

U.S. Country Commercial Guides



Japan
Year 2020

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Doing Business in Japan

Market Overview

Japan is one of the most important trade and investment partners for the United States. In 2019, bilateral U.S.-Japan trade in goods and services surpassed \$305 billion, as both exports and imports increased versus 2018. U.S. goods exports to Japan reached \$74.4 billion, while services exports were \$50.6 billion, for a total of \$125 billion, up two percent from 2018. Top U.S. exports to Japan include civilian aircraft and related parts, industrial machines, natural gas, pharmaceuticals, medical devices, and travel and tourism. Imports of goods from Japan topped \$143.5 billion, as services imports were about \$37 billion, for a total of \$180.5 billion, up one percent from last year. Top Japanese imports are autos, auto parts, and electronics. Japan is the fourth-largest export market and trading partner for the United States, which has a trade deficit with Japan of \$69.7 billion in goods (principally autos and related parts) and a trade surplus of \$14.2 billion in services. (Note resources from [USTR](#) and the [U.S. Census Bureau](#).)

As of 2019, Japan is the largest source of foreign direct investment (FDI) into the United States, pushing out the United Kingdom and Canada, with total stock of FDI at \$619.3 billion, up 25.4 percent versus 2018. Japan's FDI position in the U.S. on a historical cost basis has grown every year for the past ten years, from \$238 billion in 2009. Direct investment in the United States by Japanese companies is predominantly in manufacturing, particularly transportation equipment (e.g., autos). These investments support U.S. jobs (close to one million) and contribute to U.S. economic output and exports. (Please refer to the [SelectUSA FDI Fact Sheet on Japan](#).)

There are several reasons for American firms to participate in the Japanese market. In addition to its 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 with a market that 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. Per capita income of \$40,247 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 billion in 2019. Japan is the world's largest importer of liquefied natural gas (LNG) and the third-largest coal importer.
- Japan's rapidly aging population, which has begun to decrease overall, 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 (see below).
- Japan's strategic alliance and deep economic integration with the United States presents opportunities in advanced sectors such as 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.

Demographics

Japan's population is declining as it ages rapidly. The population may decrease by as much as one third by 2060, from 127 million to 87 million. The proportion of the population older than 65 will rise from 27% today to 40% by

2060. The Japanese Government and business community seek to offset its effects on economic growth and government budget resources. The aging population shapes demand and 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
- Financial services

U.S.-Japan Trade Agreement, U.S.-Japan Digital Trade Agreement

In October 2019, the United States and Japan signed the U.S.-Japan Trade Agreement and the U.S.-Japan Digital Trade Agreement, which entered into force on January 1, 2020. The U.S.-Japan Trade agreement eliminates or reduces tariffs on approximately \$7.2 billion in U.S. agricultural exports and the U.S.-Japan Digital Trade Agreement includes high-standard provisions that ensure data can be transferred across borders without restrictions, guarantee consumer privacy protections, promote adherence to common principles for addressing cyber security challenges, support effective use of encryption technologies, and boost digital trade.

See the U.S.-Japan Trade Agreement text [here](#). See the U.S.-Japan Digital Trade Agreement text [here](#). Fact Sheets are available [here](#).

Trade statistics and economic indicators

Several organizations, both government and non-government related, keep up-to-date data on Japan's economy and trade. A few of these are listed below:

- [OECD Country Profile](#)
- [JETRO Trade and Investment Statistics](#)
- [Ministry of Foreign Affairs](#)
- [e-Stat, portal for Japanese Government Statistics](#)

Market Challenges

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. Commercial Service in Japan](#) regularly advises U.S. companies, especially Small and Medium-sized Enterprises (SMEs), on how to overcome these barriers.

For a summary of Japan-specific trade barriers, please refer to the most recent USTR National Trade Estimate Report on Foreign Trade Barriers, available [here](#). See pages 281-299.

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

Market Opportunities

Among the factors driving market opportunities for U.S. firms are:

- Japan's rapidly aging population and shrinking labor force, which creates demand for everything from pharmaceuticals and medical technologies, to robotics and advanced manufacturing solutions, to travel and financial services;
- Japan's continued dependency on the import of natural resources, which puts a focus on energy supplies and renewable energy solutions, as well as food and other commodities;
- a strong, enduring U.S.-Japan strategic alliance and deep economic integration with the United States, which presents opportunities in advanced sectors such as aerospace, defense, safety and security, and cybersecurity;
- Japan's large, broad-based, and sophisticated consumer economy, in which consumers with considerable purchasing power seek high-quality, trend setting, innovative goods and services.

For more detailed information, please refer to our "Leading Sectors for U.S. Export and Investment."

Market Entry Strategy

U.S. exporters will need to establish and maintain a strong business relationship with local partners to succeed in Japan. Companies hoping to enter the Japanese market should visit the country frequently to cultivate contacts and to better anticipate business conditions. While Japan has implemented strict entry restrictions due to the ongoing Covid-19 pandemic (see Business Travel), new "travel bubble" arrangements are being developed with several countries in the region, which may make a visit from those countries feasible.

Most U.S. exporters entering Japan begin by finding a local partner to serve as an agent, distributor, and/or representative. Agents and distributors are the most common partnerships used by foreign firms to gain their initial foothold in Japan. U.S. firms may also consider establishing a branch sales office.

The U.S. Commercial Service in Japan is ready to help U.S. companies make connections by identifying and introducing potential buyers, distributors, and importers. Contact us [here](#).

For support relating to U.S. agricultural commodities and processed foods, please consult the [Japan: Exporter Guide](#).
Also additional details, please refer to the CCG's "Selling U.S. Products and Services".

Leading Sectors for U.S. Exports and Investment

Agricultural Sector

Overview

In 2019, Japan was the fourth largest single-country export market for U.S. agricultural products, valued at nearly \$11.7 billion. The United States is the largest supplier of food and agricultural products to Japan with a 24 percent share of total imports, followed by the European Union, China, Australia, and Thailand. Japan is the largest export market for U.S. beef and pork valued at \$3.5 billion and the second largest market for U.S. corn valued at \$2 billion. The largest export growth in 2019 was seen in hay and rice, up \$64 million and \$43 million, respectively. Additionally, exports of soybeans, wine and beer, and live animals increased \$37 million, \$20 million, and \$15 million, respectively.

Following implementation of the U.S.-Japan Trade Agreement (USJTA) on January 1, 2020, nearly 90 percent of U.S. food and agricultural products are now duty free or receive preferential tariff access. Importantly, the agreement provided tariff parity for most products with the European Union and member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Further information on the agreement is available at www.usdajapan.org/usjta.

Beginning in February 2020, the COVID-19 pandemic resulted in a dramatic fall in restaurant and hotel food service sales as schools closed, tourism halted, and public outings were greatly reduced. Conversely, there was a significant boost to retail sales at supermarkets, with year-over-year monthly totals up 20 to 30 percent for most major chains.

For additional information, please visit the website of USDA's [Foreign Agricultural Service \(FAS\)](http://www.fas.usda.gov) at www.fas.usda.gov or FAS's [Tokyo Office of Agricultural Affairs](http://www.usdajapan.org) at www.usdajapan.org.

Opportunities

Opportunities exist for a range of agricultural products, in particular, processed and consumer-ready foods. Japan is the largest market in Asia for U.S. consumer-ready products. In order for U.S. companies to tap into this dynamic market, they should be aware of several key trends affecting food purchases. These include a heavy dependence on imported food items; a diversification of eating habits; declining family size and increased labor force participation by women- both supporting increased demand for convenient/ready-to-eat meal options; a rapidly aging population; high expectations for product quality; and widespread preoccupation with food safety.

Potential exporters interested in learning more about the Japanese market may wish to consider attending or exhibiting at one of the large annual trade shows in Japan: the Supermarket Trade Show and FOODEX Japan. For more information on the market, see the FAS Japan Exporter Guide (<https://www.fas.usda.gov/data/japan-exporter-guide-3>) or contact the Agricultural Trade Office in Tokyo at ATOTokyo@usda.gov.

Leading Sub-Sectors

According to Japan's National Institute of Population and Social Security Research, by 2025, 30 percent of the population will be 65 years of age or older. Coupled with the fact that Japanese life expectancy is the highest in the world, this creates a strong demand for "healthy foods." Foods that offer specific health benefits, such as reducing cholesterol, or containing high levels of antioxidants are well received in the Japanese marketplace. Concepts such as "functional food" are well understood by consumers and products certified by the Ministry of Health, Labor and Welfare as FOSHU (Food for Specific Health Use) are commonly consumed. Local supermarkets frequently carry an assortment of functional foods that include energy drinks, nutritional dense snack bars, and pre-prepared snacks with dried fruit and nuts.

With the aging of the population, decline in family size, increased participation of women in the labor force, and declining marriage rate, Japanese people are increasingly less likely to eat meals prepared at home. As a result, sales of ready-to-eat meals - already common in Japan, and critical to the profitability of both traditional retail and the booming convenience store segments - continue their strong growth. These sales are complemented by the growth in

institutional catering serving schools, hospitals, and the elderly with pre-prepared meals which are generally served in a traditional bento box combining a main dish (meat, fish, tofu, etc.) with rice and vegetables.

Since the 1960s, the Japanese diet has become more diverse. Both traditionally western dietary items (e.g. bread, dairy) and meat have become increasingly prominent in the Japanese diet while traditional items such as fish, tofu, and rice are gradually declining. Recent years have seen an enormous expansion in inbound tourism to Japan which has also contributed to an increasingly diverse culinary scene. In major urban areas, a broad panorama of international foods is available not only in restaurants, but increasingly in supermarkets and convenience stores as well.

Food Trade Shows

In addition to the FAS Office of Agricultural Affairs in Tokyo, USDA's Foreign Agricultural Service also maintains two Agricultural Trade Offices (ATOs) in Japan: one in Osaka and the other in Tokyo. These offices provide market familiarization services to potential U.S. exporters including background information on their market sectors, suggestions on potential Japanese partners and support in attending Japan-based trade shows. The food and agribusiness sector in Japan is very competitive and participation in trade shows is generally regarded as a good avenue for companies to learn about and gain exposure to the Japan marketplace. Every year, the ATOs host USA Pavilions at the Supermarket Trade Show (in February) and FOODEX Japan (in March)—two of the largest annual food-related trade shows in Asia, both in Tokyo. In addition, a number of smaller, and more focused, shows target sectors such as the wine, organics, seafood and bakery industries. Due to the COVID-19 pandemic, the FOODEX Japan 2020 and many subsequent shows were cancelled. For more information, feel free to contact the Agricultural Trade Office in Tokyo at ATOTokyo@usda.gov.

Web Resources

FAS Japan Exporter Guide

[USDA's Foreign Agricultural Service/Japan](#)

[The Supermarket Trade Show](#) - Held annually in February at Makuhari Messe Convention Center on the outskirts of Tokyo.

[FOODEX Japan](#) - Held annually in March at Makuhari Messe Convention Center on the outskirts of Tokyo.

Aircraft and related parts

Overview

Unit: USD millions

	2017	2018	2019	2020 (estimated)*
Total Local Production	15,281	16,105	16,602	16,602
Total Exports	10,241	11,005	10,934	10,934
Total Imports	12,284	15,571	15,924	15,924
Imports from the US	8,216	10,217	9,475	9,475
Total Market Size	17,324	20,670	21,592	21,592
Exchange Rates: 1 USD	112.10	110.40	109.02	109.02

total market size = (total local production + imports) - exports)

Data Sources:

Total Local Production: Ministry of Economy, Trade and Industry

Total Exports: Ministry of Finance

Total Imports: Ministry of Finance

Imports from the US: Ministry of Finance

Despite a dramatic decrease in air travel demand due to the Covid-19 pandemic, as countries around the world implement tight entry restrictions, Japan continues to offer a lucrative market over the long term for imported aircraft, aircraft parts, engines, and other related technologies. *The Society of Japanese Aerospace Companies (SJAC) projects that overall sales in the industry will remain essentially flat versus last year, with an expected drop in the civil aerospace market offset by growth in the defense aerospace and space markets.

U.S. firms have an overwhelming presence in this segment, due to long-standing relationships with domestic manufacturers and trading firms, some spanning over 60 years. Several trends are driving opportunities for U.S. firms. For example, Japanese industry players are increasingly active in international projects, developing transport and patrol aircraft for defense, and manufacturing small jets and jet engines for civil aviation. Geopolitical considerations, including ongoing regional disputes with China, Russia, and North Korea, are also driving demand for enhanced defense capabilities.

Civil aircraft

Japan's commercial aerospace business is dominated by big companies that supply the major airplane makers, chiefly Boeing. For example, Japanese manufacturers such as Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Subaru (former Fuji Heavy Industries), supply about 35 percent of the content for the Boeing 787 and 21 percent of Boeing 777. The other player is MHI's subsidiary, Mitsubishi Aircraft Corporation (MITAC), which has been developing a twin-engine commuter aircraft since 2008. Originally promised for 2013, and now

named Space Jet, delivery of the 88-seat aircraft has been postponed to 2021 or later. MITAC is conducting flight tests, focusing on improving aircraft design and validating testing flight data, as it seeks to obtain a safety certification from the Japan Civil Aviation Bureau.

Leading Sub-Sectors

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

Events

Engine Forum Kobe

Dates: October 20 & 21, 2020

Venue: Kobe Convention Center, Hyogo

Website: <https://www.kobe.bciaerospace.com/en/>

Description: Supply chain event dedicated to aero-engines, gas turbines and other propulsion and power generation equipment.

MAST Asia (Maritime/Air Systems and Technologies)

Dates: August 31, September 3, 2021

Venue: Tokyo

Website: <https://mastconfex.com/>

Description: Particularly focused on Undersea, Surface, Air, Space, and Cyber Platforms, Systems, and Technologies, MAST provides networking opportunities between Government, Research and Technology, and Defense Industry.

DSEI Japan (Defense and Security Equipment International – Japan)

Dates: May 19-21, 2021

Venue: Makuhari Messe, Chiba

Website: <https://www.dsei-japan.com/>

Description: DSEI-Japan brings the global defense and security sector together with both the Japanese and wider Asian defense community to innovate, partner and share knowledge

Web Resources

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

Website: <http://www.mlit.go.jp/en/koku/index.html>

Society of Japanese Aerospace Companies (SJAC)

Website: http://www.sjac.or.jp/en_index.html

Japan Business Aviation Association (JBAA)

Website: <https://www.jbaa.org/en/>

Cloud Computing

Table : Domestic Public Cloud Market

	2017	2018	2019	2020 estimated
Total Market Size (\$ million)	4,475	6,058	8,098	9,363
Market Growth Rate (Based on Japanese Yen)	29.8%	27.2%	22.9%	-
Exchange Rates	112.1	110.4	108.4	106.8

Source: IDC domestic public cloud service market research 2017, 2018, 2019 and 2020

Overview

Japan is a leading cloud computing market in Asia. The Software Alliance/BSA ranked Japan as the number two market in its most recent Global Cloud Computing Scoreboard, a global report to rank countries' preparedness for the adoption and growth of cloud computing services. Japan's comprehensive suite of modern laws, as well as privacy legislation, contributed to its high ranking, as these factors support and facilitate the digital economy and cloud computing. Further, Japan has one of the most extensive broadband fiber deployments with the largest number of fiber users in the world. This factor also contributed positively to Japan's overall ranking position.

International Data Corporation Japan (IDC) predicts the size of the total public cloud services market is \$8.7 billion – an increase of 22.9% over the previous year. In addition, as a whole, the public cloud market including IaaS/PaaS/SaaS in Japan is predicted to reach to \$10 billion in 2020.

Analysts project that from 2019 to 2024, the public cloud services market in Japan will grow nearly 18.7% annually. The market size is expected to grow to be approximately \$26.4 billion in 2024, which is 2.4 times of the market size in 2019. 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.

With regards to the market share of IaaS in 2019, MM Research Institute announced that Amazon Web Services' market share was 51.9%, Microsoft Azure acquired 30.8% and Google Cloud's had 13.9% in Japan. In total, US cloud firms successfully occupied approximately 96% market share in Japan.

Sub-sectors

Among the public cloud market, SaaS (Software as a Service) constitutes approximately 40% in 2018 per Fuji Chimera Research Institute's report published in 2019. Also FCRI predicts that SaaS market is growing and account for about half of the public cloud market in 2023.

IDC reported that Vertical SaaS Market, industry-specific SaaS for education, health, retail, construction, real estate and other business categories, is expected to grow in the future, and also Horizontal SaaS Market, cross-sectional SaaS as Marketing, Business Collaboration, HR or Corporate Planning, is estimated a stable market growth.

Boxil, business media for cloud business, published a SaaS market report in 2019 and reported the following points. There are about 700 SaaS players including Japanese and international companies in Japan and its number is still increasing. With regards to the Horizontal SaaS market, US companies has a huge advantage in the Business collaboration and Marketing/Sales area. Furthermore, the following categories as inside sales, lead management and knowledge management will be more focused on as a growing category. Global SaaS market has reached \$ 140 billion, and the US market constitutes about 50 to 70% per the Boxil's report, therefore it means that US SaaS firms still have an advantage and there would be the potential for the US SaaS firms to enter and expand its business in Japan.

Opportunities

Japan IT week, Tokyo

October 28-30, 2020

<https://www.japan-it.jp/en-gb.html>

CEATEC 2020 - ONLINE

October 20-23, 2020

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

Nikkei XTECH EXPO 2020 - ONLINE

October 12-23,2020

<https://expo.nikkeibp.co.jp/xtech/ex/>

The American Chamber of Commerce in Japan and its ACCJ Digital Economy Committee actively advocates on important policy issues.

CS Japan Contact

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Cybersecurity

Overview

As Japan prepares for the 2020 Tokyo Olympic and Paralympic Games, which has been postponed to 2021 due to the coronavirus pandemic, cybersecurity has been given increased attention in response to a rise in frequency and sophistication of cyber-attacks. Such attacks create major concern for the safety of infrastructure sectors such as railways and the data-dependent Internet of Things (IoT) networks and systems.

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.

In recent years, CS Japan has observed the rapid rise of American cybersecurity companies doing business in Japan, which indicates the United States has an advantageous position against foreign and domestic competitors. A 2018 report by Japan's Ministry of Economy, Trade and Industry (METI) identified a shortage of IT professionals at 220,000, which is expected to increase to 360,000 in 2025. This shortage of capable engineers, cyber experts, and security managers have provided an opportunity for American firms that can offer turn-key cybersecurity solutions for small-and-medium-sized enterprises in Japan.

Recent market research indicates a very strong and rapid increase of sales in the Japanese cyber security market and a small decrease in on-premise software and security appliances due to the increase of public cloud services. International Data Corporation (IDC) Japan announced in 2020 that the domestic security software market in 2019 was \$2.5 billion and will increase by 16% to an estimated \$2.9 billion by 2024, while security appliance market is \$509 million in 2019 and expected to decrease to \$493 million in 2024. IDC mentioned that the market will be impacted in 2020 as the investment appetite by the companies will be reduced due to the COVID-19. The non-profit organization, Japan Network Security Association, announced in June 2020 that the size of the Japanese information security market was \$10.5 billion in 2019 and is estimated to be \$10.4 billion in 2020.

In April 2018, the leading political party in Japan, the Liberal Democratic Party of Japan (LDP) announced an Emergency Proposal for Reinforcement of Cyber Security Measures. This 119-page report identified issues and measures in all 13 Critical Infrastructure sectors, and an additional three: national security, self-driving vehicles, and quantum computing. The report urged systematic action by all levels of Japanese society to reinforce cyber security measures, and advised the Japanese Government to implement systematic measures for all critical infrastructure sectors.

Japan's National Center for Incident Readiness and Strategy for Cybersecurity (NISC) is the leading agency in the Central Government in forming the national cybersecurity strategy. Additionally, NISC guides all Central Government agencies in establishing and implementing cyber security policies and measures. NISC announced its National Strategy for Cyber Security 2019. The new strategy identifies an urgent need for reinforcing cybersecurity measures in all levels of Japanese society and in all aspects of technological development.

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 METI and Japan's Information Technology Protection Agency (IPA) in an ongoing dialogue. The seventh annual U.S.-Japanese Cyber-Security Dialogue conference was held in Tokyo on October 2019. 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.

Leading Sub-Sectors

Due to the underdeveloped framework of digital security in Japan, many Critical 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

[Security Days](#)

October 7-9, 2020

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

October 21-23, 2020

Web Resources

[The American Chamber of Commerce in Japan](#) and its ACCJ Digital Economy Committee actively advocates on important policy issues.

CS Japan Contact

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Yasue.Morimoto@trade.gov

Defense procurement

For Japan Fiscal Year (JFY) 2020, which began in April 2020, the Japanese defense budget was the seventh largest in the world and the third largest in Asia at 5.31 trillion yen (approx.. U.S. \$48.3 billion with exchange rate US \$1=JPY110). Japan's growing defense expenditures are mainly driven by its assessment of an increasingly challenging regional security environment, including the threat of advancing North Korean missile technologies and China's assertive regional behavior. 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 decades, Japanese defense expenditure has been slightly less than 1 percent of GDP, an informal self-imposed ceiling. It has increased slightly for the last five years with consecutive record defense budgets after a decade of decline. Japan's defense posture and procurement strategy is grounded in a pair of foundational documents, the 10-year "National Defense Program Guidelines (NDPG) for FY 2019 and Beyond" and the 5-year "Medium Term Defense Program, FY2019-2023 (MTDP)." The NDPG and MTDP were released in December 2018 and providing renewed focus on existing capabilities and also including new focus on the defense capability areas of Space, Cyber, and Electronic Warfare. The JFY 2019 budget, approved by the Japanese Diet, included spending increases on defense aimed at building defense capabilities in new domains, such as space and cyber, and continued long-term investments in missile defense. This trend has continued in 2020.

There is continued emphasis on strengthening the U.S.-Japan alliance and associated interoperability through procurement of defense equipment enhancing the following capabilities: Integrated Air and Missile Defense (IAMD); intelligence, surveillance, and reconnaissance (ISR); intelligence; logistics; and command, control, communication, computers, and intelligence (C4I). Additionally, the JMOD remains focused on capabilities that enhance their ability to defend remote islands and respond to large-scale disasters.

Foreign Military Sales (FMS) of U.S. defense equipment, 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. FMS transactions for a specific item or service are initiated by a request from the Government of Japan for price and availability data. Direct Commercial Sales (DCS) are handled through coordination with 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 Minister of Defense. 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.

Web Resources

Japan Ministry of Defense (JMOD)

Website: <https://www.mod.go.jp/e/>

Defense Security Cooperation Agency (DSCA)

Website: <http://www.dsca.mil/>

Acquisition Technology and Logistics Agency (ATLA)

Website: <https://www.mod.go.jp/atla/en/index.html>

Health IT

Overview

Japan continues to rank among the top export prospects according to the U.S. Department of Commerce’s Health IT Top Market Report. This 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; 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. In May 2019, the Health Insurance Law was revised so that people can present “My Number Cards” as the national health insurance certificates from 2021. The Japanese government also aims to utilize the anonymous data for research purposes.

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.

The adoption of electronic medical records to use health information big data is a major priority in Japan. According to an industry source, the adoption rate for electronic medical records and ordering systems among all hospitals in 2018 was 38.3% and 45.3% respectively. 78.1% of large hospitals with more than 400 beds have electronic medical records and 82.9% of them have electronic ordering systems.

As part of COVID 19 measures, Japanese government temporarily eased the telemedicine restrictions allowing doctors to conduct an online clinical examination for the first time patients in April 2020.

Market size (USD million)

Year	2014	2015	2016	2017	2018
Total	3,953	3,798	3,556	3,866	4,116
Electronic Health Record	1,331	1,337	1,396	1,442	1,628
Ordering Systems	315	317	253	254	240
Medical Imaging Systems	409	376	356	345	307
Regional Cooperation Systems	52	54	41	43	33
Exchange Rate (JPY/USD1.00)	105.74	121.05	108.66	112.10	110.40

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

Leading Sub-Sectors

The Ministry of Health, Labor and Welfare (MHLW)’s artificial intelligence (AI) advisory panel released a report on “Utilizing Artificial Intelligence in Healthcare Sector” in June 2017, which discussed important areas for AI development, including genomic medicine, diagnostic imaging support, diagnostic treatment support, drug

development, nursing care, and surgery assistance. With the MHLW's telemedicine guideline released in March 2018, U.S. technologies in the areas of security, data privacy and cloud computing are expected to see increased market opportunities.

Opportunities

[CEATEC Japan Online 2020](#)

October 20-23, 2020

[Medical IT Expo 2020](#)

October 14-16, 2020

Makuhari Messe

[HOSPEx Japan 2020](#)

November 11-13, 2020

Tokyo Big Sight

[Pharma IT & Digital Expo 2021](#)

April 14-16, 2021

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](#)

[Integrating the Health Enterprise Japan](#)

[Clinical Data Interchange Standards Consortium](#)

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Liquefied Natural Gas (LNG)

Overview

Japan is the largest LNG buyer in the world, importing approximately 77 million (77,327,079) tons in 2019, down 6.6 % (tons) from 2018. Its import dollar value in 2019 is approximately \$39.8 billion (4.4 trillion yen) and shares approximately 23.4% of the world's net LNG imports (330 million tons \approx 467.9 Bcm³). Australia, Malaysia, Qatar, Russia and Brunei are Japan's major LNG sourcing countries.

Since the United States began its LNG export in February 2016, 10.3% of its accumulated volume has been shipped to Japan. The U.S. is growing rapidly as a leading LNG seller and currently is Japan's 8th largest supplying country. As of May 2020, Japan is the 3rd largest buyer of U.S. LNG, after South Korea and Mexico. LNG will likely continue to be a significant policy issue for Japan given its need to secure stable, inexpensive, and relatively clean energy resources.

Current Market Needs

We noted in the last Country Commercial Guide that the Japanese LNG market had been saturated and generally comfortable with having obtained the LNG volume it requires. Here are the latest LNG import volumes in Japan in 2020 and their comparisons against 2019.

LNG Import: Japan	Jan	Feb	Mar	Apr	May	Jun
2020 (MT)	7,512,604	6,642,072	7,208,762	5,196,188	4,579,657	5,261,298
2019 (MT)	7,546,925	7,350,347	7,295,236	5,626,846	5,567,682	5,200,073
2020/2019	Δ 0.5%	Δ 9.6%	Δ 1.2%	Δ 7.7%	Δ 17.7%	+1.2%

The accumulated import volume by Japan in the first half year of 2020 is 36.4 million tons, which is the lowest since 2010. Production has fallen in all energy sectors such as fuel oils, electricity, city gas, and LPG due to the economic recession caused by the Covid-19 pandemic, which has also created considerable reduction in LNG imports. Officials at the Government of Japan's Ministry of Economy, Trade and Industry (METI) told us, however, that the prospects were not as bad, noting that the decline of LNG imports in Japan has not been as severe as in other countries. Still, Japanese LNG imports have been shrinking for some time, with 2019 (77.33 million tons) 6.7 % down from 2018, which was then the lowest since 2010. It is too soon to tell how the Covid-19 pandemic will affect Japan's LNG imports and overall energy plan in the future.

Recent Market Trends (Japan's LNG import)

	2015	2016	2017	2018	2019
Total Local Production	0	0	0	0	0
Total Exports	0	0	0	0	0
Total Imports (million tons)	85.04	83.34	83.63	82.85	77.33

Total Imports (billion \$)	45.55	29.27	36.03	42.80	39.80
Imports from US (million tons)	157,119	0	954,438	2,494,095	3,695,647
Imports from US (million \$)	62	-	587	1,374	1,806
U.S Share (in tons)	0.18%	0.00%	1.14%	3.01%	4.78%
Total Market Size (million tons)	85.04	83.34	83.63	82.85	77.33
Exchange Rates (\$: JPY)	121.05	112.10	108.66	110.40	109.02

Competitive Landscape

Japan's LNG Import (2019)	(tons)	(thousand yen)
Australia	30,116,008	1,756,177,031
Malaysia	9,330,527	492,022,088
Qatar	8,734,971	510,420,743
Russia	6,398,638	337,528,306
Brunei	4,320,630	248,174,455
Indonesia	4,153,037	243,067,415
Papua New Guinea	3,741,745	216,672,924
U.S.A.	3,695,647	196,835,711
Oman	2,894,035	144,333,845
United Arab Emirates	2,168,486	123,767,579
Nigeria	833,291	32,436,813
Peru	677,128	36,467,369
China	70,560	2,250,297

Equatorial Guinea	68,819	3,623,685
Egypt	62,119	3,495,559
Algeria	61,438	2,505,334
	77,327,079	4,349,779,154

Best Prospects for U.S. Exporters

CS Japan believes that there are three primary types of market opportunities for U.S. LNG firms and interests in Japan, such as (a) the Japanese purchase of LNG produced in the U.S.; (b) Japanese investment in U.S. LNG infrastructure; and potentially (c) U.S.-Japan collaboration on 3rd country infrastructure projects that source U.S. LNG. Of the three, we regard the first opportunity as most relevant for the U.S. exporters.

U.S. shale-originated LNG exports to Japan began in 2016, and the U.S. is rapidly becoming one of Japan’s most important energy suppliers. Japan is now expected to import billions of dollars of U.S. LNG over the next five years. The purchases will likely involve the major Japanese electric and gas utilities such as Tokyo Gas, Osaka Gas, Kansai Electric Power Company, and Chugoku Electric Power Company, and JERA, which is Japan’s largest power generation company and the largest single LNG buyer in the world. Major Japanese trading firms such as Mitsubishi, Mitsui, Sumitomo, and Itochu also play major roles in Japanese as well as global LNG transactions.

U.S. LNG has three unique strengths. The U.S. firms can offer varieties of business models that are not currently proposed by other countries; the U.S. pricing mechanism is flexible, and not linked with the crude oil price at which most of the Japanese offtakes are bound to purchase under the long-term contracts; and the U.S. LNG is free from destination clause, which means that a Japanese buyer can easily resell the U.S. LNG to other buyers.

However, as Japan values a diverse supplier base, to not become overly dependent on any one supplier or country, Japanese offtakers will be deliberate about changing their sourcing countries, barring unforeseen political events or natural disasters impacting trading partners. It remains to be seen how the conservative business practices of securing energy source impacts U.S. companies’ desire to rapidly increase LNG exports to Japan.

Market Entry

Japan’s major LNG importers have signed long-term contracts with the Lower 48 States LNG exporters. As of July 2020, five U.S. LNG export terminals - Sabine Pass (LA), Cove Point (MD), Corpus Christie (TX), Cameron (LA), and Freeport (TX) - are exporting U.S.- originated LNG to Japan. In addition, there were many Financial Investment Decisions (FID) approved (including 3 in the U.S.) in 2019. The Federal Energy Regulatory Commission has approved the construction of many other terminals in the U.S. It is not clear yet whether the current economic recession may adversely affect the existing FIDs and proposed U.S. LNG projects in 2020.

Most of Japan’s LNG imports are under long-term contracts with existing foreign suppliers (see chart from previous page), and these contracts are set to expire by the end of the next decade. The mid and long-term expiration of contracts could open 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

Upcoming Local Trade Event:

LNG Producer-Consumer Conference 2020 (Online, Date: October 12, 2020, PM 7:00-10:00 Japan time, Organized by METI) https://www.meti.go.jp/english/press/2020/0710_001.html

Web Resources

[Agency for Natural Resources and Energy](http://www.enecho.meti.go.jp/en/) (<http://www.enecho.meti.go.jp/en/>)

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

Local Industry Resources:

JERA Co., Ltd. <https://www.jera.co.jp/english/corporate/>

Tokyo Gas Co., Ltd. <https://www.tokyo-gas.co.jp/en/aboutus/businesses.html>

Osaka Gas Co., Ltd. https://www.osakagas.co.jp/en/aboutus/our_businesses/

The Kansai Electric Power Co., Inc. <https://www.kepcoco.jp/english/>

The Chugoku Electric Power Co., Inc. <https://www.energia.co.jp/e/index.html>

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Nuclear decommissioning

Overview

Japan is quickly becoming one of the largest nuclear decommissioning and decontamination (D&D) markets in the world. Nuclear power supplied about 30% of Japan's electricity a decade ago. But both public opinion and government policy dramatically shifted away from support for nuclear power following the March 2011 Tohoku earthquake and tsunami that crippled the Fukushima Daiichi Nuclear Power Station (NPS) and caused concern about radiation contamination. Now, nuclear energy is the source of only 7.5% of Japan's electricity. While nuclear power will still form part of Japan's energy mix, only nine (out of 54) reactors have been brought back online since 2011, and 24 reactors will be decommissioned.

Leading Sub-Sectors

Japan is at the tail end of a 10-year energy market liberalization that has unbundled power generation, transmission and distribution, and retail. It has ten regional electricity power companies (EPCs), and most have at least one nuclear power plant decommissioning project. While domestic firms dominate the market, Japan's EPCs are utilizing U.S. technologies and project management expertise. The main areas of decommissioning activity are:

- Fukushima Daiichi Nuclear Power Station
- Non-Accident Commercial Reactors
- Research Reactors

Fukushima Daiichi Nuclear Power Station

Tokyo Electric Power Company Holdings (TEPCO) oversees decommissioning the four damaged Fukushima Daiichi reactors. The project consists of treating contaminated water; removing nuclear fuel debris and spent nuclear fuels; and managing radiological waste, ultimately demolishing the facilities. TEPCO is currently developing and examining various technologies to effectively prepare for the removal, which is scheduled to take place by March 2022.

Non-Accident Commercial Reactors

As of August 2020, fourteen non-accident shutdown reactors are being decommissioned, at an average estimated cost of \$500-\$700 million. While domestic reactor vendors, major engineering firms, or general contractors serve as prime contractors to EPCs, U.S. firms have seen some success in partnering with these Japanese firms and participating in smaller projects. Japan has been slow to adopt U.S. methodologies, including project management expertise that could minimize costs and shorten schedules. But U.S. products and technologies are still well-regarded and in demand.

Research Reactors

Japan's Atomic Energy Agency (JAEA), part of the Education Ministry (MEXT), is decommissioning a prototype nuclear test reactor (Fugen) and sodium-cooled fast reactor (Monju). While no U.S. firms are yet actively involved, the Monju project cost alone is estimated at \$9.3 billion. JAEA is also decommissioning one small-scale research reactor, one reprocessing test facility, five research facilities/laboratories, and one waste treatment facility.

Events

The U.S. Commercial Service (USCS), in conjunction with the Ministry of Economy, Trade and Industry (METI), and other USG and GOJ partners, has coordinated a series of D&D workshops, since 2012. The latest, held in 2020, focused on procurement practices and schedules; budget, contracting structures and performance evaluation; exploring potential U.S. industry collaboration in Japan; and regulation. While the Covid pandemic has halted in-person gatherings for the time being, we remain committed to supporting U.S. industry and showcasing U.S. technologies.

USCS also holds conducts an annual one-on-one matchmaking business event called the “NOA Conference” where international procurement managers from all of Japan’s regional EPCs gather to meet with U.S. suppliers. The next NOA Conference is currently scheduled for in May 2021.

Web Resources

Agency for Natural Resources and Energy <https://www.enecho.meti.go.jp/en/>

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

Tokyo Electric Power Company Holdings (TEPCO) <https://www.tepco.co.jp/en/hd/responsibility/index-e.html>

The Federation of Electric Power Companies of Japan (<https://www.fepec.or.jp/english/>)

International Research Institute of Nuclear Decommissioning (IRID) <https://irid.or.jp/en/>

Japan Atomic Industrial Forum, Inc. (<https://www.jaif.or.jp/en/>)

Nuclear Damage Compensation and Decommissioning Facilitation Corporation (NDF)
(<http://www.dd.ndf.go.jp/eindex.html>)

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Pharmaceuticals

Overview

Unit: USD thousands [NOTE: Figures may be revised later depending on availability of the latest MHLW figures. END NOTE]

	2016	2017	2018	2019
Total Local Production	60,960	59,958	62,570	84,600
Total Exports	1,617	1,489	1,714	1,350
Total Imports	36,310	30,671	28,516	24,971
Imports from the U.S.	6,313	6,484	6,688	4,944 (estimated)
Total Market Size	95,856	89,141	89,372	105,545
Exchange Rates	108.66	112.10	110.40	110.40

Total market size = total local production + imports – exports

Data Sources:

Total Local Production: GOJ Ministry of Health, Labour and Welfare (MHLW)

Total Exports: MHLW

Total Imports: MHLW

Local production and export figures for 2019 are based on MHLW's monthly report.

Import figures from U.S. for 2019 are unofficial CS Japan estimates.

(Figures for 2020 are unofficial CS Japan estimates.)

Japan continues to be one of the largest pharmaceutical markets in the world despite the more challenging business landscape due to demographics. According to the latest official figures from the Ministry of Health, Labour and Welfare (MHLW)'s Annual Pharmaceutical Production Statistics, the Japanese market for prescription and nonprescription pharmaceuticals in 2019 totaled \$105 billion (up 18 percent from 2018 in yen terms). More than 90 percent of the total market consists of prescription pharmaceuticals. Imports of foreign pharmaceuticals accounted for approximately 30 percent of the total Japanese market in 2019. The total market share of U.S. and other foreign *origin* pharmaceuticals, i.e., including local production by foreign firms and foreign-owned compounds licensed to Japanese manufacturers is estimated to be much higher. According to IQVIA, the world's largest contract research organizations, foreign companies, including U.S. companies, increased their market share for prescription pharmaceuticals to approximately 70 percent based on sales among the top 20 makers in Japan in 2019. The Japanese pharmaceutical market saw the first growth in three years in yen terms; however, it is projected to see negative growth in coming years due to a continuing challenging pricing environment as the Japanese government attempts to contain healthcare expenditure. In addition, the new coronavirus infection (COVID-19) is likely to have a major impact on the domestic pharmaceutical market. IQVIA projected the COVID-19 will have a negative impact of up to 303 billion yen (\$2.74 billion) on the domestic prescription drug market in FY2020. IQVIA projected that Japan's overall growth will be the slowest among the developed markets with a negative compound annual growth rate (CAGR) between -3% and 0% in 2020-2024, while the worldwide growth is projected with a positive CAGR between 3% and 6% during

the same period. However, despite the challenging pricing environment, the market is expected to remain the third largest and one of the most important destinations for U.S. and foreign innovative biopharmaceutical companies due to continued demands for innovative therapies.

Healthcare Policy

Japan's healthcare system receives high marks for providing both basic care and a free choice of doctors to all citizens, at an affordable cost, under the National Health Insurance (NHI) system established in 1961. The OECD described the health status of the Japanese people as one of the best in the world. Japan enjoys both the world's highest life expectancy rate along with the lowest rate of infant mortality. The country spends about ten percent of its GDP on healthcare, which is relatively low compared to other industrialized nations. However, Japan's aging population, combined with a diminishing number of children has led to serious financial difficulties for Japan's medical system. Under these circumstances, the Japanese government has been taking various measures to cut healthcare spending. Companies have expressed serious concerns that frequent changes to the Japanese pricing and reimbursement systems have made Japan an unpredictable market. In addition, a move from the current biennial reimbursement price revision to the annual revision (or the off-year price revision) scheduled from JFY 2021 is expected to have significant impact on the prices depending on the scope of products covered under the off-year revision. U.S. pharmaceutical companies need to keep in mind these constant price changes as they pursue their market entry strategy.

Leading Sub-Sectors

Biopharmaceuticals

Among therapeutic category, anti-tumor agents posted the largest sales in 2019. Anti-tumor agents have been the top selling pharmaceuticals by therapeutic category in the last several years and are still on the increase. Other top selling pharmaceuticals, by therapeutic category, included diabetes agents, antithrombotic agents, immunosuppressants, and ophthalmic agents. By pharmaceutical type, biopharmaceuticals are expected to grow even though the overall pharmaceutical market growth is projected to be negative. Many of top-selling pharmaceuticals are biopharmaceuticals; however, the products account for approximately 15% of the overall sales in Japan, which is significantly lower than the global biopharmaceutical sales ratio of approximately 30%. Similarly, biosimilars are expected to grow. Fuji Keizai, a research company, projected the biosimilar market will expand to approximately 60 billion yen (\$543 million) in 2022, more than four times from 2017.

Opportunities

[INTERPHEX Week JAPAN](https://www.interphex.jp/en-gb.html) (<https://www.interphex.jp/en-gb.html>)

November 25 – 27, 2020

Tokyo Big Sight, Tokyo

[Bio Japan 2019](http://www.ics-expo.jp/biojapan/en/index.html) (<http://www.ics-expo.jp/biojapan/en/index.html>)

October 14 – 16, 2020

Pacifico Yokohama, Yokohama

[Medical Japan 2020](https://www.medical-jpn.jp/en-gb.html) (<https://www.medical-jpn.jp/en-gb.html>)

–October 14 - 16, 2020

Makuhari Messe, Chiba

[CPhI Japan](https://www.cphi.com/japan/en/home.html) (<https://www.cphi.com/japan/en/home.html>)

–September 30 – October 2, 2020

Intex Osaka, Osaka

Web Resources

[Ministry of Health, Labor and Welfare \(MHLW\) \(https://www.mhlw.go.jp/index.html\)](https://www.mhlw.go.jp/index.html)

[Pharmaceutical and Medical Device Agency \(PMDA\) \(http://www.pmda.go.jp/\)](http://www.pmda.go.jp/)

[Pharmaceutical Research and Manufacturers of America \(http://www.phrma-jp.org/\)](http://www.phrma-jp.org/)

[The Japan Pharmaceutical Manufacturers Association \(http://www.jpma.or.jp/\)](http://www.jpma.or.jp/)

[The Federation of Japan Pharmaceutical Wholesalers Association \(JPWA\) \(http://www.jpwa.or.jp/\)](http://www.jpwa.or.jp/)

[Pharmaceutical and Medical Device Regulatory Science Society of Japan \(PMRJ\) \(http://www.pmrj.jp/\)](http://www.pmrj.jp/)

[The Pharmaceutical Society of Japan \(PSJ\) \(https://www.pharm.or.jp/\)](https://www.pharm.or.jp/)

[Japan Generic Medicines Association \(JGA\) \(http://www.jga.gr.jp/\)](http://www.jga.gr.jp/)

[Japan Bioindustry Association \(JBA\) \(https://www.jba.or.jp/en/\)](https://www.jba.or.jp/en/)

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Renewable Energy

Overview

Japan has become one of the world's largest renewable energy markets, with considerable long-term growth potential. The focus on renewables intensified following the March 2011 earthquake and tsunami that damaged the Fukushima Daiichi nuclear power plant and caused a re-think on Japan's significant reliance on nuclear power. Subsequently, the Japanese government has developed policies aimed to boost the supply of renewables, with a goal to reach 22-24 percent of the energy mix by 2030 – specifically, hydro (8.8-9.2%), Solar (7%), Wind (1.7%), Biomass (3.7-4.6%), and Geothermal (1.0-1.1%).

The Ministry of Economy, Trade and Industry (METI) is responsible for developing and enforcing renewable energy laws and regulations in Japan, including the Feed-in Tariff system (FIT), which has been in place since July 2012 to encourage renewable energy deployment. METI re-examines and revises FIT rates annually, applying varying levels, per renewable source. Recently, METI, which seeks to create a market that is FIT-independent, has been leading a comprehensive review of renewable energy regulations. Possible revisions include the prospect of new wheeling charges for power generators and reforming rules on using the power grid to increase renewable energy installation. Given investment inducements, and the decision to shut down most of Japan's nuclear reactors, renewable energy development has grown steadily.

Market trends

Following is short summary of current market updates related to renewable sources:

- Offshore Wind: Japan has substantial coastline and has enormous potential in offshore wind. Despite having technological capability, Japan has remained behind many other advanced economies in installation of domestic offshore wind power generation. The Government of Japan (GOJ) has introduced legislation to strengthen the regulatory environment for offshore wind and is committed to work together with private sector to promote offshore wind power generation in both domestic and international markets.
- Coal phase-out: Japan has traditionally relied heavily on coal-fired power generation, even more so as nuclear power generation came offline after 2011. But METI has recently announced a roadmap to ultimately phase out coal-fired generation, to reduce carbon emissions and shift toward using more renewable energy.
- FIP system: METI announced in February 2020 its intent to begin drafting legislation to introduce a Feed-in-Premium (FIP) system – likely for large solar and wind projects.
- Solar power: In addition to decreasing FIT rates, METI is developing new regulations that require solar power generators to create a Mandatory Decommissioning Cost Reserve. Details are expected by 2022.
- Biomass fuel (imported biomass wood): Japan plans to build several large-scale biomass power plants, but relies heavily on imported biomass fuels. GOJ agencies are currently assessing food-feed-fuel competition and lifecycle greenhouse gas (GHG) emissions. New rules based on this lifecycle analysis are still pending and will affect the market.
- Aggregation and balancing: To maximize the installation of renewable energy, industry has shown great interest in market proven aggregation, balancing and remote-control systems and grid-level energy storage.
- Battery/storage: As a 10-year plan that required utilities to purchase surplus electricity from residential solar system owners ends, these half a million households may consider finding new ways to benefit from their existing solar system by adding battery storage.
- Carbon Recycling: To mitigate climate change, Japan is keen to promote carbon capture, storage and utilization technologies. In 2019, METI established a Carbon Recycling Advancement Office, part of the Agency for Natural Resources and Energy (ANRE).

- Hydrogen: Japan seeks to commercialize hydrogen power generation as well as international hydrogen supply chains and cut the unit hydrogen power generation cost. R&D has been especially focused in developing a hydrogen vehicle. METI has developed a basic strategy for the development of a hydrogen society.

Opportunities

[International Conference on Carbon Recycling \(2020\)](#)

Date: October 13, 2020

Venue: Online

Organizer: METI and New Energy and Industrial Technology Development Organization (NEDO)

[The 9th Revival of Fukushima Renewable Energy Industrial Fair 2020 \(REIF Fukushima 2020\)](#)

Date: October 28-29, 2020

Venue: Big Palette Fukushima, Fukushima

Organizer: Fukushima Prefectural Government and Fukushima Center for Industrial Promotion

[SDGs Week](#)

[EcoPro 2020](#)

[Climate Change Biz 2020](#)

Date: November 26-28, 2020

Venue: Online

Organizer: Sustainable Management Promotion Organization (SuMPO) and Nikkei Inc.

[The Renewable Energy 2020 Exhibition](#)

Date: December 9-11, 2020

Venue: Tokyo Big Sight, Tokyo

Organizer: Japan Council for Renewable Energy (JCRE)

[ENEX 2021\(Energy and Environment Exhibition\)](#)

Date: December 9-11, 2020

Venue: Tokyo Big Sight, Tokyo

Organizer: Energy Conservation Center Japan

[DER Japan 2021 \(Distributed Energy Resources Japan\)](#)

Date: December 9-11, 2020

Venue: Tokyo Big Sight, Tokyo

Organizer: Jtb Communication Design

[World Smart Energy Week 2021](#)

(17th FC Expo, 14th PV Expo, 12th Battery Japan, 11th International Smart Grid Expo, 9th Wind Expo, 6th International Biomass Expo, 5th Thermal Power Expo, and 3rd Resource Circulation Expo)

Date: March 3-5, 2021

Venue: Tokyo Big Sight, Tokyo

Organizer: Reed Exhibitions Japan

[The 30th New Environment Exposition 2020 \(N-EXPO 2021\)](#)

[The 13th Global Warming Prevention Exhibition 2020 \(GWPE 2021\)](#)

Date: March 17-19, 2021

Venue: Tokyo Big Sight, Tokyo

Organizer: Nippo Business Co., Ltd.

Web Resources

- [Agency for Natural Resources and Energy](#)
- [Ministry of Economy, Trade and Industry](#)
- [New Energy and Industrial Technology Development Organization](#)
- [The Federation of Electric power Companies of Japan](#)
- [Japan Photovoltaic Energy Association](#)
- [Japan Wind Power Association](#)
- [Japan Small Wind Turbines Association](#)
- [Japan Wood Biomass Association](#)
- [Biomass Power Association](#)
- [Japan Geothermal Association](#)
- [J-WatER](#)
- [The American Chamber of Commerce in Japan's Energy Committee](#)

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Semiconductors

Table

	2017	2018	2019	2020 estimated
Total Market Size (Japan)	36,595	39,961	35,993	34,400
Growth Rate	13.3%	9.2%	-9.9%	-4.4%
Exchange Rates	112.1	110.4	108.4	106.8

Units: \$ millions

Source: <https://www.jeita.or.jp/japanese/stat/wsts/docs/20200609WSTS.pdf>

Overview

2019 semiconductor sales in Japan decreased by 9.9%, having hitting a peak of electronic device sales, such as smartphone sales and data center sales, in addition to several external factors such as Brexit and global trade conflicts. In particular, it is notable that semiconductor memory sales, which covers 30% of semiconductor sales, dramatically decreased due to a decline in the sale of smartphone displays, computer server/data storage equipment and electronic measuring instruments in 2019. These declines come as no surprise as they were predicted by the World Semiconductor Trade Statistics (WSTS) last year. According to the WSTS, the Japanese semiconductor market declined from \$40.0 million in 2018 to \$35.9 million in 2019.

In addition to the 2019 reduction in demand, the research firm, Trend Force, announced in March 2020 that electronic industry market related to Television, Personal Computers, Display, Smartphone and Mobility related products, would also lower their 2020 forecast due to the COVID19. As Japan's electronic products industry, which is the third largest in the world, is the most significant factor driving demand for sales of semiconductors to Japan, these estimates would suggest a decline of the semiconductor market in 2020.

Going forward, however, WSTS forecasts that the Japanese semiconductor market would increase from \$34.4 million in 2020 to \$35.5 million in 2021. The post-COVID19, "new normal" work and life style is expected to lead to a shift in a demand from the real physical world to the virtual online interactions which would lead to new types of demand generated by increased teleworking, virtual meeting, data center and telemedicine etc. These growth factors are expected to revive semiconductor demand toward 2021. In addition to technologies related to the "new normal" lifestyle, promising sectors like 5G, industrial automation and AI are also expected to contribute to growing demand for semiconductors. Businesses that are on the forefront of new and emerging technologies requiring semiconductors will be able to compete in such a dynamic market.

Subsector – semiconductor manufacturing equipment Japan is globally ranked as the 4th market of semiconductor manufacturing equipment sales. Semiconductor Equipment Association of Japan (SEAJ), the global industry association serving the manufacturing supply chain for the electronics industry (SEMI) and SEMI Japan, announced that 2019 semiconductor manufacturing equipment sales in Japan reached \$6.2 billion and is expected to reach \$7.0 billion in 2020 and \$7.9 billion in 2021. SEAJ estimated that the data center related demand was expected to surge from 2020 to 2022 because the volume of data traffic would be incredibly increased due to teleworking and satellite offices etc., while it is estimated that the consumer product market would be downsized for a while. Along with consumer behavior in the new normal, revolution of work style, manufacturing, education and medical industries will be widely expected to lead new demand for semiconductor.

Opportunities

[CEATEC Information Technology Trade Show](#)

October 20-23, 2020

Makuhari Messe

[SEMICON Japan](#)

SEMI Japan announced to postpone SEMICON Japan 2020 to 2021

Web Resources

- [Semiconductor Equipment and Materials International \(SEMI\)](#)
- [Japan Electronics Information & Technology Industries Association \(JEITA\)](#)
- [Semiconductor Equipment Association of Japan \(SEAJ\)](#)

CS Japan Contact:

Ms. Atsuko Shimada, Commercial Specialist

Atsuko.Shimada@trade.gov

Travel and Tourism

Overview

In 2019, Japanese outbound travelers reached a record number of 20.1 million. The United States continued to enjoy one of the most popular destinations amongst Japanese visitors, with an 18.7 percent market share. Japan was the second-largest overseas source of travelers to the U.S., sending 3.8 million visitors. Japanese spending in the U.S. remained healthy, with travel and tourism receipts totaling \$12.9 billion.

In August 2019, the United States and Japan reached an agreement under the "U.S.-Japan Open Skies Agreement," allocating 12 new slot pairs (12 arrivals and 12 departures daily) for U.S. air carriers and 12 new slot pairs for Japanese air carriers from Tokyo's Haneda Airport. The following new daytime flights were to begin services in spring 2020.

- American Airlines (2 flights): Dallas/Fort Worth, Los Angeles
- Delta Air Lines (5 flights): Seattle, Detroit, Atlanta, Portland (Oregon), Honolulu
- Hawaiian Airlines (1 flight): Honolulu
- United Airlines (4 flights): Newark, Chicago, Washington-Dulles, Los Angeles
- Japan Airlines (6 flights): New York-JFK, Chicago, Dallas/Fort Worth, Los Angeles, Honolulu (2 flights)
- All Nippon Airways (6 flights): Washington-Dulles, Houston, Los Angeles, San Francisco, San Jose, Seattle

As a result, the Japanese travel industry actively developed new U.S. tours in responding to the increased seating capacity. However, the COVID-19 pandemic forced most travel and tourism operators, including all airlines between the U.S. and Japan, to severely reduce their services in spring 2020.

While the cross border travel restrictions will likely stay for the remainder of 2020, the U.S. destination marketing organizations (DMOs) continue to strengthen their partnerships with Japanese industry counterparts gearing up for the sector's rebound in 2021.

Japan's COVID-19 Travel Restrictions

To mitigate COVID-19 related infection risks, in April 2020, Japan declared a national emergency and banned long-term and medium-term foreign residents from returning to the country. There are approximately 2.6 million foreign nationals who hold medium-to-long-term residence status, including business executives, engineers, technical trainees, and international students. As of August 2020, Japan continued to ban entry from non-Japanese citizens travelers from 159 countries and regions, including the U.S., China, South Korea, and European Union nations.

Since summer 2020, Japan has been in discussions with countries where COVID cases are decreasing, aiming to relax its entry restrictions gradually, starting with business travels.

On August 28, Japan announced to allow foreign nationals who hold Japanese residency to return the country effective September 1, 2020. Please visit the website of Japan's Ministry of Foreign Affairs (MOFA) at https://www.mofa.go.jp/ca/fna/page4e_001074.html for additional information.

Travel Technology and Digital Solutions for Domestic and Inbound Tourism Business in Japan

Former Prime Minister Shinzo Abe placed tourism as one of Japan's economic drivers in 2012. With Japan's declining birthrate and aging population, tourism has been a significant pillar supporting economic growth in rural areas.

In 2015, Japan easily surpassed its initial goal of attracting 20 million foreign tourists by 2020. Japan was on the path of welcoming 40 million overseas visitors by 2020 and set an ambitious goal of receiving 60 million by 2030.

While the current industry focus primarily is on domestic travels, Japanese DMOs and regional tourism bureaus are planning to attract inbound overseas travelers to their destinations post-COVID. As of March 2020, there are 162 registered DMOs in Japan.

Those DMOs, regional tourism bureaus, and other tourism-related industries (such as hospitality, retail, restaurant, and transportation) are keen on utilizing advanced U.S. solutions and technologies to support Japan's domestic tourism market infrastructure needs. High growth areas include digital marketing using SNS, AI, Big Data, language support services, and online booking systems. Counter viral infection solutions, such as non-contact payment systems, biometrics authentication technologies, and sanitation products, are in high demand.

Opportunities

Tourism EXPO Japan 2020 Tokyo Business Meetings & Travel Festa

(<https://www.t-expo.jp/en/tokyo/guide/exhibit2020>)

Tokyo Big Sight West Exhibition Hall

January 7-9, 2021

Web Resources

- [Japan Tourism Agency / Ministry of Land, Infrastructure, Transport and Tourism](#)
(<http://www.mlit.go.jp/kankocho/en/index.html>)
- [Japan National Tourism Organization \(JNTO\)](#) (<http://www.jnto.go.jp/eng/>)
- [Japan Association of Travel Agents \(JATA\)](#) (<http://www.jata-net.or.jp/english>)

Data Sources

- Number of Outbound Travelers: Japan National Tourism Organization (JNTO)
- Number of Outbound Travelers to the U.S.: U.S. Department of Commerce

CS Japan Contact

Ms. Tamami Honda, Senior Commercial Specialist

Tamami.Honda@trade.gov

Customs, Regulations and Standards

Trade Barriers

For a summary of Japan-specific trade barriers, please refer to the most recent USTR National Trade Estimate Report on Foreign Trade Barriers, available [here](#). See pages 281-299.

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

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. Commercial Service in Japan](#) regularly advises U.S. companies on how to overcome these barriers.

Import Tariffs

Japan's tariff schedule as of June 27, 2020 is listed [here](#):

Click [here](#) for a FACT SHEET on Agriculture - Related Provisions of the U.S.-Japan Trade Agreement, including tariff elimination and tariff reduction on key products. See also this USDA [summary](#).

Note also [WTO World Tariff Profiles 2019](#).

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. Simple average applied Most Favored Nation (MFN) tariff for Japan, according to the WTO data, is as follows:

- Total -- 4.3%
- Agriculture products -- 15.5%
- Non-agriculture -- 2.5%

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

- Non-electrical machinery -- 0.0%
- Electrical machinery -- 0.2%
- Transport equipment -- 0.0%
- Manufactures, n.e.s. -- 1.1%
- Clothing -- 9.2%
- Chemicals -- 2.3%

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 (e.g., U.S.-Japan Trade Agreement, phase 1). 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 \$1,887 at ¥106/\$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. See this [link](#).

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.

For further reference, visit [Japan Customs](#).

See also [The Japan Tariff Association](#) for trade statistics and other information.

Import Requirements and Documentation

Import and customs clearance procedures and contacts can be found through [Japan Customs](#). See import procedures [here](#), and the [Customs FAQ](#).

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.

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. The commercial invoice should be as descriptive as possible for each item in the shipment. The packing list should include the exact contents and measurement of each container, including the gross and net weights of each package. The Japanese Measurement Law requires that all weights and measures on a packing list be reflected in Metric System values.

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

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives related to dual-use goods through implementation of the Export Administration Regulations (EAR). The Bureau of Industry and Security (BIS) is comprised of two elements: Export Administration (EA), which is responsible for processing license applications, counseling exporters, and drafting and publishing changes to the [Export Administration Regulations](#); and Export Enforcement (EE), which is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure and comply with the EAR. BIS officials conduct site visits, known as End-Use Checks (EUCs), globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR to verify compliance.

An EUC is an on-site verification of a non-U.S. party to a transaction to determine whether the party is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the *bona fides* of transactions subject to the EAR, to include: confirming the legitimacy and reliability of the end-use and end-user; monitoring compliance with license conditions; and ensuring items are used, re-exported or transferred (in-country) in accordance with the EAR. These checks might be completed prior to the export of items pursuant to a BIS export license in the form of a Pre-License Check (PLC), or following an export from the U.S. during a Post-Shipment Verification (PSV).

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end-uses/users. The verification of a foreign party's reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license application reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of "[red flags](#)", or warning signs, and compiled "[Know Your Customer](#)" guidance intended to aid exporters in identifying possible violations of the EAR. Both of these resources are publicly available, and their dissemination to industry members is highly encouraged to help promote EAR compliance.

BIS also provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two-day seminars that focus on the basics of exporting to coverage of more advanced, industry-specific topics. Interested parties can check [list of upcoming seminars and webinars](#) or reference BIS provided [online training](#).

BIS and the EAR regulate transactions involving the export of "dual-use" U.S. goods, services, and technologies. For advice and regulatory requirements, exporters should consult the other U.S. Government agencies which regulate more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services, or munitions. A list of other agencies involved in export control can be found on the [BIS website](#) or in Supplement No. 3 to Part 730 of the EAR.

The EAR is available on the [BIS website](#) and on the [e-CFR](#) (Electronic Code of Federal Regulations) and is updated as needed. The [Consolidated Screening List](#) (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of parties to regulated transactions. Exporters are encouraged to classify their items prior to export, as well as consult the CSL to determine if any parties to the transaction may be subject to specific license requirements.

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 and Restricted Imports

For information on prohibited goods, see the [Japanese Customs](#) Website, especially the [FAQ section](#).

See also the website for Japan's [Ministry of Health, Labour, and Welfare](#), which has information on policies for importation of health-related items.

The U.S. Embassy website also has helpful information on bringing Over-the-Counter and Prescription medications into Japan. See this [link](#) and this [chart](#).

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.

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 for the importation and sale of those products. The use of certain chemicals and other additives in foods and cosmetics is severely regulated and follows a "positive list" approach.

Private importation is permitted without the said license requirement provided that those products to be imported are for their personal use or consumption and that the import volume is within a permitted scope:

- No more than one month's supply of medicines that are toxicants, dangerous or prescription drugs;
- No more than two month's supply of medicines that are non-prescription drugs or quasi-drugs; or
- No more than 24 units (normal size) of similar cosmetic products.

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 Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics (Pharmaceuticals and Medical Devices Act, or PMD Act).

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. The Japan Customs website, especially the [Customs Answer FAQ](#), is also a good source of information.

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. See 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) 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](#) throughout Japan can be found through Japan Customs.

Standards for Trade

Overview

Businesses entities manufacturing or selling products in Japan are subject to various laws and product safety standards, which vary depending upon the industry or product segment. Market-driven product and service standards are also prevalent.

Japan's national standardization body is the [Japan Industrial Standards Committee \(JISC\)](#), which plays a central role in standards activities in Japan, covering a wide range of products and technologies. JISC:

- establishes and maintains Japan Industrial Standards (JIS);
- administers accreditation and certification;
- participates in international standards activities, including work with International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC); and
- develops measurement standards and technical infrastructure for standardization

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 \(JSA\)](#). Newly established or revised standards are also listed by METI, [here](#).

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 10,773 standards as of March 2019. 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). There are only four approved ROCB for forest products and three for organic products. The current list of approved ROCBs can be found on the [MAFF](#).

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

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 the JISC website, [here](#).

Accreditation

The two major non-governmental accreditation bodies in Japan are the [International Accreditation Japan \(IAJapan\)](#) - within the quasi-governmental National Institute of Technology and Evaluation and the [Japan Accreditation Board \(JAB\)](#). IAJapan operates several accreditation programs including the Japan National Laboratory Accreditation System (JNLA) and the Japan Calibration Service System (JCSS). A list of laboratories accredited by JAB is available on the JAB website.

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 registered conformity assessment bodies recognized by Japan for electrical appliances, or 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 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 [Kanpo](#) (Japanese only).

Contact Information

[U.S. Commercial Service-Japan](#)

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

Secretariat Office

Tel: (81-3) 3501-9471; email: jisc@meti.go.jp

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

Secretariat Office

Tel: (81-3) 4231-8650; email: po@jsa.or.jp

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

List of Standards and Regulations

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

Secretariat Office

Tel: (81-29)-861-4346; email: nmij-info-ml@aist.go.jp

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

International Dept.

Tel: (81-3) 5283-0497; [Contact Form](#):

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

Secretariat Office

Tel: (81-3) 3432-1551; email: info@ttc.or.jp

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

Secretariat Office

Tel: (81-3) 5273-4671; email: jctea-info@catv.or.jp

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

Tel: (81-3) 5510-8590; email: info-arib@arib.or.jp

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

Customer Service, General Affairs Dept.

Tel: (81-3) 3442-1210; [Contact Form](#)

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

Tel: (81-3) 3481-6685; [Contact Form](#):

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

Quality Manager

Tel: (81-3) 3481-1946; [Contact Form](#)

[Measurement Laboratory Accreditation Scheme \(MLAP\)](#)

Tel: (81-3) 3481-1633; [Contact Form](#)

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

Tel: (81-3) 3481-1939; [Contact Form](#)

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

Tel: (81-3) 3481-8242; [Contact Form](#)

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

Tel: (81-3) 3481-1946; [Contact Form](#)

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

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

[Japan's National Gazette \(Kanpo\)](#) (Japanese only)

Notification and the NIST "Notify U.S." Service

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. [Notify U.S. \(www.nist.gov/notifyus\)](#) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Trade Agreements

In October 2019, the United States and Japan signed the U.S.-Japan Trade Agreement and the U.S.-Japan Digital Trade Agreement, which entered into force on January 1, 2020. The U.S.-Japan Trade agreement eliminates or reduces tariffs on approximately \$7.2 billion in U.S. agricultural exports and the U.S.-Japan Digital Trade Agreement includes high-standard provisions that ensure data can be transferred across borders without restrictions, guarantee consumer privacy protections, promote adherence to common principles for addressing cyber security challenges, support effective use of encryption technologies, and boost digital trade.

See the U.S.-Japan Trade Agreement text [here](#). See the U.S.-Japan Digital Trade Agreement text [here](#). Fact Sheets are available [here](#).

On October 23, 2020, Japan and the United Kingdom signed a Comprehensive Economic Partnership Agreement (CEPA). The two governments had previously reached agreement in principle via videoconference on September 11 regarding this deal, based largely on the Japan-European Union Economic Partnership Agreement. The Japan-UK trade agreement must still be approved by Japan's National Diet and the U.K. Parliament, which the two governments expect to obtain by year's end for entry into force on January 1, 2021. A full text of the agreement is available from Japan's Ministry of Foreign Affairs ([here](#)) and a summary is available from the U.K. government ([here](#)).

A list of Japan's other concluded trade agreements and EPAs, as well as those being negotiated, can be found at this link from the [Japan's Ministry of Foreign Affairs](#).

Notable agreements include the Japan and the European Union (EU) [EPA](#), which has been in force in February 2019. See here for a [text of the agreement](#). In 2018, Japan and six other countries (Australia, Canada, Mexico, New

Zealand, Singapore, Vietnam) signed and ratified the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Four other countries (Brunei, Chile, Malaysia, Peru) are signatories but have not yet ratified the CPTPP.

Japan had also entered into economic partnership agreements (EPAs) with these 14 countries, plus ASEAN:

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

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

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

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 \(JFBA\)](#).

Based on an amendment to the Act on Special Measures concerning the Handling of Legal Services by Foreign Lawyers (known as the 2020 Gaiben Law), requirements to receive a Gaikokuho-Jimu-Bengoshi license include the need to have practiced at least one year in the home jurisdiction, plus two years in Japan, for a total of three years of experience. While registered foreign lawyers are prohibited from handling legal matters that involve Japanese law, the 2020 Gaiben law expands their scope to handle international arbitration and mediation. An summary English translation of the amendment can be found [here](#).

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. The CPA Examination is conducted only in Japanese. After passing the exam, one must complete a three-year professional accountancy education program provided by the Japan Foundation for Accounting Education and Learning (JFAEL). Those who completed the program are qualified to take the final assessments conducted by the [Japanese Institute of Certified Public Accountants \(JICPA\)](#) and the successful candidates are eligible to register with the JICPA. See requirements and steps [here](#).

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.

Selling US Products and Services

Distribution & Sales Channels

Distribution channels in Japan have undergone substantial consolidation over the past two decades. Channels vary significantly between consumer goods and industrial products.

Due to limited space and dense urban populations, small retail stores are predominant points of consumer sales. Consequently, retailers often stock only limited stock, and wholesalers are required to deliver small amounts of a product more frequently.

The Japanese cultural preference for doing business with face-to-face contact, and loyalty or sense of obligation in relationships, maintains this system. The costs of this less efficient distribution system are passed on to the consumer in the final price of the product. The growth of suburban “big box” retailers and eCommerce are challenging this model.

Japan’s existing distribution and sales system still bear the traces of the keiretsu system. These larger integrated business groups center around banks and trading companies and were culturally ingrained in Japanese commercial dealings. Although the keiretsu system has weakened substantially, these corporations have business offerings along all facets of a particular industry, from production to distribution. Their advantages due to economies of scale, existing relationships, and consumer loyalty make them either very convenient and effective for those they serve or an elephantine competitor for smaller firms. The distribution channels these companies’ control can be a limiting factor for new exporters to Japan.

Japan’s main logistics and distribution point centers are in the countries’ major ports in Tokyo, Yokohama, Kobe, Osaka, and Fukuoka.

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

Using an Agent or Distributor

For many companies, establishing a direct presence in Japan is the best way to enter the Japanese market. However, a more realistic first step for many small or medium-sized U.S. firms is the use of distributors or agents. Selecting a representative and negotiating the terms of its agreement requires careful attention.

U.S. firms should not try to use contact lists for “cold calls” on prospective Japanese agents. Most Japanese businesspeople prefer to do business with someone to whom they have been properly introduced and have met face-to-face, often by a trusted intermediary party. Appropriate third parties for such introductions can 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](#)).

As in any country, U.S. companies should conduct comprehensive due diligence before selecting a partner. The common issues of negotiation include assuring sufficient attention is paid to selling and supporting the U.S. product versus others, competing directly with established Japanese products, and developing new accounts and market awareness.

Distributors in Japan usually cover a specific territory or industry. Importers are often appointed as sole agents for the entire country. Sometimes 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.

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 distribution 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, around 1-3%. In the case of medical, laboratory, and scientific analytical instruments, commission rates typically are much higher, around 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 to support the distributor's sales and marketing efforts and to facilitate communications with U.S. company headquarters. For businesses offering technical goods and services, a technical engineer or appropriate tech support on site is an important expectation of customers.

Establishing an Office

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 simple and inexpensive to establish but come with restrictions on the types of activities the local operations can carry out. Companies offering 'co-working' spaces (i.e. private or semi-private office space plus secretarial or IT staff) are also becoming an option for companies in major Japanese cities.

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, such as for [entrepreneurs](#). These programs include loans available through the [Japan Bank for International Cooperation](#) and the [Development Bank of Japan](#). Entry-level business support programs are provided by the Japan External Trade Organization ([JETRO](#)) as well as by some municipal and prefectural governments.

Franchising

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 several 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.

More information is available at the [Japan Franchise Association](#) and/or please contact the [U.S. Commercial Service](#).

Direct Marketing

Direct marketing in Japan includes mail order, telemarketing, direct response television and internet sales. According to the World Federation of Direct Selling Associations ([WFDSA](#)), Japan is the 5th largest direct selling market in the world, at \$15.6 billion in 2019, behind the United States, China, Korea and Germany, representing 8.7% of global sales. The largest categories are cosmetics and personal care (39%), wellness (24%), and household goods and home durables (19%). While direct selling sales in Japan have dropped slightly since 2016, the sector still counts almost 2.9 million independent representatives, more than 87% women. See WFDSA's [Fact Sheet](#) and [global market statistics](#). Amway, Herbalife, and NuSkin are among the U.S. companies active in Japan.

According to the [Japan Direct Marketing Association](#), the most popular way of gathering product information was the internet via a computer, followed by the internet via mobile devices, and hard copy 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 ecommerce is growing rapidly, catalog shopping is also still popular in Japan. Major Japanese catalog shopping brands, which also operate online shopping sites, include Belluna, Senshukai-Belle Maison, Dinos-Cecile, Nissen, Scroll and Cataloghouse-Tsuhana 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 the [JETRO website](#) and consult with experienced and reputable legal and tax counsel. Licensing Agreements can cover issues such as Copyright, Know-how, Patent, Service mark, Trade secrets, and Trademarks. Business practices such as franchising, technology transfer, publication and character merchandising entirely depends on the licensing of intellectual property.

Another licensing issue for U.S. commercial exports to Japan is export license: The export of technical data from the United States can be subject to U.S. export control laws. In such cases, a thorough review of the U.S. Department of Commerce's Export Administration Regulations (EAR) should precede the signing of any licensing agreement. See the Bureau of Industry and Security regulations, [here](#).

Express Delivery

In Japan, there are multiple options for express delivery for domestic and international shipping. Both U.S. firms [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 the delivery location. [Amazon Prime Japan](#) members receive domestic overnight shipping services; however, international shipping rates can vary.

The Japanese postal system has approximately 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 roughly ¥800 and is available within each of the 5 major cities in Japan. Postage fees of international shipments using [Japan Postal Service](#) are set based on size, weight, and destination and starts at roughly ¥1400.

Due Diligence

Although Japanese companies generally have a well-earned reputation for fair dealing, as in any market there are inevitably some companies who are less than 100% scrupulous or may have legitimate but concerning business or financial problems. 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.

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.

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.

eCommerce

Overview

For tips on how to use eCommerce in exporting and international business strategy, please visit the [eCommerce Innovation Lab \(EIL\)](#).

Japan is one of the largest eCommerce markets in the world. According to the [World Retail Congress Global eCommerce Market Ranking 2019 report](#), Japan is the third largest eCommerce market by revenue, behind China and the U.S. Growth has been steady. A survey by the Ministry of Economy, Trade and Industry (METI) estimates the size of the eCommerce Business-to-Consumer (B2C) market in 2019 at \$178 billion, up 7.65% versus the previous year, and Japan's internet penetration at 89.8 percent.

Current Market Trends

According to METI, Japan's eCommerce B2C expenditures in (1) goods; (2) general services; and (3) digital services, are segmented as follows:

1. Sales of goods account for 54.3 percent of total eCommerce expenditure in Japan, led by clothing sales. This market segment grew 7.74 percent versus 2018. Enterprises such as ZOZOTOWN, Amazon, and UNIQLO have successfully fulfilled the customers' needs by incorporating internet technology into their growth strategies. Flea market-style mobile app provider MERCARI also is highly influential in the clothing market. Food and beverage sales are continuing to grow steadily, as well.
2. Services account for 37 percent of total eCommerce expenditure in Japan, led by travel. Travel services include online booking services, including leaders such as RAKUTEN travel. eCommerce B2C travel services grew 4.8 percent versus 2018. Food and beverage services also have high potential, including online reservations and ratings systems.
3. Digital services account for 11.1 percent of total eCommerce expenditure in Japan, led by online gaming, followed by eBooks. Increasing use of smartphones for eCommerce purchases is driving demand for online gaming, e-books, and other digital sales.

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 is primarily focused on luxury goods, leisure, and travel. Additional spending holidays include White Day (March 14) and international holidays such as Christmas and New Year.

Local eCommerce Sales Rules & Regulations

Various GOJ agencies, including METI and the Ministry of Internal Affairs and Communication (MIC), regulate eCommerce in Japan. Consumer and personal information/data protection laws apply to the online marketplace.

In May 2020, Japan's Diet passed a new law, the [Act on Improvement of Transparency and Fairness in Trading on Specified Digital Platforms](#), that will require e-Commerce platforms to submit an annual report to METI on their business practices. METI will subsequently solicit comments from merchants, conduct reviews and publish the results. U.S. firms Google, Amazon, Facebook and Apple, as well as Japanese firms Rakuten and Yahoo-Japan, are among those affected. See Cabinet Office [summary](#).

The Japan Fair Trade Commission (JFTC), which will assess antitrust issues in B2C e-commerce, conducted and - in 2019 - released an online trade practices survey, which included a perspective on manufacturers, distributors, retailers, online shopping malls, and other players. See results of the survey [here](#).

Local E-Commerce Business Service Provider Ecosystem

U.S. companies using ecommerce channels to reach the Japanese consumers or businesses must consider:

- eCommerce 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 major ecommerce companies in Japan include:

eCommerce Platforms in Japan

- [Rakuten](https://www.rakuten.co.jp) (<https://www.rakuten.co.jp>)
- [Amazon Japan](https://www.amazon.co.jp) (<https://www.amazon.co.jp>)
- [Apple](https://www.apple.com/jp/store/english) (<https://www.apple.com/jp/store/english>)
- [Yahoo! Japan Shopping](https://shopping.yahoo.co.jp) (<https://shopping.yahoo.co.jp>)

Department Stores and Retail Outlets

- [Seibu & Sogo](https://edepart.7netshopping.jp/ss/) (<https://edepart.7netshopping.jp/ss/>)
- [Mitsukoshi Isetan](https://www.mistore.jp/shopping/) (<https://www.mistore.jp/shopping/>)
- [Daimaru](http://www.daimaru-matsuzakaya.jp/) (<http://www.daimaru-matsuzakaya.jp/>)
- [Takashimaya](https://www.takashimaya.co.jp/shopping/) (<https://www.takashimaya.co.jp/shopping/>)
- [Aeon](https://www.welcome-aeon.com/) (<https://www.welcome-aeon.com/>)

Apparel eCommerce Websites

- [Zozo Town](http://zozo.jp/) (<http://zozo.jp/>)
- [Mash Style Lab](http://ms-lab.com/) (<http://ms-lab.com/>)
- [Adastria](http://www.adastria.co.jp/) (<http://www.adastria.co.jp/>)
- [FIVEFOXes](http://online.fivefoxes.co.jp/) (<http://online.fivefoxes.co.jp/>)
- [F.O. International](https://www.fo-kids.co.jp/) (<https://www.fo-kids.co.jp/>)
- [Onwards Kashiyama](https://www.onward.co.jp/) (<https://www.onward.co.jp/>)

Supermarket eCommerce Sites

- [ItoYokado](http://www.itovokado.co.jp/index.html) (<http://www.itovokado.co.jp/index.html>)
- [Maruettsu](https://www.maruettsu.co.jp/) (<https://www.maruettsu.co.jp/>)
- [Daiei](https://netsuper.daiei.co.jp/index.php) (<https://netsuper.daiei.co.jp/index.php>)

Books and Media eCommerce Sites

- [Book-Off \(https://www.bookoff.co.jp/\)](https://www.bookoff.co.jp/)
- [Kinokuniya \(https://www.kinokuniya.co.jp/\)](https://www.kinokuniya.co.jp/)
- [Tsutaya \(http://tsutaya.tsite.jp/\)](http://tsutaya.tsite.jp/)

Selling Factors & Techniques

As in the United States, sustained personal contact with customers helps any market entry strategy in Japan. Having a visiting U.S. company representative accompany the firm's Japanese agent or distributor on calls to existing or prospective customers demonstrate a commitment to clients and provide excellent opportunities 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.

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. A series of meetings with a large number of Japanese company representatives is common, as part of the "sizing up" process.

While some Japanese business executives speak English, one should expect that an ongoing relationship will require the use of Japanese. To that end, a skilled and well-briefed interpreter is essential to prevent communication problems. Translating documents into Japanese is also a basic investment in communication.

The use of written contracts between U.S. and Japanese firms is a normal and 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. 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.

Trade Financing

Methods of Payment

There are several 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.

The promissory note (*yakusoku tegata*) is a payment method widely used in Japan but is sometimes unfamiliar to U.S. companies. 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 it is not uncommon in Japan for the buyer to request and be granted an extension of the term of the *tegata* if there are cash-flow problems.

For more information about the methods of payment or other trade finance options, please read the [Trade Finance Guide: A Quick Reference for U.S. Exporters](#).

Banking Systems

While financial system deregulation and international competitive pressure have drastically changed the face of Japanese banking, 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. 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.

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.

Many individuals use electronic bank transfers to settle accounts. Cash settlement is also still common, and the Post Office has a mechanism for payment by “cash envelope” which is used in direct marketing and other applications. Most 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.

Foreign Exchange Controls

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

U.S. Banks and Local Correspondent Banks

U.S. Banks and Financial Groups in Japan include:

[Bank of America](#)

[Bank of New York Mellon Group](#)

[Citi](#)

[J.P. Morgan Chase](#)

[Wells Fargo](#)

Major Local Correspondent Banks include:

[MUFG Bank](#)

[Mizuho Bank](#)

[Sumitomo Mitsui Banking Corporation](#)

[Resona Bank](#)

[Aozora Bank](#)

[Shinsei Bank](#)

Protecting Intellectual Property

In any foreign market, U.S. companies should consider several general principles for effective protection of their intellectual property. For background, please read our article on how to [Protect Your Intellectual Property](#) and visit [StopFakes.gov](#) or contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at Stevan.Mitchell@trade.gov.

U.S. trademarks and patents registrations will not protect those rights holders in Japan. "International Copyrights" that will automatically protect an author's writings throughout the entire world do not exist, but many countries offer copyright protection to foreign works in accordance with international agreements.

Like patents, registering trademarks in Japan is on a first-to-file basis. 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.

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 himself as the IP owner and fail to transfer the rights should the partnership end. 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.

Selling to the Public Sector

Selling to the Government

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.

In addition, Japan's Ministry of Foreign Affairs (MOFA) has published a document, in English, on [Suggestions for Accessing the Government Procurement Market of Japan](#). MOFA also hosts a [Government Procurement Seminar](#) each spring where representatives from central government procuring entities explain their procurement plans for the fiscal year. (While the seminar in 2020 was canceled, MOFA provides more government procurement information [here](#).)

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 (about US\$183,478). For sub-central government entities, Japan's voluntary threshold for supplies is 200,000 SDRs (about US\$ 282,274). More information on [SDR Valuation](#).

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 [Kanpo](#) (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. The Japanese government practices the Comprehensive Evaluation Method to satisfy standards set in the Act for Promoting Quality Assurance in Public Works. As of 2019, the Japanese government has introduced a new [procurement portal](#), (mostly in Japanese), to allow prospective suppliers to [search procurement information](#), make and/or track bids, and otherwise follow procedures, such as registration.

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 may review a company's capacity to implement a contract, including the scale of its 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.

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](#).

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Consult [Advocacy for Foreign Government Contracts](#) for additional information.

Project Financing

Japan does not rely on funding from multilateral institutions to facilitate investment projects. Public works and infrastructure projects are funded in various ways, including government bonds and Private Finance Initiative (PFI) and Public-Private Partnership (PPP) arrangements (see reports from the [Ministry of Finance](#), [Ministry of Internal Affairs and Communication](#), and [Ministry of Land, Infrastructure, Transport and Tourism](#)). Japan's major and regional banks play an outsize role in project financing in Japan, although international players are also increasingly active.

The Government of Japan (GOJ) also has programs to promote imports and foreign investment in Japan, including 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.

Four major public financing corporations, the Japan Bank for International Cooperation ([JBIC](#)), the Development Bank of Japan ([DBJ](#)), the Japan Finance Corporation ([JFC](#)) and Nippon Export and Investment Insurance ([NEXI](#)), offer various financial tools and products to encourage imports into, investment in, and exports from Japan.

Business Travel

Note: The Government of Japan has implemented various travel restrictions due to the Covid-19 pandemic. As of October 1, 2020, most travelers from the United States are not able to enter Japan, with limited exceptions. For a status update, please visit the U.S. Embassy website, [here](#).

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. businesspeople 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 some 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, still in wide use despite rapid digitalization, 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, English listening and speaking skills tend to be weaker than reading and writing skills for Japanese. 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 high, 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.

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 e-mail at: tokyo.office.box@trade.gov.

Travel Advisory

To access the most up-to-date travel and safety information, including regarding Covid-19, 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.

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.

See also information on staying safe in Japan from JNTO, [here](#).

Visa Requirements

Note, due to the Covid-19 pandemic, travel to Japan by non-Japanese citizens coming from the U.S. is highly restricted. The information provided below is pre-pandemic background.

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.

Telecommunications/Electronics

Japan's telecommunications system, one of the most developed in the world, is both efficient and convenient. International calls can be made from private cell phones, public International Direct Dialing (IDD) phones, or hotel IDD phones. The main mobile carriers in Japan are NTT DoCoMo, KDDI, and Softbank; e-commerce giant Rakuten is building out a fully virtualized mobile network. All currently offer, and are expanding, 5G services. Many U.S. carriers offer plans. Broadband and WiFi services are easy to procure, and free public WiFi is widely available in major cities. Nearly all hotels provide free WiFi services. Many restaurants and cafés also provide free WiFi for customers. More telecommunications information can be found on the JNTO website, with insights on [telephone use](#) and [WiFi](#).

Japan uses an electric current of 100 volts, and a frequency of 50 Hertz in eastern Japan, or 60 Hertz in Western Japan (including Nagoya, Kyoto, and Osaka). Appliances from Europe, Australia, or Southeast Asia will require an adaptor and may require a transformer depending on the electric device; most U.S. appliances do not require an adaptor. More information on plugs and electricity can be found on the JNTO website, [here](#).

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. 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.

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 business travelers. 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. Medical marijuana, even with a U.S. prescription, is strictly forbidden and those attempting to bring it into Japan will be arrested and prosecuted.

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

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. 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 (typically last days of December through first week in January), "Golden Week" (typically late April through early-May) and the traditional "O-Bon" Festival (mid-August).

See a list of Japan's holidays [here](#).

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 website](#).

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

[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](#)

Investment Climate Statement (ICS)

The U.S. Department of State Investment Climate Statements provide information on the business climates of more than 170 economies and are prepared by economic officers stationed in embassies and posts around the world. They analyze a variety of economies that are or could be markets for U.S. businesses.

Topics include Openness to Investment, Legal and Regulatory systems, Dispute Resolution, Intellectual Property Rights, Transparency, Performance Requirements, State-Owned Enterprises, Responsible Business Conduct, and Corruption.

These statements highlight persistent barriers to further U.S. investment. Addressing these barriers would expand high-quality, private sector-led investment in infrastructure, further women's economic empowerment, and facilitate a healthy business environment for the digital economy. To access the ICS, visit the U.S. Department of State [Investment Climate Statement](#) website.

Political Environment

For background information on the political and economic environment of the country, please click on the link to the U.S. Department of State [Countries & Areas](#) website.