

Mizuho Custody Newsletter

September 2025 | Japan

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I. Market News

1. Improving English disclosure

Since April 2025, the Tokyo Stock Exchange (TSE) has required companies listed on its Prime Market to simultaneously disclose key information in both Japanese and English. To assess overseas investors' opinions, the TSE conducted a survey and published the results in early September, offering valuable insights into how these recent changes are being perceived internationally.

The findings are encouraging: 88% of respondents indicated that Japanese companies' English disclosures are "improving" or "slightly improving," reflecting a positive reception of the TSE's efforts. More companies now provide timely English versions of important documents such as earnings reports and timely disclosure documents, drawing favorable attention from investors across Europe, North America, and Asia.

However, a separate survey conducted by a global PR consulting company and a shareholder advisory firm reveals that some challenges remain. Although the volume and speed of English disclosures have increased, only 20% of overseas investors find the communications and financial information provided by Japanese companies "easy to understand," whereas 40% rate them as "difficult to understand." Concerns

persist regarding the depth of disclosures on governance and long-term growth strategies, as well as English materials that are mere translations, lacking compelling narratives or strategic context. Investors are also calling for broader English coverage, including IR presentations and disclosures from small- and mid-cap companies.

The TSE's own survey echoed these sentiments. While investors acknowledged significant improvements in the quantity and timing of English disclosures, they noted that certain documents are still not available in English, and that translations sometimes lack the completeness found in the Japanese originals.

The TSE also published the names of 46 companies recognized for their outstanding English disclosures, describing the specific attributes valued by investors. While feedback also pointed out 19 companies whose disclosures require improvement, the TSE did not disclose their names, instead highlighting the key areas where investors hope to see further progress.

In the separate survey, overseas investors were asked about the factors that most influence their investment decisions in Japanese companies. "Governance improvement" ranked highest at 40%, notably surpassing issues like "global economic trends" (20%). This underscores the importance of management transparency and communication in attracting foreign investment, even amid shifting global conditions. Notably, 80% of respondents expressed optimism about Japanese companies' investment prospects over the next five years, suggesting ample room for growth once communication and disclosure standards advance further.

Looking ahead, the TSE remains committed to encouraging listed companies to further enrich their disclosures in response to overseas investor feedback. As a partner from the shareholder advisory firm commented, "Japanese companies are making progress, but unless they deliver a clear message, there is a risk that their growth story won't be fully understood. Building shareholder understanding

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through transparent communication is absolutely crucial.”

Compiled from Nikkei Shimbun and Mizuho research.

The survey results conducted by TSE is available from below:

https://www.jpx.co.jp/english/corporate/news/news-releases/0060/sjcobq0000024n0y-att/e_survey_results_2025.pdf

2. BOJ's exit from ETF and REIT investment

The Bank of Japan (BOJ) has announced plans to begin unwinding its holdings of exchange-traded funds (ETFs) and real estate investment trusts (REITs), following a monetary policy meeting held from September 18 to 19, 2025. The central bank will kick off sales once their necessary operational preparations are completed.

This marks a watershed moment in Japan's monetary policy: a pivot away from the massive purchases of ETFs and REITs that came to symbolize the BOJ's aggressive easing started in 2010. The move is part of a broader “exit strategy,” alongside last year's end of negative interest rates and the gradual reduction of government bond holdings.

The BOJ's ETF holdings currently account for roughly 8% of the market capitalization of the Tokyo Stock Exchange's Prime Market—a stake so sizeable that potential selling pressure on equities cannot be ignored. To avoid jolting stock prices, the central bank has laid out a cautious approach, capping annual sales at several hundred billion yen and stretching the divestment process over a century or more. The initial announcement triggered volatile swings in share prices, but markets have since responded calmly, reassured by the BOJ's measured pace.

The BOJ began purchasing ETFs and REITs in 2010 as part of its policy toolkit, an extraordinary intervention that saw a central bank wade directly into risk asset markets to prop up equities. BOJ's former governor, Mr. Kuroda then argued that large-scale buying would support the economy and prices, making it a key lever in the battle against deflation. In practice, the BOJ stepped in mainly during downturns, providing a backstop for falling share prices.

Critics were quick to point out that this strategy distorted equity valuations, which are meant to reflect

corporate fundamentals. The BOJ's decision to delegate voting rights attached to the shares to asset managers also sparked concerns over weakened corporate governance.

Nevertheless, the BOJ's ETF investments—through passive asset management—have played a significant role in advancing governance reforms among Japanese companies. By removing discretionary voting on individual firms, the strategy introduced disciplined pressure on management, spurring improvements in dividend payout ratios and greater representation of outside and female directors. These developments have contributed to strengthened corporate governance across the board.

The year 2025 will mark a decade since the introduction of Japan's Corporate Governance Code, and attention is now turning toward a shift in mindset: from “comply or explain” to “explain or comply.” Beyond mere box-ticking, companies are being urged to engage sincerely with shareholders and step up investment in people and equipment to drive growth.

As the BOJ embarks on this long-term sell-down, risks remain—not least the possibility of sharp declines in share prices and impacts on the bank's own balance sheet. Still, BOJ officials are unfazed, insisting that the disadvantages are “not excessively large,” and pledging to steer policy prudently within a healthy framework.

Ultimately, the onus is on companies themselves to win over investors. Robust governance and sustainable value creation will be critical in weathering the effects of BOJ's divestment and addressing the uniquely Japanese challenge of central bank risk-asset accumulation.

The BOJ's exit from ETF holdings represents a pivotal shift for Japan's capital markets, corporate governance, and monetary policy. More than a technical adjustment, it is a test of corporate renewal and Japan's long-term economic prospects. The market is watching closely, with high hopes for progress in both enterprise reform and sustained growth.

Compiled from Nikkei Shimbun and Mizuho research.

The gist of the announcement from BOJ is available from below:

https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2025/k250919b.pdf

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3. Oversea investors lead Japan stock gains

Since September, the Nikkei Stock Average has continued to reach record highs (as of September 24). While optimism over potential changes in domestic politics has played a role, the underlying driver of Japan's stock rally has been the deepening and increased clarity of corporate reforms aimed at improving capital efficiency.

Investors are staying ahead of the curve, snapping up shares in anticipation of a decisive breakthrough past the long-standing 10% barrier for return on equity (ROE), fueled by transformative moves from companies themselves.

According to data from a domestic financial information provider, the actual ROE for the TOPIX currently stands at 9.1%. Although ROE climbed to the high 9% range in 2006–07 and again in 2018–19, those gains were derailed by economic shocks such as the global financial crisis and the COVID-19 pandemic. In recent years, expansion in shareholder equity has kept ROE stuck near 9%.

Two and a half years after the TSE began urging companies to focus on capital costs and share prices, the once-distant prospect of double-digit ROE is now attracting investment flows. What is underpinning this shift is not just a top-down directive, but also a growing trend of companies voluntarily engaging with the equity market. According to figures released by the TSE in early September, more than 90% of Prime Market firms have disclosed their plans to improve their price-to-book ratio (PBR), and over 60% have already refined and updated their initial disclosures.

Feedback from institutional investors, both domestic and overseas, has been positive. “Japanese companies are now paying attention to capital costs and share prices to a degree unimaginable just a few years ago. Many firms are prioritizing dialogue with investors, and the quality of IR and engagement is steadily improving,” one overseas investor observed. Still, some note that it is not enough for companies to simply disclose initiatives for improving capital returns; actual improvements in ROE and ROIC need to be verified to justify increasing allocations to Japanese equities.

Overseas investors have been at the forefront of

Japan's market rally. As one sales director at a foreign securities firm explained, “Investors are moving into Japanese equities ahead of the ROE inflection point.” During the early days of Abenomics (a set of economic policies introduced by former Japanese Prime Minister Shinzo Abe) in the 2010s, Japanese stocks' ROE was around 5%, but as it ticked higher by several points, a flood of foreign capital poured into the market. So, is ROE really close to breaking 10%? Another securities house forecasts that TOPIX-based ROE will reach 10.1% in fiscal 2026. Its strategist notes that corporate reform in Japan has now entered a “self-driven and sustainable phase, led by companies and the market itself.”

The price-to-book ratio (PBR) is a function of ROE and the price-earnings ratio (PER). A domestic university professor who has long followed Japan's capital reforms remarked, “Valuation improvements are just getting underway. I believe Japan can become a country with a world-standard PBR of x2.” An Asian investment executive at a U.S. asset management firm, who visited Japan in August, said, “I sense a real change in corporate attitudes. Earnings growth looks solid.” The self-directed transformation underway at Japanese companies is bolstering confidence among long-term investors.

Compiled from Nikkei Shimbun and Mizuho Research

The latest material about the follow-up of market restructuring by TSE is available from below:

<https://www.jpx.co.jp/english/equities/follow-up/b5b4pj000004yqcc-att/sjacobq0000024jxu.pdf>

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II. New Equities Listing Approvals

Listing Date	Name of Company	ISIN Code	MKT
Oct-24	BCJ Co.,LTD.	JP3799640002	G
Oct-24	Infcurion,Inc.	JP3153840008	G
Oct-23	CyberSolutions Inc.	JP3311480002	G
Oct-17	uSonar Co.,Ltd.	JP3944590003	G
Oct-16	Tekscend Photomask Corp.	JP3545320008	PR
Oct-15	LION OFFICE PRODUCTS CORP.	JP3965440005	S
Oct-10	tane CREATIVE CO.,LTD.	JP3469600005	P
Oct-08	Cypress Holdings Co.,Ltd.	JP3311900009	S
Oct-06	Movin' Strategic Career CO.,LTD.	JP3912300005	G
Oct-03	OVERLAP Holdings,Inc.	JP3173150008	G
Oct-01	GMO TECH Holdings,Inc.	JP3386980001	G
Oct-01	FUJI UNITED HOLDINGS COMPANY,LTD.	JP3821300005	S
Oct-01	BLUE ZONES HOLDINGS CO.,LTD.	JP3831110006	PR
Oct-01	KANKYOU NO MIKATA Holdings Inc.	JP3227390006	P
Sep-29	Sony Financial Group Inc.	JP3435350008	PR
Sep-25	Nippon Maritime Bank Co.,Ltd.	JP3751100003	P
Sep-25	Runglobe Inc.	JP3968630008	P

*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>

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