Based on the Three Principles on Transfer of Defense Equipment and Technology, Japan promotes cooperation in defense equipment and technology with other countries in order to contribute to promoting the maintenance and enhancement of defense production and technological bases, as well as contributing to the promotion of our national security, peace and international cooperation. Japan will continue to realize effective defense equipment and technological cooperation through the strengthening of intelligence gathering such as the needs of its counterparts, cooperation including assistance for maintenance and repair of equipment, and strengthening of cooperative posture between the public and private sectors.

Three Principles on Transfer of Defense Equipment and Technology

1 Purpose of Establishment of the Three Principles on Transfer of Defense Equipment and Technology

Japan has dealt with arms exports in a careful manner, in accordance with the Three Principles of Arms Exports and their related policy guidelines. On the other hand, in individual cases, such as the participation of domestic companies in the joint development of Ballistic Missile Defense (BMD) by Japan and the United States, it has taken separate measures in which arms exports are dealt with outside the Three Principles. Amidst this situation, in April 2014, based on the National Security Strategy, the Government formulated the Three Principles on Transfer of Defense Equipment and Technology as new principles replacing the Three Principles on Arms Exports etc. and its implementation guidelines. The new principles clarified the concrete standards, procedures and limitation.

2 Main Contents of the New Three Principles

(1) Clarification of Cases Where Transfers are Prohibited (the First Principle)

The cases where overseas transfers of defense equipment are prohibited are clarified as follows: (1) in the case of violating the obligations based on agreements signed by Japan and other international agreements; (2) in the case of violating the obligations based on the Resolution of the United Nations Security Council; or (3) in the case of transferring to the countries in conflicts.

(2) Limitation to Cases Where Transfers May Be Permitted As Well As Strict Examination and Information Disclosure (the Second Principle)

The cases where transfers may be permitted are limited to (1) cases that contribute to the active promotion of peace contribution and international cooperation, (2) cases that contribute to the security of Japan, or other cases. The Government will conduct strict examination on the appropriateness of the destination and end user.

### Table: Specific examples of the First Principle

<table>
<thead>
<tr>
<th>Situation</th>
<th>Specific examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Violation of obligations under treaties concluded and other international arrangements</td>
<td>Chemical Weapons Convention, Convention on Cluster Munitions, Anti-Personnel Mine Ban Convention, Arms Trade Treaty, etc.</td>
</tr>
<tr>
<td>(2) Violation of obligations under United Nations Security Council Resolutions</td>
<td>Security Council Resolution 1718 (nuclear issue of North Korea), etc.</td>
</tr>
<tr>
<td>(3) Transfer to a nation which is party to a conflict</td>
<td>Countries which are the target of measures taken by the United Nations Security Council to maintain or restore international peace and security in the event of an armed attack</td>
</tr>
</tbody>
</table>

1 In December 2011, the Statement by the Chief Cabinet Secretary on Guidelines for Overseas Transfer of Defense Equipment, etc. put in place exemptions from the Three Principles of Arms Exports based on the premise of strict control, with regard to (1) cases related to peace contribution and international cooperation, and (2) cases regarding international joint development and production of defense equipment, etc.: that contributes to Japan’s security.

2 The term “defense equipment” is deemed appropriate for the title of “Three Principles for the Transfer of Defense Equipment and Technology,” since possible articles of overseas transfers help peace contribution and international cooperation as was seen in the example of the provision of bulldozers and other items belonging to the SDF to disaster-stricken countries. Similarly, due to the fact that there is provision of technology in addition to goods, the term “transfer” was adopted rather than “export.”
whilst ensuring transparency, and the extent the overseas transfer of such equipment and technology will raise concern for Japan’s security. In addition, it has been decided that important cases would be deliberated at the National Security Council and along with this, information concerning the cases that were deliberated would be disclosed.

See Fig. III-4-4-2 (The Second Principle “Limitation to Cases Where Transfers May Be Permitted”)

(3) Ensuring Appropriate Control regarding Extra-Purpose Use or Transfer to Third Parties (the Third Principle)

Overseas transfer of defense equipment and technology will be permitted only in cases where appropriate control is ensured, and the Government will in principle oblige the government of the recipient country to gain its prior consent regarding extra-purpose use and transfer to third parties. However, in cases where it is judged appropriate for the active promotion of peace contribution and international cooperation, cases involving participation in the international systems for sharing parts, and cases where parts are delivered to a licensor, appropriate control may be ensured with the confirmation of the control system at the destination.

Since 1992, Japan has implemented 21 cooperative research projects and 1 cooperative development project with the United States. At present, 4 cooperative research projects (cooperative research on Hybrid Electric Propulsion, cooperative research on High-Speed Multi-Hull Vessel Optimization, cooperative research on Comparison of Operational Jet Fuel and Noise Exposures, cooperative research on Chemical Agent Detector-kit Colorimetric Reader) are in operation. In addition, with regard to the transfer of parts for Patriot PAC-2, software and parts, etc. related to the Aegis System and F100 engine parts that are installed in F-15 and F-16 from Japan to the United States, Japan has affirmed since July 2014 that these overseas transfers fall under the case, which may be permitted, based on deliberations at the National Security Council.

See Part III, Chapter 1, Section 2-3-2 (Missile Defense of the United States and Japan-U.S. BMD Technical Cooperation)

Reference 23 (Japan–U.S. Joint Research and Development Projects)
(1) Participation of Japanese Industry in the Production of the F-35A and the Establishment of Regional Maintenance, Repair, Overhaul and Upgrade (MRO&U) Capability

In December 2011, Japan selected the F-35A fighter aircraft as the next-generation fighter aircraft to succeed the F-4 fighter aircraft. At the same time, the Government decided to procure 42 aircraft from FY2012 onwards and to have Japanese industries participate in its production, aside from several complete aircraft, which shall be imported. In light of this decision, the Japanese Government has been working to enable the involvement of Japanese industries in the manufacturing process in preparation for the acquisition of F-35A fighter aircraft from FY2013 onwards. So far the Japanese Government has decided on the range of production participation by Japanese industries including the Final Assembly and Check Out (FACO) for airframe and engines, the manufacture of some engine parts (19 items) and radar parts (7 items), and the manufacture of some Electro-Optical Distributed Aperture System (EODAS) parts (3 items).

Possessing the skills and facilities required for FACO for airframe and engines is important for Japanese companies in implementing effective operational support for the F-35A fighter aircraft such as for the following reasons:

- The ability to offer a swift response within Japan in the event that an airframe and engines suffer damage and require work that cannot be carried out by the SDF unit itself, including the repair or replacement of major structural components, such as main wings, fuselage, and turbines without transporting the airframe and engines overseas; and
- The ability to carry out refurbishment work domestically, in the event that performance improvements to the F-35A fighter aircraft are sought in future.

In addition, participation of Japanese companies in the implementation of FACO and parts production will have significance in that they will be able to come in contact with the system integration technology of stealth fighter as well as the cutting-edge fighter technology and know-how. Therefore, it will also contribute to strengthening of defense production and technological bases. The F-35A fighter aircraft on which FACO was conducted in Japan was deployed to the ASDF Misawa Air Base in January 2018.

As global operation of F-35 fighter aircraft is anticipated, the U.S. Government plans to establish maintenance depot (regional Maintenance, Repair, Overhaul and Upgrade (MRO&U) Capability) mainly for airframe and engine in the North America, Europe, and the Asia-Pacific regions. In December 2014, with regard to regional MRO&U in the Asia-Pacific region for F-35, the U.S. Government announced the following decisions:

1. (1) Regional MRO&U Capability for airframe will be provided to Japan and Australia with both capabilities required not later than early 2018; and
2. With regard to the regional MRO&U Capability for engine, initial capability will be provided by Australia by early 2018, with Japan providing additional capability at least 3-5 years later.

Establishing a maintenance depot that utilizes the FACO facility for airframe and engine within Japan, and contributing to maintenance in the Asia-Pacific region are significant from the perspectives of securing the operational support system for F-35A fighter aircraft in Japan, maintaining the foundation of the Japanese defense industry, strengthening the Japan-U.S. Alliance, and deepening equipment cooperation in the Asia-Pacific region.

(2) Initiatives towards the Establishment of a Common Maintenance Base of the Japan-U.S. Osprey

As the Planned Maintenance Interval (PMI) of the U.S. Marine Corps Osprey deployed at Futenma was scheduled to commence roughly in 2017, the U.S. Navy carried out a public tender to select a maintenance company and decided to select Fuji Heavy Industries Ltd. as the...
maintenance company for this purpose in October 2015. From February 2017, the PMI has been performed at GSDF Camp Kisarazu.

The MOD intends to establish common maintenance base for both Japan’s and the United States’ Osprey by allowing the maintenance company to use the hangar at GSDF Camp Kisarazu for aircraft maintenance of the U.S. Marine Corps Osprey and also to implement the future aircraft maintenance of the GSDF Osprey at the same camp from the following perspectives: (1) Smooth introduction of the GSDF Osprey (V-22); (2) Smooth and effective operation of the Japan-U.S. security arrangements; and (3) Enhanced efficiency in maintenance. The establishment of common maintenance base at GSDF Camp Kisarazu would be extremely significant in that it will lead to the realization of the reduction of Okinawa’s burden as well as the “Strengthening the basis to repair and maintain common equipment” stated in the new guideline.

3 Building New Defense Equipment and Technology Cooperation

1 Defense Equipment and Technology Cooperation with Major European Countries, etc.

Defense equipment and technology cooperation with major European countries, which have competitive defense industries, will contribute to the strengthening of security and defense cooperation with these countries as well as the maintenance and strengthening of the defense production and technological base in Japan. Therefore, Japan seeks to establish and deepen relationships with these countries.

(1) United Kingdom

In July 2013, the Governments of Japan and the United Kingdom concluded a bilateral Agreement on the Transfer of Defense Equipment and Technology. In the same month, the two countries also started Chemical and Biological Protection Technology cooperative research project, marking the first time that Japan had engaged in such research with a country other than the United States. The joint research resulted in success in July 2017.

Also, in July 2014, technology information on air-to-air missile seeker technology for cooperative research with the United Kingdom was determined by the National Security Council as a case where overseas transfer may be permitted as stipulated in the Three Principles on Transfer of Defense Equipment and Technology. In November of the same year, a Letter of Agreement was signed on the “co-operative research project on the feasibility of a joint new air-to-air missile” and the cooperative research started. The Cooperative Research on Personnel Vulnerability Evaluation, the Co-operative Research on The Certification Process of Jet Engines, the Cooperative Research on The Feasibility of a Japan and Great Britain Universal Advanced RF System (JAGUAR) were launched in July 2016, February 2018 and March 2018, respectively.

Furthermore, a LOA on the Joint Preliminary Study on Potential Collaborative Opportunities for Future Combat Air System (FCAS)/Future Fighter between the defense authorities of the two countries was signed in March 2017. Based on the agreement of this arrangement, the two countries are exchanging information regarding future fighter and the FCAS that are under study by Japan and the United Kingdom respectively, and opinions about the potential for future collaboration. At the Third UK-Japan Foreign and Defence Ministerial Meeting (“2+2”) held in December 2017, in response to the progress of the feasibility study on a Joint New Air-to-Air Missile (JNAAM) Phase 2, the two countries expressed expectations for the early embodiment of the cooperative research project including the research prototyping and the test firing.

(2) France

Japan and France established a committee on cooperation in the field of defense equipment and on export control respectively in January 2014, and signed the Agreement concerning the Transfer of Defense Equipment and Technology in March 2015. Moreover, at the Fourth Japan-France Foreign and Defense Ministers’ Meeting (“2+2”) held in January 2018, the two countries confirmed the intention to quickly start the cooperative research.

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7 GSDF will introduce 17 tilt-rotor aircraft (Osprey V-22) that can complement and strengthen the capabilities of transport helicopters (CH-7JA) in terms of cruising speed and range. In June 2015, a contract regarding 5 aircraft out of the 17 was signed with the United States Department of the Navy, and these 5 aircraft will be delivered by the end of FY2018.

8 Official name: Agreement Between the Government of Japan and the Government of the United Kingdom of Great Britain and Northern Ireland Concerning the Transfer of Arms and Military Technologies Necessary to Implement Joint Research, Development and Production of Defence Equipment and Other Related Items

9 A missile component device for searching, detecting and tracking targets.

10 Generic name of the whole future fighter aircraft system in the United Kingdom.

on The Feasibility Study for Mine Countermeasure Technological Activities and started the joint research in the following June.

In addition, State Minister of Defense Wakamiya (then) visited France in June 2017, inspected the “Paris Air Show 2017” in Paris and exchanged opinions with high government officials. The MSDF P-1 Maritime Patrol Aircraft participated in the event and ATLA set up an exhibition booth to exhibit the P-1 aircraft for the first time at international defense equipment exhibition.

(3) Germany
Japan and Germany signed the Agreement concerning the Transfer of Defense Equipment and Technology12 in July 2017.

Parliamentary Vice-Minister of Defense Fukuda visited Germany in April 2018, inspected the “Berlin Air Show 2018” held in Berlin, and met with high ranking of the Federal Ministry of Defence of Germany. The MSDF P-1 Maritime Patrol Aircraft participated in the event and ATLA set up an exhibition booth related to the P-1 aircraft.

(4) Italy
At the Japan-Italy Summit Meeting held in March 2017, the two countries agreed to start negotiations on an agreement on the transfer of defense equipment and technology,13 and signed the Agreement in the following May.

(2) India
Defence equipment and technology cooperation with India is considered an important field of cooperation based on the special strategic global partnership between Japan and India. At the Japan-India Summit Meeting in December 2015, the Government of Japan and the Government of India concerning the Transfer of Defence Equipment and Technology14 was signed. The discussions on the US-2 amphibian aircraft are underway for cooperation between the two countries.

Other than the US-2, discussions for forming the case of defence equipment and technology cooperation including dual use technologies have been held, including the Third Joint Working Group on Defence Equipment and Technology Cooperation held in September 2017. At the Japan-India Defence Ministerial Meeting held in September 2017, the ministers agreed to commence the technical discussions for research collaboration in the area of Unmanned Ground Vehicle (UGV) and Robotics. Moreover, in September 2017, ATLA and the Department of Defence Production, jointly hosted the first-ever Japan-India Defence Industry Forum in Tokyo with attendance of government officials and Japanese and Indian companies, aiming to revitalize cooperation between the defence industries. The said forum was an unprecedented event that showed steady progress of discussions on defence equipment and technology cooperation in both countries.

2 Defense Equipment and Technology Cooperation, etc., with Partner Countries in the Asia-Pacific Region
As partner countries in the Asia-Pacific region have expressed their interest and expectation regarding defense equipment and technology cooperation with Japan, the MOD proactively seeks to build relationships with these countries.

(1) Australia
With Australia, the Agreement between the Government of Japan and the Government of Australia concerning the Transfer of Defence Equipment and Technology14 was signed in July 2014.

Meanwhile, at the Japan-Australia Defence Ministerial Meeting held in October 2014, it was agreed to seek multifaceted cooperation, including the following: (1) exploration of potential cooperation opportunities in the F-35 program; (2) acquisition reform dialogue with the Defence Material Organisation of Australia; (3) at the request of the Australian side, exploration of the possibility of Japanese cooperation in the Australian Future Submarine Program; (4) defense technology exchanges with the Defence Science and Technology Organization of Australia (in the field of marine hydrodynamics and exchanges among engineers and scientists); and (5) talks between defense industries in both countries. Subsequently, joint research on Marine Hydrodynamics started in December 2015. Moreover, even though Japan had submitted the proposal for the Future Submarine Program in November 2015, the Government of Australia announced in April 2016, that they selected a French company as their partner for the Program.

15 Official name: Agreement between the Government of Japan and the Government of India concerning the Transfer of Defense Equipment and Technology
(3) ASEAN Countries

Between Japan and ASEAN member states, exchanges of views take place regarding defense equipment and technology cooperation in non-traditional security sectors, such as humanitarian assistance, disaster relief and maritime security through the Japan-ASEAN Defense Vice-Ministerial Meetings and other occasions. Participating countries have expressed their expectation for Japan’s cooperation in effectively dealing with these issues. In the “Vientiane Vision” announced by Japan at the ASEAN-Japan Defence Ministers’ Informal Meeting held in November 2016, it is stated that Japan’s defense equipment and technological cooperation with ASEAN countries would be promoted with a focus on the following three points: (1) equipment and technology transfer, (2) human resources development, and (3) holding seminars on defense industries. As a specific initiative with the Philippines, an official agreement was made on the transfer of MSDF’s TC-90 training aircraft to the Philippine Navy at the Japan-Philippines Summit Meeting in September 2016, and TC-90 pilot training was conducted for pilots from the Philippine Navy at the MSDF Tokushima Air Base from November of the same year to March 2018. Since April 2017, maintenance and repair assistance by dispatched personnel from a Japanese maintenance company has been provided. Furthermore, two TC-90 aircraft were transferred to the Philippine Navy in March 2017, and the remaining three TC-90 aircraft were transferred in March 2018. This transfer was the first case of application of the provision of the SDF Act that enables the MOD to grant or transfer to the governments of developing states the SDF’s equipment which is no longer used for a lower price than the current price. Based on a proposal from the Philippines, the transfer was confirmed at the Japan-Philippines Defence Ministerial Meeting in June 2018 that parts and maintenance equipment of the UH-1H utility helicopters, that became unnecessary for the SDF would also be donated.

Between Thailand, State Minister of Defense Yamaguchi visited Thailand in November 2017, inspected an international exhibition on defense equipment (Defense and Security 2017), and agreed to promote future defense equipment and technology cooperation between the two countries including early conclusion of the agreement concerning the Transfer of Defense Equipment and Technology at the meeting with high officials of the Ministry of Defence of Thailand.

Between Vietnam, the Terms of Reference (TOR) for regular consultations concerning defense equipment and technological cooperation was signed during the Japan-Vietnam Defense Vice-ministerial Level Meeting in November 2016.

Japan and Malaysia signed the Japan-Malaysia Agreement concerning the Transfer of Defence Equipment and Technology in April 2018. The MOD will continue to promote cooperation for humanitarian assistance and disaster relief as well as the maritime security area through these initiatives.

(4) Middle East

In November 2017, Parliamentary Vice-Minister of Defense Ono visited the United Arab Emirates, inspected the “Dubai Air Show 2017” held in Dubai, and met with high government officials of the country including Chief of Staff of the Armed Forces Rumaithi. The ASDF C-2 transport aircraft, which was on an overseas flight training, participated in this event and ATLA set up an exhibition booth relating to the C-2 transport aircraft for the first time.

3 Establishment of Regulations on Equipment Cooperation with Developing Countries

Surrounded by an increasingly severe security environment, it has become even more important for Japan that the nations which have a cooperative and friendly relationship with Japan in terms of security and
defense have appropriate capabilities. It is also critical to develop a foundation that will serve as the basis for the international community to cooperate towards improving the security environment. Among these friendly nations, some have difficulties in acquiring the adequate level of defense equipment by their own because of their economic and financial situations. Some of these states are requesting to use SDF’s equipment which are no longer used. However, Article 9, Paragraph 1 of the Public Finance Act stipulates that the Government shall receive reasonable consideration when transferring or leasing any governmental properties including the SDF’s equipment to other countries. Therefore, a transfer for lower price than the current price is not allowed unless otherwise provided.

Under these circumstances, to respond to the needs of such friendly nations, a special provision to Article 9, Paragraph 1 of the Public Finance Act was created in Article 9, Paragraph 1 of the Public Finance Act (Act 34 of 1947) Governmental assets, unless otherwise provided, may not be exchanged and used as other means of payment, or transferred or leased without reasonable consideration.

Even in the case of granting or transferring equipment for lower price than the current price pursuant to this provision, whether or not to transfer such equipment and to which government such equipment to be transferred will be determined on a case-by-case basis in light of the Three Principles on Transfer of Defense Equipment and Technology and other regulations. In addition, an international agreement must be concluded between the Governments of Japan and the recipient countries to prevent extra-purpose use and third party transfer of the transferred equipment without the prior consent of Japan.

Adapting Defense Equipment for Civilian Use

With regard to aircraft involving many technological bases shared between the defense and the civilian sectors, the MOD has been considering the civilian use of aircraft developed by the MOD from the perspective that taking measures to contribute to the revitalization of the civilian sector will contribute to maintaining and activating the production and technological bases of Japanese aircraft, and by extension, to maintaining and strengthening the defense production and technological base in Japan. In August 2010, the MOD compiled a set of guidelines for the development of a concrete system for converting aircraft to civilian use, while in 2011, it also developed the application procedure for private companies interested in civilian use. So far, technical data related to the civilian use of the US-2 amphibian rescue aircraft and the F7-10 engine that are mounted on P-1 maritime patrol aircraft have been disclosed in response to requests from the implementing companies. In December 2016, ATLA and IHI Corporation, a manufacturing company of F7-10 engine, signed a contract for the civilian use of the F7-10 for sales to JAXA for the first time.

The MOD will consider the possibility of civilian use of equipment other than aircraft based on the intention of defense industry.

Technology Control

In promoting defense equipment and technology cooperation internationally, the MOD will properly evaluate the sensitivity and strategic value of defense technology and dual-use technology, and protect these technologies that should be protected as strengths of Japan. At the same time, from the perspective of Japan’s security, the MOD will strengthen technology control in cooperation with the Ministry of Economy, Trade and Industry, in order to avoid the risk of the diversion of technologies into weapons.

17 Article 9, Paragraph 1 of the Public Finance Act (Act 34 of 1947)

18 As of June 2018, Japan has signed the agreement concerning the transfer of defense equipment and technology with the United States, United Kingdom, Australia, India, the Philippines, France, Italy, Germany, and Malaysia.
From the viewpoint of promoting defense equipment and technology cooperation, ATLA has participated in international defense equipment exhibitions to introduce Japan’s defense equipment policies and advanced technology. These initiatives help foreign government officials understand regarding Japan’s equipment policies and technology.

ATLA has participated in international defense equipment exhibitions such as Defense and Security Equipment International (DSEI) held in London, United Kingdom and Defense and Security (D&S) held in Bangkok, Thailand as well as air shows held in Paris, France and Dubai, United Arab Emirates in 2017 and an air show held in Berlin, Germany in 2018. At these events, ATLA widely disseminated information on the policy measures taken by ATLA, the outcomes of research and development through exhibitions of P-1 patrol aircraft, C-2 transport aircraft and research prototypes of unmanned equipment developed in Japan, and on advanced technology possessed by Japanese manufacturers.

Moreover, taking this opportunity of government officials gathered from different countries at these events, meetings were held between high officials of various countries including the State Minister of Defense and Parliamentary Vice-Ministers of Defense from Japan. Through these initiatives, ATLA was able to contribute to forming the platform for promoting defense equipment and technology cooperation by deepening other countries’ understanding of measures regarding defense equipment and advanced technology in Japan.

## 7 Public-Private Defense Industry Forum

The Public-Private Defense Industry Forum is held with a purpose of promoting defense equipment and technology cooperation with partner countries in the Asia-Pacific region as a joint effort between the public and private sectors. This forum is held to deepen understanding of the relevant parties and facilitate concrete defense equipment and technology cooperation in the future through explanation of various systems surrounding the defense industry in Japan and each country as well as presentations by each company on their products and technology. Most recently, the said forum was held with Indonesia in August 2017, with India in September 2017, with Vietnam in October 2017, and with Australia in March 2018.