

Mizuho Custody Newsletter

February 2026 | Japan

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I. Market News

1. Stablecoin Innovation

The Financial Services Agency of Japan (FSA) is supporting proof-of-concept projects for stablecoins through its “FinTech Proof-of-Concept Hub and Payment Innovation Project.” As the first project, an experiment has been selected in which three major Japanese banks, including Mizuho Bank, are collaborating to jointly issue a stablecoin. As the second project, securities firms and banks are working together on experiments that use blockchain technology and digital money to improve transactions and rights transfers involving traditional assets, as well as to advance settlement processes. These efforts are part of the FSA’s initiative to modernize payment infrastructure in Japan, showing how domestic financial institutions are cooperating to realize new payment methods.

One background factor is the growing competition among countries, especially the United States, to issue stablecoins. As countries around the world are trying to take the lead in digital currencies, maintaining “monetary sovereignty”—meaning the ability of a country to control its own currency and monetary policy—has become an important policy issue for Japan, and swift action is considered essential. Stablecoins, which are digital currencies designed to keep their value linked to legal tender (government-

issued money like the yen or the dollar), can reduce price volatility risks while making settlement processes more efficient and sophisticated through blockchain technology. The Japanese government and the FSA are aiming to create a system in which domestic financial institutions can solve technical and regulatory challenges through advanced experiments, and be ready to respond to changes in global financial infrastructure.

If a settlement infrastructure using stablecoins becomes practical, it is expected that the time, fees, and effort required for inter-company payments can be greatly reduced. Traditional bank transfers and securities settlements have faced challenges such as limitations based on business days and hours, and complicated procedures involving multiple intermediaries. In contrast, stablecoin settlements using blockchain technology could allow for instant transactions 24 hours a day, 365 days a year. This would improve the efficiency of funds movement and securities trading between companies, and enhance the overall speed and transparency of financial markets. Moreover, financial institutions and companies could see significant cost reductions and operational efficiency gains, which may lead to stronger global competitiveness and the creation of new business models.

On the other hand, there are challenges and unknown risks associated with the spread of stablecoins. Practical responses are needed for anti-money laundering (AML) measures, compliance with laws and regulations, and user protection. Because stablecoin transactions take place on blockchains, a different supervisory and regulatory framework is required compared to traditional bank transactions. The FSA and related authorities are working to align domestic systems with international standards, such as AML/CFT (Anti-Money Laundering and Countering the Financing of Terrorism). From the perspective of user protection, it is also important to ensure transparency and reliability regarding the issuer of stablecoins, their management structure, and how the legal tender backing the stablecoin is stored. In addition, there are concerns that as the stablecoin market grows, deposits

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could flow out of banks, potentially affecting the stability of the financial system. Especially in countries with weak currency systems, there is a risk that stablecoins could replace local legal tender, thereby affecting the effectiveness of monetary policy and national monetary sovereignty.

In Japan, the FSA is strengthening the design of rules and supervisory systems to address these risks and challenges. Financial institutions and securities firms are using proof-of-concept experiments to identify technical and regulatory issues, and are continuing to explore how to build a sustainable settlement infrastructure. Going forward, it will be important for domestic and international financial institutions to work together to realize a safe and efficient stablecoin-based settlement system, taking into account global regulatory trends and technological advances. Japan's financial market will need to continue accelerating experiments and regulatory development for stablecoins in order to keep up with global changes, while maintaining both monetary sovereignty and the stability of the financial system.

Compiled from Nikkei Shimbun and Mizuho research. Details about the "FinTech Proof-of-Concept Hub and Payment Innovation Project" can be found from below FSA website (Japanese Only):
<https://www.fsa.go.jp/news/29/sonota/20170921/20170921.html>

2. Crypto Asset Business Expansion

Major Japanese securities firms are now actively considering expanding their business in the field of crypto-assets. This trend is driven by a growing interest in crypto-assets as an investment option among institutional investors both in Japan and overseas, as they look to diversify their portfolios. In recent years, crypto-assets have increasingly been recognized as legitimate investment targets. However, there have also been incidents of fraudulent investment schemes, prompting Japan's Financial Services Agency (FSA) to place high priority on investor protection and the development of a secure trading environment.

In response to these developments, the FSA plans to submit a bill to the National Diet (Japan's parliament) as early as 2026 to revise the legal framework for crypto-assets. Currently, crypto-assets in Japan are regulated under the Payment Services Act, which

primarily covers payment and settlement services. The proposed change would shift the legal basis for crypto-assets to the Financial Instruments and Exchange Act (FIEA), a law that governs securities and financial instruments in Japan. This transition would introduce new rules for disclosure, business operations, and the prevention of unfair trading, aiming to strengthen the overall regulatory environment. If this revision is enacted, it would allow subsidiaries of banking groups to hold and trade crypto-assets for investment purposes, thus expanding the scope of crypto-asset related business for financial institutions.

Furthermore, the FSA is also considering a further legal revision by 2028 to allow the launch of domestic crypto-asset exchange-traded funds (ETFs) in Japan. If crypto-asset ETFs become available, it is expected that demand for crypto-asset investment will increase significantly among both institutional and retail investors. This would help establish crypto-assets as a mainstream investment option and further diversify the sources of revenue for financial institutions, including securities firms.

In the United States, major asset management companies and financial institutions are also expanding their crypto-asset businesses and seeking new revenue opportunities, supported by current government policies that promote the development of the crypto-asset sector. In the U.S. market, the approval of crypto-asset ETFs and the development of a clearer regulatory environment have led to rapid growth in related services. These developments have influenced Japanese financial institutions as well, encouraging them to enter or expand their presence in the crypto-asset business in order to stay competitive in the global market.

Japanese securities firms, looking ahead to upcoming regulatory changes, are working to expand their activities in crypto-asset asset management and custody services, while maintaining strict risk management practices. With the revision of regulations, the framework for providing crypto-asset related services by financial institutions will become clearer, supporting both investor protection and healthy market development. As a result, securities firms will be able to position crypto-assets as a new source of revenue, alongside traditional financial products.

As the FSA continues to update regulations and

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improve the market environment, the expansion of the crypto-asset business in Japan is expected to accelerate further. With growing demand for crypto-asset investment among institutional investors worldwide, Japanese financial institutions are aiming to diversify their revenue streams and enhance their competitiveness by expanding into crypto-asset management and custody services, while prioritizing risk management and investor protection. The Japanese crypto-asset market is expected to continue its steady growth, supported by regulatory improvements and the business expansion of financial institutions.

Compiled from Financial Services Agency, Nikkei Shimbun and Mizuho research.

3. FY2026 Tax Reform Overview

The Japanese government approved the outline of its 2026 tax reform package on December 26, 2025. After further deliberation in the National Diet (Japan's parliament), the measures are expected to be implemented during the 2026 fiscal year. The main objectives of this tax reform are to respond to rising domestic prices and to realize a "strong economy." The package includes a wide range of measures, such as an increase in the basic deduction for individual income tax, the introduction of new tax incentives for capital investment, and the expansion of tax credits for research and development. In addition, the reform clarifies and narrows the scope of various special tax measures, including abolishing some of them. It also aims to improve fairness in tax burdens, with adjustments to international taxation rules and measures to ensure that high-income earners contribute appropriately.

For overseas investors involved in Japanese securities, one of the key changes is the introduction of the "Defense Special Income Tax." This is a new tax designed to provide a stable source of funding for Japan's national defense. The tax will be imposed as an additional 1% on the amount of income tax and is expected to apply from January 2027 onward. In practice, however, the government will offset this new tax by reducing the existing "Special Reconstruction Income Tax"—which currently funds recovery efforts from the 2011 Great East Japan Earthquake—from 2.1% to 1.1%. As a result, the overall tax burden for

taxpayers will not increase in the near term. At the same time, the period during which the Special Reconstruction Income Tax is imposed will be extended by ten years, from the current end date of 2037 to 2047. These changes will apply to income from Japanese equities and bonds held by both domestic and foreign investors from January 2027. However, because the reduction in the Special Reconstruction Income Tax matches the increase from the new Defense Special Income Tax, the annual tax liability per investor will remain unchanged for the time being.

Another important measure for foreign investors is the extension of the tax exemption on repo transactions (bond lending transactions) involving foreign investors, known as the "repo exemption." Under this system, when a Japanese financial institution engages in a repo transaction with a foreign investor involving Japanese government bonds or similar securities, the interest portion of the transaction is exempt from Japanese withholding tax. With the latest extension, this exemption will remain in effect until March 2029. This allows foreign investors to continue to access liquidity in Japanese government bonds and similar instruments without the risk of Japanese withholding tax. In order to benefit from this exemption, foreign investors must submit specific documents prescribed by Japan's Ministry of Finance to the specified financial institution in Japan (e.g., a securities company) that is the counterparty to the repo transaction. The repo exemption is considered highly important for maintaining Japan's competitiveness in the international financial markets, and this system will continue to be available to overseas investors.

Compiled from Ministry of Finance and Mizuho research. Please refer to Market Intelligence I–III (January 27, 2026) and II–III (February 24, 2026).

The English version of the Key Points for FY2026 Tax Reform (Proposal) is available from the below Ministry of Finance's website: https://www.mof.go.jp/english/policy/tax_policy/tax_reform/08keyhighlight.pdf

The full text of the FY2026 Tax Reform outline (Japanese only) is available from below link: https://www.mof.go.jp/tax_policy/tax_reform/outline/fy2026/20251226taikou.pdf

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II. New Equities Listing Approvals

| Listing Date | Name of Company | ISIN Code | MKT |
|--------------|----------------------------|--------------|-----|
| Mar-27 | SEIWA HOLDINGS Co.,Ltd. | JP3418500009 | G |
| Mar-25 | Basic Inc. | JP3835220009 | G |
| Mar-25 | J-Pharma Co.,Ltd. | JP3387030004 | G |
| Mar-6 | Vanguard Smith Corporation | JP3159830003 | P |
| Feb-27 | Heart Up Co.,Ltd. | JP3765090000 | P |
| Feb-20 | SINKANURSE,Inc. | JP3371690003 | P |
| Feb-20 | Digital Knowledge Co.,Ltd. | JP3549140006 | 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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