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Japan: Trends and Developments
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Oh-Ebashi LPC & Partners

Trends and Developments

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Oh-Ebashi LPC & Partners is a full-service law firm with over 180 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 regulations

The most notable regulatory development in Japan's M&A landscape during 2025–26 has been the ongoing reform of the Companies Act, which is expected to materially affect transaction structuring and execution. While the recent amendments to the tender offer (TOB) regime coming into effect in May 2026 have already been widely discussed, the forthcoming Companies Act reforms are particularly relevant for practitioners and investors structuring acquisitions in Japan.

A central feature of the proposed reform relevant to M&A practice is the acceleration of squeeze-out transactions. Under the current regime, a bidder can compulsorily acquire minority shares only after reaching a 90% voting threshold. Where this threshold is not met, alternative methods such as share consolidation must be used, which require shareholder approval and significantly prolong the process. The proposed amendment would allow a squeeze-out at a two-thirds ownership level, subject to the establishment of a majority of minorities condition as the minimum tender condition in the preceding tender offer. This change is expected to substantially enhance the speed and certainty of going-private transactions.

Another key development would be the expansion of stock-for-stock acquisition structures. The current share delivery framework (*kabushiki kofu*), which enables the use of an acquirer's shares as consideration, is subject to practical limitations – this scheme cannot be used for increasing ownership in existing subsidiaries and the target company is limited to domestic corporations (*kabusiki kaisha*). The proposed amendments aim to relax these constraints, thereby enabling greater flexibility in stock-for-stock transactions, including cross-border deals.

In addition, the reform introduces mechanisms to identify beneficial shareholders. Japanese companies have faced practical difficulties in identifying ultimate beneficial owners behind nominee custodians. The new framework would allow listed companies to request such custodians registered as shareholders to disclose information on beneficial owners, with an administrative fine in case of non-compliance due to intentional misconduct or gross negligence. If a beneficial shareholder, who holds more than 5% of the shares of a listed company, fails to file a large shareholding report under the securities regulations, its voting rights would be suspended. This development seeks to enhance transparency and address concerns regarding undisclosed stakebuilding.

Taken together, these reforms point towards a legal environment that increasingly emphasises speed, flexibility and transparency. For deal makers, this translates into more efficient take-private processes, broader structuring options, and a reduced ability to accumulate stakes anonymously.

Recent trends in the M&A market

Alongside regulatory developments, Japan's M&A market has undergone a notable shift towards a more competitive and dynamic environment.

One of the most significant trends is the rise of unsolicited and non-consensual transactions. Historically, hostile takeovers were rare in Japan, where friendly negotiations were the norm. However, the number of unsolicited transactions has increased in recent years, and a meaningful proportion of these deals have been successfully completed. This reflects broader changes in corporate governance, investor expectations and the influence of global M&A practices.

At the same time, not all unsolicited approaches have succeeded. A high-profile example is the attempted acquisition of Seven & i Holdings by Alimentation Couche-Tard. Despite offering a substantial premium and signalling a willingness to engage constructively, the bidder was unable to secure meaningful co-operation from the target and ultimately withdrew its proposal. This case highlights that, while unsolicited bids are becoming more common, execution risks remain significant, particularly where target engagement is limited.

In contrast, the Fujitec transaction illustrates the continued importance of strategic responses such as white knight interventions. Faced with pressure from an activist investor (Oasis Management), the target company (Fujitec) underwent governance changes, and the founding family partnered with a private equity sponsor (EQT) to execute a management buyout. The transaction ultimately gained support from the activist shareholder. This case demonstrates that activism, governance reform and private equity participation are increasingly interconnected in Japan.

Another important trend is the emergence of competitive bidding dynamics, as illustrated by the acquisition of Shibaura Electronics. The company became the subject of competing takeover bids from a foreign strategic buyer (Yageo) and a domestic white knight (MinebeaMitsumi). The process evolved into a de facto bidding contest, with the ultimate outcome driven by price and execution certainty. This case signals a shift towards auction-like dynamics in Japanese M&A, where multiple bidders compete openly for control of listed companies.

Underlying these developments is a broader shift in the role of boards of directors. Japanese boards are increasingly expected to prioritise shareholder value and to engage seriously with credible acquisition proposals, even if unsolicited. This trend is reinforced by evolving soft-law guidance, in particular, the Guidelines for Corporate Takeovers published by the Japanese government in 2023, and judicial scrutiny of transaction fairness, particularly the FamilyMart case, which emphasises not only formal processes but also substantive outcomes.

Conclusion

Japan's M&A market is undergoing a structural transformation. On the legal side, proposed Companies Act reforms are set to streamline key transaction steps and expand structuring flexibility. In parallel, market practice is evolving towards greater openness to unsolicited bids, increased competition among bidders, and heightened expectations regarding transaction fairness.

Energy

Introduction

In Japan, the promotion of renewable energy has been a central element of national energy policy, with the development of renewable energy generation being strongly supported by the Feed-in Tariff (FIT) scheme, which enabled project operators to sell electricity at fixed prices over long periods.

In recent years, however, revisions to the FIT system, a gradual transition to the Feed-in Premium (FIP) scheme and a diminishing supply of land suitable for renewable energy development have caused newly developed primary projects to decrease, while transactions involving existing projects – commonly referred to as secondary transactions – have increased.

At the same time, battery storage businesses have attracted growing attention to address challenges in maintaining a stable supply–demand balance in the face of fluctuating weather conditions.

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This chapter of the guide provides an overview of secondary transactions in renewable energy generation projects and battery storage businesses in Japan.

Secondary transactions in renewable energy generation projects

Under the FIT regime, renewable energy projects expanded rapidly because investors could expect stable and relatively high electricity sale prices over extended periods. In recent years, however, reductions in FIT prices, the introduction of the FIP scheme and the scarcity of suitable development sites have limited opportunities for new greenfield projects. Against this backdrop, secondary transactions involving the acquisition and sale of existing renewable energy projects have become increasingly prevalent.

Secondary transactions offer several advantages for investors. Existing projects may continue to benefit from FIT prices granted under earlier certification conditions, which are often more favourable than current rates. In addition, given that the facilities are already constructed and operational, purchasers are not exposed to construction or completion risk. The existence of an operational record also allows investors to evaluate actual generation performance. Moreover, as electricity generation has already commenced, the time required to achieve stable revenue generation is significantly shorter than in primary project development.

From a transactional perspective, secondary acquisitions are typically structured either as share transfers or asset transfers. In a share transfer, the buyer acquires equity interests in the project company that owns and operates the renewable energy facilities. In an asset transfer, the buyer acquires specific assets and contractual positions, such as power generation facilities, land use rights and related contracts.

Due diligence is a critical aspect of secondary transactions. Where the project company is organised as a special purpose company, its activities are generally limited to a single renewable energy project. Accordingly, due diligence differs from that conducted in the acquisition of a diversified operating company and focuses primarily on project-specific issues. At the same time, it also differs from due diligence in primary projects, which often commence before assets and contractual relationships are fully established. In secondary transactions, existing facilities, permits, certifications, grid connection arrangements, land rights and key contracts must be carefully reviewed to confirm their validity, legal compliance and transferability.

Recent amendments to the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities have also introduced requirements for community briefings and prior public notice. Where applicable, these procedures must be incorporated into the transaction schedule. The timing of explanatory meetings with local residents and advance notice measures may have a direct impact on the closing of a transaction, making early assessment of these requirements particularly important.

Battery storage businesses

Renewable energy output fluctuates depending on weather conditions, so ensuring a stable electricity supply remains a persistent challenge. In response, battery storage businesses have emerged as an important means of mitigating volatility and supporting grid stability. In Japan, battery storage businesses can broadly be classified into co-located battery storage and grid-scale battery storage.

Co-located battery storage systems are installed alongside generation facilities or demand facilities and are not directly connected to the transmission or distribution grid. These systems are typically used to store surplus electricity during periods of excess generation and may also serve as emergency power sources during outages. Their primary functions are improving self-consumption efficiency and enhancing energy resilience.

Grid-scale battery storage systems, by contrast, are directly connected to the power grid. Electricity is charged from the grid and discharged back when demand or prices are higher, allowing operators to generate revenue by utilising price differentials. Grid-scale battery storage is therefore increasingly regarded as an independent business model rather than merely an ancillary function of renewable energy facilities.

The main markets available to grid-scale battery storage businesses in Japan include:

- the wholesale electricity market;
- the supply-demand adjustment market; and
- the capacity market.

Although participation in these markets can generate revenue, income levels are subject to volatility, and cash flows are not necessarily stable. This variability has posed challenges in securing external financing, as financial institutions typically prefer predictable income streams.

To address this issue, mechanisms aimed at stabilising cash flows have attracted attention, including participation in the Long-Term Decarbonized Power Source Auction operated by the Organization for Cross-regional Coordination of Transmission Operators (OCCTO), as well as entering into contracts with third parties that provide for the receipt of fixed consideration. If such mechanisms succeed in stabilising cash flows, they are expected to facilitate financing through bank loans and other methods, including project finance.

Labour and Employment

Amendments to the Whistle-blower Protection Act and their impact

In Japan, the Whistle-blower Protection Act was enacted in 2004, and it was subsequently amended in 2022. It has now been further revised, with the latest amendments scheduled to come into force on 1 December 2026.

The main points of the amendment include the following:

1. *expansion of the scope of whistle-blowers* to include freelancers (Article 2, paragraph 1, item 3 of the amended Act);

2. *prohibition of acts that obstruct whistle-blowing* (Article 11-2 of the amended Act);

3. *prohibition of acts aimed at identifying the whistle-blower* without justifiable grounds (Article 11-3 of the amended Act);

4. *introduction of a presumption rule* (*shift in the burden of proof*) concerning dismissals or disciplinary actions taken on the grounds of whistle-blowing (Article 3, paragraph 3 of the amended Act); and

5. *introduction of criminal penalties* for dismissals or disciplinary actions taken on the grounds of whistle-blowing (Articles 21 and 23 of the amended Act).

Among these, items 4 and 5 are particularly attracting attention as having a significant practical impact.

First, with regard to item 4, under the current law, disadvantageous treatment, including dismissal, on the grounds of whistle-blowing is already prohibited (Article 5 of the current Act). Such disadvantageous treatment is interpreted broadly to include, for example, demotion, salary reduction, disadvantageous reassignment, and disciplinary actions. The amended Act introduces a presumption that any dismissal or disciplinary action taken within one year from the date of whistle-blowing is deemed to have been made on the grounds of the whistle-blowing. In other words, the burden of proof is shifted to the employer to demonstrate that the action was not based on the whistle-blowing.

Next, regarding item 5, such criminal penalties do not exist under the current law and will be newly introduced by the amendment. However, the above-mentioned provision on the shift in the burden of proof does not apply to these criminal penalties.

The persons subject to penalties are individuals who were involved in the decision-making process concerning a dismissal or disciplinary action in violation of this provision. Specifically, this may include not only company representatives but also heads of human resources departments and members of disciplinary committees, among others. As for the level of penalties, individuals may be subject to imprisonment for up to six months or a fine of up to JPY300,000 (Article 21, paragraph 1), while a business operator that is a legal entity may be subject to a fine of up to JPY30 million (Article 23, paragraph 1, item 1).

With respect to these items 4 and 5, there was a debate as to whether personnel transfers or reassignment should be included within the scope thereof. As a result, personnel transfers and reassignments have initially been excluded from the scope, but this point is to be reviewed in three years, as stipulated in the supplementary resolutions of the National Diet. In Japan, where employment is predominantly based on a membership-type system rather than a job-based system, personnel transfers are carried out routinely and are considered to fall within the employer's broad discretion. It was therefore determined that including personnel transfers within the scope of items 4 and 5 would have an extremely significant impact on business practices; and, for this reason, such inclusion was deferred on this occasion.

From a practical perspective, it is not uncommon for problematic employees to make whistle-blower reports for the purpose of advancing their own interests – for example, to avoid strict supervision, seek more favourable personnel treatment, or evade undesirable assignments or workplace relationships. It is important to be mindful that such potentially abusive or opportunistic whistle-blowing may increase in the future.

Mandatory measures against customer harassment (amendment to the Act on Comprehensive Promotion of Labour Policies)

On 4 June 2025, the Act Partially Amending the Act on Comprehensive Promotion of Labour Policies and Related Laws was passed, and it was promulgated on June 11 of the same year.

The Act defines customer harassment as "conduct by customers, business partners, users of facilities, or other persons having a relationship with the business activities of the employer (hereinafter referred to as 'customers, etc.') that, in light of the nature of the duties in which the employed workers are engaged and other relevant circumstances, exceeds the range considered acceptable under social norms and thereby harms the working environment of workers."

With respect to such customer harassment, the Act establishes guidelines setting forth the measures that employers are required to take. Specifically, the guidelines provide for the following obligations of employers:

- *clarification of the employer's policy and dissemination/awareness-raising*, including informing workers (including managerial and supervisory personnel) of the content of customer harassment and the predetermined methods of response;
- *establishment of a system necessary for appropriately responding to consultations from workers*, including setting up a consultation desk, informing workers of its availability, and ensuring that the personnel in charge respond appropriately;
- *prompt and appropriate post-incident responses to customer harassment*, including swift and accurate fact-finding, measures to give due consideration to the affected worker, and the implementation of measures to prevent recurrence; and
- *deterrence measures necessary to ensure the effectiveness of responses to customer harassment*, including establishing and disseminating policies for dealing with particularly malicious cases.

These provisions are scheduled to come into force on 1 October 2026.

Japan's APPI Amendment Bill: Key Changes

The Personal Information Protection Commission (PPC) began its triennial review of the Act on the Protection of Personal Information (APPI) in November 2023 and the cabinet submitted a formal amendment bill to the Diet on 7 April 2026. The bill was passed by the Diet on July 10th.

Promotion of proper data utilisation

Statistical processing exception (AI development)

Under the current APPI, acquiring publicly available sensitive personal data or providing personal data to a third party generally requires prior consent. The bill introduces a new exception: consent will not be required where personal data is used exclusively for "creation of statistical information", expressly including AI model development classifiable as statistical processing. To qualify, parties must:

- publicly disclose key information (identities and nature of processing);
- enter into written agreements; and
- strictly refrain from any use or transfer beyond the permitted purpose.

Violation of these conditions may lead to administrative monetary penalties (see Section 4).

Other relaxations of consent requirements
Processing that clearly does not conflict with a data subject's wishes will be permitted without consent – for example, sharing a customer's booking data with the hotel at which the customer has reserved a room, or sharing remitter data between banks to process an overseas transfer.

Rules to appropriately address risks
The following rules apply.

- *Children's data* – Consent requests and notices must be directed to the legal representatives of children under 16. Such children (or their representatives) will have a right to request cessation of use or deletion without having to demonstrate a legal violation, and businesses must prioritise minors' best interests when handling their personal data.
- *Biometric data* – Biometric data can be collected without individuals' knowledge and used to track behaviour indefinitely, so specific obligations apply. Businesses must publicly disclose key processing details (business name, purpose and opt-out procedures), individuals will have an enhanced right to request cessation of processing, and it will be prohibited to transfer biometric data to third parties under the opt-out regime.
- *Outsourced processing* – Processors will be explicitly prohibited from using entrusted data beyond the scope of the delegated work. Where a processor acts solely on the controller's instructions and appropriate monitoring agreements are in place, it may be exempted from most obligations under Chapter 4 of the APPI.
- *Breach notification* – Individual notification following a breach may be replaced by alternative measures where there is little risk to data subjects' rights and interests (for example, where only internal system identifiers that are meaningless to third parties have been leaked).

Prevention of improper use
The bill extends certain APPI protections to information that does not qualify as "personal information" but nonetheless enables contact with a specific individual – such as email addresses, telephone numbers and Cookie IDs. Even where no specific individual can be identified from such information alone, its misuse can facilitate phishing attacks, investment fraud and other serious harms. Improper use and unlawful acquisition of such information will be prohibited in the same manner as for personal information.

Rules to ensure effective compliance
The following rules apply.

- *Enhanced orders* – Emergency orders may now be issued where harm is imminent, without waiting until harm has occurred or first issuing a recommendation. Orders may also require businesses to notify or publicly disclose to affected individuals the existence of a violation.
- *Administrative monetary penalty* (*surcharge/kachoukin*) – A surcharge equal to financial gains from the violation will apply where: specific provisions are violated with insufficient preventative care; individual rights are infringed or at imminent risk; and at least 1,000 data subjects are affected. This is designed to remove the economic incentive for large-scale violations that existing tools have not fully deterred.
- *Criminal penalties* – Maximum imprisonment for unlawful database provision will increase from two to three years; other data offences from one to two years, with corresponding fine increases. A new offence will cover obtaining personal data through fraud, unauthorised access or other conduct undermining the data controller's management.

Takeaway
The bill balances relaxing consent requirements to facilitate AI and data-driven business with significantly stronger enforcement tools. Subject to Diet deliberations, it is expected to come into force within two years of promulgation. Businesses processing personal data in Japan should assess the impact on their AI/data analytics operations, handling of children's data, processing of biometric data, and vendor management arrangements.

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