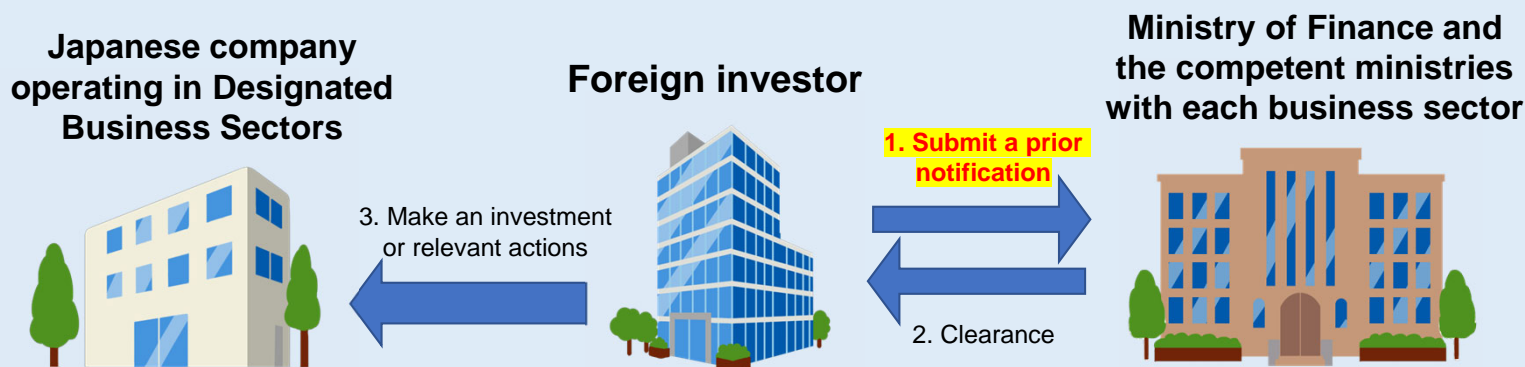


**Foreign investors are required to submit a prior notification via a resident of Japan as an agent when they intend to make an investment in Japanese companies operating certain types of business (“Designated Business Sectors”).**

**Companies accepting foreign investment are encouraged to inform such foreign investors about this mandatory notification requirement.**

### **Examples of cases when a prior notification is required**

- An **individual investor who lives in a foreign country** acquires one or more share of an unlisted **Japanese company** that engages in manufacturing advanced materials or defense equipment which is subject to import restrictions (including dual use items).
- A **foreign investor** gives a consent, at a shareholders meeting, to the appointment of his/her closely-related person as a board member of the **Japanese company** that engages in developing software.



Feel free to contact the Ministry of Finance when (1) you want to consult with an authority about procedures that you are required to follow, and (2) you wish to provide any information regarding suspected cases of violation of the mandatory submission of a prior notification.

### **Contact information**

Foreign Investment Policy and Review Office,  
Research Division, International Bureau,  
Ministry of Finance

(1) For consultation  
Email: [gaitame-fdi-1@mof.go.jp](mailto:gaitame-fdi-1@mof.go.jp)

(2) For information  
Email: [monitoring-fipro@mof.go.jp](mailto:monitoring-fipro@mof.go.jp)

As various challenges are on the rise both in economy and security territories, it is necessary for the government to collectively strengthen its economic security initiatives. While further promoting sound inward investment into Japan, one of the aims of the Foreign Exchange and Foreign Trade Act (“FEFTA”) is to prevent technology leakage involving national security . To this end, the FEFTA poses duties over (on) foreign investors and foreign investment that will be reviewed from the perspective of national security.

## Outline of the regime

Under the FEFTA regime, when (1) foreign investors (2) make an investment in or take relevant actions to Japanese companies operating in (3) Designated Business Sectors from the perspective of national security, the foreign investors must submit a prior notification via a resident in Japan (acting) as an agent<sup>(Note)</sup>.

(Note) An exemption from this duty is provided as long as foreign investors submit a post-investment report and continue to refrain from any actions involving the investee company after the deal including but not limited to (i) appointing themselves or his/her closely-related person as a board member and (ii) accessing non-public technological information of the investee. This exemption scheme, however, does not apply to state-owned enterprises.

### (1) Foreign Investor Categories

- ① Non-resident individuals
- ② Corporations and organizations incorporated under foreign laws and regulations
- ③ Japanese companies in which the majority of voting rights are held by ① or ②
- ④ Partnerships in which the majority of capital investments are made by ① or ②
- ⑤ Partnerships in which the majority of partners executing business are ① or ②

### (2) Investment and relevant actions

- Acquiring 1% or more of stocks of a listed company
- Acquiring one or more stocks of an unlisted company (no threshold)
- Giving consent to the appointment of a foreign investor or his/her closely-related person as a board member or corporate auditor of the investee company
- Proposing or giving consent to the transfer or disposition of the investee company's business

### (3) Examples of the Designated Business Sectors

- Manufacturing
  - Items related to weapons, aircraft (including drones), space development, nuclear facilities, and repairing and software ancillary thereto
  - Dual use technologies
  - Pharmaceuticals of communicable diseases and specially-controlled medical devices
  - Permanent magnets and their material
  - Machine tools and industrial robots
  - Semiconductors and semiconductor manufacturing equipment
  - Storage batteries and their materials
  - Marine equipment (e.g., engines)
  - Metal 3D printer manufacturing, metallic powder
- Metal mining, smelting and refining of important mineral resources
- Construction for improving and maintaining port facilities on designated remote islands
- Fertilizer (e.g., potassium chloride) imports
- Cybersecurity (e.g., manufacturing of information processing devices, parts, and software, and information services)
- Infrastructure (e.g., electricity, gas, telecommunications, water supplies, railways, petroleum, heat supplies, broadcasting, public transport buses)
- Security services, agriculture, forestry and fisheries, leather product manufacturing, aviation transportation, maritime transportation