

## Transformation of “General Shareholders’ Meeting” in Japan

“General Shareholders’ Meeting” for companies whose financial year ends in March is in full swing this week. In the past, majority of “General Shareholders’ Meetings” were held on the same day, as company managements gave priority to expedite the proceedings. Therefore, investors who possessed shares of several companies could only participate in a “General Shareholders’ Meeting” of one company. Once “General Shareholders’ Meeting” became a mere ceremony due to cross-shareholdings for many companies. However, “General Shareholders’ Meeting” has been changing dramatically in recent years.

### Point 1

#### The date of “General Shareholders’ Meeting” is apparently dispersing

**32% of companies are expected to hold “General Shareholders’ Meeting” on the same day which will be 9 ppt lower than the previous year**

- The date of “General Shareholders’ Meeting” is dispersing. As a fact, 96% of the companies held “General Shareholders’ Meeting” on the same day in year 1995 when the Meeting was most concentrated on one day. Since then, the Meeting day has been less concentrating. For this year, the most concentrated date of “General Shareholders’ Meeting” of companies (financial year ending on March) will be 29<sup>th</sup> June. About 32% of 2,293 listed companies on Tokyo Stock Exchange are expected to hold their “General Shareholders’ Meeting” on the day. This is expected to be a significant drop of 9 ppt compared to about 41% on 26<sup>th</sup> June last year.

### Point 2

#### Introduction of “Corporate Governance Code” played an important role

**Constructive dialogue with shareholders is a key**

- We believe that dispersion of the Meeting date is due to the introduction of “Corporate Governance Code” by Tokyo Stock Exchange in June 2015.
- This code was put in place in order for setting a standard for corporations to make management decisions properly in response to the criticism that Japanese corporations do not value shareholders compared to Western counterparts. In the Code, it states “Public companies are required to set appropriate schedule for General Shareholders’ Meetings, to enhance constructive dialogue with shareholders and to provide accurate information for such dialogue”. “Corporate Governance Code” is one of the key policies of “Japan Revitalization Strategy” set by Abe administration.

## Japanese institutional investors are becoming “Active shareholders”

- On the other hand, Japanese institutional investors such as life insurance companies and investment management companies declared the acceptance of “Stewardship Code (set of principles of responsible institutional investors)”. According to this Code, institutional investors are required to promote (i) improvement of corporate value and (ii) sustainable growth of companies through dialogue with relevant corporations.
- In the past, Japanese institutional investors were known as “silent shareholders,” which was believed to be one of the reasons Japanese corporations have generated lower return on shareholders’ equity. Exercise of voting rights at “General Shareholders Meeting” plays an important role to urge improvement of corporations. Institutional investors are required to become “Active shareholders”.

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