

27 August 2024 (No. of pages:1)

Japanese report: 02 Jul 2024

Characteristics and stock prices of companies that changed their dividend policy

Many are companies with market capitalization of 10-100 bil yen, and P/B ratio of less than 0.9x

Financial and Capital Market Research Dept.
Masahiro Nakamura

Summary

- The number of firms that changed their dividend policies, etc. during the Apr-Jun period of 2024 was 133, the highest number of firms that did so in any quarter since 2009. The Tokyo Stock Exchange's request in March 2023 for listed companies, "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," is accelerating the number of companies changing their policies. Among them, companies with market capitalization of 10 bil to 100 bil yen and P/B ratios of 0.3x to 0.9x are more aggressively reviewing their shareholder return policies.
- Although many of the changes in dividend policy involved "establishing a new ratio target or raising the target value," the percentage of such changes in the number of disclosures has declined. Instead, there has been an increase in policy changes such as introduction of progressive dividends to maintain or increase the level of dividends, and changes from dividend payout ratio or total return ratio to dividend on equity (DOE) ratio.
- The stock market has generally responded favorably to the disclosure of changes in dividend policy. Among companies that have disclosed changes since January 2022, two out of three have had their relative share prices outperform the TOPIX on the following business day. However, the sustainability of stock price performance differs depending on whether or not an increase in the dividend forecast is made in conjunction with the disclosure of the change.
- Since 40% of all companies had P/B ratios below 1x as of the end of June, we expect that more companies will continue to establish new ratio targets or raise their targets for the time being. On the other hand, as seen in the Apr-Jun period, we expect to see more moves such as a change in policy to progressive dividends and DOE, etc., which are relatively less affected by fluctuations in earnings (net income), and the abolition or lowering of ratio targets.

Attention

This report is a summary translation. The official document is only in Japanese.