AGREEMENT BETWEEN JAPAN AND THE REPUBLIC OF PARAGUAY FOR THE PROMOTION AND PROTECTION OF INVESTMENT

Japan and the Republic of Paraguay (hereinafter referred to as "the Contracting Parties"),

Desiring to further promote investment in order to strengthen the economic relationship between the Contracting Parties;

Intending to further create stable, equitable, favourable and transparent conditions for greater investment by investors of a Contracting Party in the Area of the other Contracting Party based on the principles of equality and mutual benefit;

Recognising the growing importance of the promotion of investment for stimulating initiative of investors and for promoting prosperity in the Contracting Parties;

Recognising that economic development, social development and environmental protection are interdependent and mutually reinforcing pillars of sustainable development and that cooperative efforts of the Contracting Parties to promote investment can play an important role in enhancing sustainable development;

Recognising that these objectives can be achieved with the cooperative relationship between labour and management and without relaxing health, safety and environmental measures of general application; and

Convinced that this Agreement will contribute to the further development of the overall relationship between the Contracting Parties;

Have agreed as follows:

Chapter I. INVESTMENT

Article 1. Definitions

For the purposes of this Agreement:

(a) the term "investment" means every kind of asset owned or controlled, directly or indirectly, by an investor of a Contracting Party, and made in accordance with applicable laws and regulations of the other Contracting Party, which has the characteristics of an investment, such as the commitment of capital or other resources, the expectation of gain or profit, or the assumption of risk, including:

(i) an enterprise and a branch of an enterprise;

(ii) shares, stocks or other forms of equity participation in an enterprise;

(iii) bonds, debentures, loans and other forms of debt, but does not include a sovereign debt of, regardless of original maturity, a Contracting Party or a debt of a state enterprise;

(iv) rights under contracts, including turnkey, construction, management, production or revenue-sharing contracts;

(v) claims to money and to any performance under contract having a financial value;

(vi) intellectual property rights, including copyrights and related rights, patent rights and rights relating to utility models, trademarks, industrial designs, layout-designs of integrated circuits, new varieties of plants, trade names, indications of source or geographical indications and undisclosed information;

(vii) rights conferred pursuant to laws and regulations or contracts such as concessions, licences, authorisations and permits, including those for the exploration and exploitation of natural resources; and

(viii) any other tangible and intangible, movable and immovable property, and any related property rights, such as leases,

mortgages, liens and pledges;

An investment includes the amounts yielded by an investment, in particular, profit, interest, capital gains, dividends, royalties and fees.

A change in the form in which assets are invested does not affect their character as an investment.

(b) the term "investor of a Contracting Party" means:

(i) a natural person having the nationality of a Contracting Party in accordance with its laws and regulations; or

Note: This Agreement shall not apply to investments of natural persons who are nationals of both Contracting Parties unless such natural persons have at the time of the investment and ever since been domiciled outside the Area of the Contracting Party in which they made such investments or unless it is proved that the transfer related to the investments were made from abroad.

(ii) an enterprise of a Contracting Party, that is making or has made investments in the Area of the other Contracting Party;

(c) the term "enterprise" means any legal person or any other entity duly constituted or organised under the applicable laws and regulations, whether or not for profit, and whether private or government owned or controlled, including any corporation, trust, partnership, sole proprietorship, joint venture, association, organisation or company;

(d) the term "enterprise of a Contracting Party" means an enterprise:

(i) duly constituted or organised under the applicable laws and regulations of that Contracting Party; and

(ii) carrying out substantial business activities in the Area of that Contracting Party;

(e) an enterprise is:

(i) "owned" by an investor if more than fifty percent of the equity interest in it is owned by the investor; and

(ii) "controlled" by an investor if the investor has the power to name a majority of its directors or otherwise to legally direct its actions;

(f) the term "investment activities" means operation, management, maintenance, use, enjoyment and sale or other disposal of investments;

(g) the term "Area" means:

(i) with respect to Japan, the territory of Japan, and the exclusive economic zone and the continental shelf with respect to which Japan exercises sovereign rights or jurisdiction in accordance with international law; and

(ii) with respect to the Republic of Paraguay, the territory of the Republic of Paraguay over which the Republic of Paraguay exercises sovereignty or jurisdiction, in accordance with international law and national law;

(h) the term "freely usable currency" means freely usable currency as defined under the Articles of Agreement of the International Monetary Fund;

(i) the term "WTO Agreement" means the Marrakesh Agreement Establishing the World Trade Organization, done at Marrakesh, April 15, 1994;

(j) the term "TRIPS Agreement" means the Agreement on Trade-Related Aspects of Intellectual Property Rights in Annex 1C to the WTO Agreement;

(k) the term "claimant" means an investor of a Contracting Party that is a party to an investment dispute with the other Contracting Party;

(l) the term "respondent" means the Contracting Party that is a party to an investment dispute;

(m) the term "disputing party" means either the claimant or the respondent;

(n) the term "disputing parties" means the claimant and the respondent;

(o) the term "non-disputing Party" means the Contracting Party that is not a party to an investment dispute;

(p) the term "ICSID" means the International Centre for Settlement of Investment Disputes;

(q) the term "ICSID Additional Facility Rules" means the Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the International Centre for Settlement of Investment Disputes;

(r) the term "ICSID Convention" means the Convention on the Settlement of Investment Disputes between States and Nationals of other States, done at Washington, March 18, 1965;

(s) the term "New York Convention" means the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, done at New York, June 10, 1958;

(t) the term "UNCITRAL Arbitration Rules" means the Arbitration Rules of the United Nations Commission on International Trade Law;

(u) the term "CPC" means the Provisional Central Product Classification (Statistical Papers Series M No. 77, Department of International Economic and Social Affairs, Statistical Office of the United Nations, New York, 1991); and

(v) the term "JSIC" means Japan Standard Industrial Classification set out by the Ministry of Internal Affairs and Communications of Japan, and revised on July 27, 2023.

Article 2. Promotion and Admission of Investment

1. Each Contracting Party shall encourage and create favourable conditions for investors of the other Contracting Party to make investments in its Area.

2. Each Contracting Party shall, subject to its rights to exercise powers in accordance with its applicable laws and regulations, including those with regard to foreign ownership and control, admit investment of investors of the other Contracting Party.

Article 3. National Treatment

1. Each Contracting Party shall in its Area accord to investors of the other Contracting Party and to their investments treatment no less favourable than the treatment it accords in like circumstances to its own investors and to their investments with respect to investment activities.

2. Paragraph 1 shall not be construed to prevent a Contracting Party from adopting or maintaining a measure that prescribes special formalities in connection with investment activities of investors of the other Contracting Party in its Area, provided that such special formalities do not impair the substance of the rights of such investors under this Agreement.

3. For greater certainty, whether treatment is accorded in "like circumstances" under this Article depends on the totality of the circumstances, including whether the relevant treatment distinguishes between investments or investors on the basis of legitimate public welfare objectives.

Article 4. Most-Favoured-Nation Treatment

1. Each Contracting Party shall in its Area accord to investors of the other Contracting Party and to their investments treatment no less favourable than the treatment it accords in like circumstances to investors of a non-Contracting Party and to their investments with respect to investment activities.

2. Each Contracting Party shall in its Area accord to investors of the other Contracting Party and to their investments treatment no less favourable than the treatment it accords in like circumstances to investors of a non-Contracting Party and to their investments with respect to the matters relating to the admission of investment.

3. The provisions of paragraph 2 shall not apply to:

(a) measures related to:

(i) the acquisition or lease of land properties;

(ii) subsidies; or

(iii) government procurement;

(b) any treatment accorded by a Contracting Party to investors of a non-Contracting Party and to their investments on the basis of reciprocity;

(c) any preferential treatment resulting from the membership to any bilateral or multilateral international agreement

involving aviation, fisheries or maritime matters, including salvage;

(d) any measure relating to investments in public law enforcement and correctional services, and in social services such as income security or insurance, social security or insurance, social welfare, public training, health, child care and public housing;

(e) any measure relating to investment in telegraph services, betting and gambling services, manufacture of tobacco products, manufacture of the central bank of each Contracting Party's notes, minting and sale of coinage and postal services;

(f) any measure relating to investment in fisheries in the territorial sea, internal waters, exclusive economic zone and continental shelf of the Contracting Party; and

(g) any measure relating to investment in industries other than those recognised or other than those that should have been recognised by the Government of the Contracting Party owing to the circumstances on the date of entry into force of this Agreement, or any measure relating to investment in industries which were not technically feasible on the date of entry into force of this Agreement.

Note: Any industries classified positively and explicitly in JSIC or CPC on the date of entry into force of this Agreement should have been recognised by the Government of Japan on that date.

4. Neither Contracting Party shall, under any measure adopted after the date of entry into force of this Agreement and covered by paragraph 3, require an investor of the other Contracting Party, by reason of its nationality, to sell or otherwise dispose of an investment that exists at the time when the measure becomes effective.

5. For greater certainty, the treatment referred to in this Article does not encompass international dispute settlement procedures or mechanisms under any international agreement.

6. The provisions of this Article shall not impose an obligation on either Contracting Party to grant investors of the other Contracting Party and their investments any benefits, advantages or privileges arising from free trade areas, customs unions, common markets, economic unions or other similar integration agreements to which the former Contracting Party is a party.

7. The provisions of this Article shall not impose an obligation on either Contracting Party to grant investors of the other Contracting Party and their investments more favourable treatment accorded by the former Contracting Party under international agreements signed by it prior to the entry into force of this Agreement.

8. For greater certainty, whether treatment is accorded in "like circumstances" under this Article depends on the totality of the circumstances, including whether the relevant treatment distinguishes between investments or investors on the basis of legitimate public welfare objectives.

Article 5. General Treatment

1. Each Contracting Party shall in its Area accord to investments of investors of the other Contracting Party treatment in accordance with customary international law, including fair and equitable treatment and full protection and security. For greater certainty, the concepts of "fair and equitable treatment" and "full protection and security" do not require treatment in addition to, or beyond that which is required by the customary international law minimum standard of treatment of aliens, and do not create additional substantive rights.

2. For greater certainty:

(a) "fair and equitable treatment" includes the obligation of the Contracting Party not to deny justice in criminal, civil or administrative adjudicatory proceedings in accordance with the principle of due process of law; and

(b) "full protection and security" requires each Contracting Party to provide the level of police protection required under customary international law.

3. A determination that there has been a breach of another provision of this Agreement, or of a separate international agreement, does not establish that there has been a breach of this Article.

Article 6. Access to the Courts of Justice

Each Contracting Party shall in its Area accord to investors of the other Contracting Party treatment no less favourable than

the treatment it accords in like circumstances to its own investors or to investors of a non-Contracting Party with respect to access to the courts of justice and administrative tribunals and agencies in all degrees of jurisdiction, both in pursuit and in defence of such investors' rights.

Article 7. Rights and Obligations Under the Agreement on Trade-Related Investment Measures

1. The Contracting Parties reaffirm their rights and obligations under the Agreement on Trade-Related Investment Measures in Annex 1A to the WTO Agreement.

2. Any dispute concerning the application of this Article shall not be covered by the provisions of paragraphs 2 through 8 of Article 22 as well as Article 23.

Article 8. Transparency

1. Each Contracting Party shall promptly publish, or otherwise make publicly available, its laws, regulations, administrative procedures, administrative rulings and judicial decisions of general application as well as international agreements which pertain to or affect the implementation and operation of this Agreement.

2. Each Contracting Party shall, upon request by the other Contracting Party, promptly respond to specific questions and provide that other Contracting Party with information on matters set out in paragraph 1.

3. Paragraphs 1 and 2 shall not be construed to oblige either Contracting Party to disclose confidential information, the disclosure of which would impede law enforcement or otherwise be contrary to the public interest, or which would prejudice privacy or legitimate commercial interests.

Article 9. Measures Against Corruption

Each Contracting Party shall ensure that measures and efforts are undertaken to prevent and combat corruption regarding matters covered by this Agreement in accordance with its laws and regulations.

Article 10. Entry, Sojourn and Residence of Investors

Each Contracting Party shall, in accordance with its laws and regulations, give sympathetic consideration to applications for entry, sojourn and residence of a natural person having the nationality of the other Contracting Party and personnel employed by, and an executive, a manager and a member of the board of directors of, an enterprise of the other Contracting Party, who wish to enter the territory of the former Contracting Party and remain therein for the purpose of investment activities.

Article 11. Expropriation and Compensation

1. Neither Contracting Party shall expropriate or nationalise an investment in its Area of an investor of the other Contracting Party either directly or indirectly through measures equivalent to expropriation or nationalisation (hereinafter referred to as "expropriation") except:

(a) for a public purpose;

(b) in a non-discriminatory manner;

(c) upon payment of prompt, adequate and effective compensation in accordance with paragraphs 3 through 6; and

(d) in accordance with its laws and regulations and international standard of due process of law.

2. (a) The Contracting Parties confirm their shared understanding that paragraph 1 addresses the following two situations:

(i) the first situation is direct expropriation, where an investment is nationalised or otherwise directly expropriated through formal transfer of title or outright seizure; and

(ii) the second situation is indirect expropriation, where an action or a series of actions by a Contracting Party has an effect equivalent to direct expropriation without formal transfer of title or outright seizure.

The determination of whether an action or a series of actions by a Contracting Party, in a specific situation, constitutes an

indirect expropriation requires a case-by-case, fact-based inquiry that considers, among other factors:

(A) the economic impact of the government action, although the fact that an action or a series of actions by a Contracting Party has an adverse effect on the economic value of an investment, standing alone, does not establish that an indirect expropriation has occurred;

(B) the extent to which the government action interferes with distinct, reasonable investment-backed expectation; and

Note: For greater certainty, whether an investor's investment-backed expectations are reasonable depends, to the extent relevant, on factors such as whether the government provided the investor with binding written assurances and the nature and extent of government regulation or the potential for government regulation in the relevant sector.

(C) the character of the government action.

(b) Non-discriminatory regulatory actions by a Contracting Party that are designed and applied to protect legitimate public welfare objectives, such as public health, safety and the environment, do not constitute indirect expropriations, except in rare circumstances.

Note: For greater certainty and without limiting the scope of this subparagraph, regulatory actions to protect public health include, among others, such measures with respect to the regulation, pricing and supply of, and reimbursement for, pharmaceuticals (including biological products), diagnostics, vaccines, medical devices, gene therapies and technologies, health-related aids and appliances and blood and blood-related products.

3. The compensation shall be equivalent to the fair market value of the expropriated investments at the time when the expropriation was publicly announced or when the expropriation occurred, whichever is earlier. The fair market value shall not reflect any change in value occurring because the expropriation had become publicly known earlier.

4. The compensation shall be paid without undue delay, shall include interest at a commercially reasonable rate, accrued from the date of expropriation until the date of payment, and shall be effectively realisable and freely transferable.

5. If payment is made in a freely usable currency, the compensation paid shall include interest at a commercially reasonable rate for that currency, accrued from the date of expropriation until the date of payment.

6. If a Contracting Party elects to pay in a currency other than a freely usable currency, the compensation paid shall be no less than the sum of the following, converted into the currency of payment at the market rate of exchange prevailing on the date of payment:

(a) the fair market value on the date of expropriation, converted into a freely usable currency at the market rate of exchange prevailing on that date; and

(b) interest at a commercially reasonable rate for that freely usable currency, accrued from the date of expropriation until the date of payment.

7. This Article does not apply to the issuance of compulsory licences granted in relation to intellectual property rights in accordance with the TRIPS Agreement, or to the revocation, limitation or creation of intellectual property rights, to the extent that such issuance, revocation, limitation or creation is consistent with the TRIPS Agreement.

Article 12. Protection from Strife

1. Each Contracting Party shall accord to investors of the other Contracting Party that have suffered loss or damage relating to their investments in the Area of the former Contracting Party due to armed conflict or a state of emergency such as revolution, insurrection, civil disturbance or any other similar event in the Area of that former Contracting Party, treatment, as regards restitution, indemnification, compensation or any other settlement, that is no less favourable than the treatment it accords to its own investors or to investors of a non-Contracting Party, whichever is more favourable to the investors of the other Contracting Party.

2. Any payment as a means of settlement referred to in paragraph 1 shall be effectively realisable, freely transferable and freely convertible at the market exchange rate into freely usable currencies.

3. Neither Contracting Party shall derogate from its obligation under paragraph 1 by reason of its measures taken pursuant to paragraph 2 of Article 15.

Article 13. Subrogation

1. If a Contracting Party or its designated agency makes a payment to any investor of that Contracting Party under an indemnity, guarantee or insurance contract, pertaining to an investment of such investor in the Area of the other Contracting Party, the latter Contracting Party shall recognise the assignment to the former Contracting Party or its designated agency of any right or claim of such investor on account of which such payment is made and shall recognise the right of the former Contracting Party or its designated agency to exercise by virtue of subrogation any such right or claim to the same extent as the original right or claim of the investor. As regards payment to be made to that former Contracting Party or its designated agency by virtue of such assignment of right or claim and the transfer of such payment, the provisions of Articles 11, 12 and 14 shall apply mutatis mutandis.

2. This Article does not recognise the right of claim under Article 23 of a Contracting Party or its designated agency solely based on the fact that either has made a payment based on an indemnity, guarantee or insurance contract against commercial risk.

Article 14. Transfers

1. Each Contracting Party shall ensure that all transfers relating to investments in its Area of an investor of the other Contracting Party may be freely made into and out of its Area without undue delay. Such transfers shall include, in particular, though not exclusively:

(a) the initial capital and additional amounts to maintain or increase investments;

(b) profits, interest, capital gains, dividends, royalties, fees or other current incomes accruing from investments;

(c) payments made under a contract including loan payments in connection with investments;

(d) proceeds of the total or partial sale or liquidation of investments;

(e) earnings and remuneration of personnel from abroad who work in connection with investments in the Area of the former Contracting Party;

(f) payments made in accordance with Articles 11 and 12; and

(g) payments arising out of a dispute.

2. Each Contracting Party shall further ensure that such transfers may be made without undue delay in freely usable currencies at the market exchange rate prevailing on the date of the transfer.

3. Notwithstanding paragraphs 1 and 2, a Contracting Party may delay or prevent a transfer through the equitable, non-discriminatory and good-faith application of its laws and regulations relating to:

(a) bankruptcy, insolvency or the protection of the rights of creditors;

(b) issuing, trading or dealing in securities;

(c) criminal or penal offences;

(d) reporting or record keeping of transfers of currency or other monetary instruments when necessary to assist law enforcement or financial regulatory authorities; or

(e) ensuring compliance with orders or judgements in adjudicatory proceedings.

Article 15. General and Security Exceptions

1. Subject to the requirement that such measures are not applied by a Contracting Party in a manner which would constitute a means of arbitrary or unjustifiable discrimination against, or a disguised restriction on investors of the other Contracting Party and their investments in the Area of the former Contracting Party, nothing in this Agreement shall be construed to prevent the former Contracting Party from adopting or enforcing measures:

(a) necessary to protect human, animal or plant life or health;

(b) necessary to protect public morals or to maintain public order, provided that the public order exception may only be invoked where a genuine and sufficiently serious threat is posed to one of the fundamental interests of society;

(c) necessary to secure compliance with the laws or regulations which are not inconsistent with the provisions of this Agreement including those relating to:

(i) the prevention of deceptive and fraudulent practices or to deal with the effects of a default on contract;

(ii) the protection of the privacy of the individual in relation to the processing and dissemination of personal data and the protection of confidentiality of personal records and accounts; or

(iii) safety; or

(d) imposed for the protection of national treasures of artistic, historic or archaeological value.

2. Subject to paragraph 3 of Article 12, nothing in this Agreement shall be construed to prevent a Contracting Party from adopting or enforcing measures:

(a) which it considers necessary for the protection of its essential security interests, including measures:

(i) taken in time of war, armed conflict, or other emergency in that Contracting Party or in international relations; or

(ii) relating to the implementation of national policies or international agreements respecting the non-proliferation of weapons; or

(b) in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

3. Nothing in this Agreement shall be construed to require a Contracting Party to furnish or allow access to any information the disclosure of which it determines to be contrary to its essential security interests.

4. In cases where a Contracting Party takes any measure, pursuant to paragraph 2, that does not conform with the obligations of the provisions of this Agreement, that Contracting Party shall not use such measure as a means of avoiding its obligations.

Article 16. Temporary Safeguard Measures

1. A Contracting Party may adopt or maintain restrictive measures with regard to cross-border capital transactions as well as payments or transfers including transfers referred to in Article 14 for transactions related to investments:

(a) in the event of serious balance-of-payments and external financial difficulties or threat thereof; or

(b) in exceptional cases where movements of capital cause or threaten to cause serious difficulties for macroeconomic management, in particular monetary and exchange rate policies.

2. Restrictive measures referred to in paragraph 1 shall:

(a) be applied in such a manner that the other Contracting Party is treated no less favourably than any non-Contracting Party;

(b) be consistent with the Articles of Agreement of the International Monetary Fund;

(c) not exceed those necessary to deal with the circumstances set out in paragraph 1;

(d) be temporary and be phased out progressively as the situation specified in paragraph 1 improves;

(e) be promptly notified to the other Contracting Party; and

(f) avoid unnecessary damages to the commercial, economic and financial interests of the other Contracting Party.

3. The Contracting Party which has adopted any measures under paragraph 1 shall, upon request, commence consultations with the other Contracting Party in order to review the restrictions adopted by the former Contracting Party.

Article 17. Prudential Measures

1. Notwithstanding any other provisions of this Agreement, a Contracting Party shall not be prevented from taking measures relating to financial services for prudential reasons, including measures for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by an enterprise supplying financial services, or to ensure the integrity and stability of its financial system.

2. Where the measures taken by a Contracting Party pursuant to paragraph 1 do not conform with this Agreement, they shall not be used as a means of avoiding the obligations of the Contracting Party under this Agreement.

Article 18. Intellectual Property Rights

1. The Contracting Parties shall grant and ensure the adequate and effective protection of intellectual property rights, and promote efficiency and transparency in intellectual property protection system. For this purpose, the Contracting Parties shall promptly consult with each other at the request of either Contracting Party. Depending on the results of the consultation, each Contracting Party shall, in accordance with its laws and regulations, take appropriate measures to remove the factors which are recognised as having adverse effects to the investments of investors of the other Contracting Party.

2. Nothing in this Agreement shall affect the rights and obligations of the Contracting Parties under multilateral agreements in respect of protection of intellectual property rights to which the Contracting Parties are parties.

3. Nothing in this Agreement shall be construed to oblige either Contracting Party to extend to investors of the other Contracting Party and to their investments treatment accorded to investors of a non-Contracting Party and to their investments by virtue of multilateral agreements in respect of protection of intellectual property rights, to which the former Contracting Party is a party.

Article 19. Taxation Measures

1. Nothing in this Agreement shall affect the rights and obligations of either Contracting Party under any tax convention. In the event of any inconsistency between this Agreement and any such convention, that convention shall prevail to the extent of the inconsistency.

2. Articles 3 and 4 shall not apply to taxation measures.

Article 20. Health, Safety and Environmental Measures and Labour Standards

Each Contracting Party recognises that it is inappropriate to encourage investment by investors of the other Contracting Party and of a non-Contracting Party by relaxing its health, safety or environmental measures, or by lowering its labour standards. To this effect, each Contracting Party should not waive or otherwise derogate from such measures or standards as an encouragement for investment in its Area by investors of the other Contracting Party and of a non-Contracting Party.

Article 21. Denial of Benefits

1. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party that is an enterprise of the other Contracting Party and to its investments if the enterprise is owned or controlled by an investor of a non-Contracting Party and the denying Contracting Party:

(a) does not maintain diplomatic relations with the non-Contracting Party; or

(b) adopts or maintains measures with respect to the non-Contracting Party that prohibit transactions with the enterprise or that would be violated or circumvented if the benefits of this Agreement were accorded to the enterprise or to its investments.

2. A Contracting Party may deny the benefits of this Agreement to an investor of the other Contracting Party that is an enterprise of the other Contracting Party and to its investments if the enterprise is owned or controlled by an investor of a non-Contracting Party or of the denying Contracting Party and the enterprise has no substantial business activities in the Area of the other Contracting Party.

Chapter II. DISPUTE SETTLEMENT

Article 22. Settlement of Disputes between the Contracting Parties

1. Each Contracting Party shall accord sympathetic consideration to, and shall afford adequate opportunity for consultation, including through the meeting of the Joint Committee established pursuant to Article 26, regarding, such representations as the other Contracting Party may make with respect to any matter affecting the interpretation and application of this Agreement.

2. Any dispute between the Contracting Parties as to the interpretation and application of this Agreement, not satisfactorily adjusted by diplomacy within one hundred and eighty calendar day after the request for consultation referred to in paragraph 1, shall be referred for decision to an arbitration board. Such arbitration board shall be composed of three

arbitrators, with each Contracting Party appointing one arbitrator within a period of sixty days from the date of receipt by either Contracting Party of a note requesting arbitration of the dispute, and the third arbitrator to be agreed upon as President by the two arbitrators so chosen within a further period of sixty days, provided that the third arbitrator shall not be a national of either Contracting Party nor have his or her usual place of residence in either Contracting Party, nor be employed by either Contracting Party.

3. If the third arbitrator is not agreed upon between the arbitrators appointed by each Contracting Party within the further period of sixty days referred to in paragraph 2, the Contracting Parties shall request the Secretary-General of the Permanent Court of Arbitration at The Hague to appoint the third arbitrator who shall not be a national of either Contracting Party. If the Secretary-General is a national of either Contracting Party or if he or she is otherwise prevented from discharging the said function, the Deputy Secretary-General of the Court shall be invited to make the necessary appointments. If the Deputy Secretary-General is a national of either Contracting Party or if he or she, too, is prevented from discharging the said function, a staff member of the International Bureau of the Court whom the Secretary-General and the Deputy Secretary-General agree to designate and who is not a national of either Contracting Party shall be invited to make the necessary appointments.

4. If the necessary appointments referred to in paragraphs 2 and 3 have not been made, either Contracting Party may, unless otherwise agreed, request the Secretary-General of the Permanent Court of Arbitration at The Hague to make such appointments.

5. In appointing the arbitrators, the Contracting Parties consider that arbitrators of an arbitration board should:

(a) have expertise in investment and experience in law or in international trade;

(b) be chosen strictly on the basis of objectivity, reliability and sound judgment; and

(c) not receive instructions from the Government of either Contracting Party.

6. The arbitration board shall determine its own procedural rules, after consultation with the Contracting Parties. The arbitration board shall decide the dispute in accordance with this Agreement and the rules and principles of international law applicable to the subject matter. The arbitration board shall within a reasonable period of time reach its decision by a majority of votes. Such decision shall be final and binding.

7. Without prejudice to the provisions of paragraph 6, each Contracting Party may request the arbitration board, within fifteen days after the notification of its decision, a clarification or interpretation of the decision. The arbitration board shall decide on such request within fifteen days after the request is made.

8. Each Contracting Party shall bear the cost of the arbitrator of its choice and its representation in the arbitral proceedings. The cost of the President of the arbitration board in discharging his or her duties and the remaining costs of the arbitration board shall be borne equally by the Contracting Parties.

Article 23. Settlement of Investment Disputes between a Contracting Party and an Investor of the other Contracting Party

1. In the event of an investment dispute between the claimant and the respondent, they shall, as far as possible, initially seek to resolve the dispute through consultation and negotiation, which may include the use of non-binding, third-party procedures, such as good offices, conciliation or mediation.

2. In the event that a disputing party considers that an investment dispute cannot be settled in accordance with paragraph 1:

(a) the claimant, on its own behalf, may submit to arbitration under this Article a claim:

(i) that the respondent has breached an obligation under Chapter I; and

(ii) that the claimant has incurred loss or damage by reason of, or arising out of, that breach; and

(b) the claimant, on behalf of an enterprise of the respondent that is a legal person that the claimant owns or controls directly or indirectly, may submit to arbitration under this Article a claim:

(i) that the respondent has breached an obligation under Chapter I; and

(ii) that the enterprise has incurred loss or damage by reason of, or arising out of, that breach.

3. At least one hundred and eighty calendar days before submitting any claim to arbitration under this Article, a claimant shall deliver to the respondent a written notice of its intention to submit the claim to arbitration (hereinafter referred to as "notice of intent"). The notice of intent shall specify:

(a) the name and address of the claimant and, in the case of subparagraph 2(b), the name, address and place of incorporation of the enterprise;

(b) for each claim, in the case of subparagraph 2(a)(i) or 2(b)(i), the provision of Chapter I alleged to have been breached;

(c) the legal and factual basis for each claim; and

(d) the relief sought and the approximate amount of damages claimed.

4. Once one hundred and eighty calendar days elapsed from the date of the notice of intent, and provided that the investment dispute has not been submitted to an administrative tribunal or court of justice of either Contracting Party, a claimant may submit a claim referred to in paragraph 2 to the arbitration:

(a) under the ICSID Convention, provided that the Contracting Parties are parties to the ICSID Convention;

(b) under the ICSID Additional Facility Rules, provided that either Contracting Party, but not both, is a party to the ICSID Convention;

(c) under the UNCITRAL Arbitration Rules; or

(d) if the disputing parties agree, under any other arbitration institution or arbitration rules.

5. If the claimant or the enterprise referred to in subparagraph 2(a) or 2(b) has submitted an investment dispute to an arbitration by virtue of written waiver in accordance with subparagraph 8(a)(ii) or 8(b)(ii), the election of forum shall be definitive.

6. Each Contracting Party hereby consents to the submission of a claim to arbitration under this Article in accordance with this Agreement.

7. Notwithstanding paragraph 6, no claim may be submitted to arbitration under this Article if more than three years have elapsed from the date on which the claimant first acquired, or should have first acquired, knowledge of the breach alleged under paragraph 2 and knowledge that the claimant in the case of subparagraph 2(a) or the enterprise referred to in subparagraph 2(b) in the case of that subparagraph has incurred loss or damage.

8. No claim may be submitted to arbitration under this Article unless:

(a) in the case of subparagraph 2(a):

(i) the claimant consents in writing to arbitration in accordance with the procedures set out in this Article; and

(ii) the claimant waives in writing any right to initiate or continue, before any administrative tribunal or court of justice under the law of either Contracting Party, or other dispute settlement procedures, any proceedings with respect to any measure alleged to constitute a breach referred to in subparagraph 2(a)(i); and

(b) in the case of subparagraph 2(b):

(i) both the claimant and the enterprise referred to in that subparagraph consent in writing to arbitration in accordance with the procedures set out in this Article; and

(ii) both the claimant and the enterprise referred to in that subparagraph waive in writing any right to initiate or continue, before any administrative tribunal or court of justice under the law of either Contracting Party, or other dispute settlement procedures, any proceedings with respect to any measure alleged to constitute a breach referred to in subparagraph 2(b)(i).

9. Notwithstanding paragraph 5 and subparagraphs 8(a)(ii) and 8(b)(ii), the claimant or the enterprise referred to in subparagraph 2(b) may initiate or continue an action that seeks interim injunctive relief that does not involve the payment of monetary damages before an administrative tribunal or court of justice under the law of the respondent.

10. When a claim is submitted under subparagraph 2(a) or 2(b), the arbitral tribunal shall decide the issues in dispute in accordance with this Agreement and applicable rules of international law.

11. The respondent shall deliver to the non-disputing Party:

(a) the claimant's notice of or request for arbitration no later than thirty days after the date on which the claim was submitted; and

(b) copies of all pleadings filed in the arbitration.

12. The non-disputing Party may, upon written notice to the disputing parties, make submissions to the arbitral tribunal on a question of interpretation of this Agreement.

13. In an arbitration under this Article, the respondent shall not assert, as a defence, counterclaim, right of setoff or otherwise, that the claimant has received or will receive indemnification or other compensation for all or part of the alleged damages pursuant to an insurance or guarantee contract.

14. The arbitral tribunal may award only:

(a) a judgement whether or not there has been a breach by the respondent of any obligation under Chapter I with respect to the claimant and its investments; and

(b) one or both of the following remedies, only if there has been such a breach:

(i) monetary damages and applicable interest; and

(ii) restitution of property, in which case the award shall provide that the respondent may pay monetary damages and any applicable interest, in lieu of restitution.

The arbitral tribunal may also award cost and attorney's fees in accordance with applicable arbitration rules.

15. Subject to paragraph 14, in the case of subparagraph 2(b):

(a) an award of monetary damages and any applicable interest shall provide that the sum be paid to the enterprise referred to in that subparagraph;

(b) an award of restitution of property shall provide that restitution be made to the enterprise referred to in that subparagraph; and

(c) the award shall provide that it is made without prejudice to any right that any natural person or enterprise may have in the relief under applicable law.

16. The respondent may make available to the public in a timely manner all documents, including an award, submitted to, or issued by, an arbitral tribunal established under paragraph 4, subject to redaction of:

(a) confidential business information;

(b) information which is privileged or otherwise protected from disclosure under the laws and regulations of either Contracting Party; and

(c) information which shall be withheld pursuant to the relevant arbitration rules.

17. Unless the disputing parties agree otherwise, the place of arbitration shall be in a country that is a party to the New York Convention.

18. The award rendered by the arbitral tribunal shall be final and binding upon the disputing parties. This award shall be executed in accordance with the applicable laws and regulations, as well as relevant international law including the ICSID Convention and the New York Convention, concerning the execution of award in force in the country where such execution is sought.

Article 24. Exclusions from Dispute Settlement

1. A decision by Japan under the Foreign Exchange and Foreign Trade Law (Law No. 228 of 1949), as may be amended, regarding an investment that requires prior notification under that law, including an order to alter the content of investment or discontinue the investment process, shall not be subject to the dispute settlement provisions under this Chapter.

2. If, in the future, either Contracting Party adopts any laws or regulations regarding screening procedures which applies to an investment that requires prior notification, and which should not be subject to the dispute settlement provisions under this Chapter, both Parties shall, without prejudice to their respective positions, consult for possible review of this Article.

Article 25. Service of Documents

1. Notices and other documents relating to arbitration under this Chapter shall be served on a Contracting Party by delivery to:

(a) with respect to Japan, International Legal Affairs Bureau, the Ministry of Foreign Affairs; and

(b) with respect to the Republic of Paraguay, the Attorney General of the Republic and the Ministry of Foreign Affairs.

2. A Contracting Party shall promptly make publicly available and notify to the other Contracting Party any change to the name of the authority referred to in paragraph 1.

3. Each Contracting Party shall make publicly available the address of its authority referred to in paragraphs 1 and 2.

Chapter III. JOINT COMMITTEE

Article 26. Joint Committee

1. The Contracting Parties shall establish a Joint Committee (hereinafter referred to as "the Committee") with a view to accomplishing the objectives of this Agreement. The functions of the Committee shall be:

(a) to discuss and review the implementation and operation of this Agreement;

(b) to exchange information on and to discuss investment-related matters within the scope of this Agreement which relate to improvement of investment environment; and

(c) to discuss any other investment-related matters concerning this Agreement.

2. The Committee may, as necessary, make appropriate recommendations by consensus to the Contracting Parties for the more effective functioning or the attainment of the objectives of this Agreement.

3. The Committee shall be composed of representatives of the Contracting Parties. The Committee may, upon mutual consent of the Contracting Parties, invite representatives of relevant entities other than the Governments of the Contracting Parties with the necessary expertise relevant to the issues to be discussed, and hold joint meetings with the private sectors.

4. The Committee shall determine its own rules of procedure to carry out its functions.

5. The Committee may establish sub-committees and delegate specific tasks to such sub-committees.

6. The Committee shall meet upon the request of either Contracting Party.

Chapter IV. FINAL PROVISIONS

Article 27. Headings

The headings of the Chapters and Articles of this Agreement are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.

Article 28. Final Provisions

1. The Contracting Parties shall notify each other, through diplomatic channels, of the completion of their respective internal procedures necessary for the entry into force of this Agreement. This Agreement shall enter into force on the thirtieth day after the latter of the dates of receipt of the notifications. It shall remain in force for a period of ten years after its entry into force and shall continue in force unless terminated as provided for in paragraph 2.

2. A Contracting Party may, by giving one year's advance notice in writing to the other Contracting Party, terminate this Agreement at the end of the initial ten-year period or at any time thereafter.

3. This Agreement shall also apply to all investments of investors of either Contracting Party acquired in the Area of the other Contracting Party in accordance with the laws and regulations of that other Contracting Party prior to the entry into force of this Agreement.

4. In respect of investments acquired prior to the date of termination of this Agreement, the provisions of this Agreement shall continue to be effective for a period of ten years from the date of termination of this Agreement.

5. This Agreement shall not apply to claims arising out of events which occurred prior to its entry into force.

IN WITNESS WHEREOF, the undersigned, being duly authorised by their respective Governments, have signed this Agreement.

DONE in duplicate at Asunción, on this fifth day of December, 2025 in the Japanese, Spanish and English languages, all the three texts being equally authentic.

In case of divergence of interpretation, the English text shall prevail.

FOR JAPAN:

FOR THE REPUBLIC OF PARAGUAY: