



The University of Tokyo

# UTCMR

UTokyo Center for Applied Capital Markets Research

---

## Discussion Paper Series

---

**Opposing Higher Thresholds for Shareholder Proposals:  
Toward a Japanese Governance Model that Addresses the Engagement Gap**

Policy Recommendation Report No. 4

April 24, 2025

**東京大学応用資本市場研究センター**

Contact: [info@utcmr.jp](mailto:info@utcmr.jp)

## Summary

In Japan, small and mid-sized listed companies account for nearly 90 percent of all publicly traded companies. These companies face a persistent lack of engagement from institutional investors, who tend to prioritize larger companies with greater portfolio impact and liquidity. While this structural gap in engagement is not unique to Japan, it is particularly pronounced due to the high number of small-cap companies and the country's still-developing corporate governance environment.

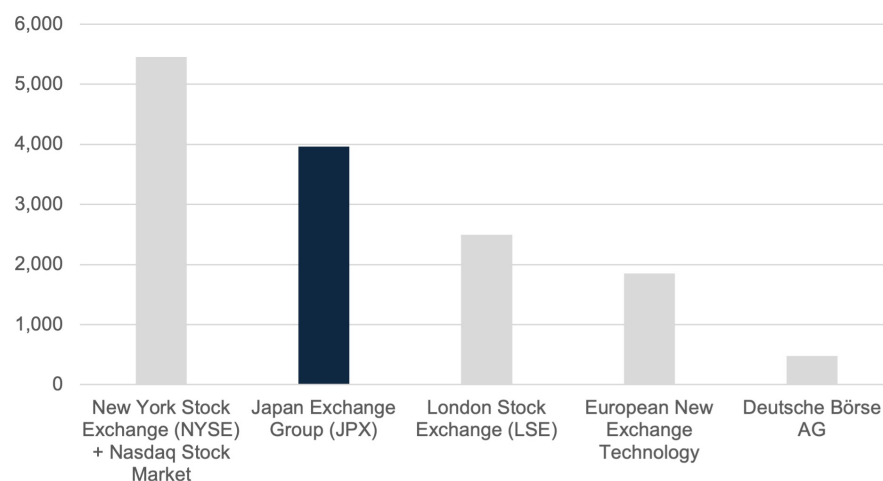
In this context, shareholder proposals serve as a critical and often final channel of communication. For companies overlooked by institutional investors, proposals submitted by individual shareholders may be the only meaningful prompt for management to address governance challenges. In recent years, such proposals have increasingly reflected the growing awareness and activism of retail investors, contributing to constructive dialogue and value creation, especially in companies with persistently low price-to-book ratios.

This policy recommendation argues against tightening the eligibility requirements for submitting shareholder resolutions, such as raising ownership thresholds. Such changes risk disproportionately silencing voices in companies already underserved by institutional engagement. Although concerns are sometimes raised about disruptive or abusive proposals, empirical evidence of such abuse in Japan remains extremely limited. Even in exceptional or symbolic cases, shareholder proposals are unlikely to pass without broad support. As a result, they rarely interfere with corporate operations or meaningful communication.

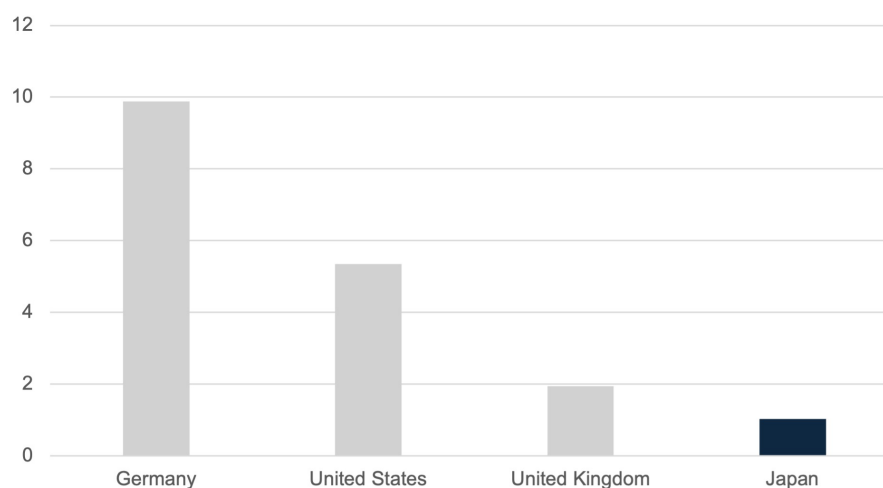
## Key Insights

- According to official statistics, as of 2024, Japan has 3,999 listed companies, of which 3,478 (about 87%) are classified as small and mid-sized enterprises under the Act on Strengthening Industrial Competitiveness (defined as having fewer than 2,000 employees). This market structure contributes to a persistent lack of institutional engagement with smaller firms.

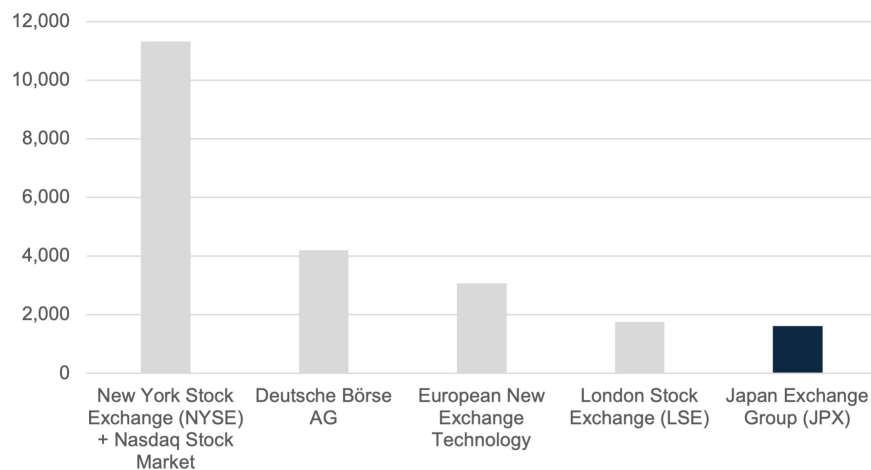
- This composition is reflected in several indicators: Japan ranks second globally in the number of listed companies (Figure 1), has a lower GDP per listed company compared to other major economies (Figure 2), and records the lowest average market capitalization per listed company among major exchanges (Figure 3).



**Figure 1.** Number of Listed Companies on Major Global Stock Exchanges. The data are sourced from the World Federation of Exchanges and the World Bank Group.

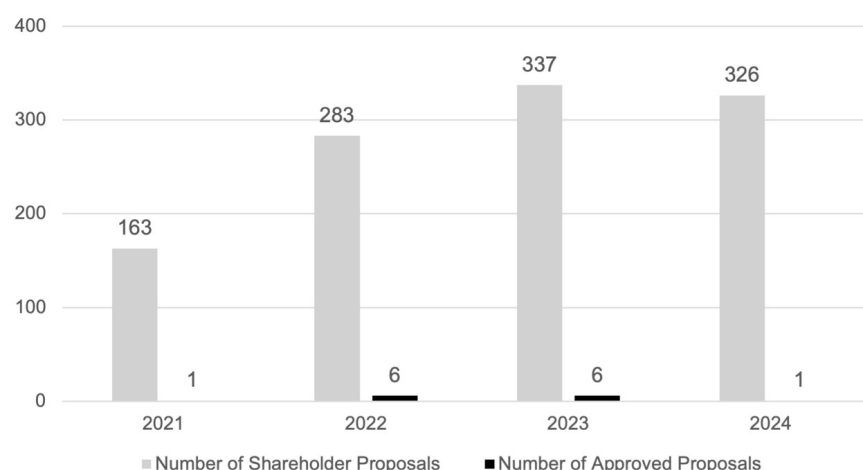


**Figure 2.** GDP per Listed Company (billion USD). The data are sourced from the World Federation of Exchanges and the World Bank Group.



**Figure 3.** Market Capitalization per Listed Company (million USD). The data are sourced from the World Federation of Exchanges and the World Bank Group.

- Shareholder proposals, particularly those submitted by individual investors, serve as an essential governance mechanism where other engagement channels are lacking.
- Claims that shareholder proposals impose undue burdens or are frequently abused are not supported by empirical evidence. Frivolous proposals are rare and typically dismissed without disruption.
- The approval rate of shareholder proposals in Japan is exceptionally low (Figure 4). This reflects structural challenges such as persistent cross-shareholdings and the limited use of escalation strategies by institutional investors. Under these conditions, shareholder proposals play a limited but important role in prompting governance dialogue.

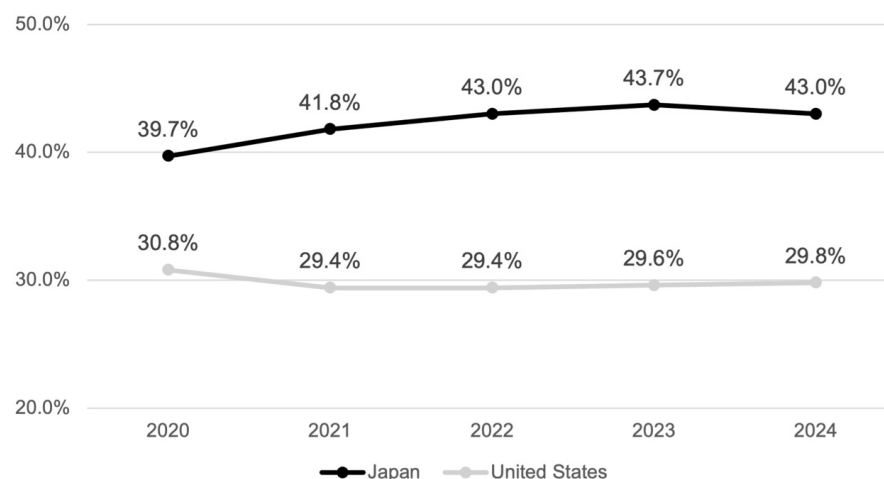


**Figure 4.** Trends in the Number of Shareholder Proposals and Approved Resolutions. The data are compiled from timely disclosure reports.

- Raising submission thresholds without establishing alternative channels for engagement risks suppressing minority shareholder voices and undermining governance reform.

## Recommendations

- Any revisions to the eligibility criteria for submitting shareholder proposals should be cautiously approached, particularly given the current lack of engagement infrastructure in Japan's capital markets.
- Policy efforts should prioritize the development of robust mechanisms for shareholder dialogue. These may include pre-meeting consultation practices, escalation processes led by institutional investors, and systems that support ongoing interaction between companies and a broad range of stakeholders.
- The role of individual investors should be more fully acknowledged, especially in the governance of small and mid-sized listed companies that often fall outside the focus of institutional shareholders. As shown in Figure 5, individual investors in Japan demonstrate relatively high levels of engagement, particularly in proxy voting. Their influence is expected to grow further with the expansion of NISA and increased public discourse on corporate governance through media and social platforms.



**Figure 5.** Voting Participation Rates of Individual Shareholders. This figure is plotted based on the public data released by the Trust Companies Association of Japan and Broadridge Financial Solutions.

- International governance practices should be referenced with prior attention to institutional and market context. Rather than applying surface-level reforms, such as higher thresholds, Japan should focus on cultivating the underlying conditions necessary for constructive and inclusive shareholder participation.

## **Conclusion**

Any effort to restrict shareholder proposal rights should not proceed without first addressing the root problem of limited engagement in Japan's corporate governance system. Rather than narrowing one of the few remaining avenues of oversight, especially in small and mid-sized companies, reform should aim to build a governance framework that responds to Japan's unique structural challenges. Individual shareholders, supported by meaningful engagement mechanisms, should be recognized as essential contributors to the sustainable growth of Japan's capital markets.

## Purpose of the Establishment of the UTokyo Center for Applied Capital Markets Research

The UTokyo Center for Applied Capital Markets Research (UTCMR) was established on October 1, 2023, as the first endowment-based research organization at the University of Tokyo, directly reporting to President Teruo Fujii and funded by a donation from Oki Matsumoto (Executive Chairman of Monex Group, Inc.) to the University of Tokyo Foundation. The primary purpose of UTCMR's capital markets research based on the socio-economic structure of Japan is to design policy recommendations aimed at enhancing productivity in established companies, fostering the growth of startups through innovative financing methods, and updating the various systems surrounding these efforts—all in a bid to bolster our country's international competitiveness with a long-term perspective.

## UTokyo Center for Applied Capital Markets Research Management Committee

Committee Chairman	Kenji KUTSUNA, Director of the UTokyo Center for Applied Capital Markets Research, Projected Professor
Committee Member	Hiroaki AIHARA, Member of the Committee for Presidential Initiatives, Executive Vice President
Committee Member	Hiroshi OHASHI, Vice President, Professor at the Graduate School of Economics
Committee Member	Daiji KAWAGUCHI, Dean and Professor at the Graduate School of Public Policy
Committee Member	Ichiro SAKATA, Special Advisor to the President, Professor at the Graduate School of Engineering

# UTokyo Center for Applied Capital Markets Research

## Member

### Director

Kenji KUTSUNA

### Project Professor

Shoji TSUBOYAMA

### Project Researcher

Tianyi SONG

### Fellows (in Japanese syllabary order)

Taiji EDOGAWA, Representative Partner, EDiX Professional Group Edogawa Certified Public Accountants Office

Yugo OSHIMA, Research Director, Japan Catalyst, Inc.

Hiroshi OZEKI, President and Chief Executive Officer, Nissay Asset Management Corporation

Nana OTSUKI, Professor, Graduate School of Management, NUCB Business School

Maiko ONO, Representative Director, MCG Partners, Inc.

Hiroaki KATO, Clinical Professor, Graduate School of Medical and Dental Sciences, The Institute of Science Tokyo and Co-Founder and Vice President, Aillis, Inc.

Shigekazu KAWASAKI, Professor, Faculty of Contemporary Business, Nagoya Sangyo University.

Tatsuya GOTO, Economic Journalist

Kazuhiko YAMAMOTO, Representative Director and CEO, Synplogen Co., Ltd.

### Advisor

Oki MATSUMOTO, Executive Chairman, Monex Group, Inc.

Contact: [info@utcmr.jp](mailto:info@utcmr.jp)

Website: <https://utcmr.jp/en/home>