



JAPAN LEGAL UPDATE

Corporate Governance

Tokyo Stock Exchange Announces Revisions to Corporate Governance Code

On June 1, 2018, the Tokyo Stock Exchange ("TSE") announced revisions ("Revisions") to the Corporate Governance Code ("CG Code"). The CG Code provides principles of corporate governance for companies listed on the TSE and came into force in June 2015 (for details of the original CG Code, please see Jones Day *Commentary*, "Japanese Corporate Governance Is Changing with the Adoption of a New Code in 2015"). The Revisions, which are based on proposals made by a council of experts for which the Financial Services Agency of Japan ("FSA") and the TSE acted as joint secretariats, were intended to deepen and make more substantive Japanese corporate governance reform through engagement between investors and companies.

Under the revised CG Code, a listed company is required, among other things: (i) to disclose, if the listed company holds shares of other listed companies for reasons other than pure investment purposes, its policies regarding the reduction of such cross-shareholdings; and (ii) to appoint or dismiss its CEO using objective, timely, and transparent procedures. Listed companies need to update their corporate governance reports in accordance with the Revisions and file the reports immediately after their preparation, but no later than December 31, 2018.

The Revisions will inevitably affect corporate governance of listed companies and will, therefore, impact not only listed companies but also their investors.

In addition, on June 1, 2018, the FSA published "Guidelines for Investor and Company Engagement" ("Guidelines") providing agenda items for engagement on which institutional investors and companies are expected to focus. The Guidelines are intended to supplement the CG Code and the Stewardship Code and to encourage the effective implementation of both.

Technology

Act on Special Measures for Productivity Improvement and Amendment to Industrial Competitiveness Enhancement Act Enacted

On May 16, 2018, the Act on Special Measures for Productivity Improvement and an Amendment to the Industrial Competitiveness Enhancement Act were enacted. The Act on Special Measures for Productivity Improvement came into force on June 6, 2018, and a portion of the Amendment to the Industrial Competitiveness Enhancement Act came into force on July 9, 2018.

Key features of the Act on Special Measures for Productivity Improvement include: (i) the establishment of a "Regulatory Sandbox" system, in which businesses whose business plans have been certified by the government (such certification may be granted to certain business plans using innovative technologies or new business models) may conduct demonstrations that are not feasible under existing regulations; and (ii) the introduction of a tax break for IoT investments that facilitate data sharing or data collaboration.

Key features of the Amendment to the Industrial Competitiveness Enhancement Act include the

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introduction of special measures related to the Companies Act of Japan for certified mergers, acquisitions, and reorganizations, such as: (i) a tax deferral for transferees of shares as part of a merger or acquisition to promote share consideration mergers and acquisitions; (ii) relaxation of the requirements of "demand for share etc." so that a shareholder who owns two-thirds or more of the total shares of a company may execute a "demand for share etc."; and (iii) a measure to enable a "spin-off" of a certain portion of a business to another entity to be completed without shareholder approval. Another feature is the introduction of a certification system to certify certain desirable information control systems of companies.

Based on the above, companies that are considering participating in the innovative technologies sector, adopting new business models, or strengthening their competitiveness through mergers, acquisitions, or reorganizations should be aware of these two newly enacted acts and examine the contents carefully to take advantage of them..

Contracts

Act to Partially Amend the Civil Code to Lower Age of Majority

The Act to Partially Amend the Civil Code ("Act") was enacted on June 13, 2018, and promulgated on June 20, 2018. The act will be come into force on April 1, 2022. After the Act comes into force, the age of majority will be lowered to 18, and persons 18 or older will be able to enter into contracts without parental consent. Since related laws are also planned to be revised along with this amendment of the age of majority, companies should confirm whether any changes will be made to laws that relate to their business.

METI Issues Contract Guidance on Utilization of AI and Data

On June 15, 2018, Japan's Ministry of Economy, Trade and Industry ("METI") issued the Contract Guidance on Utilization of AI and Data ("Guidance"). The Guidance consists of a Data Section and an AI Section. The Data Section covers contracts related to data utilization, and the AI Section covers contracts related to development and utilization of AI-based software. Each section describes the main issues associated with such contracts, provides sample contract clauses, and explains points to be considered in contract drafting. The Guidance may be referred to when drafting contracts related to development or use of AI or data.

Labor & Employment

Legislation for the Promotion of Work Style Reform Enacted

Legislation for the Promotion of Work Style Reform was enacted on June 29, 2018. After the submission of the bill for the legislation described in the [May 2018 issue](#) of this newsletter, certain amendments, including the addition of a provision concerning an employee's withdrawal of consent to the application of the sophisticated professional system, were made to the bill. While some of the legislation, including the establishment of the sophisticated professional system, will come into force in April 2019, the enforcement dates of the remainder of the legislation differ depending on the size of a business and the subject of the specific provisions.

International Trade

TPP 11 Approved and Amendment of the TPP Relevant Arrangement Act Enacted

The Comprehensive and Progressive Agreement for the Trans-Pacific Partnership was approved on June 13, 2018, and the Amendment of the TPP Relevant Arrangement Act was enacted on June 29, 2018, and promulgated and came into force on July 6, 2018. For details, please see the [May 2018 issue](#) of this newsletter.

Consumer Contracts

Act to Partially Amend the Consumer Contract Act Promulgated

On June 8, 2018, the Act to Partially Amend the Consumer Contract Act was enacted. The act was promulgated on June 15, 2018, and will come into force on June 15, 2019. For details, please see the [April 2018 issue](#) of this newsletter.

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