

How Japan Is Responding to the Rise of Digital Asset Treasury Companies

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Executive Summary



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Digital asset treasury companies (DATCOs), public companies whose core business is holding cryptoassets, are attracting growing debate. While there is nothing inherently objectionable about a public company investing in cryptoassets, DATCOs pose a number of concerns, including extreme share price volatility and the conversion of financially struggling companies into DATCOs as a rescue strategy. Stock exchanges are addressing these concerns through such means as amending their listing standards and excluding DATCOs from equity indices.

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DATCOs are making waves

Digital asset treasury companies (DATCOs) have recently been generating a stir in the Japanese equity market. DATCOs aggressively accumulate Bitcoin (BTC) or another cryptoasset as both their financial strategy and core business.

The original DATCO is Strategy Inc. (fka MicroStrategy), a US company that primarily developed software for data mining and business intelligence before pivoting to BTC investing as its main business from 2020. As of April 2026, Strategy owned 815,000 BTC market-valued at some \$61bn. Japan now has more than 10 publicly traded DATCOs. The first was MetaPlanet, whose share price appreciated 100x within a year or so of announcing its conversion to a DATCO in 2024.

DATCOs' growing prevalence is quite understandable given the ongoing growth in both cryptoasset trading volumes and society-wide interest in cryptoassets. That said, DATCOs pose a number of concerns. Ownership of cryptoassets like BTC by public companies is of course not a problem in itself. Public companies routinely invest in real estate, equities, bonds, and other financial assets in addition to their core businesses, and cryptoassets should not necessarily be treated differently. DATCOs, however, own cryptoassets as their core business. The DAT model therefore cannot be equated with a regular public company investing its spare funds. The difference between the two is that cryptoasset prices and DATCOs' share prices and NAVs are extremely volatile.

Cryptoassets are a new asset class. Even Bitcoin, the oldest cryptoasset, is still a teenager. While there is a strong consensus that market prices are set solely by supply and demand, how to properly value cryptoassets has yet to be adequately determined.

Moreover, DATCOs' share prices tend to be even more volatile than the prices of the cryptoassets they hold. This is because their valuations are influenced not only by movements in the underlying cryptoasset market, but also by company specific factors such as management strategy, financing methods for cryptoasset acquisitions, and whether the company engages in staking or other yield generating activities. Strategy's share price, for example, has historically carried a beta to BTC prices in the 1.5-2.0 range.

A further concern is the DAT model's sustainability as a business. A number of publicly traded DATCOs have disclosed signs of financial or managerial distress in securities filings, including under sections such as "material events" or "notes concerning the going concern assumption." Some of the public companies that converted into DATCOs may have done so as a desperate measure to divert investors' attention away from their operating performance.

Japanese retail investors' interest in DATCOs may be partly fueled by a factor specific to Japan. Namely, cryptoassets in Japan are treated differently from equities and other securities for income tax purposes. Individual taxpayers' gains from cryptoasset trading are included in their gross income and subject to a marginal tax rate of up to 45%. In contrast, gains from trading listed equities are reported on the income tax return's "financial income" line and taxed at a rate of only about 20% inclusive of resident tax and a special income tax to fund post-earthquake reconstruction.

In short, if DATCOs' share prices track cryptoasset prices, DATCO equities would offer a tax-advantaged way for retail investors to invest in cryptoassets. Under a proposed tax reform expected to take effect in 2028, investment gains on spot cryptoassets would be taxed as a separate line item disaggregated from gross income. If enacted, the new tax treatment would be a major change.

Stock exchanges reining in DATCO conversions

Some of the public companies that converted into DATCOs did so completely

out of the blue without having any previous connection to cryptoassets. Such sudden transformations can be problematic in themselves, as illustrated by the case of Urban Tea, Inc., a NASDAQ-listed Chinese company. Urban Tea had been selling tea and sweets until June 2021, when it converted into a DATCO renamed Bit Brother Limited. Its abrupt transformation confused the equity market and its share price performance turned erratic. Despite a series of reverse stock splits, Bit Brother was delisted in February 2024 for noncompliance with the NASDAQ's minimum bid price rule.

Against such a backdrop, the NYSE amended its continued listing standards in July 2024. Under the revised rules, the NYSE granted itself the authority to suspend trading in or delist a listed company that changes its primary business focus to one completely unrelated to the business in which it was engaged at the time of its IPO. The NYSE decides whether to delist such a company based on whether it would have approved the company's initial listing application had the company been engaged in the new business from the outset.

It is common for the nature of a public company's business to change over time. Conversely, many companies have lost competitiveness by failing to boldly pivot away from a legacy business to another business model. In light of such, a pivot from an existing business to a completely new business should not automatically trigger delisting.

However, if a company lists its shares on an exchange and subsequently pivots to a business that would not meet the exchange's initial listing standards, such a maneuver could elicit backdoor-listing accusations. Exchanges' desire to delist such companies is understandable. While the NYSE's rule change was undeniably prompted by the controversy surrounding DATCOs, the NYSE has not explicitly barred DATCOs from listing. Nor has the NYSE delisted any companies under its new rule yet.

The Tokyo Stock Exchange (TSE) has a similar rule that applies to mergers. The rule allows the TSE to delist a company formed by a merger between a listed company and an unlisted company if the listed company is not the merger's substantive surviving entity and the surviving entity does not meet standards equivalent to the TSE's listing examination criteria within a certain timeframe. The rule is intended to prevent unlisted merger counterparties from effectively listing on the TSE without undergoing a listing examination. The grounds for delisting

in such cases is “noncompliant merger.” The TSE is currently considering taking similar action against listed companies, including DATCOs, that pose concerns from a sustainability standpoint.

In April 2026, JPX Market Innovation & Research, a TSE Group company that calculates the Tokyo Stock Price Index (TOPIX), adopted a policy that, effective from the October 2026 TOPIX reconstitution, makes companies ineligible for inclusion in the TOPIX and other indices if they hold cryptoassets accounting for more than 50% of their total assets. Overseas equity indices have likewise excluded DATCOs because of their similarity to investment funds. With passively managed index-tracking funds gaining AUM share in Japan, stocks that are not TOPIX constituents are likely to fall outside of institutional investors’ investment purview. Exclusion from equity indices will likely have a major impact in practice. The TSE’s new policy may put a damper on DATCO conversions.

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