Japan Market Insight

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The Growing Presence of Activist Investors in the Japanese Market

The presence and influence of activist investors is steadily growing in the Japanese market.

The June 2026 annual general meeting season has come to a close. Although the number of companies where shareholder proposals were approved at the June meetings fell to two—down from seven the previous year (Exhibit 1)—the number of companies that received shareholder proposals from activist investors this year remained at a high level versus the previous year, at over 50. At first glance, while many shareholder proposals were rejected, a number of proposals that garnered high approval rates stood out. Among the shareholder proposals rejected at the June 2026 meetings, as many as nine companies saw approval rates of 40% or higher, an increase from four companies the previous year. Even when a shareholder proposal is rejected, it is believed to have the effect of heightening management's sense of urgency by sharing concerns with other shareholders.

One factor behind the increase in shareholder proposals is the reduced presence of static, long-term shareholders - typically business corporations and megabanks - in the stock market following the ongoing reduction of cross-shareholdings. For example, the Toyota Group has been working to eliminate cross-shareholdings over the past three years to improve capital efficiency; as a result, the group as a whole (including Toyota Motor Corporation and Denso) sold 935.3 billion yen ($6.2bn*) worth of shares in the fiscal year ending March 2026, reducing the number of stocks held to one-third of what it was four years ago.

As of the end of fiscal year 2025, the shareholding ratio of business corporations stood at 17.7% (down 1.0% year-on-year), marking a decline for the sixth consecutive year, while the shareholding ratio of megabanks stood at 1.7% (down 0.1% year-on-year), marking a decline for the tenth consecutive year (Exhibit 2). In the past, many companies relied on static shareholders, causing shareholder meetings to remain largely ceremonial; however, a significant shift in this dynamic is now evident.

Meanwhile, financial investors—such as foreign investors (including activists) and mutual funds—are increasing their presence in the stock market. As of the end of fiscal year 2025, the shareholding ratio of foreign investors stood at 34.7% (up 2.3 percentage points year-on-year), marking the third consecutive year of increase, while the shareholding ratio of investment trusts stood at 11.3% (up 0.6 percentage points year-on-year), also rising for the third consecutive year. The environment is shifting significantly toward one where shareholder proposals from activists and Japanese institutional investors are more likely to be approved.

**FX conversion based on average USD/JPY FX rate over 12mos to 31 March 2026, source: Bloomberg.*

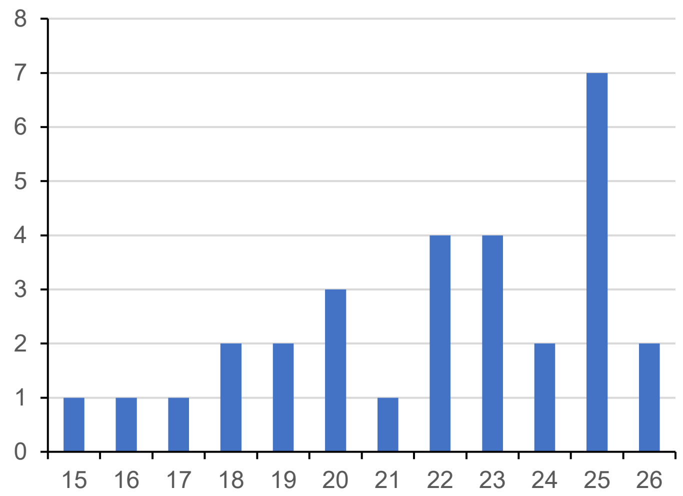
In Japan, company management teams that ignore shareholders are becoming increasingly untenable. Going forward, an increasing number of companies are likely to listen to shareholder feedback and implement measures to enhance corporate value (such as being far more proactive regarding shareholder returns and enhanced corporate strategy). We expect the trend toward improved corporate governance among Japanese companies to accelerate.

We believe that the Japanese stock market will continue to rise, driven not only by the acceleration of this trend toward improved corporate governance but also by solid corporate earnings and the Takashi administration’s expansionary fiscal policy. We expect the Nikkei 225 to rise from its current level of around 60,000 to 70,000 yen to target 100,000 yen over the medium term.

However, in the short term, we must remain vigilant about the risk that the Japanese stock market may undergo a temporary correction due to mounting pressure for yen appreciation following currency intervention by Japanese authorities. Looking at speculators’ yen futures positions, short positions in the yen have accumulated to historically high levels (Exhibit 3). The market environment resembles the yen-buying intervention phase of 2024, when the first round of intervention took place on April 29, 2024 (USD/JPY level prior to intervention: 158.33 yen), and the second round on July 11, 2024 (USD/JPY level prior to intervention: 161.69 yen).

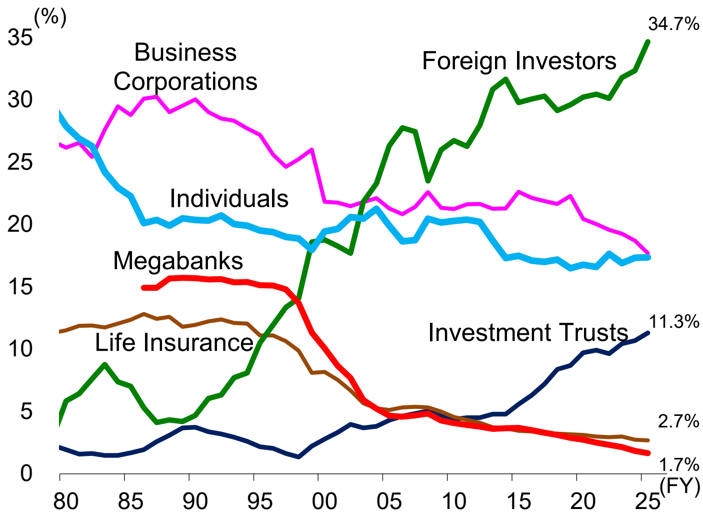
Under new Chair Warsh, the US Fed has shifted to a more hawkish policy stance than before due to concerns over upward pressure on prices driven by high oil prices - upward pressure on USD/JPY remains strong. The likelihood of another round of currency intervention is relatively high. On July 10, Japan’s Finance Minister, Satsuki Katayama stated, “We want to pursue measures to encourage pension funds, including the GPIF, to invest more in Japanese financial assets.” Although this caused the yen to strengthen temporarily, the effect was limited. If upward pressure on USD/JPY intensifies, we believe that currency intervention will be the only remaining option. Should currency intervention be implemented, the unwinding of accumulated short positions in the yen held by speculators could cause the yen to strengthen sharply and temporarily, accordingly investors should be aware of the risk that the Japanese stock market may be forced into a temporary correction.

Exhibit 1: Number of shareholder proposals approved at the June General Meeting of Shareholders



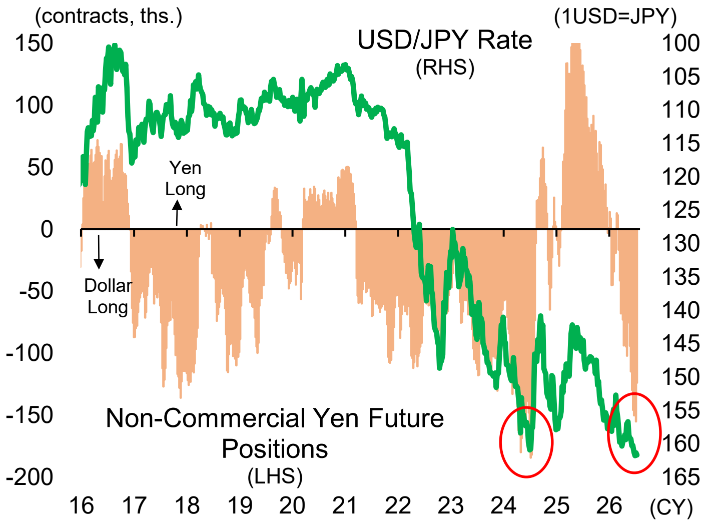
Source: Nikkei, MUFG: Trust Bank

Exhibit 2: Share Ownership Ratio by Investors



Source: Tokyo Stock Exchange, MUFG: Trust Bank

Exhibit 3: USD/JPY and Speculative Future Positions



Source: CME, Bloomberg, MUFG: Trust Bank

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