Suspending the Vote: What the numbers show

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Japan's best governance reforms have started with numbers. The Ito Review made 8% return on equity something boards had to answer for. The Tokyo Stock Exchange started from one fact in 2023: about half of Prime Market companies traded below book. Both worked because someone did the math. The subcommittee's latest working paper deserves the same treatment.

What changed

Subcommittee Material No. 13, put to the subcommittee on 24 June 2026, sets out how the rules go forward after the comment period closed. A company would be able to suspend a shareholder's voting rights where that shareholder has failed to comply with the large shareholding disclosure rules. The gap between notice and effect is fixed at one month. The notice is issued by board resolution. No court is involved.

Two things moved after investors commented. Suspension was added to the beneficial shareholder confirmation system as well; in the Interim Proposal this sat in a footnote, with the drafters' caveat that a sanction this heavy needed a purpose beyond promoting constructive dialogue. The purpose is unchanged. It was adopted anyway, on the ground that fines cannot realistically be enforced against investors outside Japan.

And the paper deletes two carve-outs the Interim Proposal had left open: the exclusion for minor changes to a change report, and the exclusion for passive managers filing under the special reporting regime below 10% with no control intent. Both deletions rest on the same reasoning - an honest filer can cure the defect within about a week of notice and avoid suspension entirely.

Here is the maths on these proposals.

A.Who decides what counts as a mistake

Suspension bites where a filer fails to file, states something false about a **material matter** or omits one. The term is not defined, and the paper does not address it. The company's board decides. Issuing a suspension notice requires a board resolution; the paper specifies no organ at all for the decision *not* to issue one. It names the risk itself - serving notice only on 「会社提案に反対することが見込まれる者」 and answers it with the equal treatment principle and directors' duty of care. The investor's remedy is to reach a court within a month.

The Ministry of Economy, Trade and Industry, writing to the same meeting, goes further. It supports the power, observes that whether a breach was intentional or grossly negligent is extremely difficult for a company to establish, and proposes 「違反者側に善意又は無重過失の立証責任を負わせることも一案」- the investor to prove good faith. METI also opposes the one carve-out the subcommittee granted, for errors arising from deemed joint holders.

So the sponsoring ministry accepts that companies cannot reliably tell an honest error from a concealed one, and proposes that the investor prove it. The question is therefore not how many filings contain material errors. It is how large and how ordinary the erring population is - that is the pool inside which a board would be choosing.

To be fair to the paper: fixing the error helps. A good-faith filer who corrects within about a week of the company's notice is never suspended at all, and any good-faith cure lifts the suspension three weeks later. But as the filing record below shows, the erring population already fixes its mistakes in days, unprompted, with no notice served and no threat hanging over anyone. For them, the mechanism deters nothing that is not already happening.

It bites only where a violation is called intentional or grossly negligent. There, suspension runs until the close of the next general meeting - a sanction, in the paper's own word. So look at who sorts the honest from the dishonest. The board serves the notice, by its own resolution. No court is involved unless the investor reaches one within the month.

The clock cuts the same way. A cure takes effect only three weeks later, so a notice served in the run-up to a meeting can cost that meeting's vote even when the defect is promptly fixed. The board serves the notice, and the board sets the clock.

B.The population

We pulled every large shareholding filing from EDINET for the nineteen months to July 2026: 22,449 original and change reports drew 3,921 corrections - equal to 17.5% of the filings submitted. For 3,623 corrections we could identify which filing was fixed and how long the error stood.

We measure conservatively: a recent filing has not had time to show a slow correction, so the distribution here counts only corrections to filings old enough to be observed for a full year afterwards. Among those, the median error stood nine days. Nearly a quarter were fixed within a single day, and seven in ten within a month. Fewer than 7% stood longer than a year.

These are not the timelines of someone hiding a stake. They are the timelines of someone spotting a mistake and fixing it. The filers say the same. The corrections came from 1,510 filers, 863 of whom corrected exactly once in nineteen months; the ten most frequent account for one-eighth of the total. This is not a small group of repeat offenders gaming the rules. It is a large group of ordinary institutions filing in volume and occasionally getting a number wrong. That is precisely the population whose protection has just been removed.

C. What suspension would actually do

We parsed the voting results for the June 2026 season: 19,243 resolutions at 2,249 companies, covering all but 2% of filings.

Reduce dissent: Could suspending one large shareholder change an outcome? On routine business, no. The typical resolution passed by a margin* of 97% of votes cast. Of 18,789 carried, exactly one was decided by less than 5%, and four by less than 10%. Margins collapse in one place: takeover defences. Twenty-seven company proposals to introduce or renew a defence measure passed with a median margin of 60%, against 97% for everything else - the tightest carried by under 12%. Coming the other way, shareholders put six proposals to five companies this season seeking to abolish a defence or subject it to a shareholder vote (Sumitomo Mitsui Trust Bank's season review). Every one was defeated, on support of roughly 6% to 20% of votes cast. Director elections show the same at the tail, with candidates scraping through on margins of 9%, 13%, 18%.

So, for the majority of resolutions - what suspension does is delete the dissent while leaving the result intact. Remove the block from the opposing side and the median approval rate across all carried resolutions move higher. That matters because Japan has spent a decade building governance feedback on exactly that record. Against-vote rates are what collective engagement bodies write to companies about, what proxy advisers weigh, and what boards are increasingly judged on. The table below shows 4 such contested resolutions where the dissent level would have gone down had voters been suspended.

Resolution	docID	For	Against	Abstain	Counted	Approval	Result	Margin
Shareholder proposal, (item 3, Amendment to Articles of Incorproation for dividend distribution)	S100YEWR	92834	214561	31	307426	30.20%	Rejected	-109.4%
Director candidate 森安義 (item 1)	S100YI7N	164950	136777	0	301727	54.67%	Approved	9.3%
Company proposal,(item 4, free allocation of stock acquisition rights)	S100YMUC	323332	267798	0	591130	54.70%	Approved	9.4%
Takeover defence renewal (item 5)	S100YIIS	318922	251847	0	570769	55.88%	Approved	11.8%

* Margin is not the approval rate. It is the number of votes that would have to be removed from the winning side for the result to reverse, expressed as a share of votes cast: (For - Against -Abstain) ÷ votes cast for ordinary resolutions, and (For - 2×(Against + Abstain)) ÷ votes cast for special resolutions requiring a two-thirds majority. Abstentions count toward votes cast, so they weigh against a resolution in the same way as votes against.

Change outcomes: When control is at stake, margins are several times tighter and suspension could decide the result. The board that benefits is the board that decides whether to use it.

Case study A: At S100YJS4 (a large company-28.2 million voting units), 第１号議案 elected twelve directors. Ten passed with 90%+ approvals , one had 73.74% approval but one candidate failed: 13,662,643 for,9,147,931 against, （5,407,826 abstentions). He fell short by 893,114 votes - 3.17% of votes cast. Suspend a holder with just over 3% of the votes cast who voted against him, and he joins the board.

Case study B: At S100YE1M, 第２号議案 elected seven directors and three of them failed. One of them came closest:115,188for, 122,212 against, short by 7,250 votes - 3.05% of votes cast. Same conclusion: one suspended dissenter of ordinary size and the outcome reverses.

The proposals that would never happen: June 2026 set a record. Sumitomo Mitsui Trust Bank counts 55 companies receiving shareholder proposals from institutional investors - the highest ever - carrying 150 proposals, up from 134 in June 2025. These proposals come overwhelmingly from firms holding above 5% - the same firms that file large shareholding reports, and the same population that generates the corrections. Suspend the voting rights and the shareholder may lose standing to propose at all: the proposal never reaches the meeting, and no margin exists to measure.

Breach of fiduciary duty: Voting is a fiduciary obligation for most members under their home regimes and under Japan's Stewardship Code. A mechanism letting an issuer strip the vote puts investors in breach of duties Japan itself has been encouraging. Ministry of Justice (MOJ) and Financial Services Agency (FSA) are pulling in opposite directions here.

It will be interesting to see if these proposals see the light of day and undo the progress that governance reforms that have made so far. If so, markets will reprice the risk-reward for Japanese equities.

Sources:

Legislative Council, Companies Act (Shares and General Meetings) Subcommittee, Material No. 13, 24 June 2026 (https://www.moj.go.jp/content/001465241.pdf);

Ministry of Economy, Trade and Industry, Industrial Organization Division, Reference Material No. 31, same meeting (https://www.moj.go.jp/content/001465243.pdf);

summary of comments received on the Interim Proposal, Reference Material No. 30 (https://www.moj.go.jp/content/001465242.pdf).

Shareholder proposal counts from Sumitomo Mitsui Trust Bank, "Review of the June 2026 AGM Season," July 2026. https://engagementsquare.smtb.jp/e/s/article/Review-of-the-June-2026-AGM-Season

Based on EDINET filing data, January 2025 to July 2026; 19,243 resolutions disclosed for June 2026 general meetings; all files and calculations available on request. EV22 thanks Ms Naoko Ueno and Mr Ken Hokugo for reading through the research and feedback.