

Legal Commentary

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MOFCOM Announces Tiered Listing of 40 Japanese Entities, Significantly Tightening Japan-Related Export Compliance

Authors: Ruixin JIANG | Yi XIONG

On 24 February 2026, the Ministry of Commerce of the People's Republic of China ("MOFCOM") issued Announcement No.11 and Announcement No.12 of 2026, simultaneously adding a total of 40 Japanese entities to the Export Control List and the Watch List, respectively. Earlier, on 6 January 2026, MOFCOM had already issued Announcement No.1 of 2026, which imposed broader export control rules on exports of dual-use items to Japan involving Japanese military end users, military end uses, and other end users/end uses that may contribute to enhancing Japan's military capabilities. With these three regulatory measures now in effect concurrently, compliance standards applicable to China-based companies' exports to Japan have become materially more stringent, and regulatory scrutiny has tightened further. In this context, relevant companies face more severe compliance challenges and should strengthen compliance management to ensure that Japan-related export business is conducted in strict accordance with applicable laws and regulations.

Overview of the Announcements and Updated Lists

Based on MOFCOM Announcements No.11 and No.12 (both issued on 24 February 2026), together with MOFCOM's spokesperson's same-day response to media questions regarding these Japan-related export control measures, the key rules and the latest adjustments to the Control List and Watch List are summarized below.

I. MOFCOM Announcement No.11 of 2026

- **Nature of list:** Export Control List. Once an entity is added to this list, exports of dual-use items to that entity are prohibited.
- **Reason for listing:** 20 entities were found to have directly participated in enhancing Japan's military capabilities.
- **Control measures:**
 - Chinese export operators are prohibited from exporting any dual-use items to such entities;
 - Overseas organizations and individuals are prohibited from transferring or providing China-origin dual-use items to such entities;

- All ongoing related export and transfer activities must stop immediately;
- Exports may be permitted only under special circumstances, subject to a separate application to MOFCOM.
- **Removal mechanism:** The announcement does not expressly provide a delisting mechanism for entities on the Control List. This, however, does not necessarily mean permanent listing. Going forward, MOFCOM may, based on actual circumstances and in light of the principles and spirit of Article 18 of the Export Control Law and Article 30 of the Regulations on Export Control of Dual-Use Items, consider delisting applications by reference to factors such as changes in the international situation and corrective actions by the listed entities.
- **Listed entities:**
https://www.mofcom.gov.cn/zcfb/zc/art/2026/art_a73f2b59e13d4454b0f58618917f3944.html

II. MOFCOM Announcement No.12 of 2026

- **Nature of list:** Watch List. Entities placed on this list are not completely prohibited from receiving exports of dual-use items, but will be subject to more stringent and granular export review procedures.
- **Reason for listing:** 20 entities were listed because their end users and end uses for dual-use items could not be effectively verified.
- **Control measures:**
 - Exports to such entities are ineligible for a general license and cannot rely on the information–registration filing mechanism to obtain export certificates; only an individual license may be applied for;
 - Applications for an individual license must include an entity-specific risk assessment report and a written undertaking that the items will not be used to enhance Japan’s military capabilities;
 - The license review period is not subject to the statutory time limit, and MOFCOM will conduct more stringent end-user and end-use review;
 - Exports involving Japanese military end users or military end uses, as well as any other end users or end uses that may contribute to enhancing Japan’s military capabilities, will not be approved;
 - Pursuant to Article 28 of the Regulations on Export Control of Dual-Use Items, where a listed entity violates end-user/end-use management requirements or may endanger national security and interests, the competent commerce authority under the State Council may place it on the Control List and remove it from the Watch List.
- **Removal mechanism:** Pursuant to Article 26 of the Regulations on Export Control of Dual-Use Items, an entity may apply to be removed from the Watch List after fulfilling its obligation to

cooperate with verification, provided verification confirms that it has not changed end use without authorization, transferred items to a third party without authorization, or otherwise engaged in relevant non-compliant conduct.

■ **Listed entities:**

https://www.mofcom.gov.cn/zcfb/zc/art/2026/art_a73f2b59e13d4454b0f58618917f3944.html

Key Features and Implications of the Control/Watch Lists

I. Profile of Entities Covered by the MOFCOM Announcement No.11 List

The 20 entities placed on the Control List are all entities directly involved in enhancing Japan's military capabilities. Their business activities broadly span core sectors such as defense manufacturing, military electronics, military R&D, and military talent training. Several heavy-industry enterprises are exclusive or core manufacturers of major Japan Self-Defense Forces equipment and hold dominant positions in key fields such as naval vessels, military aircraft, aero engines, and military power systems. Several electronics/information enterprises serve as core technology and equipment suppliers for command-and-control communications, radar guidance, military satellites, and electronic warfare systems. The list also includes core institutions for military research and talent development in Japan. The controls imposed on these entities reflect a comprehensive blocking and isolation approach targeting the upstream segments of Japan's defense industry.

II. Profile of Entities Covered by the MOFCOM Announcement No.12 List

The 20 entities placed on the Watch List were listed because the end users and end uses of dual-use items could not be verified. Although these entities are not necessarily directly military in nature, they include leading enterprises and research institutions across various civilian sectors in Japan and present significant potential military-civil fusion conversion risk. Where supply-chain destination flows are uncertain, dual-use items may readily be diverted to military uses.

From an industry perspective, the relevant entities span automobiles, electronics, materials, aerospace supporting industries, chemicals, machinery, and trading. Their civilian products and technologies significantly overlap with military applications. For example, automotive engine and chassis technologies may be adapted for military vehicles; heavy machinery may be used in defense equipment manufacturing; and specialty oils and chemical reagents may support military production. In addition, certain listed research institutions conduct research in areas such as materials technology, semiconductor technology, and small adaptive drone technology—fields with potential military conversion value. In the absence of clear evidence regarding the downstream use of research outputs, such institutions may be included on the Watch List.

III. Impact on Exporting Enterprises

First, there is the impact on existing transactions. If a company's counterparty is included in the Control List under MOFCOM Announcement No.11, the transaction may be effectively interrupted. For example, executed contracts may need to be terminated unilaterally, potentially giving rise to

subsequent disputes over breach damages. If a company continues trading on a speculative basis, regardless of intent, it may face severe administrative liability under the Export Control Law and related regulations, and criminal liability in serious circumstances.

By contrast, where a counterparty is included in the Watch List under MOFCOM Announcement No.12, export license application procedures will become more complex and stringent, materially affecting export timelines and operational efficiency. The additional review materials and the practical extension of review timelines may delay shipment schedules and ultimately affect timely contractual performance.

Second, there is the impact on future routine exports to Japan. Implementation of these announcements means Japan-related exports are entering a phase of high-frequency scrutiny. Any company engaged in exports to Japan should conduct prudent assessment—even where the customer is a research institution or appears unrelated to defense on its face—to avoid regulatory obstacles arising from unclear end uses or other compliance concerns. In addition, under the Watch List mechanism, regulators may conduct more detailed review of relevant entities, impose more stringent documentation requirements, and substantially lengthen review timelines, all of which may have knock-on effects on pricing and delivery.

Third, there is a structural impact on corporate compliance management. These announcements accelerate a shift in export control compliance management from passive to proactive, and from ex post to ex ante control. This increases compliance costs, but also requires companies to structurally redesign their internal compliance governance. Compliance should no longer be treated merely as a remedial tool for post-incident accountability. Instead, it should be integrated into front-end management and corporate governance arrangements, embedded into the company's management system, and recognized not as a regulatory burden but as an integral component of sound corporate governance.

Compliance Recommendations for Enterprises

Based on the above summary and analysis, we set out below several compliance recommendations for enterprises directly or indirectly engaged in export business, for reference.

I. Conduct an Urgent and Comprehensive Review of Existing Business

1. Map and screen downstream customers (including direct and indirect customers)

Confirm, on a customer-by-customer basis, whether they are included in the current Control List or Watch List, and classify them for management purposes based on the screening results.

For customers on the Control List, urgently review the specific requirements and contractual arrangements under executed contracts, and discuss potential breach-dispute risks and response strategies with professional advisors in advance.

For customers on the Watch List, comprehensively review the status of existing license applications, supplement materials under the new rules (including entity-specific risk assessment reports and written

end-use undertakings), and proceed only after license approval is obtained.

2. Review contracts currently under performance

Focus on whether there are unfavorable provisions or breach risks in relation to conditions precedent/conditions for performance tied to export license approval, compliance carve-outs/exemptions, and breach indemnity clauses. Where necessary, communicate appropriately with counterparties in advance to mitigate the risk of disputes.

II. Strengthen End-to-End Risk Control for Routine Export Business

1. Establish a customer due diligence mechanism

Implement a front-end customer review process, particularly for customers in sensitive jurisdictions. Review targets should include agents, distributors, and end users. Review scope should include qualifications, shareholding structure, business scope, military nexus, and associations with listed entities. Retain due diligence materials and reports, and assign risk ratings based on the results.

2. Optimize export license application management

For Watch List customers, establish a dedicated individual-license application workflow and a checklist of required application materials to ensure completeness, authenticity, and compliance. Where appropriate, prepare standardized templates for risk assessment reports and written undertakings to improve application efficiency.

3. Improve controls over license use

Maintain a license register (ledger) specifying each license's validity period, scope of application, and corresponding goods flow. Ensure that item descriptions, specifications, quantities, consignor/consignee information and other details on the license match the actual goods and customs declaration documentation.

4. Strengthen supply chain monitoring

Investigate whether goods may ultimately flow to listed entities through third-country transshipment, intermediary resale, or similar arrangements. Clearly allocate compliance obligations to upstream and downstream counterparties, and execute supplemental agreements where necessary. Retain documentary evidence of goods flow. If subsequent violations are identified (e.g., improper end use or unauthorized transfer), immediately suspend further cooperation and consult professional advisors in advance regarding response strategies.

5. Upgrade contract management

In light of the latest export control requirements, conduct compliance review of all procurement, sales, and entrusted-service contracts. Assess whether any provisions are unfavorable under current laws and policies, and add or revise compliance clauses where appropriate to reduce breach risks arising from changes or updates in export control laws and policies.

III. Improve the Export Control Compliance Management System

1. Formulate compliance policies and procedures

By reference to applicable laws, regulations, and policy requirements, formulate a tailored export control compliance management system, including role allocation, risk assessment workflows, customer review standards, document retention requirements, and violation-handling mechanisms.

2. Clarify compliance responsibilities and roles

Designate dedicated compliance personnel responsible for policy tracking, customer screening, license applications, supply chain monitoring, and records management. At the same time, strengthen compliance coordination with sales, customs declaration, procurement, production, and other departments to ensure alignment and implementation of compliance requirements across all functions.

3. Conduct compliance training

Provide export control compliance training covering fundamental concepts and key requirements under recent rules, with a focus on dual-use item identification, listed-entity screening, license application procedures, and consequences of non-compliance. Conduct post-training assessments to ensure training effectiveness.

4. Conduct periodic compliance self-assessments

Establish a standing compliance risk identification and remediation mechanism, and carry out regular self-assessments of export business to identify and rectify potential risks in a timely manner. Where appropriate, engage external professional advisers to help strengthen compliance management, optimize compliance processes, and ensure the compliance system remains aligned with regulatory requirements.

Important Announcement

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If you have any questions regarding this publication, please contact:

Ruixin JIANG

Tel: +86 10 8524 5808

Email: ruixin.jiang@hankunlaw.com