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## Japan's METI Published the Model Investment Limited Partnership Agreement with Commentary (2025 Version) (Model LPA 2025)

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Yuta Koyama, Attorney-at-Law

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### 1. Introduction

On June 23, 2025, the Ministry of Economy, Trade and Industry (METI) published the "[Model Investment Limited Partnership Agreement with Commentary \(2025 Version\)](#)" (the "Model LPA 2025"). (\*1)

METI previously released two model LPAs for investment limited partnerships (LPS): the "[Model Investment Limited Partnership Agreement](#)" dated November 2010 (the "2010 version") and the "[Model Investment Limited Partnership Agreement with Commentary](#)" dated March 2018 (the "2018 version"). The 2010 version was formulated without specifying the types of investment funds as its expected users, while the 2018 version was specifically tailored for venture capital firms.

As the passage of more than 14 years from the formulation of the 2010 version has created gaps between the 2010 version and the current domestic and international practices, the Model LPA 2025 has been formulated and published as its successor. (\*1) (\*2)

(\*1) Source: METI website, [Formulation of the Model Investment Limited Partnership Agreement with Commentary \(2025 Version\)](#)

(\*2) Meetings of the Expert Committee for Drafting the New Model LPA were held on February 10, 2025 ([First Meeting](#)) and April 28, 2025 ([Second Meeting](#)).

### 2. Structure of the Model LPA 2025

The Model LPA 2025 is designed to be highly versatile and applicable to a wide range of fund types, including private equity funds. It consists of the following five parts:

Part I: "[Model Investment Limited Partnership Agreement \(Japanese Version\)](#)" dated June 2025;

Part II: "[Article-by-Article Commentary on the Model Investment Limited Partnership Agreement](#)"

[\(Japanese Version\)](#)” dated June 2025;

Part III: “[Model Investment Limited Partnership Agreement \(Simplified Japanese Version\)](#)” dated June 2025;

Part IV: “[Model Investment Limited Partnership Agreement \(English Version\)](#)” dated June 2025; and

Part V: “[Commentary on the Model Investment Limited Partnership Agreement \(English Version\)](#)” dated June 2025

Part I is designed to be used by businesses that intend to newly establish an investment fund using an LPS with a view to receiving capital contributions from foreign investors in the future. Part II provides article-by-article commentary on Part I. Part III is a simplified version of Part I with certain provisions removed or adjusted.

Part IV is the English version of the Model LPA, which is not a mere translation of Part I but a rewrite of its contents drafted in accordance with internationally accepted formats for limited partnership agreements. Part V provides commentary on Part IV. (\*3) (\*4)

(\*3) Source: METI website, [About the Investment Limited Partnership \(LPS\) System](#)

(\*4) Source: METI website, [Formulation of the Model Investment Limited Partnership Agreement with Commentary](#)

### **3. Key Revisions and Updates (Overview)**

The Model LPA 2025 includes numerous updates from the 2010 version. Key updates in the Model LPA 2025 (Part I) include:

#### **(1) New Provisions on Borrowing and Related Matters**

While the 2010 version allowed the partnership to borrow money and/or pledge partnership assets (Article 14, Paragraph 2), it lacked specific provisions on their methods and conditions.

The Model LPA 2025 (Part I) sets forth detailed provisions regarding the creation of security interests on capital call rights and related borrowing (subscription finance), as well as the creation of security interests on other partnership assets and borrowing (NAV financing) (Article 15, Paragraphs 1 through 4 of the Model LPA 2025 (Part I) (Section 7.8(a)(i)(ii) of its Part IV)).

Subscription finance and NAV financing are gaining attention in practice for expanding the financing options for investment funds.

#### **(2) New Provisions on Co-Investment Funds**

When there is an opportunity to make a portfolio investment that exceeds the maximum single investment amount (the maximum amount per portfolio investment), the Model LPA 2025 allows for the formation of a separate fund (co-investment fund) solely for the purpose of making such portfolio investment, and it also sets forth the terms of co-investment (Article 19, Paragraph 3 of the Model LPA (Part I) (Section 7.8(b)(iii) of its Part IV)).

Co-investment funds are used globally as a way for smaller funds to participate alongside larger ones. (\*5)

(\*5) Source: METI, “[Expert Committee for Drafting the New Model LPA](#), Secretariat’s Explanation Material” (April 28, 2025), p.12

#### **(3) Disclosure of Financial Information (Preparation and Delivery of Quarterly Financial Information)**

Under Article 8, Paragraph 1 of the Limited Partnership Act for Investment (the “LPS Act”) the partnership is required to prepare a balance sheet, profit and loss statement and business report, along with their detailed attachments (the “financial statements”) within three months after the end of each fiscal year. The 2010 version required delivery of such financial statements to partners both semiannually and annually (Article 25,

Paragraphs 1 and 3).

The Model LPA 2025 requires, in addition to such annual financial statements, preparation and delivery of quarterly financial reports with respect to the first through the third quarters containing financial information reasonably necessary for limited partners (“quarterly financial information”) (Article 26, Paragraph 2 of the Model LPA 2025 (Part I) (Section 8.3(b) of its Part IV)).

#### **(4) Distribution of Partnership Assets (Carry Distributions)**

The Model LPA 2025 (Part I) defines the portion of partnership assets to be received by the general partner / special limited partner as carry distributions based on their interest (Article 29, Paragraphs 2 and 4, etc., of the Model LPA 2025 (Part I) (Sections 6.2(a), 6.2(c)(iii) and (iv) of its Part IV)).

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