

Overview of the 2025 Edition of the Model LPA

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I. Introduction

On June 23, 2025, the Ministry of Economy, Trade and Industry (METI) published a new version of the model Limited Partnership Agreements for Japanese Investment Limited Partnership (“Model LPA”). This is intended to serve as the successor to the Model LPA published in 2010. Since many investment funds in Japan are formed as investment limited partnerships and their limited partnership agreements (“LPAs”) are based on the Model LPA, the new Model LPA is expected to impact fund formation practices.

As a member of the expert committee involved in the revision of the Model LPA, the author provides the following overview of the published Model LPA and related materials.

II. Published Materials

The published materials are organized into five volumes:

Volume	Contents
Volume 1	Model LPA (Japanese version)
Volume 2	Article-by-article commentary on Model LPA (Japanese version)
Volume 3	Simplified version of Model LPA (Japanese version)
Volume 4	Model LPA (English version)
Volume 5	Commentary on the English Model LPA

Volume 1 is the basic Model LPA. It is intended for broad use, mainly by private equity funds other than venture capital funds (although it can also be used for venture capital funds). This Model LPA assumes that:

- (i) only one corporation will serve as the general partner (GP);
- (ii) the GP will file a notification for the Specially Permitted Services for Qualified Institutional Investors, Etc., under Article 63 of the Financial Instruments and Exchange Act;
- (iii) there may be limited partners (LPs) who do not qualify as specified investors (*tokutei toshika*);
- (iv) investments from foreign investors will be accepted; and
- (v) the “venture capital exception” (Article 17-12, Paragraph 2 of the Cabinet Order for the Financial Instruments and Exchange Act, Articles 233-3 and 233-4 of the Cabinet Office Ordinance on Financial Instruments Business, etc.) will not be relied on.

Volume 2 provides commentary on the Model LPA in Volume 1, including sample clauses for feeder funds and alternative investment vehicles.

Volume 3 is a simplified version of the Model LPA, created as a template for preparing a simple LPA by deleting

certain provisions, such as those on excuse and exclusion.

Volume 4 is the English version of the Model LPA. While an English translation was previously available, it was challenging for foreign investors to understand. This edition adopts the general style of globally-used limited partnership agreements (such as those used by Cayman-based funds), while retaining contents that are largely consistent with the Japanese version.

Volume 5 is a commentary on the English version of the Model LPA in Volume 4. The Initial LPA and its Japanese translation are attached.

III. Changes Accompanying Legal Amendments

1. Special Limited Partners (Model LPA Article 4, etc.)

Provisions for special limited partners (“SLPs”; LPs who receive carried interest) have been introduced. Following the tax treatment announcement on April 1, 2021, structures allowing SLPs to receive carried interest have become increasingly common. The Model LPA now includes sample clauses which address SLP arrangements.

2. Expansion of Investment Targets and Special Foreign Corporations (Model LPA Article 5)

The scope of activities for investment limited partnerships has been expanded due to recent amendments to Japanese law. The Model LPA reflects this by adding:

- (i) acquisition and holding of membership interests in *godo kaisha* (Model LPA Article 5, Paragraph 1, Items 1 and 2);
- (ii) acquisition and holding of crypto assets (*ango shisan*) issued for business operators (same paragraph, Item 7); and
- (iii) acquisition, holding, management, or lending of crypto assets and electronic payment means (*denshi kessai shudan*) as ancillary businesses (same paragraph, Items 11(iv) and (v)).


It should be noted that the limitation “issued for business operators” is applicable to crypto assets.

In addition, with respect to the statutory limitation that restricts investments in securities issued by foreign corporations to less than 50% of the investment limited partnership’s assets, investments in special foreign corporations (*tokubetsu gaikoku houjin*)—meaning foreign corporations effectively controlled by Japanese entities or individuals—are now excluded from the calculation of this 50% foreign investment limitation due to the recent amendment of the law. Accordingly, the Model LPA excludes special foreign corporations from the definition of “foreign corporation.”

IV. Introduction of New Mechanisms

1. Subscription Finance (Model LPA Article 15, Paragraph 1, etc.)

Provisions regarding subscription finance have been added to the Model LPA, in the case where the fund



borrowers using capital call rights as collateral. A capital call right is defined as the claim corresponding to the LP's obligation to fulfill the capital call.

Since subscription finance is a lending based on the creditworthiness of LPs, the transfer of an LP's status under the LPA is prohibited in cases where the general partner refuses to consent to such transfer on the basis that consent from the subscription finance lender has not been obtained (Model LPA Article 35, Paragraph 2).

When subscription finance is undertaken, certain information and other forms of cooperation must be provided to the lender, and Model LPA Article 15, Paragraph 4 sets forth the LP's obligation to cooperate.

2. NAV Finance (Model LPA Article 15, Paragraph 2, etc.)

Provisions have been added regarding NAV finance, which is a borrowing by the fund using fund assets (excluding capital call rights) as collateral.

3. Co-Investment Funds and Maximum Individual Investment Amount (Model LPA Article 19, Paragraph 3; Article 23, Paragraph 6)

The Model LPA now includes provisions which set a cap on each portfolio investment, referred to as the "maximum individual investment amount." Furthermore, it permits the establishment of co-investment funds under certain conditions when the amount required for a potential investment opportunity exceeds this maximum individual investment amount.

4. Continuation Funds (Model LPA Article 19, Paragraph 10)

When the fund reaches the end of its term, there are situations where transferring the securities it holds to a successor fund is preferable to forcing their disposal. However, such transactions raise conflict of interest concerns. Therefore, a provision has been introduced to permit transfers to a successor fund, subject to certain requirements.

5. Payment of Compensation to Withdrawn GPs (Model LPA Article 37, Paragraphs 5 and 6)

Previously, the Model LPA did not include provisions for compensating a withdrawn GP when a successor GP was appointed. However, in investment funds, deal sourcing and investment execution are critical to success, and portfolio company values may increase over time. In such cases, it may be appropriate to provide a return to the withdrawn GP that reflects subsequent appreciation in portfolio value. To address this, provisions regarding compensation for withdrawn GPs have been introduced.

Where withdrawal results solely from the GP's fault or misconduct, the need for compensation is minimal. Conversely, if withdrawal is likely unrelated to the GP's fault or misconduct, it is considered desirable to include compensation provisions.

Additionally, the Model LPA now includes provisions governing the allocation of responsibilities between the withdrawn GP and the successor GP in connection with the payment of such compensation.

V. Other Major Changes

1. Exclusion of GP Affiliates from Majority Decisions (Model LPA Article 4, Paragraph 3)

In practice, it has become common for GP affiliates to be excluded from LP majority decisions. The Model LPA now includes a provision reflecting this practice. However, if the law requires a decision by all LPs, excluding GP affiliates would violate the law. Therefore, Article 19, Paragraphs 8 and 9 of the Model LPA state that “Limited partners [and special limited partners] who are related parties shall be deemed not to have given consent” required for a transaction subject to the restrictions under Article 19, Paragraphs 8 and 9 of the Model LPA.

2. Change of Control (Model LPA Article 10, Paragraphs 3–5)

Previously, the Model LPA included a clause that suspended fund activities if a key person left the fund. However, depending on the GP’s structure, the existence of a parent company may be more important than a key person. Therefore, a “Change of Control” clause has been added, treating a change in control as a reason to suspend fund activities, similar to the key person clause.

3. Related Parties and Conflict of Interest Rules (Model LPA Article 19, Paragraph 7)

Persons related to the GP are now defined as “related parties,” and transactions with such parties are subject to conflict-of-interest restrictions.

In addition, the following activities are now explicitly covered by these restrictions:

- (i) making investments in investee companies or potential investee companies for one’s own account; and
- (ii) causing the partnership or investee companies to enter into transactions with related parties.

4. Reporting to LPs (Model LPA Article 26, Paragraphs 1 and 2)

While Article 8, Paragraph 1 of the Investment Limited Partnership Act requires the preparation of annual financial statements, Article 26, Paragraphs 1 and 2 of the Model LPA require the disclosure of annual and quarterly financial information. For quarterly disclosure, the information that must be included is “financial information reasonably required by the limited partners”, and the contents may vary by fund.

5. Expansion of Advisory Committee Authority (Model LPA Article 20)

Based on opinions from the expert committee, the authority of the advisory committee has been expanded.

6. LP Clawback (Model LPA Article 21, Paragraphs 3 and 4)

A provision has been added requiring LPs to return distributions received from the fund in order to fulfill the fund’s indemnification obligations.

7. Clarification of Investment Committee Position (Model LPA Article 23, Paragraph 10)

A new provision clarifies the previously unclear positioning of the investment committee by formally designating it as an internal body of the GP.

8. Asset Valuation Rules (Model LPA Article 25, Paragraph 4)

Previously, asset valuation standards were provided in Appendix 3 to the Model LPA. For venture capital funds, METI announced in December 2023 that the International Private Equity and Venture Capital Valuation Guidelines should be applied to valuations. Article 25, Paragraph 4 of the Model LPA now permits the adoption of these guidelines or other appropriate options.

VI. Notable Changes

1. Definition of Anti-Social Forces

The definition of anti-social forces now includes “persons designated as subjects of economic sanctions by the Ministry of Finance of Japan, the U.S. Department of the Treasury’s Office of Foreign Assets Control, or the UK government, or as subjects of sanctions under United Nations Security Council resolutions.”

2. Capital Call Notice (Model LPA Article 8, Paragraph 5)

The items to be included in a capital call notice have been clarified and are as follows:

- (i) the purpose of the capital call (including a breakdown of the use of funds to be contributed);
- (ii) the amount to be contributed by the LP receiving the notice,
- (iii) the payment date, and
- (iv) if it is bridge financing, a statement to that effect.

3. Preparatory Acts for Portfolio Investments (Model LPA Article 8, Paragraph 4; Article 23, Paragraph 2)

After the investment period ends, it is generally prohibited to make capital calls and investments. Previously, exceptions were allowed if “main preparatory acts had been performed.” For clarification, this has been changed to “the conclusion of a basic agreement, etc. (limited to those with legal binding force), regarding portfolio investments.”

4. Obligation to Dispose of Investments Within 10 Years (Model LPA Article 23, Paragraph 9)

Under the Banking Act, Insurance Business Act, and other regulations applicable to certain financial institutions, banks, insurance companies, and similar entities are generally prohibited from holding voting rights. An exception permits indefinite holding of voting rights when such rights are held through an investment limited partnership. However, the Antimonopoly Act imposes a similar 10-year limitation without providing a comparable exemption. Accordingly, Article 23, Paragraph 9 of the Model LPA states that “the general partner shall use best efforts not to hold such investment securities, etc., for more than 10 years.”

5. Final Processing of Management Fee Deductions (Model LPA Article 33, Paragraph 4)

Previously, fees or compensation received by the GP from investee companies, etc., were to be deducted from management fees (Model LPA Article 33, Paragraph 3), but the treatment of undeducted amounts was unclear. Now, there is an obligation to return such amounts to the fund upon liquidation.

6. Online Meetings (Model LPA Article 18, Paragraph 4; Article 49, Paragraph 2)

It is now explicitly stated that meetings of partners may be held by teleconference, video call, or other equivalent means of communication. It is also explicitly stated that documents may be provided by electronic means.

VII. English Version of the Model LPA and Its Commentary

The English version of the Model LPA has been published as Volume 4. It is formatted in a way that is familiar to foreign investors and does not correspond one-to-one with the Japanese version. There are also provisions that exist only in the English version. Referring to the English version can be useful for creating a better Japanese LPA.


Volume 5 introduces a commentary on the English version of the Model LPA, which includes the Initial LPA and its Japanese translation. When executing an LPA in English, a Japanese translation is required for registering the establishment of the investment limited partnership under Article 17 of the Investment Limited Partnership Act. Accordingly, it may be practical for a GP to complete registration first using the Initial LPA and its Japanese translation, and subsequently amend the LPA to finalize the full version. While the Initial LPA is commonly used in overseas practice, its use in Japan is subject to certain restrictions. For example, when relying on the exemption for Specially Permitted Services for Qualified Institutional Investors, etc., an LP who qualifies as an institutional investor must be included from the time the Initial LPA is executed to satisfy the exemption requirements.

VIII. Conclusion

The Model LPA serves only as a reference, and the actual terms of an LPA are determined through negotiation between the parties. Nevertheless, it can be a useful starting point for negotiations.

There is no need to amend existing LPAs based on this revision. However, when making changes for other reasons, it may be advisable to review the new Model LPA and consider whether any updates are necessary. Similarly, when forming a successor fund, parties often find it less burdensome to base the new LPA on the existing fund's LPA, so there is no need to deliberately adopt the new Model LPA, while it is similarly advisable to review the revised version and assess whether any provisions should be incorporated.

End.



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