

Clarification of Actual Situation of Family Firms in Japan and Empirical Analysis of Their Financial Characteristics

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This paper elucidates the actual situation of family firms and identifies the financial characteristics of family firms in Japan. However, the definition of family firms is still in the process of being settled, as the definition of family firms differs in the prior literature. Manual work is required to determine whether a firm is a family firm or not, and the amount of data to be collected is enormous. Because of this problem, the number of previous empirical studies using archival data on family firms is small. Therefore, it is hoped that through the examination of this paper, it can accumulate empirical analysis on family firms.

After organizing the definitions in the previous literature, this paper developed the definition of family firms based on the Three Circle Model. Based on the definition, this paper manually determined whether a company was a family business in FY 2013 and FY 2022 for all listed companies in Japan based on certain criteria. However, it would take an enormous amount of time to determine whether all listed firms are family firms or not. Therefore, this paper only judged at two-time points, the most recent fiscal year, FY2022, and 10 years earlier, FY13, so that a time-series analysis can be performed.

As far as the author can survey, there have been no studies conducted on all listed companies in Japan. Because the sample size of this paper is larger than that of previous studies and the data is more recent, it can be expected to be able to elucidate the current status of family firms in Japan.

Through an empirical approach, this paper first compares family firms and non-family firms to see if any differences exist between family firms and non-family firms in terms of financial performance. Next, this paper focuses on family firms and categorizes them into firms with relatively strong and weak family control based on the strength of family control. Finally, from the perspective of generational differences in family control, family firms were classified into founder-type firms and successor-type firms. By examining each type, this paper aimed to elucidate which types of family firms are most financially distinctive. As far as the author can survey, such group comparisons among family firms have not been conducted in previous studies.