Japan's 2026 Reform of the Three Principles on Transfer of Defense Equipment and Technology: A New Era for Japanese Defense Exports?

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Executive Summary: Key Legal and Compliance Implications for Foreign Defense Contractors, Investors, and International Counsel

On April 21, 2026, the Government of Japan adopted significant revisions to the Three Principles on Transfer of Defense Equipment and Technology (the "**Three Principles**") and their implementation guidelines. The reform represents the most important liberalization of Japan's defense equipment and technology transfer framework since the introduction of the current Three Principles in 2014. Most notably, Japan has removed the long-standing restriction that had effectively limited transfers of finished defense equipment to five categories: rescue, transport, warning, surveillance, and minesweeping equipment. The revised framework now permits a much broader range of defense equipment transfers, including major defense platforms, subject to governmental review and various safeguards.

For foreign defense contractors, investors, and international counsel, the reform creates new opportunities for cooperation with the Japanese industry, including joint development, co-production, maintenance, and supply-chain integration. The reform also raises complex compliance issues, particularly regarding the relationship between Japan's defense equipment transfer policy and its export control regime under the Foreign Exchange and Foreign Trade Act ("**FEFTA**").

A key point that is frequently misunderstood outside Japan is that the Three Principles and FEFTA are separate parallel licensing systems. Rather, the Three Principles serve as a national security policy framework and as an important operational standard used in the administration of FEFTA-based export controls relating to defense equipment and technology. Consequently, a transaction involving defense equipment must be assessed not only under the policy considerations embodied in the Three Principles but also under the relevant legal requirements of FEFTA and its implementing regulations.

This article provides an overview of the April 2026 reform and discusses its practical implications for cross-border defense equipment transactions and export control compliance.

I. Historical Background

Japan's modern defense equipment transfer regime is the product of a gradual evolution spanning several decades.

The original three principles on arms exports were announced in 1967 and introduced significant restrictions on the export of military equipment. These restrictions were expanded in 1976, resulting in what became, as a practical matter, a near-complete prohibition on arms exports.[1] Because of this, for many decades, Japanese

1. Ministry of Economy, Trade and Industry ("**METI**"), "Japan's Policies on the Control of Arms Export." *See* https://www.meti.go.jp/policy/anpo/securityexportcontrol1_3_1.html.

defense equipment manufacturers operated almost exclusively within the domestic Japanese market.

A fundamental policy shift occurred in 2014 when the Abe administration introduced the Three Principles on Transfer of Defense Equipment and Technology. The new framework replaced the previous prohibition-oriented approach with a system that allowed defense equipment transfers under specified conditions. The policy's rationale was that carefully controlled defense equipment cooperation can contribute to international peace, security cooperation, and Japan's own national security interests.[2]

Subsequent reforms gradually expanded the scope of permitted defense equipment transfers. In December 2023, Japan revised the Implementation Guidelines for the Three Principles on Transfer of Defense Equipment and Technology (the "**Implementation Guidelines**"), permitting the re-export of licensed defense equipment manufactured in Japan to licensed countries; the provision of licensed products to countries that granted the license; the provision of services, such as repairs, to countries with which Japan has security cooperation relationships other than the U.S. military; and the expansion of transfers of defense equipment components.[3]

In March 2024, further adjustments enabled exports to third countries of next-generation fighter aircraft developed under the Global Combat Air Programme ("**GCAP**").[4] These developments signaled a growing recognition within the Japanese government that defense equipment transfers could can serve broader security and industrial policy objectives.

Therefore, the April 2026 reform should be understood not as a sudden shift from a previous policy, but as the latest and most significant stage in a long-term process of gradual liberalization, taking into account changes in the international situation and security environment.

II. Policy Drivers Behind the April 2026 Reform

The Japanese government has explicitly linked the reform to changes in the regional and global security environment.

According to the government's official explanation, as the security environment has become increasingly severe, no country can safeguard its own peace and security by itself. To maintain both national and regional peace and security, it is necessary to work closely with like-minded partner countries, including through cooperation in defense equipment and technology. The government has argued that transfers of defense equipment will strengthen the defense capabilities of such partner countries and, in turn, contribute to Japan's own security.[5] The government has further explained that, where partner countries operate the same equipment as Japan, they will be able to mutually supply parts and components, thereby enhancing interoperability and strengthening mutual cooperation. In addition, the government has emphasized that the amendment will facilitate the establishment of overseas production and maintenance bases through licensed production and help sustain domestic production capacity by enabling overseas transfers. Such measures are considered important preparations for sustaining defense capabilities in the event of a prolonged conflict.[6]

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2. Ministry of Foreign Affairs ("**MOFA**"), "Japan's Security Policy." *See* https://www.mofa.go.jp/fp/nsp/page1we_000083.html.
3. Cabinet Secretariat, "Overview of the Revision of the Three Principles on Transfer of Defense Equipment and Technology and Implementation Guidelines in December 2023." *See* https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r51222_bouei6.pdf.
4. Cabinet Secretariat, "Transfer of finished products from Japan to countries other than partner countries of international joint development and production." *See* https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r60326_bouei10.pdf.
5. Cabinet Secretariat, MOFA, METI, Ministry of Defense, "Revision of the Defense Equipment and Technology Transfer System," April 2026, p. 1. *See* https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r80430_bouei_kaitei.pdf ("**Revision of the Defense Equipment and Technology Transfer System**"); Cabinet Secretariat, "Review of the Three Principles on Transfer of Defense Equipment and Technology and its Implementation Guidelines," p. 1. *See* https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r80421_iten.pdf ("**Review of the Three Principles**").
6. *Id.*

Accordingly, the amendment may be understood as a response to the changing security environment surrounding Japan, reflecting not only the need to strengthen cooperation with allied and partner countries but also the importance of ensuring the long-term sustainability and resilience of Japan's defense procurement and industrial base.

III. What Changed in April 2026?

The most significant aspect of the reform is the elimination of the restriction on transfers of finished defense equipment to five categories: rescue, transport, warning, surveillance, and minesweeping equipment. Until the 2024 revision, exports of finished defense equipment outside these categories were generally not covered under the basic framework.[7]

Under the revised framework, the transfer of a much broader range of finished defense equipment may now be approved. In particular, transfers of **non-weapons** (i.e., defense equipment that do not have the intrinsic capability to kill or injure persons or destroy properties) are no longer subject to restrictions based on the category of equipment and may be approved regardless of the type of defense equipment involved.[8]

More significantly, transfers of **weapons** (i.e., defense equipment that have the capability to kill or injure persons or destroy properties) may also now be considered under certain circumstances.[9] According to the government's explanatory materials, major defense platforms, such as fighter aircraft, naval vessels, and submarines, are no longer categorically excluded from consideration. Instead, their transfers are to be reviewed on a case-by-case basis under the revised framework.[10]

Significantly, this does not mean that all defense exports are now freely permitted. The reform removes a categorical barrier but leaves substantial governmental discretion in place. Individual transactions remain subject to careful review from the perspective of Japan's security policy and national security interests.[11]

Accordingly, the amendment significantly expands the range of defense equipment that may be transferred abroad, while preserving the government's ability to scrutinize individual transactions and control exports through an approval process.

IV. Continuing Restrictions and Safeguards

Despite the expansion of permissible defense equipment transfers, significant controls remain.

First, transfer approvals continue to be made on a case-by-case basis. Government materials expressly state that, although a wider range of defense equipment may now be considered for transfer, each proposed transaction will continue to be subject to individual review and approval.[12]

Second, destination-related considerations remain a central element of the regulatory framework. While the revised system is intended to facilitate transfers to allies and other like-minded countries, it preserves restrictions designed to ensure that transfers do not undermine international peace and security.[13]

Third, end-user and end-use considerations continue to play a significant role in the approval process. Consistent

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7. *Id.*, pp. 3-4.
8. *Id.*, p. 2.
9. *Id.*, p. 1.
10. *Id.*
11. *Id.*
12. Revision of the Defense Equipment and Technology Transfer System, p. 2; Review of the Three Principles, p. 2.
13. Implementation Guidelines, sec. 2, available at https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r80421_bouei4.pdf; Revision of the Defense Equipment and Technology Transfer System, p. 2; Review of the Three Principles, p. 2.

with the practice of other major defense-exporting countries, Japan remains concerned with preventing the diversion, unauthorized re-transfer, or misuse of transferred defense equipment.[14]

Accordingly, companies seeking to transfer defense equipment should expect continued scrutiny by the Japanese government and ensure that appropriate compliance procedures are in place throughout the life cycle of the transaction.

V. Understanding the Relationship Between the Three Principles and FEFTA

A. Frequently Misunderstood Issue of Two Separate Regulatory Systems

One of the most common misunderstandings among foreign observers is that Japan is implementing two completely separate regulatory systems: a defense transfer regime under the Three Principles and an export control regime under FEFTA. This characterization, however, is inaccurate.

The Three Principles themselves are not a statute enacted by the Diet. Rather, they constitute a cabinet-level policy framework adopted through decisions of the National Security Council and the Cabinet. The actual legal authority governing exports and technology transfers remains primarily rooted in FEFTA and its related regulations.[15]

From a practical compliance perspective, the Three Principles operate as a fundamental policy framework and an important operational standard that influences how transfers of defense equipment and technology are assessed within Japan's export control administration. In other words, the Three Principles help define when transfers may be considered consistent with Japanese national security policy, while FEFTA provides the legal basis through which export controls and licensing requirements are implemented.

Accordingly, companies should avoid treating the two frameworks as entirely separate.

For example:

- A defense transfer that is potentially permissible under the revised Three Principles may still require export authorization under FEFTA.
- Technology transfers associated with defense cooperation may trigger FEFTA controls even where no physical equipment is exported.
- Joint development projects may involve both defense equipment transfer policy considerations and conventional security export control requirements.
- End-use, end-user, and destination analyses remain relevant regardless of whether a defense equipment transfer falls within a category that is permissible under the Three Principles.

In summary, the April 2026 reform broadens policy eligibility for certain defense equipment transfers but does not eliminate the need to comply with FEFTA licensing requirements and other export control obligations.

For foreign counsel advising multinational defense clients, this distinction is critical. The key question is often not whether a transaction qualifies as a defense equipment transfer under the Three Principles, but whether all relevant FEFTA requirements have also been satisfied.

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14. Implementation Guidelines, secs. 2 and 3.
15. Adopted by the National Security Council and approved by the Cabinet Decision, "Three Principles on Transfer of Defense Equipment and Technology," sec. 3, para. 2. *See* https://www.cas.go.jp/jp/gaiyou/jimu/pdf/r80421_bouei2.pdf.

VI. Practical Implications for Foreign Defense Contractors

The reform is likely to create substantial opportunities for international defense cooperation. Foreign defense contractors may find Japanese partners increasingly willing and able to participate in multinational development and production arrangements. Programs involving advanced aerospace systems, naval platforms, autonomous technologies, and next-generation defense capabilities may become more commercially viable as a result of the revised framework.

The change may also strengthen Japan's position as a long-term partner in multinational defense programs. Shared production bases, maintenance arrangements, and supply-chain integration are more likely to emerge as policymakers seek to enhance interoperability with allies and trusted partners.

The GCAP already provides a prominent example of this trend, and additional collaborative programs may follow in the coming years.

VII. Related Changes to Japan's Regulation of Outbound Investments

The revised Implementation Guidelines may have implications beyond export controls. In particular, they expressly provide that where outbound direct investment involves the transfer of defense equipment or technology permitted under the Three Principles, the relevant review under FEFTA should be conducted in light of the permissibility of such transfers under the Three Principles.[16]

Furthermore, the Implementation Guidelines indicate that even defense-related foreign direct investment that does not involve the transfer of defense equipment or technology should be reviewed under FEFTA with due regard to the objectives and underlying principles of the Three Principles.[17]

Although these revisions do not formally relax FEFTA's review requirements for outbound investments, they may signal a more supportive regulatory approach toward overseas investment and business cooperation in the defense sector. Investments that contribute to international joint development, production, maintenance, or other forms of security cooperation consistent with Japan's defense policy may receive more favorable regulatory consideration than in the past.

The amendment also does not establish any exemption from FEFTA review, nor does it guarantee approval of defense-related investments. Rather, it appears to provide a policy basis for authorities to consider the security and industrial policy objectives underlying the Three Principles when evaluating individual transactions. Accordingly, while the revised language could support a more flexible approach to certain defense-related foreign investments, its practical significance will ultimately depend on future administrative practice and the case-by-case assessments conducted by the relevant authorities.

VIII. Conclusion

Japan's April 2026 reform of the Three Principles marks a significant milestone in the evolution of the country's defense export policy. By abolishing the long-standing five-category limitation on transfers of finished defense equipment, the Japanese government has substantially expanded the range of defense products that may be considered for transfer and demonstrated a stronger commitment to defense-industrial cooperation with allies and other like-minded partners.

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16. Implementation Guidelines, sec. 6. 3.
17. *Id.*

The reform should also not be understood as a wholesale liberalization of defense exports. Transfers remain subject to governmental review, national security considerations, and applicable export control requirements. Most importantly, foreign companies should recognize that the Three Principles do not replace FEFTA. Even where a transfer is permissible under the revised Three Principles, compliance with FEFTA and other applicable export control requirements remains essential.

The reform nevertheless reflects a shift in Japan's approach to defense cooperation and defense-industrial policy. By facilitating broader defense cooperation with partner countries while maintaining robust regulatory oversight, the revised framework seeks to balance national security concerns with the practical necessity of strengthening defense capabilities, enhancing interoperability with allies, and sustaining Japan's defense industrial base.

For foreign defense contractors, investors, and legal practitioners, the revised framework presents significant opportunities. However, those opportunities will be best realized by organizations that develop a sophisticated understanding not only of Japan's evolving defense transfer policy, but also of the export control, foreign investment, and regulatory requirements that continue to govern defense-related transactions. As the practical application of the revised framework develops through future administrative practice, closely monitoring regulatory developments and carefully assessing transaction-specific compliance considerations will remain essential.