

Shareholder proposals: 2025 trends

EY Strategy and Consulting Co., Ltd.

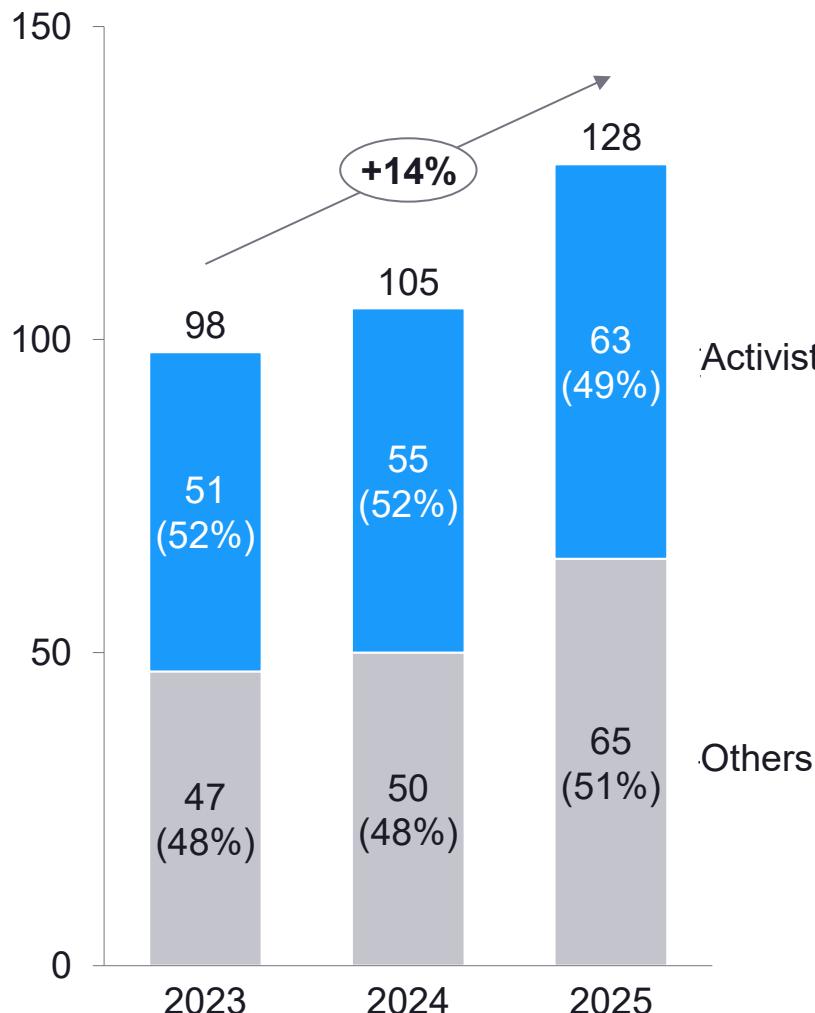
September 16, 2025

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**Companies targeted by
activist shareholder proposals**

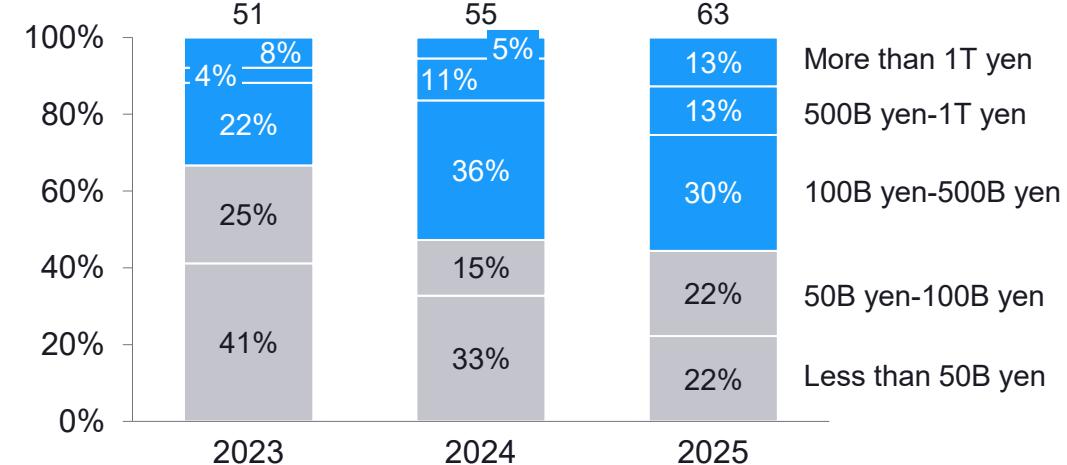
An increasing number of companies, and particularly those with a market capitalization of over 100 billion yen and a Price-to-Book Ratio (PBR) of over 1X, are being targeted by activist shareholders.

Number of companies targeted by activist shareholder proposals at AGM held Jan-June 2025 ^{*1}

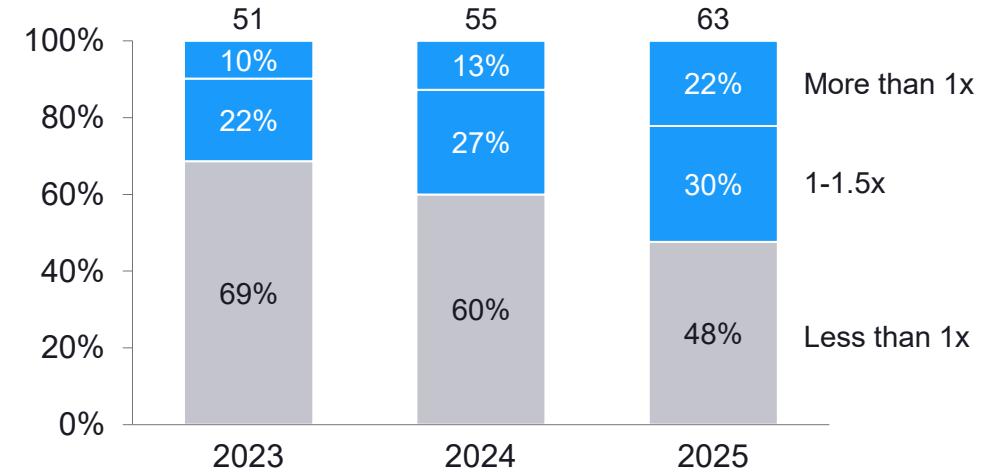


Companies targeted by activist shareholder proposals

Market capitalization of the target company



PBR of the target company

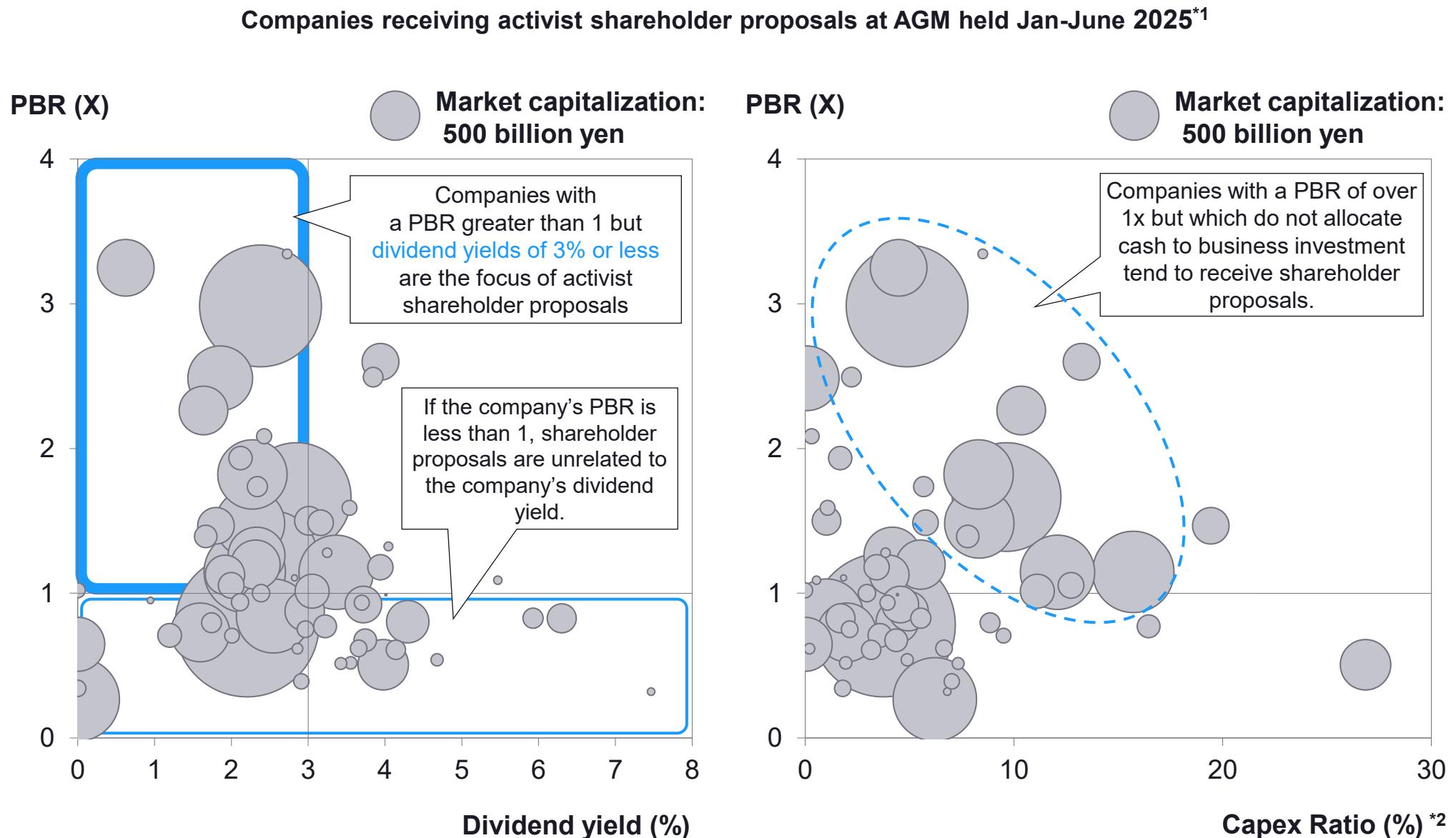


Source : Capital IQ

*1: Excluding shareholder proposals in the ES field

*2: Totals may not be equal to 100% (see also subsequent graphs)

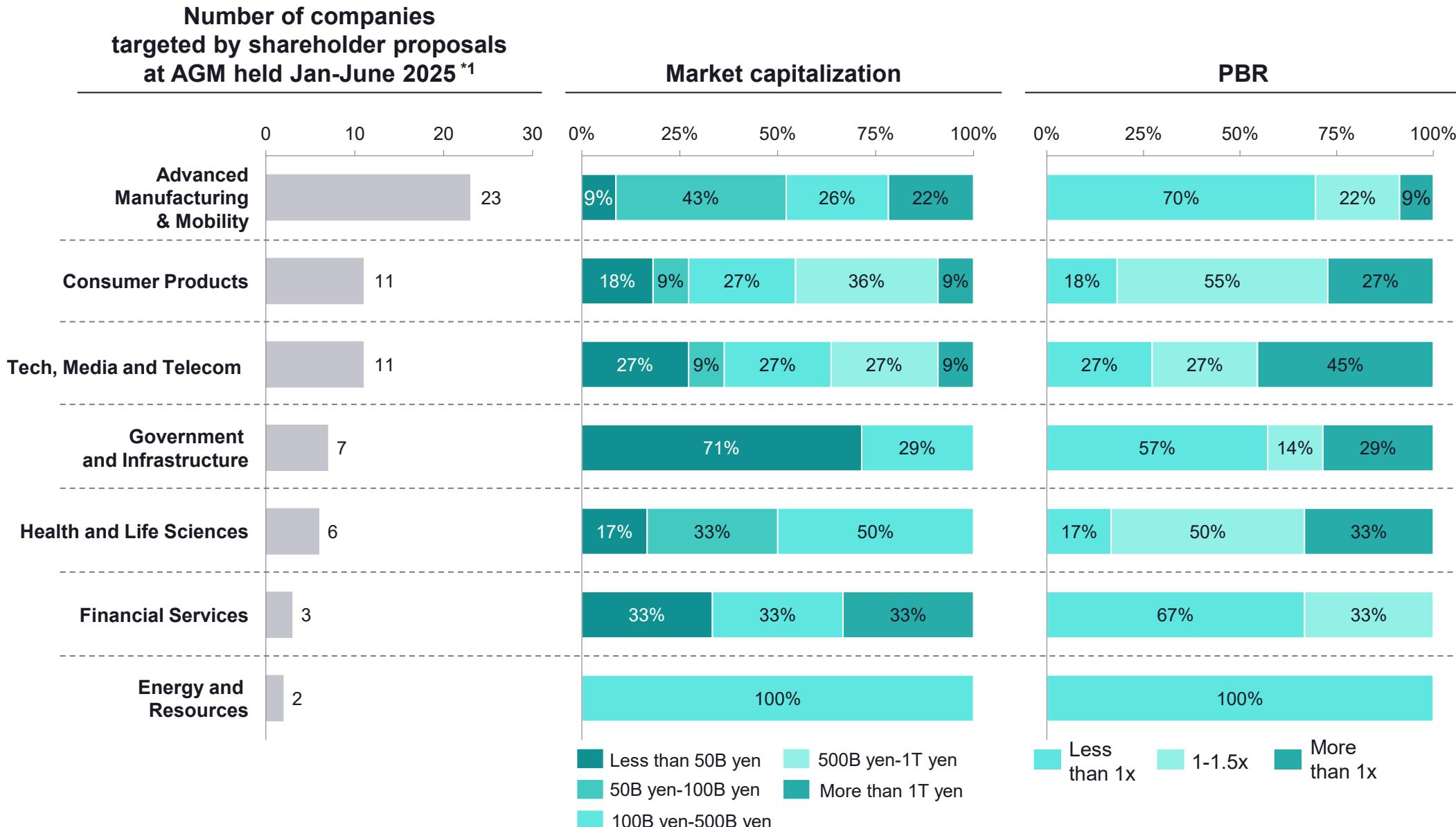
Even if a company's PBR exceeds 1X, insufficient cash allocation to business investments and dividends may attract activists.



*1: Excluding shareholder proposals in the ES field

*2: Investment CF ÷ Sales (based on cumulative value for 3 years)

The majority of shareholder proposals targeted the manufacturing industry (Advanced Manufacturing & Mobility and Consumer), while the market capitalization and PBR vary by industry.

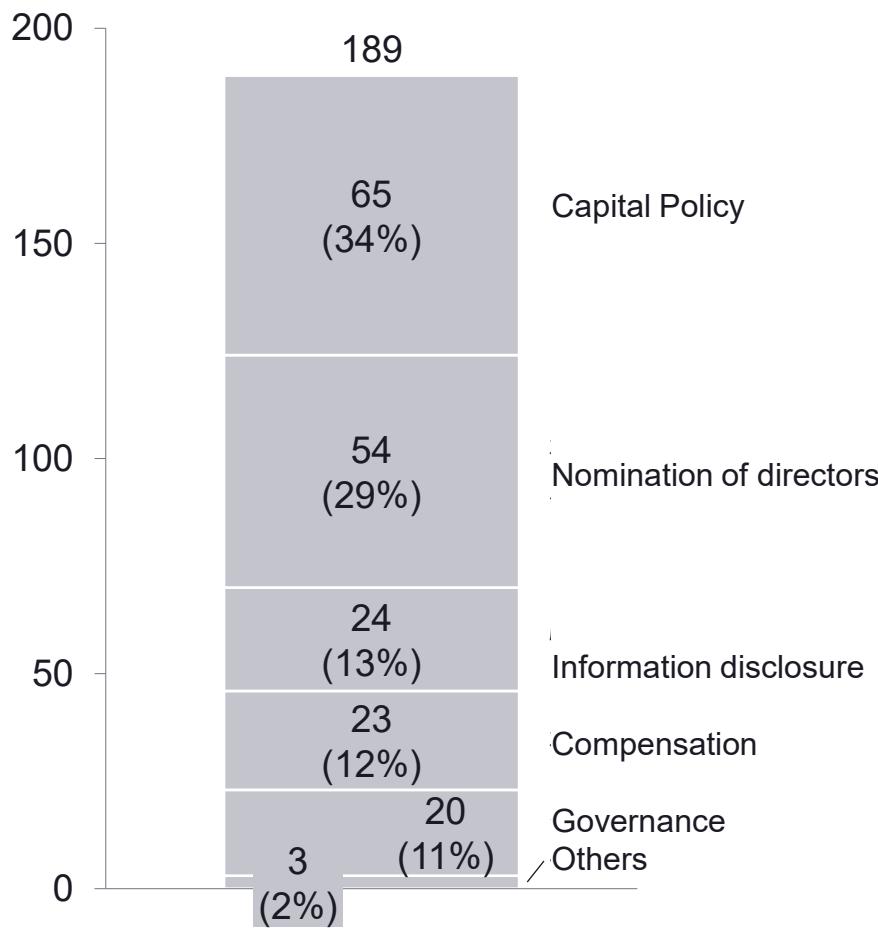


*1: Excluding shareholder proposals in the ES field

Considering the content of parallel campaigns, many of the activist shareholder proposals are intended to implement management strategy recommendations.

Activist shareholder proposals mostly focus on capital policy, nomination of directors, compensation and information disclosure.

Activist proposals at AGM held Jan-June 2025 ^{*1}



Considering the content of the parallel campaigns, many of them are intended to implement management strategy proposals.

- **Capital Policy** The request for a share buyback by Company A is related to [reform of business portfolio](#). It proposes that the proceeds from divesting non-core businesses which are below the cost of capital be used for returns and growth investments.
- **Nomination of directors** The request for the appointment of directors to Company B aims to promote the divestiture of non-core businesses, as recommended in the campaign.
- **Information disclosure** The request for amendments to Company C's articles of incorporation regarding the formulation and disclosure of its business portfolio plan aims to achieve a withdrawal from [unprofitable businesses and non-core businesses](#) which are below the cost of capital.
- **Compensation** The request for the introduction of a stock compensation system for outside directors at Company D argues that it is [necessary to realize long-term value-enhancing measures](#) such as a review of the product portfolio during the campaign.
- **Governance** The request for the establishment of new provisions for the treatment of listed affiliates (partial amendment to the Articles of Incorporation) at Company E is based on parent-subsidiary listings being a bottleneck for restructuring of factories with low operating rates and reducing general administrative expenses.

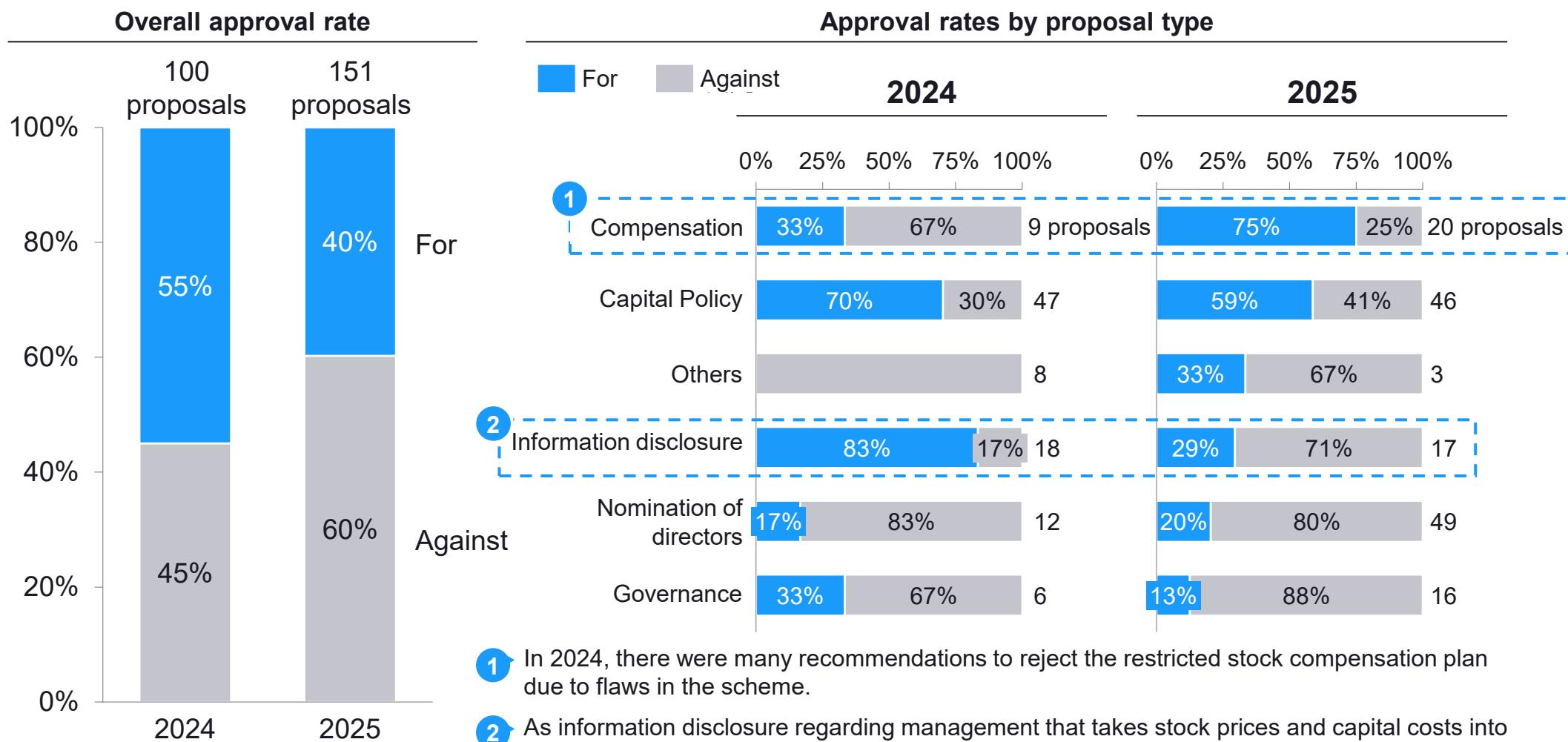
*1: Excluding shareholder proposals in the ES field

02

ISS Recommendations

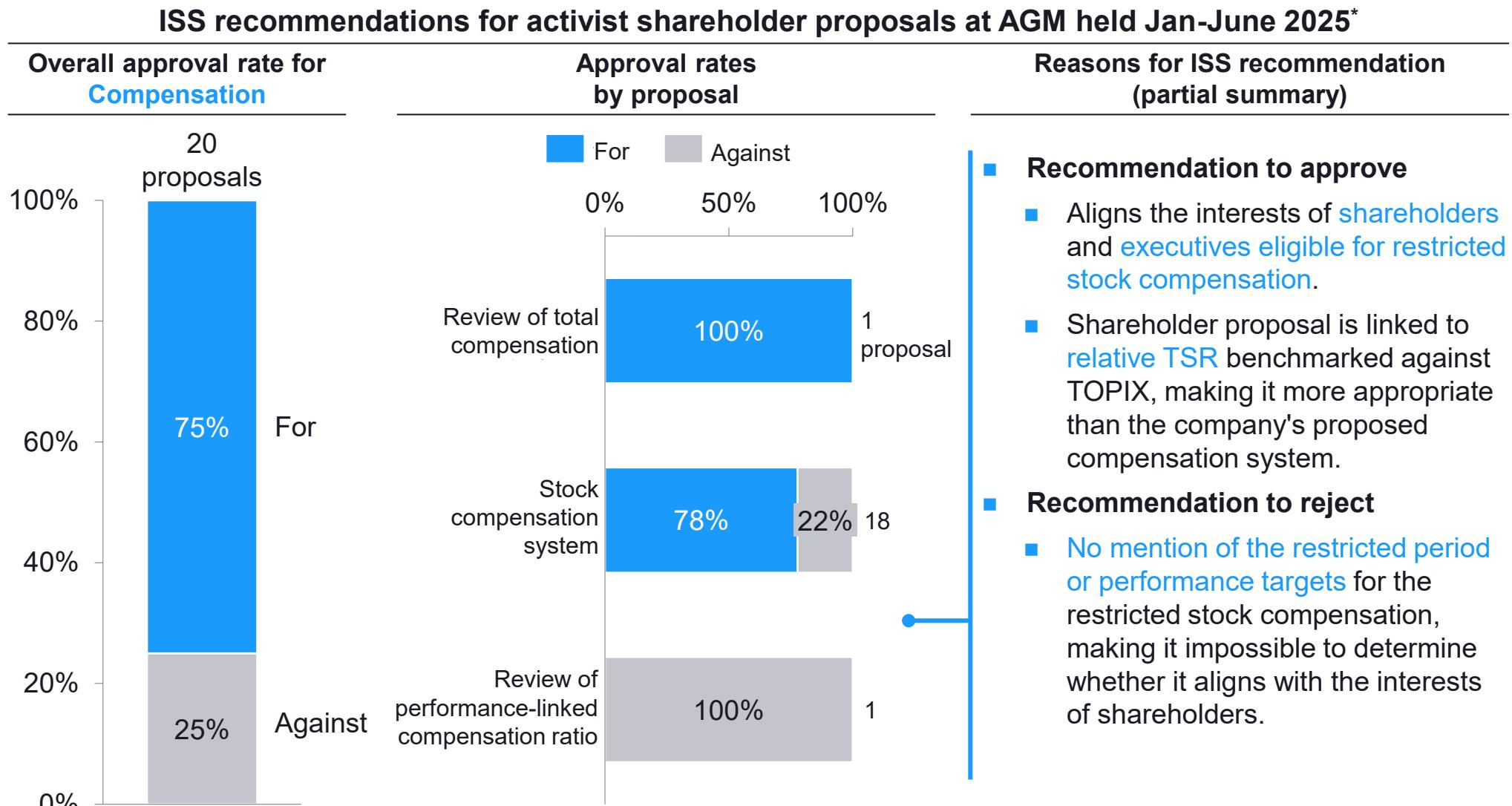
ISS recommends 40% of activist shareholder proposals, including support for almost 80% of executive compensation plans and almost 60% of capital policy proposals.

ISS recommendations for activist shareholder proposals at AGM held Jan-June 2025*1



*1: Excluding shareholder proposals in the ES field with a market capitalization of 50 billion yen or more

The majority of activist shareholder proposals for executive compensation systems relate to stock-based compensation plans. ISS recommended supporting almost 80% of the proposals.

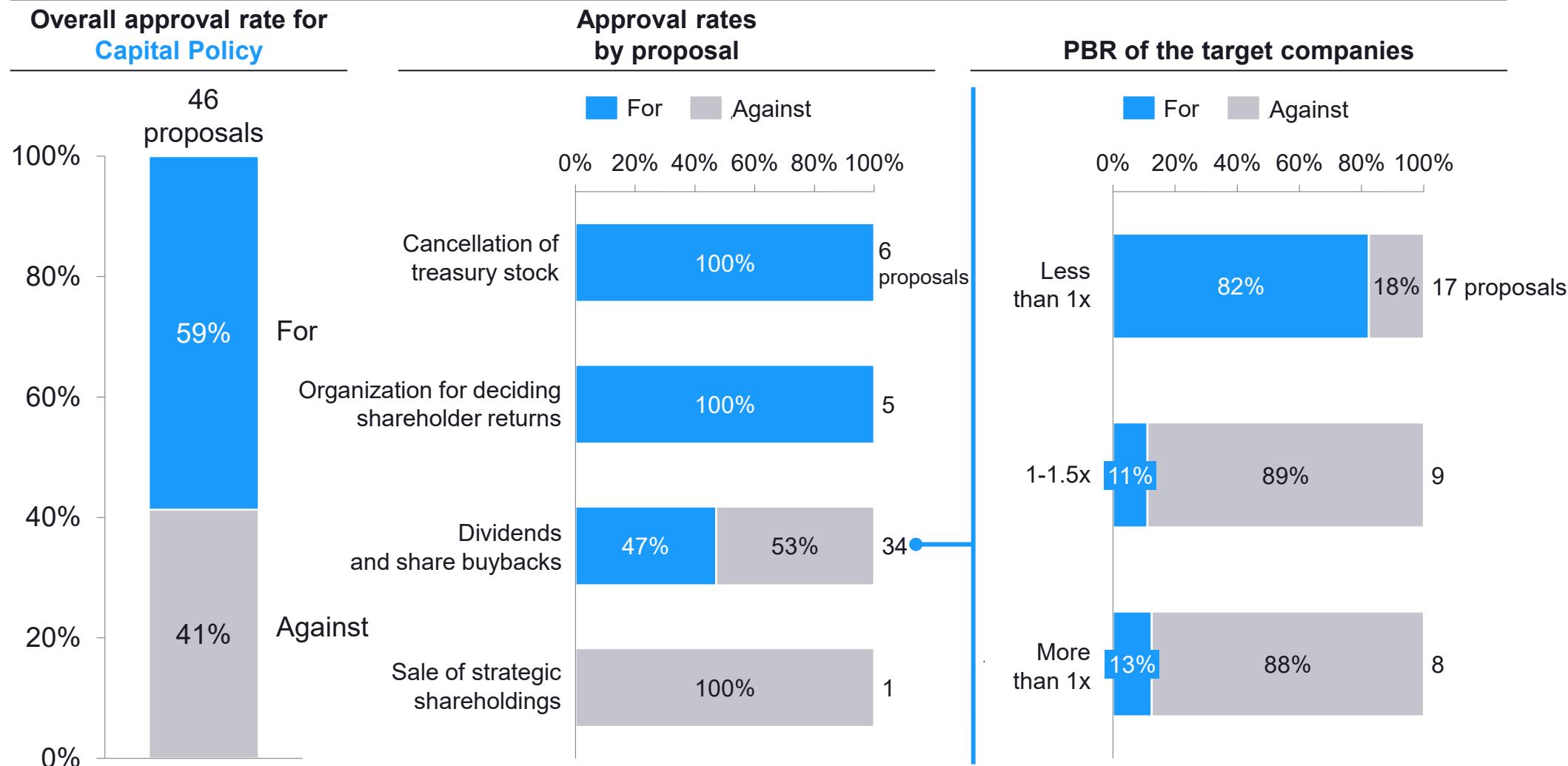


*Excluding shareholder proposals in the ES field with a market capitalization of 50 billion yen or more

ISS recommendations for activist shareholder proposals: Capital Policy

ISS recommends dividends and share buybacks, which account for the majority of activist shareholder proposals related to capital policy. While votes to support or oppose proposals are split almost 50/50, ISS recommends supporting 80% of proposals for companies with a PBR of less than 1.

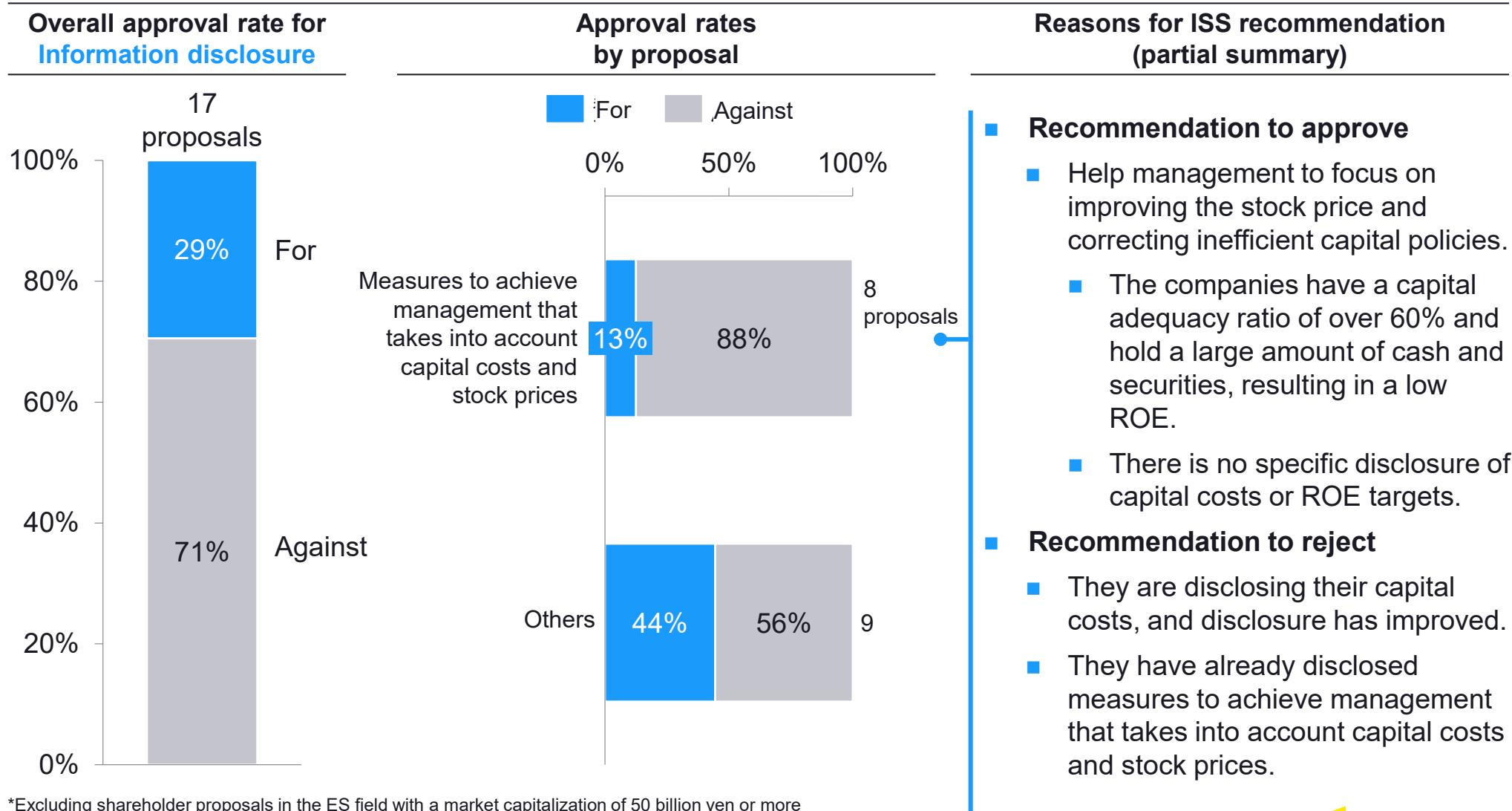
ISS recommendations for activist shareholder proposals at AGM held Jan-June 2025*



*Excluding shareholder proposals in the ES field with a market capitalization of 50 billion yen or more

As companies are increasingly disclosing information on management initiatives that take capital costs and stock prices into consideration, ISS recommends opposing most of the proposals.

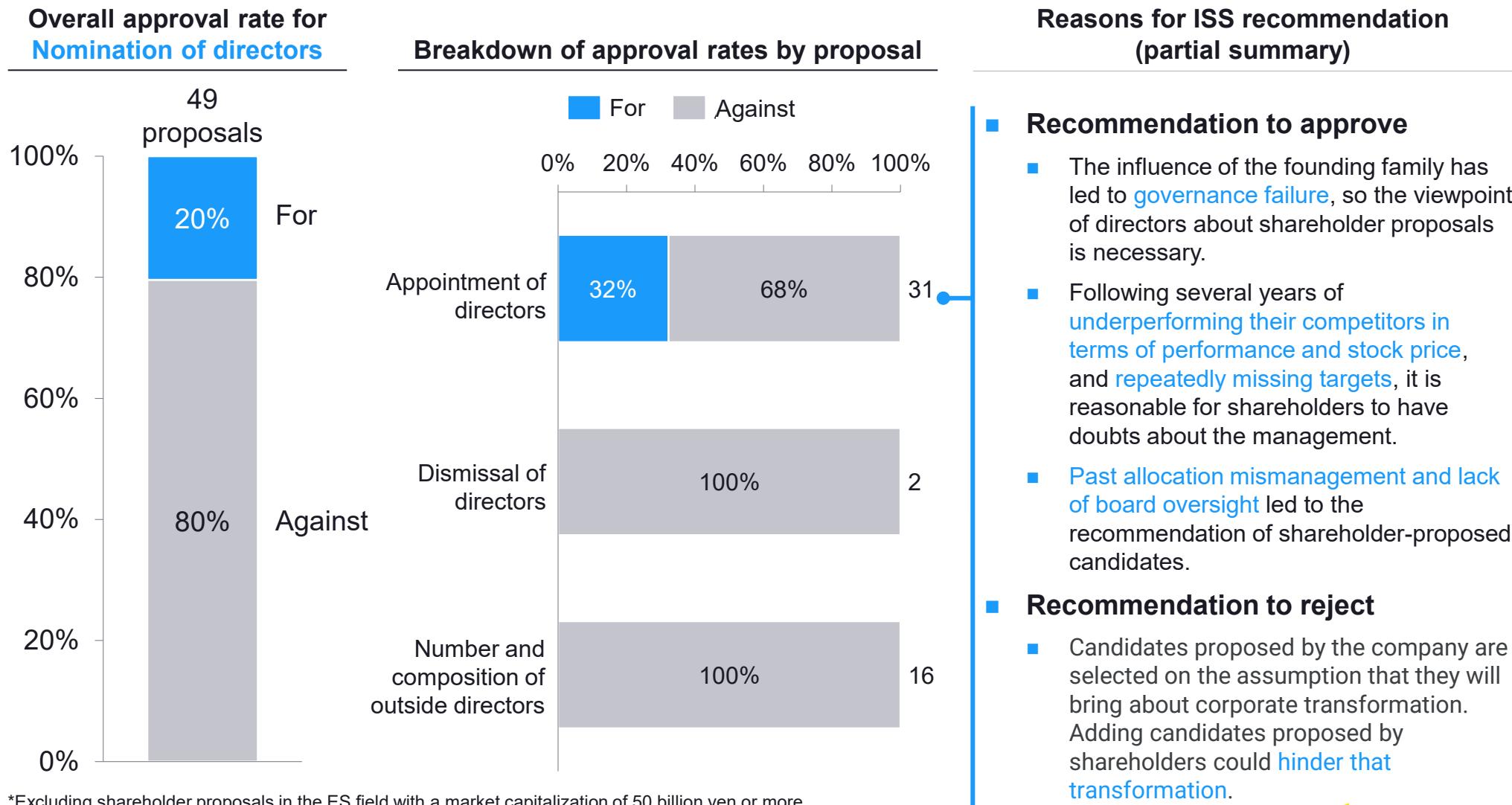
ISS recommendations for activist shareholder proposals at AGM held Jan-June 2025*



*Excluding shareholder proposals in the ES field with a market capitalization of 50 billion yen or more

If doubts exist about the ability or governance of the current management team or the company's proposed candidates, ISS recommends voting to approve directors recommended by shareholders.

ISS recommendations for activist shareholder proposals at AGM held Jan-June 2025*1



*Excluding shareholder proposals in the ES field with a market capitalization of 50 billion yen or more

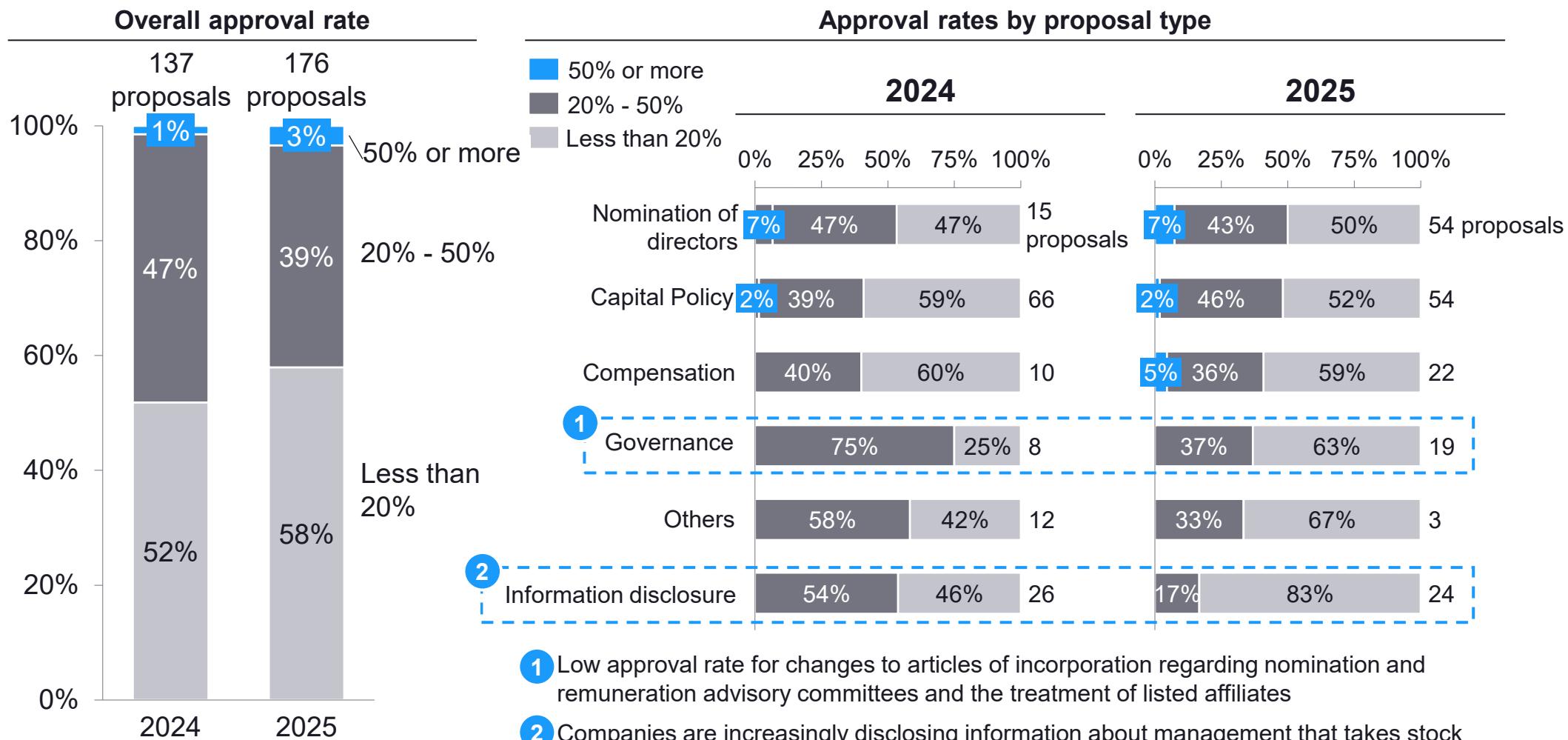
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Shareholder proposals by agenda item

Support for activist shareholder proposals

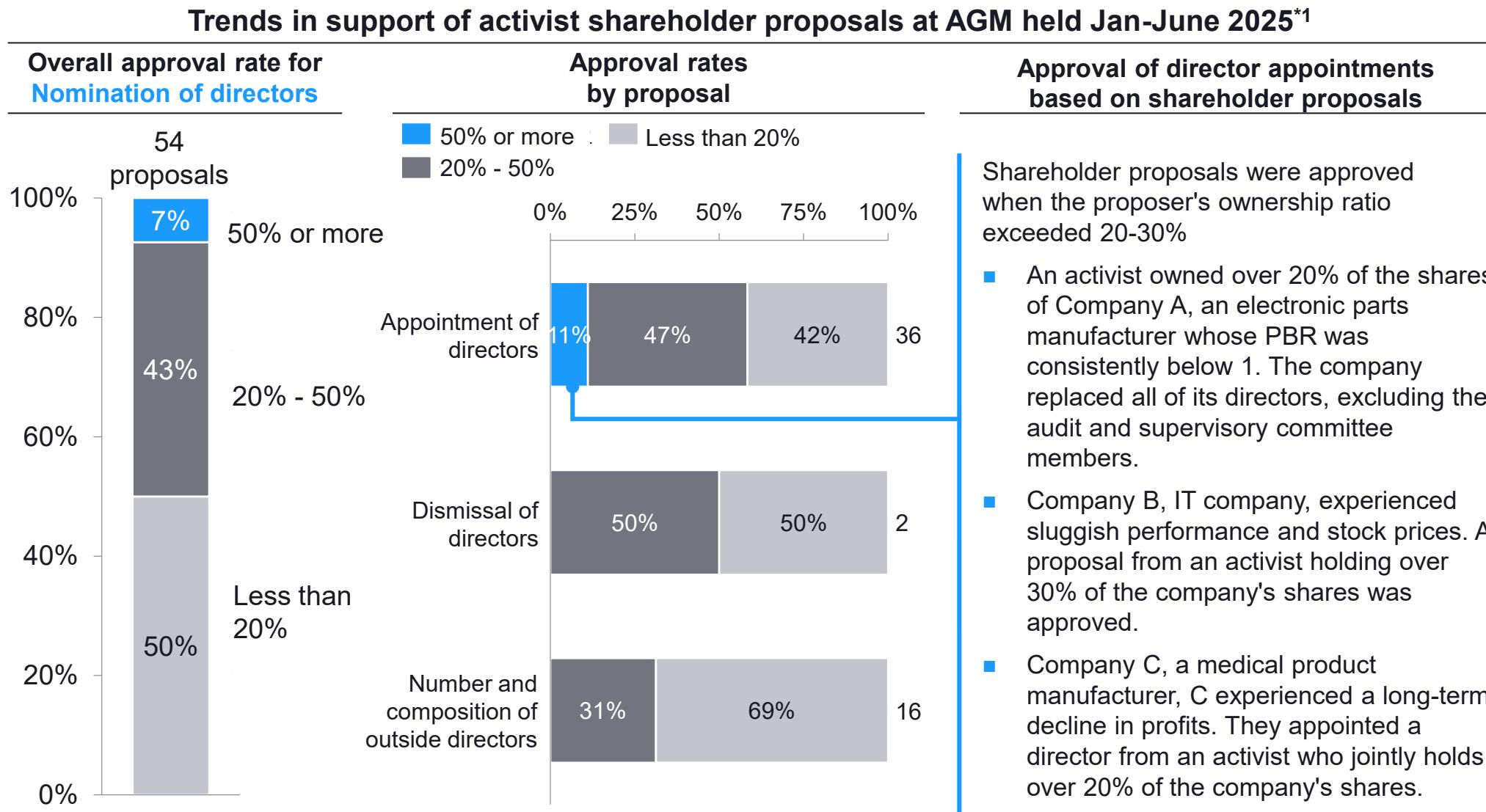
Proposals with an approval rate of 20% or more have decreased slightly year-on-year. However, in 2025, if we exclude information disclosure, 30-50% of proposals received an approval rate of 20% or more, which indicates the significant influence of activists.

Trends in support of activist shareholder proposals at AGM held Jan-June 2025*



*Excluding shareholder proposals in the ES field

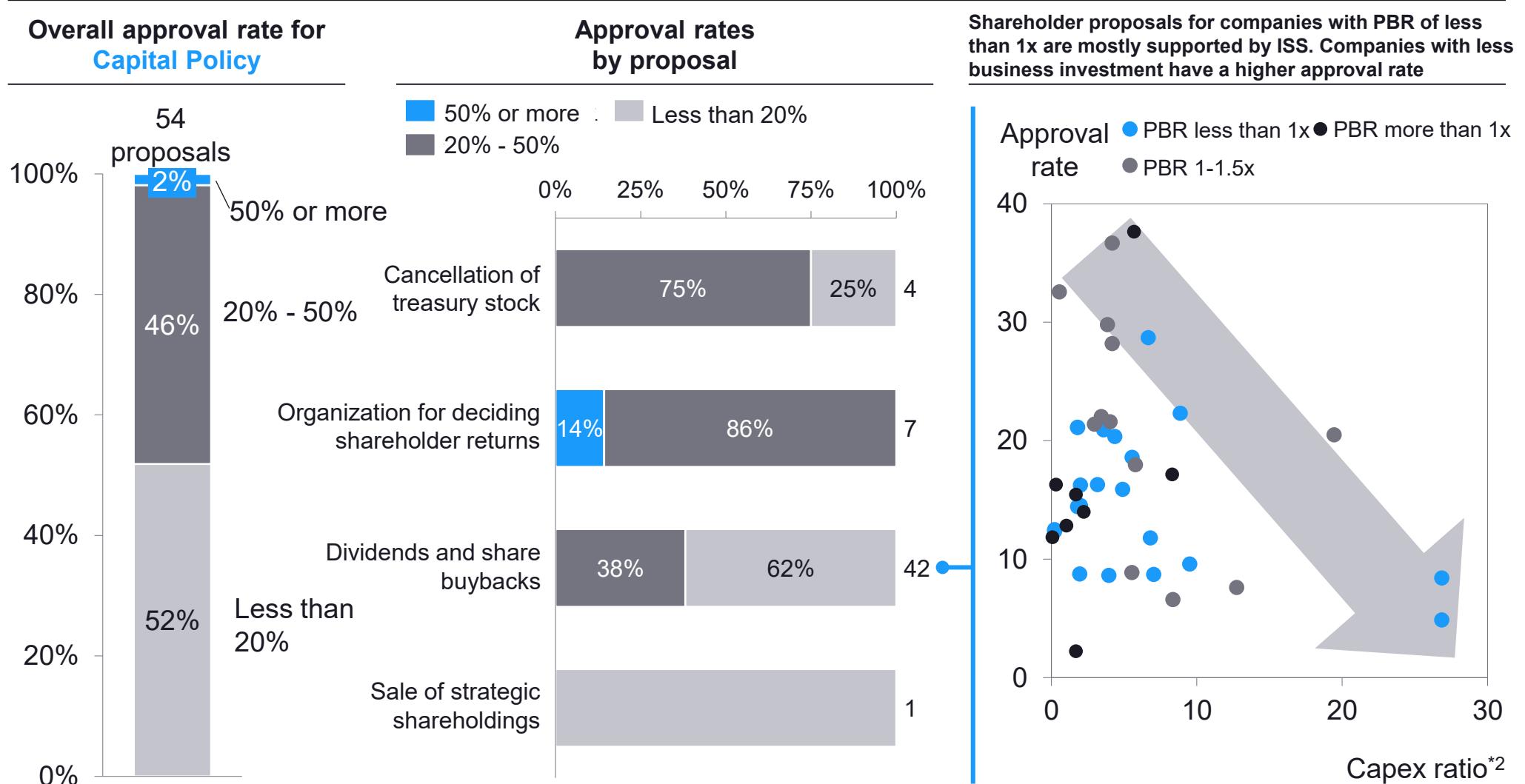
Shareholder proposals for the appointment of directors were approved where the proposer's ownership ratio exceeded 20-30%.



*1: Excluding shareholder proposals in the ES field

"Dividends and share buybacks," which account for the majority of capital policy-related shareholder proposals, tend to gain more support in companies that do not actively invest in their businesses.

Trends in support of activist shareholder proposals at AGM from January to June 2025*1



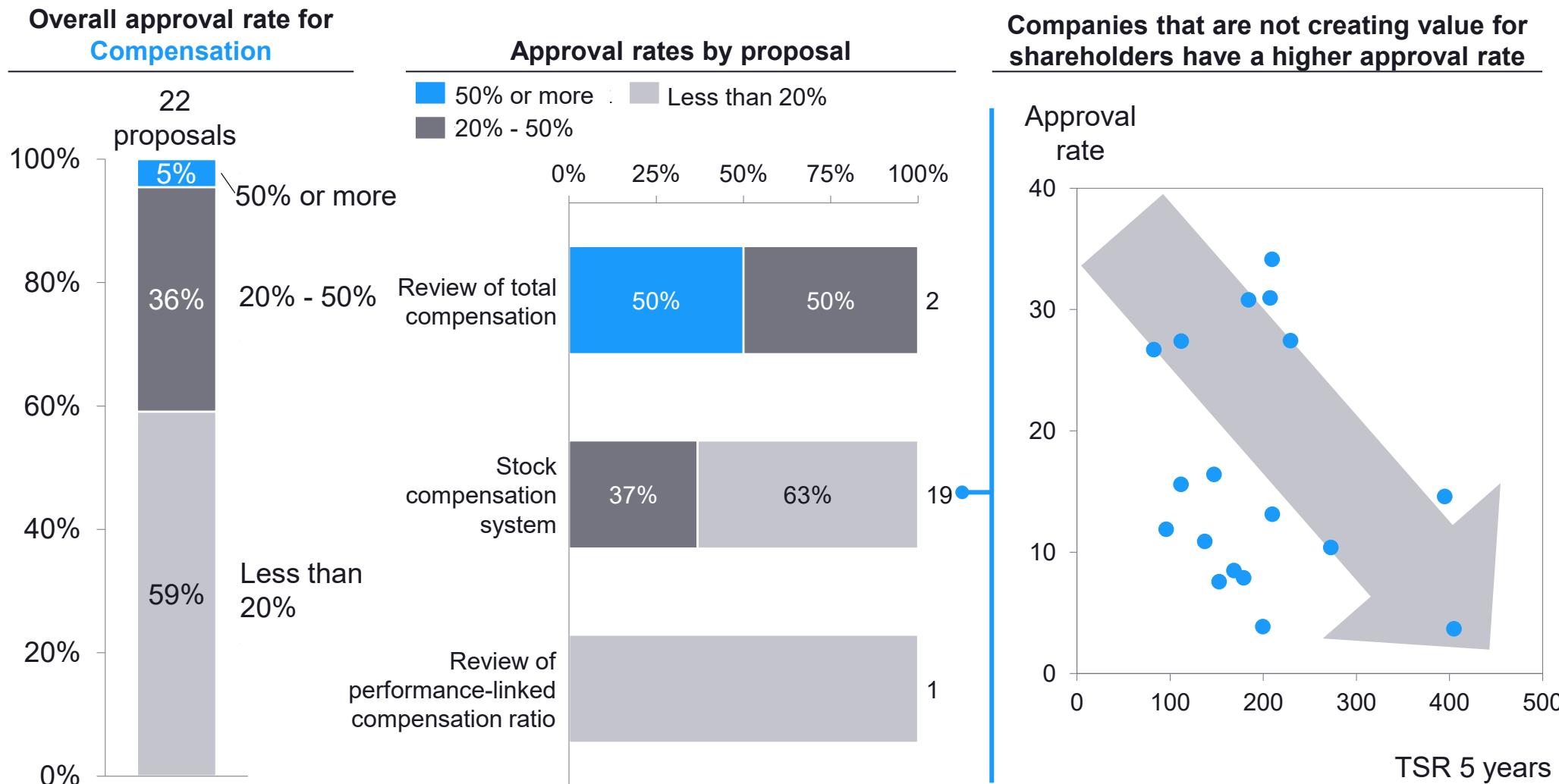
*1: Excluding shareholder proposals in the ES field

*2: Investment CF ÷ Sales (based on cumulative value for 3 years)

Support for activist shareholder proposals: Compensation

Stock-based compensation plans, which account for the majority of shareholder proposals regarding executive compensation, tend to gain more support in companies that are not generating returns for shareholders.

Trends in support of activist shareholder proposals at AGM from January to June 2025*1

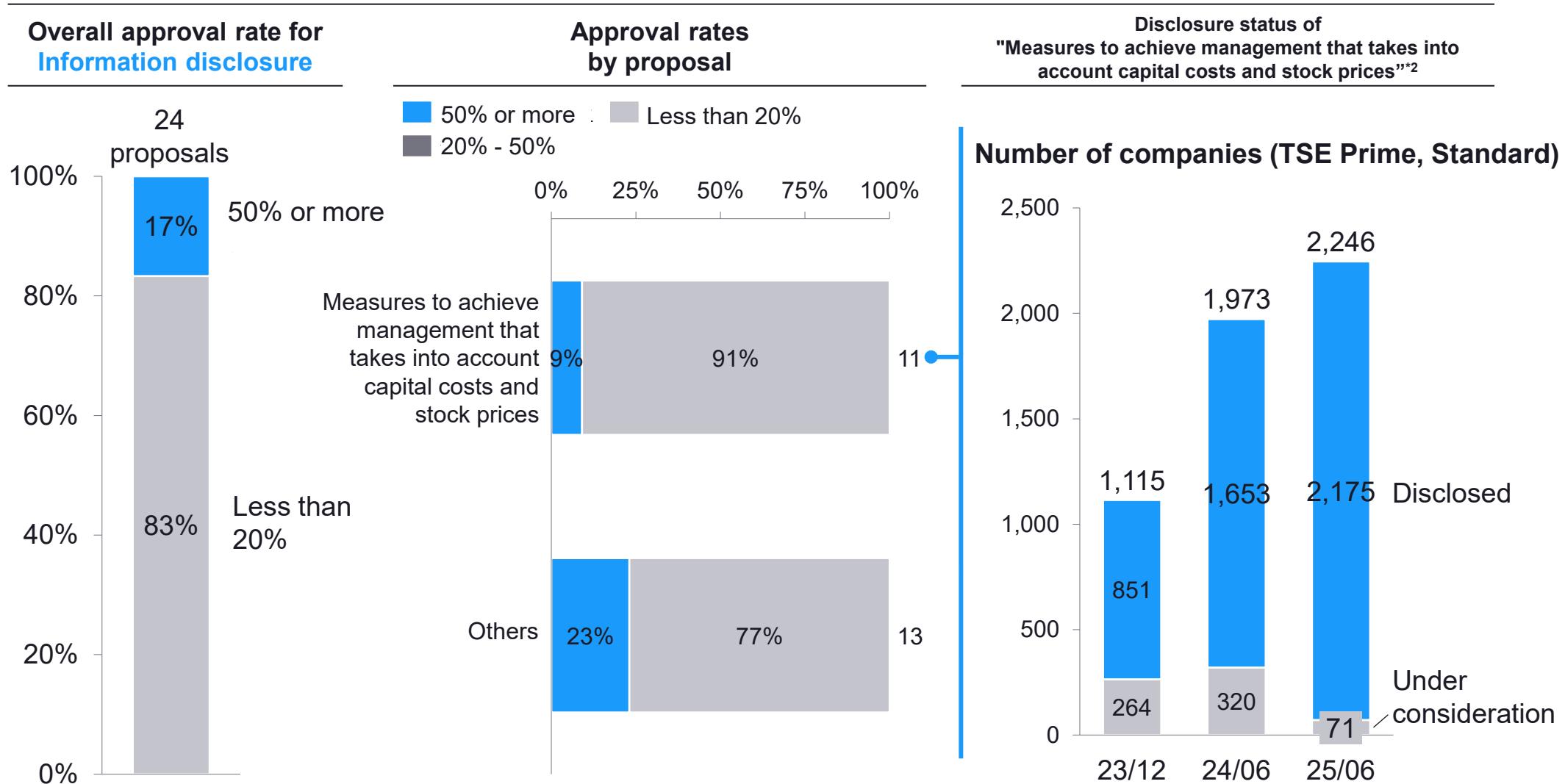


*1: Excluding shareholder proposals in the ES field

Support for activist shareholder proposals: Information disclosure

As a result of increased disclosure of information regarding "efforts to achieve management that takes into account capital costs and stock prices," as required by the Tokyo Stock Exchange, the approval rate for shareholder proposals regarding information disclosure remained low.

Trends in support of activist shareholder proposals at AGM from January to June 2025*1



*1: Excluding shareholder proposals in the ES field

*2: Disclosure status of "Measures to achieve management that takes into account capital costs and stock prices" requested by the Tokyo Stock Exchange from companies listed on the Prime Standard Market

04

Appointment and dismissal of directors

Even in companies with a PBR of 1 or more and an ROE of 10% or more, there are cases where shareholder proposals calling for the appointment or dismissal of directors have a high approval rate.

Activist shareholder proposals calling for the dismissal of directors at AGM held Jan-June 2025*1

: Contrary to market expectations

Company	ISS Rec	Approval rating*2	Valuation				Safety	Capital Efficiency		Shareholder Returns		
			TSR 3 years	TSR 5 years	PBR end of period	PBR 5 year average		Net cash ratio	ROE	ROE 5 year average	Dividend payout ratio	DPS 2 year change
ISS benchmark	-	-	-	-	More than 1X	More than 1X	Less than ±30%	More than 5%	More than 5%	More than 30%	More than 100%	More than 100%
Hogy Medical	Against	52.1%	1.6	1.6	1.4	1.1	8.4%	1.9%	4.1%	120.6%	100.0%	117.6%
Taiyo HD	Against	49.9%	1.7	2.8	2.6	2.1	-10.2%	10.6%	12.0%	42.6%	234.7%	291.9%
Toyo Suisan	For	40.0%	2.1	1.9	1.8	1.6	42.7%	13.3%	8.9%	30.5%	135.6%	218.8%
Sapporo HD	For	29.5%	3.4	4.1	3.3	1.9	-31.9%	4.1%	2.1%	47.5%	116.2%	123.8%
Kobayashi Ph	For	28.3%	0.6	0.6	2.2	3.4	24.5%	4.8%	9.3%	74.6%	108.7%	136.0%
Kao	Partial For	27.3%	1.4	0.8	2.8	3.0	6.0%	10.5%	9.9%	65.2%	99.6%	108.9%
Fuji Media	Against	27.0%	2.4	2.8	0.7	0.4	-10.6%	-2.4%	2.4%	-	105.0%	140.0%
Wacom	Against	24.5%	0.7	2.1	2.5	2.9	17.5%	15.6%	18.0%	55.5%	100.0%	228.6%
T&D	Against	17.7%	2.1	4.2	1.3	0.9	3.6%	9.3%	3.9%	31.2%	117.9%	181.5%
Dai Nippon Print	Against	7.5%	1.6	2.0	0.8	0.8	4.1%	9.6%	7.8%	13.6%	118.8%	118.8%

Source: Capital IQ

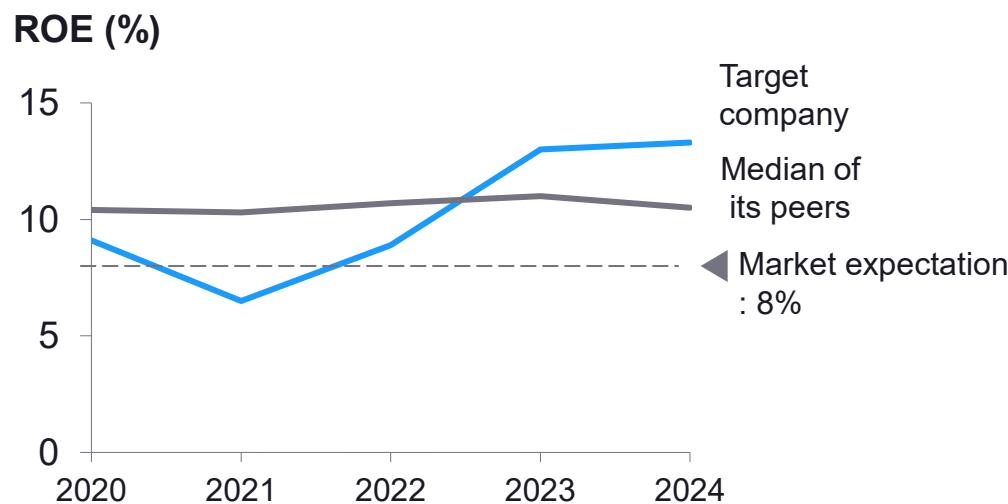
*1: Market capitalization of over 100 billion yen

*2: The candidate with the highest approval rating

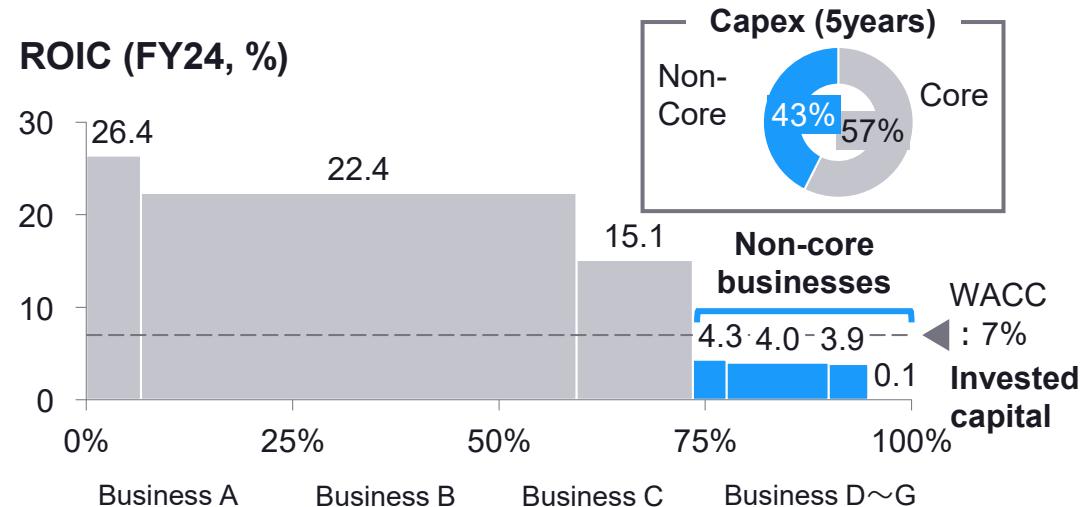
Cases related to the review of non-core businesses

While a company's business performance and stock price performance may exceed market expectations and those of its competitors, proxy advisory firms and institutional investors support shareholder proposals if management is considered to be pursuing measures that damage corporate value.

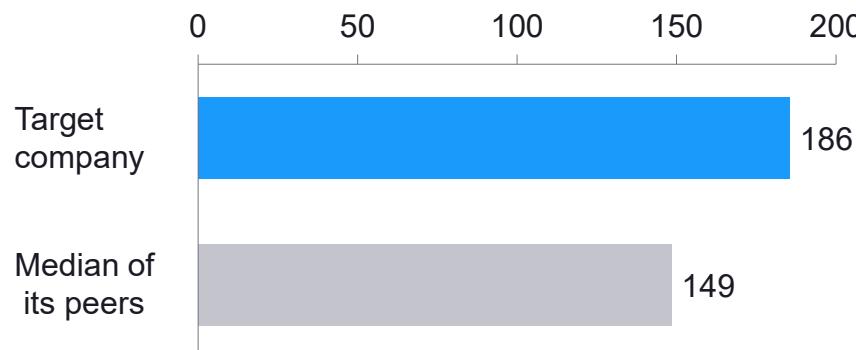
The company outperforms market expectations and its peers



Investors are concerned that large investments in non-core businesses which are below the cost of capital will damage corporate value



TSR 5 years (%)



Source: SPEEDA, Capital IQ, ISS Report, Interview with an institutional investor

“We supported the shareholder proposal. While business performance and TSR are strong, doubts remain about resource allocation. [...] The medium-term plan and capital costs disclosed by the company clearly show that **management has no intention of seriously addressing its most important issues.**”

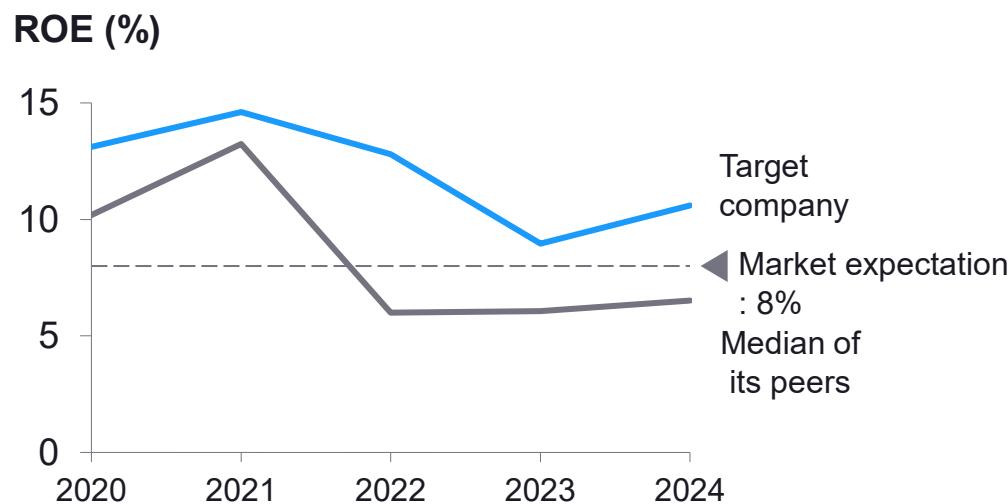
ISS

“We supported the shareholder proposal. We believed the company's candidate has less management knowledge than the candidate proposed by the shareholder. We assess not only the skills matrix but also whether the candidate has management experience.”

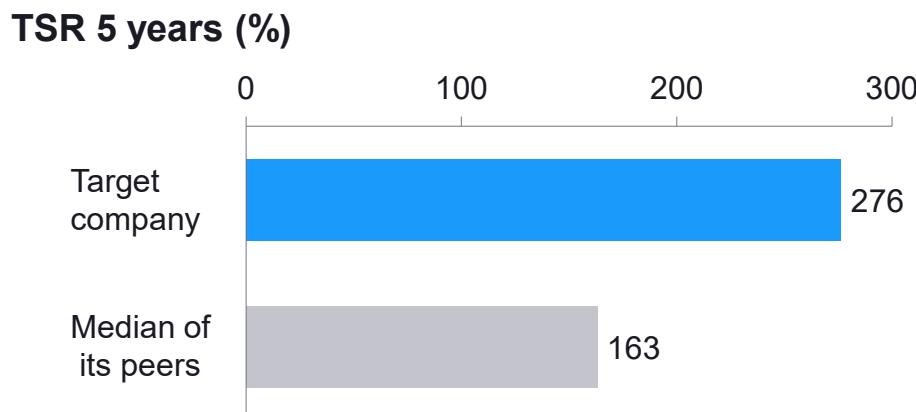
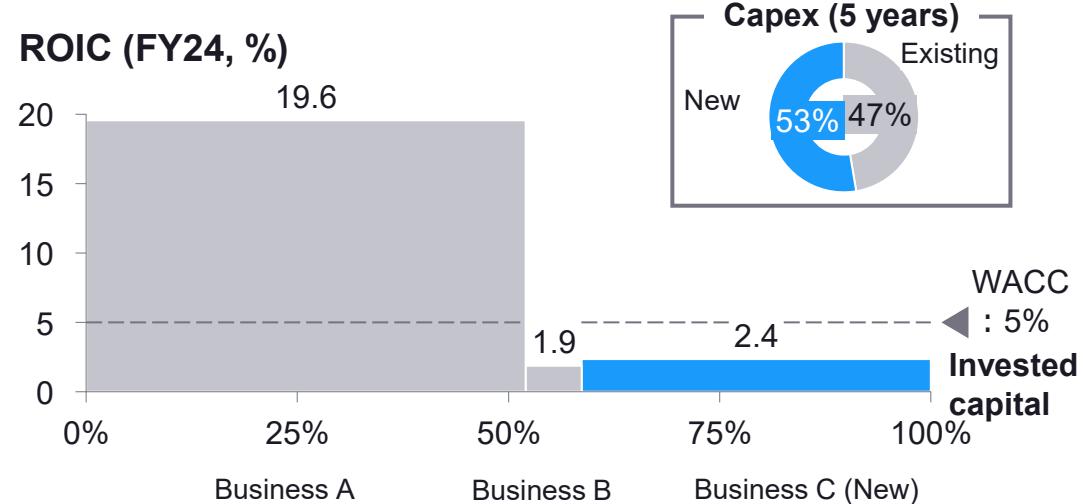
Japanese institutional investors

As new businesses have performed poorly, they have received limited investment in recent years. However, as there were no governance flaws, both ISS and institutional investors support the company.

The company outperforms market expectations and its peers



Although the capital efficiency of new businesses is inferior to that of existing businesses, ISS supports companies because investment is limited and there are no governance flaws.



"We opposed the shareholder proposal. CAPEX for new businesses was **drastically reduced** from over 90% of the capital budget to 30% in the most recent fiscal year. [...] Questions remain about resource allocation, but the target companies' stock prices and performance are doing well."

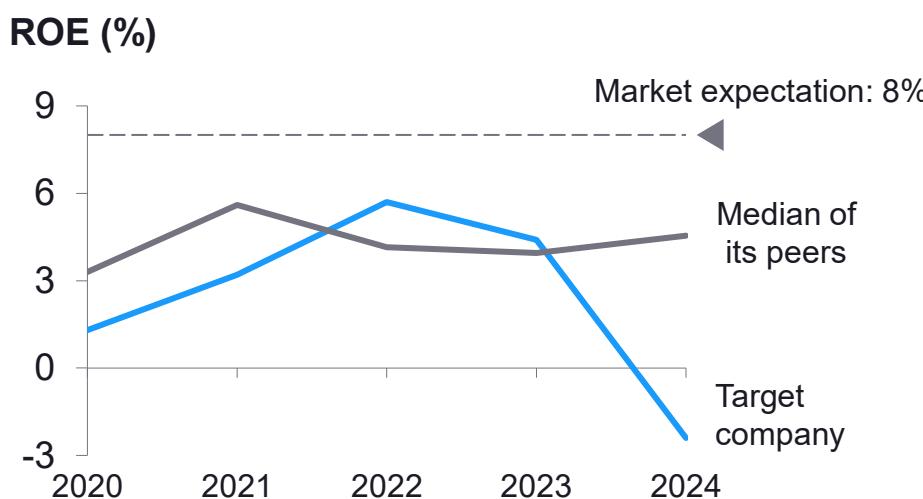
ISS

"We opposed the shareholder proposal. In the case of a proposal calling for dismissal, there **needs to be confirmation of any governance flaws**, but we judged that the decision to invest in a new business would be inappropriate from a performance perspective and difficult to endorse."

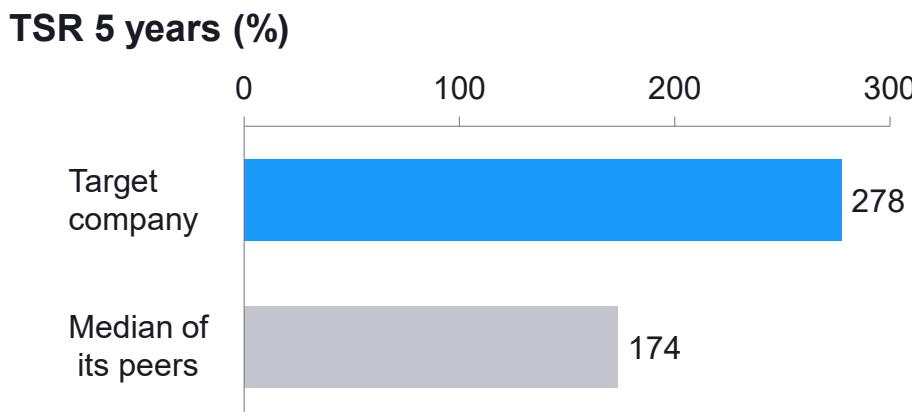
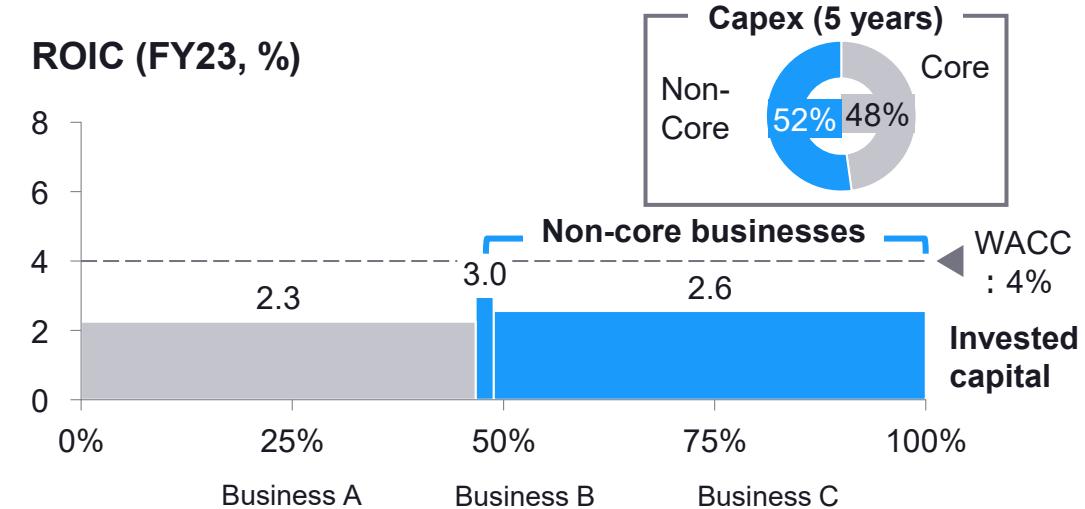
Japanese institutional investors

As there were no governance flaws, the value-enhancing measures included in the shareholder proposals were a topic for discussion, making it easier for the company to gain support from institutional investors.

The company's ROE is below market expectations, but its TSR is higher than that of its peers



Although there are issues with capital efficiency and resource allocation in the business, investors are concerned that the shareholder-proposed candidate will slow down management reforms



"We opposed the shareholder proposal. We recognize the issues with the business portfolio and governance, but...we are concerned that the candidates proposed by the shareholder will **derail the reforms** and result in a loss of shareholder interest."

ISS

"We opposed the shareholder proposal. While we acknowledged the structural problems in the business portfolio, we believed that **business separation should not be carried out at a time when governance is unstable.**"

Japanese institutional investors

Even if a target company's business performance and stock price outperform market expectations or those of its competitors, ISS may recommend supporting a shareholder proposal which contributes to improving corporate value in the medium-to- long term.

ISS recommended policy inferred from the case

	Basically, the main issues are poor performance and poor stock prices.	Even if the company is doing well, owning a business that is underperforming has become problematic in recent years
Comments on recommendations to approve or reject	<ul style="list-style-type: none"> ■ Prioritizing the "reasonableness of the proposal" over the content of the shareholder proposal ■ When determining the appropriateness of a proposal, the target company's business performance, stock price performance and whether there are any flaws in its governance are taken into consideration. 	<ul style="list-style-type: none"> ■ Even if the target company outperforms market expectations (PBR of 1x or more) or that of its competitors, there is an assessment of whether cash allocation is damaging to the company's value. ■ This assessment not only considers past cash allocations but also the company's stance toward corporate transformation, based on the contents of its medium-term management plan and the management lineup.
Key indicators	<ul style="list-style-type: none"> ■ TSR: Above average for competitors and the market ■ ROE: Above average for competitors and the market ■ PBR: More than 1X 	<ul style="list-style-type: none"> ■ Comparison of capital efficiency and capital costs by business ■ Capex by business ■ Net cash ratio: Comparison with peers

05

Summary

■ **Formulating strategies to maximize corporate value**

- As a PBR of 1X or more is essentially a mandatory requirement, the number of companies with a PBR of 1X or more receiving shareholder proposals is on the rise. There are also cases where proxy advisory firms and institutional investors support the shareholder proposals.
- As a result, rather than aiming for a PBR of 1X, in order to maximize corporate value, there is a need to conduct a fundamental review of the business portfolio and allocate resources in a well-defined manner based on medium-to-long term growth areas.
- In addition, while there is an expectation of actively investing in growth areas where returns exceed the cost of capital, excess cash for dividends and share buybacks should be used to avoid damaging shareholder value.

■ **Governance to ensure effective strategies**

- In order to improve the effectiveness of strategies, there is a need both to appoint directors with management expertise and to strengthen the management oversight function of the board of directors.
- When corporate transformation is required, institutional investors place importance on the management experience of director candidates, rather than looking to fill the gaps in the skills matrix.

■ **Dialogue with capital markets using equity stories**

- Companies should summarize the above concepts and initiatives as equity stories, communicate them to capital markets and use feedback from investors as leverage to review the concepts and promote the initiatives.
- In addition, by selecting a shareholder structure and reassuring institutional investors about a company's aims, while also engaging in constructive dialogue with capital markets, a company can increase corporate value.

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