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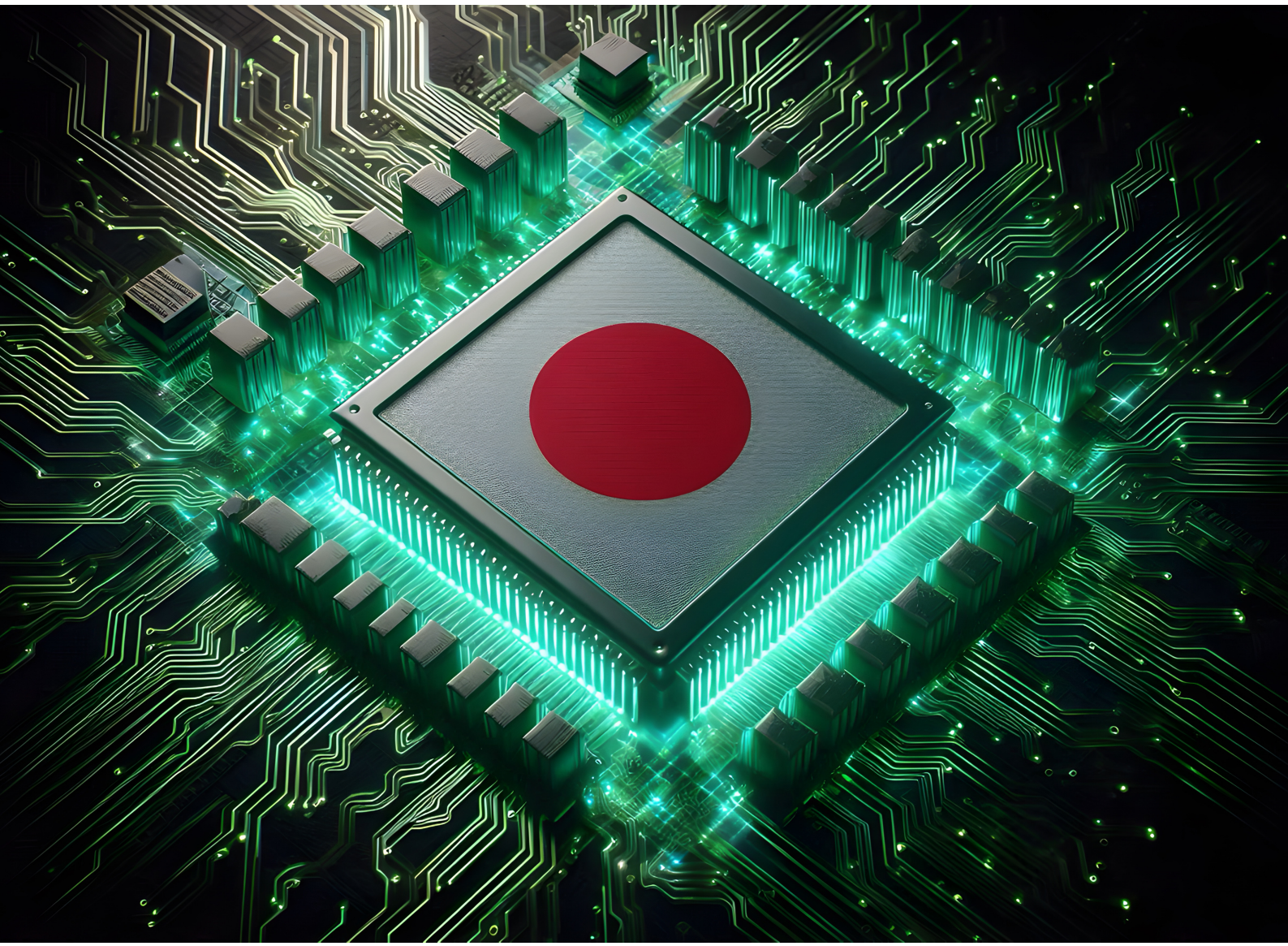
AI Policy and Regulations of Japan

Comprehensive Report



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Introduction

Japan is an island nation located in East Asia, consisting of a string of islands in a northeast-southwest arc that stretches for approximately 1,500 miles through the western North Pacific Ocean. The country is composed of four major islands—Hokkaido, Honshu, Shikoku, and Kyushu—with Honshu being the largest, followed by Hokkaido, Kyushu, and Shikoku. Japan has a rugged landscape with more than four-fifths of the land surface consisting of mountains, including many active and dormant volcanoes such as Mount Fuji, which stands at an elevation of 12,388 feet (3,776 meters). The national capital, Tokyo, located in east-central Honshu, is one of the world's most populous cities.

Japan's government system is a parliamentary government with a constitutional monarchy, where the emperor serves as the chief of state and the prime minister as the head of government. The country operates a market economy in which the prices of goods and services are determined in a free price system. Japan is a member of international economic organizations such as the Asia-Pacific Economic Cooperation (APEC) and the Trans-Pacific Partnership (TPP). As of 2024, Japan's population is estimated at approximately 123,953,000 people, making it a large and predominantly ethnically homogeneous nation.

Japanese culture blends ancient traditions with modern innovation, emphasizing values such as harmony, respect, and group consensus. Despite its rich cultural heritage, Japan faces distinct challenges, including an aging population and a constant shortage of labor, which has accelerated its interest in robotic assistance and AI technology. These demographic realities have positioned Japan to be at the forefront of technological innovation, particularly in artificial intelligence, as it seeks to address these societal challenges.

1. Recent Legal Regulations (2020–2025)

In Japan, there is no unified law for consumer protection; rather, specific regulations are set forth in individual laws such as the Consumer Contract Act (CCA), the Act on Specified Commercial Transactions (ASCT), the Installment Sales Act (ISA), and the Product Liability Act (PL Act). For laws regulating businesses in specific industries, detailed regulations are set forth in subordinate norms such as government and ministerial ordinances, and their interpretations are provided in guidelines from regulatory authorities. The Consumer Affairs Agency (CAA) is responsible for investigating and enforcing major consumer protection laws, while sector-specific bodies like the Ministry of Economy, Trade and Industry (METI) and the Financial Services Agency (FSA) also regulate and enforce consumer protection in their respective domains.

An amendment to the Act against Unjustifiable Premiums and Misleading Representations (AUPMR) passed and promulgated in May 2023, taking effect on October 1, 2023. This amendment made 'stealth' or 'undercover' marketing activities illegal under Japanese law, introducing significant changes such as a commitment procedure for prompt remediation, revision of the surcharge system, extension of penalties, and provisions for disclosure requests by Qualified Consumer Organizations.

The Consumer Product Safety Act (CPSA) classifies "consumer products" into three categories—Specified Products, Special Specified Products, and Specified Products Requiring Maintenance—and regulates them individually. For example, Specified Products, such as pressure cookers and motorcycle helmets, cannot be sold unless they display the Product Safety of Consumer Products (PSC) mark indicating their conformity to technical standards. The CPSA requires manufacturers or importers to report Serious Product Accidents involving a consumer product to the CAA director-general within 10 days of becoming aware of the accident.

In the field of data protection, the Act on the Protection of Personal Information (APPI) is the principal legislation in Japan. The APPI regulates how agencies handle personal information, promoting responsible use and protecting individuals' rights. Data subjects have the right to require data controllers to correct, add, or delete personal data if it is incorrect and to request cessation of use if the data is used for purposes other than those notified to the data subject.

Japan's approach to AI regulation has thus far relied on sector-specific regulations supplemented by voluntary guidelines. The country is taking a similar approach to nations like Singapore and the UK by applying existing legislation to deal with issues arising from the use of generative AI at this time. The Ministry of Economy, Trade and Industry (METI) issued the "Governance Guidelines for Implementing AI Principles" for AI businesses in July 2021, which were revised in January 2022. In January 2024, METI and the Ministry of Internal Affairs and Communications (MIC) issued the draft "AI Guidelines for Business," which integrates previous guidelines and provides guidance for developing, providing, and using AI for all entities.

2. Government AI Action Plan

Japan's national AI strategy focuses on four key areas: enhancing productivity, advancing healthcare and welfare, improving mobility, and strengthening information security. The strategy employs three research centers as the main institutions to implement the AI strategy. The AI development is planned in three distinct phases: Phase 1 involves increasing utilization of AI and data with new growth in related service industries; Phase 2 focuses on developing public use of AI and data, expanding new industries; and Phase 3 aims to establish an ecosystem through the connection and merging of various multiplying domains.

In 2019, the Japanese government published the Social Principles of Human-Centered AI, aiming to realize the world's first "AI-ready society" through a set of principles. These principles stipulate that AI must not infringe upon fundamental human rights, basic education and literacy must be ensured, privacy must be protected with security ensured, and fairness, accountability, and transparency are necessary. The principles are founded on three core philosophies: respect for human dignity, a sustainable society, and a society where diverse backgrounds support individual wellbeing.

The approaches for research and development and social implementation of AI include encouraging coordination between research centers, creating education programs to foster human resources, strengthening data maintenance in priority sectors, supporting startups, and promoting understanding of AI among manufacturers, service providers, and users. The strategy acknowledges the importance of maintaining open public data and discusses the promotion of utilization and application of data owned by the private sector.

Current Japanese AI regulations primarily apply through existing laws rather than specific industry legislation. These include the Copyright Act, the Personal Information Protection Law, the Unfair Competition Prevention Act, antimonopoly law, and the Economic Security Promotion Act. Businesses involved in advanced AI systems are encouraged to adhere to the Hiroshima Process International Guiding Principles for All AI Actors and the Hiroshima Process International Code of Conduct for Organizations Developing Advanced AI Systems.

The Japanese government has implemented the AI Strategy 2022 as a follow-up to the AI Strategy 2019, clarifying the course to deal with imminent crises like pandemics and large-scale disasters, as well as new objectives to enhance implementation in society. The strategy specifically envisages AI for National Resilience, aiming to improve resilience in dealing with national crises. This focus on AI as a solution to societal challenges reflects Japan's comprehensive approach to technological advancement with a human-centric perspective.

3. Intellectual Property & Data Usage

In Japan, the relationship between AI and intellectual property is evolving as the technology advances. The Intellectual Property High Court ruled against recognizing artificial intelligence systems as inventors, reinforcing the legal stance that only natural persons can be designated as inventors under current Japanese patent law. This ruling comes as Japanese policymakers are increasingly calling for a reevaluation of patent laws to accommodate the growing influence of AI in the invention process.

The Copyright Act was amended to ensure flexibility and legal certainty for innovators, which became effective on January 1, 2019, introducing three key provisions to remove perceived copyright barriers to AI. New Article 30-4 allows all users to analyze and understand copyrighted works for machine learning, making it possible to access data or information in a form where the copyrighted expression of the works is not perceived by the user. New Article 47-4 permits electronic incidental copies of works, recognizing that this process is necessary for machine learning activities but does not harm copyright owners. New Article 47-5 allows the use of copyrighted works for data verification when conducting research.

When raw data can be deemed as "trade secrets" satisfying all requirements of confidentiality, non-public nature, and usefulness (Article 2, Paragraph 6 of the UCPA), it is protected under the Unfair Competition Prevention Act (UCPA). With the 2019 revision to the UCPA, big data that does not qualify as trade secrets but is subject to certain access restrictions will also be protected as "data subject to supply restrictions". Companies wishing to secure legal protection for raw data that does not fall under these categories need to do so through contracts made with third parties.

For AI training data, if it constitutes an intellectual creation resulting from "the selection or systematic construction of information," it can be protected under the Copyright Act as "database works" (Article 12-2 of the Copyright Act). Know-how relating to methods for processing raw data into datasets suitable for AI learning is protected under the UCPA if the processing method falls under the definition of a trade secret.

Regarding data privacy, the main data protection legislation in Japan is the Act on Protection of Personal Information (APPI), which was significantly overhauled in recent years. The APPI governs the collection and use of personal data, stipulating that collection and use of personal data does not require the consent of the data subject as long as the purpose of such collection and use is notified or announced to the data subject. However, when business organizations that are data controllers use generative AI, any inputting of personal data to the generative AI should fall within the purpose that has been announced or notified to the data subjects.

Japan's approach to AI and data usage balances innovation and protection, with specific provisions to enable AI development while respecting intellectual property rights and personal data. Regulations are continuously evolving to address the challenges posed by rapid technological advancement in AI and data processing.

4. AI Outputs & IP Protections

The legal framework governing artificial intelligence-generated outputs in Japan reflects a careful balance between encouraging technological innovation and upholding traditional intellectual property principles. Under Japan's Copyright Act, a protected work is defined in Article 2(1) as a "creatively produced expression of thoughts or sentiments" in literary, scientific, artistic, or musical domains. This definition establishes several critical requirements that present challenges for AI-generated content. For a work to receive copyright protection, it must reflect intentional human expression, demonstrate distinctiveness in form, involve non-trivial intellectual effort, and align with recognized creative categories. These human-centric criteria create inherent barriers for AI-generated content. Works created autonomously by AI systems, without meaningful human input, fail the "thoughts/sentiments" criterion and consequently remain ineligible for copyright protection under current Japanese law.

The Agency for Cultural Affairs clarified this position in its 2024 report "General Understanding on AI and Copyright in Japan," confirming that content autonomously generated by an AI would not fit this definition and thus cannot qualify for copyright protection. This means pure AI-generated material is effectively in the public domain by default, as it lacks the necessary human authorship. The report explicitly notes that an AI itself cannot be an "author" under Japanese law – only a natural person or legal entity can be recognized as the author of a work.

However, works combining human and AI input may qualify for protection if human creativity dominates. The Agency's report outlined several factors for assessing human creative contribution. The specificity of instructions or prompts matters significantly; detailed instructions that dictate creative aspects of the output are more likely to count as a creative contribution, whereas generic prompts would not confer authorship. Iterative refinement through multiple generations with human-guided modifications can demonstrate creative process. If the user actively iterates, evaluates, and refines prompts based on prior outputs, this could evidence creative engagement. Selection from multiple outputs may also factor in, though merely choosing a favorite image is not considered creative; more substantive curation decisions that impart originality might qualify. Additionally, any human edits, enhancements or modifications to AI-generated content that themselves constitute creative expressions will be protected.

A 2017 governmental study had previously established similar principles, suggesting that users exercising "creative intention" through specific steps may claim authorship, treating AI essentially as a tool akin to traditional artistic mediums. Under this framework, if a novelist uses AI to draft chapters but extensively revises and structures the output, they may retain copyright. The key consideration is whether the human's creative intent and input permeate the AI-generated result such that the AI functions more like a tool rather than an autonomous creator.

In the patent realm, recent judicial decisions have clarified Japan's position on AI inventorship. In the landmark DABUS case of 2025, the Intellectual Property High Court affirmed that inventors must be natural persons, rejecting patents listing AI systems as sole inventors. The court emphasized that Japan's Patent Act presupposes human agency and lacks provisions for non-human inventorship. The Tokyo District Court made a similar ruling in May 2024, marking the first such determination in Japan. Both courts confirmed that AI-generated inventions cannot receive patent protection under existing law without a human inventor. These rulings align with precedents in other major jurisdictions including the United States, United Kingdom, and European Union.

Japan's 2019 amendment to the Copyright Act, particularly Article 30-4, has significantly impacted the AI development landscape. This "data analysis" exemption allows AI training on copyrighted materials without a license, even for commercial use. Unlike the European Union's non-commercial restriction, this makes Japan particularly welcoming to machine learning development. However, the exemption has key limitations: it becomes void if AI outputs cause "unreasonable prejudice" to copyright holders, such as by mimicking an artist's style and competing in the original work's market. Additionally, it does not apply when technical protections against data scraping are bypassed.

The Agency for Cultural Affairs further clarified that using copyrighted works to teach an AI is generally lawful in Japan as long as the use is for "information analysis" and not for enjoying or directly reproducing the expressive content. The committee provided specific examples: compiling manga pages or songs to have an AI generate similar content would likely be considered a use "for enjoyment" and thus fall outside the Article 30-4 exemption. Similarly, feeding copyrighted articles into a generative model for on-the-fly answers would fail the "non-enjoyment" purpose test.

As generative AI technologies advance, Japanese content creators and rightsholders have expressed increasing concerns. By 2023-2024, industries including publishing, music, anime, and gaming observed AI systems generating content in styles similar to copyrighted works. This prompted calls for greater balance between innovation and creator protections. In December 2024, the Japan Newspaper Publishers & Editors Association submitted a formal request to the government urging reexamination of the copyright exception, arguing that the current law allows tech companies to freely use journalistic content without compensation or permission, potentially threatening the sustainability of Japan's cultural industries.

Organizations operating in Japan are advised to implement several risk mitigation strategies. Establishing internal AI governance protocols, including prompt logs and human oversight documentation, helps demonstrate the human creative contribution necessary for copyright protection. Similarity audits using tools like Embedding-Based Similarity Search can detect potential overlaps with protected works. Technical safeguards should be implemented to block requests for potentially infringing outputs. Additionally, contracts for AI development partnerships should clearly define IP ownership, addressing joint works and derivative rights.

Japan's approach to AI-generated IP stands at a critical juncture, balancing its pro-innovation stance with emerging ethical and economic challenges. While current laws address near-term issues, the rise of increasingly autonomous AI systems will likely necessitate further legislative reforms. The Japanese government has indicated that changes may be forthcoming, with the 2025 Intellectual Property Strategic Program expected to address generative AI copyright concerns. Potential reforms might include an opt-out system or licensing requirement for certain types of works, or new exceptions dealing with AI outputs, though the government appears to favor encouraging voluntary agreements between stakeholders over immediate strict regulation.

5. AI Investments & Computing Power

The Japanese government has demonstrated unwavering commitment to fostering AI development, with over ¥10 trillion (approximately $65 billion) allocated to support AI and semiconductor technologies as part of a broader strategy to position Japan as a global leader in AI innovation. This significant investment signals Japan's ambition to reclaim its status as a global tech leader while addressing its aging population challenges. The government's target is a 10-fold aggregate increase in investment, to 10 trillion yen (about 65.8 billion USD), by March 2028.

Japan's AI market is growing rapidly, reaching $4.5 billion in 2023 with a year-on-year growth rate of 35.5%. The Ministry of Internal Affairs and Communications (MIC) predicts that Japan's AI systems market will grow to approximately $7.3 billion by 2027. According to more optimistic projections, the Japan Artificial Intelligence Market Size is expected to reach USD 27.12 billion by 2032, growing at a CAGR of 21.43% during the forecast period from 2022 to 2032.

Despite these impressive growth figures, Japan faces significant challenges in its AI infrastructure development. One critical issue is the lack of computing power required to support large language models (LLMs). Japan is actively addressing this computing power limitation. HPE has partnered with AIST to build ABCI 3.0, a new supercomputer expected to come online by the end of 2025. This system will deliver a theoretical maximum of 6.2 exaflops of half-precision performance, representing a significant leap in Japan's AI computing capabilities and providing Japanese businesses with substantially more powerful infrastructure for AI development and deployment —less than 10% of the computing capacity that OpenAI had at its disposal in the development of ChatGPT.

To address these challenges, major tech companies are making substantial investments in Japan's AI infrastructure. Microsoft is investing $2.9 billion to expand its AI and cloud infrastructure in the country. AWS is investing 15 billion over three years to enhance its AI capabilities. NVIDIA is planning AI infrastructure builds supported by subsidies from the Ministry of Economy. SoftBank is spending $960 million to boost computing power for generative AI, which is believed to be the largest investment in computing infrastructure of any Japanese company.

Japan's strategic economic position as the world's third-largest GDP, valued at approximately $4.9 trillion, makes it an economic powerhouse and a critical player in the APAC region. Its neutral and collaborative role in the context of increasing geopolitical tensions between the U.S. and China enables it to act as a bridge for international companies seeking a foothold in Asia. Japan actively engages in multinational AI initiatives, including the G7 Hiroshima Process, which seeks to establish global AI governance principles.

The country's market potential for AI is projected to unlock $736 billion in productivity gains by 2030, with demand spanning various industries from manufacturing and healthcare to entertainment and logistics. Japan ranks among the top three OECD countries for fiber optic network infrastructure, enabling seamless data transfer and processing for AI and cloud-based applications. However, Japan's geographical location makes it prone to natural disasters like earthquakes, tsunamis, and typhoons, which can hamper the power supply and operational continuity of data centers.

The government is implementing various initiatives to promote AI development, including the Generative AI Accelerator Challenge (GENIAC), which offers funding, mentorship, and GPU resources to AI startups. The AI Strategy Council guides national AI initiatives, addressing societal challenges like labor shortages and aging demographics. A significant portion of funding is dedicated to semiconductor research, a cornerstone of AI technology.

6. Judicial Decisions on AI

Japanese courts have made significant rulings regarding AI technologies, particularly concerning intellectual property rights. On January 30, 2025, the Japanese Intellectual Property High Court ruled that AI-generated inventions cannot receive patent protection under the current Japanese patent law. This decision follows a similar ruling by the Tokyo District Court in May 2024, which held that artificial intelligence cannot be an inventor in a patent application in Japan.

The case involved a national phase application where 'DABUS, artificial intelligence that generated the invention autonomously' was listed as the inventor. The Commissioner of the Japan Patent Office (JPO) dismissed the application because a name of the inventor was not corrected after an order was issued to do so. The plaintiff filed a lawsuit against the dismissal, arguing that the name of the inventor is not necessary for an application for an AI invention.

The Tokyo District Court affirmed the dismissal, ruling that an inventor must be a natural person. The court referred to article 2(1) of the Intellectual Property Basic Act, which defines intellectual property as property produced through creative activities by human beings. The court interpreted that the Act defines an invention as something produced by a natural person. This ruling is in line with similar decisions in other major jurisdictions, including the US, UK, and EU member states.

When the case was appealed, the Intellectual Property High Court identified two central questions: (1) whether AI-generated inventions can be protected as patents under the current patent law; and (2) whether an AI invention application requires listing the name of an inventor. The court concluded that "current patent law only recognizes and establishes procedures for granting patent rights for inventions where a natural person is the inventor". The court determined that there is no procedural pathway in the current Patent Act to grant patent rights for "inventions" where the inventor lacks legal capacity.

The plaintiff also argued that as the creator and manager of DABUS, they had rights to the patent application based on Civil Code provisions for the right to fruits. However, the court rejected this argument on three grounds. The IP High Court acknowledged that whether to grant patent rights for AI-generated inventions requires comprehensive policy discussions that cannot be resolved through judicial interpretation alone. The court emphasized that "patent rights are not inherent natural rights, but rather rights granted based on the Patent Act, which aims to 'encourage inventions and thereby contribute to the development of industry'".

While both the Tokyo District Court and the IP High Court reached the same conclusion, their reasoning differed. The Tokyo District Court focused on interpreting the concept of "inventor" itself, concluding that this term is limited to natural persons. In contrast, the IP High Court examined the Patent Act's dual nature as both substantive and procedural law, concluding that the current legal framework only recognizes and establishes procedures for granting patent rights when a natural person is the inventor.

These rulings highlight an important challenge facing patent systems: how to align established legal frameworks designed for human inventors with the reality of increasingly autonomous AI systems. The distinction between AI as a tool that assists human inventors versus AI as an autonomous creator requires careful analysis as the technology continues to evolve. The Intellectual Property High Court upheld a May 2024 Tokyo District Court decision dismissing an appeal by AI developers seeking to make it possible for artificial intelligence to be recognized as an inventor in patent cases.

Conclusion

Japan has historically taken a rather lenient stance on AI regulation, aiming to harness the technology's positive impact on society without stifling innovation with excessive rules. Currently, there is no comprehensive AI-specific regulation, and Japan relies on existing laws to regulate AI technologies. The country has adopted an 'agile governance' approach, providing non-binding guidance and deferring to the private sector's voluntary efforts to self-regulate in response to the rapid advancements in AI technologies.

The artificial intelligence industry in Japan is experiencing robust growth, with the market size for AI systems reaching 685.87 billion yen in 2023, marking a 34.5% increase from the previous year. This growth is expected to continue, with projections estimating that the market will expand to more than 2.5 trillion yen by 2028. AI market forecasts add another incentive behind Japan's mega-stimulus package, with the AI market size expected to reach $27.12 billion by 2032.

Japan's AI regulations are less strict than Western nations because their copyright law, updated in 2018, permits using copyrighted works without the owners' permission for AI training. This approach has contributed to making Japan an attractive destination for AI development and investment. However, there are recent signs of a shift in the Japanese government's approach to AI regulation. The AI Strategy Council has established the AI Legal Framework Study Group to begin discussions on the necessity of comprehensive AI-specific legislation, raising the possibility of a new law specifically regulating AI.

The judicial rulings on AI inventorship reflect Japan's cautious approach to extending legal rights to AI-generated works and inventions. While the courts have maintained that only natural persons can be inventors or authors under current law, there is recognition that these issues may require legislative solutions rather than judicial interpretation alone. As AI continues to advance and generate increasingly sophisticated outputs, the legal framework will need to evolve accordingly.

Japan's $1 trillion investment in the US by 2025 is expected to fuel advancements in artificial intelligence in defense, cutting-edge technology, and strategic trade partnerships. This move not only strengthens US-Japan trade relations but also positions Japan as a key player in shaping the future of AI investment trends in 2025 and defense technology innovation.

In conclusion, Japan's approach to AI reflects a balance between promoting innovation and ensuring ethical use. The country's legal landscape is evolving to address the challenges posed by artificial intelligence, with a focus on human-centric principles and the protection of rights. As Japan continues to invest in AI and enhance its computing power infrastructure, it is poised to play a significant role in the global AI ecosystem, leveraging its strengths in robotics, manufacturing, and cultural industries to drive technological advancement and address societal challenges.

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