



*For immediate
release*

EBC and ACCJ Express Concern about Adverse Impact on Portfolio and Direct Investment in Japan

June 29, 2005 - The European Business Council in Japan (EBC) and the American Chamber of Commerce in Japan (ACCJ) expressed growing concern regarding recent developments in Japan affecting both portfolio investment and the foreign direct investment (FDI) environment at a joint press conference conducted today.

The EBC and ACCJ cited rising anxiety among their institutional investor members about investment and market risks, and possible deterioration in corporate value and competitiveness, caused by discussion of takeover defenses over the past year in the media, the Diet and Japanese courts, as well as shareholder meetings this month.

The EBC and ACCJ stressed fear of possible backsliding undermining prior improvements in disclosure and corporate governance by Japan in recent years. ACCJ President Debbie Howard explained, "Investors of all types are getting 'mixed messages' about Japan's capital market and its commitment to good governance and market principles. If global investment groups allocate funds based on that ambivalent or even negative view, Japan will be deprived of investment and growth. Reduced international investment flows to Japan could even result in increased FDI to China and ASEAN, increasing the growth gap between Japan and China. General non-binding principles for corporate defenses recently proposed by METI with strict shareholder disclosure standards sound reasonable, but if there is no meaningful *follow-up* to actually amend and improve laws related to disclosure, corporate governance and M&A by installing essential rules and infrastructure as enforceable laws and regulations, recent efforts such as METI's 'hostile takeover guidelines' could turn into obstacles, instead of improvements."

The two business organizations also noted their rising concern about emotionalism in recent policy debates. EBC Chairman Richard Collasse said, "For example, triangular mergers legally cannot be used for 'hostile' M&A transactions, yet a one-year delay in implementation has been imposed for reasons founded on emotionalism about a so-called 'foreign capital threat'. For decades 100% of foreign direct investment to Japan has been on completely 'friendly' terms, and has been legally possible in almost all sectors without restriction for 20 years. Although cumulative foreign direct investment is still only 2% of GNP (vs. 20-35% for Europe), such FDI has expanded employment overall. There is simply no 'threat' of any sudden 'tsunami' of foreign investment, either hostile or friendly. International investors are just wondering why Japan is delaying *its own plan* in the interests of *its own* economy. Such backsliding would have far-reaching consequences for the image of the capital market here, especially when large amounts of Japan's own corporate capital investment continues to be made outside Japan, especially in China."



The EBC and ACCJ recommended changes to Japanese corporate and securities laws to improve and stabilize corporate governance practices based on a new viewpoint released by ACCJ entitled "Promote Good Corporate Governance and Protect Shareholders' Rights". The viewpoint contains detailed recommendations from the perspective of fiduciary investment managers, such as requiring a majority of independent outside directors on corporate boards.

When introducing the ACCJ policy paper, ACCJ Chairman Robert Grondine said, "In order to engender greater investor confidence in the Japanese capital markets in light of recent debates, Japan should urgently consider creating an independent SEC (Security and Exchange Commission) whose sole or primary mission is investor protection, and adopting a time frame for legally binding requirements toward assuring a majority of independent outside directors on corporate boards in order to deal with the rush toward poison pill and other corporate defenses. To protect the Japanese investing public, these changes have become urgent matters. We do not oppose all corporate defenses, but it is essential that corporate defense measures be balanced by improved laws for disclosure, independent directors and protection of corporate value for all stakeholders. Even Japan's Pension Fund Association has announced that it has voted against 90% of all corporate defense proposals made this year."

About the EBC

The European Business Community (EBC) is the trade policy arm of the 18 European national chambers of commerce and business associations in Japan. Established in 1972, the EBC works to improve the trade and investment environment for European companies in Japan. The EBC currently represents more than 3,000 local European companies and individuals who are members of their national chambers of commerce. Some 400 of these companies participate directly in the EBC's 28 sector-based committees.

About the ACCJ

The mission of the American Chamber of Commerce in Japan (ACCJ) is to further the development of commerce between the United States of America and Japan, promote the interests of U.S. companies and members, and improve the international business environment in Japan. Established in 1948 by representatives of 40 American firms, the ACCJ has grown into one of the most influential business organizations in Japan, with close to 3,000 individual members representing more than forty countries and 1,400 companies.

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