JSS Clairvoyance

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Amended Financial Instruments and Exchange Act Enacted

On 15 July 2026, the Act to Partially Amend the Financial Instruments and Exchange Act and the Payment Services Act (hereafter 'the Amended Act') came into effect. The Amended Act establishes frameworks concerning crypto-assets, the disclosure and assurance of sustainability information, funding for start-ups, and regulations on unfair trading practices.

An overview of the amendments concerning the disclosure and assurance of sustainability information is as follows:
- Requires certain companies listed on the Prime Market to disclose information based on sustainability disclosure standards and obtain third-party assurance
- Introduces a registration system and business regulations for assurance providers

Firstly, with regard to the disclosure of sustainability information, although listed companies and others have been required to disclose such information since the financial year ending in March 2023, the absence of specific standards has made improving comparability between companies a significant challenge. In response, the revised Financial Instruments and Exchange Act (will require the disclosure of sustainability information in securities reports that complies with the Sustainability Disclosure Standards (SSBJ Standards), published by the Sustainability Standards Board in March 2025. The specific companies subject to this obligation will be imposed sequentially, starting with the largest market capitalization companies listed on the Prime Market. Details are expected to be stipulated in cabinet orders and other regulations. Furthermore, to encourage companies to proactively disclose information, a so-called 'safe harbor rule' will be introduced. Under this rule, in certain cases, companies will not be held civilly or administratively liable under the Financial Instruments and Exchange Act for false statements in forward-looking information.

Next, with regard to the assurance of sustainability information, it was pointed out that third-party assurance was not mandatory and that the reliability of the information needed to be ensured to protect investors. In response, the amended Financial Instruments and Exchange Act will require third-party assurance from the year after the aforementioned disclosure standards come into effect. Furthermore, a registration system will be introduced for assurance providers, enabling businesses other than audit firms to enter the assurance sector if they meet the prescribed registration requirements. Additionally, conduct regulations will be introduced, including confidentiality obligations and the rotation of personnel responsible for conducting business. The provisions of the amended Financial Instruments and Exchange Act relating to the disclosure and assurance of sustainability information are scheduled to take effect on 1 April 2027.

For further details, please refer to the following URL:

Financial Services Agency, “Bills submitted to the Diet (221st session of the Diet)” (Japanese only)
https://www.fsa.go.jp/common/diet/index.html

Ministry of Economy, Trade and Industry (METI) releases "Key Points and Q&A on the Guidelines for Corporate Takeovers"

On 30 July 2026, the Ministry of Economy, Trade and Industry formulated and published the Key Points of the 'Guidelines for Corporate Takeovers' (hereinafter referred to as 'the Key Points') and the Q&A on the 'Guidelines for Corporate Takeovers' (hereinafter referred to as 'the Q&A'), based on discussions held by the 'Fair Acquisition Study Group' and other considerations.

Since the 'Guidelines for Corporate Takeovers' (hereafter 'the Guidelines') were established on 31 August 2023, the number and value of M&A transactions involving Japanese companies has increased. However, concerns have also been raised that the intent of the Guidelines might not be fully understood. Consequently, the Ministry resumed the 'Fair Acquisition Study Group' in February 2026. During the study group's hearings with relevant parties, comments were reportedly made that corroborated the possibility of insufficient understanding or discrepancies in perception regarding the Guidelines.

In light of these developments, the newly formulated Key Points aim to help executives of listed companies and acquirers understand the key principles and considerations set out in the Guidelines. Additionally, the Q&A is designed to address concerns that directors and boards of target companies may have when evaluating acquisition proposals, deciding whether to accept an offer or selecting from multiple proposals.

For instance, the Key Points state that a desirable acquisition is not solely defined by a high purchase price, but rather by an enhancement of corporate value. Furthermore, the Key Points clarify that when multiple sincere acquisition proposals exist, (1) the proposal that contributes most to enhancing corporate value and (2) the proposal that best safeguards shareholder interests (such as a proposal offering a higher purchase price) typically coincide. However, it should be noted that, in exceptional cases where (1) and (2) differ, the board of directors may make a management decision to endorse (1), provided that it fulfils its duty of full accountability to shareholders.

The publication of these Key Points and this Q&A is expected to deepen understanding of the spirit of these Guidelines, leading to the further establishment of practices aimed at fair corporate acquisitions.

For details, please refer to the URL below.

METI Formulates Key Points and Q&A on the Guidelines for Corporate Takeovers
https://www.meti.go.jp/english/press/2026/07/20260730002.html