



U.S.  
COMMERCIAL  
SERVICE  
United States of America  
Department of Commerce

# U.S. Country Commercial Guides



Japan

2017

## Table of Contents

<b><i>Doing Business in Japan</i></b> _____	<b>4</b>
Market Overview _____	4
Market Challenges _____	7
Market Opportunities _____	7
Market Entry Strategy _____	7
<b><i>Political Environment</i></b> _____	<b>9</b>
<b><i>Selling U.S. Products &amp; Services</i></b> _____	<b>9</b>
Using an Agent to Sell U.S. Products and Services _____	9
Establishing an Office _____	10
Franchising _____	11
Direct Marketing _____	12
Joint Ventures/Licensing _____	12
Selling to the Government _____	13
Distribution & Sales Channels _____	15
Express Delivery _____	16
Selling Factors & Techniques _____	17
E-commerce _____	18
Trade Promotion & Advertising _____	21
Pricing _____	23
Sales Service/Customer Support _____	23
Protecting Intellectual Property _____	24
Due Diligence _____	25
Local Professional Services _____	25
Principal Business Associations _____	26
Web Resources _____	27
<b><i>Leading Sectors for U.S. Exports &amp; Investments</i></b> _____	<b>28</b>
Aircraft and Related Parts, Equipment, & Services _____	28
Nuclear Decommissioning and Decontamination _____	29
Agricultural Sector _____	32
Health IT _____	34
Pharmaceuticals _____	36
Liquefied Natural Gas (LNG) _____	39
Cloud Computing _____	40
Cyber Security _____	41
Travel and Tourism _____	43
Smart Grid _____	45
Advanced Manufacturing _____	46
Renewable Energy _____	48
Semiconductors _____	52
Defense Procurement _____	53
Japan's Regions _____	54
<b><i>Customs, Regulations &amp; Standards</i></b> _____	<b>66</b>
Trade Barriers _____	66
Import Tariffs _____	66
Import Requirements & Documentation _____	67

Labeling/Marking Requirements _____	68
U.S. Export Controls _____	69
Temporary Entry _____	70
Prohibited & Restricted Imports _____	70
Customs Regulations _____	71
Trade Standards _____	72
Trade Agreements _____	77
Licensing Requirements for Professional Services _____	77
Web Resources _____	78
<b><i>Investment Climate Statement</i></b> _____	<b>80</b>
Executive Summary _____	80
Openness To, and Restrictions Upon, Foreign Investment _____	81
Bilateral Investment Agreements and Taxation Treaties _____	83
Legal Regime _____	84
Industrial Policies _____	86
Protection of Property Rights _____	87
Financial Sector _____	88
State-Owned Enterprises _____	90
Responsible Business Conduct _____	90
Corruption _____	91
Political and Security Environment _____	92
Labor Policies and Practices _____	92
OPIC and Other Investment Insurance Programs _____	93
Foreign Direct Investment and Foreign Portfolio Investment Statistics _____	93
Contact for More Information _____	94
<b><i>Trade &amp; Project Financing</i></b> _____	<b>96</b>
Methods of Payment _____	96
Banking Systems _____	96
Foreign Exchange Controls _____	98
U.S. Banks & Local Correspondent Banks _____	98
Project Financing _____	99
Financing Web Resources _____	102
<b><i>Business Travel</i></b> _____	<b>103</b>
Business Customs _____	103
Travel Advisory _____	104
Visa Requirements _____	105
Currency _____	106
Transportation _____	106
Language _____	106
Health _____	106
Local Time, Business Hours and Holidays _____	107
Temporary Entry of Materials or Personal Belongings _____	108
Travel Related Web Resources _____	108

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2017. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

# Doing Business in Japan

## Market Overview

A fascinating and complex country steeped in history and rich in culture, Japan honors its traditions while serving as an economic and demographic trend setter. Driven by its large middle class consumer base, Japan is a leading consumer and producer of goods and services and exerts significant commercial influence in global markets. In particular, Japan's technology and manufacturing-related industries play a leading role in the global economy and global supply chains.

As the only Asian representative of the G-7, Japan is the second largest source of foreign direct investment (FDI) in the United States with a cumulative stock of \$414 billion. Over the past several years, Japan has been the single largest source of foreign direct investment into the U.S. market, with an inflow over \$31 billion in 2015. These investments, in turn, support U.S. jobs and contribute to U.S. economic output and exports.

U.S. companies engage with the Japanese market through a variety of strategies. In addition to the market's size and wealth, Japanese business partners expose American companies to new technology, rigorous competition, and – in some cases – the opportunity to partner with Japanese firms in third markets.

## Why Do Business with Japan?

- Japan is the third largest economy in the world after the United States and China. It is the fourth largest importer of U.S. products after Canada, Mexico and China. Japan is a key member of the international trade system, and its market respects the rule of law and provides strong protections for intellectual and real property rights.
- Japan's consumer economy is large, broad-based and sophisticated. As a percentage of its population, Japan's middle class is similar to the United States. Per capita income of \$38,900 underpins its strength as a consumer market.
- Japan is highly dependent upon the import of natural resources. For example, it is the world's largest net buyer of food products in the world. The United States is the leading supplier of its agricultural imports, as well as agricultural capital equipment and related technologies. Total U.S. food, agricultural, and fishery exports to Japan were worth more than \$12.5 billion in 2016. Japan is the world's largest importer of liquefied natural gas (LNG), second-largest coal importer, and second-largest net importer of crude oil and oil products.
- Japan's rapidly aging population continues to send ripple effects through its society and economy, shaping present and future demand in economic spheres as disparate as robotics and pharmaceuticals, franchise and real estate.
- Japan's role as host of the 2020 Olympic and Paralympic Games may present related opportunities for U.S. firms as economic activity expands in anticipation of the Games.
- Japan's strategic alliance and deep economic integration with the United States continue to present opportunities for cutting edge and evolving sectors including space, defense, and security. Japan is a leading importer of U.S. aerospace and defense

equipment and, increasingly, an integrated co-developer. Related growth sectors include defense procurement, advanced manufacturing, and cyber security solutions.

- With global reach and deep knowledge of Japan's economic, political, cultural, and commercial landscape, the U.S. Commercial Service is uniquely positioned to help U.S. companies engage with Japanese companies at home or abroad.

### **Economic Policy and International Trade**

Prime Minister Abe's economic revitalization plan ("Abenomics") consists of a three-pronged strategy that combines expansive fiscal policy, monetary easing, and structural reform with the aim of lowering corporate taxes, increasing wages, and increasing consumption. Reforms to Japan's agricultural landholding system and corporate governance disciplines aimed at increasing transparency and unlocking shareholder value have attracted particular attention, as has liberalization of the electrical and energy sectors.

### **Demographics**

Japan continues to experience a trend of population decline and a rapidly aging society. Some researchers project a population decrease by as much as one third by 2060, from 127 million to 87 million, and the share of individuals over the age of 65 projected to rise from 27% today to 40% by 2060. The Japanese government, healthcare industry, and business community are actively engaged in seeking to ameliorate negative consequences of this population decline, and are taking measures to offset its impacts on macroeconomic growth. Although an aging population is often seen as a drag on the economy, it also presents business opportunities in various segments:

- Medical devices and equipment
- Pharmaceuticals
- Healthcare facilities and infrastructure, including in-home care
- Biotechnology
- Healthcare information technology
- Safety-related products and services
- Robotics
- Leisure and travel
- Educational services
- Home delivery services
- Inheritance related services

### **Recent Developments**

Japan looks to external factors, including U.S. policy and economic indicators, as it engages the international community on trade-related matters. As the United States introduces measures to boost its economy, address trade imbalances, and raise interest rates, economists predict the yen is likely to remain weak in the near term, further bolstering Japanese exports. Despite five consecutive quarters of economic growth at the start of 2017—the longest stretch of growth in more than a decade—consistent and sustained growth has not been achieved as Japan continues to struggle with large government debt and stagnation.

In the aftermath of a series of national natural disasters which have impacted commercial activity as well as the national psyche, Japan has made notable steps toward economic healing.

In July 2017, Japan and the European Union reached agreement on a broad Free Trade agreement, or Economic Partnership Agreement (EPA), taking a step closer to an economic bloc that would account for nearly a third of all global trade. Both sides announced that many of the details remain to be negotiated, but the result is expected to remove tariffs on more than 95% of goods traded between Japan and the EU member states. Products such as European cheese and Japanese automobiles will see tariffs reduced to zero over 15 years (cheese) and seven years (autos). Japan is also advocating for modifications to the Trans-Pacific Partnership (TPP) that would allow it to enter effect without the United States. Japan EPAs will exert pressure on the competitiveness of some American exporters to Japan absent a modified TPP or comparable successor arrangement. Some American exporters may need to revisit and perhaps adjust their market strategy in order to build market share.

### **Key Facts**

- National Capital: Tokyo
- Population: 126.7 million (July 2016)
- Land Area: 364,485 sq. km
- GDP (official exchange rate): \$4.73 trillion (2015)
- Real GDP Growth: 0.5% (2016 est.)
- GDP per Capita (Purchasing Power Parity): \$38,900 (2015)
- Household Consumption Percent of GDP: 58.3% (2016)
- Unemployment Rate: 3.36% (2015, IMF)
- Key Industries: among world's largest and most technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, and processed foods
- Exports: \$641.4 billion f.o.b. (2016 est.)
- Leading Export Destinations: U.S. 20.2%, China 17.5%, South Korea 7.1%, Hong Kong 5.6%, Thailand 4.5%
- Value of Imports (2016): \$629.8 billion
- Major Import Categories: Petroleum, liquid natural gas, clothing, semiconductors, coal
- Leading Sources of Imports: China 24.8%, U.S. 10.5%, Australia 5.4%, South Korea 4.1%,
- Trade Balance +\$11.6 billion
- Services Balance: - \$15.8 billion
- U.S. Exports to Japan: \$63.3 billion (2016)
- U.S. Imports from Japan: \$132.2 billion (2016)
- U.S. Trade Balance with Japan: -\$68.9 billion (2016)

### **Resources**

[U.S. Department of Commerce, Select USA](#)

[U.S. Department of Commerce, Travel and Tourism Office](#)

[CIA - The World Factbook](#)

[Trade Stats Express, U.S. Dept. of Commerce](#)  
[U.S. Census Bureau, Foreign Trade Statistics](#)  
[U.S. Relations with Japan Fact Sheet, State Department](#)  
[Library of Congress Japan Country Study](#)  
[World Trade Organization](#)  
[2016 World Economic Outlook Database, The International Monetary Fund](#)  
[2016 Country Profiles, Economist Intelligence Unit](#)  
[Government of Japan Statistics Bureau](#)  
[Government of Japan Statistics WSDB](#)  
[World Economic Outlook Database, October 2016, The International Monetary Fund](#)  
[2016 Country Profiles, Economist Intelligence Unit](#)  
[Government of Japan Statistics Bureau](#)

## **Market Challenges**

Tariffs on most imported goods into Japan are relatively low. However, cultural, regulatory, and other non-tariff barriers to market entry continue to exist. The following is a non-exhaustive list of some barriers companies may encounter:

- Japan-specific standards and testing requirements
- Import license requirements
- Restricted or prohibited imports
- Temporary entry of goods
- Certifications
- Labeling requirements
- Long term local partner/distributor relationship issues and expectations
- High context business relationships and procedures
- Inability to communicate in English
- High expectations for quality and customer service
- High cost for entry due to size of economy

## **Market Opportunities**

In addition to the broad description of market drivers above, the section of this Country Commercial Guide entitled “Leading Sectors for U.S. Exports & Investments” describes in more detail those opportunities identified by the Commercial Specialists of the U.S. Commercial Service in Japan.

## **Market Entry Strategy**

### **Ways to Enter the Market**

For new-to-market exporters, developing a suitable market entry strategy is a key to success and longevity in the Japanese market. Industry, company objectives, and a number of other factors will determine the best market entry strategy:

- Selling to a dedicated Distributor
- E-Commerce

- Direct exporting
- Partnering
- Joint Ventures
- Piggybacking
- Turnkey projects
- Licensing
- Franchising
- Buying a company

### **Keys to Market Entry Success**

Use of the Japanese language is critical to success in Japan. Marketing in Japanese is essential to communicate with local consumers and business customers. Labeling requirements for many products are specified by government regulation and must be in Japanese. Although effective interlocutors and professional interpreters are typically used, Japanese business people will appreciate efforts made to communicate in even basic Japanese.

- Top priorities for marketing in Japanese include:
  - Business cards
  - Product marketing information
  - Detailed technical specifications
  - Reliable point of contact and customer service
  - Website with detailed product information
  - Basic self-introduction phrases in Japanese
  - Having an interpreter or bilingual assistant when appropriate

### **Japanese Business Culture Basics**

An appreciation of Japanese business culture and social practices is also useful, if not required, in establishing and maintaining successful business relationships in Japan. Indifference to local business customs can indicate a lack of commitment on the part of the exporter, and may lead to misunderstanding, bad feelings, and lost opportunities. Finally, understanding the demanding expectations of the Japanese consumer in terms of product quality, appearance, packaging and display, delivery timing, as well as after-sales service, is crucial. Additional business culture concepts to keep in mind:

- Japanese society is complex, structured, respectful of age, hierarchical and group-oriented
- Group decision-making is important in Japan, and reaching consensus may take longer than in Western business culture.
- A long-term approach to business relationship development is advised.
- Gift giving is expected on many business occasions in Japan
- Business travelers to Japan should make sure to bring a large supply of business cards (with their title) when they come to Japan; printing two-sided bilingual cards is appreciated
- Japanese customers' and business associates' high expectations of excellence in product and service quality cannot be overemphasized

### **Market Entry Resources**

[2016 Basic Guide to Exporting, U.S. Department of Commerce Export Guides](#)

## **Political Environment**

[U.S. Relations with Japan - Bureau of East Asian and Pacific Affairs Fact Sheet January 25, 2017](#)

## **Selling U.S. Products & Services**

### **Using an Agent to Sell U.S. Products and Services**

For some companies, establishing a direct presence in Japan is the best way to enter the Japanese market. However, this can be an extremely expensive strategy. The use of agents or distributors is often a more realistic first step for many small- or medium-sized U.S. firms, one, though, that 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, and the U.S. Commercial Service in Japan (CS Japan). Trade shows are an ideal place to meet people face-to-face without needing an introduction. Japan has many trade shows throughout the year, in a variety of sectors.

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.

Instead, U.S. companies should note that 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 relevant 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.

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 10 to 20% for "spot" (one-time or irregular) transactions, and from 5 to 10% for regular, ongoing business transactions. In the case of bulk materials (e.g., iron ore or coal), however, commission rates are much lower, in the neighborhood of 1 to 3%. In the case of medical, laboratory, and scientific analytical instruments, commission rates typically are much higher, in the neighborhood of 20% or above, due to the complexity of the products.

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.

While the Japanese Fair Trade Commission has guidelines applicable to exclusive agency contracts, there are no statutory damages required upon termination of an agent or distributor. With that said, 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. 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.

### **Establishing an Office**

Because of Japan's strong rule of law, establishing an office is relatively straightforward. According to the World Bank's Ease of Doing Business report, incorporation takes about 11

days and costs 0.7% of paid-in-capital (or JPY 60,000, whichever is higher) in addition to a company seal charge and registration fee. Other options include a branch office or a representative office, both of which are easier and cheaper to set up but come with restrictions on the types of activities the local operations can carry out.

### [Doing Business in Japan](#)

However, because documentation should be in Japanese and documentation requirements are strict, we advise companies to hire experienced advisors to assist with the process of registration, as well all of the other relevant and necessary organizational responsibilities.

Before setting up an office in Japan, U.S. companies may wish to examine Japan's Ministry of Economy, Trade & Industry (METI) programs for promoting foreign investment into Japan. These 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 at [Jetro](#).

## **Franchising**

Based on available data, the total number of franchise chains increased during fiscal year 2015 by 8 chains to a total of 1,329, continuing a growth trend for six straight years. The total number of chain stores and outlets was 260,992, up 0.6% or 1,868 stores from a year earlier. The total turnover amounted to ¥24.6 trillion, showing an increase of 1.9% from FY2015, the sixth consecutive year of growth after reversing course in FY2010. Approximately 42.7% of the total turnover at franchised outlets was from convenience stores (CVS). Food service chains accounted for 16.5% of the market.

Major CVS chains led growth in the overall retail business segment with a hefty 2.3% growth in the number of doors opened that resulted in about 3.6% revenue increase. Also, in the retail business, drug store chains expanded reflecting the increase of health and fitness consciousness. Secondhand store models kept good performance. The trend of expanding CVSs and drug chains is expected to continue in FY2016 and for the near future. In the food service sector, despite the growth of the number of chain stores rising by 1.2%, the number of outlets and sales decreased by 0.6% and 1.1% respectively. In the service sector, a wide variety of franchise concepts have developed against the background of diversification of consumer needs in recent years, particularly in the field of education and senior care-related businesses, reflecting Japan's demographic changes. In associated with the increasing number of the double income households, laundry and cleaning service outlets grew by 4.5%.

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 generally must be adjusted to local tastes and expectations in Japan to ensure success. U.S. franchising businesses have a number of ways to enter the Japanese market, such as entering into an agreement with a master franchisee, establishing a

wholly-owned subsidiary as a master franchisee with a flagship store or stores, or seeking a joint venture partner to develop the market in Japan.

Identifying the right business partner in Japan requires time and effort, and it can be difficult to find companies that are willing to invest in master franchise rights 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.

[Japan Franchising Chain Statistics, Japan Franchise Association \(JFA\)](#) (Japanese only)

## **Direct Marketing**

In Japan, the scale of direct marketing, which includes mail order, telemarketing, direct response television, and internet sales, is still modest by U.S. standards. Nevertheless, according to a survey by the Fuji Keizai, sales were estimated at ¥8.5 trillion (approximately U.S.D\$70 billion at JPY121.05/U.S.D1) in 2015. The survey predicted that the market will grow to ¥9 trillion by 2017. Business-to-consumer (B2C) internet shopping continues to grow. The survey forecasted that the market size of direct marketing which sales were made by electronic commerce (e-commerce) would reach ¥7 trillion by 2017. Within e-commerce, ordering is primarily by computer, followed by smart phone and tablet PC.

According to the Japan Direct Marketing Association, the most popular way of gathering product information was the internet via computer, followed by internet via mobile devices, and hard copy printed catalogs. Young people are particularly adept at gathering product information via mobile devices. Japanese direct marketers use websites optimized for both PC and mobile devices to reach consumers. U.S. exporters wishing to sell products targeting young Japanese will need to optimize their platforms for mobile access.

Although e-commerce is growing rapidly, catalog shopping is also still popular in Japan. The following are the major Japanese catalog shopping brands. companies are also operating online shopping sites.

- [Nissen](#)
- [Senshukai-Belle Maison](#)
- [Dinos-Cecil](#) (Japanese website only)
- [Belluna](#)
- [Scroll](#)
- [Cataloghouse-Tsuhon Seikatsu](#)

## **Joint Ventures/Licensing**

U.S. companies often consider joint ventures or licensing agreements when looking to enter the Japanese market. For the latest information on regulations and procedures for establishing an operation in Japan, please visit [JETRO](#) and consult with experienced and reputable legal and tax counsel.

Although the vast majority of U.S. commercial exports to Japan do not require export licenses, the export 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](#)
- [Bureau of Industry and Security](#)

## **Selling to the Government**

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the "Project Financing" Section in "Trade and Project Financing" for more information.

Japan implemented the WTO Agreement on Government Procurement (GPA) in 1996 to expand opportunities for foreign firms and increase international competition in government procurement in Japan. The Agreement extended coverage to services as well as procurements by "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 above 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. The present threshold for supplies procurement by central government entities is set at 130,000 SDRs (21,000,000 Yen). For sub-central government entities, Japan's voluntary threshold for supplies is 200,000 SDRs (approximately U.S.\$280,000).

There are three types of government tendering procedures in Japan covered by the WTO agreement: open tendering; selective tendering; and 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 highest bidder that meets tender requirements. 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 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. 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 cases where products or services cannot be obtained through open or selective procurement procedures, there has been an absence of bids in response to a public notice, when it has been determined there is a need for protection of exclusive rights such as patents, or when the procurement is of extreme urgency. Open tender and selective tender invitations are published in [Japan's official \(central\) government procurement gazette or Kanpō](#) (in Japanese only). 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. 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. In 2014, revisions to procurement procedures allowed electronic bidding (GEPS), which is explained at [GEPS](#).

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. [MOFA](#) also provides suggestions for Accessing the Government Procurement Market in Japan [Chotaujoho](#).

U.S. suppliers can find information about Japanese government procurement on the [Japan External Trade Organization \(JETRO\) website](#), 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, visit the [Ministry of Foreign Affairs \(MOFA\) website](#): 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 5% 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.

In accordance with 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 \(CHANS\)](#).

In addition, the U.S. Commercial Service in Japan may be able to assist or support U.S. exporters having difficulty bidding on Japanese government tenders. Contact us at [Office.Tokyo@trade.gov](mailto:Office.Tokyo@trade.gov)

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](#).

## **Distribution & Sales Channels**

Distribution channels in Japan have undergone substantial consolidation over the past two decades. Many of the traditional channels have been streamlined, yet complexities still exist. Recently, 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. Distribution mechanics depend upon the product but typically, a wholesale distribution model is widely used in many industries, whereby product is purchased from a foreign company and then resold it to retail outlets for ultimate sale to consumers.

Due to limited space and dense urban populations small retail stores have emerged as predominant point of consumer sales. Due to space constraints, retailers often stock only limited stock. Wholesalers then are required to deliver small amounts of product more frequently.

There is a cultural factor that is also important. Distributors and retailers in Japan prefer to do business with those they have been formally introduced to and met with face to face. Often, this sense of duty and loyalty binds retailers and distributors. Exporters should note that breaking ties with a current distributor in favor of another could damage their reputation and subsequently their ability to do business. The costs of this less efficient distribution system are often passed onto the consumer in the end price of the product. Slowly, however, consumer demands are incentivizing companies and retailers to focus more on profits than on established ties.

Japan's existing distribution and sales system is dominated by keiretsu, massive vertically and or horizontally integrated businesses centered around banks and trading companies. Most

have roots predating WWII and are culturally engrained in Japanese commercial dealings. These corporations control all facets of a particular industry from production to distribution. Their advantages due to economies of scale, existing relationships, consumer loyalty, and legal protection can make entry for smaller competitors more difficult. Recently, however, through outside influence and pressure, keiretsu's grip on industry is relaxing as the number of consumers grows and demand for variety and lower cost goods increase. Still, the distribution channels these companies control can be a limiting factor for new exporters to Japan. This hurdle can be partially minimized through formal introductions and face to face meeting where reliability and quality can be demonstrated.

Japan's three main logistics and distribution points center on the countries' major ports in Tokyo, Kobe, Osaka, Tokyo, and Kyushu.

For detailed information on distribution channels for specific products and sectors, please contact the [U.S. Embassy Commercial Section](#).

## **Express Delivery**

In Japan, there are multiple options for express delivery for domestic and international shipping. Both FedEx and UPS operate within Japan and offer overnight shipping between Japan and the United States. Cost and delivery time will depend on the type and size of the package as well as location. Amazon Prime Japan members receive domestic overnight shipping services; however, international shipping rates can vary.

The Japanese postal system has over 24,000 post offices nationally, and consistently ranks among the world's finest for service and reliability. Due to Japan's compact size, most domestic packages tend to arrive using standard shipping within 1-2 days. Same-day special express delivery service starts at ¥822 and covers most major metropolitan areas throughout Japan. International shipments using Japanese Postal Service starts at ¥1400.

Customs procedures for international mail are fairly straightforward. Mail sent from Japan is subject to customs of the receiving country. Mail arriving to Japan is forwarded to Japan Post to be delivered directly if found to be duty free. Packages with a customs value of a certain threshold must undergo a customs inspection. If the total customs duty is less than ¥300,000, the recipient will receive a "Notice of Assessment for International Mail". When the item is delivered by the Japan Post, payment of the duty alongside a ¥200 yen per a parcel fee is payable on delivery. Documents and letters are non-dutiable and delivered after initial inspection.

- [UPS Japan](#)
- [FedEx Express Japan](#)
- [Japanese Postal Service](#)
- [Amazon Prime Japan](#)
- [Japan Customs](#)

## **Selling Factors & Techniques**

As often the case 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 calls on existing or prospective customers strengthens the potential for sales. Such joint sales calls demonstrate commitment to clients and provide excellent opportunity to obtain market feedback.

Learning to negotiate and maintain relationships with Japanese face-to-face can significantly increase a U.S. company's chances for success. 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. Patience is an important virtue in Japan!

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.

Although 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 generally prefer shorter and more general contracts as opposed to lengthy, detailed documents spelling out every right and obligation in detail (though, for example, in international financial transactions, they are well familiar with and comport to international documentation standards). 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.

## **E-commerce**

### **Overview**

Visit the [U.S. Commercial Service's E-Commerce Innovation Lab](#)

Japan is the world's third largest—and one of the fastest growing—e-commerce markets in the world. The growth rate has become stable over the past few years, with annual growth estimated at 8.7% in 2016. With Internet penetration estimated at 91% of the population, Japan represents a significant market opportunity. According to the Ecommerce Foundation's Japan 2016 report, ecommerce accounted for 2.8% of the total GDP of \$4.123.3 billion, with over 76.9 million people (70%) shopping online. Japan's developed economy, highly urban population, and single language make the market attractive to online retailers. Highly developed distribution infrastructure and small country size make delivery easy and convenient. Market growth is expected to be steady for the foreseeable future.

### **Current Market Trends**

Currently, the most popular ecommerce trend in Japan involves travel. 91% of leisure flights and 86% of hotel stays were booked online in 2015. Music and car insurance purchases were third and fourth, respectively, with 79% and 67% of sales in these categories being conducted online. Clothing is the most popular item purchased online. Fashion e-commerce is a growing sector, and niche specialty players dominate the space. Food and beverage sales also continue to grow. Overall, high quality items, including well known global name brands are in high demand.

One notable trend is that although a large percentage of purchases are conducted online, only 12% of Japanese shoppers purchased from abroad in 2015. This is one of the lowest levels of foreign buying activity in the Asia-Pacific region. This could be attributed to a lack of trust in foreign suppliers and a reluctance to wait for longer international shipping. Japanese shoppers are risk averse and seek brands they know they can trust. Return rates are low and excellent customer service in Japanese is expected.

### **Spending Holidays**

Japan consistently has higher online spending in the summer months when Japanese firms are known to give yearly summer bonuses. Average worker bonuses are nearly \$3,000 and the spending of that bonus primarily focused on luxury goods, leisure, and travel. Additional spending holidays include White's Day (March 14) and international holidays such as Christmas and New Year's.

### **Selling Considerations**

U.S. companies using E-commerce channels to reach the Japanese consumers or businesses must consider

- E-commerce platforms
- Payment methods
- Shipping logistics
- Customer service, Returns, After sales service
- Companies looking to enter the market should be able to advertise, brand, and provide customer support in Japanese.

The U.S. Commercial Service's E-Commerce Innovation Lab can help exporters develop a strategy.

### **E-commerce Platforms in Japan**

The major e-commerce companies in Japan include:

- [Rakuten](#)
- [Amazon Japan](#)
- [Apple](#)
- [Yahoo! Japan Shopping](#)

### **Department Stores and Retail Outlets**

- [Seibu & Sogo](#)
- [Isetan](#)
- [Mitsukoshi](#)
- [Daimaru](#)
- [Takashimaya](#)
- [Aeon](#)

### **Apparel e-commerce Sites**

- [Zozo Town](#)
- [Mash Style Lab](#)
- [Trinity Arts](#)
- [FIVEFOXes](#)
- [F.O. International](#)
- [Onwards Kashiwama](#)
- [Origami](#)

### **Supermarket e-commerce Sites**

- [Ito-Yokado](#)
- [Maruetsu](#)
- [Daiei](#)
- [Apita](#)

### **Books and Media e-commerce Sites**

- [Book-Off](#)
- [Kinokuniya](#)
- [Sanyodo](#)
- [Tsutaya](#)

### **Digital Marketing**

Marketing in Japan is incredibly important to a product's success as a majority of people in Japan have internet access, smartphones, and E-commerce's increasing market share. Thus recently, digital marketing has become one of the primary ways businesses reach out to consumers. According to a Dentsu 2016 report, digital market spending amounted to 1,159 billion yen in 2016. Mobile advertising is also rapidly expanding. In 2016, around 50% of total digital ad spending was spent specifically on mobile ads. Search Engine Marketing (SEM) also accounted for 59% of digital advertising spending in 2016. In order to reach these segments, Japanese language and knowledge of cultural nuance is required.

### **E-commerce Intellectual Property Rights**

[Rakuten](#) and other marketplaces have been working to heighten awareness of intellectual property rights issues in the E-commerce sector as well as working to patent business models both domestically and internationally. Intellectual Property rights are strong in Japan and patents are granted on a first-to-file basis.

### **“M-Commerce”**

One online purchasing trend that cannot be ignored is the rapid increase in “M Commerce” – mobile e-commerce transactions. The percentage of online transactions on mobile platforms is nearly 60% of all purchases. An important consideration for those looking to reach this segment is proper formatting for mobile devices. Popular e-commerce platforms such as Amazon Japan, Rakuten, and Zozo have readily available applications to facilitate M-Commerce setup.

### **E-Commerce Payment Methods**

Japan’s e-commerce payment options are many. Credit card and debit card payments account for 66% of payments for e-commerce transactions. A variety of other “eWallet” and E-Payment options are also proliferating. In addition, cash payments for online purchases are accepted at convenience stores (konbini). About 17% of such payments are made in cash at konbini after products are delivered, a popular option for many teens without bank accounts or credit cards.

### **Opportunities**

#### **[Commerce Expo Tokyo](#)**

B2B trade exhibition. Seminars covering Payment, Delivery & Logistics, Marketing, Customer Service & Customer Retention Marketing, Digital & Mobile Marketing  
February 13 -14, 2018, Annual

#### **[CEATEC Information Technology Trade Show, Tokyo](#)**

Certified by the U.S. Department of Commerce Trade Fair Certification Program  
U.S.A Showcase organized by U.S. Commercial Service Japan  
October 3-6, 2017

#### **[SEMICON Japan Trade Show, Tokyo](#)**

Certified by the U.S. Department of Commerce Trade Fair Certification Program  
U.S.A Showcase organized by U.S. Commercial Service Japan  
December 13-15, 2017

#### **[INTER BEE Trade Show, Tokyo](#)**

November 15-17, 2017

### **CS Japan Contact**

Ms. Atsuko Shimada, Commercial Assistant

[Atsuko.Shimada@trade.gov](mailto:Atsuko.Shimada@trade.gov)

## **Social Media**

In a fashion-forward culture defined by social in groups, it is no wonder that social media has been a dominating and progressive commercial market influence in Japan. For marketers trying to reach this highly mobile market of influencers it is important to keep in mind some of the unique characteristics of Japan's culture that affect its social media usage. The first is anonymity. People in Japan desire the connection social media creates but are often shy and live in highly urban populations. Society emphasizes conformity over individualism. Online anonymity provides an outlet and an opportunity for freedom of individual expression. Many people seek to customize their online personalities in order to express what publicly would be considered immodest.

In online social circles, Japanese users focus on sharing "moments" and life experiences. This can be seen in Japan's love and fascination for seasonal rituals, such as the origins cherry blossoms, and once-in-a-lifetime memories are cherished. Social media allows people to share and create these moments. Those wishing to advertise should focus on creating a branding or image that promises to deliver the sentiment that people in Japan seek. Alongside the product, a memory or moment that promises to deliver an emotional moment would be most successful.

LINE is perhaps the most widely adopted social media platform in Japan. It offers an integrated multimedia messaging service and media platform designed for users and marketers alike. With 218 million active monthly users worldwide, an estimated 91% of Japanese social media users are using LINE. LINE also launched Line Pay in 2014 as a mobile payment and transfer service. However, Mixi, Twitter, Facebook, Instagram and other global Social Media platforms also are extremely popular.

## **Trade Promotion & Advertising**

Having a marketing plan can help companies successfully do business in Japan. Trade promotion and advertising can be key components of a marketing plan. In addition to traditional promotion and advertising channels, digital marketing and social media offer many opportunities.

U.S. exporters can benefit from Japan's numerous trade shows, conferences, and other trade events in Tokyo, Osaka, and other cities throughout Japan. The U.S. Department of Commerce certifies several trade shows through its Trade Fair Certification Program. Many U.S. state offices and trade associations also support trade events. Targeted trade events offer outstanding opportunities to gain exposure in the Japanese market.

Japan's media primarily arrange advertising placements by working with advertising agencies, and often do not deal directly with advertisers directly. 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 given increasingly competitive market conditions.

Advertising can be quite expensive in Japan. As a result, local firms and distribution partners often look for some type of cooperation from their overseas suppliers. Willingness to support this effort sends a strong signal of commitment and willing to work as a team 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, as well as 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 with a range of audiences. For example, there are publications to reach diverse segmented audience interests such as gourmet cooking, gardening, fashion, fitness and camping. For industrial and commercial products, Japan's many industrial daily, weekly or monthly newspapers and trade journals offer advertising options.

Transit advertising offers a plethora of opportunities. Japan's railways, subways, and buses carry hundreds of millions of passengers every year. Transit advertisements can be found inside commuter rail cars, buses, and in stations. Advertisements include hanging flyers, framed posters, stickers, and flat-panel video.

Internet advertising and email newsletters (generally called "mail magazines" or "merumaga") have also 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 is a trend setter in social media and digital marketing continues to grow, offering a vast array of online promotion opportunities. Our U.S.-based and in-country Trade Specialists can help you discuss explore social media marketing as a component of an overall market entry strategy.

#### [Department of Commerce Trade Events](#)

For Digital Marketing solutions involving E-Commerce related opportunities, see the Commercial Service's [E-Commerce Innovation Lab](#).

Companies that wish to market U.S. food, beverage or other agricultural products in Japan can contact the Foreign Agricultural Service via email at [ATOOsaka@fas.usda.gov](mailto:ATOOsaka@fas.usda.gov).

## **Pricing**

A decade of near-zero inflation, combined with decreased regulation and greater global competition, has had a profound effect on Japanese companies and their price-setting strategies. The traditional practice of Japanese companies undercutting prices of competitors in order to gain market share has long been discarded. Moreover, the standard practice of adding a fixed markup to the cost of manufacturing and distribution is no longer a prevailing method for price setting.

Instead domestic prices are being driven increasingly by consumer demand – that is, what the consumer is willing to pay in return for a product or service, determined by what the market will bear. Continued economic stagnation, combined with an aging population receiving fixed incomes as well as a greater percentage of the work force employed in temporary positions (unsure of their next paycheck), have constrained the average Japanese consumer's disposable income. Technology, as demonstrated by the growing uptake of online purchases fueled by the growth of online marketplaces such as Rakuten and Amazon Japan, has also contributed to greater product awareness and price sensitivity by Japanese consumers. In addition, deregulation has resulted in the elimination of multiple layers of middle men in the distribution process. These factors have led companies to move away from pursuing a low margin, high volume strategy toward a more real-time pricing strategy aimed at adjusting prices based on prevailing market conditions.

In order to differentiate their product or service from competitors, companies have had to find other ways – apart from pricing – to draw customers. Features such as appealing packaging or 24/7 after-market service or extended warranties are among the common ways in which companies try to differentiate their brands. Because of the widespread use of these practices the Japanese consumer has developed an implicit expectation for such add-on features when making a purchase. Consequently, when U.S. exporters review prices in the Japanese market, it would be important to consider the entire “package” being offered by domestic competitors – namely, the product or service plus add-on features – to arrive at a more accurate price comparison.

## **Sales Service/Customer Support**

The Japanese have a reputation for being among the most demanding customers in the world. Therefore, high-quality, highly-responsive product service and customer support are crucial throughout the sales cycle. 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 damage-free upon arrival. Customs documentation should be

complete and accurate; if it is not, the entry of the merchandise could be delayed or returned to the sender. Japanese buyers are highly concerned with the quality of packing and poor packaging may lead to reputational and market entry problems. Missed deadlines and the arrival of goods damaged through poor packaging and sloppy shipping practices reflect poorly on the supplier.

## **Protecting Intellectual Property**

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

Several general principles are important for effective management of intellectual property (“IP”) rights in Japan. First, importantly, companies should have an overall strategy to protect their IP. Second, IP may be protected differently in Japan than in the United States. Third, rights must be registered and enforced in Japan, under local laws. U.S. trademarks and patents registrations will not protect those rights holders in Japan, for example. “International Copyrights” that will automatically protect an author’s writings throughout the entire world do not exist. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Granting patents registrations in Japan, like nearly every country in the world is based on a first-to-file system. Similarly, registering trademarks is based on a first-to-file, so you should consider how to obtain patent and trademark protection before introducing your products or services to the Japan market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Japan. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Japan law.

[U.S. Embassy Japan list of local attorneys.](#)

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 U.S.G 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 responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. 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 Japan laws to create a solid contract that includes locally-recognized non-compete clauses, and confidentiality/non-disclosure provisions.

## **Due Diligence**

Although Japanese companies generally have a well-earned reputation for fair dealing, inevitably some Japanese companies are less than 100% scrupulous or may have legitimate but concerning business or financial problems. Japanese companies may be affected by a weak domestic or international market, downsizings and bankruptcies, for example. And some customers, importers, wholesalers and distributors, regardless of size, may find it difficult to obtain trade financing or other credit for a wide range of reasons.

The U.S. Embassy in Tokyo encounters trade and business dispute cases of many kinds. For information about structuring payment options, see our article on Methods of Payment in the “Trade and Project Finance” section in this series.

Although U.S. companies, whether resident in Japan or not, are not legally required to use a Japanese attorney for filings, registrations, contracts or other legal documents – these 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, as in the United States if not more, require constant attention.

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 due diligence, the U.S. Commercial Service in Japan provides the [International Company Profile \(ICP\)](#) service designed to help U.S. companies evaluate potential business partners by conducting company background checks.

Please note 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**

The sophisticated Japanese economy offers the full panoply of necessary professional services, including a wide range of legal, tax and accounting, intellectual property, consulting, advertising, financial, real estate, and insurance firms. Members of the American Chamber of Commerce in Japan (ACCI) include the local affiliates of many [U.S. and other international and Japanese professional service providers](#).

The U.S. Embassy in Tokyo maintains a [list of Japanese attorneys](#), although these attorneys generally possess more expertise in civil matters than international commercial issues.

[Other Japan-specific resources \(including statistics, procurement information, laws, tariffs, and media outlets\)](#)

## **Principal Business Associations**

[The American Chamber of Commerce in Japan](#) has offices in Tokyo, Osaka, and Nagoya, and represents approximately 3,500 members from more than 1,000 companies in over 40 countries. The Chamber has 60 Committees that organize over 500 events a year. Committees partner with the Commercial Service for advocacy efforts including an annual Diet Door Knock and the release of industry/issue specific white papers.

The [Japan Chamber of Commerce and Industry \(JCCI\)](#) is the parent entity for over 514 chambers of commerce in Japan with approximately over 1 million members. The Chambers includes many SMEs and act as specially designated corporations. Typically, each city in Japan has its own chamber. JCCI lobbies on behalf of all chambers at a national level, and promotes nationwide policies and disseminating information concerning government policies and programs.

[The Japan External Trade Organization \(JETRO\)](#) is the export promotion arm of the Japanese Government whose purpose is to promote trade and investment. As of June 2017, JETRO has over 46 domestic and 74 international offices in 55 countries. JETRO has 6 offices in the United States ready to provide assistance to companies interested in the Japanese market.

[Keidanren \(Japan Business Federation\)](#) is Japan's most prominent business organization with 1,350 corporate, 109 nationwide industrial association, and 47 regional economic organization members. Keidanren is active in both domestic and international policy advocacy efforts and has an office in Washington, D.C. Keidanren has sent missions to the U.S. in 2015, 2016, and 2017 to promote further bilateral business opportunities.

[Keizai Doyukai](#), known as the Japan Association of Corporate Executives, is a private, nonprofit, nonpartisan organization with membership from 1,400 top executives of 980 corporations. Members join as individuals independent of their companies. Ultimately, it seeks to better Japan's national wellbeing by drawing on the expertise of its members. The organization does this by conducting its own independent research and actively seeking to influence key policy areas through debates with political parties and labor organizations. Due to the rank and number of its members, the association is able to influence government lobbying.

The [Japan Association of New Economy \(JANE\)](#) was created to strengthen Japan's competitiveness through the expansion of the Internet and e-business. Association members include startups and newcomers that are involved in making policy recommendations to the Japanese Government.

## Web Resources

[Japan External Trade Organization \(JETRO\)](#) – support with establishing an office in Japan and other programs for American businesses

### Overview of Japanese Consulates in the United States of America

- [Consulate-Office of Japan in Anchorage](#)
- [Consulate-General of Japan in Atlanta](#)
- [Consulate-General of Japan in Boston](#)
- [Consulate-General of Japan in Chicago](#)
- [Consulate-General of Japan in Denver](#)
- [Consulate-General of Japan in Detroit](#)
- [Consulate-General of Japan in Hagatna](#)
- [Consulate-General of Japan in Honolulu](#)
- [Consulate-General of Japan in Houston](#)
- [Consulate-General of Japan in Los Angeles](#)
- [Consulate-General of Japan in Miami](#)
- [Consulate-General of Japan in Nashville](#)
- [Consulate-General of Japan in New York](#)
- [Consulate-General of Japan in Portland](#)
- [Consulate-General of Japan in San Francisco](#)
- [Consulate-General of Japan in Seattle](#)
- [Embassy of Japan in the United States](#)
- Embassy of Japan JET Office [jetprogram@ws.mofa.go.jp](mailto:jetprogram@ws.mofa.go.jp)
- [Japan Information and Culture Center](#)

### Information on doing business in Japan

- [U.S. Embassy – Tokyo, business information](#)
- [U.S. Commercial Service, U.S. Embassy, Tokyo](#)
- [Foreign Agricultural Service \(FAS\), U.S. Embassy, Tokyo](#)
- [U.S. Embassy, American Citizen Services](#)

### Information on Japanese Government Procurement

- [Japan External Trade Organization \(JETRO\)](#)
- [Office for Government Procurement Challenge System \(CHANS\) Cabinet Office](#)
- [Japan's Submission to WTO Trade Policy Review Mechanism](#)

### Commercial Service Japan on Social Media

- [Twitter](#)
- [Facebook.com/Promote USA Japan](#)

## Leading Sectors for U.S. Exports & Investments

### Aircraft and Related Parts, Equipment, & Services

#### Overview

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 60 years, with domestic manufacturers and trading firms. U. S. firms are presented with opportunities in the market as the Japanese 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 (MHI), Kawasaki Heavy Industries (KHI), and Fuji Heavy Industries (FHI), supply about 35% of the content for the Boeing 787 and 21% of Boeing 777. Thus, the aerospace business on the commercial side is influenced by the success of Boeing programs.

MHI established Mitsubishi Aircraft Corporation (MAC) in April 2008 to undertake the design, type certification, procurement, sales and marketing and customer support for the Mitsubishi Regional Jet (MRJ). 60% of the MRJ's components are supplied by U. S. companies such as Pratt & Whitney (engine), Parker Aerospace (hydraulic systems), Hamilton Sundstrand Corporation (electrical power system), and Rockwell Collins (flight control system). Boeing will handle MRJ customer support. MRJ made its first flight in November 2015, and MAC opened the Seattle Engineering Center to support its flight testing in Moses Lake.

In the defense sector, Japan adopted new principles and guidelines for arms exports, the first major overhaul of its arms embargo policy in nearly half a century. Japan will now allow arms exports only if they serve the purpose of contributing to international cooperation and its security interests. Stable production is expected on the defense side in line with increased Defense Ministry's procurement related to mass production of P-1 maritime patrol aircraft, C-2 transport aircraft, and the F35 fighter.

*Unit: U.S.D thousands*

	2014	2015	2016	2017 (estimated)
Total Market Size	16,512	16,167	18,296	18,296
Total Local Production	14,734	14,713	15,470	15,470
Total Exports	10,450	10,326	10,731	10,731
Total Imports	12,228	11,780	13,556	13,556
Imports from the U.S.	8,294	8,443	9,691	9,691
Exchange Rate: 1 U.S.D	105.74	121.05	108.66	108.66

*Total Market Size = (Total Local Production + Total Imports) – (Total Exports)*

#### 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: 2017 estimates are based on projections provided by the Society of Japanese Aerospace Companies (SJAC). SJAC forecasted that industry sales will remain stable for the next few years.*

### **Leading Sub-Sectors**

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

### **Opportunities**

#### [Aeromart Nagoya](#)

September 26-28, 2017

Nagoy

Aeromart Nagoya offers BtoB meetings in the aerospace industry, is a great opportunity to make new business connections and strengthen existing ones in Japan.

#### [Japan International Aerospace Exhibition](#)

November 28-30, 2018

Tokyo Big Sight

### **Web Resources**

[Japan Civil Aviation Bureau \(Ministry of Land, Infrastructure, Transport and Tourism\)](#)

[Society of Japanese Aerospace Companies \(SJAC\)](#)

[Japan Business Aviation Association \(JBAA\)](#)

### **CS Japan Contact**

Ms. Sayoko Koto, Commercial Specialist

[Sayoko.Koto@trade.gov](mailto:Sayoko.Koto@trade.gov)

## **Nuclear Decommissioning and Decontamination**

### **Overview**

In March 2011, when the Tohoku earthquake and tsunami triggered the nuclear accident at Fukushima Daiichi Nuclear Power Station, Japan was operating 54 reactors. In 2010, prior to the accident, Japan's nuclear energy was used to supply approximately 30% of the nation's electricity; as of June 2017, only five reactors have been brought back online, with an additional four reactors are slated to come online by the end of 2017. Currently, 42 operable civil nuclear reactors exist in Japan. The nation's nuclear energy supply remains minuscule, and recovery is slow.

After the Fukushima accident in 2011, the newly-formed Nuclear Regulation Authority imposed what it called "the world's most stringent requirements" for nuclear reactors to resume operation. Nevertheless, public support for restarting nuclear power reactors remains low, as showed by the recent Mainichi Daily Newspaper's opinion poll, that 55% were against and 26% were in favor of resuming nuclear operations.

Japanese utilities and government entities are under tremendous pressures and challenges, particularly given the country's lack of domestic energy resources. These range from public opinion to the financial strain to make up for lost energy supply and to cover the huge cleanup

costs from the accident, as well as the ambitious renewable and clean energy goals that Japan hopes to achieve by 2030. Nuclear operators are challenged to restart their older reactors, some over 40 year old. In addition, the monopolies that regional electric utilities enjoyed since 1951 have crumbled with the liberalization of electricity and gas markets. For these reasons, many operators are making decisions to mothball their nuclear reactors.

Japan is quickly becoming the largest nuclear decommissioning and decontamination (D&D) market in the world behind the United States.

While opportunities to participate in this sector should continue to grow, it has not proven to be a quick or easy market for U.S. companies to enter. U.S. industry involvement in clean-up work at Fukushima is relatively low given its decommissioning expertise. Domestic firms have largely controlled the management of the cleanup process, turning to foreign firms only for specific technical solutions. Even then, U.S. firms typically accept smaller jobs until they learn how to work within the Japanese system. Within U.S. industry circles, it is widely believed that Japan could minimize decommissioning costs if they used U.S. project management expertise, an area where U.S. firms have decades of experience.

### **Leading Sub-Sectors**

#### *Decommissioning of the Fukushima Daiichi Nuclear Power Station*

Tokyo Electric Power Company Holdings (TEPCO) is struggling to decommission the 4 damaged reactors, and the Japanese government has recently doubled the cost estimates for the cleanup of the disaster-affected Fukushima area to \$195 billion (22 trillion yen), \$71 billion (8 trillion yen) of which is slated for decommissioning the Fukushima Dai-ichi reactor alone. Contaminated water treatment, nuclear fuel removal, and waste management are 3 key elements of the Fukushima Dai-ichi D&D project. Of these, fuel removal promises to be the most challenging. TEPCO is currently conducting preparatory investigations and engineering efforts to effectively prepare for the removal of spent fuels in the pools and remaining fuel debris to prepare to complete this endeavor.

#### *Decommissioning of other Commercial Reactors*

At least 15 commercial reactors are planned to be decommissioned in 20 years. The Tokai Power Station owned by the Japan Atomic Power Company (JAPC) is currently being decommissioned; however, the process is slow and costly. The Japanese government is aware of such shortcomings and is organizing the first International Workshop on Decommissioning of Nuclear Power Plants in June 2017 in order to gain foreign perspective and expertise.

#### *Decommissioning of Research Facilities*

Japan is planning to decommission many of its nuclear research facilities, especially facilities under the Japan Atomic Energy Agency (JAEA) purview. This includes the Monju fast reactor and the Tokai Reprocessing Plant, two facilities that promise to be more complex to decommission than a commercial reactor.

## **Opportunities**

Since the nuclear accident, U.S. Commercial Service Japan (CS Japan) has organized three major Japan-U.S. Fukushima Forums and supported U.S. firms with a number of services in pursuit of opportunities in the Japan market. To support firms that wish to compete for D&D projects in Japan, CS Japan has been working closely with a number of Japanese government stakeholders such as the Agency for Natural Resources and Energy (ANRE), which is part of the Ministry of Economy, Trade and Industry (METI); operator Tokyo Electric Power Company Holdings (TEPCO); the state-backed organization Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF); Japanese regional Electric Power Companies that own nuclear plants (Hokkaido, Tohoku, Hokuriku, Chubu, Kansai, Shikoku, Chugoku, Kyushu, J-Power, Japan Atomic Power Company); reactor vendors such as Toshiba, Mitsubishi Heavy Industries and Hitachi; as well as other Japanese companies and industry associations.

CS Japan is currently planning the fourth Japan-U.S. Fukushima Forum and U.S. D&D Workshop later in 2017.

### *Events*

[The International Forum on the Decommissioning of the Fukushima Daiichi Nuclear Power Station](#)

July 2-3, 2017

Hirono Town and Iwaki City, Fukushima Prefecture

Organizer: NDF

[International Workshop on Decommissioning of NPPs](#)

June 30, 2017

Tokyo

Organizer: Nuclear Energy Policy Planning Division, ANRE

[33<sup>rd</sup> New Orleans Association \(NOA\) Conference](#)

May, 2018

Tokyo

Organizer: CS Japan, U.S. Embassy Tokyo

### **Web Resources**

[Agency for Natural Resources and Energy](#)

[Ministry of Economy, Trade and Industry](#)

[Tokyo Electric Power Company \(TEPCO\)](#)

[Nuclear Damage Compensation and Decommissioning Facilitation Corporation \(NDF\)](#)

### **CS Japan Contact**

Mr. Takahiko Suzuki, Senior Commercial Specialist

[Takahiko.Suzuki@trade.gov](mailto:Takahiko.Suzuki@trade.gov)

## **Agricultural Sector**

### **Overview**

The United States remained Japan's top supplier of agricultural products, with a 23% market share in 2016. However, competition has grown from countries such as China, Australia, Thailand, Canada and Brazil. In 2016, U.S. farm, forestry, and fishery exports to Japan totaled more than \$12.5 billion, a 2% decrease from the year before. In that same period, however, consumer-ready products reached \$5.8 billion, a 2% increase from the previous year. This category is driven mainly by pork, beef, processed vegetables, tree nuts, and fresh fruit. 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 [U.S.DA's Foreign Agricultural Service](#).

### **Opportunities**

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 consider exhibiting at one of the two biggest annual food related trade shows in Asia, the Supermarket Trade Show and FOOD EX Japan.

According to Japan's National Institute of Population and Social Security Research, by 2020, 29.2% 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. In addition to the popularity of western food, food trends have recently become more complex. Ethnic foods are also becoming popular and are often combined with Japanese cuisine to create "fusion" foods. In addition, there are 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 in modern Japan, it has become less common for all family members to eat together. This is exacerbated by the increasing number of one- and two-person households. "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 and other chains throughout Japan.

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. Today, local supermarkets have staff dedicated to handle home deliveries. Similarly, hotels offer weekly and monthly menus that consumers can order via telephone or internet, and food service companies are now offering delivery services as well.

While economic stagnation and declining incomes 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. In addition to [numerous commodity reports](#), one can also find reports on the retail, HRI (hotel, restaurant, and institutional), and food processing sectors, as well as a general exporter's guide and reports on current barriers to trade (FAIRS).

#### *Food Trade Shows*

The U.S.D.A. maintains two Agricultural Trade Offices in Japan - Osaka and Tokyo. These offices provide various services to help market U.S. food in Japan, including assistance to U.S. exhibitors at food-related trade shows. The food sector in Japan is extremely competitive, and trade shows are a good avenue for companies to learn about the market and meet potential buyers. Two of the largest annual food-related trade shows in Asia that are supported by the Agricultural Trade Office take place in Japan - the Supermarket Trade Show (February) and FOODEX Japan (March).

#### **Web Resources**

##### [The Supermarket Trade Show](#)

February - Annually

Makuhari Messe

##### [The International Food and Beverage Exhibition FOODEX JAPAN](#)

March - Annually

Makuhari Messe

##### [Wine & Gourmet Japan Partner Event: FABEX](#)

Dessert, Sweet and Drink Festival Japan Meat Industry Fair

April - Annually

Tokyo Big Sight

## [The International Food Ingredients & Additives Exhibition and Conference \(ifia JAPAN\)](#)

May - Annually

Tokyo Big Sight

## [Health Ingredients Japan](#)

Partner Event: Safety and Technology Japan (S-tec)

October – Annually

## **Health IT**

### **Overview**

Japan ranked #1 among 80 countries according to ITA's country case studies on healthcare IT metrics. This top position reflects the facts that Japan has the third highest GDP level globally (behind only the United States and China); a large Health IT market size (exceeding \$1 billion); the oldest-skewing population distribution; a high concentration of population clustered in urban areas; a tech-friendly society; and very good Health IT infrastructure. All of these factors indicate that Health IT already has a good foundation in Japan, with the potential for continued growth.

The Japanese government implemented the “Social Security and Tax Number System” (or “My Number System”) in January 2016 to improve the social infrastructure and governmental administrative efficiency. The system's utilization in the healthcare area is limited to administrative procedures for health insurance. According to surveys, most companies are not yet ready to support the system, but one area being considered for the expansion of the My Number System is healthcare information. Also as an alternative, an entirely new number system for medical information for healthcare institutions is also being considered by the Ministry of Health, Labor, and Welfare (MHLW).

The Japanese government expects the adoption of information technology in the medical care and home nursing care fields to increase, and regional medical cooperation will expand through information sharing between these two fields. However, security and privacy protection concerns still exist over the utilization of medical databases and healthcare big data, and the linkage of medical information numbers and the My Number System.

Demand for both wearable devices and technologies have increased business opportunities in the areas of chronic diseases and prevention as well as the sports and fitness-related markets.

In 2014, the market size of healthcare IT systems in Japan totaled \$3.9 billion, an 11.2% decrease from the previous year due to both a weakening of the Japanese yen and a revision to the reimbursement cycle. To effectively utilize health information big data, the adoption of electronic medical records is a major priority in Japan. According to an industry source, the adoption rate for electronic medical records and ordering systems among hospitals in 2015 was 27.8% and 38.0% respectively. 70.1% of hospitals with more than 400 beds have electronic medical records and 79.8% of them have electronic ordering systems. Due to rapid

demographic changes and hospital shortages, demand for home nursing care through regional cooperation is expected to grow.

Market size (U.S.D million)

Year	2012	2013	2014	2015	2016
Total	5,076	4,800	3,953	3,798	3,556
Electronic Health Record	1,560	1,573	1,331	1,337	n/a
Ordering Systems	625	575	315	317	n/a
Medical Imaging Systems	530	449	409	376	n/a
Regional Cooperation Systems	59	78	52	54	n/a
Exchange Rate (JPY/U.S.D1.00)	79.82	97.6	105.74	121.05	121.05

Source: Japanese Association of Healthcare Information Systems Industries (JAHIS)

### Leading Sub-Sectors

With the implementation of the My Number System and increasing attention to regional medical cooperation, areas with new business opportunities include security/privacy, big data, and cloud computing, where U.S. technologies are believed to be advanced and more experienced.

Separately, the MHLW will require drug makers to submit electronic data in Clinical Data Interchange Standards Consortium (CDISC) standard format from October 2016. Because CDISC standards are already used in the United States, the Japanese market will likely need information and seek the introduction of advanced U.S. solutions that will be welcomed by contract research organizations (CROs) as well as pharmaceutical companies.

### Opportunities

[The International Modern Hospital Show 2017](#)

July 12-14, 2017

Tokyo Big Sight

[CEATEC Japan 2017](#)

October 3-6, 2017

Makuhari Messe

[HOSPEX Japan 2017](#)

November 20-22, 2017

Tokyo Big Sight

[MedTech Japan](#)

April 19-21, 2017

Tokyo Big Sight

### Web Resources

- [American Chamber of Commerce Japan](#)

- [Japanese Association of Healthcare Information Systems Industries](#)
- [Japan Medical Imaging and Radiological Systems Industries Association](#)
- [HL-7 Japan](#)
- [DICOM](#)
- [Integrating the Health Enterprise Japan](#)
- [Clinical Data Interchange Standards Consortium](#)

## Pharmaceuticals

### Overview

Japan continues to be one of the largest pharmaceutical markets in the world despite a challenging business landscape due to demographics. According to the latest official figures from the Ministry of Health, Labor and Welfare (MHLW)'s Annual Pharmaceutical Production Statistics, the Japanese market for prescription and nonprescription pharmaceuticals in 2015 totaled \$88 billion (up 10.7% from 2014 in yen terms). More than 90% of the total market consists of prescription pharmaceuticals. Imports of foreign pharmaceuticals accounted for approximately 38% of the total Japanese market in 2015. Japan's total imports of U.S. pharmaceuticals totaled \$5.7 billion in 2015, a 6% market share. However, the total market share of U.S.-*origin* pharmaceuticals, i.e., including local production by U.S. firms and U.S.-owned compounds licensed to Japanese manufacturers approaches 20%. The size of the market is expected to increase in a measured fashion for the foreseeable future due to continued demands for drugs from Japan's aging population and the rising number of chronic and long-term diseases. However, in the short term, the market may see limited growth due to pricing environment which could become more challenging.

The related regulatory environment in Japan is expected to improve further. Review times have been reduced as a result of a series of measures taken by the Government of Japan (GOJ) to reduce the drug lag. In fact, the Pharmaceuticals and Medical Devices Agency (PMDA) reported in November 2016 that it became the fastest reviewing agency for new drug approvals in 2014 and 2015 among six major regulators in the world. PMDA was the slowest among those six agencies until 2010. PMDA continues to speed up its overall review time. Under the JFY2017 plan, for example, the PMDA aims to complete the review of 80% of new drugs (which are considered standard products) in 12 months (up from 70% in JFY 2016). In JFY 2015, the "sakigake fast-track review" system that would expedite the review of innovative drugs developed in Japan earlier than the rest of the world was implemented. In addition, the introduction of a conditional early drug approval system for promising innovative drugs that address high medical needs is being considered.

Contrary to these positive developments, strong financial pressure is simultaneously growing for the GOJ to contain healthcare spending in the country due to the rapid aging of Japan's population. In JFY 2014, national health expenditures hit another record at Yen 40.81 trillion (U.S.D 337.1 billion at U.S.D1=JPY121.05). Nearly 58.6% of all medical expenditures were for elderly patients over the age of 65. MHLW estimates that the healthcare expenditure will reach Yen 54 trillion by 2015. As a result, the GOJ is expected to continue addressing immediate

budget short falls by cutting prices for pharmaceuticals. In late December 2016, the GOJ's Council on Economic and Fiscal Policy (CEFP) and four Ministers announced a basic plan to overhaul the drug pricing mechanism. The basic plan calls for some significant changes from the current pricing system such as reviewing drug prices four times a year if the particular drug saw an expansion of market size due to indication additions; conducting drug price surveys every year from the current biennial cycle; and reviewing the pricing premium for the promotion of new drug development (so called 'Price Premium System') on a zero basis. The implementation of the Price Premium System in 2010 was a major positive development for pharmaceutical firms as it provides a predictable and stable pricing environment for innovative drugs throughout the life of the patent. Since the premium pricing system was implemented, there has been a significant decrease in the submission lag and a significant increase in the number of drugs developed in Japan. As such, the "zero-based" review of the price maintenance premium may have significant implications for foreign drug makers with innovative drugs depending on the scope of revision. The GOJ began holding discussions on the details of the planned drug pricing overhaul in January 2017 with a framework of pricing reform to be drawn by the end of 2017.

Unit: U.S.D thousands

	2015	2016 (estimated )	2017 (estimated)	2018 (estimated)
Total Market Size	88,302	96,417	98,217	100,034
Total Local Production	56,344	61,268	62,616	63,843
Total Exports	1,268	1,462	1,743	1,900
Total Imports	33,226	36,612	37,344	38,091
Imports from the U.S.	5,713	6,956	7,095	7,237
Exchange Rate: 1 U.S.D	121.05	108.66	108.66	108.66

*Total Market Size = (Total Local Production + Total Imports) – (Total Exports)*

Data Sources:

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

Total Exports: MHLW; Total Imports: MHLW

Imports from U.S.: MHLW

\*\*Figures for 2016, 2017, and 2018 are unofficial CS Japan estimates and reflect yen appreciation from 121.05 to 108.66 to the dollar.

## Leading Sub-Sectors

### Biotechnology

Over the last thirty years, Japan's estimated size of the biotech-based economy grew rapidly from \$212 million in 1986 (at the exchange rate of 117.03 yen to the dollar) to \$3.1 billion in 1991 and to \$26.5 billion in 2015. In 2016, it further grew 6.1% to \$28.1 billion, according to Nikkei Biotechnology & Business. Today, the healthcare/medical industry is the largest

industry sector with a proportionate weight of roughly two thirds of Japan's biotech economy. Within the sector, therapeutic antibody drugs and Fc fusion protein drugs have been, and will continue to be, the two largest drivers for growth. Also, following the enactment of two regenerative medicine related laws in late 2014, Japan started seeing business development in this segment with a couple of new products being launched into the market in 2016. Japanese pharma companies are reportedly actively seeking investment opportunities in regenerative medicine which may present more opportunities for U.S. ventures and research institutions in this field. Biotech-based economy/industry is an integral part of the Abe Administration's growth strategy as captured in the "Basic Policy on Economic and Fiscal Management and Reform 2015". Nikkei also reported that METI aims to foster the biotech-based economy as large as six times by the year 2030 through the development and commercialization of the innovative technologies, products and services including regenerative medicine, genome modification with the use of microorganism and plants, which is believed to offer more opportunities for U.S. exports of biotech products, technologies, and services.

### **Opportunities**

#### [CPhI Japan 2017](#)

April 19 – 21, 2017

Tokyo Big Sight

#### [1st BioPharma Expo 2017](#)

June 28 – 30, 2017

Tokyo Big Sight

#### [INTERPHEX JAPAN](#)

June 28 – 30, 2017

Tokyo Big Sight

#### [BIOTECH Japan](#)

June 28-30, 2017

Tokyo Big Sight

#### [BioJapan 2017/Regenerative Medicine Japan 2017\\*](#)

October 11-13, 2017

Pacifico Yokohama

Medical Japan 2018\*

February 21-23, 2018

#### [Intex Osaka](#)

\* A U.S. Trade Fair Certification-endorsed event.

### **Web Resources**

[Ministry of Health, Labor and Welfare \(MHLW\)](#)

[Pharmaceutical and Medical Device Agency \(PMDA\)](#)

[Pharmaceutical Research and Manufacturers of America](#)

[The Japan Pharmaceutical Manufacturers Association](#)

[The Federation of Japan Pharmaceutical Wholesalers Association \(JPWA\)](#)

[Pharmaceutical and Medical Device Regulatory Science Society of Japan \(PMRI\)](#)

[The Pharmaceutical Society of Japan \(PSJ\)](#)

[Japan Generic Medicines Association \(JGA\)](#)

[Japan Bioindustry Association \(JBA\)](#)

### **CS Japan Contact**

Mr. Hiroyuki Hanawa, Senior Commercial Specialist

[Hiroyuki.Hanawa@trade.gov](mailto:Hiroyuki.Hanawa@trade.gov)

## **Liquefied Natural Gas (LNG)**

### **Overview**

This Japan is the largest liquefied natural gas (LNG) buyer in the world, importing almost 84 million tons in fiscal year 2015. Australia, Malaysia, Qatar, Russia and Indonesia are Japan's top suppliers of LNG.

LNG will likely be a significant policy issue for Japan given its need to secure stable, inexpensive, and relatively clean energy resources. The U.S. Commercial Service in Japan believes that there are two primary types of market opportunities for U.S. LNG firms and interests - the Japanese purchase of LNG produced in the U.S., and Japanese investment in U.S. LNG infrastructure.

Not having imported any U.S.-produced LNG in the recent past, Japan is now expected to import billions of dollars of LNG from the U.S.A. over the next five years. The purchases will likely involve the major Japanese electric and gas utilities, with JERA expected to be the largest importer.

With regards to infrastructure, Japanese companies are considering further investments in U.S. power plants and gas liquefaction export facilities. Such infrastructure investors would again include electric and gas utilities, as well as major trading companies. Being eager to continue its overseas involvement in the LNG value chain, how much of Japan's investments will be made in the U.S. versus other countries will be of key interest.

In January 2017, Japan began importing U.S.-sourced LNG imports from the continental United States, from Sabine Pass in Louisiana. CS Japan believes that U.S. LNG exports are positioned to capture a significant share of the Japanese market in the future as Japan diversifies its supply. As of May 1, 2017, seven U.S. export terminals have been approved by Federal Energy Regulatory Commission (FERC) and are under construction.

Japan's LNG importers such as JERA, Tokyo Gas, Mitsui & Co., etc. have signed long-term contracts with the Lower 48 States LNG exporters such as Freeport, Cameron, Cove Point, and Jordan Cove. These facilities are all expected to begin exports between 2017 and 2020.

The majority of Japan's LNG imports are under long-term contract with existing foreign suppliers, and these contracts are set to expire by the end of the next decade. The expiration could open up opportunities in the 2020s for the supply of U.S.-made LNG to Japan, either under long-term contracts or in the spot market.

## **Opportunities**

### [The LNG Producer-Consumer Conference 2017](#)

October 18, 2017

Tokyo

METI, Asia Pacific Energy Research Centre (APERC)

### [Gastech Exhibition & Conference 2018](#)

September 17-20, 2018

Barcelona

DMG Events

Web Resources

### [Agency for Natural Resources and Energy](#)

### [Ministry of Economy, Trade and Industry](#)

## **CS Japan Contact**

Mr. Takahiko Suzuki, Senior Commercial Specialist

[Takahiko.Suzuki@trade.gov](mailto:Takahiko.Suzuki@trade.gov)

## **Cloud Computing**

### **Overview**

Japan remains at the top of the global cloud services market, ranked 2nd by the U.S. Department of Commerce in its [Top Markets Report on Cloud Computing](#).

Gartner predicts that by 2019 the Asia Pacific and Japan (APJ) region will account for \$13.6 billion in total cloud services spending. As the leading cloud market in the APJ region, Japan is poised for continued growth through 2018. The Asia Cloud Computing Association selected Japan as the 5th cloud market in their Cloud Readiness Index 2016. Japan ranks among the top Asian markets for some categories used in the rankings, including business sophistication and intellectual property protections.

Analysts project that from 2013 to 2018, the cloud computing market in Japan will grow nearly 10% annually. Driving this estimate is the increasing adoption of cloud services by Japanese small- and medium-sized enterprises. Japan's cloud services market expansion is the product of direct private and public investment in ICT infrastructure and a commitment to cloud services by the government.

## **Opportunities**

### [Japan IT Week, Tokyo](#)

Annually in May

### [ITpro EXPO 2017 - Fukuoka, Nagoya, Sapporo, and Tokyo](#)

Spring, Summer, and Fall 2017

### [CEATEC Information Technology Trade Show, Tokyo](#)

October 3-6, 2017

Participates in the U.S. Department of Commerce Trade Fair Certification Program

U.S.A Showcase organized by U.S. Commercial Service Japan

Inter BEE Trade Show, Tokyo

November 15-17, 2017

[U.S.A Showcase organized by U.S. Commercial Service Japan](#)

[SEMICON Japan Trade Show, Tokyo](#)

December 13-15, 2017

Participates in the U.S. Department of Commerce Trade Fair Certification Program

U.S.A Showcase organized by U.S. Commercial Service Japan

### **Web Resources**

The [American Chamber of Commerce in Japan \(ACCJ\)](#) actively advocates on important policy issues. ACCJ groups active in this area include:

- ACCJ ICT Committee
- ACCJ Internet Economy Task Force
- ACCJ Internet of Things (IoT) Working Group

## **Cyber Security**

### **Overview**

As Japan prepares for the 2020 Tokyo Olympics, increased attention has been focused on Cyber Security in response to an increase in frequency and sophistication of cyber-attacks. Such attacks create major concern for the safety of infrastructures such as railways and the data-dependent IoT (Internet of Things) networks and systems. International Data Corporation (IDC) Japan announced in 2016 that the domestic information security market will increase by 19% to an estimated 321.7 billion yen by 2019—271.3 billion yen for security-related software and 48.6 billion yen for hardware. In September 2015, the Japanese Cabinet approved the [second Japanese Cybersecurity Strategy](#) in response to continued threats to the country's critical security infrastructure.

According to the strategy, Japan aims to double the size of its information security market by 2020. Several agencies within the cabinet of Prime Minister Abe see the potential for Japan to leverage its growing resources in the cybersecurity realm to build a competitive, export-oriented technology and services field as an economic driver.

While the 2020 Tokyo Olympics and Paralympic Games present Japan with particular vulnerabilities and challenges on the cyber-defense front, they also represent a potential opportunity for U.S. exporters and service providers. The Japanese Government is increasingly aware of the scope of the potential threats it faces and the lag in its capabilities vis-a-vis the United States and other nations in this field, and has taken steps to address this disparity. The U.S. Embassy and the Commercial Service Japan team see opportunities for U.S. expertise and solutions, include personnel training.

The collaborative relationship between Japan and the United States in the areas of cyber-physical systems, cloud, and network security has been a positive influence on market access. The National Institute of Standards and Technology (NIST) continues to engage Japan's

Ministry of Economy, Trade and Industry (METI) and Japan's Information Technology Protection Agency (IPA) in ongoing dialogue. The fourth annual U.S.-Japanese Cyber-Security Dialogue conference was held in Washington, D.C. in July 2016. The purpose of this Dialogue is to exchange cyber-security information, align international cyber-security policies, compare national cyber-security strategies, cooperate on planning efforts to protect critical infrastructure, and discuss cooperation in the areas of cyber-security and national defense. From a military perspective, the U.S.-Japanese Cyber Defense Policy Working Group (CDPWG), established in October 2013 by the Japanese Ministry of Defense and the U.S. Department of Defense, continues to promote cyber-security cooperation between both countries.

Critical Information Infrastructure industry sectors have identified as:

- information and communication services
- financial services
- aviation services
- railway services
- electric power supply services
- gas supply services
- government and administrative services (including municipal government)
- medical services
- water services
- logistics services
- chemical industries
- credit card services
- petroleum industries

The U.S. Department of Commerce led a [Cyber Security Business Development Mission](#) to Japan, Korea, and Taiwan in May 2016.

### **Leading Sub-Sectors**

Due to the underdeveloped framework of digital security in Japan, many Critical Information Infrastructure industry sectors have been identified and include:

- Information and Communication Services
- Financial Services
- Aviation Services
- Railway Services
- Electric Power Supply Services
- Gas Supply Services
- Government and Administrative Services (including municipal government)
- Medical Services
- Water Services
- Logistics Services
- Chemical Industries
- Credit Card Services
- Petroleum Industries

### **Opportunities**

[Cyber Security Conference, Cyber Security Center at Keio University](#)

Semi-Annual in March

Keio University usually organizes two conferences per year in November and March.

[CEATEC Information Technology Trade Show, Tokyo](#)

October 3-6, 2017

U.S. Department of Commerce Certified Trade Fair

U.S.A Showcase and Pavilion organized by U.S. Commercial Service Japan

[SEMICON Japan Trade Show, Tokyo](#)

December 13-15, 2017

U.S. Department of Commerce Certified Trade Fair

U.S.A Showcase and Pavilion organized by U.S. Commercial Service Japan

[Cyber Security World at RISSON Safety and Security Trade Expo](#)

Oct. 10-13, 2017

**Web Resources**

[The American Chamber of Commerce in Japan](#) advocates on behalf of U.S. companies on policy matters. ACCJ groups active in this area include:

- ACCJ Cyber Security Task Force
- ACCJ Internet Economy Task Force
- ACCJ ICT Committee

**CS Japan Contact**

Mr. Koji Sudo, Senior Commercial Specialist

[Koji.Sudo@trade.gov](mailto:Koji.Sudo@trade.gov)

**Travel and Tourism**

**Overview**

In 2015, Japan was the fourth largest overall source of inbound travelers (and second largest overseas source) to the U.S., attracting 3.76 million visitors. The total number of Japanese outbound travelers in 2015 was 16.2 million. The U.S. continues to be one of the most popular destinations for Japanese visitors with a 23% market share in Japan. Japanese spending in the U.S. remained healthy with travel and tourism receipts totaling \$16.6 billion, fourth after China, Canada and Mexico.

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

In 2017, the Golden Week holiday period was especially good time for Japanese outbound travelers to visit long haul destinations such as the United States. If a traveler takes a two-day vacation in conjunction with Golden Week, this creates a consecutive nine-day holiday.

In addition, release of “National Parks Adventure” in honor of 100th anniversary of National Parks in May 2016 encouraged the Japanese travelers for outdoor activities and nature tourism in the United States, and Japanese travel companies produced various tours visiting such U.S. National Parks.

With the conclusion of the Open Sky agreement between the U.S. and Japan, the number of day-time flights from Tokyo/Haneda to the U.S. increased in the latter half of 2016. With this increase in the number of seats between the U.S. and Japan, now is an excellent time for the U.S. travel industry to promote their destinations and services in the Japanese market.

*Unit: millions of people*

	2014	2015	2016 (estimated)	2017 (estimated)
<b>Number of Outbound Travelers</b>	16.90	16.21	17.12	17.12
<b>Number of Outbound Travelers to the U.S.</b>	3.62	3.76	3.72	3.72

*Data Sources*

*Number of Outbound Travelers: Japan National Tourism Organization (JNTO), JTB Corp.*

*Number of Outbound Travelers to the U.S.: U.S.DOC/NTTO*

## **Leading Sub-Sectors**

### *Senior Travel Market*

Within the Japanese outbound travel market, the senior travel segment shows especially good growth potential for U.S. firms and destinations. While the overall size of the Japanese population will slowly decrease, the number of people aged 60 and over is steadily increasing. Currently, one out of every four people in Japan is over the age of 65, which will be over 33 million people (of the total population of 127 million). The Japanese senior segment, especially the 6.5 million baby boomers born between 1947 and 1949, was strongly influenced by American music, film and TV. As a result, these baby boomers, especially Japanese males, have a favorable impression of American lifestyle and culture. These individuals have time, money, and energy to spend on leisure travel, and are the best match for long-haul destinations such as the United States.

### *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. These tourists are interested in traveling with others who share the same interests and have the potential to become repeat travelers.

Japanese travel companies are eager to create SITs and are actively seeking potential themes. The following are examples of themes that appeal to Japanese travelers:

- Spectator Sports such as baseball, basketball, soccer, golf and the Olympics
- Sports activities such as golfing, hiking, fishing, diving, skiing and marathons
- 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
- Gourmet tours such as wine tastings and famous restaurants
- Cruises

#### *Educational Travel*

In Japan, almost all public and private schools including primary, junior high, and high schools organize school trips, including international trips, for their students. According to the Japanese Ministry of Education, in the Japanese fiscal year 2013 (April 2013 to March 2014), a total of 168,668 high school students participated in overseas school organized travel, an increase of 11.4% over the previous year, with a total of 1,300 high schools. Within the 1,300 high schools, 260 schools went to the United States with more than 35,000 students. U.S. is the number one overseas school travel destination in Japan. In fact, many high schools, specifically private high schools all over Japan organize some type of overseas educational travel including large-scale school trips, and voluntary small group trips with homestay and language training components.

#### **Opportunities**

[Brand U.S.A Pavilion at JATA Tourism EXPO Japan 2017](#)

Tokyo Big Sight

September 21-24, 2017

#### **Web Resources**

[Brand U.S.A Japan Office](#)

[Japan Tourism Agency](#)

[Japan Association of Travel Agents \(JATA\)](#)

[Japan National Tourism Organization \(JNTO\)](#)

#### **CS Japan Contact**

Ms. Tamami Honda, Commercial Specialist

[Tamami.Honda@trade.gov](mailto:Tamami.Honda@trade.gov)

#### **Smart Grid**

##### **Overview**

Japan is a top market for smart grid products and services globally, ranked 7th in the analysis conducted by the Department of Commerce in its [2017 Top Markets Report](#) on smart grid opportunities.

### *Highlights of the Top Markets Report*

U.S. electricity transmission and distribution (T&D) equipment exports to Japan have increased dramatically overall during the last decade, peaking in 2012 and seeing a decline in recent years. This corresponds with the nation's efforts to rebuild and strengthen its electricity infrastructure in the aftermath of the Tōhoku earthquake in 2011. A high level of investment is expected to continue, with a shift towards distribution network, including smart grid applications and energy-efficient services.

Japan's electricity has undergone major overhaul, including the dissolution of vertically-integrated utilities, the creation of a nationwide grid operator, and incentives for distributed generation and demand response. Sustained reforms will drive the pace and scope of new opportunities for U.S. suppliers. Strong relationships with Japanese partners will continue to be a requirement in this market.

### **Opportunities**

32nd New Orleans Association (NOA) Conference

Annual in May

Co-organized by the U.S. Embassy in Japan, this conference brings together Japanese utility companies and U.S. suppliers. Business meeting opportunities are available.

Website to be updated when 2018 information available.

### [8th International Smart Grid Expo](#)

February 28 – March 2, 2018

This International trade show is one of seven major concurrent energy-related events at “World Smart Energy Week”. The Smart Grid Expo showcases cutting-edge technologies and products related to smart grid and smart communities including electricity, energy devices & control structures, IT, communication devices & infrastructures.

### **Web Resources**

The American Chamber of Commerce in Japan actively advocates on important policy issues involving energy-related issues.

[ACCJ Energy Committee](#)

## **Advanced Manufacturing**

### **Overview**

Despite the slowing domestic economy, global demand for Japanese manufactured goods, ranging from automobiles to scientific instruments, remains strong and has contributed to the recent recovery of the Japanese machinery market. This trend is expected to continue over the next few years as Japanese corporations continue to upgrade or replace existing equipment. To this end, U.S. companies that provide advanced manufacturing or automation equipment as well as related technology and software for use in a variety of assembly production lines would find export opportunities.

The Ministry of Economy, Trade and Industry (METI) has identified advanced manufacturing as one of Japan's key growing sectors, predicting that it will reach 30 trillion Japanese yen

(about \$270 billion) by 2020. This includes IoT-related technologies and smart factory applications. Japan is undergoing significant change as a leader in the global transition from traditional manufacturing towards advanced manufacturing processes. This area represents a driving force in sustainable growth across Japanese manufacturing sectors. Due to the current industry trends toward automation at production facilities, there are a number of opportunities that have presented themselves. In particular, semiconductor manufacturing machinery and processing machinery using lasers are two best prospect categories for U.S. exports to Japan. As of year-end 2016, sales for these two categories stand at \$866 million and \$18 million, respectively.

U.S. Commercial Service teams are actively engaged in advancing U.S. Advanced Manufacturing capabilities worldwide. In February 2017, the Commercial Service organized a Discover Global Markets: Advanced Manufacturing event in Scottsdale, Arizona. The U.S. Commercial Service also organizes the U.S. pavilion and provides on-site counseling to participants at Hannover Messe, the world's largest trade show held annually in Germany which focuses on industrial automation.

### **Opportunities**

[Discover Global Markets Series](#)

[Hannover Messe](#)

[Japan International Machine Tool Fair \(JIMTOF\) 2018](#)

November 1-6, 2018

Tokyo Big Site

[Mechatronics Technology Japan \(MECT\) 2017](#)

October 18-21, 2017

Nagoya Port Messe

[System Control Fair 2017](#)

July 29- December 1, 2017

Tokyo Big Site

Note: JIMTOF, MECT and System Control Fair are biannual trade shows.

### **Web Resources**

[Japan Machine Tool Builders Association \(JMTBA\)](#)

[Japan Machine Tool Importers Association \(JMTIA\)](#)

[Japan Electrical Manufacturers' Association \(JEMA\)](#)

[Advanced Manufacturing Research Institute \(AMRI\)](#)

### **CS Japan Contact**

Mr. Yu Ohashi, Commercial Assistant

[Yu.Ohashi@trade.gov](mailto:Yu.Ohashi@trade.gov)

## Renewable Energy

### Overview

Japan is a top market for renewable energy products and services globally, ranked 2nd in the analysis conducted by the Department of Commerce in its [Top Markets Series Report on Renewable Energy](#) opportunities.

### Highlights of the Top Markets Report

Since the earthquake and tsunami that significantly damaged and shut down the Fukushima Daiichi nuclear plant in 2011, Japan's power sector has been marked by significant turmoil. Almost immediately, Japan switched off its entire nuclear power network, creating an important and unprecedented opportunity for renewable energy developers.

While the Japanese renewable energy market has always been significant, the decision to use policy incentives to adjust its energy mix meant that growth was all but assured. Over the last four years, these early projections were borne out, and today Japan is one of the world's largest renewable energy markets with significant growth projected well into the future.

*Newly Installed Generation Capacity (at the end of December, 2016)\* unit: Megawatt*

	Before FIT	After FIT				
	Accumulated capacity	Installed Capacity				
	up to end of Jun. 2012	Jul. 2012- Mar. 2013	Apr. 2013- Mar. 2014	Apr.2014- Mar. 2015	Apr. 2015- Mar. 2017	Apr. 2017- Dec. 2017
<b>Solar (residential)</b>	4,700	969	1,307	821	854	594
<b>Solar (non-residential)</b>	900	704	5,735	8,571	8,306	4,168
<b>Wind</b>	2,600	62	47	221	148	163
<b>Hydroelectric</b>	9,600	1.7	3.9	84	71	69
<b>Biomass</b>	2,300	30	92	102	294	250
<b>Geothermal</b>	500	0.04	0.09	4.6	5.0	0.5
<b>Total</b>	20,600	1,767	7,185	9,803	9,678	5,244
		33,677				

Data Source: U.S. Commercial Service Japan calculated based on statistics issued by Ministry of Economy, Trade and Industry (METI)

### Feed-in Tariff (FIT)

Category			Feed in Tariff (excl. tax)			
			FY2016 4/1/2016 - 3/31/2017	FY2017 4/1/2017 - 3/31/2018	FY2018 4/1/2018 - 3/31/2019	FY2019 4/1/2019 - 3/31/2020
Solar PV	Residential	< 10kW	31 yen	28 yen	26 yen	24 yen

		<10kW with real-time power control system	33 yen	30 yen	28 yen	26 yen
	Residential (cogeneration)	<10kW	25 yen	25 yen	25 yen	24 yen
		<10kW with real-time power control system	27 yen	27 yen	27 yen	26 yen
	Non-residential	≥10kW and <2,000kW	24 yen	21 yen	TBD	TBD
		≥2,000kW		Tendering system starting from Oct. 2017		
Wind	offshore wind power		36 yen	36 yen	36 yen	36 yen
	land-based wind power	<20kW	55 yen	55 yen	TBD	TBD
	land-based wind power	≥20kW	22 yen	21 yen (from Oct.)	20 yen	19 yen
	land-based wind power, replace	≥20kW	-	18 yen	17 yen	16 yen
Small-Medium Hydropower	installing fully new facilities	<200kW	34 yen	34 yen	34 yen	34 yen
		≥200kW and <1,000kW	29 yen	29 yen	29 yen	29 yen
	utilizing existing head race channels	200kW	25 yen	25 yen	25 yen	25 yen
		≥200kW and <1,000kW	21 yen	21 yen	21 yen	21 yen
	installing fully new facilities	≥1,000kW and <5,000kW	24 yen	27 yen	27 yen	27 yen
		≥5,000kW and <30,000kW		20 yen	20 yen	20 yen
	utilizing existing head race channels	≥1,000kW and <5,000kW	14 yen	15 yen	15 yen	15 yen
		≥5,000kW and <30,000kW		12 yen	12 yen	12 yen
Geothermal	<15,000kW		40 yen	40 yen	40 yen	40 yen
	≥15,000kW		26 yen	26 yen	26 yen	26 yen

	<15,000kW, utilize all existing facilities	-	30 yen	30 yen	30 yen	
	≥15,000kW, utilize all existing facilities	-	20 yen	20 yen	20 yen	
	<15,000kW, utilize existing underground facilities	-	19 yen	19 yen	19 yen	
	≥15,000kW, utilize existing underground facilities	-	12 yen	12 yen	12 yen	
Biomass	Wood (forest thinning)	<2,000kW	40 yen	40 yen	40 yen	
		≥2,000kW	32 yen	32 yen	32 yen	
	Wood (general, including imported biomass wood)	<2,000kW	24 yen	24 yen	24 yen	24 yen
		≥2,000kW		21 yen (from Oct.)	21 yen	21 yen
	Wood (waste materials of buildings, and other woody materials)		13 yen	13 yen	13 yen	13 yen
	Waste materials, excluding woody waste		17 yen	17 yen	17 yen	17 yen
	Methane fermentation		39 yen	39 yen	39 yen	39 yen

Data Source: Ministry of Economy, Trade and Industry (METI)

### Leading Sub-Sectors

We expect Japan's future energy mix will involve a substantial reduction in the use of nuclear power and a massive deployment of renewable energy. With few domestic resources, Japan has historically relied on imported fossil fuels for about 80% of its energy, with nuclear power accounting for most of the remainder up until the 2011 earthquake and tsunami. Japan had supported modest renewable energy development since 2005, and moved quickly after the 2011 Fukushima Daiichi nuclear disaster. The Government of Japan (GOJ) introduced a Feed-in-Tariff in July 2012 to boost electric power generated by renewable sources. Under the FIT, the installed capacity of renewables has grown rapidly, and Japan has approved 88.7 GW of renewable energy capacity, of which 33.67 GW is already online as of December 2016. The main driver is solar PV and it accounts for approximately 95% of the 32GW of total renewable energy capacity commissioned under the FIT program so far.

The Act on Special Measures Concerning Procurement of Renewable Electric Energy by Operators of Electric Utilities (Japan FIT Act), enacted in August 2011, was revised for the first time in half a decade, and on April 1, 2017, various amendments to the Japan FIT Act went into force. The amendments sought an overhaul in order to achieve balance between the renewable resources in energy mix, reduce cost, and respond to changes augured by the progress of Japan electricity market reform.

In 2014, Japan's renewable energy only accounted for 12.2% of electricity generation if you count hydro-power generation, but only 3.2% excluding hydro-power generation. In April 2014, Japan's cabinet approved the country's first Basic Energy Plan since the Fukushima disaster. The Plan called for Japan to surpass its previous target of 13.5% power generation (141.4 billion kWh) from renewable sources by 2020 and 20% (214 billion kWh) by 2030. In 2015, the Ministry of Economy, Trade and Industry (METI) released the Long-term Energy Supply and Demand Outlook, which called for the following mix by 2030: 22-24% renewable; 20-22 % nuclear, 26% coal, 27% LNG, and 3% petroleum. Note: Renewable energy is defined here as electricity produced from solar (both residential and non-residential), wind, small-medium hydro, biomass, and geothermal.

### **Opportunities**

#### [N-EXPO 2017](#)

May 23 – 26, 2017

Tokyo Big Sight, Tokyo

Nippo Co., Ltd.

#### [Smart Factory Japan 2017](#)

June 06 – 09, 2017

Tokyo Big Sight, Tokyo

The Nikkan Kogyo Shimbun, Ltd.

#### [Renewable Energy 2017 Exhibition](#)

July 05 – 07, 2017

Pacifico Yokohama, Kanagawa

Japan Council for Renewable Energy

#### [REIF Fukushima 2017](#)

November 08-09, 2017

Big Pallet Fukushima

Fukushima Center for Industrial Promotion

#### [World Smart Energy Week 2018 \(Tokyo and Osaka\)](#)

February 28 – March 02, 2018 (Tokyo); September 20-22 (Osaka)

Tokyo Big Sight; Intex Osaka

Reed Exhibition Japan, Ltd.

### **Web Resources**

[Agency for Natural Resources and Energy](#)

[Ministry of Economy, Trade and Industry](#)

[New Energy and Industrial Technology Development Organization](#)

[Japan Photovoltaic Energy Association](#)

[Japan Wind Power Association](#)

[The American Chamber of Commerce](#) in Japan's Energy Committee actively advocates on energy-related policy matters

### **CS Japan Contact**

Ms. Minae Suzuki, Commercial Assistant

[Minae.Suzuki@trade.gov](mailto:Minae.Suzuki@trade.gov)

## **Semiconductors**

### **Overview**

Japan has the third largest electronics manufacturing industry in the world and is the United States' fourth largest export market for semiconductor manufacturing equipment (SME).

The Department of Commerce has identified Japan as a top export market in its [Top Markets Reports series](#). Japan had been a formidable leader in the semiconductor industry until the 2011 Great East Japan Earthquake, which resulted in reduced production and many business closures. However, in 2015, Japan experienced renewed production and output in this sector, and it has re-emerged as an industry leader.

### *Highlights of the Top Markets Report*

Japan's electronic products industry, which is the third largest in the world, is the largest demand factor driving sales of semiconductors to Japan. The semiconductor market is expected to grow from \$31.3 billion in 2016 to \$32.1 billion in 2017. This growth, although relatively modest, presents U.S. companies in this space with numerous opportunities, especially for those that supply chips for smart phone displays, computer server/data storage equipment, electronic measuring instruments and electro-medical equipment, the Internet of Things (IoT), and automotive electronics. While the marketplace is already dominated by several large companies such as Toshiba, Sony, and Renesas, semiconductor applications constantly evolve in scope of use and capability. New industries in 2017 that will contribute to growing demand are cloud based storage, industry automation, and artificial intelligence. Businesses that are on the forefront of new and emerging technologies requiring semiconductors will be able to compete in such a dynamic market.

Sales in semiconductor manufacturing equipment sales fell by 16% in 2016. Industry experts claim this is part of a larger cyclical growth trend. 2017 is expected to be a year of growth for semiconductor manufacturing equipment. However, U.S. exporters can expect to encounter challenges, including market saturation and existing domestic manufacturers.

Additionally, in 2016, the World Trade organization began its implementation of the Information Technology Agreement expansion. Accordingly, Japan will offer immediate duty-free access for hundreds of products covered under the Agreement, including semiconductor and semiconductor manufacturing related products. Such inclusions are expected to facilitate market growth of both semiconductors and their manufacturing equipment.

## **Opportunities**

### [SEMICON Japan Trade Show](#)

December 13-15, 2017

Tokyo

U.S. Department of Commerce Certified Trade Fair

U.S.A Showcase organized by U.S. Commercial Service Japan

### [CEATEC Information Technology Trade Show](#)

October 3-6, 2017

Tokyo

U.S. Department of Commerce Certified Trade Fair

U.S.A Showcase organized by U.S. Commercial Service Japan

## **Web Resources**

### [Information Technology Agreement](#)

[The American Chamber of Commerce](#) in Japan actively advocates on important policy issues.

ACCJ groups active in this area include:

- ACCJ ICT Committee ACCJ Internet Economy Task Force
- ACCJ Internet of Things Working Group
- ACCJ High Performance Computing Working Group

### [Semiconductor Equipment and Materials International \(SEMI\)](#)

### [Japan Electronics Information & Technology Industries Association \(JEITA\)](#)

### [Distributors Associations of Semiconductors & Components of Japan \(DAFS\)](#)

## **CS Japan Contact**

Ms. Atsuko Shimada, Commercial Specialist

[Atsuko.Shimada@trade.gov](mailto:Atsuko.Shimada@trade.gov)

## **Defense Procurement**

For Japan's Fiscal Year 2017, which began in April 2017, the Japanese defense budget was the sixth largest in the world and second largest in Asia at 5.13 trillion yen (approx. U.S.\$47.2 billion). Japanese defense expenditure is mainly driven by the threat from North Korea's long-range ballistic missiles and China's maritime expansion. The Japanese Ministry of Defense (JMOD) 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 years, Japanese defense expenditure has approached, but accounted for marginally less than, 1% of GDP. It has increased slightly for the last five consecutive years. Japan's defense posture and procurement strategy is grounded in a pair of foundational documents, the "National Defense Program Guidelines (NDPG) for FY 2014 and Beyond" and the "Mid-

Term Defense Program, FY2014–2018 (MTDP)". Both documents were reviewed by the Abe Administration, the results of which were promulgated in December 2013.

The FY 2017 budget approved by the Abe cabinet included spending increases on defense aimed to build defense capabilities. These emphasized intelligence, surveillance, and reconnaissance (ISR) capabilities; intelligence capabilities; transport capabilities; command, control, communication, intelligence (C3I) capabilities; response to attacks on remote islands, response to ballistic missile attacks, response to outer space and cyberspace threats; and response to large-scale disasters.

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.

In October 2015, Japan established the Acquisition Technology and Logistics Agency (ATLA) under the JMOD, integrating acquisition functions including its Internal Bureau, Staff Offices, Technical Research and Development Institute (TRDI), and Equipment Procurement and Construction Office (EPCO). Roughly 1,800 officials work in ATLA under a commissioner reporting directly to the JMOD Minister. ATLA is responsible for defense equipment policy and logistics planning, procurement, defense industrial policy as well as R&D, R&D policy and management of R&D institutes.

As with any other government procurement, potential vendors to the JMOD and Japan Self Defense Forces (JSDF) are required to apply for and register with the Japanese Government. 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.

[Japan Ministry of Defense \(JMOD\)](#)

[Defense Security Cooperation Agency \(DSCA\)](#)

[Acquisition Technology and Logistics Agency \(ATLA\)](#)

## **Japan's Regions**

### **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. Tokyo's selection as the host city for the 2020 Summer Olympic and Paralympic Games also creates numerous business opportunities for U.S. companies.

### **Kansai**

Japan's Kansai region lies in the west-central part of the main island of Honshu, and is made up of the following seven prefectures: Mie, Nara, Wakayama, Kyoto, Osaka, Hyōgo and Shiga. With a land area of 17,360 square miles, a population exceeding 20 million and an economy of nearly \$1 trillion, Kansai is an economic powerhouse and 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 port city of Kobe as well as two historically significant political and cultural treasures in Nara and Kyoto.

Kansai's economic base is diverse, including electronics, food, pharmaceuticals, biotech, chemicals, textiles, and other vibrant industries. In GRP terms, Kansai by itself would rank as the world's 16th largest economy (between Mexico and Indonesia) and the fifth largest in Asia (behind, China, Japan, India and Korea). The region leads Japan in the production of lithium-ion batteries, medicinal drugs and solar cells. 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 Daihatsu (automotive), Daikin (air conditioning units), Descente (sporting wear), Kawasaki Heavy Industries (transportation manufacturing), Kyocera (ceramics), Montbell (outdoor gear), Omron (electronic components), Panasonic (electronics, home appliances), and Suntory (whiskey and beverages), Capcom (video games), Mizuno (sporting goods), Shimano's (cycling and gears), and Takeda (pharmaceuticals).

In addition to its manufacturing base, Kansai has a history of providing leading research in the life sciences. The region's bioscience clusters are leading global contributors to advances in areas involving human immune system and infectious diseases, and cerebral and cardiovascular research. 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 includes railway networks of bullet and regional trains that connect Osaka, Kobe, and Kyoto to all parts of the country as well as three major airports that link the region to multiple domestic and international destinations. Recent completion of the Nankai railway line to Kansai International Airport (KIX) has further improved access to Kansai for international visitors. Several airlines offer daily direct flights between KIX and Los Angeles (LAX) and San Francisco (SFO), providing travelers with additional options to travel to and from the United States. Lastly, the region has two of Japan’s busiest maritime ports in Osaka and Kobe that serve as an important hub for East Asian trade throughout the Pacific, as well as passenger and car ferry options throughout Japan.

Recent urban developments, including Grand Front Osaka, a unique residential and business activity hub located at Osaka’s central railway station, contains Knowledge Capital, an intellectual creation center designed to foster innovation and exchange among companies, startups and academic institutions. In 2014, Abeno Harukas, Japan’s tallest skyscraper, became Osaka’s newest landmark. Pending legislative approval, Osaka is currently the front runner location for the site of a future integrated resort (IR), with potential for integrated gaming, hotels, convention facilities, entertainment, as well as potential luxury retail and dining.

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 starting with Nara, which at one point served as the eastern end of the Silk Road and boasts the most national treasures, including Japan’s largest sitting Buddha statue. Kyoto is Japan’s old capital and religious center renowned for its many ancient shrines, temples, and beautiful gardens. Wakayama is known for its great hiking and onsen hot springs, as well as the centuries-old mountaintop Buddhist temple complex of Koya-san which is considered one of Japan’s most intensely spiritual places.

Kansai is also home to a vibrant “foodie” scene, and the area is often referred to as Japan’s “kitchen”. Local dishes offer everything from Osaka’s takoyaki (fried octopus and dough fritters) and okonomiyaki (a savory pancake stuffed with sliced cabbage in contrasts to the Hiroshima-style pancakes) to Kobe’s famous wagyu beef and the refined cuisine of Kyoto. For sports lovers, the region is a go-to destination in baseball-crazy Japan and home to two professional baseball teams, the Hanshin Tigers and the Orix Buffaloes. Between sumo wrestling, soccer, and a plethora of other spectator sports, there is something for all sports lovers in Kansai.

The people of Kansai are descended from Osaka’s merchant culture. They are known for their pragmatic, entrepreneurial and down-to-earth personalities, and keen business sense. Citizens of Kansai are also reputed to have Japan’s best sense of humor.

The U.S. Commercial Service Western Japan (CSWJ) provides a broad range of programs services designed to help U.S. companies capitalize on opportunities in Kansai, particularly in the region's key industries of machinery, scientific instruments, food processing equipment, building products, sporting goods, educational services, and tourism. Based at the U.S. Consulate General in Osaka, CSWJ also 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, CSWJ helps promote American exports of goods and services and tourism to the United States through promotional events, U.S. Pavilions at trade shows, business counseling and matchmaking services, and commercial advocacy. CSWJ also promotes investment from Japan to the United States through its SelectU.S.A initiative and outreach efforts throughout Western Japan, conducting seminars and extensive one-on-one counseling.

### **Kyushu**

The Kyushu/Yamaguchi region of southwestern Japan consists of seven prefectures on Kyushu Island (Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, Kagoshima) and Yamaguchi Prefecture on the southern tip of Honshu, with a combined population of about 14.5 million. The region's roughly \$450 billion economy constitutes Japan's fourth largest economic center, representing about 10% of national GDP, which makes it one of the thirty largest economies in the world (larger than either Austria or Thailand). 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 is the region's second largest export market and a top-ten import market, but Kyushu is becoming increasingly integrated into the East Asian regional economy.

Kyushu is often called "Silicon Island," "Car Island," "Food Island," "Hot Springs Island," and "Solar Island." The region accounts for 28% of Japan's total production of semiconductors and IC chips by value. Northern Kyushu also boasts over 15% of Japan's automobile output, up from 5% in 2000, with Toyota, Nissan, and Daihatsu operating state-of-the-art final assembly facilities, and Honda's advanced motorcycle plant. Kyushu's agricultural sector produces 19% of Japan's agricultural output and ranks first in Japan in livestock output (about \$6.9 billion in 2016). Demographic trends have led to a decreasing reliance on family farms and the number of corporate farms has more than quadrupled since 1995. The region accounts for about 18% of solar module production, and also includes important industries such as steel manufacturing and ship-building. Japan's two space-launch facilities are located in Kagoshima Prefecture. International tourism to Kyushu has been a driver of growth in recent years, with foreign arrivals doubling since 2014. Hakata and Nagasaki Ports, both in Kyushu, were the two top seaports for international passenger arrivals in Japan in 2016 and two other regional ports have launched public-private partnership plans to vastly expand their cruise ship infrastructure capacities. As of 2015, Kyushu has approximately 250 offices of America-related companies (excluding hotels, airlines, retail outlets, insurance and food services) with almost half of these in the pharmaceutical and medical fields.

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 the Shinkansen bullet train hub that links Kagoshima to Tokyo. Fukuoka City has a dynamic business environment with the highest rate of "start-up" companies in Japan (following Sendai where post-tsunami recovery efforts continue), and was selected in 2014 by the Abe Administration for the creation of a "special economic zone". This zone places an emphasis on facilitating new businesses and the employment of foreign workers, which has allowed regulatory relaxations including simplifying the investor visa process and a tax break for new firms. Kitakyushu City became the region's second special economic zone in 2016, emphasizing robotics and innovation for elder and nursing care.

The quality of universities in the region is high, with many institutions engaged in technological and energy-related research projects. Fukuoka and neighboring Saga Prefecture are 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. Agriculture and fisheries are predominant in central and southern Kyushu, with many Small and Medium Sized Enterprises (SMEs) and smaller manufacturing industries. Kumamoto Prefecture was hit by a devastating earthquake in April 2016 but is rapidly rebuilding private and public infrastructure and its recovery economy has prompted growth in many industries. In Yamaguchi Prefecture, agriculture and fisheries predominate on the northern Sea of Japan side, with industry (including heavy manufacturing) concentrated on the southern Seto Inland Sea coast, where maritime transportation links are strong.

The U.S. Consulate in Fukuoka has been actively assisting U.S. businesses and promoting their interests in the region for over 65 years, helping identify the many promising opportunities this region offers. 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. U.S. and foreign companies in the region have indicated some challenges in the business registration and set-up process, an issue which the Fukuoka City government is helping to address through the special economic zone framework. Business in the district is predominantly conducted in Japanese, with relatively few advanced English speakers compared to other major metropolitan areas such as Tokyo and Osaka.

## **Okinawa**

Japan's only subtropical region and its southernmost prefecture – comprises 160 islands (40 inhabited) stretching over 623 miles from mainland Japan to Taiwan, but its 1.4 million people and \$38 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 has the country's second highest population growth rate and its growing and well-educated workforce is the youngest in Japan. Also, average wages are among the lowest nationwide. 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 the prefectural economy. In FY2017, the amount was approximately \$3 billion. Officials plan to invest approximately \$1.3 billion in public infrastructure projects this year, including port upgrades and the continuing construction of a second runway at Naha International Airport.

Tourism is Okinawa's major economic activity. In 2016, the total number of tourists visiting Okinawa increased 11% to 8.77 million from 7.76 million in 2015 due to new foreign airline routes, public-private tourism promotion strategies, and relaxed visa requirements for Chinese tourists. In addition, cruise ship visits from Taiwan, China, Hong Kong and domestic Japan were the highest in Japan in 2016. As the result, the number of non-Japanese tourists increased 28% to 2.13 million in 2016, compared to 1.5 million in 2015. The number of domestic and overseas tourists reached a record-high for the fourth consecutive year. Tourism-related revenue reached \$5.5 billion in 2016 which was also a record high. Destination weddings in Okinawa brought \$206 million to the prefecture in 2016. A new airline route between Okinawa and Thailand began operation in February 2017. Okinawa Prefecture Government (OPG) expects continued growth in tourist visits and corresponding tourism revenue. Okinawa pledged to improve tourism infrastructure with the goal of attracting 10 million tourists annually by 2021. Ongoing construction of Naha Airport's second runway is expected to be completed before the Tokyo Olympics in 2020. A site in the southeastern part of the main island was selected to construct a Meetings, Incentive travel, Convention, and Exhibition (MICE) facility that can accommodate 40,000 people. Additionally, Okinawa is seeking to bolster its medical tourism industry. In 2014, Okinawa announced plans to create an international medical hub to include a hospital, a heavy particle cancer treatment center, infectious disease research center, and a new pharmaceutical development facility on returned U.S. military base land. The Government of Japan budgeted \$717,000 for FY2017 to establish a regenerative medicine-based medical hub.

Foreign investment is active in Okinawa; the Governor formed an economic strategy committee to encourage commercial and tourism partnerships throughout East Asia. OPG has satellite offices in Taipei, Hong Kong, Shanghai, Beijing, Singapore and Fuzhou to activate

economic exchanges. In addition, OPG established five core strategies targeting the Asian market. The strategies include development of logistics, communication, and information hubs, an aviation-related industry cluster, world-class resorts, and manufacturing promotion.

Although public sector spending and tourism dominate Okinawa's economy, government policies encourage diversification into information and communication technology (ICT) and air cargo sectors. Nearly four hundred ICT companies, some affiliated with American firms, have begun operating in Okinawa since 1990. As of January 2016, these firms created 26,627 employment opportunities. The ICT-related industry workforce accounts for an estimated 5% of the labor force. By offering various tax incentives, Okinawa plans to invite over 400 companies and create 7,000 additional jobs. In addition, Okinawa has fewer large earthquakes than other Japanese regions, and has therefore become a popular location for business continuity and disaster recovery-related investment. For that reason, Okinawa built a cloud data center that is able to withstand intense seismic activity and has the capability to store up to 18,000 servers. Okinawa also aims to become the ITC conduit for East Asia by connecting Japan and Asia via underwater cable to the existing Global International Exchange (GIX). A U.S.-based computer company opened a technology verification center utilizing Okinawa's link to the GIX cable to expand its business in Asia.

The Okinawa Institute of Science and Technology (OIST) Graduate University, a world-leading natural sciences graduate school, has an annual budget of about \$153 million. OIST aims to contribute to the economic growth of Okinawa by conducting ground-breaking research and attracting corporate research institutions and venture businesses to Okinawa, with the eventual goal of forming intellectual and industrial clusters.

Okinawa's Naha International Airport is just two to four hours from major Asian hubs such as Narita, Haneda, Chubu, Kansai, Seoul, Shanghai, Taipei, Hong Kong, Bangkok, Qingdao, Guangzhou, Xiamen, and Singapore, and cargo operations at the airport occur 24 hours a day. In 2009, All Nippon Airways (ANA) took advantage of Okinawa's central location in Asia to establish an international cargo hub. Since then, cargo volume has grown one hundredfold. Naha International Airport now handles the 4th-largest amount of international air cargo in Japan, making it one of Okinawa's key growing industries. ANA's cargo hub has drawn attention from Asian and Japanese markets due to Okinawa's tax incentives and central location. In addition, MRO Japan, a group company of ANA Holdings, plans to establish an aircraft Maintenance, Repair, and Overhaul (MRO) facility for low-cost carriers at Naha International Airport in early 2019.

Government policies continue to support investment in renewable energy systems. The "Okinawa Smart Energy Island Infrastructure Project" facilitates 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 and the smart grid demonstration center opened on the island of Miyakojima in 2013. In 2016, Miyakojima city launched a public-private enterprise to commercialize the on-

going Energy Management System demonstration for generating the renewable-energy related industry on the island.

The U.S. Consulate General in Okinawa and the American Chamber of Commerce in Okinawa, which has 130 members from the American and Okinawan business communities, welcome contact with American companies seeking to initiate or expand exports to the region. 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.

### **Chubu**

The Chubu region (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 —home to 15 million people—are known as Japan's industrial heartland and lead its economy.

Central Japan's economy centers on "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%. The region hosts the headquarters or main factories of world-class manufacturers in autos and motorcycles (Toyota, Honda, Mitsubishi, Suzuki, Yamaha), auto parts (Denso, Aisin), aerospace (Mitsubishi, Kawasaki, Fuji), resin materials (Toray), machine tools (Mazak, Okuma, DMG Mori Seiki), power tools (Makita), ceramics (Noritake, NGK Insulators, NGK Spark Plug, Iridium) and office automation (Brother). Additionally, thousands of supporting suppliers make this one of the top industrial clusters in the world.

Thus, the region accounts for about 0.84% of the world economy, 12.5% of Japan's GDP, and over 34% of Japan's total exports to the United States. Aichi Prefecture (pop. 7.5 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 Great East Japan Earthquake/Tsunami and the floods in Thailand temporarily crippled production and deferred sales. Thanks to the region's characteristic resilience, the industry has been recovering steadily by restructuring its supply chain and accelerating development and production of "green cars" (low fuel consumption and emission vehicles). However domestic sales of automobiles have slowed since the government raised the national consumption tax from 5% to 8% in April 2014, and this likely had the impact of hindering a more vibrant recovery. Toyota introduced a newly developed fuel cell vehicle (FCV), "Mirai" (meaning 'future') in 2014, and they are confident it is an ultimate green car because FCVs produce no CO2 emission. Toyota's production rate of "Mirai" is about 3,000 per year in 2017 (compared to 700 per year in 2015). Aichi prefecture, where Toyota is headquartered, subsidizes about one fourth of the price difference between FCVs and equivalent conventional vehicles for SMEs. This subsidy is also applied to the purchase of

electric vehicles (EV). Furthermore, Aichi Prefecture subsidizes about one fourth of the construction cost of new hydrogen stations and provides 5.5 million yen per year for three years to cover a part of the operational cost. It is said the average cost to build a new hydrogen station is about five hundred million yen (approx. four million dollars). 15 hydrogen stations are currently in operation in Aichi Prefecture and Aichi Prefecture's target is 100 by the end of fiscal year 2025.

About half of Japan's 1.4 trillion yen aerospace sector is based in the region, and Mitsubishi, Kawasaki, and Fuji Heavy Industries produce 35% of the Boeing 787 Dreamliner. They are currently producing 12 units per month and plan to increase the production to 14 units per month by 2019. Boeing still has over 740 back orders for the Dreamliner as of June 2016. A dozen U.S. suppliers are partnering with Mitsubishi to develop Japan's first jetliner, the 70-90 passenger Mitsubishi Regional Jet (MRJ), which completed its maiden flight in November 2015 and has been conducting flight tests in Washington State to obtain necessary certification. Its first delivery to All Nippon Airways (ANA) is scheduled for the second quarter of 2020. Mitsubishi strongly believes the demand for this size of aircraft will continue to increase in coming years. In December 2011, the Japanese government designated the region as a Special Economic Zone called "The Special Zone to Create Asia's No.1 Aerospace Industrial Cluster," 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 prefecture. 73 municipalities from Aichi, Gifu, Mie, Nagano and Shizuoka prefectures and 222 companies/associations, including small to medium size enterprises as well as major corporations, participate in the program.

The defense industry is also strong in Central Japan. Mitsubishi Heavy Industries (MHI) is closely working with American firms such as Lockheed Martin and Raytheon to develop and produce fighters and missiles. MHI will start assembling new Lockheed F-35s under license at MHI's Komaki South Plant in December 2015 and delivery to the Japan Self Defense Forces is expected to take place by the end of 2017. 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. Also, Aeromart Nagoya, a business convention for companies in the aerospace industry, is scheduled to be held in September 2017.

Though none of its facilities were damaged during the March 11 Great East Japan Earthquake/Tsunami, Chubu Electric Power Company (CEPCO), Japan's third-largest utility, was ordered by the Japanese Government (GOJ) to shut down its only nuclear plant as a precautionary measure in the aftermath of the Fukushima Daiichi Nuclear Power plant accident. CEPCO took steps to enhance earthquake and tsunami safety measures (building protection walls, power supply, heat sink, and water injection measures. These works were completed by September 2016, but additional safety measures continue, including an Emergency Response Center, fire measures, are still under way to meet required safety

measures. However, because of continuing anti-nuclear sentiment, it is uncertain whether the plant will be restarted. The high costs of switching to alternative power sources, though offset by low fossil fuel prices, threaten CEPCO's profitability, and the utility is working diligently to introduce "renewable energy" to find ways to reduce costs. For example, it has been aggressively pursuing global procurement of cost-competitive equipment and products and imported LNG produced from U.S. shale gas in January 2017. CEPO is also planning to build a highly efficient coal-fired power plant in 2018, which is scheduled to begin operation in 2021.

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 this "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") began in December 2014 with a budget of \$50 billion (5 trillion yen) and is expected to start the operation in 2027. JR Tokai aims to expand the Maglev service to Osaka by 2045.

### **Hokkaido/Tohoku**

Northern Japan consists of Hokkaido and six prefectures of northern Honshu: 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 5.5 million and Tohoku had a population of approximately 9 million. The Gross Regional Product (GRP) for Hokkaido is approximately \$179 billion and for Tohoku is approximately \$248 billion. Hokkaido, located roughly 500 miles north of Tokyo, is Japan's northernmost island.

These prefectures comprise Japan's agricultural heartland, with large-scale and diverse farming including dairy and livestock in Hokkaido, and highly prized rice growing in Akita and Miyagi Prefectures in Tohoku. According to the Ministry of Agriculture, Forestry and Fisheries statistics, Hokkaido's agricultural output was about \$8.9 billion, which accounted for 12.5% of national agricultural output. Hokkaido is the number one producer of wheat, potatoes, legumes, onions, sugar beets and fresh milk in Japan. Despite agriculture's importance, primary industries (agriculture, fisheries, and forestry) only account for 3.7% of Hokkaido's gross product. Hokkaido's farming household have halved since 1990's and are currently at about 40,000 households. The number of farmers is decreasing, and farmers over age 65 years old make up about 37% of Hokkaido farmers.

Hokkaido's tertiary industries (i.e. wholesale, retail, and service industries) account for 80% of the region's economy, which is higher than the national average, due to Hokkaido's thriving tourism industry. Notably, the number of Asian tourists to Hokkaido has been increasing. On the other hand, Hokkaido has long depended on public works projects and as a result the construction industry accounts for 6.7% of gross regional product, which is 1.8% larger than the national average. Hokkaido's manufacturing sector accounts for only 9.4% of gross regional product, which is about half the national average. (Source: Annual Statistics of Hokkaido Prefectural Government)

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 (Information & Communication Technology) equipment. Tohoku's manufacturing accounted for 14.7% of regional output in 2011, with agriculture at 2.6% and construction at 7.9%. (Source: Tohoku METI)

The Tohoku region still has a long way to go to recover 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. Unlike inland manufacturing that largely recovered by mid-2012, small and medium-size enterprises that lost contracts to competitors in other parts of Japan after the disaster continue to struggle. 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.

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, medical and homecare equipment. 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, the recent depreciation of the yen has led to higher costs for imported construction materials and has forced many building project plans to be altered. These factors continue to cause significant problems for local public construction projects.

The biggest issue faced in both Hokkaido and Tohoku is the aging society and depopulation. In statistics by the Ministry of Internal Affairs and Communications, Hokkaido has had 17 consecutive years of population decrease as well as the highest percentage rate of decline. Hokkaido's population peaked in 1997 with about 5.7 million people and has lost about 290,000 people in the last 18 years, which is equal to the population size of Hakodate City, the third largest city in Hokkaido. A study published in 2014 shockingly indicated that more than 75% of municipalities have the possibility of disappearing in Hokkaido, Aomori, Iwate, Akita and Yamagata over the next 20–30 years. Given the large number of elderly in the population, the need for pharmaceuticals, medical, homecare equipment and various business models for elderly care are expected to grow.

All of Japan's nuclear power plants are currently offline. The GOJ intends to increase the share of renewable energy generation as well as to liberalize the 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 wind for wind turbines, geothermal resources, biomass potential, and small-scale hydraulic power systems along agricultural irrigation ditches.

Tourism and related industries are an important source of growth in both Hokkaido and Tohoku. Hokkaido and Tohoku host many regional festivals with varied themes such as foods, culture, fireworks, dancing, rock music, all year round attracting millions of visitors. Multi-nationalized goods and services that could assist national and international visitors to Hokkaido and Tohoku regions could capture some of this market.

Northern Japan has ample capacity for air passenger and cargo traffic. Increasing numbers 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 from Aomori under the Tsugaru Strait via the Seikan Tunnel, the longest undersea tunnel in the world. Moreover, further construction of the Shinkansen is underway to connect Hakodate and Sapporo, which is slated to be complete in about 20 years in 2035. The Hokkaido Prefectural Government, together with various local economic entities, have been lobbying the national government, and in particular the Ministry of Land, Infrastructure and Transportation, to shorten the construction period to boost the economy. 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.

## Customs, Regulations & Standards

### Trade Barriers

While tariffs are generally low, Japan does have some non-tariff barriers that may impact commercial activity by possibly impeding or delaying the importation of foreign products into Japan. Although competition, U.S. and other foreign government pressure and other factors, have lessened the impact of these impediments, U.S. companies may still encounter non-tariff barriers in the following areas:

- 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.

Tools and methods to overcome these non-tariff barriers will depend greatly 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. The U.S. Commercial Service in Japan regularly advises U.S. companies on how to overcome these barriers. U.S. exporters experiencing non-tariff barriers or other unfair trade practices in foreign markets can also report such problems to [TANC](#).

For additional information on Japan-specific trade barriers see the most recent National Trade Estimates Report available on the [United States Trade Representative Website](#).

### Import Tariffs

The Customs and Tariff Bureau of Japan's Ministry of Finance administers tariffs. The average applied tariff rate in Japan is one of the lowest in the world.

Japan: Simple average applied Most Favored Nation (MFN) tariff

Total -- 4.0%

Agriculture products -- 12.9%

Non-agriculture -- 2.5%

Japan: Average industry sector MFN applied duties (selected industries)

- Non-electrical machinery -- 0.0%
- Electrical machinery -- 0.1%
- Transport equipment -- 0.0%
- Manufactures, n.e.s. [sic] -- 1.2%
- Clothing -- 9.0%
- Chemicals -- 2.2%

[WTO World Tariff Profiles 2016](#)

[The Japan Customs tariff schedule](#)

Harmonized System (HS) codes are used to determine the tariff rate. Japan shares the same HS trade classification system as the United States. Tariff categories are organized by six-digit HS code.

Japan's tariff schedule has five rate columns:

- 1) General Rate
- 2) Temporary Rate
- 3) WTO Rate
- 4) GSP Rate - Preferential Rate for designated developing countries
- 5) LDC, which covers a series of country-specific "EPA" (Economic Partnership Agreement) Rates

U.S. origin goods have the WTO rate applied unless a lower Temporary Rate exists. Japan assesses tariff duties on the c.i.f. (cost, insurance + freight) value at ad valorem (based on the value of the goods) 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.

A simplified tariff system for low-value freight valued at less than ¥200,000 (approximately \$1,800 at ¥110/\$1), such as small packages, simplifies determination of tariff rates. This system eliminates the time necessary to classify the product and its precise value, and minimizes customs broker charges. Importers can choose either the normal rate or the simple tariff, which could be higher or lower depending on the product.

Japan Customs can provide advance rulings on tariff classification and duty rates. The Japan Customs website has information on Japan's customs procedures, customs valuation system, import procedures, temporary admission procedures, refunds and duty drawback payments, as well as relevant customs forms.

[Japan Customs](#)

[The Japan Tariff Association](#)

## **Import Requirements & Documentation**

Understanding import requirements and documentation is very important when doing business in Japan. Having a local representative in Japan and/or working with a freight forwarder or customs specialist can be extremely helpful in this regard.

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 on Customs Regulations.

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, as well as an original, signed bill of lading or an air waybill if shipped by air. Air shipments of values greater than ¥100,000 (about \$910 at ¥110/\$1) 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.

Import and customs clearance procedures and contacts can be found through [Japan's Ministry of Finance](#).

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

### **Labeling/Marking Requirements**

Japanese law requires labels for products in many categories. Generally, labeling for most imported products is not required at the customs clearance stage, but at the point of sale. Consequently, Japanese importers commonly affix a label to an imported product after it has cleared customs. While importers are not required 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, the U.S. exporter should work with a Japanese agent or importer.

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

[Consumer Affairs Agency](#)

[Japan External Trade Organization \(JETRO\) Guide to Japanese Household Goods Quality Labeling Law](#)

[Japan External Trade Organization \(JETRO\) Handbook for Industrial Products Import Regulations 2009](#)

[U.S. Foreign Agriculture Service 2015 GAIN Report on Japan's New Health Claims Labeling System Creates Opportunities](#)

[U.S. Foreign Agriculture Service GAIN Report on the New Food Labeling Standard](#)

[U.S. Foreign Agriculture Service GAIN Report on Food and Agriculture Import Regulations and Standards \(FAIRS\) – Japan](#)

## **U.S. Export Controls**

In 2013, the U.S. Government began its Export Control Reform (ECR) initiative to move munitions-related parts and components from the Department of State's Munitions List to the Department of Commerce's Commerce Control List (CCL). Since then, many items have become eligible to be exported to certain countries under a license exception called the "Strategic Trade Authorization" (STA). Japan is one of the countries to benefit most from the STA export control reforms as U.S. companies have become aware of the changes and new procedures. Key areas of bilateral trade that have benefitted from these reforms include aircraft parts and satellites. The Department of Commerce's Bureau of Industry and Security (BIS) provides updated information on its website and has pursued outreach through training sessions.

Japan, as a member of the Wassenaar Arrangement, the Missile Technology Control Regime, Australia Group, Nuclear Suppliers Group, and other international export control regimes, has the least restrictive requirements under U.S. export control law. In response to the threat from global terrorism, the Japanese government administers its own export control legislation (the "Foreign Exchange and Foreign Trade Act," the "Export Trade Control Order," and the "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. At the same time, however, Japanese firms are engaged in business activities with countries against which the United States currently has embargoes. As such, U.S. exporters are encouraged to conduct thorough research and background checks pertaining to any potential sale of controlled or sensitive items, in particular for transactions that may involve possible transshipment or re-export through Japan.

For the latest in U.S. export and report control regulations, contact the Department of Commerce's [Bureau of Industry and Security \(BIS\)](#).

For the latest in defense trade controls information, contact the Department of State [Directorate of Defense Trade Controls](#).

For current U.S. embargo information, contact the Department of Treasury's [Office of Foreign Assets Control](#).

[Consolidated export screening lists](#) maintained by the Departments of Commerce, State and the Treasury – conduct electronic of potential trade partners.

## **Temporary Entry**

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](#).

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.

## **Prohibited & Restricted Imports**

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 [Japanese Customs](#).

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. Licenses from relevant regulatory bodies may also be required. The use of certain chemicals and other additives in foods and cosmetics is severely regulated and follows a “positive list” approach.

At the time of writing, 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.

One well-publicized case involved the arrest of an American woman who was sent a small number of pills of Adderall by her mother. Please note that body (hand) soaps, shampoos, toothpastes, hair dye and other toiletries may fall under the category of quasi-drugs or cosmetics, depending on ingredients. 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.

[Japan's Ministry of Health, Labor, and Welfare](#) has information on policies for importation of health-related items.

Further guidance on medication can be found at the [U.S. Embassy](#).

## **Customs Regulations**

Understanding customs regulations is very important to doing business in Japan. Having a local representative in Japan that understands customs regulations and/or working with a freight forwarder or customs specialist can be extremely helpful.

Any person wishing to import goods must declare them to the Director-General of Customs, obtain an import permit (after examination by the authorities), and pay Customs duty and excise tax, if any. 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. Employing an import agent or customs broker may be necessary to help facilitate customs entry.

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 Authorized Economic Operator \(AEO\) program](#).

The typical time between arrival of goods and the granting of import permission is 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"). However, 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 \(NACCS\)](#)). Japan Customs examines the documents and a material submitted before cargo entry, and provides the results of the examination.

Complaints against a Japan Customs' decision 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](#).

Telephone contacts for Customs Counselors System throughout Japan can be found through [Japan Customs](#).  
[Japan Tariff Association](#)

## **Trade Standards**

### **Overview**

Understanding the trade standards landscape is essential to doing business in Japan. Many domestic and imported products 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. Although reform is underway, numerous laws still require compliance with 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 \(JETRO\)](#) 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.

### **Standards Organizations**

The [Japan Industrial Standards Committee \(JISC\)](#) plays a central role in standards activities in Japan. Its mission consists of the following 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.

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](#).

### **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.

### **Notification and the 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. Companies can register online.

### **Testing, Inspection and Certification**

Under the JIS mark scheme, product certification bodies accredited by the Ministry of Economy, Trade and Industry (METI) conduct 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 [IISC](#).

### **Accreditation**

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 at [JASC](#).

The two major non-governmental accreditation bodies in Japan are the Incorporated Administrative Agency (IA Japan – within the quasi-governmental National Institute of Technology and Evaluation) and the [Japan Accreditation Board for Conformity Assessment \(JAB\)](#). IA Japan operates several accreditation programs including the Japan National Laboratory Accreditation System (JNLA) and the Japan Calibration Service System (JCSS). [IA Japan](#) provides lists of laboratories accredited under its programs and laboratories accredited by JAB.

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 go to the [Ministry of Economy, Trade and Industry \(METI\)](#).

For other information on third-party conformity assessment for electrical products visit [METI](#).

### **Publication of Technical Regulations**

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](#).

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. Finalized technical regulations and standards are published in Japan's national gazette known as the [Kanpō](#) (Japanese only).

### **Labeling and Marking Standards**

The "voluntary" Japan Industrial Standards (JIS) mark, administered by the Ministry of Economy, Trade and Industry (METI), applies to nearly 743 different industrial product categories 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; and 4) 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.

JAS certification is a complicated process requiring approval by a Registered (Overseas) Certified Body (ROCB). At this time, there are only four approved ROCB for forest products and three for organic products. The current list of approved ROCBs can be found through [MAFF](#).

More information on the JAS labeling system can be found at the [Ministry of Agriculture, Forestry and Fisheries \(MAFF\)](#).

On April 1, 2015, the Government of Japan consolidated portions of several different laws that applied to the labeling of food and agricultural products under one comprehensive food labeling law. The most notable change is the requirement for mandatory nutritional labeling for processed products: Japanese importers are now responsible for ensuring nutritional labels meet the requirements of the new law. More information on the comprehensive labeling law can be found in the Japanese Consumer Affairs' Agency's "[Nutrition Labelling Systems in Japan: situations and issues](#)" briefing paper.

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](#), including specifications, standards and testing methods for foodstuffs, implements, containers and packaging, toys and detergents.

### **Contact Information**

#### [Japan Industrial Standards Committee](#)

Secretariat Office

(81-3) 3501-9471

[jisc@meti.go.jp](mailto:jisc@meti.go.jp)

#### [Japanese Standards Association](#)

Secretariat Office

(81-3) 3583-0462

[po@jsa.or.jp](mailto:po@jsa.or.jp)

#### [Japan External Trade Organization \(JETRO\) on Standards and Regulations](#)

#### [National Metrology Institute of Japan](#)

#### [Building Center of Japan](#)

#### [Telecommunication Technology Committee](#)

#### [Japan Cable Television Engineering Association](#)

#### [Association of Radio Industries and Businesses](#)

#### Conformity Assessment Bodies

#### [Japan Accreditation Board for Conformity Assessment \(JAB\)](#)

#### [Customer Service, General Affairs Dept.](#)

(81-3) 3442-1210

(81-3) 5475-2780

#### [International Accreditation Japan](#)

#### [Quality Manager](#)

(81-3) 3481-1946

(81-3) 3481-1937

#### [Foreign Registered Conformity Assessment Bodies in Japan](#)

#### [Japan Accreditation System for Product Certification Bodies](#)

#### [Japan National Institute of Technology and Evaluation](#)

#### [Specified Measurement Laboratory Accreditation Scheme](#)

#### [Japan National Laboratory Accreditation System](#)

#### [Japan Calibration Service System](#)

#### [Accreditation System of National Institute of Technology and Evaluation](#)

#### [Third-party Conformity Assessment for Electrical Products in Japan](#)

#### [Japanese Draft Standards, Regulations and Public Comment](#)

#### [Japan's National Gazette \(Kanpō\)](#) (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.

## Trade Agreements

As of June 2016, Japan had entered into economic partnership agreements (EPAs) with 14 countries:

- Australia
- Brunei
- Chile
- India
- Indonesia
- Malaysia
- Mexico
- Mongolia
- Peru
- Philippines
- Singapore
- Switzerland
- Thailand
- Vietnam
- ASEAN

In July 2017, Japan and the European Union reached agreement on a broad Free Trade agreement, or Economic Partnership Agreement, taking a step closer to an economic bloc that would account for nearly a third of all global trade. Both sides announced that many of the details remain to be negotiated, but this agreement is expected to remove tariffs on more than 95% of goods traded between Japan and the EU member states.

In addition to the above bilateral agreements, Japan and the Association of Southeast Asian Nations (ASEAN) have also entered into an agreement on a Comprehensive Economic Partnership.

EPAs or [Free Trade Agreements](#) are currently being negotiated with:

- Columbia
- Japan-China-Republic of Korea (South Korea)
- Turkey
- Regional Comprehensive Economic Partnership

Japan has held ongoing negotiations for a Regional Comprehensive Economic Partnership free trade agreement since 2012 with several countries, including:

- Australia
- ASEAN members
- China
- India
- South Korea (Republic of Korea)
- New Zealand

[Japan's Ministry of Foreign Affairs](#) - EPAs and free trade agreements

For information on sector-specific agreements between the United States and Japan visit the Department of Commerce [Enforcement and Compliance website](#).

Japan is a full member of the [World Trade Organization \(WTO\)](#).

## Licensing Requirements for Professional Services

Professionals with only U.S. certifications have limited ability to practice or work in Japan.

## **Legal Services**

To be licensed to practice Japanese law in Japan, professionals must complete an undergraduate law education in Japan or attend a Japanese law school, pass the Japanese bar examination, and complete one-year training at the Legal Training and Research Institute of Japan's Supreme Court. However, qualified international attorneys may become "Foreign Law Business Attorneys" ("Gaikokuho-Jimu-Bengoshi") upon application to and approval by the Minister of Justice and registration with the [Japan Federation of Bar Associations](#) (JFBA). Requirements to receive a Gaikokuho-Jimu-Bengoshi license include the need to have practiced at least two years in the home jurisdiction and limitations to practice the law of that jurisdiction. Receipt of all approvals can last up to six months or longer. As of May 2017, there are 406 registered "Foreign Law Business Attorneys."

## **Accountancy**

The highest grade accounting license in Japan is the Certified Public Accountant. To become a Japanese CPA, one must pass the CPA examination, and have a minimum two years of practical accounting or auditing experience. Experience can be completed before or after the CPA exam. After passing the exam, one must complete a three-year professional accountancy education program provided by the Japan Foundation for Accounting Education and Learning.

According to the [Certified Public Accountants Act](#), a person who has a foreign qualification equivalent to the Certified Public Accountant and has a "reasonable" knowledge of Japanese accounting laws and regulations may act as a CPA in Japan as a registered foreign certified public accountant ("Gaikoku Konin Kaikeshi"). However, this requires numerous applications, including one to the Office of the Prime Minister, as well as passing the standard Japanese CPA exam. There are very few foreign certified public accountants in Japan.

## **Certified Public Tax Accountant**

Japan also has a "Certified Public Tax Accountant" certification. Becoming a Certified Public Tax Accountant requires passing the Certified Public Tax Accountant examination or being already registered as an Attorney at Law or a Certified Public Accountant. To practice, a Certified Public Tax Accountant must also be registered with the [Japan Federation of Certified Public Tax Accountants Association](#).

## **Consulting**

There are no special qualifications required to become a business, management or human resources consultant in Japan. Some consultants are often accredited as Certified Public or Tax Accounts.

## **Web Resources**

[Agricultural policy, commodity, import regulation, and sector-specific market reports](#)  
[Food and Agricultural Import Regulations and Standards \(FAIRS\) Narrative report](#)  
[FAIRS Certification report](#)  
[Japan Customs](#)  
[Customs Counselors System in Japan](#)

[Japan Tariff Association](#)  
[Outline of Tariff and Duty Rates System](#)

**U.S. export control procedures**

Dual-use items: [U.S. Department of Commerce, Bureau of Industry and Security \(BIS\)](#)

Defense-related articles: [U.S. Department of State, Office of Defense Trade Controls](#)

U.S. embargo information: [U.S. Department of the Treasury, Office of Foreign Assets Control](#)

[ATA Carnet](#)

[United States Council for International Business](#)

[Japan Industrial Standards Committee \(JISC\)](#)

[International Accreditation Japan \(IAJapan\)](#)

[Japan Accreditation Board for Conformity Assessment \(JAB\)](#)

[Japan National Gazette \(Kanpō\)](#) (Japanese only)

**Japanese Import Standards and Regulations**

[Japan External Trade Organization \(JETRO\)](#)

## Investment Climate Statement

### Executive Summary

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 Japanese government actively welcomes and solicits foreign investment, and has set ambitious goals for increasing inbound FDI. Despite Japan's wealth, high level of development, and general acceptance of foreign investment, inbound FDI stocks as a share of GDP are the lowest in the OECD.

Japan's legal and regulatory climate is highly supportive of investors in many respects. Courts are independent, sophisticated, and ostensibly provide equal treatment to foreign investors. The country's regulatory system has improved its level of transparency and looks to develop new regulations in line with international norms. Capital markets are deep and broadly available to foreign investors. Japan maintains strong protections for intellectual property rights with generally robust enforcement. The country remains a large, wealthy, and sophisticated market with world class corporations, research facilities and technologies. Nearly all foreign exchange transactions, including transfers of profits, dividends, royalties, repatriation of capital, and repayment of principal, are freely permitted.

On the other hand, foreign investors in the Japanese market continue to face numerous challenges. A traditional aversion towards mergers and acquisitions within corporate Japan has inhibited foreign investment, and weak corporate governance has led to low returns on equity and cash hoarding among Japanese firms, although business practices may be improving in both areas. Investors and business owners must also grapple with inflexible labor laws and a highly regimented labor recruitment system that can significantly increase the cost and difficulty of managing human resources. The Japanese government has recognized many of these challenges and is pursuing initiatives to improve investment conditions.

Levels of corruption in Japan are low, but deep relationships between firms and suppliers may limit competition in certain sectors and inhibit the entry of foreign firms into local markets.

Future changes in Japan's investment climate are largely contingent on the success of structural reforms to the Japanese economy. Recent changes that aim to strengthen corporate governance and increase female labor force participation have the potential to improve Japan's economic condition, but further reforms likely remain necessary to secure a return to robust economic growth.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	20 of 175	<a href="#">Transparency International</a>
World Bank's Doing Business Report "Ease of Doing Business"	2017	34 of 190	<a href="#">Doing Business</a>

<b>Global Innovation Index</b>	2016	16 of 128	<a href="#">Global Innovation Index</a>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2015	\$108,535	<a href="#">BEA</a>
<b>World Bank GNI per capita</b>	2015	\$38,840	<a href="#">World Bank</a>

## Openness To, and Restrictions Upon, Foreign Investment

### Policies Towards Foreign Direct Investment

The Government of Japan explicitly promotes inward FDI and has established formal programs to attract it. Soon after taking office, the government of Prime Minister Shinzo Abe announced its intention to double Japan’s inward FDI stock to JPY 35 trillion (\$314 billion) by 2020 and reiterated that commitment in its revised Japan Revitalization Strategy issued in August 2016. At the end of 2015, Japan’s inward FDI stock was JPY 24.4 trillion (\$202 billion), a small increase over the previous year. The Abe Administration’s interest in attracting FDI is one component of the government’s strategy to reform and revitalize the Japanese economy, which continues to face the long-term challenges of low growth, an aging population, and a shrinking workforce.

In April 2014, the government established a new “FDI Promotion Council” comprised of government ministers and private sector advisors. The Council remains active and continues to release recommendations on improving Japan’s FDI environment. Its most recent [report](#), released May 2016, recommends a set of reforms to ease the entry of foreign firms into Japan, including simplification of relevant regulation, expanded translation of Japanese law into English, and simplification and centralization of business registration procedures.

The Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting foreign firms wishing to invest in Japan. METI and JETRO have together created a “one-stop shop” for foreign investors, providing a single Tokyo location—with language assistance—where those seeking to establish a company in Japan can process the necessary [paperwork](#). Prefectural and city governments also have active programs to attract foreign investors, but they lack many of the financial tools U.S. states and municipalities use to attract investment.

Foreign investors seeking a presence in the Japanese market or to acquire a Japanese firm through corporate takeover may face additional challenges, many of which relate more to prevailing business practices rather than to government regulations. These include an insular and consensual business culture that has traditionally been resistant to unsolicited mergers and acquisitions (M&A), especially when initiated by non-Japanese entities; a lack of independent directors on many company boards (even though this is changing); 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 Japanese Government established an “Investment Advisor Assignment System” in April 2016 in which a State Minister acts as an advisor to select foreign companies with “important” investments in Japan. The system aims to facilitate consultation between the Japanese Government and foreign firms. Of the nine companies selected to date, six are from the United States.

### **Limits on Foreign Control and Right to Private Ownership and Establishment**

Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity. Japan has gradually eliminated most formal restrictions governing FDI. One remaining restriction limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33 percent. Japan's Radio Law and separate Broadcasting Law also limit foreign investment in broadcasters to 20 percent, or 33 percent for broadcasters categorized as “facility-supplying.” Foreign ownership of Japanese companies invested in terrestrial broadcasters will be counted against these limits. These limits do not apply to communication satellite facility owners, program suppliers or cable television operators.

The Foreign Exchange and Foreign Trade Act governs investment in sectors deemed to have national security or economic stability 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 obtain approval from 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.

### **Other Investment Policy Reviews**

The World Trade Organization (WTO) conducted its most recent [review](#) of Japan's trade policies in March 2017.

The OECD released its biennial Japan economic [survey results](#) on April 15, 2015.

### **Business Facilitation**

The Japan External Trade Organization (JETRO) is Japan's investment promotion and facilitation agency. JETRO operates six Invest Japan Business Support Centers (IBSCs) across Japan that provide consultation services on Japanese incorporation types, business registration, human resources, office establishment, and visa/residency issues. Through its website, the organization provides [English-language information](#) on Japanese business registration, visas, taxes, recruiting, labor regulations, and trademark/design systems and procedures in Japan. While registration of corporate names and addresses can be completed through the internet, most business registration procedures must be completed in person. In addition, corporate seals and articles of incorporation of newly established companies must be verified by a notary.

According to the 2017 World Bank “Doing Business” Report, it takes eleven days to establish a local limited liability company in Japan. JETRO reports that establishing a branch office of a foreign company requires one month, while setting up a subsidiary company takes two

months. While requirements vary according to the type of incorporation, a typical business must register with the Legal Affairs Bureau (Ministry of Justice), the Labor Standards Inspection Office (Ministry of Health, Labor, and Welfare), the Japan Pension Service, the district Public Employment Security Office, and the district tax bureau. In April 2015, JETRO opened a one-stop business support center in Tokyo so that foreign companies can complete all necessary legal and administrative procedures in one location; however, this arrangement is not common throughout Japan. JETRO has announced its intent to develop a full online business registration system, but it was not operational as of March 2017.

### **Outward Investment**

The Japan Bank for International Cooperation (JBIC) provides a variety of support to Japanese [foreign direct investment](#). Most support comes in the form of “overseas investment loans,” which can be provided to Japanese companies (investors), overseas Japanese affiliates (including joint ventures) and foreign governments in support of projects with Japanese content, typically infrastructure projects. JBIC often seeks to support outward FDI projects that aim to develop or secure overseas resources that are of strategic importance to Japan, for example, construction of liquefied natural gas (LNG) export terminals to facilitate sales to Japan.

### **Bilateral Investment Agreements and Taxation Treaties**

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.

As of March 2017, Japan had concluded bilateral investment treaties (BITs) with 29 countries: Bangladesh, Cambodia, China, Colombia, Egypt, Hong Kong SAR, Iran, Iraq, Israel, Kazakhstan, South Korea, Kuwait, Laos, Mongolia, Mozambique, Myanmar, Pakistan, Papua New Guinea, Peru, Russia, Saudi Arabia, Sri Lanka, Turkey, Ukraine, Uruguay, Uzbekistan, Vietnam, Oman, and Kenya. In addition, Japan has a trilateral investment agreement with China and South Korea. Japan also has 16 EPAs that include investment chapters (Singapore, ASEAN, Mexico, Malaysia, Philippines, Chile, Thailand, Brunei, Indonesia, Philippines, Switzerland, Vietnam, India, Peru, Australia and Mongolia) and continues to negotiate an EPA with the European Union that includes provisions related to investment. In 2016, Japan’s parliament ratified the Trans-Pacific Partnership, an agreement among 11 countries that includes an investment chapter, but the agreement has yet to enter into force.

The United States and Japan have a double taxation 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 high corporate tax rate that nears 30 percent, serves to encourage foreign and investment funds to keep their trading and investment operations off-shore.

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.

Japan has concluded 55 double taxation treaties that cover 66 countries and jurisdictions. More information is available from the [Ministry of Finance](#).

## **Legal Regime**

### **Transparency of the Regulatory System**

Japan operates a highly centralized regulatory system in which national-level ministries and government organs play a dominant role. Regulators are generally sophisticated and there is little evidence of explicit discrimination against foreign firms. Most draft regulations and impact assessments are released for public comment before implementation and are accessible through a unified [portal](#). Law, regulations, and administrative procedures are generally available online in Japanese along with regular publication in an official gazette. The Japanese government also actively maintains a body of [unofficial English translations](#) of some Japanese laws.

Some members of the foreign business community in Japan continue to express concern that Japanese regulators do not seek sufficient formal input from industry stakeholders, instead relying on informal connections between regulators and domestic firms to arrive at regulatory decisions. This may have the effect of disadvantaging foreign firms which lack the benefit of deep relationships with local regulators. The United States has encouraged the Japanese government to improve public notice and comment procedures, to ensure consistency and transparency in rule-making, and to give fair consideration to comments received. 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.

### **International Regulatory Considerations**

The Japanese Industrial Standards Committee (JISC), administered by the Ministry of Economy, Trade, and Industry (METI), plays a central role in maintaining the Japan Industrial Standard (JIS), the country's main body of standards. JISC aims to align JIS with international standards: in 2016, the organization estimated that 58 percent of Japan's standards were harmonized with their international counterparts. Nonetheless, Japan maintains a large number of Japan-specific standards that can complicate efforts to introduce new products to the country. Japan is a member of the WTO and notifies the WTO Committee on Technical Barriers to Trade (TBT) of proposed regulations.

### **Legal System and Judicial Independence**

Japan is primarily a civil law country based on codified law. The Constitution and the five major legal codes (Civil, Civil Procedure, Commercial, Criminal, and Criminal Procedure) form the legal base of the system. 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.

### **Laws and Regulations on Foreign Direct Investment**

Major laws affecting foreign direct investment (FDI) into Japan include the Foreign Exchange and Foreign Trade Act, the Companies Act, and the Financial Instruments and Exchange Act. The Japanese government actively encourages FDI into Japan and has sought over the past decades to ease legal and administrative burdens on foreign investors, including with major reforms to the Companies Act in 2005 and the Financial Instruments and Exchange Act in 2008. The Japanese government has not promulgated any significant new laws or regulations related to FDI in the past year.

### **Competition and Anti-Trust Laws**

The Japan Free Trade Commission (JFTC) holds sole responsibility for enforcing Japanese competition and anti-trust law, although public prosecutors may file criminal charges related to a JFTC accusation. The JFTC also reviews proposed “business combinations” (i.e. mergers, acquisitions, increased shareholdings, etc.) to ensure that transactions do not “substantially [...] restrain competition in any particular field of trade.” There have been no significant changes to Japanese competition and anti-trust law in the past year.

### **Expropriation and Compensation**

In the post-war period since 1945, the Japanese government has not expropriated any enterprises and the expropriation or nationalization of foreign investments in Japan is highly unlikely.

### **Dispute Settlement**

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

Japan has been a member of the International Centre for the Settlement of Investment Disputes (ICSID Convention) since 1967 and is also a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

#### *Investor-State Dispute Settlement*

There have been no major bilateral investment disputes in the past ten years.

#### *International Commercial Arbitration and Foreign Courts*

The Japan Commercial Arbitration Association (JCAA) is the sole permanent commercial arbitral institution in Japan. Japan’s Arbitration Law is based on the United Nations Commission on International Trade Law “Model Law on International Commercial Arbitration” (UNCITRAL Model Law). Local courts recognize and enforce foreign arbitral awards.

A wide range of Alternate Dispute Resolution (ADR) organizations also exist in Japan. The [Ministry of Justice \(MOJ\)](#) has responsibility for regulating and accrediting ADR groups. A Japanese-language list of accredited organizations is available on the website.

## **Bankruptcy Regulations**

The World Bank 2017 “Doing Business” Report ranked Japan second worldwide for resolving insolvency. 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.

Out-of-court settlements in Japan tend to save time and expense but can lack transparency. In practice, because 100 percent creditor consensus is required for out-of-court settlements and courts 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.

## **Industrial Policies**

### **Investment Incentives**

The [Japan External Trade Organization \(JETRO\)](#) maintains an English-language list of national and local investment incentives available to foreign investors.

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

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.

The National Strategic Special Zones Advisory Council chaired by the Prime Minister has established a total of twelve National Strategic Special Zones (NSSZ) to implement selected deregulation measures intended to attract new investment and boost regional growth. Under the NSSZ framework, designated regions request regulatory exceptions from the central government in support of specific strategic goals defined in each zone’s “master plan,” which focuses on a potential growth area such as labor, education, technology, agriculture, or healthcare. Any exceptions approved by the central government can be implemented by other NSSZs in addition to the requesting zone. Foreign-owned businesses receive equal treatment in the NSSZs; some measures aim specifically to ease customs and immigration restrictions for foreign investors, such as the “Startup Visa” adopted by the Fukuoka NSSZ.

The Japanese government has also sought to encourage investment in the Tohoku (northeast) region which was devastated by the earthquake, tsunami, and nuclear “triple disaster” of March 11, 2011. Areas affected by the disaster have been included in a “Special Zone for Reconstruction” that features eased regulatory burdens, tax incentives, and financial support to encourage heightened participation in the region’s economic recovery.

## **Performance and Data Localization Requirements**

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

Japan has no general restrictions on data storage. However, separate and inconsistent privacy guidelines among Japanese ministries have created a burdensome regulatory environment with regard to the storage and general treatment of personally identifiable information in Japan. In September 2015, the Japanese Diet passed an amendment to the Personal Information Protection Act, seeking to “enhance the use of personal data for business purposes while protecting privacy.” The amendment created new rules for the protection of personal data including the transfer of personal data over the Internet, and established a third party authority similar to the EU’s Privacy Commissioner as regulator. On January 1, 2016, the Personal Information Protection Commission was established. The Commission issued its guidelines for businesses on the protection of personal data on November 30, 2016. The 2015 amendment to the Personal Information Protection Act will be fully enforced starting May 30, 2017.

## **Protection of Property Rights**

### **Real Property**

Secured interests in real property are recognized and enforced. Mortgages are a standard lien on real property and must be recorded to be enforceable. Japan has a reliable recording system. Property can be rented or leased but no sub-lease is legal without the owner’s consent. In the World Bank’s 2017 “Doing Business” Report, Japan ranks 48 out of 189 economies in the category of Ease of Registering Property. This is a result of the 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 documentation for property purchases can be burdensome. Additionally, it is common practice in Japan for property appraisal values to be lower than the actual sale value, increasing the deposit required of the purchaser as the bank will provide financing only up to the appraisal value.

### **Intellectual Property Rights**

Japan maintains a robust legal framework for intellectual property (IP) and provides reasonably strong enforcement to rights holders. The U.S. Chamber of Commerce International IP Index ranked Japan’s intellectual property framework fourth worldwide in its 2017 report, up from seventh in 2016. While IP piracy remains a problem, its prevalence in Japan is similar to other developed markets.

Japan established a dedicated IP High Court in 2005 to speed decisions in intellectual property cases. In 2015, cases before the court required an average of 7.8 months for disposal. IP High Court judges have access to neutral technical advisors to aid in interpreting complex cases, but a constrained discovery system can limit the evidence that can be used at trial. Typical awarded damages are considerably lower than those seen in the United States.

In 2016, Japan's legislature approved a series of reforms to the country's IP framework as part of the legislative package ratifying and implementing the Trans-Pacific Partnership (TPP). Among several changes were an extension of the term of copyright protection for most works to seventy years, the establishment of a system for pre-established damages, an allowance for *ex officio* prosecutions of copyright violators, and provision for the recognition of foreign geographic indications. With the exception of the provision related to geographic indications, these changes will not come into effect unless the TPP enters into force.

Japan's Customs and Tariff Bureau publishes a [yearly report](#) on good seizures, available in English. Japan seized 11.4 billion yen (\$100.5 million) of goods in 2016, mostly due to intellectual property infringement. China is the largest source of seized goods in Japan, accounting for 92% of all seizure cases and 78% of all seized goods by value.

For additional information about national laws and points of contact at local IP offices, please see [WIPO's country profiles](#).

## **Financial Sector**

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

Japan maintains no formal restrictions on inward portfolio investment. Foreign capital plays an important role in Japan's financial markets, with foreign investors comprising the majority of the investment in the country's stock market. Historically, many company managers and directors have resisted 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, although there are signs of change. 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. All holdings of TSE-listed stocks are required to transfer paper stock certificates into electronic form.

The Japan Exchange Group (JPX) operates Japan's two largest stock exchanges – in Tokyo and Osaka – with cash equity trading consolidated on the TSE since July 2013 and derivatives trading consolidated on the Osaka Exchange since March 2014.

In January 2014, the TSE and Nikkei launched the JPX Nikkei 400 Index. The index puts a premium on company performance, particularly return on equity. Companies included should have returns on equity exceeding 11 percent in the past two years, and also should have two or more external board members. Inclusion in the index has become an unofficial “seal of approval” in corporate Japan, and many companies have taken steps, including undertaking share buybacks, to improve their ROE. The Bank of Japan has indicated it will purchase JPX-Nikkei 400 ETFs as part of its monetary operations, and Japan's massive Government Pension Investment Fund (GPIF), also has indicated it will invest in JPX-Nikkei 400 ETFs, putting an additional premium on membership in the index.

Japan does not restrict financial flows, and accepts obligations under IMF Article VIII.

Credit is available via multiple instruments, both public and private, although access by foreigners often depends upon visa status and the type of investment.

### **Money and Banking System**

Banking services are easily accessible throughout Japan; it is home to three of the world's largest private commercial banks as well as an extensive network of regional and local banks. Most major international commercial banks are also present in Japan, and other quasi-governmental and non-governmental entities, such as the postal service and cooperative industry associations, also offer banking services (e.g., the Japan Agriculture Union offers services through its bank (Norinchukin Bank) to members of the organization). Japan's financial sector is generally acknowledged to be sound and resilient, with good capitalization and with a declining ratio of non-performing loans. While still healthy, most banks have experienced pressure on interest margins and profitability as a result of an extended period of low interest rates capped by the Bank of Japan's introduction of a negative interest rate policy in 2016.

The country's three largest private commercial banks, often collectively referred to as the "megabanks," are Mitsubishi UFJ Financial, Mizuho Financial, and Sumitomo Mitsui Financial. Collectively, they hold assets approaching \$7 trillion. Japan's second largest bank by assets – with more than \$2 trillion – is Japan Post Bank, a financial subsidiary of the Japan Post Group that is still majority state-owned. Japan Post Bank offers services via 234 branches as well as Japan Post's network of more than 240,000 post offices nationwide.

A large number of foreign banks operate in Japan offering both banking and other financial services. Like their domestic counterparts, foreign banks are regulated by the Japan Financial Services Agency. According to the IMF, there have been no observations of reduced or lost correspondent banking relationships in Japan.

Foreigners wishing to establish bank accounts must show passport, visa, and foreigner residence card; temporary visitors may not open bank accounts in Japan. Other requirements (e.g., evidence of utility registration and payment, Japanese-style signature seal, etc.) may vary according to institution. Language may be a barrier to obtaining services at some institutions; foreigners who do not speak Japanese should research in advance which banks are more likely to offer bilingual services.

### **Foreign Exchange and Remittances**

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 a floating exchange rate that fluctuates based on market principles. Japan has not intervened in the foreign exchange markets since November 2011, and has joined statements

of the G-7 and G-20 affirming that countries would not target exchange rates for competitive purposes.

### **Sovereign Wealth Funds**

Japan does not operate a sovereign wealth fund.

### **State-Owned Enterprises**

Japan has privatized most former state-owned enterprises (SOEs). Privatization of Japan Post Holdings Co. and its financial subsidiaries, Japan Post Insurance and Japan Post Bank, began in November 2015 with an IPO that sold 11 percent of available shares in each of the three entities. The final Japan Post entity, the postal service subsidiary Japan Post Co., will remain a wholly owned subsidiary of JP Holdings. Follow-on sales of shares in the three companies will take place over time, as the Postal Privatization Law requires the government to sell a majority share (up to two-thirds of all shares) in JPH, and all shares of JPB and JPI, as soon as possible. Media has reported the possibility of an additional offering of Japan Post Holdings Co. stock, perhaps during 2017, and selection of underwriters for the offering was underway as of March 2017.

These offerings mark the final stage of Japan Post privatization begun under former Prime Minister Junichiro Koizumi almost a decade ago, and respond to long-standing criticism from commercial banks and insurers—both foreign and Japanese—that their government-owned Japan Post rivals have an unfair advantage.

While there has been significant progress since 2013 with regard to private suppliers' access to the postal insurance network, the U.S. government has continued to raise concerns about the preferential treatment given to Japan Post and some quasi-governmental entities 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 the insurance sector, and efforts to address these concerns, is available in the United States Trade Representative's National Trade Estimate (NTE) report for Japan.

### **Responsible Business Conduct**

Japanese corporate governance has traditionally suffered from insufficiently independent corporate directors and cross-shareholding agreements not necessarily aligned with the interests of shareholders. The Abe government has made improving Japanese corporate governance a prominent component of its economic reform agenda. The number of Japanese firms with at least one independent director has increased dramatically, thanks in part to non-binding recommendations introduced by 2014 reforms to Japan's Companies Act and the creation of a corporate "Code of Conduct" by the Financial Services Agency (FSA) and Tokyo Stock Exchange (TSE). Japan's corporate governance code also calls for firms to explain cross-shareholdings and to increase transparency in corporate capital plans.

The Abe Administration hopes the Code will help reinvigorate Japan's corporate sector by encouraging a stronger focus by corporate management on earnings and shareholder value. Together with the "Stewardship Code" for institutional investors launched by the FSA in April 2014, the Code encourages companies to put cash stockpiles to better use by increasing investment, raising dividends, and taking on more risk to boost Japan's growth.

Awareness of corporate social responsibility among both producers and consumers in Japan is high, and foreign and local enterprises generally follow accepted CSR principles. Business organizations also actively promote CSR. Japan encourages adherence to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas.

## **Corruption**

Japan's penal code covers crimes of official corruption, and an individual convicted under these statutes is, depending on the nature of the crime, subject to prison sentences and possible fines. 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 criticized for fostering an inwardly "cooperative"—or insular— 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. However, instances of bid rigging appear to have decreased significantly over the past decade.

Japan's Act on Elimination and Prevention of Involvement in Bid-Rigging authorizes the Japan Fair Trade Commission (JFTC) to demand that 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. 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.

### **UN Anticorruption Convention, OECD Convention on Combatting Bribery**

Japan has ratified the OECD Anti-Bribery Convention, which bans bribing foreign government 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.

#### *Resources to Report Corruption*

Businesses or individuals may contact the [Japan Fair Trade Commission \(JFTC\)](#).

## **Political and Security Environment**

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

## **Labor Policies and Practices**

Japan currently faces one of the tightest labor markets in 20 years, in part due to demographic decline, with a shortage of workers in sectors such as construction, medical services, and caregiving. Unemployment of 3.1 percent is at a twenty year 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, effectively guaranteeing them lifetime employment. Non-regular employees are hired for a fixed period. Companies have increasingly relied on non-regular workers to fill short-term labor requirements and to reduce labor costs.

The number of foreign workers is rising, but at roughly 1 million, still represents a tiny fraction of Japan's 66 million-worker labor force. The Japanese government has made additional changes to labor and immigration law to facilitate the entry of larger numbers of skilled foreign workers in selected sectors. For example, the Immigration Control and Refugee Recognition Law was revised in 2014 to improve the "Points System" for highly skilled foreign professionals, easing the requirements for residency. Special economic zones may permit foreign workers in certain categories, such as domestic employees.

The Japanese government has also taken steps to expand the Technical Intern Training Program (TITP). Originally intended as a skills-transfer program for workers from developing countries, TITP is currently used to address immediate labor shortages in specific sectors, such as construction and agriculture. In 2014, the Japanese government expanded TITP in the construction sector through FY2020, the year of the Tokyo summer Olympics, extending the period of stay for construction workers under TITP from three years to five, and permitting re-entry of former interns and trainees for another two to three years. In November 2016, the Diet passed legislation that extended the period of stay under TITP to five years for more categories of workers, and to strengthen supervision of the program and companies to deter human rights abuses.

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 and women in the labor force. A 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. Since 2013, the government has committed to increasing women's economic participation. The Women's Empowerment Law passed in 2015 requires large companies to disclose statistics about the hiring and promotion of women, and to adopt action plans to improve the numbers.

In April 2015, the so-called “White Collar Exemption” Bill (Bill to Revise the Labor Standards Law) was submitted to the Diet to implement a merit-based wage system for certain highly-skilled professionals and to exempt firms from paying such workers overtime or premium overtime pay for late night, weekend, or holiday work. Deliberation on the bill was delayed again in 2016 and it has been carried over for consideration by the Diet in the 2017 session.

Although independent labor unions play a role in the annual determination of wage scales throughout the economy, that role has been declining along with union membership. Union members today make up only 18 percent of the labor force, down from 25 percent in the 1990s.

Japan has ratified 48 ILO Conventions (including six of the eight core Conventions). As part of the Trans-Pacific Partnership, Japan agreed to adopt the fundamental labor rights as recognized by the International Labor Organization (ILO), including elimination of forced labor and the abolition of child labor.

### OPIC and Other Investment Insurance Programs

Overseas Private Investment Corporation (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.

### Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	\$4,383,600	2015	\$4,383,000	World Bank
Foreign Direct Investment	Host Country Statistical Source**		USG or International Statistical Source		USG or International Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2015	\$56,933	2015	\$108,535	BEA
Host country's FDI in the United States (\$M USD, stock positions)	2015	\$418,794	2015	\$411,201	BEA

<b>Total inbound stock of FDI as % of host GDP</b>	2015	4.9%	2015	4.1%	OECD
--	------	------	------	------	------

\*2015 Nominal GDP data from “Annual Report on National Accounts for 2015”, Economic and Social Research Institute, Cabinet Office, Government of Japan. December 22, 2016. (Note: uses exchange rate of 121.0 Yen to 1 U.S. Dollar)

\*\* 2015 FDI data from “Japan's Total Inward FDI by Country/Region (International Investment position),” Japan External Trade Organization (JETRO).

Table 3: Sources and Destination of FDI

The discrepancy between Japan’s accounting of U.S. FDI into Japan and U.S. accounting of that FDI can be attributed to methodological differences, specifically with regard to indirect investors, profits generated from reinvested earnings, and differing standards for which companies must report FDI.

<b>Direct Investment from/in Counterpart Economy Data (IMF CDIS, 2015)</b>					
<b>From Top Five Sources/To Top Five Destinations (US Dollars, Millions)</b>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	170,698	100%	Total Outward	1,226,554	100%
United States	51,573	30.2%	United States	413,194	33.7%
France	24,865	14.6%	China	107,614	8.8%
Netherlands	24,719	14.5%	Netherlands	98,252	8.0%
Singapore	13,593	8.6%	United Kingdom	86,351	7.0%
United Kingdom	13,173	7.7%	Australia	67,249	5.5%

"0" reflects amounts rounded to +/- USD 500,000.

Table 4: Sources of Portfolio Investment

<b>Portfolio Investment Liabilities (IMF CPIS, June 2016)</b>								
<b>Top Five Partners (Millions, US Dollars)</b>								
<b>Total</b>			<b>Equity Securities</b>			<b>Total Debt Securities</b>		
All Countries	2,723,422	100%	All Countries	1,396,011	100%	All Countries	1,327,411	100%
United States	907,727	33.3%	United States	686,308	49.2%	United States	221,419	16.7%
United Kingdom	321,345	11.8%	United Kingdom	202,198	14.5%	Luxembourg	213,003	16.0%
Luxembourg	280,582	10.3%	Belgium	69,127	5.0%	United Kingdom	119,146	9.0%
Belgium	134,750	4.9%	Luxembourg	67,127	4.8%	China	93,635	7.1%
France	133,985	4.9%	Canada	46,850	3.4%	France	89,351	6.7%

## Contact for More Information

Economic Section

U.S. Embassy Tokyo

1-10-5 Akasaka, Minato-ku, Tokyo 107-8420

Japan

+81 03-3224-5000

## **Trade & Project Financing**

### **Methods of Payment**

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.

[Credit rating agencies in Japan](#)

### **Banking Systems**

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.

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.

### **Foreign Exchange Controls**

Foreign exchange regulations have little impact on normal business transactions in Japan.

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

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

##### [Mizuho Corporate Bank](#)

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

Tel: +81/3/3214-1111

[Sumitomo Mitsui Banking Corporation](#)

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

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

[Aozora Bank](#)

3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo 102-8660

Tel: +81-3-3263-1111

[Resona Bank](#)

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

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

[Shinsei Bank Nihonbashi Muromachi Nomura Building](#)

4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303

Tel: +81/3-6880-7000

[Citibank Citigroup Center](#)

3-14 Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo 140-8639

Tel: +81-45-330-2871

## **Project Financing**

While some large U.S. companies in Japan enjoy strong relationships with the larger Japanese "city banks," most medium and small-sized U.S. firms 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 be more influenced by its personal relationships and rapport with bank officials than would be the case in the U.S. where credit-worthiness is the key factor in making lending decisions. 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 rather 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% 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% or more over the previous year. Direct 70% 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% foreign capital or registered branches in Japan of non-Japanese companies for 40 to 50% of project costs for the expansion of business operations in Japan. Although the DBJ is currently 100% owned by the GOJ, it plans to reduce its ownership stake by 50% over the next 10 years.

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 deferments for replacement of specific assets, exemption from special land-owning taxes assessed by municipalities and prefectural and municipal real estate acquisition, enterprise and municipal property tax reductions. In addition, most prefectures offer loan programs to encourage companies to establish local operations.

Under Prime Ministers Abe's so-called "third arrow" which contains his growth strategy, the GOJ is seeking to support greater financing for innovation, including start-ups and small and medium enterprises. For example, there is now a ¥ 10 million tax incentive for start-ups that are less than three years old. In 2015, Japan also amended the Financial Instruments and Exchange Law to permit crowd funding which will permit smaller firms to raise capital more easily, including through the internet.

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**

On May 21, 2015, the GOJ announced its "Partnership for Quality Infrastructure: Investment in Asia's Future". This \$110 billion facility combines resources from a variety of sources, including Japan's ODA facilities and cooperative lending with the Asian Development Bank (ADB). This lending anticipates acting with partners, including public-private partnerships, and targets "quality" infrastructure projects in such areas as railways, and other national infrastructure projects in emerging regions of Asia outside of Japan.

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.

### **Financing Web Resources**

[Trade Finance Guide: A Quick Reference for U.S. Exporters](#)

[Export-Import Bank of the United States](#)

[Country Limitation Schedule](#)

[OPIC](#)

[Trade and Development Agency](#)

[SBA's Office of International Trade](#)

[U.S.D.A. Commodity Credit Corporation](#)

[U.S. Agency for International Development](#)

[The Multilateral Investment Guarantee Agency \(MIGA\)](#)

[Japan External Trade Organization \(JETRO\)](#)

[Japan Finance Corporation](#)

[Japan Financial Services Agency](#)

[Japan Bank for International Cooperation \(JBIC\)](#)

[Development Bank of Japan \(DBJ\)](#)

[Ministry of Economy, Trade and Industry \(METI\)](#)

[Nippon Export and Investment Insurance \(NEXI\)](#)

[Regional Economy Vitalization Corporation of Japan \(REVIC\)](#) (Japanese only)

## **Business Travel**

### **Business Customs**

An understanding of Japanese business and social practices goes a long way 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, 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 close deals 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](#).

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**

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. Complaints of robberies committed after a victim has been drugged from a spiked drink are increasing. Some of Tokyo's entertainment and nightlife districts -- in particular, the Roppongi and Kabuki-cho areas -- are considered high-risk areas for crime, and the Embassy receives reports of drink spiking, credit card fraud, extortion, and even assault in these districts.

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, even in major urban areas, and facilities are generally unavailable in rural areas.

To access the most up-to-date travel and safety information, please refer to the State Department's [Country-Specific Information for Japan](#).

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**

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

A visa is not required for short-term business visits (up to 90 days). However, please note that Japan requires an onward/return ticket for "visa free" stays of up to 90 days. A work or investor visa may take up to two months to obtain. Immunization and health certificates are not required. Foreigners who will be mid to long-term residents must arrive in Japan with an appropriate visa, and upon arrival at the major airports in Japan, immigration authorities will issue a Resident Card. Residents are required to register their address at the nearest municipal office.

Upon arrival, going through both immigration and customs checks are essentially a formality for U.S. business travelers as long as passport and air tickets 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 U.S. Government 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](#)  
[Consular Section of the U.S. Embassy Tokyo](#)

## **Currency**

The currency in Japan is the Japanese Yen.

## **Transportation**

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

## **Language**

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 Japanese can visit "[Japanese for the Western Brain](#)".

## **Health**

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.

### [State Department's Country Health Information – Japan](#)

Visitors to Japan should carry their prescription or non-prescription medication in their original containers along with a copy of their prescription. Some medications that are commonly used in the United States are illegal in Japan. Adderall, for example, is strictly prohibited because it contains amphetamines, and its possession or importation is a crime. Another example of an amphetamine drug that is illegal in Japan is Vyvance, commonly prescribed for attention deficit disorder by U.S. physicians. It is also illegal to bring into Japan some over-the-counter medicines commonly used in the United States, including inhalers and some allergy and sinus medications. Specifically, products that contain stimulants (medicines that contain pseudoephedrine, such as Actifed, Sudafed, and Vicks inhalers) or codeine are prohibited. Also, shipping narcotic analgesic medications into Japan is limited to institutions designated by the Japanese government. Individuals cannot legally have narcotics mailed or shipped into Japan.

For more information on bringing medication (prescription or over-the-counter) into Japan, please refer to [US Embassy & Consulates in Japan](#).

### **Local Time, Business Hours and Holidays**

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 2017, Japan will observe the following official national holidays:

New Year's Day	January 1 (observed Monday, January 2)
Adult's Day	January 9 (Monday)
National Foundation Day	February 11 (Saturday)
Vernal Equinox Day	March 20 (Monday)
Showa Day	April 29 (Saturday)
Constitution Memorial Day	May 3 (Wednesday)

Greenery Day	May 4 (Thursday)
Children's Day	May 5 (Friday)
Marine Day	July 17 (Monday)
Mountain Day	August 11 (Friday)
Respect for the Aged Day	September 18 (Monday)
Autumnal Equinox Day	September 22 (Monday)
Health & Sports Day	October 9 (Monday)
National Culture Day	November 3 (Friday)
Labor Thanksgiving Day	November 23 (Thursday)
The Emperor's Birthday	December 23 (Saturday)

## Temporary Entry of Materials or Personal Belongings

No restriction exists for temporary entry of laptop computers and software for personal use. Some pharmaceutical items, including medications widely available in the U.S., are illegal in Japan, and U.S. citizens have been detained for importing them. Information on importing such items is available in the [American Citizen Services](#).

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](#). 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.

## Travel Related Web Resources

[Doing business in Japan](#)

U.S. Commercial Service Japan

Consular information & official travel advisories for Japan:

[Passports - U.S. Department of State](#)

Visas - [U.S. Department of State](#)

[U.S. Embassy Tokyo Visa](#)

[U.S. Embassy Tokyo American Citizen Services](#)

Japanese customs, etiquette, and culture

[Japan Guide](#)

[The Japan FAQ](#)

Business infrastructure

[Japan National Tourist Organization \(JNTO\)](#)

Health

[U.S. Department of State; Japan – Country Information](#)

[Temporary entry of materials under the carnet system](#)