Mizuho Custody Newsletter

December 2025 | Japan

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I. Market News

1. Prime to Standard

In April 2022, the Tokyo Stock Exchange (TSE) implemented a major reform of its market structure. The previous complex segments, such as the First Section, Second Section, and JASDAQ, were consolidated into three markets: the Prime Market, the Standard Market, and the Growth Market. With this reform, the Prime Market now focuses on global standards of governance and shareholder relations, the Standard Market includes a wide range of company sizes and industries, and the Growth Market targets companies oriented toward growth. Currently, efforts in the Prime Market are increasing to improve corporate value, strengthen governance, and promote shareholder returns. One point of attention is the price-to-book ratio (PBR). The average PBR for companies in the Prime Market rose from 1.6 in February 2023 to about 2.0 recently.

The Standard Market brings together companies that have moved from the First Section, Second Section, JASDAQ, and old regional markets. There is great variety in the Standard Market, from large companies with high market capitalization to small and mid-sized companies rooted in their local communities. Companies listed in the Standard Market account for more than 40% of the total, making it an important segment in Japan's capital market. However, there are persistent opinions against uniformly raising market standards. Some voices are concerned that stricter standards may lead to the elimination of small businesses or have negative effects on regional economies.

For companies in the Standard Market, improving corporate value and enhancing information disclosure remain challenges. The average PBR in the Standard Market was below 1.0 before the reforms but now exceeds 1.0. Still, the speed and level of increase are not as rapid as in the Prime Market, and continued improvement is needed. There are also challenges regarding IR (Investor Relations) systems, lack of personnel, and insufficient expertise in information disclosure. Many companies do not have dedicated staff for IR tasks, and their information disclosure systems are not yet sufficient.

Strengthening governance and protecting minority shareholders has mainly been discussed for the Prime Market, but this movement is gradually spreading to the Standard and Growth Markets. Companies with parent or controlling shareholders are expected to clarify management responsibilities and protect minority shareholder interests. The TSE's reforms also classify companies by market segment and emphasize capital cost and growth strategies for each group. Other focuses include clear growth strategies, defined equity stories, the disclosure of KPIs (Key Performance Indicators), and active release of information about discontinuous growth strategies such as M&A. There are also plans to publish best practices on a dedicated website.

Recently, there has been analysis noting increased interest from foreign investors in Japanese small and midcap stocks. The presence of companies with strong growth potential and diversified business portfolios may be factors for this interest. However, for small and mid-sized companies, information disclosure and IR activities are still not sufficient.

When it comes to English-language disclosure of earnings releases ("Kessan Tanshin"), 94% of companies in the Prime Market provide English translations. In contrast, only about 25% in the Standard Market and 24% in the Growth Market do so. This difference is reportedly due to the cost and lack of human resources for translation, along with concerns over translation accuracy. Such gaps in information disclosure standards are a matter of interest to foreign investors, while also posing practical challenges.

To address these issues, the Tokyo Metropolitan Government has begun supporting English disclosure through the introduction of an AI translation tool for earnings releases. Since 2023, mainly companies in the Standard and Growth Markets have been adopting this AI tool. Developed with support from the National Institute of Information and Communications Technology (NICT) and JPX Research Institute, this tool is reported to achieve over 90% translation accuracy. Up to 100 companies are scheduled to adopt the tool gradually, and participating companies can attend training sessions and receive support on how to use the tool.

In addition, companies are working to strengthen disclosure of growth strategies, ongoing publication of KPIs, and M&A-related information. Local governments are sharing expertise and offering support to tackle issues, such as the shortage of IR experts and the costs of English disclosure. It is expected that companies will need continuous improvement in both their organizational approach and mindset.

Overall, reforms are progressing in various areas, including market restructuring at TSE and the efforts of local governments like Tokyo to assist with information disclosure. There are both system-level and practical changes occurring at the same time, with more focus on how companies handle information disclosure and on the evolving support from government authorities.

Compiled from Nikkei Shimbun and Mizuho research.
More detailed information about TSE's approach toward the Standard and Growth market is available from the below Japan Exchange Group website:
https://www.jpx.co.jp/english/equities/follow-up/index.html

2. Foreign Flavor in JGBs

Recently, as the Bank of Japan has been reducing its holdings of government bonds as part of its policy transition, foreign investors are playing an increasingly important role in the Japanese government bond (JGB) market. In the early 2020s, the proportion of foreign investors in super-long JGB trading was 27.6%, but it has now reached about 60%, significantly surpassing the shares of traditional domestic investors like life insurance companies and trust banks. For example, as of October, life insurers accounted for only 7.9% and trust banks for 16.2% in this segment, highlighting the strong presence of overseas players.

Behind this trend, several policy changes have been made by the Bank of Japan. In December 2022, the central bank revised its Yield Curve Control (YCC) policy, expanding the allowed range for long-term interest rate fluctuations. In March 2024, the negative interest rate policy ended. As a result, the yield on 20-year JGBs has risen from below 1% in early 2022 to nearly 3% now. This increase in rate volatility has been seen as an opportunity by overseas investors, leading them to become more active in the market. Japanese institutional investors usually buy newly issued government bonds and tend to keep holding them for a long time, without trading them frequently. Because of this, the market used to have fewer trades and lower liquidity. However, foreign investors actively buy and sell Japanese government bonds, and their participation has made the whole market more active and increased its liquidity.

As these changes take place, foreign investors have shown a growing and widely varied interest in Japanese government bonds. Through Japan's Ministry of Finance (MOF) investor relations (IR) activities, many questions have been raised by foreign investors. They are especially interested in the outlook for Japan's economy, politics, and fiscal management—for example, how US tariff policies might affect Japan's economic growth and inflation, and the sustainability of high wage growth including the impact on small businesses and public servants. Some investors are concerned about the possible effects on the market if a new government takes office with aggressive fiscal expansion plans, or if large-scale tax cuts are implemented—particularly how such measures would be funded and how they might affect the evaluation of Japan's fiscal position. There are also concerns about market instability caused by such policies, based on cases from other countries.

Other points of interest include the reasons behind the recent rise in super-long interest rates, future bond issuance plans, and whether domestic institutions such as life insurance companies will maintain their demand for these bonds. Foreign investors are also keen to know how to address high transaction costs due to the low liquidity of certain bonds, and what measures are being taken to make the market structure more robust and attractive for a wider range of global investors. With the Bank of Japan buying fewer JGBs, foreign investors are curious about efforts to diversify the investor base and encourage individual and new institutional buyers to enter the market.

To address these interests, the Ministry of Finance has actively conducted overseas IR activities in year 2025. These included 13 in-person meetings as of the end of October, held in North America (USA: 2 times), Europe (Ireland: 1, UK: 3, Spain: 1, Germany: 1, France: 2), Asia (Singapore: 1, Malaysia: 1), Oceania (Australia: 1), and the Middle East (UAE: 1, Qatar: 1). In addition, the ministry regularly holds online meetings, approaches new investor groups that previously had little contact with JGBs, and organizes small-group discussions to strengthen relations.

During these IR sessions, investor questions cover a broad range of topics, such as Japan's fiscal plans, policies to improve bond market liquidity, and the government's approach to environmental and green bonds. Concerns about inflation, wage increases, and the potential effects of fiscal expansion continue to be discussed. The MOF responds actively to these issues and works to improve the reliability, transparency, and reputation of the JGB market.

With the recent rise in super-long interest rates, investors have more opportunities, but the debate also includes market vulnerability due to expanded fiscal policy and whether additional "fiscal premium" may be required on yields. Overseas investors tend to evaluate Japan's fiscal management more strictly than domestic investors, making the market more sensitive to changes in fiscal policy or debt outlook.

Foreign investors are now becoming a key part of the Japanese government bond market. As a result, the authorities are putting more emphasis on both quantitative and qualitative information disclosure, and on building trust through direct communication with investors worldwide. Going forward, Japan will need to maintain strong market credibility and attract a more diverse range of investors to support a vibrant and stable JGB market.

Compiled from Nikkei Shimbun and Mizuho research.

3. Japan's Market Evolution

The Japanese securities market in 2024 was a year of clear change and evolution, mainly driven by reforms in the Tokyo Stock Exchange. The impact of these changes can be seen in key data figures.

One major topic was the change in market categories. In 2025, 35 companies switched their market segment, which is more than four times the number from the previous year and the highest ever. About 70% of these companies moved from the stricter "Prime Market" or "Growth Market" to the more relaxed "Standard Market." Specifically, 13 companies moved from Prime to Standard, and another 13 moved from Growth to Standard. This shift happened because the "transition period" for companies not meeting listing standards ended in March 2025, leading to stricter selection. As of December, 104 companies—mainly in the Standard Market—entered an "improvement period." If they do not meet the standards after one year, they risk being delisted.

Alongside stricter listing standards and increased management pressure, the number of delisted companies also reached a record high. In 2025, 124 companies were delisted, which is 30 more than the previous year and the highest for two years in a row. The average market value of delisted companies was 109 billion yen at the end of 2024, meaning mostly smaller companies left the market. This movement allowed money to be reinvested, helping to energize the market. In fact, the Nikkei Stock Average reached the JPY 50,000 level for the first time in October 2024. Of the delisted companies, 26 were due to management buyouts (MBOs), which is about 20% of the total. There were also many cases of companies becoming fully owned subsidiaries to reorganize or end parent-child listings.

In the IPO (Initial Public Offering) market, both the number and size of new listings changed. In 2025, there were 41 IPOs on the Growth Market (down from 64 the previous year) and 66 overall (down from 86), a 36% decrease for Growth and 23% overall—the lowest since 2012. However, the median market value at

IPO was JPY 10.2 billion (up from JPY 5.8 billion), a 70% increase and the first time it exceeded JPY 10 billion. More than half of the IPOs were over JPY 10 billion, up from 31% last year, while smaller IPOs under JPY 10 billion dropped by 55% to 20 companies. More companies were profitable at the time of their IPO, and the number of loss-making IPOs fell from 12 to 3, showing a shift toward higher "quality."

The types of companies listing on the Growth Market also became more diverse, including space, semiconductors, healthcare, and intellectual property, not just IT. When market value exceeded JPY 10 billion, institutional investors became interested. For example, a space venture attracted major U.S. investors and its initial share price doubled from its offering price. The average increase in share price from the offering price was 49%, higher than the previous year's 38%.

For TOB (Tender Offer Bids), both the number and amount reached record levels. By mid-December 2025, there were 128 TOBs (28 more than the previous year), the highest ever, and the total amount was about JPY 10.56 trillion—more than three times last year and the first time it exceeded JPY 10 trillion. This far surpassed the previous record of 104 cases in 2007. TOBs were used for group reorganizations, MBOs, and business expansion, with many aimed at dissolving parent-child listings, helping market liquidity and restructuring. New investment trusts focused on capital efficiency were also launched, including a fund that raised JPY 29.9 billion, the largest among new funds in 2025.

Looking ahead, 60 companies are expected to newly list in 2025, 21 fewer than the previous year, bringing the total number of listed companies (excluding TOKYO PRO Market) to 3,783, down 59 from last year. This marks the second consecutive year of decline in the number of listed companies in Japan, following a decrease of one company in 2024. Globally, the number of listed companies has also decreased: Nasdaq in the U.S. dropped from about 4,700 at the end of 2000 to about 3,200 at the end of 2024, and the London Stock Exchange fell from about 2,900 to 1,700 over the same period. In contrast, Japan's listed company count increased by 60%, showing its unique active restructuring cycle and large number of companies.

However, the average market value of companies in the Nikkei 500 Stock Average is about 200 billion yen, only one-tenth of the S&P 500 in the U.S. Among the Nikkei 500, 312 companies (over 60%) have a market value under 100 billion yen. For Japan to strengthen international competitiveness, more dynamic restructuring and consolidation will be needed.

This year, the market clearly showed trends such as responding to market category suitability, shifting IPOs from quantity to quality, active TOBs and MBOs, and faster renewal through delisting. Especially, the move to the Standard Market, management aiming for larger company size, and strict rules for companies not meeting listing standards all demonstrate the effectiveness of reforms backed by data.

In the future, as Japanese companies continue to improve their structure, boost capital efficiency, and focus on increasing corporate value, the market is expected to move closer to global standards. Higher standards and tougher selection will help make the market healthier, driving the next cycle of capital and growth.

Compiled from Nikkei Shimbun and Mizuho research.

II. New Equities Listing Approvals

Listing Date	Name of Company	ISIN Code	MKT
Dec-26	SENSE TRUST Co.,Ltd.	JP3424650004	P
Dec-24	JSecurity,Inc.	JP3387020005	P
Dec-22	NewsedTech Co.,Ltd.	JP3756260000	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

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Please visit our Custody homepage on the Web at:

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