Section C
Rules of Origin and Origin Procedures of Japan

Sub-Section 1
General Rules and Procedures

1. For the purposes of this Section:

(a) "fungible goods or materials" means goods or materials that are interchangeable for commercial purposes and whose properties are essentially identical;

(b) "Generally Accepted Accounting Principles" means those principles recognized by consensus or with substantial authoritative support in the territory of a Party with respect to the recording of revenues, expenses, costs, assets, and liabilities; the disclosure of information; and the preparation of financial statements. These principles may encompass broad guidelines for general application, as well as detailed standards, practices, and procedures;

(c) "good" means any merchandise, product, article, or material;

(d) "indirect material" means a material used in the production, testing, or inspection of a good but not physically incorporated into the good; or a material used in the maintenance of buildings or the operation of equipment, associated with the production of a good, including:

(i) fuel, energy, catalysts, and solvents;

(ii) equipment, devices, and supplies, used to test or inspect the good;

(iii) gloves, glasses, footwear, clothing, and safety equipment and supplies;

(iv) tools, dies, and molds;

(v) spare parts and materials, used in the maintenance of equipment and buildings;

(vi) lubricants, greases, compounding materials, and other materials, used in production or used to operate equipment and buildings; and

(vii) any other material that is not incorporated into the good but the use of which in the production of the good can reasonably be demonstrated to be a part of that production;

(e) "material" means a good that is used in the production of another good;

(f) "non-originating good" or "non-originating material" means a good or material that does not qualify as originating in accordance with this Section;

(g) "originating good" or "originating material" means a good or material that qualifies as originating in accordance with this Section;

(h) "packing materials and containers for shipment" means goods used to protect another good during its transportation, but does not include the packaging materials or containers in which a good is packaged for retail sale;

(i) "preferential tariff treatment" means the customs duty rate applicable to an originating good, pursuant to Section B;

(j) "production" means operations including growing, cultivating, raising, mining, harvesting, fishing, trapping, hunting, capturing, collecting, breeding, extracting, gathering, manufacturing, processing, or assembling a good;

(k) "transaction value" means the price actually paid or payable for the good when sold for export or other value determined in accordance with the *Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994*, set out in Annex 1A to the WTO Agreement; and

(l) "value of the good" means the transaction value of the good excluding any costs incurred in the international shipment of the good.

2. (a) Except as otherwise provided in this Section, Japan shall provide that a good is originating if it is:

(i) wholly obtained or produced entirely in the territory of one or both Parties as established in subparagraph (b);

(ii) produced entirely in the territory of one or both Parties, exclusively from originating materials; or

(iii) produced entirely in the territory of one or both Parties by one or more producers using non-originating materials provided the good satisfies all applicable requirements of Sub-Sections 2 and 3,

and the good satisfies all other applicable requirements of this Section.

(b) Japan shall provide that for the purposes of subparagraph (a), a good is wholly obtained or produced entirely in the territory of one or both Parties if it is: