PANORAMIC

CORPORATE REORGANISATIONS

Japan

LEXOLOGY

Corporate Reorganisations

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LEGAL AND REGULATORY FRAMEWORK

Types of transaction
What types of transactions are classified as 'corporate reorganisations' in your jurisdiction?

Share purchase is a typical method for corporate reorganisations, but other methods can be utilised. The following types of transactions can be classified as corporate reorganisations under Japanese law:

- mergers;
- company splits;
- share exchanges and share transfers;
- partial share exchanges;
- business transfers; and
- entity conversions.

A merger involves the act of two or more companies entering into a merger agreement, where either all of the subject companies are dissolved to form a new company (referred to as consolidation-type merger), or some of the companies are absorbed into another existing company (referred to as an absorption-type merger). In both cases, all rights and obligations of the dissolving companies are effectively transferred to the newly formed company or the surviving company.

A company split is the act of a company transferring all or part of its rights and obligations related to its business to an existing company (referred to as 'absorption-type company split') or to a newly established company (referred to as 'incorporation-type company split'). The determination of which rights and obligations related to the business are transferred is specified by the absorption-type company split agreement or the incorporation-type company split plan.

Share exchange and share transfer are acts aimed at making a company a wholly owned subsidiary of another company. In a share exchange, all shares of a company are transferred to another existing company, making the former company a wholly owned subsidiary of the latter. Consideration is allotted to the shareholders of the subsidiary by the parent company. In a share transfer, all shares of a company are transferred to a newly established company, making the former company a wholly owned subsidiary of the latter. Consideration is allotted to the shareholders of the subsidiary by the newly established parent company.

Share exchange is commonly seen in corporate acquisitions, while share transfer can be utilised when multiple companies wish to establish a new holding company for business integration purposes.

A partial share exchange is when a company acquires shares of another company in return for its own shares to make the latter company a subsidiary. This is based on individual agreements between the to-be-parent company and shareholders of the to-be-subsidiary company. While a share exchange can only be used to establish a wholly owned parent-subsidiary relationship, a partial share exchange can make a company a non-wholly owned subsidiary.

A business transfer is the act of a company transferring specific business operations to another entity. Since the scope of the transfer can be determined flexibly within the business transfer agreement, it is a commonly used method for corporate reorganisations. A business transfer differs from a merger or company split in that individual consent from the other party is necessary for the transfer of contractual rights and obligations included in the transferred business.

An entity conversion refers to either: (1) a stock company maintaining its legal personality while converting to a general partnership company, a limited partnership company, or a limited liability company (collectively 'membership companies'); or (2) a membership company converting to a stock company.

When certain conditions are met, simplified or short form proceedings are available for mergers, company splits, share exchanges, partial share exchanges and business transfers.

Law stated - 28 February 2025

Rate of reorganisations

Has the number of corporate reorganisations in your jurisdiction increased or decreased this year compared with previous years? If so, what are the key drivers for such change in the number?

There is currently no unified official data on the number of corporate reorganisations in Japan. However, M&A transaction data provides some insight into corporate reorganisation trends in Japan.

It was reported that the number of M&A transactions involving Japanese companies in 2024 reached a record high of 4700, increasing by 17 per cent from 2023, while the transaction value also grew to approximately ¥19.6 trillion. A key driver of this rise is thought to be the tendency of companies to divest unprofitable or non-core businesses, which investment funds and other buyers have acquired. Some anticipate that this tendency will continue in 2025.

Law stated - 28 February 2025

Jurisdiction-specific drivers

Are there any jurisdiction-specific drivers for undertaking a corporate reorganisation?

It has long been pointed out that Japanese companies have poor capital efficiency and profitability compared to those in the United States and other countries. To address this issue, on 31 March 2023, the Tokyo Stock Exchange published a document titled 'Action to Implement Management that is Conscious of Cost of Capital and Stock Price' addressed to all listed companies on the Prime Market and Standard Market. The document urged companies to present their analyses and assessments of their profitability and market valuation in a form that is easy for investors to understand, to disclose targets, plans and initiatives for improvement, and to promote management that is conscious of cost of capital and stock price. Notably, the document highlighted that a Price-to-Book Ratio (PBR) below 1 is an indicator that a company is not achieving profitability exceeding its cost of capital or that investors are not seeing enough growth potential. Since the publishing of this document, the Tokyo Stock Exchange has been monitoring and encouraging companies' efforts, including by disclosing a list of companies that have made disclosures in accordance with the document, best practices, and cases where companies are not aligned with investors' perspectives.

In this context, corporate reorganisations may be used by companies to invest in growth areas or to carve out low-profit businesses, thereby contributing to the improvement of PBR.

Law stated - 28 February 2025

Structure
How are corporate reorganisations typically structured in your jurisdiction?

The structure of a corporate reorganisation would depend on its particular circumstances including, most importantly, the desired outcome of the reorganisation. Whether the reorganisation qualifies for tax merits also significantly influences the choice of method.

Mergers are used to fully integrate the businesses of two or more companies. In a consolidation-type merger, shareholders of the original companies essentially become shareholders of the newly established company. However, in an absorption-type merger, shareholders of the dissolving company may be allocated shares, bonds or share options of the surviving company, or they may receive cash only. Cash-out mergers are particularly common in mergers involving private companies, where the surviving company wishes to maintain its existing shareholder composition. In practice, absorption-type mergers are more commonly used than consolidation-type mergers.

Company splits can be utilised within a corporate group to either establish a new subsidiary or to carve out a business division of one group company and integrate it into another group company engaged in similar business activities. It can also be used to transfer part of a business outside of the corporate group.

Share exchanges are utilised when existing companies wish to establish a wholly owned parent-subsidiary relationship. The company becoming the parent can achieve this goal without the preparation of acquisition funds as it can issue new shares as consideration. If a share exchange results in an excessive increase of minority shareholders in the parent company, the parent company can implement a share consolidation to reduce the minority shareholders’ holdings to less than one share, thereby achieving a squeeze-out. It is also possible to use cash instead of the parent’s shares as consideration, in which case the subsidiary’s shareholders shall be excluded from the outset.

Share transfers are commonly used to establish a holding company between an existing company and its shareholders, making the existing company a wholly owned subsidiary of the newly established company.

Partial share exchanges can establish non-wholly owned parent-subsidiary relationships, whereas share exchanges and share transfers can only establish wholly owned parent-subsidiary relationships.

Law stated - 28 February 2025

Laws and regulations

What are the key laws and regulations to consider when undertaking a corporate reorganisation?

Key laws and regulations to consider when undertaking a corporate reorganisation include the following:

- Law No.86 of 2005, as amended (the Companies Act);
- Law No.25 of 1948, as amended (the Financial Instruments and Exchange Act);
- Law No.54 of 1947, as amended (the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade;
- Law No.26 of 2018, as amended (the Act on Strengthening Industrial Competitiveness);
- Law No.228 of 1949, as amended (the Foreign Exchange and Foreign Trade Act) and related orders;
- various tax laws; and
- rules of relevant stock exchanges.

The Companies Act establishes the fundamentals of various corporate reorganisation methods. It outlines the procedures required for corporate reorganisations, including resolutions by the board of directors and shareholders' meetings.

The Financial Instruments and Exchange Act requires attention when the company involved is a listed company or a company under certain obligations to disclose securities reports. The act includes regulations on tender offers, insider trading and timely disclosure.

The Act on Prohibition of Private Monopolization and Maintenance of Fair Trade prohibits corporate reorganisations such as the acquisition of shares, mergers, company splits and business transfers if they substantially restrict competition in certain fields. Additionally, it mandates prior notification for certain corporate reorganisations that are likely to impact the market.

The Act on Strengthening Industrial Competitiveness allows competent authorities to approve initiatives aimed at improving productivity through business reorganisation as certified business reorganisation plans. Initiatives that receive certification are eligible for benefits such as tax incentives, financial support and simplification of reorganisation procedures.

The Foreign Exchange and Foreign Trade Act regulates capital transactions and other activities with foreign companies or individuals. When foreign investors seek to acquire Japanese companies engaged in certain businesses through methods such as share purchases or business transfers, prior notification to the competent authority is required. The specified industries include a wide range of sectors, such as the manufacturing of weapons and aircraft, general-purpose products with potential military applications, and the semiconductor manufacturing industry.

Tax law is revised annually across various tax-related statutes such as the Corporation Tax Act, the Act on Special Measures concerning Taxation and Income Tax Act to facilitate the smooth implementation of corporate reorganisations.

Rules of stock exchanges provide various disclosure requirements for listed companies.

Law stated - 28 February 2025

National authorities

What are the key national authorities to be conscious of when undertaking a corporate reorganisation and what role does each authority play?

The main national authorities to be conscious of when undertaking a corporate reorganisation are:

- The Ministry of Legal Affairs of Japan;
- The Financial Services Agency of Japan;
- The Japan Fair Trade Commission;
- The National Tax Agency of Japan;
- The Ministry of Economy, Trade and Industry; and
- The Ministry of Finance of Japan.

If a listed company is involved in the reorganisation, the Tokyo Stock Exchange and any other relevant stock exchange are also relevant.

Law stated - 28 February 2025

KEY ISSUES

Preparation

What measures should be taken to best prepare for a corporate reorganisation?

First, it is essential to envisage the structure of the corporate group after the corporate reorganisation and consider which method is suitable for the desired structure. During planning, it is essential to consider the tax implications arising from the use of the corporate reorganisation method selected.

Second, as a prerequisite for implementing the corporate reorganisation, it is necessary to assess the business value of the target companies. From this perspective, it is often crucial to conduct due diligence in different areas. However, due diligence is often conducted in a simplified manner in intra-group corporate reorganisations.

Law stated - 28 February 2025

Key departments and operational issues

What departments of the concerned companies are most involved in corporate reorganisations and what are the most challenging operational issues?

Corporate reorganisations in Japan typically involve multiple departments, but the most critical ones are corporate strategy or business planning, legal, finance and accounting, human resources, investor relations and any business units that are directly affected by the corporate reorganisation.

While there could be many challenging operational issues in corporate reorganisations, stakeholder management is one of the most significant ones. Effective communication with key stakeholders – including employees, customers and suppliers – is critical to ensuring a smooth transition. Given Japan's strong labour protections, reducing the workforce often requires voluntary retirement programs or reassignment efforts to comply with the Labour Standards Act and other employment laws. Another consideration is the potential impact on supplier and customer relationships. For example, many contracts contain change of control provisions, which may require consent or renegotiation when a corporate reorganisation occurs. To avoid disruptions to key supply or customer agreements that could diminish the value of the relevant entities, companies undergoing reorganisations should thoroughly review their contractual obligations and plan ahead how to engage with counterparties to ensure a seamless transition.

Law stated - 28 February 2025

Employment issues

What are the main issues relating to employees and employment contracts to consider in a corporate reorganisation?

Mergers and corporate splits result in comprehensive succession of rights and obligations; therefore, existing employment contracts are maintained as they are.

In the case of a company split, the split agreement or split plan, depending on the type of company split, specifies which employees are transferred to the other company. However, since the identity of the employer has a significant impact on the employees, various protections are in place for the employees. The Act on the Succession of Labour Contracts upon Company Split (Law No. 103 of 2000) and its related rules and guidelines stipulate that prior notification to employees and labour unions is required for a company split. Also, employees who are not transferred despite being engaged in the business to be transferred have the right to lodge an objection.

In the case of a business transfer, the individual consent of employees is required to transfer employment contracts to the other company. The Ministry of Health, Labour and Welfare instructs companies in its guidelines to obtain individual consent from employees after sufficient consultation.

If companies wish to lay off employees or change terms of employment as part of a corporate reorganisation, they should be aware that there are strict requirements for employee dismissals under the Labour Standards Act (including judicial precedents based on the Act), which apply in the case of corporate reorganisations including mergers and company splits.

Law stated - 28 February 2025

Employment issues
What are the main issues relating to pensions and other benefits to consider in a corporate reorganisation?

In mergers and company splits, the terms of employment (including pensions and other welfare benefits) are transferred without change.

If the welfare benefits of the transferor are more comprehensive than those of the transferee, in theory, they are transferred as they are. However, it is customary for the transferee to seek standardisation of welfare benefits. Typically, negotiations are conducted with the affected employees to align the level of welfare benefits with those of the transferee.

In the case of business transfers, employment contracts between the transferor and its employees are not automatically transferred to the transferee.

To transfer an employee, the transferee may either: (1) obtain the individual consent of the employee after offering the same employment terms (including pension) as the transferor; or (2) enter into a new employment contract with the employee.

Law stated - 28 February 2025

Financial assistance
Is financial assistance prohibited or restricted in your jurisdiction?

In Japan, there is no equivalent concept of financial assistance in the context of corporate reorganisations.

Nonetheless, when a company considers providing financial assistance without consideration as part of its activities, it is imperative for its directors to act in accordance with their duties of care and loyalty and carefully assess whether such decision is reasonable. Moreover, if a company provides financial assistance without consideration, there is a risk of it being recognised as a taxable donation.

Law stated - 28 February 2025

Common problems
What are the most commonly overlooked issues or frequently asked questions in a corporate reorganisation?

The involvement of companies in financial distress in corporate reorganisations may often become an issue.

First, regarding mergers, it is possible for an insolvent company to be the dissolving company in an absorption-type merger. For example, a parent company may decide to absorb a wholly owned subsidiary that is insolvent. However, in such case, the surviving company must explain the situation and obtain approval from its shareholders at a shareholders' meeting.

Next, regarding company splits, an insolvent company may decide to transfer certain business divisions to another company or a newly established company through a company split. To protect the creditors of the splitting company, the Companies Act stipulates that if the splitting company conducts a company split knowing that it will harm remaining creditors, those creditors can demand the successor or newly established company to fulfil obligations up to the value of the transferred assets. Additionally, legal precedent has established that if the consideration for the company split is not reasonable, the creditors remaining with the splitting company can nullify the split to the extent necessary to secure their claims. Furthermore, if the remaining splitting company enters proceedings such as bankruptcy, the bankruptcy trustee has the right to exercise avoidance powers if the consideration for the company split is deemed unreasonable. Therefore, when an insolvent company undertakes a company split, it is crucial to ensure that the consideration is fair and reasonable.

Finally, when an insolvent company attempts to carve out its profitable business segment through a business transfer, similar risks arise as with a company split. Unless careful attention is paid to the fairness of the consideration, there is a risk that creditors may partially rescind the business transfer, or that the bankruptcy trustee may exercise avoidance powers if the insolvent company declares bankruptcy after the transfer.

If an insolvent company is undergoing formal rehabilitation proceedings such as civil rehabilitation proceedings or corporate reorganisation proceedings, it is possible to implement corporate reorganisation measures during these respective procedures.

Law stated - 28 February 2025

ACCOUNTING AND TAX

Accounting and valuation
How will the corporate reorganisation be treated from an accounting perspective? How are target assets and businesses valued?

The accounting treatment of corporate reorganisations is governed by the Accounting Rule for Corporate Combination.

Under the rules, the accounting treatment of corporate reorganisations does not vary according to each reorganisation method, but rather depends on how the control relationship changed before and after the corporate reorganisation. It is classified into the following three categories:

- acquisition;
- transactions under common control; and
- formation of joint ventures.

First, 'acquisition' refers to when one company gains control over another company or businesses that constitute the company. The accounting treatment for acquisitions follows the purchase method, where the acquiring company evaluates the fair market value of the acquired company or business at the time of acquisition for accounting purposes.

Next, 'transactions under common control' refer to corporate reorganisations where all the entities involved, before and after the reorganisation, are ultimately controlled by the same shareholders and this control is not temporary. As the control relationship remains unchanged, the acquired company or business is generally accounted for at the appropriate book value immediately before the transfer.

Lastly, 'formation of joint ventures' entails the creation of an enterprise jointly controlled by multiple independent companies through contracts or other means. To qualify as a joint venture formation, there must be multiple independent companies controlling the business before and after the corporate reorganisation, and specific requirements such as joint control agreements must be met. The accounting treatment for the formation of joint ventures involves accounting procedures for both the controlling companies and the controlled companies. The controlling companies account for the assets and liabilities acquired by the joint venture at their fair book values before the transfer.

Law stated - 28 February 2025

Tax issues

What tax issues need to be considered? What are the tax implications of carrying out a corporate reorganisation?

Whether a corporate reorganisation is tax qualified is a significant factor in choosing the reorganisation method. Therefore, companies should carefully consider the tax treatment of a corporate reorganisation with assistance from tax professionals.

The general rule under the Corporate Tax Act is that, when a company transfers assets or liabilities to another company, such assets or liabilities are assessed at fair market value. Also, gains or losses on the transfer of assets or liabilities should be recognised at the time of transfer.

However, if the requirements for a qualified reorganisation are met (ie, the corporate reorganisation is tax-qualified), assets and liabilities transferred due to the corporate reorganisation can be transferred at book value. This means that the transferee can defer the recognition of these assets and liabilities until they are subsequently disposed of. Additionally, latent gains and losses do not need to be recognised immediately.

The requirements for a tax-qualified reorganisation vary depending on the relationship between the companies involved in the reorganisation. The following table provides a simplified overview of the requirements.

—	Undertaken between companies with 100% control	Undertaken between companies with controlling relationship (more than 50% and less than 100%)	Undertaken to jointly engage in business
Requirements for tax qualification	Assets other than shares are not allotted as consideration		
	100% control is expected to continue	Approximately 80% or more of employees are transferred	Same as left
	—	Transferring business is expected to continue after reorganisation	Same as left
	—	Major assets and liabilities are transferred	Same as left
	—	Controlling relationship is expected to continue	Scale of business is generally within five times that of the other business, or certain officers are transferred
	—	—	Businesses are related
	—	—	Controlling shareholder continues to hold shares that are consideration for the corporate reorganisation

These requirements for tax qualification are not always clear cut; thus, it is important to obtain advice from tax professionals.

Law stated - 28 February 2025

CONSENT AND APPROVALS

External consent and approvals

What external consent and approvals will be required for the corporate reorganisation?

First, there are restrictions on the implementation of corporate reorganisations in certain industries. For example, mergers involving banks require approval from the Prime Minister to be effective. The same applies to insurance companies.

Next, when companies involved in company splits are engaged in businesses that require permits or approvals from competent authorities, it is necessary to determine the impact of the company split on such permits or approvals, including:

- whether such permits or approvals are automatically transferred and only post-notification is required;
- whether prior approval from the authorities is required;
- the permits or approvals are a condition for the effectiveness of the merger or company split; and
- whether new registrations or permits need to be obtained, because the system may vary for each permit or approval.

In some cases, an agreement with a third party may: (1) require prior approval by the third party of a corporate reorganisation; or (2) give the third party a termination right in the case of a corporate reorganisation. If the company involved has entered into a loan agreement, there may be covenants requiring prior consent of the lenders when undergoing corporate reorganisation.

Additionally, there may be change-of-control provisions in agreements, under which corporate reorganisations that result in change of control of a party trigger termination rights and other effects.

Law stated - 28 February 2025

Internal consent and approvals

What internal corporate consent and approvals will be required for the corporate reorganisation?

Generally, when implementing corporate reorganisations, approval by the board of directors is required.

In addition, in the case of a merger, company split, share exchange, share transfer or partial share exchange, approval by a special resolution of the shareholders' meeting is required at one or more of the companies involved. However, when conditions for simplified proceedings (in principle, when one company is considerably smaller than the other company) or short form proceedings (when one company owns 90 per cent or more of the voting rights of the other company) are met, approval by a shareholders' meeting may not be required. Simplified proceedings are available for mergers, company splits, share exchanges and partial share exchanges, whereas short-form proceedings are available for mergers, company splits and share exchanges.

In the case of a business transfer where the subject of transfer constitutes all or a significant part of a company's business, approval by a special resolution of the shareholders' meeting is required at the transferor company. In general, a shareholder resolution is not required at the transferee company; however, if all of a company's business is being transferred, a special resolution of the shareholders' meeting becomes necessary at the transferee company. Even in such cases, when conditions for simplified proceedings or short form proceedings are met, a shareholder resolution is not required at either one or both of the companies involved.

A special resolution requires the presence of shareholders holding a majority of the voting rights and the approval of at least two-thirds of the voting rights of the shareholders present.

Law stated - 28 February 2025

ASSETS

Shared assets
How are shared assets and services used by the target company or business typically treated?

If assets or services are used based on an agreement, the impact of a corporate reorganisation on such use depends on the terms of the agreement.

Especially with regard to assets and services that are crucial for business operations, companies should thoroughly consider the impact of corporate reorganisation on their use before implementation. In cases where a business is being separated or carved out as part of a corporate reorganisation, it may be necessary for the parties to enter into a transition services agreement to allow the separated entity to continue using certain assets or services for a transitional period. This ensures operational continuity while the new entity establishes independent systems and resources.

Law stated - 28 February 2025

Transferring assets
Are there any restrictions on transferring assets to related companies? If not, are there measures that can be taken to allow such a transfer?

There are no specific restrictions on transferring assets to related companies; however generally, when a company sells significant assets, approval from the board of directors is required under the Companies Act. Additionally, if the directors of the seller and the buyer are the same individuals, the transfer of assets may constitute a conflict-of-interest transaction and require approval from the board of directors.

Law stated - 28 February 2025

Transferring assets
Can assets be transferred for less than their market value?

It is legally possible to transfer assets for less than market value; however, when a stock company sells its assets below market price, it may raise issues concerning the directors' duty of care.

Additionally, if the buyer is an individual, gift tax may apply, and if the buyer is a company, the difference between the market price and the sale price may be considered a gain from donation and subject to corporate tax.

Law stated - 28 February 2025

FORMALITIES

Date of reorganisation
Can a corporate reorganisation be backdated or deemed to have already taken place, for example, from the start of the financial year?

A corporate reorganisation cannot be backdated or deemed to have already taken place as the Companies Act mandates various procedures (such as shareholder resolutions, board resolutions, registration, etc) for corporate reorganisations to become effective.

Law stated - 28 February 2025

Documentation
What documentation is required or advisable in a corporate reorganisation?

Mergers are contractual agreements between the parties involved; therefore, the execution of a merger agreement specifying matters such as the merger conditions, the structure of the surviving company or newly established company and the progress of the merger proceedings, is required for both absorption-type mergers and consolidation-type mergers.

Absorption-type company splits are, similar to mergers, contractual agreements between the parties involved. The companies involved in an absorption-type company split must conclude a company split agreement specifying the conditions of the split (such as the rights and obligations to be absorbed, the absorption split price, etc) and other matters such as the effective date of the company split. In the case of an incorporation-type company split, the splitting company must prepare an incorporation-type company split plan, which specifies the rights and obligations to be transferred to the newly established company, and other conditions of the company split.

In the case of a share exchange, the parties involved must conclude a share exchange agreement specifying the conditions of the share exchange. In the case of a share transfer, the company becoming the wholly owned subsidiary through the share transfer must prepare a share transfer plan, which must specify matters such as the conditions of the share transfer.

In the case of a partial share exchange, the to-be-parent company must prepare a partial share exchange plan, which must indicate the company to be its subsidiary, the minimum number of shares to be acquired by the to-be-parent company, and the conditions of the partial share exchange, etc.

In the case of an entity conversion (ie, when a stock company converts to a membership company, such as a limited liability company, or when a membership company converts to a stock company), the preparation of an entity conversion plan is required. Such a plan must specify matters including the post-conversion structure and framework of the company.

Law stated - 28 February 2025

Representations, warranties and indemnities

Should representations, warranties or indemnities be given by the parties in a corporate reorganisation? If so, which are most common?

While statutes do not require representations, warranties or indemnities to be given in corporate reorganisations, contracts among involved parties often include representations and warranties clauses and indemnification clauses. Such clauses are less common in intra-group corporate reorganisations.

Law stated - 28 February 2025

Assets versus going concern

Does it make any difference whether assets or a business as a going concern are transferred?

The treatment of asset transfers and business transfers differs in the context of tax law.

The tax treatment of an asset transfer is decided based on the fair market value at the time of transfer.

In the case of a business transfer (ie, when business is transferred as a going concern), the subject of transfer includes not only the assets constituting the business but also liabilities and other elements such as know-how. Therefore, there is often a difference between the purchase price of the business and the fair market value of the assets constituting the business. This difference is recognised as goodwill and is amortised over five years in accordance with tax law.

Law stated - 28 February 2025

Types of entity

Explain the key differences between public, private, government or non-profit entities to consider when undertaking a corporate reorganisation.

Non-profit organisations such as general incorporated associations, general incorporated foundations and corporations engaging in specified non-profit activities cannot undergo entity conversions to become for-profit organisations such as stock companies or membership companies.

Furthermore, the following conversions are not allowed: a general incorporated association to become a general incorporated foundation or a corporation engaging in specified non-profit activities; a general incorporated foundation to become a general incorporated association or a corporation engaging in specified non-profit activities; a corporation engaging in specified non-profit activities to become a general incorporated association or a general incorporated foundation.

Possible reorganisation options include: a general incorporated association to undergo absorption-type merger or consolidation-type merger with another general incorporated association, a public interest incorporated association, general incorporated foundation or public interest incorporated foundation; and a general incorporated foundation to undergo absorption-type merger or consolidation-type merger with another general incorporated foundation, a general incorporated association, public interest incorporated foundation or general incorporated foundation.

General incorporated associations, general incorporated foundations and public interest corporations (public interest incorporated associations and public interest incorporated foundations) may implement business transfers, but in the case of public interest corporations, prior notification to the relevant administrative agency is required.

Law stated - 28 February 2025

Post-reorganisation steps
Do any filings or other post-reorganisation steps need to be taken after the corporate reorganisation?

Under the Companies Act, some corporate reorganisations require registration after their effects take place. In the case of absorption-type mergers and absorption-type company splits, registration must be completed within two weeks of the effective date at the location of the main office of the surviving company or successor company. The same requirement for registration applies to entity conversions. In the case of share exchanges and partial share exchanges, registration of changes such as changes in the total number of authorised shares, must be completed.

Also under the Companies Act, in the case of mergers, company splits, share transfers, share exchanges and partial share exchanges, a company must prepare post-disclosure documents and keep them at the main office for six months after the corporate reorganisation takes place.

In the case of listed companies undergoing corporate reorganisation, there are certain instances where they must submit interim reports. Additionally, investors who acquire a certain amount of listed shares (or share options, etc) are required to submit a Statement of Large Volume Holding to the Director General of the local finance bureau.

If a foreign investor acquires 10 per cent or more of the shares of a Japanese company through corporate reorganisation, they are required to submit a post-reporting document in accordance with the Foreign Exchange and Foreign Trade Act.

Law stated - 28 February 2025

UPDATE AND TRENDS

Hot topics
What are your predictions for next year and how will these impact corporate reorganisations in your jurisdiction (for example, expected trends or pending legislation)?

The Japanese government has been implementing various policies to facilitate the smooth entry and exit of companies, including strengthening the investment functions of public and private funds and improving tax systems. The government has also expressed its intention to expand the scope of M&A transactions using shares as consideration, and the matter was submitted for deliberation by the Legislative Council of the Ministry of Justice in February 2025. Future legislative amendments could make it easier to conduct corporate reorganisations using share consideration. Corporate reorganisations are expected to remain active in 2025 as they align with the government's incentives.

Tax law is amended each year across various statutes to facilitate the smooth implementation of corporate reorganisations; therefore, companies considering such reorganisations should consult tax professionals for planning based on the most current tax laws.

Law stated - 28 February 2025