

Addition to the Core Business Sectors of the FEFTA to Secure Stable Supply Chains

FEFTA: Foreign Exchange and Foreign Trade Act

- The FEFTA, while following the basic principle of freedom of investment, designates minimal necessary business sectors from a national security viewpoint and requires foreign investors to file a prior notification for screening.
- Following the additional designation of “specified critical products” in the Economic Security Promotion Act, which aims to ensure stable supplies, as a result of the consideration from the perspective of the FEFTA, the business sectors below are added to the Core Business Sectors* in order to secure stable supply chains and address the risk of technology leakage and diversion of commercial technologies into military use.

(Note) “Core business sectors” are business sectors where foreign investors (e.g. non-residents; foreign corporations) are required to file a prior notification when they conduct inward direct investment, etc. (e.g. acquiring 1% or more of voting rights of a listed company; acquiring a share of an unlisted company) with such sectors (“designated business sectors”), and where foreign investors are not, as a general rule, exempt from the requirement for prior notification for stock purchases, etc. as being highly likely to undermine national security, etc.

Added Sectors

[Sectors related to specified critical products]

- Manufacture of equipment related to the manufacture of semiconductors (machinery, appliances, parts, supplies and materials used mainly for the manufacture of semiconductors)
- Manufacture of advanced electronic components (electronic components such as multi layer ceramic capacitors and their materials)
- Manufacture of machine tool components (machine tool components such as ball screws, linear guides and linear scales)
- Manufacture of marine engine (Diesel engines for civil marine use that are four-stroke and have a continuous maximum output of 735 kw or more.)

[Other sectors to be added from the perspective of national security, etc.]

- Manufacture of fibre optic cables (quartz-based optical fibres and fibre optic strands)
- Manufacture of multifunctional machines (machines and appliances that have the ability to send and receive data and have multiple functions such as copying and scanning)

As a result of the above, “specified critical products” under the Economic Security Promotion Act will be fully covered as core business sectors.