



Amendment of Japan's Tender Offer Regulations

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I. Introduction

The number of tender offers in Japan is on the rise, and the number of deals this year is expected to set a new annual record. Amidst this backdrop, the tender offer regulations in Japan will undergo major revisions in 2026 (collectively, the “**Amendment**”). This article briefly discusses the primary features of the Amendment.

II. Expansion of the Scope of Mandatory Tender Offers

1. Expansion of Regulated Transactions

In Japan, any acquisition of listed shares that would have a significant impact on the control of the target company requires a tender offer (“**Mandatory Tender Offer**”) to be made in accordance with the procedures set out in the Financial Instruments and Exchange Act (the “**FIEA**”).

Under the current regulations, a Mandatory Tender Offer is typically required for either off-market transactions or on-market transactions (off-floor transactions) that would result in the acquirer owning more than a third of the shares of the target company. This is known as the “1/3 Rule.” This rule does not apply to on-market transactions (on-floor transactions).

In recent years, however, more than one-third of a company's shares are being acquired through on-market transactions (on-floor transactions) within a relatively short period. This has led to increasing calls to apply the 1/3 Rule to such on-market transactions (on-floor

transactions) to ensure that shareholders have adequate information and time to assess and make informed investment decisions regarding such transactions.¹ In response to this concern, the Amendment will extend the rule requiring a Mandatory Tender Offer to on-market transactions (on-floor transactions).

2. Lowering of the Threshold

The threshold of the 1/3 Rule will be lowered to 30% under the Amendment (the “**30% Rule**”). There are two main reasons for this change. First, based on the percentage of voting rights typically exercised by shareholders in Japanese listed companies, 30% is generally sufficient to block a special resolution. In certain cases, it may also significantly influence the outcome of an ordinary resolution that requires a majority vote at a general meeting of the shareholders. Second, in most foreign jurisdictions, the mandatory tender offer threshold is 30%.²

However, requiring a tender offer for all purchases, including small ones, would be excessive given the purpose of the 1/3 Rule or the 30% Rule.³ Respecting such view, the amended FIEA and the amended Order for Enforcement of the Financial Instruments and Exchange Act (the “**Amended FIEA Enforcement Order**”) have stipulated exceptions to prevent the regulations from being overly restrictive. Specifically, the 30% Rule will not apply if the increase in ownership of shares resulting from the purchase is less than 0.5% and certain requirements are met. One of these

1. The Financial System Council, *The Working Group on Tender Offer Rule and Large Shareholding Reporting Rule Report*, December 25, 2023, p. 3.

2. *Id.*, p. 8.

3. *Id.*, p. 4.

requirements is that no other purchases have been made by the acquirer within the six-month period prior to the purchase date.⁴

The amended FIEA bills were passed in May 2024, and the Amended FIEA Enforcement Order was published in July 2025. They are scheduled to take effect on May 1, 2026.

III. Abolition of the Rapid Accumulation Rule

Another significant development under the Amendment is the abolition of the so-called “Rapid Accumulation Rule.” This rule prohibits transactions that are designed to avoid the application of the 1/3 Rule by combining multiple types of transactions, such as acquiring up to 32% of shares through an off-market transaction, followed by the acquisition of an additional 2% through an on-market transaction (on-floor transactions).

The Rapid Accumulation Rule will be abolished because the combined transactions will be subject instead to the 30% Rule, which will cover on-market transactions (on-floor transactions) as well.⁵

Under the Rapid Accumulation Rule of the current

regulations, when a friendly bidder acquires less than 30% of a target company’s shares from a major shareholder in an off-market transaction, and a hostile bidder later initiates a tender offer, the friendly bidder is prohibited from initiating a competing tender offer by forming an alliance as a white knight for three months from the date of its acquisition. However, after the Rapid Accumulation Rule is abolished under the Amendment, such transaction will generally be possible.

Nevertheless, purchasing all of the shares of the major shareholders while buying shares from the other shareholders on a pro rata basis would contradict the intent of the tender offer regulations. In such cases, the two transactions may be viewed as being made by a single entity and considered a circumvention of the regulations even after the Amendment.

IV. Conclusion

The Amendment includes many changes beyond those described above. Due to space limitations, however, this article only covered the most significant amendments. The changes made by the Amendment are noteworthy because they will have a substantial impact on the practice of tender offers in Japan.

4. Amended FIEA, art. 27-2(1)(1), and Amended FIEA Enforcement Order, art. 7(1).

5. Akira Matsumura, et al., *Koukai-kaitsuke-seido ni kakaru kinnyuu-syohinn-torihiki-hou tou no kaisei* [Amendments of the Financial Instruments and Exchange Act, etc. Concerning the Tender Offer System], 2363 *Shun-kan Shouji Houmu* (2024), p. 15.

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