



## Doing Business in Japan: 2014 Country

### Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business in Japan

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As the world's fourth-largest buyer of American products and the world's third-largest economy, Japan, among the most dynamic and advanced countries in the world, is a market that should be considered by all American exporters. Japan is a technology powerhouse, a proving ground for consumer goods and services, and in the social and commercial vanguard of developed market demographics. Further, Japanese companies are also major investors in the United States, and as a result Japan sees dozens of visits by senior U.S. state and city officials annually. While the reasons U.S. firms engage with Japan are diverse, the strategic and tactical importance of the Japanese market is critical not only for their business in Japan, but in the United States and third-country markets as well.

### Market Overview

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- Japan continues to enjoy attention in the business news this year owing to a variety of factors, including the strong performance of the Japanese stock market in 2013, continued brighter business and consumer sentiment, a yen that has seemingly stabilized at a level sharply lower than that of recent years, and the apparent end of stubborn deflation. The new economic policies linked to these developments are known collectively as “Abenomics”-- a three pronged strategy of bold monetary loosening, fiscal stimulus centered on infrastructure spending, and growth-oriented structural reform. While the implications and ultimate success of this strategy in reigniting long-term growth in Japan are uncertain, it has drawn considerable attention from U.S. businesses.
- The U.S., Japan and ten other countries are to negotiate the Trans-Pacific Partnership (TPP). With Japan's participation, its members would account for nearly 40 percent of World GDP. Moreover, the liberalization expected to be required of TPP member countries may play an important role in promoting the domestic economic reforms likely to be called for under “Abenomics.” As of May 2014, the U.S.-Japan TPP talks have been proceeding vigorously, with most topics already or nearly agreed upon.
- While Japan has made significant steps toward economic healing following the tragic combined earthquake, tsunami, and nuclear incident of March 2011, lasting changes on various levels remain noticeable, including idled nuclear power plants. In particular, greater levels of manufacturing by Japanese companies outside of Japan, increased fuel imports and a weakening yen have turned Japan's multi-decade trade surplus into a trade deficit.

- Japan remains the world's third-largest economy, after the United States and China, with a GDP of almost \$6 trillion. Japan is the fourth-largest export market for U.S. goods and services, and our fourth-largest trading partner overall. In 2013 the U.S. exported \$65 billion in goods to Japan. The United States runs a persistent trade deficit with Japan in merchandise, and a surplus in services.
- Japan is the second-largest foreign investor in the United States, with a cumulative investment of approximately \$310 billion.
- During 2013 the Japanese yen weakened appreciably and is currently near 5-year lows against the dollar. Even so, U.S. products remain competitive in Japan.
- Japan's large government debt, which totals over 200 percent of GDP, and an aging and shrinking population are major challenges confronting the economy, but the latter can also present opportunities for U.S. companies.
- In 2013 the top exporters to Japan were China, the United States, Australia, Saudi Arabia, South Korea, the UAE, and Indonesia. The top importers from Japan were China, the United States, South Korea, Taiwan, and Hong Kong.
- The United States-Japan alliance is a cornerstone of U.S. security interests in Asia and is fundamental to regional stability and prosperity. 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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The degree of difficulty in penetrating the Japanese market depends on the product or service involved. Key variables include the degree of local or third-country competition, the number of regulatory hurdles to be overcome, and cultural factors such as language (both spoken and written), service and quality expectations, and business practices.

Tariffs on most imported goods into Japan are low. However, cultural, regulatory, or other non-tariff barriers exist that can make market entry difficult. These can include Japanese import license requirements, restricted or prohibited imports, temporary entry of goods, certifications, standards, labeling requirements, etc. For more details, see [Chapter 5, Trade Regulations, Customs and Standards](#) of this Guide.

## Market Opportunities

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

Aerospace  
Agricultural products and services including high-value food and beverage  
Biotechnology  
Cloud Computing  
Cosmetics & Toiletries  
Education & Corporate Training  
Electronic Components  
Healthcare IT  
Medical Equipment  
Nuclear Decontamination in Fukushima  
Pharmaceuticals  
Renewable Energy  
Safety & Security  
Telecommunications Equipment  
Travel & Tourism

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

## **Market Entry Strategy**

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U.S. companies wishing to enter the Japanese market should consider hiring a reputable, well-connected agent or distributor, and cultivating business contacts through frequent personal visits. Japan's business culture attaches a high degree of importance to personal relationships, and these take time to establish and nurture. Patience and repeated follow-up are typically required to clinch a deal. The nature and pace of deal-making in Japan are quite different from those in the United States. U.S. business executives are advised to retain a professional interpreter, as many Japanese executives and decision-makers do not speak English or prefer to speak Japanese. For more details, please refer to [Chapter 8, Business Travel](#), of this Guide.

Please note that throughout this report the following dollar / yen exchange rates were used:

2009	93.68
2010	87.78
2011	79.70
2012	79.82
2013	97.60
2014	97.60
2015	97.60*

\*The Government of Japan's recent easy-money fiscal policies have had a considerable effect thus since mid-2013 – the Yen/Dollar exchange rate as of late May, 2014 is approximately 101 -- and may continue to have a weakening effect on the yen.

The source of the rates above is: <http://www.federalreserve.gov/releases/g5a/current/>

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## Chapter 2: Political and Economic Environment

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

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

### Government Role in the Economy

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Traditionally, the bureaucracy played a leading role in the Japanese economy, although its degree of influence has diminished over time. Members of the National Diet, from whose ranks come most of Japan's Cabinet ministers, have small staffs and rely on bureaucrats for policy initiatives and the drafting of legislation. In addition, the ministries have exercised power directly through the issuance of required licenses, permits and approvals that regulate business activity. For much of the post-war period, ministries also issued directives called "administrative guidance" to the industries they regulated, further controlling business activity. The reach of the bureaucracy also extended through a dense web of close relations with leading business organizations. In addition to the reliance of Japanese elected officials on campaign contributions from business, major industry associations and quasi-governmental regulatory bodies also provided lucrative post-government employment called amakudari (literally "descent from heaven") for senior bureaucrats as well as lower-level bureaucrats who regulate their industries. In 2007, the Diet approved legislation that established restrictions on the types of post-retirement jobs former senior government officials can accept and centralized authority for finding such employment in the National Personnel Agency. While these changes somewhat ameliorated the situation, the LDP-led Government of Prime Minister Shinzo Abe which came to power in December 2012 has not prioritized this issue, and amakudari practices persist.

The role of government institutions in the economy has been changing over the past decade as the central government pursues a long-term program of administrative reform, deregulation, and decentralization. Government ministries and agencies have been consolidated into a smaller number of institutions, and in 2001 the Cabinet Office was established to coordinate policies and to provide staff support for Japan's leaders separate from the individual ministries. At the same time, the number of Diet members posted to senior positions in the ministries was increased, with the aim of strengthening the control of elected officials over the bureaucracy. Under the Abe Government a new "Economic Revitalization Headquarters" was established in the Cabinet Office, with officials seconded from various ministries, and new advisory councils were set up to help direct and centralize economic policymaking. These measures and other administrative reforms have diminished somewhat the influence of individual ministries over the economy, although centralized decision-making authority has been strengthened. The Government of Japan (GOJ) continues to play a significant role in promoting certain favored industries, and GOJ policy and regulatory practices in many cases still favor the interests of domestic producers. The policy focus of Prime Minister Abe's government is to revitalize the Japanese economy, which faces the long-term challenges of low growth,

deflation, and an aging population and shrinking workforce. The government seeks to restore Japan to a path of sustainable growth through its “Three Arrows” economic program combining fiscal stimulus, expansionary monetary policy, and regulatory and structural reform, collectively dubbed “Abenomics.” Fiscal and monetary policies are credited with reigniting economic growth in 2013-14 and helping Japan exit deflation. However, the reform component of “Abenomics,” considered essential for long-term growth and competitiveness, has been slower to take shape. Additional impetus for reform could come from Japan’s participation in the Trans-Pacific Partnership (TPP), an ambitious, high-standard free trade agreement currently under negotiation between the United States, Japan, and ten other countries. Japan joined the TPP negotiations as the newest member in July 2013.

While Japan's economic structure and business culture are somewhat different from those of the United States, U.S. companies can and do successfully adapt. The American Chamber of Commerce in Japan (ACCJ) is one of the largest overseas chambers in the world. Its members come from more than 1,000 companies representing over 40 countries, and its more than 60 committees, sub-committees, and task forces are highly visible advocates for U.S. business interests. U.S. Embassy officers and staff liaise with these committees and work closely with the ACCJ on market access, deregulation, competition, trade, and investment issues. Some regulatory barriers still exist, and when a company cannot solve such problems by itself or through its legal advisers in Japan, the U.S. Government stands ready to help.

## **Infrastructure**

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Japan has a fully developed physical infrastructure of roads, highways, railroads, subways, airports, harbors, warehouses, and telecommunications for distribution of all types of goods and services. As is the U.S. and elsewhere, the need for replacement or upgrading of aged infrastructure has been brought to the fore by occasional high-profile infrastructure failures. Since December 2012 the LDP-led Government of Prime Minister Abe has made higher infrastructure spending, including road and tunnel upgrades and seismic retrofitting of public buildings, a central element of its fiscal stimulus program. Road tolls, however, are expensive, and in yen value increased nationwide in April 2014 when the Government raised the national consumption tax from 5% to 8%; in dollar value the higher tolls actually decreased over the previous year due to the significant depreciation of the yen over the course of 2013. Currently, a large truck will pay the equivalent of approximately \$300 in tolls each way between Tokyo and Osaka (about 315 miles). Tolls for a small passenger car on the same trip amount to about \$110. Japan’s steep airport fees for airlines contribute to high domestic airline ticket costs, though market entry in recent years by a number of new low-cost carriers in competition with Japan’s two established major airlines has helped to moderate ticket prices. Japan's port practices and import processing are generally efficient.

## **Agricultural Products Market**

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The importance of food in the Japanese culture is reflected by the size of its food and agricultural market, recently valued at approximately \$812 billion (2011), and Japan is the largest food importer in the world. At 23 percent of disposable income, per capita

spending (for households of two or more people) on food in Japan is higher than anywhere else on earth. This high per capita food spending is a function of higher food prices, but it is also a reflection of the fact that Japanese consumers are willing to pay a premium for quality and convenience. Given the wide variety of foods produced in the United States, the internationalization of food in Japan has given the United States an important advantage in the Japanese food market. Until recently Japan had a relatively uniform food market, with rice, vegetables, fish, eggs, and soy products making up the traditional Japanese diet. As Japan became more affluent, and more Japanese were exposed to diverse food products from around the world, there has been a major trend toward diet diversification. One hallmark of this market is the Japanese consumers' obsession with quality. Japanese tend to value the taste of food over the quantity of food. However, this has changed slightly and many Japanese consumers are seeking value. Still, Japanese consumers are highly brand-conscious, cognizant of the seasonality of certain foods. Japanese are increasingly health-conscious, and given their aging society, are leading the world in demand for functional foods. They also consider a food product's aesthetic appearance, on the shelf, in the package, and on the table to be important and indicative of quality and healthfulness of the product.

Japan is the 4<sup>th</sup> largest destination for U.S. agricultural products, and is the number one destination for consumer ready food products. U.S. wheat, rice, corn, soybeans, pork, beef, frozen vegetables, citrus, wine and processed snack foods make up the largest sectors. In 2013, about 10 percent of all U.S. agricultural, forestry and fishery product exports, valued at \$13.8 billion were destined for Japan, of which \$6.4 billion were consumer ready foods. The combination of improved market access, declining domestic production, and investments in cultivating the brand awareness of American agricultural products, have helped to make Japan one of the United States' top overseas export markets. Given competition from third countries, and the changes in consumer spending resulting from nearly 20 years of stagnant economic growth, Japan is a competitive environment for U.S. food companies. However, long-term prospects for American food and agricultural exporters in Japan are excellent for the following reasons: (1) growing consumer demand for value plays to U.S. strengths (U.S. foods typically cost less than local products); (2) Japanese agriculture continues to decline, leading to increased dependence on imports for stable food supplies; (3) continued Westernization of the Japanese diet away from fish and rice toward meats, dairy products and other American staples; and (4) American agricultural products enjoy a reputation for being safer than foods from competing markets.

Though domestic protection is still strong, market access has improved over the years via persistent negotiations in the WTO by the United and others, leading Japan to eliminate some of the agricultural market access barriers for which it was once famous. Where earlier quotas and outright bans restricted the market for U.S. beef, citrus, fruit juice, cherries, and ice cream, all of these markets have now, to some degree been opened. For example, on February 1, 2013, Japan expanded access for U.S. beef by revising its import regulations, including raising the cut-off age for beef importation from cattle from 20 months to 30 months. U.S. beef and beef product exports to Japan reached nearly \$1.4 billion in FY2013, making Japan the United States' largest export market, accounting for 22 percent of U.S. trade. However, access issues still hamper greater farm trade due to high tariffs on processed food products, restrictive plant quarantine measures on fruits and vegetables, trade-limiting quotas and complicated labeling practices. In addition, a stringent system for regulation of agrochemical residues including strict inspection of imported foods and a time-consuming approval



process for biotechnology products also hinder trade in agricultural products. For additional information about U.S. agricultural, food, forestry and fishery product exports to Japan, please see the Global Agricultural Information Network (GAIN) reports of the U.S. Department of Agriculture's (USDA) Foreign Agriculture Service at: <http://gain.fas.usda.gov/Pages/Default.aspx>.

## Leading Economic Regions

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### Tokyo

Japan's capital city, Tokyo (population 13 million), forms the core of an urban area that, along with the suburban prefectures of Kanagawa, Saitama, and Chiba, boasts a total population of over 35 million, roughly equivalent to the New York and Los Angeles metropolitan areas combined. It is Japan's undisputed center of government, business, higher education, information, media, fashion, and culture. The entire geographical region centered on the capital – often referred to as the “Kanto” region – accounts for about one-third of Japan's total GDP.

Most major Japanese companies, trade associations, and foreign companies have their headquarters or major branches in Tokyo. Consumers in the capital are more likely to come into contact with foreign products, foods, and fashions than elsewhere in Japan, and consumer trends often originate in Tokyo. For U.S. firms, the major advantages of establishing a presence in Tokyo, despite the high cost of residential and office space, are the city's concentration of major companies and high-income consumers, proximity to the powerful central government regulatory agencies, and location at the hub of Japan's highly centralized transportation networks, including its two busiest airports: New Tokyo International Airport in Narita, Chiba Prefecture (often called "Tokyo Narita"), and Tokyo International Airport (commonly known as "Tokyo Haneda"), just south of central Tokyo. In addition, major urban renewal schemes completed or underway in metropolitan Tokyo have contributed to lower land and business costs in recent years. Attractive areas for U.S. exporters in the greater Tokyo area are environmental technologies, biotechnology, information and telecommunications technologies, medical equipment and welfare services, and the lifestyle market.

### Northern Japan (Hokkaido/Tohoku)

Northern Japan consists of the large island of Hokkaido and six prefectures of northern Honshu, Japan's main island: Aomori, Akita, Miyagi, Iwate, Fukushima, and Yamagata. Together they comprise roughly one third of Japan's landmass and one ninth of its population. Hokkaido had a population of approximately 5.47 million and Tohoku had a population of approximately 9.15 million as of the end of 2012. The Gross Regional Product (GRP) for Hokkaido is approximately \$181 billion and for Tohoku is approximately \$312 billion. Hokkaido, located roughly 500 miles north of Tokyo, is Japan's northernmost island.

These prefectures comprise Japan's agricultural heartland, with large-scale dairy production and diverse farming in Hokkaido, and highly prized rice growing in Akita and Miyagi Prefectures in Tohoku. According to Ministry of Agriculture, Forestry and Fisheries statistics (2013), Hokkaido's agricultural output was about \$9.9 billion, which



accounted for 12% of national agricultural output. This is the highest percentage in Japan. Hokkaido's gross fisheries output was about 19% of the national total at about \$2.9 billion, which is also the highest percentage in Japan, and Hokkaido is the number one producer of wheat (67%), potatoes (83.3%), soybeans (27.4%), red beans (90%), kidney beans (93.6%), sugar beets (100%), onions (53.7%) and fresh milk (51.9%) in Japan.

Despite agriculture's importance, primary industries (agriculture, fisheries, and forestry) only account for 3.7% of Hokkaido's gross product. Hokkaido's tertiary industries (i.e. wholesale, retail, and service industries) account for 80%, which is higher than the national average, due to Hokkaido's thriving tourism industry. On the other hand, Hokkaido has long depended on public works, and construction industries account for 6.7% of gross product, which is 1.2% larger than the national average. Hokkaido's manufacturing sector accounts for only 9.4% of gross product, which is about half the national average.

Tohoku, on the other hand, has succeeded in clustering manufacturing plants in sectors such as auto assembly, auto parts, electronic components, devices, circuits, and ICT equipment. Manufacturing accounted for 18.5% of regional output in 2010, with farming at 1.1% and construction at 4.9%. (Source: Tohoku Economy 2013, issued by Tohoku METI)

The Tohoku region is still recovering from the Great East Japan Earthquake and Tsunami Disaster, which occurred on March 11, 2011, and inflicted considerable damage on Tohoku's manufacturing capacity, fisheries, and some of its most productive farmland. Cities and towns on the coast of Aomori, Iwate, Miyagi, and Fukushima Prefectures were severely damaged by the tsunami, which followed a massive earthquake. Inland manufacturing had largely recovered by mid-2012, but small and medium-size suppliers who lost contracts to competitors in other parts of Japan after the disaster have struggled to resume operations. Fisheries and coastal farms hit by the tsunami face more significant challenges and, by some estimates, could take years to regain pre-disaster production levels.

Fukushima Prefecture, which hosts two large nuclear plants with a total of ten reactors, still faces tremendous nuclear-related problems resulting from the March 11, 2011 disaster. These include radioactive substance decontamination, reactor decommissioning, and harmful rumors about the prefecture's agricultural produce. Technologies that could help resolve these issues would be highly prized in the area.

As many large reconstruction projects are ongoing in Tohoku – and to prepare for the Tokyo Olympics in 2020 – a resulting labor shortage has become a serious issue. In addition to the shortage of construction workers, the shortage of technical personnel, including civil engineers, has inflated construction sector wages not only in Tohoku, but throughout Japan. Moreover, recent depreciation of the yen has led to higher costs for imported construction materials. These factors are causing significant problems for local public construction projects.

All of Japan's nuclear power plants are currently closed and public opinion polls show approximately 60% of the population opposes their reopening. About 3/4ths appear to support the gradual elimination of nuclear-generated power in the future and the further development of renewable energy. The GOJ also intends to liberalize electric power

market so that private sector companies can more easily enter the market. Companies with expertise and related technologies may well find business opportunities in Tohoku and Hokkaido because both regions are blessed with rich renewable energy resources, including vast, sunny fields for mega-solar projects, strong winds for wind turbines, geothermal resources, biomass potential, small-scale hydraulic power systems along agricultural irrigation ditches, and more.

Northern Japan's well-developed infrastructure, highly skilled workers, and relatively low real estate costs and wages, combined with municipal and regional government investment incentives, have prompted some major foreign companies to view Hokkaido and Tohoku as attractive destinations for investment. Some of these, including AXA Life Insurance, have moved their Japan headquarters to Hokkaido from Tokyo as a countermeasure to natural disasters, and some have built IT data centers in the region to take advantage of northern Japan's cheaper land and cooler temperatures. In the Tohoku region, where large-scale reconstruction efforts are underway, promising sectors include new energy technologies, home building materials, biotechnology, export of marine and agricultural products, pharmaceuticals, and medical and homecare equipment.

Northern Japan has ample capacity for air passenger and cargo traffic. Tourism and related industries are an important source of growth, having largely recovered from the 2011 earthquake and tsunami disaster. Direct flights from Sapporo to Honolulu and Bangkok were inaugurated in late 2012, new service between Sendai and Honolulu was added in summer 2013, and an increasing number of flights by Japanese and international Low Cost Carriers (LCC) are boosting traffic at regional airports in Hokkaido and Tohoku. Further economic stimulus is expected in March 2016, when Shinkansen bullet train service reaches Hakodate in southern Hokkaido, passing under the Tsugaru Strait via the Seikan Tunnel, one of the longest in the world.

In early 2012 the Japanese Government (GOJ) approved construction of the next and final leg of the Shinkansen, between Hakodate and Sapporo. With a target construction period of 24 years, the final leg is slated to open in 2035. The total investment required for the Hakodate-Sapporo leg is estimated to be ¥1.67 trillion (\$16.4 billion). Hokkaido Prefectural Government, together with various local economic entities, has been lobbying the GOJ, and in particular the Ministry of Land, Infrastructure and Transportation, to shorten the construction period so that the economic effect will be maximized before Hokkaido faces serious population decline. When completed, the Hokkaido Shinkansen will connect Tokyo with Sapporo in less than five hours one-way, making the "bullet train" a truly nationwide high-speed passenger rail network.

## **Kansai**

The region of Western Japan known as Kansai lies in the western-central part of Japan's main island of Honshu. With a land area of 17,360 square miles, a population exceeding 24 million and an economy of about \$900 billion, Kansai is an essential segment of the Japanese market. The region is anchored by Osaka, a vast metropolitan area second only to Tokyo in scale, and includes the major cities of Kobe and Kyoto.

Kansai is an economic powerhouse in a wide range of sectors: electronics, food, pharmaceuticals, biotech, chemicals, textiles, energy and other vibrant industries. With its current GDP, Kansai by itself would rank as the world's 11<sup>th</sup> largest economy

(between Korea and the Netherlands). The region leads Japan in the production of lithium-ion batteries, solar cells and medicinal drugs. Its SMEs also hold world market share in products as diverse as gear measuring machinery, nuts and bolts for nuclear power plants and barber chairs. Kansai is home to some of the world's best known corporations, such as Sharp, Panasonic, Nintendo and Kyocera. Other Kansai-based companies offer products with a global reputation: Takeda's pharmaceuticals, Capcom's video games, Wacoal's lingerie and Mizuno's sporting goods.

In addition to this manufacturing might, Kansai has a rich history of leading research in the life sciences. Kansai's bioscience clusters are leading global contributors to advances in areas such as the human immune system, the fight against infectious diseases and cerebral and cardiovascular research. In addition, Kansai is home to the world's largest third-generation synchrotron radiation facility, known as "Spring 8," and one of the world's fastest supercomputers, known as "Kei," which resides in Kobe.

Kansai's extensive infrastructure features railway networks of bullet trains that connect Osaka, Kobe, and Kyoto to all parts of the country, three major airports that link the region to multiple domestic and international destinations and a combined super port that serves as a hub for East Asia. Grand Front Osaka, a unique residential and business activity hub located at Osaka's central railway station, is the venue for Knowledge Capital, an intellectual creation center designed to foster innovation and exchange among companies, startups and academic institutions. In 2014, Abeno Harukas became Osaka's newest landmark. Its complex of shopping, offices and hotel comes together within an architectural structure that is now, at 300 meters, Japan's tallest skyscraper.

Kansai, as the cultural and historical heart of Japan, is home to five UNESCO World Heritage sites. Six of the top seven prefectures, in terms of government-designated "national treasures," are located in the region. Kansai is called Japan's "kitchen" and offers everything from Osaka's takoyaki (fried octopus and dough balls) to Kobe's famous wagyu beef to the refined cuisine of Kyoto (considered to be the best food in Japan). With its two professional teams, the Hanshin Tigers and the Orix Buffaloes, Kansai is a go-to destination in baseball-crazy Japan. In addition, the Tigers home of Koshien is the most famous ballpark in the country, given its long history of hosting Japan's nationwide high school baseball tournaments.

The people of Kansai are descended from Osaka's merchant culture. With their pragmatic, entrepreneurial and down-to-earth personalities, Kansai residents have a keen business sense. Citizens of Kansai are also reputed to have Japan's best sense of humor – another useful trait.

The U.S. Commercial Service (CS) Osaka-Kobe provides a broad range of programs and services designed to help U.S. companies capitalize on opportunities in Kansai, particularly in the region's key industries of biotechnology, pharmaceuticals, medical devices, renewable energy, environmental technologies, educational services and tourism. In addition, from its base at the U.S. Consulate General in Osaka, CS Osaka-Kobe has national responsibility for building products, sporting goods, apparel and textiles. Working closely with the Kansai chapter of the American Chamber of Commerce in Japan and the local chambers of commerce in Osaka, Kobe and Kyoto, CS Osaka-Kobe helps promote American exports of goods and services and tourism to the United States through promotional events, U.S. Pavilions, business counseling,

partnership searches, matchmaking services, networking and advocacy. CS Osaka-Kobe also promotes investment from Japan to the United States by leading the SelectUSA initiative in Kansai with organized seminars and extensive one-on-one counseling.

For more information about the opportunities in Kansai, please visit our CS Japan website at <http://export.gov/japan/>

### **Central Japan (Chubu)**

The Chubu region (lit., Central Japan) is Japan's third most populous region, located midway between the largest (Tokyo/Kanto) to the northeast and the second largest (Osaka/Kansai) to the southwest. The four prefectures of Aichi, Gifu, Mie and Shizuoka are home to 15 million people, and the region is known as Japan's industrial heartland leading its economy.

Central Japan's theme is "monozukuri," or "making things," and the region boasts large shares of Japan's manufacturing sectors. For example, Central Japan's share of transportation sector manufacturing is well over 50 percent as the region hosts the headquarters or main factories of world-class manufacturers in autos (Toyota, Honda, Mitsubishi, Suzuki and Yamaha), auto parts (Denso, Aisin), aerospace (Mitsubishi, Kawasaki and Fuji), resin materials (Toray), machine tools (Mazak, Okuma, DMG Mori Seiki), power tools (Makita), ceramics (Noritake, NGK Insulators and NGK Spark Plug) and office automation (Brother). Additionally, thousands of supporting suppliers make this one of the top industrial accumulations in the world.

Thus, the region accounts for about 0.84 percent of the world economy, 12.5 percent of Japan's GDP, and over 33 percent of Japan's total exports to the United States. Aichi Prefecture (pop. 7.4 million) is the political, economic, and transportation center of the region and it has ranked number one in the shipment of manufactured goods every year since 1977. The U.S. Consulate Nagoya is located in the city of Nagoya (pop. 2.3 million), the prefectural capital.

The auto industry experienced unexpected and serious hardships in 2011. Supply chain disruption caused by the March 11 earthquake/tsunami and the floods in Thailand temporarily crippled production and deferred sales. The industry has been recovering steadily with the region's traditional resilience by restructuring its supply chain and accelerating development and production of "green cars" (low fuel consumption and emission vehicles).

About half of Japan's ¥1.4 trillion aerospace sector is based in the region, and Mitsubishi, Kawasaki, and Fuji Heavy Industries produce 35 percent of the Boeing 787 Dreamliner. A dozen U.S. suppliers are partnering with Mitsubishi to develop Japan's first jetliner, the 70-90 passenger Mitsubishi Regional Jet which is expected to start test flights in 2014. In December 2011, the Japanese government designated the Greater Nagoya area as a Special Economic Zone for promoting the aerospace industry. The program includes a free trade zone, investment incentives, networking of suppliers, and the creation of a national composite material center in Aichi and Gifu prefectures. In April 2013, the GOJ expanded the initiative to include Mie prefecture and also to incorporate small to medium size enterprises as well as major corporations. 44 cities and 86 companies will participate in the program. In October 2012, the region hosted Asia's largest aerospace

trade show, "Japan Aerospace 2012" which featured a total of 665 aerospace-related firms and organizations from over 32 countries. Sixty U.S. firms exhibited the largest number outside of Japan. About one third of the firms were housed in the Foreign Commercial Service-supported pavilion, with five of them obtaining \$3 million in sales and partnership agreements during the show.

Though none of its facilities were damaged during the March 11 earthquake/tsunami, Chubu Electric Power Company (CEPCO), Japan's third-largest utility and based in Chubu, was ordered by the Japanese Government (GOJ) to shut down its only nuclear plant as a precautionary measure and it has been constructing a tsunami defense wall and other related tsunami-defense facilities, even without clear GOJ guidelines. CEPCO plans to complete all of the protective measures by the spring of 2015. Even then it is uncertain whether or not the plant will be restarted due to anti-nuclear sentiment. The high costs of switching to alternative power sources threatens CEPCO's profitability and the utility is working diligently to introduce "renewable energy" to find ways to reduce costs, such as through aggressive global procurement for cost-competitive equipment and products and negotiations with American firms regarding the importation of shale gas.

A boost to Central Japan's economy should come as Central Japan Railway Company's (JR Tokai) Maglev (superconducting magnetic levitation) train efforts have progressed from the feasibility study stage to the project stage. Construction of the new "Linear New Line," which will connect Nagoya to Tokyo in 40 minutes at a maximum speed of 500 kilometers per hour (rather than current hour and 40 minutes via the "bullet train") is expected to start in FY 2014 with a budget of \$50 billion (¥5 trillion). The target completion year is 2027.

### **Kyushu/Yamaguchi Region**

The Kyushu/Yamaguchi region of southwestern Japan consists of seven prefectures on Kyushu Island (Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki and Kagoshima) and Yamaguchi Prefecture on the southern tip of Honshu, with a combined population of about 14.5 million. The region's roughly \$500 billion economy constitutes Japan's fourth largest economic center, representing about 10 percent of national GDP, which makes it one of the twenty-five largest economies in the world (similar in size to Taiwan or Belgium). This region is traditionally known as Japan's gateway to Asia and enjoys extensive historical, cultural, and trade ties with continental Asia, particularly South Korea, China, Southeast Asia, and Taiwan. The United States remains an important trading partner, but trade with Asia is predominant and Kyushu is becoming increasingly integrated into the East Asian regional economy.

Kyushu is often called "Silicon Island," "Car Island," "Food Island," and "Solar Island." The region accounts for 30 percent of Japan's total production of semiconductors and IC chips by value. Northern Kyushu also boasts about 14 percent of Japan's automobile output, up from 5 percent in 2000, with Toyota, Nissan, and Daihatsu operating state-of-the-art final assembly facilities, and Honda has an advanced motorcycle plant in the region. Kyushu's agricultural sector produces 19 percent of Japan's agricultural output and ranks first in Japan in livestock output (about \$7.7 billion in 2011). The region accounts for about 25 percent of solar module production, and also includes important industries such as steel manufacturing, ship-building, and tourism. Japan's two space-launch facilities are located in Kagoshima Prefecture. A recent report shows that as of

2011, Kyushu has approximately 250 offices of America-related companies (excluding hotels, airlines, retail outlets, insurance and food services) with almost half being pharmaceutical/medical firms, such as Baxter and Boston Scientific.

With a still growing population of 1.5 million, Fukuoka City is the economic, educational, and cultural center of Kyushu. While manufacturing and agriculture are prevalent in Fukuoka Prefecture's surrounding areas, the city's economy is services-based, with many large retail outlets and regional headquarters offices for banking, insurance, and real estate. The city enjoys an excellent transportation infrastructure, including Kyushu's principal international airport, with access to much of Asia and direct flights to Hawaii and Guam; ferry services to South Korea and China; and the Kyushu Shinkansen bullet train line to Kagoshima. Fukuoka City has a dynamic business environment with the highest rate of "start-up" companies in Japan, and is one of only six locations in the country recently selected by the Abe Administration for the creation of a "special economic zone" with an emphasis on facilitating new businesses and the employment of foreign workers. Fukuoka has over the past few years welcomed new American businesses to the Kyushu market such as Delta Air Lines, Hilton Grand Vacations, Bloom Energy and Old Navy. Fukuoka and neighboring Saga Prefecture are also increasingly hosting headquarters support and call centers for major Japanese corporations due to the relative seismic stability of the area and low tsunami threat, along with lower operating costs.

The U.S. Consulate in Fukuoka has been actively assisting American businesses and promoting their interests in the region for over 50 years. The Consulate believes many sectors of the Kyushu/Yamaguchi economy offer promising opportunities. With its long history of openness to foreign influences, the Fukuoka area has an established reputation as a useful test market for new consumer products, services, and retail concepts before they are expanded to wider areas of Japan. Major U.S. companies have established research and production facilities in electronics, computers, and medical devices, and are also active in architecture, design and construction, energy, insurance, and finance. A sector of growing interest is environmental products and services. Good export prospects exist in many other sectors, including building materials, medical equipment and health care products.

## **Okinawa**

Okinawa – Japan's only subtropical region and its southernmost prefecture – comprises 160 islands stretching 623 miles from mainland Japan to Taiwan, but its 1.4 million people and \$47-billion economy are concentrated on the largest island, also called Okinawa. Although Okinawa's market is relatively small by Japanese standards, there are significant opportunities for U.S. businesses, in part due to Okinawa's history as a U.S.-administered territory from 1945-1972 and the continued U.S. military presence in Okinawa. Okinawans are open to imported goods and are already familiar with many American products and American food culture. Okinawa's growing and well-educated workforce is the youngest in Japan and average wages are among the lowest in Japan. In addition, Okinawa offers a wide range of subsidies and tax incentives for investors and employers.

Because of Okinawa's unique history and current economic circumstances, the central government provides an annual subsidy to promote economic development in the prefecture. In FY2014, this subsidy will total almost \$4.5 billion, a 16 percent increase (in

Japanese Yen) over FY2013, including a \$2.2-billion lump-sum subsidy controlled exclusively by the local government. Officials plan to invest approximately \$3 billion in public infrastructure in FY2014, including port upgrades, roads, and the continuing construction of the second runway at Naha International Airport. The GOJ approved \$400 million for FY2014.

Tourism is Okinawa's major economic activity, and we project this approximately \$5 billion industry will continue growing. In 2013, the total number of tourists visiting Okinawa increased 10 percent to 6.4 million due to new domestic airline routes launched by low-cost carriers, new foreign airline routes, and increased visits by cruise ships. The number of foreign tourists increased 46 percent to 550,800 in 2013, but over 90 percent of all tourists visiting Okinawa are mainland Japanese, which offers unique opportunities to introduce new products to Japan via Okinawa.

Although public sector spending and tourism dominate Okinawa's economy, government policy is encouraging diversification into information and communication technology (ICT), biotechnology, and air cargo. Since 1990, 299 ICT companies, some affiliated with American firms, have begun operating in Okinawa. By January 2014, these firms had created 24,869 employment opportunities, about three-quarters of which are in call centers. In addition, Okinawa Island has fewer large earthquakes than other Japanese regions, and has therefore become a popular location for business continuity and disaster recovery-related investment.

The Okinawa Institute of Science and Technology (OIST) Graduate University, a world-leading natural sciences graduate school, has an annual operating budget of about \$230 million, and the Government of Japan's Cabinet Office recently approved an additional \$14 million to construct a third laboratory building. OIST aims to contribute to the development of Okinawa by conducting ground-breaking research and attracting corporate research institutions and venture businesses to Okinawa, with the eventual goal of forming an intellectual and industrial cluster.

Okinawa's Naha International Airport is just two to four hours from major Asian cities and airports such as Narita, Haneda, Chubu, Kansai, Seoul, Shanghai, Taipei, Hong Kong, Bangkok, Qingdao, Guangzhou and Singapore, and cargo operations at the airport go on 24 hours a day. In 2009, All Nippon Airways (ANA) took advantage of Okinawa's location in Asia to establish an international cargo hub. In 2013, Naha International Airport handled the 4th-largest amount of international air cargo in Japan after Narita, Kansai and Haneda. In FY2014, the local government approved \$40 million to build a new logistics center in the Okinawa International Logistics Industry Zone located adjacent to the airport, and we expect this center will attract new industries to Okinawa. In addition, the local government approved \$49.9 million to develop an aircraft maintenance facility that will bring business opportunity from the East Asia region to Okinawa.

Government policies are funneling new investment into renewable energy systems. The four year, "Okinawa Smart Energy Island Infrastructure Project," which was launched in FY2011, will facilitate large-scale introduction of renewable energy sources, particularly photovoltaic solar and wind power. The 50kW ocean thermal energy conversion (OTEC) demonstration plant on the island of Kumejima started operation in June 2013.



The U.S. Consulate General in Okinawa and the American Chamber of Commerce in Okinawa, which has over 140 members from the American and Okinawan business communities, welcome contact with American companies seeking to initiate or expand exports into this regional market. Both are well plugged into local business and public sector entities, and are working to discover commercial opportunities for U.S. firms in this dynamic regional market.

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

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

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

forward with a greater commitment: regional exclusivity, a limited term of representation, minimum sales thresholds, or qualitative indicators of sales efforts.

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

U.S. companies should be selective in choosing a Japanese business partner. Credit checks, a review of the Japanese company's industry standing and existing relations with Japanese competitors, and trust building are all part of the process. Many problems can be avoided by carrying out comprehensive due diligence.

Part of the difficulty in choosing a Japanese agent is assuring that the agent will devote sufficient attention to expanding the market share of the U.S. product. Distributors that target only limited, high-price niches, that are bound by strong ties to one particular industry group (*keiretsu*), that fail to compete directly with established Japanese products, or that are not prepared to pursue volume sales for the U.S. exporter should be avoided. U.S. firms should also be wary of distributors that handle competing lines or are subject to other potential conflicts of interest.

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

Japan's business world is small and relatively concentrated, both politically and economically. Business relationships are formed, conducted, nurtured, and ended with an extraordinary degree of attention to appearances and decorum. Caution and diplomacy are therefore warranted if an overseas company wishes to sever its relationship with its existing Japanese agent or distributor.

Once an agent or distributor agreement is signed and the U.S. company's products gain a foothold in the Japanese market, the U.S. company may want to consider establishing a representative office in Japan (see below) to support the distributor's sales and

marketing efforts and to facilitate communications with U.S. company headquarters. For businesses offering goods and/or services of a technical nature, a technical engineer is often best suited for this role because such a person generally understands product capabilities and end-user requirements. This is, of course, more of a long-term consideration, but one that U.S. companies may wish to consider when putting together their strategic mid- to long-term plan for Japan.

## Establishing an Office

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Before setting up an office in Japan, U.S. companies may wish to examine programs of Japan's Ministry of Economy, Trade & Industry (METI) for promoting foreign investment into Japan. Programs include loans available through the Japan Bank for International Cooperation and the Development Bank of Japan. Entry-level business support programs are provided by the Japan External Trade Organization (JETRO) as well as by some municipal and prefectural governments. Current information on investing in Japan, establishing an office, and other JETRO programs for foreign businesses can be found on JETRO's website at <http://www.jetro.go.jp>. Please also review [Chapter 6, "Investment Climate,"](#) of this Country Commercial Guide.

Finding suitable local staff is also an important consideration for U.S. companies seeking to establish an office in Japan. There are a number of executive search firms in Japan that can help address this important issue. For a list of some of these firms, please visit the Business Service Providers section of the CS Japan website at <http://export.gov/japan/bsp/index.asp>, or the Membership Directory of the American Chamber of Commerce in Japan website at <http://www.accj.or.jp>.

## Franchising

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Based on available data, the total number of franchise chains increased during fiscal year (FY) 2012 by 26 chains to a total of 1,286, continuing a growth trend for three years in a row. The total number of chain stores and outlets was 245,263, up 2.7% or 6,425 stores from a year earlier. The total turnover amounted to ¥22.2 trillion, showing an increase of 2.8% from FY2011, the third consecutive year of growth after reversing its course in FY2010. Approximately 42.2% of the total turnover at franchised outlets was from convenience stores. Food service chains accounted for 17.5% of the market.

Major CVS chains led a growth in the overall retail business segment with a hefty 5.5% growth in the number of doors opened with about a 4% revenue increase. Also, in the retail business, drug store chains expanded and so were the secondhand store models, which include books, home appliances, games & home entertainment (equipment and software), CD & DVD, clothing, luxury brand products, sporting goods, toys, jewelry, and mobile phones. These trends are expected to continue in FY2013 and for the near future. The food service sector which was adversely impacted by the 3/11 Eastern Japan Great Earthquake and radioactive concerns appeared to have reversed its course to show a growth. In the service sector, a wide variety of franchise concepts were on the rise against the background of the diversification of consumer needs in the recent years, particularly in the field of education and senior care related businesses reflecting the aging society, the declining population and the increase in health consciousness.

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

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

## Direct Marketing

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The scale of direct marketing in Japan, which includes mail order, telemarketing, direct response television, and Internet sales, is still modest by U.S. standards. However, sales were estimated at ¥5.4 trillion in 2012. Business-to-consumer (B2C) Internet shopping has grown rapidly, and according to a survey by the Japan Direct Marketing Association (JADMA), 58 percent of direct sales shoppers (15-79 years old) used the Internet to place their orders in 2012 (down by 2.0 points from 2011). The other popular methods to place orders were: via home phones (excluding mobile phones) at 39 percent of shoppers (up by almost 3 points from 2011), and mail order, 24 percent (down by 3 points from 2011).

The most popular way of gathering product information in 2012 was the Internet via computer (57 percent), followed by hardcopy catalogs (32 percent) and Internet via mobile devices (23 percent). Young people are particularly adept at gathering product information via mobile devices. 75 percent of women aged 29 or younger report using mobile devices to get product information. The survey by the Ministry of Internal and Communications also shows that penetration rate of the internet from smartphones and tablet PCs has doubled from 20 percent in 2011 to almost 40 percent in 2012, and this is a booming channel for marketing. Japanese direct marketers use websites optimized for both PC and mobiles to reach consumers. U.S. exporters wishing to sell products targeting young Japanese will need to optimize their platforms for mobile access.

Because of ongoing revisions to credit card and e-commerce laws that provide increased protection for consumers in Japan, including protection against identity theft, Japanese consumers have less hesitation than in the past to buy online. C.O.D. (cash on delivery), payments at convenience stores (where Japanese are able to pay various bills), and credit cards were the three major payment methods in 2011.

Shopping from hard copy or online foreign catalogs is referred to as "personal importing" in Japan. Personal importing surged in the mid-1990s due to the novelty of the concept, a very strong yen, and a growing appreciation of foreign consumer goods. Although providing adequate customer service and handling product returns challenged those firms that did not have in-country representation, many U.S. companies enjoyed an enormous expansion of orders from Japan.

The recent depreciation of the yen (79.82/\$1 in 2012 vs 97.60/\$1 in 2013) has put upward pressure on import prices and has made consumers price-sensitive. In addition, the consumption tax rate was raised from 5% to 8% on April 1<sup>st</sup>, 2014, with preliminary evidence of front-loading of purchases before then and a drop off in purchases since. Another increase in the consumption tax rate from 8% to 10% is planned for 2015.

U.S. companies that can offer Japanese consumers cost-competitive high quality products with unique attributes may find good opportunities. Products Japanese consumers currently order from abroad include apparel, accessories, books, magazines, toiletries, and cosmetics.

## **Joint Ventures/Licensing**

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

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

Government Printing Office's EAR database:  
[http://www.access.gpo.gov/bis/ear/ear\\_data.html](http://www.access.gpo.gov/bis/ear/ear_data.html)

## **Selling to the Government**

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

Government procurement contracts covered by the Agreement must have a value not less than the thresholds (denominated in special drawing rights of the International Monetary Fund or "SDRs") specified by the Agreement, and include the procurement of products and services by purchase, lease, or rental by the agencies and organizations subject to the Agreement. Under revisions to the GPA, the present voluntary specified threshold for procurement by central government entities of 100,000 SDRs (except for construction and architectural, engineering and other technical services) will become obligatory in April 2013. For sub-central government entities, with the same exceptions noted above, Japan's voluntary threshold is 200,000 SDRs.

There are three types of government tendering procedures in Japan covered by the Agreement: 1) open tendering; 2) selective tendering; and 3) limited or single tendering. Under an open tender, the procuring entity publishes an invitation for qualified suppliers to participate in the tendering process. Contracts are awarded to the bidder that offers the greatest advantage in terms of price. Selective tendering is done in cases when the number of potential suppliers is limited (due to the nature of the contract), or when open tendering is otherwise regarded as inappropriate. In this case, the procuring entity designates those companies it considers capable from a list of qualified suppliers and invites them to bid. Again, the contract is awarded to the bidder with the best offer in terms of tendered price and other required criteria. Limited or single tenders are used in a variety of cases where products or services cannot be obtained through open or selective procurement procedures, where there has been an absence of bids in response to a public notice, where it has been determined there is a need for protection of exclusive rights such as patents, or where the procurement is of extreme urgency.

Open tender and selective tender invitations are published in Japan's official (central) government procurement gazette or *Kanpō* – <http://kanpou.npb.go.jp> (Japanese only) – or in an equivalent regional-level or local publication. The procuring entity publishes the invitation to tender at least 50 days (40 days is required by the GPA) in advance of the closing date for receipt of bids. In order to increase access opportunities for foreign suppliers, as a voluntary measure, many procuring entities publish notices on the use of limited (closed) tenders at least 20 days in advance of the awarding of a contract. When the tender is announced on open bids, the type and quantity of products, time limits set for submission of bids, and names and contact data of the procuring entity are published within the announcement in English. Notices on selective tendering also outline the requirements necessary for firms to be designated for participation in the tender bidding process. Most companies find it useful to contact the procuring entity directly with any specific questions before a tender is submitted for consideration. Recent revisions to the GPA Agreement allow for modern procurement procedures such as electronic bidding.

Japan's Ministry of Foreign Affairs (MOFA) hosts a Government Procurement Seminar each spring where central government procuring entities explain their procurement plans for the fiscal year. Individual ministries sometimes follow this with their own seminars. Notice of these meetings can also be found in the *Kanpō* gazette.

U.S. suppliers can find information about Japanese government procurement on the Japan External Trade Organization (JETRO) website at (<http://www.jetro.go.jp/en/matching/procurement>), which includes an online database of government procurement notices and invitations published in the National Printing Bureau's "Official Gazette." Users can search by publication date, product/service category as well as location. For additional information including suggestions for accessing the government procurement market in Japan please visit the MOFA website (<http://www.mofa.go.jp/policy/economy/procurement>), which maintains a detailed list of contact points for entities covered by the Agreement.

Potential suppliers must first be qualified by the procuring agency and registered on the tendering agency's permanent list of qualified suppliers. Each procuring entity in Japan specifies the qualifications required of any potential supplier participating in open or selective tenders. Procuring entities are allowed to review a company's capacity to implement a contract, including the scale of business and past business performance. In most cases, Japanese subsidiaries, agents, or distributors of a U.S. company can



register on behalf of the firm. Documents required for qualification are set out in the public notice, but typically include: an application form, registration certificate, company history, financial statements, and tax payment certificate. The qualification is usually valid for one to two years.

Sealed bids must be submitted to the designated location by the closing date and time specified in the tender notice. Although a five percent guarantee fee is stipulated, payment is usually waived since those participating are normally pre-qualified. If there are tenders made by unqualified suppliers or in violation of the tender requirements, the procuring entity will rule them invalid and notify the unsuccessful bidder. The contract is normally awarded to the lowest qualified bid and bidders are informed of the result in writing by the procuring entity.

Pursuant to the 1996 GPA, Japan has established a mechanism to process complaints about procurements by entities other than sub-central government entities. The Office of Government Procurement Review (OGPR), within the Prime Minister's Office, implements the provisions of the WTO Agreement regarding bid challenge procedures. For procurement by central government entities the Government Procurement Review Board processes and considers complaints in accordance with the specific procedures set out by the OGPR. Prefectural governments and designated cities have established their respective procedures to process complaints regarding procurement subject to the Agreement. Complaints by qualified bidders may be filed with the Secretariat of the Board in the Office for Government Procurement Challenge System (CHANS). For additional information, please visit [http://www5.cao.go.jp/access/english/chans\\_main\\_e.html](http://www5.cao.go.jp/access/english/chans_main_e.html)

Further information on recent developments regarding Japanese government procurement can be found in Japan's most recent submission to the WTO Trade Policy Review Mechanism: [http://www.wto.org/english/tratop\\_e/tpr\\_e/tp311\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp311_e.htm)

## **Defense Procurement**

For Japan's Fiscal Year 2014, which began in March 2014, the Japanese defense budget was the sixth largest in the world and second largest in Asia at \$50 billion. Japanese defense expenditure is mainly driven by the threat from North Korea's long-range ballistic missiles and China's maritime expansion. The Japan Ministry of Defense (MOD) spends most of its budget on salaries, operational expenses, training, and development. Capital expenditure represents the second largest share, and includes the procurement of military equipment, material and R&D expenses, aircraft acquisition and shipbuilding.

Over recent decades, Japanese defense expenditure as a percentage of GDP has accounted for less than 1%, and this is expected to rise slightly for the coming five-year period. Japan's defense posture and procurement strategy is grounded in a pair of foundational documents, the "National Defense Program Guidelines (NDPG) and the "Mid-Term Defense Program. Both documents were reviewed by the Abe Administration and issued in December 2013.

The FY 2014 budget approved by the Abe cabinet included spending increases on defense. The NDPG and MTDP represent a significant change in Japanese defense policy. New capabilities, such as ISR assets, joint operations, and amphibious units aim

to enhance Japan's existing defenses. The reorganization of the Self Defense Forces, as well as potential procurement initiatives for tilt rotor and long endurance UAVs will aim to support the defense of Japan's southern islands.

Foreign Military Sales (FMS) by U.S. companies to Japan are administered by the Defense Security Cooperation Agency (DSCA), which is part of the U.S. Department of Defense. The Mutual Defense Assistance Office (MDAO) at the U.S. Embassy in Tokyo is the in-country office for FMS. All transactions are initiated by a request from the Government of Japan for price and availability data for a specific item or service. Direct Commercial Sales (DCS) are handled by Japanese defense trading firms, distributors and agents.

The Equipment Procurement and Construction Office (EPCO) of the JMOD is charged with the central procurement of military equipment and services valued at over ¥1.5 million (\$15,369) for such items as firearms, guided weapons, telecommunications instruments, ships, aircraft, vehicles, machinery, ammunitions, foods, fuel, textile, and other necessary materials. EPCO is also charged with overseeing implementation plans for construction work at Self-Defense Force (SDF) bases. Regional Defense Bureaus, also part of the JMOD, handle military items of ¥1.5 million or less and other local supplies.

As with any other government procurement, potential vendors to the JMOD and SDF are required to apply for and register with the EPCO. It is recommended that potential U.S. military equipment makers partner with Japanese trading firms, distributors or agents to conduct business with the Japanese military. A Japanese partner is also helpful with the local language and unique cultural and business practices.

The Japan Ministry of Defense (JMOD) <http://www.mod.go.jp/e/index.html>

Defense Security Cooperation Agency (DSCA) <http://www.dsca.mil/>

Equipment Procurement and Construction Office (EPCO)  
<http://www.mod.go.jp/epco/en/index.html>

## **Distribution and Sales Channels**

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

## **International Courier Services for Food Samples**

In 2010, three major international couriers began enforcing a policy of not accepting packages that contain foods requiring phytosanitary certificates. The reason for the policy is that these couriers are now refusing to handle any items involving animal or

plant quarantine (including dried fruit and nuts) for express/overnight service since one parcel containing items subject to quarantine regulations can delay a whole container containing hundreds of parcels for about two hours until the package with the phytosanitary certificate is cleared. The carriers have decided that they cannot afford the delay in their express service but it should be noted that the carrier's policies only affect express/overnight shipments. These couriers will still accept packages that require phytosanitary certificate as regular air freight services that may take an extra few days to be delivered. For more information please see the following report: [Express Services Food Sample Policy](#).

## **Selling Factors/Techniques**

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As in the United States, sustained personal contact with customers is usually essential for successful market entry and expansion in Japan. Having a visiting U.S. company representative accompany the firm's Japanese agent or distributor on visits to existing or potential customers strengthens the potential for sales. Such joint sales calls demonstrate commitment to clients and provide unparalleled opportunities to obtain market feedback.

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

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

While many Japanese business executives speak some English, a skilled and well-briefed interpreter is essential to prevent communication problems. A good interpreter is worth the expense. Firms that choose to skimp on or forego this expense not only significantly increase their chances for miscommunication, but also risk sending a message that they lack commitment to their Japanese counterpart and to the Japanese market. Though there are some U.S. firms that do business in Japan without a signed contract, the use of written contracts between U.S. and Japanese firms is an accepted practice. Contracts satisfy tax, customs, and other legal requirements. Japanese companies prefer shorter and more general contracts as opposed to lengthy, detailed documents spelling out every right and obligation in detail. Personal contact and relationships are important in Japan, and a contract should be viewed as just one

element of a broader effort to create a mutual understanding of obligations and expectations.

## Electronic Commerce

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The Electronic Commerce market is steadily growing, in particular the business-to-consumer (B2C) market. The latest figures from Ministry of Economy, Trade and Industry (METI), published in 2012, suggest that the market size of business-to-business (B2B) electronic commerce was ¥262 trillion (\$3.3 trillion), up 1.7% from the previous year and B2C electronic commerce market in the same period was ¥9.5 trillion (\$119 billion), increase of 12.5% over last year.

Currently B2C mobile commerce is rapidly growing in Japan. According to the statistics by the Ministry of Internet Affairs & Communications in 2012, the market size of mobile commerce is ¥1.5 trillion (\$19 billion), 28% increase over the previous because of the huge expansion of smart phone and tablet sales. Gartner predicts that the annual sales of smartphones in 2014 will reach 300,000 (Gartner, Forecast: Devices by Operating System and User Type, Worldwide, 2010-2016, 3Q12 Updated"). In addition Google Shopper Research, published in 2012, says the ratio of "mobile shoppers", consumers who constantly purchase via smartphones, exceed 30% of total mobile phone users.

With regards to B2C e-commerce sites, Rakuten, Amazon Japan and Yahoo! Japan are major key players and the leading company is Rakuten. Yahoo! Japan announced a free margin system to debut at the Yahoo! Japan shopping mall in 2013. Not only comprehensive e-commerce companies but also specialized categories like fashion e-commerce, are on the rise. Zozo Town is the largest fashion e-commerce site in Japan, with more than 5 million users, and they also have a mobile app WEAR, which is a fashion coordination app with over 2 million downloads. Other fashion mobile apps are iQon and Origami with others on the way. A key success factor is multi device optimization with your e-commerce business.

In addition, when entering the market with mobile apps, it is important to register your apps with two major app markets: Japan iTunes and Google Play. These sites will help you localize your apps and store pages in Japanese. It is advised that you prepare for ASO (Search App store Optimization), like setting appropriate keywords, increasing positive reviews and improving your ranking. Crafting instruction pages in Japanese is essential. If you need an online translation service, companies like Gengo are available (<http://gengo.com/>).

There are few open B2B sites for foreign exporters in Japan, with most Japanese B2B sites focusing on domestic business transactions. Japan's largest international B2B site is: <http://www.export-japan.com/>

U.S. firms interested in e-commerce might consider listing on the Japan External Trade Organization (JETRO)'s business matchmaking database known as TTPP (<http://www.jetro.go.jp/tppoas/index.html>). Registration is free and may be done in English.

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

Not all companies can afford to place advertisements in Japan's major national daily newspapers or commercials on Japanese television. Regional and local newspapers and television stations, and daily sports newspapers are less expensive and might make sense for a product with strong potential in a specific region or demographic segment. A more affordable option for small- to medium-size or new-to-market U.S. companies might be advertising in some of Japan's roughly 4,500 weekly or monthly magazines.

These publications often represent a cost-effective means to reach a specific target consumer – whether gourmet or gardener, cyclist or camper. For industrial and commercial products, Japan's many industrial daily, weekly or monthly newspapers and trade journals might offer the best advertising options.

Japan's railways, as the primary transportation option for commuters in major cities, carry hundreds of millions of passengers every year. Therefore, transit advertising should not be overlooked. Transit advertisements can be found inside commuter rail cars, buses, and in stations. Advertisements inside trains and buses include hanging flyers, framed posters, stickers, and flat-panel video.

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

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

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

<http://export.gov/japan/tradeevents/index.asp>

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

The strength of the yen, streamlining of distribution channels, and Japanese economic reforms have recently helped open doors for U.S. products by improving their price competitiveness. However, landed cost is only one part of a total pricing scheme and should not be the only consideration for U.S. firms interested in exporting to Japan.

Distribution markups often cause imports to price at levels far higher than comparable domestic products. For instance, shipping costs between the port of Osaka and Tokyo have been shown to be much higher than shipping costs from the U.S. West Coast to Osaka. A good example is imported U.S. apparel products, where street prices are often three to four times FOB.

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

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

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

Finally, U.S. exporters should also consider yen/dollar fluctuations in their product pricing and sales strategies. The yen fell significantly against the dollar in 2013, limiting the price competitiveness of U.S. goods.

## **Sales Service/Customer Support**

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High-quality, highly-responsive product service and customer support throughout the sales cycle are crucially important in Japan. This begins with establishing a close working relationship with, and long-term commitment to, a U.S. exporter's potential Japanese partners. Every effort should be made to answer technical questions in detail,



to ensure that delivery dates are met, and to maintain absolute clarity regarding all issues from initial order through shipment and delivery. Problems most often arise from misunderstandings, lack of communication, language difficulties, and differing business practices.

The arrival times and condition of shipments are critical. Shipments should arrive on time, they should be well packed, and they must not be damaged upon arrival. Customs documentation should be complete and accurate; if it is not, the entry of the merchandise could be delayed or, in certain cases, the merchandise might be returned to the sender. Japanese buyers are highly concerned with the quality of packing and poor packaging may lead to market entry problems. Missed deadlines and the arrival of goods damaged through poor packaging and shipping practices are interpreted as a “message” from, and about, the supplier.

## **Protecting Your Intellectual Property**

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Japan generally provides strong IPR protection and enforcement. Any U.S. company doing business in Japan should have an intellectual property plan and register their intellectual property prior to entering the market. The Japanese registration of patents and trademarks is on a first-in-time, first-in-right basis as opposed to the U.S. first-to-invent system. This means that U.S. companies need to be especially diligent and speedy in protecting their intellectual property. The U.S. Government works with the Government of Japan to improve the intellectual property environment; however, rights holders should take the basic steps to secure and enforce their intellectual property in a timely manner.

### **Protecting Your Intellectual Property in Japan:**

Several general principles are important for effective management of intellectual property (“IP”) rights in Japan. First, having an overall strategy to protect your IP is critical. Second, IP is protected differently in Japan than in the U.S. Third; rights must be registered and enforced in Japan, under local laws. Your U.S. trademark and patent registrations will not protect you in Japan. An “international copyright” or an “internationally patent” that will automatically protect writings or inventions throughout the entire world does not exist. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer protection to foreigners under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in Japan. Companies should understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Japan. The rights' holders are responsible to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Japan law. The U.S. Embassy can provide a list of local lawyers upon request: <http://japan.usembassy.gov/e/acs/tacs-7113.html>.



While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

We also always advise U.S. companies to conduct due diligence on potential partners. You may wish to try to negotiate “from the position of your partner” and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Japan require constant attention. Work with legal counsel familiar with Japanese laws to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions, as permitted under Japanese law and appropriate. It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Japan or U.S.-based. These include:

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

## **IP Resources**

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit [www.STOPfakes.gov](http://www.STOPfakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.stopfakes.gov/businesss-tools/country-ipr-toolkits](http://www.stopfakes.gov/businesss-tools/country-ipr-toolkits). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

## Due Diligence

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Although Japanese companies generally have well-earned reputation for fair dealings, naturally some Japanese companies are less than 100% scrupulous or may have business problems. Japanese companies may be affected by downsizing and bankruptcies. Importers, wholesalers and distributors can find it difficult to obtain trade financing in the present environment. Banks in Japan have become less inclined to provide credit to small- and medium-sized enterprises of all types. Larger companies, especially those with excessive debt, may also experience problems obtaining financing.

Although a U.S. company, whether resident in Japan or not, 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, retaining a competent Japanese attorney (*bengoshi*), patent practitioner (*benrishi*), or other legal professional is a practical necessity. Projects and sales in Japan require constant attention.

The U.S. Embassy in Tokyo encounters trade dispute cases of all kinds. For information about structuring payment options, see [How Do I Get Paid \(Methods of Payment\)](#) under [Chapter 7, Trade and Project Financing](#).

As a result of these concerns, U.S. companies are advised to establish due diligence procedures and check the *bona fides* of their Japanese agents, distributors and/or customers. To assist with this need, the U.S. Commercial Service in Japan provides the International Company Profile (ICP) service designed to help U.S. companies evaluate potential business partners. For information on the ICP and other services available from the Commercial Service in Japan, please visit our website: <http://export.gov/japan/> (Please note that the ICP is not intended to be a substitute for a comprehensive due diligence review to meet obligations under the Foreign Corrupt Practices Act of 1977.)

## 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. firms doing business with Japan. Although these lists are not comprehensive, and inclusion does not in any sense constitute an endorsement or recommendation by the U.S. Commercial Service or the U.S. Government, they are a useful starting point for firms that need professional services in Japan. Please visit the Business Service Providers section of our website at:

<http://export.gov/japan/bsp/index.asp>. The U.S. Embassy in Tokyo also provides a list of Japanese attorneys, although these attorneys are generally more expert in civil matters rather than international commercial issues: <http://japan.usembassy.gov/e/acs/tacs-7113.html>.

## Web Resources

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As mentioned above:  
[www.STOPfakes.gov](http://www.STOPfakes.gov)

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

Japan External Trade Organization (JETRO)  
[http://www.jetro.go.jp/en/invest/setting\\_up](http://www.jetro.go.jp/en/invest/setting_up)

Information on business service providers in Japan:

U.S. Commercial Service, U.S. Embassy, Tokyo  
<http://export.gov/japan/bsp/index.asp>

Foreign Agricultural Service (FAS), U.S. Embassy, Tokyo  
<http://www.usdajapan.org>  
FAS Trade Lead System

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

Information on Japanese government procurement:

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

Office for Government Procurement Challenge System (CHANS) Cabinet Office  
[http://www5.cao.go.jp/access/english/chans\\_main\\_e.html](http://www5.cao.go.jp/access/english/chans_main_e.html)

Japan's Submission to WTO Trade Policy Review Mechanism  
[http://www.wto.org/english/tratop\\_e/tpr\\_e/tp311\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp311_e.htm)

B-to-B e-commerce marketplaces:

Trade Tie-up Promotion Program by Japan External Trade Organization  
<http://www.jetro.go.jp/tppoas/>

Connect with the Commercial Service in Japan:  
<https://twitter.com/BuyUSAJapan>  
<https://www.facebook.com/PromoteUSA.Japan>

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

### Commercial Sectors

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- [Cosmetics/Toiletries \(COS\)](#)
- [Education and Corporate Training](#)
- [Medical Equipment \(MED\)](#)
- [Nuclear Decontamination in Fukushima](#)
- [Pharmaceuticals \(DRG\)](#)
- [Renewable Energy](#)
- [Safety and Security \(SEC\)](#)
- [Telecommunication Equipment \(TEL\)](#)
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### Agricultural Sectors

#### Commercial Sectors

The above list of 10 sectors represents a targeted rundown of the best prospects for export-ready U.S. firms. Detailed overviews of each of these well-established sectors can be found in the pages that follow.

In addition to the above sectors, the following are three emerging sectors that we have identified as offering good export opportunities for U.S. companies as well:

#### Cloud Computing

The Japan cloud computing market will continue its strong growth. In 2013, the Japanese public cloud computing market size reached about \$1.4 billion, a 39.4% increase from the previous year according to IDC Japan (IDC is a research company focusing on ICT markets headquartered in Framingham, MA). IDC predicts the size of the Japanese public cloud computing market will more than triple by 2017.

As cloud computing penetrates Japanese businesses, big data technology/services demand is also increasing. This market size was \$211 million in 2012, expected to reach more than \$10 billion in 2017 according to IDC Japan.

However, Japanese companies are in general more risk averse and conservative than their global counterparts. U.S. vendors interested in Japan may consider partnership with local distributors/resellers/VARs/SIers/consultants. A large U.S. cloud company announced in October 2010 that it would deliver application services from NTT's data center in Tokyo, partly for these reasons.

One of the critical issues facing cloud computing is how cloud data should flow between nations and whether restrictions should be placed upon it.

The cloud movement is about much more than the cloud. “Cloud” cannot be sufficiently understood as a standalone phenomenon in the IT market, but rather as a core factor of a larger transformation of the IT industry. Other factors enabled by cloud - and, in turn, accelerating cloud adoption - include the expanding of mobile devices, mobile apps, wireless broadband, cyber security, and big data tools.

### Cloud Computing Events in Japan

Japan IT Week, May 14-16, 2014, Tokyo  
<http://www.japan-it.jp/en/haru/>

Cloud Days, Feb/Mar/Jun, 2014, Tokyo/Osaka/Nagoya/Kyusyu  
<http://www.nikkeibp.com/adinfo/exhibitionguide/pdf/EventSchedule.pdf>

### **Biotechnology**

The Japanese biotechnology industry presents improving business opportunities for U.S. firms. In 2013, the size of the Japanese biotechnology market was \$28.8 billion, a 3.7% increase over the previous year. Medical biotechnology is the leading sub-sector and regenerative medicine has high growth potential in Japan. In 2012, the size of the market for regenerative medicine and related businesses, including research equipment, was approximately \$329 million. This market segment may grow to over \$2.4 billion by 2020.

The Japanese government is allocating significant funding for induced pluripotent stem cells (iPS cells) research to develop this area of leading technology in Japan. Kyoto University Professor Shinya Yamanaka, received the 2012 Nobel Prize for Physiology or Medicine "for the discovery that mature cells can be reprogrammed to become pluripotent" (or stem cells). At this time, with the exception of autologous cultured skin and cartilage, few commercial applications exist for regenerative medicine in Japan, however strong potential exists for technology licensing and sales of research equipment relating to stem cell research and tissue engineering.

The market for cell and tissue culture research products, including reagents, medium and serum, is also expected to grow. Japanese pharmaceutical and medical device companies are seeking opportunities for strategic partnerships, licensing, and research collaboration with U.S. biotech companies/research institutes.

Regenerative medicine, especially iPS cells research is also one of focus areas in the 2014 Growth Strategy of Japan's Prime Minister Shinzo Abe who announced that iPS cells-related research would receive the government funding for more than \$1 billion over the next ten years.

### Biotechnology Events in Japan

Event: BioJapan 2014 – World Business Forum  
Date: October 15-17, 2014  
Venue: Pacifico Yokohama  
Web: <http://www.ics-expo.jp/biojapan/>

Event: BIOtech Japan 2015

Date: TBD, 2015  
Venue: Tokyo Big Sight  
Web: <http://www.bio-t.jp/en/>

## **Healthcare IT**

In 2012, the market size of healthcare IT systems in Japan totaled \$6.18 billion. The adoption of electronic medical records is a major healthcare IT priority in Japan, and according to an industry source, the adoption rate for electronic medical records and ordering systems among hospitals in 2012 was 18.7% and 30.3% respectively. 56.9% of the hospitals with more than 400 beds implemented electronic medical records and 75.3% of them have ordering systems. Due to rapid demographic changes and hospital shortages, demand for home nursing care is expected to grow. Healthcare IT is an emerging sector and promising areas for U.S. exporters would include security/privacy, big data, and cloud computing.

### Healthcare IT Events in Japan

Event: The International Modern Hospital Show 2014 (IMHS2014)  
Date: July 16-18, 2014  
Venue: Tokyo Big Sight  
Web: <http://www.noma.or.jp/hs/eng/2014/outline/index.html>

Event: CEATEC Japan 2014  
Date: October 7-11, 2014  
Venue: Makuhari Messe  
Web: <http://www.ceatec.com/en/>

Event: HOSPEX Japan 2014  
Date: November 12-14, 2014  
Venue: Tokyo Big Sight  
Web: <http://www.jma.or.jp/hospex/en/index.html>

## Aerospace

### Overview

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Unit: USD thousands

	2012	2013	2014	2015
Total Market Size	15,021	15,717	16,503	17,328
Total Local Production	12,829	13,576	14,255	14,968
Total Exports	10,048	9,980	10,479	11,003
Total Imports	12,240	12,121	12,727	13,363
Imports from the U.S.	8,832	8,350	8,768	9,206
Exchange Rate: 1 USD	79.82	97.60	97.60	97.60

Data Sources: Total Local Production: Ministry of Economy, Trade and Industry

Total Exports: Ministry of Finance

Total Imports: Ministry of Finance

Imports from U.S.: Ministry of Finance

Notes: 2014 and 2015 estimates are based on projections provided by the Society of Japanese Aerospace Companies (SJAC). SJAC forecasted a 5% annual increase for the next 6-7 years. Japanese firms participate in various programs with Boeing and Airbus who have many backorders.

Japan continues to offer a lucrative market for imported aircraft, aircraft parts, and engines. U.S. firms have an overwhelming presence in the market due to long-standing relationships, some spanning over 50 years, with domestic manufacturers and trading firms. U.S. firms are presented with opportunities in the market as the domestic industry undertakes international projects, develops transport and patrol aircraft for defense, and develops small jets and small jet engines for civil aviation.

In the civil aircraft market, Japanese manufacturers such as Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Fuji Heavy Industries, supply about 35 percent of the content for the Boeing 787. It was announced in April 2014 that Japan will supply about 20 percent of the content for the Boeing 777X. Although the size of investment is yet to be determined, the Japanese firms are planning to expand their facilities in order to meet this new demand.

Mitsubishi Heavy Industries established Mitsubishi Aircraft Corporation (MJET) in April 2008 to undertake the design, type certification, procurement, sales and marketing and customer support of Mitsubishi Regional Jet (MRJ). MJET announced in October 2007 that it selected Pratt & Whitney to supply Geared Turbofan engines for the aircraft. This next-generation engine will make the planes 20-30 percent more efficient and about 15 percent cheaper to operate than conventional regional jets. Other U.S. manufacturers such as Parker Aerospace (hydraulic systems), Hamilton Sundstrand Corporation (electrical power system), and Rockwell Collins (flight control system) are also suppliers of MRJ. The first MRJ flight is scheduled in early- to mid-2015.

In terms of engines, the Japan Aero Engines Corporation (JAEC) is participating in the international joint development of the PW1100G-JM, a next-generation engine for the A320neo, a single-aisle aircraft which Airbus is developing with the aim of entering into

service in 2015. The agreement between JAEC, Pratt & Whitney and MTU Aero Engines Holding AG (MTU) of Germany, was signed in September 16, 2011.

In the defense sector, Japan adopted new principles and guidelines on arms exports, the first major overhaul in nearly half a century of its arms embargo policy. Japan will now allow arms exports but only if they serve the purpose of contributing to international cooperation and its security interests. Japan is seeking ways to commercialize C-2, a small transport aircraft. In addition, Japan is working with India to sell their US-2 amphibious patrol aircraft.

### **Sub-Sector Best Prospects**

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Commercial aircraft and aircraft engines, helicopters, aircraft parts and supplies, avionics.

### **Opportunities**

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Japan Aerospace International Exhibition

Location: Tokyo

Dates: October 2016

English language website: <http://www.japanaerospace.jp/eng/>

Description: Japan's only air show, held every four years. Japan Aerospace 2012 was held in Nagoya, Japan, with 655 companies from 33 countries including 69 U.S. firms. The U.S. Commercial Service Japan provided on-site counseling to the U.S. Pavilion exhibitors throughout the show.

### **Web Resources**

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Japan Civil Aviation Bureau (Ministry of Land, Infrastructure, Transport and Tourism)

Web: <http://www.mlit.go.jp/koku/english/index.html>

Society of Japanese Aerospace Companies (SJAC)

Web: [http://www.sjac.or.jp/en\\_index.html](http://www.sjac.or.jp/en_index.html)

Japan Business Aviation Association (JBAA)

Web: [http://www.jbaa.org/english/index\\_e.html](http://www.jbaa.org/english/index_e.html)



## Cosmetics/Toiletries (COS)

### Overview

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Unit: USD millions

	2011	2012	2013	2014* (estimated)
Total Market Size	17,596	18,423	15,448	15,771
Total Local Production	17,158	17,582	14,638	14,931
Total Exports	1,653	1,563	1,392	1,406
Total Imports	2,091	2,404	2,202	2,246
Imports from the U.S.	373	429	412	420
Exchange Rate: 1 USD	79.70	79.82	97.60	97.60

Data Sources: Ministry of Economy, Trade and Industry, Trade Statistics of Japan

Note: \* represents unofficial estimates of CS Japan

Measured in Japanese yen, with a 2.5% annual growth, the Japanese cosmetic market appeared to have returned to the ¥1.5 trillion level of the pre-financial crisis of 2007-2008. A sharp appreciation of the U.S. dollar made the overall 2013 market appear smaller in size but, in constant 2012 dollar terms, it could have accounted for \$18,888.

Cosmetics imports to Japan in 2013 showed a hefty increase up 11.95 to ¥214.8 billion from ¥191.8 billion a year ago. This again renewed the highest in volume since the year 2003. The U.S. remained the second largest cosmetics exporter to Japan (18.7% of the total import market) and increased its relative share from the previous year's 18.2%. France maintained its position as largest exporter with a market share of 24.6%, up 0.1% from a year earlier. China remained third with its share unchanged at 9.0% in 2013.

Skincare products as the largest import category increased to \$830.3 million in 2013. U.S. skincare imports in 2012 increased to \$199.9 million. U.S. imports accounted for 24.1% of the total skincare imports. Imports from France remained the largest in 2013 with a total volume of \$289.5 million.

The hair care product category which includes shampoos, rinses, preparations for hair perms, and hair lacquers has become the second largest import category recently. Around 2010, Thailand has started growing as a sourcing base of hair care products to Japan and has outranked the U.S. and China. 2013 imports from Thailand were \$367.3 million. This remarkable growth is reportedly attributable to the relocation of domestic manufacturing facilities by some major manufacturers to that low cost producing country. The U.S. regained the second position with \$58.9 million, up a remarkable 25.8% from a year earlier. China was third with total imports of \$49.5 million.

Fragrance imports in 2013 recorded strong growth by 9.5% to \$209.9 million. The U.S. was the third largest exporter with \$21.1 million in 2013 after France.

Make-up imports in 2013 increased 18.6% to \$276.5 million, continuing growth since 2009. France remained the leading supplier with exports \$94.5 million, followed by China with \$46.6 million. The U.S. was a close third with \$45.9 million, a remarkable jump by 30.7% from 2012.

Industry sources are cautiously optimistic about the business environment for cosmetics in 2014 despite the unfavorable exchange rate of the Japanese yen compared to the years before. Based on the constant exchange rate, the industry expects the overall market in 2014 will maintain at least 2013 levels and probably post a modest increase.

### **Sub-Sector Best Prospects**

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

Best prospects include:

Skincare cosmetics with multifunctional or crossover functions such as a combination of aging-care, skin brightening (lightening), and/or skin moisturizing as well as high performance and quick-acting spot skincare products.

Natural and/or organic products for sensitive skin and troubled skin are also becoming more popular in the marketplace.

Men's skincare and personal care products, such as cleansing foam, toning lotion, moisturizing emulsion, skin revitalizer, anti-shine refresher, deep cleansing scrub, hydrating lotion, eye soother, tanning lotion, fragrance, and deodorant products.

Fragrances, especially new product launches with a light scent.

Make-up preparations particularly mascara with moisturizing, thickening, curling, or other special features. Mineral make up products are gaining popularity.

### **Opportunities**

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Beautyworld Japan 2014

Date: May 19 – 21, 2014

Venue: Tokyo Big Sight, Tokyo

Organizer: MESAGO Messe Frankfurt Corporation

Phone: 81/3/3262-8939, Fax: 81/3/3262-8442

URL: <http://www.beautyworldjapan.com/english/tokyo/>

DIET & BEAUTY FAIR ASIA 2014 &  
SPA & Wellness JAPAN 2014

Date: September 8 – 10, 2014

Venue: Tokyo Big Sight, Tokyo

Organizer: UBM Japan Co., Ltd.

Phone: 81/3/5296-1013, Fax: 81/3/5296-1018

URL: <http://www.dietandbeauty.jp/en/>, URL: <http://www.spaandwellness.jp/en/>

COSME TOKYO 2014 & COSME TECH 2014

Date: October 20 – 22, 2014

Venue: Tokyo Big Sight, Tokyo  
Organizer: Reed Exhibitions Japan Ltd.  
Phone: 81/3/3349-8509, Fax: 81/3/3349-4922  
URL: <http://www.cosmetokyo.jp/en/>, URL: <http://www.cosme-i.jp/en/>

BioFach Japan Organic EXPO 2014  
Date: November 20 – 22, 2014  
Venue: Tokyo Big Sight, Tokyo  
Organizer: NürnbergMesse GmbH  
Phone: 49/911.86 06-86 92, Fax: 49/911.86 06-86 94  
URL: <http://www.biofach-japan.com/en/>

Tokyo Health Industry Show 2013  
Date: March 11 - 13, 2015  
Venue: Tokyo Big Sight, Tokyo  
Organizer: UBM Media Co., Ltd.  
Phone: 81/3/5296-1025, Fax: 81-3-5298-1018  
URL: <http://www.this.ne.jp/eng/>

#### Web Resources

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CS Japan Contacts: Chris Yoshiyuki Ono (Tokyo)	<a href="mailto:chris.ono@trade.gov">chris.ono@trade.gov</a>
Japan Cosmetics Industry Association	<a href="http://www.jcia.org/n/en/">http://www.jcia.org/n/en/</a>
Cosmetics Importers Association of Japan	<a href="http://www.ciaj.gr.jp/english.html">http://www.ciaj.gr.jp/english.html</a>
Japan Nailist Association	<a href="http://www.nail.or.jp">http://www.nail.or.jp</a>
Japan Cosmetic Suppliers Association	<a href="http://jcsa.ne.jp/en/index.html">http://jcsa.ne.jp/en/index.html</a>
Personal Care Products Council	<a href="http://www.personalcarecouncil.org">http://www.personalcarecouncil.org</a>

## Education and Corporate Training

### Overview

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#### Higher Education Study Abroad

(\$ Unit: USD thousand)

	2010/11	2011/12	2012/13	2013/14
Total Market Value*	\$610,000	\$590,000	\$576,000	N/A
Number of Int'l Students in U.S.**	723,277	763,495	819,644	N/A
Number of Japanese Students in U.S.**	21,290	19,966	19,568	20,000***

\*--Estimated Japanese student expenditures as 2.4 percent of total of international students' expenditures at \$24 billion.

\*\*--Number of students enrolled in schools of higher education (Source: IIE Open Doors)

\*\*\* --Unofficial CS Japan estimate

In the 2012/2013 academic year, a total of 819,644 international students studied in institutions of higher learning in the United States. International students contribute more than \$24 billion to the U.S. economy through their expenditures on tuition and living expenses. Japanese students accounted for 2.4 percent, or 19,568, of the total international students in the U.S. in 2012/13. The total number of Japanese students decreased 2 percent from the previous year.

The number of college age individuals in Japan has steadily decreased since 1992 due to the declining birth rate, and also the interest among young people in overseas study has been on the decline. Japan is the seventh leading country of origin of international students in the United States, following China, India, South Korea, Saudi Arabia, Canada and Taiwan. However, the number of student visas issued in Japan has started increasing again after declining for more than a decade. In 2009/2010, 15,014 student visas (F1 visa) were issued. Since then, the number of student visas (F1 visa) issued has been increasing, and in 2012/2013, 18,837 student visas (F1 visa) were issued. Over the past few years, the number of student visas issued grew by about 20 percent.

The United States has been, and still is, the most popular overseas destination for Japanese students seeking degree programs. The ratio of Japanese undergraduate students to graduates in the United States had been about 7:2 until several years ago, but the graduate ratio has been increasing and was roughly 2:1 in 2012/13. In addition to the 19,568 Japanese students noted above, tens of thousands of Japanese go to the United States for short-term language studies each year. The recent realization by the Japanese Government and corporate world of the need to globalize Japan's workforce, has started to influence students' interest in studying abroad. Increases in the number of inquiries about U.S. institutions and in the number of visitors to Study Abroad Fairs during 2013 were confirmed by many study abroad agencies and advising centers. Study abroad agencies are developing agent accreditation systems, a move which was welcomed by the Education Ministry.

#### Corporate Training Market

Because of the prolonged economic downturn, Japanese companies tend first to cut outside training/education costs, opting to use their low-cost, in-house trainers for the minimal training that is essential. According to a survey by the Ministry of Health, Labor and Welfare, the average expenditure of those companies (who provided off-the-job training) per employee in 2013 was ¥13,000 or \$133.2, which is still approximately half of 2008 levels, which was ¥25,000 or \$294. Competition from low-cost domestic programs is strong, although there may be a market for U.S. programs if they have unique offerings, a strong track record, and have been localized for the Japanese market. Because the ratio of truly fluent English speakers in the Japanese business environment is still small, quality localization, whether in presentation style, materials, and/or content, will be required for U.S. firms looking to succeed in Japan. In addition, Japanese firms (especially larger corporations) may be hesitant to purchase products and services directly from overseas suppliers. U.S. companies may need to partner with local companies, such as consulting companies and placement firms, which often service the training and/or workforce needs of Japanese companies. Although the business community is optimistic about the economy this year, it will take more time before companies increase their training budgets to the 2008 level and switch back to outsourcing their training needs.

### Sub-Sector Best Prospects

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#### Study Abroad:

- TOEFL scores of Japanese students are low by global standards, and are even lower with iBT testing. Hence, U.S. colleges with relaxed TOEFL score requirements for admission attract more attention.
- One-semester and one-year abroad programs are getting even more popular among Japanese college students.
- Summer short ESL courses with other programs or activities have been preferred by Japanese schools.

"Globally-competent businesspeople" has become the order of the day. Many students have become serious about improving their English proficiency to get good jobs after graduation. More students are interested in intensive English programs with business-related subjects. However, the recent depreciation of the yen (¥79.70 in 2011, ¥79.82 in 2012, and ¥97.60 in 2013/\$1.00) has made many students price-sensitive, and new competition is coming from some markets which offer low-cost short-term ESL programs targeting Japanese students on tight budgets.

### Opportunities

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Event: The Association of Boarding Schools (Tokyo)  
Date: Fall, exact date TBD (but most likely in early or middle of November)  
Website: <http://www.boardingschools.com/for-schools.aspx>

Event: student recruiting fairs by leading study abroad agents  
Date: Spring (mainly for ESL programs) & fall (heavier focus on degree programs).

Event: America EXPO 2014 Japan (College Fair, etc.)  
Date: September 13, 2014  
Website: <http://americaexpo.jp/for-us-institutions/>

JASSO (Japan Student Services Organization) [http://www.jasso.go.jp/index\\_e.html](http://www.jasso.go.jp/index_e.html)  
Ministry of Education, Culture, Sports, Science, and Technology

CS Japan Contact: Ms. Minae Suzuki [http://www.mext.go.jp/english/  
Minae.Suzuki@trade.gov](http://www.mext.go.jp/english/Minae.Suzuki@trade.gov)

## Medical Equipment (MED)

### Overview

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Unit: USD millions

	2012	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size	32,493	34,434	35,089	35,422
Total Local Production	23,744	23,977	24,193	24,411
Total Exports	6,140	5,994	6,048	6,103
Total Imports	14,888	16,451	16,945	17,114
Imports from the U.S.	7,350	8,884	9,828	9,242
Exchange Rate: 1 USD	79.82	79.60	79.60	79.60

#### Data Sources:

Total Local Production: GOJ Ministry of Health, Labour and Welfare (MHLW, uses British spelling for the official name)

Total Exports: MHLW

Total Imports: MHLW

Imports from U.S.: MHLW

Figures for 2013, 2014 and 2015 are unofficial CS Japan estimates.

Japan's market for medical devices and materials continues to be among the world's largest. According to the latest official figures from the Ministry of Health, Labor and Welfare (MHLW) Annual Pharmaceutical Production Statistics, the Japanese market for medical devices and materials in 2012 was approximately \$32.5 billion (up 8.7 percent from 2011 in yen terms). Japan's total imports of U.S. medical devices were approximately \$7.4 billion in 2012. Based on preliminary reports from MHLW, the Japanese market for medical devices and materials was projected to have increased in yen terms in 2013. In the near term, the market is expected to increase in a measured fashion due to Japan's aging population and continued demands for advanced medical technologies. The market remains heavily dependent on imports, especially sophisticated medical technologies. U.S. exports to Japan were limited to a 23 percent market share according to the official figures. However according to the American Medical Devices and Diagnostics Manufacturers' Association (AMDD), a trade association of Japanese operations of U.S. medical devices and diagnostics companies, 58% of "new medical devices" approved in Japan during the last 7-year period were from its member companies.

Prime Minister Shinzo Abe's economic revitalization and growth strategy introduced in June 2013 includes the promotion of domestic pharmaceutical and medical device industries. Japan thus identified the medical device and pharmaceutical industries as key areas for business promotion and development. The strategy includes measures such as accelerating regulatory approvals and eliminating so-called "medical device lags" and "drug lags" in market introduction as well as rewarding innovative medical devices and pharmaceuticals among other measures. As a part of the strategy, the Government obtained Diet approval in November 2013 of amendments to the Pharmaceutical Affairs Law (PAL). The Diet revised the law to reflect the characteristics of medical devices separately from pharmaceuticals, and the medical review process is expected to be further improved through the revised PAL and related regulations.



While the regulatory environment is expected to continue improving and the market for U.S. medical equipment in Japan remains strong, U.S. firms face challenges with pricing and reimbursement due to the GOJ's efforts to contain overall healthcare costs as a result of Japan's aging population. The GOJ implemented pricing policies, such as Foreign Average Price (FAP), to cut medical device reimbursement rates. In 2014 reimbursement revisions, the GOJ again changed the FAP rule by excluding the highest price under certain conditions in the foreign average price calculation method. GOJ also changed the recalculation rule by reducing the foreign average price multiplier of 1.5 times to 1.3 times under certain conditions. Despite the fact that the FAP rule has substantially narrowed foreign price differentials between Japan and overseas markets through the past seven reimbursement revisions, the price differential still remains as an issue to be solved within the GOJ. Also, as national health expenditures are expected to increase further in coming years, the GOJ will continue to take measures to contain overall healthcare costs including reducing medical device reimbursement rates.

### Sub-Sector Best Prospects

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

### Opportunities

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Event: MEDTECH Japan 2014  
Date: April 9 - 11, 2014  
Venue: Tokyo Big Sight  
Web: <http://www.medtecjapan.com/en>

Event: The International Modern Hospital Show 2014 (IMHS2014)  
Date: July 16 - 18, 2014  
Venue: Tokyo Big Sight  
Web: <http://www.noma.or.jp/hs/eng/2014/outline/index.html>

Event: HOSPEX Japan 2014  
Date: November 12 -14, 2014  
Venue: Tokyo Big Sight  
Web: <http://www.jma.or.jp/hospex/en/index.html>

### Web Resources

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CS Japan Contact: Mr. Hiroyuki Hanawa (Tokyo)  
Ministry of Health, Labour and Welfare (MHLW)  
Pharmaceutical and Medical Device Agency (PMDA)  
Advanced Medical Technology Association (AdvaMed)  
The American Medical Devices and Diagnostics  
Manufacturers' Association (AMDD)  
Japan Federation of Medical Device Associations

[Hiroyuki.Hanawa@trade.gov](mailto:Hiroyuki.Hanawa@trade.gov)  
[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)  
[amdd.jp/en/index.html](http://amdd.jp/en/index.html)  
[www.jfmda.gr.jp](http://www.jfmda.gr.jp)

## Nuclear Decontamination in Fukushima

### Overview

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Budget for decontamination

Unit: USD millions

	2012	2013	2014	2015 (estimated)
Total Market Size	4,500	6,200	4,924	n/a
Total Local Production	4,500	6,200	4,924	n/a
Total Exports	0	0	0	0
Total Imports	n/a	n/a	n/a	n/a
Imports from the U.S.	n/a	n/a	n/a	n/a
Exchange Rate: 1 USD	100	100	100	n/a

(Source: Ministry of the Environment, Government of Japan)

The nuclear accident at the Fukushima Daiichi Nuclear Power Plant resulting from the March 2011 earthquake and tsunami that hit Northeast Japan released large amounts of radiological material into the surrounding environment and led to the evacuation of most of the residents living within a 19-mile radius of the plant.

The Government of Japan (GOJ) estimates that 770,000 Tera-Becquerels of radiological materials, mainly Cesium 134, Cesium 137, and Iodine 131, were spread in Fukushima Prefecture across a 63-mile radius from the plant.

Since 2011, Japan's Ministry of the Environment (MOE), under the oversight of the Reconstruction Agency, has been leading the effort to clean up the contaminated areas and restore them to a state in which those evacuated can return.

There are two categories of contaminated areas: "Special Decontamination Areas," where the national government oversees the decontamination, and "Intensive Contamination Survey Areas," where local municipalities oversee the decontamination with financial and technical support from the national government. As of June 2013, 100 municipalities in eight prefectures, in which over 1 mSv per year of additional exposure doses were observed, have been designated as "Intensive Contamination Survey Areas."

The MOE, as well as local governments in Fukushima and other Prefectures, are commissioning new decontamination projects on a regular basis.

Decontamination efforts are now moving from simple cleaning or removal of radiological material to storage and disposal of radiological waste, which presents business opportunities for U.S. firms looking to assist Japan in its clean-up effort, provided these firms take a long-term view.

Soil removed during the decontamination work has been stored in temporary storage sites, with safety countermeasures taken to shield the radiation and prevent leakage and drainage into the environment. The MOE is now consulting with stakeholders in Fukushima Prefecture to install interim storage facilities to safely store and manage the large amounts of this soil and waste until a final disposal solution is decided.

The U.S. Commercial Service in Japan works closely with the MOE to better understand the situation in Fukushima and offers suggestions concerning the remediation process.

### **Sub-Sector Best Prospects**

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U.S. firms that possess unique and cost-effective products/technologies that can be used in upcoming decontamination projects could have good prospects for success in Japan.

U.S. firms wishing to enter the Japanese market and participate in this nuclear decontamination work should consider teaming with a reputable, well-connected agent, distributor, or other partner, and cultivating business contacts through frequent personal visits.

Japan's business culture attaches a high degree of importance to personal relationships, and these take time to establish and nurture.

Patience and repeated follow-up are typically required to clinch a deal.

The U.S. Commercial Service in Japan is ready to help U.S. firms make these essential contacts and seek partners in Japan.

The GOJ has established technologies to be used for nuclear remediation work in Japan. In order to add more approved technologies, the GOJ solicits new and promising decontamination technologies on a regular basis. While the latest solicitation was made in February 2014, we believe that new solicitations will be announced sometime in the future.

During the last solicitation, expertise was sought in categories such as: more efficient decontamination; contaminated waste volume reduction; contaminated waste treatment; transportation and temporary/interim storage; other decontamination-assisting technologies.

Interested U.S. firms should familiarize themselves with the currently applied or approved technologies in order to better assess the suitability of their products/technologies for this remediation work.

### **Opportunities**

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#### **Japan-U.S. Decommissioning and Remediation Fukushima Recovery Forum**

In February 2014, the U.S. Embassy in Tokyo organized the "Fukushima Recovery Forum" in Tokyo. Scores of networking meetings between U.S. and Japanese firms were arranged as a means to capitalize on the improvements made over the past months by Japanese authorities to clarify both remediation and decommissioning needs, and the framework under which U.S. could participate. The Forum brought together 51 representatives from 26 U.S. firms and 101 representatives from 46 Japanese firms to discuss potential partnerships to help with Fukushima recovery. The next Forum is planned at the beginning of 2015.

#### **Market Alert**

With an aim of providing U.S. firms with the latest updates on this remediation work and opportunities, we post critical information in a “Market Alerts” section of our website for U.S. firms with technologies and know-how that are ready to pursue work in nuclear remediation and storage and/or disposal of contaminated materials. Interested firms can access these “Market Alerts” via our website at:

<http://export.gov/japan/fukushima/index.asp>

## Trade Event

### RADIEX 2014

(Radioactive Decontamination & Radioactive Waste Disposal International Exhibition)

Date: September 24-26, 2014

Venue: Science Museum, Tokyo

Organizer: The Environmental News (Kankyoshimbunsha Co., Ltd.)

URL: <http://www.radiex.jp/e/index.html>

## Web Resources

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Ministry of the Environment (MOE)

<http://josen.env.go.jp/en/>

Ministry of Education, Culture, Sports, Science and Technology (MEXT)

<http://www.mext.go.jp/english/>

Cabinet Office, Government of Japan (CAO)

<http://www.cao.go.jp/index-e.html>

Reconstruction Agency

<http://www.reconstruction.go.jp/english/>

Fukushima Prefecture

<http://www.cms.pref.fukushima.jp/>

Fukushima City

<http://www.city.fukushima.fukushima.jp/>

Fukushima Kankyo Saisei Office (Local office of MOE)

<http://tohoku.env.go.jp/fukushima/>

Japan Atomic Energy Agency (JAEA)

<http://www.jaea.go.jp/english/index.shtml>

Decontamination Information Plaza (MOE)

<http://josen-plaza.env.go.jp/>

DTOX (Decontamination Technology

Options eXploration)

<https://www2.env.go.jp/dtox/>

For further information or assistance, please contact: Takahiko Suzuki, Commercial Specialist, U.S. Commercial Service Japan, U.S. Embassy Tokyo at

[takahiko.suzuki@trade.gov](mailto:takahiko.suzuki@trade.gov)

## Pharmaceuticals (DRG)

### Overview

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Unit: USD millions

	2012	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size	120,978	121,743	123,739	124,976
Total Local Production	87,406	84,482	85,327	86,180
Total Exports	1,724	1,690	1,707	1,724
Total Imports	35,297	38,951	40,119	40,520
Imports from the U.S.	6,617	7,790	8,024	8,104
Exchange Rate: 1 USD	79.82	79.60	79.60	79.60

Data Sources: GOJ Ministry of Health, Labour and Welfare

(MHLW, uses British spelling for the official name)

Figures for 2013, 2014 and 2015 are unofficial CS Japan estimates.

Japan continues to be the second largest pharmaceuticals market in the world after the U.S. According to the latest official figures from the Ministry of Health, Labor and Welfare (MHLW) Annual Pharmaceutical Production Statistics, the Japanese market for prescription and nonprescription pharmaceuticals in 2012 totaled \$121 billion (up 2.9 percent from 2011 in yen terms). More than 90 percent of the total market consists of prescription pharmaceuticals. Imports of foreign pharmaceuticals accounted for approximately 30 percent of the total Japanese market in 2012. Japan's total imports of U.S. pharmaceuticals totaled \$6.6 billion in 2012, a 5 percent market share. However, the total market share of U.S.-origin pharmaceuticals in Japan would be significantly higher than suggested by official statistics (approaching 20 percent) if local production by U.S. firms and compounds licensed to Japanese manufacturers were included.

In the near term, the size of the market is expected to increase due to continued demands for drugs from Japan's aging population and the rising number of chronic and long-term diseases. Prime Minister Shinzo Abe's economic revitalization and growth strategy, introduced in June 2013, aimed to expand the target pharmaceutical market size to ¥12.8 trillion in 2020, a 1.3-fold increase from the current ¥9.6 trillion.

In the 2010 bi-annual price revision, the GOJ implemented a new premium system that minimizes downward price revisions on new drugs for which there are no corresponding generics on a trial basis. This was a major positive development for pharmaceutical firms. In the 2014 price revision, the GOJ decided, for the second time in a row, to continue the new premium system trial for an additional two years starting from April 1, 2014. Both Japanese and foreign pharmaceutical industries will continue calling for making the new pilot premium system permanent in the planned 2016 price revision as they believe that the system is working as expected and will lead to elimination of the drug lag in the long-term. The extension of the new premium system trial was a positive development for pharmaceutical firms. However, in the 2014 price revision, the GOJ implemented certain pricing policies that create a more challenging environment for U.S. pharmaceutical firms such as modification of a "foreign price adjustment" rule. As national health expenditures are expected to increase further in coming years, the GOJ will continue to take measures to contain overall healthcare costs.

Contrary to certain negative implications of the GOJ's pricing policies, positive developments appeared with regard to the regulatory environment for drugs in Japan. Review times were reduced as a result of a series of measures taken by the GOJ to reduce the drug lag. The Pharmaceuticals and Medical Devices Agency (PMDA) in particular continues to exceed its performance goals in terms of the total review time (in median).

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Circulatory products maintained the largest market share with 18.1% against a backdrop of aging. Other top selling pharmaceuticals in terms of therapeutic category in Japan include anti-tumor agents and biologics. On the other hand, the market share of pharmaceuticals for digestive organs and antibiotic formulation has declined.

The vaccine market is expected to grow as the GOJ has been taking measures to reduce the “vaccine lag”, in other words, the disparity between the number of vaccines available in the U.S. and other industrialized countries and the number of vaccines available in Japan.

Generics will also have good potential in the Japanese market as the GOJ continues to regard the promotion of generics as a key solution to reducing soaring healthcare costs. According to the Japanese research company Fuji Keizai, the domestic generic market will grow 41.1% from ¥551.2 billion in 2012 with an increase to ¥777.9 billion in 2016.

### Opportunities

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Event: INTERPHEX JAPAN  
Date: July 7-4, 2014  
Venue: Tokyo Big Sight  
Web: [www.interphex.jp/en/Home/](http://www.interphex.jp/en/Home/)

Event: CPhI Japan 2015  
Date: April 22 - 24, 2015  
Venue: Tokyo Big Sight  
Web: <http://www.cphi.com/japan/home/>

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CS Japan Contact: Mr. Hiroyuki Hanawa (Tokyo)	<a href="mailto:Hiroyuki.Hanawa@trade.gov">Hiroyuki.Hanawa@trade.gov</a>
Ministry of Health, Labor and Welfare (MHLW)	<a href="http://www.mhlw.go.jp">www.mhlw.go.jp</a>
Pharmaceutical and Medical Device Agency (PMDA)	<a href="http://www.pmda.go.jp">www.pmda.go.jp</a>
Pharmaceutical Research and Manufacturers of America	<a href="http://www.phrma-jp.org">www.phrma-jp.org</a>
The Japan Pharmaceutical Manufacturers Association	<a href="http://www.jpma.or.jp">www.jpma.or.jp</a>
The Federation of Japan Pharmaceutical Wholesalers Association (JPWA)	<a href="http://www.jpwa.or.jp">http://www.jpwa.or.jp</a>
Pharmaceutical and Medical Device Regulatory Science Society of Japan (PMRJ)	<a href="http://www.pmrj.jp">http://www.pmrj.jp</a>
The Pharmaceutical Society of Japan (PSJ)	<a href="http://www.pharm.or.jp">http://www.pharm.or.jp</a>
Japan Generic Medicines Association (JGA)	<a href="http://www.jga.gr.jp">http://www.jga.gr.jp</a>

## Renewable Energy

### Overview

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Installed Generation Capacity of 2014 (at the end of Jan., 2014)\*

unit: Megawatt

	Before FIT	After FIT		Certified Capacity
	Accumulated Capacity up to end of June 2012	Installed Capacity July 2012- Mar. 2013	Installed Capacity April 2013 - Jan. 2014	After FIT July 2012 – Jan. 2014
<b>Solar (residential)</b>	4,700	969	1,133	2,370
<b>Solar (non-resid.)</b>	900	704	4,608	28,774
<b>Wind</b>	2,600	63	11	967
<b>Hydroelectric</b>	9,600	2	3	253
<b>Biomass</b>	2,300	300	89	846
<b>Geothermal</b>	500	1	0	13
<b>Total</b>	20,600	1,769	5,844	33,223 (851,455 cases)
		7,613 (562,278 cases)		

\*April 18, 2014 issued by Ministry of Economy, Infrastructure, and Transportation

We expect Japan's future energy strategy will see a substantial reduction in the use of nuclear power and a massive deployment of renewable energy. Japan market ranks #17 in the U.S. Department of Commerce, International Trade Administration's 2014 Renewable Energy Top Markets Report. The Government of Japan (GOJ) introduced a Feed-in-Tariff (FiT) in July 2012, boosting electric power generated by renewable sources. The total market size for PV alone reached \$13.5 billion on a sales-price base during in 2013. Even after the FiT was adjusted downward in April 2013 for solar from ¥42 to ¥36 (over 10kW) and to ¥32 in April 2014, it is still attractive to developers and the new FiT for wind power, coupled with deregulation, are expected to spur renewable energy development. The GOJ aims at achieving 214 terawatt hours from renewable sources by 2030, accounting for 20% of all electricity generated in Japan. We anticipate continued high growth in the renewable energy sector in coming years, providing excellent export opportunities for U.S. firms that have cutting-edge, cost-competitive products and services.

Note: Renewable energy here is defined as electricity produced from solar (both residential and non-residential), wind, biomass, and geothermal.

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#### Solar PV

Solar PV was the first technology to see a boost from the FiT because solar installations have short lead times and are not subject to long environmental impact assessment studies. Residential solar power used to account for 80% of the total solar power generated, but since the introduction of the FiT, industrial solar power now accounts for 71% of total solar power generated in Japan. As seen in above table, non-residential solar power capacity recorded during the period of July 2012 to March 2012 was 704MW and it increased to 4608MW during the period of April 2013 to January 2014.



In value terms, industrial PV grew 546% to \$6.15 billion in Japanese fiscal year 2012 (April 2012 to March 2013) compared to the previous year. Overall, Yano Research Institute predicts that the total solar market size will reach its peak in 2014 at \$22.9 billion, but industrial solar will gradually decrease toward 2020 as large mega projects get constructed. Residential solar on the other hand, is expected to continue to grow during the same time period.

Since the introduction of the FiT, Japan has seen a steady increase in generation capacity. Accumulative generation power through January 2014 reached 7,613 MW (7.6GW). The FIT is predicted to be reduced again to ¥30 per kilowatt-hour (kWh) in 2015, and coupled with anticipated land shortages, could mean a slowdown in additional projects. Yet the GOJ anticipates sustained capacity growth with expected cost reduction by technology development and standardized installation methods. Currently two types of companies are leading most mega-solar projects: 1) companies with electrical expertise that were suppliers to electrical utilities, and 2) consortiums led by large trading companies that include major construction companies.

### **Wind Power Generation**

Japan's wind resources are concentrated in the northern part of Japan (Hokkaido and Tohoku) and the southern part of Kyushu. Wind power is a major portion of renewable generation in the U.S. and Europe, but it is underrepresented in Japan. Despite a FiT of ¥22 for over 20kW, newly install capacity actually when down slightly in 2013, due in large part to environment impact assessment requirements introduced in October 2012, according to the Japan Wind Power Association (JWPA). As for the size of wind turbines in Japan, most are 2,000 kW and larger. Wind power, when developed on a large scale, is quite cost effective. However, the larger the plant, the higher the initial investment (approx. \$300 million for 100MW for an onshore and \$1 billion for an offshore wind), and such high costs are hindering large developments. However, the GOJ just introduced a new FiT for offshore wind, ¥36, and will streamline an environment assessment process that currently takes four to five years. The GOJ is also address the lack of well-developed transmission grid lines in the areas with wind resources. The Ministry of Economy, Transportation, and Industry (METI) is developing a new financial scheme for utilities and developers to share the burden of expanding the grid to accommodate wind power generation.

### **Geothermal Power Generation**

Although Japan has the world's third largest geothermal reserves (behind Indonesia and the U.S.), the country utilizes only 10% of its available resources. Currently there are 17 geothermal power plants (5.2GW). Hindered by an administrative ordinance that limits the number of geothermal power stations in natural parks to six, and by regulations such as the Natural Park Law, no new plant has been constructed since the Hachijojima Geothermal Power Station started operation in 1999. The GOJ has been looking at ways to ease regulations governing access to geothermal resources, and partial deregulation has recently been adopted to generate a positive example of new geothermal power station development.

### **Biomass Power Generation**

Japan has utilized a variety of biomass fuels as sources of electricity generation: wood waste, raw garbage, livestock waste, sewage sludge, industrial waste, agricultural waste, etc. Traditionally, wood biomass holds the largest share of all the other waste-based fuel sources in Japan. Under the FiT, biomass fuels are grouped into four

categories: biogas (the highest rate at ¥39/kW), timber from forest thinning, other woody materials, waste (excluding wood waste), and recycled wood. Japan distinguishes plants which only burn wood biomass from thermal plants which use wood biomass as part of a fuel source, and there are a total of 56 biomass plants that qualify as renewable. Before the FIT law was implemented, biomass power generation had been the second largest renewable power source in terms of electricity sold to the power utilities. We expect steady growth in this sector.

## Opportunities

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### World Smart Energy Week 2015

Date: February 25 – 28, 2015  
Venue: Tokyo Big Sight, Tokyo  
Organizer: Reed Exhibition Japan Ltd.  
URL: <http://www.wsew.jp/en/>

### PV Japan 2015

Date: July 30-August 1, 2014  
Venue: Tokyo Big Sight, Tokyo  
Organizer: Japan Photovoltaic Energy Association (JPEA)  
URL: <http://www.jpea.gr.jp/pvj2014/>

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CS Japan Contact: Misa Shimizu	<a href="mailto:misa.shimizu@trade.gov">misa.shimizu@trade.gov</a>
ITA 2014 Renewable Energy Top Markets Report	<a href="http://export.gov/reee/eg_main">http://export.gov/reee/eg_main</a>
Agency for Natural Resources and Energy	<a href="http://www.enecho.meti.go.jp/en/">http://www.enecho.meti.go.jp/en/</a>
Ministry of Economy, Trade and Industry	<a href="http://www.meti.go.jp/english">http://www.meti.go.jp/english</a>
New Energy and Industrial Technology Development Organization	<a href="http://www.nedo.go.jp/english">http://www.nedo.go.jp/english</a>
Japan Photovoltaic Energy Association	<a href="http://jpea.gr.jp">http://jpea.gr.jp</a>
Japan Wind Power Association	<a href="http://jwpa.jp/index_e.html">http://jwpa.jp/index_e.html</a>

## Safety and Security (SEC)

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	7,230,020	5,962,100	5,948,770	6,018,440
Total Local Production	7,822,882	6,677,552	6,662,622	6,740,653
Total Exports*	1,315,864	1,311,662	1,308,729	1,324,057
Total Imports*	723,002	596,210	594,877	601,844
Imports from the U.S.*	n/a	n/a	n/a	n/a
Exchange Rate: 1 USD	79.82	97.60	97.60	97.60

Data Source:

Total Market Size: Japan Security Systems Association and Fuji Keizai

\*figures are unofficial CS Japan estimates

According to the Fuji Keizai Research Company, Japan's security systems industry, including equipment and services, is projected to have steady growth for the next few years.

With the planned 2020 Tokyo Olympic Games, investment in new technologies for security equipment and disaster prevention management will be a main driving force for the physical security market. This future event is providing good potential business and partnership opportunities for U.S. firms now.

The mid-term outlook for the IP (Internet Protocol) -based surveillance systems market is expected to grow due to increasing demand for replacement and upgrade of existing systems. The development of various IP-based systems along with cloud computing has had a significant impact on the physical security market. There are various potential business opportunities in IP-based security systems and equipment which employ more sophisticated digital technologies.

In light of the experiences of the 2011 disaster in Japan, many Japanese companies had to review and modify their existing Business Continuity Planning (BCP) to cope with possible risks. The demands for BCP solutions including consulting service and disaster prevention solutions are expected to sustain growth. Cloud-based disaster recovery services have become a popular way to protect important company data and there are great potential business opportunities in this area. Due to growing awareness about natural disaster prevention measures, the market demand for business continuity and disaster management-related solutions will steadily grow over the next few years. According to the Japanese research company Yano Research, the BCP/disaster prevention solution market will grow 2.5% from ¥187.6 billion in 2011 to ¥223.4 billion (or \$2.3 billion) in 2018.

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U.S. security-related products for the government procurement and anti-terrorism market enjoy a favorable position in the Japanese market, as U.S. technological leadership in

such products is highly recognized. Steady demand is expected in the Japanese airport security market, since Japanese airports are highly receptive to new security technologies and comply with International Civil Aviation Organization standards.

There are good potential growth opportunities in next generation surveillance technologies including video analytics applications and smart cameras.

There has also been an increase in demand from the public and private sector for enhanced information security solutions to combat the growing threat of cybercrime, cyber terrorism and identity theft.

## Opportunities

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### Security Show

Organized by Nikkei Inc.

March 4-7, 2014

<http://www.shopbiz.jp/en/ss/>

### Office Security Expo

Organized by Reed Japan

July 16-18, 2014

<http://www.osec.jp/>

### Risk Control in Tokyo (RISCON) - Safety and Security Trade Expo

Special Equipment Exhibition & Conference for Anti-Terrorism (SEECAT)

Organized by Tokyo Big Sight Inc.

October 15-17, 2014

<http://www.kikikanri.biz/english/index.html>

<http://www.seecat.biz/english/>

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CS Japan Contact: Ms. Kazuko Tsurumachi	<a href="mailto:kazuko.tsurumachi@trade.gov">kazuko.tsurumachi@trade.gov</a>
Cabinet Office Disaster Management	<a href="http://www.cao.go.jp/en/disaster.html">http://www.cao.go.jp/en/disaster.html</a>
National Police Agency	<a href="http://www.npa.go.jp/english/index.htm">http://www.npa.go.jp/english/index.htm</a>
Fire & Disaster Management Agency	<a href="http://www.fdma.go.jp/en/">http://www.fdma.go.jp/en/</a>
Japan Fire Equipment Inspection Institute	<a href="http://www.jfeii.or.jp/en/index.html">http://www.jfeii.or.jp/en/index.html</a>
Japan Security Systems Association	<a href="http://www.ssaj.or.jp/index.html">http://www.ssaj.or.jp/index.html</a>

## Telecommunication Equipment (TEL)

### Overview

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Unit: USD millions

	2012	2013	2014	2015
Total Market Size	39,751	32,122	32,111	31,714
Total Local Production	40,352	32,839	32,797	32,438
Total Exports	4,637	4,001	3,966	3,967
Total Imports	4,035	3,284	3,280	3,244
Imports from the U.S.	970	809	825	842
Exchange Rate: 1 USD	79.82	97.60	97.60	97.60

Data Sources:

Total Local Production: CIAJ

Total Exports: CIAJ

Total Imports: CIAJ and unofficial CS estimate

Imports from U.S.: CIAJ and unofficial CS estimate

The Japanese economy is recovering mildly and the rise of broadband Internet and smartphone use is boosting certain equipment sales and telecommunications services.

The Japanese telecommunication equipment market traditionally has been relatively closed to U.S. and other foreign producers, whose market share remain still low. However, the relatively large size of the Japanese market ensures that it will remain important for U.S. exporters. In 2013, Japan was the fifth largest market for telecommunications equipment imports, after Mexico, Canada, China, and Hong Kong. Although Japan has no tariffs on telecommunications equipment, U.S. firms allege various nontariff barriers to their sales in the Japanese market.

Nonetheless, changes in Japan's telecommunications business climate could provide new opportunities for U.S. equipment producers.

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Smart phones/Tablets: touch-screen materials, image sensors, removable storage

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NTT Corporation, KDDI Corporation and Softbank Corporation are the biggest players in the industry. The growing popularity of smart phones was largely stimulated by manufacturers including some foreign firms, adding functions to adapt to Japanese consumer's needs. Telecom companies are moving quickly to deploy 4G networks and devices. In addition, telecom companies in Japan may consider options for expanding embedded mobile capabilities, which can add significant value. U.S. suppliers with proven experience in these businesses have potential opportunities in the Japanese telecommunication market.

NTT Docomo is receiving proposals from potential suppliers. Please check URL below for how to submit the proposal.

[http://procure.docomo-de.net/corporate/procure/en/proposeStep.action#p01\\_02](http://procure.docomo-de.net/corporate/procure/en/proposeStep.action#p01_02)

**Interop Tokyo**

<http://www.interop.jp/2014/english/>

Makuhari Messe (Chiba, Japan)

June 9 - 13, 2014

**CEATEC Japan**

<http://www.ceatec.com/en/application>

Makuhari Messe (Chiba, Japan)

October 7- 11, 2014

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**Communications and Information Network Association of Japan (CIAJ)**

<http://www.ciaj.or.jp/en/>

CS Japan Contact: Rika Saito [Rika.Saito@trade.gov](mailto:Rika.Saito@trade.gov)

## Travel and Tourism

### Overview

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Unit: USD millions

	2012	2013 (estimated)	2014 (estimated)	2015 (estimated)
Total Market Size <sup>(1)</sup>	130,977	115,642	122,422	129,767
Total Outbound Market	58,381	47,439	49,898	52,392
U.S. Share of Outbound Market	16,527	18,000	18,360	18,727
Exchange Rate: 1 USD	79.82	97.60	97.60	97.60

Unit: millions of people

	2012	2013 (estimated)	2014 (estimated)	2015 (estimated)
Number of Outbound Travelers	18.49	17.47	17.82	18.18
Number of Outbound Travelers to the U.S.	3.70	3.73	3.77	3.81

#### Data Sources:

Total Market Size: Japan Tourism Agency (JTA), JTB Corp., and unofficial CS Japan estimates

Total Outbound Market: JTB Corp., and unofficial CS Japan estimates

U.S. Share of Outbound Market: U.S. Department of Commerce, Office of Travel and Tourism Industries (USDOT/OTTI), and unofficial CS Japan estimates

Number of Outbound Travelers: GOJ Ministry of Justice, Japan National Tourism Organization (JNTO), and unofficial CS Japan estimates

Number of Outbound Travelers to the U.S.: USDOT/OTTI

#### Note:

(1) Total market size includes spending on overnight trips. Spending on day trips is not included.

In 2013, Japan was the fourth largest overall source of inbound travelers (and second largest overseas source) to the U.S., attracting 3.73 million visitors. From the Japan side, the total number of Japanese outbound travelers in 2013 was 17.5 million, and the U.S. continues to be one of the most popular destinations for Japanese visitors holding 21 percent of Japan's market for outbound travel. Japanese spending in the U.S. remained healthy with travel and tourism receipts totaling \$18 billion, a nine percent increase over the previous year, and among all countries, second only to Canada.

Three peak holiday periods occur in Japan: Golden Week (spring), Obon (summer), and end of the year into the first week of the New Year. Golden Week, generally a popular time to travel abroad, occurs at the end of April/early May, during which four Japanese public holidays can be extended into a five-to-nine day vacation. The summer Obon holiday occurs around August 15. Since the longest school holiday of the year also occurs at this time, August is the peak month for all Japanese travel. Many Japanese companies and organizations also close during the last week in December until just after

the New Year for the year-end holidays, making it a very popular time to travel abroad. All long holiday periods present excellent opportunities for travel to the United States. With an increase in new nonstop flights from Boston, Seattle, San Diego, San Jose and Denver to Tokyo, and from September 2013 with the start of the “Discover America Project” by Brand USA and the Japan Association of Travel Agents (JATA), Japanese travel companies are eagerly looking for ideas for new tours. Now is an excellent time for the U.S. travel industry to renew efforts to promote their destinations and services in the Japanese market.

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### **(1) Senior Travel Market**

Within the Japanese outbound travel market, the senior travel segment has good growth potential for U.S. firms and destinations. While the size of the Japanese population continues to decrease, the number of people aged 60 and over has been steadily increasing. Projections indicate that by 2015, one out of every three people in Japan will be over the age of 60, which will be approximately 42 million people (of the total population of 127 million). The Japanese senior segment, especially the 6.6 million baby boomers born between 1947 and 1949, was strongly influenced by American music, film and TV when growing up. As a result, these baby boomers, especially Japanese males, have a favorable impression of American lifestyle and culture. These seniors have time, money and energy to spend on leisure travel and are the best match for long-haul destinations such as those in the United States.

### **(2) Special Interest Tours (SITs)**

While the majority of Japanese travelers still enjoy nature and scenery, shopping, gourmet food, history and culture, some travelers have a more specific purpose in mind such as attending sporting events or engaging in favorite activities such as hobbies. In Japan, these tours are called Special Interest Tours, or SITs. The number of Japanese SIT travelers has gradually increased in the past few years. These tourists are interested in traveling with others who share the same interests and have the potential to become repeat travelers. The following are examples of themes that appeal to Japanese travelers:

- Spectator sports such as professional baseball, basketball, soccer, golf, car racing and Olympics
- Participation in amateur marathons
- Sports activities such as golfing, hiking, fishing, diving, skiing, driving, cycling and other outdoor sports
- Art and cultural tours such as visiting museums and art galleries, and going to concerts and theaters
- UNESCO World Heritage Site tours
- Hobby tours such as quilting, photo taking, drawing, and dancing
- Train tours
- Cruises

## **Opportunities**

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Event: JATA Tourism EXPO Japan 2014 – Brand USA Pavilion  
Date: September 25-28, 2014



Venue: Tokyo Big Sight  
Web: <http://t-expo.jp/en/index.html>

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CS Japan Contact: Ms. Tamami Honda (Tokyo)  
Brand USA Japan Office  
Japan Tourism Agency  
Japan Association of Travel Agents (JATA)

[tamami.honda@trade.gov](mailto:tamami.honda@trade.gov)  
<http://www.discoveramerica.com/jp/>  
<http://www.mlit.go.jp/kankocho/en/>  
<http://www.jata-net.or.jp/english>

The United States remained Japan's top supplier of agricultural products, with a 24 percent market share in 2013. However, China, Australia, Canada, Thailand, and Brazil have grown as strong competitors for the United States. In CY 2013, U.S. farm, forestry, and fishery exports to Japan fell slightly from \$15.09 billion to \$13.8 billion. However, much of that was due to the decline in feeds and fodders caused by the 2012 drought in the United States. In that same period, consumer ready products grew about 2 percent, from \$6.25 billion to \$6.36 billion, driven mainly by beef, dairy products, and tree nuts. In 2012, the value of Japan's consumer food and beverage market-- food retail and food service sector combined-- was valued at around \$812 billion. For complete agricultural statistics, please visit the web site of the USDA's Foreign Agricultural Service at <http://www.fas.usda.gov/data>.

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, Supermarket Trade Show, and International Food Ingredients & Additives Exhibition and Conference (IFIA) 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 2020, 29.2 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 offer health benefits, such as lowering cholesterol, or containing a high level of antioxidants have a marketing advantage in Japan. Local supermarkets already carry an assortment of functional foods such as energy drinks, bars, and snacks containing dried fruit and nuts, offering to provide nutritional health benefits. In addition, consumers are able to purchase boxed meals supporting specific dietetic programs. Catering to the elderly and institutional markets – cafeterias, schools, and hospitals – food preparers are increasingly serving ready-to-eat meals while trying to preserve the appearance of traditional dishes. For example, when serving deboned fish dishes, the meat is reshaped and presented in the form of a fish.

Since the 1960's, the Japanese diet has become dramatically westernized. Rice and tofu-based products have been replaced by meat and dairy as the main source of protein. For example, per capita protein consumption of rice fell from 32 percent in 1960 to 12.4 percent in 2010 while per capita protein consumption of meat went from five percent in 1960 to 18.3 percent in 2010. Per capita protein consumption for dairy products also increased from 2.5 percent in 1960 to 9.5 percent in 2010. In addition to the popularity of western food, food trends have recently become more complex. Various ethnic foods are also becoming popular and are often combined with Japanese cuisine creating "fusion" foods. In addition, to "fusion" foods restaurants, there are also more authentic ethnic food restaurants that cater to the broadening Japanese palate. Hence, to satisfy demand for non-traditional foods, restaurants are seeking a wider variety of

international food ingredients. Another aspect of diversification is the trend of "individual eating", or convenience foods. Because of the busy, fast paced lifestyle of modern Japanese, it has become less common for all family members to eat together. "Individualization" of eating makes convenience an essential factor. Microwave (or semi-prepared) food and Home Meal Replacement (HMR) cuisine has become an indispensable part of life and are sold in supermarkets, restaurants and convenience stores such as 7-Eleven and Lawson's that are now found all over Japanese cities.

In response to rising household demand for home delivery and increasing activity of on-line food sales, the food delivery system in Japan is also expanding. Over the last three years, home delivery has become very popular. Today, local supermarkets have staff specifically dedicated to handle home deliveries. Similarly, hotels offer weekly and monthly menus that consumers can order via telephone or internet; food service companies are now offering delivery services as well.

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

The retail sector remains the focus of U.S. investment in Japan's food industry. In 2008, Seiyu became a wholly-owned subsidiary of Wal-Mart. Prior to that; Seiyu was the third largest Japanese supermarket in terms of food sales. Currently, Seiyu's sales ranking cannot be confirmed as the company is no longer listed. Similarly, Costco appears to be doing very well in Japan. Since opening its first location in this market in 1999, Costco has expanded their operation to eighteen warehouses located throughout Japan, and is planning to open one more in summer 2014.

USDA's Foreign Agricultural Service issues a multitude of reports on the Japanese market each year, which can be found at <http://gain.fas.usda.gov/Pages/Default.aspx>. In addition to numerous commodity reports, one can also find specific reports on the retail, HRI (hotel, restaurant, and institutional), and food processing sectors, as well as a general exporters guide and reports on current barriers to trade (FAIRS).

### **Agricultural Trade Office – Food Trade Shows**

Food Trade shows in Japan provide a great deal of opportunities to introduce a range of agricultural products to Japanese consumers, particularly, processed and consumer ready food products. U.S. companies interested in entering this dynamic market should be aware of several key factors affecting food purchase trends. These factors include: a rapidly aging population, diversification of eating habits, emphasis on high quality, increasing demand for convenience, and high concern for food safety. Three of the

largest annual food related trade shows in Asia take place in Japan: the Supermarket Trade Show (February), FOODEX Japan (March), and International Food Ingredients & Additives Exhibition and Conference (IFIA) Japan (May). The Agricultural Trade Offices in Osaka and Tokyo participate in the following shows:

Event: The Supermarket Trade Show  
Date: February - annually  
Venue: Tokyo Big Sight  
Web: <http://www.smts.jp/english/>

Event: The International Food and Beverage Exhibition FOODEX JAPAN  
Date: March - annually  
Venue: Makuhari Messe  
Web: <http://www.imexmanagement.com/>

Event: Wine & Gourmet Japan Partner Event: FABEX  
Dessert, Sweet and Drink Festival Japan Meat Industry Fair  
Date: April - annually  
Venue: Tokyo Big Sight  
Web: <http://www.wineandgourmetjapan.com>

Event: The International Food Ingredients & Additives Exhibition and Conference (ifia JAPAN)  
Date: May - annually  
Venue: Tokyo Big Sight  
Web: <http://www.ifiajapan.com>

Event: Health Ingredients Japan  
Partner Event: Safety and Technology Japan (S-tec)  
Date: October - annually  
Web: <http://www.hijapan.info>

Event: BioFach Japan Organic Expo  
Date: November - annually  
Venue: Tokyo Big Sight  
Web: <http://www.biofach.jp>

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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On average, the applied tariff rate in Japan is one of the lowest in the world. In fiscal year 2012, the simple average applied MFN (most favored nation) tariff rate was 4.6 percent according to the WTO. While import duties on many agricultural items continue to remain high, tariffs in many major sectors, such as autos and auto parts, aircraft, marine vessels, software, computers, industrial machinery and works of fine art are zero. However, certain products including leather, rubber, footwear and travel goods, textiles and clothing, certain processed foods and some manufactured goods have relatively high tariff rates. While Japan's import tariffs are generally low overall, the nation's average agricultural import tariff of 22.2 percent (2012) is among the world's highest for industrialized countries. By comparison, the average agricultural import tariff is 5.2 percent (2012) in the U.S. and 13.5 percent (2012) in the European Community.

The Customs and Tariff Bureau of Japan's Ministry of Finance administers tariffs. As a member of the Harmonized System Convention, Japan shares the same trade classification system as the United States (limited to six-digit code). Japan's tariff schedule has five columns of applicable rates: general, WTO, preferential (GSP), Economic Partnership Agreement (EPA) and temporary. Goods from the United States are charged WTO rates unless a lesser "temporary" rate exists. Japan assesses tariff duties on the CIF value at *ad valorem* or specific rates, and in a few cases, charges a combination of both. Japan's preferential system of tariffs grants lower or duty-free rates to products imported from developing countries. Japan's harmonized tariff schedule is available through the website of Japan Customs:  
<http://www.customs.go.jp/english/index.htm>.

A simplified tariff system for low-value imported freight valued at less than ¥100,000, such as small packages for personal imports, simplifies determination of tariff rates. This system also eliminates the extra time necessary to classify the product and its precise value, and thereby minimizes customs brokers' handling charges. Importers can choose

either the normal rate or the simple tariff, which could be higher or lower depending on the product.

Japan grants preferential treatment to products from certain developing and least developed countries under its Generalized System of Preference (GSP) scheme. Under the GSP, preferential tariff treatment is offered to 138 developing countries and 7 territories, including 48 least developed countries (LDCs). The simple average GSP tariff rate is 5.3 percent whereas the rate for LDCs is 0.5 percent. The main beneficiaries of Japan's GSP scheme are China, Thailand, Indonesia, the Philippines and Vietnam. The GSP scheme excludes many agricultural products and some industrial products. Japan also grants preferential access to imports from Singapore, Mexico, Malaysia, Chile, Thailand, Indonesia, Brunei, the Philippines, Switzerland and Vietnam under bilateral free-trade agreements.

Japan Customs can provide advance rulings on tariff classification and duty rates. A summary of Japan's customs procedures, including the customs valuation system, import procedures, temporary admission procedures, refunds and duty drawback payments, as well as relevant customs forms can be found on the Japan Customs website noted above. (See also the section below on [Customs Regulations and Contact Information](#) in this chapter.)

## Trade Barriers

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

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

The tools available to overcome these non-tariff barriers depend on the industry, the product or service's competitiveness, and the creativity and determination of the firm's management. The U.S. Department of Commerce's Office of Trade Agreements Negotiations and Compliance (TANC) helps U.S. exporters and investors overcome foreign trade barriers and works to ensure that foreign countries comply with their trade agreement obligations to the United States. U.S. exporters experiencing non-tariff barriers or other unfair trade practices in foreign markets can report such problems online at <http://tcc.export.gov>.

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

## **Import Requirements and Documentation**

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

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

Correct packing, marking, and labeling are critical to smooth customs clearance in Japan. Straw packing materials are prohibited. Documents required for customs clearance in Japan include standard shipping documents such as a commercial invoice, packing list, and an original and signed bill of lading, or, if shipped by air, an air waybill. Air shipments of values greater than ¥100,000 (about \$1000) must also include a commercial invoice. The commercial invoice should be as descriptive as possible for each item in the shipment. The packing list should include the exact contents and measurement of each container, including the gross and net weights of each package. The Japanese Measurement Law requires that all weights and measures on a packing list be reflected in Metric System values.

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

Japan prohibits the importation of certain items including narcotics, firearms, explosives, counterfeit currency, pornography, and products that violate intellectual property laws.



For additional information see the section below on [Prohibited and Restricted Imports](#) in this chapter.

When planning to import goods into Japan, you may wish to consult with your international shipper for specific details regarding your shipment since your international shipper should be up-to-date on Japanese import requirements.

## U.S. Export Controls

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As an active member of the Wassenaar Arrangement as well as all international export control regimes, Japan has the benefit of the least restrictive treatment under U.S. export control law. In response to threats from global terrorism, Japanese government administers its own export control legislation (including the Foreign Exchange and Foreign Trade Act, Export Trade Control Order, and Foreign Exchange Order) and implements “catch-all” controls to prevent Japanese firms from exporting goods and technologies that could be related to the development of weapons of mass destruction. Japan conducts outreach activities in Asian countries and throughout Japan to maintain a strict export control system. At the same time however, Japanese firms are engaged in business activities with countries against which the United States currently has embargoes. As such, U.S. exporters are encouraged to conduct thorough research and background checks pertaining to any potential sale of controlled or sensitive items, in particular for transactions that may involve possible transshipment or re-export through Japan.

The U.S. Government is reforming its export control system as part of President Obama’s Export Control Reform Initiative, which involves moving munitions-related parts and components from listing with the Department of State to the Commerce Control List under the Department of Commerce. As a result, items previously controlled may now be eligible to be exported to Japan without a license. Therefore U.S. companies should be aware of the pending changes and new procedures.

For the latest updates on U.S. export and re-export control regulations, contact the Department of Commerce Bureau of Industry and Security (BIS) and refer to the website at <http://www.bis.doc.gov> for specifics.

For the latest in defense trade controls, refer to the Department of State Directorate of Defense Trade Controls at <http://www.pmdtc.state.gov> for current details.

For updated U.S. embargo information, refer to the Department of Treasury Office of Foreign Assets Control at <http://www.treasury.gov/resource-center/sanctions/Pages/default.aspx> regarding sanctions programs and country information.

## 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 (<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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Japanese law requires labels for products in several categories. Generally, labeling for most imported products is not required at the customs clearance stage, but at the point of sale. Consequently, it is common for a Japanese importer to affix a label to an imported product after it has cleared customs. While importers do not have to affix a label to fresh foods such as grapefruit or oranges, the retailer is required to display country of origin near the product. To ensure that a given product meets all applicable requirements and is properly labeled, it is important for the U.S. exporter to work with a Japanese agent or importer.

JAS law requires that place of origin be displayed for all fresh food products. If the products are sold individually, in-store signs must display both the name and place of origin of the products. Although this information is required to be displayed for both domestic and imported products, processed food products produced in Japan are not required to show the country of origin labeling. However, all imported processed foods and beverages are required to bear country of origin labeling. The definition of country of origin by CODEX is, "[w]hen a food undergoes processing in a second country which changes its nature, the country in which the processing is performed shall be considered the country of origin for the purposes of labeling". For example, the country of origin for coffee beans imported into and roasted in the United States is the United States. However, in Japan the country of origin of the coffee beans themselves should also be noted. This is not a legal requirement but a commercial requirement. 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 or regions other than the country of origin, and/or names of manufacturers or designers outside the country of origin are not permissible.

Food and agricultural products are subject to a number of complex labeling regulations in Japan. Previously, the Ministry of Agriculture, Forestry and Fisheries (MAFF) administered quality labeling standards and the Ministry of Health, Labor and Welfare (MHLW) administered separate voluntary and mandatory standards such as nutritional labeling and food additive/allergen labeling for processed foods and beverages. However, in September 2009, responsibility for all labeling issues, including food

labeling, was consolidated and officially transferred from MAFF, MHLW, and other ministries to the new Consumer Affairs Agency (CAA). A comprehensive food labeling law, combining aspects of labeling covered by several different laws, will enter into force by July 2015. The revised law will set new requirements for nutritional labeling, with which importers will have to comply.

For more information on labeling and marking requirements, please see the following web-based resources:

Consumer Affairs Agency: <http://www.caa.go.jp/en/index.html>

Japan External Trade Organization (JETRO) Guide to Japanese Household Goods Quality Labeling Law: <http://www.jetro.go.jp/en/reports/regulations/>

U.S. Foreign Agriculture Service 2009 GAIN Report on the creation of the Consumer Affairs Agency: <http://tinyurl.com/ydwqsch>

U.S. Foreign Agriculture Service GAIN Report on the proposed new food labeling law: <http://goo.gl/x5M38i>

U.S. Foreign Agriculture Service GAIN Report on Food and Agriculture Import Regulations and Standards (FAIRS) – Japan: <http://goo.gl/Zr8q1o>

## **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, precursor materials for chemical weapons, germs which are likely to be used for bio-terrorism, counterfeit goods or imitation coins or currency, obscene materials, or goods that violate intellectual property rights. Other restricted items include but are not limited to certain agricultural and meat products, endangered species and products such as ivory, animal parts and fur where trade is banned by international treaty. For more information on prohibited goods, see Japan Customs: <http://www.customs.go.jp/english/summary/prohibit.htm>.

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

Regarding importation of products for personal use, Japan restricts entry of:

- more than one months’ supply of medicines that are toxicants, dangerous or prescription drugs;
- more than two months’ supply of medicines that are non-prescription drugs or quasi-drugs; or
- more than 24 units (normal size) of similar cosmetic products.

Please note that body (hand) soaps, shampoos, toothpastes, hair dye and other toiletries fall under the category of quasi-drugs or cosmetics.

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

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

## Customs Regulations and Contact Information

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

Nearly all customs difficulties result from first time applications. Japanese customs officials are generally helpful when it comes to explaining procedures and regulations to overcome these issues. It may be necessary to employ an import agent or customs broker to help facilitate customs entry. See [Chapter 3, Using an Agent or Distributor](#) for more information.

The typical time between arrival of goods and the granting of import permission was between two and three days for sea cargo and about a day for air cargo (including time required under the "immediate import permission system upon arrival"). Under the "immediate import permission system upon arrival", import permission may be granted as soon as cargo entry is confirmed. To be eligible for this system, importers must file a preliminary declaration online (through the Nippon Automated Cargo Clearance System (NACCS)). Customs examines the documents and a material submitted before cargo entry, and provides the results of the examination. For more information on the NACCS see: <http://www.naccs.jp/e/index.html>

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

Imports are valued according to their c.i.f. (cost, insurance + freight) value, which is taken to be the transaction value of the imports. Customs duty can be paid through a multi-payment network system, which connects teller institutions (government authorities) with financial institutions. No fee is charged by the government for the use of this system; however, the financial institutions involved may collect variable fees. The system is managed by the Japan Multi-payment Network Management Organization (JAMMO), a non-profit organization established by major financial institutions in Japan.

Only institutions that participate in the organization may use the system. Written advance rulings are issued at the written request of importers and other parties concerned. These rulings can be published on the Customs website with the applicants' consent. For more information on Japan's AEO program see:

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

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

## Contact Information

Japan Customs

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

Japans Customs' procedures

[http://www.customs.go.jp/english/procedures/index\\_pf.htm](http://www.customs.go.jp/english/procedures/index_pf.htm)

Customs Counselors System in Japan, Tokyo Headquarters

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

Japan Tariff Association

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

## Standards

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## Overview

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

Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether or not approval (certification/quality mark) is granted.

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

There are two ongoing trends in Japan regarding standards. One is a move toward standards reform and the other towards harmonizing Japanese standards with prevailing international standards. While reform is underway, there are numerous laws containing Japan-specific mandatory standards most of which have not been translated into English. Therefore, it is important that a Japanese agent or partner be fully aware of the wide variety of standards in effect that could impact the sale of the imported product.

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

## **Product Liability Insurance**

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

## **Standards Organizations**

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

Existing JIS standards are reviewed and revised every five years. Once a new or revised draft JIS standard has been prepared, JISC posts these draft standards for a sixty-day public comment period. The JISC website also provides information

regarding how foreign entities may participate in the JIS drafting process. A list of newly published JIS standards can be found on the website of the Japan Standards Association: [http://www.jsa.or.jp/default\\_english.asp](http://www.jsa.or.jp/default_english.asp).

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

**Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

### **Conformity Assessment**

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Please see the [Product Certification](#) section below.

### **Product Certification**

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Under the JIS mark scheme, product certification bodies accredited by the Ministry of Economy, Trade and Industry (METI) conduct a series of tests to verify compliance of products with JIS and audit the quality management system of facilities at which the products are manufactured. Any products manufactured at a factory that successfully passes such an audit will be authorized to affix the JIS mark. Additional information on this process can be found on the JISC website:

<http://www.jisc.go.jp/eng/jis-mark/newjis-eng.html>.

### **Accreditation**

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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 the Ministry of Economy, Trade and Industry (METI). JASC accredits product certification bodies in the private sector and allows these bodies to certify companies so that the companies may place the JIS Mark on their products. A list of Japanese and foreign organizations accredited by JASC as "JIS mark" certification bodies is available on the JISC website at <http://www.jisc.go.jp/eng/jis-mark/acc-insp-body.html>. This list provides contact information as well as the JIS fields of certification for these testing organizations.

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

A limited number of testing laboratories in the U.S., 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 standards and laws. Products not covered by these arrangements must be tested and approved by Japanese testing labs before these products can be sold in Japan.

For conformity assessment bodies recognized by Japan for electrical appliances see: <http://www.meti.go.jp/english/policy/economy/consumer/pse/07.htm>

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

## Publication of Technical Regulations

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

It should be noted that although U.S. entities may submit comments on draft regulations, the amount of time given for submissions varies widely and all comments must be submitted in Japanese. To assist U.S. entities that wish to participate in the Japanese regulatory process, Commercial Service staff at the U.S. Embassy in Tokyo prepares a weekly summary translation in English of public comment announcements by Japanese government agencies. For information on how to obtain this summary translation please contact the Commercial Section by email at: [Tokyo.Office.Box@trade.gov](mailto:Tokyo.Office.Box@trade.gov).

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

## Labeling and Marking

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The "voluntary" Japan Industrial Standards (JIS) mark, administered by the Ministry of Economy, Trade and Industry (METI), applies to nearly 743 different industrial products and consists of over 10,289 standards (as of March, 2013). Adherence to JIS is also an important determinant for companies competing on bids in the Japanese government procurement process. Products that comply with these standards will be given preferential treatment in procurement decisions under Japan's Industrial Standardization Law. JIS covers industrial and mineral products with the exception of: 1) medicines; 2) agricultural chemicals; 3) chemical fertilizers; 4) silk yarn; and 5) foodstuffs, agricultural and forest products designated under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products.

The Japan Agricultural Standards (JAS) is another "voluntary" but widely used product standard system administered by the Ministry of Agriculture, Forestry and Fisheries (MAFF). The Council for Agricultural and Forestry Standards, a JAS Council consisting of consumers, manufacturers, commercial users, and academic experts, establishes JAS's standards. Existing JAS Standards are reviewed every five years by each JAS Council. As of March, 2013, there were 218 JAS standards

covering 71 products. JAS is comprised of five different category standards including general and specific, which are product-based standards. The other three categories are based on the manufacturing or distribution process, one example being organic production standards. The general category applies to beverages, processed foods, forest products, agricultural commodities, livestock products, oils and fats, products of the fishing industry, and processed goods made from agricultural, forestry, and fishing industry raw materials. Specific JAS apply to aged ham, aged sausage and aged bacon.

JAS certification is a complicated process requiring approval by a Registered (Overseas) Certified Body (ROCB). At this time there are only three approved ROCB for forest products and two for organic products located in the U.S. More information on the JAS labeling system can be found at the following Ministry of Agriculture, Forestry and Fisheries (MAFF) website: <http://www.maff.go.jp/e/jas/index.html>.

All producers and distributors are required to ensure that their labels are in compliance with "Quality Labeling" standards. Cross-Category Quality Labeling Standards such as the "Quality Labeling Standards for Processed Foods, Fresh Foods and Genetically Modified Foods" were established in 1999. These standards are available in English at: <http://www.maff.go.jp/e/jas/labeling/index.html>. As of January 2013 (the latest available information), there were 55 individual quality labeling standards under the JAS law.

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

Other quality labeling standards are available (in Japanese only) at: [http://www.maff.go.jp/j/jas/hyoji/kijun\\_itiran.html](http://www.maff.go.jp/j/jas/hyoji/kijun_itiran.html).

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

For additional information see the section above on [Labeling and Marking Requirements](#) in this chapter.

## Contacts

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Japan Industrial Standards Committee:  
Contact: Secretariat Office  
Tel: (81-3) 3501-9473  
E-mail: [jisc@meti.go.jp](mailto:jisc@meti.go.jp)  
Website: <http://www.jisc.go.jp/eng/index.html>

Japan Standards Association:  
Contact: Secretariat Office



Tel: (81-3) 3583-0462

E-mail: please use the enquiry form at [https://www.jsa.or.jp/eng/form\\_mail\\_e.asp](https://www.jsa.or.jp/eng/form_mail_e.asp)

Website: [http://www.jsa.or.jp/default\\_english.asp](http://www.jsa.or.jp/default_english.asp)

Japan External Trade Organization (JETRO) on Standards and Regulations:

<http://www.jetro.go.jp/en/reports/regulations>

National Metrology Institute of Japan:

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

Building Center of Japan:

<http://www.bcj.or.jp/en>

Telecommunication Technology Committee:

<http://www.ttc.or.jp/e/index.html>

Japan Cable Television Engineering Association:

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

Association of Radio Industries and Businesses:

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

### **Conformity Assessment Bodies:**

Japan Accreditation Board for Conformity Assessment (JAB):

Contact: Customer Service, General Affairs Dept.

Fax: (81-3) 5475-2780

E-mail: please use the enquiry form at <http://www.jsa.or.jp/aboutus/query.asp>

Website: [http://www.jab.or.jp/en/accredited\\_bodies/](http://www.jab.or.jp/en/accredited_bodies/)

International Accreditation Japan:

Contact: Quality Manager

Tel: (81-3) 3481-1946

Fax: (81-3) 3481-1937

E-mail: [iajapan-qm@nite.go.jp](mailto:iajapan-qm@nite.go.jp)

Website: <http://www.iajapan.nite.go.jp/iajapan/en/index.html>

Foreign Registered Conformity Assessment Bodies in Japan:

<http://www.meti.go.jp/english/policy/economy/consumer/pse/07.htm>

Japan Accreditation System for Product Certification Bodies:

<http://www.jisc.go.jp/eng/index.html>

Japan National Institute of Technology and Evaluation:

<http://www.nite.go.jp/index-e.html>

Specified Measurement Laboratory Accreditation Scheme:

[http://www.iajapan.nite.go.jp/mlap/top\\_e.html](http://www.iajapan.nite.go.jp/mlap/top_e.html)

Japan National Laboratory Accreditation System:

<http://www.iajapan.nite.go.jp/jnla/en/index.html>

Japan Calibration Service System:

<http://www.iajapan.nite.go.jp/jcss/en/index.html>

Accreditation System of National Institute of Technology and Evaluation:

<http://www.iajapan.nite.go.jp/asnite/en/index.html>

Third-party Conformity Assessment for Electrical Products in Japan:

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

Japanese Draft Standards, Regulations and Public Comment:

<http://search.e-gov.go.jp/servlet/Public>

Japan's National Gazette (*Kanpō*):

<http://kanpou.npb.go.jp> (Japanese only)

For Japanese technical regulations notified to the WTO, sign up for the U.S. National Institute of Standards and Technology (NIST) "Notify U.S." service at:

<http://www.nist.gov/notifyus>

## Trade Agreements

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As of May 2013, Japan had entered into economic partnership agreements (EPAs) with 12 countries: Brunei, Chile, Indonesia, Malaysia, Mexico, Singapore, Switzerland, Thailand, the Philippines, Vietnam, India and Peru. In addition to bilateral agreements, Japan and the Association of Southeast Asian Nations (ASEAN) have also entered into an agreement on a Comprehensive Economic Partnership. EPAs are currently being negotiated with the Republic of Korea, the Gulf Cooperation Council, Columbia, Mongolia, Canada, and the European Union.

Japan has also joined the Trans-Pacific Partnership multilateral free trade agreement. Additional information on Japan's trade agreements can be found on the Ministry of Foreign Affairs website at: <http://www.mofa.go.jp/policy/economy/fta/index.html>

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

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

## Web Resources

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Agriculture changes to requirements (e.g. MRL changes), as well as annual commodity reports: <http://gain.fas.usda.gov/Pages/Default.aspx>

Information on trading in agricultural products with Japan:

FAIRS Narrative report: <http://goo.gl/Zr8q1o>

FAIRS Certification report: <http://goo.gl/N1Ucgb>

Japanese import clearance and customs procedures:

Japanese Ministry of Finance/Japan Customs  
<http://www.customs.go.jp/english/>

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

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

U.S. export control procedures:

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

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

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

Obtaining a temporary-entry *carnet*:

United States Council for International Business  
Local Offices — <http://www.uscib.org>  
<http://www.atacarnet.com>

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

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

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

Japan Accreditation Board for Conformity Assessment (JAB)  
<http://www.jab.or.jp/en/>

Public comment on Japanese government regulations:

Japan National Gazette (*Kanpō*)  
<http://kanpou.npb.go.jp> (Japanese only)

Japanese Import Standards and Regulations:

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

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## Chapter 6: Investment Climate

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### **Openness To, and Restrictions Upon, Foreign Investment**

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#### ***Attitude Toward FDI***

Japan is the world's third largest economy, the United States' fourth largest trading partner, and an important destination for U.S. foreign direct investment (FDI). The Government of Japan explicitly promotes inward FDI and has established formal programs to attract it. Soon after taking office, Prime Minister Shinzo Abe in early 2013 announced the government's intention to double Japan's inward FDI stock to ¥35 trillion by 2020. To that end, the government has included investment promotion as a major goal in its "Growth Strategy" package of business incentive measures and regulatory reforms rolled out in June 2013. In April 2014, the government constituted a new "FDI Promotion Council" comprised of ministers with major economic portfolios and augmented by private sector advisers. An advisory committee to the Council released a report with recommendations on how Japan can improve its investment climate (available at: [http://www.invest-japan.go.jp/promotion/0425/sankou\\_02.pdf](http://www.invest-japan.go.jp/promotion/0425/sankou_02.pdf)).

While these initiatives may contribute to attracting more FDI in the future, historically the Japanese government's commitment to implement policies to improve the climate for foreign investment has been inconsistent. Japan's stock of FDI, as a percentage of gross domestic product (GDP), stood at 3.4% at the end of 2012, compared with 30.6% on average for all Organization for Economic Cooperation and Development (OECD) member countries. While the FDI stock has risen substantially since the 1990's, Japan still has the lowest ratio of FDI as a proportion of GDP of any OECD member. The Ministry of Economy, Trade and Industry (METI) and the quasi-governmental Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting

foreign firms wishing to invest in Japan. Many prefectural and city governments also have active programs to attract foreign investors, but they lack many of the financial tools U.S. states use to attract investment.

The renewed interest of the Abe Government in attracting FDI is one component of the government's drive to revitalize the Japanese economy. Japan has largely recovered from the economic shocks caused by the March 2011 Tohoku earthquake and tsunami, but Japan continues to face the long-term challenges of low growth, deflation, and an aging population and shrinking workforce. The government seeks to restore Japan to a path of sustainable growth through its "Three Arrows" economic program combining fiscal stimulus, expansionary monetary policy, and regulatory and structural reform, collectively dubbed "Abenomics." Fiscal and monetary policies are credited with reigniting economic growth in 2013-14 and helping Japan exit deflation.

However, the reform component of "Abenomics," considered essential for long-term growth and competitiveness, has been slower to take shape. Additional impetus for reform could come from Japan's participation in the Trans-Pacific Partnership (TPP), an ambitious, high-standard free trade agreement currently under negotiation between the United States, Japan, and ten other countries. Japan joined the TPP negotiations as the newest member in July 2013. Japan must also transition over time toward fiscal sustainability. According to the International Monetary Fund's World Economic Outlook, as of April 2014 Japan's gross public debt was estimated at about 243% of GDP – the highest percentage among advanced economies. The national Diet voted in 2012 to raise the consumption tax from 5% to 10% in stages by 2015 to help reduce the fiscal imbalance; the first stage, from 5% to 8%, was implemented on April 1, 2014.

In addition to business considerations relevant to investing in a mature economy with an aging population, foreign investors seeking a presence in the Japanese market or to acquire a Japanese firm through corporate takeover face a number of challenges, many of which relate more to prevailing practices comprising the business environment rather than to government regulations. These include an insular and consensual business culture that has traditionally been resistant to mergers and acquisitions (M&A); a lack of independent directors on many company boards; exclusive supplier networks and alliances between business groups that can restrict competition from foreign firms and domestic newcomers; cultural and linguistic challenges; and labor practices that tend to inhibit labor mobility.

The Abe Government seeks to address these issues under its "Growth Strategy," including improved corporate governance and enhanced labor mobility. (A complete copy of the Strategy can be accessed at [http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/en\\_saikou\\_jpn\\_hon.pdf](http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/en_saikou_jpn_hon.pdf)). The United States has discussed these and other issues relating to the investment environment with Japan in several different fora, including the U.S.-Japan Economic Harmonization Initiative; the U.S.-Japan Dialogue to Promote Innovation, Entrepreneurship and Job Creation; the U.S.-Japan Policy Cooperation Dialogue on the Internet Economy; and bilateral negotiations on non-tariff measures (NTMs) in connection with the TPP.

### ***Other Investment Policy Reviews***

OECD and UNCTAD have not conducted any recent investment policy reviews of Japan. Japan was subject to a WTO trade policy review in 2013.

## ***Laws / Regulations on FDI***

Major laws affecting incoming foreign investment in Japan include the Foreign Exchange and Foreign Trade Act, the Companies Act, and the Financial Instruments and Exchange Act. Japan has an independent judiciary, and Japan's civil courts enforce property and contractual rights and do not discriminate against foreign investors.

A series of revisions to Japan's legal code over the past decade have served to encourage inbound foreign investment through M&A activity, even if overall levels remain low by OECD standards. Significant measures include 2005 revisions to the Companies Act, which significantly expanded the types of corporate structures available in Japan as well as the variety of M&A transactions available for corporate consolidation and restructuring; and the 2007 Financial Instruments and Exchange Act (amended in 2008), which established a flexible regulatory system for financial markets and applied a uniform set of rules for similar financial instruments.

## ***Industrial Strategy and Sector Promotion***

Under a law passed in late 2013, Japan is moving to set up new "National Strategic Special Zones" (NSSZ) to implement selected deregulation measures intended to attract new investment and boost regional growth. In March 2014, the Special Zones Advisory Council chaired by Prime Minister Abe selected six initial locations for the new Zones, including the metropolitan areas of Tokyo, Osaka, and Fukuoka. In the Tokyo "international business hub" zone, covering the city of Tokyo as well as neighboring Kanagawa Prefecture and Narita City in Chiba Prefecture, proposed deregulation measures include revisions to building codes to encourage redevelopment projects. The full deregulation menu in the six locations is still taking shape, with details to be fleshed out over the course of 2014. Further details on the concept are available at: [http://www.kantei.go.jp/jp/singi/tiiki/kokusentoc\\_wg/pdf/concepteng.pdf](http://www.kantei.go.jp/jp/singi/tiiki/kokusentoc_wg/pdf/concepteng.pdf).

In an effort to promote tourism-related investment and facilities development as part of its "Growth Strategy," the Abe Government in late 2013 introduced legislation in the Diet that would lead to legalization of casino gambling as part of "integrated resorts" construction. The initial bill would instruct the government to prepare implementing legislation and regulations for privately-operated casinos by 2016. The government hopes that the first "integrated resorts" can be completed and operating by the time Tokyo hosts the Summer Olympic Games in 2020.

Aiming to increase the liquidity of Japanese real estate markets, the government in recent years has progressively lowered capital gains, registration, and license taxes on real estate. It also reduced inheritance and gift taxes to promote intergenerational transfer of land and other real assets. Japan's real estate sector experienced a painful contraction following the credit crunch of 2008 as prices declined. The real estate market, particularly for premium properties, has rebounded after the Bank of Japan (BOJ) began buying real estate investment trust (REIT) shares in 2010. In April 2013 the BOJ increased its purchases of riskier assets as part of its aggressive monetary easing policy, and as of December 2013, the BOJ had ¥140 billion of REIT shares on its books, a very small portion of BOJ's total assets of ¥224 trillion but up substantially from just ¥2.2 billion in 2010. However, the real estate market remains characterized by very limited numbers of large real estate deals between unrelated parties. Additionally, U.S.

investors have reported isolated instances of criminal elements interfering with real estate transactions in Japan, particularly those involving distressed assets.

### ***Limits on Foreign Control***

Japan has gradually eliminated most formal restrictions governing FDI. One remaining legal restriction limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33%. Japan's Radio Law and separate Broadcasting Law also limit foreign investment in broadcasters to 20%, or 33% for broadcasters categorized as "facility-supplying." Foreign ownership of Japanese companies invested in terrestrial broadcasters will be counted against these limits. These limits do not apply to communication satellite facility owners, program suppliers or cable television operators.

While not a limit on foreign control per se, Japan does continue to restrict development of retail and commercial facilities to prevent excessive concentration of development in the environs of Tokyo, Osaka, and Nagoya, and to preserve agricultural land. Conversely, many prefectural governments outside the largest urban areas make property available for development in public industrial parks. Japan's zoning laws give local officials and residents considerable discretion to screen almost all aspects of a proposed building. In some areas, these factors have hindered real estate development projects and led to construction delays and higher building costs; particularly in cases where proposed new retail development would affect existing businesses.

### ***Privatization Program***

Japan has privatized many major state-owned enterprises over the last two decades. In other instances, it has reorganized government-run businesses as separate companies, although the government remains the sole or primary shareholder of the reorganized entity.

A bill to allow the sale of airport operation management rights for 27 airports owned and operated by the central government, including large regional airports like Sendai and Hiroshima as well as 67 airports owned and operated by local governments, passed into law on June 19, 2013. Under the new law, local government operators of the airports must initiate the request for privatization of management, and the request must be approved by the central government after a stakeholder review process. If approved, private firms would be able to bid on operation rights at these airports while the central or local governments would maintain ownership of the land and buildings.

In spring 2014, an advisory panel to the Ministry of Finance began discussions for an Initial Public Offering (IPO) of Japan Post (JP) Holdings Co. Ltd., holding company for the Japan Post group. The first official step in the IPO process will be selection of one or more private sector firms as managers for the IPO, perhaps by fall 2014, with full IPO preparations expected to be completed by sometime in 2015. Separate IPOs are eventually contemplated for JP Holdings' two major financial subsidiaries, JP Bank and JP Insurance, though timing remains unclear.

### ***Screening of FDI***

The Foreign Exchange and Foreign Trade Act governs investment in sectors deemed to have national sovereignty or national security implications. If a foreign investor wants to



acquire over 10 percent of the shares of a listed company in certain designated sectors, it must provide prior notification (and thus obtain specific approval) of the intended transaction to the Ministry of Finance and the ministry that regulates the specific industry. Designated sectors include agriculture, aerospace, forestry, petroleum, electric/gas/water utilities, telecommunications, and leather manufacturing. Amendments to the prior notification and reporting requirements, effective in 2009, reduced the administrative burden on foreign investors so as to facilitate inward investment. However, U.S. private equity firms can still face challenges when seeking to make significant investment in “strategic industries” deemed important to Japan’s national interests.

**Competition Law**

Several sections of the Japanese Anti-Monopoly Act (AMA) are relevant to FDI. The stated purpose of these provisions is to restrict shareholding, management, joint venture, and M&A activities that may constitute unreasonable restraints on competition or involve unfair trade practices. The Japanese Government has emphasized that these provisions are not intended to discriminate against foreign companies or discourage FDI.

**Investment Trends**

Outbound investment continued climbing during 2012 as Japanese companies' large cash holdings combined with low global equity values and the strong yen supported their active merger and acquisition (M&A) activity abroad. Meanwhile, investment activity inside Japan showed a modest increase in numbers of M&A transactions during 2013, with the largest number of deals since 2009. Preliminary 2013 statistics for FDI in Japan show a net outflow of about ¥129 billion for the year. Notwithstanding the imbalance between inward and outward FDI, and the increase in M&A activity by Japanese firms overseas, Japan's outward FDI as a percentage of GDP also remains among the lowest of major OECD members.

**Table 1:** The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(18 of 177)	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation’s Economic Freedom index	2013	(25 of 178)	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank’s Doing Business Report “Ease of Doing Business”	2013	(27 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	(22 of 142)	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	USD 47,880	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>



### ***Foreign Exchange***

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

Japan has not intervened in the foreign exchange markets in over two years. The Japanese government joined the G-7 statement of February 2013, affirming that economic policies would be based on domestic objectives using domestic instruments and would not target exchange rates. Since then, Japanese officials have clearly ruled out purchases of foreign assets as a monetary policy tool and have largely refrained from public comment on the desired level of the exchange rate. Japan was also part of the subsequent G-20 consensus and statement at the February 2013 Finance Ministers and Central Bank Governors Meeting in Moscow that countries would not target exchange rates for competitive purposes. This commitment was affirmed by G-20 Leaders in September 2013 at the St. Petersburg Summit.

### ***Terrorism Finance / Money Laundering / Remittances***

Japan is an active partner in combating terrorist financing. In coordination with other OECD members, Japan has strengthened due-diligence requirements for financial institutions and has had a "Know Your Customer" law since 2002. In April 2011, Japan amended its basic Anti-Money Laundering (AML) law, the Criminal Proceeds Act (CPA), to improve customer due diligence requirements, including requiring financial institutions to identify the customer's name, address, and date of birth; and to verify the purpose of a transaction, business activities, and beneficial owners. These requirements came into effect in April 2013.

Customers wishing to make cash transfers exceeding ¥100,000 must do so through bank clerks, not ATMs, and must present photo identification. However, Japan has yet to fully rectify deficiencies noted in the 2008 Financial Action Task Force (FATF) evaluation of Japan's anti-money-laundering and terrorist finance regime, particularly on customer due diligence, international cooperation, freezing terrorist assets, and criminalizing terrorist finance. Japan has begun to implement a risk-based approach to AML/CFT. Following its investigation into three major Japanese banks' relations with organized crime organizations, the Financial Services Agency (FSA) in December 2013 implemented a new financial monitoring policy for financial institutions. The policy calls on institutions to conduct enhanced due diligence for higher-risk customers, business relationships, and transactions, as well as to sever relationships with suspicious entities and individuals. This is an improvement over the April 2011 amendments to the CPA that called for financial institutions to verify a customer's assets and income in certain higher-risk situations, but only delineated those situations as being instances in which the use of false identity was suspected, rather than those presented by such factors as business type, customer location, or type of transaction.

In the post-war period, the Japanese Government has not expropriated any enterprises and the expropriation or nationalization of foreign investments in Japan is extremely unlikely. Historically, nationalizations of enterprises have been rare and have all involved Japanese firms. These include the 1998 nationalization of two large, capital-deficient Japanese banks and the 2002 nationalization of two failed Japanese regional banks as part of the government's efforts to clean up the banking system after its near-collapse in 1998. The government also nationalized Japan Airlines in 2010 as a part of a two-year corporate reorganization plan. The airline has since been re-privatized.

Most recently, in the wake of the March 2011 nuclear accident at the Fukushima Daiichi Nuclear Power Station, the Tokyo Electric Power Company (TEPCO) was placed under "temporary public control" when the government injected \$12.5 billion through the Nuclear Damage Liability Facilitation Fund to procure a 50.1% stake in the company in May 2012. Total government support for TEPCO and its compensation payments to victims and evacuees of the nuclear accident reached \$37 billion in December 2012. The utility is scheduled to pay back the funds over time, but the plan is contingent on the uncertain restart of TEPCO's large nuclear plant on Japan's west coast.

### ***Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts***

Japan has a fully independent judiciary and a consistently applied body of commercial law. An Intellectual Property High Court was established in 2005 to expedite trial proceedings in IP cases. Foreign judgments are recognized and enforced by Japanese courts under certain conditions.

### ***Bankruptcy***

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. The Civil Rehabilitation Law focuses on corporate restructuring in contrast to liquidation, provides stronger protection of debtor assets prior to the start of restructuring procedures, eases requirements for initiating restructuring procedures, simplifies and rationalizes procedures for the examination and determination of liabilities, and improves procedures for approval of rehabilitation plans. Amendments to Japan's Corporate Reorganization Law made corporate reorganization for large companies more cost-efficient, speedy, flexible and available at an earlier stage. Previously, most corporate bankruptcies in Japan were handled through out-of-court creditor agreements because court procedures were lengthy and costly. Since bankruptcy trustees had limited powers to oversee restructuring, most judicial bankruptcies ended in liquidation, often at distressed prices. Out-of-court settlements in Japan tend to save time and expense, but can sometimes lack transparency and fairness. In practice, because 100% creditor consensus is required for out-of-court settlements and the court can sanction a reorganization plan with only a majority of

creditors' approval, the last stage of an out-of-court settlement is often a request for a judicial seal of approval.

### ***Investment Disputes***

There have been no major bilateral investment disputes since 1990.

### ***International Arbitration***

There have been no cases of international binding arbitration of investment disputes between foreign investors and the Government of Japan since 1952.

### ***ICSID Convention and New York Convention***

Japan has been a contracting member of the Convention on the Settlement of Investment Disputes (ICSID Convention) since 1967 and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) since 1961.

### ***Duration of Dispute Resolution***

As in other countries, legal proceedings in Japan can be slow, and depending on the circumstances of the case, Japanese courts may be ill-suited for litigation of investment and business disputes. Japanese courts lack powers to compel witnesses to testify or a party to comply with an injunction. Timely temporary restraining orders and preliminary injunctions are difficult to obtain. Courts have the power to encourage mediated settlements and there is a supervised mediation system. However, this process is often time-consuming and judges transfer frequently, so continuity is often lost. As a result, it is common for companies to seek to settle cases out of court.

## **Performance Requirements and Incentives**

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### ***Performance Requirements***

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

### ***Investment Incentives***

JETRO operates six Invest Japan Business Support Centers in major urban areas to provide investment-related information and "one-stop" support services to foreign companies interested in investing in Japan. (Detailed information is available at <http://www.jetro.go.jp/en/invest>.) Most national ministries also have information desks to help guide potential investors in navigating Japanese Government administrative procedures. Many city or regional governments also work to attract foreign capital through outreach to prospective foreign investors, business start-up support services, and limited financial incentives.

The Government of Japan has sought to encourage investment in the Tohoku region that was devastated by the March 11, 2011 earthquake and tsunami. The Diet has

allocated ¥25 trillion to date for Tohoku region reconstruction; the appropriations cover the five years from FY2011 to FY2015 (designated as the “concentrated reconstruction period”). Under GOJ guidelines, participation in Tohoku reconstruction should be open to foreign contractors and investors. Japan’s Reconstruction Agency, established in February 2012, maintains a website on the reconstruction status at <http://www.reconstruction.go.jp/english/>, and accepts queries at <https://www.reconstruction.go.jp/enquete/opinion/enquete.html> from the private sector, including foreign companies, interested in investing in the disaster-hit regions.

Local governments in the Tohoku region play a central role in formulating reconstruction plans and implementing nationally-approved measures. Local municipalities may choose from a given menu of regulatory, tax relief, and other measures from which to craft special economic zones specific to their needs. As of February 2014, 106 reconstruction promotion plans that feature special zones have been approved; the complete list is available on the Reconstruction Agency website. Each locality determines the aspects of its own special zone, so tax incentives and relaxed zoning may vary from locality to locality. Companies wishing to participate in Tohoku reconstruction should be aware of these circumstances, and may wish to seek a Japanese partner to negotiate the various zones and research opportunities through the diverse proposals presented by local governments.

While Tohoku reconstruction efforts present significant potential opportunities for investors, challenges remain. The Reconstruction Agency reports that public infrastructure reconstruction has largely progressed according to the projected plan and time schedule, but shortages of skilled labor and construction materials have hindered progress in housing relocation and reconstruction. As a result, many local municipalities have been unable to begin housing projects and their allocated budgets have not been used. The GOJ is working with local governments to address these challenges.

## **Right to Private Ownership and Establishment**

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Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity. However, Article 821 of the 2005 Companies Act appears to prohibit branches of foreign corporations from engaging in transactions in Japan "on a continuous basis." This wording has created uncertainty among foreign corporations that conduct their primary business in the Japanese market through a branch company. The Japanese Diet subsequently issued a clarification of the legislative intent of Article 821 that makes clear the provision should not apply to the activities of legitimate entities, and the Government has said it will ensure Article 821 will not adversely affect the operations of foreign companies duly registered in Japan and conducting business in a lawful manner.

## **Protection of Property Rights**

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### ***Real Property***

In Japan, secured interests in real property are recognized and enforced. Mortgages are a standard lien on real property, and they are reliably recorded. On the World Bank’s

“Doing Business Report,” Japan ranks 66th for “ease of registering property.” This is a result of the many bureaucratic steps and fees associated with purchasing improved real property in Japan, even when it is already registered and has a clear title. The required amount of documentation for property purchase can be burdensome. Additionally, it is common practice in Japan for appraisal values to be lower than the actual sale value, increasing the deposit required of the purchaser as the bank will finance only up to the appraisal value.

### ***Intellectual Property Rights***

Intellectual property (IP) in Japan enjoys relatively strong legal protection and good enforcement, and Japan is not listed in USTR’s Special 301 report. However, prospective investors should be aware of costs and procedures associated with IP registration, and companies doing business in Japan should be clear about rights and obligations with respect to IP in any trading or licensing agreements.

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

Japan has worked to improve IP registration procedures in recent years, including through revisions to Japanese law to make patent and trademark registrations easier and less costly to obtain. Japan is a signatory to the Madrid Protocol, which provides for a cost-effective and efficient way for trademark holders to ensure protection for their marks in multiple countries through the filing of one application with a single office, in one language, with one set of fees, in one currency.

Prompt filing of patent applications is very important. Printed publication of a description of the invention anywhere in the world, or knowledge or use of the invention in Japan prior to the filing date of the Japanese application, could in some circumstances preclude the granting of a patent. Japan grants patents on a first-to-file basis. It accepts initial filings in English (to be followed by a Japanese translation), but companies should be careful as translation errors can have significant negative consequences. Unlike the United States, where examination of an application is automatic, in Japan an applicant must request examination of a patent application within three years of filing. Japan’s Utility Model Law allows registration of utility models (a form of minor patent) and provides a 10-year term of protection from the date of filing. Under a separate design law, effective April 2007, protection is available for designs for a 20-year term from the date of registration.

The Japanese Patent Office publishes all patent applications 18 months after filing, and after the patent is granted it is published in the Patent Gazette. The patent is valid for 20 years from the date of filing. Since 2008 the Patent Prosecution Highway (PPH) has allowed filing of streamlined applications for inventions determined to be patentable in other participating countries, reducing the average processing time. Semiconductor chip design layouts are protected for 10 years under a special law, if registered with the Japanese “Industrial Property Cooperation Center” – a government-established public corporation.

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

The Unfair Competition Prevention Law provides for protecting trademarks prior to registration. The owner of the mark must demonstrate that the mark is well known in

Japan and that consumers will be confused by the use of an identical or similar mark by an unauthorized user. The law also provides some protection for trade secrets, such as know-how, customer lists, sales manuals, and experimental data. Recent amendments to the law provide for injunctions against wrongful use, acquisition, or disclosure of a trade secret by any person who knew, or should have known, the information in question was misappropriated. Criminal penalties were also strengthened. In 2011, Japan enacted a partial amendment to the Unfair Competition Prevention Law that protects trade secrets from being disclosed during court trials and makes it illegal to sell items designed to circumvent technological protection measures, even if the device has other legal uses.

### ***Copyrights***

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

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

### ***Resources for Rights Holders***

Contact at U.S. Embassy Tokyo:  
Blake Johnston, Economic Section (until June 19, 2014)  
+81-3-3224-5859  
[JohnstonBA@state.gov](mailto:JohnstonBA@state.gov)

Robin Cromer, Economic Section (from July 14, 2014)  
+81-3-3224-5859  
[CromerRS@state.gov](mailto:CromerRS@state.gov)

Country/Economy Resources:  
The American Chamber of Commerce in Japan (ACCJ):  
Tokyo Office  
Masonic 39 MT Bldg. 10F  
2-4-5 Azabudai, Minato-ku  
Tokyo 106-0041  
<http://www.accj.or.jp/>

Embassy Tokyo's List of Lawyers:  
<http://japan.usembassy.gov/e/acs/tacs-7113.html>

## **Transparency of Regulatory System**

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The Japanese economy continues to suffer from over-regulation, which can restrain potential economic growth, raise the cost of doing business, restrict competition, and impede investment. It also increases the costs for Japanese businesses and consumers.

Over-regulation underlies many market access and competitive problems faced by U.S. companies in Japan.

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

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

In the financial sector, the Financial Services Agency (FSA) has made efforts to expand the body of published written interpretations of Japan's financial laws, and has improved outreach to the private sector regarding these changes.

The United States has engaged in bilateral working-level discussions since 2002 in an effort to encourage the Japanese Government to promote deregulation, improve competition policy, and undertake administrative reforms that could contribute to sustainable economic growth, increase imports and foreign direct investment into Japan. Most recently, the United States has engaged Japan on these issues in the context of bilateral talks on non-tariff measures (NTMs) in connection with the TPP free trade negotiations. The National Trade Estimate Report on Foreign Trade Barriers, issued by the Office of the U.S. Trade Representative (USTR), contains a description of Japan's regulatory regime as it affects foreign exporters and investors.

## **Efficient Capital Markets and Portfolio Investment**

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### ***Stock Exchanges***

Japan maintains no formal restrictions on inward portfolio investment, and foreign capital plays an important role in Japan's financial markets. However, many company managers and directors resist the actions of activist shareholders, especially foreign private equity funds, potentially limiting the attractiveness of Japan's equity market to large-scale foreign portfolio investment. Some firms have taken steps to facilitate the exercise of shareholder rights by foreign investors, including the use of electronic proxy voting. The Tokyo Stock Exchange (TSE) maintains an Electronic Voting Platform for Foreign and Institutional Investors, the IJC platform, in which more than 430 listed companies participated as of December 2013. All holdings of TSE-listed stocks are required to transfer paper stock certificates into electronic form.

In part to improve their competitiveness internationally, Japan's two biggest stock exchanges, Tokyo and Osaka, completed a merger on January 1, 2013 to form the Japan Exchange Group (JPX). Under JPX, both exchanges continue to operate, with cash equity trading consolidated on the TSE in July 2013 and derivatives trading



consolidated on the Osaka Exchange as of March 2014. As a result of the merger, at the end of 2013, 3,406 companies were listed in TSE, compared to 2,293 in December 2013. TSE reports that only five companies delisted in 2013.

### ***Environment for Mergers and Acquisitions (M&A)***

Japan's aversion to M&A is receding gradually, accelerated by the unwinding of previously extensive corporate cross-shareholding networks between banks and corporations in the same business family, improved accounting standards, and government mandates that began in the late 1990s that require banks to divest cross-holdings above a set threshold. The majority of M&A over the past decade has been driven by the need to consolidate and restructure mature industries or in response to severe financial difficulties. In response to the Abe Government's economic program, which heightened interest in business opportunities in Japan, M&A activity increased in 2013.

Friendly transfer of wholly-owned or majority-owned subsidiaries remains by far the more common form of M&A in Japan. Similarly, unlisted, owner-operated firms – which traditionally would only sell out as a last resort before bankruptcy – are becoming more amenable to acquisition, including by foreign investors. Nevertheless, there remains a strong preference among Japanese managers and directors for M&A that preserves the independence of the target company. If companies are forced to seek an acquirer, they are often most comfortable receiving an investment from or being acquired by a domestic firm with which they have a pre-existing business relationship.

### ***Hostile Takeovers***

After the Companies Act took full effect in 2007, expanding the types of M&A structures available in the Japanese market, many companies adopted defensive measures against hostile takeovers. The prevalence of such measures has since declined, although hostile takeovers remain relatively uncommon in Japan's consensus-driven business culture.

### ***Changes in Corporate Governance***

Reflecting growing concern within Japan that weaknesses in existing systems of corporate governance were a disincentive for foreign investors, the Japanese Government in the last few years has taken an increasingly strong stance towards corporate misconduct. In March 2012, the Financial Services Agency (FSA) implemented an amendment to corporate disclosure rules to require disclosure of information on the degree of independence of outside directors and outside company auditors, such as the relationship between the company and the current or previous employer of those outside directors/auditors. The FSA has recently published draft amendments aimed at introducing systems to help domestic trust banks and pension funds verify financial information provided by discretionary investment management companies, as well as increasing the volume of information which discretionary investment management companies are required to provide. In addition, the FSA proposes implementing heavier penalties for false statements made by discretionary investment management companies and introducing a more rigorous system of regulatory supervision and inspection.



The Liberal Democratic Party included the goal of improved corporate governance in its campaign platform for the December 2012 election that brought the Abe Government to power, and the Government reiterated that objective in the Growth Strategy released in June 2013. In December 2013, the Government submitted to the Diet proposed amendments to the Companies Act that would encourage listed companies to appoint at least one outside director to their boards, or to publicly explain in their annual report and at their annual shareholders meeting why the company considers the appointment of an outside director to be inappropriate (known as the “comply or explain” provision). The amendments also create an alternative structure where companies may institute an audit and supervisory committee (*kansa kantoku iinkai setchi gaisha*) whose members do not serve as directors. The amendment bill was still under Diet consideration as of April 2014.

While the proposed amendments are viewed as a positive step, the international business community has expressed concern that they do not go far enough to strengthen corporate governance, particularly as they would not make appointment of outside directors mandatory. In spring 2014 the LDP's Research Committee initiated discussions on a strengthened corporate governance “code of conduct” for possible inclusion in a new round of Growth Strategy measures to be announced in June 2014. While details are pending, one issue reportedly under discussion is restriction of cross-shareholding between Japanese listed companies, which complicates market-based M&A activity and reduces the potential impact of shareholder-based corporate governance.

The Tokyo Stock Exchange (TSE) has taken steps over time to require stronger corporate governance measures by listed companies. These include a revised (2009) Principles of Corporate Governance for Listed Companies, which added points to enhance corporate governance not only of the parent company, but of the corporate group as a whole; strengthen statutory auditors' functions; and identify suitable governance models. In March 2012, TSE relaxed rules for listed firms' earnings forecasts, giving firms more flexibility to choose items to include, how to present items, and which periods to cover. The changes are intended to steer firms preparing disclosure in the direction of dialogue with investors, rather than “perfunctory conformity with rules.” In line with Companies Act amendments currently before the Diet, the TSE in late 2013 implemented its own “comply or explain” requirement on outside directors for all TSE listed companies. As of March 2014, more than 60% of the companies listed in the first section of the TSE reported having at least one outside director on their boards, although less than 50% of companies had an independent outside director.

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

### ***Accounting and Disclosure***

Consolidated accounting has been mandatory since 1999 and "effective control and influence" standards have been introduced in place of conventional holding standards, expanding the range of subsidiary and affiliated companies included for the settlement of accounts. Consolidated disclosure of contingent liabilities, such as guarantees, is also mandatory. All marketable financial assets held for trading purposes, including cross-shareholdings and other long-term securities holdings, are recorded at market value. Companies are required to disclose unfunded pension liabilities by valuing pension assets and liabilities at fair value. Fixed asset impairment accounting, in effect since 2005, requires firms to record losses if the recoverable value of property, plant, or equipment is significantly less than book value.

In December 2009, the FSA issued an order allowing companies to submit their financial statements based on international accounting standards. This order prepares the legal groundwork for a complete switch to International Financial Reporting Standards (IFRS) in the future, but FSA has not made a final decision on the mandatory introduction of IFRS.

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

On April 1, 2014, the government raised the national consumption tax rate from 5% to 8%, with a second increase from 8% to 10% planned for October 2015. Japan's standard tax rate for individual capital gains is 20%. Starting January 1, 2014, earned income from new investments of up to ¥1 million will be exempt from capital gains and dividend tax for up to five years. The Nippon Investment Saving Account (NISA) program will be in effect until December 31, 2018, during which time taxpayers can make an investment of up to ¥1 million in stocks and stock funds each year, aggregating to a maximum of ¥5 million in total.

Japanese business associations and the foreign investor community have urged the government to reduce the effective tax rate for corporate income, currently about 35%. They note that Japan's corporate tax rate is substantially higher than that of other Asian countries (about 25% in China and South Korea, and 17% in Singapore). The government has discussed corporate tax reform in the context of the Growth Strategy but has not yet proposed legislation.

In June 2013, Japan signed the Foreign Account Tax Compliance Act (FATCA) bilateral agreement requiring Japanese financial institutions to report to the IRS information about financial accounts held by U.S. taxpayers, or by entities in which U.S. taxpayers hold a substantial ownership interest.

### ***Credit Markets***

Domestic and foreign investors have free access to a variety of credit instruments at market rates. Most foreign firms obtain short-term credit from Japanese commercial banks or one of the many foreign banks operating in Japan. Medium-term loans are available from commercial banks or from trust banks and life insurance companies. Large foreign firms tend to use foreign sources for long-term financial needs.

Japan has privatized most former state-owned enterprises. Regarding the companies of the Japan Post group, postal privatization laws were initially enacted in 2005; under 2012 amendments, the Government remains under legal obligation to fully privatize Japan Post Insurance and Japan Post Bank, but without a fixed deadline. A government subcommittee began preliminary discussions in spring 2014 on preparations for an IPO for Japan Post Holdings, perhaps to be conducted in 2015.

The U.S. Government has continued to raise concerns about the preferential treatment that Japan Post entities receive compared to private sector competitors and the impact of these advantages on the ability of private companies to compete on a level playing field. A full description of U.S. Government concerns with regard to Japan Post, and efforts to address these concerns, is available in USTR's 2014 National Trade Estimate (NTE) report for Japan.

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

### **Corporate Social Responsibility**

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

### **Political Violence**

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

### **Corruption**

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Japan's penal code covers crimes of official corruption. An individual convicted under these statutes is, depending on the nature of the crime, subject to prison sentences up to three years and possible fines up to ¥2.5 million (for the offering party), or prison sentences up to seven years and mandatory confiscation of the monetary equivalent of the bribe (for the recipient). With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be subject to fines and/or imprisonment, and some judgments have been rendered against company directors.

The direct exchange of cash for favors from government officials in Japan is extremely rare. However, 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 seriously in Japan through the rigging of bids on government public works projects.

Japanese authorities have acknowledged the problem of bid-rigging and have taken steps to address it. Building on the longstanding laws on bribery of public officials and

misuse of public funds, the 2006 amendments to the 2003 Bid-Rigging Prevention Act, now called the Act on Elimination and Prevention of Involvement in Bid-Rigging, aimed specifically to eliminate official collusion in bid rigging. The law authorizes the Japan Fair Trade Commission (JFTC) to demand central and local government commissioning agencies take corrective measures to prevent continued complicity of officials in bid-rigging activities, and to report such measures to the JFTC. The Act also contains provisions concerning disciplinary action against officials participating in bid rigging and compensation for overcharges when the officials caused damage to the government due to willful or grave negligence. The Act prescribes possible penalties of imprisonment for up to five years and fines of up to ¥2.5 million. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure officials involved in illegal bid-rigging are held accountable.

Complicating efforts to combat bid rigging is the phenomenon known as *amakudari*, whereby government officials retire into top positions in Japanese companies, frequently in industries that they once regulated. *Amakudari* employees are particularly common in the financial, construction, transportation, and pharmaceutical industries, among Japan's most heavily regulated industries. The 2007 revised National Public Service Act aimed at limiting involvement of individual ministries in finding post-retirement employment for its officials and more transparent administrative procedures may somewhat ameliorate the situation. However, the LDP administration that came to power in December 2012 has not prioritized the issue, and *amakudari* practices persist.

### ***OECD Convention on Combatting Bribery***

Japan has ratified the OECD Anti-Bribery Convention, which bans bribing foreign government officials. The OECD has identified deficiencies in Japan's implementing legislation, some of which the Japanese Government has taken steps to rectify. In 2004, Japan amended its Unfair Competition Prevention Law to extend national jurisdiction to cover the crime of bribery and in 2006 made changes to the Corporation Tax Law and the Income Tax Law expressly to deny the tax deductibility of bribes to foreign public officials. However, there are continuing concerns over the effectiveness of Japan's anti-bribery enforcement efforts, particularly the very small number of cases prosecuted by Japanese authorities compared to other OECD members.

## **Bilateral Investment Agreements**

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As of March 2014, Japan has concluded or signed bilateral investment treaties (BITs) with 22 trading partners: Egypt, Sri Lanka, China, Hong Kong SAR, Turkey, Pakistan, Bangladesh, Russia, Mongolia, Vietnam, South Korea, Cambodia, Laos, Uzbekistan, Peru, Colombia, Papua New Guinea, Kuwait, Iraq, Saudi Arabia, Mozambique and Myanmar. There is also a trilateral agreement with China and South Korea. The Japanese Government is currently negotiating bilateral BITs with Kazakhstan, Angola, and Uruguay, and is preparing to initiate BIT negotiations with Qatar, Algeria, and Ukraine. The 1953 U.S.-Japan Treaty of Friendship, Commerce, and Navigation gives national treatment and most favored nation treatment to U.S. investments in Japan. In July 2013, Japan joined negotiations for the Trans-Pacific Partnership (TPP) free trade agreement with 11 other member countries, including the United States. The TPP, when completed, will include provisions governing investment.

The United States and Japan have a bilateral tax treaty. The current treaty allows Japan to tax the business profits of a U.S. resident only to the extent those profits are attributable to a "permanent establishment" in Japan. It also provides measures to mitigate double taxation. This "permanent establishment" provision, combined with Japan's currently high 40 percent corporate tax rate, serves to encourage foreign and investment funds to keep their trading and investment operations off-shore.

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

In January 2013, the United States and Japan signed a revision to the bilateral income tax treaty to bring it into closer conformity with the current tax treaty policies of the United States and Japan. The revision is awaiting ratification by the U.S. Congress.

#### **OPIC and Other Investment Insurance Programs**

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

#### **Labor**

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Since World War II, employment practices in Japan's large companies centered on the principles of lifetime employment, seniority-based wages, and enterprise unions. However, the demographic reality of an aging populations and shrinking workforce is forcing many firms to sharply reduce lifetime employment guarantees and seniority-based wages in favor of merit-based pay scales and limited-term contracts. Generally there is adequate availability of skilled labor, although some shortages are beginning to emerge, particularly in the construction industry. Nevertheless, labor mobility between firms remains low.

Traditionally, Japanese workers have been classified as either "regular" or "non-regular" employees. Companies recruit "regular" employees directly from schools or universities and provide an employment contract with no fixed duration. In contrast, "non-regular" employees (such as temporary or contract workers) are hired for a fixed period. Companies have increasingly used part-time workers, temporary contract workers, and so-called "dispatch workers" (contracted through temp agencies) to fill short-term labor requirements and to save on labor costs. In recent years, re-hiring of employees on non-regular status after retirement is also on the rise. Japanese government policy makers are deeply concerned that the number of younger workers in "non-regular" status remains stubbornly high and that the ability of such workers to find permanent employment will decline as they get older.

Although labor unions play a role in the annual determination of wage scales throughout the economy, that role has been declining. The FY2013 Ministry of Health, Labor and Welfare (MHLW) "White Paper on Labor Economy" estimated that union membership as of June 30, 2012 had fallen by 68,000 from the previous year to 9.89 million people representing approximately 18% of the labor force, well down from the peak of 12.70 million in 1994.

To address the impending labor shortage resulting from population decline and a rapidly aging society, Japan's government has pursued measures to increase participation and retention of older workers in the labor force. A new law that went into force in April 2013 requires companies to introduce employment systems allowing employees reaching retirement age (generally set at 60) to continue working until 65, if they desire.

In June 2013, Prime Minister Abe named women's increased economic participation as a priority element of his government's economic growth strategy. Policy goals include reducing the number of women who quit their jobs due to pregnancy, childbirth or child-rearing; reducing childcare center waitlists through increased capacity; increasing the number of women in management positions; and increasing the number of female national civil servants. The government has appealed to major business organizations to extend the statutory one-year childcare leave to three years and to include at least one woman on each company's board.

In December 2013, the Diet passed a law extending the maximum contract period for fixed-term workers such as researchers, technical workers, and teachers in universities and research institutions from a maximum term of five years to ten years. The extended contract term will provide for greater continuity on long-term research projects. Similarly, a pending bill will provide an exemption to the five-year limit for "highly skilled specialist" contract workers to extend their contracts up to 10 years. The Government is examining additional changes to labor and immigration law that could facilitate the entry of larger numbers of skilled foreign workers in selected sectors for fixed periods.

## **Foreign-Trade Zones/Free Ports**

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

## **Foreign Direct Investment Statistics**

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**Table 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Japan Statistical source*		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
<b>Economic Data</b>	Year	Amount	Year	Amount	
Japanese Gross Domestic Product (GDP) ( <i>Millions U.S. Dollars</i> )	2012	6,013,926	2012	5,959,718	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a>
<b>Foreign Direct Investment</b>	Japanese Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Japan ( <i>Millions U.S. Dollars, stock positions</i> )	2012	61,756	2012	133,967	(BEA)_click selections to reach. <ul style="list-style-type: none"> <li>• Bureau of Economic Analysis</li> <li>• Balance of Payments and Direct Investment Position Data</li> <li>• U.S. Direct Investment Position Abroad on a Historical-Cost Basis</li> <li>• By Country only (all countries) (Millions of Dollars)</li> </ul>
Japan's FDI in the United States ( <i>Millions U.S. Dollars, stock positions</i> )	2012	286,529	2012	308,253	(BEA)_click selections to reach <ul style="list-style-type: none"> <li>• Balance of Payments and Direct Investment Position Data</li> <li>• Foreign Direct Investment Position in the United States on a Historical-Cost Basis</li> <li>• By Country only (all countries) (Millions of Dollars)</li> </ul>
Total inbound stock of FDI as % Japanese GDP ( <b>calculate</b> )	2012	3.4	2012	3.4	

Source:

Japan's GDP: Economic and Social Research Institute (ESRI), Cabinet Office --

[http://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2012/tables/24fcm1n\\_en.xls](http://www.esri.cao.go.jp/en/sna/data/kakuhou/files/2012/tables/24fcm1n_en.xls)

USD/JPY exchange rate: Bank of Japan --

<http://www.boj.or.jp/statistics/market/forex/fxdaily/index.htm/>

Japan's FDI stock: Japan External Trade Organization (JETRO) --

<http://www.jetro.go.jp/en/reports/statistics/>

Japan's FDI stock: UNCTAD --

<http://unctad.org/en/pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx>



**Table 3: Sources and Destination of FDI  
Japan, 2012**

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	205,752	100%	Total Outward	1,037,698	100%
United States	61,592	30%	United States	285,767	28%
Netherlands	31,524	15%	Netherlands	94,193	9%
France	17,985	9%	China, P.R.: Mainland	92,967	9%
United Kingdom	15,430	7%	Australia	61,181	6%
Singapore	15,352	7%	Cayman Islands	58,627	6%

Source: <http://cdis.imf.org>

**Table 4: Sources of Portfolio Investment  
Japan, 2012**

Portfolio Investment Assets								
Top Five Partners (Millions, U.S. Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	3,525,267	100%	All Countries	687,170	100%	All Countries	2,838,097	100%
United States	1,183,093	34%	United States	297,136	43%	United States	885,957	31%
Cayman Islands	575,629	16%	Cayman Islands	95,565	6%	Cayman Islands	479,973	17%
France	215,947	6%	United Kingdom	47,916	7%	France	195,005	7%
United Kingdom	215,929	6%	Australia	23,669	3%	United Kingdom	168,013	6%
Germany	181,490	5%	Canada	21,617	3%	Germany	161,471	6%

Source: <http://cdis.imf.org/>

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## Chapter 7: Trade and Project Financing

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### How Do I Get Paid (Methods of Payment)

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

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

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

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

### How Does the Banking System Operate

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While financial system deregulation and international competitive pressure has drastically changed the face of Japanese banking (the consolidation of 19 major banks

into three mega banks), the connection between corporate finance and banking institutions and non-financial corporations remains much tighter in Japan than in the United States; and extends far beyond simple lender/borrower relationships. Much corporate banking business is rooted in either business groups with interlocking shareholding (keiretsu) or in regional relationships. Japanese banks are frequently shareholders in companies that conduct banking business with them.

This unique relationship between a company and its bank has been long-standing; until recently, a Japanese company rarely changed its primary lender, although it would occasionally "shop around" for better credit arrangements. Even when credit is loose, companies sometimes borrow in excess of their need in order to maintain good relations with their bank and to ensure that funds will be available in leaner years. Banks are often large shareholders in publicly traded corporations (although banks are in the process of reducing their total equity holdings), have close relationships with both local governments and national regulatory agencies, and often play a coordinating role among their clients. It remains safe to say that the Japanese commercial bank system is much more relationship-oriented than the transaction-based U.S. system.

Japanese banks were able to avoid the direct impact from the global financial crisis due to their limited exposure to structured securities. Japanese authorities took macroeconomic and financial policy steps to sustain the economy and support the functioning of financial markets. Similarly, the direct impact of the March 2011 earthquake and tsunami on major banks was relatively minor. There were no major disruptions to the payments and settlement system, and the Bank of Japan injected substantial liquidity so that banks could meet funding needs, as well as manage demand for cash withdrawals from depositors. In general, the major banks now are well-capitalized and have healthy balance sheets, but suffer from low interest rate margins and weak demand for lending.

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 and for many larger companies as well.

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 cost a few hundred yen on average), or by sending cash through the postal system. The banks (and now investment/securities firms) historically waged an uphill battle against the postal savings system for consumer deposits, but now that the postal savings bank must pay taxes and deposit insurance, in addition to losing its implicit government guarantee, competition for deposits has intensified.

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 operate 24-hour cash machines (as do some credit card companies). Bank and other credit cards are easy to obtain and are widely accepted. Some bank credit cards offer revolving credit, but in most cases balances are paid in full monthly via automatic debiting from bank accounts.

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

### **Opening a Bank Account**

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

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

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

In addition, all U.S. citizens must remember to file Form 8938, Statement of Specified Foreign Financial Assets with the U.S. Internal Revenue Service (IRS) about their foreign account holdings. For more information on this IRS reporting requirement, refer to: <http://www.irs.gov/Businesses/Corporations/Summary-of-FATCA-Reporting-for-U.S.-Taxpayers>

### **Foreign-Exchange Controls**

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Foreign exchange regulations have little impact on normal business transactions.

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

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

Leading Commercial Banks in Japan:  
Bank of Tokyo-Mitsubishi UFJ

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

Mizuho Corporate Bank  
1-3-3 Marunouchi, Chiyoda-ku, Tokyo 100-8210  
Tel: +81/3/3214-1111  
<http://www.mizuhobank.com/index.html>

Sumitomo Mitsui Banking Corporation  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006  
Tel: +81/3/5512-3411; fax: 5512-4429  
<http://www.smbc.co.jp/global/index.html>

Aozora Bank  
3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo 102-8660  
Tel: +81-3-3263-1111  
<http://www.aozorabank.co.jp/english/>

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

Shinsei Bank  
Nihonbashi Muromachi Nomura Building  
4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303  
Tel: +81/3-6880-7000  
<http://www.shinseibank.com/english/>

Citibank  
Citigroup Center, 3-14 Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo 140-8639  
Tel: +81-45-330-2871  
<http://www.citibank.co.jp/en/index.html>

## **Project 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 report 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. Moreover, a firm's ability to borrow may also be based on its personal relationships and rapport with bank officials rather than on typical U.S. standards of credit-worthiness. Some smaller firms report that they have been forced to secure needed financing from offshore sources. For U.S. companies with operations in Japan, teaming up with Japanese partners in a joint venture has been effective as a way to receive more favorable treatment from Japanese banks.

While most U.S. banks operating in Japan do engage in lending to subsidiaries of U.S. companies (especially their home market clients), many of them focus on higher value-

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

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

The Government of Japan's programs to promote imports and foreign investment in Japan include tax incentives, loan guarantees, low-cost loans to Japanese and foreign investors for import infrastructure through the Development Bank of Japan (DBJ) and other loan programs. Underscoring the Government's emphasis on import promotion, 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 (JBIC), the Development Bank of Japan (DBJ), the Japan Finance Corporation for Small Business and Nippon Export and Investment Insurance (NEXI, formerly known as EID/MITI) offer low-interest loans to encourage imports to and investment in Japan.

The Japan Bank for International Cooperation (JBIC) is a governmental institution that encourages exports, secures access to energy resources, promotes direct overseas investments and improves Japan's external imbalances through financial assistance to the trade and investment activities of Japanese companies. It was created in October 1999 as a result of a merger of the Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF). The financial facilities offered by JBIC include export loans, import loans, overseas investment loans and untied loans.

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

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

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

In addition, a program between U.S. Export-Import Bank (EXIM Bank) and Japan's Nippon Export and Investment Insurance (NEXI, formerly known as EID/MITI) provides for co-financing insurance for U.S. exports to developing countries. NEXI also provides

advance payment insurance for U.S. exports to Japan. Also on October 2012, U.S. EXIM Bank and JBIC signed a co-financing agreement to facilitate export transactions involving U.S. and Japanese companies, by providing “one-stop-shop” export finance services to buyers in third countries purchasing both U.S. and Japanese goods and services. The two nations’ export credit agencies provide a one-stop-shop financing package, creating administrative efficiencies for foreign buyers. For additional details on these and other cooperative financing programs, U.S. companies should contact U.S. EXIM Bank.

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

### **Other Financing**

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

Japan's venture capital specialist funds are estimated to be only half the size of those in the United States. Traditionally the top Japanese venture capital firms have acted more like quasi-banks. Also, Financial Services Agency guidance to brokers to set tough standards for companies seeking to go public results in even the best companies taking up to a decade to get a listing on the over-the-counter stock market. Japan's electronic OTC market was established in October 2010 by integrating Hercules, JASDAQ and NEO platforms.

Types of Projects Receiving Financing Support:

JBIC also provides loan guarantees to private financial institutions, short-term loans designed to finance the external transactions of the governments of developing nations (bridge loans), and equity participation in the overseas projects of Japanese companies. JBIC's international financial operations focus on projects in developing countries where local financial institutions cannot provide financing on their own. As JBIC's mandate is the support of internationalization for Japanese companies, its loans can be distinguished from Overseas Economic Cooperation operations, which target the economic development of developing countries.

Regional Development Support: The Japan Regional Development Corporation (JRDC), a government-affiliated organization which, in cooperation with local governments, promotes regional development outside of major metropolitan areas, and the Regional Economy Vitalization Corporation of Japan (REVIC) both provide support for certain types of regional projects within Japan.

Overseas Investment Loans and Overseas Project Loans: These loans are typically granted via JBIC and extended to Japanese corporations for overseas investment activities and overseas projects. Overseas investment loans can also be made to



overseas joint ventures involving Japanese capital and to foreign governments for capital investments or loans to joint ventures involving Japanese capital.

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

## Web Resources

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

Country Limitation Schedule: <http://www.exim.gov/tools/countrylimitationschedule/>

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.ustda.gov/>

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

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/FSA>

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

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

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

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

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

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

Development Bank of Japan (DBJ): <http://www.dbj.jp/en/index.html>

Ministry of Economy, Trade and Industry (METI): <http://www.meti.go.jp/english/index.html>

Nippon Export and Investment Insurance (NEXI): <http://www.nexi.go.jp/en/>

Regional Economy Vitalization Corporation of Japan (REVIC):  
<http://www.revic.co.jp/index.html> (Japanese only)

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## Chapter 8: Business Travel

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### **Business Customs**

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An understanding of Japanese business and social practices is useful, if not required, in establishing and maintaining successful business relationships in Japan. Perceived indifference to local business practices may be interpreted as a lack of commitment on the part of the exporter, and may lead to misunderstandings and lost business opportunities. One should not assume that because meetings and correspondence are carried out in English that Western social and business norms apply.

Japanese society is complex, structured, hierarchical and group-oriented. It places strong emphasis on maintaining harmony and avoiding direct confrontation. Japanese social and cultural norms tend to be group oriented rather than focused on the individual. 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 often 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 requires time. Recognizing that it takes a longer time to cultivate business relationships in Japan than in the United States, U.S. business executives should not expect to make a deal in just a few days. Consistent follow-up is vital. Likewise, U.S. business people should recognize the importance of working with the staff level of their Japanese counterparts and not exclusively with the executive level.

Gift giving is expected on many business occasions in Japan. Regional U.S. gifts or company-logo gifts are appropriate. Quality is important, but the gift does not have to be expensive – it is the sentiment and relationship implied by the gift rather than its intrinsic value that is significant. Therefore, packaging of the gift is as important as the gift itself and should be done professionally. In Japan, sets of four are considered unlucky (the

number four is pronounced the same as the word for death). Gifts that can be shared among a group are appropriate.

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

Business travelers visiting a Japanese firm for the first time should be accompanied by an interpreter or bilingual assistant. Many Japanese executives and decision-makers do not speak English, although they may be able to greet visitors in English and read English product literature relevant to their business or industry expertise. Although English is a required subject in Japan's secondary school curriculum, generally speaking, Japanese business people's English listening and speaking skills tend to be weaker than their reading and writing skills. Thus, the Japanese side in a business meeting generally expects visitors to bring an interpreter if they are serious about doing business. Although the cost for hiring an interpreter can be very high (\$400 to \$900 per day depending on the level), bringing an interpreter shows that a visiting firm is serious in its commitment to the Japanese market.

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

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

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

U.S. business travelers to Japan seeking appointments with U.S. Embassy Tokyo officials should contact the Commercial Section in advance. The Commercial Section can be reached by fax at +81/3/3224-5064 or by e-mail to [tokyo.office.box@trade.gov](mailto:tokyo.office.box@trade.gov)

## **Travel Advisory**

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Japan has long been noted for its low crime and safe streets. Crimes against U.S. citizens in Japan are rare. Crime is at levels well below the U.S. national average. Violent crime is extremely rare, but does exist. Incidents of pick pocketing of foreigners in crowded shopping areas, on trains and at airports have been a sporadic concern.

Some U.S. citizens believe that Japanese police procedures appear to be less sensitive and responsive to a victim's concerns than would be the case in the United States, particularly in cases involving domestic violence and sexual assault. Few victim's assistance resources or battered person's shelters exist in major urban areas, and are generally unavailable in rural areas.

To access the most up-to-date travel and safety information, please refer to the State Department's "Consular Information Sheet" for Japan at:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html)

U.S. citizens can also obtain up-to-date safety and security information by calling 1-888-407-4747 toll-free within the U.S. and Canada, or by calling a regular toll line, 1-202-501-4444, from other countries. These numbers are available from 8:00 a.m. to 8:00 p.m. Eastern Standard Time, Monday through Friday (except U.S. federal holidays).

## **Visa Requirements**

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

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

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

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

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

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/content/visas/english.html>  
The web address for the Consular Section of the U.S. Embassy in Tokyo is:  
<http://japan.usembassy.gov/e/tvisa-main.html>

## Telecommunications

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Japan has excellent telecommunications systems. Fiber optic and broadband services are available throughout the country. The 3G segment of the market now comprises 95 percent of the total mobile market in Japan. According to a survey by the Ministry of Internal Affairs and Communications, the broadband service availability rate surpassed 99 percent of total households in Japan with over 30 million broadband lines in place, making it the third largest broadband country in the world after the U.S. and China. Public WiFi hotspots can be found in increasing numbers at airports, cafes and fast food restaurants. The following web site identifies wireless hotspots around the world:  
<http://www.hotspot-locations.com/>

Public phones, some of which accept only pre-paid cards, are still common but disappearing as nearly all communication goes mobile. To call the United States and Canada from Japan, one must dial 0101 before the ten-digit U.S. telephone number.

Almost all Japanese own at least one mobile telephone or smartphone and use them constantly for e-mailing and downloading information from the Internet in addition to making telephone calls. There are a number of mobile phone networks and providers in Japan, but the Japanese mobile phone system is still not generally compatible with those of other countries, so your existing phone may not work in Japan. To determine if a particular phone is usable in Japan, please contact your service provider prior to visiting Japan. Mobile phones that work in Japan are available for rent at most major airports.

Cell phone rental services at Tokyo's Narita Airport can be found at:  
[http://www.narita-airport.jp/en/guide/service/list/svc\\_19.html](http://www.narita-airport.jp/en/guide/service/list/svc_19.html)

Cell phone rental services at Tokyo's Haneda International Airport can be found at:  
<http://www.haneda-airport.jp/inter/en/premises/service/internet.html#mobilePhone>

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

## Transportation

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Japan has a system of modern highways and roads linking all parts of country. However, traffic conditions on expressways and in cities are often very congested. Most major intercity highways operate on a toll basis, and tolls can be extremely expensive, making passenger train travel very competitive, especially for international visitors.

Japan boasts the world's densest and most modern passenger railroad system, with fast, frequent services to all parts of the country. Japan's famous *shinkansen* high-speed

rail lines link Tokyo with Japan's major business centers. All of Japan's large cities have highly developed subway and commuter train service. Taxi service is widely available.

## 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 a limited understanding and command of spoken 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 counterpart's mastery of English.

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

"Japanese for the Western Brain"

<http://kimallen.sheepdogdesign.net/Japanese/index.html>

Jim Breen's Japanese Page

<http://www.csse.monash.edu.au/~jwb/japanese.html>

## Health

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Aside from the area in the immediate vicinity of the Fukushima Daiichi Nuclear Power plant, crippled by the disaster in 2011, Japan poses no medical health risks to the business traveler. While medical care in Japan is good, English-speaking physicians and medical facilities that cater to U.S. citizens' expectations are expensive and not very widespread. Japan has a national health insurance system, which is only available to non-citizens 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 those who are not covered by the national health insurance plan. Most major credit cards are accepted.

For additional information, please refer to the State Department's "Japan – Country Specific Information" website at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](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. Japan is one of

the few major industrialized countries that does not observe some form of daylight saving time.

**Business Hours:** The typical Japanese workweek is Monday through Friday, 9:00 a.m. to 5:30 p.m., although many Japanese office workers put in long hours of overtime. Flex work hours have become popular at some large companies. Interestingly, the overwhelming majority of Japanese take their lunch break promptly at 12:00 noon and return to the office at 1:00 p.m. sharp.

**Holidays:** When a national holiday falls on a Sunday, the following Monday is observed. In addition, many Japanese companies and government offices traditionally close during the New Year's holiday season (December 28-January 5), "Golden Week" (April 28-May 6) and the traditional "O-Bon" Festival (August 13-15).

In 2014, Japan will observe the following official national holidays:

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

In 2015, Japan will observe the following official national holidays:

- New Year's Day, January 1 (Thursday)
- Adult's Day, January 12 (Monday)
- National Foundation Day, February 11 (Wednesday)
- Vernal Equinox Day, March 21 (observed Friday, March 20)
- Showa Day, April 29 (Wednesday)
- Constitution Memorial Day, May 4 (Monday)
- Greenery Day, May 5 (Tuesday)
- Children's Day, May 6 (Wednesday)
- Marine Day, July 20 (Monday)
- Respect for the Aged Day, September 21 (Monday)
- "Bridge Holiday," September 22 (Tuesday)
- Autumnal Equinox Day, September 23 (Wednesday)
- Health & Sports Day, October 12 (Monday)
- National Culture Day, November 3 (Tuesday)
- Labor Thanksgiving Day, November 23 (Monday)
- Emperor's Birthday December 23 (Wednesday)



## Temporary Entry of Materials and Personal Belongings

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

## Web Resources

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Doing business in Japan:

U.S. Commercial Service Japan:

<http://export.gov/japan/doingbusinessinjapan/index.asp>

Consular information & official travel advisories for Japan:

U.S. Department of State:

<http://travel.state.gov/content/passports/english/country/japan.html>

U.S. visas:

U.S. Department of State:

[http://travel.state.gov/visa/visa\\_1750.html](http://travel.state.gov/visa/visa_1750.html)

U.S. Embassy Tokyo Consular Section:

<http://japan.usembassy.gov/e/tvisa-main.html>

Japanese customs, etiquette, and culture:

<http://www.japan-guide.com>

<http://www.thejapanfaq.com>

Japanese language:

"Japanese for the Western Brain"

<http://kimallen.sheepdogdesign.net/Japanese/index.html>

Jim Breen's Japanese Page

<http://www.csse.monash.edu.au/~jwb/japanese.html>

Business infrastructure:

Japan National Tourist Organization (JNTO):

<http://www.jnto.go.jp>

Health:

U.S. Department of State; Japan – Country Specific Information:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1148.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1148.html)

Temporary entry of materials under the *carnet* system:

<http://www.atacarnet.com>

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

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

### Contacts

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#### U.S. EMBASSY TRADE PERSONNEL

##### Commercial Service Tokyo

Andrew Wylegala, Minister-Counselor for Commercial Affairs

Jonathan Heimer, Commercial Counselor

Greg Taevs, Commercial Attaché

Stephen Anderson, Commercial Attaché

Yuri Arthur, Commercial Attaché

U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420

Tel: +81/3/3224-5060; fax: 3224-4235

Web: <http://export.gov/japan/>

Social Media: <https://twitter.com/BuyUSAJapan>

<https://www.facebook.com/PromoteUSA.Japan>

E-mail: [Office.Tokyo@trade.gov](mailto:Office.Tokyo@trade.gov)

##### Foreign Agricultural Service (Department of Agriculture)

David Miller, Minister-Counselor for Agricultural Affairs

Elizabeth Autry, Senior Agricultural Attaché

Benjamin Petlock, Agricultural Attaché

Evan Mangino, Agricultural Attaché

U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420

(U.S. Address: Unit 9800, Box 475, DPO AP 96303-0475)

Tel: +81/3/3224-5105; fax: 3589-0793

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

E-mail: [agtokyo@fas.usda.gov](mailto:agtokyo@fas.usda.gov)

##### Agricultural Trade Office (Tokyo and Osaka) (Department of Agriculture)

Steve Shnitzler, Director

U.S. Embassy Tokyo, 1-10-5, Akasaka, Minato-ku, Tokyo 107-8420

(U.S. Address: Unit 9800, Box 591, DPO AP 96303-0591)

Tel: +81/3/ 3224-5115; fax: 3582-6429

Web: [www.us-ato.jp/](http://www.us-ato.jp/)

E-mail: [atotokyo@fas.usda.gov](mailto:atotokyo@fas.usda.gov)

##### Economic Section (Department of State)

Jessica Webster, Minister-Counselor for Economic and Science Affairs

Blair LaBarge, Chief, Trade and Economic Policy Unit

Steve Dyokas, Chief, Environment, Science, Technology and Health Unit

U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420  
Tel: +81/3/3224-5020; fax: 3224-5019

Energy Section (Department of Energy)  
Jeffrey Miller, Director  
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420  
Tel: +81/3/3224-5444; fax: 3224-5769

Treasury Section (Department of the Treasury)  
Christopher Winship, Financial Attaché  
U.S. Embassy Tokyo, 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420  
Tel: +81/3/3224-5486; fax: 3224-5490

#### TRADE PERSONNEL AT U.S. CONSULATES AROUND JAPAN

Commercial Service Osaka-Kobe  
Helen Hwang , Principal Commercial Consul  
U.S. Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543  
Tel: +81/6/6315-5953; fax: 6315-5963  
E-mail: [office.osaka-kobe@trade.gov](mailto:office.osaka-kobe@trade.gov)

Agricultural Trade Office (Osaka) (Department of Agriculture)  
Chika Motomura, Ag. Marketing Specialist  
Akiko Kashiwagi, Ag. Marketing Specialist  
American Consulate General Osaka, 2-11-5 Nishitenma, Kita-ku, Osaka 530-8543  
(U.S. Address: Unit 45004, Box 239, APO AP 96337-5004)  
Tel: +81/6/6315-5904; fax: 6315-5906  
Web: [www.usdajapan.org/](http://www.usdajapan.org/)  
E-mail: [atoosaka@fas.usda.gov](mailto:atoosaka@fas.usda.gov)

Consulate Nagoya  
Stephen Kovacsics, Principal Officer  
Tamiki Mizuno, Economic/Commercial Specialist  
U.S. Consulate Nagoya, Nagoya International Center Building, 6F  
47-1 Nagono 1-chome, Nakamura-ku, Nagoya 450-0001  
Tel: +81/52/581-4501; fax: 581-3190  
E-mail: [MizunoTX@state.gov](mailto:MizunoTX@state.gov)

Consulate General Sapporo  
JoEllen Gorg, Principal Officer  
Carlton Benson, Economic/Consular/Management Officer  
Yumi Baba, Economic/Commercial Assistant  
U.S. Consulate General Sapporo, Nishi 28, Kita 1, Chuo-ku; Sapporo 064-0821  
Tel: +81/11/641-1115; fax: 643-1283  
E-mail: [BabaYX@state.gov](mailto:BabaYX@state.gov)

Consulate Fukuoka  
Yuriy Fedkiw, Principal Officer  
Daniel Callahan, Political/Economic Officer  
American Consulate Fukuoka, 2-5-26 Otori, Chuo-ku, Fukuoka 810-0052

Tel: +81/92/751-9331; fax: +81/92/713-9222  
E-mail: [CallahanDC@state.gov](mailto:CallahanDC@state.gov)

Consulate General Naha (Okinawa)  
Alfred Magleby, Consul General  
Jennifer Nichols, Political and Economic Officer  
Akinori Hayashi, Commercial Specialist  
American Consulate General Naha, 2-1-1 Toyama, Urasoe City  
Okinawa 901-2101  
Tel: +81/98/876-4211; fax: 876-4243  
E-mail: [HayashiAX@state.gov](mailto:HayashiAX@state.gov)

#### CHAMBERS OF COMMERCE/TRADE ASSOCIATIONS

American Chamber of Commerce in Japan (ACCJ)  
Sam Kidder, Executive Director  
Masonic 39 MT Bldg. 10F; 2-4-5 Azabudai, Minato-ku; Tokyo 106-0041  
Tel: +81/3/3433-5381; fax: 3433-8454  
Web: <http://www.accj.or.jp>

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

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

Japan Business Federation (Nippon Keidanren)  
International Economic Affairs Bureau  
1-3-2 Otemachi, Chiyoda-ku, Tokyo 100-8188  
Tel: +81/3/6741-0171; fax: 6741-0301  
Web: <http://www.keidanren.or.jp/en>

Japan Association of Corporate Executives (Keizai Doyukai)  
Nihon Kogyo Club Bldg. Annex 5F, 1-4-6 Marunouchi, Chiyoda-ku, Tokyo 100-0005  
Tel: +81/3/3284-0220; fax: 3212-3774  
Web: <http://www.doyukai.or.jp/en>

Japan Foreign Trade Council, Inc.  
International Affairs and Research Group  
World Trade Center Bldg. 6F, 2-4-1 Hamamatsu-cho, Minato-ku, Tokyo 105-6106  
Tel: +81-3-3435-5972/5964; fax: +81/3/3435-5979  
Web: [http://www.jftc.or.jp/english/home\\_e.htm](http://www.jftc.or.jp/english/home_e.htm)

Japan-U.S. Business Council  
Keidanren Kaikan, 1-3-2 Otemachi, Chiyoda-ku, Tokyo 100-0004

Tel: +81/3/6741-0401; fax: 6741-0402  
Web: <http://www.jubc.gr.jp/eng/index.html>

Japan Chamber of Commerce and Industry  
International Division  
Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005  
Tel: +81/3/3283-7601; fax: 3216-6497  
Web: <http://www.jcci.or.jp/home-e.html>

Tokyo Chamber of Commerce and Industry  
International Division  
Tosho Bldg., 3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005  
Tel: +81/3/3283-7523; fax: 3216-6497  
Web: <http://www.tokyo-cci.or.jp/english/>

Osaka Chamber of Commerce and Industry  
International Division  
2-8 Honmachi-bashi, Chuo-ku, Osaka 540-0029  
Tel: +81/6/6944-6400; fax: 6944-6293  
Web: <http://www.osaka.cci.or.jp/e>

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

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

Nagoya Chamber of Commerce & Industry (NCCI)  
International Group  
2-10-19 Sakae, Naka-ku, Nagoya 460-8422  
Tel: +81/52/223-6742; fax: 232-5751  
Web: <http://www.nagoya-cci.or.jp/eng>

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

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

Fukuoka Foreign Trade Association

Fukuoka Chamber of Commerce and Industry Bldg., 7F  
Hakata Ekimae 2-9-28, Hakata-ku, Fukuoka 812-8505  
Tel: +81/92/452-0707; fax: 452-0700  
Web: <http://www.fukuoka-fta.or.jp/en/>  
AGRICULTURAL TRADE ASSOCIATIONS

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

All Nippon Kashi Association  
6-9-5 Shimbashi, Minato-ku, Tokyo 105-0004  
Tel: +81/3/3431-3115; fax: 3432-1660  
Email: [anka-0@nifty.com](mailto:anka-0@nifty.com)

Japan Convenience Foods Industry Association  
Kimura Bldg. 3F, 5-5-5 Asakusabashi, Taito-ku, Tokyo 111-0053  
Tel: +81/3/3865-0811; fax: 3865-0815  
Email: [daihyo@sokuseki-kyokai.com](mailto:daihyo@sokuseki-kyokai.com)  
Web: <http://www.instantramen.or.jp/>

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

Japan Dehydrated Vegetable Association  
1-9-12 Irifune, Chuo-ku, Tokyo 104-0042  
Tel: +81/3/5117-2661; fax: 3552-2820  
Email: [kaz@primer.jp](mailto:kaz@primer.jp)

Japan Food Service Association  
Hamamatsucho Central Bldg. 9F.10F  
1-29-6, Hamamatsucho, Minato-ku, Tokyo 105-0013  
Tel: +81/3/5403-1060; fax: 5403-1070  
Email: [info-jf@jfnet.or.jp](mailto:info-jf@jfnet.or.jp)  
Web: <http://www.jfnet.or.jp/>

Japan Frozen Food Association  
Kowa Nitto Bldg. 4F, 3-17-9 Tsukiji, Chuo-ku, Tokyo 104-0045  
Tel: +81/3/3541-3003; fax: 3541-3012  
Email: [info@reishokukyo.or.jp](mailto:info@reishokukyo.or.jp)  
Web: <http://www.reishokukyo.or.jp/>

Japan Fruit Juice Association  
Zenkoku Tobacco Bldg., 3F., 1-10-1 Shibadaimon, Minato-ku, Tokyo 105-0012  
Tel: +81/3/3435-0731; fax: 3435-0737  
Email: [kaju-kyo@cello.ocn.ne.jp](mailto:kaju-kyo@cello.ocn.ne.jp)  
Web: <http://www.kaju-kyo.ecnet.jp/>

Japan Health Food & Nutrition Food Association  
2-7-27 Ichigaya Sadohara-cho, Shinjuku-ku, Tokyo 162-0842  
Tel: +81/3/3268-3134; fax: 3268-3136  
Email: [jhnfa@jhnfa.org](mailto:jhnfa@jhnfa.org)  
Web: <http://www.jhnfa.org/>

Japan Nut Association  
Kohinata Bldg #203, 2-18-10 Shinkawa, Chuo-ku, Tokyo 104-0033  
Tel: n/a; fax: 81/3/6662-6528  
Email: [jna@jt5.so-net.ne.jp](mailto:jna@jt5.so-net.ne.jp)  
Web: <http://www.jna-nut.com/>

Japan Self-Service Association  
Sakurai Bldg. 4F, 3-19-8 Uchi-kanda, Chiyoda-ku, Tokyo 101-0047  
Tel: +81/3/3255/4825; fax: 3255-4826  
Email: [selkyo@jssa.or.jp](mailto:selkyo@jssa.or.jp)

Japan Restaurant Association  
BM Kabutocho Bldg., 11-7 Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-0026  
Tel: +81/3/5651-5601; fax: 5651-5602  
Web: [http://www.joy.ne.jp/restaurant/htm\\_e/e\\_main.htm](http://www.joy.ne.jp/restaurant/htm_e/e_main.htm)

Japan Wine and Spirits Importers' Association  
Daiichi Tentoku Bldg., 1-13-5 Toranomon, Minato-ku, Tokyo 105-0001  
Tel: +81/3/3503-6505/6506; fax: 3503-6504  
Web: <http://www.youshu-yunyu.org/english02/>

In addition, over 45 U.S. trade associations are active in Japan – Please refer to:  
[http://usdajapan.org/en/aboutus/trade\\_activities.html](http://usdajapan.org/en/aboutus/trade_activities.html)

## JAPANESE GOVERNMENT AGENCIES

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

Japan External Trade Organization (JETRO)  
Invest Japan Dept.  
Ark Mori Bldg., 6F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006  
Tel: +81/3/3582-5511  
Web: <http://www.jetro.go.jp>  
JETRO “Invest Japan” Business Support Center  
Ark Mori Bldg., 7F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006  
Tel: +81/3/3582-4686; fax: 3584-6024  
Web: <http://www.jetro.go.jp/en/invest/ibsc/>

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



Web: <http://www.mipro.or.jp/english/>

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

#### U.S. FEDERAL GOVERNMENT

##### U.S.A. Trade Information Center

Ronald Reagan Building and International Trade Center 1300 Pennsylvania Avenue, N.W., Washington, D.C. 20004

Tel: 1-800-USA-TRAD(E); fax: 202-482-3433

Email: [tic@ita.doc.gov](mailto:tic@ita.doc.gov)

Web: [http://www.export.gov/exportbasics/eg\\_main\\_017483.asp](http://www.export.gov/exportbasics/eg_main_017483.asp)

##### U.S. Department of Commerce

Assistant Secretary for Trade Promotion and  
Director General of the U.S. and Foreign Commercial Service  
International Trade Administration

1401 Constitution Avenue, N.W., Washington, DC 20230

Web: <http://trade.gov/>

##### U.S. Department of Agriculture

Foreign Agricultural Service

1400 Independence Ave., S.W., Washington, DC 20250

Email: [info@fas.usda.gov](mailto:info@fas.usda.gov)

Web: <http://www.fas.usda.gov>

##### U.S. Department of State

Commercial and Business Affairs Office

2201 C Street, N.W., Room 2318, Washington, DC 20520

Tel: 202-647-1625; fax: 202-647-3953

Email: [BusinessOutreachweb@state.gov](mailto:BusinessOutreachweb@state.gov)

Web: <http://www.state.gov/business>

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

811 Vermont Avenue, N.W., Washington, DC 20571

Tel: (202) 565-3946 (EXIM) or (800) 565-3946 (EXIM)

Email: [info@exim.gov](mailto:info@exim.gov)

Web: <http://www.exim.gov>

##### Overseas Private Investment Corporation (OPIC)

1100 New York Avenue, N.W., Washington, D.C. 20527

Tel: 202-336-8400; fax: 202-336-7949

Email: [info@opic.gov](mailto:info@opic.gov)

Web: <http://www.opic.gov>

#### Market Research

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To view market research reports produced by the U.S. Commercial Service please visit <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market

Reports. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

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

## **Trade Events**

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

<http://export.gov/tradeevents/index.asp>

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

<http://export.gov/japan/tradeevents/index.asp>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://export.gov/japan/services/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

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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