



2024 JAPAN AGM REVIEW

FOCUSING ON
SHAREHOLDER
PROPOSALS

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INTRODUCTION

As is well known, the number of shareholder proposals submitted to shareholder general meetings of Japanese companies has increased rapidly in recent years.

Behind this increase is the growing influence of shareholder activism in Japan. We have compiled this report on shareholder proposals at Japanese companies based on data from Diligent Market Intelligence and analysed the characteristics of these proposals.

First, let's look at the overall picture over the last five years to June 2024. You can see the increasing trend in the number of shareholder proposals (see the right figure). In the latest one-year period (July 2023-June 2024), 109 companies received resolutions proposed by shareholders, with a total of 453 individual resolutions presented for shareholders' consideration.

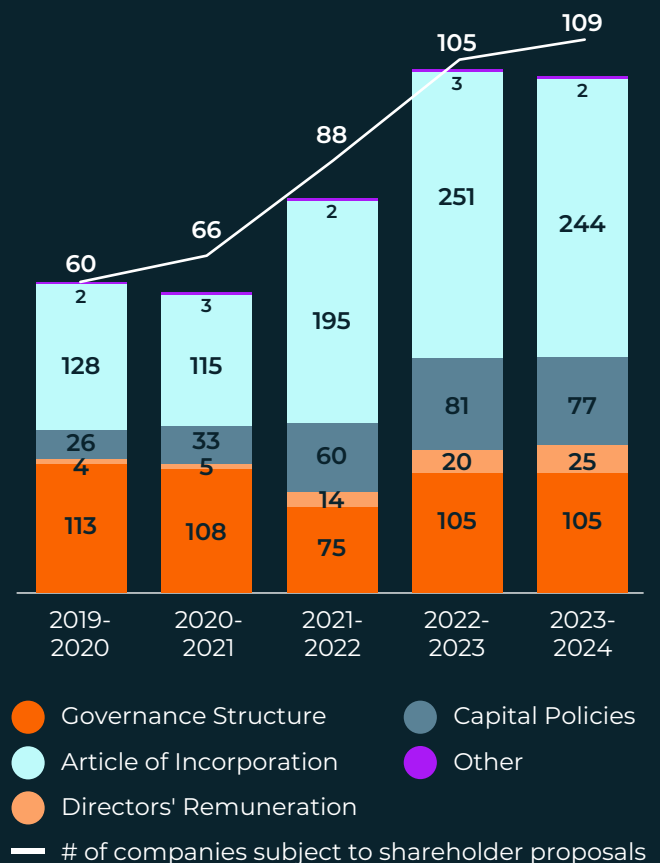
Based on the aggregate data, we analysed the trend of proposals from institutional investors as activist funds, the types of resolutions proposed, and trends in the approval or disapproval of proposals at the meetings, particularly the proportion of resolutions that received a 20% or more support rate.

The first stage of our analysis has been divided into two categories being 'power companies' and 'other companies' (Our Analysis sections 1 to 4), the reason for which is discussed later. However, our analysis of environmental and social (E&S) proposals has been conducted on an overall trend basis (i.e. inclusive of both 'power companies' and 'other companies').

Additionally, we also analysed the approval or disapproval trends of major domestic and foreign institutional investors towards the shareholder proposals.

The methodology and approaches of the analysis will be detailed at the end of this paper as supplementary explanations. Please refer to it where appropriate.

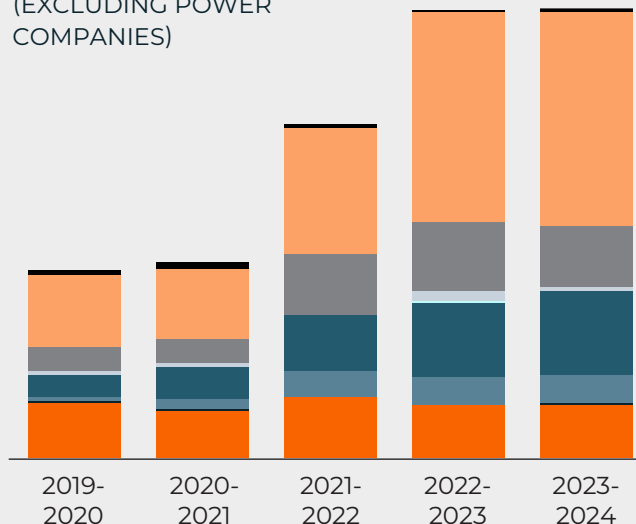
TRENDS IN SHAREHOLDER PROPOSALS FOR COMPANIES



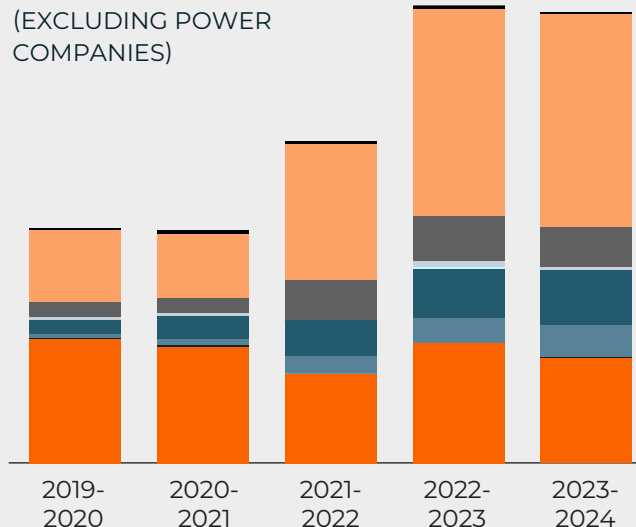
KEY TAKEAWAYS

- The number of shareholder proposals has been increasing since 2022, both in terms of the number of proposals and the number of targeted companies, with a considerable contribution to this increase being from institutional investors such as activist funds.
- There has also been an overall increase in the proportion of proposals that receive 20% or more of votes in favour, which implies that an increasing number of shareholders are supporting shareholder proposals.
- Nevertheless, only a handful of shareholder-proposed resolutions have been passed, mainly concentrated on proposals for the election and dismissal of directors.
- Proposals calling for greater shareholder returns have been proposed mainly by activists, but have not always been endorsed by other shareholders.
- On the other hand, proposals calling for the 'abolition of anti-takeover measures', 'allowing the decision of dividends at the general meeting of shareholders' and 'disclosure of individual director's remuneration' tend to receive higher supports, and some institutional investors have explicitly stated that they will support these shareholder-proposed resolutions as a rule.
- Shareholder proposals related to environmental issues have gradually increased with a greater diversity of proponents, including environmental NGOs and general institutional investors. But they have not necessarily gained supports of other shareholders. There are still limited examples of shareholder proposals related to social issues.
- The proportion of domestic institutional investors' votes in favour of shareholder proposals have been increasing over the past two to three years. This can be attributed to the increasing number of shareholder proposals that attracted them, and a change in the stance of themselves.
- Companies that received shareholder proposals, particularly those that received 20% or more of the votes in favour of them, should have these proposals thoroughly examined by the board of directors and necessary actions taken to deal with them.

TRENDS IN SHAREHOLDER PROPOSALS
FOR COMPANIES
(EXCLUDING POWER
COMPANIES)



TRENDS IN SHAREHOLDER PROPOSALS
FOR RESOLUTIONS
(EXCLUDING POWER
COMPANIES)



- Election and Dimissal of Directors
- Election and Dimissal of Accounting Auditors
- Directors' Remuneration
- Appropriation of Surplus
- Matters related to Organisational Restructuring
- Anti-takeover Measures
- Other proposals on Capital Policies
- Articles of Incorporation
- Other

TABLE 1: TRENDS IN SHAREHOLDER PROPOSALS FOR COMPANIES (EXCLUDING POWER COMPANIES)

			2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Governance Structure	Election and Dimissal of Directors	# of companies	27	23	30	26	26
		# of resolutions	97	91	70	94	82
	Election and Dimissal of Accounting Auditors	# of companies	1	1	0	0	1
		# of resolutions	1	1	0	0	1
Directors' Remuneration	Directors' Remuneration	# of companies	2	5	13	14	14
		# of resolutions	3	5	14	19	25
Capital Policies (excl. Aol)	Appropriation of Surplus	# of companies	11	16	28	37	42
		# of resolutions	11	18	28	39	43
	Matters Related to Organisational Restructuring	# of companies	0	0	0	1	0
		# of resolutions	0	0	0	1	0
	Anti-takeover Measures	# of companies	2	2	0	5	2
		# of resolutions	2	2	0	5	2
	Other Proposals on Capital Policies	# of companies	12	12	30	34	30
		# of resolutions	12	12	31	35	32
Articles of Incorporation (Aol)	# of companies	36	35	63	105	107	
	# of resolutions	56	50	107	162	166	
Other	# of companies	2	3	2	1	2	
	# of resolutions	2	3	2	3	2	



OUR ANALYSIS

As can be seen from the figures on page 2 and the table 1 on page 3, the number of proposals, both in terms of the number of companies and the number of resolutions, has increased significantly, particularly in the 2021-2022, in several proposal categories, such as proposals on directors' remuneration or articles of incorporation. We will discuss more in detail for each category.

1 Proposals on Governance Structure

While the elections and dismissal of company auditors are separately tallied from those of board directors in general, we analysed election and dismissals of company auditors and directors together, because the number of shareholder proposals for election or dismissals of company auditors was extremely small. Besides, as the number of proposals for the election or dismissal of accounting auditors was extremely limited, they were excluded from our detailed analysis.

Detailed disaggregated data on the proposals for the election and removal of directors is shown in Table 2

The number of shareholder proposals on the election and dismissal of directors has generally remained stable, including the number of proposals from activists.

Noteworthy in this category is the rate of passage, with a reasonable number of resolutions being passed each year (shareholder proposals leading to passage are concentrated in this category of proposals for the election and dismissal of directors, with passage in the other categories being extremely rare). Note that when the number of proposals is counted on a sub-resolution basis, the rate of passage of a particular year becomes

higher in cases where a higher number of sub-resolutions (e.g. a combination of multiple incumbent director removals and new director appointments) were passed in the year. Therefore, it may be easier to understand year-to-year trends by looking at the number of companies basis (number of companies with proposals passed/number of companies proposed). While the rate of passage appears low in the last one year when looking at the number of resolutions, it is not extremely low when looking at the number of companies.

Proposals for the election and dismissal of directors are not uncommon in cases of family disputes or when a corporate with a substantial shareholding submits a shareholder proposal with the aim of gaining control. It is one reason why there are a scattering of cases where they have been passed. The latest example is that when Nitto, the largest shareholder of Ikuyo (7273 TSE STD) which owned just under 33%, requested an extraordinary shareholders' meeting in 2024, proposing to appoint four directors, including a candidate for president. The proposal was passed with 56% of votes in favour, letting Nitto successfully get the position.

TABLE 2

		2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Election and Dimissal of Directors	# of companies	27	23	30	26	26
	Proposed by Activists	8	6	9	8	9
	# of Resolutions	97	91	70	94	82
	Proposed by Activists	26	18	14	23	33
	Rate of Overlap/Joint Resolutions with Company Proposals (Passed)	8.2%	0.0%	0.0%	0.0%	0.0%
	Rate of Passed Resolutions (except above)	17.5%	41.8%	24.3%	16.0%	8.5%
	Rate of Companies with Passed Resolutions	7.4%	17.4%	10.0%	7.7%	7.7%
	Failed but ≥20% of Support	17.5%	33.0%	34.3%	39.4%	54.9%
	Failed but ≥10% of Support	34.0%	39.6%	38.6%	55.3%	69.5%

Source: compiled by Sodali & Co Japan based on data from *Diligent Market Intelligence*.

There have been cases where activist proposals have been passed. This year, three of the six resolutions for the appointment of outside directors proposed by Strategic Capital, which owned approximately 32% of Daidoh Ltd. (3205 TSE STD), of the company were passed with between 50.7% and 51.7% in favour (the remaining three also, just barely rejected with at least 49.9% in favour. The company's proposal for the election of directors was also on thin ice, with a 50.6%-51.7% approval rates, and the company-proposed candidate ranked ninth in the approval rate was rejected, given that the maximum number of directors is eight). Note that this case was also controversial because after the shareholders' meeting, Daidoh Ltd. announced a large dividend increase and share buyback, which resulted in a sharp rise in the share price and Strategic Capital selling all its holdings.

At general meetings of shareholders in 2024, Oasis Management, holding approximately 20% of the shares in Hokuetsu Corporation (3865 TSE PRM), submitted a proposal for the dismissal of a total of five incumbent directors, including the president, and the appointment of five outside directors, while Daio Kaiun Co., Ltd., which held approximately 21% of Hokuetsu, submitted a separate proposal to appoint five candidates for outside directors. Because Oasis and Daio Kaiun were reportedly

in favour of each other's proposals, the possibility of passage was pointed out and attracted attention. But as a result, the proposals were rejected with only 38%-42% in favour. Considering the shareholding ratios of Oasis and Daio Kaiun, it is thought that there was almost no support from other shareholders.

In addition to the above, another notable aspect of the overall trend is the proportion of proposals that received 20% or more of the votes in favour, even though they were rejected. This has been rising year on year, and in the latest year it exceeded half of the total. Although the shareholding ratios of the proponents should also be taken into account, it can be seen as a gradual increase in the overall approval of shareholders other than the proponents, and future trends will be closely watched.

TABLE 3

		2019 -2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Directors' Remuneration	# of companies	2	5	13	14	14
	Proposed by Activists	1	4	13	11	11
	# of Resolutions	3	5	14	19	25
	Proposed by Activists	2	4	14	14	18
	Rate of Passed Resolutions	0.0%	0.0%	0.0%	15.8%	0.0%
	Failed but ≥20% of Support	66.7%	0.0%	21.4%	31.6%	44.0%
	Failed but ≥10% of Support	66.7%	40.0%	64.3%	63.2%	88.0%
	No Voting (No Counting)	0.0%	0.0%	0.0%	0.0%	4.0%

2 Proposals on Directors' Remuneration

Detailed aggregate data on directors' remuneration-related proposals is presented in Table 3.

In Table 3, you will see an item 'No Voting (No Counting)', which means that the company did not disclose the approval or disapproval status of the proposal as 'not voted on'. There was one case in this category in the latest year. The reasons for this occurrence are detailed in the 'Supplementary Explanations' at the end of this report.

Table 3 shows that proposals on directors' remuneration have been proposed mainly by activists over the past five years. It can also be read that the number of proposals increased sharply in 2021-2022 and that the number of proposals has increased since then while the number of companies proposed has remained stable, indicating that there are more cases of multiple resolutions being proposed to the same company.

The surge in 2021-2022 was mainly due to the impact of several activist funds making proposals to several companies to introduce or expand stock-based remuneration plans. The Nippon Active Value Fund (NAVF) was particularly enthusiastic and made proposals to 12 companies in this period. In general, the directors' remunerations of Japanese companies have been highly dependent on a high proportion of fixed remuneration and cash bonuses with ambiguous criteria, which many investors consider problematic from the perspective of appropriate incentives. This can be pointed out as the background to shareholder proposals calling for the introduction of stock-based remuneration plans with a higher incentive aspect.

However, NAVF has since reduced the number of proposals (six in 2022-2023 and one in 2023-2024), and while not several proposals from other activist funds still call for the introduction of stock-based remuneration plans, there are also a variety of other proposals, including those calling for the adoption of a clawback clause (to return remuneration in the event of fraud, etc.), proposals calling for a reduction in remuneration, and proposals calling for the determination of the amount of base remuneration (in conjunction with proposals for the appointment of outside directors).

The cases of passage in this category were only three. Oasis Management made two proposals to Fujitec (6406 TSE PRM) in 2023, which called for an extraordinary general meeting of shareholders and proposed the "determination of the amount of individual base remuneration for each outside director" and "granting post-delivery stock-based remuneration to outside directors" combined with those calling for the dismissal of the incumbent outside directors and the appointment of new outside directors. Another proposal calling for the introduction of a "performance-linked stock-based remuneration plan and restricted stock-based remuneration plan" was lodged by Asset Value Investors (AVI) to NC Holdings (6236 TSE STD Delisted on 16/10/2024) in 2023.

No proposals were passed in the last year, and the most supported proposal was a proposal by UGS Asset Management to Toyo Securities (8614 TSE PRM) to reduce directors' remuneration, which received 44.1% of the votes in favour.

However, as with the proposals for the election and dismissal of directors, the proportion of proposals that have attracted 20% or more of votes in favour and even more than 10% of votes in favour, despite being rejected, has been increasing in recent years, and it appears that the number of proposals that can easily gain the support of other shareholders has been gradually increasing.

Note that while activist shareholder proposals related to directors' remuneration may remind you a type of proposals calling for disclosure of individual director's remuneration, these often take the form of amendments to the articles of incorporation and are analysed in a later section.

3 Proposals on Capital Policies (except those relating to the Articles of Incorporation)

Proposals relating to capital policies were broken down into the following categories: appropriation of surplus, matters related to organisational restructuring, introduction, renewal or abolition of takeover defence measures, share buybacks, etc., and other proposals. The aggregate data are shown in Table 4.

Note that in Table 4, those without an item for rate of passed resolutions are those that no resolutions have passed in the last five years.

As can be seen from Table 4, shareholder proposals in this category are concentrated on appropriations of surplus (which can almost always be regarded as dividend proposals, but rarely include 'reversal of general reserves', etc.) and share buybacks, and the main proponents of these proposals are activists.

Shareholder proposals for dividend and share buybacks can actually be regarded as proposals that seek shareholder returns above and beyond those proposed by the company. When taken together with the large number of companies proposed, the results can be seen as some confirmation of the public view that 'activists seek short-term shareholder returns from their portfolio companies'.

The proportion of proposals that received 20% or more votes in favour is also not very high compared to other categories (especially in the latest one year), which can be read that the proposals have not attracted much support from other shareholders.

Among proposals seeking shareholder returns, the only proposal that has passed in the past five years was one proposed by Asset Value Investors (AVI) to NC Holdings in 2023, which sought a dividend of ¥65 (the published company forecast at the time was ¥17.5), with 61.6% in favour. Incidentally, the shareholder proposals seeking shareholder returns with the highest support rates in the latest year were the proposal by UGS Asset Management to Sada Construction (1826 TSE STD) for a dividend of 58 yen (approval rate 43.7%) ; a proposal by 3D Investment Partners to Fujisoft (9749 TSE PRM) for share buybacks (approval rate 39%).

Another category of capital policy-related proposals worth noting is the 'introduction, renewal or abolition of takeover defence measures' proposals (practically all shareholder proposals can be regarded as proposals calling for the abolition of takeover defence measures). There are not so many cases of such proposals, because the targets of such proposals are limited to companies that have introduced takeover defence measures. However, you can assume that many institutional investors are in favour of proposals to abolish takeover defence measures, and although there have been no cases where the proposals have been passed, the approval rates have generally been 20% or more, and in the two cases in the last year the approval rates were as high as 42-43%.

One passed proposal can be seen in other proposals on capital policies. It was a resolution for a reverse stock split (consolidation of 10 shares into 1 share) proposed by CPI Tokumei Kumiai to GFA (8783 TSE STD), requesting an extraordinary general meeting of shareholders, where the company did not conclude whether to approve or disapprove the proposal and left it to the shareholders to decide. The proposal was finally passed with 75.6% of the votes in favour.

TABLE 4

		2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Appropriation of Surplus	# of companies	11	16	28	37	42
	Proposed by Activists	4	7	22	22	30
	# of Resolutions	11	19	28	39	44
	Proposed by Activists	4	9	22	24	32
	Rate of Joint Resolutions with Company Proposals (Passed)	0.0%	0.0%	3.3%	0.0%	0.0%
	Rate of Passed Resolutions (except above)	0.0%	0.0%	0.0%	2.6%	0.0%
	Failed but ≥20% of Support	54.5%	21.1%	50.0%	43.6%	29.5%
	Failed but ≥10% of Support	63.6%	68.4%	75.0%	74.4%	63.6%
	No Voting (No Counting)	27.3%	5.3%	0.0%	7.7%	9.1%
Matters related to Organisational Restructuring (Merger, Business Transfer and Business Acquisition, Share Exchange, Share Transfer, Corporate Split, etc.)	# of companies				1	
	Proposed by Activists					
	# of Resolutions				1	
	Proposed by Activists					
	Failed but ≥20% of Support				0.0%	
	Failed but ≥10% of Support				0.0%	
Introduction, Renewal or Abolition of Anti-takeover Measures	# of companies	2	2		5	2
	Proposed by Activists	1	1		4	2
	# of Resolutions	2	2		5	2
	Proposed by Activists	1	1		4	2
	Failed but ≥20% of Support	100.0%	50.0%		100.0%	100.0%
	Failed but ≥10% of Support	100.0%	100.0%		100.0%	100.0%
Share Buyback	# of companies	11	10	29	34	28
	Proposed by Activists	9	8	23	30	26
	# of Resolutions	11	10	30	35	30
	Proposed by Activists	9	8	24	31	28
	Failed but ≥20% of Support	36.4%	10.0%	40.0%	42.9%	10.0%
	Failed but ≥10% of Support	72.7%	70.0%	80.0%	68.6%	66.7%
	No Voting (No Counting)	9.1%	20.0%	10.0%	8.6%	23.3%
Other Proposals on Capital Policies (Reduction of Legal Reserve, Private Placement of New Shares, Capital Reduction, Share Consolidation, Issuance of Class Shares)	# of companies	1	1	1		1
	Proposed by Activists		1	1		1
	# of Resolutions	1	1	1		1
	Proposed by Activists		1	1		1
	Rate of Passed Resolutions	0.0%	0.0%	0.0%		100.0%
	Failed but ≥20% of Support	0.0%	0.0%	0.0%		0.0%
	Failed but ≥10% of Support	100.0%	0.0%	0.0%		0.0%
	No Voting (No Counting)	0.0%	100.0%	100.0%		0.0%

Source: compiled by Sodali & Co Japan based on data from *Diligent Market Intelligence*.

4 Proposals on Articles of Incorporation

A very large number of shareholder proposals in Japan take the form of a request to change, establish or delete the articles of incorporation. This is because, apart from proposals relating to the election and dismissal of directors and auditors, directors' remuneration, and capital policy, if, for example, a shareholder wants to request some changes to company policies or activities submit proposals to just request to say "adopt a policy", companies often refuse to present the proposal as general meeting agenda, because such proposals are not matters appropriate for resolution at a general meeting of shareholders under the Companies Act. The proposing shareholder therefore makes the proposal in the form of a resolution of the general meeting of shareholders, such as an amendment to the articles of incorporation.

In April this year, Palliser Capital, which had requested Keisei Electric Railway (9009 TSE PRM) to reduce its Oriental Land shareholding, submitted a shareholder proposal to the company seeking an advisory resolution (non-legally binding) entitled "To introduce a capital allocation plan including the future disposal of shares in Oriental Land Co." But as the company's board of directors refused to deal with the proposal, Palliser re-proposed it as a proposal to establish new articles of incorporation, and this resulted in it being put on the agenda for the general meeting of shareholders.

This situation of having to adopt the form of amending the articles of incorporation raises the challenges for shareholder proposals in Japan. Firstly, resolutions relating to the articles of incorporation are subject to special resolution (requiring a two-thirds majority), which raises the hurdle for approval. In addition, the proposed contents seem often so detailed, going into the specifics of the company's operations, that it cannot help but cause a sense of unease as an article of incorporation (the rules that a company must follow, which some people liken to the constitution). In fact, the proposal by Palliser to Keisei to establish new articles of incorporation states that "by 31 March 2026 at the latest, the Company shall reduce the volume of Oriental Land Corporation shares held by the Company ("OLC shares") to less than 15/100 of the total voting rights in the company", which includes specific dates and names of another company in the article of incorporation. So, in fact, some shareholders, while agreeing with the contents, were hesitant to vote in favour as they were not appropriate as articles of incorporation.

Shareholder proposals concerning the Aol cover a wide range of topics. For this reason, we have divided the proposals relating to the articles of incorporation into the following types by content: Aol on Governance Structure, Aol on Directors' Remuneration, Aol on Appropriation of Surplus, Aol on Dividend Decision Body, Aol on Treasury Shares, Aol on Environmental Issues, Aol on Social Issues, and Aol on Other Issues. The aggregate data is shown in Table 5.

Table 5 shows that proposals on governance structure and on directors' remuneration increased sharply in 2022-2023 and remained high, although they have decreased slightly over the last year.

Proposals on governance structure for 2022-2023 were dominated by activists' proposals, many of which called for greater board independence. Nippon Active Value Fund (NAVF) made proposals to ten companies to have a majority of outside directors, and Dalton, a related company, made similar proposals to five companies (in some cases also calling for diversity on the board). Strategic Capital also made proposals to three companies to make the chairman of the board of directors an independent director, and to abolish the position of chairman, etc.

In the latest year, proposals have become more varied, while still aiming to strengthen governance: the number of companies proposed by NAVF calling for a majority of non-executive directors has been reduced to four, and Dalton made only one proposal, while Oasis Management and Strategic Capital have proposed that the chairman of the board of directors become an outside director, that a lead non-executive director be appointed, and that a nomination and compensation committee be established.

However, it is not always the case that these proposals are supported by other shareholders: not a few proposals received more than 10% of the votes in favour, but the number drops dramatically when it reaches 20%, and no proposal received more than 30% of the votes in favour in the last 12 months.

One passed case can be found. It was a proposal to shorten the term of office of a director from two years to one year proposed for Endo Lighting (6932 TSE STD), which was passed with 99.5% of votes in favour as the company also proposed the same.

TABLE 5

		2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Aol on Governance Structure	# of companies	5	3	9	26	17
	Proposed by Activists	2	2	6	19	11
	# of Resolutions	5	4	11	30	22
	Proposed by Activists	2	3	8	21	14
	Rate of Joint Resolutions with Company Proposals (Passed)	0.0%	0.0%	0.0%	0.0%	4.5%
	Failed but ≥20% of Support	20.0%	0.0%	45.5%	23.3%	27.3%
	Failed but ≥10% of Support	60.0%	50.0%	72.7%	63.3%	77.3%
Aol on Directors' Remuneration	# of companies	4	3	7	16	13
	Proposed by Activists			5	9	9
	# of Resolutions	4	3	8	22	15
	Proposed by Activists			6	11	9
	Failed but ≥20% of Support	50.0%	66.7%	75.0%	40.9%	60.0%
	Failed but ≥10% of Support	100.0%	100.0%	100.0%	77.3%	80.0%
Aol on Appropriation of Surplus (except on Dividend Decision Body)	# of companies	2	1	2	5	9
	Proposed by Activists			2	2	4
	# of Resolutions	2	1	2	5	9
	Proposed by Activists			2	2	4
	Failed but ≥20% of Support	0.0%	0.0%	0.0%	20.0%	22.2%
	Failed but ≥10% of Support	100.0%	100.0%	50.0%	40.0%	66.7%
Aol on Dividend Decision Body	# of companies	2	1		6	10
	Proposed by Activists	1			3	7
	# of Resolutions	2	1		6	10
	Proposed by Activists	1			3	7
	Rate of Passed Resolutions	0.0%	0.0%		16.7%	0.0%
	Failed but ≥20% of Support	50.0%	100.0%		66.7%	70.0%
	Failed but ≥10% of Support	100.0%	100.0%		83.3%	80.0%
Aol on Treasury Shares (Buyback, Cancellation)	# of companies	1	2	6	9	10
	Proposed by Activists	1	1	6	4	6
	# of Resolutions	1	2	6	9	10
	Proposed by Activists	1	1	6	4	6
	Failed but ≥20% of Support	100.0%	50.0%	83.3%	33.3%	30.0%
	Failed but ≥10% of Support	100.0%	100.0%	100.0%	77.8%	80.0%
Aol on Environmental Issues	# of companies	1	3	4	8	7
	Proposed by Activists		1	2	3	4
	# of Resolutions	1	3	8	10	12
	Proposed by Activists		1	4	4	4
	Failed but ≥20% of Support	100.0%	66.7%	27.3%	20.0%	66.7%
	Failed but ≥10% of Support	100.0%	100.0%	63.6%	90.0%	83.3%
Aol on Social Issues	# of companies				1	1
	Proposed by Activists					1
	# of Resolutions				1	1
	Proposed by Activists					1
	Failed but ≥20% of Support				0.0%	0.0%
	Failed but ≥10% of Support				0.0%	0.0%
Aol on Other Issues	# of companies	21	22	35	34	40
	Proposed by Activists	12	11	22	21	24
	# of Resolutions	41	36	72	79	87
	Proposed by Activists	18	19	40	35	41
	Rate of Passed Resolutions	0.0%	2.8%	0.0%	0.0%	0.0%
	Failed but ≥20% of Support	22.0%	27.8%	19.4%	16.5%	21.8%
	Failed but ≥10% of Support	48.8%	52.8%	51.4%	43.0%	40.2%
	No Voting (No Counting)	0.0%	2.8%	1.4%	0.0%	0.0%

Many proposals on directors' remuneration seek to strengthen remuneration disclosure, including disclosure of individual director's remuneration. In 2022-2023, when the number of proposals increased sharply, 15 out of 22 proposals were of this nature. Many proposals were from activists, with Strategic Capital proposing to four companies, LIM Advisors proposing to three and ESG Investment Partnership proposing to one. Proposals of this type have also received significant support, with four of the 15 proposals receiving more than 30% votes in favour, five receiving 20-30% and five receiving 10-20%.

In the latest year, this trend has intensified, with 12 out of 15 proposals calling for disclosure of individual directors' remuneration. LIM Advisors stands out in particular having proposed this to eight companies. Strategic Capital also made a proposal to one company. Support rates were also relatively high, with two of the 11 proposals receiving more than 30% votes in favour, six receiving 20-30% and three receiving 10-20%. The proposal with the highest support rate was proposed by LIM Advisors to Tenma (7958 TSE PRM), which received 41.7% of the votes in favour.

Among the types of shareholder proposals on the article of incorporation, those on the dividend decision body should be paid focused upon next.

Under the Companies Act, the appropriation of surplus is in principle a matter for resolution by the general meeting of shareholders, but if the prescribed conditions are met and the articles of incorporation provide for it, it can be decided by the board of directors, or even it can be made an exclusive decision of the board of directors (eliminating decisions by general meetings of shareholders). Therefore, if a shareholder wants to propose an increase in dividends to a company whose appropriation of surplus is exclusively decided by the board of directors, it is necessary to amend the articles of incorporation so that the appropriation of surplus can also be resolved at a general meeting of shareholders beforehand. Shareholders wishing to make a dividend proposal would then submit such an amendment to the articles of incorporation together with the dividend proposal (i.e. prior to the dividend proposal).

A typical example is the only passed case in the last five years, which was proposed by Asset Value Investors (AVI) to NC Holdings in 2023 and passed with 69.6% of the votes cast. We showed a dividend proposal by AVI to NC Holdings as the only passed example of dividend

proposals in section '3 Proposals on Capital Policies'. It would not be even be voted on if the resolution on the amendment of the company's articles of incorporation proposed by AVI was not passed. In fact, in other cases where this type of proposal was rejected, the dividend proposal was not voted on.

As mentioned earlier, this type of shareholder proposal is often combined with a dividend proposal, but many institutional investors consider the pros and cons separately. This is because many investors basically are opposed to the exclusion of a resolution on the appropriation of surplus from a general shareholders' meeting, as it is seen as a disrespect to shareholder rights. Therefore, even if they are opposed to the dividend proposal (which would be crucial from the perspective of the proponents), they often vote in favour of the proposal to allow shareholders to vote on the appropriation of retained earnings.

As an illustration, let's look at the approval or disapproval stances among major institutional investors for the proposal made by UGS Asset Management to Toyo Securities (8614 TSE PRM), which received a majority (57.3%) of votes in favour this year.

As can be seen in Table 6, a very large number of institutional investors voted in favour of the proposal to change the articles of incorporation (resolution 3) while opposing the dividend proposal (resolution 4).

Given the above, proposals relating to dividend decision body tend to receive a higher support rate (especially when the shareholder ratio of institutional investors is high). This is a point to keep in mind for companies that have articles of incorporation with an exclusive decision by the board of directors on the appropriation of surplus.

Proposals to amend the articles of incorporation regarding the appropriation of surplus and those regarding treasury shares have also increased over the past few years, although not in such large numbers.

Proposals to amend the articles of incorporation to appropriate surplus are mainly proposals to set out dividend policies or targets (e.g. a certain dividend payout ratio), and there have been many cases of proposals made by individual shareholders as well as activists. However, this type of proposal does not seem to have the support of other shareholders, and there are few cases where 20% or more of the votes were in

favour. The highest approval rate in the last year was a proposal by Swiss-Asia Financial Services to With us Corporation (9696 TSE STD) for a dividend payout ratio of 150% or more, which received 31.3% of the votes in favour.

Proposals to amend the articles of incorporation regarding treasury shares, especially when proposed by activists, are often those which allow shareholders to resolve to cancel treasury shares, combined with those to call for cancellation of treasury shares. While the situation is similar to the proposals on dividend decision body discussed above, it cannot be said that the proposals have received the support of other shareholders, different from those of the proposals on dividend decision body. The proposal with the highest approval rate in the latest year was proposed by Asset Value Investors (AVI) to SK Kaken (4628 TSE STD), with a 31.5% approval rate.

Proposals to amend the Articles of incorporation on environmental and social issues are discussed separately in the section on 'Trends in Shareholder Proposals related to Environmental and Social E&S Issues'.

There was one case in which a proposal to amend the articles of incorporation on other issues was passed in 2021, but this can be regarded as a special circumstance where a management dispute between a company and its major shareholder, who originally had friendly relations with each other, after they had reached an antagonistic relationship. Specifically, Cenote Capital requested Clare Holdings (now Souken Ace, 1757 TSE STD) to hold an extraordinary general meeting of shareholders, which, together with a proposal for the election and dismissal of directors, resulted in a proposal to change the company's articles of incorporation to change its company name to "Small and Medium sized Enterprises Holdings" (the company has since changed the name again).

TABLE 6

Toyo Securities 2024 AGM	Mitsubishi UFJ AM	Nomura AM	AM One	Daiwa AM	SMD-AM	SMTAM
#3 (Change of Aol)	●	●	●	●	●	●
#4 (Appropriation of Surplus)	●	●	●	●	●	●

Toyo Securities 2024 AGM	Nikko AM	Nissay AM	BlackRock	Fidelity	SSgA
#3 (Change of Aol)	●	●	●	●	●
#4 (Appropriation of Surplus)	●	●	●	●	●

● For
● Against

Note: Of the major institutional investors that disclose their individual voting results, those that exercised their voting rights at this year's Toyo Securities General Meeting of Shareholders are selected. Note that AM One stands for Asset Management One, SMD-AM for Sumitomo Mitsui DS Asset Management, SMTAM for Sumitomo Mitsui Trust Asset Management, and SSgA for State Street Global Advisors.

Source: compiled by Sodali & Co Japan based on publicised data from the investors

5 Trends in Shareholder Proposals for Power Companies

Shareholder proposals from anti-nuclear citizen groups and others have been submitted to the nine power companies (TEPCO Holdings, Chubu Electric Power, Kansai Electric Power, Chugoku Electric Power, Hokuriku Electric Power, Tohoku Electric Power, Shikoku Electric Power, Kyushu Electric Power and Hokkaido Electric Power) long before shareholder activism became the buzzword it is today. The oldest shareholder proposals can be traced back to at least the 1990s and appear to have gained further momentum after the Fukushima nuclear accident in 2011. Today, it is common to see numerous shareholder proposals from multiple shareholders to the power companies (this trend is particularly noticeable at Kansai Electric Power [9503 TSE PRM], where shareholder proposals are submitted not only by citizen groups but also by local governments such as the City of Osaka or the City of Kyoto).

As a result, the number of resolutions proposed by shareholders put forward by the companies is extremely high, even by global standards. For example, a total of 100 shareholder-proposed-resolutions to them were presented to this year's AGM in June, accounting for approximately 22% of the 453 shareholder-proposed-resolutions of all listed companies in Japan over the past one year. On the other hand, the support rates for these proposals to Power companies have been generally low.

For this reason, we have analysed the data excluding these power companies, considering that the data could be a distorting factor in understanding recent trends in shareholder activism.

However, the power companies are not entirely insulated from shareholder activism. Therefore, we separately analysed the data of the nine companies.

In analysing the power companies, we added "articles of incorporation on nuclear-power-plant-related issues" in the categories. In the past five years, there have been no shareholder proposals passed, nor have there been any proposals from institutional investors, including activists.

As Table 7 shows, and as noted earlier, the support rates for these shareholder proposals have been generally low.

An exception to this trend, however, is the relatively high support rates for proposals regarding the articles of incorporation on directors' remuneration. Most of these proposals call for disclosure of individual director's remuneration, which can be regarded as making it relatively easy to gain the support of other shareholders. At the AGMs held in June this year, 35.2% of shareholders supported a proposal for Chubu Electric Power (9502 TSE PRM) and 32.8% supported a proposal for Kyushu Electric Power (9508 TSE PRM).

As another trend observed over the last few years, it can be noted that the number of nuclear-power-plant-related proposals has gradually decreased, while those on environmental issues without nuclear power plant elements have gradually increased. This could indicate a gradual shift from nuclear-power-related proposals to other environment-related proposals.

A new trend is that environmental NGOs such as Market Forces have started to make proposals to TEPCO Holdings (9501 TSE PRM) and Chubu Electric Power. These trends on shareholder proposals on environmental issues are analysed in more detail in the next section.

TABLE 7

		2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Election and Dimissal of Directors	# of companies	2	2	3	3	3
	# of Resolutions	15	16	5	11	22
	Failed but ≥20% of Support	6.7%	0.0%	0.0%	0.0%	0.0%
	Failed but ≥10% of Support	6.7%	0.0%	0.0%	18.2%	0.0%
Directors' Remuneration	# of companies	1	0	0	1	0
	# of Resolutions	1	0	0	1	0
	Failed but ≥20% of Support	0.0%			0.0%	
	Failed but ≥10% of Support	0.0%			0.0%	
Appropriation of Surplus	# of companies	1	1	1	1	0
	# of Resolutions	1	1	1	1	0
	Failed but ≥20% of Support	0.0%	0.0%	0.0%	0.0%	
	Failed but ≥10% of Support	0.0%	0.0%	0.0%	0.0%	
Aol on Governance Structure	# of companies	2	1	2	2	3
	# of Resolutions	2	1	2	2	3
	Failed but ≥20% of Support	0.0%	0.0%	0.0%	0.0%	0.0%
	Failed but ≥10% of Support	50.0%	100.0%	50.0%	50.0%	33.3%
Aol on Directors' Remuneration	# of companies	4	4	7	6	6
	# of Resolutions	6	7	9	10	7
	Failed but ≥20% of Support	83.3%	85.7%	88.9%	50.0%	71.4%
	Failed but ≥10% of Support	100.0%	100.0%	100.0%	80.0%	85.7%
Aol on Treasury Shares (Buyback, Cancellation)	# of companies	0	0	1	0	0
	# of Resolutions	0	0	1	0	0
	Failed but ≥20% of Support			0.0%		
	Failed but ≥10% of Support			0.0%		
Aol on Nuclear-Power-Plant-related Issues	# of companies	9	9	9	9	9
	# of Resolutions	40	40	38	31	30
	Failed but ≥20% of Support	0.0%	0.0%	2.6%	0.0%	0.0%
	Failed but ≥10% of Support	15.0%	15.0%	18.4%	19.4%	3.3%
Aol on Environmental Issues (except Nuclear-Pow-er-Plant-related Issues)	# of companies	6	5	5	4	6
	# of Resolutions	8	6	10	9	12
	Failed but ≥20% of Support	0.0%	0.0%	20.0%	22.2%	16.7%
	Failed but ≥10% of Support	0.0%	16.7%	40.0%	44.4%	33.3%
Aol on Social Issues	# of companies	0	1	2	1	1
	# of Resolutions	0	1	2	1	2
	Failed but ≥20% of Support		0.0%	0.0%	100.0%	0.0%
	Failed but ≥10% of Support		0.0%	50.0%	100.0%	0.0%
Aol on Other Issues	# of companies	6	6	8	9	8
	# of Resolutions	16	10	26	36	24
	Failed but ≥20% of Support	26.7%	40.0%	11.5%	5.6%	4.2%
	Failed but ≥10% of Support	66.7%	60.0%	26.9%	22.2%	20.8%

6 Trends in Shareholder Proposals related to E&S issues

This section analyses trends in shareholder proposals related to E&S issues for all listed companies, broken down by the nine power companies and the rest.

All of the proposals analysed are proposals calling for changes to, establishment or deletion of the articles of incorporation, but in addition to proposals calling for direct action on environmental or social issues, we also included other types, such as those calling for directors' compensation to be linked to ESG indicators in the case of environmental issues, or those calling for gender diversity on boards in the case of social issues. Therefore, the number of proposals is larger than the aggregate total of the "Aol on environmental issues" and "Aol on social issues" proposals analysed so far.

Table 8 shows that there has been a gradual increase in environment-related shareholder proposals. Nevertheless, there have been no cases of passage, and it has not necessarily been the case that they have the support of other shareholders.

This category is characterised by a certain number of proposals by environmental NGOs. (see Table 9)

Environmental NGOs had been increasing the number of companies to which they have submitted shareholder proposals year by year, but this year the expansion trend appears to have taken a break. However, looking at the support rates for their proposals, while there was a gradual decline in the rates for those for the same companies until last year, this year there has been a slight upturn. They are considered to be proponents that will continue to attract attention in the years to come.

Another important feature to point out regarding environment-related shareholder proposals is that, from 2022 onwards, proposals by institutional investors, including pension funds, which are not regarded as activists, can be seen. (see Table 10)

TABLE 8

		2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Proposals on Environmental (E) Issues	# of companies	7	8	9	12	13
	Proposed by Activists	0	1	2	3	4
	# of Resolutions	9	9	19	19	24
	Proposed by Activists	0	1	4	4	4
	Failed but ≥20% of Support	11.1%	22.2%	31.6%	21.1%	41.7%
	Failed but ≥10% of Support	11.1%	44.4%	63.2%	68.4%	58.3%
Proposals on Social (S) Issues	# of companies	1	2	3	3	4
	Proposed by Activists	0	0	1	0	1
	# of Resolutions	1	2	3	5	5
	Proposed by Activists	0	0	1	0	1
	Failed but ≥20% of Support	0.0%	0.0%	0.0%	20.0%	0.0%
	Failed but ≥10% of Support	0.0%	0.0%	33.3%	20.0%	40.0%

TABLE 9

Date	Company	Ticker	Proponent(s)	#	Contents	Support
6/25/2020	Mizuho Financial Group	8411	Kiko Network	5	Disclosure of a plan outlining the company's business strategy to align its investments with the goals of the Paris Agreement	34.5%
6/18/2021	Sumitomo Corporation	8053	Market Forces	5	Adoptation and disclosure of a plan outlining its business strategy to align its business with the Paris Agreement's goal	20.0%
6/29/2021	Mitsubishi UFJ Financial Group	8306	Kiko Network, etc.	7	Disclosure of a plan outlining the company's business strategy to align its financing and investments with the goals of the Paris Agreement	22.7%
6/24/2022	Mitsubishi Corporation	8058	Market Forces, Kiko Network, etc	5	Adoption and disclosure of short-term and mid-term greenhouse gas emission reduction targets aligned with the goals of the Paris Agreement	20.2%
				6	Disclosure of how the company evaluates the consistency of each new material capital expenditure with its net zero greenhouse gas emissions by 2050 commitment	16.2%
6/28/2022	Tokyo Electric Power Company Holdings	9501	Market Forces, Kiko Network	3	Disclosure of asset resilience in line with a Net Zero by 2050 Pathway	9.6%
6/28/2022	Chubu Electric Power	9502	Market Forces, Kiko Network	9	Disclosure of asset resilience in line with a Net Zero by 2050 Pathway	19.9%
6/29/2022	Sumitomo Mitsui Financial Group	8316	Market Forces, Kiko Network, etc	4	Formulation and disclosure of a business plan including medium-term and short-term greenhouse gas reduction targets that are consistent with the goals of the Paris Agreement	27.1%
				5	Lending consistent with the IEA's net zero emission scenario, etc	9.6%
6/23/2023	Mitsubishi Corporation	8058	Market Forces, Kiko Network, etc	5	Adoption and disclosure of short-term and mid-term greenhouse gas emission reduction targets aligned with the goals of the Paris Agreement	19.8%
				6	Disclosure of how the company evaluates the consistency of each new material capital expenditure with a net zero greenhouse gas emissions by 2050 scenario	12.4%
6/23/2023	Mizuho Financial Group	8411	Market Forces, Kiko Network, etc	2	Issuing and disclosing a transition plan to align lending and investment portfolios with the Paris Agreement's 1.5 degree goal requiring net zero emissions by 2050	19.9%
6/28/2023	Tokyo Electric Power Company Holdings	9501	Market Forces, Kiko Network	2	Alignment of capital allocation with a net zero by 2050 pathway	9.9%
6/28/2023	Chubu Electric Power	9502	Market Forces, Kiko Network	10	Alignment of capital allocation with a net zero by 2050 pathway	19.6%
6/29/2023	Mitsubishi UFJ Financial Group	8306	Market Forces, Kiko Network, etc	3	Issuing and disclosing a transition plan to align lending and investment portfolios with the Paris Agreement's 1.5 degree goal requiring net zero emissions by 2050	17.3%
6/29/2023	Sumitomo Mitsui Financial Group	8306	Market Forces, Kiko Network, etc	3	Issuing and disclosing a transition plan to align lending and investment portfolios with the Paris Agreement's 1.5 degree goal requiring net zero emissions by 2050	20.7%
6/26/2024	Mizuho Financial Group	8411	Market Forces, Kiko Network, etc	2	Director competencies for the effective management of climate-related business risks and opportunities	25.0%
				3	Assessment of customers' climate change transition plans	22.0%
6/26/2024	Chubu Electric Power	9502	Market Forces, Kiko Network, etc	16	Director competencies for the effective management of climate-related business risks and opportunities	23.3%
6/27/2024	Mitsubishi UFJ Financial Group	8306	Market Forces, Kiko Network, etc	3	Director competencies for the effective management of climate-related business risks and opportunities	25.8%
				4	Assessment of customers' climate change transition plans	18.4%
6/27/2024	Sumitomo Mitsui Financial Group	8316	Market Forces, Kiko Network, etc	4	Director competencies for the effective management of climate-related business risks and opportunities	26.3%
				5	Assessment of customers' climate change transition plans	24.2%

Source: compiled by Sodali & Co Japan based on data from *Diligent Market Intelligence*.



Although the number of such proposals is still small, it is noteworthy as a proposal from types of investors that have not traditionally been expected to make shareholder proposals. However, support from other shareholders has not been sufficient, and there is also a tendency for similar proposals for the same companies to be less favourably received.

In addition, proposals from activists have also been seen. For example, this year, Strategic Capital proposed Osaka Steel (5449 TSE STD) to develop and disclose a business plan for reducing greenhouse gas emissions (13% in favour).

Returning to Table 8, although the number of social-related shareholder proposals has gradually been increasing, they are still only a few in Japan. And proposals from institutional investors including activists are rare, and the overall approval rates remain low. As for proposals from an institutional investor, ATP (Danish pension) asked ACOM (8572 TSE STD) to have at least one male and one female director in 2022 (approval rate of 3.5%).

TABLE 10

Date	Company	Ticker	Proponent(s)	#	Contents	Support
6/28/2022	Electric Power Development (J-Power)	9509	Amundi, Man Group, HSBC Asset Management, ACCR	8	Setting and disclosure of a business plan to achieve GHG emissions reduction targets	25.8%
				9	Disclosure of how it assesses the alignment of future capital investment against those targets	18.1%
				10	Disclosure of how the Company's remuneration policies will incentivise progress against the Company's GHG emissions reduction target	18.9%
6/14/2023	Toyota Motor	7203	Kapitalforeningen MP Invest (Denmark) Storebrand Asset Management (Norway) APG Asset Management (Netherlands)	4	Annual review and report on impact on the Company caused by climate-related lobbying activities and the alignment with the goals of the Paris Agreement	15.1%
6/28/2023	Electric Power Development (J-Power)	9509	Amundi, HSBC Asset Management, ACCR	3	Setting and disclosure of a business plan to achieve GHG emissions reduction targets	21.2%
				4	Disclosure of how the Company's remuneration policies will incentivise progress against the Company's GHG emissions reduction target	15.0%
6/18/2024	Toyota Motor	7203	Kapitalforeningen MP Invest	4	Publication of the Annual Report on the Alignment of External Relations Activities Related to Climate Change with the Goals of the Paris Agreement	9.2%
6/21/2024	Nippon Steel	5401	Legal & General Investment Management, ACCR, Corporate Action Japan	8	Aligning Climate Policies and Lobbying Activities with Carbon Neutrality Goal	27.5%

7 Trends in approval or disapproval for shareholder proposals by major domestic and foreign institutional investors

This section changes the perspective and examines the response of major institutional investors to shareholder proposals. Table 11 shows the percentage of major domestic and foreign institutional investors in favour of the shareholder proposal.

While the proportion of institutional investors in favour of shareholder proposals varies from investor to investor, one major trend that can be discerned from Table 11 is that domestic institutional investors have shown a tendency to significantly increase the proportion in favour over the past two to three years.

One of the reasons behind this trend is thought to be that the number of shareholder proposals that can be supported has increased. Indeed, Daiwa Asset Management, in a column titled “Reconsidering the ‘say-it-all’ shareholder”, points out that shareholder proposals over the past few years have become more sophisticated and more agreeable.

A change in the stance of institutional investors themselves can also be noted. As pointed out in section ‘4 Proposals on Articles of Incorporation’, there are several shareholder proposals concerning the articles of incorporation that are not appropriate for inclusion in the articles of incorporation. In the past, many institutional investors would exercise their opposition to such proposals on the grounds that they were not appropriate for the articles of incorporation, even though they agreed with the content of the proposals. In recent years, however, there has been an increase in the number of cases where institutional investors have been voting in favour of proposals to amend the articles of incorporation if they agree with the content of the proposal, with more emphasis on the contents (although this does not mean that they do not consider the applicability as the articles of incorporation at all. And they also vote against proposals that are within the scope of specific business operations and could hinder business development).

Given this background, it is difficult to assume institutional investors strengthening their stance against shareholder proposals in the future.

One you can refer to the voting guidelines of Nomura Asset Management, Daiwa Asset Management and Nissay Asset Management, which specifically list what they are in favour of in relation to shareholder proposals: a proposal in favour shared by all three companies is ‘disclosure of individual director’s remuneration’. Nomura and Daiwa list “amendment or deletion of the articles of incorporation to exclude the general meeting of shareholders from determining dividends” and “shortening the term of office of directors”, Nomura and Nissay list “abolition of advisers and counsel” and “reduction and disclosure of cross-shareholdings”, and Daiwa and Nissay list “introduction of clawback provisions” (all include cases where conditions are attached).



In recent years, shareholder proposals have become more sophisticated based on past experience, and there are more cases that we can also agree with. In addition, with the expansion of ESG investment, there can be seen some shareholder proposals that encourage companies to decarbonise, and other more advanced proposals that are not just about pursuing short-term profits.”

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TABLE 11

INVESTOR		2019- 2020	2020- 2021	2021- 2022	2022- 2023	2023- 2024
Mitsubishi UFJ AM	# of resolutions voted For	6	3	10	37	38
	# of all resolutions	173	189	307	406	379
	Support Rate	3.5%	1.6%	3.3%	9.1%	10.0%
Nomura AM	# of resolutions voted For	34	18	30	78	68
	# of all resolutions	225	193	312	424	385
	Support Rate	15.1%	9.3%	9.6%	18.4%	17.7%
AM One	# of resolutions voted For	22	21	38	79	44
	# of all resolutions	206	182	302	404	384
	Support Rate	10.7%	11.5%	12.6%	19.6%	11.5%
Daiwa AM	# of resolutions voted For	33	20	29	77	83
	# of all resolutions	256	197	302	401	381
	Support Rate	12.9%	10.2%	9.6%	19.2%	21.8%
SMD-AM	# of resolutions voted For	23	25	56	77	60
	# of all resolutions	209	189	302	410	382
	Support Rate	11.0%	13.2%	18.5%	18.8%	15.7%
SMTAM	# of resolutions voted For	44	10	16	39	35
	# of all resolutions	232	213	301	404	392
	Support Rate	19.0%	4.7%	5.3%	9.7%	8.9%
Nikko AM	# of resolutions voted For	21	13	9	51	90
	# of all resolutions	261	195	298	403	377
	Support Rate	8.0%	6.7%	3.0%	12.7%	23.9%
Nissay AM	# of resolutions voted For	26	28	71	67	72
	# of all resolutions	196	165	283	393	349
	Support Rate	13.3%	17.0%	25.1%	17.0%	20.6%
BlackRock	# of resolutions voted For	36	11	13	33(*)	24
	# of all resolutions	270	206	297	406(*)	384
	Support Rate	13.3%	5.3%	4.4%	8.1(*)	6.3%
Fidelity	# of resolutions voted For	76	53	107	154	109
	# of all resolutions	250	195	288	409	374
	Support Rate	30.4%	27.2%	37.2%	37.7%	29.1%
GSAM	# of resolutions voted For	(**)	(**)	66	105	75
	# of all resolutions	(**)	(**)	221	342	294
	Support Rate	24.3%	13.4%	29.9%	30.7%	25.5%
Amundi	# of resolutions voted For	44	42	56	69	62
	# of all resolutions	211	168	284	343	237
	Support Rate	20.9%	25.0%	19.7%	20.1%	26.2%
SSgA	# of resolutions voted For	37	27	26	48	(***)
	# of all resolutions	238	188	294	361	(***)
	Support Rate	15.5%	14.4%	8.8%	13.3%	(***)
T. Rowe Price	# of resolutions voted For	3	0	12	35	6
	# of all resolutions	4	1	68	93	50
	Support Rate	75.0%	0.0%	17.6%	37.6%	12.0%
J.P.Morgan AM	# of resolutions voted For	11	3	9	7	7
	# of all resolutions	73	42	50	18	11
	Support Rate	15.1%	7.1%	18.0%	38.9%	63.6%

Note: AM stands for Asset Management; SMD-AM for Sumitomo Mitsui DS Asset Management, SMTAM for Sumitomo Mitsui Trust Asset Management, GSAM for Goldman Sachs Asset Management, and SSgA for State Street Global Advisors.

(*) Data for January-June 2023 (July-December 2022 not included) due to changes in BlackRock's disclosure methodology.

(**) GSAM's method of aggregating the number of proposals for these periods differ from that of other investors (total number of proposals appears to be aggregated by fund). (***) SSgA not disclosed for period 2023-2024.

Source: compiled by Sodali & Co Japan based on data from *Diligent Market Intelligence*.

CONCLUSION & RECOMMENDATIONS



This analysis shows that shareholder proposals have increased in the past two to three years and that, overall, there has also been an increasing trend in other shareholders' (particularly institutional investors') support for shareholder-proposed resolutions.

We believe this is due to the growing influence of shareholder activism in Japan, and that regulators have tended to encourage it.

In any case, receiving a shareholder proposal from a minority shareholder (apart from in the case of management disputes, etc.) means that the shareholder has some dissatisfaction or concerns with the company.

The companies need not be overly fearful, because in many cases, it may receive little or no support from other shareholders depending on the content of the proposal. On the other hand, however, if a shareholder proposal is put forward and receives 20% or more support, the proposal should be thoroughly examined by the board of directors and the necessary actions should be taken.

Indeed, there are examples where companies appear to have changed their policies in the wake of shareholder proposals that were rejected but received high approval ratings. For example, Takeda Pharmaceutical (4502 TSE PRM), receiving a proposal for disclosure of individual director's remuneration in 2019 which resulted in as high support rate as 49.7%, voluntarily disclosed the remuneration of all board members individually the following year.

SUPPLEMENTARY EXPLANATIONS

Methodology & Approach To The Analysis

The number of shareholder proposals was counted on a sub-resolution basis (e.g. a proposal for the election of five directors is counted as five resolutions). Proposals that were withdrawn were excluded from the count. The companies' stance on shareholder proposals was not considered, where proposals for which the board of directors expressed support were also included.

The number of companies subject to proposals was also counted, as analysis based on the number of resolutions alone is affected by the increase or decrease in the number of resolutions for the election or dismissal of directors. However, in cases where the same company held two shareholder meetings in the same period (e.g. an EGM and an AGM), these were double counted. Strictly speaking therefore, it is the number of shareholder meetings rather than the number of companies, although such cases are extremely limited in number. If more than one shareholder submitted proposals to the same company, it was calculated as one company.

For the identification of proponents, a wide range of information sources were used, including data from Diligent Market Intelligence, as well as disclosure documents from respondent companies and proponents, and other press materials.

On tabulating proposals from activists, we defined them as "institutional investors such as activist funds = institutional investors who manage funds entrusted by others and are therefore assumed to have a fiduciary duty". Therefore, institutional investors who are not generally regarded as activists were also included. However, there are only a few examples of such institutional investors, all of which were shown in the section 'Trends in Shareholder Proposals related to E&S Issues'. Thus, virtually all proponents based on this definition can be considered so-called activists. On the other hand, even if a proponent is generally regarded as an activist, if it is supposed to use only its own funds without funds entrusted by others, we did not count it as an activist. A typical example is the Yamauchi No.10 Family Office, which made a name for itself with its shareholder proposal to Toyo Construction (1890 TSE PRM) in 2023.

The annual totals were compiled within the framework of 'July to June of the following year'. While this approach followed the disclosure methods of some institutional investors, we concluded it reasonable given that shareholder meetings are concentrated in the first half of the year. For example, looking at the latest one year, the '2023-2024' period, only five out of the 109 shareholder meetings covered in this period were held during 2023 (incidentally, 87 were held in June 2024). Therefore, '2023-2024' can be considered as the "2024 shareholders' meetings".

The classification of the proposals followed the classification disclosed by many institutional investors, which are based on the classification methods of the Japan Investment Advisers Association and the Investment Trusts Association, Japan, while those without shareholder proposals were omitted. However, as there are very few shareholder-proposed resolutions for the election or dismissal of company auditors, they were combined with proposals for the election or dismissal of directors and counted as "proposals for the election or dismissal of directors". Note that unlike other proposals which require an ordinary resolution (approved by a majority), a proposal for the dismissal of company auditors require a special resolution (approved by two-thirds or more). When discussing this requirement for approval, it is necessary to consider it separately.

As for proposals on capital policies, we separated out 'acquisition of treasury shares (share buybacks) from 'other proposals on capital policies' to tabulate, as there are numerous shareholder proposals for this type. Proposals relating to the articles of incorporation were further classified and tabulated in detail based on their content, as already mentioned.

Regarding rejected proposals, we paid particular attention to those that received 20% or more of the votes in favour. The Corporate Governance Code requires the board of directors to "When the board recognises that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyse the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue

and other measures. “ (Supplementary Principle 1.1.1). Although no explicit numerical standard is given for the “considerable number of votes” here, one possible guide is the standard of “20% or more” suggested by the UK Corporate Governance Code. Reversing this, we consider that, in the case of shareholder proposals, for proposals that receive 20% or more of the votes in favour, the company is required to “analyse the reasons behind supporting votes and why many shareholders supported and should consider the need for shareholder dialogue and other measures”.

As another hurdle, the proportion of proposals that received 10% or more of the votes in favour were also counted. This criterion was adopted because it is the threshold at which practically identical proposals can be proposed again in the following year.

Note that some shareholder-proposed resolutions may not be subject to a vote. This is because the content of the proposal may become meaningless or may not be approved as a resolution, depending on the status of adoption or rejection of other resolutions. Typical example is the dividend proposals shown in ‘3 Proposals on Capital Policies’ and the proposals relating article of incorporation on the dividend decision body (see ‘4 Proposals on Articles of Incorporation’), which may be necessary as a combined proposal. While the analysis above showed approved cases, if the proposal on the dividend decision body was rejected, the dividend could not be resolved by the general meeting of shareholders under the active articles of incorporation, and the dividend proposal became therefore invalid. In such cases, companies often do not disclose the approval or disapproval status, claiming that they did not take a vote (although some companies do disclose). In considering the

percentage of resolutions that received 20% or more, or 10% or more of support, a large percentage of such non-voted resolutions may cause a disturbance to understand the trends, so we also indicated the percentages of such non-voted resolutions.

In the analysis of shareholder proposal trends for the nine power companies, we put a category of ‘articles of incorporation on nuclear-power-plant-related issues’, in which we included all proposals that had even the slightest connection with nuclear power. Therefore, not only proposals calling for the abolition of nuclear power plants, but also such proposals as calling for the formulation of evacuation plans in the event of a nuclear accident, proposals combining the adoption of renewable energy with the denuclearisation, or proposals calling for the health care of workers involved in the restoration from the Fukushima nuclear accident (added to the analysis of E&S-related shareholder proposal trends as social-related proposals) were included.

Finally, when surveying trends in institutional investors’ approval or disapproval for shareholder proposals, the survey covered the top domestic institutional investors in terms of total assets under management, and among the top foreign institutional investors in terms of total global assets under management who disclose their voting related to Japanese companies.

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