Credit Guarantee & Investment Facility

An Asian Bond Markets Initiative

CORPORATE BOND MARKET REPORT

JAPAN

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Abbreviations

ABS	asset-backed securities
ADB	Asian Development Bank
AMC	asset management company
ASEAN	Association of Southeast Asian Nations
ASEAN+3	Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea
ASF	Asia Securities Forum
CGIF	Credit Guarantee and Investment Facility
CRA	credit rating agency
CSX	Cambodia Securities Exchange
ESG	environmental, social, and governance
ETF	exchange-traded fund
FCY	foreign currency
FI	financial institution
FIEA	Financial Instruments and Exchange Act
GX	green transformation
ICSA	International Council of Securities Associations
IOSCO	International Organization of Securities Commissions
JCR	Japan Credit Rating Agency
JGB	Japanese government bond
JSDA	Japan Securities Dealers Association
J-FLEC	Japan Financial Literacy and Education
LCY	local currency
MTN	medium-term note
NISA	Nippon Individual Savings Account
OTC	over-the-counter
PDCA	plan-do-check-act
REIT	real estate investment trust
R&I	Rating and Investment Information Inc.
SESC	Securities and Exchange Surveillance Commission
SOE	state-owned enterprise
TPBM	Tokyo Pro-Bond Market

Currencies

EUR	euro
JPY	Japanese yen
KRW	South Korean won
SGD	Singaporean dollar
THB	Thai baht
USD	US dollar

Disclaimer

This paper centers on Japan's corporate bond market, such as the key characteristics, investor groups, issuers, and other market participants. This paper also presents recent developments and initiatives, including efforts to strengthen the investor base for corporate bonds and to advance the sustainable bond market. The current economic and social landscape of Japan has been a strong force in reexamining the role of the bond market in addressing these issues.

Led by Dong Woo Rhee, Chief Financial Officer, with assistance from Soleil Corpuz, Research Analyst, this research effort aims to show the characteristics of corporate bond markets in ASEAN+3. For any questions or comments on the contents of this report, please contact research@cgif-abmi.org.

Executive Summary

Characteristics of Japan's Corporate Bond Market

- Japan's corporate bond market is one of the largest in ASEAN+3 in terms of the absolute size of the local currency (LCY) corporate bond market. However, it is relatively modest in the region in terms of the relative size when the economic scale is taken into account. In particular, it is one of the smallest when compared with the size of the government bond market.
- In terms of maturity distribution, Japan's corporate bond market is one of the longest in the region, together with Malaysia.
- Straight bonds dominate Japan's corporate bond market, as in most ASEAN+3 countries. Nevertheless, callable bonds account for a significant share of the outstanding corporate bonds in Japan, nearly 20%, which is the third highest ratio in ASEAN+3.
- It is important to note that Japan's corporate bond market is considered as an investment-grade market. Most rated corporate bonds have ratings of AA and A. In contrast to other ASEAN+3 markets where AAA-rated bonds account for a significant share, AAA-rated bonds are rare in Japan.

Investors

- Based on secondary bond trading data from the Japan Securities Dealer Association (JSDA), banks are the main investor group in Japan's corporate bond market. These banks include city banks and long-term credit banks, banks belonging to the Regional Banks Association of Japan and the Second Association of Regional Banks, trust banks, financial institutions for agriculture and forestry, and shinkin banks. Banks' appetite for corporate bonds is generally from short- to medium-tenors, investing in bonds with maturities of up to 5 years.
- Other institutional investors, such as asset management companies and insurance companies, have appetites for medium- to long-term bonds. For insurance companies, they generally prefer bonds with maturities of 5 to 10 years, although longer tenors may also be considered. Asset management companies show a preference for corporate bonds with maturities of 3 to 5 years.
- Japan's corporate bond market is predominantly an investment grade market, with investors preference generally focused on credit ratings of A- and above. Although BBB+ bonds are still classified as investment-grade, they are perceived to carry higher risks, resulting in weaker investor appetite for these credit ratings.

Issuers

- Companies in the financial industry are frequent issuers of corporate bonds in the country, indicating their maturity as market players in Japan's overall financial market.
- Companies from other industries are also actively accessing the corporate bond market, such as those in the consumer discretionary, utilities and industrial sectors.

Other market participants

- Other market participants include regulators, credit rating agencies, and self-regulatory organizations (SROs). The Financial Services Agency of Japan (FSA) serves as the key regulator of the country's financial markets. Its three main functions are policymaking, supervision, and market surveillance. The FSA has been active in promoting the development of Japan's securities market, with strategic priorities scheduled for implementation from June 2025 to July 2026.
- There are seven licensed credit rating agencies in Japan, all of which have a strong track record in providing credit assessments. JSDA and the Japan Exchange Group serve as the two SROs in the country.

Credit Spreads

- The 10-year rate is available for bonds rated A or higher, but not for BBB-rated bonds. This implies that 10-year BBB-rated bonds are rarely issued or traded in Japan's corporate bond market.
- A comparison of credit spreads between two dates in 2024 and 2025 showed that BBB-rated spreads are sensitive to the market's level of risk aversion at the time of valuation. In December 2024, there were no notable jumps in credit spreads across ratings and tenors. However, in August 2025, there was a significant widening in credit spreads between A-rated and BBB-rated bonds across the available tenors.

Guaranteed Corporate Bonds

- Guaranteed corporate bonds are not actively issued in Japan. The country has the third lowest guaranteed corporate bond ratio in ASEAN+3, next to the Philippines and Korea.
- There are no national guarantors in Japan, such as those found in other ASEAN+3 countries. Based on available data, most credit guarantors in Japan are part of the issuers' corporate groups, while some commercial banks can act as guarantors to support the financing requirements of their existing clients accessing the corporate bond market.

Cross-border Corporate Bonds

- Japan's corporate bond market is relatively open to cross-border corporate bonds. Its issuers can access the international bond market for bond issuances. Quite recently, foreign companies have shown increasing interest in issuing Japanese yen (JPY)-denominated bonds, reflecting the increasing attractiveness of the international yen market, which includes Samurai bonds, Euro yen bonds, and Global yen bonds.
- Inbound bonds are LCY-denominated bonds issued by foreign entities. Of the outstanding inbound corporate bonds, about 25% are Samurai bonds, which are JPY-denominated bonds issued by foreign companies in Japan's domestic market.
- Outbound bonds are foreign currency bonds issued by local entities. In the case of Japan, corporates from the banking and finance sectors are the most active issuers, tapping the overseas bond market for financing.
- Shogun bonds are bonds issued by non-Japanese entities in the Japanese domestic market but denominated in currencies other than the Japanese yen.

Thematic Corporate Bonds in Japan

- Japan has one of the largest sustainable corporate bond markets in ASEAN+3. The entire LCY sustainable bond market is predominantly driven by corporate issuances. The size of Japan's LCY sustainable corporate bond market segment is larger than its LCY sustainable government bond market.

Outlook for Japan's Corporate Bond Market

- The outlook for Japan's corporate bond market remains positive. Three main reasons propel this positive outlook. First, initiatives to enhance the activity of the asset management industry are expected to stimulate the corporate bond market. Second, efforts to broaden the investor base continue to expand market participation. Third, supporting institutions in Japan's corporate bond market are implementing reforms and programs aimed at Japan's transformation toward internationalization and increasing overall competitiveness.

1 Overview of the Corporate Bond Market in Japan

1.1 Overall Characteristics

In 2011, Japan's corporate bond market underwent one important change: the introduction of the Tokyo Pro-Bond Market (TPBM), a bond market intended for professional investors. The framework for this type of professional bond market was established through amendments to the Financial Instruments and Exchange Act in 2008. The TPBM encourages both domestic and foreign issuers to consider Japan's market for debt issuance, as it allows streamlined procedures on disclosure documents and bond programs similar to medium-term note (MTN) programs. For foreign issuers, a key feature of the TPBM is its acceptance of disclosure documents in English.

Japan's corporate bond market will be further shaped by the recent events in the country's financial landscape. As the primary regulator of Japan's financial markets, the Financial Services Authority (FSA) is keen on promoting the asset management industry of the country. Banking on directing household savings to investments in the capital market, the FSA implements programs and reforms in the asset management industry to tap the significant potential of retail investors to the capital market. These reforms are expected to contribute to a broader investor base for corporate bonds.

Sustainable or ESG bonds is another area of growth in Japan's corporate bond market, as Japan pushes for carbon neutrality by 2050. Japan has the second-largest ESG corporate bond market in ASEAN+3[1], with its issuance size exceeding those of ESG-labelled government bonds. At the core of this trend is the "Green Transformation (GX) Strategy", which promotes transition finance.

1.2 Corporate Bond Market Sizes

Japan's corporate bond market is the third largest local currency (LCY) corporate bond market in ASEAN+3. Nevertheless, compared with its stock market, the corporate bond market is only about 11% of its size, and relative to the country's GDP, it amounts to only about 18%.

Table 1.1: ASEAN+3 Corporate Bond Market, Market Capitalization, and GDP, 2024

Country	LCY Corporate Bond Market (A)	GDP (B)	Market Capitalization (C)	A/B (%)	A/C (%)
PRC	6,810.12	18,482.47	11,755.76	36.85	57.93
Japan	**678.40**	**3,876.79**	**6,310.68**	**17.50**	**10.75**
Korea	1,315.06	1,737.05	1,557.49	75.71	84.43
Cambodia	0.14	46.35	2.73	0.30	5.13
Indonesia	29.27	1,374.92	758.30	2.13	3.86
Malaysia	195.37	369.01	449.47	52.94	43.47
Philippines	23.44	457.21	251.83	5.13	9.31
Singapore	147.75	535.58	637.63	27.59	23.17
Thailand	135.54	545.03	519.67	24.87	26.08
Viet Nam	42.14	451.71	204.62	9.33	20.59

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, GDP = gross domestic product, LCY = local currency, USD = US dollar.
Notes and Sources:
1. Values in columns A to C are in USD billions.

[1] Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea.

2. Values for LCY corporate bond market size and GDP as of December 2024 are sourced from Asian Bonds Online.
3. Values for the LCY corporate bond market of Viet Nam are from the Ministry of Finance, Viet Nam, as sourced from Asian Bonds Online.
4. Market capitalization figures are as of end of 2024, sourced from World Bank Open Data (market capitalization of listed domestic companies). At the time of writing, Cambodia has no available data.

As Japan has a large government bond market, its LCY corporate bond market pales in comparison, amounting to only about 8% of its size. Compared with the corporate loan market, Japan's LCY corporate bond market is only about 18% as of the end of 2024. This is the lowest percentage among the +3 economies. This indicates that Japan's corporate loan market remains as the immediate source of funding for domestic companies in Japan.

Table 1.2: ASEAN+3 Corporate Bond Market, Government Bond Market, and Corporate Loan Market, 2024

Country	LCY Corporate Bond Market (A)	LCY Government Bond Market (B)	Corporate Loan Market (C)	A/B (%)	A/C (%)
PRC	6,810.12	14,440.31	23,403.07	47.16	29.10
Japan	**678.40**	**8,154.42**	**3,747.01**	**8.32**	**18.11**
Korea	1,315.06	847.29	1,328.79	155.21	98.97
Cambodia	0.14	0.11	n/a	127.27	-
Indonesia	29.27	386.76	282.89	7.57	10.35
Malaysia	195.37	272.72	202.99	71.64	96.25
Philippines	23.44	186.52	202.83	12.57	11.56
Singapore	147.75	225.14	375.90	65.63	39.31
Thailand	135.54	296.59	375.01	45.70	36.14
Viet Nam	42.14	98.97	n/a	42.58	-

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, CNY = Chinese yuan, LCY = local currency, USD = US dollar, n/a = not available.
Notes and Sources:
1. Values in columns A to C are in USD billions.
2. For Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam: Corporate bond market size and government bond market size data are sourced from Asian Bonds Online, as of December 2024. Corporate loan market size data is sourced from the central bank of each respective country, as of December 2024.
3. For Cambodia: Corporate bonds data is sourced from Cambodia Securities Exchange.
4. Brunei Darussalam, Lao PDR, and Myanmar are excluded from the list due to the absence of outstanding LCY corporate bonds in these countries.
5. Exchange rates are as of end of December 2024, as reported by Bloomberg.

2 Specific Characteristics of Japan's Corporate Bond Market

2.1 Issue Size

The average issuance size of a corporate bond in Japan is about USD169 million, based on outstanding data as of end of 2024. This is the highest average issuance size among ASEAN+3. The maximum issuance size is about USD4,770 million, making it the second-largest maximum issuance size in the region.

Table 2.1: Comparison of Issue Sizes of Outstanding Corporate Bonds in ASEAN+3, 2024

(in USD million)

Country	Minimum	Average	Maximum
PRC	0.35	156.17	12,000.00
Japan	**0.27**	**169.31**	**4,770.00**
Korea	< 0.01	38.89	1,130.00
Indonesia	< 0.01	30.77	269.66
Malaysia	0.00	46.94	3,430.00
Philippines	8.65	134.68	1,120.00
Singapore	0.07	103.65	1,100.00
Thailand	0.02	65.22	846.83
Viet Nam	0.05	46.23	174.25

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China, USD = US dollar.
Note: Values are based on USD-equivalent of issue sizes.
Sources: Bloomberg, Cambodia Stock Exchange, and Author's calculations.

2.2 Issuance Type

Table 2.2 shows the issuance types across ASEAN+3, classified into private placements and public offerings. For these two issuance types, Japan sets no specific number of investors but instead provides guidelines on investor types and issuance amounts.

Table 2.2: Overview of Private Placements and Public Offerings in ASEAN+3

Country	Private Placement	Public Offering
PRC	Defined as the issuance of debt financing instruments by nonfinancial enterprises with legal qualifications (i.e., enterprises) to "designated institutional investors"	Offers made to a wider institutional investor base
Japan	No specific limitation on the number of investors, but is limited to particular types of investors, such as the qualified institutional investors	No specific limitation on the number and type of investors; Has specific guidelines for issuances with small amounts (less than JPY100 million)
Korea	An invitation to acquire newly issued securities without placing them for public offering	An invitation to at least 50 investors to acquire newly issued securities

Cambodia	Allowed in the market, in which the issuer must file the relevant documents	More prevalent in the market, as the regulations focus on the public offering issuance method, in which the issuer must seek approval from the Securities and Exchange Regulator of Cambodia
Indonesia	Offers made under private placement must be for professional investors; New regulations specify the need for registering the offering documents and continuous disclosures	A bond offering made to 100 persons or resulting in sales to more than 50 persons
Malaysia	No distinct feature compared with other ASEAN markets, but the practice is allowed and is more common in wholesale bonds targeting sophisticated investors	Public offering is not mentioned as an issuance type in Malaysia. In fact, same as "private placement", public offering is only a method of issuance in the country.
Philippines	Allowed in the market as "exempt transactions" and offers to professional investors	Offers made to more than 19 investors
Singapore	Allowed, in which bonds are offered to up to 50 investors	Allowed, wherein bonds are sold to a broader market
Thailand	Allowed, in which bonds are offered to Accredited Investors	Allowed, and can be offered to and bought by any type of investor; Publicly offered bonds are more actively traded
Viet Nam	Allowed, in which bonds are offered to less than 100 investors	Allowed, in which bonds are offered via mass media to 100 or more investors

Source: ADB Bond Market Guides for each ASEAN+3 country.

2.3 Maturity Distribution

Compared to other countries in ASEAN+3, about 19% of Japan's outstanding corporate bonds in 2024 will mature after 2035. This matches the profile of Malaysia, which can host long tenors and project finance bonds. It is observed that Japan's maturity distribution is very similar to that of Malaysia, where bonds are widely used for project financing, which is inherently long term in nature.

Table 2.3: Comparison of Maturity Distributions of Outstanding Corporate Bonds in ASEAN+3, 2024

(in %)

Country	2025–2027	2028–2030	2031–2035	Beyond 2035	Perpetual
PRC	68.11	12.48	7.06	2.36	10.00
Japan	**32.78**	**25.65**	**16.04**	**18.83**	**6.65**
Korea	74.78	13.10	3.97	4.29	3.90
Indonesia	74.02	18.66	4.94	2.07	0.29
Malaysia	29.97	24.20	24.66	18.15	3.01
Philippines	64.18	24.25	11.57	-	-
Singapore	31.97	21.95	11.83	9.03	25.22
Thailand	55.85	22.33	14.83	1.62	5.37
Viet Nam	39.37	46.75	13.88	-	-

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.
Note: Rows may not total 100% because of rounding.
Sources: Bloomberg and Author's calculations.

About 19% of outstanding corporate bonds in the Financials industry have a perpetual tenor. However, it is important to note that most of these bonds are issued by banks. Outstanding bonds in the Utilities sector have a relatively even distribution of remaining maturities. This contrasts with the Industrials sector, where about 45% of outstanding corporate bonds are set to mature between 2025 and 2027. In addition, long-term bonds are more prevalent in industries such as Consumer Discretionary and Utilities.

Table 2.4: Maturity Distribution of JPY-denominated Corporate Bonds by Industry, 2024

(in %)

Industry	2025–2027	2028–2030	2031–2035	Beyond 2035	Perpetual
Financials	31.58	19.38	12.03	17.76	19.25
Consumer Discretionary	32.40	24.08	16.56	26.95	-
Utilities	27.85	21.79	24.14	26.22	-
Industrials	45.66	38.95	10.81	4.12	-
Others	31.78	31.56	19.54	17.75	-

Source: Bloomberg and Author's calculations.

2.4 Maturity Type

Straight bonds dominate Japan's corporate bond market, as in most ASEAN+3 countries. However, callable bonds account for a significant share of outstanding corporate bonds in Japan—nearly 20%—which is the third-highest ratio in ASEAN+3.

Table 2.5: Comparison of Maturity Type of Outstanding Corporate Bonds in ASEAN+3, 2024

(in %)

Country	Straight	Callable	Convertible	Putable	Sinkable	Others
PRC	69.27	6.83	1.34	9.90	1.28	11.38
Japan	**77.34**	**19.66**	**1.38**	**-**	**0.31**	**1.31**
Korea	89.06	8.48	0.35	0.13	-	1.98
Indonesia	98.39	0.97	0.48	-	0.17	-
Malaysia	86.97	10.82	0.46	-	0.34	1.41
Philippines	30.57	66.30	-	-	-	3.14
Singapore	64.04	33.60	1.34	-	0.22	0.80
Thailand	84.25	14.84	-	0.4	0.28	0.23
Viet Nam	87.29	6.80	2.66	-	1.37	1.89

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.

Notes:

1. Rows may not total 100% because of rounding.
2. Perpetual callable bonds are included in the callable category.
3. "Others" refers to the maturity types with two or more features, such as callable/sinkable, callable/putable, and extendible.

Sources: Bloomberg and Author's calculations.

Table 2.6 shows the distribution of maturity types by industry in Japan's local currency corporate bond market. Callable bonds are significantly high in the Financials industry, as most of these bonds are used for Basel III Tier 2 capital.

Table 2.6: Maturity Types of JPY-denominated Corporate Bonds by Industry, 2024

(in %)

Industry	Straight	Callable	Convertible	Sinkable	Others
Financials	56.96	40.64	0.16	0.19	2.04
Consumer Discretionary	88.77	5.31	2.47	1.26	2.20
Utilities	92.69	7.30	0.00	0.01	-
Industrials	95.95	1.39	1.50	0.21	0.94
Others	81.13	14.94	3.13	0.13	0.68

Source: Bloomberg and Author's calculations.

2.5 Coupon Type

While fixed-coupon bonds still account for a significant share of outstanding corporate bonds in Japan, variable coupon bonds also hold a significant portion of the market. In fact, Japan's ratio of variable coupon bonds is the third highest in ASEAN+3. Most of these bonds are callable or perpetual callable bonds, whose coupons are fixed until the call date, and coupons after call dates are also fixed based on benchmark rates at the call date plus spreads. As such, variable coupon bonds in Japan are closer to fixed coupon bonds than to variable coupon bonds.

Table 2.7: Comparison of Coupon Type of Outstanding Corporate Bonds in ASEAN+3, 2024

(in %)

Country	Fixed	Floating	Step	Variable	Zero	Others
PRC	47.30	-	1.79	21.89	28.99	0.02
Japan	**77.23**	**0.47**	**0.03**	**20.25**	**2.02**	**-**
Korea	93.14	3.85	0.09	1.23	1.69	-
Indonesia	99.29	-	0.49	0.21	-	-
Malaysia	82.66	7.56	1.09	1.59	6.51	0.60
Philippines	98.90	-	0.52	0.58	-	-
Singapore	70.88	0.64	0.30	28.18	0.01	-
Thailand	89.56	0.03	0.84	5.19	4.38	-
Viet Nam	39.76	57.59	-	2.66	-	-

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.
Notes:
1. Rows may not total 100% because of rounding.
2. "Others" include flat trading and when issued.
Sources: Bloomberg and Author's calculations.

The abundance of variable coupon bonds in Japan is due to the banks' issuance of callable bonds with the structure mentioned above. While these bonds are classified as variable coupon in terms of coupon type, they are closer to fixed coupon bonds. In contrast, bonds issued by other industries in Japan's corporate bond market are generally the fixed coupon type.

Table 2.8: Coupon Type of JPY-denominated Corporate Bonds by Industry, 2024

(in %)

Industry	Fixed	Floating	Variable	Zero	Step
Financials	55.96	1.20	42.41	0.43	-
Consumer Discretionary	89.96	0.09	5.31	4.64	-
Utilities	92.60	0.10	7.30	-	-
Industrials	95.99	0.18	1.39	2.44	-
Others	81.39	0.04	14.88	3.55	0.13

Source: Bloomberg; Author's calculations.

2.6 Payment Rank

Table 2.9 shows that in 2024, Japan had the second-highest ratio of subordinated bonds to total outstanding corporate bonds, after Singapore. The ratio of secured bonds in Japan was also the second highest in ASEAN+3, at 18.70%.

Table 2.9: Comparison of Payment Rank of Outstanding Corporate Bonds in ASEAN+3, 2024

(in %)

Country	Secured	Subordinated	Unsecured
PRC	0.31	14.67	85.02
Japan	**18.70**	**23.35**	**57.94**
Korea	5.14	10.23	84.63
Indonesia	4.83	2.75	92.43
Malaysia	23.95	10.40	65.65
Philippines	-	1.08	98.92
Singapore	2.00	29.52	68.49
Thailand	6.81	6.29	86.90
Viet Nam	10.88	-	89.12

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.

Notes:

1. Rows may not total 100% because of rounding.
2. Secured bonds include first, second, and third liens, and asset-backed securities.

Sources: Bloomberg and Author's calculations.

Similar to Singapore, Japan's high proportion of subordinated bonds is associated with a high share of callable or perpetual callable bonds and variable coupon bonds. This is because banks and companies issue subordinated bonds for Tier 2 capital with callable or perpetual callable and variable coupon structures. As noted earlier, most variable coupon bonds in Japan are fixed coupon bonds, which means they pay fixed coupons until the call date and pay adjusted fixed coupons thereafter, unless the call option is exercised. This structure aligns with the typical structure of subordinated bonds in global bond markets. Table 2.10 illustrates an example of such structure of a subordinated bond.

Table 2.10: Example of a Perpetual Callable Bond

Issuer	XXX Company
Issue Date	13 August 2021
Maturity	Perpetual, Callable at 15 December 2030 with Par value
Coupon Rate	2.273% until 15 December 2030
	After 13 August 2026, JGB 5Y rate at 15 December 2030 + 1.18%

JGB = Japan Government Bond, Y = year.
Source: Bloomberg.

The Utilities and Industrials sectors drive the issuance of secured bonds in Japan's corporate bond market. Majority of the bonds issued by these two industries are secured bonds. In contrast, the Financials industry has the highest ratio of subordinated bonds in the country.

Table 2.11: Payment Rank of JPY-denominated Corporate Bonds by Industry, 2024

(in %)

Industry	Secured	Subordinated	Unsecured
Financials	0.23	48.60	51.17
Consumer Discretionary	3.97	5.31	90.72
Utilities	75.26	7.30	17.43
Industrials	63.51	1.39	35.10
Others	0.47	18.85	80.68

Sources: Bloomberg and Author's calculations.

2.7 Credit Ratings

In terms of credit ratings, most rated corporate bonds in Japan are AA or A. A small percentage are BBB-rated, and no bonds are rated below BBB, as shown in Table 2.12. In contrast to other ASEAN+3 markets where AAA-rated bonds account for a significant share, AAA-rated bonds are rare in Japan.

Table 2.12: Comparison of Credit Ratings for Rated Corporate Bonds in ASEAN+3, 2024

(in %)

Country	AAA	AA	A	BBB	Below BBB
PRC	92.40	6.90	0.68	-	-
Japan	**1.56**	**49.03**	**45.95**	**3.47**	**-**
Korea	36.28	54.92	8.22	0.36	0.23
Indonesia	46.71	15.04	32.77	1.06	4.42
Malaysia	52.70	41.51	5.29	0.19	0.31
Philippines	87.35	12.65	-	-	-
Singapore	37.80	8.49	18.09	35.62	-
Thailand	5.28	21.69	56.60	14.38	2.04

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; PRC = The People's Republic of China.
Notes:
1. Credit rating distributions are based on the most recent credit ratings as of July 2025, sourced from Bloomberg.
2. Bonds whose credit ratings are unavailable or withdrawn as of July 2025 are excluded in the calculation of the percentages.
3. The following domestic credit rating agencies (CRAs) are used for each market: China Chengxin Credit Ratings Company for the PRC, Rating & Investment Information Inc. (R&I) for Japan, Korea Ratings Corporation for Korea, Rating Agency of Cambodia (RAC) for Cambodia, PEFINDO Rating for Indonesia, RAM Ratings for Malaysia, PhilRatings for the Philippines, Moody's for

Singapore, and TRIS Rating for Thailand. The table reflects equivalent rating scales across these domestic CRAs. Short-term ratings are excluded from the computation of the credit rating distribution.
4. Despite having three domestic CRAs, Viet Nam is excluded from the table due to the lack of published information on rated corporate bonds. It was only in Q4 2024 that Viet Nam's CRAs have actively rated corporate bond issuances in the country.
Sources: Bloomberg and Author's calculations.

Table 2.13 shows the distribution of credit ratings by industry in Japan's corporate bond market. Only a small portion of rated bonds, issued by the Consumer Discretionary sector, are AAA. The Industrials sector has a significant number of AA-rated corporate bonds, while Utilities tend to have more A-rated corporate bonds. The Financials industry has a relatively even distribution between AA and A ratings.

Table 2.13: Distribution of Credit Ratings for JPY-denominated Corporate Bonds by Industry, 2024

(in %)

Industries	AAA	AA	A	BBB	Below BBB
Financials	-	51.78	46.63	1.59	-
Consumer Discretionary	9.24	53.84	31.91	5.00	-
Industrials	-	81.11	16.92	1.97	-
Utilities	-	31.73	68.27	-	-
Others	-	38.25	53.05	8.70	-

Sources: Bloomberg and Author's calculations.

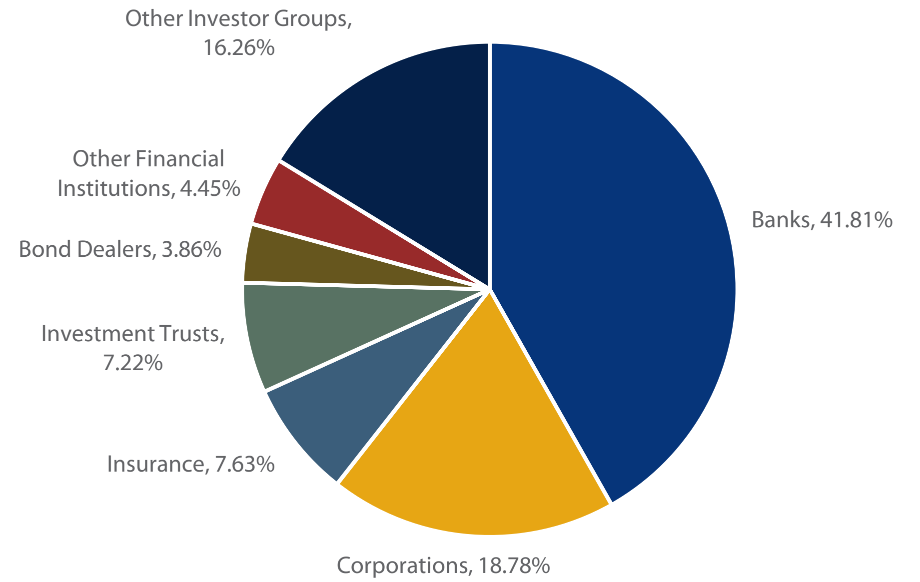
3 Investors

3.1 Investor Compositions

Corporate bond investors in Japan include banks, corporations, asset management companies, insurance companies, government pension funds (national pension and employees' pension insurance), and individuals. Government pension funds and individuals (i.e., household savings) typically invest in corporate bonds through asset managers.

Although no statistics directly identify the largest holders of JPY-denominated corporate bonds, the purchase volume of over-the-counter (OTC) trading in the secondary market serve as an indicator of the largest investor groups. Based on this, banks are the largest investors in Japan's corporate bond market, followed by corporations, insurance companies, and investment trusts (Figure 3.1).

Figure 3.1: Key Investor Groups in Corporate Bonds Based on Outright Transaction Purchases, FY 31 March 2025



FY = Fiscal Year

Notes:

1. The fiscal year covered in this figure runs from April 2024 to March 2025.

2. The data reflects purchase volumes OTC bonds only. Japan Securities Dealers Association (JSDA) statistics classify OTC bond purchases by bond type. For this figure, the data includes purchases of bank debentures, corporate bonds, specified asset backed securities, convertible bonds, and private offerings. The type of trading shown is outright transactions.

3. The following definitions of investor groups are shown in the figure, as disclosed in https://www.jsda.or.jp/en/statistics/bonds/Investor_Classification_Chart.pdf:

a) Banks include investment accounts of city banks, long-term credit banks, banks belonging to the Regional Banks Association of Japan and the Second Association of Regional Banks, trust banks, financial institutions for agriculture and forestry, and shinkin banks.

b) Investment trusts refer to the investment trust portions managed by investment trust management companies and trust banks.

c) Insurance refers to the investment accounts of life and non-life insurance companies.

d) Bond dealers refer to securities company dealers (excluding reporting companies, including subsidiaries and branches of foreign securities companies in Japan) and financial institution dealers (excluding reporting companies).

e) Corporations include: (1) Business corporations, which include listed and unlisted companies, other corporations, and employee stock ownership plans ("Other corporations" include privatized government-related entities such as Tokyo Metro Co. Ltd., Narita International Airport Corporation, and East Nippon Expressway Co. Ltd.) and special purpose corporations. (2) Other corporations such as all other legal entities, excluding government and government-related organizations, investment companies, and special purpose corporations.

f) Other financial institutions refer to the investment accounts of financial institutions excluded from the groups in this figure.

g) Other investor groups include foreigners, individuals, mutual aid association of government offices, and other institutions not classified in any of the investor groups mentioned.

Source: JSDA, 2025 and Author's estimates.

3.2 Investment Appetite per Domestic Investor Group

Table 3.1 summarizes the investment appetites of the four largest domestic investor groups in JPY-denominated corporate bonds issued in the onshore market. Asset Management Companies are equivalent to Investment Trusts in Figure 3.1. The table highlights that although Japan is an investment-grade market (with credit rating requirements from BBB- to AAA), domestic investors generally require a minimum credit rating of A-, which is one notch higher than BBB+. However, this does not mean that BBB+ bonds are entirely unattractive to domestic investors. Some of the BBB+ bonds, such as senior bonds, hybrid bonds, or subordinated bonds issued by financial institutions and other reputable corporates, still draw investor interest.

Table 3.1: Summary of Investment Appetite of Domestic Investor Groups in Japan

Investment Decision Factor	Banks	Corporations	Insurance Companies	Asset Management Companies
Tenor	Up to 5 years	Up to 5 years	5–10 years	3–5 years
Minimum Credit Ratings	A-	A-	A-	A-
Currency	JPY and FCY	JPY and FCY	JPY and FCY	JPY and FCY

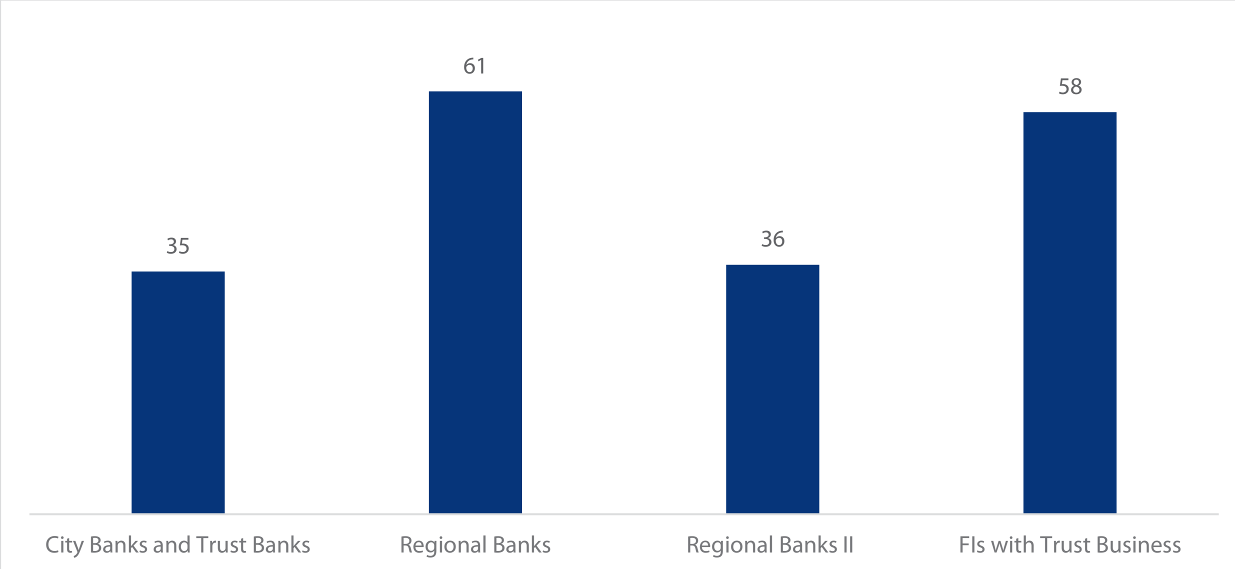
FCY = foreign currency, JPY = Japanese yen.
Source: Market interviews, 2025.

Banks

Japan has a highly developed banking sector, composed of domestically licensed banks and foreign banks. Domestically licensed banks include city banks, regional banks, Regional Banks II, and trust banks.[2] The most notable segment is the city banks, consisting of the four largest banks in the country: Mizuho Bank, Sumitomo Mitsui Banking Corporation, MUFG Bank, and Resona Bank.[3] Trust banks offer a wide range of banking and investment-related services to both corporates and individuals.[4] Figure 3.2 shows the number of financial institutions according to their license from the FSA.[5]

[2] Bank of Japan. *Statistics*. Definition of terms. https://www.boj.or.jp/en/statistics/outline/note/financial.htm. (accessed on 10 November 2025)
[3] Financial Services Authority (FSA). 27 May 2025. *City Banks and Trust Banks*. https://www.fsa.go.jp/en/regulated/licensed/city.pdf. (accessed on 10 November 2025)
Regional Banks II are member banks of the Second Association of Regional Banks. Most of these banks were used as mutual savings banks before becoming ordinary commercial banks. Legally speaking, there is no distinction between regional banks and Regional Banks II. However, they are segmented for classification and administration purposes. Regional banks serve smaller local enterprises and individuals.
[4] Sumitomo Mitsui Trust Group (SMTG). *The Features of Japanese Trust Banks*. https://www.smtg.jp/-/media/tg/investors/annual/stb/archive/pdf/2000/ar_05.pdf. (accessed on 4 December 2025)
[5] Based on its licensing function in Japan's financial industry, the FSA classifies bank holding companies and credit associations (shinkin banks, labor banks, credit cooperatives, and Keito financial institutions).

Figure 3.2: Number of Banks in Japan by Type



FI = financial intermediary

Notes:

1. Data for City Banks and Trust Banks are as of 27 May 2025.
2. Data for Regional Banks and Regional Banks II are as of 1 January 2025.
3. Data for FIs with Trust Business are as of 10 April 2025.

Source: FSA. *List of licensed (registered) Financial Institutions*. https://www.fsa.go.jp/en/regulated/licensed/index.html#01

The Bank of Japan's Financial System Report in April 2025 presents insights on the banks' investment activities.[6] Banks tend to be conservative in their investments in domestic securities, such as JPY-denominated bonds, foreign bonds, investment trusts, and stocks. Although the report does not distinguish between corporate and government bonds, it notes a slowdown in accumulating holdings of JPY-denominated bonds among major banks due to risks of higher interest rates. At the time of the report, these major banks favored foreign bonds, anticipating a decline in foreign interest rates.

On the other hand, regional and cooperative financial institutions (commonly known as shinkin banks) have increased their holdings of JPY-denominated bonds. At the same time, these banks have shortened the duration of their JPY-denominated bonds by limiting investments in the longer-term maturities.

With the current macroeconomic environment in Japan in 2025, banks' investment appetite for JPY-denominated corporate bonds is concentrated in short tenors, preferably up to 5 years. This also reflects differences in banks' scale and scope of operations, such as institutions with trust business license, which may invest across a broader range of maturities. As Japan's corporate bond market is an investment-grade market, banks generally prefer bonds with a minimum credit rating of A-. While banks may invest in foreign currency (FCY)-denominated bonds, they generally prefer JPY-denominated bonds.

Corporations

Corporations include both business corporations and other types of corporations. Business corporations consist of listed and unlisted companies, and other companies such as privatized government-related bodies. Other

[6] Bank of Japan (BOJ). *Financial System Report April 2025*. https://www.boj.or.jp/en/research/brp/fsr/data/fsr250423a.pdf. (accessed on 21 November 2025)

corporations include all other legal entities, including, among others, educational, religious, and healthcare corporations. One compelling reason corporations are regarded as key investors in Japan's corporate bond market is that they are considered as professional investors, qualified investors, or investors engaged in specially permitted business.[7] Table 3.2 further describes these types of investors.

Table 3.2: Classification of Investors in Japan's Securities Industry

Type of Investor	**Regulation**	**Definition**
Qualified Institutional Investors	Article 10 of Cabinet Office Ordinance on Definitions	Financial Instruments Business Operators (limited to those engaged in Type I Financial Instruments Business that falls under securities-related business or Investment Management Business), investment corporations, banks and other financial institutions that accept deposits or savings, insurance companies, call brokers, venture capital firms with capital of at least JPY500 million that have submitted notification to the FSA Commissioner, investment limited liability partnerships, pension funds with net assets of at least JPY10 billion that have submitted notification to the FSA Commissioner, investment-type trust companies that have submitted notification to the FSA Commissioner, entities with a securities balance of at least JPY1 billion that have submitted notification to the FSA Commissioner (in the case of individuals, limited to those who opened a securities trading account for at least 1 year), executive partners of partnership funds with a securities balance of at least JPY1 billion that have submitted notification to the FSA Commissioner, specified purpose companies with a securities balance of at least JPY1 billion that have submitted notification to the FSA Commissioner, and other entities of similar nature.
Professional Investors	Article 2(31) of the Act, Article 23 of Cabinet Office Ordinance on Definitions	Qualified Institutional Investors, the State, the Bank of Japan, specified purpose companies, listed companies, stock companies with capital of at least JPY500 million, Financial Instruments Business Operators, notifiers of Specially Permitted Business for Qualified Institutional Investors, foreign corporations, and other entities that meet the relevant statutory requirements.
Qualified Investors		This includes the following persons: • Persons equivalent to Professional Investors: Corporations with capital or net assets of at least JPY50 million (including their affiliated companies), pension funds with investment-based assets of at least JPY10 billion, entities with investment-based assets of at least JPY100 million (in the case of individuals, limited to those who opened a securities trading account for at least 1 year), affiliated companies of Financial Instruments Business Operators or listed companies, and other comparable entities.

[7] Financial Services Agency (FSA). *(Reference 1) Supplementary explanations on the Financial Instruments and Exchange Act*. https://www.fsa.go.jp/en/policy/marketentry/guidebook/reference1.html. (accessed on 4 December 2025)

		• Persons with a close relationship to Investment Management Business Operators for Qualified Investors: Affiliated companies of Investment Management Business Operators for Qualified Investors, their officers, employees, and relatives, and subcontractors engaged in the management business of Investment Management Business Operators for Qualified Investors, and other closely related parties.
Investors Subject to Specially Permitted Business	Article 63(1)(a) of the Act, Article 17-12(1) of the Order, Article 233-2 of the FIB Cabinet Office Order	The State, the Bank of Japan, municipalities, Financial Instruments Business Operators, fund asset managers, persons that have a close relationship with the relevant fund asset managers, listed companies, corporations with capital or net assets of at least JPY50 million, specified purpose companies, pension funds with investment-based assets of at least JPY10 billion, entities with investment-based assets of at least JPY100 million (in the case of individuals, limited to those who have maintained a securities trading account for at least 1 year), affiliated companies of Financial Instruments Business Operators or listed companies, and persons that have a close relationship with the relevant Investment Management Business Operators for Qualified Investors, and other entities that meet the relevant statutory requirements.

Source: FSA, 2025.

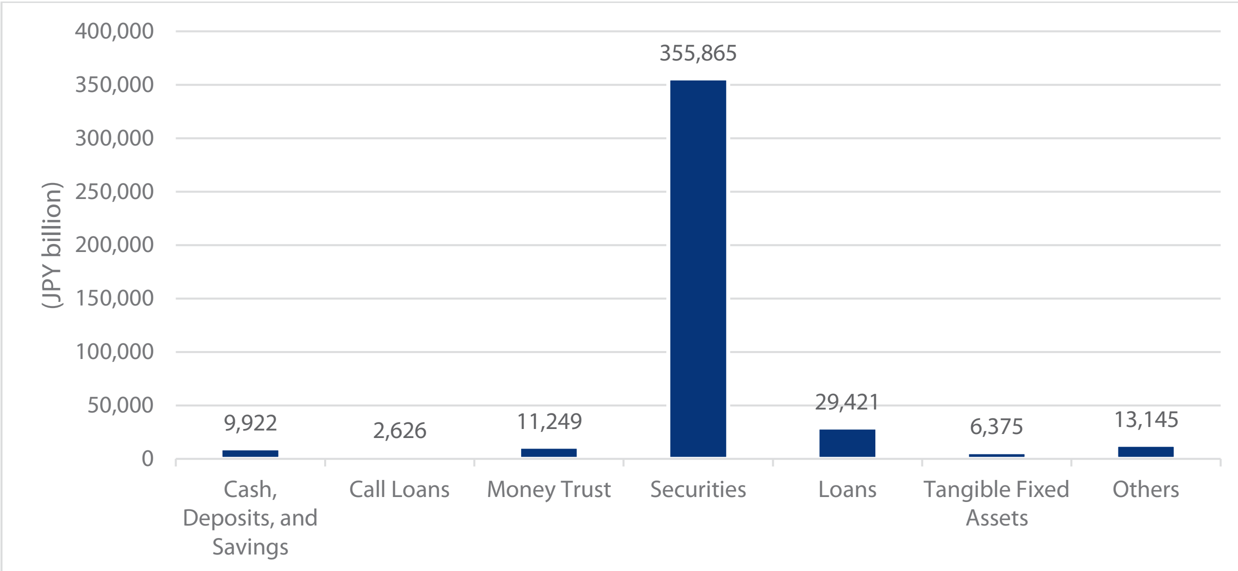
The appetite of corporations for corporate bonds remains conservative. They generally prefer bonds with shorter maturities but can accommodate those with tenors of up to 5 years. Generally, if the business is concentrated in the domestic market, the investment appetite leans towards JPY-denominated bonds than those denominated in foreign currencies. As allowed by their own respective investment policies, they can invest in FCY-denominated corporate bonds. Lastly, corporations prefer investment grade bonds, following the general market sentiment for credit rating requirements.

Insurance Companies

Life Insurance

The Life Insurance Association of Japan reports the investment breakdown of life insurance companies. The total assets of insurance companies in Japan consist of cash, deposits and savings, call loans, money trusts, securities, loans, tangible fixed assets, and other assets. Figure 3.3 shows the value of investments allocated to each asset group by life insurance companies in Japan. About 83% of the investments are securities, while about 7% is allocated to loans. The remaining assets are distributed across the other asset groups.

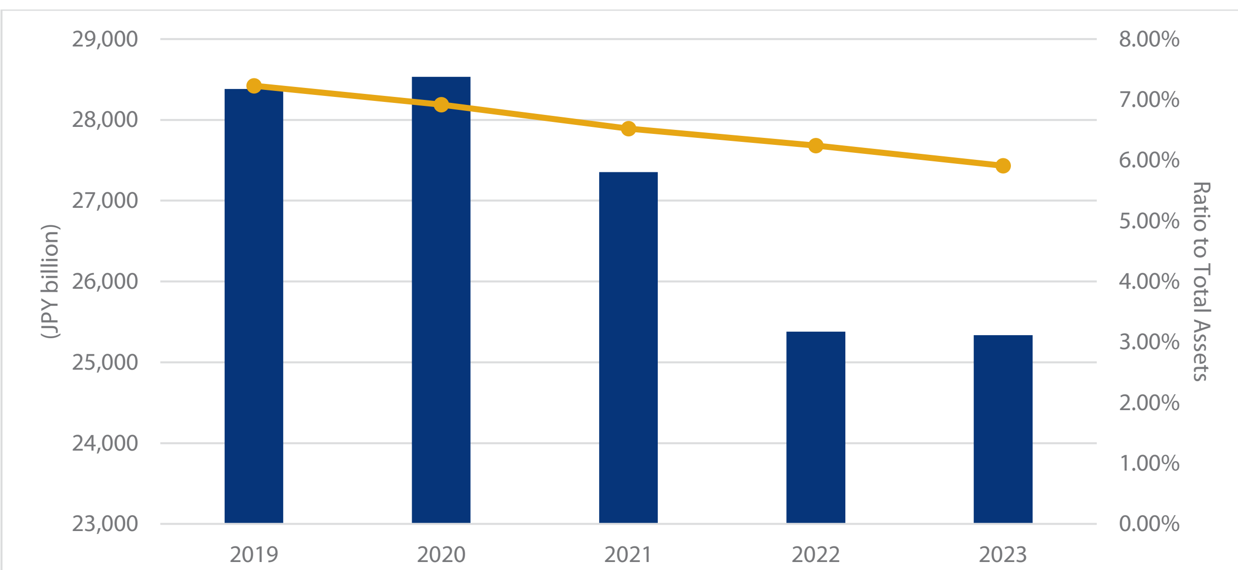
Figure 3.3: Total Assets of Life Insurance Companies in Japan, 2023



Source: Life Insurance Fact Book (2024) of the Life Insurance Association of Japan.

"Securities" include Japanese government bonds (JGBs), local government bonds, stocks, corporate bonds, and foreign securities (including stocks and bonds). In 2023, investments in JGBs accounted for 39% of the total assets of life insurance companies, while domestic corporate bonds accounted for 6%. Over the past 5 years, the share of corporate bonds in the total assets of life insurance companies has continued to decline, largely due to trends in the country's domestic interest rates (Figure 3.4).

Figure 3.4: Corporate Bond Investments of Life Insurance Companies in Japan

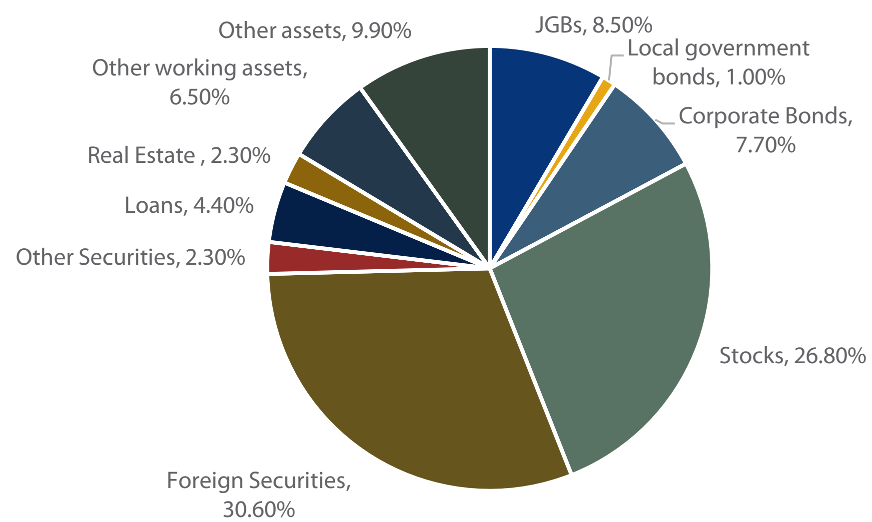


Source: Life Insurance Fact Book (2024) of the Life Insurance Association of Japan.

Non-Life Insurance

The non-life or general insurance industry of Japan can invest in various financial instruments, similar to the life insurance industry. At the end of fiscal year 2023, investments in securities accounted for 77% of the total assets of the non-life insurance industry. Specifically, stocks represented 27% of total assets, foreign securities accounted for 31%, and corporate bonds comprised 8% of total assets (Figure 3.5).

Figure 3.5: Distribution of Securities Investments of Non-Life Insurance Companies in Japan, FY 2023



FY = fiscal year, JGB = Japanese government bond.
Source: Factbook 2023-2024 General Insurance in Japan.

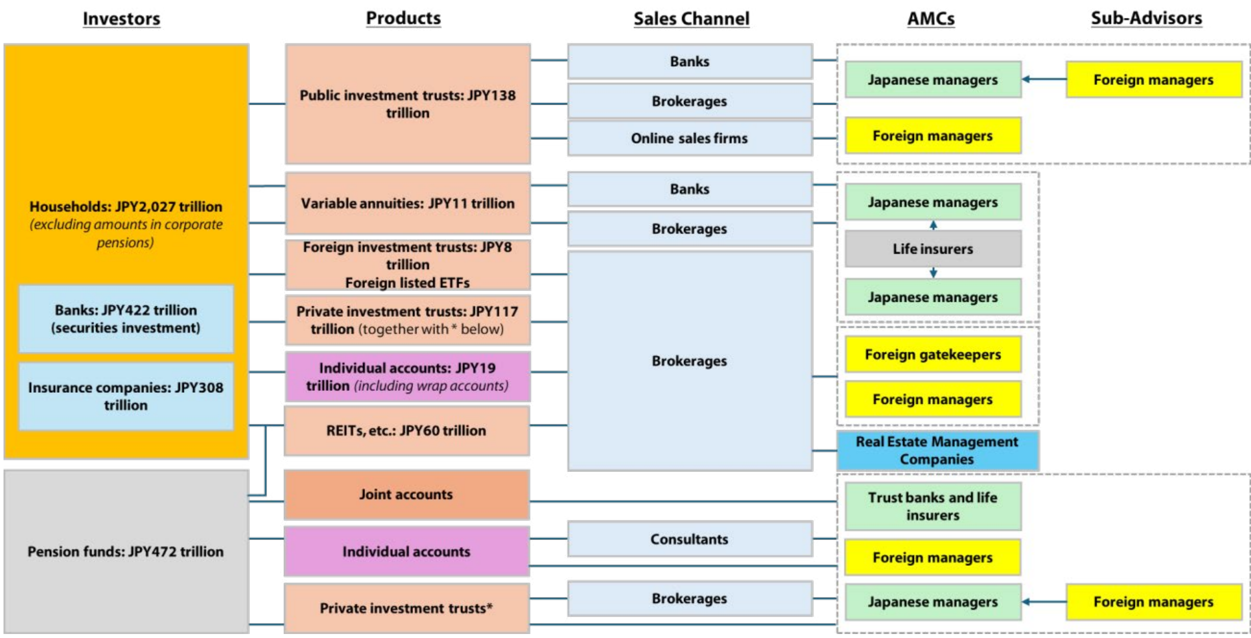
Particularly for life insurance companies, they can invest in longer-tenor bonds due to the nature of their business requirements. With the current market conditions, life insurers tend to favor bonds with tenors between 5 and 10 years. In terms of credit ratings, life insurers are generally sensitive to downgrades. For instance, if a bond with an initial rating of A- were downgraded, insurers would try to sell this as soon as possible. However, it would be a challenge to find counterparties willing to take on such risk. Lastly, like other investor groups, insurance companies prefer to invest in JPY-denominated corporate bonds, though they may invest in FCY-denominated bonds when necessary.

Asset Management Companies

Japan's asset management industry is considerably large, with both domestic and foreign companies actively participating in the market. Figure 3.6 provides an overview of Japan's asset management industry, including the main customers, products, key sales channels, types of asset management companies by ownership, and sub-advisors.[8] The values indicated for the main customers or investors represent the assets held by each customer.

[8] Nomura Research Institute. 2024. *Japan's Asset Management Business 2024-2025*. https://www.nri.com/en/knowledge/publication/jamb_2024/files/000040382.pdf (accessed on 3 October 2025)

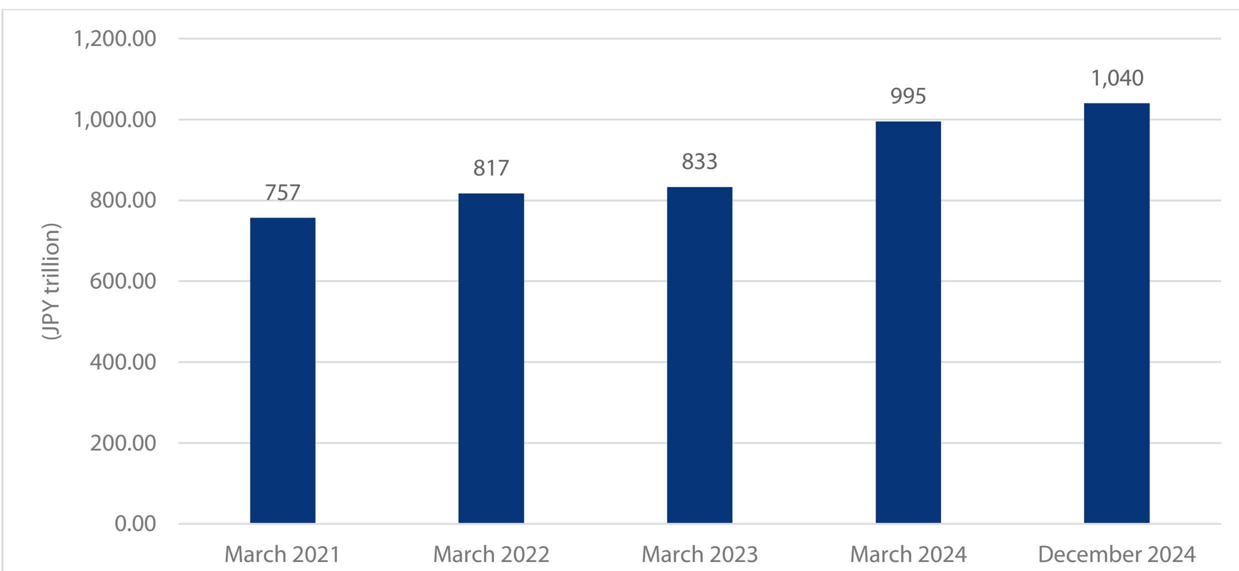
Figure 3.6: Key Players in Japan's Asset Management Industry



AMC = Asset management companies, ETF = exchange-traded fund, REIT = Real Estate Investment Trust.
Source: Nomura Research Institute, 2025.

The FSA estimated that, as of December 2024, the assets under management (AUM) of asset management companies reached JPY1,040 trillion. This represents a 37% increase from JPY757 trillion in March 2021. Much of this growth is attributed to the programs undertaken by the FSA to position Japan as a prime destination for asset managers (Figure 3.7).

Figure 3.7: Assets Under Management in Japan's Asset Management Industry



Source: Shigeru Ariizumi. 21 May 2025. FSA, Government of Japan. *Promoting Japan as a Leading Asset Management Center*. https://www.fsa.go.jp/common/conference/danwa/20250521.pdf.

To further strengthen Japan's asset management industry, the FSA has launched several programs promoting the country as a leading asset management center. These initiatives aim to foster wider and deeper economic growth, including increasing the flow of Japan's household savings into productive investments.[9] As shown in Figure 3.4, households – or the retail segment – have the largest share of assets compared to other investor groups. Stakeholders in the asset management industry are expected to actively participate in the investment chain as part of this initiative. The related activities are summarized in Table 3.3.

Table 3.3: Initiatives to Strengthen Japan's Asset Management Industry

Activity	Description
Promoting stable household assets	• Complete revamp of the Nippon Individual Savings Account (NISA), which is a new type of tax exemption program designed to encourage small-scale investments. NISA's objective aligns with the principle of asset mobilization. For individuals, NISA serves as an effective instrument for medium- to long-term investment, while for businesses it functions as a conduit of funds. • Reform of the individual-type defined contribution pension plan (iDeCo), which is a voluntary private pension plan established under the Defined Contribution Pension Act. • Establishment of the Japan Financial Literacy and Education (J-FLEC) Corporation in April 2024 through the Act on Provision of Financial Services and Improvement of User Environment. • Introduction of a legal obligation for financial institutions to operate in the best interests of customers.
Promoting sustainable corporate growth and improving market functioning through corporate governance reform	• Encouragement of effective management of listed companies. • Publication of "Cases Where Companies Are Not Aligned with Investors' Perspectives". • Expansion of disclosure requirements related to cross-shareholdings. • Request by the FSA that listed companies provide annual securities reports prior to their Annual General Meeting. • Introduction of an obligation for listed companies to disclose key information in English.
Asset management sector reform and improvement of asset owner capabilities	• Statements by major financial groups on efforts to enhance their asset management businesses. • Statements by major financial groups on efforts to enhance their asset management businesses, focusing on four target municipalities, namely Sapporo and Hokkaido, Tokyo, Osaka, and Fukuoka. • Introduction of a new program to assist new market entrants. • Deregulation to allow asset managers to outsource middle- and back-office operations. • Development of "Asset Owner Principles", such as reforms of occupational pension funds, including the promotion of more transparent and comparable disclosure.
Enhancing Customer-Oriented Business Operations	• Amendment of the Financial Services Provision Act effective from November 2024, which legally requires financial service providers to conduct customer-oriented business operations.

[9] Ariizumi Shigeru. FSA, Government of Japan. 21 May 2025. *Promoting Japan as a Leading Asset Management Center*. https://www.fsa.go.jp/common/conference/danwa/20250521.pdf. (accessed on 20 September 2025)

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FSA will closely monitor the development, sale, and management of financial products to ensure they are aligned with the best interests of their customers. Key areas of focus include:

The degree of top management's involvement in retail business operations;
The sustainability of business models based on regulatory obligations;
Overall business strategy;
Sales management practices to ensure the provision of suitable financial products to customers, with particular attention to high-risk products (e.g., structured products); and
The effectiveness of internal control systems, such as implementation of the Plan-Do-Check-Act (PDCA) cycle.

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Source: FSA, 2025.

Asset management companies have an investment appetite for corporate bonds with tenors ranging from 3 to 5 years. However, when asset management companies manage investments from pension funds, they can invest in bonds with longer tenors, such as 10 years or more. Similar to banks, asset management companies generally prefer bonds with credit ratings of at least A-. In addition, there is a preference for JPY-denominated bonds.

4 Issuers

Table 4.1 shows the distribution of issuers in Japan's corporate bond market in comparison with other markets in ASEAN+3. The composition of issuers in Japan's corporate bond market is relatively diverse. The Financials industry accounts for 34% of outstanding corporate bond issuance, followed by the Consumer Discretionary (15%) and Utilities (14%) industries.

Table 4.1: Issuer Groups in Japan's LCY Corporate Bond Market by Share of Outstanding JPY-denominated Bonds, 2024

(in %)

Industry	KR	CN	JP	ID	MY	PH	SG	TH	VN
Financials	**69**	**65**	**34**	**43**	**52**	**60**	**66**	**26**	**71**
Banks	23	46	6	14	15	24	9	7	53
Consumer Finance	14	1	4	15	5	-	-	7	-
Commercial Finance	10	-	2	9	11	-	-	-	-
Diversified Banks	3	-	9	-	-	-	-	-	-
Financial Services	15	11	4	2	13	-	13	8	2
Property & Casualty Insurance	2	-	3	1	-	-	-	-	-
Life Insurance	1	-	2	1	-	-	-	-	-
Real Estate	1	5	5	1	8	35	40	3	16
Consumer Discretionary	**8**	**6**	**15**	**4**	**6**	**-**	**12**	**13**	**6**
Energy	**4**	**2**	**1**	**4**	**8**	**13**	**-**	**13**	**2**
Industrials	**3**	**19**	**11**	**13**	**12**	**4**	**0**	**16**	**7**
Materials	**4**	**3**	**6**	**23**	**1**	**-**	**2**	**10**	**1**
Utilities	**4**	**4**	**14**	**6**	**14**	**17**	**4**	**9**	**3**
Others	**8**	**1**	**19**	**7**	**7**	**6**	**16**	**13**	**10**

CN = The People's Republic of China, ID = Indonesia, JP = Japan, KR = Republic of Korea, MY = Malaysia, PH = Philippines, SG = Singapore, TH = Thailand, VN = Viet Nam.
Note: Percentages are calculated based on the value of outstanding corporate bonds by industry as of the end of 2024.
Source: Bloomberg; Author's calculations.

5 Other Market Participants

5.1 Regulator

The Financial Services Agency of Japan (FSA) serves as the key regulator of the country's financial market. Its main functions include:

- *Policymaking.* The FSA creates policies and plans for the domestic finance system, which includes the securities market. It coordinates policy and system planning for international services provided by domestic finance and financial institutions.
- *Supervisory*. The FSA supervises financial institutions such as banks, insurance companies, and securities businesses. It also establishes supervisory guidelines and coordinates administrative matters.
- *Market surveillance*. The Securities and Exchange Surveillance Commission (SESC), a collegiate organization of the FSA, aims to promote fairness and transparency of Japan's financial markets and to ensure investor protection. Some of the activities done by the SESC include inspections of violations of laws and regulations related to securities business by registered financial institutions, financial instruments intermediary service providers, and qualified institutional investors, investigations of any market misconducts, inspections of violations of disclosure requirements by listed companies, among others.[10]

For its policy-making function, the FSA furthers its role through the establishment of the Open Policy Lab. This is a framework that allows voluntary submission of policy proposals from FSA employees. This initiative can lead to the formulation of innovative and original policies for the financial market.

The FSA is also active in promoting Japan's securities market. It has established strategic priorities to be implemented from June 2025 to July 2026 (Table 5.1). The strategic directions aim to pursue sustainable growth in Japan's financial market, maintain a stable financial system, and ensure FSA's continued relevance as the primary regulator of the corporate bond market.

Table 5.1: Strategic Directions of the Financial Services Agency of Japan

Strategic Direction	Description
Contributing to Sustainable Growth by Enhancing Financial Functions	• The FSA will develop a "Regional Financial Power Enhancement Plan" by the end of 2025, which is a package of policy measures designed to unlock the potential of regional financial institutions to support regional economies while ensuring sound business management and operations. • To advance the "Promoting Japan as a Leading Asset Management Center" initiative and enhance companies' corporate value, the FSA will continue to promote corporate governance reforms through constructive dialogue between companies and investors. • In response to the digital transformation of financial services, the FSA will refine the regulatory framework for crypto-assets, promote improvements and streamline payment systems (including circulation of JPY-denominated stablecoins), and encourage the sound and effective use of artificial intelligence by financial institutions.
Ensuring Trust in a Stable, Fair, and Secure Financial System	• The FSA has implemented a more integrated supervisory structure that enables closer coordination between sector-specific supervision divisions and thematic monitoring units.

[10] Government of Japan. June 2025. *Securities and Exchange Surveillance Commission.* https://www.fsa.go.jp/sesc/english/aboutsesc/all.pdf (accessed on 19 December 2025)

	• The FSA will continue to identify and analyze vulnerabilities within the financial system. • To address common non-financial risks faced by many financial institutions, such as money laundering and cyber threats, the FSA will implement necessary measures across the financial sector in coordination with relevant industry associations. • The FSA will conduct group-wide supervision of large financial groups and those with non-financial parent companies. It will also strengthen cooperation with foreign regulators to supervise internationally active financial groups, in view of recent difficulties encountered by some of the groups. • The FSA will advance public-private and cross-agency collaboration to mitigate the risks and impacts of financial crime, such as fraud and unauthorized access to securities accounts.
Continuously Evolving as a Financial Regulator that Serves the Public	• The FSA will reorganize the Supervision Bureau into a two-bureau structure, establishing one bureau responsible for asset management and insurance supervision and another for banking and securities supervision.

Source: FSA, 2025.

5.2 Credit Rating Agencies

Table 5.2 lists the credit rating agencies (CRAs) licensed by the FSA to operate in Japan. Of the seven CRAs, two have operated for a long time in Japan's corporate bond market as domestic agencies. Japan Credit Rating Agency (JCR) and Rating and Investment Information Inc. (R&I) have extensive coverage of Japanese corporate bond issuers. The other five are the Japanese subsidiaries of the top three global credit rating agencies.[11]

Table 5.2: Credit Rating Agencies in Japan's Corporate Bond Market

Credit Rating Agency	Description of Services
Japan Credit Rating Agency	• Rating coverage exceeds 60% of approximately 1,100 publicly rated issuers in Japan. • Covers around 70% of issuers in the financial industry. • Has assigned credit ratings to more than 200 foreign issuers.
Rating and Investment Information Inc.	• Established in 1975 as an in-house unit of Nihon Keizai Shimbun, Inc. (now Nikkei Inc.) for bond rating research. In 1979, Nihon Keizai Shimbun established a private organization, Japan Bond Research Institute (JBRI), which later became a stock company. Over time, R&I was finally established through the merger of JBRI and Nippon Investors Service, Inc. • Services include credit ratings (for loans and securities, such as bonds, and other obligations), research and analysis of financial and capital markets and overall business trends, evaluation of corporate finances and creditworthiness, assessment of ESG Finance, performance evaluation and consultation for pension fund management, fund research and recommendations, and other related services.
Moody's Japan K.K.	• A subsidiary of Moody's Ratings, which provides credit ratings, research, and risk analysis for Japanese and global markets.

[11] Moody's and S&P have separate subsidiaries for structured finance products, unlike other CRAs in Japan. It is possible that this is to achieve efficiency for credit ratings, as structure finance requires greater expertise due to the complexities in their overall structures and contracts as well as with perceived high level of risk.

Moody's SF Japan K.K.	• A subsidiary of Moody's Japan K.K, which specializes in credit ratings for structured finance products.
S&P Global Ratings Japan Inc.	• A subsidiary of S&P Global Inc. in Japan, which provides credit rating services, research, and risk analysis.
S&P Global SF Japan Inc.	• A subsidiary of S&P Global Inc. in Japan, which provides services for structured finance products.
Fitch Ratings Japan Limited	• A subsidiary of Fitch Ratings, established in 2010 to provide credit rating services to companies in Japan.

Note: The list is as of April 2017.

Source: FSA. 2017. https://www.fsa.go.jp/en/regulated/licensed/cra.pdf. (accessed on 20 September 2025)

5.3 Self-regulatory Organizations

Japan Exchange Group

The Japan Exchange Group (JPX), as a self-regulatory organization (SRO), operates according to the definition in Article 84, Paragraph 1 of the Financial Instruments and Exchange Act (FIEA). Under this regulation, a financial instruments exchange must perform self-regulatory functions to ensure the fair trading of securities and market derivatives, as well as to protect investors. The scope of services includes:

- Listing and delisting services for financial instruments, financial indexes, and options.
- Investigation of member compliance with laws and regulations, dispositions by government agencies based on laws and regulations, the articles of incorporation, other rules, and the principle of good faith in transactions.
- Other services specified by Cabinet Office Order as necessary to ensure fairness in transactions on the financial instruments exchange market.

One important function of the JPX in the corporate bond market is its operation of the Tokyo Pro-Bond Market. Established in May 2011, the Tokyo Pro-Bond Market is a professional-oriented bond market that allows greater flexibility for bond issuances. It provides issuers with the option to pursue medium-term note (MTN) programs.

Another important characteristic of the Tokyo Pro-Bond Market is its support for overseas and foreign issuers seeking access to Japan's domestic corporate bond market. For new issuances, the Tokyo Pro-Bond Market accepts disclosures in Japanese and English. The market also allows the use of Japanese, international, or US accounting standards, as well as welcomes the issuance of corporate bonds in Japanese yen or other international currencies.

Japan Securities Dealers Association

The Japan Securities Dealers Association (JSDA) was established in 2007 as a financial instruments firms association under Article 67-2, Paragraph 2 of the FIEA. JSDA has a longer history in Japan's financial industry landscape, originally founded as the Japan Securities Dealers Joint Association in 1973. Its members include securities firms, banks, insurance companies, and other companies engaged in securities business. As of June 2025, JSDA has a total of 474 members.

The JSDA regulates its members through rulemaking, enforcement, inspections, disciplinary actions, accreditation of sales representatives, and dispute mediation. It also seeks to forge strong collaboration with international regulatory and industry organizations, such as the International Organization of Securities Commissions (IOSCO), the International Council of Securities Associations (ICSA), and the Asia Securities Forum (ASF).

As part of its role as an SRO, the JSDA provides information on the pricing of the corporate bond market. For example, the daily yields of over-the-counter (OTC) bond transactions – both government bonds and corporate bonds – are published on the JSDA website.

6 Credit Spreads

A credit spread is the difference in yields between two debt securities with the same maturity but different credit ratings. To put it simply, a credit spread reflects the cost of credit risk. Since government bonds are considered free of credit risk, a credit spread is specifically calculated as the difference between the yield on a corporate bond and the yield on a government bond with the same maturity.

This section examines the credit spreads of JPY-denominated corporate bonds. Unlike some markets, Japan does not have a centralized source for bond pricing. Instead, bond prices and yields are derived from various sources, including the JSDA, Japan Bond Trading Co., Ltd., credit rating agencies, and other financial information providers. Bloomberg provides access to a yield matrix for Japanese bonds, sourced from the two major domestic credit rating agencies in Japan—JCR and R&I.

With the recent developments in Japan's economy, it is insightful to present two significant dates for bond yields and credit spreads. Table 6.1 depicts the yield matrix for 30 December 2024, while Table 6.2 shows the yield matrix for 19 August 2025 (the date when the relevant data were obtained, as a reference). The yield matrices show a normal yield curve across different ratings and tenors. For both dates, yields increase as tenor lengthens, and credit rating worsens. There is a significant difference between the two dates.

Yields on 19 August 2025 significantly increased compared to those of 30 December of 2024 because of the major events that transpired in Japan since early 2025. After decades of strict yield-curve control and aggressive expansionary monetary policies, the Bank of Japan began scaling back these policies, implementing three rate hikes since March 2024. The latest rate hike in January 2025 raised the policy rate to 0.50%, the highest level in 17 years. This decision by the Bank of Japan caused a significant jump in yields across the curve, with yields reaching decades high, as can be noted in Table 6.2.

Table 6.1: Yield Matrix of JPY-denominated Corporate Bonds, 30 December 2024

(in %)

Rating Class	1Y	3Y	5Y	7Y	10Y
Government	0.42	0.58	0.73	0.84	1.09
AAA	0.66	0.84	1.02	1.13	1.45
AA	0.75	1.05	1.23	1.36	1.73
A	0.93	1.27	1.39	1.53	1.83
BBB	0.89	1.36	-	1.64	-

JPY = Japanese yen, Y = year.
Note: There is no available data for 5Y and 10Y BBB-rated bonds on 30 December 2024.
Source: Bloomberg; Author's calculations.

Table 6.2: Yield Matrix of JPY-denominated Corporate Bonds, 19 August 2025

(in %)

Rating Class	1Y	3Y	5Y	7Y	10Y
Government	0.63	0.93	1.14	1.36	1.60
AAA	0.86	1.21	1.49	1.68	1.98
AA	1.02	1.40	1.68	1.87	2.27
A	1.17	1.63	1.94	2.04	2.62
BBB	1.63	1.99	-	-	-

JPY = Japanese yen, Y = year.
Note: There is no available data for 5Y and 10Y BBB-rated bonds on 19 August 2025.
Source: Bloomberg; Author's calculations.

With reference to the yield matrices presented above, credit spreads for the key dates are presented in Tables 6.3 and 6.4.

Table 6.3: Credit Spreads of JPY-denominated Corporate Bonds, 30 December 2024

(in %)

Rating Class	1Y	3Y	5Y	7Y	10Y
AAA	0.24	0.26	0.29	0.29	0.37
AA	0.34	0.47	0.50	0.52	0.65
A	0.51	0.68	0.66	0.69	0.74
BBB	0.47	0.78	-	0.80	-

JPY = Japanese yen, Y = year.
Note: There is no available data for 5Y and 10Y BBB-rated bonds on 30 December 2024.
Source: Bloomberg; Author's calculations.

Table 6.4: Credit Spreads of JPY-denominated Corporate Bonds, 19 August 2025

(in %)

Rating	1Y	3Y	5Y	7Y	10Y
AAA	0.23	0.29	0.35	0.32	0.39
AA	0.38	0.48	0.54	0.51	0.67
A	0.53	0.70	0.80	0.68	1.03
BBB	1.00	1.07	-	-	-

JPY = Japanese yen, Y = year.
Note: There is no available data for 5Y and 10Y BBB-rated bonds on 19 August 2025.
Source: Bloomberg; Author's calculations.

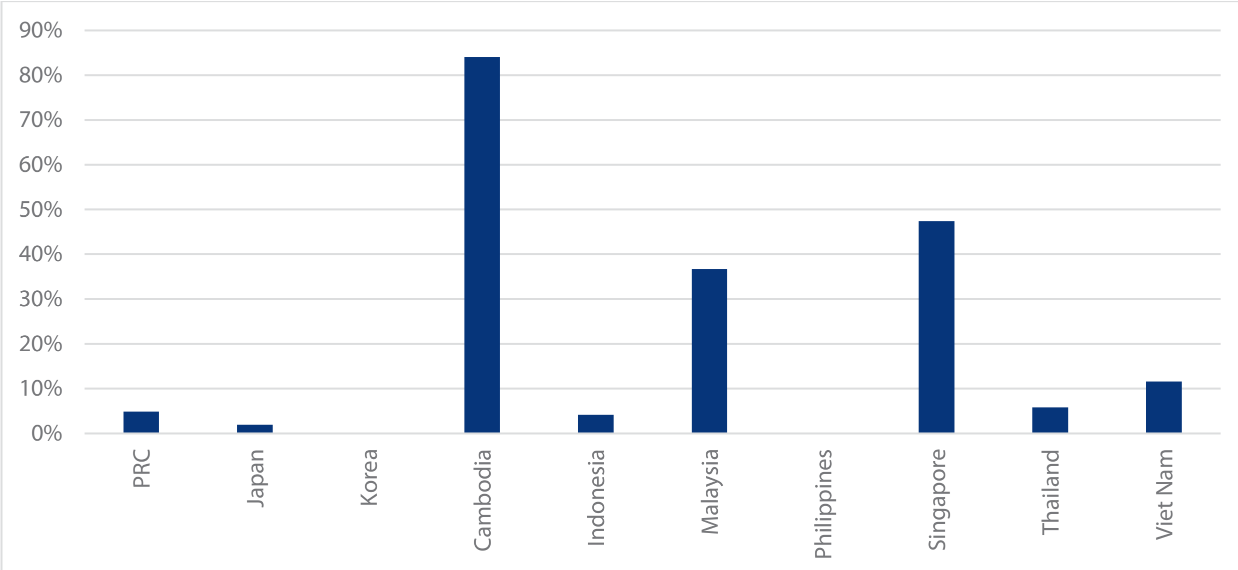
Key observations on credit spreads are as follows:

- Credit spreads increased across tenors and across ratings, except for the 1-year BBB credit spread in 2024. It can be observed that the 1-year BBB credit spread is tighter than that of A-rated bonds with the same tenor. This is considered an outlier and does not reflect the general trend in Japan's corporate bond market.
- The 10-year rate is available for bonds rated A or higher, but not for BBB-rated bonds regardless of the dates. This implies that 10-year BBB-rated bonds are rarely issued or traded in Japan's corporate bond market.
- In December 2024, there were no notable jumps in credit spreads across ratings and tenors. However, by August 2025, there was a significant widening in credit spreads between A-rated and BBB-rated bonds across available tenors. This implies that risk aversion toward BBB-rated bonds increased in 2025.

7 Guaranteed Corporate Bonds

Guarantees on corporate bonds are generally uncommon in ASEAN+3. As shown in Figure 7.1, Cambodia has the highest ratio of guaranteed corporate bonds at 84%, due to the active participation of specialized guarantors such as the Credit Guarantee and Investment Facility (CGIF) and GuarantCo in the country's nascent corporate bond market. Singapore's guarantees on corporate bonds are mostly from parent companies or affiliates. On the other hand, Malaysia's government serves the key guarantor for bond issuances, especially the bonds issued by state-owned enterprises (SOEs). Japan's corporate bond market does not have a significant number of guaranteed bonds, with a ratio of only 2%.

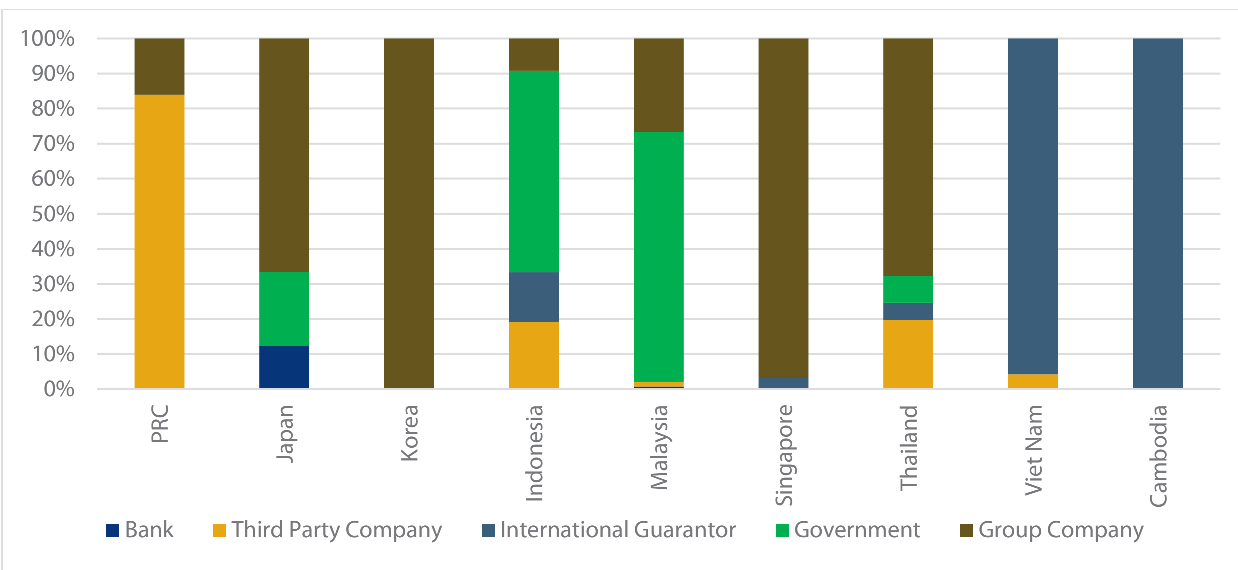
Figure 7.1: Ratio of Outstanding Guaranteed Corporate Bonds in ASEAN+3, 2024



ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.
Source: Bloomberg; Cambodia Stock Exchange; Author's calculations.

Figure 7.2 shows the types of guarantors in the ASEAN+3 corporate bond market. In Japan, most guarantors are affiliated with the group company of the issuers. To some extent, commercial banks can act as guarantors for corporate bonds in Japan. Commercial banks may become guarantors for bonds issued by their existing clients, helping these companies to access the bond market.

Figure 7.2: Types of Guarantors in ASEAN+3, 2024



ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, PRC = The People's Republic of China.
Source: Bloomberg, Cambodia Securities Exchange (CSX), and Author's calculations.

8 Cross-border Corporate Bonds

With the recognition of the Japanese yen as a major currency, Japan's corporate bond market is relatively open to cross-border issuances of corporate bonds. Since the 1970s, cross-border bonds, such as Samurai bonds and Shogun bonds, have been present in Japan's corporate bond market.

Foreign companies are keen at issuing JPY-denominated bonds due to the increasing appeal of the international yen market, which includes Samurai bonds, Euro yen bonds, and Global yen bonds. Among these, the Samurai bond market, primarily composed of REG-S bond issuances, is the largest in size.[12] Global yen bonds have been expanding over the past two years, as more international issuers see the need for more diversification.

Foreign issuers – both sovereigns and corporates – are interested in tapping the JPY bond market for diversification. As discussed in the next sections, foreign banks have also been active in this market and are expected to continue their participation in the near term.

8.1 Inbound Bonds

Table 8.1 shows the ratios of "inbound bonds" in ASEAN+3. Inbound bonds are local currency bonds issued by foreign entities. The ratio of this type of bonds to total local currency bonds shows the extent of foreign participation in the local currency bond market.

Local currency bonds settled in foreign currencies, such as USD, are excluded from this ratio to focus on the actual local market participation of foreign issuers, as these bonds are neither issued nor traded in the local bond market. For reference, the bonds that are settled in foreign currencies are also included in Table 8.1.

Among ASEAN+3 countries, Japan records the second highest ratio of inbound bonds in ASEAN+3, after Singapore. In fact, Japan and Singapore are the only two countries in ASEAN+3 where inbound bonds are actively issued.

Table 8.1: Inbound Bond Ratios in ASEAN+3, 31 December 2024

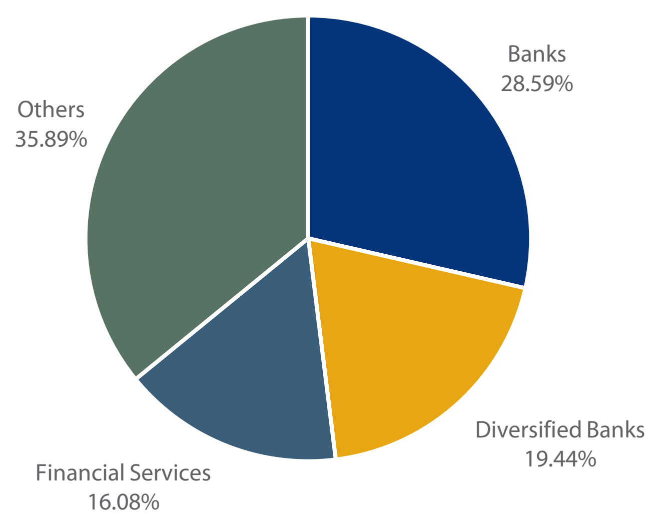
Country	Ratio of LCY corporate bonds issued by foreign entities to total LCY corporate bonds	
	Including bonds settled in FCY	Excluding bonds settled in FCY (Inbound Ratio)
PRC	1.41%	1.39%
Japan	**15.20%**	**15.15%**
Korea	0.21%	0.04%
Brunei	n/a	n/a
Cambodia	0%	0.00%
Indonesia	23.66%	0.08%
Lao PDR	n/a	n/a
Malaysia	0.35%	0.33%
Myanmar	n/a	n/a
Philippines	3.35%	0.35%
Singapore	34.18%	34.18%
Thailand	1.08%	0.91%
Viet Nam	3.02%	0.00%

[12] REG-S bonds refer to those issuances offered and sold exclusively outside the US to non-US investors.

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, FCY = foreign currency, LCY = local currency, PRC = The People's Republic of China.
Note: "n/a" means not available, as there are no outstanding LCY-denominated corporate bonds in Brunei, Lao PDR, and Myanmar as of 31 December 2024.
Source: Bloomberg; Author's calculations.

Further investigation of inbound bonds shows that most issuers are from the banking and finance sector. Figure 8.1 shows the top industries that issued inbound bonds in Japan as of the end of 2024. Banks, diversified banks, and financial services companies incorporated in different countries account for 64% of outstanding inbound bonds in Japan. As of 2024, the largest issuer of inbound bonds is Groupe BPCE (BPCE SA), the second-largest banking group in France.

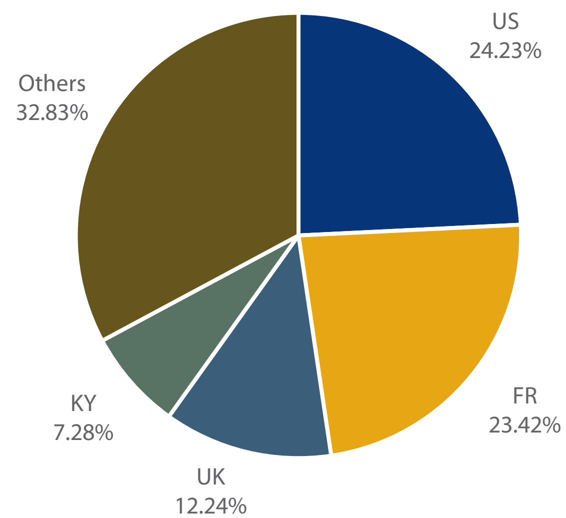
Figure 8.1: Issuer Groups of Outstanding Inbound Bonds in Japan, 2024



Source: Bloomberg; Author's calculations.

From a total of 41 countries, the majority of inbound bond issuers are incorporated in the US, France, and the UK (Figure 8.2). Of the outstanding inbound corporate bonds, about 25% are Samurai bonds, which are JPY-denominated bonds issued by foreign companies in Japan's domestic market. Based on these data, BPCE SA is a key issuer of Samurai bonds.

Figure 8.2: Distribution of Countries of Inbound Bond Issuers in Japan, 2024



FR = France, KY = Cayman Islands, UK = United Kingdom, US = United States.
Source: Bloomberg; Author's calculations.

8.2 Outbound Bonds

"Outbound bonds" are FCY bonds issued by local entities. The ratio of outbound bonds to the total bonds issued by local entities shows the extent to which local entities rely on offshore markets for bond financing. Table 8.2 shows the outbound bond ratios in ASEAN+3. Japan's outbound bond ratio is approximately 36%, which indicates the willingness of Japanese corporates to raise funds outside Japan.

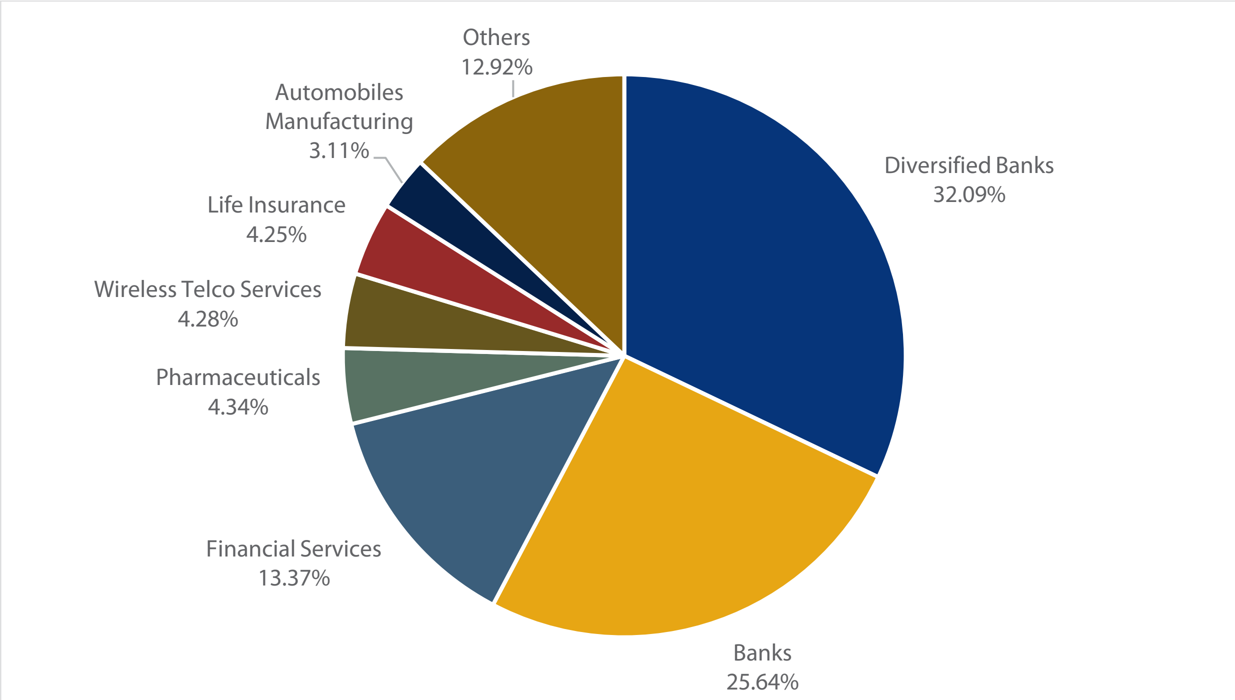
Table 8.2: Outbound Bond Ratio in ASEAN+3, 2024

Country	Ratio of offshore bonds issued by local entities to total bonds issued by local entities (Outbound Bond Ratio)
PRC	2.90%
Japan	**35.55%**
Korea	13.55%
Brunei	n/a
Cambodia	36.07%
Indonesia	59.90%
Lao PDR	100.00%
Malaysia	14.29%
Myanmar	100.00%
Philippines	36.54%
Singapore	77.99%
Thailand	14.67%
Viet Nam	20.30%

ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea, Lao PDR = Lao People's Democratic Republic, PRC = The People's Republic of China.
Note: "n/a" means not applicable, as there are no outstanding LCY or FCY corporate bonds in Brunei as of 31 December 2024.
Source: Bloomberg; Author's calculations.

In terms of industry, corporates in the banking and finance sector are the most active issuers of offshore bonds for financing. Of the total outstanding outbound bonds, diversified banks account for 32%, banks 26%, and financial services 13% (Figure 8.3). This pattern mirrors the industry distribution of inbound bond issuers.

Figure 8.3: Issuer Groups of Outbound Bonds from Japan, 2024



Note: "Diversified banks" include banks with significant multinational bank operations and substantial institutional brokerage operations.
Source: Bloomberg; Author's calculations.

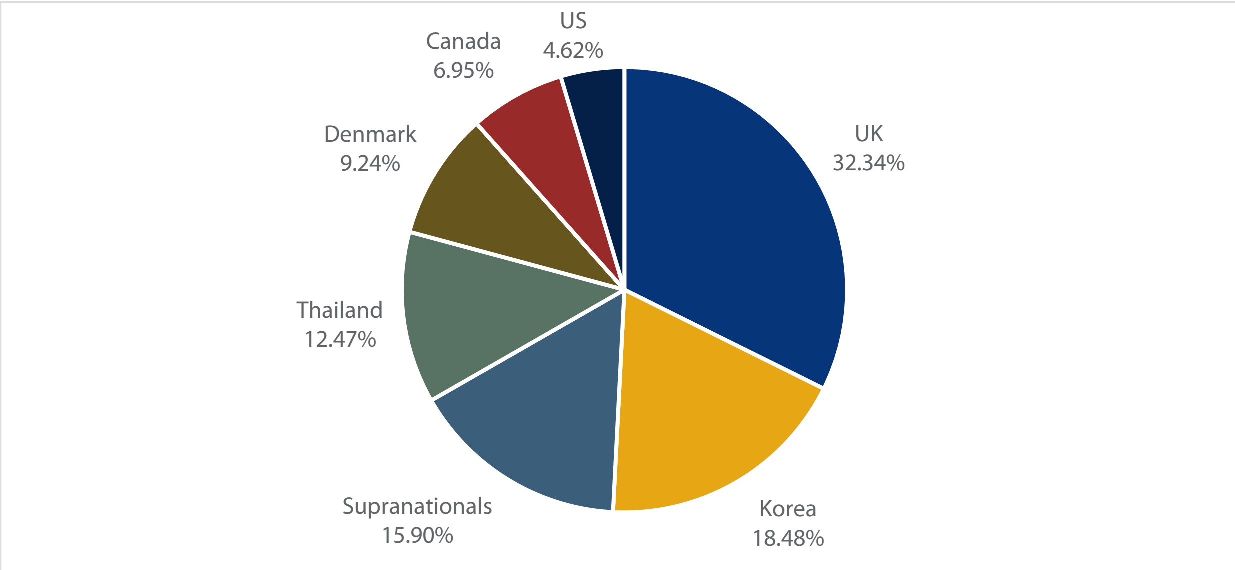
8.3 Shogun Bonds

Shogun bonds are bonds issued by non-Japanese entities in the domestic Japanese market and denominated in currencies other than the Japanese yen. Depending on the market situation during the period of issuances, foreign issuers may have different reasons on tapping the Japanese market for non-JPY denominated bonds. Few of the reasons include possibility of lower overall funding costs compared to issuing JPY-denominated bonds and diversification of investor base with appetite for FCY-denominated bonds.

Shogun bonds provide available instruments for domestic investors in Japan to invest in FCY-denominated bonds. Based on Bloomberg data on Shogun bond issuances until 30 June 2025, Shogun corporate bonds are mostly USD-denominated, with issuers incorporated in different countries such as the UK, Korea, Thailand, and Canada.[13] The participation of supranational institutions is also notable in the Shogun bond market. See Figure 8.4.

[13] This includes all Shogun bonds, whether matured or outstanding.

Figure 8.4: Shogun Bonds in Japan, Issued Until 30 June 2025

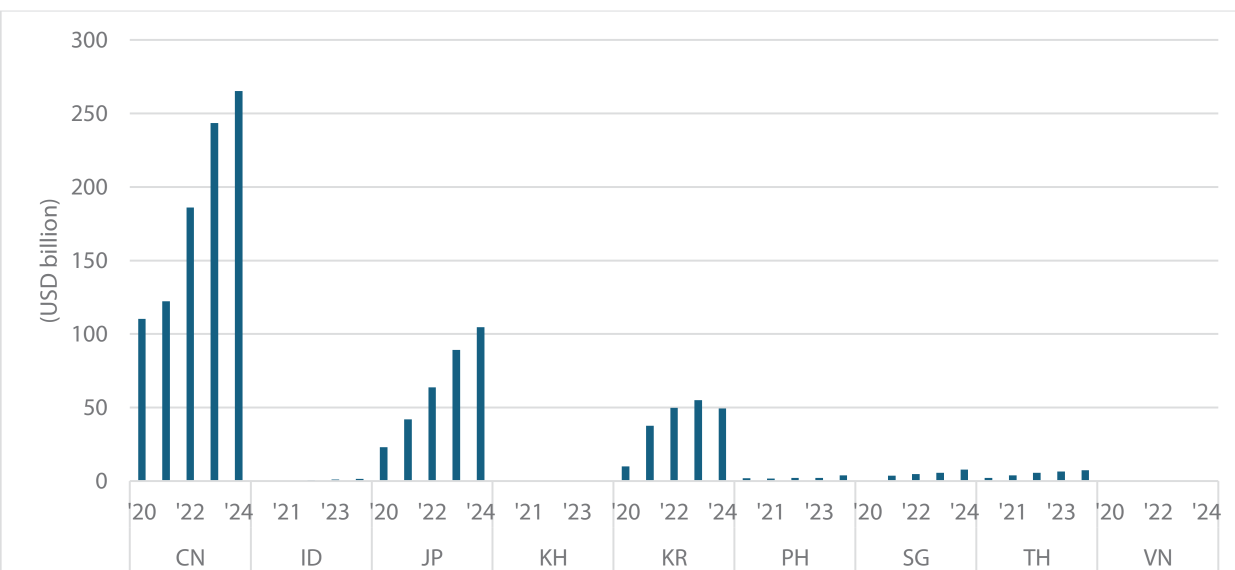


UK = United Kingdom, US = United States.
Source: Bloomberg; Author's calculations.

9 Thematic Corporate Bonds in Japan

Across ASEAN+3, PRC, Japan, and Korea all have sizeable thematic or sustainable local currency corporate bond markets. From Figure 9.1, Japan has the second largest local currency thematic corporate bond market, after PRC. In 2024, the LCY-denominated thematic or sustainable corporate bond market in Japan reached USD104 billion, which is about 17% increase from 2023.

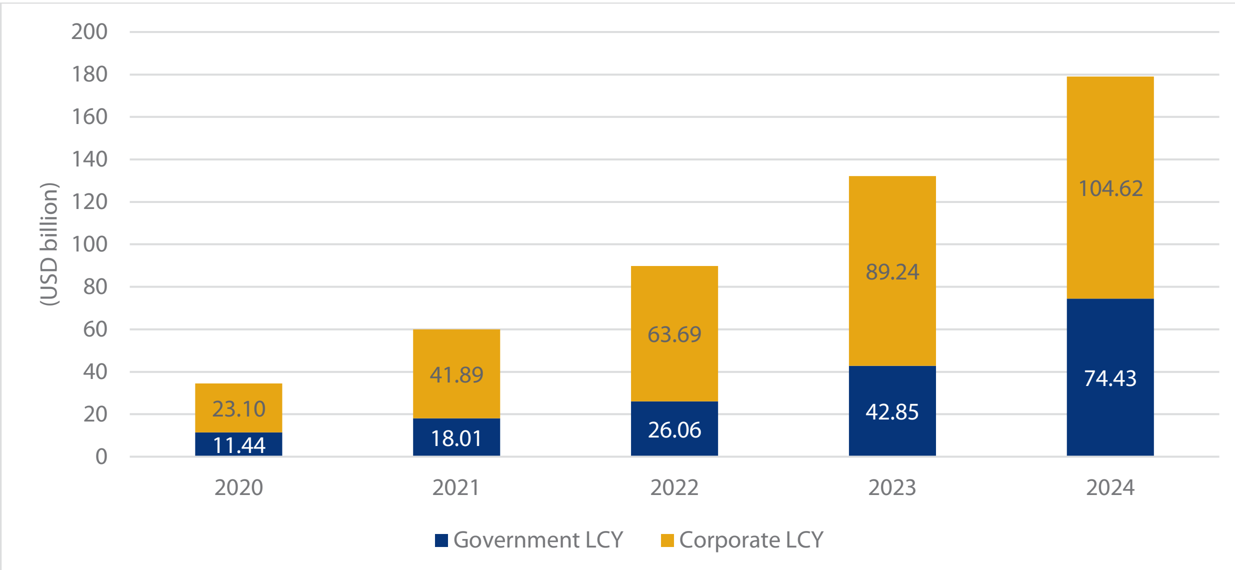
Figure 9.1: Historical Size of Local Currency Thematic (Sustainable) Corporate Bonds in ASEAN+3



Source: Asian Bonds Online and Author's calculations.

In fact, the entire LCY sustainable bond market of Japan is driven by corporate issuances. From 2020 to 2024, the issuance of LCY-denominated sustainable corporate bonds increased more than four times (Figure 9.2). The size of Japan's LCY sustainable corporate bond market is also larger than its LCY sustainable government bond segment by 41%.

Figure 9.2: Historical Size of Local Currency Sustainable Bond Market of Japan



LCY = local currency
Source: Asian Bonds Online and Author's calculations.

Japan's corporate bond ESG initiatives are centered on the Green Transformation (GX) strategy, focusing on funding decarbonization through transition and green bonds, and aligns with the national commitment to achieve net-zero emissions by 2050. Key initiatives include government support via GX bonds and a sovereign Climate Transition Bond, corporate efforts to issue transition bonds for projects such as fuel-efficient aircraft upgrades, and market reforms such as the Tokyo Stock Exchange's Prime Market, which mandates enhanced ESG disclosure for major companies. For bond issuance, the GX transition bonds will provide bold upfront investment support for industry decarbonization. These bonds will be backed by financial resources generated from the introduction of carbon pricing.

10 Outlook for Japan's Corporate Bond Market

The outlook for Japan's corporate bond market is seen to be positive, driven by activities in the following key areas:

Investor-driven market. Plans in the asset management industry aim to encourage more household investments. This is supported by additional market financial education for Japanese individuals. These initiatives are expected to raise financial literacy for individuals who would become part of a significant investor group in the country.

Broader issuer base. Both local and foreign issuers can access Japan's corporate bond market, particularly through the Tokyo Pro-Bond Market. Plans to further internationalize the asset management industry may attract more foreign issuers to tap the Samurai or Shogun bond markets, based on the prevailing market conditions.

Strong supporting institutions. Regulators and SROs in Japan continue to be active in advancing Japan's corporate bond market. Through ongoing reforms and new programs, the direction of the market is moving toward greater internationalization and competitiveness within ASEAN+3.

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Credit Guarantee and Investment Facility
Asian Development Bank Building
6 ADB Avenue, Mandaluyong, 1550, Manila Philippines
Tel: +632 5322 7660
Fax: +632 5322 7661
www.cgif-abmi.org