

Internal Compliance Program (ICP)

September 2007

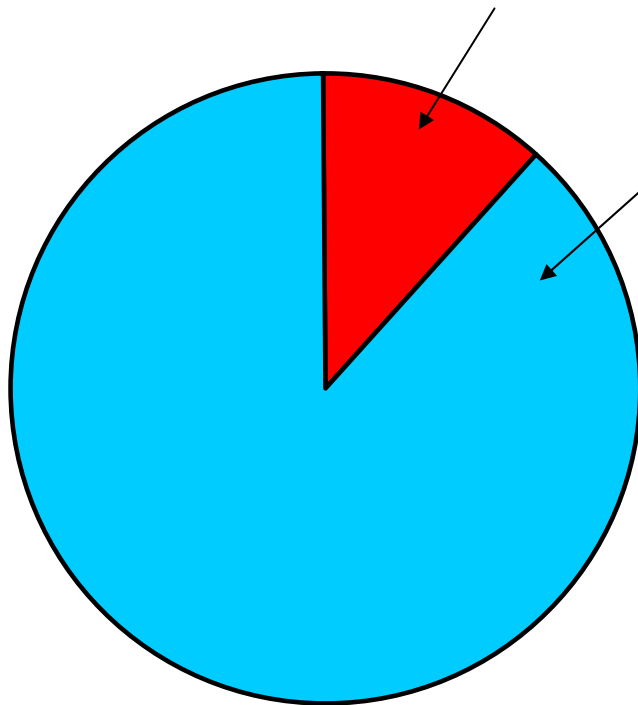
Ministry of Economy, Trade and Industry (METI)

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1. The causes of illegal exports

Intentional violation and negligence of the Law (12%)



Unintentional illegal exports (88%)

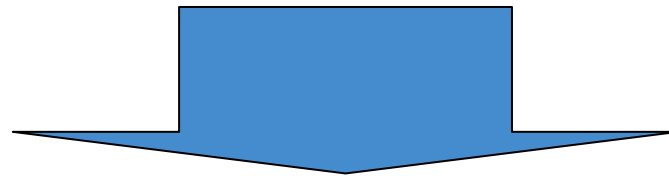
- Insufficient export control systems (35%)
- Misjudgment of applicable articles (30%)
- Mistake in confirmation of shipment (8%)
- Noncompliance with licensing conditions (15%)

Most illegal exports are unintentional.

2. The importance of self-export-control

Solid self-export-control by exporters to conduct export operations appropriately

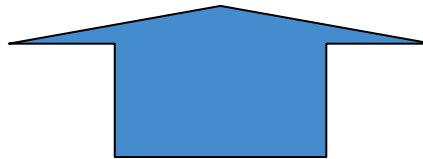
Developing self-export-control systems and proper export procedures



Reduce the risk of illegal exports.

3. Definition of ICP

ICP is a company's internal rules to comply with the export control laws and regulations, and can be used to prevent unintentional illegal exports.



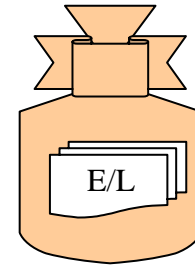
METI has been encouraging companies to establish their own ICPs voluntarily, and registered them from 1987.



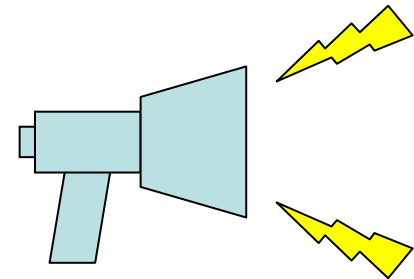
4. Benefits

An ICP-registered company is able to...

- * Apply for a bulk license



- * Market itself to the public as a company of good standing



5. Elements

1. Export control system

- Nominate a high-ranking executive as Chief Export Control Officer (CECO), and define his or her duties in the area of export control, and range of responsibility.
- Nominate a Responsible Officer for Export Control (ROEC), who is desirably independent from sales departments, and establish an Export Control Unit managed by ROEC.
- Companies must introduce double-check systems involving either more than one person or more than one section.

2. Classification and business evaluation

- Establish judgment procedures (classification/customer and end-user verification/end-use verification), and operate the judgment process and procedures.

3. Prevention of suspected exports

- CECO has the authority to make a final judgment, and he/she stops the export if there is any doubt and/or concern.

4. Shipment management

- The shipping section must confirm that goods match their shipping documents.
- In the case of a problem being found during customs clearance, the shipping section must report it to the export control section immediately.

5. Audits

- Periodic audits must be carried out to make sure that export control is being implemented in an appropriate manner and in accordance with the ICP. (see [Ref. 1](#))

6. Training

- Educate managers and employees on the significance of compliance with export control laws and its proper implementation. (see [Ref. 2](#))

7. Record keeping

- Export-related documents must be filled out accurately and kept for at least 5 years.

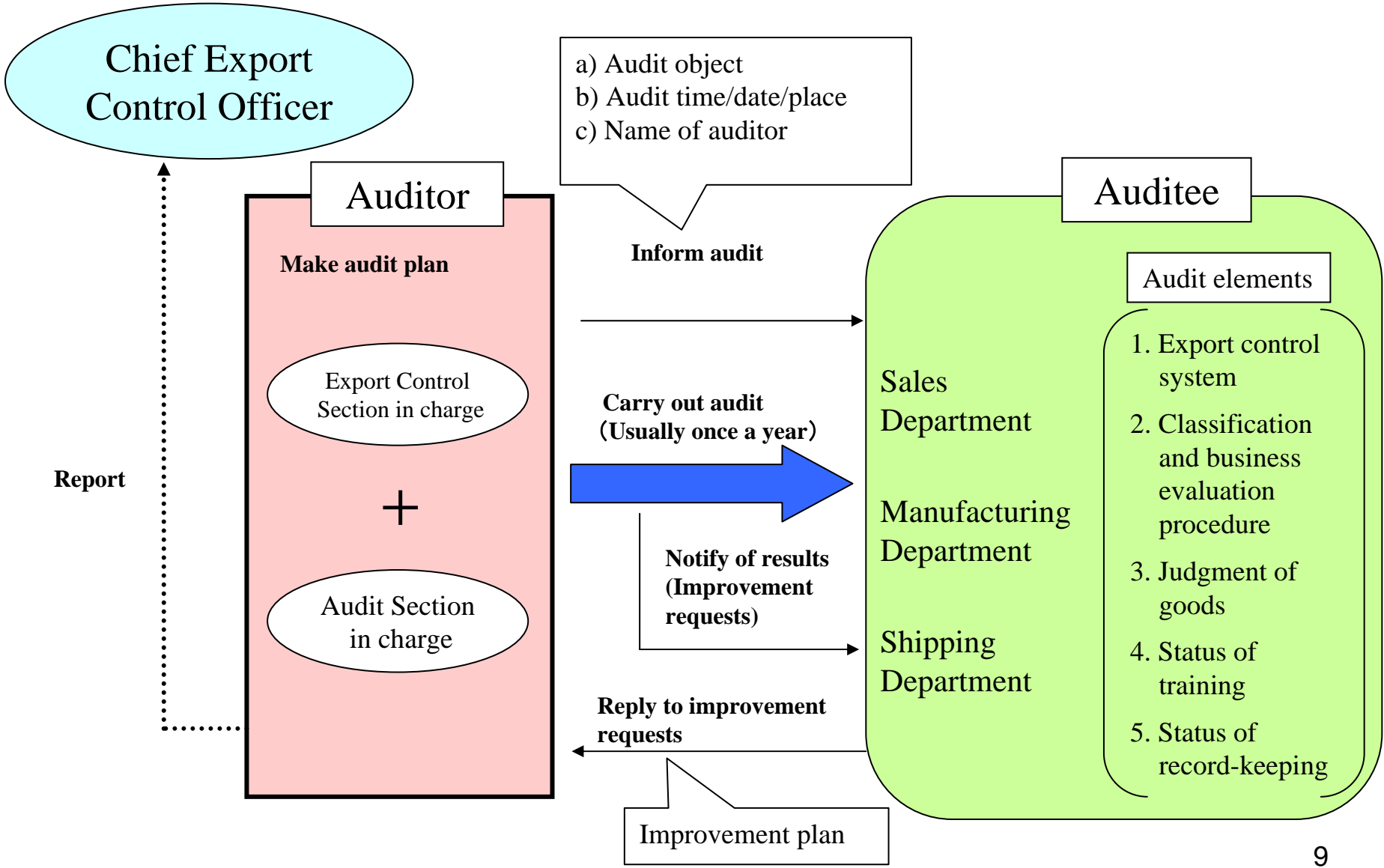
8. Guidance for subsidiaries

- Headquarters are responsible for supervising the export control of overseas subsidiaries.

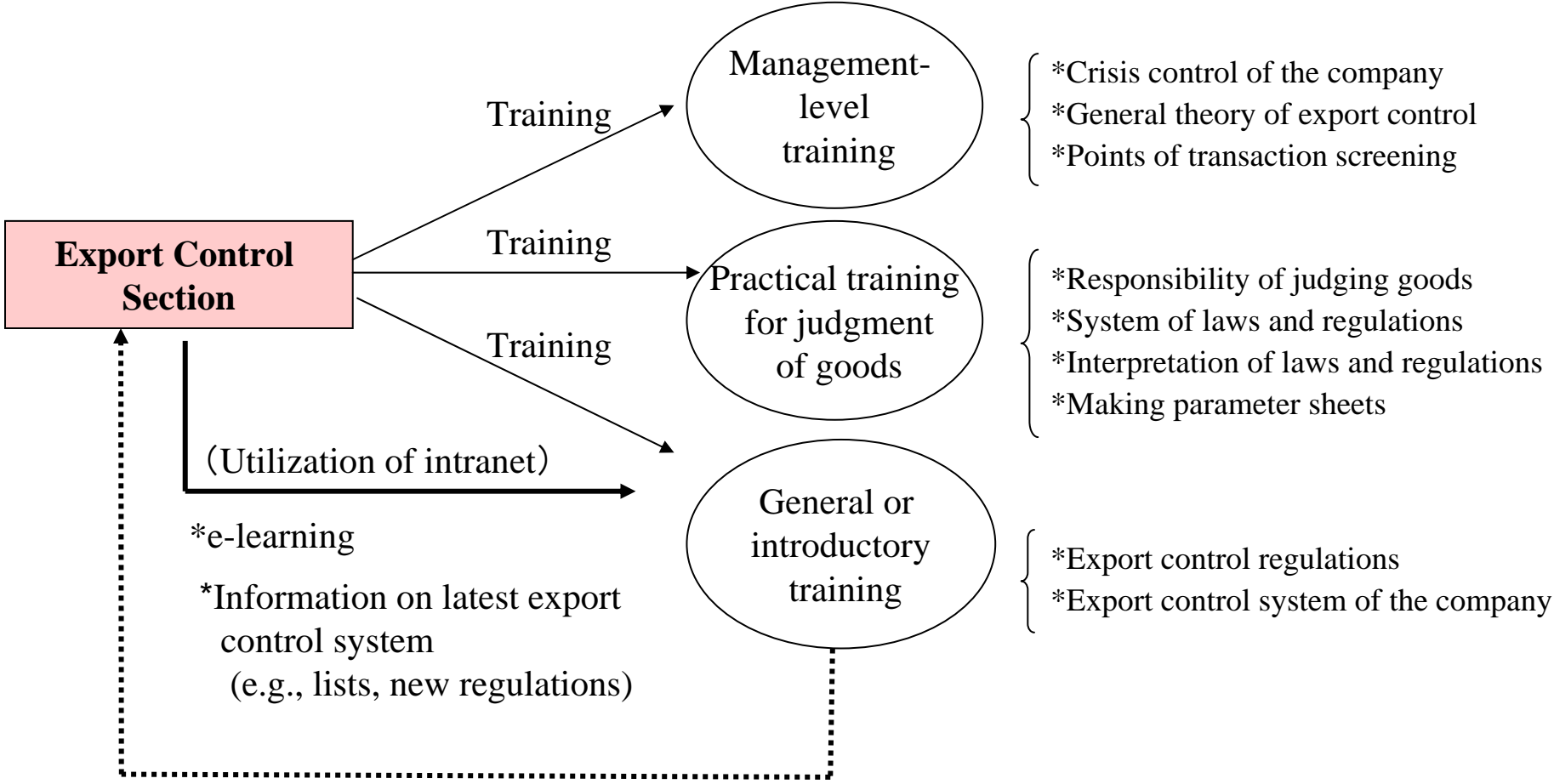
9. Reporting

- If any violation is confirmed, it should be reported to CECO and METI without delay.

Ref. 1: Example of audit

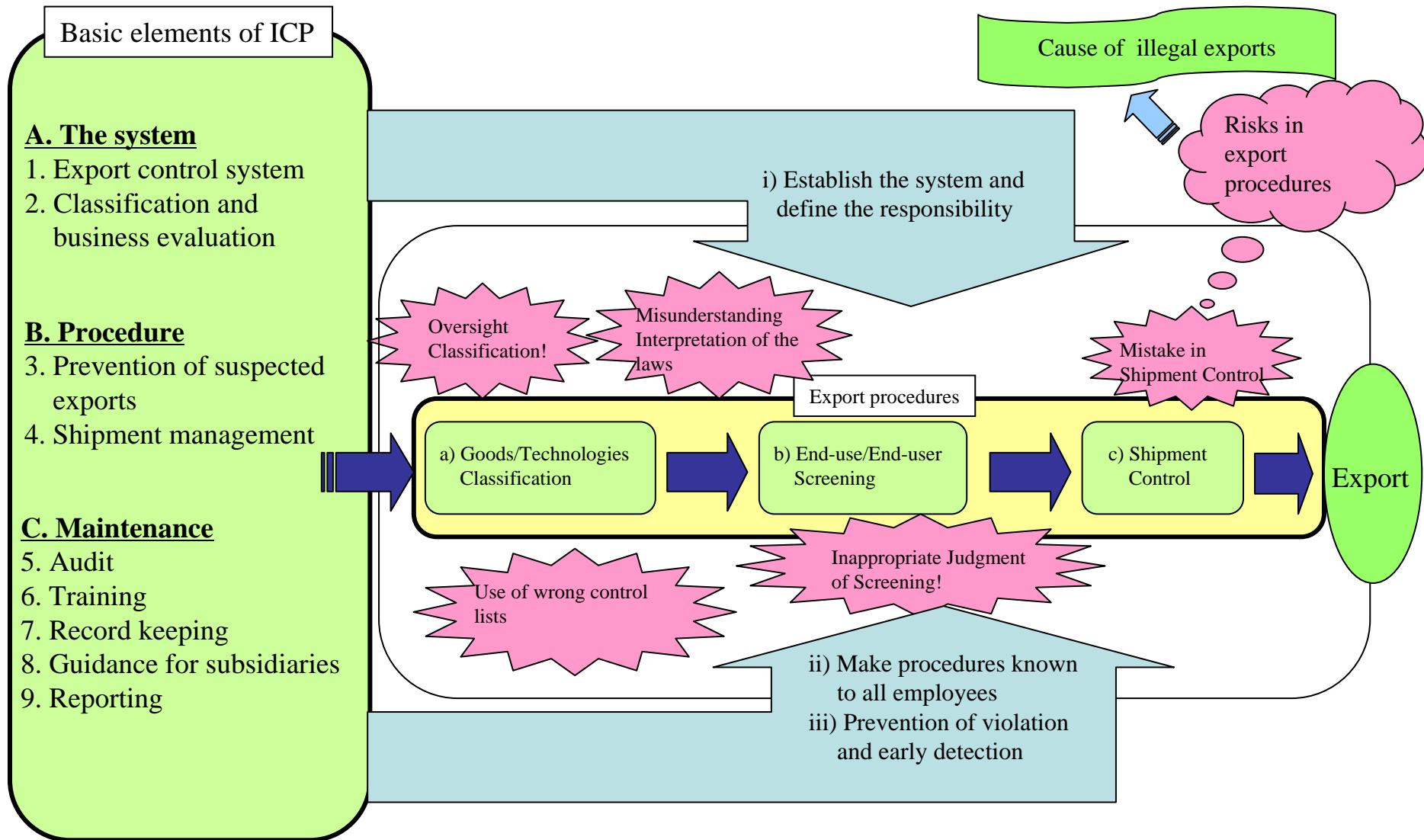


Ref. 2: Example of training



Report on training

6. Advantages

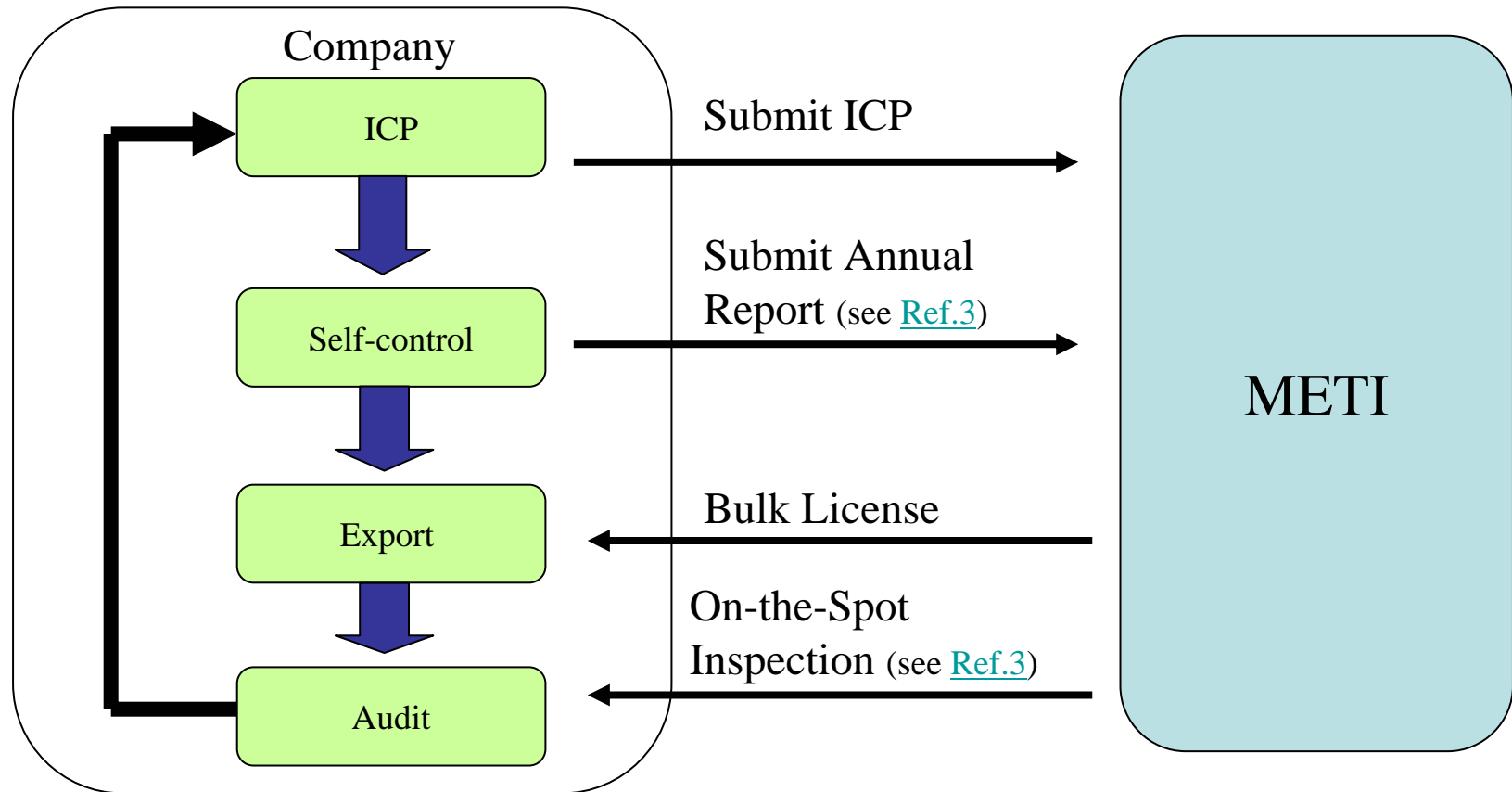


ICP is an effective system to avoid various risks which can be discovered in export procedures. 11

7. Registering

1. Decide to register ICP and appoint Chief Export Control Officer.
2. Establish an Export Control Section.
3. Draw up a draft of ICP.
4. Refer to a model of ICP, which is available through [Center for information on Security Trade Control](#) (NGO).
5. Consult with METI and modify if necessary.
6. Register at METI officially.

8. Interaction between METI and company



- ◆ METI places the name of companies with ICP on the METI website (<http://www.meti.go.jp/policy/ampo/index.html>) upon the companies' consent.

Ref. 3: Annual Report and On-the-Spot Inspection

■ Annual Report



Companies submit “The Company Summary and Self-administration Check List” annually.

■ On-the-Spot Inspection

METI...

- ✓ Evaluates the appropriateness of the Export Control System employed in a company.
- ✓ Checks how the ICP is managed and operated based on “The Company Summary and Self-administration Check List.”
- ✓ Chooses companies mainly from bulk-licensed companies.

