

RIETI BBL Seminar
“How Welcoming Should Japan be to
Shareholder Activists?”
~Comments~

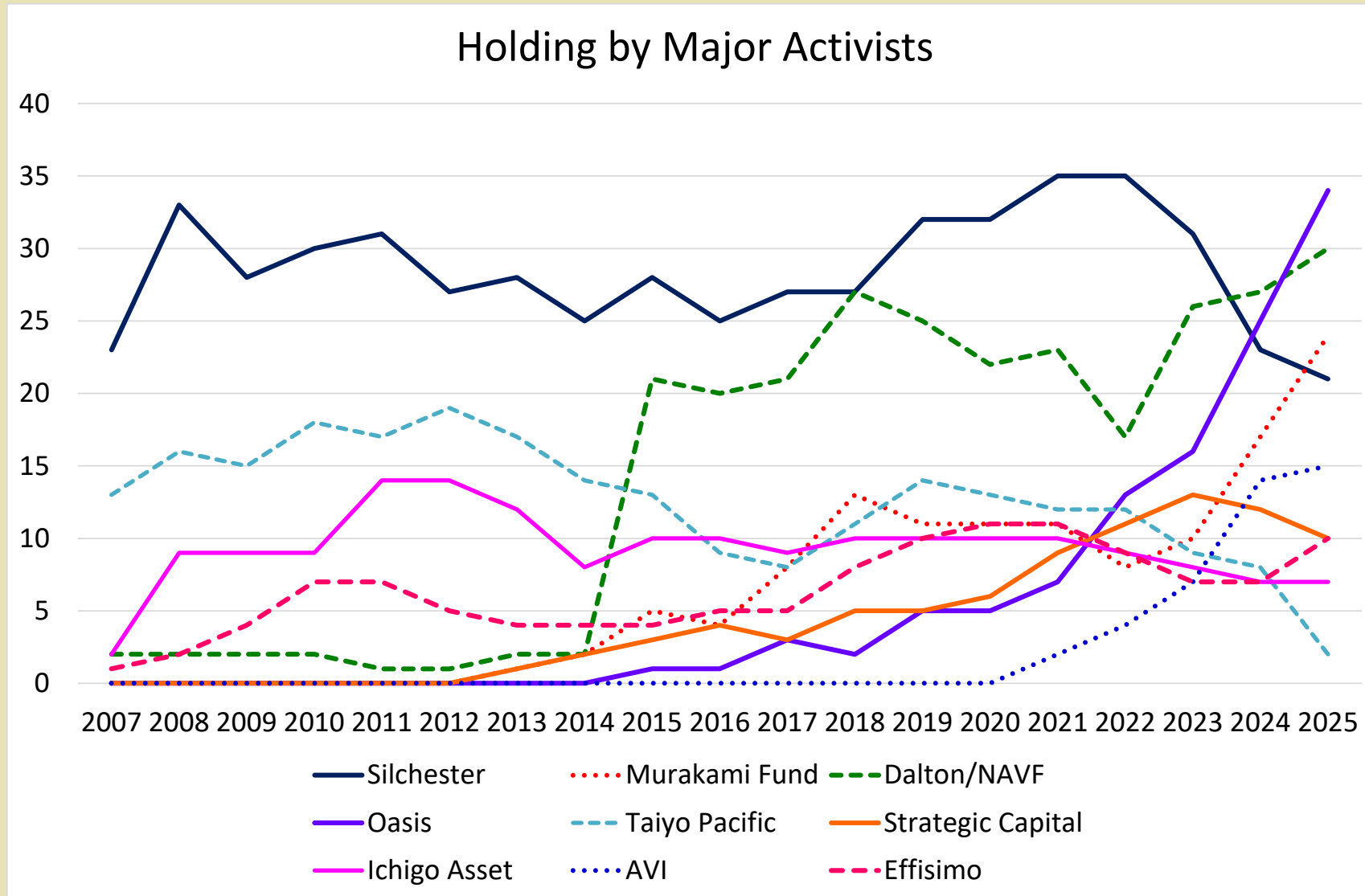
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Research on Japanese activism

- ◆ Uchida and Xu (2008, BoJ WP), Tanaka and Goto (2019, JSDA)
Impact of activism in the 2000s, target selection, share returns, tobin's q
- ◆ Hamao and Matos (2018, JJIE)
916 large shareholdings between 1998 to 2009
Positive CAR, payout, long-run returns are realized only for hostile funds
no improvement of operating performance
- ◆ Tai and Miwa (2025, Japan Journal of Finance 経営財務研究)
Deterioration of operating performance for activist's target firms PSM-DiD analysis
- ◆ Mizutani and Yamada (2025, SSRN WP)
Activist's intervention results in increased payout, but no change in CAPEX and R&D expense

of firms owned by major activists



Holding period of activists

	All (36 groups)	Mild (24 groups)	Vocal (16 groups)
mean	3.45	4.71	1.84
median	2.05	3.43	1.20
Q25	0.64	1.07	0.41
Q75	4.89	7.26	2.60
min	0.00	0.00	0.00
max	19.35	19.35	12.29

Activist target-selection model (Logit)

N = 33,500 * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	(1) No FE	(2) + Year FE	(3) + Industry FE	(4) + Year & Industry FE
Log(Total assets)	-0.012	-0.019	0.009	0.004
ROA	1.440	1.859	1.243	1.722
Leverage	-0.803	-0.780	-1.015*	-0.991*
PBR (market cap / book equity)	-0.478**	-0.549**	-0.476**	-0.561**
Cash + securities / assets	0.963	0.971	0.924	0.846
Foreign ownership	7.605***	7.696***	7.570***	7.702***
Constant	-5.159***	-6.018***	-5.426***	-6.277***
Year FE	No	Yes	No	Yes
Industry FE	No	No	Yes	Yes
Pseudo R ²	0.109	0.139	0.111	0.142

Target selection for different periods (logit)

N = 33,500 * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	Pre-2015	2015–2021	2022+
Log(Total assets)	0.026	−0.083	0.068
ROA	2.041	0.636	2.907
Leverage	−2.346**	−0.481	−0.356
PBR	−0.116	−0.611***	−0.603
Cash + securities / assets	−0.553	0.705	2.120*
Foreign ownership	6.619***	8.344***	7.066***

Target selection: mild vs. vocal (Logit)

Mild: N=33,434 (191 treated); Vocal: N=33,308 (65 treated) * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	Mild	Vocal
Log(Total assets)	-0.023	0.032
ROA	1.322	2.673
Leverage	-1.136*	0.298
PBR	-0.368**	-1.099**
Cash + securities / assets	0.824	1.632
Foreign ownership	7.336***	8.419***

Issues for further discussion

- ◆ Do activists contribute to the improvement of corporate governance of target companies?
- ◆ Why are mild activists retreating in Japan?
- ◆ Why are activists' requests leaning more toward board nomination rather than payout?
- ◆ Does an activist team up with a private equity fund, serving as an advance team ahead of a PE buyout of the target? If so, is this good or bad for shareholders or stakeholders? (Burkart et al., 2024, ECGI-WP about the U.S.)
- ◆ Is it desirable for shareholders to increasingly adopt “emergency pills” targeting a specific activist? What are the pros and cons of such pills? (Eldar et al., 2023, ECGI-WP about the U.S.)