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The IPOs in Japan are built on the depth of retail investment, public confidence and trust in the IPO framework, the efforts of the parties involved in IPOs and the step up from junior markets into the Main Market and function as a market allowing even small-scale companies to conduct IPOs. Although the number of IPOs in Japan has been on the rise in recent years, it is necessary for each and every company conducting IPO to continue efforts geared towards raising corporate value following listing without undermining confidence in order to sustain this trend.

Venture Capital Investment and Preferred Stock: Evidence from Japanese IPO Firms	<i>Hidenori Takahashi / Kenji Kutsuna</i>	15
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It is well known that VC firms invest in their investees through common stock and are less likely to do so through preferred stock. This study describes and examines the determinants of preferred stock usage using a sample of VC-backed IPO firms during 2001-12. We find that VC firms are more likely to use preferred stock if an investee firm has financial problems, is in the early stage of development, and in a high-tech industry.”). In addition, foreign VC firms are more likely to invest through preferred stock than Japanese VC firms. These findings imply that VC firms use preferred stock to mitigate agency costs.

Short- and Long-run Returns from Japanese IPOs	<i>Hideo Okamura</i>	25
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Introduction of the book building system has intensified underpricing in Japanese IPO markets; however, it provides increased opportunities for smaller firms to go public. New issue stocks are assumed under the supply restriction; therefore, usually, a large divergence exists between the offer price, fixed by an underwriter after careful consideration, and the initial price, which tends to be determined in the stock market where optimistic investors exert a heavy influence. As increased underpricing may lead to poor long-run performance, considering the reformation of the process of going public will be worthwhile.

Investor Sentiment on Internet Stock Message Boards and Post-IPO Trading Activity	<i>Yasutomo Tsukioka</i>	38
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This paper investigates the effect of investor sentiment on post-IPO trading activity. Investor sentiment is extracted from Yahoo! Japan Finance message boards using text mining techniques and support vector machines. Yahoo! Japan Finance message boards give us unique message data that investors posted before IPOs. Using a sample of 654 Japanese IPOs from 2001 to 2010, we find the following three relations: 1) high investor attention positively affects trading activity, 2) bullish investor sentiment increases trading activity, and 3) the divergence of investor sentiment causes more frequent trading activity.

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Under the new accounting standard, Japanese firms sponsoring pension plans are required to disclose their pension asset allocations. Using this new data, we examine the relation between financial stability and the pension asset allocations of sponsoring firms. We find that firms with less financial stability tend to allocate a greater share of pension assets to risky securities (equities) than those with more financial stability. This relation is particularly strong among non-union firms with poorly funded pension plans. These results suggest that, unlike in the US, the incentive to shift risk from equity holders to plan beneficiaries plays a larger role than risk management in explaining variation in corporate pension asset allocation in Japan.

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