

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

Majority of companies ending the fiscal year in March held “General Shareholders’ Meetings” in late June this year. In the past, majority of “General Shareholders’ Meetings” were held on the same day, as company managements gave priority to expedite the proceedings and became a mere ceremony for many companies. However, “General Shareholders’ Meeting” has been changing dramatically in recent years as holding dates are dispersed and has transformed to a place seriously discussing business performance of the latest fiscal year.

### Point 1

#### The dates of “General Shareholders’ Meetings” are apparently dispersing

**Largest number of companies held “General Shareholders’ Meeting” on the same day, fell below 30% of total listed companies for the first time**

- The dates of “General Shareholders’ Meetings” are dispersing. According to Japan Exchange Group, 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 days have been less concentrating. For this year, the most concentrated date of “General Shareholders’ Meeting” of companies (financial year ending on March) was 29<sup>th</sup> June. According to the Metropolitan Police Department, 707 companies, about 29% of listed companies on Tokyo Stock Exchange, held the meeting on the same day which was less than 30% for the first time in its history.

### Point 2

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

**Constructive dialogue with shareholders is a key**

- The reason of transformation of “General Shareholders’ Meeting” is owing to the introduction of “Corporate Governance Code” by Tokyo Stock Exchange in June 2015 which requires (i) meaningful constructive dialogue and (ii) appropriate scheduling of General Shareholders’ Meeting related events .
- 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 this May, Stewardship Code was revised which now requires disclosure of voting records for each investee company on an individual agenda item basis.

## “General Shareholders’ Meeting” has been transforming into a place for evaluating business performance of the latest fiscal year of companies

- Many investment management companies seem to have made the exercise of proxy voting more strict as they were required to disclose voting records for each investee company on an individual agenda item basis. Examples of reasons why rate of agreement declined are (i) low ROE (Return on Equity), (ii) insufficient number and lack of independency of outside director, (iii) continuation of takeover defense, (iv) insufficient shareholder return. Meanwhile, rate of agreement on stockholder proposal is on rising trend.
- “General Shareholders Meeting” has been transforming into a place where shareholders and company managements seriously evaluate business performance of the latest fiscal year. Through such process, improvement of companies’ ROE and shareholder return would be promoted, which are expected to lead to rise of stock market.

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