Mizuho Custody Newsletter

June 2025 | Japan

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I. Market News

1. BOJ slows JGB reduction

The Bank of Japan (BOJ), which announced to lift its negative interest rate policy in March 2024, revealed plans in July 2024 to gradually scale back its monthly Japanese Government Bond (JGB) purchases. Previously purchasing approximately JPY 5.7 trillion (approx. USD 39 billion) worth of JGBs every month, the BOJ aims to reduce this amount by JPY 400 billion (approx. USD 2.75 billion) per quarter through March 2026, eventually bringing monthly purchases down to JPY 2.9 trillion (approx. USD 20 billion) by the first quarter of that year.

During a monetary policy meeting held on June 17, 2025, the BOJ decided to ease the pace of these reductions starting in April 2026, halving the quarterly cutback to JPY 200 billion (approx. USD 1.38 billion). BOJ Governor Kazuo Ueda emphasized the need to proceed cautiously, stating, “We will continue reductions while taking market stability into consideration.”

As a result of the revised plan, the BOJ’s monthly purchases are projected to drop to JPY 2.1 trillion (approx. USD 14.4 billion) by the first quarter of 2027. Governor Ueda explained the rationale behind the slower reduction pace, noting concerns about potential adverse impacts on the economy if bond yields exhibited excessive volatility. He added, “We are carefully managing the side effects of large-scale monetary easing to avoid destabilizing the economy.” On the question of reducing the quarterly adjustment to JPY 200 billion, Ueda remarked, “While continuing at JPY 400 billion offered some predictability, we prioritized market stability, settling on JPY 200 billion as a practical benchmark.” He declined to confirm whether this would mark the end of bond purchase reductions, stating that the matter would be reviewed during a mid-term assessment at the monetary policy meeting scheduled for June next year.

Since the inception of its large-scale monetary easing in 2013—dubbed “unprecedented easing”—the BOJ has purchased massive quantities of JGBs to suppress interest rates. As of December 2024, the central bank owned approximately JPY 560 trillion (approx. USD 3.86 trillion) in JGBs, accounting for 52% of Japan’s outstanding government debt. The new reduction plan would shrink the BOJ’s bond holdings by 16–17% by March 2027 compared to June 2024 levels, when the cuts began.

Since April, the bond market has seen yields on ultra-long-term government bonds, such as 30-year and 40-year bonds, surge sharply, partly driven by concerns over government fiscal expansion. Given the current turbulence in the bond market, the BOJ's latest decision may be considered a prudent move. Demand for 30- and 40-year bonds has historically been limited, primarily to insurance companies, and the recent spike in ultra-long yields is widely attributed to a downturn in demand following insurance firms’ regulatory-driven buying of these long-term bonds. With the BOJ holding nearly half of all outstanding JGBs, this distorted market condition underscores the importance of the central bank steadily reducing its holdings as a necessary step toward stabilizing the bond market.

On June 20, the Ministry of Finance (MOF) convened a meeting with primary dealers—a group of securities firms tasked with facilitating JGB issuance—to present an unusual mid-year revision to its 2025 issuance plan. The MOF proposed reducing ultra-long-term bonds with maturities exceeding 10 years while increasing issuance of medium- and short-term bonds to offset the decrease. Starting in July, monthly issuance of 20-year bonds will be trimmed by JPY 200 billion per auction, while 30-year bonds and the bi-monthly 40-year bonds will see reductions of JPY 100 billion each. Despite these adjustments, total issuance for the fiscal year will remain unchanged.

The surge in bond yields observed between April and May surpassed the ministry's expectations, driven by global market disruptions stemming from U.S. tariff policies under the Trump administration and domestic political uncertainty ahead of Japan's upper house elections. Concerns over worsening government finances fueled by promises of cash handouts and income tax cuts further amplified fears. Yields on 30- and 40-year bonds hit record highs in late May, prompting the ministry to stress its commitment to ensuring stable bond issuance while aligning with BOJ policies. Finance Minister Kato remarked at the meeting, "The government will continue efforts toward stable bond issuance, keeping BOJ's purchasing plans in mind."

For the MOF, the BOJ's decision to slow bond purchase reductions appears favorable, addressing the risk of excessive yield spikes stemming from weak demand. The sharp rise in yields on ultra-long-term bonds in recent months highlighted the fragility of the market and the urgency of coordinated action. During a press conference following the June 17 policy meeting, Governor Ueda emphasized that the reduction plan was crafted in close consultation with the ministry, underscoring the importance of collaboration.

From the BOJ's perspective, its primary monetary policy focus now lies in raising short-term interest rates, with bond purchases relegated to the backdrop. The next rate hike, expected to lift policy rates to 0.75%, would mark the highest level in 30 years. However, such a move is likely to face political opposition, making the central bank's relationship with the MOF critical. The scaled-down bond purchase reductions could be interpreted as a conciliatory gesture toward the ministry, laying the groundwork for broader support as the BOJ prepares for its next rate hike.

Compiled from Nikkei Shimbun and Mizuho research.

Details for BOJ's announcement can be found from below:
https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2025/k250617b.pdf

2. Revisiting Shareholder Proposal Rules

In a recent survey conducted by the Tokyo Stock Exchange (TSE), June 27 emerged as the peak date for AGM this year. Companies with March fiscal year-ends tend to hold their meetings in June, often clustering on the day before the final working day of the month. However, the concentration of AGM dates continues to diminish annually, with this year's peak accounting for 25.2% of total meetings—down from 29.5% last year.

Separately, a major trust bank reported record-high shareholder proposals at this year's AGMs, with 114 companies facing a combined 399 proposals. Notably, individual shareholders and emerging funds played a significant role in this surge. Proposals attributed to individuals reached 61 across 25 companies—a sharp increase compared to four years ago, when only six proposals were made by individuals at four companies. Yet, a growing mismatch is becoming apparent between the relative ease of filing shareholder proposals in Japan and the significant influence they can wield.

The framework for shareholder proposals dates to a 1981 revision of Japan's Commercial Code (now Companies Act), aimed at strengthening corporate governance following a wave of scandals in the 1970s. At the time, Japan's corporate landscape was dominated by stable cross-shareholding arrangements and silent shareholders, while banks played an active role in monitoring companies. To balance this dynamic, lawmakers introduced measures that empowered individual shareholders, such as enabling shareholder lawsuits. The requirement to file proposals—either 1% of voting rights or ownership of 300 shares—has remained unchanged since 1981. Subsequently, the reduction in minimum investment units gained traction, driving the value of 300 shares to levels far cheaper than originally anticipated. As companies continue unwinding cross-shareholdings, individual investors are emerging as key buyers, reshaping shareholder structures across the market.

For instance, a large telecommunications company's shareholder proposal threshold has fallen from over

JPY 400 million (approx. USD 2.75 million) in 1989 to less than JPY 5 million (approx. USD 34 thousand) today. Similarly, the threshold for Japan's largest securities firm has dropped from JPY 1 billion (approx. USD 6.9 million) to around JPY 20 million (approx. USD 138 thousand), while a mid-sized oil refining company that had never received proposals before faced three new ones this year from individual shareholders. One proposal called for establishing a committee to explore delisting, citing persistent low stock prices and the necessity of becoming a subsidiary of a major shareholder holding 22% of the company's equity.

While the monetary threshold for filing proposals has decreased, Japan's shareholder proposal system remains powerful compared to global standards. Shareholders can demand specific actions, such as director nominations, changes in shareholder returns, or even operational decisions through amendments to articles of incorporation. Unlike in the United States, where daily management decisions are typically left to the board, Japanese shareholders can exert direct influence over corporate strategy and operations.

Considering the changes in Japan's corporate environment since 1981, discussions about recalibrating shareholder rights have gained momentum. Business groups and the Ministry of Economy, Trade, and Industry have advocated revising the 300-share requirement, arguing that serious proposals with broad support deserve robust debate. Experts also emphasize that removing the 300-share rule would make the 1% voting rights threshold the new minimum, significantly raising the cost of filing proposals. Opponents, however, warn that such a change would disadvantage individual investors, who often drive governance improvements at smaller companies not targeted by institutional investors.

Japan's stock market is home to many companies with market capitalizations under JPY 10 billion, often overlooked by major funds. Raising the proposal threshold risks excluding retail investors and undermining the recent push to energize individual investment. Critics argue that such reforms could stifle governance reforms at these smaller firms and run counter to broader efforts to invigorate Japan's equity market.

Compared to other markets, Japanese shareholders enjoy considerable freedom to file proposals and convene extraordinary meetings. Yet, the corporate landscape has evolved significantly since the introduction of the system, making the current debate over shareholder rights a natural development. Reform discussions must also address broader governance issues, such as enhancing the effectiveness of boards, particularly through improved selection and training of independent directors.

A scholar noted, "Shareholder meetings should not be the sole venue for dialogue between companies and their shareholders. Focusing solely on the volume of proposals or voting outcomes reflects an immature approach to capital markets." As Japan charts its path forward, balancing shareholder empowerment with effective corporate governance will be key to fostering a resilient and inclusive investment ecosystem.

Compiled from Nikkei Shimbun and Mizuho research.
The report published by TSE can be found from their below website:
https://www.jpx.co.jp/english/news/1021/dh3otn0000004yn4-att/press202504_en.pdf

3. Early Disclosure Falls Short for Investors

The securities reports disclosed by listed companies in Japan, commonly referred to as "yūhō," are equivalent to annual reports published by overseas corporations. These documents not only include financial data but also provide non-financial investment information such as details on capital expenditures, shareholder profiles, and human capital.

For years, international institutional investors, particularly those from overseas, have been calling for these securities reports to be disclosed prior to AGMs to facilitate meaningful engagement with companies. Traditionally, however, yūhō reports have been published by the end of June, after the AGMs—a practice viewed as problematic by investor advocacy groups, including the International Corporate Governance Network (ICGN). In response, Japan's Financial Services Agency (FSA) took an unprecedented step this March, urging all publicly traded companies to release their reports ahead of shareholder meetings. Following this announcement, the FSA conducted surveys to gauge corporate intentions.

According to findings released by the FSA at the end of May, approximately 2,300 companies with fiscal years ending in March were surveyed, with 55%—or 1,241 firms—indicating plans to disclose yūhō reports before shareholder meetings. This marks a dramatic increase compared to last year, when only 42 companies, a mere 2%, followed this practice.

However, a closer look at the timing of the disclosures revealed that 64% of companies released their reports just one day before the shareholder meeting. While domestic think tanks view the increase in pre-meeting disclosures as a positive step, they maintain that the ideal timeline would involve releasing reports at least three weeks in advance. Interviews conducted by the Financial Services Agency with institutional investors echoed this sentiment, with many noting that disclosures made only a week before shareholder meetings leave insufficient time for thorough analysis. The consensus is that reports should ideally be made available three to four weeks prior to meetings. Despite some progress, it is difficult to argue that the convenience for investors has significantly improved.

At one major asset management firm, a team of six to seven analysts spends six hours a day reviewing proposals from 1,200 investee companies in preparation for AGMs. Their evaluations primarily rely on financial statements and the AGM notices, which include details on business performance and executive appointments. Even though over half of companies now disclose their securities reports, or yūhō, prior to shareholder meetings, a representative from the firm stated, “We don’t look at the securities reports at all. Instead, we ask companies to include the necessary information directly in the AGM notices.”

It is ironic that even when companies go to great lengths to disclose their securities reports (yūhō) ahead of shareholder meetings, these efforts often fail to meaningfully assist shareholders in exercising their voting rights. The three-month window between Japan’s fiscal year-end and AGMs is operationally overwhelming, largely due to the increasingly complex disclosure requirements. Over recent years, companies have been tasked with expanding their reporting on business risks, and going forward, they will face mounting expectations to enhance disclosures related to sustainability issues such as human capital and climate change initiatives.

Should accelerating the yūhō disclosure timeline prove unfeasible, delaying the timing of AGMs may be another option. Some listed companies have already proposed amendments to their articles of incorporation to prepare for this possibility. Yet postponing AGMs poses challenges. A major trading company commented, “Delaying shareholder meetings would mean a delay in appointing directors, which could significantly disrupt business operations. Similarly, pushing back dividend resolutions would postpone dividend payments. The implications are vast and require careful consideration.” Many companies remain cautious, opting to monitor developments rather than take bold action.

Ultimately, ensuring that shareholders have access to the information they need to make informed voting decisions is paramount. Some companies, such as leading paper manufacturers, have started to include high-demand information, like details on unwinding cross-held shareholdings, directly in AGM notices. A domestic trust bank noted, “Some firms are creatively using AGM notices to provide information in a more accessible format than yūhō reports. Such initiatives deserve recognition.”

The push for timely and transparent disclosure continues to be a key topic as Japan seeks to align its corporate governance practices with international standards. While progress has been made, bridging the gap between investor needs and corporate practices remains a challenge.

Compiled from Nikkei Shimbun and Mizuho Research

II. New Equities Listing Approvals

Listing Date	Name of Company	ISIN Code	MKT
Jun-30	LIPPS CO.,LTD.	JP3974620001	G
Jun-30-	RENT CORPORATION	JP3981550001	ST
Jul-04	Hit Co.,Ltd.	JP3791960002	G
Jul-04	Higuchi Consulting Co.,Ltd.	JP3783770005	P
Jul-16	KagayakiHoldings,Inc.	JP3155430006	G
Jul-18	MINOYA CO.,LTD.	JP3906200005	ST
Jul-24	Fuller,Inc.	JP3826290003	G

**Information compiled based on postings from the Prime (PR), Standard (ST), Growth (G), Tokyo Pro Market (P), NSE (N)、FSE (F) & SSE (S).*

***Board lot size is unified to 100*

III. Foreign Ownership Limit Ratio

Click for up-to-date FOL information:

https://www.jasdec.com/en/description/less/for_pubinfo/for_pubinfo.html

Please visit our Custody homepage on the Web at:

https://www.mizuhogroup.com/bank/what-we-do/custody