

Abstract of Doctoral Thesis

Title: Empirical Analysis on the Investment Behavior of Venture Capital

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This thesis aims to investigate Venture Capital (VC)'s investment behavior in funding ventures using financial data from Japanese emerging markets. In particular, I focus on syndicated investments by VCs and the use of Classified Stocks by VCs as well as verify how these two choices affect VC investments. The findings indicate that investment risk is reduced by syndicated investments and the use of Classified Stocks, thereby encouraging the funding of investment-destination venture firms.

Existing studies on VCs have often only considered limited information, such as what is available right before and just after the initial public offering (IPO). For example, risks of investee companies are explained by dealing with companies' years of establishment and their industries as proxy variables. However, such premises do not fully take into account company-specific risks.

In this thesis, I focus on the indices that have not been utilized so far, such as fluctuations in the firms' profit ratios. In addition, by using investment data from the unlisted period, I now have a better grasp on the details of VC investments more than ever.

Three pertinent findings were thus revealed. First, the factors that lead VCs to make syndicated investments entail the desire to obtain second opinions and to diversify risks found in investee companies. Second, VC syndication ensures the quality of the IPO firm, thus mitigating underpricing. Third, the utilization of Classified Stocks has become a means of facilitating the financing of venture firms. These findings contribute to clarifying the actual state of VC investments in Japan.