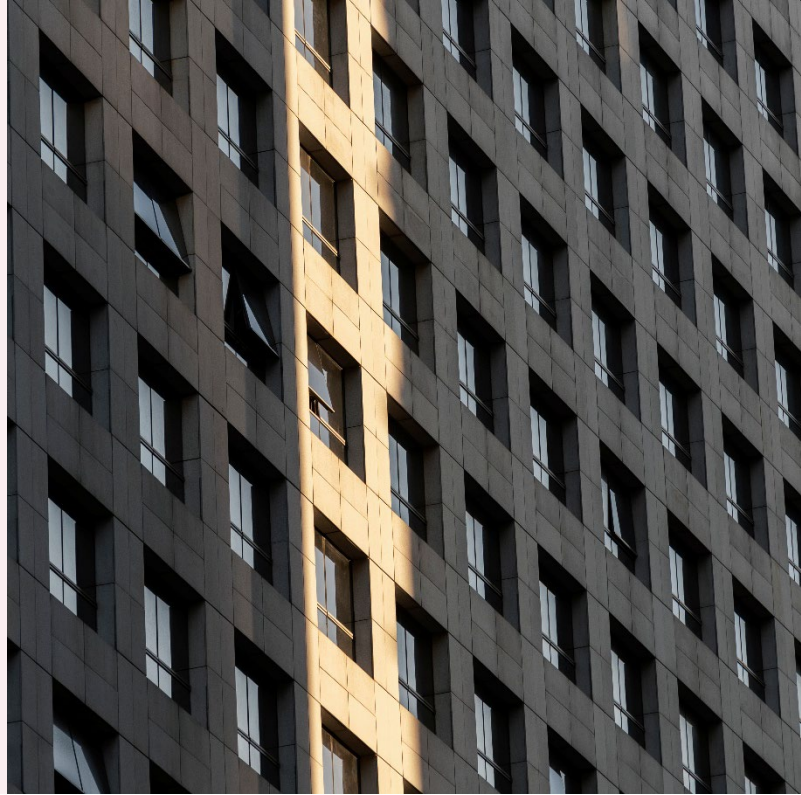


# Japan proposes "J-CFIUS" reforms under FEFTA

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Japan has entered the legislative phase of its proposed "Japan-style CFIUS" reforms. The Cabinet has submitted a bill to amend the Foreign Exchange and Foreign Trade Act (FEFTA) to strengthen the national security screening of inbound investments. The proposed amendments expand the scope of transactions subject to screening, introduce structured mitigation and post-closing intervention tools, and signal a shift to a more centralised, security-focused review. If enacted, the reforms would affect foreign investors, including those involved in indirect acquisitions and foreign-over-foreign transactions involving Japanese businesses.<sup>1</sup>

## Cabinet submits bill to strengthen national security screening of inbound investment

On 17 March 2026, the Cabinet approved and submitted a bill to the Diet to amend FEFTA. As of 28 April 2026, publicly available Diet records indicate that the bill remains under deliberation in the House of Representatives and has not yet been enacted.

Although the proposal is often described politically as "J-CFIUS" or "Japan's version of CFIUS," the bill currently before the Diet is, in legal form, an amendment to FEFTA rather than a standalone statute establishing a US-style committee by that name. The reforms are nevertheless significant and, if enacted, would materially strengthen Japan's national security review of foreign investment.

## Background

The concept of a Japan-style CFIUS was explicitly raised in the Liberal Democratic Party (LDP)'s 21 January 2026 election manifesto, which referred to legal arrangements for establishing a "Committee on Foreign Investment into Japan". That initiative was then elevated into government policy. Prime Minister Sanae Takaichi subsequently stated that the government would submit legislation in the current Diet session to establish "Japan's version of CFIUS" as part of a broader economic security agenda.

<sup>1</sup> Related Clifford Chance Client Briefing: [Proposed amendments to Japan's Inward Direct Investment Screening Regime \(February 2026\)](#)

The policy groundwork was laid by the Customs, Tariff, Foreign Exchange and Other Transactions Council of the Ministry of Finance, which in early January 2026 recommended revisions to the existing inbound investment screening framework. The bill submitted on 17 March 2026 appears to implement that policy direction.

## **What the bill would do**

According to the Ministry of Finance summary, the proposed amendments would expand Japan's screening toolkit in several important respects.

First, the bill would bring within scope certain indirect acquisitions, including cases where a foreign investor acquires 50% or more of the voting rights in an overseas company that already holds shares in a Japanese company. This is a notable extension beyond the more traditional focus on direct acquisitions of Japanese targets. The Japanese government may order such an overseas parent company to sell shares in Japanese target companies as a remedy if there is a significant concern regarding national security.

Second, the bill would require investors to include in their prior notification any proposed risk-mitigation measures intended to address national security concerns, and would also require prior notification of subsequent changes to those measures. In practice, this points to a more formalised mitigation regime and suggests that transaction planning and regulatory engagement may become more front-loaded.

Third, the bill would expand the regime to address certain cases in which an investment is carried out through another person acting for a foreign investor or non-resident, including structures that may obscure the true foreign investor behind the transaction. This appears designed to limit circumvention of the filing rules.

Fourth, the proposed amendments would give the authorities stronger tools to intervene after closing in some cases that were not originally subject to prior notification. The bill summary indicates that, where later circumstances suggest a risk to national security, the government may seek reports and order measures including disposal of shares. This is one of the most important practical developments, as it suggests that the screening regime may no longer be confined to pre-transaction review in the same way as under the current framework.

Finally, the bill would formalise inter-agency coordination by requiring the Minister of Finance and the competent business minister to seek the views of relevant administrative authorities where necessary. The LDP has presented this as part of the creation of a cross-ministerial Committee on Foreign Investment into Japan, described as "Japan's version of CFIUS."

## **Key takeaway on the "J-CFIUS" label**

The draft bill focus on FEFTA amendments and enhanced inter-agency review. The details of a cross-ministerial committee structure are not included in the draft bill. In current practice, ministries are already coordinating, to some extent, on the FEFTA review via the Ministry of Finance. At this stage, the most cautious interpretation is that Japan is moving towards a more centralised and security-focused FEFTA review

process, whether or not the final framework is organised as a formally constituted committee in the enacted statute.

### **Why this matters**

If enacted, the reforms would likely have a meaningful impact on inbound M&A, minority investments, joint ventures and group reorganisations involving Japanese businesses. In particular, investors will need to assess not only direct acquisitions of Japanese targets, but also foreign-over-foreign transactions with a Japanese downstream holding, investor ownership and control structures, and the need for more robust up-front planning around possible mitigation measures.

The proposed reforms also suggest that parties should expect closer scrutiny of transactions involving sensitive technology, infrastructure, data access, supply chain resilience, or other economic-security concerns. Even where a transaction might previously have been viewed as outside the main prior-notification framework, the prospect of retrospective reporting and divestment orders in certain cases may justify more careful due diligence and risk allocation in transaction documents. That point is an inference from the bill's structure, but it follows directly from the official bill summary.

### **Current status**

The relevant FEFTA amendment bill was submitted on 17 March 2026 and remains pending in the Diet. Market participants should monitor both the Diet process and any subsequent implementing regulations, cabinet orders and administrative guidance, which are likely to be important in determining the practical reach of the new regime.



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