



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

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## Chapter 1: Doing Business in Japan

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### Preliminary Notes:

- Throughout this *Country Commercial Guide*, annual figures are stated on a calendar-year basis unless otherwise specified.
- The exchange rates used in making currency conversions were the annual average of the daily exchange rates calculated by the Federal Reserve Bank of New York. These averages were as follows:

2002	125.22
2003	115.93
2004	108.15
2005	110.11
2006	116.31

### Market Overview

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- **Key Economic Indicators**

Gross Domestic Product (GDP) in U.S. dollars:	4.9 trillion
GDP per capita in U.S. dollars:	33,100
Real GDP growth rate:	2.8%
Inflation:	0.4%
Unemployment:	4.1%

- **Trade Statistics**

In 2006, Japan's balance-of-trade surplus was \$69.6 billion compared to \$72.6 billion in 2005. The Japanese Finance Ministry reported that the fall was mainly due to the high cost of oil as energy imports offset exports of cars and semiconductors. With GDP growth rates of 2.75% in 2005 and 2.8% in 2006, Japan has essentially completed its post-bubble adjustment, allowing for stable and consistent future growth.

- **Principal Trading Partners**

In 2006, the top ten exporters to Japan were China, the U.S., Saudi Arabia, United Arab Emirates, Australia, South Korea, Indonesia, Taiwan, Germany, and Thailand. The top ten

importers from Japan were the U.S., China, South Korea, Taiwan, Hong Kong, Thailand, Germany, Singapore, the United Kingdom, and the Netherlands. The United States was Japan's biggest customer and second-largest supplier.

In 2006, Japan's trade surplus with the United States was \$88.4 billion.

- **U.S. Market Share**

In 2006, the U.S. purchased 22.5% of Japan's exports (vs. 22.6% in 2005) and supplied 11.8% of its imports (vs. 12.5% in 2005).

Leading U.S. exports to Japan were computers and electronic products (\$10.7 billion), transportation equipment (mostly aircraft, for a total of \$9.1 billion), agricultural & food products (\$8.1 billion), chemicals (\$7.7 billion), and non-electrical machinery (\$5.6 billion).

Major U.S. imports from Japan included transportation equipment (mostly cars and trucks, for a total of \$62.7 billion), computers and electronic products (\$27.4 billion), non-electrical machinery (\$24.9 billion), chemicals (\$7.6 billion), and electrical equipment, appliances, and components (\$4.5 billion).

Complete U.S. government foreign trade statistics (exports and imports by country and product) are available online from the U.S. Department of Commerce, U.S. Census Bureau at [www.census.gov/foreign-trade/statistics/country/index.html](http://www.census.gov/foreign-trade/statistics/country/index.html).

Japanese foreign trade statistics (imports and exports) are available online from the Japan External Trade Organization (JETRO) at [www.jetro.go.jp/en/stats/statistics/](http://www.jetro.go.jp/en/stats/statistics/).

- **Political Situation / Issues Affecting Trade**

The U.S.-Japan alliance is a cornerstone of U.S. security interests in Asia and is fundamental to regional stability and prosperity. Despite the changes in the post-Cold War strategic landscape, the U.S.-Japan alliance continues to be based on shared vital interests and values. These include stability in the Asia-Pacific region, the preservation and promotion of political and economic freedoms, support for human rights and democratic institutions, and securing of prosperity for the people of both countries and the international community as a whole. Japan is one of the world's most prosperous and stable democracies.

## Market Challenges

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- **Barriers to Market Entry**

While tariffs are generally low, there are still some barriers that impede or delay the importation of foreign products into Japan. For more details, please refer to Chapter 5, [Trade Regulations and Standards](#), of this Guide.

- **Local Requirements**

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

## Market Opportunities

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- **Best Prospect Sectors**

The best prospects for U.S. exporters in the Japanese market are in the following sectors: aircraft & aircraft parts, building products, computer software, education & training services, household consumer goods, medical equipment, new energy power generation, pharmaceuticals, and travel & tourism.

- **Major Projects**

The major public-works projects currently under way in Japan that present significant opportunities for U.S. companies are urban renewal projects in various cities, the Okinawa Graduate University, and Tokyo Haneda Airport expansion.

- **Business Opportunities**

There are excellent opportunities at the moment for U.S. companies in financial services, service industries in general, telecommunications, and power generation. For more details, please refer to Chapter 4, [Leading Sectors for U.S. Export and Investment](#), of this Guide.

- **Asia Now: Exporting to East Asia & China Just Got Easier!**

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

## Market Entry Strategy

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

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

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence

before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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## Chapter 2: Political and Economic Environment

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For background information on the political and economic environment in Japan, please click on the link below to the State Department's *Background Notes* for Japan:

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

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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

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

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

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

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

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

To attract a Japanese business partner, a U.S. exporter must present an image of dependability, innovation, superior quality, competitiveness, and a commitment to building personal relationships. A U.S. company should show that it is well regarded in its industry; that it has researched the market; that it is prepared to respond to cultural requirements (*e.g.*, by preparing high-quality marketing materials in Japanese on the company and its products/services); and that it responds promptly to all inquiries from Japan. Frequent communication by fax, email or phone is crucial. Regular visits to Japan are a must, as are offers to host new partners on reverse trips to U.S. headquarters to view manufacturing and operations.

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

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

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

## Establishing an Office

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Although still costly, establishing a presence and an office in Japan has become less expensive given recent decreases in the costs of labor, office rent, and other expenses.

A U.S. company that wishes to collect information or improve communication with business contacts in Japan may wish to establish a **representative office**. Such an office can obtain market data and other information and provide necessary promotional and service support. A representative office is not subject to Japanese taxes and establishing an office does not require special approval. However, a representative office must not involve itself in commercial transactions or generate income, and therefore cannot directly handle commercial orders. The liaison office may provide guidance and support to an agent and manage all marketing activities except for the actual sale.

A **branch office** of a U.S. company can engage in trading, manufacturing, retailing, services, or other business. A branch office may take and fill orders and carry out a full marketing program, including advertising, recruiting a sales force, and performing promotional activities. A branch office is liable for payment of Japanese taxes. The branch office must appoint a resident representative in Japan and must register with the Legal Affairs Bureau of the Ministry of Justice. Furthermore, the establishment of a branch office is considered a direct investment under the Foreign Exchange and Foreign Trade Control Law and requires reporting to the Ministry of Finance through the Bank of Japan within 15 days after the establishment of the office. Prior notification is required when the investment involves types of industries that could endanger Japan's national security, or disrupt the country's law and order, and which might adversely and seriously affect the smooth performance of the Japanese economy. Industry sectors that may be affected include aircraft manufacturing, arms, nuclear energy and related industries, narcotics and vaccine manufacturing, agriculture, forestry, fisheries, oil, and leather product manufacturing.

An alternative to a branch office is a **wholly owned corporation**. Prior notification is required when the investment involves the industry sectors listed in the previous paragraph. Setting up a wholly-owned corporation will involve more time and expense, but it can offer an effective

means to guarantee better protection for proprietary information, obtain credit, and penetrate markets which have subtle but substantial barriers to imports.

A fourth approach is to pool resources of several firms having complementary product lines. Such a group might establish a marketing association, consortium, or jointly owned export management company, and set up a sales and service branch or subsidiary office in Japan. The financial strain affecting many Japanese companies has provided U.S. companies with excellent opportunities to establish or acquire businesses in Japan.

U.S. companies should also carefully examine the Japanese Ministry of Economy, Trade & Industry's (METI) programs for promoting foreign investment into Japan. Programs include loans available through the Japan Bank for International Cooperation and the Development Bank of Japan. Entry-level business-support programs are provided by the Japan External Trade Organization (JETRO) as well as by some municipal and prefectural governments. Current information on investing in Japan, establishing an office, and other JETRO programs for foreign businesses can be found on JETRO's website at [www.jetro.go.jp/en/invest/settingup/](http://www.jetro.go.jp/en/invest/settingup/).

## Franchising

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The latest industry statistics, which are from 2005, show the total number of franchise brands at 1,146 (up 5.3% or 58 brands from the year earlier) with the number of outlets exceeding 234,000. The aggregate size of the franchise market in 2005 was 19,389 billion yen (\$176.1 billion), as compared to 18,722.3 billion yen (\$173.1 billion) in 2004. Approximately 38.4 percent of total sales at franchise outlets are from convenience stores (CVs), and about 20.9 percent from food service chains.

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

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 in the case of business concepts where they do not believe there is a market or growth potential in Japan. Therefore, prudent market research and long-term commitment are required for foreign companies to launch franchise businesses in Japan.

## Direct Marketing

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Direct marketing, which includes mail order, telemarketing, direct response television, and Internet sales, is still modest by U.S. standards, but increasing, particularly in the case of Internet sales. Internet sales and mail order are attractive methods for suppliers attempting to reach the Japanese consumers, while bypassing traditional distribution channels. Recently, shopping through mobile phones has been rapidly increasing.

Shopping from foreign catalogs, whether hard copy or on the web (generally referred to as "personal importing"), surged in the mid-1990s as a combination of novelty, a very strong yen, and an appreciation of foreign consumer goods grew. Although providing adequate customer service and handling product returns challenged those firms that did not have in-country

representation, many U.S. companies enjoyed an enormous expansion of orders from Japan. Since 1996, however, the strengthening of the dollar and the passing of the “fad” component of the boom has caused the market to cool considerably. The recovery of Japanese economy since 2004 has not been reflected in wages and salaries, and consumers’ propensity to spend has not much improved. Nevertheless, opportunities still exist for companies that can offer Japanese consumers quality products with unique attributes.

U.S. companies must overcome a number of challenges such as language, international shipping costs, tariffs, and other issues that pertain when marketing directly to a Japanese consumer (*e.g.*, sizes in the metric system). U.S. companies aiming to enter this market should be prepared to make an investment in service and what is generally referred to as direct marketing infrastructure. A representative in Japan can act as a liaison with the U.S. supplier to handle receipt of claims, customs clearance, and provide assistance in the preparation of Japanese-language materials. A local representative can also manage warehousing, and returns. In the case of “personal imports”, to which regulatory systems like import permits generally do not apply, goods must be shipped directly to the consumer from the United States. Also, promotion by local representatives of certain items (cosmetics, supplements, *etc.*) for personal import will be restricted.

## **Joint Ventures/Licensing**

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U.S. companies with limited resources or a short investment horizon may wish to consider product licensing as a way to enter Japan. The direct costs of finding an appropriate licensee are small compared to other forms of market entry. Once an agreement is reached, licensing fees and royalties are low-cost, low-maintenance income for the U.S. company.

However, U.S. companies should note that licensing represents a minimal form of participation in the Japanese market. Whether a company should license its technology depends upon several factors.

First, a U.S. company should consider its long-term plans for the Japanese and other Asian markets. Licensing necessarily means a loss of control over market strategy, and perhaps “opportunity costs.”

Second, U.S. licensors should understand the strength of their company’s patent protection in Japan. Japan uses a “first to file” patent system, and this has ominous implications should a licensee explore becoming a competitor. And this does happen.

Finally, the degree to which U.S. firms must disclose trade secrets or proprietary information is a key consideration.

A Japanese licensee’s interest or enthusiasm for a U.S. technology is a direct reflection of the licensee’s assessment of the product’s competitiveness and sales expectations in a technologically sophisticated market. Thus, a U.S. company’s long-term interest might lie in another form of market entry, even if it carries higher costs and longer payback periods.

A licensor also sacrifices potential returns from manufacturing and marketing efficiencies. While Japan is a high-cost country for marketing, it is also a large market over which to spread the costs of marketing, even for relatively specialized technology. So, even after adapting a product for the Japanese market, U.S. manufacturers may realize better profit margins and market penetration by selling their own product, as opposed to through a licensee.

Harder to quantify are the costs of managing or in some instances “policing” the licensing agreement. In the worst cases, a licensee will improve upon or modify the U.S. product or technology, patent it as its own, and become a competitor in Japan, the United States, or other countries.

It is also possible that the Japanese licensee could falsify sales reports in order to lower its royalties to the U.S. company. The final drawback of licensing is that it provides the U.S. company with very little information or practical experience in the market. The Japanese market is highly demanding and, ultimately, it’s important for a U.S. exporter to have direct experience in order to expand its presence. Japan is also a very good, though demanding, training ground. U.S. firms can apply the lessons learned here to other markets, as well as improve their product or technology through direct contact with the market.

The pitfalls mentioned above account for the declining popularity of licensing in some industries. However, it may still be the best choice for products with short life cycles and where short-term income generation is desirable. Licensing also makes business sense in industry sectors where market entry costs are prohibitive or where there are political sensitivities (such as defense-related equipment).

The key to a successful licensing agreement is a Japanese partner whose goals match those of the U.S. company. A strong licensee will have something to bring to the partnership as well. For example, the ideal license agreement might provide for an exchange of technology and know-how to strengthen both partners. It is essential that the U.S. licensor maintain close and frequent contact with the licensee, which should include regular visits to Japan. A local representative, other than the licensee, can provide additional perspective on the market and can help represent the licensor to the licensee. Royalties paid by the Japanese licensee to the U.S. licensor are subject to a 20 percent withholding tax, which may be reduced to 10 percent if the necessary documentation is filed under the provisions of U.S.-Japan tax treaties.

According to Japan’s Foreign Exchange and Foreign Trade Control Law, a foreign company granting a license to an independent Japanese corporation, either a wholly-owned subsidiary or a joint venture corporation that involves manufacturing in Japan, must notify the Ministry of Finance through the Bank of Japan in cases involving the transfer of specially regulated and/or designated technologies.

Additionally, the export of any form of technical data from the United States is subject to U.S. export control laws. In this case, a thorough review of the U.S. Department of Commerce’s Export Administration Regulations (EAR) should precede the signing of any licensing agreement. To learn more about the EAR, please visit the following web sites:

Bureau of Industry and Security [www.bis.doc.gov/PoliciesAndRegulations/index.htm#ear](http://www.bis.doc.gov/PoliciesAndRegulations/index.htm#ear)  
Government Printing Office [www.access.gpo.gov/bis/index.html](http://www.access.gpo.gov/bis/index.html).

Joint ventures remain a popular form of selling to Japan. Advantages include access to local market information and conditions, a stronger market presence, technology development, and gaining immediate access to a distribution system and customers. Most joint ventures take the form of a separate or third company established between a U.S. and Japanese company, with a range of agreements covering shared functions, personnel, management, and ownership. In most cases, the Japanese partner has control over marketing and distribution functions. U.S. companies should be prepared to share ownership, control, and of course profits, with their

Japanese joint-venture partner, and therefore issues of communication, trust, and common business interest are crucial.

Joint-venture partnerships that involve technology transfers or license agreements with Japanese partners have the same pitfalls as license agreements. The value of the joint venture may diminish as either party becomes less dependent on the other's marketing prowess, customer base, or technological innovations. U.S. companies should also understand that many large trading companies have a large "ready-made" pool of existing customer relationships. This produces a rapid increase in initial sales, but once its share of the market is tapped, the Japanese partner often has little interest in prospecting for new customers, unless the product has extraordinary technological or price advantages. U.S. firms should take the same precautions about divulging proprietary know-how in a joint venture as with license agreements.

A joint venture in Japan can be an unincorporated, contractual joint venture, or an entity created by the acquisition of the stock of an existing corporation. More typically, a joint venture is the incorporation either in the United States (but more commonly in Japan), of a new company in which the Japanese and U.S. corporation mutually decide upon management control and the roles and responsibilities of each party. The Ministry of Finance (through the Bank of Japan) must be notified of the establishment of any joint venture. In addition, if the joint venture is intended to last more than one year, the joint venture agreement must be submitted to the Japanese Fair Trade Commission for review within thirty days of its execution.

## Selling to the Government

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

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

There are three types of government tendering procedures in Japan covered by the new agreement: (1) open tendering, (2) selective tendering, and (3) limited or single tendering. Under an **open tender**, the procuring entity publishes an invitation for qualified suppliers to participate in the tendering process. Contracts are awarded to the bidder that offers the greatest advantage in terms of price. **Selective tendering** is done in a case when open tendering is not necessary because there is only a small number of suppliers that could participate (due to the nature of the contract), or when open tendering is otherwise regarded as

inappropriate. In this case, the procuring entity designates those companies it considers capable from a list of qualified suppliers and invites them to bid. Again, the contract is awarded to the bidder with the best price advantage. **Limited or single tenders** are used in a variety of cases for purposes of awarding contracts without resorting to open competition. Such cases might include instances where products could not be obtained through open or selective procurement procedures, where there has been an absence of bids in response to a public notice, where it has been determined there is a need for protection of exclusive rights such as patents, or where the procurement is of extreme urgency.

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

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

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

Challenge System (CHANS), Coordination Bureau, Cabinet Office. For additional information, please visit [www5.cao.go.jp/access/english/chansmaine.html](http://www5.cao.go.jp/access/english/chansmaine.html).

## **Distribution and Sales Channels**

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Traditionally, imported consumer goods have been found at larger outlets such as department stores and discount houses. But there has been dramatic growth in specialty retailers, notably foreign names that import foreign goods.

This direct importing — bypassing trading houses and as many other intermediaries as possible — has become increasingly popular as companies become leaner and more cost conscious.

As larger retail outlets have spread in Japan, the regulation of “large stores” (those with more than 500 square meters of sales space) is now part of the bureaucratic landscape. In 2000, the Large-Scale Retail Store Location Law went into effect. The law gives local authorities the power to regulate new large stores on the basis of environmental considerations. The Japanese Ministry of Economy, Trade and Industry has clarified its intent to assure that stiffer environmental standards be used and that the new law will be applied with reasonable uniformity to all localities. The law applies to new store openings and to significant changes in the business operations of existing stores (such as an expansion of floor space or an extension of business hours). Many municipalities are taking advantage of the law to draft ordinances that mandate parking space provisions and operating restrictions that are stricter than national norms or those recommended by METI.

Japanese deflation has made consumers appreciate low prices. Large foreign distributors and retailers who have survived fierce competition in their home and other markets have entered Japanese. For example, Toys 'R' Us, which entered the market in 1991, now operates 140 stores in Japan. Wal-Mart, which is in the process of buying out a Japanese chain store, Seiyu, has several hundred stores in Japan. In 2002, Germany's Metro opened its first store in partnership with Marubeni and the United Kingdom's Tesco entered Japan by acquiring a medium-size supermarket chain.

However, Japanese consumers do not always accept foreign retailing practices and it's important for U.S. firms to consider partnering with a Japanese firm. The experience of France's Carrefour, one of the world's largest retailers, offers a valuable lesson. In early 2005, after a presence of a just over four years, Carrefour sold all eight of its Japanese stores to a domestic company. At the time of the divestiture, Carrefour announced that its strategy had not been effective in Japan's environment and that it should have entered the market in partnership with a Japanese firm. This result came about despite Carrefour's attempt to style its newest stores according to traditional Japanese tastes and expectations.

## **Selling Factors/Techniques**

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To be successful in Japan, U.S. exporters must pursue sustained personal contact with their customers. A visiting U.S. company representative should accompany the firm's Japanese agent or distributor on visits to existing or potential customers. Such joint sales calls demonstrate a commitment to clients and are an excellent way to obtain market feedback.

A common mistake of U.S. companies in this market is failing to provide ample support for Japanese business partners after enjoying initial success. Needless to say, this quickly sours the honeymoon period. It's important to prevent a distributor from implementing a conservative,

low-volume, high-markup marketing strategy that protects its own interests but fails to develop the full sales potential of the U.S. product. To avoid this: stay engaged!

To increase their chances for success, U.S. exporters also should learn how to negotiate and maintain relationships with Japanese. 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 most business deals in Japan are made "after five."

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

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

## Electronic Commerce

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According to the statistics published in March 2006 by the Ministry of Economy, Trade and Industry (METI), the market size of business-to-business (B2B) electronic commerce in Japan in 2005 was 140.4 trillion yen (\$1.3 billion). The industry sectors that are the biggest users of B2B electronic commerce are wholesalers (41.7 trillion yen or \$379 billion), followed by electronic/IT (21.9 trillion yen or \$200 billion), and transportation-related parts and equipment (21.7 trillion yen or \$197.5 billion). The same report noted that the market size of the business-to-consumer (B2C) electronic commerce market in 2005 at 3.5 trillion yen (or \$31.4 billion), and identified the biggest users of B2C electronic commerce as IT/telecommunication (858 billion yen or \$7.8 billion), general retail (832 billion yen or \$7.6 billion), electric appliances (380 billion yen or \$3.5 billion), and travel and accommodations (360 billion yen or \$3.3 billion).

People in Japan, especially young consumers, are counting more and more on state-of-the-art cell phones to access the Internet, check information, buy tickets and goods, listen to music, play games, and even watch TV. In the B2C market, shopping-related mobile e-commerce accounted for 407 billion yen (\$3.7 billion) in 2005 for shopping-related sectors (not including contents such as music and games, advertisements, solutions, *etc.*), according to Ministry of Internal Affairs and Communication's report. This indicates a 57% increase from the previous year and represents 12% of the total BtoC e-commerce market. Mobile e-commerce is expected to continue to grow rapidly as the use of QR codes and flat-fee systems get more popular, and the easy payment/collection methods that mobile phones provide will further

contribute to the growth. U.S. companies that wish to expand their Internet sales transactions into the mobile market should select the products and construct new web pages that fit nicely on the small screen of cell phones as one part of their B2C e-commerce strategy.

In 2004, METI, the Next Generation Electronic Commerce Promotion Council of Japan, and NTT Data Institute of Management, Inc. jointly published “Survey on the Current Status and market Size of Electronic Commerce for 2004” in English at:

[www.meti.go.jp/policy/itpolicy/statistics/ECEnglish2004.pdf](http://www.meti.go.jp/policy/itpolicy/statistics/ECEnglish2004.pdf).

Though no updated version of the full survey is currently available, a summary of METI’s survey report for 2005 was posted on METI’s home page on June 26, 2006, at:

<http://www.meti.go.jp/english/newtopics/Backissueindex.html>.

## **Trade Promotion and Advertising**

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Because many U.S. products fit a cultural or industrial environment that may not exist in Japan, educating the Japanese consumer about a product's purpose, use, features, and quality might be necessary. However, not all companies can afford to place advertisements in Japan's major national daily newspapers or commercials on Japanese television. Regional and local newspapers and television stations and daily sports newspapers are less expensive and might make sense for a product with strong potential in a specific region. A more affordable option for small- to medium-size or new-to-market U.S. companies might be advertising in some of Japan's 2,250 weekly or monthly magazines. These publications often represent a cost-effective means to reach a specific target consumer — whether gourmet or gardener, cyclist or camper. For industrial and commercial products, Japan's many industrial daily, weekly or monthly newspapers and trade journals might offer the best advertising option. Japan has relatively few radio stations (Tokyo has just four AM and six FM stations), but radio advertising is worth investigating.

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

Japan’s railways, as the primary transportation option for commuters in major cities, carry more than 21 billion passengers every year. So, transit advertising should not be overlooked. Transit advertisements can be found inside commuter rail cars, buses, and in stations. Advertisements inside trains and buses include hanging flyers, framed posters, stickers, and flat-panel video. As with other media and outlets, the major advertising agencies control space. Another common means of introducing, promoting, and selling consumer goods is to participate in large events such as regional import bazaars or U.S. product festivals at shopping centers. Such public events can be a cost-effective means to deliver a product message to a large audience and allow new-to-product consumers to sample and purchase. Industry specific trade shows might include some exhibition days that are open to the public, thus providing another means of reaching a large consumer audience.

Advertising and promotions should be part of a coordinated strategy, usually in cooperation with an advertising agency and/or a PR firm. A slick advertising campaign in the hottest magazine can go bust if it's not coordinated with a distribution program that makes the product available to consumers.

Advertising agencies and PR firms can also assist U.S. firms with free or low cost publicity.

It is key for any U.S. exporter to get plugged into Japan's trade event circuit: not only in Tokyo and Osaka, but also in the huge regional economies and industrial centers where 65 percent of more than 1,000 international conferences, seminars, and trade shows take place. Regulatory officials and decision-makers throughout Asia are showing up at these events in increasing numbers, so a U.S. firm's message has the potential to stretch into other Asian countries.

U.S. firms should also consider U.S. Department of Commerce-sponsored trade shows and trade missions, as well as events that U.S. states and industrial organizations sponsor. In some cases, U.S. government facilities such as rooms at the U.S. Consulates in Osaka, Nagoya, Fukuoka, and Sapporo can be used for trade promotions, seminars, meetings, and receptions. Interested companies should inquire directly with the consulates regarding the prospects and costs for a single company promotion.

## **Pricing**

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

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

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

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

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

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

## **Sales Service/Customer Support**

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

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

## **Protecting Your Intellectual Property**

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See below, 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 (*berrishi*), or other legal professional is a practical necessity. A U.S. company not resident in Japan should also retain competent Japanese counsel. Patents and trademarks must be filed through a Japanese agent, which should be a licensed attorney or patent practitioner.

In recent years, Japanese industry has been shaken by a record number of bankruptcies. Japanese commerce has also witnessed an unprecedented number of mergers and acquisitions. This rapid pace of industrial restructuring has created an increased level of risk for American companies selling into Japan.

The U.S. Embassy in Tokyo continues to see trade dispute cases of all kinds. It has become more common for small- and medium-sized Japanese trading companies to run into payment problems. Importers, wholesalers and distributors without real estate assets may find it more

difficult to obtain trade financing in the present environment. Banks in Japan have become less inclined to provide credit to small- and medium-sized enterprises of all types. Larger companies with excessive debt may also experience problems obtaining financing.

As a result, American companies are well advised to perform due diligence procedures and check the *bona fides* of their Japanese agents and/or customers. To address this need, the U.S. Commercial Service has just launched a new fee-paying service called "ICP (for International Company Profile) Japan." For more information about this service, please e-mail [Tokyo.Office.Box@mail.doc.gov](mailto:Tokyo.Office.Box@mail.doc.gov). Alternatively, please refer to the "Business Service Providers" section of CS Japan's website at [www.buyusa.gov/japan/en/bsp.html](http://www.buyusa.gov/japan/en/bsp.html).

## Local Professional Services

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

- [Accounting, Auditing, and Tax Services](#)
- [Advertising](#)
- [Business Administration Services](#)
- [Business Consulting](#)
- [Computer and Internet Services](#)
- [Distributors, Sales Agents, and Importers](#)
- [Education and Training Services](#)
- [Engineering Services](#)
- [Entertainment Services](#)
- [Hotels and Meeting Facilities](#)
- [Human Resources](#)
- [Insurance Services](#)
- [Legal Services](#)
- [Market Research](#)
- [Marketing, Public Relations, and Sales](#)
- [Patent and Trademark Law Services](#)
- [Real Estate Services](#)
- [Relocation services](#)
- [Restaurants and Catering](#)
- [Security and Personal Safety](#)
- [Telecommunications](#)
- [Trade Show and Exhibition Services](#)
- [Translation and Interpretation](#)
- [Transportation, Freight Forwarder and Storage Services](#)
- [Travel Facilitation](#)
- [Other Business Services](#)

or visit our web site at [www.buyusa.gov/japan/en/bsp.html](http://www.buyusa.gov/japan/en/bsp.html).

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

Japanese External Trade Organization (JETRO)  
[www.jetro.go.jp/en/invest/settingup/](http://www.jetro.go.jp/en/invest/settingup/)

Information on doing business in Japan:

American Chamber of Commerce in Japan (ACCJ)  
[/www.accj.or.jp/accj.or.jp/content/01\\_home](http://www.accj.or.jp/accj.or.jp/content/01_home)

Venture Japan: Doing Business in Japan  
How to Succeed in the Japanese Market  
[www.venturejapan.com/index.htm](http://www.venturejapan.com/index.htm)

Information on business service providers in Japan:

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

Foreign Agricultural Service, American Embassy, Tokyo  
[www.usdajapan.org/](http://www.usdajapan.org/)

U.S. Embassy, American Citizen Services  
[tokyo.usembassy.gov/e/tacs-main.html](http://tokyo.usembassy.gov/e/tacs-main.html)

Information on Japanese government procurement:

[www.jetro.go.jp/en/matching/procurement](http://www.jetro.go.jp/en/matching/procurement)

Office for Government Procurement Challenge System (CHANS)  
Coordination Bureau  
Cabinet Office  
[www5.cao.go.jp/access/english/chansmaine.html](http://www5.cao.go.jp/access/english/chansmaine.html)

E-commerce marketplaces:

Marketplace name: TWX21 (Hitachi)  
Products: MRO (Maintenance, Repair, Operations), *etc.*  
[www.twx-21.hitachi.ne.jp/eindex.htm](http://www.twx-21.hitachi.ne.jp/eindex.htm)

Marketplace name: SC Grainger (Japanese only)  
Products: MRO (Maintenance, Repair, Operations)  
[www.monotaro.com/](http://www.monotaro.com/)

Marketplace name: Alpha Purchase (Japanese only)  
Products: MRO (Maintenance, Repair, Operations), *etc.*  
[www.alphapurchase.co.jp/homepage/index.html](http://www.alphapurchase.co.jp/homepage/index.html)

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

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

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

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Complete U.S. government foreign trade statistics (exports and imports by country and product) are available online from the U.S. Department of Commerce, U.S. Census Bureau at [www.census.gov/foreign-trade/statistics/country/index.html](http://www.census.gov/foreign-trade/statistics/country/index.html). A table showing U.S. exports to Japan in 2006 by product/commodity group is available on CS Japan's web site at [www.buyusa.gov/japan/en/mom.html](http://www.buyusa.gov/japan/en/mom.html) (under "Market Overview").

Japanese foreign trade statistics (imports and exports) are available online from the Japan External Trade Organization (JETRO) at [www.jetro.go.jp/en/stats/statistics/](http://www.jetro.go.jp/en/stats/statistics/).

### [Agricultural Sector](#)

#### Commercial Sectors

- [Aircraft / Aircraft Parts \(AIR\)](#)
- [Building Products \(BLD\)](#)
- [Computer Software \(CSF\)](#)
- [Education & Training Services \(EDU\)](#)
- [Household Consumer Goods \(HCG\)](#)
- [Medical Equipment \(MED\)](#)
- [New Energy Power Generation \(POL/ELP\)](#)
- [Pharmaceuticals \(DRG\)](#)
- [Travel & Tourism \(TRA\)](#)

### Agricultural Sector

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The United States remained Japan's top supplier of farm products, with a 22 percent market share in 2005, despite a beef import ban. However, China, Latin America, Australia and Russia have grown as strong competitors for the United States. U.S. farm exports to Japan decreased slightly in CY 2005 to \$9.7 billion. However, pork and processed foods showed good growth and corn, soybeans and wheat exports remained strong. At 40%, the Japanese food self-sufficiency rate is the lowest of all industrialized countries, compared to the U.S. rate of 119%. The Japanese also spend a very high percentage of their income on food (almost 20% compared to 10% in the United States). In 2005, the value of Japan's consumer food and beverage market was \$584 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](http://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. In 1960, the source of per capita protein consumption was 32% from rice, 24% from seafood, 5% from meat and 3% from dairy products. In 2005, the percentages became 12%, 22%, 17% and 10%. Rice and tofu-based products have been replaced by meat and dairy as the main source of protein.

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

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

The retail sector remains the focus of U.S. investment in Japan's food industry. Wal-Mart now owns 54% of Seiyu, and was the third largest Japanese supermarket in terms of food sales in 2005. U.S. investment in Japan's agricultural sector is limited to a few large-scale ventures in the livestock and grain sectors.

## Web Resources

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Statistics on U.S. agricultural exports [www.fas.usda.gov/ustrade](http://www.fas.usda.gov/ustrade)

USDA/FAS Reports [www.fas.usda.gov/scriptsw/attacherep/default.asp](http://www.fas.usda.gov/scriptsw/attacherep/default.asp)

Trade Shows in Japan:

*Foodex Japan* [www.imexmgt.com/index.cfm?fuseaction=calendar.factsheet&showid=181](http://www.imexmgt.com/index.cfm?fuseaction=calendar.factsheet&showid=181)

*IFIA Japan 2007* [www.ejkrause.com/ifiajapan/](http://www.ejkrause.com/ifiajapan/)

Health Ingredients Japan

[www.hijapan.info/en/](http://www.hijapan.info/en/)

U.S. Food Related Info

<http://www.myfood.jp>

Agricultural Trade Offices in Japan

<http://www.greatamericanfood.info/>

Japanese Ministry of Agriculture,  
Forestry, and Fisheries

[www.maff.go.jp/eindex.html](http://www.maff.go.jp/eindex.html)

Japanese Ministry of Health, Labor,  
and Welfare

[www.mhlw.go.jp/english/index.html](http://www.mhlw.go.jp/english/index.html)

## Aircraft / Aircraft Parts (AIR)

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### Overview

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<i>(millions of US\$)</i>	2004	2005	2006 <i>(estimated)</i>
Total Market Size	13,937	14,538	15,338
Total Local Production	8,828	9,387	9,603
Total Exports	2,528	3,467	3,917
Total Imports	7,637	8,618	9,652
Imports from the U.S.	6,696	7,416	8,226

*(Note: These figures are unofficial estimates based on information obtained from the Ministry of Finance and the Society of Japanese Aerospace Companies)*

Japan continues to offer a lucrative market for imported aircraft and aircraft parts, including aircraft engines. Long-term relationships — some spanning over fifty years — between U.S. aircraft and aircraft parts makers and Japanese manufacturers and trading firms has given the United States an overwhelming presence in Japan's market.

In the civil aircraft market, Japan's two largest carriers, Japan Airlines (JAL) and All Nippon Airways (ANA), have consistently selected Boeing aircraft, including cargo freighters, virtually eliminating commercial aircraft orders from Airbus.

Annual production of Japan's aircraft manufacturing industry is valued at approximately \$10 billion. The industry is heavily geared towards meeting the needs of the Japanese Defense Ministry (MOD). Other production supplies frames, wings, and other parts and components to foreign aircraft manufacturers such as Boeing, Airbus, Embraer, and Bombardier. Of the total domestic production in 2005, defense orders accounted for 54 percent and exports for 27 percent.

Further growth in Japan's industry is expected to result from international joint projects (such as Boeing's 737, 777, and 787), domestic development of military patrol and transport aircraft, and feasibility studies of a new environmentally friendly small jet.

U.S. suppliers of proven aircraft and aircraft parts are well positioned for tapping into the coming decade's expanding opportunities. New-to-market suppliers should consider partnering with trading firms that are knowledgeable about and connected to aircraft industry networks.

Japan is experiencing a boom in airport infrastructure development:

- the Central Japan International Airport (Centrair) opened in Nagoya in February 2005;
- Nagoya Airport recently was re-designated as a commuter flight base;
- Kobe and Kitakyushu Airports were completed in 2006;
- the Haneda, Narita and Kansai Airports are scheduled for further expansion.

These developments should create exciting opportunities for regional airlines and corporate jet operations.

### 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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"Japan Aerospace 2008," October 1-5, 2008, at Pacifico Yokohama Convention Center, Yokohama, Japan, organized by the Society of Japanese Aerospace Companies (SJAC). For more information, please visit [www.japanaerospace.jp/](http://www.japanaerospace.jp/).

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CS Japan Contact: Mr. Hisanao Aomori (Tokyo) [Hisanao.Aomori@mail.doc.gov](mailto:Hisanao.Aomori@mail.doc.gov)

Society of Japanese Aerospace Companies [www.sjac.or.jp/](http://www.sjac.or.jp/)

### Building Products (BLD)

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### Overview

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<i>(millions of U.S. \$)</i>	2004	2005	2006 <i>(estimated)</i>
Total Market Size	118,172	115,778	110,622
Total Local Production	108,331	106,364	101,701
Total Exports	1,853	2,122	2,109
Total Imports	11,694	11,536	11,031
Imports from the U.S.	1,116	953	907

*(Note: The above statistics include residential and commercial building products and are unofficial estimates. The exchange rates used are 108.15 yen/US\$ for 2004, 110.11 yen for 2005, and 116.31 yen for 2006.)*

Improving economic conditions in Japan in 2006 have helped to stem the slide of commercial and residential property construction in Japan. As a result, housing starts are expected to

increase to 1.27 million in 2006. This marks a significant turnaround in the Japanese construction industry, which saw annual housing starts fall to the 1.15 million level between 2002 and 2004. The improving quality of Japanese constructed homes/apartments, moreover, has also led to increases in home renovations/home improvement projects in Japan. As the Japanese economy continues to improve, combined with an increasing population of aging baby-boomers who look to modernize their homes, this trend is expected to continue. As a whole, these trends bode well for the building products in Japan which is expected to increase in terms of Japanese Yen value in 2007, but decline slightly in dollar terms as a result of the appreciating U.S. dollar against the Yen.

The major exporters competing with companies in the United States are China, Canada, the countries of East Asia and Scandinavia. Since many Japanese companies are not all that familiar with imported building products, it is important for manufacturers and exporters to provide information on how to use their products, as well as to pay close attention to after sales service.

### **Best Prospects/Services**

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Since it is extremely difficult for US products to compete with Chinese and other Asian building products on price, it is important to avoid price competition. US building products that have some unique features have increased potential in Japan. Wood windows and doors, vinyl windows, kitchen and bathroom faucets, paints and insulation materials are currently examples of imported building products that are doing well in the Japanese market.

### **Opportunities**

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The Japan Management Association (JMA) organizes the Japan Home & Building Show ([www.jma.or.jp/jhbs/](http://www.jma.or.jp/jhbs/)). This show is a U.S. Department of Commerce certified trade show. CS Japan and JMA will co-organize a USA Pavilion in the show in November 2007. For further details, please contact [Kazuhisa.Takabatake@mail.doc.gov](mailto:Kazuhisa.Takabatake@mail.doc.gov).

The Economic Research Association, a private association which publishes information concerning building materials and building technologies, manages the "Kenchiku Shizai" database on its Japanese-only website ([www.kensetsu-plaza.com/](http://www.kensetsu-plaza.com/)). This database lists many imported building materials that can be reviewed by Japanese general contractors and architectural design firms. This website may be a good gateway to disseminate product information of U.S. commercial building material manufacturers. Inquiries for registration of product information should be addressed to [media@zai-keicho.or.jp](mailto:media@zai-keicho.or.jp).

A group of Japanese architectural design firms who originally established a database for their own use have since made it open for other architectural design firms and general contractors. This useful database, known as "Archimap," can be found at [www.archimap.ne.jp/](http://www.archimap.ne.jp/) (in Japanese only). Direct all inquiries to [info@archimap.ne.jp](mailto:info@archimap.ne.jp).

### **Resources**

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CS Japan Contacts:

Residential Building Products:

Mr. Kazuhisa Takabatake (CS Osaka)  
[Kazuhisa.Takabatake@mail.doc.gov](mailto:Kazuhisa.Takabatake@mail.doc.gov)

Commercial Building Products: Mr. Koji Sudo (CS Tokyo)  
[Koji.Sudo@mail.doc.gov](mailto:Koji.Sudo@mail.doc.gov)

Building Materials/Housing Mailing List  
CS Osaka-Kobe sends "CS Market Research" reports on the Japanese housing market to U.S. companies by e-mail. To be placed on our broadcast e-mail lists, please register at [www.buyusa.gov/japan/en/mailing.html](http://www.buyusa.gov/japan/en/mailing.html).

Useful Websites:

Japanese Ministry of Land Infrastructure and Transport (MLIT)  
[www.mlit.go.jp/english/index.html](http://www.mlit.go.jp/english/index.html)

Building Center of Japan (BCJ)  
[www.bcj.or.jp/en/](http://www.bcj.or.jp/en/)

Evergreen Building Products Association  
[www.ep.org/](http://www.ep.org/)

CS Japan's Website on "Residential Building Products, Housing and Interior Textiles"  
[www.buyusa.gov/japan/en/housing\\_textiles.html](http://www.buyusa.gov/japan/en/housing_textiles.html)

Economic Research Association (English)  
[www.zai-keicho.or.jp/english/index.html](http://www.zai-keicho.or.jp/english/index.html)

## Computer Software (CSF)

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### Overview

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<i>(millions of U.S. \$)</i>	2004	2005 (estimated)	2006 (estimated)
Total Market Size	132,065	137,880	146,880
Total Local Production	128,258	132,050	140,390
Total Exports	292	800	980
Total Imports	3,326	4,500	4,950
Imports from the U.S.	3,003	3,310	3,540

*(Note: The above statistics are unofficial CS estimates.)*

Japan's software business has been growing steadily as Japan's investment in IT has shifted from hardware and network infrastructure to software and services. By industry sector, manufacturing, finance, information services, and government procurement are currently the major buying segments. In fact, these four segments together currently account for over 60% of total market revenue.

Given Japan's increased focus on the protection of personal information — a "privacy" law was established in 2005 — Japanese businesses are increasingly interested in IT security.

## Best Prospects/Services

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Information security software, embedded software for consumer electronics and other software products that utilize improved hardware and network infrastructure.

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For U.S. exporters, the Japanese software market is attractive in terms of the size and demand for quality software imports. This trend should continue as the Japanese software industry historically struggles with increasing development costs and a lack of skilled engineers. There are three key elements to launching software products into 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.

Event: **WPC Expo 2007**  
Date: October 2007  
Venue: Tokyo Big Sight  
Organizer: Nikkei Business Publication, Inc.  
Web: [expo.nikkeibp.co.jp/wpc/english/index.html](http://expo.nikkeibp.co.jp/wpc/english/index.html)

## Resources

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Computer Software Association of Japan (CSAJ)  
[www.csaj.jp/english/index\\_e.html](http://www.csaj.jp/english/index_e.html)

Japan Information Technology Services Association (JISA)  
[www.jisa.or.jp/english/index.html](http://www.jisa.or.jp/english/index.html)

CS Japan Contact: Mr. Toshihiro Matsuda (Tokyo) [Toshihiro.Matsuda@mail.doc.gov](mailto:Toshihiro.Matsuda@mail.doc.gov)

## Education & Training Services (EDU)

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## Overview

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<i>(millions of US\$ except where otherwise noted)</i>	2004/2005	2005/2006	2006/2007 <i>(estimated)</i>
Total Market Size of Japanese students	994	925	n.a.
Foreign Students in U.S. (no. of individuals)	565,039	564,766	n.a.
Japanese Students in U.S. (no. of individuals)	42,215	38,712	39,000

*(Note: Market size figures are unofficial estimates.)*

In 2005/2006 a total of 564,766 foreign students studied in the United States, of which 38,712 were Japanese students. This was a drop of 8.3% from the previous year. However, the United States has been and still is the most popular destination for academic programs. In terms of the number of students studying in the United States, Japanese students ranked fourth after students from India, China and Korea. Foreign students' (and their spouses') spending in the United States (tuition & living expenses) was estimated to be about \$13.5 billion dollars in 2005/2006.

Sixty-four percent of Japanese in the United States are enrolled in undergraduate programs, and 21 percent in graduate. This is in sharp contrast to Chinese and Indian students, who mainly enroll in graduate programs. Among the Japanese students enrolled in higher educational institutions, women account for about 56 percent. In addition to the 38,712 students noted above, tens of thousands of Japanese go to the United States for short-term language studies.

### **Best Prospects/Services**

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Interest in two-year colleges is continuously growing, especially for schools with lower TOEFL requirements. Graduate studies in the United States are also becoming more attractive to Japanese students, with MBA programs being especially popular since Japan does not have equivalent programs. With the post-World War II "baby boomers" retiring in 2007-2009, we expect a good number of new retirees will enroll in two-week to one-year study programs abroad.

### **Opportunities**

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Event: **U.S. University Fairs (IIE Fairs)**  
Dates: October 20-21, 2007  
Web: [www.iiehongkong.org/fairs.htm](http://www.iiehongkong.org/fairs.htm)

### **Resources**

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[Mieko.Muto@mail.doc.gov](mailto:Mieko.Muto@mail.doc.gov)

Market reports are available through the USEAC offices nearest you or through our Homepage.

### **Household Consumer Goods (HCG)**

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### **Overview**

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<i>(Millions of U.S.\$)</i>	2004	2005	2006 <i>(estimated)</i>
Total Market Size	35,035	35,884	36,709
Total Local Production	30,900	31,500	32,094
Total Exports	834	902	919
Total Imports	4,969	5,286	5,534
Imports from the U.S.	209	183	159

*(Note: CS Japan has estimated the above statistics based on information from World Trade Atlas [trade statistics database by GTI] and JETRO's Marketing Guidebook 2004.)*

The household product category is broad and includes a wide range of goods. Here, household products are defined as tableware, kitchenware, small home electronic appliances, furniture & home furnishings, interior fabrics, lamps, and other. 58% of U.S. imports in this group are in the furniture & home furnishings category, followed by table and kitchenware at 17%.

According to the 2005 National Census, Japan had 49 million households with a total population of 127 million. Young consumers are sensitive to home fashion, wishing to assert their distinctive lifestyles. Middle-aged consumers are strongly interested in keeping up with their health and wellness in spite of time constraints and the demands of life and work. Overall, Japanese consumers are spending more time at home, and the concept of nesting or staying home and relaxing is gaining broad social acceptance.

It is important to note that the product lines in household goods stores are becoming increasingly global, while Japanese consumers' lifestyles are growing more and more diversified. To respond to the diversified demands of the market, Japanese importers expect high-mix low-volume production, flexible distribution in small lots, and prompt delivery from foreign exporters.

### **Best Products/Services**

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As Japanese consumers value home comfort, U.S. home furnishing companies offering quality products with distinctive design that appeal to the Japanese will find significant opportunities in the Japanese market.

Generally, Japanese consumers are willing to pay premier prices for quality, functionality, and design. Also, they are sensitive to safety and cleanliness. For example, antibiotic or anti-odor functions are almost common for products like kitchenware or bathroom goods. Interest in eco-friendly business areas, such as organic products, is still high.

### **Opportunities**

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Event: **The 63rd Tokyo International Gift Show**  
 Dates: February 13-16, 2007  
 Venue: Tokyo International Exhibition Center ([www.bigsight.jp/](http://www.bigsight.jp/))  
 Web: [www.giftshow.co.jp/](http://www.giftshow.co.jp/)  
 Products: Giftware

Event: **The 2nd International Homefashion Fair**  
 Dates: April 4-6, 2007  
 Venue: Tokyo International Exhibition Center ([www.bigsight.jp/](http://www.bigsight.jp/))

Web: [www.giftshow.co.jp/english/framepage.htm](http://www.giftshow.co.jp/english/framepage.htm)  
Products: Housewares such as tabletop, cookware, and kitchen accessories, cutlery and cleaning goods, small and major appliances, furniture and home furnishings, lightings, outdoor living and gardening items, giftware and other household consumer products.

**Event:** Interior Lifestyle/Ambiente Japan  
Dates: June 6-8, 2007  
Venue: Tokyo International Exhibition Center ([www.bigsight.jp/](http://www.bigsight.jp/))  
Web: [www.interior-lifestyle.com/en/index.html](http://www.interior-lifestyle.com/en/index.html)  
Products: Housewares such as tabletop, cookware, and kitchen accessories, cutlery and cleaning goods, small and major appliances, furniture and home furnishings, lightings, outdoor living and gardening items, giftware and other household consumer products.

**Event:** International Furniture Fair Tokyo  
Dates: November 21-24, 2007  
Venue: Tokyo International Exhibition Center ([www.bigsight.jp/](http://www.bigsight.jp/))  
Web: [www.idafij.or.jp/en/index.html](http://www.idafij.or.jp/en/index.html)  
Products: Furniture and home accessories

## Resources

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

International Development Association of Furniture Industry of Japan  
[www.idafij.or.jp](http://www.idafij.or.jp)

Japan Housewares Importers Association [www.jhi.or.jp](http://www.jhi.or.jp)

## Medical Equipment (MED)

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## Overview

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<i>(millions of U.S. \$)</i>	2004	2005 <i>(estimated)</i>	2006 <i>(estimated)</i>
Total Market Size	19,069	18,270	18,218
Total Local Production	14,207	13,670	13,533
Total Exports	3,983	3,910	3,910
Total Imports	8,845	8,510	8,595
Imports from the U.S.	5,140	4,795	4,890

*(Note: The figures for 2003 and 2004 are the latest official figures; statistics for 2005 and 2006 are unofficial estimates)*

The Japanese medical equipment and supplies sector ranks second in the world and continues to be an extremely successful market for American firms, representing an important sector where the United States has consistently achieved trade surpluses with Japan. The value of Japan's medical device sector has been approximately \$18 billion for the last few years.

Traditionally, imports account for approximately 40 percent of this figure, with American firms supplying approximately 60 percent of all imported products. Total U.S. sales in this sector, including local production by American companies, are valued at more than \$6 billion annually.

A major revision of the Pharmaceutical Affairs Law in 2005 increased the burden on applicants both in financial and practical terms due to its complicated regulations. In fact, the number of new device applications made to the Pharmaceutical and Medical Device Agency (PMDA) has decreased since 2005 to about 2 applications per quarter whereas the US FDA receives about 10 applications per quarter. Japanese medical device importers have become extremely conservative when selecting new partners or devices to import. To cope with the situation and to eliminate the current 2-3 year “device lag,” the Ministry of Health, Labor and Welfare (MHLW) established in October 2006 a study group to consider quicker approvals for the medical devices and in-vitro diagnostics that are generally available in the United States and Europe but not yet in Japan.

On the reimbursement side, the Japanese Government reduced medical service fees by 3.16% in JFY 2006 — the largest cut ever made. Of the total reduction, 1.36% will come from doctor's fees (which had been previously cut by 1.3% in 2002) and the remaining 1.80% will come from regular drugs (1.60%) and medical devices (0.20%). Although the cut on the medical device portion was limited to 0.2%, medical device companies are receiving requests for further discounts from end users as doctor's fee saw a large cut. It is expected that the Japanese Government will continue focusing on reducing medical device prices in order to counterbalance increasing healthcare expenditures resulting from Japan's aging society. Overall, Japan's market for medical devices is expected to exhibit flat to negative growth in 2007.

### Best Products/Services

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American firms will continue to see sales prospects in the more technologically sophisticated product categories. Those products include pacemakers, advanced interventional cardiology products, artificial implants, catheters and stents. Other areas of projected strong demand include software and other products used in medical information systems and health IT.

### Opportunities

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Event: **The International Modern Hospital Show 2007 (IMHS2007)**  
Dates: July 11-13, 2007  
Venue: Tokyo Big Sight  
Web: [www.noma.or.jp/hs/index-e.html](http://www.noma.or.jp/hs/index-e.html)  
Products: Healthcare equipment, medical devices and materials, nursing care related devices and health care information systems.

Event: **HOSPEX Japan 2007**  
Dates: November 14-16, 2007  
Venue: Tokyo Big Sight  
Web: [www.jma.or.jp/HOSPEX/english/index.html](http://www.jma.or.jp/HOSPEX/english/index.html)  
Products: Hospital and welfare facilities, medical treatment equipment, medical information systems, and healthcare/welfare support equipment and related devices.

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Ministry of Health, Labor and Welfare (MHLW)  
Pharmaceutical and Medical Device Agency (PMDA)  
Advanced Medical Technology Association (AdvaMed)  
The American Chamber of Commerce in Japan (ACCJ),  
Medical Devices and Diagnostics Subcommittee  
Japan Federation of Medical Device Associations  
(JFMDA)

[www.mhlw.go.jp/](http://www.mhlw.go.jp/)  
[www.pmda.go.jp/](http://www.pmda.go.jp/)  
[www.advamed.org/](http://www.advamed.org/)  
[www.accjmedtech.com/](http://www.accjmedtech.com/)  
[www.ifmda.gr.jp/](http://www.ifmda.gr.jp/)

## New Energy Power Generation (POL/ELP)

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### Overview

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<i>(millions of U.S. \$)</i>	2004	2005	2006 <i>(estimated)</i>
Total Market Size	3,361	3,475	3,813
Total Local Production	5,325	6,603	6,691
Total Exports	2,241	3,398	3,426
Total Imports	277	270	548
Imports from the U.S.	9	17	16

*(Note: The above statistics are unofficial US&FCS estimates.)*

In this report, the term “New Energy Power Generation” refers to wind, photovoltaic, waste, and biomass power generation. On June 4, 2002, Japan ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Based on the Kyoto Protocol, Japan is committed to reducing its greenhouse gas emissions in the year 2010 to a level six percent lower than it recorded in 1990. To secure this reduction, the Japanese government has set an ambitious goal to increase new energy power generation levels by tenfold over 1999 levels. To accomplish this, the Japanese government enacted the Renewable Portfolio Standards (RPS) Law in June 2002 and provides industrial subsidies for new energy development. The RPS law requires Japanese electric utilities to use renewable energy sources for a certain percentage of their sales. The RPS mandate has generated a flurry of activity by utilities to ensure compliance with this new policy target.

### Best Products/Services

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Best products include products and services related to wind power, photovoltaic power, biomass.

### Opportunities

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Private entities or municipal governments that are not covered by World Trade Organization (WTO) government procurement agreements conduct many new energy power generation projects. Therefore, most of these projects are closed to the public for bidding purposes. However, by partnering with Japanese firms and through continued efforts, U.S. companies should be able to increase their market share.

## Resources

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Useful Websites:

New Energy and Industrial Technology Development Organization (NEDO)  
<http://www.nedo.go.jp/english/index.html>

## Pharmaceuticals (DRG)

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## Overview

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<i>(millions of U.S. \$)</i>	2004	2005 <i>(estimated)</i>	2006 <i>(estimated)</i>
Total Market Size	67,518	63,325	65,178
Total Local Production	60,419	56,354	58,045
Total Exports	1,176	1,154	1,154
Total Imports	8,275	8,125	8,287
Imports from the U.S.	1,139	1,118	1,151

*(Note: The figures for 2003 and 2004 are the latest official figures; statistics for 2005 and 2006 are unofficial estimates.)*

Japan continues to be the world's second largest consumer of pharmaceuticals and the largest international market for American pharmaceutical firms. Each year, sales of prescription drugs in Japan total about \$60 billion. Japan's imports of foreign pharmaceuticals account for almost 10 percent of the total market, yet would be closer to 45 percent if direct imports, local production by foreign firms and compounds licensed to Japanese manufacturers were included. Allowing for that, American pharmaceutical firms have actually achieved a market share approaching 20 percent.

Although Japan is the world's second largest pharmaceutical market, Japan currently lags behind the United States, EU and many Asian markets in terms of access to new medicines. The Ministry of Health, Labor and Welfare (MHLW) acknowledged the need to reduce the delays in the introduction of new drugs and positioned "Approval System Reform" as one of its most important issues. In October 2006, MHLW created a study group to discuss this "drug lag" in order to accelerate patients' access to effective pharmaceuticals. In December 2006, the Council for Science and Technology Policy (CSTP), one of the Cabinet Office's four councils addressing policy questions, approved its reform report, which included proposals such as doubling the number of reviewers at the Pharmaceutical Medical Device Agency (PMDA) in the next three years, increasing the fees paid by manufacturers to fund the costs for additional reviewers and deregulating employment rules to allow hiring staff from industry. MHLW is expected to give serious consideration to the CSTP recommendations.

MHLW also recognized the need to create higher incentives for manufacturers to develop new drugs in Japan through a more appropriate pricing system. Japan's new Prime Minister Abe is placing great importance in economic growth and his "Innovation 25" strategy underscores fostering innovation in medicine as one of Japan's top three priorities. While these are positive

developments for the pharmaceutical industry as a whole, Japan continues to face the problems of a rapidly aging society and is, therefore, examining ways to limit the growth of healthcare spending through means such as changes to its reimbursement pricing policies. In 2006, the Japanese Government considered doubling the frequency of price revisions from once every two years to once every year. Although Japan decided not to conduct a price revision in Japan in JFY 2007, the proposal may be revived in coming years. Overall, Japan's market for pharmaceuticals is expected to exhibit flat to slightly positive growth in 2007 partly due to this lack of a price revision in 2007.

## Best Products/Services

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Japan's aging population is generating increased demand for pharmaceutical treatments for such chronic illnesses as cardiovascular problems, diagnostic reagents, digestive problems, diabetes, and cancer. It is also expected that the Japanese government will further promote the use of generic drugs to ease the cost burden on its healthcare system.

## Opportunities

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Event: **CPhI Japan 2007**  
Dates: April 18-20, 2007  
Venue: Tokyo Big Sight  
Web: [www.cphijapan.com](http://www.cphijapan.com)  
Products: Active pharmaceutical ingredients, contract manufacturing, biotechnologies, additives, fine chemicals, and intermediates.

Event: **INTERPHEX JAPAN**  
Dates: June 20-22, 2007  
Venue: Tokyo Big Sight  
Web: [www.interphex.jp](http://www.interphex.jp)  
Products: Raw materials, additives, materials processing machinery and equipment.

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

Ministry of Health, Labor and Welfare (MHLW) [www.mhlw.go.jp/](http://www.mhlw.go.jp/)  
Pharmaceutical and Medical Device Agency (PMDA) [www.pmda.go.jp/](http://www.pmda.go.jp/)  
Pharmaceutical Research and Manufacturers of America [www.phrma-jp.org/](http://www.phrma-jp.org/)  
The Japan Pharmaceutical Manufacturers Association [www.jpma.or.jp/](http://www.jpma.or.jp/)

## Travel and Tourism (TRA)

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<i>(millions of US\$)</i>	2000	2001	2002	2003	2004	2005
Total outbound market	\$42,112	\$43,796	\$42,591	\$44,150	\$47,422	\$47,316
Outbound to the U.S.	\$14,011	\$11,705	\$10,922	\$11,000	\$13,094	\$16,520
<i>(millions of people)</i>	2000	2001	2002	2003	2004	2005
Number of outbound travelers	17.8	16.2	16.6	13.3	16.8	17.4
Number of outbound travelers to U.S.	5.06	4.10	3.63	3.17	3.75	3.88

*(Note: Data for 2006 is not available. The above statistics are unofficial estimates.*

*Sources: U.S. Department of Commerce, Office of Travel and Tourism Industries, Japan Tourism Marketing Co.)*

Japan has for many years been the largest overseas travel and tourism market for the United States. However, immediately following the September 2001 terrorist attacks on the World Trade Center in New York, Japanese outbound travel dropped considerably, especially to the United States. Another sharp drop occurred in 2003 because of concerns raised by the SARS epidemic and the Gulf War. Since 2001, the increase in Japanese outbound travelers to the United States has been slow compared to the Japanese traveler's return to other countries, but even so, Japanese visitors to the United States still accounted for almost two-thirds of all Asian visitors in 2005. Regarding spending, Japan is the number one market for the United States regarding travel and passenger fare receipts, followed by the United Kingdom and Canada.

The United States is one of the most popular destinations for Japanese travelers, many of whom are repeat visitors. Over 70 percent of the repeat travelers visited the U.S. mainland or Hawaii last year. Other competitive long-haul destinations for Japanese tourists are European countries, especially for first-time travelers. Short-haul destinations such as South Korea and China remain very competitive, and received over one quarter of all outbound Japanese travelers. A majority of Japanese tourists throughout the 1990s were females, typically groups of single, working women and "mother & daughter" trips. However, the male market is growing, and by 2003 had overtaken the female market. Males in their 30s and 40s are now the majority of Japanese travelers to the United States.

Package tour/group trips are still the most popular and convenient way for Japanese travelers to make their arrangements. However, individually arranged travel known as Foreign Independent Travel (FIT) is gaining in popularity, mainly due to the many options now available on the Internet. Travelers with a specific purpose and with previous overseas travel experiences tend to choose FIT. FIT that meets travelers' specific needs is emerging as a new trend, as are Special Interest Tours (SIT).

Pamphlets and Internet marketing still have a large influence on consumer decisions concerning destinations. On the other hand, "word-of-mouth" information, such as Internet blogs and the recommendations of well-traveled friends have an increasing influence on the consumer. The most significant change in the Japanese market is the introduction of "dynamic packages" to the market in the past few years. Dynamic packages are travel products with revolutionary booking tools that can be put together over the Internet through e-commerce/online travel agents. Travelers put travel components into their shopping carts and buy the components they want in order to tailor the travel to their needs and desires. This is having a great impact on the distribution system of the Japanese travel and tourism industries.

For market entry, good local partners are a must. To take advantage of new market trends, establishing relationships with E-commerce/online travel agents is important, and online agents are looking for travel and tourism content and/or components for dynamic-packaging. In order to reach out to Japanese consumers to cultivate their interests and to stimulate their motivations for travel, media exposure is also a key to success for U.S. travel and tourism service suppliers. To obtain media coverage, U.S. travel and tourism service suppliers are encouraged to cooperate and participate in media familiarization trips and film locations.

### **Best Products/Services**

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Internet booking is expected to become a major method of making reservations, especially for FIT and SIT travelers. This applies not only to airplane tickets and hotels, but also to package tours and personalized and/or tailored tours, such as “dynamic packages.” Efforts to improve the convenience of travelers using the internet to book, or to develop systems for promoting special offers to internet bookers, will grow the Japanese tourism market even more.

Today, Japanese travelers have more overseas experience and can act on their own; thus they tend to look for something new and out of the ordinary. The use of car rentals in travel has expanded their sphere of action and led them to discover ways of finding new attractions. Those who have experienced these new attractions become heavy repeaters. Package tours that include the use of rental cars have been developed. The introduction of “dynamic packaging” and package tours using car rentals that are designed to meet travelers' new interests will stimulate the travel market in 2007.

### **Opportunities**

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#### **U.S. Tourism Online Showcase**

Dates: Any time [now available]  
Organizer: Commercial Service Japan  
Phone: (81-3) 3224-5087  
Fax: (81-3) 3589-4235  
E-mail: [Yumiko.Okubo@mail.doc.gov](mailto:Yumiko.Okubo@mail.doc.gov)  
Web: <http://www.buyusa.gov/japan/en/tourism06.html>

#### **"SeeAmerica Week — Japan" Events**

(1) TIA SeeAmerica Educational Seminar

Dates: September 2007 [dates TBD]  
Place: Tokyo [venue TBD]

(2) TIA Media Market Place/Media Reception

Dates: September 2007 [dates TBD]  
Place: Tokyo [Venue TBD]  
Organizer: Travel Industry Association of America (TIA) Japan Office  
Phone: (81-3) 5413-6352  
Fax: (81-3) 5413-6355  
E-mail: [kinoue@tia.org](mailto:kinoue@tia.org)

Web: [www.tia.org](http://www.tia.org)

(3) JATA World Travel Fair - SeeAmerica Pavilion

Dates: September 14-16, 2007  
Venue: Tokyo Big Sight  
Organizer: Japan Association of Travel Agents (JATA)  
Phone: (81-3) 5501-3215  
Fax: (81-3) 5501-3218  
E-mail: [koda@jata-net.or.jp](mailto:koda@jata-net.or.jp)  
Web: [www.jata-net.or.jp/english/index.htm](http://www.jata-net.or.jp/english/index.htm)

Pavilion coordinator: Japan Visit USA Committee  
Phone: (81-3) 5472-7609  
Fax: (81-3) 5472-6341  
E-mail: [toyoda@japan-usa.co.jp](mailto:toyoda@japan-usa.co.jp)  
Web: [www.japan-usa.co.jp/](http://www.japan-usa.co.jp/)

**SeeAmerica Workshops**

Dates: Fall 2007 [dates TBD]  
Places: Osaka and Nagoya [venues TBD]  
Organizer: Japan Visit USA Committee  
Phone: (81-3) 5472-7609  
Fax: (81-3) 5472-6341  
E-mail: [toyoda@japan-usa.co.jp](mailto:toyoda@japan-usa.co.jp)  
Web: [www.japan-usa.co.jp/](http://www.japan-usa.co.jp/)

**Resources**

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**Commercial Service, U.S. Embassy, Tokyo**

Ms. Yoko Hatano, Commercial Specialist      Catherine Spillman, Commercial Attaché  
E-mail: [Yoko.Hatano@mail.doc.gov](mailto:Yoko.Hatano@mail.doc.gov)      E-mail: [Catherine.Spillman@mail.doc.gov](mailto:Catherine.Spillman@mail.doc.gov)

**Japan Visit USA Committee**

Phone: (81-3)-5472-7609  
Fax: (81-3) 5472-6341  
Web: [www.japan-usa.co.jp](http://www.japan-usa.co.jp)

**Travel Industry Association of America (TIA) Japan Office**

Phone: (81-3) 5413-6352  
Fax: (81-3) 5413-6355  
Web: [www.tia.org](http://www.tia.org)

**Japan Association of Travel Agents (JATA)**

Phone: (81-3) 3592-1274  
Fax: (81-3) 3592-1268

Web: [www.iata-net.or.jp](http://www.iata-net.or.jp)

**Overseas Tour Operators Association of Japan (OTOA)**

Phone: (81-3) 5470-9501

Fax: (81-3) 5470-9503

Web: [www.otoa.com](http://www.otoa.com)

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

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

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
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### Import Tariffs

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According to the Japan Tariff Association ([www.kanzei.or.jp/english/](http://www.kanzei.or.jp/english/)), the average applied tariff in Japan is one of the lowest in the world. In addition, import duties on many agricultural items continue to decrease, and tariffs in many major sectors, such as autos and auto parts, software, computers, and industrial machinery are zero. However, certain products including leather goods, certain processed foods and some manufactured goods have relatively high tariff rates. While Japan's import tariffs are relatively low overall, the nation's average agricultural import tariff (roughly 50 percent) is among the world's highest for industrialized countries. By comparison, the average agricultural import tariff is 12 percent in the United States and 30 percent in the European Union.

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

A simplified tariff system for low-value imported freight valued at less than 100,000 yen, such as small packages for personal imports, simplifies determination of tariff rates. This system also eliminates the extra time necessary to classify the product and its precise value, and thereby minimizes customs brokers' handling charges. Importers can choose either the normal rate or the simple tariff, which could be higher or lower. Japanese Customs can provide an advance ruling on tariff classification and duty rates (see [Customs Contact Information](#)).

### Trade Barriers

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While tariffs are generally low, Japan does have barriers that impede or delay the importation of foreign products into Japan. Although competition, U.S. and other foreign government

pressure, as well as other factors have lessened the impact of these impediments, U.S. companies may still encounter non-tariff barriers such as the following:

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

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

## **Import Requirements and Documentation**

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

Japanese customs regulations can be cumbersome, difficult to understand, and sometimes frustrating, but they are largely mechanical. Nearly all customs difficulties result from first time applications. Japanese customs officials are generally very helpful when it comes to explaining procedures and regulations, and once these are understood and followed, difficulties are usually minimal.

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

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

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

## U.S. Export Controls

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

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

For defense-related articles, contact the Department of State Office of Defense Trade Controls at [www.pmdtc.state.gov/](http://www.pmdtc.state.gov/).

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

## Temporary Entry

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

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

## **Labeling and Marking Requirements**

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

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

## **Prohibited and Restricted Imports**

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Japan strictly prohibits entry of narcotics and related utensils, firearms, firearm parts and ammunition, explosives and gunpowder, counterfeit or imitation coins or currency, obscene materials, or goods that violate intellectual property rights. Restricted items include but are not limited to certain agricultural and meat products, endangered species and products such as ivory, animal parts and fur whose international trade is banned by international treaty, and more than two months' supply of medicines and cosmetics for personal use. In addition, Japan imposes restrictions on the sale or use of certain products including those related to health such as medical products, pharmaceuticals, agricultural products and chemicals. For these products, Japanese Customs reviews and evaluates the product for import suitability before shipment to Japan. The use of certain chemicals and other additives in foods and cosmetics is severely regulated and follow a “positive list” approach. For more information on prohibited and restricted imports visit the Q&A section on the Japan Customs web site:

[www.customs.go.jp/index\\_e.htm](http://www.customs.go.jp/index_e.htm).

## **Customs Contact Information**

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Ministry of Finance  
3-1-1 Kasumigaseki, Chiyoda-ku  
Tokyo 100-8940

Japan

Phone: +81/3/3581-4111

[www.mof.go.jp/english/tariff/tariff.htm](http://www.mof.go.jp/english/tariff/tariff.htm)

[www.customs.go.jp/index\\_e.htm](http://www.customs.go.jp/index_e.htm)

Customs Counselors System in Japan

Tokyo Headquarters

Phone: +81/3/3529-0700

[www.customs.go.jp/zeikan/seido/telephone\\_e.htm](http://www.customs.go.jp/zeikan/seido/telephone_e.htm)

Japan Tariff Association

Chibiki 2nd Bldg., 8F

4-7-8 Kojimachi, Chiyoda-ku

Tokyo 102-0083

Japan

Phone: + 81/3/3263-7221

Fax: + 81/3/3263-7972

[www.kanzei.or.jp/english/](http://www.kanzei.or.jp/english/)

APEC Tariff Database

[www.apectariff.org/](http://www.apectariff.org/)

## Standards

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## Overview

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Many domestic and imported products alike are subject to product testing and cannot be sold in Japan without certification of compliance with prescribed standards. Knowledge of, and adherence to, these standards and their testing procedures can be the key to making or breaking a sale. Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether or not approval (certification/quality mark) is granted. Approval is generally required to sell a product or even display it at a trade show; unapproved medical equipment may be displayed if accompanied by a sign indicating that the product is not yet approved for sale. To affix a mandatory quality mark or a voluntary quality mark requires prior product type approval and possibly factory inspections for quality control assessment. Regulated products must bear the appropriate mandatory mark when shipped to Japan in order to clear Japanese Customs. Regulations may apply not only to the product itself, but also to packaging, marking or labeling requirements, testing, transportation and storage, and installation. Compliance with "voluntary" standards and obtaining "voluntary" marks of approval can

greatly enhance a product's sales potential and help win Japanese consumer acceptance.

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

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

## Standards Organizations

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

The "voluntary" JIS mark, administered by the Ministry of Economy, Trade and Industry (METI), applies to nearly 600 different industrial products and consists of over 8,500 standards. Adherence to JIS is also an important determinant for companies competing on bids in the Japanese government procurement process. Products that comply with these standards will be given preferential treatment in procurement decisions under Japan's Industrial Standardization Law. JIS covers all industrial products except for those products regulated by specific national laws or for which other standard systems apply (*e.g.*, the Pharmaceutical Affairs Law and Japan Agricultural Standards).

The Japan Agricultural Standards (JAS) mark is another "voluntary" but widely used product quality and labeling mark. JAS applies to beverages, processed foods, forest products, agricultural commodities, livestock products, oils and fats, products of the fishing industry, and processed goods made from agricultural, forestry, and fishing industry raw materials. Specific JAS marks exist for various types of plywood, paneling, flooring boards, lumber, and timber. The JAS marking system is administered by

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF). Japan's Ministry of Health, Labor and Welfare (MHLW) administers separate mandatory standards for quality labeling of processed foods and beverages.

## **Product Certification / Conformity Assessment**

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

The two major non-governmental accreditation bodies in Japan are the Incorporated Administrative Agency (IAJapan—within the quasi-governmental National Institute of Technology and Evaluation) and the Japan Accreditation Board for Conformity Assessment (JAB). IAJapan operates several accreditation programs including the Japan National Laboratory Accreditation System (JNLA) and the Japan Calibration Service System (JCSS). IAJapan's website ([www.nite.go.jp/asse/iajapan/en/index.html](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.

Conformity assessment bodies recognized by Japan for electrical appliances can be viewed on the METI website:<http://www.meti.go.jp/english/policy/denan/procedure/07.htm>. For additional information on third-party conformity assessment for electrical products in Japan, visit: <http://www.meti.go.jp/english/policy/denan/procedure/06.htm>.

## **Accreditation**

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Please see the [Product Certification / Conformity Assessment](#) section above.

## **Public Comment on Technical Regulations**

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Each Japanese ministry posts draft regulations for public comment on their respective websites. These draft regulations can also be found in a consolidated list, available in Japanese on the e-Gov web portal ([search.e-gov.go.jp/servlet/Public](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 prepare a weekly summary translation in English of selected public comment announcements by Japanese government agencies. This translation is available at [www.buyusa.gov/japan/en/mac.html](http://www.buyusa.gov/japan/en/mac.html).

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

## Labeling and Marking

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As noted above, Japanese laws requiring product certification and labeling are numerous. A good reference for information on these requirements is JETRO's Handbook for Industrial Product Import Regulations available at:

[www.jetro.go.jp/en/market/regulations/index.html](http://www.jetro.go.jp/en/market/regulations/index.html).

## Trade Agreements

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As of February 2007, Japan has entered into economic partnership agreements (EPAs) with Singapore, Malaysia and Mexico. Given its favorable effect on trade and economic growth in both countries, Singapore and Japan reached a new agreement on a revised outline of the EPA in January 2007. Japan signed an EPA with the Philippines in September 2006, and is also expected to sign one soon with Thailand. Japan recently reached basic agreement on an EPA outline with Chile, Brunei and Indonesia. India and Vietnam held first rounds of negotiations with Japan in January 2007, and Australia and Switzerland agreed to commence negotiations in 2007. In 2006 Japan launched negotiations with the Gulf Cooperation Council (GCC-Bahrain, Oman, Qatar, Saudi Arabia, United Arab Emirates and Kuwait) on an FTA covering trade in goods and services. The second round of negotiations was concluded with the GCC in January 2007. Japan is also pursuing negotiations with the Association of Southeast Asian Nations (ASEAN), however, no negotiation has been held with the Republic of Korea since November 2004. Study groups exploring future bilateral EPAs with Japan have also been established with Canada and South Africa. Japan is a member of APEC, which has established a goal of APEC-wide free trade and investment for developed economy members by 2010, and for all APEC member economies by 2020.

Economic partnership agreements (EPAs) are broader than traditional free trade agreements (FTAs), which are generally limited to the reduction or elimination of tariffs on goods and other barriers on investment and trade in services. EPAs expand beyond FTAs to harmonize economic systems through the free movement of people, goods, and capital within a region. Japan's EPAs include economic activities such as tourism, intellectual property rights protection, standardization of customs and trade regulations, and the controlling of anti-competitive activities, among others things.

## Web Resources

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Japanese import clearance and customs procedures:

Japanese Ministry of Finance  
[www.customs.go.jp/index\\_e.htm](http://www.customs.go.jp/index_e.htm)

Japanese Customs:

Japanese Ministry of Finance  
[www.mof.go.jp/english/tariff/tariff.htm](http://www.mof.go.jp/english/tariff/tariff.htm)

Customs Counselors System in Japan  
[www.customs.go.jp/zeikan/seido/telephone\\_e.htm](http://www.customs.go.jp/zeikan/seido/telephone_e.htm)

Japan Tariff Association  
[www.kanzei.or.jp/english/](http://www.kanzei.or.jp/english/)

APEC Tariff Database  
[www.apectariff.org/](http://www.apectariff.org/)

U.S. export control procedures:

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

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

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

Obtaining a temporary-entry *carnet*:

United States Council for International Business  
Local Offices — [www.uscib.org/](http://www.uscib.org/)  
N.Y. Office — [info@uscib.org](mailto:info@uscib.org)  
  
[www.atacarnet.com/](http://www.atacarnet.com/)

Standards:

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

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

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

Japanese government regulations:

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

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

Labeling and marking requirements:

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

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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>.

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## Chapter 6: Investment Climate

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  - A.2 [Conversion and Transfer Policies: Largely Uninhibited](#)
  - A.3 [Expropriation and Compensation: Virtually No Risk](#)
  - A.4 [Dispute Settlement: No Outstanding Cases in Investment Area](#)
  - A.5 [Performance Requirements and Incentives: None](#)
  - A.6 [Right to Private Ownership and Establishment: Secure for Foreign Business](#)
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**A. Government Attitude to Foreign Investment:  
Attracting FDI a Policy Priority**

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**A.1 Openness To Foreign Investment:  
Few Restrictions, but Unique Challenges**

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Japan, as the world's second-largest economy and the United States' fourth-largest trading partner, is an important potential destination for U.S. foreign direct investment (FDI). The Government of Japan (GOJ) imposes few formal restrictions on inward FDI, and has removed or liberalized most legal restrictions that previously applied to specific business sectors. In addition, since 2001, the government has made increasing Japan's stock of FDI an economic policy priority recognizing its potential for enhancing Japan's competitiveness and contributing to sustainable economic growth. Then-Prime Minister Junichiro Koizumi in February 2001 announced a national goal of doubling Japan's stock of FDI, as a percentage of GDP, within five years. Despite its best efforts, the GOJ fell just short of that goal. Nevertheless, in June 2006, the government set a further goal of increasing the nation's stock of FDI to 5 percent of GDP by 2010. Immediately upon taking office in September 2006, Prime Minister Shinzo Abe publicly renewed that goal and on a number of subsequent occasions has reiterated his government's commitment to improving Japan's investment climate.

Japan is now in the midst of the longest period of continuous economic growth in its post-war history. At the same time, the government in recent years has undertaken significant structural reform of the economy thereby creating new opportunities for FDI. Together, these factors have led to growing merger and acquisition (M&A) activity. Since 1999, the annual level of M&A in Japan has more than doubled. Most of these are domestic transactions but there has been a slower, if steady, increase in cross-border deals as well.

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

Nevertheless, foreign investors who want to establish or enhance their presence in Japan face a number of unique challenges, many which are matters of private business practice rather than of government regulation. The most notable of these include:

- A high overall cost structure that makes market entry, exit, and expansion expensive;
- Cultural and linguistic challenges to doing business;
- Corporate practices and market rules that inhibit foreign acquisition of Japanese firms, such as insufficient financial disclosure practices, cross-holding of shares among companies belonging to the same business grouping, and a low proportion of publicly traded common stock relative to total capital in many companies;
- Exclusive buyer-supplier networks and alliances maintained by some business groups that limit competition from foreign firms and domestic newcomers;
- Labor practices which inhibit labor mobility, repress productivity, and negatively impact development of skills;
- Public wariness about “hostile” foreign takeovers.

All of these issues continue to be addressed in government-to-government talks and progress has been made in some areas.

Despite the increase in FDI since the mid-1990s, Japan continues to have the smallest amount of inward foreign investment as a proportion of GDP of any major OECD nation. According to the 2006 World Investment Report issued by the United Nations Conference on Trade and Development (UNCTAD), the current ratio of FDI to GDP in Japan is 2.2 percent, compared to 13.0 percent in the United States, 37.1 percent in the United Kingdom, 18.0 percent in Germany, and 28.5 percent in France. UNCTAD’s report ranks Japan as 131 among 141 countries in terms of the ratio of FDI to GDP, although Japan’s Inward FDI Potential Index is ranked 22 in terms of the amount of FDI money received. Foreign participation in mergers and acquisitions also lags in Japan. According to Recof, a Tokyo-based M&A consultancy, the total number of M&A transactions in Japan 2006 was 2,764, up 1 percent from the previous year, but only 148 of those deals involved foreign buyers. Japan’s relative lack of inward foreign investment also acts to limit the potential growth of imports.

On a yen basis, FDI stock in Japan rose from 3.0 trillion yen at the end of 1998 to 11.9 trillion yen at the end of 2005. According to OECD figures, Japan’s inward FDI fell sharply in 2005 to \$2.8 billion after several years of solid growth. In part, this reflected sales by a number of foreign funds that had purchased shares in distressed assets during Japan’s banking crisis of the 1990s. In addition, there were several large disinvestments by foreign companies facing difficulties in home markets, most notably, General Motors’ sale of 17 percent of Suzuki Motor

Corporation for \$2 billion in April 2006 and Vodafone's \$15.5 billion sale of its Japanese cellular telephone business to the Japanese firm Softbank in March 2006.

Meanwhile, Japan continues to run a significant imbalance between inward and outward FDI (see Table 1b). Japan's outward flow of foreign direct investment rose almost 47 percent in CY 2005 to \$45.8 billion, up from \$28.8 billion in CY 2003.

In recent years, the GOJ has taken welcome steps to address investment-related problems. Reforms in the financial, communications and distribution industries have encouraged foreign investment into these sectors. At the same time, reform of Japan's corporate code, bankruptcy laws and accounting principles are also helping to attract foreign investment into Japan. The Japan External Trade Organization (JETRO), a quasi-governmental entity, and the Ministry of Economy, Trade and Industry (METI) have the lead in implementing programs to attract greater foreign investment to Japan. At the regional level, a number of prefectural and city governments are intensifying efforts to attract foreign investors.

The most significant FDI-related legislative change in recent years has been the revision of Japan's Company Law. This new law, approved June 29, 2005, entered into force on May 1, 2006. The most significant provision in regard to FDI is the easing of rules on the use of foreign stock as consideration in cross-border mergers. Previously, consideration given to shareholders of merged companies was generally limited to cash or stock of the surviving company. This restriction served as a disincentive to otherwise advantageous mergers. Under the new Company Law, the surviving company can provide cash or shares of its foreign parent company instead of, or in addition to, its own stock in a procedure known as a triangular merger. However, under pressure from business interests, the GOJ delayed implementation of the law's triangular merger provision until May 2007 in order to allow firms time to determine whether to adopt defensive measures against hostile takeovers.

In anticipation of these new provisions coming into force, the Diet in December 2006 took up discussion of the tax treatment of cross-border triangular mergers. Although the relevant Diet tax panel agreed, in principle, to extend tax deferral to cross-border triangular mergers, certain conditions may make the use of this type of transaction impractical for the majority of deals especially those involving new entrants to the Japanese market. Final rules will be set out in government ordinances scheduled for completion in the first quarter of 2007.

Also relevant to investors, particularly in the financial sector, is the new Financial Instruments and Exchange Law passed by the Diet in June 2006. The bulk of its provisions will come into effect in 2007. By amending or abolishing 93 previous laws regulating banking, securities, investment and real estate trusts, the law establishes a broad new framework for the regulation of financial instruments and services. The government's stated purpose in amending the law is to establish a flexible regulatory system with a uniform set of rules for similar financial instruments while enhancing protections for investors and promoting financial innovation. The law, *inter alia*, establishes rules for tender offers (TOBs) that clarify the shareholding limits which trigger a mandatory TOB, extend the minimum time period for TOBs, and require greater disclosure of the size and price of share purchases by large-scale investors in order to protect the interests of smaller shareholders.

### **Liberalization of Investment Restrictions**

Japan has gradually eliminated most of the formal restrictions governing its FDI regime. In 1991, the GOJ amended the Foreign Exchange and Foreign Trade Control Law (which also

controls foreign investment) to replace the long-standing "prior notification" requirement for all FDI with an "ex post facto notification" requirement for investment in non-restricted industries. "Prior notification" (and thus case-by-case approval) is now required only for investment in certain restricted sectors, including agriculture, forestry, petroleum, electrical/gas/water utilities, aerospace, telecommunications, and leather manufacturing. Administrative approval for foreign investment in some of these sectors is quite certain, while in other sectors it is likely to be subject to greater scrutiny based on "national sovereignty" or national security concerns. In December 2006, METI announced 2006 the formation of a working group made up of academics and business representatives to recommend updating the list of restricted sectors with special attention given to materials and technology that could be used in the production of weapons of mass destruction. The working group is to submit its recommendations in the first quarter of 2007.

U.S. investment has become increasingly common in some traditionally restricted sectors, particularly in the petroleum and telecommunications industries. The only legal restriction on foreign ownership in Japan's telecommunications sector applies to Nippon Telegraph and Telephone (NTT): foreign investment in NTT is limited by law to one third. Japan's Radio Law and Broadcasting Law limits foreign investment in broadcasters to 20 percent, or to one third for a broadcaster categorized as facility-supplying. Under a revision that passed the Diet in October 2005, foreign ownership of Japanese companies investing in terrestrial broadcasters will be counted against these limits. However, these limits do not apply to communications satellite facility owners and program suppliers or to cable television operators.

Several sections of the Japanese Anti-monopoly Law (AML) are relevant to FDI. Chapter four of the AML includes extensive antitrust 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 sections is to restrict any shareholding, management, joint venture, and M&A activities that constitute unreasonable restraints on competition or involve unfair trade practices. These provisions are not intended to discriminate against foreign companies or to discourage FDI.

### **Limitations on Facility Development, and Availability of Investment Real Estate**

While the nationwide average price of real estate fell for 13 consecutive years (from 1992 to 2005), real estate prices in major urban areas, although less than half the 1991 price level, have now leveled off and remain high. Potential foreign investors find high prices of commercial office space can be an obstacle to investment in Japan. Lack of information on land prices and ownership also impedes foreign and domestic investors, by making it harder to assess the real asset value of potential business partners or acquisition targets. In the major urban areas of Tokyo and Osaka there is significant new commercial real estate under construction at the end of 2006, which may ease prices somewhat in the future.

Revisions to the Securities Investment Trust Law enacted in 2000 lifted the ban on real estate investment trusts (REITs) to permit marketing of mutual funds that invest in property rights. In November 2006, there were 39 REITs listed on the Tokyo Stock Exchange, holding more than 4 trillion yen in real estate assets. REITs are increasing demand for transparency and accurate pricing in the real estate market.

Aiming to increase the liquidity of Japanese real estate markets, the government has progressively lowered capital gains, registration, and license taxes on real estate in recent years. It also reduced inheritance and gift taxes to promote intergenerational transfer of land

and other assets. More changes in tax policy and accounting standards could increase real estate liquidity, but the market is still hampered by a shortage of legal and accounting professionals, lack of information on prices and income flows, and taxes that discourage real estate transactions. Beginning April 2001, the Japan Institute of Certified Public Accountants introduced a new standard that required companies to write off substantial losses (50 percent or more) on real estate inventories acquired for sale or development, further encouraging liquidity in real estate markets.

Japan continues to restrict the development of industrial and commercial facilities in some areas in an attempt to prevent excessive concentration of development in the environs of Tokyo, Osaka, and Nagoya, and also to protect land designated as optimal for agriculture. On the other hand, many prefectural governments outside the largest urban areas make available property in public industrial parks. Generally speaking, Japan's zoning laws give local Japanese officials and residents considerable discretionary authority to screen almost all aspects of a proposed building. These factors effectively reduce the real estate available for development and often lead to delays in construction and higher building costs.

### **Corporate Tax Treatment**

Local branches of foreign firms are generally taxed only on corporate income derived from within Japan, whereas domestic Japanese corporations are taxed on their worldwide income. Calculation of taxable income and allowable deductions, and payments of the consumption tax (sales tax), are otherwise the same as those for domestic companies, with national treatment for foreign firms. 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 United States has a new bilateral tax treaty with Japan that came into full force in January 2005. The treaty generally 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, and provides measures intended to mitigate double taxation. Cross-border dividends on listed stock are not subject to source country withholding tax if the parent company owns 50 percent or more of the foreign subsidiary. Interest on financial transactions payable to a nonresident as well as royalties paid to a foreign licensor also is no longer subject to source country withholding tax.

A special tax measure allows designated inward investors to carry over certain losses for tax purposes for ten years rather than for the normal five years. In JFY 1996, the scope of losses that qualify for this special measure was expanded. As part of the JFY 2003 tax reform, Japan's effective corporate tax rate, including local taxes, was reduced from 40.87 percent to 39.54 percent. Corporate tax reform proposals for FY 2006 abolished tax breaks for IT-related investments and created new tax incentives for advanced software investments.

The option of consolidated taxation was made available to corporations since April 2002. Consolidated taxation was intended to facilitate investment and corporate restructuring, because the 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**

In Japan, both government and the private sector are increasingly promoting inward FDI. In 2002, the Cabinet established FDI promotion as one of the key strategies for revitalizing the

Japanese economy and resolved to put teeth into the measures needed to attract investment. In 2003, the Japan Investment Council (JIC) prepared a report setting out a “Program for Promoting Foreign Direct Investment,” which discussed five target sectors and 74 specific measures. (For details of the report, see <http://www.investment-japan.net/index.htm>) During the JIC’s March 2006 meeting, with the original goal of doubling Japan’s stock of FDI close to achievement, the Council proposed a new goal “to increase the balance of FDI into Japan to 5 percent of the country’s GDP, double the present percentage by 2010.” To support this objective, the JIC established the Program for Acceleration of Foreign Direct Investment in Japan at its June 2006 meeting.

The Japan External Trade Organization operates the Invest Japan Business Support Center, a one-stop office providing investment-related information and services to foreign companies. (More detailed information is available at <http://www.jetro.go.jp/investjapan/>). In addition, all concerned ministries have established information desks as a source of investment information and a resource to help investors navigate administrative procedures.

Local governments are also increasing their efforts to attract foreign capital, both through outreach to prospective foreign investors and by offering business start-up support services and limited financial incentives. Ongoing efforts to decentralize fiscal authority in Japan may give local governments the ability to offer tax breaks in the future. JETRO supports local governments’ investment promotion efforts. Detailed information on FDI promotion at the local level is available in English on the JETRO website listed above.

The Japanese Government launched the “Special Zones for Structural Reform” initiative in 2003, and to date the GOJ has approved approximately 550 Special Zones. Building on ideas developed by local governments and private companies, this program designates certain local areas as exempt from one or more national regulations in order to develop the areas’ special features. In theory, local governments can use this Special Zones initiative to obtain regulatory exemptions that can significantly improve the investment environment, such as zones that liberalize restrictions on ownership of hospitals, schools, and agricultural enterprises or allow localities to introduce exemptions for visas/resident qualifications to expand the acceptance of foreign engineers, tourists and exchange students. In practice, however, the Special Zones Office has rejected about 70 percent of all Special Zones proposals since the start of the initiative — in most cases due to the objections of the GOJ ministry or agency involved. Moreover, while a handful of approved Special Zones have addressed investment climate issues, most zone applications have not sought to create significant new opportunities for foreign investors. The Headquarters for the Promotion of Special Zones for Structural Reform, however, continues to invite ideas on new zones from all sources, including domestic and foreign governments and private enterprises. In November 2006, the government announced plans to extend indefinitely the law governing these structural reform zones which was due to expire March 31, 2007.

## **A.2 Conversion and Transfer Policies: Largely Uninhibited**

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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. With the 1998 revision of the Foreign Exchange Law, Japan moved to an ex-post notification system. This means that all foreign exchange transactions

(unless specifically prohibited, including certain foreign direct investments, listed in the Appendix of the law) no longer require prior notification or approval. In addition, the law eliminated the authorized foreign exchange bank system, whereby foreign exchange transactions all had to go through certain registered banks. All other restrictions on methods of payment — including netting of settlements — were also removed, enhancing the ability of foreign and Japanese financial firms to offer a fuller range of services in Japan. This has led to lower foreign exchange transaction costs for non-financial firms as well.

Japan is an active partner in the struggle to choke off terrorist financing. In coordination with other OECD members, the GOJ has strengthened due-diligence requirements for financial institutions. The Diet passed a “Know Your Customer” law in 2002. Beginning January 2007, customers wishing to make cash transfers exceeding 100,000 yen (\$850) must do so through bank clerks, not ATMs, and must present an ID or other verification document. These changes could have an impact on the transfer of funds.

### **A.3 Expropriation and Compensation: Virtually No Risk**

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In the post-war period, the GOJ has not expropriated or nationalized any enterprises, with the exception of the nationalization in 1998 of two large capital-deficient banks and, in 2002, of two small failed regional banks. Expropriation or nationalization of foreign investments is unlikely in the foreseeable future.

### **A.4 Dispute Settlement: No Outstanding Cases in Investment Area**

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There have been no major bilateral investment disputes since 1990, and there are no outstanding expropriation or nationalization cases in Japan. There have been no cases of international binding arbitration of investment disputes between foreign investors and the GOJ since 1952. Japan is a member of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards. However, it has long been considered an inhospitable forum for international commercial arbitration. The Japan Commercial Arbitration Association, the only organization that arbitrates international trade and investment-related disputes, had 103 cases submitted to it between FY 1999 and FY 2005. For FY 2005 the JCAA had 36 cases, of which 26 were continuation cases from the previous year. 16 of the 36 cases went to arbitration and 10 were carried over to 2006.

There are no legal restrictions on access by foreign investors to Japanese lawyers, and significant reforms in laws governing legal services and the judicial system are increasing the ability of foreign investors to obtain adequate legal advice on doing business in Japan – despite some foot-dragging on implementing rules by the Federation of Japanese Bar Associations (*Nichibenren*).

Based on the Program for Promoting Justice System Reform endorsed by the Cabinet in March 2002, the Diet passed legislation to promote cooperation and collaboration between Japanese lawyers (*bengoshi*) and foreign lawyers qualified under Japanese law (*gaiben*) in 2003. The Amendment to the Special Measures Law Concerning the Handling of Legal Business by Foreign Lawyers”, which took effect in April 2005, made the following changes:

- a. Eliminated the prohibition on the employment of Japanese lawyers by foreign law firms qualified under Japanese law;
- b. Eliminated the regulations on joint enterprises between *gaiben* and *bengoshi*; and
- c. Abolished legal provisions governing specified joint enterprises (*tokutei kyodo jigyo*) and the establishment of joint enterprises between foreign lawyers qualified under Japanese law and Japanese lawyers or Japanese lawyer professional corporations (*gaikokuho kyodo jigyo*).

As a result of the enactment of the Amendment:

- a. These joint Japanese/foreign joint legal enterprises (*gaikokuho kyodo jigyo*) organized as a single law firm or as separate firms can provide integrated legal advice and legal services on any and all matters within the competence of its members;
- b. *Gaiben* and *bengoshi* in these enterprises can adopt a single law firm name of their choice;
- c. *Gaiben* and *bengoshi* in such enterprises may determine the profit allocation among them freely and without restriction;
- d. *Gaiben* are permitted to hire Japanese lawyers to work with them directly or in a joint legal enterprise or in a Foreign Japanese Joint legal office (*gaikokuho-jimu-bengoshi jimusho*) composed of multiple *gaiben*;
- e. *Gaiben* and Japanese lawyers continue to be permitted on an ad hoc basis to enter into relationships that involve the sharing of profits and expenses.

In another significant step, the Cabinet adopted in March 2002 a judicial reform program with the following results:

- To increase the number of legal professionals, raised the annual number of persons who pass the Bar Examination to 1,500 by 2004 and to 3,000 by around 2010; and in cooperation with the Ministry of Education, Culture, Sports, Science and Technology, introduced a new system of law schools, starting in April 2004.
- In 2003 the Diet passed a new Alternative Dispute Resolution (ADR) Law, including a major revision of the existing Arbitration Law and improvement of the legal framework for arbitration, including international commercial arbitration. The ADR Law will come into effect by May 31, 2007. Foreign lawyers qualified under Japanese law can represent parties in ADR proceedings taking place in Japan in which one of the parties is foreign or foreign law is applicable, at least to the extent such representation is not inconsistent with the law. The United States continues to urge Japan to promote alternative dispute resolution mechanisms by ensuring that “foreign lawyers qualified under Japanese law”, foreign lawyers and non-lawyers can act as neutrals in any international arbitration or other international alternative dispute resolution (ADR) proceedings that take place in Japan, in whole or in part, regardless of the governing law or matter in dispute.
- To increase the speed and efficiency of civil litigation, in 2003 the Diet passed the Law Concerning Trial Facilitation which aims to reduce by half the length of time required to complete court trials through measures to promote efficient scheduling of hearings, increase significantly the number of judges and court personnel, and facilitate litigants' collection of evidence at early stages of litigation.

- The Diet passed a partial amendment of the Administrative Case Litigation Law, which came into effect on April 1, 2005, to strengthen judicial oversight over administrative agencies.
- The Diet passed the Law on the Establishment of the Intellectual Property High Court. The first Intellectual Property High Court was established in Tokyo on April 1, 2005.

More generally, Japan's civil courts enforce property and contractual rights, and the courts do not discriminate against foreign investors. However, they are sometimes ill suited for litigation of investment and business disputes. As in many other countries, Japanese courts operate rather slowly. As noted above, the Judicial Reform Promotion Headquarters is enacting a number of changes to speed the conduct of trials.

In addition, the courts lack contempt powers to compel a witness to testify or a party to comply with an injunction, and timely temporary restraining orders and preliminary injunctions are very difficult to obtain. Filing fees are still 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 merely by appealing, and in appeals to the high courts, additional witnesses and other evidence are sometimes allowed.

Courts do have power to encourage mediated settlements, and the courts have a supervised mediation system. Parties can manipulate this system to delay resolution, however, and because judges move frequently, continuity is often lost. As a result, it is very common for companies to settle out of court.

#### **A.5 Performance Requirements and Incentives: None**

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Japan does not maintain a system of performance requirements. Japan also maintains no formal requirements for local management participation or local control in joint ventures or other forms of direct investment, except in restricted sectors.

#### **A.6 Right to Private Ownership and Establishment: Secure for Foreign Business**

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Japan legally maintains the right for foreign and domestic private enterprises to establish and own business enterprises and engage in all forms of remunerative activity.

#### **A.7 Protection of Intellectual Property Rights: A Well Developed System, but Can Be Time-Consuming And Costly**

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Protection of intellectual property rights is an integral part of every successful U.S. exporter's basic market strategy in Japan. It is necessary to file applications to register patents and trademarks in Japan to obtain protection, but prior patent filing in the United States can provide certain advantages if applications are filed promptly in Japan. A U.S. patent or trademark

attorney can provide informal advice, but it is necessary to hire a Japanese lawyer or patent practitioner (*bennrishi*) registered in Japan to prosecute the patent or trademark application. 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 Agency of Cultural Affairs maintains a registry for such matters as date of first publication, date of creation of program works, and assignment of copyright. U.S. copyrights are recognized in Japan by international treaty. U.S.-produced semiconductor chip design-layouts are protected for ten years under a special law if they are registered with the Japanese “Industrial Property Cooperation Center” — a Japanese government-backed public corporation.

Obtaining and protecting patent and trademark rights in Japan can be time-consuming and costly, although patent fees have recently been reduced considerably. While the process to safeguard such rights might seem prohibitive, lack of protection would permit competitors both in and outside of Japan to copy a product or production process. Even when intellectual property rights have been acquired, pirating of technology and designs can occur in Japan, as in other countries. Each company in a trading or licensing agreement should understand clearly what its rights and obligations are with respect to the intellectual property rights owned or acquired by the other. Such a clear understanding helps to create a good rapport based on mutual trust, thereby ensuring the success of the trading or licensing agreement.

### **Patents, Trademarks, Utility Models and Designs**

Unlike U.S. patent law, patents are granted to the first to file an application for a particular invention, rather than to the first to invent. Although Japan accepts filings in English (to be followed by a Japanese translation), companies should ensure that translations of their applications are perfect, as significant negative ramifications may result from translation errors. Prompt filing in Japan is crucial because 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, would preclude the grant of a patent on the application. Also, unlike the United States, where examination of patent applications is automatic, an applicant must request examination of his patent application in Japan within three years of filing.

As is true in many countries, all patent applications are published 18 months after filing. If, during the examination, the Japanese Patent Office (JPO) finds no impediment to the grant of a patent for a particular invention, it publishes the patent application in the Patent Public Gazette a second time, including any changes that have been made during the examination. Under a recent amendment to the Patent Law, parties may contest the terms of a patent grant immediately after issuance by the Patent Office (for a period of up to six months), rather than prior to registration as had been the previous practice. The patent is granted and valid for 20 years from the date the application is filed.

According to the latest JPO statistics in CY-2005, it takes an average of 26 months from the request for examination of application to First Action. An applicant can request accelerated examination, and efforts by the Patent Office to make the documentation necessary for the preliminary research required to request accelerated examination available electronically are expected to lower the cost of such requests to the applicant. During the examination period, limited effective legal protection exists. In 2006, JPO and USPTO announced two agreements that should make the examination process more efficient. The Patent Prosecution Highway pilot project, which began in July 2006, permits USPTO and JPO to be able to use results of examination in first office for an application to the second office. In November, an agreement on

Priority Document exchange was reached which allows the second office to pull up an electronic copy of the "Priority Document" from the first office.

Japan's Trademark Law protects trademarks and service marks. As is the case with patent applications, a resident agent (usually a lawyer or patent agent) must prosecute the trademark application. And as with the processing of patent applications, Japan's trademark registration process can be slow. Any company planning on doing business in Japan should file for trademark registration as early as practicable. Japan is subject to the Madrid Protocol (effective March 14, 2000) and trademarks registered at the WIPO Secretariat will be protected among member countries.

Japan's Utility Model Law, as amended in the Unfair Competition Prevention Law in April 2005, also allows registration of utility models, a form of minor patent with a 10-year term of protection. Additional changes in 2005 provided for a reduction of registration fees and the ability to apply for patent rights based on Utility Model rights. A separate design law allows protection of designs, with a 15-year term of protection from the date registration was made.

### **Unfair Competition and Trade Secrets**

Protection for trademarks in Japan prior to registration is provided under the Japanese Unfair Competition Prevention Law. Under this law, 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 the unauthorized user. Since 1990, Japan amendments to the law have provided some protection from theft of trade secrets, such as know-how, customer lists, sales manuals, and experimental data. The law, which was amended completely in 1993, also provides for injunctions against wrongful use, acquisition, or disclosure of a trade secret by any person who knew or should have known that the information in question was misappropriated. Amendments to the law in 2005 strengthened protection of trade secrets by introducing criminal penalties as well as by raising penalties. The judicial process, however, makes the enforcement of rights without loss of trade secrets difficult.

#### **A.8 Transparency of the Regulatory System: Toward More Openness**

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Over-regulation in Japan continues to restrain economic growth, raise the cost of doing business, restrict competition, impede market entry and exit, and impede investment. It also raises prices and increases the cost of living for Japanese consumers and for foreign businesses operating in Japan. Typical of highly regulated economies, Japan suffers from misallocation of resources, less than optimal foreign investment and a lack of entrepreneurial innovation. In addition to slowing growth, government over-regulation lies at the heart of many market access and competitive problems faced by U.S. companies in Japan.

An essential prerequisite for a vibrant Japanese economy is a regulatory system that is transparent, fair, predictable and accountable and which guarantees domestic and foreign firms alike full access to information and opportunity to have input into the regulatory decision-making process. The Japanese Government has made greater transparency a crosscutting theme of its regulatory reform initiatives. Systemic measures set out in the GOJ's 2004 Plan on the Promotion of Regulatory Reform are contributing to needed improvements in the transparency and accountability of the Japanese regulatory system. They include the following: wider use of the Public Comment Procedures for Formulating, Amending and Repealing Regulations; strict

enforcement and promotion of the use of the 1994 Administrative Procedure Law; increased transparency of administrative guidance; full and effective implementation of the Law Concerning the Disclosure of Information Retained by Administrative Agencies; expanded use of the “no-action letter” system; comprehensive and objective evaluation of the regulatory process; and examination of the need, effects, and costs of new proposed and existing regulations.

Building on these measures, the United States in its annual Regulatory Reform Initiative submissions has recommended that the Japanese Government undertake additional improvements in its regulatory system to support Japan’s reform efforts and to ensure universal access to government information and the policymaking process. Japan has taken welcome steps in recent years to improve its Public Comment Procedures (PCP), but the effectiveness of these revisions remains to be seen. The United States continues to urge the GOJ to take concrete steps to ensure the spirit of the revised PCP is adhered to, including compelling ministries and agencies to provide minimum 30-day public comment periods unless there is a genuinely urgent need to do otherwise; seriously consider public views submitted and incorporate them into final regulations where appropriate; publish draft regulations at the earliest possible time to allow interested parties sufficient time to analyze issues and prepare meaningful public comments; and provide sufficient time between the closing of a comment period and the finalizing of regulations so that comments can in fact be incorporated. In addition, given the often-significant role of advisory councils and other government-commissioned study groups in Japanese policy development, the United States also recommends measures to increase their transparency and provide greater opportunities for public input into deliberations of these groups. The United States further recommends that Japan take further steps to enhance the effectiveness and increase the usage of Japan’s “no-action letter” system, which provides regulated firms with an opportunity to seek clarification of an administrative agency’s interpretation of laws and regulations.

The United States continues to hold bilateral working-level discussions in an effort to encourage the Japanese to promote deregulation, competition policy, and administrative reform measures that could help revive the Japanese economy, increase imports and foreign direct investment into Japan. The reader should consult the National Trade Estimate Report on Foreign Trade Barriers, issued by the Office of the U.S. Trade Representative (USTR) for a detailed description of Japan’s regulatory regime as it affects foreign exporters and investors.

In an effort to increase the transparency of Japan's regulatory system to foreign investors, the Cabinet Office is coordinating a government-wide effort to produce consistent translations of selected Japanese laws and regulations into foreign languages, starting with English. In December 2006 the Cabinet decided to establish a section at the Justice Ministry beginning in JFY 2009 to handle English translations of Japanese laws and regulations concerning businesses as part of measures to promote more foreign investment, according to press reports. The new section will take over this work from a task force on judicial reform at the Cabinet Secretariat which had been doing the translations, but will be disbanded at the end of JFY 2008. In JFY 2009, the Justice Ministry will also set up a new Web site that allows users to search for legal terms and clauses.

**A.9 Capital Markets and Portfolio Investment:  
Less Than Perfect**

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Japan maintains no formal restrictions on inward portfolio investment, and in fact foreign capital occupies an increasingly important place in Japanese capital markets. Informal restrictions on management participation of foreign shareholders limit the attractiveness of Japan's equity market to foreign investors, although some firms have taken steps to facilitate exercise of shareholder rights by foreign investors, such as permitting electronic proxy voting.

### **Environment for Mergers and Acquisitions**

Japan's aversion to M&A activity is fading, accelerated by the unwinding of extensive corporate cross-shareholding brought about by implementation of improved accounting standards and new government mandates that banks divest cross-held shares above a set level of holdings.

Friendly transfer of wholly owned and majority-owned subsidiaries remains by far the more common form of M&A in Japan. Similarly, owner-operated unlisted firms — which traditionally would only sell out as a last resort before bankruptcy — are becoming more amenable to acquisition, including by foreigners. Particularly in the more modern, more service-oriented sectors of the economy, purchase by foreigners is less of a badge of shame than in years past.

Still, there remain a number of key factors limiting greater entry into the Japanese market through M&A with unlisted firms — including tax policy, weak accounting and disclosure practices, Japan's underdeveloped OTC stock market (which if more developed would reduce the risks involved in M&A), lack of readily available information on firms that might be acquired, and the relative shortage of M&A "infrastructure" in the form of specialists skilled in making matches and structuring M&A deals. Many senior business executives remain wary of foreign M&A which they see as inherently hostile and based largely on short-term profit motives although public and media perceptions of cross-border M&A is improving.

The Tokyo Stock Exchange "Mothers" Exchange, established in 1999 to encourage start-ups and venture capital investments with less-stringent listing criteria for emerging companies than the main Tokyo bourse, has few listed firms and suffers from a lack of liquidity.

### **Commercial Law Revisions**

A major revision of Japan's commercial laws is nearing completion. In 2001, new laws designed to facilitate procedures for spin-offs to establish new firms and to transfer divisions from one company to another went into effect. Important legislation was passed in 2002 and 2005 that has significantly increased the flexibility of capital structure and improves corporate governance:

In June 2005 the Diet passed a new Company Law that revised and combined Part II of the existing Commercial Code with existing laws governing limited liability companies (*yugen gaisha*) and audits under the Commercial Code. The Company Law, the bulk of which entered into force in May 2006, introduced changes to facilitate corporation start-up and make corporate structure more flexible, including elimination of minimum capital requirements for joint-stock companies (*kabushiki kaisha*), merged a number of different corporate structures and created a new corporate form (*godo kaisha*) modeled on the U.S.-style limited liability company.

Included in the new law was a provision — Article 821 — which has created uncertainty among foreign corporations that conduct their primary business through their company branches in Japan's market. As written, Article 821 appears to prohibit such branches of foreign corporations from engaging in transactions in Japan on a continuous basis. While supplementary steps were taken in Japan's Diet prior to passage of the new Company Law to

clarify the provision's intent and assure companies that the Japanese government would not apply Article 821 to legitimate entities, there remains some legal uncertainty for these branches, particularly with respect to private litigation that could be brought against their directors and officers. In bilateral talks on investment and regulatory reform, the U.S. Government has urged that Japan make revisions to the Company Law to clarify Article 821. The Japanese government, for its part, has undertaken to ensure that Article 821 does not adversely affect the operations of foreign companies that are duly registered in Japan and conduct their business in a lawful manner.

### **Improvements in Corporate Governance**

In addition, the Diet has enacted a number of revisions to the Commercial Code and the Industrial Revitalization Law to ensure efficient corporate governance, including amendments:

1. Providing publicly traded companies the option of adopting the U.S.-style corporate governance system instead of complying with the statutory auditor (*kansayaku*) requirement. This new option requires the appointment of executive officers and the establishment of a board committee system in which at least the audit, nomination and compensation committees would be composed of a majority of outside directors. Initially available only under the Industrial Revitalization Law, which requires companies to submit their company revitalization plans to the METI Minister to obtain authorization, the new measure is available for companies in general under the new Company Law; and
2. Permitting companies to use the Internet or other electronic means to provide notices of shareholders' meetings and other similar communications to shareholders upon individual consent, and permitting shareholders to exercise their voting rights through the use of electronic devices. In addition, companies are permitted to meet their mandatory disclosure requirements for balance sheets (and profit and loss statements) by making the full text available for five years in an electronic format.

### **Cross-shareholding and M&A**

Potential foreign investors in Japan frequently point out that extensive cross-shareholding in Japan greatly complicates market-based merger and acquisition transactions and reduces the potential impact of shareholder-based corporate governance. Such corporate governance practices result in senior management emphasizing internal loyalties over shareholder returns and can lead to premature rejection of M&A offers. However, Japanese companies are starting to unwind cross-shareholdings, a process that has accelerated in recent years under the pressure of difficult corporate finances and stricter accounting requirements. Similarly, more corporations are hiring outside directors and placing greater emphasis on shareholder value in their management practices.

To assist corporations in reducing the unfunded liabilities of corporate pension funds and to accelerate the unwinding of cross-shareholdings, the Japanese government implemented legislation in 2000 that allows corporations to transfer shareholdings to their related corporate pension funds. If the shares are directly transferred, the pension fund is able to properly execute shareholder rights and sell the shares if it is deemed in the best interests of the pension-holders. However, many firms prefer the alternative of indirect transfer of shares through a trust whereby the sponsoring corporation retains voting rights and effectively

influences when the shares can be sold. In 2001 the GOJ created the Banks' Shareholdings Purchase Corporation to facilitate sale of bank cross-held shares.

In another useful innovation, the Diet approved amendments to the Company Law permitting domestic stock swaps, through which one of the parties becomes a wholly owned subsidiary company and the other a parent company. The GOJ provided special tax treatment to allow deferment of taxes on capital gains on stocks involved in such swaps at the time of exchange and transfer. However, for a foreign investor to take advantage of these new rules, it must legally establish a Japanese subsidiary firm to act as the counterpart to the stock exchange/transfer.

Japan's new 2005 Company Law provided for increased flexibility in compensation for M&A transactions, including permitting cross-border stock swaps in triangular merger transactions involving Japanese public companies. These provisions will take effect in May 2007. However, in anticipation of the new provisions, the LDP Tax Panel in December 2006 proposed tax rules, which, depending on how they are interpreted in subsequent ordinances, could greatly limit the effectiveness of the triangular mergers structure for newly entering investors and limit the potential benefits of the new law in terms of increasing inward FDI.

### **Accounting and Disclosure**

Accounting and disclosure standards are an extremely important element in assessing and improving any nation's environment for mergers and acquisitions. Before any merger or acquisition can take place, it is critical that the merging or purchasing corporations have the best possible information on which to make business decisions. Implementation of so-called "Big Bang" reforms since 1998 has significantly improved Japan's accounting standards.

A shift to consolidated accounting was made mandatory in JFY 1999 and "effective control standards and influence" standards were introduced in place of conventional holding standards, expanding the range of subsidiary and affiliated companies included for the settlement of account. Consolidated disclosure of contingent liabilities, such as guarantees, began in 1998. Since JFY 2001 all marketable financial assets held for trading purposes including cross-shareholdings and other long-term securities holdings are recorded at market value in Japan.

Also starting in JFY 2000, companies were required to disclose unfunded pension liabilities by valuing pension assets and liabilities at fair value. Fixed asset impairment accounting went into effect in JFY 2005. This new rule would require 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 is already having an impact and is encouraging unwinding of cross-held shares. Corporate restructuring is accelerating, and companies are rushing to reduce pension under-funding. Banks have started disposing of low-yield assets. While the recent improvement in accounting standards and growth in M&A activity have been welcome, they have also exacerbated the shortage of accounting professionals.

### **Taxation and M&A**

Preferential tax treatment of initial public offerings remains a problem. Under current regulations, if a company is sold in an M&A transaction before an IPO listing, a 10 percent capital gains tax rate applies for listed stocks. (Japan adopted a standard 20 percent capital

gains tax rate applicable from January 1, 2004. However, the capital gains tax rate on sales of listed stocks will remain 10 percent through the end of 2007. Tax changes proposed in December 2006 would, if approved extend this reduced rate through 2008). Under a series of special measures Japan has adopted to promote venture businesses, if the founding shareholder of a qualified company sells shares in the company:

- a 10 percent capital gains tax rate will apply if the sale is made prior to public listing in an M&A transaction
- a 5 percent rate will apply if the shares are sold by the end of 2007 *and* within three years of listing
- from 2008, a 10 percent rate will apply to shares sold by the founding shareholder within three years of listing.

## **Bankruptcy Laws**

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

In 2000, Japan overhauled its bankruptcy law governing small and medium size firm bankruptcies by enacting the Civil Rehabilitation Law, which focuses on corporate restructuring in contrast to liquidation. The law provides improved protection of debtor assets prior to the start of restructuring procedures, eases requirements for beginning restructuring procedures, simplifies and rationalizes procedures for the examination and determination of liabilities and improves procedures for approval of rehabilitation plans. Japan's Corporate Reorganization Law, generally used by large companies, was similarly revised in 2003. Amendments made corporate reorganization for large companies more cost-efficient, speedy, flexible and available at an earlier stage. By removing many institutional barriers to the restructuring process, the new bankruptcy regime has already accelerated the corporate restructuring process in Japan.

In the 1990s, most corporate bankruptcies in Japan were dealt with by out-of-court creditor agreements because court procedures were lengthy and costly. Also the fact that bankruptcy trustees had limited powers to oversee restructuring meant that most judicial bankruptcies ended in liquidation, often at distress prices. 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 workouts in Japan tend to save time and expense, although they sometimes also lack transparency and fairness. In practice, because 100 percent creditor consensus is required for out-of-court workouts and the court can sanction a reorganization plan with only a majority of creditors' approval, the last stage of an out-of-court workout is often a request for a judicial seal of approval.

## **Credit Markets**

Domestic and foreign investors have free access to a variety of credit instruments at market rates. In general, foreign companies in Japan have not experienced significant difficulties in obtaining funding. Most foreign firms obtain short-term credit by borrowing from Japanese commercial banks or one of the many (close to one hundred) foreign banks operating in Japan. Medium-term loans are available from commercial banks, as well as from trust banks and life insurance companies. Large foreign firms have tended to use foreign sources for long-term

financial needs, although increasingly sophisticated derivatives products are becoming available to assist in hedging foreign investors' perceived risk.

#### **A.10 Political Violence: Rare to Unknown**

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In general, political violence is rare in Japan, and acts of political violence involving American business interests are virtually unknown.

#### **A.11 Corruption: Problems Remain Despite Obvious Progress**

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

Although the direct exchange of cash for favors from government officials in Japan is extremely rare, some foreign Japan-watchers 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. During 2006 three prefectural governors were forced to resign and faced criminal prosecution for colluding with construction firms on the award of public works contracts in exchange for bribes or political support.

The Japanese authorities have acknowledged the problem of bid rigging and have taken a series of steps to address it. In addition to the longstanding laws on bribery of public officials and misuse of public funds, the Japanese government has passed legislation aimed specifically at eliminating official collusion in bid rigging. The Bid-Rigging Prevention Act, which came into effect in January 2003, authorizes the Japan Fair Trade Commission (JFTC) to demand central and local government commissioning agencies to 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 who have participated in bid rigging and compensation for overcharges when the officials caused damage to the government due to willful or grave negligence. New ground was broken in 2005 when the JFTC invoked the Bid-rigging Prevention Act for the first time against a central government agency in the wake of a major bid-rigging scandal involving executives of the state-owned corporation in charge of highway construction and maintenance. Previous applications of the Act had been directed only at local authorities. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure that officials who facilitate illegal bid rigging will be held accountable.

Complicating efforts to combat bid rigging is the phenomenon known as *amakudari* whereby government officials retire into top positions in Japanese companies, usually in industries that they once regulated. *Amakudari* employees are particularly common in the financial, construction, transportation, and pharmaceutical industries — which, not coincidentally, are traditionally heavily regulated. Foreign companies usually do not enjoy such pipelines into the bureaucracy, and thus are somewhat disadvantaged in their ability to understand and deal with

laws, regulations, and informal ministry guidance. This disadvantage has been ameliorated somewhat in recent years by the introduction of more transparent administrative procedures. In addition, egregious examples of bid-rigging undertaken through *amakudari* connections have led to reform efforts. For example, following the May 2005 revelation of a major bid-rigging conspiracy tied to government tenders for steel bridge construction, both the Ministry of Land, Infrastructure, and Transport (MLIT) and the Japan Highway Public Corporation issued new, stricter guidelines on post-retirement employment by officials and executives. In 2006, MLIT took an additional measure against *amakudari* by requiring all companies doing business with the Ministry to disclose whether they have employed former MLIT officials on their staffs. The Japanese government also announced plans to introduce legislation during the 2007 regular Diet session that would allow the imposition of prison sentences on any central government officials who pressure companies to provide them with post-retirement jobs or who, after retirement, seek favors from their previous government agencies for their new private-sector employers.

While there have been some high profile exposures of officials having either given or accepted bribes, the Japanese government does not have an aggressive record of criminal prosecution. Those prosecuted have generally received suspended sentences. Nevertheless, surcharges applied by the JFTC and fines imposed by the courts on companies for violations of the Anti-monopoly Act have increased significantly, particularly since new amendments to the Act came into effect at the beginning of 2006. Early evidence indicates that these measures have had a deterrent effect on bid rigging, with winning bids for government contracts dropping precipitously from over 90 percent of the government's estimated cost to only 50-60 percent on some major projects. Despite these improvements at the central government level, however, indications are that bid rigging remains rife in Japan's localities. As of the end of December 2006, 18 of Japan's 47 prefectures had yet to implement fully central government guidelines for open bidding on public works projects and less than half of the country's 1,827 municipalities had open bidding mechanisms in place.

With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be found personally liable for the amount of the bribe, and some judgments have been rendered against company directors. This may pose a significant deterrent to the payment of bribes, as individuals are held personally liable without the shield of the company to protect them, although there has been discussion at various times within the ruling political party since 1993 when the law was amended to facility the filing of shareholder derivative suits of possible new rules to make it more difficult to file shareholder derivative lawsuits, a position supported by the conservative Japan Business Federation (Nippon Keidanren).

Japan has also ratified the OECD anti-bribery convention, which bans the bribing of government officials in countries outside Japan. The OECD has identified deficiencies in Japan's implementing legislation, some of which the government of Japan has taken steps to rectify, but an OECD follow-up examination in February 2006 concluded that "Japanese law enforcement authorities have still not made adequate efforts to investigate and prosecute foreign bribery cases." In May 2004, Japan amended the unfair competition prevention law (UCPL) to extend national jurisdiction to cover the crime of bribery and, in April 2006, made changes to the corporation tax law and the income tax law for the purpose of expressly denying the tax deductibility of bribes to foreign public officials. In addition, Japan extended the statute of limitations for prosecuting natural persons and corporate bodies from three to five years. Nevertheless, as of January 2007, Japan had yet to file any foreign bribery cases.

The 1952 U.S.-Japan Treaty of Friendship, Commerce, and Navigation gives national treatment and most favored nation treatment to most U.S. investments in Japan. In addition, Japan has bilateral investment treaties with the following countries or customs territories: Egypt, Sri Lanka, China, Hong Kong SAR, Turkey, Pakistan, Bangladesh, Russia, Mongolia, Vietnam and the Republic of Korea. Japan also has Economic Partnership Agreements (its term for a free trade agreement) that contain investment chapters with the following countries: Singapore, Mexico, Malaysia and the Philippines.

### **U.S.-Japan Investment Initiative**

U.S. Government concerns regarding barriers to foreign investment in Japan continue to be addressed through bilateral discussions under the U.S.-Japan Economic Partnership for Growth, established by President Bush and Prime Minister Koizumi in June 2001. The Investment Initiative Working Group has held biannual sessions for the past five years to discuss policy measures to improve the investment climate in both countries and has pursued a vigorous program of public outreach. In order to increase business awareness and receptiveness to FDI, investment promotion seminars were held in the Japanese cities of Kobe, Fukuoka, and Nagoya in 2002; Osaka and Sapporo in 2003; Kitakyushu and Kyoto in 2004; Nagoya and Chiba in 2005; and Sendai and Yokohama in 2006. Similarly, investment symposia were held in New York and Chicago in 2002; San Francisco and Chicago in 2003; Atlanta and Los Angeles in 2004; New York and San Jose, California, in 2005; and Santa Clara, California in 2006.

### **C. OPIC And Other Investment Insurance Programs: Not Available**

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OPIC insurance and finance programs are not available in Japan. Japan has been a member of the Multilateral Investment Guarantee Agency (MIGA) since it was established in 1988. Japan's capital subscription to the organization is the second largest among member countries, after the United States.

### **D. Labor: Toward More Flexibility**

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The Japanese labor market today suffers from demographic, macro-economic, and structural pressures, which are beginning to change traditional Japanese employment practices. The regulatory philosophy that has formed Japan's post-war labor laws is also changing. Foreign investors seeking to hire highly qualified workers in Japan should benefit from many of these changes.

Japanese employment practices have been said to rest on "three pillars:" lifetime employment, seniority-based wages, and enterprise unions. In fact, these three aspects of the Japanese labor market have always applied only to the larger firms, and today all three are undergoing rapid transformation. Demographic pressures — fewer young workers and a rapidly aging labor force — as well as the need for structural changes in the Japanese economy are forcing many firms to abandon both lifetime employment guarantees and seniority-based wages in favor of merit-based pay scales and limited-term contracts. Also, although labor unions play a role in the annual determination of wage scales throughout the economy, that role is shrinking. As of June 2006, trade union membership as a portion of the labor force was 18.2 percent, down 0.5 percent from the previous year. The figure has been declining since 1976. However, the

number of part-timer workers who are union members rose a point to 4.3 percent as a result of strengthened unionization efforts by some labor unions.

Investors should be aware of Japan's high wage structure. According to a September 2006 MHLW survey, the average monthly wage for a salaried worker in Japan was 276,818 yen. This was only 0.1 percent above a year earlier. This slow growth in average wages in the midst of a return to economic growth does not reflect slack demand for labor but rather increased hiring of younger workers to replace the expected surge in retirements of baby boomers over the next few years. Occupational wage differentials are much smaller than in most countries. According to the Ministry of Health, Labor and Welfare's (MHLW) statistics, base wages, including basic benefits, are 74.3 percent of total wage costs. Annual summer and year-end bonuses made up the rest. Relatively high statutory welfare contributions are also required for basic government pensions, health and accident insurance, and unemployment insurance. Most companies also incur other employee welfare costs for family and/or transportation allowances, company-provided pension schemes, and such in-kind payments as housing for some employees. Offsetting these high wage costs, of course, is the fact that the Japanese work force is highly educated, disciplined, loyal to their employer, and motivated to assure the economic well-being of the company.

Japanese workers have traditionally been classified as being either "regular" or "other" employees and this system is, to a considerable degree, still in place today. Regular employees are usually recruited directly from schools or universities and given an employment contract with no fixed duration. Other employees are given fixed duration employment contracts, which generally cannot exceed one year but may be renewed several times over. Still other employees include part-timers, interns, and "dispatched workers" — as workers from temporary work agencies are called in Japan. Until very recently, only a few occupations could be handled by dispatched worker agencies but this is one area where Japanese labor law has in fact been deregulated, thus the number and types of dispatched workers have increased substantially over the past several years.

The regulation of private, fee-charging employment agencies — including executive search firms — has also recently been liberalized. Although a fairly time-consuming and bureaucratic licensing procedure is still required, private employment agencies can now serve virtually the entire range of occupations. On-line, Internet based, job seeking and placement services are, however, still in their infancy in Japan — constrained at least partly by a MHLW requirement that every employment agency must personally interview each of its clients.

Defined contribution pensions, introduced in October 2001, should promote labor mobility, as workers will be able to carry their pension funds to other jobs, but the ceiling on contributions needs to be raised to realize the full potential of the move. The MHLW has begun a five year review of the defined contribution pension scheme, as called for in the 2001 law. The review will verify how companies are implementing these programs and depending on the outcome of that review, the government may consider raising current contribution ceilings.

## **E. Foreign-Trade Zones / Free Ports / Special Zones for Structural Reform**

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Japan no longer has any free-trade zones or free ports. Customs authorities, however, do allow the bonding of some warehousing and processing facilities in certain areas adjacent to ports on a case-by-case basis.

In 2003, the government of Prime Minister Koizumi introduced the Special Zones for Structural Reform initiative with the goal of helping revitalize Japan's regional economies through locally led regulatory and structural reforms. A small number of the Special Zones approved under the initiative have helped to remove regulatory barriers that limit U.S. business market entry and foreign investment into Japan; for example, Japan reduced customs overtime charges within its International Physical Distribution Zones by 50 percent in 2004. The majority of Special Zones to date, however, have not offered significant market-opening opportunities for foreign investors. (For more details, *see also* the section on "Investment Incentives" under [Openness To Foreign Investment: Few Restrictions, but Unique Challenges](#), *supra*.)

## F. Investment Data

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FDI in Japan has soared since the mid 1990s with Japan's FDI stock increasing (on a yen basis) from 3.0 trillion yen at the end of 1998 to 11.9 trillion yen at year end 2005. Flows have been equally strong over the same period but net inflow dropped significantly in 2006 with a number of high profile disinvestment cases. Much of this increase is due to ongoing reforms in a number of sectors, including finance, communication and distribution, which have encouraged foreign investment in those sectors. At the same time, the GOJ has undertaken a concerted campaign to build Japan's stock of FDI and has established a highly professional interagency process to promote Japan as a destination for FDI and to provide practical assistance to investors seeking to enter the Japanese market. This policy initiative has shown some success but still runs up the strong aversion of Japanese senior executives, many of whom still view cross-border triangular merger as inherently "hostile" and "abusive" and believe potential foreign acquirers as only interested in short-term profits. These attitudes are only changing slowly. In CY 2005, Japan's overseas FDI soared to \$45.5 billion from the previous year level of \$31.0 billion from the previous year's level of \$28.8 billion. The increase is largely due to strong flows to both North and South America and to a lesser degree, East Asia, other than China. China remains the number two destination for Japanese investment behind the United States. All data in the tables below is from MOF and JETRO, current as of January 2007, and converted into dollars using each year's average exchange rate: CY00 data at 107.77 yen to the dollar, CY 01 data at 121.53 yen to the dollar, CY 02 data at 125.31 yen to the dollar, CY03 data at 115.93 yen to the dollar, JFY03 data at 113.03 yen to the dollar, CY 2004 data at 108.19 yen to the dollar, JFY 2004 data at 107.49 yen to the dollar, CY 2005 data at 110.21 yen to the dollar and JFY 2005 data at 113.26 yen to the dollar.

<b>TABLE 1a</b>		
<b>Annual New FDI into Japan</b>		
<i>(Billions of Dollars, Balance-of-Payments Basis)</i>		
<b>JFY</b>	1997	3.20
	1998	3.27
	1999	12.31
	2000	8.23
	2001	6.19
	2002	9.09
	2003	6.24
	2004	7.81
	2005	3.22
Source: <a href="http://www.jetro.go.jp/en/stats/statistics/bpfdi_01_e.xls">http://www.jetro.go.jp/en/stats/statistics/bpfdi_01_e.xls</a>		

<b>TABLE 1b</b>		
<b>Ratio of Japan's Inward to Outward FDI Flows</b>		
<i>(Balance-of-Payments Basis; Net and Flow)</i>		
<b>JFY</b>	1997	1: 8.1
	1998	1: 7.5
	1999	1: 1.8
	2000	1: 3.8
	2001	1: 6.2
	2002	1: 3.5
	2003	1: 4.6
	2004	1: 4.0
	2005	1: 14.1
Source: <a href="http://www.jetro.go.jp/en/stats/statistics/bpfdi_02_e.xls">http://www.jetro.go.jp/en/stats/statistics/bpfdi_02_e.xls</a>		

<b>TABLE 2</b>					
<b>Foreign Direct Investment in Japan, by Country</b>					
<i>(Millions of dollars; net and flow; balance-of-payments basis)</i>					
	<b>CY2001</b>	<b>CY2002</b>	<b>CY2003</b>	<b>CY2004</b>	<b>CY2005</b>
<b>North America</b>	4,268	3,019	-617	2,294	-636
U.S.A.	3,492	2,451	-641	1,407	309
Canada	776	569	25	890	-944
<b>Asia</b>	127	7	371	994	1,564
China	2	1	-2	-9	12
Hong Kong	94	-17	38	295	960
Taiwan	164	-24	80	74	-26
Korea	38	63	-101	251	32
Singapore	22	115	329	389	598
Thailand	-197	-125	28	-1	-6
<b>Europe</b>	2,863	6,261	5,103	5,623	1,122
Germany	241	551	1,764	1,170	237
United Kingdom	-1,246	540	-442	-310	131
France	423	2,213	651	1,049	-77
Netherlands	2,530	1,732	3,200	3,611	2,541
Switzerland	126	1,043	-286	108	-749
<b>Latin America</b>	-1,013	-176	1,376	-1,114	1,276
Mexico	0	2	2	0	-
Brazil	0	0	0	20	2
Cayman Isles	-1,051	-98	1,347	752	1,069
<b>TOTAL</b>	6,191	9,089	6,238	7,808	3,223
<i>Note: Negative figures indicate net outflow.</i>					
Source: <a href="http://www.jetro.go.jp/en/stats/statistics/bpfdi_02_e.xls">http://www.jetro.go.jp/en/stats/statistics/bpfdi_02_e.xls</a>					

<b>TABLE 3</b>					
<b>Japan's FDI Inward Stock by Country/Region</b>					
<b>(Millions of dollars; International Investment Position)</b>					
	<b>End of 2001</b>	<b>End of 2002</b>	<b>End of 2003</b>	<b>End of 2004</b>	<b>End of 2005</b>
<b>North America</b>	20,050	28,289	40,222	45,919	47,262
U.S.A	18,465	35,743	36,612	40,872	43,459
Canada	1,586	2,647	3,610	5,049	3,803
<b>Asia</b>	3,368	3,705	4,904	5,889	6,636
China	73	80	90	90	101
Hong Kong	1,414	1,460	1,793	2,136	2,586
Taiwan	1,399	1,379	1,591	1,605	1,378
Korea	190	210	244	537	310
Singapore	303	480	1,039	1,380	2,138
Thailand	-91	17	49	48	42
<b>Europe</b>	24,709	33,350	39,273	41,779	97,728
Germany	3,896	4,142	4,978	3,915	5,847
United Kingdom	2,422	2,695	1,692	2,310	3,004
France	7,021	10,348	12,321	13,693	10,672
Netherlands	7,331	9,868	13,541	14,210	11,540
Switzerland	1,958	2,778	2,646	3,172	2,241
<b>Latin America</b>	1,733	2,408	4,764	3,004	8,138
Mexico	1	3	5	5	4
Brazil	11	12	14	33	30
Cayman Isles	1,625	1,749	4,186	2,666	5,544
<b>TOTAL</b>	50,446	78,490	89,838	97,305	100,331
<i>Note: Negative figures indicate net outflow.</i>					
Source: <a href="http://www.jetro.go.jp/en/stats/statistics/iipfdi_02_e.xls">http://www.jetro.go.jp/en/stats/statistics/iipfdi_02_e.xls</a>					

<b>TABLE 4</b>					
<b>Foreign Direct Investment in Japan, by industry</b>					
<i>(Millions of dollars; net and flow; reporting basis for JFY2001– 04, balance-and-payment basis for CY 2005)</i>					
	<b>JFY2001</b>	<b>JFY2002</b>	<b>JFY2003</b>	<b>JFY2004</b>	<b>CY2005</b>
<b>Manufacturing</b>	2,621	6,749	4,310	952	-2,191
Machinery	1,107	2,220	2,489	402	—
General machinery	—	—	—	—	164
Electric machinery	—	—	—	—	-1,195
Transportation equipment	—	—	—	—	32
Precision machinery	—	—	—	—	-59
Chemicals	924	3,416	970	199	—
Chemicals and pharmaceuticals	—	—	—	—	-1,168
Metals	1	136	25	7	—
Iron, non-ferrous & metals	—	—	—	—	-34
Rubber & leather	—	—	—	—	1
Petroleum	70	508	114	166	-44
Textiles	23	33	10	83	188
Foods	281	68	448	32	-211
Glass & ceramics	75	3	7	—	103
Others	84	365	248	63	—
<b>Non-Manufacturing</b>	<b>14,784</b>	<b>11,186</b>	<b>14,412</b>	<b>36,507</b>	<b>5,414</b>
Farming & forestry	—	—	—	—	-1
Fishery & marine products	—	—	—	—	0
Mining	—	—	—	—	0
Finance & insurance	5,281	5,306	9,005	27,693	645
Trading	871	2,118	3,265	999	—
Wholesale & retail	—	—	—	—	1,157
Services	1,330	2,025	955	1,263	178
Real estate	588	239	609	213	15
Telecommunication	6,622	1,412	535	4,338	—
Communication	—	—	—	—	912
Transportation	18	22	15	1,947	2,108
Construction	69	19	10	31	41
Others	6	45	18	24	—
<b>TOTAL</b>	<b>17,340</b>	<b>17,935</b>	<b>18,722</b>	<b>36,507</b>	<b>3,223</b>

*Note: Negative figures indicate net outflow.*

Sources: [http://www.jetro.go.jp/en/stats/statistics/rnfdi\\_04\\_e.xls](http://www.jetro.go.jp/en/stats/statistics/rnfdi_04_e.xls)  
[http://www.jetro.go.jp/en/stats/statistics/bpfdi\\_06\\_e.xls](http://www.jetro.go.jp/en/stats/statistics/bpfdi_06_e.xls)

<b>TABLE 5</b>					
<b>Japanese Direct Investment Overseas, by Country</b>					
<i>(Millions of dollars; net and flow; balance-of-payments basis)</i>					
	<b>CY2001</b>	<b>CY2002</b>	<b>CY2003</b>	<b>CY2004</b>	<b>CY2005</b>
<b>North America</b>	7,631	8,509	11,003	7,601	13,168
U.S.A.	7,031	7,441	10,691	7,559	12,126
Canada	599	1,068	313	42	1,041
<b>Asia</b>	7,797	8,177	5,028	10,531	16,188
China	2,158	2,622	3,980	5,863	6,575
Hong Kong	496	229	-62	491	1,782
Taiwan	361	451	217	473	828
R. Korea	650	437	333	771	1,736
Singapore	951	1,884	-457	138	556
Thailand	1,594	528	678	1,867	2,126
Indonesia	481	307	484	498	1,185
Malaysia	570	257	-504	163	525
Philippines	275	1,074	114	6	441
India	150	146	124	139	265
<b>Europe</b>	18,206	9,721	7,943	7,097	7,509
Germany	687	571	714	645	269
U.K	13,142	2,033	2,468	1,649	2,903
France	222	3,987	1,153	25	540
Netherlands.	3,094	1,447	3,454	3,337	3,314
Sweden	-108	-327	119	-70	82
Spain	-70	87	-145	183	363
<b>Latin America</b>	4,271	3,965	3,150	3,120	6,402
Mexico	1	225	372	191	630
Brazil	864	743	1,068	-65	953
Cayman Isles	1,474	3,316	1,636	2,726	3,915
<b>Oceania</b>	670	1,440	1,139	1,856	944
Australia	554	1,151	964	1,651	639
<b>Middle East</b>	-1	89	-38	-63	543
UAE	-38	25	-47	-19	19
Saudi Arabia	35	81	20	-38	495
<b>Africa</b>	-184	223	430	378	26
<b>TOTAL</b>	38,495	92,039	28,767	30,962	45,461
<i>Note: Negative figures indicate net outflow.</i>					
Source: <a href="http://www.jetro.go.jp/en/stats/statistics/bpfdi_01_e.xls">http://www.jetro.go.jp/en/stats/statistics/bpfdi_01_e.xls</a>					

<b>TABLE 6</b>					
<b>Japanese Direct Investment Overseas, by Industry</b>					
<i>(Millions of dollars; net and flow; reporting basis for JFY2001–04, balance-and-payment basis for CY 2005)</i>					
	<b>JFY2001</b>	<b>JFY2002</b>	<b>JFY2003</b>	<b>JFY2004</b>	<b>CY2005</b>
<b>Manufacturing</b>	14,218	14,689	16,246	13,750	26,146
Electrical	3,865	3,920	5,005	2,039	—
Chemicals	1,511	1,916	4,749	3,530	—
Chemicals and Pharmaceuticals	—	—	—	—	3,363
Transport	4,342	4,916	3,013	3,601	—
Food	824	222	428	1,088	1,685
Metals	658	633	1,078	1,391	—
Iron, Non-Ferrous & Metals	—	—	—	—	1,331
Machinery	1,219	1,288	956	1,108	—
General Machinery	—	—	—	—	1,296
Electric Machinery	—	—	—	—	4,377
Transportation Equip.	—	—	—	—	8,611
Precision Machinery	—	—	—	—	1,419
Rubber and Leather	—	—	—	—	831
Lumber & Pulp	7,232	240	28	119	826
Textiles	216	199	178	172	416
Petroleum	—	—	—	—	531
Glass & Ceramics	—	—	—	—	258
Other	850	1,354	810	702	—
<b>Non-Manufacturing</b>	17,796	21,860	19,599	21,010	19,315
Finance/Insurance	10,753	12,801	7,639	11,613	9,227
Trade	2,700	3,694	4,315	1,884	1,086
Wholesale & Retail	—	—	—	—	4,623
Real Estate	692	1,449	1,494	370	-851
Services	1,612	1,836	1,940	2,360	—
Transportation	1,387	1,503	1,876	1,286	824
Mining	495	367	1,915	2,054	1,372
Construction	65	121	258	280	148
Farming / Forestry	36	7	158	38	23
Fisheries	27	56	4	24	-44
Communications	—	—	—	—	1,712
Other	26	27	—	—	—
<b>TOTAL</b>	<b>32,297</b>	<b>36,858</b>	<b>36,092</b>	<b>34,548</b>	<b>45,461</b>
<i>Note: Negative figures indicate net outflow.</i>					
Sources: <a href="http://www.jetro.go.jp/en/stats/statistics/rmfdi_02_e.xls">http://www.jetro.go.jp/en/stats/statistics/rmfdi_02_e.xls</a> <a href="http://www.jetro.go.jp/en/stats/statistics/bpfdi_05_e.xls">http://www.jetro.go.jp/en/stats/statistics/bpfdi_05_e.xls</a>					

<b>TABLE 7</b>						
<b>Foreign Direct Investment in Japan Relative to GDP</b>						
<i>(Balance-of-payments basis for CY2000 onward; in Trillions of Yen, Except Where Noted)</i>						
	<b>CY2000</b>	<b>CY2001</b>	<b>CY2002</b>	<b>CY2003</b>	<b>CY2004</b>	<b>CY2005</b>
Nominal GDP (a)	501.1	469.8	489.6	490.5	496.19	502.9
FDI Inflow (b)	0.90	0.76	1.16	0.73	0.85	0.31
b / a (%)	0.18	0.16	0.24	0.15	0.17	0.06
Source: <a href="http://www.mof.go.jp/bpoffice/bpdata/fdi/fdi2bop.htm">http://www.mof.go.jp/bpoffice/bpdata/fdi/fdi2bop.htm</a>						

<b>TABLE 8</b>		
<b>Examples of Major Foreign Direct Investments into Japan by U.S. and Other Foreign Companies</b>		
	<b>Company</b>	<b>Country</b>
<b>Biotechnology / Chemicals</b>	Promega K.K. Japan	US
	DuPont K.K.	US
	Nihon L'Oréal K.K.	France
	Stem Cell Sciences KK	Australia
	Johnson & Johnson	US
	Dendrite International	US
	Genzyme Japan K.K.	US
	Novon Japan, Inc.	US
<b>ICT / Software</b>	China TechFaith Wireless Communication Technology Ltd.	China
	Ellacoya Networks	US
	GeoVector	US
	Impact Investing Pty Ltd	Australia
	InterAct Technologies Japan Co., Ltd.	China
	Proofpoint	US
	UFIDA Software Engineering Japan Co., Ltd.	China
	Genesys Conferencing KK	France
	SIGMA-C KK	Germany
	Pixology Japan Ltd.	UK
	Cisco Systems, K.K.	US
	Founder International, Inc.	China
	Ulead Systems	Taiwan
	IBM Japan, Ltd.	UK
	ARM K.K.	UK
	Celoxica Japan K.K.	UK
	Viewlocity Japan Co., Ltd.	US
	Descartes Systems Group	Canada
Raxco Software	US	

	Roxio Japan, Inc.	US
	Interwise Japan K.K.	US
	SSH Communications Security K.K.	Finland
	Nihon Synopsys Co., Ltd.	US
	Aspect Communications Japan Ltd.	US
	Overture K.K.	US
	Juniper Networks, KK.	US
	Clearswift K.K.	UK
	Sterling Commerce K.K.	US
	Computer Associates Japan, Ltd.	US
	Extreme Networks K.K.	US
	Global Knowledge Network Japan, Ltd.	US
	IFS Japan, Inc.	Sweden
	iNAGO KK	Canada
	Everypath, Inc.	US
	APC Japan, Inc.	US
	AdventNet, Inc.	US
	Polaris Software Lab Limited	India
	Graphisoft Japan Co., Ltd.	Hungary
	Atotech Japan	France
	Tera Systems	US
	VeriSign	US
	Speech Works	US
	Red Hat	US
<b>Manufacturing</b>	ANCA Pty Ltd	Australia
	Balco Australia Pty. Ltd.	Australia
	Pelican Products	US
	Bosch	Germany
	Lactalis Japon	France
	Demarle Japon Co., Ltd.	France
	TMD Friction Japan KK	Germany
	dSPACE Japan K.K.	Germany
	ROHDE & SCHWARZ Japan K.K.	Germany
	Campagnolo Japan Ltd.	Italy
	A. Proctor Group Ltd., Japan	UK
	Rotex Japan Ltd.	UK
	SAINT-GOBAIN Group in Japan	France
	Magna International, Inc.	Canada
	MeadWestvaco K.K.	US
	Bolthouse Farms Japan Y.K.	US
	Concurrent Nippon Corp.	US
	Voith Paper Automation Japan Ltd.	Germany
	Color Kinetics and Color Kinetics Japan	US

	Carpigiani Japan Co., Ltd.	Italy
	Galbani Japan Company, Ltd.	Italy
	G.D. Jidokikai K.K.	Italy
	Nippon RFI Shielding KK	UK
	Lutron Electronics Company	US
	Federal-Mogul K.K.	US
	Inergy Automotive Systems	France
	Velux Japan Ltd.	Denmark
	Applied Materials Japan, Inc.	US
	Continental Teves Corporation	Germany
	Geislinger K.K.	Austria
	Grohe Japan Ltd.	Germany
	Air Products Japan, Inc.	US
	Snap-on Tools	US
	Testo K.K.	Germany
	Trespa Japan Limited	Netherlands
	Bodum Japan Co., Ltd.	Denmark
	Kennametal Hertel Japan	US
	Dyson Japan	UK
	Vaisala KK	Finland
	A Color Kinetics Installation	US
<b>Medical Care</b>	Pfizer Japan Inc.	US
	Alcon Japan Ltd.	Switzerland
	Fresenius Medical Care Japan K.K.	Germany
	Nippon Hexal Corporation	Germany
	Widex Co., Ltd.	Denmark
	PAREXEL International	US
	KARL STORZ Endoscopy Japan K.K.	Germany
	Draeger Medical Japan	Germany
	ELA Medical Inc.	France
	Nobel Biocare Japan	Sweden
	Haemonetics Corporation	US
	Peter Brehm Japan	Germany
	Becton Dickinson	US
<b>Real Estate</b>	ProLogis	US
	Oakwood Corporate Housing	US
<b>Services/Consulting</b>	Edelman	US
	Elanex	US
	HRnet One K.K.	Singapore
	F.H. Bertling Logistics Japan KK	Germany
	CNC Japan K.K.	Germany
	Datamonitor Japan	UK
	Christie's Japan	UK

<b>Services/Education</b>	Wall Street Institute, Japan, KK	China
<b>Services/Leisure</b>	Nihon Harmony Resorts KK	Australia
<b>Services/Media</b>	KBS Japan KK	Korea
<b>Wholesale/Retail</b>	Rucoline Japan Co., Ltd.	Italy
	Nihon Hallmark	US
	Puratos Japan	Belgium
	Chocolates El Rey Japan Co.,Ltd.	Italy
	Loro Piana Japan Co.,Ltd	Italy
	Freixenet Japan Inc.	Spain
	Chelsea Japan Co., Ltd.	US
	Miele Japan Corporation	Germany
	Pieroth Japan K.K.	Germany
	ZARA JAPAN CORPORATION	Spain
	Warner Mycal	US
	Lands' End	US
	Catalina Marketing	US
	Costco	US
	L.L.Bean	US
	Coach	US
Tully's	US	
<b>Business Consulting Market Research</b>	Shopper Trak RCT Co.	US
	Oyo RMS Corp.	US
	Resource Connection Japan K.K.	US
	Telekurs(Japan) Ltd.	Switzerland
	Sports Marketing Surveys Japan, Inc.	UK
	Altair Engineering, Inc.	US
	Harris Interactive	US
	ERM Japan Ltd.	UK
	Dorsey & Whitney LLP	US
	Pacifica Corporation	US
	WL Ross & Co.	US
	Sinomonitor	China
	Bowne & Company	US
Basis Technology	US	
<b>Insurance</b>	Mondial Assistance	France
	AXA Non-Life Insurance Co., Ltd.	France
Source: <a href="http://www.jetro.go.jp/en/invest/success_stories/">http://www.jetro.go.jp/en/invest/success_stories/</a>		

## G. Web Resources

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Promotion of foreign direct investment (FDI) in Japan:

[www.investment-japan.net/index.htm](http://www.investment-japan.net/index.htm)  
Invest Japan Business Support Center

Japan External Trade Organization (JETRO)  
[www.jetro.go.jp/investjapan/](http://www.jetro.go.jp/investjapan/)

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

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

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## Chapter 7: Trade and Project Financing

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- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [General Availability of Financing](#)
- [Types of Available Export Financing and Insurance](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
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### How Do I Get Paid (Methods of Payment)

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

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

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

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

### How Does the Banking System Operate

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While financial system deregulation and international competitive pressure has drastically changed the face of Japanese banking (the consolidation of 19 banks into 4 super banks), the connection between corporate finance and banking institutions and non-financial corporations remains much tighter in Japan than in the United States; and extends far beyond simple lender/borrower relationships. Much corporate banking business is rooted in either *keiretsu* or regional relationships, and Japanese banks are frequently shareholders in companies that conduct banking business with them, although there are signs of changes. Japanese companies are traditionally highly leveraged in comparison with their U.S. counterparts, as banks take an active role in maintaining the financial health of their clients.

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

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

Japanese banks offer regular and time deposits and checking accounts for businesses. Checks are negotiable instruments that are in effect payable to the bearer (rather than to the order of the payee, as in the United States). This limits the usefulness of checks, and in fact, most payments are made by electronic bank transfer (which costs a few hundred yen on average), or by sending cash through the postal system. The banks (and now investment/securities firms) continue to wage an uphill battle against the postal savings system for consumer deposits, a fight that has become more difficult recently due to the perceived superior safety of the postal deposit system. The postal system enjoys regulatory permission to pay higher rates than commercial banks (and is in turn an important source of working capital for the government).

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

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

## **General Availability of Financing**

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

While most American banks operating in Japan do engage in lending to subsidiaries of U.S. companies (especially their home market clients), many of them focus on higher value-added lines of business than conventional credit products.

When a Japanese bank extends credit to a foreign-owned company in Japan, it generally evaluates the financial status of both the borrower and its parent company. Even in cases where the Japanese subsidiary is financially strong, the parent company is often requested to guarantee the obligation (although a "Letter of Awareness" may be accepted in lieu of a guarantee).

## **Types of Available Export Financing and Insurance**

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

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

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

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

The Japan Finance Corporation for Small Business and National Life Finance Corporation has expanded their program to facilitate import sales. The program aims to provide support to small-scale retailers, wholesalers and importers in Japan for investments to increase imports to Japan.

A program between U.S. Eximbank and the Export-Import Insurance Division of METI (EID/METI) provides for co-financing insurance for U.S. exports to developing countries. EID/METI will also be providing advance payment insurance for U.S. exports to Japan. For additional details on these and other cooperative financing programs, U.S. companies should contact U.S. Eximbank.

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

## **Foreign-Exchange Controls**

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Foreign exchange regulations have almost no impact on normal business transactions. One deregulatory action likely to lower foreign exchange transaction costs is the revision of Japan's Foreign Exchange Law, which went into force in April 1998, and enabled a broad variety of institutions to conduct foreign exchange transactions. Prior to that action, only "authorized foreign exchange banks" could undertake such transactions, a system that dated back to Japan's opening to the West in the late 19th century.

## **U.S. Banks and Local Correspondent Banks**

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Besides 7 U.S. banks with branches in Japan, many U.S. banks have correspondent relationships with Japanese banks, which themselves have many branches and subsidiaries in the United States.

### **Commercial Banks in Japan**

Resona Bank  
2-1 Bingomachi 2-chome, Chuo-ku  
Osaka 540-8610  
Japan

Phone: +81/6/6271-1221  
Fax: +81/6/6268-1337  
[www.resona-hd.co.jp/index-e.htm](http://www.resona-hd.co.jp/index-e.htm)

Bank of Tokyo-Mitsubishi UFJ  
2-7-1 Marunouchi, Chiyoda-ku,  
Tokyo 100-8388  
Japan  
Phone: +81/3/3240-1111  
Fax: +81/3/3240-4764  
[www.bk.mufg.jp/english/](http://www.bk.mufg.jp/english/)

Development Bank of Japan  
1-9-1 Ohtemachi, Chiyoda-ku  
Tokyo 100-0004  
Japan  
Phone: +81/3/3244-1770  
Fax: +81/3/3245-1938  
[www.dbj.go.jp/english/](http://www.dbj.go.jp/english/)

Japan Bank for International Cooperation  
1-4-1 Ohtemachi, Chiyoda-ku  
Tokyo 100-8144  
Japan  
Phone: +81/3/5218-3579  
Fax: +81/3/5218-3968  
[www.ibic.go.jp/english/index.php](http://www.ibic.go.jp/english/index.php)

Mizuho Corporate Bank  
1-3-3 Marunouchi, Chiyoda-ku  
Tokyo 100-8210  
Japan  
Phone: +81/3/3214-1111  
[www.mizuhocbk.co.jp/english/](http://www.mizuhocbk.co.jp/english/)

Sumitomo Mitsui Banking Corporation  
1-1-2 Yurakucho, Chiyoda-ku  
Tokyo 100-0006  
Japan  
Phone: +81/3/5512-3411  
Fax: +81/3/5512-4429  
[www.smbc.co.jp/global/index.html](http://www.smbc.co.jp/global/index.html)

On January 1, 2006, the former United Financial Bank of Japan (UFJ) was merged with The Bank of Tokyo-Mitsubishi into a new entity known as The Bank of Tokyo-Mitsubishi UFJ (see above).

### **Multilateral Development Bank Offices in Country**

Asian Development Bank  
Second floor, Yamoto Seimei Building

2/23/2007

1-1-7 Uchisaiwai-cho, Chiyoda-ku  
Tokyo 100-0011  
Japan  
Phone: +81/3/-3504-3160  
Fax: +81/3/3504-3165  
E-mail: [adbjiro@adb.org](mailto:adbjiro@adb.org)  
[www.adb.org/](http://www.adb.org/)

## Project Financing

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### Availability (OPIC, Eximbank, and Multinational Institutions)

As mentioned above under [General Availability of Financing](#), OPIC insurance and finance programs are not available in Japan. Japan has been a member of the Multilateral Investment Guarantee Agency (MIGA) since it was established in 1988.

In addition to the investment loan programs from Japanese Government-affiliated lenders described above, prefectures and municipalities offer various incentives, including construction, land acquisition and labor hiring subsidies, special depreciation of business assets, tax deferrals for replacement of specific assets, exemption from special land-owning taxes assessed by municipalities and prefectural and municipal real estate acquisition, enterprise and municipal property tax reductions. In addition, most prefectures offer loan programs to encourage companies to establish local operations.

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

### Types of Projects Receiving Financing Support

In line with the Cabinet Decision in March 1995, the Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF) merged on October 1, 1999, creating a new institution, the Japan Bank for International Cooperation (JBIC).

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

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

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

Economic Cooperation operations, which targets the economic development of developing countries.

### **Overseas Investment Loans and Overseas Project Loans**

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

### **Un-Tied Loans**

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

### **Web Resources**

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Export-Import Bank of the United States:	<a href="http://www.exim.gov/">www.exim.gov/</a>
Country Limitation Schedule:	<a href="http://www.exim.gov/tools/country/country_limits.html">www.exim.gov/tools/country/country_limits.html</a>
OPIC:	<a href="http://www.opic.gov/">www.opic.gov/</a>
Trade and Development Agency:	<a href="http://www.tda.gov/">www.tda.gov/</a>
SBA Office of International Trade: (Small Business Administration)	<a href="http://www.sba.gov/oit/">www.sba.gov/oit/</a>
USDA Commodity Credit Corporation:	<a href="http://www.fsa.usda.gov/cc/default.htm">www.fsa.usda.gov/cc/default.htm</a>
U.S. Agency for International Development:	<a href="http://www.usaid.gov/">www.usaid.gov/</a>
Asian Development Bank (ADB):	<a href="http://www.adb.org/">www.adb.org/</a>
ADB Japan Representative Office:	<a href="http://www.adb.org/JRO/default.asp">www.adb.org/JRO/default.asp</a>
Japan Ministry of Economy, Trade and Industry (METI)	<a href="http://www.meti.go.jp/english/">www.meti.go.jp/english/</a>
Japan External Trade Organization (JETRO):	<a href="http://www.jetro.go.jp/">www.jetro.go.jp/</a>

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

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take

based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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## Chapter 8: Business Travel

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- [Language](#)
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- [Local Time, Business Hours, and Holidays](#)
- [Business Infrastructure](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### Business Customs

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An understanding of Japanese business and social practices is useful in establishing and maintaining successful business relationships in Japan. Indifference to local business practices may 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 with strong emphasis on maintaining harmony and avoiding direct confrontation. Japanese religious practice tends to be socially oriented and selective rather than a matter of deep personal commitment; ethics tend to be situational. In building relationships (which often precede a first-time sale or an agreement) one should emphasize trust, confidence, loyalty and commitment for the long term.

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

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

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

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

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

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

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 [tokyo.office.box@mail.doc.gov](mailto:tokyo.office.box@mail.doc.gov).

## **Travel Advisory**

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

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

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

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at [travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](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, and by Japanese law, non-residents are required to carry their passports 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. Passengers should 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 allow sufficient time for visa issuance if required. Visa applicants should go to the following links:

State Department Visa Website: [travel.state.gov/visa/index.html](http://travel.state.gov/visa/index.html)

United States Visas.gov: [www.unitedstatesvisas.gov/](http://www.unitedstatesvisas.gov/)

The web address for the Consular Section of the U.S. Embassy in Tokyo is:

[tokyo.usembassy.gov/e/tvisa-main.html](http://tokyo.usembassy.gov/e/tvisa-main.html)

## **Telecommunications**

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Japan boasts one of the world's most advanced, state-of-the-art telecommunications systems. Almost all Japanese own a cell phone and use them constantly for text messaging, e-mail, and downloading information from the Internet in addition to making phone calls. Cable Internet services and dedicated Internet T-1 lines are not quite as common as they are in the United States, however. Public phones, most often card-operated, are available everywhere. To call the United States and Canada from Japan, dial 0101 before the ten-digit U.S. telephone number.

## **Transportation**

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Japan has excellent, modern highways and roads linking all parts of country. Traffic conditions are often very congested, however. Most major intercity highways operate on a toll basis, and tolls are very expensive, making passenger railroad service very competitive, especially for the foreign visitor. Japan boasts the world's densest and most modern passenger railroad system, with fast, frequent services to all parts of the country. Japan's famous *shinkansen* high-speed rails lines link Tokyo with Japan's major business centers at speeds of up to 185 mph. All of Japan's large cities have highly developed subway and commuter train service. Taxi service is available everywhere.

Foreign visitors should not entertain the notion of renting a car in Japan unless they have excellent Japanese-language skills, as streets typically have no name and many road signs are written in Japanese only. Combined with very high car rental fees and highway tolls, these conditions make it far cheaper and more convenient for the majority of visitors from overseas to use taxis and trains.

## Japanese Customs, Etiquette, and Culture

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The web sites listed below are recommended reading for business visitors to Japan, especially first-time business visitors. They present an overview of Japanese culture, customs, and etiquette. Japanese culture is very different from the American. All aspects of Japanese life, especially business relations, are governed by strict rules of etiquette. A foreign business person who is either ignorant of, or insensitive to, Japanese customs and etiquette needlessly jeopardizes his company's prospects in this country. An elementary knowledge of the language is also useful, although not required. We hope that CS clients will find the contents of these web sites useful as they prepare for a business trip to Japan or get ready to deal with visiting Japanese business people in the United States.

**japan-guide.com** a very good basic guide to Japanese culture

Japanese culture

[www.japan-guide.com/](http://www.japan-guide.com/)

Japanese etiquette

[www.japan-guide.com/e/e622.html](http://www.japan-guide.com/e/e622.html)

Japanese customs

[www.japan-guide.com/e/e638.html](http://www.japan-guide.com/e/e638.html)

## Japan Web Guide FAQ

"Japanese Culture: A Primer for Newcomers"

[www.thejapanfaq.com/FAQ-Primer.html](http://www.thejapanfaq.com/FAQ-Primer.html)

"Japanese Manners & Etiquette"

[www.thejapanfaq.com/FAQ-Manners.html](http://www.thejapanfaq.com/FAQ-Manners.html)

## Planet Tokyo

[www.planettokyo.com/](http://www.planettokyo.com/)

Excellent general-purpose web site especially helpful for first-time travelers to Japan, with features on "Arriving" (planes, trains, buses, and taxis), "Culture Notes," "Travel Basics," "Language & Culture," "Getting Around," and "Travel Planning Links."

## Language

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

Overseas visitors interested in the Japanese language can visit the following web sites:

"Some Notes on Japanese Grammar" [www.csse.monash.edu.au/~jwb/jgrammar.html](http://www.csse.monash.edu.au/~jwb/jgrammar.html)

"Japanese for the Western Brain" [kimallen.sheepdogdesign.net/Japanese/index.html](http://kimallen.sheepdogdesign.net/Japanese/index.html)

Jim Breen's Japanese Page [www.csse.monash.edu.au/~jwb/japanese.html](http://www.csse.monash.edu.au/~jwb/japanese.html)

## Health

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While medical care in Japan is good, English-speaking physicians and medical facilities that cater to Americans' expectations are expensive and not very widespread. Japan has a national health insurance system, which is only available to foreigners with long-term visas for Japan. National health insurance does not pay for medical evacuation or medical care outside of Japan. Medical caregivers in Japan require payment in full at the time of treatment or concrete proof of ability to pay before treating a foreigner who is not a member of the national health insurance plan.

For additional information, please refer to the State Department's "Consular Information Sheet" for Japan at [travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html).

## Local Time, Business Hours, and Holidays

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### Local 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.

### Business 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 large companies.

### 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).

### **National Holidays in 2007**

In 2007, Japan will observe the following official holidays:

New Year's Day	January 1 (Monday)
Adult's Day	January 8 (Monday)
National Foundation Day	February 11 (Sunday, to be observed on Monday, Feb. 12)
Vernal Equinox Day	March 21 (Wednesday)
Showa Day	April 29 (Sunday, to be observed on Monday, April 30)
Constitution Memorial Day	May 3 (Thursday)
Greenery Day	May 4 (Friday)
Children's Day	May 5 (Saturday)
Marine Day	July 16 (Monday)
Respect for the Aged Day	September 17 (Monday)
Autumnal Equinox Day	September 23 (Sunday, to be observed Monday, Sep. 24)
Health & Sports Day	October 8 (Monday)
National Culture Day	November 3 (Saturday)
Labor Thanksgiving Day	November 23 (Friday)
Emperor's Birthday	December 23 (Sunday, to be observed Monday, Dec. 24)

### **Business Infrastructure**

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

### **Temporary Entry of Materials and Personal Belongings**

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There is no restriction for temporary entry of laptop computers and software for personal use. Regarding materials for exhibits, Japan is a member of the International Convention to Facilitate the Importation of Commercial Samples and Advertising Materials under the ATA *carnet* System ([www.atacarnet.com/](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  
[www.buyusa.gov/japan/en/doing.html](http://www.buyusa.gov/japan/en/doing.html)

Venture Japan: Doing Business in Japan  
How to Succeed in the Japanese Market  
[www.venturejapan.com/index.htm](http://www.venturejapan.com/index.htm)

Consular information & official travel advisories for Japan:

U.S. Department of State  
[travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html)

U.S. visas:

U.S. Department of State  
[travel.state.gov/visa/index.html](http://travel.state.gov/visa/index.html)  
[www.unitedstatesvisas.gov/](http://www.unitedstatesvisas.gov/)

U.S. Embassy in Tokyo Consular Section  
[tokyo.usembassy.gov/e/tvisa-main.html](http://tokyo.usembassy.gov/e/tvisa-main.html)

Japanese customs, etiquette, and culture:

[www.japan-guide.com/](http://www.japan-guide.com/)  
[www.thejapanfaq.com/](http://www.thejapanfaq.com/)  
[www.planettokyo.com/](http://www.planettokyo.com/)

Japanese language:

"Some Notes on Japanese Grammar"  
[www.csse.monash.edu.au/~jwb/jgrammar.html](http://www.csse.monash.edu.au/~jwb/jgrammar.html)

"Japanese for the Western Brain"  
[kimallen.sheepdogdesign.net/Japanese/index.html](http://kimallen.sheepdogdesign.net/Japanese/index.html)

Jim Breen's Japanese Page  
[www.csse.monash.edu.au/~jwb/japanese.html](http://www.csse.monash.edu.au/~jwb/japanese.html)

Business infrastructure:

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

Health:

U.S. Department of State  
Consular Information Sheet for Japan  
[travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html)

Temporary entry of materials under the *carnet* system:

[www.atacarnet.com/](http://www.atacarnet.com/)

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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>.

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## Chapter 9: Contacts, Market Research, and Trade Events

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

### Contacts

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#### U.S. EMBASSY TRADE PERSONNEL

##### **Commercial Service Tokyo**

John Peters, Minister-Counselor for Commercial Affairs  
U.S. Embassy  
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(U.S. Address: Unit 45004, Box 204, APO AP 96337-5004)  
Phone: +81/3/3224-5060  
Fax: +81/3/3589-4235  
Web: [www.buyusa.gov/japan](http://www.buyusa.gov/japan)

Patrick Santillo, Counselor for Commercial Affairs  
John Fleming, Attaché (Healthcare, IT & Fisheries Unit)  
Jason Hancock, Attaché (Major Projects, Environment & Transportation Unit)  
Alain Letort, Attaché (Outreach, Publications, Administration & Support Services Unit) Catherine  
Spillman, Attaché (Consumer Goods & Services Unit)  
Dean Matlack, Attaché (Market Access and Compliance Unit)

##### **Commercial Service Osaka**

Bradley Harker, Principal Commercial Consul  
American Consulate General  
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Fax: +81/6/6315-5963  
E-mail: [osaka-kobe.office.box@mail.doc.gov](mailto:osaka-kobe.office.box@mail.doc.gov)

##### **Commercial Service Nagoya**

(Vacant), Principal Commercial Consul  
American Consulate  
Nagoya International Center Building, 6F  
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Fax: +81/52/581-3190

E-mail: [nagoya.office.box@mail.doc.gov](mailto:nagoya.office.box@mail.doc.gov)

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Misa Shimizu, Commercial Specialist

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Japan

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2/23/2007

Phone: +81/3/3224-5105  
Fax: +81/3/3589-0793  
Web: [www.usdajapan.org/](http://www.usdajapan.org/)  
E-mail: [agtokyo@usda.gov](mailto:agtokyo@usda.gov)

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Fax: +81/6/6315-5906  
Web: [www.usdajapan.org/](http://www.usdajapan.org/)  
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**Energy Department**

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Phone: +81/3/3224-5444  
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**Treasury Department**

Maureen Grewe, Financial Attaché

U.S. Embassy  
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Tokyo 107-8420  
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(U.S. Address: Unit 45004, Box 216, APO AP 96337-5004)  
Phone: +81/3/3224-5486  
Fax: +81/3/3224-5490

## **CHAMBERS OF COMMERCE/TRADE ASSOCIATIONS**

### **American Chamber of Commerce in Japan (ACCJ)**

Masonic 39 MT Bldg. 10F  
2-4-5 Azabudai, Minato-ku  
Tokyo 106-0041  
Japan  
Phone: +81/3/3433-5381  
Fax: +81/3/3433-8454  
Web: [www.accj.or.jp/](http://www.accj.or.jp/)

### **American Chamber of Commerce in Japan (ACCJ) Kansai Chapter**

OCCI Bldg. 5F  
2-8 Honmachibashi, Chuo-ku  
Osaka 540-0029  
Japan  
Phone: +81/6/6944-5991  
Fax: +81/6/6944-5992  
Web: [www.accj.or.jp/content/01\\_home/kansai](http://www.accj.or.jp/content/01_home/kansai)

### **American Chamber of Commerce in Japan (ACCJ) Chubu Chapter**

Marunouchi Fukao Bldg. 5F  
2-11-24 Marunouchi, Naka-ku  
Nagoya 460-0002  
Japan  
Phone: +81/52/229-1525  
Fax: +81/52/222-8272  
Web: [www.accj.or.jp/content/01\\_home/chubu](http://www.accj.or.jp/content/01_home/chubu)

### **Japan Business Federation (Nippon Keidanren)**

Kazuyuki Kinbara, Director  
International Economic Affairs Bureau  
1-9-4 Otemachi, Chiyoda-ku  
Tokyo 100-8188  
Japan  
Phone: +81/3/5204-1550  
Fax: +81/3/5255-6231  
Web: [www.keidanren.or.jp/](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

Japan

Phone: +81/3/3284-0220

Fax: +81/3/3212-3774

Web: [www.doyukai.or.jp/](http://www.doyukai.or.jp/)

**Japan Foreign Trade Council, Inc.**

Shunji Sasaki, General Manager  
International Affairs and Research Group  
World Trade Center Bldg. 6F  
2-4-1 Hamamatsu-cho, Minato-ku  
Tokyo 105-6106

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Phone: +81/3/3435-5950

Fax: +81/3/3435-5979

Web: [www.jftc.or.jp/english/home\\_e.htm](http://www.jftc.or.jp/english/home_e.htm)

**Japan-U.S. Business Council**

Yasuo Horibe, Deputy Director-General  
Otemachi Bldg., Room 439  
1-6-1 Otemachi, Chiyoda-ku  
Tokyo 100-0004

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Fax: +81/3/3284-1576

Web: [www.jubc.gr.jp/eng/index.html](http://www.jubc.gr.jp/eng/index.html)

**Japan Chamber of Commerce and Industry**

Kiyoshi Yamada, General Manager  
International Division  
Tosho Bldg.  
3-2-2 Marunouchi, Chiyoda-ku  
Tokyo 100-0005

Japan

Phone: +81/3/3283-7601

Fax: +81/3/3216-6497

Web: [www.jcci.or.jp/home-e.html](http://www.jcci.or.jp/home-e.html)

**Tokyo Chamber of Commerce and Industry**

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Tokyo 100-0005

Japan

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Fax: +81/3/3216-6497

Web: [www.tokyo-cci.or.jp/english/index.html](http://www.tokyo-cci.or.jp/english/index.html)

**Osaka Chamber of Commerce and Industry**

Yasutsugu Kohzuki, Director, International Division  
2-8 Honmachi-bashi, Chuo-ku

Osaka 540-0029  
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Phone: +81/6/6944-6404  
Fax: +81/6/6944-6409  
Web: [www.osaka.cci.or.jp/e/](http://www.osaka.cci.or.jp/e/)

**Kansai Economic Federation (Kankeiren)**

Teruo Aoyagi, General Manager  
International Affairs Bureau  
Nakanoshima Center Bldg. 30F  
6-2-27, Nakanoshima, Kita-ku  
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Web: <http://www.kankeiren.or.jp/English/>

**Kansai Association of Corporate Executives (Kansai Keizai Doyukai)**

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Deputy General Manager, Planning & Research Dept.  
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Osaka 530-6691  
Japan  
Phone: +81/6/6441-1031  
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Web: [www.kansaidoyukai.or.jp/](http://www.kansaidoyukai.or.jp/)

**Nagoya Chamber of Commerce & Industry (NCCI)**

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Nagoya 460-8422  
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Fax: +81/52/232-5751  
Web: [www.nagoya-cci.or.jp/eng/](http://www.nagoya-cci.or.jp/eng/)

**Kyushu Economic Federation (Kyukeiren)**

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c/o Fukuoka Sanwa Bldg.  
1-10-24 Tenjin, Chuo-ku  
Fukuoka 810-0001  
Japan  
Phone: +81/92/761-4261  
Fax: +81/92/724-2102  
Web: [www.kyukeiren.or.jp/english/index.html](http://www.kyukeiren.or.jp/english/index.html)

**Fukuoka Chamber of Commerce and Industry**

Mr. Shuji Hashimoto, Director, International Center  
9-28 Hakata Ekimae 2-chome, Hakata-ku  
Fukuoka 812-8505

Japan  
Phone: +81/92/441-1117  
Fax: +81/92/411-1600  
Web: <http://www.fukunet.or.jp/english/index.html>

**Fukuoka Foreign Trade Association**

Mr. Shimeno Tadao, Secretary General  
c/o Elgala Bldg., 7F  
4-2 Tenjin 1-chome, Chuo-ku  
Fukuoka 810-0001  
Phone: +81/92/724-7131  
Fax: +81/92/735-4205  
Web: [www.fukuoka-fta.or.jp/](http://www.fukuoka-fta.or.jp/)

**AGRICULTURAL TRADE ASSOCIATIONS**

**Japan Chain Stores Association**

Toranomon NN Bldg., 11F.  
1-21-17 Toranomom, Minato-ku  
Tokyo 105-0001  
Japan  
Phone: +81/3/5251-4600  
Fax: +81/3/5251-4601  
Web: [www.jcsa.gr.jp/](http://www.jcsa.gr.jp/)

**Japan Confectionery Association**

6-9-5 Shimbashi, Minato-ku  
Tokyo 105-0004  
Japan  
Phone: +81/3/3431-3115  
Fax: +81/3/3432-1660  
E-mail: [anka-0@nifty.com](mailto:anka-0@nifty.com)

**Japan Convenience Foods Industry Association**

Kimura Bldg. 3F  
5-5-5 Asakusabashi, Taito-ku  
Tokyo 111-0053  
Japan  
Phone: +81/3/3865-0811  
Fax: +81/3/3865-0815  
E-mail: [daihyo@sokuseki-kyokai.com](mailto:daihyo@sokuseki-kyokai.com)  
Web: [www.instantramen.or.jp/english/index.html](http://www.instantramen.or.jp/english/index.html)

**Japan Dairy Industry Association**

Nyugyo Kaikan 4F  
1-14-19 Kudan Kita, Chiyoda-ku  
Tokyo 102-0073  
Japan  
Phone: +81/3/3261-9161  
Fax: +81/3/3261-9175  
Web: [www.jdia.or.jp/](http://www.jdia.or.jp/)

**Japan Dehydrated Vegetable Association**

1-9-12 Irifune, Chuo-ku

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Phone: +81/3/5117-2661

Fax: +81/3/3552-2820

E-mail: [kaz@primero.jp](mailto:kaz@primero.jp)

**Japan Food Service Association**

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Phone: +81/3/5403-1060

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E-mail: [info-jf@ifnet.or.jp](mailto:info-jf@ifnet.or.jp)

Web: [www.ifnet.or.jp/](http://www.ifnet.or.jp/)

**Japan Frozen Food Association**

Katsuraya Dai 2 Bldg. 6F

10-6 Nihonbashi Kobunacho, Chuo-ku

Tokyo 103-0024

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Phone: +81/3/3667-6671

Fax: +81/3/3669-2117

E-mail: [info@reishokukyo.or.jp](mailto:info@reishokukyo.or.jp)

Web: [www.reishokukyo.or.jp/](http://www.reishokukyo.or.jp/)

**Japan Fruit Juice Association**

Zenkoku Tobacco Bldg., 3F.

1-10-1 Shibadaimon, Minato-ku

Tokyo 105-0012

Japan

Phone: +81/3/3435-0731

Fax: +81/3/3435-0737

E-mail: [kaju-kyo@cello.ocn.ne.jp](mailto:kaju-kyo@cello.ocn.ne.jp)

Web: [www.kaju-kyo.ecnet.jp/](http://www.kaju-kyo.ecnet.jp/)

**Japan Health Food & Nutrition Food Association**

2-7-27 Ichigaya Sadohara-cho, Shinjuku-ku

Tokyo 162-0842

Japan

Phone: +81/3/3268-3134

Fax: +81/3/3268-3136

E-mail: [jhnfa@jhnfa.org](mailto:jhnfa@jhnfa.org)

Web: [www.jhnfa.org/](http://www.jhnfa.org/)

**Japan Nut Association**

Nihonbashi Izumi Bldg., 5F.

2-17-9 Nihonbashi Kayabacho, Chuo-ku

Tokyo 103-002

Japan  
Phone: +81/3/5649-8572  
Fax: +81/3/5649-8573  
E-mail: [jna@jt5.so-net.ne.jp](mailto:jna@jt5.so-net.ne.jp)  
Web: [www.jna-nut.com/index.htm](http://www.jna-nut.com/index.htm)

**Japan Self-Service Association**

Sakurai Bldg. 6F  
3-19-8 Uchi-kanda, Chiyoda-ku  
Tokyo 101-0047  
Japan  
Phone: +81/3/3255/4825  
Fax: +81/3255-4826  
E-mail: [selkyo@jssa.or.jp](mailto:selkyo@jssa.or.jp)  
Web: [www.jssa.or.jp/](http://www.jssa.or.jp/)

**Japan Restaurant Association**

Kyodo Bldg.  
11-7 Nihonbashi Kabutocho, Chuo-ku  
Tokyo 103-0026  
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Phone: +81/3/5651-5601  
Fax: +81/3/5651-5602  
E-mail: [info@jpnrestaurant.org](mailto:info@jpnrestaurant.org)  
Web: [www.joy.ne.jp/restaurant/](http://www.joy.ne.jp/restaurant/)

**Japan Wine And Spirits Importers' Association**

Daiichi Tentoku Bldg.  
1-13-5 Toranomom, Minato-ku  
Tokyo 105-0001  
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Phone: +81/3/3503-6505/6506  
Fax: +81/3/3503-6504  
Web: [www.youshu-yunyu.org/english/index.html](http://www.youshu-yunyu.org/english/index.html)

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**Ministry of Economy, Trade and Industry (METI)**

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Tokyo 100-8901  
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Fax: +81/3/3501-2082  
Web: [www.meti.go.jp/english/index.html](http://www.meti.go.jp/english/index.html)

**Japan External Trade Organization (JETRO)**

Invest Japan Dept., Market Entry Division  
Ark Mori Bldg., 6F  
1-12-32, Akasaka, Minato-ku  
Tokyo107-6006

Japan  
Phone: +81/3/3582-5410  
Fax: +81/3/3505-1990  
Web: [www.jetro.go.jp/](http://www.jetro.go.jp/)

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Noboru Inamoto, Chief Administrator  
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1-12-32, Akasaka, Minato-ku  
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Phone: +81/3/3582-4685  
Fax: +81/3/3584-6024  
Web: [www.jetro.go.jp/en/invest/investmentservices/ibsc/](http://www.jetro.go.jp/en/invest/investmentservices/ibsc/)

**Manufactured Imports and Investment Promotion Organization (MIPRO)**

Mr. Shuji Miyazaki, President  
World Import Mart 6F  
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Tokyo 170-8630  
Japan  
Phone: +81/3/3988-2791  
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Web: [www.mipro.or.jp/index.shtml](http://www.mipro.or.jp/index.shtml)

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

**MARKET RESEARCH FIRMS IN JAPAN**

**A.T. Kearney K.K.**

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1-12-32 Akasaka, Minato-ku  
Tokyo 107-6032  
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Phone: +81/3/5561-9155  
Fax: +81/3/5561-9190  
Web: [www.atkearney.com/](http://www.atkearney.com/)

**Boston Consulting Group K.K.**

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4-1 Kioi-cho, Chiyoda-ku  
Tokyo 102-0094  
Japan  
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Fax: +81/3/5211-0333  
Web: [www.bcg.com/](http://www.bcg.com/)

**Deloitte Touche Tohmatsu**

MS Shibaura Bldg.  
4-13-23, Shibaura, Minato-ku

Tokyo 108-8530  
Japan  
Phone: +81/3/3457-7321  
Fax: +81/3/3457-7426  
Web: [www.deloitte.com/](http://www.deloitte.com/)

**Fuji Chimera Research Institute, Inc.**

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Tokyo 103-0001  
Japan  
Phone: +81/3/3664-5841  
Fax: +81/3/3661-6920  
Web: [www.fcr.co.jp/en/index.html](http://www.fcr.co.jp/en/index.html)

**Japan Research Institute, Ltd.**

16 Ichibancho, Chiyoda-ku  
Tokyo 102-0082  
Japan  
Phone: +81/3/3288-4700  
Fax: +81/3/3288-4750  
Web: <http://www.jri.co.jp/english/index.html>

**Nikkei Research Inc.**

Park Side 1 Bldg.  
2-2-7 Kanda Tsukasa-cho, Chiyoda-ku  
Tokyo 101-0048  
Japan  
Phone: +81/3/5296-5103  
Fax: +81/3/5296-5107  
Web: [www.nikkeiresearch.com/](http://www.nikkeiresearch.com/)

**UFJ Institute Ltd.**

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Tokyo 105-8631  
Japan  
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Fax: +81/3/3572-6230  
Web: <http://www.murc.jp/english/index.html>

**Yano Research Institute Ltd.**

Nakanosakaue Central Bldg.  
2-46-2 Honcho, Nakano-ku  
Tokyo 164-8620  
Japan  
Phone: +81/3/5371-6907  
Fax: +81/3/5371-6965  
Web: [www.yanoresearch.com/](http://www.yanoresearch.com/)

**U.S. FEDERAL GOVERNMENT**

2/23/2007

**U.S. Commerce Dept. Trade Information Center, Washington DC**

Phone: 1-800-USA-TRADE  
Fax: 202-482-4473  
Email: [tic@ita.doc.gov](mailto:tic@ita.doc.gov)  
Web: [www.trade.gov/td/tic/](http://www.trade.gov/td/tic/)

**U.S. Department of Commerce**

Israel Hernandez, Assistant Secretary  
Director General of the U.S. Commercial Service  
International Trade Administration  
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Fax: 202-482-0469  
Email: [Nicole.Melcher@mail.doc.gov](mailto:Nicole.Melcher@mail.doc.gov)  
Web: [www.mac.doc.gov/japan](http://www.mac.doc.gov/japan)

**U.S. Department of Agriculture**

Foreign Agricultural Service  
1400 Independence Ave., S.W.  
Washington, DC 20250  
E-mail: [info@fas.usda.gov](mailto:info@fas.usda.gov)  
Web: [www.fas.usda.gov/](http://www.fas.usda.gov/)

**U.S. Department of State**

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Washington, DC 20520  
Phone: 202-647-1625  
Fax: 202-647-3953  
E-mail: [cbaweb@state.gov](mailto:cbaweb@state.gov)  
Web: [www.state.gov/business](http://www.state.gov/business)

**Export-Import Bank of the United States (Ex-Im Bank)**

811 Vermont Avenue, N.W.  
Washington, DC 20571  
Phone: (202) 565-3946 (EXIM)  
(800) 565-3946 (EXIM)  
E-mail: [info@exim.gov](mailto:info@exim.gov)  
Web: [www.exim.gov/](http://www.exim.gov/)

**Overseas Private Investment Corporation (OPIC)**

1100 New York Avenue, N.W.

Washington, D.C. 20527  
Phone: 202-336-8400  
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E-mail: [info@opic.gov](mailto:info@opic.gov)  
Web: [www.opic.gov/](http://www.opic.gov/)

## Market Research

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### **Foreign Commercial Service, U.S. Dept. of Commerce**

To view market research reports produced by the U.S. Commercial Service, please visit [www.export.gov/mrktresearch/index.asp](http://www.export.gov/mrktresearch/index.asp) and click on Country and Industry Market Reports.

### **Foreign Agricultural Service, U.S. Dept. of Agriculture**

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

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

## Trade Events

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Please click on the links below for more information regarding upcoming trade events.

[www.export.gov/tradeevents/index.asp.html](http://www.export.gov/tradeevents/index.asp.html)

[www.buyusa.gov/japan/en/event.html](http://www.buyusa.gov/japan/en/event.html)

\* \* \* \* \*

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

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

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## Chapter 10: Guide to Our Services

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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 that the U.S. Commercial Service in Japan offers U.S. businesses, please click on [www.buyusa.gov/japan/en/partner.html](http://www.buyusa.gov/japan/en/partner.html).

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

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