

# Foreign Exchange and Foreign Trade Act

(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 ensure that international transactions develop normally and that peace and security are maintained in Japan and the international community through the implementation of the minimum necessary controls and coordination for international transactions, under the basic principle of free engagement in foreign exchange, foreign trade, and other such international transactions; and in doing so, to help achieve balance of payments equilibrium and currency stability and also to contribute to the sound development of the Japanese economy.

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Article 3 Deleted

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##### (Scope of Application)

Article 5 This Act also applies to actions that the representative, agent, employee, or other such worker of a corporation whose principal office is in Japan takes in a foreign country concerning the corporation's assets or business. The same applies to actions that a person whose domicile is in Japan or the agent, employee, or other such worker of such a person takes in a foreign country concerning that person's assets or business.

##### (Definitions)

Article 6 (1) In this Act and Orders based on this Act, the meanings of the terms stated in the following items are as prescribed in those items:

- (i) the term "Japan" means Honshu, Hokkaido, Shikoku, and Kyushu, and the islands associated with them that are prescribed by Ministry of Finance Order and Order of the Ministry of Economy, Trade and Industry;
- (ii) the term "foreign country" means any area outside Japan;
- (iii) the term "Japanese currency" means 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 with a domicile or residence in Japan or a corporation whose principal office is in Japan. Regardless of whether a non-resident's branch office, local office, or other such office in Japan has the legal authority to represent that non-resident, that office is deemed to be a resident, even if the non-resident's principal office is located in a foreign state;
- (vi) the term "non-resident" means a natural person or corporation other than a resident;
- (vii) the term "means of payment" means any of the following:
  - (a) banknotes, government notes, and coins;
  - (b) checks (including traveler's checks), bills of exchange, postal money orders, and letters of credit;
  - (c) the proprietary value entered in a voucher, electronic device, or any other object (meaning a "voucher or other such object" in Article 19, paragraph (1)) using electronic or magnetic means (meaning electronic means, magnetic means, or any other means that cannot be perceived with the human senses), which non-specific groups of persons or large numbers of persons can use among themselves for payment (limited to one prescribed by Cabinet Order as having a status of use that approximates a currency); and

- (d) what is prescribed by Cabinet Order as being equivalent to what is stated in (a) or (b);
- (viii) the term "foreign means of payment" means a foreign currency or any other means of payment (excluding Japanese currency) that is denominated in a foreign currency or that can be used for payment in a foreign country, regardless of the currency unit;
- (ix) the term "electronic payment instruments" means any of the following ;
  - (a) electronic payment instrument (meaning an electronic payment instrument as prescribed in Article 2, paragraph (5) of the Payment Services Act (Act No.59 of 2009); the same applies in the right-hand column of row 1 of the table in Article 16-2, Article 17-4, paragraph (2) and Article 18-6, paragraph (2); and
  - (b) cryptoasset (meaning a cryptoasset as prescribed in Article 2, paragraph (14) of the Payment Services Act; the same applies in the right-hand column of row 5 of the table in Article 16-2;
- (x) the term "precious metal" means gold bullion, gold alloy bullion, gold coins that are not in circulation, or any other object whose principal material is gold;
- (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 prescribed by Cabinet Order as being similar to them, regardless of whether it has been materialized;
- (xii) the term "foreign currency security" means a security for which a person can receive payment in a foreign country or a security that is denominated in a foreign currency;
- (xiii) the term "claim" means a time deposit, current deposit, special current deposit, deposit at notice, insurance policy, or current account balance, or a monetary claim not stated in any of the preceding items which arises from a loan, bid, or other source;
- (xiv) the term "futures contract on a financial indicator or similar metric" means a contract associated with market derivatives transactions prescribed in Article 2, paragraph (21) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (excluding those prescribed by Cabinet Order; hereinafter the same applies in this item), over-the-counter derivatives transactions prescribed in paragraph (22) of that Article (excluding those prescribed 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 prescribed by Cabinet Order

- as being similar to them;
- (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 "assets" means assets including what is prescribed in items (vii), (ix) through (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 set and issue public notice of the reference foreign exchange rates for Japanese currency and arbitrated foreign exchange rates of foreign currencies to Japanese currency.
- (2) Before setting a reference foreign exchange rate for Japanese currency pursuant to the provisions of the preceding paragraph, the Minister of Finance must obtain the approval of the Cabinet.
- (3) The Minister of Finance is to work towards stability in the foreign exchange rates of Japanese currency by taking necessary measures such as buying and selling foreign means of payment.

#### (Designation of Currency)

- Article 8 A payment in currency that is made or received in connection with a transaction or action to which this Act applies must be made or received in the 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 and the competent minister finds that there is an urgent need to do so, the competent minister, pursuant to the provisions of Cabinet Order, may order the suspension of transactions, actions, or the making or receiving of payments to which this Act applies, for a period prescribed by Cabinet Order.
- (2) A suspension that the competent minister orders pursuant to the provisions of the preceding paragraph is not to make it impossible to make a payment that had been authorized pursuant to this Act up until the time of the suspension, and any delay in making a payment due to such a suspension is to be limited to within the period prescribed by Cabinet Order.

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

- Article 10 (1) If it is particularly necessary to do so in order to maintain peace and security in Japan, it may be decided, in a Cabinet meeting, that responsive measures (meaning measures under 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 taken by the competent minister based on a cabinet decision under this paragraph) are to be implemented.

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

Article 11 Deleted

Article 12 Deleted

Article 13 Deleted

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### **Chapter III Making and Receiving Payments**

(Making and Receiving Payments)

Article 16 (1) If the competent minister finds it to be necessary to do so in order for Japan to faithfully perform its obligations under a treaty or any other international agreement that it has concluded, if the competent minister finds it to be particularly necessary to do so in order for Japan to contribute to international efforts towards international peace, or if a cabinet decision as referred to in Article 10, paragraph (1) is reached, the competent minister, pursuant to the provisions of Cabinet Order, may make it obligatory for residents or non-residents seeking to make a payment from Japan to a foreign state to get permission to make that payment, and may make it obligatory for residents seeking to make or receive a payment to or from non-residents to get permission to make or receive that payment, unless the payment in question is one that is being made or received in connection with a transaction or action that it has been made obligatory for persons to get permission or approval for

from the same perspective as stated above.

- (2) Beyond as prescribed in the preceding paragraph, if the competent minister finds it to be particularly necessary to do so in order to maintain Japan's balance of payments equilibrium, the competent minister, pursuant to the provisions of Cabinet Order, may make it obligatory for residents or non-residents seeking to make a payment from Japan to a foreign state or residents seeking to make a payment to non-residents to get permission to make that payment, unless the payment in question is made in connection with a transaction or action for which it has been made obligatory pursuant to the following Chapter through Chapter IV for persons to get permission or file a notification, or is made in connection with a transaction or action that, pursuant to those Chapters, the relevant authority is permitted to make it obligatory for persons to get permission or approval for.
- (3) Beyond as prescribed in the preceding two paragraphs, if the competent minister finds it to be necessary to do so in order to ensure the reliable implementation of the provisions of this Act or an Order based on this Act, the competent minister, pursuant to the provisions of Cabinet Order, may make it obligatory for residents or non-residents seeking to make a payment from Japan to a foreign state to get permission to make that payment, and may make it obligatory for residents seeking to make or receive a payment to or from non-residents to get permission to make or receive that payment, unless the payment in question is made or received in connection with a transaction or action for which it has been made obligatory pursuant to the following Chapter through Chapter IV for persons to get permission or file a notification, or is made or received in connection with a transaction or action that, pursuant to those Chapters, the competent minister is permitted to make it obligatory for persons to get permission or approval for.
- (4) If, pursuant to the provisions of two or more of the preceding three paragraphs, it has been made obligatory for persons to get permission to make or receive a payment that, pursuant to each of those three paragraphs, the competent minister is permitted to make it obligatory for persons to get permission for, a person seeking to make or receive such a payment may file a combined application for the permissions under those two or more paragraphs, pursuant to Cabinet Order. In such a case, the competent minister must decide whether to give permission while taking into consideration the circumstances that have led the minister to make it obligatory for persons to get permission to make or receive the payment under the application.
- (5) Except in the cases that Cabinet Order prescribes, if it has been made obligatory for persons to get permission or approval for a transaction or action or to file notification of a transaction or action pursuant to this Act or an Order based on this Act, a person must not make or receive a payment in connection

with that transaction or action without getting the permission or approval or without filing the notification.

(Restrictions on Making and Receiving Payments)

Article 16-2 If the competent minister has made it obligatory to get permission pursuant to the provisions of paragraph (1) of the preceding Article, and the minister finds that a person that has made or received a payment for which it has been made obligatory to get permission, without getting that permission, is likely to once again make or receive a payment for which it has been made obligatory to get permission pursuant to the provisions of that paragraph without getting that permission, the competent minister may prohibit the person from fully or partially making payments from Japan to a foreign country (excluding a payment that is made through an exchange transaction if the exchange transaction involving a payment that is made by its customer is conducted by a bank (meaning a bank as prescribed in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981); the same applies in Article 21, paragraph (3)) or any other financial institution prescribed by Cabinet Order (hereinafter referred to as a "bank or other prescribed financial institution") or by a funds transfer service provider (meaning a funds transfer service provider as prescribed in Article 2, paragraph (3) of the Payment Services Act (Act No. 59 of 2009) and including a company that is deemed to be a funds transfer service provider in Article 37-2, paragraph (2) of that Act: the same applies hereinafter) and a payment that is made through a transfer of electronic payment instruments or any other prescribed action (meaning the action stated in the right column of the following table in accordance with the category of the person set forth respectively in the left column of that table; the same applies hereinafter) if the transfer of electronic payment instruments or any other prescribed action involving a payment that is made by its customer is conducted by an electronic payment instruments service provider, etc. (meaning persons prescribed in the left column of the following table; the same applies hereinafter)); and from fully or partially making and receiving payments that take place between a resident and a non-resident (excluding the making and receiving of a payment through an exchange transaction conducted by a bank or other prescribed financial institution or by a funds transfer service provider, the making and receiving of a payment through a transfer of electronic payment instruments or any other prescribed action if the transfer of electronic payment instruments or any other prescribed action involving a payment that is made or received by its customer is conducted by an electronic payment instruments service provider, etc., and the making and receiving of a payments prescribed by Cabinet Order), but only during a period of up to one year, or, pursuant to the provisions of Cabinet Order, may make it obligatory

for that person to get permission to make payments from Japan to a foreign country and to make and receive payments that take place between a resident and a non-resident, but only during a period of up to one year.

(i) an electronic payment instruments service provider (meaning an electronic payment instruments service provider as prescribed in Article 2, paragraph (12) of the Payment Services Act, and including a company that is deemed to be an electronic payment instruments service provider in Article 62-8, paragraph (2) of that Act; hereinafter the same applies in this Article and in Article 55-3, paragraphs (2) and Article 55-9-2, paragraphs (1), item (i))	transfer of electronic payment instrument (limited to cases in which transfer of electronic payment instruments relates to the any of the following making or receiving of a payment or other cases prescribed by Cabinet Order) or an action as prescribed in Article 2, paragraph (10), item (iv) of the Payment Services Act
	(i) making or receiving of a payment between a customer of the electronic payment instruments service provider (excluding making a payment from Japan to a foreign country)
	(a) another customer who entrusts management of electronic payment instruments to the electronic payment instruments service provider; or
	(b) a customer who entrusts management of electronic payment instruments to an other electronic payment instruments service provider;
	(ii) making or receiving of a payment between a customer of the electronic payment instruments service provider and a customer who entrusts management of electronic payment instruments to a foreign electronic payment instruments service provider prescribed in Article 2, paragraph (13) of the Payment Services Act.
(ii) an electronic payment handling service provider (meaning an electronic payment handling service provider prescribed in Article 2, paragraph (18) of the Banking Act; hereinafter the same applies in Article 55-9-2, paragraph (1), item (ii))	an action prescribed in Article 2, paragraph (17), item (i) of the Banking Act



(iii) an electronic payment handling service provider (meaning an electronic payment handling service provider prescribed in Article 85-3-2, paragraph (1) of the Shinkin Bank Act (Act No. 238 of 1951); hereinafter the same applies in Article 55-9-2, paragraph (1), item (iii))	an action prescribed in Article 85-3, paragraph (2), item (i) of the Shinkin Bank Act.
(iv) an electronic payment handling service provider for credit cooperatives (meaning an electronic payment handling service provider for credit cooperatives prescribed in Article 6-4-4, paragraph (1) of the Act on Financial Business by Cooperatives (Act No.183 of 1949); hereinafter the same applies in Article 55-9-2, paragraph (1), item (iv))	an action prescribed in Article 6-4-3, paragraph (2), item (i) of the Act on Financial Business by Cooperatives.
(v) a cryptoasset exchange service provider (meaning a cryptoasset exchange service provider prescribed in Article 2, paragraph (16) of the Payment Services Act; hereinafter the same applies in this Article and Article 55-3, paragraphs (2))	a transfer of cryptoasset (limited to cases in which the transfer of the cryptoasset relates to any of the following making or receiving of a payment or other cases prescribed by Cabinet Order)
	(i) making or receiving of a payment between a customer of the cryptoasset exchange service provide and any of the following persons (excluding making a payment from Japan to a foreign country).
	(a) another customer who entrusts management of cryptoassets to the cryptoasset exchange service provider ;or
	(b) a customer who entrusts management of cryptoassets to an other cryptoasset exchange service provider;
	(ii) making or receiving of a payments between a customer of the cryptoasset exchange service provider and a customer who entrusts management of cryptoassets to a foreign cryptoasset exchange service provider prescribed in Article 2, paragraph (17) of the Payment Services Act.

(Obligation of Banks and Other Prescribed Financial Institutions to Implement Confirmations for Transactions)

Article 17 It is prohibited for a bank or other prescribed financial institution to

conduct an exchange transaction with a customer that involves a payment being made or received by that customer until after it has confirmed that the customer's making or receiving of the payment does not constitute the making or receiving of a payment stated in one of the following items, or, if the customer's making or receiving of the payment is found to constitute the making or receiving of a payment stated in one of the following items, until after it has confirmed that the requirement prescribed in that item has been met:

- (i) the making or receiving of a payment that it has been made obligatory for persons to get permission for pursuant to the provisions of Article 16, paragraphs (1) through (3): the customer has gotten that permission; and
- (ii) the making or receiving of a payment in connection with a capital transaction prescribed in Article 20 that it has been made obligatory for persons to get permission for pursuant to the provisions of Article 21, paragraph (1) or (2): the customer has gotten that permission;
- (iii) the making or receiving of any other payment in connection with a transaction or action prescribed by Cabinet Order that it has been made obligatory for persons to get permission for or for persons to file a notification for pursuant to the provisions of this Act or an Order based on this Act: the customer has gotten that permission or approval, or has completed the necessary procedures after filing the notification.

(Measures to Rectify Confirmation)

Article 17-2 (1) If the Minister of Finance finds that a bank or other prescribed financial institution is conducting or is likely to conduct an exchange transaction (excluding those stated in Article 55-9-2 paragraphs (2) item (iii)), in violation of the provisions of the preceding Article, involving a payment be made or received by its customer, the minister may order it to take measures to ensure that it properly implements the confirmations referred to in proceeding Article.

- (2) If the Minister of Finance finds it to be necessary to do so when issuing an order to a bank or other prescribed financial institution pursuant to the provisions of the preceding paragraph, the minister may order the bank or other prescribed financial institution to fully or partially suspend its business involving a foreign exchange transaction or restrict the content of its business, until the measures referred to in that paragraph are taken.

(Application, Mutatis Mutandis, of the Relevant Provisions to Funds Transfer Service Providers)

Article 17-3 The provisions of the preceding two Articles apply mutatis mutandis if a funds transfer service provider carries out an exchange transaction

involving a payment that is made or received by its customer.

(Application, Mutatis Mutandis, of the Relevant Provisions to an Electronic Payment Instruments Service Provider, etc.)

Article 17-4 (1) The provisions of Article 17 and Article 17-2 apply mutatis mutandis if an electronic payment instruments service provider, etc. conducts a transfer of electronic payment instruments or any other prescribed action involving a payment that is made or received by its customer. In such a case, the term "an exchange transaction" in Article 17, is deemed to be replaced with "a transfer of electronic payment instruments or any other prescribed action.", the term "an exchange transaction" in Article 17-2, paragraphs (1), is deemed to be replaced with "a transfer of electronic payment instruments or any other prescribed action.", and the term "foreign exchange transactions" in Article 17-2, paragraphs (2), is deemed to be replaced with "transfers of electronic payment instruments or any other prescribed actions."

(2) In the case an electronic payment instruments service provider, etc. conducts a transfer of electronic payment instruments or any other prescribed action involving a payment that is made or received by its customer, the provisions of the preceding three Articles do not apply to a bank or other prescribed financial institution or a funds transfer service provider, if the electronic payment instruments service provider, etc. transfers electronic payment instrument issued by the bank or other prescribed financial institution or by the funds transfer service provider, or if the electronic payment instruments service provider, etc. conducts one of the actions stated in the right columns of row1 through 4 of the table in Article 16-2 involving making or receiving of a payment of its customer(excluding transfer of electronic payment instrument; hereinafter the same applies in Article 18-6 paragraphs (2)) upon being entrusted by the bank or any other prescribed financial institution or by the funds transfer service provider.

(Banks' and Other Prescribed Financial Institutions' Obligation to Verify the Identities of Their Customers)

Article 18 (1) When carrying out an exchange transaction involving a payment that a customer as stated in one of the following items makes from Japan to a foreign state or an exchange transaction involving such a customer making or receiving a payment to or from a non-resident (unless that customer is a non-resident) (excluding an exchange transaction that involves the person in question making a small payment or making or receiving a payment that Cabinet Order prescribes; hereinafter referred to as a "specified exchange transaction"), a bank or other prescribed financial institution must verify the information stated in that item (hereinafter referred to as "identifying

information") for that customer by having the customer present a driver's license or by any other means that Ministry of Finance Order prescribes (hereinafter referred to as "verifying a person's identity"):

- (i) a natural person: the person's name, domicile or residence (or the information prescribed by Ministry of Finance Order, if the person is a foreign national prescribed by Cabinet Order who has neither a domicile nor residence in Japan), and date of birth; and
  - (ii) a corporation: the corporation's name and the location of its principal office.
- (2) When a bank or other prescribed financial institution verifies the identity of a customer, if a company's representative is carrying out a specified exchange transaction on behalf of that company or in any other such a case in which the natural person actually responsible for the specified exchange transaction with the bank or other prescribed financial institution is not the customer itself (excluding the cases prescribed in the following paragraph), the bank or other prescribed financial institution must verify the identity of the natural person responsible for the specified exchange transaction (meaning the "representative or other responsible party" in this Article and the following Article), in addition to verifying the identity 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 prescribed by Cabinet Order, the natural person who is actually responsible for conducting a specified exchange transaction with the bank or other prescribed financial institution on its behalf is deemed to be the customer, and the provisions of paragraph (1) apply.
- (4) It is prohibited for a customer (including a natural person deemed to be a customer pursuant to the provisions of the preceding paragraph; hereinafter the same applies in this paragraph through Article 22-3 ) or a representative or other responsible party to disguise their identifying information from the bank or other prescribed financial institute when that bank or other prescribed financial institution is confirming their identity.

(Exemption of Banks and Other Prescribed Financial Institutions from Performance of Obligations)

Article 18-2 If a customer or a representative or other responsible party does not comply with an identity verification when conducting a specified exchange transaction, a bank or other prescribed financial institution may refuse to perform its obligation in the specified exchange transaction until the customer or the representative or other responsible party complies with this.

(Obligation to Create Identity Verification Records)

Article 18-3 (1) Once a bank or other prescribed financial institution has verified

a person's identity, it must immediately prepare a record of the identifying information and other information that Ministry of Finance Order prescribes as information related to the verification of a person's identity (referred to as an "identity verification record" in the following paragraph) by the means prescribed by Ministry of Finance Order.

- (2) A bank or other prescribed financial institution must preserve an identity verification record for seven years after the day on which the specified exchange transaction is completed or any other such date prescribed by Ministry of Finance Order.

(Measures to Rectify Identity Verifications and Preparation of Identity Verification Records)

Article 18-4 If the Minister of Finance finds that a bank or other prescribed financial institution has violated the provisions of Article 18, paragraphs (1) through (3) or the provisions of paragraph (1) or (2) of the preceding Article in connection with a specified exchange transaction, the Minister may order it to take the necessary measures to rectify the violation.

(Application, Mutatis Mutandis, of the Relevant Provisions 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.

(Application, Mutatis Mutandis, of the Relevant Provisions to Electronic Payment Instruments Service Provider, etc.)

- Article 18-6 (1) The provisions of Article 18 through Article 18-4 apply mutatis mutandis if an electronic payment instruments service provider, etc. conducts a transfer of electronic payment instruments or any other prescribed action involving a payment that is made or received by its customer. In such a case, the term "an exchange transaction involving" in Article 18, paragraph(1), is deemed to be replaced with "a transfer of electronic payment instruments or any other prescribed action involving", and the term "specified exchange transaction" in Article 18, paragraphs (2) and (3), Article 18-2, Article 18-3, paragraph (2), and Article 18-4, is deemed to be replaced with " transaction for a transfer of electronic payment instruments or any other prescribed action".
- (2) In the case an electronic payment instruments service provider, etc. conducts a transfer of electronic payment instruments or any other prescribed action involving a payment that is made or received by its customer, the provisions of Article 18 through the preceding Article do not apply to a bank or other prescribed financial institution or a funds transfer service provider, if the

electronic payment instruments service provider, etc. transfers electronic payment instrument issued by the bank or other prescribed financial institution or by the funds transfer service provider, or if the electronic payment instruments service provider, etc. conducts one of the actions stated in the right columns of row 1 through 4 of the table in Article 16-2 pertaining to making or receiving of a payment of its customers upon being entrusted by the bank or other prescribed financial institution or by the funds transfer service provider.

(Importing and Exporting Means of Payment)

- Article 19 (1) If the Minister of Finance finds it to be necessary to do so in order to ensure the reliable implementation of the provisions of this Act or of an Order based on this Act, the minister, pursuant to the provisions of Cabinet Order, may make it obligatory for residents or non-residents seeking to import or export a means of payment (including a voucher or other such object in which a means of payment is entered as stated in Article 6, paragraph (1), item (vii), (c)) or securities, to get permission to do so.
- (2) If the Minister of Finance finds it to be necessary to do so in order to ensure the reliable implementation of the provisions of this Act or of an O based on this Act or finds it to be particularly necessary to do so in order to maintain a balance of payments equilibrium or currency stability, the minister, pursuant to the provisions of Cabinet Order, may make it obligatory for residents or non-residents seeking to import or export precious metals to get permission to do so.
- (3) If a resident or non-resident seeks to import or export a means of payment prescribed in paragraph (1) or a security or precious metal, the resident or non-resident, pursuant to the provisions of Cabinet Order, must file a notification of the substance of the import or export, its timing, and other information that Cabinet Order prescribes with the Minister of Finance, unless that resident or non-resident has gotten the permission of the Minister of Finance to import or export that means of payment, security, or precious metal pursuant to the provisions of an Order based on one of the preceding two paragraphs or in any other case prescribed by Cabinet Order.

## **Chapter IV Capital Transactions; Related Matters**

(Definition of Capital Transaction)

- Article 20 The term "capital transaction" means any of the following transactions or actions (excluding an act which falls within the category of inward direct investment or an equivalent action prescribed in Article 26, paragraph (2) and which is conducted by any of the persons stated 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, alteration, or extinguishment of a claim") based on a deposit contract (including an installment savings contract, installment deposit contract, money deposit contract, or any other contract prescribed by Cabinet Order as being similar to them; the same applies hereinafter) or trust contract between a resident and a non-resident;
- (ii) a transaction involving the accrual, alteration, or extinguishment 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, alteration, or extinguishment of a claim based on a sales contract for a foreign means of payment or for a claim between a resident and a non-resident;
- (iv) a transaction involving the accrual, alteration, or extinguishment 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 for a claim between a resident and another resident;
- (v) a resident's acquisition of securities from a non-resident (including a resident's or a non-resident's acquisition of a right based on which the resident will acquire securities from the non-resident upon the acquirer's unilateral manifestation of the intention for this to occur), or a resident's transfer of securities to a non-resident (including a resident's or a non-resident's acquisition of a right based on which the resident will transfer securities to the non-resident upon the acquirer's unilateral manifestation of the intention for this to occur);
- (vi) a resident's issuance or public offering of securities in a foreign country, a resident's issuance or public offering of foreign securities in Japan, or a non-resident's issuance or public offering of securities in Japan;
- (vii) a non-resident's issuance or public offering of securities that are denominated or payable in Japanese currency, in a foreign country;
- (viii) a transaction involving the accrual, alteration, or extinguishment of a claim based on a futures contract on a financial indicator or similar metric between a resident and a non-resident;
- (ix) a transaction involving the accrual, alteration, or extinguishment of a claim that is payable in a foreign currency based on a futures contract on a financial indicator or similar metric between a resident and another resident, or a transaction involving the accrual, alteration, or extinguishment of a claim that is payable in Japanese currency based on a futures contract on a financial indicator or similar metric (limited to such a contract involving a financial indicator (meaning the financial indicator prescribed in Article 2,

- paragraph (25) of the Financial Instruments and Exchange Act) of a foreign currency) between a resident and another resident;
- (x) a resident's acquisition of real property or rights to real property that is located in a foreign country, or a non-resident's acquisition of real property or rights to real property that is located in Japan;
  - (xi) 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 prescribed by Cabinet Order as the delivery and receipt of the ordinary expenses necessary for operating the office and funds involved in an ordinary transaction), beyond as stated in items (i) and (ii); and
  - (xii) a transaction or action prescribed by Cabinet Order as being equivalent to any of the transactions or actions stated in the preceding items.

(Transactions Deemed as Capital Transactions)

Article 20-2 The transactions stated in the following items are deemed to be capital transactions prescribed in those items, and the provisions of this Act (including Orders based on this Act) apply to the transactions.

- (i) a transaction involving the accrual, alteration, or extinguishment of a right to request the transfer of electronic payment instruments based on a contract for management of electronic payment instruments (referred to as a "transaction involving the accrual, alteration, or extinguishment of a right to request the transfer of electronic payment instruments" in this Article) between a resident and a non-resident; capital transactions stated in item (i) of the preceding Article;
- (ii) a transaction involving the accrual, alteration, or extinguishment of a right to request the transfer of electronic payment instruments based on a loan contract or obligation guarantee contract involving the transfer of electronic payment instruments between a resident and a non-resident; capital transactions stated in item (ii) of the preceding Article; and
- (iii) a transaction involving the accrual, alteration, or extinguishment of a right to request the transfer of electronic payment instruments based on a contract for buying and selling electronic payment instruments or a contract for exchanging electronic payment instruments with another electronic payment instruments between a resident and a non-resident; capital transactions as stated in item (iii) of the preceding Article

(Capital Transactions For Which It Is Made Obligatory to Get the Permission of the Minister of Finance)

Article 21 (1) On finding that, if residents or non-residents were to unrestrictedly conduct capital transactions (meaning capital transactions as prescribed in Article 20 , and excluding those falling under the category of



specified capital transactions as prescribed in Article 24, paragraph (1); the same applies in paragraph (1) of the following Article, Article 55-3, and Article 70, paragraph(1)), it would prevent Japan from faithfully performing its obligations under a treaty or other international agreement it has concluded or would cause a situation that would prevent Japan from contributing to international efforts towards international peace, thereby making it difficult to achieve the purpose of this Act, or if a cabinet decision as referred to in Article 10, paragraph (1) has been reached, the Minister of Finance, pursuant to Cabinet Order, may make it obligatory for residents or non-residents seeking to conduct such a capital transaction to get permission to conduct it.

(2) Beyond as prescribed in the preceding paragraph, on finding that, if residents or non-residents were to unrestrictedly conduct capital transactions as prescribed in that paragraph (excluding those for which accounting is handled in the special international financial transactions account), it would cause one of the following situations to arise, thereby making it difficult to achieve the purpose of this Act, the Minister of Finance, pursuant to Cabinet Order, may make it obligatory for residents or non-residents seeking to conduct such a capital transaction, to get permission to conduct it:

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

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

(iii) the Japanese financial market or capital market would be adversely affected by a massive transfer of funds between Japan and a foreign country.

(3) The term "special international financial transactions account" referred to in the preceding paragraph means an account that a bank or other prescribed financial institution that Cabinet Order specifies establishes with the approval of the Minister of Finance in order to manage its accounting for its investment or procurement of funds in connection with the following transactions and actions (excluding transactions deemed capital transactions as prescribed in the preceding Article),it undertakes in order to allocate deposits that it receives from non-residents (but only corporations established under foreign laws and regulations and any other persons that Cabinet Order prescribes; hereinafter the same applies in this and the following paragraph) and other funds that it procures from non-residents, for use in lending money to non-residents, for use in acquiring securities from non-residents, and for use in other investment in non-residents, separately from its accounting for its investment and procurement of funds in connection with other transactions and actions:

(i) capital transactions as stated in item (i) of Article 20 that constitute transactions involving the accrual, alteration, or extinguishment of a claim

- based on a deposit contract with a non-resident which is prescribed by Cabinet Order;
- (ii) capital transactions as stated in item (ii) of Article 20 that constitute transactions involving the accrual, alteration, or extinguishment of a claim based on a money loan agreement with a non-resident;
  - (iii) capital transactions as stated in item (v) of Article 20 that constitute the acquisition from a non-resident or transfer to a non-resident of securities (limited to those that Cabinet Order prescribes) issued by a non-resident; and
  - (iv) other transactions or actions prescribed by Cabinet Order.
- (4) Cabinet Order provides for transfers of funds between a special international financial transactions account as prescribed in the preceding paragraph (hereinafter referred to as a "special international financial transactions account" in this paragraph and paragraph (2) of the following Article) and other accounts and for other particulars of the accounting in a special international financial transactions account, and also provides for confirmation that the other party to a transaction or action for which the accounting is conducted in a special international financial transactions account is a non-resident and for any other necessary particulars.
- (5) If it has been made obligatory for persons to get permission for a capital transaction as prescribed in paragraph (2) pursuant to the provisions of both paragraphs (1) and (2), a person seeking to conduct such a transaction may file a combined application for the permissions under those paragraphs, pursuant to Cabinet Order. In such a case, the Minister of Finance is to decide whether to give permission while also taking into consideration whether the capital transaction under the application would actually cause one of the situations that forms the basis for obliging persons to get permission for that transaction.
- (6) If the Minister of Finance, pursuant to paragraph (1) or (2), has made it obligatory to get permission for outward direct investment as prescribed in Article 23, paragraph (2) in connection with which Article 23, paragraph (1) requires a notification to be filed, the minister is to decide whether to give that permission while also taking into consideration whether the outward direct investment under the application for permission would actually give rise to one of the situations stated in the items of paragraph (4) of that Article, in addition to whether it would actually give rise to one of the situations prescribed in paragraph (1) or in one of the items of paragraph (2) that forms the basis for obliging persons to get permission.

(Restrictions on Capital Transactions)

Article 22 (1) If the Minister of Finance has made it obligatory to get permission pursuant to the provisions of paragraph (1) of the preceding Article, and the

minister finds that a person that has conducted a capital transaction which it has been made obligatory to get permission for, without getting that permission, is likely to once again conduct a capital transaction that it has been made obligatory to get permission for pursuant to the provisions of that paragraph without getting that permission, the minister may prohibit the person from fully or partially conducting capital transactions, or, pursuant to the provisions of Cabinet Order, make it obligatory for that person to get permission to conduct capital transactions, but only during a period of up to one year.

- (2) If the Minister of Finance finds that a person that has accounted for a transaction or action other than one that is stated in the items of paragraph (3) of the preceding Article (hereinafter referred to as an "ineligible transaction or action" in this paragraph) by placing it in the special international financial transactions account or a person that has violated the provisions of an Order that is based on paragraph (4) of that Article is likely to once again account for an ineligible transaction or action by placing it in the special international financial transactions account or is likely to once again violate the provisions of that order, the minister may prohibit the person from fully or partially accounting for transactions and actions as stated in the items of paragraph (3) of that Article by placing them in the special international financial transactions account, but only during a period of up to one year.

(Obligation of Banks and Any Other Forms of Financial Enterprise to Verify the Identities of their Customers and Equivalent Persons)

Article 22-2 (1) When a bank or other prescribed financial institution, a trust company (meaning a trust company as prescribed in Article 2, paragraph (2) of the Trust Business Act (Act No. 154 of 2004) or the foreign trust company as prescribed in paragraph (6) of that Article), a financial instruments business operator (meaning a financial instruments business operator as prescribed in Article 2, paragraph (9) of the Financial Instruments and Exchange Act which is engaged 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) or an electronic payment instruments service provider, etc. (referred to as a "bank or and any other form of financial enterprise. " in the following paragraph and Article 55-9-2 paragraph (1)) enters into a contract or takes any other action prescribed by Cabinet Order that is connected with a capital transaction as prescribed in Article 20 (referred to as "entering into a contract or taking any other prescribed action in connection with a capital transaction" in the following paragraph) with a customer or a person prescribed by Cabinet Order as being equivalent to them (referred to as a "customer or equivalent person" in

this paragraph), it must conduct identity verification with regard to the customer or equivalent person.

- (2) The provisions of Article 18, paragraphs (2) through (4) and Articles 18-2 through 18-4 apply mutatis mutandis if banks and any other forms of financial enterprise. enters into a contract or takes any other prescribed action in connection with a capital transaction. In such a 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)".

(Application, Mutatis Mutandis, 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 (this person is referred to as a "currency exchange operator" in Article 55-9-2, paragraph(1)) exchanges currencies (excluding a small currency exchange prescribed by Cabinet Order) with a customer.

(Outward Direct Investment)

Article 23 (1) Before a resident conducts an outward direct investment prescribed by Cabinet Order as being likely to cause one of the situations stated in the items of paragraph (4), the resident, pursuant to the provisions of Cabinet Order, must first file a notification of the substance of the outward direct investment, its timing, and other information that Cabinet Order prescribes with the Minister of Finance.

- (2) The term "outward direct investment" as used in this Article means a resident's acquisition of securities issued by a corporation that has been incorporated under foreign laws and regulations or lending of money to such a corporation that is prescribed by Cabinet Order as being done for the purpose of establishing a permanent economic relationship with the corporation, or a resident's payment of funds for the establishment or expansion of a branch office, factory, or other such place of business (hereinafter referred to as a "branch office or other such place of business") in a foreign country.

- (3) A resident that has filed a notification under paragraph (1) must not conduct the outward direct investment stated in the notification until the final day in the 20-day period that starts on the day that the Minister of Finance receives the notification; provided, however, that the Minister of Finance may shorten the 20-day period on finding there to be no special problems in light of the substance of the outward direct investment stated in the notification or any

other circumstances.

- (4) Once the outward direct investment under a notification referred to in the preceding paragraph is undertaken, the Minister of Finance, pursuant to Cabinet Order, may issue a recommendation to the person filing the notification of the outward direct investment to modify the substance of the investment or discontinue it, but only if the minister finds that the outward direct investment would cause one of the following situations and make it difficult to achieve the purpose of this Act or if a cabinet decision referred to in Article 10, paragraph (1) has been issued; provided, however, that the period during which the minister may issue a recommendation to modify or discontinue this is within 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 compromise international peace and security or interfere with the maintenance of public order.
- (5) Notwithstanding the provisions of paragraph (3), a person that is issued a recommendation under the preceding paragraph must not undertake the outward direct investment under the notification referred to in paragraph (3) until the final day in the 20-day period that starts on the date on which the person is issued that recommendation.
- (6) A person that is issued the recommendation under 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 will comply with the recommendation.
- (7) A person that has notified the Minister of Finance of compliance with the recommendation pursuant to the provisions of the preceding paragraph must conduct the outward direct investment that is subject to the recommendation in accordance with the recommendation.
- (8) Notwithstanding the provisions of paragraph (3) or (5), once a person notifies the Minister of Finance, pursuant to the provisions of paragraph (6), of compliance with a recommendation, the person may undertake the outward direct investment subject to the recommendation even if 20 days have not yet passed since the person was issued the recommendation.
- (9) If a person that has been issued a recommendation under paragraph (4) fails to notify the minister as under paragraph (6) or notifies the minister of non-compliance with the recommendation, the Minister of Finance may order the person issued the recommendation to modify the substance of the outward direct investment or discontinue it; provided, however, that the period during which the minister may issue an order to modify or discontinue this is within 20 days, starting from the day on which the minister issues the

recommendation under paragraph (4).

- (10) Beyond as prescribed in each of the preceding paragraphs, Cabinet Order prescribes the procedures for recommending modifications to the substance of outward direct investment and for recommending the discontinuance of outward direct investment, and also provides for other necessary particulars of these recommendations.
- (11) Notwithstanding paragraph (1), if, pursuant to Article 21, paragraph (1) or (2), persons have been placed under the obligation to get the permission of the Minister of Finance for outward direct investment for which a notification must be filed pursuant to paragraph (1), a resident undertaking such an investment is not required to file such a notification. In such a case, if a resident has already filed a notification under that paragraph for that outward direct investment, the notification (but only a notification about outward direct investment (excluding investment in connection with which the person has notified the minister of compliance with a recommendation to discontinue investment which the person has been issued pursuant to paragraph (6) or investment that the person has been ordered to discontinue pursuant to paragraph (9)) that has not yet actually been undertaken at the time the person is placed under the obligation to get permission pursuant to paragraph (1) or (2) of that Article) is deemed to be an application for permission that the resident has been placed under the obligation to get pursuant to paragraph (1) or (2) of that Article, which was filed on the day of the notification; and if a recommendation under paragraph (4), notice under paragraph (6) (but only notice through which the person indicates compliance in modifying the substance of an investment), or an order under paragraph (9) (but only an order for the person to modify the substance of the investment) has been issued with regard to the outward direct investment that is subject to that notification, the recommendation, notice, or order is deemed not to have been issued.

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

- Article 24 (1) On finding that, if residents were to unrestrictedly conduct specified capital transactions (meaning any capital transaction as stated in Article 20, item (ii) (including anything that, pursuant to item (xii) of that Article, Cabinet Order prescribes as a transaction equivalent to what is referred to in item (ii) of that Article) prescribed by Cabinet Order as a transaction or action that a person that imports or exports goods conducts in direct association with the importing or exporting of goods, or prescribed by Cabinet Order as a transaction or action associated with the transfer of a mining right, industrial property right, or other right equivalent thereto, or associated with the establishment of the right to use these rights (excluding

anything prescribed by Cabinet Order as a transaction whose purpose is the settlement of a short-term international commercial transaction)), it would prevent Japan from faithfully performing its obligations under a treaty or other international agreement it has concluded or would cause a situation that would prevent Japan from contributing to international efforts towards international peace, thereby making it difficult to achieve the purpose of this Act, or if a cabinet decision as referred to in Article 10, paragraph (1) has been reached, the Minister of Economy, Trade and Industry, pursuant to Cabinet Order, may make it obligatory for residents seeking to conduct such a specified capital transaction to get permission to conduct it.

- (2) Beyond as prescribed in the preceding paragraph, on finding that, if residents were to unrestrictedly conduct specified capital transactions, it would cause one of the situations stated in the items of Article 21, paragraph (2) to arise, thereby making it difficult to achieve the purpose of this Act, the Minister of Economy, Trade and Industry, pursuant to Cabinet Order, may make it obligatory for residents seeking to conduct such a specified capital transaction to get permission to conduct it.
- (3) If it has been made obligatory for persons to get permission for a specified capital transaction pursuant to both paragraph (1) and the preceding paragraph, a person seeking to conduct such a transaction may file a combined application for the permissions under those paragraphs, pursuant to Cabinet Order. In such a case, the Minister of Economy, Trade and Industry is to decide whether to give permission while also taking into consideration whether the specified capital transaction under the application would actually cause one of the situations that forms the basis for the minister's having made it obligatory for persons to get permission for such a transaction.

#### (Restrictions of Specified Capital Transactions)

Article 24-2 If the Minister of Economy, Trade and Industry has made it obligatory to get permission pursuant to the provisions of paragraph (1) of the preceding Article, and the minister finds that a person that has conducted a specified capital transaction which it has been made obligatory to get permission for, without getting that permission, is likely to once again conduct a specified capital transaction that it has been made obligatory to get permission for pursuant to the provisions of that paragraph without getting that permission, the minister may prohibit the person from fully or partially conducting specified capital transactions, or, pursuant to the provisions of Cabinet Order, make it obligatory for that person to get permission to conduct specified capital transactions, but only during a period of up to one year.

#### (Service Transaction)

Article 25 (1) Pursuant to the provisions of Cabinet Order, if a resident or non-resident seeks to conduct a transaction that is meant to provide a technology for designing, manufacturing, or using a specified type of goods (hereinafter referred to as "specified technology") in a specified foreign country (hereinafter referred to as a "specified country"), and that is prescribed by Cabinet Order as a transaction that it is found will interfere with the maintenance of international peace and security, or if a resident seeks to conduct a transaction that is meant to provide specified technology to a non-resident affiliated with a specified country and that is prescribed by Cabinet Order as a transaction that it is found will interfere with the maintenance of international peace and security, the resident or non-resident, in the first case, or the resident, in the second case, must obtain the permission of the Minister of Economy, Trade and Industry for that transaction.

(2) If the Minister of Economy, Trade and Industry finds it to be necessary to do so in order to ensure the reliable implementation of the provisions of the preceding paragraph, the Minister, pursuant to the provisions of Cabinet Order, may make it obligatory for residents or non-residents seeking to conduct a transaction that is meant to provide specified technology in a foreign country other than a specified country, or residents seeking to conduct a transaction that is meant to provide specified technology to a non-resident from a foreign country other than a specified country with to get permission for the transaction.

(3) In the cases stated in the following items, the Minister of Economy, Trade and Industry, pursuant to the provisions of Cabinet Order, may make it obligatory for persons seeking to take the action prescribed in that item to get permission for that action:

(i) if the Minister finds it to be necessary to do so in order to ensure the reliable 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, picture, or data storage medium containing information on the specified technology (hereinafter referred to as a "document, picture, or storage medium containing specified information") to a specified country; 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) if the minister finds it to be necessary to do so in order to ensure the reliable 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 document, picture, or storage medium containing specified information, with a foreign country other than the specified country; 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 seeks to conduct a transaction with a non-resident that is connected with the buying and selling, leasing, or donation of goods; that involves the transfer of goods between foreign countries; and that Cabinet Order prescribes as being found to interfere with the maintenance of international peace and security, the resident must get the permission of the Minister of Economy, Trade and Industry for that transaction, pursuant to the provisions of Cabinet Order.
- (5) If a resident seeks to conduct a service transaction (meaning a transaction that is meant to provide labor or a benefit; the same applies hereinafter) that constitutes the processing of minerals or anything Cabinet Order prescribes as similar to them (excluding anything that falls under the category of the entry into, renewal, or modification of a technology introduction contract as prescribed in Article 30, paragraph (1)), the resident must get the permission of the competent minister for that transaction, pursuant to Cabinet Order; provided, however, that this does not apply to a service transaction which falls within the category of service transaction for which it has been made obligatory to get the permission of the competent minister, pursuant to the provisions of the following paragraph.
- (6) On finding that, if residents were to unrestrictedly conduct service transactions (excluding service transactions linked to specified technology and those falling under the category of the entry into, renewal, or modification of a technology introduction contract as prescribed in Article 30, paragraph (1)) or transactions that are connected with the buying and selling, leasing, or donation of goods and that involve the transfer of goods between foreign countries (excluding those as prescribed in paragraph (4)) (hereinafter referred to as a "service transaction or transaction involving the transfer of goods between foreign countries") with non-residents, it would prevent Japan from faithfully performing its obligations under a treaty or other international agreement it has concluded or would cause a situation that would prevent Japan from contributing to international efforts towards international peace, thereby making it difficult to achieve the purpose of this Act, or if a cabinet decision as referred to in Article 10, paragraph (1) has been reached, the

competent minister, pursuant to Cabinet Order, may make it obligatory for a resident seeking to conduct a service transaction or transaction involving the transfer of goods between foreign countries to get permission to conduct it.

(Sanctions)

- 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 getting the permission under that paragraph, from conducting transactions that are meant to provide technology for designing, manufacturing, or using goods (hereinafter referred to as "technology for designing, manufacturing, or using goods" in this paragraph and the following paragraph) in a foreign country or to a non-resident; from exporting a document, picture, or data storage medium containing information about technology for designing, manufacturing, or using goods (referred to as "exporting a document, picture, or storage medium containing technological information" in the following paragraph and Article 70, paragraph (1), item (xix)) in connection with such a transaction; from using telecommunications that are meant to be received in a foreign country to transmit information concerning technology for designing, manufacturing, or using goods (referred to as "transmission of technological information outside Japan" in the following paragraph and that item); or from exporting a specified type of goods involving specified technology, but only during a period of up to three years.
- (2) If persons have been placed under the obligation to get the permission of the Minister of Economy, Trade and Industry 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 undertaken a transaction or action provided for in one of those paragraphs without getting that permission, from conducting a transaction that is meant to provide technology for designing, manufacturing, or using goods in a foreign country or to a non-resident; from exporting a document, picture, or storage medium containing technological information in connection with such a transaction; from transmitting technological information outside Japan in connection with such a transaction; or from exporting a specified type of goods involving specified technology, but only during a period of up to 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 getting the permission referred to in that paragraph, from conducting a transaction that is connected with the buying and selling, leasing, or donation of goods and that involves the transfer of goods between foreign countries with a non-resident, or from exporting goods to a non-resident, but only during a period of up to three years.

- (4) If the competent minister has made it obligatory to get permission to conduct a service transaction or transaction involving the transfer of goods between foreign countries pursuant to the provisions of paragraph (6) of the preceding Article, and the minister finds that a person that has conducted a service transaction or transaction involving the transfer of goods between foreign countries which it has been made obligatory to get permission for, without getting that permission, is likely to once again conduct a service transaction or transaction involving the transfer of goods between foreign countries that it has been made obligatory to get permission for pursuant to the provisions of that paragraph without getting that permission, the minister may prohibit the person from fully or partially conducting service transaction or transaction involving the transfer of goods between foreign countries, or, pursuant to the provisions of Cabinet Order, make it obligatory for that person to get permission to conduct service transaction or transaction involving the transfer of goods between foreign countries, but only during a period of up to one year.

## **Chapter V Inward Direct Investment and Equivalent Actions**

(Definitions)

Article 26 (1) The term "foreign investor" means any of the following persons that conducts inward direct investment or an equivalent action stated 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 other such organization established under foreign laws and regulations, or a corporation or other such organization that has its principal office in a foreign country (excluding the specified partnership or similar organization prescribed in item (iv));
- (iii) a company in which the sum total of the number of voting rights held directly by persons as stated in item (i) and (ii) (excluding voting rights associated with shares that do not allow the holder to vote on all of the matters regarding which a resolution may be passed at a shareholders' meeting, but including voting rights associated with shares whose holders are deemed to hold 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 that is prescribed by Cabinet Order as being held indirectly through another company make up at least 50 percent of the number of voting rights of all shareholders or all members;
- (iv) a partnership or similar organization (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 a partnership in which one or multiple 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) as 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 either such partnership (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 made by the persons stated in item (i) and other persons prescribed by Cabinet Order, to the total amount of capital contributions made by all partners of the partnership or similar organization (or all members of an organization similar to a specified partnership) is 50 percent or more; or in which the persons stated in that item and other persons prescribed by Cabinet Order account for the majority of executive partners of the partnership or similar organization (meaning partners entrusted with business execution for a voluntary partnership or general partners of an investment limited partnership, or similar persons affiliated with an organization similar to a specified partnership) (hereinafter referred to as a "specified partnership or similar organization"); or
- (v) a corporation or other such organization in which the persons stated in item (i) account for the majority of the officers (meaning members in charge of executive business management, directors, executive officers, representatives, administrators, and any other person equivalent to them; and including persons who are found to have at least the same amount of control over the corporation or other such organization as a member in charge of executive business management, director, executive officer, representative, administrator, or other person equivalent to them, irrespective of whether they are referred to as advisor or consultant or by any other title; hereinafter the same applies in this item) or the majority of its officers having the authority to represent it, other than as stated in the preceding three items.
- (2) The term "inward direct investment or an equivalent action" means one 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 stated in the items of the preceding paragraph, and the acquisition of shares in 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 prescribed by Cabinet Order as being equivalent to them (hereinafter referred to as a "listed or equivalent company" in this Article));
- (ii) the transfer of shares or equity in a company other than a listed or equivalent company 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 stated in the items of the preceding paragraph);
  - (iii) the acquisition of shares in a listed or equivalent company (but only an acquisition that results in the sum total that is arrived at when the number of shares in the listed or equivalent company that the person acquiring them (hereinafter referred to as "the acquirer of the shares" in this item and paragraph (4)) owns after the acquisition; the number of shares in the listed or equivalent company owned by persons closely affiliated with the acquirer of the shares; and the number of shares in the listed or equivalent company that will be subject to investment in the event that the acquirer of the shares and persons closely affiliated with the acquirer of the shares invest in shares (or give instructions to do so; this is limited to investment in shares that satisfies the requirements prescribed by Cabinet Order) after having been entrusted to do so by another person based on a discretionary investment contract or any other such contract (on the basis of the net total calculated by deducting the number of duplicate shares among these shares, if any) are added together, accounting for a proportion of the total number of issued shares in the listed or equivalent company that does not fall below 1 percent and that is at least the percentage prescribed by Cabinet Order);
  - (iv) the acquisition of voting rights in a listed or equivalent company (but only an acquisition that results in the net number of voting rights arrived at when the number of voting rights held or otherwise exercisable under contract (meaning voting rights that a person holds in their own name or in another person's name, and voting rights prescribed by Cabinet Order as those that are exercisable based on a discretionary investment contract or any other such contract; hereinafter the same applies in this item and the following item) in the listed or equivalent company that the person acquiring voting rights (hereinafter referred to as the "acquirer of the voting rights" in this item and paragraph (4)) will come to hold after the acquisition, and the number of voting rights held or otherwise exercisable under contract in the listed or equivalent company by persons closely affiliated with the acquirer of the voting rights are added together (if there are any duplicate voting rights among these, this is based on the net total arrived at when they are deducted; the same applies in the following item), accounting for a proportion of the total voting rights in the listed or equivalent company that does not

- fall below 1 percent and that is at least the percentage prescribed by Cabinet Order, and excluding acquisition involving the action stated in the preceding item);
- (v) the giving of consent for a substantial change in the business purpose of a company or anything else prescribed by Cabinet Order as having a material influence on the management of a company (in the case of a listed or equivalent company, this is limited to consent that is given by a person (hereinafter referred to as the "consenter" in this item and paragraph (4)) in a case in which the net number of voting rights arrived at when the number of voting rights held or otherwise exercisable under contract in the listed or equivalent company by the consenter and the number of voting rights held or otherwise exercisable under contract in the listed or equivalent company by a person closely affiliated with the consenter are added together, accounts for a proportion of the total voting rights in the listed or equivalent company that does not fall below 1 percent and that is at least the percentage prescribed by Cabinet Order);
  - (vi) the establishment of a branch office or other such place of business in Japan, or substantial modification of the type or business purpose of a branch office or other such place of business in Japan (but only its establishment or modification as prescribed by Cabinet Order, carried out by the person stated in item (i) or (ii) of the preceding paragraph);
  - (vii) the making of a loan in an amount exceeding the amount prescribed 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 prescribed by Cabinet Order as its business, and the making of a loan in Japanese currency conducted by the person stated 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) succession to a business from a resident (but only a corporation) as a result of the acquisition of a business, an absorption-type company split, or a merger (excluding succession to a business involving any of the actions stated in items (i) through (iii)); or
  - (ix) an action prescribed by Cabinet Order as being equivalent to any of the actions stated in the preceding items.
- (3) The term "specified acquisition" means the acquisition of shares or equity in a company other than a listed or equivalent company from any of the persons stated in the items of paragraph (1).
- (4) The "person closely affiliated" that is provided for in paragraph (2), items (iii) through (v) means a person as stated in one of the items of paragraph (1) and prescribed by Cabinet Order as a person that has an enduring financial

connection with the acquirer of shares, acquirer of voting rights, or consentor which is based on ownership of shares, that has a familial relationship to that person, or that has any other special affiliation equivalent to either of these with that person.

(Notification and Recommendation of Modification Regarding Inward Direct Investment and Equivalent Actions)

- Article 27 (1) Before a foreign investor (meaning a foreign investor as provided in paragraph (1) of the preceding Article; hereinafter the same applies in this Article, Article 28, Article 29, paragraphs (1) through (4) and Article 55-5) conducts an inward direct investment or equivalent action (meaning an inward direct investment or equivalent action provided for in paragraph (2) of the preceding Article, and excluding an inward direct investment or equivalent action prescribed 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)) prescribed by Cabinet Order as being likely to constitute one that necessitates an examination under paragraph (3), the foreign investor, pursuant to the provisions of Cabinet Order, must first file a notification of the business purpose of the inward direct investment or equivalent action, its amount, its timing, and any other information that Cabinet Order prescribes with the Minister of Finance and the competent minister for the business.
- (2) A foreign investor that has filed a notification under the preceding paragraph with regard to inward direct investment or an equivalent action must not undertake the inward direct investment or equivalent action that is subject to that notification until the final day in the 30-day period that starts on the date that the Minister of Finance and the competent minister for the business receive the notification; provided, however, that on finding, before the end of this period, that, in light of its business purpose or any other consideration, the inward direct investment or equivalent action that is subject to that notification does not constitute one necessitating an examination under the following paragraph, the Minister of Finance and the competent minister for the business may shorten this period.
- (3) When a notification under paragraph (1) has been filed, on finding it necessary to examine whether the inward direct investment or equivalent action that is subject to that notification falls under one of the following categories of inward direct investment or equivalent action (referred to as "inward direct investment or an equivalent action that is a matter of national security or a similar concern" in paragraphs (4), (5), and (11)), the Minister of Finance and the competent minister for the business may extend the period

during which the inward direct investment or equivalent action that is subject to that notification must not be undertaken, but only to a period of four months starting on the day on which the notification is received:

- (i) inward direct investment or an equivalent action that is likely to cause one of the situations stated in (a) or (b) (but only inward direct investment or an equivalent action that is undertaken by a foreign investor from a member state of a multilateral treaty or other international agreement on inward direct investment and equivalent actions that Cabinet Order prescribes and to which Japan has acceded (hereinafter referred to as a "treaty or other agreement" in this item), if there is no obligation to remove restrictions on that inward direct investment or equivalent action based on the treaty or other agreement; as well as inward direct investment or an equivalent action that is undertaken by a foreign investor from a state other than the member state of such a treaty or other agreement, if there would be no obligation to remove restrictions on the inward direct investment or equivalent action if the state in question were a member state of the treaty or other agreement):
    - (a) it would compromise national security, interfere with the maintenance of public order, or create an obstacle to the preservation of public safety; or
    - (b) it would have a significant adverse effect on the smooth operation of the Japanese economy;
  - (ii) inward direct investment or an equivalent action that, because it is undertaken by a foreign investor from a state with which Japan has not concluded any treaty or other international agreement on inward direct investment and equivalent actions, it is found necessary to modify the substance of or to discontinue, in order to harmonize its treatment, in real terms, with the treatment of direct investment and equivalent actions that Japanese investors undertake in that state (meaning direct investment and equivalent actions that are equivalent to inward direct investment and equivalent actions as stated in the items of paragraph (2) of the preceding Article); or
  - (iii) inward direct investment or an equivalent action which it is found necessary to modify the substance of or discontinue because all or a part of the inward direct investment or an equivalent action constitutes a capital transaction for which it has been made obligatory to get permission 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 an inward direct investment or equivalent action must not be undertaken pursuant to the provisions of the preceding paragraph, but they find, as a result of the examination under that paragraph and before the expiration of the extended period, that the inward direct



investment or equivalent action stated in the notification under paragraph (1) does not fall within the scope of an inward direct investment or equivalent action that is a matter of national security or a similar concern, 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 an inward direct investment or equivalent action must not be undertaken pursuant to the provisions of paragraph (3), but they find, as a result of the examination under that paragraph, that the inward direct investment or equivalent action stated in the notification under paragraph (1) falls within the scope of an inward direct investment or equivalent action that is a matter of national security or a similar concern, the ministers, pursuant to Cabinet Order, may recommend the person that filed the notification of the inward direct investment or equivalent action to modify the substance of the investment or action or to discontinue it, after hearing the opinions of the Council on Customs, Tariffs, Foreign Exchange, and Other Transactions; provided, however, that the period during which the ministers may recommend the modification or discontinuance starts on the day on which they receive the notification in question, and ends on the final day of the period extended pursuant to the provisions of paragraph (3) or the following paragraph.
- (6) Notwithstanding the provisions of paragraph (3), if the Minister of Finance and the competent minister for the business hear the opinions of 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 will be difficult for the Council to state its opinions within the four-month period prescribed in paragraph (3), the period during which the inward direct investment or equivalent action must not be conducted as prescribed in that paragraph is five months.
- (7) A person that is issued a recommendation under paragraph (5) must notify the Minister of Finance and the competent minister for the business of whether the person will comply with the recommendation, within 10 days from the day on which the person is issued it.
- (8) A person that has notified the Minister of Finance and the competent minister for the business of compliance with the recommendation pursuant to the provisions of the preceding paragraph must undertake the inward direct investment or equivalent action that is subject to the recommendation in accordance with the recommendation.
- (9) Notwithstanding the provisions of paragraph (3) or (6), a person that has notified the Minister of Finance and the competent minister for the business of compliance with the recommendation pursuant to the provisions of paragraph (7) may undertake the inward direct investment or equivalent action that is

subject to the recommendation even if four months (or five months, if the period has been extended pursuant to the provisions of paragraph (6)) have not yet passed since the day on which the person filed the notification concerning that inward direct investment or equivalent action.

- (10) If a person that has been issued a recommendation under paragraph (5) fails to notify the Minister of Finance and the competent minister for the business as under paragraph (7) or notifies them of non-compliance with the recommendation, the Minister of Finance and the competent minister for the business may order the person to modify the substance of the inward direct investment or equivalent action or discontinue it; provided, however, that the period during which the ministers may issue an order to modify or discontinue this starts on the day on which they receive the notification in question, and ends on the final day in the period as extended pursuant to paragraph (3) or (6).
- (11) If the Minister of Finance and the competent minister for the business find that, because of a change in economic conditions or for any other reasons, the inward direct investment or equivalent action stated in a notification under paragraph (1) has ceased to fall within the scope of an inward direct investment or equivalent action that is a matter of national security or a similar concern, they may rescind all or a part of the recommendation issued to a person that has notified them of compliance with the recommendation to modify the substance of the inward direct investment or equivalent action under paragraph (7), or may rescind all of a part of the order issued to a person that that has been ordered to modify the substance of the inward direct investment or equivalent action pursuant to the provisions of the preceding paragraph.
- (12) Beyond as provided in paragraphs (5) through (11), Cabinet Order prescribes the procedures for recommending modifications to the content of inward direct investment and equivalent actions and the discontinuance of the same, and provides for other necessary particulars in connection with these recommendations.
- (13) Assets and rights that a partner of a specified partnership or similar organization (or a member of an organization similar to a specified partnership; the same applies hereinafter) acquires through an action that is comparable to the inward direct investments and equivalent actions that the specified partnership or similar organization undertakes are deemed to be acquired, owned, or held by the specified partnership or similar organization, and the provisions of the preceding paragraphs and Article 29, paragraphs (1) through (4) apply.
- (14) A person (including a corporation or any other organization) not constituting a foreign investor is deemed to be a foreign investor in connection with any action comparable to an inward direct investment or equivalent action which

that person conducts on behalf of a foreign investor but not in the name of that foreign investor, and the provisions of paragraphs (1) through (12) and Article 29, paragraphs (1) through (4) apply.

(Special Provisions for Notification of Inward Direct Investment and Equivalent Actions)

- Article 27-2 (1) Notwithstanding the provisions of paragraph (1) of the preceding Article, if a foreign investor (meaning a foreign investor as provided in Article 26, paragraph (1); excluding a foreign investor that has violated this Act, an Order based on this Act, or an administrative disposition based on either of these, or any other foreign investor prescribed by Cabinet Order as one for which there is a high need to carry out an examination under paragraph (3) of the preceding Article; hereinafter the same applies in this Article) seeks to conduct an inward direct investment or equivalent action (meaning an inward direct investment or equivalent action as provided in Article 26, paragraph (2); limited to an action as stated in items (i) through (iv) of that paragraph or item (ix) of that paragraph (limited to those equivalent to the actions stated in items (i) through (iv)); hereinafter the same applies in this Article and Article 29, paragraph (5)) other than one prescribed by Cabinet Order as being highly likely to constitute inward direct investment or an equivalent action that is a matter of national security or a similar concern, the foreign investor is not required to file the notification under paragraph (1) of the preceding Article. In such a case, the foreign investor must comply with the criteria that must be met in order for an inward direct investment or equivalent action not to constitute inward direct investment or an equivalent action that is a matter of national security or a similar concern, which the Minister of Finance and the competent minister for the business establish.
- (2) Before the Minister of Finance and the competent minister for the business propose establish, revise, or repeal the criteria provided for in the preceding paragraph, they must hear the opinions of the Council on Customs, Tariffs, Foreign Exchange, and Other Transactions.
- (3) If the Minister of Finance and the competent minister for the business find that a foreign investor that, pursuant to the provisions of paragraph (1), has conducted an inward direct investment or equivalent action without filing a notification under paragraph (1) of the preceding Article, has violated the criteria provided for in paragraph (1), they may issue a recommendation for the foreign investor to take the necessary measures to comply with those criteria.
- (4) If a foreign investor that has been issued a recommendation under the preceding paragraph fails to follow this, the Minister of Finance and the competent minister for the business may order the foreign investor that has been issued the recommendation to take the recommended measures.

- (5) Beyond what is provided for in the preceding two paragraphs, Cabinet Order prescribes the procedures for issuing recommendations under paragraph (3), and provides for other necessary particulars in connection with these recommendations.
- (6) Assets and rights that a partner of a specified partnership or similar organization acquires through an action that is comparable to the inward direct investments and equivalent actions that the specified partnership or similar organization undertakes are deemed to be acquired, owned, or held by the specified partnership or similar organization, and the provisions of the preceding paragraphs and Article 29, paragraph (5) apply.
- (7) A person (including a corporation or any other organization) not constituting a foreign investor is deemed to be a foreign investor in connection with any action comparable to an inward direct investment or equivalent action which that person conducts on behalf of a foreign investor but not in the name of that foreign investor, and the provisions of paragraphs (1) through (5) and Article 29, paragraph (5) apply.

(Filing a Specified Acquisition Notification; Recommendations to Modify its Substance; Related Matters)

Article 28 (1) Before a foreign investor conducts a specified acquisition (meaning a specified acquisition as provided in Article 26, paragraph (3), and excluding a specified acquisition as prescribed by Cabinet Order in consideration of inheritance, bequest, merger of a corporation, or any other circumstances; the same applies hereinafter) prescribed by Cabinet Order as being likely to constitute a specified acquisition that requires the examination under paragraph (3), the foreign investor must first file a notification of the business purpose of the specified acquisition, its amount, its timing, and any other information that Cabinet Order prescribes with the Minister of Finance and the competent minister for the business, pursuant to the provisions of Cabinet Order.

- (2) A foreign investor that has filed a notification under the preceding paragraph with regard to a specified acquisition must not undertake the specified acquisition that is subject to that notification until the final day in the 30-day period that starts on the date that the Minister of Finance and the competent minister for the business receive the notification; provided, however, that on finding, before the end of this period, that, based on the business purpose or any other consideration, the specified acquisition that is subject to that notification does not constitute one necessitating an examination under the following paragraph, the Minister of Finance and the competent minister for the business may shorten this period.
- (3) When a notification under paragraph (1) has been filed, on finding it

necessary to examine whether the specified acquisition that is subject to the notification constitutes a specified acquisition that is highly likely to cause a situation that would compromise national security (but only a specified acquisition that is undertaken by a foreign investor from a member state of a multilateral treaty or other international agreement on specified acquisition that Cabinet Order prescribes and to which Japan has acceded (hereinafter referred to as a "treaty or other agreement" in this paragraph), if there is no obligation to remove restrictions on that specified acquisition based on the treaty or other agreement; as well as a specified acquisition that is undertaken by a foreign investor from a state other than the member state of such a treaty or other agreement, if there would be no obligation to remove restrictions on the specified acquisition if the state in question were a member state of the treaty or other agreement; hereinafter referred to as a "specified acquisition that is a matter of national security"), the Minister of Finance and the competent minister for the business may extend the period during which the specified acquisition that is subject to the notification must not be undertaken, but only to a period of four months starting on the day on which the notification is received.

- (4) If the Minister of Finance and the competent minister for the business have extended the period during which a specified acquisition must not be undertaken pursuant to the provisions of the preceding paragraph, but they find, as a result of an examination under that paragraph and before the expiration of the extended period, that the specified acquisition that is subject to the notification under paragraph (1) does not constitute a specified acquisition that is a matter of national security, 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 a specified acquisition must not be undertaken pursuant to the provisions of paragraph (3), but they find, as a result of the examination under that paragraph, that the specified acquisition that is subject to the notification under paragraph (1) constitutes a specified acquisition that is a matter of national security, the ministers, pursuant to the provisions of Cabinet Order, may recommend the person that filed the notification of the specified acquisition to modify the substance of the acquisition or discontinue it, after hearing the opinions of the Council on Customs, Tariffs, Foreign Exchange and Other Transactions; provided, however, that the period during which the ministers may recommend the modification or discontinuance starts from the day on which they receive the notification up until the final day in the period as extended pursuant to the provisions of paragraph (3) or the following paragraph.
- (6) Notwithstanding the provisions of paragraph (3), if the Minister of Finance

and the competent minister for the business hear the opinion of the Council on Customs, Tariffs, Foreign Exchange, and Other Transactions pursuant to the preceding paragraph, but the Council makes a filing indicating that, considering the character of the matter in question, it will be difficult for it to state its opinion within the period of four months prescribed in paragraph (3), the period during which a specified acquisition must not be undertaken 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 paragraph (5) is issued. In this case, Cabinet Order prescribes any necessary technical replacement of terms.
- (8) Assets and rights that a partner of a specified partnership or similar organization acquires through an action that is comparable to the specified acquisitions that the specified partnership or similar organization undertakes are deemed to be acquired, owned, or held by the specified partnership or similar organization, and the provisions of the preceding paragraphs and Article 29, paragraphs (1) through (4) apply.
- (9) A person (including a corporation or any other organization) not constituting a foreign investor is deemed to be a foreign investor in connection with any action comparable to a specified acquisition which that person conducts on behalf of a foreign investor but not in the name of that foreign investor, and the provisions of paragraphs (1) through (7) and Article 29, paragraphs (1) through (4) apply thereto.

(Special Provisions on the Filing of Notifications for Specified Acquisition)

Article 28-2 (1) Notwithstanding the provisions of paragraph (1) of the preceding Article, if a foreign investor (meaning a foreign investor as provided in Article 26, paragraph (1); excluding a foreign investor that has violated this Act, an Order based on this Act, or an administrative disposition based on either of these, or any other foreign investor prescribed by Cabinet Order as one for which there is a high need to carry out an examination under paragraph (3) of the preceding Article; hereinafter the same applies in this Article) seeks to conduct a specified acquisition other than one prescribed by Cabinet Order as being highly likely to constitute a specified acquisition that is a matter of national security, the foreign investor is not required to file the notification under paragraph (1) of the preceding Article. In such a case, the foreign investor must comply with the criteria that must be met in order for a specified acquisition not to constitute a specified acquisition that is a matter of national security, which the Minister of Finance and the competent minister for the business establish.

- (2) Before the Minister of Finance and the competent minister for the business propose the establishment, revision, or repeal of the criteria provided for in the

preceding paragraph, they must hear the opinions of the Council on Customs, Tariffs, Foreign Exchange, and Other Transactions.

- (3) If the Minister of Finance and the competent minister for the business find that a foreign investor that, pursuant to the provisions of paragraph (1), has conducted a specified acquisition without filing a notification under paragraph (1) of the preceding Article, has violated the criteria provided for in paragraph (1), they may issue a recommendation for the foreign investor to take the necessary measures to comply with those criteria.
- (4) If a foreign investor that has been issued a recommendation under the preceding paragraph fails to follow this, the Minister of Finance and the competent minister for the business may order the foreign investor that has been issued the recommendation to take the recommended measures.
- (5) Beyond what is provided for in the preceding two paragraphs, Cabinet Order prescribes the procedures for issuing recommendations under paragraph (3), and provides for other necessary particulars in connection with these recommendations.
- (6) Assets and rights that a partner of a specified partnership or similar organization acquires through an action that is comparable to the specified acquisitions that the specified partnership or similar organization undertakes are deemed to be acquired, owned, or held by the specified partnership or similar organization, and the provisions of the preceding paragraphs and paragraph (5) of the following Article apply.
- (7) A person (including a corporation or any other organization) not constituting a foreign investor is deemed to be a foreign investor in connection with any action comparable to a specified acquisition which that person undertakes on behalf of a foreign investor but not in the name of that foreign investor, and the provisions of paragraphs (1) through (5) and paragraph (5) of the following Article apply.

(Order for Measures)

Article 29 (1) In the following cases, if the Minister of Finance and the competent minister for the business find that an inward direct investment or equivalent action or a specified acquisition constitutes an inward direct investment or an equivalent action that is a matter of national security or a similar concern or if they find that it constitutes a specified acquisition that is a matter of national security, the ministers, pursuant to the provisions of Cabinet Order, may order the foreign investor that has undertaken the inward direct investment or equivalent action to dispose of all or part of the shares or equity acquired through the inward direct investment or equivalent action or take other necessary measures, after hearing the opinions of the Council on Customs, Tariffs, Foreign Exchange and Other Transactions:

- (i) if a foreign investor that is required to file a notification under Article 27, paragraph (1) or Article 28, paragraph (1) conducts an inward direct investment or equivalent action or a specified acquisition without filing that notification; or
  - (ii) if a foreign investor that has filed a notification under Article 27, paragraph (1) or Article 28, paragraph (1) conducts the inward direct investment or equivalent action or the specified acquisition stated in the notification before the expiration of the prohibition period.
- (2) If a foreign investor that has filed a notification under Article 27, paragraph (1) or Article 28, paragraph (1) has used a false information in it and the Minister of Finance and the competent minister for the business find that the inward direct investment or equivalent action or specified acquisition that is subject to that notification constitutes inward direct investment or an equivalent action that is a matter of national security or a similar concern or constitutes a specified acquisition that is a matter of national security, they may order the foreign investor that has conducted the inward direct investment or equivalent action or the specified acquisition to take the necessary measures, pursuant to Cabinet Order and after hearing the opinions of the Council on Customs, Tariffs, Foreign Exchange, and Other Transactions.
- (3) If a foreign investor that has filed a notification under Article 27, paragraph (1) or Article 28, paragraph (1) fails to follow a recommendation to modify the substance of the inward direct investment or equivalent action or the specified acquisition that is subject to that notification after having filed a notification with the Minister of Finance and the competent minister for the business of compliance with that recommendation pursuant to Article 27, paragraph (7) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)), or if such a foreign investor violates an order under Article 27, paragraph (10) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)) to modify the substance of the inward direct investment or equivalent action or the substance of the specified acquisition, the Minister of Finance and the competent minister for the business may order the foreign investor that has carried out the inward direct investment or equivalent action or the specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct investment or equivalent action or through the specified acquisition (if the ministers have recommended modifying the number or amount of shares or the number or amount of units of equity involved in the inward direct investment or equivalent action or in the specified acquisition pursuant to Article 27, paragraph (5) or Article 28, paragraph (5), or if they have ordered a modification to the number or amount of shares or the number or amount of units of equity involved in the inward direct investment or equivalent action or in the specified acquisition pursuant to Article 27,



paragraph (10) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)), they may only order the investor to dispose of the part subject to the modification), or to take other necessary measures), pursuant to Cabinet Order.

- (4) If a foreign investor that has filed a notification under Article 27, paragraph (1) or Article 28, paragraph (1) fails to follow a recommendation to discontinue the inward direct investment or equivalent action or the specified acquisition that is the subject of that notification after having filed a notification with the Minister of Finance and the competent minister for the business of compliance with that recommendation pursuant to Article 27, paragraph (7) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)), or if such a foreign investor violates an order under Article 27, paragraph (10) (including as applied mutatis mutandis pursuant to Article 28, paragraph (7)) to discontinue the inward direct investment or equivalent action or the specified acquisition, the Minister of Finance and the competent minister for the business may order the foreign investor that has undertaken the inward direct investment or equivalent action or the specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct investment or equivalent action or through the specified acquisition, or to take other necessary measures, pursuant to Cabinet Order.
- (5) If, pursuant to the provisions of Article 27-2, paragraph (1) or paragraph (1) of the preceding Article, a foreign investor as provided in Article 27-2, paragraph (1) or paragraph (1) of the preceding Article has carried out an inward direct investment or equivalent action or a specified acquisition without filing a notification under Article 27, paragraph (1) or Article 28, paragraph (1), and has violated an order under Article 27-2, paragraph (4) or paragraph (4) of the preceding Article, and if the Minister of Finance and the competent minister for the business find that the inward direct investment or equivalent action constitutes an inward direct investment or equivalent action that is a matter of national security or a similar concern or that the specified acquisition constitutes a specified acquisition that is a matter of national security, the ministers, pursuant to the provisions of Cabinet Order and after hearing the opinions of the Council on Customs, Tariffs, Foreign Exchange and Other Transactions, may order the foreign investor that has carried out the inward direct investment or equivalent action or the specified acquisition to dispose of all or part of the shares or equity acquired through the inward direct investment or equivalent action or through the specified acquisition, or to 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) (or, 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) (or, 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).

(Filing a Notification of the Entry Into, Renewal, or Modification of a Technology Introduction Contract; Issuing a Recommendation to Modify the Substance Thereof; Related Matters)

- 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 or other such place of business 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 "entry into, renewal, or modification of a technology introduction contract"), which is prescribed by Cabinet Order as being likely to constitute the entry into, renewal, or modification of a technology introduction contract that requires the examination under paragraph (3), the resident, pursuant to the provisions of Cabinet Order, must first file a notification with the Minister of Finance and the competent minister for the business, for the clauses of the contract and other information that Cabinet Order prescribes with regard to the entry into, renewal, or modification of a technology introduction contract.
- (2) A resident that has filed a notification under the preceding paragraph with regard to the entry into, renewal, or modification of a technology introduction contract must not conduct the entry into, renewal, or modification 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 entry into, renewal, or modification of a technology introduction contract stated in the notification does not constitute entry into, renewal, or modification of a technology introduction contract that requires the examination under the following paragraph, in light of the type of the technology and other circumstances.
- (3) Once a notification under paragraph (1) has been filed, if the Minister of Finance and the competent minister for the business find that it is necessary to

examine whether the entry into, renewal, or modification of a technology introduction contract that is the subject of that notification constitutes the entry into, renewal, or modification of a technology introduction contract that is likely to cause one of the following situations (but only the entry into, renewal, or modification of a technology introduction contract with a non-resident from a member state of a multilateral treaty or other international agreement on the entry into, renewal, or modification of a technology introduction contract that Cabinet Order prescribes and to which Japan has acceded (hereinafter referred to as a "treaty or other agreement" in this paragraph), if there is no obligation to remove restrictions on the entry into, renewal, or modification of that technology introduction contract based on the treaty or other agreement; as well as the entry into, renewal, or modification of a technology introduction contract with a non-resident from a state other than the member state of such a treaty or other agreement, if there would be no obligation to remove restrictions on the entry into, renewal, or modification of that technology introduction contract if the state were a member state of the treaty or other agreement (referred to as the "entry into, renewal, or modification of a technology introduction contract that is a matter of national security or a similar concern" in paragraphs (4) and (5))), the Minister of Finance and the competent minister for the business may extend the period in which the entry into, renewal, or modification of a technology introduction contract that is subject to that notification must not be conducted, but only to a period of four months starting on the day on which the notification is received:

- (i) it would compromise national security, interfere with the maintenance of public order, or create an obstacle to the preservation 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 entry into, renewal, or modification 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 that paragraph and before the expiration of the extended period, that the entry into, renewal, or modification of a technology introduction contract stated in the notification made under paragraph (1) does not constitute the entry into, renewal, or modification of a technology introduction contract that is a matter of national security or a similar concern, 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 entry into, renewal, or modification 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

that paragraph, that the entry into, renewal, or modification of a technology introduction contract stated in the notification made under paragraph (1) falls within the category of the entry into, renewal, or modification of a technology introduction contract that is a matter of national security or a similar concern, the ministers, pursuant to the provisions of Cabinet Order and after hearing the opinions of the Council on Customs, Tariffs, Foreign Exchange and Other Transactions, may recommend the person that filed the notification of the entry into, renewal, or modification of the technology introduction contract to fully or partially modify the clauses of the contract or to discontinue it; provided, however, that the period during which the ministers may recommend the modification or discontinuance starts from the day on which they receive the notification, and ends on the day on which the period extended under 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 the opinions of 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 entry into, renewal, or modification 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 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 entry into, renewal, or modification of a technology introduction contract involving technology developed independently by a non-resident's branch office or other such place of business in Japan or any other case of the entry into, renewal, or modification of a technology introduction contract prescribed by Cabinet Order.

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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 seeking to make an export involving a specified type of goods, which has a specified region as the destination and which is prescribed by Cabinet Order as being found to interfere with the maintenance of international peace and security, must get the permission of the Minister of Economy, Trade and Industry, pursuant to the provisions of Cabinet Order.

(2) If the Minister of Economy, Trade and Industry finds it to be necessary to do so in order to ensure the implementation of the provisions of the preceding paragraph, the Minister, pursuant to the provisions of Cabinet Order, may make it obligatory for persons seeking to export the specific kind of goods referred to in that paragraph to a region other than a specified region as referred to in that paragraph to get permission to do so.

(3) Beyond as prescribed in the preceding two paragraphs, the Minister of Economy, Trade and Industry, pursuant to the provisions of Cabinet Order,

may make it obligatory for persons seeking to export a specific kind of goods or to export goods to a specified region or for persons seeking to export goods through specified transactions to get approval to do so, to the extent necessary in order to maintain a balance of payments equilibrium, enable the sound development of foreign trade and the national economy, allow Japan to faithfully perform its obligations under a treaty or other international agreement that it has concluded, allow Japan to contribute to international efforts towards international peace, or make it possible to 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 If the Minister of Economy, Trade and Industry finds there to be a particularly urgent need to do so, the Minister may designate items or destinations and suspend shipments of goods for a period of not more than one month, pursuant to the provisions of Order of the Ministry of Economy, Trade and Industry.

(Approval of Import)

Article 52 In order to enable the sound development of foreign trade and the national economy, allow Japan to faithfully perform its obligations under a treaty or other international agreement that it has concluded, allow Japan to contribute to international efforts for international peace, or make it possible to implement the cabinet decision referred to in Article 10, paragraph (1), persons seeking to import goods are sometimes placed under the obligation to get import approval, pursuant to the provisions of Cabinet Order.

(Sanctions)

Article 53 (1) The Minister of Economy, Trade and Industry may prohibit a person that has exported goods prescribed in Article 48, paragraph (1) without getting the permission under that paragraph from exporting goods; from conducting transactions that are meant to provide specified technology in a foreign country or to a non-resident; from exporting documents, pictures, or storage mediums containing specified information in connection with such transactions; or from using telecommunications to transmit information about specified technology with the objective of having it received in a foreign country in connection with such a transaction, but only during a period of up to three years.

- (2) The Minister of Economy, Trade and Industry may prohibit a person that has violated this Act, an Order based on this Act, or an administrative disposition based on either of these with regard to the import or export of goods (excluding a person as prescribed in the preceding paragraph) from importing or exporting goods, but only during a period of up to one year (or three years, if the person has violated responsive measures as prescribed in Article 10, paragraph (1) (limited to those involving Article 48, paragraph (3) or the preceding Article)).
- (3) If the Minister of Economy, Trade and Industry imposes a prohibition under paragraph (1) or the preceding paragraph, and the violator (meaning the person that has exported goods as prescribed in Article 48, paragraph (1) without getting the permission under paragraph (1) of that Article as prescribed in paragraph (1), or the person that has violated this Act, an Order based on this Act, or an administrative disposition based on either of these with regard to 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 the officer (meaning the member in charge of executive business management, the director, executive officer, representative, administrator or any equivalent person, and including any person that is found to have at least the same level of control in a corporation as that of a member in charge of executive business management, director, executive officer, representative, administrator, or any equivalent person, irrespective of whether they are referred to as advisor or consultant or by any other title; the same applies in the following paragraph) in charge of operations that are within the scope of the prohibition at a corporation (including an association or foundation without legal personality for which a representative or administrator has been designated; hereinafter the same applies in this paragraph and the following paragraph) that engages in such operations, for the same period as that of the prohibition.
- (4) If the Minister of Economy, Trade and Industry imposes a prohibition under paragraph (1) or (2), and the person specified in the relevant of the following items for the category of violator referred to in that item constitutes a person provided for by Order of Ministry of Economy, Trade and Industry as one whose engagement in the operations that are subject to the prohibition it is found to be appropriate to restrict in order to ensure the effectiveness of the prohibition, in consideration of the factual circumstances serving as the reason for the prohibition and the degree to which the person was responsible for those circumstances, the Minister may prohibit the person from commencing new operations within the scope subject to the prohibition (this includes prohibiting the person from becoming the officer in charge of such new operations at a corporation engaging in those operations), for the same period as that of the prohibition:

- (i) if the violator is a corporation: its officer; any person that has been its officer within the 60 days prior to the day of the disposition imposing the prohibition; a person managing the operations at its business office or any other employee prescribed by Cabinet Order (hereinafter simply referred to as an "employee" in this item and the following item); or a person that has been its employee within the 60 days prior to the day of the disposition imposing the prohibition; or
- (ii) if the violator is an individual: the individual's employee or any person that has been the individual's employee within the 60 days prior to the day of 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 the importing and exporting 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; Other Matters**

(Reporting the Making and Receipt of Payments)

- Article 55 (1) Except in a case prescribed by Cabinet Order, when a resident or non-resident has made a payment from Japan to a foreign country, or has received a payment that was made from a foreign country to Japan, that resident or non-resident must report the substance of the payment being made and received, its timing, and any other information that Cabinet Order prescribes to the competent minister, pursuant to the provisions of Cabinet Order; and when a resident has made a payment to or received a payment from a non-resident in Japan or a foreign country, the resident must report the substance of the payment being made and received, its timing, and any other information that Cabinet Order prescribes to the competent minister, pursuant to the provisions of Cabinet Order.
- (2) If a payment as referred to in the preceding paragraph that is the subject of a report under that paragraph is made or received through an exchange transaction conducted by a bank or other prescribed financial institution or a funds transfer service provider, the report is to be made, pursuant to Cabinet Order, through the bank or other prescribed financial institution or the funds transfer service provider; provided, however, that if an electronic data processing system as prescribed in Article 6, paragraph (1) of the Act on the



Promotion of Utilizing Information and Communications Technology in Administrative Procedures (Act No. 151 of 2002) is used to make a report pursuant to the provisions of that paragraph, it may be made without going through the bank or other prescribed financial institution or the funds transfer service provider.

#### Article 55-2 Deleted

##### (Reporting Capital Transactions)

Article 55-3 (1) Except in cases prescribed by Cabinet Order, on each occasion on which a resident or non-resident becomes a party to a capital transaction as stated in one of the following items, either the resident or non-resident, as per the classification prescribed in the relevant item, must report the substance of the capital transaction, its timing, and any other information that Cabinet Order prescribes to the Minister of Finance, pursuant to Cabinet Order; provided, however, that this does not apply to a capital transaction as stated in item (vi) for which the provisions of Article 23, paragraph (1) require a notification to be filed:

- (i) a capital transaction stated in Article 20, item (i): the resident;
- (ii) a capital transaction stated in Article 20, item (ii) (excluding one that falls within the category of capital transaction stated in item (vi)): the resident;
- (iii) a capital transaction stated in Article 20, item (iii): the resident;
- (iv) a capital transaction stated in Article 20, item (iv) that constitutes a transaction involving the accrual, alteration, or extinguishment 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 stated in Article 20, item (v) (excluding one that falls within the category of capital transaction stated in the following item): the resident;
- (vi) any of the capital transactions stated 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 stated in Article 20, item (vi) that constitutes a resident's issuance or public offering of securities in a foreign country or a resident's issuance or public offering of foreign currency securities in Japan: the resident;
- (viii) a capital transaction stated in Article 20, item (vi) that constitutes a non-resident's issuance or public offering of securities in Japan: the non-resident;

- (ix) a capital transaction stated in Article 20, item (vii): the non-resident;
  - (x) a capital transaction stated in Article 20, item (viii): the resident;
  - (xi) a capital transaction stated in Article 20, item (ix): the resident;
  - (xii) a capital transaction stated in Article 20, item (x) that constitutes a non-resident's acquisition of real property located in Japan or any rights on it: the non-resident; or
  - (xiii) a capital transaction stated in Article 20, item (xii) which is prescribed by Cabinet Order: the resident or non-resident prescribed by Cabinet Order.
- (2) On each occasion that a bank or other prescribed financial institution or a financial instruments business operator or an electronic payment instruments service provider, etc. (limited to an electronic payment instruments service provider and a cryptoasset exchange service provider; the same applies in this Article) has acted as an intermediary, commission agent, or other agent for a capital transaction stated in item (iii)(limited to a transaction deemed as a capital transaction as prescribed in Article 20-2; the same applies in the paragraph (4)), (v), (x), or (xi) of the preceding paragraph, it must report the substance of the capital transaction, its timing, and any other information to the Minister of Finance, pursuant to the provisions of Cabinet Order.
- (3) Notwithstanding the provisions of paragraph (1), if a resident that is not a bank or other prescribed financial institution, that is not a financial instruments business operator, and that is not the filer of a notification (meaning a resident that is party to a capital transaction as stated in item (iv) or (xi) of that paragraph and that has filed a notification with the Minister of Finance indicating, pursuant to the provisions of Ministry of Finance Order, the wish to arrange things so that a report under that paragraph is not required from any person that becomes the other party to such capital transactions with the resident, and giving the resident's name, address, and other information that Ministry of Finance Order prescribes; hereinafter the same applies in this Article) becomes a party to a capital transaction stated in item (iv) or (xi) of that paragraph, and the other party to the capital transaction is a bank or other prescribed financial institution, a financial instruments business operator, or the filer of a notification, the resident is not required to make a report under that paragraph with regard to that capital transaction.
- (4) Notwithstanding the provisions of paragraph (1), beyond as prescribed in the preceding paragraph, if a resident has become a party to a capital transaction stated in paragraph (1), item (iii), (v), (x), or (xi), and the person acting as the intermediary, commission agent, or other agent for the capital transaction is a bank or other prescribed financial institution or a financial instruments business operator or an electronic payment instruments service provider, etc., the resident is not required to make a report under paragraph (1) with regard

to that capital transaction.

- (5) Notwithstanding paragraph (1) or (2) as regards a bank or other prescribed financial institution or a financial instruments business operator or an electronic payment instruments service provider, etc., and notwithstanding paragraph (1) as regards the filer of a notification, these persons may report in block, pursuant to Cabinet Order, the information that Ministry of Finance Order prescribes with regard to capital transactions to which they have been a party or for which they have acted as intermediary, commission agent, or other agent within a certain period of time. In such a case, pursuant to Cabinet Order, a person that has so reported must prepare and preserve books and documents in which the person has included the information that Ministry of Finance Order prescribes with regard to the capital transactions that are subject to the report.
- (6) If information in a notification as prescribed in paragraph (3) changes, the filer of the notification must file a notification with the Minister of Finance indicating this and detailing the information subject to the change without delay.
- (7) Ministry of Finance Order provides for the issuance of public notices in connection with notifications as referred to in paragraph (3), the inspection of the filers list, and other necessary particulars concerning the notifications referred to in that paragraph.

Article 55-4 Except in cases prescribed by Cabinet Order, if a resident has become a party to one of the following specified capital transactions, the resident must report the substance of the specified capital transaction, its timing, and any other information that Cabinet Order prescribes to the Minister of Economy, Trade and Industry, pursuant to the provisions of Cabinet Order:

- (i) a specified capital transaction connected with a capital transaction stated in Article 20, item (ii); or
- (ii) a specified capital transaction connected with a capital transaction stated in Article 20, item (xii), which is prescribed by Cabinet Order.

(Report of Inward Direct Investment and Equivalent Actions and Specified Acquisition)

Article 55-5 (1) When a foreign investor has conducted an inward direct investment or equivalent action or a specified acquisition (limited to specified acquisition for which the provisions of Article 28, paragraph (1) require a notification to be filed; hereinafter the same applies in this Article), the foreign investor must report the substance of the inward direct investment or equivalent action or the specified acquisition, its timing, and any other

information prescribed by Cabinet Order to the Minister of Finance and the competent minister for the business, pursuant to the provisions of Cabinet Order; provided, however, that this does not apply to an inward direct investment or equivalent action or a specified acquisition for which a notification has been made pursuant to the provisions of Article 27, paragraph (1) or Article 28, paragraph (1).

- (2) Assets and rights that a partner of a specified partnership or similar organization acquires through an action that is comparable to the inward direct investments and equivalent actions or specified acquisitions that the specified partnership or similar organization conducts are deemed to be acquired, owned, or held by the specified partnership or similar organization, and the provisions of the preceding paragraph apply.
- (3) A person (including a corporation or any other organization) not constituting a foreign investor is deemed to be a foreign investor in connection with any action comparable to an inward direct investment or equivalent action or a specified acquisition which that person conducts on behalf of a foreign investor but not in the name of that foreign investor, and the provisions of paragraph (1) apply.

(Reporting Entry Into, Renewal, or Modification of a Technology Introduction Contract)

Article 55-6 (1) If a resident has entered into, renewed, or modified a technology introduction contract with a non-resident (inclusive of a non-resident's branch office or other such place of business in Japan), the resident must report the entry into, renewal, or modification of the technology introduction contract to the Minister of Finance and the competent minister for the business, pursuant to the provisions of Cabinet Order; provided, however, that this does not apply to the entry into, renewal, or modification of a technology introduction contract for which the provisions of Article 30, paragraph (1) require a notification to be filed.

- (2) The provisions of the preceding paragraph do not apply to the entry into, renewal, or modification of a technology introduction contract involving technology developed independently by a non-resident's branch office or other such place of business in Japan or any other case of the entry into, renewal, or modification of a technology introduction contract prescribed by Cabinet Order.

(Reporting of Particulars Related to Foreign Exchange Services)

Article 55-7 To the extent necessary for achieving the purpose of this Act, the Minister of Finance, pursuant to the provisions of Cabinet Order, may ask a person engaged in foreign exchange services (meaning engagement, in the course of trade, in foreign exchange transactions or any other transactions or

actions prescribed 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 prescribed by Cabinet Order as a person engaged in those services on a considerable scale to report on the particulars of its foreign exchange services (excluding the particulars subject to reporting under Article 55-3).

(Other Reporting)

Article 55-8 Beyond as otherwise provided for in this Act, the competent minister, pursuant to the provisions of Cabinet Order and to the extent necessary for achieving the purpose of this Act, may ask a person that is undertaking or has undertaken a transaction, action, or the making or receipt of a payment to which this Act applies, or any related person, to report the substance of the transaction, the action, or the making or receipt of the payment as well as any other information related to the transaction, action, or making or receipt of the payment.

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

Article 55-9 (1) Pursuant to the provisions of Cabinet Order, the Minister of Finance must prepare statistics on foreign borrowing and lending and balance of payments and report them to the Cabinet periodically.  
(2) If the Minister of Finance finds it to be necessary to do so in order to prepare the statistics prescribed in the preceding paragraph, the minister may ask the relevant administrative organs and other such persons to submit materials, pursuant to the provisions of Cabinet Order.

**Chapter VI-2-2 Compliance Standards for Foreign Exchange Transactions  
Service Providers**

(Establishment of Compliance Standards for Foreign Exchange Transactions  
Service Providers)

Article 55-9-2 (1) The competent minister, pursuant to the provisions of Order of Competent Ministry, must establish standards which are to be followed by banks or any other forms of financial enterprise, funds transfer service providers or currency exchange operators prescribed by Cabinet Order as being particularly necessary to establish a framework to confirm whether or not transactions or acts constitute those listed in the items of the following paragraph (the persons mentioned above is referred to as "foreign exchange transactions service provider"), when they make or receive a payment, conduct an exchange transaction involving a payment that is made or received by its customer(including a transfer of electronic payment instruments or any other action if the transfer of electronic payment instruments or any other prescribed

action involving a payment that is made or received by its customer is conducted by a transfer of electronic payment instruments or any other prescribed action; the same applies in the following paragraph, item(iii) and the following Article), conduct a capital transaction (meaning a capital transaction as prescribed in Article 21 paragraph(1),and a transaction if a person prescribed in the following items takes the action prescribed in that item ) or conduct a specified capital transaction(the actions mentioned above are collectively referred to as " foreign exchange transactions or similar transactions" in paragraph(3) and the following Article) (the standards established above are referred to as "compliance standards for foreign transactions service providers"):

- (i) an electronic payment instruments service provider; an action as prescribed in Article 2, paragraph (10), item (iv) of the Payment Services Act;
  - (ii) an electronic payment handling service provider; an action prescribed in the items of paragraph (17) of Article 2 of the Banking Act;
  - (iii) an electronic payment handling service provider for Shinkin Bank; an action prescribed in the items of paragraph (2) of Article 85-3 of the Shinkin Bank Act; or
  - (iv) an electronic payment handling service provider for credit cooperatives; an action as prescribed in the items of paragraph (2) of Article 6-4-3 of the Act on Financial Business by Cooperatives.
- (2) The compliance standards for foreign exchange transaction service providers are to provide for necessary matters to confirm whether or not the transactions or actions in question fall under any of the following items.
- (i) making or receiving of a payment for which it has been made obligatory for persons to get permission of the competent minister pursuant to the provisions of Article 16, paragraphs (1) through (3);
  - (ii) making or receiving of a payment as prescribed in Article 16, paragraph (5) (limited to making or receiving of a payment in connection with transactions or actions prescribed by Cabinet Order);
  - (iii) an exchange transaction involving a payment that is made or received by its customer (limited as stated in item (i) and (ii)) ;
  - (iv) a capital transaction for which it has been made obligatory for persons to get permission of the Minister of Finance pursuant to the provisions of Article 21 paragraph (1);and
  - (v) a specified capital transaction for which it has been made obligatory for persons to get permission of the Minister of Economy, Trade and Industry pursuant to the provisions of Article 24, paragraph (1)
- (3) foreign exchange transactions service provider must conduct foreign exchange transactions or similar transactions in accordance with compliance standards for foreign exchange transactions service provider.

(Instruction and advice)

Article 55-9-3 If the competent minister finds it necessary to ensure that foreign exchange transactions or similar transactions are properly conducted (excluding when the competent minister finds that the foreign exchange transactions service providers have conducted an exchange transaction involving a payment that is made or received by its customer in violation of the provisions of Article 17 (including as applied mutatis mutandis pursuant to Article 17-3 and 17-4, paragraph (1)), the competent minister may provide the necessary instruction or advice to the foreign exchange transactions service providers so that they will conduct foreign exchange transactions or similar transactions based on the compliance standards for foreign exchange transactions service providers.

(Recommendations and Orders)

Article 55-9-4 (1) If the competent minister, have issued instruction or advice under the preceding Article, and subsequently finds that the foreign exchange transactions service providers continue to be in violation of the compliance standards for foreign exchange transactions service providers, the competent minister may issue a recommendation for the foreign exchange transactions service providers to comply with the compliance standards for foreign exchange transactions service providers.

(2) If a person that is issued a recommendation under the preceding paragraph fails to follow the recommendation, the competent minister may order that person to take the recommended measures.

(3) The provisions of the Article 17-2 paragraph (2) apply mutatis mutandis if the competent minister issues an order under the provisions of the preceding paragraph (limited to an order in connection with those stated in Article 55-9-2, paragraph (2), item(iii)) to a bank or other prescribed financial institution or a funds transfer service provider or electronic payment instruments service providers. In this case, the term "the preceding paragraph" in Article 17-2, paragraph (2), is deemed to be replaced with "Article 55-9-4, paragraph (2)" and the term "a foreign exchange transaction" is deemed to be replaced with "a foreign exchange transaction or a transfer of electronic payment instruments or any other prescribed action."

### **Chapter VI-3 Compliance Standards for Exporters and Persons Conducting Similar Transactions**

(Compliance Standards for Exporters and Persons Conducting Similar Transactions)

Article 55-10 (1) In the form of an Order of the Ministry of Economy, Trade and Industry, Minister of Economy, Trade and Industry must establish standards with which 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 "exporting goods or conducting similar transactions") in the course of trade (such a person is hereinafter referred to as an "exporter or person conducting similar transactions") is to comply when exporting goods or conducting similar transactions (hereinafter referred to as the "compliance standards for exporters and persons conducting similar transactions").

(2) The compliance standards for exporters and persons conducting similar transactions must set forth the particulars for confirming whether specified technology that a person seeks to provide through a transaction as prescribed in Article 25, paragraph (1) or a specific kind of goods as prescribed in Article 48, paragraph (1) that a person seeks to export to a specified region as prescribed in that paragraph constitutes specified important goods or technology, and anything else with which a person must comply in conducting such a transaction or in undertaking such an export.

(3) The term "specified important goods or technology" referred to in the preceding paragraph means a specified technology or a specified type of goods referred to in Article 48, paragraph (1), which is prescribed by Order of the Ministry of Economy, Trade and Industry as one whose provision in a specified country or to the non-resident of a specified country or whose export to a specified region as prescribed in that paragraph it is found would compromise international peace and international security.

(4) An exporter or person conducting similar transactions must export goods or conduct similar transactions in accordance with the compliance standards for exporters and persons conducting similar transactions.

(Issuing Guidance and Advice)

Article 55-11 If the Minister of Economy, Trade and Industry finds it to be necessary to do so in order to ensure that a person is properly exporting goods or conducting similar transactions, the minister may provide the necessary guidance or advice to an exporter or person conducting similar transactions so that the exporter or person conducting similar transactions will export goods or conduct similar transactions in accordance with the compliance standards for exporters and persons conducting similar transactions.

(Issuing Recommendations and Orders)

Article 55-12 (1) If the Minister of Economy, Trade and Industry, having issued guidance or advice under the preceding Article, finds the exporter or person conducting similar transactions to be violating the compliance standards for



exporters and persons conducting similar transactions, the Minister may issue a recommendation for them to comply with those compliance standards .

- (2) If a person that is issued a recommendation under the preceding paragraph fails to follow the recommendation, the Minister of Economy, Trade and Industry may order that person to take the recommended measures.

## **Chapter VII This Act's Relationship with the Administrative Procedure Act**

(Non-Applicability 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 Article 25, paragraph (1); under an Order that is based on paragraph (2) or (3) of that Article; under paragraph (4) of that Article; under Article 48, paragraph (1); or under an Order that is based on Article 48, paragraph (2); nor do those Chapters apply to the rescission of that permission.

## **Chapter VII-2 Requests for Administrative Review**

Article 56 (1) Unless an administrative agency, pursuant to Article 24 of the Administrative Complaint Review Act (Act No. 68 of 2014), dismisses a request for the review of an administrative disposition or inaction under this Act or an Order based on this Act, it must reach a determination in response to the request for review after giving the person requesting the review a reasonable amount of advance notice and after a review officer as prescribed in Article 11, paragraph (2) of that Act has heard opinions in a public forum.

- (2) When hearing opinions as referred to in the preceding paragraph, the agency must give the person requesting the review and any interested persons an opportunity to present evidence and state their opinions on the matter at issue.

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

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

Article 57 Deleted

Article 58 Deleted

Article 59 Deleted

Article 60 Deleted

Article 61 Deleted

Article 62 Deleted

Article 63 Deleted

Article 64 Deleted

## **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 this Act or an Order that is based on 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 Inspections)

Article 68 (1) To the extent necessary for bringing this Act into effect, the competent minister may have their ministry officials enter the business office, office, factory, or other facility of a person that has carried out a transaction or other action or made or received a payment governed by this Act or of any relevant person to inspect books and documents or other objects or to question

any relevant person.

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

#### (Delegation of Authority)

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

#### (Partial Delegation of Functions)

- Article 69 (1) The competent minister may have the Bank of Japan handle some of the administrative functions connected with this Act's entry into force, pursuant to the provisions of Cabinet Order.
- (2) If the competent minister has the Bank of Japan handle some administrative 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 those administrative functions.
  - (3) If the competent minister has the Bank of Japan handle some administrative functions pursuant to the provisions of paragraph (1), it may be decided that the Bank of Japan will bear the expenses required to handle those functions.

#### (Competent Minister)

- Article 69-2 (1) Cabinet Order prescribes which minister is the competent minister provided for in this Act.
- (2) Unless otherwise provided for, Cabinet Order prescribes which minister is the competent minister for the business that is provided for in this Act, in terms of the competent minister for business involving inward direct investment and equivalent actions; for business involving specified acquisitions; and for business involving the entry into, renewal, and modification of technology introduction contracts.

Article 69-3 (1) The minister stated in the relevant of 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 that item, on finding it to be particularly necessary to do so:

- (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) On finding that it is particularly necessary to do so in order for Japan to faithfully perform its obligations under a treaty or other international agreement that it has concluded or to allow Japan to contribute to international efforts toward international peace, the Minister for Foreign Affairs or the head of any other relevant administrative organ may state their opinion to any of the ministers stated in items (i) through (iii) with regard to the operation of the provisions stated in each of those items; on finding it to be particularly necessary to do so in order to maintain international peace and security, the Minister for Foreign Affairs or the head of any other relevant administrative organ may state their opinion to the minister specified in item (iv) with regard to the operation of the provisions stated in that item; on finding it to be particularly necessary to do so due to the likelihood of a situation that would compromise national security, interfere with the maintenance of public order, or create an obstacle to the preservation of public safety, or due to the likelihood of a situation that would have a significant adverse effect on the smooth operation of the Japanese economy, the Minister for Foreign Affairs or the head of any other relevant administrative organ may state their opinion to the minister specified in item (v) with regard to the operation of the provisions stated in that item; and on finding it to be particularly necessary to do so due to the high likelihood of a situation that would undermine national security, the Minister for Foreign Affairs or the head of any other relevant administrative organ may state their opinion to the minister specified in item (vi) with regard to the operation of the provisions stated in that item:
- (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 Authorities)

Article 69-4 (1) The Minister of Finance and the competent minister for the business may provide the authorities of a foreign country that enforce a foreign law or regulation which is equivalent to this Act (limited to the parts concerning Articles 27 and 28) (hereinafter referred to as "foreign authorities" in this Article), with information that the ministers find will contribute to the performance of their duties (limited to duties equivalent to those provided for in Articles 27 and 28 of this Act; the same applies in the following paragraph); provided, however, that this does not apply if it is found that providing them with that information is likely to interfere with the proper enforcement of this Act or otherwise prejudice Japan's interests.

- (2) The Minister of Finance and the competent minister for the business must confirm the following particulars on the occasion of providing the foreign authorities with the information prescribed in the preceding paragraph:
- (i) that the foreign authorities are able to provide the Minister of Finance and the competent minister for the business with information equivalent to that which is prescribed in the preceding paragraph;
  - (ii) that, in that foreign country, the laws and regulations guarantee the same level of confidentiality as in Japan will be maintained with regard to any information that the ministers provide pursuant to the provisions of the preceding paragraph which they provide as confidential information; and
  - (iii) that the foreign authorities will not use the information that the ministers provide pursuant to the provisions of the preceding paragraph for any purpose other than one that contributes to the performance of their duties.
- (3) Appropriate measures must be taken so that information that is provided pursuant to the provisions of paragraph (1) is not 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 under of the following paragraph.
- (4) Except in a situation that falls under one of the following items, at the request of the foreign authorities, the Minister of Finance and the competent minister for the business may consent to the use of the information they have provided pursuant to the provisions of paragraph (1) in the criminal proceedings to which the request pertains:
- (i) if the offense subject to the criminal proceedings to which the request pertains is a political offense, or if the request is found to have been made for the purpose of conducting criminal proceedings in connection with a political offense;

- (ii) if the act involved in the offense subject to the criminal proceedings to which the request pertains would not constitute an offense under the laws and regulations of Japan if it had been performed in Japan; or
  - (iii) if the requesting country does not guarantee that it will meet requests of the same kind that Japan makes.
- (5) Before the Minister of Finance and the competent minister for the business give the consent referred to in the preceding paragraph, they must receive confirmation from the Minister of Justice that the situation does not fall under item (i) or (ii) of that paragraph and confirmation from the Minister for Foreign Affairs that the situation does not fall under item (iii) of that paragraph.

(Transitional Measures)

Article 69-5 If an Order is enacted, amended, or repealed based on this Act, the necessary transitional measures (including transitional measures for penal provisions) may be stated in that Order, to the extent considered reasonably necessary for the enactment, amendment, or repeal of that Order.

## **Chapter IX Penal Provisions**

Article 69-6 (1) If a person falls under any of the following items, the person that has committed the violation is subject to imprisonment for not more than seven years, 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 to which the person is subject is not more than five times that value:

- (i) If a person that has conducted a transaction provided for by an Order that is based on Article 25, paragraph (1) or (4) without getting the permission under the relevant paragraph; or
  - (ii) If a person that has exported goods as provided for by an Order that is based on Article 48, paragraph (1) without getting the permission under that paragraph.
- (2) If a person falls under any of the following items, the person that has committed the violation is subject to imprisonment for not more than 10 years, 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 to which the person is subject is not more than five times that value:
- (i) If a person that has conducted a transaction provided for by an Order that is based on Article 25, paragraph (1) without getting the permission under that paragraph, in connection with specified technology that is associated with the design, manufacture, or use of a nuclear weapon; of a military chemical warfare agent, a military bacterial agent, or a device for spraying one of

these agents; or of a rocket or unmanned aerial vehicle capable of transporting one of these, as prescribed by Cabinet Order (hereinafter referred to as an "NBC or associated device" in this paragraph); or in connection with specified technology that is prescribed by Cabinet Order as technology that is associated with the design, manufacture, or use of goods that are found to be highly likely to be used to develop, manufacture, use, or store an NBC or associated device (referred to as "development, manufacture, use, or storage" in the following item); or

- (ii) If a person that has conducted a transaction provided for by an Order that is based on Article 25, paragraph (4) without getting the permission under that paragraph or that has made an export prescribed by an Order that is based on Article 48, paragraph (1) without getting the permission under that paragraph, in connection with a specified type of goods referred to in Article 48, paragraph (1), which are prescribed by Cabinet Order as goods that are found to be highly likely to be used in connection with an NBC or associated device or its development, manufacture, use, or storage.
- (3) Attempts to commit the offenses referred to in paragraph (1), item (ii) and item (ii) of the preceding paragraph (limited to the part concerning the export of goods) are also punishable.

Article 69-7 (1) If a person falls under any of the following items, the person that has committed the violation is subject to imprisonment for not more than five years, 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 to which the person is subject is not more than five times that value:

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

Article 70 (1) If a person falls under any of the following items, the person that has committed the violation is subject to imprisonment for not more than three years, 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) If a person that has made or received a payment in violation of the provisions of Article 8;
- (ii) If a person that has carried out a transaction or action or made or received a payment in violation of the provisions of an Order that is based on Article 9, paragraph (1);
- (iii) If a person that has made or received a payment without getting the permission under an Order that is based on Article 16, paragraphs (1) through (3), or in violation of the provisions of paragraph (5) of that Article;
- (iv) If a person that has made or received a payment in violation of the prohibition under Article 16-2 on the making or receiving of payment, or without getting the permission under an Order that is based on that Article;
- (v) If a person that has engaged in business involving a foreign exchange transaction or a transfer of electronic payment instruments or any other prescribed action. in violation of the suspension or restrictions under Article 17-2, paragraph (2) (including as applied *mutatis mutandis* pursuant to Article 17-3, Article 17-4 paragraph (1) and Article 55-9-4 paragraph (3));
- (vi) If a person that has imported or exported a means of payment prescribed in Article 19, paragraph (1), securities, or precious metals without getting the permission under an Order that is based on paragraph (1) or (2) of that Article;
- (vii) If a person that has conducted a capital transaction without getting the permission under an Order that is based on Article 21, paragraph (1) or (2);
- (viii) If a person that has conducted a capital transaction in violation of the prohibition under Article 22, paragraph (1) on capital transactions, or without getting the permission under an Order that is based on that paragraph;
- (ix) If a person that has handled accounting in violation of the provisions of Article 22, paragraph (2);
- (x) If a person that has made an outward direct investment without having filed a notification under Article 23, paragraph (1) or after filing a false notification;
- (xi) If a person that has made an outward direct investment during the period prescribed in Article 23, paragraph (3) or (5) in violation of the provisions of those paragraphs;
- (xii) If a person that has made an outward direct investment in violation of the



- provisions of Article 23, paragraph (7);
- (xiii) If a person that has made an outward direct investment in violation of an order of modification or discontinuance under Article 23, paragraph (9);
  - (xiv) If a person that has conducted a specified capital transaction without getting the permission under an Order that is based on Article 24, paragraph (1) or (2);
  - (xv) If a person that has conducted a specified capital transaction in violation of the prohibition under Article 24-2 on specified capital transactions, or without getting the permission under an Order that is based on that Article;
  - (xvi) If a person that has taken an action provided for in Article 25, paragraph (3), item (ii) without getting the permission under an Order that is based on that paragraph;
  - (xvii) If a person that has conducted a service transaction provided for by an Order that is based on Article 25, paragraph (5) without getting the permission under that paragraph;
  - (xviii) If a person that has conducted a service transaction or transaction involving the transfer of goods between foreign countries without getting the permission under an Order that is based on Article 25, paragraph (6);
  - (xix) If a person conducting a transaction; exporting a document, picture, or storage medium containing technological information; transmitting technological information outside Japan; or exporting goods, in violation of the prohibition under Article 25-2, paragraph (1) or (2) on transactions that are meant to provide technology; on the exporting of a document, picture, or storage medium containing technological information; on the transmission of technological information outside Japan; or on the export of goods;
  - (xx) If a person that has conducted a transaction or exported goods in violation of the prohibition under Article 25-2, paragraph (3) on transactions connected with the buying and selling, leasing, or donation of goods, or on the export of goods;
  - (xxi) If a person that has conducted a service transaction or transaction involving the transfer of goods between foreign countries in violation of the prohibition under Article 25-2, paragraph (4) on service transactions and transactions involving the transfer of goods between foreign countries, or without getting the permission under an Order that is based on that paragraph;
  - (xxii) If a person that has carried out an inward direct investment or equivalent action or a specified acquisition or anything that is equivalent to these actions without filing a notification under Article 27, paragraph (1) including the cases where these provisions are applied by deeming the amounts as prescribed in the paragraph (13) or (14) of the same Article) or Article 28, paragraph (1) (including the cases where these provisions are

- applied by deeming the amounts as prescribed in the paragraph (8) or (9) of the same Article),, or after filing a false notification;
- (xxiii) If a person that has carried out an inward direct investment or equivalent action or specified acquisition or anything that is equivalent to these actions during the prohibition period prescribed in Article 29, paragraph (6) in violation of the provisions of Article 27, paragraph (2) (including the cases where these provisions are applied by deeming the amounts as prescribed in the paragraph (13) or (14) of the same Article) or Article 28, paragraph (2) (including the cases where these provisions are applied by deeming the amounts as prescribed in the paragraph (8) or (9) of the same Article);
- (xxiv) If a person that has carried out an inward direct investment or equivalent action or specified acquisition or anything that is equivalent to these actions in violation of the provisions of Article 27, paragraph (8) (including the cases where these provisions are applied by deeming the amounts as prescribed in the paragraph (13) or (14) of the same Article and as applied *mutatis mutandis* pursuant to Article 28, paragraph (7) (including the cases where these are applied by deeming the amounts as prescribed in the paragraph (8) or (9) of the same Article);
- (xxv) If a person that has carried out an inward direct investment or equivalent action or a specified acquisition or anything that is equivalent to these actions in violation of an order of modification or discontinuance under Article 27, paragraph (10) (including the cases where these provisions are applied by deeming the amounts as prescribed in the paragraph (13) or paragraph (14) of the same Article and as applied *mutatis mutandis* pursuant to Article 28, paragraph (7));
- (xxvi) If a person that has violated an order under Article 29, paragraphs (1) through (4) (including the cases where these provisions are applied by deeming the amounts as prescribed in Article 27 paragraph (13) or (14), or in Article 28 paragraph (8) or (9)), or if a person that has violated an order under Article 29, paragraph (5) (including the cases where these provisions are applied by deeming the amounts as prescribed in Article 27-2 paragraph (6) or (7), or in Article 28-2 paragraph (6) or (7));
- (xxvii) If a person that has conducted the entry into, renewal, or modification of a technology introduction contract while failing to make a notification under Article 30, paragraph (1) or making a false notification;
- (xxviii) If a person that has conducted the entry into, renewal, or modification of a technology introduction contract during the period prescribed in Article 30, paragraph (2) (or, 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, during the period so extended or shortened) in

- violation of the provisions of paragraph (2) of that Article;
- (xxix) If a person that has conducted the entry into, renewal, or modification 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) If a person that has conducted the entry into, renewal, or modification of a technology introduction contract in violation of an order of modification or discontinuance under Article 27, paragraph (10) as applied *mutatis mutandis* pursuant to Article 30, paragraph (7);
  - (xxxi) If a person that has conducted the shipment of goods in violation of the provisions of an Order that is based on Article 51;
  - (xxxii) If a person that has exported goods, conducted a transaction, exported a document, picture, or storage medium containing specified information, or transmitted information, in violation of the prohibition under Article 53, paragraph (1) on the export of goods, on transactions that are meant to provide specified technology, on the export of document, picture, or storage medium containing specified information, or on the transmission of information concerning the specified technology;
  - (xxxiii) If a person that has imported or exported goods in violation of the prohibition under Article 53, paragraph (2) on the import or export of goods;
  - (xxxiv) If a person that has violated an order under Article 53, paragraph (3) or (4);
  - (xxxv) If a person that has violated the conditions attached under Article 67, paragraph (1) to the permission under Article 25, paragraph (1) or (4) or Article 48, paragraph (1); or
  - (xxxvi) If a person that has obtained, by deception or other wrongful means, the permission or approval under Article 25, paragraph (1); under an Order that is based on paragraph (2) or (3) of that Article; under paragraph (4) of that Article; under Article 48, paragraph (1); under an Order that is based on Article 48, paragraph (2) or (3); or under an Order that is based on Article 52.
- (2) An attempt to commit the offense 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 If a person that has violated an order under Article 18-4 (including as applied *mutatis mutandis* pursuant to Article 18-5, Article 18-6 paragraph (1), Article 22-2, paragraph (2), and Article 22-3) the person that has committed the violation is subject to imprisonment for not more than two years, a fine of not more than three million yen, or both.

Article 71 If a person falls under any of the following items, the person that has

committed the violation is subject to imprisonment for not more than six months or a fine of not more than 500,000 yen:

- (i) If 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 paragraph (3) of that Article or making a false notification;
- (ii) If a person that has failed to make a report under Article 55, paragraph (1) or made a false report;
- (iii) If a person that has failed to make a report under Article 55-3, paragraph (1) or (2) or made a false report;
- (iv) If a person that has failed to prepare books and documents under Article 55-3, paragraph (5), failed to enter the matters prescribed in that paragraph in them, made false entries in them, or failed to preserve them;
- (v) If a person that has failed to make a report under Article 55-4 or made a false report;
- (vi) If a person that has failed to make a report under Article 55-5, paragraph (1) (including the cases where these provisions are applied by deeming the amounts as prescribed in the paragraph (2) or (3) of the same Article), or made a false report;
- (vii) If a person that has failed to make a report under Article 55-6, paragraph (1) or made a false report;
- (viii) If a person that has failed to make a report or made a false report in violation of the provisions of an Order that is based on Article 55-7;
- (ix) If a person that has failed to make a report or made a false report in violation of the provisions of an Order that is based on Article 55-8;
- (x) If a person has violated an order under Article 55-9-4, paragraph (2);
- (xi) If a person that has violated an order under Article 55-12, paragraph (2);
- (xii) If a person that has refused, obstructed, or evaded the inspection under Article 68, paragraph (1); or
- (xiii) If a person that has failed to answer questions under Article 68, paragraph (1), or gave false answers.

Article 71-2 If a person that has violated the provisions of Article 18, paragraph (4) (including as applied mutatis mutandis pursuant to Article 18-5, Article 18-6 paragraph (1), Article 22-2, paragraph (2), and Article 22-3) in order to conceal identification information the person that has committed the violation is subject to 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 stated in the following items with regard to the business or property of the corporation or individual, in addition to the offender being punished, 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 (or 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 (or 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 (or 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 offense 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* to them.

**Article 73** A person that falls under either of the following items is subject to 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 Article 55-3, paragraph (6) or made a false notification; or
- (ii) a person that has violated the conditions attached to the permission or approval pursuant to the provisions of Article 67, paragraph (1).