The Impact of Japan's Stewardship Code on Shareholder Voting

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Abstract

This study examines the impact of the Japanese version of the stewardship code on shareholder voting. Japan's stewardship code was published in February 2014, under which institutional shareholders are expected to discharge their stewardship responsibility through engagement and the exercise of voting. Some trust banks (Japanese institutions that combine the functions of commercial banks, depositary institutions, and trust companies) and insurance companies as well as mutual funds, pension funds, and foreign investors have signed up to the code. Using data of voting outcomes in shareholder meetings from 2010 to 2016, we find that Japan's stewardship code changes the voting behavior of institutional shareholders. Trust banks that have accepted the code and have no lending relationship with investee firms, as well as insurance companies that have accepted the code, regardless of their lending relationships with investee firms, become opposed to top management appointments in the post-code period, when investee firms exhibit lower profitability than their industry peers. Furthermore, mutual fund, pension fund, and foreign investors are more likely to vote against top management appointment in firms with lower profitability after the implementation of the code.

Keywords: Stewardship code; Voting; Shareholder meeting; Corporate governance; Institutional ownership; Cross-shareholding

JEL codes: G32, G38

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1. Introduction

The Japanese government has improved the country's corporate governance system by introducing some principles and codes. Japan's stewardship code is among the corporate governance reforms published by the Financial Service Agency on February 26, 2014. As the first stewardship code was introduced by the UK in July 2010, to the best of our knowledge, the impact of a stewardship code on the shareholder voting of institutional investors has not been clarified yet.[1] Thus, there is a debate currently about the voting activity of institutional investors and the impact of stewardship codes on shareholder voting activity.

This study aims to investigate whether and how Japan's stewardship code influences the voting activities of institutional shareholders. Based on the code, institutional shareholders are expected to enhance corporate value and growth through engagement and voting. Principal five of the code states, "Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical check list; it should be designed to contribute to the sustainable growth of investee companies." Voting is an essential tool of engagement and monitoring.

In Japan, financial institutions, such as banks, trust banks (Japanese institutions that combine the functions of commercial banks, depositary institutions, and trust companies), and insurance companies, have been considered passive shareholders that vote in line with management or do not exercise their votes. Until the 1980s, financial institutions in Japan were used to playing an important role of *keiretsu* (cross-shareholdings). Although financial

[1] Yermack (2010) comprehensively reviews research on voting. Mallin (2012) reports the voting behavior of two of the UK's largest institutional investors over the period 2007 to 2009.

institutions have been selling off their cross-shareholdings since the 1990s, their capital shares remained at about 20% on the Tokyo Stock Exchange in 2015.

Japan's stewardship code attempts to encourage institutional investors, including financial institutions, to promote constructive engagement or purposeful dialogue in order to increase investment returns, improve corporate value, and undertake sustainable growth. Although the code is not mandatory with legally binding regulations, it expects institutional investors to voluntary disclose policies about how they discharge their stewardship responsibilities, voting policies, and voting outcomes. Moreover, when institutional investors accept the code, they are expected to express their acceptance of the code and policy on their web sites, and to register their web sites with the Financial Service Agency. The agency has released a list of institutional investors that have accepted the code. By December 27, 2016, 214 institutional investors had signed up to the code, including 7 trust banks, 22 insurance companies, 26 pension funds, and 152 investment managers.[2] Those pension funds and investment managers include not only Japanese asset management companies but also foreign investment managers, such as University of California, Fourth Swedish National Pension Fund, Fidelity, and Black Rock.

Some institutional investors disclose their aggregated voting outcomes each fiscal year on their websites after the implementation of the code. For example, Mitsubishi UFJ trust bank has presented its aggregate voting outcomes for each major kind of proposal each fiscal year on its web site since 2014. As we cannot observe institutional investor voting outcomes in the period before Japan's stewardship code was implemented, we cannot understand whether institutional investors changed their voting activities after the code was introduced.

[2] The list of trust banks includes a bank, "Resona bank."

On the other hand, we can observe the outcomes of shareholders' meetings for each listed firm. Listed firms have been required to disclose these outcomes since March 2010, owing to a revision of a Cabinet Office Ordinance on Disclosure Items Concerning Corporate Governance. Information on shareholder meeting outcomes includes the number of votes for and against a proposal or amendment as well as the number of spoilt votes.

The purpose of this study is to clarify the impact of Japan's stewardship code on shareholder voting activities. We investigate the relationship between ownership structure and voting outcomes of top management appointments in the period leading up to the introduction of Japan's stewardship code and in the period following the code's introduction. We also investigate whether Japan's stewardship code would affect the relationship ownership structure and voting outcomes of top management appointments. We focus on the proposals for the appointment of top management for the following reasons. First, director appointment proposals are usually initiated by managers on an annual basis.[3] Second, we consider top management appointments are more influential on managers than are other proposals, as prior literature shows that votes against certain directors' appointments lead to improved corporate governance (Cai et al., 2009; Fischer et al., 2009; Iliev et al., 2015). Third, most institutional shareholders that have signed up to the code indicate that they vote against top management appointments of firm with lower profitability or fraud. In addition, Institutional Shareholder Services (ISS) recommends that institutional shareholder oppose top management appointments in Japanese firms, when firms show less than 5% average ROE for 5 consecutive fiscal years without an improvement trend. McCahery et al. (2016) demonstrate in a survey that most institutional investors use the proxy advisers ISS and Glass Lewis & Co. Specifically, we

[3] A few firms propose amendments to director appointments every 2 years or propose partial amendments to director appointments.

examine the relationship between ownership structure and voting against top management appointments in Japan from 2010 to 2016. We divide the sample into two time periods: before and after Japan's stewardship code was introduced (the pre-code period from 2010 to February 2014 and the post-code period from March 2014 to August 2016).

Our main findings are as follows. First, ownership by trust banks that have signed up to the code and have no lending relationship with investee firms significantly positively affect votes against proposals for representative directors and CEO appointments in firm with lower profitability only after the code was implemented. This result suggests that Japan's stewardship code encourages trust banks that have accepted the code and have no lending relationships with investee firms to oppose top management elections when the firms exhibit lower profitability. Second, ownership by insurance companies that have accepted the code, regardless of their lending relationships, is significantly positively related to votes against proposals for representative directors and CEOs in firms with lower profitability after the code was implemented. This result suggests that Japan's stewardship code encourages insurance companies that have accepted the code to vote against top management appointments in firms with lower profitability, regardless whether insurance companies have lent money to investee firms. Finally, the positive relationship between ownership by mutual funds, pension funds, and foreign investors and voting against proposals for representative directors and CEO appointments is higher in the post-code period than in the pre-code period. These results suggest that mutual funds, pension funds, and foreign investors are more likely to vote against top management appointments in firms with lower profitability after the code was implemented.

We contribute to the current debate on the voting activity of institutional investors and the impact of stewardship code on shareholder voting activity. We clarify whether and how Japan's stewardship code changed the voting behavior of trust banks and insurance companies. Our

results imply the possibility that non-binding suggestions from governments change investor behavior and improve the corporate governance system.

The rest of this paper is organized as follows. In Section 2, we review the related literature. Section 3 describes the data and a statistical summary, and provides the methodology. Section 4 presents our empirical results and Section 5 concludes.

2. Related literature and hypothesis development

Prior research suggests that banks and insurance companies vote in line with management on their proposals, because they have business relationships with investee firms and are concerned about voting to maintain the business relationship with management. Brickley et al. (1988, 1994) find that insurance company and bank ownership is positively related to voting for management-proposed anti-takeover amendments. In Japan, banks, trust banks, insurance companies, and corporate shareholders have business or corporate group relationships with investee firms. Therefore, these types of owners do not vote against management proposals, especially director appointments.

However, most trust banks and insurance companies accept Japan's stewardship code and disclose their voting policies in Japan. These disclosures indicate that such institutions vote against top management appointments when firms exploit shareholders' interests, exhibit lower operating performance, are embroiled in scandals, and do not appoint outside directors or independent directors. Thus, trust banks and insurance companies that accept the code might change their voting behavior in the post-code period. In other words, we expect that Japan's stewardship code leads trust banks and insurance companies to vote against director appointments of firms with lower profitability.

Hypothesis 1: Trust banks and insurance companies that have signed up to the code become opposed to top management appointments in firms with lower profitability after the code.

On the other hand, some trust banks and insurance companies have business ties with investee firms, such as lending money and insurance underwriting, even after the code. Although opposing top management appointments improves corporate governance and enriches investment portfolios, votes against top management might erode the business profits of trust banks and insurance companies. As trust banks and insurance companies are entrusted to manage assets from corporate pension funds, public pension funds, and financial institutions, they would vote against top management in investee firms with lower performance in order to demonstrate their quality and reliability to the asset managers of pension funds and regulatory authorities. Therefore, we expect that trust banks and insurance companies are willing to vote against top management appointments in firms with lower profitability and no business ties.

Hypothesis 2: Trust banks and insurance companies that have accepted the code are more likely to vote against top management in firms with lower profitability and no business ties after the code.

Prior literature demonstrates that independent shareholders that do not have business relationships with investee firms vote against proposals arising from potential conflicts of interest between management and shareholders. Brickley et al. (1988, 1994) show that ownership by pension funds, mutual funds, and endowments is positively related to voting against management-proposed anti-takeover amendments for US firms. De Jong et al. (2006)

indicate there is a positive relationship between pension fund ownership and voting against the appointment of executive board members in the Netherlands.

Moreover, prior studies indicate that foreign investor ownership is positively related to corporate governance and firm value. Aggarwal et al. (2011) demonstrate that foreign ownership is positively associated with a governance index and firm value across 23 countries. Ferreira and Matos (2008) report that foreign ownership is positively related to firm value and profitability across 27 countries.

These studies suggest that mutual funds, pension funds, and foreign investors play an important role in corporate governance. Thus, we expect that mutual funds, pension funds, and foreign investors vote against management in firms with lower profitability even before the code.

Hypothesis 3: Mutual funds, pension funds, and foreign investors vote against top management in firms with lower profitability even before the introduction of the code.

Finally, prior research demonstrates that institutions with business ties with investee firms vote in line with management, and they maintain their business relationship (Brickley et al. 1988, 1994). In Japan, banks and corporate shareholders have been used to playing an important role within *keiretsu*, or Japanese conglomerate cross-shareholdings. In addition, banks and corporate shareholders are not applied in the stewardship code. Therefore, we expect that the stewardship code does not affect the voting behavior of banks and corporate shareholders, who continue to vote for top management after the code.

Hypothesis 4: Banks and corporate shareholders continue to support top management appointment even after the introduction of the code.

3. Data and methodology

3.1 Data and statistics

We collect the voting outcomes of shareholder meetings from NIKKEI NEEDS shareholder meeting data for the period June 2010 to August 2016. Based on a revision of the Cabinet Office Ordinance on Disclosure Items Concerning Corporate Governance, firms should disclose shareholders voting outcomes from 2010. In addition, we obtain financial data, corporate borrowings from financial institutions' data, ownership data, major shareholder data, and executive data from the NIKKEI NEEDS Financial Quest.

We restrict our sample to all non-financial firms with available data and voting outcomes of representative director appointments in annual general meetings. In addition, we exclude sample firms that have outliers of ownership and voting outcomes, and that hold shareholder meetings more than 90 days after the fiscal-year end.[4] Furthermore, we exclude firms with negative shareholder equity. Our final sample consists of 3,601 firms and 15,091firm-year observations. We winsorize all continuous variables at the top and bottom 1% values.

In Table 1, Panel A provides summary statistics of the voting outcomes of each annual general meeting in each period. We divide the sample into two time periods: pre-code period (August 2010 to February 2014) and post-code period (March 2014 to June 2016). The mean number of proposals is 3.570. Most firms make proposals for profit distribution, director

[4] An annual general meeting has to be held within 3 months of the end of a firm's fiscal year.

appointments, and audit and supervisory appointments each year. We focus on top management appointments. As we merge the voting outcomes of director appointments and executive data, we identify representative directors and CEOs. In this study, CEOs are identified as the top representative directors of firms.[5] When there are a few representative directors, we use the mean percentage of votes against proposals for each representative director appointment.

$$Percentage\ of\ votes\ against = \frac{number\ of\ \ votes\ against}{number\ of\ votes for + number\ of\ votes\ against + number\ of spoilt\ votes} \quad (1)$$

Proposals are almost never rejected: votes against representative director appointments comprise only 2.68% of total votes, and those against CEO appointments 3.02%. Votes against CEO appointments are higher than those against representative directors, because shareholders tend to vote against CEO appointments if firms exhibit low performance or governance and are embroiled in scandals. The number of proposals and the percentage of votes against top management appointments slightly increase in the post-code period.

In Table 1, Panel B provides summary statistics of ownership of trust banks and insurance companies. Panel C provides summary statistics of firm characteristics and ownership structure. Information on ownership structure is collected from major shareholder data and information about the distribution of shareholder ownership. Major shareholder data include details on the top 30 shareholders. We extract information on ownership by banks, trust banks, and insurance companies from major shareholder data. We exclude trust account ownership from ownership by banks, trust banks, and insurance companies, since they are entrusted with managing funds

[5] Although CEOs are the presidents of most Japanese firms, chairpersons or other representative directors have decision-making authority.

as custodians. We identify the trust banks and insurance companies that have accepted the code using "list of institutional investors singed up to Japan's stewardship code" released by the Financial Services Agency.[6] Moreover, we divide trust banks and insurance companies that have accepted the code into two groups using data of corporate borrowings from financial institutions: each institution with a lending relationship and each institution with no lending relationship. Meanwhile, ownership by mutual funds, pension funds, foreign investors, corporate shareholders, directors, and employees is from the distribution of shareholder ownership. As the distribution of shareholder ownership data do not include the detail of shareholders, but aggregates ownership of each type of shareholders, we cannot classify these shareholders into code-accepting or not code-accepting shareholders.

Panel B of Table 1 shows that the ownership of trust banks and insurance companies that accept the code is higher than that of these institutions that do not accept the code. In fact, large trust banks and major insurance companies have accepted the code. The ownership of trust banks and insurance companies that accept the code and lend money to investee firms is at least half that of these institutions that accept the code. Trust banks and insurance companies do not necessarily have a lending relationship with investee firms.

3.2 Methodology

In order to test Hypothesis 1, we estimate the following Equation (2):

[6] We identify pre-merged financial institutions as code-accepting financial institutions, when merged financial institutions adopted the code. For example, Aioi Nissay Dowa Insurance merged from Aioi Insurance and Nissey Dowa Insurance, and thus, we treat Aioi Insurance and Nissey Dowa Insurance as a code-accepting insurance company.

$$
\begin{aligned}
&Percentage\ of\ votes\ against_{i,t} \\
&\quad = \alpha + \beta_1 \times Ownership\ by\ companies\ accept\ the\ code_{i,t} \\
&\quad \times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} \\
&\quad + \beta_2 \times Ownership\ by\ companies\ accept\ the\ code_{i,t} \\
&\quad \times Lower\ ROE\ dummy_{i,t} \\
&\quad + \beta_3 \times Ownership\ by\ companies\ accept\ the\ code_{i,t} \\
&\quad \times Post\ code\ dummy_{i,t} \\
&\quad + \beta_4 \times Ownership\ by\ companies\ accept\ the\ code_{i,t} \\
&\quad + \beta_5 \times Ownership\ by\ companies\ do\ not\ accept\ the\ code_{i,t} \\
&\quad \times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} \\
&\quad + \beta_6 \times Ownership\ by\ companies\ do\ not\ accept\ the\ code_{i,t} \\
&\quad \times Lower\ ROE\ dummy_{i,t} \\
&\quad + \beta_7 \times Ownership\ by\ companies\ do\ not\ \ accept\ the\ code_{i,t} \\
&\quad \times Post\ code\ dummy_{i,t} \\
&\quad + \beta_8 \times Ownership\ by\ companies\ do\ not\ accept\ the\ code_{i,t} \\
&\quad + \beta_9 \times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} + \beta_{10} \\
&\quad \times Lower\ ROE\ dummy_{i,t} + \beta_{11} \times Post\ code\ dummy_{i,t} \\
&\quad + \sum \rho \times Controls_{i,t} + \varepsilon_{i,t}
\end{aligned}
\tag{2}
$$

In Equation (2), the dependent variable is substituted for the percentage of votes against representative directors or CEOs. We include the interaction term among each type of shareholder ownership by companies that have accepted the code or have not (*Ownership by companies accept the code*; *Ownership by companies do not accept the code*), *Lower ROE dummy*, and *Post code dummy*. *Lower ROE dummy* equals 1 if the ROE of a firm is less than the median ROE of the industry to which the firm belongs, and 0 otherwise.[7] *Post code dummy* equals 1 if the end of the fiscal year is after February 2014, and 0 otherwise. As mentioned, we identify the trust banks and insurance companies that have accepted or not accepted the code

[7] In addition, we change the lower ROE dummy criteria to other profitability criteria, such as net loss, the ISS recommended criteria (5% average ROE for 5 fiscal years and without an improvement trend), and return on assets (the ratio of earnings before interest and tax to assets), and then, we run the analysis. The results are similar.

using the "list of institutional investors singed up to Japan's stewardship code" released by the Financial Services Agency.

Control variables include director ownership, employee ownership, logarithm of total assets (AST), the ratio of debt to assets (LEV), a concentration dummy that equals 1 if the annual general meeting is held on the same day on which most companies hold annual general meetings, and 0 otherwise, and *Outside director ratio* (the number of outside directors/the number of directors). Gordon and Pound (1993) find that ownership by employee stock ownership plans, insiders, and directors is negatively related to voting for shareholders' proposals. In Japan, more than 900 companies held annual general meetings 1 business day before the end of June each year.

We test Hypothesis 2 by estimating the following Equation (3):

$$
\begin{aligned}
&Percentage\ of\ votes\ against_{i,t} \\
&= \alpha \\
&+ \gamma_1 \times Ownership\ by\ companies\ accept\ the\ code\ and\ do\ notlend\ to\ investee\ firm_{i,t} \\
&\times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} \\
&+ \gamma_2 \times Ownership\ by\ companies\ accept\ the\ code\ and\ do\ not\ lend\ to\ investee\ firm_{i,t} \\
&\times Lower\ ROE\ dummy_{i,t} \\
&+ \gamma_3 \times Ownership\ by\ companies\ accept\ the\ code\ and\ do\ not\ lend\ to\ investee\ firm_{i,t} \\
&\times Post\ code\ dummy_{i,t} \\
&+ \gamma_4 \times Ownership\ by\ companies\ accept\ the\ code\ and\ do\ not\ lend\ to\ investee\ firm_{i,t} \\
&+ \gamma_5 \times Ownership\ by\ companies\ accept\ the\ code\ and\ lend\ to\ investee\ firm_{i,t} \\
&\times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} \\
&+ \gamma_6 \times Ownership\ by\ companies\ accept\ the\ code\ and\ lend\ to\ investee\ firm_{i,t} \\
&\times Lower\ ROE\ dummy_{i,t} \\
&+ \gamma_7 \times Ownership\ by\ companies\ accept\ the\ code\ and\ lend\ to\ investee\ firm_{i,t} \\
&\times Post\ code\ dummy_{i,t} \\
&+ \gamma_8 \times Ownership\ by\ companies\ accept\ the\ code\ and\ lend\ to\ investee\ firm_{i,t} \\
&+ \gamma_9 \times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} + \gamma_{10} \times Lower\ ROE\ dummy_{i,t} \\
&+ \gamma_{11} \times Post\ code\ dummy_{i,t} + \sum \rho \times Controls_{i,t} + \varepsilon_{i,t}
\end{aligned}
\tag{3}
$$

In Equation (3), our main independent variable is the interaction term among the each type of shareholder ownership by companies that accept the code and have lending relationship or that accept the code and do not have lending relationship with investee firms (*Ownership by*

companies accept the code and lend to investee firms; *Ownership by companies accept the code and do not lend to investee firms*), *Lower ROE dummy*, and *Post code dummy*. We use each of code-accepting trust bank and insurance ownership with lending relationship or no lending relationship with investee firm.

To test Hypotheses 3 and 4, we estimate the following Equation (4):

$$\begin{aligned} Percentage\ of\ votes\ against_{i,t} &= \alpha + \delta_1 \times Ownership_{i,t} \times Lower\ ROE\ dummy_{i,t} \\ &\times Post\ code\ dummy_{i,t} + \delta_2 \times Ownership_{i,t} \\ &\times Lower\ ROE\ dummy_{i,t} + \delta_3 \times Ownership_{i,t} \\ &\times Post\ code\ dummy_{i,t} + \delta_4 \times Ownership_{i,t} \\ &+ \delta_5 \times Lower\ ROE\ dummy_{i,t} \times Post\ code\ dummy_{i,t} + \delta_6 \\ &\times Lower\ ROE\ dummy_{i,t} + \delta_7 \times Post\ code\ dummy_{i,t} \\ &+ \sum \rho \times Controls_{i,t} + \varepsilon_{i,t} \end{aligned} \quad (4)$$

In Equation (4), we include interaction terms among each type of shareholder ownership (*Ownership*), *Lower ROE dummy*, and *Post code dummy*. We substitute *Ownership* for the ownership by mutual funds, pension funds, foreign investors, banks, and corporate shareholders.

4. Empirical results

4.1 Impact of Japan's stewardship code on trust banks' voting behavior

Table 2 shows the ordinary least square (OLS) regression results of Equation (2), in which *Ownership by companies that accept the code* and *Ownership by companies do not accept the code* are substituted for each of ownership by trust banks that have accepted the code and those have not. The dependent variable is the percentage of votes against representative director appointments in columns (1) to (3) and the percentage of votes against CEO appointments in

columns (4) to (6). Columns (2) and (5) show that β_2 is positive and significant, and the sum of β_2 and β_4 is positive in the post-code period, although columns (1) and (4) show that β_2 is not significant and the sum of β_2 to β_4 is negative in the pre-code period. Moreover, columns (3) and (6) show that β_1 is positive and significant, and the sum of β_1 to β_4 is positive. We find that the relationship between ownership by trust banks that have accepted the code and votes against representative directors and CEO appointments in firm with lower profitability change from negative to positive in the post-code period. These results support Hypothesis 1 and suggest that Japan's stewardship code encourages trust banks that have accepted the code to oppose top management appointments in firms with lower profitability in the post-code period. On the other hand, columns (2) and (4) show that β_6 is not significant in the post-code period, and columns (3) and (6) show that β_5 is not significant. We find no relationship between ownership by trust banks that have not accepted the code and top management appointment.

Table 3 reports the OLS regression results of Equations (3), in which *Ownership by companies accept the code and do not lend to investee firms* and *Ownership by companies accept the code and lend to investee firms* is substituted for each ownership by two types of trust banks that have accepted the code: trust banks accept the code and do not lend to investee firms; trust banks accept the code and lend to investee firms. Although columns (1) and (4) show that γ_2 is negative but not significant, and the sum of γ_2 and γ_4 is negative in the pre-code period, columns (2) and (5) show that γ_2 is positive and significant, and the sum of γ_2 and γ_4 is positive in the post-code period. Columns (3) and (6) show that γ_1 is positive and significant, and the sum of γ_1 to γ_4 is positive. We find that the relationship between ownership by trust banks that have accepted the code and have no lending relationship, and votes against top management appointment changes from negative to positive. These results support Hypothesis 2 and suggest that Japan's stewardship code encourages trust banks that have accepted the code

and have no lending relationships with investee firms to vote against top management appointments in firms with lower profitability after the code. On the other hand, γ_5 is positive but not significant in columns (3) and (6), and γ_6 is also positive but not significant in columns (2) and (5), suggesting that trust banks with lending relationships do not vote against top management appointments even after the trust banks accept the code, since the cost of losing the lending relationship for the trust banks should be higher than the benefit of votes against the appointments.

4.2 Impact of Japan's stewardship code on voting behavior of insurance companies

Table 4 reports the OLS regression results of Equation (2), in which *Ownership by companies that accept the code* and *Ownership by companies that do not accept the code* are substituted for each of the ownership by insurance companies that have accepted the code and those have not. Columns (1) and (4) show that β_2 is positive and significant, but the sum of β_2 and β_4 is negative in the pre-code period. On the other hand, columns (2) and (5) show that β_2 is positive and significant, and the sum of β_2 and β_4 is positive in the post-code period. Columns (3) and (6) show that β_1 is positive and significant, and the sum of β_1 to β_4 is positive. We find a positive relationship between ownership by insurance companies that have accepted the code and votes against top management appointments in firm with lower profitability only in the post-code period. These results support Hypothesis 1 and suggest that Japan's stewardship code encourages insurance companies that have accepted the code to oppose top management appointments in firms with lower profitability in the post-code period. Moreover, columns (1) and (3) show that β_8 is negative and significant, and the sum of β_6 and β_8 is negative in the pre-code period. Columns (2) and (5) show that β_6 is negative and significant, and the sum of β_6 and β_8 is negative in the post-code period, and columns (3) and (6) show that β_5 is negative and

significant. These results suggest that insurance companies that have not accepted the code support top management elections in the post-code period, even when firms exhibit lower profitability.

In Table 5, we estimate Equation (3) to investigate whether the lending relationship of insurance companies that have accepted the code affects their voting behavior. Although columns (1) and (4) show that γ_2 is not significant and the sum of γ_2 and γ_4 is negative in the pre-code period, columns (2) and (5) show that γ_2 is positive and significant, and the sum of γ_2 and γ_4 is positive in the post-code period. Columns (3) and (6) show that γ_1 is positive and significant, and the sum of γ_1 to γ_4 is positive. We find that the relationship between the ownership by insurance companies that have accepted the code and had no lending relationship, and votes against top management appointment changes from negative to positive in the post-code period, when investee firms exhibit lower profitability. Furthermore, columns (2) and (5) show that γ_6 is positive and significant, and the sum of γ_6 and γ_8 is positive in the post-code period. Columns (3) and (6) show that γ_5 is positive and significant, and the sum of γ_5 to γ_8 is positive. We find that the relationship between ownership by insurance companies and votes against top management appointments in firms with lower profitability changes from negative to positive in the post-code period for insurance companies that have accepted the code, regardless whether they have a lending relationship. These results suggest that Japan's stewardship code encourages insurance companies to vote against top management appointments in firms with lower profitability after the code, even when they have lent money to investee firms, since the lending relationships would be less important for insurance companies.

4.3 Impact of stewardship code on voting behavior of mutual funds, pension funds, foreign investors, banks, and corporate shareholders

Table 6 shows the results of whether Japan's stewardship code affects the voting behavior of mutual funds, pension funds, foreign investors, banks, and corporate shareholders. The dependent variable is the percentage of votes against representative directors in column (1), and is the percentage of votes against CEOs in column (2) in Table 6.

The results of the impact of the stewardship code on the voting behavior of mutual funds are reported in Panel A of Table 6. It show that the positive relationship between mutual fund ownership and votes against CEO appointment is significantly stronger in firms with lower profitability and in the post-code period. This result suggests that mutual funds have voted against the appointments of CEOs in firms with lower profitability since even before the introduction of the code and are more likely to oppose CEO appointment in firms with lower profitability in the post-code period.

Panel B of Table 6 provides the results of the impact of the stewardship code on the voting behavior of pension funds. Panel B indicates that the positive relationship between pension fund ownership and votes against the appointment of representative directors and CEOs is significantly stronger in firms with lower profitability and in the post-code period. This result suggests that pension funds have voted against top management appointments in firms with lower profitability since even before the introduction of the code and are more likely to oppose top management appointments in firm with lower profitability in the post-code period.

The results of the impact of the stewardship code on the voting behavior of foreign investors are reported in Panel C of Table 6. It shows that the positive relationship between foreign investor ownership and votes against appointment of representative directors and CEOs is significantly stronger in firms with lower profitability and in the post-code period. This result

suggests that foreign investors have voted against top management appointments in firms with lower profitability since even before the introduction of the code and are more likely to oppose top management appointments in firms with lower profitability in the post-code period.

These results support Hypothesis 3 and suggest that Japan's stewardship code makes it more likely for mutual funds, pension funds, and foreign investors to vote against top management appointments in firms with lower profitability after the code, since they are expected the code and would value the interest of their client.

Panel D of Table 6 represents the results of the impact of the stewardship code on the voting behavior of banks.[8] Panel D shows that bank ownership is significantly positively related to votes against appointment of representative directors and CEOs, and this relationship is consistent in the pre-code and post-code periods. This result suggests that banks support top management appointments even when firms exhibit lower profitability and keep their voting behavior in line with management after the introduction of the code.

Panel E of Table 6 indicates the results of the impact of Japan's stewardship code on the voting behavior of corporate shareholders. Panel E indicates that the negative relationship between corporate ownership and votes against the appointment of representative directors and CEOs is significantly stronger in firms with lower profitability and in the post-code period. This result suggests that corporate shareholders are more likely to support top management appointments in the post-code period.

These results support Hypothesis 4 and suggest that Japan's stewardship code has not affected the voting behavior of banks and corporate shareholders, since the code has not been applied to them and they have business relationships with the investee firms

[8] When we classify banks into banks with lending relationships and banks with no lending relationships, we do not find the effect of lending relationships on bank voting behavior.

5. Conclusion

We document the impact of Japan's stewardship code on shareholder voting. Although the code, published in January 2014, is not legally binding regulations, institutional investors that are signatories to the code are expected to perform their stewardship responsibilities through their engagement with the investee firm and their voting activities. Most large Japanese trust banks and insurance companies accept the code and disclose their voting policies on their websites. We focus on institutional shareholder voting activity for top management appointment, since it is influential on managers and referenced in the voting policy of the code accepting institutional investors.

We find that the relationship between ownership by trust banks that have accepted the code and not lent money to investee firm, and votes against top management in firms with lower profitability change from negative to positive after the code. In addition, we find that ownership by insurance companies that have accepted the code is positively related to votes against the appointment of top management in firms with lower profitability in the post-code period, regardless whether insurance companies have lending relationships. Moreover, the positive relationship between ownership by mutual funds, pension funds, and foreign investors and votes against the appointment of top management in firms with lower profitability is stronger in the post-code period. On the other hand, there are negative relationships between ownership by banks and corporate shareholders, and votes against top management appointments in both pre-code and post-code periods.

Our evidence suggests that Japan's stewardship code encourages trust banks and insurance companies to oppose top management appointments when firm exhibit lower profitability and

that trust banks and insurance companies begin to perform their stewardship responsibility through voting activity for the appointment of top management. Moreover, our evidence suggests that Japan's stewardship code has made it more likely for mutual funds, pension funds, and foreign investors to vote against top management in firms with lower profitability and to play more important roles in thorough corporate governance after the code. In contrast to these shareholders, banks and corporate shareholders vote in line with managers in both the pre-code and post-code periods, because Japan's stewardship code has not been applied to them and they have business relationships with the investee firms.

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Table 1 Summary statistics

Panel A Shareholder voting outcome

		Mean	Median	SD	1st Quantile	3rd Quantile
Number of proposals	*full sample*	3.570	3.000	1.461	3.000	4.000
	pre-code period	3.421	3.000	1.317	3.000	4.000
	post-code period	3.733	4.000	1.588	3.000	5.000
Percentage of votes against representative director appointment	*full sample*	2.680	1.107	3.903	0.290	3.331
	pre-code period	2.466	0.992	3.633	0.241	3.135
	post-code period	2.914	1.245	4.164	0.361	3.585
Percentage of votes against CEO appointment	*full sample*	3.020	1.204	4.413	0.297	3.831
	pre-code period	2.755	1.062	4.037	0.245	3.571
	post-code period	3.309	1.368	4.772	0.366	4.102

Panel B Summary ownership of trust banks and insurance companies

		Mean	Median	SD	1st Quantile	3rd Quantile
Ownership by trust banks	*accept the code*	0.458	0.000	0.955	0.000	0.460
	do not accept the code	0.037	0.000	0.230	0.000	0.000
	accept the code and lend to investee firms	0.251	0.000	0.769	0.000	0.000
Ownership by insurance companies	*accept the code*	2.279	0.830	3.283	0.000	3.440
	do not accept the code	0.072	0.000	0.361	0.000	0.000
	accept the code and lend to investee firms	0.434	0.000	1.398	0.000	0.000

Panel C Ownership structure and firm characteristics

	Mean	Median	SD	1st Quantile	3rd Quantile
Mutual fund ownership	2.073	0.800	2.935	0.000	3.200
Pension fund ownership	0.827	0.000	1.300	0.000	1.300
Foreign ownership	9.344	4.283	11.451	0.657	14.563
Bank ownership	3.426	2.460	3.657	0.000	5.440
Corporate ownership	28.438	25.349	19.368	12.407	41.084
Director ownership	7.490	1.519	12.435	0.266	8.640
Employee ownership	1.681	1.000	2.086	0.200	2.300
AST	10.516	10.363	1.696	9.353	11.538
LEV	48.806	49.002	20.270	32.970	64.576
ROE	6.351	6.195	14.151	2.667	10.980
Outside director ratio	16.012	14.286	14.390	0.000	25.000

Table 2 The impact of Japan's stewardship code on voting behavior of trust banks that have accepted or not accepted the code

Dependent variable:		*Percentage of votes against representative director appointment*			*Percentage of votes against CEO appointment*		
		Pre-code (1)	Post-code (2)	Full sample (3)	Pre-code (4)	Post-code (5)	Full sample (6)
Ownership by trust banks accept the code × lower ROE dummy × post code dummy	β_1			0.252 **			0.287 **
				2.193			2.202
Ownership by trust banks accept the code × lower ROE dummy	β_2	0.019	0.257 **	0.014	-0.024	0.248 *	-0.029
		0.243	2.242	0.182	-0.270	1.929	-0.338
Ownership by trust banks accept the code × post code dummy	β_3			-0.013			-0.038
				-0.216			-0.528
Ownership by trust banks accept the code	β_4	-0.201 ***	-0.200 ***	-0.193 ***	-0.186 ***	-0.221 ***	-0.184 ***
		-3.659	-3.531	-3.506	-2.892	-3.306	-2.860
Ownership by trust banks do not accept the code × lower ROE dummy × post code dummy	β_5			0.565			0.607
				1.011			1.035
Ownership by trust banks do not accept the code × lower ROE dummy	β_6	-0.330	0.219	-0.320	-0.340	0.231	-0.335
		-0.718	0.599	-0.700	-0.705	0.594	-0.704
Ownership by trust banks do not accept the code × post code dummy	β_7			-0.404			-0.499
				-1.208			-1.382

Ownership by trust banks do not accept the code	β_8	0.254	-0.191	0.229	0.228	-0.309	0.204
		0.846	-1.064	0.762	0.711	-1.632	0.633
Lower ROE dummy × post code dummy	β_9			0.652 ***			0.771 ***
				4.971			5.233
Lower ROE dummy	β_{10}	0.604 ***	1.269 ***	0.614 ***	0.622 ***	1.424 ***	0.640 ***
		5.656	9.896	5.752	5.437	9.910	5.601
Post code dummy	β_{11}			-0.319			-0.213
				-1.218			-0.764
Controls		Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year dummies		Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2		0.184	0.156	0.171	0.218	0.181	0.199
N		7,872	7,219	15,091	7,872	7,219	15,091

Robust standard errors are clustered at firm level. The lower step indicates t-statistics. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 3 The impact of Japan's stewardship code on voting behavior of trust banks with lending relationship or no lending relationship

Dependent variable:		*Percentage of votes against representative director appointment*			*Percentage of votes against CEO appointment*		
		Pre-code	Post-code	Full sample	Pre-code	Post-code	Full sample
		(1)	(2)	(3)	(4)	(5)	(6)
Ownership by trust banks accept the code and do not lend to investee firms × lower ROE dummy × post code dummy	γ_1			0.494 ***			0.545 **
				2.592			2.517
Ownership by trust banks accept the code and do not lend to investee firms × lower ROE dummy	γ_2	-0.070	0.416 **	-0.067	-0.133	0.398 **	-0.133
		-0.566	2.465	-0.550	-0.932	2.105	-0.943
Ownership by trust banks accept the code and do not lend to investee firms × post code dummy	γ_3			0.089			0.072
				0.753			0.515
Ownership by trust banks accept the code and do not lend to investee firms	γ_4	-0.316 ***	-0.219 ***	-0.314 ***	-0.299 **	-0.222 **	-0.296 **
		-3.129	-2.857	-3.123	-2.555	-2.417	-2.533
Ownership by trust banks accept the code and lend to investee firms × lower ROE dummy × post code dummy	γ_5			0.067			0.105
				0.455			0.627

Ownership by trust banks accept the code and lend to investee firms × lower ROE dummy	γ_6	0.060		0.111		0.053		0.022		0.111		0.014	
		0.642		0.777		0.563		0.210		0.682		0.129	
Ownership by trust banks accept the code and lend to investee firms × post code dummy	γ_7					-0.049						-0.090	
						-0.661						-1.076	
Ownership by trust banks accept the code and lend to investee firms	γ_8	-0.171	***	-0.208	***	-0.163	***	-0.154	**	-0.250	***	-0.155	**
		-2.947		-2.612		-2.796		-2.198		-2.662		-2.199	
Lower ROE dummy × post code dummy	γ_9					0.658	***					0.776	***
						5.042						5.298	
Lower ROE dummy	γ_{10}	0.596	***	1.269	***	0.607	***	0.615	***	1.427	***	0.636	***
		5.597		9.972		5.707		5.401		10.000		5.580	
Post code dummy	γ_{11}					-0.330						-0.228	
						-1.261						-0.817	
Controls		Yes		Yes		Yes		Yes		Yes		Yes	
Industry dummies		Yes		Yes		Yes		Yes		Yes		Yes	
Year dummies		Yes		Yes		Yes		Yes		Yes		Yes	

Adjusted R^2	0.185	0.157	0.172	0.218	0.182	0.200
N	7,872	7,219	15,091	7,872	7,219	15,091

Robust standard errors are clustered at firm level. The lower step indicates t-statistics. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 4 The impact of Japan's stewardship code on voting behavior of insurance companies that have accepted or not accepted the code

Dependent variable:		*Percentage of votes against representative director appointment*			*Percentage of votes against CEO appointment*		
		Pre-code	Post-code	Full sample	Pre-code	Post-code	Full sample
		(1)	(2)	(3)	(4)	(5)	(6)
Ownership by insurance companies accept the code × lower ROE dummy × post code dummy	β_1			0.107 ***			0.129 ***
				2.923			3.139
Ownership by insurance companies accept the code × lower ROE dummy	β_2	0.052 **	0.158 ***	0.050 **	0.050 *	0.177 ***	0.048 *
		2.078	4.516	2.011	1.836	4.406	1.761
Ownership by insurance companies accept the code × post code dummy	β_3			-0.039 **			-0.040 *
				-2.200			-1.933
Ownership by insurance companies accept the code	β_4	-0.096 ***	-0.132 ***	-0.094 ***	-0.101 ***	-0.148 ***	-0.103 ***
		-5.362	-6.479	-5.263	-5.137	-6.069	-5.221
Ownership by insurance companies do not accept the code × lower ROE dummy × post code dummy	β_5			-0.496 **			-0.575 **
				-2.009			-2.203
Ownership by insurance companies do not accept the code × lower ROE dummy	β_6	-0.048	-0.553 **	-0.051	-0.057	-0.626 **	-0.059
		-0.278	-2.117	-0.293	-0.318	-2.272	-0.321
Ownership by insurance companies do not accept the code × post code dummy	β_7			0.355 **			0.337 **
				2.243			1.987

Ownership by insurance companies do not accept the code	β_8	-0.256 *	0.137	-0.239	-0.291 *	0.089	-0.268
		-1.682	0.633	-1.547	-1.789	0.383	-1.632
Lower ROE dummy × post code dummy	β_9			0.620 ***			0.717 ***
				4.373			4.599
Lower ROE dummy	β_{10}	0.476 ***	1.105 ***	0.489 ***	0.480 ***	1.223 ***	0.502 ***
		4.039	8.166	4.153	3.835	8.165	4.015
Post code dummy	β_{11}			-0.291			-0.192
				-1.110			-0.686
Controls		Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies		Yes	Yes	Yes	Yes	Yes	Yes
Year dummies		Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2		0.187	0.160	0.175	0.220	0.185	0.203
N		7,872	7,219	15,091	7,872	7,219	15,091

Robust standard errors are clustered at firm level. The lower step indicates t-statistics. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 5 The impact of Japan's stewardship code on voting behavior of insurance companies with lending relationship or no lending relationship

Dependent variable:		*Percentage of votes against representative director appointment*			*Percentage of votes against CEO appointment*		
		Pre-code	Post-code	Full sample	Pre-code	Post-code	Full sample
		(1)	(2)	(3)	(4)	(5)	(6)
Ownership by insurance companies accept the code and do not lend to investee firms × lower ROE dummy × post code dummy	γ_1			0.097 **			0.118 **
				2.237			2.382
Ownership by insurance companies accept the code and do not lend to investee firms × lower ROE dummy	γ_2	0.037	0.135 ***	0.037	0.026	0.144 ***	0.025
		1.189	3.481	1.169	0.755	3.201	0.724
Ownership by insurance companies accept the code and do not lend to investee firms × post code dummy	γ_3			-0.031			-0.031
				-1.448			-1.190
Ownership by insurance companies accept the code and do not lend to investee firms	γ_4	-0.095 ***	-0.125 ***	-0.094 ***	-0.097 ***	-0.137 ***	-0.100 ***
		-4.594	-5.539	-4.552	-4.242	-4.952	-4.351
Ownership by insurance companies accept the code and lend to investee firms × lower ROE dummy × post code dummy	γ_5			0.179 *			0.218 **
				1.788			1.962

Ownership by insurance companies accept the code and lend to investee firms × lower ROE dummy	γ_6	0.088	*	0.256	***	0.081	*	0.110	**	0.318	***	0.103	**
		1.863		2.651		1.728		2.139		2.887		2.008	
Ownership by insurance companies accept the code and lend to investee firms × post code dummy	γ_7					-0.080	*					-0.091	*
						-1.834						-1.885	
Ownership by insurance companies accept the code and lend to investee firms	γ_8	-0.112	***	-0.184	***	-0.107	***	-0.125	***	-0.219	***	-0.125	***
		-3.189		-4.518		-2.996		-3.175		-4.509		-3.119	
Lower ROE dummy × post code dummy	γ_9					0.588	***					0.678	***
						4.159						4.361	
Lower ROE dummy	γ_{10}	0.485	***	1.083	***	0.498	***	0.494	***	1.200	***	0.516	***
		4.096		8.002		4.204		3.930		8.010		4.108	
Post code dummy	γ_{11}					-0.275						-0.177	
						-1.050						-0.633	
Controls		Yes		Yes		Yes		Yes		Yes		Yes	
Industry dummies		Yes		Yes		Yes		Yes		Yes		Yes	
Year dummies		Yes		Yes		Yes		Yes		Yes		Yes	

Adjusted R^2	0.186	0.160	0.174	0.219	0.185	0.202
N	7,872	7,219	15,091	7,872	7,219	15,091

Robust standard errors are clustered at firm level. The lower step indicates t-statistics. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Table 6 The impact of Japan's stewardship code on voting behavior

Panel A Voting behavior of mutual funds

Dependent variable: percentage of votes against		*Representative director appointment*		*CEO appointment*	
		(1)		(2)	
Mutual fund ownership × *lower ROE dummy* × *post code dummy*	δ_1	0.085 1.493		0.121 1.911	*
Mutual fund ownership × *lower ROE dummy*	δ_2	0.274 7.040	***	0.279 6.661	***
Mutual fund ownership × *post code dummy*	δ_3	-0.064 -2.873	***	-0.062 -2.432	**
Mutual fund ownership	δ_4	0.124 5.817	***	0.132 5.702	***
Lower ROE dummy × *post code dummy*	δ_5	0.574 4.268	***	0.654 4.376	***
Lower ROE dummy	δ_6	0.226 2.322	**	0.225 2.140	**
Post code dummy	δ_7	-0.190 -0.741		-0.105 -0.383	
Controls		Yes		Yes	
Industry dummies		Yes		Yes	
Year dummies		Yes		Yes	
Adjusted R^2		0.200		0.226	
N		15,091		15,091	

Panel B Voting behavior of pension funds

Dependent variable: percentage of votes against		*Representative director appointment*		*CEO appointment*	
		(1)		(2)	
Pension fund ownership × *lower ROE dummy* × *post code dummy*	δ_1	0.851 5.652	***	1.031 6.006	***
Pension fund ownership × *lower ROE dummy*	δ_2	0.479 6.314	***	0.463 5.631	***
Pension fund ownership × *post code dummy*	δ_3	-0.069 -1.110		-0.041 -0.573	
Pension fund ownership	δ_4	0.420 9.470	***	0.481 9.926	***
Lower ROE dummy × *post code dummy*	δ_5	0.385 3.074	***	0.421 3.022	***
Lower ROE dummy	δ_6	0.302 3.285	***	0.333 3.355	***
Post code dummy	δ_7	-0.292 -1.168		-0.214 -0.808	
Controls		Yes		Yes	
Industry dummies		Yes		Yes	
Year dummies		Yes		Yes	
Adjusted R^2		0.220		0.248	
N		15,091		15,091	

Panel C Voting behavior of foreign investors

Dependent variable: percentage of votes against		*Representative director appointment*		*CEO appointment*	
		(1)		(2)	
Foreign investor ownership × lower ROE dummy × post code dummy	δ_1	0.066 4.583	***	0.083 5.127	***
Foreign investor ownership × lower ROE dummy	δ_2	0.053 4.149	***	0.053 3.896	***
Foreign investor ownership × post code dummy	δ_3	-0.029 -4.503	***	-0.032 -4.360	***
Foreign investor ownership	δ_4	0.057 6.759	***	0.067 7.283	***
Lower ROE dummy × post code dummy	δ_5	0.067 0.553		0.058 0.437	
Lower ROE dummy	δ_6	0.340 3.590	***	0.362 3.573	***
Post code dummy	δ_7	0.001 0.005		0.124 0.482	
Controls		Yes		Yes	
Industry dummies		Yes		Yes	
Year dummies		Yes		Yes	
Adjusted R^2		0.213		0.242	
N		15,091		15,091	

Panel D Voting behavior of banks

Dependent variable: percentage of votes against		*Representative director appointment*		*CEO appointment*	
		(1)		(2)	
Bank ownership × *lower ROE dummy* × *post code dummy*	δ_1	0.022 0.743		0.023 0.713	
Bank ownership × *lower ROE dummy*	δ_2	-0.016 -0.748		-0.020 -0.855	
Bank ownership × *post code dummy*	δ_3	0.010 0.527		0.005 0.230	
Bank ownership	δ_4	-0.097 -5.883	***	-0.114 -6.323	***
Lower ROE dummy × *post code dummy*	δ_5	0.710 4.511	***	0.845 4.758	***
Lower ROE dummy	δ_6	0.697 5.420	***	0.722 5.206	***
Post code dummy	δ_7	-0.363 -1.363		-0.259 -0.907	
Controls		Yes		Yes	
Industry dummies		Yes		Yes	
Year dummies		Yes		Yes	
Adjusted R^2		0.176		0.206	
N		15,091		15,091	

Panel E Voting behavior of corporate shareholders

Dependent variable: percentage of votes against		*Representative director appointment*		*CEO appointment*	
		(1)		(2)	
Corporate ownership × *lower ROE dummy* × *post code dummy*	δ_1	-0.009	*	-0.011	*
		-1.696		-1.843	
Corporate ownership × *lower ROE dummy*	δ_2	-0.030	***	-0.032	***
		-7.351		-7.157	
Corporate ownership × *post code dummy*	δ_3	-0.002		-0.002	
		-0.485		-0.469	
Corporate ownership	δ_4	-0.013	***	-0.015	***
		-3.973		-4.237	
Lower ROE dummy × *post code dummy*	δ_5	1.032	***	1.225	***
		4.715		5.010	
Lower ROE dummy	δ_6	1.475	***	1.531	***
		8.527		8.233	
Post code dummy	δ_7	-0.389		-0.304	
		-1.422		-1.037	
Controls		Yes		Yes	
Industry dummies		Yes		Yes	
Year dummies		Yes		Yes	
Adjusted R^2		0.196		0.223	
N		15,091		15,091	

Robust standard errors are clustered at firm level. The lower step indicates t-statistics. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively