

# Managerial Ownership and Firm Value: Evidence from Japan<sup>1</sup>

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## Abstract

By using more than 50,000 firm-years of Japanese firms from 2002 to 2017, we find that the relation between a firm's managerial ownership and Tobin's  $q$  is positive in general. The positive relation is due to the subset of young firms with high managerial ownership that have higher Tobin's  $q$ . The general reduction in managerial ownership after an IPO is the primary factor forming the change in managerial ownership. Our results suggest that the fraction of newly listed firms is a decisive factor in the relation between managerial ownership and firm value. When we restrict our sample to larger firms, the hump-shaped relation is observed, at which point our analysis is consistent with the prior literature on American firms. For firm-years in the low liquidity bracket, the relation is negative and inversely hump-shaped. The firm-years in the low liquidity bracket have a different relation between managerial ownership and Tobin's  $q$  from those in the high liquidity bracket, at which point American and Japanese firms are similar.

**JEL classification:** G30, G32

**Keywords:** Managerial ownership, firm value, IPO, liquidity, dual-class firms, Japan

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