

# Foreign Exchange and Foreign Trade Act (Tentative translation)

(Act No. 228 of December 1, 1949)

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## Chapter I General Provisions

(Purpose)

Article 1 The purpose of this Act is to, based on freedom of foreign transactions, such as foreign exchanges and foreign trade, ensure the normal development of foreign transactions and the maintenance of peace and security in Japan or international society by conducting the minimum necessary control or coordination of foreign transactions, thereby bringing about a balance of payments equilibrium and stability of currencies and contributing to the sound development of the Japanese economy.

Article 2 Deleted

Article 3 Deleted

Article 4 Deleted

(Scope of Application)

Article 5 This Act also applies to acts that the representative, an agent, an employee or any other worker of a corporation having its principal office in Japan performs in a foreign country with regard to the corporation's property or business. The same applies to acts that a person having a domicile in Japan or an agent, an employee or any other worker of that person performs in a foreign country with regard to that person's property or business.

(Definitions)

Article 6 (1) In this Act or orders based on this Act, the meanings of the terms set forth in the following items are as prescribed respectively in these items:

- (i) the term "Japan" means Honshu, Hokkaido, Shikoku, Kyushu, and other associated islands thereof specified by Ministry of Finance Order and Order of the Ministry of Economy, Trade and Industry;
- (ii) the term "foreign country" means an area outside Japan;
- (iii) the term "Japanese currency" means a currency expressed in units of Japanese yen;
- (iv) the term "foreign currency" means any currency other than Japanese currency;
- (v) the term "resident" means a natural person having a domicile or residence in Japan and a corporation having its principal office in Japan; a non-resident's office in Japan, such as a branch office and local office, is deemed to be a resident even if the non-resident's principal office is located in a foreign country, regardless of whether the office in Japan has the legal authority to represent the non-resident;
- (vi) the term "non-resident" means a natural person and corporation other than a resident;
- (vii) the term "means of payment" means any of the following:
  - (a) banknotes, government money bills, and coins;
  - (b) checks (including traveler's checks), bills of exchange, postal money orders, and letters of credit;
  - (c) the property value entered in a voucher, electronic device, or any other object (referred to as a "voucher, etc." in Article 19, paragraph (1)) using electronic or magnetic means (meaning that cannot be perceived by human senses, such as electronic means and magnetic means), which can be used for payment made between unspecified or a large number of persons (limited to such property value specified by Cabinet Order as one for which the status of use is approximate to that of a currency); and
  - (d) what is specified by Cabinet Order as being equivalent to what is set forth in (a) or (b);
- (viii) the term "foreign means of payment" means a means of payment (excluding Japanese currency) which is denominated in a foreign currency or

- which can be used for payment in a foreign country, regardless of the unit of the foreign currency or any other currency;
- (ix) deleted;
  - (x) the term "precious metal" means gold bullion, gold alloy bullion, gold coins that are not in circulation, or any other object made of gold as principal material;
  - (xi) the term "security" means a public bond, corporate bond, share, equity in investment, certificate granting rights related to a public bond or share, bond certificate, treasury bond, mortgage instrument, profit certificate, coupon, dividend certificate, renewal coupon, or any security or certificate specified by Cabinet Order as those similar thereto, regardless of whether it is materialized;
  - (xii) the term "foreign currency security" means a security for which payment can be received in a foreign country or which is denominated in a foreign currency;
  - (xiii) the term "claim" means a time deposit, current deposit, special current deposit, deposit at notice, insurance policy, and current account balance, as well as a monetary claim arising from a loan, bid, or the like, which is not set forth in any of the preceding items;
  - (xiv) the term "futures contract on a financial index, etc." means a contract for market derivatives transactions prescribed in Article 2, paragraph (21) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (excluding those specified by Cabinet Order; hereinafter the same applies in this item), over-the-counter derivatives transactions prescribed in paragraph (22) of that Article (excluding those specified by Cabinet Order), transactions similar to market derivatives transactions prescribed in paragraph (21) of that Article which are conducted on a foreign financial instruments market prescribed in paragraph (8), item (iii), (b) of that Article, or any other transaction specified by Cabinet Order as being similar thereto;
  - (xv) the term "goods" means movables other than precious metals, means of payment, and securities and any other certificates embodying claims; and
  - (xvi) the term "property" means property including what is prescribed in items (vii), (x), (xi), and (xiii), and the preceding item.
- (2) If it is not clear whether a person is a resident or a non-resident, the Minister of Finance decides this.

(Foreign Exchange Rates)

- Article 7 (1) The Minister of Finance is to determine a reference foreign exchange rate of Japanese currency and arbitrated foreign exchange rates of foreign currencies with Japanese currency, and give public notice of these rates.
- (2) When the Minister of Finance intends to determine a reference foreign

exchange rate of Japanese currency pursuant to the provisions of the preceding paragraph, the minister must obtain the approval of the Cabinet.

- (3) The Minister of Finance is to endeavor to ensure the stability of foreign exchange rates of Japanese currency by taking necessary measures such as buying and selling foreign means of payment.

(Designation of Currency)

Article 8 Payment to be made or received in a currency with regard to a transaction or act to which this Act applies must be made or received in a currency designated by the Minister of Finance.

(Suspension of Transactions in Case of Emergency)

Article 9 (1) If there has been a rapid change in international economic conditions, the competent minister may order the suspension of transactions, acts, or payment or receipt of payment to which this Act applies, for a period specified by Cabinet Order, pursuant to the provisions of Cabinet Order, when the minister finds urgent necessity.

- (2) The suspension ordered pursuant to the provisions of the preceding paragraph does not make it impossible to make a payment authorized by this Act until the time of the suspension, and a delay in payment due to the suspension is to be limited within the period specified by Cabinet Order.

## **Chapter II Measures to Maintain Peace and Security in Japan**

Article 10 (1) If it is particularly necessary in order to maintain peace and security in Japan, the Cabinet may make a decision to implement countermeasures (meaning measures under the provisions of Article 16, paragraph (1), Article 21, paragraph (1), Article 23, paragraph (4), Article 24, paragraph (1), Article 25, paragraph (6), Article 48, paragraph (3), and Article 52, which are to be implemented by the competent minister based on a cabinet decision made under the provisions of this paragraph).

- (2) If the government has implemented countermeasures referred to in the preceding paragraph based on the cabinet decision referred to in that paragraph, it must refer the matter to the Diet within 20 days from the day on which it implemented these countermeasures and seek Diet approval for the implementation of these countermeasures; provided, however, that if the Diet is closed or the House of Representatives has been dissolved, the government must seek the approval promptly at the first Diet session convoked thereafter.
- (3) If a resolution of disapproval is passed in the case referred to in the preceding paragraph, the government must terminate the countermeasures promptly.

Article 11 Deleted

Article 12 Deleted

Article 13 Deleted

Article 14 Deleted

Article 15 Deleted

### **Chapter III Making or Receiving Payments**

(Making or Receiving Payments)

Article 16 (1) When the competent minister finds it to be necessary in order for Japan to sincerely implement a treaty or any other international agreement that it has signed, when the competent minister finds it to be particularly necessary in order for Japan to contribute to international efforts for international peace, or when the cabinet decision referred to in Article 10, paragraph (1) is made, the competent minister may, pursuant to the provisions of the Cabinet Order, impose on a resident or non-resident that intends to make a payment from Japan to a foreign country or a resident that intends to make a payment to or receive a payment from a non-resident an obligation to obtain permission for making the payment or for making or receiving the payment, except when the payment to be made or received arises from a transaction or act on which an obligation to obtain permission or approval is imposed from the same perspective as mentioned above.

(2) Beyond the cases prescribed in the preceding paragraph, when the competent minister finds it to be particularly necessary in order to maintain Japan's balance of payments equilibrium, the competent minister may, pursuant to the provisions of Cabinet Order, impose on a resident or non-resident that intends to make a payment from Japan to a foreign country or a resident that intends to make a payment to a non-resident an obligation to obtain permission for making the payment, except when the payment to be made arises from a transaction or act for which an obligation to obtain permission or make a notification is imposed or an obligation to obtain permission or approval may be imposed pursuant to the provisions of the following Chapter through Chapter VI.

(3) Beyond the cases prescribed in the preceding two paragraphs, when the competent minister finds it to be necessary in order to ensure the implementation of the provisions of this Act or orders based on this Act, the competent minister may, pursuant to the provisions of Cabinet Order, impose

on a resident or non-resident that intends to make a payment from Japan to a foreign country or a resident that intends to make a payment to or receive a payment from a non-resident an obligation to obtain permission for making the payment or for making or receiving the payment, except when the payment to be made or received arises from a transaction or act for which an obligation to obtain permission or make a notification is imposed or an obligation to obtain permission or approval may be imposed pursuant to the provisions of the following Chapter through Chapter VI.

- (4) If an obligation to obtain permission is imposed pursuant to the provisions of two or more of the preceding three paragraphs with regard to a payment to be made or received regarding which an obligation to obtain permission may be imposed pursuant to the provisions of these paragraphs, a person that intends to make or receive the payment may, pursuant to the provisions of Cabinet Order, file a combined application for permission under the provisions of the relevant paragraphs. In this case, the competent minister is to determine whether or not to grant permission, while taking into consideration the circumstances under which the obligation to obtain permission for making or receiving the payment stated in the application has been imposed.
- (5) Except in cases prescribed by Cabinet Order, if an obligation to obtain permission or approval or to make a notification for conducting a transaction or act is imposed pursuant to the provisions of this Act or orders based on this Act, it is prohibited to make or receive a payment arising from the transaction or act without obtaining the permission or approval or without making the notification.

#### (Restrictions on Making or Receiving Payments)

Article 16-2 If the competent minister has imposed an obligation to obtain permission pursuant to the provisions of paragraph (1) of the preceding Article, and the minister finds that a person that made or received a payment that is subject to the obligation to obtain permission without obtaining the permission is likely to once again make or receive a payment that is subject to the obligation to obtain permission under the provisions of that paragraph without obtaining the permission, the minister may fully or partially prohibit the person from making a payment from Japan to a foreign country (excluding a payment to be made through an exchange transaction conducted by a financial institution specified by Cabinet Order, such as a bank (meaning the bank prescribed in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981); the same applies in Article 21, paragraph (3)) (hereinafter referred to as a "bank, etc.") or by a funds transfer service provider (meaning the funds transfer service provider prescribed in Article 2, paragraph (3) of the Payment Services Act (Act No. 59 of 2009): the same applies hereinafter)) and from

engaging in making or receiving a payment between a resident and a non-resident (excluding making or receiving a payment through an exchange transaction conducted by a bank, etc. or funds transfer service provider or any such act specified by Cabinet Order), or impose on the person an obligation to obtain permission pursuant to the provisions of Cabinet Order, only for a period of not more than one year.

(Obligation of Banks, etc. to Confirm)

Article 17 A bank, etc. must not conduct an exchange transaction with a customer which involves a payment to be made or received by the customer until after it confirms that the payment to be made or received by the customer does not fall under any of the categories of payment or receipt of payment set forth in the following items, or if the payment to be made or received by the customer is found to fall under any of the categories of payment or receipt of payment set forth in the following items, until after it confirms that the payment to be made or received satisfies the requirement specified in the relevant item:

- (i) payment or receipt of payment for which an obligation to obtain permission is imposed pursuant to the provisions of Article 16, paragraphs (1) through (3): the customer has obtained the permission; and
- (ii) payment or receipt of payment for a capital transaction prescribed in Article 20 for which an obligation to obtain permission is imposed pursuant to the provisions of Article 21, paragraph (1) or (2): the customer has obtained the permission;
- (iii) any other payment or receipt of payment arising from a transaction or act for which an obligation to obtain permission or approval or an obligation to make a notification is imposed pursuant to the provisions of this Act or orders based on this Act, and which is specified by Cabinet Order: the customer has obtained the permission or approval or has completed the necessary procedure after making the notification.

(Rectification Measures for Confirmation)

Article 17-2 (1) When the Minister of Finance finds that a bank, etc. conducts or is likely to conduct, in violation of the provisions of the preceding Article, an exchange transaction involving a payment to be made or received by its customer, the minister may order the bank, etc. to take measures to ensure that it will properly confirm the relevant matters as referred to in that Article.

(2) When the Minister of Finance finds it to be necessary in issuing an order to a bank, etc. pursuant to the provisions of the preceding paragraph, the minister may order the bank, etc. to fully or partially suspend its business involving foreign exchange transactions or restrict the content of the business of the

bank, etc. until the measures referred to in that paragraph are taken.

(Mutatis Mutandis Application to Funds Transfer Service Providers)

Article 17-3 The provisions of the preceding two Articles apply mutatis mutandis if a funds transfer service provider conducts an exchange transaction involving a payment to be made or received by its customer.

(Obligation of Banks, etc. to Conduct Identity Verification)

Article 18 (1) When a bank, etc. conducts an exchange transaction with any of the customers set forth in the following items involving a payment to be made from Japan to a foreign country or a payment to be made to or received from a non-resident (excluding the case where the customer is a non-resident) (excluding an exchange transaction involving a small payment to be made from Japan to a foreign country or a small payment to be made to or received from a non-resident, which is specified by Cabinet Order; hereinafter referred to as a "specified exchange transaction"), the bank, etc. must verify the information specified in the relevant item with regard to the customer (hereinafter referred to as "identification information") by a method specified by Ministry of Finance Order, such as having the customer present their driver's license (hereinafter referred to as "identity verification"):

- (i) a natural person: the person's name, domicile or residence (or the matter specified by Ministry of Finance Order if the person is a foreign national who has neither a domicile nor residence in Japan and is specified by Cabinet Order), and date of birth; and
  - (ii) a corporation: the corporation's name and the location of its principal office.
- (2) If a bank, etc. conducts identity verification of its customer, when the natural person who is actually in charge of conducting a specified exchange transaction with the bank, etc. is different from the customer, such as when the representative of a company conducts a specified exchange transaction on behalf of the company (excluding the cases prescribed in the following paragraph), the bank, etc. must conduct identity verification with regard to the natural person who is in charge of the specified exchange transaction (referred to as the "representative, etc." in this Article and the following Article), in addition to identity verification of the customer.
- (3) If a customer is the national government, a local government, an association or foundation without legal personality or any other person specified by Cabinet Order, the natural person who is actually in charge of conducting a specified exchange transaction with the bank, etc. on behalf of the national government, local government, association or foundation without legal personality or other person specified by Cabinet Order is deemed to be the customer, and the provisions of paragraph (1) apply thereto.

(4) If a bank, etc. conducts identity verification, a customer (including the natural person who is deemed to be a customer pursuant to the provisions of the preceding paragraph; the same applies hereinafter) and a representative, etc. must not disguise the identification information of the customer or the representative, etc. to the bank, etc.

(Exemption of Banks, etc. from Obligation)

Article 18-2 If a customer or a representative, etc. does not comply with identity verification when conducting a specified exchange transaction, a bank, etc. may refuse to perform its obligation in the specified exchange transaction until the customer or the representative, etc. complies with identity verification.

(Obligation to Create Identity Verification Records)

Article 18-3 (1) If a bank, etc. has conducted identity verification, it must immediately create a record concerning information specified by Ministry of Finance Order as identification information and any other information concerning identity verification (hereinafter referred to as an "identity verification record" in the following paragraph) by a method specified by Ministry of Finance Order.

(2) A bank, etc. must preserve an identity verification record for seven years from the day specified by Ministry of Finance Order, such as the day on which the specified exchange transaction is completed.

(Rectification Measures for Identity Verification and Creation of Identity Verification Records)

Article 18-4 When the Minister of Finance finds that a bank, etc. violates the provisions of Article 18, paragraphs (1) through (3) or paragraph (1) or (2) of the preceding Article in connection with a specified exchange transaction, the minister may order the bank, etc. to take necessary measures to rectify the violation.

(Mutatis Mutandis Application to Funds Transfer Service Providers)

Article 18-5 The provisions of Article 18 through the preceding Article apply mutatis mutandis if a funds transfer service provider conducts a specified exchange transaction.

(Import and Export of Means of Payment)

Article 19 (1) When the Minister of Finance finds it to be necessary in order to ensure the implementation of the provisions of this Act or orders based on this Act, the minister may, pursuant to the provisions of Cabinet Order, impose an obligation to obtain permission on a resident or non-resident that intends to

import or export a means of payment (including a voucher, etc. in which a means of payment is entered as set forth in Article 6, paragraph (1), item (vii), (c)) or securities.

- (2) When the Minister of Finance finds it to be necessary in order to ensure the implementation of the provisions of this Act or orders based on this Act or finds it to be particularly necessary in order to maintain a balance of payments equilibrium or stability of a currency, the minister may, pursuant to the provisions of Cabinet Order, impose an obligation to obtain permission on a resident or non-resident that intends to import or export a precious metal.
- (3) If a resident or non-resident intends to import or export a means of payment or securities prescribed in paragraph (1) or a precious metal, they must, pursuant to the provisions of Cabinet Order, notify the Minister of Finance, in advance, of matters specified by Cabinet Order, such as the details of the import or export and the time of execution, except when they have obtained the permission of the Minister of Finance for the import or export of the means of payment, securities, or precious metal pursuant to the provisions of the order based on the provisions of the preceding two paragraphs or in any other case specified by Cabinet Order.

#### **Chapter IV Capital Transactions**

(Definition of Capital Transaction)

Article 20 The term "capital transaction" means any of the following transactions or acts (excluding an act which falls within the category of inward direct investment, etc. prescribed in Article 26, paragraph (2) and which is conducted by any of the persons set forth in the items of paragraph (1) of that Article):

- (i) a transaction involving the accrual, alteration, or extinguishment of a claim (hereinafter referred to as a "transaction involving the accrual, etc. of a claim") based on a deposit contract (including an installment savings contract, an installment deposit contract, money deposit contract, or any other contract specified by Cabinet Order as being similar thereto; the same applies hereinafter) or trust contract between a resident and a non-resident;
- (ii) a transaction involving the accrual, etc. of a claim based on a money loan contract or obligation guarantee contract between a resident and a non-resident;
- (iii) a transaction involving the accrual, etc. of a claim based on a sales contract for a foreign means of payment or a claim between a resident and a non-resident;
- (iv) a transaction involving the accrual, etc. of a claim for which payment can be received in a foreign currency, based on a deposit contract, trust contract,

- money loan contract, obligation guarantee contract, or sales contract for a foreign means of payment or a claim between a resident and another resident;
- (v) the acquisition of securities by a resident from a non-resident (including the acquisition by either of these parties of a right to execute the acquisition of securities by a resident from a non-resident based on the manifestation of intention by that party), or the transfer of securities by a resident to a non-resident (including the acquisition by either of these parties of a right to execute the transfer of securities by a resident to a non-resident based on the manifestation of intention by that party);
  - (vi) the issue or offering of securities by a resident in a foreign country, the issue or offering of foreign securities by a resident in Japan, or the issue or offering of securities by a non-resident in Japan;
  - (vii) the issue or offering by a non-resident in a foreign country of securities that are denominated or payable in Japanese currency;
  - (viii) a transaction involving the accrual, etc. of a claim based on a futures contract on a financial index, etc. between a resident and a non-resident;
  - (ix) a transaction involving the accrual, etc. of a claim that is payable in a foreign currency based on a futures contract on a financial index, etc. between a resident and another resident, or a transaction involving the accrual, etc. of a claim that is payable in Japanese currency based on a futures contract on a financial index, etc. (limited to such contract involving a financial index (meaning the financial index prescribed in Article 2, paragraph (25) of the Financial Instruments and Exchange Act) of a foreign currency) between a resident and another resident;
  - (x) the acquisition by a resident of real property located in a foreign country or rights thereon, or the acquisition by a non-resident of real property located in Japan or rights thereon;
  - (xi) beyond what is set forth in items (i) and (ii), the delivery and receipt of funds between a corporation's office in Japan and the corporation's office in a foreign country (excluding the delivery and receipt of funds specified by Cabinet Order as the delivery and receipt of current expenses necessary for operating the office and funds involved in a current transaction); and
  - (xii) a transaction or act specified by Cabinet Order as being equivalent to any of the transactions or acts set forth in the preceding items.

(Capital Transaction for Which an Obligation to Obtain the Permission of the Minister of Finance Is Imposed)

Article 21 (1) When the Minister of Finance finds that, if a capital transaction (meaning the capital transaction prescribed in the preceding Article, and excluding one which falls within the category of specified capital transaction

prescribed in Article 24, paragraph (1); the same applies in paragraph (1) of the following Article, Article 55-3, and Article 70, paragraph (1)) were conducted by a resident or a non-resident subject to no restrictions, it would cause a situation in which Japan would be hindered from sincerely implementing a treaty or any other international agreement that it has signed or from contributing to international efforts for international peace, thereby making it difficult to achieve the purpose of this Act, or when the cabinet decision referred to in Article 10, paragraph (1) has been made, the minister may, pursuant to the provisions of Cabinet Order, impose on a resident or non-resident that intends to conduct the capital transaction an obligation to obtain permission for conducting the capital transaction.

(2) Beyond the cases prescribed in the preceding paragraph, when the Minister of Finance finds that, if a capital transaction prescribed in that paragraph (excluding one booked on the special international financial transactions account) were conducted by a resident or non-resident subject to no restrictions, it would cause any of the following situations, thereby making it difficult to achieve the purpose of this Act, the minister may, pursuant to the provisions of Cabinet Order, impose on a resident or non-resident that intends to conduct the capital transaction an obligation to obtain permission for conducting the capital transaction:

(i) it would make it difficult to maintain Japan's balance of payments equilibrium;

(ii) it would bring about rapid fluctuations in foreign exchange rates of Japanese currency; or

(iii) it would cause a massive transfer of funds between Japan and a foreign country and have an adverse effect on the Japanese financial market or capital market.

(3) The term "special international financial transactions account" referred to in the preceding paragraph means an account established with the approval of the Minister of Finance by a financial institution specified by Cabinet Order, such as a bank, in order to conduct the accounting for the management or procurement of funds involved in the following transactions or acts to be conducted in order to allocate funds procured from non-residents (limited to corporations established based on foreign laws and regulations and other persons specified by Cabinet Order; hereinafter the same applies in this paragraph and the following paragraph), such as deposits received from non-residents, for the management of funds with non-residents, such as the making of loans to non-residents and acquisition of securities from non-residents, separately from the accounting for the management or procurement of funds involved in other transactions or acts:

(i) a capital transaction set forth in item (i) of the preceding Article, which is a

- transaction involving the accrual, etc. of a claim based on a deposit contract with a non-resident which is specified by Cabinet Order;
- (ii) a capital transaction set forth in item (ii) of the preceding Article, which is a transaction involving the accrual, etc. of a claim based on a money loan contract with a non-resident;
  - (iii) a capital transaction set forth in item (v) of the preceding Article, which is the acquisition from a non-resident or the transfer to a non-resident of securities (limited to those specified by Cabinet Order) issued by a non-resident; and
  - (iv) other transactions or acts specified by Cabinet Order.
- (4) Cabinet Order prescribes matters concerning the accounting handled on the special international financial transactions account prescribed in the preceding paragraph (hereinafter referred to as the "special international financial transactions account" in this paragraph and paragraph (2) of the following Article), such as book-entry transfers of funds between the special international financial transactions account and other accounts, and also prescribes the confirmation of the fact that the other party to a transaction or act booked on the special international financial transactions account is a non-resident, and other necessary matters.
- (5) If an obligation to obtain permission is imposed pursuant to the provisions of paragraphs (1) and (2) with regard to a capital transaction prescribed in paragraph (2), a person that intends to conduct the capital transaction may, pursuant to the provisions of Cabinet Order, file a combined application for permission under the provisions of the relevant paragraph. In this case, the Minister of Finance is to determine whether or not to grant permission, while taking into consideration whether the capital transaction stated in the application would cause any of the situations due to which the obligation to obtain permission has been imposed.
- (6) If the Minister of Finance has imposed an obligation to obtain permission pursuant to the provisions of paragraph (1) or (2) for conducting an outward direct investment prescribed in Article 23, paragraph (2) for which a notification is required pursuant to the provisions of paragraph (1) of that Article, the minister is to determine whether or not to grant permission, while taking into consideration whether the outward direct investment stated in the application would cause any of the situations set forth in the items of paragraph (4) of that Article in addition to whether it would cause any of the situations prescribed in paragraph (1) or set forth in the items of paragraph (2) due to which the obligation to obtain permission has been imposed.

(Restrictions on Capital Transaction)

Article 22 (1) If the Minister of Finance has imposed an obligation to obtain

permission pursuant to the provisions of paragraph (1) of the preceding Article, and the minister finds that a person that conducted a capital transaction that is subject to the obligation to obtain permission without obtaining the permission is likely to once again conduct a capital transaction that is subject to the obligation to obtain permission under the provisions of that paragraph without obtaining the permission, the minister may fully or partially prohibit the person from conducting a capital transaction, or impose on the person an obligation to obtain permission pursuant to the provisions of Cabinet Order, only for a period of not more than one year.

- (2) When the Minister of Finance finds that a person that booked any transaction or act other than the transactions or acts set forth in the items of paragraph (3) of the preceding Article (hereinafter referred to as an "ineligible transaction, etc." in this paragraph) on the special international financial transactions account or violated any provisions of an order based on the provisions of paragraph (4) of that Article is likely to once again book an ineligible transaction, etc. on the special international financial transactions account or violate any provisions of the order, the minister may prohibit the person from booking all or part of the transactions or acts set forth in the items of paragraph (3) of that Article on the special international financial transactions account, only for a period of not more than one year.

(Obligation of Banks, etc. and Other Financial Institutions to Conduct Identity Verification)

Article 22-2 (1) If a bank, etc., a trust company (meaning the trust company prescribed in Article 2, paragraph (2) of the Trust Business Act (Act No. 154 of 2004) or the foreign trust company prescribed in paragraph (6) of that Article), and a financial instruments business operator (meaning the financial instruments business operator prescribed in Article 2, paragraph (9) of the Financial Instruments and Exchange Act, which engages in the Type-I financial instruments business prescribed in Article 28, paragraph (1) of that Act or the Type-II financial instruments business prescribed in paragraph (2) of that Article; the same applies in Article 55-3) (referred to as a "bank, etc. or any other financial institution" in the following paragraph) concludes a contract or conducts any other act specified by Cabinet Order for the capital transaction prescribed in Article 20 (referred to as the "conclusion of a contract or any other act for a capital transaction" in the following paragraph) with a customer or a person specified by Cabinet Order as being equivalent thereto (hereinafter referred to as a "customer, etc." in this paragraph), they must conduct identity verification with regard to the customer, etc.

- (2) The provisions of Article 18, paragraphs (2) through (4) and Articles 18-2 through 18-4 apply mutatis mutandis if a bank, etc. or any other financial

institution conducts the conclusion of a contract or any other act for a capital transaction. In this case, the term "specified exchange transaction" in Article 18-3, paragraph (2) is deemed to be replaced with "a contract for a capital transaction prescribed in Article 22-2, paragraph (1)."

(Mutatis Mutandis Application to Persons Engaging in Currency Exchange Business)

Article 22-3 The provisions of Article 18, paragraphs (2) through (4), Articles 18-2 through 18-4, and paragraph (1) of the preceding Article apply mutatis mutandis if a person engaging in the currency exchange business (meaning buying and selling foreign currencies or traveler's checks in the course of trade) in Japan exchanges currencies (excluding a small currency exchange specified by Cabinet Order) with a customer.

(Outward Direct Investment)

- Article 23 (1) If a resident intends to conduct an outward direct investment specified by Cabinet Order as being likely to cause any of the situations set forth in the items of paragraph (4), the resident must, pursuant to the provisions of Cabinet Order, notify the Minister of Finance, in advance, of matters specified by Cabinet Order, such as the details of the outward direct investment and the time of execution.
- (2) The term "outward direct investment" referred to in this Article means the acquisition by a resident of securities issued by a corporation established based on foreign laws and regulations or the making of a loan by a resident to such corporation, which is specified by Cabinet Order as one conducted for the purpose of establishing a permanent economic relationship with the corporation, or the payment of funds by a resident for the establishment or expansion of a branch office, factory, or any other place of business (hereinafter referred to as a "branch office, etc.") in a foreign country.
- (3) A resident that has made a notification under the provisions of paragraph (1) must not conduct the outward direct investment stated in the notification until 20 days have passed from the day on which the Minister of Finance receives the notification; provided, however, that the Minister of Finance may shorten the 20-day period when the minister finds no special problems in light of the details of the outward direct investment stated in the notification or any other circumstances.
- (4) Only when it is found that, if the outward direct investment stated in the notification referred to in the preceding paragraph were conducted, it would cause any of the following situations, thereby making it difficult to achieve the purpose of this Act, or only when the cabinet decision referred to in Article 10, paragraph (1) has been made, the Minister of Finance may, pursuant to the

provisions of Cabinet Order, issue a recommendation that the person that has made the notification of the outward direct investment should modify the substance of or discontinue the outward direct investment; provided, however, that the period during which the minister may recommend the modification or discontinuance is limited to 20 days from the day on which the minister receives the notification:

(i) it would have a significant adverse effect on the smooth operation of the Japanese economy; or

(ii) it would undermine international peace and security or hinder the maintenance of public order.

(5) Notwithstanding the provisions of paragraph (3), a person that is issued the recommendation under the provisions of the preceding paragraph must not conduct the outward direct investment stated in the notification referred to in that paragraph until 20 days have passed from the day on which the person is issued the recommendation.

(6) A person that is issued the recommendation under the provisions of paragraph (4) must notify the Minister of Finance, within 10 days from the day on which the person is issued the recommendation, of whether or not the person accepts the recommendation.

(7) A person that has given notice of the acceptance of the recommendation pursuant to the provisions of the preceding paragraph must conduct the outward direct investment addressed in the recommendation in compliance with the recommendation.

(8) Notwithstanding the provisions of paragraph (3) or (5), a person that has given notice of the acceptance of the recommendation pursuant to the provisions of paragraph (6) may conduct the outward direct investment addressed in the recommendation before 20 days have passed from the day on which the person is issued the recommendation.

(9) If a person that is issued the recommendation under the provisions of paragraph (4) fails to give notice under the provisions of paragraph (6) or gives notice of the refusal of the recommendation, the Minister of Finance may order the person that is issued the recommendation to modify the substance of or discontinue the outward direct investment; provided, however, that the period during which the ministry may order the modification or discontinuance is limited to 20 days from the day on which the minister issues the recommendation under the provisions of paragraph (4).

(10) Beyond what is provided for in the preceding paragraphs, Cabinet Order prescribes the procedure for issuing a recommendation of the modification of the substance of or discontinuance of outward direct investment, and other necessary matters concerning the recommendation.

(11) Notwithstanding the provisions of paragraph (1), if an obligation to obtain

the permission of the Minister of Finance is imposed pursuant to the provisions of Article 21, paragraph (1) or (2) with regard to outward direct investment for which a notification is required pursuant to the provisions of paragraph (1), a resident that conducts the outward direct investment is not required to make the notification. In this case: if the notification under the provisions of paragraph (1) has already been made with regard to the outward direct investment, the notification (limited to a notification regarding an outward direct investment that the resident has not yet conducted at the time the obligation to obtain permission is imposed pursuant to the provisions of paragraph (1) or (2) of that Article (excluding outward direct investment for which the resident has given notice of the acceptance of the recommendation of discontinuance under the provisions of paragraph (6) or which the resident has been ordered to discontinue pursuant to the provisions of paragraph (9))) is deemed to be an application filed on the day of the notification for obtaining the permission that is subject to the obligation to obtain permission imposed under the provisions of paragraph (1) or (2) of that Article; and if the recommendation under the provisions of paragraph (4) is issued, the notice under the provisions of paragraph (6) (limited to the notice of the acceptance of the modification of the substance) is given, or the order under the provisions of paragraph (9) (limited to an order of the modification of the substance) is issued, the recommendation, notice, or order is deemed not to have been issued or given.

(Specified Capital Transactions Subject to an Obligation to Obtain the  
Permission of the Minister of Economy, Trade and Industry)

Article 24 (1) When the Minister of Economy, Trade and Industry finds that, if a specified capital transaction (meaning, among the capital transactions set forth in Article 20, item (ii) (including transactions specified by Cabinet Order as transactions equivalent to those referred to in item (ii) of that Article pursuant to the provisions of item (xii) of that Article), a transaction or act specified by Cabinet Order as one conducted by a person importing or exporting goods directly in association with the import or export of goods, and a transaction or act specified by Cabinet Order as one involving the transfer of a mining right, industrial property right or any other similar right or the establishment of the right to use these rights (excluding a capital transaction specified by Cabinet Order as a transaction for the settlement of a short-term international commercial transaction); the same applies hereinafter) were conducted by a resident subject to no restrictions, it would cause a situation in which Japan would be hindered from sincerely implementing a treaty or any other international agreement that it has signed or from contributing to international efforts for international peace, thereby making it difficult to

achieve the purpose of this Act, or when the cabinet decision referred to in Article 10, paragraph (1) has been made, the minister may, pursuant to the provisions of Cabinet Order, impose on a resident that intends to conduct the specified capital transaction an obligation to obtain permission for conducting the specified capital transaction.

- (2) Beyond the cases prescribed in the preceding paragraph, when the Minister of Economy, Trade and Industry finds that, if a specified capital transaction was conducted by a resident subject to no restrictions, it would cause any of the situations set forth in the items of Article 21, paragraph (2), thereby making it difficult to achieve the purpose of this Act, the minister may, pursuant to the provisions of Cabinet Order, impose on a resident that intends to conduct the specified capital transaction an obligation to obtain permission for conducting the specified capital transaction.
- (3) If an obligation to obtain permission is imposed pursuant to the provisions of paragraph (1) and the preceding paragraph with regard to a specified capital transaction, a person that intends to conduct the specified capital transaction may, pursuant to the provisions of Cabinet Order, file a combined application for permission under the provisions of the relevant paragraph. In this case, the Minister of Economy, Trade and Industry is to determine whether or not to grant permission, while taking into consideration whether the specified capital transaction stated in the application would cause any of the situations due to which the obligation to obtain permission has been imposed.

#### (Restrictions of Specified Capital Transactions)

Article 24-2 If the Minister of Economy, Trade and Industry has imposed an obligation to obtain permission pursuant to the provisions of paragraph (1) of the preceding Article, and the minister finds that a person that conducted a specified capital transaction that is subject to the obligation to obtain permission without obtaining the permission is likely to once again conduct a specified capital transaction that is subject to the obligation to obtain permission under the provisions of that paragraph without obtaining the permission, the minister may fully or partially prohibit the person from conducting a specified capital transaction, or impose on the person an obligation to obtain permission pursuant to the provisions of Cabinet Order, only for a period of not more than one year.

#### (Service Transaction)

Article 25 (1) A resident or non-resident that intends to conduct a transaction the purpose of which is to provide a specified type of technology for designing, manufacturing, or using goods (hereinafter referred to as "specified technology") in a specified foreign country (hereinafter referred to as a

"specified country"), which is specified by Cabinet Order as a transaction that is found to result in hindering the maintenance of international peace and security, or a resident that intends to conduct a transaction the purpose of which is to provide specified technology to a non-resident belonging to a specified country, must, pursuant to the provisions of Cabinet Order, obtain the permission of the Minister of Economy, Trade and Industry for conducting the transaction.

(2) When the Minister of Economy, Trade and Industry finds it to be necessary in order to ensure the implementation of the provisions of the preceding paragraph, the minister may, pursuant to the provisions of Cabinet Order, impose on a resident or non-resident that intends to conduct a transaction the purpose of which is to provide specified technology in a foreign country other than a specified country or a resident that intends to conduct a transaction the purpose of which is to provide specified technology to a non-resident belonging to a foreign country other than a specified country an obligation to obtain permission for conducting the transaction.

(3) In the cases set forth in the following items, the Minister of Economy, Trade and Industry may, pursuant to the provisions of Cabinet Order, impose on a person that intends to conduct the act specified in the relevant item an obligation to obtain permission for conducting the act:

(i) when the minister finds it to be necessary in order to ensure the implementation of the provisions of paragraph (1): any of the following acts in connection with the transaction referred to in that paragraph;

(a) exporting a document, drawing, or recording medium in which information concerning the specified technology is recorded (hereinafter referred to as a "specified recording medium, etc."), with the specified country being the destination; or

(b) transmitting information concerning the specified technology by means of telecommunications (meaning the telecommunications prescribed in Article 2, item (i) of the Telecommunications Business Act (Act No. 86 of 1984); the same applies hereinafter) that are intended to be received in the specified country (limited to the transmission from telecommunications facilities (meaning the telecommunications facilities prescribed in item (ii) of that Article) that are located in Japan; the same applies hereinafter); and

(ii) when the minister finds it to be necessary in order to ensure the implementation of the provisions of the preceding paragraph: any of the following acts in connection with the transaction referred to in that paragraph;

(a) exporting the specified recording medium, etc., with a foreign country other than the specified country being the destination; or

(b) transmitting information concerning the specified technology by means of

telecommunications that are intended to be received in a foreign country other than the specified country.

- (4) If a resident intends to conduct with a non-resident a transaction for the purchase and sale, lease, or gift involving the transfer of goods between foreign countries, which is specified by Cabinet Order as a transaction that is found to result in hindering the maintenance of international peace and security, the resident must, pursuant to the provisions of Cabinet Order, obtain the permission of the Minister of Economy, Trade and Industry for conducting the transaction.
- (5) If a resident intends to conduct with a non-resident a service transaction (meaning a transaction the purpose of which is to provide labor or benefit; the same applies hereinafter) which is the processing of minerals or anything specified by Cabinet Order as being similar thereto (excluding a transaction which falls within the category of the conclusion, etc. of a technology introduction contract prescribed in Article 30, paragraph (1)), the resident must, pursuant to the provisions of Cabinet Order, obtain the permission of the competent minister for conducting the service transaction; provided, however, that this does not apply to a service transaction which falls within the category of service transaction for which an obligation to obtain the permission of the competent minister is imposed pursuant to the provisions of the following paragraph.
- (6) When the competent minister finds that, if a service transaction (excluding those involving specified technology or falling within the category of the conclusion, etc. of a technology introduction contract prescribed in Article 30, paragraph (1)) or a transaction for the purchase and sale, lease, or gift involving the transfer of goods between foreign countries (excluding those prescribed in paragraph (4)) (hereinafter referred to as a "service transaction, etc.") were conducted by a resident with a non-resident subject to no restrictions, it would cause a situation in which Japan would be hindered from sincerely implementing a treaty or any other international agreement that it has signed or from contributing to international efforts for international peace, thereby making it difficult to achieve the purpose of this Act, or when the cabinet decision referred to in Article 10, paragraph (1) has been made, the minister may, pursuant to the provisions of Cabinet Order, impose on the resident that intends to conduct the service transaction, etc. an obligation to obtain permission for conducting the service transaction, etc.

(Sanction)

Article 25-2 (1) The Minister of Economy, Trade and Industry may prohibit a person that has conducted a transaction prescribed in paragraph (1) of the preceding Article without obtaining the permission under the provisions of that

paragraph, from engaging in the following, only for a period of not more than three years: conducting a transaction the purpose of which is to provide technology for designing, manufacturing, or using goods (hereinafter referred to as "technology for designing, etc. of goods" in this paragraph and the following paragraph) in a foreign country or to a non-resident; in connection with that transaction, exporting a document, drawing, or recording medium in which information concerning technology for designing, etc. of goods is recorded (hereinafter referred to as "export of recording medium containing technological information" in the following paragraph and Article 70, paragraph (1), item (xix)) or transmitting information concerning technology for designing, etc. of goods by means of telecommunications that are intended to be received in a foreign country (hereinafter referred to as "international transmission of technological information" in the following paragraph and that item); or exporting a specified type of goods involving specified technology.

- (2) If an obligation to obtain the permission of the Minister of Economy, Trade and Industry is imposed pursuant to the provisions of paragraph (2) or (3) of the preceding Article, the Minister of Economy, Trade and Industry may prohibit a person that has conducted any of the transactions or acts prescribed in these paragraphs without obtaining the permission, from conducting a transaction the purpose of which is to provide technology for designing, etc. of goods in a foreign country or to a non-resident, engaging in export of recording medium containing technological information or international transmission of technological information in connection with that transaction, or exporting a specified type of goods involving specified technology, only for a period of not more than one year.
- (3) The Minister of Economy, Trade and Industry may prohibit a person that has conducted a transaction prescribed in paragraph (4) of the preceding Article without obtaining the permission referred to in that paragraph, from conducting a transaction for the purchase and sale, lease, or gift involving the transfer of goods between foreign countries with a non-resident, or exporting good, only for a period of not more than three years.
- (4) If the competent minister has imposed an obligation to obtain permission for conducting a service transaction, etc. pursuant to the provisions of paragraph (6) of the preceding Article, and the minister finds that a person that conducted a service transaction, etc. that is subject to the obligation to obtain permission without obtaining the permission is likely to once again conduct a service transaction, etc. that is subject to the obligation to obtain permission under the provisions of that paragraph without obtaining the permission, the minister may fully or partially prohibit the person from conducting a service transaction, etc., or impose on the person an obligation to obtain permission pursuant to the provisions of Cabinet Order, only for a period of not more than

one year.

## **Chapter V Inward Direct Investment, etc.**

(Definitions)

Article 26 (1) The term "foreign investor" means any of the following persons that conducts inward direct investment, etc. set forth in the items of the following paragraph or specified acquisition prescribed in paragraph (3):

- (i) an individual who is a non-resident;
- (ii) a corporation or any other organization established under foreign laws and regulations, or a corporation or any other organization that has its principal office in a foreign country (excluding the specified partnership, etc. prescribed in item (iv));
- (iii) a company in which the ratio of the number of voting rights obtained by aggregating the number of voting rights directly held by the persons set forth in the preceding two items (excluding voting rights attached to shares that do not allow voting rights to be exercised with regard to any matters that may be resolved at a shareholders meeting, and including voting rights attached to the shares whose shareholders are deemed to have voting rights pursuant to the provisions of Article 879, paragraph (3) of the Companies Act (Act No. 86 of 2005); hereinafter the same applies in this item and item (iv) of the following paragraph) and the number of voting rights specified by Cabinet Order as those indirectly held by them via another company, to the number of voting rights held by all shareholders or all members of the company (referred to as the "total voting rights" in the following paragraph), is 50 percent or more;
- (iv) a partnership, etc. (meaning a partnership formed based on a partnership contract prescribed in Article 667, paragraph (1) of the Civil Code (Act No. 89 of 1896) under which the parties agree to engage in the business of investment in companies (limited to such partnership in which one or several partners are entrusted with the execution of the business; hereinafter referred to as a "voluntary partnership" in this item and item (vii) of the following paragraph), an investment limited partnership (LPS) prescribed in Article 2, item (ii) of the Limited Partnership Act for Investment (Act No. 90 of 1998) (hereinafter referred to as an "investment limited partnership" in this item and item (vii) of the following paragraph), or an organization established based on the laws and regulations of a foreign country which is similar to any of these partnerships (hereinafter referred to as an "organization similar to a specified partnership" in this item and paragraph (13) of the following Article); hereinafter the same applies in this item), in which the ratio of the total of the amounts of capital contributions by the

persons set forth in item (i) and other persons specified by Cabinet Order, to the total amount of capital contributions by all partners of the partnership, etc. (or all members of an organization similar to a specified partnership) is 50 percent or more, or the persons set forth in that item and other persons specified by Cabinet Order account for the majority of executive partners of the partnership, etc. (meaning partners entrusted with the execution of the business of a voluntary partnership or general partners of an investment limited partnership, or similar persons affiliated to an organization similar to a specified partnership; the same applies in Article 70, paragraph (1) and Article 71, item (vi)) (hereinafter referred to as a "specified partnership, etc."); or

(v) beyond what is set forth in the preceding three items, a corporation or any other organization in which the persons set forth in item (i) account for the majority of its officers (meaning a member who executes the business, a director, an executive officer, a representative, an administrator, or any other person equivalent thereto, and including a person, irrespective of their title such as advisor or consultant, who is found to have control over a corporation or any other organization that is equal to or greater than that of a member who executes the business, a director, an executive officer, a representative, an administrator, or any other person equivalent thereto; hereinafter the same applies in this item) or the majority of its officers having the authority to represent.

(2) The term "inward direct investment, etc." means any of the following acts:

(i) the acquisition of shares or equity in a company (excluding the acquisition through the transfer from any of the persons set forth in the items of the preceding paragraph, and the acquisition of shares of a company that has issued shares listed on a financial instruments exchange prescribed in Article 2, paragraph (16) of the Financial Instruments and Exchange Act or shares specified by Cabinet Order as those equivalent thereto (hereinafter referred to as a "listed company, etc." in this Article));

(ii) the transfer of shares or equity in a company other than a listed company, etc. that a person has continued to own since before becoming a non-resident (limited to the transfer from an individual who is a non-resident to any of the persons set forth in the items of the preceding paragraph);

(iii) the acquisition of shares of a listed company, etc. (limited to the acquisition as a result of which the ratio of the number of shares obtained by aggregating the number of shares of the listed company, etc. that the person that has acquired the shares (hereinafter referred to as the "acquirer of shares" in this item and paragraph (4)) is to own after the acquisition, the number of shares of the listed company, etc. owned by a person closely related to the acquirer of shares, and the number of shares of the listed

- company, etc. that are subject to the investment in shares if the acquirer of shares and the person closely related to the acquirer of shares make investment in shares (including giving instructions to do so, and limited to investment in shares that satisfies the requirements specified by Cabinet Order) as entrusted by another person based on a discretionary investment contract or any other contract (on the basis of the net total calculated by deducting the number of duplicate shares among these shares, if any), to the total number of issued shares of the listed company, etc., is not less than the ratio specified by Cabinet Order which does not fall below 1 percent);
- (iv) the acquisition of voting rights in a listed company, etc. (limited to the acquisition as a result of which the ratio of the net number of voting rights obtained by aggregating the number of voting rights held or otherwise exercisable under contract (meaning voting rights held in one's own name or in another person's name and voting rights specified by Cabinet Order as those exercisable based on a discretionary investment contract or any other contract; hereinafter the same applies in this item and the following item) in the listed company, etc. that the person that has acquired the voting rights (hereinafter referred to as the "acquirer of voting rights" in this item and paragraph (4)) is to hold after the acquisition, and the number of voting rights held or otherwise exercisable under contract in the listed company, etc. by a person closely related to the acquirer of voting rights (on the basis of the net total calculated by deducting the number of duplicate voting rights among these voting rights, if any; the same applies in the following item), to the total voting rights in the listed company, etc., is not less than the ratio specified by Cabinet Order which does not fall below 1 percent, and excluding the acquisition involving the act set forth in the preceding item);
- (v) consent given with regard to a substantial change of the business purpose of a company or any other matters specified by Cabinet Order as those having a material influence on the management of a company (in the case of a listed company, etc., limited to consent given in the case where the ratio of the net number of voting rights obtained by aggregating the number of voting rights held or otherwise exercisable under contract in the listed company, etc. by the person that gives the consent (hereinafter referred to as the "consenter" in this item and paragraph (4)) and the number of voting rights held or otherwise exercisable under contract in the listed company, etc. by a person closely related to the consenter, to the total voting rights in the listed company, etc., is not less than the ratio specified by Cabinet Order which does not fall below 1 percent);
- (vi) the establishment of a branch office, etc. in Japan, or a substantial change of the type or business purpose of a branch office, etc. in Japan (limited to the establishment or change specified by Cabinet Order that is conducted by

- the person set forth in item (i) or (ii) of the preceding paragraph);
- (vii) the making of a loan in an amount exceeding the amount specified by Cabinet Order to a corporation that has its principal office in Japan (excluding the making of a loan by a person engaging in banking or any other financial institution specified by Cabinet Order as its business, and the making of a loan in Japanese currency conducted by the person set forth in item (iii), item (iv) (limited to a person that falls within the category of voluntary partnership or investment limited partnership), or item (v) of the preceding paragraph), for a period exceeding one year;
  - (viii) the business succession from a resident (limited to a corporation) as a result of the acquisition of a business, an absorption-type company split, and a merger (excluding the business succession involving any of the acts set forth in items (i) through (iii)); or
  - (ix) an act specified by Cabinet Order as being equivalent to any of the acts set forth in the preceding items.
- (3) The term "specified acquisition" means the acquisition of shares or equity in a company other than a listed company, etc. from any of the persons set forth in the items of paragraph (1).
- (4) The term "person closely related" prescribed in paragraph (2), items (iii) through (v) means any of the persons set forth in the items of paragraph (1) and specified by Cabinet Order as a person having a permanent economic relationship based on ownership of shares, a family relationship, or any other special relationship with the acquirer of shares, acquirer of voting rights, or consenter.

(Notification and Recommendation of Modification Regarding Inward Direct Investment, etc.)

Article 27 (1) If a foreign investor (meaning the foreign investor prescribed in paragraph (1) of the preceding Article; hereinafter the same applies in this Article, Article 28, Article 29, paragraphs (1) through (4), Article 55-5, and Chapter IX) intends to conduct inward direct investment, etc. (meaning the inward direct investment, etc. prescribed in paragraph (2) of the preceding Article, and excluding inward direct investment, etc. specified by Cabinet Order in consideration of inheritance, bequest, merger of a corporation, or any other circumstances; hereinafter the same applies in this Article, Article 29, paragraphs (1) through (4), Article 55-5, Article 69-2, paragraph (2), and Article 70, paragraph (1)) specified by Cabinet Order as being likely to constitute inward direct investment, etc. that requires the examination under the provisions of paragraph (3), the foreign investor must, pursuant to the provisions of Cabinet Order, notify the Minister of Finance and the competent minister for the business, in advance, of matters specified by Cabinet Order,

such as the business purpose, the amount, and the time of execution regarding the inward direct investment, etc.

(2) A foreign investor that has made a notification under the provisions of the preceding paragraph regarding inward direct investment, etc. must not conduct the inward direct investment, etc. stated in the notification until 30 days have passed from the day on which the Minister of Finance and the competent minister for the business receive the notification; provided, however, that the Minister of Finance and the competent minister for the business may shorten the 30-day period when they find, before the expiration of the period, that the inward direct investment, etc. stated in the notification does not fall within the category of inward direct investment, etc. that requires the examination under the provisions of the following paragraph, in light of its business purpose and other circumstances.

(3) If the notification under the provisions of paragraph (1) has been made, when the Minister of Finance and the competent minister for the business find it to be necessary to examine whether the inward direct investment, etc. stated in the notification falls within any of the following categories of inward direct investment, etc. (hereinafter referred to as "inward direct investment, etc. involving national security, etc."), they may extend the period during which the inward direct investment, etc. stated in the notification must not be conducted, only for four months from the day on which they receive the notification:

(i) inward direct investment, etc. which is likely to cause the situation set forth in (a) or (b) (limited to: inward direct investment, etc. conducted by a foreign investor of a member state of a multilateral treaty or any other international agreement concerning inward direct investment, etc. to which Japan is a member state and which is specified by Cabinet Order (hereinafter referred to as a "treaty, etc." in this item), if there is no obligation based on the treaty, etc. to remove restrictions on inward direct investment, etc.; and inward direct investment, etc. conducted by a foreign investor of a country other than a member state of the treaty, etc., if there would be no such obligation if that country is assumed to be a member state of the treaty, etc.):

(a) it would undermine national security, disturb the maintenance of public order, or interfere with the protection of public safety; or

(b) it would have a significant adverse effect on the smooth operation of the Japanese economy;

(ii) inward direct investment, etc. which is to be conducted by a foreign investor of a country with which Japan does not have a treaty or any other international agreement concerning inward direct investment, etc., and regarding which it is therefore found necessary to modify the substance or discontinue in order to treat the inward direct investment, etc. in substantially the same manner as treating direct investment, etc. (meaning

- direct investment, etc. that is equivalent to inward direct investment, etc. set forth in the items of paragraph (2) of the preceding Article) conducted by a Japanese investor in that country; or
- (iii) inward direct investment, etc. regarding which it is found necessary to modify the substance or discontinue because the whole or part of the inward direct investment, etc. constitutes a capital transaction for which the obligation to obtain permission is imposed pursuant to the provisions of Article 21, paragraph (1) or (2) in light of the use of funds and other circumstances.
- (4) If the Minister of Finance and the competent minister for the business have extended the period during which inward direct investment, etc. must not be conducted pursuant to the provisions of the preceding paragraph, and they find, as a result of the examination under the provisions of that paragraph and before the expiration of the extended period, that the inward direct investment, etc. stated in the notification made under the provisions of paragraph (1) does not fall within the scope of inward direct investment, etc. involving national security, etc., they may shorten the extended period.
- (5) If the Minister of Finance and the competent minister for the business have extended the period during which inward direct investment, etc. must not be conducted pursuant to the provisions of paragraph (3), and they find, as a result of the examination under the provisions of that paragraph, that the inward direct investment, etc. stated in the notification made under the provisions of paragraph (1) falls within the scope of inward direct investment, etc. involving national security, etc., they may, pursuant to the provisions of Cabinet Order, after hearing opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, issue a recommendation that the person that has made the notification of the inward direct investment, etc. should modify the substance of or discontinue the inward direct investment, etc.; provided, however, that the period during which the ministers may recommend the modification or discontinuance commences from the day on which they receive the notification, and ends on the day on which the period extended under the provisions of paragraph (3) or the following paragraph expires.
- (6) Notwithstanding the provisions of paragraph (3), if the Minister of Finance and the competent minister for the business seek opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions pursuant to the provisions of the preceding paragraph, but the Council informs them that, in light of the nature of the case, it would be difficult for the Council to state its opinions within the four-month period prescribed in paragraph (3), the period during which inward direct investment, etc. must not be conducted as prescribed in that paragraph is five months.

- (7) A person that is issued a recommendation under the provisions of paragraph (5) must notify the Minister of Finance and the competent minister for the business, within 10 days from the day on which the person is issued the recommendation, of whether the person accepts the recommendation.
- (8) A person that has given notice of the acceptance of the recommendation pursuant to the provisions of the preceding paragraph must conduct the inward direct investment, etc. addressed in the recommendation in compliance with the recommendation.
- (9) Notwithstanding the provisions of paragraph (3) or (6), a person that has given notice of the acceptance of the recommendation pursuant to the provisions of paragraph (7) may conduct the inward direct investment, etc. addressed in the recommendation before four months (or five months if the period is extended pursuant to the provisions of paragraph (6)) have passed from the day on which the person made a notification regarding the inward direct investment, etc.
- (10) If a person that is issued the recommendation under the provisions of paragraph (5) fails to give notice under the provisions of paragraph (7) or gives notice of the refusal of the recommendation, the Minister of Finance and the competent minister for the business may order the person that is issued the recommendation to modify the substance of or discontinue the inward direct investment, etc.; provided, however, that the period during which the ministers may order the modification or discontinuance commences from the day on which they receive the notification, and ends on the day on which the period extended under the provisions of paragraph (3) or (6) expires.
- (11) When the Minister of Finance and the competent minister for the business find that, due to changes in the economic conditions or any other grounds, the inward direct investment, etc. stated in the notification made under the provisions of paragraph (1) has ceased to fall within the scope of inward direct investment, etc. involving national security, etc., they may fully or partially rescind the recommendation issued to the person that has given notice of the acceptance of the recommendation to modify the substance of the inward direct investment, etc. under the provisions of paragraph (7), or may fully or partially rescind the order issued to the person that is ordered to modify the substance of the inward direct investment, etc. pursuant to the provisions of the preceding paragraph.
- (12) Beyond what is provided for in paragraph (5) through the preceding paragraph, Cabinet Order prescribes the procedure for issuing a recommendation of the modification of the substance of or discontinuance of inward direct investment, etc. and other necessary matters concerning the recommendation.
- (13) Property or rights to be acquired by a partner of a specified partnership, etc.

(or a member of an organization similar to a specified partnership; the same applies hereinafter) as a result of any act equivalent to inward direct investment, etc. conducted by the specified partnership, etc. are deemed to be acquired, owned, or held by the specified partnership, etc., and the provisions of the preceding paragraphs and Article 29, paragraphs (1) through (4) apply thereto.

- (14) With regard to any act equivalent to inward direct investment, etc. conducted by a person (including a corporation or any other organization) other than a foreign investor on behalf of the foreign investor but not in the name of the foreign investor, the person other than a foreign investor is deemed to be a foreign investor, and the provisions of paragraphs (1) through (12) and Article 29, paragraphs (1) through (4) apply thereto.

(Special Provisions for Notification of Inward Direct Investment, etc.)

Article 27-2 (1) Notwithstanding the provisions of paragraph (1) of the preceding Article, if a foreign investor (meaning the foreign investor prescribed in Article 26, paragraph (1), and excluding a foreign investor specified by Cabinet Order as one highly requiring the examination under the provisions of paragraph (3) of the preceding Article, such as one that has violated this Act, any order based on this Act, or any disposition based on them; hereinafter the same applies in this Article) intends to conduct inward direct investment, etc. (meaning the inward direct investment, etc. prescribed in Article 26, paragraph (2), and limited to the acts set forth in items (i) through (iv) of that paragraph or item (ix) of that paragraph (limited to those equivalent to the acts set forth in items (i) through (iv)); hereinafter the same applies in this Article and Article 29, paragraph (5)), other than one specified by Cabinet Order as being highly likely to constitute inward direct investment, etc. involving national security, etc., the foreign investor is not required to make a notification under the provisions of paragraph (1) of the preceding Article. In this case, the foreign investor must comply with the conditions so that inward direct investment, etc. does not fall within the category of inward direct investment, etc. involving national security, etc., which are specified by the Minister of Finance and the competent minister for the business.

- (2) When the Minister of Finance and the competent minister for the business intend to propose the establishment, revision, or abolition of the conditions prescribed in the preceding paragraph, they must hear opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transaction.
- (3) When the Minister of Finance and the competent minister for the business find that a foreign investor that has conducted inward direct investment, etc. without making a notification under the provisions of paragraph (1) of the preceding Article pursuant to the provisions of paragraph (1) violates the

conditions prescribed in paragraph (1), the ministers may issue a recommendation that the foreign investor should take necessary measures to comply with the conditions.

- (4) If the foreign investor that is issued the recommendation under the provisions of the preceding paragraph fails to follow the recommendation, the Minister of Finance and the competent minister for the business may order the foreign investor that is issued the recommendation to take the recommended measures.
- (5) Beyond what is provided for in the preceding two paragraphs, Cabinet Order prescribes the procedure for issuing a recommendation under the provisions of paragraph (3) and other necessary matters concerning the recommendation.
- (6) Property or rights to be acquired by a partner of a specified partnership, etc. as a result of any act equivalent to inward direct investment, etc. conducted by the specified partnership, etc. are deemed to be acquired, owned, or held by the specified partnership, etc., and the provisions of the preceding paragraphs and Article 29, paragraph (5) apply thereto.
- (7) With regard to any act equivalent to inward direct investment, etc. conducted by a person (including a corporation or any other organization) other than a foreign investor on behalf of the foreign investor but not in the name of the foreign investor, the person other than a foreign investor is deemed to be a foreign investor, and the provisions of paragraphs (1) through (5) and Article 29, paragraph (5) apply thereto.

(Notification and Recommendation of Modification Regarding Specified Acquisition)

- Article 28 (1) If a foreign investor intends to conduct specified acquisition (meaning the specified acquisition prescribed in Article 26, paragraph (3), and excluding specified acquisition specified by Cabinet Order in consideration of inheritance, bequest, merger of a corporation, or any other circumstances; the same applies hereinafter) specified by Cabinet Order as being likely to constitute specified acquisition that requires the examination under the provisions of paragraph (3), the foreign investor must, pursuant to the provisions of Cabinet Order, notify the Minister of Finance and the competent minister for the business, in advance, of matters specified by Cabinet Order, such as the business purpose, the amount, and the time of execution regarding the specified acquisition.
- (2) A foreign investor that has made a notification under the provisions of the preceding paragraph regarding specified acquisition must not conduct the specified acquisition in the notification until 30 days have passed from the day on which the Minister of Finance and the competent minister for the business receive the notification; provided, however, that the Minister of Finance and the competent minister for the business may shorten the 30-day period when

they find, before the expiration of the period, that the specified acquisition stated in the notification does not fall within the category of specified acquisition that requires the examination under the provisions of the following paragraph, in light of its business purpose and other factors.

- (3) If the notification under the provisions of paragraph (1) has been made, when the Minister of Finance and the competent minister for the business find it to be necessary to examine whether the specified acquisition stated in the notification falls within the category of specified acquisition that is highly likely to undermine national security (limited to: specified acquisition conducted by a foreign investor of a member state of a multilateral treaty or any other international agreement concerning specified acquisition to which Japan is a member state and which is specified by Cabinet Order (hereinafter referred to as a "treaty, etc." in this paragraph), if there is no obligation based on the treaty, etc. to remove restrictions on specified acquisition; and specified acquisition conducted by a foreign investor of a country other than a member state of the treaty, etc., if there would be no such obligation if that country is assumed to be a member state of the treaty, etc.; hereinafter referred to as "specified acquisition involving national security"), the ministers may extend the period during which the specified acquisition stated in the notification must not be conducted, only for four months from the day on which they receive the notification.
- (4) If the Minister of Finance and the competent minister for the business have extended the period during which specified acquisition must not be conducted pursuant to the provisions of the preceding paragraph, and they find, as a result of the examination under the provisions of that paragraph and before the expiration of the extended period, that the specified acquisition stated in the notification made under the provisions of paragraph (1) does not fall within the category of specified acquisition involving national security, etc., the ministers may shorten the extended period.
- (5) If the Minister of Finance and the competent minister for the business have extended the period during which specified acquisition must not be conducted pursuant to the provisions of paragraph (3), and they find, as a result of the examination under the provisions of that paragraph, that the specified acquisition stated in the notification made under the provisions of paragraph (1) falls within the category of specified acquisition involving national security, the ministers may, pursuant to the provisions of Cabinet Order, after hearing opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, issue a recommendation that the person that has made the notification of the specified acquisition should modify the substance of or discontinue the specified acquisition; provided, however, that the period during which the ministers may recommend the modification or discontinuance

commences from the day on which they receive the notification, and ends on the day on which the period extended under the provisions of paragraph (3) or the following paragraph expires.

- (6) Notwithstanding the provisions of paragraph (3), if the Minister of Finance and the competent minister for the business seek opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions pursuant to the provisions of the preceding paragraph, but the Council informs them that, in light of the nature of the case, it would be difficult for the Council to state its opinions within the four-month period prescribed in paragraph (3), the period during which specified acquisition must not be conducted as prescribed in that paragraph is five months.
- (7) The provisions of Article 27, paragraphs (7) through (12) apply mutatis mutandis if the recommendation under the provisions of paragraph (5) is issued. In this case, Cabinet Order prescribes any necessary technical replacement of terms.
- (8) Property or rights to be acquired by a partner of a specified partnership, etc. as a result of any act equivalent to specified acquisition conducted by the specified partnership, etc. are deemed to be acquired, owned, or held by the specified partnership, etc., and the provisions of the preceding paragraphs and Article 29, paragraphs (1) through (4) apply thereto.
- (9) With regard to any act equivalent to specified acquisition conducted by a person (including a corporation or any other organization) other than a foreign investor on behalf of the foreign investor but not in the name of the foreign investor, the person other than a foreign investor is deemed to be a foreign investor, and the provisions of paragraphs (1) through (7) and Article 29, paragraphs (1) through (4) apply thereto.

(Special Provisions for Notification of Specified Acquisition)

Article 28-2 (1) Notwithstanding the provisions of paragraph (1) of the preceding Article, if a foreign investor (meaning the foreign investor prescribed in Article 26, paragraph (1), and excluding a foreign investor specified by Cabinet Order as one highly requiring the examination under the provisions of paragraph (3) of the preceding Article, such as one that has violated this Act, any order based on this Act, or any disposition based on them; the same applies in this Article) intends to conduct specified acquisition, other than one specified by Cabinet Order as being highly likely to constitute specified acquisition involving national security, the foreign investor is not required to make a notification under the provisions of paragraph (1) of the preceding Article. In this case, the foreign investor must comply with the conditions so that specified acquisition does not fall within the category of specified acquisition involving national security, which are specified by the Minister of Finance and the competent

minister for the business.

- (2) When the Minister of Finance and the competent minister for the business intend to propose the establishment, revision, or abolition of the conditions prescribed in the preceding paragraph, they must hear opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transaction.
- (3) When the Minister of Finance and the competent minister for the business find that a foreign investor that has conducted specified acquisition without making a notification under the provisions of paragraph (1) of the preceding Article pursuant to the provisions of paragraph (1) violates the conditions prescribed in paragraph (1), the ministers may issue a recommendation that the foreign investor should take necessary measures to comply with the conditions.
- (4) If the foreign investor that is issued the recommendation under the provisions of the preceding paragraph fails to follow the recommendation, the Minister of Finance and the competent minister for the business may order the foreign investor that is issued the recommendation to take the recommended measures.
- (5) Beyond what is provided for in the preceding two paragraphs, Cabinet Order prescribes the procedure for issuing a recommendation under the provisions of paragraph (3) and other necessary matters concerning the recommendation.
- (6) Property or rights to be acquired by a partner of a specified partnership, etc. as a result of any act equivalent to specified acquisition conducted by the specified partnership, etc. are deemed to be acquired, owned, or held by the specified partnership, etc., and the provisions of the preceding paragraphs and paragraph (5) of the following Article apply thereto.
- (7) With regard to any act equivalent to specified acquisition conducted by a person (including a corporation or any other organization) other than a foreign investor on behalf of the foreign investor but not in the name of the foreign investor, the person other than a foreign investor is deemed to be a foreign investor, and the provisions of paragraphs (1) through (5) and paragraph (5) of the following Article apply thereto.

(Order for Measures)

Article 29 (1) In the following cases, when the Minister of Finance and the competent minister for the business find that inward direct investment, etc. or specified acquisition falls within the category of inward direct investment, etc. involving national security, etc. or the category of specified acquisition involving national security, the ministers may, pursuant to the provisions of Cabinet Order, after hearing opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, order the foreign investor that has conducted the inward direct investment, etc. or specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct

- investment, etc. or specified acquisition or take any other necessary measures:
- (i) if a foreign investor that must make a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1) conducts inward direct investment, etc. or specified acquisition without making the notification; or
  - (ii) if a foreign investor that has made a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1) conducts the inward direct investment, etc. or specified acquisition stated in the notification before the expiration of the prohibition period.
- (2) If a foreign investor that has made a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1) has made a false notification as that notification, when the Minister of Finance and the competent minister for the business find that the inward direct investment, etc. or specified acquisition stated in the notification falls within the category of inward direct investment, etc. involving national security, etc. or the category of specified acquisition involving national security, the ministers may, pursuant to the provisions of Cabinet Order, after hearing opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, order the foreign investor that has conducted the inward direct investment, etc. or specified acquisition to take necessary measures.
- (3) If a foreign investor that has made a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1) fails to follow a recommendation to modify the substance of the inward direct investment, etc. or specified acquisition for which the foreign investor has given notice of the acceptance of the recommendation pursuant to the provisions of Article 27, paragraph (7) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)), or violates an order under the provisions of Article 27, paragraph (10) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)) to modify the substance of the inward direct investment, etc. or specified acquisition, the Minister of Finance and the competent minister for the business may, pursuant to the provisions of Cabinet Order, order the foreign investor that has conducted the inward direct investment, etc. or specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct investment, etc. or specified acquisition (only if the ministers have recommended the modification of the number or amount of shares or the number of units or amount of equity involved in the inward direct investment, etc. or specified acquisition pursuant to the provisions of Article 27, paragraph (5) or Article 28, paragraph (5), this applies only to the part subject to the modification so recommended; or if the ministers have ordered the modification of the number or amount of shares or the number of units or amount of equity involved in the inward direct investment, etc. or specified acquisition pursuant to the provisions of Article 27, paragraph (10) (including

as applied mutatis mutandis pursuant to Article 28, paragraph (7)), this applies only to the part subject to the modification so ordered), or take any other necessary measures.

- (4) If a foreign investor that has made a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1) fails to follow a recommendation to discontinue the inward direct investment, etc. or specified acquisition for which the foreign investor has given notice of the acceptance of the recommendation pursuant to the provisions of Article 27, paragraph (7) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)), or violates an order under the provisions of Article 27, paragraph (10) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)) to discontinue the inward direct investment, etc. or specified acquisition, the Minister of Finance and the competent minister for the business may, pursuant to the provisions of Cabinet Order, order the foreign investor that has conducted the inward direct investment, etc. or specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct investment, etc. or specified acquisition, or take any other necessary measures.
- (5) If a foreign investor prescribed in Article 27-2, paragraph (1) or paragraph (1) of the preceding Article has conducted inward direct investment, etc. or specified acquisition without making a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1) pursuant to the provisions of Article 27-2, paragraph (1) or paragraph (1) of the preceding Article, and has violated an order under the provisions of Article 27-2, paragraph (4) or paragraph (4) of the preceding Article, when the Minister of Finance and the competent minister for the business find that the inward direct investment, etc. or specified acquisition falls within the category of inward direct investment, etc. involving national security, etc. or the category of specified acquisition involving national security, the ministers may, pursuant to the provisions of Cabinet Order, after hearing opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, order the foreign investor that has conducted the inward direct investment, etc. or specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct investment, etc. or specified acquisition, or take any other necessary measures.
- (6) The term "prohibition period" referred to in paragraph (1), item (ii) means the period prescribed in the main clause of Article 27, paragraph (2) (if the period is extended pursuant to the provisions of paragraph (3) or (6) of that Article or shortened pursuant to the provisions of the proviso to paragraph (2) of that Article or paragraph (4) of that Article, the period so extended or shortened), or the period prescribed in the main clause of Article 28, paragraph (2) (if the period is extended pursuant to the provisions of paragraph (3) or (6) of that

Article or shortened pursuant to the provisions of the proviso to paragraph (2) of that Article or paragraph (4) of that Article, the period so extended or shortened).

(Notification and Recommendation of Modification Regarding Conclusion, etc. of Technology Introduction Contract)

Article 30 (1) If a resident intends to conduct the conclusion or renewal of, or modification of the terms of, a contract with a non-resident (including a non-resident's branch office, etc. in Japan; hereinafter the same applies in this Article) with regard to the transfer of industrial property rights or any other rights related to technology, the establishment of rights to use these rights, or the guidance on technology for business management conducted by the non-resident (hereinafter referred to as the "conclusion, etc. of a technology introduction contract, etc."), which is specified by Cabinet Order as being likely to constitute the conclusion, etc. of a technology introduction contract that requires the examination under the provisions of paragraph (3), the resident must, pursuant to the provisions of Cabinet Order, notify the Minister of Finance and the competent minister for the business, in advance, of the terms of the contract or other matters specified by Cabinet Order with regard to the conclusion, etc. of a technology introduction contract.

(2) A resident that has made a notification under the provisions of the preceding paragraph with regard to the conclusion, etc. of a technology introduction contract must not conduct the conclusion, etc. of a technology introduction contract stated in the notification until 30 days have passed from the day on which the Minister of Finance and the competent minister for the business receive the notification; provided, however, that the Minister of Finance and the competent minister for the business may shorten the 30-day period when they find, before the expiration of the period, that the conclusion, etc. of a technology introduction contract stated in the notification does not fall within the category of conclusion, etc. of a technology introduction contract that requires the examination under the provisions of the following paragraph, in light of the type of the technology and other circumstances.

(3) If the notification under the provisions of paragraph (1) has been made, when the Minister of Finance and the competent minister for the business find it to be necessary to examine whether the conclusion, etc. of a technology introduction contract stated in the notification falls within the category of conclusion, etc. of a technology introduction contract that is likely to cause either of the following situations (limited to: the conclusion, etc. of a technology introduction contract conducted with a non-resident belonging to a member state of a multilateral treaty or any other international agreement concerning the conclusion, etc. of a technology introduction contract to which Japan is a

member state and which is specified by Cabinet Order (hereinafter referred to as a "treaty, etc." in this item), if there is no obligation based on the treaty, etc. to remove restrictions on the conclusion, etc. of a technology introduction contract; and the conclusion, etc. of a technology introduction contract conducted with a non-resident of a country other than a member state of the treaty, etc., if there would be no such obligation if that country is assumed to be a member state of the treaty, etc.; referred to as the "conclusion, etc. of a technology introduction contract involving national security, etc." in the following paragraph and paragraph (5)), the ministers may extend the period during which the conclusion, etc. of a technology introduction contract stated in the notification must not be conducted, only for four months from the day on which they receive the notification:

- (i) it would undermine national security, disturb the maintenance of public order, or interfere with the protection of public safety; or
- (ii) it would have a significant adverse effect on the smooth operation of the Japanese economy.

(4) If the Minister of Finance and the competent minister for the business have extended the period during which the conclusion, etc. of a technology introduction contract must not be conducted pursuant to the provisions of the preceding paragraph, and they find, as a result of the examination under the provisions of that paragraph and before the expiration of the extended period, that the conclusion, etc. of a technology introduction contract stated in the notification made under the provisions of paragraph (1) does not fall within the category of the conclusion, etc. of a technology introduction contract involving national security, etc., the ministers may shorten the extended period.

(5) If the Minister of Finance and the competent minister for the business have extended the period during which the conclusion, etc. of a technology introduction contract must not be conducted pursuant to the provisions of paragraph (3), and they find, as a result of the examination under the provisions of that paragraph, that the conclusion, etc. of a technology introduction contract stated in the notification made under the provisions of paragraph (1) falls within the category of conclusion, etc. of a technology introduction contract involving national security, etc., the ministers may, pursuant to the provisions of Cabinet Order, after hearing opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, issue a recommendation that the person that has made the notification of the conclusion, etc. of a technology introduction contract should modify or discontinue all or part of the terms of the contract involved in the conclusion, etc. of a technology introduction contract; provided, however, that the period during which the ministers may recommend the modification or discontinuance commences from the day on which they receive the notification, and ends on

the day on which the period extended under the provisions of paragraph (3) or the following paragraph expires.

- (6) Notwithstanding the provisions of paragraph (3), if the Minister of Finance and the competent minister for the business seek opinions from the Council on Customs, Tariff, Foreign Exchange and Other Transactions, but the Council informs them that, in light of the nature of the case, it would be difficult for the Council to state its opinions within the four-month period prescribed in paragraph (3), the period during which the conclusion, etc. of a technology introduction contract must not be conducted as prescribed in that paragraph is five months.
- (7) The provisions of Article 27, paragraphs (7) through (12) apply mutatis mutandis if the recommendation under the provisions of paragraph (5) is issued. In this case, Cabinet Order prescribes any necessary technical replacement of terms.
- (8) The provisions of the preceding paragraphs do not apply to the conclusion, etc. of a technology introduction contract involving technology developed independently by a non-resident's branch office, etc. in Japan or any other case of the conclusion, etc. of a technology introduction contract specified by Cabinet Order.

Article 31 Deleted

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## **Chapter VI Foreign Trade**

(Principle of Export)

Article 47 Export of goods is permitted under the minimum restrictions as long as it conforms to the purpose of this Act.

(Permission for Export)

Article 48 (1) A person that intends to conduct the export of a specified type of goods, with a specified region being the destination, which is specified by Cabinet Order as export that is found to result in hindering the maintenance of international peace and security, must obtain the permission of the Minister of Economy, Trade and Industry, pursuant to the provisions of Cabinet Order.

(2) When the Minister of Economy, Trade and Industry finds it to be necessary in order to ensure the implementation of the provisions of the preceding paragraph, the minister may, pursuant to the provisions of Cabinet Order, impose an obligation to obtain permission on a person that intends to export a specified type of goods referred to in that paragraph, with a region other than a specified region referred to in that paragraph being the destination.

(3) Beyond the cases prescribed in the preceding two paragraphs, the Minister of Economy, Trade and Industry may, pursuant to the provisions of Cabinet Order, impose an obligation to obtain approval on a person that intends to export a specified type of goods or export goods with a specified region being the destination, or a person that intends to export goods through a specified transaction, to the extent necessary to maintain a balance of payments equilibrium, achieve the sound development of foreign trade and national economy, allow Japan to sincerely implement a treaty or any other international agreement that Japan has signed, allow Japan to contribute to international efforts for international peace, or implement the cabinet decision referred to in Article 10, paragraph (1).

Article 49 Deleted

Article 50 Deleted

(Suspension of Shipments in Case of Emergency)

Article 51 The Minister of Economy, Trade and Industry may, pursuant to the provisions of Order of the Ministry of Economy, Trade and Industry, suspend a shipment of goods by designating the item of goods or destination and specifying the time limit of not more than one month, when the minister finds a particularly urgent necessity.

(Approval of Import)

Article 52 In order to achieve the sound development of foreign trade and national economy, allow Japan to sincerely implement a treaty or any other international agreement that it has signed, allow Japan to contribute to international efforts for international peace, or implement the cabinet decision referred to in Article 10, paragraph (1), a person that intends to import goods may be subjected to the obligation to obtain approval of import pursuant to the provisions of Cabinet Order.

(Sanctions)

Article 53 (1) The Minister of Economy, Trade and Industry may prohibit a person that has conducted the export of goods prescribed in Article 48 paragraph (1) without obtaining the permission under the provisions of that paragraph, from engaging in the following, only for a period of not more than three years: conducting export; conducting a transaction the purpose of which is to provide specified technology in a foreign country or to a non-resident; exporting the specified recording medium, etc. concerning that transaction; or transmitting information concerning the specified technology by means of telecommunications that are intended to be received in a foreign country.

(2) The Minister of Economy, Trade and Industry may prohibit a person that has violated this Act, any order based on this Act, or any disposition based on them with regard to import or export of goods (excluding the person prescribed in the preceding paragraph) from conducting import or export, only for a period of not more than one year (or three years in the case of a person that has violated the countermeasures prescribed in Article 10, paragraph (1) (limited to those concerning Article 48, paragraph (3) or the preceding Article)).

(3) If the Minister of Economy, Trade and Industry imposes a prohibition under the provisions of paragraph (1) or the preceding paragraph, and the violator (meaning a person that has conducted the export of goods prescribed in Article 48, paragraph (1) without obtaining the permission under the provisions of

that paragraph as prescribed in paragraph (1), or a person that has violated this Act, any order based on this Act, or any disposition based on them in connection with the import or export of goods prescribed in the preceding paragraph; the same applies in the following paragraph) is an individual, the minister may prohibit the violator from becoming an officer in charge of the business that is in the scope of the prohibition at a corporation (including an association or foundation without legal personality for which a representative or administration has been designated; hereinafter the same applies in this paragraph and the following paragraph) that engages in that business (the term "officer" means a member who executes the business, a director, an executive officer, a representative, an administrator, or any other person equivalent thereto, and includes a person, irrespective of their title such as advisor or consultant, who is found to have control over a corporation that is equal to or greater than that of a member who executes the business, a director, an executive officer, a representative, an administrator, or any other person equivalent thereto; hereinafter the same applies in the following paragraph), for the same period as the period of the prohibition.

(4) If the Minister of Economy, Trade and Industry imposes a prohibition under the provisions of paragraph (1) or (2), when the person specified in each of the following items according to the categories of cases regarding the violator falls within the category of person specified by Order of the Ministry of Economy, Trade and Industry as a person regarding whom it is found to be appropriate to restrict the person from engaging in the business that is subject to the prohibition in order to ensure the effectiveness of the prohibition in consideration of the fact due to which the prohibition has been imposed and the degree of responsibility the person has had in connection with that fact, the minister may prohibit the person from commencing a new business that is in the scope of the prohibition (including becoming an officer in charge of that business at a corporation that engages in that business), for the same period as the period of the prohibition:

- (i) if the violator is a corporation: its officer and any person that has been its officer within 60 days prior to the day of the disposition imposing the prohibition, and its employee specified by Cabinet Order such as an employee who manages the business at its business office (hereinafter simply referred to as an "employee" in this item and the following item) and any person who has been its employee within 60 days prior to the day of the disposition imposing the prohibition; or
- (ii) if the violator is an individual: the individual's employee and any person who has been the individual's employee within 60 days prior to the disposition imposing the prohibition.

(Direction and Supervision over Directors-General of Customs)

Article 54 (1) The Minister of Economy, Trade and Industry directs and supervises the Directors-General of Customs with regard to import or export of goods under the minister's jurisdiction, pursuant to the provisions of Cabinet Order.

(2) The Minister of Economy, Trade and Industry may delegate part of the minister's authority based on this Act to the Directors-General of Customs, pursuant to the provisions of Cabinet Order.

## **Chapter VI-2 Reports**

(Report of Payment or Receipt of Payment)

Article 55 (1) Except in cases prescribed by Cabinet Order, when a resident or non-resident has made a payment from Japan to a foreign country or received a payment from a foreign country to Japan, or a resident has made a payment to or received a payment from a non-resident in Japan or a foreign country, the resident or non-resident must, pursuant to the provisions of Cabinet Order, report matters specified by Cabinet Order, such as the details of the payment or receipt of payment and the time of execution, to the competent minister.

(2) If the payment or receipt of payment referred to in the preceding paragraph that is stated in the report under the provisions of that paragraph has been made through an exchange transaction conducted by a bank, etc. or a funds transfer service provider, the report is to be made via the bank, etc. or funds transfer service provider, pursuant to the provisions of Cabinet Order; provided, however, that if the report referred to in the preceding paragraph is to be made by using the electronic data processing system prescribed in Article 6, paragraph (1) of the Act on the Promotion of Administrative Affairs through the Use of Information and Communications Technology (Act No. 151 of 2002) pursuant to the provisions of that paragraph, it may be made without going through the bank, etc. or funds transfer service provider.

Article 55-2 Deleted

(Report of Capital Transactions)

Article 55-3 (1) Except in cases prescribed by Cabinet Order, on each occasion when a resident or non-resident becomes a party to any of the capital transactions set forth in the following items, the resident or non-resident must, pursuant to the provisions of Cabinet Order, report matters specified by Cabinet Order, such as the details of the capital transaction and the time of execution, to the Minister of Finance, according to the categories specified in the relevant item; provided, however, that this does not apply to a capital

- transaction set forth in item (vi) for which a notification is required pursuant to the provisions of Article 23, paragraph (1):
- (i) a capital transaction set forth in Article 20, item (i): the resident;
  - (ii) a capital transaction set forth in Article 20, item (ii) (excluding one that falls within the category of capital transaction set forth in item (vi)): the resident;
  - (iii) a capital transaction set forth in Article 20, item (iii): the resident;
  - (iv) a capital transaction set forth in Article 20, item (iv), which is a transaction involving the accrual, etc. of a claim for which a payment can be received in a foreign currency, based on a deposit contract, trust contract, money loan contract, obligation guarantee contract, or sales contract for a foreign means of payment or a claim, between a resident and another resident: the resident;
  - (v) a capital transaction set forth in Article 20, item (v) (excluding one that falls within the category of capital transaction set forth in the following item): the resident;
  - (vi) any of the capital transactions set forth in Article 20, items (ii), (v), and (xi), which involves outward direct investment (meaning the outward direct investment prescribed in Article 23, paragraph (2): the same applies in Article 70, paragraph (1)) by a resident: the resident;
  - (vii) a capital transaction set forth in Article 20, item (vi), which is the issue or offering of securities by a resident in a foreign country or the issue or offering of foreign currency securities by a resident in Japan: the resident;
  - (viii) a capital transaction set forth in Article 20, item (vi), which is the issue or offering of securities by a non-resident in Japan: the non-resident;
  - (ix) a capital transaction set forth in Article 20, item (vii): the non-resident;
  - (x) a capital transaction set forth in Article 20, item (viii): the resident;
  - (xi) a capital transaction set forth in Article 20, item (ix): the resident;
  - (xii) a capital transaction set forth in Article 20, item (x), which is the acquisition of real property located in Japan or any rights thereon by a non-resident: the non-resident; or
  - (xiii) a capital transaction set forth in Article 20, item (xii), which is specified by Cabinet Order: the resident or non-resident specified by Cabinet Order.
- (2) On each occasion when a bank, etc. and a financial instruments business operator have conducted intermediation, brokerage, or agency service for a capital transaction set forth in item (v), (x), or (xi) of the preceding paragraph, they must, pursuant to the provisions of Cabinet Order, report matters specified by Cabinet Order, such as the details of the capital transaction and the time of execution, to the Minister of Finance.
- (3) Notwithstanding the provisions of paragraph (1), if a resident that is not a bank, etc., a financial instruments business operator, or a person making a

notification (meaning a resident that becomes a party to a capital transaction set forth in item (iv) or (xi) of that paragraph and has notified the Minister of Finance, pursuant to the provisions of Ministry of Finance Order, that the resident wishes that a report under the provisions of that paragraph will not be required from a person that becomes the other party to a capital transaction set forth in these items to be conducted thereby, and also notified the minister of matters specified by Ministry of Finance Order, such as the resident's name and address; hereinafter the same applies in this Article) becomes a party to a capital transaction set forth in item (iv) or (xi) of that paragraph, and the other party to the capital transaction is a bank, etc., a financial instruments business operator, or a person making a notification, the resident is not required to make a report under the provisions of that paragraph with regard to the capital transaction.

- (4) Notwithstanding the provisions of paragraph (1), beyond the case prescribed in the preceding paragraph, if a resident becomes a party to a capital transaction set forth in paragraph (1), item (v), (x), or (xi), and the party that conducts intermediation, brokerage, or agency service for the capital transaction is a bank, etc. or financial instruments business operator, the resident is not required to make a report under the provisions of paragraph (1) with regard to the capital transaction.
- (5) A bank, etc., financial instruments business operator, and person making a notification may, pursuant to the provisions of Cabinet Order, report matters specified by Ministry of Finance Order collectively with regard to capital transactions to which they have been a party or for which they have conducted intermediation, brokerage, or agency service during a certain period of time, notwithstanding the provisions of paragraph (1) or (2) in the case of a bank, etc. and financial instruments business operator, and notwithstanding the provisions of paragraph (1) in the case of a person making a notification, respectively. In this case, the person that has made the report must, pursuant to the provisions of Cabinet Order, prepare and preserve books and documents in which information specified by Ministry of Finance Order is stated with regard to the capital transactions stated in the report.
- (6) If there is a change to any of the matters stated in the notification prescribed in paragraph (3), the person making the notification must notify the Minister of Finance of this fact and the matter subject to the change, without delay.
- (7) Ministry of Finance Order prescribes the public notice concerning the notification referred to in paragraph (3), inspection of a list of parties making a notification, and other necessary matters concerning the notification referred to in that paragraph.

Article 55-4 Except in cases specified by Cabinet Order, when a resident

becomes a party to any of the following specified capital transactions, the resident must, pursuant to the provisions of Cabinet Order, report matters specified by Cabinet Order, such as the details of the capital transaction and the time of execution, to the Minister of Economy, Trade and Industry:

- (i) a specified capital transaction involved in a capital transaction set forth in Article 20, item (ii); or
- (ii) a specified capital transaction involved in a capital transaction set forth in Article 20, item (xii), which is specified by Cabinet Order.

(Report of Inward Direct Investment, etc. and Specified Acquisition)

Article 55-5 (1) When a foreign investor has conducted inward direct investment, etc. or specified acquisition (limited to specified acquisition for which a notification is required pursuant to the provisions of Article 28, paragraph (1); hereinafter the same applies in this Article), the foreign investor must, pursuant to the provisions of Cabinet Order, report matters specified by Cabinet Order, such as the details of the inward direct investment, etc. or specified acquisition and the time of execution, to the Minister of Finance and the competent minister for the business; provided, however, that this does not apply to the inward direct investment, etc. or specified acquisition for which a notification has been made pursuant to the provisions of Article 27, paragraph (1) or Article 28, paragraph (1).

(2) Property or rights to be acquired by a partner of a specified partnership, etc. as a result of any act equivalent to inward direct investment, etc. or specified acquisition conducted by the specified partnership, etc. are deemed to be acquired, owned, or held by the specified partnership, etc., and the provisions of the preceding paragraph apply thereto.

(3) With regard to any act equivalent to inward direct investment, etc. or specified acquisition conducted by a person (including a corporation or any other organization) other than a foreign investor on behalf of the foreign investor but not in the name of the foreign investor, the person other than a foreign investor is deemed to be a foreign investor, and the provisions of paragraph (1) apply thereto.

(Report of Conclusion, etc. of a Technology Introduction Contract)

Article 55-6 (1) When a resident has conducted the conclusion, etc. of a technology introduction contract with a non-resident (including a non-resident's branch office, etc. in Japan), the resident must, pursuant to the provisions of Cabinet Order, report the conclusion, etc. of a technology introduction contract to the Minister of Finance and the competent minister for the business; provided, however, that this does not apply to the conclusion, etc. of a technology introduction contract for which a notification is required

pursuant to the provisions of Article 30, paragraph (1).

- (2) The provisions of the preceding paragraph do not apply to the conclusion, etc. of a technology introduction contract involving technology developed independently by a non-resident's branch office, etc. in Japan or any other case of the conclusion, etc. of a technology introduction contract specified by Cabinet Order.

(Report of Matters Concerning Foreign Exchange Services)

Article 55-7 To the extent necessary to achieve the purpose of this Act, the Minister of Finance may, pursuant to the provisions of Cabinet Order, request a person engaging in foreign exchange services (meaning conducting, in the course of trade, foreign exchange transactions or any other transactions or acts specified by Cabinet Order as being closely related to Japan's balance of payments or the trends in Japan's foreign borrowing and lending) that is specified by Cabinet Order as a person engaging in those services on a considerable scale to report matters concerning the foreign exchange services (excluding the matters subject to the report under the provisions of Article 55-3).

(Other Reports)

Article 55-8 Beyond what is otherwise provided for in this Act, to the extent necessary to achieve the purpose of this Act, the competent minister may, pursuant to the provisions of Cabinet Order, request a person that conducts or has conducted a transaction, act, or payment or receipt of payment to which this Act applies, or any relevant person, to report the details of the transaction, act, or payment or receipt of payment and other matters related to the transaction, act, or payment or receipt of payment.

(Statistics on Foreign Borrowing and Lending and Balance of Payments)

Article 55-9 (1) The Minister of Finance must, pursuant to the provisions of Cabinet Order, prepare statistics on foreign borrowing and lending and balance of payments and report them to the Cabinet periodically.

- (2) When the Minister of Finance finds it to be necessary in order to prepare the statistics prescribed in the preceding paragraph, the minister may, pursuant to the provisions of Cabinet Order, request relevant administrative organs and any other persons to submit materials.

### **Chapter VI-3 Standards to Be Complied with by Exporters, etc.**

(Standards to Be Complied with by Exporters, etc.)

Article 55-10 (1) The Minister of Economy, Trade and Industry must establish,

by Order of the Ministry of Economy, Trade and Industry, standards that a person conducting the transaction prescribed in Article 25, paragraph (1) or the export prescribed in Article 48, paragraph (1) (hereinafter referred to as the "export, etc." ) in the course of trade (such person is hereinafter referred to as an "exporter, etc.") should comply with in conducting the export, etc. (hereinafter referred to as the "standards to be complied with by exporters, etc.").

- (2) The standards to be complied with by exporters, etc. are to provide for matters for confirming whether the specified technology that is intended to be provided through the transaction prescribed in Article 25, paragraph (1) or the specified type of goods referred to in Article 48, paragraph (1) that is intended to be exported, with the specified region referred to in that paragraph being the destination, falls within the category of specified important goods, etc., and other matters that should be complied with in conducting the transaction or export.
- (3) The term "specified important goods, etc." referred to in the preceding paragraph means specified technology or a specified type of goods referred to in Article 48, paragraph (1), which is specified by Order of the Ministry of Economy, Trade and Industry as one regarding which the provision in a specified country or the provision to a non-resident belonging to a specified country, or the export with a specified region referred to in that paragraph being the destination, is found to result in seriously hindering the maintenance of international peace and security.
- (4) An exporter, etc. must conduct the export, etc. in compliance with the standards to be complied with by exporters, etc.

(Guidance and Advice)

Article 55-11 When the Minister of Economy, Trade and Industry finds it to be necessary in order to ensure that the export, etc. is properly conducted, the minister may provide necessary guidance or advice to an exporter, etc. so that the exporter, etc. will conduct the export, etc. in compliance with the standards to be complied with by exporters, etc.

(Recommendation and Order)

Article 55-12 (1) If the Minister of Economy, Trade and Industry has provided guidance or advice under the provisions of the preceding Article, and finds that an exporter, etc. still violates the standards to be complied with by exporters, etc., the minister may issue a recommendation that the exporter, etc. should comply with the standards to be complied with by exporters.

- (2) If a person that is issued a recommendation under the provisions of the preceding paragraph fails to follow the recommendation, the Minister of

Economy, Trade and Industry may order the person that is issued the recommendation to take the recommended measures.

## **Chapter VII Relationship with the Administrative Procedure Act**

(Exclusion from Application of the Administrative Procedure Act)

Article 55-13 The provisions of Chapters II and III of the Administrative Procedure Act (Act No. 88 of 1993) do not apply to the permission under the provisions of Article 25, paragraph (1); under the provisions of an order based on the provisions of paragraph (2) or (3) of that Article; under the provisions of paragraph (4) of that Article; under the provisions of Article 48, paragraph (1); or under the provisions of an order based on the provisions of Article 48, paragraph (2); nor do those Chapters apply to the rescission of that permission.

## **Chapter VII-2 Request for Review**

Article 56 (1) An administrative disposition on a request for review regarding a disposition under the provisions of this Act or an order based on the provisions of this Act or inaction thereof must be made after advance notice with a reasonable period of time is given to the requestor and the review officer prescribed in Article 11, paragraph (2) of the Administrative Complaint Review Act (Act No. 68 of 2014) holds a public hearing of opinions, except when dismissing the request for review pursuant to the provisions of Article 24 of that Act.

(2) In the hearing of opinions referred to in the preceding paragraph, the requestor and any interested person must be given the opportunity to present evidence and state their opinions on the case.

(3) The provisions of Article 31 of the Administrative Complaint Review Act do not apply to the request for review prescribed in paragraph (1), and the provisions of paragraphs (2) through (5) of that Article apply mutatis mutandis to the hearing of opinions referred to in paragraph (1).

(4) Beyond what is provided for in the preceding three paragraphs, Cabinet Order prescribes matters necessary for the procedure for the hearing of opinions referred to in paragraph (1).

Article 57 Deleted

Article 58 Deleted

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### **Chapter VIII Miscellaneous Provisions**

(Authority of the Fair Trade Commission)

Article 65 It is prohibited to construe any provisions of this Act as eliminating, changing, or affecting the application of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947) or the authority exercised by the Fair Trade Commission based on that Act in any position whatsoever.

(Acts of Governmental Organizations)

Article 66 The provisions of this Act or any order based on this Act under which the permission, approval or any other disposition of the competent minister is required do not apply pursuant to the provisions of Cabinet Order if a governmental organization performs an act that requires the permission, approval, or any other disposition.

(Conditions for Permission)

Article 67 (1) The competent minister may attach conditions to the permission or approval under the provisions of this Act or an order based on the provisions of this Act or change these conditions.

(2) The conditions referred to in the preceding paragraph must be the minimum conditions necessary for ensuring the implementation of the matters concerning the permission or approval referred to in that paragraph.

(On-site Inspection)

Article 68 (1) To the extent necessary for the enforcement of this Act, the competent minister may have the ministry employees enter a business office, office, factory, or any other facility of a person that has conducted a transaction, act, or payment or receipt of payment to which this Act applies, or of any relevant person, inspect books, documents, and any other objects, or question any relevant person.

- (2) When the employees enter the facility pursuant to the provisions of the preceding paragraph, they must carry their identification and present it to any relevant person.
- (3) The authority to conduct an on-site inspection and questioning under the provisions of paragraph (1) must not be construed as having been granted for the purpose of criminal investigation.

(Delegation of Authority)

Article 68-2 The competent minister may, pursuant to the provisions of Cabinet Order, delegate part of their authority based on this Act to the heads of local branch offices.

(Partial Delegation of Functions)

Article 69 (1) The competent minister may, pursuant to the provisions of Cabinet Order, have the Bank of Japan handle part of the functions concerning the enforcement of this Act.

- (2) If the competent minister has the Bank of Japan handle part of the functions pursuant to the provisions of the preceding paragraph, the provisions of Article 43, paragraph (1) of the Bank of Japan Act (Act No. 89 of 1997) do not apply to that part of the functions.
- (3) If the competent minister has the Bank of Japan handle part of the functions pursuant to the provisions of paragraph (1), the expenses for the handling of the functions may be imposed on the Bank of Japan.

(Competent Minister)

Article 69-2 (1) Cabinet Order prescribes the competent minister under this Act.

- (2) Unless otherwise provided for, Cabinet Order prescribes the competent minister for the business under this Act as the competent minister for the business involving inward direct investment, etc., specified acquisition, or the conclusion, etc. of a technology introduction contract.

Article 69-3 (1) The ministers set forth in the following items may request the Minister for Foreign Affairs or the head of any other relevant administrative organ to provide materials or information, state opinions, or provide other necessary cooperation with regard to the operation of the provisions specified in the relevant item when they find it to be particularly necessary:

- (i) the competent minister: Article 16, paragraph (1) or Article 25, paragraph (6);
- (ii) the Minister of Finance: Article 21, paragraph (1);
- (iii) the Minister of Economy, Trade and Industry: Article 24, paragraph (1), Article 25, paragraphs (1) through (4), Article 48, or Article 52; and

(iv) the Minister of Finance and the competent minister for the business:

Article 27, paragraph (3), Article 27-2, paragraph (3), Article 28, paragraph (3), or Article 28-2, paragraph (3).

(2) The Minister for Foreign Affairs or the head of any other relevant administrative organ may state their opinions to: the minister set forth in items (i) through (iii) with regard to the operation of the provisions set forth respectively in items (i) through (iii) when the minister finds it to be particularly necessary in order to allow Japan to sincerely implement a treaty or any other international agreement that it has signed or to allow Japan to contribute to international efforts for international peace; the minister specified in item (iv) with regard to the operation of the provisions set forth in that item when the minister finds it to be particularly necessary in order to maintain international peace and security; to the minister specified in item (v) with regard to the operation of the provisions set forth in that item when the minister finds it to be particularly necessary due to the likelihood of a situation that would undermine national security, disturb the maintenance of public order, or interfere with the protection of public safety, or the likelihood of a situation that would have a significant adverse effect on the smooth operation of the Japanese economy; or the minister specified in item (vi) with regard to the operation of the provisions set forth in that item when the minister finds it to be particularly necessary due to the high likelihood of a situation that would undermine national security:

(i) Article 16, paragraph (1) or Article 25, paragraph (6): the competent minister;

(ii) Article 21, paragraph (1): the Minister of Finance;

(iii) Article 24, paragraph (1), Article 48, paragraph (3), or Article 52: the Minister of Economy, Trade and Industry;

(iv) Article 25, paragraphs (1) through (4), or Article 48, paragraph (1) or (2): the Minister of Economy, Trade and Industry;

(v) Article 27, paragraph (3) or Article 27-2, paragraph (3): the Minister of Finance and the competent minister for the business; and

(vi) Article 28, paragraph (3) or Article 28-2, paragraph (3): the Minister of Finance and the competent minister for the business.

(Provision of Information to Foreign Enforcement Authorities)

Article 69-4 (1) The Minister of Finance and the competent minister for the business may provide the authorities of a foreign country in charge of enforcing the laws and regulations of the foreign country that are equivalent to this Act (limited to the parts concerning Articles 27 and 28) (hereinafter referred to as the "foreign enforcement authorities" in this Article), with information that is found to contribute to the execution of their duties (limited to those equivalent

to the duties prescribed in Articles 27 and 28 of this Act; the same applies in the following paragraph); provided, however, that this does not apply if the provision of that information is found to be likely to interfere with the proper enforcement of this Act or otherwise infringe Japan's interests.

- (2) The Minister of Finance and the competent minister for the business must confirm the following matters when they provide the foreign enforcement authorities with the information prescribed in the preceding paragraph:
  - (i) that the foreign enforcement authorities are authorized to provide the Minister of Finance and the competent minister for the business with information equivalent to information to be provided as prescribed in the preceding paragraph;
  - (ii) that the foreign country assures the same level of confidentiality under the laws and regulations of the foreign country as that assured in Japan with regard to the information provided pursuant to the provisions of the preceding paragraph that is provided as confidential information; and
  - (iii) that the foreign enforcement authorities will not use the information provided pursuant to the provisions of the preceding paragraph, for any purposes other than the purpose of contributing to the execution of their duties.
- (3) Appropriate measures must be taken with regard to the information provided pursuant to the provisions of paragraph (1) so that the information will not be used in criminal proceedings conducted by a court or judge in a foreign country (simply referred to as "criminal proceedings" in the following paragraph) without the consent obtained under the provisions of the following paragraph.
- (4) Except in any of the cases set forth in the following items, the Minister of Finance and the competent minister for the business may, at the request of the foreign enforcement authorities, give consent to the information provided pursuant to the provisions of paragraph (1) being used in the criminal proceedings involved in the request:
  - (i) if the crime subject to the criminal proceedings involved in the request is a political crime or the request is found to have been made for the purpose of conducting criminal proceedings for a political crime;
  - (ii) if the act involved in the crime subject to the criminal proceedings involved in the request would not constitute a crime under the laws and regulations of Japan had it been performed in Japan; or
  - (iii) if the requesting country does not assure that it would accept the same kind of request made by Japan.
- (5) If the Minister of Finance and the competent minister for the business give consent referred to in the preceding paragraph, they must obtain in advance the confirmation by the Minister of Justice that the case does not fall under item (i) or (ii) of that paragraph, or the confirmation by the Minister for

Foreign Affairs that the case does not fall under item (iii) of that paragraph, respectively.

(Transitional Measures)

Article 69-5 If an order is enacted, revised, or abolished based on the provisions of this Act, the order may prescribe necessary transitional measures (including transitional measures concerning penal provisions) to the extent considered reasonably necessary upon the enactment, revision, or abolition of the order.

## **Chapter IX Penal Provisions**

Article 69-6 (1) A person that falls under any of the following items is punished by imprisonment for not more than seven years or a fine of not more than 20 million yen, or both; provided, however, that if five times the value of the subject matter of the violation exceeds 20 million yen, the fine is not more than five times that value:

(i) a person that has conducted a transaction prescribed by an order based on the provisions of Article 25, paragraph (1) or (4) without obtaining permission under the provisions of the relevant paragraph; or

(ii) a person that has conducted the export of goods prescribed by an order based on the provisions of Article 48, paragraph (1) without obtaining permission under the provisions of that paragraph.

(2) A person that falls under any of the following items is punished by imprisonment for not more than 10 years or a fine of not more than 30 million yen, or both; provided, however, that if five times the value of the subject matter of the violation exceeds 30 million yen, the fine is not more than five times that value:

(i) a person that has conducted a transaction prescribed by an order based on the provisions of Article 25, paragraph (1) without obtaining permission under the provisions of that paragraph, with regard to specified technology that is technology specified by Cabinet Order as technology for designing, manufacturing, or using a nuclear weapon, a military chemical agent or biological agent, a device for spraying one of those agents, or a rocket or unmanned aerial vehicle capable of transporting one of these, which is specified by Cabinet Order (hereinafter referred to as a "nuclear weapon, etc." in this paragraph), or as technology for designing, manufacturing, or using goods that are found to be highly likely to be used for the development, manufacturing, use, or storage (hereinafter referred to as "development, etc." in the following item) of a nuclear weapon, etc.; or

(ii) a person that has conducted a transaction prescribed by an order based on the provisions of Article 25, paragraph (4) without obtaining permission

under the provisions of that paragraph or conducted the export prescribed by an order based on the provisions of Article 48, paragraph (1) without obtaining permission under the provisions of that paragraph, with regard to a specified type of goods referred to in Article 48, paragraph (1), which are specified by Cabinet Order as goods that are found to be highly likely to be used for a nuclear weapon, etc. or the development, etc. thereof.

- (3) An attempt to commit the crimes referred to in paragraph (1), item (ii) and item (ii) of the preceding paragraph (limited to the part concerning the export of goods) is punishable.

Article 69-7 (1) A person that falls under any of the following items is punished by imprisonment for not more than five years or a fine of not more than 10 million yen, or both: provided, however, that if five times the value of the subject matter of the violation exceeds 10 million yen, the fine is not more than five times that value:

- (i) a person that has conducted a transaction the purpose of which is to provide specified technology, without obtaining permission under the provisions of an order based on the provisions of Article 25, paragraph (2);
  - (ii) a person that has conducted an act specified in Article 25, paragraph (3), item (i), without obtaining permission under the provisions of an order based on the provisions of that paragraph;
  - (iii) a person that has exported goods without obtaining permission under the provisions of an order based on the provisions of Article 48, paragraph (2);
  - (iv) a person that has exported goods without obtaining approval under the provisions of an order based on the provisions of Article 48, paragraph (3); or
  - (v) a person that has imported goods without obtaining approval under the provisions of an order based on the provisions of Article 52.
- (2) An attempt to commit the crime referred to in item (ii) of the preceding paragraph (limited to the part concerning Article 25, paragraph (3), item (i), (a)) is punishable.

Article 70 (1) A person that falls under any of the following items is punished by imprisonment for not more than three years or a fine of not more than one million yen, or both: provided, however, that if three times the value of the subject matter of the violation exceeds one million yen, the fine is not more than three times that value:

- (i) a person that has made or received a payment in violation of the provisions of Article 8;
- (ii) a person that has conducted a transaction or act or made or received a payment in violation of the provisions of an order based on the provisions of Article 9, paragraph (1);

- (iii) a person that has made or received a payment without obtaining permission under the provisions of an order based on the provisions of Article 16, paragraphs (1) through (3), or in violation of the provisions of paragraph (5) of that Article;
- (iv) a person that has made or received a payment in violation of the prohibition under the provisions of Article 16-2 on payment or receipt of payment, or without obtaining permission under the provisions of an order based on the provisions of that Article;
- (v) a person that has conducted the business involving foreign exchange transactions in violation of the suspension or restrictions under the provisions of Article 17-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 17-3);
- (vi) a person that has imported or exported a means of payment prescribed in Article 19, paragraph (1), securities, or precious metals without obtaining permission under the provisions of an order based on the provisions of paragraph (1) or (2) of that Article;
- (vii) a person that has conducted a capital transaction without obtaining permission under the provisions of an order based on the provisions of Article 21, paragraph (1) or (2);
- (viii) a person that has conducted a capital transaction in violation of the prohibition under the provisions of Article 22, paragraph (1) on capital transactions, or without obtaining permission under the provisions of an order based on the provisions of that paragraph;
- (ix) a person that has handled accounting in violation of the provisions of Article 22, paragraph (2);
- (x) a person that has conducted outward direct investment while failing to make a notification under the provisions of Article 23, paragraph (1) or making a false notification;
- (xi) a person that has, in violation of the provisions of Article 23, paragraph (3) or (5), conducted outward direct investment during the period prescribed in these provisions;
- (xii) a person that has conducted outward direct investment in violation of the provisions of Article 23, paragraph (7);
- (xiii) a person that has conducted outward direct investment in violation of an order of modification or discontinuance under the provisions of Article 23, paragraph (9);
- (xiv) a person that has conducted a specified capital transaction without obtaining permission under the provisions of an order based on the provisions of Article 24, paragraph (1) or (2);
- (xv) a person that has conducted a specified capital transaction in violation of the prohibition under the provisions of Article 24-2 on specified capital

- transactions, or without obtaining permission under the provisions of an order based on the provisions of that Article;
- (xvi) a person that has conducted an act prescribed in Article 25, paragraph (3), item (ii) without obtaining permission under the provisions of an order based on the provisions of that paragraph;
  - (xvii) a person that has conducted a service transaction prescribed by an order based on the provisions of Article 25, paragraph (5) without obtaining permission under the provisions of that paragraph;
  - (xviii) a person that has conducted a service transaction, etc. without obtaining permission under the provisions of an order based on the provisions of Article 25, paragraph (6);
  - (xix) a person that has conducted a transaction, export of recording medium containing technological information, international transmission of technological information, or export of goods, in violation of the prohibition under Article 25-2, paragraph (1) or (2) on a transaction the purpose of which is to provide technology, on the export of recording medium containing technological information, on the international transmission of technological information, or on the export of goods;
  - (xx) a person that has conducted a transaction or export of goods in violation of the prohibition under Article 25-2, paragraph (3) on transactions for the purchase and sale, lease, or gift, or on the export of goods;
  - (xxi) a person that has conducted a service transaction, etc. in violation of the prohibition under Article 25-2, paragraph (4) on service transactions, etc., or without obtaining permission under the provisions of an order based on the provisions of that paragraph;
  - (xxii) a person that has conducted inward direct investment, etc. or specified acquisition while failing to make a notification under the provisions of Article 27, paragraph (1) or Article 28, paragraph (1), or making a false notification (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of Article 27, paragraph (13) or Article 28, paragraph (8), and a person that is deemed to be a foreign investor pursuant to the provisions of Article 27, paragraph (14) or Article 28, paragraph (9));
  - (xxiii) a person that has conducted inward direct investment, etc. or specified acquisition during the prohibition period prescribed in Article 29, paragraph (6) in violation of the provisions of Article 27, paragraph (2) or Article 28, paragraph (2) (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of Article 27, paragraph (13) or Article 28, paragraph (8), and a person that is deemed to be a foreign

- investor pursuant to the provisions of Article 27, paragraph (14) or Article 28, paragraph (9));
- (xxiv) a person that has conducted inward direct investment, etc. or specified acquisition in violation of the provisions of Article 27, paragraph (8) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)) (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of Article 27, paragraph (13) or Article 28, paragraph (8), and a person that is deemed to be a foreign investor pursuant to the provisions of Article 27, paragraph (14) or Article 28, paragraph (9));
- (xxv) a person that has conducted inward direct investment, etc. or specified acquisition in violation of an order of modification or discontinuance under the provisions of Article 27, paragraph (10) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)) (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of Article 27, paragraph (13) or Article 28, paragraph (8), and a person that is deemed to be a foreign investor pursuant to the provisions of Article 27, paragraph (14) or Article 28, paragraph (9));
- (xxvi) a person that has violated an order under the provisions of Article 29, paragraphs (1) through (4) (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of Article 27, paragraph (13) or Article 28, paragraph (8), and a person that is deemed to be a foreign investor pursuant to the provisions of Article 27, paragraph (14) or Article 28, paragraph (9)), or a person that has violated an order under the provisions of Article 29, paragraph (5) (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of Article 27-2, paragraph (6) or Article 28-2, paragraph (6), and a person that is deemed to be a foreign investor pursuant to the provisions of Article 27-2, paragraph (7) or Article 28-2, paragraph (7));
- (xxvii) a person that has conducted the conclusion, etc. of a technology introduction contract while failing to make a notification under the provisions of Article 30, paragraph (1) or making a false notification;
- (xxviii) a person that has conducted the conclusion, etc. of a technology introduction contract during the period prescribed in Article 30, paragraph (2) (if the period is extended pursuant to the provisions of paragraph (3) or (6) of that Article or shortened pursuant to the provisions of paragraph (4) of

- that Article, the period so extended or shortened) in violation of the provisions of paragraph (2) of that Article;
- (xxix) a person that has conducted the conclusion, etc. of a technology introduction contract in violation of the provisions of Article 27, paragraph (8) as applied *mutatis mutandis* pursuant to Article 30, paragraph (7);
- (xxx) a person that has conducted the conclusion, etc. of a technology introduction contract in violation of an order of modification or discontinuance under the provisions of Article 27, paragraph (10) as applied *mutatis mutandis* pursuant to Article 30, paragraph (7);
- (xxxii) a person that has conducted the shipment of goods in violation of the provisions of an order based on the provisions of Article 51;
- (xxxiii) a person that has conducted export, a transaction, export of specified recording medium, etc., or transmission of information in violation of the prohibition under Article 53, paragraph (1) on the export of goods, on a transaction the purpose of which is to provide specified technology, on the export of specified recording medium, etc., or on the transmission of information concerning the specified technology;
- (xxxiv) a person that has imported or exported goods in violation of the prohibition under the provisions of Article 53, paragraph (2) on the import or export of goods;
- (xxxv) a person that has violated an order under the provisions of Article 53, paragraph (3) or (4);
- (xxxvi) a person that has violated the conditions attached under the provisions of Article 67, paragraph (1) to the permission under the provisions of Article 25, paragraph (1) or (4) or Article 48, paragraph (1); or
- (xxxvii) a person that has obtained, by deception or other wrongful means, the permission or approval under the provisions of Article 25, paragraph (1); under the provisions of an order based on the provisions of paragraph (2) or (3) of that Article; under the provisions of paragraph (4) of that Article; under the provisions of Article 48, paragraph (1); under the provisions of an order based on the provisions of Article 48, paragraph (2) or (3); or under the provisions of an order based on the provisions of Article 52.
- (2) An attempt to commit the crime referred to in item (xvi) of the preceding paragraph (limited to the part concerning Article 25, paragraph (3), item (ii), (a)) is punishable.

Article 70-2 A person that has violated an order under the provisions of Article 18-4 (including as applied *mutatis mutandis* pursuant to Article 18-5, Article 22-2, paragraph (2), and Article 22-3) is punished by imprisonment for not more than two years or a fine of not more than three million yen, or both.

Article 71 A person that falls under any of the following items is punished by imprisonment for not more than six months or a fine of not more than 500,000 yen:

- (i) a person that has imported or exported a means of payment prescribed in Article 19, paragraph (1), securities, or precious metals while failing to make a notification under the provisions of paragraph (3) of that Article or making a false notification;
- (ii) a person that has failed to make a report under the provisions of Article 55, paragraph (1) or made a false report;
- (iii) a person that has failed to make a report under the provisions of Article 55-3, paragraph (1) or (2) or made a false report;
- (iv) a person that has failed to prepare books and documents under the provisions of Article 55-3, paragraph (5), failed to enter the matters prescribed in that paragraph in them or made false entries in them, or failed to preserve them;
- (v) a person that has failed to make a report under the provisions of Article 55-4 or made a false report;
- (vi) a person that has failed to make a report under the provisions of Article 55-5, paragraph (1) or made a false report (including an executive partner of a specified partnership, etc. in the case where a specified partnership, etc. is deemed to acquire, own, or hold property or rights pursuant to the provisions of paragraph (2) of that Article, and a person that is deemed to be a foreign investor pursuant to the provisions of paragraph (3) of that Article);
- (vii) a person that has failed to make a report under the provisions of Article 55-6, paragraph (1) or made a false report;
- (viii) a person that has failed to make a report in violation of the provisions of an order based on the provisions of Article 55-7 or made a false report;
- (ix) a person that has failed to make a report in violation of the provisions of an order based on the provisions of Article 55-8 or made a false report;
- (x) a person that has violated an order under the provisions of Article 55-12, paragraph (2);
- (xi) a person that has refused, obstructed, or evaded the inspection under the provisions of Article 68, paragraph (1); or
- (xii) a person that has failed to answer questions under the provisions of Article 68, paragraph (1), or gave false answers.

Article 71-2 A person that has violated the provisions of Article 18, paragraph (4) (including as applied mutatis mutandis pursuant to Article 18-5, Article 22-2, paragraph (2), and Article 22-3) in order to conceal identification information is punished by a fine of not more than 500,000 yen.

Article 72 (1) If the representative of a corporation (including an organization that falls under any of the categories of organizations prescribed in Article 26, paragraph (1), items (ii), (iv), and (v), Article 27, paragraph (14), Article 27-2, paragraph (7), Article 28, paragraph (9), Article 28-2, paragraph (7), and Article 55-5, paragraph (3); hereinafter the same applies in this paragraph), or an agent, employee or any other worker of a corporation or individual commits a violation referred to in any of the provisions set forth in the following items with regard to the business or property of the corporation or individual, not only is the offender punished, but also the corporation is subject to the fine specified in the relevant item and the individual is subject to the fine referred to in the relevant Article:

- (i) Article 69-6, paragraph (2): a fine of not more than one billion yen (if five times the value of the subject matter of the violation exceeds one billion yen, a fine of not more than five times that value);
- (ii) Article 69-6, paragraph (1): a fine of not more than 700 million yen (if five times the value of the subject matter of the violation exceeds 700 million yen, a fine of not more than five times that value);
- (iii) Article 69-7: a fine of not more than 500 million yen (if five times the value of the subject matter of the violation exceeds 500 million yen, a fine of not more than five times that value);
- (iv) Article 70-2: a fine of not more than 300 million yen; or
- (v) Article 70 or the preceding two Articles: the fine referred to in the relevant Article.

(2) The period of statute of limitations for imposing a fine on a corporation or individual due to the violation referred to in Article 69-6 or Article 69-7 pursuant to the provisions of the preceding paragraph is the period of statute of limitations for the crime referred to in the relevant Article.

(3) If an organization that falls within any of the categories of organizations prescribed in Article 26, paragraph (1), items (ii), (iv), and (v), Article 27, paragraph (14), Article 27-2, paragraph (7), Article 28, paragraph (9), Article 28-2, paragraph (7), and Article 55-5, paragraph (3) is to be punished, the representative or administrator of the organization represents the organization with regard to procedural acts, and the provisions of laws on criminal proceedings applicable if a corporation is the accused apply *mutatis mutandis* thereto.

Article 73 A person that falls under either of the following items is punished by a civil fine of not more than 100,000 yen; provided, however, that this does not apply if the person's act should be subject to criminal punishment:

- (i) a person that has filed to make a notification under the provisions of Article 55-3, paragraph (6) or made a false notification; or

(ii) a person that has violated the conditions attached pursuant to the provisions of Article 67, paragraph (1).