This paper provides evidence that management in Japan uses share repurchases to change the ownership of their companies to protect them against unfriendly changes in control by outside shareholders. The paper documents the time series of stock repurchases made by Japanese companies over the period 2001-2014. We find that almost half of listed companies engage in share repurchases, and almost one third of those cumulatively repurchased more than 10 percent of their shares outstanding. The repurchases often take the form of block purchases from insiders, including banks, business partners and families, who wish to cash out. For example, the Toyota Motor Co. repurchased more than 15.9 percent of its stock and in most years its treasury stock rarely fell below 10 percent of shares outstanding. Regression results suggest that repurchases increase in response to higher levels of foreign ownership, and a decrease in insider shareholdings. We also find that disposed shares are in one third of cases sold directly to insiders taking the form of private placements. Other results show that the stock market response to repurchase and cancellation is significantly higher than those retained as treasury stock, 3.0 versus 1.6 percent. These results are consistent with case studies documented in the paper that repurchases associated with treasury stocks are more likely to be associated with preserving insider control.

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