

Japan & Korea Allocator Intelligence

Weekly GP Intelligence

Edition #005 Covering 2026-09-21 to 2026-09-28 Article 2 of 10

JAPAN: SECURITIES, BANKS & DISTRIBUTION · JAPAN & KOREA ALLOCATOR INTELLIGENCE #005

Megabanks Earn More at Home — but There Is No Sign Yet of Dearer Fund Lines

Japan's big banks now earn about 0.2 points more on domestic lending than a year ago, so every yen they lend to an overseas fund competes with a better home loan. That has not yet turned into dearer subscription lines (loans secured on LPs' uncalled commitments) or NAV lines (loans secured on a fund's portfolio value). Expect a harder renewal conversation, starting with smaller sponsors, not a cut.

Domestic loans at the major national banks (MUFG Bank, SMBC, Mizuho Bank and Resona Bank) reached ¥280.66tn in August 2026, up 7.9% year on year. Their share of all Japanese lending rose to 46.8%, from a record low of 45.5% in May 2025. Nikkei calls it the first sustained rise since the bubble burst. It gives two drivers: better domestic spreads now that rates are positive, and more borrowing by large companies for capex and M&A.

The margin gain shows up at all three megabanks. Each bank's domestic loan-deposit spread, April–June 2026 against a year earlier:

Bank	1Q FY2025	1Q FY2026
MUFG	0.95%	1.16%
SMBC	1.08%	1.31%
Mizuho Bank	1.04%	1.27%

The banks are not moving as one, though. SMBC's overseas loans fell about 4% year on year excluding currency moves. SMFG put this down to "the reduction of low-return assets and selective origination of new deals". MUFG went the other way: its overseas loans rose ¥1.7tn from end-March. So "megabanks turn inward" is true of SMBC and of domestic market share. It is not true of MUFG's balance sheet.

Fund finance itself looks healthy for now. In April the BOJ said loans to overseas funds are about 9% of the major banks' overseas lending, mostly to PE and private-credit funds. It called them a "focus area" because spreads are thick, with a rising share. Most of it is subscription finance, which the BOJ rates as mostly investment grade. Asia subscription-line margins narrowed to a band of 1.4–1.5% a year in H1 2026, from a 1.08–1.65% range in 2025. No public source shows a Japanese bank raising margins, shortening tenors or pausing lines in 2026.

What has changed is who is watching. The FSA checked banks' ties to private credit in April. The BOJ ran a stress test in which every borrower draws all unused commitments and is then downgraded one notch. And on 25 September its review named large banks' fund-finance links to private credit.

Mizuho's fraud case is a separate lesson. Mizuho had \$95.5m of exposure to the commodity trader Radiant World through five receivables bought in June. It is suing over \$97.3m of receivables said to arise from iron-ore sales to Glencore. On 24 September a Singapore court named KPMG interim judicial managers on Mizuho's application. Six receivables lenders are owed \$870m in total. Trade publication GTR warns the case "could harm the availability of invoice financing" if funders pull back. On the evidence so far, this points to tighter checks on third-party documents in receivables deals, not a retreat from fund finance.

Market Entry Implication:

機関投資家 — the banks as lenders to your fund. Here the megabanks are lenders, not LPs. The question is the cost and size of your subscription or NAV line at renewal. There is no evidence of Japanese repricing yet. But the home alternative now pays about 0.2 points more, and SMBC is openly pruning low-return overseas assets. This suggests low-margin lines to smaller or less-connected sponsors are the first place a renewal gets harder. Large, well-known sponsors are unlikely to see change soon. Every bank will ask the BOJ stress-test questions: how much of the line is undrawn, how good the LPs are, how fast they meet calls, and how the NAV is marked.

販売会社 — the banks' securities arms as distributors. This is a different story, and a different team. SMFG is building a securities franchise that does not depend on lending. An intermediate holding company, SMBC Nikko Securities Holdings, takes effect through a share exchange expected on 1 October 2026. The wholesale Japanese-equities joint venture, SMBC Nikko Jefferies Securities, is due to start in January 2027, split 60:40 in voting rights and 70:30 in economic interest. SMFG has brought in outside leaders: Yo Akatsuka, formerly of Nomura, is COO of SMBC Nikko, and former Morgan Stanley risk chief Keishi Hotsuki is SMFG vice chairman. The joint venture is wholesale equities, not a retail shelf. For GPs seeking wealth-channel placement, SMBC Nikko's own retail network remains the door, and the people setting its priorities are changing now. The megabank distribution template to know is Mizuho's: a passive, non-voting stake of under 5% in Golub Capital's management companies, plus exclusive distribution of Golub products to Japanese retail and wealthy clients.

Which GPs Have Opportunities:

GP profile	Why this fits	What they'd need
Large buyout or direct-lending sponsors (\$5bn+ flagships) with a megabank subscription line	Asia sub-line margins have narrowed and the BOJ calls fund lending a focus area. The banks want to keep these relationships	An LP roster rich in investment-grade institutions, clean drawdown history, and ancillary business (FX, cash management, deal finance) to show the bank
Mid-market and emerging managers (Fund I-III) relying on one Japanese bank for their sub line	The most exposed profile if SMBC-style pruning of "low-return" overseas assets reaches fund finance	A second lender lined up before renewal, and clear data on LP concentration and ratings
NAV-facility borrowers (secondaries, late-life PE)	The BOJ flags that fund values are hard to track in time	Quarterly valuation packs, third-party marks and concentration data ready for a Japanese credit committee

GP profile	Why this fits	What they'd need
ABF and receivables GPs courting Mizuho as lender or partner	Radiant World turns on forged third-party documents	Independent debtor confirmation, a named servicer and an audit trail — controls on page one, yield on page two
販売会社 route: semi-liquid or evergreen credit GPs seeking a Japanese wealth shelf	Mizuho–Golub shows the exclusive-distributor model; SMBC Nikko's leadership is being rebuilt	A yen-hedged feeder, a Japanese-language offering pack, and willingness to accept exclusivity

Sources: note 2.

Sources

[2] Megabanks Earn More at Home.

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- [Japan watchdog checks banks' private credit exposure — Reuters via MarketScreener](#)
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From Japan & Korea Allocator Intelligence, edition #005 (2026-09-28). [All articles in this edition](#)

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