

Corporate Governance and the Costs of Debt Financing: Evidence from Japan

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Abstract

In this paper, we examine whether corporate governance mechanisms in Japan have a substantial impact on the costs of debt financing. Using a sample of corporate bond issues over the period 2005-2008, we find that president • CEO ownership have an adverse effect on yield spreads after controlling for other potential determinants of yield spreads. Founding family ownership is also positively related to yield spreads. By contrast, firms with higher shares of directors from large corporate shareholders enjoy lower yield spreads. Consequently, the results show that corporate governance mechanisms in Japan are important factors affecting the costs of debt financing.