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This month's focus: **Proxy Voting**

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Corporate governance reform in Japan is promoted through dialog between companies and institutional investors. Voting at general meetings is the most important stewardship activity of institutional investors. This paper analyzes and compares the situation/framework of stewardship in Japan and the UK, and considers the role of institutional investors.

<b>Disclosure of Proxy Voting and Stewardship Activities: Effective disclosure to raise shareholder value</b> .....	<i>George Iguchi</i>	16
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Disclosure of stewardship activities is indispensable since engagement becomes more effective when corporates understand the intention of investors. Globally, investors are being increasingly required to disclose stewardship activities, including proxy voting activity under governmental initiatives like the EU's Shareholders' Rights Directive and stewardship codes introduced in various countries. In Japan, after the latest update of its stewardship code in 2017, which has required disclosure of the voting results of each resolution, proxy voting has become more significant for engagement. This changing situation is likely to require more disclosure from the investors' side.

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The revised stewardship code requires individual disclosure of voting results. Corporate pension plans are recipients of such information, but so far have not displayed any great interest in voting disclosure. It will take pension plans a lot of time and effort to be able to fully examine voting results.

The author suggests the following themes for discussion:

- ① Discuss voting behavior with important business partners and group companies (to prevent conflict of interest).
- ② Discuss the proposals on which most time was spent concerning the exercise of voting rights.

③ Discuss when other managers have different opinions.

And, THE SMART FORMAT proposed by the Stewardship Responsibility Officers Association which consists of 23 company managers, will help corporate pension plans increase monitoring efficiency. Useful monitoring based on new material to judge the ability of managers will enhance the ability of corporate pension plans and increase their contribution to the investment chain in Japan. Depending on responses to the exercise of voting rights disclosure, the ability gap among corporate pension plans will widen further.

### **Analysis of Individual Voting Data in Japan**

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This paper reports the results obtained from the analysis of individual voting data. Although both Japanese and US policy makers were concerned about the conflict of interest between institutional investors and companies, no empirical evidence has been reported evidencing such. Since individual voting data also provides a variety of information such as institutional investor portfolios, we can obtain fruitful insights by analyzing the data.

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## **Articles**

**Efficiency of Japanese Corporate Investment in Human Capital and Shareholder Value**  
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Amid Japan's struggle with issues related to an aging and shrinking population, it has become important both from an economic and social perspective to improve labor productivity—low by international standards—by utilizing human resources efficiently. Based on empirical analysis, we estimate the efficiency of Japanese corporate investment in human capital, and demonstrate that the greater efficiency of firms' human capital investments leads to the higher performance of their shares, and the relationship is particularly pronounced among stocks of firms with lower labor productivity.

<b>Market-implied Probability of Consumption Tax Hike</b>		
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	<p>This study proposes a method to directly extract the market's assessment of the probability of the consumption tax hike from the term structure of inflation swaps, a type of derivative contract. We use this approach to solve for the market-implied probability of tax hike implementation during the four periods toward the decision to implement or postpone the tax hike. Our results confirm that ex-ante probability increases toward declaration of the tax hike implementation and decreases toward the declaration of a tax hike postponement.</p>	
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