

Legally powerful shareholder proposals for payout policy: Evidence from Japan*

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Abstract:

We empirically examine the determinants of shareholder proposals for payout policy and the subsequent effect on corporate policies. Unlike in the U.S., the shareholders in Japan have powerful statutory rights on the payout policy. We find that firms with zero leverage and “quiet life” firms are more likely to receive shareholder proposals for profit distribution. We also find that this tendency is more pronounced for quiet life firms with poor investment opportunities and with zero leverage. We find that firms that have received the proposals tend to increase the subsequent dividends, especially after the governance reform in 2013, although all the proposals are voted down by majority voting.

JEL classification: G32 G35 G38

Keywords: Shareholder proposals, Payout policy, Zero leverage, Quiet life, Governance reform

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