

Cash Holdings and the Japanese Employment System

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September 10, 2014

Abstract

Japanese firms have been accumulating cash on their balance sheets for the better part of a decade, despite the fact that investment has not increased. Traditional theories of corporate governance have focused on the relationship between shareholders and firm managers in analyzing how firms use free cash flow. This study investigates the build-up of cash within firms from a different perspective. By combining multiple firm-level datasets encompassing financial, employment and governance data, it examines whether or not firms' cash holdings are used for the benefit of employees. Preliminary results suggest that there is a relationship between the employment structure of a firm and its cash holdings.