



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

JAPAN

This report, prepared for the fifteenth Trade Policy Review of Japan, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Japan on its trade policies and practices.

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SUMMARY

1. Japan's economy is characterized by high development, diversification, and income levels as well as by strong market orientation. During the period under review (January 2020 to October 2022), its macro-economic policies continued to be guided by a bold monetary policy based on quantitative and qualitative easing, a flexible fiscal policy, and structural reforms. Real GDP growth rates remained moderate in most years; in 2021, the growth rate stood at 1.7%.

2. Against the background of the COVID-19 pandemic, the Government adopted several large supplementary budgets in 2020 and 2021, leading to a jump in the overall fiscal deficit to 9.0% of GDP in 2020 and 7.6% of GDP in 2021. Japan has the highest ratio of public debt to GDP among developed countries, at some 263% of GDP. In addition to the pandemic, population ageing has a major impact on Japan's fiscal situation. Japan's population stood at 125.7 million in 2021. Its economy faces considerable challenges posed by an ageing and declining population; 28% of the population is older than 65 years, compared with an OECD average of 17%.

3. Inflation rates did not exceed 1% during the period under review and were negative in 2021. However, since then inflation rates picked up, following rising international energy prices and the depreciation of the yen, to reach 2.6% in July 2022. Interest rates remained at very low levels during the review period, reflecting ongoing accommodative financing conditions, and confidence in Japan's ability to meet its debt obligations, as it holds a significant stock of external assets. The Government acknowledges that rising global interest rates could put mounting pressure on the budget and deteriorate the credibility of Japan's fiscal management.

4. Japan maintains a free-floating exchange rate regime. The Bank of Japan may only intervene as an agent of the Ministry of Finance in the foreign exchange market. Japan's real effective exchange rate continuously appreciated between 2017 and 2020, but has been depreciating since 2021. As at 20 October 2022, the yen stood at nearly 150 to the US dollar, its weakest level since 1998. The principal reason for the yen's recent depreciation is the increasing divergence in monetary policies of Japan and the United States, along with the growing expectation that the spread in interest rates between the two countries is about to widen. In September 2022, the Bank of Japan intervened for the first time since 2011 with a view to reducing the speed of the depreciation.

5. With a view to addressing its demographic challenges, Japan has undertaken various reforms to increase labour supply, productivity, and wages over the recent years. These labour market reforms have successfully raised employment, more than offsetting ageing's impact on the size of the labour force. A pension system reform undertaken in 2021 expanded the coverage of the system by including more part-time workers. Other structural reforms aim at increasing Japan's productivity, notably by accelerating digitalization, expanding investment, and increasing R&D expenditure.

6. Japan's balance of payments featured a current account surplus during the period under review, although with a declining trend; expressed as a share of GDP, the surplus fell from 4.1% in 2017 to 2.9% in 2021. The strong surplus in Japan's primary income balance was a major contributor to this surplus. The surplus in merchandise trade narrowed during the review period, whereas the deficit in the services balance widened. Total reserves, excluding gold, stood at around USD 1.36 trillion in 2021.

7. Both merchandise exports and imports grew robustly in 2017 and 2018, but fell in 2019 and 2020, due to the pandemic, before strongly recovering in 2021 and exceeding pre-pandemic levels. The combined value of merchandise exports and imports exceeded the equivalent of 30% of GDP in 2021, for the first time since 2014. Japan's merchandise trade continues to be dominated by manufactures, which make up over 85% of exports and some 60% of imports. Agricultural goods make up between 11% and 12% of imports and less than 2% of exports. Mining products make up less than 5% of exports, but up to 30% of imports, largely due to the importance of oil imports. Japan's service exports and imports grew continuously between 2017 and 2019, but sharply fell in 2020 due to the global pandemic, before slightly recovering in 2021. The deficit in Japan's services trade widened, from 0.1% of GDP in 2017 to 0.8% of GDP in 2021.

8. China has retained its position as the largest destination for Japan's merchandise exports since 2018, with a share of nearly 22% of exports in 2021, followed in importance by the United States

and the European Union. China supplies nearly one quarter of imported goods in most years, followed by the European Union and the United States, respectively.

9. Japan remains one of the major global sources of foreign investment. The stock of Japanese investment abroad grew considerably between 2017 and 2021, when it reached close to USD 2 trillion. Between 2017 and 2020, the inward stock of FDI grew from USD 257 billion to just under USD 389 billion but fell to USD 352 billion in 2021. The United States remains the most important source country for foreign investment in Japan, and the most important destination for Japanese investment abroad.

10. Japan's overall economic policy agenda is centred on sustainable and inclusive growth; under the current administration, a stronger emphasis is placed on income distribution. Japan's policy objectives also place great emphasis on national and economic security issues. The new Act for the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures, adopted in May 2022, provides a framework for ensuring a stable supply of key products and essential infrastructure services, enhancing development of advanced critical technologies, and preventing disclosure or divulgence of inventions that might be detrimental to national security through patent procedures.

11. In October 2020, Japan announced its plans to achieve net zero greenhouse gas emissions by 2050. Moreover, in April 2021, it announced the goal of reducing emissions by 2030 to 46% from its 2013 levels. To this end, a long-term strategy under the Paris Agreement was elaborated in 2019 and revised in 2021 to promote green innovations and finance, and an Environment Innovation Strategy in 2020, with action plans for each technology area. Also in 2020, a new Green Growth Strategy was published.

12. Japan grants at least MFN treatment to all WTO Members with exception to the Russian Federation and a few other countries and territories. MFN treatment to the Russian Federation was suspended on 21 April 2022 following the start of the war in Ukraine. Japan is a signatory to the 1979 Agreement on Trade in Civil Aircraft, and a party to the plurilateral Agreement on Government Procurement. It is also a signatory to the Information Technology Agreement (ITA), and participated in the ITA expansion negotiations. The authorities indicate that the WTO Agreement on Fisheries Subsidies is in the ratification process. Japan is a participant in the Joint Statement Initiatives on e-commerce, investment facilitation for development, the establishment of a WTO informal working group for MSMEs, and services domestic regulation. Japan also supported the Buenos Aires Joint Declaration on Trade and Women's Economic Empowerment. Since January 2020, Japan has been involved in two new WTO dispute settlement cases as a complainant, and in one case as respondent. Japan has regularly submitted its notifications to the WTO.

13. Expanding trade and growth through economic partnerships remains central to Japan's overall economic strategy. In particular, Japan considers that tapping into the Asia-Pacific region's growth and large markets by creating a global web of economic partnerships is essential to the country's economic growth. The major new development over the review period was the entry into force of the agreement with the United Kingdom and the Regional Comprehensive Economic Partnership Agreement. Japan has 19 FTAs involving 23 trading partners (counting the EU as one).

14. Japan offers preferential tariff treatment to 131 developing economies under its GSP scheme. The GSP scheme is revised every 10 years; the last revision took place in March 2021, when the scheme was extended until 2031. Imports under Japan's GSP scheme have sharply fallen during the past years, most notably due to the graduation of important former beneficiaries. In 2020 and 2021, Bangladesh, Cambodia, and Myanmar were the main beneficiaries.

15. The Foreign Exchange and Foreign Trade Act (FEFTA) and its implementing regulations remain the main legal instrument that governs foreign investment in Japan. The FDI framework is liberal, with only few sectoral restrictions (e.g. broadcasting, radio, and telecommunications), but a screening requirement for foreign investment is in place. Prior notification is required for industrial sectors in national security, public order, or other specifically designated industries. An amendment to the FEFTA, which entered into force in 2020, lowered the screening threshold from 10% in company shares to 1%. The amendment also introduced various exemptions from the prior notification required for stock purchases. An exemption from the prior notification filings is available for foreign financial institutions and accredited general investors, including sovereign wealth funds.

16. During the review period, there were no changes to the authorities responsible for all customs matters including policy formulation and the administration and enforcement of customs legislation; there were no changes in registration requirements for importers, or documents needed for customs clearance. In June 2020, a Smart Customs Plan 2020 was issued with a view to promoting digitalization of customs procedures and automation of customs inspection. In 2021, the Customs Act was amended to simplify the procedures and ease the requirements of preserving books and documents relating to customs duty by electromagnetic records, and enable importers to pay customs duty by credit card.

17. Japan's MFN applied tariff structure remains complex. With a total of 272 tariff rates, there are 136 different ad valorem rates, 75 different specific rates, 29 different alternate rates, and 24 different compound rates, as well as some other types of duties (4 differential duties and 4 sliding duties). In FY2022, Japan's overall simple average MFN applied tariff rate is 6.3% (the same as in FY2019); the simple average MFN applied tariff rate for agriculture (WTO definition) is 18.0% (17.9% in FY2019), compared with 3.4% for non-agricultural products (3.5% in FY2019). Of all tariff lines, 92.7% involve ad valorem rates (including duty-free lines, which represent 40.9% of all lines). The remaining 7.3% (i.e. 689 lines) are non-ad valorem rates. All the 100 highest tariffs have non-ad valorem rates. Japan has bound 98.0% of lines; the overall gap between the simple averages of MFN applied and bound rates is around 0.1 percentage point. The percentage of duty-free rates under RTAs was around twice as much as that of the MFN tariff. Customs duties amounted to 1.2% of central government tax revenue in FY2021.

18. In 2022, Japan imposed an import ban on certain goods from the Russian Federation (e.g. machines, alcoholic beverages, and wood). During the review period, no issues were raised about Japan's import licensing regime by Members in the WTO's Committee on Import Licensing.

19. Japan is not a frequent user of trade remedies. It maintains eight anti-dumping measures, applying to two trading partners. Japan did not apply any safeguard or countervailing measures during the review period, nor did it initiate any investigations in these areas.

20. Japan does not levy any export taxes, nor does it maintain any export quotas or operate export subsidy programmes. In April 2021, Japan extended a prohibition, until 2023, on all exports to (and imports from) the Democratic People's Republic of Korea. In 2022, Japan imposed export prohibitions measures against the Russian Federation and Belarus in the context of the war in Ukraine.

21. Domestic support to production and trade is offered to foreign and domestic companies through grants, tax incentives, and loan schemes. The objective of the support is to encourage wage hikes, capital investments, and research and development, as well as to support SMEs and the agriculture and fisheries sectors. In June 2021, Japan notified a list of 53 specific subsidy programmes to the WTO's Committee on Subsidies and Countervailing Measures; the list includes both old and new schemes with different objectives mainly to support industry, finance, and agriculture, and to strengthen and stimulate the domestic economy.

22. During the review period, Japan took measures regarding regulations on vehicle safety and environmental protection; a few amendments were also made to some of laws and regulations governing labelling requirements concerning, *inter alia*, food, genetically modified products, household goods, and tobacco. The Food Sanitation Act, amended in 2018, partially entered into force in June 2020 and fully entered into force in June 2021 to, *inter alia*, increase hygiene control. During the review period, some elements of the Agricultural Chemicals Control Act, amended in 2018 to enhance the safe use of pesticides, entered into force. Japan submitted regular TBT and SPS notifications (including few addendum notifications); In either the TBT Committee or the SPS committee, no specific trade concerns were raised by Members regarding TBT or SPS measures maintained or planned by Japan.

23. During the review period, amendments to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (AMA), which introduced a new leniency system, entered into force in several stages. In response to the COVID-19 pandemic, the JFTC took a number of actions related to competition policy; for example, in 2020, it issued a press release stating that necessary and temporary coordination between competitors to ensure supply and distribution of related goods and services would not violate the AMA. In June 2021, the revised Corporate Governance Code,

implemented by the Tokyo Stock Exchange, entered into force; the Code requires certain listed companies to provide an explanation for non-compliance with any principle of the Code.

24. During the review period, Japan notified a list of four state trading enterprises remaining operational. State participation continues to be spread over few activities including leaf tobacco, rice, wheat, barley, energy, financial services, telecommunications, international airports, and railways.

25. Japan is a party to the WTO Agreement on Government Procurement. During the review period, the basic rules on government procurement remained unchanged. Japan promotes green procurement and participation of SMEs in the market. Despite the principle of non-discrimination in all procurement activities, foreign companies continue to retain a low share in the public procurement market. In response to the COVID-19 outbreak, Japan adopted several policies relating to government procurement to provide flexibility concerning the government procurement process, including modification of delivery times and contract amounts, the quick disbursement to contractors, and a revision of the reference price for upcoming tenders.

26. Intellectual Property continues to be of vital importance to the Japanese economy. The Japan Patent Office found a strong correlation between patent possession and operating profits on sales for SMEs, which account for 99.7% of all businesses in Japan. Although IP revenue, as shown in the balance of payments statistics, dropped with the emergence of the COVID-19 pandemic in 2020, it recovered in 2021, where it stood at over JPY 5.2 trillion. During the review period, Japan amended the Science, Technology, and Innovation Basic Law to add "innovation" as a key pillar. The 6th Basic Plan, promulgated under the Act, aims for, *inter alia*, government R&D investments of approximately JPY 30 trillion and public and private R&D investment of JPY 120 trillion.

27. Japan has a substantial trade deficit in agricultural goods, with imports of USD 74.8 billion and exports of USD 9.2 billion in 2021. The main policy developments during the review period included revision to the Food, Agriculture and Rural Basic Plan in 2020; the adoption of the Strategy to Realize Export Expansion of Agricultural, Forestry and Fishery and Food Products in 2020, and its revision in 2022; and the entry into force of the Act on Facilitating the Export of Agricultural, Forestry and Fishery Products and Food in 2020 and its revision in 2022. According to the OECD, Japan gradually reduced its support to agriculture during the past 10 years; however, the level of support plateaued more recently. The simple average MFN tariff on agricultural products (18.0%) is higher than that on non-agricultural products (3.4%). Japan applies 20 tariff quotas covering 112 tariff lines at the HS six-digit level. Fill rates ranged from 6.4% to 100%. During the review period, Japan applied either the volume- or price-based agricultural special safeguards (SSGs) several times to out-of-quota imports of a variety of products.

28. Japan's latest overall strategy on fisheries is defined by the revised Basic Plan for Fisheries, which was issued on 25 March 2022; the revised plan also aims to achieve a set of self-sufficiency targets by 2032. In FY2022, the average applied MFN tariff rate on the 546 lines (528 in FY2019) (at HS nine-digit level) covering fish and fish products was 6.2% (6.1% in FY2019) and the range was between zero and 15% (same in FY2019). The structure of Japan's subsidy schemes for fisheries has remained largely unchanged. On 4 June 2021, Japan adopted a Protocol to Amend the International Convention for the Conservation of Atlantic Tuna. Japan withdrew from the General Fisheries Commission for the Mediterranean on 31 October 2020.

29. Mining accounts for a very small share of Japan's economy: 0.1 % of GDP in 2020 and 0.03% of employment in 2020. The main policy development in the energy sector during the review period included the adoption, in October 2021, of the sixth Strategic Energy Plan (SEP), replacing the 2018 SEP. The main objectives of the 2021 SEP include to show the path of energy policy towards the realization of "2050 Carbon Neutral" announced in October 2020 and the new greenhouse gas emission reduction targets announced in April 2021 (to cut greenhouse gas emissions by 46%). In January 2022, the Government introduced an emergency subsidy to mitigate the impact of a sharp increase of oil price. In April 2022, the Act on Special Measures Concerning Promotion of Use of Renewable Energy Electricity, which introduced a feed-in premium system, entered into force.

30. In 2021, manufactured products accounted for about 85.6% of Japan's total merchandise exports and 57.9% of imports in value. Although the import content of exports varies across manufacturing industries, it remains higher for some top exports, illustrating the role that imports

have been playing for exports in Japan and underpinning the degree of Global Value Chain integration of these industries. The average MFN applied tariff for manufacturing products (HS 25-97) remained unchanged at 3.3% in FY2022. Tariff quotas continued to apply to 62 manufactured items (at HS nine-digit level), including raw hides and skins, and leather, silk, and footwear. In FY2020, the METI launched a subsidy programme that aimed at helping manufacturing firms to invest domestically in building production bases for critical products and materials. In order to secure the stable domestic production of semiconductors in Japan and incentivize such investments, on 1 March 2022, the Government implemented a new legal instrument that provided grants to advanced chip manufacturers under certain conditions.

31. Japan's financial service sector is relatively open and has withstood the pandemic shock relatively well. No banking services are reserved for domestic suppliers. No regulatory changes have taken place during the review period with regard to licensing procedures and requirements for banks. New regulations for virtual currencies came into effect in May 2020. In an amendment to the Insurance Business Act adopted in March 2022, the Government announced that it would extend its financial support to the Life Insurance Policyholders Protection Corporation of Japan by five years, until end-2027.

32. The regulatory regime regarding telecommunications did not undergo any significant changes during the review period. A newly established Digital Agency is empowered to develop a priority programme on the formation of a digital society. In relation to telecommunications, the Agency aims at advancing developments in IT infrastructure, supporting research and development of technologies that are necessary for a digital society, and improving the education of digital human resources. The Act on the Protection of Personal Information was amended in June 2020 and entered into force in April 2022.

33. Regarding maritime services, in 2020, Japan extended the "roll-over relief system" until the end of FY2022: it defers taxation of capital gains resulting from the sales of old vessels replaced by new and environmentally friendly ones. Japan also extended the application of deduced rate of registration and licence tax until the end of FY2023, with a view to increasing Japanese-flagged overseas vessels.

34. The 2020 amendments to the Civil Aeronautics Act established a new registration system for unmanned aircraft (drones) with a view to ensuring the safety of drone flights. The 2022 amendment to the Airport Act requires that airport managers make airport decarbonization promotion plans and have them authorized by the Minister of Land, Infrastructure, Transport, and Tourism. During the review period, Japan implemented several measures to support the aviation industry, especially considering the impact of the COVID 19 pandemic. Japan has bilateral air transport agreements with 60 trading partners; it currently has "open sky" agreements with 36 trading partners.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. Japan's economy is the third largest in the world by nominal GDP in US dollar terms. It is characterized by high development, diversification, and income levels as well as by strong market orientation. Per capita GDP stood at USD 39,300 in 2021.¹ The agricultural sector accounts for only about 1.0% of GDP in 2020 (the latest year for which sectoral data were available), while Japan's manufacturing sector is highly developed and diversified, with a share of around 20% in GDP (Table 1.1). The services sector constitutes the backbone of the economy, contributing nearly 70% to GDP.

Table 1.1 Basic economic indicators, 2017-21

	2017	2018	2019	2020	2021
Real GDP (JPY trillion, 2015 price (chain-linked))	551.2	554.8	552.8	527.3	536.0
Current GDP (JPY trillion)	553.1	556.6	558.2	537.2	541.4
Current GDP (USD billion)	4,930.8	5,040.9	5,120.3	5,031.6	4,932.6
GDP per capita at current market price (USD)	38,903.3	39,850.5	40,566.2	39,981.4	39,301.1
GDP by economic activities (2015 real price, chain-linked, % change)					
Agriculture, forestry, and fishing	0.7	-6.5	1.4	..	..
Mining	7.9	-1.7	-4.4	..	..
Manufacturing	4.1	3.7	-0.9	..	..
Construction	2.1	-1.2	-1.8	..	..
Electricity, gas and water supply	8.2	2.1	-2.6	..	..
Services	..	..	..	..	..
Wholesale and retail trade	3.1	-2.4	-1.5	..	..
Transport and postal services	3.2	-1.4	-0.7	..	..
Accommodation and food service activities	3.0	-1.4	-6.5	..	..
Information and communications	0.6	2.4	1.2	..	..
Finance and insurance	2.0	0.4	-1.1	..	..
Real estate	0.7	0.3	0.8	..	..
Professional, scientific and technical activities	-0.8	0.6	-0.2	..	..
Public administration	0.6	0.5	0.7	..	..
Education	0.2	0.1	0.3	..	..
Human health and social work activities	-0.4	2.7	2.9	..	..
Other service activities	0.3	-0.9	0.2	..	..
Share of nominal gross value added by economic activities (%)					
Agriculture, forestry, and fishing	1.1	1.1	1.0	1.0	..
Mining	0.1	0.1	0.1	0.1	..
Manufacturing	20.5	20.7	20.2	19.8	..
Construction	5.5	5.4	5.5	5.9	..
Electricity, gas and water supply; waste management services	2.9	2.9	3.1	3.3	..
Services	69.9	69.8	70.1	69.9	..
Wholesale and retail trade	13.1	12.8	12.5	12.7	..
Transport and postal services	5.3	5.3	5.4	4.4	..
Accommodation and food service activities	2.6	2.6	2.5	1.8	..
Information and communications	4.9	4.9	4.9	5.1	..
Finance and insurance	4.1	4.1	4.1	4.3	..
Real estate	11.9	11.8	11.9	12.3	..
Professional, scientific and technical activities	8.0	8.1	8.4	8.4	..
Public administration	4.9	5.0	5.0	5.2	..
Education	3.5	3.5	3.5	3.6	..
Human health and social work activities	7.6	7.7	7.9	8.3	..
Other service activities	4.1	4.0	4.1	3.8	..
Share of employment by economic activities (%)					
Agriculture, forestry, and fishing	3.4	3.4	3.3	3.2	..
Mining	0.05	0.05	0.03	0.03	..
Manufacturing	16.1	15.9	15.8	15.7	..
Construction	7.6	7.5	7.4	7.4	..
Electricity, gas and water supply	0.4	0.4	0.4	0.5	..

¹ Using the Atlas method, per capita GNI is estimated at USD 42,620 in 2021 (World Bank national accounts data).

	2017	2018	2019	2020	2021
Services	72.4	72.7	73.0	73.7	..
Wholesale and retail trade	16.5	16.1	15.7	15.8	..
Transport and postal services	5.2	5.1	5.2	5.2	..
Accommodation and food service activities	6.0	6.2	6.2	5.9	..
Information and communications	3.3	3.3	3.4	3.6	..
Finance and insurance	2.6	2.4	2.5	2.5	..
Real estate	1.9	2.0	1.9	2.1	..
Professional, scientific and technical activities	..	..	..	..	..
Public administration	..	..	..	..	..
Education	..	..	..	..	..
Human health and social work activities	..	..	..	..	..
Other service activities	37.0	37.5	38.1	38.6	..

.. Not available.

Source: Cabinet Office; and Asian Development Bank (ADB) key indicators.

1.2. Since 2013, Japan's policies have been guided by a three-pillar strategy, with a view to revitalizing a sluggish economy. This strategy uses a bold monetary policy based on quantitative and qualitative easing, a flexible fiscal policy, and structural reforms. The combined effects of fiscal and monetary policy expansion and structural reform were intended to strengthen business investment and private consumption, with a view to overcoming the prolonged deflation and revitalizing the Japanese economy. However, real GDP growth rates remained moderate in most years; in 2021, the growth rate stood at 1.7% (Table 1.2). Japan has the highest ratio of public debt to GDP among developed countries, at some 263% of GDP.

1.3. Japan's population stood at 125.7 million in 2021. Its economy faces considerable challenges posed by an ageing and declining population; 28% of the population is older than 65 years, compared with an OECD average of 17%. At current birth and death rates, the population is shrinking at an average of 0.2% per year. Japan's life expectancy is the highest in the world, at 84.8 years (81.8 years for men and 87.7 years for women).² Historically, Japan also scores well in other development and quality of life indicators; it ranks 19th in the United Nations Human Development Indices.³

Table 1.2 Selected macroeconomic indicators, 2017-21

	2017	2018	2019	2020	2021
National accounts (% change, unless otherwise indicated)					
GDP real growth rate	1.7	0.6	-0.4	-4.6	1.7
Consumption	0.8	0.4	0.1	-3.2	1.5
Private consumption	1.1	0.2	-0.5	-5.2	1.3
Government consumption	0.1	1.0	1.9	2.3	2.1
Gross fixed capital formation	1.6	0.6	0.5	-4.9	-1.4
Exports of goods and services	6.6	3.8	-1.5	-11.6	11.8
Imports of goods and services	3.3	3.8	1.0	-6.7	5.1
XGS/GDP (%) (at current market price)	17.6	18.3	17.5	15.6	18.5
MGS/GDP (%) (at current market price)	16.8	18.3	17.7	15.9	19.0
Unemployment rate (%)	2.8	2.4	2.4	2.8	2.8
Prices and interest rates (% , unless otherwise indicated)					
Consumer price (CPI) (average, % change)	0.5	1.0	0.5	-0.02	-0.2
GDP deflator (% change)	-0.1	0.0	0.6	0.9	-0.9
Discount rate	0.30	..	..	..	..
Six-month London interbank offered rate, LIBOR	0.015	0.015	-0.015	-0.028	-0.05
Deposit rate	0.321	..	..	..	..
Lending rate	0.994	..	..	..	..

² United Nations, *World Population Prospects 2022*.

³ United Nations Development Programme, *Human Development Report 2021/2022*. Viewed at: https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf.

	2017	2018	2019	2020	2021
Exchange rates					
JPY/USD (annual average)	112.17	110.42	109.01	106.77	109.75
NEER based on Unit Labour Costs, Index (2010=100)	82.19	81.99	85.60	86.68	82.00
NEER, Index (2010=100)	84.43	84.67	88.44	90.61	85.17
REER based on Consumer Price Index, Index (2010=100)	75.04	74.39	76.54	77.26	70.63
REER based on Unit Labour Costs, Index (2010=100)	76.51	74.57	75.35	74.44	71.05
Money and credit (% change)					
Broad money	3.5	2.3	2.1	7.4	2.9
Currency in circulation	4.7	3.6	1.3	5.1	3.4
Current deposits	7.7	6.2	5.5	15.4	6.3
Other deposits	-1.1	-2.2	-2.0	-2.8	-2.5
Domestic credit to private sector from depository corporations	4.0	0.7	3.2	6.1	1.7
Domestic credit to private sector from all financial institutions	5.0	0.4	5.1	6.8	2.5
General government (% of current GDP)					
Revenue	33.6	34.3	34.2	35.6	35.6
Expenditure	36.7	36.7	37.3	44.6	43.2
Overall balance	-3.1	-2.5	-3.0	-9.0	-7.6
Primary balance	-2.2	-1.7	-2.4	-8.3	-7.1
Government debt, gross	231.4	232.3	236.3	259.4	263.4
Saving and investment (% of current GDP)					
National savings (gross)	29.3	29.1	29.3	28.4	28.1
National investment	25.2	25.6	25.8	25.4	25.2
External data (% of current GDP, unless otherwise indicated)					
Current account	4.1	3.5	3.4	2.9	2.9
Merchandise trade balance	0.9	0.2	0.0	0.5	0.3
Merchandise exports	14.0	14.6	13.6	12.5	15.2
Merchandise imports	13.1	14.4	13.6	12.0	14.9
Services balance	-0.1	-0.2	-0.2	-0.7	-0.8
Capital account	3.8	3.9	4.1	3.3	3.4
Financial account	3.9	4.0	4.3	3.9	4.2
Direct investment	-0.1	0.0	-0.1	0.0	-0.1
Merchandise exports (% change in USD)	8.3	6.8	-5.5	-9.3	18.8
Merchandise imports (% change in USD)	10.3	12.4	-4.3	-13.0	21.4
Service exports (% change in USD)	6.3	4.0	7.8	-21.8	3.8
Service imports (% change in USD)	3.6	5.4	7.9	-9.8	5.2
Terms of trade	116.8	116.2	116.7	118.6	..
Total reserves, excluding gold (USD billion)	1,232.2	1,238.9	1,285.0	1,344.3	1,356.2
% of GDP	25.0	24.6	25.1	26.7	27.5
in months of imports of goods and services	16.3	14.7	15.4	18.6	..
Gross external debt (JPY trillion, end-period)	406.4	444.7	463.1	499.9	529.8
Short-term	292.2	321.4	323.1	354.8	360.9
Long-term	108.3	116.6	131.8	131.3	157.0
Direct investment: intercompany lending	5.9	6.8	8.2	13.7	11.9

.. Not available.

Note: Annual percentage changes under the national account are based on chain-linked 2015 real figures.

Source: Cabinet Office (Japan); Ministry of Finance (Japan); IMF; and World Bank.

1.2 Recent Economic Developments

1.2.1 Growth and employment

1.4. Growth rates during the review period were marked by the direct impact of the COVID-19 pandemic, subsequent supply-chain disruptions, and the resulting global economic slowdown, culminating in a negative growth rate of nearly 5% in 2020. In 2019 and 2020, most GDP

components except for government consumption featured negative growth rates. At nearly 12%, the drop of exports of goods and services in 2020 was particularly marked, but private consumption and investment also experienced a strong decline over the previous year, at around 5%. The fall in GDP affected all sectors of the economy; it was stronger in transportation and hospitality-related activities.

1.5. Since 2021, Japan's economy has been recovering amid continued strong policy support. However, this recovery has been hampered and delayed by several renewed pandemic-related states of emergency⁴, other state of emergency-like policy measures to contain the spreading of the virus, the appearance of new virus variants, sluggish international growth, and additional market turbulence caused by the war in Ukraine, all of which restrained consumption and investment in different manners. Exports have played a pivotal role in the recovery of Japan's economy.

1.6. Unemployment has remained at low levels, reflecting demographic developments and an increasingly tight labour market. Despite the labour market disruptions caused by the pandemic, average annual unemployment rates never exceeded 2.8% during the review period (with a monthly peak of 3.1% in October 2021), partly thanks to government-funded employment retention schemes.⁵ The long-term unemployment rate remained particularly low and stood at 0.8% in August 2022. Furthermore, despite the headwinds created by an ageing and shrinking population, the level of employment had been rising as elderly individuals remained in work longer and more women participated in the labour force, both developments resulting from earlier labour market reforms.

1.2.2 Fiscal policy

1.7. Between 2017 and 2019, the fiscal deficit of the general government (central government, local government, and social expenditure) fluctuated between 2.5% and 3.1% of GDP (Table 1.2). Against the background of the pandemic, the Government adopted several large supplementary budgets in 2020 and 2021, leading to a jump in the overall deficit to 9.0% of GDP in 2020 and 7.6% of GDP in 2021. The most recent fiscal package, adopted in November 2021, aims at containing the COVID-19 pandemic, reinvigorating social and economic activities, creating a virtuous cycle between growth and income distribution, and enhancing resilience and security.

1.8. In addition to the pandemic, population ageing has a major impact on Japan's fiscal situation. Public social spending more than doubled, from 11% of GDP in 1991 to 25% in 2020. Around 80% of this is for pensions, health, and long-term care, one of the highest shares in the OECD. The impact of population ageing and mounting pressure from social security spending without corrective action are likely to threaten sustainability. Current official projections suggest that health and long-term care spending, largely driven by ageing, is on course to rise by 3 percentage points of GDP by 2040 and social security spending by 2.5 percentage points.⁶ An additional source of pressure on public finance is to meet the targets of reducing greenhouse gas emissions to net zero by 2050.

1.9. With major expenditure consisting of social welfare, public works, and defence, the fiscal deficit continues to be mainly financed by tax revenue and the issuance of government bonds. As a result of large and increasing public deficits, gross debt of the general government climbed from 231% of GDP in 2017 to 263% of GDP in 2021. While the short-term threat to fiscal sustainability is limited by the current low interest rate environment, it is a crucial task for Japan's policy to secure fiscal sustainability in the longer run, according to the IMF.⁷

1.10. The Government is aware of the challenges related to fiscal policies. It wants to reinforce ongoing efforts to reform government expenditure and revenue and remains committed to achieving a primary budget surplus by 2025.

⁴ Japan had substantially lower rates of COVID-19-related infections and deaths than most advanced economies, while avoiding strict lockdowns.

⁵ OECD (2021), *Economic Surveys: Japan 2021*.

⁶ OECD (2021), *Economic Surveys: Japan 2021*.

⁷ IMF (2022), *Japan: Staff Report for the 2022 Article IV Consultation*, IMF Country Report No. 22/99; and OECD (2021), *Economic Surveys: Japan 2021*.

1.2.3 Monetary policy, prices, and the exchange rate

1.11. During the review period, the Bank of Japan continued its policy of quantitative and qualitative monetary easing with yield curve control to achieve the price stability target of 2% in terms of the year-on-year rate of change in the consumer price index. Under its yield curve control, the Bank has been targeting a short-term interest rate of -0.1% and a long-term interest rate of around 0%.⁸ Inflation pressures remained contained during most of the review period, and well below the Bank of Japan's 2% target. Measured by the CPI, inflation rates did not exceed 1% during the period under review and were negative in 2021. However, since then inflation rates picked up, following rising international energy prices and the depreciation of the yen, to achieve 2.6% in July 2022.

1.12. Japan maintains a free-floating exchange rate regime. The Bank of Japan may only intervene as an agent of the Ministry of Finance in the foreign exchange market.⁹ On 22 September 2022, the Ministry of Finance announced that it intervened with a view to reducing the speed of the depreciation¹⁰; isolated interventions occurred last in 2011. Between 2017 and 2020, the yen continuously appreciated against the US dollar (Table 1.1). After trading at JPY 104 to USD 1 at the start of 2021, the yen began to weaken, a trend that accelerated in 2022. As at 20 October 2022, the yen stood at nearly 150 to the US dollar, its weakest position since 1998. The principal reason for the yen's strong recent depreciation is the increasing divergence in monetary policies of Japan and the United States, along with the growing expectation that the spread in interest rates between the two countries is about to widen. Japan's real effective exchange rate continuously appreciated between 2017 and 2020, but has been depreciating since 2021.

1.13. Interest rates remained at very low levels during the review period, reflecting ongoing accommodative financing conditions, and confidence in Japan's ability to meet its debt obligations, as it holds a significant stock of external assets. As a result, net interest payments on public debt were very limited during the review period and never exceeded 1% of GDP. The Government acknowledges that rising global interest rates could put mounting pressure on the budget and deteriorate the credibility of Japan's fiscal management. Foreign reserves stood at around USD 1.3 trillion in June 2022.

1.2.4 Structural reforms and privatization

1.14. Since 2013, key structural reforms have included (i) stabilizing the size of the labour force by boosting the participation of women and older people; (ii) enhancing Japan's integration into the world economy through trade agreements; and (iii) improving the business climate by upgrading corporate governance, enhancing labour flexibility and mobility, promoting venture capital investment, and improving policies for small and medium-sized enterprises.

1.15. With a view to addressing its demographic challenges, Japan has undertaken various reforms to increase labour supply, productivity, and wages over the recent years. These labour market reforms have successfully raised employment, more than offsetting ageing's impact on the size of the labour force.¹¹ A pension system reform undertaken in 2021 expanded the coverage of the system by including more part-time workers. Other structural reforms aim at increasing Japan's productivity, notably by accelerating digitalization, expanding investment, and increasing R&D expenditure. It has been noted, however, that productivity growth in the business sector remains sluggish, particularly in business services and smaller firms.¹²

1.2.5 Balance of payments

1.16. Japan's balance of payments featured a current account surplus during the period under review, although with a declining trend (Tables 1.2 and 1.3). Expressed as the share of GDP, the surplus fell from 4.1% in 2017 to 2.9% in 2021. The strong surplus in Japan's primary income balance, fluctuating between USD 185 billion and USD 198 billion during this period, was a major

⁸ Bank of Japan, *Annual Review 2022*.

⁹ Bank of Japan. Viewed at: <https://www.boj.or.jp/announcements/education/oshiete/int/q19.htm/>.

¹⁰ Ministry of Finance. Viewed at:

https://www.mof.go.jp/public_relations/conference/my20220922kyodo.html; and https://www.mof.go.jp/policy/international_policy/reference/feio/data/monthly/20220930.html.

¹¹ OECD (2021), *Economic Surveys: Japan 2021*.

¹² OECD (2021), *Economic Surveys: Japan 2021*.

contributor to this surplus. The surplus in merchandise trade narrowed during the review period, whereas the deficit in the services balance widened; both trends contributed to the decrease of the current account surplus. The capital account featured a small deficit between 2017 and 2021, while the financial account featured a strong surplus, between USD 99.6 billion and USD 227 billion.

Table 1.3 Balance of payments, 2017-21

(USD billion)

	2017	2018	2019	2020	2021
Current account	203.2	177.3	176.6	147.0	142.5
Goods and services balance	37.6	1.4	-8.6	-7.6	-22.5
Goods balance	43.8	10.6	1.4	26.6	15.9
Exports	688.7	735.6	695.2	630.5	749.1
Imports	644.8	725.0	693.8	603.9	733.3
Services balance	-6.2	-9.2	-10.0	-34.2	-38.4
Receipts	186.8	194.2	209.5	163.8	170.0
Payments	193.0	203.4	219.4	198.0	208.4
Primary income	184.5	194.1	197.8	178.8	187.2
Credit	278.8	303.5	313.5	277.1	285.5
Compensation of employees	0.2	0.2	0.2	0.2	0.2
Investment income	278.5	303.3	313.2	276.8	285.1
Debit	94.3	109.5	115.7	98.3	98.3
Compensation of employees	0.3	0.3	0.4	0.4	0.4
Investment income	93.4	108.4	114.6	97.2	97.1
Secondary income	-18.9	-18.2	-12.6	-24.1	-22.2
Credit	20.1	21.8	32.4	31.2	27.5
Debit	39.0	40.0	45.0	55.4	49.7
Capital account	-2.5	-1.9	-3.8	-1.9	-3.8
Balance on current and capital account	200.7	175.3	172.8	145.1	138.7
Financial account	167.7	183.0	227.1	126.9	99.6
Direct investment	154.9	134.9	218.3	84.5	122.5
Net acquisition of financial assets	173.8	160.2	258.3	146.1	149.9
Net incurrence of liabilities	18.8	25.3	40.0	61.5	27.3
Portfolio investment	-49.2	92.9	86.6	35.9	-196.6
Financial derivatives	30.6	1.1	3.4	7.9	22.2
Other investment	7.9	-69.8	-106.0	-10.1	88.7
Reserve assets	23.6	23.9	24.7	8.6	62.8
Net errors and omissions	-32.9	7.7	54.3	-18.2	-39.1

Source: IMF e-library data.

1.2.6 Outlook

1.17. The recovery of Japan's economy is expected to continue in 2022 and 2023. For 2022, GDP growth is projected by the IMF at 1.7% amid continued strong policy support and easing global supply constraints.¹³ The current account surplus is projected to narrow further to 2.4% of GDP driven by higher commodity import bills, while headline inflation is projected at 1.9%.¹⁴ However, uncertainty around the pandemic and the war in Ukraine pose significant downside risks to the Japanese economy through commodity prices, supply-chain disruptions, and financial and trade spill-overs. Medium-term risks include labour market rigidities, the delayed exit of unviable firms, and debt sustainability concerns. Against the background of an ageing and declining population, Japan's medium- and long-term real GDP growth potential is estimated at around 0.5% annually.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.18. Both merchandise exports and imports grew robustly in 2017 and 2018, but fell in 2019 and 2020, due to the pandemic, before strongly recovering in 2021 and exceeding pre-pandemic levels (Tables 1.2, 1.3, and 1.4). The combined value of merchandise exports and imports exceeded 30%

¹³ The forecast was revised in the IMF's July 2022 World Economic Outlook, down from 2.4% in April 2022. IMF (2022), IMF Country Report No. 22/99.

¹⁴ IMF (2022), IMF Country Report No. 22/99.

of GDP in 2021, for the first time since 2014, which demonstrates the importance of international trade to Japan's economy, its degree of openness, the resilience of its external sector, and its integration into the world economy and global value chains.

Table 1.4 Merchandise trade by main SITC Rev.3 classification category, 2017-21

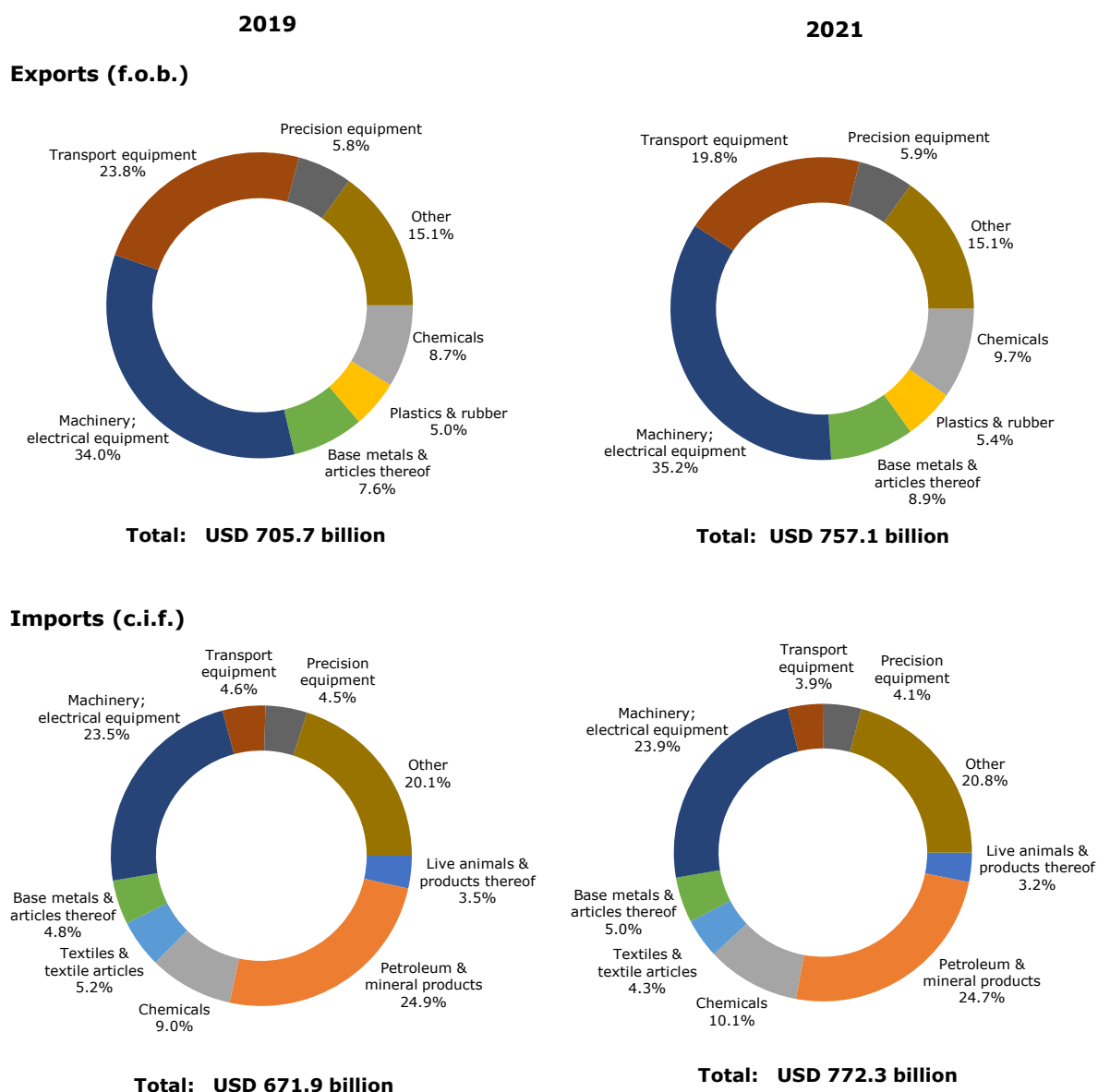
	2017	2018	2019	2020	2021
Exports (USD billion)	698.1	738.2	705.7	641.3	757.1
	(% of total exports)				
Agriculture	1.6	1.6	1.6	1.8	1.9
Mining (incl. oil)	4.1	4.3	4.4	4.3	4.9
Manufacturing	86.6	86.8	86.6	86.1	85.6
Other	7.8	7.2	7.4	7.8	7.7
Imports (USD billion)	671.9	748.5	721.1	635.4	772.3
	(% of total imports)				
Agriculture	11.8	11.1	11.5	12.1	11.1
Mining (incl. oil)	27.4	29.8	28.0	23.9	29.4
Manufacturing	59.1	57.5	58.9	62.2	57.9
Other	1.7	1.7	1.7	1.8	1.7

Source: WTO Secretariat calculations, based on UN Comtrade database.

1.19. The overall broad structure of Japan's merchandise trade remained unchanged during the period under review: Its merchandise trade continues to be dominated by manufactures, which make up over 85% of exports and some 60% of imports (Table 1.4 and Chart 1.1). Using the SITC classification, agricultural goods make up between 11% and 12% of imports and less than 2% of exports. Mining products make up less than 5% of exports, but up to 30% of imports, largely due to the importance of oil imports.

1.20. At the more disaggregated level, however, trade statistics by HS section display several trends in the product composition of Japan's merchandise trade (Tables A1.1 and A1.2). The share of transport equipment in exports has fallen during past years, from 24% in 2017 to less than 20% in 2021, mainly caused by a relative drop of exports in small motor vehicles. Product categories that have experienced an increase in importance include chemicals and products thereof (increasing their share from less than 8% in 2017 to nearly 10% in 2021), integrated circuits, plastics, and machinery related to semi-conductors.

1.21. On the import side, the shares of most product categories remained relatively stable (Table A1.2 and Chart 1.1). Pharmaceutical products increased their share, whereas the part of textiles and transport equipment fell slightly. Mineral products make up between 20% and 25% of merchandise imports; their exact share in total imports fluctuated with international petrol prices.

Chart 1.1 Product composition of merchandise trade by main HS section, 2019 and 2021

Source: WTO Secretariat calculations, based on UN Comtrade database.

1.22. With regard to the geographical composition of trade, China has confirmed its position as the largest destination for Japan's merchandise exports since 2018, with a share of nearly 22% of exports in 2021 (Table A1.3 and Chart 1.2). It is followed in importance by the United States and the European Union. Asian countries other than China absorb roughly 39% of Japan's exports.

1.23. On the import side, China remains by far the largest trading partner for Japan, supplying nearly one quarter of imported goods in most years (Table A1.4 and Chart 1.2). Around 11% of merchandise imports originate in the European Union and the United States. Asian countries other than China are the origin of 31% to 32% of Japan's imports. The share of African countries increased during the review period, whereas the importance of the Russian Federation as import source declined.

Chart 1.2 Direction of merchandise trade by main partners, 2019 and 2021

Source: WTO Secretariat calculations, based on UN Comtrade database.

1.24. Japan's service exports and imports grew continuously between 2017 and 2019, but sharply fell in 2020, before slightly recovering in 2021 (Tables 1.2 and 1.5). In 2021, the main exports in services were charges for the use of intellectual property and transport; travel dropped significantly in 2020. In the same year, main services imports were also charges for the use of intellectual property and transport (Tables 1.3 and 1.5). However, the deficit in Japan's services trade widened, from 0.1% of GDP in 2017 to 0.8% of GDP in 2021.

Table 1.5 Trade in services, 2017-21

(USD billions and %)

	2017	2018	2019	2020	2021
Credit	186.8	194.2	209.5	163.8	170.0
	(%)				
Manufacturing services on physical inputs owned by others, credit	0.4	0.4	0.5	0.9	1.0
Maintenance and repair services n.i.e., credit	0.5	0.5	0.5	0.8	0.7
Transport, credit	18.3	14.9	12.5	12.7	14.9
Passenger	1.6	1.6	1.5	0.5	0.3
Freight	14.5	11.0	8.7	10.0	12.5
Other (including postal and courier)	2.2	2.2	2.2	2.1	1.9
Travel, credit	18.2	21.7	22.0	6.5	2.8
Business travel, credit	1.4	1.8	2.0	0.6	0.1
Personal travel, credit	16.8	19.9	20.0	5.9	2.7
Other services, credit	62.6	62.5	64.5	79.1	80.6
Construction services	5.6	4.7	5.1	4.6	4.9
Insurance and pension services	1.2	1.2	1.1	1.3	1.3
Financial services	5.6	5.8	6.8	9.6	8.0
Charges for the use of intellectual property n.i.e.	22.3	23.5	22.5	26.4	28.3
Telecommunication, computer, and information services	2.7	2.5	3.6	6.2	6.1
Other business services	22.1	21.9	22.3	27.7	28.6
Personal, cultural, and recreational services	0.6	0.3	1.0	0.9	1.1
Government goods and services n.i.e.	2.6	2.4	2.2	2.4	2.3
Debit	193.0	203.4	219.4	198.0	208.4
	(%)				
Manufacturing services on physical inputs owned by others, debit	2.8	2.5	1.9	2.7	2.8
Maintenance and repair services n.i.e., debit	2.6	2.7	3.8	3.6	2.7
Transport, debit	20.8	19.0	15.6	13.9	15.3
Passenger	3.9	3.9	3.6	0.7	0.2
Freight	10.7	11.5	10.1	11.3	13.2
Other (including postal and courier)	6.0	3.5	1.8	1.8	1.8
Travel, debit	9.4	9.9	9.7	2.8	1.4
Business travel, debit	1.4	1.7	1.5	0.3	0.0
Personal travel, debit	8.0	8.2	8.2	2.5	1.3
Other Services, debit	64.4	65.8	69.0	77.0	77.8
Construction services	4.3	4.1	3.4	2.8	2.6
Insurance and pension services	3.3	3.4	3.7	5.3	5.6
Financial services	4.0	4.0	3.9	5.4	4.8
Charges for the use of intellectual property n.i.e.	11.1	10.8	12.2	14.4	14.2
Telecommunication, computer, and information services	7.4	8.5	10.1	11.4	12.4
Other business services	32.7	33.7	34.0	36.4	36.2
Personal, cultural, and recreational services	0.6	0.3	0.8	0.5	1.0
Government goods and services n.i.e.	1.0	1.0	0.9	0.9	1.0

Source: Bank of Japan.

1.3.2 Trends and patterns in FDI

1.25. Japan remains one of the major global sources of foreign investment. The stock of Japanese investment abroad grew considerably between 2017 and 2021, when it grew to close to USD 2 trillion (Tables 1.6 and 1.7). The United States accounts, by far, for the largest share of Japan's outward FDI classified by destinations, representing about one third of Japan's FDI outward stock. The United States is followed by the United Kingdom, China, and the Netherlands. The share of Latin America and Africa in Japan's outward investment remains very limited.

1.26. Between 2017 and 2020, the inward stock of FDI grew from USD 257 billion to just under USD 389 billion, equivalent to some 7.7% of GDP, but fell to USD 352 billion in 2021. The United States remains the most important source country for foreign investment in Japan, with a

share of some 23% of all FDI, followed by the United Kingdom, the Netherlands, and Singapore. The vast majority of FDI in Japan originates in North America, Europe, and Asia, whereas Latin America and Africa remain of limited importance as an FDI source.

1.27. With regard to the sectoral distribution of Japan's investment abroad, financial services are the most important sector, followed by manufacturing, and wholesale and retail. Foreign investment in Japan concentrates on manufacturing, financial services, and communications.

Table 1.6 Inbound and outbound stock of direct investment, by main origin and destination, 2017-21

	2017	2018	2019	2020	2021
Inbound stock (USD billion)	256.8	277.9	314.5	388.9	351.8
% of GDP	5.2	5.5	6.1	7.7	7.1
	(% of total inbound stock)				
United States	23.2	20.8	23.3	23.3	22.8
United Kingdom	6.2	8.4	7.3	14.5	14.0
Netherlands	16.6	15.1	11.5	10.6	9.7
Singapore	8.6	8.4	10.6	10.5	9.2
France	12.1	12.3	11.5	8.2	7.8
Hong Kong, China	3.3	3.3	3.6	3.9	6.8
Switzerland	4.4	5.2	4.6	5.9	4.8
Cayman Islands	4.7	5.5	4.9	3.5	4.3
Germany	3.2	3.6	2.8	2.5	3.0
Korea, Republic of	2.0	2.4	2.3	2.3	2.3
Chinese Taipei	2.3	2.4	2.4	2.3	2.2
China	1.0	1.2	1.7	1.8	2.1
Luxembourg	3.0	2.7	3.0	2.1	2.0
Australia	1.2	1.5	1.5	1.0	1.8
Thailand	0.8	0.8	1.0	1.1	0.9
Canada	0.6	0.6	0.5	0.5	0.6
Outbound stock (USD billion)	1,554.7	1,647.5	1,870.5	1,980.4	1,987.2
% of GDP	31.5	32.7	36.5	39.4	40.3
	(% of total outbound stock)				
United States	31.6	30.4	28.6	31.1	33.3
United Kingdom	9.9	10.0	9.3	9.1	9.3
China	7.7	7.5	7.0	7.3	7.4
Netherlands	8.4	8.2	7.3	7.9	6.9
Singapore	4.1	4.8	4.7	5.0	5.5
Australia	4.4	4.1	3.9	4.5	4.2
Thailand	4.1	4.2	4.2	4.0	3.6
Switzerland	0.8	0.9	2.8	3.2	2.7
Germany	1.7	1.7	2.1	2.3	2.5
Hong Kong, China	2.0	2.0	1.9	1.9	2.1
Korea, Republic of	2.4	2.4	2.1	2.2	2.0
Indonesia	2.0	1.9	2.1	1.9	1.8
India	1.4	1.5	1.5	1.5	1.6
Luxembourg	1.0	0.8	0.9	1.0	1.5
Belgium	1.3	1.3	1.4	1.5	1.3
Viet Nam	1.0	1.0	1.0	1.1	1.2
Canada	1.1	1.1	1.1	1.2	1.1

Note: End-period figures. Figures are based on International Investment Position, net.

Source: Japan External Trade Organization (JETRO).

Table 1.7 Foreign direct investment, 2017-21

	2017	2018	2019	2020	2021
UNCTAD, World Investment Report					
FDI inflows (USD million)	9,355.6	9,962.7	13,755.4	10,702.6	24,652.0
FDI inward stock (USD million)	202,441.1	204,523.6	223,809.7	232,313.5	256,965.5
FDI inward stock (% of GDP)	4.1	4.1	4.4	4.6	5.2
FDI outflows (USD million)	164,587.9	144,982.1	232,627.2	95,666.4	146,782.4
FDI outward stock (USD million)	1,497,525.0	1,568,765.7	1,780,245.8	1,837,075.4	1,983,857.8
FDI outward stock (% of GDP)	30.4	31.1	34.8	36.5	40.2
JETRO					
FDI inflows (USD million)	18,804.7	25,297.1	39,957.9	61,508.9	27,315.4
FDI inward stock (USD million)	256,780.0	277,924.2	314,522.5	388,929.2	351,845.1

	2017	2018	2019	2020	2021
FDI inward stock (% of GDP)	5.2	5.5	6.1	7.7	7.1
FDI outflows (USD million)	173,768.0	160,266.6	258,275.5	146,040.9	149,814.0
FDI outward stock (USD million)	1,554,738.0	1,647,480.0	1,870,530.9	1,980,423.3	1,987,168.6
FDI outward stock (% of GDP)	31.5	32.7	36.5	39.4	40.3

Source: UNCTAD, *World Investment Report*; and JETRO.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. The Japanese Constitution, which has remained unchanged for over 75 years, sets out the roles and responsibilities of the legislature (the Diet¹), the executive branch (the Cabinet), and the Judiciary. Bills can be submitted either by Diet Members or by the Cabinet, but only the Cabinet can submit the national budget or treaties. Bills usually become law on passage by both Houses of the Diet. The Cabinet is responsible for enacting cabinet orders to execute the provisions of the Constitution and the law.

2.2. Japan's overall economic policy agenda is centred on sustainable and inclusive growth. Policy objectives remain in line with the overall strategy of combined fiscal expansion, monetary easing, and structural reforms, but with a stronger emphasis on income distribution under the current administration. To this end, an expert panel – the Council for New Form of Capitalism Realization – was established to develop specific policy proposals. The broader policies to raise economic growth include the promotion of digital transformation and green investment, support for start-ups, regional revitalization through digitalization, and enhancement of economic security.

2.3. Japan's policy objectives place great emphasis on national and economic security issues. The new Act for the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures (Economic Security Promotion Act), adopted in May 2022, provides for a framework for ensuring a stable supply of "key products" and "essential infrastructure services", enhancing development of "advanced critical technologies" (Article 2.2), and preventing disclosure or divulgence of inventions that might be detrimental to national security through patent procedures. As at October 2022, implementing regulations were under preparation.²

2.4. In October 2020, Japan announced its plans to achieve net zero greenhouse gas emissions by 2050. Moreover, in April 2021, it announced the goal of reducing emissions by 2030 to 46% from its 2013 levels. To this end, a long-term strategy under the Paris Agreement was elaborated in 2019 and revised in 2021 to promote green innovations and finance, and an Environment Innovation Strategy in 2020, with action plans for each technology area. Also in 2020, a new Green Growth Strategy was published.

2.2 Trade Policy Formulation and Objectives

2.5. The institutional framework for trade policy-making has remained unchanged since the last Review. Overall coordination of trade policies rests with the Cabinet. The Ministry of Economy, Trade and Industry (METI) and the Ministry of Foreign Affairs (MOFA) continue to formulate and implement trade policy. Several other ministries and government agencies also have responsibilities related to trade policy. The mandates of the legislature's various committees include trade (i.e. committees on economy, trade, and industry; financial affairs; forestry and fisheries; and fundamental national policies). Ministries and agencies receive inputs from the private sector concerning matters related to trade policies, through exchanging opinions with private entities and receiving petitions from them. Specific trade policy discussions take place at the Trade Committee, a subordinate body of the Industrial Structure Council.

2.6. Japan's trade policy objectives and progress on their realization are laid out in the METI's annual White Papers on International Economy and Trade, which are submitted to Cabinet. Their objective is to contribute to the formulation of trade strategies through the analysis of trade-related international trends and policies, and to provide the public with the ideas that lay out the basis for trade policy and its directions. More detailed trade-related objectives were last laid out in the 2018 White Paper, but still guide Japan's current policy. This Paper underlines the importance of developing "free, fair and high-level trade rules", with key trading partners and in international fora

¹ The Diet consists of two houses: a House of Representatives (Lower House) and a House of Councillors (Upper House). Both sets of parliamentarians are directly elected.

² E-GOV. Viewed at: https://elaws.e-gov.go.jp/document?lawid=504AC0000000043_20230517_0000000000000000.

(including the WTO), as well as progress in reinforcing economic ties and cooperation with emerging economies.³

2.7. Against the background of the COVID-19 pandemic, the 2020 White Paper⁴ advocates for a coordinated global response to the consequences of the pandemic, the building of more resilient supply chains, the acceleration of digitalization and evolution of communication in economy and society, and the achievement of the Sustainable Development Goals. The 2021 White Paper⁵ presents four international trends that trade policies in the COVID-19 era should be based on, namely: (i) a larger economic role for governments; (ii) strengthened economic security in each country; (iii) increased interest in common values such as the environment and human rights in international economic activities; and (iv) the digitalization of business. The 2022 White Paper⁶ deals with the impact of the war in Ukraine on the global economy, specifically in terms of food and energy supply constraints and soaring prices. It also identifies various other trends and risks, such as a slow-down in China's economic growth rates, an increase in global public debts, and rising inflation rates.

2.8. All laws and regulations are published in the Government Gazette and are made available online.⁷ The main laws and regulations relating to trade, and amendments since January 2020, are presented in Table 2.1. Nonetheless, it would appear that not all the decisions by the Cabinet are published.

Table 2.1 Major trade-related laws and regulations, October 2022

Legislation	Latest amendment(s)
Foreign Exchange and Foreign Trade Act (Law No. 228 of 1949)	2020, 2021, 2022
Export and Import Transaction Act (Law No. 299 of 1952)	2019, 2021, 2022
Foreign Exchange Order (Order No. 260 of 1980)	2018
Order on Inward Direct Investment (Order No. 261 of 1980)	2019, 2020, 2022
Export Trade Control Order (Order No. 378 of 1949)	2020, 2021, 2022
Import Trade Control Order (Order No. 414 of 1949)	2003
Economic Security Promotion Act (2022)	2022
Customs- and tariff-related regulations	
Customs Law (Law No. 61 of 1954)	2022
Customs Tariff Law (Law No. 54 of 1910)	2022
Temporary Tariff Measures Law (Law No. 36 of 1960)	2022
Cabinet Order on Countervailing Duties (Order No. 415 of 1994)	2017
Cabinet Order on Anti-Dumping Duties (Order No. 416 of 1994)	2017
Cabinet Order on Emergency Duties (Order No. 417 of 1994)	2009
Cabinet Order on Retaliatory Duties (Order No. 418 of 1994)	2000
Cabinet Order on Tariff Quotas (Order No. 153 of 1961)	2022
Act on the Provision of Information Regarding Originating Goods Declared under Economic Partnership Agreements (Law No. 112 of 2014)	2016
Trade promotion	
Trade and Investment Insurance Act (Law No. 67 of 1950)	2022
Services and energy	
Banking Act (Law No. 59 of 1981)	2021
Insurance Business Act (Law No. 105 of 1995)	2020, 2022
Financial Instruments and Exchange Act (Law No. 25 of 1948)	2021
Telecommunications Business Act (Law No. 86 of 1984)	2020, 2022
Law Concerning the Measures by Large-Scale Retail Stores for Preservation of the Living Environment (Law No. 91 of 1998)	2000
Civil Aeronautics Act (Law No. 231 of 1952)	2022
Marine Transportation Act (Law No. 187 of 1949)	2021
Act on Special Measures Concerning the Handling of Legal Services by Foreign Lawyers (Law No. 66 of 1986)	2020
Certified Public Accountants Act (Law No. 103 of 1948)	2022

³ METI (2018), *White Paper on International Economy and Trade 2018*, Part III, Chapter 1. Viewed at: <https://www.meti.go.jp/english/report/data/wp2018/pdf/3-1-1.pdf>.

⁴ METI (2020), *White Paper on International Economy and Trade 2020*. Viewed at: <https://www.meti.go.jp/english/report/data/qIT2020maine.html>. The original Paper was published on 7 July 2020 and updated on 8 January 2021.

⁵ METI (2021), "Release of the White Paper on International Economy and Trade 2021", 29 June. Viewed at: https://www.meti.go.jp/english/press/2021/0629_001.html.

⁶ METI, *White Paper on International Economy and Trade 2022 (Outline)*. Viewed at: https://www.meti.go.jp/english/press/2022/pdf/0628_001a.pdf.

⁷ Government Gazette. Viewed at: <https://kanpou.npb.go.jp/>. Some laws have been unofficially translated into English on a separate site: <http://www.japaneselawtranslation.go.jp/>.

Legislation	Latest amendment(s)
Certified Tax Accountant Law (Law No. 237 of 1951)	2022
Electricity Business Act (Law No. 170 of 1964)	2022
Gas Business Act (Law No. 51 of 1954)	2017
Oil Stockpiling Act (Law No. 96 of 1975)	2012
Act on the Quality Control of Gasoline and Other Fuels (Law No. 88 of 1976)	2014
Standards and technical regulations, SPS	
Industrial Standardization Act (Law No. 185 of 1949)	2018
Act on Japanese Agricultural Standards (Law No. 175 of 1950)	2022
Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices (Law No. 145 of 1960)	2022
Food Sanitation Act (Law No. 233 of 1947)	2018
Food Labelling Act (Law No. 70 of 2013)	2022
Quarantine Act (Law No. 201 of 1951)	2014
Plant Protection Act (Law No. 151 of 1950)	2022
Act on Domestic Animal Infectious Diseases Control (Law No. 166 of 1951)	2022
Building Standards Act (Law No. 201 of 1950)	2018
Electrical Appliances and Materials Safety Act (Law No. 234 of 1961)	2014
Consumer Product Safety Act (Law No. 31 of 1973)	2014
High Pressure Gas Safety Act (Law No. 204 of 1951)	2019
Act on the Rational Use of Energy (Law No. 49 of 1979)	2018
Fire Service Law (Law No. 186 of 1948)	2021
Intellectual property rights	
Patent Act (Law No. 121 of 1959)	2022
Unfair Competition Prevention Act (Law No. 47 of 1993)	2018
Utility Model Act (Law No. 123 of 1959)	2022
Design Act (Law No. 125 of 1959)	2022
Trademark Act (Law No. 127 of 1959)	2022
Copyright Act (Law No. 48 of 1970)	2022
Civil Code (Law No. 89 of 1896)	2022
Others	
Administrative Procedure Act (Law No. 88 of 1993)	2017
Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Act) (Law No. 54 of 1947)	2019
Act Against Unjustifiable Premiums and Misleading Representations (Law No. 134 of 1962)	2022

Source: Compiled by the WTO Secretariat based on information from the Government Gazette.¹

2.9. The Cabinet Office and ministries are required to evaluate policies before and after implementation, and to publish the results of these evaluations. Evaluation reports are published on each ministry's website and can also be accessed through the Policy Evaluation Portal Site.⁸ While public comment procedures are not a requirement, the administrative organs do have discretion to ask for the opinions of stakeholders and the public.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.10. Japan grants at least MFN treatment to all WTO Members with exception to the Russian Federation and a few other countries and territories. MFN treatment to the Russian Federation was suspended on 21 April 2022 following the start of the war in Ukraine.⁹ At present, other countries or territories to which treatment less favourable than MFN treatment is applied are Equatorial Guinea, Eritrea, Lebanon, the Democratic People's Republic of Korea, South Sudan, and Timor-Leste. The withdrawal of MFN treatment to the Russian Federation was accompanied by various sanctions, both related to exports and imports (Sections 3.1.6 and 3.2.3).

2.11. Japan is a signatory to the 1979 Agreement on Trade in Civil Aircraft, and a party to the plurilateral Agreement on Government Procurement (GPA). It is also a signatory to the Information Technology Agreement (ITA), and participated in the ITA expansion negotiations. Japan accepted the 2005 Protocol Amending the TRIPS Agreement and the Agreement on Trade Facilitation. Japan

⁸ Ministry of Internal Affairs and Communications. Viewed at: https://www.soumu.go.jp/main_sosiki/hyouka/seisaku_n/portal/.

⁹ The legal instrument is "Revocation of Tariff Concessions on Goods Originating in the Russian Federation".

is an important donor to various WTO technical assistance activities. The authorities indicate that the WTO Agreement on Fisheries Subsidies is in the ratification process.

2.12. Japan is a participant in the Joint Statement Initiatives on e-commerce, investment facilitation for development, the establishment of a WTO informal working group for MSMEs, and services domestic regulation. Japan also supported the Buenos Aires Joint Declaration on Trade and Women's Economic Empowerment.

2.13. At the 12th Ministerial Conference in Geneva, Japan underlined that the WTO, in a rapidly changing environment, must respond to the need for rule-making, by launching and conducting negotiations in a flexible manner among like-minded Members. Furthermore, it noted that against the background of the war in Ukraine, WTO Members should address the issues of food security and supply chains.¹⁰ Japan also called upon Members to demonstrate willingness to reach a meaningful and effective agreement on fisheries subsidies.

2.14. Since January 2020, Japan has been involved in two new dispute settlement cases as a complainant, against the Republic of Korea (DS594: *Korea – Measures Affecting Trade in Commercial Vessels (second complaint)*) and against China (DS601: *China – Anti-Dumping Measures on Stainless Steel Products from Japan*). It has been involved in one case as respondent over this period (DS590: *Japan – Measures Related to the Exportation of Products and Technology to Korea*), and in eight cases as a third party.¹¹

2.15. Over the review period, Japan submitted numerous notifications under different WTO agreements (Table 2.2).

Table 2.2 Notifications by Japan under WTO Agreements, September 2022^a

WTO Agreement	Description of requirement	Document symbol and date of most recent notification
Agreement on Agriculture		
Article 18.2	Domestic support (DS:1)	G/AG/N/JPN/254, 07/08/20 G/AG/N/JPN/259, 13/04/21 G/AG/N/JPN/276-277, 12/05/22
Article 18.3 Article 5.7	Domestic support (DS:2) Price-based special safeguards (MA:3 and MA:4)	G/AG/N/JPN/255, 07/08/20 G/AG/N/JPN/244-246, 08/11/19 G/AG/N/JPN/248-249, 09/01/20 G/AG/N/JPN/250, 10/02/20 G/AG/N/JPN/256, 21/01/20 G/AG/N/JPN/257, 02/02/21 G/AG/N/JPN/258, 09/03/21 G/AG/N/JPN/265, 01/10/21
Article 18.2	Tariff quotas (MA:1)	G/AG/N/JPN/247, 08/01/20 G/AG/N/JPN/262, 27/04/21
Article 18.2	Tariff quotas (MA:2)	G/AG/N/JPN/253/Rev.1-263/Rev.1-264/Rev.1-278, 14/06/22
Articles 5.7 and 18.2	Special safeguard (MA:5)	G/AG/N/JPN/251+Corr.1, 10/06/20; 23/07/20 G/AG/N/JPN/260, 26/04/21 G/AG/N/JPN/74, 28/04/22
Articles 10 and 18.2	Export subsidies (outlays and quantities) (ES:1)	G/AG/N/JPN/252, 10/06/20 G/AG/N/JPN/261, 26/04/21 G/AG/N/JPN/275, 28/04/22
Articles 10 and 18.2	Volume of food aid in the context of export subsidy commitments (ES:3)	G/AG/N/JPN/270-273, 13/04/22
Article 16.2	Measures concerning the possible negative effects of the reform programme on least-developed and net-food-importing developing countries (NF:1)	G/AG/N/JPN/266-269, 13/04/22
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)		
Article 16.4 – <i>ad hoc</i>	Reports under Article 16.4 of the Agreement	G/ADP/N/334, 15/11/19 G/ADP/N/344, 15/07/20 G/ADP/N/347, 15/10/20 G/ADP/N/354, 13/04/21 G/ADP/N/358, 15/07/21 G/ADP/N/360, 15/09/21 G/ADP/N/367, 15/03/22

¹⁰ WTO documents WT/MIN(22)/ST/89, 12 June 2022; and WT/MIN(22)/ST/89/Add.1, 22 June 2022.

¹¹ These new cases are DS595, DS597-DS598, DS600, and DS602-605.

WTO Agreement	Description of requirement	Document symbol and date of most recent notification
Article 16.4 – semi	Semi-annual report under Article 16.4 of the Agreement	G/ADP/N/335/JPN, 10/02/20 G/ADP/N/342/JPN, 07/09/20 G/ADP/N/350/JPN, 10/03/21 G/ADP/N/357/JPN, 07/10/21 G/ADP/N/364/JPN, 09/03/22 G/ADP/N/370/JPN, 24/08/22
State trading		
GATT 1994 Article XVII:4(a) Understanding on the Interpretation of Article XVII		
	Notification of products traded by state enterprises, state trading activities	G/STR/N/18/JPN, 15/09/20 G/STR/N/19/JPN, 01/07/22
Regional trading arrangements		
GATT 1994 Article XXIV:7(a) Free-Trade Areas		
	Notification of regional trade agreements	S/C/N/1036; WT/REG441/N/1, 07/01/21
Agreement on Government Procurement (GPA)		
Article XVI:4-5	Statistics for 2016 reported under Article XVI:4 of the revised GPA	GPA/STAT(18)/JPN/1, 15/04/20 GPA/STAT(19)/JPN/1, 07/04/21 GPA/STAT(20)/JPN/1, 28/04/22
Annexes 1, 2, and 3 of Appendix 1	Thresholds	GPA/THR/JPN/2/+Add.1, 12/02/20 GPA/THR/JPN/3/, 01/02/22
Article XIX:1	Proposed modifications	GPA/MOD/JPN/102, 22/11/19 GPA/MOD/JPN/104, 17/06/21
Article XXII:5	Domestic legislation	GPA/LEGIS/JPN/3, 25/01/21 GPA/LEGIS/JPN/4, 15/04/21 GPA/LEGIS/JPN/5-6, 25/08/22
Agreement on Import Licensing Procedures		
Articles 5.1 to 5.4	Agreement on Import Licensing Procedures – Notification under Articles 5.1 to 5.4 of the Agreement	G/LIC/N/2/JPN/5, 01/07/22
Article 7.3	Replies to questionnaire on import licensing procedures – Notification under Article 7.3 of the Agreement on Import Licensing Procedures	G/LIC/N/3/JPN/19, 14/02/22 G/LIC/N/3/JPN/20, 06/10/20
Article 1.4(a)	Publications	G/LIC/N/2/JPN/5, 01/07/22
Article 8.2(b)	Legal text	G/LIC/N/2/JPN/5, 01/07/22
Market access		
Article XXVIII:5	Invocation of paragraph 5 of Article XXVIII	G/MA/370, 07/07/20
QR (G/L/59) – biennial	Quantitative restrictions	G/MA/QR/N/JPN/5, 05/10/20
Agreement on Trade Facilitation (TFA)		
Article 22	Notification under Articles 22.1 and 22.2	G/TFA/N/JPN/5, 27/03/20 G/TFA/N/JPN/6, 05/05/21 G/TFA/N/JPN/7, 20/05/22
	Notification under Articles 1.4, 10.4.3, 10.6.2, and 12.2.2	G/TFA/N/JPN/2/Rev.1, 02/06/21
Agreement on Subsidies and Countervailing Measures (SCM Agreement)		
Article 32.6	Laws and regulations under Articles 18.5 and 32.6 of the Agreements	1995
Article 25.11 – semi	Countervailing duty actions taken	G/SCM/N/349/Add.1, 15/11/19 G/SCM/N/356, 04/05/20 G/SCM/N/363, 14/10/20 G/SCM/N/371, 15/04/21 G/SCM/N/379, 14/10/21 G/SCM/N/386, 11/04/22
Article 25.1 – Article XVI:1 of the GATT 1994	Subsidies programmes	G/SCM/N/372/JPN, 30/06/21
Agreement on Rules of Origin		
Bali/Nairobi Ministerial Decisions Annex II, para. 4	Notification of preferential rules of origin for LDCs	G/RO/LDC/N/JPN/1/Rev.1+Corr.1, 12/07/22, 14/07/22
Agreement on Safeguards		
Articles 12.5 and 8.2	Laws and regulations	G/L/1240/Suppl.2; G/SG/N/12/JPN/4/Suppl.2, 07/04/20
Article 12.5	Results of consultations	G/L/1429; G/SG/268, 28/03/22
Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement)		
Article 7, Annex B	Notification of sanitary and phytosanitary measures	2019 – 48 notifications 2020 – 174 notifications 2021 – 142 notifications 2022 – 302 notifications
Agreement on Technical Barriers to Trade (TBT Agreement)		
Article 15.2	Laws and regulations on the implementation and administration of the TBT Agreement	G/TBT/2, 08/11/1995
Article 2.10	Urgent technical regulations	G/TBT/N/JPN/641, 18/11/19

WTO Agreement	Description of requirement	Document symbol and date of most recent notification
		G/TBT/N/JPN/644, 19/12/19 G/TBT/N/JPN/656, 06/03/20 G/TBT/N/JPN/669, 31/08/20 G/TBT/N/JPN/679, 20/11/20 G/TBT/N/JPN/686, 26/01/21 G/TBT/N/JPN/693, 13/03/21 G/TBT/N/JPN/701, 18/06/21 G/TBT/N/JPN/707, 02/09/21 G/TBT/N/JPN/717, 10/11/21 G/TBT/N/JPN/725, 20/01/22 G/TBT/N/JPN/730, 08/03/22 G/TBT/N/JPN/741, 28/06/22 G/TBT/N/JPN/741/Add.1, 04/07/22 G/TBT/N/JPN/746, 30/08/22
Article 2.9	Technical regulations	2019 – 5 notifications 2020 – 50 notifications 2021 – 46 notifications 2022 – 30 notifications
Articles 2.9 and 5.6	Notification with Article 10.6	G/TBT/N/JPN/640, 12/11/19 G/TBT/N/JPN/646, 06/01/20 G/TBT/N/JPN/692, 05/03/21 G/TBT/N/JPN/703, 30/06/21 G/TBT/N/JPN/744+Rev.1, 27 and 28/07/22
Unspecified	Notification with Article 10.6	G/TBT/N/JPN/706+Add.1-Add.2, 29/07/21; 01/12/21; 13/12/21
Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement)		
TRIPS, Article 63.2	Laws and regulations	IP/N/1/JPN/45; IP/N/1/JPN/D/10, 21/02/20 IP/N/1/JPN/46; IP/N/1/JPN/D/11, 02/06/20; IP/N/1/JPN/47; IP/N/1/JPN/P/18, 02/06/20 IP/N/1/JPN/48; IP/N/1/JPN/T/12, 02/06/20 IP/N/1/JPN/49; IP/N/1/JPN/C/7, 01/07/20 IP/N/1/JPN/50+Rev.1; IP/N/1/JPN/U/4+Rev.1, 01/10/20; 31/05/21 IP/N/1/JPN/51; IP/N/1/JPN/P/19, 10/12/20 IP/N/1/JPN/52; IP/N/1/JPN/D/12, 11/12/20 IP/N/1/JPN/53; IP/N/1/JPN/T/13, 17/12/20 IP/N/1/JPN/54; IP/N/1/JPN/C/8, 25/02/21 IP/N/1/JPN/55; IP/N/1/JPN/D/13, 31/05/21 IP/N/1/JPN/56; IP/N/1/JPN/P/20, 15/07/21 IP/N/1/JPN/57; IP/N/1/JPN/T/14, 15/07/21 IP/N/1/JPN/58; IP/N/1/JPN/D/14, 06/12/21 IP/N/1/JPN/59; IP/N/1/JPN/P/21, 06/12/21 IP/N/1/JPN/60; IP/N/1/JPN/T/15, 06/12/21 IP/N/1/JPN/61; IP/N/1/JPN/C/9, 03/03/22 IP/N/1/JPN/62; IP/N/1/JPN/P/22, 16/06/22 IP/N/1/JPN/63; IP/N/1/JPN/T/16, 16/06/22 IP/N/1/JPN/64; IP/N/1/JPN/D/15, 16/06/22
General Agreement on Trade in Services (GATS)		
	Notification pursuant to Article III:3 of the General Agreement on Trade in Services	S/C/N/1046, 22/02/21

WTO Agreement	Description of requirement	Document symbol and date of most recent notification
Regional Trade Agreements		
Article V:7(a)	Notification of regional trade agreement	S/C/N/1036; WT/REG441/N/1, 07/01/21
Enabling Cause	Generalized System of Preferences	WT/COMTD/N/2/Add.17-Add.18, 11/06/21; 29/06/22

a November 2019-August 2022, or last notification if applicable.

Source: Compiled by WTO Secretariat, based on notification documents.

2.3.2 Regional trade agreements

2.16. Expanding trade and growth through economic partnerships remains central to Japan's overall economic strategy. In particular, Japan considers tapping into the Asia-Pacific region's growth and large markets by creating a global web of economic partnerships is essential to the country's economic growth. However, no specific goals relating to the conclusion of regional trade agreements were set during the period under review; this was last done in the 2018 White Paper.

2.17. Japan participates in several regional trade agreements (Table 2.3). It has RTAs in force with Australia, Brunei Darussalam, Chile, the European Union, India, Indonesia, Malaysia, Mexico, Mongolia, Peru, the Philippines, Singapore, Switzerland, Thailand, the United Kingdom, Viet Nam, ASEAN member economies, and participants in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The transition or implementation period under most RTAs is 15 years; however, under the agreements with the European Union, the United Kingdom, and the CPTPP, it is 21 years.

2.18. The major new development over the review period was the entry into force of the agreement with the United Kingdom and the Regional Comprehensive Economic Partnership Agreement (RCEP). All of Japan's RTAs have been notified to the WTO. Its agreements have been considered in the WTO Committee on Regional Trade Agreements (CRTA) based upon factual presentations prepared by the WTO Secretariat, with the exceptions of the agreement with the United Kingdom, for which the factual presentation is currently being prepared, and the RCEP.

Table 2.3 Key features of Japan's RTAs

Title (Entry into force)	Goods liberalization	Selected coverage ^a	Share in Japan's merchandise trade (2021)
RCEP (01/01/2022)	End transition period 2036	S, GP, CP, e-com	50.0% total imports 46.0% total exports
UK-Japan EPA (01/01/2021)	End transition period 2038; 343 tariff lines will remain dutiable (3.7% of total)	S, GP, CP, E, L, e-com	0.9% total imports 1.4% total exports
EU-Japan EPA (01/02/2019)	End transition period 2038; 532 tariff lines will remain dutiable (6% of total)	S, GP, CP, E, L, e-com	11.1% total imports 9.2% total exports
CPTPP (30/12/2018)	End transition period 2038; 459 tariff lines will remain dutiable (5% of total)	S, GP, CP, E, L, e-com	18.0% total imports 12.5% total exports
Mongolia-Japan EPA (07/06/2016)	End transition period 2031; 1,115 tariff lines will remain dutiable (12.3% of total)	S, GP, CP, e-com	0.005% total imports 0.1% total exports
Australia-Japan EPA (15/01/2015)	End transition period 2029; 868 tariff lines will remain dutiable (9.5% of total)	S, GP, CP, e-com	6.8% total imports 2.0% total exports
Peru-Japan EPA (01/03/2012)	End transition period 2027; 892 tariff lines will remain dutiable (10.1% of total)	S, GP, CP	0.4% total imports 0.1% total exports
India-Japan EPA (01/08/2011)	End transition period 2026; 986 tariff lines will remain dutiable (11.1% of total)	S, GP, CP	0.8% total imports 1.7% total exports
Viet Nam-Japan EPA (01/10/2009)	End transition period 2024; 946 tariff lines will remain dutiable (10.7% of total)	S, GP, CP	3.0% total imports 2.5% total exports
Switzerland-Japan EPA (01/09/2009)	End transition period 2024; 987 tariff lines will remain dutiable (11.2% of total)	S, GP, CP, e-com	1.1% total imports 0.6% total exports
Philippines-Japan EPA (11/12/2008)	End transition period 2023; 814 tariff lines will remain dutiable (9.1% of total)	S, GP, CP	1.4% total imports 1.5% total exports
ASEAN-Japan EPA (01/12/2008)	End transition period 2023; 1,225 tariff lines will remain dutiable (13.5% of total)	S	14.7% total imports 15.0% total exports
Brunei Darussalam-Japan EPA (31/07/2008)	End transition period 2023; 1,125 tariff lines will remain dutiable (12.6% of total)	S, GP, E	0.3% total imports 0.03% total exports

Title (Entry into force)	Goods liberalization	Selected coverage ^a	Share in Japan's merchandise trade (2021)
Indonesia-Japan EPA (01/07/2008)	End transition period 2023; 962 tariff lines will remain dutiable (10.8% of total)	S, GP, CP	2.5% total imports 1.8% total exports
Thailand-Japan EPA (01/11/2007)	End transition period 2022; 870 tariff lines will remain dutiable (9.8% of total)	S, GP, CP	3.4% total imports 4.4% total exports
Chile-Japan EPA (03/09/2007)	End transition period 2022; 981 tariff lines will remain dutiable (11% of total)	S, GP, CP ^b	1.0% total imports 0.2% total exports
Malaysia-Japan EPA (13/07/2006)	End transition period 2021; 882 tariff lines will remain dutiable (9.9% of total)	S, CP,	2.6% total imports 2.1% total exports
Mexico-Japan EPA (01/04/2005)	End transition period 2015; 1,180 tariff lines will remain dutiable (13% of total)	S, GP, CP	0.7% total imports 1.4% total exports
Singapore-Japan EPA (30/11/2002)	End transition period 2022; 1,281 tariff lines will remain dutiable (14% of total)	S, GP, CP	1.1% total imports 2.6% total exports

a Services (S); government procurement (GP); competition policy (CP); environment (E); labour (L); e-commerce (e-com).

b Under the Chile-Japan EPA, a joint statement issued upon signature of the Agreement includes attachments on environment and labour.

Source: Compiled by the WTO Secretariat based on UN Comtrade data.

2.3.3 Unilateral preferences

2.19. Japan offers preferential tariff treatment to 131 developing economies under its GSP scheme. Under Japan's regulations, 45 economies receive special treatment as least-developed countries (LDCs). The GSP scheme itself is revised every 10 years; the last revision took place in March 2021, when the scheme was extended until 2031. In June 2021, Japan notified the WTO that it had decided to extend its GSP scheme until March 2031.¹²

2.20. Under the GSP scheme, preferential tariff rates apply to 424 tariff lines at the nine-digit level in Chapters 1 to 24 (agriculture and fisheries) (excluding in-quota rates), and to 3,291 tariff lines in Chapters 25 to 97 (industrial products). The main exclusions are rice and rice products, meat and meat products, fish, dairy products, pineapples, cereal products, textiles and clothing, leather and leather products, and footwear. Preferential margins vary from one product to another. LDCs qualify for more extensive product coverage (98% of tariff lines) and duty-free and quota-free treatment. Product coverage under the general GSP and LDC schemes can be reviewed annually as part of the annual tariff revision.

2.21. GSP graduation rules were last revised in 2017.¹³ Graduation criteria include income classification by the World Bank, the beneficiary's total exports, and the value of Japan's imports from the beneficiary country. Since the last Review, Palau and Panama graduated in April 2021 and April 2022, respectively.

2.22. Imports under Japan's GSP scheme have sharply fallen during the past years, most notably due to the graduation of important former beneficiaries such as Brazil, China, Malaysia, Mexico, and Thailand in 2019. Around 0.6% of total imports in 2021 entered under GSP benefits from developing countries and LDCs. In 2020 and 2021, Bangladesh, Cambodia, and Myanmar were the main beneficiaries of the Scheme (Table 2.4).

Table 2.4 Main beneficiaries of GSP scheme, 2020-21

Country/territory	Imports under GSP 2020		Country/territory	Imports under GSP 2021	
	JPY million	Share (%)		JPY million	Share (%)
Total	459,401	100.0	Total	468,336	100.0
Cambodia	127,850	27.8	Bangladesh	138,766	29.6
Bangladesh	122,247	26.6	Cambodia	136,464	29.1
Myanmar	110,909	24.1	Myanmar	82,180	17.5
Ecuador	12,983	2.8	South Africa	15,948	3.4
South Africa	12,337	2.7	Madagascar	14,574	3.1
Mauritania	11,581	2.5	Ecuador	12,999	2.8

¹² WTO document WT/COMTD/N/2/Add.17, 11 June 2021.

¹³ WTO document WT/TPR/S/397/Rev.1, 6 November 2020.

Country/territory	Imports under GSP 2020		Country/territory	Imports under GSP 2021	
Madagascar	8,699	1.9	Mauritania	9,829	2.1
Türkiye	7,692	1.7	Türkiye	8,188	1.7
Morocco	6,899	1.5	Colombia	6,823	1.5
Colombia	5,830	1.3	Sri Lanka	6,331	1.4
Lao PDR	5,574	1.2	Morocco	5,054	1.1
Sri Lanka	5,127	1.1	Lao PDR	4,506	1.0
Iran, Islamic Rep. of	2,199	0.5	Iran, Islamic Rep. of	3,001	0.6

Source: Information provided by the authorities; and Japan Customs. Viewed at: <http://www.customs.go.jp/kyotsu/import/tokkei/index.htm>.

2.3.4 Other arrangements

2.23. Japan is member of the Asia-Pacific Economic Cooperation (APEC), which accounted for 75.3% of its merchandise trade (imports and exports) in 2021. One of APEC's objectives was to achieve free and open trade and investment by 2020. APEC's Aotearoa Plan of Action adopted in 2021 sets out collective and country-specific objectives for an open, dynamic, resilient, and peaceful Asia-Pacific community by 2040, around three main drivers, namely: (i) trade and investment; (ii) innovation and digitalization; and (iii) strong, balanced, secure, sustainable, and inclusive growth. With regard to trade, the Plan provides for the objective of a free, open, fair, non-discriminatory, transparent, and predictable trade and investment environment, and support for agreed-upon rules of the WTO.

2.4 Investment Regime

2.4.1 Investment framework

2.24. Various legal instruments govern investment in Japan: the Foreign Exchange and Foreign Trade Act (FEFTA) and its implementing regulations (the Cabinet Order on Inward Direct Investment, the Order on Inward Direct Investment, and the Foreign Exchange Order), and the Act for Promotion of Japan as an Asian Business Center.

2.25. The Office of Invest Japan, under the Cabinet Office, is responsible for providing information on investment and related matters, and dealing with any investment-related complaints. It has four committees: the Council for Promotion of Foreign Direct Investment, the Task Force for Promotion of Foreign Direct Investment in Japan, the Working Group for Revising Regulations and Administrative Procedures, and the Working Group for Examining Medium and Long-term Strategy for Promoting Foreign Direct Investment. Since the previous Review, the Council for Promotion of Foreign Direct Investment adopted the Strategy for Promoting Foreign Direct Investment in Japan in June 2021.

2.26. Under the FEFTA, foreign investment can be subject to prior notification or post-closing reporting requirements to the Government. Prior notification is required for industrial sectors in national security, public order, or other specifically designated industries. These industries include weapons, aircrafts, nuclear facilities, space technology, dual-use technologies, and parts of the cybersecurity, electricity, gas, telecommunications, water supply, railway, and oil sectors. Direct investment not subject to prior notification is subject to post-closing report requirements, which are subject to a simplified procedure under which investors are required to submit a report to the Bank of Japan within 45 days.

2.27. The FEFTA was amended in November 2019; the amendment entered into force in June 2020. These amendments mostly relate to addressing growing concerns about national security, the leakage of critical technology, and security of supply in goods considered critical.

2.28. Under the amendment, a foreign investor seeking a 1% share in businesses with importance to national security, public safety, infrastructure, or Japan's economy is required to undergo a prior notification and approval process. The previous version of the FEFTA required such prior notification and approval only if foreign investors sought a 10% share in a company.¹⁴ Implementing regulations

¹⁴ Ministry of Finance, *Amendment Bill of the Foreign Exchange and Foreign Trade Act*. Viewed at: https://www.mof.go.jp/english/policy/international_policy/fdi/20191021.html.

on this amendment were adopted in May 2020; they entered into force in June 2020. The authorities indicate that 2,171 requests were submitted in 2020 and 2,859 in 2021, and that none were denied.

2.29. The amendment also introduced various exemptions from the prior notification required for stock purchases. An exemption from the prior notification filings is available for foreign financial institutions and accredited general investors, including sovereign wealth funds. Exemptions are subject to three conditions: (i) the foreign investor and its closely related persons will not serve on the board of the target company as directors or audit and supervisory board members; (ii) the foreign investor will not make proposals at shareholders' meetings, whether directly or through third parties, to dispose of material businesses in designated industries; and (iii) the foreign investor will not access sensitive confidential technologies that are related to the target company's designated business.

2.30. Other related policy changes include the addition of some business sectors to the list of designated business sectors subject to approval: cybersecurity-related businesses in May 2019 (fully entered into force in August 2019), pharmaceuticals for specific infectious diseases and of specially controlled medical devices in June 2020, and mining activities related to 34 rare-earth metals (including lithium and cobalt) to secure a stable supply of critical minerals in October 2021.

2.31. FDI is generally restricted in sectors such as broadcasting, radio, and telecommunications (Table 2.5). In broadcasting and radio, investment is reserved for Japanese nationals.

Table 2.5 Sectoral FDI restrictions, 2022

Sector	Description of restriction	Legislative basis
Broadcasting	Basic broadcasting operations may not be provided by, <i>inter alia</i> , a person who does not have Japanese nationality, a foreign government or its representative, or a foreign corporation or organization.	Broadcasting Act Radio Act
Radio	Radio station licences may not be granted to: (i) a person who does not have Japanese nationality; (ii) a foreign government or its representative; (iii) a foreign corporation or organization; or (iv) a corporation or organization that is represented by (a) any person listed in the preceding items, or (b) one third or more officers who are those persons, or (c) one third or more voting rights of which are made up of the aggregate of voting rights held by those persons. These FDI restrictions do not apply to: experimental radio stations; amateur radio stations; radio stations on board ships and aircraft; radio stations transmitting radio communications between specific fixed points for embassies/consulates etc.; radio stations established for the purpose of communicating with mobile radio stations or receiving equipment for portable use; radio stations established to conduct telecommunications services; and radio stations established for the purpose of controlling the position, etc. of an artificial satellite equipped with radio equipment of a radio station for the purpose of conducting telecommunications services.	Radio Act
Telecommunications	Less than aggregate one third of the shares in Nippon Telegraph and Telephone Corporation may be directly held by the aggregate of (i) persons without Japanese nationality; (ii) a foreign government or its representatives; (iii) foreign juridical persons or entities; and (iv) juridical persons/entities whose voting rights are directly held by those persons/entities listed in (i) to (iii) and which exceed the prescribed ratio.	Act on Nippon Telegraph and Telephone Corporation

Source: Information provided by the authorities.

2.32. On 8 April 2022, the Government announced the prohibition of new Japanese investment in the Russian Federation, in line with measures taken by other G7 nations.¹⁵

2.33. Japan has bilateral investment treaties with 34 countries and territories.¹⁶ In addition, virtually all regional trade agreements concluded by Japan contain certain provisions on

¹⁵ Foreign Exchange and Foreign Trade Act, Article 21; and Foreign Exchange Act, Article 11.

¹⁶ Armenia; Bangladesh; Cambodia; China; Colombia; Côte d'Ivoire; Egypt; Georgia; Hong Kong, China; Iran, Islamic Rep. of; Iraq; Israel; Jordan; Kazakhstan; Kenya; Korea, Rep. of; Kuwait, State of; Lao People's Democratic Republic; Morocco; Mozambique; Myanmar; Oman; Pakistan; Papua New Guinea; Peru; Russian Federation; Saudi Arabia, Kingdom of; Sri Lanka; Türkiye; Ukraine; United Arab Emirates; Uruguay; Uzbekistan; and Viet Nam.

investment.¹⁷ Japan has also concluded a Trilateral Investment Agreement with China and the Republic of Korea. Japan is party to several investment-related international agreements.¹⁸

2.34. As at October 2022, Japan had concluded 84 tax conventions applicable to 150 jurisdictions, including those participating in the Convention on Mutual Administrative Assistance in Tax Matters. Since the previous Review, Japan has signed eight tax conventions (with Argentina, Uruguay, Peru, Jamaica, Uzbekistan, Morocco, Serbia, and Georgia) and one amending protocol to the existing convention with Switzerland.¹⁹

2.4.2 Business environment

2.35. Maintaining an attractive business environment for both foreign and domestic investment is an important objective in Japan's economic policy. In 2021, the Council for Promotion of Foreign Direct Investment adopted the Strategy for Promoting Foreign Direct Investment in Japan. Using Japan's FDI stock as a key performance indicator, the Council set the target to double the inward FDI stock to JPY 80 trillion by 2030 and reach 12% of GDP, with a 2025 interim target of JPY 60 trillion with its ratio to GDP at 10%.²⁰ The Strategy has three basic pillars: (i) creation of a new digital green market and building an innovation ecosystem; (ii) acceleration of the development of business environments in response to global environment changes; and (iii) development of investment environment through public-private partnerships utilizing regional strengths.

2.36. In addition, the Strategy sets out three further indicators. The first is value added created by foreign-affiliated companies, which it targets to double from JPY 17 trillion in 2018 to JPY 34 trillion by 2030. The second indicator is the number of foreign-affiliated companies by prefecture. With a view to expanding outside metropolitan areas, a target for the number of foreign-affiliated companies in prefectures other than Tokyo has been set at 10,000 by 2026. In 2016, about 43% of foreign-affiliated companies were concentrated in Tokyo. The number of highly skilled foreigners entering Japan is the third indicator. The objective is to achieve the entry of 200,000 foreign business management personnel by 2030.

2.37. Since the previous Review, the following new investment-related promotion policies and strategies have been adopted: the Strategy for Promoting Foreign Direct Investment in Japan (2 June 2021), and the Main Policy Agenda for Promoting Foreign Direct Investment in Japan (20 April 2022).

2.38. The 2012 Act for Promotion of Japan as an Asian Business Center remained unchanged during the review period. Under this Act, various incentives are provided to encourage investment in establishing R&D and regional headquarters. This Act provides the following incentives to enterprises that acquired certification from the competent minister and newly engage in research and development or supervisory business in Japan: accelerated procedures under the FEFTA, shortened examination of patent and residency applications, and assistance for fund raising. Other investment incentives are (i) assistance for fundraising by the Small and Medium Business Investment and Consultation Co. Ltd., applicable to SMEs (this also covers small and medium-sized stock companies with capital not less than JPY 300 million); (ii) acceleration of patent examinations; (iii) shortened investment procedures; and (iv) acceleration of the status of residency examinations.

2.39. In the World Economic Forum's 2019 Global Competitiveness report, Japan ranked 6th, a slight decline from the previous year, when it was ranked 5th.²¹ Its strongest performances are in the areas of digital infrastructure, health, and physical infrastructure, whereas it scores less well in areas such

¹⁷ These are EU-Japan EPA (investment liberalization provisions only); CPTPP; Japan-Mongolia EPA; Australia-Japan EPA; Japan-Peru EPA; India-Japan EPA; Japan-Switzerland EPA; Japan-Philippines EPA; Indonesia-Japan EPA; Brunei Darussalam-Japan EPA; Japan-Thailand EPA; Chile-Japan EPA; Japan-Malaysia EPA; Japan-Mexico EPA; and Japan-Singapore EPA.

¹⁸ These are Multilateral Investment Guarantee Agency Convention; International Centre for Settlement of Investment Disputes Convention; New York Convention; OECD Invisible Operations; OECD Capital Movements; and the Energy Charter Treaty.

¹⁹ The conventions with Uzbekistan and Georgia are new agreements, replacing the existing conventions.

²⁰ JETRO, *JETRO Invest Japan Report 2021*. Viewed at: https://www.jetro.go.jp/en/invest/investment_environment/ijre/report2021/ch2/sec1.html.

²¹ World Economic Forum (2019), *The Global Competitiveness Report 2019*. Viewed at: https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf.

as institutions, corporate governance, and skills. In Transparency International's Corruption Perception Index, Japan ranked 18th of 180 countries and territories in 2021.²²

2.40. As reported in the 2017 TPR of Japan, various regulatory reform pilot schemes were launched under the National Strategic Special Zone initiative, established in 2013.²³ Under this initiative, regulatory reforms proposed by the private sector, and agreed with local and central governments, are tested within a "sandbox" environment, before being implemented country-wide. Ten zones, located in different regions of Japan, were designated, each of which is focused on encouraging specific activities in certain spheres, through regulatory reform. Sectors covered by this initiative include medical care, big data, tourism, and agricultural reform. In May 2020, the Act was amended with a view to realizing the "Super City" initiative, where artificial intelligence, big data, and other advanced technologies are utilized to improve city development in areas such as autonomous driving, cashless payments, and telemedicine. As at 2022, 10 national strategic special zones were in place, with more than 400 individual projects.

2.41. Japan has adopted further key measures and structural reforms to improve the business environment since its last Review. In 2020, pension laws were revised to expand the eligibility for employee insurance for part-time workers, starting from 2022. Also in 2020, legislation was revised to promote prolonging or abolishing compulsory retirement ages in firms. A work-style reform was enacted in 2018 to introduce a cap on overtime hours, establish rules on equal pay to address wage disparities between regular and non-regular workers in the same company, and introduce exemptions from work-hours restrictions for high-level professionals.

²² Transparency International, *Corruption Perceptions Index*. Viewed at: <https://www.transparency.org/en/cpi/2021>.

²³ WTO document WT/TPR/S/351/Rev.1, 20 June 2017.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. During the review period, there were no changes to the authorities responsible for all customs matters including policy formulation and the administration and enforcement of customs legislation.¹

3.2. The main legislation covering customs procedures and documentation remains the Customs Act and its implementing regulations and orders.² While there were some amendments to the Act during the review period, the system of customs procedures, trade facilitation, and customs valuation remained largely unchanged (including institutional changes, legislative, and regulatory evolution). In June 2020, the Customs and Tariff Bureau of the Ministry of Finance (MOF) issued a Smart Customs Plan 2020 with a view to promoting digitalization of customs procedures, supports for regional trade agreement (RTA) users to enhance their convenience, and automation of customs inspection.³ Furthermore, in 2021, the Act was amended to simplify the procedures and ease the requirements of preserving books and documents relating to customs duty by electromagnetic records, and enable importers to pay customs duty by credit card.

3.3. Concerning measures related to the Agreement on Trade Facilitation (TFA), which Japan accepted in 2015, the Liaison Conference on Trade Facilitation remains as a forum for information sharing, and various enquiry points as stipulated in Article 1.3 of the TFA.⁴ Since the previous Review, there have been no updates of Japan Customs' time release study.⁵

3.4. During the review period, there were no changes in registration requirements for importers, or documents needed for customs clearance.⁶ There are no fees required by Japan Customs for an import declaration; Customs charges fees for certain services such as issuing certificates or magnetic tapes and granting permits for goods examination outside of designated areas for both domestically produced and imported goods (Customs Act, Articles 69 and 100(iii)).⁷

3.5. The Nippon Automated Cargo and Port Consolidated System (NACCS), Japan's single electronic window, continues to provide online processing of procedures with Japan Customs and other related agencies. Although submission of customs declarations through the NACCS is not compulsory, in 2021, around 99.9% of the value of import/export cargo was processed through it. Importers may pay the assessed customs duty through a multi-payment network (MPN).⁸ The NACCS connects

¹ Japan Customs, under the MOF, is responsible for all customs matters including the administration and the enforcement of customs legislation. Japan has nine regional Customs offices (Hakodate, Kobe, Moji, Nagasaki, Nagoya, Okinawa, Osaka, Tokyo, and Yokohama). Customs and tariff policies are formulated by the Customs and Tariff Bureau of the Ministry.

² Customs Act. Viewed at: http://www.kanzei.or.jp/kanzei_law/329AC0000000061.en.html#c1 and in Japanese at: <https://elaws.e-gov.go.jp/document?lawid=329AC0000000061>.

³ Japan Customs (2020), "SMART Customs Initiative 2020", June. Viewed at: https://www.customs.go.jp/english/smart_e/index_e.htm and <https://www.customs.go.jp/zeikan/seido/smart/index.htm>.

⁴ These enquiry points are listed in WTO document WT/TPR/S/351/Rev.1, 20 June 2017.

⁵ Japan Customs' last time release study was issued in March 2018; it indicates that customs clearance times (measured from the time when traders submit their declarations to Customs to when Customs permits the importation) were 2.1 hours for sea cargo and 0.3 hours for air cargo.

⁶ There are no registration requirements for importers. A customs declaration is needed for importation, and must be accompanied by an invoice, bill of lading, insurance certificate, freight account, and packing list. Additional documents may be necessary, depending on the type of goods. These additional documents may include certificates of origin; a statement on reduction of, or exemption from, customs duty and excise tax (when such reduction or exemption is applicable to the goods); and documents required under Japan's generalized system of preferences.

⁷ According to the authorities, in accordance with the provisions of laws and regulations, documents submitted to Customs for obtaining permits, approvals, or notifications that are kept by Customs and those that can be confirmed as the scope of customs affairs are subject to the issuance of documentary certificates stipulated in Article 102 of the Customs Law. Japan Customs' rates for the fees and permits were viewed at: <http://www.customs.go.jp/english/exp-imp/customsfee.htm>.

⁸ The MPN is a system that connects tax receiving agencies with financial institutions online. Under the MPN, taxpayers may complete the payment to a certain financial institution in an electronic manner (e.g. online banking) and notify the tax authority of their payment immediately. Importers may request this

teller institutions (government authorities) with financial institutions. The Government does not charge for the use of the system; however, the financial institutions involved may collect fees. The NACCS finances itself by the usage fee from private and public users. It also provides various online logistics services to the private sector.⁹ The use of customs brokers is not mandatory.

3.6. Under the pre-arrival examination system, importers may be notified in advance as to whether a customs inspection of the cargo will be required only if they submit documents to Japan Customs before their cargo's arrival in Japan. A pre-arrival declaration form must be submitted to the customs office that controls the customs bonded (*hozei*) area where the cargo is expected to be brought in. In principle, inspection of a shipment under the pre-arrival examination system is conducted in a *hozei* area.¹⁰ All importers including authorized economic operators (AEOs) may submit pre-arrival declarations before the cargo is brought into a *hozei* area. The authorities state that pre-arrival declaration is not compulsory; it is an optional measure to facilitate import clearance.

3.7. An AEO scheme remains in place to, *inter alia*, simplify customs procedures for AEOs.¹¹ There have been no changes to the AEO scheme since the previous Review.¹² As at August 2022, there were 735 AEOs. According to the authorities, AEOs accounted for 8% of merchandise imports and 42% of merchandise exports on a trade value basis in 2021. Under various mutual recognition agreements (MRAs) signed by Japan, Japan Customs considers the status of the members of the other AEO programmes when conducting its own risk assessment. During the review period, Japan signed MRAs with Thailand on 5 April 2022 and the United Kingdom on 8 December 2020.

3.8. The authorities state that Japan does not publish data on imported merchandise subject to various types of inspection: e.g. none, documentary inspection, and physical inspection. They indicate that the specific purpose of the customs inspection is to make sure that the declaration matches with the actual goods and all the requirements for import are met. Japan also uses post-clearance audit (PCA); between 1 July 2019 to 30 June 2022, Japan Customs conducted PCAs for 5,560 importers.¹³

3.9. Importers or other interested parties may request advance rulings on tariff classification, customs valuation, the origin of goods, and duty relief/exemption for goods due for import; no changes have taken place in the system of advance rulings since the previous Review.¹⁴

3.10. Unchanged since the previous Review, complaints against Japan Customs' decisions may be made to the Director-General of Customs within three months of the decision.¹⁵ Further appeals may be lodged with the Minister of Finance within one month of the decision by the Director-General of

payment method on the NACCS. Japan Customs, *Outline of the Multi Payment Network (FAQ)*. Viewed at: https://www.customs.go.jp/english/c-answer_e/imtsukan/1310_e.htm.

⁹ The NACCS is managed by an independent agency under a public-private partnership agreement. It undertakes (i) online processing of procedures with Customs and other relevant authorities; and (ii) private-sector services for arriving/departing ships and aircraft or import/export cargo. Since 2010, it has integrated procedures for air and sea cargos with the Port EDI System and the METI's Japan Electronic Open Network Trade Control System (JETRAS). The NACCS' main features are a system to complete administrative procedures, a database system for cargo and transport management, and a communication system among users. NACCS. Viewed at: <https://www.naccs.jp>; and UNESCAP (2011), *Towards a Single Window Trading Environment*. Viewed at: <https://www.unescap.org/sites/default/files/brief6.pdf>.

¹⁰ Imports are held at Customs-designated *hozei* area at the ports of entry. Once the necessary inspection takes place and customs duties and taxes are paid, an electronic Notice of Import Permit is issued by Customs. Japan Customs. Viewed at: https://www.customs.go.jp/tetsuzuki/c-answer/imtsukan/1108-2_jr.htm.

¹¹ Importers, exporters, manufacturers, warehouse operators, customs brokers, and logistics operators are eligible to be AEOs.

¹² AEO importers and customs brokers may submit import and duty/tax payment declarations separately, allowing them to have goods released before submitting the duty/tax payment declaration. Importers, exporters, and customs brokers that hold AEO status are eligible to submit import/export declarations to any regional Customs office. Import declarations may be submitted in advance of cargo arrivals. A full description of the AEO scheme (including legal and institutional framework, eligibility criteria, and MRAs with trading partners) is contained in WTO document WT/TPR/S/351/Rev.1, 20 June 2017. AEOs continue to be granted the flexibility to lodge their import/export declarations with any Customs office, not just the one where imported goods are stored.

¹³ Based on the authorities' flash estimate.

¹⁴ In principle, advance rulings are issued within 90 days of request for customs valuation, and within 30 days for other requests. Advance rulings issued in written forms are binding on Customs.

¹⁵ Japan Customs. Viewed at: https://www.customs.go.jp/tetsuzuki/c-answer/sonota/9401_jr.htm.

Customs. A lawsuit may be filed against the Minister's decision within six months of such decisions. Data provided by the authorities indicate that between 1 January 2022 and 30 September 2022, 85 complaints and 4 appeals against Customs' decisions were filed but no lawsuits were filed; 42 complaints were decided in favour of the complainant. During the review period, there were no changes to penalties imposed against breaches of the Customs Act.¹⁶

3.11. Japan has signed agreements and arrangements regarding the exchange of customs information with 39 countries and regions.¹⁷ These include Customs Mutual Assistance Agreements between governments, Customs Procedures Chapters and Implementing Agreements in economic partnership agreements (EPAs), and Memoranda of Cooperation between customs authorities. Japan is a member of the World Customs Organization (WCO); it signed the WCO's Revised Kyoto Convention in 2001.¹⁸ Japan has acceded to flagship instruments in the context of customs, such as the International Convention on the Harmonized Commodity Description and Coding System.

3.1.2 Customs valuation

3.12. Japan's legislation on customs valuation has not changed since the previous Review. It is based on rules contained in the Customs Tariff Act.¹⁹ Customs value is primarily assessed based on the transaction value of the goods (c.i.f. value), which must also reflect costs incurred by the buyer. Should it not be possible to use this method, other methods used (in order) are transaction value of identical or similar goods, computed value based on the domestic selling prices or the production costs of those goods, and values determined by other methods.²⁰ According to the authorities, Japan does not keep data on different means of determining customs value.

3.13. Japan does not require pre-shipment inspection of imports.

3.1.3 Rules of origin

3.14. Japan has notified the WTO that it has non-preferential rules of origin (ROOs).²¹ Non-preferential ROOs are detailed in Article 4-2 of the Cabinet Order for Enforcement of the Customs Act, and Articles 1-6 and 1-7 of the Ordinance for Enforcement of the Customs Act.

3.15. Japan also applies preferential ROOs under the Generalized System of Preferences (GSP) and various RTAs it is party to (Sections 2 and 3.1.4). Japan's GSP scheme, which was to expire in FY2020, has been extended for 10 years (Section 2.3.3).

3.16. Japan applies MFN tariff rates to imports from eligible countries and regions, whereas the origin is defined as the country or region in which the goods concerned have been wholly obtained or have undergone substantial transformation, which is defined as having a change in the four-digit heading in the Harmonized System, or (in some cases) subject to specific origin-conferring processing or working. Operations such as packing, applying labels or brands, and simple mixing are insufficient working or processing for conferring origin.

3.17. Japan Customs has a webpage in English on its ROO framework (both preferential and non-preferential), which includes legal texts, a facility for searching for product-specific ROOs, and contact points.²²

¹⁶ WTO document G/RO/N/1, 9 May 1995.

¹⁷ Australia; Austria; Belgium; Brazil; Brunei Darussalam; Canada; Chile; China; Chinese Taipei; the European Union; France; Germany; Hong Kong, China; India; Indonesia; the Islamic Republic of Iran; Italy; the Republic of Korea; Macao, China; Malaysia; Mexico; the Republic of Moldova; Mongolia; the Netherlands; New Zealand; Norway; Peru; the Philippines; the Russian Federation; Singapore; South Africa; Spain; Switzerland; Thailand; the United Kingdom; the United States; Uruguay; Uzbekistan; and Viet Nam.

¹⁸ WCO, *List of the Contracting Parties to the Revised Kyoto Convention*. Viewed at: http://www.wcoomd.org/en/Topics/Facilitation/Instrument%20and%20Tools/Conventions/pf_revised_kyoto_convention/Instruments.

¹⁹ Customs Tariff Act. Viewed at: https://www.kanzei.or.jp/kanzei_law/143AC000000054.en.html.

²⁰ Japan Customs, *Rules of Origin*. Viewed at: <http://www.customs.go.jp/roo/english/index.htm>.

²¹ WTO documents G/RO/N/1, 9 May 1995; and G/RO/N/1/Add.1, 22 June 1995.

²² Japan Customs, *Rules of Origin*. Viewed at: <https://www.customs.go.jp/roo/english/index.htm>.

3.1.4 Tariffs

3.18. Two main laws continue to govern the setting of tariffs in Japan: (i) the Customs Tariff Act²³, which provides for, *inter alia*, customs duty rates through the appended Tariff Schedule, customs duty reductions and exemptions, and the application of tariff quotas; and (ii) the Temporary Tariff Measures Act²⁴, which provides for temporary exemptions to the Customs Act and the Customs Tariff Act to allow for customs duty adjustments if needed for the purposes of the sound development of the national economy. During the review period, the Temporary Tariff Measures Act was amended several times to, *inter alia*, extend the effective periods of temporary rates of customs duty and the related exemption system; review customs duties on individual items; extend special tariff measures in the Okinawa prefecture; apply duty-free rates to certain products; and expand the prior reporting system. Regarding the special tariff measures in the Okinawa, the Temporary Tariff Measures Act was amended in 2022 to extend the application period of the Selective Taxation system and the Specified Duty-Free Shop system for three and two years, respectively.

3.19. The authorities state that customs duties in Japan amounted to JPY 0.9 trillion (or 1.2% of central government tax revenue) in FY2021.

3.1.4.1 MFN applied tariff

3.20. Calculations are based on FY2022 tariff schedule (as at 1 April 2022).²⁵ The tariff schedule based on HS22 continues to have three distinct sets of rates: statutory rates (including both general and temporary rates), WTO bound rates, and preferential rates (under the GSP and RTAs). In the case of statutory rates, the "temporary" rate, which is reviewed annually, is normally used instead of the higher general rate; the lower of the statutory and WTO bound rates is applied to WTO Members on an MFN basis, except when preferential rates are applied. Where the temporary, general, or preferential rate is higher than the corresponding WTO bound rate, the latter applies to WTO Members.²⁶

3.21. The FY2022 MFN applied tariff structure and rates have changed little compared with those of FY2019. Changes of numbers are mainly due to change of nomenclature from HS17 to HS22 and different/higher *ad valorem* equivalents (AVEs) used for non-*ad valorem* rates.²⁷

3.22. Japan's MFN applied tariff structure remains complex. With a total of 272 tariff rates, there are 136 different *ad valorem* rates, 75 different specific rates, 29 different alternate rates, and 24 different compound rates, as well as some other types of duties (4 differential duties and 4 sliding duties). The FY2022 tariff schedule comprised 9,467 lines, excluding in-quota rates (compared to 9,181 in FY2019) at the HS 9-digit level of the HS22 nomenclature (Table 3.1).²⁸ Of all tariff lines, 92.7% involve *ad valorem* rates (including duty-free lines, which represent 40.9% of all lines). The remaining 7.3% (i.e. 689 lines) are non-*ad valorem* rates (Chart 3.1); they apply mainly to fats and oils, footwear, prepared foods, mineral products, live animals and animal products, vegetables, and textiles and clothing (Chart 3.2).

²³ Customs Tariff Act (Act No. 54 of 1910), as amended. Viewed at: http://www.kanzei.or.jp/kanzei_law/143AC0000000054.en.html.

²⁴ Temporary Tariff Measures Act. Viewed at: https://www.kanzei.or.jp/kanzei_law/335AC0000000036.en.html.

²⁵ Japan Customs, *Japan's Tariff Schedule as of January 1, 2022*. Viewed at: https://www.customs.go.jp/english/tariff/2022_1_1/index.htm.

²⁶ Since the general rates are set with a long-term viewpoint based upon conditions of domestic industries and other things, the temporary rates are applicable only for a certain period of time in order to modify general rates to meet policy needs or for other reasons.

²⁷ The estimated AVEs have some limits. First, if there are no imports, the estimates of AVEs are not calculated. A lack of imports does not necessarily imply that the tariff is high; it may be that there is no domestic demand for a particular product. For the 2022 tariff analysis, it was not possible to estimate AVEs for approximately 2.4% of all tariff lines. Second, the estimates of AVEs are affected by variations in import prices through fluctuations in world market prices and/or exchange rates even though the tariff rates remain the same. Third, the unit values used may vary depending on the source of imports and whether they qualify for a tariff concession or exemption, resulting in a wide variation in AVEs without any change in customs duties.

²⁸ Excluding in-quota lines.

Table 3.1 Structure of MFN tariffs FY2019 and FY2022

(% , unless otherwise indicated)

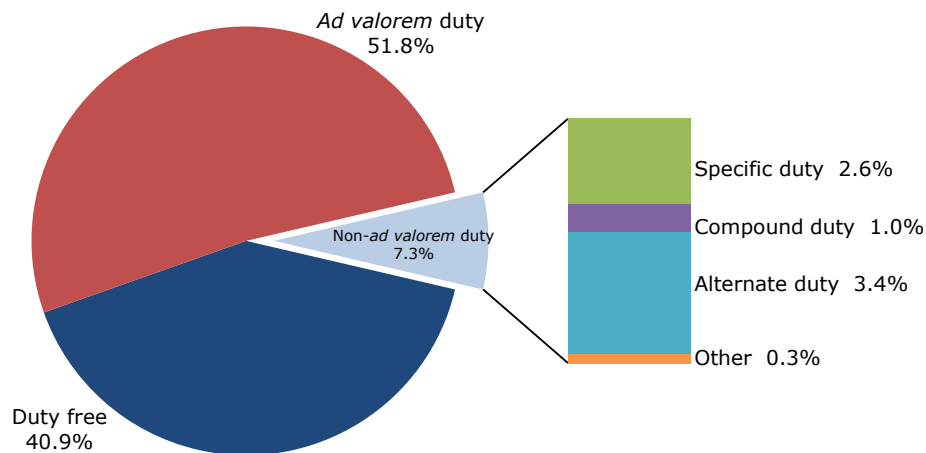
	MFN applied		Final bound ^a
	FY2019	FY2022	
Bound tariff lines (% of all tariff lines)	98.1	98.0	98.0
Simple average rate	6.3	6.3	6.4
WTO agricultural products	17.9	18.0	18.4
WTO non-agricultural products	3.5	3.4	3.5
HS 01-24	15.7	15.8	16.3
HS 25-97	3.3	3.3	3.4
Duty-free tariff lines (% of all tariff lines)	40.5	40.9	38.3
Simple average rate of dutiable lines only	10.6	10.7	10.6
Tariff quotas (% of all tariff lines)	2.0	2.0	2.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	7.1	7.3	6.7
Non- <i>ad valorem</i> tariffs with no AVEs (% of all tariff lines)	1.7	2.4	2.1
Domestic tariff "peaks" (% of all tariff lines) ^b	6.9	7.0	6.9
International tariff "peaks" (% of all tariff lines) ^c	7.9	7.9	8.0
Standard deviation	18.0	18.1	18.3
Nuisance applied rates (% of all tariff lines) ^d	1.6	1.6	1.6
Number of lines	9,181	9,467	9,282
Duty-free lines	3,717	3,876	3,627
<i>Ad valorem</i> rates (>0%)	4,816	4,902	5,017
Non- <i>ad valorem</i> rates	648	689	638
Specific	247	243	242
Compound	75	94	101
Alternate	295	321	295
Other	31	31	0

- a Final bound rates are based on the FY2022 tariff schedule. Calculations are based on 9,282 bound rates, including 19 partially bound rates and excluding 185 unbound rates.
- b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
- c International tariff peaks are defined as those exceeding 15%.
- d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: All tariff calculations exclude in-quota lines and include AVEs, as available, provided by the authorities.

In case of unavailability, the *ad valorem* part is used for compound and alternate rates. Including an amount collected by the Government or its agent, where applicable. FY2019 and FY2022 are based on HS17 and HS22 nomenclature, respectively.

Source: WTO Secretariat calculations, based on data provided by the authorities and Japan Customs.

Chart 3.1 Tariff distribution by type of duty, FY2022

Source: WTO Secretariat calculations, based on Japan Customs.

3.23. In FY2022, Japan's overall simple average MFN applied tariff rate is 6.3% (the same as in FY2019); the simple average MFN applied tariff rate for agriculture (WTO definition) is 18.0% (17.9% in FY2019), compared with 3.4% for non-agricultural products (3.5% in FY2019) (Table 3.2). The authorities have provided AVEs for 464 out of 689 non-*ad valorem* lines based on import data as at 19 July 2022.²⁹ Consequently, the tariff analysis is based on 99.0% of the 9,467 tariff lines.³⁰ The simple average for all AVEs supplied is 39.7% (the same as the average used in the previous report³¹). The highest tariff rate is 428.8% (AVE of JPY 354/kg) for certain beans (HS 0713.39.227) followed by 414.4% (AVE of 29.8% + JPY 687/kg) for certain whey and modified whey (HS 0404.10.187), and 337.7% (AVE of 341 yen/kg) for rolled or flaked grains of rice (HS 1104.19.290). The first- and second-highest AVEs are out-of-quota rates. All the 100 highest tariffs have non-*ad valorem* rates (66 tariff lines). Sugar centrifugal (HS 1702.90.110) has the highest *ad valorem* rate of 61.9%, ranking 102nd in the list of highest tariff rates.

3.24. Overall, tariff escalation in FY2022 is highest for the first stage of processing and lowest for semi-processed products. However, this trend is not always reflected at the product level; for example, for food, beverages, and tobacco, the semi-processed stage attracts the highest average tariffs (Chart 3.3).

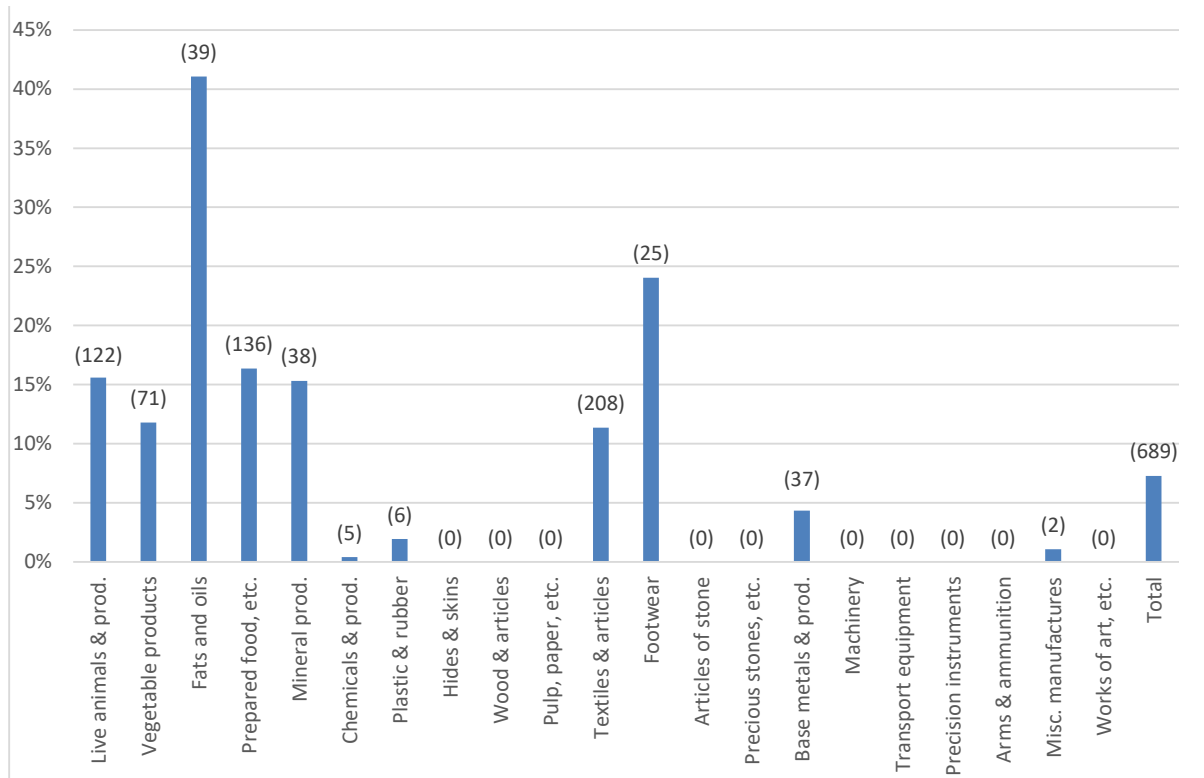
3.25. In FY2022, simple average MFN applied tariff rates are relatively high for footwear and headgear, prepared foods, vegetables, live animals, hides and skins, arms and ammunition, and textiles and clothing (Chart 3.4).

3.26. For FY2022, 186 tariff lines, 132 agricultural tariff lines (WTO definition), and 54 non-agriculture tariff lines (WTO definition) are subject to MFN tariff quotas, of which 11 are under state trading. In FY2019, there were 181 tariff lines with (out of) quota tariff rates. The increase is explained by the nomenclature change from HS17 to HS22, resulting in splitting of the new tariff line under HS subheading 0403.20 (yogurt). Out-of-quota rates for 38 tariff lines are *ad valorem*, while out-of-quota rates for 148 tariff lines are non-*ad valorem*. Their average rates differ considerably: in-quota rates average 18.3%, while out-of-quota rates average 80.3%. Japan's tariff quota regime is further described in Section 4.1.

²⁹ For 76 of 321 alternate rates, no AVEs were provided (the *ad valorem* part is used). For 55 of 94 compound rates, no AVEs were provided (the *ad valorem* part is used). For 78 of 243 specific rates, no AVEs were provided. For 15 of 31 "other" rates, no AVEs were provided.

³⁰ $((9,467-78-15)/9,467)*100$.

³¹ WTO document WT/TPR/S/397/Rev.1, 6 November 2020.

Chart 3.2 Share of non-*ad valorem* duties, by HS section, FY2022

Note: Each bar depicts the percentage of tariff lines within each HS section that carries non-*ad valorem* duties; the figures in parentheses show the corresponding number of lines. In-quota rates are not included.

Source: WTO Secretariat estimates, based on data provided by the authorities.

Table 3.2 Japan's tariff summary, FY2022

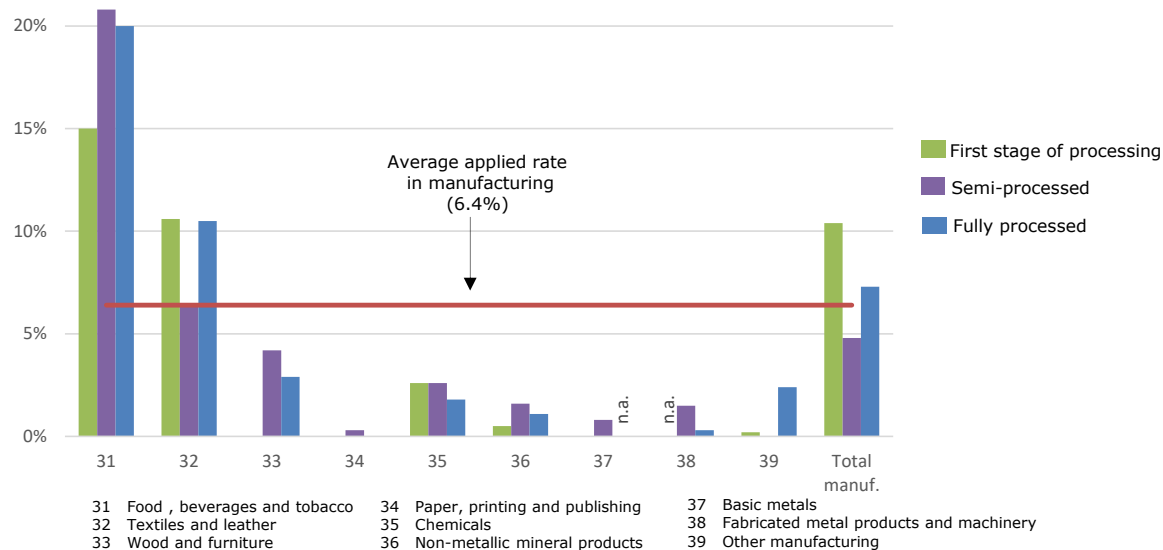
	Number of lines	Average (%)	Range (%)	Standard deviation	Duty free (%)	Non- <i>ad valorem</i> rates (%)
Total	9,467	6.3	0-428.8	18.1	40.9	7.3
HS 01-24	2,312	16.0	0-428.8	32.5	17.3	15.9
HS 25-97	7,155	3.3	0-320.8	7.7	48.6	4.5
By WTO category						
WTO agricultural products	1,886	18.0	0-428.8	31	24.0	19.9
Animals and products thereof	241	12.0	0-134.4	18.8	31.5	20.7
Dairy products	104	63.1	6.3-414.4	69.4	0.0	78.8
Fruit, vegetables, and plants	514	13.3	0-428.8	33.2	15.0	2.9
Coffee and tea	69	18.9	0-76.5	12.0	10.1	8.7
Cereals and preparations	344	29.3	0-428.8	43.2	9.9	29.1
Oils seeds, fats, oil and their products	136	4.8	0-269.4	23.6	41.9	30.9
Sugars and confectionery	49	37.6	0-184.7	35.8	6.1	59.2
Beverages, spirits and tobacco	152	17.1	0-65.5	12.0	17.1	24.3
Cotton	5	0.0	0-0	0.0	100.0	0.0
Other agricultural products, n.e.s.	272	5.4	0-284	22.1	61.8	5.1
WTO non-agricultural products	7,581	3.4	0-320.8	7.2	45.2	4.1
Fish and fishery products	546	6.2	0-15	3.6	4.6	0.2
Minerals and metals	1,269	0.9	0-11.7	1.6	72.3	3.1
Chemicals and photographic supplies	1,316	2.5	0-6.5	1.8	31.1	0.6
Wood, pulp, paper and furniture	548	2.0	0-10	2.7	61.9	0.0
Textiles	1,473	5.5	0-25	2.5	4.8	13.8
Clothing	376	8.9	0-13.4	2.1	1.3	0.0
Leather, rubber, footwear and travel goods	313	14.9	0-320.8	29.2	38.3	8.0

	Number of lines	Average (%)	Range (%)	Standard deviation	Duty free (%)	Non-ad valorem rates (%)
Non-electric machinery	628	0.0	0-0	0.0	100.0	0.0
Electric machinery	343	0.1	0-4.8	0.5	98.0	0.0
Transport equipment	180	0.0	0-0	0.0	100.0	0.0
Non-agricultural products, n.e.s.	499	1.2	0-8.4	2.3	73.7	0.4
Petroleum	90	1.7	0-7.9	1.9	28.9	40.0
By ISIC sector						
ISIC 1 - Agriculture, hunting and fishing	694	5.2	0-284	17.3	45.4	4.9
ISIC 2 - Mining	108	0.1	0-4.1	0.5	96.3	0.9
ISIC 3 - Manufacturing	8,665	6.4	0-428.8	18.3	39.9	7.5
Manufacturing excluding food processing	6,951	3.3	0-320.8	7.8	47.1	4.6
By stage of processing						
First stage of processing	1,212	6.7	0-728.8	28.5	49.9	4.7
Semi-processed products	3,592	4.8	0-337.7	9.7	27.3	8.3
Fully processed products	4,663	7.3	0-414.4	19.5	49.2	7.2
By HS section						
01 Live animals and products	783	14.4	0-414.4	33.4	15.1	15.6
02 Vegetable products	602	16.1	0-428.8	45.8	30.7	11.8
03 Fats and oils	95	3.7	0-29.8	4.3	26.3	41.1
04 Prepared food, beverages and tobacco	832	18.1	0-266.6	19.0	8.8	16.3
05 Mineral products	248	0.7	0-7.9	1.5	66.1	15.3
06 Chemicals and products thereof	1,194	2.3	0-21.3	2.2	35.5	0.4
07 Plastics, rubber, and articles thereof	309	2.4	0-6.5	2.0	37.2	1.9
08 Raw hides and skins, leather, and its products	193	10.5	0-30	10.8	33.7	0.0
09 Wood and articles of wood	358	3.2	0-10	2.9	36.9	0.0
10 Pulp of wood, paper and paperboard	166	0.0	0-0	0.0	100.0	0.0
11 Textiles and textile articles	1,830	6.4	0-109.1	5.6	4.8	11.4
12 Footwear, headgear, etc.	104	28.5	0-320.8	45.2	4.8	24.0
13 Articles of stone, plaster, cement	172	1.1	0-8	1.6	62.8	0.0
14 Precious stones and metals, pearls	77	1.4	0-10	2.3	71.4	0.0
15 Base metals and articles thereof	855	0.9	0-11.7	1.6	71.7	4.3
16 Machinery, electrical equipment, etc.	974	0.0	0-4.8	0.3	99.3	0.0
17 Transport equipment	191	0.0	0-8.4	0.6	99.5	0.0
18 Precision equipment	255	0.3	0-16	1.5	96.5	0.0
19 Arms and ammunition	22	6.9	5.4-8.4	1.5	0.0	0.0
20 Miscellaneous manufactured articles	188	1.5	0-6.6	2.1	62.8	1.1
21 Works of art, etc.	19	0.0	0-0	0.0	100.0	0.0

Note: Calculations exclude in-quota rates and include AVEs, as available, provided by the authorities. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities and Japan Customs.

3.27. During the review period, some changes were made to MFN applied tariff rates, i.e. applying a temporary duty-free rate on gloves of polymers of vinyl chloride (HS 3926.20.011) in 2021 and a reduction of import tariff on certain apparel (HS 6106.10) in 2022. Furthermore, the authorities state that Japan revoked the tariff concessions on goods originating in the Russian Federation under the General Agreement on Tariffs and Trade 1994 on 21 April 2022 (to be implemented until 31 March 2023).

Chart 3.3 Tariff escalation by 2-digit ISIC industry, FY2022

n.a. Not applicable.

Note: Calculations exclude in-quota rates and include AVEs, as available, provided by the authorities. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on data provided by the authorities; and Japan Customs.

3.28. Seasonal tariffs, with different MFN rates in season, apply to six tariff lines, relating to plantains, bananas, oranges, and grapes.³²

3.1.4.2 Bound tariff

3.29. Japan has bound 98.0% of lines (185 are unbound)³³; unbound lines relate mainly to fisheries (fish, crustaceans, and seaweed), petroleum oils, and wood and articles thereof. There are no instances where MFN applied rates exceed their corresponding bound rates. The overall gap between the simple averages of MFN applied and bound rates is around 0.1 percentage point (Table 3.1). The highest gap (40 percentage points) concerns beef jerky.

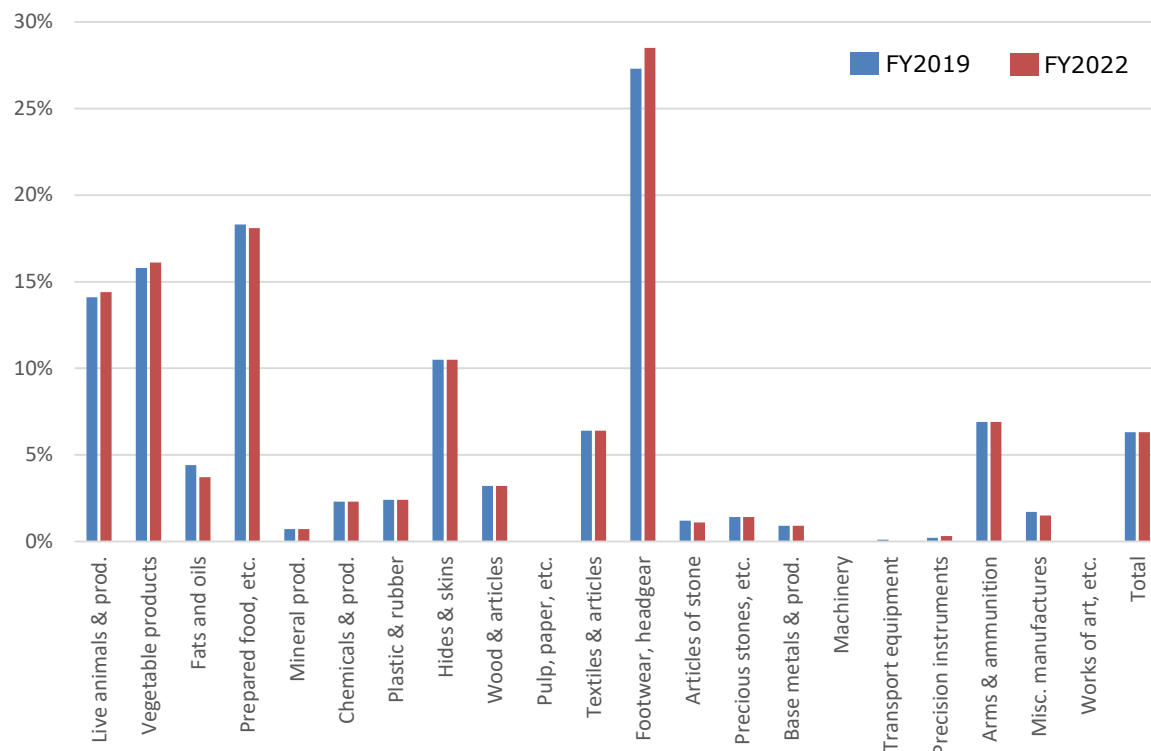
3.1.4.3 Tariff reductions and exemptions

3.30. Customs duty reductions and exemptions are in place to, *inter alia*, develop and protect domestic industries, promote trade and science, meet requirements associated with social welfare, and eliminate double taxation. Two types of customs duty exemptions remain in place: (i) a permanent system as set out in the Customs Tariff Act; and (ii) a temporary system as set out in the Temporary Tariff Measures Act, unchanged since the previous Review.

3.31. Article 12 of the Customs Tariff Act provides for duty reductions/exemptions in cases where the prices of imported daily necessities have increased (to prevent price increases of daily necessities such as food and clothing) with a view to maintaining stability in people's daily lives. The merchandise goods currently subject to such duty reductions/exemptions include imported rice, hulled or un-hulled; barley; wheat; foodstuffs; apparel; and other goods that are deemed closely related to people's daily lives.

³² The specific tariff lines for which seasonal tariffs are applied are plantains, fresh (HS 0803.10.100); bananas, fresh (HS 0803.90.100); oranges, fresh or dried (HS 0805.10.000); grapes, fresh (HS 0806.10.000); bananas, provisionally preserved (HS 0812.90.100); and oranges, provisionally preserved (HS 0812.90.200). There are two tariff lines on grapefruit for which seasonal tariffs are applied (grapefruit including pomelos, fresh or dried (HS 0805.40.000) and grapefruit including pomelos, provisionally preserved (HS 0812.90.300)); however, the MFN applied tariff and the seasonal tariff are the same (at 10%).

³³ The increase in unbound tariff rates as compared with the situation in FY2019 (175 tariff lines) is due to a nomenclature change.

Chart 3.4 Simple average applied MFN tariff rates, by HS section, FY2019 and FY2022

Note: Calculations exclude in-quota rates and include AVEs, as available, provided by the authorities. The *ad valorem* part of compound and alternate rates are used where AVEs are not available.

Source: WTO Secretariat calculations, based on data provided by the authorities; and Japan Customs.

3.32. Under Article 13 of the Customs Tariff Act, customs duties may be reduced or exempted on imported raw materials to develop domestic industries manufacturing specific products or to maintain stability in people's everyday lives. The merchandise goods currently subject to such duty reductions/exemptions are (i) mixed feeds (e.g. kaoliang and other grain sorghums, maize (corn), rye, powdered banana, sugar (its sucrose content, by weight in dry state, corresponds to a polarimeter reading of 98.5 degrees or more), molasses, and manioc or sliced and half-dried sweet potatoes (including powder or pellets of manioc and sliced and half-dried sweet potatoes)); (ii) unmixed feeds (e.g. kaoliang and other grain sorghums, maize (corn)); and (iii) groundnut oil and groundnuts. Generally, tax rates are 0% on these products. According to the authorities, the list of the goods subject to duty reductions/exemptions under Article 13 does not fall in the category of "end-use tariff concessions".³⁴

3.33. In FY2021, forgone tax revenue relating to customs duty reductions and exemptions amounted to around JPY 232 billion (around 26% of tariffs collected).

3.1.4.4 Preferential tariff

3.34. Japan offers preferential tariff rates to 126 developing countries and 5 territories under the GSP; least-developed countries (45 in 2021) receive additional preferences. Japan also grants preferential access under its RTAs with Association of Southeast Asian Nations (ASEAN) members, Australia, Brunei Darussalam, Chile, members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the European Union, India, Indonesia, Malaysia, Mongolia, Peru, the Philippines, parties to the Regional Comprehensive Economic Partnership (RCEP) Agreement, Singapore, Switzerland, Thailand, the United Kingdom, the United States, and Viet Nam (Section 2).

³⁴ WTO document WT/TPR/S/32, 5 January 1998, p. 43, para. 12.

3.35. The percentage of duty-free rates under RTAs was around twice as much as that of the MFN tariff (40.9% in FY2022) (Table 3.3).

Table 3.3 Summary analysis of the Japanese preferential tariffs, FY2022

	Total		WTO agriculture		WTO non-agriculture	
	Average (%)	Duty-free rates (%)	Average (%)	Duty-free rates (%)	Average (%)	Duty-free rates (%)
MFN	6.3	40.9	18.3	24.0	3.4	45.2
GSP	5.2	58.9	17.0	32.7	2.4	65.5
LDC	0.7	97.8	2.4	96.6	0.2	98.1
Economic partnership agreements						
Singapore	3.5	85.6	14.0	61.0	1.0	91.7
Mexico	3.4	85.2	16.0	41.4	0.4	96.1
Malaysia	3.1	87.8	13.9	61.5	0.5	94.3
Chile	3.3	86.6	14.7	58.2	0.6	93.7
Thailand	3.1	88.2	13.8	62.1	0.5	94.8
Indonesia	3.3	85.5	14.8	52.9	0.5	93.6
Brunei Darussalam	3.5	84.8	14.8	53.7	0.7	92.5
ASEAN	3.3	85.6	14.5	53.8	0.5	93.5
Philippines	3.0	88.6	13.6	59.7	0.4	95.8
Switzerland	3.3	84.6	14.3	54.4	0.6	92.2
Viet Nam	3.2	86.3	14.3	54.5	0.5	94.2
India	3.4	86.2	14.8	55.6	0.6	93.8
Peru	3.2	87.4	14.5	55.7	0.4	95.3
Australia	3.1	86.3	14.0	54.4	0.4	94.2
Mongolia	3.7	79.2	15.2	41.3	0.9	88.6
TPP11	2.0	84.6	8.8	49.3	0.4	93.4
EU	2.3	85.1	10.4	49.9	0.4	93.8
United Kingdom	2.4	85.0	11.1	49.7	0.4	93.8
RCEP (excl. China and Korea, Rep. of)	4.1	74.0	16.8	35.0	1.1	83.7
RCEP (China)	5.0	57.2	16.9	35.5	2.1	62.6
RCEP (Korea, Rep. of)	4.9	65.7	17.1	35.4	1.9	73.2
United States	5.5	43.3	14.4	35.7	3.4	45.2
Memorandum						
Singapore ^a	1.9	89.1	8.6	63.5	0.3	95.5
Mexico ^b	1.8	88.2	8.6	98.5	0.2	96.5
Malaysia ^a	1.8	89.7	8.1	63.7	0.2	96.2
Chile ^b	1.8	89.0	8.4	60.4	2.0	96.1
Thailand ^c	3.0	88.3	13.7	62.2	0.5	94.8
Indonesia ^c	3.1	86.2	14.2	54.1	0.5	94.2
Brunei Darussalam ^a	1.8	88.1	8.4	57.0	0.2	95.9
Philippines ^c	3.0	88.6	13.6	59.7	0.4	95.8
Viet Nam ^a	1.8	88.1	8.4	57.3	0.2	95.8
Peru ^b	1.8	88.6	8.5	58.2	0.2	96.1
Australia ^d	1.9	86.8	8.4	56.2	0.3	94.5

a Based on lowest rate applied from country's EPA, ASEAN EPA, TPP11, and RCEP.

b Based on lowest rate applied from country's EPA and TPP11.

c Based on lowest rate applied from country's EPA, ASEAN EPA, and RCEP.

d Based on lowest rate applied from country's EPA, TPP11, and RCEP.

Note: Calculations exclude in-quota rates and include AVEs, as available, provided by the authorities. In case of unavailability, the *ad valorem* part is used for compound and alternate rates.

Source: WTO Secretariat calculations, based on information provided by the authorities; and Japan Customs.

3.1.4.5 Retaliatory tariff system

3.36. Under Article 6 of the Customs Tariff Act³⁵, Japan maintains a retaliatory tariff system, under which additional tariffs may be imposed under either of the following situations: (i) when there is a need for taxation to defend Japan's interests and accomplish the aim of the WTO Agreement; or (ii) when a certain party or parties treat vessels, airplanes, and cargos from or via Japan with discrimination and inexpedience. The authorities state that Japan currently does not impose these tariffs.³⁶

3.37. On 1 April 2022, the Cabinet Order Relating to Retaliatory Duties Based on EPAs entered into force. It mainly provides that (i) the matters that should be published in order to ensure the transparency in the procedures when the retaliatory duties based on EPAs have been decided to be imposed, modified, or removed; and (ii) the Council on Customs, Tariff, Foreign Exchange and Other Transactions, which is an organization to review and discuss important matters concerning tariffs, shall be consulted when taking some measures of the retaliatory duties based on EPAs are considered to be necessary.³⁷

3.1.5 Other charges affecting imports

3.38. Japan levies a consumption tax (value added tax) of 10% on goods imported into or manufactured in Japan and a reduced rate (8%) on a list of goods. The reduced tax rate is applied to food, beverages (excluding alcoholic beverages and eating-out services), and certain newspapers under subscription. There are transactions not considered taxable such as the transfer or lease of land and the transfer of postage stamps. In addition, there are non-taxable transactions based on social policy considerations such as social insurance, medical fees, and social welfare services. With respect to imports, the consumption tax is paid on customs value of the goods, plus the customs duty and any other excise taxes payable (Section 3.3.1).³⁸

3.1.6 Import prohibitions, licensing, and quotas

3.1.6.1 Import prohibitions

3.39. Import prohibitions are contained in Article 69-11 of the Customs Act.³⁹ These include certain drugs; arms; explosives; chemicals; pathogens; forged/altered money, bank notes, revenue stamps, and postal stamps; books, drawings, carvings etc. detrimental to public security or corrupting of public morals; child pornography; intellectual property (IP) infringing goods; and goods produced using unlawfully obtained trade secrets (as stipulated in the Unfair Competition Prevention Act). Exceptions to some of these import prohibitions apply to persons authorized to import such items under domestic laws/regulations or international treaties. During the review period, Japan expanded the scope of IP infringing goods that are subject to import prohibitions (Section 3.3.7.13).

3.40. Import prohibitions are stipulated in several laws and regulations: (i) the Industrial Safety and Health Act mentions that it is prohibited to import substances that cause significant impairments to workers' health, and that are specified by Cabinet Order; (ii) under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases (the Infectious Diseases Control Law), Japan prohibits importing designated animals, such as raccoon dogs and bats, except when permission is obtained from the Minister of Health, Labour and Welfare and the Minister of Agriculture, Forestry and Fisheries (Article 54). It also prohibits importing Class 1 Pathogens, such as Ebola virus, except for imports designated by the Minister of Health, Labour and Welfare as items that need to be procured from foreign countries (Article 56(4)); (iii) the Narcotics and Psychotropics Control Act prohibits importations of narcotics, psychotropics, and their raw materials;

³⁵ Customs Tariff Act. Viewed at: http://www.kanzei.or.jp/kanzei_law/143AC000000054.en.html#a6.

³⁶ According to the authorities, the most recent occasion when Japan applied a retaliatory tariff was with respect to certain goods originating in the United States, from September 2005 until August 2014. This was in relation to the Byrd Amendment. The authorities also indicate that Japan has notified the WTO that it retains the right to impose this tariff.

³⁷ Japan Customs. Viewed at: <http://www.customs.go.jp/kaisei/seirei.htm>.

³⁸ Japan Customs, *Outline of Tariff and Duty Rates System*. Viewed at: <http://www.customs.go.jp/english/summary/tariff.htm>.

³⁹ Customs Act. Viewed at: http://www.kanzei.or.jp/kanzei_law/329AC000000061.en.html#c6s4ss2a69_11.

(iv) stimulants' raw materials are prohibited under the Stimulants Control Act; and (v) the importation of cannabis and opium is prohibited by the Cannabis Control Act and the Opium Control Act, respectively. Furthermore, no one may import any stimulants or other related drugs, except the persons who have licences and permits.

3.41. In 2022, Japan imposed an import ban on certain goods from the Russian Federation (e.g. machines, alcoholic beverages, and wood).⁴⁰

3.1.6.2 Import licensing (approvals) and quotas

3.42. Imposition of import approvals through Cabinet Order is prescribed in Article 52 of the Foreign Exchange and Foreign Trade Act.⁴¹ The implementing regulation in this regard is the Import Trade Control Order (last amended in 2003), under which the Minister of Economy, Trade and Industry (METI) has the authority to (i) designate goods subject to import approval based on places of origin or places of shipment of goods as well as to approve imports of these goods; and (ii) designate goods subject to import quotas and approve imports of these goods.⁴² The Foreign Exchange and Foreign Trade Control Act continues to, *inter alia*, impose penalties (both fines and administrative penalties) for violations of import and export control regulations.

3.43. Japan maintains "prior confirmation" and "customs clearance confirmation" systems, unchanged since the previous Review.

3.44. Japan has notified its replies to the WTO questionnaire on import licensing procedures for 2018 and 2017.⁴³ Japan has also notified a new import licensing requirement for certain mercury and mercury-added products; this is to implement the Minamata Convention on Mercury (adopted in October 2013), which aims to protect human health and the environment from anthropogenic emissions and releases of mercury and mercury compounds.⁴⁴ During the review period, no issues were raised about Japan's import licensing regime by Members in the WTO's Committee on Import Licensing.

3.45. Goods subject to import approvals under the Import Trade Control Order are set out in Table 3.4. When there are changes to the items on this list, they are published as an "import notice" in the Official Gazette. Import approvals are generally valid for six months.⁴⁵

Table 3.4 Goods subject to import licensing under the Import Trade Control Order, 2022

Items	HS nos.	Application	Rationale ^a
Marine animals and their preparations; fish, crustaceans, other aquatics and their preparations; products of animal origin (marine animals, fish, crustaceans and molluscs); seaweeds and their preparations	01.06; 02.08; 02.10; 03.01-03.07; 03.09; 05.04; 05.06-05.08; 05.11; 12.12; 15.04; 15.06; 15.21; 16.01; 16.02; 16.04; 16.05; 20.01; 21.03; 21.06; 21.08; 23.01; 23.09	Products shipped from outside Japanese waters	Prevent adverse effects to fishing activities of Japanese fishers
Salmon and (salmon) trout and their preparations	03.01; 03.02; 03.03; 03.04; 03.05; 03.09; 16.04	China, Democratic People's Republic of Korea, Chinese Taipei	Compliance with UNCLOS provisions
Fresh and chilled Bluefin tuna farmed in the Atlantic Ocean and the Mediterranean	03.02; 03.04	Non-members of ICCAT	Compliance with ICCAT resolution
Fresh and chilled Southern Bluefin tuna	03.02; 03.04	Products from non-members of CCSBT	Compliance with CCSBT resolution
Foot-and-mouth disease vaccine	Ex. 3002.42	All trading partners	Protection of animal life/health

⁴⁰ The notification was issued on 12 April 2022 and entered into force on 19 April 2022. METI. Viewed at: <https://www.meti.go.jp/press/2022/04/20220412002/20220412002.html>.

⁴¹ Foreign Exchange and Foreign Trade Act. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/3700/en>.

⁴² Import Trade Control Order, Cabinet Order No. 414 of 29/12/1949, as amended. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/3827>.

⁴³ WTO documents G/LIC/N/3/JPN/17, 9 October 2018; and G/LIC/N/3/JPN/16, 2 October 2017.

⁴⁴ WTO document G/LIC/N/2/JPN/4, 17 April 2018.

⁴⁵ Import approval for salmon and trout is valid for four months.

Items	HS nos.	Application	Rationale ^a
Propellant powders	36.01; 36.02; ex 36.03	All trading partners	Security
Nuclear goods	26.12; ex 28.44; ex 81.09; 84.01; ex 90.30	All trading partners	Security
Weapons, ammunition, etc.	ex 84.11; ex 84.12; 87.10; ex 88.02; ex 89.06; 93.01-93.04; ex 93.05; 93.06; 93.07	All trading partners	Security
Wild animals and plants in Appendix I of the CITES	Not provided	All trading partners	Compliance with CITES
Wild animals and plants in CITES Appendices II and III	Not provided	CITES non-members	Compliance with CITES
Substances that deplete the ozone layer, specified hazardous wastes, and waste chemical weapons goods	Not provided	All trading partners, with certain exceptions	Compliance with various national laws and international conventions/protocols
Foreign cultural property	Not provided	All trading partners	Compliance with the Hague Convention for the Protection of Cultural Property in the Event of Armed Conflict
Alcohol (of 90% volume or over)	2207.10	All trading partners	Compliance with Ethanol Business Act
Rough diamonds	71.02	All trading partners	Compliance with Kimberly Process Certification Scheme and UN Security Council Resolution 1343
Cultural property illegally acquired in Iraq	97.01- 97.06	Iraq	Compliance with UN Security Council Resolution 1483
All goods from the Democratic People's Republic of Korea	All	Democratic People's Republic of Korea	To take the measures decided by the Government
Weapons and other items from Eritrea	Not provided	Eritrea	Compliance with UN Security Council Resolution 1907
Weapons and other items from Libyan Arab Jamahiriya	Not provided	Libyan Arab Jamahiriya	Compliance with UN Security Council Resolution 1970
Charcoal	44.02	Somalia	Compliance with UN Security Council Resolution 2036
Chemical weapons and other items related to chemical weapons programme and cultural property illegally move from the Syrian Arab Republic	Includes 97.01-97.06	Syrian Arab Republic	Compliance with UN Security Council Resolutions 2118 and 2199
Mercury	HS 2805.40	Non-parties to the Minamata Convention	Compliance with Minamata Convention on Mercury
Mercury-added products	Not provided	All trading partners	Compliance with Minamata Convention on Mercury

- a Abbreviations used in this column are the International Whaling Commission (IWC); the United Nations Convention on the Law of the SEA (UNCLOS); International Commission for the Conservation of Atlantic Tunas (ICCAT); Commission for the Conservation of Southern Bluefin Tuna (CCSBT); and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- b The approval requirements do not apply to members of the Montreal Protocol and to the Chemical Weapons Convention for the goods that they cover, respectively.
- c The Ethanol Business Act allows the importation of alcohol (with a 90% or higher alcoholic content) for testing, research or analysis (the Act was viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/2563>).

Source: Import Trade Control Order. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/3827>; and WTO document G/LIC/N/3/JPN/17, 9 October 2018.

3.46. Goods subject to import quotas are set out in Public Notice No. 170, 1966, of the METI, as last amended by Public Notice No. 101 of 2022.⁴⁶ Products subject to import quotas are (i) certain marine products (see below); and (ii) controlled substances listed in Group I and II of Annex F

⁴⁶ METI Public Notice No. 170 of 1966 on Import Trade Control as amended by Public Notice No. 101 of 2022. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/3827>.

(HFCs) of the Montreal Protocol on Substances that Deplete the Ozone Layer.⁴⁷ With respect to the latter, the list of these controlled substances was adopted at the Montreal Protocol 28th Party Meeting held in October 2016. HFCs for which import restrictions came into effect on 1 January 2019 were added as controlled substances. According to the authorities, Japan uses import quotas that adhere to the WTO Agreements.

3.47. Import quotas for marine products are determined on an annual basis taking into consideration the balance of domestic supply and demand.⁴⁸ The METI is responsible for determining quota volumes, based on consent from the Ministry of Agriculture, Forestry and Fisheries (MAFF), and for administering the import quota system. Announcements published in the Official Bulletin of Economy, Trade and Industry and the International Trade Bulletin specify quota volumes and application procedures.

3.1.7 Anti-dumping, countervailing, and safeguard measures

3.1.7.1 Anti-dumping measures

3.48. Japan's legislative framework for anti-dumping duties consists of the Customs Tariff Act⁴⁹, the Cabinet Order Relating to Anti-Dumping Duties, and the Guidelines for Procedures Relating to Anti-Dumping Duties.⁵⁰

3.49. Anti-dumping investigations may be initiated when the Government considers it necessary, when an application for investigation has been submitted by a domestic industry to the Minister of Finance, or when there is enough evidence.⁵¹ The decision is published as a public notice in the Official Gazette by the Minister of Finance. Investigations are carried out by a team composed of officials from the MOF's Office of Trade Remedy Affairs, the METI's Office for Trade Remedy Investigations, and the ministry in charge of the relevant industry. The final decision to impose an anti-dumping duty is issued as a Cabinet Order. Provisional measures may be applied no earlier than 60 days from the initiation of the investigation if affirmative preliminary determinations are made. Provisional measures are in principle applied for up to four months, although a longer timeframe may apply upon requests of exporters representing a significant percentage of the trade involved. Exporters may offer an undertaking to revise prices or cease exports so that the injurious effect of the dumping on the domestic industry is eliminated. Anti-dumping duties can be imposed for a period not exceeding five years and may be extended thereafter following a review. Each extension of the measure may not be longer than five years.⁵²

3.50. According to the authorities, as at July 2022, Japan imposed anti-dumping duties on electrolytic manganese dioxide originating in China, potassium hydroxide originating in the Republic of Korea and in China, polyethylene terephthalate with a high degree of polymerization originating in China, carbon steel butt welding fittings originating in the Republic of Korea and in China, tris (chloropropyl) phosphate originating in China, and dipotassium carbonate originating in the Republic of Korea.⁵³

3.1.7.2 Countervailing measures

3.51. The Customs Tariff Act, the Cabinet Order Relating to Countervailing Duties, and the Guidelines for Procedures Relating to Countervailing Duties form the legal and regulatory framework

⁴⁷ METI. Viewed at:

https://www.meti.go.jp/policy/external_economy/trade_control/02_exandim/04_ozon/ozon_im_hfc.html.

⁴⁸ Imports, domestic production, consumption, and prices in the previous year, as well as projections for the coming year, are taken into account.

⁴⁹ Customs Tariff Act. Viewed at:

http://www.kanzei.or.jp/kanzei_law/143AC0000000054.en.html#a9_2.

⁵⁰ The Cabinet Order Relating to Anti-Dumping Duties. Viewed at: https://elaws.e-gov.go.jp/search/elawsSearch/elaws_search/lsg0500/detail?lawId=406C00000000416&openerCode=1.

⁵¹ Customs Tariff Act, Article 8(5).

⁵² MOF, *Guidelines for Procedures Relating to Anti-Dumping Duties*. Viewed at:

http://www.customs.go.jp/tokusyu/ad_gl.htm. A more detailed description of Japan's anti-dumping procedures and timeframes is contained in WTO document WT/TPR/S/351/Rev.1, 27 April 2017.

⁵³ WTO document G/ADP/N/357/JPN, 7 October 2021.

for the application of countervailing duties in Japan.⁵⁴

3.52. Unchanged since the previous Review, under the Customs Tariff Act, investigations may be initiated when the Government considers it necessary, when an application has been submitted by domestic industry or when there is enough evidence with regard to, *inter alia*, the importation of the subsidized product and the material injury to the domestic industry caused by such importation. The decision to initiate an investigation is published as a public notice in the Official Gazette by the MOF. The final decision to impose a countervailing duty must be made within approximately one year. Countervailing duties can be imposed for a period not exceeding five years, and each extension may not exceed five years.⁵⁵

3.53. Japan did not apply any countervailing measures during the review period, nor did it initiate any countervailing investigations.

3.1.7.3 Safeguards

3.54. The Customs Tariff Act, the Cabinet Order Relating to Emergency Duties, the Import Trade Control Order, and the Regulations to Govern Emergency Measures comprise the legal framework for the application of safeguard measures in Japan. There were no changes to these laws and regulations during the review period, nor to safeguard investigation procedures and timeframes.⁵⁶ Japan has not applied any safeguard measures during the review period, nor has it initiated any safeguard investigations.⁵⁷

3.55. Japan reserved the right to use the special agricultural safeguard on 121 tariff lines (Section 4.1). All the RTAs to which Japan is signatory contain provisions on bilateral safeguards. During the review period, bilateral safeguard investigations were not undertaken, and no safeguard measures were imposed under any of Japan's RTAs.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.56. The Customs Act remains the principal piece of legislation covering customs procedures and documentation for exports (and imports). Japan Customs remains responsible for implementing export procedures. Documentary requirements remained unchanged during the review period and include the export declaration form (Customs form C-5010), invoices, and other documents as required by specific laws and regulations.

3.57. Japan Customs does not have any data concerning clearance times for exports. Japan Customs has digitalized a part of the procedures for payment of consumption tax and liquor tax on the departure of non-residents from Japan.

3.2.2 Taxes, charges, and levies

3.58. There are no export taxes, charges, or levies applied by the Government or other public authorities in Japan.

⁵⁴ MOF, Cabinet Order Relating to Countervailing Duties. Viewed at : https://elaws.e-gov.go.jp/search/elawsSearch/elaws_search/lsg0500/detail?lawId=406CO0000000415&openerCode=1.

⁵⁵ MOF, Guidelines for Procedures Relating to Countervailing Duty. Viewed at: http://www.customs.go.jp/tokusyuu/cvd_gl.htm. The Minister of Finance, the Minister in charge of the relevant industry, and the Minister of Economy, Trade and Industry must jointly make a decision to initiate an investigation. A more detailed description of Japan's countervailing procedures and timeframes is contained in WTO document WT/TPR/S/351/Rev.1, 20 June 2017.

⁵⁶ WTO document WT/TPR/S/351/Rev.1, 20 June 2017.

⁵⁷ MOF, Cabinet Order Relating to Emergency Duties and the Regulations to Govern Emergency Measures. Viewed at: https://elaws.e-gov.go.jp/search/elawsSearch/elaws_search/lsg0500/detail?lawId=406CO0000000417&openerCode=1. There is also a guideline regarding emergency duties. Japan Customs. Viewed at: http://www.customs.go.jp/kaisei/sonota/svgl_honbun.pdf.

3.59. Japan does not levy fees for export declarations, and there are no minimum export prices for any product in Japan.

3.2.3 Export prohibitions, restrictions, and licensing

3.2.3.1 Export prohibitions

3.60. During the review period, there were no changes to the list of goods subject to export prohibitions. Under the Customs Act, export prohibitions apply to a limited range of products including narcotics and certain other drugs; child pornography; articles that infringe intellectual property rights (IPRs); and certain articles that constitute unfair competition under the Unfair Competition Prevention Act (essentially related to IPRs as well).⁵⁸

3.61. In January 2020, the following changes were made to the (list of) goods/technologies subject to export control, in accordance with agreements of international export control regimes. Detonation engine, masks, and reticles specially designed for manufacturing optical sensors were added, while the specially designed components, controls, and accessories for "Numerically controlled" or manual machine tools specially designed for manufacturing gears were deleted from the list. "Fluorocarbon electronic cooling fluids" were changed to "Fluorocarbon fluids designed for electronic cooling", and electrically triggered shutters were removed from the list.

3.62. In April 2021, Japan extended a prohibition, until 2023, on all exports to (and imports from) the Democratic People's Republic of Korea; this was implemented under Article 48(3) of the Foreign Exchange and Foreign Trade Act⁵⁹, which requires that exporters must obtain export approval from the Minister of Economy, Trade and Industry.⁶⁰

3.63. Reflecting on the war in Ukraine, Japan imposed export measures against the Russian Federation and Belarus.⁶¹

3.2.3.2 Export restrictions and licensing

3.64. Unchanged since the previous Review, the Trade and Economic Cooperation Bureau in the METI is responsible for export control policy and legislation as well as participation in international export control discussions and negotiations.

3.65. The legal bases for applying export licensing requirements are found in, *inter alia*, the Foreign Exchange and Foreign Trade Act.

3.66. In Japan, a bulk export licence system, which consists of several types of licences including General Bulk Licences, Special Bulk Licences, Specific Bulk Licences, Specific Bulk Licences for Returns, etc., and Specific Bulk Licences for Subsidiaries, simplifies the licensing procedures by allowing licensees to make multiple exports of controlled items under certain conditions related to

⁵⁸ Export restrictions are set out in Article 69-2 of the Customs Act. Viewed at: http://www.kanzei.or.jp/kanzei_law/329AC0000000061.en.html#c1. The most recently amended version of the Customs Act is available at: <https://elaws.e-gov.go.jp/document?lawid=329AC0000000061>.

⁵⁹ Foreign Exchange and Foreign Trade Act (Last Version: Act No. 60 of 2019). Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/3700>.

⁶⁰ According to the authorities, the decision to extend the ban was taken at the Cabinet meeting on 6 April 2021. METI (2021), "Extension of Ban on Imports from and Exports to North Korea, Pursuant to the Foreign Exchange and Foreign Trade Act", 6 April. Viewed at: https://www.meti.go.jp/english/press/2021/0406_001.html.

⁶¹ Items and technologies covered by such export prohibition measures include (i) listing items in the multilateral export control regimes (the Russian Federation and Belarus) (entered into force on 18 March 2022); (ii) un-listing dual-use items that could be considered for the development of military capacity (the Russian Federation and Belarus) (18 March 2022); (iii) export prohibition to military-related entities (the Russian Federation and Belarus) (18 March 2022); entities added on 1 April, 17 May, 5 July, and 26 September 2022); (iv) items related to the development of advanced technology (the Russian Federation) (20 May 2022); (v) items related to oil refinery (the Russian Federation) (18 March 2022; items added on 20 May 2022); (vi) luxury goods (the Russian Federation) (5 April 2022), (vii) items that could contribute to the enhancement of Russian industrial capacities (the Russian Federation) (17 June 2022); and (viii) items related to chemical weapons (the Russian Federation) (7 October 2022). METI. Viewed at: https://www.meti.go.jp/policy/external_economy/trade_control/01_seido/04_seisai/crimea.html.

classification, destinations, and end-use.⁶² A bulk export licence may not be used, however, for exports to or via the countries that are subject to UN arms embargoes. The validity of a licence is three years from the date of issue; it can be extended for another three years when applied for and approved by the METI.⁶³

3.2.3.2.1 Export Trade Control Order

3.67. Under the Export Trade Control Order, approval from the METI may be required to export certain goods and exports of certain goods to certain destinations.⁶⁴ The prior approval of the MAFF is also required, or permission must be obtained under other laws/regulations, in a few cases.⁶⁵ Several controlled products/destinations may reflect Japan's international commitments or non-binding arrangements.⁶⁶ Others may relate to export restrictions contained in other domestic laws/regulations.⁶⁷ Specific goods subject to import licensing requirements are listed in several tables appended to the Order.⁶⁸

3.68. Conditions for obtaining an export licence have remained unchanged since the previous Review.⁶⁹ Time required for issuing the licence is specified depending on each regulation.

3.2.3.2.2 Foreign Exchange Order

3.69. In accordance with the Foreign Exchange Order, the METI may require permission to transfer outside Japan certain technologies (to certain destinations).⁷⁰ In response to the war in Ukraine, Japan has banned transferring technologies related to the export measures (Section 3.2.3.1).

3.2.3.2.3 Export quotas

3.70. Japan does not maintain any export quotas.

⁶² METI (2022), *Security Export Guidance: Introduction*, 2nd ed. Viewed at: https://www.meti.go.jp/policy/anpo/seminer/shiryo/guidance_english.pdf.

⁶³ METI. Viewed at: https://www.meti.go.jp/policy/anpo/law_document/tutatu/tutatu24fy/houkatu_toriatukaiyouryou.pdf.

⁶⁴ The Export Trade Control Order, containing the latest amendments from the Extra Cabinet Order No.19 of 2018, was viewed at: https://www.meti.go.jp/english/policy/external_economy/trade_control/index.html.

⁶⁵ Export Trade Control Order, Article 2.

⁶⁶ These international commitments and non-binding arrangements are the CITES Convention; the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; the Convention on the Prohibition of the Development, Manufacture, Stockpiling and Use of Chemical Weapons and on their Destruction; the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property; the Convention on the Safety of the Management of Spent Fuels and Radioactive Wastes; the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade; the Minamata Convention on Mercury; the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies; the Missile Technology Control Regime; the Treaty on the Non-Proliferation of Nuclear Weapons; the Nuclear Suppliers Group; the Australia Group; the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances; the Montreal Protocol on Substances that Deplete the Ozone Layer; and the Kimberley Process Certification Scheme.

⁶⁷ Poisonous and Deleterious Substances Control Act, Japanese Law Translation. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/3387>.

⁶⁸ Cabinet Order on Export Trade Control, Appended Table 1, Appended Table 2, Japanese Law Translation. Viewed at: https://www.japaneselawtranslation.go.jp/ja/laws/view/4072#je_apxt1 and https://www.japaneselawtranslation.go.jp/ja/laws/view/4072#je_apxt2.

⁶⁹ To obtain an export licence, the exporter must apply to the METI using the relevant application form and supporting documents, including an end-use certificate for the end user. In practice, licences are refused for military weapons and certain materials that can be used in developing weapons of mass destruction. Japan permits arms exports to partner countries for joint development, provided the government of the country-of-destination obtained consent from Japan before any item exported from Japan was transferred to a third country. For dual-use items, licence approval depends on the METI's risk assessment, which is based on the destination and the end-user.

⁷⁰ The latest Order was published on 10 May 2022.

3.2.4 Export support and promotion

3.2.4.1 Export subsidies

3.71. According to the authorities, Japan has no export subsidy programmes in place.

3.2.4.2 Taxation and special customs procedures

3.72. According to the authorities, Japan does not provide fiscal support measures for exports in areas such as National Strategic Special Zones or *hozei* areas.

3.73. The *hozei* area system (Table 3.5) allows for the storage, processing, manufacturing, or display of foreign goods (i.e. goods that have arrived in Japan from overseas but that have not received an import permit from the Director-General of Customs, hence duties and taxes would not have been paid).

Table 3.5 *Hozei* areas and features

Types	Principal features	Length of storage	Number (2022)
Designated bonded areas	Loading/unloading, transport, and temporary storage of foreign goods	1 month	89
Customs warehouses	Loading/unloading, transport, and long-term storage of foreign goods	2 years (may be extended)	4,636
Customs factories	Processing and manufacturing using foreign goods as material	2 years (may be extended)	205
Customs display areas	Display and use of foreign goods	Decided by the Director-General of Customs	..
Integrated bonded areas	Loading/unloading, transport long-term storage, processing and manufacturing, and display of foreign goods	2 years (may be extended)	4

.. Not available.

Source: Japan Customs, *Outline of the Customs Bonded System*. Viewed at: https://www.customs.go.jp/english/c-answer_e/sonota/9203_e.htm.

3.74. Japan's Customs Transportation System allows for foreign goods to be transported between *hozei* areas, ports, and airports. The approval of the Director-General of Customs is required.⁷¹

3.75. Japan's system for the reduction, exemption, refund, and repayment of customs duty under the Customs Tariff Act has remained unchanged since the previous Review.⁷²

3.2.4.3 Free zones and free ports

3.76. The only free trade zones (FTZs) in Japan exist in Naha/Okinawa District and Uruma/Okinawa District in accordance with the Act on Special Measures for the Promotion and Development of Okinawa. Some changes were made to the Act and entered into force on 1 April 2022.⁷³ The amendment stipulates, *inter alia*, a new application system for tax incentives in the FTZs. Japan views that this new application system helps implement development policies in Okinawa in more organized and effective manners. Incentives offered to domestic and foreign companies have remained unchanged since the previous Review.

3.77. The authorities state that Japan has no plans to establish new FTZs.

⁷¹ Japan Customs, *Outline of the Customs Bonded System*. Viewed at: https://www.customs.go.jp/english/c-answer_e/sonota/9203_e.htm.

⁷² Japan Customs, *Systems for Reduction, Exemption, Refund and Repayment of Customs Duty*. Viewed at: https://www.customs.go.jp/english/c-answer_e/imtsukan/1603_e.htm.

⁷³ Cabinet Office. Viewed at: https://www8.cao.go.jp/okinawa/etc/houritsu/houritsu_gaiyou.pdf.

3.2.4.4 Export promotion

3.78. The Japan External Trade Organization (JETRO) remains the official agency responsible for promoting exports through information, research, support for and participation in international trade fairs, and other activities to promote exports from, and investment in, Japan.⁷⁴ Its annual budget in FY2021 was JPY 54,002 million; it has a staff of around 1,860, and has regional offices in 55 countries.⁷⁵ JETRO provides an Internet matching services for Japanese agricultural and food products through the Japan Agricultural and Foodstuff Exports in e-Venue.⁷⁶ The Japan Food Product Overseas Promotion Center, established in 2017, has a mandate to brand, raise awareness of, and boost the exports of Japanese agricultural, forestry, fishery, and food products and to create a stronger platform for overseas business-to-consumer promotions.

3.79. During the review period, JETRO continued to work on digitalization, such as building new online negotiation systems and utilizing e-commerce, and provided new services, such as online business meetings and overseas showrooms displaying samples of Japanese food products, in response to the COVID-19 pandemic.⁷⁷

3.80. Under the Consortium for the New Export Nation, JETRO's experts continue to provide advice to Japanese SMEs on their exports and overseas investment in terms of, *inter alia*, regulations of foreign countries and contract drafting in English.⁷⁸

3.2.5 Export finance, insurance, and guarantees

3.81. The Nippon Export and Investment Insurance (NEXI) and the Japan Bank for International Cooperation (JBIC) remain the official export credit agencies of Japan.

3.82. NEXI is a special stock company wholly owned by the Government. In December 2020, NEXI announced some initiatives to actively promote projects, with a focus on contributing to global carbon neutrality, solving social issues, and achieving the Sustainable Development Goals. In June 2022, the Trade and Investment Insurance Act was revised to, *inter alia*, reflect changes in the environment surrounding overseas transactions by Japanese companies and to establish new insurance products; the revision entered into force in July 2022.⁷⁹ According to the authorities, the revised Act allows NEXI to provide a better environment that would enable its customers to expand their global business in a more stable manner.

3.83. In conducting its business, NEXI provides trade and investment insurance with the objective of breaking even financially. If NEXI faces funding difficulties, the Government may step in to ensure insurance claims are paid⁸⁰; during the review period, no such Governmental countermeasures were required. NEXI offers several insurance products and covers both political and commercial risks (Table 3.6).⁸¹ Foreign-owned companies, irrespective of shares of foreign ownership, are eligible.

⁷⁴ JETRO is an incorporated administrative agency under the Japan External Trade Organization Incorporated Administrative Agency Act of 2002.

⁷⁵ JETRO. Viewed at: <https://www.jetro.go.jp/jetro/profile>.

⁷⁶ JETRO (2017), "Establishment of Japan Agricultural & Foodstuff Exports (JAFEX)", 3 February. Viewed at: <https://www.jetro.go.jp/en/news/releases/2017/a3e08559704012dd.html>.

⁷⁷ JETRO, *Annual Business Report (FY2021)*. Viewed at: https://www.jetro.go.jp/ext_images/jetro/profile/annual_report/jigyoku2021.pdf.

⁷⁸ JETRO, *Consortium for the New Export Nation*. Viewed at: <https://www.jetro.go.jp/consortium/>.

⁷⁹ METI. Viewed at: <https://www.meti.go.jp/press/2022/06/20220614001/20220614001.html>.

⁸⁰ These governmental countermeasures are prescribed in the Trade and Investment Insurance Act.

⁸¹ Both trade and investment insurance products are described in more detail in NEXI's 2021 annual report. Viewed at: <https://www.nexi.go.jp/corporate/booklet/pdf/annual2021-e.pdf>.

Table 3.6 NEXI trade insurance products, 2021

(JPY million)

Insurance type	Description	Premium income 2021	Claims paid 2021	Underwritten amount
Export credit insurance	Insurance for export, intermediary trade and technical cooperation: coverage of risks such as pre-shipment risks or non-payment risks pertaining to export, intermediary trade and technical cooperation conducted by Japanese exporters Insurance for licence export: coverage of the non-payment risks that affect Japanese companies related to licence fees (i.e. royalties on patents, know-how, copyright, etc.)	13,230	1,217	5,661,939
Trade insurance for standing orders from specific buyers	Coverage of risks such as pre-shipment risks or non-payment risks that affect Japanese companies that continually export or conduct intermediary trade with specific buyers	705	32	21,726
Comprehensive export insurance with simplified procedure	Coverage of risks such as pre-shipment risks or non-payment risks that affect Japanese companies that continually and repeatedly export or conduct intermediary trade with numerous buyers	253	0	105,888
Export credit insurance for SMEs and agriculture, forestry, and fisheries sectors	Coverage of non-payment risks pertaining to exports conducted by Japanese SMEs and organizations related to the agriculture, forestry, and fishery sectors	149	6	16,029
Export bill insurance	Coverage of non-payment of documentary bill or exchange purchased by Japanese commercial banks	100	22	8,787
Prepayment import insurance	Coverage of risks that affect Japanese importers that are unable to receive the refund of their payment made on advanced payment terms in the event the shipment does not arrive	1	149	671

Source: NEXI, *Annual Report FY2021*. Viewed at: <https://www.nexi.go.jp/en/publications.html>; and information provided by the authorities.

3.84. The JBIC, established under the Japan Bank for International Cooperation Act of 2011, is wholly Government-owned. It has a main mandate to provide loans and guarantees and to engage in equity participation, with a view to promoting overseas development and securing resources that are important for Japan, maintaining and improving the international competitiveness of Japanese industries, promoting overseas businesses whose objectives are to preserve the global environment, and preventing disruptions to the international financial order or taking appropriate measures with respect to damages caused by such disruptions. The mandate has not changed since the previous Review.

3.85. A small share of the JBIC's total lending and investments is geared towards providing export loans, largely bank-to-bank loans and buyer's credits (some JPY 60.9 billion in FY2021, representing 3% of all lending, investments, and guarantees committed in that year). According to the authorities,

export loans are provided based on the conditions of the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits; export loans are also available from the private sector. Most of the JBIC's lending/investment activity is not trade-related: overseas investment loans accounted for 77% of lending and other commitments in FY2021; untied loans, 2%; guarantees, 4%; and equity participations, 2%.

3.86. The JBIC's funding comes from different sources, mostly government accounts or with government guarantees including Government-Guaranteed Foreign Bonds and borrowing from the Fiscal Investment and Loan Program (FILP) and the Foreign Exchange Fund Special Account.⁸²

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.3.1.1 Taxation and tax incentives

3.87. In Japan, direct taxes, which include corporate tax and individual income tax, accounted for 58.4% of the national government tax revenue in FY2021 (Table 3.7). Indirect taxes include consumption tax (10% or 8%) and excise taxes at variable rates (e.g. on automobiles, gasoline, tobacco, and liquor), and accounted for the rest of total government revenue in the same year.

3.88. Japan's taxes are classified into national, prefectural, and municipal taxes (Table A3.1).

3.89. All income earned in Japan is taxable, both for residents and non-residents, and the corporation tax rate is the same for foreign and domestic corporations. All internal indirect taxes apply at the same rate for domestic and imported goods. Foreign and domestic investors have the same access to tax incentives, including at the municipal level.

Table 3.7 Tax revenue, FY2017-FY2021

(JPY million)

	FY2017	FY2018	FY2019	FY2020	FY2021
Total for general account	58,787,489	60,356,385	58,441,533	60,821,604	67,037,885
	(% of total)				
Direct tax	57.8	58.8	56.8	55.8	58.4
Income tax	30.3	31.0	30.8	29.6	29.7
Corporation tax	19.2	19.2	17.4	17.3	19.0
Inheritance tax	3.7	3.6	3.7	3.6	3.9
Indirect tax	42.2	41.2	43.2	44.2	41.6
Consumption tax	28.1	27.5	29.5	32.3	30.5
Gasoline tax	3.8	3.7	3.7	3.2	2.9
Liquor tax	2.1	2.0	2.0	1.7	1.6
Stamp revenue	1.7	1.7	1.6	1.4	1.3
Customs duty	1.6	1.7	1.5	1.3	1.2
Tobacco tax	1.4	1.3	1.4	1.3	1.3
Petroleum and coal tax	1.1	1.1	1.0	0.9	0.9
Motor vehicle tonnage tax	0.6	0.6	0.6	0.6	0.5
Promotion of power resources development tax	0.5	0.5	0.5	0.5	0.4
Aviation fuel tax	0.08	0.08	0.08	0.01	0.04
International tourist tax ^a	n.a.	0.01	0.07	0.00	0.00
Tonnage tax	0.02	0.02	0.02	0.01	0.01
Liquefied petroleum gas tax	0.01	0.01	0.01	0.01	0.01

n.a. Not applicable.

a Imposed on travellers departing Japan as of 7 January 2019.

Note: FY2017-FY2021 settled amount.

Source: MOF, *Survey of the Settled Amount of Tax and Stamp Revenues*. Viewed at: https://www.mof.go.jp/english/policy/tax_policy/account/index.htm.

⁸² For more information on the Government's Fiscal Investment and Loan Program, see JBIC, *Annual Report 2021*, p. 24. Viewed at: https://www.jbic.go.jp/en/information/annual-report/pdf/2021E_m01.pdf.

3.3.1.2 Tax incentives

3.90. Domestic support to production and trade is offered to foreign and domestic companies through grants, tax incentives, and loan schemes (Table 3.8). The objective of the support is to encourage wage hikes, capital investments, and research and development, as well as to support SMEs and the agriculture and fisheries sectors.

3.91. The OECD framework⁸³, agreed on in 2021, plans the reallocation of taxing rights to market jurisdictions and a minimum tax rate of 15% for corporations. Under the current corporation tax regime in Japan, corporation tax, the statutory rate of which is 23.2%, and other taxes, including prefectural and municipal taxes, are applied. Japan participates in the agreement to address the tax challenges arising from the digitalization of the economy. The authorities state that Japan is contributing to ongoing international discussions on the two-pillar solution, while considering domestic legislation regarding Pillar Two.

Table 3.8 Selected tax incentives, grants, and loan schemes available to both local and foreign-affiliated companies, 2021

Title	Overview
Employment promotion taxation	Establishment/expansion of headquarters functions within regional revitalization areas (including FDI in Japan): Tax credit of up to JPY 300,000 per new employee. Relocation of headquarters functions within regional revitalization areas from the 23 wards of Tokyo: Tax credit of up to JPY 900,000 per new employee.
Capital investment tax cut (tax cut for offices)	Establishment/expansion of headquarters functions within regional revitalization areas (including FDI in Japan): Tax measures: 15% special depreciation or 4% tax deduction on the acquisition value of specified business facilities. Relocation of headquarters functions within regional revitalization areas from the 23 wards of Tokyo: Tax measures: 25% special depreciation or 7% tax deduction on the acquisition value of specified business facilities.
National Strategic Special Zone	Special regulatory measures, tax treatment (for corporate income tax), and financial/monetary support are available for companies with business plans in National Strategic Special Zones.
Comprehensive Special Zone (CSZ)	Special regulatory measures, tax credits (for corporate income tax), and fiscal/financial support are available for companies with business plans in designated CSZs. The objective of the CSZs is to provide tailored, integrated support for comprehensive and strategic challenges in selected regions.
Special Zones for Reconstruction	Special measures, such as deregulation and tax incentives, are available for companies with business plans in disaster-affected areas.
Tax exemption or unequal taxation of local taxes	Confirmed companies may be able to receive exemptions or reductions on property acquisition taxes and property taxes by local authorities.
Tax deduction system for wage and productivity improvement	Tax incentives allowing part of an increase in pay and allowance by large companies to be deducted from their corporate tax (national tax) of the relevant fiscal year. Applies to the fiscal years that start from 1 April 2018 to 31 March 2021.
Special taxation measure regarding capital investment	Taxation measures: (i) machinery: 40%-50% special depreciation, 4%-5% tax deduction; (ii) appliance, fixtures: 40%-50% special depreciation, 4%-5% tax deduction; and (iii) buildings, attached facilities, and structures of specific business facilities: 20% special depreciation, 2% tax deduction. Total acquisition cost subject to support: JPY 8 billion. Maximum amount of tax deduction: 20% of the amount of corporate or income tax in the period concerned. Applies to the fiscal years that start from 1 April 2021 to 31 March 2023.
Research and Development (R&D) Tax Credit System	Tax incentives through which a certain rate of R&D expenses conducted by a private company as part of its business can be deducted for its corporate tax (national tax) of the relevant fiscal year. Total expenditure-based tax credit system (the current tax credit rate): 6%-14% in principle; 12%-17% for SMEs.
Promotion of Open Innovation	Tax credit for the total amount of expenses for joint or contract research with universities, national research institutes, R&D venture corporations, and others including large corporations. Tax credit = total amount of special R&D expenses multiplied by 0.2, 0.25, or 0.3.
Special zone for promoting investment in reconstruction of industry in Fukushima	Companies that contribute to maintaining employment opportunities in reconstruction industry accumulation areas are eligible to apply for a special tax measure when they make capital investments or employ disaster victims.

⁸³ OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*, 1 July. Viewed at: <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2021.htm>.

Title	Overview
Green Innovation Fund	Towards the goal of achieving Carbon Neutrality by 2050, the Government has established a JPY 2 trillion Green Innovation Fund under the FY2020 Tertiary Supplementary Budget and decided to assign the New Energy and Industrial Technology Development Organization (NEDO) to its operation. Among the priority fields for which implementation plans have been formulated within the Green Growth Strategy, where policy effects are significant and long-term continuous support is required to realize social implementation, the Government will provide continuous support to companies and other organizations committed to take on challenges towards achieving specific goals from R&D through demonstration to social implementation for the next 10 years.
Investment Incentives for Promoting Carbon Neutrality	Special depreciation of 50% or a tax credit of (5% or 10%) of the cost of purchase of certain assets. Such assets must either (i) realize both decarbonization and improved added value of production process; or (ii) be used in production equipment of products with high decarbonization effects. To qualify for this incentive, applicants must submit business adaption plans and have them certified by the respective authorities. The maximum value of the asset eligible for this incentive is JPY 50 billion.
Investment Incentives for Promoting Digital Transformation	Special depreciation of 30% or a tax credit (3% or 5%) of the cost of certain assets (e.g. software, machinery, equipment) newly invested to accelerate the digitalization of operations. To qualify for this incentive, applicants must submit business plans to describe their digital transformation based on the newly installed equipment and have them certified by the METI. The maximum value of the asset eligible for this incentive is JPY 30 billion. As at September 2022, this measure applied until 31 March 2023.

Source: Information provided by the authorities; and JETRO, *Incentive Programs*. Viewed at: https://www.jetro.go.jp/en/invest/support_programs/incentive/.

3.3.1.3 Subsidies and other assistance programmes

3.92. In June 2021, Japan notified a list of 53 specific subsidy programmes to the WTO's Committee on Subsidies and Countervailing Measures under Article XVI:1 of GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures. The list includes both old and new schemes with different objectives mainly to support industry, finance, and agriculture, and to strengthen and stimulate the domestic economy.⁸⁴

3.93. During the review period, the METI took several measures for mitigating the impacts on companies of the COVID-19 pandemic and for supporting such companies.⁸⁵

3.3.2 Standards and other technical requirements

3.3.2.1 Legal and institutional framework

3.94. Standards and technical regulations (including conformity assessment procedures) are governed by several laws and regulations including the Industrial Standardization Act (Table 3.9). Japan's Notification Authority under the Agreement on Technical Barriers to Trade (TBT) remains the International Trade Division of the Ministry of Foreign Affairs (MOFA).

3.95. In many sectors, the Japanese authorities have the exclusive power for formulating and adopting technical regulation. Several ministries oversee these regulations in their respective areas of competence. The METI and its subordinate entities include the Japanese Industrial Standards Committee; the Ministry of Internal Affairs and Communications (MIC) (for telecommunications

⁸⁴ Full details of the different subsidy schemes as notified by Japan are provided in WTO document G/SCM/N/372/JPN, 30 June 2021.

⁸⁵ The following measures were taken by the METI: Subsidy Program for Sustaining Businesses (terminated on 15 February 2021); subsidies for *Monozukuri* (special quota for coronavirus measures terminated on 8 February 2022); subsidies for sustainability (special quota for coronavirus measures terminated on 9 March 2022); financing supports (loans and guarantees) to companies; subsidy program to promote teleworking of workers; support program for companies taking countermeasures against the novel coronavirus disease; deregulatory measures in import and export procedures as a response to the novel coronavirus disease; support measures for individual business operators and freelancers affected by the novel coronavirus disease; support program of website for online class services provided by Ed Tech companies for students during school closure, Subsidy program for Projects on Navigation of Information on Private Support Services, and technical support provided by ICT companies to organizations which intend to introduce telework options. METI, *Outline of METI's Support Measures*. Viewed at: <https://www.meti.go.jp/english/covid-19/index.html#:~:text=METI%20has%20been,introduce%20telework%20options>.

terminal devices and radio equipment); the MAFF (for foodstuffs, and agricultural and forestry products); the Ministry of Health, Labour and Welfare (MHLW) (for drugs and medical devices); and the Consumer Affairs Agency (CAA) (for labelling).⁸⁶

3.96. Japan has regularly notified its draft technical regulations, ordinances, and conformity assessment procedures to the WTO TBT Committee.⁸⁷ In the TBT Committee, no specific trade concerns were raised by Members regarding TBT measures maintained or planned by Japan.

3.97. Japan is a member of the International Organization for Standardization (ISO), the International Telecommunication Union, the International Electrotechnical Commission, the International Accreditation Forum, the Bureau international des poids et mesures, the Organisation internationale de métrologie légale, and the International Laboratory Accreditation Cooperation, as well as several regional standards and accreditation bodies.

3.98. The authorities indicate that Japan has concluded MRAs with the European Union, the Philippines, Thailand, the United Kingdom, and the United States. Under an MRA, the importing country will recognize the conformity assessment carried out in the exporting country, thus concerned products will benefit from facilitated placing of goods on the market.

Table 3.9 Main laws on standards and technical regulations, September 2022

Legislation/Agency	Purpose
Industrial Standardization Act 1949 /METI	Applies to all products except medicines, agriculture and fertilizer chemicals, silk yarn, foodstuffs, agricultural and forestry products, data, services, and management systems. The law establishes the Japanese Industrial Standards (JIS) Committee and the JIS Mark Scheme and provides the legal basis for standards, certification, and accreditation of certification bodies and laboratories.
Consumer Product Safety Act 1973 /METI	Stipulates that: (i) a narrow range of specified products must comply with technical requirements; and (ii) importers and manufacturers of certain products must adhere to maintenance-related requirements. It also provides the legal basis for reporting product accident information for consumer products.
Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices 1960/MHLW	Regulates the manufacture, import, and sale of pharmaceuticals; and medical devices; regenerative and cellular therapy products; gene therapy products; and cosmetics.
Act on Japanese Agricultural Standards 1950/MAFF	Applies to foods, drinks, oils, and fats, as well as other agricultural, forestry, livestock, and fishery products and products made from them except drugs, cosmetics, and regenerative medical products. It provides the legal basis for the Japanese Agricultural Standards (JAS) and criteria for adopting standards, quality grading, certification, and accreditation of certifying bodies, laboratories, and inspectors.
Building Standard Law/Ministry of Land, Infrastructure, Transport and Tourism 1950/MLIT	Applies to buildings and their construction. It provides for the establishment of standards for construction of buildings, including fireproofing and procedures for inspection and certification of buildings, and type approval.
Electrical Appliances and Materials Safety Act 1961/METI	Applies to electrical appliances and materials. The Act regulates the manufacture and sale of electrical appliances and requires manufacturers and importers of these appliances to register with METI and ensure conformity with technical requirements.
Measurement Act 1992/METI	Establishes the units of the International System Unit as the measurement units in Japan and provides the legal basis to apply and verify them and certify devices for their measurement.
Food Labelling Act 2013/CAA	Ensures proper food labelling by establishing standards and specifying other necessary information regarding the labelling of food intended for sale.

Source: Information provided by the authorities; and METI. Viewed at: <https://www.meti.go.jp/policy/economy/hyojun-kijun/jisho/jis.html>.

⁸⁶ A fuller description of the subentities responsible for TBT issues is contained in WTO document WT/TPR/S/351/Rev.1, 20 June 2017, Box 3.2.

⁸⁷ Between January 2017 and early September 2022, Japan submitted more than 120 regular notifications to the WTO TBT Committee; the 60-day period for comments was observed for 77 regular notifications. The types of measures notified to the WTO included 69 technical regulations (Article 2.9) and 1 conformity assessment procedure (Article 5.6). Japan notified 13 urgent technical regulations (Article 2.10); the notified measures were mainly related to consumer and human health protection. WTO documents G/TBT/N/JPN/543-746.

3.99. The overall structure of Japan's institutional framework on standards and technical regulations has remained largely unchanged since its previous Review. During the review period, a few amendments were made to some of these regulations, and relevant notifications have been submitted to the TBT Committee.⁸⁸ Between January 2020 to April 2022, 28 TBT notifications (including 15 addendum notifications) were submitted regarding amendment of the technical regulations, based on the relevant laws and regulations of, *inter alia*, the Radio Act, the Broadcasting Act, and the Telecommunications Business Act.⁸⁹

3.100. An amendment to the ordinance to the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices was adopted in January 2021. The amendment introduced a system where marketing authorization holders basically use electronic methods such as barcodes when providing information on pharmaceuticals and medical devices.⁹⁰

3.101. According to the authorities, during the review period, Japan took measures regarding regulations on vehicle safety and environmental protection, such as the introduction of the international regulations into its national regulations regarding International Whole Vehicle Type Approval, under the United Nations Economic Commission for Europe (UNECE) World Forum for Harmonization of Vehicle Regulations.

3.3.2.2 Standards

3.102. In Japan, there are two types of standards: the Japanese Industrial Standard (JIS) and the Japanese Agricultural Standard (JAS). The elaboration and drafting process of standards did not change during the review period.⁹¹

3.103. As at 31 March 2022, there were 10,918 JISs (Table 3.10). According to the authorities, the number of JISs with corresponding international standards was 6,341. The percentage of those JISs that were harmonized with international standards was 97%.

3.104. According to the authorities, the reason why there is a remaining gap of 3% in the harmonization of JIS with international standards is because of (i) protection of human health, safety, or the environment; (ii) fundamental climatic or other geographical factors; (iii) fundamental technological or infrastructural problems; or (iv) the corresponding ISO or IEC international standards are inappropriate.

3.105. Between April 2019 and March 2022, 13 new JASs were established, 28 were revised, and none were abolished. The authorities indicate that 77% of JASs are harmonized with international standards.

⁸⁸ WTO documents, G/TBT/N/JPN/722-746.

⁸⁹ The Ordinance for Enforcement of the Radio Act will be amended to introduce Ku-band non-geostationary satellite communications systems by satellite constellation around 1,200 km altitude. The basic law is the Radio Act (1950 Law No. 131). Viewed at: <http://www.japaneselawtranslation.go.jp/law/detail/?id=3205&vm=04&re=01&new=1>. The amendment will be published in *Kanpo*, the Official Gazette, when adopted. WTO documents G/TBT/N/JPN/722-746.

⁹⁰ WTO document G/TBT/N/JPN/683, 6 January 2021.

⁹¹ JISs are drafted by interested parties or by industrial associations entrusted by the relevant ministry, while JASs are proposed either by the MAFF or by interested parties and are drafted by the MAFF. The draft is sent to the appropriate minister and thereafter the Japanese Industrial Standards Committee (JISC) undertakes its deliberation/consultation work, which includes a 60-day period for public comment. Once completed, the draft is reported to the relevant minister to be established or revised as a JIS and notified in the Official Gazette. To speed up the development of a JIS, amendments to the Industrial Standards Act in 2019 (see above) have enabled JIS drafts to be proposed by private associations that are accredited by the relevant minister as having expertise in developing JISs, thus skipping the Japan Standard Industrial Classification (JSIC) deliberation phase (the 60-day public comment period remains a requirement).⁹¹ JISs are reviewed annually, which can result in withdrawal of outdated standards. For details, see WTO document WT/TPR/S/310/Rev.1, 6 May 2015, pp. 34-40.

Table 3.10 JISs established, revised, and withdrawn, April 2019-March 2022

	Number of JISs newly established	Number of JISs revised	Number of JISs withdrawn	JISs in force at the end of March 2022
Civil engineering and architecture	8	22	0	622
Mechanical engineering	23	42	27	1,814
Electronic and electrical engineering	20	55	14	1,790
Automotive engineering	1	8	3	357
Railway engineering	2	3	0	158
Shipbuilding	2	6	0	394
Ferrous materials and metallurgy	7	37	7	469
Non-ferrous materials and metallurgy	0	5	2	391
Chemical engineering	11	43	10	1,786
Textile engineering	1	6	0	243
Mining	0	8	1	170
Pulp and paper	0	1	0	81
Management system	2	2	1	105
Ceramics	3	8	3	389
Domestic wares	3	8	1	212
Medical equipment and safety appliances	3	16	21	565
Aircraft and aviation	1	0	0	10
Information processing	5	8	8	454
Service	7	0	0	12
Miscellaneous packing, welding, radioactivity, etc.	10	40	5	896
Total	109	318	103	10,918

Source: Information provided by the authorities.

3.3.2.3 Technical regulations

3.106. The authorities state that the drafting of technical regulations in Japan follows international requirements and recommendations.⁹² For instance, concerning vehicle safety and environmental protection, Japan has harmonized its national regulations with the International Whole Vehicle Type Approval under the UNECE World Forum for Harmonization of Vehicle Regulations.

3.107. The authorities indicate that no data are available on the number of technical regulations in force.

3.3.2.4 Conformity assessment and inspection

3.108. The authorities indicate that there were no new developments regarding conformity assessments procedures in Japan during the review period.

3.109. Manufacturers of electrical and consumer products overseas may undergo conformity assessment and certification conducted in foreign countries by foreign-registered conformity assessment bodies, in accordance with relevant laws.⁹³ According to the authorities, under the Consumer Product Safety Act, the Electrical Appliances and Materials Safety Act, the Act on the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas, and the Gas Business Act, a foreign conformity assessment body needs to apply for registration with the Japanese Government in order to be registered as a foreign-registered conformity assessment body under the Act. Upon receipt of the application, the Government shall register the foreign conformity assessment body as a foreign-registered conformity assessment body when the Government confirms that the foreign conformity assessment body satisfies all the provisions of the Act, including conformity with international standards for product certification bodies.

3.3.2.5 Labelling requirements

3.110. Different laws organize labelling requirements in Japan, including the Consumer Product Safety Law; the Fertilizer Regulation Act; the Food Labelling Act; the Electrical Appliances and

⁹² WTO document WT/TPR/M/351/Add.1, 27 April 2017.

⁹³ These include the Electrical Appliances and Materials Safety Act and the Consumer Product Safety Act.

Materials Safety Act; the Household Goods Quality Labelling Act; the Industrial Safety and Health Act; and the Act Concerning Business Associations and Measures for Securing Revenue from the Liquor Tax.

3.111. During the review period, a few amendments were made to some of laws and regulations governing labelling requirements. The Food Labelling Standards, as stipulated by the Food Labelling Act, was amended several times through different pieces of legislation. Pursuant to Article 8 of the amended Food Sanitation Act (Act No. 233 of 1947), which entered into force on 1 June 2020, the Standards were amended to require that foods containing designated ingredients or substances that require specific cautions are to be labelled with such ingredients, with a view to ensuring the safety and autonomous choice of consumers. The Standards were amended and entered into force on 1 June 2020 to add raw buffalo milk to the category "milk", reflecting the amendment of the Ministerial Ordinance concerning the Ingredient Standards of Milk and Dairy Products, and to make it possible for nutrient content claims to state "low" when they are not only "less" but also "equal" to the standard values. In addition, the Standards were amended and entered into force on 27 March 2020 (with a transition period until 31 March 2022) so that the timing of cleaning/polishing displayed on labels for rice can contain only month and year (without information on date). Moreover, the amended Standards that entered into force on 16 July 2020 (with a transition period until 31 March 2022) stipulate that labelling of food additives remove the terms "synthetic" and "artificial".

3.112. The Food Labelling Standards were also amended and entered into force on 16 July 2020 to reflect the revision to the Enforcement Order of the Act on Japanese Agricultural Standards to add organic livestock products in designated agricultural and forestry products. The Standards were also amended in March 2021 to enable production place, variety, and production year for unpolished rice or polished rice to be labelled without certification by the Agricultural Products Inspection Act (Act No. 144 of 1951) and to obligate persons engaged in food-related business to store document bases for labelling; this entered into force on 1 July 2021.

3.113. Another series of amendments entered into force on 30 March 2022 to make the nature of high oleic acid content in soybeans not subject to the "Specific Genetically Modified (GM) products" label and to make GM mustards subject to mandatory labelling for GM products.⁹⁴ Also, two methods of analysis were added: (i) "inductively coupled plasma - mass spectrometry" for analysing chromium, selenium, and iodine in terms of nutritional labelling; and (ii) "gravimetric solvent-extraction method" for analysing lipids. Additionally, as JASs for soy sauce and edible plant fat and oil are to be revised corresponding to international standards, the provisions quoted from the JASs were partially amended.⁹⁵

3.114. With respect to the Household Goods Quality Labelling Act, revisions of the description of the following areas were introduced: (i) "water purifiers", involving revision to the Quality Labelling Rules for Miscellaneous Manufactured Goods (entered into force on 1 October 2020); (ii) "fibers names of textile goods", involving a revision to the Quality Labelling Rules for Textile Goods (1 January 2022); and (iii) "television receivers", involving a revision to the Quality Labelling Rules for Electrical Appliances (1 January 2022).

3.115. The Ministerial Order for Tobacco Business Act was amended in relation to health warnings on tobacco packages. The Order was amended in June 2019 and fully entered into force in July 2020. The content and labelling method of health warnings on tobacco package were amended. Health warnings of heated tobacco were newly added, requiring them to display the amount of tar and nicotine. Furthermore, the display areas of health warnings were expanded from 30% to 50% of the principal display area.

3.116. During the review period, there were no changes concerning labelling requirements in the Consumer Product Safety Act and the Electrical Appliances and Materials Safety Act.

⁹⁴ Cabinet Office. Viewed at: https://www.caa.go.jp/policies/policy/food_labeling/food_labeling_act/assets/food_labeling_cms201_220330_07.pdf.

⁹⁵ Cabinet Office. Viewed at: <https://www.caa.go.jp/notice/entry/026384/>.

3.3.3 Sanitary and phytosanitary requirements

3.3.3.1 Sanitary and phytosanitary measures

3.117. According to the authorities, Japan's sanitary and phytosanitary (SPS) regime aims to enhance and strengthen Japan's ability to satisfy its obligations under the SPS Agreement; provide adequate protection against risks threatening human, animal, and plant life and health; and improve its competitiveness to fully benefit access opportunities.

3.118. SPS measures in Japan are in general based on relevant international standards or, where its measures do not conform to relevant international standards, on scientific risk assessment.⁹⁶ Risk assessments undertaken by the Food Safety Commission under the Cabinet Office are available on its website.⁹⁷ Risk analyses for phytosanitary measures undertaken by the MAFF are also available on the Ministry's website.⁹⁸

3.119. The Standards Information Service within the International Trade Division of MOFA's Economic Affairs Bureau is the enquiry point and the national notification authority under the SPS Agreement.

3.120. Main institutions responsible for SPS measures in Japan are provided in Box 3.1.

3.121. Regarding food safety of imported foods, the MHLW accepts test results issued by Foreign Official Laboratories. The aim is to streamline and accelerate import procedures for voluntary inspection that is conducted by an importer. Importers can use the testing results issued by Foreign Official Laboratories if the Laboratory is listed by the MHLW.⁹⁹ Items for which the sanitary conditions are liable to change during transport by ship or air (for example, bacteria and mycotoxin) are excluded.¹⁰⁰

3.122. Japan is a member of the Codex Alimentarius Commission and the World Organisation for Animal Health, and a contracting party to the International Plant Protection Convention.

Box 3.1 Key agencies responsible for SPS measures

MAFF

Food Safety and Consumer Affairs Bureau

Responsible for SPS measures relating to animal feed, animals, plants, and veterinary drugs.

MHLW

Pharmaceutical Safety and Environmental Health Bureau

Responsible for administration of food safety including specifications and standards for food, food additives, pesticide residues, animal drug residues, genetically modified foods and their containers, and inspection and safety measures for food as well as for fish and fishery products (including the establishment of criteria or standards for food monitoring, and guidance of food distributed in Japan, including imported food).

Cabinet Office

Food Safety Commission

Responsible for conducting risk assessment on food and making recommendations to relevant ministries; implementing risk communication among stakeholders, e.g. consumers and business operators; and responding to food-borne accidents and emergencies.

⁹⁶ WTO document WT/TPR/M/351/Add.1, 27 April 2017.

⁹⁷ MHLW, *Risk Assessment Reports*. Viewed at: <http://www.fsc.go.jp/english/evaluationreports/>.

⁹⁸ MAFF. Viewed at: https://www.maff.go.jp/j/syouan/keneki/kikaku/pa_kaisei.html; and MAFF, *Risk Analyses for Animal Health*. Viewed at: <https://www.maff.go.jp/j/syouan/douei/eisei/sop/index.html>.

⁹⁹ When the government of an exporting country recognizes a laboratory's capacity to carry out relevant inspections, the MHLW may place it on the list of Foreign Official Laboratories, if requested by the government of the exporting country. The Laboratory can be either a public or private entity. MHLW. Viewed at: <https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000144562.html>; and https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/shokuhin/yunyu_kanshi/index_00019.html.

¹⁰⁰ MHLW, *Foreign Official Laboratories*. Viewed at: <https://www.mhlw.go.jp/english/topics/importedfoods/dl/1-10.pdf>; and https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/shokuhin/yunyu_kanshi/index_00019.html.

**Ministry of the Environment
Nature Conservation Bureau**

Responsible for managing risks to the environment from imports, including from invasive alien species.

Source: Information provided by the authorities.

3.3.3.2 Legislative framework

3.123. Several laws and acts form the basis of legislative framework of SPS measures and practices in Japan (Table 3.11).

Table 3.11 Main SPS legislation, 2022

Legislation	Authority	Objectives
Food Safety Basic Act	Cabinet Office (Food Safety Commission of Japan), MIC, MHLW, MAFF, Ministry of the Environment, CAA	The Act aims to comprehensively promote policies to ensure food safety by establishing basic policy principles; clarifying the responsibilities of national and local governments and food-related business operators and the roles of consumers; and establishing a basic direction for policy formulation.
Food Sanitation Act	MHLW	The Act aims to prevent eating and drinking-related sanitation hazards through measures to ensure food safety. The Act applies to food and drink.
Plant Protection Act	MAFF	The Act provides the legal basis for regulations on plant protection including quarantine for local, imported, and exported plants.
Act on Domestic Animals Infectious Diseases Control	MAFF	The Act aims to protect and promote the livestock industry by preventing the outbreak and spread of infectious diseases in domestic animals.
Agricultural Chemicals Control Act	MAFF	The Act was amended in 2018 (Act No. 53 of 2018) in order to improve pesticide safety and contribute to more efficient agriculture.

Source: Information provided by the authorities.

3.124. During the review period, Japan submitted regular notifications to the WTO Committee on Sanitary and Phytosanitary Measures (Box 3.2). In the SPS committee, no specific trade concerns were raised by Members regarding SPS measures maintained or planned by Japan.

3.125. A few amendments to relevant legislation occurred during the review period. The Food Sanitation Act, amended in 2018, partially entered into force in June 2020 and fully entered into force in June 2021.¹⁰¹ The amendment was to, *inter alia*, reflect changing dietary patterns and the environment surrounding food in Japan as well as to increase hygiene control, such as requiring hazard analysis and critical control points (HACCP)-based hygiene controls on meat and edible meat offal to be imported and hygiene certificates to import dairy products and marine products.¹⁰²

3.126. To enhance the safe use of pesticides, Japan amended the Agricultural Chemicals Control Act in 2018. The amended Act introduced, *inter alia*, a re-evaluation system for pesticides.¹⁰³ The

¹⁰¹ MHLW, *Implementation of the Amendment to the Food Sanitisation Act*. Viewed at: <https://www.mhlw.go.jp/content/11135000/000968271.pdf>.

¹⁰² MHLW. Viewed at: https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/shokuhin/yunyu_kanshi/index_00013.html; https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/shokuhin/yunyu_kanshi/index_00014.html; and https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryuu/shokuhin/yunyu_kanshi/index_00011.html.

¹⁰³ Proposed revision of the regulations under the Agricultural Chemicals Regulation Act was notified in WTO documents G/SPS/N/JPN/593, 1 August 2018; and G/SPS/N/JPN/624, 20 March 2019. The revision of

MAFF started the procedure for re-evaluation of the first batch of agricultural chemicals in October 2021.¹⁰⁴ Moreover, the amended Act introduced a risk assessment for pesticides to their users and to honeybees; the amendment entered into force April 2020.

Box 3.2 Selected SPS measures notified to the WTO, 2020-22

1. Notification of import (papaya seeds and seedlings for cultivation from Thailand)

The designation of living organisms that need notification prior to their importation based on the Cartagena Act (Japanese national law to implement the Cartagena Protocol on the Biosafety to Convention on Biological Diversity) was notified by WTO document G/SPS/N/JPN/874, 1 November 2021. The measure notified entered into force on 1 April 2022.

The outline of the measure is to prevent adverse effects on biological diversity. A person who imports papaya seeds and seedlings for cultivation from Thailand shall submit a notification to the MAFF prior to their importation.

2. Feed safety

(i) Feeds and feed additives for horses (WTO document G/SPS/N/JPN/732, 31 March 2020)

(ii) L-methionine (WTO document G/SPS/N/JPN/750, 2 April 2020)

(iii) Heptachlor (WTO document G/SPS/N/JPN/763, 1 July 2020)

(iv) Fipronil (WTO document G/SPS/N/JPN/764, 2 July 2020)

(v) Salinomycin sodium (WTO document G/SPS/N/JPN/777, 2 September 2020)

(vi) Phytase (WTO document G/SPS/N/JPN/778, 16 September 2020)

(vii) Alkaline protease (WTO document G/SPS/N/JPN/826, 19 January 2021)

(viii) Muramidase (WTO document G/SPS/N/JPN/875, 16 November 2021)

3. Plant quarantine

The following notifications on phytosanitary measures have been made.

(i) Proposed revision of the Ordinance for Enforcement of the Plant Protection Act, relevant notifications and Detailed Rules for Import Plant Quarantine Enforcement Concerning Plants Subject to Specific Phytosanitary Measures to be Carried Out in Exporting Countries (WTO document G/SPS/N/JPN/712, 9 January 2020)

(ii) Proposed revision of the Ordinance for Enforcement of the Plant Protection Act, relevant notifications and Detailed Rules for Import Plant Quarantine Enforcement Concerning Plants Subject to Specific Phytosanitary Measures to be Carried Out in Exporting Countries; Correction (WTO document G/SPS/N/JPN/712/Corr.1, 15 January 2020)

(iii) The Government accepts temporarily scanned or hard copies of export certificates for animals, plants, and their products to be exported to Japan in order to facilitate trade in face of COVID-19 outbreak. (Entry into force on 21 April 2020, WTO document G/SPS/N/JPN/755, 23 April 2020)

(iv) Notifications of revisions of the Ordinance for Enforcement of the Plant Protection Act and relevant requirements (WTO document G/SPS/N/JPN/712/Add.1 on 12 May 2020)

(v) Proposed revision of the Ordinance for Enforcement of the Plant Protection Act about Phytosanitary Certificate (WTO document G/SPS/N/JPN/684/Add.1, 6 August 2020)

(vi) Proposed revision of the Ordinance for Enforcement of the Plant Protection Act, relevant notifications and detailed rules for import plant quarantine enforcement concerning plants subject to specific phytosanitary measures to be carried out in exporting countries (WTO document G/SPS/N/JPN/827, 1 February 2021)

(vii) Emergency measures to prevent tomato brown rugose fruit virus (ToBRFV) from entering Japan through the importation of host seeds and plants of ToBRFV (WTO document G/SPS/N/JPN/828, 4 February 2021)

(viii) Revisions of the Ordinance for Enforcement of the Plant Protection Act and relevant requirements (WTO document G/SPS/N/JPN/827/Add.1, 14 April 2021)

(ix) Emergency measures to prevent potato spindle tuber viroid (PSTVd) from entering Japan through the importation of seeds and plants of host plants of PSTVd (WTO document G/SPS/N/JPN/864, 30 August 2021)

WTO document G/SPS/N/JAP/593 entered into force on 1 December 2018. The revision of WTO document G/SPS/N/JAP/624 entered into force on 1 April 2020.

¹⁰⁴ MAFF. Viewed at: <https://www.maff.go.jp/j/nouyaku/saihyoka/taisyounouyaku.html>.

(x) Proposed revision of the Ordinance for Enforcement of the Plant Protection Act, relevant notifications and detailed rules for import plant quarantine enforcement concerning plants subject to specific phytosanitary measures to be carried out in exporting countries (WTO document G/SPS/N/JPN/905, 17 December 2021)

(xi) Revisions of the Ordinance for Enforcement of the Plant Protection Act and relevant requirements (WTO document G/SPS/N/JPN/905/Add.1, 11 April 2022)

(xii) The amendment of the Plant Protection Act (WTO document G/SPS/N/JPN/1017, 9 May 2022)

(xiii) Emergency measures to prevent pepino mosaic virus (PepMV) from entering Japan through the importation of seeds and plants of host plants of PepMV (WTO document G/SPS/N/JPN/1021, 16 May 2022)

(xiv) Emergency measure to prevent ToBRFV from entering Japan through importation of host seeds of ToBRFV (WTO document G/SPS/N/JPN/1056, 27 June 2022)

(xv) Emergency measure to prevent *Xylella fastidiosa* from entering Japan through importation of host plants of *X. fastidiosa* (WTO document G/SPS/N/JPN/1060, 7 July 2022)

4. Animal quarantine

Regarding animal health measures, Japan provided the following documents.

(i) The Government accepts temporarily scanned or hard copies of export certificates for animals, plants, and their products to be exported to Japan in order to facilitate trade in face of COVID-19 outbreak. (Entry into force on 21 April 2020, WTO document G/SPS/N/JPN/755, 23 April 2020)

(ii) The amendment of the Act on Domestic Animal Infectious Diseases Control, which strengthens legal authority of animal quarantine officers and raises the penalty for violation against the provisions of import and export quarantine. (Entry into force on 1 July 2020, WTO document G/SPS/N/JPN/754, 20 April 2020)

(iii) Abolition of the "ORIGINAL" stamp for the official Export Quarantine Certificate issued by Japanese Animal Quarantine Service (AQS) in order to simplify the issuance procedure. (Entry into force on 1 March 2022, WTO document G/SPS/N/JPN/927, 25 January 2022)

5. Food Sanitation Act

There have been no major changes since 2020 concerning Japan's SPS requirements under the Food Sanitation Act.

Source: WTO SPS Information Management System. Viewed at: <http://spsims.wto.org/>.

3.127. Regarding hormone-fed animals (not products), there are no import restrictions. However, imports of "hormones" such as Zeranol, r-BST, or Ractopamine for growth promotion for domestic usage, are not allowed, because they are not permitted to be used for animals in Japan.¹⁰⁵ According to the authorities, from a food safety perspective, there are no hormone-specific regulations in Japan, and hormones are subject to the same regulations as other veterinary drugs; the MHLW ensures safety of GM foods through a comprehensive assessment (safety assessment) based on scientific data by the Food Safety Commission. Without passing the safety assessment, GM foods and foods using those as raw materials, cannot be produced, imported, or marketed in Japan.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.128. Competition policy continues to be governed by the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of 1947 (Anti-Monopoly Act (AMA)) (last amended in 2019)¹⁰⁶, which covers unreasonable restraint of trade (i.e. cartels and bid-riggings), private monopolization¹⁰⁷, unfair trade practices (e.g. abuse of superior bargaining position, unjust low price

¹⁰⁵ They are not currently approved as veterinary drugs or designated as feed additives.

¹⁰⁶ JFTC, *The Antimonopoly Act (AMA)*. Viewed at: https://www.jftc.go.jp/en/legislation_gls/amended_ama09/index.html.

¹⁰⁷ Private monopolization includes two types of conduct: "exclusionary conduct" and "controlling conduct". The former refers to conduct that creates, maintains, or strengthens one's market power and thus causes significant difficulty for other enterprises to compete or enter the market. Controlling conduct means conduct that restrains other enterprises' decision-making ability concerning their business activities. Y. Kashiwagi (2022), "The Dominance and Monopolies Review: Japan", *The Law Reviews*, 21 June. Viewed at: <https://thelawreviews.co.uk/title/the-dominance-and-monopolies-review/japan>. Four typical exclusionary conducts include "below-cost pricing", "exclusive dealing", "tying", and "refusal to supply and discriminatory treatment". JFTC, *The Guidelines for Exclusionary Private Monopolization under the Antimonopoly Act*. Viewed at: https://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/20122501.pdf.

sales), and mergers and acquisitions.¹⁰⁸ The Japan Fair Trade Commission (JFTC) is the agency responsible for implementing the AMA.

3.129. The JFTC issued guidelines on various monopoly or unfair trade issues under the AMA, as well as published detailed rules on investigation. The rule-of-reason approach is generally used by the JFTC in investigations. The JFTC also maintains guidelines regarding mergers and acquisitions (issued on 31 May 2004 and last updated on 17 December 2019). According to the authorities, the update concerned business combinations in the digital market, including the definition of markets for digital services (product range and geographical range) and clarifications relating to substantial restraint of trade in the case of horizontal, vertical, and conglomerate business combinations in the digital market.¹⁰⁹ All relevant legislation and implementing rules are published on the JFTC's official website.¹¹⁰

3.130. During the review period, amendments to the AMA adopted on 19 June 2019 (Act No. 45 of 2019) entered into force.¹¹¹ The amended AMA introduced a new leniency system that allows the JFTC to reduce the amount of surcharges (administrative fines) according to the degree of enterprises' cooperation during an investigation and abolishes the limitation on the number of enterprises that can benefit from the leniency programme in a case.¹¹² In addition, the calculation period for surcharges was extended from a maximum of 3 years to up to 10 years before the start of the investigation. A provision was introduced to allow the JFTC to estimate the basis of calculation when the sales volume is not available. To make the application of the new leniency programme more effective, the JFTC introduced new "privilege-like" rules for attorney-client communications under its Rules on Investigations.¹¹³ In line with the newly amended AMA, guidelines on the leniency system for cooperation in investigation were adopted.¹¹⁴

3.131. In response to the COVID-19 pandemic, the JFTC took a number of actions related to competition policy. In 2020, the JFTC issued a press release stating that necessary and temporary coordination between competitors to ensure supply and distribution of related goods and services would not violate the AMA.¹¹⁵ The statement in the press release does not limit the applicable timeframe or the range of targeted products and services. However, these flexibilities apply only in emergency situations, such as COVID-19. In the same year, the JFTC published three cases of coordination of business activities related to COVID-19 that were considered to be helpful for other enterprises.¹¹⁶ One of the cases permitted under the AMA concerned a medical device manufacturers association that conducted a survey on the supply bottlenecks affecting medical devices and provided the anonymous survey results to the association's disaster response office.

3.132. Several activities and business practices remain exempt from the scope of the AMA.¹¹⁷ Competition in these areas may be covered by other legislation and different institutions. No other exemptions were introduced during the review period. The exemptions provided in the Act

¹⁰⁸ The definitions of these four types of conduct can be found in Chapter I (General Provisions), Article 2(5), (6), and (9) and Chapter IV (Shareholdings, Interlocking Officers, Mergers, Splits, Share Transfers and Acceptance of Assignment of Business) of the AMA.

¹⁰⁹ JFTC, *Amendments to the "Guidelines to Application of the Anti-Monopoly Act Concerning Review of Business Combination" and the "Policies Concerning Procedures of Review of Business Conduct"*. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2019/December/191217.html>.

¹¹⁰ The relevant instruments can be viewed at: https://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines.html.

¹¹¹ The amended AMA came into force in three stages, on 26 July 2019, 1 January 2020, and 25 December 2020.

¹¹² JFTC, *Special Feature on the New System under the Amended Antimonopoly Act*. Viewed at: https://www.jftc.go.jp/en/policy_enforcement/210413.html.

¹¹³ New procedures regarding the treatment of objects recording confidential communications between an enterprise and its attorney were also established. JFTC, *Amendments of the Rules/Guidelines with the Amendment of the Antimonopoly Act (Determination Procedure etc.)*. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2020/June/200625.html>.

¹¹⁴ JFTC, *Guidelines to Reduction System for Cooperation in Investigation*. Viewed at: https://www.jftc.go.jp/en/policy_enforcement/21041304.pdf. The Rules on Reporting the Facts and Submitting the Materials Regarding Immunity from or Reduction of Surcharges were also adopted.

¹¹⁵ JFTC (2020), *Response of the JFTC to Initiatives by Business Operators, etc. Related to the Novel Coronavirus Infection*. Viewed at: <https://www.jftc.go.jp/houdou/pressrelease/2020/apr/200428.html>.

¹¹⁶ JFTC (2021), *Case Studies on Antimonopoly Law*. Viewed at: <https://www.jftc.go.jp/houdou/pressrelease/2021/jun/210609.html>.

¹¹⁷ WTO document WT/TPR/S/397/Rev.1, 6 November 2020, Table 3.16.

Concerning Special Measures for Correcting Practices Impeding Consumption Tax Pass-on, etc. with the Aim to Ensure Smooth and Proper Pass-on of Consumption Tax expired on 31 March 2021.

Enforcement

3.133. Japan maintains both a criminal enforcement system and a civil administrative route to enforce competition-related rules. The JFTC has the exclusive authority to impose administrative orders (including cease-and-desist orders and surcharge payment orders) and to approve commitment plans proposed by enterprises under investigation. The civil administrative process is the main option used for enforcement. With respect to criminal sanctions, the JFTC has only the authority to file criminal accusations with the Public Prosecutor's Office. An investigation on possible violations of the AMA may be initiated as a result of (i) a report from the general public; (ii) detection by the JFTC itself; (iii) notification by the Small and Medium Enterprise Agency; or (iv) a report by leniency applicants. In addition, private damage actions may be brought before civil courts by those affected by specific violations. For statistical information about JFTC's investigations, see Table 3.12.

Table 3.12 Competition enforcement statistics, 2019-21^a

	2019	2020	2021
Initiation of case investigations (number)			
Cases concerning anti-competitive agreements	..	..	..
Cases concerning abuse of dominance	..	..	..
Leniency applications	73	33	52
Notifications of mergers and acquisitions	310	266	337
Completed cases (number)			
Anti-competitive agreements	9	8	3
Abuse of dominance	1	1	0
Settlements	2	6	2
Mergers and acquisitions (number of decisions and number of mergers and acquisitions that were not approved)	0	0	0
Infringement penalties (number and value in JPY)	37 companies; 69.27 billion	4 companies; 4.32 billion	31 companies; 2.18 billion
Appeals (number of completed judicial review decisions)	11	4	3

.. Not available.

a The JFTC reviews not only all transactions with a notification, which correspond to 1.d), but also transactions without a notification if needed. As a result of a business combination review, it issues a cease-and-desist order if the JFTC concludes that a transaction would substantially restrain competition in the relevant markets. Otherwise, the JFTC sends a notification that it would not issue a cease-and-desist order. The JFTC also sends a notification when it concludes that there is no concern on the premise of remedies. Since "completed cases" are defined as transactions with a legal action, the numbers in 2.d) count only the numbers of cease-and-desist orders. When defining "completed cases" as transactions with a legal action, the number corresponds to the cases in which cease-and-desist orders were issued. Thus, the numbers in 2.d) reflect only the numbers of decisions and number of mergers and acquisitions that were not approved.

Source: OECD (2021), *Annual Report on Competition Policy Developments in Japan: 2020*. Viewed at: https://www.jftc.go.jp/en/about_jftc/annual_reports/oecd_files/japan2020.pdf; JFTC (2021), *Enforcement of the Antimonopoly Act in FY2020 (Summary)*. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2021/May/210526.pdf>; JFTC (2020), *State of Notifications Related to Business Combinations in Fiscal Year 2019*. Viewed at: https://www.jftc.go.jp/en/policy_enforcement/mergers/index_files/StateofnotificationsrelatedtobusinesscombinationsinFY2019.pdf.

Market studies

3.134. The JFTC continued to conduct market studies and publish reports on various aspects of digital markets in 2021, including digital advertising¹¹⁸, algorithms and artificial intelligence (AI)¹¹⁹, mobile networks¹²⁰, and data markets.¹²¹ The reports examined the state of competition among operators in the digital sector while highlighting a number of activities that could raise concerns under the AMA.

3.135. Given the results of market studies, the JFTC published guidelines to clarify its views on competition policy and the AMA. In 2021, following the market survey on a transaction between convenience store headquarters and its member stores, the JFTC revised the Guidelines Concerning the Franchise System under the AMA to flag competitive concerns that had been identified through the survey.¹²² The JFTC and the METI also jointly developed the Guidelines on Business Partnership Contracts with Start-ups to present best practices for contracts concluded between start-ups and collaborating enterprises.¹²³

International cooperation

3.136. The JFTC remains actively involved in competition policy activities at the multilateral level with organizations such as the International Competition Network (ICN), the OECD, the Asia-Pacific Economic Cooperation (APEC), and the United Nations Conference on Trade and Development (UNCTAD).¹²⁴ It also cooperates closely with foreign competition authorities through different types of agreements, including interagency memoranda of understanding (MoU) and administrative agreements to conduct joint enforcement activities.¹²⁵ During the review period, the JFTC concluded a Memorandum on Cooperation with the Competition Commission of India.¹²⁶

3.137. Most RTAs concluded by Japan contain a competition-related chapter.¹²⁷ In general, the focus is usually on general principles that should be followed in competition enforcement and the necessity to enhance enforcement cooperation and technical assistance. During the review period, Japan concluded the Japan-UK Comprehensive Economic Partnership Agreement (Japan-UK CEPA)¹²⁸ and the RCEP.¹²⁹

3.3.4.2 Price controls

3.138. According to the authorities, there is no control over the prices that suppliers can charge for goods and services in Japan. In 2020, the JFTC posted its view on business initiatives related to the COVID-19 pandemic. It noted that while an unjustifiable imposition of a minimum resale price is a violation of the AMA, instructing retailers to sell products such as face masks below a price ceiling

¹¹⁸ JFTC (2021), "Final Report Regarding Digital Advertising", 17 February. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2021/February/210217.html>.

¹¹⁹ JFTC (2021), "The Study Group on Competition Policy in Digital Markets Released the Report on Algorithms/AI and Competition Policy", 31 March. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2021/March/210331.html>.

¹²⁰ JFTC (2021), "Competition Policy Issues in the Mobile Phone Market", 10 June. Viewed at: <https://www.jftc.go.jp/houdou/pressrelease/2021/jun/210610.html>.

¹²¹ JFTC (2021), "Report of the Study Group on Competition Policy for Data Markets", 25 June. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2021/June/210625.html>.

¹²² OECD (2021), *Annual Report on Competition Policy Developments in Japan: 2020*. Viewed at: https://www.jftc.go.jp/en/about_jftc/annual_reports/oecd_files/japan2020.pdf.

¹²³ OECD (2021), *Annual Report on Competition Policy Developments in Japan: 2020*. Viewed at: https://www.jftc.go.jp/en/about_jftc/annual_reports/oecd_files/japan2020.pdf.

¹²⁴ JFTC, *International Relations: International Agreements*. Viewed at: https://www.jftc.go.jp/en/int_relations/agreements.html.

¹²⁵ WTO documents WT/TPR/S/351/Rev.1, 20 June 2017, Table 3.13; and WT/TPR/S/397/Rev.1, 6 November 2020, Table 3.13.

¹²⁶ JFTC, *The Japan Fair Trade Commission Concluded Memorandum on Cooperation with the Competition Commission of India*. Viewed at: <https://www.jftc.go.jp/en/pressreleases/yearly-2021/August/210806.html>.

¹²⁷ WTO document WT/TPR/S/351/Rev.1, 20 June 2017, Table 3.14.

¹²⁸ Japan-UK CEPA, Chapter 11 (Competition Policy). Viewed at: https://www.jftc.go.jp/en/int_relations/agreements_files/nichieiepaen.pdf.

¹²⁹ RCEP Agreement, Chapter 13 (Competition). Viewed at: https://www.jftc.go.jp/en/int_relations/agreements_files/rcep_comp_en.pdf.

during the COVID-19 pandemic in order to prevent retailers from setting unreasonably high prices is usually in the interest of consumers and is justifiable under the AMA.¹³⁰

3.139. Japan maintains a price survey scheme on certain pharmaceutical products, based on a drug reimbursement price standard. The standard is defined by the MHLW. The actual purchase prices paid by medical institutions and pharmacies are surveyed, and the reimbursement prices specified in the standard are revised periodically based on the results of the survey.¹³¹ All medicines covered by the National Health Insurance (approximately 20,000) are subject to the price survey. To control healthcare costs, the Government had been revising the reimbursement prices biennially, leading to price cuts of 5% to 7% every other year.¹³² In 2021, Japan started implementing an annual (or "off-year") reimbursement price revision system and reduced prices on some 12,180 drugs, or 69% of all prescription drugs.¹³³ The total price cuts were worth roughly JPY 430 billion.¹³⁴ In April 2022, Japan announced that the latest price cuts averaged about 6.6%, accounting for more than JPY 600 billion.¹³⁵

3.3.4.3 Corporate governance

3.140. Japan has several legally non-binding instruments regarding corporate governance. During the review period, some went through major revisions.

3.141. In June 2021, the revised Corporate Governance Code (2021CGC) was released and came into effect immediately.¹³⁶ The 2021CGC, a governance code implemented by the Tokyo Stock Exchange (TSE), applies to companies listed with the Prime or Standard Market of the TSE, requiring them to provide an explanation for non-compliance with any principle of the Code. The 2021CGC also requires Growth Market-listed companies to provide an explanation for non-compliance with any General Principles of the Code.¹³⁷ The 2021CGC encourages listed companies to enhance governance for their sustainable growth and mid- to long-term corporate value improvement. The 2021CGC stresses, *inter alia*, (i) enhancing board independence; (ii) promoting diversity; and (iii) paying attention to sustainability and the Environmental, Social and Governance (ESG) aspect of investment.

3.142. To implement the Corporate Governance Code, the METI publishes several guidelines. In July 2022, the Ministry published the revised Corporate Governance System Guideline (2022CGS Guideline).¹³⁸ This revised Guideline, designed for all listed companies, particularly aims at strengthening both executive functions and monitoring functions, and improving medium- to long-term corporate value through governance reforms. To this end, the 2022CGS Guideline encourages (i) improvement of the roles and functions of board of directors; (ii) enhancement of the quality and evaluation of outside directors; and (iii) development of an environment for strengthening management leadership.

¹³⁰ JFTC, *Q&A Concerning Activities Addressing COVID-19 under the Antimonopoly Act*. Viewed at: <https://www.jftc.go.jp/oshirase/coronaga.html>.

¹³¹ MHLW (2018), *Update of Drug Pricing System in Japan*. Viewed at: <https://www.mhlw.go.jp/content/11123000/000335166.pdf>.

¹³² McKinsey & Company (2018), "Change in the Japanese Pharmaceutical Market: Cradle of Innovation or Grave of Corporate Profits?" Viewed at: <https://www.mckinsey.com/industries/life-sciences/our-insights/change-in-the-japanese-pharmaceutical-market-cradle-of-innovation-or-grave-of-corporate-profits>.

¹³³ T. Komatani (2022), "The Life Sciences Law Review: Japan", *The Law Reviews*. Viewed at: <https://thelawreviews.co.uk/title/the-life-sciences-law-review/japan>.

¹³⁴ Nippon (2020), "Japan to Lower Drug Prices to Reduce Medical Costs", 17 December. Viewed at: <https://www.nippon.com/en/news/yj2020121700128/>.

¹³⁵ T. Sami (2022), "Japan's Annual Drug Price Reforms Result in Less Predictability for Pharma Market", *BioWorld*, 18 April. Viewed at: <https://www.bioworld.com/articles/517978-japans-annual-drug-price-reforms-result-in-less-predictability-for-pharma-market?v=preview>. Companies expressed concern that frequent price adjustments have made the market unpredictable. International Trade Administration, *Country Commercial Guide: Japan – Pharmaceuticals*. Viewed at: <https://www.trade.gov/country-commercial-guides/japan-pharmaceuticals>.

¹³⁶ Japan Exchange Group (2021), "Publication of Revised Japan's Corporate Governance Code", 11 June. Viewed at: <https://www.jpx.co.jp/english/news/1020/20210611-01.html>.

¹³⁷ Japan Exchange Group, *Enhancing Corporate Governance*. Viewed at: <https://www.jpx.co.jp/english/equities/listing/cg/index.html>.

¹³⁸ METI, *Executive Summary: About the Revised CGS Guidelines*. Viewed at: https://www.meti.go.jp/policy/economy/keiei_innovation/keizaihousei/pdf/cgs/summary2022_en.pdf.

3.143. In July 2020, the METI published two new guidelines relating to corporate governance. The first one, Practical Guideline for Business Transformations, illustrates how to secure effective cooperate governance to promote business transformations for sustainable growth, consistent with the Corporate Governance Code.¹³⁹ This Guideline specifically focuses on three key players (management, board of directors, and investors) and explains their respective roles in undertaking business transformations. The second guideline, Practical Guidelines for Independent Directors, clarifies the expected role of outside directors in leading more substantial corporate governance reforms.¹⁴⁰

3.144. Japan's Voluntary Stewardship Code for Institutional Investors was revised in March 2020 (Section 4.4.1).

3.3.5 State trading, state-owned enterprises, and privatization

3.145. Japan keeps stakes in a few companies in telecommunications, financial services, railways, and airports, as well as in energy and leaf tobacco (Table 3.13).

3.146. During the review period, Japan notified a list of four state trading enterprises remaining operational according to the provisions of Article XVII:4(a) of the GATT 1994 and paragraph 1 of the understanding on the interpretation of Article XVII related to State Trading Enterprises.¹⁴¹

Table 3.13 Large state-owned enterprises, FY2021

Name/operation	Total asset value (JPY billion)	Total operating revenue (JPY billion)	Total operating profit before/after tax (JPY billion)	State/public authority shareholding
New Kansai International Airport Company Ltd Established in 2012 for the operation of Kansai International Airport and Itami Airport	2,141	54	7/0	100%
Narita International Airport Corporation Ltd Established in 2004 for the operation of Narita International Airport	1,225	82	-52/-52	100%
Nippon Telegraph and Telephone Corporation Owns all the shares issued by NTT East and NTT West. Required to ensure proper and stable provision of telecommunications services by these companies throughout Japan, including in remote rural areas, as well as to conduct research relating to telecommunications technologies	11,664	650	468/470	36.0%
Japan Post Holdings Co. Ltd Owns all the shares issued by Japan Post Co. Ltd	303,846	..	841/618	33.3%
Japan Finance Corporation	40,266	437	-387	100%
Japan Tobacco Inc. JT is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods	2,488	94	236	33.4%
Tokyo Metro Co. Ltd. Established in 2004 for operating and managing railway business in Tokyo area	1,813	307	-23/-13	53.4% Government of Japan and 46.6% Tokyo Metropolitan Government

.. Not available.

a Although not listed as "large" entities, companies such as Tokyo Metro Co. Ltd, Japan Petroleum Exploration Co. Ltd (JAPEX), INPEX Corporation (oil and gas exploration), and Japan Railway Construction, Transport and Technology Agency (JRJT) have operating revenues exceeding JPY 100 billion.

Source: Information provided by the authorities.

¹³⁹ METI, *Practical Guideline for Business Reconstruction*. Viewed at: <https://www.meti.go.jp/press/2020/07/20200731003/20200731003-1.pdf>.

¹⁴⁰ METI, *Practical Guideline Concerning the Role of Outside Directors*. Viewed at: <https://www.meti.go.jp/press/2020/07/20200731004/20200731004-1.pdf>.

¹⁴¹ Full details of the state trading enterprises that Japan notified to the WTO under Article XVII are provided in WTO document G/STR/N/18/JPN, 15 September 2020.

3.3.6 Government procurement

3.147. Japan's government procurement market has been estimated at more than JPY 95 trillion in 2020.¹⁴² According to the OECD, it represented 16.3% of GDP in 2019 (an increase of 0.2% compared to 2017), well above the OECD average (12.6%).¹⁴³ In 2019 procurement spending was mainly allocated to healthcare (44.4%), economic affairs (14.4%), and social protection (13.9%).¹⁴⁴

3.148. During the review period, the basic rules on government procurement remained unchanged. Central government entities, sub-central government entities, and public corporations follow their respective procedures, which are established by different laws and regulations due to their autonomous status. For the central government, the main laws and regulations include the Accounts Law of 1947 (last amended in 2019); the Cabinet Order Concerning the Budget, Auditing and Accounting of 1947 (amended once in 2020, and twice in 2021)¹⁴⁵; the Special Provisions for the Cabinet Order concerning the Budget, Auditing and Accounting of 1946; and the Regulations on the Management of Contract Administration (MOF Ordinance No. 52 of 1962).

3.149. The legal framework for sub-central government entities includes the Local Autonomy Law of 1947 (last amended in 2022)¹⁴⁶ and the Ordinance for Enforcement of the Local Autonomy Law of 1947 (last amended in 2022).¹⁴⁷ Procurement procedures followed by public corporations are set out in their accounting or internal statutes. Ministers who oversee public corporations are responsible for ensuring the consistency of their procurement activities with the internal rules. According to the authorities, there are no differences among the procedures applying to different categories of entities.

3.150. Japan maintains special procurement procedures for individual sectors, such as supercomputers (since 16 July 1987), non-R&D satellites (since 14 June 1990), computer products and services (since 20 January 1992), telecommunications products and services, and medical technology products and services (since 28 March 1994).¹⁴⁸ These procedures govern the procurement by central government entities and public corporations.

3.151. As a party to the WTO Agreement on Government Procurement (GPA 2012), Japan implements the GPA 2012 rules and other international agreements through (i) the Cabinet Order Stipulating Procedures for Government Procurement of Products or Specified Services (last amended on 9 February 2022 to remove provisions on accepting tenders by mail); (ii) the Cabinet Order Stipulating Procedures for Government Procurement of Products or Specified Services in Local Governments Entities (last amended on 23-24 December 2020 in response to the conclusion of the Japan-UK CEPA and the entry into force of the GPA 2012 in Switzerland); and (iii) the Ministerial Ordinance Stipulating Special Procedures for Government Procurement of Products or Specified Services. In 2021, Japan enhanced its coverage of central government entities by adding the newly established Digital Agency to its GPA 2012 schedule.¹⁴⁹

3.152. In addition to the market access commitments undertaken under the GPA 2012, Japan maintains various "voluntary measures", which are the outcome of bilateral negotiations with the United States in the past, to facilitate foreign suppliers' opportunities to access Japan's government procurement markets. These measures are applied at the multilateral level.¹⁵⁰

¹⁴² The size of the government procurement market is based on data from the OECD National Accounts Statistics database. Viewed at: <https://doi.org/10.1787/na-data-en>. According to the OECD, the value of the government procurement market is estimated using the sum of intermediate consumption, gross fixed capital formation, and social transfers in kind via market producers. Public corporations were excluded in this estimation. OECD (2021), *Government at a Glance 2021*. Viewed at: <https://www.oecd.org/gov/government-at-a-glance-22214399.htm>.

¹⁴³ OECD (2021), *Government at a Glance 2021*. Viewed at: <https://www.oecd.org/gov/government-at-a-glance-22214399.htm>.

¹⁴⁴ OECD (2021), *Government at a Glance 2021*. Viewed at: <https://www.oecd.org/gov/government-at-a-glance-22214399.htm>.

¹⁴⁵ According to the authorities, these amendments do not concern government procurement.

¹⁴⁶ According to the authorities, this amendment does not concern government procurement.

¹⁴⁷ According to the authorities, this amendment does not concern government procurement.

¹⁴⁸ WTO document WT/TPR/S/397/Rev.1, 6 November 2020.

¹⁴⁹ WTO document GPA/MOD/JPN/104, 17 June 2021.

¹⁵⁰ WTO document WT/TPR/S/351/Rev.1, 20 June 2017, Tables 3.23 and 3.24.

3.153. Open tendering, selective tendering, and limited (single) tendering remain the main procurement methods. Among the different procurement methods, open tendering is the basic procedure, and is used for most GPA-covered procurement by the central government entities (Table 3.14). Limited tendering constitutes the second-most-used procurement method in terms of number of contracts and procurement value (Table 3.8).¹⁵¹ The conditions and thresholds for selective tendering and limited tendering by the central government entities are stipulated in the Cabinet Order on Budgets, the Settlement of Accounts, and Accounting.¹⁵² For sub-central government entities, the conditions and thresholds for selective tendering and limited tendering are stipulated in the Ordinance for Enforcement of the Local Autonomy Law of 1947.¹⁵³

3.154. In response to the COVID-19 outbreak, Japan adopted several policies relating to government procurement. In the Emergency Response Package announced in 2020, flexible measures concerning the government procurement process have been adopted, including modification of delivery times and contract amounts, the quick disbursement to contractors, and a revision of the reference price for upcoming tenders.¹⁵⁴ In the same year, the Government declared a state of emergency in a number of prefectures, leading to the temporary suspension of regular procurement activities in several government entities such as the Japan Sports Council, Tokyo's Metropolitan Government, and the Tokyo Organising Committee of the Olympic and Paralympic Games.¹⁵⁵

Table 3.14 Value of government procurement in Japan, 2019-20

(JPY billion)

Year	Level	Total value of procurement (GPA-covered and non-covered)	GPA-covered procurement				
			Total value	Awarded under open and selective tendering		Awarded under limited tendering	
				Total value	Ratio	Total value	Ratio
2019	Central government	n.a.	1,837.17	1,335.82	72.7%	501.35	27.3%
	Sub-central government	n.a.	1,537.17	n.a.	n.a.	n.a.	n.a.
	Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

¹⁵¹ In 2020, 1,364 GPA-covered contracts, representing a value of SDR 2.69 billion, were awarded through single tendering, accounting for about one fifth of the contracts, or 23% of the total procurement value awarded by the central government entities.

¹⁵² During the review period, the threshold values for each method remained unchanged. See Chapter VII (Contracts), Section 3 (Contracts Under Selective Tender), Article 94 and Chapter VII (Contracts), Section 4 (Discretionary Contracts), Article 99 of the Cabinet Order on Budgets, the Settlement of Accounts, and Accounting (unofficial translation). Viewed at: https://www.japaneselawtranslation.go.jp/en/laws/view/2970#je_ch1sc3at1.

¹⁵³ According to Chapter V (Finance), Section 6 (Contracts), Article 167-2 (Discretionary Contracts) of the Ordinance for Enforcement of the Local Autonomy Law of 1947, limited tendering can only be used under certain circumstances. For example, a sub-central government entity can use limited tendering when the value of the contract does not exceed the following levels: For contracts for construction or manufacturing, either (i) JPY 2.5 million or (ii) JPY 1.3 million; for purchases of assets, either (i) JPY 1.6 million or (ii) JPY 800,000; for the borrowing of an object, either (i) JPY 800,000 or (ii) JPY 400,000; for selling off of assets, either (i) JPY 500,000 or (ii) JPY 300,000; for lending out an object, JPY 300,000; and for other contracts, either (i) JPY 1 million or (ii) JPY 500,000. The aforementioned values under (i) refer all prefectural governments entitled "To", "Do", "Fu", and "Ken", and all designated cities entitled "Shiteitoshi", while the values under (ii) refer to cities other than those under (i). Viewed at: https://elaws.e-gov.go.jp/document?lawid=322CO000000016_20220224_504CO0000000046&keyword=%E5%9C%B0%E6%96%B9%E8%87%AA%E6%B2%BB%E6%B3%95.

¹⁵⁴ OECD, *Stocktaking Report on Immediate Public Procurement and Infrastructure Responses to COVID-19: Country Factsheet: Japan*. Viewed at: <https://www.oecd.org/coronavirus/policy-responses/stocktaking-report-on-immediate-public-procurement-and-infrastructure-responses-to-covid-19-248d0646/#section-d1e4071>.

¹⁵⁵ EU-Japan Centre for Industrial Cooperation, *Japanese Government Entities Suspended Procurement Due to COVID-19 State of Emergency*, 13 April 2020. Viewed at: <https://www.eu-japan.eu/news/japanese-government-entities-suspend-procurement-due-covid-19-state-emergency>.

Year	Level	Total value of procurement (GPA-covered and non-covered)	GPA-covered procurement				
			Total value	Awarded under open and selective tendering		Awarded under limited tendering	
				Total value	Ratio	Total value	Ratio
2020	Central government	n.a.	1,796.43	1,383.24	77.0%	413.19	23.0%
	Sub-central government	n.a.	4,321.83	n.a.	n.a.	n.a.	n.a.
	Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

n.a. Not applicable.

Note: The value of central government procurement in 2019 is converted from JPY to SDR at the exchange rate of SDR 1 = JPY 153.295 as reported in WTO document GPA/THR/JPN/1, 7 February 2018. The value of central government procurement in 2020 is converted from JPY to SDR at the exchange rate of SDR 1 = JPY 153.430 as reported in WTO document GPA/THR/JPN/2, 12 February 2020. Japan does not collect statistics on contracts by its Annex 3 procuring entities ("other entities" under the GPA 2012). The statistics of Japan for 2021 will be reported to the Committee on Government Procurement in April 2023.

Source: Japan's notifications of statistics under Article XVI:4 of the GPA 2012 (WTO documents GPA/STAT(20)/JPN/1, 28 April 2022; and GPA/STAT(19)/JPN/1, 7 April 2021).

Foreign participation

3.155. The principle of non-discrimination is pursued in all procurement activities except for preferences granted under RTAs to which Japan is a party. There are currently no RTAs in force that grant suppliers from non-GPA parties treatment more favourable than suppliers from GPA parties. Suppliers from non-GPA parties are not excluded from participating in GPA-covered procurement. However, there has been concern over the apparently low share of foreign companies in government procurement; it seems that this is partly due to non-regulatory barriers, the geographical distance from certain overseas markets, and a lack of knowledge of the local market.¹⁵⁶ Foreign participation in central government entities' and incorporated administrative agencies' (IAAs, some of which are listed as Annex 3 entities under Japan's GPA 2012 commitments) procurement is described in Tables 3.15 and 3.16.

Table 3.15 Foreign participation in central government and IAA procurement, 2019-20

Year	Relative foreign share of procurement value	Relative foreign share of number of contracts awarded
2019	2.4%	2.4%
2020	3.6%	3.7%

Note: The survey covered procurement of goods and services above the threshold of SDR 100,000 and excluded procurement of construction services and procurement by sub-central government entities.

Source: *2019 and 2020 Government Procurement Results*. Viewed at: <https://www.kantei.go.jp/jp/kanbou/02tyoutatu/dai2/dai2honbun.pdf> and <https://www.cas.go.jp/jp/seisaku/chotatsu/dai8/siryou2.pdf>.

¹⁵⁶ EU-Japan Centre for Industrial Cooperation, *Public Procurement in Japan: An Outline*. Viewed at: <https://www.eu-japan.eu/government-procurement/public-procurement-japan-outline>.

Table 3.16 Awards to foreign suppliers by origin, 2019-20

Year		Number of contracts	Value (JPY 100 million)
2019	United States	169	252.7
	European Union	179	310.4
	Others	33	55.0
	Total	381	618.2
2020	United States	284	480.1
	European Union	256	407.8
	Others	54	88.7
	Total	594	976.6

Note: The survey covered procurement of goods and services above the threshold of SDR 100,000 and excluded procurement of construction services and procurement by sub-central government entities.

Source: 2019 and 2020 Government Procurement Results. Viewed at: <https://www.kantei.go.jp/jp/kanbou/02tyoutatu/dai2/dai2honbun.pdf> and <https://www.cas.go.jp/jp/seisaku/shotatsu/dai8/siryou2.pdf>.

3.156. Tables A3.2 and A3.3 detail foreign participation in Japan's government procurement, in value terms, by type of product and service, in 2019 and 2020. Foreign participation shares were relatively high in certain categories of goods, including aircraft and associated equipment; medical, dental, surgical, and veterinary equipment; products from agriculture, and from agricultural and food processing; railway vehicles and associated equipment; and scientific and controlling instruments and apparatus.

Sustainable procurement

3.157. Japan maintains a government procurement policy to promote environmental protection. During the review period, two revisions of the Basic Policy on Promoting Green Procurement (the implementation rules concerning the Green Procurement Act¹⁵⁷) were notified to the WTO Committee on Government Procurement.¹⁵⁸ The implementation rules concerning the Green Contract Act¹⁵⁹, namely the Basic Policy for the Promotion of Contracts considering Reduction of Emissions of Greenhouse Gases and Others by Government Entities and Independent Administrative Agencies, etc., were also revised in February 2022.¹⁶⁰ Major changes include adding the 2050 Carbon Neutrality Declaration and the 2030 Greenhouse Gas Emission Reduction Target (reduced by 46% from its 2013 level), updating the status of climate change and global warming issues, and revising the government action plan.

Small and medium-sized enterprises

3.158. Japan also maintains policies to promote the participation of SMEs in government procurement. The relevant guiding legislation is the Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium Sized Enterprise Operators (Act No. 97 of 1966), which remained unchanged during the review period.¹⁶¹ According to this Act, the central government and public corporations set their own procurement target values for the procurement from SMEs every fiscal year. In 2021, the target amount for the procurement from micro, small, and medium-sized enterprises (MSMEs) by the Government was set at JPY 4.8 trillion, or 61% of the total budget of public procurement spending and the target amount for new MSMEs that are less

¹⁵⁷ Green Procurement Act. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/2719>.

¹⁵⁸ WTO documents GPA/LEGIS/JPN/3, 25 January 2021; and GPA/LEGIS/JPN/4, 15 April 2021. The last revision as of February 2022 strengthened the standards for recycled plastics and biomass plastics and added three new items: cassette for tape printer, tape for tape printer, and faucets. Ministry of the Environment, *Basic Policy on Promoting Green Procurement (Provisional Translation)*. Viewed at: http://www.env.go.jp/policy/hozen/green/g-law/archive/bp/r3bp_en.pdf.

¹⁵⁹ Green Contract Act. Viewed at: <https://www.japaneselawtranslation.go.jp/en/laws/view/2726>.

¹⁶⁰ Basic Policy on Green Contracts (February 2022). Viewed at: <http://www.env.go.jp/policy/ga/kihonhoushin.html>.

¹⁶¹ Act on Ensuring the Receipt of Orders from the Government and Other Public Agencies by Small and Medium Sized Enterprise Operators. Viewed at: <https://elaws.e-gov.go.jp/document?lawid=341AC0000000097>.

than 10 years old was set at 3%.¹⁶² Sub-central government entities follow the policies set up for the central government entities on an "endeavour basis".¹⁶³

Domestic review procedures

3.159. Complaints filed by suppliers are reviewed by the Government Procurement Review Board (GPRB).¹⁶⁴ During the review period, a single complaint was brought against the tendering process conducted by the National Institute of Information and Communications Technology and was subsequently rejected by the GPRB on 24 August 2021.¹⁶⁵ Sub-central government entities maintain their own procurement review mechanisms. According to the State Redress Act (Act No. 125 of 1947), a supplier can file a lawsuit against the Government to seek compensation for loss that a public officer in charge of a tendering procedure has, in the course of their duties, unlawfully caused to the supplier intentionally or negligently.¹⁶⁶

Transparency

3.160. Japan publishes procurement notices in the Official Gazette, *Kanpo* (available on both paper and electronic media), and its equivalents at the sub-central level.¹⁶⁷ While there is no single web portal covering all procurement notices¹⁶⁸, notices covered by the GPA 2012 can be found in the electronic database of JETRO.¹⁶⁹ This database covers information on procurement by central government entities, sub-central government entities, government-designated cities, and IAAs. Its English version contains only certain types of summary notices, such as notices of intended procurement, notices on the use of limited (single) tendering procedures, and notices of future procurement plans. In 2018, Japan launched the Chotatsu Portal to replace the Government Electronic Procurement System (GEPS).¹⁷⁰ This new portal includes a search function for tender notices and allows suppliers to apply for the Unified Supplier Qualification, consult tender notices, and participate in electronic tendering procedures for central government entities. Sub-central government entities have developed their own tendering platforms.¹⁷¹

International cooperation

3.161. Many of the RTAs signed between Japan and its trade partners contain chapters on government procurement.¹⁷² During the review period, two more agreements with government procurement chapters were signed and subsequently came into force: the Japan-UK CEPA¹⁷³ and the RCEP.¹⁷⁴ Notably, while Japan's schedules under the Japan-UK CEPA are built on its GPA 2012 commitments, the coverage of procurement under the former is further expanded to include more local government and other entities (including Kumamoto-shi and local independent administrative agencies), broader scope of applicable goods and services (such as goods and services related to the operational safety of transportation, and telecommunications-related services), and lower procurement thresholds. In addition, a number of GPA-plus provisions, including mandatory

¹⁶² In 2020, the target amount for the procurement from MSMEs was set at 60% (JPY 4.7 trillion) and the actual result was 55.5% (5.2 trillion). Viewed at: <https://www.meti.go.jp/press/2021/09/20210924004/20210924004.html>.

¹⁶³ Act No. 97 of 1966, Article 8.

¹⁶⁴ WTO document WT/TPR/S/397/Rev.1, 6 November 2020. More information on the Government Procurement Challenge System (CHANS) can be viewed at: https://www5.cao.go.jp/access/english/chans_main_e.html.

¹⁶⁵ Cabinet Office, *Public Release of Status of Receipt and Review of Complaints*. Viewed at: <https://www5.cao.go.jp/access/english/shori-e.html>.

¹⁶⁶ ICLG, *Public Procurement Laws and Regulations: Japan 2022*. Viewed at: <https://iclg.com/practice-areas/public-procurement-laws-and-regulations/japan>.

¹⁶⁷ *Kanpo* can be accessed at: <https://kanpou.npb.go.jp>. Notices of GPA Annex 3 entities are published on their respective websites. Viewed at: http://www.mofa.go.jp/mofaj/ecm/it/page24_000219.html.

¹⁶⁸ The list of procurement notice portals with brief descriptions can be viewed at: <https://www.eu-japan.eu/government-procurement/tender-monitoring-informations/tender-notice-portals#top-j>.

¹⁶⁹ JETRO procurement database. Viewed at: <https://www.ietro.go.jp/en/database/procurement/>.

¹⁷⁰ Chotatsu Portal. Viewed at: <https://www.p-portal.go.jp>.

¹⁷¹ For public works at the sub-central level, the CALS/EC platform is widely used for electronic bidding procedures. MLIT, *Reform of Public Works by IT: CALS/EC*. Viewed at: https://www.mlit.go.jp/tec/it/cals/panf/CALS_E.pdf.

¹⁷² WTO document WT/TPR/S/351/Rev.1, 20 June 2017.

¹⁷³ MOFA, *Japan-UK CEPA*. Viewed at: <https://www.mofa.go.jp/files/100111408.pdf>. The additional scope of coverage (Part 2 of Annex 10) is available at: <https://www.mofa.go.jp/files/100111412.pdf>.

¹⁷⁴ MOFA, *Chapter 16: Government Procurement*. Viewed at: <https://www.mofa.go.jp/files/100129122.pdf>.

publication of procurement notices by electronic means and requirements regarding the application of environmentally friendly technical specifications and environmental conditions for contract performance, are included in the Japan-UK CEPA.

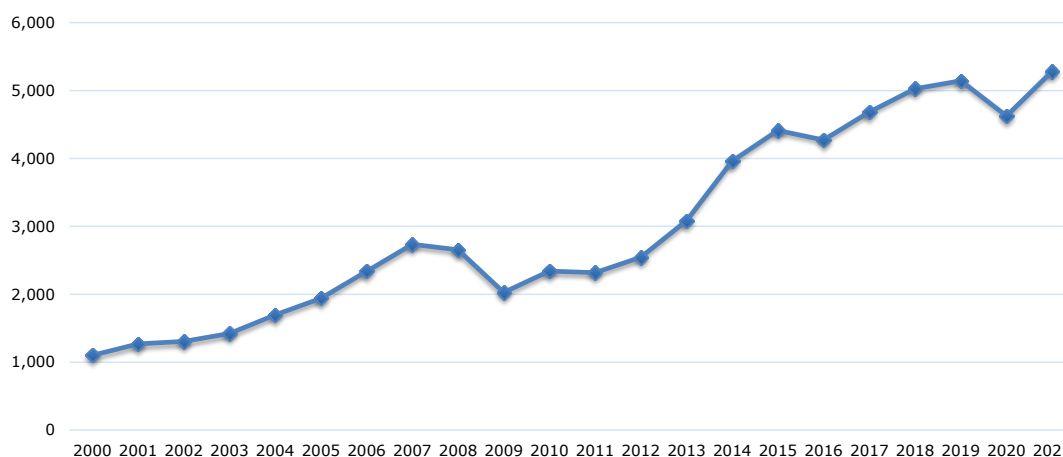
3.3.7 Intellectual property rights

3.3.7.1 Features and IP strategy

3.162. IP continues to be of vital importance to the Japanese economy. The Japan Patent Office (JPO) under the METI found a correlation between patent possession and operating profits on sales for SMEs, which account for 99.7% of all businesses in Japan.¹⁷⁵ Although IP revenue, as shown in the balance of payments statistics, dropped with the emergence of the COVID-19 pandemic in 2020, it recovered in 2021, where it stood at over JPY 5.2 trillion (Chart 3.5).

Chart 3.5 IP revenue, 2000-21

(JPY billion)



Source: Bank of Japan. Viewed at: http://www.stat-search.boj.or.jp/index_en.html.

3.163. According to OECD analysis of WTO international trade statistics, charges for the use of IP not included elsewhere (i.e. royalties and licensing revenue) constituted 23% of Japan's services exports in 2019, significantly higher than the OECD average of 9%.¹⁷⁶ Japan's balance of payments surplus in charges for the use of IP declined from JPY 2.6 trillion in 2018 to JPY 2.0 trillion in 2021 (Chart 3.6), influenced by increasing outflows for the use of copyright works and the negative impact of the COVID-19 pandemic on technology exports. World Bank data show that in 2021 Japan ran the fifth-highest surplus in the world.¹⁷⁷

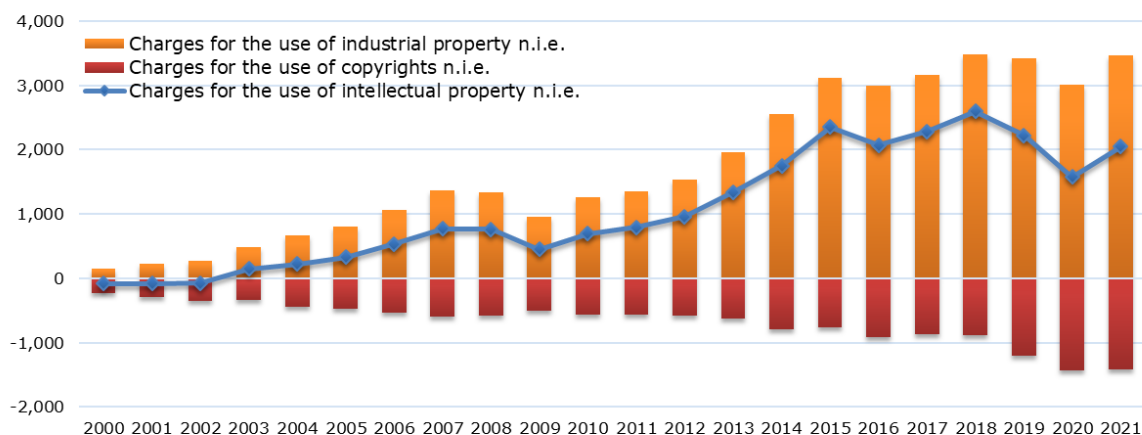
¹⁷⁵ JPO (2020), *IP Support for SMEs in Japan*. Viewed at: https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ip_tyo_20/wipo_ip_tyo_20_t_2-related1.pdf. Intervention by Japan, Meeting of the Council for TRIPS of 19 October 2017.

¹⁷⁶ OECD (2021), *OECD Economic Surveys: Japan 2021*, Figure 2.10, p. 16. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-japan-2021_24b2cbe6-en.

¹⁷⁷ World Bank, *World Development Indicators*, 20 July 2022. Viewed at: <https://data.worldbank.org/indicator/BM.GSR.ROYL.CD>.

Chart 3.6 Charges for the use of IP, n.i.e., 2000-21

(JPY billion)



Source: Bank of Japan. Viewed at: http://www.stat-search.boj.or.jp/index_en.html.

3.164. Developing earnings from intangible IP assets is a key element of the Government's long-term growth strategy. The Intellectual Property Strategy Headquarters' 2018 IP Strategy Vision¹⁷⁸ continues to offer medium- to long-term guidance on Japan's annual IP strategic programmes and the MAFF's five-year Intellectual Property Strategy 2025.¹⁷⁹ Japan's Intellectual Property Strategic Program 2021 identified an "imminent need to radically strengthen Japan's IP strategy activities" to boost competitiveness and address a variety of social issues.¹⁸⁰ According to the Government, these priorities were set with the intention of positioning Japan to leverage and demonstrate its innovation capacity amid a global race for economic and social transformation based on digitalization and green policies.¹⁸¹ It would appear that there is a clear link between the 2018 IP Strategy Vision, the annual IP strategic programmes of 2019-2021, various agency initiatives described below, and the modifications made to Japan's IP laws during the review period.

3.3.7.2 Policies on promotion and commercialization of innovation

3.165. Japan's ranking in the World Intellectual Property Organization's (WIPO) Global Innovation Index fluctuated between 13th and 16th from 2017 to 2022.¹⁸² Japan scored highly in business sophistication, market sophistication, and knowledge and technology outputs, among the seven pillars of WIPO's 2022 assessment. Scores in institutions, creative outputs, and human capital and research lowered its overall rank. Its strengths included patent-related measurements and IP receipts and payments as a percentage of total trade; relative weaknesses included labour productivity growth, FDI inflows as a percentage of GDP, and education expenditures as a percentage of GDP.¹⁸³

¹⁷⁸ Prime Minister's Office of Japan (2018), *Intellectual Property Strategy Vision: Towards a "Value Design Society"*, 12 June. Viewed at: https://www.kantei.go.jp/jp/singi/titeki2/kettei/chizai_vision_e.pdf.

¹⁷⁹ MAFF, IP Strategy of the MAFF. Viewed at: https://www.maff.go.jp/j/kanbo/tizai/brand/b_senryaku/; and Cabinet Office, *Intellectual Property Strategy Headquarters*. Viewed at: https://www.kantei.go.jp/translate.goog/jp/singi/titeki2/index.html?x_tr_sl=ja&x_tr_tl=en&x_tr_hl=en&x_tr_pto=sc.

¹⁸⁰ It prioritized (i) strengthening capital and financial markets to encourage investment in and use of IP; (ii) promoting the strategic use of standards to expand markets where Japan has an advantage; (iii) improving the environment for data usage; (iv) a digital content strategy, including integrated rights management; (v) bolstering the use of IP among start-ups and SMEs and in agriculture; and (vi) restructuring the "Cool Japan" strategy to reinvigorate food service, tourism, culture and the arts, and events and entertainment sectors. Prime Minister's Office of Japan (2021), *Intellectual Property Strategic Program 2021*, p. 14. Viewed at: https://www.kantei.go.jp/jp/singi/titeki2/kettei/chizaikaku20210713_e.pdf.

¹⁸¹ Prime Minister's Office of Japan (2021), *Intellectual Property Strategic Program 2021*. Viewed at: https://www.kantei.go.jp/jp/singi/titeki2/kettei/chizaikaku20210713_e.pdf.

¹⁸² WIPO, *Global Innovation Index 2021*, Figure 8. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000-section3.pdf.

¹⁸³ WIPO, *Global Innovation Index 2022: Japan*. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000_2022/jp.pdf.

3.166. Japan has attributed sluggish R&D investment, corporate focus on tangible assets, and inadequate financing for innovation as factors that have led to its lower level of innovative activity relative to comparable economies. Japan's gross annual expenditure on R&D peaked in FY2019 at JPY 19.58 trillion, before declining to JPY 19.24 trillion in FY2020. As a percentage of GDP, its R&D expenditure has increased since 2016, and stood at 3.59% in FY2020.¹⁸⁴ A lower percentage of Japan's total R&D is government-financed, compared with comparable economies. Japan hopes that 2021 revisions to the Corporate Governance Code will motivate companies to proactively invest in and leverage their IP, free from conventional business models.¹⁸⁵

3.167. The Government has noted decreases in Japan's basic research capacity.¹⁸⁶ Japan's national scheme for scientific research and technology development is governed by five-year Science, Technology, and Innovation Basic Plans, which are based upon the Science, Technology, and Innovation Basic Law. The Basic Law was amended during the review period to add "innovation" as a key pillar. Accordingly, the 6th Basic Plan, promulgated in 2021, did the same. The 6th Basic Plan aims for, *inter alia*, government R&D investments of approximately JPY 30 trillion and public and private R&D investment of JPY 120 trillion; strategic use of IP and standards, domestically and internationally, to resolve social issues and capture international markets; an innovation ecosystem that is the foundation of new value-sharing industries; and strengthening research capabilities through new research systems that promote university reform and open science and data-driven research. It also calls for the promotion of public-private partnerships in fields where the Government has existing sectoral strategies: AI, biotechnology, quantum technology, and materials, to be applied in the fields of environment and energy, safety and security, health and medical care, space, ocean, food, agriculture, forestry, and fisheries.¹⁸⁷ The Integrated Innovation Strategy 2021 set forth the first annual action plan for the 6th Basic Plan, followed by the Integrated Innovation Strategy 2022.¹⁸⁸

3.168. In May 2022, the Diet passed the Act for the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures. The Act, to be fully implemented within two years, calls for a system to support the development of advanced critical technologies, which may include quantum and AI technologies for domains such as maritime and aerospace, as well as a system for "non-disclosure of selected patent applications" akin to those in most other G20 economies.¹⁸⁹ Patent applications covering inventions that, if made public, would likely impair national security and public safety due to external action will be initially reviewed by the JPO and then by the Cabinet Office. If the invention is designated, the publication of the application and the examiner's decision will be suspended, and designated inventions will be subject to restrictions on working and disclosure. After the designation is terminated, normal patent procedures will resume. Applicants are to be compensated by the Government for "normally occurring" losses. Those who leak undisclosed information of designated inventions will be subject to a maximum of two years in prison or a JPY 1 million fine.¹⁹⁰

3.169. The JPO, in collaboration with other agencies and the National Center for Industrial Property Information and Training (INPIT), continues to offer the resources, programmes, fee reductions, exemptions, and subsidies designed to support the registration and commercialization of

¹⁸⁴ Statistics Bureau of Japan, *Summary of Results (2021): Results of the Survey of Research and Development*. Viewed at: <https://www.stat.go.jp/english/data/kagaku/1548.html#:~:text=Japan's%20total%20expenditure%20on%20R%26D,from%20the%20previous%20fiscal%20year>.

¹⁸⁵ Prime Minister's Office of Japan (2021), *Intellectual Property Strategic Program 2021*, p. 15. Viewed at: https://www.kantei.go.jp/jp/singi/titeki2/kettei/chizaikeikaku20210713_e.pdf.

¹⁸⁶ Government of Japan (2021), *Science, Technology, and Innovation Basic Plan*, pp. 9-10, and 53. Viewed at: https://www8.cao.go.jp/cstp/english/sti_basic_plan.pdf.

¹⁸⁷ Government of Japan (2021), *Science, Technology, and Innovation Basic Plan*. Viewed at: https://www8.cao.go.jp/cstp/english/sti_basic_plan.pdf.

¹⁸⁸ Government of Japan, *Integrated Innovation Strategy 2021*. Viewed at: https://www8.cao.go.jp/cstp/english/strategy_2021.pdf; and Japan Cabinet Office, Council for Science, Technology and Innovation. Viewed at: <https://www8.cao.go.jp/cstp/english/index.html>.

¹⁸⁹ Cabinet Office, Working Group on Non-disclosure of Selected Patent Applications (in Japanese). Viewed at: https://www.cas.go.jp/jp/seisaku/keizai_anzen_hosyohousei/dai2/siryou10.pdf.

¹⁹⁰ *Japan Times* (2022), "Japan Passes Economic Security Bill to Guard Sensitive Technology", 11 May. Viewed at: <https://www.japantimes.co.jp/news/2022/05/11/business/japan-passes-economic-security-bill-protect-sensitive-technology/>; and *Global Compliance News* (2022), "Japan: New Act on the Promotion of Japan's Economic Security Enacted", 10 July. Viewed at: <https://www.globalcompliancencews.com/2022/07/10/new-act-on-the-promotion-of-japans-economic-security-enacted240622/>.

technologies developed by universities, SMEs, and start-ups discussed in the previous Review.¹⁹¹ JETRO also continues to offer support abroad through its Innovation Program and Global Acceleration Hubs.¹⁹² In an effort to promote the registration and use of trademarks among SMEs, the JPO published a guide to trademark rights for a non-expert audience based upon SME case examples.¹⁹³ As part of its IP finance promotion project¹⁹⁴, the JPO engages affiliate research firms to evaluate and prepare valuation and business proposal reports for IP-based SMEs for submission to financial institutions to help them understand the business and growth potential of IP assets.

3.170. In late 2021, the JPO launched the Action Plan for Utilization of Intellectual Property by Small and Medium Enterprises and Startups¹⁹⁵ with the Small and Medium Enterprise Agency (SMEA), and the Action Plan for Utilization of Intellectual Property by Universities¹⁹⁶ with the Industrial Science and Technology Policy and Environment Bureau of the METI. In addition to reinforcing interagency cooperation and collaboration among SME support institutions, the plans call to enhance INPIT's prefecture-based Comprehensive IP Support Service Counters; expand the IP Acceleration Program for Startups and the IP Strategy Designer Dispatch Project (DDP)¹⁹⁷; and establish a new Industry-University Collaboration/Startup Advisor project as well as subsidies for overseas patent filings for university start-ups.¹⁹⁸

3.171. Since 2019, the JPO has dispatched "IP strategy designers" through the DDP to collaborate with researchers, industry, and university administrators to discover dormant research results ripe for implementation and to develop IP commercialization strategies for nascent research projects. In 2021, the knowledge gained over the prior three years was collected and published as the Manual for Social Implementation of University Research Results. The Manual offers guidance on (i) invention discovery; (ii) formulation of patent application strategy; and (iii) commercializing IP through an industry partnership or a university start-up.

3.172. In 2021, patent applications filed in Japan by smaller entities made up approximately 17.5% of total applications, compared with 0.3% in 2016.¹⁹⁹ The number of applications filed by universities and technology licensing organizations (TLOs) gradually trended upward in the past decade, peaking in 2019 at 7,608 before decreasing in 2020 and partially recovering in 2021.²⁰⁰ The University Network for Innovation and Technology Transfer's most recent annual survey revealed that university, TLO, and public research institute licensing revenues continued to grow during the review period, from JPY 3 billion in FY2016 to JPY 4.2 billion in FY2019. However, the percentage of surveyed institutions that launched a start-up – 36.6% in FY2019 – remains well below the 87.7% rate among analogous institutions in the United States, where universities drive the innovation economy.²⁰¹

3.173. The JPO is continuing to adapt to the Fourth Industrial Revolution and the impact of Big Data, AI technologies, and the Internet of Things (IoT).²⁰² In 2020, it reported on the status of patent

¹⁹¹ JPO, *Status Report 2022*, pp. 108-110. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>; and WTO document WT/TPR/S/397/Rev.1, 9 November 2020, paras. 3.187-3.189.

¹⁹² JETRO, *Innovation Program*. Viewed at: <https://www.jetro.go.jp/services/innovation.html>; and JETRO, Global Acceleration Hub. Viewed at: <https://www.jetro.go.jp/theme/innovation/gahub/>.

¹⁹³ WTO document IP/C/M/94/Add.1, 16 April 2020, para. 288.

¹⁹⁴ See also IP Finance Portal. <https://chizai-kinyu.go.jp/>.

¹⁹⁵ METI, *Formulation of an Action Plan to Promote the Utilization of Intellectual Property by SMEs and Start-ups*. Viewed at: <https://www.meti.go.jp/press/2021/12/20211227002/20211227002.html>.

¹⁹⁶ METI, *Action Plan for Utilizing University Intellectual Property*. Viewed at: https://www.meti.go.jp/policy/innovation_corp/daigaku_chizaikatsuyou_actionplan.html.

¹⁹⁷ IP Strategy Designer Dispatch. Viewed at: <https://ip-designer.jp/>.

¹⁹⁸ JPO, New Year Greetings 2022 – MORI Kiyoshi, JPO Commissioner. Viewed at: <https://www.jpo.go.jp/e/introduction/message/2022newyear.html>; and Mondaq, Sononda & Kobayashi IP Law (2022), *Worldwide: IP News Bulletin for Japan and China – May 2022*. Viewed at: <https://www.mondaq.com/patent/1202488/ip-news-bulletin-for-japan-and-china-may-2022>.

¹⁹⁹ H. Lee, et al. (2022), "Life Sciences IP Trends from Japan, Korea and China", *Managing IP*, 29 March.

²⁰⁰ JPO, *JPO Status Report 2022*, p. 17. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0101.pdf>.

²⁰¹ UNITT, *Summary of University Technology Transfer Survey 2020 Edition*. Viewed at: <https://unitt.jp/survey/patent/>. See also AUTM Licensing Activity Surveys. Viewed at: <https://autm.net/surveys-and-tools/surveys/licensing-survey/2020-licensing-survey>.

²⁰² JPO, *Status Report 2022*, p. 56. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

applications for AI-related inventions both in Japan and overseas.²⁰³ In 2021, the JPO launched a new Team for Supporting AI Examinations, following the 2017 establishment of an IoT Examination Team.²⁰⁴ Also in 2021, the JPO published AI/IoT examination guidelines in *manga* format, with some chapters available in video format, in an effort to appeal to non-patent specialists²⁰⁵, and updated a comparative study with the European Patent Office on examination practices for software-related inventions, including AI-related inventions.²⁰⁶ The JPO also seeks to harness AI technology for its own purposes: in 2022 it adopted a second six-year Action Plan for the Utilization of AI Technology to improve the efficiency and quality of its work.

3.174. With standard essential patents (SEPs) playing an increasing and ever complex role in IoT innovation, the JPO developed and compiled relevant resources on a dedicated SEP portal.²⁰⁷ In 2022, it launched a revised second edition of its non-binding Guide to Licensing Negotiations Involving SEPs, incorporating information learned from various studies it undertook of domestic and overseas SEP developments.²⁰⁸ The METI has also developed SEP-related guidance. In 2020, the METI released a Guide to Fair Value Calculation of SEPs for Multi-Component Products, and in 2022, Good Faith Negotiation Guidelines for SEP Licenses.²⁰⁹ Reportedly, only a few stakeholders have filed petitions seeking an advisory opinion on the essentiality of a patent under the JPO's *Hantei* for essentiality check, and the JPO has yet to issue any opinions.²¹⁰ Relatedly, Japan has not been a major destination for global SEP litigation, although this could change as car makers increasingly employ mobile technology.²¹¹

3.3.7.3 International cooperation and harmonization

3.175. Japan pursues enhanced standards of IP protection with its trading partners in various multilateral fora, including WIPO, UPOV²¹², the G7 and G20, APEC, and the OECD, in addition to the WTO.²¹³ At WIPO, Japan finances and supports IP development activities in developing and least-developed countries through annual voluntary contributions exceeding CHF 5.8 million to Funds-in-Trust Japan IP Global.²¹⁴ It also supports the development of WIPO-CASE global dossier information sharing system and became a partner of WIPO GREEN in 2020. Japan also facilitates the establishment and implementation of plant variety protection systems in Asia through the East Asia Plant Variety Protection Forum.²¹⁵ At the WTO, Japan is a dynamic participant in the TRIPS Council, where it actively engages in topics including IP and innovation, IP and the public interest, and

²⁰³ JPO, *Status Report 2021*, pp. 60-61. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2021/document/index/all.pdf>.

²⁰⁴ METI (2021), *Development of Examination Environment for AI-related Inventions Starts*. Viewed at:

https://www.meti.go.jp/english/press/2021/0120_002.html.

²⁰⁵ JPO, *Examination Guidelines in Manga: AI/IoT Edition*. Viewed at:

https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/comic_ai_iot_e.html.

²⁰⁶ EPO and JPO (2021), *Comparative Study on Computer Implemented Inventions/Software Related Inventions*. Viewed at: https://www.jpo.go.jp/news/kokusai/epo/document/software_201903/01_en.pdf.

²⁰⁷ JPO, *Standard Essential Patents Portal Site*. Viewed at:

https://www.jpo.go.jp/e/support/general/sep_portal/. SEPs cover technologies that are essential to implement standards in fields such as wireless communications.

²⁰⁸ JPO (2022), *Guide to Licensing Negotiations Involving Standard Essential Patents*. Viewed at:

<https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/document/rev-seps-tebiki/guide-seps-en.pdf>.

²⁰⁹ METI (2020), *Guide to Fair Value Calculation of Standard Essential Patents for Multi-Component Products*. Viewed at:

https://www.meti.go.jp/policy/mono_info_service/mono/smart_mono/sep/200421sep_fairvalue_hp_eng.pdf;

and METI (2022), "Good Faith Negotiation Guidelines for Standard Essential Patent Licences' Established", 31 March. Viewed at: https://www.meti.go.jp/english/press/2022/0331_001.html.

²¹⁰ S. Sarkar (2022), "JPO Must Stay Neutral in Its SEP Policy Review, Urge Sources", *Managing IP*, 27 January. Viewed at: <https://www.managingip.com/article/2a5d0ozy2bahhktnda80/jpo-must-stay-neutral-in-its-sep-policy-review-urge-sources>.

²¹¹ T. Abe (2021), "The Strategic Acquisition and Utilisation of SEPs: Reviewing Japan's IP Promotion Plan 2021", *Managing IP*, 26 July. Viewed at: <https://www.managingip.com/article/2a5czh91q6c8zwx9ino5c/the-strategic-acquisition-and-utilisation-of-seps-reviewing-japans-ip-promotion-plan-2021>.

²¹² International Union for the Protection of New Varieties of Plants.

²¹³ MOFA IP Affairs Division, *MOFA's Initiatives to Promote Protection of Intellectual Property Rights*. Viewed at: <https://www.mofa.go.jp/files/000228532.pdf>.

²¹⁴ WIPO, *Funds-in-Trust Japan Industrial Property Global*. Viewed at:

https://www.wipo.int/cooperation/en/funds_in_trust/japan_fitip_global/index.html.

²¹⁵ WTO document IP/C/R/TC/JPN/2, 23 September 2021; and EAPVP Forum, *About Forum*. Viewed at: <http://eapvp.org/about/>.

proposals related to the COVID-19 pandemic. It also supports transparency in its domestic system of IP protection and the review function of the TRIPS Council by routinely notifying legislative changes and reporting on its implementation of Article 66.2 and technical and financial cooperation activities. Japan has yet, however, to update its 1997 responses to the Checklist of Issues on Enforcement.²¹⁶

3.176. Japan pursues higher levels of IP protection among its trading partners through a range of regional and bilateral agreements, including the UK-Japan CEPA and the RCEP. It is also negotiating a Japan-China-Republic of Korea FTA, as well as an EPA with Türkiye that may address IP. Japan also promotes IP harmonization and efforts to facilitate the establishment and protection of rights through MoUs, high-level dialogues, partnerships, and consultations at various levels.²¹⁷

3.177. The JPO seeks to harmonize IP systems and their operation through various collaborative efforts with like-minded foreign counterparts, including Group B+²¹⁸; the IP5²¹⁹ and its sister fora, the ID5 (designs) and TM5 (trademarks); the Patent Prosecution Highway (PPH) and Global PPH²²⁰; a US-Japan Collaborative Search Pilot Programme wherein examiners of each office share independently conducted prior art searches when a patent has been applied for in both countries²²¹; and a comparative study with the European Patent Office on examination practices for software-related inventions, including IoT, AI, and 3D printing technologies.²²²

3.178. The JPO also supports the development of IP systems in emerging and developing countries by collaborating with ASEAN, the African Regional Intellectual Property Organization, African Intellectual Property Organization (OAPI)²²³, the Gulf Cooperation Council, and IP offices of Japan's trading partners. Recent initiatives include PPH Plus and Cooperation for Facilitating Patent Grant (CPG).²²⁴ The JPO also regularly provides training courses to IP office personnel; dispatches on-site experts, including international training instructors in patent examination; and conducts or participates in online information-sharing sessions, particularly on examination practices for emerging technologies and AI-related inventions, the significance of IP to SMEs and start-ups, and anti-counterfeiting measures.

3.179. Similarly, the Copyright Division of the Agency for Cultural Affairs (ACA) supports overseas copyright systems and anti-piracy efforts through bilateral consultations, training programmes for government officials, copyright awareness campaigns, and seminars and symposia.²²⁵ Japan also undertakes IP training initiatives in cooperation with WIPO and the Japan International Cooperation

²¹⁶ WTO document IP/N/6/JPN/1, 18 February 1997.

²¹⁷ JPO, *Status Report 2022*, pp. 84-85.

²¹⁸ Group B+ is a framework of the IP offices of 46 countries and 2 organizations created to promote and facilitate progress on key issues under consideration at WIPO and substantive patent law harmonization. JPO, *Status Report 2022*, p. 78. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²¹⁹ The IP5 is a forum of the five largest IP offices in the world, and is composed of the European Patent Office, the JPO, the Korean Intellectual Property Office, the National Intellectual Property Administration of the People's Republic of China, and the U.S. Patent and Trademark Office (USPTO).

²²⁰ The PPH allows an application that is determined to be patentable by the office of first filing to undergo accelerated examination and simplified procedures with the office of second filing. The JPO had established PPH relationships with 45 fellow IP offices as of April 2022. Since 2019, new arrangements have been put in place with India, Morocco, France, and the Kingdom of Saudi Arabia. A pilot programme was launched with Brazil in 2022. The Global PPH is a multinational framework PPH, for which the JPO serves as the secretariat. JPO, *Annual Patent Report 2022*, pp. 60-61. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²²¹ JPO, *Status Report 2022*, p. 98. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²²² EPO and JPO (2021), *Comparative Study on Computer Implemented Inventions/Software Related Inventions*. Viewed at: https://www.jpo.go.jp/news/kokusai/epo/document/software_201903/01_en.pdf.

²²³ The OAPI is an intergovernmental organization that facilitates cooperation in IP matters among its 17 mostly French-speaking member States.

²²⁴ PPH Plus, exclusively in place with the Brunei IP office, allows requesting applicants to acquire accelerated patent rights in Brunei by using JPO examination results. The CPG is a framework for accelerating patent grants in Cambodia and the Lao People's Democratic Republic without examination for an invention that has already been granted a patent in Japan. JPO, *Status Report 2022*, p. 97. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²²⁵ ACA, *Anti-Piracy Initiatives*. Viewed at: <https://www.bunka.go.jp/english/policy/copyright/piracy/>.

Agency, and in partnership with the Content Overseas Distribution Association and International Intellectual Property Protection Forum.²²⁶

3.180. Companies and other entities experiencing infringement abroad may request assistance from the JPO's General Counterfeit and Piracy Countermeasures Counter²²⁷, JETRO overseas offices²²⁸, and/or MOFA's IP Officers.²²⁹ Investigations and consultations with foreign counterparts follow as needed.

3.3.7.4 General regulatory framework

3.181. Japan participates in international conventions and treaties relating to IP, including 21 treaties administered by WIPO.²³⁰ The Beijing Treaty on Audiovisual Performances entered into force for Japan on 28 April 2020.²³¹ Japan has also entered into a range of bilateral, regional, and multilateral instruments, including RTAs, investment treaties, framework agreements, MoUs, and memoranda of cooperation that address IP. Nearly all of Japan's RTAs in force contain IP provisions, and the majority, including the recent UK-Japan CEPA and the RCEP, contain high levels of IP standards.²³²

3.182. The institutional framework of Japan's IP regime did not change during the review period.²³³ Table A3.4 summarizes the substantive laws addressing each main type of IPR, several of which were modified during the review period, as discussed in the relevant sections below.

3.3.7.5 Patents

3.183. Several amendments were made to the Patent Act during the review period. In an effort to address the increasing complexity of licensing schemes and digital technologies, as of April 2022 right holders no longer need to obtain the consent of non-exclusive licensees prior to abandoning or correcting a patent.²³⁴ As of April 2023, rights that have been forfeited due to unintentionally missed deadlines may be more readily restored with the submission of a short statement and payment of a fee.²³⁵ Before this amendment, a "valid reason", strictly interpreted by the JPO, had been required to revive expired rights. The new standard is similar to that applied in the United States.²³⁶

3.184. The Patent Attorney Act was also updated during the review period. Consultation and support for filing foreign applications for IP rights related to agriculture, forestry, and fisheries (i.e. new plant varieties and geographical indications) were added as business that can be undertaken by patent attorneys. They may also undertake consultation services in conjunction with the preparation of opinions under the system for seeking comments from third parties in patent infringement litigation (Section 3.3.7.13). The Japanese name of corporations to which patent attorneys belong was changed from *tokkyo gyōmu hōjin* to *bennishi hōjin*, and the number of patent attorney members

²²⁶ WTO document IP/C/R/TC/JPN/2, 23 September 2021.

²²⁷ JPO, *Consultation Petition System*. Viewed at: <https://www.jpo.go.jp/support/ipr/kyogi.html>. The Counter provides annual reports on its services and the petitions received. See JPO, *Annual Report of the Government's General Counterfeit and Piracy Countermeasure Desk*. Viewed at: <https://www.jpo.go.jp/resources/report/mohohin/nenji.html>.

²²⁸ JPO, *Status Report 2022*, p. 139. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/9900.pdf>.

²²⁹ MOFA, *Japanese Company Support – Intellectual Property Protection Support*. Viewed at: <https://www.mofa.go.jp/mofaj/annai/zaigai/chiteki/index.html>.

²³⁰ WIPO, *WIPO-Administered Treaties: Contracting Parties – Japan*. Viewed at: https://www.wipo.int/treaties/en/ShowResults.jsp?country_id=87C.

²³¹ WIPO, *WIPO-Administered Treaties: Contracting Parties – Marrakesh VIP Treaty*. Viewed at: https://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=843.

²³² See JPO Annual Report 2021, pp. 89-90, for highlights of the IP chapters of the UK-Japan CEPA and the RCEP. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2021/document/index/all.pdf>.

²³³ WTO documents WT/TPR/S/397/Rev.1, 9 November 2020, para. 3.206; and WT/TPR/S/351/Rev.1, 20 June 2017, Chart 3.4.

²³⁴ Patent Act (Act No. 121 of 1959); and WTO document IP/N/1/JPN/62, 16 June 2022.

²³⁵ JPO, Cabinet Order to Set the Date of Enforcement of Part of the Act for Partial Revision of the Patent Act. Viewed at: https://www.jpo.go.jp/system/laws/rule/seireikaisei/tokkyo/tokkyo_kaisei_20220721.html.

²³⁶ See 35 USC §27.

required for incorporation and survival of a corporation to which patent attorneys belong was changed from "two or more" to "one or more".²³⁷

3.185. The Ordinance for Enforcement of the Patent Act was also amended during the review period. Multiple dependent claims depending on other multiple dependent claims are no longer allowed in applications from April 2022 onwards, in order to harmonize with international standards and reduce excessive examination and monitoring by third parties.²³⁸

3.186. The process of obtaining a patent remains unchanged since the previous Review.²³⁹ The Examination Guidelines for Patent and Utility Models were updated to provide enhanced guidance to applicants.²⁴⁰ Fees for patent registrations and annuity payments increased in April 2022 in order to address deficits attributed to increasing examination burdens, digitization efforts, and renovation of government buildings.²⁴¹

3.187. The JPO aims to provide the "world's fastest and utmost quality patent examinations".²⁴² Pendency periods increased during the review period, with most of the increase occurring in FY2020 following the arrival of the COVID-19 pandemic (Table 3.17). As of 2020, Japan had the shortest pendency times among major IP offices, and the fourth fastest in the world.²⁴³

Table 3.17 Average patent application pendency periods, in months, FY2017-FY2020

	First action (FA) pendency			Total pendency
	Normal	Accelerated	Super-accelerated	
FY2018	9.3	2.3	0.7	14.1
FY2019	9.5	2.5	0.6	14.3
FY2020	10.2	2.7	0.9	15.0
FY2021	10.1	2.7	0.8	15.2

Source: JPO Annual Patent Report 2022, p. 3. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>; JPO Status Report 2022, pp. 47-48. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>; JPO Status Report 2021, pp. 51-52. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2021/document/index/0201.pdf>; JPO Status Report 2020, pp. 51-52. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2020/document/index/0201.pdf>; and JPO Status Report 2019, pp. 56 and 58. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2019/document/index/0201.pdf>.

3.188. Accelerated and super-accelerated examination programmes reduced average FA pendency for qualifying applications. Accelerated examination is available upon request for applications that, *inter alia*, are (i) made by SMEs, individuals, universities, or public research institutes, or approved or authorized TLOs; (ii) filed in more than one IP office, including the Receiving Office under the Patent Cooperation Treaty; (iii) for inventions that have already been commercialized or plan to be commercialized within two years; or (iv) for environmental-related technologies that save energy

²³⁷ JPO, JPO Status Report 2022, p. 118. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0203.pdf>.

²³⁸ JPO, JPO Status Report 2022, p. 52. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²³⁹ For a visual depiction of the examination, appeals, trials, and opposition process for patents, see JPO, JPO Status Report 2022, p. 132. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁴⁰ JPO, Revision History of Examination Guidelines for Patent and Utility Model in Japan. Viewed at: <https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/kaitei/index.html>; and Examination Handbook for Patent and Utility Model in Japan. Viewed at: https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/handbook_shinsa/.

²⁴¹ Patent Act (Act No. 121 of 1959); and WTO document IP/N/1/JPN/62, 16 June 2022. See also JPO, JPO Status Report 2022, p. 119. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0203.pdf>.

²⁴² JPO, JPO Status Report 2022, p. 46. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁴³ WIPO, World Intellectual Property Indicators 2021, p. 52. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf. Japan ranked behind Iceland, the Russian Federation, and Spain.

and contribute to CO₂ reduction.²⁴⁴ Super-accelerated examination may be requested for "highly important" applications, including inventions already put into practice by either a start-up or an applicant who has filed for patent protection abroad.²⁴⁵ Requests for accelerated examination were fairly stable during the review period, while requests for super-accelerated examination more than doubled.²⁴⁶

3.189. During the review period, the number of patent applications filed annually worldwide continued to grow. Japan, with 8.8% of global filings in 2020, remains the third most popular filing destination in the world.²⁴⁷ The annual number of patent applications received by the JPO has continued a pattern of either negligible growth or decline since 2005. Filings dropped by over 6% in 2020 compared to 2019 and remained nearly flat in 2021, due mostly to declines in domestic filings. Compared with most other top global IP offices, the proportion of domestic filings is high in Japan²⁴⁸, but the percentage of foreign filings has continued to increase, with 23.1% of applications originating from abroad in 2021, compared to 16.3% in 2012 (Table 3.18). A substantial number of foreign applicants originate from the United States, the European Union, China, and the Republic of Korea.²⁴⁹

Table 3.18 Patent applications and patents granted, 2012-21

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Patent applications to JPO by origin										
Japan	287,013	271,731	265,959	258,839	260,244	260,292	253,630	245,372	227,348	222,452
Other	55,783	56,705	60,030	59,882	58,137	58,189	59,937	62,597	61,124	66,748
Total	342,796	328,436	325,989	318,721	318,381	318,481	313,567	307,969	288,472	289,200
% Other	16.3%	17.3%	18.4%	18.8%	18.3%	18.3%	19.1%	20.3%	21.2%	23.1%
Patents granted by JPO by origin										
Japan	224,917	225,571	177,750	146,749	160,643	156,844	152,440	140,865	140,322	141,853
Other	49,874	51,508	49,392	42,609	42,444	42,733	42,085	39,045	39,061	42,519
Total	274,791	277,079	227,142	189,358	203,087	199,577	194,525	179,910	179,383	184,372
% Other	18.2%	18.6%	21.7%	22.5%	20.9%	21.4%	21.6%	21.7%	21.8%	23.1%
Patent applications originating from Japan to all patent offices										
Total applications of Japanese origin	487,360	470,615	464,274	456,305	454,973	459,406	458,927	450,627	423,254	..

.. Not available.

Source: Information provided by the authorities.

3.190. The top five fields of technology for patents granted in 2020 fell into the broad categories of electrical machinery, apparatus, energy; furniture, games²⁵⁰; computer technology; transport; and medical technology. The fields of control²⁵¹, IT methods for management, other consumer goods, and biotechnology grew in 2020; optics; semiconductors; engines, pumps, turbines; and digital communications declined steadily during the review period.²⁵²

²⁴⁴ JPO, *Outline of Accelerated Examination and Accelerated Appeal Examination*. Viewed at: <https://www.jpo.go.jp/e/system/patent/shinsa/jp-soki/#:~:text=The%20accelerated%20examination%20system%2Faccelerated,applicants'%20or%20appellants'%20request.>

²⁴⁵ JPO, *Outline of Super Accelerated Examination*. Viewed at: https://www.jpo.go.jp/e/system/patent/shinsa/jp-super_soki/index.html.

²⁴⁶ JPO, *JPO Annual Patent Report 2022*, p. 58. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²⁴⁷ WIPO, *World Intellectual Property Indicators 2021*, p. 7. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁴⁸ WIPO, *World Intellectual Property Indicators 2021*, p. 13. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁴⁹ JPO, *JPO Status Report 2019*, pp. 18-19; and *JPO Status Report 2016*, pp. 11 and 13.

²⁵⁰ Games includes computer games.

²⁵¹ Covers elements for controlling and regulating electrical and non-electrical systems and referring test arrangements, traffic control, or signalling systems.

²⁵² WIPO IP Statistics Data Center, September 2021. Viewed at: <https://www3.wipo.int/ipstats>.

3.191. Japan's grant rate stabilized during the review period; it is on the higher side among top global IP offices.²⁵³ The JPO attributes this to applicants' shift from quantity to quality.²⁵⁴ As shown in Table 3.18, the proportion of patents granted to applicants of foreign origin seemingly peaked in 2015 at 22.5%, before falling in 2016 and climbing to 23.1% in 2021. Most patents granted to non-residents in 2021 fell into the fields of medical or veterinary science, hygiene; electronic communication technique; computing, calculating, or counting; basic electric elements; and organic chemistry.²⁵⁵

3.192. Japan ranks second in the number of applications filed abroad, by origin. Of patent applications originating in Japan, around 45% are filed abroad, a figure that increased only slightly during the review period. Applicants from Japan account for the largest non-resident share at IP offices in Germany (36.5%), Indonesia (33.8%), and China (31.4%).²⁵⁶

3.3.7.6 Utility models (UMs)

3.193. The Utility Model Act was amended, effective April 2022, to no longer require right holders to obtain the consent of non-exclusive licensees prior to abandoning or correcting a utility model. Transmittal and search fees increased for international applications, from JPY 80,000 to JPY 160,000 for Japanese-language applications, and from JPY 166,000 to JPY 186,000 for English-language applications, also effective as of April 2022. As of April 2023, rights that have been forfeited due to unintentionally missed deadlines may be more readily restored with the submission of a short statement and payment of a fee.

3.194. The Ordinance for Enforcement of the Utility Model Act was also amended on 25 February 2022 and came into effect on 1 April 2022. Multiple dependent claims depending on other multiple dependent claims are no longer allowed in applications from April 2022 onwards, to reduce excessive examination and monitoring by third parties. The Examination Guidelines for Patent and Utility Models were updated accordingly.²⁵⁷

3.195. The examination, appeal, trial, grant, and opposition processes for a UM did not change during the review period.²⁵⁸ Applications and registrations of UMs in Japan have been declining in recent years (Table 3.19).²⁵⁹ However, 2020 applications grew 15% over 2019 due to innovations triggered by the COVID-19 pandemic in products such as masks. Applications returned to 2019 levels in 2021.²⁶⁰

²⁵³ WIPO, *World Intellectual Property Indicators 2021*, p. 21. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf and JPO, *JPO Status Report 2022*, p. 14. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁵⁴ JPO *Annual Patent Report 2022*, p. 4. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²⁵⁵ Information provided by the authorities.

²⁵⁶ WIPO, *World Intellectual Property Indicators 2021*, pp. 14-16. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁵⁷ JPO, *Revision History of Examination Guidelines for Patent and Utility Model in Japan*. Viewed at: <https://www.jpo.go.jp/e/system/laws/rule/quideline/patent/kaitei/index.html>.

²⁵⁸ For a visual depiction of the examination, appeals, trials, and opposition process for UMs, see JPO, *JPO Status Report 2022*, p. 133. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/9900.pdf>.

²⁵⁹ WIPO, *World Intellectual Property Indicators 2021*, p. 22. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁶⁰ JPO, *JPO Status Report 2022*, pp. 19-20. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>; and JPO *Annual Patent Report 2022*, p. 3. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

Table 3.19 UM applications and registrations, 2012-21

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
UM applications to JPO, by origin										
Japan	6,292	5,965	5,429	5,213	4,928	4,578	3,810	3,693	4,377	3,762
Other	1,820	1,657	1,666	1,647	1,552	1,528	1,578	1,548	1,641	1,477
Total	8,112	7,622	7,095	6,860	6,480	6,106	5,388	5,241	6,018	5,239
UM registrations granted by JPO, by origin										
Japan	6,221	5,738	5,322	5,098	4,756	4,526	3,796	3,535	3,921	3,911
Other	1,833	1,625	1,695	1,597	1,541	1,498	1,507	1,498	1,597	1,588
Total	8,054	7,363	7,017	6,695	6,297	6,024	5,303	5,033	5,518	5,499

Source: Information provided by the authorities.

3.3.7.7 Plant variety rights and genetic resources

3.196. As discussed in the MAFF's Intellectual Property Strategy 2025, amendments to the Plant Variety Protection and Seed Act (PVP Act) and a new Act on Prevention of Unfair Competition on Genetic Resources of Livestock (Livestock GR Act) were adopted by the Diet in 2020. These regulations followed a series of high-profile exports of registered plants without right holder consent²⁶¹, and infringement of IP by fraudulent distribution of Wagyu genetic resources in Japan.²⁶²

3.197. The Livestock GR Act creates an IP right in genetic resources of improved livestock breeds, such as Wagyu embryos and semen. Civil injunctions, damages, and credit recovery measures are available against parties that unfairly acquire, use, or transfer protected genetic resources, or unfairly use livestock produced with livestock genetic resources to produce further livestock or livestock genetic resources. Malicious misconduct, including export in violation of contract terms, may subject individuals to criminal penalties of up to JPY 10 million and/or a 10-year prison term, and companies to a fine of up to JPY 300 million.²⁶³

3.198. The revisions to the PVP Act empower plant breeders' right holders to extend their rights to cover exportation of propagating materials and harvested materials that have been put on the market with their permission. Any propagating materials of protected varieties that are offered for sale or transferred to a third party must be labelled as a protected variety subject to export restrictions. Right holder authorization is also now required for any acts in respect of propagating material, including farm-saved seed. The amendments also introduced a statutory presumption that the characteristics of allegedly infringing varieties and those of the protected variety are identical based upon a comparison of the characteristics of the allegedly infringing varieties with the description of the protected variety at the time of grant.²⁶⁴

3.199. The Plant Variety Protection Office of the MAFF administers the plant variety registration and protection system.²⁶⁵ Examination, application, and registration fees were revised during the review period to cover the actual cost of growing trials and on-site inspections and to reduce the total cost of maintaining protection over time.²⁶⁶ As of 31 March 2020, 7,750 plant breeder titles were in force. Almost 65% of protected plant varieties were flowers, and 56% were held by seed companies.

²⁶¹ See, e.g. S. Kaneko (2022), "Shine Muscat Grape Smuggling to China Costs Japan \$70m a Year", *Nikkei Asia*, 6 July. Viewed at: <https://asia.nikkei.com/Business/Agriculture/Shine-Muscat-grape-smuggling-to-China-costs-Japan-70m-a-year>; The Sankei Shimbun (2021), "Japan's Top Quality Fruits Finally Get Legal Protection from Illicit Overseas Growers", *JapanForward*, 16 July. Viewed at: <https://japan-forward.com/japans-top-quality-fruits-finally-get-legal-protection-from-illicit-overseas-growers/#:~:text=Economy%20%26%20Tech-,Japan's%20Top%20Quality%20Fruits%20Finally%20Get%20Legal%20Protection%20from%20Illicit,South%20Korea%2C%20damaging%20Japanese%20agriculture>.

²⁶² MAFF, *Intellectual Property Strategy 2025*. Viewed at: https://www.maff.go.jp/i/kanbo/tizai/brand/b_senryaku/attach/pdf/index-25.pdf.

²⁶³ Atsumi & Sakai (2021), *Agricultural Forestry and Fisheries Law Practice Team Newsletter*, April. Viewed at: https://www.aplawjapan.com/archives/pdf/en_newsletter-affi-006.pdf.

²⁶⁴ Information provided by the authorities. T. Miyamoto (2021), *The Plant Variety Protection System in Japan and Japan's PVP Cooperation*, 20 October. Viewed at: https://www.upov.int/edocs/mdocs/upov/en/upov_sem_ge_2_21/upov_sem_ge_2_21_ppt_4.pdf.

²⁶⁵ PVP Office at the MAFF: <http://www.hinshu2.maff.go.jp/en/about/outline.html>.

²⁶⁶ Information provided by the authorities. T. Miyamoto (2021), *The Plant Variety Protection System in Japan and Japan's PVP Cooperation*, 20 October. Viewed at: https://www.upov.int/edocs/mdocs/upov/en/upov_sem_ge_2_21/upov_sem_ge_2_21_ppt_4.pdf.

Annual plant breeder applications and grants have continued to decline since their 2007 peaks²⁶⁷, with 2020 applications down 13% from 2019. In 2020, Japan was the eighth most popular global destination for applications, and the sixth largest originator. Thirty-six percent of filings received by Japan's PVP Office originated abroad.²⁶⁸

3.3.7.8 Designs

3.200. Significant revisions to the Designs Act promulgated in 2019 and discussed during the previous Review²⁶⁹ entered into force in 2020 and 2021. Additional amendments were promulgated during the current review period. Application procedures were simplified by allowing a single collective application for multiple designs and abolishing a granular article classification table. Applicants who miss designated deadlines or grace periods may also now avail themselves of new remedial measures.²⁷⁰ An additional amendment removed the requirement that the right holder obtain the consent of non-exclusive licensees prior to abandoning a design.²⁷¹ Documentation to demonstrate priority submitted with an international application through WIPO is now also deemed to have been simultaneously submitted to the JPO Commissioner.²⁷² And as of April 2023, rights that have been forfeited due to unintentionally missed deadlines may be more readily restored with the submission of a short statement and payment of a fee.²⁷³

3.201. The Examination Guidelines for Design were accordingly revised twice in 2020 and again in 2021 to clarify procedures for applicants. The examination, appeal, trial, grant, and opposition processes did not, however, change during the review period.²⁷⁴ First action (FA) pendency periods increased from 6.2 to 6.4 months and total pendency from 7.0 to 7.4 months from FY2018 to FY2021.²⁷⁵ Average FA pendency for accelerated examination, available on request in certain situations, was 2.3 months in 2021, and only 0.6 months when counterfeit products were already on the market.²⁷⁶

3.202. Although the annual number of global design applications originating from Japan declined during the review period²⁷⁷, in 2020 Japan was the eighth-largest global originator as well as the eighth most popular destination for design filings.²⁷⁸ The total number of annual design applications to and registrations by JPO remained fairly stable during the review period (Table 3.20), with

²⁶⁷ T. Miyamoto (2021), *The Plant Variety Protection System in Japan and Japan's PVP Cooperation*, 20 October. Viewed at:

https://www.upov.int/edocs/mdocs/upov/en/upov_sem_ge_2_21/upov_sem_ge_2_21_ppt_4.pdf.

²⁶⁸ WIPO, *World Intellectual Property Indicators 2021*, pp. 179 and 181. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁶⁹ WTO document WT/TPR/S/397/Rev.1, 6 November 2020, Section 3.3.7.7.

²⁷⁰ Design Act (Act No. 125 of 1959); and WTO document IP/N/1/JPN/55 (31 May 2021). See also JPO (2021), *Revision of the Design Act in Japan: Contributing to Innovation and Branding*, April. Viewed at: https://www.jpo.go.jp/e/resources/report/sonota-info/document/pamphlet/isho_kaisei_en.pdf; and JPO, *JPO Status Report 2020*, pp. 114-116. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2020/document/index/all.pdf>.

²⁷¹ Design Act (Act No. 125 of 1959); and WTO document IP/N/1/JPN/64, 16 June 2022.

²⁷² Design Act (Act No. 125 of 1959); and WTO document IP/N/1/JPN/45, 21 February 2020. See also JPO, *JPO Status Report 2021*, p. 122. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2021/document/index/0203.pdf>.

²⁷³ JPO, Cabinet Order to Set the Date of Enforcement of Part of the Act for Partial Revision of the Patent Act. Viewed at: https://www.jpo.go.jp/system/laws/rule/seireikaisei/tokkyo/tokkyo_kaisei_20220721.html.

²⁷⁴ For a visual depiction of the examination, appeals, trials, and opposition process for industrial designs, see JPO, *JPO Status Report 2022*, p. 133. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁷⁵ JPO *Annual Patent Report 2022*, p. 20. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²⁷⁶ JPO, *JPO Status Report 2022*, p. 58. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁷⁷ JPO *Annual Patent Report 2022*, p. 25. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²⁷⁸ WIPO, *World Intellectual Property Indicators 2021*, pp. 131 and 147. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

applications from abroad accounting for an increasing share, reaching 32% in 2021.²⁷⁹ Most foreign applicants originated from China, the United States, or the Republic of Korea.²⁸⁰

Table 3.20 Design applications and registrations, 2012-21

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Design applications to JPO, by origin										
Japan	27,934	26,407	24,868	24,804	24,543	24,432	23,453	22,867	22,458	22,078
Other	4,457	4,718	4,870	5,099	6,336	7,529	7,953	8,622	9,340	10,447
Total	32,391	31,125	29,738	29,903	30,879	31,961	31,406	31,489	31,798	32,525
Design registrations granted by JPO, by origin										
Japan	24,610	24,272	23,092	21,950	21,206	21,480	21,339	20,854	18,782	19,395
Other	3,739	4,016	4,214	4,347	4,138	5,855	6,279	6,702	7,635	8,095
Total	28,349	28,288	27,306	26,297	25,344	27,335	27,618	27,556	26,417	27,490

Source: Information provided by the authorities.

3.203. Among the top 10 global originators, Japan was unusual in that neither textiles and accessories nor furniture and household goods were among the top three sectors in which its applications were filed in 2020. Rather, the top three sectors were transport, information and communications technology (ICT) and audiovisual, and tools and machines.²⁸¹

3.3.7.9 Trademarks

3.204. Amendments were made to the Trademark Act during the review period. As of April 2023, certain unintentionally forfeited rights due to missed deadlines may be restored with the submission of a short statement and payment of a fee.²⁸² For international applications, the time-frame during which goods amendments may be submitted by a representative in Japan was extended from three months after the notice of reasons of refusal was sent to as long as the case is pending before the JPO.²⁸³ Trademark fees were also modified; registration and renewal fees increased by 12%-16% in April 2022. From April 2023 the method of paying fees for an individual international application under the Madrid System will align with most other contracting parties and change from a two-part payment to a single lump sum amount due at filing.²⁸⁴

3.205. The April 2020 revision of the Examination Guidelines for Trademarks clarified, *inter alia*, that exterior and interior building designs may be protected as three-dimensional trademarks.²⁸⁵ This coincided with the entry into force of 2019 amendments to the Design Act, which newly protects spatial designs, including interior and exterior building designs.²⁸⁶

3.206. The examination, appeal, trial, grant, and opposition processes did not change during the review period.²⁸⁷ The annual number of trademark applications submitted to the JPO has seemingly stabilized since its 2017 peak (Table 3.21), although global trademark filings have continued to grow. From 2019 to 2020, Japan dropped from the third most popular global filing destination to the sixth.²⁸⁸ The proportion of foreign applications received by JPO increased, from 18.9% in 2017 to 27.9% in 2021, as residential filings declined. In 2018, China surpassed the United States as the

²⁷⁹ JPO Annual Patent Report 2022, p. 22. Viewed at:

<https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²⁸⁰ JPO, JPO Status Report 2022, p. 22. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0101.pdf>.

²⁸¹ WIPO, World Intellectual Property Indicators 2021, p. 152. Viewed at:

https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁸² JPO, Cabinet Order to Set the Date of Enforcement of Part of the Act for Partial Revision of the Patent Act. Viewed at: https://www.jpo.go.jp/system/laws/rule/seireikaisei/tokkyo/tokkyo_kaisei_20220721.html.

²⁸³ JPO, JPO Status Report 2020, p. 117. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2020/document/index/0203.pdf>.

²⁸⁴ JPO, JPO Status Report 2022, pp. 118-119. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0203.pdf>.

²⁸⁵ JPO, Examination Guidelines for Trademarks. Viewed at:

<https://www.jpo.go.jp/e/system/laws/rule/quideline/trademark/kijun/index.html>.

²⁸⁶ Design Act (Act No. 125 of 1959); and WTO document IP/N/1/JPN/46, 2 June 2020.

²⁸⁷ For a visual depiction of the examination, appeals, trials, and opposition process for trademarks, see JPO, JPO Status Report 2022, p. 134. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/9900.pdf>.

²⁸⁸ WIPO, World Intellectual Trademark Indicators 2021, pp. 76-79. Viewed at:

https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

top foreign originator, a position it has continued to hold.²⁸⁹ In 2021, 11% of trademark applications originated from China, followed by the United States with 5.6%.²⁹⁰ The research and technology sector garnered the biggest proportion of JPO filings in 2020, followed by leisure and education and business services. With respect to global trademark applications originating from Japan, the top three sectors were research and technology, leisure and education, and health.²⁹¹

Table 3.21 Trademark applications and registrations, 2012-21

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Trademark applications, by origin										
Japan	95,548	92,496	100,053	117,960	133,337	154,780	145,274	148,913	135,375	133,009
Other	23,462	25,179	24,389	29,323	28,522	36,159	39,209	41,860	45,697	51,662
Total	119,010	117,675	124,442	147,283	161,859	190,939	184,483	190,773	181,072	184,631
Trademark registrations, by origin										
Japan	77,129	82,736	79,562	75,965	81,838	84,960	89,108	84,221	103,117	125,277
Other	19,231	20,663	20,334	22,120	23,369	26,220	27,439	25,638	32,196	48,821
Total	96,360	103,399	99,896	98,085	105,207	111,180	116,547	109,859	135,313	174,098

Source: Information provided by the authorities.

3.207. Examination pendency periods grew during the review period to 10 months (FA pendency) and 11.2 months (total pendency) in FY2020, before declining in FY2021 to 8 months (FA pendency) and 9.6 months (total pendency) in FY2021.²⁹² The JPO continued to offer "Fast Track" and "accelerated" examination under certain conditions.²⁹³ Applications eligible for Fast Track examination automatically received a shortened FA pendency of about 6 months²⁹⁴, whereas accelerated examination, available on request for those with certain urgent needs, provided an average FA pendency of 2.1 months in 2021 (compared to 1.7 months in 2018).²⁹⁵ The number of requests for accelerated examination grew significantly during the review period, from 8,110 in 2019 to over 11,000 in 2020 and 2021, as innovators rapidly developed new products and brands with urgent need for protection in response to the COVID-19 pandemic. Relatedly, JPO registered unusually high numbers of trademarks in both 2020 and 2021, although the total number of applications remained relatively stable.²⁹⁶

3.208. Japan's Regional Collective Trademark System, introduced in 2006 and managed by JPO²⁹⁷, co-exists with the *sui generis* system of geographical indication (GI) protection under the authority of the MAFF²⁹⁸ (Section 3.3.7.10). A Regional Collective Trademark Guidebook was published in 2022 to promote awareness of the System and the registered marks.²⁹⁹ Use of the System continued to grow during the review period, with 730 trademarks registered at the end of March 2022, compared

²⁸⁹ JPO, *JPO Status Report 2019*, p. 32. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2019/document/index/0101.pdf>.

²⁹⁰ JPO, *JPO Status Report 2022*, p. 27. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁹¹ WIPO, *World Intellectual Trademark Indicators 2021*, pp. 104-105. Viewed at:

https://www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2021.pdf.

²⁹² JPO Annual Patent Report 2022, p. 29. Viewed at:

<https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

²⁹³ JPO, *Fast Track Examination*. Viewed at:

https://www.jpo.go.jp/e/system/trademark/shinsa/shohyo_fast_e.html; and JPO, *Outline of Accelerated Examinations and Accelerated Appeal Examinations for Trademarks*. Viewed at:

https://www.jpo.go.jp/e/system/trademark/shinsa/outline_accelerated_trademark.html.

²⁹⁴ JPO, *JPO Status Report 2022*, p. 64. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0201.pdf>.

²⁹⁵ JPO, *JPO Status Report 2019*, pp. 68-70; and *JPO Status Report 2022*, p. 62. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/0201.pdf>.

²⁹⁶ JPO, *JPO Status Report 2022*, p. 26. Viewed at:

<https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

²⁹⁷ Additional details regarding the system, including an outline, examination guidelines, and an examination manual are available on JPO's website:

<https://www.jpo.go.jp/e/system/trademark/gaiyo/chidan/index.html>.

²⁹⁸ WTO document WT/TPR/S/351/Rev.1, 20 June 2017, Table 3.37.

²⁹⁹ JPO (2022), *Regional Collective Trademark Guide Book*. Viewed at:

<https://www.jpo.go.jp/system/trademark/gaiyo/chidan/document/tiikibrand/guidebook-catalog.pdf>.

to 645 at the end of 2018.³⁰⁰ As of 5 August 2022, three overseas trademarks had been registered: Zhenjiang Vinegar, Prosciutto di Parma, and Ceylon Tea.³⁰¹

3.3.7.10 Geographical indications

3.209. The 2014 Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs (GI Act) continues to provide the framework for Japan's *sui generis* system of protection for GIs of foods, beverages, and agricultural and marine products. No amendments were undertaken during the review period.

3.210. The procedures and agencies responsible for GI registration have not changed. As of July 2022, Japan had registered 117 domestic GIs for agricultural products³⁰² and 23 domestic GIs for liquor.³⁰³ As of February 2022, Japan also directly protects 262 European GIs (106 GIs for agricultural, forestry, and fishery products and foodstuffs and 156 GIs for liquor) through the EU-Japan EPA.³⁰⁴ Under the UK-Japan CEPA, Japan protects 6 UK GIs (3 GIs for agricultural, forestry, and fishery products and foodstuffs and 3 GIs for liquor) as of January 2021. Japan also protects GIs from Chile, Mexico, and Peru under its EPAs, which stipulate mutual protection of GIs.³⁰⁵

3.3.7.11 Undisclosed information and trade secrets

3.211. The Unfair Competition Prevention Act (UCPA) protects trade secrets and well-known trademarks and prohibits unfair competition.³⁰⁶ No amendments to the UCPA have been implemented since 2018. A METI subcommittee has been tasked with evaluating the effectiveness of the 2018 amendments and preparing future revisions to the UCPA, which may include (i) expanding existing presumptions to ease the burden of proof on the plaintiff and allow courts to award higher damages; (ii) establishing a regime to extend protection under the UCPA to licensees of technical know-how and data; and (iii) introducing statutory clauses extending the jurisdiction of Japanese courts and application of the UCPA to cross-border trade secret misappropriation.³⁰⁷

3.212. The METI has continued to publish and update influential but non-binding commentaries and guidelines on the UCPA, including an article-by-article commentary³⁰⁸, Management Guidelines for Trade Secrets³⁰⁹, Handbook for the Protection of Confidential Information³¹⁰, and Guidelines on Shared Data with Limited Access.³¹¹

3.3.7.12 Copyright

3.213. Several amendments to the Copyright Act were promulgated or came into force during the review period. Amendments in 2014 expanded protection to performers in their performances and they entered into force in 2020 in tandem with the entry into force of the Beijing Treaty on Audiovisual Performances. An amendment in 2018 regarding the use of copyrighted materials by

³⁰⁰ JPO, *JPO Status Report 2019*, p. 72; and *JPO Annual Patent Report 2022*, p. 64. Viewed at: <https://www.jpo.go.jp/resources/report/nenji/2022/document/index/0100.pdf>.

³⁰¹ JPO, *List of Regional Collective Trademark Registrations*. Viewed at: <https://www.jpo.go.jp/system/trademark/gaiyo/chidan/shoukai/ichiran/index.html>.

³⁰² MAFF, *Information on Registered GIs*. Viewed at: http://www.maff.go.jp/e/policies/intel/qi_act/register.html.

³⁰³ Information from the authorities. See also National Tax Agency, *Information on GIs Protected in Japan*. Viewed at: https://www.nta.go.jp/english/taxes/liquor_administration/geographical/02.htm.

³⁰⁴ Information from the authorities. See also European Commission, *EU-Japan EPA*, Annex 14-B. Viewed at: <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1684>.

³⁰⁵ Information from the authorities.

³⁰⁶ The METI offers a graphical overview of the UCPA online. METI, *Overview of the Unfair Competition Prevention Act*. Viewed at: https://www.meti.go.jp/english/policy/economy/chizai/chiteki/overview_ucpa.html.

³⁰⁷ Chambers and Partners (2022), *Trade Secrets 2022: Japan*, 28 April. Viewed at: <https://practiceguides.chambers.com/practice-guides/trade-secrets-2022/japan/trends-and-developments/O10527>.

³⁰⁸ METI. Viewed at: <https://www.meti.go.jp/policy/economy/chizai/chiteki/pdf/20190701Chikuiyou.pdf>.

³⁰⁹ METI. Viewed at: <https://www.meti.go.jp/english/policy/economy/chizai/chiteki/pdf/0813mgtc.pdf>.

³¹⁰ METI. Viewed at: <https://www.meti.go.jp/policy/economy/chizai/chiteki/pdf/handbook/full.pdf>; and https://www.meti.go.jp/english/policy/economy/chizai/chiteki/pdf/21_0127a.pdf.

³¹¹ METI. Viewed at: https://www.meti.go.jp/english/policy/economy/chizai/chiteki/pdf/guidelines_on_shared_data_with_limited_access.pdf.

non-profit schools in online lessons was also implemented in 2020, a year earlier than initially planned considering the COVID-19 pandemic. The amendment established a system permitting teachers to use copyrighted works in online lessons without right holder consent. Right holder compensation is coordinated by the newly established Society for the Administration of Remuneration for Public Transmission for School Lessons (SARTRAS). The obligation to compensate right holders was waived for the first year, April 2020-March 2021.³¹²

3.214. Additional amendments to the Copyright Act were promulgated in 2020. One amendment permits a licensee to continue to exploit a copyrighted work even after the copyright is transferred. Previously, such licences were governed solely by contract law and were not effective against transferees. Other amendments expanded enumerated rights restrictions with respect to (i) unintended appearances in photographic works; and (ii) agency copying of documents needed to accurately and timely examine the registration of a GI under the GI Act and a plant variety under the PVP Act. A mechanism was also established to facilitate providing proof of registration for computer software programs that are the subject of litigation.³¹³

3.215. Other 2020 amendments were designed to strengthen copyright protection and included measures to counter online piracy. The definition of protectable technical access controls, designed to prevent unauthorized use or copying, was expanded to include new technologies, such as licence authentication. Providing codes and services that interfere with such restrictions now constitutes infringement and is subject to civil and criminal penalties.³¹⁴ These amendments correspond to 2018 amendments to the UCPA.³¹⁵

3.216. Japan does not pursue site blocking as an anti-piracy tool to the same degree as other developed jurisdictions, largely due to concerns regarding consistency with Article 21(2) of Constitution and Article 4 of the Telecommunications Business Act, relating to privacy and censorship.³¹⁶ In 2018, the Government asked Internet service providers to voluntarily block three notorious manga pirate sites³¹⁷ as an emergency measure while a panel was convened to review potential site-blocking legislation. No such legislation has been presented to the Diet to date.³¹⁸

3.217. The Government has attempted to reduce the accessibility of pirate sites by countering "leech", also known as "index" sites, which provide links to infringing content but do not host it themselves. Amendments in 2020 to the Copyright Act criminalized the operation of index sites, as well as the provision of computer programs/apps with similar functions. Violations are punishable by up to five years in prison and/or a fine of JPY 5 million, upon the complaint of a right holder. Posting URLs or links to pirated content on an index site or app is also now considered copyright infringement, punishable by up to three years in prison and/or a fine of JPY 3 million, upon the complaint of a right holder.³¹⁹ The Government has indicated that these amended provisions of the

³¹² Copyright Act (Act No. 48 of 1970); WTO document IP/N/1/JPN/49, 1 July 2020; and ACA, Regarding the Early Enforcement of the Public Transmission Compensation System for Class Purposes. Viewed at: <https://www.bunka.go.jp/seisaku/chosakuken/92169601.html>. Operational guidelines for the compensation scheme and associated regulations are available at: <https://sartras.or.jp/seido/>.

³¹³ Computer programs may be registered in Japan with the Software Information Center (SOFTIC). Viewed at: <https://www.softic.or.jp/>.

³¹⁴ ACA, *Amendment to the Copyright Act Approved by the Ordinary Session of the Diet in 2020*. Viewed at: https://www.bunka.go.jp/english/policy/copyright/amendments_2020/.

³¹⁵ WTO document WT/TPR/S/397/Rev.1, 20 November 2020, para. 3.236.

³¹⁶ N. Cory (2018), "The Normalization of Website Blocking Around the World in the Fight Against Piracy Online", Information Technology & Innovation Foundation, 12 June. Viewed at: <https://itif.org/publications/2018/06/12/normalization-website-blocking-around-world-fight-against-piracy-online/>.

³¹⁷ The administrator of one of the pirate manga websites, Mangamura, was found guilty of copyright infringement in 2021 and sentenced to three years in prison, a fine of JPY 10 million, and an additional fine of JPY 62 million (equivalent to revenue earned and deposited in a foreign bank account). R.A. Pineda (2021), "Fukuoka Court Hands Guilty Sentence to Mangamura Piracy Site Administrator", *Anime News Network*, 2 June. Viewed at: <https://www.animenewsnetwork.com/news/2021-06-02/fukuoka-court-hands-guilty-sentence-to-mangamura-piracy-site-administrator/.173502>. Civil suits brought by anime publishers against Mangamura are ongoing.

³¹⁸ Freedom House, *Freedom on the Net 2020: Japan*. Viewed at: <https://freedomhouse.org/country/japan/freedom-net/2020>.

³¹⁹ ACA, *Amendment to the Copyright Act Approved by the Ordinary Session of the Diet in 2020*. Viewed at: https://www.bunka.go.jp/english/policy/copyright/amendments_2020/.

Copyright Act could be used to combat illicit streaming devices.³²⁰ Platform service providers, such as YouTube or Google, are not liable except in malicious circumstances where requests to remove infringing links have been unjustifiably ignored for an extended period of time.

3.218. Other 2020 amendments to the Copyright Act that came into effect in 2021 address the demand side of online piracy. Downloading a copyrighted work with the knowledge that it had been illegally uploaded is now subject to injunctions and civil compensatory damages. Criminal penalties are available, upon the complaint of a right holder, for continuous or repeated downloads of copyrighted works whose authentic versions had been made available for a fee. Penalties may include two years in prison and/or a fine of up to JPY 2 million. The amendments expanded liability and remedies that have been available since 2012 for unlicensed downloads of music and movies to other copyrighted works, including manga, books, newspaper articles, academic journals, and computer software. Exceptions are available for (i) unintended appearances in photography at the time of recording a screenshot; (ii) "minor cases" such as one to several frames of a manga; (iii) secondary production/parody; and (iv) cases in which there are special circumstances where the rights of copyright holders are not unjustifiably harmed. Streaming of pirated works is not addressed by the amendments.³²¹

3.219. Further amendments to the Copyright Act were promulgated in 2021. Existing limitations to copyright that allowed broadcasting companies to use certain works in broadcasts without permission were expanded to include simultaneous distribution online. Copyright holders who grant a licence for broadcasting are now also presumed to have granted a licence for simultaneous online distribution unless the person manifests an intention to the contrary upon granting the authorization. Broadcasters also no longer need to obtain prior consent to use sound recordings or to use performances in reruns when such works are simultaneously distributed online, excluding (i) performances for which a copyright management service provider manages the right; and (ii) cases in which information on the right holder has been disclosed by a method specified by the Commissioner of the ACA.³²²

3.220. Other 2021 amendments improve public access to information. The National Diet Library (NDL) collects and stores copies of all media published in Japan. Previously, the NDL could only send digitized versions of out-of-print materials from its collection to public and university libraries. The amendments permit the NDL to send such materials directly to preregistered general users, who can also copy them for personal use. When the amendments take effect, the NDL and public and university libraries will also be able to provide digital copies – not just physical copies – of materials for investigation and research purposes directly to preregistered general users by email, as long as measures are taken to (i) prevent competition with legitimate e-book markets; (ii) avoid the spread of unauthorized digital data; and (iii) ensure compliance with legal requirements. The copyright holder must also be compensated for these transmissions.³²³

3.221. In 2020 the Supreme Court issued a significant judgment, finding that a retweeted photo, which appeared on the user's timeline with the author's name cropped out, violated the author's moral right of attribution. The photo's cropped timeline display had been a function of Twitter's system and could not be adjusted by the user. The full image, including the author's name, would display when the thumbnail image was clicked. The Court concluded that the retweeter bore the burden of confirming an image's source, the author's attribution, and the author's consent prior to retweeting. One of the five justices who heard the case dissented.³²⁴

3.3.7.13 Enforcement

3.222. Counterfeiting and piracy continue to cause meaningful losses to the Japanese economy. A 2021 report commissioned by JPO estimates JPY 30.9 billion in lost profits by Japanese industrial

³²⁰ APEC/USPTO (2021), *Report on Results of Survey Questionnaire on Domestic Treatment of Illicit Streaming Devices by APEC Economies*, pp. 7 and 76-82. Viewed at: <https://www.uspto.gov/sites/default/files/documents/APEC-DomesticTreatmentofISDs.pdf>.

³²¹ ACA, *Amendment to the Copyright Act Approved by the Ordinary Session of the Diet in 2020*. Viewed at: https://www.bunka.go.jp/english/policy/copyright/amendments_2020/.

³²² Copyright Act (Act No. 48 of 1970); and WTO document IP/N/1/JPN/61, 3 March 2022.

³²³ Copyright Act (Act No. 48 of 1970); and WTO document IP/N/1/JPN/61, 3 March 2022.

³²⁴ Case 2018 (Ju) 1412, Minshu Vol. 74, No. 4 (21 July 2020). Viewed at: https://www.courts.go.jp/app/hanrei_en/detail?id=1776.

property right holders to counterfeiting, an increase of nearly 30% over JPO's 2019 estimate.³²⁵ By one estimate, there were over 600 million monthly visits to piracy sites in Japan as of July 2021.³²⁶ The Content Overseas Distribution Association estimates that pirated movies, publications, music, and games cost Japanese publishers JPY 330 billion-JPY 430 billion per year. Annual damages from online Japanese pirate manga sites have been estimated at JPY 1 trillion for 2021, an increase of over 450% from 2020, and 150% of estimated legitimate sales of manga works. Losses from unauthorized copies of retro games and business software are also of concern.³²⁷

3.223. The Government offers various consultation desks through which counterfeiting and piracy can be reported and addressed. Various Government agencies and entities are engaged in anti-piracy and counterfeiting efforts, including the JPO, MOFA, JETRO, the National Police Agency, Japan Customs, the ACA, and attorney associations.³²⁸ The Comprehensive Measures and Work Schedule to Combat Online Piracy, first published in October 2019 and updated in April 2021, sets forth a "whole of government" approach to tackling online piracy.³²⁹ On 1 June 2022, the ACA launched a new portal dedicated to online piracy countermeasures for right holders, and it opened a consultation desk on 30 August 2022.³³⁰ In addition to enforcing recent Copyright Act amendments (Section 3.3.7.12), the Government aims to strengthen international cooperation and law enforcement to improve detection of foreign organizers/managers of pirate websites and will promote security software capable of deterring access to pirate websites.³³¹

3.224. Japan Customs is responsible for enforcing IPRs at the border and seizes infringing goods. There were no changes to the Customs Act during the review period from 2018 to 2021 that materially impact the process, availability, or protections associated with IPR enforcement at the border. The estimated value of IPR-infringing goods seized by Japan Customs grew from JPY 13.5 billion in 2018 to JPY 16.4 billion in 2021. The number of total annual cases and articles seized has fluctuated in recent years (Chart 3.7). The overwhelming majority of cases (96%) and articles (76%) seized from 2017-21 relate to trademark infringement, although seizures related to copyright grew steadily during the same period. Bags and apparel accounted for more than half of import seizure cases, but nearly as many electric appliances were seized as articles of apparel. Significant numbers of computer products, housewares, and textiles were also seized. Almost 80%

³²⁵ Estimated total loss of profits was based upon responses to an annual JPO survey of Japanese companies registered with JPO as industrial property right holders. Viewed at: https://www.jpo.go.jp/resources/statistics/mohou_higai/document/index/0000.pdf (2019) and https://www.jpo.go.jp/resources/statistics/chizai_katudo/2021/index.html, Table 1-17 (2021).

³²⁶ Copyright Subdivision of the Cultural Council (2022), *Interim Summary: Responses to Cross-Border Acts of Content Piracy* (tentative translation), p. 2. Viewed at: https://www.bunka.go.jp/english/policy/copyright/pdf/93705201_01.pdf. This estimate was based on data from a SimilarWeb survey that targeted copyright infringement sites handling movies, TV shows, animation, and manga (excluding music). Although the analysis was conducted with multiple access analytical tools for estimating the number of visits to piracy sites, it should be understood that there are limitations to accurately assessing the situation with currently available technology.

³²⁷ Copyright Subdivision of the Cultural Council (2022), *Interim Summary: Responses to Cross-Border Acts of Content Piracy* (tentative translation). Viewed at: https://www.bunka.go.jp/english/policy/copyright/pdf/93705201_01.pdf; and Association of Copyright for Computer Software (2022), *Software Right Infringement and ACCS Countermeasures*. Viewed at: https://www.bunka.go.jp/english/policy/copyright/the_5th_meeting.html.

³²⁸ JPO, *If You Are a Victim – Consultation Desk*. Viewed at: <https://www.jpo.go.jp/support/ipr/soudan.html>.

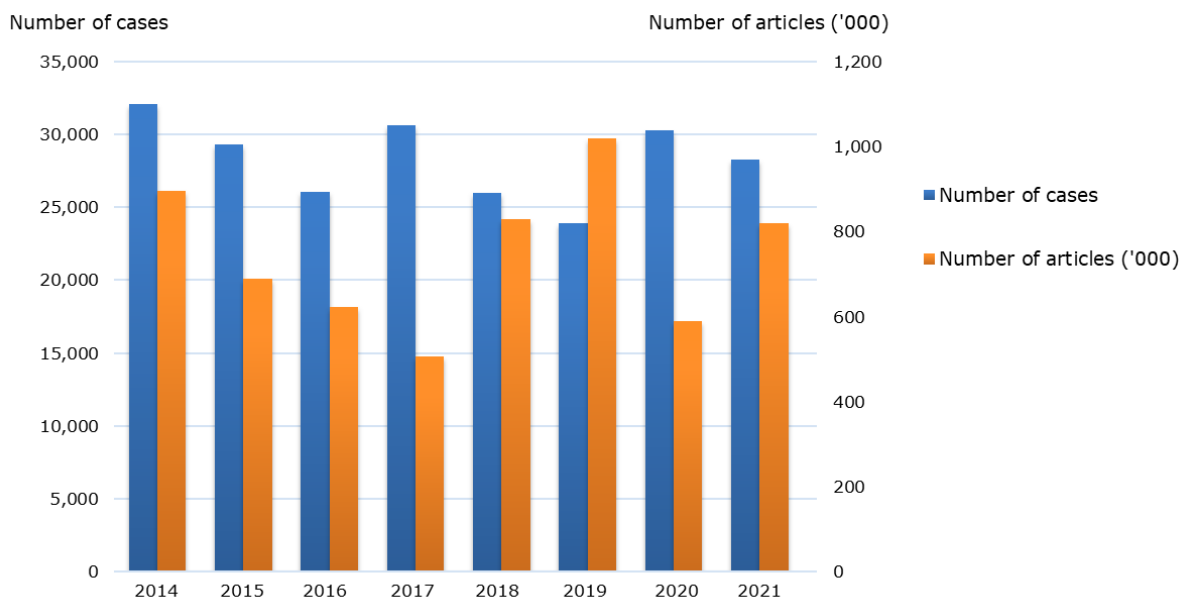
³²⁹ Various agencies, *Comprehensive Measures and Work Schedule to Combat Online Piracy*. Viewed at: https://www.kantei.go.jp/jp/singi/titeki2/chitekizaisan2020/pdf/kaizoku_taisaku.pdf.

³³⁰ ACA, *Launched Internet Portal Site for Countermeasures against Copyright Infringement by Piracy*. Viewed at: <https://www.bunka.go.jp/seisaku/chosakuken/93713502.html>; Copyright Subdivision of the Cultural Council (2022), *Interim Summary: Responses to Cross-Border Acts of Content Piracy* (tentative translation). Viewed at: https://www.bunka.go.jp/english/policy/copyright/pdf/93705201_01.pdf; and ACA, *Opened a Consultation Desk for Pirated Copyright Infringement*. Viewed at: <https://www.bunka.go.jp/seisaku/chosakuken/93757002.html>.

³³¹ Information by the authorities.

of seized articles were traced to China³³² and a growing proportion during the review period were traced to Viet Nam³³³ (10.7%) and the Philippines (3.9%).³³⁴

Chart 3.7 Import seizures, 2014-21



Source: Japan Customs, *2021 Seizure Statistics of IPR Border Enforcement*. Viewed at: <https://www.customs.go.jp/mizuqiwa/chiteki/pages/statistics/statistics2021.pdf>.

3.225. Amendments in 2021 to the Design Act and Trademark Act, and in 2022 to the Customs Act, which entered into force on 1 October 2022, were implemented in response to increasing imports of counterfeit goods for personal use via e-commerce platforms. Importing counterfeit goods for personal use does not constitute infringement in Japan. The amendments clarify that foreign businesses that use a person in Japan to bring in counterfeit products by mail and other means commit infringement, and Japan Customs may accordingly seize the goods.³³⁵ Questions have been raised about the effectiveness of these amendments and whether they could be circumvented by designating an individual, rather than a business, as the sender.³³⁶

3.226. Seizures of exports remained marginal during the review period, although over 10,000 articles of apparel destined for the United States were seized in a single case in 2020.³³⁷ Low rates of seizure at the border of infringing goods destined for export have been attributed to strong domestic enforcement. The number of individuals arrested annually for IP infringement and cases handled in the courts continued their downward trend since 2015, although small increases were observed in 2021 (Chart 3.8) due to increases in copyright infringement cases and arrests. Eighty-five percent of 2021 trademark infringement cases and 89% of 2021 copyright infringement cases involved the use of the Internet. Although overshadowed by trademark and copyright

³³² The proliferation of counterfeit goods and pirated content on the Internet were among the topics discussed at the 8th meeting of the Japan-China Joint IP Working Group in 2021. JPO, *JPO Status Report 2022*, p. 103. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

³³³ Japan and Viet Nam signed a Memorandum of Cooperation in Protection and Enforcement of Intellectual Property Rights on 1 April 2021 in order to further enhance future cooperation on anti-counterfeiting measures. METI (2021), "Japan and Vietnam Sign MOC on Cooperation Measures against Counterfeit Goods", 2 April. Viewed at: https://www.meti.go.jp/english/press/2021/0402_001.html.

³³⁴ Japan Customs, *2021 Seizure Statistics of IPR Border Enforcement*. Viewed at: <https://www.customs.go.jp/mizuqiwa/chiteki/pages/statistics/statistics2021.pdf>.

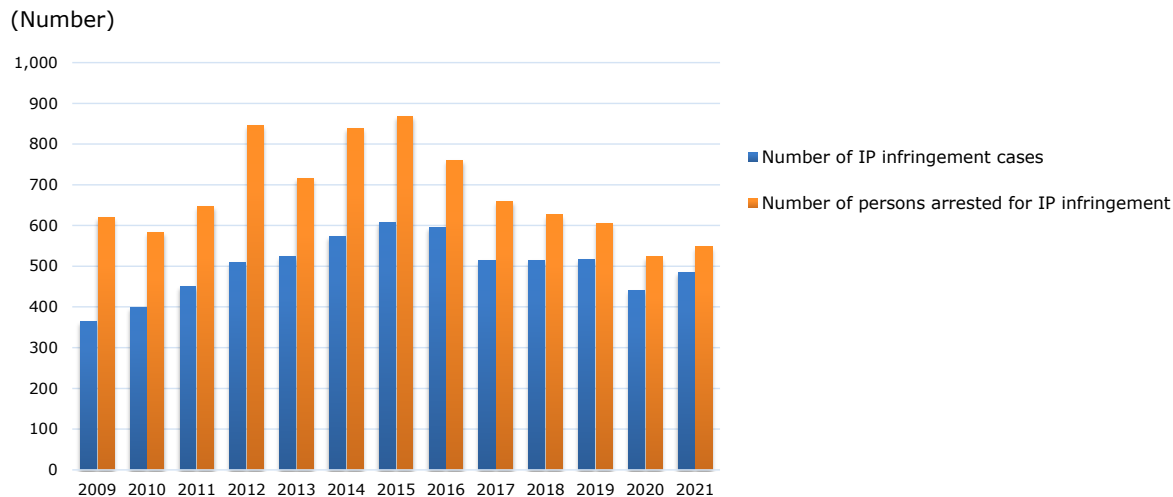
³³⁵ JPO, *JPO Status Report 2022*, p. 117.

³³⁶ Chambers and Partners (2022), *Trade Marks 2022: Japan*, 1 March. Viewed at: <https://practiceguides.chambers.com/practice-guides/trade-marks-2022/japan>.

³³⁷ Japan Customs, *2021 Seizure Statistics of IPR Border Enforcement*. Viewed at: <https://www.customs.go.jp/mizuqiwa/chiteki/pages/statistics/statistics2021.pdf>.

violations, arrests and cases involving trade secret misappropriation have grown steadily over the past five years and accounted for 9% of IP infringement arrests and 5% of cases in 2021.³³⁸

Chart 3.8 IP cases handled by courts, and individuals arrested for IP infringement, 2009-21



Source: National Policy Agency (in Japanese). Viewed at: <http://www.npa.go.jp/bureau/safetylife/keizai/niseburannohinkaizokubannokonzetu.pdf>.

3.227. The legal framework surrounding the judicial enforcement of IPRs did not change during the review period. Japan has historically been a comparatively challenging litigation venue for enforcing IP rights, but that is changing.³³⁹ Patent right holders were markedly more successful at the trial level in 2018-20 than in 2014-17.³⁴⁰ During the review period, the Government continued to implement various recommendations of a February 2019 joint JPO/METI Industrial Structure Council report, which proposed improved evidence collection procedures, damages calculations, court procedures, and litigation costs.³⁴¹ A bill pending before the Diet in 2019 and discussed in the previous Review³⁴² was adopted, and associated amendments have entered into force. Courts handling patent infringement disputes may now engage neutral technological experts to conduct and report upon on-site inspections of suspected infringement sites, and patent, UM, design, and trademark right holders may claim higher damages.³⁴³ Additionally, in response to the increasing complexity of disputes in the age of AI and IoT technologies, as of April 2022 courts hearing patent and UM infringement cases may solicit third-party opinions upon the motion of a party.³⁴⁴ Amendments in 2020 to the Copyright Act also improved evidence collection procedures in copyright infringement litigation.³⁴⁵

3.3.7.14 COVID-19 measures

3.228. JPO implemented a variety of measures regarding oral proceedings, deadlines, documentary evidence, and in-person proceedings in response to the COVID-19 pandemic.³⁴⁶ Some of these

³³⁸ National Policy Agency. Viewed at: https://www.npa.go.jp/safetylife/seikeikan/R03_seikatsukeizaijihan.pdf.

³³⁹ T. Abe (2020), "How Was Japanese Patent Litigation Reformed?" *Managing IP*, 9 December.

³⁴⁰ H. Tada (2021), "Patent Law Development in Japan", *Asia Business Law Journal*, 7 October. Viewed at: <https://law.asia/japan-patent-law-development/>.

³⁴¹ METI, Industrial Structure Council, Patent System Subcommittee, *Designing an Intellectual Property Dispute Settlement System for Effective Rights Protection*, February 2019, p. 5. Viewed at: https://www.jpo.go.jp/e/resources/shingikai/document/190215_tokkyo_houkoku/english.pdf.

³⁴² WTO document WT/TPR/S/397/Rev.1, 6 November 2020, para. 3.250.

³⁴³ Patent Act (Act No. 121 of 1959); WTO document IP/N/1/JPN/47, 2 June 2020; Trademark Act (Act No. 127 of 13 April 1959); WTO document IP/N/1/JPN/57, 15 July 2021; Trademark Act (Act No. 127 of 13 April 1959); and WTO document IP/N/1/JPN/60, 6 December 2021.

³⁴⁴ Patent Act (Act No. 121 of 1959); and WTO document IP/N/1/JPN/62, 16 June 2022.

³⁴⁵ ACA, *Amendment to the Copyright Act Approved by the Ordinary Session of the Diet in 2020*. Viewed at: https://www.bunka.go.jp/english/policy/copyright/amendments_2020/.

³⁴⁶ JPO, *Comparative Table of COVID-19 Countermeasures in Trial and Appeal Taken by Japan, China and Korea*. Viewed at: https://www.jpo.go.jp/e/system/trial_appeal/covid19_jck.html.

procedural flexibilities have been formalized via amendments to the Patent Act, Utility Model Act, Design Act, and Trademark Act. Interested parties have new options to attend oral hearings relating to rights via video conference. Additionally, exemptions from surcharges will be available for right holders who miss fee deadlines during predetermined periods due to the COVID-19 pandemic, a natural disaster, or other similar reason.³⁴⁷

3.229. Measures were also taken to streamline communications and fee payments. JPO may now send notifications of decisions on international trademark or design applications electronically via the International Bureau of WIPO, rather than via the postal service. Amendments to the Act on Special Provisions of Procedures, etc. Concerning Industrial Property Rights now permit advance payment of patent and other fees via bank transfer, credit card, and other payment methods and abolished advance payment by patent revenue stamps.

3.230. JPO has also sought to streamline its procedures. It reviewed approximately 800 application procedures with seal affixation requirements and eliminated the requirement for all but 33, which were considered susceptible to forgery. JPO also launched a digitization plan in 2021, which aims to allow all procedures to be undertaken online by March 2024.³⁴⁸

³⁴⁷ JPO, *JPO Status Report 2022*, p. 116. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

³⁴⁸ JPO, *JPO Status Report 2022*, pp. 117-18, 124-26. Viewed at: <https://www.jpo.go.jp/e/resources/report/statusreport/2022/document/index/all.pdf>.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1.1 Agriculture

4.1. In 2020 (latest year for which data were available), agriculture, forestry, and fishing contributed around 1.0% to GDP, and 3.2% to total employment. In terms of output, livestock, vegetables, and rice remain the most important items.

4.2. Japan has a deficit in trade in agricultural goods, with imports of USD 74.8 billion and exports of USD 9.2 billion in 2021. In the same year, the main imported agricultural products included maize (corn) (HS 1005); meat of swine, fresh, chilled or frozen (HS 0203); and prepared or preserved meat, meat offal or blood, other than of sausages (HS 1602), while the main agricultural exports were food preparations n.e.s. (HS 2106); ethyl alcohol, undenatured, of an alcoholic strength by volume of less than 805 volume; spirits, liqueurs and other spirituous beverages (HS 2208); and sauces and preparations therefore; mixed condiments and seasonings (HS 2103).

4.1.1.1 Agricultural policy

4.3. The main policy developments during the review period included revision to the Food, Agriculture and Rural Basic Plan in 2020; the adoption of the Strategy to Realize Export Expansion of Agricultural, Forestry and Fishery and Food Products in 2020, and its revision in 2022; and the entry into force of the Act on Facilitating the Export of Agricultural, Forestry and Fishery Products and Food in 2020 and its revision in 2022.

4.4. The Food, Agriculture and Rural Areas Basic Plan sets out Japan's agricultural policy in accordance with the Basic Law on Food, Agriculture and Rural Areas. The current Plan, adopted in March 2020, stipulates the objectives of promoting industrial and regional policies to increase self-sufficiency and establish food security. The Plan sets self-sufficiency targets for FY2030 of 45% on a calorie basis and 75% on a production value basis, as well as of 34% for feed, and a food domestic production ratio of 53% on a calorie basis and 79% on a production value basis in FY2030.¹ In FY2021, self-sufficiency on a calorie basis was 38%.² The Plan also sets an export target of JPY 5 trillion by 2030. Agricultural policies are reviewed annually in the Annual Report/White Papers on Food, Agriculture and Rural Areas in Japan, issued by the Ministry of Agriculture, Forestry and Fisheries (MAFF); the latest Report was issued in May 2022.³

4.5. On 1 April 2020, the Act on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food entered into force.⁴ The Act stipulates that the Basic Policy on Facilitating the Export of Agricultural, Forestry, and Fishery Products and Food must be set out.⁵ The authorities state that the Basic Policy provides fundamental policy directions to promote exports of agricultural, forestry, and fishery products and food. On 15 December 2020, the Strategy to Realize Export Expansion of Agricultural, Forestry, and Fishery Products and Food was adopted; it was revised in December 2021 and June 2022. The authorities indicate that the Strategy was decided based on the

¹ The food domestic production ratio accounts for the share of domestically produced food in the domestic food supply. The ratio excludes feed.

² Self-sufficiency data on a product-by-product basis may be viewed at: <https://www.maff.go.jp/j/zyukyu/fbs/index.html>.

³ MAFF. Viewed at: <http://www.maff.go.jp/j/wpaper/index.html>.

⁴ E-GOV. Viewed at: <https://elaws.e-gov.go.jp/document?lawid=501AC0000000057>.

⁵ The Plan is to specify (i) a basic direction to facilitate the export of agricultural, forestry, and fishery products and food; (ii) basic particulars regarding the deliberations with the governmental organizations of a country of destination that are needed to facilitate the export of agricultural, forestry, and fishery products and food; (iii) basic particulars regarding the issuance of certificates and the development of other such procedures that are needed in order to streamline the export of agricultural, forestry, and fishery products and food that conform to conditions of importers; (iv) basic particulars regarding support for businesses that are working to export agricultural, forestry, and fishery products and food; and (v) the particulars of measures that are needed in order to facilitate the export of agricultural, forestry, and fishery products and food, beyond what is provided in the preceding items.

Act; the Strategy sets the directions of specific measures. Under the latest Strategy, the Government adopted an additional product, which is treated as the Priority Export Product.⁶

4.6. The revision of the Act, promulgated in May 2022, has provisions regarding certain financial support to authorized export-promotion organizations. According to the authorities, budgetary programmes based on the Strategy are targeted for export promotion and advisory services.

4.7. The Policy Package for Enhancing the Competitiveness of Japan's Agriculture, issued in November 2016, has remained unchanged.

4.8. The Food Industry Strategy, adopted in April 2018, has remained unchanged.

4.1.1.2 Institutional and legal framework

4.9. The main general law governing the agricultural sector is the Basic Law on Food, Agriculture and Rural Areas (last amended in 2018). The MAFF is responsible for agricultural policy. There were no changes to its responsibilities over the review period.

4.10. The Act on the Support for Strengthening Agricultural Competitiveness, which entered into force in 2017, has remained unchanged. The Agricultural Management Framework Reinforcement Act and the Urban Farmland Lease Facilitation Act remain unchanged.

4.1.1.3 Trade policies and border measures

4.11. The simple average tariff on agricultural products (WTO definition) increased slightly to 18.0% in FY2022 from 17.9% in FY2019, due to changes in the unit prices leading to increases in *ad valorem* equivalents (AVEs) of non-*ad valorem* tariffs. The simple average MFN tariff on agricultural products (18.0%) is higher than that on non-agricultural products (3.4%). The maximum tariff (AVE, out-of-quota) is 428.8% on certain beans (HS 0713.39.227). Almost 20% (19.9%) of agricultural tariff lines are non-*ad valorem*.

4.12. During FY2019, FY2020, and FY2021, Japan applied either the volume- or price-based agricultural special safeguards (SSGs) several times to out-of-quota imports of a variety of products (Table A4.1).

4.13. The authorities indicate that no measures concerning agriculture, forestry, and fisheries in response to the signing/entering into force of regional trade agreements were introduced during the review period.

4.14. According to its most recent notification on imports under tariff quotas (for FY2020/21) to the WTO Committee on Agriculture, Japan applies 20 tariff quotas (TQs) covering 112 tariff lines at the HS six-digit level. Fill rates varied considerably from one quota to another, ranging from 6.4% to 100% (Table A4.2). The authorities indicate that low fill rates for some TQ products were mainly because domestic demand for some products under quota has not been increasing (e.g. skimmed milk powder; dried leguminous vegetables and ground-nuts; Konnyaku tubers; and silk-worm cocoons and raw silk), partly reflecting situations arising from the outbreak of the COVID-19 pandemic. The main reason for the low fill rate for barley and its processed products is that the quantity of barley for feed imported under the Economic Partnership Agreements is not included in the amount of "in-tariff quota" imports. TQs are also applied for various other products (Table A4.3).

4.15. The method of administering TQs has remained unchanged since the previous Review.

4.16. Since the previous Review, there have been no changes in the simultaneous buy and sell (SBS) system, under which an importer and a domestic user make a joint bid to the MAFF, submitting the government purchase price from the importer and the government sale price on the domestic Japanese market (Table A4.4).

⁶ MAFF. Viewed at: <https://www.maff.go.jp/j/shokusan/export/progress>.

4.17. During the review period, Japan notified the WTO Committee on Agriculture that it did not use any export subsidies on agricultural products between FY2019 and FY2022.

4.18. Export insurance from Nippon Export and Investment Insurance is available for agricultural products in the same way as for exports of other goods.

4.19. Japan's food assistance programme has remained unchanged since its previous Review. During the review period, Japan notified volumes exported for 2017 to 2020 (Table A4.5).

4.1.1.4 Domestic support

4.1.1.4.1 General support programmes

4.20. During the review period, the Government launched a Strategy for Sustainable Food System, MeaDRI (Measures for Achievement of Decarbonization and Resilience with Innovation) in May 2021, and the Act on Sustainable Food System, MeaDRI entered into force in July 2022. Under the Act, Japan aims to transform its agricultural production system to respond to climate change and decreasing biological diversity by reducing environmental loads including through the reduced use of fossil fuels and chemical pesticide/fertilizer as well as through the use of smart technology. Japan will also put emphasis on R&D, disseminate smart agriculture including through the facilitation of new technology introduction and infrastructure development in rural areas, and increase capacity-building for farmers and other stakeholders in the food supply chain. The authorities consider that, in order to achieve the MeaDRI's key performance indicators, it is essential to introduce promising new technologies, such as an integrated pest management, soil data management, and resource recovery from waste.

4.21. The Government also implemented a comprehensive grant for strong agriculture during the same period with a view to providing support for constructing fundamental facilities in agricultural rural areas and distribution centres of agricultural products, which the authorities consider necessary for joint delivery in production areas and consumption areas as well as for pilot programmes in pioneering projects. The budget for the grant was JPY 34.5 billion in FY2020 and JPY 16.2 billion in FY2021. The grant is first allocated to prefectural governments from the MAFF, and then prefectural governments provide the allocated grants to each recipient group in the prefecture concerned. The general eligibility requirements of this project include that a recipient group must be composed of five farmers or more; expected performance indicators must meet the target levels specified in the operational procedure of this project; and the total area of farmland of a recipient group must be larger than the size of area specified in the operational procedure of this project.

4.22. Since Japan's previous Review, the Agricultural Insurance Act, 2018, the Income Insurance Program and its insurance premium rate (1.08%), the Agricultural Mutual Aid System (AMAS), and the Vegetable Price Stabilization Program have remained unchanged.

4.23. The three direct payments programmes that fall under the Act on Multi-Functionality of Agriculture remain unchanged. The total area of 82,000 ha was estimated to receive direct payments for environmentally friendly agriculture of JPY 2.5 billion in FY2021. The direct payments for farmers in hilly and mountainous areas, under which payment rates depend on the slope of the land and production factors, ranged from JPY 21,000 per 0.1 ha for paddy fields in high-inclination areas to JPY 300 per 0.1 ha for pasture on a mild slope; the scheme covered 653,000 ha, amounting to a total of JPY 26.1 billion in FY2021. The direct payments for activities to enhance multi-functionality, under which unit prices depend on the type of land use and activity, to conserve or improve local resources, including mowing of farmland slopes or simple repairing of channels, covered 2.31 million ha and 26,258 organizations, amounting to JPY 48.7 billion in FY2021.

4.24. Under the Emergency Measures to Develop New Sales Channels of Agricultural, Forestry, and Fishery Products, the Government provides financial support to compensate for part of the expenses for those who develop new sales channels for certain products such as e-commerce and for those who supply certain products for school lunches and children's cafeterias in response to excess inventories of agricultural, forestry, and fishery products caused by the substantial decrease in demand, including reduced inbound tourism consumption due to the COVID-19 pandemic. The

budget for this support amounted to JPY 19 billion in FY2021.⁷ During the review period, the Government held two selection processes of farmers and enterprises that are accorded the support; they started on 26 January 2022 and 16 May 2022, respectively.⁸

4.25. A Production Infrastructure Power-up Project, introduced in FY2015 with a view to providing infrastructural development service to an agricultural rural area, aims to support farmers that work on initiatives based on the region's agricultural strategy. The budget amount was JPY 34 billion in FY2020 and JPY 31 billion in FY2021. The subsidy of this project is first allocated to prefectural governments from the MAFF, and then prefectural governments provide the allocated subsidies to each recipient group in the prefecture concerned. The acceptance requirements for applicants is to participate in programmes in a regional development plan prepared by the producing region and approved by the prefecture's governor.

4.26. In FY2020, a wheat, barley, and soybean profitability and productivity improvement project was introduced with a view to improving productivity of wheat, barley, and soybean farming. This project aims at facilitating information-sharing with and the provision of research outcomes to producers by (i) introducing farming technologies and aggregating farmlands for, *inter alia*, the improvement of labour productivity; (ii) introducing machines necessary for production; and (iii) establishing a stable supply system including through proper utilization of storage facilities. The budget for this purpose was JPY 6 billion in FY2020 and JPY 3.35 billion in FY2021. The subsidy of this project is first allocated to prefectural governments from the MAFF, and then prefectural governments provide the allocated subsidies to each recipient group of farmers in the prefecture concerned.

4.27. According to the authorities, in 2022, as fertilizer prices soared, the Government supported farmers that introduced measures to reduce 20% of the use of chemical fertilizers with reference to a similar measure implemented in 2008.

4.28. There exist various funds concerning agriculture, forestry, and fisheries (Table 4.1). In addition, the MAFF has under its responsibility a public-private investment fund (Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain, and Expansion Japan (A-FIVE)).⁹

Table 4.1 Other funds concerning agriculture, forestry, and fisheries

Name of fund	Name of entities the fund belongs to
Food Distribution Rationalization Measures Debt Guarantee Project Fund	Organization for Food-marketing Structure Improvement
Fund for Food Distribution Streamlining Emergency Measures	Organization for Food-marketing Structure Improvement
Early Establishment Fund for Regional Renewable Energy Models	Organization for Food-marketing Structure Improvement
Medium-sized Restaurant Business Finance Facilitation Fund	Japan Food Service Association
Vegetable Production and Shipment Stabilization Fund	Agriculture and Livestock Industries Corporation
Supplemental Compensation Provident Fund	Mixed Feed Supply Stabilization Organization
Livestock Farming Management Maintenance and Stabilization Special Measures Fund	National Livestock Management Stabilization Fund Association
Horse Producing Region Revitalization Fund	National Association of Racing
Fund for Measures against Soaring Fuel Prices for Greenhouse Horticulture	Japan Greenhouse Horticulture Association
<i>Igusa</i> and <i>Tatami Omote</i> Farmer Management Income Stabilization Fund	Kumamoto Prefecture <i>Igusa</i> Industry Production and Sales Promotion Association
Production Area Power-up Project Fund	Japan Special Agricultural Products Association
Livestock and Dairy Profitability Comprehensive Measures Fund	Japan Livestock Industry Association
Egg Producer Management Stabilization Fund	Japan Poultry Association
Management Support Fund for Authorized Farmers	National Chamber of Agriculture
Youth Farming Grant Project Fund	National Chamber of Agriculture

⁷ Ministry of Finance (MOF). Viewed at: https://www.mof.go.jp/policy/budget/budger_workflow/budget/fy2021/fy2021.html.

⁸ MAFF. Viewed at: <https://www.maff.go.jp/j/kanbo/hanrokaitaku/kaitaku.html>.

⁹ A-FIVE. Viewed at: <http://www.a-five-j.co.jp/>.

Name of fund	Name of entities the fund belongs to
Lending Fund to Support Farmers	National Association of Agricultural Land Holding Rationalization
Business Development Support Fund for Farmers	Agriculture, Forestry and Fisheries Long-Term Finance Association
Agricultural Management Income Insurance Rider Compensation Fund	National Federation of Agricultural <i>Kyosai</i> Associations
Sugar Cane Production Stabilization Fund	Okinawa Prefectural Sugar Industry Development Association, etc.
Innovative Research and Development Promotion Fund	National Agriculture and Food Research Organization
Special Fund for Strengthening the Structure of the Timber Industry	Japan Federation of Wood Industry Cooperatives
Go-for-it! Regional Forestry Support Fund	Japan Federation of Wood Industry Cooperatives
Lending Business Fund	Overseas Fishery Cooperation Foundation of Japan
Control Project Fund	Sea and Beach Environment Beautification and Oil Pollution Control Organization
Loss and Purchase Fund Lending Project Fund	Marine Products Stable Supply Promotion Organization (Fish Fund)
Domestic Marine Product Supply and Demand Fluctuation Adjustment Project Fund	Marine Products Stable Supply Promotion Organization (Fish Fund)
International Fisheries Restructuring Project Fund	Japan Fisheries Association
Subsidy Fund for Lease Fees	Japan Fisheries Association
Fishery Management Stabilization Fund	National Federation of Fisheries <i>Kyosai</i> Associations
Fishery Industry Strengthening Comprehensive Measures Fund	Fisheries and Fishing Village Revitalization Promotion Organization
Fund for Comprehensive Countermeasures against Harmful Species in Fisheries	Fisheries and Fishing Village Revitalization Promotion Organization
Project Fund for Construction of Fishery Management Safety Net	Fisheries Management Stabilization Promotion Association
Foreign (the Republic of Korea, China, etc.) Fishing Vessel Operation Countermeasures Fund	Fisheries Promotion Foundation in response to Japan-the Republic of Korea/Japan-China Agreements
Okinawa Fisheries Fund	Okinawa Prefecture Fisheries Promotion Fund
Fisheries Competitiveness Enhancement Fund	Fisheries and Fishing Village Revitalization Promotion Organization
Resource Management and Fisheries Innovation Promotion Fund	Fisheries and Fishing Village Revitalization Promotion Organization
Producer Reserve Fund for Raw Milk for Processing	<i>Hokuren</i> Federation of Agricultural Cooperatives, etc.
Livestock Advancement Support Leasing Fund	Livestock Industry Environment Improvement Organization
Funds for Acquisition of Machines for Lending	Japan Ham and Sausage Processor Cooperative Association
Producer Reserve Fund	Hokkaido Livestock Price Stabilization Fund Association, etc.
Livestock Farming Management Emergency Support Fund	Association of Livestock Producers Organization
Adjustment Fund	Agriculture and Livestock Industries Corporation
Livestock Industry Promotion Fund	Agriculture and Livestock Industries Corporation
Agriculture, Forestry and Fisheries Credit Fund	Agriculture, Forestry and Fisheries Credit Foundations
Subsidy in Response to Soaring Livestock Feed Costs	Agriculture, Forestry and Fisheries Credit Foundations
Agricultural Credit Insurance Business Grant	Agriculture, Forestry and Fisheries Credit Foundations
Subsidies for Agricultural Management Financial Support Measures	Kumamoto Agricultural Credit Fund Association, etc.
Forestry Credit Guarantee Project Grant	Agriculture, Forestry and Fisheries Credit Foundations
Fishery Emergency Guarantee Measure Project Grant	Agriculture, Forestry and Fisheries Credit Foundations
Fishery Emergency Guarantee Project	Japan Fisheries Credit Fund Association and other four Fisheries Credit Fund Associations

Source: MAFF. Viewed at: https://www.maff.go.jp/j/budget/review/r3/kikin/f/03kikin_f.html.

4.1.1.4.2 Support level

4.1.1.4.2.1 WTO notifications

4.29. The most recent notification from Japan to the WTO Committee on Agriculture concerning domestic support covers FY2020.¹⁰ According to the notification, 78% of all support for agriculture (support notified under the Green Box, Blue Box, and Amber Box (including *de minimis*)) is under the Green Box, and about 22% under the Amber Box (including *de minimis*).

4.1.1.4.3 OECD indicators

4.30. In OECD publications regarding reviews of agricultural policies in Japan, other OECD countries, and some other economies, the value of transfers to agricultural producers is measured using the Producer Support Estimate (PSE) and associated indicators. The methodology for calculating these indicators is different from that used to calculate the Aggregate Measure of Support, and the two sets of data are neither compatible nor comparable.

4.31. According to the OECD, Japan gradually reduced its support to agriculture during the past 10 years; however, the level of support plateaued more recently.¹¹ In terms of a share of gross farm receipts, the PSE remains more than twice the OECD average. The total support estimate to agriculture was about 0.9% of Japan's GDP in 2019-21. Due mainly to border measures, market price support remains the main element of producer support for rice, pork, and milk. As a result, average producer prices remain higher than world reference prices, by around 60%.

4.1.1.4.4 Specific products

4.1.1.4.4.1 Rice

4.32. The MAFF continues to provide direct payments to farmers who produce crops other than table rice in the paddy field (the Direct Payments for Rice Paddy Utilization), to optimize the use of paddy fields, against the background of diminishing domestic demand for rice. According to the authorities, this scheme aims to maintain the favourable environment of paddy fields and prevent floods or soil erosion, cultivate water resources, and preserve the natural environment through effective use of paddy fields. The Payments are classified into (i) direct payments to assist the production of strategic crops (other than table rice); (ii) grants for production areas; and (iii) direct payments for promoting high profitability in paddy farming. In FY 2021, with a view to more positively tackling the continued decline in demand for staple rice, the fourth programme was built into the Payments. The new programme, in addition to prefectural governments' own financial supporting schemes, enables the Government to pay farmers who produce certain products in the paddy field.¹² The Payments are made when producers meet at least three of specific requirements including those for environmental protection such as direct sowing seeding and efficient fertilization, in order to promote cultivation of paddy field. Under the Payments, the Government provides grants to Prefectural Agricultural Revitalization Councils, which are composed of farmers' organizations and other agricultural stakeholders, based on their grant applications and performance reports that summarize the farmers' practices in the region. The grants are paid to the Prefectural Councils and then distributed to the farmers. The budgets for these programmes were JPY 332.0 billion in FY2020 and JPY 370 billion in FY2021.

4.33. The MAFF continues to implement the Rice Overseas Market Expansion Project.

¹⁰ WTO document G/AG/N/JPN/277, 12 May 2022.

¹¹ OECD (2022), *Agricultural Policy Monitoring and Evaluation 2022*. Viewed at: https://www.oecd-ilibrary.org/agriculture-and-food/agricultural-policy-monitoring-and-evaluation-2022_4be691e1-en;jsessionid=g_WT3NdSMB2j8e3qgeNTJ2cJ9c-wG06Df14nihWE.ip-10-240-5-47.

¹² Such products are rice targeted for new market development, processed rice, wheat, barley, and soybeans. MAFF. Viewed at: <https://www.maff.go.jp/j/syouan/keikaku/soukatu/attach/pdf/220816-6.pdf>; and <https://www.maff.go.jp/j/syouan/keikaku/soukatu/220816.html>.

4.1.1.4.4.2 Other cereals, sugar beet, starch potatoes, buckwheat, and rapeseed

4.34. There has been no change to the Act on Payment of Grants to Farmers for Purpose of Stabilization of Farming Management (Act No. 88, 2006).¹³ Under the Act, core farmers producing wheat, barley, soybeans, sugar beet, starch potatoes, buckwheat, and rapeseed are eligible for payments with a view to narrowing the gap between the prices of domestic products and imports (Table A4.6).¹⁴

4.35. There has been no change to the Act on Price Adjustment of Sugar and Starch (Act No. 109, 1965). The latest amendment entered into force in December 2018.

4.36. The Subsidy Programme for Structural Transition of Field Crops, introduced in FY2017, ended in FY2020. The Programme aimed to support farmers in large-scale non-rice-paddy areas facing challenges in addressing labour shortages and risk of damage caused by plant pests and diseases. The budget for the subsidy in FY2020 was JPY 3 billion. The subsidy was first allocated by the MAFF to prefectural governments, and then prefectural governments provided the allocated subsidies to each recipient farmer group.

4.1.1.4.4.3 Fruits and vegetables

4.37. The latest revision to the Basic Policy on the Promotion of Fruit-Growing Industry of 2015 was issued in April 2020.¹⁵ The previous Policy focused on curbing fruit production to address oversupply. The Government revised the Policy, against the background of a recent decline in the fruit supply, with the aim of strengthening the fundamentals of fruit production and recovering the capacity of supply. Under the revised Policy, budget allocated to this assistance was JPY 5.7 billion in FY2020 and JPY 5.1 billion in FY2021.

4.38. Groups of farmers specified in a Fruits Production Structural Reform Plan for each production area, based on the Plan for Promotion of Fruit-growing Industry of each prefecture, are eligible for assistance for strengthening the fundamentals of fruit production through the promotion of replanting and land improvement of orchards.

4.39. Since the previous Review, there has been no change in the price control support scheme for specific vegetables under contract.¹⁶ Price support payments are made based on the quantity of production of specific vegetables¹⁷ under contract, calculated as the difference between 90% of the average of wholesale market price of the past six years and the average of wholesale market prices for each vegetable season.¹⁸

4.1.1.4.4.4 Livestock and livestock products

4.40. The Act on Dairy and Beef Cattle Production Promotion has remained unchanged since the previous Review. Under the Act, the Minister of Agriculture, Forestry and Fisheries is to develop a plan to facilitate the modernization of dairy and beef cattle production; the current plan was adopted in March 2020. Administered prices continue to apply to calves (Table A4.7).

4.41. Support for domestic pork producers through the Hog Growers Business Stabilization Measure (also known as Pig Marukin), which covers 90% of the cost gap (i.e. gap between the standard cost of production and the standard sales price), has remained unchanged. There was no payment of Pig Marukin in FY2020 and FY2021 because the standard sales price was not lower than the standard cost of production.

¹³ Alternatively, the Act on Farming Income Stabilization.

¹⁴ MAFF. Viewed at: https://www.maff.go.jp/j/supply/hozyo/nousan/220428_160-1.html and https://www.maff.go.jp/j/seisaku_tokatu/antei/r4_narashi_minaoshi.html.

¹⁵ MAFF. Viewed at: <https://www.maff.go.jp/j/seisan/ryutu/fruits/attach/pdf/index-96.pdf>.

¹⁶ ALIC. Viewed at: https://www.alic.go.jp/y-kofu/yagyomu02_000002.html.

¹⁷ Currently, they are cabbage, cucumber, taro, radish, tomato, eggplant, carrot, green onion, Chinese cabbage, peppers, and lettuce.

¹⁸ If the average of wholesale market prices is lower than the designated minimum base price, the latter will apply.

4.42. There has been no change to the Price Stabilization Fund for Eggs, through which payments are made to egg producers under contract, calculated as 90% of the difference between the baseline price (JPY 181/kg in FY2022) and the average trading price, multiplied by the quantity of eggs sold. The budgetary cost for this measure was JPY 5.17 billion for FY2022.

4.43. There has been no change to the Feed Price Stabilization Programme, which operates to help to ease the influence of sudden surges in compound feed prices upon farmers.¹⁹

4.44. Under the annual Feed Supply and Demand Plan that aims to stabilize feed supply, demand, and prices, the MAFF continues to purchase and sell imported feed grains (barley and wheat) under the Plan. There has been no change to the Plan. The Plan for 2021 was to purchase and sell 300,000 tonnes of feed barley and 400,000 tonnes of feed wheat. The private sector freely imports these products, regardless of the Plan. Nonetheless, such importers must go through special import procedures; they must pay customs duties plus special import fees to a regional agricultural administration bureau. Once the bureau issues the receipt of such a payment, importers must submit the receipt to the customs as a part of import declaration.²⁰

4.1.1.4.4.5 Dairy

4.45. Under the support system for milk that was modified in 2018, the MAFF continues to set the upper limit of the amount of raw milk for compensation payments; every producer of raw milk for processed products is eligible for this payment.²¹ With a view to ensuring the stable continuation of raw milk collection in disadvantaged areas, designated milk collection operators are eligible for adjustment payments. The compensation payment uniform unit price was JPY 8.26/kg of milk in FY2022 (same in FY2021). The adjustment payment for raw milk collection in the same year was JPY 2.59/kg of milk (same in FY2021). Under this scheme, JPY 35.8 billion was paid to dairy farmers in FY2020. Additionally, to cushion producers against sudden price fluctuations, producers and the Government contribute to the farm business stabilization fund (at a ratio of 1:3). The fund compensates producers of milk for processing whenever prices fall below the average for the previous three years.

4.46. Butter is imported by the ALIC and by private businesses. Private businesses can import butter subject to in-quota tariff rates, or by paying out-of-quota tariff rates.

4.1.1.4.4.6 Tobacco

4.47. Since the previous Review, the Tobacco Business Act has undergone a few changes corresponding to the amendment of the Civil Code as of 1 April 2022.

4.1.2 Fisheries

4.1.2.1 Policy and institutional issues

4.48. Japan's latest overall strategy is defined by the revised Basic Plan for Fisheries, which was issued on 25 March 2022.²² The aim of the strategy remains to enhance fisheries' sustainable resource management, make fisheries a growing industry through increased productivity, and maintain fisheries communities and increase their revenues. The revised plan also aims to achieve a set of self-sufficiency targets by 2032.²³ Actions and programmes to that effect include promoting international cooperation regarding resource management; expansion of domestic production of fish and fish products that are highly dependent on imports (e.g. salmon) and consumption of domestically produced fish and fish products; helping potential exporters through export-promotion initiatives for selected products; improving the environment for the acceptance of foreign workers in the sector; facilitating the use of eco-labelling; and utilizing measures to discourage illegal, unreported, and unregulated fishing.

¹⁹ WTO document WT/TPR/S/397/Rev.1, 6 November 2020, para. 4.56.

²⁰ MAFF. Viewed at: https://www.maff.go.jp/j/seisaku_tokatu/boeki/kome_yunyu.html#noufukin, and <https://www.maff.go.jp/kanto/syokuryou/syouhi/todokede/yunyu2.html>.

²¹ MAFF. Viewed at: https://www.maff.go.jp/j/chikusan/kikaku/tikusan_sogo/attach/pdf/kakaku-2.pdf.

²² MAFF. Viewed at: https://www.jfa.maff.go.jp/j/policy/kihon_keikaku/attach/pdf/index-9.pdf.

²³ These include 94% for fisheries for food, 76% for the total fisheries, and 72% for seaweed.

4.49. Overall responsibility for national fisheries policies lies with the Fisheries Agency in the MAFF, while prefectural governments are responsible for local issues, such as management of local fisheries resources.²⁴

4.1.2.2 Regulatory developments

4.50. The main laws concerning the fisheries sector include the Fishery Act of 1949 (last amended in 2022); the Basic Act on Fisheries of 2001 (last amended in 2020); the Fisheries Cooperative Association Act (last amended in 2022); the Act to Ensure Sustainable Aquaculture Production of 1999 (last amended in 2018); the Act on the Exercise, etc. of Sovereign Rights regarding Fishery, etc. in the Exclusive Economic Zone of 1996 (last amended in 2018); the Act on the Protection of Fishery Resources of 1951 (last amended in 2018); and the 2014 Inland Water Fishery Promotion Act. Under the Fishery Act, national and prefectural governments have responsibility for appropriate conservation and management of fisheries resources. In principle, fisheries resources shall be managed with a goal to achieve the Maximum Sustainable Yield through Total Allowable Catch management. Fishers must engage in fisheries management in order to be eligible for some government support programmes for the establishment of environmentally and economically sustainable fisheries.

4.51. According to the authorities, Japan is in the ratification process for the WTO Agreement on Fisheries Subsidies.

4.1.2.3 International agreements

4.52. Japan has bilateral agreements with Australia, Canada, China, France, Kiribati, the Republic of Korea, Marshall Islands, Morocco, the Russian Federation, Solomon Islands, Senegal, Chinese Taipei, and Tuvalu. In addition, the Trade Agreement between Japan and the United States entered into force on 1 January 2020, and the Japan-United Kingdom Comprehensive Economic Partnership Agreement entered into force on 1 January 2021.

4.53. Under the agreements with China and the Republic of Korea, the parties have not yet reached agreement about operational conditions for mutual fishing access.²⁵

4.54. Japan remains a member of the following Regional Fisheries Management Organizations: Indian Ocean Tuna Commission; Western and Central Pacific Fisheries Commission; Inter-American Tropical Tuna Commission; International Commission for the Conservation of Atlantic Tuna; Commission for the Conservation of Southern Bluefin Tuna; South East Atlantic Fishery Organization; Convention on the Conservation and Management of Pollock Resources in the Central Bering Sea; North Pacific Anadromous Fish Commission; Commission for the Conservation of Antarctic Marine Living Resources; Northwest Atlantic Fisheries Organization; South Indian Ocean Fisheries Agreement; North Pacific Fisheries Commission; and Commission for the Conservation of Antarctic Marine Living Resources. Japan withdrew from the General Fisheries Commission for the Mediterranean on 31 October 2020.²⁶

4.55. Japan is also a member of the following fisheries and fisheries-related agreements: Asia-Pacific Fishery Commission, Fishery Committee for the Eastern Central Atlantic (CECAF), Southeast Asian Fisheries Development Centre (SEAFDEC), and North Pacific Marine Science Organization.

4.56. Japan is a party to the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing.

²⁴ Regarding important policy decision-making, the Fisheries Policy Council (at the national level), the Regional Fisheries Coordination Committees (at the regional level), and the Sea Area Coordination Committees (at the prefectural level) are consulted for their opinions, depending on the nature of the issue. Other relevant organizations include the Fisheries Cooperative Associations and the Fisheries Research Agency.

²⁵ MAFF, *White Paper on Fisheries (summary)*. Viewed at: <https://www.jfa.maff.go.jp/j/kikaku/wpaper/R2/attach/pdf/210604-15.pdf>.

²⁶ MOFA, *Diplomatic Bluebook 2021*, Chapter 3. Viewed at: https://www.mofa.go.jp/policy/other/bluebook/2021/en_html/chapter3/c030403.html.

4.57. On 4 June 2021, Japan adopted a Protocol to Amend the International Convention for the Conservation of Atlantic Tuna.²⁷

4.1.2.4 Border and domestic support measures

4.58. During the review period, tariff protection to the fisheries sector remained largely unchanged. In FY2022, the average MFN tariff rate on the 546 lines (528 in FY2019) (at HS nine-digit level) covering fish and fish products was 6.2% (6.1% in FY2019) and the range was between zero and 15% (same in FY2019). Of these lines, 4.6% (4.7% in FY2019) are duty-free, and 0.2% (same in FY2019) are subject to non-*ad valorem* rates (Section 3.1.4). Seventy tariff lines are fully unbound, and 19 partially bound. This represents around 16.3% of tariff lines for fish and fishery products under the WTO definition. Japan applies import licensing procedures and quotas on certain species (Section 3.1.6).

4.59. The structure of Japan's subsidy schemes for fisheries has remained largely unchanged. Table A4.8 contains the support programmes for fisheries as notified by Japan to WTO in June 2021.

4.2 Mining and Energy

4.2.1 Mining

4.60. Mining accounts for a very small share of Japan's economy: 0.1% of GDP in 2020 and 0.03% of employment in 2020. There were 2,161 operators and 2,691 mining sites in Japan at the end of 2020; both figures are 1.2% lower compared to the previous year.²⁸

4.61. Legislation regarding mining has remained largely unchanged since the previous Review.

4.62. In order to secure a stable supply of metal mineral resources, Japan has been conducting maritime research on manganese nodule, seafloor hydrothermal deposits, and cobalt rich crust.²⁹

4.2.2 Energy

4.63. The main policy development during the review period included the adoption, in October 2021, of the sixth Strategic Energy Plan (SEP), replacing the 2018 SEP.³⁰ The main objectives of the 2021 SEP include to show the path of energy policy towards the realization of "2050 Carbon Neutral" announced in October 2020 and the new greenhouse gas emission reduction targets announced in April 2021 (to cut greenhouse gas emissions by 50%). It also aims to secure a stable supply and reduce energy costs on the premise of ensuring safety in order to overcome the challenges faced by Japan's energy supply and demand structure while promoting climate change countermeasures, confirming the basic principles of Japan's energy policy (energy security, economic efficiency, environment sustainability, and safety (3E+S)).

4.64. The 2021 SEP indicates that the Government will make efforts towards decarbonizing innovations through the Green Innovation Fund for the enhancement of competitiveness in Japan's industries. JPY 2 trillion has been entrusted to the New Energy and Industry Technology Development Organization (NEDO) for the use of the Government.³¹ The Fund targets projects relating to energy, transport and manufacture, and households and offices, and it supports them continuously from research and development to implementation stages for up to 10 years. The Fund also expects to support small-scale projects that encourage the participation of SMEs and start-ups. The 2021 SEP states that, towards 2030, the Government needs to mobilize all policies in order to further pursue the major principles of 3E+S, which has been the major premise of energy policy

²⁷ MOFA. Viewed at: https://www.mofa.go.jp/mofaj/p_pd/dpr/page22_003568.html.

²⁸ Agency for Natural Resources and Energy, *Number of Operators and Mining Sites*. Viewed at: https://www.enecho.meti.go.jp/category/resources_and_fuel/mineral_resource/situation/004/.

²⁹ Agency for Natural Resources and Energy, *Policy on Mineral Resources*. Viewed at: https://www.enecho.meti.go.jp/category/resources_and_fuel/mineral_resource/002/.

³⁰ Agency for Natural Resources and Energy, *Strategic Energy Plan*, October 2021. Viewed at: https://www.enecho.meti.go.jp/category/others/basic_plan/pdf/strategic_energy_plan.pdf.

³¹ NEDO, *Green Innovation Fund*. Viewed at: <https://www.nedo.go.jp/activities/green-innovation.html>; and METI. Viewed at: https://www.meti.go.jp/policy/energy_environment/global_warming/gifund/pdf/basicpolicies_211213.pdf.

(i.e. ensuring a stable and cost-effective energy supply and addressing the issue of climate change, on the premise of ensuring safety). The Government's support measures and initiatives to achieve the goals set in the SEP are being discussed in each sector.

4.65. Where carbon dioxide emissions are technically unavoidable, the 2021 SEP states that the Government will utilize negative emission technologies including Direct Air Carbon Capture and Storage, Bio-Energy with Carbon Capture and Storage, and forest sink measures.

4.66. In May 2022, based on the 2021 SEP, the Diet passed an amendment to several pieces of energy-related legislation (2022 amendment). The 2022 amendment to the Act on Rationalizing Energy Use (Energy Conservation Act), which is to be implemented in April 2023, expands the scope of "energy" within the meaning of the Act from fossil energies to all types of energy.³² This is intended to allow the Act and its relevant regulations to address the rational use of all types of energy, including renewable and non-fossil. The 2022 amendment to the Act also requires that businesses increase the proportion of non-fossil energies used in their operations. To this effect, certain businesses meeting the scale threshold must submit to the METI a mid- to long-term plan regarding their future transition from fossil to non-fossil energies and periodical reports on the latest usage of non-fossil energies.

4.67. Moreover, the 2022 amendment clarifies that relevant legislation includes hydrogen and ammonia as sources of non-fossil energies. It also stipulates that the Japan Organization for Metals and Energy Security (JOGMEC)³³ can provide private equity infusion and loan guarantees for private projects relating to production and storage of hydrogen and ammonia.³⁴

4.68. The Agency for Natural Resources and Energy and its Advisory Committee for Natural Resources and Energy in the METI are responsible for energy policy, planning, and legislation, as well as regulation of the industry. The Nuclear Regulation Authority in the Ministry of the Environment is responsible for the supervision of nuclear power plants.

4.69. According to Japan's latest notification to the Committee on Subsidies and Countervailing Measures, during the review period, several schemes provided grants for demonstration projects for high-efficiency gas turbine technology; projects and activities by NEDO; and promotion of energy saving by homes and businesses.³⁵

4.70. Under the provisions of the Foreign Exchange and Foreign Trade Act, foreign entities wishing to invest in the target companies engaged in energy sectors (including electricity, gas, oil, and heat supply) must notify their intention to the competent authorities, including the METI (Section 2.4). Permission may be denied on the grounds of, *inter alia*, public order.

4.2.2.1 Hydrocarbons

4.2.2.1.1 Coal

4.71. The JOGMEC continues to contribute to the coal industry in various ways, including conducting geological surveys, developing technologies, and providing financial support and information for Japanese companies, in order to secure a stable coal supply chain in Japan.³⁶ The JOGMEC also provides technical support for Japanese companies, and transfers coal extraction and security technologies to coal-producing countries to ease their constrained production capacity.

4.72. The 2021 SEP states that while coal, among fossil fuels, emits the largest amount of greenhouse gases based on the current technologies and relevant institutional frameworks, it remains a significant energy source for its stable supply and affordability. It explains that the Government will commit to decreasing the share of coal in the power generation remix, while relying

³² METI, *Outline of the Draft Amendment to the Energy Conservation Act, etc.* Viewed at: <https://www.meti.go.jp/press/2021/03/20220301002/20220301002.html>.

³³ JOGMEC's English title was changed from Japan Oil, Gas and Metals National Cooperation in May 2022.

³⁴ JOGMEC, *An Amendment to Expand Operations and Change the Organization Name.* Viewed at: https://www.jogmec.go.jp/news/release/news_10_00022.html.

³⁵ WTO document G/SCM/N/372/JPN, 30 June 2021.

³⁶ JOGMEC, *Coal.* Viewed at: <https://www.jogmec.go.jp/english/coal/index.html>.

on it until Japan's shift to renewable energy sources is completed and to the extent that the reduction of coal does not hinder Japan from securing a steady supply of energy.

4.73. To reduce the proportion of coal, the SEP states that the Government intends to implement various measures. For example, the Government will aim to encourage more efficient generation of coal-fired thermal power by setting new targets benchmarked to generation efficiencies. With respect to the capacity market, starting in the FY2025 auction, the Government will steadily promote the fade-out of inefficient coal-fired power by reducing the amounts that inefficient coal-fired power generation operations receive from the capacity market. Moreover, the Government intends to promote the development of technologies such as Integrated Coal Gasification Combined Cycle and Integrated Coal Gasification Fuel Cell Combined Cycle, both of which are next-generation, high-efficiency coal-fired power generation technologies.

4.74. The State is not involved in coal mines or coal processing facilities ownership. There are no domestic support schemes for coal mines or social programmes to help the reconversion of areas affected by the closure of coal mines.

4.75. Japan's regimes of importation and distribution of coal have not changed since its previous Review. They are entirely in private hands and are open to foreign capital and ownership. In practice, coal imports often come from mines developed abroad by Japanese companies (with mining rights), notably in Australia. To help ensure the coal supply, the Government is promoting the acquisition by Japanese companies of coal mines abroad, for example, in Indonesia.

4.76. There are no preferential/subsidized tariffs/prices for coal purchase and sale in Japan.

4.2.2.1.2 Oil and gas

4.77. JOGMEC continues to undertake various types of activities to ensure stable supplies of oil and natural gas. Such activities include geological and geophysical surveys, research, technological development and assistance, and financial assistance to Japanese companies.³⁷ During the review period, in June 2020, a new regulatory amendment empowered JOGMEC to provide equity infusion and loan guarantees for private overseas projects relating to liquid natural gas.³⁸ The amendment also enabled JOGMEC to procure fuel for power generation upon request by the Minister of Economy, Trade and Industry. The request is made when private companies have difficulties in doing so due to emergency situations.

4.78. With regard to oil, the 2021 SEP states that oil still accounts for about 40% of Japan's primary energy supply and remains an important energy source with diverse usages as both fuel and feedstock. The 2021 SEP also recognizes its significant role in case of natural disasters: oil can be easily moved and stored to respond to supply disaster areas. Against this backdrop, the Government intends to (i) diversify supply sources; (ii) further cooperate with oil producing countries; (iii) strengthen such risk management as stockpiling; (iv) maintain domestic oil refineries and service stations (SSs); and (v) further enhance supply networks to prepare for a disaster.

4.79. In January 2022, the Government introduced an emergency subsidy to mitigate the impact of a sharp increase of oil price.³⁹ The measure is to be invoked when the average retail price of gasoline increases beyond JPY 170 per litre. Under such circumstances, the subsidy is given to oil wholesalers (oil refiners and importers) with a view to curbing the wholesale price and, eventually, the retail price. The maximum amount of subsidy was originally JPY 5 per litre; it rose to JPY 35 per litre in late April 2022. The authorities state that this temporary subsidy programme is to be implemented until the end of December 2022, and that the Government will continue to examine the maximum amount of the subsidy while considering the trend of crude oil prices.

4.80. As for gas, the SEP states that natural gas, accounting for around 40% of the energy sources, has high efficiency as a heat source as well as relatively low geopolitical risk compared with oil. It also states that natural gas plays a central role as a power source that supplements renewable

³⁷ JOGMEC, *Oil and Natural Gas*. Viewed at: <https://www.jogmec.go.jp/english/oil/index.html>.

³⁸ JOGMEC, *An Amendment to Expand Operations*. Viewed at: https://www.jogmec.go.jp/news/release/news_01_000157.html.

³⁹ METI, *Subsidies Mitigating the Impact of a Sharp Increase of Fuel Price*. Viewed at: <https://nenryo-gekikenkanwa.jp/>.

energy, while emitting the least amount of greenhouse gases among fossil fuels. The SEP indicates that the Government will strengthen the stability of supply and the resilience through market expansions and diversification of supply sources. With regards to liquefied petroleum gas, the Government shows its intension in the SEP to make retail prices more transparent and reduce costs through rationalization of operations.

4.81. In August 2020, the Cabinet adopted an order to implement the legal unbundling of the urban pipeline business division from city-gas suppliers on 1 April 2022.⁴⁰ Based on this order, the METI authorized three suppliers (Tokyo Gas Group, Daigas Group, and Toho Gas) to unbundle their urban pipelines businesses in March 2022.⁴¹ According to the authorities, the measure is Japan's effort to make the gas retail market fairer and more effective after its full liberalization in 2015.

4.2.2.2 Electricity

4.82. During the review period, Japan pursued the legal unbundling of transmission and distribution of vertically integrated regional utilities. In April 2020, this legal unbundling took place as scheduled.⁴² Nine major utility companies, not including the Okinawa Electric Power Company, unbundled their power generation and retail functions from their transmission and distribution functions. The previous Review describes Japan's electricity system reform that started from 2016.⁴³

4.83. The retail market of electricity has been liberalized since 2016. During the review period, the number of registered retailers increased from 655 (as of 14 May 2020)⁴⁴ to 733 (as of 28 September 2022).⁴⁵

4.84. With regard to the pricing and support scheme, in April 2022, the Act on Special Measures Concerning Promotion of Use of Renewable Energy Electricity (a revision of the Act on Special Measures Concerning Procurement of Renewable Energy Electricity by Electricity Utilities) entered into force.⁴⁶ The new Act introduced a feed-in premium (FIP) system, with a view to encouraging renewable energy producers' independence from the feed-in tariff (FIT) system while securing the investment incentives. Whereas the FIT system guarantees qualified producers that the generated renewable energy be purchased at fixed prices over the long term, the FIP system offers market-driven purchase prices that are composed of a fixed premium (subsidy) and market prices. The Government describes the FIP system as a transition measure until the renewable energy sector can be placed under the same competition environment with other energy sectors. The authorities state that the FIP system, which offers a market-driven purchase price composed of fixed premiums (subsidy) and market prices, started in April 2022.

4.85. In July 2022, the new Act started to oblige solar-power generation operators authorized under the FIT/FIP systems to deposit a decommissioning reserve, in principle, with the Organization for Cross-Regional Coordination of Transmission Operators (OCCTO). This external reserve system targets all the authorized operators with capacities of at least 10 kW and requires their deposits for 10 years before the systems cease to apply to respective projects. This measure was introduced to address public concerns that operators unlawfully dump or abandon the used solar panels after their projects.

⁴⁰ METI, *Cabinet Adopts an Order to Implement Legal Unbundling of Gas Pipeline Businesses*. Viewed at: <https://www.meti.go.jp/press/2020/08/20200807001/20200807001.html>.

⁴¹ METI, *METI Authorized Legal Unbundling of Electronic Transmission and Distribution Businesses*. Viewed at: <https://www.meti.go.jp/press/2021/03/20220317006/20220317006.html>.

⁴² METI, *METI Authorized Legal Unbundling of the Gas Pipeline Businesses*. Viewed at: <https://www.meti.go.jp/press/2019/03/20200313008/20200313008.html>.

⁴³ WTO document WT/TPR/S/397/Rev.1, 6 November 2020, pp. 157-158.

⁴⁴ METI, *METI Registered Electricity Retailers (14 May 2020)*. Viewed at: <https://www.meti.go.jp/press/2020/05/20200514001/20200514001.html>.

⁴⁵ Agency for Natural Resources and Energy, *List of All Registered Electricity Retailers*. Viewed at: https://www.enecho.meti.go.jp/category/electricity_and_gas/electric/summary/retailers_list/.

⁴⁶ METI, *Information Relating to the Act on Special Measures Concerning Promotion of Use of Renewable Energy Electricity*. Viewed at: https://www.enecho.meti.go.jp/category/saving_and_new/saiene/kaitori/FIP_index.html#fip_seido.

4.3 Manufacturing

4.3.1 General

4.86. The share of manufacturing in GDP was 19.7% in 2020, compared with 20.1% in 2019; the sector accounted for 15.7% of employment in 2020.

4.87. In 2021, manufactured products accounted for about 85.6% of Japan's total merchandise exports and 57.9% of imports in value. Looking at the breakdown by export item, major contributors are general machinery (19.7%), transport equipment (19.5%), electrical equipment (18.4%), and chemicals (12.7%).⁴⁷ Although the import content of exports varies across manufacturing industries, it remains higher for some top exports, illustrating the role that imports have been playing for exports in Japan and underpinning the degree of Global Value Chain (GVC) integration of these industries. Recent Japan's commodity exports show a trend that the export of semiconductor-related items is growing rapidly and closing its gap with motor vehicles, which have been the most dominant item of Japan's export to date (Section 3.1).⁴⁸

4.3.2 Policy developments

4.88. During the review period, there were some major policy developments for manufacturing sectors, including those relating to resilience of supply chains, capacity-building for manufacturing semiconductors, and human rights due diligence.

4.89. In FY2020, the METI launched a subsidy programme that aimed at helping manufacturing firms to invest domestically in building production bases for critical products and materials.⁴⁹ The targeted products and materials include those deemed to be largely produced overseas and demonstrate risks as a result of the supply chain disruption (Category A), and those considered essential for people's wellbeing, such as surgical masks, COVID-19 test kits, vaccination needles, and syringes (Category B). The METI later added two new categories. One is designed specifically for SMEs that plan to produce parts and materials needed to produce products susceptible to global supply chain disruptions; the other one aimed to stabilize the supply of raw materials disrupted by the war in Ukraine. The maximum amount of subsidy for a qualified project for the SME-specific category was JPY 500 million; for other categories, the maximum amount was JPY 15 billion. The METI conducted three separate selections between May 2020 and May 2022 and adopted 439 projects in total.⁵⁰ In the same fiscal year, the METI also launched a subsidy programme that aimed at increasing the resilience of the supply chain between Japan and ASEAN countries.⁵¹ The amount of the budget allocated to this programme was JPY 35.2 billion for FY2020. The subsidy was intended to support companies established, and operating, in Japan to invest in ASEAN countries to install new production facilities. The METI held five separate selection processes between May 2020 and June 2022 and adopted 103 projects in total. A new call for proposals (6th round) started on 29 August 2022, and the adoption decision is scheduled for the end of December 2022.

4.90. In June 2021, the METI released an industrial strategy that stressed the significance of semiconductors as a foundation of a digital society and for national security.⁵² In order to secure the stable domestic production of semiconductors in Japan and incentivize such investments, on

⁴⁷ JETRO database (based on the data of MOF). Viewed at: <https://www.jetro.go.jp/world/japan/stats/trade/>.

⁴⁸ JETRO, *World Trade and Investment Report 2022*. Viewed at: <https://www.jetro.go.jp/world/gtir/2022.html>.

⁴⁹ METI, *Subsidy Programme for Promoting Domestic Investment to Strengthen Resilience of Supply Chain*. Viewed at: <https://www.meti.go.jp/covid-19/supplychain/index.html>.

⁵⁰ METI (2020), "Successful Applicants Selected for the Program for Promoting Investment in Japan to Strengthen Supply Chains", 17 July. Viewed at: https://www.meti.go.jp/english/press/2020/0717_002.html; METI (2020), "Successful Applicants Selected for the Program for Promoting Investment in Japan to Strengthen Supply Chains", 20 November. Viewed at: https://www.meti.go.jp/english/press/2020/1120_001.html; METI (2021), "Successful Applicants Selected for the Program for Promoting Investment in Japan to Strengthen Supply Chains (Second Call)", 2 July. Viewed at: https://www.meti.go.jp/english/press/2021/0702_003.html; and <https://www.meti.go.jp/press/2022/07/20220701003/20220701003.html>.

⁵¹ JETRO, *Supporting Programme for Diversifying Overseas Supply Chain*. Viewed at: <https://www.jetro.go.jp/services/supplychain/>.

⁵² METI, *Outline of the Law*. Viewed at: https://www.meti.go.jp/policy/mono_info_service/joho/laws/semiconductor.html.

1 March 2022, the Government implemented a new legal instrument that provided grants to advanced chip manufacturers under certain conditions. To qualify for this grant, applicants must submit plans to manufacture certain semiconductors for more than 10 years. During the operation period, they are also required to increase output in case there is a pressing demand for semiconductors. The plans need to be authorized by the Minister of Economy, Trade and Industry to be eligible for the grants. As at end-September 2022, three projects were authorized for the grant scheme. The maximum amounts of the grants given to these three projects were JPY 476 billion and JPY 92.9 billion. The authorized operators are also eligible to obtain interest subsidies through financial institutions.⁵³

4.91. In October 2020, Japan released a National Action Plan on Business and Human Rights (2020-2025).⁵⁴ The Action Plan called for, *inter alia*, the promotion of corporate responsibility by incorporating human rights due diligence within supply chains (that is, proactively managing adverse impacts on human rights within supply chains and eventually taking appropriate measures to address those impacts). It also addressed supports for SMEs to increase their awareness of business and human rights. To elaborate these plans, Japan published a guideline for companies, including SMEs, concerning their responsibility to respect human rights.⁵⁵ According to the guideline, companies are strongly encouraged, regardless of their size and businesses, to externally express their commitment to respecting human rights.

4.3.3 Border measures

4.92. The average MFN applied tariff for manufacturing products (HS 25-97) remained unchanged at 3.3% in FY2022, just below the average bound tariff of 3.4% (Section 3.1). Tariff quotas (TQs) continued to apply to 62 manufactured items (at HS nine-digit level), of which 32 were under HS 41 (raw hides and skins, and leather), 5 were under HS 50 (silk), and 25 were under HS 64 (footwear). Footwear, and raw hides and skins remain subject to TQs, and thus benefit from high tariff protection, with average MFN applied tariffs of 37.7% and 10.0%, respectively, at HS nine-digit level; peak rates (AVEs) were on footwear (320.8%) and silk (109.1%). On leather footwear, in FY2020, FY2021, and FY2022, the out-of-quota tariff rates were either 30%, or JPY 2,400 or JPY 4,300 per pair, whichever is higher; according to the authorities, in FY2020 and FY2021, their TQ utilization rate was 35.9% and 30.9%, respectively. Regarding some raw hides and skins, and leather, in-quota rates stood at 12% (bovine, equine) or 16% (sheep, goat), and the out-of-quota rate at 30%; according to the authorities, their average quota utilization rates were 9.8% in FY2020 and 9.7% in FY2021. In FY2021, the fill rate of silk-worm cocoons and raw silk, which are subject to a zero in-quota rate and out-of-quota rates of JPY 2,523/kg and JPY 6,978/kg, respectively, stood at 27.1%.⁵⁶

4.4 Services

4.4.1 Financial services

4.4.1.1 General background

4.93. Japan is one of the main financial services markets in the world and has a fully developed and highly diversified financial services sector, which continued to grow during the review period (Boxes 4.1-4.4). Finance and insurance accounted for 4.6% of GDP in 2021, compared with 4.1% in 2018; at end-2021, 2.5% of the labour force was employed in this sector. Boxes 4.1 to 4.4 provide some main statistical indicators of the sector and its various subsectors.

⁵³ METI, *Interest Subsidy for Certain Semiconductors*. Viewed at: https://www.meti.go.jp/policy/mono_info_service/joho/laws/semiconductor/semiconductor_risihokuyuu.html.

⁵⁴ MOFA, *Business and Human Rights*. Viewed at: https://www.mofa.go.jp/fp/hr_ha/page23e_000551.html.

⁵⁵ METI, *Government Publishes a Guideline for respecting Human Rights to Build a Responsible Supply Chain*. Viewed at: <https://www.meti.go.jp/press/2022/09/20220913003/20220913003.html>.

⁵⁶ WTO document G/AG/N/JPN/278, 14 June 2022.

Box 4.1 Main economic indicators of the financial services sector, 2017-22Share of financial services in GDP

2017: 4.0%

2020: 4.3%

Share of financial services in total employment

2018: 2.4%

2021: 2.5%

Financial services (except insurance and pension services) credit

2018: JPY 1,272.6 billion

2021: JPY 1,485.7 billion

Insurance and pension services credit

2018: JPY 270.6 billion

2021: JPY 239.8 billion

Financial services (except insurance and pension services) debit

2018: JPY 905.6 billion

2021: JPY 1,009.1 billion

Insurance and pension services debit

2018: JPY 788.6 billion

2021: JPY 1,274 billion

Capital stock of financial services providers abroad (2021):

Total amount of capital stock of foreign-controlled banks operating in Japan: JPY 22.5 billion

Total amount of capital stock insurance companies operating in Japan: JPY 37,857 billion

Ratio of capital stock of foreign-controlled banks to total amount of capital stock of banks operating in Japan: 0.2%^a

Ratio of capital stock of foreign-controlled insurance companies to total amount of capital stock of insurance companies operating in Japan: 8.9%

Significance of the financial services arm of Japan Post

- 2018 deposits: JPY 180.9 trillion, equivalent of 33% of GDP
- 2021 (end-March) deposits: JPY 193.4 trillion, equivalent of 36% of GDP
- 2018 market share in insurance services: 20.2%
- 2021 (end-March) market share: 17%

- a This figure only takes into account the capital of foreign banks operating as subsidiaries, whereas the dominant form of operation of foreign banks in Japan is the use of branches, which do not have capital, *per se*, only quasi-capital, parked in Japan, of at least JPY 2 billion per branch.

Source: Information provided by the authorities.

Box 4.2 Main indicators of the banking sector, 2018 and 2021**Banking services**Number of banks

End-March 2018: 195 banks (of which, foreign-controlled banks: 3; branches of foreign banks: 56)

End-March 2021: 193 banks (of which, foreign-controlled banks: 3; branches of foreign banks: 55)

Recent consolidation (since 2019)

April 2019: Kansai Mirai Bank, Ltd (merger of Kansai Urban Banking Corporation and Kinki Osaka Bank, Ltd)

January 2020: Tokushima Taisho Bank, Ltd (merger of Tokushima Bank, Ltd and Taisho Bank, Ltd)

July 2020: Custody Bank of Japan, Ltd (merger of JTC Holdings, Ltd, Japan Trustee Services Bank, Ltd, and Trust & Custody Services Bank, Ltd)

October 2020: Juhachi-Shinwa Bank, Ltd (merger of Juhachi Bank, Ltd and Shinwa Bank, Ltd)

January 2021: Daishi Hokuetsu Bank, Ltd (merger of Daishi Bank, Ltd and Hokuetsu Bank, Ltd)

May 2021: San Ju San Bank, Ltd (merger of Mie Bank, Ltd and Daisan Bank, Ltd)

Concentration/share of the various types of banks in the total balance sheet for banks

(JPY 100 million)

End-March 2018: total balance sheet: 12,658,092 (foreign-controlled banks: 7,699; branches of foreign banks: 509,923)End-March 2021: total balance sheet: 13,937,835 (foreign-controlled banks: 10,379; branches of foreign banks: 681,211)Lending activities (credit volumes)

End-March 2018: JPY 580,873.3 billion (foreign-controlled banks: 548 billion; branches of foreign banks: 8,830 billion)

End-March 2021: JPY 622,023.2 billion (foreign-controlled banks: 817 billion; branches of foreign banks: 9,685 billion)

Securities activities: (securities holding in bank accounts)

End-March 2018: JPY 218,304 billion (foreign-controlled banks: 22 billion; branches of foreign banks: 1,854 billion)

End-March 2021: JPY 261,230 billion (foreign-controlled banks: 38 billion; branches of foreign banks: 1,976 billion)

Non-performing loans as a % of total bank assets:

End-March 2018: 0.6%

Net operating profits per employee: JPY 10.8 million

Net income per employee: JPY 10.2 million

End-March 2021: 0.6%

Net operating profits per employee: JPY 10.4 million

Net income per employee: JPY 6.5 million

Source: Information provided by the authorities.

Box 4.3 Main indicators of the insurance sector, 2018 and 2021**Insurance****Number of insurance companies**

2018: 93 (life: 41 (of which branches of foreign insurance companies, 1); non-life: 52 (of which branches of foreign insurance companies, 22))

2021: 95 (life: 42 (of which branches of foreign insurance companies, 1); non-life: 53 (of which branches of foreign insurance companies, 20))

Recent consolidation (since 2019)

July 2019: Sompo 24 Insurance merged with Saison Automobile and Fire Insurance

Total balance sheet of the insurance sector

End-March 2018: JPY 414,085 billion (of which life insurance: 92.1%; non-life: 7.9%)

End-March 2021: JPY 445,368 billion (of which life insurance: 92.6%; non-life: 7.4%)

Concentration: (cumulative market share of the top five companies, end-March 2018)**Life insurance (%):**

Nippon Life Insurance Company: 17.9

JP Insurance: 17.0

Meiji Yasuda Insurance Company: 10.3

Dai-ichi Life Insurance Company: 9.4

Sumitomo Life Insurance Company: 8.6

Non-life insurance (%):

Tokio Marine & Nichido Fire Insurance Co. Ltd: 29.0

Sompo Japan Nipponkoa Insurance Inc.: 22.4

Mitsui Sumitomo Insurance Company Ltd: 21.6

Aioi Nissay Dowa Insurance Co. Ltd: 11.4

AIG General Insurance Company, Ltd: 2.5

Penetration (premiums as share of GDP)

End-March 2018: Life insurance: 5.9%; non-life insurance: 1.9%

End-March 2021: Life insurance: 5.5%; non-life insurance: 2.1%

Source: Information provided by the authorities.

Box 4.4 Main indicators of the pension fund and stock exchange, FY2017/18 and FY2020/21**Pension funds****Number of pension funds**

2017: 19,223

2020: 18,944

Total assets

2017: JPY 96.2 trillion

2020: JPY 106.6 trillion

Stock exchangeCapitalization of the companies listed

2018: JPY 582.7 trillion (106.15% of nominal GDP; 109.06% of real GDP)

2021: JPY 748.5 trillion (139.76% of nominal GDP; 142.36% of real GDP)

Gross value of publicly issued bonds

2018: JPY 179.1 trillion (issued by non-Japanese residents in the Japanese domestic market payment basis) (JPY 2.6 trillion)

2021: JPY 261.6 trillion (issued by non-Japanese residents in the Japanese domestic market payment basis) (JPY 0.7 trillion)

Source: Information provided by the authorities.

4.94. Japan's financial services sector is relatively open.⁵⁷ There are no foreign equity restrictions. Criteria to obtain a licence are the same for foreign and domestic companies. There are no nationality or residency requirements for members of the board of directors. No banking services are reserved for domestic suppliers. Commercial presence is required for lending and deposit-taking activities.

4.95. Japan's financial sector has withstood the pandemic shock relatively well. It has been observed that the share of non-performing loans in Japan's economy is relatively low and that capital adequacy of the major financial institutions appears to be in line with other major economies.⁵⁸

4.96. The Financial Services Agency (FSA) is responsible for formulating policies on financial services and, together with the Bank of Japan, remains the supervisory body of all financial services in Japan. The FSA aims to (i) stabilize and facilitate Japan's financial system; (ii) protect investors and depositors and enhance their convenience; and (iii) secure fairness and transparency of the financial market. Competition issues in the sector are under the responsibility of the Japan Fair Trade Commission. Japan has concluded 25 bilateral agreements and memoranda of understanding (MOUs) with its trading partners, notably concerning prudential regulation and supervision.

4.97. In January 2021, the FSA and Local Finance Bureaus of the Ministry of Finance (MOF) established the Financial Market Entry Office in order to expand Japan's role as an international financial centre. The Office, as a single window, aims at assisting newly entering asset management firms by handling all the regulatory process from pre-application consultation and registration to supervision after the registration. All the communication is available online in English. The Office also serves as a contact point for any inquiry on procedures under financial laws and regulations in connection with the establishment of a business base in Japan by all types of foreign financial business operators. The Office replaced the Financial Market Entry Consultation Desk. As at end-August 2022, the Office had received 264 inquiries from foreign financial business operators and completed 12 registrations.

4.98. According to the authorities, Japan has a generally proactive attitude towards regulation and supervision of cryptocurrencies and digital assets. As at August 2022, there were 31 crypto exchange service providers under the supervision of the FSA. Japan became the first country to regulate virtual-currency exchanges in 2017, when the FSA introduced a registration system. The Japan Virtual and Crypto Assets Exchange Association (JVCEA), which has a self-regulatory status certified by the FSA, was formed in April 2018.

4.4.1.2 Regulatory developments in banking

4.99. Japan's legislation on foreign investment also applies to the financial services sector (Section 2.4). As a consequence, foreign investors in Japan's financial services sector are also subject to the newly tightened screening and notification requirements. However, exemptions may apply when foreign financial institutions satisfy certain requirements, namely: (i) the foreign investor and closely related persons will not serve on the board of the target company as directors or audit and supervisory board members; (ii) the foreign investor will not make proposals at shareholders' meetings, whether directly or through third parties, to dispose of material businesses in designated industries; and (iii) the foreign investor will not access sensitive confidential technologies that are related to the target company's designated business. Also, foreign investors may benefit from a

⁵⁷ OECD Services Trade Restrictiveness Index Regulatory Database.

⁵⁸ OECD (2021), *Economic Survey of Japan 2021*.

registration moratorium, of up to five years, if they are registered as investment operators with a foreign authority, with a proven track record in this country. On 22 November 2021, an entry system with simplified procedures was established for offshore fund managers with a proven track record in specified foreign jurisdictions and for managers with qualified overseas clients.⁵⁹

4.100. No regulatory changes took place during the review period with regard to licensing procedures and requirements for banks.

4.101. In May 2021, the Government amended the Banking Act and the Financial Instruments and Exchange Act with a view to strengthening and stabilizing the financial services sector.⁶⁰ Most importantly, the amendments widened the scope of services that a parent bank may provide. The newly added services relate to digitalization and regional revitalization, allowing the sale of IT systems, and the provision of data analysis services, marketing and advertisement services, and management consultation services.

4.102. In addition, the Government launched a fund-grant system with a total endowment of JPY 35 billion, which is aimed to encourage regional banks to merge and integrate their operations with a view to increasing their productivity.⁶¹ To qualify for a grant, applying regional banks must have their implementation plan authorized by the FSA. The grant aims at covering initial costs such as investment in the integration of IT systems; the maximum grant amount is JPY 1 billion. Until September 2022, funds had been granted to one bank.

4.103. The Government has maintained a deposit insurance system to protect depositors in failed financial institutions and to contribute to the smooth settlement of funds. General deposits including time deposits are insured up to a value of JPY 10 million. Protection in excess of that amount depends on the asset status of the failing financial institution. The Deposit Insurance Corporation of Japan (DICJ) is responsible for operating this scheme.

4.104. New regulations for virtual currencies came into effect in May 2020, amending the Payment Services Law and the Financial Instruments and Exchange Law. The framework is designed to protect investors who entrust virtual-currency exchanges and custodians with their assets, and also to place derivatives, security token offerings (STOs) and initial coin offerings under the jurisdiction of the FSA. The amendment provides for stricter monitoring of market manipulation, with a view to reducing speculation. In addition, the FSA granted self-regulatory status to the Japan STO Association, which was set up in 2019 by five major Japanese financial institutions. In 2021, the FSA requested the JVCEA to implement a framework for the notification of originator and beneficiary information upon crypto asset transfers, to be in line with measures on anti-money laundering.

4.105. In March 2020, the FSA revised Japan's voluntary Stewardship Code for Institutional Investors, as part of a wider corporate governance reform. By subscribing to this Code, investors commit to disclosing how they exercise their stewardship activities. Key changes reflected in the Revision Code include a stronger focus on sustainability by incorporating environmental, social, and governance factors; disclosure of reasons for votes on agenda items; and application of the Code to assets other than listed shares (such as corporate pension funds). The number of signatories to the Code has increased to 322 institutional investors as at August 2022.

4.106. In May 2021, an amendment to the Payment Services Act entered into force, removing the previous cap of JPY 1 million on transfer services by non-bank institutions. This amendment also set up multiple licence and registration levels that depend on the size and scope of operations. Overall, the amendment expands the scope of fund transfer services in Japan and provides new entrants greater flexibility and choices.

⁵⁹ FSA (2021), "To Operators of Specially Permitted Businesses for Foreign Investors, etc. / during Transition Period", 22 November. Viewed at: <https://www.fsa.go.jp/en/news/2021/20211122/index.html>.

⁶⁰ Nihon Hourei Sakuin. Viewed at: <https://hourei.ndl.go.jp/simple/detail?lawId=0000155159¤t=-1>; and E-Gov. Viewed at: <https://elaws.e-gov.go.jp/document?lawid=356AC0000000059>, and https://elaws.e-gov.go.jp/document?lawid=323AC0000000025_20220901_501AC0000000071.

⁶¹ FSA. Viewed at: <https://www.fsa.go.jp/common/diet/204/01/setsumeiji.pdf>.

4.107. In April 2022, the FSA finalized the amendments to the regulatory notices to implement the finalized Basel III framework.⁶²

4.4.1.3 Regulatory developments in insurance

4.108. The Government made several amendments to the Insurance Business Act and relevant regulations during the review period. In an amendment to the Act adopted in March 2022, the Government announced that it would extend its financial support to the Life Insurance Policyholders Protection Corporation of Japan by five years, until end-2027. The Corporation was established in 1998 to offer compensation and support services to members of life insurance companies that had gone bankrupt. The amendment also stipulates that the Government could provide additional financial support to the Corporation in case its budget, made up from member contributions, is not sufficient to cover operations.

4.4.2 Telecommunication services

4.109. Information and communication services contributed 5.1% to GDP in 2020 (Table 1.2), the last year for which sectoral figures were available. Traditionally, Japan is at the forefront of developments in the communications industry. For example, it has the highest number of mobile broadband subscriptions per 100 inhabitants in the OECD.⁶³ Box 4.5 presents the main economic indicators of Japan's telecommunications sector.

Box 4.5 Main economic indicators and regulatory features of the telecommunications sector

Economic data

Penetration rates (2021):

Total telephone subscribers: 209.8% (including fixed and mobile phone subscribers)

Mobile phone subscribers (% total telecom subscribers): 76.7%

Internet users (per 100 inhabitants): (i.e. the percentage of households in which one or more person uses the Internet): 88.4%

Broadband Internet subscribers (per 100 households that use the Internet from computers at home, tablets, and other devices): 98.9%

Fixed broadband subscribers: 43,832,165 (March 2022)

Main actors:

Number of companies providing telecom services:

330 carriers (owning networks and circuits) are registered with the Minister; and 22,781 carriers (without networks) have submitted notifications (up to 1 April 2022). Some telecommunications carriers that have submitted notification deploy their own telecommunication facilities.

Names and market shares of the leading companies for fixed telecom services (March 2022):

NTT East and NTT West (combined market share for fixed telecom service 16.6%), KDDI (16.9%)

Name and market shares of the leading companies for mobile telephones services (March 2022):

NTT DoCoMo (36.3%), KDDI group (including Okinawa Cellular, 27.1%), SoftBank group (21.1%)

Name and market share of the leading providers of broadband Internet services (March 2022):

NTT group (23.4%), KDDI group (30.8%), pure ISP providers (12.5%)

Foreign ownership participation in telecom companies: Except for the Nippon Telegraph and Telephone Corporation (NTT), there are no restrictions for Japan's telecommunications carriers. Foreign ownership shares of listed telecom companies are not available, except for NTT, where it stood at 23.5% as at June 2022.

State ownership: NTT 36.0%

Establishment of new companies, mergers, or closures since the last Review: None.

Registered telecommunications carriers increased by 13, notified telecommunications carriers increased by 3,095 (25 newly registered, 3,519 newly notified) from 1 September 2019 to 1 April 2022.

Source: Information provided by the authorities.

⁶² FSA, *FSA Weekly Review No. 499*, 28 July 2022. Viewed at: <https://www.fsa.go.jp/en/newsletter/weekly2022/499.html>.

⁶³ OECD (2021), *Economic Survey of Japan*.

4.110. The telecommunications regime, supervised by the Ministry of Internal Affairs and Communication (MIC), has been described in past TPR reports⁶⁴; the regulatory regime did not undergo any significant changes during the review period. In particular, there were no changes regarding licensing procedures, the mobile interconnection regime, facility sharing, local loop unbundling, number portability, spectrum management, and accounting rates. However, certain regulatory changes and developments took place in areas such as mobile phone fees, evolution of a digital society, and protection of private information.

4.111. During the review period, Japan experienced a further major fall in mobile phone fees. The Government is actively pursuing a policy aimed at lowering the costs linked to the use of mobile phones. In October 2020, the MIC released an action plan for fair competition in the mobile phone market, comprising three pillars: (i) achievement of simple and reasonable fees and services; (ii) promotion of fair competition between operators; and (iii) facilitation of portability between operators. In response, major mobile phone service providers unveiled new service plans that sharply lowered mobile phone fees. For example, the latest survey released by the MIC in May 2022 shows that the monthly mobile fee (4G network, 5 GB plan) for a smartphone in Tokyo dropped by 47.5% from 2019 (JPY 6,250) to 2021 (JPY 2,972). The same survey also shows that various types of mobile phone fees in Tokyo as of 2021 are comparatively lower than other major cities abroad. It would appear that the COVID-19 pandemic, coupled with new pricing plans for broadband that reduced prices drastically, resulted in a strong increase in mobile data usage.⁶⁵

4.112. With a view to advancing the formation of a digital society, the Government enacted the Basic Act on the Formation of a Digital Society in May 2021. It entered into force on 1 September 2021. According to the Act, the digital society is defined as "a society in which creative and vigorous development is enabled in all fields by obtaining, sharing or transmitting a wide variety of information and knowledge globally in a free and safe manner via the internet and other advanced information and telecommunications networks" (Article 2). The Act abolished the Basic Act on the Formation of an Advanced Information and Telecommunications Network Society (Basic Act on IT) that was enacted in 2000 and laid the foundation for Japan's subsequent IT policies. Under the Act, a newly established Digital Agency is empowered to develop a priority programme on the formation of a digital society.⁶⁶ In its latest strategy published in June 2022, seven basic priorities are identified.⁶⁷ In relation to telecommunications services, the Agency aims at advancing developments in IT infrastructure that support a digital society (e.g. optical fibre cables, 5G, and data centres), supporting research and development of technologies that are necessary for a digital society (e.g. IT, computing security, and supercomputers), and improving the education of digital human resources.

4.113. The Act on the Protection of Personal Information was amended in June 2020 and entered into force in April 2022. The amended Act establishes, *inter alia*, obligations borne by operators that handle personal information and that transfer personal data to a third party outside Japan. Under the Act, the operators must obtain consent from the data subjects for the transfer of data abroad. They are obliged to provide information on the country to which data are transferred, the personal information protection system in the destination country, and details of protective measures taken by receiving operators. Operators are also required to ensure that the receiving operators manage the transferred data in compliance with relevant regulations. To enforce these obligations, the Personal Information Protection Commission (PIPC) has the authority to issue orders to foreign and domestic companies and charge criminal penalties for failures to comply with such orders. Since it is difficult to enforce such regulations outside Japan, the PIPC is authorized to collaborate with foreign regulators for the purpose of enforcing the Privacy Act. The Act reinforces the operators' obligations of report and notification in case of data breaches. The PIPC has published guidelines for the implementation of the Act.⁶⁸

4.114. While the backbone of Japan's past high growth has been manufacturing, the communications sector becomes an increasingly important driver of productivity growth. Applications using 5G telecommunication networks, allowing the transmission of large data volumes at low cost and high speed, stretch from the smart cities initiative, e-health (particularly for an ageing population), autonomous vehicles, the Internet of Things, e-government, and smart grids

⁶⁴ WTO documents WT/TPR/S/310/Rev.1, 6 May 2015; and WT/TPR/S/351/Rev.1, 20 June 2017.

⁶⁵ OECD (2021), *Economic Survey of Japan*.

⁶⁶ Digital Agency, *About Us*. Viewed at: <https://www.digital.go.jp/en>.

⁶⁷ Digital Agency. Viewed at: <https://www.digital.go.jp/policies/priority-policy-program/#document>.

⁶⁸ PIPC. Viewed at: <https://www.ppc.go.jp/personalinfo/legal/>.

and factories (Section 2.4). To this end, for example, the programme for "Strategic Information and Communications R&D Promotion" gives incentives for collaboration between ICT firms, universities, and local government research institutes. Overall funding for this programme was JPY 1.5 billion in 2018 and JPY 1.0 billion in 2021.

4.115. Under the GATS, Japan made commitments on all telecommunications subsectors (with the exception of telegraph services), be they basic or value added, subscribed to the GATS disciplines of the reference paper. Japan listed two restrictions, both for NTT and KDDI: a limitation on foreign ownership of 20%, and a nationality requirement for the majority of the board. This situation related to NTT and KDDI is echoed in Japan's bilateral or regional agreements, but the foreign ownership limitation was scheduled at a less restrictive, status quo level of one third, which corresponds to the applied regime.

4.4.3 Transport services

4.4.3.1 Maritime transport

4.116. In 2021, Japan relied on maritime transport for 70.9% of its goods imports and for 68.0% of its goods exports, in value.⁶⁹

4.117. Responsibility for maritime shipping policy and national legislation rests in the Maritime Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). The MLIT represents Japan at the International Maritime Organization, which sets the worldwide standards for safety, security, and environmental norms for maritime transport.

4.118. The main laws covering the maritime transport of goods remain the Basic Act on Maritime Policy, the Carriage of Goods by Sea Act, the International Carriage of Goods by Sea Act, the Maritime Traffic Safety Act, the Port and Harbour Act, the Port Regulations Act, and the Ship Safety Act.

4.119. Regarding the support regime, in 2020, Japan extended the "roll-over relief system" until the end of FY2022: it defers taxation of capital gains resulting from the sales of old vessels replaced by new and environmentally friendly ones.⁷⁰ Japan also extended the application of deduced rate of registration and licence tax (from 0.4% to 0.35%) until the end of FY2023, with a view to increasing Japanese-flagged overseas vessels. In 2021, a special property taxation measure for Japanese-flagged overseas vessels was extended until the end of FY2023.⁷¹ This measure reduces assessed value for property tax to 1/18 of the original value. The additional depreciation applicable to Japanese-flagged vessels fulfilling certain conditions, notably of environmental and high-technology natures, was also extended for two years until the end of FY2022.

4.120. During the review period, the regime of the tonnage tax remained unchanged.⁷² As the current tonnage tax ceases to apply by the end of FY2022, the MLIT has requested that its application be extended for five years until the end of FY2027.⁷³

⁶⁹ MLIT, *Trade Value by Means of Transport*. Viewed at: <https://www.mlit.go.jp/statistics/details/content/001517680.pdf>.

⁷⁰ MLIT, *FY2020 Summary of the Tax System Reform*. Viewed at: <https://www.mlit.go.jp/page/content/001320178.pdf>. The MLIT requests that this system be extended for another three years until the end of FY2025. MOF, *Requests for the FY2023 Tax System*. Viewed at: https://www.mof.go.jp/tax_policy/tax_reform/outline/fy2023/request/mlit/05y_mlit_k_20.pdf.

⁷¹ MLIT, *FY2021 Summary of the Tax System Reform*. Viewed at: <https://www.mlit.go.jp/page/content/001377449.pdf>.

⁷² The regime is described in the previous report (WTO document WT/TPR/S/397/Rev.1, para. 4.222).

⁷³ MOF, *Requests for the FY2023 Tax System*. Viewed at: https://www.mof.go.jp/tax_policy/tax_reform/outline/fy2023/request/mlit/05y_mlit_k_19.pdf.

4.121. The third quinquennial Basic Plan on Ocean Policy adopted by the Cabinet in May 2018 has remained unchanged.⁷⁴ According to the authorities, the fourth Plan is to be adopted around May 2023.⁷⁵

4.122. The competition regime remained the same during the review period; the last review of the antitrust immunity provided by the Marine Transportation Act was concluded in 2015.

4.123. The applied market access regime remained unchanged. Japan does not discriminate against foreign participation in international maritime services and accords national treatment.

4.124. Regarding ports, in July 2022, the Cabinet decided an annual Specific Port Facility Development Project Basic Plan.⁷⁶ Based on the Plan, the MLIT is to facilitate financing JPY 83.5 billion in the form of local government bonds that are used for developing facilities in ports and their surrounding industrial areas.⁷⁷ The Plan targets 72 ports in Japan. In June 2022, Japan established a SDGs Partner Registration System for ports.⁷⁸ The MLIT launched this system with a view to encouraging port operators to notice and visualize the impact of their operation on SDGs. In addition, the MLIT is considering a certification system for decarbonization of port terminals.⁷⁹

4.125. In July 2022, the MLIT announced the Action Plan to address labour shortages in ports and harbour transportation businesses.⁸⁰ The MLIT's recent survey shows that more than 50% of the port and harbour operators that answered the survey in Japan face labour shortages, and that that 40% of them have already seen its negative impact on their operations. The Action Plan calls for, *inter alia*, the enhancement of labour condition and promotion of fair transactions and business practices.

4.4.3.2 Air transport

4.126. The Civil Aviation Bureau in the MLIT is responsible for air transport policy, preparing legislation; setting standards; and providing air navigation services, security, aeronautical regulation, and meteorology. The Bureau also sets uniform landing charges for airports it owns and receives notifications of landing charges from other airports.

4.127. The main laws covering civil aviation remain the Civil Aeronautics Act and the Airport Act.

4.128. During the review period, the Civil Aeronautics Act was revised several times. The 2020 amendments to the Act (promulgated on 24 June 2020) established a new registration system for unmanned aircraft (drones) with the Minister of Land, Infrastructure and Transport with a view to ensuring the safety of drone flights. The registration system entered into force on 20 June 2022; flights of drones weighing 100 g or more without registration have been prohibited since then. Registration can be done online. The 2021 amendments to the Act (promulgated on 11 June 2021) established an aircraft certification and pilot licence system for drones, allowing them to fly unassisted over manned zones beyond visual line of sight (Level 4 flight). Specifically, Level 4 flights are permitted and approved if the aircraft is: (i) certified to "Type One" aircraft certification; (ii) operated by a person with a "First Class" pilot's licence; and (iii) in compliance with the operating rules. The system is to enter into force on 5 December 2022. In its Roadmap 2022 towards the

⁷⁴ *The Basic Plan on Ocean Policy*. Viewed at:

https://www8.cao.go.jp/ocean/english/plan/pdf/plan03_e.pdf.

⁷⁵ Prime Minister's Office, *Schedule for Adopting the Fourth Quinquennial Basic Plan on Ocean Policy*.

Viewed at: <https://www.kantei.go.jp/jp/singi/kaiyou/sanyo/dai65/sankou1.pdf>.

⁷⁶ MLIT, *Cabinet Adopts FY2022 Specific Port Facility Development Project Basic Plan*. Viewed at:

https://www.mlit.go.jp/report/press/port04_hh_000354.html.

⁷⁷ According to the authorities, in order for local governments and other organizations to smoothly issue local bonds and procure funding, the MLIT prepares the Specific Port Facility Development Project Basic Plan and facilitates financing from the MIC, which is the consultant for issuing local bonds, and the MOF, which is the supplier of low-interest government funding. Based on this plan, the Government is to endeavour to loan the Fiscal Loan Fund.

⁷⁸ MLIT, *MLIT Starts a SDGs Partner Registration System*. Viewed at:

https://www.mlit.go.jp/report/press/port05_hh_000212.html.

⁷⁹ MLIT, *MLIT Considers a Certification System for Decarbonization of Ports*. Viewed at:

https://www.mlit.go.jp/report/press/port04_hh_000352.html.

⁸⁰ MLIT, *MLIT Sets Out an Action Plan to Deal with Labour Shortages in Ports and Harbours*. Viewed at:

https://www.mlit.go.jp/report/press/port02_hh_000164.html.

Industrial Revolution in the Skies, the Government indicates a target to realize Level 4 flights in remote islands and mountainous areas during FY2021. The 2022 amendments (promulgated and enforced on 10 June 2022) stipulate that the Minister shall formulate a basic policy for the promotion of aviation decarbonization and promote decarbonization initiatives by Japanese airlines with a view to promoting decarbonization in the aviation sector. In addition, from the perspective of ensuring user-friendliness, the Policy on Infrastructural Strengthening in the Air Transportation Business includes measures such as reduction or exemption of airport fees in FY2022, to support Japanese airlines.⁸¹

4.129. The Airport Act was also revised during the review period. The 2022 amendment to the Act (promulgated and enforced on 10 June 2022) requires that airport managers make airport decarbonization promotion plans and have them authorized by the Minister of Land, Infrastructure, Transport, and Tourism.⁸² The plan describes how to: (i) develop solar power supplies within or around its own premises; and (ii) build new runways for airplanes to move efficiently on the ground. Japan aims to achieve carbon neutral at airports in their entirety by FY2050.

4.130. During the review period, Japan implemented several measures to support the aviation industry, especially considering the impact of the COVID-19 pandemic. In 2021, the aviation fuel tax was temporarily lowered from JPY 18,000/kilolitre to JPY 9,000/kilolitre in FY2021.⁸³ In FY2022, the tax has been brought up to 13,000/kilolitre; this remains lower than the pre-COVID 19 level.⁸⁴ Japan also reduced 45% of the landing charges applied to domestic flights using government-controlled airports between August 2020 and February 2021; it also exempted parking charges in these airports (from March 2021). International flights served by domestic or foreign airlines are not subject to these measures.⁸⁵ In addition, Japan decided to extend this fee relief beyond February 2021 with the changes in some details (e.g. the addition of air navigation service charges). This measure was extended with modification until February 2023. This fee relief applies only to domestic flights. Furthermore, the Civil Aviation Bureau provided interest-free loans to airport companies in FY2021 and FY2022.

4.131. Japan has bilateral air transport agreements with 60 trading partners; it currently has "open-sky" agreements with 36 trading partners to mutually abolish restrictions on bilateral air transport services, such as caps on the number of operators and flights.

⁸¹ Japanese Law Translation, *The Proposed Act Partially Amending the Civil Aeronautics Act and Other Legislation*. Viewed at: <https://www.japaneselawtranslation.go.jp/outline/42/905R312.pdf>.

⁸² MLIT, *Summary on the Draft Amendment to the Airport Act*. Viewed at: <https://www.mlit.go.jp/policy/content/001470429.pdf>.

⁸³ MLIT, *FY2021 Summary of the Tax System Reform*. Viewed at: <https://www.mlit.go.jp/page/content/001377449.pdf>.

⁸⁴ MLIT, *FY2022 Summary of the Tax System Reform*. Viewed at: <https://www.mlit.go.jp/page/content/001445195.pdf>.

⁸⁵ MLIT. Viewed at: https://www.mlit.go.jp/report/press/kouku04_hh_000220.html.

5 APPENDIX TABLES

Table A1.1 Merchandise exports by HS section and major HS chapter/subheading, 2017-21

HS Section/chapters/subheadings	2017	2018	2019	2020	2021
Total exports (USD billion)	698.1	738.2	705.7	641.3	757.1
	(% of total exports)				
01 Live animals and products	0.3	0.3	0.3	0.3	0.3
02 Vegetable products	0.1	0.1	0.1	0.1	0.1
03 Fats and oils	0.03	0.03	0.03	0.04	0.04
04 Prepared food, beverages and tobacco	0.5	0.6	0.6	0.8	0.8
05 Mineral products	1.8	1.9	2.1	1.3	1.5
27 Mineral fuels and oils	1.6	1.8	2.0	1.2	1.4
06 Chemicals and products thereof	7.7	8.3	8.7	9.6	9.7
28 Inorganic chemicals	0.7	0.8	0.9	1.1	1.2
29 Organic chemicals	2.6	2.6	2.5	2.3	2.4
38 Miscellaneous chemical products	1.5	1.6	1.7	1.9	1.9
07 Plastics and rubber	5.1	5.0	5.0	5.3	5.4
39 Plastics and articles thereof	3.6	3.5	3.6	4.0	4.0
40 Rubber and articles thereof	1.5	1.4	1.5	1.3	1.4
08 Raw hides and skins; leather, furskins and articles thereof	0.04	0.03	0.03	0.03	0.04
09 Wood, cork, straw	0.04	0.04	0.05	0.1	0.1
10 Pulp of wood; paper and paperboard	0.6	0.6	0.5	0.5	0.5
11 Textiles and textile articles	1.1	1.1	1.1	1.0	1.0
12 Footwear, headgear, etc.	0.03	0.03	0.03	0.04	0.04
13 Articles of stone, plaster, cement	1.0	1.0	1.0	1.0	1.0
14 Precious stones and metals	2.2	1.6	1.6	2.1	1.9
15 Base metals and articles thereof	7.8	8.0	7.6	7.8	8.9
72 Iron and steel	4.0	4.1	3.7	3.6	4.6
7208 Iron or non-alloy steel; flat-rolled products of a width of 600 mm or more, hot-rolled, not clad, plated or coated	1.1	1.1	1.0	1.0	1.4
74 Articles of iron and steel	1.4	1.4	1.5	1.4	1.3
74 Copper and articles thereof	1.1	1.2	1.1	1.5	1.7
16 Machinery, electrical equipment	34.9	34.9	34.0	35.0	35.2
84 Machinery and mechanical appliances, parts thereof	19.8	20.0	19.4	19.0	19.5
8429 Bulldozers, graders, levellers, scrapers, self-propelled	1.3	1.4	1.4	1.2	1.5
8486 Machines for the manufacture of semiconductor boules or wafers, semiconductor devices, electronic integrated circuits or flat panel displays	3.3	3.3	3.2	3.7	4.0
85 Electrical and electronic equipment	15.1	14.8	14.6	16.0	15.7
8541 Diodes, transistors, similar semiconductor devices	1.3	1.2	1.2	1.4	1.4
8542 Electronic integrated circuits	3.8	3.8	3.9	4.5	4.5
17 Transport equipment	23.5	23.4	23.8	21.4	19.8
87 Vehicles other than railway, tramway	20.9	20.9	21.1	19.1	18.2
8703 Motor vehicles for the transport of less than 10 persons	13.4	13.4	13.9	12.6	11.3
8704 Motor vehicles for the transport of goods	1.3	1.2	1.2	1.0	1.3
8708 Motor vehicles, parts and accessories thereof	4.9	4.9	4.6	4.2	4.3
89 Ships, boats and other floating structures	1.8	1.7	2.0	1.7	1.3
18 Precision equipment	5.9	5.8	5.8	6.0	5.9
90 Optical, photo, technical, medical, apparatus	5.7	5.6	5.5	5.8	5.7
19 Arms and ammunition	0.02	0.03	0.02	0.02	0.03
20 Miscellaneous manufactured articles	1.0	1.1	1.1	1.2	1.1
21 Works of art, etc.	0.0	0.1	0.1	0.0	0.0
Other	6.3	6.2	6.4	6.4	6.7

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.2 Merchandise imports by HS section and major HS chapter/subheading, 2017-21

HS Section/chapters/subheadings	2017	2018	2019	2020	2021
Total imports (USD billion)	671.9	748.5	721.1	635.4	772.3
	(% of total imports)				
01 Live animals and products	3.6	3.4	3.5	3.6	3.2
02 Meat and edible meat offals	1.5	1.4	1.5	1.6	1.4
03 Fish. Crustaceans, molluscs, aquatic invertebrates n.e.s.	1.7	1.6	1.6	1.6	1.4
02 Vegetable products	2.9	2.7	2.8	3.1	3.0
03 Fats and oils	0.2	0.2	0.2	0.2	0.2
04 Prepared food, beverages and tobacco	3.7	3.5	3.7	4.1	3.5
05 Mineral products	24.4	26.5	24.9	20.2	24.7
26 Ores, slag and ash	3.1	2.9	3.1	3.4	4.5
2601 Iron ores and concentrates; including roasted iron pyrites	1.4	1.2	1.5	1.5	2.3
2603 Copper ores and concentrates	1.2	1.3	1.1	1.5	1.7
27 Mineral fuels and oils	21.0	23.4	21.6	16.6	20.0
2701 Coal; briquettes, ovoids and similar solid fuels manufacture from coal	3.4	3.4	3.2	2.5	3.3
2709 Petroleum oils and oils obtained from bituminous minerals; crude	9.5	10.8	10.1	6.8	8.2
2710 Petroleum oils and oils from bituminous minerals, not crude	1.9	2.4	1.8	1.7	2.4
2711 Petroleum gases and other gaseous hydrocarbons	6.0	6.6	6.2	5.4	5.9
06 Chemicals and products thereof	8.7	8.9	9.0	10.2	10.1
29 Organic chemicals	2.4	2.4	2.2	2.5	2.2
30 Pharmaceutical products	3.3	3.4	3.8	4.5	4.8
3002 Human blood, antisera, other blood fractions	0.9	1.0	1.3	1.6	2.3
3004 Medicaments therapeutic or prophylactic use	2.2	2.2	2.3	2.7	2.3
07 Plastics and rubber	2.9	2.9	2.9	3.0	3.0
39 Plastics and articles thereof	2.2	2.3	2.2	2.4	2.2
08 Raw hides and skins; leather, furskins and articles thereof	0.9	0.9	0.9	0.8	0.7
09 Wood, cork, straw	1.6	1.5	1.5	1.4	1.5
Wood and articles of wood	1.5	1.5	1.5	1.4	1.5
10 Pulp of wood; paper and paperboard	0.8	0.7	0.8	0.8	0.7
11 Textiles and textile articles	5.2	5.0	5.2	5.7	4.3
61 Articles of apparel and clothing accessories, knitted or crocheted	1.9	1.8	1.9	1.9	1.6
62 Articles of apparel and clothing accessories, not knitted or crocheted	2.0	2.0	2.0	1.9	1.5
12 Footwear, headgear, etc.	0.9	0.9	0.9	0.8	0.7
13 Articles of stone, plaster, cement	0.7	0.7	0.7	0.7	0.7
14 Precious stones and metals	1.7	1.7	1.8	2.5	3.1
15 Base metals and articles thereof	4.8	5.0	4.8	4.4	5.0
72 Iron and steel	1.1	1.1	1.1	0.9	1.1
76 Aluminium and articles thereof	1.2	1.2	1.1	1.0	1.2
16 Machinery, electrical equipment	24.3	23.2	23.5	25.8	23.9
84 Machinery and mechanical appliances, parts thereof	9.7	9.7	9.8	10.6	9.2
8471 Automatic data processing machines and units thereof	2.2	2.1	2.4	3.1	2.4
85 Electrical machineries and parts thereof	14.5	13.5	13.7	15.2	14.7
8517 Telephone sets, including telephones for cellular networks	3.9	3.5	3.4	3.9	3.7
8542 Electronic integrated circuits	2.9	2.7	2.6	3.0	3.3
17 Transport equipment	4.3	4.3	4.6	3.9	3.9
87 Vehicles other than railway, tramway	3.3	3.3	3.3	3.1	3.0
18 Precision equipment	4.3	4.2	4.5	4.6	4.1
90 Optical, photo, technical, medical, (...) apparatus	3.8	3.7	3.9	4.1	3.7
19 Arms and ammunition	0.01	0.02	0.02	0.0	0.0

HS Section/chapters/subheadings	2017	2018	2019	2020	2021
20 Miscellaneous manufactured articles	2.4	2.1	2.2	2.4	2.2
94 Furniture; bedding; lamps; illuminated signs; prefabricated buildings	1.2	1.1	1.2	1.3	1.2
21 Works of art, etc.	0.08	0.08	0.08	0.09	0.078
Other	1.68	1.57	1.65	1.72	1.55

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.3 Merchandise exports by destination, 2017-21

	2017	2018	2019	2020	2021
Total exports (USD billion)	698.1	738.2	705.7	641.3	757.1
	(% of total exports)				
Americas	24.7	24.4	25.3	22.9	22.7
United States	19.4	19.1	19.9	18.5	18.0
Other America	5.4	5.3	5.4	4.4	4.7
Mexico	1.6	1.6	1.5	1.3	1.4
Canada	1.4	1.3	1.3	1.1	1.1
Panama	0.8	0.8	0.9	0.7	0.6
Brazil	0.5	0.5	0.5	0.5	0.6
Europe	12.5	12.5	12.8	12.4	11.8
EU-27	9.1	9.5	9.7	9.2	9.2
Germany	2.7	2.8	2.9	2.7	2.7
Netherlands	1.8	1.7	1.7	1.7	1.7
Belgium	0.8	0.9	1.1	1.0	1.0
France	0.9	1.0	1.0	0.9	0.9
Italy	0.7	0.6	0.7	0.6	0.7
EFTA	0.9	0.6	0.7	0.9	0.7
Switzerland	0.7	0.5	0.6	0.8	0.6
Other Europe	2.5	2.4	2.4	2.2	1.9
United Kingdom	2.0	1.9	2.0	1.7	1.4
Russian Federation	0.9	1.0	1.0	0.9	1.0
Africa	1.1	1.1	1.3	1.2	1.3
Middle East	3.0	3.0	3.1	2.6	2.5
United Arab Emirates	1.0	1.1	1.0	0.9	0.9
Saudi Arabia, Kingdom of	0.5	0.6	0.7	0.7	0.6
Asia	57.8	57.9	56.4	59.8	60.6
China	19.0	19.5	19.1	22.0	21.6
Other Asia	38.7	38.3	37.3	37.8	39.0
Chinese Taipei	5.8	5.7	6.1	6.9	7.2
Korea, Republic of	7.6	7.1	6.6	7.0	6.9
Hong Kong, China	5.1	4.7	4.8	5.0	4.7
Thailand	4.2	4.4	4.3	4.0	4.4
Singapore	3.2	3.2	2.9	2.8	2.6
Viet Nam	2.2	2.2	2.3	2.7	2.5
Malaysia	1.8	1.9	1.9	2.0	2.1
Australia	2.3	2.3	2.1	1.9	2.0
Indonesia	1.9	2.1	2.0	1.4	1.8
India	1.3	1.5	1.6	1.4	1.7
Philippines	1.6	1.5	1.5	1.4	1.5
<i>Memorandum:</i>					
EU-28	11.1	11.3	11.6	10.9	10.6
APEC	78.8	78.4	77.8	79.5	79.6
ASEAN	15.2	15.5	15.1	14.4	15.0

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A1.4 Merchandise imports by origin, 2017-21

	2017	2018	2019	2020	2021
Total imports (USD billion)	671.9	748.5	721.1	635.4	772.3
	(% of total imports)				
Americas	16.5	16.4	16.7	17.0	16.6
United States	11.0	11.2	11.3	11.3	10.7
Other America	5.5	5.2	5.4	5.7	5.9
Canada	1.6	1.6	1.6	1.7	1.8
Brazil	1.1	0.9	1.1	1.2	1.3
Chile	1.0	1.0	0.9	1.1	1.0
Europe	13.3	13.3	14.1	14.1	13.6
EU-27	10.6	10.7	11.2	11.4	11.1
Germany	3.5	3.5	3.5	3.3	3.1
France	1.5	1.5	1.7	1.5	1.5
Italy	1.5	1.5	1.6	1.6	1.5
Ireland	0.7	0.9	1.0	1.0	0.9
Belgium	0.4	0.4	0.4	0.5	0.8
EFTA	1.5	1.3	1.4	1.4	1.3
Switzerland	1.2	1.0	1.1	1.2	1.1
Other Europe	1.3	1.4	1.4	1.3	1.2
United Kingdom	1.1	1.1	1.1	1.0	0.9
Russian Federation	2.1	2.1	2.0	1.7	1.8
Africa	1.2	1.2	1.2	1.4	1.8
South Africa	0.7	0.7	0.7	0.9	1.3
Middle East	10.9	12.5	11.3	8.2	10.0
Saudi Arabia, Kingdom of	4.1	4.5	3.8	2.9	3.6
United Arab Emirates	3.1	3.7	3.6	2.6	3.5
Qatar	1.6	2.0	1.8	1.4	1.5
Kuwait, State of	0.9	1.0	1.0	0.7	0.9
Asia	55.7	54.3	54.7	57.5	56.0
China	24.5	23.2	23.5	25.8	24.0
Other Asia	31.2	31.1	31.2	31.7	32.0
Australia	5.8	6.1	6.3	5.6	6.8
Chinese Taipei	3.8	3.6	3.7	4.2	4.3
Korea, Republic of	4.2	4.3	4.1	4.2	4.2
Thailand	3.4	3.4	3.5	3.7	3.4
Viet Nam	2.8	2.8	3.1	3.5	3.0
Malaysia	2.9	2.5	2.5	2.5	2.6
Indonesia	3.0	2.9	2.5	2.4	2.5
Philippines	1.5	1.4	1.5	1.5	1.4
Singapore	1.3	1.3	1.1	1.3	1.1
<i>Memorandum:</i>					
EU-28	11.6	11.8	12.4	12.4	12.0
APEC	71.0	69.7	70.1	72.9	71.0
ASEAN	15.3	15.0	15.0	15.7	14.7

Source: WTO Secretariat calculations, based on UN Comtrade database.

Table A3.1 Taxation rates, April 2022

Tax	Rates (JPY)
National taxes	
Income Tax	Progressive rates up to a maximum of 45%
Corporation Tax	29.74%
Inheritance Tax/Gift Tax	Applied on properties and gifts with progressive rates up to a maximum of 55%
Consumption Tax	10 % (standard tax rate), 8% (reduced tax rate)
Liquor Tax	JPY 20,000/kl-JPY 370,000/kl. In some cases, there is a JPY 10,000 additional amount of tax per 1% of alcohol
Tobacco taxes ^a	JPY 7,622/1,000 cigarettes
Gasoline Tax and Local Gasoline Tax	JPY 53,800/kl
Liquefied Petroleum Gas Tax	JPY 17.50/kg
Aviation Fuel Tax	JPY 13,000/kl
Petroleum and Coal Tax	Crude petroleum or petroleum products JPY 2,800/kl Natural gas or petroleum gas JPY 1,860/tonne Coal: JPY 1,370/tonne
Promotion of Power-resources Development Tax	JPY 375 per 1,000 kw/h of electric power sold
Motor Vehicle Tonnage Tax	Applied to passenger cars of less than 13 years. JPY 2,500/year-JPY 4,100/year for every half tonne
International Tourist Tax	JPY 1,000/departure for overseas
Registration and Licence Tax	Sale of real property – 2% of value Acquisition of pledge/mortgage for real property – 0.4% of loan amount Incorporation of stock company – 0.7% of capital amount (applied to values over JPY 150,000) Registration of capital increase regarding stock companies – 0.7% (applied to values over JPY 30,000) New licence registration for bank businesses and financial instruments business operators – JPY 150,000/licence New licence registration for lawyers, doctors and licensed tax accountants – JPY 60,000/licence
Stamp Tax	JPY 200-JPY 480,000. Applies to deeds of content concerning transfer of real property; deeds of contracts concerning contracting work; promissory notes and bills of exchange; and share certificates, bond certificates etc.
Prefectural taxes	
Inhabitant Tax on Corporations	Per capita rate: JPY 20,000-JPY 800,000 (according to the amount of capital); Corporation tax rate: 1% of the amount of Corporation tax
Inhabitant Tax on Individuals	Per capita rate (JPY 1,500); income rate 4% of total sum of ordinary income in the previous calendar year; interest rate 5% on interest amount; stock dividend rate: 5% of specified dividends received; capital gain rate: 5% of amount of capital gain from special stocks
Local Enterprise Tax	Enterprise (its capital is JPY 100 million or less): 7% of net income Enterprise (its capital exceeds JPY 100 million): 1% of net income; 1.2% of value added; 0.5% of the capital amount
Real Property Acquisition Tax	Electricity, gas supply, and insurance companies: 1% of gross receipts 4% of assessed value of acquired real estate (3% for residence and land)
Prefectural Tobacco Tax	JPY 930 per 1,000 cigarettes
Golf Links Tax	JPY 800 per person per day
Automobile Acquisition Tax	2%-3% of the acquisition value of diesel- or petrol-powered cars
Delivered Diesel Oil Tax	JPY 32,100/kl
Automobile Tax	Buses: JPY 17,500-JPY 49,000. Passenger cars: JPY 34,500-JPY 11,000 Three-wheeled small cars: JPY 6,000; trucks: JPY 25,500
Mine Lot Tax	Mine lot with mining right not for placer mining: JPY 200-JPY 400 per hectare/year. Mine lot with mining right for placer mining: Riverbed JPY 600 per 1,000 m of extension/year; Non-riverbed JPY 200 per hectare/year
Hunting Tax	JPY 5,500-16,500
Water Utility and Land Profit Tax	Voluntary tax rate based on price or area of land or house The tax rate is determined by the ordinance by the taxation organization according to the price and area of the land and house

Tax	Rates (JPY)
Municipal taxes	
Inhabitants Tax on Corporations	Per capita rate: JPY 50,000-JPY 3,000,000 (according to the amount of capital and the number of employees); corporation tax rate: 1% of the amount of corporation tax
Inhabitants Tax on Individuals	Per capita rate (JPY 3,500); income rate: 6% of total sum of ordinary income in the previous calendar year
Fixed Property Tax	1.4% of price registered in the fixed property tax ledger
Light Motor Vehicle Tax	Rates vary according to category and cylinder volume
Municipal Tobacco Tax	JPY 5,692/1,000 cigarettes
Mine Production Tax	1% of mineral price
Special Land Possession Tax	3% of land acquisition price on acquisition; 1.4% of land acquisition price on possession
Bathing Tax	JPY 150 per person per day
Establishment Tax	JPY 600/m
City Planning Tax	0.3% of price registered in the fixed assets tax ledger
Water Utility and Land Profit Tax	Voluntary tax rate based on price or area of land or house
Common Facilities Tax	Voluntary tax rate the municipality establishes through regulations taking into consideration the profit situation of common facilities
Residential Land Development Tax	Voluntary tax rate based on area of residential land
National Health Insurance Tax	Voluntary tax rate

a Comprises a tobacco tax and a special tobacco tax.

Source: Information provided by the authorities; and MOF, *Learning More About Taxes*. Viewed at: https://www.mof.go.jp/english/tax_policy/publication/tax008/index.htm.

Table A3.2 Central government and IAA procurement, by good and by origin, 2019-20

No.	Products	2019		2020	
		Total value (JPY 100 million)	Foreign share (%)	Total value (JPY 100 million)	Foreign share (%)
1	Products from agriculture, and from agricultural and food processing	19.4	30.8	17.2	42.9
2	Mineral products	346.4	15.2	469.4	8.9
3	Products of the chemical and allied industries	38.3	1.6	37.7	6.4
4	Medicinal and pharmaceutical products	2,526.9	5.6	2,706.4	62.3
5	Artificial resins; rubber, raw hides and skins; leather; and articles thereof	15.7	2.4	12.3	4.3
6	Wood and articles of wood; paper-making material; paper and paperboard, and articles thereof	244.6	0.0	173.9	0.0
7	Textiles and textile articles; thread for spinning and weaving; and articles thereof	58.0	3.7	55.2	1.1
8	Articles of stone, of cement and of similar materials; ceramic products; glass and glassware; and articles thereof	31.6	0.0	26.5	0.0
9	Iron and steel, and articles thereof	24.8	0.0	35.4	0.5
10	Non-ferrous metals, and articles thereof	58.3	7.7	110.2	5.4
11	Power-generating machinery and equipment	52.4	9.0	111.8	3.8
12	Machinery specialized for particular industries	81.9	2.1	100.2	7.1
13	General industrial machinery and equipment	187.5	6.6	91.3	3.2
14	Office machines and automatic data processing equipment	3,616.7	2.8	2,917.1	3.1
15	Telecommunications and sound recording and reproducing apparatus and equipment	778.8	0.9	720.8	2.0
16	Electrical machinery, apparatus and appliances, and electrical parts thereof	444.3	4.3	345.2	2.2
17	Road vehicles	690.3	2.7	646.8	1.6
18	Railway vehicles and associated equipment	43.7	30.5	0.0	-
19	Aircraft and associated equipment	113.3	64.8	211.6	63.3
20	Ships, boats and floating structures	42.0	0.0	174.5	0.0
21	Sanitary, plumbing, and heating equipment	12.3	0.0	20.5	2.0
22	Medical, dental, surgical and veterinary equipment	782.9	34.5	777.1	28.5
23	Furniture and parts thereof	51.0	0.0	65.3	0.0
24	Scientific and controlling instruments and apparatus	591.6	21.0	733.3	26.3

No.	Products	2019		2020	
		Total value (JPY 100 million)	Foreign share (%)	Total value (JPY 100 million)	Foreign share (%)
25	Photographic apparatus and equipment, optical goods, and clocks	38.8	2.4	44.2	8.2
26	Miscellaneous articles	2,107.4	5.4	2,116.8	5.6
	Total	12,998.9	7.4	12,714.8	20.1

Note: The survey covered procurement of goods and services above the threshold of SDR 100,000 and excluded procurement of construction services and procurement by sub-central government entities.

Source: *2019 and 2020 Government Procurement Results*. Viewed at:
<https://www.kantei.go.jp/jp/kanbou/02tyoutatu/dai2/dai2honbun.pdf> and
<https://www.cas.go.jp/jp/seisaku/chotatsu/dai8/siryou2.pdf>.

Table A3.3 Central government and IAA procurement, by service and by origin, 2019-20

No.	Services	2019		2020	
		Total value (JPY 100 million)	Foreign share (%)	Total value (JPY 100 million)	Foreign share (%)
1	Maintenance and repair of motor vehicles	6.7	0.0	26.8	12.2
2	Maintenance and repair of motorcycles and snowmobiles	0.0	0.0	0.0	0.0
3	Other land transport services (except mail transportation)	112.3	0.5	101.3	0.0
4	Rental services of sea-going vessels with operator	7.7	0.0	0.4	0.0
5	Rental services of non-sea-going vessels with operator	3.1	0.0	1.6	0.0
6	Air transport (except mail transportation)	23.0	16.7	21.7	14.6
7	Freight transport agencies	52.8	4.1	72.3	0.0
8	Courier services	4.7	6.1	2.1	8.4
9	Telecommunication services	169.8	3.9	84.7	14.8
10	Computer and related services	9,460.8	3.9	11,171.9	4.9
11	Market research and public opinion polling	69.6	2.3	116.7	1.2
12	Advertising services	808.6	7.8	460.9	0.0
13	Armoured car services	18.8	0.0	268.7	0.0
14	Building cleaning services	444.8	0.0	930.3	0.0
15	Publishing and printing services	249.2	0.1	219.2	0.1
16	Repair services incidental to metal products, machinery and equipment	147.1	11.6	134.2	15.1
17	Sewage and refuse disposal, sanitation and other environmental protection	1,236.1	0.0	766.9	0.5
18	Repair services of personal and household goods	0.0	0.0	0.0	0.0
19	Food serving services	1.8	0.0	1.3	0.0
20	Beverage serving services	0.0	0.0	0.0	0.0
21	Leasing or rental services concerning agricultural machinery and equipment without operator	0.0	-	0.4	0.0
22	Leasing or rental services concerning furniture and other household appliances	1.0	0.0	2.5	0.0
23	Leasing or rental services concerning pleasure and leisure equipment	0.7	0.0	0.0	0.0
24	Leasing or rental services concerning other personal or household goods	65.4	0.0	0.3	0.0
25	Management consulting services	0.5	0.0	0.1	0.0
26	Services related to management consulting (except 86602 Arbitration and conciliation services)	0.0	0.0	0.3	0.0
27	Packaging services	9.9	0.0	4.8	0.0

No.	Services	2019		2020	
		Total value (JPY 100 million)	Foreign share (%)	Total value (JPY 100 million)	Foreign share (%)
28	Services incidental to forestry and logging, including forest management, and publishing and printing services	0.0	0.0	0.0	0.0
29	Primary education services	1.4	0.0	0.1	0.0
30	Secondary education services	0.0	0.0	0.0	0.0
31	Higher education services	0.0	0.0	0.0	0.0
32	Adult education services	2.4	0.0	1.6	0.0
33	Motion picture and video tape production and distribution services	0.7	0.0	0.3	0.0
34	Other	319.7	0.0	306.8	0.2
	Total	13,218.5	3.5	14,698.1	4.0

Note: The survey covered procurement of goods and services above the threshold of SDR 100,000 and excluded procurement of construction services and procurement by sub-central government entities.

Source: *2019 and 2020 Government Procurement Results*. Viewed at:
<https://www.kantei.go.jp/jp/kanbou/02tyoutatu/dai2/dai2honbun.pdf> and
<https://www.cas.go.jp/jp/seisaku/chotatsu/dai8/siryou2.pdf>.

Table A3.4 Summary of laws protecting IPRs, 2022

Form	Main legislation	Coverage	Duration
Patents	Patent Act (Last amended: 2021)	Any invention of a product/method that is industrially applicable, novel compared with the prior art base, and characterized by the highly advanced creation of technical ideas utilizing the laws of nature	20 years from the filing date of the patent application (extendable to a maximum of 25 years upon request)
New plant varieties	Plant Variety Protection and Seed Act (Last amended: 2021)	Any plant variety of agricultural, forestry or aquatic plant, meeting the following requirements: (i) distinctness; (ii) uniformity; (iii) stability; (iv) novelty; and (v) suitability of denomination	Duration of breeder's rights of plants (except perennial plants) is 25 years, while that of perennial plants is 30 years from the date of variety registration
Utility models	Utility Model Act (Last amended: 2021)	Any creation of a device that is related to the shape or structure of an article or combination of articles, and is industrially applicable	10 years from the filing date of the application
Industrial designs	Design Act (Last amended: 2021)	Any design that is industrially applicable; shapes, patterns, colours, or any combination of an article or a building, or a graphic image design (including part of it), which is aesthetically pleasing in its visual presentation	25 years from the filing date of application
Trademarks	Trademark Act (Last amended: 2021)	Any character, figure, sign, three-dimensional shape, colour, or any combination of them, or sounds; used by a business entity in connection with its goods or services	10 years from the date of registration (continuous use can be obtained if an application is renewed)
Geographical indications	Act on Protection of the Names of Specific Agricultural, Forestry and Fishery Products and Foodstuffs (Last amended: 2019)	Agriculture, forestry and fisheries products and foodstuffs, meeting the following requirements: (i) products produced in a specific place, region or country; and (ii) products for which quality, reputation or other given characteristic is essentially attributable to the place of production	Indefinite (registrations of GIs are effective as long as the prescribed requirements are met)
Trade secrets	Unfair Competition Prevention Act (Last amended: 2018)	A trade secret: a production method, sales method, or any other technical or operational information useful for business activities that is controlled as a secret and is not publicly known. Data for limited provision: technical or business information accumulated in a reasonable amount, managed by electronic or magnetic means, and provided to specific persons on a regular basis	

Form	Main legislation	Coverage	Duration
Copyright and related rights	Copyright Act (Last amended: 2022)	<p>Any work: a production in the literary, academic, artistic or musical domain, in which thoughts or sentiments are creatively expressed.</p> <p>Any performance: acting dramatically, dancing, giving a musical performance, singing, giving a speech, giving a recitation, or by any other means for acting of a work.</p> <p>Any phonogram: the fixation of sounds on a material object, such as a phonograph disc or recording tape.</p> <p>Any broadcasting/cablecasting: the transmission to the public of wireless/wired communications, with the objective of allowing the public to simultaneously receive transmissions of the same content</p>	<p>A work: author's life plus 70 years from the beginning of the calendar year after the year in which the author dies</p> <p>A performance: 70 years from the beginning of the calendar year after the year in which the performance takes place</p> <p>A phonogram: 70 years from the beginning of the calendar year after the year in which the phonogram is published</p> <p>A broadcasting/cablecasting: 70 years from the beginning of the calendar year after the year in which the broadcasting/cablecasting takes place</p> <p>An anonymous or pseudonymous work: 70 years after the work is made public</p> <p>A work whose authorship is attributed to a corporation or other organization: 70 years after the work is made public</p> <p>A cinematographic work: 70 years after the work is made public</p>
Circuit layout of semiconductor integrated circuits	Act on the Circuit Layout of Semiconductor Integrated Circuits (Last amended:2022)	Any layout design of circuitry elements and the lead wires connecting such elements in semiconductor integrated circuits	10 years from the date of registration

Source: Information provided by the authorities.

Table A4.1 Special safeguards, FY2019-FY2021

HS	Description	Type of SSG	Date or period of application
FY2019			
040120190	Milk and cream, not concentrated nor containing added sugar or other sweetening matter. - Of a fat content, by weight, exceeding 1% but not exceeding 6%: Sterilized, frozen or preserved	Volume	01/11/2019 to 31/03/2020
040140190, 040150119, 040150129	Milk and cream, not concentrated nor containing added sugar or other sweetening matter. - Of a fat content, by weight, exceeding 6%: Sterilized, frozen or preserved; other cream of a fat content, by weight, of 13% or more (other than sterilized, frozen or preserved)	Volume	01/02/2020 to 31/03/2020
040299129, 040299290	Condensed milk	Volume	01/11/2019 to 31/03/2020
040310190	Yogurt - Frozen, preserved or containing added sugar or other sweetening matter, flavoring, fruits or nuts (excluding frozen yogurt)	Volume	01/09/2019 to 31/03/2020
040510129	Butter - Of a fat content, by weight, not exceeding 85%	Price	01/08/2019
040510129, 040510229, 040520090, 040590190, 040590229	Butter and other fats and oils derived from milk; dairy spreads	Volume	01/01/2020 to 31/03/2020
100630090	Semi-milled or wholly milled rice, whether or not polished or glazed	Price	01/10/2019, 21/10/2019, 24/12/2019
110100200	Wheat or meslin flour	Price	19/09/2019
110311090	Cereal groats and meal, of wheat	Price	26/07/2019, 21/10/2019
110812099	Maize (corn) starch	Volume	01/10/2019 to 31/03/2020
110819098	Other starches (excluding Sago starch)	Price	11/09/2019, 12/09/2019
110820090	Inulin	Volume Price	01/01/2020 to 31/03/2020 05/04/2019, 16/04/2019, 24/06/2019, 29/08/2019, 09/10/2019, 16/10/2019, 17/12/2019
190190179	Food preparations, containing more than 85% by weight of flour, groats, meal and pellets of rice, wheat, triticale or barley, starch, or any combination thereof, excluding cake-mixes and a kind used as food suitable for infants or young children or dietetic purpose: - Mostly containing starch (excluding containing wheat starch)	Price	01/08/2019
190120159, 190190179	Food preparations, containing more than 85% by weight of flour, groats, meal and pellets of rice, wheat, triticale or barley, starch, or any combination thereof, excluding cake-mixes and a kind used as food suitable for infants or young children or dietetic purpose: - Mostly containing starch (excluding containing wheat starch)		
190410212	Prepared foods containing not less than 50% by weight of those obtained by merely swelling or roasting of rice, wheat, triticale or barley: - Of rice		

HS	Description	Type of SSG	Date or period of application
210690129	Preparations containing not less than 30% of natural milk constituents by weight, calculated on the dry matter: - Of a milkfat content, by weight, more than 30%		
FY2020			
040140190, 040150119, 040150129	Milk and cream, not concentrated nor containing added sugar or other sweetening matter. - Of a fat content, by weight, exceeding 6%: Sterilized, frozen or preserved; other cream of a fat content, by weight, of 13% or more (other than sterilized, frozen or preserved)	Volume	01/03/2021 to 31/03/2021
040221119	Milk powder, not containing added sugar or other sweetening matter - Of a fat content, by weight, exceeding 5% but not exceeding 30%	Price	20/01/2021
040221129	Milk powder, not containing added sugar or other sweetening matter - Of a fat content, by weight, exceeding 30%	Price	01/06/2020
040291290	Evaporated milk	Price	20/01/2021
040299129	Condensed milk	Price	09/12/2020
100630090	Rice (semi-milled or wholly milled rice, whether or not polished or glazed)	Price	14/07/2020, 20/10/2020
110100200	Wheat or meslin flour	Price	19/11/2020
110290390	Rice flour	Price	20/10/2020, 19/03/2021
110812099	Maize (corn) starch	Volume	01/11/2020 to 31/03/2021
110819098	Other starches (excluding Sago starch)	Price	10/07/2020, 24/08/2020, 20/11/2020, 05/03/2021
110820090	Inulin	Price	18/08/2020, 31/03/2021
190190179	Food preparations of flour, meal, or starch, which contain more than 85% by weight of flour, groats, meal and pellets of rice, wheat, triticale or barley, starch, or any combination thereof, excluding cake-mixes and a kind used as infant food or dietetic purpose - Mostly containing starch (excluding wheat starch)	Price	29/07/2020, 11/08/2020, 18/09/2020
190120159, 190190179	Food preparations of flour, meal, or starch, which contain more than 85% by weight of flour, groats, meal and pellets of rice, wheat, triticale or barley, starch, or any combination thereof, excluding cake-mixes and a kind used as food suitable for infants or young children or dietetic purpose - Mostly containing starch (excluding wheat starch)	Volume	01/02/2021 to 31/03/2021
FY2021			
040140190, 040150119, 040150129	Milk and cream, not concentrated nor containing added sugar or other sweetening matter. - Of a fat content, by weight, exceeding 6%: Sterilized, frozen or preserved; other cream of a fat content, by weight, of 13% or more (other than sterilized, frozen or preserved)	Volume	21/10/2021 to 31/03/2022
071310229	Peas (<i>Pisum sativum</i>)	Price	19/04/2021
071332090	Small red (<i>Adzuki</i>) beans (<i>Phaseolus</i> or <i>Vigna angularis</i>)	Price	19/04/2021
071333229	Kidney beans, including white pea beans (<i>Phaseolus vulgaris</i>)	Price	11/10/2021

HS	Description	Type of SSG	Date or period of application
071339227	Beans (<i>Vigna</i> spp., <i>Phaseolus</i> spp.) other than beans of the species <i>Vigna mungo</i> (L.) Hepper or <i>Vigna radiata</i> (L.) Wilczek, small red (Adzuki) beans and kidney beans, Bambara beans (<i>Vigna subterranea</i> or <i>Voandzeia subterranea</i>), Cow peas (<i>Vigna unguiculata</i>)	Price	08/07/2021, 18/08/2021, 19/08/2021, 19/08/2021
071390229	Beans other than Peas (<i>Pisum sativum</i>), Chickpeas (<i>garbanzos</i>), beans of the species <i>Vigna</i> spp., <i>Phaseolus</i> spp., Lentils, Broad beans (<i>Vicia faba</i> var. <i>major</i>) and horse beans (<i>Vicia faba</i> var. <i>equina</i> , <i>Vicia faba</i> var. <i>minor</i>), Pigeon peas (<i>Cajanus cajan</i>)	Price	19/04/2021
100630090	Rice (semi-milled or wholly milled rice, whether or not polished or glazed)	Price	05/04/2021
110100200	Wheat or meslin flour	Price	11/10/2021
110819098	Other starches (excluding Sago starch)	Price	24/05/2021, 07/10/2021, 20/10/2021, 22/12/2021, 09/02/2022
110820090	Inulin	Price	06/05/2021, 25/01/2022, 25/01/2022
190190179	Food preparations of flour, meal, or starch, which contain more than 85% by weight of flour, groats, meal and pellets of rice, wheat, triticale or barley, starch, or any combination thereof, excluding cake-mixes and a kind used as infant food or dietetic purpose - Mostly containing starch (excluding wheat starch)	Price	28/01/2022, 23/03/2022
210690119	Food preparations containing not less than 30% of natural milk constituents by weight, calculated on the dry matter - Of a milkfat content, by weight, not exceeding 30%	Price	19/07/2021

Source: WTO documents G/AG/N/JPN/251, 10 June 2020; G/AG/N/JPN/251/Corr.1, 23 July 2020; G/AG/N/JPN/260, 26 April 2021; and G/AG/N/JPN/274, 28 April 2022.

Table A4.2 Tariff quota fill ratio, FY2020

Description of products	No. of tariff lines	Tariff quota quantity (MT)	In-quota imports	Fill rate %
Skimmed milk powder (for school lunches)	040210, 040221	7,264	467	6.4
Skimmed milk powder (for other purposes)	040210, 040221, 040229	74,973	23,538	31.4
Milk powder	040221, 040229	0.3	..	..
Evaporated milk	040291	1,500	1,395	93.0
Condensed milk	040299	13	..	..
Whey and modified whey (for feeding purposes)	040410	45,000	33,635	74.7
Prepared whey (for infant formula)	040410, 040490	25,000	5,027	20.1
Butter and butteroil	040510, 040590	581	109	18.8
Mineral concentrated whey	040410	14,000	3,924	28.0
Prepared edible fat	210690	18,977	14,867	78.3
Other dairy products for general use	040110, 040120, 040140, 040150, 040310, 040390, 040490, 180620, 180690, 190110, 190120, 190190, 210112, 210120, 210610, 210690	133,940	117,465	87.7
Designated dairy products for general use	040210, 040221, 040229, 040299, 040390, 040410, 040510, 040520, 040590	137,202	195,478	100.0 ^a
Dried leguminous vegetables	071310, 071332, 071333, 071334, 071335, 071339, 071350, 071360, 071390	120,000	66,931	55.8
Wheat, meslin, triticale and their processed products	100111, 100119, 100191, 100199, 100860, 110100, 110290, 110311, 110319, 110320, 110419, 110429, 110811, 190120, 190190, 190410, 190420, 190430, 190490, 210690	5,740,000	4,760,668	82.9
Barley and its processed products	100310, 100390, 110290, 110319, 110320, 110419, 110429, 190120, 190190, 190410, 190420, 190490, 210690	1,369,000	186,282	13.6
Rice and its worked and/or prepared products	100610, 100620, 100630, 100640, 110290, 110319, 110320, 110419, 110429, 190120, 190190, 190410, 190420, 190490, 210690	682,200	677,783	99.4
Starches, inulin, and their preparations	110812, 110813, 110814, 110819, 110820, 190120, 190190	157,000	139,344	88.8
Ground-nuts	120230, 120241, 120242	75,000	30,795	41.1
Tubers of konnyaku	121299	267	32	12.0
Silk-worm cocoons and raw silk	500100, 500200	798	103	12.9

.. Not available.

a In case where in-quota imports exceeded the TQ quantities, fill rates are capped at 100%.

Source: WTO document G/AG/N/JPN/264/Rev.1, 14 June 2022.

Table A4.3 Other products for which tariff quotas are applied, 2022

Description	HS code	Out-of-quota rate	HS code	In-quota rate
Cheese and curd for use as material for processed cheese	040610090	29.8%	040610010	0%
	040640090		040640010	
	040690090		040690010	
Maize other than seed	100590099	50% or JPY 12/kg, whichever is the greater	100590091	0%
			100590092	
			100590095	
			100590096	
Malt	110710019	JPY 21.30/kg	110710011	0%
Malt	110710029	JPY 21.30/kg	110710021	0%
Malt	110720020	JPY 21.30/kg	110720010	0%
Tomato puree	200290219	16%	200290211	0%
Tomato puree	200290229	16%	200290221	0%
Prepared pineapples	200820119	JPY 33/kg	200820111	0%
Prepared pineapples	200820219	JPY 33/kg	200820211	0%
Raw hides and skins	410120212	30%	410120211	12%
Raw hides and skins	410150212	30%	410150211	12%
Raw hides and skins	410190212	30%	410190211	12%

Source: Data based on Japanese FY2022/23 tariff schedule. Non-agricultural tariff lines subject to tariff quotas are found in HS Chapter 41 (prepared hides and skins, prepared leather), and in Chapter 64 (footwear).

Table A4.4 Imports under the SBS system, FY2017-FY2021

('000 tonnes)

	FY2017	FY2018	FY2019	FY2020	FY2021
Rice	100	59	77	60	21
Wheat	649	1,066	673	768	..

.. Not available.

Source: Data provided by the authorities.

Table A4.5 Food assistance FY2017-FY2020

FY	Rice (tonnes)	Other agri-food products^a (tonnes)
2017	71,102	41,439
2018	78,719	22,777
2019	87,089	44,711
2020	47,071	19,481

a Other agri-food products include coarse grains, skim milk powder, sugar, vegetables, vegetable oils, wheat, and wheat flour, depending on the year.

Source: WTO documents G/AG/N/JPN/270-273.

Table A4.6 Payment rates for other cereals, sugar beet, starch potatoes, buckwheat, and rapeseed, 2019 and 2021

(JPY per unit)

Product	Payment rate 2021 (payment rate in 2019)	Per unit
Quantity-based payment		
Wheat	6,710 (6,940)	60 kg
Two-row barley	6,780 (5,490)	50 kg
Six-row barley	5,660 (5,720)	50 kg
Naked barley	9,560 (8,230)	60 kg
Soy beans	9,930 (9,040)	60 kg
Sugar beet	6,840 (7,390)	tonne
Starch potatoes	13,560 (11,610)	tonne
Buckwheat	13,170 (16,840)	45 kg
Rapeseed	8,000 (9,920)	60 kg
Area-based payment	20,000 (20,000)	10 ares ^a

a 10 ares = 1/10 of a hectare.

Note: The area-based payment rate for buckwheat is JPY 13,000 per 10 ares.

Source: Data provided by the authorities.

Table A4.7 Administered prices for calves, FY2022

(JPY per unit)

Product	Guaranteed price	Target rationalization price
Japanese black calves	541,000 per calf	429,000
Japanese brown calves	498,000 per calf	395,000
Other beef breed	320,000 per calf	253,000
Dairy breeds	164,000 per calf	110,000
Cross-breeds	274,000 per calf	216,000

Source: Data provided by the authorities; and MAFF. Viewed at:
<https://www.maff.go.jp/j/press/chikusan/suisin/attach/pdf/211224-1.pdf>.

Table A4.8 Fisheries subsidies notified in June 2021 for FY2018 and FY2019

Name of the programme	Level and form of the subsidy	Policy objective pursued	Beneficiaries	Duration and amount
Programmes for development and adaptation of new technologies and conservation of fishing grounds	- National - Grants, etc.	Support fishers and their organizations to conserve fishing grounds and mitigate damage by harmful marine species, using new technologies	Fishers and their organizations	FY2019: JPY 3,588 million; FY2018: JPY 3,170 million
Support for establishment of environmentally and economically sustainable fisheries	- National - Grants, etc.	Enable fishers and their organizations to conduct sustainable fishing practices, thereby establishing environmentally and economically sustainable fisheries. Such supports include the mitigation of damages on fishers by natural and economic disasters, and promotion of structural reform of fisheries sectors	Fishers and their organizations	FY2019: JPY 74,552 million; FY2018 JPY 54,017 million
Promotion for regional development through fisheries	- National - Grants, etc.	Promote regional development by supporting fishers and their organizations to conduct onsite fisheries-related activities such as national border surveillance, revitalization of fishing communities in remote islands, and recruitment and settlement of new fishers	Fishers and their organizations	FY2019: JPY 10,985 million; FY2018 JPY 9,085 million
Support for aquaculture, inland fisheries, and fish stock enhancement	- National - Grants	Support aquaculture and inland fisheries, and to promote fish stock enhancement	Fishers and their organizations	FY2019: JPY 108 million; FY2018: JPY 518 million
Subsidy for inland water aquaculture	- Local (Gifu prefectural government) - Grants	Stabilize and promote inland water aquaculture	Fisheries association and aquaculture producers	FY2019: JPY 1.0 million (Settlement of Accounts); FY2018: JPY 0.0 million (Settlement of Accounts)

Source: WTO document G/SCM/N/372/JPN, 30 June 2021.