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Review of the 2025 June Shareholder Meetings
—Factors Behind Low Approval Rates as Seen in Investor Disclosures—

✓ While average approval rates are increasing, instances of low approval rates and rejected proposals remain evident

Over three months have passed since the June shareholder meeting season and major institutional investors have now all released their voting results.
Disclosure practices have become increasingly comprehensive in recent years, with many investors revealing not only their votes on each proposal but also their reasons for opposing.

This issue highlights the reasons institutional investors raised for opposing to proposals with low approval rates.

The scope of this review covers company proposals submitted at the June annual general meetings of shareholders held by companies listed on the Prime Market.

1. Proposals for appropriations of surplus

In general, this proposal tends to receive high approval rates each year, with this year's average approval rate reaching 98.26% (up 0.31 points from the previous year). One factor behind this is that ISS, a proxy advisory firm with significant influence over the voting behavior of overseas institutional investors, generally recommends voting in favor if the dividend payout ratio is between 15% and 100%. This threshold is lower than that used by many of the domestic institutional investors, contributing to the high approval rate.

On the other hand, domestic institutional investors generally make their voting decisions based on factors such as dividend payout ratio, total shareholder return ratio, ROE, equity ratio, and net cash levels. As a result, many cases of low approval rates due to votes against proposals based on low dividend payout ratios were observed this year as well.

The proposal with the lowest approval rate came from a company in the information and communications sector (with an approval rate of approximately 60%). This low approval rate is believed to be due to the presence of a specific major shareholder. In addition to this company, several other cases have been confirmed where companies received low approval rates for similar reasons, all of which involve significant holdings by activists.

2. Proposals for amendments to the Articles of Incorporation

The average approval rate was high, at 98.12% (up 0.07 points from the previous year). Only one company in the precision instruments sector had an approval rate below 80%, mainly due to submitting a proposal to change the body responsible for dividend resolutions (allowing the board of directors to decide). Other reasons for opposition from institutional investors included changes related to the number of directors (such as reductions of the maximum number of directors to eliminate vacant seats and concerns about an excessively high upper limit).

3. Proposals for elections of directors (inside directors)

For one company in the chemical sector, a case of proposal rejection was observed, influenced by an activist's opposition campaign. In this case, a shareholder proposal for the dismissal of the relevant director was also submitted, which was narrowly rejected. Furthermore, even among companies not considered to be in a crisis situation, there were several cases where approval rates fell into the 60% range due to conflicts with institutional investors' or proxy advisors' standards on ROE and cross-shareholdings.

Other reasons for opposition include the lack of female directors and independent outside directors. However, companies are increasingly meeting investor requirements, and the average approval rate reached 94.85% (up 0.15 points from the previous year).

4. Proposals for elections of directors (outside directors)

Cases of low approval rates due to votes against based on tenure (12 years or more) were notable, and the proposal with the lowest approval rate (information and communications sector: approximately 52%) was also for this reason. It is extremely difficult to obtain exceptional approvals for tenure, and when a candidate meets the 12year threshold used by many domestic institutional investors, it typically results in unanimous opposition.

Furthermore, starting February 1, 2026, ISS will also apply the same standard. ISS generally does not recommend voting against outside directors solely due to the lack of independence for companies with a board of auditors. However, regarding companies with other governance structures, the attributes of outside directors and the composition of the board may lead to opposition recommendations, raising concerns about further declines in approval rates.

Other reasons for opposition include the director's background (such as being from a major shareholder, business partner, or cross-shareholding company). Overall, however, the average approval rate was 95.90% (up 0.34 points from the previous year), suggesting that many companies are appointing candidates who meet institutional investors' requirements.

5. Proposals for the elections of auditors

Most of the proposals for auditor appointments that received low approval rates involved outside auditors, as in previous years, and many of these were opposed due to the auditor's background (such as being from a major shareholder, business partner, or cross-shareholding company). On the other hand, opposition from institutional investors to internal auditors was limited, but there were cases where votes were cast against the proposal due to a lack of independent auditors on the audit board. For example, proxy advisory firm Glass Lewis requires the appointment of a majority of independent outside auditors.

The average approval rate for this proposal also increased to 95.63% (up 0.83 points from the previous year).

Supplementary Principle 1-1① of the Corporate Governance Code states, "When the board recognizes that a considerable number of votes have been cast against a proposal by the company and the proposal was approved, it should analyze the reasons behind opposing votes and why many shareholders opposed, and should consider the need for shareholder dialogue and other measures (excerpt)". When analyzing the reasons for opposing votes and considering whether measures are necessary, we would be grateful if you could also consider utilizing one of the services in our menu, such as proxy voting results analysis.