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A Call for Foreign Direct Investment in Japan to Contribute to an Improvement in the Lives of the Japanese People

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1. Aim and Focus of the Policy Proposal

We propose that measures be taken to attract substantially more foreign direct investment to Japan, preferably in excess of 10% of FDI stock in Japan as a percentage of GDP in the long run, in order to maximize Japan's national interest and benefits for Japanese populace and consumers and achieve efficient national and economic management.

Our policy proposal assumes no distinction between domestic and foreign investors while focusing on three key features: modifications to the commercial and tax codes to encourage M&A activities, liberalization of the healthcare, pharmaceuticals, and medical equipment markets; and injection of the expertise and know-how of the private sector into central and local government.

This proposal marks the first time that the Keizai Doyukai has taken up the enhancement of foreign direct investment in Japan.

2. Key Points of the Policy Proposal

Proposal 1: Modifications to the Commercial and Tax Codes to Encourage M&A Activities by Foreign Investors

- (1) We call for a package combining both a lifting of the freeze on stock swap and triangular mergers by foreign investors in fiscal 2007 and a revision of the tax code to allow for taxation deferral of capital gains tax realized through stock swap.
- (2) We call for extreme caution with regard to any measures tightening the taxation of capital gains by overseas investors.

Proposal 2: Liberalization of the Healthcare Markets to Maximize Benefit to the Populace

(1) Medical Care

- We propose that private corporations be allowed to manage medical institutions, facilitating and promoting active utilization of the resources and expertise of foreign enterprises
- We propose the use of Kongo Sinryo (medical care that mixes treatment covered by insurance and treatment not covered by insurance), resulting in a fuller use of state-of-the-art medical services

(2) Pharmaceuticals and Medical Equipment

- We propose that the approval and licensing system be improved and streamlined for speed as well as quality, allowing a fuller use of state-of-the-art pharmaceuticals and medical equipment
- We propose that clinical testing system and procedures be improved for both speed and quality, positioning Japan as a center of excellence in Asia and the world
- We propose that industry-academe collaboration be promoted further for joint research with universities and public research institutions under fair conditions, making no distinction between domestic and foreign entities
- We propose that the risks for enterprises with regard to employee inventions be reduced to a manageable level

Proposal 3: Systemic and Organizational Reform of Central and Local Governments and Related Agencies to Create Necessary Support Systems

- (1) We propose that a cabinet minister's position be created with clear responsibility and authority for promotion of foreign direct investment into Japan
- (2) We propose an approach of wide-area collaboration involving two or more local governments to more effectively attract foreign direct investment
- (3) We propose that the vitality of private-sectors be put into more effective use
 - Strategically converting unused resources and assets of municipalities into liquidity in

order to enhance the competitiveness of Japan thereby attracting more foreign direct investment

- Making active use of expertise and know-how of the private sectors and their employees to switch to more “strategic” and “soft” approaches, enhancing the execution capability as an organization to enable more foreign direct investment in Japan.

Proposal 4: Establishment by Keizai Doyukai of Committee for Promoting Direct Investment in Japan (Provisional Name)

Conclusion:

Japan needs more foreign direct investment and willingly takes up the challenge of due reform, in order to turn itself into a truly open economic power, attractive to foreigners and foreign enterprises with advanced technology and needed expertise.