

Mizuho Custody Newsletter

April 2026 | Japan

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I. Market News

1. Japan Corporate Governance Update

The revision of Japan's Corporate Governance Code is attracting significant attention in the capital markets. In April 2026, Japan's Financial Services Agency and the Tokyo Stock Exchange announced a draft for the updated Corporate Governance Code. Currently, the Tokyo Stock Exchange is collecting public comments, and the deadline for submitting opinions is May 15. The Exchange plans to revise its listing rules around July 2026. Listed companies will be required to submit their Corporate Governance Reports in line with the new Code by the end of July 2027, giving them a full year to prepare.

This revision reflects market expectations for stronger governance and capital policies in Japanese companies, and it is of great interest to both domestic and international investors. The Corporate Governance Code was first established in 2015 to promote sustainable growth and long-term corporate value. Since then, it has been revised several times. Traditionally, Japanese companies have tended to keep large cash reserves, especially after experiencing financial crises and periods of economic stagnation. This was seen as a way to secure stable management and prepare for future uncertainties. However, excessive cash holdings can lower capital efficiency and limit growth investments, which may hinder value

creation for shareholders.

The 2026 revision emphasizes the importance for companies to clearly explain the purpose, level, and strategy for holding cash and other business resources. The new Code expands the focus from cash alone to include financial assets and tangible assets—such as real estate and equipment—asking boards of directors to continuously review whether these resources are being used effectively for growth investments. Companies are expected to make management decisions that consider the cost of capital, strategically invest surplus assets, and strengthen shareholder return policies. Because each company's business characteristics and stage of growth differ, they are expected to provide clear explanations tailored to their own situation. This includes outlining their policies for investing in growth, reinvesting in research and development or human capital, and strengthening shareholder returns, along with the reasons behind these choices.

Another key point in the revision is the strengthening of board functions and improving transparency in governance structures. The role of the board secretary (sometimes called the corporate secretary) is being enhanced to support effective decision-making and ensure clear processes for resource allocation. Companies are encouraged to actively disclose information about their capital policies and resource allocation, enabling investors to analyze and evaluate these disclosures. The Code also addresses practical issues such as the timing for disclosing annual securities reports before shareholder meetings, recognizing that current legal and operational practices may make early disclosure difficult, and promising further review of these requirements.

Additionally, the Code calls for objective standards to assess the independence of outside directors, especially those representing companies with cross-shareholdings—a common practice in Japan where companies hold shares in each other for strategic reasons. The revision requires companies to ensure that such directors are truly independent and do not present conflicts of interest with general shareholders,

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and to establish clear criteria for this evaluation.

Overall, the revised Corporate Governance Code asks companies to balance short-term shareholder returns with long-term growth strategies, taking into account market conditions and their unique business characteristics. Investments in new businesses, overseas expansion, and innovation through research and development are highlighted as important for future growth. Companies must explain the reasoning and expected outcomes of their decisions to investors, and boards of directors are expected to demonstrate the quality of their judgments.

The revision brings new discipline and transparency to capital policies and resource allocation in Japanese companies. Proper allocation of cash and other resources is seen as contributing to higher corporate value and greater competitiveness in the market. For global investors, analyzing resource allocation policies and governance structures is becoming an essential part of investment decisions in Japan. As a result, transparency in resource allocation and governance will be increasingly important for evaluating investment opportunities in the Japanese market.

Draft revisions to the Corporate Governance Code can be found on the Financial Services Agency's website:

<https://www.fsa.go.jp/en/news/2026/20260410.html>

Public Comments are being accepted on the Tokyo Stock Exchange website:

<https://www.jpx.co.jp/english/rules-participants/public-comment/detail/d1/20260410-01.html>

2. Crypto and Market Regulation Update

On April 10, 2026, the Japanese government submitted a bill to the National Diet (Japan's parliament) to amend parts of the Financial Instruments and Exchange Act and the Payment Services Act. The purpose of this amendment is to respond to changes in Japan's financial and capital markets, to expand the supply of growth capital, to enhance fairness and transparency in the markets, and to strengthen investor protection. The bill covers a wide range of reforms, including the revision of regulations for crypto assets (also known as virtual currencies or digital assets), new requirements for corporate sustainability disclosure and assurance, measures to support funding for start-up companies, and stricter rules against unfair trading in securities.

Regarding crypto assets, they have so far been regulated mainly as a means of payment under the Payment Services Act. However, crypto-assets have rapidly become investment vehicles, with more listings of crypto-asset ETFs and greater participation by institutional investors both in Japan and abroad. To address these changes and ensure user protection and market integrity, the bill proposes shifting the main regulatory framework for crypto assets from the Payment Services Act to the Financial Instruments and Exchange Act. This means crypto assets will be treated as a new type of financial instrument, separate from traditional securities. As a result, asset management and investment advisory activities involving crypto assets will become subject to regulation. The amendment introduces stricter business regulations for crypto-asset service providers, new disclosure requirements for information about crypto-assets, and—for the first time—insider trading rules specifically for crypto-assets.

For corporate sustainability disclosure and assurance, the background is that information related to climate change and human capital is becoming increasingly important for investors who evaluate the long-term value of companies. In line with international developments, Japan will introduce both sustainability disclosure standards and a third-party assurance system. Large, listed companies will be required, in stages, to disclose sustainability information according to the new standards and to obtain independent assurance, improving both the reliability and comparability of such information.

To further encourage funding for start-ups, the amendment aims to make it easier for growth companies to raise capital by relaxing disclosure requirements and expanding the range of eligible professional investors. In practice, this means that the threshold for exemption from the securities registration statement requirement will be raised, and the range of investors who can participate in private placements for professionals will be broadened. These changes are expected to increase investment opportunities for start-ups.

Regarding unfair trading in securities, some types of misconduct have been difficult to address under the current law, or the penalties have not been strong enough to deter violations. The amendment expands the scope of insider trading regulations, for example by

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including advisors and others who negotiate or enter into contracts with target companies in tender offers. It also raises the penalty surcharge for violations of the large shareholding reporting rules (a Japanese disclosure requirement for those acquiring more than 5% of a listed company), from the current 0.001% of the market value of the relevant shares to 0.07%—a seventy-fold increase. In addition, the method for calculating surcharges in cases of insider trading related to tender offers will be revised to further strengthen deterrence.

This amendment is a comprehensive legal reform aimed at supporting the healthy development of Japan's financial and capital markets while enhancing investor protection. It is designed to address new market realities such as crypto-assets, start-up financing, and sustainability disclosure. The implementation dates differ depending on the topic: most of the new rules for crypto-assets and unfair securities trading will take effect within one year of promulgation, while the new requirements for sustainability disclosure/assurance and start-up funding will come into force on April 1, 2027.

Details can be found on the Financial Services Agency's website (Japanese only):

<https://www.fsa.go.jp/common/diet/221/index.html>

3. TSE Market Restructuring Progress

As of the end of March 2026, the number of companies listed on the Tokyo Stock Exchange (TSE) Standard Market surpassed those listed on the Prime Market for the first time. Since the market restructuring in April 2022, the Prime Market has strengthened its listing requirements, and companies that did not meet these standards were encouraged to improve. As a result, many companies moved from the Prime Market to the Standard Market, leading to this reversal in numbers. Over the past four years, more than 200 companies have shifted from Prime to Standard, reducing the number of Prime companies by 15%, while the Standard Market saw a 7% increase.

The Prime Market is designed as the top tier of the TSE, with stricter requirements than the former First Section (TSE 1st). To stay listed on the Prime Market, companies must meet several criteria: they must have at least 800 shareholders, at least 20,000 tradable units of stock, a tradable market capitalization of at

least 10 billion yen (approximately 65 million USD), a tradable share ratio of at least 35%, a daily average trading value of at least 20 million yen (about 130,000 USD), and positive net assets. These requirements are stricter than those for the Standard Market.

When the market was reorganized, companies that did not meet the new standards were allowed to remain listed if they published improvement plans, known as "transitional measures." If, after a set period, companies still failed to meet the standards, they entered a one-year improvement period. If they did not improve during this time, they were designated as "monitoring stocks" to alert investors, and in principle, their listing would be terminated in October.

By the end of March 2026, 27 companies had completed their improvement periods and were designated as monitoring stocks, meaning they may be delisted as early as October. At the start of the restructuring, the Standard Market had fewer companies than the Prime Market, but about 80% of former TSE 1st Section companies initially shifted to Prime. This led to a situation where the Prime Market was not as selective or "global" as originally envisioned. However, after four years, the market divisions are now closer to their intended form, with companies choosing markets that fit their growth stage and management strategy.

A key challenge now is improving the quality of companies in the Standard Market. In spring 2023, the TSE asked all listed companies to focus on "management with awareness of capital costs and stock prices," encouraging them to adopt strategies that would raise their Price-to-Book Ratio (PBR) above 1. While 93% of Prime companies disclosed improvement plans, only 51% of Standard companies did so. The average PBR for Prime companies rose from 1.5 at the time of restructuring to 2.1, but Standard companies improved only from 0.8 to 1.1.

The TSE began further discussions on reform in summer 2025, recognizing that revitalizing Standard companies is essential for strengthening Japan's growth foundation. Although the Standard Market includes many mid-sized and high-quality companies, creating an environment where growth pressure leads to incentives is still a work in progress.

The restructuring and stricter listing standards have

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promoted company selection, improved market quality, and protected investors by requiring liquidity and positive net assets. Going forward, further reform of the Standard Market and efforts to boost corporate value will be central topics. The TSE continues to encourage companies to select the market best suited to their business stage and strategy, clarifying the roles of each market to attract investment and support corporate growth. The Prime Market is intended for globally active large companies, while the Standard Market is for companies focused on domestic business. Both markets are expected to improve in quality, supporting the healthy development of Japan's capital markets.

In summary, these changes reflect the TSE's ongoing commitment to raising market standards, protecting investors, and fostering sustainable growth among listed companies. For global custodians, it is important to note that the Japanese market is evolving to better align with international expectations, with increased transparency and stricter requirements for top-tier listings.

Details can be found on the Financial Services Agency's website:

<https://www.jpex.co.jp/english/equities/follow-up/index.html>

Compiled from Nikkei Shimbun and Mizuho research.

II. New Equities Listing Approvals

Listing Date	Name of Company	ISIN Code	MKT
May-13	D-Plus Co.,Ltd.	JP3548460009	P
May-07	MarksLife Co.,Ltd.	JP3860170004	P
May-01	FFF Holdings Co.Ltd	JP3410710002	P
Apr-24	Houyou Inc.	JP3840250009	P
Apr-22	Hokuoh GROUP,Inc.	JP3842300000	P
Apr-20	Feriest Co.,Ltd.	JP3803170004	P
Apr-15	OKADA CORPORATION Inc.	JP3191450000	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-home>

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