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Quiet shifts, lasting impact

Opportunities in Japanese small-caps

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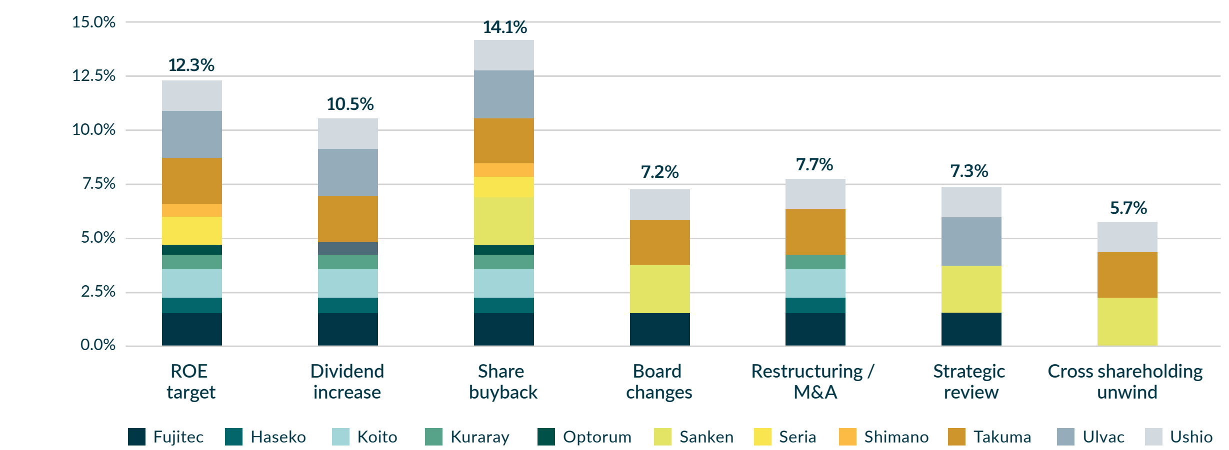
Markets often reward what is loud and immediate. But the forces that shape long-term returns usually build quietly in the background. In Japanese small-caps some changes may not be making headlines, but are reshaping the opportunity set for patient investors.

Governance reform is gathering pace in Japan

Corporate governance in Japan has been evolving for years, but the pace of change is accelerating. Engagement is delivering tangible results. We observe companies introducing share buybacks, setting clearer return targets and refreshing boards. As illustrated in Figure 1, these actions reflect a cultural and regulatory push towards better capital discipline and more shareholder-aware decision-making. Recent policy shifts in Japan reflect a broader move towards more active capital discipline, reinforcing the momentum behind governance reform.

These changes lay the foundation for sustainable value creation. Better governance improves how cash is deployed, which can raise the quality and resilience of future cash flows. For long-term investors, this is the kind of change that compounds over time. Japan's progress also matters globally because it signals that shareholder engagement can unlock value in markets where governance reform was once considered slow-moving.

Figure 1: Success by engagement factor
Governance reform gains momentum in Japan



Source: Factset. Van Lanschot Kempen Investment Management, data as of 29/08/2025.

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Jan Willem Berghuis leads Van Lanschot Kempen's global small-cap team, combining 25 years' experience with a CFA charter. He champions quality-driven, bottom-up investing and active engagement to unlock long-term value.

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