



Corporate governance and corporate ownership : the investment behaviour of Japanese institutional investors

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Analítica

In this paper, we investigate the investment behaviour of institutional investors in terms of their shareholdings in 2,938 companies listed on the Tokyo and Osaka Stock Exchanges at the end of June 2002. By doing so, we provide one of the first detailed empirical analyses of the involvement of institutional investors in the ownership structure of Japanese listed firms. At the same time, we compare this aspect of Japanese corporate governance with the shareholdings of banks in the same group of firms. Our results show that the equity investments of financial investors - institutional investors and banks - in Japanese listed companies at the end of June 2002 were predominantly in the high-tech manufacturing, traditional manufacturing and communications industries. All financial investors combined held more than 60% of the equity capital of the firms listed on the Tokyo and Osaka Stock Exchanges, with banks being the largest group of these financial investors. Further analysis shows that on average most financial investors were minority shareholders, holding up to 3% of a firm's total shares. Domestic financial investors tended to have higher levels of ownership than foreign institutions, and small and minority shareholdings were more common among foreign financial investors than among domestic banks and institutional investors. Finally, the average shareholdings of six large Japanese financial groups in Japanese listed companies were considerable, representing an average ownership level of 3.3% of a firm's stock. However, they were not as high as to exert a significant degree of corporate control. All in all, we conclude that as of end-June 2002, banks continued to be important shareholders of Japanese listed firms, owing around 34% of the market capitalisation of all listed firms on the Tokyo and Osaka Stock Exchanges. At the same time, institutional investors, predominantly investment firms and insurance companies, were important shareholders as well, accounting for around 27% of total market capitalisation. Moreover, we found that foreign investment funds were very important shareholders of Japanese listed firms, which confirms the general perception that foreign ownership of Japan's corporate sector has become a rather crucial characteristic of the system of corporate governance in Japan

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