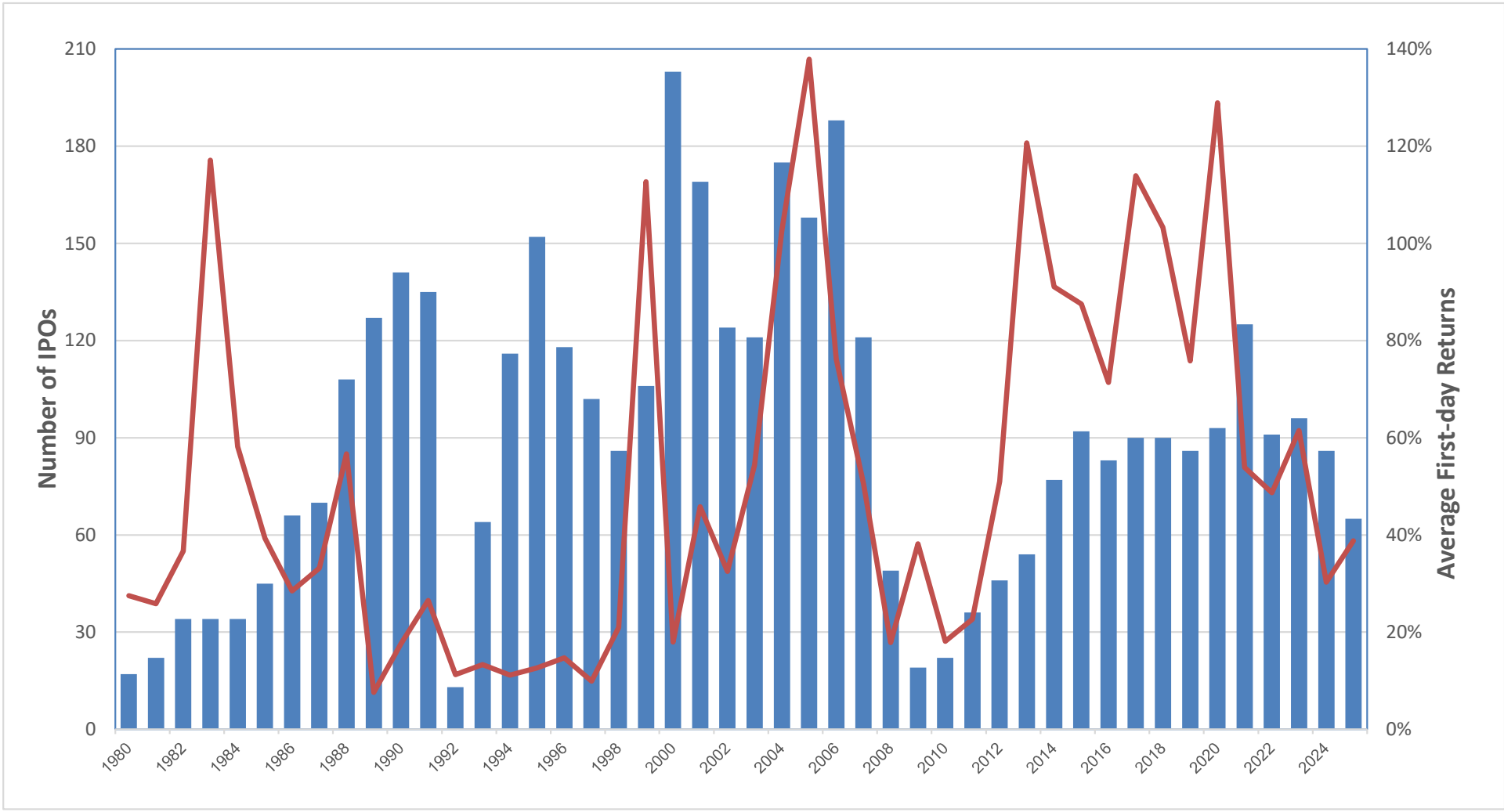
Number of Offerings and Average First-day Returns on Japanese IPOs, 1980-2025

Takashi Kaneko
Professor Emeritus
Keio University
and
Jay R. Ritter
Director, The IPO Initiative
Eugene Brigham Department of Finance
Warrington College of Business
University of Florida

Number of offerings (blue bars) and EW average first-day returns on Japanese IPOs, 1980-2025



The average equally weighted (EW) first-day return for 2001-2025 is 72.7%, but the proceeds-weighted return is 16.6%.

Details regarding Japanese IPOs

The equally weighted average first-day return on 4,306 IPOs in Japan from 1970-2025 is 48.7%. ETFs, REITs, infrastructure funds, and Tokyo PRO Market IPOs are excluded.

From 1989 until mid-1997, auctions were used in Japan, and the average first-day return was 14.1%. It should be noted that the Japanese average initial returns are sensitive to whether some very small issues are included. For 2015 and 2016, the average initial returns on IPOs raising more than ¥2 billion (about US$20 million) were 15.8% and 9.5%, respectively, whereas smaller IPOs had average first-day returns of 117.3% and 96.5%, respectively. For 2015, Takato Hiraki of Tokyo University of Science has also supplied information.

Takashi Kaneko's book *Economic Analysis of Initial Public Offering* (in Japanese) on page 134 reports that the average first-day return on 1,620 IPOs from 2001-2017 is 74.8% on an equally weighted basis and 18.6% on a proceeds-weighted basis. Additional information provided by Takashi Kaneko can be found in the file Japanese-IPO-Statistics.pdf on this website. For 2001-2025, with 2,356 IPOs having equally weighted average initial returns of 72.7% and proceeds-weighted average initial returns of 16.6%. Prof. Kaneko reports that the corresponding numbers for the U.S. for 2001-2025 are 19.1% and 19.0%. Table 6 of the file shows that from 2001-2025, approximately 90% of IPOs have had an offer price equal to the maximum of the original file price range.

Although since 1997 bookbuilding has been used, until October 2023 in practice a file price range was set and the final offer price was never above the maximum of the original file range unless a new file range was set and bookbuilding is redone. Thus, in practice, effectively a fixed price system was used in which the offer price is set before information about the state of demand is collected. Starting in October 2023, the offer price can be 20% below or 20% above the file price range without a new filing being required. For small IPOs, however, institutional investors are generally not interested, and the lead underwriter effectively sets the file price range before any information about demand is collected.