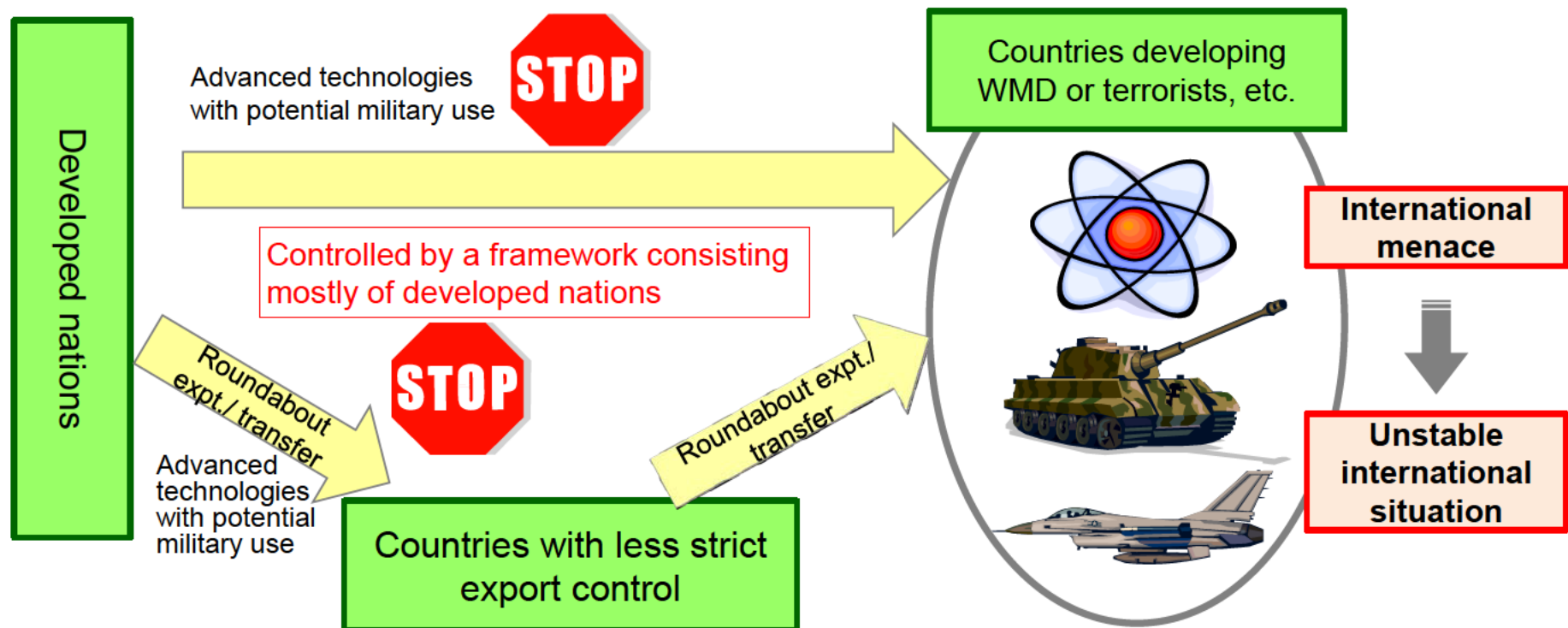


Security Export Control

The Need for Security Export Control

- Security Export Control means to:
 - - control transfer of technologies or export of goods
 - - in order to prevent transfer of the technologies and goods that can be potentially diverted to weapons or military use
 - - by any such person who might conduct activities of concern as a nation or terrorists who could threaten the peace and security of Japan and the international community as a whole
- Since activities of countries of concern and terrorist organizations to acquire technologies are becoming increasingly sophisticated, the significance of the security export control in Japan contributing to preserving the peace and security of Japan and the international community is growing.



Aggravation of Issues around Security

- In recent years, the security environment is becoming more complicated and aggravated, including frequent random terrorist attacks, multiple missile and nuclear weapons testing by North Korea and increasing military expenditures in Asia.

Middle East

- November 2015: A series of coordinated terrorist attacks by ISIL in Paris, France.
- March 2016: Sequential bombings by terrorists in Brussels, Belgium.
- According to UN Report (Aug. 2016), ISIL allegedly used the mustard gas in Syria in August 2015.

Russia

- 2014: Backed by the worsening political situation in Ukraine, the cabinet agreement was made for additional measures against Russia including tightened control of weapons export thereto. As of now, the economic sanctions against Russia have not been lifted.

North Korea

- September 2017: Conducted the sixth nuclear bomb testing.
- November 2017: Conducted the third intercontinental ballistic missile (ICBM) launch.

China

- The publicly disclosed defense spending of China quadrupled over a decade.
- Conducting rapid and massive reclamation activities in the Spratly Islands in South China Sea.

Iran

- January 2016: Exports ban lifted for the transfer of nuclear power and missile related items to Iran.
- In the meantime, Iran conducted the missile test-launching in mid-March.

Japanese-made radars installed in the North Korean battle ships

Japanese-made components identified in the ISIL bombs

Examples where civilian technologies can be used in military sphere

- With the recent leadership of civilian technologies in innovation as well as movement of diversion of civilian technologies into military use, the significance of appropriately controlling not only goods but also civilian technologies is growing.
- In addition, there are cases where countries of concern or terrorists dispatch researchers and students, representing their increasingly diversified procurement activities that require appropriate control of technologies and goods at businesses, universities and research institutions as well.

Civilian applications

Carbon fibers

Light in weight, strong and durable fiber material whose key element is carbon



Golf club shafts, fishing rods, tennis rackets

Active control suspensions

A mechanism to damp vibration by electrically adapting the suspension characteristics



Formula 1 race cars

Gallium nitride (GaN) semiconductors

Semiconductor material for highly efficient power control/conversion



Amplifier for a satellite's radiowave transmission

Defense-related applications



Main wing material for fighter jets



Armored combat vehicles



Radars for fleet escort vessels

Basic Legal Structure under FEFTA

FEFTA: Foreign Exchange and Foreign Trade Act

Regulation of goods export

Regulation of technology transfer

Provide the framework

specify list control items

specify more detail

Act
(FEFTA)

Cabinet order
(Export Trade Control Order)

Cabinet Order
(Foreign Exchange Order)

Ministerial Order

Detailed Legal Structure of FEFTA

- FEFTA also sets forth catch-all control for items which could contribute to WMD related or military end-use activities.

FEFTA	Cabinet Order	List Control	Catch-all control of WMD	Catch-all control of Conventional Weapons
Article 48	Export Control Order	category 1-15	category 16	
			List of Goods	
Article 25	Foreign Exchange Order	category 1-15	category 16	
			List of Technologies	
		<u>Regulated Items</u> •weapons •listed dual use items related to WMD and conventional weapons	<u>Regulated Items</u> All items or technologies that could contribute to WMD related or military end-use activities	
		<u>Regulated Destination</u> All countries	<u>Regulated Destination</u> All countries except for preferred trade partner list countries	

※As of August, 2019

Preferred Trade Partner List Countries : 26 countries※ which are member countries of all export control regimes and have comprehensive export control systems

UN arms embargo countries※ in the context of catch-all control: Afghanistan, Central Africa, Democratic Republic of Congo, Iraq, Lebanon, Libya, North Korea, Somalia, Sudan, South Sudan

List control under FEFTA

- Japan's control list is fully consistent with the international regime lists.

category	List control	International Regime List
1	Weapons	WA (Wassenaar Arrangement) / ML (Munitions)
2	Dual-use items	NSG (Nuclear Suppliers Group)
3		AG (Australia Group) (Biological/Chemical Weapons)
3-2		
4		
5		WA / BL (Basic List) • SL (Sensitive List)
~		
13		
14		WA / ML (excluding item 1)
15	Dual-use items	WA / VSL (Very Sensitive List)
16	Catch-all	Catch-all control

(Ref) The comparative list of Japan's List and EU list:

http://www.cistec.or.jp/service/eu_taihi.xls (Only in Japanese)

Individual License and Bulk License

- **Individual License**

- Transaction-based examination.
- Check the contents of each transaction.

(Ref) 4 Pillars of examination

1. Whether the goods will be actually delivered to the end user.
2. Whether the goods will be actually used by the stated end user.
3. Whether the goods will not be used for the purposes of impeding the maintenance of international peace and security.
4. Whether the end user will appropriately control the goods.

- **Bulk License**

- For specific destination and specific items, repeated transaction, etc.
- Do not examine each transaction.
- Check the exporter's compliance (ICPs, etc.).

Individual License and Bulk License-types of bulk license

Bulk License

Valid for multiple transactions for 3 years

General Bulk Export License

- Export of specific items to preferred trade partner list countries
- Only electronic application is acceptable.
- ICPs and prior on-site check are NOT required.

Special General Bulk Export License

- Exports of specific items to specific countries (i.e. export of WA/BL to non-WA countries, etc.).
- ICPs and prior on-site check are required.

Special Bulk Export License

- Repeated exports of specific items to specific customers.
- ICPs and prior on-site check are required.

Special Bulk Export License for Repair or Replacement

- Re-exports of arms and arms-related items (category 1) to the country of origin for repair or replacement.
- ICPs and prior on-site check are required.

Special Bulk Export License for Overseas Subsidiaries

- Exports of specific items to subsidiaries in foreign countries.
- ICPs and prior on-site check are required.

List-controlled Items - i. (for reference)

※As of January, 2020

Number	Item	Number	Item	Number	Item	Number	Item
1. Arms		(12)	1. Numerically-controlled machine tools	(45)	Radiation shielding windows or frames	(15)	Structural materials for rockets or UAVs
(1)	Firearms, ammunitions	(13)	2. Measurement equipment	(46)	TV cameras or lenses specially designed for protection from the influence of radiation	(16)	Accelerometers or gyroscopes for rockets or UAVs
(2)	Explosives, explosive dispensers	(14)	Induction furnaces, arc furnaces or melting furnaces	(47)	Tritium	(17)	Flight controllers or attitude controllers, et alia, for rockets or UAVs
(3)	Propellants, military fuels	(15)	Isostatic presses	(48)	Equipment for the production, collection or preservation of tritium	(18)	Avionics equipment
(4)	Propellants, military fuels	(16)	Robots	(49)	Platinized catalysts	(18 - 2)	Thermoelectric batteries for rockets or UAVs
(5)	Directed-energy weapons	(17)	Vibration test systems	(50)	Helium-3	(19)	Gravity meters or gravity gradiometers for aircraft or ship mounting
(6)	Kinetic energy weapons and projectiles	(18)	Structural materials for gas centrifuge rotors	(51)	Primary products of rhenium	(20)	Launch pads or associated ground launch support equipment for rockets or UAVs
(7)	Military vehicles, bridges, etc.	(19)	Beryllium	(52)	Containers with explosion-proof construction	(21)	Radio telemetry equipment, radio telecontrol equipment for rockets or UAVs
(8)	Military vessels, etc.	(20)	Substances used as alpha sources for the detonation of nuclear weapons	3. Chemical Weapons		(22)	Computers designed for use in a rocket
(9)	Military aircraft, etc.	(21)	Boron 10	(1)	Raw materials for chemical warfare agents or substances/raw materials having equivalent toxic ability with chemical warfare agents	(23)	Analog-to-digital converters for rockets or UAVs
(10)	Anti-submarine nets, anti-torpedo nets	(22)	Substances used as reducing or oxidizing agents for the production of nuclear fuel materials	(2)	Equipment or device for the production of chemical agents	(24)	Vibration test equipment, aerodynamics testing equipment, combustion test equipment, et alia
(11)	Armor plates, military helmets, body armors	(23)	Crucibles	(3)	Equipment of components for repair of reactors or containers	(24 - 2)	Electronic computers used for designing rockets
(12)	Military searchlights or control equipment	(24)	Hafnium	3 - 2. Biological Weapons		(25)	Materials or equipment for reducing the level of the radio waves, acoustic waves or light
(13)	Bacterial/chemical warfare agents	(25)	Lithium	(1)	Source materials for bacterial warfare agents	(26)	Integrated circuits, detectors, or radomes for rockets or UAVs
(13 - 2)	Chemical compounds for clarifying bacterial/chemical warfare agents	(26)	Tungsten	(2)	Equipment for the production of bacterial agents	5. Advanced Materials	
(14)	Biopolymers for chemical agents, etc.	(27)	Zirconium	4. Missiles		(1)	Fluorine compound products
(15)	Equipment for the production/test of warfare low explosives	(28)	Electrolytic cells for fluorine production	(1)	Rockets or their production equipment	(2)	(delete)
(16)	Equipment or device for the production of arms	(29)	Equipment for the production of gas centrifuge rotors	(1 - 2)	Unmanned aerial vehicles (UAVs) or their production equipment	(3)	Aromatic polyimide products
(17)	Military satellites or components thereof	(30)	Centrifugal balancing machines	(2)	Guidance or testing equipment for rockets	(4)	Tools for forming of titanium, aluminum or its alloys
2. Nuclear Power		(31)	Filament winding machines	(3)	Propulsion units	(5)	Alloys or powders of titanium or aluminum and their production equipment
(1)	Nuclear fuel or nuclear source materials	(32)	Laser oscillators	(4)	Flow-forming machines	(6)	Metallic magnetic materials
(2)	Nuclear reactors or power-generating equipment for nuclear reactors	(33)	Mass spectrometers or ion sources	(5)	Servo valves, pumps, gas turbines	(7)	Uranium-titanium alloys or tungsten alloys
(3)	Deuterium or deuterium compounds	(34)	Pressure gauges or bellows valves	(5 - 2)	Bearings for pumps	(8)	Superconductive materials
(4)	Artificial graphite	(35)	Superconducting solenoid electromagnets	(6)	Propellants or their raw materials	(9)	(delete)
(5)	Equipment for the separation/reprocessing of nuclear fuel materials	(36)	Vacuum pumps	(7)	Equipment for the production/test of propellants	(10)	Lubricants
(6)	Equipment for the separation of lithium isotopes	(35 - 2)	Scroll-type compressors and vacuum pumps	(8)	Powder and granular materials mixers	(11)	Liquids for preventing vibration
(7)	Equipment for the separation of uranium/plutonium isotopes	(37)	Direct current power units	(9)	Jet mills or equipment for the production of metal powders	(12)	Liquids for coolant
(8)	Frequency changers	(38)	Electron accelerators or X-ray generators	(10)	Equipment for the production of composite materials	(13)	Ceramic powders
(9)	Nickel powder, nickel porous metal	(39)	Impact testing machines	(11)	Nozzles	(14)	Ceramic composites
(10)	Equipment for the production of deuterium or deuterium compounds	(40)	High speed cameras	(12)	Equipment, et alia, for the production of nozzle or re-entry vehicle nose tips	(15)	Polydiorgano silane or polysilazane, et alia
(10 - 2)	Equipment for the production of uranium/plutonium	(41)	Interferometers, pressure gauges, pressure transducers	(13)	Isostatic presses or controllers	(16)	Bismaleimide or aromatic polyamideimide, et alia
(11)	Flow-forming machines	(42)	Goods used for the detonation (testing) of nuclear weapons	(14)	Furnaces or controllers for composite materials	(17)	Fluorinated polyimides
		(43)	Photomultiplier tubes			(18)	Molded products that use prepregs or preforms
		(44)	Neutron generators			(19)	Boron, boron carbide, guanidine nitrate
			Remote control manipulators				

List-controlled Items - ii. (for reference)

※As of January, 2020

Number	Item	Number	Item	Number	Item	Number	Item
6. Material Processing		(20)	Aluminum, gallium and other organic metallic compounds Phosphorus, arsenic and other organic compounds	(7)	Controllers of optical equipment or components	(1)	Gas turbine engines
(1)	Bearings	(21)	Phosphorus, arsenic or antimony hydrides	(7-2)	Aspherical optical elements	(2)	Spacecrafts for satellite or space development use
(2)	Numerically-controlled (N/C) machine tools	(22)	Silicon carbides	(8)	Laser oscillators	(2-2)	Controllers designed for use in satellites
(3)	Machine tools for the production of gears	(23)	Polycrystal substrate	(8-2)	Laser microphone	(3)	Rocket propulsion systems
(4)	Isostatic presses	8. Computers		(9)	Magnetometers, underwater electric field sensors or magnetic field gradiometers, or calibrating equipment thereof	(4)	Unmanned aerial vehicles
(5)	Coating devices	(1)	Computers	(9-2)	Underwater monitoring systems	(5)	Testing/production equipment for items 1) through 4), and 10) of 15.
(6)	Measurement equipment	9. Telecommunication		(10)	Gravity meters or gravity gradiometers	14. Miscellaneous	
(7)	Robots	(1)	Telecommunication transmission equipment	(11)	Radars	(1)	Metallic fuel in a powder state
(8)	Feedback devices, et alia	(2)	Electronic changers	(11-2)	Masks and reticles, specially designed for optical sensors	(2)	Substances which are additives or precursors to low explosives or high explosives
(9)	Spin-forming machines	(3)	Communication optical fibers	(12)	Equipment for measuring optical reflectance, et alia	(3)	Diesel engines
7. Electronics		(4)	(delete)	(13)	Equipment for the manufacture or calibration equipment of gravity meters	(4)	(delete)
(1)	Integrated circuits	(5)	Phased array antennas	(14)	Materials, et alia, for optical detectors or components thereof	(5)	Self-contained diving equipment
(2)	Devices using microwaves or millimeter waves	(5-2)	Radio direction finding equipment for monitoring use	11. Navigation Devices		(6)	Civil engineering machinery for air transportation
(3)	Signal processing equipment	(5-3)	Wireless communication wiretapping devices	(1)	Accelerators	(7)	Robots or control equipment thereof
(4)	Devices using superconductive materials	(5-4)	Equipment capable of detecting the position of objects by observing interferences of radio waves, possessing a receiving function only	(2)	Gyroscopes	(8)	Electric braking shutters
(5)	Superconducting electromagnets	(5-5)	Internet communication monitoring equipment	(3)	Inertial navigation systems	(9)	Tear or sneeze gas and application equipment thereof
(6)	Primary/secondary or solar cells	(6)	Design/production equipment for items 1) through 3), and 5) through 5-5)	(4)	Gyro-astro compasses, global navigation satellite systems, equipment for receiving radio waves, or aircraft altimeters	(10)	Simplified explosion devices
(7)	High voltage capacitors	(7)	Encryption equipment	(4-2)	Underwater navigation devices using sonar	(11)	Detectors for explosives
(8)	Encoders	(8)	Equipment designed to prevent the leakage of information transmission signals	(5)	Testing/production equipment for items 1) through 4-2)	15. Sensitive Items	
(8-2)	Thyristor devices or modules	(9)	(delete)	12. Marine		(1)	Molded goods using inorganic fibers, et alia
(8-3)	Semiconductor devices for power control	(10)	Communication cable systems capable of detecting surreptitious intrusion	(1)	Submersible vessels/vehicles	(2)	Radio wave absorbers or conductive polymers
(8-4)	Optical modulator	(11)	Design/production/measurement equipment for items 7), 8) or 10)	(2)	Vessel components or auxiliaries thereof	(3)	Nuclear heat source materials
(9)	Sampling oscilloscopes	10. Sensors		(3)	Underwater salvage systems	(4)	Digital telecommunication transmission equipment
(10)	Analog-to-digital converters	(1)	Underwater acoustic equipment	(4)	Underwater lighting systems	(4-2)	Units for obstruction of simplified explosion devices
(11)	Digital instrumentation recorders	(2)	Optical detectors or coolers thereof	(5)	Underwater robots	(5)	Underwater acoustic equipment
(12)	Signal generators	(3)	Optical fibers for use in sensors	(6)	Sealed power units	(6)	Optical detectors for space use
(13)	Frequency analyzers	(4)	High speed cameras	(7)	Circulation water tanks	(7)	Radars which utilize a transmitting pulse width less than 100 nanoseconds
(14)	Network analyzers	(5)	Reflectors	(8)	Buoyant materials	(8)	Submersible boats
(15)	Atomic frequency standards	(6)	Optical components for space use	(9)	Closed-circuit or semi-closed circuit self-contained diving equipment	(9)	Soundproofing devices for vessels
(15-2)	Spray cooling method temperature control devices	13. Propulsion Units		(10)	Underwater acoustic transmitters used for obstruction	(10)	Ramjet engines, scramjet engines, combined cycle engines
(16)	Semiconductor manufacturing equipment						
(17)	Masks or reticles						
(17-2)	Materials for production of masks						
(18)	Semiconductor substrate						
(19)	Resists						

Catch-all Control of WMD

- In case there are concerns that the goods or technologies in question could contribute to WMD proliferation program, exporters have to apply for an export license.

Region

All regions except for preferred trade partner list countries

Items

Any Items which are not on the list (except for food, etc.)

The Commodity Watch List [41 +21* items]

(*only for Syria)

Conditions

(1) Exporter's Initiative = The "Know" Condition

- In case exporters have come to know that the items will be used for the development, manufacture, use, storage etc. of WMD
- In case exporters have come to know that the end user is/was involved in WMD-related program through relevant documents such as Foreign End User List, except for the case the item in question will be apparently used for a purpose other than the WMD-related activities

(2) METI's Initiative = The "Informed" Condition

- The "inform" is given when METI considers that the items in question are/may be intended for WMD.

Catch-all Control of Conventional Arms

- In case there are concerns that the goods or technologies in question could contribute to military end-use, exporters have to apply for an export license.

Region	Countries under UN arms embargo	Non-preferred trade partner list countries except for UN Arms embargo countries
Items	Any Items which are not on the list (except for food, etc.) <div>The Commodity Watch List [34 items]</div>	
Conditions	<p>(1) <u>Exporter's Initiative</u> = The "Know" Condition In case exporters have come to know that the items will be used for the development, manufacture or use of conventional arms in UN embargo Countries</p> <p>(2) <u>METI's Initiative</u> = The "Informed" Condition The "inform" is given when METI considers that the items in question are/may be intended for a military end-use.</p>	

Transfer of Technologies Subject to the Control

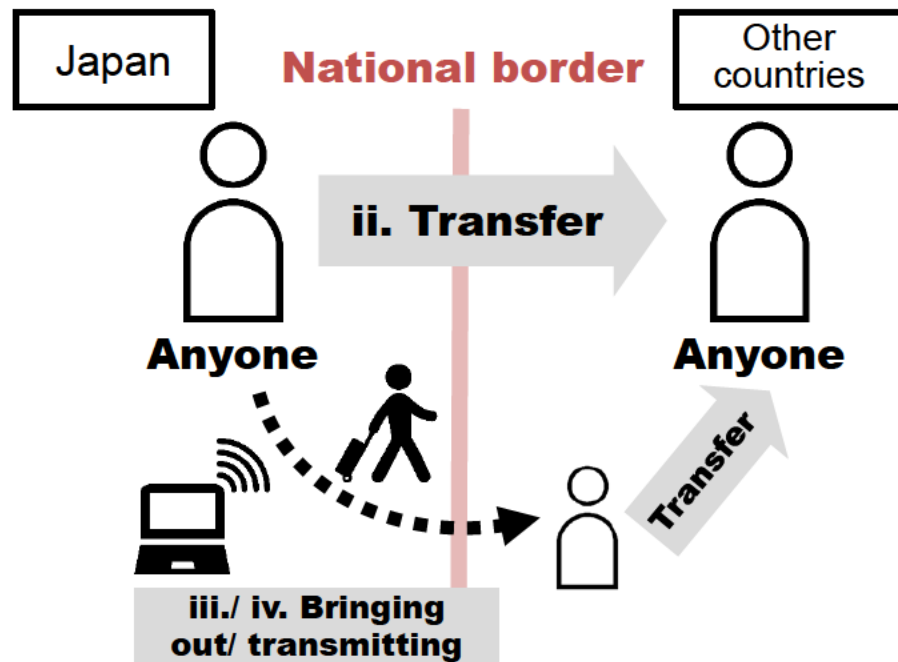
- Transfer of technologies subject to the controls are:
 - i. transactions intended for transferring technologies from a resident to a non-resident (personal aspect);
 - ii. transactions intended for transferring technologies in other countries (geographical aspect);
 - (As complement for ii.) iii. acts of bringing out technologies overseas; and iv. acts of transmitting technical data in an electric form to other countries.

Personal aspect



i. Transfer of technologies from a resident to a non-resident

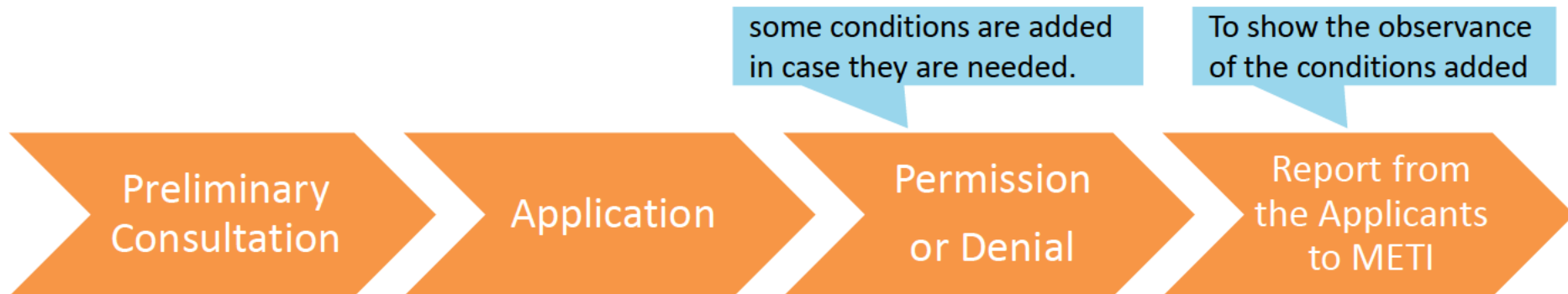
Geographical aspect



- ii. Transfer of technologies in other countries
Obtaining a separate license for bringing out technologies is required if a license for 'ii' is not yet obtained.

Procedure for Individual License Application

- The exporter has the responsibility to classify whether the export item is subject to control list. As a result of the classification, if it is found that the item is covered by the control list, it must apply for export license to the Ministry of Economy, Trade and Industry (METI).
- METI examines the appropriateness of the end-use and the end-user of the license application, and decides whether to permit or deny the application. Additional conditions may be imposed on export licenses (e.g., monitoring of export machines, prior consent in the case of the re-transfer of items.).



Distinguishing Residents and Non-residents

- The definition of resident and non-resident is stipulated by the government notice: About interpretation and implementation of the Foreign Exchange Laws and Regulations (No. 4672, issued on November 29, 1980).

Resident

Japanese

- 1) Those who work at Japan's international diplomatic offices
- 2) All other Japanese than 1), 3), 4) and 5)

Foreigners

- 7) Those who work at an office in Japan
- 8) Those who stay in Japan for six months or longer after entry

Corporations or legal persons

- 12) Offices including a branch/sub-branch of an international corporation in Japan
- 13) Japan's international diplomatic offices
- 14) Japanese corporations/legal persons excluding 13) and 15)

Non-resident

Japanese

- 3) Those who departed from Japan and stay outside Japan for the purpose of working at an overseas office
- 4) Those who departed from Japan and stay outside Japan for the purpose of staying outside Japan for two years or longer
- 5) Those who stay outside Japan after the departure from Japan for two years or longer
- 6) Those who fall under any of 3) through 5) and returned to Japan as a temporary homecoming staying for less than six months so far

Foreigners

- 9) Persons in public service for foreign governments or international institutions
- 10) Diplomats, consuls or accompanying personnel/servants thereof (only those appointed/hired outside Japan)
- 11) All foreigners other than 7) through 10)

Corporations or legal persons

- 15) Offices including a branch/sub-branch of a Japanese corporation in other countries
- 16) Diplomatic offices of foreign governments and international institutions in Japan
- 17) Foreign corporations/legal persons excluding 12) and 16)

Note: The residency status is judged by applying the classification above in the order of the underlined with red -> the underlined with blue -> no underline. Indifferent to the classification above, the US Forces, UN Forces, and constituent members thereof are non-resident.

Penalties under FEFTA

Criminal Penalty

【Individual】

- No more than ten years of imprisonment
- No more than thirty million yen or no more than five times in value of the items

【Company】

- No more than ten years of imprisonment
- No more than one billion yen or no more than five times in value of the items

Publication

- METI may issue a warning, which would be made public on the METI website

Administrative Penalty

- Prohibition of exports for no more than three years