

UNITED IN A CHANGING WORLD

The EBC Report on the
Japanese Business Environment

Message from the EU Ambassador

Now more than ever, the EU and Japan are aligning in solidarity on the fundamental challenges that we are facing in these turbulent times. Our deep and evolving strategic and economic partnership allows us to cooperate closely in a wide range of areas. From Russia's war of aggression against Ukraine that has triggered a global energy, fertiliser and food crises, to threats to security and open and rules-based multilateral order, to climate change and energy transition, to environmental degradation and biodiversity loss, to trade and economic security, to technological revolution, to the post-pandemic recovery and our efforts at building pandemic preparedness for the future.

Russia's invasion of Ukraine is sharpening our focus on common challenges: energy security, economic security and disinformation – all areas where like-minded partners like the EU and Japan can and do cooperate. The EU can count on Japan, not only in supporting Ukraine now and sanctioning Russia's war machine, but also in our efforts towards Ukraine's post-war recovery.

Our policy frameworks must constantly evolve with the societal and technological developments and global challenges. Therefore the EU and Japan are also teaming up via our *Digital Partnership* and *Green Alliance* to shape human-centric digital transformation & green growth. To promote global standards and regulatory approaches for digital and green policies and technologies, more and deeper convergence in our policies will benefit citizens and businesses in both the EU and Japan.

The energy crisis has exposed the EU's overreliance on Russian fossil fuels and the need to further accelerate the clean transition of our energy sector and our economy. We have already significantly reduced our dependence on Russian fossil fuels, accelerated [energy transition](#) and [renewables deployment](#), as this is a solution for both [energy security](#) and climate neutrality. Also in the decarbonised energy system of the future, in which renewables play a crucial role, energy security risks through dependencies on the raw materials that are critical for green and digital technologies, have to be duly addressed. This is why, the European Commission have recently put forward two proposals for EU Net Zero Industry Act and a Critical Raw Materials Package. All this brings us important new opportunities for our authorities, societies and businesses both in the EU and in Japan to team up on these common objectives.

Meanwhile, our *Economic Partnership Agreement (EPA)*, which is in its fourth year of implementation keeps bringing tangible benefits for our citizens and businesses. Trade data demonstrates that *EPA* makes our trade relations more resilient: our bilateral trade flows suffered from the COVID-19 pandemic. Fortunately, the recovery has been as fast as the decline, and as from the beginning of 2021, our bilateral trade quickly caught up to pre-pandemic levels in 2021 (EUR 124 billion). In 2022, bilateral trade flows continued to increase at a very sustained pace, with an increase of 13.4% in bilateral trade value. Last year, the EU and Japan have launched negotiations on including the rules on cross-border data flows in our *EPA*. In April 2023, the EU and Japan announced a successful conclusion of the first review of our 2019 mutual adequacy arrangement in the area of data protection ([link](#)). Data flows are key for our bilateral trade and investment. With these positive steps the EU and Japan reaffirm that, in the digital era, maintaining high data protection standards and facilitating international trade should and can go hand in hand.

In all this context your voice is important. The EBC's advocacy activities and the White Paper with its recommendations from different sectoral committees are an important contribution to building our relations with Japan, and to creating a predictable and conducive framework for our citizens and businesses.

As Robert Schuman, one of the founders of the European Communities said "*Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity.*" And, the EBC work to foster a more united European voice to break down obstacles to trade, business development, and investment, is a prime example of ground work to create de-facto European solidarity here in Japan. Over last 50 years, you have proven many times that through more solidarity our European voice is stronger and that together we can achieve more.

As always, my team at the EU Delegation to Japan will continue a close cooperation with the EBC, your members, and our Member States to support our industry in accessing the Japanese market and to consolidate and expand the cooperation between the EU and Japan.

Jean-Eric Paquet

Ambassador of the European Union to Japan

Head of the Delegation

Message from the EBC

Welcome to the 2023 EBC report on the Japanese regulatory environment, aka the White Paper. This is the second year since going completely digital. We are hoping that this has made it easier for you, the reader, to find a more up to date information and what you are looking for.

For much of the past couple of years, the efforts of the EBC have been focusing on the border restrictions in Japan. We have gone from a complete entry ban on non-Japanese citizens, affecting even residents in Japan, to problems of getting top management and specialists enter the country to now, where we are back to the pre-COVID situation, i.e. the period before March 2020.

We hope that companies and investments in Japan impacted by the COVID period will return to pre-crisis levels. And while we do not want to look back too much, we believe that Japan must keep the market as open and competitive as possible.

So, what new will we have for you in our 2023 report?

You will, for the first time, see a chapter on sustainability and social responsibility. This is an important area to us, especially since this is a field where European companies are very advanced. Furthermore, we believe that by implementing our recommendations we will see further improvements in Japan.

The EBC continues to work on better market access for our railway-related companies. While we have seen the removal of the so-called operation safety clause, much work remains to see better recognition of European standards and approvals.

With the geo-political landscape taking a turn for the worse, the defence and security segment will be crucial to deal with the challenges. The EBC believes that Europe should be a partner to Japan, both on the governmental and industrial levels. We, therefore, advocate for closer industrial cooperation. This will be beneficial not only for Japan as a country, but also for Japanese industry which, through technological collaboration, will become stronger on the international market.

Another issue to mention is non-alcoholic beer. This is a segment of the beverage market that has seen an increase, and all points to that this will continue. Unfortunately, due to Japanese pasteurisation standards, European craft beers cannot be imported without radically changing or even ruining the flavour of the beverage.

On the other hand, issues such as personal use in the IPR sphere and the amendment of the requirement for “experience” regarding registration of foreign lawyers in Japan have been improved. These two issues have been long-standing issues for the EBC, and we are pleased to note these improvements.

A sector that continues to play an important role is the offshore wind sector. European companies offer both experience and expertise that do not exist on the Japanese market. After some teething troubles, we have seen improvements on the public procurement market, but there are still some ways to go. The same can be said for the recognition of international standards and assessment schemes, as well as the treatment of foreign vessels. The EBC believes that the recommendations in the White Paper are of utmost importance to reach the goal of the carbon neutral society by 2050.

The EBC work is made possible by the continuing support of its stakeholders, especially the European national Chambers of Commerce, their corporate members that join the EBC and other business organisations represented in Japan. Together with the Delegation of the European Union to Japan and the European national embassies in Tokyo, who keep offering their unique insights and guidance, we all work towards making European business more successful in Japan. We are grateful to the EU Delegation that brings up issues with the Japanese authorities that are stopping the trade relation between the EU and Japan to reach its full potential.

We also gratefully acknowledge all sponsors and supporters who have made this publication possible. Their names are listed at the end of the Report.

The EBC is committed to helping Europe and Japan reach new levels of mutual trade and economic growth. We approach these challenging times with unwavering optimism as Europe and Japan share the same values and continue to strengthen their relationship.

Michael Mroczek

President, European Business Council in Japan
European (EU) Chamber of Commerce in Japan
(Partner, Nozomi Sogo Attorneys at Law)

Valerie Moschetti

Chief Operating Officer
European Business Council in Japan
European (EU) Chamber of Commerce in Japan

BUSINESS FUNDAMENTALS

PUBLISHED: October 28, 2022

Travel restrictions

STATUS: **RESOLVED**

The EBC fully understands and supports the Japanese government's efforts to try to stem the spread of Covid-19 among the residents of Japan. However, it cannot be emphasised enough that European firms, as well as Japanese and other non-Japanese firms, have been suffering for months because they have not been able to bring in essential personnel from overseas. This is true both for specialists – such as engineers, researchers, and medical personnel – and for those in top management positions.

Resolved

- The immediate easing of restrictions on entry into Japan of people who have been vaccinated or have proof of a negative PCR test
- An end to mandatory quarantine for vaccinated people who have vaccination passports or certificates that are similar to Japan's vaccination certificate
- The Japanese government to make it easier for non-vaccinated non-residents to enter Japan

PUBLISHED: December 1, 2022

Diversity, equality and inclusion

STATUS: **NEW**

Japan, known to have the world's highest rate of seniority, also has one of the fastest population declining paces in the world. Its economy is bound to drastically change in the following decades due to a decrease in population of 30 million by 2050. To offset its shrinking labour force, Japan needs to bring more women into the workforce by supporting working mothers, reducing its gender pay gap (second largest among OECD countries) and giving them access to more stable jobs.

Recommendations

- The Human Resource Committee, together with The Sustainability & Social Responsibility committee of the EBC, support Prime Minister Kishida's "New Capitalism" encouraging investment in human capital as one of the main pillars of his growth strategy. We expect that this initiative will result into a more inclusive Japanese economy.
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Labour market regulations, flexibility & digitalisation

STATUS: **SOME PROGRESS**

The future prosperity of Japan in an increasingly globalised world hinges on ensuring a highly skilled, diverse and competitive workforce that can support its ageing population and drive its economy. Key to this are ongoing policies, now and in a post-COVID-19 world, that allow more flexible approaches to working, greater female participation in the workforce, new ways of sourcing foreign labour and use of automated processes and artificial intelligence where meaningful and appropriate. The EBC strongly urges the Japanese Government to place focus on achieving greater productivity in the workplace and flexibility for both employees and employers.

Recommendations

- Encourage companies to create ongoing lasting policies, during and well after COVID-19, to allow greater numbers of employees to continue to take advantage of flexible ways of working, including remote working from home, by providing government guidelines to support this. Overcoming workplace cultures that place value on physical presence over outcomes gains is a key focus area.
 - Introduce employment legislation that encourages the creation of a competitive workforce based on merit and performance. Adequate protection of employees is required, but employers also need a legal framework within which to remove under-performing workers, and whose skills may be transferable. The same shall apply for corporate re-structuring with clear rules on how to compensate affected workers.
 - Introduce legislation to speed up court procedures in labour disputes. Long court procedures lead to legal uncertainty and slows down corporate investments. The efforts of the Japanese government to digitalize court procedures to accelerate decisions are much welcomed by the EBC.
 - Continue to actively promote the uptake of technology that contributes to boosting productivity in the workplace, including incorporating digitalisation and artificial intelligence into daily operations, while considering the interests and well-being of the human workforce.
 - Increase and improve the infrastructure necessary to support greater work-life balance, by ensuring sufficient child-care facilities to support female participation in the workforce and male participation in the home. Further promotion of part-time jobs for working parents.
 - Encourage companies to set up child-care facilities by offering them identical or similar financial contributions to those given to public day-care centres.
 - Remove the spouse special income tax credit (*haigusha-tokubetsu-kojo*).
 - The Japanese Government and universities in Japan should promote the set-up of internship and vocational programmes for university students in incorporating work experience, reflecting the changing needs of businesses. The EBC is willing to support government initiatives by sharing experiences in Europe, for example best practices from the German dual education Vocational Education Training 'VET' programs.
 - Amend the employment legislation to expand the "highly skilled system" to include employees who earn less than the current system regulating highly skilled professionals, while keeping adequate protections of employees. People with high skills and high motivation want to work based on output instead of work hours.
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Pensions

STATUS: **SOME PROGRESS**

The Defined Contribution (DC) Pension Law of 2001 has introduced a series of revisions to enable employers to offer more flexible and attractive pension schemes to employees. Further incentives are necessary though to encourage individuals to prepare financially for their own retirement. This should be equally applicable for employed, self-employed or part-time workers. Meanwhile, social security agreements have been concluded or are being negotiated with several European countries, to the benefit of their citizens, whose mandatory contributions to Japanese pension plans can now be refunded in full. This is important not only with European countries but also with neighbouring countries.

Recommendations

- Raise the DC plan contribution level limits to allow for further adoption of the corporate plans.
- Make similar amendments to iDeCo (individual Defined Contribution pension) limits.
- Extend the payback period and expand pay-back to include the company contributions for leaving expats.

Border control, Immigration legislation and policies

STATUS: **SOME PROGRESS**

The EBC welcomes the relaxation of COVID-19-related Border Measures in fall 2022. European companies are now once again able to bring personnel vital for the company, be it top management or specialists. The Government needs to also continue to take an increasingly proactive approach to immigration policies and deregulation. Several sectors are currently restrained by the shortage of available labour. This holds true for both skilled labour and unskilled labour in the major urban centres and regional Japan.

Recommendations

- Provide a greater level of immigration policy transparency for businesses and permanent residents.
- Extend the scope of on-line visa applications and visa extensions. This would be in-line with continued digitalisation of the Japanese administration and would support remote working.
- Lower the requirement for industry experience from ten to five years for those without a university degree.
- Formalise visa procedures for partners that are not married or are in same-sex partnerships.
- Continue to review concrete measures to increase the uptake of the 'specified skills visas' to non-high skilled workers, and their integration in the workplace and society.

PUBLISHED: March 29, 2023

Legislation to prohibit the importation of counterfeits “for personal use”

STATUS: **PROGRESS**

The aforementioned revised Trademark Law will go into effect on October 1, 2022. The importation of counterfeit goods sold by sellers located abroad for "personal use" will now be regulated. However, it will be necessary to keep a close eye on whether effective results can be obtained by the revised Trademark Law.

Recommendations

- Importers who claim that their goods are not counterfeit sold by foreign sellers are now required to present documents to Customs to prove it. However, Customs shall be careful that loopholes in the law do not occur and derail law enforcement.
 - Measures should be implemented to provide relief to consumers who have purchased counterfeit goods without knowing it.
 - Consumers should be made more aware that they will no longer be able to purchase or import counterfeit goods.
 - Measures should be taken against sites selling counterfeit goods, fraudulent sites, and spoofed sites on overseas servers, such as removing the sites from search engines.
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Strengthening and continuation of actions to eliminate counterfeit products from Japanese or foreign capital B2C and C2C websites

STATUS: **PROGRESS**

As mentioned above, Japanese capital B2C and C2C websites have been proactive in taking measures against counterfeit goods, and have achieved a certain degree of success. It is worth appreciating that while attempting to detect and eliminate counterfeit products by analyzing image information using computer systems, they have maintained a system of voluntary patrols by man power, based on the cooperation with right holders. Foreign capital B2C sites seem to focus on their attempts to detect and eliminate counterfeit products by analysing image information with computer systems, while showing an attitude of cooperation with rights holders. The types of counterfeit products and the way they are sold are constantly evolving, and such information is first detected by consumers and rights holders. Furthermore, we do not even know whether computerized systems for detecting and eliminating counterfeit products will work effectively. Therefore, it is clear that the extent of cooperation with rights holders and other factors must be re-examined. However, the aforementioned "Act for the Protection of Consumers who use Digital Platforms" was enacted in April 2020, which gave a good boost to Japanese and foreign-owned B2C sites, and we are under the impression that all relevant sites have started reviewing their IP protection systems once again. We hope this will be a good opportunity to improve further. It will also worth noting whether the seller's labelling based on the Special Trade Code, as stipulated by the law will be properly implemented. In addition, some flea market applications have been targeted by counterfeit goods from China. We recognize that we have not been able yet to resolve this problem and that we have reached a point where we need to consider drastic measures, such as identity verification before listing the products etc.

Recommendations

- It is necessary to continue to monitor whether the enforcement of the identification of sellers based on the "Act for the Protection of Consumers who use Digital Platforms" and notations based on the "Special Commercial Code" are properly implemented. If not, the law and regulations should be strengthened by taking advantage of its provisions providing for future revision.
- Although the government has already endeavoured to call for the joining of non-participants ISP companies to the dialogue forum where SP companies and right-holders discuss countermeasures against counterfeit products in order to build relationships between rights holders and website operators, this policy should continue in the future.

PUBLISHED: October 20, 2022

Temporary in-activation of gaiben licence

STATUS: **NEW**

With the increased use of secondments within the legal services field, it is not uncommon that registered *gaiben* temporarily leave Japan and then come back to again practise foreign law in Japan. For a domestic lawyer it is possible to either (1) continue paying their bar membership fees while remaining on the bar tills with their original registration number or (2) stop paying fees whilst temporarily suspending their license only to re-activate it when returning to Japan through a simple application process. This is not possible for a *gaiben*. The only thing possible for a *gaiben* is to re-apply from scratch. The EBC sees no reason for this blatant discrimination of foreign lawyers.

Recommendations

- Japan should immediately extend the same possibilities given to domestic lawyers to foreign lawyers in this regard.

PUBLISHED: November 29, 2021

Recognition and approval as a foreign lawyer in Japan

STATUS: **SOME PROGRESS**

In order to become registered as a *gaiben* in Japan, a foreign lawyer must have three years of professional experience in his/her respective home law, of which two must have been obtained outside Japan. This rule is in stark contrast to the rules governing *bengoshi* who are not required to have any post-qualification experience before being recognised. The EBC believes that this practice is not only discriminatory, but also makes little sense, as foreign lawyers are already recognised by their jurisdiction of qualification. If there is to be such a rule, what is important is the experience in home jurisdiction law, not where it is practised. The procedure for admitting foreign lawyers as *gaiben* also still imposes undue costs on foreign firms and individuals. A streamlined application form has shortened the process, but the requirement for approvals from both the Ministry of Justice and committees at the *Nichibenren* and local bar associations inevitably gives rise to delays. After over 30 years of operation, the *gaiben* system needs a thorough overhaul. An overhaul of the system could resolve a number of the current frustrations.

Recommendations

- The rule requiring a specific number of post-qualification years of experience should be abolished. At the very least, experience in home jurisdiction law should be recognised regardless of where it has been practised.
 - Continuing focus is needed on accelerating the application procedure for *gaiben* registration.
 - An overhaul of the existing system should be undertaken to enable changes such as the registration of firms, rather than individuals, which would do much to eliminate frustrations with the existing system.
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Branches

STATUS: **GOOD PROGRESS**

Legislation was finally passed in 2014, permitting a gaiben law firm to incorporate itself as a hojin, and thereby become eligible to open more than one branch. However, the 2014 legislation did not permit gaiben and bengoshi together to establish a hojin. The effect is to severely limit the usefulness of the 2014 legislation. We understand that the changes in the Act to permit gaiben and bengoshi to establish a hojin together have been enacted and we await confirmation that the changes have been implemented by no later than September 2020.

Recommendations

- Implement the changes to the legislation to permit gaiben and bengoshi to establish a hojin together. Even better, abolish the restriction on branching, which is archaic and does not suit the needs of either domestic or international law firms.
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Scope of International Arbitration Cases which gaiben can be involved in

STATUS: **GOOD PROGRESS**

We await confirmation that changes in the Act have been implemented by no later than September 2020. We understand that changes have been enacted to clarify the scope of “international arbitration cases” under the Act so that gaiben will be able to be involved in such cases.

Recommendations

- Japan shall pass and implement the changes to the Act so that gaiben can take a more active role in international arbitration cases in Japan.
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Limited liability

STATUS: **NO PROGRESS**

The EBC continues to recommend the introduction of a limited liability structure for lawyers in Japan, in line with the practice in many other countries, for the benefit not only of foreign but also Japanese lawyers. For foreign lawyers, this could be achieved by permitting them to operate through a branch of their home entity, rather than as separate individuals.

Recommendations

- A limited liability structure should be made available in Japan for both foreign and domestic law firms, and foreign firms should be able to practise in Japan through branches of their international firms. This could be achieved by an overhaul of the existing gaiben system to permit foreign lawyers to operate in Japan through branches of their home entity.

PUBLISHED: October 19, 2022

Denan Act or PSE requirements

STATUS: **NEW**

Most electrical appliances on the Japanese market need to be labelled with a PSE symbol: either a so called *maru-PSE* or a *hishigata-PSE*. For this to be possible the products need to undergo the applicable testing and certification, and also be reported to the Japanese authorities as a "Notification of business," or Import Business Report, with information such as type classification, *katashiki*, and manufacture information. While some of these requirements are mirrored in other jurisdictions, Japan stands out in some respect. Every single product needs to be checked beforehand either at production site or a warehouse, and a report of this inspection needs to be kept for 3 years by importers. Furthermore, tests and approvals from Europe can only be partially used or not used at all as the Japanese standards are still not harmonized with international standards in the latter case.

Recommendations

- The EU and Japan should work together to achieve better harmonisation between the two regions with the aim of avoiding re-testing when marketing the products on either market.
- Japan should remove the need to inspect every product at the production site to align with IEC, international standards.
- Japan should better clarify the scope to make it easier to understand which products, or products categories, are covered by the legislation. At the same time also provide written answers to questions related to this.
- Remove requirement for companies to keep certificates in paper form.
- Remove the need for an "Import Business Report", or at least only request it if needed.

PUBLISHED: October 19, 2022

Labelling

STATUS: **SOME PROGRESS**

The revised Household Goods Quality Labelling Act introduced some improvements, however requirements remain too detailed and long. This often means that labels are too complex for consumers.

Recommendations

- The Labelling Act should be reformed to aid the consumer in understanding the product and to introduce flexibility for the retailer.
 - Introduce the possibility of referring to websites for more information by using for instance QR-codes instead of having the information on a label affixed to the product.
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PUBLISHED: October 19, 2022

Regulatory cooperation

STATUS: **NEW**

The EPA provides for regulatory cooperation between the EU and Japan. The EBC has long called for the two economies to work together to make certain that double testing is eliminated or that products do not have to be developed specifically due to differences in regulations or standards in the two markets. This is also something that is recommended by the EU-Japan Business Round Table.

Recommendations

- The EU and Japan should work together to achieve better harmonisation between the two regions with the aim of avoiding re-testing when marketing the products on either market.
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PUBLISHED: October 19, 2022

Prohibitive import, testing and certification procedures

STATUS: **SOME PROGRESS**

To the detriment of trade, the Government of Japan continues to insist on applying unique national rules and regulations to many products that have already met European / international standards. The EBC requests that the MHLW harmonises positive list for utensils, container and packaging (UCP) in the Food Sanitation Act with other countries.

Recommendations

- MHLW should make certain that the current draft positive list for food contact products is harmonised with other countries. It is furthermore of important that the list is also offered in English.
 - Japan should accept inclusion of common non-SI units on measuring devices when SI units are also used.
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PUBLISHED: November 29, 2021

Shoe quotas

STATUS: **RESOLVED**

With the implementation of the EPA, shoe quotas will be eliminated. In the meantime, management of such quotas is not transparent and allocations are not always awarded to real importers of shoes, leading to significant market distortions.

Resolved

- Now that the EPA has entered into force, METI monitors the system, rejects applications from entities not trading shoes, releases their quotas, and implements stricter penalties for infringements.
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PUBLISHED: November 29, 2021

Competition law/Anti-trust legislation

STATUS: NO PROGRESS

Japanese Competition Law includes recognition of “market power” with minor shares in vertical restraint, and “superior bargaining power” irrespective of dependence, which differs from global practice. The Subcontractor Law lacks bright-line rules, and “yellow card” infringement notices lack explanation.

Recommendations

- Japanese Competition Law/Subcontractor Law should be harmonised with global practices.
 - The “yellow card” system, not transparent and lacks both a legal basis and bright-line rules, should be abolished.
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PUBLISHED: November 26, 2021

Limitations on selling liquor via telecommunication channels

STATUS: NOT PRIORITISED

The retail sale of liquor across prefectural borders via any telecommunication channel (including the internet) is restricted. Furthermore, grandfathering old licences is unfair to new entrants.

Recommendations

- Japan should abolish the telecommunication channel limitation within the liquor retail licence system.
- Japan should stop the practice of grandfathering licences.

PUBLISHED: December 2, 2022

Overall sustainability governance

STATUS: **NEW**

Japan under former Prime Minister Suga joined other countries in announcing that Japan will be carbon neutral by 2050. While the announcement was met with fanfare at the time, some of the momentum seems to have been lost. Not only where there no immediate follow-up, but concrete implementation has been slow.

Recommendations

- To improve the overall integration of sustainability and social responsibility requirements into its economy, Japan needs to improve accountability and display more transparency on current situations and challenges, long-term goals, and concrete plans supporting the achievement of these goals.
- National announcements such as the Carbon Neutrality 2050 (pledged in 2021) or the more recent “New Capitalism” plan still need to be translated into actual transformative policies able to guide businesses and investments in the right direction.

PUBLISHED: December 2, 2022

Climate action, responsible consumption and production

STATUS: **NEW**

To decouple economic growth from environmental degradation, increase resource efficiency and promote sustainable lifestyles, Japan needs to invest in renewable energy or energy savings technologies and align its business models to circular-based-economy through government promotion as well. Regarding responsible consumption and production, despite efforts on food loss and waste reduction, additional actions are still needed to further reduce food waste: it is estimated that 5.22 million tons of food waste is still produced annually in Japan.

Recommendations

- Japan should continue to invest and support development and integration of more renewable energy.
 - Japan should do its utmost to decrease volume of food waste.
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Gender equality

STATUS: **NEW**

Japan, known to have the world's highest rate of seniority, also has one of the fastest population declining paces in the world. Its economy is bound to drastically change in the following decades due to a decrease in population of 30 million by 2050. The Sustainability & Social Responsibility committee of the EBC supports Prime Minister Kishida's "New Capitalism" encouraging investment in human capital as one of the main pillars of his growth strategy. We expect that this initiative will result into a more inclusive Japanese economy.

Recommendations

- To offset its shrinking labor force, Japan needs to bring more women into the workforce by supporting working mothers, reducing its gender pay gap (second largest among OECD countries) and giving them access to more stable jobs.

PUBLISHED: December 1, 2022

Tax treaties

STATUS: **PROGRESS**

Japan recently concluded new tax treaties with Morocco and Colombia and is in negotiations with several other countries to conclude new treaties or update existing treaties. The EBC welcomes treaties that include the exemption of withholding tax on royalties, qualified dividends and interest. However, its treaties with many EU Member States still need to be renegotiated and no treaties have been concluded with Cyprus, Malta or Greece (although a treaty with Greece is under negotiation).

Recommendations

- Any new or revised treaty should address the issue of withholding tax on royalties and qualified dividends and interest; and contain arbitration provisions if not already covered by the multilateral instrument.
- Treaties should be agreed with those countries having no agreement with Japan at present.

PUBLISHED: December 1, 2022

Pillar Two model rules for domestic implementation of a global minimum tax

STATUS: **NEW**

The rules and guidance published by the OECD define the scope and set out the mechanism for the so-called Global Anti-Base Erosion (GloBE) rules under Pillar Two, which will introduce a global minimum corporate tax rate set at 15%. The GloBE rules provide for a co-ordinated system of taxation intended to ensure large MNE groups pay this minimum level of tax on income arising in each of the jurisdictions in which they operate.

Recommendations

- The EBC recommends that the introduction of Pillar Two rules in Japan should be minimise administrative burdens and be sensitive to the impact on and overlap with Japanese Controlled Foreign Corporation rules.

PUBLISHED: December 1, 2022

Centralise local tax

STATUS: **NO PROGRESS**

While progress has been made in digitalising tax procedures to simplify administration, taxpayers who operate throughout Japan must still file local tax returns in numerous municipalities and have to make dozens, sometimes hundreds of tax payments three times a year, and to apply for tax refunds where due.

Recommendations

- The EBC recommends centralising the administration of local taxes by the national Government or, as similar to Consumption Tax, centralise tax payment by the local Government where the head office of the taxpayer is located.
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Extended tax return filing periods

STATUS: NO PROGRESS

Japanese rules require companies and individuals to file tax returns no later than two to three months after the end of the calendar or fiscal year. The extremely short deadlines in Japan compromise the quality of tax filings and the working and family lives of those preparing the returns, while driving up expenditure on overtime. International comparison of the cost incurred for tax compliance shows that Japan has the highest level among developed countries.

Recommendations

- Extension of tax return filing periods for individual income taxes should be granted until May 30 as in other European countries. Where professional service providers are involved, a further extension by six months should be allowed. Also, the law should allow individuals to apply for further extensions in exceptional cases.
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Directors' compensation

STATUS: NO PROGRESS

There has been no further movement on recent tax reforms that relaxed the rules for the deductibility of directors' compensation. The rules governing the deductibility of director compensation do not go far enough to achieve the stated aims of the tax reform to develop Japan as a Global Financial Center.

Recommendations

- Align the rules in line with international standards and allow deductions for directors' compensation in principle unless there is an identifiable risk that the level of compensation is excessive or unreasonable; or is being used to manipulate the level of taxable income.
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Income and Inheritance Taxes

STATUS: NO PROGRESS

High income tax rates continue to negatively affect the attraction of new talent and the retention of long-term residents.

Recommendations

- Consider further tax policy measures such as reducing rates or increasing thresholds to attract international talent and expertise that extend beyond the financial services industry.
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Tax policies to reduce carbon emissions

STATUS: **PROGRESS** **SOME PROGRESS**

The 2021 Tax Reform Proposals included a new "carbon neutrality investment incentive", which provides the opportunity for either accelerated depreciation or a tax credit for companies that invest in assets or infrastructure leading to reduced carbon emissions. The EBC supports the use of tax incentives as a tool to promote behaviour that will reduce carbon emissions, but as with many other tax incentives introduced by the Japanese Government in this and past tax reform proposals, the incentives do not go far enough to stimulate the desired results.

Recommendations

- Greater use of tax incentives to encourage companies to reduce their carbon emissions. This may be done by one or more of the following: (i) increasing the scope of assets and infrastructure covered by the incentive, (ii) increasing the amount of the tax credit; (iii) simplifying the process for obtaining the tax incentives. Moreover, the Japanese Government should also consider more aggressive use of a high carbon tax as a penalty for failing to reduce carbon emissions, which may be more effective at changing corporate behaviour than the proposed carbon neutrality investment incentive, which rewards reductions in carbon emissions.

Tax policies to promote innovation

STATUS: **PROGRESS** **SOME PROGRESS**

Bold incentives are crucial for the Japanese Government to successfully achieve its policy objectives for digital transformation. The 2022 tax reform further relaxed the requirements for the tax incentives for promoting open innovation and extended the applicability of the incentives, set to expire on 31 March 2022, by two years to 31 March 2024. The direction of travel in this area is positive and encouraging. However, much more must be done to maintain Japan's global competitiveness and improve its attractiveness as a location for global innovation. The scope of activities remains too restrictive in scope (both in terms of access and benefit) to be a deciding factor in a foreign company's choice between potential innovation locations.

Recommendations

- Enhance the scope and scale of innovation tax policy to maintain and improve Japan's international attractiveness as a location for innovation, and consider targeted policies for foreign and start-up companies.

CONSUMER GOODS

PUBLISHED: November 29, 2021

Tariffs & quotas

STATUS: **GOOD PROGRESS**

With the implementation of the EU-Japan EPA, and the removal or reduction of tariffs, EU products now have an improved market access. The EBC has big hopes that this will also translate to more European food products in the shopping bags of Japanese consumers. It is however important that these liberalisations are implemented without the use of stringent safeguard measures and that also TRQ administration is improved.

Recommendations

- It is of utmost importance that the quota management system is transparent and easy to use.
- There should be no requirements that TRQ volumes applied for should already be covered by sales contracts.
- The lottery system that “covers” some of the TRQ is very difficult to use, due to low predictability. Japan should change the system for those quotas that are completely utilised to a system of allocation using historical data with a portion dedicated to newcomers.

PUBLISHED: November 29, 2021

Food additives, enzymes and processing aids

STATUS: **SOME PROGRESS**

Differences in the lists of additives and enzymes approved by Japan and other major markets are still common. While the EBC has seen progress in Japan’s approval of additives, the approval process still remains an obstacle, and an overall lack of transparency. EU and Japan should use the EPA to further strengthen the work in this field. Despite announcements that the EPA would result in faster approval times, this has not been realised.

Recommendations

- Japan should harmonise its definition of food additives to exclude processing aids which as per its definition do not remain in the product after it has been produced. The same should apply for nutrition fortifiers. Japan should ensure that standards of use in Japan are not in conflict with international standards of use.
 - Japan should also harmonise the specifications of food additives, such as purity, definition of specific food additives and size of molecules.
 - The Ministry of Health, Labour and Welfare (MHLW) should put the same focus on enzymes as it has on food additives and actively approve enzymes that are well established in other major markets.
 - Japan should explicitly communicate why commonly used additives are not approved for use in Japan. Japan should make certain that approval times are decreased as discussed in the EPA. Currently, the consultation period can be very long.
-

Malt and quota management system

STATUS: **GOOD PROGRESS**

Japan had a tariff quota system for malt even from before the EPA, which introduced a quota for EU origin malt. However, only companies manufacturing beer themselves or importing exclusively for the use of a particular brewery were allowed to apply for a quota, discriminating against traders wishing to import on their own account for selling to multiple customers in small volumes or on short notice. Following multi-year efforts by the EBC and the EU, this has now been remedied in late 2021, opening the door to importers to provide of a large variety of EU-origin malts even in smaller quantities for the flourishing craft beer market, and for non-brewery users. However, an administrative burden remains, which is unreasonable considering the quota is not fully utilized and all eligible quota applications are being granted.

Recommendations

- Japan should abolish the tariff on EU malt so that there is no need for European suppliers to use the quota.
-

Food contact

STATUS: **SOME PROGRESS**

Materials that come in contact with food, such as wrapping, packaging, plates, cups etc have to fulfil the rules set out by the Food Sanitation Act. Japan already introduced a list of materials that would allowed to be used for the above-mentioned purpose. Several other markets are also using positive lists. MHLW has for this purpose asked for public comments and for industry to submit substances that they want to include on the list. This has also been done through the WTO notification procedure. However, the list does not contain all substances used in existing (from before June 2020) yet. Japan government should revise and open the list swiftly and accept if there are requests to add new substances. Moreover, Japan government should create route to accept direct application from suppliers in other countries. If there is no harmonisation as well as a procedure of exemptions as is the case in the EU and the US, European suppliers and Japanese buyers run the risk of not being able to import the products to Japan.

Recommendations

- Japan should allow resins allowed in the EU and the US.
 - Japan should make it possible for overseas producers to apply directly in regard to having compounds approved.
 - Japan should also introduce a system where materials can still be used without being on the positive list, similar to the EU and the US. Japan should make use of ISO standards as tests methods, as to avoid specific testing for the Japan market.
-

PUBLISHED: November 29, 2021

Separate registration by each importer

STATUS: **NEW**

Some European suppliers are using either non-exclusive importers/distributors or using different distributors for different market segments. Currently, each importer has to register the products despite the products already being approved and registered by another importer. This creates additional administrative work. The EBC would like for there to be a system where the brand owner can appoint several importers that can share a registration

Recommendations

- Japan should create a system where a product registration can be shared by multiple appointed importers.
-

PUBLISHED: November 29, 2021

Testing and approvals

STATUS: **NO PROGRESS**

Many European products undergo frequent and expensive testing to be approved for either importing or for selling on the Japanese market. Examples of these are: cyanide testing, radioactivity testing, microbiological testing, such as coliforms and heavy metals, etc. The EBC believes that in many cases it should be possible to use approvals and testing carried out in Europe. This is currently not possible in many cases due to non-harmonised test methods and standards.

Recommendations

- Japan and the EU should use the EPA to streamline test procedures by looking into what tests are necessary to eliminate double testing. The goal should be that products approved for consumption in one market should be allowed for consumption in the other market.
 - Japan should furthermore make use of ISO standards as tests methods, as to avoid specific testing for the Japanese market.
-

PUBLISHED: November 29, 2021

Best before labelling

STATUS: **NOT PRIORITISED**

Best before dates in Japan have to be written in a special order. Unfortunately the order for Japan is not commonly used outside of Japan. While ingredients lists do not change if the production methods says the same, best before dates constantly change and it can therefore be difficult for the producer to affix for the Japanese market, leaving the importer to do this.

Recommendations

- Japan should allow alternative best before dates if this is properly explained on the label of the products, such as DDMMYYYY

PUBLISHED: November 29, 2021

Whisky definition

STATUS: **RESOLVED**

A loose whisky definition opens the door for different products to be sold as “whisky”, misleading Japanese consumers and creating unfair competition for European whisky, which meet the international accepted definition.

Resolved

- Japan has implemented a stricter definition of “Japanese whisky”.

PUBLISHED: November 29, 2021

Liquor taxes

STATUS: **NO PROGRESS**

Japan will reduce the tax on beer and increase the taxes on happoshu and “new genre” beverages in three phases (2020, 2023, and 2026), ultimately to 157 yen/litre. However, taxes on wine will be raised in two phases (2020 and 2023), making it equal to the reduced tax rate for sake, at 100 yen/litre. Taxes on spirits, not subject to the upcoming tax hikes, are high at 370 yen/litre if less than 37% ABV plus an additional 10 yen/litre for each additional percentage of ABV.

Recommendations

- Japan should promptly revise its liquor tax system for beer in accordance with the 2017 tax reform.
- The EBC objects to the increase in the tax on wine and urges Japan to reduce taxes on spirits.

PUBLISHED: November 29, 2021

Decoded products

STATUS: **SOME PROGRESS**

Original production lot codes fulfil an important role in any effective and efficient product recall or withdrawal process. However, the official notices 2014/2017 and liquor sales management training from 2017 have no binding force to prohibit the import and sales of any such products with lot codes that have been erased, tampered with or covered up. In June 2018, JWSIA submitted the request letter including legal expert’s opinion paper regarding the quality assurance role of production lot codes as an integral element of a brand’s trademark to NTA. The EBC supports JWSIA’s action.

Recommendations

- The Government of Japan should issue legislation with penalties, that forbids the wholesale or retail of liquor whose lot codes have been erased, tampered with or covered up.
-

PUBLISHED: November 29, 2021

Wine definition

STATUS: NO PROGRESS

A loose wine definition opens the door for different products to be sold as “wine” misleading Japanese consumers and creating unfair competition for European wines, which meet the international accepted definition.

Recommendations

- Japan should implement the wine definition in conformity with international specifications as used in the EU and the US and endorsed by the International Federation of Wines and Spirits.
-

PUBLISHED: November 29, 2021

Additives

STATUS: SOME PROGRESS

A number of wine additives were approved in the EPA negotiations, making it possible for Japan to import wines that use EU-approved additives. 23 out of 28 additives were approved by the MHLW and the rest 5 additives are still under the approval process as of September 2021.

Recommendations

- MHLW should swiftly approve additives that are in common use among other industrialized countries.
-

PUBLISHED: November 29, 2021

Tariff on wine

STATUS: GOOD PROGRESS

Tariffs on wine was abolished at the entry into force of the EU-Japan EPA. Japan-US Trade Agreement took into force on 1st January 2020 and tariff of wine will be removed gradually.

Recommendations

- The EBC urges Japan to completely remove all tariffs on wine as anticipated.
-

PUBLISHED: November 29, 2021

Alcohol contents notation

STATUS: NEW

A Cabinet decision was taken in March 2021 that the NTA should promptly consider including alcohol content using grammes on bottles and cans.

Recommendations

- The EBC urges Japan to follow international standards.
-

Geographical indications

STATUS: **GOOD PROGRESS**

The mutual protection of GIs agreed upon through the EU-Japan EPA will ensure protection of geographical indications for 139 liquor products from the EU.

Recommendations

- The EBC urges and looks forward to the smooth implementation of the EU-Japan EPA.

PUBLISHED: October 5, 2022

Allow investment trust with a double materiality approach

STATUS: **NEW**

Responsible investment entails both seeking financial returns and contributing to addressing environmental and social issues. Granted that the priority between the two objectives can vary from one to another, reflecting its values. Still, the investor must determine an appropriate framework with suitable KPIs and time horizons to best achieve both. From a performance management perspective, the investor should be vigilant on issuers' materiality on two dimensions, i.e., in a *double materiality* approach. One is financial materiality by asking how environmental and social issues affect issuers' financial performance. The other is environmental and social materiality by assessing the consequences of corporate economic activities on climate, people, and community. Then, the investor must allow a longer time before projects deliver a visible impact, such as GHG reductions, or transform a linear economy into a circular one. Non-financial practices of the issuers can translate into financial performance over time, and the markets would price it in as a *dynamic materiality* view advocates. ESG investing entails both seeking financial returns and contributing to addressing environmental and social issues. Whereas the statutory set-up of the publicly placed investment trust solely contemplates the former, i.e., the long-term growth of trusted assets. The "ESG integration" product may argue the importance of factoring financial materiality in aspects of ESG. Impact investing, however, can find no appropriate positioning in the Japanese market because its primary objective is to deliver measurable outcomes in non-financial matters such as climate, people, and community by assessing the consequences of corporate economic activities to them. The present system, therefore, could prevent asset managers from launching "net-zero" products in the investment trust format despite the global industry trend or movement as GFANZ (Glasgow Financial Alliance for Net Zero) demonstrates.

Recommendations

- The FSA should allow flexibility for asset managers to take a double-materiality approach and incorporate an additional environmental/ societal objective in the investment trust.
-

Encouraging Japanese households to invest for the long term

STATUS: **SOME PROGRESS**

Distributors have been changing their business model under the pressure of the “Customer oriented business”, tax incentive must follow to enable the new business model to generate positive flows towards financial products and specifically mutual funds. This is especially important after the sharp market decline across all asset classes generated by the Coronavirus turmoil, to bring back attention towards fund investing especially for new investors. In this context, boosting financial literacy will be key, at all levels and for all generations, including through the websites of Corporate Defined Contribution (DC) and iDeCo (individual Defined Contributions) platforms.

Recommendations

- Increase the maximum yen amount that can be saved tax free in NISA, Junior NISA and DC platforms, especially if those amounts are funded by conversion of deposits.
 - Change the default options for DC schemes to long-term financial investment products.
 - The Japanese Government should foster and publicises the provision of IFA (Independent Financial Adviser) services – with services provided in-person or online – to help boost household investments.
-

Anti-Money Laundering (AML) – Countering the Finance of Terrorism (CFT)

STATUS: **NEW**

Japanese FSA has issued several guidelines over the past 18 months to ensure the local asset management industry reaches global standard immediately, even before the change of law, on AML-CFT (including due diligence to distributors, to external managers, screening of securities portfolios). The EBC Asset Management committee issued a statement to JITA in April 2019 to ensure AML questionnaires (such as Wolfsberg questionnaires) could be posted on the website of each financial institution (such as fund distributors) or in a digital library managed by the respective industry associations to facilitate the process of due diligence.

Recommendations

- There are still on-going discussions about what should be the format of Due Diligence Questionnaires (DDQs) for fund distributors; leadership on this topic is expected from Japan Securities Dealers Association (JSDA) and banking industry associations.
-

Global competitiveness of Tokyo in regard to the operational platform

STATUS: **SOME PROGRESS**

Even if some progress can be noted, trust banks still remain behind the curve in operational efficiency, as illustrated by lack of CSA (Credit Support Annex attached to ISDA (International Swaps and Derivative Association) contracts), only partial adoption of SWIFT and of CLS (Continuous Linked Settlement), especially for pension mandates. In September 2019, Japan Investment Trusts Association (JITA) released its report on single NAV (Net Asset Value) which is a very important first step towards the modernisation of the industry. It opens the door to further discussions about the establishment of fund administrators and transfer agents in Japan, similar to the European business model. EBC Asset Management Committee had participated to the public comments organised by JITA on single NAV in May 2018.

Recommendations

- System developments to facilitate fund mergers should be encouraged to facilitate the simplification of product line-ups.

PUBLISHED: August 29, 2022

Harmonisation with global solvency and other regulatory standards

STATUS: **SOME PROGRESS**

The EBC appreciates the FSA's willingness to take a leadership role among international regulators. The FSA is steadily working toward the introduction of economic value-based solvency framework in 2025, including the release of "The provisional policy for economic value-based solvency regulations" on June 30, 2022. Further alignment of local regulatory requirements with the approach of international capital standard such as Solvency II or ICS is crucial for international insurers in Japan. This would enable them to use the same methodologies in all territories and better develop group-wide risk management strategies. Such a move would, furthermore, both encourage and reward improved risk management within insurance companies – a goal shared by the FSA and insurers – and hopefully reduce the overall regulatory reporting burden on insurers conducting business in multiple jurisdictions. The EBC is in a position to provide the information regarding the economic value based advanced regulation framework to the FSA on these issues.

Recommendations

- Japan should accelerate reforms to achieve convergence between Japanese and global solvency standards such as Solvency II and ICS.
 - Japan should consider the approval process of an internal model for risk calculation on a new solvency regulation to evaluate the risk characteristics of each insurer correctly.
 - In adopting FSB/IAIS-proposed policy measures for the Japanese market, the Government should consider the burden that risk management reporting and capital adequacy requirements could impose on businesses and minimise any conflicting cross-border jurisdictional requirements.
 - The scopes of the Policyholder Protection Corporation should be reformed to align with introducing a new solvency regulation.
 - The results of five-year monitoring process by IAIS should be well embedded in the implementation of a new solvency regulation.
 - The pace of progress should be carefully monitored considering the risk of COVID19.
-

Product approvals

STATUS: **SOME PROGRESS**

The advantages of simplicity in the approval process have been articulated in our previous submissions. Incremental progress has been made however we continue to seek real enhancement in the form of a file and use system. Not only does it enhance efficiency, but it also enables the FSA to allocate resources to complex products that require more attention. Moreover, real product innovation requires insurers to offer truly new proposition to customers. At this dynamic era where our customers' needs are constantly changing due to lifestyles, ageing and technology, the insurance industry needs to catch up in offering better coverage in new diseases/illnesses as well as play a more active role in improving our customers' health. These initiatives often require global insights without necessarily locally proven experience. The current FSA product approval philosophy is to focus on proven local data and experience, this significantly hampers product innovation progress, and not in line with practices by overseas regulators, ultimately disadvantaging Japanese consumers. The EBC believes this recommendation to broaden the philosophy will also benefit also Japanese insurers. Covid-19 has led to various changes in the society including work from home and digitalisation. Simplification of the approval process is worthwhile considering to accelerate to bring new values of insurance product and services into the market. Concerning the change in the license led by FSA (Ex. The revision of MVA (Market Value Adjustment) time lag margin etc.), the FSA should give insurers enough time in view of IT development schedule in insurers etc. Furthermore, some product approvals have taken longer which in turn has had a negative effect on the process to introduce new products responding to customers' needs on the market. Especially under these circumstances, a smoother transition is needed when the FSA personnel is rotating, as this would lessen the burden of "having to start all over." Emphasising that tax-saving is not core values of insurance, the FSA is further promoting customer-oriented business operations and collaboration with the National Tax Authority.

Recommendations

- The FSA should introduce a system allowing insurers to register products, instead of having to obtain pre-approval. The FSA could retain the authority to conduct post-checks and issue withdrawal orders.
 - The FSA should relax the requirement for new innovation to include global expertise and experience.
 - The FSA should make certain that personnel rotation affects the product approval as little as possible.
-

Distribution practices under fiduciary duties

STATUS: **SOME PROGRESS**

Emphasising that tax-saving is not core values of insurance, the FSA is further promoting customer-oriented business operations and collaboration with the National Tax Authority. We recognise that the FSA encourages insurers including brokers to conduct its fiduciary duties. Along with promoting fiduciary duties, the FSA has been investigating the brokers' fee system. The EBC, furthermore, appreciates the focus on the benefit of the customers, and also the possibility for industry, including European insurers, to leave comments. On the other hand, we believe that the current rule could be a barrier for new entrants and may not be beneficial to Japanese consumers, unbalancing with the potential risk of mis-selling. For example, insurance sales by an incorporated insurance agency to members of its parent and affiliated companies are restricted to so-called "third sector" products ("koseiin-kisei").

Recommendations

- The EBC recommends that the FSA continue to work closely with industry without drastic changes that may badly affect consumers.
 - The FSA should carefully make certain that sales of innovative products are not hampered, for instance under a low-interest rate environment, while ensuring that fiduciary duties are fulfilled.
 - The FSA should consider relaxing the restriction of abovementioned "koseiin kisei", beyond "third sector" products.
 - Taking into account emerging new technology and evolving insurance distribution, the FSA should review the related regulations, and present a roadmap for further deregulation for the benefit of Japanese consumers.
 - When looking into distribution practices, the FSA should put more emphasis on enabling the customer to choose from a wider product portfolio.
-

Digitalisation

STATUS: **SOME PROGRESS**

The insurance industry in Japan has been traditionally paper-heavy and EBC welcomes recent efforts by the industry associations and the regulator to digitalize more processes, including communication with clients. The regulation update on 21 January 2021 is an important step forward to facilitate non face to face client communication utilising modern communication tools. EBC appreciates that the FSA expanded use of digital solutions such as seal, signature and cooling off. Covid19 impact will have lasting impact on the way insurance companies and clients interact and the EBC believes that digitalisation should be accelerated to further simplify processes, instead of focusing on face to face with paper etc., for added value services.

Recommendations

- The FSA should continuously consider digitalised solutions such as customers' consent on provisions of sales materials and confirmation of receipts.
-

Expansion of Japan's role as an international financial centre

STATUS: **SOME PROGRESS**

The EBC recognises and appreciates that the FSA established Financial Market Entry Office in January 2021 in order to simplify market entry procedure. A dedicated website has also been launched, in addition to the revised Cabinet Office Order to amend the Regulation for Enforcement of the Insurance Business Act. The EBC also appreciates the FSA's tremendous efforts to improve provisions of English material in recent years. The EBC believes simplification of procedures and provision of English materials support foreign entities not only to enter Japan's market, but also retain the business in Japan.

Recommendations

- The FSA should expand the scopes of materials which can be submitted in English
 - The FSA should make effort to provide English summary at least on their important documents such guidelines, policies, etc. so that foreign insurers can more easily implement and follow them.
-

Fair competition in providing group insurance program to banks

STATUS: **SOME PROGRESS**

The EBC continues to be concerned by the strong influence of Japanese insurers over Japanese banks as their major shareholders. The EBC appreciates the monitoring actions taken by the FSA on this topic and wishes for the FSA to continue its attention as the concerned influence still exists. The EBC firmly believes that the competition in this area should be based on the quality of products and services rather than on the shareholding relationship which is irrelevant to the interest of Japanese consumers.

Recommendations

- The FSA should carefully ensure that competition is based on fair comparison of offers, and is not biased by pre-existing shareholding relationships.
-

Personal data

STATUS: **NOT PRIORITISED**

In line with the EU's GDPR, the regulation of the personal information protection is to be more restricted. The EBC recognises that the FSA will put in place the new regulatory requirements with the Personal Information Protection Commission (PPC). The EBC recognises that insurance brokers and small medium sized enterprises handling personal data of their customers and employees would be within the scope of the regulations more than ever. The EBC recommends that the FSA, together with PPC, secure clear provisions and issue swift guidelines in responding to insurers' requests for consultation.

Recommendations

- The FSA should maintain collaboration with PPC in supervision over the evolving areas regarding data privacy to sustain appropriate and swift handling by insurers of personal data of customers.
 - The FSA should make sure that the required procedures including, incident reporting, are not complicated and burdensome for the industry.
-

Liberalisation of sales through bank channel

STATUS: NO PROGRESS

There are continued restrictions on the sale of insurance through bank channel, which should be liberalised in the interest of Japanese consumers. Proposing suitable insurance products based on a customer's intention will become more and more important. For securing effectiveness, banks would need to confirm a customer's intention properly by sorting out each customer's information and needs. From that point of view, the EBC believes it would contribute to the benefit of the customers that banks utilise customer's private information and financial information to some extent when confirming the customer's intention. We are of the opinion that inappropriate use of such information has been effectively prevented by means of the existing regulations like not to solicit borrowers or loan applicants of business loans, etc.

Recommendations

- The FSA should allow banks to sell insurance to employees of companies where banks have a lending relationship, as the current restriction deemed excessive and redundant. At the same time, certain financial information should be allowed to be used, just as is allowed in the asset management sector.
- The FSA should consider easing the restriction on using personal and financial information of customers by banks without customer's prior consent

PUBLISHED: December 23, 2022

Contribution to "High-quality home medical care" through POCT

STATUS: **PROGRESS**

To build comprehensive community care, it is necessary to enhance home healthcare and strengthen the function of family doctors. Performing a POCT (Point-Of-Care Testing) at home medical care is expected to improve the prognosis of patients through speedier identification of patient conditions and speedier intervention in collaboration with acute care hospitals.

Recommendations

- A reimbursement system that appropriately evaluates POCT at home healthcare environments should be investigated and implemented.

PUBLISHED: December 23, 2022

Implementation of Emergency Approval Process and refine the system to cope with new emerging infectious diseases

STATUS: **GOOD PROGRESS** **PROGRESS**

Emergency Approval Process was defined at revision of Pharmaceutical Law in May 2022. Discussion was initiated on how to prepare for the emerging infectious diseases based on COVID-19 experience.

Recommendations

- Concrete process and regulation criteria should be defined to put Emergency Approval Process in place with no delay.
- In the discussion on handling of emerging infectious diseases, stake holders in lab diagnosis, IVD industry should be involved.

PUBLISHED: December 23, 2022

Global harmonisation in definition and classification of IVDs

STATUS: **SOME PROGRESS**

Discussion was initiated on definition and classification of IVDs, while revision of Pharmaceutical Law is in scope.

Recommendations

- EBC requests proper regulations for classification (currently classified under Pharma) and definitions/scopes, based on the special characteristics of IVDs.
-

PUBLISHED: December 23, 2022

Proper assessment of medical values and innovativeness of IVDs

STATUS: PROGRESS SOME PROGRESS

The medical value and innovativeness of IVDs have not been directly reflected to reimbursement point discussion, and the evaluation results of new and improved items at *Chuikyo* have not been published. It was agreed that 'Challenge filing' will be discussed for IVDs in the next round of reimbursement discussion.

Recommendations

- Concrete discussion will be held for having 'challenge filing' for IVDs.
- At the time of insurance coverage, the evaluation points for the medical values and innovativeness of the listed IVDs shall be specified and disclosed.

PUBLISHED: November 29, 2021

Rationalisation of regulations on IVD and streamline operations

STATUS: SOME PROGRESS

Under COVID-19 pandemic, day-to-day operations have been significantly streamlined; e.g., acceleration of telework and remote meeting, elimination of sealing on official documents,

Recommendations

- Japan should further streamline the work process, through digitisation of submitted documents (paperless) and more efficient registration process as a whole

PUBLISHED: November 22, 2022

Drug pricing system

STATUS: **NEW**

Since 2015, the predictability of the Japanese drug market and its attractiveness have declined significantly due to repeated revisions to drug pricing system, such as the introduction of off-year price revisions, fundamental reform of the drug pricing system in fiscal 2018, and the revision of the scope of price maintenance premium (PMP), etc. In addition, quality and supply problems of pharmaceuticals, mainly generic products, have had a significant impact on medical care and distribution. In this environment, an expert panel on comprehensive measures to realize a prompt and stable supply of pharmaceuticals was established within the Ministry of Health, Labour and Welfare from the perspective of early market launch of innovative drugs and drugs with high medical needs to Japan and stable supply of pharmaceuticals.

Recommendations

- With regard to the calculation rules for new drugs, innovation should be evaluated appropriately and a mechanism should be created to avoid Japanese drug prices to be significantly lower than those in Europe and the United States.
- After launch, drug prices should be maintained during the patent period, as in Europe and the United States.
- Since the current drug pricing system have become extremely complex due to repeated revisions, the system should be revised to be simple, easy to understand, and highly transparent.

PUBLISHED: November 22, 2022

Cost-Effectiveness Analysis / Health Technology Assessment (CEA/HTA)

STATUS: **NO PROGRESS**

Much room for improvement.

Recommendations

- As a system, such as the current system in Japan, that heavily relies on cost per QALY to evaluate the value of a drug cannot appropriately appraise the drug value, additional factors should be incorporated in the appraisal.
 - The number of products assessed should be limited as Japan does not yet have a well-established HTA capability and at present is unable to assess a large number of products.
 - HTA should not restrict or delay patients' access to new drugs.
-

International harmonisation (clinical trial environment)

STATUS: SOME PROGRESS

Room for improvement on the efficiency of clinical trials in Japan.

Recommendations

- Although various efforts to date to improve clinical trial efficiency have improved the environment for conducting clinical trials in Japan, it is essential to make improvements to achieve more efficient clinical trial operations compared to international standards in order to continue to develop innovative drugs. For example, we propose to discuss the introduction of DCT (Decentralized Clinical Trial), improvement of case accumulation capacity at individual sites, and consolidation of IRBs in order to realize efficient clinical trial operations.
- Japan should further enhance the efficiency of drug development by taking advantage of the new guidelines on multi-regional clinical trials (ICH E17, GENERAL PRINCIPLES FOR PLANNING AND DESIGN OF MULTI-REGIONAL CLINICAL TRIALS) that was published in June 2018.

New scheme related to new drug review and approval

STATUS: SOME PROGRESS

Recommendations

- Addition of "Priority review system" and legislation of "Conditional early approval system": According to the promulgation of the Amended Pharmaceuticals and Medical Devices Act on Dec. 4, 2019, "Senkuteki Iyakuhin (Pioneering drugs)" (legislation of "Sakigake designation system"), "Specific use drugs, etc." designation system, and "Conditional early approval system" were implemented on Sep 1st, 2020. For their operations, preparation of related laws based on the actual state and improvement in the relevant organisational structure and efficient implementation are required.
- On the other hand, there is a room for further improvement in the approval review scheme for innovative new drugs in Japan compared to the U.S. and Europe. For example, in order for innovative new drugs to be approved in Japan without delay from the U.S. and Europe, a scheme similar to the Real Time Oncology Review in FDA, which is already in place in the U.S. and starts the review of new drug approval based on key results from a confirmatory clinical trial, should be introduced in Japan. We propose that a scheme similar to the Real Time Oncology Review, be introduced in Japan to shorten the period between a formal application and an approval.
- Legislation of (Post Approval Change Management Protocol) system: PACMP system has been established ahead of the application of TECHNICAL AND REGULATORY CONSIDERATIONS FOR PHARMACEUTICAL PRODUCT LIFECYCLE MANAGEMENT (ICH-Q12). After the system will be started on 1st August 2021, we call for a review of relevant laws and regulations to make the system even easier to use based on the situation of the use of the system for a certain period of time.

PUBLISHED: November 22, 2022

Awareness-Raising Activities to spread vaccinations for the elderly

STATUS: **PROGRESS**

We agreed to start creating guidance on communication between healthcare professionals and recipients and published the first edition in 2021 and the second edition in 2022, and conducted public relations activities centered on exhibition activities at academic conferences.

Recommendations

- The COVID-19 emergency vaccination has revolutionized the public's attitude toward vaccines and made them realize that vaccines are essential for maintaining and resuming social and economic activities. On the other hand, there are situations where excessive reactions and expectations are generated for Adverse reactions and effects. It is necessary to provide a wide range of communication guidance for medical settings.
-

Further improvement of the national testing process and international harmonization of regulatory requirements

STATUS: **PROGRESS**

As a result of discussions among industry, MHLW/PMDA and the NIID (National Institute of Infectious Diseases) over many years, the national test process in Japan is gradually improving. The establishment of the monographs in the MRBP (Minimum Requirements for Biological Products) was reviewed, and simplification of the descriptions was considered while promoting consistency of test methods between multiple vaccines. In 2022, the ATT (Abnormal toxicity test) of several products was deleted from in MRBP. In the future, we are continuing discussions, such as the study method from animal studies to in vitro studies. In addition, as the way of national test, a policy was shown that only SLP can be used for review of drug products that meet certain criteria. Regarding the difference in the organization (PMDA/the NIID) that evaluate CMC review for approval, the concept on the collaboration between PMDA and the NIID was clarified, and improvement of operations was promised. On the other hand, almost vaccines are required to be tested as actual test as national test, and it is hard to say that the double burden has been resolved yet. Imported products should be conducted national test in Japan, even if it was conducted same test as the national test in overseas. Multiple organizations are involved in the submission of test samples for national test, and coordination work among them is a burden on companies. Under the current regulations, one sample is picked up in the presence of prefectural government staff even when on the SLP-only review. In addition, because of this regulation, it is impossible to directly send samples to the NIID after sampling at the overseas manufacturing site, and lead time of supply of imported vaccines cannot be shortened. Actions to be taken in the SLP-only review are currently being discussed and considered for improvement. However, it is necessary to continue deliberations on the streamlining toward direct provision of samples and the way of national test under the SLP-only review. EFPIA Japan would like to request for more efficient national test, at least for products that have passed the national test in the US and Europe, such the SLP-only review is acceptable. In addition, it is very difficult to introduce vaccines that have been used for a long time in Europe, etc. because the information on biological raw materials contained in the Star-cell Bank/Master Seed does not meet the Standards for Biological Ingredients

Recommendations

- To strengthen collaboration with PMDA/MHLW and the NIID during the approval review period , streamline the drug review and testing functions.
 - Readjustment of the sampling method to allow sampling of test samples at overseas manufacturing sites.
 - To reduce the number of actual tests and increase the number of products for SLP review only, including newly approved products.
-

Incorporate recommended vaccines by WHO into NIP and promote the development of combination vaccines

STATUS: PROGRESS

NIP for rotavirus vaccine was launched in October 2020. Regarding the NIP for mumps vaccine, MHLW evaluation vaccine subcommittee discussed that it is necessary to conduct a large-scale survey of more than 100,000 cases to realize the frequency of aseptic meningitis caused by existing mumps vaccination, which is difficult to conduct. This discussion may have made it more difficult for mumps vaccine to be part of the NIP. It is also fact that discussions on combination vaccines and high-dose influenza vaccines have not progressed among the vaccines with high development priorities requested by MHLW.

Recommendations

- Regarding the NIP for mumps vaccine, the solution should be discussed thoroughly together with the academia such as AMED team study, and for the government, industry and academia to work together to aim for early NIP for mumps vaccine. These activities should lead to the early introduction of combination vaccines.
- The national government is considering adopting NIP predictability improvement in "HONEBUTO" policy. We will promote the establishment of a clear standard for adopting regular vaccinations and a system that allows discussions on regular vaccinations to begin even before the vaccine is approved.

PUBLISHED: March 27, 2023

Establishment of alternatives to animal testing

STATUS: **SOME PROGRESS**

Following the addition of the reconstructed human corneal-like dermal modelling method (RhCE method) in 2019 as an alternative to the ophthalmic stimulation test that can be used in the application for quasi-drugs, guidance was issued in 2021 on single-dosage and dermal stimulation in 2022 on the evaluation system. In addition, discussions on next-generation risk assessment without using animals are still ongoing. In Japan, however, the safety evaluation of quasi-drugs with new ingredients necessarily requires results of animal experiments as a hazard evaluation of raw materials, and it cannot be said that other available scientific grounds have been sufficiently reviewed. In addition, in each country, discussions are actively underway for the development of evaluation methods that do not use animals at all, the establishment of safety evaluation methods, and the use of animal experiment results carried out for purposes other than cosmetics. Although Japan is also participating in the discussion, the policy for the safety assessment of the final product in Japan remains insufficient.

Recommendations

- Japan should promptly establish risk assessment methods for final products utilising available scientific evidence to prevent the implementation of unnecessary animal experiments. In addition, Japan should also promote the rapid development of alternative methods that do not use animals at all and the active use of such methods in the application for quasi-drugs.

PUBLISHED: March 27, 2023

Applying the same standards to all market participants

STATUS: **NO PROGRESS**

Ensuring safety is crucial, both from a legal and, more importantly, from a consumer perspective. Manufacturers and importers of cosmetics and quasi-drugs are therefore required to spend considerable resources implementing post-marketing surveillance and control schemes to monitor safety and quality. However, parallel importers do not always comply with these requirements, sometimes illegally using registered trademarks, importing versions of products that are not approved in Japan, and selling products with damaged or missing labels or that have passed their expiry dates.

Recommendations

- Japan should ensure that everyone involved in the sale of cosmetics and/or quasi-drugs complies with the same legal requirements related to safety and quality.
 - The authorities should support an industry-led campaign to educate consumers so that they have a better understanding of products sold by authorised suppliers and those that are not.
-

Efficiency of notifications and applications for approval of cosmetics and quasi-drugs

STATUS: **SOME PROGRESS**

In accordance with the Digital Procedures Act, MHLW began operating online submissions in May 2021 for certain notifications or applications related to quasi-drugs and cosmetics, which had previously been required to be submitted using floppy disks and other storage media. From July 2022, the scope of operations for online submissions has been gradually expanded. This system is expected to improve the convenience of submissions, but this system simply replaces the submissions of applications, notices, etc. prepared using the MHLW's electronic application software for pharmaceuticals, etc., which was developed in April 2005, on-line. Furthermore, the prefectural authorities, the PMDA and Customs are not linked, so separate procedures are required for notification and application concerning the manufacturing and sales of cosmetics and quasi-drugs, and presentation of the necessary material for import customs clearance. It is hoped that the establishment of a system that enables the simplification and streamlining of administrative procedures for cosmetics & quasi-drugs permitting and import procedures will lead to the realisation of "digitalisation," which is stated in the national digital governance action plan.

Recommendations

- Improvements to the MHLW's electronic application software for pharmaceuticals, etc., simplification of application form and notification preparation work by reconsidering the content of descriptions and the necessity of materials required to be submitted, and linkage between application software and online submission system should realise streamlining from preparation to submission.
 - A one-stop service for administrative procedures should be realised by linking the application and notification system with the system used at the time of customs clearance.
-

Advertising representation for cosmetics and quasi-drugs

STATUS: NO PROGRESS

Fifty-five efficacy claims were defined as permissible for cosmetics in Japan in 2000. In 2011, a further efficacy claim of "making fine wrinkles due to dryness less noticeable" was added to the list. Yet the scope of efficacy claims approved in Japan is still narrower than in Europe, which hinders foreign-made cosmetics based on the latest research and technology from entering the Japanese market. Sector associations are currently studying the efficacy claim of "prevention of ultraviolet ray-derived photo-ageing" which may lead to a further expansion. In recent years, the promotion of self-care and self-medication is required for the realisation of healthy long-lived social. Daily care by cosmetics and quasi-drugs, such as wet care for atopic skin and use of suntan products to prevent skin cancer, plays an important role in maintaining health and improving the quality of life, and contributing to disease prevention and thereby curbing medical costs. Current advertising regulations, however, do not allow the importance of such care to be promoted. In addition, it is stated that "illustration of experience-and-experience discussions on indications" should not be done because it is not an objective support and there is a risk that consumers may be misled about the efficacy, etc. or safety. It is not permitted even if the content is a fact or within the scope of the approved efficacy. This is an important factor and often used by the consumer when choosing a particular product. In addition, in the recent pandemic, the opinion of users with experience has become an increasingly important information for consumers, considering the difficulty of face-to-face sales and trial of actual products at stores and the significant increase in mail order users. If it is possible to post user experience statements in the advertising of cosmetics, it will be possible to respond to the diversification of consumer demand and to communicate a wide range of information to consumers.

Recommendations

- Limitations on advertising expressions should be eased so that the role of routine care using cosmetics and quasi-drugs, such as health maintenance and disease prevention, can also be promoted.
 - "Consumers' experience" should be allowed to be used in advertising if it is the scope recognised by the cosmetics.
-

Regulations and systems for quasi-drugs

STATUS: **NO PROGRESS**

MHLW issued a notice of concern regarding the examination of approval of pharmaceutical shampoos, pharmaceutical rinses, and pharmaceutical soaps, and set out its examination guidelines. In July 2019, PMDA revised its application for manufacturing and marketing approval for quasi-drugs and added illustrations of how to treat applied products with the same standards and test methods as those of the attached specifications in the approved products. Along with these developments, progress has been made in improving the simplification and speed of application and examination operations. In addition, in order to facilitate the review process, a briefing for personnel in charge of the application for quasi-drug approval is held every year, and reviews are conducted based on the materials provided at the briefing sessions. However, the positioning of the materials is not clearly indicated.

Recommendations

- For quasi-drugs deemed to be identical and similar to already approval quasi-drugs, the review period should be shortened.
- When changing the approach to the review, it should be announced at the briefing session for practitioners applying for quasi-drug approval and communicated to the applicants in an easy-to-understand manner through careful explanations.

PUBLISHED: November 21, 2022

Revision of insurance coverage and functional classification of insurance medical material

STATUS: NO PROGRESS

Functional classification exceptions as a means of promoting the innovation are continuing. In addition, rapid addition as an effective means for eliminating device lag is continuing, which the EBC views positively.

Recommendations

- Japan shall continue to prove the insurance reimbursement pricing system based on the product characteristics of special materials.
- Japan shall also expand the scope for applications for improvement premiums.

PUBLISHED: November 21, 2022

Foreign price reference system

STATUS: NO PROGRESS

In the previous revision, if the maximum price, when there are three or more foreign prices, exceeds 1.6 times the arithmetic average of the other prices, the maximum price was considered to be equivalent to 1.6 times the arithmetic average of the other prices (1.8 times before the revision).

Recommendations

- Japan shall continue to abolish the foreign price recalculation system. As an alternative in cases where it is difficult to abolish, a calculation method that considers the share rate in Japan in foreign prices is requested. The EBC requests that the continued construction of systems that take exchange rate fluctuation risks into account while maintaining a comparative level.

PUBLISHED: November 21, 2022

Institutionalisation of insurance application system (C2 challenge) based on actual usage

STATUS: PROGRESS SOME PROGRESS

A C2 challenge was institutionalised for re-evaluation based on the actual use. This has paved the way for a major corporate entity to the technical fees for diagnostic treatment equipment.

Recommendations

- Follow-up shall be conducted for the utilisation of the system.
-

PUBLISHED: November 21, 2022

Scope of application of programmes for medical devices including artificial intelligence and insurance coverage

STATUS: **SOME PROGRESS**

While the direction of the approved programme medical devices for listing on insurance has been clarified, market-entry and evaluation difficulties continue to be difficult for those without evidence.

Recommendations

- The EBC requests predictability development based on the idea of risk sharing by utilizing the regenerative medicine system and combining it with external Insurance therapy.
-

PUBLISHED: November 21, 2022

Audit system adapted to characteristics of program medical equipment

STATUS: **PROGRESS**

Collaboration between the industry and the auditing department within the MHLW and PMDA, which have been strengthened. Efforts to Identify and Resolve Issues.

Recommendations

- Establishment of regulations and examination systems based on characteristics. The EBC requests that a new early approval system is introduced utilising real-world data.
-

PUBLISHED: November 21, 2022

Procedures for suspension of supply

STATUS: **NEW**

There is a current situation in which negotiations for the adjustment of alternatives are entrusted to the company after reporting on the suspension of supply.

Recommendations

- The EBC requests that support from the Government for the adjustment of alternatives. The timing of a request for consideration of supply from the MHLW to an academic society should be taken into account the timing of the announcement of supply suspensions by companies.
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PUBLISHED: November 21, 2022

Treatment of the cost accounting method

STATUS: **NEW**

When there is a similar function classification, in principle it is a similar function classification comparison method, and the cost accounting method was an exceptional treatment. However, there are cases in which the presentation of cost is required when insurance is applied.

Recommendations

- The current situation shall be reconfirmed whether there is any guidance to the low price by the cost accounting method.
-

PUBLISHED: November 1, 2022

Global standards for clinical evaluation

STATUS: **NEGATIVE PROGRESS**

It became necessary to collect safety information using Japan unique rules, because the investigational device used includes the subject device, the reference device, and the combination device.

Recommendations

- Japan shall review the status and requirements regarding the collection of safety information for reference devices and combination devices, and investigate the impact on the implementation of international joint trials.
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PUBLISHED: November 29, 2021

QMS mutual recognition and global standards

STATUS: **SOME PROGRESS**

Some progress was shown in conformity with the global standards. Formal participation in the MDSAP (Medical Device Single Audit Program) assists further development of discussions for conformity with the global standards.

Recommendations

- Japan shall eliminate the differences in requirements of the QMS ministerial ordinance, and conform with the global standards for the product group classification.
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PUBLISHED: November 29, 2021

Mutual recognition and global standards of medical equipment license

STATUS: **SOME PROGRESS**

The approval examination period of the PMDA was shortened by the enforcement of the Japanese PMDA law and performance was improved.

Recommendations

- Japan should recognise EU approvals for Class 2 products as equivalent to Japanese approvals.

PUBLISHED: November 29, 2021

Promoting partnerships with the EU

STATUS: **SOME PROGRESS**

The aeronautics market is becoming more and more global, and Europe has strong technological advantages. For example, European companies have experience in the area of high-end technologies that are environmentally friendly. Procurement decisions should be made taking into consideration both competitive and technological advantages. European manufacturers of commercial aircraft, engines, components, and navigational equipment offer state-of-the-art technology at internationally competitive prices. The EBC consistently requests Japan to modernise its air traffic management system. Some of the European companies are recognised worldwide as setting state-of-the-art standards, yet they face great difficulty in even being considered in the process for new equipment procurement in Japan such as for the air traffic management system. The EBC deplores this situation, which may be keeping Japan from benefiting from the latest advances in safety standards.

Recommendations

- The EBC encourages Japanese firms to diversify their sources of supply and consider the advantages of European products in the aeronautics field for the benefit of their customers, the general public, and shareholders.
- The EBC urges the Japanese authorities to facilitate greater use of equipment from European manufacturers who can help them address the need for improvements in air transport safety.

PUBLISHED: November 29, 2021

Supporting BASA negotiation between EU and Japan

STATUS: **SOME PROGRESS**

The EBC welcomes the signature on June 22, 2020 of the BASA between the European Aviation Safety Agency and its Japanese counterpart, the Japan Civil Aviation Bureau. Such an agreement will enhance air safety worldwide and enable cooperation in the aviation safety domain, including certification, testing and maintenance of aeronautical components, air operations, flight crew licensing, air traffic management and airports. It will also reduce the transaction cost of exporting aircrafts, while ensuring high levels of safety in partner countries and helping to harmonise product standards worldwide. Despite the signature of this agreement between Japan and Europe, its ratification remains to be achieved.

Recommendations

- With the entry into force of the BASA, the EU and Japan now need to add additional activities, such as, maintenance, spare parts and training activities to the BASA. These segments are currently not included in the agreement and the EBC believes that the inclusion of these segments would be beneficial to both the European and Japanese aeronautical industries.

PUBLISHED: November 21, 2022

Vehicle regulations/connectivity-related (including automated driving)

STATUS: PROGRESS

The government has incorporated new UN regulations (R155/156/R157) on new automated-driving vehicles. In addition, regarding CS/SU when modifying software in vehicles in use, which we have been requesting since last year, for the COC (Certificate of Compliance) of UN-R155/R156 obtained overseas, the government indicated a policy of not requiring reacquisition in Japan at the time of specified modification permission for R155/156-approved vehicles. In addition, while Japan's vehicle regulations have been harmonized internationally, mainly for passenger cars, Japan-unique rules still remain, mainly for heavy-duty vehicles etc.

Recommendations

- In order to introduce vehicles equipped with automated driving and connected technologies to the market in a timely manner and provide customers with higher levels of safety and convenience, the government should expand support measures for advanced safe driving support technologies.
- In order to realize prompt market measures and improve consumer convenience, the government should review the simplification and shortening of the examination period for the permit for specified modification of the vehicles already registered.
- Japan should resolve its remaining unique regulations such as lamps and emission requirements for HDV through international harmonization.

PUBLISHED: November 21, 2022

Introduction of International Mutual Vehicle Type Approval (IWVTA)

STATUS: PROGRESS

The government made progress, including the incorporation of emission regulations (R154) based on the Worldwide harmonized Light duty driving Test Procedure (WLTP). On the other hand, even after the introduction of the IWVTA system in July 2018, the devices subject to IWVTA are still incomplete to obtain type approval for the whole vehicle. Due to the devices and systems that are not subject to IWVTA, utilization of UN-R0 for mutual recognition of approvals between Japan and the EU has not progressed.

Recommendations

- Japan should work closely with the European Commission to expand the scope of the IWVTA system to cover all the requirements of the Japanese and European vehicle type approval schemes and achieve a complete system for mutual recognition of vehicle type approvals.
-

Electrification and fuel efficiency standards

STATUS: PROGRESS

The government has significantly increased the amount of budget for electric vehicle purchase subsidies and charging infrastructure subsidies. In addition, local governments such as the Tokyo metropolitan government have expanded purchase subsidies for electric vehicles.

Recommendations

- In order to promote the spread of xEVs, from the viewpoint of ensuring strong consumer confidence, stably maximizing and expanding incentives and subsidies by continuous and sustained support of CEV subsidies, which are effective in promoting electrification in a consistent manner are extremely critical. Subsidy amount per vehicle is maximum JPY 650,000 for registered vehicles and JPY 450,000 for kei cars at the moment. Regarding that, we recognize that it is necessary to enhance the subsidy amount per vehicle, especially for registered vehicles. We request that uninterrupted continuation of the CEV subsidies and policy directions for the next few years should be clearly announced. (following last year's members' opinions)
- Along with the increasing capacity of on-board batteries for xEVs, charging efficiency is required. Considering the trends in other countries, studies should be started in cooperation with the organizations concerned on the voltage restrictions (DC450V/750V) that are unique to Japan.
- When considering an institutional framework to promote the reuse and recycling of batteries, harmonization with systems in Europe and other countries etc. should be considered while keeping international harmonization in mind.
- Japan should consider introducing flexible measures in the review of 2030 fuel efficiency standards for passenger cars scheduled for the autumn of 2022 onward.

Tax reform

STATUS: NO PROGRESS

Recommendations

- In reviewing and extending the environmental performance levy, Automobile Tax category levy greening exceptions, and Tonnage Tax eco-car tax incentives, attempts should be made to significantly reduce the tax burden. We would like to request an extension while maintaining the same level as the current systems.
- As the spread of BEVs in Japan remains low, it is needed to accelerate the spread of electrified vehicles that can contribute to the realization of carbon neutrality. In this sense, revisions of schemes that increase burdens on users should be avoided, and maximum tax exemption measures for next-generation vehicles such as BEVs, PHEVs and FCVs should be implemented and/or continued.
- The auto-related taxes of Japan are excessive and complex, when compared with other countries; from a perspective of drastic cut in users' burdens, streamlining and ensuring fairness, the Tonnage Tax should be eliminated and the Tax Rate for the Time Being (former Provisional Tax Rate) abolished and the Automobile Tax category levy further reduced, and the Automobile Tax environmental levy and the monthly pro-rated levy of the Automobile Tax in the initial year of registration should be abolished.

PUBLISHED: November 29, 2021

Tyres

STATUS: **RESOLVED**

Jisha 502 specifies that every approved tyre has to be listed in JATMA's Year Book. Although tyres fulfilling the applicable UNECE regulation are perfectly legal, and of course safe, in Japan, JATMA refuses to include tyres that are not in complete compliance with Japanese regulations. This puts European tyres at a disadvantage.

Resolved

- JATMA now includes UNECE-compliant tyres.

PUBLISHED: November 29, 2021

Aftermarket

STATUS: **NO PROGRESS**

Currently automotive components companies supplying Japanese vehicle manufacturers are restricted in respect of where they can sell their products on the Japanese aftermarket. As a result, in many cases Japanese consumers can only purchase original high-quality spare parts from dealerships tied to a specific car manufacturer. Strangely, no such restrictions apply to companies that make copies or non-original parts, which leads to the independent aftermarket being characterised by potentially lower quality and less safe products.

Recommendations

- Japan should set up a legal framework that allows automotive components manufacturers to sell on the aftermarket similar to the EU's Motor Vehicle Block Exemption legislation. This would increase the options for Japanese consumers wishing to source original high-quality vehicle parts.
- Components suppliers should be permitted to apply their own trademarks or logos and their own part numbers to goods supplied to vehicle manufacturers.

PUBLISHED: November 29, 2021

Harmonisation

STATUS: **SOME PROGRESS**

The EBC appreciates the success of the harmonisation originating from the EU-Japan EPA. This is nothing short of a success. Following this positive step, the EBC hopes that for new technologies, such as automated and connected driving, safety standards, electric and alternative fuel vehicles this will continue. It is important that the momentum is not lost.

Recommendations

- To continue on the harmonisation work so that new technologies do not risk running into the need of double-testing or in worse case scenario not being able to be introduced to the market
-

Globalisation of the automobile industry and promoting information exchange

STATUS: **SOME PROGRESS**

The EBC welcomes the opportunity that globalisation presents for innovative European firms to strengthen their relationship with Japanese automobile manufacturers in developing new products and sharing technical expertise. Japanese automobile manufacturers are increasingly making use of foreign tie-ups to develop their business and respond to competitive pressures both at home and abroad. Nevertheless, European automotive component and system manufacturers continue to face numerous challenges in promoting European technical expertise to automobile manufacturers in Japan. It is of crucial importance, both for Japanese and foreign firms, that Japan harmonises its regulatory framework to better accommodate the globalisation of the automotive components sector. Face-to-face meetings between the European Association of Automotive Suppliers and Japanese car manufacturers were established in 1995 to promote information exchange between European and Japanese companies. These meetings have proven to be a highly effective venue for discussing issues of mutual concern relating to products, platforms, global strategies and other important matters affecting the industry.

Recommendations

- Encourage the Japanese automobile industry, when procuring components and systems, to focus on the technical, commercial and logistics aspects of automobile production and to avoid excessive reliance on affiliated companies. Increased purchasing on a global basis and more emphasis on single platform development would improve the cost-effectiveness of the Japanese industry.
- Recognise foreign test results from accredited European agencies to avoid the necessity of re-testing for the Japanese market.
- Continue face-to-face meetings between leading representatives of European suppliers and the Japanese automobile industry, as these have led to increased understanding. The EBC also recommends that the scope of these meetings is expanded in future to include opportunities to meet at Japanese venues.

PUBLISHED: December 1, 2022

Auction system for wind power

STATUS: **NEW**

After the award of Round 1 auction in December 2022, the government postponed the ongoing Round 2 process and started revising the auction system for the next rounds considering the energy scrutiny situation, which had dramatically changed due to the Ukraine war.

Recommendations

- It is particularly important for policy makers to 1) ensure the fairness and transparency of the competitive environment, and 2) promote planned, continuous and large-scale offshore wind power generation.

PUBLISHED: December 1, 2022

Supply chain constraints

STATUS: **NEW**

The industry has already seen some indication that supply chain capacity to support Japanese projects would be insufficient in coming years. The following measures should be undertaken to address this issue.

Recommendations

- Japan shall have a robust supply chain which can supply sufficient products and services when required. Excessive expectations for the formation of domestic supply chains could be an obstacle to accelerating development of offshore projects. It is necessary to create an environment in which domestic and foreign suppliers can make large investments based on future market size projections.
- Increase market predictability for supplies by shortening the time between bidding and the start of operations with regulatory reform of permitting procedures (e.g. Wind farm certificate, EIA) and providing a long-term roadmap for project formation. Expanding the scale of each offshore wind project to 1 GW or larger level would enhance the market predictability.
- Establish and implement strategic policies to enhance the competitiveness of Japanese suppliers in international market while welcoming non-Japanese suppliers to Japan for providing their products/services which are already proven in international market. These two concepts should not be regarded as conflicting with each other. Both policies would support each other in facilitating the robust supply chain of the offshore wind in Japan and Asia.
- Allow to employ products, services, specifications, inspection methodologies, etc. which comply with international codes and standards but might not be aligned with Japanese ones. This would attract and encourage more non-Japanese suppliers to provide their products and services to Japan. Japan shall be an attractive market for non-Japanese suppliers because the offshore wind supply chain is "Seller's market" now and is expected to remain so for the next several years. This means suppliers enjoy and will enjoy luxury to select markets which are more profitable and less risky. It is worth noting that some suppliers are showing their reluctance for entering Japan or continuing their business here.

Marshalling port

STATUS: **NEW**

Japan should expand/upgrade the already-selected marshalling ports (Akita, Noshiro, Kashima and Kitakyushu) and/or develop additional marshalling ports and make them ready preferably by 2027 so that all or most of the round 2 and 3 projects would be able to start their offshore installation campaign from 2028 and to make the wind farms operational by 2030. Considering the ambition of Japan to introduce 5.7GW offshore wind capacity by 2030 and the rapid growth in a unit capacity of offshore wind turbines, we recommend Japanese authorities to take into account the following elements to ensure marshalling ports would not hinder the mentioned Japan's ambition.

Recommendations

- A single marshalling port should have sufficient capacities and functions which can support installation of foundations and/or wind turbines equivalent to 1-2 GW every year. In specific;
 - Large area for storing foundations, turbines, cables, etc. and for preassembling works
 - Long and/or multiple quays to allow several vessels for unloading and/or loading out simultaneously
 - Sufficient bearing capacity for assembling and storing a tower for a 20MW wind turbine
 - Sufficient bearing capacity at quay side where a next generation Jack Up Vessel (e.g., 3,200 ton lifting capacity) can jack up for loading out foundations for a 20MW turbine.
 - A single marshalling port should have sufficient capacities and functions which can support installation of foundations and/or wind turbines equivalent to 1-2 GW every year. A marshalling port should be large enough to attract and encourage companies to start providing the services necessary for offshore wind development (e.g., bunkering, food/water supply, vessel repair & maintenance works) with reasonable price.
 - A large marshalling port should allow itself to have emergency response capabilities (e.g., rescue, salvage, prevention of oil pollution) which is also essential for offshore wind development.
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Wind farm certification

STATUS: **NEW**

Japan should implement a drastic reform on the offshore wind farm certification process. The current setup has been inducing lengthy and unpredictable process which serves as a bottleneck for earlier financial closure and subsequent COD. Below are several suggestions for improvement.

Recommendations

- **Duration for certification:** The certification process should be completed in 1 - 1.5 years which is typical in Europe. It currently takes 3 - 4 years in Japan.
 - **Transparency in design codes:** The design codes and guidelines should be upgraded to provide more clarity on the acceptable design processes (e.g., setting up design conditions, the design methodologies and techniques, allowable criteria). This minimizes ambiguities and provides more transparency and predictability in certification process. This also reduces the time currently consumed in certification process for endorsing any new process/methodology to fill in such ambiguities. Additionally, ambiguities in design codes should be proactively clarified by the government with assistance of subject matter experts (not limited to academia) and should not be implemented in certification process of any commercial project as this would definitely increase the burden of developers and stretch out the duration of certification process.
 - **Step-by-step approval process:** The submissions (e.g., Design Basis-A, B and C) should be reviewed, commented and/or approved within a pre-determined duration (e.g., 2 weeks). Currently, the submissions are approved only at the end of the certification process. This setup hinders efficient certification process as this allows, for instance, Design Basis-A to be reviewed and commented many months after its submission. This practice would extend the duration of certification process because it would require re-dos of relevant design works as most of early submissions are inputs for subsequent design processes.
 - **Document-based review process:** The certification process should be document-based approach. Namely, developers furnish documents which contain all information necessary to justify the proposed design and certification body returns the documents with its comments (e.g., Approved, Approved with comment or Not approved). This provides more transparency and efficiency than the current setup. The current practice is meeting-based approach and most of the communication is made verbally. There is also constrain in time and opportunity as such meeting is held only once in every one or two months and the duration is only 2 hours. It is quite a challenge for developers to explain their design details and receive comments.
 - **Language:** English language should be allowed in all communications. This will open opportunity for non-Japanese-speaking experts which have extensive knowledge and experience in offshore wind to contribute in certification processes and will enhance the quality and efficiency of the certification.
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Demand response

STATUS: **NEW**

Amid the shortage of supply capacity since the Great East Japan Earthquake, Demand Response (DR) is on its way to commercialization. After a four-year demonstration project, as a public offering of balancing reserve by TDSOs from FY2016, it is transitioning into the Capacity Market operated by OCCTO as a dispatchable peaking resource from FY2024 onward. In addition, the increased need for demand-side resources has been signalled in both the wholesale energy market (JEPX), in the wake of the recent global energy crisis and soaring fuel costs, and the balancing market due to the expanding introduction of renewable energy resources in Japan. While the Government of Japan (GOJ) has been working to design a system in which DR is integrated into market mechanisms, a certain amount of know-how has been accumulated through the active competition among DR aggregators and their operation under tight supply-demand conditions. As a result, the effectiveness of DR has become widely known to the public. The legal status of aggregators as “Specified Wholesale Suppliers” has just been clarified in the Electricity Business Act, effective from FY2022. Most recently, a further expansion of incentive-based DR was presented at the GX Execution Conference as a measure to tackle immediate power supply shortage.

Recommendations

- The EBC request that various systems be designed in a consumer-first manner that ensures consumer acceptance, predictability, and continuity.
 - The Japanese Government should design a system that enables both aggregators and consumers to make decisions on DR participation based on the economic rationality of price signals from various wholesale markets.
 - As indicated in the Clean Energy Package for Europe, the EBC requests that institutional design and market rules be developed so that not only retailers, but also independent aggregators can smoothly engage in DR operations in Japan.
 - Finally, to achieve Carbon Neutral target by 2050, the Government of Japan should consider the early introduction of equipment-point metering (sub-metering) so that not only DR, but also clean zero-emission distributed energy resources, including storage batteries, rooftop solar power, and electric vehicles, can participate in various wholesale markets.
-

Transmission and distribution

STATUS: **SOME PROGRESS**

Japan's transmission network is centred on its production sites, with the main transmission at 500kV. The frequency converter stations (FC) connecting the 50Hz and 60Hz networks offer only limited additional capacity. Furthermore, the limited interconnections between the individual EPCOs represent a real risk to security of supply. In contrast, European and US grids have extensive plans for use of High Voltage Direct Current (HVDC), which offers more flexibility in energy flows between regions, enables large integration of renewable into the system and also enables long cable connection by subsea or land. The Organization for Cross-regional Coordination of Transmission Operators (OCCTO) ensures network balance by designing national Master Plans. It is encouraging to see the draft 6th Plan for grid enhancement between Hokkaido, Tohoku and Tokyo area for further renewable deployment of 4GW. Smart meter deployment was completed in the Tokyo area in 2021 and will be finalized nationwide in 2025. A second generation will be deployed from 2025.

Recommendations

- The legal unbundling in April 2020 should implement regulations that will ensure security of supply and fair market mechanisms based on wider grid interconnections and look into increasing ownership or operation separation to further ensure the independence of Transmission and Distribution System Operators (TDSOs).
 - Japan should do more to increase interconnection capacity between TDSOs, achieving fair electricity transactions and encouraging mergers between TDSOs for logical and reasonable decision making.
 - The TDSOs should look into further harmonisation of technical standards by integrating individual requirements and also adopting European standards for products and systems to achieve cost efficiency.
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Nuclear energy and nuclear safety

STATUS: **SOME PROGRESS**

Prime Minister Fumio Kishida announced a plan on August 24th 2022 of making up to a total of 17 reactors operational by summer 2023 and constructing new “next generation” nuclear power plants. Japan's Mitsubishi Heavy Industries is developing a design of "SRZ-1200", a 1.2-million-kilowatt advanced light water reactor with Kansai EPCO, Hokkaido EPCO, Shikoku EPCO and Kyushu EPCO, to develop a next-generation nuclear power reactor. The consortium aims for mid-2030 completion. Also, Chugoku plans to restart its reactor of Shimane 2 (BWR-5 with a 2436MWt thermal capacity) in February 2023, after seismic reinforcement and safety tests to be cleared. Japan's restart of more nuclear power plants would help ease Europe's energy supply fears during the winter as more liquefied natural gas (LNG) will become available to the global market. On the other hand, electricity bill rising for the past year of 20% for households and of 30% for businesses may enhance a new lead for Japanese government's policies in the upcoming years. In fact, it pushes the government to reimplement subsidies to the Japanese Utilities and cash pay-outs to households and firms. This may be affected by the sharp falls in the yen that pushes up prices of imported goods. Mainly, costs for coal have tripled within the last year, and the price of natural gas has doubled in the same period.

Recommendations

- Japan should increase cooperation with international organisations to improve global nuclear safety.
 - Japan should accelerate the restart of the idled reactors to achieve the 2030 decarbonisation objectives.
 - Japan should promote fuel multi-recycling to reduce waste and further boost energy self-sufficiency.
 - The Japanese Government should develop a long-term plan for the replacement of ageing reactors to achieve the energy mix targets, including maintaining sufficient manpower to restart the current fleet and its future replacement.
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Wind energy

STATUS: **SOME PROGRESS**

This issue has been expanded and is now represented by [Auction system for wind power](#), [Supply chain constraints](#), [Marshalling port](#), and [Wind farm certification](#).

The development of wind energy is essential for Japan to reach its CO2 emissions targets and to achieve net-zero emissions by 2050. Modern and cost-efficient wind turbines now contain sophisticated technology that works well with established power grids of all kinds, ranging from large transmission systems to isolated local grids. The establishment of “the Public-Private Council” which serves as a platform of discussion between the offshore wind industry and the central Government was extremely encouraging, as was the “Vision for Offshore Wind Power Industry” published by the Council setting an ambitious target to sanction 10GW of offshore wind projects by 2030 and 30-45GW by 2040. Now with the 1st round of auctions being closed and awaiting result announcements, the offshore wind markets in Japan are gaining momentum.

Recommendations

- Japan should facilitate the development of on-shore as well as off-shore wind farms by reducing unnecessary regulations that add to their cost and development time, especially in relation to environmental impact assessment requirements and cabotage rules.
 - Japan should adopt and recognise internationally accepted certification standards and international accreditation for wind turbines and their componentry. This would increase both domestic and foreign direct investment, and support Japanese technology exports.
 - Japan should establish a standard for compensation to fishermen, to ensure that subsidies for offshore wind power is used efficiently and transparently.
 - Japan should focus on and officially support development in areas with good wind conditions and access to consumption centres to enable investors to build utility-scale wind farms.
 - Since Japan's offshore wind potential is located in deeper waters, Japan should continue to play an active role in supporting the development of the floating offshore wind industry. As this is globally an emerging technology and industry, Japan can still position itself as an industrial hub (supply chain) for this industry. The focus should now shift from technology demonstration to cost improvements through changing the support focus to larger scale floating wind farms.
 - Japan should introduce regulations for offshore wind development in the exclusive economic zones too, and not only for territorial water, since most of Japan offshore wind potential is located in the former.
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Solar energy

STATUS: **SOME PROGRESS**

The principal impediments to sustainable growth of utility and commercial-grade solar energy are: still rather discouraging reverse auction system which do not meet planned allocations, cumbersome procedure for obtaining special permits for land re-zoning for non-agricultural use, and the prospect of potential curtailment in certain power grids, which affects project financing. Additional challenges that Japanese utility companies may soon encounter are managing cost effective solutions to integrate decentralised and intermittent renewable generations into the existing power grid. While Japan has focused extensively on solar power as a renewable energy source, the EBC believes that it must continue to encourage development of this important source of renewable energy. This must be carried out ambitiously with realistic targets, aimed at increasing the safety and reliability of the energy supply.

Recommendations

- Adopt and recognise internationally accepted certification standards for solar modules, system components and design qualifications, rather than enforcing existing “Japan-only” component and certification standards.
 - Adopt an accreditation scheme to support the acceptance of test results, reports and certificates from any accredited certification body, whether domestic or foreign, based on available international standards.
 - Incentivise and create standardisation programmes for the EPCOs to use to contract PV project construction to an emerging class of engineering and design companies, with the aim of reducing grid connection costs and lead times.
 - Incentivise rooftop PV (PhotoVoltaic) installation as an alternative to power plants in remote areas requiring substantial land conversion, and facilitate PV installations for self-consumption in industrial and commercial sectors.
 - Encourage further grid interconnections to reduce the occurrence and adverse impact of curtailment, utilise existing pump storage power generation plants, use and improve battery storage, provide technical and regulatory frameworks for floating PV plants, and consider new technologies, such as conversion to hydro for further PV integration.
 - For the remaining FIT (Feed-In Tariff) projects under construction, project developers are forced to remain with previously selected PV modules and applied plant capacity, if they wish to maintain the earlier FIT (Feed-In-Tariffs) agreements. This practice not only results in failure to take advantage of recent technical developments, but in some cases has also resulted in unfavourable detail design. A certain level of flexibility with respect to design variations would easily avoid such situations, while maintaining the goal to clear the project pipeline.
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Coal

STATUS: **NEW**

Japan imports 200 million tonnes per year of coal of which 110 tonnes are consumed for power generation. There is a coal ambiguity: 100 inefficient coal plants (22 giga watt, GW) need to close before 2030, but 11 GW of “high efficient” new coal plants are under construction. The idea of co-burning ammonia and coal (20/80) in order to reduce the CO₂ emissions is not a great solution. The most economical way to enact the energy transition in Japan is to convert existing coal power plants to another energy source (natural gas emits 50% less CO₂, or biofuels). Coal fired power plants can survive in Japan, but they should not run on coal in the future. If Japan’s coal fired power plants were to converted to natural gas, the 46% target carbon reduction would immediately be obtained, way before 2030. The expectations for CCS (Carbon Capture Storage) and H₂/ammonia appear high within the Japanese government but for the moment none of these solutions comes with any proven large-scale deployment.

Recommendations

- Japan should convert existing coal plants into plants using other energy sources, such as natural gas or biofuels.
- Japan should be less dependent on technology that is not yet ready for large-scale development.

PUBLISHED: November 21, 2022

Life Cycle Assessment (LCA) and Environment Product Declaration (EPD)

STATUS: **NEW**

LCAs and EPDs are becoming more common both as suppliers are disclosing the information as part of their transparency efforts and as buyers are requesting this to fulfil their environmental goals and requirement. In the EU, some standards, such as EN 15804+A4 for the construction related materials, and platforms for EPD, such as Environdec, are being used. In Japan we have Ecoleaf. As more and more data are being covered by LCA and EPD it is important that there is harmonisation between various systems to avoid that additional costs. This can become significant considering the number of products of a given company. It should be mentioned that some collaboration already exists.

Recommendations

- Japan and the EU should harmonise or mutual recognise LCA systems and EPD. Both in so far as standards and registration platforms.

PUBLISHED: November 21, 2022

Waste shipment out of Japan for treatment in European world-class facilities

STATUS: **PROGRESS** **SOME PROGRESS**

Japan has introduced a three-year notification period for waste shipment procedure, which makes situation better than little time after agreement. However, the notification process of Basel waste is still very slow due to inefficient procedures. For instance, for transit and passing countries, Japanese authorities don't apply the tacit consent rule toward non-OECD countries and hold the procedure until all the transit countries approve it. These complicated procedures are required even for pre-authorised facilities which benefit from extremely low risk to human health and the environment.

Recommendations

- Review the amount and type of data needed by Japanese authorities during the notification process.
- Speed up at authorities the notification process to bring it to an acceptable level similar to the speed of other
- Japanese Government should allow negative value material to leave Japan using transparent guidelines.
- Review Japanese system for waste classification to enable a closed loop system for scarce metals between Japan and Europe.
- A fast-track system between Japan and Europe should be implemented for pre-authorised facilities

Workers' safety labelling for chemicals

STATUS: NO PROGRESS

When products are not registered in Japan, despite having a CAS number, MHLW does not consider the actual nature of the substance but applies a warning label based either on the individual components or on the most similar substance that is already registered in Japan. This can lead to compounds being unnecessarily labelled as dangerous, eg. alumina. There is also a lack of information in English.

Recommendations

- MHLW should give due consideration to compounds not currently registered in Japan that nevertheless have an international CAS number.
 - MHLW should provide proper information on how importing companies should comply with its regulations.
 - EU and Japan should better harmonise this area to avoid the need for different labelling.
-

Chemical substance control law

STATUS: PROGRESS SOME PROGRESS

With both the EU and Japan now having introduced their own chemical substance registration systems, producers, exporters and importers are faced with re-testing, double submissions and an increased administrative burden to fulfil the respective regulations. Some harmonisation was achieved thanks to the EU-Japan EPA but many areas are still either not harmonised or the registration has to be done separately.

Recommendations

- Japan and the EU should harmonise their registration systems or mutually recognise test results and supporting documents, and also make certain that products are not classified differently in the two regions.
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Tariff issues

STATUS: **GOOD PROGRESS** **PROGRESS**

With the entry into force of the EU-Japan EPA, tariffs have been removed on metals with EU origin. This is something that benefits not only European suppliers but also the Japanese industry that is dependent on these products and is under pressure from low-cost countries. However, due to the global nature of the material sector, some metals will not be able to benefit from the EU-Japan EPA. For this to be achieved, Japan will have to remove tariffs on a worldwide basis. Moreover, industrial materials imported into Japan are occasionally subjected to arbitrary tariff classifications and revisions. Regional Customs offices do not apply classification rules on a consistent basis, and the appeal mechanism is both time-consuming and costly, without any guarantee that the outcome will be in line with international practice.

Recommendations

- Japan should remove import tariffs from all industrial raw materials, irrespective of the site of production.
- Japan should rationalise its tariff classification regime and develop a strategy to improve consistency between Customs offices in classification rulings and simplify dispute resolution mechanisms.

PUBLISHED: December 1, 2022

Satellites

STATUS: NO PROGRESS

Japan is mostly interested in high technology components (solid state recorders, star trackers etc) for supporting its domestic programmes. The space agencies of both the EU and Japan cooperate and share data in science and research but have almost no industrially meaningful cooperation. However, the quantity of inquiries and topics under investigation are significantly increasing.

Recommendations

- The EBC advocates closer space agency cooperation in satellite technology development and applications, with pro-active promotion and execution of industrially and commercially meaningful cooperation projects.
- The Government of Japan should increase cooperation with Europe through the procurement of high-quality satellite systems or equipment in fields related to national security among others. This includes the joint development of high-quality sensors or their production by Japanese industry under licensing arrangements.
- Government procurement methods, terms and conditions should not put European makers at a disadvantage.

PUBLISHED: December 1, 2022

Launchers

STATUS: SOME PROGRESS

Europe and Japan are developing their respective next generation heavy-lift launchers Ariane 6 and H3 almost simultaneously. Both sides will need to develop enhanced versions to stay competitive. As many development items will be the same, cooperation will be mutually beneficial. The space agencies of both parties are already cooperating on some items of future enhancements. A plan for a balanced mutual backup agreement to reduce delays in launching government satellites was evaluated positively by Japan's space authorities in the past, but no agreement is in sight due to lack of political leadership.

Recommendations

- Japan and Europe should step up cooperation on the future evolutions of their respective new generation launchers. Ariane Group and the new structure of Europe's heavy launcher industry make it easier to realise industry-led cooperation on development.
 - Government satellite programmes increasingly require timely launches. The EBC urges Japan and Europe to bring about an effective, formal back-up cooperation between Japanese and European satellite launchers.
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Space debris and situational awareness

STATUS: **SOME PROGRESS**

Near-Earth space is a key resource for society, as crucial as Earth-bound resources. Space debris threaten vital current space systems and the availability of the resource for future projects. New micro-satellite constellations and other projects make a strong "space situational awareness" indispensable. Japan and Europe have a shared problem in making core small launchers of solid motor rockets, because micro-debris may arise from combustion gases ejected by solid motors. Both Japan and Europe are leaders in debris policies, and there is a high awareness about preserving the space environment.

Recommendations

- Japan and Europe should continue increasing the scope of their cooperation in space situational awareness.
 - Japan and Europe started a cooperation discussion on the Electro Dynamic Tether debris removal device. A strong support by JAXA is appreciated.
 - We recommend that Japan and Europe consider cooperating at government level on the debris problem incurred by the operation of core solid motor launchers as well as the soil contamination problem.
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General environment

STATUS: NO PROGRESS

The approval system for satellite projects and the handling of future PPP projects hold risks of protectionism. The EBC advocates increasing, not reducing, trade and cooperation. More openness to European industry would benefit Japan. This especially as Europe provides many technologies free from “black-box” technology concealment policies. In the U.S., billionaires expand their assets further on the basis of the U.S.’s large government demand, with an impact on the commercial market. American companies with enormous capital and a large governmental market solidify their competitiveness through physical concentration. China and India are also rising. Japan and Europe are facing common threats never experienced before. In both Japan and Europe, development funds and government demand are limited. In order to maintain a space industry and an independent access to space, establishing a strategic partnership should be urgently considered. After the Russian invasion to Ukraine, Russia suspended Arianespace’s Soyuz launcher operations. This suspension and the delay of Ariane 6 cause a launch capacity shortage. The importance of the idea of the Japan-Europe mutual backup of institutional satellites, which was discussed before but is in hibernation, is getting bigger and bigger.

Recommendations

- Satellite projects with both government and commercial aspects should not be declared “governmental” for the purpose of excluding the participation of foreign industry.
- The EBC urges continued Japanese cooperation with European space agencies. Space agencies on both sides can compare their projects at an early stage and take advantage of cooperation opportunities.
- The European Space Agency (ESA) should consider establishing a permanent representation in Japan.
- Japan should also encourage more cooperation between the Japanese and European space industries on satellite platforms and ground systems.
- The EBC believes that boosting Japan-Europe cooperation is indispensable in order to respond to the rapidly changing space environment and common threats and request that action is taken to make this possible.
- The discussion of Japan-Europe mutual backup cooperation regarding institutional satellites should resume.

PUBLISHED: December 1, 2022

Procurement

STATUS: **NO PROGRESS**

The EBC appreciates the fact that introduction of European products in the land and sea domains has been increasing. To the contrary, the visibility of European products in the air domains remains extremely limited. As this trend may be derived from Japanese traditional preference of having US defence equipment, the EBC believes that the transparency of the procurement in those domains shall be improved, and more fair opportunity shall be given to European companies.

Recommendations

- The Government of Japan should regard the use of European defence and/or dual use equipment as a part of fostering the security collaboration with European nations and widen its supplier base. The Government of Japan should strategically promote collaboration and consider EU industries as partners of choice to deliver the next Mid Term Defence Plan 2023/2028 and beyond. It would significantly benefit the operation of the Self-Defence Forces in terms of Life Cycle Cost reduction and would benefit both European and Japanese industries throughout the increased international collaboration opportunities.
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Industrial collaboration

STATUS: NO PROGRESS

The EBC notices that the increase in the Japanese defense budget during the last few years is mostly benefiting the US industry, which absorbs almost all the increase. At the same time, only a few Japanese companies are trying to be active on the global market. To make matters worse, strict export control, especially in terms of third country transfer, is discouraging companies and leading to missed out collaboration opportunity with European companies.

Recommendations

- In order to foster cooperation between Japanese and European industries in the defense domain, especially with the view of addressing third country markets, the Government of Japan should present a more precise framework in terms of practical expectation (main technologies, operating field, priorities) and actively motivate Japanese companies to enter into a cooperative mode with their European counterparts.
- The EBC recommends a closer dialog between the European Defense Agency (EDA) and its counterparts in Japan, ATLA (Acquisition, Technology & Logistics Agency) and METI (Ministry of Economy, Trade and Industry), to promote industrial partnerships between Japanese and European companies. More specifically, Japanese officials could also explore and promote in a beneficial way, joining as a third party, the new defense initiatives implemented by the European Union to foster industrial cooperation between member states in specific areas of mutual interest.
- The Government of Japan should also clarify its political policies regarding transfer to third-party countries and should either operate the three principles of defence equipment transfer in a more flexible way or revise them, to avoid their becoming an obstacle to cooperation between Japanese and European industries.

TRANSPORTATION & COMMUNICATIONS

PUBLISHED: November 29, 2021

High costs at Japanese airports and new Tourism Tax proposal

STATUS: **SOME PROGRESS**

Operating costs at Japanese airports continue to be high in comparison similar airports. While demand for outbound travel to Europe is strong, it is the commercial viability of flights that determines the addition of capacity. Recent negotiations with NRT held the line on prices. Added to such cost issues, the Government continues to require airlines to file published fares and surcharges for approval prior to sale – a time-consuming and costly exercise not required in other major markets.

Recommendations

- The EBC recommends that airport fees be temporarily reduced to support short term cost reduction for airlines. This will encourage airlines to ramp-up capacity and frequencies at a faster pace. Current airport fees are too high, particularly in comparison with other airports in the region.
- The decision by the Japanese Government to reduce specific fees at domestic airports in Japan to further encourage travel should be used as a template to lower fees at international airports.
- The EBC urges the Government to reconsider the value to consumers of insisting that airlines file published fares and surcharges for approval prior to sale.
- The EBC was against the implementation of the new Tourism Promotion Tax as it burdens the airlines to collect it and raises costs for the consumers. In the implementation phase, the EBC requests clarification of data requirements which may be in conflict with EU data protection laws and prohibit EU airlines from delivering it. Also needed is a transparency of usage for the collected revenue.

PUBLISHED: November 29, 2021

Coronavirus

STATUS: **PROGRESS**

The Government must facilitate and support airlines in the short-term so that it can change from activities focusing on passenger traffic to freight traffic. It is also imperative that whatever aid is offered to domestic operators if also offered to the domestic activities of foreign airliners

Recommendations

- The Japanese Government should improve the situation for freight transport, especially at Haneda. At the same time, it should be possible for airliners to, in a flexible manner, to increase its freight transport capacity in place of its passenger traffic capacity.
 - Airliners should be able to retain its slots even if temporarily due to the Coronavirus, they reduce their traffic.
 - The Government should include foreign airliners domestic activities when and if offering monetary support to the airline industry.
 - Sufficient resources need to be dedicated to new screening procedures at airports for arriving international travellers in order to alleviate long waiting times and passenger load restrictions for inbound flights .Further restriction on inbound passenger loads will reduce the airlines abilities to ramp up operations and meet expected demand.
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Airport infrastructure

STATUS: **SOME PROGRESS**

The EBC encourages the continued opening up of HND airport slots. In addition, improved “on or near airport” facilities, including for catering and cargo are needed. We welcome the opening of the new air corridor at HND with its positive business and environmental impacts.

Recommendations

- HND should continue opening up to international traffic, including flights to and from Europe
- More space for catering and cargo suppliers should be allocated at HND, in order to increase efficiency and reduce costs for operators.
- Additional car park facilities should be added at HND to alleviate waiting times for parking spaces. This would improve quick access to the airport.
- Numbers of immigration staff should be increased at all international airports as waiting times are
- The “early landing gear down” policy at NRT should be re-evaluated in consultation with local communities, on environmental as well as cost grounds, as it results in higher fuel consumption and increases noise.

PUBLISHED: April 14, 2023

Sustainability

STATUS: **NEW**

The logistics sector is active globally all over the world and plays a major role to reach a carbon neutral society. While there are some progress in Japan, the EBC believes that there is still plenty of improvements that can be made. We are at the same time fully aware that many of the policies are globally decided.

Recommendations

- The Government of Japan should set goals and initiate subventions to stimulate the industry and the market to invest and use more environmental-friendly logistic processes.
- Japan should together with the EU take the lead to make the logistics sector more sustainable.
- As part of the working hours limitations, Japan should implement policies that make it possible to transport bigger loads, such as double or larger trailers.

PUBLISHED: April 14, 2023

Future delivery modernisation

STATUS: **SOME PROGRESS**

The final mile delivery in Japan can be hugely challenging, with service providers working extended hours and dealing with re-deliveries as a result of the consignee being away from home or unable to receive the delivery, even if the delivery is made within the agreed time window. Against the background of an overall tightening of the labour market and, in particular, a well publicised driver shortage, the EBC believes that a new approach is required to improve the sustainability and effectiveness of final mile deliveries. The situation has further worsened with the Corona virus.

Recommendations

The Government of Japan should:

- Support and enable use of larger vehicles for inter-city movement to reduce the number of vehicles and drivers required. This would also be inline with the new limitations on working hours for truck drivers.
- Allow and encourage the use of autonomous vehicles by delivery companies.
- Increase the subsidy for non-proprietary “open” parcel lockers and simplify the application process for such subsidies. In particular switching from the pre-installation to a post-installation application process should accelerate the deployment of parcel lockers. It is not uncommon that all boxes are already used.
- Educate the public about socially responsible delivery arrangements by highlighting the social and environmental costs of failed delivery attempts and encouraging the consignee to be home and able to receive the delivery within the requested time window or to choose alternative “delivery options”. Failed deliveries are still very common.

Labour shortage

STATUS: **SOME PROGRESS**

Given Japan's projected population decline and ageing society, it is anticipated that the current shortage of available labour will continue, severely impacting the logistics sector as expansion of e-commerce drives up demand. The logistics sector is especially vulnerable as many of the long-haul drivers it employs have reached or are reaching retirement age. In order to continue meeting the demand for logistics services, it is important that the Government puts in place practical strategies to improve the availability of labour in the short- and medium-term. The EBC appreciates the various initiatives put forward by the Government. However, many of them do not quite hit the target but are held back by limitations either in scope or by administrative restrictions. There is a particular concern around the short-term challenge, since potential solutions such as the use of new technologies, including autonomous driving, and increased use of automation in freight handling will only become available in the long term. From 2024, the legislation will change so that drivers will not be able to work for more than eight consecutive hours.

Recommendations

- Japan should ease its visa requirements to allow foreign temporary labour, particularly during peak periods of demand, such as Golden Week and around the end of the year.
- Japan should make it easier for logistics companies to use the Technical Intern Trainee Program.
- The authorities should support companies in setting up childcare provision, including through access to training and certification for childcare workers, to facilitate the employment of women in the sector.
- Japan should promote the importance of the logistics sector to encourage more female participation.
- As the issue with labour shortage is shared by Europe and Japan, the two economies should work closer on this issue.

NACCS

STATUS: **NO PROGRESS**

The NACCS (Nippon Automated Cargo and Port Consolidated System) is a well-used system in Japan for among other things customs clearance. While it gives direct access to the service of the Japan Customs, many other agencies and ministries are less connected to NACCS. This means that some data has to be duplicated. Examples of these data are: trucking, warehousing, forwarding activities, airlines and shipping activities. There are still many legacy components.

Recommendations

- NACCS should be more accessible for non-registered companies. This would also improve the compliance efforts of companies.
 - Japan should expand NACCS so that more data related to logistics can be included and accessed as well.
 - Expanding the number of entries that can be made on one declaration. The current 99 lines are too few.
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COVID-19

STATUS: NOT PRIORITISED

Over a year after its outbreak COVID19 continues to affect the logistics sector. With travel restrictions all over the world, and in particular in Japan, operations are hampered. There is a need for transparent and long-term regulations and guidelines.

Recommendations

The Government of Japan should:

- Issue clear guidance regarding use of ports in relation to operation and quarantine.
 - Do its utmost to keep ports open with minimum changes to operations while ensuring that the necessary precautions are taken.
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Tokyo Port operating hours

STATUS: NOT PRIORITISED

From 19 July to 6 August 2021, during the Olympics, the opening hours for picking up containers will be expanded so that it is possible to pick up from 07.30am to 04.00am the following day. This is something that the EBC views in a very positive light. Under normal circumstance the pick-up hours are between 08.30am to 16.00. As the cargo handled by Tokyo Port, or any other port in Japan, has relatively compared to other ports in the world drastically decreased, we believe extended opening or operating hours will make the port more attractive to use.

Recommendations

- The EBC request that the extended opening hours are made permanent, and that other ports in Japan follow suit.
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Authorised Economic Operator (AEO)

STATUS: **SOME PROGRESS**

The current system of AEO has not led to the anticipated easing of the administrative burden. In many cases, the burden has increased. The EBC seeks a system giving companies a simplified process and extended powers to handle matters without the involvement of the authorities in every single case, provided operators can demonstrate sufficient control over the flow and that traceability is ensured.

Recommendations

- The AEO concept should focus more on offering simplifications, provided the operator meets the agreed criteria for tracing each product and adhering to the agreed process flow.
 - The Government should introduce more benefits for imports handled by AEOs, including but not limited to:
 - Enabling access to NACCS from servers outside Japan
 - Allowing quarantine checks at transporters' own bonded warehouses
 - Reducing the physical examination of shipments
 - Allowing the use of digital archives
-

Digitalisation

STATUS: NO PROGRESS

With ever increasing traffic, of not only physical goods, but also of accompanying documents, logistics companies are under increasing strains. While the core of the problem does not lie with a regulation or a standard, but rather with the behaviour of the stakeholders, the Japanese Government should support and promote a digitalisation of the sector. Currently, there are still many situations where orders are made either over fax or over phone or where documents are delivered physically. With an improved digitalisation, not only will logistics cost go down, but times from order to delivery will do the same. Needless to say digitalisation will also help to cope with the Coronavirus situation, as it is currently very difficult for the logistical sector to, for instance, work from home.

Recommendations

- The Government together with the various sector organisations should work to enhance digitalisation within the logistics sector. This would improve the competitive advantage of the Japanese market.
 - Japan should look into reducing the amount of required documents that is require to be in paper form. This is particular burdensome in regard to time stamps.
 - Together with digitalisation, Japan should also modernise the process and just not make a manual process digital. Try to eliminate some of the requirements.
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Retrospective application

STATUS: NOT PRIORITISED

With the implementation of the EPA, and the need for additional information on the origin status, some companies decided not to apply for preferential treatment, and instead paid the third country duty. With the changes adopted by Japan Customs where importers making use of the statement on origin issued by the exporter do not have to provide any additional information this issue has thankfully been resolved. However, in Japan, contrary to the EU, there are very few chances to recover the paid duties. Implementing retrospective application would also increase the usage rate of the agreement, something that both Japan and the EU would benefit from.

Recommendations

- The EBC recommends Japan to introduce retrospective application of the EPA so that businesses can recover the cost of not being able to use the EPA despite products having EU origin.
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Customs clearance and declaration

STATUS: **RESOLVED**

Currently, Japan limits which customs procedures can be carried out in a region where a company is not physically present or if a customs related licence is not issued for that region. The current set-up makes it difficult for foreign logistics companies, and also small and medium-sized Japanese companies, to expand the reach and coverage of their customs clearance businesses. Deregulation of customs jurisdictions, allowing remote filing of clearances at locations independent of the territory of the responsible customs office, would increase flexibility and improve capacity planning for customs brokerage operators. The EBC therefore welcomes the proposals from the MoF to liberalise customs and introduce further improvements.

Resolved

The Government of Japan has:

- Committed to implementing the proposed policy on customs jurisdictions, especially on remote filing.
- Enabled greater flexibility in terms of where quarantine shipments can be checked. Checks carried out in special bonded warehouses should be facilitated.
- Removed the caps on customs clearance charges and allow free and fair pricing to be set by the market.
- Streamlined the reporting and administration requirements of the various customs authorities to provide more standardised interpretation and application of customs rules and reporting requirements.

PUBLISHED: February 7, 2023

Introduction of open and optimised railway solutions

STATUS: **SOME PROGRESS**

Product development in Japan is dominated by operators who appoint manufacturers to develop new products according to the specifications defined by every operator within a closed and vertically integrated system, instead of allowing manufacturers the freedom to find the most appropriate solution. This makes the Japanese market unique in comparison to other markets, where “buying standardised off the shelf” is far more common. Additionally, we have observed in recent years that the uniqueness of the Japanese market is being exported outside of Japan, in particular within JICA (Japan International Cooperation Agency) financed projects. This is true even for railway markets where international standards are already established.

Recommendations

- The Government of Japan should promote and encourage open and optimised railway solutions, as a way to boost competition in the domestic market and export prospects for Japanese manufacturers under EU-Japan mutual cooperation.
 - The Japanese Government should also encourage the utilisation of open and optimised railway solutions in JICA financed projects overseas.
 - The Japanese Government, research institutes, railway operators and industry should continue their dialogue on this theme.
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Conformity assessment and mutual recognition of testing and certification

STATUS: NO PROGRESS

Japan is an active participant in various international standardisation bodies, but there is very little movement towards applying common standards across its domestic railway market. Moreover, Japan lacks a common conformity assessment scheme such as cross acceptance for this industry. The EBC believes that it will be mutually beneficial for Japanese operators to work together with the European operators and suppliers to identify common requirements in new technologies such as 5G communication, train autonomy, AI/IoT (Artificial Intelligence/Internet of Things) for condition-based maintenance (CBM) and cyber security.

Recommendations

- Japan should establish a working group to identify minimum common requirements acceptable to both private and public railway operators depending on the needs for railway service from society. This could be different for urban networks compared to non-urban networks, and for high speed lines compared to conventional lines and subways.
 - EU and Japan shall continue the work in the technical committee set up by the EPA to further harmonise standards and regulations.
 - The Japanese authorities should take a more active role in setting up a conformity assessment scheme.
 - There should be a system for using certifications and tests results from one operator when marketing products to another operator, to avoid complete or partial repetition of testing already conducted.
-

Public procurement

STATUS: SOME PROGRESS

The public procurement market continues to be an important market and with the improved access thanks to the EU-Japan EPA, which resulted in the removal of the Operational Safety Clause. The EBC believes that the Central Government has a role to play to inform and support regional and local government on how to set up procurement procedures that are in line with the WTO GPA (World Trade Organization Government Procurement Agreement) and the EPA.

Recommendations

- The Government of Japan should ensure that, when planning renewal of systems with new technologies such as CBTC (Communication-Based Train Control) as well as planning new lines or line extensions, local governments and entities covered by the WTO GPA abide by or use the GPA as guidance to set up a proper public procurement scheme.
 - The Japanese Government should promote off-the-shelf solutions.
 - There should be better clarity regarding incorporated operators that are still fully or partially owned by regional or local Governments.
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Operational Safety Clause (OSC) and public procurement

STATUS: **RESOLVED**

Japan and the EU are both signatories to the WTO's Plurilateral Agreement on Government Procurement (GPA). Despite this, Japan exempts railway procurement from the provisions of the GPA. The EBC understands that the EU-Japan EPA will open up railway related procurement to EU manufacturers no more than one year after the agreement enters into force. The EBC welcomes this and is also pleased that more cities will open up their procurement market to EU suppliers.

Resolved

- Japan should swiftly remove the OSC as agreed in the EU-Japan EPA.
- The Government of Japan should ensure that when planning new railway projects (such as LRT systems), local governments abide by or use the GPA as guidance to set up a proper public procurement scheme, and do not apply the OSC.

PUBLISHED: December 15, 2022

IP (Intellectual Property) policy for SEP (Standard Essential Patents)

STATUS: PROGRESS

Japan Patent Office's "*Guide to Licensing Negotiations involving Standard Essential Patents*" released in June 2018 has not created issues after its release, neither the latest 2022 update on it. However, the guidance published in 2020 and 2022 by METI has created some confusion among SEP licensors and licensees. It seems that Japan would like to create a detail process to conduct SEP licensing, that might be quite challenging to create a balance between licensors and licensees. For licensors the main problem is so called "hold out", where the licensees try to avoid, or delay, the payment as much, or as long, as possible. For licensees the main claim is too high royalty demands. EBC will monitor the impact and fairness of these the newly established principles and processes, and further updates on them, in regard to the European telecommunication industry.

Recommendations

- Japan's regulators should follow the international licensing practices and legal doctrines without trying to re-invent the wheel. To help to understand the international situation better, Japan should continue the communication with European Commission, European Patent Office, and other European organisations to harmonise the regulations, or at least not to divert from international practices, related to Standard Essential Patent licensing. It would be beneficial to future innovativeness (including 6G R&D) of Japan to encourage a healthy and balanced licensing practices of intellectual properties. Overregulation is not good, but one should let the existing legal system to resolve any disputes.

PUBLISHED: December 15, 2022

Future-proof radio regulation for mobile equipment

STATUS: SOME PROGRESS

The EBC believes that Japanese radio regulation is not sufficiently flexible and, by stipulating technical requirements based on specific technology on each frequency band, risks delaying the launch of new wireless technologies. The EBC welcomes an MIC's report issued in December 2020 studying the periodical inspection of 5G/4G mobile radio base stations, and MIC amended the relevant regulation in 2022 according to the report.

Recommendations

- Japan should adopt future-proof radio regulation for mobile equipment so that emerging technologies can be swiftly deployed. It is worth studying the technology-neutral approach, especially for unlicensed bands such as 5GHz.
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Harmonisation of spectrum for IMT (IMT-Advanced and IMT-2020/5G)

STATUS: **SOME PROGRESS**

The EBC is pleased that MIC has been working to ensure additional spectrum allocation bands to address the increasing demand for mobile broadband and emerging new use cases of the vertical industries. The EBC recognises that MIC has allocated spectrum bands (3.7 GHz, 4.5 GHz and 28 GHz bands) for IMT-2020 in April 2019, and additional band (2.3GHz) in April 2022, and the plan for allocating additional bands (4.9GHz, 26 GHz and 40 GHz).

Recommendations

- Japan should continue working for globally or regionally harmonised spectrum allocations for mobile use.
- Japan should engage actively in agenda item 1.2 of WRC-23.
- Japan should continue the process for allocating 5G spectrum, to facilitate the development of 5G equipment for its planned commercial service, considering the outcomes of the agenda item 1.13 of WRC-19 and the mid-band spectrum needs for 5G.

Establishing common technical standards and certification procedures

STATUS: **SOME PROGRESS**

The EU and Japan maintain different technical standards for the same products and, although the differences are not substantial, they lead to double testing and certification for manufacturers. The current EU-Japan MRA provides only for recognised certification organisations to test for both markets. The EBC is disappointed that the SVC system in Japan is limited to wired telecommunications terminals in general and that it has not been expanded to other telecommunications equipment (except for 3G/LTE and WiFi functions in mobile terminals), thus excluding radio base stations for mobile networks.

Recommendations

- The EU and Japan should mutually accept each other's technical standards and certifications for telecommunications equipment.
- SDoCs issued by European producers should be accepted in Japan without further testing or administrative requirements, not only in respect of wired terminals, but also in respect of specified radio equipment.
- The application of SVC should be expanded to all equipment in the category, "Specified Radio Equipment".

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