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BRIEFING

Japan Companies Act reform: Public Consultation on interim draft amendments

April 2026

On 2 April 2026, Japan's Ministry of Justice launched a public consultation on proposed amendments to the Companies Act. This is a key step in Japan's ongoing corporate law reform. The interim draft proposes changes to share issuance, shareholders' meetings, corporate governance and disclosure requirements. The public consultation is open until 22 May 2026. Investors and listed companies should monitor developments, as some proposals could affect AGM planning, shareholder engagement, incentive structures and public M&A transactions. While the draft is not yet final and many issues remain open for comment, the process signals progress towards further modernising Japan's corporate legal framework.

Summary

Japan's Ministry of Justice has taken a significant procedural step in the current review of the Companies Act. On 2 April 2026, the Ministry opened a public consultation on the interim draft prepared by the Legislative Council's Company Law Subcommittee (Shares / Shareholders' Meetings, etc.), with comments due by 22 May 2026 (or 23 May 2026 at 00:00 on the e-Gov system)[1]. The Ministry's consultation materials make clear that the interim draft was compiled at the subcommittee's 12th meeting on 18 March 2026 and that it is not yet a final proposal.

The reform package is broad, covering:

(1) share issuance / capital measures, including employee share grants, stock consideration M&A and in-kind contribution rules;

(2) shareholders' meeting reform, including virtual-only meetings, beneficial shareholder identification, digitalisation measures and changes to shareholder proposal mechanics; and

(3) corporate governance / disclosure rationalisation, including reforms for three-committee companies, liability limitation arrangements and the overlap between Companies Act disclosure and securities law disclosure.

[1] https://public-comment.e-gov.go.jp/pcm/detail?CLASSNAME=PCMMSTDETAIL&Mode=0&id=300080352

Although no amendment bill has yet been submitted to the Diet, the launch of the consultation process is a material step forward. The government's Regulatory Reform Implementation Plan, approved by the Cabinet on 13 June 2025, envisages that the Ministry of Justice will continue considering these issues, reach conclusions as early as possible within FY2026, and then submit any necessary bill promptly.

For listed companies, the current consultation is important not only as a legislative milestone, but also because several proposals, if adopted, could materially affect AGM planning, shareholder engagement, beneficial ownership visibility, disclosure processes, incentive design and public M&A execution. That is an assessment based on the content of the interim draft and the government's implementation plan.

Current status of the legislative process

The relevant Ministry of Justice subcommittee was convened in April 2025, and the public consultation materials now confirm that the interim draft was formally compiled at the 12th meeting of the subcommittee held on 18 March 2026. The consultation process is open from 2 April 2026 until 22 May 2026. The Ministry has expressly stated that the interim draft reflects the outcome of discussions to date only and will be refined through further deliberations after receipt of public comments.

The broader policy backdrop is the Cabinet-approved Regulatory Reform Implementation Plan, which specifically contemplates Companies Act review in this area and instructs the Ministry to seek conclusions within FY2026 and to move toward prompt submission of legislation thereafter. Accordingly, the current process should be viewed as active and advancing, but still pre-bill and therefore subject to further substantive movement.

Points to watch

A notable feature of the interim draft is that many issues are still framed as A/B (or A/B/C) alternatives rather than settled conclusions, in particular in areas such as employee share grants, shareholder proposal mechanics, written voting, and aspects of governance reform. In other words, the consultation documents provide a strong indication of legislative direction, but they should not yet be treated as reliable predictors of the final statutory text.

There is also still uncertainty as to timing. While the Cabinet implementation plan points toward conclusions within FY2026, the current process still requires completion of the public comment phase, further subcommittee deliberation, finalisation of recommendations and government bill drafting. The exact timetable for submission of the bill to the Diet therefore remains open.

Action points for listed companies

Listed companies may wish to consider the following now:

1. **Review AGM and shareholder communication frameworks**

   Companies that may benefit from virtual-only AGM flexibility should assess whether to amend their articles in future and what shareholder support or access measures would be needed. Companies should also monitor the proposed changes on electronic notice, paper delivery and written voting to understand how future AGM processes may change.

2. **Assess implications for shareholder engagement and activism preparedness**

   The proposed beneficial shareholder identification regime could materially change how issuers engage with investors behind nominee structures. At the same time, possible changes to shareholder proposal thresholds and deadlines could affect AGM preparation timetables and activism response planning.

3. **Consider transaction structuring impact**

   Listed companies, sponsors and repeat acquirers should review the proposals on share delivery, foreign target eligibility, cash-out procedures and in-kind contribution rules, as these could meaningfully affect public and private transaction structuring options.

4. **Revisit incentive compensation frameworks**

   Groups using or considering equity incentives may wish to examine whether the employee share grant proposals could create a more straightforward Japanese law route for group-wide stock-based compensation, subject to how the final legislation deals with shareholder protection and labour law issues.

5. **Review governance model implications**

   Companies using, or considering, the three-committee structure should monitor the proposed recalibration of committee and board powers, as well as the proposed expansion of liability limitation arrangements for executive personnel.

6. **Prepare for possible disclosure simplification**

   For many issuers, the most operationally significant proposal may be the rationalisation of the overlap between Companies Act disclosure and Financial Instruments and Exchange Act disclosure. Finance, legal, IR and company secretariat teams may wish to start considering what process efficiencies could be realised if the proposal is enacted.

Outlook

The launch of public consultation on 2 April 2026 is the clearest sign so far that the current Companies Act reform package is moving from policy discussion into legislative shaping. The interim draft remains non-final, but already gives a useful picture of the Ministry's current reform agenda: greater flexibility in equity-based structuring, more modern and digital shareholders' meeting rules, improved visibility over beneficial shareholders, incremental reform of governance architecture, and potentially meaningful simplification of listed company disclosure.

Key proposed reforms

Topic	Interim draft direction	Potential significance
Employee / group personnel share grants	The draft proposes a framework to permit free grants of shares to employees and certain subsidiary personnel, with alternative formulations still under consideration.	Could broaden Japanese listed companies' flexibility in equity-based incentives and retention structures.
Stock consideration M&A / share delivery	The draft would expand the share delivery regime to cover acquisitions of foreign companies and certain other targets, and would remove the acquiring company-side creditor protection procedure in share delivery transactions.	Potentially increases usability of stock consideration structures in domestic and cross-border M&A.
In-kind contribution rules	The draft proposes to relax inspector investigations and shortfall liability in relation to in-kind contributions, with some points still framed as alternatives.	Could provide greater flexibility for non-cash contribution transactions.
Virtual-only shareholders' meetings and creditors' meetings	The draft would generally permit virtual-only AGMs if the company has an appropriate articles provision and takes measures to protect shareholders who have difficulty accessing internet-based participation methods.	Would move Japan closer to fuller digital meeting flexibility, while preserving shareholder/creditor protection safeguards.
Beneficial shareholder identification	Listed companies would be able to request information through nominee / intermediary chains to identify relevant beneficial holders or voting instruction-right holders to promote constructive dialogue between companies and shareholders.	Could materially change transparency over underlying investor positions and engagement strategy.
Further AGM digitalisation	The draft considers whether to abolish the paper-copy request regime after a transition period, maintain or revise written voting requirements, and permit broader use of electronic notice using shareholder email addresses and similar data.	Could reduce administrative burden and accelerate transition to digitally managed AGMs.
Shareholder proposal rules	The draft revisits both the minimum voting rights threshold for shareholder proposals and the exercise deadline, with multiple alternative formulations. One option would abolish the current 300-vote requirement while another would raise the 300-vote requirement to 1,000 or 1,500. The deadline could also be extended or recalibrated through an earlier company notice mechanism.	Potentially important for activism preparedness, AGM timetable management and shareholder communications.

Topic	Interim draft direction	Potential significance
Cash-out mechanics	The draft considers expanding the concept of a "special controlling shareholder" to facilitate cash-out following certain tender offers that satisfy fairness-related conditions, including a majority-of-minority-type condition.	Could become relevant for public M&A execution and post-tender offer squeeze-out planning.
Three-committee company reforms	For companies with nomination, audit and remuneration committees, the draft considers giving the board more flexibility to change committee determinations on director appointments and remuneration where a majority of the board are outside directors, while also strengthening certain shareholder-facing protections. It also proposes changes to audit committee information access rules.	May make the three-committee model more operationally flexible for some issuers, while preserving oversight safeguards.
Liability limitation agreements	The draft would allow companies to enter into liability limitation agreements with executive directors and executive officers, while excluding acts carried out in conflict situations from the benefit of limitation.	Relevant to D&O risk allocation, board structuring and governance documentation.
Rationalisation of Companies Act / FIEA disclosure overlap	Where a listed company files a securities report containing all required Companies Act disclosure items by the electronic provision date, the draft would allow the company to dispense with separate business report / financial statement preparation, and the FIEA audit would be deemed to satisfy the Companies Act audit requirement.	A significant reform for listed issuers, reducing duplication in disclosure and audit processes.

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