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Elevator Maker Showcases Growing Shareholder Activism in Japan

- Ousted Fujitec chairman's proposals rejected by shareholders
- Activists gain ground in Japan as founders' influence wanes

By Takako Taniguchi and Min Jeong Lee

(Bloomberg) -- Elevator manufacturer Fujitec Co. is becoming an unlikely test case of corporate governance in Japan, where founders' families continue to wield substantial influence at many companies.

Fujitec shareholders rejected a raft of proposals from ousted chairman Takakazu Uchiyama to overhaul the board during the annual shareholders meeting on Wednesday, a Fujitec spokesperson said. That marks another win for activist shareholders, who are capitalizing on a decade's worth of incremental steps that are now transforming boardrooms in Japan.

Wednesday's vote represents the culmination of a months-long revolt by shareholders against the family of Fujitec's late founder Shotaro Uchiyama. It also marks a shift in a country that long held activist investors in suspicion, with opponents arguing they pushed for short-term gains at the expense of long-term growth.



Seth Fischer, chief investment officer of Oasis Management Co
Photographer: Anthony Kwan/Bloomberg

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Hong Kong-based hedge fund Oasis Management Co., a significant shareholder in Fujitec, previously called out the younger Uchiyama for abuse of power and enriching himself at the expense of the company and other shareholders – claims the executive has denied. Last year, Uchiyama provoked backlash after the company named him chairman despite public opposition from shareholders.

In February, Fujitec shareholders voted to replace three of the company's outside directors with four people nominated by Oasis. The next month, the newly reconfigured board unseated Uchiyama.

Activist investors are poised to make record shareholder proposals in Japan this year. Bourse operator Japan Exchange Group Inc. is also prodding companies that trade below book value to work toward boosting their share price, while Japan's financial regulator is urging independent directors and asset managers to be more active in challenging management.

The country may see more proxy fights ahead, said Daniel Lee, head of Japan research at Fujitec shareholder Asset Value Investors Ltd. AVI voted against candidates proposed by Uchiyama, while voting for all of Fujitec's nominations, he said.

In May, US-based ValueAct Capital Management LP called for the ouster of President Ryuichi Isaka at Seven & i Holdings Co.'s AGM in a bid to install four new directors. That motion was rejected, but more shareholder proposals are in the works, including AVI's plan to propose two candidates to conveyor belt and parking systems developer NC Holdings Co. later this month.

"If we can hold management accountable so they step down when they fail to deliver results, results should follow," said Nao Makino, head of research at Fujitec investor Kaname Capital LP, which also voted to support Fujitec's proposals and opposed Uchiyama's.

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0992726D US (ValueAct Capital Management LP)
1362784D KY (Oasis Management Co Ltd)
2008346D JP (Kaname Capital LP)
242527Z LN (Asset Value Investors Ltd)
3382 JP (Seven & i Holdings Co Ltd)
6236 JP (NC Holdings Co Ltd)
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