

**Determinants of Equity Ownership:
Evidence from Foreign Investors and Financial Institutions in Japan***

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Abstract

This paper examines the determinants of equity ownership by foreign investors and financial institutions in Japan. Financial institutions as traditional stable shareholders tend to have the equity of larger and older firms with higher loan ratio. In contrast, foreign investors as forefront of new corporate governance system have preferences for firms with more R&D activities, and with higher firm value. Overall, our results indicate that financial institutions have incentives to keep long-term relationship with client firms alive while foreign investors have interests in enhancing future firm value.

Keywords: foreign investors, financial institutions, equity ownership

JEL classification: G11, G15, G32, G34

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