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Client Alert

Unlocking Mobile Markets: What Japan's Mobile Software Competition Act Means for Global Tech

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I. INTRODUCTION¹

Japan's *Smartphone Software Competition Promotion Act*—also known as the Mobile Software Competition Act—was enacted in June 2024 and is set to become fully enforceable on December 18, 2025.² This introduces Japan's ex-ante regulatory framework for smartphone software, aiming to prevent gatekeeping practices that inhibit competition and consumer choice.

For dominant platform players, these new ex-ante rules mark a material shift. As explained in Section II below, the Act will require proactive compliance with rules on app distribution, payment systems, and default settings. This may increase operational burdens, delay product rollouts, and necessitate governance and monitoring infrastructure.

¹ This communication is provided as a service to our clients and friends and is for informational purposes only. It is not intended to create an attorney-client relationship or constitute an advertisement, a solicitation, or professional advice as to any particular situation.

² Please refer to "[Enactment of Japan's Smartphone Software Competition Promotion Act: Paving the Way for Fair Competition and Game Publisher Growth](#)" for a comprehensive analysis of the law's enactment and its particularly significant impact on game publishers.

In contrast, developers or service providers without entrenched positions may find new market openings. By designing offerings that comply with the framework, they may be able to leverage a more level playing field. The following sections will explain the objectives and key provisions of the new Act.

II. OVERVIEW OF THE REGULATORY LANDSCAPE

1. Designation of “Designated Providers”

The Act entrusts the Japan Fair Trade Commission (JFTC) with the authority to designate providers of essential smartphone software—namely mobile operating systems (OS), app stores, browsers, and search engines—as “Designated Providers.” This designation is based on business scale metrics, such as monthly user counts, as determined by a Cabinet order. Once designated, these companies (e.g., Apple, iTunes K.K., and Google LLC as confirmed in March 2025³) become subject to the Act’s regulatory obligations.

2. Prohibitions and Compliance Measures

Once designated, providers must adhere to prohibitions designed to dismantle anti-competitive practices:⁴

- **App Store Access:** Preventing third-party app stores from being offered or used is prohibited
- **Payment Flexibility:** Designated providers may not require use of their own in-app payment systems, enabling developers and users to choose alternative solutions
- **Default Settings Choice:** Providers must enable users to modify default settings and present choice screens for services like browsers or search engines
- **No Search Preferencing:** Favoring one’s own services in search results, absent legitimate justification, is not allowed
- **Data Misuse Prohibition:** Providers may not use data collected from apps to unfairly develop or promote their own competing services

Justifiable exceptions (e.g., for security, privacy, or youth protection) are permitted when no less restrictive alternative exists.⁵

3. Enforcement Mechanisms

³ See, the JFTC’s Press release dated March 31, 2025, available at https://www.iftc.go.jp/en/pressreleases/yearly-2025/March/250331.html?utm_source=chatgpt.com

⁴ See, “Outline of the Act on Promotion of Competition for Specified Smartphone Software” by the JFTC, p.3.

⁵ *Id.*

To ensure compliance, the Act provides several enforcement tools:⁶

- **Mandatory Reporting:** Designated providers must submit an annual compliance report to the JFTC, detailing measures taken to meet regulatory obligations.
- **Corrective Orders:** Should a designated provider violate the law, the JFTC can issue a removal or cessation order to stop the offending behavior.
- **Monetary Penalties:** For violations involving specified prohibited conduct, fines may reach up to 20% of relevant sales, increasing to 30% for repeat offenses

III. KEY CONSIDERATIONS FOR FOREIGN COMPANIES AND STRATEGIC RECOMMENDATIONS

1. Key Considerations for Foreign Businesses

Japan's new Mobile Software Competition Act introduces ex-ante regulatory oversight—meaning designated players must proactively comply with industry-wide rules rather than defending against complaints afterward. This compliance burden may slow down feature rollouts and complicate strategic planning. To navigate this landscape, these businesses will need to establish dedicated governance frameworks, including compliance teams and structured engagement with Japanese regulators.

In contrast, for smaller or emerging players, the law may lower entry barriers. With the prohibition of gatekeeping practices, opportunities may emerge to launch alternative app stores, payment platforms, and browser engines within Japan's mobile ecosystem—areas previously restricted under the Tech giants' control.

2. Strategic Recommendations

To navigate Japan's new regulatory landscape effectively, foreign businesses—whether major platforms or innovative newcomers—should consider the following strategic steps:

(1) Build Local Compliance Teams

As the JFTC moves toward full enforcement, regulators will expect proactive compliance with reporting and monitoring obligations. Establishing a local compliance team—well-versed in Japanese legal nuances and stakeholder engagement—would allow for timely responses and

⁶ See, "Outline of the Act on Promotion of Competition for Specified Smartphone Software" by the JFTC, p.4.

smoother navigation of regulatory requirements.

(2) Adapt Business Models

With the opening up of previously restricted channels, companies may wish to consider the following:

- **Diversify Payment Options:** Enable users to access alternative payment methods beyond proprietary systems, aligning with the Act's emphasis on competition-driven flexibility.
- **Explore Non-Traditional Distribution:** Consider distributing through third-party app stores or browsers, where permitted, to broaden reach and reduce gatekeeping dependencies.

(3) Monitor Policy Developments Closely

Businesses should stay proactive by:

- Reviewing draft cabinet orders, public comment invitations, and guideline revisions—many of which should be released months ahead of enforcement
- Tracking JFTC announcements regarding case-by-case applications of the Act to anticipate enforcement trends.

IV. CONCLUSION

Japan's *Smartphone Software Competition Promotion Act* introduces a pivotal regulatory shift. On one hand, Japan's Smartphone Software Competition Promotion Act may create opportunities for new players. On the other hand, critics warn that the Act's ex-ante structure may deter innovation, escalate compliance burdens, and even introduce security vulnerabilities if safeguards for app vetting are compromised. In this evolving phase, it is imperative for international stakeholders—whether dominant platform providers or emerging developers—to remain vigilant and adaptive to the development of the practices relating to the Act. Ultimately, the Act has the potential to reshape the mobile software ecosystem in Japan for the better; however, this outcome hinges on balanced implementation, ongoing oversight, and collaboration between policymakers and tech players.

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