

# Japan Event Flash

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Mitsubishi UFJ Trust and Banking  
Corporation

A member of MUFG, a global financial group

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## Capital Efficiency at Japanese Companies is Set to Improve Significantly

In the spring of 2026, the Life Insurance Association of Japan released the results of a survey titled “Survey on Initiatives to Enhance Corporate Value,” which targeted listed companies and institutional investors.

The first notable finding is that the level of Return on Equity (ROE) that investors expect companies to achieve in the medium term has risen (Exhibit 1). Comparing FY2024 and FY2025, the percentage of respondents citing a range of 8% or more but less than 10% decreased from 23.8% to 19.2%, while those citing 10% or more but less than 12% remained nearly unchanged at 39.3% to 39.7%, and those citing 12% or more increased from 21.4% to 26.9%. The percentage of respondents expecting an ROE of 10% or higher rose to 66.6% in FY2025, up from 60.7% in FY2024, accounting for approximately two-thirds of the total. As the government encourages Japanese companies to improve their capital efficiency, investors are calling for further increases in ROE, given that Japanese companies’ ROE remains sluggish at just under 10%, compared to U.S. companies’ ROE of just under 20%.

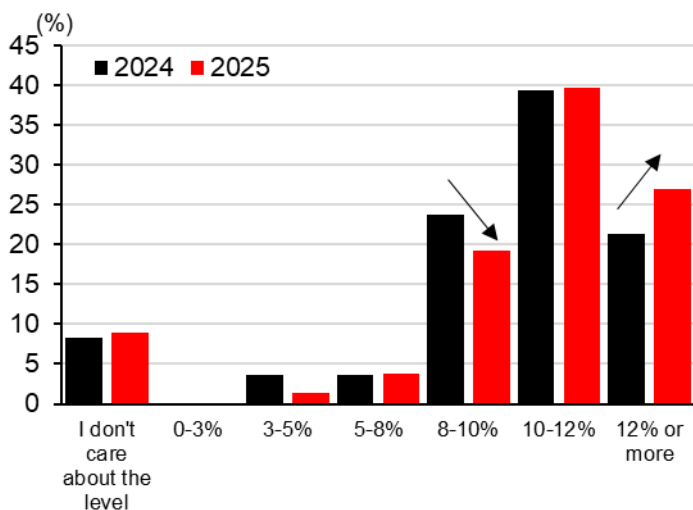
A second point of note is the discrepancy in how companies and investors’ view ROE levels relative to the cost of capital. More than half of investors still believe that Japanese companies’ ROE levels fall below the cost of capital, indicating that the perception gap between companies and investors has not been fully resolved (Exhibit 2). As the Tokyo Stock Exchange urges listed companies to “manage with an awareness of the cost of capital and stock prices,” pressure from investors to improve capital efficiency is expected to intensify further in the future.

A third point of note is the significant gap in perception between companies and investors regarding the level of cash on hand held by Japanese firms (Exhibit 3). For fiscal year 2025, 79.5% of investors responded that companies had ample cash on hand was at a sufficient level, while 68.9% of companies responded that it was at an appropriate level. It is likely that investors will increasingly call for improvements in capital efficiency through the effective utilization of cash on hand.

A revision of the Corporate Governance Code is scheduled for the summer of 2026. Under this revision, companies are expected to be required to continuously assess whether they are effectively utilizing management resources—such as financial assets (cash and deposits) and tangible assets—for growth investments and other purposes. Given that the Financial Services Agency, the Tokyo Stock Exchange, and investors are placing stronger demands on the effective use of cash on hand, and that companies themselves recognize the importance of improving capital efficiency through metrics such as ROE and Return on Invested Capital (ROIC) (Exhibit 4), Japanese companies’

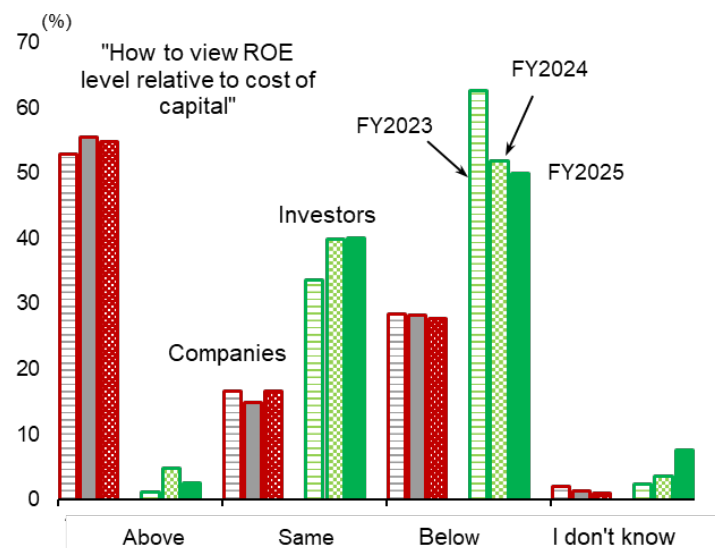
commitment to shareholder returns is likely to strengthen further through FY2026. The percentage of companies disclosing specific numerical targets for dividends has been rising year by year, reaching 75% in 2025 (Exhibit 5). The number of companies setting targets other than dividend payout ratios—such as Dividend on Equity (DOE) or total return ratios—is also steadily increasing. We expect shareholder returns (dividends plus share buybacks) for FY2026 to reach a record high.

**Exhibit 1: The Desirable Medium- to Long-Term ROE that Investors Expect from Companies**



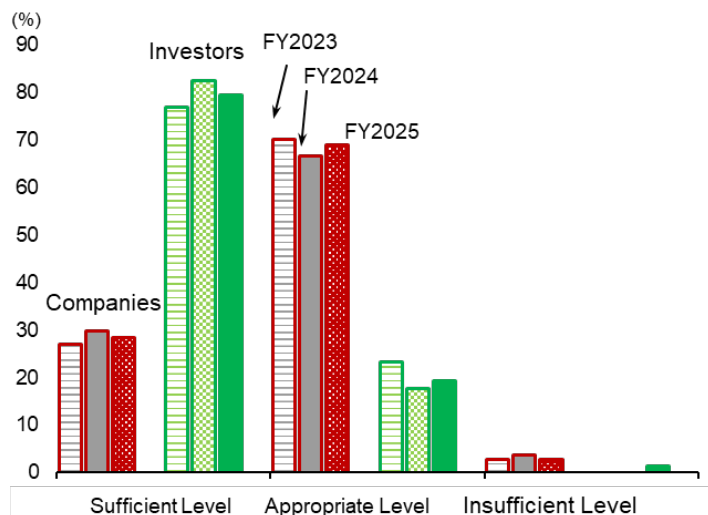
Source: Life Insurance Association, MUFG: Trust Bank

**Exhibit 2: How Companies and Investors View ROE Relative to the Cost of Capital**



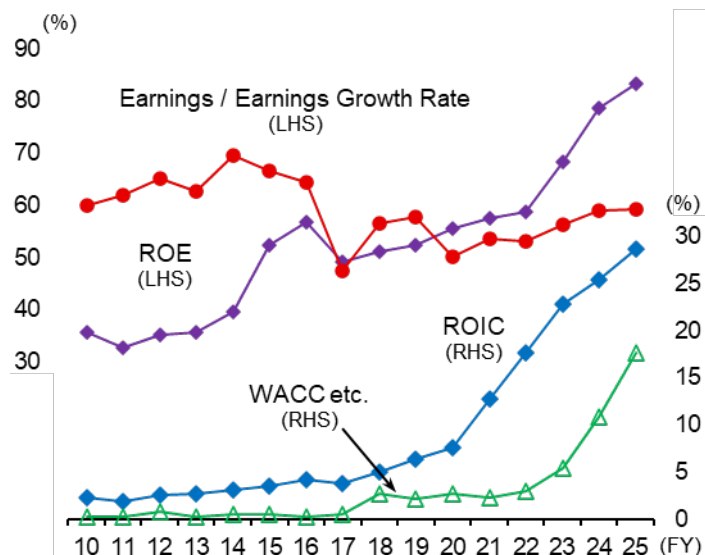
Source: Life Insurance Association, MUFG: Trust Bank

**Exhibit 3: Investors' and Companies' Perspectives on Cash Reserves**



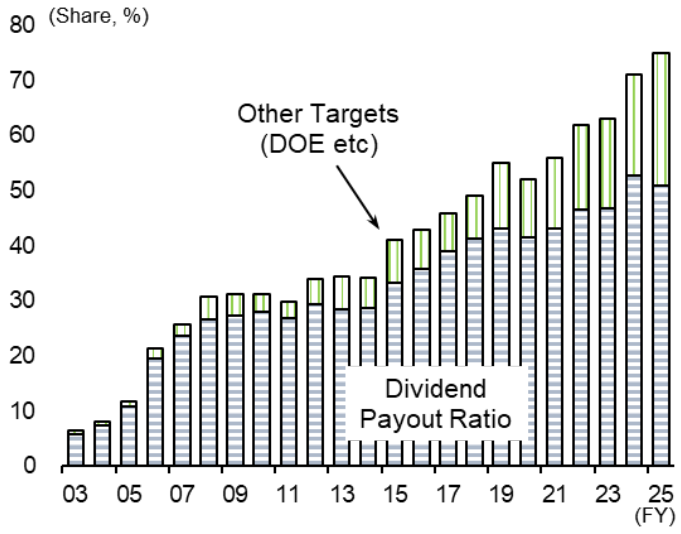
Source: Life Insurance Association, MUFG: Trust Bank

**Exhibit 4: Key Performance Indicators Disclosed in the Mid-Term Management Plan**



Source: Life Insurance Association, MUFG: Trust Bank

**Exhibit 5: Percentage of Companies that Disclose Specific Numerical Criteria for Dividends**



Source: Life Insurance Association, MUFG: Trust Bank

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