Doing Business in Japan: 2010 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Japan

Market Overview Return to top

It would be impossible to overestimate the importance of the Japanese market – either to individual U.S. companies in a wide range of industries or to America's economy as a whole. Japan is the United States' fourth largest export market, after Canada, Mexico and China, and the second largest foreign investor in the United States, with more than $230 billion invested, second only to the United Kingdom. Japan remains the world's second largest economy, with a GDP of roughly $5 trillion in 2009, slightly larger than the Chinese economy.

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 United States-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.

2010 will no doubt be a year of rebuilding for American merchandise exports to Japan, as 2009 saw U.S. goods shipments drop to $51.1 billion, a 21.4 percent decrease over 2008 – and a drop close to double that of any previous decrease for Japan. On the other hand, U.S. service exports held up well in 2009 with only a 3 percent projected decrease from $43 billion in 2008. Thus, 2009 should likely exceed the approximate $16 billion service surplus the U.S. had with Japan in 2008. Increased attention to the Japanese market by U.S. firms together with the increased purchasing power of a stronger yen could be just the trigger needed to promote increased American exports, whether they are in building materials, medical devices, or travel-to-the USA packages.

Japan enjoyed a long period of sustained, albeit shallow, economic growth from February 2002 until October 2007. However, Japanese economic policy remains focused on manufacturing. Dependent on exports, Japan was particularly hard hit by the recession in 2008, which worsened in 2009. With global production and trade bouncing back in 2009, prospects for Japan's economy may be improving but it will continue to face stiff competition for its manufacturing exports. In addition, consumer confidence once again appears shaky. Both the World Bank and the IMF forecast that Japan's GDP in 2011 will be, respectively, 4 percent or 3 percent below its high-point in 2007.

Whether or not Japan returns to growth in 2010, it is a key market for U.S. exporters of both goods and services. For many U.S. firms, Japan represents the largest and most important market in Asia. This is not only true for manufactured goods and services – at $15 billion Japan is our third largest market for agricultural exports. In addition to the sheer size of the market, there are also strategic reasons for U.S. firms to focus on this market. Japan has led the world for the past twenty years in Research and Development spending as a percentage of GDP, and Japanese firms consequently stand at the leading edge of a large number of tomorrow's technologies. A unique business culture and historical experience in a variety of market have given them their own distinctive strengths, so strategic alliances with Japanese companies, especially in highly innovative products and services, may enable U.S. firms to leverage their own advantages, either to maintain global competitiveness or to more easily tap Japanese markets. Japanese companies continue to expand their market reach throughout East Asia and their established networks provide U.S. business partners with smooth access to these important markets.

Unprecedented transformations and demographic challenges facing Japan continue to create important opportunities for American business. With the world's most aged society, and many trillions of dollars in the world's largest pool of savings, Japan offers prospects in the areas of medical care, leisure/lifestyle, education/personal development, and wealth management that are literally unprecedented. To meet these needs, internationalization is proceeding rapidly (as is immigration, in response to a serious shortfall of IT, heath care and numerous other professionals). World business will clearly benefit significantly from these trends.

It has never been easier to do business in Japan. Savvy observers agree that an active engagement with the Japanese market remains critical to the destiny of American business, both big and small alike, as well as to U.S. states seeking trade and investment with Japan. While the reasons U.S. firms engage with Japan are diverse and often complex, most firms recognize that underestimating the strategic and tactical importance of selling to and competing in the Japanese market may disadvantage them not only in Japan, but also in the U.S. and third-country markets as well.

Market Challenges

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The difficulty of penetrating the Japanese market depends to a great extent on the product or service involved. Key variables include 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 other 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 Guide.

For details on Japanese 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 Guide.

Market Opportunities

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

Aerospace
Computer Software
Cosmetics & Toiletries
Education & Corporate Training
Electronic Components
Medical Equipment
Pharmaceuticals
Renewable Energy
Safety & Security
Soil Remediation & Engineering Services
Telecommunications Equipment
Travel & Tourism

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

Market Entry Strategy Return to top

U.S. companies wishing to enter the Japanese market should consider hiring a reputable, well-connected agent or distributor, and cultivating business contacts through frequent personal visits. Japan's business culture attaches a high degree of importance to personal relationships, and these take time to establish and nurture. Patience and repeated follow-up are typically required to clinch a deal. The customs and pace of deal-making in Japan are quite different from the United States. U.S. business executives are advised to retain 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 Guide.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/4142.htm

Following the summary below, additional information is provided for: Government Role in the Economy; Infrastructure, Agricultural Products Market, and Japan’s Leading Economic Regions: Tokyo, Northern Japan, Central Japan, Kansai, Kyushu/Yamaguchi, and Okinawa.

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Japan's industrialized, free market economy is the second-largest in the world. Its economy is highly efficient and competitive in areas linked to international trade, but productivity is far lower in protected areas such as agriculture, distribution, and services. Japan's reservoir of industrial leadership and technicians, well-educated and industrious work force, high savings and investment rates, and intensive promotion of industrial development and foreign trade produced a mature industrial economy. Japan has few natural resources, and trade helps it earn the foreign exchange needed to purchase raw materials for its economy.

After achieving one of the highest economic growth rates in the world from the 1960s through the 1980s, the Japanese economy slowed dramatically in the early 1990s, when the "bubble economy" collapsed, marked by plummeting stock and real estate prices. Japan eventually emerged from the post-bubble “lost decade” of the 1990s and enjoyed its longest period of sustained, albeit modest, economic growth in the post-war era.

This all changed, however, in 2008 with the sharp downturn in the global economic situation. Japan’s economy entered recession, with negative GDP growth in 2008 (-1.2 percent) and 2009 (-5 percent). With a tepid global recovery underway, Japan is following suit. Consensus forecasts project a sluggish turnaround in 2010. The January 26, 2010, IMF World Economic Outlook Update forecasts that Japan’s GDP will grow by a modest 1.7 percent in calendar year 2010 and continue that positive trend with 2.2 percent growth in calendar year 2011.

Government Role in the Economy Return to top

Traditionally, the bureaucracy has played a leading role in the Japanese economy. Members of the National Diet, from whose ranks come most of Japan's Cabinet ministers, have small staffs and rely on bureaucrats for policy initiatives and the drafting of legislation. In addition, the ministries have exercised power directly through the issuance of required licenses, permits and approvals that tightly regulate business activity. For much of the post-war period, ministries also issued informal (but in practice, virtually compulsory) directives called "administrative guidance" to the industries they regulated, further controlling business activity. The reach of the bureaucracy also extended through a dense web of close relations with leading business organizations. In addition to the reliance of Japanese elected officials on campaign contributions from business, major industry associations and quasi-governmental regulatory bodies also provided lucrative post-government employment called *amakudari* (literally "descent from heaven") for senior bureaucrats as well as lower-level bureaucrats who regulate their industries. However, in 2007, the Diet approved legislation that established restrictions on the types of post-retirement jobs former senior government officials can accept and centralized authority for finding such employment in the National Personnel Agency. The aim of the legislation is, in part, to weaken the nexus between individual ministries and the industries they regulate, and the central government is continuing efforts to address problems relating to the system of post-government employment.

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, deregulation, and decentralization. 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 Diet members posted to senior positions in the ministries was increased from an average of two or three to five, with the aim of strengthening the control of elected officials over the bureaucracy. Through such measures and other administrative reforms, the bureaucracy's influence over the economy has diminished, but by no means been eliminated completely. The Democratic Party of Japan's August 2009 electoral victory and pledge to make politicians responsible for policymaking has further eroded the bureaucracy's control.

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 the allocation of foreign exchange and most restrictions on foreign investment have been removed. Nevertheless, the Japanese Government (GOJ) continues to play a significant role in promoting certain favored industries, and GOJ policy and regulatory practices in many cases still favor the interests of domestic producers.

While Japan's economic structure and business culture are somewhat different from that of the United States, U.S. companies can successfully adapt. The American Chamber of Commerce in Japan (ACCJ) is one of the largest overseas chambers in the world. Its members come from more than 1,200 companies, and its 60- plus committees and sub-committees are highly visible advocates 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, deregulation, competition, 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.

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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. Toll roads, however, are expensive. Japan’s airports are also among the most expensive in the world. Landing fees at the Narita and Haneda airports in Tokyo are approximately 50 percent higher than New York's JFK airport.

Japan's port practices are generally inefficient by developed country standards and import processing, while improving, remains relatively slow.

Agricultural Products Market

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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 60 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 have limited 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. However, the Democratic Party of Japan (DPJ) criticized this new scheme and pledged to support farmers regardless of their size by a direct payment program. Subsequently, the current DPJ-led government will be launching a new pilot program for direct payments in 2010, details of which are under consideration.

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, a stringent system of regulation for agrochemical residues including strict inspection of imported foods and a 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 2008, about 11.5 percent of all U.S. agricultural, forestry and fishery products exports, valued at $14.9 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, processed fruits and 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 Return to top

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 and is larger than the economy of South Korea.

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).

Northern Japan (Hokkaido/Tohoku)

Northern Japan (Hokkaido and the six prefectures of northern Honshu called Tohoku) — has a combined population of 15.5 million and a Gross Regional Product (GRP) of approximately $439 billion. Hokkaido, located roughly 500 miles north of Tokyo, is Japan's northernmost island, with a GRP of $156 billion. The Commercial Service office in Sapporo covers four of the six prefectures in northern Honshu: Aomori, Akita, Iwate, and Miyagi (in addition to Hokkaido).

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 $181 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. In 2008 Hokkaido supplied 61.4 percent of Japan's wheat, 79 percent of its potatoes, and 44.5 percent of its milk. In addition, Hokkaido also provided 30.1 percent of Japan's fish catch by volume. Hokkaido residents, however, are not predominantly farmers and fishermen. Only 5.2 percent of Hokkaido's 2.8 million jobs are in farming and only one percent is in fishing. In addition, Hokkaido is the number one lumber producing region in Japan with 18.6 percent of the market. Hokkaido's economy mostly depends on services (71.3 percent of the workforce) and construction (19 percent).

Since overall public spending has been shrinking, northern Japan is making efforts to nurture tourism into a major local "industry." The total number of visitors to Hokkaido, domestic and foreign, dropped slightly to 6.28 million in 2008 compared to 6.49 million in 2007 due to the steep appreciation of the yen and the world financial crisis. Yet, this figure still represents an increase of 190,000 visitors when compared to the 6.09 million visitors that came to Hokkaido in 1998. Official statistics show that the number of foreign visitors to Hokkaido grew by 20.4 percent to 710,950 people in 2007 compared to 590,650 visitors in 2006, but decreased to 689,150 visitors in 2008 due to the drastic change in the foreign exchange rate and the swine flu which hit Japan in 2008. This is still tremendous growth compared to the 170,000 foreign tourists who visited in 1998. Some of the countries with increasing numbers of visitors to Hokkaido include: Hong Kong 116.7 percent growth in 2008 compared to 2007, Singapore 121.9 percent, China 175.9 percent, and the United States 132.3 percent.

Northern Japan's well-developed infrastructure, highly skilled workers, and relatively low real estate costs, combined with municipal and regional government investment incentives, have prompted many U.S. companies to view Hokkaido and Tohoku as attractive locations for investment and overseas operations. More firms are showing interest in purchasing properties in northern Japan. As for export opportunities, home building materials and interiors, packaged homes, sporting/outdoor goods and equipment, marine and agricultural products, pharmaceuticals and medical equipment continue to be particularly promising sectors.

In 2008, Northern Japan's direct imports from the United States increased to approximately $3.4 billion from $ 2.7 billion in 2007, an increase of 29.4 percent. Imports from the U.S. to Hokkaido alone grew by 134.3 percent in 2008. Fertilizer showed tremendous growth of 183 percent, and corn, wood chip, and feed imports from the U.S. grew by 25 to 35 percent compared to 2007.

Container traffic from the United States is increasing at the ports of Ishikari and Tomakomai (both convenient to Sapporo) and Hachinohe (in Aomori Prefecture) and Sendai, as a way to reduce domestic transportation costs from Yokohama and other Honshu ports. 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. The Tohoku Shinkansen bullet train is being extended to Aomori and scheduled to open in December 2010. As access to Tohoku becomes more convenient and time-effective (it will take three hours and 20 minutes to travel from Tokyo to Aomori by bullet train), Tohoku residents expect this to stimulate local economic activities in sectors such as tourism and manufacturing. Further economic stimulus is expected when Shinkansen bullet train service reaches Hokkaido in 2015.

Central Japan (Chūbu)

Central Japan (or the Chūbu region) is strategically located midway between the Tokyo (Kantō) and Osaka (Kansai) metropolitan areas. The regional Commercial Service office in Nagoya covers nine prefectures: Aichi, Fukui, Gifu, Ishikawa, Mie, Nagano, Shizuoka, Toyama, and Yamanashi. Taken together, these nine prefectures have a 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 three-prefecture Tokai area – Aichi, Gifu, and Mie – plus Shizuoka.

Central Japan is the manufacturing heartland and export leader of Japan. Supported by well-developed infrastructure and advanced technology, the region is home to many world-class Japanese manufacturers such as automaker Toyota, machine tool giants Yamazaki Mazak and Okuma, power tool maker Makita, office automation producer Brother Industries, and diversified transportation-based conglomerates including Honda, Yamaha, and Suzuki. Toyota Motor Corporation, the region's largest company and symbol of its manufacturing might, is supported by hundreds of second- and third-tier firms including manufacturers such as Denso, Aisin, Aichi Steel, and Toyota Industries. Although nearly every industry was negatively affected by the economic downturn in 2009, especially export-driven sectors such as automotive and consumer goods, the Chūbu region continues its tradition of resilience and focus on the long term.

Japan's ¥1.4 trillion aerospace sector, about half of which is based in Chūbu, is led by Mitsubishi Heavy Industries (MHI). Kawasaki Heavy Industries and Fuji Heavy Industries are also major suppliers for U.S. aerospace firms including Boeing. Approximately 35 percent of Boeing 787 Dreamliner components are being produced by MHI and other Japanese partners in Central Japan. Supported by at least a dozen strong U.S. aviation subcontractors, MHI is developing the first Japanese jetliner, the 80-120 person Mitsubishi Regional Jet or MRJ, which is expected to make its first test flight in 2012 and first delivery in 2014.

Aichi Prefecture (capital: Nagoya) is the political, economic, and transportation center of the region. It has ranked first among all Japanese prefectures in the value of its product shipments since 1977. The region accounts for about 1.8 percent of the world's GDP, 18 percent of Japan's GDP (roughly equivalent in size to the economy of Mexico or South Korea), and more than half of Japan's total trade surplus with the United States.

Through its close relationship with Central Japan public and private sector entities, the

Commercial Service in Nagoya works to discover commercial opportunities for U.S. firms in a variety of sectors. Despite the recent downturn, good prospects exist for U.S. firms in automotive parts (particularly ones focusing on low emission technologies), aerospace and business aviation, manufacturing equipment and systems, renewable energy, and environmental remediation.

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 is Japan's second-largest industrial, financial, commercial and population center after the greater Tokyo area (Kantō). Located about halfway between Tokyo and the southern tip of Honshu, Japan's largest island, Kansai is the birthplace of many of the country's largest trading companies, home to several of the world's largest banks, and headquarters to a number of Japan's leading corporations including Sharp, Panasonic, Nintendo and Kyocera.

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 percent of Japan's total land area, the Kansai has a population of some 24 million people (19 percent of Japan's total), concentrated primarily in the cities of Osaka, Kobe and Kyoto. Kansai is an economic giant with still vibrant traditional industries including digital consumer electronics, electronic components, pharmaceuticals, chemicals, textiles, apparel and sporting goods as well as cutting edge new tech sectors such as biotechnology, nanotechnology, industrial ceramics, robotics, lithium-ion batteries and photovoltaic power systems. In FY 2006, Kansai's GRP (Gross Regional Product) was ¥96.0 trillion ($825 billion at $1=¥116.31). If considered a country in its own right, the Kansai would rank as the 15th largest economy in the world with an economy slightly smaller than that of India's.

The Kansai region has a very efficient and comprehensive transportation infrastructure. Kansai International Airport is the only 24-hour airport operating in Japan. Other airports servicing domestic locations throughout Japan include Osaka's Itami Airport and Kobe Airport. Kansai's regional rail network includes an extensive metro and bullet train service that connects Osaka, Kobe, and Kyoto to major cities in Japan.

To help companies tap into Kansai's dynamic economy, the region hosts hundreds of conventions annually. In 2008, Kansai hosted 424 international conferences, which accounted for slightly over 20 percent of the 2,094 conventions held in Japan. Lower land and rental prices than in Tokyo also provide incentives for firms to conduct business in the Kansai area. Although currently ranked as the second most expensive city in the world, the region's land and office rental prices are still 27 percent less expensive than Tokyo. Lower labor and housing costs also benefit companies who have operations in the Kansai. As of 2008, 272 foreign-affiliated companies maintained their Japanese headquarters in the region. The Kansai is also primary region for education and R&D activities in Japan hosting more than 1000 national, prefectural, university and private research and development facilities, nearly 22 percent of the national total.

The Osaka Customs Office, reported ¥12 trillion ($128.5 billion) in exports from the Kansai and ¥9.8 trillion ($105 billion) in imports for 2009, approximately 20 percent of Japan's total international trade volume (2009 exchange rate: $1=¥93.68). In 2009, the

Kansai region exported $14.6 billion in goods and services to the United States. This represented 11.3 percent of the Kansai's total export volume and was a drop by nearly 28.1 percent over 2008 comparable statistics. Imports from the United States to the Kansai fell to $8.2 billion in 2009, a 27.5 percent drop over 2008 data. Despite the drop in imports from the United States, the U.S. market share of imports to the Kansai actually rose in percentage terms rising from 7.7 percent in 2008 to 7.8 percent in 2009.

The U.S. Commercial Service Osaka-Kobe 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 (ACCJ) 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 CS 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 $412 billion economy constitutes Japan's fourth largest economic center, representing about 10 percent of national GDP – comparable in size to Belgium or Sweden. 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. In addition, the region is also developing a reputation for being at the forefront of many green technologies. 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 19.3 percent 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 26 percent of Japan's total production of semiconductors. U.S. companies like Texas Instruments and Teradyne have facilities here. Northern Kyushu also boasts nearly 10 percent 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 also home to Japan's leading shipbuilding production (27 percent share), Japan's two space-launch facilities, and Yaskawa Electric, one of the world's leading robotics manufacturers.

With a population of 1.4 million, Fukuoka City is the economic, educational, and cultural center of Kyushu. 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. 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 bullet train network.

The Political/Economic 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—such as biotech, green technologies, and financial services—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. Major U.S. 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. A sector of particular interest is environmental products and services. Good export prospects exist in many other sectors, including building materials, medical equipment, and health care products.

Okinawa

With a Gross Prefectural Product of roughly $31.1 billion Okinawa is a small market by Japanese standards, but its strategic location, growing range of investment incentives and low labor costs are making it increasingly attractive to the high tech and transportation industries. Okinawa is Japan’s southernmost prefecture, and is made up of over 160 sub-tropic islands that stretch 623 miles from Kyushu (the southern of Japan’s four main islands) to Taiwan. Its population of 1.39 million is concentrated on the largest island (also called Okinawa) and includes the youngest workforce in Japan.

Due to its small size (0.6 percent of Japan’s total land area) and its unique association with the U.S. military (Okinawa hosts the largest concentration of U.S. military installations in Japan), Okinawa’s economy has long been dominated by public sector spending along with tourism. However, the central and regional governments are encouraging an entrepreneurial business climate -- particularly in the information technology (IT) and communications sectors -- by offering substantial subsidies and tax incentives. According to the prefectural government, 141 IT companies and 55 call centers have opened in Okinawa since 1990. With the lowest risk of earthquakes in Japan, Okinawa has also become a popular location for business continuity/disaster recovery-related investment. Japan is continuing to court additional investment in the IT sector, with plans to open a new “Okinawa IT Bridge Park” in 2010 that will offer new exemptions from both local and national taxes. Okinawa will host the APEC IT Ministerial meeting in October. Japan has also selected Okinawa as an area to receive additional national assistance to promote a new biotechnology sector starting in 2010, when the new Okinawa Institute of Science and Technology -- a world-class, $150 million government-funded scientific research facility -- is scheduled to open.

Japan is also continuing incentives to promote Okinawa as a regional transportation hub, taking advantage of its proximity to major economic centers on mainland Asia. Okinawa has one of Japan’s most comprehensive air transportation systems. After Haneda and Osaka’s Itami airport, Naha International Airport services the third largest number of locations in Japan, and it is also one of only six airports permitted to operate 24 hours a day. ANA opened a new air cargo hub in Naha in 2009 to increase its capacity to ship semiconductor and precision machinery.

Despite Okinawa’s growing diversification, tourism remains its major economic activity, and this $3.6 billion industry is expected to continue to offer export opportunities in sporting/outdoor goods and marine products. The recent upturn in tourism (peaking at a record high of 6.05 million visitors in 2008), is prompting a number of domestic and foreign companies to view Okinawa as an attractive location for hotels and golf course investment. Currently, 13.3 percent of hotel rooms in Okinawa are U.S.-owned. With efforts underway to create a new gaming industry, Okinawa could soon experience a second wave of investment. Okinawa suffered a 6.4 percent downturn in visitors in 2009, the result of the economic crisis and H1N1 concerns.

Okinawa imports about $1.9 billion in goods and services annually, of which roughly eight percent are U.S. exports of medical equipment, home building materials, electrical equipment and chemicals. While Okinawa is a comparatively small market, and domestic consumption remains flat due to high unemployment, U.S. exporters in the food and lifestyle markets enjoy some advantages: Japan established its first Free Trade Zone in Okinawa, and consumers here are more familiar with foreign foods, products and fashion than almost any other part of Japan, due to Okinawa's experience as a U.S.-administered territory and the sizeable U.S. military base presence.

That history has also created a unique support system for U.S. companies. Okinawa has its own American Chamber of Commerce in Okinawa (ACCO), which currently has 50 member companies. The ACCO and the U.S. Consulate General in Naha are intensifying their efforts to identify promising new opportunities and to assist U.S. companies to successfully adapt to the local business culture and economic structure.

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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For some companies, establishing a direct presence in Japan is the best way to enter the Japanese market, but this can be an extremely expensive strategy. The use of agents or distributors is a more realistic first step for most small- or medium-sized U.S. firms, but this approach requires great care in the selection of the representative and the establishment of the terms of agreement.

U.S. firms are cautioned against trying to use contact lists for “cold calls” on prospective Japanese agents. Most Japanese business people prefer to do business with someone only when they have been properly introduced and have met face-to-face, and an introduction by a familiar "go-between" typically helps to dispel reluctance. 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 Japanese External Trade Organization (JETRO), U.S. state representative offices in Japan, the U.S. Department of Commerce and the U.S. Commercial Service in Japan (CS Japan).

Distributors in Japan usually cover a specific territory or industry. Importers are often appointed as sole agents for the entire country. In some cases granting exclusivity may be necessary to ensure a strong commitment by the Japanese agent towards expanding sales. However, under no circumstances should a U.S. company be pressured into granting exclusivity if there is doubt as to the ability or willingness of the Japanese agent to develop the entire market. Even if a U.S. company’s ultimate goal is to offer an exclusive agency arrangement to its Japanese partner, starting with regional exclusivity, a limited term of representation, minimum sales thresholds, or qualitative indicators of sales efforts are good first steps.

While the Japanese Fair Trade Commission has guidelines applicable to exclusive agency contracts, there are no statutory damages required upon termination of an agency. Given the close-knit nature of business circles and the traditional wariness towards foreign suppliers in Japan, replacing an agent or distributor could damage a U.S. firm's reputation – and even compromise its entire market strategy – if not handled sensitively. A U.S. company should at all costs avoid being viewed as lacking adequate commitment to its 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 in this market, U.S. companies should address this eventuality prior to executing a contract.

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.

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. Distributors that target only limited, high-price niches, that are bound by strong ties to one particular industry group (*keiretsu*), that fail to compete directly with established Japanese products, or that are not prepared to pursue volume sales for the U.S. exporter should be avoided. U.S. firms should also be wary of distributors that handle competing lines or are subject to other potential conflicts of interest.

Another important factor that merits consideration is sales commissions paid to agents and distributors. Under an agency contract, the supplier normally invoices the agent for the same amount that the agent will sell to the customer ("back-to-back"). 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 ten to twenty percent for "spot" (one-time or irregular) transactions, and from five to ten 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 one to three percent. In the case of medical, laboratory, and scientific analytical instruments, commission rates typically are much higher, in the neighborhood of twenty percent or above.

Japan's business world is small and relatively concentrated, both politically and economically. Business relationships are formed, conducted, nurtured, and ended with an extraordinary degree of attention to appearances and decorum. 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 or distributor agreement is signed and the U.S. company's products gain a foothold in the Japanese market, the U.S. 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. For businesses offering goods and/or services of a technical nature, a technical engineer is often best suited for this role because such a person generally understands product capabilities and end-user requirements. This is, of course, more of a long-term consideration, but one that U.S. companies may wish to consider when putting together their strategic mid- to long-term plan for Japan.

Establishing an Office Return to top

U.S. companies may wish to examine programs of Japan's Ministry of Economy, Trade & Industry (METI) 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 http://www.jetro.go.jp. Please also review Chapter 6 of the Country Commercial Guide under the section "Investment Climate." Finding suitable local staff is also an important consideration 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 Business Service Providers section of the CS Japan website at http://www.buyusa.gov/japan/en, or the Membership Directory of the American Chamber of Commerce in Japan website at http://www.accj.or.jp.

Franchising Return to top

The latest industry statistics show that the total number of franchise chains was 1,231 (down 1.2 percent or 15 chains from the previous year) in 2008; the number of stores/outlets was 230,822 (down 2.1 percent, or 4,864 stores/outlets). The aggregate size of the 2008 franchise market was ¥20.8 trillion ($201.2 billion at an exchange rate of ¥103.39 yen to the U.S. dollar), which compares to ¥20.3 trillion ($171.7 billion at ¥117.6.76 to the U.S. dollar) in 2007. Approximately 38.7 percent of total sales at franchised outlets are from convenience stores (CVs) and about 18.9 percent from food service chains.

U.S. franchising has heavily influenced the development of Japan's franchise industry since in the early 1970s. Although Japanese consumers are generally receptive to U.S. franchise concepts, products and services must be adjusted to local tastes and expectations to ensure success in Japan. U.S. franchising businesses have a number of ways to enter the Japanese market, such as establishing a wholly-owned subsidiary as a master franchisee with a flagship store(s), seeking a joint venture partner to develop the market in Japan, or entering into an agreement with a (master) franchisee.

Identifying the right business partner in Japan requires time and effort, and it can be difficult to find companies that are willing to invest in (master) franchise rights and package in business concepts that do not have a clear market or strong growth potential in Japan. Therefore, prudent market research and a long-term commitment are required for U.S. companies that consider launching a franchise-based business in Japan.

Direct Marketing Return to top

The scale of direct marketing in Japan, which includes mail order, telemarketing, direct response television, and Internet sales, is still modest by U.S. standards. However, business-to-consumer internet shopping has grown rapidly. A 2009 survey by the Ministry of Economy, Trade, and Industry (METI) showed that respondents used the Internet for 52.3 percent of their direct marketing purchases in 2008, in contrast to 39.8 percent of purchases via hard copy catalogs. The Internet consumer market size in 2008 was estimated at ¥6.1 trillion ($65.6 billion), a 13.9 percent increase over 2007 (about half the size of the U.S. e-commerce market). Reflecting the great popularity of cell phones, consumers, especially young people, have started to shop through their mobile phones. This has become a very fast growing shopping method. In response, Japanese direct marketers have started to prepare websites for both PC and mobile phones. U.S. exporters wishing to sell products targeting young people on the web may want to revise their webpage structures for mobile access.

Japanese consumers are more likely than in the past to buy online because ongoing revisions to credit card and e-commerce laws are providing increased protection for consumers, including protection against identity theft. According to Japan Direct Market Association survey, C.O.D. (cash on delivery), payments at convenience stores (where Japanese are able to pay various bills), and credit cards were the three most used payment methods in 2008. For Internet shopping alone, credit cards have become the most preferred payment method. The most popular credit card with Japanese consumers by far is the JCB card, which had close to 60 million cardholders by the end of 2008 (including 3-4 million cardholders outside of Japan).

Shopping from foreign catalogs, via hard copies or the Internet, is generally referred to as “personal importing.” This 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.

Beginning in 1996, the relative strengthening of the dollar and the passing of the “fad” component of the boom caused the market to cool considerably. However, recent appreciation of the yen has made U.S. prices once again very appealing, and there may be good opportunities for U.S. companies that can offer Japanese consumers high quality products with unique attributes. Products Japanese consumers currently order from abroad include apparel, accessories, books, magazines, toiletries, and cosmetics.

U.S. companies must overcome a number of challenges such as language, international shipping costs, customs regulations, tariffs on several consumer items, and other issues when marketing directly to Japanese consumers (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/trading of personal data. It can be difficult for U.S. catalogers to obtain effective mailing or contact lists.

“Personal imports” are not regulated like commercial import and must be shipped directly from the United States to the consumer for the consumer’s personal use. U.S. companies with local representatives to assist with Japanese consumer personal imports 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 Return to top

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 http://www.jetro.go.jp.

Although the vast majority of U.S. commercial exports to Japan do not require 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 websites:

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

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

Selling to the Government Return to top

On January 1, 1996, Japan implemented the WTO Agreement on Government Procurement (GPA) 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 of the International Monetary Fund 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 GPA, 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. For sub-central government entities, with the same exceptions noted above, Japan's voluntary threshold is 200,000 SDRs.

There are three types of government tendering procedures in Japan covered by the 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 cases when the number of potential suppliers is limited (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 where products or services cannot 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* — http://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 GPA) 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 20 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 outline the requirements necessary for firms to be designated for participation in the tender bidding process. Most companies find it useful to contact the procuring entity directly with any specific questions before a tender is submitted for consideration.

Japan's Ministry of Foreign Affairs (MOFA) hosts a Government Procurement Seminar each spring where central government procuring entities explain their procurement plans for the fiscal year. Individual ministries sometimes follow this with their own seminars. 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) website (http://www.jetro.go.jp/en/matching/procurement), which includes an online database of government procurement notices and invitations published in the National Printing Bureau's "Official Gazette." Users can search by publication date, product/service category as well as location. For additional information including suggestions for accessing the government procurement market in Japan please visit the MOFA website (http://www.mofa.go.jp/policy/economy/procurement), which maintains a detailed list of contact points for entities covered by the Agreement.

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 location by the closing date and time specified in the tender notice. Although a five percent guarantee fee is stipulated, payment 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 GPA, Japan has established a mechanism to process complaints about procurements by entities other than sub-central government entities. The Office of Government Procurement Review (OGPR), within the Prime Minister's Office, implements the provisions of the WTO Agreement regarding bid challenge procedures. For procurement by central government entities the Government Procurement Review Board processes and considers complaints in accordance with the specific procedures set out by the OGPR. Prefectural governments and designated cities have established their respective procedures to process complaints regarding procurement subject to the Agreement. Complaints by qualified bidders may be filed with the Secretariat of the Board in the Office for Government Procurement Challenge System (CHANS). For additional information, please visit
http://www5.cao.go.jp/access/english/chans_main_e.html.

Further information on recent developments regarding Japanese government procurement can be found in Japan's most recent submission to the WTO Trade Policy Review Mechanism: http://www.wto.org/english/tratop_e/tpr_e/tp311_e.htm

Distribution and Sales Channels Return to top

Distribution channels in Japan have undergone much consolidation over the past two decades. Many of the traditional channels have been streamlined, yet complexities still exist. Paradoxically, in some sectors, cutting edge technologies have been applied to channels that nevertheless retain significant structural inefficiency and redundancy. Channels vary significantly between consumer goods and industrial products. For detailed information on distribution channels for specific products and sectors, it is best to contact the relevant Commercial Specialist at CS Japan. Contact information can be found on the CS Japan website at http://www.buyusa.gov/japan/en.

Selling Factors/Techniques Return to top

As in the United States, sustained personal contact with customers is usually essential for successful 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. Such joint sales calls demonstrate commitment to clients and provide unparalleled opportunities to obtain market feedback.

Learning how to negotiate and maintain relationships with Japanese face-to-face 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 roles 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 point of an initial meeting is to allow the parties 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 visit — 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 risk 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 expense. Firms that choose to skimp on or forego this expense not only significantly increase their chances for miscommunication, but also risk sending a message that they lack commitment to their Japanese counterpart and to the Japanese market. Though there are some U.S. firms that do business in Japan without a signed contract, the use of 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. Personal contact and relationships are important in Japan, 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 Return to top

According to statistics published in October 2009 by the Ministry of Economy, Trade and Industry (METI), the market size of business-to-business (B2B) electronic commerce in Japan in 2008 was ¥159 trillion ($1.5 trillion), a 1.7 percent decrease from the previous year. On the other hand, the same report noted that the market size of the business-to-consumer (B2C) electronic commerce market in 2008 was ¥6.1 trillion ($59 billion), a 13.9 percent increase from the previous year. In 2008, not only computers but a variety of Internet capable devices, such as Apple's iphone, IPTV, and car navigation systems contributed to the growth of the internet-related business market.

For U.S. companies needing to setup an e-commerce shop in Japan, there are several trustworthy e-shopping malls including Amazon Japan, Yahoo! Japan, and Japan's largest e-commerce site, Rakuten. EBay is also available for U.S. exporters at: http://www.ebay.co.jp/sell/index.html?_trksid=m37

U.S. firms might also consider listing on the Japan External Trade Organization's (JETRO) business matchmaking database TTPP (http://www.jetro.go.jp/ttppoas/howto/index.html#). Registration is free and may be done in English.

References:

"Survey on the Current Status and Market Size of Electronic Commerce for 2008", Ministry of Economy, Trade and Industry (METI) with cooperation with the Next Generation Electronic Commerce Promotion Council of Japan (ECOM), 10/14/2009: http://www.meti.go.jp/press/20091014003/20091014003.html

Trade Promotion and Advertising Return to top

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 their overseas suppliers. Willingness to support this effort sends a strong signal of commitment to the Japanese 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 or demographic segment. A more affordable option for small- to medium-size or new-to-market U.S. companies might be advertising in some of Japan's roughly 4,500 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 options.

Japan's railways, as the primary transportation option for commuters in major cities, carry hundreds of millions of passengers every year. Therefore, 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.

Internet advertising and email newsletters (generally called "mail magazines" or "*merumaga*") have become popular in Japan. American companies considering using such methods in Japan should be aware of Japan's Law on Regulation of Transmission of Specified Electronic Mail: unlike the "opt out" system in the United States in which the sender must stop sending to recipients who choose not to receive future emails, Japanese law requires use of an "opt in" system in which email can only be sent to people who have agreed in advance to receive it.

Japan's media primarily arrange advertising placements by working with advertising agencies, and typically do not deal directly with advertisers themselves. Generally, mood or image advertising achieves the best results. Hard-sell, combative advertising is considered to be in bad taste and is usually counterproductive, but comparative advertising is becoming more accepted in an increasingly competitive and tight economy.

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-certified trade shows and trade missions, as well as events sponsored by U.S. states and industrial organizations, 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: http://www.buyusa.gov/japan/en

Pricing Return to top

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, reputation, or reliability. 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 inexpensively than a domestic product, consumers will be interested. This has proven to many Japanese that U.S. products can be affordable and offer quality that equals or even exceeds that of Japanese goods.

The strength of the yen, streamlining of distribution channels, and Japanese economic reforms have recently helped open doors for U.S. products by improving their price competitiveness. 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 markups 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 much higher than shipping costs from the U.S. West Coast to Osaka. A good example is imported U.S. apparel products, where street prices are often three to four times FOB.

Japanese manufacturers traditionally set prices at each level of the distribution chain and enforce compliance using complicated rebate systems. Such price maintenance has recently 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 come down and distributors have gained additional flexibility in selecting and purchasing items.

Distribution of imported goods has also traditionally followed a multi-layered system, with established lines of product flow and pricing structures that vary according to the types of services provided by the importer or wholesaler (e.g., inventory, advertisement costs, packaging costs, financing, acceptance of unsold/returned goods, etc). As with the distribution of Japanese manufactured goods, increased price sensitivity among Japanese consumers has led to more and more middlemen either being forced to cut their markups or eliminated from the distribution chain altogether.

Some Japanese retailers now import products directly in order to offer lower retail prices. However, U.S. suppliers should understand that retailers usually import smaller quantities, and other importers and wholesalers usually are uninterested in representing products that are imported directly by retailers.

Finally, U.S. exporters should also consider yen/dollar fluctuations in their product pricing and sales strategies. Starting in late 2008 and continuing to early 2010, the yen has risen significantly against the dollar, boosting the price competitiveness of U.S. goods.

Sales Service/Customer Support Return to top

High-quality, highly-responsive product service and customer support throughout the sales cycle are crucially important in Japan. This begins with 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 that delivery dates are met, and to maintain absolute clarity regarding all issues from initial order through shipment and delivery. 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 poor packaging may lead to market entry problems. Missed deadlines and the arrival of goods damaged through poor packaging and shipping practices are interpreted as a "message" from, and about, the supplier.

Protecting Your Intellectual Property Return to top

Several general principles are important for the effective management of intellectual property rights (IPR) in Japan. First, it is important to have an overall strategy to protect intellectual property (IP). Second, IP is protected differently in Japan than in the United States. Third, rights must be registered and enforced in Japan, under local laws. Companies are encouraged to seek advice from local attorneys or IP consultants. For a list of attorneys and legal services providers in Japan, please visit the American Chamber of Commerce in Japan website: http://www.accj.or.jp/user/indus.php?id=10. Additional legal service providers in Japan can be found on the U.S. Commercial Service Japan website: http://www.buyusa.gov/japan/en/bsp.html.

It is vital that companies understand that IP is primarily a private right and that the U.S. Government generally cannot enforce rights for private entities or 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 (USG) is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to secure and enforce their IPR. Moreover, in many countries, rights holders who delay enforcing their rights 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 lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to *promptly secure and enforce their* IPR. For information on the role of Japan Customs in IPR enforcement see: http://www.customs.go.jp/mizugiwa/chiteki/ipr_p.pdf.

It is always advisable to conduct due diligence on prospective 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: http://www.buyusa.gov/japan/en/partner.html.

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 IP and stop counterfeiting. There are a number of these organizations, both in Japan or U.S.-based. These include:

- The U.S. Chamber of Commerce

- The American Chamber of Commerce in Japan (ACCJ)
- 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)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders.

- For information about patent, trademark, or copyright issues—including enforcement issues in the U.S. and other countries—call the STOP! Hotline: 1-866-999-HALT or register at http://www.StopFakes.gov. This website also has market-specific IP Toolkits.
- For information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199 or visit: http://www.uspto.gov.
- For information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959 or visit: http://www.copyright.gov.
- For information on blocking imports of IPR-infringing products in the United States, visit the U.S. Customs & Border Protection website: http://cbp.gov/xp/cgov/trade/priority_trade/ipr.
- A directory of international intellectual property offices can be found on the World Intellectual Property Organization website: http://www.wipo.int/directory/en/urls.jsp.

IPR Climate in Japan

See *Protection of 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. 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, among others.

The current economic and financial climate has increased pressures on Japanese industry, which continues to be shaken by a record number of bankruptcies. Importers, wholesalers and distributors 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, especially those with excessive debt, may also experience problems obtaining financing.

The U.S. Embassy in Tokyo encounters trade dispute cases of all kinds. It has become more common for small- and medium-sized Japanese trading companies to run into payment problems. For information about structuring payment options, see *How Do I Get Paid (Methods of Payment)* under Chapter 7: Trade and Project Financing.

As a result of these concerns, U.S. companies are well advised to establish due diligence procedures and check the *bona fides* of their Japanese agents, distributors and/or customers. To assist with this need, the U.S. Commercial Service in Japan provides the International Company Profile (ICP) service. For information on the ICP and other services available from the Commercial Service in Japan, please visit our website: http://www.buyusa.gov/japan/en.

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 in any sense constitute an endorsement or recommendation by the U.S. Commercial Service or the U.S. Government, they are a useful starting point for firms that need professional services in Japan. Please visit the Business Service Providers section of our website at http://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 business service providers in Japan:

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

Foreign Agricultural Service, American Embassy, Tokyo
http://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)
http://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

Japan’s Submission to WTO Trade Policy Review Mechanism:
http://www.wto.org/english/tratop_e/tpr_e/tp311_e.htm

B-to- B e-commerce marketplaces:

Trade Tie-up Promotion Program by Japan External Trade Organization
http://www3.jetro.go.jp/ttppoas/index.html

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

- Agricultural Sector

Commercial Sectors

Despite the current global economic challenges and their impact on this market, there are a number of sectors that offer significant opportunity for U.S. exports to Japan. The following are specific emerging sectors Commercial Service Japan has identified as offering particularly good export opportunities for U.S. companies:

Healthcare IT
In 2008 the market size for healthcare IT systems in Japan totaled $3.8 billion, a 23 percent increase over 2007. According to the Ministry of Health, Labor and Welfare the adoption rate for electronic medical records (EMRs) among Japanese hospitals and general clinics in 2008 was just 10.8 percent and 13.1 percent respectively, so the adoption of EMRs is both a major priority in Japan and a major opportunity for U.S. suppliers of related equipment, software, and services. The Japanese government has also formed a medical review committee under its Information Technology Strategic Headquarters to discuss the promotion of healthcare IT in Japan. Future topics to be discussed include regional medical cooperation, home medical care, telemedicine, the work environment for regional medical practitioners, and the interoperability of healthcare IT systems. Healthcare IT is an emerging sector in Japan and promising areas for U.S. exporters include security and data integration solutions as well as mobile applications.

Nanotechnology
According to the “Technology Strategy Map 2009,” released jointly by the Ministry of Economy, Trade and Industry (METI) and New Energy and Industrial Technology Development Organization (NEDO), the size of the Japanese nanotechnology-related product market will reach an estimated $144 billion by 2020. The report identified major nanotechnology application sectors such as nano electronics (ICT), nano bio (life science) and green nano (environment and energy). The report hints at the possibility of technical collaboration with research and development organizations internationally.

Senior Market
Japanese society is aging quickly and senior citizens are active consumers of products and services. The population of those sixty years and older was 38.2 million in 2009, representing 30 percent of the population. The number of Japanese sixty and over is expected to grow to 44.85 million, or 38.9 percent of the population, by 2030. In 2008, the average household savings of those over 60 was ¥23.0 million (or $247,000) after debt, and the average consumption expenditures of those over 60 was between ¥2.52 million ($27,150) and ¥3.65 million ($39,300). 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, it will create lucrative markets not only for medical or welfare products and services, but also for leisure products and activities that add to quality of life.

Biotechnology
The Japanese biotechnology industry has made remarkable strides in recent years due to close cooperation between the Japanese public and private sectors and academia. In 2008, the total market size of the Japanese biotechnology industry was $24.3 billion, a 27.9 percent increase over 2007. Currently medical biotechnology is the leading sub-sector. Fuji-Keizai Research estimates that the size of the Japanese medical biotechnology market was $6.85 billion in 2008 and will grow to over $10 billion by 2017. Within medical biotechnology, therapeutic antibodies and molecularly targeted cancer therapies have high growth potential. Japanese pharmaceutical companies are eagerly seeking new drug candidates and pipelines identified or developed by overseas biotech companies which they can further develop into new drugs. Additionally, induced pluripotent stem (iPS) cell R&D is an area where the Japanese government has been allocating significant funding for the development of commercial applications and presents good potential for collaborative research for U.S. firms.

In addition to the emerging sectors listed above, Commercial Service Japan has identified the following broad market sectors as offering significant opportunities for U.S. exporters.

- Aerospace
- Computer Software
- Cosmetics/Toiletries
- Education and Corporate Training
- Electronic Components
- Medical Equipment
- Pharmaceuticals
- Renewable Energy
- Safety and Security
- Soil Remediation/Engineering Services
- Telecommunications Equipment
- Travel and Tourism

Aerospace

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Millions of U.S. $	2005	2006	2007	2008
Total Market Size	13,414	15,252	13,833	14,953
Total Local Production	8,264	9,930	9,358	10,949
Total Exports	3,469	4,230	6,411	7,012
Total Imports	8,619	9,552	10,887	11,017
Imports from the U.S.	7,420	8,030	9,044	9,352

(Sources: Ministry of Finance, Ministry of Economy, Trade and Industry, and Society of Japanese Aerospace Companies)

Japan continues to offer a lucrative market for imported aircraft and aircraft parts, including aircraft engines. Long-term relationships between U.S. aircraft and aircraft parts makers and Japanese manufacturers and trading firms— some spanning over fifty years — have given the United States an overwhelming presence in Japan's market. Japan's aerospace industry is shifting its focus from defense demand to civil demand with defense accounting for 56 percent and civil demand, 44 percent, of the market in 2008. Japan's space industry is also hoping to achieve commercial success in coming years. Though Japan's economy is heavily impacted by the global economic slowdown at present, aerospace demand is projected to increase over the long run.

In the civil aircraft market, Japanese manufacturers such as Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Fuji Heavy Industries (FHI), will supply about 35 percent of the 787 content to Boeing.

MHI established Mitsubishi Aircraft Corporation (MJET) in April 2008 to conduct the design, type certification, procurement, sales and marketing and customer support of Mitsubishi Regional Jet (MRJ). Two versions of a MRJ are being developed: the MJ-70 (70 - 80 seats) and the MJ-90 (86 - 96 seats). MJET announced in October 2007 that it selected Pratt & Whitney to supply the Geared Turbofan engines, a next-generation model that will make the planes 20-30 percent more efficient and about 15 percent cheaper to operate compared to conventional regional jets. Other U.S. manufactures such as Parker Aerospace (hydraulic systems), Hamilton Sundstrand Corporation (electrical power system), Rockwell Collins (flight control system). Nabtesco Corporation (flight control system) and Sumitomo Precision Products Co., Ltd. (landing gear) are also suppliers of MRJ.

Mitsubishi signed a deal with Boeing in September 2008 to receive assistance on aircraft development, sales and customer support for the MRJ. All Nippon Airways (ANA) placed orders for 25 aircraft (15 firm, 10 options) in March 2008. The Japanese government reportedly placed orders for ten aircraft in October 2008. In October 2009, Trans States Holding placed an order for 100 (50 firm, 50 options) aircraft. The first flight of the MRJ is scheduled to take place in the second quarter of 2012, and the first delivery in the first quarter of 2014.

In the defense sector, the Ministry of Defense announced in December 2009 that it will finalize revision of the National Defense Program Outline in 2010, and subsequently revise the Mid-Term Defense Program. Strategic considerations that will drive requirements are: 1) defense strategies in response to the changes in the situation of neighboring countries such as China, North Korea and Russia, 2) expansion of international contributions including overseas deployment of Self-Defense Forces, and 3) utilization of space for defense purposes as outlined in the Law on the Use of Space enacted in August 2008.

A test flight for XC-2 (formally C-X) transport aircraft took place successfully in January 2010. The first delivery is scheduled for March 2010. The government is seeking ways to commercialize XC-2.

In the space industry sector, the H-IIA launch vehicle business was privatized in 2007 to MHI. The 16th HII-A was launched successfully in November 2009. A test flight for the H-IIB was also successfully carried out the same month. In January 2009 the Korea Aerospace Research Institute (KARI) placed an order with MHI to launch the Korea Multipurpose Satellite-3 (KOMPSAT-3). The launch is scheduled to take place by March 2012. In December 2009 the Japanese government decided to cancel the GX project, a design for an expendable launch system. However, the development of an LNG propulsion system will continue for other projects.

Best Prospects/Services

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Commercial aircraft and aircraft engines, business jets, helicopters, aircraft parts and supplies, avionics

Opportunities

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Event:	Aerospace Industrial Technology Show 2010
Date:	November 25 - 27, 2010
Venue:	Port Messe Nagoya
Organizer:	The Nikkan Kogyo Shimbun, Ltd.
URL:	http://www.nikkan.co.jp/eve/aitec2010/ (Japanese only)

Event:	Japan International Aerospace Exhibition 2012 (Japan Aerospace 2012/JA2012)
Date:	Autumn 2012
Venue:	Port Messe Nagoya and surrounding aerospace facilities
Organizer:	The Society of Japanese Aerospace Companies (SJAC)
URL:	http://www.japanaerospace.jp/english/index.html

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CS Japan Contact: Ms. Sayoko Koto Sayoko.Koto@mail.doc.gov

Japan Civil Aviation Bureau (Ministry of Land, Infrastructure, Transport and Tourism)
Web: http://www.mlit.go.jp/koku/english/index.html

Society of Japanese Aerospace Companies (SJAC)
Web: http://www.sjac.or.jp/en_index.html
Japan Business Aviation Association (JBAA)
Web: http://www.jbaa.org/english/index_e.html

Computer Software

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Millions of U.S. $	2007	2008	2009
Total Market Size	6,496	7,239	7,589
Total Local Production	4,826	4,267	4,039
Total Exports	272	309	341
Total Imports	3,096	3,526	3,892
Imports from the U.S.	2,786	3,174	3,503

(Source: JEITA, JISA and unofficial CS estimates.)

The growth of Japan's software market has slowed as a consequence of the global economic downturn since late 2008. Industry interest is shifting from on-premises legacy software to Software-as-a-Service (SaaS) and cloud computing, as businesses increasingly turn to this technology to take advantage of its inherent economies of scale. U.S. enterprise software vendors interested in Japan may want to consider the SaaS model.

Another area of opportunity is business applications for smartphones.

Best Prospects/Services

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Smartphone applications, security, SaaS/smart grid/cloud computing

Opportunities

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The demand for security solutions will remain steady, due both to the expansion of the cloud computing model and to ongoing needs for effective compliance, risk and internal management solutions.

Under Japan's new administration, the ICT budgets in 2010 have increased and the budget requests come to about $120 million for "green" products, $1.8 million for education applications, $35.7 million for e-government, and $95.3 million for internationalization.

There are three key elements to launching software products in the Japanese market: (1) localization — localization includes Japanese translation, testing, and customization. Software suppliers are required to provide not only translations but to consider Japanese business customs and culture to meet local client needs; (2) support capability - Japanese language support is mandatory; and (3) product quality — quality control is one of the most important considerations for Japanese users.

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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

Japan Electronics and Information Technology Industries Association (JEITA)
http://www.jeita.or.jp/english/

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

Cosmetics/Toiletries

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Millions of U.S. $	2007	2008	2009 (estimated)
Total Market Size	13,513.8	13,476.7	15,163.5
Total Local Production	12,894.2	12,828.6	14,576.8
Total Exports	802.8	867.6	1,072.7
Total Imports	1,422.4	1,515.7	1,659.4
Imports from the U.S.	312.0	321.8	350.1

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

In 2008 the overall Japanese cosmetics market declined in yen terms by 1.21 percent to ¥1.6 trillion. However, because of the impact of fluctuations in the yen/U.S. dollar exchange rate ($1 = ¥103.39 in 2008 versus $1 = ¥117.76 in 2007), it increased to $15.2 million in dollar terms. Had the exchange rate remained constant at the 2007 $1 = ¥117.76 rate, the total market for 2008 would have decreased to $13.3 billion.

In 2008, Japan's cosmetics imports decreased in yen terms by 3.88 percent to ¥171.6 billion ($1.7 billion). Imports accounted for 10.9 percent of the domestic market in 2008, compared to 11.2 percent a year earlier. France and the United States remained the top suppliers; cosmetics imports from these two countries increased to 54.2 percent of total cosmetics imports in 2008 from 52.8 percent in 2007. China ranked a distant third (8.1 percent in 2008 and eight percent in 2007) after the United States (21.1 percent).

Of the imports by category, skincare products increased in 2008 by five percent to ¥76.8 billion ($743.1 million). Imports from the U.S., at ¥21.2 billion ($205.2 million), were up 4.4 percent and were second only to France (¥28.1 billion, $272.2 million). Fragrances, such as perfumes and eau de cologne, were the second largest import category in 2008 at ¥26.7 billion ($258.4 million), down 8.4 percent. The top three exporting countries were France (¥14.8 billion or $143.1 million, down 2.9 percent), Italy (¥6 billion or $58.6 million, down 17.9 percent), and the U.S. (¥2.5 billion or $24.3 million, down 23.9 percent).

Make-up product imports were down 6.7 percent to ¥26.2 billion ($253.4 million) in 2008. France was the leading supplier (¥11 billion or $106.3 million, down 7.3 percent), followed by the U.S. (¥4.3 billion or $42.0 million, down 6.2 percent). China was a close third (¥3.6 billion or $35.6 million, down 10.2 percent). Hair care products, such as shampoos and rinses, declined 12.8 percent in yen terms to ¥25 billion ($242.0 million). The U.S. maintained its position as the top supplier in this category at ¥3.1 billion ($30.2 million), but is on the decline (down 6.3 percent). China is rapidly catching up (¥2.7 billion or $26.3 million, up 6.7 percent) and surpassed Germany (¥0.9 billion or $9.4 million, down 12.5 percent) in 2008.

Best Prospects/Services

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Industry sources say that Japanese consumer interest in beauty and health continues to be high. Japanese consumers are traditionally more interested in skincare than make-up and fragrances. The skincare group accounts for the largest share, a striking contrast to western countries where make-up preparations have the largest share. Japanese cosmetics consumers are known to be highly brand- and quality-conscious.

Best prospects include:

- Skincare cosmetics, particularly anti-aging, skin lightening, and skin moisturizing formulations.
- Men's skincare and personal care products such as cleansing foam, toning lotion, moisturizing emulsion, skin revitalizer, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and deodorant products.
- Fragrances, especially new product launches with a light-feel scent.
- Make-up preparations particularly mascara with moisturizing, thickening, curling, or other special features.
- Natural and organic products.

Opportunities

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Event:	The 69th Tokyo International Gift Show
Date:	February 2-5, 2010
Venue:	Tokyo International Exhibition Center
URL:	http://www.giftshow.co.jp/english/69tigs/

Event:	Japan Drugstore Show 2010
Dates:	March 12-14, 2010
Venue:	Makuhari Messe (Nippon Convention Center) International Hall
URL:	http://www.drugstoreshow2010.jp/english/index.html

Event:	Beautyworld Japan
Dates:	May 17-19, 2010
Venue:	Tokyo International Exhibition Center
URL:	www.beautyworldjapan.com/en/

Event:	JFW International Fashion Fair
Dates:	July 21-23, 2010
Venue:	Tokyo International Exhibition Center
URL:	http://www.senken-ex.com/iff_en/index.php

Event:	Diet and Beauty Fair Asia 2010
Dates:	September 13-15, 2010
Venue:	Tokyo International Exhibition Center
URL:	http://www.dietandbeauty.jp/en/index.html

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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

Education and Corporate Training

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Higher Education Study Abroad

	2007/08	2008/09	2009/10
Total Market Value*	$837 million	$776 million	NA
Int'l Students in US**	623,805	671,616	N/A
Japanese Students in US**	33,974	29,264	28,400***

**--Estimated Japanese student expenditures as 4.35 percent of total of int'l students' expenditures*
***--Number of students enrolled in the schools of higher education (Source: IIE OpenDoors)*
**** --Unofficial CS Japan estimate*

In the 2008/2009 academic year, a total of 671,616 international students studied in institutions of higher learning in the United States. International students contribute approximately $17.8 billion to the U.S. economy through their expenditures on tuition and living expenses, and Japanese students account for 4.35 percent or 29,264 of the total international students in the U.S. The number dropped by 13.9 percent from the previous year.

The number of college age individuals in Japan has steadily decreased since 1992 due to the declining birth rate. Still, Japan is the fifth leading country of origin of international students in the United States, following India, China, South Korea and Canada. The U.S. has been and still is the most popular destination for Japanese students seeking degree programs. The ratio of Japanese students enrolled in graduate programs is increasing. The ratio of Japanese undergraduates to graduates had been about 7:2 until several years ago, but it changed to 57:22 by 2008/09. The high representation of undergraduates is in sharp contrast to Chinese and Indian students in the U.S., of which roughly 70 percent are enrolled in graduate programs, although the undergraduates from China increased 120 percent in 2008/09 and accounted for 27 percent of Chinese students in the U.S. In addition to the 29,264 Japanese students noted above, tens of thousands of Japanese go to the United States for short-term language studies annually.

Corporate Training Market

According to a survey by the Ministry of Health, Labor and Welfare in November 2008, 77 percent of companies responded that they provided scheduled off-the-job training for their regular payroll employees. Competition from low-cost domestic programs is strong, but there is a market for U.S. programs that have unique offerings, a strong track record, and have been localized for the Japanese market. Because of the prolonged economic downturn and of the decision to make employee retention a priority, Japanese companies tend first cut outside training/education costs, opting to use their low-cost, in-house trainers for minimal training that is offered.

Because the ratio of truly fluent English speakers in the Japanese business environment is rather small, some degree of localization, whether in presentation style, materials, and/or content, will be required by U.S. firms looking to succeed in Japan. In addition, Japanese firms (especially larger corporations) may be hesitant to purchase products and services directly from overseas suppliers. U.S. companies may wish to consider partnering with local companies, such as consulting companies and placement firms, which often service the training and/or workforce needs of Japanese companies.

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Study Abroad: TOEFL scores of Japanese students are low by global standards, and are even lower with iBT testing. Hence, U.S. colleges with relaxed English proficiency requirements for admission attract more attention. The interest of young people in overseas experiences in general is declining, but the interest among senior citizens is increasing. Foreign exchange rates are more influential in the decision to enter short-term programs as opposed to degree programs. The strength of the Japanese yen in recent years translates into good opportunities for U.S. schools to attract these seniors (who have time and money) to short-term, adult-oriented programs.

Corporate Training: When the economy recovers, training of middle management, mid-career employees, and young employees will be a primary focus area for Japanese companies. Long-term development, improvement of management capabilities, and the improvement of the capabilities of young employees are the main objectives for HR training programs. The United States leads in IT and computer certificate and test training programs in the Japanese market.

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Event:	IIE Fairs in Japan
Date:	Fall, exact dates TBA
Web:	http://www.iiehongkong.org/index.asp

Resources Return to top

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

Electronic Components

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Millions of U.S. $	2007	2008	2009 (estimated)
Total Market Size	41,258	46,482	34,030
Total Local Production	88,675	93,875	70,011
Total Exports	93,138	93,455	71,230
Total Imports	45,721	46,063	35,248
Imports from the U.S.	9,144	9,213	7,050

(Source: JEITA/ Japan Electronics and Information Technology Industries Association)

Due to the economic downturn beginning in late 2008, the Japanese electronics component market experienced a sharp decrease in 2009. An increase in the value of the Japanese yen also caused a decrease in demand for Japanese consumer electronics, with a knock-on reduction in imports of electronic components as reflected in the figures in the chart above. However, developing new uses for existing technologies such as microelectronic mechanical systems (or MEMS) created high value-added for well-known "hit" products such as smartphones and video game consoles.

Government of Japan funding has supported certain sectors such as Japan's solar battery market. The Japanese government funded $214 million through the Japan Photovoltaic Energy Association (JPEA) to promote residential use of solar batteries in 2009.

MIC Research Institute, a local research firm, estimates the growth of the RFID market will accelerate starting in 2010 and the total market size will expand to $1.6 billion by 2013. Further penetration of this technology in security and manufacturing areas is expected to drive the market.

According to the Micro Machine Center (MMC), a non-profit foundation formed to support the development of MEMS/micromachine industries in Japan, the Japanese MEMS market size in 2005 was $4.3 billion and will grow to $11.4 billion in 2010 and $23.3 billion in 2015. By industry, the automobile and ICT sectors shared 71 percent of the total market in 2005. By technology, MEMS applications for sensors had the largest market share (57 percent). Additionally, the Japanese government is promoting MEMS-related national research and development projects and the total budget for these has now reached over $100 million.

U.S. exporters should note that because offshore production by Japanese consumer electronics companies is growing rapidly, electronic component exports from Japan to those production centers (such as 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 and, therefore, Japan should still be considered an important market for U.S. suppliers. Even when Japanese manufacturers produce offshore, the key purchasing decisions for component and subassemblies are generally made in Japan.

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MEMS (Micro-Electro-Mechanical Systems), Solar batteries, RFID (Radio Frequency Identification)

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CEATEC 2010
http://www.ceatec.com/2009/en/news/index.html
Date: October 5 - 9, 2010
Venue: Makuhari Messe

Embedded Technology 2010
http://www.jasa.or.jp/et/english/index.html
Date: December 1 - 3, 2010
Venue: Pacifico Yokohama

Semicon Japan 2010
http://www.semiconjapan.org/sj-en/index.htm
Date: December 1 - 3, 2010
Venue: Makuhari Messe

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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/index_e.html

CS Japan Contact: Ms. Rika Saito Rika.Saito@mail.doc.gov

Medical Equipment

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Millions of U.S. $	2007	2008	2009 (estimate)
Total Market Size	18,099	21,688 (est.)	32,727
Total Local Production	14,304	16,773	19,408
Total Exports	4,883	5,367 (est.)	6,210
Total Imports	8,678	10,282	19,530
Imports from the U.S.	4,832	6,169 (est.)	11,718

(Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW). Figures for 2008 and 2009 are unofficial CS Japan estimates.)

Medical equipment is one of the few sectors where the United States has consistently enjoyed a sizeable trade surplus with Japan. In 2008, the Japanese market for medical devices and materials was estimated to have grown to over $21.6 billion compared to $18.1 billion in 2007. The increase was mainly due to the appreciation of the yen from ¥117.76/US$1 in 2007 to ¥103.39/US$1 in 2008. Figures for 2009 will show even higher growth due to further yen appreciation. In yen terms, the market grew by just over five percent in 2008 compared to the previous year. In 2008, total imports were approximately 50 percent of the market. U.S. products were estimated to hold around a 60 percent share of the import market, accounted for roughly 30 percent of Japan's total medical equipment market and were valued at approximately $6.2 billion.

While the market remains heavily dependent on imports, especially sophisticated medical technologies, many globally available advanced medical technologies have not yet been introduced into the Japanese market. The Government of Japan (GOJ) has recognized that Japan suffers from a medical device "lag" and medical device "gap" which prevents timely patient access to innovative and life-saving products. The GOJ intends to make the pharmaceutical and medical device industries key drivers of Japan's future industrial growth and to attract foreign direct investment in these sectors. As a result, the demand for advanced medical technologies is expected to increase.

While the market for U.S. medical equipment in Japan remains strong, U.S. firms have been facing considerable challenges with pricing and reimbursement. Japan will continue to take measures to contain overall healthcare costs as its population ages. This will include using the Foreign Average Price (FAP) rule to narrow foreign price differentials. Japan will again tighten enforcement of the Foreign Average Pricing (FAP) rule at the National Health Insurance (NHI) price revision which will go into effect in April 2010. As a result, reimbursement prices for new devices will be reduced to 1.5 times the average price of devices in the United States, Britain, France, and Germany from the current 1.7 times the average price.

Best Products/Services

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Given Japan's aging population and with an increasing number of patients with chronic and life-style diseases, medical devices that alleviate pain, complement lost functions, and improve the quality of life (QOL) should show steady growth in demand. Also, the market for in-home care devices, technologies, and health IT related products is expected to grow as the number of people in out-patient care increases. Due to stronger consumer health concerns, other promising growth areas include self care and preventive care medical devices and products.

The "New Vision for Medical Device and Medical Technology Industry" issued by the Ministry of Health, Labor and Welfare (MHLW) in August 2008, cited the following fields and technologies as focus areas: navigation medical devices (operation robotics); implantable devices (e.g., customized artificial joints, artificial hearts, artificial heart valves, intraocular lenses, and artificial dental roots); regenerative medicine (e.g., tissue sheets, iPS (induced pluripotent stem cells), and periodontal membrane sheets); tailor made medical diagnostics (DNA chips and protein chips); etc.

Opportunities

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Event: MEDTECH Japan 2010
Date: April 15-16, 2010
Venue: Pacifico Yokohama
Web: http://www.devicelink.com/expo/japan10/index en.html

Event: The International Modern Hospital Show 2010 (IMHS2010)
Date: July 14-16, 2010
Venue: Tokyo Big Sight
Web: http://www.noma.or.jp/hs/english/top-e/index-e.htm

Event: HOSPEX Japan 2010
Date: November 17-19, 2010
Venue: Tokyo Big Sight
Web: http://www.jma.or.jp/hospex/english/top-e/index-e.htm

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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 (PMDA)	www.pmda.go.jp/
Advanced Medical Technology Association (AdvaMed)	www.advamed.org/
The American Medical Devices and Diagnostics Manufacturers' Association (AMDD)	amdd.jp/en/index.html
Japan Federation of Medical Device Associations (JFMDA)	www.jfmda.gr.jp/

Pharmaceuticals

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Millions of U.S. $	2007	2008	2009 (estimate)
Total Market Size	68,075	80,548 (est.)	87,709
Total Local Production	54,791	63,962 (est.)	68,789
Total Exports	1,223	1,279	1,376
Total Imports	14,507	17,865 (est.)	20,295
Imports from the U.S.	2,056	2,680	3,653

(Sources: Yakuji Kogyo Seisan Dotai Tokei (annual statistics on production of pharmaceuticals and others), Ministry of Health, Labor and Welfare (MHLW). Figures for 2008 and 2009 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. In 2008, the Japanese market for pharmaceuticals was estimated to be approximately $80 billion compared to $68 billion in 2007. The increase was mainly due to the appreciation of the yen from ¥117.76/US$1 in 2007 to ¥103.39/US$ in 2008. Figures for 2009 will show even higher growth due to further Yen appreciation. In Yen terms, the market grew by approximately four percent in 2008 compared to the previous year. The market share for foreign firms is estimated to be roughly 40 percent if direct imports, local production by foreign firms and compounds licensed to Japanese manufacturers are included. American pharmaceutical firms have achieved a market share in Japan of around 20 percent.

In December 2009, the Government of Japan (GOJ) announced the framework for a new growth strategy, details for which will be provided in June 2010. The healthcare sector is one of the areas that was identified as having high growth potential. In regard to pharmaceuticals, the plan calls for improvement in the clinical trials environment, acceleration of drug approval review times (in order to eliminate the drug “lag”) and the promotion of innovative drug R&D in Japan. This new growth strategy and other GOJ policy programs, which aim to enhance the international competitiveness of the Japanese pharmaceutical industry, should also benefit U.S. pharmaceutical companies that can offer innovative products to Japanese patients.

As a result of the FY2010 drug price revision, on a trial basis, Japan will implement a new premium system that would minimize downward pressure on prices for new drugs (without a generic equivalent) during biennial reimbursement price revisions. This new premium system is called “Premium for the development of new drugs and elimination of off-label drug use (new drug development premium).” However, the premium may not be granted to a company or a drug if the firm is deemed to be uncooperative in developing drugs or new indications to support the elimination of the drug “lag.” Both Japanese and foreign drug industries have indicated general acceptance of the new premium system trial in the hope that the new system will become permanent. While the new pricing system trial is a positive development, U.S. firms will need to pay their close attention to the ongoing National Health Insurance (NHI) pricing system reform debate in Japan.

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The top selling pharmaceuticals in Japan are for cardiovascular diseases. Demand for these drugs is increasing due to Japan's aging society. Other drugs with increasing demand include metabolic, gastrointestinal, and central nervous system (CSN) drugs. Generic drugs will also have good potential in the Japanese market as the GOJ regards the promotion of generics as a key solution to reducing soaring healthcare costs.

Opportunities

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Event:	CPhI Japan 2010
Date:	April 21-23, 2010
Venue:	Tokyo Big Sight
Web:	www.cphijapan.com

Event:	INTERPHEX JAPAN
Date:	June 30 – July 2, 2010
Venue:	Tokyo Big Sight
Web:	www.interphex.jp/ipj/english/index.phtml

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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 (PMDA)	www.pmda.go.jp/
Pharmaceutical Research and Manufacturers of America	www.phrma-jp.org/
The Japan Pharmaceutical Manufacturers Association	www.jpma.or.jp/

Renewable Energy

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Photovoltaic Power Generation (Generation Capacity)

(kilowatts)	2007	2008	2009 (first half)	2020 (target)
Total Market Size	209,856	236,787	219,944	App. 2,000,000
Total Local Production	911,550	1,120,521	682,177	N/A
Total Exports	701,694	883,734	462,233	N/A
Total Imports	N/A	N/A	N/A	N/A
Imports from the U.S.	N/A	N/A	N/A	N/A

(Sources: Figures for 2007, 2008 and the first half of 2009 - the Japanese Photovoltaic Power Energy Association; target for the year 2020 is from the "Action Plan for forming Low-Carbon Society by the Global Warming Prevention Headquarters of the Japan Cabinet office, announced in July 2008. Data on U.S. imports is not available.)

Renewable energy technologies (or to use the Japanese term "New Energy Power Generation") such as photovoltaic solar panels, wind turbines, and biomass/biofuels (including bio-ethanol), are promising sectors in the Japanese market. Other new technologies in this field include geothermal power generation, micro-hydroelectric power generation, ocean thermal energy conversion, power generation by waves, fuel cells, hydrogen engines, and heat pumps.

When the New Energy Power Generation Promotion Law was established in 1999, it was intended to increase Japan's energy self-sufficiency ratio, which remains at 20 percent in 2009. The Government of Japan has added two more objectives; one is to cope with the need to reduce carbon dioxide emissions under the Kyoto Protocol, and the other is to use these product categories in a new industry development/promotion policy to address the on-going economic crisis. This approach is very similar to the "Green New Deal" concept in the United States. At COP 15 in December 2009, Prime Minister Hatoyama announced Japan's intent to reduce carbon dioxide emissions by 25 percent of baseline 1990 levels by the year of 2020.

To achieve such an ambitious target, the Government of Japan may utilize a number of measures to promote these products, including such steps as research programs aimed at developing technology in these areas, mandates to use renewable energy, tax incentives, subsidy programs for system procurement, and award/certification programs for new technology development and installation. Measures already implemented in 2009 included:

1) Continuation of a subsidy program for residential and public organizations for installation of PV systems (70,000 yen/kilowatt capacity, or approximately 10 percent of procurement cost)
2) Introduction of a feed-in tariff for electric power generated by PV systems in November 2009 (double the average unit price for residential user electric power)
3) Introduction of a subsidy program for the residential market for the use of energy saving building materials and equipment (up to 300,000 yen per household)

Because of these Japanese Government measures, the number of PV systems installed in the first half of JFY 2009 nearly equaled total installation in 2008. CS Japan expects that the Government of Japan will introduce further measures to achieve its ambitious environmental target.

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Best products include products, parts and services related to photovoltaic solar power, biomass, hydroelectric, and wind power. The major emphasis in Japan continues to be on solar and fuel cell technology. Due to Japan's geography and population density, there is a limited market for wind power.

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Event:	Renewable Energy 2010
Date:	June 27- July 2, 2010
Venue:	Pacifico Yokohama
Web:	http://www.re2010.org/eng-conf/index.html

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	Mr. Takahiko Suzuki	takahiko.suzuki@mail.doc.gov

Useful Websites:
Ministry of Economy, Trade and Industry (METI)
http://www.meti.go.jp/english/index.html
METI is the one of the key Japanese ministries for policy making and facilitation of new energy power generation programs. The Agency for National Resources and Energy (ANRE), under METI, is directly involved in many new energy power generation programs.
http://www.enecho.meti.go.jp/english/index.htm

Ministry of Environment (MOE)
http://www.env.go.jp/en
MOE coordinates Japanese central government policy on the environmental aspects of new power generation.

New Energy and Industrial Technology Development Organization (NEDO)
http://www.nedo.go.jp/english/index.html
NEDO is the leading institution under METI for R & D for technologies of new energy power generation. The website contains a comprehensive database of regulations, research reports on technology developments, field tests, and market size.

New Energy Foundation (NEF)
http://www.nef.or.jp
NEF used to be the point of entry for the Government subsidiary program for individual household installation of photovoltaic power generation systems. It has a database of all public and private organizations which are involved in R & D, and regulations/promotion/ businesses for biomass technology, including bioethanol, biodiesel, and biogas.

Japanese Council for Renewable Energy (JCRE)
http://www.renewableenergy.jp/council/english/index.html
An ad-hoc federation of major Japanese institutions, academic organizations, and private firms concerned with renewable energy, mainly organizing trade shows and conferences.

The Energy Conservation Center of Japan
http://www.eccj.or.jp/index_e.html
The Energy Conservation Center of Japan is the key private organization under METI to promote energy conservation with many educational, certification, and award programs.

Japan Photovoltaic Energy Association
http://www.jpea.gr.jp/index.html
A private association of Japanese photovoltaic power generation system manufacturers. As of January, 2009, the English website is not yet posted.

Japanese Wind Power Association
http://jpa.jp
A private association of Japanese firms of wind power products and related services. No English website is available.

Japan Bioindustry Association
http://www.jba.or.jp/english/index.html
A private organization of Japanese firms involving in biomass related technologies.

Fuel Cell Development Center
http://www.fcdic.com
Fuel Cell Development Information Center is the key organization on all technology developments related to fuel cell systems.

Safety and Security

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Millions of U.S. $	2007	2008	2009 (estimated)
Total Market Size	5745.0	5922.7	6192.2
Total Local Production*	4974.1	5437.7	5711.3
Total Exports*	1074.9	1077.0	1099.9
Total Imports*	574	592	619
Imports from the U.S.*	n/a	n/a	n/a

(Source: Fuji Keizai (Total Market Size), *-these figures are unofficial CS Japan estimates and import data do not include security services)

According to the Fuji Keizai publication, the overall size of Japan's security systems industry, including equipment and services, is expected to reach about $6.2 billion in 2009 and is projected to grow by an average of nine percent per year for the next few years. Although the current economic downturn has adversely impacted demand, the market for IP-based surveillance equipment continues to grow strongly. According to industry sources, more than three million security cameras are in operation across the country, including 363 security cameras in dense urban areas managed by the police.

The National Police Agency has announced its plans to install a network of security cameras in residential areas as part of nationwide crime-prevention efforts starting in 2010. The development of global standards for the interface of network video products is making it easier for end users to select interoperable products from different brands and will increase demand for network-based security products. Price reductions for surveillance-related products along with technological advancements are expected to sustain industry growth in coming years.

The National Police Agency has announced that the overall size of Japan's security guard and patrol services market has decreased to $33.4 billion in 2008 from $35.6 billion in 2007. Even though the number of security guards has increased by 3.6 percent from 2007 to 512,331 in 2008, due to deflationary pressures on prices, sales decreased 6.6 percent compared with 2007.

Best Products/Services

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U.S. homeland security and anti-terrorism products, including those procured by government entities, enjoy a market advantage in Japan as the U.S. is recognized here as a technological leader. Especially good export opportunities exist for drug/explosive detection equipment and systems, personal/container screening technologies and systems, and Nuclear/Biological/Chemical preparedness equipment and medicines.

According to an industry source, there is strong long-term potential in the Japanese market for biometrics technologies. Growing industry awareness of more stringent yet user friendly security technologies are boosting demand for various biometric-related solutions. By partnering with Japanese manufacturers, U.S. firms with biometrics technologies and solutions can secure significant business both in Japan and in third-country markets.

Opportunities

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Security Show
http://www.shopbiz.jp/en/ss/
Date: March 9-12, 2010
Venue: Tokyo Big Sight

Auto-ID Expo
http://www.autoid-expo.com/tokyo
Date: September 15-17, 2010
Venue: Tokyo Big Sight

Risk Control in Tokyo (RISCON) - Safety and Security Trade Expo
www.kikikanri.biz/english/index.html
Date: October 6-8, 2010
Venue: Tokyo Big Sight

Special Equipment Exhibition & Conference for Anti-Terrorism (SEECAT)
http://www.seecat.biz/en/index.html
Date: October 6-8, 2010
Venue: Tokyo Big Sight

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Cabinet Office Disaster Prevention	www.bousai.go.jp/index.html
National Police Agency	http://www.npa.go.jp/english/index.htm
Fire & Disaster Management Agency	http://www.fdma.go.jp/en/
Japan Fire Equipment Inspection Institute	http://www.jfeii.or.jp/en/index.html
Japan Security Systems Association	www.ssaj.or.jp/
Japan Automatic Identification Systems Association	http://www.jaisa.jp

CS Japan Contact: Ms. Kazuko Tsurumachi kazuko.tsurumachi@mail.doc.gov

Soil Remediation/Engineering Services

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Millions of U.S. $	2007	2008	2009 (est.)
Total Market Size	1,806	1,687	1,485
Total Local Production	1,766	1,650	1,452
Total Exports	0	0	0
Total Imports	40	37	33
Imports from the U.S.	24	22	20

Note: Official information on total imports and imports from U.S. firms is not available.

In 2009, the Japanese soil remediation business suffered a large setback in terms of the amount of orders received since the Soil Contamination Measures Law (SCML) was implemented by the Government of Japan in 2003.

The Geo-Environmental Protection Center (GEPC), organized under the direction of Japan's Ministry of the Environment, is Japan's largest soil remediation-related industry association. The GEPC reported that after the implementation of Japan's Soil Contamination Measures Law (SCML) in 2003, both the number of orders received and the total sales in soil remediation business increased until 2006, then both figures decreased from 2007-2009.

CS Japan estimated the total market size in 2009 based on information from the GEPC and other industry sources. According to these sources, the soil remediation market did not recover in 2009 from the global recession, which put on hold many private construction projects that involve most land transactions. Furthermore, the new Japanese administration has promised to cut future public works spending by 18.3 percent in fiscal year 2010.

However, industry sources inform CS Japan that the soil remediation market is expected to recover in 2010 from its three consecutive year downturn both in terms of the number of projects and total sales. One reason for this forecast is that a revised SCML will be implemented in April 2010, which will reactivate land-transfer transactions, especially in the private sector. The industry also has high business expectations in the future due to the new Democratic Party-led government’s announcement that the Government will create a $540 billion new market in the environment and energy business sectors.

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For the past few years, the number of large scale projects has decreased due to the global recession which hit the real estate market particularly hard in Japan and also due to the budgetary constraints on public construction by the Government of Japan.

However, the potential market in soil remediation in Japan is still deemed to be huge. According to the GEPC, the number of land sites which need remediation may be ten times the number of officially recognized “designated areas”. Japan also has many so-called “brown fields”, small scale properties which require remediation.

Many believe that when the revised SCML takes effect in April 2010, there may be a surge in land transactions which will require treatment or removal of contaminated soil. The revised law focuses on promoting technical development and wider usage of on-site treatment. Also, the revision mandates that property owners must report to the local government when making major modifications to the land, and tightens controls related to the transportation and handling of the contaminated soil.

As wider usage of in-situ land purification technology will be encouraged under the revised SCML, U.S. firms with unique, cost-effective products/services which can provide in-situ solutions stand a good chance in the Japanese market, where the traditional and expensive methodologies of transporting the contaminated soil to another location, or covering the contaminated land are no longer economical.

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- 2010 Soil and Groundwater Remediation Technology Expo (Tokyo)
  October 13 - October 15 2010 at Tokyo Big Sight
  Organized by the Geo-Environmental Protection Center
  Details will be announced in April.

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Web: Geo-Environmental Protection Center http://www.gepc.or.jp/english/eindex.html

Telecommunications Equipment

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Millions of U.S. $	2007	2008	2009 (estimated)
Total Market Size	33,194	31,279	31,795
Total Local Production	32,483	30,570	31,123
Total Exports	4,335	4,323	4,095
Total Imports	5,046	5,033	4,766
Imports from the U.S.	515	514	487

(Source: Communications and Information Network Association of Japan (CIAJ); unofficial FCS estimates)

For 2009, the total market decreased from the previous year due to the maturity of the mobile phone market and a longer handset upgrade cycle (note: the dollar-denominated market figure in the chart above for 2009 is higher than 2008, but this is due primarily to the stronger yen).

From 2010, smartphones, data communication devices, and investment in the new wireless broadband network using LTE (Long Term Evolution) technology are expected to stimulate the market.

LTE or Long Term Evolution is the project name of a new high performance air interface for cellular mobile communication systems. It is the last step toward the 4th generation (4G) of cellular technologies designed to increase the capacity and speed of mobile telephone networks. Where the current generation of mobile telecommunication networks are collectively known as 3G (for "third generation"), LTE is known as 3.9G, and sometimes marketed as 4G.

NTT DoCoMo, Japan’s largest mobile phone service operator, is planning to launch its commercial LTE services in 2010, making it among the first to launch the next generation of mobile access network technology. Reuters reported that DoCoMo is to invest ¥300 billion to ¥400 billion ($3.3 billion to $4.4 billion) in its LTE network between 2010 and 2014. Other local mobile operators are also planning to build 4G networks following DoCoMo. Japan is therefore set to have all three of the most advanced wireless access technologies, LTE, HSPA+, and WiMax, competing head-to-head in one of the world’s most tech savvy markets. This might lead to opportunities for U.S. 4G equipment vendors.

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Smartphone, data communication devices (e.g. PDA WiFi card, Wireless USB adopter)

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Interop Tokyo

http://www.interop.jp/en/index.html
Date: June 9-11, 2010
Venue: Makuhari Messe

CEATEC Japan
http://www.ceatec.com/2009/en/index.html
Date: October 5-9, 2010
Venue: Makuhari Messe

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Communications and Information Network Association of Japan (CIAJ)
http://www.ciaj.or.jp/e.htm

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Travel and Tourism

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Millions of U.S. $	2007	2008	2009 (estimate)
Total Market Size [(1)]	199,558	227,875	226,345
Total Outbound Market	36,515	36,754	34,479
U.S. Share of Outbound Market	14,470	14,554	13,099

Millions of People	2007	2008	2009 (estimate)
Number of Outbound Travelers	17.29	15.99	15.45
Number of Outbound Travelers to the U.S.	3.53	3.25	2.89

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

Notes:
(1) Total market size includes spending on day/overnight trips, travel guidebooks, travel insurance, passport fees and photo costs.
(2) The exchange rate for 2007 was ¥117.76=$1; for 2008 was ¥103.39=$1; and for 2009 was ¥93.68=$1 (Source: U.S. Federal Reserve).

Japan continues to be a major source of outbound travelers for the United States attracting 3.25 million visitors in 2008. The total number of Japanese outbound travelers in 2008 was 15.99 million, a decrease of 7.6 percent over the previous year. Nevertheless, the U.S. continues to be one of the most popular destinations for Japanese visitors with 20.3 percent market share in Japan. In 2008, over 70 percent of repeat Japanese travelers visited the U.S. mainland, 65.3 percent went to Hawaii and 60.7 percent visited Guam (including Saipan). Japanese spending in the U.S. remained healthy with travel and tourism receipts totaling around $14.55 billion in 2008.

There are three peak holiday periods in Japan: Golden Week, Obon, and the year end/New Year. Golden Week, generally a popular time to travel abroad, occurs at the end of April and in early May, during which the four Japanese public holidays can be extended into a five to nine day vacation. The summer Obon holiday occurs around August 15. Since the longest school holiday of the year also occurs at this time, August is the peak month for all Japanese travel. Many Japanese companies and organizations close during the last week in December until just after the new year for the year end/New Year holiday, making it a preferred time to spend abroad. All of these holidays present excellent opportunities for travel to the U.S.

In 2010, the Golden Week holiday period will be an especially good time for Japanese outbound travelers to visit long haul destinations such as the United States. If a traveler takes three days' vacation in conjunction with Golden Week, this creates a consecutive eleven day holiday.

Due to the outbreak of the H1N1 flu, many Japanese travelers decided not to travel abroad in 2009. We believe that these travelers will start traveling again in 2010 due to pent up demand. With the strong yen and a lessening of the fuel surcharge, now is an excellent time for the U.S. travel industry to actively promote their destinations and services in the Japanese market.

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While a majority of overseas Japanese travelers still enjoy nature and scenery, shopping, gourmet food, history and culture, some travelers have a more specific purpose in mind for their travel. Themed travel is becoming increasingly popular among Special Interest Tourists (SIT) and Free Independent Travelers (FIT). Themed travel that will appeal to Japanese visitors includes:

- Spectator sports such as professional baseball, basketball, soccer, golf, car racing and the Olympics
- Participation in amateur marathons
- Sports activities such as golfing, hiking, fishing, diving, skiing, driving, cycling and other outdoor sports
- Music-oriented travel such as attending concerts, music festivals, etc.
- Spa/relaxation/healing experiences
- Hobby tours such as quilting, photo taking, drawing, dancing, etc.
- Cruising
- Overseas weddings

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Event:	JATA World Travel Fair 2010 - Discover America Pavilion
Date:	September 24-26, 2010
Venue:	Tokyo Big Sight
Web:	http://jata-wtf.com/index.php?lang=en

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CS Japan Contact: Ms. Tamami Honda	tamami.honda@mail.doc.gov
U.S. Travel Association Japan Office	http://www.discoveramerica.com/jp
Japan Tourism Agency	http://www.mlit.go.jp/kankocho/en/
Japan Association of Travel Agents (JATA)	http://www.jata-net.or.jp/english

Agricultural Sectors

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The United States remained Japan's top supplier of farm products, with a 24 percent market share in 2008. However, China, Australia, Thailand, and Latin America, have grown as strong competitors for the United States. U.S. farm exports to Japan increased 15.8 percent in CY 2007 to $11.6 billion, a 15 percent increase from CY 2007. 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 40 percent, the Japanese food self-sufficiency rate is the lowest of all industrialized countries, compared to the U.S. rate of 126 percent. The Japanese also spend a very high percentage of their income on food (almost 25 percent compared to 12 percent in the United States). In 2007, the value of Japan's consumer food and beverage market was $346 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 percent in 1960 to 12 percent in 2007 while per capita protein consumption of meat went from five percent in 1960 to 18 percent in 2008. Per capita protein consumption for dairy products also increased from three percent in 1960 to 10 percent 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. In addition, to "fusion" foods restaurants, there are also more authentic ethnic food restaurants that cater to the broadening Japanese palate. Hence, to satisfy demand for non-traditional foods, restaurants are seeking a wider variety of international food ingredients. 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.

While economic stagnation and declining income have made people more price-conscious than in the past, however quality continues to be a crucial factor in food purchasing decisions. Food safety continues to be an important consideration for most Japanese consumers, who are more sensitive to perceived risk than the average American consumer. Following global trends, Japanese consumers have a renewed interest in maintaining health and wellbeing, including healthier diets consisting of fresh fruits and vegetables. Yet another developing trend is the growing number of males cooking at home. As more women have joined the labor market and delayed marriage; and the rate of divorce among male-retirees increases, more males are forced to prepare meals for themselves. As a result, there has been a surge in cooking classes catering to male audiences who then need ingredients to prepare their meals. Men joining the ranks of women visiting supermarkets in search for new food items will likely widen the target audience and opportunities for market development.

The retail sector remains the focus of U.S. investment in Japan’s food industry. In 2008, Seiyu became a wholly-owned subsidiary of Wal-Mart. Prior to that Seiyu, was the third largest Japanese supermarket in terms of food sales. Currently, Seiyu’s sales ranking cannot be confirmed as the company is no longer listed. Similarly, Costco appears to be doing very well in Japan. Since opening its first location in this market in 1999, Costco has expanded its operations to nine warehouses located throughout Japan. U.S. investment in Japan’s agricultural sector is limited to a few large-scale ventures in the livestock and grain sectors. 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. These hours are popular as restaurants offer a special lunch menu, significantly cheaper than the ones offered at dinner, giving consumers a chance to try new restaurants without the usual expense.

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Chapter 5: Trade Regulations and Standards

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On average, the applied tariff rate in Japan is one of the lowest in the world. In fiscal year (April-March) 2008, the simple average applied MFN (most favored nation) tariff rate was 6.1 percent, down from 6.5 percent in FY2006. 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 17.1 percent is among the world's highest for industrialized countries. (Source: Japan 2009 WTO Trade Policy Review). By comparison, the average agricultural import tariff is 8.5 percent in the United States and 9.3 percent in the European Community.

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 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 preferential system of tariffs grants lower or duty-free rates to products imported from developing countries. Japan's harmonized tariff schedule is available through the website of Japan Customs: http://www.customs.go.jp/english.

A simplified tariff system for low-value imported freight valued at less than ¥100,000, 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 depending on the product.

Japan grants preferential treatment to products from certain developing and least developed countries under its Generalized System of Preference (GSP) scheme. In April 2007, Japan expanded coverage of the preferential (i.e. tariff-free and quota-free) treatment granted to 49 least developed countries, from about 86 percent to 98 percent of all tariff lines. The main beneficiaries of Japan's GSP are China, Thailand, Indonesia, the Philippines, and Viet Nam. The GSP scheme excludes many agricultural products and some industrial products. Japan also grants preferential access to imports from Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, and Brunei under bilateral free-trade agreements. The simple average tariff rates under these agreements range from 3.3 percent to 3.9 percent.

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 Regulations and Contact Information*.)

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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 in some sectors or projects 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 disadvantage suppliers outside the traditional 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. The U.S. Department of Commerce's Trade Compliance Center (TCC) helps U.S. exporters and investors overcome foreign trade barriers and works to ensure that foreign countries comply with their trade agreement obligations to the United States.

U.S. exporters experiencing non-tariff barriers or other unfair trade practices in foreign markets can report such problems online at http://tcc.export.gov.

For additional information on Japan-specific trade barriers see the National Trade Estimates Report available on the United States Trade Representative Website: http://www.ustr.gov/about-us/press-office/reports-and-publications.

Import Requirements and Documentation

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Any person wishing to import goods must declare them to the Director-General of Customs and obtain an import permit after necessary examination of the goods concerned. The formalities start with the lodging of an import declaration and end with issuance of an import permit after the necessary examination and payment of Customs duty and excise tax. For additional information see the section below on *Customs Regulations and Contact Information*.

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.

Correct packing, marking, and labeling are critical to smooth customs clearance in Japan. Straw packing materials are prohibited. 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 and measurement of each container, including the gross and net weights of each package. The Japanese Measurement Law requires that all weights and measures on packing list be reflected in Metric System values.

Japan's Ministry of Finance maintains a website at http://www.customs.go.jp/english/ that describes import and customs clearance procedures, and provides contact information and other detailed information in English.

Japan prohibits the importation of certain items including narcotics, firearms, explosives, counterfeit currency, pornography, and products that violate intellectual property laws. For additional information see the section below on *Prohibited and Restricted Imports.*

U.S. Export Controls

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As an active member of the Wassenaar Arrangement as well as all 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 administers it own export control legislation (Foreign Exchange and Foreign Trade Act, Export Trade Control Order, and Foreign Exchange Order) and implements "catch-all" controls to prevent Japanese firms from exporting goods and technologies that could be related to the development of weapons of mass destruction. Japan has been conducting outreach activities in Asian countries including Japan to maintain a strict export control system. 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 reexport through Japan.

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

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

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

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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 (http://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 Return to top

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 is 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.

A good reference for information on labeling requirements for consumer goods is JETRO's Guide to Japanese Household Goods Quality Labeling Law available at: http://www.jetro.go.jp/en/reports/regulations.

Food and agricultural products are subject to a number of complex labeling regulations in Japan. Previously, the Ministry of Agriculture, Forestry and Fisheries (MAFF) administered quality labeling standards and the Ministry of Health, Labor and Welfare (MHLW) administered separate voluntary and mandatory standards such as nutritional labeling and food additive/allergen labeling for processed foods and beverages. However, in September 2009, responsibility for all labeling issues, including food labeling, was officially transferred from MAFF, MHLW, and other ministries, and then consolidated under the new Consumer Affair Agency. For more details on Japan's Consumer Affairs Agency please see the U.S. Foreign Agriculture Service GAIN report at http://tinyurl.com/ydwqsch.

For more details on food labeling standards see the Food and Agriculture Import Regulations and Standards (FAIRS) Country Report: http://tinyurl.com/y9nxdzy.

Prohibited and Restricted Imports Return to top

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. Other restricted items include but are not limited to certain agricultural and meat products, endangered species and products such as ivory, animal parts and fur where 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 follows a "positive list" approach.

Regarding importation of products for personal use, Japan restricts more than two months' supply of medicines (drugs or quasi-drugs) or more than 24 units (of normal size) of similar cosmetic products. Please note that body (hand) soaps, shampoos, toothpastes, hair dye and other toiletries fall under the category of quasi-drugs or cosmetics.

Veterinary drugs are subject to import restrictions in accordance with Japan's Pharmaceutical Affairs Law.

For more information on prohibited and restricted imports visit the FAQ section on the Japan Customs web site: http://www.customs.go.jp/english.

Customs Regulations and Contact Information Return to top

Any person wishing to import goods must declare them to the Director-General of Customs and obtain an import permit after necessary examination of the goods concerned. The formalities start with the lodging of an import declaration and end with issuance of an import permit after the necessary examination and payment of Customs duty and excise tax.

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.

The latest available data indicate that, in 2006, the average time between arrival of goods and the granting of import permission was 63.8 hours (2.7 days) for sea cargo and 14.4 hours (0.6 days) for air cargo (including time required under the "immediate import permission system upon arrival"). Under the "immediate import permission system upon arrival", import permission may be granted as soon as cargo entry is confirmed. To be eligible for this system, importers must file a preliminary declaration online (through the Nippon Automated Cargo Clearance System (NACCS); Customs examines the documents and materials submitted before cargo entry, and provides the results of the examination. For more information on the NACCS see: http://www.naccs.jp/e/index.html

All importers must file a declaration with Japan Customs. For most goods, the declaration must be made after the goods have been taken into a bonded customs (*hozei*) area or other designated place; items requiring approval by the Director-General of Customs can be declared before they are taken to the *hozei* area. The declaration must include details of the quantity and value of the goods to be imported as well as an invoice, a packing list, freight account, insurance certificate, and certificate of origin (for, inter alia, preferential rates of tariff), where applicable. Additional documentation may be required, for example, for goods requiring an import license or health certificate. Once the documentation is verified by Customs, an import permit is issued.

In October 2007, Japan's Authorized Economic Operator (AEO) program was extended to *hozei* warehouse operators and in April 2008 to customs brokers and logistics operators. Imports are valued according to their c.i.f. (cost, insurance + freight) value, which is taken to be the transaction value of the imports. Customs duty can be paid through a multi-payment network system, which connects teller institutions (government authorities) with financial institutions. No fee is charged by the government for the use of this system; however, the financial institutions involved may collect variable fees. The system is managed by the Japan Multi-payment Network Management Organization (JAMMO), a non-profit organization established by major financial institutions in Japan. Only institutions that participate in the organization may use the system. Written advance rulings are issued at the written request of importers and other parties concerned; these rulings can be published on the Customs website with the applicants'

consent. For more information on Japan’s AEO program see:
http://www.customs.go.jp/english/aeo/index.htm

Complaints against Japan Customs' decisions may be made to the Director-General of Customs within two months of the decision. Further appeals may be lodged with the Minister of Finance within one month of the decision by the Director-General of Customs.

Contact Information

Japan Customs: http://www.customs.go.jp/english

Japans 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
Phone: +81/ 3/ 5614-8871; fax: +81/ 3/ 5614-8873
http://www.kanzei.or.jp/english

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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 before a product can be sold in the market or even displayed at a trade show; unapproved medical equipment may be displayed at a trade show 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, there are numerous laws containing Japan-specific mandatory standards 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 standards in effect that could impact the sale of the exported product.

The Japan External Trade Organization website has numerous documents devoted to Japan's standards and regulations, including import procedures, quarantine periods, technical requirements, etc. The website also details relevant laws, ordinances and amendments concerning import standards and regulations. For more information see: http://www.jetro.go.jp/en/reports/regulations/

Product Liability Insurance

Japanese business entities are subject to various laws and product safety standards, which vary depending upon the industry or product segment. Japanese importers/distributers of foreign products, in general, cover product liability risk through the product liability clause in their own liability insurance. The covered items and exemptions may vary from underwriter to underwriter and among industry segments. Whether the U.S. exporter will be required to buy product liability insurance to cover worldwide or specific overseas markets for their exports will be subject to negotiation with the firm's Japanese business partner and the advice of legal counsel.

Standards Organizations

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The Japan Industrial Standards Committee (JISC) plays a central role in standards activities in Japan (http://www.jisc.go.jp/eng). 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 http://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.

NIST 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 URL: http://www.nist.gov/notifyus/

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Please see the *Product Certification* section below.

Product Certification
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With the revision of the Industrial Standardization Law in October 2005, the Japanese Industrial Standards (JIS) was renewed and a new scheme was implemented in September 2008. Under the new JIS mark scheme, product certification bodies accredited by the Ministry of Economy, Trade and Industry (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 at a factory that successfully passes such an audit will be authorized to affix the JIS mark. Additional information on this process can be found on the JISC website: http://www.jisc.go.jp/eng/jis-mark/newjis-eng.html.

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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 (http://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.

For conformity assessment bodies recognized by Japan for electrical appliances see: http://www.meti.go.jp/english/policy/denan/procedure/07.htm

For other information on third-party conformity assessment for electrical products see: http://www.meti.go.jp/english/policy/denan/procedure/index.htm

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: http://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 prepares a weekly summary translation in English of public comment announcements by Japanese government agencies. For information on how to obtain this summary translation please contact the Commercial Section by email at: Tokyo.Office.Box@mail.doc.gov

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

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

Labeling and Marking

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The "voluntary" Japan Industrial Standards (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.

The Japan Agricultural Standards (JAS) is another "voluntary" but widely used product standard system administered by the Ministry of Agriculture, Forestry and Fisheries (MAFF). As of August 2006, there are 218 JAS standards covering 71 products. JAS includes five different category standards including general and specific, which are product-based standards. The other three categories are based on the manufacturing or distribution process; one example being organic production standards. The general category 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 apply to aged ham, aged sausage and aged bacon.

JAS certification is a complicated process requiring approval by a Registered (Overseas) Certified Body (R(O)CB). At this time there are only three approved ROCB for forest products and one for organic products in the United States. More information on the JAS labeling system can be found at the following MAFF website: http://www.maff.go.jp/e/jas/index.html.

In September 2009, responsibility for all labeling issues in Japan, including food labeling, was officially transferred to the new Consumer Affair Agency. More information on product labeling can be found on Japan's Consumer Affairs Agency website: http://www.caa.go.jp/en/index.html.

As noted above, Japanese laws requiring product certification and labeling are numerous. A good reference for additional information on these requirements is JETRO's *Handbooks for Industrial and Consumer Product Import Regulations* available at: http://www.jetro.go.jp/en/reports/regulations. This website also includes specifications, standards and testing methods for foodstuffs, implements, containers and packaging, toys and detergents.

For additional information see the section above on *Labeling and Marking Requirements.*

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

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

Japan External Trade Organization (JETRO) on Standards and Regulations:
http://www.jetro.go.jp/en/reports/regulations

National Metrology Institute of Japan:

http://www.nmij.jp/english/

Building Center of Japan:
http://www.bcj.or.jp/en

Telecommunication Technology Committee:
http://www.ttc.or.jp/e/index.html

Japan Cable Television Engineering Association:
http://www.catv.or.jp/english/jctea/

Association of Radio Industries and businesses:
http://www.arib.or.jp/english/index.html

Conformity Assessment Bodies:

Foreign Registered Conformity Assessment Bodies in Japan:
http://www.meti.go.jp/english/policy/denan/procedure/07.htm

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

Japan Accreditation System for Product Certification Bodies:
http://www.jisc.go.jp/eng/index.html

Japan National Institute of Technology and Evaluation:
http://www.nite.go.jp/index-e.html

International Accreditation Japan:
http://www.iajapan.nite.go.jp/iajapan/en/index.html

Specified Measurement Laboratory Accreditation Scheme:
http://www.iajapan.nite.go.jp/mlap/en/top.html

Japan National Laboratory Accreditation System:
http://www.iajapan.nite.go.jp/jnla/en/index.html

Japan Calibration Service System:
http://www.iajapan.nite.go.jp/jcss/en/index.html

Accreditation System of National Institute of Technology and Evaluation:
http://www.iajapan.nite.go.jp/asnite/en/index.html

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

Japanese Draft Standards, Regulations and Public Comment:
http://search.e-gov.go.jp/servlet/Public

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

For Japanese technical regulations notified to the WTO sign up for the U.S. National Institute of Standards and Technology “Notify US” service at: http://www.nist.gov/notifyus

Questions on standards related issues specific to Japan can be addressed to:

Dean Matlack
Market Access and Compliance Officer
Commercial Section, U.S. Embassy Tokyo
Phone: + 81-3-3224-5316
Email: Dean.Matlack@mail.doc.gov

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As of September 2009, Japan has entered into economic partnership agreements (EPAs) with 10 countries: Brunei, Chile, Indonesia, Malaysia, Mexico, Singapore, Switzerland, Thailand, the Philippines and Vietnam. In addition to bilateral agreements, Japan and Association of the Southeast Asian Nations (ASEAN) have also entered into an agreement (April 2008) on a Comprehensive Economic Partnership. EPAs are currently being negotiated with the Republic of Korea, India, Australia and Peru. Japan is also negotiating an FTA with Cooperation Council for the Arab States of the Gulf. Additional information on Japan’s trade agreements can be found on the Ministry of Foreign Affairs website at: http://www.mofa.go.jp/policy/economy/fta/index.html

For information on sector-specific agreements between the United States and Japan visit the Department of Commerce Market Access and Compliance Japan website: http://www.mac.doc.gov/japan/sector-specific/sector-specific.htm

Japan is a full member of the World Trade Organization (WTO). For more information on Japan and the WTO visit: http://www.wto.org/english/thewto_e/countries_e/japan_e.htm

Web Resources

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Japanese import clearance and customs procedures:

Japanese Customs:

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

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

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

U.S. export control procedures:

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

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

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

Obtaining a temporary-entry *carnet:*
United States Council for International Business
Local Offices — http://www.uscib.org
http://www.atacarnet.com

Standards (key organizations; see also “Standards Contacts” above):
Japan Industrial Standards Committee (JISC)
http://www.jisc.go.jp/eng/index.html

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

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

Public comment on Japanese government regulations:
U.S. Commercial Service
American Embassy Tokyo
http://www.buyusa.gov/japan/en/mac.html

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

Labeling and marking requirements:
Japan External Trade Organization (JETRO)
http://www.jetro.go.jp/en/market/regulations/index.html

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Chapter 6: Investment Climate

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 explicitly promotes inward FDI and has established formal programs to attract it. Since 2001, Japan's stock of FDI, as a percentage of gross domestic product (GDP), grew from less than one percent to more than 3.5 percent at the end of 2009. Despite experiencing one of the worst recessions since the Second World War and the first transfer of power to the political opposition in over fifty years, Japan continued to attract positive FDI inflows in 2009, albeit at a slower pace than before the downturn.

In the third quarter of CY 2008, Japan's economy entered recession for the first time since 2002. The global economy's contraction in the wake of the financial turmoil of 2008 adversely impacted Japan's economy, hitting Japan's export-oriented industries such as automobiles and consumer electronics, with particular force. In early CY 2009, Japanese GDP contracted at a double-digit rate. While conditions ameliorated as global demand rebounded later in the year, the government's economic forecast for FY 2009 (April 2009 to March 2010) projects nominal GDP will be negative 4.3 percent, which amounts to a negative growth rate of 2.6 percent in real terms, and an unemployment rate of 5.4 percent.

The economy featured prominently in the general elections held August 30, 2009, in which the opposition Democratic Party of Japan (DPJ) won a majority in the lower house of the National Diet, thus ending over 50 years of nearly uninterrupted Liberal Democratic Party (LDP) rule. While the DPJ-led government that assumed power in September had not reversed any measure to encourage inward FDI, as of December 2009 it had not publicly reaffirmed the previous governments' commitment to welcoming FDI either.

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, but they lack many of the financial tools U.S. states use to attract investment.

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

Japan ranked 17 on Transparency International's Corruption Perceptions Index in 2009, with a score of 7.7 based on six surveys. The World Bank ranked Japan number 15 on its Ease of Doing Business 2010 report, covering the period from June 2008 through May 2009. The 2009 Index of Economic Freedom compiled by the Heritage Foundation ranked Japan number 19, with a score of 72.8 or mostly free.

In addition to business considerations relevant to investing in a mature economy with an aging population, foreign investors seeking a presence in the Japanese market, or to acquire a Japanese firm through corporate takeover, face a number of unique challenges, many of which relate more to prevailing business practices rather than government regulations. The most notable are:

- A highly insular and consensual business culture that is resistant to hostile mergers and acquisitions (M&A) and prefers to do business, especially M&A transactions, with familiar corporate partners;
- A lack of independent directors on most company boards;
- Cross-shareholding networks among listed corporations in which shares are held for non-economic reasons resulting in a minimal float of available common stock relative to total capital;
- Exclusive supplier networks and alliances between business groups that can restrict competition from foreign firms and domestic newcomers,
- Cultural and linguistic challenges; and
- Labor practices that inhibit labor mobility, suppress productivity, and negatively affect skill development.

Since 2001, the U.S. and Japanese governments have discussed all these issues in working groups under the Regulatory Reform and Competition Policy Initiative, and the Investment Initiative, as part of the U.S.-Japan Economic Partnership for Growth. While recognizing the progress made in some areas under this structure, as of December 2009 both the U.S. and Japanese governments were considering how to recalibrate a U.S.-Japan bilateral economic dialogue to best address these issues and take into account new needs arising from continuing economic turmoil, bilateral cooperation in addressing global issues such as climate change, and hosting the Asia-Pacific Economic Cooperation (APEC) forum in 2010 (Japan) and 2011 (the United States).

Future bilateral engagement will occur against a changed political environment in Japan. Whereas the LDP was closely affiliated with the Japanese business community, the DPJ and its coalition partners – the Social Democratic Party of Japan and the People's New Party – draw support from other constituencies as well, including trade unions. While investment issues did not figure directly in the 2009 elections, the DPJ's August 2009 campaign platform criticized structural reforms championed by former Prime Minister Koizumi and pledged to reduce the influence of the bureaucracy in policy-making. It also promised to shift government spending away from public works projects toward programs benefitting consumers.

Structural reforms, revisions to Japan's legal code, and pro-active Japanese government policies to promote FDI and corporate restructuring led to a boom in merger and acquisition (M&A) activity after 2001. The annual number of M&A transactions in Japan increased dramatically during the ensuing decade, from approximately 800 in 1998 to almost 2,700 in 2007, according to RECOF, a Tokyo-based M&A consultancy. Although down from the peak reached during the 2006-2007 period, M&A activity continued through 2009, numbering about 1,954 transactions, a 19 percent decline from the previous year, according to RECOF estimates. Measured by value, M&A activity declined 43 percent in 2009, to about ¥7 trillion. The majority of these mergers were domestic transactions, but transactions involving foreign counterparts also increased. The number of takeover bids (TOB) in Japan exceeded 100 for the first time in 2007. TOBs numbered 76 in 2008 and 78 in 2009, according to RECOF. The total value of M&A deals involving Japanese companies in CY 2009 was ¥7.24 trillion, down 42.2 percent from CY 2008. At the same time, Japanese M&A directed at foreign companies in CY 2009 amounted to ¥2.79 trillion, accounting for 38.6 percent of the total and down 62.4 percent from CY 2008, according to RECOF. Although change is slow, many Japanese corporate leaders now appreciate the contribution M&A can make to increasing corporate value.

While inflows from the developed nations in Europe and the United States held steady or declined during 2008, inflows from Asia and Central and South America increased during the same period (Tables 2-3). Despite the increase in FDI since the mid-1990s, Japan continues to have the lowest foreign direct investment as a proportion of GDP ratio of any major OECD member. On a yen basis, FDI stock in Japan as of December 2008 was ¥18.46 trillion, (3.6 percent of GDP), according to Ministry of Finance (MOF) statistics.

Meanwhile, Japan continues to run a significant imbalance between inward and outward FDI (see Table 1b). Japan’s outward foreign direct investment rose from $50.1 billion in 2006 to $73.4 billion in 2007 and $130.8 billion in 2008 (see Table 5). Japanese companies' large cash holdings combined with low global equity values and the strengthening of the yen supported increased outbound FDI activity. Notwithstanding the imbalance between inward and outward FDI, outward FDI as a percentage of GDP remains lower for Japan than for other major OECD members.

Legal Reform Facilitates M&A Activity

In recent years, reforms in the financial, communications, and distribution sectors have encouraged foreign investment in these industries. The 2005 Companies Act, an amended bankruptcy law, and the 2007 Financial Instruments and Exchange Law helped increase the attractiveness of Japan as a destination for FDI.

The most significant legislative change was the substantial revision of Japan's corporate-related law. The changes enacted in 2005 significantly expanded the types of corporate structures available in Japan as well as the variety of M&A transactions available for corporate consolidation and restructuring. A foreign firm, for the first time, may now use its stock as consideration in a cross-border M&A transaction by means of a procedure known as a triangular merger, as long as the foreign acquirer has an existing Japanese subsidiary with which to merge the target company.

Unfortunately, the tax regulations that govern triangular mergers contain strict conditions regarding business viability and business relevance between the acquiring subsidiary and the target Japanese firm for the transaction to be granted tax deferral of capital gains. As a result, the procedure has not attracted significant new investment flows. As of December 2009, only one major foreign investor has used the triangular merger provisions of the Companies Act to complete the purchase of a Japanese firm and, in that case, the foreign acquirer already had a significant existing Japanese operation into which it could merge its new Japanese acquisition. The U.S. government has repeatedly raised the issue of effective tax deferral for M&A transactions in bilateral discussions, and the Japanese Government itself has acknowledged the issue as something requiring further study and resolution.

The 2007 Financial Instruments and Exchange Law establishes a 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.

Limited Sector-specific Investment Restrictions Remain

Japan has gradually eliminated most formal restrictions governing FDI. One important restriction remaining in law limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33 percent. Japan's Radio and Broadcasting Law also 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. In 2009, the Experts Advisory Council on Airport Infrastructure proposed a bill that would limit non-governmental investment at Narita International Airport to 20 percent, but the National Diet did not vote on the bill. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is expected to begin new discussions in 2010 about whether any investment limitation is appropriate at Narita. Regarding Haneda Airport, the government has decided not to discuss any proposed investment limitation for the time being.

The Foreign Exchange and Foreign Trade Act governs investment in sectors deemed to have national sovereignty or national security implications. In most cases, foreign investors need only 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 over 10 percent of the shares of a listed 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 ministry that regulates the specific industry. Designated sectors include agriculture, aerospace, forestry, petroleum, electric/gas/water utilities, telecommunications, and leather manufacturing. Amendments to the prior notification and reporting requirements under the law, effective in 2009, reduced the administrative burden on foreign investors so as to facilitate inward investment.

Several sections of the Japanese Anti-Monopoly Act (AMA) are relevant to FDI. Chapter Four of the AMA 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 Japanese Government has emphasized these provisions are not intended to discriminate against foreign companies or discourage FDI.

Amendments to the AMA, effective January 1, 2010, improve the climate for M&A by clarifying the pre-merger review process and significantly raising the thresholds for pre-merger reporting to antitrust authorities. The amendments make share acquisitions subject to the same pre-merger notification rules as mergers and asset acquisitions. The thresholds for notification will rise from ¥10 billion to ¥20 billion for the acquiring corporation and from ¥1 billion to ¥5 billion for the acquired corporation. They also expand the scope of exemptions from notification.

Limitations on Facility Development and Availability of Investment Real Estate

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.

Japan continues restricting development of retail and commercial facilities in some areas to prevent excessive concentration of development in the environs of Tokyo, Osaka, and Nagoya, and 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.

Japanese law permits marketing of real estate investment trusts (REITs) and mutual funds that invest in property rights. As of December 2009, there are 37 REITs listed on the Tokyo Stock Exchange (TSE), three fewer than a year earlier.

Japan's real estate sector experienced painful contraction as a result of the credit crunch beginning in 2008 and the deterioration of the economy overall in the first half of 2009. Several developers went bankrupt and others were forced into emergency restructuring as regular short-term financing evaporated. As of December 2009, the sector continued to face adverse market trends.

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 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. This "permanent establishment" provision combined with Japan's high 40 percent corporate tax rate serves to encourage foreign and investment funds to keep their trading and investment operations off-shore.

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. The government has also announced plans to exempt foreign investors from paying taxes on interest income (currently 15 percent) on corporate bonds, fiscal loan and investment program bonds, and those issued by the Japan Finance Organization for Municipalities, starting in June 2010.

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, the Japanese Government has sought to revitalize the country's economy, in part, by increasing inward FDI. Recognizing the benefits for Japan of increased foreign investment, the government sought to double Japan’s stock of FDI, which it did by 2006. In June that year, the government accepted the Japan Investment Council recommendation to establish a national goal of increasing Japan's stock of FDI to the equivalent of five percent of the country’s GDP by FY2010 (March 2011.)

Following several controversial foreign investment cases, the Cabinet Office appointed an ad-hoc Experts Committee on FDI Promotion in January 2008. In May that year, the Experts Committee recommended that the government: (1) review and improve Japan's rules for M&A; (2) undertake a comprehensive examination of national security-related FDI regulations; (3) establish priority sectors for FDI that that will have a positive impact on the Japanese economy and quality of life; (4) reduce business costs, including by lowering corporate tax rates, and improve regulatory transparency; and (5) develop a strategic plan to spur regional economies' revitalization through the use and attraction of foreign capital. These five recommendations served as the basis for the government's "Revised Program for Acceleration of Foreign Direct Investment in Japan" of December 2008. The DPJ-led government released a preliminary outline of its economic growth strategy in December 2009. While the outline summary did not feature increasing FDI, as the time of its release the government had just begun to draft substantive policy recommendations (due in May 2010).

JETRO 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 Japanese Government administrative procedures.

Many city or regional governments work 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.

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 prohibits specified transactions, including certain foreign direct investments (e.g., from countries under international sanctions) or others that 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, Japan has strengthened due-diligence requirements for financial institutions, and has had a "Know Your Customer" law since 2002. Customers wishing to make cash transfers exceeding ¥100,000 ($1,100) 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 Japanese Government 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 Japan's Government since 1952. Japan is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards. Nevertheless, Japan is considered an inhospitable forum for international commercial arbitration.

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. However, under Japan's Foreign Legal Practitioner system 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* may 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 Justice Foreign Lawyers Study Group considered possible amendments to the law in 2009; release of its final report is expected in 2010.

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 provides a legal framework for arbitration, including international commercial arbitration. 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 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 Return to top

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

Right to Private Ownership and Establishment Return to top

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

However, the 2005 Companies Act includes a provision -- Article 821 -- which creates 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 that Japan 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 Return to top

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. Japan's government 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 government has established criminal penalties for inappropriate use of sensitive information used in court or administrative proceedings.

Prompt filing of patent applications 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. It 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. Becoming operational January 4, 2008, after an 18-month pilot program, the PPH allows filing of streamlined applications for inventions determined to be patentable in other participating countries and is expected to reduce the average processing time. 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. Under a separate design law, effective April 2007, protection is available for 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 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 Japan to make improvements in its regulatory system to support domestic reform efforts and ensure universal access to government information and the policymaking process.

The Japanese government 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 Japan 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 has engaged in bilateral working-level discussions since 2002 in an effort to encourage the Japanese Government 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 Return to top

Japan maintains no formal restrictions on inward portfolio investment and 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. Nevertheless, 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 (TSE) maintains an Electronic Voting Platform for Foreign and Institutional Investors in which more than 347 listed companies participate as of December 2009. All holdings of TSE-listed stocks are required to transfer paper stock certificates into electronic form.

The Tokyo Stock Exchange has stepped up efforts to attract investors. Following receipt of a license from the Financial Services Agency (FSA) on May 29, 2009, the TSE launched Tokyo AIM, a new equity market for venture firms, in cooperation with the London Stock Exchange. It also prepared to introduce a faster trading system in January 2010. Japan's stock exchanges face competitive pressures, however. A record 163 firms delisted from the TSE in 2009, according to Teikoku Databank. Other major stock exchanges in Asia -- including Taiwan, Hong Kong, Seoul, and Singapore -- are stepping up efforts to attract stock listings by Japanese companies.

Environment for Mergers and Acquisitions: Japan’s aversion to M&A is receding gradually, accelerated by the unwinding of previously extensive corporate cross-shareholding networks between banks and corporations in the same business family, improved accounting standards, and government mandates that began in the late 1990s that require 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. If companies are forced to seek an acquirer, they are often most comfortable merging with a firm with which they have a pre-existing business relationship.

Since the Companies Act, which took effect in 2006, expanded the types of M&A structure available in the Japanese market, many companies have adopted defensive measures against hostile takeovers. The most common of these are "advance warning systems" or "poison pill"-type rights distribution plans. In response to the rapid adoption of such plans and the concerns of many foreign investors, including investment funds, that companies were using takeover defenses to entrench existing management, METI in early 2008 convened the Corporate Value Study Group (CVSG) to clarify the purpose of takeover defense measures and principles governing their use. The CVSG's final report issued July 2008 explicitly recognizes the "positive effects" of hostile takeovers and emphasizes defensive measures should not be used to protect managements' own interests at the expense of shareholders, nor should they deprive shareholders of the right to make their own determination whether to accept a takeover bid.

The number of "poison pill" and related proposals decreased markedly in 2009, down to about 100 from more than 200 in 2008, according to the consultancy Glass Lewis. While the financial crisis reduced the threat of hostile takeovers by reducing capital available, this decline also flowed from intensified criticism of such measures from investors and growing recognition by management that takeover defense plans are not in the interests of either the firm or its shareholders. Nevertheless, a number of technical factors continue to 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.

The Companies Act also permits formation of corporate holding companies in Japan for the first time since World War II. This step has facilitated 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. 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 Companies Act 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 Companies Act 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.

Reflecting growing concern within Japan that weaknesses in existing systems of corporate governance are a disincentive for foreign investors, several government agencies and non-government organizations have studied the matter and issued recommendations. METI inaugurated a Corporate Governance Study Group (CGSG), with business-community representation, which issued "The Corporate Governance Study Group Report" on June 17, 2009. Significantly, the CGSG was the first government-linked body to set out a formal definition of "independent" director or statutory auditors. Japan's Companies Act only requires boards to have "outside" directors, defined as an individual who is not an executive or employee of the company itself, or of the company's subsidiaries. The Financial Services Agency also convened the Financial System Council (FSC) Study Group, which issued its report, "Toward Stronger Corporate Governance of Publicly Listed Companies," the same month.

On the central question of appointing independent members on corporate boards, the Corporate Governance Study Group convened by METI stopped short of calling for changing the existing "outsider" requirements of board composition with "independence" requirements. The CGSG confirmed the need for some independent board representation but also noted that non-independent board members can still make valuable contributions to a firm. Positing a potential tradeoff between increased independence and the efficacy of management, the report recommended that each firm should be allowed to adopt the most effective structure in terms of its business. It urged the stock exchange to make rules calling for firms to name one independent director or statutory auditor on each board. It also put forward a model of governance where the firm would appoint at least one "outside" director and disclose its corporate governance system or explain how its model of corporate governance will be effective where no outside director is appointed.

Highlighting the critical role of shareholders in ensuring effective corporate governance, the FSC report echoed the CGSG recommendations on independent directors. It urged the government to consider ways to require listed companies to disclose the details of any existing relationship between individual directors and the company, and to provide the company's views on the level of independence of individual directors. It also called for efforts to strengthen the functions of statutory auditors within companies, and to provide better training and resources so that auditors can more effectively carry out their oversight functions.

The Tokyo Stock exchange implemented new restrictions on private placements to protect the interests of shareholders on August 24, 2009, and published its Listing System Improvement Action Plan on September 29, 2009. The plan sets out steps to enhance corporate governance, improve disclosure, and improve the governance of group companies. On December 24 the TSE released its revised Principles of Corporate Governance for Listed Companies, the first revision since their formulation in 2004. Points newly added address issues of enhancing corporate governance through enterprise groups, strengthening of statutory auditors' functions, and suitable models of corporate governance. As of December 2009, the TSE was still considering rules regarding the independence of directors.

Cross-shareholdings 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. This "main bank" system largely dissolved in the late 1990s as Japan's banking system came close to collapse.

With the recovery of the Japanese economy at mid-decade, however, some company boards began rebuilding cross-shareholding networks, this time with suppliers or nominal competitors rather than a commercial bank. While many boards saw such linkages as an effective means of defense against hostile takeovers, the sharp decline in Japanese stock prices in the autumn of 2008 highlighted the risks of this strategy. According to Daiwa Institute of Research, the proportion of stocks owned in cross-shareholding deals among Japanese firms fell slightly in FY 2008 to 8.2 percent. Subsequent declines will be necessary to conclude that this change represents a trend, and it remains unclear whether the introduction of International Financial Reporting Standards (IFRS) will lead to further declines in cross-shareholdings.

Accounting and Disclosure: Implementation of so-called "Big Bang" reforms since 1998 has significantly improved Japan's accounting standards. Consolidated accounting has been 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. Recent changes to accounting standards and growth in M&A activity have 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 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. In December 2009, the FSA issued an order allowing companies to submit their financial statements based on international accounting standards. This order prepares the legal groundwork for a complete switch to IFRS in the future, but no decision has been made on the mandatory introduction of IFRS. Previously, the FSA accepted only Japanese or U.S. standards for consolidated accounting.

2009 saw calls for greater disclosure of proxy voting. The above-mentioned Financial System Council report issued in June urged the government to consider introducing legislation similar to the American ERISA law that would spell out the fiduciary duties of pension fund managers to exercise their proxy voting rights on behalf of pension beneficiaries. The report called upon the investment industry to establish rules or other means to require institutional fund managers and other large-scale investors who invest on behalf of retail investors to disclose how they exercise their proxy votes.

Taxation and M&A: Japan's standard tax rate for capital gains is 20 percent. However, under special policy measures intended to stimulate capital markets, Japan applies a special 10 percent capital gains tax rate on the proceeds of sales of listed stocks through 2010 for capital gains of less than ¥5 million and for dividends on listed shares of less than ¥1 million. The temporary cut in the tax rate from 20 percent to 10 percent on capital gains from listed share sales and dividend income expires at the end of December 2011; however, a new tax-free program has been proposed to encourage individual investors to invest in stocks. Under the new program, to be effective from January 2012, combined annual capital gains and annual dividend income of up to ¥1 million will be exempted from income tax during a three-year period (2012-2014). Under a series of special measures Japan 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.

Japan overhauled its bankruptcy law governing small and medium size firm bankruptcies by enacting the Civil Rehabilitation Law in 2000. The law focuses on corporate restructuring in contrast to liquidation, 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 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 that 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. 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.

Competition from State Owned Enterprises

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Japan has privatized most former state-owned enterprises. The privatization of the financial companies of the Japan Post group, including Japan Post Bank and Japan Post Insurance, however, remains incomplete. After assuming power in September 2009, the DPJ-led government decided to delay indefinitely the stock sale of these companies. The U.S. Government has continued to raise concerns about the preferential treatment that Japan Post entities receive compared to private sector competitors and the impact of these advantages on the ability of private companies to compete on a level playing field.

Japan does not have any sovereign wealth fund (SWF).

Corporate Social Responsibility

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Awareness of corporate social responsibility among both producers and consumers in Japan is high and growing, and foreign and local enterprises generally follow accepted CSR principles. Business organizations also actively promote CSR.

Political Violence

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Political violence is rare in Japan. Acts of political violence involving U.S. business interests are virtually unknown.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/docs/dojdocb.html.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice

Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://go.worldbank.org/RQQXYJ6210.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

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 up to seven years and possible fines up to ¥2.5 million (for the offering party) or mandatory confiscation of the monetary equivalent of the bribe (for the recipient). With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be subject to fines and/or imprisonment, and some judgments have been rendered against company directors.

Although the direct exchange of cash for favors from government officials in Japan is extremely 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. This phenomenon manifests itself most frequently and most seriously in Japan through the rigging of bids on government public works projects.

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 2006 amendments to the 2003 Bid-Rigging Prevention Act, now called the Act on Elimination and Prevention of Involvement in Bid-Rigging, aimed specifically to eliminate official collusion in bid rigging. The law 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. The act prescribes possible penalties of imprisonment for up to five years and fines of up to ¥2.5 million. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure officials involved in 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, among Japan's most heavily regulated industries. A 2007 law aimed at limiting involvement of individual ministries in finding post-retirement employment for its officials and more transparent administrative procedures may somewhat ameliorate the situation.

Japan has ratified the OECD Anti-Bribery Convention, which bans bribing foreign government officials. The OECD has identified deficiencies in Japan's implementing legislation, some of which the Japanese Government has taken steps to rectify. 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.

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. As of December 2009, Japan has concluded or signed bilateral investment treaties (BITs) with fifteen trading partners, including Egypt, Sri Lanka, China, Hong Kong SAR, Turkey, Pakistan, Bangladesh, Russia, Mongolia, Vietnam, the Republic of Korea, Cambodia, Laos, Uzbekistan, and Peru. The Japanese Government is currently negotiating bilateral BITs with the Kingdom of Saudi Arabia and Colombia, as well as a trilateral agreement with China and the Republic of Korea. The government is also preparing to negotiate BITs with other countries abundant in natural resources, particularly Qatar and Kazakhstan.

Japan has economic partnership agreements (an EPA is analogous to a free trade agreement) containing investment chapters in force with Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, the Philippines, Vietnam, and Switzerland, as well as a multilateral EPA with all ten members of the Association of Southeast Asian Nations (ASEAN).

U.S.-Japan Investment Initiative: Discussions as part of the U.S.-Japan Investment Initiative under the Economic Partnership for Growth, established by President Bush and Prime Minister Koizumi in June 2001, have addressed U.S. Government concerns about barriers to foreign investment in Japan. The Initiative's Investment Working Group has held semi-annual sessions to discuss policy measures that could improve the investment climate in both countries. The group's work has also included vigorous public outreach to increase receptivity to FDI. In 2009, its annual investment promotion seminar was held in Yokohama, alongside the Green Device 2009 trade show; it focused particularly on the role of venture capital in fostering economic growth and the development of new industries.

OPIC and Other Investment Insurance Programs

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U.S. 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.

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 has been shrinking. As in the United States, trade union membership as a portion of the labor force has been declining for decades, but 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. With the formation of the DPJ-led government in September 2009, labor unions found the Japanese government more sympathetic than before to their concerns.

Investors should be aware of Japan's high wage structure. 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.

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-1990s, companies have increasingly used part-time workers, interns, and temporary workers to fill short-term labor requirements. According to a 2007 MHLW survey, non-regular workers accounted for 71.8 percent of all employees aged 15-19 years and 43.2 percent of all employees age 20-24. There remains deep concern among Japanese government policy makers that the number of non-regular employees aged 25-34 remains stubbornly high and the ability of such workers to find permanent employment will decline as they get older. These non-regular employees and temporary workers have borne the brunt of corporate adjustment to the worldwide recession since September 2008. In 2009 employment of such non-regular workers generally continued on a downward trend, with the largest drop being 380,000 in the quarter ended September 2009, according to the Ministry of Internal Affairs and Communications (MIC).

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 December 2008, the government submitted legislation to allow employees to make individual contributions to their pension plans, but the bill was not enacted by the Diet. In July 2009, the government announced it would increase tax deductible employer contribution limits, effective January 2010, the second increase since 2001.

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 December 2008, Japan's stock of FDI increased from ¥3.0 trillion to ¥18.5 trillion. In the same period investment inflows were generally strong. All data in the tables below are current as of December 2008. Negative figures indicate net outflow.

Table 1a: Net FDI Inflows (Unit: billion dollars; balance-of-payment basis)

JFY 1999	**JFY 2000**	**JFY 2001**	**JFY 2002**	**JFY 2003**
12.31	8.23	6.19	9.09	6.24
JFY 2004	**JFY 2005**	**JFY 2006**	**JFY 2007**	**JFY 2008**
7.81	3.22	-6.78	22.18	24.55

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

JFY 1999	**JFY 2000**	**JFY 2001**	**JFY 2002**	**JFY 2003**
1 : 1.8	1 : 3.8	1 : 6.2	1 : 3.5	1 : 4.6
JFY 2004	**JFY 2005**	**JFY 2006**	**JFY 2007**	**JFY 2008**
1 : 4.0	1 : 14.1	1 : 9.4	1 : 3.3	1 : 5.3

1. Figures were first calculated in nominal Japanese yen and converted into U.S. dollars using Bank of Japan average annual exchange rates.
Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi02_e_0904.xls
http://www.jetro.go.jp/en/reports/statistics/bpfdi01_e_0905.xls

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

	CY2004	CY2005	CY2006	CY2007	CY2008
North America	2,294	-636	-2,666	12,709	12,005
U.S.A.	1,407	308	105	13,270	11,792
Canada	890	-944	-2,771	-561	213
Asia	994	1,565	-852	1,605	3,381
China	-9	11	12	15	37
Hong Kong	295	960	-2,136	47	257
Taiwan	74	-26	110	36	66
Korea	251	31	108	221	279
Singapore	389	598	1,062	1,282	2,716

	Thailand	-1	-6	1	1	6
	India	0	1	-1	3	1
W. Europe		5,623	1,123	-3,938	4,785	4,861
	Germany	1,170	237	-542	-813	1,185
	U.K.	-310	132	1,807	540	-1,289
	France	1,049	-78	274	504	177
	Netherlands	3,611	2,541	-7,583	-390	2,692
	Belgium	-417	-1,188	884	148	-2,040
	Luxembourg	260	363	-12	484	477
	Switzerland	108	-748	317	1,162	1,873
E. Europe, Russia		-1	0	-4	1	5
L. America		-1,114	1,278	566	2,831	4,020
	Mexico	0	0	0	0	0
	Brazil	20	1	0	0	0
	Cayman Is.	752	1,069	-82	1,480	3,592
Oceania		-4	-114	36	215	258
Middle East		3	9	-1	3	-2
Africa		-13	1	63	33	21
TOTAL		7,808	3,223	-6,789	22,181	24,550

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi02_e_0904.xls

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

		end of 2004	end of 2005	end of 2006	end of 2007	end of 2008
North America		45,919	47,729	44,273	45,947	75,680
	U.S.	40,872	43,888	41,989	44,795	74,344
	Canada	5,049	3,841	2,284	1,152	1,336
Asia		5,889	6,702	8,247	9,390	16,769
	China	90	102	100	125	225
	Hong Kong	2,136	2,612	1,928	2,301	3,203
	Taiwan	1,605	1,391	1,475	1,534	1,892
	Korea	537	313	423	694	1,235
	Singapore	1,380	2,159	4,205	4,620	10,047
	Thailand	48	42	42	44	61
	India	10	10	9	13	18
Europe		41,779	38,101	42,367	62,341	86,915
	Germany	3,915	5,904	4,582	3,811	6,592
	U.K.	2,310	3,033	4,983	5,962	6,750
	France	13,693	10,777	11,549	12,776	16,233
	Netherlands	14,210	11,654	12,175	26,025	36,510
	Belgium	613	474	1,901	1,947	1,362
	Luxembourg	1,650	1,632	1,635	2,267	4,000
	Switzerland	3,172	2,106	3,536	3,942	7,150
E. Europe, Russia		52	47	47	46	63
L. America		3,004	8,218	12,123	15,227	23,576
	Mexico	5	4	4	5	6
	Brazil	33	31	30	32	40
	Cayman Is.	2,666	5,599	8,400	10,469	17,363
Oceania		637	478	492	779	1,075
Middle East		9	14	14	20	29

Africa	-12	1	63	99	275
TOTAL	97,305	101,322	107,663	133,888	204,433

Source: http://www.jetro.go.jp/en/reports/statistics/data/08fdistocken02.xls

Table 4: FDI in Japan, by industry
(Unit: million dollars) (net flow reporting basis for 2002 – 04, balance of payment basis for CY 2005 - 07)

	JFY2004	CY2005	CY2006	CY2007	CY2008
Manufacturing (total)	952	-2,191	254	1,381	2,261
Machinery	402	--	--	--	--
General machinery	--	164	-24	-22	721
Electric machinery	--	-1,195	32	-391	642
Trans. equipment	--	32	-1,408	331	-55
Precision machines	--	-59	598	20	113
Chemicals	199	--	--	--	--
Chemicals and pharmaceuticals	--	-1,168	1,538	-1,010	245
Metals	7	--	--	--	--
Iron, non-ferrous metals	--	-34	60	230	124
Rubber & leather	--	1	35	35	4
Petroleum	166	-44	37	935	300
Textiles	83	188	58	109	-3
Food	32	-211	-717	365	-86
Glass & ceramics	--	103	193	663	212
Others	63	--	--	--	--
Non-manuf. (total)	36,507	5,414	-7,043	20,800	22,289
Farming & forestry	--	-1	11	41	1
Fish/ marine products.	--	0	-39	-33	-
Mining	--	0	1	0	0
Finance/ Insurance	27,693	645	2,265	17,661	19,823
Trading	999	--	--	--	--
Wholesale & retail	--	1,157	-387	1,660	1,160
Services	1,263	178	122	295	473
Real estate	213	15	72	1,413	581
Telecommunication	4,338	--	--	--	--
Communication	--	912	-9,715	-633	-1,028
Transportation	1,947	2,108	28	-288	43
Construction	31	41	37	19	-60
Others	24	--	--	--	--
TOTAL	36,507	3,223	-6,789	22,181	24,550

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi06_e_0810.xls

Table 5: Japanese Direct Investment Overseas, by country

(Unit: million dollars; net and flow; balance-of-payment basis)

		CY2004	CY2005	CY2006	CY2007	CY2008
North America		7,601	13,169	10,188	17,385	46,046
	U.S.A.	7,559	12,126	9,297	15,672	44,674
	Canada	42	1,042	892	1,713	1,372
Asia		10,531	16,188	17,167	19,388	23,348
	China	5,863	6,575	6,169	6,218	6,496
	Hong Kong	491	1,782	1,509	1,131	1,301
	Taiwan	473	828	491	1,373	1,082
	R. Korea	771	1,736	1,517	1,302	2,369
	Singapore	138	557	375	2,233	1,089
	Thailand	1,867	2,125	1,984	2,608	2,016
	Indonesia	498	1,185	744	1,030	731
	Malaysia	163	524	2,941	325	591
	Philippines	6	442	369	1,045	705
	India	139	266	512	1,506	5,551
Europe		7,097	7,509	18,029	20,456	22,418
	Germany	645	270	1,128	880	3,905
	U.K.	1,649	2,903	7,271	3,026	6,744
	France	25	541	842	479	1,703
	Netherlands.	3,337	3,315	8,497	12,440	6,514
	Sweden	-70	82	416	254	570
	Spain	183	363	136	10	210
Latin America		3,120	6,402	2,547	9,482	29,623
	Mexico	191	629	-2,603	501	315
	Brazil	-65	953	1,423	1,244	5,371
	Cayman Isles	2,726	3,915	2,814	5,838	22,550
Oceania		1,856	943	723	4,204	6,060
	Australia	1,651	640	466	4,140	5,232
Middle East		-63	542	242	958	1,138
	UAE	-19	19	-56	60	194
	Saudi Arabia	-38	494	254	746	892
Africa		378	25	899	1,101	1,518
	South Africa	124	-17	466	82	648
TOTAL		30,962	45,461	50,165	73,483	130,801

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi01_e_0905.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 - 08)

		JFY2004	CY2005	CY2006	CY2007	CY2008
Manufacturing (total)		13,750	26,146	34,513	39,515	45,268
	Chemicals and Pharmaceuticals	3,530	3,363	4,413	3,744	11,647
	Transport	3,601	--	--	--	--
	Food	1,088	1,685	1,025	12,776	3,601
	Metal	1,391	--	--	--	--
	Iron, non-ferrous & metals	--	1,331	1,795	2,202	3,152

Machinery/General Mach.	1,108	1,296	1,663	2,642	--
Electric machinery	--	4,377	7,041	4,691	5,675
Transportation equipment	--	8,611	8,597	8,671	10,924
Precision machinery	--	1,419	1,420	1,293	953
Rubber and leather	--	831	1,107	835	771
Lumber & pulp	119	826	420	745	734
Textiles	172	416	180	371	716
Petroleum	--	531	2,921	-280	652
Glass & ceramics	--	258	2,759	837	1,417
Non-manuf. (total)	21,010	19,315	15,652	33,968	85,533
Finance/Insurance	11,613	9,227	5,562	19,458	52,243
Trade	1,884	--	--	--	--
Wholesale & retail	--	4,623	5,483	4,792	13,319
Real estate	370	-851	-811	162	162
Services	2,360	1,086	188	1,406	2,721
Transportation	1,286	824	1,507	2,133	2,283
Mining	2,054	1,372	1,577	4,053	10,518
Construction	280	148	-64	490	389
Farming/ forestry	38	23	42	93	59
Fisheries	24	-44	28	64	119
Communications	--	1,712	-3,368	-331	1,675
TOTAL	34,548	45,461	50,165	73,483	130,801

Source: http://www.jetro.go.jp/en/reports/statistics/bpfdi07_e_0910.xls

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

	CY2004	CY2005	CY2006	CY2007	CY2008
(a) GDP/Nom (trillion yen)	498.3	501.7	508.9	515.7	494.2
(b) FDI Inflow (trillion yen)	0.85	0.31	-0.76	26.55	2.52
b/a (pct)	0.17	0.06	-0.15	5.15	0.51

Sources (2004-2007): http://www.mof.go.jp/bpoffice/bpdata/fdi/fdi2bop.htm
(2008):
http://www.esri.cao.go.jp/en/sna/data.html
http://www.mof.go.jp/bpoffice/ebpfdi.htm

Web Resources

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For the promotion of foreign direct investment (FDI) in Japan:
Japan External Trade Organization (JETRO)
http://www.jetro.go.jp/investjapan

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

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Chapter 7: Trade and Project Financing

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 U.S. 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 three 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.

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. Japanese banks were able to avoid the direct impact from the global financial crisis due to their limited exposure to structured securities. Japanese authorities took macroeconomic and financial policy steps to sustain the economy and support the functioning of financial markets. To limit distortions, these emergency measures are being phased out with the beginning signs of recovery.

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. Japan’s Financial Services Agency (FSA) remains committed to its Better Markets Initiative to improve the attractiveness of Tokyo as a financial center.

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 the postal savings bank must pay taxes and deposit insurance, in addition to losing its implicit government guarantee, competition in the banking sector has increased.

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. 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.

Opening a Bank Account

All financial institutions in Japan are subject to Japanese law concerning the prevention of money laundering and are required to confirm that entities and individuals are legally registered or have resident status in Japan. Generally, non-resident U.S. business entities or citizens cannot open a bank account with a financial institution in Japan.

Japanese law requires an applicant who wishes to open a bank account to present a set of documents that will enable a financial institution to confirm identify. For a U.S. business entity with a business establishment in Japan, such as a sales office, branch, or subsidiary, such documents will include (1) a certificate, certified copy, or certified abstract of their Japanese business registration, (2) a certificate showing corporate seal registration, and /or (3) other official documents as the financial institution may require.

A U.S. citizen who is a lawful resident in Japan is required to present (1) a certificate of alien registration, (2) valid visa, and (3) other official documents, as required by the bank, such as a certificate of registration of one's personal seal ("inkan"). For a non-resident U.S. citizen, such as a short-time visitor, there may be bank transactions that one may be able to initiate without having a deposit account. These may include currency exchange or limited funds transfer.

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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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In addition to U.S. banks with branches in Japan, many other U.S. banks have correspondent relationships with Japanese banks, which themselves have many branches and subsidiaries in the United States.

Leading Commercial Banks in Japan
Resona Bank
2-1 Bingomachi 2-chome, Chuo-ku, Osaka 540-8610
Tel: +81/6/6271-1221; fax: 6268-1337
http://www.resona-gr.co.jp/holdings/english/index.html

Bank of Tokyo-Mitsubishi UFJ

2-7-1 Marunouchi, Chiyoda-ku, Tokyo 100-8388
Tel: +81/3/3240-1111; fax: 3240-4764
http://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
http://www.dbj.jp/en/index.html

Japan Bank for International Cooperation
1-4-1 Ohtemachi, Chiyoda-ku, Tokyo 100-8144
Tel: +81/3/5218-3579; fax: 5218-3968
http://www.jbic.go.jp/english/index.php

Mizuho Corporate Bank
1-3-3 Marunouchi, Chiyoda-ku, Tokyo 100-8210
Tel: +81/3/3214-1111
http://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
http://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 http://www.adb.org

Project Financing Return to top

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 report that it is difficult to secure the specific type of trade financing services needed for importing and distribution. Under current global financial conditions, it seems likely that most foreign firms will continue to have difficulty accessing Japanese commercial bank financing. 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 more favorable treatment from Japanese banks.

While most U.S. 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 with 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 have expanded their programs to facilitate import sales. The programs aim 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 also provides 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 deferments 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, and the total outstanding amount of venture capital funds in Japan is about ¥1 trillion ($11 billion or about 5 percent of the U.S. figure), with almost no change over the past decade. Traditionally the top Japanese venture capital firms have acted more like quasi-banks. 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 (OECF) merged on October 1, 1999, creating a new institution, the Japan Bank for International Cooperation (JBIC).

JBIC is a governmental institution that encourages exports, secures access to energy resources, promotes direct overseas investments and improves 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 target 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), and foreign corporations 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.

Web Resources

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

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/

SBA's Office of International Trade: http://www.sba.gov/oit/

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

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

The Multilateral Investment Guarantee Agency (MIGA): http://www.miga.org/

Japan Finance Corporation: http://www.jfc.go.jp/english/index.html

Japan Financial Services Agency: http://www.fsa.go.jp/en/index.html

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Chapter 8: Business Travel

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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, U.S. business executives should not expect to make a deal in just a few days. Consistent follow-up is vital. Likewise, U.S. 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 – it is the sentiment and relationship implied by the gift rather than its intrinsic value that is significant. Therefore, 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 they may be able to greet visitors in English and read English product literature relevant to their business or industry expertise. Although English is a required subject in Japan's secondary school curriculum, generally speaking, Japanese business people's English listening and speaking skills tend to be weaker than their reading and writing skills. Thus, the Japanese side in a business meeting generally expects visitors to bring an interpreter if they are serious about doing business. Although the cost for hiring an interpreter can be very high ($400 to $900 per day depending on the level), bringing an interpreter shows that a visiting firm is serious in its commitment to the Japanese market.

The first visit to a Japanese firm generally serves as a courtesy call to introduce U.S. 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 in Japan. 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 http://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 U.S. citizens 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 U.S. victims.

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at http://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.

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. 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/

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

Telecommunications Return to top

Japan has excellent telecommunications systems. Fiber optic and ADSL broadband services are available throughout the country. According to a survey by the Ministry of Internal Affairs and Communications, the broadband service availability rate surpassed 95 percent of total households in Japan in 2007. Public WiFi hotspots can be found in increasing numbers airports, cafes and fast food restaurants. The following web site identifies wireless hotspots anywhere around the world: http://www.hotspot-locations.com

Public phones, some of which accept only pre-paid cards, are still common but starting to disappear 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.

Almost all Japanese own at least one mobile telephone and use them constantly for e-mailing and downloading information from the Internet in addition to making telephone calls. There are a number of mobile phone networks and providers in Japan, but the Japanese mobile phone system is still not generally compatible with those of other countries, so your existing phone may not work in Japan. 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.

Cell phone rental services at Tokyo's Narita Airport can be found at: http://www.narita-airport.jp/en/guide/service/list/svc_19.html

Cell phone rental services at Osaka's Kansai International Airport can be found at: http://www.kansai-airport.or.jp/en/service/rental/rental_list.html

Transportation Return to top

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 rail 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 Return to top

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"
http://www.csse.monash.edu.au/~jwb/jgrammar.html
"Japanese for the Western Brain"
http://kimallen.sheepdogdesign.net/Japanese/index.html
Jim Breen's Japanese Page
http://www.csse.monash.edu.au/~jwb/japanese.html

Health Return to top

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 U.S. citizens' 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 "Japan – Country Specific Information" website at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

Local Time, Business Hours, and Holidays Return to top

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 2010, Japan will observe the following official national holidays:

New Year's Day	January 1 (Friday)
Adult's Day	January 11 (Monday)
National Foundation Day	February 11 (Thursday)
Vernal Equinox Day	March 20 (Monday)
Showa Day	April 29 (Thursday)
Constitution Memorial Day	May 3 (Monday)
Greenery Day	May 4 (Tuesday)
Children's Day	May 5 (Wednesday)
Marine Day	July 19 (Monday)
Respect for the Aged Day	September 20 (Monday)
Autumnal Equinox Day	September 23 (Thursday)
Health & Sports Day	October 11 (Monday)
National Culture Day	November 3 (Wednesday)
Labor Thanksgiving Day	November 23 (Tuesday)
Emperor's Birthday	December 23 (Thursday)

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 (http://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:
http://www.buyusa.gov/japan/en/doingbusinessinjapan.html

Consular information & official travel advisories for Japan:
U.S. Department of State:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

U.S. visas:
U.S. Department of State:
http://travel.state.gov/visa/visa_1750.html
U.S. Embassy Tokyo Consular Section:
http://tokyo.usembassy.gov/e/tvisa-main.html

Japanese customs, etiquette, and culture:

http://www.japan-guide.com
http://www.thejapanfaq.com
http://www.planettokyo.com

Japanese language:
"Some Notes on Japanese Grammar"
http://www.csse.monash.edu.au/~jwb/jgrammar.html
"Japanese for the Western Brain"
http://kimallen.sheepdogdesign.net/Japanese/index.html
Jim Breen's Japanese Page
http://www.csse.monash.edu.au/~jwb/japanese.html

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

Health:
U.S. Department of State; Japan – Country Specific Information:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html

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

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Chapter 9: Contacts, Market Research, and Trade Events

Contacts Return to top

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

Greg Loose, Counselor for Commercial Affairs
Greg Briscoe, Commercial Attaché (Consumer Goods Unit)
Pat Cassidy, Commercial Attaché (Major Projects Unit)
Dean Matlack, Commercial Attaché (Market Access and Compliance Unit)
Helen Peterson, Commercial Attaché (Healthcare, Fisheries and Tourism Unit)
Mark Wildman, Commercial Attaché (Advanced Technologies 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: 581-4523
E-mail: nagoya.office.box@mail.doc.gov

Commercial Service Sapporo
Thomas Lyons, 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
Mark Dieker, Economic/Commercial Officer
American Consulate Fukuoka, 2-5-26 Ohori, Chuo-ku, Fukuoka 810-0052
Tel: +81/92/751-9331; fax: +81/92/713-9222

E-mail: DiekerMS@state.gov

Consulate General Naha (Okinawa)
Raymond Greene, Consul General
Claire Kaneshiro, Political/Economic Officer
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
Geoffrey Wiggin, Minister-Counselor for Agricultural Affairs
Jeffrey Nawn, Senior Agricultural Attaché
Stephen Wixom, Agricultural Attaché
Jennifer Clever, 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/ 3224-5115; fax: 3582-6429
Web: www.usdajapan.org/
E-mail: atotokyo@usda.gov

Agricultural Trade Office (Osaka)
Chika Motomura, Ag. 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)
Marc Wall, Minister-Counselor for Economic Affairs
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Tel: +81/3/3224-5020; fax: 3224-5019

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
Robert Kaproth, 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: http://www.accj.or.jp

American Chamber of Commerce in Japan (ACCJ) Kansai Chapter
Keizo Yamada, Director Chapter Office - Kansai
Dojima Park Bldg. 5F, 1-1-8 Dojimahama, Kita-ku, Osaka 530-0004
Tel: +81/6/6345-9880; fax: 6345-9890
Web: http://www.accj.or.jp/user/293/Kansai/

American Chamber of Commerce in Japan (ACCJ) Chūbu Chapter
Noriko Kato, Chūbu Operations Manager
Marunouchi Fukao Bldg. 5F; 2-11-24 Marunouchi, Naka-ku, Nagoya 460-0002
Tel: +81/52/229-1525; fax: 222-8272
Web: http://www.accj.or.jp/user/298/Chubu/

Japan Business Federation (Nippon Keidanren)
International Economic Affairs Bureau
1-9-4 Otemachi, Chiyoda-ku, Tokyo 100-8188
Tel: +81/3/6741-0101; fax: 6741-0301
Web: http://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: http://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: +81-3-3435-5966/5959; fax: +81/3/3435-5979
Web: http://www.jftc.or.jp/english/home_e.htm

Japan-U.S. Business Council
Keidanren Kaikan, 1-3-2 Otemachi, Chiyoda-ku, Tokyo 100-0004
Tel: +81/3/6741-0401; fax: 6741-0402
Web: http://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: http://www.jcci.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: +81/3/3283-7523; fax: 3216-6497
Web: http://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: +81/6/6944-6400; fax: 6944-6293
Web: http://www.osaka.cci.or.jp/e

Kansai Economic Federation (Kankeiren)
International Affairs Department
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: http://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: http://www.nagoya-cci.or.jp/eng

Kyushu Economic Federation (Kyukeiren)
Tenjin Central Place 6F, 1-10-24 Tenjin, Chuo-ku, Fukuoka 810-0001
Tel: +81/92/761-4261; fax: 724-2102
Web: http://www.kyukeiren.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: 441-1600
Web: http://www.fukunet.or.jp/english/index.html

Fukuoka Foreign Trade Association
Fukuoka Chamber of Commerce and Industry Bldg., 7F
Hakata Ekimae 2-9-28, Hakata-ku, Fukuoka 812-8505
Tel: +81/92/452-0707; fax: 452-0700
Web: http://www.fukuoka-fta.or.jp/english/index.html

AGRICULTURAL TRADE ASSOCIATIONS

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

Web: www.jcsa.gr.jp/

All Nippon Kashi Association 6-9-5 Shimbashi, Minato-ku, Tokyo 105-0004
Tel: +81/3/3431-3115; fax: 3432-1660
Email: 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
Email: 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
Email: kaz@primero.jp

Japan Food Service Association
Hamamatsucho Central Bldg. 9F.10F
1-29-6, Hamamatsucho, Minato-ku, Tokyo 105-0013
Tel: +81/3/5403-1060; fax: 5403-1070
Email: 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
Email: 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
Email: 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
Email: jhnfa@jhnfa.org
Web: www.jhnfa.org/

Japan Nut Association
Kohinata Bldg #203, 2-18-10,
Shinkawa, Chuo-ku, Tokyo 104-0033
Tel: n/a fax: 81/3/6662-6528

Email: jna@jt5.so-net.ne.jp
Web: http://www.jna-nut.com/

Japan Self-Service Association
Sakurai Bldg. 4F, 3-19-8 Uchi-kanda, Chiyoda-ku, Tokyo 101-0047
Tel: +81/3/3255/4825; fax: 3255-4826
Email: 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
Email: 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: http://www.meti.go.jp/english/index.html

Japan External Trade Organization (JETRO)
Invest Japan Dept.
Ark Mori Bldg., 6F, 1-12-32, Akasaka, Minato-ku, Tokyo107-6006
Tel: +81/3/3582-5410; fax: 3584-6024
Web: http://www.jetro.go.jp

JETRO "Invest Japan" Business Support Center
Ark Mori Bldg., 7F, 1-12-32, Akasaka, Minato-ku, Tokyo107-6006
Tel: +81/3/3582-4686; fax: 3584-6024
Web: http://www.jetro.go.jp/en/invest/investmentservices/ibsc

Manufactured Imports and Investment Promotion Organization (MIPRO)
World Import Mart Bldg 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/english/

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

U.S. FEDERAL GOVERNMENT

U.S. Commerce Dept. Trade Information Center, Washington DC
Tel: 1-800-USA-TRAD(E); fax: 202-482-4473

Email: tic@ita.doc.gov
Web: http://www.export.gov/exportbasics/eg_main_017483.asp

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

U.S. Commerce Dept. Market Access and Compliance Country Desk
Office of Japan
Keith Roth, Director
International Trade Administration
Room 2320, 14th Street and Constitution Avenue, N.W.
Washington, DC 20230
Tel: 202-482-2515; fax: 202-482-0469
Email: Keith.Roth@mail.doc.gov
Web: http://www.mac.doc.gov/japan

U.S. Department of Agriculture
Foreign Agricultural Service
1400 Independence Ave., S.W., Washington, DC 20250
Email: info@fas.usda.gov
Web: http://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
Email: BusinessOutreachweb@state.gov
Web: http://www.state.gov/business

Export-Import Bank of the United States (Ex-Im Bank)
811 Vermont Avenue, N.W.
Washington, DC 20571
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Email: info@exim.gov
Web: http://www.exim.gov

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: 202-336-8400; fax: 202-336-7949
Email: info@opic.gov
Web: http://www.opic.gov

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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 the site 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 http://www.fas.usda.gov/scriptsw/attacherep/default.asp

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

http://www.export.gov/tradeevents.html

Please click on the link below for information regarding upcoming trade events in Japan specifically: http://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.

(Insert link to Products and Services section of local buyusa.gov website here.)

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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