Why do firms go private for restructuring? Evidence from Japan*

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Abstract

This article investigates why firms go private for restructuring. Using a survival analysis approach, we examine what factors affect the duration of going private among listed firms in Japan. As a result, we provide evidence that firms with more cash holdings or higher leverage are more likely to go private for restructuring. In addition, the results reveal that firms owned by banks are less likely to go private, suggesting that going-private restructuring depends on the firm's ownership structure. Furthermore, it is found that the probability of a management buyout increases with lower valuation of the firm's equity.

JEL Classifications: C24; G32; G34

Keywords: Capital structure; Corporate governance; Going private; Management buy-out; Survival analysis

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