

Mizuho Custody Newsletter

September 2026 | Japan

Contents:

I. Market News

1. Japan Hikes Rates Again
2. Company Law Reform in Debate
3. Retail JGB Tax Breaks on Table

II. New Equities Listing Approvals

III. Foreign Ownership Limit Ratio

I. Market News

1. Japan Hikes Rates Again

The Bank of Japan raised its target for the unsecured overnight call rate, Japan's main short-term policy rate, to around 1.25% from around 1.0% at its Policy Board meeting on September 17 and 18. This was the first-rate increase in three months, since the June meeting, and the shortest gap between hikes since the BOJ ended its negative interest rate policy in March 2024. Two of the nine Policy Board members voted against the move and argued for keeping policy unchanged. The BOJ said it judged that reducing the degree of monetary easing was appropriate because the underlying pace of price increases is moving closer to 2%, raising the risk that inflation could move above the price stability target.

Governor Kazuo Ueda said at his press conference that the economy is recovering at a moderate pace overall, although some areas remain weak because of tensions in the Middle East. On prices, he said domestic producer prices remain strong, supported by higher oil prices, a weaker yen, and stronger demand linked to AI investment. Consumer prices are also rising more steadily as price increases at the corporate level are gradually passing through to households, and wage gains are being reflected in retail prices. He added that medium- to long-term inflation expectations are rising and that underlying inflation is getting closer

to 2%. The BOJ said that even after the rate hike, financial conditions remain accommodative.

Looking ahead, Mr. Ueda said the BOJ does not have a fixed schedule for future rate increases. Instead, it will assess each meeting by looking at the outlook and risks for the economy and prices, including the impact of Middle East tensions, stronger AI-related demand, and exchange-rate moves. He also said financial conditions are being viewed from three angles: interest rates, bank lending, and asset markets. Long-term and super-long-term rates have become tighter, while lending and asset markets still have accommodative features. He described the current policy phase as one in which the BOJ is no longer trying to push underlying inflation up but instead is trying to keep it stable around 2%.

Market participants continue to debate the timing of further BOJ hikes. In the bond market, some overseas investors have been buying longer-dated Japanese government bonds on the view that future inflation will be contained. At the same time, the outlook remains sensitive to outside factors such as oil prices, the yen, and U.S. monetary policy. The BOJ said it will continue to adjust the degree of easing while carefully checking incoming data.

The announcement from BOJ is available from below:

https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2026/k260918a.pdf

Compiled from Japan Exchange Group, Nikkei Shimbun and Mizuho research.

2. Company Law Reform in Debate

At the Corporate Law Subcommittee of Japan's Legislative Council, discussions are under way on revising the relationship between companies and shareholders. The main topics are a review of the requirements for shareholder proposals, a review of how shareholder meetings are run, and the creation of a system to identify the true beneficial owners behind shares. At the same time, the panel is also considering abolishing the current rule that allows shareholders to request paper delivery of shareholder meeting materials. The aim is to reduce the burden on

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companies while overhauling the system. The Legislative Council is expected to submit its recommendations on the revisions within fiscal 2026, and the government hopes to submit a bill to the ordinary Diet session in 2027.

The right to submit shareholder proposals was introduced in a revision of Japan's former Commercial Code in 1981. Under the current rule, a shareholder may submit a proposal if they have held either more than 1% of the total voting rights or at least 300 voting rights for a certain period. In an interim draft, the subcommittee presented two options: one would abolish the 300-vote requirement, and the other would raise that threshold to a higher number. Of the roughly 2,100 proposals made over the roughly 14 years through June 2024, more than 60% were submitted by shareholders holding less than 1%, and only one proposal was approved. Companies say they face practical burdens such as reviewing proposals, deciding whether to support or oppose them, drafting board opinions, and explaining them to outside directors. For that reason, some want to curb abusive proposals. At the same time, others worry that raising the requirements would narrow shareholders' chances to speak.

As for the way shareholder meetings are held, the discussion also includes rules that would make it easier to hold virtual-only shareholder meetings and a "deemed resolution" system, under which a resolution can be treated as adopted based on voting completed before the meeting. Under current law, a shareholder meeting must specify a physical "place" when it is called. The subcommittee is moving in the direction of allowing fully online meetings, not only for listed companies but for all joint-stock companies, if this is provided for in the company's articles of incorporation. As of the end of June, 84 listed companies had held virtual-only shareholder meetings, and 501 companies had approved amendments to their articles of incorporation to make such meetings possible.

The panel is also considering a system that would allow companies to ask the shareholder of record to disclose the identity of the person instructing how voting rights are exercised, that is, the beneficial owner. Institutional investors commonly entrust custody and administration of their shares to custodians, so the custodian appears on the shareholder register even when another investor is the real decision-maker.

Under the proposed system, fines could be imposed for violations, and in serious cases voting rights could also be suspended. The United Kingdom, the European Union, and the United States already have systems for identifying beneficial owners.

Another measure attracting attention to reduce the burden on companies is the abolition of the right to request paper delivery of shareholder meeting materials. The government plans to revise the Companies Act as early as 2027 and eliminate the system that allows shareholders to request that materials be mailed on paper. Under the current electronic delivery system, companies must provide the materials online, mail a notice with the website address and a voting form, and send paper copies if requested. However, at shareholder meetings in June 2026, only 8.6% of listed companies had switched to sending only the access notice, while 47.4% sent a full set including the business report, financial statements, and audit reports, and 44.0% sent an access notice together with summary materials. The Legislative Council has also called for consideration for older shareholders, and the government is examining a transitional period of two to three years. This review is being positioned as part of a broader move toward digitalization, while reducing printing and mailing costs for companies.

Some media outlets have also reported that abolishing the right to request paper delivery of shareholder meeting materials is a step toward eliminating Japan's uniquely Japanese "unit share" system, in which shares are traded in lots of 100 shares. Unlike in Europe and the United States, where trading one share at a time is common, Japan still uses this 100-share minimum trading unit. If individual investors are to be able to buy shares in smaller amounts, ending the unit share system is seen as essential. But companies have been concerned that a larger number of shareholders would increase costs. From that perspective, ending the paper-material request system would reduce the burden on companies and help create an environment for debate on abolishing the unit share system.

The interim report issued by the Ministry of Justice is available from below:

<https://www.moj.go.jp/content/001461124.pdf>

Compiled from Nikkei Shimbun and Mizuho research.

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3. Retail JGB Tax Breaks on Table

On August 31, Japan's Ministry of Finance and Financial Services Agency included tax incentives for retail Japanese government bonds in their request for the 2027 tax reform package. The item was submitted as an "item-based request," meaning the authorities asked for policy consideration without specifying the exact form of the tax break. The government and the ruling coalition are expected to deepen the discussion toward year-end. In the government's annual basic policy on economic and fiscal management and reform, it has already set out a goal of "expanding the domestic investor base by improving the appeal of retail Japanese government bonds," and the aim is to broaden the range of buyers for government debt. Similar ideas have already been raised by lawmakers from both the ruling and opposition parties, including proposals to reduce inheritance tax or to make the bonds eligible under the NISA program, Japan's tax-free individual savings account scheme. However, concerns about fairness remain strong.

Issuance of retail Japanese government bonds has already been rising. For the September sales period, the fixed-rate five-year bond offered a yield of 2.24% per year, and the floating-rate 10-year bond offered 1.95% per year. In both cases, the yield reached a record high. According to the Ministry of Finance, issuance in fiscal 2026 reached 5.1 trillion yen by September, close to the 6.1 trillion yen issued in the previous fiscal year. The total could also approach the record 7.2 trillion yen set since the program began. The yield gap versus ordinary bank deposits and time deposits has widened, and household interest has increased because these bonds are a simple investment option with principal protection.

The background to the tax incentive debate is that Japanese household assets are still heavily concentrated in deposits. According to the Bank of Japan's flow of funds statistics, cash and deposits account for just under half of household financial assets, or more than 1,100 trillion yen, while government bonds account for only around 1%. There is an expectation that tax incentives or other policy changes could direct more household money into government bonds and help stabilize issuance. One estimate suggests that as much as 100 trillion yen could flow into government bonds over 10 years. At the same time, if deposits leave the banking system too

quickly, banks could see their lending base shrink, which may affect regional finance.

Possible measures to expand retail Japanese government bonds include reducing inheritance tax, making the bonds eligible for NISA, introducing inflation-linked bonds, creating longer-dated products, offering shorter maturities, and revising the formula used to calculate yields. The Japanese Bankers Association said that careful discussion is needed on whether giving these bonds special advantages not available to other financial products are consistent with the government's policy of promoting asset investment in Japan. It also warned that if funds move too quickly and too far away from deposits, the supply of growth capital could be affected. Expanding retail Japanese government bonds would not just improve one product; it could change the buyer base for Japanese government debt itself.

The 2027 tax reform requests submitted by each ministry and agency can be found below:

https://www.mof.go.jp/tax_policy/tax_reform/outline/fy2027/request/09y_all.pdf

Compiled from Nikkei Shimbun and Mizuho research.

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II. New Equities Listing Approvals

Listing Date	Name of Company	ISIN Code	MKT
Nov 02	MabGenesis Inc.	JP3870010000	G
Oct 30	toggle holdings, Inc.	JP362583000	G
Oct 19	H.K.K Investment Co., Ltd.	JP3161070002	P
Oct 15	LECRE Inc.	JP3978320004	G
Oct 13	Tokyo Mirai Real Estate Co., Ltd.	JP3589300007	P
Oct 08	DigitalBerry Co., Ltd.	JP3549170003	P
Oct 02	HIGHNESSCORPORATION CO., LTD.	JP3765240001	P
Oct 01	ASNOVA Companies Inc.	JP3119810004	G
Oct 01	NOK Group Corporation	JP3164820007	PR
Oct 01	KYUDEN Holdings Inc.	JP3244730002	PR
Sep 29	Crasus Chemical Inc.	JP3268350000	ST
Sep 29	All's & Company	JP3174020002	P
Sep 25	cado Co., Ltd.	JP3213100005	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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https://www.jasdec.com/en/description/less/for_pubinfo/for_pubinfo.html

Please visit our Custody homepage on the Web at:

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