

# U.S. Country Commercial Guides



Japan  
2019

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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 2018, bilateral U.S.-Japan trade in goods and services surpassed \$300 billion, as both exports and imports increased versus 2017. U.S. goods exports to Japan reached \$75.7 billion, while services exports were \$45.4 billion, for a total of \$121.1 billion, up 6 percent from 2017. 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 \$142 billion, as services imports neared \$37 billion, for a total of \$179.1 billion, up 4.5 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 \$68.5 billion in goods (principally autos and related parts) and a trade surplus of \$10.5 billion in services.

Japan is the third largest source of foreign direct investment (FDI) into the United States, behind only the United Kingdom and Canada, with total stock of FDI in 2018 at \$484 billion, a change of \$15 billion from \$469 billion in 2017. 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.

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.

### **Japan Regions**

#### **Tokyo**

Japan's capital city, Tokyo (population 13.8 million), forms the core of an urban area that, along with the suburban prefectures of Kanagawa, Saitama, and Chiba, boasts a total population of over 36 million, roughly equivalent to the New York and Los Angeles metropolitan areas combined. It is Japan's undisputed center of government, business, higher education, information, media, fashion, and culture. The entire geographical region centered on the capital – often referred to as the "Kanto" region – accounts for about one-third of Japan's total GDP.

Most major Japanese companies, trade associations, and foreign companies have their headquarters or major branches in Tokyo. Consumers in the capital are more likely to encounter foreign products, foods, and fashions than elsewhere in Japan, and consumer trends often originate in Tokyo. For U.S. firms, the major advantages of establishing a presence in Tokyo, despite the high cost of residential and office space, are the city's concentration of major companies and high-income consumers, proximity to the powerful central government regulatory agencies, and location at the hub of Japan's highly centralized transportation networks, including its two busiest airports: New Tokyo International Airport in Narita, Chiba Prefecture (often called "Tokyo Narita"), and Tokyo International Airport (commonly known as "Tokyo Haneda"), just south of central Tokyo. Attractive areas for U.S. exporters in the greater Tokyo area are environmental technologies, information and communications technologies, medical equipment and healthcare services, biotechnology, financial services and the lifestyle market. Tokyo's selection as the host city for the 2020 Summer Olympic and Paralympic Games also creates numerous business opportunities for U.S. companies.

#### **Kansai**

Japan's Kansai region lies in the west-central part of the main island of Honshu, and is made up of the following seven prefectures: Mie, Nara, Wakayama, Kyoto, Osaka, Hyōgo and Shiga. With a land area of roughly 13,000

square miles, a population exceeding 20 million and an economy of nearly \$1 trillion, Kansai is an economic powerhouse and an essential segment of the Japanese market. The region is anchored by Osaka, a vast metropolitan area second only to Tokyo in scale, and includes the major port city of Kobe as well as two historically significant political and cultural treasures in Nara and Kyoto.

Kansai's economic base is diverse, including electronics, food, pharmaceuticals, biotech, chemicals, textiles, and other vibrant industries. In GRP terms, Kansai by itself would rank as the world's 16th largest economy (between Mexico and Indonesia) and the fifth largest in Asia (behind, China, Japan, India and Korea). The region leads Japan in the production of lithium-ion batteries, medicinal drugs and solar cells. Its SMEs also hold world market share in products as diverse as gear measuring machinery, parts for nuclear power plants, and barber chairs. Kansai is home to some of the world's best known corporations, such as Daihatsu (automotive), Daikin (air conditioning units), Asics (footwear), Kawasaki Heavy Industries (transportation manufacturing), Kyocera (ceramics), Montbell (outdoor gear), Omron (electronic components), Panasonic (electronics, home appliances), and Suntory (whiskey and beverages), Capcom (video games), Mizuno (sporting goods), Shimano's (bicycle parts and fishing equipment), and Takeda (pharmaceuticals).

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

Kansai's extensive infrastructure includes railway networks of the bullet and regional trains that connect Osaka, Kobe, and Kyoto to all parts of the country, as well as three major airports that link the region to multiple domestic and international destinations. Several airlines offer daily direct flights between Kansai International Airport (KIX) and Los Angeles (LAX) and San Francisco (SFO), providing travelers with additional options to travel to and from the United States. Lastly, the region has two of Japan's busiest maritime ports in Osaka and Kobe that serve as an important hub for East Asian trade throughout the Pacific, as well as passenger and car ferry options throughout Japan.

As for urban developments, a joint venture of 15 developers, including Mitsubishi Estate, Orix Real Estate and Takanaka Corp., recently announced that they were designated to develop the 2nd phase of the 59-acre Ume-Kita area in Osaka. This is the last planned urban development project, a unique residential and business activity hub, located at Osaka's central railway station. The construction will start in fall 2020 and will open in 2024. The first phase of the Ume-Kita area, known as Grand Front Osaka, was completed in 2013. With recently approved legislation allowing for integrated resort (IR), Osaka is currently the front runner location for the site of a future IR, with potential for integrated gaming, hotels, convention facilities, entertainment, as well as potential luxury retail and dining.

Kansai, as the cultural and historical heart of Japan, is home to five UNESCO World Heritage sites. Six of the top seven prefectures, in terms of government-designated "national treasures" are located in the region starting with Nara, which at one point served as the eastern end of the Silk Road and boasts the most national treasures, including Japan's largest sitting Buddha statue. Kyoto is Japan's old capital and religious center renowned for its many ancient shrines, temples, and beautiful gardens. Wakayama is known for its great hiking and onsen hot springs, as well as the centuries-old mountaintop Buddhist temple complex of Koya-san which is considered one of Japan's most intensely spiritual places.

Kansai is also home to a vibrant "foodie" scene, and the area is often referred to as Japan's "kitchen". Local dishes offer everything from Osaka's takoyaki (fried octopus and dough fritters) and okonomiyaki (a savory pancake stuffed with sliced cabbage) to Kobe's famous wagyu beef and the refined cuisine of Kyoto. For sports lovers, the region is a go-to destination in baseball-crazy Japan and home to two professional baseball teams,

the Hanshin Tigers and the Orix Buffaloes. Between sumo wrestling, soccer, and a plethora of other spectator sports, there is something for all sports lovers in Kansai.

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

## **Chubu**

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

Central Japan's economy centers on "monozukuri," or "making things," and the region boasts large shares of Japan's manufacturing sectors. For example, Central Japan's share of transportation sector manufacturing is 45%. It hosts the headquarters or main factories of world-class manufacturers in autos and motorcycles (Toyota, Honda, Mitsubishi, Suzuki, Yamaha), auto parts (Denso, Aisin), aerospace (Mitsubishi Heavy Industries, Kawasaki Heavy Industries, Subaru), resin materials (Toray), machine tools (Mazak, Okuma, DMG Mori Seiki), power tools (Makita), ceramics (Noritake, NGK Insulators, NGK Spark Plug, Ibiden) and office automation (Brother). Additionally, thousands of supporting suppliers make this one of the top industrial clusters in the world.

The region accounts for one quarter of Japan's industrial output and 13% of its GDP. Aichi Prefecture (pop. 7.5 million) is the political, economic, and transportation center of the region, and has ranked number one in shipments of manufactured goods every year since 1977. The U.S. Consulate Nagoya is located in the city of Nagoya (pop. 2.3 million), the prefectural capital.

Central Japan's keystone auto industry is accelerating the development and production of "green cars" (low fuel consumption and emission vehicles). Toyota introduced a newly developed fuel cell vehicle (FCV) in 2014 — the "Mirai" ('future') — which the world's biggest automaker is touting as the ultimate green car because FCVs produce no CO2 emissions. Toyota produced about 3,000 Mirais in 2017, up from 700 in 2015. The government of Aichi Prefecture, where Toyota is headquartered, is aggressively supporting the development of next-generation automotive technologies. It subsidizes about one-fourth of the construction cost of new hydrogen stations, of which 21 are currently in operation around the prefecture, and has been forward-leaning in allowing developers to test self-driving vehicles on public roads. Toyota and its suppliers in the region are significant investors in the U.S. economy: in January 2018, Toyota unveiled plans to open its 11th U.S. assembly plant, in Huntsville, Alabama.

More than half of Japan's 1.4 trillion yen aerospace sector is based in Central Japan, where factories operated by Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Subaru collectively produce 35% of the Boeing 787 Dreamliner. The three manufacturers are currently supplying parts to build 12 Dreamliners per month and plan to ramp up production to 14 by 2019. Boeing has over 669 back orders for the 787 as of June 2018. A dozen U.S. suppliers are partnering with Mitsubishi Heavy Industries to develop Japan's first jetliner, the 70-90 passenger Mitsubishi Regional Jet (MRJ), which completed its maiden flight in November 2015 and is being flight tested in Washington State to obtain certification from U.S. aviation authorities. Commercial delivery is scheduled for the second quarter of 2020. Mitsubishi Heavy Industries believes demand for this type of mid-range aircraft will continue to increase in coming years. In December 2011, the Japanese government designated the region as a Special Economic Zone for promoting the aerospace industry. The program includes a free trade zone, investment incentives, and the creation of a national center for research into composite materials. The program brings together 73 municipalities from five prefectures and more than 200 companies and associations, including small enterprises as well as major corporations.

The defense industry is also strong in Central Japan. Mitsubishi Heavy Industries is partnering with American firms such as Lockheed Martin and Raytheon to develop and produce fighter planes and missiles. The Japanese manufacturer started assembling F-35s under license at its Komaki South Plant in December 2015, the first of which was delivered to the Japan Self Defense Force in January 2018. In October 2012, the region hosted Asia's largest aerospace trade show, "Japan Aerospace 2012" which featured a total of 665 aerospace-related firms and organizations from over 32 countries. Sixty U.S. companies exhibited the largest number outside of Japan. About one third were housed in a Foreign Commercial Service-supported pavilion, with five obtaining \$3 million in sales and partnership agreements during the show. More recently, the city was the venue in September 2017 for Aeromart Nagoya, which brought together 325 aviation companies from 20 countries. Aeromart Nagoya will be held again in September 2019.

Though none of its facilities was damaged during the March 2011 Great East Japan Earthquake, Chubu Electric Power Company (CEPCO) was ordered by the Government of Japan to shut down the only nuclear plant in Central Japan as a precautionary measure. The plant, located along the coast of Shizuoka Prefecture, remains shuttered today. CEPCO, Central Japan's largest utility company, has taken steps to enhance earthquake and tsunami safety — including the construction of a 22-meter-high seawall — but continuing anti-nuclear sentiment has cast doubt on the possibility of a restart. The utility is, therefore, focusing on cutting costs and securing alternative sources of energy. CEPCO has been importing U.S. liquefied natural gas (LNG) from a terminal in Cameron, Louisiana, since January 2017 through a joint venture with Tokyo Electric Fuel and Power, and it is also planning to build a highly efficient coal-fired power plant slated to begin operation in 2021.

Central Japan's economy should get a boost from arrival in Nagoya in 2027 of a maglev that will link the city to Tokyo at speeds of up to 300 miles per hour. The Central Japan Railway Company started construction on the Chuo Shinansen (Central New Trunk Line) in December 2014. When completed, the maglev will reduce Nagoya-Tokyo travel time from 100 minutes to just 40. The \$50 billion (5 trillion yen) line will reach Osaka by 2037.

## **Kyushu**

The Kyushu/Yamaguchi region of southwestern Japan consists of seven prefectures on Kyushu Island (Fukuoka, Oita, Saga, Nagasaki, Kumamoto, Miyazaki, Kagoshima) and Yamaguchi Prefecture on the southern tip of Honshu, with a combined population of about 14.5 million. The region's roughly \$450 billion economy constitutes Japan's fourth largest economic center, representing about 10% of national GDP, which makes it one of the thirty largest economies in the world (larger than either Austria or Thailand). This region is traditionally known as Japan's gateway to Asia and enjoys extensive historical, cultural, and trade ties with continental Asia, particularly South Korea, China, Southeast Asia, and Taiwan. The United States is the region's second largest export market and a top-ten import market, but Kyushu is becoming increasingly integrated into the East Asian regional economy.

Kyushu is often called "Silicon Island," "Car Island," "Food Island," "Hot Springs Island," and "Solar Island." The region accounts for 29% of Japan's total production of semiconductors and IC chips by value. Northern Kyushu also boasts over 14.7% of Japan's automobile output, up from 5% in 2000, with Toyota, Nissan, and Daihatsu operating state-of-the-art final assembly facilities, and Honda's advanced motorcycle plant. Kyushu's agricultural sector produces 20% of Japan's agricultural output and ranks first in Japan in livestock output (about \$6.9 billion in 2016). Demographic trends have led to a decreasing reliance on family farms and the number of corporate farms has more than quadrupled since 1995. The region accounts for about 20% of solar module production, and also includes important industries such as steel manufacturing and ship-building. Japan's two space-launch facilities are located in Kagoshima Prefecture. International tourism to Kyushu has been a driver of growth in recent years, with foreign arrivals doubling since 2014. Hakata and Nagasaki Ports, both in Kyushu, were the two top seaports for international passenger arrivals in Japan in 2016 and two other

regional ports have launched public-private partnership plans to vastly expand their cruise ship infrastructure capacities. As of 2015, Kyushu has approximately 250 offices of America-related companies (excluding hotels, airlines, retail outlets, insurance and food services) with almost half of these in the pharmaceutical and medical fields.

With a still growing population of 1.5 million, Fukuoka City is the economic, educational, and cultural center of Kyushu. While manufacturing and agriculture are prevalent in Fukuoka Prefecture's surrounding areas, the city's economy is service-based, with many large retail outlets and regional headquarters offices for banking, insurance, and real estate. The city enjoys an excellent transportation infrastructure, including Kyushu's principal international airport with access to much of Asia and direct flights to Hawaii and Guam; ferry services to South Korea; and the Shinkansen bullet train hub that links Kagoshima to Tokyo. Fukuoka City has a dynamic business environment with the highest rate of "start-up" companies in Japan (following Sendai where post-tsunami recovery efforts continue), and was selected in 2014 by the Abe Administration for the creation of a "special economic zone". This zone places an emphasis on facilitating new businesses and the employment of foreign workers, which has allowed regulatory relaxations including simplifying the investor visa process and a tax break for new firms. Kitakyushu City became the region's second special economic zone in 2016, emphasizing robotics and innovation for elder and nursing care.

The quality of universities in the region is high, with many institutions engaged in technological and energy-related research projects. Fukuoka and neighboring Saga Prefecture are increasingly hosting headquarters support and call centers for major Japanese corporations due to the relative seismic stability of the area and low tsunami threat, along with lower operating costs. Agriculture and fisheries are predominant in central and southern Kyushu, with many Small and Medium Sized Enterprises (SMEs) and smaller manufacturing industries. Kumamoto Prefecture was hit by a devastating earthquake in April 2016 but is rapidly rebuilding private and public infrastructure, and its recovering economy has prompted growth in many industries. In Yamaguchi Prefecture, agriculture and fisheries predominate on the northern Sea of Japan side, with industry (including heavy manufacturing) concentrated on the southern Seto Inland Sea coast, where maritime transportation links are strong.

The U.S. Consulate in Fukuoka has been actively assisting U.S. businesses and promoting their interests in the region for over 65 years, helping identify the many promising opportunities this region offers. With its long history of openness to foreign influences, the Fukuoka area has an established reputation as a useful test market for new consumer products, services, and retail concepts before they are expanded to wider areas of Japan. Major U.S. companies have established research and production facilities in electronics, computers, and medical devices, and are also active in architecture, design and construction, energy, insurance, and finance. A sector of growing interest is environmental products and services. Good export prospects exist in many other sectors, including building materials, medical equipment, and health care products. U.S. and foreign companies in the region have indicated some challenges in the business registration and set-up process, an issue which the Fukuoka City government is helping to address through the special economic zone framework. Business in the district is predominantly conducted in Japanese, with relatively few advanced English speakers compared to other major metropolitan areas such as Tokyo and Osaka.

## **Hokkaido/Tohoku**

Northern Japan consists of Hokkaido and six prefectures of northern Honshu (collectively known as "Tohoku"): Aomori, Akita, Miyagi, Iwate, Fukushima, and Yamagata. Together they comprise roughly one-third of Japan's landmass and one-ninth of its population. Hokkaido had a population of approximately 5.28 million (as of May 2019) and Tohoku had a population of approximately 8.84 million (as of February 2019). The Gross Regional Product (GRP) for Hokkaido is approximately \$189 billion (Source: Hokkaido Prefectural Government Economic Department February 2019) and the GRP for Tohoku is approximately \$339 billion (Source: Tohoku

Bureau, Ministry of Economy Trade & Industry Regional Statistics 2018). Hokkaido, located roughly 500 miles north of Tokyo, is Japan's northernmost island.

These prefectures comprise Japan's agricultural heartland, with large-scale and diverse farming, including dairy and livestock, in Hokkaido, and highly-prized rice growing in Akita and Miyagi Prefectures in Tohoku. Hokkaido's agricultural output was about \$12.7 billion, which accounted for 13.6% of national agricultural output. Hokkaido is the number one producer of wheat, potatoes, soybeans, legumes, onions, sugar beets, fresh milk and racehorses in Japan. Despite Hokkaido's agricultural importance to Japan, primary industries (agriculture, fisheries, and forestry) only account for 4.3% of Hokkaido's gross product. Hokkaido's 35,800 farming households in 2018 are half as many as in the 1990s, and this number continues to shrink. And while Hokkaido's farmers' average age is less than in the rest of Japan, 41.2% are over the age of 65, and this number continues to increase. (Source for this paragraph: Hokkaido Prefectural Government Agricultural Department, October 2018).

Hokkaido's tertiary industries (i.e. wholesale, retail, and service industries) account for 78.1% of the region's economy, which is higher than the national average, due to Hokkaido's thriving tourism industry. 2.79 million foreign tourists visited Hokkaido in 2017, accounting for about 9.4% Japan's total of 29.7 million. The majority of foreign tourists come from China, Taiwan and Korea. In recent years, the number of foreign tourists from Hong Kong and Thailand have been increasing. (Source: Hokkaido Prefectural Government Tourism Bureau & Economic Department, October 2018) Hokkaido has also long depended on public works projects, with the construction industry accounting for 7.0% of gross regional product, which is 1.5% larger than the national average. Hokkaido's manufacturing sector accounts for only 10.3% of gross regional product, which is about half the national average. (Source for this paragraph: Annual Statistics of Hokkaido Prefectural Government, May 2018)

Tohoku, on the other hand, has succeeded in attracting manufacturing plants in sectors such as auto assembly, auto parts, electronic components, devices and circuits, and ICT (Information & Communication Technology) equipment. Tohoku's manufacturing accounted for 17.8% of regional output, with agriculture at 2.5% and construction at 10.5%. (Source: Tohoku Bureau, Ministry of Economy Trade & Industry Regional Statistics 2018)

Seven years after the March 11, 2011, Great East Japan Earthquake and Tsunami (locally named "3.11"), Japan's efforts focus on long-term development and establishing a sense of permanency for impacted communities. Nevertheless, recovery costs and the disposal of radioactive waste from the severely-damaged Fukushima Daiichi Nuclear plant still loom as open-ended challenges. Communities all over Tohoku are also struggling with accelerating population decline and longer-term economic viability.

Preparation for the Tokyo Olympics & Paralympics in 2020 has exacerbated the already existing labor shortage for ongoing disaster reconstruction projects in Tohoku. In addition to a lack of construction workers, the shortage of technical personnel, especially civil engineers, has inflated construction sector wages not only in Tohoku, but also throughout Japan. Moreover, the recent depreciation of the yen has led to higher costs for imported construction materials and has forced many building project plans to be altered. But even bigger than the challenges of physical reconstruction, Tohoku faces underlying social challenges that plagued the region before the disaster and have accelerated after it--namely depopulation, regional economic revitalization, and determining an appropriate mix of energy sources. While each challenge has distinct physical manifestations, none has a clear path forward and will have implications that extend beyond Tohoku to the rest of Japan.

The majority of Japan's nuclear power plants remain offline after the 3.11 disaster, and the GOJ intends to increase the share of renewable energy generation. Japan began to liberalize its estimated 8 trillion yen (\$67 billion) household electricity market in April 2016. Since then, private sector companies, including regional gas companies, are able to more easily enter the market and Hokkaido has ranked third among regions in Japan

for consumers choosing to switch electricity providers. Companies with expertise and related technologies may well find business opportunities in Tohoku and Hokkaido because both regions are blessed with rich renewable energy resources, including strong wind for wind turbines (including both inland and offshore), vast, sunny fields for solar projects with fuel cell storage, geothermal resources, biomass potential, and small-scale hydraulic power systems along agricultural irrigation ditches.

Tourism and related industries are also positioned as an important source of economic growth in both Hokkaido and Tohoku. Both regions host many festivals year-round, with varied themes such as foods, culture, fireworks, dancing, and rock music, which attract millions of domestic and foreign visitors. Multi-national goods and services, including internet-based services (i.e. Trip Adviser, Yelp, Air B&B) that could assist national and international visitors to Hokkaido and Tohoku regions could capture some of this market.

New Chitose Airport in Hokkaido has ample capacity for air passenger and cargo traffic. Increasing numbers of regularly-scheduled and charter flights by Japanese and foreign Low Cost Carriers (LCC) are boosting traffic at New Chitose Airport, Sapporo's main airport. The operations of seven of Hokkaido's fourteen airports, including New Chitose, will be privatized in 2020. The bidding process will start in summer 2018, and already several companies have shown interest in forming consortiums for bidding, including French and Spanish companies. Sendai International Airport in Miyagi Prefecture was privatized in July 2016, and began turning a profit while serving a record 3.4 million passengers in the first year. They are trying to better connect airport to other transportation means to make it as gate way to Tohoku's other regions to further enhance the airport use. Although the number of foreign tourists in Tohoku has returned to pre-3.11 level in 2015, Tohoku has the least amount of foreign tourists in Japan. To overcome the situation, its six prefectures and local municipalities are working together to promote the Tohoku region as whole, pooling budget and human resources to attract more foreign visitors mainly from Asia.

In March 2016, Shinkansen (bullet train) service reached Hakodate in southern Hokkaido, passing from Japan's main island of Honshu via the Seikan Tunnel under the Tsugaru Strait, the longest undersea tunnel in the world. Further Shinkansen construction is underway, with the intent to connect Hakodate to Sapporo, by 2035. The Hokkaido Prefectural Government, together with various local economic entities, have been lobbying the national government, and in particular the Ministry of Land, Infrastructure, Transport and Tourism, to shorten the construction period, with hopes of hosting the 2030 Winter Olympics and Paralympics and accelerating regional economic revitalization.

## **Okinawa**

Okinawa – Japan's only subtropical region and its southernmost prefecture – comprises 160 islands (40 inhabited) stretching over 623 miles from mainland Japan to Taiwan, but its 1.4 million people and \$37 billion economy are concentrated on the largest island, also called Okinawa. Although Okinawa's market is relatively small by Japanese standards, there are significant opportunities for U.S. businesses, in part due to Okinawa's history as a U.S.- administered territory from 1945-1972 and the continued U.S. military presence in Okinawa. Okinawans are open to imported goods and are already familiar with many American products and American food culture. Okinawa has the second highest population growth rate and its workforce is the youngest in Japan. Average wages are among the lowest nationwide. Okinawa offers a wide range of subsidies and tax incentives for investors and employers.

Because of Okinawa's unique history and current economic circumstances, the central government provides an annual subsidy to promote the prefectural economy. In FY2019, the amount was approximately \$2.8billion, of which \$1.3 billion was in public infrastructure projects, including port upgrades and the continuing construction of a second runway at Naha International Airport.

Tourism is Okinawa's major economic activity. In 2018, the total number of tourists who visited Okinawa increased 9.2% to 9.6million from 8.8 million in 2018 due to new foreign airline routes, public-private tourism

promotion strategies, and relaxed visa requirements for Chinese tourists. In addition, of all Japanese destinations, Okinawa had the most cruise ship visits from Taiwan, China, Hong Kong, and other parts of Japan in 2018. As a result, the number of non-Japanese tourists increased 26.4% percent to 2.7 million in 2018, compared to 2.1 million in 2018. Tourism-related revenue reached \$6.5 billion in 2018, which is also the record high.

The Okinawa Prefecture Government (OPG) expects continued growth in tourist numbers and revenue. Okinawa pledged to improve tourism infrastructure with the goal of attracting 12 million tourists annually by 2021. Ongoing construction of Naha Airport's second runway is expected to be completed before the Tokyo Olympics in 2020. In 2019, Naha Airport opened a new terminal building that links the international and domestic terminal buildings. The second runway and new terminal is expected to accommodate 158,000 aircraft departures and arrivals per year. Shimojijima Airport opened in Miyakojima, the most populous of Okinawa's outer islands, in March 2019. The airport has announced a target of 300,000 passengers annually by 2021, and in addition to domestic flights, Hong Kong Express has direct flights to Hong Kong. The OPG is seeking to bolster its medical tourism industry. In 2014, Okinawa announced plans to create an Okinawa health and medical hub on returned U.S. military land. The hub will include a hospital, an infectious disease research center, and a new pharmaceutical development facility. The Government of Japan budgeted \$8 million for a feasibility study and a promotional campaign. Some experts assess, however, that the development of the Okinawa health and medical hub will be hampered by a lack of trained medical researchers.

The prefecture welcomes foreign investment. In 2014, the OPG formed an economic strategy committee to encourage commercial and tourism partnerships throughout East Asia under the Okinawa Prefecture Asian Economic Strategy Initiative. The OPG does not keep data on foreign investment. The OPG has satellite offices in Taipei, Hong Kong, Shanghai, Beijing, Seoul, Singapore and Fuzhou to facilitate economic exchanges by providing information on the business environment and investment incentives available to international investors. OPG has established five core strategies to target the Asian market, including: development of logistics, creation of communication and information hubs, formulation of an aviation-related industry cluster, construction of world-class resorts, and promotion of manufacturing. These strategies complement the Okinawa 21 Century Vision, the prefecture's promotion plan through 2021. The prefecture envisions a role bridging Japan and Asian countries, taking advantage of Okinawa's central location in East Asia.

Although public sector spending and tourism dominate Okinawa's economy, government policy is encouraging diversification into information and communication technology (ICT). Over 450 ICT companies, some affiliated with American firms, have begun operations in Okinawa since 1990. These firms have created 29,379 jobs through 2018. By offering various tax incentives, such as a 40 percent reduction in corporate income tax and 15 percent investment tax credit, Okinawa aims to attract a total of 560 companies and create 42,000 jobs by 2021. In addition, Okinawa has fewer large earthquakes than other Japanese regions, and has become a popular location for business continuity and disaster recovery-related investment. Okinawa built a cloud data center that has the capability to store data of up to 18,000 servers. Okinawa also aims to become the ICT conduit for East Asia by connecting Japan and Asia via underwater cable to the existing Global International Exchange (GIX). OPG cosigned operation of the GIX cable to Okinawa Cross Head, a local ICT company, which has utilized Okinawa's link to the GIX cable to expand its business in Asia through a connection service that directly links Okinawa to Hong Kong, in partnership with international IT companies.

The Okinawa Institute of Science and Technology (OIST) Graduate University, a world-leading natural sciences graduate school, has an annual budget of about \$181 million. Part of OIST's mission is to contribute to the economic growth of Okinawa by conducting scientific research and attracting research institutions and venture businesses to Okinawa. In 2018, OIST launched a Startup Accelerator Program to recruit entrepreneurs from Japan and abroad to develop startup ideas in areas such as agriculture, health product and medical device-

related sectors. In addition, in 2019, OIST also opened Innovation Square Incubator facility to support seed-stage startup companies that wish to collaborate with OIST collocated on the campus.

Okinawa's Naha International Airport is just two to four hours from major Asian hubs such as Haneda, Narita, Osaka, Kitakyushu, Shanghai, Hong Kong, Bangkok, and Singapore. Cargo operations at the airport go on 24 hours a day. In 2009, All Nippon Airways (ANA) took advantage of Okinawa's central location in Asia to establish an international cargo hub. Since then, cargo volume has grown one hundredfold. Naha International Airport now handles the 5th-largest volume of international air cargo in Japan. In addition, MRO Japan, which is a group company of ANA Holdings, established an aircraft Maintenance, Repair, and Overhaul (MRO) facility for low-cost carriers at Naha International Airport in January 2019.

Government policies continue to support investment in renewable energy systems. The "Okinawa Smart Energy Island Infrastructure Project" facilitates large-scale introduction of renewable energy sources, particularly photovoltaic solar and wind power. The 100kW ocean thermal energy conversion (OTEC) demonstration plant on the island of Kumejima and the smart grid demonstration center opened on the island of Miyakojima in 2013.

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

## **Market Opportunities**

### Why do business in 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 \$43,118 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 \$13 billion in 2018. 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.
- Japan's role as host of the 2020 Olympic and Paralympic Games may present related opportunities for U.S. firms as economic activity expands in anticipation of the Games.
- Japan's strategic alliance and deep economic integration with the United States 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.

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

### Economic Policy and International Trade

Prime Minister Abe’s economic revitalization plan (“Abenomics”) consists of a three-pronged strategy that combines expansive fiscal policy, monetary easing, and structural reform with the aim of lowering corporate taxes, increasing wages, and increasing consumption. Japan has gradually reduced its support to the agricultural sector, but structural change and productivity growth remain limited.

### 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

### Recent Developments

Japan’s economy has enjoyed steady albeit slow growth since Prime Minister Abe came to power in 2012. Starting in December of that year, Japan has seen the longest economic expansion since the end of World War II. But consistent and sustained growth may continue to be a challenge as Japan deals with large government debt and a declining and aging population. Decreasing exports, especially to China, as well as the scheduled October 2019 consumption tax hike (from 8 to 10 percent), are other headwinds.

Entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the successor to TPP without the United States, in December 2018, as well as the Japan-EU Economic Partnership Agreement in February 2019, has placed some U.S. exporters at a competitive disadvantage, particularly in agriculture. In April 2019, the United States and Japan began the first in a series of negotiations toward a bilateral trade agreement (U.S.-Japan Trade Agreement, or USJTA). Those talks are ongoing. The United States has stated its interest in a comprehensive agreement. Discussions to date have been on goods, including agriculture, as well as the need to establish high standards in the area of digital trade.

### Key Facts

- National Capital: Tokyo
- Population: 126.2 million (May 2019)
- Land Area: 364,485 sq. km
- GDP (official exchange rate): \$4.96 trillion (2018)

- Real GDP Growth: 0.9 % (2018)
- GDP per Capita (Purchasing Power Parity): \$43,118 (2018)
- Household Consumption Percent of GDP: 55.5% (2017)
- Unemployment Rate: 2.4% (May 2019)
- Key Industries: among world's largest and most technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, and processed foods
- Exports: \$814.7 billion (2018)
- Leading Export Destinations: Leading Sources of Imports: China 19.5%, U.S. 19.0%, South Korea 7.1%, Taiwan 5.7 % Hong Kong 4.7% (2018)
- Value of Imports: \$827 billion (2018)
- Major Import Categories: Petroleum, liquid natural gas, clothing, semiconductors, coal
- Leading Sources of Imports: China 23.2%, U.S. 10.9 %, Australia 6.1%, Saudi Arabia 4.5%, South Korea 4.3% (2018)
- Global Trade in Goods Balance: \$11.2 billion (2018)
- Global Services Balance: -\$7.2 billion (2018)
- U.S. Exports to Japan: \$121.1 billion (2018)
- U.S. Imports from Japan: \$179.1 billion (2018)
- U.S. Trade Balance with Japan: -\$58.0 billion (2018)

## Market Challenges

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

- Japan-specific standards and testing requirements
- Import license requirements
- Restricted or prohibited imports
- Temporary entry of goods
- Certifications
- Labeling requirements
- Long term local partner/distributor relationship issues and expectations
- High context business relationships and procedures

## Web Resources

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

[U.S. Department of Commerce, Travel and Tourism Office \(https://travel.trade.gov/\)](https://travel.trade.gov/)

[CIA - The World Factbook](#)

[Trade Stats Express, U.S. Dept. of Commerce](#)

[U.S. Census Bureau, Foreign Trade Statistics](#)

[U.S. Relations with Japan Fact Sheet, State Department](#)

[Library of Congress Japan Country Study](#)

[2019 World Economic Outlook Database, The International Monetary Fund](#)

[2019 Country Profiles, Economist Intelligence Unit](#)

[Government of Japan Statistics Bureau](#)

[World Trade Organization](#)

[World Economic Outlook Database, October 2019, The International Monetary Fund](#)

[Japan Customs](#)

[Office of the United States Trade Representative](#)

## Leading Sectors for US Exports & Investments

### Aircraft and related parts, equipment & services

#### Overview

Unit: USD millions

	2016	2017	2018	2019 (estimated)
Total Local Production	15,111	15,281	16,105	16,105
Total Exports	10,731	10,241	11,005	11,005
Total Imports	13,556	12,284	15,571	15,571
Imports from the US	9,691	8,216	10,217	10,217
Total Market Size	17,937	17,324	20,670	20,670
Exchange Rates: 1 USD	108.66	112.10	110.40	110.40

(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

Notes: 2019 estimates are based on projections provided by the Society of Japanese Aerospace Companies (SJAC). SJAC forecasted that industry sales will remain stable for the next few years.

Japan continues to offer a lucrative market for imported aircraft, aircraft parts, and engines. U.S. firms have an overwhelming presence in the market due to long-standing relationships, some spanning over 60 years, with domestic manufacturers and trading firms. U.S. firms are presented with opportunities in the market as the Japanese industry undertakes international projects, develops transport and patrol aircraft for defense, and develops small jets and small jet engines for civil aviation.

In the civil aircraft market, Japanese manufacturers such as Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Subaru (former Fuji Heavy Industries), supply about 35 percent of the content for the Boeing 787 and 21 percent of Boeing 777. Thus, the aerospace business on the commercial side is influenced by the success of Boeing programs.

MHI established Mitsubishi Aircraft Corporation (MAC) in April 2008 to undertake the design, type certification, procurement, sales and marketing and customer support for the Mitsubishi Regional Jet (MRJ). The firm announced in May 2019 that it will be dropping its own name from the aircraft, and the MRJ will assume the name "Space Jet" to reflect a more global vision for the previously Japan-centric business. In June 2019 the firm will announce the details of their reworked project. Sixty percent of the MRJ's components are

currently supplied by U.S. companies. According to press reports, there are plans to increase the use of U.S. suppliers for certain parts to cut costs, aiming to make price a selling point along with fuel efficiency. MAC is conducting flight tests for the aircraft in the U.S. and is considering production in the U.S. as well. The first delivery of the regional jet is currently scheduled mid-2020. The firm is reportedly going to announce a dramatic redesign to create a smaller 70-seat-class model, in addition to the 90-seater.

### **Leading Sub-Sectors**

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

### **Opportunities**

MAST Asia (Maritime/Air Systems and Technologies) Chiba, Japan

Location: Chiba

Dates: June 17-19, 2019

Website: <https://mastconfex.com/asia2019/>

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.

Aeromart Nagoya

Location: Nagoya

Dates: September 24-26, 2019

Website: <http://nagoya.bciaerospace.com/en/>

Description: Aeromart Nagoya, an event that offers BtoB Meetings in the aerospace industry, is a great opportunity to make new business connections and strengthen existing ones in Japan.

DSEI Japan

Location: Chiba

Dates: November 18-20, 2019

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

Description: Venue to connect the global defense industry and the Japanese defense community, to support the sourcing of the latest equipment and systems, develop international relationships and generate new business opportunities and partnerships between Japan and the world.

### **Web Resources**

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

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

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

## **Nuclear Decommissioning and Decontamination**

### **Overview**

In March 2011, when the Tohoku earthquake and tsunami triggered the nuclear accident at Fukushima Daiichi Nuclear Power Station, Japan was operating 54 reactors. In 2010, prior to the accident, Japan's nuclear energy was used to supply approximately 30% of the nation's electricity; as of June 13<sup>th</sup>, 2019, only nine reactors have been brought back online, with no additional reactors slated to come online by the end of 2019. Currently, 37 operable civil nuclear reactors exist in Japan. The nation's nuclear energy supply remains minuscule, and recovery is slow.

After the Fukushima accident in 2011, the newly-formed Nuclear Regulation Authority imposed what it called "the world's most stringent requirements" for nuclear reactors to resume operation. Nevertheless, public support for restarting nuclear power reactors remains low, as indicated by the latest Mainichi Shimbun's opinion poll in February 2018, that 48% were against and 32% were in favor of restarting the nuclear reactors.

Japanese utilities and government entities are under tremendous pressures and challenges, particularly given the country's lack of domestic energy resources. These range from public opinion to the financial strain to make up for lost energy supply and to cover the huge cleanup costs from the accident, as well as the ambitious renewable and clean energy goals that Japan hopes to achieve by 2030. Nuclear operators are challenged to restart their older reactors, some over 40-years-old. In addition, the monopolies that regional electric utilities enjoyed since 1951 have crumbled with the liberalization of electricity and gas markets. For these reasons, many operators are making decisions to mothball their nuclear reactors.

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

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

### **Leading Sub-Sectors**

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

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

#### **Decommissioning of other Commercial Reactors**

At least 19 commercial reactors are planned to be decommissioned in 40 years. The Tokai Power Station owned by the Japan Atomic Power Company (JAPC) is currently being decommissioned; however, the process is slow

and costly. The Japanese government is aware of such shortcomings and organized the first International Workshop on Decommissioning of Nuclear Power Plants in June 2017 to gain foreign perspective and expertise.

### **Decommissioning of Research Facilities**

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

### **Opportunities and Events**

In 2018, the U.S. Commercial Service Japan (CS Japan) hosted the U.S.-Japan Nuclear Decommissioning Workshop (April 11<sup>th</sup>) and co-hosted the U.S.-Japan Decommissioning Forum (August 7<sup>th</sup>) with the U.S. Department of Energy (DOE) and Japan's Ministry of Economy, Trade and Industry (METI). The two major events were geared towards decommissioning of ordinary reactors.

As for the damaged reactors and decontamination in Fukushima Prefecture, the U.S. Department of Commerce and DOE have organized a "Environmental Remediation Technologies Visit" in 2012 and Japan-U.S. forums on Fukushima recovery and decommissioning called the "Fukushima Forum" in 2014, 2015 and 2016.

In addition to the D&D-focused events, CS Japan conducts an annual one-on-one matchmaking business event called the "NOA Conference" where international procurement managers from all of Japan's regional Electric Power Companies (Hokkaido, Tohoku, Hokuriku, Chubu, TEPCO, Kansai, Shikoku, Chugoku, Kyushu, Okinawa EPCs, J-Power and JAPC) gather to meet with U.S. suppliers. Apart from NOA, CS Japan also provides fee-based services for individual U.S. firms that wish to pursue opportunities in the Japan market.

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

#### [The 4th International Forum on the Decommissioning of the Fukushima Daiichi Nuclear Power Station](#)

August 4-5, 2019

Tomioka Town and Iwaki City, Fukushima Prefecture

Organizer: NDF

#### [35th New Orleans Association \(NOA\) Conference](#)

May 2020

Tokyo

Organizer: U.S. Commercial Service Japan, U.S. Embassy Tokyo

### **Web Resources**

[Agency for Natural Resources and Energy](#)

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

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

[The Federation of Electric Power Companies of Japan](#)

[Japan Atomic Industrial Forum, Inc.](#)

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

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## Agricultural Sector

### Overview

The United States remained Japan's top supplier of agricultural products, with a 25% market share in 2018. In recent years, however, competition has increased from alternate suppliers such as China, Australia, Thailand, Canada, and Brazil. With the recent implementation of the CPTPP agreement and the EU-Japan Economic Partnership Agreement, competition is expected to further increase. In 2018, U.S. farm, forestry and fishery exports to Japan totaled \$14.7 billion, an 8.4 percent increase over 2017. U.S. exports of consumer-ready products reached \$6.6 billion, a year-on-year increase of 3.6 percent. That category's growth was driven mainly by increased Japanese purchases of U.S. beef, processed fruit, fresh vegetables, tree nuts, and pet food. At the same time, Japan's imports of U.S. intermediate products for further processing rose 8.6 percent to \$1.4 billion and imports of bulk commodities increased 16.4 percent to \$4.9 billion, driven by abundant U.S. corn supplies and a lack of global competition in 2018. For additional information, please visit the website of USDA's [Foreign Agricultural Service \(FAS\)](https://www.fas.usda.gov) at [www.fas.usda.gov](https://www.fas.usda.gov) or FAS's [Tokyo Office of Agricultural Affairs](https://www.usdajapan.org) at [www.usdajapan.org](https://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) (<https://www.fas.usda.gov/data/japan-exporter-guide-3>) or contact the Agricultural Trade Office in Tokyo at [ATOTokyo@usda.gov](mailto: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 Japanese population, as well as the decline in family size, increased participation of Japanese women in the labor force and declining marriage rate, 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 seeing their role in the Japanese diet gradually decline. 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 agri-business sector in Japan is very competitive and trade show participation is generally regarded as a good avenue for companies to learn about and gain exposure to the Japan marketplace. Two of the largest annual food-related trade shows in Asia are held each year in Tokyo: Supermarket Trade Show (in February) and FOODEX Japan (in March). In addition, a number of smaller, and more focused, shows target sectors such as the wine, organics, seafood and bakery industries. For more information, feel free to contact the Agricultural Trade Office in Tokyo at [ATOTokyo@usda.gov](mailto: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.

## 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 hospitals in 2017 was 34.4% and 43.6% respectively. 76.3% of hospitals with more than 400 beds have electronic medical records and 83.1% of them have electronic ordering systems. Due to rapid demographic changes and hospital shortages, demand for home nursing care is expected to grow.

Market size (USD million)

Year	2013	2014	2015	2016	2017
Total	4,800	3,953	3,798	3,556	5,463
Electronic Health Record	1,573	1,331	1,337	1,396	n/a
Ordering Systems	575	315	317	253	n/a
Medical Imaging Systems	449	409	376	356	n/a
Regional Cooperation Systems	78	52	54	41	n/a
Exchange Rate (JPY/USD1.00)	97.6	105.74	121.05	108.66	112.10

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/privacy and cloud computing will see increased market opportunities.

### **Opportunities**

#### [The International Modern Hospital Show 2019](#)

July 17-19, 2019

Tokyo Big Sight

#### [CEATEC Japan 2019](#)

October 15-18, 2019

Makuhari Messe

#### [Medical IT Expo 2019](#)

October 23-25, 2019

Makuhari Messe

#### [HOSPEx Japan 2019](#)

November 20-22, 2019

Tokyo Big Sight

#### [Pharma IT & Digital Expo 2020](https://www.cphi.com/japan/) (https://www.cphi.com/japan/)

March 16-18, 2020

Makuhari Messe

### **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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## Pharmaceuticals

### Overview

Unit: USD thousands

	2016	2017	2018	2019 (Estimated)
Total Local Production	60,960	59,958	61,959	60,720
Total Exports	1,617	1,489	1,426	1,483
Total Imports	36,310	30,671	26,008	26,528
Imports from the U.S.	6,313	6,484	5,202 (estimated)	5,306
Total Market Size	95,856	89,141	86,541	85,765
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 2018 are based on MHLW's monthly report.

Import figures from U.S. for 2018 are unofficial CS Japan estimates.

Figures for 2019 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 2018 totaled \$87 billion (down 4.4 percent from 2017 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 2018. 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 to over 60 percent based on sales among the top 20 makers in Japan in 2017. The market, especially for prescription pharmaceuticals, is projected to see a negative growth in coming years due to continued challenging pricing environment to contain healthcare expenditure. 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 2019-2024, 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 one of the most important destinations for U.S. and foreign innovative biopharmaceutical companies due to continued demands for drugs from Japan's aging population.

### 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, including cutting reimbursement prices for pharmaceuticals through the reimbursement price revision. Companies have expressed serious concerns that pharmaceutical pricing faces downward pressure for innovative products for several reasons: (1) a reduction in the scope of innovative pharmaceuticals covered by Price Maintenance Premium (PMP), a system implemented in 2010 which provided a predictable and stable pricing environment for innovative drugs thru the life of the patent; (2) a proposal to expand application of the cost-effectiveness assessment (CEA) system, and (3) a proposed shift from the biennial reimbursement price revision to the annual revision.

## **Leading Sub-Sectors**

### **Biotechnology**

Over the last thirty years, the estimated size of the Japanese biotech-based economy grew rapidly from \$224.7 million in 1986 (at the exchange rate of 110.40 yen to the dollar) to \$3.2 billion in 1991 and to \$32.0 billion in 2017. In 2018, it further grew by 3.7% to \$33.2 billion, according to the Nikkei Biotechnology & Business, a leading industry publication. Within the bio-tech economy, the healthcare/pharmaceutical industry segment is the largest sector with \$2.1 billion (or a proportionate weight of 63.3% of the total). Within that sector, therapeutic antibody drugs and biological drugs have been the two largest drivers for growth and this trend is expected to continue for the coming few years. Also, increased business opportunities around regenerative medicine and nucleic acid drugs have begun to emerge in 2017, following the enactment of two regenerative medicine related laws in late 2014. To further support Japan's biotech economy, the Ministry of Economy, Trade and Industry (METI) has been implementing programs to bolster Japanese medical ventures starting 2017. In 2018, the Ministry of Environment established basic strategy on dealing with plastic recyclable waste, particularly in light of the growing concerns with the oceanic contamination with plastic waste, which is expected to boost demands for bioplastic in the long run. Biotech-based economy/industry is an integral part of the Abe Administration's growth strategy as captured in the "Growth Strategy 2017 – Society 5.0".

## **Opportunities**

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

July 3 -5, 2019

Tokyo Big Sight

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

October 9 – 11, 2019

Pacifico Yokohama

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

February 26 - 28, 2020

Intex Osaka

[CPhI Japan \(http://www.cphi.com/japan/home/\)](http://www.cphi.com/japan/home/)

March 16 - 18, 2020

Tokyo Big Sight

## **Web Resources**

[Ministry of Health, Labor and Welfare \(MHLW\)](#)  
[Pharmaceutical and Medical Device Agency \(PMDA\)](#)  
[Pharmaceutical Research and Manufacturers of America](#)  
[The Japan Pharmaceutical Manufacturers Association](#)  
[The Federation of Japan Pharmaceutical Wholesalers Association \(JPWA\)](#)  
[Pharmaceutical and Medical Device Regulatory Science Society of Japan \(PMRI\)](#)  
[The Pharmaceutical Society of Japan \(PSJ\)](#)  
[Japan Generic Medicines Association \(JGA\)](#)  
[Japan Bioindustry Association \(JBA\)](#)

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## Liquefied Natural Gas (LNG)

### Overview

Japan is the largest LNG buyer in the world, importing approximately 83 million (82,853,829) tons in 2018, down 1% (778,015 tons) from 2017. Its import dollar value in 2018 is approximately \$42.8 billion (4.7 trillion yen) and represents approximately 27% of the world's total LNG trade transactions (310~320 million tons  $\approx$  421.6 Bcm<sup>3</sup>). Australia, Malaysia, Qatar, Russia and Indonesia are Japan's major LNG sourcing countries.

Since the United States began its LNG export in February 2016, 9.6% 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 10<sup>th</sup> largest supplying country. Japan is the 3<sup>rd</sup> 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

The Japanese LNG market is currently saturated and generally comfortable with having obtained the LNG volume it requires. In the early 2020's, however, it is possible that we will see tightening of the supply-demand balance, which will likely trigger an upsurge of spot prices. Such a tightening situation, according to a Japanese energy thinktank, derives from a sluggish Financial Investment Decision (FID) market in the recent past, in addition to the growing LNG demands from emerging countries such as China, India, Pakistan and Bangladesh. Yet, Japanese offtakers indicate that they are well prepared for the possible shortage and are confident in securing their required volume in mid and long-term, in part because they believe that many FID prospective projects exist for the offtakers to secure their future needs.

### Recent Market Trends (Japan's LNG import)

	2014	2015	2016	2017	2018
Total Local Production	0	0	0	0	0
Total Exports	0	0	0	0	0
Total Imports (million tons)	88.51	85.04	83.34	83.63	82.85
Total Imports (billion \$)	74.25	45.55	29.27	36.03	42.80
Imports from US (million tons)	253,291	157,119	0	954,438	2,494,095
Imports from US (million \$)	205	62	-	587	1,374
U.S Share (in tons)	0.29%	0.18%	0.00%	1.14%	3.01%
Total Market Size (million tons)	88.51	85.04	83.34	83.63	82.85
Exchange Rates (\$: JPY)	105.74	121.05	112.10	108.66	110.40

### Competitive Landscape

Japan's LNG Import (2018)	(tons)	(thousand yen)
Australia	28,702,344	1,677,796,188

Malaysia	11,265,533	610,577,314
Qatar	9,922,935	569,627,123
Russia	6,673,244	358,032,241
Indonesia	5,132,676	294,873,419
United Arab Emirates	4,976,631	298,172,461
Brunei	4,182,266	249,838,668
Papua New Guinea	3,143,896	190,203,941
Oman	3,075,790	160,140,938
U.S.A.	2,494,095	151,661,374
Nigeria	1,535,638	78,553,229
Peru	558,238	31,191,298
Angola	267,271	14,520,733
France	258,728	15,445,112
The Netherlands	137,586	8,855,892
Egypt	133,793	8,044,252
Equatorial Guinea	121,373	5,353,247
Trinidad and Tobago	116,168	6,800,513
Singapore	90,804	5,325,056
Norway	63,160	3,925,854
	<b>82,852,169</b>	<b>4,738,938,853</b>

### **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 3<sup>rd</sup> country infrastructure projects that source U.S. LNG.

#### **(a) Japanese Purchase of LNG produced in the U.S.**

In May 2018, the first shale gas-derived LNG cargo, which was produced by Cove Point LNG from Maryland, arrived at a facility in Yokohama. This was also the first long-term contracted U.S. shipment to Japan with the participation of Japanese companies such as Tokyo Gas Co., Ltd. and The Kansai Electric Power Co., Inc. Not having imported substantial U.S.-produced LNG in the recent past, Japan is now expected to import billions of dollars of U.S. LNG annually, which has the benefits of having no destination restrictions and not being linked to crude oil prices. The purchases will likely involve the major Japanese electric and gas utilities, with JERA expected to be the largest importer, as well as major Japanese trading firms such as Mitsubishi Corporation, Mitsui & Co., Ltd. and Sumitomo Corporation. 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 increase LNG exports to Japan.

#### **(b) Japanese Investment in the U.S. LNG Infrastructure**

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

### **(c) U.S.-Japan Collaboration on 3<sup>rd</sup> Country Infrastructure Projects that Source U.S. LNG**

Having already committed \$10 billion in 2017 to support LNG supply chain projects and provide 500 developing country officials with LNG training, Japan's economic minister Seko made further commitments in October 2018 to expand the LNG market an additional 50 million tons by providing financial support to emerging LNG liquefaction projects. Being the first country that developed LNG, Japan also announced it will support development of safety and technology standards, regulations and master plans to other LNG consuming countries.

### **Market Entry**

Japan's major LNG importers have signed long-term contracts with the Lower 48 States LNG exporters such as Dominion Energy, Sempra LNG & Midstream, and Freeport LNG. 2 U.S. projects such as Sabine Pass (owned by Cheniere Energy) and Cove Point (Dominion Energy) began their LNG export to Japan in 2018, and more export projects are expected to materialize in 2019.

Most of Japan's LNG imports are under long-term contracts with existing foreign suppliers, and these contracts are set to expire by 2021/2022. 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**

#### [LNG Producer-Consumer Conference 2019](http://www.lng-conference.org/english/index.html)

(<http://www.lng-conference.org/english/index.html>)

September 26, 2019

Tokyo

Ministry of Economy, Trade and Industry (METI), Asia Pacific Energy Research Centre (APERC)

#### [Gastech Exhibition & Conference 2019](http://www.gastechevent.com/)

(<http://www.gastechevent.com/>)

September 17-19, 2019

Houston, Texas

DMG Events

### **Web Resources**

[Agency for Natural Resources and Energy](#)

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

### **CS Japan Contact**

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## Cloud Computing

### Overview

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

As the leading cloud market in the Asia Pacific and Japan (APJ) region, Japan is poised for continued growth through 2018. BSA, The Software Alliance ranked Japan as the number two market in its 2018 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 \$6.0 billion – an increase of 27.2% over the previous year. Japan's private cloud services market size accounted for \$3.8 billion in total, which was an increase of 40.6% from the previous year.

Analysts project that from 2018 to 2023, the public cloud services market in Japan will grow nearly 20.4% annually. The market size is expected to grow to be approximately \$15.4 billion in 2023, which is 2.5 times of the market size in 2018. As for the prediction of private cloud services market size from 2017 to 2022, annual growth is expected to be 37.6%.

Driving this estimate is the increasing adoption of cloud services by Japanese small and medium-sized enterprises. Japan's cloud services market expansion is the product of direct private and public investment in ICT infrastructure and a commitment to cloud services by the government.

### Opportunities

[Japan IT week, Tokyo](#)

Fall: October 23-25, 2019

Osaka: January 29-31, 2020

Spring: April 8-10, 2020

[CEATEC](#)

October 15-18, 2019

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

[Inter BEE](#)

November 13-15, 2019

[SEMICON Japan, Tokyo](#) December 11-13, 2019

### 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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## Cyber Security

### Overview

As Japan prepares for the 2020 Tokyo Olympic and Paralympic Games, 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 2016 report by Japan's Ministry of Economy, Trade and Industry (METI) identified a shortage of IT professionals at 132,060, which is expected to increase to 193,010 in 2020. This shortage of capable engineers, cyber experts, and security managers have provided an opportunity for American firms that can offer a turn-key cybersecurity solution for small-and-medium-sized enterprises in Japan.

All market research indicates a very strong and rapid increase of sales in the Japanese cyber security market. International Data Corporation (IDC) Japan announced in 2018 that the domestic information security market in 2017 was \$2.7 billion and will increase by 25% to an estimated \$3.3 billion by 2022—\$2.2 billion for security-related software and \$0.6 million for hardware., NPO Japan Network Security Association announced in May 2018 that the size of the Japanese information security market was \$9.8 billion in 2017 and is estimated to be \$10.2 billion in 2018, and would reach \$10.7 billion in 2018.

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 sixth annual U.S.-Japanese Cyber-Security Dialogue conference was held in Washington, D.C. in July 2018. The purpose of this Dialogue is to exchange cyber-security information, align international cyber-security policies, compare national cyber-security strategies, cooperate on planning

efforts to protect critical infrastructure, and discuss cooperation in the areas of cyber-security and national defense.

From a military perspective, the U.S.-Japanese Cyber Defense Policy Working Group (CDPWG), established in October 2013 by the Japanese Ministry of Defense and the U.S. Department of Defense, continues to promote cyber-security cooperation between both countries.

### **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**

Cyber Security Conference, Cyber Security Center at Keio University  
Semi-Annual in Spring and Fall

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

October 15-18, 2019

U.S. Department of Commerce Certified Trade Fair

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

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

October 2-4, 2019

### **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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## Travel and Tourism

### Overview

In 2018, Japan was the fourth largest overall source of inbound travelers (and second largest overseas source) to the U.S., attracting 3.5 million visitors. The total number of Japanese outbound travelers in 2018 was 18.95 million. The U.S. continues to be one of the most popular destinations for Japanese visitors with an 18.4 percent market share in Japan. Japanese spending in the U.S. remained healthy with travel and tourism receipts totaling \$16 billion, fourth after China, Mexico and Canada.

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

On May 16, 2019, the U.S. Department of Transportation (DOT) tentatively allocated 12 slot pairs for daily scheduled services between the U.S. and Tokyo International Airport (Haneda) among four U.S. carriers. Pending completion of an aviation agreement between the U.S. and Japanese governments later this year, the flights are expected to begin service by the summer of 2020. DOT's preliminary decision is as follows:

- 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

In addition to these 12 slot pairs, another 12 slots pairs for the U.S. routes will be allocated to two Japanese carriers (JAL and ANA).

With this increase in the number of seats between the U.S. and Japan, now is an excellent time for the U.S. travel industry to promote their destinations and services in the Japanese market.

*Unit: millions of people*

	2016	2017	2018	2019 (Estimated)
Number of Outbound Travelers	17.12	17.89	18.95	19.10
Number of Outbound Travelers to the U.S.	3.58	3.60	3.49	3.52

*Data Sources:*

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

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

### Leading Sub-Sectors

#### Senior Travel Market

Within the Japanese outbound travel market, the senior travel segment shows especially good growth potential for U.S. firms and destinations. While the overall size of the Japanese population will slowly decrease, the number of people aged 60 and over is steadily increasing. Currently, one out of every four people in Japan is over the age of 65, which will be over 35 million people (of the total population of 127 million). The Japanese

senior segment, including the 6.3 million baby boomers born between 1947 and 1949, was strongly influenced by American music, film, and TV. As a result, these seniors, especially Japanese males, have a favorable impression of American lifestyle and culture. These individuals have time, money, and energy to spend on leisure travel, and are the best match for long-haul destinations such as the United States.

### Special Interest Tours (SITs)

While the majority of Japanese travelers still enjoy nature and scenery, shopping, gourmet, food, history and culture, some travelers have a more specific purpose in mind such as attending sporting events or engaging in favorite activities such as hobbies. In Japan, these tours are called Special Interest Tours, or SITs. These tourists are interested in traveling with others who share the same interests and have the potential to become repeat travelers. Japanese travel companies are eager to create SITs and are actively seeking potential themes.

The following are examples of themes that appeal to Japanese travelers:

- Spectator Sports such as baseball, basketball, soccer, golf and the Olympics
- Sports activities such as golfing, hiking, fishing, diving, skiing and marathons
- Art and cultural tours such as visiting museums and art galleries, and going to concerts and theaters
- UNESCO World Heritage Site tours
- Hobby tours such as quilting, photo-taking, drawing, and dancing
- Cruises

### Educational Travel

In Japan, almost all public and private schools including primary, junior high, and high schools organize school trips, including international trips, for their students. According to the Education Tour Institute, in the Japanese fiscal year 2017 (April 2017 to March 2018), a total of 156,413 high school students participated in overseas school organized travel with a total of 895 high schools. Within the 895 high schools, 202 schools went to the U.S. The U.S. is the number one overseas school travel destination in Japan. In fact, many high schools, specifically private high schools all over Japan organize some type of overseas educational travel including large-scale school trips, and voluntary small group trips with homestay and language training components.

## **Opportunities**

### [Brand U.S.A Pavilion at Tourism EXPO Japan 2019](#)

INTEX Osaka

October 24-27, 2019

## **Web Resources**

- [Brand U.S.A Japan Office](#)
- [Japan Tourism Agency / Ministry of Land, Infrastructure, Transport and Tourism](#)
- [Japan Association of Travel Agents \(JATA\)](#)
- [Japan National Tourism Organization \(JNTO\)](#)

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## Renewable Energy

### Overview

Japan is a top market for renewable energy products and services globally, ranked 2nd in the analysis conducted by the Department of Commerce in its 2016 Top Markets Series Report on Renewable Energy opportunities.

#### [2016 Top Market Report: Renewable Energy – Japan](#)

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

While the Japanese renewable energy market has always been significant, the decision to use policy incentives to adjust its energy mix meant that growth was all but assured. The Feed-in Tariff system (FIT) system was implemented in July 2012 to promote renewable energy deployment, and the generation capacity by renewable energy has increased steadily.

The Ministry of Economy, Trade and Industry (METI) is in charge of enforcing the laws and regulations for renewable energy in Japan. METI is also in charge of implementing the FIT and issuing certificates that make renewable energy projects for solar, wind, small-mid hydro, biomass and geothermal eligible for mandatory power purchase under the FIT system.

The FIT rates are re-examined and revised annually by the METI. The FIT rates for PV have been decreasing year by year, and this year the wind FIT was also reduced. In FY2017, a tender system was introduced for solar projects with a capacity above 2MW and some categories of biomass projects, and METI also decided to use a tender system for some fixed foundation offshore wind power projects.

In 2018, the Japanese government announced its long-term energy mix plan, which cemented renewable energy's status as a major energy source in the future while continuing to support nuclear power because of its zero carbon emissions. The most recent energy mix targets are to have renewable sources account for 22 to 24 percent (Hydro 9%, Solar 7%, Biomass 4-6%, Wind 2%) and nuclear 20 to 22 percent of electric power generation in fiscal 2030. While METI will continue to promote renewable energy, it will also pursue avenues to encourage renewable energy market independence from the FIT system. Recently, it is reported that METI has started reviewing its renewable energy support policies and discussing partially ending the current Feed-in Tariff system.

In sum, Japan has become one of the world's largest renewable energy markets, with significant growth projected well into the future.

#### Newly Installed Generation Capacity (at the end of December 2018)

*unit: Megawatt*

	Before FIT	After FIT						
	Accumulated capacity	Installed Capacity						
up to end of Jun. 2012	*FY2012 (Jul.2012-Mar. 2013)	*FY2013	*FY2014	*FY2015	*FY2016	*FY2017	*FY2018 (Apr.-Dec.)	

Solar (residential)	4,700	969.2	1,307.2	820.63	853.99	794.45	662.64	442.37
Solar (non-residential)	900	704	5,735.44	8,571.46	8,305.56	5,436.79	4,772.3	3,695.18
Wind	2,600	62.63	46.93	221.13	148.23	309.71	175.34	147.03
Hydroelectric	9,600	1.73	3.87	83.77	71.1	78.96	74.61	34.31
Biomass	2,300	30.4	91.94	101.6	293.97	333.02	409.21	259.91
Geothermal	500	0.05	0.09	4.65	5.02	4.79	6.5	1.67
Total	20,600	1,768	7,185.5	9,803.2	9,677.9	6,957.7	6,100.6	4,558.5
		46,051.4 MW (1,824,728cases)						

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

\*Japanese Fiscal year starts on April 1<sup>st</sup> and ends on March 31<sup>st</sup> of the next year

#### Feed in Tariff Rate (exclude tax)

**Solar PV** (procurement duration: 10 years for residential and 20 years for non-residential) *Unit: /kWh*

Category		FY2018 (4/1/2018- 3/31/2019)	FY2019 (4/1/2019- 3/31/2020)	FY2020 (4/1/2020- 3/31/2021)
Residential	< 10kW without PCS*	26 yen	24 yen	TBD
	< 10kW with PCS	28 yen	26 yen	TBD
Residential (double power generations system**)	< 10kW without PCS	25 yen	24 yen	TBD
	< 10kW with PCS	27 yen	26 yen	TBD
Non-residential	≥ 10kW and < 500kW	18 yen	14 yen	TBD
	≥ 500kW and < 2,000kW	18 yen	Tendering	TBD
	≥ 2,000kW	Tendering	Tendering	TBD

\*PCS = power controlling system, such as inverters

\*\*double power generation = power generation system that combines residential PV system and fuel cells

#### Wind (procurement duration: 20 years)

offshore wind power	*Fixed foundation offshore	36 yen	TBD
	Floating offshore	36 yen	
Land-based wind power	New install	20 yen	19 yen 18 yen
	Replace	17 yen	16 yen

\*move to tender system by the application of the Rules of Sea Area

**Small-Medium Hydropower** (procurement duration: 20 years)

installing fully new facilities	< 200kW	34 yen	
	≥ 200kW and < 1,000kW	29 yen	
utilizing existing head race channels	< 200kW	25 yen	
	≥ 200kW and < 1,000kW	21 yen	
installing fully new facilities	≥ 1,000kW and < 5,000kW	27 yen	
	≥ 5,000kW and < 30,000kW	20 yen	
utilizing existing head race channels	≥ 1,000kW and < 5,000kW	15 yen	
	≥ 5,000kW and < 30,000kW	12 yen	

**Geothermal** (procurement duration: 15 years)

< 15,000kW	40 yen	
≥ 15,000kW	26 yen	
< 15,000kW, utilize all existing facilities	30 yen	
≥ 15,000kW, utilize all existing facilities	20 yen	
< 15,000kW, utilize existing underground facilities	19 yen	
≥ 15,000kW, utilize existing underground facilities	12 yen	

**Biomass** (procurement duration: 20 years)

Wood (forest thinning)	< 2,000kW	40 yen	
	≥ 2,000kW	32 yen	
Wood (general, including imported biomass wood)	< 1,000kW	24 yen	TBD
	≥ 1,000kW	Tendering	TBD
liquid fuel produced by agricultural harvesting	Tendering	TBD	
Wood (waste materials of buildings, and other woody materials)	13 yen		
Waste materials, excluding woody waste	17 yen		
Methane fermentation	39 yen		

**Current Market Trends**Offshore Wind

Japan has substantial coastline and has enormous potential in offshore wind. In the last several years, Japan has introduced new legislation to strengthen the regulatory environment for offshore wind. In May 2016, the Port and Harbor Law was revised by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) to encourage offshore wind development in port-associated areas. In April 2019, the Act of Promoting Utilization of Sea Area in Development of Power Generation Facilities Using Maritime Renewable Energy Resources was enacted to encourage more offshore wind power in the future.

### Aggregation and balancing system

To maximize the installation of renewable energy, the industry has shown great interests in market proven aggregation, balancing and remote-control systems and grid-level energy storage.

### Battery/storage

Prior to the current Feed-in Tariff system, METI enacted another Feed-in Tariff system in November 2009 that required utilities to purchase surplus electricity of residential solar for a 10-year period. At the end of 2009, approximately half a million residential solar system owners signed up to the 10-year FIT contract and that will expire at the end of this year. Those residential solar system owners may consider finding new ways to benefit from their existing solar system by adding battery storage.

### **Opportunities**

#### [Renewable Energy 2019 Exhibition](#)

Date: July 10 –12, 2019

Venue: Pacifico Yokohama, Kanagawa

Organizer: Japan Council for Renewable Energy (JCRE)

#### [PV 2019 Photovoltaic Solar Exhibition & Forum](#)

Date: July 10-12, 2019

Venue: Pacifico Yokohama, Kanagawa

Organizer: Fuji Sankei Business-I (The Nihon Kogyo Shimbun Co., Ltd.), CNT Inc.

#### [The 8<sup>th</sup> Revival of Fukushima Renewable Energy Industrial Fair 2019](#) (REIF Fukushima 2019)

Date: October 30-31, 2019

Venue: Big Palette Fukushima, Fukushima

Organizer: Fukushima Prefectural Government and Fukushima Center for Industrial Promotion

#### [World Smart Energy Week 2020](#)

(FC Expo, PV Expo, Battery Japan, International Smart Grid Expo, Wind Expo, International Biomass Expo, Thermal Power Expo, and Resource Recycling Expo)

Date: February 26-28, 2020

Venue: Tokyo Big Sight, Tokyo

Organizer: Reed Exhibitions Japan

#### [The 29<sup>th</sup> New Environment Exposition 2020](#) (N-EXPO 2020)

#### [The 12<sup>th</sup> Global Warming Prevention Exhibition 2020](#) (GWPE 2020)

Date: April 22-24, 2020

Venue: INTEX Osaka, Osaka

Organizer: Nippo Business Co., Ltd.

\*N-EXPO and GWPE are usually held in Tokyo, the venue is moved from Tokyo to Osaka for the 2020 events since Tokyo hosts 2020 Tokyo Summer Olympic Games.

### **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

### Overview

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

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

[2016 Top Markets Report: Semiconductor Industry and Related Equipment – Japan](#)

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. According to the World Semiconductor Trade Statistics (WSTS), the Japanese semiconductor market grew from \$36.6 billion in 2017 to 40.0 billion in 2018. This growth, although relatively modest, presents U.S. companies with numerous opportunities, especially for those that supply chips for smartphone displays, computer server/data storage equipment, electronic measuring instruments and electro-medical equipment, the Internet of Things (IoT), and automotive electronics and Artificial Intelligence (AI). However, WSTS predicts that the semiconductor market will shrink by 12.1% worldwide and by 10.0% in Japan due to the unexpected trade issues and decreasing demand of smartphone related products. WSTS also predicts that the Japanese market will grow again to \$37.4 billion by 3.9% in 2020 anticipating the increasing investment for data centers, implementations of 5G services as well as expansion of automotive electronics.

New sectors in 2019 that will contribute to growing demand are data centers, 5G, industrial automation, and deep learning – a subfield of AI technology. Businesses that are on the forefront of new and emerging technologies requiring semiconductors will be able to compete in such a dynamic market.

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 2018 semiconductor manufacturing equipment sales in Japan reached \$9.47 billion, an increase of 45.9% from 2017.

### Opportunities

[CEATEC Information Technology Trade Show \(http://www.ceatec.com/en/application/\)](http://www.ceatec.com/en/application/)

October 15-18, 2019

Makuhari Messe

U.S. Department of Commerce Certified Trade Fair

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

[SEMICON Japan \(http://www.semiconjapan.org/en/\)](http://www.semiconjapan.org/en/)

December 11-13, 2019

Tokyo Big Sight

### Web Resources

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

- [Semiconductor Equipment Association of Japan \(SEAJ\)](#)

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## **Defense Procurement**

For Japan Fiscal Year (JFY) 2019, which began in April 2019, the Japanese defense budget was the sixth largest in the world and second largest in Asia at 5.26 trillion yen (approx. U.S. \$47.8 billion). Japanese defense expenditure is mainly driven by the threat from North Korea's long-range ballistic missiles and China's maritime expansion. The Japanese Ministry of Defense (JMOD) spends most of its budget on salaries, operational expenses, training, and development. Capital expenditure represents the second largest share, and includes the procurement of military equipment, material and R&D expenses, aircraft acquisition and shipbuilding.

Over recent 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 Space, Cyber, and Electronic Warfare. 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.

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

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

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

## **Customs, Regulations & Standards**

### **Trade Barriers**

While tariffs are generally low, Japan does have some non-tariff barriers that may impact commercial activity by possibly impeding or delaying the importation of foreign products into Japan. Although competition, U.S.

and other foreign government pressure and other factors, have lessened the impact of these impediments, U.S. companies may still encounter non-tariff barriers in the following areas:

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

Tools and methods to overcome these non-tariff barriers will depend greatly on the industry, the product or service's competitiveness, and the creativity and determination of the firm's management. The U.S. Commercial Service in Japan regularly advises U.S. companies on how to overcome these barriers. U.S. exporters experiencing non-tariff barriers or other unfair trade practices in foreign markets can also report such problems online at <http://tcc.export.gov>.

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

## **Import Tariff**

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

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

- Total -- 4.0%
- Agriculture products -- 15.7%
- Non-agriculture -- 2.5%

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

- Non-electrical machinery -- 0.0%
- Electrical machinery -- 0.1%
- Transport equipment -- 0.0%
- Manufactures, n.e.s. -- 1.2%
- Clothing -- 9.0%
- Chemicals -- 2.1%

[WTO World Tariff Profiles 2019](#) )

[The Japan Customs tariff schedule](#)

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

Japan's tariff schedule has five rate columns:

- 1) General Rate
- 2) Temporary Rate
- 3) WTO Rate
- 4) GSP Rate - Preferential Rate for designated developing countries

## 5) LDC, which covers a series of country-specific “EPA” (Economic Partnership Agreement) Rates

U.S. origin goods have the WTO rate applied unless a lower Temporary Rate exists. Japan assesses tariff duties on the c.i.f. (cost, insurance + freight) value at ad valorem (based on the value of the goods) or specific rates, and in a few cases, charges a combination of both. Japan's preferential system of tariffs grants lower or duty-free rates to products imported from developing countries.

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

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

[Japan Customs](#)

[The Japan Tariff Association](#)

### **Import Requirements & Documentation**

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

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

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

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

Import and customs clearance procedures and contacts can be found through [Japan Customs](#) (<http://www.customs.go.jp/english/index.htm>).

Japan prohibits the importation of certain items including narcotics, firearms, explosives, counterfeit currency, pornography, and products that violate intellectual property laws. When planning to import goods into Japan, you may wish to consult with your international shipper for specific details regarding your shipment since your international shipper should be up-to-date on Japanese import requirements.

## Labeling/Marking Requirements

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

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

- [Consumer Affairs Agency](#)
- [Japan External Trade Organization \(JETRO\) Guide to Japanese Household Goods Quality Labeling Law](#)
- [Japan External Trade Organization \(JETRO\) Handbook for Industrial Products Import Regulations 2009](#)
- [U.S. Foreign Agriculture Service 2015 GAIN Report on Japan's New Health Claims Labeling System Creates Opportunities](#)
- [U.S. Foreign Agriculture Service GAIN Report on the New Food Labeling Standard](#)
- [U.S. Foreign Agriculture Service GAIN Report on Food and Agriculture Import Regulations and Standards \(FAIRS\) – Japan \)](#)

## U.S. Export Controls

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

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce’s Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively “items”) falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export, reexport, and transfer (in-country) of items with commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses, and less sensitive military items.

BIS’s Export Administration (EA) reviews license applications for exports, reexports, transfers and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office

of Exporter Services, EA provides information on BIS programs, conducts seminars on complying with the EAR, and provides guidance on licensing requirements and procedures. EA's Office of Technology Evaluation (OTE) analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. [OTE's data portal](#) provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their items. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (*i.e.*, the item's classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at [www.bis.doc.gov](http://www.bis.doc.gov) or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322  
Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347

Further information on export controls is available at:  
<http://www.bis.doc.gov/licensing/exportingbasics.htm>

BIS's Export Enforcement (EE) 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. In accordance with the EAR, BIS officials conduct site visits, also 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 party to a transaction to determine whether it 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 recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re-exported or transferred (in-country) in accordance with the EAR.

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 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, intended to discover possible violations of the EAR. Also, BIS has "[Know Your Customer](#)" guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. Check a [current seminar schedule](#) for a list of upcoming seminars. BIS also provides [online training](#).

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. 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](#)) website.

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 a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions. The CSL is available here: <http://apps.export.gov/csl-search> or <https://developer.trade.gov/consolidated-screening-list.html>

### **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. <https://www.uscib.org/what-is-a-carnet-ud-1843/> Use of a Carnet allows goods such as commercial and exhibition samples, professional equipment, musical instruments, and television cameras to be carried or sent temporarily into a foreign country without paying duties or posting bonds. A Carnet should be arranged in advance by contacting a local office of the [United States Council for International Business](#).

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

### **Prohibited & Restricted Imports**

Japan strictly prohibits entry of narcotics and related utensils, firearms, firearm parts and ammunition, explosives and gunpowder, precursor materials for chemical weapons, germs which are likely to be used for bio-terrorism, counterfeit goods or imitation coins or currency, obscene materials, or goods that violate intellectual property rights. Other restricted items include but are not limited to certain agricultural and meat products, endangered species and products such as ivory, animal parts and fur where trade is banned by international treaty. For more information on prohibited goods, see the [Japanese Customs](#) Website.

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.

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

are subject to import restrictions in accordance with Japan's 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). For more information on prohibited and restricted imports visit the [FAQ section](#) on the Japan Customs Website).

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

Further guidance on medication can be found at the U.S. Embassy's Website (<https://jp.usembassy.gov/u-s-citizen-services/doctors/importing-medication/>).

## Customs Regulations

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

Any person wishing to import goods must declare them to the Director-General of Customs, obtain an import permit (after examination by the authorities), and pay Customs duty and excise tax, if any. Nearly all customs difficulties result from first time applications. Japanese customs officials are generally helpful when it comes to explaining procedures and regulations to overcome these issues. Employing an import agent or customs broker may be necessary to help facilitate customs entry.

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

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

Only institutions that participate in the organization may use the system. Written advance rulings are issued at the written request of importers and other parties concerned. These rulings can be published on the Customs website with the applicants' consent. For more information on [Japan's Authorized Economic Operator \(AEO\) program](#).

The typical time between arrival of goods and the granting of import permission is between two and three days for sea cargo and about a day for air cargo (including time required under the "immediate import permission system upon arrival"). However, under the "immediate import permission system upon arrival," import permission may be granted as soon as cargo entry is confirmed. To be eligible for this system, importers must file a preliminary declaration online (through the [Nippon Automated Cargo Clearance System \(NACCS\)](#)) before cargo entry, and provides the results of the examination.

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

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

[Japan Tariff Association](#)

## Standards for Trade

### Overview

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

Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether approval (certification/quality mark) is granted.

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

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

The [Japan External Trade Organization \(JETRO\)](#) website contains numerous documents on Japan's standards and regulations, including import procedures, quarantine periods, technical requirements, etc. The website also details relevant laws, ordinances and amendments concerning import standards and regulations.

### Standards

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

- establishment and maintenance of Japan Industrial Standards (JIS)
- administration of accreditation and certification
- participation in international standards activities
- development of measurement standards and technical infrastructure for standardization. JISC publishes plans each month for the preparation of [new and revised JIS drafts](#) on its website

Existing JIS standards are reviewed and revised every five years. Once a new or revised draft JIS standard has been prepared, JISC posts these draft standards for a sixty-day public comment period. The JISC website also provides information regarding how foreign entities may participate in the JIS drafting process. A list of newly published JIS standards can be found on the website of the [Japan Standards Association \(JSA\)](#) (<https://www.jsa.or.jp/en/>).

### *Product Liability Insurance*

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

### *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](http://www.jisc.go.jp/eng/jis-mark/newjis-eng.html) (<http://www.jisc.go.jp/eng/jis-mark/newjis-eng.html>).

### *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 visit [METI](#).

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

### *Publication of Technical Regulations*

Each Japanese ministry posts draft regulations for public comment on their respective websites. These draft regulations can also be found in a consolidated list, available in Japanese, on the [e-Gov Portal](https://www.e-gov.go.jp/en/) (<https://www.e-gov.go.jp/en/>).

The website was designed to help facilitate public participation in Japan's regulatory process by improving the public's ability to find, view, and comment on regulatory actions.

It should be noted that although U.S. entities may submit comments on draft regulations, the amount of time given for submissions varies widely and all comments must be submitted in Japanese. Finalized technical regulations and standards are published in Japan's national gazette known as the [Kanpō](#) (Japanese only).

### *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.](http://www.nist.gov/notifyus) ([www.nist.gov/notifyus](http://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.

### *Labeling and Marketing 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 10,667 standards as of March 2018. Adherence to JIS is also an important determinant for companies competing on bids in the Japanese government procurement process. Products that comply with these standards will be given preferential treatment in procurement decisions under Japan's Industrial Standardization Law. JIS covers industrial and mineral products with the exception of: 1) medicines; 2) agricultural chemicals; 3) chemical fertilizers; and 4) foodstuffs, agricultural and forest products designated under the Law Concerning Standardization and Proper Labeling of Agricultural and Forestry Products.

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

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

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

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

As noted above, Japanese laws requiring product certification and labeling are numerous. A good reference for additional information on these requirements is [JETRO's](#) Handbooks for Industrial and Consumer Product Import Regulations, including specifications, standards and testing methods for foodstuffs, implements, containers and packaging, toys and detergents (<https://www.jetro.go.jp/en/reports/regulations>).

### Contact Information

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

Secretariat Office

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

#### [Japanese Standards Association \(JSA\)](#) (<https://www.jsa.or.jp/en/>)

Secretariat Office

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

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

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

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

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

[Japan Cable Television Engineering Association \(ICTEA\)](#)  
[Association of Radio Industries and Businesses \(ARIB\)](#)

Conformity Assessment Bodies

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

Customer Service, General Affairs Dept.

Tel: (81-3) 3442-1210; fax: (81-3) 5475-2780

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

Quality Manager

Tel: (81-3) 3481-1946; fax: (81-3) 3481-1937

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

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

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

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

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

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

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

[Japan's National Gazette \(Kanpō\)](#) (<http://kanpou.npb.go.jp>) (Japanese only)

## Trade Agreements

As of July 2017, Japan had entered into economic partnership agreements (EPAs) with 14 countries and ASEAN:

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

On July 11, 2018, Japan and the European Union (EU) signed an [EPA](#), taking a step closer to an economic bloc that would account for nearly a third of all global trade. Note the [text of the agreement](#). The agreement will enter into force after ratification by the EU and Japan, and will remove tariffs on more than 95% of goods traded between Japan and the EU member states.

In March 2018, Japan and ten other countries signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). It goes into force 60 days after six of the ten signatories have ratified the agreement. Mexico and Japan have already ratified the agreement. Four other countries are expected to do so by the end of 2018. The United States is not a signatory of this agreement.

EPAs or Free Trade Agreements are currently being negotiated with:

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

Negotiations have been postponed suspended with the Gulf Cooperation Council, Canada, and Korea.

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

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

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

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

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

## **Licensing Requirements for Professional Services**

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

### **Legal Services**

To be licensed to practice Japanese law in Japan, professionals must complete an undergraduate law education in Japan or attend a Japanese law school, pass the Japanese bar examination, and complete one-year training at the Legal Training and Research Institute of Japan's Supreme Court. However, qualified international attorneys may become "Foreign Law Business Attorneys" ("Gaikokuho-Jimu-Bengoshi") upon application to and approval by the Minister of Justice and registration with the [Japan Federation of Bar Associations \(JFBA\)](#).

Requirements to receive a Gaikokuho-Jimu-Bengoshi license include the need to have practiced at least two years in the home jurisdiction and limitations to practice the law of that jurisdiction. Receipt of all approvals can last up to six months or longer. As of June 2018, there are 407 registered "Foreign Law Business Attorneys."

### **Accountancy**

The highest-grade accounting license in Japan is the Certified Public Accountant. To become a Japanese CPA, one must pass the CPA examination, and have a minimum two years of practical accounting or auditing experience. Experience can be completed before or after the CPA exam. 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.

### **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.

Incorporate into specific articles:

Web Resources for Customs, Regulations and Standards

[Agricultural policy, commodity, import regulation, and sector-specific market reports](#)

[Food and Agricultural Import Regulations and Standards \(FAIRS\) Narrative report](#)

[FAIRS Certification report](#)

[Japanese Ministry of Finance/Japan Customs](#)

[Customs Counselors System in Japan](#)

[Japan Tariff Association](#)

U.S. export control procedures

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

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

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

[ATA Carnet](#)

[United States Council for International Business](#)

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

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

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

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

Japanese Import Standards and Regulations: [Japan External Trade Organization \(JETRO\)](#)

## Selling US Products & 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](http://export.gov/japan) (<http://export.gov/japan>).

### Using an Agent to Sell US Products and Services

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 business people 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. In some cases granting exclusivity may be necessary to ensure a strong commitment by the Japanese agent towards expanding sales. However, under no circumstances should a U.S. company be pressured into granting exclusivity if there is doubt as to the ability or willingness of the Japanese agent to develop the relevant market.

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 to 3%. In the case of medical, laboratory, and scientific analytical instruments, commission rates typically are much higher, in the neighborhood of 20% or above, due to the complexity of the products.

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

The Japanese Fair Trade Commission has guidelines applicable to exclusive agency contracts, but there are no statutory damages required upon termination of an agent or distributor. However, Japanese business relationships are formed, conducted, nurtured, and ended with an extraordinary degree of attention to appearances and decorum. Replacing an agent or distributor could damage a U.S. firm's reputation – and even compromise its entire market strategy – if not handled sensitively. A U.S. company should discuss "parting compensation" in the event it decides to dissolve a business relationship prior to executing a contract.

#### 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. 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. Current information on investing in Japan, establishing an office, and other JETRO programs for foreign businesses can be found at [JETRO](#).

#### 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.

#### Direct Marketing

The scale of direct marketing in Japan, which includes mail order, telemarketing, direct response television, and internet sales, is still modest by U.S. standards. Nevertheless, according to a survey by the Fuji Keizai – a leading business data research company in Japan, sales were estimated at ¥9.7 trillion (approximately US\$86.7 billion at JPY112.10/USD1) in 2017. The survey predicted that the market will grow to ¥10.8 trillion (approximately US\$ 96.2 billion) by 2019. Business-to-consumer (B2C) internet shopping continues to grow. The survey forecasted that the market size of direct marketing which sales were made by electronic commerce (eCommerce) would reach ¥8.9 trillion (approximately US\$79 billion) by 2019. Within ecommerce, ordering platform is primarily by computer, followed by smartphone, and tablet PC.

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. The following are the major Japanese catalog shopping brands. Those companies are also operating online shopping sites.

[Belluna](#)

[Senshukai - Belle Maison](#)

[Dinos - Cecil](#) (Japanese website only)

[Nissen](#) (Japanese website only)

[Cataloghouse-Tsuhau Seikatsu](#) (Japanese website only)

#### 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](https://www.jetro.go.jp/en/invest/) (<https://www.jetro.go.jp/en/invest/>) and consult with experienced and reputable legal and tax counsel. Licensing Agreement can cover any or all of the following issues such as Copyright, Know-how, Patent, Service mark, Trade secret, and Trademark. 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. To learn more about the EAR, please visit the following website:

[Government Printing Office's govinfo](#)

[Bureau of Industry and Security](#)

#### Express Delivery

In Japan, there are multiple options for express delivery for domestic and international shipping. Both FedEx and UPS operate within Japan and offer overnight shipping between Japan and the United States. Cost and

delivery time will depend on the type and size of the package as well as 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.

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

[UPS Japan](#)

[FedEx Express Japan](#)

[Japanese Postal Service](#)

[Amazon Prime Japan](#)

[Japan Customs](#)

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.

For information about structuring payment options, see our article on Methods of Payment in the "Trade and Project Finance" section in this series.

Although U.S. companies, whether resident in Japan or not, are not legally required to use a Japanese attorney for filings, registrations, contracts or other legal documents – these can be prepared by in-house staff – retaining a competent Japanese attorney (*bengoshi*), patent practitioner (*benrishi*), or other legal professional is a practical necessity. Projects and sales in Japan, as in the United States if not more, require constant attention.

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

Visit the U.S. Commercial Service's eCommerce Innovation Lab (<https://www.export.gov/eCommerce>).

Japan is the third largest—and one of the fastest growing—eCommerce markets in the world. The growth rate has become stable over the past few years, with annual growth estimated at 9.1% in 2017. With Internet penetration estimated at 93.3% of the population, Japan represents a significant market opportunity. According to the Ecommerce Foundation's Japan 2017 report, the E-GDP was forecasted to rise 1.59% in 2017, with 74% of the online population shopping online. Japan's developed economy, highly urban population, and single language make the market attractive to online retailers. Highly developed distribution infrastructure and small country size make delivery easy and convenient. Market growth is expected to be steady for the foreseeable future.

### **Current Market Trends**

Aiming to investigate the breakdown of the total expenditure, the Ministry of Economy, Trade, and Industry (METI) divided the ecommerce expenses into three categories; A) sales of goods, B) service, and C) digital.

- A) Sales of goods account for 52.1% of the total ecommerce expenditure. In this category, clothing items hold the first place. The market size has grown by 7.6% from the previous year of 2016. Enterprises such as ZOZOTOWN, Amazon, and UNIQLO have successfully fulfilled the customers' needs by incorporating internet technology to their strategy. The flea market application, MERCARI also has its influence on the clothing market. Food and beverage sales are continuing to grow steadily, as well.
- B) Service accounts for 35.4% of the total ecommerce expenditure. The most popular trend in this section involves travel. Travel service has grown 11.0% from 2016. These include the online booking service, such as RAKUTEN travel. Food and beverage service was fourth and has a high potential. These can be seen from the online reservation and rating system. However, there are problems with unnotified cancellations and not being able to apply reservation systems into fast food stores.
- C) Digital accounts for 11.7% of the total ecommerce expenditure. The most popular trend was online gaming. Since online games are not only popular in Japan but also in other Asian countries, there will be continuous demand. E-books were the second highest digital ecommerce expenditure. The dissemination of smartphones contributes to the growth of both online game and E-books sales.

One notable trend is that although a large percentage of purchases are conducted online, only 12% of Japanese shoppers purchased from abroad in 2015.

### **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.

### **Selling Considerations**

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/)

- [Isetan](https://isetan.mistore.jp/onlinestore/index.html) (<https://isetan.mistore.jp/onlinestore/index.html>)
- [Mitsukoshi](https://mitsukoshi.mistore.jp/onlinestore/index.html) (<https://mitsukoshi.mistore.jp/onlinestore/index.html>)
- [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/>)
- [Trinity Arts](http://www.adastris.co.jp/) (<http://www.adastris.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 Kashiama](https://www.onward.co.jp/) (<https://www.onward.co.jp/>)
- [Origami](https://origami.co/) (<https://origami.co/>)

#### Supermarket eCommerce Sites

- [Ito-Yokado](http://www.itoyokado.co.jp/index.html) (<http://www.itoyokado.co.jp/index.html>)
- [Maruetsu](https://www.maruetsu.co.jp/) (<https://www.maruetsu.co.jp/>)
- [Daiei](https://netsuper.daiei.co.jp/index.php) (<https://netsuper.daiei.co.jp/index.php>)
- [Apita](https://www.apita.co.jp/) (<https://www.apita.co.jp/>)

#### 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/>)
- [Sanyodo](http://webshop.sanyodo.co.jp/) (<http://webshop.sanyodo.co.jp/>)
- [Tsutaya](http://tsutaya.tsite.jp/) (<http://tsutaya.tsite.jp/>)

### **Digital Marketing**

Marketing in Japan is incredibly important to a product's success as most Japanese have internet access, smartphones; and eCommerce is increasing its market share. Recently, digital marketing has become one of the primary ways businesses reach out to consumers. According to a Dentsu 2017 report, the internet advertising expenditures accounted for 23.6% of the total expenditure, which amounts to 6390.7 billion yen.

Mobile advertising is also rapidly expanding. The growth of the performance-based ads and video ads directed at users of mobile devices was significant. In 2016, around 50% of total digital ad spending was spent specifically on mobile ads. Search Engine Marketing (SEM) also accounted for 59% of digital advertising spending in 2016. To reach these segments, Japanese language and knowledge of cultural nuance are required.

### **eCommerce Intellectual Property Rights**

Rakuten and other marketplaces have raised awareness of intellectual property rights issues in the ecommerce sector as they patent business models both domestically and internationally. Intellectual Property rights are strongly enforced in Japan and patents are granted on a first-to-file basis.

### **“M-Commerce”**

One online purchasing trend that cannot be ignored is the rapid increase in “M-Commerce” – mobile ecommerce transactions. Nearly 60% of all online transactions take place on mobile platforms. Popular ecommerce platforms such as Amazon Japan, Rakuten, and Zozo have readily available applications to facilitate mobile commerce setup.

### **eCommerce Payment Methods**

Japan has several ecommerce payment options. Credit card and debit card payments account for 66% of payments for ecommerce transactions. A variety of other “eWallet” and electronic payment options are also popular. In addition, cash payments for online purchases are accepted at convenience stores (*konbini*). About

17% of such payments are made in cash at *konbini* after products are delivered, a popular option for many teens without bank accounts or credit cards.

### **Opportunities**

[Commerce Expo Tokyo \(http://www.ecommerceexpo-japan.com/en/\)](http://www.ecommerceexpo-japan.com/en/)

B2B trade exhibition. Seminars covering Payment, Delivery & Logistics, Marketing, Customer Service & Customer Retention Marketing, Digital & Mobile Marketing February 7 -8, 2019

[CEATEC Information Technology Trade Show, Tokyo \(http://www.ceatec.com/en/application/\)](http://www.ceatec.com/en/application/)

Certified by the U.S. Department of Commerce Trade Fair Certification Program

U.S.A Showcase organized by U.S. Commercial Service Japan October 15-18, 2019

[INTER BEE Trade Show, Tokyo \(http://www.inter-bee.com/en/\)](http://www.inter-bee.com/en/)

November 13-15, 2019

### **CS Japan Contact**

Ms. Atsuko Shimada, Commercial Assistant

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

### **Selling Factors & Techniques**

#### Overview

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.

#### Pricing

A decade of near-zero inflation, combined with decreased regulation and greater global competition, has had a profound effect on Japanese price-setting strategies. A low economic growth rate, combined with an aging population receiving fixed incomes make the average Japanese consumer more value conscious. The growth online marketplaces such as Rakuten and Amazon Japan, has also contributed to greater product awareness and price sensitivity by Japanese consumers.

In March 2019, the Japanese government enacted the tax reform bill, which may further increase consumers' sensitivity to retail prices. Among various reforms, the bill included changes in international taxation, a consumption tax hike from 8 to 10%, and greater tax incentives for companies undertaking R&D, in order to promote innovation.

Furthermore, deregulation has eliminated multiple layers of intermediaries in the distribution process. These factors have led companies to move away from pursuing a low margin, high volume strategy toward a more real-time pricing strategy aimed at adjusting prices based on prevailing market conditions.

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

#### Sales Service/Customer Support

The Japanese have a reputation for being among the most demanding customers in the world. High-quality, highly-responsive product service and customer support are crucial throughout the sales cycle. This begins with establishing a close working relationship with, and long-term commitment to, a U.S. exporter's potential Japanese partners. Problems most often arise from misunderstandings, lack of communication, language difficulties, and differing business practices. Companies should be prepared to make a number of visits to potential customers before beginning serious negotiations, and should expect to spend significant time and resources in maintaining relationships with customers once established.

#### Local Professional Services

The membership of the American Chamber of Commerce in Japan (ACCI) includes the local affiliate of many [U.S. and other international and Japanese professional service providers](#).

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

Other Japan specific resources (including statistics, procurement information, laws, tariffs, and media outlets) can be found at: <http://export.gov/japan/links/index.asp>.

#### Principal Business Associations

[American Chamber of Commerce Japan \(ACCI\)](http://www.accj.or.jp/) (<http://www.accj.or.jp/>)

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

[Japan Chamber of Commerce and Industry \(JCCI\)](http://www.jcci.or.jp/english/about.html) (<http://www.jcci.or.jp/english/about.html>)

The Japan Chamber of Commerce and Industry is the parent entity for over 515 chambers of commerce in Japan with approximately 1.25 million members. The Chambers includes many SMEs and act as specially designated corporations. Typically, each city in Japan has its own chamber. JCCI lobbies on behalf of all chambers at a national level, promotes nationwide projects and disseminates information concerning government policies and programs.

[Japan External Trade Organization \(JETRO\)](https://www.jetro.go.jp/en/) (<https://www.jetro.go.jp/en/>)

The Japan External Trade Organization is the export promotion arm of the Japanese Government whose purpose is to promote trade and investment. As of November 2017, JETRO has over 46 domestic and 74 international offices in 54 countries. JETRO has six offices in the United States ready to provide assistance to companies interested in the Japanese market.

**[Keidanren \(Japan Business Federation\)](http://www.keidanren.or.jp/en/)** (<http://www.keidanren.or.jp/en/>)

Keidanren is Japan's most prominent business organization with 1,412 corporate, 109 nationwide industrial association, and 47 regional economic organization members (as of April, 2019). Keidanren is active in both domestic and international policy advocacy efforts and has an office in Washington, D.C. Keidanren has sent missions to the U.S. in 2015, 2016, and 2017 to promote further bilateral business opportunities.

**[Keizai Doyukai](http://www.doyukai.or.jp/en/)** (<http://www.doyukai.or.jp/en/>)

Keizai Doyukai, known as the Japan Association of Corporate Executives, is a private, nonprofit, nonpartisan organization with membership from 1,400 top executives of 1,000 corporations. Members join as individuals independent of their companies. Ultimately, it seeks to better Japan's national wellbeing by drawing on the expertise of its members. The organization does this by conducting its own independent research and actively seeking to influence key policy areas through debates with political parties and labor organizations. Due to the rank and number of its members, the association is able to influence government lobbying.

**[Japan Association of New Economy \(JANE\)](https://jane.or.jp/english/)** (<https://jane.or.jp/english/>)

The Japan Association of New Economy was created to strengthen Japan's competitiveness through the expansion of the Internet and e-business, with three core objectives of innovation, entrepreneurship and globalization promotion. Made up of 525 companies as of April 2019, association members include startups and newcomers that are involved in making policy recommendations to the Japanese Government.

Incorporate into specific articles, if appropriate

#### Web Resources

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

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

- **[Consulate-Office of Japan in Anchorage](#)**
- **[Consulate-General of Japan in Atlanta](#)**
- **[Consulate-General of Japan in Boston; English version](#)**
- **[Consulate-General of Japan in Chicago; English version](#)**
- **[Consulate-General of Japan in Denver; English version](#)**
- **[Consulate-General of Japan in Detroit](#)**
- **[Consulate-General of Japan in Hagatna; Top page](#)**
- **[Consulate-General of Japan in Honolulu](#)**
- **[Consulate-General of Japan in Houston; English version](#)**
- **[Consulate-General of Japan in Los Angeles](#)**
- **[Consulate-General of Japan in Miami; English version](#)**
- **[Consulate-General of Japan in Nashville; English version](#)**
- **[Consulate-General of Japan in New York](#)**
- **[Consulate-General of Japan in Portland](#)**

- [Consulate-General of Japan in San Francisco: English version](#)
- [Consulate-General of Japan in Seattle: English version](#)
- [Embassy of Japan in the United States](#)
- [Embassy of Japan IET Office: Top page](#)
- [Japan Information and Culture Center](#)

#### Information on Doing Business in Japan

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

#### Information on Japanese Government Procurement

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

## 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.

### [Credit rating agencies in Japan](#)

### 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. Even when credit is loose, companies sometimes borrow more than their need in order to maintain good relations with their bank and to ensure that funds will be available in leaner years. Banks are often large shareholders in publicly traded corporations (although banks are in the process of reducing their total equity holdings), have close relationships with both local governments and national regulatory agencies, and often play a coordinating role among their clients. It remains safe to say that the Japanese commercial bank system is much more relationship-oriented than the transaction-based U.S. system. Japanese banks were able to avoid the direct impact from the global financial crisis due to their limited exposure to structured securities.

While large corporations with suitable credit ratings (especially export-oriented firms) can rely on corporate bond issues rather than banks for financing, bank lending continues to be the primary financing method for small and medium sized companies and for many larger companies as well.

Japanese banks offer regular and time deposits and checking accounts for businesses. Checks are negotiable instruments that are in effect payable to the bearer (rather than to the order of the payee, as in the United States). This limits the usefulness of checks, and in fact, most payments are made by electronic bank transfer (which cost a few hundred yen on average), or by sending cash through the postal system. The banks (and now investment/securities firms) historically waged an uphill battle against the postal savings system for consumer deposits, but now that the postal savings bank must pay taxes and deposit insurance, in addition to losing its implicit government guarantee, competition for deposits has intensified.

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

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

#### Foreign Exchange Controls

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

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

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

#### Leading Commercial Banks in Japan

##### [MUFG Bank](#)

2-7-1 Marunouchi, Chiyoda-ku, Tokyo 100-8388 Tel: +81/3/3240-1111; fax: 3240-4764

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

1-3-3 Marunouchi, Chiyoda-ku, Tokyo 100-8210 Tel: +81/3/3214-1111

##### [Sumitomo Mitsui Banking Corporation](#) )

1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Tel: +81/3/5512-3411; fax: 5512-4429

##### [Resona Bank](#)

2-1 Bingomachi 2-chome, Chuo-ku, Osaka 540-8610 Tel: +81/6/6271-1221; fax: 6268-1337

##### [Aozora Bank](#)

3-1, Kudan-minami 1-chome, Chiyoda-ku, Tokyo 102-8660 Tel: +81-3-3263-1111

##### [Shinsei Bank](#) )

Nihonbashi Muromachi Nomura Building 4-3, Nihonbashi-muromachi 2-chome, Chuo-ku, Tokyo 103-8303  
Tel: +81/3-6880-7000

Delete/incorporate in individual financing sections, if relevant

#### Financing Web Resources

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

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

Country Limitation Schedule

OPIC

Trade and Development Agency

SBA's Office of International Trade

USDA Commodity Credit Corporation

U.S. Agency for International Development

The Multilateral Investment Guarantee Agency (MIGA)

Japan External Trade Organization (JETRO)

Japan Finance Corporation

Japan Financial Services Agency

Japan Bank for International Cooperation (JBIC)

Development Bank of Japan (DBJ)

Ministry of Economy, Trade and Industry (METI)

Nippon Export and Investment Insurance (NEXI)

Regional Economy Vitalization Corporation of Japan (REVIC)

## 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 link to our article on [Protecting Intellectual Property](#) and <https://www.stopfakes.gov/welcome> for more resources.

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.

Please visit the [U.S. Embassy Japan website for a list of local attorneys](#).

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 Government

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

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

Government procurement contracts covered by the Agreement must have a value above the thresholds (denominated in special drawing rights of the [International Monetary Fund](#) or “SDRs”) specified by the Agreement, and include the procurement of products and services by purchase, lease, or rental by the agencies and organizations subject to the Agreement. The present threshold for supplies procurement by central government entities is set at 130,000 SDRs (21,000,000 Yen). For sub-central government entities, Japan’s voluntary threshold for supplies is 200,000 SDRs (approximately U.S.\$280,000). 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 *Kanpō* (in Japanese only). The procuring entity publishes the invitation to tender at least 50 days (40 days is required by the GPA)

in advance of the closing date for receipt of bids. To increase access opportunities for foreign suppliers, as a voluntary measure, many procuring entities publish notices on the use of limited (closed) tenders at least 20 days in advance of the awarding of a contract. When the tender is announced on open bids, the type and quantity of products, time limits set for submission of bids, and names and contact data of the procuring entity are published within the announcement in English. Notices on selective tendering also outline the requirements necessary for firms to be designated for participation in the tender bidding process. Most companies find it useful to contact the procuring entity directly with any specific questions before a tender is submitted for consideration. The government practices the Comprehensive Evaluation Method in public tenders, and recently eighty percent of public works that are valued over JPY 200 million have been done using the Method, instead of the lowest price to satisfy the quality set by Japanese authority Act for Promoting Quality Assurance in Public Works. In 2014, revisions to procurement procedures allowed electronic bidding (GEPS), which is explained at [GEPS](#).

Japan's Ministry of Foreign Affairs (MOFA) hosts a Government Procurement Seminar each spring where central government procuring entities explain their procurement plans for the fiscal year. Individual ministries sometimes follow this with their own seminars. Notice of these meetings can also be found in the *Kanpō* gazette. MOFA also provides suggestions for Accessing the Government Procurement Market in Japan: (<http://www.mofa.go.jp/files/000037391.pdf>)

(<https://www.chotatujocho.go.jp/csjs/pr006/johoInActionEN.do>)

U.S. suppliers can find information about Japanese government procurement on the [Japan External Trade Organization \(JETRO\)](#) website (which includes an online database of government procurement notices and invitations published in the National Printing Bureau's "Official Gazette." Users can search by publication date, product/service category as well as location.

For additional information including suggestions for accessing the government procurement market in Japan, visit the [Ministry of Foreign Affairs \(MOFA\)](#) website.

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](mailto:Office.Tokyo@trade.gov)

Further information on recent developments regarding Japanese government procurement can be found in Japan's most recent submission to the [WTO Trade Policy Review Mechanism](#).

### **Financing of Projects**

While some large U.S. companies in Japan enjoy strong relationships with the larger Japanese "city banks," most medium and small-sized U.S. firms report that it is difficult to secure the specific type of trade financing services needed for importing and distribution. In Japan, credit evaluation is heavily asset-based, and real estate is still favored as collateral. Moreover, a firm's ability to borrow may be more influenced by its personal relationships and rapport with bank officials than would be the case in the U.S. where credit-worthiness is the key factor in making lending decisions. Some smaller firms report that they have been forced to secure needed financing from offshore sources. For U.S. companies with operations in Japan, teaming up with Japanese partners in a joint venture has been effective as a way to receive more favorable treatment from Japanese banks.

While most U.S. banks operating in Japan engage in lending to subsidiaries of U.S. companies (especially their home market clients), many of them focus on higher value-added lines of business rather than conventional credit products. When a Japanese bank extends credit to a foreign-owned company in Japan, it generally evaluates the financial status of both the borrower and its parent company. Even in cases where the Japanese subsidiary is financially strong, the parent company is often requested to guarantee the obligation (although a "Letter of Awareness" may be accepted in lieu of a guarantee).

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

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

Four major public financing corporations, the Japan Bank for International Cooperation (JBIC), the Development Bank of Japan (DBJ), the Japan Finance Corporation for Small Business and Nippon Export and Investment Insurance (NEXI, formerly known as EID/MITI) offer low-interest loans to encourage imports to and investment in Japan.

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

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

The Development Bank of Japan (DBJ) offers loans designed to increase imports into Japan. These loans are available to Japanese companies with at least 33% foreign capital or registered branches in Japan of non-Japanese companies for 40 to 50% of project costs for the expansion of business operations in Japan. Although the DBJ is currently 100% owned by the GOJ, it plans to reduce its ownership stake by 50% over the next 10 years.

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

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

### **Other Financing**

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

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

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

### **Types of Projects Receiving Financing Support**

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

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

### **Regional Development Support**

The Japan Regional Development Corporation (JRDC), a government-affiliated organization which, in cooperation with local governments, promotes regional development outside of major metropolitan areas, and

the Regional Economy Vitalization Corporation of Japan (REVIC) both provide support for certain types of regional projects within Japan.

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

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

### **Un-Tied Loans**

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

### **Business Travel**

#### **Business Customs**

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

Japanese society is complex, structured, hierarchical and group-oriented. It places strong emphasis on maintaining harmony and avoiding direct confrontation. Japanese social and cultural norms tend to be group oriented rather than focused on the individual. In building relationships (which often precede a first-time sale or an agreement) one should emphasize trust, confidence, loyalty and commitment for the long term.

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

Gift giving is expected on 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 are exchanged to formalize the introduction process and establish the status of the parties relative to each other. Japanese bow when greeting each other but will expect to shake hands with foreign executives. A slight bow in acknowledgment of a

Japanese bow is appreciated. Japanese executives deal on a last (family) name basis in business relationships, and initial business and social contacts are characterized by politeness and formality.

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

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

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

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

#### Travel Advisory

Japan has long been noted for its low crime and safe streets. Crimes against U.S. citizens in Japan are rare. Crime is at levels well below the U.S. national average. Violent crime is extremely rare, but does exist. Incidents of pick pocketing of foreigners in crowded shopping areas, on trains and at airports have been a sporadic concern. Complaints of robberies committed after a victim has been drugged from a spiked drink are increasing. Some of Tokyo's entertainment and nightlife districts - in particular, the Roppongi and Kabuki-cho areas - are considered high-risk areas for crime, and the Embassy receives reports of drink spiking, credit card fraud, extortion, and even assault in these districts.

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

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

U.S. citizens can also obtain up-to-date safety and security information by calling 1-888-407-4747 toll-free within the U.S. and Canada, or by calling a regular toll line, 1-202-501-4444, from other countries.

#### Visa Requirements

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

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

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

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

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

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

[State Department Visa Website](#)  
[Consular Section of the U.S. Embassy Tokyo](#)

#### Currency

The currency in Japan is the Japanese Yen.

#### Transportation

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

Japan boasts the world's densest and most modern passenger railroad system, with fast, frequent services to all parts of the country. Japan's famous Shinkansen high-speed rail links Tokyo with Japan's major business centers and beyond. All of Japan's large cities have highly developed subway and commuter train service. Taxi service is widely available.

#### Language

The national language of Japan is Japanese (Nihongo) and is spoken and understood all over the country. English is a required subject in Japanese high schools, and it is by far the most widely known foreign language in Japan. International business correspondence and negotiations in Japan are almost always conducted in English. This being said, however, most Japanese, including business executives, have a limited understanding

and command of spoken English, although there are of course exceptions. Japanese business executives often read English much better than they can speak it or understand it when spoken. It is advisable, therefore, to be accompanied by a competent professional interpreter to all business meetings, especially an initial contact where you might be unsure of your counterpart's mastery of English.

## 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.

For more information on bringing medication (prescription or over-the-counter) into Japan, please refer to US Embassy & Consulates in Japan (<https://jp.usembassy.gov/u-s-citizen-services/doctors/importing-medication>)

## Local Time, Business Hours and Holidays

Local Time: Japan is 14 hours ahead of U.S. Eastern Standard Time (EST) and 13 hours ahead of Eastern Daylight Time (EDT) from April to October. Consequently, 8:00 a.m. EST in New York City corresponds to 10:00 p.m. the same day in Tokyo. 8:00 p.m. EST in New York City corresponds to 10:00 a.m. the next day in Tokyo. Japan is one of the few major industrialized countries that does not observe some form of daylight saving time.

## Business Hours

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

## Holidays

When a national holiday falls on a Sunday, the following Monday is observed. In addition, many Japanese companies and government offices traditionally close during the New Year's holiday season (December 28-January 3), "Golden Week" (April 29-May 5) and the traditional "O-Bon" Festival (August 12-14).

In 2019, Japan will observe the following official national holidays:

New Year's Day	January 1 (Tuesday)
Adult's Day	January 14 (Monday)
National Foundation Day	February 11 (Monday)
Vernal Equinox Day	March 21 (Thursday)
Showa Day	April 29 (Monday)
Coronation Day Holiday	April 30 (Tuesday)
Coronation Day	May 1 (Wednesday)
Coronation Day Holiday	May 2 (Thursday)
Constitution Memorial Day	May 3 (Friday)
Greenery Day	May 4 (Saturday)
Children's Day	May 6 (observed, Monday)
Marine Day	July 15 (Monday)
Mountain Day	August 12 (Monday)
Respect for the Aged Day	September 16 (Monday)
Autumnal Equinox Day	September 23 (Monday)
Health & Sports Day	October 14 (Monday)
National Culture Day	November 4 (observed, Monday)
Labor Thanksgiving Day	November 23 (Saturday)

#### Temporary Entry of Materials or Personal Belongings

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

## **Political Environment**

Political Environment

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

## Investment Climate Statement

### Trade & Project Financing