



Doing Business in Japan

The 2008 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Japan

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Market Overview

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- Japan is the United States' fourth largest export market, after Canada, Mexico and China, and the second largest foreign investor in the U.S., with more than \$200 billion invested, second only to the UK. Japan is also the world's second largest economy, with a GDP of roughly \$5 trillion in 2007. Measured in dollar terms and at current exchange rates, that is roughly 37 percent of the United States' GDP, although fluctuations in the dollar/yen rate can change this figure significantly. Measured on the same basis, Japan's annual output is almost equivalent to that of Germany and France combined. It is roughly three times the annual output of China, and eight times that of India.
- The U.S.-Japan alliance is a cornerstone of U.S. security interests in Asia and is fundamental to regional stability and prosperity. Despite the changes in the post-Cold War strategic landscape, the U.S.-Japan alliance continues to be based on shared vital interests and values. These include stability in the Asia-Pacific region, the preservation and promotion of political and economic freedoms, support for human rights and democratic institutions, and securing of prosperity for the people of both countries and the international community as a whole. Japan is one of the world's most prosperous and stable democracies.
- Since coming out of the so-called "lost decade" of the 90's, Japan is enjoying its longest period of sustained economic growth, albeit modest, in the post-war era. Largely fueled by domestic demand, and buffeted by strong export sales to Brazil, Russia, India and China, the economy has shown resiliency in dealing with global economic concerns.
- In 2007, according to U.S. Census Bureau data, the U.S. had a trade deficit with Japan of \$82.8 billion, a decrease of 6.5% from 2006. U.S. exports to Japan totaled \$62.7 billion, while U.S. imports from Japan totaled \$145.5 billion.
- In 2006, according to U.S. Department of Commerce data, the U.S. exported \$42 billion worth of services to Japan, generating a surplus in excess of \$16 billion. U.S. service exports to Japan are projected to climb to approximately \$45 billion for 2007. The total of U.S. exports of goods and projected services for 2007 should exceed \$107 billion, the highest annual level on record.
- In 2007, the top ten exporters to Japan were China, the U.S., Saudi Arabia, United Arab Emirates, Australia, South Korea, Indonesia, Taiwan, Germany, and Thailand. The top ten importers from Japan were China, the U.S., South Korea,

Taiwan, Hong Kong, Thailand, Germany, Singapore, the United Kingdom, and the Netherlands.

Key Economic Indicators

Gross Domestic Product (GDP) in U.S. dollars:	4.9 trillion
GDP per capita in U.S. dollars:	33,100
Real GDP growth rate:	2.8%
Inflation:	0.4%
Unemployment:	3.9%

Market Challenges

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The difficulty of penetrating the Japanese market depends to a great extent on the product or service involved – the presence or absence of local or third-country competition, the number of regulatory hurdles to be overcome, and cultural factors such as language (both spoken and written), strict service and quality expectations, and business practices.

Generally, tariffs on most imported goods into Japan are low. However, cultural, regulatory, or non-tariff barriers continue to exist that can impede or delay the importation of foreign products into Japan. For more details, see Chapter 5 ([Trade Regulations and Standards](#)) of this report.

For extensive details on Japanese requirements with regard to import license requirements, restricted or prohibited imports, temporary entry of goods, certifications, standards, labeling requirements, etc., please refer to Chapter 5 ([Trade Regulations and Standards](#)) of this report.

Market Opportunities

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The Japanese market offers numerous opportunities for U.S. companies in a wide variety of sectors. The best prospects for U.S. exporters in the Japanese market are in the following sectors:

- Computer Software
- Cosmetics & Toiletries
- Education & Training Services
- Electronic Components
- Medical Equipment
- Pharmaceuticals
- Telecommunications Equipment
- Travel & Tourism

For more details, please refer to Chapter 4, [Leading Sectors for U.S. Export and Investment](#), of this Guide.

Major public-works projects currently underway in Japan that present significant opportunities for U.S. companies include urban renewal projects in various cities such as the Sasashima Project in Nagoya, the Okinawa Graduate University, and Tokyo Haneda

Airport expansion. For details, please refer to the region-specific descriptions in Chapter 2.

The [Asia Now](#) program brings together the resources of U.S. Commercial Service offices in 14 Asia-Pacific markets and our [Export Assistance Centers](#) throughout the U.S., providing American firms with a single portal for exporting to the Asia-Pacific region. To find out more about [Asia Now](#), please visit our dedicated web site, www.buyusa.gov/asianow/.

Market Entry Strategy

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U.S. companies serious about entering the Japanese market should consider hiring a reputable, well-connected agent or distributor, and to cultivate business contacts through frequent personal visits. Japanese attach a high degree of importance to personal relationships, and these take time to establish and nurture. Patience and repeated follow-up are required to clinch a deal. U.S. business executives are advised to be accompanied by a professional interpreter, as many Japanese executives and decision-makers do not speak English, or prefer to speak Japanese. For more details, please refer to Chapter 8 ([Business Travel](#)) of this report.

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Chapter 2: Political and Economic Environment

For the most recently updated background information on the political and economic environment of Japan, please click on this link to the U.S. Department of State Background Notes: <http://www.state.gov/r/pa/ei/bgn/4142.htm>

Following the political/economic summary below, additional information is provided for: Government Role in the Economy; Infrastructure, Agricultural Products Market, and Japan's Leading Economic Regions: Tokyo, Hokkaido/Tohoku, Chubu, Kansai, Kyushu/Yamaguchi, and Okinawa.

Summary:

Japan has enjoyed continuous, if somewhat tepid, economic growth for most of the past decade. At the same time, the government in recent years has undertaken noteworthy structural reforms of various elements of the economy thereby creating new opportunities for U.S trade and investment.

Since 2001, the United States and Japan have participated in the Economic Partnership for Growth, launched by President Bush and then Prime Minister Koizumi, which includes the U.S.-Japan Investment Initiative designed to identify and remove barriers to cross border investment in both countries. The Economic Partnership for Growth also includes the U.S.-Japan Regulatory Reform and Competition Policy Initiative designed to promote economic growth through sectoral and cross-sectoral regulatory reform. The Regulatory Reform Initiative includes working groups on communication and information technology, energy, medical equipment and pharmaceuticals, and financial services, as well as a cross-sectoral working group that discusses competition policy, transparency, distribution, commercial law, and legal reform.

As Japan strives to stimulate economic growth in order to maintain a high standard of living despite a rapidly aging and declining population, substantial investment and business opportunities for non-Japanese firms are expected in a number of sectors. In particular, as deregulation progresses, Japan's service industries -- which, despite being among the least efficient among leading developed countries, still generate two-thirds of the country's GDP and employment -- beckon as potential new areas of growth. Some specific sectors identified by the Japanese government itself as open to potential development by foreign firms are retail sales, information and communications technology, biotechnology, medical services, and environmental technology and services. Detailed reports on each of these sections are available on the Internet from the Japan External Trade Organization at <http://www.jetro.go.jp/en/market/atract/>.

Government Role in the Economy

Traditionally, the bureaucracy has played a leading role in the Japanese economy. Politicians elected to the National Diet, from whose ranks come most of Japan's Cabinet ministers, have small staffs and traditionally have relied on bureaucrats for policy initiatives and the drafting of legislation. In addition, the ministries have exercised power

directly through thousands of required licenses, permits and approvals that tightly regulate business activity and by informal, but in practice, virtually compulsory edicts called "administrative guidance." The reach of the bureaucracy has been further extended by a plethora of organizations that perform semi-regulatory functions. Business in Japan maintains very close relations with the bureaucracy and politicians. Not only have Japanese elected officials depended on contributions from business, but major companies and industry associations also provide lucrative *amakudari* (literally "descent from heaven") post-government employment for senior bureaucrats.

The role of government institutions in the economy has been changing over the past decade as the central government pursues a long-term program of administrative reform and deregulation. In 2001, the bureaucracy was reorganized from 22 ministries and agencies to 13. A Cabinet Office was also established to coordinate policies and to provide staff support for Japan's leaders separate from the individual ministries. At the same time, the number of politicians posted to senior positions in the ministries was increased from an average of two or three to five, to strengthen the control of elected officials over the bureaucracy. The 2001 government reorganization — together with changes to political contribution laws, stricter guidelines on the use of administrative guidance, and increased criticism of *amakudari* employment practices — has somewhat eroded, but by no means eliminated, the bureaucracy's influence over the economy.

All foreign exchange transactions to and from Japan — including transfers of profits and dividends, interest, royalties and fees, repatriation of capital, and repayment of principal — are, in principle, freely permitted unless expressly prohibited. Formal controls on allocation of foreign exchange and most restrictions on foreign investment are gone. Nevertheless, the Japanese Government (GOJ) continues to play a significant role in promoting certain favored industries, and GOJ policy and regulatory practices continue to favor domestic producers over consumers. Nevertheless, due in part to government-sponsored structural reform programs that encouraged companies to restructure debt, cut costs and improve profitability, Japan has recently enjoyed its longest continuous period of economic growth in the post-war period.

While Japan's business system is different from that of the United States, American companies can successfully adapt. The American Chamber of Commerce in Japan (ACCJ) is the largest overseas AmCham in the world. Its members come from more than 1,300 companies, and its 60- plus committees and sub-committees are highly visible lobbyists for U.S. business interests. U.S. Embassy officers liaise with more than 20 of these committees, and work closely with the ACCJ on market access and investment issues. Some knotty regulatory barriers and discrimination still exist, and when a company cannot solve such problems by itself or through its legal advisers in Japan, the U.S. Government stands ready to help.

Infrastructure

Japan has a fully developed physical infrastructure of roads, highways, railroads, subways, airports, harbors, warehouses and telecommunications for distribution of all types of goods and services. The National Police Agency has authorized subcontractors to issue parking tickets. This has decreased the morning commute in Tokyo by as much as one hour. Toll roads, however, are expensive. Japan's airports are among the most expensive in the world. Landing fees at the Narita and Haneda airports in Tokyo, are four times as expensive as New York or London. Japan's port practices are

generally opaque and inefficient by global standards; and import processing, while improving, remains relatively slow.

Agricultural Products Market

The value of Japan's agricultural production has been falling since the mid-1980s, with key sectors seeing decreasing production in most years. Cereals, rice, dairy, beef and pork, and fruits and vegetables are all experiencing this decline to greater or lesser degrees. Rice remains Japan's major crop, but falling consumption has led to chronic surpluses. Japanese policy makers are concerned because Japan currently imports 61 percent of its food (on a calorie basis). Japan's self-sufficiency rate in food production is likely to further decrease since Japan's farm population is rapidly aging, with more than 70 percent of farmers over 60 years of age and few young people willing to go into farming. In addition, the average farm size is only about four acres and environmental regulations and landownership rules limit any economies of scale for Japanese agriculture.

To stem the decline in Japan's agricultural sector, the Government of Japan (GOJ) continues to provide high levels of domestic support and the government and farm cooperatives still have a powerful influence over farmers' production decisions. When Japan's Agriculture Basic Law was revised in 1999, the GOJ set the goal of achieving a food self-sufficiency rate of 45 percent by 2010. To achieve this, the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) encouraged farmers to grow wheat and soybeans in place of rice, and introduce more market-oriented pricing policies for dairy, vegetable, and livestock products. However, MAFF has recognized that its goals for 2010 are unrealistic, given the decline in the Japanese agricultural sector over the past 10 years and has extended the deadline until 2015. After months of negotiations, Japan finally passed a rice reform program that will end its costly production adjustment program by 2009. The program will shift responsibility for production planning from MAFF to farm co-ops, increase subsidies to large farmers, and open domestic rice distribution to more players. In 2005, MAFF announced the outline of a new farm subsidy program that departs from the current commodity-specific support given to practically all farmers and launches direct payments targeting larger scale farmers. The new scheme began in 2007.

Though domestic protection is still strong, market access has improved over the years via persistent negotiations in the WTO by the United States and others that forced Japan to eliminate some of the agricultural market access barriers for which it was once famous. Where earlier quotas and outright bans restricted the market for U.S. beef, citrus, fruit juice, cherries, apples and ice cream, all of these markets have now, to some degree been opened. However, access issues still hamper farm trade due to high tariffs on processed food products, restrictive plant quarantine measures on fruits and vegetables, trade-limiting quotas and complicated labeling practices. In addition, strict inspection requirements on imported goods that include a new system for regulating maximum residue limits, and time-consuming approval processes for biotechnology products also hinder trade in agricultural products.

The combination of improved market access and declining domestic production resulted in excellent export growth for American agriculture through most of the 1990s, and made Japan our top overseas export market. In recent years, due in part to the ban on U.S. beef, Japan has slipped to the number three export market after Canada and Mexico. In

2007, about 11.5% of all U.S. agricultural, forestry and fishery products exports, valued at USD11.6 billion, were destined for Japan. While Japan is still a competitive environment for U.S. food products due to country's prolonged recession, tough third-country competition, and food safety and food image concerns, long-term prospects are excellent for the following reasons: (1) growing consumer demand for value plays to U.S. strengths (U.S. foods typically cost less than local products); (2) Japanese agriculture continues to decline, leading to increased dependence on imports for stable food supplies; and (3) continued westernization of the Japanese diet away from fish and rice toward meats, dairy products and other American staples. Export stars include wheat, soybeans, corn, pork, frozen corn and mixed vegetables, citrus, wine, cherries, and processed snack foods. For additional information about U.S. agricultural, food, forestry and fishery product exports to Japan and other countries, please see the Foreign Agricultural Service Homepage at: <http://www.fas.usda.gov/scriptsw/attacherep/default.asp>

Leading Economic Regions: Tokyo

Japan's capital city Tokyo (population 12.6 million) forms the core of an urban area that, along with the suburban prefectures of Kanagawa, Saitama, and Chiba, boasts a total population of over 34 million, roughly equivalent to the New York and Los Angeles metropolitan areas combined. It is Japan's undisputed center of government, business, higher education, information, media, fashion, and culture. The entire geographical region centered on the capital — often referred to as the "Kantō" — accounts for about one-third of Japan's total GDP.

Most major Japanese companies, trade associations, and foreign companies have their headquarters or major branches in Tokyo. Consumers in the capital are more likely to come into contact with foreign products, foods, and fashions than elsewhere in Japan, and consumer trends often originate in Tokyo. For U.S. firms, the major advantages of establishing a presence in Tokyo, despite the high cost of residential and office space, are the city's concentration of major companies and high-income consumers, proximity to the powerful central government regulatory agencies, and location at the hub of Japan's highly centralized transportation networks, including its two busiest airports: Narita and Haneda. In addition, major urban renewal schemes completed or underway in metropolitan Tokyo have contributed to lower land and business costs in recent years.

Attractive areas for U.S. exporters in the greater Tokyo area are environmental technologies, biotechnology, information and telecommunications technologies, medical equipment and welfare services, and the lifestyle market. In addition to local and regional activities in support of foreign enterprises, Japan's Ministry of Economy, Trade and Industry (METI) has selected four areas in Japan to receive additional national assistance for incentives and promotion of foreign direct investment in particular industries. These areas include the city of Yokohama in neighboring Kanagawa Prefecture (for IT and electronic components) and Chiba Prefecture (for biotechnology).

Hokkaido/Tohoku

Two regions make up Northern Japan: Hokkaido and Tohoku. Together these regions have a combined population of 11 million and a Gross Regional Product (GRP) of approximately USD 376 billion. Hokkaido, located roughly 500 miles north of Tokyo, is Japan's northernmost island. Sapporo, Hokkaido's capital and largest city, has a

population of almost 2 million. The Tohoku region consists of six prefectures in northern Honshu, Japan's main island. The Commercial Service in Sapporo covers four of these prefectures: Aomori, Akita, Iwate, and Miyagi (in addition to Hokkaido). Sendai, Tohoku's economic and commercial center and the capital of Miyagi, has a population of just over 1 million. Recently, Sapporo topped the list of "the most attractive cities in Japan", based on a July 2007 survey by the Brand Research Institute. Three other cities in Hokkaido made the top 10: Hakodate (#4); Otaru (#5); and Furano (#8).

These regions comprise Japan's agricultural heartland, with dairy production and farming in Hokkaido and highly prized rice growing in Akita and Miyagi. With a GRP of USD181 billion, Hokkaido leads Japan in production of sugar beets, kidney beans, potatoes, wheat, soybeans, onions, pumpkins, carrots, radishes, milk, beef, and many other agricultural products. Hokkaido supplies 61.7% of Japan's wheat, 79.3% of its potatoes, and 46.6% of its milk. In addition, Hokkaido also provides 25% of Japan's fish catch. Hokkaido residents, however, are not predominantly farmers and fishermen. Only 5.2% of Hokkaido's 2.8 million jobs are in farming and only 1% are in fishing. Hokkaido's economy mostly depends on services (71.3% of the workforce) and construction (19%).

In 2006, Northern Japan's direct imports from the United States amounted to approximately USD 1.8 billion. Another USD 1 billion+ in U.S. imports to Northern Japan entered Japan via Tokyo, Yokohama, or Osaka before being transshipped to their final destination in the north. These transshipment costs — and high transportation costs in Japan, in general — can add significantly to the costs of shipping products from the United States to seaports and airports in Northern Japan. As a result, container traffic from the United States is increasing at the ports in Ishikari and Tomakomai (both convenient to Sapporo) and Hachinohe (in Aomori Prefecture) and Sendai, as a way to reduce transportation costs. In addition, increasing numbers of U.S. containers are arriving in Northern Japan through the port of Pusan, South Korea, which has a special docking agreement with the port of Ishikari. Pusan's port and cargo handling charges are much lower than in those in Tokyo, Yokohama, and Osaka. The construction of the new Hokkaido Shinkansen (bullet train) began in May 2005. The local business community expects that this development will produce significant economic benefits.

Northern Japan's two main international airports, Chitose (Sapporo) and Sendai, have good passenger and cargo handling capacities and are eager to develop more international routes. Growing economic ties with the Russian Far East and the prospect of future development in Russia's oil and gas sector have led to regular commercial flights between Hokkaido and Sakhalin.

Hokkaido continues to draw an increasing number of tourists, particularly from neighboring Asian countries. Taiwan leads with over 276,800 visitors to Hokkaido in 2005. Visitors from Korea, Hong Kong, and China are increasing as well. The number of tourists from Australia, attracted to the world-class ski resort area of Niseko, has also grown tremendously in recent years. This trend, beginning in 2004, has led to seasonal direct flights between Cairns and Sapporo: Australian visitors increased from 3,700 in 2000 to 22,950 in 2006. JETRO estimates that the economic impact from this overall increase in visitors generated USD 99 million and created nearly 600 new jobs during the period from 2003 to 2005. The rise in the number of visitors, however, has also contributed to the highest land price increase rate in Japan (37.5% in the Niseko region in 2007).

Northern Japan's well-developed infrastructure, highly skilled workers, and relatively low real estate costs (despite the recent price hike in Niseko), combined with city and regional government investment incentives, have prompted many U.S. companies to view Hokkaido and Tohoku as attractive locations for investment and overseas operations. Recent Foreign Direct Investment (FDI) to the region includes: a USD 42 million distribution center in Hokkaido slated to open in 2008 backed by Chicago-based LaSalle Investment Management; Costco's sixth store in Japan to open in Sapporo in January 2008; and two major hotel chains, the Hilton Corporation, investing in Niseko, and Starwood Hotel & Resorts, investing in Sendai, to open new hotels in 2008 and 2010.

In export opportunities for U.S. firms, home building materials and interiors, packaged homes, sporting and outdoor goods and equipment, marine products, pharmaceuticals and medical equipment continue to be particularly promising sectors in Northern Japan. In recent years, bio-ventures have been concentrating in Hokkaido, where the current number of bio-ventures is nearly 60. Ranking second in number in Japan, such bio-ventures (supported by the government) have been working in such fields as DNA synthesis, diagnostic devices and agents, and nutritional supplements. In addition to Hokkaido University in Sapporo, which plays an important role in biotechnology, Tohoku University in Sendai is also an important regional research hub. With its U.S. office in San Francisco, Tohoku University is promoting the strategic application of research and exploring collaboration with international organizations. Technology transfers and licensing is certainly an area of growing opportunities.

Central Japan

Strategically located midway between the Tokyo and Osaka metropolitan areas, the Central Japan Region of Japan (known in Japan as the Chūbu Region) consists of nine prefectures — Aichi, Fukui, Gifu, Ishikawa, Mie, Nagano, Shizuoka, Toyama, and Yamanashi — clustered together in the center of Honshu, Japan's largest island (note: the division of prefectures into regions is purely informal, and some prefectures are also claimed by other regions). Taken together, these nine prefectures have a total population of 21 million, making Central Japan the third most populous region in the country. Most of the region's population and industry is concentrated along the Pacific coast, in the Tokai area (Aichi, Gifu, Shizuoka, and Mie Prefectures).

Central Japan is the manufacturing heartland of Japan and an export powerhouse. Supported by well-developed infrastructure and advanced manufacturing technology, the region is home to world-class Japanese manufacturers. Toyota Motor Corporation is the symbol of the region's global manufacturers in the transportation equipment sector.

Suzuki Motor, Yamaha, Honda and Mitsubishi have their headquarters or main plants in the region. World-class auto parts manufacturers such as Denso and Aishin AW are also based in the region. The Aerospace sector is also very dynamic, led by Mitsubishi, Kawasaki, and Fuji Heavy Industries, all of which are major suppliers for Boeing and other aerospace firms and play key roles in Boeing 787 Dreamliner production. World-leading machine tools manufacturers such as Yamazaki Mazak and Okuma are major exporters and important supports to regional manufacturing. In Mie prefecture, just outside Nagoya, Sharp's flagship Kameyama liquid crystal panel factory represents a high-technology concentration with factories of Toshiba, Fujitsu and Toppan. Among the

many other global players in the region are Daido Steel, Brother Industries, Makita, Noritake, and NGK Insulators.

Led by these globally active manufacturers, Central Japan is known as the region with perhaps the most vigorous economy in Japan. The region as a whole accounts for about 18 percent of Japan's GDP (roughly equivalent in size to the economy of India or Brazil) and more than half of Japan's total trade surplus with the United States. Aichi Prefecture, the political, economic, and transportation center of the region, has ranked first among all Japanese prefectures in the value of its product shipments for 28 consecutive years. Indicative of the strong regional economy, the ratio of labor demand to supply for Aichi is a remarkable 1.81 jobs available for every job applicant, against the 0.98 national average for Japan (December 2007).

The Nagoya Station neighborhood in downtown Nagoya, the capital of Aichi prefecture, symbolizes the region's flourishing economy. In January 2007 Toyota Motor transferred its international sales operations from Tokyo to the 47-story Midland Square building near Nagoya Station, further centralizing its management in the Nagoya area. Other property highlights in the Nagoya Station area include the opening of the 40-story Lucent Tower and 33-story Aquatown in 2007, followed by the 36-story Spiral Tower in 2008. Over the next five years, a major mixed development complex, including offices, residences, and a conference center is planned for the Sasashima area adjacent to Nagoya station. Other areas of metropolitan Nagoya have similar development projects underway.

Reflecting the region's strong economy, Central Japan-region residents, traditionally profiled as frugal, are emerging as affluent consumers with high disposable income. Leading brands have opened flagships stores in downtown Nagoya including Tiffany, Harry Winston, Coach, Prada, the Gap, Apple Computers, and Hermes. Nagoya is one of Japan's premier industrial and technological centers as well as a huge market in its own right. Despite being a major economic center, the city is well known for its high quality of life and competitive business costs. Housing costs and office rents are substantially below those found in Tokyo or Osaka. However, in contrast to the lively global activities of regional manufacturers, Central Japan has fewer foreign companies than other regions. The ratio of foreign companies in the Tokai area is mere 1.2% compared with Tokyo (6.9%) and Kansai (2.3%). Assisted by METI and JETRO, metropolitan Nagoya's three prefectures — Aichi, Mie and Gifu — along with various cities and chambers of commerce have been actively promoting inbound foreign direct investment through the "Greater Nagoya Initiative." Dana Japan, Cabot Microelectronics, TRW Steering Systems, Pfizer Pharmaceuticals, Borg Warner Dow Chemical, and PPG Industries are examples of American firms that have set up manufacturing or distribution bases in and around Nagoya.

Through its close relationship with Central Japan public and private sector entities, the Commercial Service in Nagoya (CS Nagoya) works to uncover commercial opportunities for U.S. firms in a variety of sectors. CS Nagoya believes that particularly good prospects exist for U.S. firms in auto, auto parts, motorcycle, aerospace, manufacturing equipment and systems, intelligent transportation systems (ITS), environmental remediation, and business aviation.

Kansai

Kansai is the name given to the nine-prefecture region of western-central Japan, consisting of Osaka, Hyogo, Kyoto, Shiga, Nara, Wakayama, Mie, Fukui, and Tokushima. The Kansai region is Japan's second-largest industrial, financial, commercial and population center after the greater Tokyo area (Kanto). Located about halfway between Tokyo and the southern tip of Honshu, Japan's largest island, it is the birthplace of many of the country's largest trading companies and banks, and headquarters to a number of Japan's leading corporations including Nintendo, Kyocera, Sharp and Panasonic.

The Kansai region has a richly varied topography and covers an area with a radius of approximately 150 km (95 miles). While occupying only 11% of Japan's total land area, the Kansai has a population of some 24 million people (19% of Japan's total), concentrated primarily in the cities of Osaka, Kobe and Kyoto. As the traditional commercial center of Japan, Kansai is an economic giant, with traditional industries of digital consumer electronics, electronic components, pharmaceuticals, chemicals, the textile and apparel industry and sporting goods also led by cutting edge new industries such as biotechnology, nanotechnology, robotics and photovoltaic power technology. In FY 2004, Kansai's GRP (Gross Regional Product) was 93.8 trillion yen (USD 868 billion at USD 1=108 yen). If considered a country in its own right, the Kansai would rank as the 10th largest economy in the world, following Canada.

The Kansai region has a very efficient and comprehensive transportation infrastructure. In August 2007, Kansai International Airport (KIX), the only 24-hour airport operating in Japan, opened its new 4000 meter second runway. As a result, KIX set a new record in the number of international flights for the third year in a row, particularly to Asian cities. As of December 2007, KIX had 795 international flights and 427 domestic flights per week connecting the Kansai region to 70 destinations in 31 countries and 15 domestic cities. The number of air cargo flights also increased and now exceeds 211 per week. The U.S. cargo airline ABX Air started service in cooperation with All Nippon Airways (ANA), Japan's largest airline in June, 2007 and Polar Air Cargo will start service in February of 2008. Osaka City's Itami Airport and the newly opened Kobe Airport also serve regions throughout Japan. In addition, the three international ports within Osaka Bay, Osaka, Kobe and Amagasaki, were recently integrated into the single, New Hanshin Port, as part of the Port Regulation and Customs Law, which passed in December of 2007. As a result, the port tax burden for foreign vessels calling on multiple ports in the area will be slashed by about 15% and will serve to further strengthen Kansai's logistical competitiveness. The regional rail network is extremely comprehensive and includes Shinkansen, or "Bullet Train" service that connects Osaka, Kobe, and Kyoto to destinations throughout Japan.

Kansai's historical ties to trade and commerce offer many advantages to American companies looking to enter the Japanese market. The region's superb transportation, communication and infrastructure links are supported by a progressive, entrepreneurial business climate. As a result, innovative new products ranging from the world's first blue LED (light emitting diode) to instant noodles have found their start in the Kansai. Consumers in the Kansai, who have a reputation for being particularly choosy and demanding, have helped make the region a key test market for new products in Japan. Proctor and Gamble, among other large consumer goods companies, consider the area an ideal place to do product testing and market acceptability studies.

To help companies tap into this vibrant economy, the region is expanding the number of conventions it hosts. In 2005, Kansai hosted 777 international conferences, which was approximately 30% of the 2,859 conventions held in Japan. Lower prices than Tokyo also provide an incentive for firms to conduct business in the Kansai area. Although currently ranked as the 8th most expensive city in the world, the region's land and office rental prices are still 30% less expensive than Tokyo. Lower labor and housing costs also benefit companies who have operations in the Kansai. As of 2006, approximately 280 foreign-affiliated large companies maintained their Japanese headquarters in the region. Of this total, 49% are European and 34% are American. Nearly 42% of these companies are in manufacturing industries such as chemicals, pharmaceuticals, general machinery medical-device, and electric machinery. The remaining companies are primarily engaged in the information technology services industry and the wholesale of machinery and chemicals.

Although the number of public work projects planned by local governments have dropped during the past several years, private sector capital spending in the Kinki region (excluding Mie, Fukui and Tokushima prefectures) in FY07 surged by an estimated 20.6% from the previous year to 2,346.9 billion yen. This marks the sharpest increase in spending since 1980 and represents the largest growth rate among the nine regions of Japan. This trend is being driven by investments in the manufacturing sector, which grew by 27.2% in 2007, the fourth straight year of double-digit increases. In 2006, the number of major factories newly established in the region was 271, a 16.3% increase from the previous year. Of this total, 115 factories were established in Hyogo prefecture and represented the most new factory construction of any prefecture in Japan. This steep growth was exemplified by projects such as Panasonic's construction of the world's largest plasma display plant in Amagasaki-city, a new blast furnace constructed in Wakayama by Sumitomo Metal Industries and Kobe Steel's major overhaul of their own blast furnace in Kobe City.

Responding to the continued worldwide growth of consumer digital appliances, Panasonic and Sharp are now in the process of constructing two additional massive flat-panel display manufacturing plants in the Kansai region. This is in addition to their huge 2004 and 2005 plant investments. Panasonic is now constructing a third plasma display panel (PDP) factory on the seacoast in Amagasaki. Sharp has also started construction of what will be the world's largest LCD flat panel display factory in Sakai City (southern Osaka) and is scheduled to begin operation in 2010. In order to streamline production, Corning Inc., a major U.S. manufacturer of LCD glass substrate, will construct its own factory next to the new Sharp plant. Sharp will also build a solar battery plant at the same location, which is expected to be the largest of its kind in the world. In total, new investment in the Osaka Bay area related to new LCD/PDP factory construction is estimated to be 2 trillion yen (USD 18.7 billion at USD 1=107 yen).

Additional investments of note in the region include: Panasonic/Matsushita's intention to build by 2010 a new LCD panel plant in Himeji City, Hyogo prefecture; Sanyo's retrofit and conversion of its general production plant in Shiga prefecture into a new HT solar cell modules factory in 2007; and Sanyo's plans to build a new lithium-ion battery factory in Kaizuka-city, Osaka in 2008. All said, the manufacturing sector continues to show strong signs of strength in the Kansai region. This is not only due to strong worldwide demand, but also to preferential tax incentives and Kansai-based companies refocusing their R&D and manufacturing investments locally and in the region.

The Kansai is a primary region for education and R&D activities in Japan. Institutions of higher learning (two-year junior colleges and four-year universities) are highly concentrated in the Kansai, which accounts for about 20% of the national total. The region also hosts more than 1000 national, prefectural, university and private research facilities. This historical strength of R&D, in addition to excellent collaboration among local governments, universities and business communities, is what led RIKEN (the former Japanese Government-affiliated Institute of Physical and Chemical Research) and the central government to choose Kobe as the site for a next-generation supercomputer. Construction will begin in early 2008 with the facilities expected to be operational in 2011. The total budget for this project, which aims to develop the world's fastest computer in terms of processing capability, is 115.4 billion yen (USD 1.1 billion at USD 1=107 yen).

In April 2004, as part of an urban redevelopment project in the Greater Osaka-area, the Japanese government adopted a plan to form an industrial center for the development of robots that assist with daily life. As part of this effort, public-private collaboration is under way to redevelop a site north of JR Osaka Station (Umeda Kita Yard) into an international center for intellectual creation (Knowledge Capital), including robotic technology. Carnegie Mellon University of Pittsburgh, PA, one of the world's leading academic institutions in information science, opened its Entertainment Technology Center (ETC) campus in Osaka-city in February, 2008, and will focus its core curriculum on the development of entertainment technologies such as imaging devices, video-game machines and game software. The ETC plans to conduct joint projects with local businesses and Osaka University, and to relocate to the Umeda Kita Yard development in 2011. Carnegie Mellon also offers a unique Information Security graduate degree program at its CyLab facility in Kobe, which graduates American-standard Information Security IT professionals.

Because of its geographical and historical ties to the Asian continent, trade with Asia is particularly large in the Kansai region. The Osaka Customs Office, which covers Toyama, Ishikawa, Shiga, Kyoto, Nara, Osaka, and Wakayama Prefectures, reported 15,243 billion yen (USD 131 billion USD 1=116.31 yen) in exports and 12.112 trillion yen (USD 104.1 billion) in imports in 2006. These figures represented 12.7% and 13.9% increases respectively over 2005. Exports to Asia accounted for 59.3%, while imports from this region accounted for 57% of the totals. Exports to the U.S. were 15.7% percent of the total, while imports from the U.S. represented 9.1% of all imports with a value of USD 9.48 billion. Imports from the U.S. increased by 7.4% in 2006. Data from the first 6 months of 2007 showed a slight increase in imports from the U.S. to the Kansai while imports from Asia and the EU grew by 7 % and 15% respectively. The region is on track for another excellent year with November 2007 data indicating a 9.5% growth in exports and 8.7% growth in imports over comparable November 2006 statistics.

The U.S. Commercial Service in Osaka-Kobe (CS Osaka) provides an extensive array of products and services designed to help U.S. companies capitalize on opportunities in Japan. The office has national responsibility for the sporting goods, apparel, textiles, and residential construction materials sectors and regional responsibility for the medical, biotechnology, environmental, tourism and high-tech industries. Working closely with the American Chamber of Commerce in Japan (ACCCJ) and other local multipliers, CS Osaka helps promote American products, services and tourism through the organization of targeted events, U.S. pavilions at trade fairs, market research on emerging

commercial opportunities, business counseling, networking, partnership searches, key introductions, and advocacy. For more information about the opportunities in the Kansai for U.S. firms, visit our Commercial Service Japan website at www.buyusa.gov/japan/en.

Kyushu/Yamaguchi Region

The Kyushu/Yamaguchi Region of southwestern Japan consists of seven prefectures on Kyushu Island (Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, and Kagoshima) and Yamaguchi prefecture on the southern tip of Honshu, with a combined population of over 15 million. The region's USD 463 billion economy constitutes Japan's fourth largest economic center, representing about 10 percent of national GDP – comparable in size to the Netherlands. This region is traditionally known as Japan's gateway to Asia and enjoys extensive historical, cultural, and trade ties with continental Asia, particularly South Korea, Taiwan and mainland China. The United States remains an important trading partner, but trade with Asia is predominant and Kyushu is becoming increasingly integrated into the East Asian regional economy.

Kyushu has a strong agricultural sector, producing about 20% of Japan's agricultural output, and ranks first in Japan in livestock output. But its dynamism stems from a diversified economy that includes many high-tech industries. Dubbed Japan's "Silicon Island," Kyushu accounts for 25% of Japan's total production of semiconductors. American companies like Texas Instruments and Teradyne have facilities here. Northern Kyushu also boasts about 10% of Japan's automobile output, with Toyota, Nissan, and Daihatsu operating state-of-the-art final assembly facilities, and Honda has an advanced motorcycle plant in the region. Kyushu is emerging as a key player in Japan's solar panel production, accounting for more than 5% of production in 2006 with new plants coming on line in 2007 from Honda Soltec, Yoka Sol and Mitsubishi Heavy Industry. Kyushu is also home to Japan's leading shipbuilding production, Japan's two space-launch facilities, and Yaskawa Electric, one of the world's leading robotics manufacturers. The southern prefecture of Kagoshima is home to Japan's two space launch facilities at Uchinoura and Tanegashima. Other important industries include steel manufacturing, shipbuilding, and tourism.

With a population of 1.4 million, Fukuoka City is the economic, educational, and cultural center of Kyushu. In 2006, Newsweek International selected Fukuoka City as one of the "World's 10 Hottest Cities." While manufacturing is prevalent in Fukuoka prefecture's surrounding areas, the city's economy is services-based, with many large retail outlets and regional headquarters offices for banking, insurance, and real estate. Living expenses (including housing) and office rents are lower than in Japan's other large metropolitan areas. The city enjoys excellent transportation infrastructure, including Kyushu's principal international airport, high-speed ferry service to South Korea, and the southern terminus for Japan's "Shinkansen" (bullet train) network. (In the spring of 2011 Kagoshima will become the southern terminus of Japan's bullet train network when the Kyushu Shinkansen line extending south from Fukuoka is completed, cutting travel time from Fukuoka's Hakata Terminal to only 80 minutes. The service will link Fukuoka and Kumamoto in about 30 minutes.)

The Economic/Commercial Section of the U.S. Consulate in Fukuoka has been actively assisting U.S. businesses and promoting their interests in the region for over 40 years. The Consulate believes many sectors of the Kyushu/Yamaguchi economy offer promising opportunities. With its long history of openness to foreign influences, the

Fukuoka area has an established reputation as a useful test market for new consumer products, services, and retail concepts before they are expanded to wider areas of Japan. Familiar retail names, such as Toys 'R' Us, Costco, Starbucks, and The Gap, maintain an active market presence. Major American companies have established research and production facilities in electronics, computers, and medical devices, and are also active in architecture, design and construction, energy, insurance and finance. In recent years U.S.-based investment funds have made major acquisitions of hotels and related leisure facilities in Kyushu. Another sector of growing interest is environmental products and services. In particular, Kitakyushu City in Fukuoka prefecture, a historical center of heavy industry, is seeking to become a regional leader in environmental remediation and recycling. Good U.S. export prospects exist in many other sectors, including building materials, medical equipment, and health care products.

Okinawa

Okinawa Prefecture has a population of 1.37 million and a GPP (Gross Prefectural Product) of approximately USD 30.6 billion (3.6 trillion yen at USD 1=117.76 yen). By Japanese standards, Okinawa's market is relatively small but there are still significant opportunities for U.S. businesses. American companies are aided by the fact that, due to their history, Okinawans tend to be open to imported goods and are already familiar with many American products. Okinawa also has the youngest workforce in Japan, a workforce that is well educated and, thanks to a robust birthrate, is actually still growing. In addition, Okinawa also has the lowest wages and commercial property rents in Japan and offers a wide a range of subsidies and tax incentives for potential investors and employers (see below for details).

The two largest sectors of the local economy are construction and tourism, areas in which U.S. companies excel. One large-scale public investment project in the works is the "Okinawa Institute of Science and Technology (OIST)," a project that the prefectural government hopes will play a major role in the economic and social development of Okinawa in the coming years. In FY 2008, the Japanese Government approved approximately USD 91.2 million to construct one administrative building and two laboratory complexes for the project. The facility is expected to be totally completed and fully functional by FY 2012. American companies are expected to be competitive in bidding for the design of both on and off campus facilities and in sales of scientific equipment required to outfit the research laboratories.

Among other projects currently underway is a plan to build a new airport on the nearby island of Ishigaki. American involvement in the actual construction phase of this project is admittedly problematic, but the project is still expected to offer business opportunities to U.S. firms involved in the design of terminal buildings. Meanwhile, in another large airport project, the Okinawa Prefectural Government (OPG) has finished the public involvement survey for expansion of Naha International Airport and the government of Japan will finalize the outline for this project in 2008. Again, American companies are expected to be very competitive in bidding for various portions of this project. Additionally, the U.S. Naval Hospital Okinawa, which is the largest overseas hospital in the U.S. Navy system and currently located at Camp Lester, is in the process of moving to nearby Camp Foster. This project, which is being resisted by Ginowan City authorities, is expected to offer business opportunities to U.S. firms involved in medical equipment and supplies.

The number of tourists visiting Okinawa continues to grow steadily. In 2007, a record 5.87 million people visited the island. In order to exploit the steadily increasing numbers of tourists visiting Okinawa, foreign and domestic companies from outside of Okinawa have begun taking an active interest in investing in the island's tourism industry. According to a recent survey by The Okinawa Development Finance Corporation (a governmental financial institution), 24 new hotels are set to add 3,954 rooms to the island's capacity over the next five years. The total investment amount for these projects is 125.7 billion yen (about USD 1.06 billion), a figure that is more than double the amount of the previous five years combined.

Additionally, there are also efforts underway on the island to create a gaming industry in Okinawa. In particular, the Okinawa Association of Corporate Executive and other economical organization have been discussing the development of a casino resort in Okinawa. Whether or not this comes to pass, Okinawa continues to offer American firms potential business opportunities in connection with first-class resort hotels and hotel operations, marine sports, outdoor equipment and related services.

In addition to regular tourism, Okinawa continues to develop into a retirement center for Japan's baby boomers -- a trend that may also offer attractive business opportunities to U.S. companies. Increasing numbers of retirees are expected to either permanently move to the island or make long seasonal trips to Okinawa in order to take advantage of the warm climate, beautiful beaches, great food and friendly people. As with any aging population, this group will require its own special infrastructure and U.S. companies may benefit.

Okinawa Prefecture is also promoting policies that encourage the introduction of FDI. For example, Okinawa has established Japan's first Special Free Trade Zone and is offering various tax incentives, including exemptions from national and local taxes, to those companies who locate in this zone. In addition, Okinawa has also established a separate Information and Communications Industry Promotion Zone and a Financial Businesses Promotion Zone that offer similar benefits and include subsidies to promote the employment of Okinawan youth and support measures to reduce the cost of domestic and overseas communications.

One sector that has benefited from this additional support has been Okinawa-based call centers. Since 1990, the OPG's efforts have spurred the creation of 51 call centers and another 111 IT-related companies. Together, these companies employ close to 14,700 people, 11,400 of whom work in call centers and 3,300 in IT. Participating companies include companies affiliated with American firms such as IBM, American Home Insurance (AIG), AIU, CITIBANK, Cisco Systems and Oracle.

To further promote IT related industry in Okinawa, the Japanese Government has approved approximately USD 7 million to establish an advanced IT Park. The OPG has designated a 10 hectare core area for this in the Okinawa Special Free Trade Zone located in Uruma City and the project is expected to be completed in 2010. This new facility is projected to add an additional 8,000 jobs.

Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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Establishing a direct presence in Japan is the best way to penetrate the Japanese market, but this can be an extremely expensive strategy. The use of agents/distributors is a more realistic marketing strategy for a small or medium-sized U.S. firm, but this approach requires great care in the selection of the representative.

Distributors in Japan usually cover a specific territory or industry. Import agents are often appointed as sole agents for the entire country (although there is no statutory requirement that this be done). In some cases exclusivity may be necessary to ensure a strong commitment by the Japanese agent towards expanding sales. But under no circumstances should a U.S. company be pressured into handing over control of the whole market if there is doubt as to the ability or willingness of the Japanese company to develop the entire market. Regional exclusivity, a limited term of representation, minimum sales, or qualitative indicators of sales efforts are good strategies as a safeguard in exclusive agency contracts.

While the Japanese Fair Trade Commission has guidelines applicable to exclusive agency contracts, there are no statutory damages required upon termination of an agency contract. Given the close-knit nature of business circles and the traditional wariness towards foreign suppliers, replacing a Japanese agent or distributor could cause reputation problems if not handled in an extremely sensitive manner. A U.S. company should at all costs avoid being viewed as lacking adequate commitment to Japanese business relationships. Japanese agents may request “parting compensation” in the event the foreign exporter decides to dissolve a business relationship. Since this is a common practice domestically, U.S. companies should address this eventuality prior to executing a contract.

U.S. firms interested in the Japanese market are cautioned against trying to use a list of importers as a basis for “cold calls” on prospective agents. The Japanese prefer to do business with someone only when they have been properly introduced and have met face-to-face. To help dispel reluctance on the Japanese side, an introduction by a “go-between” typically serves to vouch for the reliability of both parties. Appropriate third parties for such introductions include other Japanese firms, U.S. companies that have successfully done business in Japan, banks, trade associations, chambers of commerce, the U.S. Department of Commerce and the U.S. Commercial Service in Japan (CS Japan). U.S. state representative offices in Japan, JETRO, the American Chamber of Commerce in Japan (ACCJ), and Japanese Government ministries can also offer assistance.

U.S. companies should be selective in choosing a Japanese business partner. Credit checks, a review of the Japanese company's industry standing and existing relations with Japanese competitors, and trust building are all part of the process. Many problems can be avoided by carrying out comprehensive and professional due diligence. CS Japan can help U.S. companies find business partners in Japan. Find out how by visiting www.buyusa.gov/japan/en/partner.html.

Part of the difficulty in choosing a Japanese agent is assuring that the agent will devote sufficient attention to expanding the market share of the U.S. product. A U.S. company should probably avoid a distributor that targets only limited, high-price niches; is compromised by strong ties to one particular industry group (*keiretsu*); fails to compete directly with established Japanese products; or is not prepared to pursue volume sales for the U.S. exporter. Also, companies should be wary of distributors that co-handle competitors lines, or products that are complimentary in nature and could present conflicts of interest for the distributor.

Another important factor that merits consideration in the Japanese market is sales commissions paid to agents and distributors. Under an agency contract, the agent normally sells the product to the customer “back-to-back,” at the same price as that paid to the supplier. The supplier then pays a sales commission to the agent at the percentage provided for in the agency contract or agreement. Under a distributorship contract, the supplier sells the product to the distributor, who is then free to add to the purchase price whatever markup it chooses in determining the sales price to the customer. Commission rates vary according to the product and contract terms. Generally speaking, sales commissions range from 10 to 20 percent for “spot” (one-time or irregular) transactions, and from 5 to 10 percent for regular, ongoing business transactions. In the case of bulk materials (*e.g.*, iron ore or coal), however, commission rates are much lower, in the neighborhood of 1 to 3 percent. In the case of medical, laboratory, and scientific analytical instruments, commission rates typically are much higher, in the neighborhood of 20 percent or even higher.

Occasionally, an American exporter deems it necessary, for various reasons, to terminate an existing distributor relationship with an importer in Japan. In such cases, we believe it is essential that the American company not needlessly alienate its existing partner and confuse its current end-users by seeking a new agent or distributor. Japan's business world is small and relatively concentrated, both politically and economically. Business relationships are formed, conducted, nurtured, and ended with an unusual degree of attention to appearances and decorum. Extreme caution and diplomacy are

therefore warranted if an overseas company wishes to sever its relationship with its existing Japanese agent or distributor.

Once an agent/distributor agreement is signed and the American company's products gain a foothold in the Japanese market, the American company may want to consider establishing a representative office in Japan (see below) to support the distributor's sales and marketing efforts and to facilitate communications with U.S. company headquarters. A technical engineer is often best suited for this role because such a person understands product capabilities and end-user requirements. This is, of course, more of a long-term consideration, but one that American companies may wish to consider in putting together their strategic mid- to long-term plan for Japan.

Establishing an Office

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U.S. companies may wish to carefully examine the Japanese Ministry of Economy, Trade & Industry's (METI) programs for promoting foreign investment into Japan. Programs include loans available through the Japan Bank for International Cooperation and the Development Bank of Japan. Entry-level business-support programs are provided by the Japan External Trade Organization (JETRO) as well as by some municipal and prefectural governments. Current information on investing in Japan, establishing an office, and other JETRO programs for foreign businesses can be found on JETRO's website at www.jetro.go.jp/en. Please also review Chapter 6 of the Country Commercial Guide under the section "Investment Climate." Finding suitable local labor is also a concern for U.S. companies seeking to establish an office in Japan. There are a number of executive search firms in Japan that can help address this important issue. For a list of some of these firms, please visit the website for the Commercial Service in Japan, www.buyusa.gov/japan/en or the American Chamber of Commerce in Japan's website www.accj.or.jp.

Franchising

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The latest industry statistics available (from 2006) indicate that the number of franchise chains in Japan was 1194: up 4.2%, or 48 chains, from 2005. There were a total of 235,440 stores and outlets, up 0.4%, or 951 stores/outlets, from 2005. The aggregate size of the franchise market in 2006 was 19,603.6 billion yen (USD 178 billion at an exchange rate of USD 1 = 110.11 yen), compared to 19,388.8 billion (USD 176.1 billion) in 2005. Approximately 38 percent of total sales at franchise outlets are from convenience stores and about 21 percent from food service chains.

American-style franchising has heavily influenced the development of Japan's franchise industry since the early 1970s. Although Japanese consumers are generally receptive to U.S. franchise concepts, products and services must be adjusted to local tastes and preferences to ensure success. U.S. franchisers are more often successful when they seek either a master franchisee or a joint venture partner to develop the market in Japan.

Identifying the right business partner in Japan requires time and effort. It can be difficult to find companies that are willing to invest in master franchise rights if they do not believe there is a market or growth potential for the business concept in Japan.

Therefore, prudent market research and long-term commitment are required for foreign companies to launch franchise businesses in Japan.

Direct Marketing

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Direct marketing in Japan, which includes mail order, telemarketing, direct response television, and Internet sales, is still modest by U.S. standards. However, direct marketing is increasing, particularly in the case of Internet sales. Consumers are beginning to shop through their mobile phones, and Internet sales and mail order can be attractive methods for suppliers attempting to reach Japanese consumers while bypassing traditional distribution channels.

Shopping from foreign catalogs, whether hard copy or on the web (generally referred to as “personal importing”), surged in the mid-1990s due to the novelty of the concept, a very strong yen, and a growing appreciation of foreign consumer goods. Although providing adequate customer service and handling product returns challenged those firms that did not have in-country representation, many U.S. companies enjoyed an enormous expansion of orders from Japan. Since 1996, however, the relative strengthening of the dollar and the passing of the “fad” component of the boom has caused the market to cool considerably. Also, the recent recovery of Japanese economy has not been reflected in wages and salaries, and consumers’ propensity to spend has not increased proportionately. Nevertheless, opportunities still exist for companies that can offer Japanese consumers quality products with unique attributes.

U.S. companies must overcome a number of challenges such as language, international shipping costs, customs regulations, tariffs, and other issues when marketing directly to a Japanese consumer (e.g., sizes in metric). In addition, U.S. companies should be aware of the Personal Information Protection Law, implemented in 2005, which restricts the sharing of personal data. It can be difficult for U.S. catalogers to obtain effective mailing or contact lists.

U.S. companies aiming to enter this market should be prepared to make an investment in service and in what is generally referred to as direct marketing infrastructure. A representative in Japan can act as a liaison with the U.S. supplier to handle receipt of claims, customs clearance, and provide assistance in the preparation of Japanese-language materials. A local representative can also manage warehousing and returns.

In the case of “personal imports” to which regulatory systems like official import permits do not apply, goods must be shipped directly from the United States. Even in the case of personal imports, however, U.S. companies should note that the promotion of certain items (cosmetics, supplements, etc.) by local representatives is subject to the same laws and restrictions as products that are commercially imported.

Joint Ventures/Licensing

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U.S. companies often consider joint ventures or licensing agreements when considering entering the Japanese market. For the latest information on regulations and procedures for establishing an operation in Japan, please visit the JETRO website at www.jetro.go.jp/en.

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Although a vast majority of U.S. commercial exports to Japan do not need export licenses, the export of any form of technical data from the United States can be subject to U.S. export control laws. In such a case, a thorough review of the U.S. Department of Commerce's Export Administration Regulations (EAR) should precede the signing of any licensing agreement. To learn more about the EAR, please visit the following web sites:

Bureau of Industry & Security: www.bis.doc.gov

Government Printing Office's EAR database: www.access.gpo.gov/bis/ear_data.html

Selling to the Government

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On January 1, 1996, Japan implemented the WTO Agreement on Government Procurement in an effort to expand opportunities for foreign firms and increase international competition in government procurement in Japan. The agreement extended coverage to include the procurement of services as well as procurement throughout Japan by what are referred to as "sub-central government entities." These entities include all prefectural (regional) governments in Japan, major cities and designated municipalities, and a host of other quasi-governmental agencies, corporations, companies and authorities.

Government procurement contracts covered by the agreement must have a value not less than the thresholds (denominated in special drawing rights or "SDRs") specified by the agreement, and include the procurement of products and services by purchase, lease, or rental by the agencies and organizations subject to the agreement. Under the agreement, the specified threshold for procurement by central government entities is 130,000 SDRs (except for construction and architectural, engineering and other technical services). As a voluntary measure, Japan issued SDR thresholds beyond those specified in the agreement, e.g., 100,000 SDRs for procurement by central government entities (again, except for construction and architectural, engineering and other technical services). For sub-central government entities, with the same exceptions as above, Japan's voluntary threshold is 200,000 SDRs.

There are three types of government tendering procedures in Japan covered by the new agreement: 1) open tendering; 2) selective tendering; and 3) limited or single tendering. Under an open tender, the procuring entity publishes an invitation for qualified suppliers to participate in the tendering process. Contracts are awarded to the bidder that offers the greatest advantage in terms of price. Selective tendering is done in a case when open tendering is not necessary because there is only a small number of suppliers that could participate (due to the nature of the contract), or when open tendering is otherwise regarded as inappropriate. In this case, the procuring entity designates those companies it considers capable from a list of qualified suppliers and invites them to bid. Again, the contract is awarded to the bidder with the best price advantage. Limited or single tenders are used in a variety of cases for purposes of awarding contracts without resorting to open competition. Such cases might include instances where products can not be obtained through open or selective procurement procedures, where there has

been an absence of bids in response to a public notice, where it has been determined there is a need for protection of exclusive rights such as patents, or where the procurement is of extreme urgency.

Open tender and selective tender invitations are published in Japan's official (central) government procurement gazette or *Kanpō* — kanpou.npb.go.jp — or in an equivalent regional-level or local publication. The procuring entity publishes the invitation to tender at least 50 days (40 days is required by the agreement) in advance of the closing date for receipt of bids. In order to increase access opportunities for foreign suppliers, as a voluntary measure, many procuring entities publish notices on the use of limited (closed) tenders at least twenty days in advance of the awarding of a contract. When the tender is announced on open bids, the type and quantity of products, time limits set for submission of bids, and names and contact data of the procuring entity are published within the announcement in English. Notices on selective tendering also contain the requirements to be designated to participate in the tender. It is important to read the tender notice carefully (the English-language text is mixed in with the Japanese language text), and most companies find it useful to directly contact the procuring entity with any specific questions before a tender is submitted. Japan's Ministry of Foreign Affairs hosts a Government Procurement Seminar every April where central government procuring entities explain their procurement plans for the fiscal year. Individual ministries sometimes follow this with their own seminars as well. Notice of these meetings can also be found in the *Kanpō* gazette. U.S. suppliers can find information about Japanese government procurement on the Japan External Trade Organization (JETRO) web site at www.jetro.go.jp/en/matching/procurement, or on the Ministry of Foreign Affairs web site (www.mofa.go.jp/policy/economy/procurement/q-a.pdf), which has a detailed list of contact points for entities covered by the agreement as well as a list of related websites.

Potential suppliers must first be qualified by the procuring agency and registered on the tendering agency's permanent list of qualified suppliers. Each procuring entity in Japan specifies the qualifications required of any potential supplier participating in open or selective tenders. Procuring entities are allowed to review a company's capacity to implement a contract, including the scale of business and past business performance. In most cases, Japanese subsidiaries, agents, or distributors of a U.S. company can register on behalf of the firm. Documents required for qualification are set out in the public notice, but typically include: an application form, registration certificate, company history, financial statements, and tax payment certificate. The qualification is usually valid for one to two years.

Sealed bids must be submitted to the designated place by the closing date and time specified in the tender notice. Although a 5 percent guarantee fee is stipulated, payment of the fee is usually waived since those participating are normally pre-qualified. If there are tenders made by unqualified suppliers or in violation of the tender requirements, the procuring entity will rule them invalid and notify the unsuccessful bidder. The contract is normally awarded to the lowest qualified bid and bidders are informed of the result in writing by the procuring entity. Pursuant to the 1996 agreement, Japan has established a mechanism to process complaints about procurements by entities other than sub-central government entities. Complaints by qualified bidders may be filed with the Secretariat of the Board in the Office for Government Procurement Challenge System (CHANS), Coordination Bureau, Cabinet Office. For additional information, please visit www5.cao.jp/access/english/chansmaine.html.

According to the Yomiuri Newspaper, The Japanese Ministry of Defense (MOD) is to establish project teams to supervise its procurement and use of military equipment -- from development to disposal --according to a draft of reforms being studied by the MOD in the wake of a bribery scandal involving a former top official.

<http://www.yomiuri.co.jp/dy/national/20080216TDY04304.htm> .

In view of ongoing MOD investigations and deliberations, U.S. companies seeking to do business in the defense sector in Japan are advised to retain competent legal and other professional expertise in this important and evolving sector.

Distribution and Sales Channels

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Distribution channels in Japan are going through a period of consolidation. Many of the traditional channels have been streamlined, yet complexities still exist. Channels vary significantly between consumer goods and industrial products. For detailed information on distribution channels, it is best to contact a Commercial Specialist from the Commercial Service in Japan to discuss the specific channels for individual products and sectors. For a contact list, please visit the Commercial Service Japan website:

www.buyusa.gov/japan/en

Selling Factors/Techniques

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As in the U.S., pursuing sustained personal contact directly with customers is an excellent sales technique for market entry and expansion in Japan. Having a visiting U.S. company representative accompany the firm's Japanese agent or distributor on visits to existing or potential customers strengthens the potential for sales, and such joint sales calls demonstrate a commitment to clients and are an excellent way to obtain market feedback.

To increase their chances for success, learning how to negotiate and maintain relationships with Japanese can significantly increase a U.S. company's chances for success in the market. Japanese language skills and familiarity with the nation's culture and etiquette can be invaluable. Be prepared to attend after-hours social events: these informal gatherings go a long way towards establishing mutual trust and understanding between new partners. It has been said that many business deals in Japan are made "after five," though this does not mitigate the important role that price, quality and after-sales service play in making an export sale.

Initial contact between Japanese firms is usually formal and made at the executive level, with more detailed negotiations often delegated to the working level. Typically, the first meeting is to become acquainted, to establish the interest of the calling party, and to allow both sides an opportunity to size each other up. Don't expect too much from a first meeting — sometimes the actual business subject may be overtaken by more mundane topics. A series of meetings with a large number of Japanese company representatives is common, as part of the "sizing up" process. Business negotiations may proceed slowly, as the Japanese side might prefer to avoid an agreement rather than being criticized later for making a mistake.

While many Japanese business executives speak some English, a skilled and well-briefed interpreter is essential to prevent communication problems. A good interpreter is worth the extra money and firms who choose to skimp on or forego this expense significantly reduce their odds of success. Though there are some U.S. firms that do business in Japan without a signed contract, written contracts between U.S. and Japanese firms is an accepted practice. Contracts satisfy tax, customs, and other legal requirements. Japanese companies prefer shorter and more general contracts as opposed to lengthy, detailed documents spelling out every right and obligation in detail. Again, personal contact and relationships are important and a contract should be viewed as just one element of a broader effort to create a mutual understanding of obligations and expectations.

Electronic Commerce

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According to statistics published in May 2007 by the Ministry of Economy, Trade and Industry (METI), the market size of business-to-business (B2B) electronic commerce in Japan in 2006 was 148 trillion yen (USD 1.3 trillion). The industry sectors that were the largest users of B2B electronic commerce were manufacturing (83 trillion yen or USD 714 billion), followed by wholesalers (42.2 trillion yen or USD 363 billion), and finance (6.8 trillion yen or USD 58 billion). The same report noted that the market size of the business-to-consumer (B2C) electronic commerce market in 2006 was 4.4 trillion yen (or USD 37.8 billion) and identified the largest users of B2C electronic commerce as IT / telecommunications (1.19 trillion yen or USD 10.2 billion), general retail (986 billion yen or USD 8.5 billion), electric appliances (571 billion yen or USD 4.9 billion), and travel and accommodation (508 billion yen or USD 4.4 billion).

Japanese, especially younger consumers, are increasingly using state-of-the-art mobile telephones to access the Internet, check information, buy tickets and goods, listen to music, play games, and even watch television. In 2006, B2C market shopping related mobile e-commerce (not including content such as music and games) accounted for 562 billion yen (USD 4.8 billion), according to a Ministry of Internal Affairs and Communication report. This indicates a 38 percent increase from the previous year and represents 12 percent of the total B2C e-commerce market.

Mobile e-commerce is expected to continue growing rapidly as the use of QR codes and flat fee systems become more popular. The easy payment/collection methods that mobile phones provide will further contribute to this growth. U.S. companies that wish to expand their Internet sales transactions into the mobile market should select products and construct new web pages that fit nicely on the small screens used by mobile telephones as aspects of their B2C e-commerce strategy.

In 2007, the Next Generation Electronic Commerce Promotion Council of Japan, METI, and Kao Corporation jointly published a "Survey on the Current Status and market Size of Electronic Commerce for 2006" at:

http://www.meti.go.jp/policy/it_policy/statistics/outlook/H18EC_070330.pdf

(Note: the above document is only available in Japanese)

Trade Promotion and Advertising

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Unless a U.S. company is setting up operations directly in Japan, the company's agent or distributor in Japan will likely execute the advertising and marketing effort. It is quite expensive to advertise in Japan. Because of this, local firms often look for some type of cooperation from the incoming company. Willingness to support this effort sends a strong signal of commitment to the market.

Not all companies can afford to place advertisements in Japan's major national daily newspapers or commercials on Japanese television. Regional and local newspapers and television stations and daily sports newspapers are less expensive and might make sense for a product with strong potential in a specific region. A more affordable option for small- to medium-size or new-to-market U.S. companies might be advertising in some of Japan's 2250 weekly or monthly magazines. These publications often represent a cost-effective means to reach a specific target consumer — whether gourmet or gardener, cyclist or camper. For industrial and commercial products, Japan's many industrial daily, weekly or monthly newspapers and trade journals might offer the best advertising option.

Most of Japan's broadcast and print media do not deal directly with advertisers but go through Japan's top five advertising agencies: Dentsu, Hakuhodo, Asatsu, Tokyu Agency International, and NTT Advertising. Generally, mood or image advertising achieves the best results. Hard sell, comparative, or combative advertising used to be considered bad taste and counterproductive, but comparative advertising is becoming more mainstream in an increasingly competitive and tight economy.

Japan's railways, as the primary transportation option for commuters in major cities, carry more than 21 billion passengers every year. So, transit advertising should not be overlooked. Transit advertisements can be found inside commuter rail cars, buses, and in stations. Advertisements inside trains and buses include hanging flyers, framed posters, stickers, and flat-panel video. As with other media and outlets, the major advertising agencies control space.

U.S. exporters can benefit from Japan's extensive trade event circuit: not only in Tokyo and Osaka, but also in the huge regional economies and industrial centers where many of Japan's international conferences, seminars, and trade shows take place. U.S. Department of Commerce-sponsored trade shows and trade missions, as well as events that U.S. states and industrial organizations sponsor are an excellent means of gaining exposure in the Japanese market. For a listing of U.S. Department of Commerce supported events in Japan, please visit our website: www.buyusa.gov/japan/en

Pricing

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Tough economic times have made price an increasingly important consideration for Japanese consumers. Traditionally, many people made their buying decisions based on a product's attributes, quality, and brand name and they were willing to pay more for superior quality. However, Japanese consumers are now more price conscious and notions such as bargains and value have become mainstream. If an imported product can be purchased more cheaply than a domestic product, consumers will be interested. This has proven to many Japanese that U.S. products can be affordable and of a quality that's similar or even superior to Japanese goods.

This recent ability to compete on price has opened doors for U.S. products. However, landed cost is only one part of a total pricing scheme and should not be the only consideration for U.S. firms interested in exporting to Japan. Distribution mark-ups often cause imports to price at levels far higher than comparable domestic products. For instance, shipping costs between the port of Osaka and Tokyo have been shown to be three times higher than shipping costs from the U.S. West Coast to Osaka. A good example is imported U.S. apparel products, where street prices often are three to four times FOB.

Japanese manufacturers traditionally set prices at each level of the distribution chain and enforce compliance using complicated rebate systems. This price maintenance has come under pressure from consumers who are demanding lower prices and from manufacturers who themselves find the rebate system burdensome. As distribution practices have undergone reform, costs have been coming down and distributors have gained additional flexibility in selecting and purchasing items.

The pricing structure of imported goods varies according to the types of distribution channels and services importers or wholesalers provide (e.g., inventory, advertisement costs, packaging costs, financing, acceptance of unsold/returned goods, etc). It is a multi-layered system with established lines of product flow. In recent years, more and more middlemen have either been eliminated or forced to cut prices.

As Japanese consumers have become more price-sensitive, markups along the various distribution stages have tended to become smaller. There are now some retailers who import products directly in order to offer lower retail prices. But U.S. suppliers should understand that retailers usually import smaller quantities. And other importers and wholesalers usually are uninterested in representing products that retailers import directly.

Finally, U.S. exporters should also consider yen/dollar fluctuations in their product pricing and sales strategies.

Sales Service/Customer Support

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Excellent product service and customer support throughout the sales cycle are highly important in Japan. This includes establishing a close working relationship with and long-term commitment to a U.S. exporter's potential Japanese partners. Every effort should be made to answer technical questions in detail, to ensure delivery dates are met, and that other issues regarding shipments are absolutely clear. Problems most often arise from misunderstandings, lack of communication, language difficulties, and differing business practices.

The arrival times and condition of shipments are critical. Shipments should arrive on time, they should be well packed, and they must not be damaged upon arrival. Customs documentation should be complete and accurate; if it is not, the entry of the merchandise could be delayed or, in certain cases, the merchandise might be returned to the sender. Japanese buyers are highly concerned with the quality of packing and have used poor packaging as an explanation for market entry problems. Missed deadlines and goods damaged through poor shipping practices will lead to lost business. Many U.S. companies that have succeeded in Japan have established a local presence

to handle sales and to provide customer support and service. In some cases, local agents or distributors can provide this support.

Introduction

Several general principles are important for effective management of intellectual property rights in Japan. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Japan than in the U.S. Third, rights must be registered and enforced *in Japan*, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service will provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Japan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. A good partner is an important ally in protecting IP rights. U.S. companies may wish to consider ordering an International Company Profile (ICP) on prospective partners. For information on the ICP and other services available from the Commercial Service in Japan, please visit our website: www.buyusa.gov/japan/en. Projects and sales in Japan require constant attention. Work with legal counsel familiar with Japan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is important that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Japan or U.S.-based. These include:

- The U.S. Chamber of Commerce and the American Chamber of Commerce in Japan
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at www.StopFakes.gov
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. For example, you can contact the IP attaché who covers China at usptochina@mail.doc.gov.
- Other useful IP office contact information can be found at: <http://www.wipo.int/directory/en/urls.jsp>

IPR Climate in Japan: See [Protection of Intellectual Property Rights](#) under Chapter 6: [Investment Climate](#).

Due Diligence

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A U.S. company resident in Japan is not legally required to use a Japanese attorney for filings, registrations, contracts or other legal documents, which can be prepared by in-house staff, but retaining a competent Japanese attorney (*bengoshi*), patent practitioner (*benrishi*), or other legal professional is a practical necessity. A U.S. company not resident in Japan should also retain competent Japanese counsel. Patents and trademarks must be filed through a Japanese agent, which should be a licensed attorney or patent practitioner.

In recent years, Japanese industry has been shaken by a record number of bankruptcies. Japanese commerce has also witnessed an unprecedented number of mergers and acquisitions. It is always advisable to conduct due diligence on partners. U.S. companies may wish to consider ordering an International Company Profile (ICP) on prospective partners. For information on the ICP and other services available from the Commercial Service in Japan, please visit our website: www.buyusa.gov/japan/en. Projects and sales in Japan require constant attention. Work with legal counsel familiar

with Japan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

The U.S. Embassy in Tokyo continues to see trade dispute cases of all kinds. It has become more common for small- and medium-sized Japanese trading companies to run into payment problems.

Importers, wholesalers and distributors without real estate assets may find it more difficult to obtain trade financing in the present environment. Banks in Japan have become less inclined to provide credit to small- and medium-sized enterprises of all types. Larger companies with excessive debt may also experience problems obtaining financing.

As a result of these concerns, American companies are well advised to perform due diligence procedures and check the *bona fides* of their Japanese agents and/or customers. To address this need, the U.S. Commercial Service in Japan provides the International Company Profile service. For more information about this service, please visit: www.export.gov/salesandmarketing/ICP.asp

Local Professional Services

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CS Japan's website features lists of business service providers in different fields who may be of assistance to U.S. exporters in Japan. Although these lists are not comprehensive, and inclusion does not constitute an endorsement or recommendation by the U.S. Commercial Service or by the U.S. Government, they are a useful starting point for firms that need professional services in Japan. Please click on the following links and you will be taken straight to the list of business service providers that are of interest to you:

- [Accounting, Auditing, and Tax Services](#)
- [Advertising](#)
- [Business Administration Services](#)
- [Business Consulting](#)
- [Computer and Internet Services](#)
- [Distributors, Sales Agents, and Importers](#)
- [Education and Training Services](#)
- [Engineering Services](#)
- [Entertainment Services](#)
- [Hotels and Meeting Facilities](#)
- [Human Resources](#)
- [Insurance Services](#)
- [Legal Services](#)
- [Market Research](#)
- [Marketing, Public Relations, and Sales](#)
- [Patent and Trademark Law Services](#)
- [Real Estate Services](#)
- [Relocation Services](#)
- [Restaurants and Catering](#)
- [Security and Personal Safety](#)

- Telecommunications
- Trade Show and Exhibition Services
- Translation and Interpretation
- Transportation, Freight Forwarder and Storage Services
- Travel Facilitation
- Other Business Services

or visit our web site directly at www.buyusa.gov/japan/en/bsp.html

Web Resources

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Information on investing in Japan, establishing an office, and other programs for foreign businesses:

Japan External Trade Organization (JETRO)
http://www.jetro.go.jp/en/invest/setting_up/

Information on doing business in Japan:

American Chamber of Commerce in Japan (ACCJ)
www.accj.or.jp/accj.or.jp/content/01_home

Venture Japan: Doing Business in Japan
 How to Succeed in the Japanese Market
www.venturejapan.com/index.htm

Information on business service providers in Japan:

U.S. Commercial Service, American Embassy, Tokyo
www.buyusa.gov/japan/en/bsp.html

Foreign Agricultural Service, American Embassy, Tokyo
www.usdajapan.org/

U.S. Embassy, American Citizen Services
<http://tokyo.usembassy.gov/e/tacs-main.html>

Information on Japanese government procurement:

Japan External Trade Organization (JETRO)
www.jetro.go.jp/en/matching/procurement

Office for Government Procurement Challenge System (CHANS)
 Cabinet Office
http://www5.cao.go.jp/access/english/chans_about_e.html

B to B e-commerce marketplaces:

Trade Tie-up Promotion Program by Japan External Trade Organization

<http://www3.jetro.go.jp/tppoas/index.html>

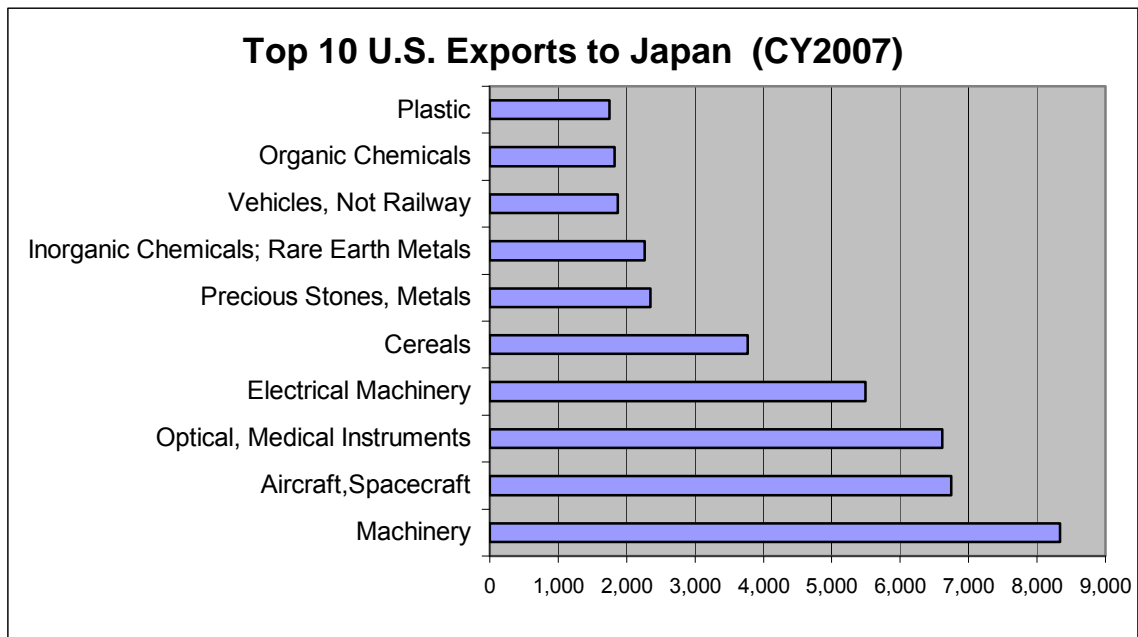
Tokyo Web Trade Service by Tokyo Metropolitan Small Business Center
http://www.tokyo-trade-center.or.jp/ttc/mediation/jsp/search/top/top_en.jsp

Chapter 4: Leading Sectors for U.S. Export and Investment

- [Agricultural Sector](#)

Commercial Sectors

There are a number of sectors that offer significant opportunity for U.S. exports to Japan. The following chart highlights the top ten categories of U.S. exports to Japan in 2007.



In addition to the market segments outlined below, the Commercial Service has also identified the following emerging sectors as offering additional export opportunity for U.S. companies.

Smart Phone Market

According to the Tokyo-based Research on Asia (ROA) Group, smart phone sales in Japan have grown to 600,000 units in 2006 up from 100,000 units in 2005 as Japanese corporations have started to deploy smart phones. Sales are expected to rise to 6,000,000 units by 2010 and will represent 13% of total mobile phone sales in Japan.

Wireless Broadband

Mobile WiMAX, the next generation mobile broadband, will launch in Japan in 2009. According to Wireless Broadband Planning, the WiMAX operator in Japan, the total number of Mobile WiMAX service subscribers in Japan will be 5.6 million by 2013 with total sales of \$180 million.

Nanotechnology

In March 2006, the Japanese government designated Nanotechnology and Materials as one of four fields in science and technology that will receive prioritized allocation of national resources until 2010. According to a March 2006 METI report the total Japanese market for nanotechnology products was \$25.5 billion in 2005. The market is projected to grow to \$34 billion by 2010. Some of the Japanese government nanotechnology projects are in nano-IT devices, nano-physics, nano-materials, nano-processes, nanobiotechnology, metrology and nano implications.

Nanobiotechnology

According to Mizuho Corporate Bank Ltd. the Japanese nanobiotechnology market is expected to increase by 370% by 2010 and to be worth \$3.5 billion. Areas with the best growth prospects include drug delivery, imaging agents, biosensors and nanobio materials for regenerative medicine. Japanese nanobiotechnology is still very much in the formative stages with research and development (R&D) underway.

Safety and Security

Even though the crime rate is falling, the public's concern over security continues to rise. Japanese security equipment and service market is expected to sustain industry growth in the coming years. Armor related products, NBC preparedness equipment and detection systems are expected to have good export opportunities, as U.S. technological leadership in those areas is highly regarded. Based on industry sources, products such as digital CCTV recorders, biometrics identification and contraband detectors will remain popular. Though it is a mature sector, according to Fuji Keizai Ltd. the Japanese security equipment market is expected to increase 32% by 2010 to be worth \$5.67 billion.

Environmental Remediation

The Japanese version of the Superfund Act was first introduced in February 2002. Though the law is not strict in terms of legal enforcement of soil remediation, companies involved in real estate transactions are increasingly concerned that land is free from contamination. Based upon surveys by the Japan Geo-Environmental Protection Center, the 2007 the Japan market for soil and engineering services will be over \$2.6 Billion. Consequently, the market offers opportunity for U.S. companies, particularly in the planning, research and design of soil remediation engineering services.

Broadband

Japan's Ministry of Internal Affairs and Communications (MIC) is promoting the penetration of broadband use under its "Next Generation Broadband Strategy 2010." The strategy includes a target list of services that could benefit from more efficient use of broadband, namely: medical: welfare, tourism, education and employment services. Japan's broadband market is continuously growing. According to MIC, the number of

broadband subscribers in Japan reached over 26 million in 2007. Currently DSL is dominating the broadband market, but its growth is in a downward trend, while FTTH (fiber-to-the-home) is increasing. The Nomura Research Institute predicts that by 2009 the FTTH market will reach \$3.7 billion and the DSL market will be \$4.4 billion.

Senior Market

Japanese society is aging quickly. The population of those 65 years and older has doubled in the past 2 decades to 27.18 million. The average household savings of Japanese older citizens is roughly \$180,000. According to the Japan External Trade Organization (JETRO), Japanese over the age of 60 tend to spend a great deal on medical care, home remodeling and travel. As the elderly population increases, they will create lucrative markets not only for medical or welfare products and services, but also for leisure products and activities that add to the quality of life.

In addition, the U.S. Commercial Service in Japan has identified the following specific sectors as representing significant opportunity for U.S. exporters.

- [Computer Software](#)
- [Cosmetics and Toiletries](#)
- [Study in the USA](#)
- [Electronic Components](#)
- [Medical Equipment](#)
- [Pharmaceuticals](#)
- [Telecommunications Equipment](#)
- [Travel and Tourism](#)

Computer Software

Overview

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	2005	2006	2007
Total Market Size	150,774	166,489	175,813
Total Local Production	147,074	162,519	171,813
Total Exports	800	980	1023
Total Imports	4500	4950	5166
Imports from the U.S.	4050	4455	4650

Unit: millions of U.S. dollars

Source: unofficial CS Japan estimates

The average growth rate for Japan's total packaged software market is 4% but the growth rate varies among software categories. Security software, for example, is growing at 20% due to increased security awareness among businesses and implementation of the Japanese version of the Sarbanes-Oxley Act (J-SOX). Virtualization software is also surging at a 39.8% growth rate according to IDC.

Best Prospects/Services

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Security software and virtualization software.

Opportunities

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The demand for distinctive U.S. software, especially for security and virtualization software, is high. Game software consistently makes up approximately 50% of the total market, however, users are gradually shifting from packaged software to online games for home computers and mobile phones.

Tokyo Game Show 2008 (9/20-23, 2008)

<http://expo.nikkeibp.co.jp/tgs/2007/english/index.html>

There are three key elements to launching software products into the Japanese market: (1) localization – Japanese translation, testing, and customization are essential for all software products. Software suppliers should also consider Japanese business customs and culture to meet local client needs; (2) support capability – support in the Japanese language is a must; and (3) product quality – high quality control is one of the most important considerations for Japanese users.

Resources

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Computer Software Association of Japan (CSAJ): <http://www.csaj.jp/english/>

Japan Information Technology Services Association (JISA)

<http://www.jisa.or.jp/english/index.html>

CS Japan Contact: Rika Saito (Tokyo): Rika.Saito@mail.doc.gov

Cosmetics / Toiletries Market (COS)

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Overview

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(Millions of U.S.\$)	2004	2005	2006
Total Market Size	14,618	15,158	14,312
Total Local Production	13,845	14,420	13,718
Total Exports	710	747	828
Total Imports	1,483	1,485	1,422
Imports from the U.S.	375	355	312

(Note: Japan Cosmetics Industry Association, Cosmetics Importers Association of Japan)

In yen terms, the overall Japanese cosmetics market in 2006 was approximately 1,664.6 billion yen, compared to 1,669.1 billion yen in 2005. Because of the yen/US dollar exchange rate fluctuations, (116.34 yen/dollar in 2006 versus 110.12 yen/dollar in 2005), the market size decreased to US\$14,312 million in dollar terms. Japan's cosmetics imports increased in yen terms by 1.15% to 1,655.4 billion yen (US\$1,422 million).

Imports accounted for 9.9 percent of the domestic market in 2006, compared to 9.8 percent a year earlier. France and the United States remained the top suppliers; however, cosmetics imports from the two countries decreased to 55.3 percent of total cosmetics imports in 2006, from 56.5 percent in 2005 and 69.0 percent in 2004. China ranked a distant third (9.0 percent) after the United States (21.9 percent) in 2006.

Japanese cosmetics consumers are known to be highly brand and quality conscious. In addition, consumers in Japan are very particular about the design and finishing touches (quality) applied to packaging. Also, their needs and tastes may change with seasonal trends and fashion changes. Thus, in order to cultivate and attract consumers, new foreign brands may need to invest in developing brand awareness, as well as in user education. Some cosmetics importers suggest that they are not interested in taking a look at a new product or brand presented to them unless the product is sharp looking and has an attention getting “story” to tell (i.e., how the concept has been developed, famous people who use it, unique characteristics, etc.). This is because consumers do not just buy a cosmetics product, but they buy the total value—or total appeal—of the product. Well-known celebrity endorsements, not always, but often, may contribute to a successful launch, industry sources suggest.

Best Products/Services

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Japanese consumers' interest in beauty and health continues to be high. Personal presentation and use of skin/personal care products are also becoming more popular with Japanese men, ranging from teenagers to the Japanese baby boomer generation.

The products that can be best prospects are shown below:

Skin care cosmetics, such as anti-aging, skin lightening, and skin moisturizing cosmetics. Japanese consumers are traditionally more interested in skin care than make-up and fragrances. The skin care group accounts for the largest share, a striking contrast to western countries where the make-up preparations have the largest share.

Men's cosmetics including skin care items. No official data is available about the shipment of men's cosmetics; however, one research firm estimates that the retail sales of men's cosmetics accounts for only 4-5 percent of the total cosmetics sales in Japan or in the US\$1 billion range compared to total of cosmetics sales of US\$19-20 billion. Nevertheless, the Western concept of “metrosexual(ity)” has been catching public attention in Japan recently, triggered by the US's “metrosexual” phenomena in the cosmetics and apparel industries in 2003. Whether “metrosexual” or not, both the younger generation as well as business executives have begun to use more personal grooming products. Traditionally, men's skin care products meant mainly shampoos and hair conditioners and styling products. Today, men's cosmetics on the market include cleansing foam, toning lotion, moisturizing emulsion, skin revitalizer, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and so forth. Products targeted for the young generation such as in the 20-30's are expected to show moderate growth in the coming years.

Opportunities

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Event: The 65th Tokyo International Gift Show
Date: February 5-8, 2008

Venue: Tokyo International Exhibition Center
 URL: www.giftshow.co.jp/

Event: Japan Drugstore Show 2008
 Dates: February 29-March 2, 2008
 Venue: Makuhari Messe (Nippon Convention Center) International Hall
 URL: www.drugstoreshow2008.jp/english.html

Event: Beautyworld Japan
 Dates: May 19-21, 2008
 Venue: Tokyo International Exhibition Center
 URL: www.dietandbeauty.jp

Event: The 66th Tokyo International Gift Show
 Dates: September 2008
 Venue: Tokyo International Exhibition Center
 URL: www.giftshow.co.jp/

Event: Natural Products Expo Japan 2008
 Dates: September 24-26, 2008
 Venue: Tokyo International Exhibition Center
 URL: www.naturalproductsexpo.jp

Event: Beautyworld Japan West
 Dates: October 6-8, 2008
 Venue: Intex Osaka
 URL: www.mesago-messefrankfurt.com

Resources

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CS Japan Contacts: Chris Yoshiyuki Ono (Tokyo) Chris.Ono@mail.doc.gov

Japan Cosmetics Industry Association www.jcia.org
 Cosmetics Importers Association of Japan www.ciaj.gr.jp
 Japan Nailist Association www.nail.or.jp
 Personal Care Products Council (f/k/a Cosmetics,
 Toiletry and Fragrance Association or CTFA) www.personalcarecouncil.org

Study in the USA

Overview

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	2005/2006	2006/2007	2007/2008
Total Market Value*	925	878	n/a
Int'l students in U.S.**	564,776	582,984	n/a

Japanese students in U.S.**	38,712	35,282	35,000 (estimate)
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*Japanese student expenditures in the U.S. in millions of dollars

**Number of students

Source: Unofficial CS Japan estimates

In 2006/2007, a total of 582,984 international students studied in the United States, of which 35,282 were Japanese students. This was a drop of 8.9% from the previous year. However, the United States has been and still is the most popular destination for academic programs. In terms of the number of students studying in the United States, Japanese students ranked fourth after students from India, China and South Korea. International students contribute approximately USD 14.5 billion dollars to the U.S. economy through their expenditure on tuition and living expenses.

Sixty-three percent of Japanese in the United States are enrolled in undergraduate programs, and 20 percent are in graduate programs. This is in sharp contrast to Chinese and Indian students, of which only around 15 percent enroll in undergraduate programs. In addition to the 35,282 students noted above, tens of thousands of Japanese go to the United States for short-term language studies. Due to demographic trends in Japan, the number of college age individuals has been decreasing steadily.

Best Prospects/Services

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Interest in two-year colleges remains strong, especially for schools with lower TOEFL requirements. Graduate studies in the United States are also becoming more attractive to Japanese students. The recent launch of MBA programs by Japanese universities may affect Japanese interest in MBA programs abroad. With the post-World War II "baby boomers" retiring in 2007-2009, it is likely that a good number of new retirees will be interested in two-week to one-year study programs abroad.

Opportunities

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Event: U.S. University Fairs (IIE Fairs)
 Dates: October 19-20, 2008 (tentative)
 Web: www.iiehongkong.org/fairs.htm

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CS Japan Contact: Ms. Mieko Muto (Tokyo): Mieko.Muto@mail.doc.gov

Electronic Components

Overview

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	2005	2006	2007 (estimated)
Total Market Size	25,910	28,587	24,316
Total Local Production	39,498	40,966	41,212
Total Exports	34,062	35,655	39,934
Total Imports	20,474	23,276	23,038
Imports from the U.S.	3970	4672	3843

Unit: millions of U.S. dollars

Source: Japan Electronics and Information Technology Industries Association

Japan's electronic components market is the world's second largest and is a leading sector for U.S. export opportunities. The Japanese market continues to show potential from steady demand for digital home appliances, such as flat panel display TVs, DVD players & recorders, portable music players, game consoles and 3G & 3.5G cellular phones.

U.S. exporters should note that because offshore production by Japanese consumer electronic companies is growing rapidly, electronic component exports from Japan to those production centers (such as in China) are outpacing local production in terms of growth. As a result, the total market size appears to be decreasing. Japanese consumer electronics manufacturers' share of world production, however, remains high (Video Camcorders: 86%, Car Audio & Navigation Systems: 59%, TVs: 39%, according to JEITA) and, therefore, Japan should still be considered a very important market for U.S. suppliers.

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Semiconductors and embedded software for digital home appliances, electronic devices for next generation mobile broadband, such as WiMAX.

Opportunities

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Event: CEATEC 2008 (Digital Consumer Electronics and Telecommunications)
Date: September 30 - October 4, 2008
Venue: Makuhari Messe/ Nippon Convention Center
Organizers: Japan Electronics and Information Technology Industries Association;
Communications and Information Network Association of Japan;
Computer Software Association of Japan
Website: <http://www.ceatec.com>

Event: FPD International 2008
Date: October 29 - 31, 2008
Venue: Pacifico Yokohama
Organizers: Nikkei Business Publications
SEMI (Semiconductor Equipment and Materials International)
Website: <http://expo.nikkeibp.co.jp/fpd/index.html>

Event: Semicon Japan 2008
Date: December 3 - 5, 2008
Venue: Makuhari Messe/ Nippon Convention Center
Organizer: SEMI (Semiconductor Equipment and Materials International)
Website: <http://wps2a.semi.org/wps/portal>

Resources

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CS Japan Contact: Toshihiro Matsuda (Tokyo): Toshihiro.Matsuda@mail.doc.gov

The Japan Electronics and Information Technology Industries Association (JEITA)
<http://www.jeita.or.jp/english/index.htm>

Japan Electronic Product Importers Association (JEPIA)
<http://www.jepia.gr.jp/eindex.html>

Distributors Association of Foreign Semiconductors (DAFS): <http://www.dafs.or.jp/>

Medical Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	19,172	20,416	19,122
Total Local Production	14,277	15,261	15,379
Total Exports	4296	4595	4630
Total Imports	9191	9750	8373
Imports from the U.S.	5395	5850	5265

Unit: millions of U.S. dollars

Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW), for 2005. Figures for 2006 and 2007 are unofficial CS Japan estimates

Japan continues to be the most important export destination for U.S. medical devices, representing the second largest market in the world for these products, after the U.S. In 2006, the Japanese market for medical devices and materials was estimated to be just over USD 20 billion. Total imports accounted for approximately 48 percent of the market. U.S. products represented around a 60 percent share and accounted for 29 percent of Japan's total device market, valued at more than USD 5 billion.

While the market for U.S. medical equipment in Japan remains strong, the revision of the Pharmaceutical Affairs Law (PAL) in April 2005 and the Government of Japan's efforts to contain overall healthcare costs has created a challenging environment for U.S. firms. Japan will continue using the Foreign Average Price (FAP) Rule to narrow foreign price differentials. At the National Health Insurance (NHI) price revision, which will go into effect in April 2008, Japan will reduce reimbursement prices for new devices to 1.7 times the average price of devices in the United States, Britain, France, and Germany from the current 2.0. The Japanese Government is expected to continue focusing on reducing medical device prices in order to counterbalance increasing healthcare expenditures resulting from Japan's aging society.

On the positive side, Japan has been taking measures to reduce the "device lag" (lengthy approvals process). In 2006, Japan established a study group to consider faster approvals for medical devices and in-vitro diagnostics that are generally available in the United States and Europe but not yet in Japan. Also, since December 2003, Japan and the U.S. Food and Drug Administration have been working on "Harmonization by Doing (HBD)", an international effort to develop global clinical trials and address

regulatory barriers that may be impediments to timely device approvals. HBD is currently addressing global cardiovascular device trials in one of its working groups.

Japanese medical device importers continue to be extremely conservative when selecting new partners or devices to import due to regulatory issues such as the lengthy approvals process.

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Given Japan's aging population, with an increasing number of patients with chronic, life-style diseases (such as diabetes), medical devices to treat age related diseases should show steady growth in demand. Devices that show promise include equipment to assist biofunctions such as pacemakers, cardiac valve prosthesis and orthopedic implants. Due to a lack of local manufacturers in these areas, such products will continue to be promising for U.S. firms in the foreseeable future. Other areas of projected strong demand include advanced diagnostic imaging equipment such as high-end MRI, CT/PET, PET, and digital radiography. Favorable changes in the reimbursement system and political climate may spur new growth in advanced diagnostic imaging technologies. New leading edge medical devices will also have good market prospects.

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Event: International Modern Hospital Show 2007 (IMHS2007)
Dates: July 16-18, 2008
Venue: Tokyo Big Sight
Web: www.noma.or.jp/hs/index-e.html
Products: Healthcare equipment, medical devices and materials, nursing care-related devices and health care information systems.

Event: HOSPEX Japan 2008
Dates: November 12-14, 2008
Venue: Tokyo Big Sight
Web: <http://www.jma.or.jp/CONVENTION/en/>
Products: Hospital and welfare facilities, medical treatment equipment, medical information systems, and healthcare/welfare support equipment and related devices

Resources

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CS Japan Contact: Mr. Hiroyuki Hanawa (Tokyo): Hiroyuki.Hanawa@mail.doc.gov

Ministry of Health, Labor and Welfare (MHLW): www.mhlw.go.jp/

Pharmaceutical and Medical Device Agency: www.pmda.go.jp/

Advanced Medical Technology Association (AdvaMed): www.advamed.org/

Medical Devices and Diagnostics Subcommittee: www.accjmedtech.com/

Japan Federation of Medical Device Associations: www.jfmda.gr.jp/

Pharmaceuticals

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	2005	2006	2007 (estimated)
Total Market Size	69,794	66,589	64,759
Total Local Production	58,042	54,260	52,208
Total Exports	1135	1083	1061
Total Imports	12,887	13,412	13,612
Imports from the U.S.	1544	1874	1902

Unit: millions of U.S. dollars

Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW), for 2005. Figures for 2006 and 2007 are unofficial CS Japan estimates.

Japan continues to be the most important destination for U.S. pharmaceuticals, representing the second largest market in the world after the U.S. Japan's imports of foreign pharmaceuticals account for approximately 20 percent of the total market, yet the actual figure would be closer to 45 percent if local production by foreign firms and compounds licensed to Japanese manufacturers were included. Allowing for that, American pharmaceutical firms have actually achieved a market share approaching 20 percent according to a representative of the U.S. pharmaceutical industry.

The Government of Japan (GOJ) is proposing various measures to enhance the competitiveness of the Japanese pharmaceutical industry. In 2007, Japan set goals to reduce the period from drug development to approval by two and a half years (by 2011), improve the regulatory system by more than doubling the staff of drug reviewers (by 2010), promote drug clinical trials, and stimulate the development of vaccines. Also, in 2007, Japan extended the standard length of the reexamination period for new drugs from six years to eight years, which in turn extends the data protection period. Japan will continue taking measures such as raising premium rates to reward innovation.

While these are positive developments, Japan's efforts to contain overall healthcare costs, combined with its aging society, will continue to create a challenging environment for U.S. firms. In its FY 2008 National Health Insurance (NHI) drug price revision, Japan will expand the range of drugs to be re-priced following market expansion. Also, a proposal to double the frequency of price revisions from biennial to annual is still on the table.

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In 2007, the Ministry of Health, Labor and Welfare (MHLW) issued a policy paper titled "New Vision for the Pharmaceutical Industry". In the paper, MHLW cited anti-cancer drugs as one area that will have good growth prospects in the years ahead. Another area with growth potential is vaccines. Also in 2007, MHLW issued a policy paper titled "Vision for the Vaccine Industry." This paper recognizes the need for Japan to develop a system for vaccine R&D that promotes the development of new vaccines and recognizes the fact that disease prevention (through vaccination) can reduce the public's financial burden by limiting growth in national healthcare spending. The Japanese government will further promote the use of generic drugs to ease the cost burden on the healthcare system.

Opportunities

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Event: CPhI Japan 2008
Dates: April 9-11, 2008
Venue: Tokyo Big Sight
Web: www.cphijapan.com
Products: Active pharmaceutical ingredients, contract manufacturing, biotechnologies, additives, fine chemicals, and intermediates.

Event: INTERPHEX JAPAN
Dates: July 2-4, 2008
Venue: Tokyo Big Sight
Web: www.interphex.jp
Products: Raw materials, additives, materials processing machinery and equipment

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CS Japan Contact: Mr. Hiroyuki Hanawa (Tokyo): Hiroyuki.Hanawa@mail.doc.gov

Ministry of Health, Labor and Welfare (MHLW): www.mhlw.go.jp/

Pharmaceutical and Medical Device Agency: www.pmda.go.jp/

Pharmaceutical Research and Manufacturers of America: www.phrma-jp.org/

The Japan Pharmaceutical Manufacturers Association: www.jpma.or.jp/

Telecommunications Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	34,096	34,415	31,995
Total Local Production	34,200	33,681	31,244
Total Exports	4489	4474	4575
Total Imports	4385	5208	5326
Imports from the U.S.	481	532	544

Unit: millions of U.S. dollars

Sources: Communications and Information Network Association of Japan; unofficial CS Japan estimates

In 2006, competition among mobile carriers intensified due to the launch of Mobile Number Portability (MNP). This increase in procurement for handsets and base stations drove the market. For 2007, the total market size decreased given the maturity of the mobile phone market. The Next Generation Network (NGN) related market, however, is emerging.

The International Telecommunication Union (ITU) defines NGN as "a packet-based network able to provide services including telecommunication services and able to make use of multiple broadband and QoS-enabled transport technologies." The demand for optical access equipment and routers/LAN switches is expected to increase steadily from the development of NGN as well as from Fiber-to-the-Home (FTTH). Overall, an upward trend is expected as the telecom equipment industry moves forward from triple play networks (voice/internet/TV) to quarto play (triple play plus mobile) over the next five years.

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IP network related equipment, optic access equipment.

Opportunities

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Interop Tokyo, June 11 - 13, 2008
<http://www.interop.jp/english/index.html>

CEATEC Japan, September 30 - October 4, 2008
http://www.ceatec.com/2008_pre/en/index_en.html

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CS Japan Contact: Rika Saito (Tokyo): Rika.Saito@mail.doc.gov

Travel and Tourism

Overview

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	2005	2006	2007 (est)
Total Market Size	221,597	202,046	199,593
Total Outbound Market	45,409	37,830	38,224
U.S. Share of Outbound Market	16,524	14,592	14,154
Number of outbound travelers	17.4 million	17.5 million	17.3 million
Number of outbound travelers to the U.S.	3.88 million	3.67 million	3.56 million

Unit for market data: millions of U.S. dollars

Sources: U.S. Department of Commerce, Office of Travel and Tourism Industries, GOJ Ministry of Justice, Tourism Industry Association of Japan, JTB News Release, unofficial CS Japan estimates

Note: Japanese market size includes spending on day trips and overnight trips, and spending on travel guidebooks, travel insurance, passport fees and costs for photos.

For many years, Japan was the largest overseas travel and tourism market for the United States. However, immediately following the September 2001 terrorist attacks on the World Trade Center in New York, Japanese outbound travel dropped considerably, especially to the United States. A far greater drop occurred in 2003 because of

concerns raised by the SARS epidemic and the Gulf War. Since 2001, the recovery in Japanese outbound travelers to the United States has been slow compared to Japanese travel to other countries. Nevertheless, Japan is still the number one inbound market for the United States, in terms of receipts spending, followed by Canada and the United Kingdom.

The United States continues to be one of the most popular destinations for Japanese travelers, many of who are repeat visitors. Last year, over 70 percent of repeat travelers visited the U.S. mainland, 67 percent went to Hawaii and 49.6 percent visited Guam (including Saipan). Europe aggressively competes with the U.S. as a long-haul destination for Japanese tourists, especially for first-time travelers. Short-haul destinations, continue to be popular with Japanese tourists. For example, South Korea and China combined received more than 30 percent of all outbound Japanese travelers in 2006.

Although there are no significant indicators pointing to a sudden increase in the number of Japanese outbound travelers, the Japanese travel industry has high expectations that baby boomers, born between 1947 and 1949 (approximately 6.7 million people), will begin to travel overseas in their free time. Baby boomers will began retiring in 2007 and will continue through 2009. This generation grew up with strong influences from American music, film and TV. As a result, this generation, especially Japanese males, have a favorable impression of American lifestyle and culture. These baby boomers have time and money to spend on leisure travel, which is the best match for long-haul destinations like the United States.

For the market as a whole, package tours are still the most popular method of booking travel and account for 50.7 percent of all travel arrangements, whereas individually arranged travel accounts for 38.2 percent. However, individuals book 64.4 percent of all travel to the U.S. mainland, with package tours accounting for just 22.7 percent of that total. For Hawaii and Guam, package tours are still the major travel method, accounting for 66.9 percent of all Hawaii bookings and 72.5 percent for Guam (including Saipan).

While a majority of Japanese travelers still enjoy nature and scenery, shopping, gourmet food, history and culture, some travelers have a more specific purpose for their travel, such as attending sports events or visiting spas. In Japan, these individuals are called Special Interest Tourists, or SITs. The number of Japanese SIT travelers has been increasing over the past few years. The number of Free Independent Travelers (FITs) is also increasing and many of Japan's FIT travelers are also SIT travelers since most package tours do not satisfy SIT/FIT travelers' specific needs. Also, SIT/FIT travelers tend to prefer keeping itineraries open and unfixed for better flexibility to pursue their individual interests. For travel agencies, flexibility, special offers, and SIT/FIT packaging will be key to attracting this group of travelers.

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Themed packaged tours will attract both group and SIT/FIT travelers. The following are examples of themes that will appeal to Japanese travelers:

- Spa/relaxation/healing experience
- Spectator sports such as baseball and basketball
- Sports activities such as golfing, hiking, fishing, driving, and other outdoor sports

- Hobby tours such as quilting, photo taking, drawing, dancing, etc.
- Visits to film/drama locations/scenes with which Japanese are familiar
- Special event tours for meeting celebrities who are well-known in Japan
- Tours to see natural events such as auroras, colored leaves, etc.

Opportunities

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Event: JATA World Travel Fair 2008 - Discover America Pavilion
 Dates: September 19-21, 2008
 Venue: Tokyo Big Sight
 E-mail: m-sato@jata-wtf.com
 Web: www.jata-wtf.com/index.php?lang=en
 Products: All travel and tourism products (airlines, hotels, packages, etc.), destination information

Resources

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CS Japan Contact: Ms. Tamami Honda (Tokyo): tamami.honda@mail.doc.gov

Japan Visit USA Committee: www.japan-usa.co.jp

Travel Industry Association of America Japan Office: www.tia.org

Overseas Tour Operators Association of Japan: www.otoa.com/english/

Agricultural Sector

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The United States remained Japan's top supplier of farm products, with a 21 percent market share in 2007. However, China, Latin America, Australia and Thailand have grown as strong competitors for the United States. U.S. farm exports to Japan increased 15.8 % in CY 2007 to USD 11.6 billion, a 15% increase from CY 2006. The high international prices for coarse grains, soybeans, and wheat along with the reintroduction of U.S. beef into the Japanese market accounted for most of this increase. At 39%, the Japanese food self-sufficiency rate is the lowest of all industrialized countries, compared to the U.S. rate of 126%. The Japanese also spend a very high percentage of their income on food (almost 26% compared to 13% in the United States). In 2006, the value of Japan's consumer food and beverage market was USD 557 billion. For complete agricultural statistics, please visit the web site of the U.S. Department of Agriculture's Foreign Agricultural Service at www.fas.usda.gov/ustrade.

Opportunities exist for a range of agricultural products, in particular, processed and consumer ready food products. For U.S. companies to tap into this dynamic market, they should be aware of several key factors affecting food purchase trends. These factors are a rapidly aging population, diversification of eating habits, emphasis on high quality, increasing demand for convenience, and food safety concerns. Exporters interested in the Japanese market should make note that three of the biggest annual food related trade shows in Japan and all of Asia are: Foodex Japan, International Food Ingredients & Additives Exhibition and Conference (IFIA) Japan, and Health Ingredients (HI) Japan.

Japan's population is aging faster than any other country in the world. According to Japan's National Institute of Population and Social Security Research, by 2010 23 percent of the population will be over 65 years of age. Coupled with the fact that Japanese life expectancy is the highest in the world, there is a strong demand for "healthy foods." Such concepts as "functional foods" are well understood, and many products certified by the Ministry of Health, Labor and Welfare as FOSHU (Food for Specific Health Use) are commonly consumed. Food products that are seen to have some health benefit, for example lowering cholesterol or containing a high level of antioxidants, have an advantage in Japan.

Since the 1960's, the Japanese diet has become dramatically westernized. Rice and tofu-based products have been replaced by meat and dairy as the main source of protein. For example, per capita protein consumption of rice fell from 32% in 1960 to 12% in 2005 while per capita protein consumption of meat went from 5% in 1960 to 17% in 2005. Per capita protein consumption for dairy products also increased from 3% in 1960 to 10% in 2005.

In addition to the popularity of western food, food trends have recently become more complex. Various ethnic foods are also becoming popular and are often combined with Japanese cuisine creating "fusion" foods. Another aspect of diversification is the trend of "individual eating", or convenience foods. Because of the busy, fast paced lifestyle of modern Japanese, it has become less common for all family members to eat together. "Individualization" of eating makes convenience an essential factor. Microwave (or semi- prepared) food and Home Meal Replacement (HMR) cuisine has become an indispensable part of life and are sold in supermarkets, restaurants and convenience stores such as 7-Eleven and Lawson's that are now found all over Japanese cities.

Economic stagnation and declining income have made people more price-conscious than in the past, however quality continues to be the most crucial factor in food purchasing decisions. Food safety has also become an important consideration for most Japanese consumers, who are more sensitive to perceived risk than the average American consumer.

The retail sector remains the focus of U.S. investment in Japan's food industry. Wal-Mart now owns 54% of Seiyu, which is the third largest Japanese supermarket in terms of food sales. U.S. investment in Japan's agricultural sector is limited to a few large-scale ventures in the livestock and grain sectors.

Web Resources

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Statistics on U.S. agricultural exports: www.fas.usda.gov/ustrade
USDA/FAS reports: www.fas.usda.gov/scripts/attacherep/default.asp
U.S. food-related info: www.myfood.jp
Japanese Ministry of Agriculture, Forestry, and Fisheries: www.maff.go.jp/eindex.html
Japanese Ministry of Health, Labor, and Welfare: www.mhlw.go.jp/english/index.html

Trade Shows:

Foodex Japan:
www.imexmgt.com/index.cfm?fuseaction=calendar.factsheet&showid=189

IFIA Japan 2008: www.ejkrause.com/ifiajapan/

Health Ingredients Japan: www.hijapan.info/en/

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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On average, the applied tariff rate in Japan is one of the lowest in the world. In addition, import duties on many agricultural items continue to decrease, and tariffs in many major sectors, such as autos and auto parts, software, computers, and industrial machinery are zero. However, certain products including leather goods, certain processed foods and some manufactured goods have relatively high tariff rates. While Japan's import tariffs are generally low overall, the nation's average agricultural import tariff (roughly 17%) is among the world's highest for industrialized countries. By comparison, the average agricultural import tariff is 9.7 percent in the United States and 16.3 percent in the European Union. Japan's harmonized tariff schedule is available through the website of Japan Customs (<http://www.customs.go.jp/english/index.htm>) or through the APEC Tariff Database: www.apectariff.org/.

The Customs and Tariff Bureau of Japan's Ministry of Finance administers tariffs. As a member of the Harmonized System Convention, Japan shares the same trade classification system as the United States (limited to six-digit code). Japan's tariff schedule has four columns of applicable rates: general, WTO, preferential, and temporary. Goods from the United States are charged WTO rates unless a lesser "temporary" rate exists. Japan's preferential system of tariffs grants lower or duty-free rates to products imported from developing countries.

A simplified tariff system for low-value imported freight valued at less than 100,000 yen, such as small packages for personal imports, simplifies determination of tariff rates. This system also eliminates the extra time necessary to classify the product and its precise value, and thereby minimizes customs brokers' handling charges. Importers can choose either the normal rate or the simple tariff, which could be higher or lower. Japan Customs can provide advance rulings on tariff classification and duty rates. A summary of Japan's customs procedures, including its customs valuation system, import procedures, temporary admission procedures, refunds and duty drawback payments, as well as relevant customs forms can be found on the Japan Customs website noted above. (See also [Customs Contact Information](#).)

While tariffs are generally low, Japan does have non-tariff barriers that impede or delay the importation of foreign products into Japan. Although competition, U.S. and other foreign government pressure, as well as other factors have lessened the impact of these impediments, U.S. companies may still encounter non-tariff barriers such as the following:

- standards unique to Japan (formal, informal, *de facto*, or otherwise);
- a requirement for companies to demonstrate prior experience in Japan, effectively shutting out new entrants in the market;
- official regulations that favor domestically-produced products and discriminate against foreign products;
- licensing powers in the hands of industry associations with limited membership, strong market influence, and the ability to control information and operate without oversight;
- cross stock holding and interconnection of business interests among Japanese companies that disadvantages suppliers outside the business group;
- cartels (both formal and informal) and;
- the cultural importance of personal relationships in Japan and the reluctance to break or modify business relationships.

The tools available to overcome these non-tariff barriers depend on the industry, the product or service's competitiveness, and the creativity and determination of the firm's management. In addition, it is important to note that these non-tariff barriers exist in a highly competitive market — Japan is a large and sophisticated market, and the competition can be fierce. A fair number of companies have benefited or failed simply as a result of timing and general economic conditions.

Import Requirements and Documentation

Japan assesses tariff duties on the CIF value at *ad valorem* or specific rates, and in a few cases, charges a combination of both. Japan's Ministry of Finance maintains a website at <http://www.customs.go.jp/english/index.htm> that describes import clearance and customs procedures, and provides contact information and other detailed information in English. (See also [Customs Contact Information](#).)

Japanese customs regulations can be cumbersome, difficult to understand, and duplicative, but they are largely mechanical. Nearly all customs difficulties result from first time applications. Japanese customs officials are generally helpful when it comes to explaining procedures and regulations, and once these are understood and followed, difficulties are usually minimal. It may be necessary to employ an import agent or customs broker to help facilitate customs entry. See Chapter 3 for *Using an Agent or Distributor* for more information.

Japan prohibits the importation of certain items including narcotics, firearms, explosives, counterfeit currency, pornography, and products that violate intellectual property laws. In addition, Japan imposes restrictions on the sale or use of certain products including those related to health such as medical products, pharmaceuticals, agricultural products, and chemicals. For these products, Japanese Customs reviews and evaluates the product for import suitability before shipment to Japan. See the section below for additional information on prohibited and restricted imports.

Certain items may require a Japanese import license. These include hazardous materials, animals, plants, perishables, and in some cases articles of high value. Import quota items also require an import license, usually valid for four months from the date of issuance. Other necessary documents for U.S. Exporters may include an Import Declaration Form (Customs Form C-5020) and a certificate of origin if the goods are entitled to favorable duty treatment determined by preferential or WTO rates. In practice, shipments from the United States are routinely assessed using WTO or "temporary" rates without a certificate of origin. Any additional documents necessary as proof of compliance with relevant Japanese laws, standards, and regulations at the time of import may also apply.

Documents required for customs clearance in Japan include standard shipping documents such as a commercial invoice, packing list, and an original and signed bill of lading, or, if shipped by air, an air waybill. Air shipments of values greater than ¥100,000 must also include a commercial invoice. The commercial invoice should be as descriptive as possible on each item in the shipment. The packing list should include the exact contents of each container, the gross and net weights of each package, and all container measurements using metric sizes.

U.S. Export Controls

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As an active member of the Wassenaar Arrangement as well as various other international export control regimes, Japan has the benefit of the least restrictive treatment under U.S. export control law. In response to the threat from global terrorism, the Japanese government has implemented "catch-all" controls to prevent Japanese firms from exporting goods and technologies that could be related to the development of weapons of mass destruction. In APEC, Japan has a leading role in regional export control with its Asian trading partners. At the same time, however, Japanese firms are engaged in business activities with countries against which the United States currently has embargoes. As such, U.S. exporters are encouraged to conduct thorough research and background checks pertaining to any potential sale of controlled or sensitive items, in particular for transactions that may involve possible transshipment or re-export through Japan.

For the latest in U.S. export and re-export control regulations, contact the Department of Commerce Bureau of Industry and Security (BIS) at www.bis.doc.gov/.

For the latest in defense trade controls information, contact the Department of State Directorate of Defense Trade Controls at www.pmdtc.state.gov/.

For current U.S. embargo information, contact the Department of Treasury Office of Foreign Assets Control at www.treas.gov/offices/enforcement/ofac/.

Temporary Entry

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Japan is a member of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials under the ATA Carnet System. Use of a *carnet* allows goods such as commercial and exhibition samples, professional equipment, musical instruments, and television cameras to be carried or sent temporarily into a foreign country without paying duties or posting bonds. A *carnet* should be arranged in advance by contacting a local office of the United States Council for International Business (www.uscib.org/) or its New York office by phone (212-354-4480) or by e-mail (info@uscib.org).

Advertising materials, including brochures, films, and photographs, may enter Japan duty free. Articles intended for display - but not for sale - at trade fairs and similar events are also permitted to enter duty free but only when the fair or event is held at a bonded exhibition site. After the event, these bonded articles must be re-exported or stored at a bonded facility. A commercial invoice for these goods should be marked “no commercial value, customs purposes only” and “these goods are for exhibition and are to be returned after conclusion of the exhibition.” It is also important to identify the trade show or exhibition site, including exhibition booth number (if known), on shipping documents.

Labeling and Marking Requirements

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Correct packing, marking, and labeling are critical to smooth customs clearance in Japan. Straw packing materials are prohibited. As noted above, the Japanese Measurement Law requires that all imported products and shipping documents show metric weights and measures. For most products there is no requirement for country of origin labeling, though some categories such as beverages and foods do require such labeling. If labels indicating origin are later determined to be false or misleading, the labels must be removed or corrected. False or misleading labels which display the names of countries, regions or flags other than the country of origin, and/or names of manufacturers or designers outside the country of origin are not permissible.

Japanese law requires labels for products in four categories: textiles, electrical appliances and apparatus, plastic products and miscellaneous household and consumer goods. Because the relevant regulations apply specifically to individual products, it's important for U.S. exporters to work with a prospective agent or importer to ensure the exporter's product meets applicable requirements. Generally, most labeling laws are not required at the customs clearance stage, but at the point of sale. Consequently, it is most common for Japanese importers to affix a label before or after clearing customs.

Prohibited and Restricted Imports

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Japan strictly prohibits entry of narcotics and related utensils, firearms, firearm parts and ammunition, explosives and gunpowder, counterfeit goods or imitation coins or currency, obscene materials, or goods that violate intellectual property rights. Restricted items include but are not limited to certain agricultural and meat products, endangered species and products such as ivory, animal parts and fur whose international trade is banned by international treaty. For more information on prohibited goods, see Japan Customs: <http://www.customs.go.jp/english/summary/prohibit.htm>

In addition, Japan imposes restrictions on the sale or use of certain products including those related to health such as medical products, pharmaceuticals, agricultural products and chemicals. For these products, Japanese Customs reviews and evaluates the product for import suitability before shipment to Japan. The use of certain chemicals and other additives in foods and cosmetics is severely regulated and follow a “positive list” approach.

Regarding importation of products for personal use, Japan restricts more than two months’ supply of medicines or more than 24 units of similar cosmetic products.

For more information on prohibited and restricted imports visit the Q&A section on the Japan Customs web site: <http://www.customs.go.jp/english/index.htm>

Customs Regulations and Contact Information

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Japan Customs: <http://www.customs.go.jp/english/index.htm>

For Inquiries on Japan’s Customs Procedures: http://www.customs.go.jp/question_e.htm

Customs Counselors System in Japan, Tokyo Headquarters

Phone: +81/3/3529-0700

http://www.customs.go.jp/zeikan/seido/telephone_e.htm

Japan Tariff Association

Komine Bldg.3fl., 3-11-11, Nihonbashi-honcho, Chuo-ku, Tokyo 103-0023

Phone: + 81/3/5614-8871; fax: + 81/3/5614-8873

<http://www.kanzei.or.jp/english/>

Standards

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Overview

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Many domestic and imported products alike are subject to product testing and cannot be sold in Japan without certification of compliance with prescribed standards. Knowledge of, and adherence to, these standards and their testing procedures can be the key to making or breaking a sale.

Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Compliance with regulations and standards is also governed by a certification system in which inspection

results determine whether or not approval (certification/quality mark) is granted. Approval is generally required to sell a product or even display it at a trade show; unapproved medical equipment may be displayed if accompanied by a sign indicating that the product is not yet approved for sale. To affix a mandatory quality mark or a voluntary quality mark requires prior product type approval and possibly factory inspections for quality control assessment. Regulated products must bear the appropriate mandatory mark when shipped to Japan in order to clear Japanese Customs. Regulations may apply not only to the product itself, but also to packaging, marking or labeling requirements, testing, transportation and storage, and installation. Compliance with "voluntary" standards and obtaining "voluntary" marks of approval can greatly enhance a product's sales potential and help win Japanese consumer acceptance.

There are two ongoing trends in Japan regarding standards. One is a move toward reform of such standards, and the other is a move toward harmonizing them with prevailing international standards. While reform is underway, a long list of laws containing mandatory standards remain on the books and most have not been translated into English. Therefore, it is important that a Japanese agent or partner be fully aware of the wide variety of legislation that could affect the sale of the exported product in Japan. Major laws stipulating standards that apply to products in Japan include the following:

- Electrical Appliance and Material Control Law
- Consumer Product Safety Law
- Gas Utility Industry Law
- Food Sanitation Law
- Pharmaceutical Affairs Law
- Road Vehicles Law
- Building Standards Law

Standards Organizations

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The Japan Industrial Standards Committee (JISC) plays a central role in standards activities in Japan (www.jisc.go.jp/eng/index.html). Its mission consists of four elements: 1) establishment and maintenance of Japan Industrial Standards (JIS); 2) administration of accreditation and certification; 3) participation in international standards activities, and 4) development of measurement standards and technical infrastructure for standardization. JISC publishes plans each month for the preparation of new and revised JIS drafts on its website at www.jisc.go.jp/eng/jis-act/drafts-preparation.html.

Existing JIS standards are reviewed and revised every 5 years. Once a new or revised draft JIS standard has been prepared, JISC posts these draft standards for a sixty-day public comment period. The JISC website also provides information regarding how foreign entities may participate in the JIS drafting process. A list of newly published JIS standards can be found on the website of the Japan Standards Association: http://www.jsa.or.jp/default_english.asp

The "voluntary" JIS mark, administered by the Ministry of Economy, Trade and Industry (METI), applies to nearly 600 different industrial products and consists of over 8,500 standards. Adherence to JIS is also an important determinant for companies competing on bids in the Japanese government procurement process. Products that comply with these standards will be given preferential treatment in procurement decisions under

Japan's Industrial Standardization Law. JIS covers industrial and mineral products with the exception of 1) medicines, 2) agricultural chemicals, 3) chemical fertilizers, 4) silk yarn, and 5) foodstuffs, agricultural and forest products designated under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products.

With the revision of the Industrial Standardization Law in October 2005, the Japanese Industrial Standards (JIS) was renewed and a new scheme will be fully implemented by September 2008. Under the new JIS mark scheme, product certification bodies accredited by the METI conduct a series of tests to verify compliance of products with JIS and audit the quality management system of facilities at which the products are manufactured. Any products manufactured a factory that successfully passes such an audit will be authorized to affix the JIS mark.

The Japan Agricultural Standards (JAS) mark is another "voluntary" but widely used product quality and labeling mark. JAS applies to beverages, processed foods, forest products, agricultural commodities, livestock products, oils and fats, products of the fishing industry, and processed goods made from agricultural, forestry, and fishing industry raw materials. Specific JAS marks exist for various types of plywood, paneling, flooring boards, lumber, and timber. The JAS marking system is administered by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF). Japan's Ministry of Health, Labor and Welfare (MHLW) administers separate mandatory standards for quality labeling of processed foods and beverages.

National Institute of Standards and Technology "Notify U.S. Service:" Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet: <http://www.nist.gov/notifyus/>

Conformity Assessment

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The Japan Accreditation System for Product Certification Bodies of JIS Mark (JASC) is an accreditation program defined by the Japanese Industrial Standards (JIS) Law, and operated by the JASC office in METI. JASC accredits product certification bodies in the private sector and allows them to certify companies so that they may place the JIS Mark on their products. A list of Japanese and foreign organizations accredited by JASC as "JIS mark" certification bodies is available on the JISC website at <http://www.jisc.go.jp/eng/jis-mark/acc-insp-body.html>. This list provides contact information as well as the JIS field of certification for these testing organizations.

The two major non-governmental accreditation bodies in Japan are the Incorporated Administrative Agency (IAJapan—within the quasi-governmental National Institute of Technology and Evaluation) and the Japan Accreditation Board for Conformity Assessment (JAB). IAJapan operates several accreditation programs including the Japan National Laboratory Accreditation System (JNLA) and the Japan Calibration Service System (JCSS). IAJapan's website (www.nite.go.jp/asse/iajapan/en/index.html) provides lists of laboratories accredited under its programs, and laboratories accredited by JAB can be found at <http://www.jab.or.jp/english/index.html>.

A limited number of testing laboratories in the United States not listed on the websites noted above have also been designated by various Japanese government agencies to test and approve U.S. products for compliance with Japanese mandatory certification systems and laws. Products not covered by these arrangements must be tested and approved by Japanese testing labs before these products can be sold in Japan.

Conformity assessment bodies recognized by Japan for electrical appliances can be viewed on the METI website:

<http://www.meti.go.jp/english/policy/denan/procedure/07.htm>.

For additional information on third-party conformity assessment for electrical products in Japan, visit: <http://www.meti.go.jp/english/policy/denan/procedure/index.htm>

The Japan External Trade Organization (JETRO) has additional information on product specific standards and regulations: <http://www.jetro.go.jp/en/market/regulations/>

Product Certification

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Accreditation

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Publication of Technical Regulations

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Each Japanese ministry posts draft regulations for public comment on their respective websites. These draft regulations can also be found in a consolidated list, available in Japanese on the e-Gov web portal (search.e-gov.go.jp/servlet/Public). The website was designed to help facilitate public participation in Japan's regulatory process by improving the public's ability to find, view, and comment on regulatory actions.

It should be noted that although U.S. entities may submit comments on draft regulations, the amount of time given for submissions varies widely and all comments must be submitted in Japanese. To assist U.S. entities that wish to participate in the Japanese regulatory process, Commercial Service staff at the U.S. Embassy in Tokyo prepare a weekly summary translation in English of selected public comment announcements by Japanese government agencies. This translation is available at <http://www.buyusa.gov/japan/en/mac.html>

Finalized technical regulations and standards are published in Japan's national gazette known as the *Kanpō* (kanpou.npb.go.jp/, Japanese only).

Labeling and Marking

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As noted above, Japanese laws requiring product certification and labeling are numerous. A good reference for information on these requirements is JETRO's Handbook for Industrial Product Import Regulations available at: www.jetro.go.jp/en/market/regulations/pdf/industrial-e.pdf

Standards Contacts

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Japan's National Gazette (*Kanpō*): kanpou.npb.go.jp/

Japanese Draft Regulations: search.e-gov.go.jp/servlet/Public

Japan Accreditation Board for Conformity Assessment:
www.jab.or.jp/english/index.html.

Japan Industrial Standards Committee: www.jisc.go.jp/eng/index.html

Japan Standards Association: www.jsa.or.jp/default_english.asp

National Institute of Technology and Evaluation; Incorporated Administrative Agency:
www.nite.go.jp/asse/iajapan/en/index.html

U.S. Department of Commerce, Office of Market Access and Compliance:
www.buyusa.gov/japan/en/mac.html

U.S. National Institute of Standards and Technology: www.nist.gov/notifyus/

Conformity Assessment Bodies: www.meti.go.jp/english/policy/denan/procedure/07.htm.

Third-party Conformity Assessment for Electrical Products in Japan:
www.meti.go.jp/english/policy/denan/procedure/index.htm

Japan External Trade Organization, Industrial Product Import Regulations:
www.jetro.go.jp/en/market/regulations/pdf/industrial-e.pdf

Trade Agreements

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As of October 2007, Japan has entered into economic partnership agreements (EPAs) with Singapore, Mexico, Malaysia, Chile and Thailand. Given the favorable effect on trade and economic growth in both countries, Singapore and Japan renewed an amended agreement of the EPA in November 2007.

Japan reached agreements in principle for EPAs with the Philippines in September 2006, with Brunei in June 2007 and with Indonesia in August 2007. Japan is currently negotiating EPAs with India, Vietnam, Australia, Switzerland and the Gulf Cooperation Council (GCC-Bahrain, Oman, Qatar, Saudi Arabia, United Arab Emirates and Kuwait). In October 2007, Japan concluded the 10th round of negotiations with the Association of Southeast Asian Nations (ASEAN). Negotiations with the Republic of Korea have been stalled since November 2004.

Japan is a member of APEC, which has established the goal of an APEC-wide free trade and investment area for developed economy members by 2010, and for all APEC member economies by 2020.

Web Resources

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Japanese import clearance and customs procedures:

Japanese Customs:

Japanese Ministry of Finance
www.mof.go.jp/english/tariff/tariff.htm

Customs Counselors System in Japan
www.customs.go.jp/zeikan/seido/telephone_e.htm

Japan Tariff Association
www.kanzei.or.jp/english/

APEC Tariff Database
www.apectariff.org/

U.S. export control procedures:

U.S. Department of Commerce
Bureau of Industry and Security (BIS)
www.bis.doc.gov/

(for defense-related articles)
U.S. Department of State
Office of Defense Trade Controls
www.pmdtcc.state.gov/

(for current U.S. embargo information)
U.S. Department of the Treasury
Office of Foreign Assets Control
www.treas.gov/offices/enforcement/ofac/

Obtaining a temporary-entry *carnet*:

United States Council for International Business
Local Offices — www.uscib.org/
N.Y. Office — info@uscib.org
www.atacarnet.com/

Standards (key organizations; see also “Standards Contacts” above):

Japan Industrial Standards Committee (JISC)
www.jisc.go.jp/eng/index.html

International Accreditation Japan (IAJapan)
www.nite.go.jp/asse/iajapan/en/index.html

Japan Accreditation Board for Conformity Assessment (JAB)
www.jab.or.jp/english/index.html

Japanese government regulations:

(for public comment updates)
U.S. Commercial Service
American Embassy Tokyo
www.buyusa.gov/japan/en/mac.html

(for finalized technical regulations and standards)
Japan National Gazette (*Kanpō*)
kanpou.npb.go.jp/ (Japanese only)

Labeling and marking requirements:

Japan External Trade Organization (JETRO)
www.jetro.go.jp/en/market/regulations/index.html

Chapter 6: Investment Climate

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Openness to Foreign Investment

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Japan is the world's second largest economy, the United States' fourth largest trading partner, and an important destination for U.S. foreign direct investment (FDI). The Government of Japan (GOJ) recognizes the value of FDI in enhancing Japan's competitiveness and boosting economic growth. Since 2001, increasing the country's stock of FDI has been one of the government's policy priorities and Japan's stock of FDI, as a percentage of GDP, has grown from less than one percent in 2001 to 2.5 percent today. In June 2006, the GOJ announced it aimed to increase further the nation's stock of FDI to the equivalent of five percent of GDP by the end of 2010.

The Ministry of Economy Trade and Industry (METI) and the quasi-governmental Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting foreign firms wishing to invest in Japan. Many prefectural and city governments also have active programs to attract foreign investors.

Risks associated with investment in many other countries, such as expropriation and nationalization, are not of concern in Japan. The GOJ does not impose export balancing requirements or other trade-related FDI measures on firms seeking to invest in Japan.

Japan's economy is in the midst of its longest period of uninterrupted economic growth since World War II, coming after more than a decade of low or negative economic growth and bouts of deflation that resulted from the country's financial crisis of the 1990's. Corporate profits are strong, particularly in Japan's world-class manufacturing sector. Unemployment is down. Growth in consumption continues to lag, however, as

wage growth remains modest. Domestically focused firms have not done as well as those dealing internationally.

In recent years, significant structural reforms created new opportunities for FDI. The reforms and the improving economy have led to increased merger and acquisition (M&A) activity. According to Recof, a Tokyo-based M&A consultancy, M&A transactions in Japan in 2007 totaled 2,696. This figure was the third highest ever, even if it was down 2.8 percent from the previous year. The vast majority of these mergers were domestic transactions, but 308 deals involved foreign buyers, up 72 percent over the year before. In 2007, the number of takeover bids (TOB) in Japan exceeded 100 for the first time.

Foreign investors wishing to establish or enhance their presence in Japan still face a number of unique challenges, many of which relate to business practices, rather than government regulations. The most notable are:

- Japan's high overall cost structure makes entry, exit, and expansion expensive
- Cultural and linguistic challenges
- Labor practices that inhibit labor mobility, suppress productivity, and negatively affect skill development
- A consensual business culture resistant to hostile M&A and preferring transactions that preserve the independence of target firms
- Weak corporate governance and a lack of independent directors on most company boards
- Cross-shareholding networks between related or friendly companies, in which shares are held for non-economic reasons resulting in a minimal float of available common stock relative to total capital in many companies
- Exclusive supplier networks and alliances between business groups that can restrict competition from foreign firms and domestic newcomers

The U.S. and Japanese Governments discuss all these issues in working groups under the Regulatory Reform and the Investment Initiative, established in 2001 as part of the U.S.-Japan Economic Partnership for Growth. Progress has been made in some areas.

Despite the increase in FDI since the mid-1990s, however, Japan continues to have the lowest foreign direct investment as a proportion of GDP ration of any major OECD member. According to the 2007 United Nations Conference on Trade and Development (UNCTAD) World Investment Report, FDI stock in Japan at the end of 2006 was USD 107.6 billion, or 2.5 percent of GDP. This figure compares to 13.5 percent in the United States, 47.8 percent in the United Kingdom, 17.4 percent in Germany, and 32.6 percent in Australia. According to UNCTAD, FDI inflows to Japan in 2006 turned negative (meaning a net outflow of foreign investment) for the first time since 1989, largely due to the USD 15.5 billion sale of the Japanese cellular telephone subsidiary of UK company Vodafone to local firm Softbank in March 2006. Preliminary data for 2007 show a resumption of net inflows. On a yen basis, FDI stock in Japan continued to rise in 2006 reaching 12.8 trillion yen by year-end.

Meanwhile, Japan runs a significant imbalance between inward and outward FDI (see Table 1b). Japan's outward foreign direct investment in 2006 rose 10 percent to USD 50.2 billion, from USD 45.8 billion in 2005.

Legal Reform Facilitates M&A Activity

In recent years, the GOJ moved to address investment-related problems. Reforms in the financial, communications, and distribution sectors encouraged foreign investment into these industries. The new Company Law, an amended bankruptcy law, and the Financial Instruments and Exchange Law increased Japan's attractiveness as a destination for FDI.

The most significant FDI-related legislation in recent years has been the substantial revision of Japan's Company Law. The law entered into force May 1, 2006 (except for provisions governing the use of foreign stock as consideration in cross-border M&A, a procedure known as a "triangular merger," which came into effect May 1, 2007.) The law significantly revised the corporate structures available in Japan and expanded the types of M&A transactions available for corporate consolidation and restructuring.

Anticipating the entry into force of the above-mentioned triangular merger provisions, the GOJ revised Japan's tax regulations to allow tax deferral of capital gains related to these transactions, provided certain conditions regarding business relevance and business viability of the acquiring Japanese subsidiary are met in advance. The U.S. Government expressed concern that the proposed tax criteria may be too strict to facilitate significant new investment flows into Japan. As of December 2007, one major foreign investor had used the triangular merger provisions to complete an acquisition of a Japanese firm.

The Financial Instruments and Exchange Law may affect potential investment in the financial, insurance, and real estate sectors. The law establishes a more flexible regulatory system for financial markets and applies a uniform set of rules for similar financial instruments. At the same time, the law allows brokers and financial advisors to treat investors differently, depending on whether they are deemed "professional" investors (assumed to be capable of more sophisticated investment strategies and requiring less protection and disclosure) or "general", i.e., retail investors. Brokerage firms must provide the latter with detailed disclosure of risks related to different types of financial products at the time of offering. Brokers and legal experts are concerned the law will raise the cost of marketing financial products to retail investors and affect the structures currently used for portfolio real estate investment in Japan.

Limited Sector-specific Investment Restrictions Remain

Japan has gradually eliminated most formal restrictions governing FDI and U.S. investment has become increasingly common in once restricted sectors, most notably, the financial and telecommunications industries.

One important restriction in the law limits foreign ownership in Japan's former landline monopoly operator, Nippon Telegraph and Telephone (NTT), to 33 percent. Japan's Radio and Broadcasting Law limits foreign investment in broadcasters to 20 percent, or 33 percent for broadcasters categorized as facility supplying. Foreign ownership of Japanese companies invested in terrestrial broadcasters will be counted against these limits. These limits do not apply to communication satellite facility owners, program suppliers, or cable television operators.

The Foreign Exchange and Foreign Trade Control Law governs investment in sectors deemed to have national sovereignty or national security implications. In most cases,

foreign investors are only required to report transactions to the Bank of Japan within 15 days of acquiring more than 10 percent of the shares in a publicly listed company or any shares of a closely held company. However, if a foreign investor wants to acquire more than 10 percent of shares of a company in certain designated sectors it must provide prior notification (and thus obtain specific approval) of the intended transaction to the Ministry of Finance and the specific ministry that regulates that industry. Designated sectors include agriculture, aerospace, forestry, petroleum, electrical/gas/water utilities, telecommunications, and leather manufacturing. In practice, however, the GOJ has denied few proposed investments. In July 2007, the GOJ announced regulatory revisions to the law that expand the prior notification requirement to proposed investment in holding companies with subsidiaries operating in the restricted sectors and to investors "operating jointly" whose combined holdings exceed the 10 percent threshold.

Several sections of the Japanese Anti-Monopoly Law (AML) are relevant to FDI. Chapter Four of the AML includes extensive anti-trust provisions pertaining to international contract notification (section 6), shareholdings (sections 10 and 14), interlocking corporate directorates (section 13), mergers (section 15), and acquisitions (section 16). The stated purpose of these provisions is to restrict shareholding, management, joint venture, and M&A activities that may constitute unreasonable restraints on competition or involve unfair trade practices. The GOJ has emphasized these provisions are not intended to discriminate against foreign companies or discourage FDI.

Limitations on Facility Development and Availability of Investment Real Estate

Japanese law permits marketing of real estate investment trusts (REITs) and mutual funds that invest in property rights. As of December 2007, there are 42 REITs listed on the Tokyo Stock Exchange (TSE). Currently, TSE-listed REITs may only invest in domestic real estate, but press reports indicate the GOJ is considering legal revisions to allow REITs to invest in overseas assets beginning April 2008.

Aiming to increase the liquidity of Japanese real estate markets, the government in recent years has progressively lowered capital gains, registration, and license taxes on real estate. It also reduced inheritance and gift taxes to promote intergenerational transfer of land and other real assets. More changes in tax policy and accounting standards could increase real estate liquidity, but the market remains hampered by a shortage of legal and accounting professionals and by a relative lack of information on prices and income flows. Corporate legal experts have predicted a significant impact on the most commonly used structures for commercial real estate investment as a result of the new Foreign Instruments and Exchange Law.

For thirteen consecutive years, from 1992 to 2005, the nationwide average price of real estate fell. But prices in Japan's major urban areas have now leveled off and, in some cases, have begun to rise. Potential foreign investors find high prices for commercial office space can be an obstacle to investment in Japan. However, significant new commercial development planned or under construction in Tokyo, Osaka, and Nagoya, much of it luxury-class, may eventually ease prices somewhat, especially for second-tier office space. Investment funds housed in the U.S. are active in the Japanese real estate market, often in partnership with Japanese developers.

Japan continues to restrict development of retail and commercial facilities in some areas to prevent excessive concentration of development in the environs of Tokyo, Osaka, and Nagoya, and also to preserve agricultural land. Conversely, many prefectural governments outside the largest urban areas make available property for development in public industrial parks. Japan's zoning laws give local officials and residents considerable discretion to screen almost all aspects of a proposed building. In some areas, these factors have hindered real estate development projects and led to construction delays and higher building costs, in particular in cases where proposed new retail development would affect existing businesses.

Corporate Tax Treatment

Local branches of foreign firms are generally taxed only on corporate income derived within Japan, whereas domestic Japanese corporations are taxed on their worldwide income. Calculations of taxable income and allowable deductions, and payments of the consumption tax (sales tax), for foreign investors are otherwise the same as those for domestic companies. Corporate tax rules classify corporations as either foreign or domestic depending on the location of their "registered office," which may be the same as -- or a proxy for -- the place of incorporation.

The current U.S.-Japan bilateral tax treaty came into force in January 2005. The treaty allows Japan to tax the business profits of a U.S. resident only to the extent those profits are attributable to a "permanent establishment" in Japan. It also provides measures to mitigate double taxation. Cross-border dividends on listed stock are not subject to source country withholding tax if the parent company owns 50 percent or more of the foreign subsidiary. Interest on financial transactions payable to a nonresident and royalties paid to a foreign licensor are no longer subject to source country withholding tax.

A special tax measure allows designated inward investors to carry over certain losses for tax purposes for ten years rather than for the normal five years. In 2003, Japan's effective corporate tax rate, including local taxes, was reduced from 40.87 percent to 39.54 percent.

The option of consolidated taxation is available to corporations. The purpose of these rules is to facilitate investment and corporate restructuring, because losses usually expected from a new venture or recently acquired subsidiary can be charged against the profits of the parent firm or holding company.

Investment Incentives

Since 2001, promotion of inward FDI has been one of the ways the GOJ has sought to revitalize the Japanese economy. In 2003, the Japan Investment Council (JIC) adopted a five-point Program for the Promotion of Foreign Direct Investment into Japan that called on the GOJ to (1) make administrative processes clearer, simpler, and faster; (2) improve the business environment by facilitating cross-border M&A; (3) create a favorable work and living environment for foreign residents in Japan; (4) improve local efforts to attract FDI through use of Special Zones for Structural Reform; and (5) disseminate information on investment opportunities both domestically and internationally. A March 2006 JIC report recommended the government establish a national goal of increasing the balance of FDI into Japan to five percent of the country's

GDP by 2010, which the GOJ adopted formally in June 2006. (For details of the JIC's recommendations, see <http://www.investment-japan.go.jp>.)

The Japan External Trade Organization operates six Invest Japan Business Support Centers in major urban areas to provide investment-related information and "one-stop" support services to foreign companies interested in investing in Japan. (More detailed information is available at <http://www.jetro.go.jp/en/invest>.) Most national-level ministries also have information desks to help guide potential investors in navigating GOJ administrative procedures. (Links to the "Invest Japan" contact points at each ministry are at <http://www.investment-japan.go.jp/links.htm>.)

Many city or regional governments are working to attract foreign capital through outreach to prospective foreign investors, business start-up support services, and limited financial incentives. JETRO supports local government investment promotion efforts. Detailed information on local and regional FDI promotion programs is available in English on the JETRO website in the above paragraph.

Since 2003, the Japanese Government has maintained a program of Special Zones for Structural Reform that allows specified local areas to be exempted from one or more national regulations in order to develop the areas' special features. To date, the GOJ has approved approximately 550 Special Zones. In theory, special zones can build on ideas developed by local governments and private companies and obtain regulatory exemptions to improve the investment environment, for example, liberalizing restrictions on ownership of hospitals or schools or allowing localities to introduce exemptions for visas/resident qualifications to expand the acceptance of foreign engineers or exchange students. In practice, however, the GOJ has approved fewer than half of the applications submitted and the program's impact on inward FDI flows has been limited.

Conversion and Transfer Policies

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Generally, all foreign exchange transactions to and from Japan -- including transfers of profits and dividends, interest, royalties and fees, repatriation of capital, and repayment of principal -- are freely permitted. Japan maintains an ex-post facto notification system for foreign exchange transactions that specifically prohibits specified transactions, including certain foreign direct investments (e.g., from countries under international sanctions) or others, which are listed in the appendix of the Foreign Exchange and Foreign Trade Control Law.

Japan is an active partner in the struggle against terrorist financing. In coordination with other OECD members, the GOJ has strengthened due-diligence requirements for financial institutions. The Diet passed a "Know Your Customer" law in 2002. Customers wishing to make cash transfers exceeding 100,000 yen (USD 880) must do so through bank clerks, not ATMs, and must present photo identification.

Expropriation and Compensation

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In the post-war period, the GOJ has not expropriated or nationalized any enterprises, with the exception of the 1998 nationalization of two large Japanese capital-deficient banks and the 2002 nationalization of two failed Japanese regional banks as part of the

Government's efforts to clean up the banking system after its near collapse in 1998. Expropriation or nationalization of foreign investments is extremely unlikely.

Dispute Settlement

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There have been no major bilateral investment disputes since 1990. Nor are there any outstanding expropriation or nationalization cases in Japan. There have been no cases of international binding arbitration of investment disputes between foreign investors and the GOJ since 1952. Japan is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards.

There are no legal restrictions on foreign investors' access to Japanese lawyers and reforms in the legal services sector and the judicial system have increased the ability of foreign investors to obtain international legal advice related to their investments in Japan. Japan does, however, retain certain restrictions on the ability of foreign lawyers to provide international legal services in Japan in an efficient manner. Only individuals who have passed the Japanese Bar Examination and qualified as Japanese lawyers (*bengoshi*) may practice Japanese law. At the same time, Japan has a Foreign Legal Practitioner system under which foreign qualified lawyers may establish Japanese / foreign joint legal enterprises (*gaikokuho kyodo jigyo*) and provide legal advice and integrated legal services on matters within the competence of its members. Foreign lawyers qualified under Japanese law (*gaiben*), may provide advice on international legal matters. *Gaiben* and *bengoshi* in joint enterprises can adopt a single law firm name of their choice and may determine the profit allocation among them freely and without restriction. However, foreign lawyers are unable to form professional corporations in the same manner as Japanese lawyers and are prohibited from opening branch offices in Japan. *Gaiben* are permitted to hire Japanese lawyers to work directly with them or in a joint legal enterprise or in a Foreign Japanese Joint Legal Office (*gaikokuho-jimu-bengoshi jimusho*) composed of multiple *gaiben*. The Japanese government has adopted a long term goal of increasing the number of legal professionals who pass the Bar Examination to 3,000 per year by 2010. The Ministry of Education, Culture, Sports, Science and Technology introduced a new system of law schools in April 2004, which is increasing the number of spaces for students wishing to study law.

Japan's civil courts enforce property and contractual rights and do not discriminate against foreign investors. Japanese courts, like those in other countries, operate rather slowly and experience has shown them sometimes ill suited for litigation of investment and business disputes. Japanese courts lack powers to compel witnesses to testify or a party to comply with an injunction. Timely temporary restraining orders and preliminary injunctions are difficult to obtain. Filing fees are based on the amount of the claim, rather than a flat fee. Lawyers usually require large up-front payments from their clients before filing a lawsuit, with a modest contingency fee, if any, at the conclusion of litigation. Contingency fees familiar in the U.S. are relatively uncommon. A losing party can delay execution of a judgment by appealing. In appeals to higher level courts, additional witnesses and other evidence may be allowed.

Japan's Alternative Dispute Resolution (ADR) law, which provides a legal framework for arbitration, including international commercial arbitration, came into effect on May 31, 2007. Foreign lawyers qualified under Japanese law can represent parties in ADR proceedings taking place in Japan in which one of the parties is foreign, or foreign law is applicable, at least to the extent such representation is not inconsistent with Japanese

law. The United States continues to urge Japan to promote alternative dispute resolution mechanisms by ensuring that *gaiben* and non-lawyer experts can act as neutrals in international arbitration or other international ADR proceedings in Japan, in whole or in part, regardless of the governing law or matter in dispute.

Courts have the power to encourage mediated settlements and there is a supervised mediation system. However, this process is also often time-consuming and judges transfer frequently, so continuity is often lost. As a result, it is common for companies to settle cases out of court.

Performance Requirements and Incentives

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Japan does not maintain performance requirements or requirements for local management participation or local control in joint ventures.

Right to Private Ownership and Establishment

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Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity.

However, the new Company Law includes a provision -- Article 821 -- which created uncertainty among foreign corporations that conduct their primary business in the Japanese market through a branch company. As written, Article 821 appears to prohibit branches of foreign corporations from engaging in transactions in Japan "on a continuous basis." The Japanese Diet subsequently issued a clarification of the legislative intent of Article 821 that makes clear the provision should not apply to the activities of legitimate entities. However, some legal uncertainty remains, particularly with respect to possible private litigation against directors and officers of affected firms. The U.S. Government has urged Japan to revoke Article 821 or more formally clarify its meaning. The Japanese government has undertaken to ensure Article 821 will not adversely affect the operations of foreign companies duly registered in Japan and conducting business in a lawful manner.

Protection of Property Rights

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In general, Japan maintains a strong intellectual property rights (IPR) regime, but there are costs and procedures of which prospective investors should be aware. Companies doing business in Japan are encouraged to be clear about all rights and obligations with respect to IPR in any trading or licensing agreements. Explicit arrangements and clear understanding between parties will help to avert problems resulting from differences in culture, markets conditions, legal procedures, or business practices.

Registering Patents, Trademarks, Utility Models and Designs: The IPR rights holder must register patents and trademarks in order to ensure protection in Japan. Filing the necessary applications requires hiring a Japanese lawyer or patent practitioner (*benrishi*) registered in Japan to pursue the patent or trademark application. A U.S. patent or trademark attorney may provide informal advice, but is not able to perform some required functions.

Patent and trademark procedures in Japan have historically been costly and time-consuming. There have also been complaints about the weaknesses of Japanese enforcement and legal redress, for example, that judges are not adequately trained or that court procedures do not adequately protect business-confidential information required to file a case. The GOJ has revised the law and continues to take steps to address these concerns and it is becoming easier and cheaper to obtain patent and trademark protection. Procedures have been simplified, fees cut, and judges are receiving more training and are being assigned to specialized IPR courts. Courts have strengthened rules to protect sensitive information and the GOJ has established criminal penalties for inappropriate use of sensitive information used in court or administrative proceedings.

Prompt filing of patent application is very important. Printed publication of a description of the invention anywhere in the world, or knowledge or use of the invention in Japan, prior to the filing date of the Japanese application, could preclude the granting of a patent. Japan grants patents on a first-to-file basis. Japan accepts initial filings in English (to be followed by a Japanese translation), but companies should be careful as translation errors can have significant negative consequences. Unlike the United States, where examination of an application is automatic, in Japan an applicant must request examination of a patent application within three years of filing.

The Japanese Patent Office (JPO) publishes patent applications 18 months after filing, and if it finds no impediment to granting a patent, publishes the revised application a second time before the patent is granted. The patent is valid for 20 years from the date of filing. Currently, the law allows parties to contest the terms of a patent after issuance (for up to six months), rather than prior to registration, as was the previous practice.

Patent Prosecution Highway: The Patent Prosecution Highway (PPH) is a noteworthy development for U.S. firms seeking patent protection in Japan. This arrangement became fully operational January 4, 2008, after an 18-month pilot program. The PPH will allow filing of streamlined applications for inventions determined to be patentable in other participating countries and is expected to reduce the average processing time (from request for examination to First Action) from 26 months to two to three months for second filings. The program, which is based on information sharing between national patent offices and standardized application and examination procedures, should reduce costs and encourage greater utilization of the patent system.

Trademarks, Utility Models, and Designs: Japan's Trademark Law protects trademarks and service marks and, like patent protection, requires registration by means of an application filed by a resident agent (lawyer or patent agent). As the process takes time, firms planning on doing business in Japan should file for trademark registration as early as practicable. Japan is a signatory of the Madrid Protocol. Trademarks registered at the WIPO Secretariat are protected among all member countries.

Japan's Utility Model Law allows registration of utility models (a form of minor patent) and provides a 10-year term of protection. The JPO reduced registration fees in 2005 and streamlined the application procedures in such cases. A separate design law, effective April 2007, allows for protection of designs for a 20-year term from the date of registration. Semiconductor chip design layouts are protected for 10 years under a special law, if registered with the Japanese "Industrial Property Cooperation Center" -- a government-established public corporation.

Unfair Competition and Trade Secrets: The Unfair Competition Prevention Law provides for protecting trademarks prior to registration. The owner of the mark must demonstrate that the mark is well known in Japan and that consumers will be confused by the use of an identical or similar mark by an unauthorized user. The law also provides some protection for trade secrets, such as know-how, customer lists, sales manuals, and experimental data. Recent amendments to the law provide for injunctions against wrongful use, acquisition, or disclosure of a trade secret by any person who knew, or should have known, the information in question was misappropriated. Criminal penalties were also strengthened. However, Japanese judicial processes make it difficult to file claims without losing the trade secrets.

Copyrights: In conformity with international agreement, Japan maintains a non-formality principle for copyright registration -- i.e., registration is not a pre-condition to the establishment of copyright protection. However, the Cultural Affairs Agency maintains a registry for such matters as date of first publication, date of creation of program works, and assignment of copyright. United States copyrights are recognized in Japan by international treaty.

Transparency of Regulatory System

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The GOJ has made greater transparency a crosscutting theme of its regulatory reform initiatives. Nevertheless, the Japanese economy continues to suffer from over-regulation, which can restrain potential economic growth, raise the cost of doing business, restrict competition, and impede investment. It also increases the costs for Japanese businesses and consumers. Over-regulation underlies many market access and competitive problems faced by U.S. companies in Japan.

The United States has for several years called on the GOJ to make improvements in its regulatory system to support domestic reform efforts and ensure universal access to government information and the policymaking process.

In response, the GOJ has taken steps to improve its public comment procedures, but these improvements are not uniform throughout the government. The United States continues to urge Japan to apply consistently high transparency standards, including by issuing new rules to ensure transparency and access for stakeholders in the rulemaking process; by allowing effective public input into the regulatory process; and by giving due consideration to comments received. The United States also has asked the GOJ to lengthen its public comment period and to require ministries and agencies to issue all new regulations or statements of policy in writing or provide applicable interpretations to interested stakeholders in plain language.

In the financial sector, the Financial Services Agency has made efforts to expand the body of published written interpretations of Japan's financial laws, including improvements to the "no-action letter" system, and improved outreach to the private sector regarding these changes. The United States recommends Japan take further steps to enhance the effectiveness and usage of the "no-action letter" system and provide regulated firms an opportunity to seek clarification of an administrative agency's interpretation of law or regulation, including through more active use of the interpretive letter system.

The United States continues to hold bilateral working-level discussions in an effort to encourage the Japanese to promote deregulation, improve competition policy, and administrative reforms that could contribute to sustainable economic growth, increase imports and foreign direct investment into Japan. The National Trade Estimate Report on Foreign Trade Barriers, issued by the Office of the U.S. Trade Representative (USTR), contains a detailed description of Japan's regulatory regime as it affects foreign exporters and investors.

Efficient Capital Markets and Portfolio Investment

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Japan maintains no formal restrictions on inward portfolio investment and, in fact, foreign capital plays an important role in Japan's financial markets. However, many company managers and directors resist the actions of activist shareholders, especially foreign private equity funds, potentially limiting the attractiveness of Japan's equity market to large-scale foreign portfolio investment. On the other hand, some firms have taken steps to facilitate the exercise of shareholder rights by foreign investors, including the use of electronic proxy voting. The Tokyo Stock Exchange maintains an Electronic Voting Platform for Foreign and Institutional Investors in which more than 200 listed companies participate.

Environment for Mergers and Acquisitions: Japan's aversion to M&A activity is receding very gradually, accelerated by the unwinding of previously extensive corporate cross-shareholding networks, improved accounting standards, and government mandates that banks divest cross-holdings above a set threshold. The majority of M&A over the past decade has been driven by the need to consolidate and restructure mature industries, or in response to severe financial difficulties.

Friendly transfer of wholly owned or majority-owned subsidiaries remains by far the more common form of M&A in Japan. Similarly, unlisted owner-operated firms -- which traditionally would only sell out as a last resort before bankruptcy -- are becoming more amenable to acquisition, including by foreign investors. Nevertheless, there remains a strong preference among Japanese managers and directors for M&A that preserves the independence of the target company and resistance to surrendering control of corporate assets to foreigners. There has been wide-ranging public debate in the past year of the value of defensive measures against hostile takeovers. Since 2006, more than 500 Japanese firms have adopted such measures, most of which are either "advance warning systems" or "poison pill"-type rights distribution plans.

Besides the inherent wariness of many senior business executives to foreign M&A, something they frequently describe as inherently hostile and based largely on short-term profit motives, a number of technical factors limit greater entry into the Japanese market through M&A. These factors include tax policy, a lack of independent directors, weak disclosure practices, and a relative shortage of M&A infrastructure in the form of specialists skilled in making matches and structuring M&A deals.

Company Law Revisions: The extensive revision of Japan's Company Law (Commercial Code) in 2005-06 significantly expanded the flexibility of corporate capital structures and increased the types of governance structures available to Japanese firms. The new law, which came fully into force in May 2007, revised and combined Part II of the previous Commercial Code with existing laws governing limited liability companies (*yugen gaisha*) and audits. The law also introduced changes to facilitate start-ups and make corporate

structures more flexible, including elimination of minimum capital requirements for joint-stock companies (*kabushiki kaisha*). It merged a number of different corporate structures and created a new structure (*godo kaisha*) modeled on the U.S.-style limited liability company.

In addition, the revised Company Law permits the formation of corporate holding companies in Japan for the first time since World War II. This step has facilitated the use of domestic stock swaps in corporate restructuring, through which one party becomes a wholly-owned subsidiary of the other. Japan's tax law now provides special tax treatment and deferral of taxes on such stock-swap transactions at the time of exchange and transfer.

The law also provides increased flexibility in the types of compensation that investors can use for M&A transactions. As of May 2007, foreign equities can be used as consideration in triangular merger transactions targeting Japanese firms. However, to take advantage of the new rules, the foreign acquirer must legally establish a Japanese subsidiary firm to act as the counterpart to the stock exchange/transfer.

Changes in Corporate Governance: Under the new Company Law and the Industrial Revitalization Law, publicly traded companies have the option of adopting a U.S.-style corporate governance system instead of the traditional Japanese statutory auditor (*kansayaku*) system of corporate governance. This new system requires the appointment of executive officers and the establishment of a board committee system in which at least the audit, nomination, and compensation committees are composed of a majority of outside directors. Initially available only under the Industrial Revitalization Law and effectively limited to distressed companies, the new Company Law makes these options available to all listed companies.

Companies also can use the Internet or other electronic means to provide notices of annual general meetings or similar communication with shareholders. Where available, shareholders may exercise voting rights electronically and companies are permitted to make required disclosures of balance sheet and other financial information in an electronic format.

Cross-shareholding and M&A: Potential foreign investors in Japan frequently point out that cross-shareholding between Japanese listed companies greatly complicates market-based M&A activity and reduces the potential impact of shareholder-based corporate governance. Such cross-shareholding practices allow senior management to put a priority on internal loyalties over shareholder returns and can lead to premature rejection of M&A bids. Traditionally, a company maintained a close relationship with a large-scale commercial bank, known as a "main bank", usually part of the same loose corporate grouping. In return for holding a bloc of the company's shares, the bank provided both regular financing and emergency support if the company ran into financial difficulties. The "main bank" system largely dissolved in the late 1990's as Japan's banking system came close to collapse. With the recovery of the Japanese economy, however, some company boards have begun rebuilding cross-shareholding networks, this time with suppliers or nominal competitors rather than a commercial bank. Many boards see such linkages as an effective means of defense against hostile takeovers.

Accounting and Disclosure: Accounting and disclosure standards are an extremely important element in assessing and improving a country's environment for M&A. Before

any merger or acquisition can take place, it is critical that the merging or acquiring firms have the best possible information on which to make business decisions. Implementation of so-called "Big Bang" reforms since 1998 significantly improved Japan's accounting standards.

Consolidated accounting is mandatory since 1999 and "effective control and influence" standards have been introduced in place of conventional holding standards, expanding the range of subsidiary and affiliated companies included for the settlement of accounts. Consolidated disclosure of contingent liabilities, such as guarantees, is also mandatory. All marketable financial assets held for trading purposes, including cross-shareholdings and other long-term securities holdings, are recorded at market value.

Companies are required to disclose unfunded pension liabilities by valuing pension assets and liabilities at fair value. Fixed asset impairment accounting, in effect since 2005, requires firms to record losses if the recoverable value of property, plant, or equipment is significantly less than book value.

The greater focus on consolidated results and mark-to-market accounting had a significant effect in encouraging the unwinding of cross-shareholdings and the "main bank" system. Corporate restructuring has taken place, in many cases with companies reducing pension under-funding and banks disposal of many low-yield assets. While the recent improvement in accounting standards and growth in M&A activity have been welcome, they have also exacerbated the shortage of accounting professionals.

The Accounting Standards Board of Japan (ASBJ) and the International Accounting Standards Board (IASB) began discussions on the convergence of Japanese both accounting standards and International Financial Reporting Standards (IFRS) practices in March 2005 and, in March 2006, further agreed to accelerate the process of convergence. The ASBJ embarked on similar discussions with the U.S. Financial Accounting Standards Board in May 2006.

Taxation and M&A: Japan adopted a standard 20 percent capital gains tax rate applicable from January 2004. However, under special policy measures intended to stimulate capital markets, Japan applies a capital gains tax rate of 10 percent on sales of listed stocks. These measures will remain in effect through December 2008. Tax changes proposed in December 2007 would, if approved, extend this reduced rate through 2010 for capital gains of less than 5 million yen. Under a series of special measures Japan has adopted to promote venture businesses, if the founding shareholder of a qualified company sells shares in the company a ten percent capital gains tax rate will apply if the sale is made prior to public listing in an M&A transaction and, from 2008, a ten percent rate will apply to shares sold by the founding shareholder within three years of listing.

Bankruptcy Laws: An insolvent company in Japan can face liquidation under the Bankruptcy Act or take one of four roads to reorganization: the Civil Rehabilitation Law, the Corporate Reorganization Law, corporate reorganization under the Commercial Code, or an out-of-court creditor agreement.

In 2000, Japan overhauled its bankruptcy law governing small and medium size firm bankruptcies by enacting the Civil Rehabilitation Law, which focuses on corporate restructuring in contrast to liquidation. The law provides stronger protection of debtor

assets prior to the start of restructuring procedures, eases requirements for initiating restructuring procedures, simplifies and rationalizes procedures for the examination and determination of liabilities, and improves procedures for approval of rehabilitation plans. Japan's Corporate Reorganization Law, generally used by large companies, was similarly revised in 2003. Amendments made corporate reorganization for large companies more cost-efficient, speedy, flexible and available at an earlier stage. By removing many institutional barriers to the restructuring process, the new bankruptcy regime has accelerated the corporate restructuring process in Japan.

Previously, most corporate bankruptcies in Japan were handled through out-of-court creditor agreements because court procedures were lengthy and costly. The fact bankruptcy trustees had limited powers to oversee restructuring meant most judicial bankruptcies ended in liquidation, often at distress prices. Beginning in 2001, a group of Japanese bankruptcy experts published a set of private rehabilitation guidelines, modeled after the UK-based INSOL guidelines, for out-of-court corporate rehabilitation in Japan. Out-of-court settlements in Japan tend to save time and expense, but can sometimes lack transparency and fairness. In practice, because 100 percent creditor consensus is required for out-of-court settlements and the court can sanction a reorganization plan with only a majority of creditors' approval, the last stage of an out-of-court workout is often a request for a judicial seal of approval.

Credit Markets: Domestic and foreign investors have free access to a variety of credit instruments at market rates. In general, foreign companies in Japan do not experience significant difficulties in obtaining funding. Most foreign firms obtain short-term credit from Japanese commercial banks or one of the many foreign banks operating in Japan. Medium-term loans are available from commercial banks or from trust banks and life insurance companies. Large foreign firms tend to use foreign sources for long-term financial needs, although sophisticated derivatives products are now available to assist in hedging foreign investors' perceived risk.

Political Violence

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Political violence is rare in Japan. Acts of political violence directly involving U.S. business interests have been virtually non-existent in the last decade.

Corruption

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Japan's penal code covers crimes of official corruption. An individual convicted under these statutes is, depending on the nature of the crime, subject to prison sentences ranging from one month to fifteen years and possible fines up to three million yen or mandatory confiscation of the monetary equivalent of the bribe.

Although the direct exchange of cash for favors from government officials in Japan is rare, some have described the situation in Japan as "institutionalized corruption." The web of close relationships between Japanese companies, politicians, government organizations, and universities has been said to foster an inwardly-cooperative business climate that is conducive to the awarding of contracts, positions, etc. within a tight circle of local players. Over the last couple of years, Japan has been buffeted by a continuing series of revelations involving improprieties by both public sector officials, as well as by

private sector firms in diverse business sectors. An editorial in a December 2007 issue of the Japan Times outlines a number of these incidents and the impact they have had on eroding the public's trust in government officials and institutions. The editorial can be viewed at <http://search.japantimes.co.jp/cgi-bin/ed20071228a1.html>

In view of the continuing disclosures involving fraud, negligence and cover-ups by Japanese public and private sector entities, U.S. companies interested in doing business in Japan should be aware of these issues, and understand the impact they may have on regulatory issues involved in bringing new products and services to the Japanese market.

Japanese authorities have acknowledged the problem of bid-rigging and have taken steps to address it. Building on the longstanding laws on bribery of public officials and misuse of public funds, the Japanese government passed legislation aimed specifically at eliminating official collusion in bid rigging. The Bid-Rigging Prevention Act, which came into effect in 2003, authorizes the Japan Fair Trade Commission (JFTC) to demand central and local government commissioning agencies take corrective measures to prevent continued complicity of officials in bid-rigging activities, and to report such measures to the JFTC. The Act also contains provisions concerning disciplinary action against officials participating in bid rigging and compensation for overcharges when the officials caused damage to the government due to willful or grave negligence. In 2005, the JFTC invoked the Bid-Rigging Prevention Act for the first time against a central government agency following a major scandal involving executives of the state-owned corporation in charge of highway construction and maintenance. Previous applications of the Act had been directed only at local authorities. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure officials who facilitate illegal bid-rigging are held accountable.

Complicating efforts to combat bid rigging is the phenomenon known as *amakudari* whereby government officials retire into top positions in Japanese companies, usually in industries that they once regulated. *Amakudari* employees are particularly common in the financial, construction, transportation, and pharmaceutical industries -- which, not coincidentally, are traditionally heavily regulated. Foreign companies usually do not enjoy such pipelines into the bureaucracy and thus are somewhat disadvantaged in their ability to understand and deal with laws, regulations, and informal ministry guidance. This situation has been ameliorated somewhat in recent years by the introduction of more transparent administrative procedures. In 2007, the Japanese Diet passed legislation aimed at limiting the involvement of individual ministries in finding post-retirement employment for its officials.

While there have been some high profile exposures of officials having either given or accepted bribes, the Japanese government does not have an aggressive record of criminal prosecution. Those prosecuted generally received suspended sentences. Nevertheless, JFTC surcharges and fines imposed by the courts for violations of the Anti-monopoly Act have increased significantly, particularly since new amendments to the Act came into effect in 2006.

With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be personally liable for the amount of the bribe and some judgments have been rendered against company directors. This provision may pose a significant deterrent to the payment of bribes, as individuals are held personally liable

without the shield of the company to protect them. There has been discussion at various times within the ruling political party since 1993 when the law was amended to facilitate the filing of shareholder derivative suits, of possible new rules to make it more difficult to file shareholder derivative lawsuits.

Japan ratified the OECD Anti-Bribery Convention, which bans the bribing of foreign government officials. The OECD has identified deficiencies in Japan's implementing legislation, some of which the GOJ has taken steps to rectify. A follow-up examination in February 2006 concluded "Japanese law enforcement authorities have still not made adequate efforts to investigate and prosecute foreign bribery cases." In 2004, Japan amended its Unfair Competition Prevention Law to extend national jurisdiction to cover the crime of bribery and in 2006 made changes to the Corporation Tax Law and the Income Tax Law expressly to deny the tax deductibility of bribes to foreign public officials. In addition, Japan extended the statute of limitations for prosecuting natural persons and corporate bodies from three to five years. In March 2007, prosecutors indicted officials of a Fukuoka-based engineering firm in the first case brought under the 1998 Anti-foreign Bribery law.

Bilateral Investment Agreements

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The 1952 U.S.-Japan Treaty of Friendship, Commerce, and Navigation gives national treatment and most favored nation treatment to U.S. investments in Japan. Japan has bilateral investment treaties with Egypt, Sri Lanka, China, Hong Kong SAR, Turkey, Pakistan, Bangladesh, Russia, Mongolia, Vietnam, the Republic of Korea, and Cambodia. Japan has economic partnership agreements (analogous to a free trade agreement) containing investment chapters in force with Singapore, Mexico, Malaysia Thailand and Chile. Japan has also signed such agreements with the Philippines, Brunei, and Indonesia, but these are not yet in force.

U.S.-Japan Investment Initiative: The U.S. Government's concerns about barriers to foreign investment in Japan continue to be addressed through the U.S.-Japan Investment Initiative under the Economic Partnership for Growth, established by President Bush and Prime Minister Koizumi in June 2001. The Initiative's Investment Working Group holds semi-annual sessions to discuss policy measures that could improve the investment climate in both countries. The group has pursued a vigorous program of public outreach. In order to increase business awareness and receptiveness to FDI, the Initiative holds annual investment promotion seminars. The 2007 seminars took place in September in Osaka, in conjunction with the annual Japan-U.S. Midwest Association meeting, and in October in New York and Miami.

OPIC and Other Investment Insurance Programs

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OPIC insurance and finance programs are not available in Japan. Japan is a member of the Multilateral Investment Guarantee Agency (MIGA). Japan's capital subscription to the organization is the second largest, after the United States.

Labor

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Changing demographic patterns, macroeconomic trends, and regulatory reforms are gradually affecting traditional Japanese employment practices. Foreign investors

seeking to hire highly qualified workers in Japan should benefit from many of these changes. However, finding suitable local labor, can be a concern for U.S. companies seeking to establish an office in Japan. There are a number of executive search firms in Japan that can help address this important issue. For a list of some of these firms, please visit the website for the Commercial Service in Japan, www.buyusa.gov/japan/en or the American Chamber of Commerce in Japan's website www.accj.or.jp.

Throughout most of the post-war period, Japanese employment practices -- most notably in the nation's large, internationally competitive firms -- rested on three pillars: lifetime employment, seniority-based wages, and enterprise unions. Today all three are undergoing rapid transformation. Demographic pressures -- fewer young workers and a rapidly aging labor force -- and the subsequent structural changes in the Japanese economy are forcing many firms to reduce sharply lifetime employment guarantees and seniority-based wages in favor of merit-based pay scales and limited-term contracts. Although labor unions play a role in the annual determination of wage scales throughout the economy, that role is shrinking. As in the United States, trade union membership as a portion of the labor force has been declining for decades. However, the number of part-time workers who are union members has increased in recent years as a result of strengthened organizing efforts by some labor unions.

Investors should be aware of Japan's high wage structure. According to a survey by the Ministry of Health, Labor and Welfare (MHLW), average monthly wages for a salaried worker in Japan in 2006 were approximately 332,000 yen, including semi-annual bonuses. While down 0.2 percent from a year earlier, Japan remains an economy with one of the world's highest wage rates. Growth in average wages has been slow, even in the midst of a return to economic growth, a situation that largely reflects the shift to increased use of non-regular employees and the hiring of younger workers to replace older, higher-wage workers who have begun to retire. Occupational wage differentials are much smaller than in most countries. According to MHLW statistics, base wages, including basic benefits, are approximately 77 percent of total wage costs. Annual summer and year-end bonuses make up the rest. Employers also must make statutory welfare contributions for basic government pensions, health and accident insurance, and unemployment insurance. Many companies incur other employee welfare costs for family and/or transportation allowances, company pension schemes, and, in some cases, in-kind payments such as housing for entry-level employees.

Traditionally, Japanese workers were classified as either "regular" or "other" employees. This system, to a considerable degree, remains in place. Companies recruit "regular" employees directly from schools or universities and provide an employment contract with no fixed duration. In contrast, firms hire "other" employees on fixed duration contracts, which generally cannot exceed one year but may be renewed several times. Since the mid-1990's, companies increasingly use part-time workers, interns, and "dispatched workers" (i.e., workers sent from temporary work agencies) to fill temporary labor requirements. Until recently, the types of jobs that could be handled by dispatched workers were limited, but changes to Japanese labor law have increased the number and types of dispatched workers companies may employ.

Regulation of private, fee-charging employment agencies -- including firms -- has been liberalized. Although a fairly time-consuming and bureaucratic licensing procedure is still required, private employment agencies now serve virtually the entire range of occupations. Internet-based job placement services are still in their infancy in Japan,

constrained by a MHLW requirement that employment agencies personally interview all clients.

Defined contribution pension plans have been available in Japan since 2001. Such plans should promote greater labor mobility in the future, as workers are able to carry pension savings with them to new jobs. However, only about three percent of workers are currently covered by such plans and the ceiling on contributions is too low to realize the full potential of the program. In late 2007, MHLW completed a review of the first five years of the program and recommended limited changes to the law. Draft legislation to implement those changes is likely in 2008.

Foreign-Trade Zones/Free Ports

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Japan no longer has free-trade zones or free ports. Customs authorities allow the bonding of warehousing and processing facilities adjacent to ports on a case-by-case basis.

Foreign Direct Investment Statistics

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Between 1998 and 2006, Japan's stock of FDI increased from 3 trillion yen to 12.8 trillion yen. In the same period investment flows were generally strong. Net inflow turned negative in 2006 for the first time since 1989, but preliminary data show a resumption of net inflows in 2007. In 2006, Japan's FDI outflow rose to USD 50.2 billion from USD 45.5 billion in 2005. This situation reflected increased investment flows to Europe. China is also among the top five destinations for Japanese investment.

All data in the tables below are current as of December 2007, and converted into dollars using the following average annual exchange rates:

CY 2002: 125.31 yen to the dollar

CY 2004: 108.19 yen to the dollar

CY 2003: 115.93 yen to the dollar

JFY 2004: 107.49 yen to the dollar

JFY 2003: 113.03 yen to the dollar

CY 2005: 110.21 yen to the dollar

CY 2006: 116.31 yen to the dollar

Note: negative figures indicate net outflow.

Table 1a: Net FDI Inflows (Unit: billions of U.S. dollars; balance-of-payment basis)

JFY 1997	1998	1999	2000	2001
3.20	3.27	12.31	8.23	6.19
JFY 2002	2003	2004	2005	2006
9.09	6.24	7.81	3.22	-6.78

Table 1b: Ratio of Inward to Outward FDI (balance-of-payment basis)

JFY 1997	1998	1999	2000	2001
1 : 8.1	1 : 7.5	1 : 1.8	1 : 3.8	1 : 6.2
JFY 2002	2003	2004	2005	2006
1 : 3.5	1 : 4.6	1 : 4.0	1 : 14.1	1 : 9.4

Figures were first calculated in nominal Japanese yen and converted into U.S. dollars using Bank of Japan average annual exchange rates noted above.

Source: http://www.jetro.go.jp/en/stats/statistics/bpfdi_01_e.xls
http://www.jetro.go.jp/en/stats/statistics/bpfdi_02_e.xls

Table 2: Foreign Direct Investment in Japan, by country
 (Unit: million of U.S. dollars; net and flow; balance-of-payment basis)

	CY2002	CY2003	CY2004	CY2005	CY2006
North America	3,019	-617	2,294	-636	-2,666
U.S.A.	2,451	-641	1,407	308	105
Canada	569	25	890	-944	-2,771
Asia	7	371	994	1,565	-852
China	1	-2	-9	11	12
Hong Kong	-17	38	295	960	-2,136
Taiwan	-24	80	74	-26	110
Korea	63	-101	251	31	108
Singapore	115	329	389	598	1,062
Thailand	-125	28	-1	-6	1
W. Europe	6,261	5,103	5,623	1,123	-3,938
Germany	551	1,764	1,170	237	-542
U.K.	540	-442	-310	132	1,807
France	2,213	651	1,049	-78	274
Netherlands	1,732	3,200	3,611	2,541	-7,583
Switzerland	1,043	-286	108	-748	317
L. America	-176	1,376	-1,114	1,278	566
Mexico	2	2	0	0	0
Brazil	0	0	20	1	0
Cayman Is.	-98	1,347	752	1,069	-82
TOTAL	9,089	6,238	7,808	3,223	-6,789

Source: http://www.jetro.go.jp/en/stats/statistics/bpfdi_02_e.xls

Table 3: Japan's FDI inward stock by country/region (Unit: million dollars)

	end of 2002	end of 2003	end of 2004	end of 2005	end of 2006
North America	28,289	40,222	45,919	47,729	44,273
U.S.	35,743	36,612	40,872	43,888	41,989
Canada	2,647	3,610	5,049	3,841	2,284
Asia	3,705	4,904	5,889	6,702	8,247
China	80	90	90	102	100
Hong Kong	1,460	1,793	2,136	2,612	1,928
Taiwan	1,379	1,591	1,605	1,391	1,475
Korea	210	244	537	313	423
Singapore	480	1,039	1,380	2,159	4,205
Thailand	17	49	48	42	42
EU-25	33,350	39,273	41,779	38,101	42,367

Germany	4,142	4,978	3,915	5,904	4,582
U.K.	2,695	1,692	2,310	3,033	4,983
France	10,348	12,321	13,693	10,777	11,549
Netherlands	9,868	13,541	14,210	11,654	12,175
Switzerland	2,778	2,646	3,172	2,106	3,536
L. America	2,408	4,764	3,004	8,218	12,123
Mexico	3	5	5	4	4
Brazil	12	14	33	31	30
Cayman Is.	1,749	4,186	2,666	5,599	8,400
TOTAL	78,490	89,838	97,305	101,322	107,663

Source: <http://www.jetro.go.jp>

Table 4: FDI in Japan, by industry (Unit: million dollars)
(net flow reporting basis for 2002 – 04, balance of payment basis for CY 2005 - 06)

	JFY2002	JFY2003	JFY2004	CY2005	CY2006
Manufacturing (total)	6,749	4,310	952	-2,191	254
Machinery	2,220	2,489	402	--	--
General machinery	--	--	--	164	-24
Electric machinery	--	--	--	-1,195	32
Trans. equipment	--	--	--	32	-1,408
Precision machines	--	--	--	-59	598
Chemicals	3,416	970	199	--	--
Chemicals and pharmaceuticals	--	--	--	-1,168	1,538
Metals	136	25	7	--	--
Iron, non-ferrous metals	--	--	--	-34	60
Rubber & leather	--	--	--	1	35
Petroleum	508	114	166	-44	37
Textiles	33	10	83	188	58
Foods	68	448	32	-211	-717
Glass & ceramics	3	7	--	103	193
Others	365	248	63	--	--
Non-manuf. (total)	11,186	14,412	36,507	5,414	-7,043
Farming & forestry	--	--	--	-1	11
Fish/ marine products.	--	--	--	0	-39
Mining	--	--	--	0	1
Finance/ Insurance	5,306	9,005	27,693	645	2,265
Trading	2,118	3,265	999	--	--
Wholesale & retail	--	--	--	1,157	-387
Services	2,025	955	1,263	178	122
Real estate	239	609	213	15	72
Telecommunication	1,412	535	4,338	--	--
Communication	--	--	--	912	-9,715
Transportation	22	15	1,947	2,108	28

Construction	19	10	31	41	37
Others	45	18	24	--	--
TOTAL	17,935	18,722	36,507	3,223	-6,789

Source: <http://www.jetro.go.jp>

Table 5: Japanese Direct Investment Overseas, by country
(Unit: million dollars; net and flow; balance-of-payment basis)

	CY2002	CY2003	CY2004	CY2005	CY2006
North America	8,509	11,003	7,601	13,169	10,188
U.S.A.	7,441	10,691	7,559	12,126	9,297
Canada	1,068	313	42	1,042	892
Asia	8,177	5,028	10,531	16,188	17,167
China	2,622	3,980	5,863	6,575	6,169
Hong Kong	229	-62	491	1,782	1,509
Taiwan	451	217	473	828	491
R. Korea	437	333	771	1,736	1,517
Singapore	1,884	-457	138	557	375
Thailand	528	678	1,867	2,125	1,984
Indonesia	307	484	498	1,185	744
Malaysia	257	-504	163	524	2,941
Philippines	1,074	114	6	442	369
India	146	124	139	266	512
Europe	9,721	7,943	7,097	7,509	18,029
Germany	571	714	645	270	1,128
U.K.	2,033	2,468	1,649	2,903	7,271
France	3,987	1,153	25	541	842
Netherlands.	1,447	3,454	3,337	3,315	8,497
Sweden	-327	119	-70	82	416
Spain	87	-145	183	363	136
Latin America	3,965	3,150	3,120	6,402	2,547
Mexico	225	372	191	629	-2,603
Brazil	743	1,068	-65	953	1,423
Cayman Isles	3,316	1,636	2,726	3,915	2,814
Oceania	1,440	1,139	1,856	943	723
Australia	1,151	964	1,651	640	466
Middle East	89	-38	-63	542	242
UAE	25	-47	-19	19	-56
Saudi Arabia	81	20	-38	494	254
Africa	223	430	378	25	899
South Africa	108	121	124	-17	466
TOTAL	92,039	28,767	30,962	45,461	50,165

Source: http://www.jetro.go.jp/en/stats/statistics/bpfdi_01_e.xls

Table 6: Japanese Direct Investment Overseas, by industry
 (Unit: million dollars, net and flow; reporting basis for JFY2002 – 04,
 balance of payment basis for CY 2005 - 06)

	JFY2002	JFY2003	JFY2004	CY2005	CY2006
Manufacturing (total)	14,689	16,246	13,750	26,146	34,513
Electrical	3920	5,005	2,039	--	--
Chemicals	1,916	4,749	3,530	--	--
Chemicals and Pharmaceuticals				3,363	4,413
Transport	4,916	3,013	3,601	--	--
Food	222	428	1,088	1,685	1,025
Metal	633	1,078	1,391	--	--
Iron, non-ferrous & metals				1,331	1,795
Machinery	1,288	956	1,108	--	--
Gen. Machinery				1,296	1,663
Electric machinery				4,377	7,041
Transportation equipment				8,611	8,597
Precision machinery				1,419	1,420
Rubber and leather				831	1,107
Lumber & pulp	240	28	119	826	420
Textiles	199	178	172	416	180
Petroleum				531	2,921
Glass & ceramics				258	2,759
Other	1,354	810	702	--	--
Non-manuf. (total)	21,860	19,599	21,010	19,315	15,652
Finance/Insurance	12,801	7,639	11,613	9,227	5,562
Trade	3,694	4,315	1,884	--	--
Wholesale & retail	--	--	--	4,623	5,483
Real estate	1,449	1,494	370	-851	-811
Services	1,836	1,940	2,360	1,086	188
Transportation	1,503	1,876	1,286	824	1,507
Mining	367	1,915	2,054	1,372	1,577
Construction	121	258	280	148	-64
Farming/ forestry	7	158	38	23	42
Fisheries	56	4	24	-44	28
Communications	--	--	--	1,712	-3,368
Other	27	--	--	--	--
TOTAL	36,858	36,092	34,548	45,461	50,165

Source: http://www.jetro.go.jp/en/stats/statistics/rnfdi_02_e.xls
http://www.jetro.go.jp/en/stats/statistics/bpfdi_05_e.xls

Table 7: FDI Inflow Relative to GDP (balance-of-payment basis)

	CY2001	CY2002	CY2003	CY2004	CY2005	CY2006
(a) GDP/Nom (trillion yen)	469.8	489.6	490.5	496.1	502.9	507.7
(b) FDI Inflow	0.76	1.16	0.73	0.85	0.31	-0.76

(trillion yen)						
b/a (pct)	0.16	0.24	0.15	0.17	0.06	-0.15

Source: <http://www.mof.go.jp/bpoffice/bpdata/fdi/fdi2bop.htm>

Table 8: Select New or Additional Foreign Direct Investment into Japan
December 2006 - October 2007

<u>Industry</u>	<u>Company</u>	<u>Country of Origin</u>
<u>ICT/ Software</u>		
	ARM K.K.	U.K.
	Cisco Systems	U.S.
	Founder International, Inc.,	China
	Graphisoft Japan Co. Ltd.	Hungary
	Wipro Technologies	India
	China TechFaith Wireless Communication Tech. Ltd.	China
	Polaris Software Lab Ltd.	India
<u>Manufacturing</u>		
	Henkel Japan Ltd	Germany
	Applied Materials Japan, Inc.	U.S.
	Campagnolo Japan Ltd.	Italy
	FARO Japan Inc.	U.S.
	Magna International Japan	Canada
	Rotex Japan Limited	U.K.
	SAINT-GOBAIN K.K.	France
	Texas Instruments	U.S.
	TMD Friction	Germany
<u>Medical Care</u>		
	Karl Storz Endoscopy	Germany
<u>Wholesale/Retail</u>		
	Coach Japan, Inc.	U.S.
	ZARA Japan	Spain
	L.L. Bean	U.S.

Source: www.jetro.go.jp/en/invest/success_stories/

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For the promotion of foreign direct investment (FDI) in Japan:
Invest Japan Business Support Center
www.investment-japan.net/index.htm
or
Japan External Trade Organization (JETRO)
www.jetro.go.jp/investjapan/

For additional FDI statistics:
www.jetro.go.jp/en/stats/statistics/
www.jetro.go.jp/en/invest/success_stories/

<http://www.mof.go.jp/bpoffice/bpdata/fdi/>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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There are a number of methods used to settle payment in Japan: cash in advance, letter of credit used in conjunction with a documentary draft (time or sight), promissory note, documentary collection or draft, open account and consignment sales. As with U.S. domestic transactions, a major factor in determining the method of payment is the degree of trust in the buyer's ability and willingness to pay.

Because of the protection it offers to the American exporter and the Japanese importer, an irrevocable letter of credit (L/C) payable at sight is commonly used for settlement of international transactions. As large Japanese general trading companies often serve as intermediaries to small and medium-sized companies, L/Cs are often issued in their name rather than in the name of the end user of the product. With the trading company taking on the risk of the transaction, the U.S. firm is protected from the possible bankruptcy of the smaller company.

Another payment option is the use of documentary collection or open account with international credit insurance that, unlike the letter of credit, allows the importer's line of credit to remain open. At the same time, this option protects the exporter if the buyer goes bankrupt or cannot pay. International credit insurance can be obtained from the Export-Import Bank of the United States or private insurers.

A payment method widely used in Japan but sometimes unfamiliar to U.S. companies is the promissory note (*yakusoku tegata*). Promissory notes are IOUs with a promise to pay at a later date, typically 90 to 120 days. Banks will often provide short-term financing through discounting and rollover of notes. Factoring and other forms of receivables financing (whether with or without recourse) are not common in Japan, and more conservative businesspeople find such arrangements a violation of the "relationship" between buyer and seller. It should be noted that, domestically, it is not uncommon for the buyer to request, and be granted an extension of the term of the *tegata* if there are cash-flow problems.

How Does the Banking System Operate

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While financial system deregulation and international competitive pressure has drastically changed the face of Japanese banking (the consolidation of 19 banks into four mega banks), the connection between corporate finance and banking institutions and non-financial corporations remains much tighter in Japan than in the United States;

and extends far beyond simple lender/borrower relationships. Much corporate banking business is rooted in either *keiretsu* or regional relationships, and Japanese banks are frequently shareholders in companies that conduct banking business with them, although there are signs of changes.

This unique relationship between a company and its bank has been long-standing; until recently, a Japanese company rarely changed its primary lender, although it would occasionally "shop around" for better credit arrangements. Even when credit is loose, companies sometimes borrow in excess of their need in order to maintain good relations with their bank and to ensure that funds will be available in leaner years. Banks are often large shareholders in publicly traded corporations, have close relationships with both local governments and national regulatory agencies, and often play a coordinating role among their clients. The collapse of the asset price "bubble" and the consequent worsening of bank balance sheets since the early 1990s, as well as corporate borrowing outside of traditional channels, has increasingly caused borrowers to tap international capital markets, and placed traditional banking systems under considerable strain. However, it remains safe to say that the Japanese commercial bank system is much more relationship oriented than the transaction-based U.S. system.

While large corporations with suitable credit ratings (especially export-oriented firms) can rely on corporate bond issues rather than banks for financing, bank lending continues to be the primary financing method for small and medium sized companies. However, after the "bubble" economy of the late 1980s and early 1990s, Japanese banks had a harder time maintaining strong capital positions, and consequently became more restrictive, leading to a credit crunch. In November 1996, the Japanese government embarked on a "Big Bang" financial reform initiative and in December of 2007 announced a plan to improve Japan's global competitiveness in financial services. While the actual long-term market impact of this liberalization still remains to be seen, the psychological impact in raising awareness of the potential effects of deregulation is now apparent.

Japanese banks offer regular and time deposits and checking accounts for businesses. Checks are negotiable instruments that are in effect payable to the bearer (rather than to the order of the payee, as in the United States). This limits the usefulness of checks, and in fact, most payments are made by electronic bank transfer (which costs a few hundred yen on average), or by sending cash through the postal system. The banks (and now investment/securities firms) historically waged an uphill battle against the recently privatized postal savings system for consumer deposits, but now that postal savings bank must pay taxes and deposit insurance, in addition to losing its implicit government guarantee, increased competition in the banking sector has already begun.

Personal checking accounts are almost unknown in Japan. Most individuals use electronic bank transfers to settle accounts. Cash settlement is also very common and the Post Office has a mechanism for payment by "cash envelope" which is widely used in direct marketing and other applications. Many Japanese banks now operate 24-hour cash machines (as do some credit card companies). Bank and other credit cards are easy to obtain and are widely accepted. The consumer credit card market reached nearly 15 trillion yen in 2004, equivalent to 5.3 percent of personal consumption. Some bank credit cards offer revolving credit, but in most cases balances are paid in full monthly via automatic debiting from bank accounts.

The relationship among trading company, end user and exporter is an important feature of the financing environment in Japan. The Japanese general trading company (*sogo shosha*) is an integrated, comprehensive organization that embraces a range of functions including marketing and distribution, financing and shipping and the gathering of commercial information. It performs functions that in the United States would be carried out by import/export companies, freight forwarders, banks, law firms, accounting firms and business consultants. Thus, U.S. firms dealing with trading companies should familiarize themselves with the financing capabilities of such firms.

Foreign-Exchange Controls

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Foreign exchange regulations have almost no impact on normal business transactions.

U.S. Banks and Local Correspondent Banks

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Besides seven U.S. banks with branches in Japan, many U.S. banks have correspondent relationships with Japanese banks, which themselves have many branches and subsidiaries in the United States.

Commercial Banks in Japan

Resona Bank

2-1 Bingomachi 2-chome, Chuo-ku, Osaka 540-8610

Tel: +81/6/6271-1221; fax: 6268-1337

www.resona-hd.co.jp/index-e.htm

Bank of Tokyo-Mitsubishi UFJ

2-7-1 Marunouchi, Chiyoda-ku, Tokyo 100-8388

Tel: +81/3/3240-1111; fax: 3240-4764

www.bk.mufg.jp/english/

Development Bank of Japan

1-9-1 Ohtemachi, Chiyoda-ku, Tokyo 100-0004

Tel: +81/3/3244-1770; fax: 3245-1938

www.dbj.go.jp/english/

Japan Bank for International Cooperation

1-4-1 Ohtemachi, Chiyoda-ku, Tokyo 100-8144

Tel: +81/3/5218-3579; fax: 5218-3968

www.jbic.go.jp/english/index.php

Mizuho Corporate Bank

1-3-3 Marunouchi, Chiyoda-ku, Tokyo 100-8210

Tel: +81/3/3214-1111

www.mizuhocbk.co.jp/english/

Sumitomo Mitsui Banking Corporation

1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006

Tel: +81/3/5512-3411; fax: 5512-4429

www.smbc.co.jp/global/index.html

Multilateral Development Bank Offices in Japan:

Asian Development Bank
Second floor, Yamoto Seimei Building
1-1-7 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011
Tel: +81/3/3504-3160; fax: 3504-3165
E-mail: adbjro@adb.org or www.adb.org/

Project Financing

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General Availability of Financing

While some large U.S. companies in Japan enjoy strong relationships with the larger Japanese "city banks," most medium and small-sized U.S. firms have stated that it is difficult to secure the specific type of trade financing services needed for importing and distribution. In Japan, credit evaluation is heavily asset-based, and real estate is still favored as collateral despite the collapse of "bubble" era valuations. Moreover, a firm's ability to borrow may also be based on its personal relationships and rapport with bank officials rather than on typical U.S. standards of credit-worthiness. Some smaller firms report that they have been forced to secure needed financing from offshore sources. For U.S. companies with operations in Japan, teaming up with Japanese partners in a joint venture has been effective as a way to receive better treatment from Japanese banks.

While most American banks operating in Japan do engage in lending to subsidiaries of U.S. companies (especially their home market clients), many of them focus on higher value-added lines of business than conventional credit products. When a Japanese bank extends credit to a foreign-owned company in Japan, it generally evaluates the financial status of both the borrower and its parent company. Even in cases where the Japanese subsidiary is financially strong, the parent company is often requested to guarantee the obligation (although a "Letter of Awareness" may be accepted in lieu of a guarantee).

Types of Export Financing and Insurance

The Government of Japan's programs to promote imports and foreign investment in Japan include tax incentives, loan guarantees, low-cost loans to Japanese and foreign investors for import infrastructure through the Development Bank of Japan and other loan programs. Underscoring the Government's emphasis on import promotion, both the Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) have established import divisions.

Four major public financing corporations, the Japan Bank for International Cooperation, the Development Bank of Japan, the Japan Finance Corporation for Small Business and the National Life Finance Corporation, now make low-interest loans to encourage imports to and investment in Japan. In addition, the services of the Japan Regional Development Corporation, a government-affiliated institution that develops business parks and provides long-term loans at low interest rates, are available to foreign companies.

The Japan Bank for International Cooperation's import credit program for manufactured goods aims to provide support for the import of manufactured goods from developed countries to Japan. Five-year secured or guaranteed loans up to 70 percent loan-to-value and credit lines at preferential interest rates are available to importers, distributors and retailers incorporated in Japan who plan to increase their imports of manufactured goods excluding food products 10 percent or more over the previous year. Direct 70 percent loan-to-value long-term loans are also available to foreign exporters for the purchase of manufactured goods to be exported to Japan under deferred-payment terms, as well as to foreign manufacturers and intermediary financial institutions for investment in production facilities and equipment to be used to produce goods for the Japanese market.

The Development Bank of Japan (DBJ) offers loans designed to increase imports into Japan. These loans are available to Japanese companies with at least 33 percent foreign capital or registered branches in Japan of non-Japanese companies for 40 to 50 percent of project costs for the expansion of business operations in Japan.

The Japan Finance Corporation for Small Business and National Life Finance Corporation has expanded their program to facilitate import sales. The program aims to provide support to small-scale retailers, wholesalers and importers in Japan for investments to increase imports to Japan. A program between U.S. Eximbank and the Export-Import Insurance Division of METI (EID/METI) provides for co-financing insurance for U.S. exports to developing countries. EID/METI will also be providing advance payment insurance for U.S. exports to Japan. For additional details on these and other cooperative financing programs, U.S. companies should contact U.S. Eximbank.

No insurance for U.S. exporters is available from the Japanese Government.

Other Financing

Japan has been a member of the Multilateral Investment Guarantee Agency (MIGA) since it was established in 1988. In addition to the investment loan programs from Japanese Government-affiliated lenders described above, prefectures and municipalities offer various incentives, including construction, land acquisition and labor hiring subsidies, special depreciation of business assets, tax deferrals for replacement of specific assets, exemption from special land-owning taxes assessed by municipalities and prefectural and municipal real estate acquisition, enterprise and municipal property tax reductions. In addition, most prefectures offer loan programs to encourage companies to establish local operations.

Japan's venture capital specialist funds are only half the size of those in the United States. Traditionally the top Japanese venture capital companies have acted more like quasi-banks than venture capital firms. Also, Financial Services Agency guidance to brokers to set tough standards for companies seeking to go public results in even the best companies taking up to a decade to get a listing on the over-the-counter stock market – less than 1000 over-the-counter stocks are listed on the nine-year-old JASDAQ, Japan's electronic OTC market.

Types of Projects Receiving Financing Support: In line with the Cabinet Decision in March 1995, the Export-Import Bank of Japan (JEXIM) and the Overseas Economic

Cooperation Fund (OEFC) merged on October 1, 1999, creating a new institution, the Japan Bank for International Cooperation (JBIC).

JBIC is a governmental institution that deals with external economic policy issues such as encouraging exports, securing access to energy resources, promoting direct overseas investments and improving Japan's external imbalances through financial assistance to the trade and investment activities of Japanese companies.

The financial facilities offered by JBIC include export loans, import loans, overseas investment loans and untied loans. JBIC also provides loan guarantees to private financial institutions, short-term loans designed to finance the external transactions of the governments of developing nations (bridge loans), and equity participation in the overseas projects of Japanese companies.

JBIC's international financial operations focus on projects in developing countries where local financial institutions cannot provide financing on their own. As JBIC's mandate is the support of internationalization for Japanese companies, its loans can be distinguished from Overseas Economic Cooperation operations, which targets the economic development of developing countries.

Overseas Investment Loans and Overseas Project Loans: These loans are typically granted via JBIC and extended to Japanese corporations for overseas investment activities and overseas projects. Overseas investment loans can also be made to overseas joint ventures involving Japanese capital and to foreign governments for capital investments or loans to joint ventures involving Japanese capital.

Un-Tied Loans: Extended to foreign governments, foreign governmental institutions, foreign financial institutions (including multilateral development banks), foreign corporations, and so forth for high-priority projects and economic restructuring programs in developing countries. These loans are not tied to the procurement of goods and services from Japan but are restricted to the specific purposes designated for each loan. These loans are managed by JBIC.

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Asian Development Bank (ADB): www.adb.org/

ADB Japan Representative Office: www.adb.org/JRO/default.asp

Development Bank of Japan (DBJ): <http://www.dbj.go.jp/english/>

Export-Import Bank of the United States: www.exim.gov/

Ex-Im Country Limitation Schedule: www.exim.gov/tools/country/country_limits.html

Overseas Private Investment Corporation (OPIC): www.opic.gov/

Japan Bank for International Cooperation (JBIC): <http://www.jbic.go.jp/english>

Japan External Trade Organization (JETRO): www.jetro.go.jp/

Japan Finance Corporation for Small and Medium Enterprise: www.jasme.go.jp

Japan Ministry of Economy, Trade and Industry (METI): www.meti.go.jp/english/

Japan Ministry of Foreign Affairs (MOFA): <http://www.mofa.go.jp/>

Small Business Administration Office of International Trade: www.sba.gov/oit/

U.S. Agency for International Development: <http://www.usaid.gov>

USDA Commodity Credit Corporation: www.fsa.usda.gov/cc/default.htm

U.S. Trade and Development Agency: www.tda.gov/

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Business Customs

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An understanding of Japanese business and social practices is useful, if not required, in establishing and maintaining successful business relationships in Japan. Indifference to local business practices can indicate a lack of commitment on the part of the exporter, and may lead to misunderstandings and bad feelings, which could result in the loss of business opportunities. One should not assume that because meetings and correspondence are carried out in English that Western social and business norms apply.

Japanese society is complex, structured, hierarchical and group-oriented. It places strong emphasis on maintaining harmony and avoiding direct confrontation. Japanese religious practice tends to be socially oriented and selective rather than a matter of deep personal commitment; ethics tend to be situational. In building relationships (which often precede a first-time sale or an agreement) one should emphasize trust, confidence, loyalty and commitment for the long term.

Group decision-making is important in Japan and has been generally described as a “bottom up” exercise rather than “top down.” Family businesses founded since WWII and smaller second-tier firms are exceptions to this rule. However, even in the large family firms, where decisions are made at the top, the process is usually managed so that company members have a sense of participation. This type of group decision-making tends to be slower. Recognizing that it takes a longer time to cultivate business relationships in Japan than in the United States, American business executives should not expect to make a deal in just a few days. Consistent follow-up is vital. Likewise, American business people should recognize the importance of working with the staff level of their Japanese counterparts and not exclusively with the executive level.

Gift giving is expected on many business occasions in Japan. Regional U.S. gifts or company-logo gifts are appropriate. Quality is important, but the gift does not have to be expensive. The packaging of the gift is as important as the gift itself and should be done professionally. In Japan, sets of four are considered unlucky (the number four is pronounced the same as the word for death). Gifts that can be shared among a group are appropriate.

Business travelers to Japan should make sure to bring a large supply of business cards (with their title) when they come to Japan; printing bilingual cards is a nice touch. Business cards are exchanged to formalize the introduction process and establish the status of the parties relative to each other. Japanese bow when greeting each other but will expect to shake hands with foreign executives. A slight bow in acknowledgment of a Japanese bow is appreciated. Japanese executives deal on a last name basis in business relationships, and initial business and social contacts are characterized by politeness and formality.

Business travelers visiting a Japanese firm for the first time should be accompanied by an interpreter or bilingual assistant. Many Japanese executives and decision-makers do not speak English, although many of them can greet visitors in English and read English product literature relevant to their business or industry expertise. Generally speaking, Japanese are weaker at hearing and speaking English, and more adept at reading and writing. Thus, the Japanese side in a business meeting generally expects a visitor to bring an interpreter if they are serious about doing business. Although the cost for hiring an interpreter can be very high (USD 400 to USD 900 per day depending on class), bringing along an interpreter shows that a visiting firm is serious about seeking to market their products/services in Japan.

The first visit to a Japanese firm generally serves as a courtesy call to introduce American executives and their company, and also allows the U.S. side to begin to evaluate a target company and its executives as potential business partners. A request to meet only with English speaking staff can mean missing the opportunity to become acquainted with higher-ranking executives.

A written contract, even if less detailed than a contract between two U.S. companies, is essential to meet legal, tax, customs and accounting requirements. Contractual commitments are perceived as representing long-term relationships so the terms and conditions, for example whether to grant exclusive rights, should be considered carefully.

Japan's travel infrastructure is on a par with that of the United States. All business and tourist traveler services are available. For additional information on traveling to Japan, contact the Japan National Tourist Organization (JNTO) in New York at: tel: (212) 757-5640; fax: (212) 307-6754, or visit JNTO's website at www.jnto.go.jp/.

U.S. business travelers to Japan seeking appointments with U.S. Embassy Tokyo officials should contact the Commercial Section in advance. The Commercial Section can be reached by fax at +81/3/3589-4235 or by e-mail to tokyo.office.box@mail.doc.gov.

Travel Advisory

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There are no State Department travel advisories for Japan. Japan has long been noted for its low crime and safe streets.

Crimes against U.S. citizens in Japan are rare and usually only involve personal disputes, theft, or vandalism. Crime is at levels well below the U.S. national average. Violent crime is rare, but does exist. Incidents of pick pocketing of foreigners in crowded shopping areas, on trains and at airports have been a sporadic concern. Some

Americans believe that Japanese police procedures appear to be less sensitive and responsive to a victim's concerns than would be the case in the United States, particularly in cases involving domestic violence and sexual assault. Few victim's assistance resources or battered women's shelters exist in major urban areas, and are generally unavailable in rural areas. Investigations of sexual assault crimes are often conducted without women police officers present and typically involve inquiries into the victim's sexual history and previous relationships. Quality of translations can vary significantly, and has proven unsettling to some American victims.

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html.

Visa Requirements

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A valid U.S. passport is necessary to enter and travel in Japan. By Japanese law, non-residents are required to carry their passports (or their Alien Registration Card if staying longer than 90 days) at all times.

A visa is not required for short-term business visits (up to 90 days). It is not required to have a round-trip ticket, although it is recommended. A work or investor visa may take up to two months to obtain. Immunization and health certificates are not required. Foreigners remaining in Japan longer than 90 days must obtain an Alien Registration Card, available free of charge from the municipal office of the city or ward of residence in Japan.

Upon arrival, going through both immigration and customs checks are essentially a formality for U.S. business travelers as long as passport and air ticket are in order. Starting November 20, 2007, all foreign nationals entering Japan, with the exemption of certain categories listed below, are required to provide fingerprint scans and be photographed at the port of entry. This requirement does not replace any existing visa or passport requirements. Foreign nationals exempt from this new requirement include special permanent residents, persons under 16 years of age, holders of diplomatic or official visas, and persons invited by the head of a national administrative organization.

U.S. travelers on official business must have a diplomatic or official visa specifying the nature of travel as "As Diplomat," "As Official," or "In Transit" to be exempt from biometric collection. All other visa holders, including those with diplomatic and official visas stating "As Temporary Visitor," are subject to this requirement. SOFA personnel are exempt from the new biometrics entry requirements under SOFA Article 9 (2).

Passengers are advised to exchange some U.S. dollars for yen before leaving the airport.

The web address for the Consular Section of the U.S. Embassy in Tokyo is: tokyo.usembassy.gov/e/tvisa-main.html

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Sufficient time must be allowed for visa issuance if required. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>
United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Telecommunications

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Japan has one of the world's most advanced, state-of-the-art telecommunications systems. Almost all Japanese own at least one mobile telephone and use them constantly for text messaging, e-mail, and downloading information from the Internet in addition to making telephone calls. Fiber optic cable, traditional cable, dial-up, and other Internet services, including Internet T-1 lines, are almost ubiquitous in the cities and are only slightly less unavailable in the rural areas. Public phones, some of which accept only pre-paid cards, are still common but are starting to disappear from previous near-saturation levels as nearly all communication goes mobile. To call the United States and Canada from Japan, one must dial 0101 before the ten-digit U.S. telephone number.

CS Japan frequently receives questions from visiting businesspeople about the ability of their phones to work in Japan. Unfortunately, due to differing technologies, the only foreign phones that work in Japan are some 3G models, however the number of compatible phones is increasing. Some phones that have "international roaming" rights, may work, but the calls will be very expensive. To determine if a particular phone is usable in Japan, please contact your service provider prior to visiting Japan. Mobile phones that work in Japan are available for rent at most major airports. The same is true for Blackberries and other hand held devices. DoCoMo, Japan's largest mobile operator, has issued some Blackberries that work in Japan, but these models are for corporate accounts only.

Guide to phones in Japan
<http://www.japan-guide.com/e/e2223.html>

DoCoMo press release about Blackberry
<http://www.nttdocomo.com/pr/2006/001271.html>

Transportation

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Japan has excellent, modern highways and roads linking all parts of country. Traffic conditions on expressways and in cities are often very congested, however. Most major intercity highways operate on a toll basis, and tolls are extremely expensive, making passenger railroad service very competitive, especially for the foreign visitor.

Japan boasts the world's densest and most modern passenger railroad system, with fast, frequent services to all parts of the country. Japan's famous *shinkansen* high-speed rails lines link Tokyo with Japan's major business centers at speeds of up to 185 mph. All of Japan's large cities have highly developed subway and commuter train service. Taxi service is available everywhere.

Language

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The national language of Japan is Japanese (*nihongo*) and is spoken and understood all over the country. English is a required subject in Japanese high schools, and it is by far the most widely known foreign language in Japan. International business correspondence and negotiations in Japan are almost always conducted in English. This being said, however, most Japanese, including business executives, have only a very imperfect understanding and command of English, although there are of course exceptions. Japanese business executives often read English much better than they can speak it or understand it when spoken. It is advisable, therefore, to be accompanied by a competent professional interpreter to all business meetings, especially an initial contact where you might be unsure of your counterparts' mastery of English.

Overseas visitors interested in the Japanese language can visit the following web sites: "Some Notes on Japanese Grammar" www.csse.monash.edu.au/~jwb/jgrammar.html "Japanese for the Western Brain" kimallen.sheepdogdesign.net/Japanese/index.html Jim Breen's Japanese Page www.csse.monash.edu.au/~jwb/japanese.html

Health

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Japan poses no medical health risks to the business traveler. While medical care in Japan is good, English-speaking physicians and medical facilities that cater to Americans' expectations are expensive and not very widespread. Japan has a national health insurance system, which is only available to foreigners with long-term visas for Japan. National health insurance does not pay for medical evacuation or medical care outside of Japan. Medical caregivers in Japan require payment in full at the time of treatment or concrete proof of ability to pay before treating a foreigner who is not a member of the national health insurance plan. Most major credit cards are accepted.

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html.

Local Time, Business Hours, and Holidays

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Time: Japan is 14 hours ahead of U.S. Eastern Standard Time (EST) and 13 hours ahead of Eastern Daylight Time (EDT) from April to October. Consequently, 8:00 a.m. EST in New York City corresponds to 10:00 p.m. the same day in Tokyo. 8:00 p.m. EST in New York City corresponds to 10:00 a.m. *the next day* in Tokyo.

Hours: The typical Japanese workweek is Monday through Friday, 9:00 a.m. to 5:00 p.m., although many Japanese office workers put in long hours of overtime. Flex work hours have become popular at some large companies. Interestingly, the overwhelming majority of Japanese take their lunch break promptly at 12:00 noon and return to the office at 1:00 p.m. sharp.

Holidays: When a national holiday falls on a Sunday, the following Monday is a compensatory day. In addition, many Japanese companies and government offices traditionally close during the New Year's holiday season (December 28-January 3), "Golden Week" (April 29-May 5) and the traditional "O-Bon" Festival (usually August 12-15).

In 2008, Japan will observe the following official national holidays:

New Year's Day	January 1 (Tuesday)
Adult's Day	January 14 (Monday)
National Foundation Day	February 11 (Monday)
Vernal Equinox Day	March 20 (Thursday)
Showa Day	April 29 (Tuesday)
Constitution Memorial Day	May 3 (Saturday)
Greenery Day	May 4 (Sunday, to be observed Tuesday, May 6)
Children's Day	May 5 (Monday)
Marine Day	July 21 (Monday)
Respect for the Aged Day	September 15 (Monday)
Autumnal Equinox Day	September 23 (Tuesday)
Health & Sports Day	October 13 (Monday)
National Culture Day	November 3 (Monday)
Labor Thanksgiving Day	November 23 (Sunday, to be observed Monday, Nov. 24)
Emperor's Birthday	December 23 (Tuesday)

Temporary Entry of Materials and Personal Belongings

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There is no restriction for temporary entry of laptop computers and software for personal use. Regarding materials for exhibits, Japan is a member of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials under the ATA *carnet* System (www.atacarnet.com/). Use of a *carnet* allows goods such as commercial and exhibition samples, professional equipment, musical instruments and television cameras to be carried or sent temporarily into a foreign country without paying duties or posting bonds. These goods cannot be sold. A *carnet* should be arranged for in advance by contacting a local office of the United States Council for International Business or its helpline at (800) ATA-2900.

Web Resources

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Doing business in Japan:

U.S. Commercial Service Japan: www.buyusa.gov/japan/en/doing.html

Venture Japan: Doing Business in Japan

How to Succeed in the Japanese Market: www.venturejapan.com/index.htm

Consular information & official travel advisories for Japan:

U.S. Department of State: travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

U.S. visas:

U.S. Department of State: travel.state.gov/visa/index.html

U.S. Embassy Tokyo Consular Section: tokyo.usembassy.gov/e/tvisa-main.html

Japanese customs, etiquette, and culture:

www.japan-guide.com/

www.thejapanfaq.com/

www.planettokyo.com/

Japanese language:

"Some Notes on Japanese Grammar"

www.csse.monash.edu.au/~jwb/jgrammar.html

"Japanese for the Western Brain"

kimallen.sheepdogdesign.net/Japanese/index.html

Jim Breen's Japanese Page

www.csse.monash.edu.au/~jwb/japanese.html

Business infrastructure:

Japan National Tourist Organization (JNTO): www.jnto.go.jp/

Health:

U.S. Department of State; Consular Information Sheet for Japan

travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

Temporary entry of materials under the *carnet* system: www.atacarnet.com/

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U.S. EMBASSY TRADE PERSONNEL

Commercial Service Tokyo

John Peters, Minister-Counselor for Commercial Affairs
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5060; fax: 3589-4235
Web: www.buyusa.gov/japan/en/

Patrick Santillo, Counselor for Commercial Affairs

Pat Cassidy, Commercial Attaché (Major Projects Unit)
John Fleming, Commercial Attaché (Advanced Technologies Unit)
Dean Matlack, Commercial Attaché (Market Access and Compliance Unit)
Helen Peterson, Commercial Attaché (Healthcare, Fisheries and Tourism Unit)
Catherine Spillman, Commercial Attaché (Consumer Goods Unit)

Commercial Service Osaka-Kobe

Bradley Harker, Commercial Consul
U.S. Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543
Tel: +81/6/6315-5957; fax: 6315-5963
E-mail: osaka-kobe.office.box@mail.doc.gov

Commercial Service Nagoya

Edward Yagi, Commercial Consul
U.S. Consulate Nagoya, Nagoya International Center Building, 6F
47-1 Nagono 1-chome, Nakamura-ku, Nagoya 450-0001
Tel: +81/52/581-4451; fax: 581-4532
E-mail: nagoya.office.box@mail.doc.gov

Commercial Service Sapporo

Ian Hillman, Economic/Commercial Officer
Misa Shimizu, Commercial Specialist
U.S. Consulate General Sapporo, Nishi 28, Kita 1, Chuo-ku; Sapporo 064-0821
Tel: +81/11/641-1115; fax: 643-1283
E-mail: misa.shimizu@mail.doc.gov

Consulate Fukuoka

James Crow, Economic/Commercial Officer
American Consulate Fukuoka, 2-5-26 Ohori, Chuo-ku, Fukuoka 810-0052
Tel: +81/92/751-9331; fax: +81/92/725-3772

E-mail: james.crow@mail.doc.gov

Consulate General Naha (Okinawa)
Kevin Maeher, Consul General
Akinori Hayashi, Commercial Specialist
American Consulate General Naha, 2-1-1 Toyama, Urasoe City
Okinawa 901-2101
Tel: +81/98/876-4211; fax:876-4243
E-mail: HayashiAX@state.gov

Foreign Agricultural Service
Daniel Berman, Minister-Counselor for Agricultural Affairs
Paul Spencer, Senior Agricultural Attaché
Deanna Ayala, Agricultural Attaché
Stephen Wixom, Agricultural Attaché
U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
(U.S. Address: Unit 45004, Box 226, APO AP 96337-5004)
Tel: +81/3/3224-5105; fax:3589-0793
Web: www.usdajapan.org/
E-mail: agtokyo@usda.gov

Agricultural Trade Office (Tokyo)
Michael Conlon, Director
U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420
(U.S. Address: Unit 45004, Box 241, APO AP 96337-5004)
Tel: +81/3/3505-6050; fax: 3582-6429
Web: www.usdajapan.org/
E-mail: atotokyo@usda.gov

Agricultural Trade Office (Osaka)
Masahiro Matsumoto, Senior Marketing Specialist
American Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543
(U.S. Address: Unit 45004, Box 239, APO AP 96337-5004)
Tel: +81/6/6315-5904; fax:6315-5906
Web: www.usdajapan.org/
E-mail: atoosaka@usda.gov

Economic Section (State Department)
Robert Cekuta, Minister-Counselor for Economic Affairs
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5022; fax: 3224-5010

Energy Department
Ronald Cherry, Energy Attaché
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5444; fax: 3224-5769

Treasury Department
Maureen Grewe, Financial Attaché
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5486; fax: 3224-5490

CHAMBERS OF COMMERCE/TRADE ASSOCIATIONS

American Chamber of Commerce in Japan (ACCJ)

Sam Kidder, Executive Director

Masonic 39 MT Bldg. 10F; 2-4-5 Azabudai, Minato-ku; Tokyo 106-0041

Tel: +81/3/3433-5381; fax: 3433-8454

Web: www.accj.or.jp/

American Chamber of Commerce in Japan (ACCJ) Kansai Chapter

Keizo Yamada, Kansai Administrative and Membership Director

Dojima Park Bldg. 5F, 1-1-8 Dojimahama, Kita-ku, Osaka 530-0004

Tel: +81/6/6345-9880; fax: 6345-9890

Web: www.accj.or.jp/content/01_home/kansai

American Chamber of Commerce in Japan (ACCJ) Chubu Chapter

Noriko Kato, Chubu Operations Manager

Marunouchi Fukao Bldg. 5F; 2-11-24 Marunouchi, Naka-ku, Nagoya 460-0002

Tel: +81/52/229-1525; fax: 222-8272

Web: www.accj.or.jp/content/01_home/chubu

Japan Business Federation (Nippon Keidanren)

International Economic Affairs Bureau

1-9-4 Otemachi, Chiyoda-ku, Tokyo 100-8188

Tel: +81/3/5204-1550; fax: 5255-6231

Web: www.keidanren.or.jp/

Japan Association of Corporate Executives (Keizai Doyukai)

Nihon Kogyo Club Bldg. Annex 5F, 1-4-6 Marunouchi, Chiyoda-ku, Tokyo 100-0005

Tel: +81/3/3284-0220; fax: 3212-3774

Web: www.doyukai.or.jp/en/

Japan Foreign Trade Council, Inc.

International Affairs and Research Group

World Trade Center Bldg. 6F, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6106

Tel: +81/3/3435-5950; fax: +81/3/3435-5979

Web: www.jftc.or.jp/english/home_e.htm

Japan-U.S. Business Council

Otemachi Bldg., Room 439, 1-6-1 Otemachi, Chiyoda-ku, Tokyo 100-0004

Tel: +81/3/3216-5823; fax: 3284-1576

Web: www.jubc.gr.jp/eng/index.html

Japan Chamber of Commerce and Industry

International Division

Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005

Tel: +81/3/3283-7601; fax: 3216-6497

Web: www.jccci.or.jp/home-e.html

Tokyo Chamber of Commerce and Industry

International Division

Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81/3/3283-7601; fax: 3216-6497
Web: www.tokyo-cci.or.jp/english/index.html

Osaka Chamber of Commerce and Industry
International Division
2-8 Honmachi-bashi, Chuo-ku, Osaka 540-0029
Tel: +81/6/6944-6404; fax: 6944-6409
Web: www.osaka.cci.or.jp/e/

Kansai Economic Federation (Kankeiren)
International Affairs Bureau
Nakanoshima Center Bldg. 30F, 6-2-27, Nakanoshima, Kita-ku, Osaka 530-6691
Tel: +81/6/6441-0104; fax: 6441-0443
Web: <http://www.kankeiren.or.jp/English/>

Kansai Association of Corporate Executives (Kansai Keizai Doyukai)
Executive & Administrative Dept./Planning & Research Dept.
Nakanoshima Center Bldg. 28F, 6-2-27, Nakanoshima, Kita-ku, Osaka 530-6691
Tel: +81/6/6441-1031; fax: 6441-1030
Web: www.kansaidoyukai.or.jp/

Nagoya Chamber of Commerce & Industry (NCCI)
International Group
2-10-19 Sakae, Naka-ku, Nagoya 460-8422
Tel: +81/52/223-5729; fax: 232-5751
Web: www.nagoya-cci.or.jp/eng/

Kyushu Economic Federation (Kyuokeiren)
Fukuoka Sanwa Bldg., 1-10-24 Tenjin, Chuo-ku, Fukuoka 810-0001
Tel: +81/92/761-4261; fax: 724-2102
Web: www.kyuokeiren.or.jp/english/index.html

Fukuoka Chamber of Commerce and Industry
International Center
9-28 Hakata Ekimae 2-chome, Hakata-ku, Fukuoka 812-8505
Tel: +81/92/441-1117; fax: 411-1600
Web: <http://www.fukunet.or.jp/english/index.html>

Fukuoka Foreign Trade Association
Elgala Bldg., 7F, 4-2 Tenjin 1-chome, Chuo-ku, Fukuoka 810-0001
Tel: +81/92/724-7131; fax: 735-4205
Web: www.fukuoka-fta.or.jp/

AGRICULTURAL TRADE ASSOCIATIONS

Japan Chain Stores Association
Toranomom NN Bldg., 11F., 1-21-17 Toranomom, Minato-ku, Tokyo 105-0001
Tel: +81/3/5251-4600; fax: 5251-4601
Web: www.jcsa.gr.jp/

Japan Confectionery Association
6-9-5 Shimbashi, Minato-ku, Tokyo 105-0004
Tel: +81/3/3431-3115; fax: 3432-1660
E-mail: anka-0@nifty.com

Japan Convenience Foods Industry Association
Kimura Bldg. 3F, 5-5-5 Asakusabashi, Taito-ku, Tokyo 111-0053
Tel: +81/3/3865-0811; fax: 3865-0815
E-mail: daihyo@sokuseki-kyokai.com
Web: www.instantramen.or.jp/english/index.html

Japan Dairy Industry Association
Nyugyo Kaikan 4F, 1-14-19 Kudan Kita, Chiyoda-ku, Tokyo 102-0073
Tel: +81/3/3261-9161; fax: 3261-9175
Web: www.jdia.or.jp/

Japan Dehydrated Vegetable Association
1-9-12 Irifune, Chuo-ku, Tokyo 104-0042
Tel: +81/3/5117-2661; fax: 3552-2820
E-mail: kaz@primero.jp

Japan Food Service Association
1-29-6, Hamamatsucho, Minato-ku, Tokyo 105-0013
Tel: +81/3/5403-1060; fax: 5403-1070
E-mail: info-jf@jfnet.or.jp
Web: www.jfnet.or.jp/

Japan Frozen Food Association
Katsuraya Dai 2 Bldg. 6F, 10-6 Nihonbashi Kobunacho, Chuo-ku, Tokyo 103-0024
Tel: +81/3/3667-6671; fax: 3669-2117
E-mail: info@reishokukyo.or.jp
Web: www.reishokukyo.or.jp/

Japan Fruit Juice Association
Zenkoku Tobacco Bldg., 3F., 1-10-1 Shibadaimon, Minato-ku, Tokyo 105-0012
Tel: +81/3/3435-0731; fax: 3435-0737
E-mail: kaju-kyo@cello.ocn.ne.jp
Web: www.kaju-kyo.ecnet.jp/

Japan Health Food & Nutrition Food Association
2-7-27 Ichigaya Sadohara-cho, Shinjuku-ku, Tokyo 162-0842
Tel: +81/3/3268-3134; fax: 3268-3136
E-mail: jhnfa@jhnfa.org
Web: www.jhnfa.org/

[Japan Nut Association](#)
[Nihonbashi Izumi Bldg., 5F., 2-17-9 Nihonbashi Kayabacho, Chuo-ku, Tokyo 103-002](#)
Tel: +81/3/5649-8572; fax: 5649-8573
E-mail: jna@jt5.so-net.ne.jp
Web: www.jna-nut.com/index.htm

Japan Self-Service Association
Sakurai Bldg. 6F, 3-19-8 Uchi-kanda, Chiyoda-ku, Tokyo 101-0047
Tel: +81/3/3255/4825; fax: 3255-4826
E-mail: selkyo@jssa.or.jp
Web: www.jssa.or.jp/

Japan Restaurant Association
BM Kabutocho Bldg., 11-7 Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-0026
Tel: +81/3/5651-5601; fax: 5651-5602
E-mail: info@jpnrestaurant.org
Web: www.joy.ne.jp/restaurant/

Japan Wine And Spirits Importers' Association
Daiichi Tentoku Bldg., 1-13-5 Toranomon, Minato-ku, Tokyo 105-0001
Tel: +81/3/3503-6505/6506; fax: 3503-6504
Web: www.youshu-yunyu.org/english/index.html

JAPANESE GOVERNMENT AGENCIES

Ministry of Economy, Trade and Industry (METI)
Trade & Investment Facilitation Division
1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8901
Tel: +81/3/3501-1662; fax: 3501-2082
Web: www.meti.go.jp/english/index.html

Japan External Trade Organization (JETRO)
Invest Japan Dept., Market Entry Division
Ark Mori Bldg., 6F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006
Tel: +81/3/3582-5410; fax: 3584-6024
Web: www.jetro.go.jp/

JETRO "Invest Japan" Business Support Center
Ark Mori Bldg., 7F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006
Tel: +81/3/3582-4685; fax: 3584-6024
Web: www.jetro.go.jp/en/invest/investmentservices/ibsc/

Manufactured Imports and Investment Promotion Organization (MIPRO)
World Import Mart 6F, 3-1-3 Higashi-Ikebukuro, Toshima-ku, Tokyo 170-8630
Tel: +81/3/3988-2791; fax: 3988-1629
Web: http://www.mipro.or.jp/

For further contact information of Japanese government agencies and quasi-governmental organizations, please contact Commercial Service Japan offices.

MARKET RESEARCH FIRMS IN JAPAN

A.T. Kearney K.K.
ARK Mori Bldg. East 32F, 1-12-32 Akasaka, Minato-ku, Tokyo 107-6032
Tel: +81/3/5561-9155; fax: 5561-9190
Web: www.atkearney.com/

Boston Consulting Group K.K.
New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo 102-0094
Tel: +81/3/5211-0300; fax: 5211-0333
Web: www.bcg.com/

Deloitte Touche Tohmatsu
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Tel: +81/3/3457-7321; fax: 3457-7426
Web: www.deloitte.com/

Fuji Chimera Research Institute, Inc.
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Tel: +81/3/3664-5841; fax: 3661-6920
Web: www.fcr.co.jp/en/index.html

Japan Research Institute, Ltd.
16 Ichibancho, Chiyoda-ku, Tokyo 102-0082
Tel: +81/3/3288-4700; fax: 3288-4750
Web: <http://www.jri.co.jp/english/index.html>

Nikkei Research Inc.
Park Side 1 Bldg., 2-2-7 Kanda Tsukasa-cho, Chiyoda-ku, Tokyo 101-0048
Tel: +81/3/5296-5103; fax: 5296-5107
Web: <http://www.nikkei-r.co.jp/english/>

UFJ Institute Ltd.
Shimbashi Sanwa Toyo Bldg., 1-11-7 Shimbashi, Minato-ku, Tokyo 105-8631
Tel: +81/3/3572-9030; fax: 3572-6230
Web: <http://www.murc.jp/english/index.html>

Yano Research Institute Ltd.
Nakanosakaue Central Bldg., 2-46-2 Honcho, Nakano-ku, Tokyo 164-8620
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Web: www.yanoresearch.com/

U.S. FEDERAL GOVERNMENT

U.S. Commerce Dept. Trade Information Center, Washington DC
Tel: 1-800-USA-TRADE; fax: 202-482-4473
Email: tic@ita.doc.gov
Web: www.trade.gov/td/tic/

U.S. Department of Commerce
Israel Hernandez, Assistant Secretary
Director General of the U.S. Commercial Service
International Trade Administration
1401 Constitution Avenue, N.W., Washington, DC 20230
Web: www.export.gov/

U.S. Commerce Dept. Market Access and Compliance Country Desk
Office of Japan

International Trade Administration
Room 2320, 14th Street and Constitution Avenue, N.W.
Washington, DC 20230
Tel: 202-482-2515; fax: 202-482-0469
Email: Nicole.Melcher@mail.doc.gov
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U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave., S.W., Washington, DC 20250
E-mail: info@fas.usda.gov
Web: www.fas.usda.gov/

U.S. Department of State
Commercial and Business Affairs Office
2201 C Street, N.W., Room 2318, Washington, DC 20520
Tel: 202-647-1625; fax: 202-647-3953
E-mail: cbaweb@state.gov
Web: www.state.gov/business

Export-Import Bank of the United States (Ex-Im Bank)
811 Vermont Avenue, N.W.
Washington, DC 20571
Tel: (202) 565-3946 (EXIM) or (800) 565-3946 (EXIM)
E-mail: info@exim.gov
Web: www.exim.gov/

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
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Web: www.opic.gov/

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to these sites is required, but free of charge.

In addition, each year the Foreign Agricultural Service offices in Tokyo and Osaka prepare more than 100 reports on food market developments in Japan. These include sector studies, product-specific market briefs and reports on market-opening and other trade policy developments. All reports are available on-line by accessing the Foreign Agricultural Service web site at www.fas.usda.gov/scripts/attacherep/default.asp.

Please click on the link below for information on upcoming trade events.

www.export.gov/tradeevents.html

Please click on the link below for information regarding upcoming trade events in Japan specifically: www.buyusa.gov/japan/en/event.html

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/japan/en>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.