



## JAPAN LEGAL UPDATE

### International Trade

#### Japan Signs Economic Partnership Agreement with EU

On July 17, 2018, Japan signed an Economic Partnership Agreement ("Japan-EU EPA") with the European Union ("EU"). Once the Japan-EU EPA is implemented, 99 percent of EU custom duties and 94 percent of Japanese customs duties will be eliminated. The Japanese Ministry of Foreign Affairs estimates that the Japan-EU EPA will increase Japan's real GDP by approximately 1 percent (approximately JPY5 trillion) and employment by approximately 0.5 percent (approximately 290,000 jobs). According to press reports, Japan and the EU aim to implement the Japan-EU EPA prior to the withdrawal of the United Kingdom from the EU in March 2019, and both the Diet of Japan and the European Parliament will soon begin necessary domestic ratification procedures.

Amid widening protectionist movements worldwide, the signing of the Japan-EU EPA, following the signing of the TPP11 (please see the [May 2018 issue](#) and [July 2018 issue](#) of this newsletter), demonstrates the strong commitment of the Japanese government to develop free trade systems centered on Japan. The Japan-EU EPA is expected to increase trade between Japan and the EU, and thus businesses should analyze the impact of the Japan-EU EPA on their operations.

In addition, together with the Japan-EU EPA, Japan signed a Strategic Partnership Agreement with the EU and its member countries. Under this agreement, Japan and the EU and its Member States will cooperate and coordinate on a wide range of areas, such as economic and financial policies, based on the principles of mutual respect, equal partnership, and respect for international law. The details of the cooperation will be discussed by Japan and the EU in the future, and attention should be paid to these developments.

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#### TOKYO OFFICE CONTACTS

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John C. Roebuck

Yuichiro Mori

Hiroyuki Fujimoto

Harukuni Ito

Yuki Yoshida

Kyosuke Katahira

Shinji Kadomatsu

Kazumasa Watanabe

Naoto Kosuge

John S. Rudd

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## Privacy and Data Security

### Final Agreement Reached to Establish Framework to Easily Transfer Personal Data between Japan and EU

On July 17, 2018, the Personal Information Protection Commission of Japan and the European Commission reached a final agreement to establish a framework to easily transfer personal data between Japan and the EU. They also decided to complete the necessary procedures in each country to recognize each other's personal data protection systems as equivalent by the fall of 2018. At present, it is generally necessary to fulfill the strict requirements of the Act on the Protection of Personal Information in Japan or the General Data Protection Regulation to transfer personal information between Japan and the EU. Once the procedure has been completed in Japan and the EU, transferring personal data between Japan and the EU will be deemed to be equivalent to a domestic transfer, thus easing transfer requirements. Since business between Japan and the EU will likely increase thanks to the Japan-EU EPA (please see "Japan Signs Economic Partnership Agreement with EU" above), this final agreement will contribute to the development of such business by reducing the requirements for transferring personal data between Japan and the EU.

## Tax

### NTA Issues Guidance on Circular Notice on Amended Japanese CFC Rules

On July 2, 2018, Japan's National Tax Agency ("NTA") issued a guidance on the Partial Amendment of the Circular Notice on Special Taxation Measures Law (Corporation Tax Part) (Circular Notice for Statutory Interpretation). The circular notice applies to Japanese controlled foreign corporation ("CFC") rules as amended by the 2018 Tax Reform (please see the [December 2016/January 2017 issue](#) of this newsletter). The July 2 guidance sets forth the NTA's explanation of the purpose of the circular notice. The NTA has already issued a Q&A concerning the amended CFC rules on January 31, 2018 (please see the [March 2018 issue](#) of this newsletter). Japanese companies that have CFCs should be prepared for the amendment of the CFC rules based on these guidelines.

## Health Care

### Japan Enacts Act to Partially Amend the Health Promotion Act

The Act to Partially Amend the Health Promotion Act was enacted on July 18, 2018. The act will be come into force in stages, with full implementation by April 1, 2020. Under the act, in order to prevent secondhand smoke, smoking is generally prohibited at facilities used by large numbers of people. Smoking will be prohibited in schools, hospitals, aircraft, taxis, buses, etc. Further, smoking will be allowed only in smoking rooms in other facilities used by a large number of people, restaurants, and passenger ships and trains. Finally, smoking will be allowable at a location only if a sign is posted by the owner or manager. Companies that manage these types of facilities need to adjust their policies based on the type of facility.

## Real Estate

### Act to Arrange Specified Integrated Resort Facilities Areas Enacted

On July 20, 2018, the Act to Arrange Specified Integrated Resort Facilities Areas was enacted and promulgated on July 27, 2018 (please see the [June 2018 issue](#) of this newsletter). The act will come into force within three years of the date of promulgation.

## Antibribery

### Plea Bargain Used for the First Time in Japan

A company publically announced the first case in which a plea bargain was used. Plea bargains were introduced by the Amendment to the Code of Criminal Procedure (please see the [June 2016 issue](#) and [April 2018 issue](#) of this newsletter). In this case, the company was notified by a whistleblower of its employees having bribed foreign officials. The company reported the bribes to authorities, cooperated with the

investigation, and eventually entered into a plea bargain.

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