

# Keidanren

Japan Business Federation

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June 9, 2026

The Honorable Gavin Newsom  
Governor of California  
1021 O Street  
Suite 9000  
Sacramento, CA 95814

Dear Governor Newsom:

On behalf of Keidanren (Japan Business Federation), Japan's leading business association representing approximately 1,500 companies and over 100 national industrial associations, I write to express strong opposition to California Assembly Bill (AB) 1790.

Japan and California share one of the most significant and enduring economic partnerships in the world. Japanese companies and their affiliates have long viewed California as a premier destination for investment, innovation, and international collaboration. According to California's 2025 Foreign Direct Investment Report, Japanese-owned enterprises support more than 127,000 jobs in California and maintain more than 3,300 business establishments throughout the state. Japanese businesses also contribute billions of dollars annually in wages, capital investment, research activity, manufacturing, logistics, and technology development across California's economy.

It is precisely because of this deep and time-honored relationship that AB 1790 raises serious concerns for the Japanese business community.

AB 1790 would eliminate California's long-standing water's-edge election and effectively require multinational enterprises to report worldwide income for California tax purposes. This proposal would expose foreign-headquartered companies to substantial compliance burdens, heightened uncertainty, and the risk of double taxation on income already taxed in other jurisdictions.

For decades, the water's-edge framework has provided an appropriate and balanced approach that enables California to tax in-state economic activity while avoiding the extraterritorial taxation concerns that previously generated significant international tensions. The current framework has also provided the predictability and stability necessary for companies to make long-term investment decisions involving facilities, workforce expansion, research operations, and supply chain development.

AB 1790 would reverse that stability. Multinational enterprises would be required to consolidate financial and tax information across numerous jurisdictions with differing accounting standards, currencies, fiscal years, and regulatory systems. These requirements would impose extraordinary administrative and compliance costs on companies operating in California. The burden would be especially significant for businesses with large international structures and extensive global operations.

The proposal also creates substantial uncertainty regarding future tax exposure and investment planning. International companies evaluate investment opportunities based on

stable and predictable legal and tax environments. A shift to mandatory worldwide combined reporting (WWCR) would create uncertainty not only for existing operations, but also for future investment decisions involving California.

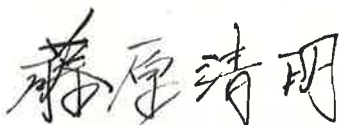
Keidanren is also concerned that AB 1790 would place California at a competitive disadvantage internationally. No other U.S. state currently mandates WWCR for all taxpayers in this manner. Enactment of AB 1790 would make California a global outlier and could discourage future foreign direct investment from Japanese businesses at a time when international economic cooperation and investment remain critically important to the state's continued competitiveness.

In addition, many Japanese companies are concerned that AB 1790 could expose them to double taxation without meaningful treaty-based relief at the state level. Such outcomes would undermine the stability and predictability that have long supported California's attractiveness as a destination for international business.

California has built its global economic leadership through openness, innovation, and strong international partnerships. Japanese companies remain committed to California and deeply value the state's dynamic economy, talented workforce, and spirit of innovation. Keidanren respectfully urges you to oppose AB 1790 and preserve a stable, competitive, and internationally welcoming investment climate.

I appreciate your consideration and would welcome the opportunity for continued dialogue regarding the concerns of the Japanese business community.

Sincerely,



Kiyooki Fujiwara  
President and Director General  
Keidanren

cc: The Honorable Eleni Kounalakis, Lieutenant Governor, State of California