

# Mizuho Custody Newsletter

May 2026 | Japan

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## I. Market News

### 1. Japan Blocks Foreign TOB

In April 2026, the Japanese government issued a “recommendation to cease” a planned acquisition of a Japanese company by a foreign investor through a tender offer (TOB), based on the Foreign Exchange and Foreign Trade Act (FEFTA). The Asia-based investment fund that had launched the TOB ultimately accepted the recommendation and decided not to proceed with the offer. This is regarded as the first such case since the 2017 FEFTA amendments, which were aimed at strengthening controls on foreign investment. It is also positioned as the next major example after a 2008 case in which a recommendation or an order to halt a plan was issued under FEFTA.

Under FEFTA’s inward direct investment screening regime, an investment in a company that falls within “core sectors” considered important for national security requires prior notification to the Japanese government and is subject to review. If the authorities conclude that there is an issue, the process may lead to a recommendation to modify or discontinue the investment. Under the regulatory, an investor that receives a recommendation must notify the authorities within a specified period whether it will comply; if it does not comply, there is a possibility that the government will issue an order to modify or discontinue the transaction.

The target company explained on its website that the government’s recommendation was based on national security considerations. It stated that the company manufactures high-performance machine tools that are regarded as sensitive goods with a particularly high risk of military diversion, meaning exports require Japanese government authorization. It also holds related technologies and information, which are widely used by manufacturers of Japanese defense equipment. The company further noted that some information it holds may not be deemed sensitive on a standalone basis, but could become sensitive from a national security perspective when combined with other information. This was described as potentially including procurement and sales information that would be needed to design and execute measures to enhance corporate value. The company explained that, in order to address concerns about the TOB bidder accessing sensitive information, it could become difficult even for the bidder to access the information necessary to improve corporate value, which would not be compatible with the bidder’s investment objectives. On that basis, the authorities were said to have determined that the share acquisition fell within the category of “inward direct investment, etc. related to national security.”

Meanwhile, in May, it was reported that the same Asia-based investment fund obtained approval in a separate acquisition case involving another company connected to a core sector. In that approved case, the review reportedly focused on materials for lithium-ion batteries that the target company partly handles, a field that has been added to the core-sector list since 2023. Differences in review timelines across transactions have also been noted, suggesting that the authorities may be making case-by-case judgments reflecting the level of concern. Against a backdrop of rising geopolitical risk, reports also indicate that the government is strengthening its screening framework and considering regulatory changes to further develop the review regime for foreign investment into Japan. For investors, this suggests Japan is entering a phase where practical boundaries will become easier to anticipate through the accumulation of individual cases, making early assessment of FEFTA-related risk

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increasingly important when planning and executing transactions.

*Compiled from Nikkei Shimbun and Mizuho research.*

## 2. Japan JGB Market Update

Since the Bank of Japan started reducing its large JGB purchases in the summer of 2024, more attention has been paid to whether the market can absorb government bond issuance smoothly. In response, the Ministry of Finance has stepped up outreach to overseas investors and is also looking at ways to increase JGB holdings by Japanese households. Retail JGBs are designed to be easy to buy and hold: the minimum purchase is JPY 10,000, interest is paid every six months, and investors can redeem before maturity after one year. Products are available with 3-, 5-, and 10-year maturities. Ideas to encourage more retail buying include offering higher yields, allowing early redemption before the current one-year waiting period, and adding more short-maturity products.

Some discussions compare retail JGBs with the tax benefit available for equities and mutual funds under NISA, where capital gains and dividends can be effectively tax-free (roughly a 20% advantage versus ordinary taxation). Based on that comparison, one proposal mentioned is to raise retail JGB yields by about 20% so that the after-tax appeal is closer to NISA-backed investments. At the same time, measures that look like tax cuts remain sensitive, because they could be misread as a sign of concern about Japan's fiscal position.

From April 2026, another theme has emerged: using blockchain to improve JGB settlement and collateral processes for institutional investors. A proof-of-concept has started to test whether JGB ownership transfers and record updates—under Japan's book-entry system—can be handled smoothly on blockchain even when multiple account management institutions are involved. The project also considers cross-border collateral use cases and checks whether any legal or rule changes would be needed. Separately, a plan has been discussed to tokenize JGBs for repo trading and connect the collateral leg and the cash payment leg on-chain, with the goal of moving settlement closer to same-day (T+0) from the current T+1. The global repo market is estimated at around USD 16 trillion, with Japan representing about 10%. Overseas, pilots using

government bonds and stablecoins and other tokenization initiatives have been announced, and some estimates put on-chain repo activity at about USD 339.2 billion. In Japan, an indicative schedule has been shared: discussions started in May 2026, with an issues paper targeted for October that will also cover tax and other legal questions, aiming for a potential launch within 2026.

*Compiled from Nikkei Shimbun and Mizuho research.*

## 3. Japan Companies Act Review

On March 18, 2026, a Japanese government committee finished a draft to update the Companies Act. They started asking for public comments on April 2. The drafted plans will be finalized in early 2027 after the public comment period ends. It focuses on three main areas: how companies issue shares, how they hold shareholder meetings, and how they are managed. The goal is to make shareholder meetings more digital while addressing issues like complex share ownership and the risk of small shareholders abusing their right to make proposals.

For virtual shareholder meetings, the new law will clearly allow "virtual-only" meetings with no physical location, as long as a company's own rules permit it. However, companies must help shareholders who have trouble using the internet, such as by offering phone access or lending them necessary equipment. Meeting notices will need to provide more details, such as what to do if the internet connection fails. Companies will also be required to keep records of the online communication so shareholders can check them later. To reduce risks for companies, meeting results will generally remain valid even if there is a technical glitch, unless the company was very careless. There is also a plan to stop requiring paper voting forms to save time and costs, though the government is still discussing how to support shareholders who prefer paper.

A new system is also being proposed to identify "beneficial owners"—the people who actually decide how to vote. Listed companies will be able to ask intermediaries, like banks or brokers, for information about the real owners. These intermediaries must follow the request up the chain and provide names, addresses, and email addresses. While companies will usually pay for this process, there will be rules to prevent costs from becoming too high. If someone

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provides false information, they may face a fine. Additionally, the rules will make it easier for the actual decision-makers to vote as proxies. Shareholders will also be required to send their "large shareholding reports" directly to the company. If they fail to do so, the company may be allowed to stop them from voting.

Regarding shareholder proposals, the government wants to change the requirements for making a request. Currently, a shareholder needs either 1% of the total votes or 300 "units" of shares. The new plan might remove the 300-unit rule or increase that number. This is because it has become too easy for very small shareholders to make proposals. The deadline for making proposals may also be moved earlier. This would give companies more time to prepare English documents and give investors more time to review voting advice.

Details can be found on the Ministry of Justice's website:

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

Compiled from Nikkei Shimbun and Mizuho research.

## II. New Equities Listing Approvals

Listing Date	Name of Company	ISIN Code	MKT
Jun 23	LiNKX,Inc.	JP3977070006	G
Jun 16	GO Inc.	JP3306510003	G
Jun 01	MAEZAWA Holdings CO.,LTD.	JP3860410004	PR
May 27	LASSIC CO.,LTD.	JP3967490008	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](https://www.jasdec.com/en/description/less/for_pubinfo/for_pubinfo.html)

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