

Japan Inbound Capital Intelligence

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MARKET CONTEXT · JAPAN INBOUND CAPITAL INTELLIGENCE #004

Explainer: Japan's two-track screening regime — companies through JFIC, land through a proposed permit

Sources: [MOF JFIC page](#), 2026-06-29; [JFIC establishment agreement](#), 2026-06-29; [MOF FEFTA Annual Report FY2025](#), 2026-07; [MOF press release \(Cabinet Order\)](#), 2026-09-16; [Nikkei \(LDP land draft\)](#), 2026-09-24; [Kyodo via Infoseek](#), 2026-09-24; [Nikkei Asia \(JFIC online\)](#), 2026-09-25; [Nozawa Onsen village](#), 2026-09-25

Track 1: companies. JFIC (the Japan Foreign Investment Committee) was set up on 29 June under the amended FEFTA to coordinate screening across ministries. It is co-chaired by MOF and the National Security Secretariat, with Foreign Affairs, METI and the defence procurement agency as main members. It is not a new filing window. Investors still file prior notice with MOF, and JFIC pools ministries' views when a case needs a cross-ministry security check. It weighs the target's business, the investor's attributes such as ties to a foreign government, and how the stake is taken. The intelligence community feeds in on investor attributes but does not join the review. Meetings are closed. Most filings will move online as early as FY2028. The amended rules take effect on 4 January 2027.

The caseload is large and slowing. Prior notifications reached 3,401 in FY2025, up from 2,903, with 484 more withdrawn before a decision. The average review took 9.2 business days, but only 67% cleared within two weeks, against 79% the year before. FY2025 had zero formal recommendations or orders. The practical record is harder. In April 2026, MOF and METI recommended that MBK Partners stop its Makino Milling bid, the first such recommendation since 2017, after the US, Germany, France and Italy had already cleared it. MBK accepted. The amendment also extends screening to some indirect acquisitions and lets the state order changes to high-risk investors' stakes even in non-designated businesses.

Track 2: land. Today's Important Land Use Regulation Act (重要土地等調査法) monitors land around defence sites and border islands; it does not stop a purchase. On 24 September an LDP project team drafted a permit system for land near security-critical facilities. Every buyer of any nationality would need a permit before a transfer could be registered, within roughly 1,000 m of those facilities. Individuals obliged to cooperate with a foreign government, and companies substantively controlled by foreign governments or military personnel, would "in principle" be refused. This is a party proposal, not a bill. Yoshitaka Shindo, who heads the LDP's foreign-nationals policy headquarters, wants the law amended at the extraordinary Diet session

convening 5 October, and Nikkei reports a bill will be submitted. Adding the Imperial Palace, the Diet and the Prime Minister's Office is only under consideration.

The so-what for foreign capital. Both tracks now ask one question: is the buyer bound to help a foreign government gather information? FEFTA has used that test since May 2025, under the label "specified foreign investor". The land draft uses near-identical words, which suggests the land regime would reuse the concept. FEFTA carves out certified SWFs. No such carve-out has been reported for land, so state-linked capital is the group most exposed. On our reading, Chinese-domiciled buyers could be caught, because Article 7 of China's National Intelligence Law obliges organisations and citizens to cooperate with intelligence work. MOF has not publicly named any jurisdiction. They made 47.5% of foreign acquisitions in designated zones in FY2024, with Tokyo leading. If the Palace, Diet and Kantei were added at a 1,000 m radius, the permit would plausibly reach prime Chiyoda office land.

Resort towns are adding their own brakes, for all buyers. Nozawa Onsen cut the height that triggers mandatory consultation from 18 m to 15 m on 18 September. Kutchan, home of Niseko Hirafu, caps heights at 13–16 m in several districts and bans new hotels across much of its quasi-urban area.

How to act: Watch whether a land bill reaches the 5 October session. In any bill text, read the duty-to-cooperate wording, any SWF carve-out, and the facility list and radius. Before any central-Tokyo or near-base deal, check the parcel against the Cabinet Office zone map; deals signing before enactment and closing after it may need a permit [S]. For FEFTA filings from 4 January 2027, map the fund chain, because LP and co-investor composition can sink a deal even when the GP is domestic. Budget 30 days as the base case; a sensitive case can run to five months. For ski-resort hotels, underwrite to local height limits, not the last comparable build.

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