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## Japan's Retail Electricity Market: Navigating Disclosure and Documentation Obligations under the Electricity Business Act

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### I. Introduction<sup>1</sup>

The Japanese government fully liberalized the retail electricity market in 2016, opening the sector to competition and encouraging a wave of new entrants. As of March 2023, there were 721 retailers, with PPSs (i.e. *Shindenryoku*) accounting for approximately 17.7 percent of total retail electricity sales,<sup>2</sup> illustrating the growing role of competitive suppliers in Japan's energy landscape. The number of retailers has continued to rise, reaching 780 companies as of August 25, 2025.<sup>3</sup>

Against this backdrop of market expansion, retail electricity suppliers are required to comply with detailed rules under the Electricity Business Act, its Enforcement Regulations, and the Retail Guidelines. In particular, following the April 2024 amendments to the Act, the obligations to provide explanations to customers and to deliver written documents have been further tightened. Non-compliance can expose suppliers to corrective action or even public

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<sup>2</sup> Japan Electric Power Information Center, Inc. "The Electric Power Industry in Japan 2024", P.5, available at <https://www.jepic.or.jp/pub/epijpdf.html>

<sup>3</sup> See, Agency for Natural Resources and Energy's disclosure, available at [https://www.enecho.meti.go.jp/category/electricity\\_and\\_gas/electric/summary/retailers\\_list/](https://www.enecho.meti.go.jp/category/electricity_and_gas/electric/summary/retailers_list/) (accessed on August 25, 2025)

disclosure of violations by the Electricity and Gas Market Surveillance Commission.<sup>4</sup>

## II. The Guidelines on Electricity Retail Business

In light of the full liberalization of Japan's retail power market and the entry of new participants, the Agency for Natural Resources and Energy has issued the *Guidelines on Electricity Retail Business* (commonly referred to as the “**Retail Guidelines**”).<sup>5</sup> These guidelines set out the key compliance standards that electricity retailers must observe in their sales and contracting practices, and they play a critical role in day-to-day operations.

The Retail Guidelines are generally organized into the following categories, with clear distinctions between “problematic practices” and “recommended practices”:

1. Provision of appropriate information to customers
2. Fairness in sales methods and contract formation
3. Proper structuring of contract terms
4. Proper handling of complaints and customer inquiries
5. Fairness in contract termination and related procedures

Particular attention must be paid to the “**problematic practices**”, as any violations may result in compliance risks and potential regulatory enforcement.

## III. Overview of Disclosure and Documentation Obligations

The disclosure and documentation obligations under the Electricity Business Act can be summarized as follows:

### (1) Duty to Explain Supply Conditions

When entering into a retail supply contract with a customer, a retail electricity supplier is required to explain the tariffs and other supply conditions to the customer.<sup>6</sup>

Moreover, such explanations must be provided in a manner and to an extent that enables

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<sup>4</sup> See, e.g., the Electricity and Gas Market Surveillance Commission's press release dated November 24, 2020, available at <https://www.egc.meti.go.jp/info/public/news/20201124001.html>

<sup>5</sup> <https://www.meti.go.jp/press/2024/03/20250331007/20250331007-1.pdf>

<sup>6</sup> Article 2-13, Paragraph 1 of the Electricity Business Act

the customer to fully understand them, taking into account the customer's knowledge, experience, and purpose in entering into the contract.<sup>7</sup>

## **(2) Obligation to Provide Pre-Contract Documents**

At the time of providing the above explanations, the supplier must also deliver to the customer a pre-contract disclosure document setting out the tariffs and other supply conditions.<sup>8</sup>

This document must use characters and numbers at least 8-point in size.

For matters considered particularly important (such as (1) tariffs and calculation methods, (2) notice that tariffs may change (e.g., due to fluctuations in fuel or wholesale power prices), and (3) penalties or charges for contract modifications or cancellations requested by the customer), the disclosure must be presented clearly and accurately, inside a box, using characters and numbers of at least 12-point size.<sup>9</sup>

## **(3) Obligation to Provide Post-Contract Documents**

In addition to the pre-contract disclosure, once a retail supply contract has been executed, the supplier must promptly deliver a post-contract confirmation document containing the supplier's name and address, the date of the contract, and the tariffs and other supply conditions.<sup>10</sup>

# **IV. Practical Issues Requiring Special Attention**

The following are examples of compliance issues that frequently arise in practice and require particular caution:

## **(1) Failure to Obtain Customer Consent for Electronic Delivery**

Under the Electricity Business Act, the required pre-contract and post-contract disclosure documents may be delivered electronically (e.g., via email) instead of in hard copy. However, this method may only be used if the supplier has obtained the customer's prior

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<sup>7</sup> Article 3-12, Paragraph 6 of the Enforcement Regulations of the Electricity Business Act

<sup>8</sup> Article 2-13, Paragraphs 2 and 3 of the Electricity Business Act

<sup>9</sup> Article 3-12, Paragraph 13 of the Enforcement Regulations of the Electricity Business Act

<sup>10</sup> Article 2-14 of the Electricity Business Act

consent.

In practice, some suppliers have provided documents electronically without obtaining the customer's explicit consent—for example, by neglecting to include a consent option on the initial application screen. Such practices pose a compliance risk and should be avoided.

## **(2) Incomplete or Non-Compliant Disclosure Documents (Content or Format Deficiencies)**

Even where documents are delivered, deficiencies in their content or format can give rise to violations. The Electricity Business Act and its Enforcement Regulations prescribe detailed requirements for the content of pre-contract and post-contract disclosure documents.

As explained in Section III (2), pre-contract disclosure documents must use characters and numbers of at least 8-point font and certain matters must be stated clearly and accurately inside a box, using characters and numbers of at least 12-point font. This font size requirement was introduced by the April 2024 amendment to the Enforcement Regulations. In practice, some suppliers continued to use older document formats and therefore failed to comply with the updated requirements.

## **(3) Failure to Fulfill Obligations upon Contract Amendments or Revisions of Terms**

The duty to explain supply conditions and deliver disclosure documents applies not only when entering into new retail supply contracts, but also when modifying existing contracts or revising standard terms and conditions.<sup>11</sup>

Although suppliers often comply with these obligations at the time of initial contract execution, cases have been observed where they failed to provide explanations or deliver updated documents when contracts were amended or terms revised. This too presents a compliance risk and should be carefully managed.

## **V. Recommended Measures**

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<sup>11</sup> Article 2-13, Paragraph 1 of the Electricity Business Act; and Article 3-12, Paragraphs 1 and 4 of the Enforcement Regulations of the Electricity Business Act

As discussed above, the duties of explanation and documentation are governed in detail by the Electricity Business Act, its Enforcement Regulations, and the Retail Guidelines. These rules set out both the content and the format of required disclosures, and have been subject to periodic amendments.

To ensure full compliance and to build trust with customers, strengthen risk management within sales operations, and enhance credibility in dealings with regulators, retail electricity suppliers should consider establishing the following internal structures:

- **Centralized Management of Templates and Materials**

Standard templates for terms and conditions, application forms, and pre- and post-contract disclosure documents should be centrally managed and updated promptly to reflect regulatory amendments or guideline revisions.

- **Training and Education for Sales Staff and Agents**

Continuous training should be provided to internal sales staff and external intermediaries regarding the regulatory requirements and practical handling of explanation and disclosure obligations. This is particularly critical when sales activities are outsourced to third-party agents, where ensuring proper dissemination of knowledge is essential.

- **Internal Audits and Monitoring of Sales Practices**

Systems should be implemented to check and record whether explanation and disclosure obligations are being properly fulfilled in practice. Regular monitoring allows early identification of deficiencies and facilitates timely corrective measures.

- **Review of Agency and Outsourcing Agreements**

Where agencies or intermediaries are engaged, contracts should expressly require compliance with the Electricity Business Act and Retail Guidelines. Provisions for corrective measures and termination rights should also be included in the contracts to address non-compliance.

## **VI. Conclusion**

Japan's retail electricity market continues to expand, with over 780 suppliers now competing

in a sector that has become both dynamic and regulated. The April 2024 amendments to the Electricity Business Act Enforcement Regulations highlight the government's focus on strengthening consumer protection. By implementing robust internal controls, training programs, and compliance monitoring systems, companies can position themselves not only to avoid enforcement actions, but also to demonstrate reliability and integrity in an increasingly competitive market. For international entrants, in particular, proactive compliance with Japan's regulatory framework is essential to establishing a credible and successful presence in this evolving market.

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