

shareholdings is positively associated with high CSP indices while the increase in domestic corporate investors' shareholdings shows rather negative association. It implies that foreign investors, who are concerned about social aspects of activities of investees in a global viewpoint, might have played a key role as a CSR driver and have influenced stakeholder management of Japanese firms. Third, firms in international competition are more sensitive to CSP than companies of domestic business. It is also suggested that foreign investors contribute to strengthen investors' self-disciplining or to improve internal governance of investees. These are new contributions to link CSR practices and changing corporate governance of Japanese firms in globalization of Japan's market.

There are some discussion points for development of the study. First, in this paper, we did not distinguish long-term institutional investors from other relationship investors, but categorized three investor groups: corporate domestic investors, foreign investors, and individual investors. It is due to ownership data we used, but it is interesting to break down domestic ownership to investigate heterogeneity of corporate governance and stakeholder management of Japanese business firms. In the further study, we should exploit ownership structure data more in detail.

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Table 1. Ownership Structure of Listed Companies at Market Value

Percentage of shares at market value held by each type of investor is shown. Listed companies in JASDAQ Stock Exchange are included since 2004. Security brokers are excluded.

Year	Number of Companies	Commercial Bank	Trust Bank	Insurance Companies	Business Corporations	Domestic Corporations	Foreign Corporations	Individuals
		a	b	c	d	a+b+c+d		
1985	1,833	20.9	2.5	16.4	28.8	68.6	7.0	22.3
1990	2,078	15.7	9.8	15.9	30.1	71.5	4.7	20.4
2000	2,587	10.1	17.4	10.9	21.8	60.2	18.8	19.4
2001	2,656	8.7	19.9	10.2	21.8	60.6	18.3	19.7
2002	2,661	7.7	21.4	9.3	21.5	59.9	17.7	20.6
2003	2,679	5.9	19.6	8.1	21.8	55.4	21.8	20.5
2004	2,775	5.3	18.8	7.6	21.9	53.6	23.7	20.3
2005	2,843	4.7	18.4	7.4	21.1	51.6	26.7	19.1
2006	2,937	4.6	17.9	7.6	20.7	50.8	28.0	18.1
2007	3,897	4.7	17.3	7.6	21.4	51.0	27.4	18.7
2008	3,803	4.8	18.8	7.4	22.6	53.6	23.5	20.5
2009	3,694	4.3	18.4	7.0	21.3	51.0	26.0	20.1
2010	3,616	4.1	18.2	6.4	21.2	49.9	26.7	20.3

Table 2. Number of Sample Firms

Number of firm-samples at the end of September of each year (2007-2009) and number of firms listed on Tokyo Stock Exchange 1st Section (TSE1), on Tokyo Stock Exchange Second Section (TSE2), and other stock exchanges in Japan (Others) are reported. Number of firms in the most right four columns is non-duplicated and a single firm appears four times at maximum in our sample period, 2007 through 2010.

Sector	2007	2008	2009	2010	TSE1	TSE2	Others	Total
Consumption Goods	218	203	207	225	207	33	47	287
Investment Goods	308	316	330	333	298	42	91	427
Services	300	314	343	344	211	46	233	480
Transportation	19	21	21	22	20	3	4	27
Utility	12	13	13	15	15	0	0	15
Real Estate	37	41	31	36	32	7	21	60
All Sectors	894	908	945	975	783	131	396	1296

Table 3. Descriptive Statistics of Corporate Social Performance of Japanese Firms

Panel A. Sector-wise Corporate Social Performance

	Employee Relations					Social Contribution				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Consumption Goods	-0.597	0.266	0.997	0.103	1.195	-0.599	0.191	0.911	0.154	0.991
Investment Goods	-0.527	0.283	1.103	0.196	1.225	-0.764	-0.028	0.654	0.022	0.960
Services	-1.084	0.084	0.753	-0.143	1.222	-0.928	-0.320	0.434	-0.168	0.951
Transportation	-0.368	0.166	0.855	0.157	1.092	-0.408	0.097	1.059	0.139	1.098
Utility	-0.620	-0.109	0.365	-0.089	1.020	-0.341	0.722	1.076	0.356	0.845
Real Estate	-1.055	-0.009	0.728	-0.170	1.170	-0.935	-0.430	0.353	-0.177	0.923
All Firms	-0.719	0.207	0.898	0.037	1.218	-0.852	-0.069	0.659	-0.015	0.974
	Security and Safeness					Internal Governance and Risk Management				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Consumption Goods	-0.079	0.707	0.985	0.416	0.809	-0.411	0.055	0.768	0.066	0.976
Investment Goods	-0.233	0.434	0.915	0.229	0.883	-0.520	-0.047	0.645	-0.043	1.001
Services	-1.087	-0.178	0.638	-0.330	1.035	-0.444	0.007	0.687	-0.003	0.984
Transportation	-0.398	0.490	0.773	0.037	1.027	-0.823	-0.131	0.525	-0.416	1.407
Utility	-0.268	0.557	0.639	0.171	0.778	-0.330	-0.141	0.152	0.017	0.652
Real Estate	-1.196	-0.240	0.096	-0.420	1.019	-0.589	0.021	0.774	-0.019	0.989
All Firms	-0.395	0.163	0.840	0.046	0.983	-0.471	-0.001	0.697	-0.011	0.998
	Environment					Corporate Social Performance				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Consumption Goods	-0.499	0.271	0.836	0.161	0.934	-0.852	0.711	1.995	0.465	1.746
Investment Goods	-0.487	0.179	0.803	0.143	0.907	-1.097	0.376	1.764	0.261	1.696
Services	-1.051	-0.474	0.514	-0.205	0.906	-1.888	-0.566	0.890	-0.420	1.647
Transportation	-0.316	0.162	0.566	0.153	0.814	-1.194	0.123	1.630	0.101	1.699
Utility	-0.010	0.336	1.009	0.596	0.899	-0.387	0.426	1.585	0.401	1.483
Real Estate	-1.027	-0.745	0.205	-0.332	0.854	-1.951	-0.731	0.981	-0.531	1.597
All Firms	-0.830	0.003	0.705	0.014	0.929	-1.445	0.061	1.533	0.037	1.726

Panel B. Firm Size and Corporate Social Performance

	Employee Relations					Social Contribution				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Size1(Large)	0.126	0.960	1.618	0.801	1.090	0.428	1.101	1.659	0.955	0.872
Size2	-0.104	0.558	1.219	0.422	1.110	-0.310	0.349	0.939	0.288	0.884
Size3	-0.685	0.123	0.742	-0.069	1.121	-0.688	-0.127	0.378	-0.119	0.787
Size4	-1.166	-0.190	0.396	-0.376	1.085	-1.012	-0.523	0.020	-0.485	0.685
Size5 (Small)	-1.477	-0.456	0.322	-0.583	1.130	-1.133	-0.881	-0.238	-0.701	0.620
All Firms	-0.719	0.207	0.898	0.037	1.218	-0.852	-0.069	0.659	-0.015	0.974
	Security and Safeness					Internal Governance and Risk Management				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Size1(Large)	0.132	0.757	1.018	0.431	0.916	-0.085	0.280	1.203	0.317	0.985
Size2	-0.162	0.656	0.934	0.294	0.914	-0.335	0.085	0.861	0.131	0.957
Size3	-0.272	0.202	0.804	0.092	0.927	-0.411	-0.020	0.722	0.007	0.954
Size4	-0.541	-0.162	0.661	-0.189	0.976	-0.571	-0.192	0.270	-0.252	0.996
Size5 (Small)	-1.122	-0.294	0.314	-0.394	0.944	-0.610	-0.270	0.346	-0.249	0.975
All Firms	-0.395	0.163	0.840	0.046	0.983	-0.471	-0.001	0.697	-0.011	0.998
	Environment					Corporate Social Performance				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Size1(Large)	0.449	0.851	1.374	0.882	0.717	1.033	1.976	2.602	1.649	1.218
Size2	-0.007	0.469	0.973	0.444	0.709	-0.055	1.170	2.023	0.892	1.413
Size3	-0.530	-0.029	0.534	0.017	0.792	-0.915	0.136	1.046	0.043	1.358
Size4	-1.075	-0.583	0.054	-0.469	0.709	-1.969	-1.061	0.018	-0.922	1.289
Size5 (Small)	-1.153	-1.026	-0.468	-0.795	0.587	-2.404	-1.756	-0.730	-1.455	1.208
All Firms	-0.830	0.003	0.705	0.014	0.929	-1.445	0.061	1.533	0.037	1.726

Table 4. Descriptive Statistics of Stock Ownership Structure of Japanese Firms

Panel A. Sector-wise Summary of Stock Ownership Structure

	Percentage of Shares Owned by Japanese Corporations					Past 5 Year Increase in Shares Held by Japanese Corporations				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Consumption Goods	38.506	49.931	61.472	49.131	16.749	-8.051	-3.147	1.599	-3.050	9.896
Investment Goods	42.555	52.938	62.382	51.871	15.936	-8.303	-3.160	1.434	-3.368	8.786
Services	28.968	43.851	58.389	43.091	20.793	-7.520	-1.970	3.198	-1.705	11.176
Transportation	47.105	54.378	64.713	55.395	13.442	-7.448	-2.000	-0.640	-3.908	8.955
Utility	41.966	47.517	54.041	49.287	10.329	-4.558	-1.855	-0.328	-2.836	7.495
Real Estate	24.039	51.431	68.018	46.490	23.145	-6.742	-1.288	4.806	-0.148	14.908
All Firms	36.235	49.661	60.995	48.006	18.560	-7.917	-2.504	1.892	-2.669	10.120
	Percentage of Shares Owned by Foreign Corporations					Past 5 Year Increase in Shares Held by Foreign Corporations				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Consumption Goods	3.164	10.445	22.679	14.006	12.758	-0.650	1.781	6.656	2.835	8.316
Investment Goods	2.493	9.737	20.749	13.015	12.536	0.000	2.734	8.193	4.340	8.077
Services	0.523	3.284	11.390	7.866	10.686	-0.601	0.491	5.254	1.925	7.500
Transportation	2.893	8.549	23.275	13.249	12.163	0.000	2.093	6.150	4.260	6.792
Utility	9.687	12.486	17.463	14.346	8.754	3.020	5.047	8.037	5.975	6.942
Real Estate	2.950	11.076	20.590	14.267	13.555	-0.003	4.450	11.943	6.558	12.097
All Firms	1.524	7.318	18.483	11.516	12.258	-0.206	1.728	6.999	3.323	8.181
	Percentage of Shares Owned by Individual Investors					Past 5 Year Increase in Shares Held by Individual Investors				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Consumption Goods	20.317	29.529	49.103	35.383	19.355	-4.602	0.378	4.529	-0.026	10.204
Investment Goods	19.244	29.023	46.485	33.974	19.304	-5.264	-1.047	3.214	-1.109	9.299
Services	29.353	46.315	65.313	47.932	23.473	-5.456	0.267	5.202	-0.354	11.457
Transportation	17.633	24.208	40.100	30.443	17.165	-2.638	-0.071	2.583	-0.540	7.071
Utility	25.215	35.049	40.564	33.219	11.471	-4.703	-2.545	-0.162	-2.006	4.442
Real Estate	15.752	35.245	56.691	37.932	25.693	-12.248	-3.790	0.607	-6.767	14.990
All Firms	21.437	35.410	55.088	39.241	21.970	-5.289	-0.469	4.108	-0.804	10.433



Panel B. Firm Size and Stock Ownership Structure

	Percentage of Shares Owned by Japanese Corporations					Past 5 Year Increase in Shares Held by Japanese Corporations				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Size1(Large)	44.010	51.414	57.553	51.196	12.649	-10.905	-4.988	-0.715	-5.813	8.718
Size2	48.598	57.370	65.772	56.416	13.457	-9.242	-3.718	1.304	-3.832	9.139
Size3	41.890	53.709	66.542	53.303	16.196	-5.992	-1.604	3.466	-1.537	9.339
Size4	32.508	43.208	57.253	44.609	18.286	-5.644	-1.259	2.526	-1.255	9.990
Size5 (Small)	16.061	31.271	49.657	34.575	22.009	-5.980	-0.851	4.713	0.269	13.043
All Firms	36.235	49.661	60.995	48.006	18.560	-7.917	-2.504	1.892	-2.669	10.120
	Percentage of Shares Owned by Foreign Corporations					Past 5 Year Increase in Shares Held by Foreign Corporations				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Size1(Large)	17.132	24.667	31.824	25.206	12.137	0.781	5.542	11.453	6.239	9.177
Size2	8.095	14.326	20.749	15.612	10.027	0.665	4.827	10.063	5.423	8.365
Size3	2.620	6.522	12.624	8.997	8.577	-0.036	1.959	6.067	3.166	7.369
Size4	0.345	2.129	5.530	4.695	7.354	-0.565	0.120	2.646	0.781	6.355
Size5 (Small)	0.061	0.668	2.776	3.233	7.207	-0.833	0.000	0.478	-0.567	6.991
All Firms	1.524	7.318	18.483	11.516	12.258	-0.206	1.728	6.999	3.323	8.181
	Percentage of Shares Owned by Individual Investors					Past 5 Year Increase in Shares Held by Individual Investors				
	25%ile	Median	75%ile	Mean	S.D.	25%ile	Median	75%ile	Mean	S.D.
Size1(Large)	12.780	18.952	27.723	21.342	11.427	-4.195	-0.426	3.245	-0.821	7.984
Size2	16.904	24.331	35.412	26.847	13.154	-6.090	-1.628	3.255	-1.719	9.543
Size3	24.261	35.388	47.187	36.757	15.758	-7.017	-1.159	3.388	-1.645	10.665
Size4	37.456	51.918	60.958	49.860	17.665	-3.800	0.785	5.559	0.458	10.666
Size5 (Small)	45.825	64.465	79.783	61.156	21.868	-4.876	0.900	6.664	0.089	13.715
All Firms	21.437	35.410	55.088	39.241	21.970	-5.289	-0.469	4.108	-0.804	10.433

Table 5. Correlation among CSP, Ownership Structure, and Firms' Characteristics

Spearman rank correlations and corresponding probability values are shown in the following Panels A and B.

Panel A. Correlation between Corporate Social Performance and Stock Ownership Structure

	Japanese Corporations	Foreign Corporations	Individual Investors	Past 5 Years Increase in Shares Owned by Japanese Corporations	Past 5 Years Increase in Shares Owned by Foreign Corporations	Past 5 Years Increase in Shares Owned by Individual Investors
Employee Relations	0.151	0.340	-0.313	-0.086	0.168	-0.060
<i>p</i> -value	0.000	0.000	0.000	0.000	0.000	0.001
Social Contribution	0.233	0.455	-0.456	-0.145	0.177	0.008
<i>p</i> -value	0.000	0.000	0.000	0.000	0.000	0.660
Security and Safeness	0.143	0.331	-0.294	-0.091	0.115	-0.014
<i>p</i> -value	0.000	0.000	0.000	0.000	0.000	0.424
Internal Governance	0.094	0.228	-0.209	-0.045	0.079	-0.012
<i>p</i> -value	0.000	0.000	0.000	0.009	0.000	0.493
Environment	0.282	0.501	-0.495	-0.184	0.209	0.017
<i>p</i> -value	0.000	0.000	0.000	0.000	0.000	0.324
Total CSP	0.269	0.533	-0.512	-0.155	0.217	-0.022
<i>p</i> -value	0.000	0.000	0.000	0.000	0.000	0.199

Panel B. Correlation between Corporate Social Performance and Firms' Characteristics

lnTA: natural logarithm of total asset (in million JPY), ROA: Return of Asset, DR: Debt ratio, GTA: Growth rate in total asset, Turn: Monthly turnover, Vol3Y: Past 3 year volatility of monthly stock returns, BPR: Book-to-price ratio, FDR: Foreign dependency ratio defined as (sales in foreign countries)/(total sales).

	lnTA	ROA	DR	GTA	Turn	Vol3Y	BPR	FDR
Employee Relations	0.431	0.046	0.017	0.001	0.237	-0.092	-0.183	0.103
<i>p</i> -value	0.000	0.005	0.310	0.957	0.000	0.000	0.000	0.000
Social Contribution	0.601	0.036	0.033	0.043	0.308	-0.147	-0.240	0.068
<i>p</i> -value	0.000	0.029	0.043	0.009	0.000	0.000	0.000	0.000
Security and Safeness	0.379	0.039	-0.053	0.017	0.227	-0.130	-0.179	0.121
<i>p</i> -value	0.000	0.018	0.001	0.291	0.000	0.000	0.000	0.000
Internal Governance	0.255	0.026	-0.018	0.012	0.192	-0.022	-0.152	-0.017
<i>p</i> -value	0.000	0.116	0.264	0.460	0.000	0.186	0.000	0.310
Environment	0.673	0.025	0.032	0.013	0.345	-0.165	-0.226	0.131
<i>p</i> -value	0.000	0.125	0.052	0.422	0.000	0.000	0.000	0.000
Total CSP	0.675	0.051	0.004	0.018	0.374	-0.159	-0.278	0.115
<i>p</i> -value	0.000	0.002	0.823	0.264	0.000	0.000	0.000	0.000

Table 6. Effects of Stock Ownership Structure on the CSP

[Dependent Variables] CSP: Total CSP, EMP: Employee relations, SC: Social Contribution, SS: Security of the firm and Safeness of the product, IG: Internal Governance and Risk Management, ENV: Environment preservations.

[Independent Variables] lnTA: natural logarithm of total asset (in million JPY), ROA: Return of Asset, DR: Debt ratio, GTA: Growth rate in total asset, Turn: Monthly turnover, Vol3Y: Past 3 year volatility of monthly stock returns, BPR: Book-to-price ratio, FDR: Foreign dependency ratio defined as (sales in foreign countries)/(total sales).

\*\*\* Significant at 1% level, \*\* Significant at 5% level, \*Significant at 10% level.

Panel A. %Shares Held by Japanese Corporations							
	CSP	EMP	SC	SS	IG	ENV	
Intercept	1.429 ***	0.808 ***	0.908 ***	0.140	0.413 ***	0.529	
Japanese Corp.	0.009 ***	0.002 *	0.005 ***	0.003 **	0.003 ***	0.006 ***	
ROA	0.000	0.004	-0.002	-0.002	-0.006 *	0.000 ***	
DR	-0.005 ***	0.000	-0.001 **	-0.002 ***	-0.002 **	-0.001 ***	
GTA	-0.005 ***	-0.004 **	-0.001	-0.001	0.000	-0.002 ***	
Turn	0.000	0.000	0.000	0.000	0.000	0.000 ***	
Vol3Y	-0.021 ***	-0.014 ***	-0.011 ***	-0.014 ***	0.002	-0.012 ***	
BPR	-0.001 ***	-0.001 ***	0.000 **	0.000 *	-0.001 **	0.000 ***	
FDR	0.004 ***	0.003 **	0.000	0.002 **	-0.001	0.002 ***	
Adjusted $R^2$	0.476	0.197	0.397	0.164	0.067	0.445	
Panel B. %Shares Held by Foreign Corporations							
	CSP	EMP	SC	SS	IG	ENV	
Intercept	1.558 ***	0.866 ***	1.009 ***	0.065	0.480 ***	0.643	
Foreign Corp.	0.015 ***	0.006 **	0.005 **	0.009 ***	0.002	0.006 ***	
ROA	0.003	0.007 **	-0.001	-0.002	-0.005	0.001 ***	
DR	-0.003 **	0.000	-0.001	-0.001	-0.002 **	-0.001 ***	
GTA	-0.006 ***	-0.004 ***	-0.001	-0.001	-0.001	-0.003 ***	
Turn	0.000	0.000	0.000	0.000	0.000	0.000 ***	
Vol3Y	-0.024 ***	-0.016 ***	-0.012 ***	-0.015 ***	0.003	-0.014 ***	
BPR	-0.001 ***	-0.001 ***	0.000 **	0.000 *	-0.001 **	0.000 ***	
FDR	0.001	0.002	0.000	0.001	-0.001	0.001 ***	
Adjusted $R^2$	0.458	0.190	0.375	0.159	0.060	0.435	
Panel C. %Shares Held by Individual Investors							
	CSP	EMP	SC	SS	IG	ENV	
Intercept	1.985 ***	1.018 ***	1.190 ***	0.241 **	0.592 ***	0.876	
Individuals	-0.008 ***	-0.002 **	-0.005 ***	-0.002 *	-0.003 ***	-0.004 ***	
ROA	0.003	0.008 **	-0.001	-0.001	-0.004	0.001 ***	
DR	-0.004 ***	0.000	-0.001	-0.003 ***	-0.002 **	-0.001 ***	
GTA	-0.009 ***	-0.007 ***	-0.002 **	-0.002 *	-0.002	-0.004 ***	
Turn	0.000	0.000	0.000	0.000 *	0.000	0.000 ***	
Vol3Y	-0.020 ***	-0.018 ***	-0.011 ***	-0.012 ***	0.005	-0.013 ***	
BPR	-0.001 ***	-0.001 ***	0.000 **	0.000	0.000 **	0.000 ***	
FDR	0.003 **	0.003 **	0.000	0.002 **	-0.001	0.002 ***	
Adjusted $R^2$	0.452	0.196	0.374	0.157	0.067	0.424	

Table 7. Effects of Change in Stock Ownership on the CSP

[Dependent Variables] CSP: Total CSP, EMP: Employee relations, SC: Social Contribution, SS: Security of the firm and Safeness of the product, IG: Internal Governance and Risk Management, ENV: Environment preservations.

[Independent Variables] lnTA: natural logarithm of total asset (in million JPY), ROA: Return of Asset, DR: Debt ratio, GTA: Growth rate in total asset, Turn: Monthly turnover, Vol3Y: Past 3 year volatility of monthly stock returns, BPR: Book-to-price ratio, FDR: Foreign dependency ratio defined as (sales in foreign countries)/(total sales).

\*\*\* Significant at 1% level, \*\* Significant at 5% level, \*Significant at 10% level.

Panel A. Past 5 Years Increase in Shares Held by Japanese Corporations								
	CSP	EMP	SC	SS	IG	ENV		
Intercept	1.358 ***	0.557 ***	0.527 ***	0.602 ***	0.287 **	0.434		
ΔJPN	-0.021 ***	-0.007 **	-0.015 ***	-0.005 **	-0.003	-0.016 ***		
ROA	0.004	0.009 *	0.000	-0.003	0.000	0.000 ***		
DR	-0.001	0.002 **	0.001	-0.003 ***	-0.001	0.002 ***		
GTA	-0.004	-0.006 **	0.001	-0.002	-0.003	0.000 ***		
Turn	0.005 ***	0.002 ***	0.002 ***	0.002 ***	0.000	0.003 ***		
Vol3Y	-0.053 ***	-0.032 ***	-0.028 ***	-0.023 ***	-0.002	-0.032 ***		
BPR	-0.005 ***	-0.002 ***	-0.003 ***	-0.001 ***	-0.001 ***	-0.002 ***		
FDR	0.010 ***	0.005 ***	0.004 ***	0.006 ***	0.000	0.005 ***		
Adjusted R <sup>2</sup>	0.146	0.069	0.108	0.045	0.011	0.133		
Panel B. Past 5 Years Increase in Shares Held by Foreign Corporations								
	CSP	EMP	SC	SS	IG	ENV		
Intercept	1.236 ***	0.555 ***	0.483 ***	0.546 ***	0.243 *	0.398		
ΔFOR	0.034 ***	0.018 ***	0.015 ***	0.006 *	0.006 *	0.018 **		
ROA	0.001	0.005	-0.001	-0.005	-0.002	-0.001 ***		
DR	0.000	0.002 **	0.001 *	-0.003 ***	-0.001	0.002 ***		
GTA	-0.004	-0.005 **	0.002	0.000	-0.002	-0.001 ***		
Turn	0.004 ***	0.002 ***	0.002 ***	0.001 **	0.000	0.002 ***		
Vol3Y	-0.055 ***	-0.033 ***	-0.027 ***	-0.023 ***	0.001	-0.034 ***		
BPR	-0.005 ***	-0.002 ***	-0.002 ***	-0.001 ***	-0.001 ***	-0.002 ***		
FDR	0.010 ***	0.006 ***	0.004 ***	0.006 ***	-0.001	0.005 ***		
Adjusted R <sup>2</sup>	0.150	0.079	0.099	0.047	0.011	0.127		
Panel C. Past 5 Years Increase in Shares Held by Individual Investors								
	CSP	EMP	SC	SS	IG	ENV		
Intercept	1.425 ***	0.610 ***	0.590 ***	0.583 ***	0.290 **	0.512		
ΔIND	-0.001	-0.007 **	0.006 ***	0.002	0.000	0.004 ***		
ROA	0.004	0.007	0.001	-0.003	0.000	0.001 ***		
DR	-0.001	0.003 **	0.001	-0.003 ***	-0.001 *	0.002 ***		
GTA	-0.004	-0.005 **	0.002	-0.001	-0.002	-0.001 ***		
Turn	0.005 ***	0.003 ***	0.002 ***	0.002 ***	0.000	0.003 ***		
Vol3Y	-0.056 ***	-0.033 ***	-0.029 ***	-0.023 ***	-0.002	-0.034 ***		
BPR	-0.005 ***	-0.002 ***	-0.003 ***	-0.001 ***	-0.001 ***	-0.002 ***		
FDR	0.011 ***	0.006 ***	0.004 ***	0.007 ***	0.000	0.006 ***		
Adjusted R <sup>2</sup>	0.146	0.072	0.101	0.050	0.013	0.123		

Table 8. Industry-wise results of Regression Analysis

## Panel A. Consumption Goods Sector

Past 5 Years Increase in Shares Held by Domestic Institutions and Firms' CSP							
	CSP	EMP	SC	SS	IG	ENV	
Intercept	1.294 ***	0.186	0.632 ***	0.858 ***	0.255 **	0.569 ***	
$\Delta$ JPN	-0.013 **	-0.006	-0.008 **	-0.004	-0.002	-0.011 ***	
ROA	0.000	0.008	-0.007	0.000	-0.002	-0.006	
DR	-0.003	0.003	-0.001	-0.003 **	0.001	-0.003 *	
GTA	0.000	-0.006	0.004	0.001	-0.003	0.002	
Turn	0.009 ***	0.004 ***	0.004 ***	0.002 **	0.002 **	0.005 ***	
Vol3Y	-0.040 **	-0.013	-0.022 **	-0.011	-0.023 **	-0.026 ***	
BPR	-0.007 ***	-0.003 ***	-0.004 ***	-0.003 ***	-0.001 **	-0.003 ***	
FDR	0.007 **	0.006 ***	0.001	0.002	0.001	0.003 *	
Adjusted $R^2$	0.181	0.071	0.131	0.108	0.018	0.139	
Past 5 Years Increase in Shares Held by Foreign Institutions and Firms' CSP							
	CSP	EMP	SC	SS	IG	ENV	
Intercept	1.306 ***	0.179	0.643 ***	0.864 ***	0.270 **	0.590 ***	
$\Delta$ FOR	0.014 *	0.011 *	0.006	0.003	-0.002	0.008 **	
ROA	-0.003	0.005	-0.009	0.000	-0.001	-0.008	
DR	-0.003	0.003	-0.001	-0.004 **	0.001	-0.003 *	
GTA	-0.002	-0.007	0.003	0.001	-0.003	0.000	
Turn	0.009 ***	0.004 **	0.004 ***	0.002 **	0.002 **	0.005 ***	
Vol3Y	-0.041 **	-0.012	-0.023 **	-0.012	-0.025 ***	-0.028 ***	
BPR	-0.007 ***	-0.003 ***	-0.004 ***	-0.003 ***	-0.001 **	-0.002 ***	
FDR	0.007 **	0.006 **	0.001	0.002	0.002	0.003 *	
Adjusted $R^2$	0.180	0.074	0.129	0.107	0.017	0.131	
Past 5 Years Increase in Shares Held by Individual Investors and Firms' CSP							
	CSP	EMP	SC	SS	IG	ENV	
Intercept	1.341 ***	0.211	0.657 ***	0.872 ***	0.261 **	0.608 ***	
$\Delta$ IND	0.003	-0.003	0.004	0.002	0.005	0.005	
ROA	0.002	0.008	-0.006	0.001	-0.001	-0.005	
DR	-0.003	0.003	-0.001	-0.003 **	0.001	-0.003 *	
GTA	-0.002	-0.008	0.003	0.001	-0.002	0.000	
Turn	0.009 ***	0.004 ***	0.004 ***	0.003 **	0.002 ***	0.005 ***	
Vol3Y	-0.045 ***	-0.016	-0.024 ***	-0.013	-0.024 ***	-0.030 ***	
BPR	-0.007 ***	-0.003 ***	-0.004 ***	-0.003 ***	-0.001 **	-0.002 ***	
FDR	0.008 **	0.007 ***	0.001	0.002	0.002	0.004 **	
Adjusted $R^2$	0.176	0.069	0.128	0.106	0.019	0.128	

Panel B. Investment Goods Sector

Past 5 Years Increase in Shares Held by Domestic Institutions and Firms' CSP								
	CSP	EMP	SC	SS	IG	ENV		
Intercept	1.585 ***	1.004 ***	0.602 ***	0.601 ***	0.265 **	0.549 ***		
$\Delta$ JPN	-0.017 ***	-0.002	-0.012 ***	-0.006 *	0.001	-0.014 ***		
ROA	-0.016	0.002	-0.012 *	-0.007	-0.011	0.003		
DR	0.000	0.001	0.000	0.000	-0.002	0.004 ***		
GTA	-0.007	-0.003	0.000	-0.004	-0.002	-0.004 *		
Turn	0.003 **	0.003 **	0.001	0.001 ***	0.001 *	0.001 *		
Vol3Y	-0.053 ***	-0.041 ***	-0.023 ***	-0.028 ***	-0.001	-0.027 ***		
BPR	-0.008 ***	-0.004 ***	-0.003 ***	-0.002 ***	-0.002 ***	-0.003 ***		
FDR	0.006 **	0.001	0.004 ***	0.003 **	0.001	0.003 **		
Adjusted $R^2$	0.200	0.121	0.124	0.051	0.024	0.170		
Past 5 Years Increase in Shares Held by Foreign Institutions and Firms' CSP								
	CSP	EMP	SC	SS	IG	ENV		
Intercept	1.540 ***	0.922 ***	0.591 ***	0.644 ***	0.265 **	0.551 ***		
$\Delta$ FOR	0.016 **	0.015 ***	0.008 **	-0.005	0.000	0.006 *		
ROA	-0.021	-0.003	-0.015 **	-0.005	-0.011	0.000		
DR	0.001	0.001	0.000	0.001	-0.002	0.005 ***		
GTA	-0.009 *	-0.004	-0.001	-0.005 *	-0.002	-0.006 **		
Turn	0.004 **	0.002 **	0.001	0.002 ***	0.001 *	0.001 *		
Vol3Y	-0.053 ***	-0.039 ***	-0.024 ***	-0.030 ***	-0.001	-0.029 ***		
BPR	-0.008 ***	-0.004 ***	-0.003 ***	-0.002 ***	-0.002 ***	-0.003 ***		
FDR	0.006 **	0.001	0.005 ***	0.003 **	0.001	0.004 **		
Adjusted $R^2$	0.197	0.128	0.116	0.050	0.024	0.156		
Past 5 Years Increase in Shares Held by Individual Investors and Firms' CSP								
	CSP	EMP	SC	SS	IG	ENV		
Intercept	1.645 ***	0.978 ***	0.652 ***	0.646 ***	0.259 **	0.613 ***		
$\Delta$ IND	0.003	-0.009 **	0.004	0.008 ***	-0.001	0.007 **		
ROA	-0.015	-0.002	-0.011	-0.004	-0.011 *	0.005		
DR	0.001	0.002	0.000	0.000	-0.002	0.004 ***		
GTA	-0.008 *	-0.005	-0.001	-0.004	-0.003	-0.005 **		
Turn	0.004 **	0.003 **	0.001	0.002 ***	0.001 *	0.002 *		
Vol3Y	-0.057 ***	-0.041 ***	-0.026 ***	-0.030 ***	-0.001	-0.031 ***		
BPR	-0.008 ***	-0.004 ***	-0.003 ***	-0.002 ***	-0.002 ***	-0.003 ***		
FDR	0.007 **	0.001	0.005 ***	0.003 **	0.001	0.004 **		
Adjusted $R^2$	0.193	0.125	0.114	0.055	0.024	0.159		

Panel C. Service Sector

Past 5 Years Increase in Shares Held by Domestic Institutions and Firms' CSP						
	CSP	EMP	SC	SS	IG	ENV
Intercept	0.755 ***	0.311 **	0.153	0.297 **	0.270 **	0.322 ***
$\Delta$ JPN	-0.019 ***	-0.011 ***	-0.011 ***	-0.001	-0.004	-0.010 ***
ROA	0.019 **	0.014 ***	0.008 *	-0.005	0.000	0.009 **
DR	-0.001	0.002	0.005 ***	-0.005 ***	-0.002	0.002
GTA	-0.010 **	-0.009 ***	-0.002	-0.001	-0.006 *	-0.003
Turn	0.000	0.000	0.000	0.000	-0.002 **	0.001 *
Vol3Y	-0.057 ***	-0.040 ***	-0.028 ***	-0.021 ***	0.011 **	-0.038 ***
BPR	-0.003 ***	-0.001	-0.001 ***	-0.001	-0.001 ***	-0.001 ***
FDR	0.006	0.009	-0.005	-0.009	-0.001	0.008 *
Adjusted $R^2$	0.083	0.057	0.069	0.019	0.023	0.093
Past 5 Years Increase in Shares Held by Foreign Institutions and Firms' CSP						
	CSP	EMP	SC	SS	IG	ENV
Intercept	0.686 ***	0.273 **	0.122	0.290 **	0.258 **	0.293 ***
$\Delta$ FOR	0.035 ***	0.019 ***	0.017 ***	0.003	0.006	0.016 ***
ROA	0.018 **	0.014 ***	0.008 *	-0.005	0.000	0.008 **
DR	0.000	0.003	0.005 ***	-0.005 ***	-0.002	0.002
GTA	-0.011 **	-0.010 ***	-0.002	-0.001	-0.006 *	-0.004
Turn	0.000	0.000	0.000	0.000	-0.002 **	0.001 *
Vol3Y	-0.060 ***	-0.041 ***	-0.031 ***	-0.021 ***	0.011 *	-0.040 ***
BPR	-0.002 ***	-0.001	-0.001 ***	-0.001	-0.001 ***	-0.001 ***
FDR	0.002	0.007	-0.006	-0.009	-0.002	0.007
Adjusted $R^2$	0.091	0.060	0.068	0.019	0.023	0.093
Past 5 Years Increase in Shares Held by Individual Investors and Firms' CSP						
	CSP	EMP	SC	SS	IG	ENV
Intercept	0.787 ***	0.329 **	0.175	0.295 **	0.278 **	0.343 ***
$\Delta$ IND	0.004	0.002	0.004 *	-0.002	0.002	0.004 *
ROA	0.020 **	0.015 ***	0.009 **	-0.005	0.000	0.009 **
DR	0.000	0.003	0.005 ***	-0.005 ***	-0.002	0.002 *
GTA	-0.011 **	-0.010 ***	-0.002	-0.001	-0.006 *	-0.004
Turn	0.001	0.001	0.001	0.000	-0.002 **	0.001 **
Vol3Y	-0.064 ***	-0.043 ***	-0.032 ***	-0.022 ***	0.010 *	-0.041 ***
BPR	-0.003 ***	-0.001	-0.001 ***	-0.001	-0.001 ***	-0.001 ***
FDR	0.008	0.010	-0.004	-0.009	-0.001	0.009 **
Adjusted $R^2$	0.068	0.047	0.055	0.019	0.021	0.080

Table A1. Definition of Sector Classification

Based on 33 industries classification by Tokyo Stock Exchange, we re-define seven sectors below following Kubota and Takehara (2007).

Sector	Industry	Sector	Industry
<i>Consumption Goods</i>	Fishery and Agriculture	<i>Services</i>	Communication
	Foods		Wholesale Trade
	Textiles and Apparels		Retail Trade
	Pharmaceutical		Services
	Electric Appliances		
	Other Products		
<i>Investment Goods</i>	Mining	<i>Financial</i>	Banks
	Construction		Securities
	Pulp and Paper		Insurance
	Chemicals		Other Financing Business
	Oil and Coal Products	<i>Transportation</i>	Land Transportation
	Rubber Products		Marine Transportation
	Glass and Ceramics Products		Air Transportation
	Iron and Steel		
	Nonferrous Metals	<i>Utility</i>	Electric Power and Gas
	Metal Products		
	Machinery	<i>Real Estate</i>	Warehousing
	Transportation Equipment		Real Estate
	Precision Instruments		



# **Family Businesses and Corporate Social Performance: An Empirical Study of Public Firms in Japan<sup>†</sup>**

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## **Abstract**

We investigate the level of corporate social performance of publicly traded family firms versus non-family firms in Japan. Our data for family firms covers three years of observations up to March 2009, and the total firm-years for family firms are 556 and those for non-family firms are 1155. Corporate social performance indices for the Japanese firms are from Suto and Takehara (2012) in which they construct five indices from the original CSP data published by the Toyo Keizai Co. utilizing principal component analysis. With univariate analysis we find that the level of corporate social performance attained by family firms in Japan is lower than that of non-family firms, while their ROE performance is not significantly different from non-family firms and their leverage ratio is lower. From cross section regressions we find that the listed family firms in Japan are inferior to non-family firms in two categories of employment relations and environment preservation even after controlling for the size and the book-to-market ratios. Moreover, as to other three categories of CSP, we did not find any positive finding, either. Finally, we add some additional assessment of family firms applying different criteria and augment the result of our quantitative analysis. This is the first study which used family firm data in Japan and assessed the level of their corporate social performance.

JEL Classifications: G32, M14, C21

Keywords: family firms, CSR, employee relations, ROE, leverage

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## **1. Introduction**

In the past family business research focused on ownership structure, productive efficiency, and the efficacy of the second and later generation CEOs of founding families. The empirical evidence is abundant for U.S. firms as well as European and East Asian countries. Claessens et al. (2000), for example, investigated the ownership and control structure of East Asian countries, and La Porta et al. (1999) conducted similar tests for 27 developed nations in the world. The evidence for efficiency shown and value enhancement by family controlled businesses is found for U.S. firms, for example, by Waddock and Graves (1997), McConaughy et al. (1998), Anderson and Reeb (2003), and Villalonga and Amit (2006). For Japanese data both Saito (2008) and Allouche et al. (2008) report similar evidence of superior efficiency by family firms in Japan. Masulis et al. (2011) investigate the cost and benefits of the pyramid structure of 45 countries, including Japan, and find that group firms underperform counterpart non-group firms though the pyramid structure helps internal financing of the affiliate firms inside the group. Gomez-Mejia and Nunez-Nickel (2001) investigate the efficacy of the CEO and the editor for a sample of Spanish newspaper companies coming either from family and or non-family firms, and find that the tenure of descendent CEOs is tied to firm performance and risk-taking with the framework of agency theory and demonstrate that family descendent CEOs are not necessarily less efficient.

As for the investigation into information quality of accounting numbers, Ali et al. (2007) finds that U.S. family firms show better quality in financial disclosure, are followed by more analysts, and trade their stocks with smaller bid-ask spreads. Wang (2006) also finds that earnings quality is better for family firms than non-family firms. As for Japanese data, Ebihara et al. (2012a) find that the quality of earnings is higher for

family firms in terms of abnormal accruals and earnings persistence. However, Stockmans et al. (2010) find that family firms conduct more upward earnings management among Flemish firms.

As to cost of capital and asymmetrical information of stocks traded among family firms, Ebihara et al. (2012b) find that family firms in Japan have a lower cost of debt, but is inconclusive for the cost of equity, and the informational asymmetry and illiquidity of stocks are higher for family than non-family firms.

The social role played by family businesses is another important concern for research in the current age of corporate social responsibility and sustainability (see Tricker, 2009, ch. 15). In this paper we take this perspective and investigate family firms by focusing on their corporate social performance. We measure this with the constructed indices by Suto and Takehara (2012) on corporate social performance of Japanese firms based Toyo Kieizai Inc. data. Using these indices we compare the performance in fulfilling corporate social responsibility between family and non-family firms in Japan. The sample we use is from firms listed on the Tokyo Stock Exchange and we do not cover private firms.

Section 2 motivates the current study and Section 3 explains five attributes of corporate social performance used in this study. Section 4 establishes our maintained hypotheses. Section 5 explains our data. Section 6 reports basic observations and compares the characteristics of family firms vs. non-family firms in Japan with univariate analyses. Section 7 reports the multivariate cross section regression results and identifies the source of differences in fulfilling corporate social responsibility by family firms and non-family firms. In Section 8 we conduct further assessment of CSR

activities of family firms in Japan assessed from different angles to complement the evidence from the empirical results. Section 9 concludes.

## **2. Research Objectives**

### **2.1 Characteristic of Japanese Firms and Related Studies**

Claessens et al. (2000) is the most cited article in family business research for Asian countries, which investigated the ownership structure among East Asian countries including Japan. They cover 1240 listed firms in Japan (*ibid.* p.104) and point out that 13.1% of firms are controlled by families with a 10% shareholding cutoff level for founding families, and that only 9.7% of firms are controlled by families with a 20% cutoff level. Their study is also important in the sense that it illuminates the differences of Japan and Korea vs. other countries in East Asia. In Korea there is the Chaebol relationship and in Japan there used to be the Zaibatsu relationship, both of which form a “Konzern” of firms based on family relationships. In Japan, however, Zaibatsu was forcefully resolved after the World War II and founding families had to liquidate large portions of their family stocks. Afterwards, these Zaibatsu groups formed cross-shareholdings among firms like Mitsubishi, Mitsui and Sumitomo. In Korea, massive mergers are occurring recently among Chaebol firms, and separate studies of these consolidation effects are called for.<sup>1</sup>

The database by Claessens et al. (2000) for Japan is based on the data from 1996, and it needs to be updated for the following reasons. First, big changes in ownership

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<sup>1</sup> L&G is one example of such a consolidation between two different Chaebol groups. See Almeida et al. (2010) for the most recent analysis on Chaebol groups in Korea. Oh et al. (2011) also report the relationship between major shareholder groups and firm CSR activities. They also emphasize the role of cross-shareholdings like in Japan. See Yafeh (2000) for recent changes in corporate governance in Japan after the degree of cross-shareholdings had begun to decrease.