



“Five Recommendations Toward the Drastic Expansion of Foreign Direct Investment in Japan”

- SHIMADA Report-

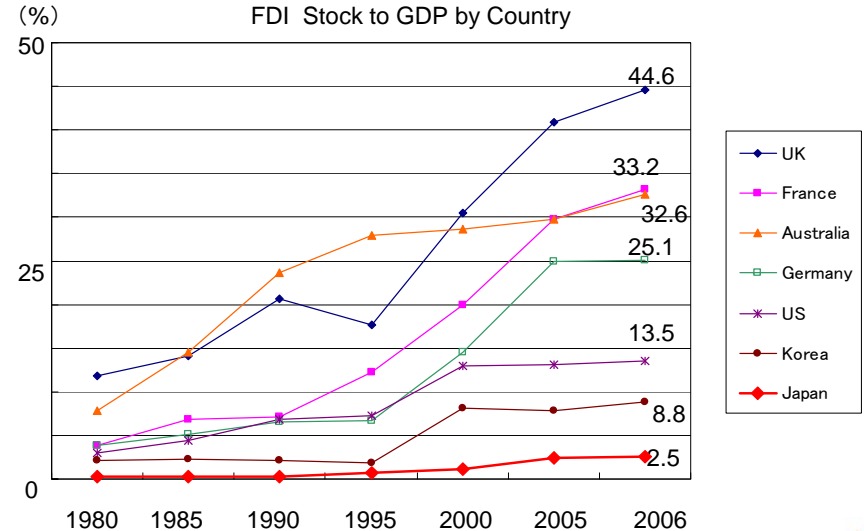
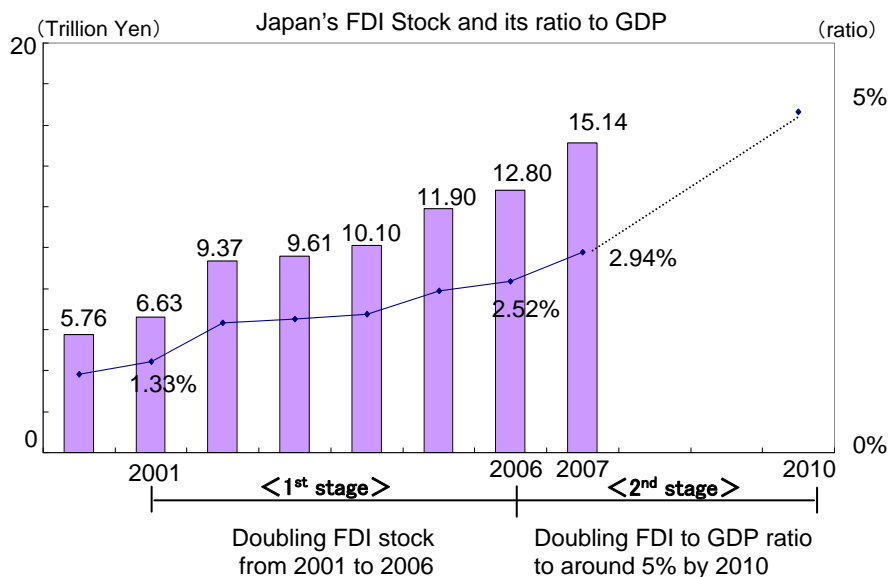
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Expert Committee on FDI Promotion

Chaired by Haruo SHIMADA, Ph. D.

Deliberation of Expert Committee on FDI Promotion

- FDI in Japan is an extremely important factor in stimulating and revitalizing the Japanese economy and increasing job opportunities.
- Since the establishment of the former Japan Investment Council in 1994, the Government of Japan (the GOJ) has twice announced targets for doubling the amount of FDI in Japan and has been making efforts to promote FDI. Compared with the U.S. and European countries, however, the level remains low.
- In order to drastically expand FDI in Japan and connect this with the revitalization of Japan, it is necessary to actively build an investment environment that can overcome the global competition.
- The Expert Committee on FDI Promotion, established in January 2008 has been engaged in intense deliberations and compiled “Five Recommendations Toward the Drastic Expansion of Foreign Direct Investment in Japan” as essential measures for Japan’s inward FDI expansion.
- The Committee urges the GOJ to revise the “ Program for Acceleration of Foreign Direct Investment in Japan”, approved by the Japan Investment Council in June 2006, and to check its implementation periodically.



Summary of the Recommendations from the Committee

1. Enhancement of system toward the facilitation of M&As

In order to contribute to the facilitation of M&As, which are an important means of FDI in Japan, wide-ranging studies should be advanced, including the following matters, and the further improvement of Japan's M&As system should be accelerated.

- Clarification of takeover rules (Discussion by various related parties until this summer regarding how to prevent takeover defense measures from working as hindrances of FDI)
- Promotion of studies for the facilitation of cross-boarder M&As (Studies for the system and taxation regarding various M&A measures)
- Elimination of allergy toward M&As by foreign companies (PR actions to welcome M&As & publishing M&A success stories (job creation etc.))

2. Comprehensive studies on Foreign Direct Investment regulations

While maintaining national security, public order, etc, the regulations with appropriate predictability should be advanced. The scope and grounds of cases where Foreign Direct Investment regulations are necessary as exceptions to the principle of nondiscrimination between domestic and foreign investors should be clarified, and Japan's open investment policy should be shown to the rest of the world.

- Comprehensive studies on Foreign Direct Investment regulations within FY 2008

3. Establishment of priority strategies by sector

In the field of medical devices and pharmaceutical products, which will be especially important in terms of revitalizing the Japanese economy and improving the quality of life, an action program should be formulated that puts the focus on the field of medical devices.

- Eliminating so-called "Device Lag" by tripling the number of medical device reviewers (from 35 to about 100)
- Action programs for other prioritized sectors will be planned

4. Reduction of business costs and improvement of system transparency

Amid global competition, the reform of regulations and systems should be promoted, thereby reducing business costs in Japan and improving system transparency, so that foreign companies and investors can see the merits of FDI in Japan.

- Reduction of the corporate tax rate (nominal rate) in order to attract foreign capital
- Drastic improvement of the “no-action letter” system and written reply procedures for taxes
- Evaluation of regulations and administrative burden survey
- Revision of hearing procedures, etc. under Antimonopoly Act
- Promotion of utilization of private-sector dynamism in public service by government

5. Regional revitalization by foreign capital, strengthening of appeal that foreign capital is welcome, etc.

In order to realize regional revitalization through the attraction of foreign capital, regions should be built in which it is easy for foreign capital to be active, and the appeal that foreign capital is welcome should be strengthened.

- Strategic attraction of foreign capital in wide-area economic zones (“local to local”)
- Activities to attract foreign capital centered on former private-sector personnel
- Building of living environments suitable for foreigners (Promotion of good practices by local governments)
- Facilitating continuation of business of small and medium-sized companies through foreign capital M&As
- Strengthening of appeal that FDI in Japan is welcome