

## Management Buyouts in Japan

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We examine a sample of 54 management buyouts (MBO) in Japan from January 2001 to March 2009 and document an average buyout premium of 49.0% and a post-MBO investor average return of 54.6%. We find no evidence of operating performance improvements after MBOs in Japan but MBO firms do sell off significant amounts of assets post-MBO. The median equity ownership of pre-buyout managers is 29.36% increasing to 59.82% post buyout. Our MBO sample firms have high equity book to market ratios compared to industry and size-matched control firms indicating that MBO firms are undervalued relative to their peers. MBO firms have higher levels of stock repurchase activity in the years prior to the buyout compared to control firms. The evidence suggests undervaluation and not the reduction of agency problems as the motivation for MBOs in Japan.