'Victim Relief Committee.'
10/2	Johnny & Associates announced their new organizational structure.

We employ event study methodology to estimate market responses to Johnny's scandal (MacKinlay, 1997). This methodology is used to estimate the impact of a specific event on a particular date. Based on the efficient-market hypothesis, an unexpected event is instantaneously observed by all investors who decide whether to buy or sell stocks of affected companies. By comparing the actual stock returns with expected normal returns, we can test whether the difference is statistically significant.

We apply the standard market model using the Tokyo Stock Price Index as a market return. The estimation window is from January 4, 2022, to December 30, 2022, because the Johnny's scandal was revealed in 2023. Using the estimated coefficients, we calculate the normal return and abnormal return (AR) by subtracting the normal returns from the actual returns in the event window. According to the efficient-market hypothesis, the market responds instantaneously to a particular event. This indicates that the estimated returns are highly likely contaminated by other events, if the event window is too long. Thus, to avoid such contamination by other events and guarantee robustness, we employ six short-event windows: (0,0), (0,1), (0,2), (−1,0), (−1,1), and (−1,2).

Denoting average cumulative abnormal return and standardized cumulative abnormal return as ACAR and ASCAR, the null hypothesis, H0: ACAR (ASCAR) = 0, meaning that stock returns do not respond to sports sponsorship announcements, was tested using the following test statistics:

$$J_1 = \frac{ACAR(t_1, t_2)}{\overline{\sigma}(t_1, t_2)} \sim N(0,1), \text{ and } J_2 = \sqrt{\frac{N(L-4)}{L-2}} ASCAR(t_1, t_2) \sim N(0,1) \quad (1)$$

where L means the length of the estimation window, which is 243 trading days, t_1 and t_2 are the first and last dates of the event window, respectively, and N presents the number of firms.

$$\overline{\sigma}^2(t_1, t_2) = VAR[ACAR(t_1, t_2)] = \frac{1}{N^2} \sum_{i=1}^{N} \sigma_i^2 (t_1, t_2). \quad (2)$$

Based on a November 8, 2023, feature article in Diamond Weekly magazine, we selected 61 listed sponsoring companies.

Our data may be clustered as sponsor firms face the same events. This may induce correlated returns that may generate biased standard errors in ordinary least squares estimation (Collins and Dent 1984). To avoid this potential problem, we perform alternative analysis on a portfolio of firms, in which stock returns are aggregated into an equal weighted portfolio (Schwert 1981). To ensure robustness, we employ two measures to estimate the expected normal returns. In addition to the standard market model, we use the simple cumulative market-adjusted return (CMAR), which is calculated by subtracting the market returns from the actual returns.

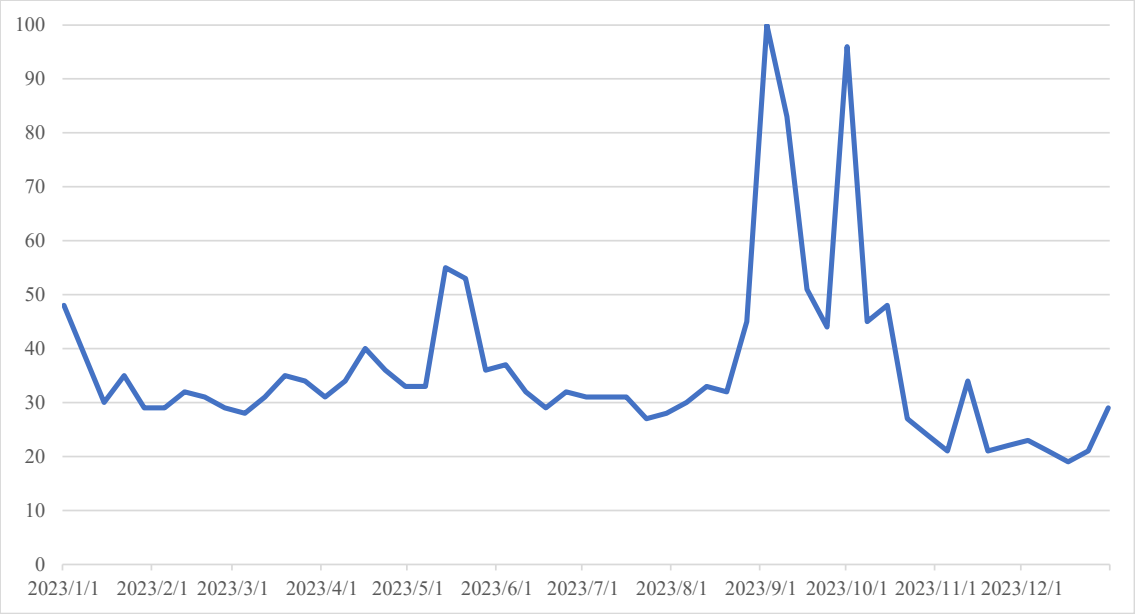

Fig. 1. Google search volume index for "Johnny's" in Japan

We then conducted a multivariate regression analysis to estimate the factors associated with CAR. The independent variables consist of industry dummy variables, multiple talents dummy, and financial variables. Industry dummy variables are constructed for the following companies: 16 foods, 11 pharmaceuticals & chemicals, 8 IT & services, and 7 retail and wholesale companies. The multiple talent dummy takes the value one if multiple talents are sponsored. Financial variables include market capitalization and price-to-book market ratio (PBR) of sponsoring companies.

4. RESULTS

Table 3 presents market responses to the Johnny's scandal. Panels A and B report ACAR and ASCAR, respectively, calculated by aggregating individual firms' CAR and SCAR. Panels C and D show CAR and CMAR, respectively, based on the portfolio approach. In all four panels, the May 17 event generates significantly negative market reactions. For Panels A and B, ACARs and ASCARs are significantly negative at the 1% level in four event windows and in all six windows, respectively. Similarly, for Panels C and D, both CARs and CMARs are significantly negative in four event windows. These results are consistent with H1.

By contrast, the earlier events revealing the scandal on March 7, March 22, and April 12 generate mixed results. The difference in the impact may come from the different type of media reporting the scandal. In the earlier three events, the scandal was reported by the "outside-media" such as foreign media and weeklies (Prusa 2024). Instead, NHK (Japan Broadcasting Association), center of the "inside-media" reported the scandal on May 17. In other

words, H1 holds only if the scandal is reported by the "inside-media" but do not necessarily hold if reported by the "outside-media". Figure 2 also shows CAR and CMAR based on the portfolio approach. Both CAR and CMAR do not seem to react to the earlier three events, but drop sharply in May 2023.

Other events are classified as the events leading to the resolution of the scandal. Figure 2 shows that both CAR and CMAR increase around the August 4 event but drop around the September 7 and October 2 events. Consistent with Figure 2, Panels A and B generate significantly positive market responses for the August 4 event and negative responses for the October 2 event, although Panels C and D provide insignificant responses.

For the August 4 event, ACARs are significantly positive at the 5% level in two event windows and ASCARs are significantly positive in five windows. These results are consistent with H2. In the August 4 event, the working group of the United Nations Human Rights Council (UNHRC) held a press conference. The recommendations by the external experts in the international organization might have raised expectations that would push the Johnny's to solve the problem. Prior to this event, for the July 25 event, in which the UNHRCs conducted interviews, ASCARs are also significantly positive at the 1% level in five windows, though ACARs are not significant.

Table 3. Stock Price Reactions to the Johnny & Associates' Scandal

Panel A: Stock price reactions based on ACAR

Date		**(0,0)**		**(0,1)**		**(0,2)**		**(-1,0)**		**(-1,1)**		**(-1,2)**	
3/7	ACAR	-0.066		0.203		0.732		-0.393		-0.124		0.405	
	J_1-stat	-0.277		0.597		1.761	*	-1.159		-0.299		0.844	
3/22	ACAR	-0.171		0.287		0.787		-0.606		-0.148		0.352	
	J_1-stat	-0.713		0.845		1.895	*	-1.786	*	-0.357		0.734	
4/12	ACAR	-0.066		0.072		0.120		-0.240		-0.102		-0.054	
	J_1-stat	-0.273		0.212		0.289		-0.706		-0.246		-0.112	
5/14	ACAR	0.058		0.104		-0.253		0.334		0.380		0.023	
	J_1-stat	0.241		0.306		-0.609		0.985		0.914		0.049	
5/17	ACAR	-0.357		-1.373		-1.335		-0.311		-1.328		-1.289	
	J_1-stat	-1.487		-4.047	***	-3.213	***	-0.916		-3.194	***	-2.687	***
6/26	ACAR	-0.297		-0.589		-0.405		0.056		-0.236		-0.052	
	J_1-stat	-1.236		-1.737	*	-0.975		0.166		-0.569		-0.109	
7/25	ACAR	-0.042		0.355		0.352		-0.015		0.382		0.379	
	J_1-stat	-0.177		1.045		0.846		-0.045		0.919		0.789	
8/4	ACAR	-0.088		0.486		0.973		-0.009		0.564		1.051	
	J_1-stat	-0.366		1.432		2.340	**	-0.028		1.358		2.190	**
8/29	ACAR	0.294		0.011		0.000		-0.019		-0.303		-0.313	
	J_1-stat	1.225		0.031		0.001		-0.057		-0.728		-0.652	
9/7	ACAR	-0.079		-0.243		-0.687		0.138		-0.027		-0.470	
	J_1-stat	-0.328		-0.717		-1.653	*	0.406		-0.064		-0.980	
9/13	ACAR	-0.097		-0.393		-0.712		0.349		0.053		-0.266	
	J_1-stat	-0.404		-1.158		-1.714	*	1.030		0.129		-0.554	
10/2	ACAR	-0.668		-0.706		-0.906		-0.751		-0.790		-0.990	
	J_1-stat	-2.782	***	-2.081	**	-2.180	**	-2.213	**	-1.900	*	-2.062	**

Panel B: Stock price reactions based on ASCAR

Date		**(0,0)**		**(0,1)**		**(0,2)**		**(-1,0)**		**(-1,1)**		**(-1,2)**	
3/7	ASCAR	-0.006		0.180		0.346		-0.156		0.023		0.193	
	J_2-stat	-0.373		10.901	***	20.949	***	-9.428	***	1.419		11.662	***
3/22	ASCAR	-0.145		0.064		0.182		-0.287		-0.098		0.027	
	J_2-stat	-8.748	***	3.857	***	10.991	***	-17.338	***	-5.957	***	1.633	
4/12	ASCAR	0.016		0.045		0.058		-0.087		-0.043		-0.019	
	J_2-stat	0.948		2.741	***	3.521	***	-5.270	***	-2.612	***	-1.152	
5/14	ASCAR	0.112		0.086		-0.132		0.281		0.236		0.029	

Date		**(0,0)**		**(0,1)**		**(0,2)**		**(-1,0)**		**(-1,1)**		**(-1,2)**	
	J_2-stat	6.755	***	5.219	***	-7.971	***	17.015	***	14.254	***	1.750	*
5/17	ASCAR	-0.350		-0.800		-0.657		-0.240		-0.647		-0.564	
	J_2-stat	-21.188	***	-48.367	***	-39.747	***	-14.539	***	-39.131	***	-34.109	***
6/26	ASCAR	-0.147		-0.160		-0.027		0.067		0.009		0.097	
	J_2-stat	-8.907	***	-9.694	***	-1.651	*	4.049	***	0.533		5.887	***
7/25	ASCAR	-0.019		0.146		0.158		0.055		0.175		0.186	
	J_2-stat	-1.171		8.819	***	9.581	***	3.356	***	10.617	***	11.256	***
8/4	ASCAR	-0.162		0.210		0.472		0.246		0.466		0.663	
	J_2-stat	-9.804	***	12.694	***	28.532	***	14.880	***	28.175	***	40.133	***
8/29	ASCAR	0.180		0.023		0.051		0.053		-0.042		-0.008	
	J_2-stat	10.902	***	1.368		3.074	***	3.236	***	-2.535	**	-0.500	
9/7	ASCAR	0.014		-0.071		-0.167		0.196		0.094		-0.013	
	J_2-stat	0.859		-4.314	***	-10.130	***	11.880	***	5.682	***	-0.802	
9/13	ASCAR	-0.126		-0.201		-0.245		0.194		0.067		-0.012	
	J_2-stat	-7.616	***	-12.172	***	-14.840	***	11.733	***	4.038	***	-0.747	
10/2	ASCAR	-0.670		-0.523		-0.604		-0.611		-0.539		-0.620	
	J_2-stat	-40.533	***	-31.619	***	-36.528	***	-36.958	***	-32.591	***	-37.501	***

Panel C: Stock price reactions based on CAR based on the portfolio approach

Date		**(0,0)**		**(0,1)**		**(0,2)**		**(-1,0)**		**(-1,1)**		**(-1,2)**	
3/7	CAR	0.186		0.228		0.186		-0.274		-0.232		-0.274	
	J_1-stat	0.493		0.427		0.285		-0.514		-0.355		-0.363	
3/22	CAR	-0.164		0.289		0.785		-0.612		-0.160		0.337	
	J_1-stat	-0.435		0.542		1.203		-1.149		-0.245		0.447	
4/12	CAR	-0.065		0.070		0.118		-0.237		-0.103		-0.055	
	J_1-stat	-0.171		0.131		0.180		-0.445		-0.158		-0.073	
5/14	CAR	0.060		0.106		-0.253		0.336		0.382		0.024	
	J_1-stat	0.159		0.198		-0.388		0.631		0.586		0.031	
5/17	CAR	-0.358		-1.372		-1.336		-0.313		-1.326		-1.290	
	J_1-stat	-0.951		-2.575	**	-2.047	**	-0.587		-2.032	**	-1.712	*
6/26	CAR	-0.301		-0.600		-0.407		0.039		-0.259		-0.066	
	J_1-stat	-0.800		-1.125		-0.624		0.074		-0.396		-0.088	
7/25	CAR	-0.045		0.348		0.345		-0.016		0.377		0.373	
	J_1-stat	-0.119		0.653		0.528		-0.031		0.577		0.495	
8/4	CAR	-0.090		0.483		0.968		-0.024		0.549		1.034	
	J_1-stat	-0.238		0.907		1.484		-0.045		0.841		1.372	
8/29	CAR	0.291		0.007		-0.002		-0.016		-0.301		-0.310	
	J_1-stat	0.773		0.013		-0.003		-0.031		-0.461		-0.411	
9/7	CAR	0.227		0.330		0.037		-0.217		-0.113		-0.407	
	J_1-stat	0.602		0.620		0.056		-0.407		-0.174		-0.540	
9/13	CAR	-0.101		-0.394		-0.711		0.347		0.054		-0.263	
	J_1-stat	-0.268		-0.739		-1.089		0.651		0.083		-0.349	
10/2	CAR	-0.674		-0.726		-0.945		-0.766		-0.819		-1.038	
	J_1-stat	-1.788	*	-1.363		-1.448		-1.439		-1.255		-1.377	

Panel D: Stock price reactions based on CMAR based on the portfolio approach

Date		**(0,0)**	**(0,1)**	**(0,2)**	**(-1,0)**	**(-1,1)**	**(-1,2)**
3/7	CMAR	0.415	0.230	0.384	0.472	0.287	0.440
	J_1-stat	0.800	0.314	0.427	0.643	0.320	0.424
3/22	CMAR	-0.697	-0.130	0.423	-0.630	-0.063	0.490
	J_1-stat	-1.344	-0.177	0.471	-0.859	-0.070	0.472
4/12	CMAR	-0.283	-0.141	-0.241	-0.679	-0.538	-0.637
	J_1-stat	-0.545	-0.192	-0.268	-0.926	-0.598	-0.614
5/14	CMAR	-0.198	-0.315	-0.746	-0.102	-0.218	-0.650
	J_1-stat	-0.382	-0.429	-0.830	-0.139	-0.243	-0.626
5/17	CMAR	-0.431	-1.784	-1.781	-0.548	-1.901	-1.898
	J_1-stat	-0.831	-2.431 **	-1.982 **	-0.747	-2.115 **	-1.829 *
6/26	CMAR	-0.213	-0.398	-0.816	0.594	0.409	-0.010
	J_1-stat	-0.411	-0.542	-0.909	0.809	0.456	-0.009
7/25	CMAR	-0.080	0.369	0.221	-0.296	0.153	0.005
	J_1-stat	-0.154	0.503	0.245	-0.403	0.170	0.005
8/4	CMAR	-0.154	0.312	0.711	0.399	0.865	1.265
	J_1-stat	-0.297	0.425	0.791	0.544	0.963	1.219
8/29	CMAR	0.265	-0.134	-0.376	-0.490	-0.889	-1.131
	J_1-stat	0.511	-0.182	-0.419	-0.668	-0.989	-1.090
9/7	CMAR	0.373	0.827	0.537	-0.244	0.210	-0.080
	J_1-stat	0.719	1.127	0.598	-0.333	0.234	-0.077
9/13	CMAR	-0.060	-0.691	-1.287	0.149	-0.482	-1.079
	J_1-stat	-0.116	-0.941	-1.432	0.202	-0.537	-1.040
10/2	CMAR	-0.527	-0.017	0.583	-0.294	0.215	0.815
	J_1-stat	-1.015	-0.023	0.649	-0.401	0.240	0.786

Note: *** **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

By contrast, for the October 2 event, both ACARs and ASCARs are significantly negative in all event windows. The October 2 event was the second press conference for the Johnny's to respond to the pressure escalated after the first conference held on September 7. However, there was no real change in leadership (Prusa 2024). In addition, a revealed blacklist of journalists to avoid calling on during the press conference raised public criticism. In other words, such defensive approaches might have generated investors' disappointments, too.

A shown in Figure 1, the Johnny's first press conference in September caused the highest spike in the Google search volume index. However, the September 7 event provides mixed results, as shown in Table 3. To examine the factors associated with market reactions, we perform an ordinary least squares regression to estimate Equation (2). Table 4 presents the results. For all event windows, 'IT & Services' dummy variable has significantly positive coefficients. This result is consistent with H3. In addition, the variable named 'Multiple talents' also has significantly positive coefficients in all event windows. This result indicates that firms sponsoring multiple Johnny's talents were less negatively affected by the first conference.

Figure 3 also shows the different reactions of firms sponsoring multiple talent (Multiple) and those sponsoring a single talent (Single). For firms sponsoring multiple talents, both CAR and CMAR increase in August and do not drop significantly for a couple of months. By contrast, for those sponsoring a single talent, both CAR and CMAR decrease in August and do not recover for a couple of months.

We note that after the first press conference in September, more than half of the sponsor firms decided to terminate advertising or not renew their contracts. Figure 4 show the different reactions between firms that announced termination of advertising or not renewing contract by October 2, 2023 (Cut=1), and other firms (Cut=0). Consistent with H4, for the former firms, both CAR and CMAR increase in August and do not drop significantly for a couple of months. By contrast, for those that did not announce the termination of the endorsement contract by October 2, 2023, both CAR and CMAR tended to decrease for a couple of months. Combining Figures 3 and

4, we conjecture that investors respond more positively when firms sponsor multiple talents make a harsh decision than when they sponsor a single talent.

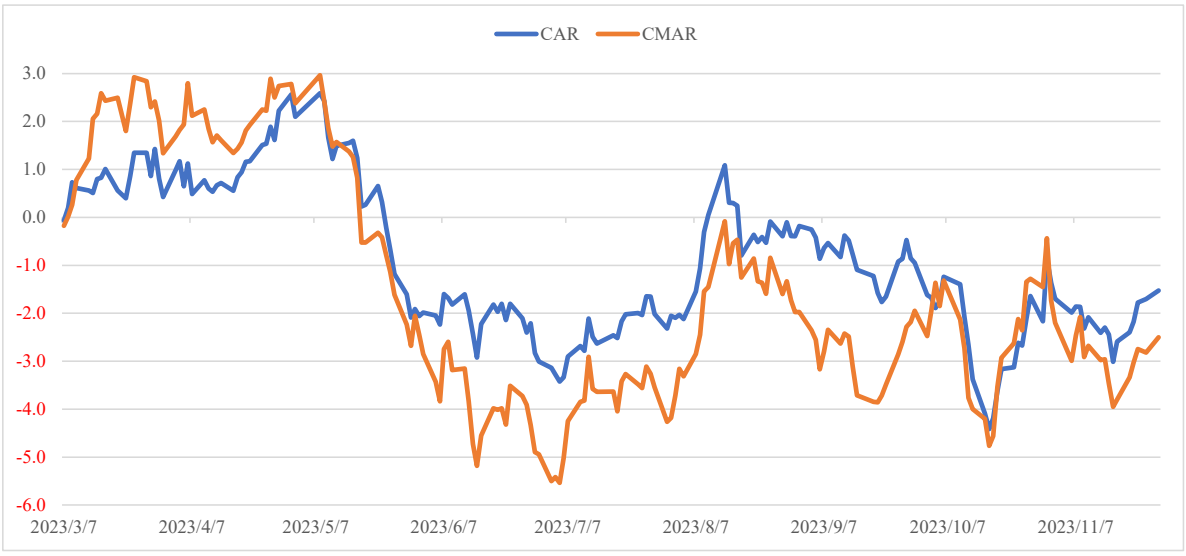

Fig. 2. Stock price reactions for sponsors based on the portfolio approach

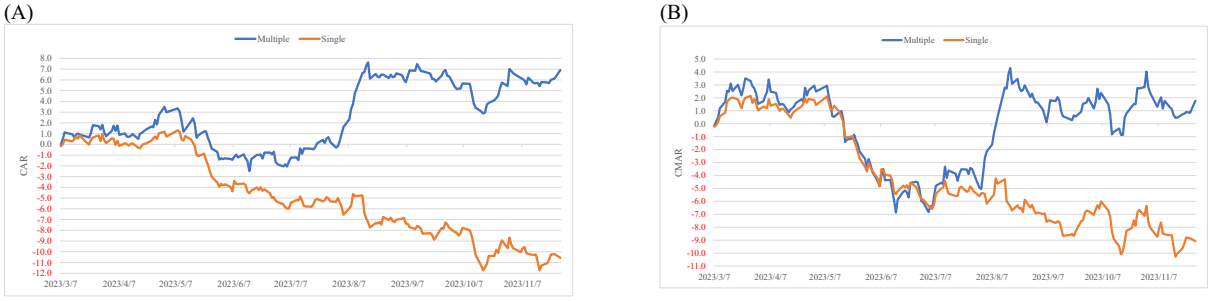

Fig. 3. Stock price reactions for sponsors hiring multiple talents and a single talent
(A) CARs estimated by a portfolio approach; (B) CMARs estimated by a portfolio approach.

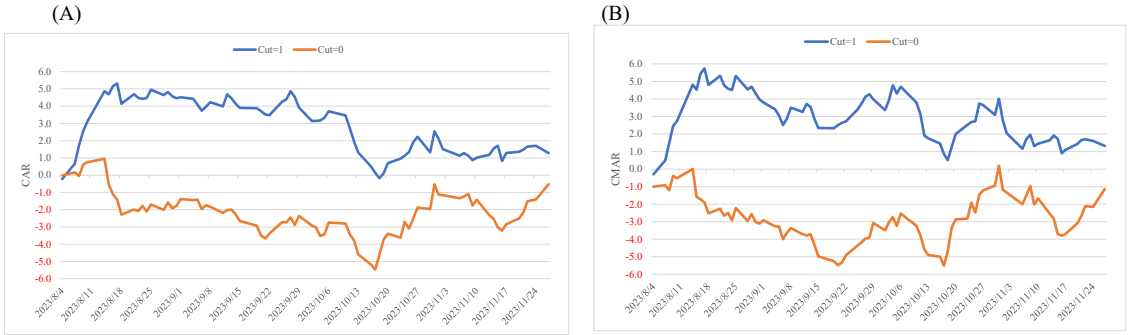

Fig. 4. Stock price reactions for sponsors discontinuing advertising or not renewing contract

(A) CARs estimated by a portfolio approach; (B) CMARs estimated by a portfolio approach.

In conclusion, our results are not necessarily consistent with our hypotheses. H1 holds only if the scandal is reported by the "inside-media" such as NHK, but do not hold if reported by the "outside-media." In addition, H2 is not supported by our results. Two press conferences held by the Johnny's, which attracted largest attention, did not lead to the increase of stock returns. Behind this limited reaction, there are discrepancies in market reactions among sponsor firms. For instance, negative market reactions are smaller for IT industry-sponsor firms (H3). Firms sponsoring multiple talents or those that announced termination of the endorsement contract have experienced an increase in stock returns since August 2023, when the UNHRC, an external international organization, provided recommendations to Johnny's scandal (H4).

5. CONCLUDING REMARKS

This study aims to quantitatively measure the impact of Johnny's sexual assault scandal on the stock prices of 61 sponsor companies with Johnny's talents. Previous studies that examine the impact of celebrity endorsement on the market value use Western data and the event study methodology, which estimates market reactions to a specific event on a particular date. Although the use of celebrity in corporate advertising is more frequently observed in East Asian countries including Japan, the research that investigates the economic impact of celebrity endorsement is not accumulated in Japan.

It is important to emphasize that prior studies based on Western data have primarily examined the impact of negative information about individual celebrities. In contrast, this study focuses on adverse information concerning the talent agency itself. From a cultural perspective, Japan is characterized by collectivism, which contrasts with the individualism prevalent in Western societies (Hofstede and Bond, 1988). Because personhood in Japan is shaped by interconnectedness, conformity, and interdependence with others (Markus and Kitayama, 1991), a scandal involving the agency—regardless of the talents' direct involvement—is likely to damage the reputation of their endorsers.

The event study results show that stock prices of sponsor firms do not necessarily react negatively to the events revealing the Johnny's scandal. Market reacts negatively if the scandal is reported by the "inside-media" such as NHK, but do not react if reported by the "outside-media," including foreign media and weeklies (Prusa 2024). In addition, stock prices of sponsor firms do not react positively to the events leading to the resolution to the scandal. In particular, two press conferences held by the Johnny's, which attracted largest attention, did not lead to the increase of stock returns. Behind such limited reactions, there are discrepancies in market reactions among sponsor firms. For instance, the negative market reactions are smaller for IT industry sponsor firms. Firms sponsoring multiple talents or those that announced termination of endorsement contract experience the increase in stock returns since August 2023, when the UNHRC provided recommendations to the Johnny's scandal.

This study contributes to the related literature on celebrity endorsement by providing the Japanese case, which is not accumulated compared to the Western cases. It also highlights how market reactions vary in accordance with a type of reporting media, sponsors' characteristics and behavior. We acknowledge the limitations of the present study. In particular, the limited sample size prevented us from conducting detailed analyses. Further research is required to ensure robustness.

Nevertheless, our findings indicate that negative information about a talent agency can damage the reputation of its endorsers, even when the talents themselves are not implicated in any misconduct. This effect may be especially salient in collectivist cultures, which contrast with the individualistic norms prevalent in Western societies. These insights carry practical implications for firms considering celebrity endorsements. To minimize potential reputational risks, it is crucial to assess not only the conduct of the talents but also the reputation and behavior of their affiliated agency.

Table 4. Factors associated with market responses to the press conference held by the Johnny & Associates on Sep. 7, 2023

	CAR (0, 0)	**CAR (0, 1)**	**CAR (0, 2)**	**CAR (-1, 0)**	**CAR (-1, 1)**	**CAR (-1, 2)**
Constant	0.344	-0.089	-0.331	0.002	-0.431	-0.673
	(0.771)	(0.958)	(0.886)	(0.999)	(0.836)	(0.806)
Foods	0.308	0.499	0.986	0.185	0.377	0.864
	(0.439)	(0.307)	(0.205)	(0.732)	(0.590)	(0.349)

	CAR (0, 0)		**CAR (0, 1)**		**CAR (0, 2)**		**CAR (-1, 0)**		**CAR (-1, 1)**		**CAR (-1, 2)**	
Pharma & Chemicals	-0.785	*	-0.654		0.413		-1.011		-0.881		0.187	
	(0.084)		(0.307)		(0.637)		(0.103)		(0.267)		(0.857)	
Retail & Wholesales	0.044		-0.010		0.455		-0.426		-0.479		-0.015	
	(0.933)		(0.990)		(0.654)		(0.550)		(0.602)		(0.990)	
IT & Services	0.957	**	1.007		1.858	**	1.874	***	1.924	**	2.775	**
	(0.048)		(0.140)		(0.049)		(0.005)		(0.025)		(0.014)	
Multiple talents	0.702	**	1.474	***	1.373	**	1.128	*	1.900	***	1.799	**
	(0.028)		(0.002)		(0.027)		(0.010)		(0.001)		(0.016)	
Market capitalization	-0.010		-0.015		0.049		0.004		-0.001		0.063	
	(0.912)		(0.910)		(0.785)		(0.978)		(0.995)		(0.769)	
PBR	-0.197	*	-0.114		-0.771	***	-0.436	***	-0.353	*	-1.011	***
	(0.067)		(0.450)		(0.000)		(0.004)		(0.062)		(0.000)	
Obs.	61		61		61		61		61		61	
Adjusted R^2	0.157		0.141		0.216		0.267		0.206		0.268	
S.E. of regression	1.111		1.579		2.164		1.516		1.956		2.573	
F-stat	2.592		2.413		3.367		4.116		3.227		4.142	

Notes:
1. *** **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.
2. Figures in parentheses indicate p-values.
3. Foods, Pharma & Chemicals, Retails & Wholes, and IT & Services are industry dummy variables. Multiple talents is a dummy variable that takes one if the firm sponsors multiple talents of the Johnny & Associates. Market capitalization and PBR are financial variables of sponsor firms.

ACKNOWLEDGEMENTS

I would like to thank the anonymous reviewer, Conrado Diego Garcia-Gomez, Chris Y. Tung, and the participants of the 51st Conference of the Eurasian Business and Economics Society and the 99th Annual Conference of the Western Economic Association for their valuable feedback and insights. English language editing was provided by Payperpal. This work was supported by the Keio Gijuku Fukuzawa Memorial Fund for the Advancement of Education and Research. All remaining errors are my own.

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