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Japanese policy and regulatory developments

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Digital-Related Matters

Contractual Checklist for Use and Development of AI¹

(Ministry of Economy, Trade and Industry, February 18)

- On February 18, 2025, the Ministry of Economy, Trade and Industry (METI) adopted a “Contractual Checklist for Use and Development of AI.” This checklist provides guidance to businesses on managing risks associated with the use of AI technology, focusing on both legal and practical aspects.
- Since around 2022, generative AI technology has rapidly become widespread, increasing the importance of contracts for its utilization. However, many businesses unfamiliar with AI technology or legal matters are considering its introduction, raising concerns about contract practices, such as insufficient consideration of legal risks and potential misuse of protected data:
 - The possibility that legal risks associated with contracts for AI utilization are not being sufficiently considered.
 - The possibility of unforeseen disadvantages, such as protected data and information being used for unexpected purposes or provided to third parties.
- In light of these changes in the market environment, METI has compiled a checklist in a format that is easy to use for businesses in Japan, including those unfamiliar with the practical use of AI:
 - To provide the basic knowledge necessary for users of services using AI technology to sufficiently consider the scope of data usage and contractual benefits (such as service levels and conditions for using AI-generated products) provided to the service provider.
 - To specifically describe the points (checkpoints) that users should check at the time of contracting to avoid inappropriate use of the provided data.
 - To serve as a useful reference material for contract practices in AI utilization, keeping in mind a wide range of assumed readers and usage scenarios.

Takeaway: Japanese companies are facing challenges in utilizing AI technology. This checklist has been established to help them identify legal issues regarding AI development and utilization contracts. It also provides practical insights that may be helpful for gaining a general understanding of relevant Japanese laws, serving as a good starting point for considering AI technology integration.

¹ <https://www.meti.go.jp/press/2024/02/20250218003/20250218003.html> (in Japanese)

Release of Technical Reference Document for Promoting Industrial Data Interoperability in the Ouranos Ecosystem²

(Ministry of Economy, Trade and Industry, February 28)

- The Ministry of Economy, Trade and Industry (METI) and the Information-technology Promotion Agency (IPA) have released a technical reference document titled "Whitepaper: Ouranos Ecosystem Dataspaces Reference Architecture Model" as part of their efforts within the Ouranos Ecosystem initiative.
- METI is promoting the "Ouranos Ecosystem" initiative to achieve DFFT (Data Free Flow with Trust) by connecting multiple systems to promote interoperable data utilization across businesses and industries, driving collaboration between data, systems, and businesses. This approach aims to strengthen the competitiveness of businesses and industries through public-private cooperation.
- This document provides an open opportunity for the construction of a service-driven data space within the Ouranos Ecosystem, encouraging participation from various stakeholders. It is designed to serve as a technical reference for future system implementations in order to promote interoperability.
- The detailed specifications of the protocols presented in this document will be further refined based on future demonstrations, with the aim of finalizing them as the "ODS Protocol Specifications" by the fiscal year 2025. Additionally, in order to promote the social implementation of this document, software components and guides will be released periodically.

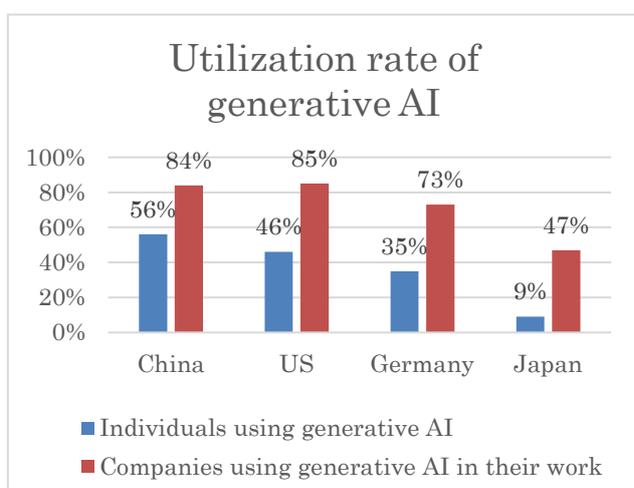
Takeaway: This document can be seen as a technical specification influenced by frameworks such as GAIA-X and Catena-X, which are building the technical foundation for data interoperability in Europe. Given its potential for use as a data interoperability platform in Japan, businesses operating in Japan should closely monitor the progress of these initiatives.

² <https://www.meti.go.jp/press/2024/02/20250228006/20250228006.html> (in Japanese)

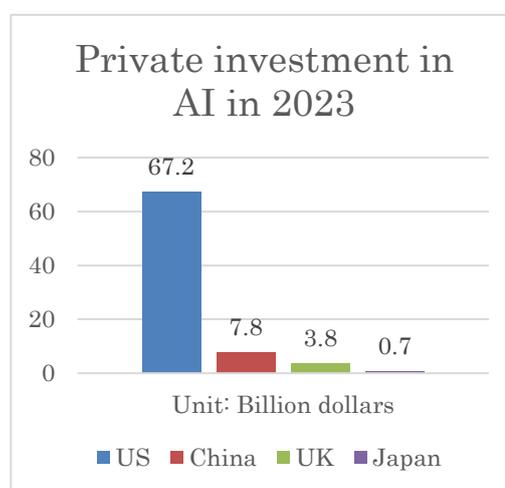
The Cabinet Approved the Bill on the Promotion of Research and Development of Artificial Intelligence-Related Technologies and their Utilization.³

(Cabinet Office, Government of Japan, February 28)

- On February 28, 2025, the Bill on the Promotion of Research and Development of Artificial Intelligence-Related Technologies and their Utilization (hereinafter referred to as the “AI Bill”) was approved by the Cabinet, submitted to the ordinary session of the Diet, and is aimed to be enacted during this parliamentary session.
- According to surveys, Japan’s AI development and utilization are lagging behind other countries, and many citizens are feeling anxious about AI, believing that regulation to AI is necessary.



(WHITE PAPER Information and Communications in Japan, 2024)



(AI Index Report 2024, Stanford University)

- In the interim report of the AI Institutional Study Group, published on February 5, 2025, recommendations were made for the government to establish AI guidelines and to conduct surveys and assessments of the actual state of AI. These actions should be carried out through legal frameworks, while considering the potential impacts on the activities of businesses. The AI Bill was proposed in response to these recommendations. An outline of the Bill is as follows:

Purpose	Improving the lives of the people, developing the national economy
Basic principles	<p>Important to the economy, society, and security; improving international competitiveness</p> <p>Conducting fundamental research and utilization in a systematic manner</p> <p>Ensuring transparency for appropriate research, development and utilization</p> <p>Playing a leading role in international cooperation</p>

³ <https://www.cao.go.jp/houan/217/index.html> (in Japanese)

AI Strategy Headquarters	Chief: Prime Minister Members: All Cabinet Ministers
AI Basic Plan	Basic policy on the measures regarding government measures for encouraging research, development and utilization
Basic measures	<ul style="list-style-type: none"> • Promoting research and development and sharing of facilities • Securing human resources • Promoting education • Participating in the formulation of international standards • Establishing guidelines in line with international standards • Collecting information, analyzing instances of infringement of rights and interests, considering countermeasures, and conducting research • Providing guidance, advice, and information to businesses and citizens
Responsibilities	<p>Responsibilities of the national government, local governments, research and development institutions, businesses, and citizens</p> <p>Reinforcement of cooperation among stakeholders</p> <p>Businesses are required to cooperate with measures taken by the national and local governments.</p>

- Under the AI Bill, businesses intending to utilize AI for commercial purposes will be required to cooperate with measures implemented by the national or local governments. Failure to cooperate with these measures may result in the government providing guidance, advice, information provision, and other necessary actions.

Takeaway: The AI Bill primarily outlines basic principles, national policies, and the establishment of relevant agencies. However, businesses intending to utilize AI for commercial purposes (including not only developers but also those using AI in business activities more broadly) will be required to cooperate with national policies. Therefore, it is important to continue monitoring developments in Japan's AI policy. Unlike the EU AI Act, the Bill does not include specific provisions regarding its scope of application, and it does not explicitly state whether it applies to foreign businesses. However, the interim report indicates that "foreign businesses should be subject to the same regulations as domestic businesses." As a result, it is important to note that foreign businesses may also be required to cooperate with national policies under the AI Bill.

interests, such as improper use and unauthorized collection of personal information. Additionally, in regard to certain aspects of the handling of biometric data, such as facial feature data, which can be easily obtained without the data subject's awareness, and which has a high degree of uniqueness and universality and thus provides a permanent identification effect for a specific data subject, a proposal was made to require the notification of certain matters to the affected data subject (including the identity of the personal information handling business operators, the fact of their handling of facial feature data, the purpose of use of the relevant data, the physical characteristics on which the facial feature data is based, and procedures responding to requests for cessation of use).

- In the section '(3) Regulations to ensure the effectiveness of compliance by personal information handling business operators,' proposals were made to mitigate the requirements for issuing emergency orders, strengthen the contents of recommendations and orders, review the approach to imposing criminal penalties for serious violations, and continue discussions on the need for the introduction of an administrative fine system, and an injunctive relief system for organizations and/or a system for recovery of damages in response to illegal activities.

Takeaway: Discussions on the triennial review of the APPI are ongoing. This document reorganizes the institutional issues that should be considered from the perspective of the fundamental framework of the APPI as a general law and appears to provide more specific suggestions on the direction of the revisions. It is necessary to continue closely monitoring the progress of the triennial review discussions while bearing these suggestions in mind.

First Joint Meeting on the Handling of Personal Information in Life Sciences and Medical Research⁷

(Ministry of Economy, Trade and Industry, February 12)

- On February 12, the Ministry of Education, Culture, Sports, Science and Technology (MEXT), the Ministry of Health, Labour and Welfare (MHLW), and the Ministry of Economy, Trade and Industry (METI) held the "First Joint Meeting on the Handling of Personal Information in Life Sciences and Medical Research."
- The "Ethical Guidelines for Life Sciences and Medical Research Involving Human Subjects" includes provisions regarding the handling of personal information within the fields of life sciences and medical research. However, each time the Act on the Protection of Personal Information is amended, these guidelines have been partially amended, resulting in complex content that may be difficult to understand. There are

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https://www.meti.go.jp/shingikai/sankoshin/shomu_ryutsu/bio/kojin_iden/life_science/2024_001.html (in Japanese)

some arguments that this complexity is one of the factors causing delays in research and review processes.

- During this meeting, the guidelines were reviewed in light of the feedback received, and the revision of the personal information protection system was discussed. Issues with the current guidelines were identified, and further examination is scheduled.

The Cabinet Approved the Bill to Partially Amend the "GX Promotion Act" and "Resources Act"⁸

(Ministry of Economy, Trade and Industry, February 25)

- The bill partially amending the "**Act on the Promotion of Smooth Transition to a Decarbonized, Growth-Oriented Economic Structure (GX Promotion Act)**" and the "**Act on the Promotion of Effective Utilization of Resources (Resources Act)**" was approved by the Cabinet on February 25 and submitted to the 217th Ordinary Diet session.
- Outline of the bill to partially amend the GX Promotion Act and the Resources Act is as follows.

(1) Partial amendments of the GX Promotion Act

1. Legalization of the emissions trading system

- From FY 2026, businesses whose direct carbon dioxide emissions are above a certain thresholds (i.e. 100,000 tons or more) will be required to participate in the emissions trading system.
- Emission allowances will be allocated free of charge based on industry characteristics in accordance with the government's guidelines.
- Businesses must report their emissions data and hold allowances equivalent to the emissions data for the following year of the year when emissions allowances have been allocated to the business.
- A market for trading emissions allowances will be established, and measures will be taken to stabilize prices of emissions allowances.

2. Specification of the GX-surcharge collection measures

Technical measures to implement the GX-surcharge to be applied from FY 2028 will be developed. Such technical measures includes introducing payment deadlines, penalties for non-payment, and exemptions for fossil fuels not used in Japan.

3. Development of financial support for the GX sector

Revenue from the issuance of GX Economic Transition Bonds can be used to offset the loss in revenue in the general account due to tax exemptions applied for the goods in the field of GX sector.

(2) **Partial amendment of the Resources Act**

1. Introduction of a requirement for businesses to utilize recycled resources

A measure to require businesses to utilize recycle resources will be introduced. Also, businesses whose production amount is above certain threshold will be required to submit a plan and report on their utilization of recycled materials.

2. Promotion of environmentally friendly design

Certification system for outstanding, environmentally friendly designs that enhance effective utilization of resources and decarbonization will be introduced.

3. Promotion of further recycling of raw materials that are necessary for achieving GX

Exemption of obtaining a license for collecting and recycling designated products will be applied for businesses that have received certification for their high collection targets if they observe appropriate management practices.

4. Promotion of circular economy commerce

Define categories of businesses for circular economy commerce (e.g., sharing services) and set standards that such businesses should meet from the perspective of the effective utilization of resources.

Takeaway: EU businesses in Japan or seeking to invest are encouraged to keep updated on development of Japan's environmental regulations, adhere to emissions and recycling requirements, and explore opportunities in the GX sector for potential investment and compliance benefits.

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