

Transcript of NHK broadcast

Oha-Biz

News Commentator Sekiguchi Hiroyuki

Specializing in economic policy and corporate strategy. He has held many interviews with corporate executives.

Mr. Sekiguchi: Today is the peak of shareholder meetings.

Activist funds such as investment funds are presenting shareholder proposals to companies at their shareholder meetings.

Broadcaster: (Today's) Theme is about such activist funds.

Mr. Sekiguchi: The number of companies that have received shareholder proposals this year has reached a record high. We used to have an image of these activist funds buying up shares of (a target) company and then shaking it up. But these days they justify their proposals by stating that they will increase corporate value. And the company cannot ignore them.

Telop : "Activist Funds" will change a company!?

Mr. Sekiguchi: Let's look at one of the examples of companies that are holding shareholder meetings today.

Narration: One of the companies that is getting attention is private television company, TBS Holdings.

It is in conflict with one of its shareholders, the British investment fund AVI.

Telop: TBS vs AVI

Narration: AVI holds 2% of TBS shares, but they presented a shareholder proposal this year.

TBS and semiconductor-related company Tokyo Electron have cross shareholdings.

AVI requested TBS to sell them and return the profit to its shareholders.

If the share price of Tokyo Electron drops, the financial situation of TBS will be negatively impacted.

AVI is requesting that TBS use its capital in a more effective manner.

Contrarily, TBS argues that they can use the gain from its disposal as a capital resource if they sell Tokyo Electron's shares when they carry out various investments in the future.

AVI's proposal is based on the Corporate Governance Code that the Tokyo Stock Exchange sets as a guideline for corporate efforts.

It was modified this month to increase investment flow from overseas and is promoting a decrease in cross shareholdings.

Mr. Bauernfreund: Cross shareholdings have a negative impact on a company's value. They do not exist in other developed countries.

Narration: Before the TBS shareholder's meeting, AVI held an informational session. Many institutional TBS shareholders such as life insurance companies attended and AVI called for their support for its proposal.

Mr. Bauernfreund: This is an extreme example of problems that many Japanese companies are facing.

Narration: It used to be rare that institutional investors would agree to investment fund proposals. However, their attitude is changing as they now analyze their proposals in detail to decide whether they agree or not.

Mr. Chisato Haganuma, Mitsubishi UFJ Morgan Stanley Securities, Chief Equity Strategist: (Activist funds) often used to aim at obtaining profit in the short term, but (these days) they have started to have a long-term view.

I had the impression that trends in the U.S. and Europe are reaching Japan.

Mr. Bauernfreund: It is possible that our proposal will get a lot of support. We have to overcome the many-year practice that Japanese companies have been agreeing to, without thinking, the companies in which they are investing.

Narration: How much will AVI's proposal be supported? The TBS shareholder meeting is attracting attention today.

Broadcaster: So it will be about how other shareholders react to the activist fund's proposal.

Mr. Sekiguchi: Yes. The point is institutional investors such as life insurers.

They are requested to disclose the results of exercising the proxy voting rights for each company in which they are investing.

If they disagree on an appropriate proposal, they risk criticism in return. So, if institutional investors agree, retail investors may follow and they will not always be on a company's side.

However, this is not bad from the point of view that it will vitalize the dialogue between shareholders and companies and make shareholder meetings more meaningful.

NHK Interviewer: Ryo Sakurai, Economic Department