



**ICGN**

International Corporate Governance Network

Mr. Kenji Okamura  
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Ministry of Finance  
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cc: Mr. Kenichi Habu, head, Legal Office, MOF  
cc: Ministry of Economy Trade and Industry  
Financial Services Agency  
Japan Exchange Group

25<sup>th</sup> October 2019

Dear Mr Okamura

**Re: Amendment Bill of the Foreign Exchange and Foreign Trade Act**

The International Corporate Governance Network (ICGN) is writing to express our deep concern related to the proposed amendments to the Foreign Exchange and Foreign Trade Act (FEFTA) published on the 8<sup>th</sup> October 2019. We believe such amendments will have the effect of restricting overseas investment in Japan or discounting the value of Japanese companies to overseas investors and is a backward step for recent corporate governance reforms in Japan.

ICGN Members, led by institutional investors, are responsible for assets under management in excess of USD\$34 trillion, based in 45 countries. As the world's third largest capital market, Japan is an extremely important market for our Members who, together with other overseas investors, own around 30% of the share capital of Japanese listed companies.

We note the positive regulatory reforms over recent years in Japan as part of the Government's Economic Revitalization Strategy, directed by Prime Minister Shinzo Abe. We particularly welcome the introduction of the Stewardship Code under the leadership of the Financial Services Agency and the Corporate Governance Code led by the Japan Exchange Group. We also recognise the many efforts undertaken by the Ministry of Economic Trade and Industry, particularly in the area of non-financial reporting, and the corporate law reforms under the auspices of the Ministry of Justice.

These many reforms have led to a renewed interest by ICGN Members in Japan as an attractive market to invest, alongside an opportunity to constructively engage with Japanese companies for long-term sustainable growth. As a result, ICGN has convened multiple meetings in Tokyo over the past three years, inviting investors from around the world to engage with Japanese companies and to hear about latest regulatory developments.

The proposed amendments would unwind many of these positive reform efforts, notwithstanding the fact that the threshold legislation and related 'pre-acquisition notification' would preclude many of our Members from even having the opportunity to invest in Japanese companies. Not only will investment complexity and costs increase at a micro level but there is a real concern that there will be a systemic wide effect on the Japanese market reducing corporate valuation and liquidity.

We encourage you to refer to the letter submitted to you on the 24<sup>th</sup> October by the Asian Corporate Governance Association which ICGN supports and implore you to seriously consider the request for urgent clarification. We fully support the ACGA letter and the following statement:

*“We understand that the intention of the Amendment Bill is to strengthen the country’s national security and we consider this a legitimate objective. In its current form, however, we believe the Bill will prove highly detrimental to Japan’s capital market and corporate governance. We urge the Ministry of Finance (MOF) to reconsider the amendments and undertake a thorough consultation with foreign institutional investors before finalising them. While we recognise that certain exemptions for foreign asset managers have been introduced since the original announcement, important parts of the new regulation require urgent clarification.”*

I have the honour of representing ICGN as a Member of the Council of Experts for the Follow-up of Japan’s Stewardship Code and Japan’s Corporate Governance Code (the “Council”) convened by the Japan FSA. I will be attending the next Council meeting on 8<sup>th</sup> November 2019 in Tokyo and I would appreciate the opportunity to meet you in person around that time to discuss this matter if your diary permits.

Yours faithfully,



Kerrie Waring  
**Chief Executive Officer**  
**International Corporate Governance Network**