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Japan: Trends & Developments

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JAPAN

Trends and Developments

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Oh-Ebashi LPC & Partners is a full-service law firm with over 160 attorneys and its main offices are in Tokyo and Osaka. It was originally established in Osaka in 1981 but now has an equivalent-sized operation in Tokyo. It was the first Japanese law firm to open an office in China, and together with its Nagoya office, currently has offices in four locations. Its legal practice covers a broad range of fields, including corporate/M&A, risk management and compliance, IP law, life sciences, restructuring/insolvency, competition and antitrust/consumer protection, dispute resolution, finance and insurance, employment law, administration/regulatory law and tax law. It also provides an international practice, a China/Asian practice, a private practice and a pro bono practice.

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M&A

Key developments in M&A law and regulation

In 2024 and 2025, the most important development in M&A law and regulation has been the amendment of the Financial Instruments and Exchange Act (FIEA), which will revise the rules regarding tender offers. The amended bills of FIEA were passed in May 2024, and the amended relevant ordinances were published in July 2025. These will come into effect in May 2026. The main amendments are:

- lowering the one-third threshold of a mandatory tender offer to 30% in line with that of other major jurisdictions; and
- mandatory application of a tender offer for the acquisition of shares in excess of 30%, even in a market trade, which are currently not subject to the requirement of a tender offer.

With this amendment, the previous complicated regulations have been eliminated, including abolishment of the restrictions on "rapid purchase", namely the regulations that restricted cases where an acquirer obtains voting rights in excess of one-third of the total voting rights through the acquisition of listed shares through a combination of transactions within and outside the market, without a tender offer process, within three months. As a result, the requirements for triggering a tender offer have been organised into only two categories:

- situations where a purchase is made and the shareholding ratio exceeds 30% (including further purchase by a purchaser who already owns more than 30%); and
- situations where a purchase is made through off-market transactions from numerous parties and the shareholding ratio increases from more than 5% to 30%.

There may be several practical implications from this amendment. Among them, the "rapid purchase" rule, as amended, will no longer prohibit transactions in which a buyer acquires listed shares held by a parent company or major shareholder up to 30% or less and then makes a tender offer to acquire more than 30% of the shares. Until now, if a hostile bidder initiated a tender offer after a friendly bidder acquired less than 30% of the target shares from a major shareholder of the target company, to establish an alliance, the friendly bidder could not initiate a competing tender offer for three months as a white knight because of the "rapid purchase" rule. However, after the amendment, such transactions will be possible.

The amendments also include revisions that could have the effect of reducing "parent-subsidiary listings" (see below). Under the existing regulations, a parent company holding more than 50% of the shares of a listed subsidiary can purchase up to less than two-thirds of the shares without a tender offer as an "exempt purchase". Based on this exemption, there have been tender offer cases to convert listed companies into subsidiaries, where the limit of shares to be purchased is set at a level between 51% to two-thirds, and the target company maintains its listing after becoming a subsidiary, and then acquires additional shares up to less than two-thirds without a tender offer for various purposes. However, under the current amendment, this exemption will be eliminated, and a major shareholder holding more than 30% will be able to buy additional shares without commencing a tender offer, as an exception to the first category above, only if the increase in its shareholding ratio is less than 0.5% in one purchase and it did not purchase the shares of the target company within the past six months. Since the methods for parent companies to purchase more shares

of listed subsidiaries will narrow, the number of cases where the limit of shares to be purchased is set at less than two-thirds in a tender offer to maintain a listing of a target company may decrease.

Recent trends in the M&A market

In December 2023, Nippon Steel Corporation announced that it would acquire US Steel, the largest steelmaker in the United States. The planned transaction became a political issue between the two countries and was still an issue even after the second Trump administration took office in January 2025. However, the deal was completed in June 2025 (total purchase price of approximately USD14.2 billion), and US Steel became a wholly owned subsidiary of Nippon Steel.

Aside from political topics, a new M&A trend has arisen that could be considered to be the product of activism. In Japan, there are a relatively large number of cases of "parent-subsidiary listings", in which a listed company remains listed even after its majority stake is acquired by another listed company. There has recently been an increase in the number of cases in which activists demand that listed subsidiaries and their parent companies, which continue to be parent-subsidiary listed, delist their subsidiaries. In fact, in May 2025, tender offers were announced in which NTT will make NTT DATA Group a wholly owned subsidiary, and Mitsubishi Corporation will make Mitsubishi Foods a wholly owned subsidiary, although it is not clear whether these transactions are due to the influence of activism.

Global-based private equity funds are also active in Japan. The largest PE deal in 2024 was the acquisition of Infocom Corporation, a major electronic comic distribution site operator, led by Blackstone, which was announced in June 2024 (total purchase price of approximately JPY280 billion). However, the largest event in Japanese PE deals from 2024 to 2025 was the confrontation between KKR and Bain Capital over the acquisition of Fuji Soft Incorporated, an independent software development company. When KKR originally initiated the tender offer with the consent of Fuji Soft, Bain Capital announced its intention to make a competing offer. A fierce price war ensued between the two parties, but in the end, KKR succeeded in acquiring the company.

Energy

Introduction

In Japan, efforts have long been underway to promote the widespread adoption of renewable energy in pursuit of achieving carbon neutrality by 2050. In recent years, however, increasing attention has been given to the utilisation of batteries, hydrogen, ammonia and similar technologies. In particular, hydrogen has attracted significant attention as a power generation fuel that does not emit carbon dioxide (CO_2) when combusted, offering a promising alternative to fossil fuels. Moreover, hydrogen is highly anticipated as a fuel source for fuel cells, which would generate electricity through chemical reactions with oxygen. To accelerate the supply and utilisation of hydrogen, the Act on Promotion of Supply and Utilisation of Low-Carbon Hydrogen and its Derivatives for Smooth Transition to a Decarbonised, Growth-Oriented Economic Structure (the "Hydrogen Society Promotion Act") was enacted in 2024.

Additionally, the handling of emitted CO_2 is a critical issue for achieving carbon neutrality by 2050. One approach under consideration is to separate, capture, transport and store CO_2 in underground or sub-seabed reservoirs, allow-

ing the continued use of fossil fuels while avoiding or reducing increases in atmospheric CO_2 levels. To support this approach, part of the Act on Carbon Dioxide Storage Business (the "CCS Business Act") was enacted in 2024, with the remaining provisions scheduled to come into force by 2026.

This article provides an overview of the Hydrogen Society Promotion Act and the CCS Business Act.

The Hydrogen Society Promotion Act

The Hydrogen Society Promotion Act is a law aimed at the early promotion of the supply and utilisation of low-carbon hydrogen and related resources. Under this law, the competent minister is required to formulate a Basic Policy on the Supply and Utilisation of Low-Carbon Hydrogen and Other Resources.

Businesses that supply domestically produced or imported low-carbon hydrogen, as well as businesses that utilise such hydrogen, may prepare business plans and apply for certification by the competent minister. To obtain certification, the business plans must meet certain prescribed standards. Certified businesses are eligible to receive subsidies from the Japan Organisation for Metals and Energy Security (JOGMEC, formerly known as Japan Oil, Gas and Metals National Corporation). These subsidies include price differential support necessary for the continuous supply of low-carbon hydrogen and base development support required for the development of facilities essential for implementing the certified business plans.

Additionally, certified businesses are granted special exemptions under related Japanese laws, such as the High Pressure Gas Safety Act, the Port and Harbor Act, and provisions concerning road occupancy.

The Hydrogen Society Promotion Act also sets forth behavioural standards for businesses to follow in promoting the supply of low-carbon hydrogen and includes provisions for guidance, advice, recommendations and orders issued by the Minister of Economy, Trade and Industry to ensure compliance.

The CCS Business Act

The CCS Business Act is designed to avoid or mitigate increases in atmospheric CO_2 levels while continuing the use of fossil fuels by separating, capturing, transporting and storing emitted CO_2 in underground or sub-seabed reservoirs. The CCS business consists of three phases: (i) separation and capture, (ii) transportation and (iii) storage. The CCS Business Act primarily regulates the transportation and storage phases, while the separation and capture phase is designated for future consideration.

In the transportation phase, the law focuses on pipeline transportation businesses (businesses that transport CO_2 via pipelines for the purpose of storing it in reservoirs). It prohibits the unjustified refusal of transportation requests, bans discriminatory treatment against specific CO_2-emitting businesses, and establishes a notification system for pipeline transportation businesses. These regulations aim to ensure fair governance, given that pipeline operators may hold a dominant position over emitting businesses due to the physical connection between emission sources and storage sites.

The storage phase involves a wide range of regulations. The CCS Business Act establishes exploration rights and storage rights to define legal entitlements, sets requirements for storage

project implementation plans and monitoring, imposes safety regulations, and stipulates strict liability (liability without fault) on the part of storage operators for damages.

Labour and Employment

Support for balancing work with childcare and nursing care

Concerns about the declining labour force are growing each year due to the falling birthrate and ageing population, as well as the changing demographics of society. Meanwhile, women are increasingly entering the workplace. Under this societal background, the Child Care and Family Care Leave Act has been revised in two stages, with the first one taking effect in April 2025 and the second in October 2025, to strengthen support for balancing work and family life. The specific revisions include:

- expansion of the scope of child nursing care leave and the reasons for taking such leave (previously, the scope of leave was limited to children of pre-elementary school age, but now it is extended to the end of the third grade of elementary school, and the reasons for taking leave, which were limited to caring for a child's illness, are expanded to include participation in the child's school events and class closures due to infectious diseases, etc);
- the scope of shortened working hours and restrictions on overtime work will be expanded (previously, this was limited to cases where a worker is raising a child under three years of age, but it will be expanded to include workers raising a child before elementary school age);
- telework is added to the list of desirable measures that employers are obligated to take for workers raising children under three years old or caring for family members; and
- introducing the employer's obligation to listen and give consideration to the individual wishes of workers regarding balancing work and childcare at the time of pregnancy and childbirth notification.

In addition, for the purpose of encouraging male employees to take childcare leave, the obligation to publicise the rate of male employees taking childcare leave has been expanded to employers with 300 or more employees, up from the previous requirement of 1,000 or more.

Customer harassment legislation

Japan is famous for its culture of hospitality and the tourism industry is thriving. The number of foreign visitors to Japan in April 2025 was 3,908,900, up 28.5% from the same month last year, setting a new record for a single month. The culture of demanding excessive service ("a smile is free" on the menus of McDonald's is symbolic of this) has been contributing to customer harassment and is becoming a social problem.

In February 2022, the Ministry of Health, Labour and Welfare (MHLW) published a manual for companies on measures against customer harassment, which led to discussions, and on 4 October 2024, the Tokyo Metropolitan Government enacted a customer harassment prevention ordinance, which went into effect on 1 April 2025. The ordinance defines customer harassment as "significant disruptive behavior by a customer, etc. toward a worker in connection with his/her work that is detrimental to the working environment". Employers are obligated to establish the necessary systems to prevent customer harassment, provide appropriate consideration to workers who have suffered it, and prepare guidelines to prevent customer harassment, etc. If such duty is not properly fulfilled, it is considered a violation of the duty of care

for safety. On 11 March 2025, a bill requiring employers to take measures against customer harassment was submitted to the Diet and has been enacted and promulgated on 11 June 2025.

Discussion of the definition and scope of employees

The Freelance Protection Act (officially named the "Act concerning the Proper Treatment of Transactions with Specified Fiduciary Business Operators") went into effect in November 2024, and freelancers who are eligible for protection under the Act are defined as "business operators who are the counterparty of outsourcing and do not use employees". In practice, however, the boundary between freelancers and employees, who are protected by labour laws, is ambiguous. Moreover, in recent years, platform workers have been expanding just like any other country, and there is growing momentum that the definition, scope and framework for what constitutes an "employee" subject to labour laws should be reviewed. In the Uber Japan case (Tokyo Metropolitan Labour Relations Commission 4 October 2022 ordered), regarding the relationship between Uber and its platform workers (delivery partners), the delivery partners were considered to be employees under the Labour Union Act, and Uber has filed an appeal, which is currently being heard by the Central Labour Relations Commission. Within MHLW, a study group of scholars and others has been established to intensively discuss this point.

Personal Information Protection

Summary of Japan's APPI amendment proposals

Japan's Personal Information Protection Commission (PPC) is reviewing the Act on the Protection of Personal Information (APPI), following a mandated three-year review cycle. Based on the Interim Report (June 2024), Study Group Report (December 2024), and "Next Steps" document (January 2025), significant amendments are being considered. In this section, we introduce several important topics discussed in the documents.

While specific amendments may be published as early as autumn 2025, implementation timelines and topics remain uncertain. Therefore, it is uncertain whether all topics in this section will be implemented.

Administrative monetary penalty system

While specific amendments may be published as early as autumn 2025, implementation timelines remain uncertain.

The current APPI enforcement includes PPC measures (reports, inspections, guidance, advice, recommendations and orders) and criminal penalties (fines up to JPY1 million and imprisonment up to one year). Despite hundreds of guidance cases annually and several dozen being publicly disclosed, no orders have been issued against normal businesses. Criminal convictions have occurred mainly for employees misappropriating personal data, but no penalties have been imposed on businesses themselves. This situation has raised concerns about the APPI's deterrent effect.

The proposed administrative monetary penalty system targets two violation categories.

- Violations likely to lead to serious rights infringement, such as:
  - (a) processing personal data beyond specified purposes (Article 18);
  - (b) using personal data to encourage illegal conduct (Article 19);
  - (c) collecting personal data through decep-

tion (Article 20); and
(d) providing personal data to third parties without consent (Article 27).

These violations would be penalised particularly when they generate benefits or compensation for the violator.

- Violations of security management measures, addressing the frequent occurrence of data breaches in Japan

For both categories, penalties would apply only when:

- reasonable care was not exercised (negligence-based approach);
- rights were infringed or face a concrete risk of infringement; or
- violations affect 1,000+ data subjects (excluding small-scale cases).

For violations based on infringement of rights, the penalty amounts would be equal to or exceed the financial benefits gained (based on sales revenue, not profit). For violations based on insufficient security management, penalties would be calculated as a percentage of sales during the violation period, similar to Japan's Antitrust Act (1–10%) or Act Against Unjustifiable Premiums and Misleading Representations (3%).

The system would include leniency provisions with reductions for voluntary reporting to encourage early detection and compliance. Repeated violations within ten years would face 1.5 times the standard penalty. The Study Group is also considering a statute of limitations and methods to ensure effectiveness against overseas businesses.

Injunctive relief and damage recovery systems

Currently, data subjects can request cessation of use or erasure of unlawfully processed personal data and claim damages under Article 709 of the Civil Code. However, Japanese courts typically award only USD10–20 per person for mental distress in data breach cases involving less sensitive information, making litigation financially impractical for most victims.

The existing consumer organisation lawsuit system has significant limitations, including:

- the injunctive relief system does not cover APPI violations; and
- the damage recovery system ("Japanese Class Action") cannot independently address mental distress suffered from negligent data breaches.

To address these gaps, the Study Group proposes:

- allowing qualified consumer organisations as parties able to seek injunctive relief against specific APPI violations (Articles 18, 19, 20, 27 and 28); and
- enabling collective recovery through the courts for mental distress suffered by numerous data subjects from negligent data breaches.

These systems would provide more effective rights protection for data subjects and establish clearer judicial guidance on what constitutes APPI violations and negligence in data breach cases.

Other key discussion points

Beyond administrative monetary penalties and systems for injunctive relief and damage recov-

ery through qualified consumer organisations, the PPC is discussing amendments based on past APPI violation cases and trends in international personal data protection law. Discussion points were initially presented in the Interim Report and subsequently prioritised in the Next Steps.

Among such discussion points, the relaxation of consent requirements is a particularly interesting development. Currently, the APPI requires businesses to obtain the consent of a data subject in advance when processing personal data beyond the scope necessary for achieving the purposes specified or when providing personal data to third parties (Article 18, paragraph 1 and Article 27, paragraph 1). However, there are concerns that it might be excessive to require consent even in cases where there is no direct impact on data subjects' rights and interests. For example, AI-trained models may be developed using training datasets containing personal data. Trained models typically do not contain information linked to specific individuals, so their development itself might not directly impact data subjects' rights and interests. Based on this analysis, the PPC is examining whether it would unreasonably hinder innovation to require data subject consent in advance whenever using personal data for AI development without specification of such purpose, or when using personal data received from third parties.

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