

# Toshiba shareholders vote to oust board chair

June 25 2021, by Natsuko Fukue, Hiroshi Hiyama

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Once a symbol of Japan's advanced technology and economic power, Toshiba has been beset by scandals and losses, though it has seen a recovery in recent years.

Toshiba shareholders voted to oust the board's chairman on Friday, in the latest twist for the company after scandals and losses, and a rare victory for activist investors in corporate Japan.

CEO Satoshi Tsunakawa said shareholders had voted down a bid to reappoint Osamu Nagayama and a member of the firm's audit committee, a result that surprised some observers in Japan's often-staid corporate environment.

It came despite Tsunakawa offering his backing for the chairman of the board, and pledging to work on re-establishing trust after the damaging revelations of an independent probe.

In a statement announcing the results, Toshiba said only that it "recognises the seriousness of the rejection of some candidates for directors."

Earlier this month, an inquiry found that the troubled industrial conglomerate "devised a plan to effectively prevent shareholders from exercising their shareholder proposal rights and [voting rights](#)" at a meeting in July 2020.

The meeting, at which the activist shareholders' resolutions were rejected, was "not fairly managed", the 140-page report concluded.

It also detailed how Toshiba had pursued an intervention from Japan's Ministry of Economy, Trade and Industry to help sway the vote.

The probe was only launched after pressure from shareholders.

Toshiba apologised after the report and said it would remove two directors, but declined to address the allegations it attempted to collude with the government on votes.

The firm has been through months of turmoil, which only deepened after an unexpected buyout offer in April from a [private equity fund](#) associated with then-CEO Nobuaki Kurumatani.

The offer sparked uproar, and reports of other possible buyout interest. Kurumatani resigned in April though he insisted it was not related to the fallout.

Toshiba was once a symbol of Japan's advanced technology and economic power. It has lurched from scandals and losses to a recovery in recent years.

## **'Shock' result**

At Friday's meeting, Tsunakawa sought to rally [shareholder](#) support for Nagayama.

"The chairman of the board immediately took action" after the probe, the CEO said, citing the removal of two directors and withdrawal of two other candidates, and moves to formulate "preventive measures."

Tsunakawa also told shareholders he took the recent crisis "seriously" and pledged "transparent communication."

But his backing for Nagayama was not sufficient to convince shareholders, with some analysts expressing surprise at the result.

"We thought the results of the vote would be more like fifty-fifty," said Hideki Yasuda, an analyst at Ace Research Institute in Tokyo.

"Considering Japanese business practices, with easy approval of corporate proposals, I can say the result was a shock," he told AFP.

He said the firm was adrift, and needed new management to give it direction.

"It's tough to unite the company, as shareholders are sharply divided and

there's a lack of leadership. It's an urgent and extremely difficult mission."

Others said shareholders had no choice but to reprimand management by voting down the reappointments.

"This is not about Old Testament vengeance: it's about trust," said Nicholas Smith, an equity strategist at CLSA.

"The board appears to have lost the trust of its main shareholders. They have a right and fiduciary duty to vote out anyone who has lost that trust," he told AFP before the vote.

Justin Tang, head of Asian research at United First Partners, told AFP that Nagayama had "stopped short of taking responsibility."

Securing Nagayama's dismissal required both Japanese and foreign investors to jointly vote down the reappointment, and will send a message "to Japan INC... that corporate governance reform has taken hold domestically and that it needs to be taken seriously."

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