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JETRO Japanese Market Report

Engineering Software Products

Introduction

In the Japanese market, collaborative management that encourages cooperation and collaboration between businesses is a vital part of the next-generation business model. More companies in the manufacturing industries collaborating on the product engineering process, from product development through design, material procurement, and manufacturing/production, with major manufacturing companies leading the way.

This report deals with the engineering software products available in the Japanese market and used by Japanese manufacturing companies with global reach.

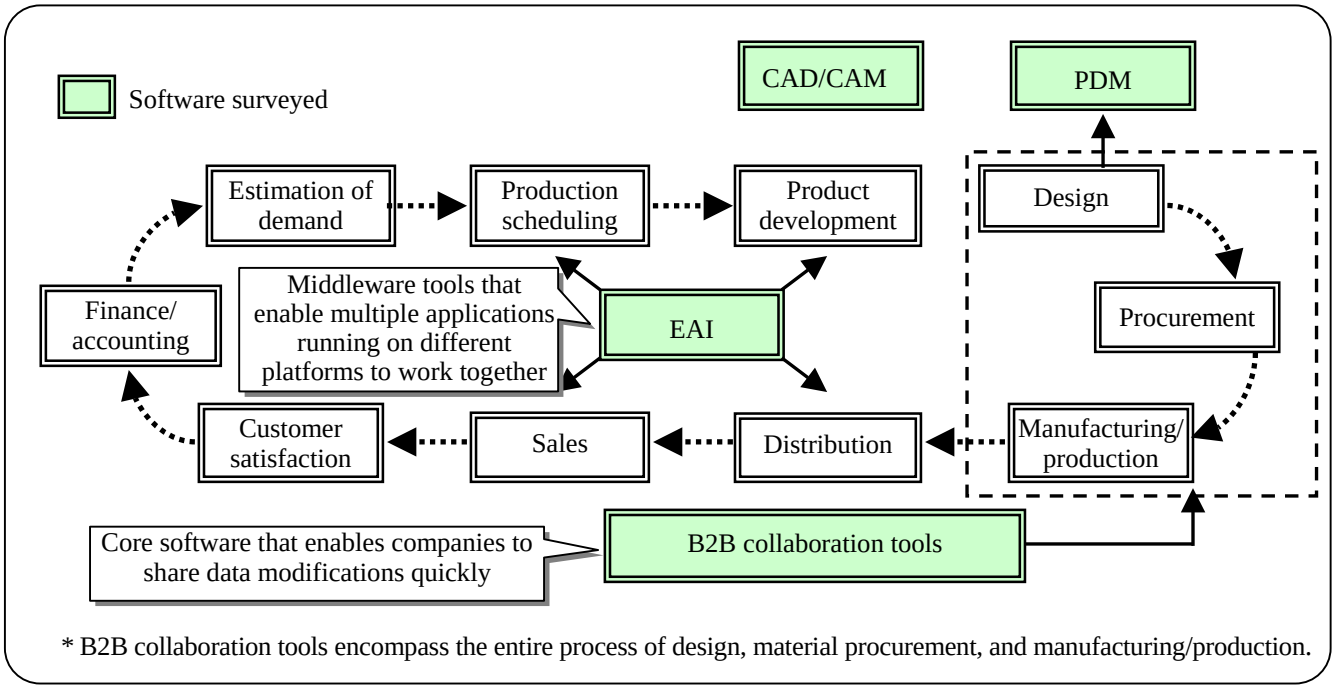
The main categories of engineering software products are as follows:

- CAD/CAM (Computer-Aided Design/Computer-Aided Manufacturing).
- PDM (Product Data Management)
- EAI (Enterprise Application Integration)
- B2B collaboration tools (Platforms for B2B collaboration)

This report focuses in particular on the engineering segment of the complete value chain shown in Figure 1. It describes in detail trends in the Japanese markets for CAD/CAM, PDM, EAI, and B2B collaboration tools, as used in the product engineering process, and presents examples of foreign software companies (including small- and medium-size foreign-capitalized companies) that have entered each of these markets.

This report only includes figures for software license sales in the engineering software products market.

Figure 1. Scope of the Survey



Source: Compiled by Fuji Keizai Co., Ltd. from various reports.

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Yen-US Dollar Exchange Rates

End of Year	Yen/US$
1998	129.2
1999	102.1
2000	114.9
2001	131.5
2002	119.4
2003	107.0

Note : Mean value between offer and bid in the inter-bank foreign exchange market in Tokyo.

Source: Bank of Japan, “Financial and Economic Statistics Monthly”

Summary

Outlook for the Engineering Software Products Market

The Japanese market for engineering software products is comprised of the following product categories: CAD/CAM, PDM, EAI, and B2B collaboration tools. In 2002 sales in this market (license sales for enterprise products) totaled ¥83.5 billion, a 65.3% year-on-year increase. The Japanese CAD/CAM market has a long history. On the other hand, the markets for PDM, EAI, and B2B collaboration tools only began in the latter half of the 1990s and rose to prominence no earlier than 2000. Product Lifecycle Management (PLM) ties together all elements of the supply chain, including not only the product development and design process but also the financial, accounting, and procurement processes. Manufacturing companies that wish to swiftly adapt their engineering chain to meet market requirements are beginning to show great interest in PLM. At the same time, application integration products are also attracting attention. It is predicted that between 2003 and 2005 the market for engineering software products will grow by an annual average of 17.1%, to yield a market value of ¥134 billion in 2005.

Business Models

In the Japanese engineering software products market, many foreign software companies enter into sales partnership contracts with, among others, the systems integration firms of large trading companies to sell their products. In addition, in order to gain full entry to the market, these foreign companies establish development centers and training centers in Japan, and invest considerable effort in localizing their products and training local staff who can introduce them to user companies. At the same time, there are some small- and medium-size foreign-capitalized companies aiming to enter one of the sectors of the systems integration market itself, such as systems and software development.

Conditions at Japanese User Companies

Although the need for global administration is looming, traditional business processes are still entrenched in Japanese user companies. The main causes of this are as follows:

• Reliance on paper-based information exchange
• Opposition to IT introduction by employees
• Reluctance to use minor brands
• Management strata skepticism towards IT investment

As a result, there is a tendency for companies to be cautious about introducing software that requires business process re-engineering (BPR).

Advice for Companies Entering the Japanese Market

Companies entering the engineering software market are advised to (1) introduce products that are new to the Japanese market; (2) enter into a sales partnership contract with a systems integration company with expertise in the Japanese market—either a trading-house affiliated systems integrator or a systems integrator specializing in a particular industry; (3) carry out joint development with a leading Japanese IT vendor.

I. The Engineering Software Products Market–Current Trends and Future Outlook

1. Market Overview and Trends

1-1 Japanese market and trends

The market for engineering software products consists of the following four enterprise product categories: CAD/CAM, PDM, EAI, and B2B collaboration tools. The total market (in terms of license sales for enterprise products) grew to ¥83.5 billion in 2002, a year-on-year increase of 65.3%. However, the only the enterprise products market was surveyed, and products aimed at small- and medium-size companies (mainly CAD products) were excluded from these figures. In addition, Japanese vendors of CAD products are tending to withdraw from the CAD/CAM market, typically because of increased product-development costs.
The leading vendors in each product category are listed below:

- CAD/CAM : IBM Japan, Ltd.; UGS PLM Solutions; PTC Japan
- PDM : UGS PLM Solutions; MatrixOne K.K.
- EAI : webMethods K.K.; Vitria Technology K.K.
- B2B : Agile Software K.K.; Peregrine Systems K.K.

Since 2000, it has been apparent that the Japanese manufacturing industry is facing many challenges, such as high development costs resulting from shorter product lifecycles. This situation has spurred interest in software that can interface with CAD/CAM, PDM, and ERP products and perform data management tasks, such as managing rapid design changes and bills of materials (BOM). Thus, demand for traditionally high-priced data management software (PDM) and application integration software (EAI) has grown. In addition, even with CAD/CAM, which has traditionally been widely used in the manufacturing industry, there was increased demand for new functions that went beyond mere generation of digital design diagrams. Functions requested included support for rendering (traditionally blueprints were more common), Internet functionality, and conversion of 2D data to 3D data. Given these market needs, the amount of data that the software must process has increased as the program size and data volume used in the manufacturing industry has increased. As a result, a new class of software —known as B2B collaboration tools—has emerged with the capacity to rapidly update vast amounts of information such as parts lists (BOMs), accounting data, and component specifications.

Increasing globalization in the Japanese marketplace has driven these changes in the engineering software market. In the automobile industry, for example, inexpensive imports with superior performance are coming into Japan, and cars from a variety of makers flood the market. Meanwhile, customer values have become more diverse, and customers want cars with unique personality. In order to meet this consumer demand, car manufacturers, component manufacturers, and others are sometimes required to carry out pre-product development. Accordingly, in order to be able to manufacture cars more cheaply, it becomes essential to relocate production overseas, for example to China, and to carry out concurrent engineering (simultaneous development and design). The product lifecycle of the automobile is also becoming shorter, meaning that models are changed more often, and this in turn affects the demands on software products. The same trend can be seen in other sectors of the manufacturing industry.

Thus, in recent years product development within Japan's engineering software market has come to focus on Product Lifecycle Management (PLM).

1-2 Market outlook

The introduction of collaboration software, which permits applications to work together, in leading manufacturing companies in 2002 contributed to steady growth in the engineering software products market. In the medium to long term, as these companies share data with medium-size companies, the market will grow, and between 2003 and 2005 the market is expected to grow year-on-year by an average of 17.1%. At the same time, more and more products aimed at small- and medium-size companies are being developed to work with enterprise-oriented products.

Figure 2. Japan's Engineering Software Products Market

Units: million yen, %

Year / Product Category	2000 (actual)	2001 (actual)	2002 (actual)	2003 (estimated)	2004 (forecast)	2005 (forecast)
CAD/CAM	14,100	16,000	18,000	20,000	23,000	26,000
PDM	8,000	13,000	18,000	24,000	31,000	40,500
EAI	4,700	20,000	44,500	52,000	57,000	61,000
B2B Collaboration Tools	1,000	1,500	3,000	4,500	5,500	6,500
Total (year-on-year)	27,800 —	50,500 +81.7	83,500 +65.3	100,500 +20.4	116,500 +15.9	134,000 +15.0

Note 1: The above figures represent total software license sales by vendors in the Japanese market. Calculations by Fuji Keizai based on interviews with the companies concerned.

2: Sales represent software-licensing fees only, and do not include consulting, systems integration, support services, or similar services.

Source: Fuji Keizai *"Market Survey of the Software for B to B solutions,"* July 2002

2. Market Trends and Outlook by Application Category

2-1 Computer-Aided Design/Computer-Aided Manufacturing

(1) Market and trends

The Computer-Aided Design (CAD) market can be broadly divided into 2D CAD products, as used in planar design, and 3D CAD products, as used in solid design. The CAD/CAM market can also be broadly divided into high-end products (¥1 million or more), mid-range products (¥600,000 to ¥1 million), and low-end products (¥600,000 or less). However, many products, like Computer-Aided Manufacturing (CAM) and Computer-Aided Engineering (CAE), which come with numerous optional modules, are classified as high-end products. Accordingly, this section focuses on the complete spread of mid-range and high-end products.

In 2002, the CAD/CAM market (in terms of license sales) grew 12.5% year-on-year to ¥18 billion. As product lifecycles become shorter, CAD vendors and others are developing Product Lifecycle Management (PLM) solutions. Leading manufacturers that are introducing CAD/CAM software urgently require support for the rapid design changes that shorter product lifecycles entail. In response to this trend towards PLM, a shift away from 2D CAD and towards full-featured 3D CAD is evident in the manufacturing industry. In addition, in the 3D CAD market, collaborative products and products with ASP support have been shipping since 1999.

With the slump in performance that has pervaded the entire Japanese manufacturing industry, investment in IT has been cut back. As a result, high-priced, high-end 3D CAD products are struggling. Conversely, there has been respectable growth in sales of reasonably priced mid-range 3D CAD products that offer a high level of functionality.

(2) Market outlook

Forecasts for 2003 onwards show sales of mid-range 3D CAD software continuing to drive the CAD/CAM software market, and average year-on-year market growth between 10 and 15%. Although new demand is scarce, there is demand from small- and medium-size companies that wish to replace their 2D CAD products with 3D CAD products. Forecasts also indicate that demand for low-cost, high-function products will rise—all the more so because of the prolonged sluggishness of the economy.

Figure 3. Japan's CAD/CAM Market

Units: million yen, %

	2000 (actual)	2001 (actual)	2002 (actual)	2003 (estimated)	2004 (forecast)	2005 (forecast)
Sales	14,100	16,000	18,000	20,000	23,000	26,000
Year-on-year	—	+13.5	+12.5	+11.1	+15.0	+13.0

Note : The above figures represent total software license sales by vendors in the Japanese market.
Calculations by Fuji Keizai based on interviews with the companies concerned.
Source: Fuji Keizai *"Market Survey of the Software for B to B solutions,"* July 2002

2-2 Product Data Management

(1) Market and trends

Product Data Management (PDM) is a product information management system for centrally managing all information relating to product planning, design, and development. PDM software is designed to increase overall work efficiency so as to reduce production lead times, manufacturing costs, and waste. The main functions of PDM are management of the composition of a product (that is, the BOM—the bill of materials or parts list), process control, management of blueprints and documentation, and management of design modifications.

In 2002, the market (in license sales) grew 38.5% year-on-year to ¥18 billion. Introduction of PDM is spreading, mainly within leading companies in the manufacturing industry, where it serves as the basis of systems for unifying the design, production, and sales processes. With this aim, PDM is being used to interface with 3D CAD and Enterprise Resource Planning (ERP) systems and to construct corporate portal environments. Some companies are introducing PDM solutions capable of supporting worldwide operations.

In addition, since 1999 the number of low-cost Windows-based products has increased, and low-price add-on tools that interface with 3D CAD software have emerged. As a result, small- and medium-size manufacturing companies (that had previously been deterred by the high cost of PDM products) as well as leading companies in the manufacturing industry can now adopt PDM products.

By promoting Collaborative Product Commerce (CPC) solutions, which allow closer cooperation with dealers and the like, software vendors are addressing companies' CPC requirements and enabling them to increase their sales.

(2) Market outlook

Demand for PDM products will grow not only as a simple systems solution but also as a means of dealing with supply chain reforms and similar company-wide systems reforms. In addition to its increased importance as an element of the supply chain, PDM software is gaining attention as a vital tool for interfacing with 3D CAD systems because of the upsurge in demand for Product Lifecycle Management (PLM) and CPC solutions.

Figure 4. Japan's PDM Market

Units: million yen, %

	2000 (actual)	2001 (actual)	2002 (actual)	2003 (estimated)	2004 (forecast)	2005 (forecast)
Sales	8,000	13,000	18,000	24,000	31,000	40,500
Year-on-year	—	+62.5	+38.5	+33.3	+29.2	+30.6

Note : The above figures represent total software license sales by vendors in the Japanese market.
Calculations by Fuji Keizai based on interviews with the companies concerned.
Source: Fuji Keizai *"Market Survey of the Software for B to B solutions,"* July 2002

2-3 Enterprise Application Integration

(1) Market and trends

Enterprise Application Integration (EAI) products are middleware that allows multiple applications or systems to interface with one another, irrespective of whether they are running on the same platform. Major functions of EAI include data format conversion, connection adaptor functions, routing, workflow, communications, development, management, and security. EAI is designed to integrate data and processes efficiently by enabling the multiple business systems used in companies to interface smoothly with one another. EAI products serve as middleware that can make effective use of existing information assets and facilitate rapid decision-making.

In 1998 and 1999, the EAI functions that enabled ERP and host systems to work together caught the attention of leading companies. As a result, the number of companies introducing EAI on a trial basis grew, and the market began to take shape. Since 2000, the level of awareness of EAI products has increased, some users have started to implement full installations, and demand has increased every year. In 2000, introduction of EAI as a means of interfacing ERP with legacy systems, such as mainframes, gathered momentum, principally in financial institutions. The market (in terms of license sales) has grown from ¥690 million in 1999 to ¥44.5 billion in 2002.

Costing tens of millions of yen, EAI software licenses are expensive; however, in comparison with other software products, EAI products offer inter-operability with a wider range of systems. As a result, numerous companies listed in the first sections of the Japanese stock exchanges have introduced EAI. The finance, manufacturing, and communications industries have introduced EAI for the following reasons.

1) Since mergers and acquisitions are commonplace in the financial industry, there is a strong need for the ability to interface with established core systems.

2) As companies in the manufacturing industry engage in setting up SCM, inter-operability is a vital requirement—both within a company and between companies in the same group.

3) Companies in the communications industry have pressing requirements to increase the range of services they offer and to achieve inter-operability with their increasingly complex key in-house systems.

(2) Market outlook

It is believed that the demand for EAI will increase due to the financial industry's requirement for core systems inter-operability necessitated by industry reorganizations, and the requirements of manufacturing companies that wish to standardize systems across all their overseas locations. Companies that have already introduced EAI may also carry out additional

installations in order to interface with other companies or to engage in e-business.

The price of EAI is continuing to fall sharply. As a result, small- and medium-size companies are expected to join the leading companies (which formed the bulk of the early adopters) by introducing EAI. Demand is also expected to increase. To meet this demand, low-cost products that can interface with small systems will be required.

Figure 5. Japan's EAI Market

Units: million yen, %

	2000 (actual)	2001 (actual)	2002 (actual)	2003 (estimated)	2004 (forecast)	2005 (forecast)
Sales	4,700	20,000	44,500	52,000	57,000	61,000
Year-on-year	—	+325.5	+122.5	+16.9	+9.6	+7.0

Note : The above figures represent total software license sales by vendors in the Japanese market. Calculations by Fuji Keizai based on interviews with the companies concerned.
Source : Fuji Keizai *"Market Survey of the Software for B to B solutions,"* July 2002

2-4 B2B Collaboration Tools

(1) Market and trends

B2B collaboration tools are software products that enable the systems of different companies to work together, and that create a technological base for companies working in partnership to share information on things like products and work flow. A characteristic of B2B collaboration tools is that they support rapid modification of data.

B2B collaboration tools can be used by (1) companies cooperating in the engineering chain of the product design-and-maintenance process, (2) companies cooperating in the supply chain of the supply-and-sales process, and (3) companies cooperating in both the engineering chain and the supply chain. At present, these tools are mainly being used by leading companies that have a strong demand for both rapid data conversion and cooperation with other companies.

As stated previously, Japanese manufacturing companies have come to require high-speed capability for design and specification changes, parts list management, and work flow management. Along with the need for high-speed data conversion and management capabilities, the demand for PLM solutions has also been on the increase, particularly with manufacturing companies. As a result, attention has been focused on B2B collaboration tools. At the same time, vendors of B2B collaboration tools and systems integrators have conducted an educational campaign, directed chiefly at the manufacturing industry, that has raised awareness of these tools. In 2002, Japanese systems integrators began installing the products of foreign software vendors at leading manufacturing companies, including the Sony group.

Against this backdrop, the market (for license sales) reached ¥3 billion in 2002 (a 100% year-on-year increase).

(2) Market outlook

B2B collaboration tools are expected to be used increasingly in the engineering segments of manufacturing industries, such as the automobile, medical equipment, and high-technology industries, where changes in design and specifications are common. This increase is due to the trend towards shorter product lifecycles in manufacturing, which necessitates enhanced data management capabilities to cope with rapid changes in design and other product aspects.

At the same time, user companies are expressing a strong desire for shorter product implementation times. Currently the average time from consultation to installation is three months. Users are expected to demand even shorter lead times. In addition, the demand is strong for installation consulting, and vendors of B2B collaboration tools will pursue stronger business alliances with systems integrators that specialize in specific industries.

Figure 6. Japan's B2B collaboration tools Market

Units: million yen, %

	2000 (actual)	2001 (actual)	2002 (actual)	2003 (estimated)	2004 (forecast)	2005 (forecast)
Sales	1,000	1,500	3,000	4,500	5,500	6,500
Year-on-year	—	+50.0	+100.0	+50.0	+22.2	+18.2

Note : The above figures represent total software license sales by vendors in the Japanese market. Calculations by Fuji Keizai based on interviews with the companies concerned.
Source: Fuji Keizai *"Market Survey of the Software for B to B solutions,"* July 2002

3. Principal Companies in the Japanese Market

Figure 7 lists companies in the Japanese engineering software market and describes the outlook for the various sectors within the market. Companies are listed alphabetically within four categories: CAD/CAM, PDM, EAI, and B2B collaboration tools. The column "Main Business" lists the main types of business being conducted in Japan by the listed software vendors (foreign software companies included) in each product category. In this column, "Marketing" denotes events and activities such as seminars, exhibitions, advertising, and sales partnerships. "Product development, SI" denotes in-house product development and construction of systems based on in-house software products. "Consulting, SI" denotes

consulting on installation of software products and construction of systems based on in-house software products. “SI, Product sales” denotes construction of systems (as the principal operation) coupled with sales of either in-house or third-party products.

The column “Status in Market” describes the market status of each company’s principal products. Installation of enterprise products is progressing in key industries such as manufacturing, communications, finance, and distribution.

The column “Partnerships and Tie-ups” describes the partnerships entered into by the companies in each market category, and the market status of the partners. Foreign software vendors tend to team up with leading Japanese systems integrators, such as NEC, Fujitsu, Hitachi, and IBM Japan. Foreign software vendors providing installation consulting are collaborating with consulting firms.

Figure 7. Leading Companies in the Japanese Market and their Market Status

Company Name	Main Product Category	Main Business	Status in Market	Partnerships and Tie-ups
Autodesk Ltd.	CAD/CAM	Marketing	Serving the manufacturing and construction industries, and civil engineering companies. Predominant in 2D CAD.	Collaborating with systems integrators specializing in large trading companies and industries like manufacturing.
Nihon Unisys Excelutions, Ltd.	CAD/CAM	Product development, SI	Strong in 3D CAD in the tool industry.	Collaborating with systems integrators that are established in the manufacturing industry.
Zuken Inc.	CAD/CAM	Product development, SI	Strong in CAD/CAM and CAE in the field of electronics.	Collaborating in operations with leading systems integrators.
CoCreate Software Company	CAD/CAM, PDM	Consulting, SI	Strong in various sectors of the manufacturing industry, such as the machine and electric appliance industries.	Collaborating with trading company systems integrators that are well established in the manufacturing industry.
PTC Japan	CAD/CAM, PDM	Consulting, SI	Predominant in 3D CAD/CAM in the assembly and manufacturing industry.	Collaborating with systems integrators that are well established in the manufacturing industry.
SolidWorks Japan K.K.	CAD/CAM, PDM	Marketing	Strong in the machine, electronics, consumer electronics, and precision industries.	Collaborating with leading Japanese systems integrators —like those affiliated with trading companies.
IBM Japan, Ltd.	CAD/CAM, PDM, EAI	SI, Product sales	Introducing products of foreign-capitalized vendors to automobile and other manufacturing sectors.	Pursuing systems integration operations—mainly with IBM business partners.

MatrixOne K.K.	PDM	Marketing	Established in manufacturing industries, such as automobiles and high-tech.	Collaborating with systems integrators that have expertise in the manufacturing industry.
NEC Corporation	PDM	Product development, SI	Pushing introduction of PDM to all sectors of the manufacturing industry.	All NEC sales sectors and affiliated companies in Japan are pursuing systems integration operations.
Think3 K.K.	PDM	Marketing	Developing operations aimed at all sectors of the manufacturing industry.	Collaborating with systems integrators that have expertise in the manufacturing industry.
Fujitsu Limited	PDM, EAI	Product development, SI	Serving a wide range of small-, medium-, and large-size companies.	Collaborating with systems integrators that have expertise in the manufacturing industry.
Microsoft Co., Ltd.	EAI	Marketing	Have already introduced products to the manufacturing, distribution, and financial industries.	Sales with certified Microsoft partners.
Tibco Software Japan Inc.	EAI	Marketing	Have already introduced products to the manufacturing, communications, and financial industries.	Collaborating with systems integrators that are strong in the manufacturing industry.
SeeBeyond Technology Corporation Japan K.K.	EAI	Marketing	Have already introduced products to the manufacturing, distribution, and financial industries.	Collaborating with trading company systems integrators and with systems integrators that have expertise in the field of electronics.
Vitria Technology K.K.	EAI	Marketing	Serving leading companies in all industries.	Collaborating with systems integrators that are strong in the manufacturing industry and with leading Japanese systems integrators.
webMethods K.K.	EAI	Marketing	Pursuing introduction of products to the manufacturing, communications, and financial industries.	Collaborating with systems integrators that have expertise in the manufacturing industry.
Agile Software K.K.	B2B collaboration tools	Marketing	Have already introduced products to the electronics and medical equipment sectors of the manufacturing industry.	Collaborating with leading Japanese systems integrators and with consulting firms.
Peregrine Systems K.K.	B2B collaboration tools	Marketing	Serving leading companies in all kinds of industries, such as the automobile and financial industries.	Collaborating with leading Japanese systems integrators and with systems integrators that have expertise in the manufacturing industry.

Source: Various documentation and interviews with related companies conducted by Fuji Keizai.

II. Legal Systems

1. e-Japan Strategy II

Since January 2001, when the IT Strategic Headquarters finalized the "e-Japan Strategy," a basic strategy aimed at making Japan the most advanced IT nation in the world, the Japanese government's IT Strategic Headquarters has made a committed effort to set up a solid IT infrastructure. The strategy's aim was to create an environment within five years that provides high-speed Internet access to 30 million households and ultra-high-speed Internet access to 10 million households. As of August 2003, this goal has been achieved, due in part to the rapid spread of ADSL. The proportion of Internet users within the general population has increased markedly, rising from 21.4% at the end of December 1999 to 54.5% by the end of December 2002. With over 7 million households subscribing to DSL (Digital Subscriber Line), the average monthly usage fees are now at the lowest levels in the world. In addition, modification of systems for e-commerce, passage and enforcement of laws enabling national and regional government procedures to be put on-line, and framing of the relevant ministerial directives are all well underway. Thus, the aims of the first phase of the IT Strategy are well on the way to being achieved.

On July 2, 2003, "e-Japan Strategy II," the second phase of the national IT strategy, was adopted. Whereas the first phase chiefly focused on infrastructure development, e-Japan Strategy II focuses on using this infrastructure as a base for the construction of easy-to-use systems. Essentially, the new strategy seeks to promote the effective use of IT in seven fields—medical services, food, lifestyle, small- and medium-size enterprise financing, knowledge, employment and labor, and public service. The plan includes the construction of a ubiquitous network and more stringent security measures as the foundation for a new IT society. It also includes the establishment of a system of cooperation with other Asian countries, and the establishment of a mechanism for evaluating the results of this strategy.

The aim is to effectively meet objectives in these seven key areas within five years or so.

With the ratification of this strategy, the "e-Japan Priority Policy Program–2003," a timetable of measures for the fiscal year 2003, was finalized in August 2003.

The "e-Japan Priority Policy Program–2003" not only address the seven key areas mentioned above but also stresses the need to concentrate policy resources effectively and continuously in the following five priority areas to achieve an advanced information and telecommunications network society.

- Accelerated construction of the world's most advanced networks
- Enhancement of IT human resource development
- Facilitation of e-commerce
- Digitization of the administration
- Ensuring the security and reliability of advanced information and telecommunications networks

2. Software and Patents

New types of network businesses have come into existence as a result of the rapid development of information technology. In the process of adapting the law to account for these businesses, it has become apparent that the effective scope of rights such as patent rights, must be reviewed. The patent systems of different countries must also be reconciled with one another, the burden on patent applicants alleviated, and more effective examinations conducted by the Japan Patent Office. As a review of the application system for patents and new designs, the Japan Patent Office published a committee report on December 3, 2001, from the Intellectual Property Policy Committee of the Industrial Structure Council, entitled "Adapting Patent and Trademark Law for Networks (provisional translation)." Subsequently, in February 2002, the "Bill for the Amendment of Patent Law," which was based on this report, was presented in the Diet. On April 17, 2002, this bill was passed as Law No. 24.

The revisions to the patent law broadened the range of inventions that can be patented and accordingly changed the regulations regarding enforcement. The revisions can be classified into four categories (the first three are relevant to software).

(1) Reinforcement of Patent Protection for Information-based Property such as Software and Enhancement of Network Transactions

Formerly, the concept of an "invention" was equated to a tangible object. However, intangible items, such as software, are now also recognized as inventions. Moreover, the transmission of software via the Internet without permission now also falls into the category of infringement of patent rights.

(2) Expansion of Provisions for Indirect Infringement of Patent Law

The provisions covering indirect patent infringement applied only to those who supplied components or materials used directly in the manufacture of an imitation product. To tighten protection of patent rights, the scope of indirect infringement has been expanded to cover a third party who supplies components with malicious intent (that is, in the knowledge

that the invention is patented or that components are to be used to copy a patented invention).

(3) Reinforcing Protection of Trust in Trademarks used in Internet Business

With the growth of Internet businesses, complete protection is now also required for trademarks displayed on PCs and mobile phone screens. Prior regulations covered marks affixed to tangible products. As networks are used for product distribution, advertising and service businesses, and similar types of businesses, the on-screen use of trademarks is now also protected from trademark infringement.

(4) Reduction of Applicant Burden and Promotion of Speedy and Efficient Examination

1) To lighten the burden on the applicant when preparing the application, the patent application system is being brought into line with systems used in other developed countries and with the international application system.

2) By decision of the Patent Corporation Treaty meeting, the period for domestic filing for an international patent application has been uniformly extended to 30 months. In addition, to make application more convenient for the user and to facilitate examination of the application, a two-month extension has been granted for submission of the translated application, and improvement in translation quality is being urged.

3) In order to make the examinations rapid and precise, a system is being introduced whereby, at the time of application, the applicant discloses to the examiner the information he possesses on prior art literature.

4) The registration fee portion of international trademark registration application fees is payable domestically when the application is reviewed, as is the case with domestic applications.

3. Software and Antimonopoly Act

In August 2001, the Japan Fair Trade Commission established the “Study Group on Software and Competition Policy,” which consists of scholars and representatives from the business world. The purpose of the group is to clarify how transactions involving software products should be handled under the Antimonopoly Act. Subsequently, on March 20, 2002, the group published an interim report on the Antimonopoly Act in relation to software transactions.

The Fair Trade Commission will make active use of this interim report in the application of the Antimonopoly Act, and at the same time seek the opinions of the relevant authorities regarding the issues raised in the report.

The interim report raises the following concerns about the limited provision of

technical information on software platforms (that is, operating systems or OSs) and about restrictions in software licensing contracts—both issues that will need to be addressed under the Antimonopoly Act.

3-1 Provision of Technological Information on Platform Software

(1) Discriminatory Treatment and Refusal to Provide Technological Information

The manufacturer of an OS may be slow—or fail outright—to provide technical information to software application or hardware manufacturers whose products are compatible with a rival OS, or to software application manufacturers whose products are in competition with its own applications.

(2) Refusal to Provide Technological Information for the Addition of New Functions (Functional Tie-in)

When an OS manufacturer adds new functions to an existing OS, all application manufacturers need to be provided with the relevant technical information. Disregarding this need, the manufacturer of an OS may intentionally be slow—or fail outright—to provide the relevant technical information to manufacturers whose products compete with its own application software.

(3) Unjust Accumulation of Technologies Independently Developed by Hardware and Application Software Makers

When an application software or hardware manufacturer receives technical information provided by an OS manufacturer, develops products that are compatible with the OS, and receives new technical information, the OS manufacturer may not simply insist that it receive this information, but may also demand the rights to, and inside knowledge of, the original technology developed by the other manufacturer, or alternatively may forbid use of the original technology in the development of products compatible with a rival OS.

(4) Unjust Expansion of Obligations to Protect Secrecy

When providing an application software or hardware manufacturer with the technological information necessary for developing products compatible with its OS, an OS manufacturer may attempt to include in the confidentiality requirements either non-confidential information or information on original technology developed by the application software or hardware manufacturer, or may unjustly prolong the confidentiality requirements that apply to the technological information in question.

3-2 Restrictions in Software Licensing Agreements

(1) Restrictions on Reproduction

License agreements contain the following restrictions on reproduction.

1) License fees are based on shipping figures that include not only duplicated versions of the software products covered by the contract but also other duplicated software products.

2) Unfair maximum or minimum limits on the number of duplications allowed.

(2) Restrictions on Alteration

The licensee may not, either personally or via a third party (such as a systems integrator), make the most effective use of the software by

1) debugging or customizing the software in question, or

2) connecting the software to or including the software in other hardware or software.

(3) Assignment of Rights and Know-how Pertaining to the Results of Alteration, and Granting Licenses for Exclusive Use

When the licensee with the consent of the licensor changes the software, the licensor may oblige the licensee to give over the rights and inside knowledge relating to the results of the alteration to the licensor, or may oblige the licensee to consent to confining use of the alteration to the licensee only.

(4) Forbidding Reverse Engineering (examination and analysis of an existing product to ascertain its structure or the techniques used in its manufacture)

When the licensee is developing software or hardware that is inter-operable with the software governed by the license contract,

1) information about the software interface will be required,

2) the licensor may not provide interface information, and

3) even if reverse engineering is absolutely essential for the licensee,

the licensor may forbid the licensee from carrying out reverse engineering.

(5) Tie-in Sales

1) A software manufacturer may include a stipulation in a pre-installation contract with a hardware manufacturer, obliging the hardware manufacturer to pre-install software not covered by the terms of the contract.

2) A software manufacturer may include a stipulation in a sales dealership contract with a distributor obliging the distributor to sell to end users bundled software that is outside the terms of the contract.

(6) Restrictions on the Handling of Competing Products

1) A software manufacturer may include a stipulation in a pre-installation contract with a hardware manufacturer prohibiting the hardware manufacturer from handling products by competing software manufacturers.

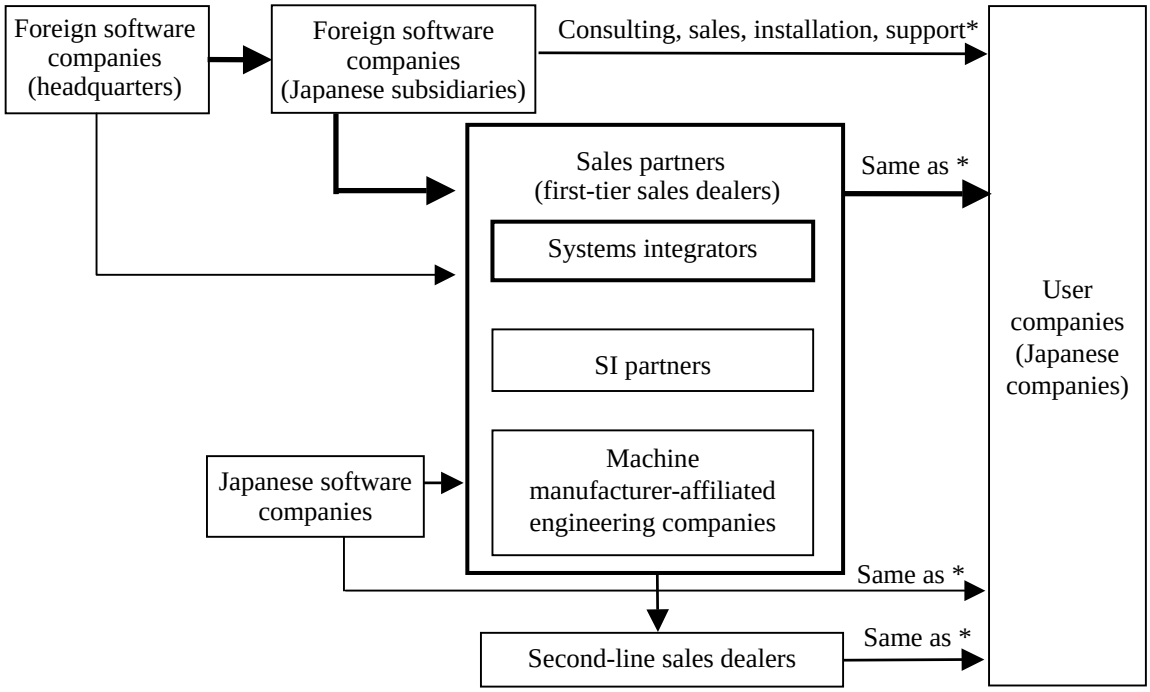
2) A software manufacturer may include a stipulation in a sales dealership contract with a distributor prohibiting the distributor from handling products by other competing software manufacturers.

III. Commercial Practices in the Japanese Market

1. Industry Structure

The structure of the sales and installation support system for CAD/CAM, PDM, EAI, and B2B collaboration tools in Japan is shown in figure 8.

Figure 8. Overview of Sales and Installation Support System in the Japanese Market



Note : In the above diagram, the thick arrows represent the main distribution channels, while thin arrows represent other distribution channels.

Source: Compiled by Fuji Keizai based on interviews with the companies concerned.

1-1 Industry Structure Overview

The Japanese engineering software market is comprised of industry-specific software for product development and design work, and software for connecting these applications. For this reason, many foreign software companies are developing sales partnerships with systems integrators that have expertise in key systems, such as ERP, and in fields like design engineering.

CAD/CAM (or 3D CAD) products are generally the pivotal engineering software products. As a result, PDM, EAI, and B2B collaboration tools are also sold to user companies

through sales partners with expertise in the engineering field. Among these systems integrators are general trading company-affiliated systems integrators and leading Japanese systems integrators. On the other hand, there are also small- and medium-size industry-specific systems integration companies acting as systems integration partners. There are also machine manufacturer-affiliated engineering companies that use the products of foreign software companies and, having judged the products to be excellent, have become sales partners to those companies. (For a more detailed view of the types of partnerships, see figure 10, “Potential sales partners for foreign-capitalized companies.”)

Figure 8 shows the sales and support systems and illustrates the distribution structure from the point of view of the Japanese subsidiaries of foreign software companies. The Japanese subsidiaries of foreign software companies devote great effort to marketing events and activities in Japan, such as seminars, exhibitions, certification programs, sales partnerships, training centers, publicity, and advertising. Although the Japanese subsidiaries have their own systems engineers, more commonly these systems engineers provide technical support to the sales partners to facilitate indirect sales rather than engage in direct sales. The reason why the Japanese subsidiaries of foreign software companies conduct sales in this way is that they would like the sales partners to sell their products for them. In turn, the sales partners offer system support to user companies for a period of one year from the installation of the software. In many cases, the user companies must bear the cost of these support services, though this varies with the maintenance conditions for these systems.

1-2 The Japanese Market—Characteristics and Practices

The sales channels used by foreign-capitalized companies for selling software in the Japanese market can be broadly classified into three categories.

1) Foreign-capitalized companies sell directly to user companies—direct sales.

2) Foreign-capitalized companies sell to user companies through a Japanese sales dealer (or sales partner)—indirect sales.

3) Direct sales and indirect sales are both used.

Of these three categories, the most common distribution channel is (2). There are two factors behind this situation.

1) When Japanese user companies have new software installed, they place a premium on the construction of systems that are trustworthy and that are inter-operable with existing systems, and they tend to entrust installation to the systems integrators that put together their existing systems

2) Many CAD/CAM engineering software products are specifically designed for a particular industry, such as the pattern, electronics, or automobile industry. Thus, user companies tend to

entrust system construction to systems integrators with expertise in the relevant industry. In addition, user companies tend to select the software that is most suitable for their systems.

Figure 9. Main Sales Partners of Foreign-Capitalized Companies

Software Category	Foreign-Capitalized Company	Main Sales Partners
CAD/CAM, PDM	CoCreate Software Company	Canon Software Inc.
		Fujitsu Kyushu System Engineering Limited
		Hitachi Information Systems, Ltd.
		Otsuka Corporation
		Ricoh Co., Ltd.
	MatrixOne K.K.	Kanematsu Electronics, Ltd.
		Hewlett-Packard Japan, Ltd.
		Hitachi Software Engineering Co., Ltd
		Meitec Corporation
		NS Solutions Corporation
	PTC Japan	Hitachi Systems and Services, Ltd.
		Intec Inc.
		Mitsubishi Electric Engineering Co., Ltd.
		Oki Engineering Co., Ltd.
	SolidWorks Japan K.K.	Canon System Solutions Inc.
		Kubota Solid Technology Corporation
		Itochu Techno-Science Corporation
		NEC Corporation
		Otsuka Corporation
	UGS PLM Solutions	Digital Process Ltd.
		EXA Corporation
		NS Solutions Corporation
		NTT Data Sanyo System Corporation
		Oki Electric Industry Co., Ltd.
EAI	SeeBeyond Technology Corporation Japan K.K.	CAC Corporation
		Itochu Techno-Science Corporation
		Hewlett-Packard Japan, Ltd.
		NTT-ME Corporation
		Sumisho Computer Systems Corporation
EAI	webMethods K.K.	Canon Software Inc.
		IT Frontier Corporation
		NTT Comware Corporation
		NTT Software Corporation
		Osaka Gas Information System Research Institute Co., Ltd.

B2B collaboration tools	Agile Software K.K.	CSK Corporation
		FFC Limited
		Sumisho Electronics Co., Ltd.
	Peregrine Systems K.K.	Canotec Co., Inc.
		IBM Japan, Ltd.
		Oki Electric Industry Co., Ltd.
		Sumisho Electronics Co., Ltd.
		TIS Inc.

Note : Company names are listed in alphabetical order.
Source: Compiled from various reference sources by Fuji Keizai.

Even among the many foreign-capitalized software companies that sell directly to user companies, there is a growing inclination to sell their products indirectly through Japanese systems integrators in order to strengthen and expand their sales channels. As a result, the degree to which foreign software companies will depend on sales partners for sales in Japan is expected to increase.

Figure 10 categorizes leading Japanese systems integrators that are potential partners for foreign-capitalized companies. (Some of these systems integrators are also listed in Figure 9.)

Figure 10. Potential Sales Partners for Foreign-Capitalized Companies
(Leading Systems Integrators)

Company Category	Company Name
1) Leading trading company systems integrators	Canon System Solutions Inc., Itochu Techno-Science Corporation, Kanematsu Electronics, Ltd., Marubeni Solutions Corporation, Sumisho Computer Systems Corporation, Sumisho Electronics Co., Ltd., and others
2) Leading Japanese systems integrators	Hitachi, Ltd., Hitachi Software Engineering Co., Ltd., IBM Japan, Ltd., Information Services International-Dentsu, Ltd., Fujitsu Limited, NEC Corporation, NS Solutions Corporation, NTT Communications Corporation, NTT Data Corporation, Nihon Unisys Excelutions, Ltd., TIS Inc., Toshiba Solutions Corporation, Toyo Engineering Corporation, and others
3) Consulting systems integration companies	ABeam Consulting Ltd., Accenture Japan Ltd., Cap Gemini Ernst & Young, Future System Consulting Corp., and others
4) General and specialized trading companies	Otsuka Corporation, Mitsui & Co., Ltd., Rikei Corporation, Yuasa Trading Co., Ltd., and others
5) Industry-specific systems integration companies	Hitachi Zosen Information Systems Co., Ltd., Kobelco Systems Corporation, Mitsubishi Electric Engineering Co., Ltd., Mitsui Zosen Systems Research Inc., Mutoh Industries Ltd., Saito Machine Tool Co., Ltd., Taiyo Mechatronics Co., Ltd., Toyota Caelum Incorporated, and others
6) Machine manufacturers	Kubota Corporation, Kuraki Co., Ltd., Matsuura Machinery Corporation, Nakashima Propeller Co., Ltd., Ueda Machine Tools Co., Ltd., and others

Source: Compiled by Fuji Keizai from interviews carried out with the companies concerned and from various reference sources.

1-3 The Division of Labor and Small- and Medium-Size Foreign-Capitalized Companies

(1) Leading foreign-capitalized companies

Through the intermediary of a Japanese subsidiary or a Japanese sales partner, leading foreign-capitalized companies are adapting the specifications of their products for the Japanese market.

The various sales models adopted are broadly classified as (1) to forego the establishment of a Japanese subsidiary and entrust sales to a Japanese sales partner (sales dealer); (2) to establish a Japanese subsidiary and entrust sales to a Japanese sales partner (sales dealer) through the Japanese subsidiary; and (3) to establish a Japanese subsidiary and conduct direct sales in Japan.

(2) Small- and medium-size foreign-capitalized companies

In contrast to leading foreign-capitalized companies, small- and medium-size foreign-capitalized companies are beginning to enter the market using a business model that involves undertaking projects contracted out by leading Japanese systems integrators, such as software development or system development work.

Indian software companies, which offer low-priced high-quality services and have earned a high-degree of trust from IT-industry clients in the European and American markets, are currently expanding their base in Japan, and are continuing to build up their software development and system construction operations. For example, Datamatics K.K. (located in Minato Ward, Tokyo) have already been contracted to carry out software development and engineering work by leading companies like Itochu Techno-Science and Hitachi.

1-4 Small- and Medium-Size Foreign-Capitalized Companies—Establishing a Base in Japan

In some instances, when leading Japanese systems integrators have entrusted small- and medium-size foreign-capitalized companies with projects such as software development, joint operations have been undertaken at the research and development facilities (or laboratories) of the systems integrator. Although such cases are rare, as Japanese companies begin to realize a need to reduce personnel expenses incurred in software development and similar projects, it would seem that there are business opportunities in Japan for foreign-capitalized companies with outstandingly talented staff from India, China and other such countries—not only in research but also in projects such as joint software development.

When software and systems development projects that are contracted out in this way,

the foreign company should collaborate from the outset with a leading Japanese systems integrator, depending on the type of job. Increasingly, leading Japanese systems integrators need to reduce the cost of software development and system development. By collaborating with systems integrators engaged in these kinds of projects, it is possible for small- and medium-size foreign-capitalized companies to build up a base of operations in Japan. Also, in order to further partnerships with systems integrators, it is necessary to establish a Japanese subsidiary. Thus it can be said that, from a business standpoint, it is advantageous for small- and medium-size foreign-capitalized companies that are getting started in the Japanese market to establish a Japanese subsidiary.

Around the Tokyo area, leading Japanese systems integrators have established research and development facilities (or laboratories) in many locations, including Ota Ward in Tokyo, Yokohama City in Kanagawa Prefecture, and Chiba City in Chiba Prefecture.

IV. Case Studies of Foreign-Capitalized Software Companies

1. Summary

Figure 11 lists some foreign software companies that have entered the Japanese market, their business development strategy, and factors of their success.

Figure 11. Business Development by Foreign Software Companies in the Japanese Market and Factors of their Successes

Company Name	Autodesk Ltd.	PTC Japan	MatrixOne K.K.	Agile Software K.K.	webMethods K.K.
Company Information	Harumi 1-8-10, Chuo-ku, Tokyo Tel: 03-6221-1667 www.autodesk.co.jp Established: April 1985	Nishi-Shinjuku 2-3-1, Shinjuku-ku, Tokyo Tel: 03-3346-8288 www.ptc.com Established: March 1992	Kojimachi 1-6-5, Chiyoda-ku, Tokyo Tel: 03-5210-0011 www.matrixone.co.jp Established: June 1999	Chuo 1-38-1, Nakano-ku, Tokyo Tel: 03-5338-9771 www.agilesoft.co.jp Established: May 2000	Roppongi 1-6-1, Minato-ku, Tokyo Tel: 03-6229-3700 www.webmethods.co.jp Established: October 2000
Product Field	CAD/CAM	CAD/CAM, PDM	PDM	B2B collaboration tools	EAI
Business Development in Japan	1) Sales to developers and resellers, based on AutoCAD. 2) Indirect sales.	1) Released high-end 3D CAD products. 2) Combination of direct sales and indirect sales.	1) Released Matrix. 2) Indirect sales.	1) Proposal of PCM (Product Chain Management) solutions. 2) Combination of direct and indirect sales.	1) Offering webMethods solutions. 2) Indirect sales.
Target Markets	1) Currently: manufacturing industry, construction industry, civil engineering industry 2) Forecasted: To offer 3D CAD products to the construction industry. Newly targeting very large companies in the manufacturing industry.	1) Currently: consumer electronics, precision machinery, automobiles 2) Forecasted: manufacturing machinery, heavy industry, public works and education.	1) Currently: automobiles, high technology, consumer electronics, precision machinery 2) Forecasted: service business.	1) Currently: electronics, high technology, semiconductors, medical equipment. 2) Forecasted: specialization in the manufacturing industry.	1) Currently: consumer electronics, electronics, computers, chemicals, iron and steel, finance and communications, distribution. 2) Forecasted: worldwide companies, large companies.

Sales and Market Development in Japan	1) Indirect sales exclusively. 2) Private seminars, exhibitions, on-line shop, sales campaigns, other sales events.	1) Mainly direct sales. 2) Private seminars, events, press releases, sales partnerships.	1) Indirect sales exclusively. 2) Private seminars, sales campaigns, press releases.	1) Mainly direct sales. 2) Private seminars, press releases.	1) Mainly indirect sales. 2) Events, private seminars, training of partners, demonstration versions of products.
Current Alliances in Japan	1) Collaboration with 20 certified dealers and 190 certified sales outlets (as of September 2003).	1) Collaboration with software providers, platform providers, sales dealers, engineering providers, and systems integrators.	1) Collaboration with systems integrators that have expertise in the manufacturing industry, hardware providers, and software providers.	1) Collaboration with systems integrators that offer complete solutions.	1) Collaboration with systems integration partners, technology partners, and marketplace partners.
Factors of Success in Japan	1) Providing solutions to the manufacturing industry, the construction industry, and the civil engineering industry. 2) Ease-of-use and high functionality of products. 3) Collaboration with strong partners.	1) Installation at leading companies in the manufacturing industry. 2) First-to-market in Japan with products that are established in the fields of design and modeling.	1) Collaboration with systems integrators that have expertise in the manufacturing industry. 2) Strong reputation for functionality of products.	1) First-to-market in Japan with products in essential new fields in the manufacturing industry.	1) Collaboration with good partners, training support, pre-sales, joint marketing.

Source: Interviews conducted by Fuji Keizai with the companies concerned.

2. Case Studies

2-1 Autodesk Ltd.—CAD/CAM Market

(1) Product line-up

1) Primarily a 2D CAD provider, but has a range of products, including mid-range 3D CAD products, data conversion tools, general-purpose design tools, low-end 2D CAD products, viewers, and 3D visualization products.

2) Offering solutions aimed at the manufacturing, construction, and civil engineering industries.

(2) Business Development in Japan

1) Established a Japanese subsidiary in April 1985 and was the first company in the CAD industry to release a 2D CAD program (AutoCAD) that could run on a desktop PC.

2) Expanded operations—based on AutoCAD—and sold products to user companies in many industries, to developers who developed practical applications, and to resellers.
3) Have increased market share by releasing a light (low-priced) version of AutoCAD. In addition, combined with sales of package products, offers collaboration services that provide an online work environment via the Internet.

(3) Target Markets

1) Has installed products in a wide range of companies in the manufacturing industry, the construction industry, and the civil engineering industry—from small- and medium-size companies to leading companies.
2) Plans promote the installation of 3D CAD aimed at the construction industry. Making concentrated efforts to install products at very large companies in the manufacturing industry.

(4) Sales and Market Development in Japan

1) Products are sold exclusively by indirect sales. Since first entering the Japanese market, the company has sold to clients through resellers—as it does in the U.S.
2) Attempting to develop business through private seminars and exhibitions, and to increase sales through an on-line shop, sales campaigns, events, and press releases (describing new products and product installation examples).

(5) Current Alliances in Japan

1) Certified dealers and certified sales outlets as sales partners.
2) 20 certified dealers and 190 certified sales outlets (as of September 2003).

(6) Factors of Success in Japan

1) With experience spanning the manufacturing, construction, and civil engineering industries, and with products ranging from light (low-cost) 2D CAD products to mid-range 3D CAD products that can be combined with collaboration services, the company is in a good position to propose integrated solutions.
2) The ease-of-use and high degree of functionality of the company’s products are highly regarded in the Japanese market. In addition, the company offers products that support the industry-standard DWG file format, as used by 6 million users worldwide.
3) As well as having trading company partners, the company enjoys strong support from its sales partners, which have expertise in a range of industries, including manufacturing, construction, and civil engineering.

2-2 PTC Japan — CAD/CAM, PDM Market

(1) Product Line-up

1) Produces high-end 3D CAD software and PLM solutions software that is based on PDM. Offers a total of 10 types of PLM solutions software, including PDM.

(2) Business Development in Japan

1) Established a Japanese subsidiary in March 1992 and commenced sales of high-functionality high-end 3D CAD products. Offered PLM solutions based on PDM.

2) On initial entry to the market, mainly supplied CAD/CAM products to leading manufacturing companies and increased market share. Subsequently selling PLM solutions software—mainly to companies that it had supplied with CAD/CAM products. In addition, offers free software, enabling small- and medium-size companies to share data, and, for medium-sized companies, principally offers collaboration tools and software that supports 3D CAD.

(3) Target Markets

1) Mainly companies in the manufacturing industry engaged in the assembly of consumer electronics, precision machinery, and automobiles.

2) Planning to expand sales in the fields of manufacturing machinery, heavy industry, public works and education.

(4) Sales and Market Development in Japan

1) Most sales are done direct. For indirect sales, the company’s sales partner is a systems integrator that is well established with appliance, iron-and-steel, and trading company manufacturers.

2) Attempting to increase sales through private seminars, events, and press releases (describing new products and product installation examples).

(5) Status of Alliances in Japan

1) The company’s partners can be broadly classified as software providers, platform providers, sales dealers, engineering providers, and systems integrators.

(6) Factors of Success in Japan

1) In addition to being well established by virtue of installations at leading American companies, the company is actively selling to leading companies in the manufacturing industry that require high-end 3D CAD.

2) High degree of trust in the company’s 3D CAD products, which are well established in the fields of design and modeling.

2-3 MatrixOne K.K.— PDM Market

(1) Product Line-up

1) Main products are PLM solutions software that provides collaboration applications, lifecycle applications, and a variety of configuration tools based on PDM.

2) As well as providing a platform that enables flexible integration with other software, MatrixOne offers tools that can support the value chain, PLM processes, and modeling.

(2) Business Development in Japan

1) Established a Japanese subsidiary in June 1999. Offers a wide range of services (including product training, product customization, and even optimal data management) to support the construction of IT systems for the manufacturing industry.

2) Strengthening collaboration with systems integrators that are well established in the Japanese manufacturing industry, so as to be able to offer solutions for all manufacturing processes, from up-stream to down-stream business processes.

(3) Target Markets

1) Various branches of the manufacturing industry, including automobiles, high-technology, consumer electronics, and precision machinery.

2) Plan to sell to companies in the service industry (as well as the manufacturing industry) that are inclined to install PLM products.

(4) Sales and Market Development in Japan

1) Products are sold exclusively through indirect sales. The company stages joint seminars with systems integrators that have a high profile in the manufacturing industry in order to show to user companies the ease with which its products interface with PLM installations.

2) Attempting to develop business through private seminars and tie-ups with sales dealers, and to increase sales through sales campaigns and press releases (describing new products and product installation examples).

(5) Status of Alliances in Japan

1) The company’s business partners are systems integrators with expertise in the manufacturing industry. These partners sell MatrixOne products, offer consulting, and construct systems.

2) Also has hardware companies and software companies as partners.

(6) Factors of Success in Japan

1) Sold products in Japan with trading company systems integrators functioning as general dealers. An important factor in the company’s success has been the establishment of

partnerships with sales dealers with expertise in the manufacturing industry, such as hardware vendors and think-tank systems integrators that are well known in the Japanese market.
2) Release of products capable of flexible data management.

2-4 Agile Software K.K. —B2B collaboration tools market

(1) Product Line-up

1) Main products are PLM solutions software that enables collaboration between the engineering chain and the supply chain (that is, the construction of the value chain).
2) These products rapidly and cheaply update information affected by design changes on the value chain. The incorporation of EAI technology enables inter-operability with key systems.

(2) Business Development in Japan

1) Established a Japanese subsidiary in May 2000. Commenced sales of Product Chain Management software aimed at companies in the manufacturing industry. Subsequently, started offering PLM solutions for the support of the entire product lifecycle.
2) Selling directly to leading consumer electronics manufacturers that need to make rapid design changes. At the same time, the company is pursuing instructional activities relating to PCM and the company's products. In addition to staging seminars and other events covering product installations at leading companies, the company is establishing partnerships with sales dealers.

(3) Target Markets

1) Various branches of the manufacturing industry, including electronics, high-technology, semiconductors, and medical equipment sectors. Plans to increase expansion of sales to companies in the manufacturing industry, and to multiple divisions within individual companies.

(4) Sales and Market Development in Japan

1) Main product sales channels involve direct sales. The company plans to shift from a system of direct sales to a system of indirect sales that employs sales dealers.
2) Attempting to develop business through private seminars and tie-ups with sales dealers, and to increase sales through press releases (describing new products and product installation examples).

(5) Status of Alliances in Japan

1) Collaborating with systems integrators that offer user companies located in Japan total solution services (consultation, systems integration, and after-sales follow-up).

(6) Factors of Success in Japan

1) Released products that addressed the need to make rapid design changes at a time when the concept of PCM was new to the Japanese market.

2-5 webMethods K.K.—EAI Market

(1) Product Line-up

1) Produced the webMethods Integration Platform, the first product in the world to combine the most advanced integration technologies for intra-company applications integration, inter-company applications integration, web services, business process management , workflow, and integration systems management.

2) The product described above supports both standard technology, such as XML, Java, EDI, Web services, and E-Standard (including cXML, ebXML, RosettaNet, and UCCNET), as well as the latest technology.

(2) Business Development in Japan

1) Established a Japanese subsidiary in October 2000. Has established a training center as well as a sales organization, and is cultivating partners (sales dealers and systems integrators).

2) Trains partners on product features and use. Developing and testing products aimed at Japanese companies. In addition, the company is introducing products to Japan that are compatible with global industry-standard technologies, such as RosettaNet and CIDX.

(3) Target Markets

1) Targeting the assembly manufacturing industry, which includes home appliances, consumer electronics, computers; the processing manufacturing industry, which includes chemicals, and iron and steel; and the finance/communications and distribution industries.

2) Large companies that are expanding their worldwide operations and that are considering how best to utilize their existing IT investments effectively.

(4) Sales and Market Development in Japan

1) Establishing partnerships with sales dealers and systems integrators, engaging in joint marketing with global partners, and conducting promotions with software vendors.

2) Staging events and private seminars, releasing demonstration versions of products, and providing training for partners.

(5) Status of Alliances in Japan

1) Japanese partners can be broadly classified into sales dealers, systems integration partners, technology partners, and marketplace partners.

2) Sales dealers and systems integration partners sell the company's products, offer consulting, and construct systems. Consulting on both installation and business process re-engineering is offered.

(6) Factors of Success in Japan

Carries out sales support by training partners, and offers consulting accompanied by pre-sales. In addition, joint marketing—conducted with vendors of all kinds of applications—is proving effective.

3. Factors of Success

Competition between software vendors in the Japanese engineering software market has intensified. It is possible that Japanese vendors, habitually incapable of keeping pace with the latest technology, are in danger of losing market share in Japan.

On the other hand, the complex manufacturing and business processes that are characteristic of Japan are deeply entrenched. Hence, it is necessary for the top management of foreign software companies to understand these characteristic manufacturing and business processes, and to tailor the development and sales of their products accordingly. (For more details, refer to section 7, "Market Entry Issues and Solutions." In particular, the traditional practice of exchanging design data and similar information on paper continues, and this is one factor that contributes to the complexity of work processes.)

Foreign software companies with products that improve business efficiency and the characteristic Japanese business processes are finding it easier to establish partnerships with Japanese sales dealers and leading systems integrators that have expertise in the manufacturing industry. Foreign software companies are proving successful in Japan because they target fields that are perceived to be new, they distinguish themselves from their competitors, and they sell products capable of enhancing and complementing other products.

4. Market Entry Contacts

When a company enters the Japanese engineering industry, two sales methods may be

considered: direct sales and indirect sales. (For a description of the various methods of entering the market and of the various means of collaboration, please refer to Section 5, “Business Models in the Japanese Market and Common Entry Patterns,” and to Section 6, “Joint Ventures with Japanese Companies.”)

When selling directly to companies in the manufacturing industry, it is advisable to make contact with corporate departments, such as those engaged in operational planning and administrative strategy, and with divisions responsible for planning, operations, layout and design of internal systems (whether it be the IT Planning Division, the Information Systems Division, the Iron and Steel Operations Division, the Automobile Operations Headquarters, or the Hobby Products Development Division). These divisions could either introduce the software products to the company or install them themselves.

When selling indirectly, it is advisable to establish a partnership with either a leading systems integrator with expertise in the manufacturing industry, a trading company-affiliated systems integrator, or a systems integrator specializing in a particular industry. In the case of leading systems integrators and trading company-affiliated systems integrators, some sign contracts with multiple software vendors from the same industry and some sell only the products of a particular software company. For example, IBM Japan sells the products of both Dassault Systèmes AG and CADAM Systems, while Information Services International-Dentsu sells the products of UGS PLM Solutions. Thus, it is prudent for foreign software companies to sign sales contracts with several companies. If aiming at a niche market, it is advisable to take on a systems integrator specializing in a particular industry or industry sector as a sales partner.

Another method of entering the Japanese market is to contact a company that introduces foreign companies to Japanese companies (such as Powerplant Partners). This kind of company can introduce a leading Japanese systems integrator as a potential sales partner and even arrange a contract.

For useful market entry contact details, refer to Part VI “Reference Data and Materials,” Section 3 “Leading Systems Integrators.”

5. Business Models in the Japanese Market and Common Entry Patterns

As a result of the inherent characteristics and business processes of the Japanese engineering industry, it is not easy for foreign software companies entering the market to sell their products directly. In addition, competition is intensifying between software vendors providing products that both offer the latest in technology and are suited to the characteristics of the industry. Examples are given in parentheses.

Consequently, the following business models are adopted by foreign software companies entering the Japanese market.

1) Sign a sales dealership contract with a trading company-affiliated systems integrator (MatrixOne).
2) Establish a partnership with a leading Japanese systems integrator (webMethods).
3) Appoint a Japanese managing director who has expertise in a specific industry (Agile Software).
4) Enter the Japanese market with the aim of selling software in other fields, then develop products and enter the relevant market, such as EAI (Microsoft).
5) After an operations division has been spun off from a leading Japanese systems integrator, assign the shares to the foreign software company and establish a Japanese subsidiary (CoCreate Software).
6) After installation of a foreign software company's products at a user company such as a machine manufacturer, the user company subsequently becomes a sales dealer for the software company (Vero International Software S.r.I. of the U.K.—however, Vero now has a Japanese subsidiary).
7) A machine manufacturer acts as a sales company for a foreign software company. Subsequently, the manufacturer installs the products at its own plants (Gibbs and Associates of the U.S.A.).
8) A systems integrator specializing in a particular industry and a foreign software company engage in joint development and the systems integrator sells the products (CADKEY and ImpactXoft, both of the U.S.A.).

Alternatively, there are cases where a foreign software company enters the market and then strengthens its collaborative relationship with a leading Japanese systems integrator. There are also cases where, after a merger, the company's products are bundled with and sold as the products of another foreign software company. The following are some examples.
1) A company signs a sales dealership contract with a leading Japanese systems integrator and subsequently becomes a member of the systems integrator's group of companies (CADAM Systems).
2) A company that is already well established in a market, such as the PDA market, is purchased by another company. Combined products are then released as the products of the purchasing company (SDRC and UGF).

There are various types of process by which foreign software companies develop their position in the Japanese market after their initial entry to it. These are listed below with examples in parentheses.

On entry to the market ⇒	Current sales disposition
1) Direct sales only	Mainly direct sales, partly indirect sales (PTC Japan).
2) Direct sales only	Direct sales and indirect sales in combination (Agile Software).
3) Indirect sales only	Indirect sales only (Autodesk).
4) Indirect sales only	Developing indirect sales only, even after selling products integrated with the products of another company (UGS PLM Solutions).

The advantages and disadvantages of each of these four types of entry into the Japanese market are described in Figure 12.

Figure 12. Advantages and Disadvantages of Each Type of Sales Process

Type of Sales Process	Advantages	Disadvantages
Type 1	1) Possible to gauge customer requirements more accurately than with the "mainly indirect sales" model. 2) Easy to highlight strengths of company's products. 3) Company's consulting and systems engineering abilities grow stronger (as sales knowledge is accumulated).	1) Limitations on customers that can be approached. 2) Consulting and systems engineering places heavy responsibility on company salesmen. At the same time, the accompanying personnel and training costs incurred by the company are high. 3) Difficult to devote significant effort to building partnerships
Type 2	1) Possible to gauge customer requirements, and to take into account the customer's point of view when offering consulting and developing systems. 2) Can accumulate partnerships based on the knowledge that the company has developed. 3) Can share sales knowledge with sales partners.	1) Limitations on customers that can be approached; also, it takes time to increase product sales. 2) Sometimes it becomes impossible to gauge customer requirements accurately.
Type 3	1) Increase in sales achieved by sales partner enables products to be recognized as first-to-market. 2) Easy to install software at companies of all sizes (small, medium, and large).	1) Sometimes over-reliance on the sales partner prevents the company from knowing how users have evaluated installed products.
Type 4	1) Can increase client base, since company can offer integrated products. (Sales become easier as more products are sold to large companies.).	1) In some cases functional integration takes time. 2) Sometimes difficult to make the product line-up attractive to user companies if products become more complex. 3) May cause concern to companies that use the original products when offering products that are integrated with those of another company.

Source: Interviews carried out by Fuji Keizai with the companies concerned.

6. Joint Ventures with Japanese Companies

Foreign software companies that have succeeded in selling products aimed at the Japanese engineering industry are devoting considerable efforts to marketing activities. These activities include visiting clients (user companies) to introduce products, consulting, and strengthening partnerships. Partnerships are strengthened through product training for sales dealers and systems integrators, educational courses, certified examinations, and cooperation with the Japanese subsidiaries of foreign software companies in other fields. In addition, there are also instances where a company's own systems engineers will directly offer consulting to, and carry out systems integration for, user companies.

The various types of sales partner with which foreign software companies collaborate in Japan are listed below. (For the exact names of these companies, refer to figure 10.)

1) General trading company-affiliated systems integrators
2) Leading Japanese systems integrators (many of these systems integrators are affiliated with a manufacturing industry sector, such as electrical machinery manufacturing).
3) Systems integrators for consulting firms
4) General and specialized trading companies
5) Industry-specific systems integration companies (many of these are small- and medium-size companies)
6) Machine manufacturers (such as user companies that have installed the software at their own plants)

The advantages and disadvantages of collaboration with different types of sales partner are described in Figure 13.

Figure 13. Advantages and Disadvantages of Collaboration with Sales Partners

Type of Collaboration	Advantages	Disadvantages
General trading company-affiliated systems integrators	1) Extensive knowledge of people and operations divisions to contact at user companies for sales. 2) With expertise in SI operations, can offer software to client.	1) Strong in some client types and industry sectors, but not in others. 2) Since they offer many software products, and so will not necessarily confine themselves to selling a particular software product.
Leading Japanese systems integrators	1) Established company brand. In Japan, where SI quality is high, degree of trust by user companies is also high (and level of recognition among user companies is high). 2) Can be expected to boost image of company's products. 3) Profound knowledge of PLM.	1) Do not deal in software products not deemed essential for the client. (Strict standards for dealing in new products.)
Consulting systems integrators	1) Installation consulting capability, which is evaluated highly by management of user companies. 2) Particularly strong in systems development that accompanies BPR (Business Process Re-engineering).	1) High personnel expenses for consultants. 2) Few installations at small- and medium-size companies.
General and specialized trading companies	1) Introduce many products and have large client base. As a result, good at introducing software products. 2) Excellent knowledge of both Japanese and foreign companies.	1) Mainly engaged in wholesaling; hence not well versed in SI operations.
Industry-specific systems integration companies	1) Expert knowledge of the user companies and business processes of the particular industry in which they specialize. 2) Enjoy the support accorded by the CAD/CAM market to a leading SI company.	1) Expert in a particular industry, but sometimes poor at offering total solutions involving collaboration between applications (in comparison with leading Japanese SI companies).
Machine manufacturers	1) Capable of expanding SI operations within the machinery field by making practical use of the example of their own installation. 2) Make proposals from the point of view of a machine manufacturer, and therefore enjoy high level of trust by user companies.	1) No success outside machinery field. 2) Level of recognition outside machinery industry is low.

Source: Interviews carried out by Fuji Keizai with the companies concerned.

7. Market Entry Issues and Solutions

The problems faced by foreign software companies are in many instances caused by the characteristics peculiar to Japanese user companies. These include their preference for major brands, their complex business processes, their bias towards doing work in-house, and their skepticism regarding IT investment.

The following examples illustrate these problems.

1) When a foreign software company installs a software product at a Japanese user company, it is important that the software allow information to be shared with overseas offices. Software products intended for supply chain applications must allow employees at user company's offices in any country to read and modify common product codes over the Internet. If the product codes differ, conversion software with Internet support—known as a connector—is required. This makes it difficult to install software at a Japanese user company different from—or incapable of interfacing with—the major software products used by the company's overseas offices and overseas clients.

2) As Japanese engineering processes often involve the exchange of vast amounts of data on paper, work time is increased and business processes are rendered more complex. When engineering software is installed, these complex business processes must be reformed. For this reason, Japanese companies are coming to devote considerable time to BPR (Business Process Re-engineering).

3) Even though a software product facilitates collaboration between the engineering process and the supply chain, and interaction between the engineering process and key accounting and finance systems, user-company employees may oppose its introduction. Employees involved in operations that have been made more efficient (who were formerly in charge of the traditional work methods) may fear losing their jobs and resist the installation of the software. Thus, there are times when management (including senior executive managers) cannot embark on BPR. Conversely, some employees at the user company may have grown attached to their existing systems, and thus may also resist the installation of software with new functions. This sometimes makes it difficult to install new software at companies.

4) Until now, management at user companies (including senior executive managers) has overseen the installation of many kinds of software. However, since it is difficult to gauge exactly how cost-effective new systems will be, management has become skeptical about the value of IT investment. As a result, user companies have come to apply the strictest standards to the introduction of lesser-known software products.

In response to these problems, the Japanese subsidiaries of foreign software companies are adopting the following countermeasures.

1) A selling point of the products offered by Autodesk is that they utilize the industry-standard DWG file format, with 6 million users worldwide. In addition, Autodesk offers collaboration services that enable collaboration over the Internet.
2) Having sold high-end 3D CAD products directly, PTC Japan also embarked on sales of PDM products designed to reform the engineering processes of user companies. They then proposed PLM solutions to user companies and strengthened their consulting services. They are continuing to make progress with this long-term step-by-step strategy.
3) CoCreate Software established a Japanese subsidiary in February 1998. Since then, they have employed a direct sales model to offer installation and maintenance consulting services, and have gained the trust of Japanese user companies with installation consulting that includes business reform consulting. Employing a direct sales strategy, PTC Japan is pursuing installation consulting. Both companies explain the need for business process reform to management at the user companies directly, and explain how they could best use this new software to reform their businesses. (There are also cases where foreign software companies pursue sales by adopting the same strategy through sales partners).
4) In order to impress the idea of business reform on the management of user companies, Agile Software and webMethods have staged management seminars at which they present the success stories of companies that have installed their products. At these seminars the results are touted with slogans such as “reduce materials costs by 3 to 5%,” “reduce lead time for mass production by 50%,” “reduce surplus and wasted inventory by 35 to 50%,” “multiply ROI (return on investment) by a factor of between 3 and 5.” and “increase sales receipts to $300 million in the first fiscal year.”

In the engineering industry, software must be “intuitive,” “rapid,” and facilitate “information sharing.” In order to be able to respond to customer requirements, the sales representatives of foreign software companies and their sales partners need to be proficient at consulting.

V. Advice for Companies Entering the Japanese Market

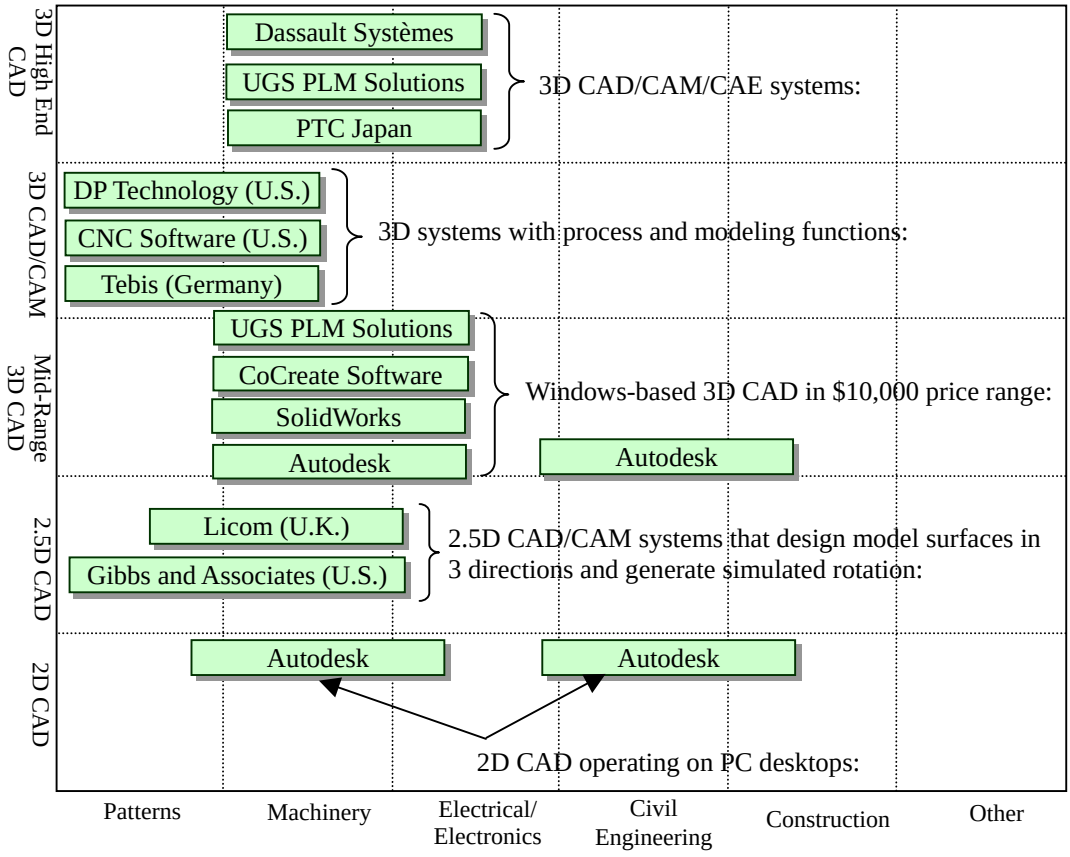
1. Promising Markets and Opportunities for Small- and Medium-Size Foreign Software Companies

1-1 The Engineering Software Products Market

The engineering software market in Japan consists mainly of PLM solutions that can share data using CAD as the core system, PDM, B2B collaboration tools, and EAI. PDM processes the data generated by computer aided design systems (CAD) and creates (1) product files, (2) parts lists (BOM), and (3) product development processes for use in engineering. B2B collaboration tools work with a wide range of data, from engineering chain data to ordering systems and other supply-chain systems data. EAI handles data for accounting systems and ordering systems.

Figure 14 shows the structure of the CAD market, which makes up the core of the PLM solutions market, and the status of entry by foreign software companies.

Figure 14. The CAD Software Market and the Positions of Major Foreign Vendors



Source: Compiled by Fuji Keizai based on interviews with related companies and assorted materials.

A unique feature of CAD/CAM products from foreign software companies is collaboration capabilities. Specifically, these products combine Windows, Internet, and ASP service compatibility and advanced functionality for linking identical applications (CAD to CAD) or linking differing applications (CAD to PDM). Thus, 2.5D CAD (which offers more advanced features than 2D CAD, such as 3D views in a 2D image) and 3D CAD are becoming the leading products. It is clear from Figure 14 that the CAD/CAM market is concentrated on products for the patterns, machinery, and electrical/electronics industries. There are, however, few major CAD vendors for industries such as civil engineering and construction. These industries can be considered good prospects for foreign software companies entering the market.

Following is a summary of the foreign software companies that have entered the PDM, B2B collaboration platforms, and EAI markets.

Major foreign software vendors in the PDM market include MatrixOne, UGS PLM Solutions, CoCreate Software, and Enovia (IBM Japan).

In the B2B collaboration tools market, there is Agile Software and Peregrine Systems.

The main foreign software vendors in the EAI market are webMethods, SeeBeyond Technology Corporation, Vitria Technology, and Mercator Software.

Software markets other than the above CAD/CAM markets are not easy to identify since they are new. It is also hard to differentiate product functions.

1-2 Technologies Sought From Foreign Software Companies

Within the Japanese engineering industry, many companies concentrate on forming business relationships with foreign companies and establishing overseas offices and factories in order to counter competition from low-priced overseas products. There is therefore a great need for "Internet support" and "collaboration functionality" connecting the data of overseas offices with the rest of the company. Key technologies needed for engineering software in the Japanese market are listed below.

・Web technologies ・Java ・XML support ・HTML ・CORBA
・C++ ・SSL ・128 bit encryption technologies ・Web services
・Object oriented technologies ・ASP services ・Mobile support ・Windows support
・UNIX ・adaplets functions (database integration functions)
・P2P technologies (Peer to Peer technology not dependent on servers)

Even though a product does not have to support all of the technologies listed above, a product fully equipped along industry standards for Web technology or XML, for example, would be preferred. Software companies must also look at trend forecasts and prepare for

technologies that will become industry standards.

There are few domestic software vendors that can offer globally supported products for the engineering industry. In addition, there are not many domestic software vendors that can absorb the development expenses required to enable support of the latest technologies. Thus, even though there are currently many Japanese software vendors in the market, companies not affiliated with major electronics manufacturers may drop out in the future.

Thus, as a precondition for success in the Japanese market, foreign software company products must meet global industry standards and contain the latest technologies.

1-3 Promising Fields for Small- and Medium-Size Foreign Software Companies

In engineering processes in the Japanese manufacturing industry, 2D CAD, 3D CAD, CAM, and CAE software are especially common. The design and manufacturing process includes design processing, drafting, computer aided design, production, and engineering.

When introducing software to engineering processes, large bodies of data, such as parts lists (BOM) and price data, must be displayed during the work process, and this data must be controlled by software such as PDM. Some changes, such as those created by a basic design change, must be made not only in the engineering systems but also in the main system and the supply chain system. To support these kinds of operations, it is necessary to have B2B collaboration tools and EAI tools.

In the CAD/CAM, PDM, B2B collaboration tools, and EAI markets, there are already a great number of software vendors with competitive prices and advanced product functions. In addition, an increasing number of foreign software companies in Japan are providing high-performance software suites as Product Lifecycle Management (PLM) solutions.

With these market conditions, smaller foreign software companies entering the market must continue to invest in products that target niche markets in the design–procurement–production process. For example, Agile Software has focused on the need for rapid design changes in the Japanese market, and they are succeeding in getting orders from major companies by marketing software that links engineering chains and supply chains. Then there is Trend Micro, a marketer of security software products that anticipated the arrival of the Internet age and entered the security product market early on to become the top vendor in Japan.

2. Issues Surrounding Entry into the Japanese Market

2-1 Business Practices Unique to the Japanese Market

Even from an international perspective, Japan has many technically accomplished companies in the manufacturing industry, but at the same time it also has some unique business practices. For example, many companies exchange design data on paper, tend to continue with existing manufacturing methods, adopt the software products used by competing companies, and show low interest in investing in intangible assets. User companies tend to focus on factors such as brand recognition and the past results when considering software vendors. User companies also favor powerful (well known) SI vendors more than SI vendors without name recognition.

When foreign software companies enter the Japanese market, a point can be made ab since the SI company will have many connections in the manufacturing industries. Trading out the merit of selecting a trading company-affiliated systems integrator (SI) as a partner company-affiliated SI companies will most likely know user companies where forward-thinking managers are trying to free themselves from old Japanese business practices. If foreign software companies attempt direct marketing when they first enter the market, searching for and finding these kinds of business managers might take too much time and opportunities might be lost.

2-2 Development of Sales Channels and Marketing

It would be wiser for foreign software companies to approach user companies that need to embrace globalization than to associate with user companies bound to rigid Japanese business practices. Large corporations with energetic and enterprising managers are good targets. At the same time, the management strata of medium-size companies tend to make quick decisions about introducing new software.

It may be difficult, however, for foreign software companies entering the market to find user companies with managers who have this kind of foresight. That is why it is important to build a partnership with a trading company-affiliated SI company that has knowledge of the Japanese market, as was said before. It is very likely that an industry-specific SI company will have knowledge of niche markets. As a marketing strategy, it is important to have a cooperative relationship with an SI company that understands your products and knows the companies that need those products.

When establishing a Japanese corporation, it is important to set up human resource enhancement centers, such as a development center or training center, so that personnel can understand the product and the Japanese product specifications (they can also help develop

products to match Japanese business processes). This will motivate them when marketing products to user companies.

To strengthen the cooperative relationship with the marketing partner, it may be helpful to conduct joint seminars that promote business. Private seminars that attract interest by presenting user company success stories increase he value of your product in the eye of user companies.

3. Ideal Methods of Entry

3-1 Common Entry Patterns

New foreign software companies entering the Japanese engineering software market should build a partnership with a prominent SI company (a trading company-affiliated SI company is best) or an industry-specific SI company. This is more important than expending effort on directly marketing to user-company managers who are open to administrative improvements. After establishing this relationship, it is essential to pour effort into marketing activities that will accelerate indirect sales.

Direct sales incur labor costs, administrative, and other expenses, which raise market-entry risks.

Small- and medium-size foreign software companies may want to enter the market through joint product development with an SI company of a major Japanese electronics manufacturer, or through integration of their technology in the products of a Japanese affiliate.

3-2 Business Models

When entering the market through indirect sales via a knowledgeable sales partner, joint sales promotion activities are important. These activities can include holding seminars or advertising in trade journals.

Unique business processes in the Japanese market require that the product be localized. A systems engineer or consultant from the foreign company should work with the sales partner when introducing the product to the market. Systems engineers with the expertise and ability to make suggestions in product development should be hired for this purpose.

When the need for the product is recognized in the Japanese market, a good next step might be establishing a Japanese corporation, setting up training centers, product development centers and similar facilities, and creating a certification program.

3-3 Targets

Foreign software companies adopting an indirect sales strategy should approach general trading company-affiliated SI companies, prominent Japanese SI companies, consulting SI companies, general trading companies, and industry-specific SI companies. These companies should be contacted at the corporate level, such as the business planning department, management strategy department, or planning department, and the software product should be made as easy as possible for the Industrial System Solutions Division to adopt. Companies that introduce foreign companies to the Japanese market (such as PowerPlant Partners) or a global consulting firm may also be useful for building partnerships with Japanese sales partners and introducing the company and product promotion to the Japanese market. Usually the Industrial System Solutions Division handles CAD/CAM, PDM, EAI, and B2B collaboration tools. (For details, see “3. List of Leading Systems Integrators” in “VI. Reference Data and Materials.”)

On the other hand, foreign software companies attempting direct sales should approach medium- and large-size companies that may need the product at the corporate department (business division level). Divisions to target for sales are listed below.

1) Corporate division (Business Planning Department, Management Strategies Department, Management Planning Department)
2) IT Planning Department (or Information Integration Department, Information Planning Department, IT Administration Office, Information Advancement Office)
3) Information System Department headquarters (or IT Department, IT Center, System Administration Department, Information Communications Headquarters, Information Systems Department within manufacturing facilities)
4) Administrative Improvement Office (or BPR Advancement Office, Strategic Planning Department, Operations Planning Department, Production Strategies Department, Planning Development Office)
5) On-site Business Divisions (Pump Development Division, 4-Wheel Vehicle Development Division, Hobby Products Development Division, Construction Department, Materials Department, etc.)

With manufacturing companies, it is effective to directly approach the on-site business divisions, which differs slightly from the approach for construction companies and civil engineering companies. Decisions are often made at the business division level for manufacturing companies.

VI. Reference Data and Materials

1. Governmental Organizations

1-1 Government ministries and offices

Name	Address / Tel / URL	Jurisdiction
Ministry of Economy, Trade and Industry (METI), Commerce and Information Policy Bureau, Information Service Industry Division	1-3-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8901 Tel: 03-3501-2646 http://www.meti.go.jp/ (in Japanese) http://www.meti.go.jp/english/index.html	To promote, develop, and integrate information processing systems. To enforce the National Examination for Information Processing Technicians etc.
Japan Patent Office (JPO)	3-4-34, Kasumigaseki, Chiyoda-ku, Tokyo 100-8915 Tel: 03-3581-1101 http://www.jpo.go.jp/ (in Japanese) http://www.jpo.go.jp/index.htm	To draft plans and initiate investigations for industrial property systems, (patents, practical new ideas, designs and trademarks) in order to protect and make use of intellectual creations such as inventions.
Japan Fair Trade Commission (JFTC)	1-1-1, Kasumigaseki, Chiyoda-ku, Tokyo 100-8987 Tel: 03-3581-5471 http://www.jftc.go.jp/ (in Japanese) http://www2.jftc.go.jp/e-page/index.htm	An extra-ministerial bureau affiliated with the Cabinet Office managing the Antimonopoly Act and supplementary laws.

1-2 Industry Groups

Name	Address / Tel / Fax / URL	Jurisdiction
Information-technology Promotion Agency (IPA)	Bunkyo Green Court Center Office 16F 2-28-8, Hon-Komagome, Bunkyo-ku, Tokyo 113-6591 Tel: 03-5978-7501 Fax: 03-5978-7510 http://www.ipa.go.jp/ (in Japanese) http://www.ipa.go.jp/about/english/index.html	To facilitate program development and promotion To subsidize the information services industry To carry out information security counter measures To promote information processing by carrying out personnel training operations.
Japan Information Technology Services Industry Association (JISA)	Time 24 Building 17F 2-45, Aomi, Koto-ku, Tokyo 135-8073 Tel: 03-5500-2610 Fax: 03-5500-2630 http://www.jisa.or.jp/ (in Japanese) http://www.jisa.or.jp/en/index.html	To support the development of the information services industry To improve the infrastructure of computerization and promote the development of information related technology

Japan Personal Computer Software Association (JPSA)	Shuwa Tameike Building 4F 2-4-2, Nagata-cho, Chiyoda-ku, Tokyo 100-0014 Tel: 03-5157-0780 Fax: 03-5157-0781 http://www.jpsa.or.jp/ (in Japanese) http://www.jpsa.or.jp/english/index_e.html	About 450 PC software companies contribute to the development of the software industry through various activities. (Also conducts a CAD engineering examination)
Electronic Commerce Promotion Council of Japan (ECOM)	Kikai Shinko Kaikan 3F 3-5-8, Shiba-Koen, Minato-ku, Tokyo 105-0011 Tel: 03-3436-7500 Fax: 03-3436-7570 http://www.ecom.or.jp/ (in Japanese) http://www.ecom.or.jp/ecom_e/index.html	To promote and establish international standards for e-commerce To create rules and to submit proposals to the government in order to promote e-commerce.
Software Information Center (SOFTIC)	Toto Building 4F 5-1-4, Toranomon, Minato-ku, Tokyo 105-0001 Tel: 03-3437-3071 Fax: 03-3437-3398 http://www.softic.or.jp/ (in Japanese) http://www.softic.or.jp/en/index.html	To improve infrastructure for computerization by promoting education of and conducting surveys and research on software products, conducting surveys and research on protection of copyrights for software etc. and assisting in copyright registration for programs.

2. Principal Companies in CAD/CAM, PDM, EAI, and B2B Collaboration tools Markets

Name	Entry market	Address / Tel / Fax / URL
Agile Software K.K.	B2B Collaboration	Sumitomo Nakanosakaue Bldg. 19F (Marketing Section) 1-38-1, Chuo, Nakano-ku, Tokyo 164-0011 Tel: 03-5338-9771 Fax: 03-5338-9770 http://japan.agile.com/ (in Japanese) http://www.agile.com/
Autodesk Ltd.	CAD/CAM	Harumi Island Triton Square Office Tower X 24F (Marketing Headquarters) 1-8-10, Harumi, Chuo-ku, Tokyo 104-6024 Tel: 03-6221-1667 Fax: 03-6221-1785 http://www.autodesk.co.jp/ (in Japanese) http://www.autodesk.com/siteselect.htm
CoCreate Software Company	CAD/CAM, PDM	Keio Fuchu 1 Chome Building (Marketing Section) 1-9, Fuchu-cho, Fuchu City, Tokyo 183-0055 Tel: 042-352-5656 Fax: 042-352-5659 http://japan.cocreate.com/ (in Japanese) http://japan.cocreate.com/
Data Applications Company, Limited	EAI	1-3-8, Nihombashi Ningyo-cho, Chuo-ku, Tokyo 103-0013 Tel: 03-5640-8540 Fax: 03-5640-8541 http://www.dal.co.jp/ (in Japanese)
Fujitsu Limited	PDM, EAI	Makuhari System Laboratory (Industry and Circulation Solution Headquarters PLM Solution Development Operation Division) 1-9-3, Nakase, Mihama-ku, Chiba City, Chiba 261-8588 Tel: 043-299-3515 Fax: 043-299-3614 http://jp.fujitsu.com/ (in Japanese) http://www.fujitsu.com/

Hitachi, Ltd.	EAI	Hitachi System Plaza Shin-Kawasaki (Business Solution Service Section) 890 Kashimada, Saiwai-ku, Kawasaki City, Kanagawa 212-8567 Tel: 044-549-1111 Fax: 044-549-1715 http://www.hitachi.co.jp/ (in Japanese) http://www.hitachi.com/
IBM Japan, Ltd.	CAD/CAM, EAI	(Industrial System Enterprise Headquarters, PLM Operation Division Marketing) 19-21 Nihombashi Hakozaki-cho, Chuo-ku, Tokyo 103-8510 Tel: 03-3808-8073 Fax: 03-3664-4837 http://www.ibm.com/jp (in Japanese) http://www.ibm.com/ibm/jp/en
MatrixOne K.K.	PDM	Sougo Kojimachi Daisan Building 7F (Marketing Section) 1-6-5, Kojimachi, Chiyoda-ku, Tokyo 102-0083 Tel: 03-5210-0011 Fax: 03-5210-0013 http://www.matrixone.co.jp/ (in Japanese) http://www.matrixone.com/
Microsoft Co., Ltd.	EAI	(Product Marketing Headquarters, Enterprise Server Product Section) Odakyu Southern Tower 2-2-1, Yoyogi, Shibuya-ku, Tokyo 151-8583 Tel: 03-4523-3250 Fax: 03-5334-9129 http://www.microsoft.com/japan (in Japanese) http://www.microsoft.com/
Mitsui & Co., Ltd.	EAI	1-2-1, Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-3285-1111 Fax: 03-3285-9819 http://www.mitsui.co.jp/ (in Japanese) http://www.mitsui.co.jp/tkabz/english/index.html
NEC Corporation	PDM	(2nd Manufacturing Industry Solution Service Section, PLM Solution Section) 5-7-1, Shiba, Minato-ku, Tokyo 108-8001 Tel: 03-3456-7546 http://www.nec.co.jp/ (in Japanese) http://www.nec.com/
Nihon Unisys Excelutions, Ltd.	CAD/CAM	R Building Shinjuku (CADCEUS Head Sales Division) 33-8, Wakamatsu-cho, Shinjuku-ku, Tokyo 162-0056 Tel: 03-5287-7501 Fax: 03-5287-7680 http://www.excel.co.jp/ (in Japanese) http://www.unisys.co.jp/welcome-e.html
Peregrine Systems, K.K.	B2B Collaboration	Otemachi First Square East Tower 4F 1-5-1, Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-5219-1295 Fax: 03-5219-1465 http://www.peregrine.co.jp/ (in Japanese) http://www.peregrine.com/
PTC Japan	CAD/CAM, PDM	Shinjuku Monolith 20F (Marketing Section) 2-3-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0920 Tel: 03-3346-8100 http://www.ptc.com/japan (in Japanese) http://www.ptc.com/

SeeBeyond Technology Corporation Japan K.K.	EAI	Ebisu Garden Place Tower 13F (Marketing Section) 4-20-3, Ebisu, Shibuya-ku, Tokyo 150-6013 Tel: 03-5739-3890 Fax: 03-5739-3870 http://www.seebeyond.co.jp/ (in Japanese) http://www.seebeyond.com/
SolidWorks Japan K.K.	CAD/CAM, PDM	Shiba-koen Building 7F (Marketing Section) 3-5-5, Shiba, Minato-ku, Tokyo 105-0014 Tel: 03-3454-8131 Fax: 03-3454-8133 http://www.solidworks.co.jp/ (in Japanese) http://www.solidworks.com/
Think3 K.K.	PDM	Izumi Garden Tower 33F 1-6-1, Roppongi, Minato-ku, Tokyo 100-6031 Tel: 03-5575-5100 Fax: 03-5575-5195 http://www.think3.co.jp/ (in Japanese) http://www.think3.com/
Tibco Software Japan Inc.	EAI	Yusen Iwamoto-cho Building 3F 2-3-3, Iwamoto-cho, Chiyoda-ku, Tokyo 101-0032 Tel: 03-5835-3511 Fax: 03-5835-3522 http://www.tibco.com/jp (in Japanese) http://www.tibco.com/
UGS PLM Solutions	CAD/CAM, PDM	Odakyu Southern Tower 9F (Marketing Section) 2-2-1, Yoyogi, Shibuya-ku, Tokyo 151-8583 Tel: 03-5354-6700 Fax: 03-5354-6780 http://www.plmsolutions-eds.jp/ (in Japanese) http://www.eds.com/
Vitria Technology, K.K.	EAI	ATT New Annex 9F 2-11-7, Akasaka, Minato-ku, Tokyo 107-0052 Tel: 03-3568-8551 Fax: 03-3568-8552 http://www.vitria.co.jp/ (in Japanese) http://www.vitria.com/company/offices.php
Wacom Co., Ltd.	CAD/CAM, PDM	Harmony Tower 18F (ECS Company Enterprise Promotion Section) 1-32-2, Honmachi, Nakano-ku, Tokyo 164-0012 Tel: 03-5309-1517 Fax: 03-5309-1520 http://www.wacom.co.jp/ (in Japanese) http://www.wacom.co.jp/english/index.html
webMethods K.K.	EAI	Izumi Garden Tower 30F (Marketing Section) 1-6-1, Roppongi, Minato-ku, Tokyo 106-6030 Tel: 03-6229-3700 Fax: 03-6229-3701 http://www.webmethods.co.jp/ (in Japanese) http://www.webmethods.com/
Zuken Inc.	CAD/CAM	(Client Support Service Operation Division, Client Solution Service Section) 32-11, Chigasaki Chuo, Tsuzuki-ku, Yokohama City, Kanagawa 224-8585 Tel: 045-945-1175 Fax: 045-942-7350 http://www.zuken.co.jp/ (in Japanese) http://www.zuken.com/

Companies that introduce overseas companies to the Japanese market

Name	Enterprise	Address / Tel / Fax / URL
Powerplant Partners Inc.	Consulting	Gobancho YS Building 2F 12-3, Goban-cho, Chiyoda-ku, Tokyo 102-0076 Tel: 03-3512-2541 Fax: 03-3512-2540
Text 100 Japan Inc.	Advertising	Crest 21 6-21, Yochomachi, Shinjuku-ku, Tokyo 162-0055 Tel: 03-3359-6651 Fax: 03-5269-1435

Medium-size Foreign-affiliated firms

Name	Enterprise	Address / Tel / Fax / URL
Datamatics K.K.	Software Development	Tamachi Annex Building 7F 4-7-7, Shiba, Minato-ku, Tokyo 108-0014 Tel: 03-5765-6253 Fax: 03-5765-6254 http://www.datamatics.com/

3. Leading Systems Integrators

Name	Operation Division*	Address / Tel / Fax / URL
1) General Trading Company System SI Enterprise.		
Canon System Solutions Inc.	Goods Operation Division Engineering System Section	The Century Mita Building 3-11-34, Mita, Minato-ku, Tokyo 108-0073 Tel: 03-5730-7100 Fax: 03-5730-7101 http://www.canon-sol.co.jp/ (in Japanese) http://www.canon-sol.co.jp/english/index.html
Itochu Techno-Science Corporation	Engineering System Sales Division	3-6-30, Aobadai, Meguro-ku, Tokyo 153-0042 Tel: 03-5728-7085 Fax: 03-5728-7299 http://www.ctc-g.co.jp/ (in Japanese) http://www.ctc-g.co.jp/en/index.html
Kanematsu Electronics, Ltd.	Engineering System Operation Division	2-17-5, Kyobashi, Chuo-ku, Tokyo 104-8338 Tel: 03-5250-6801 Fax: 03-5250-6800 http://www.kel.co.jp/ (in Japanese) http://www.kel.co.jp/english/index.html
Marubeni Solutions Corp.	DA Solution Operation Division	Tokyo Tatemono Higashi Shibuya Building 1-26-20, Higashi, Shibuya-ku, Tokyo 150-0011 Tel: 03-5778-8888 Fax: 03-5778-8999 http://www.msol.co.jp/ (in Japanese) http://www.msol.co.jp/english/index.html
Sumisho Computer Systems Corporation	Enterprise Solutions Sales Division	Harumi Island Triton Square Office Tower Z 1-8-12, Harumi, Chuo-ku, Tokyo 104-6241 Tel: 03-5166-2500 Fax: 03-5166-1009 http://www.scs.co.jp/ (in Japanese) http://www.scs.co.jp/scscom/index.htm

Sumisho Electronics Co., Ltd.	Engineering Solutions Office	Sumitomo Nishiki-cho Building 3-11, Kandanishiki-cho, Chiyoda-ku, Tokyo 101-8453 Tel: 03-5217-5100 http://www.sse.co.jp/ (in Japanese) http://www.sse.co.jp/english/index.html
2) Leading Domestic SI Companies		
Hitachi Software Engineering Co., Ltd.	Solution Planning Headquarters	4-12-7, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-0002 Tel: 03- 5780-2111 http://www.hitachi-sk.co.jp/ (in Japanese) http://www.hitachi-sk.co.jp/English/index.html
Information Services International-Dentsu, Ltd.(ISID)	Manufacturing Systems Division	4-11-10, Nakano, Nakano-ku, Tokyo 164-8520 Tel: 03- 3228-6111 Fax: 03- 3319-6989 http://www.isid.co.jp/ (in Japanese) http://www.isid.co.jp/english/index.html
NS Solutions Corporation	Industrial solution Service Division	2-20-15, Shinkawa, Chuo-ku, Tokyo 104-0033 Tel: 03-5117-4111 Fax: 03-5117-7052 http://www.ns-sol.co.jp/ (in Japanese) http://www.ns-sol.co.jp/en/company/index.html
NTT Communications Corporation	Solutions Division	1-1-6, Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-8019 Tel: 03-6700-9810 Fax: 03-3500-9669 http://www.ntt.com/ (in Japanese) http://www.ntt.com/index-e.html
NTT Data Corporation	Business development enterprise headquarters Media service operation division	Toyosu Center Building 3-3-3, Toyosu, Koto-ku, Tokyo 135-6033 Tel: 03-5546-8202 http://www.nttdata.co.jp/ (in Japanese) http://www.nttdata.co.jp/en/index.html
TIS Inc.	Public System 2nd Section	TIS Takeshiba Building 1-14-5, Kaigan, Minato-ku, Tokyo 105-8624 Tel: 03-5402-2111 Fax: 03-5402-2412 http://www.tis.co.jp/ (in Japanese) http://www.tis.com/
Toshiba Solutions Corporation	Solutions Third Operation Division CPC Solution Section	Toshiba Building 1-1-1, Shibaura, Minato-ku, Tokyo 105-6691 Tel: 03-3457-4101 Fax: 03-5444-9221 http://www.toshiba-sol.co.jp/ (in Japanese)
Toyo Engineering Corporation	ESolutions Enterprise Headquarters	2-8-1, Akanehama, Narashino City, Chiba 275-0024 Tel: 047-451-1111 Fax: 047-454-1800 http://www.toyo-eng.co.jp/ (in Japanese) http://www.toyo-eng.co.jp/e/index.html
3) Consulting Firm Systems SI Enterprise		
ABeam Consulting Ltd.	—	Yurakucho Building 1-10-1, Yurakucho, Chiyoda-ku, Tokyo 100-0006 Tel: 03-5521-5555 Fax: 03-5512-6271 http://www.abeam.com/jp (in Japanese) http://www.abeam.com/

Accenture Corporation	—	Nihon Seimei Akasaka Daini Building 7-1-16, Akasaka, Minato-ku, Tokyo 107-8672 Tel: 03-3470-9241 Fax: 03-5410-7555 http://www.accenture.com/jp (in Japanese) http://www.accenture.com/
Cap Gemini Ernest & Young Japan	—	KDDI Otemachi Building 18F 1-8-1, Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-3279-9210 Fax: 03-3279-9211 http://www.cgey.co.jp/ (in Japanese) http://www.cgey.com/
Future System Consulting Corp.	—	Shibuya Shin-Minamiguchi Building 3-28-13, Shibuya, Shibuya-ku, Tokyo 150-0002 Tel: 03-5469-1621 Fax: 03-5468-1070 http://www.future.co.jp/ (in Japanese)
4) Trading Companies		
Otsuka Corporation	CAD Sales Promotion Division	2-18-4, Iidabashi, Chiyoda-ku, Tokyo 102-8573 Tel: 03-3264-7111 http://www.otsuka-shokai.co.jp/ (in Japanese) http://www.otsuka-shokai.co.jp/english/default.htm
Rikei Corporation	Enterprise Solutions Primary Division	Shinjuku Nomura Building 1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0535 Tel: 03-3345-2150 Fax: 03-3345-2168 http://www.rikei.co.jp/ (in Japanese) http://www.rikei.co.jp/en/index.php
Yuasa Trading Co., Ltd.	Mechatronics Division Company	13-10, Nihombashi Odemma-cho, Chuo-ku, Tokyo 103-8570 Tel: 03-3665-6511 http://www.yuasa.co.jp/ (in Japanese) http://www.yuasa.co.jp/eng/index.html
5) Industry-Specific SI Enterprises		
Hitachi Zosen Information Systems Co., Ltd.	Systems Solutions Integration	7-37-10, Nishi-Kamata, Ota-ku, Tokyo 144-8601 Tel: 03-5711-5300 Fax: 03-5711-5370 http://www.hzs.co.jp/ (in Japanese) http://www.hzs.co.jp/english/about/hzs/e-index.htm
Kobelco Systems Corporation	Solution Operations Division	Shinkou Building Neoest 6F 2-11-14, Wakinohama-cho, Chuo-ku, Kobe City, Hyogo 651-0072 Tel: 078-261-7500 Fax: 078-261-7520 http://www.kobelcosys.co.jp/ (in Japanese)
Mitsubishi Electric Engineering Company Limited	General Operations Section	Nihon Jisho Daiichi Building 1F 1-13-5, Kudan-kita, Chiyoda-ku, Tokyo 102-0073 Tel: 03-3288-1101 http://www.mee.co.jp/ (in Japanese)
Mitsui Zosen Systems Research Inc.	Manufacture Solutions Service Section	Makuhari Techno-Garden Building D, 9F 1-3, Nakase, Mihama-ku, Chiba City, Chiba 261-8501 Tel: 03-6252-2220 http://www.msr.co.jp/ (in Japanese)

Mutoh Industries Ltd.	IT Operations Division	3-1-3, Ikejiri, Setagaya-ku, Tokyo 154-0001 Tel: 03- 5486-1111 http://www.mutoh.co.jp/ (in Japanese) http://www.mutoh.com/
Saito Machine Tool Co., Ltd.	—	5-4-5, Magarikane, Shizuoka City, Shizuoka 422-8006 Tel: 054-281-2351 Fax: 054-281-2338 http://www.saito-nw.co.jp/ (in Japanese)
Taiyo Mechatronics Co., Ltd.	—	107, Shiga, Suwa City, Nagano 392-0012 Tel: 0266-53-4000 Fax: 0266-53-8818 http://www.lcv.ne.jp/~mechatro/ (in Japanese)
Toyota Caelum Incorporated	Primary Operations Division	2-12-12, Sakae, Naka-ku, Nagoya City, Aichi 460-0008 Shirakawa Daini Building Annex Tel: 052-223-3800 Fax: 052-223-3809 http://www.caelum.co.jp/ (in Japanese)
6) Machine Systems Makers		
Kubota Corporation	Densou Apparatus Operations Division CAD Section	1-2-47, Shikitsu-Higashi, Naniwa-ku, Osaka City, Osaka 556-8601 Tel: 06-6648-2111 http://www.kubota.co.jp/ (in Japanese) http://www.kubota.co.jp/english/index.html
Kuraki Co., Ltd.	Information-Machines-and-Equipment Operations Headquarters	(Tokyo Branch) 2-6-10, Nihombashi Bakuro-cho, Chuo-ku, Tokyo 103-0002 Tel: 03-5651-1021 Fax: 03-5651-1022 http://www.kuraki.co.jp/ (in Japanese) http://www.kuraki.com/
Matsuura Machinery Corporation	Production Support System Operations Division	1-1, Urushihara-cho, Fukui City, Fukui 910-8530 Tel: 0776-56-8107 Fax: 0776-56-8153 http://www.matsuura.co.jp/ (in Japanese)
Nakashima Propeller Co., Ltd.	Systems Nakashima	688-1, Jodo-Kitagata, Okayama City, Okayama 700-8691 Tel: 086-279-5111 Fax: 086-279-3595 http://www.nakashima.co.jp/ (in Japanese) http://www.nakashima.co.jp/en-index.html
Ueda Machine Tools Co., Ltd.	—	5-1-18, Nagata-Higashi, Higashi-Osaka City, Osaka 577-0012 Tel: 06-6743-0110 Fax: 06-6743-0101 http://www.nikkohan.or.jp/showroom/ueda36.htm (in Japanese)

* Provisional translation

4. Trade Shows and Exhibitions (Regular Events)

The 14th Design Engineering & Manufacturing Solutions Expo/Conference (annual)

Japan's largest Exhibition of IT Solutions for the Manufacturing Industry

Organizer : Reed Exhibitions Japan Ltd.
Date : June 25 (Wed) to June 27 (Fri), 2003
Location : Tokyo Big Site, Tokyo International Exhibition Center
Contact : DMS Show Management
Reed Exhibitions Japan Ltd.
Shinjuku Nomura Building 18F, 1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0570
Tel: 03-3349-8506 Fax: 03-3349-8500
E-mail: dms-tokyo@reedexpo.co.jp
http://www.dms-tokyo.jp/english/

WPC Expo 2003 (annual)

Greatest Digital Synthesis Exhibition in Asia

Organizer : Nikkei Business Publications, Inc.
Date : September 17 (Wed) to September 20 (Sun), 2003
Location : Makuhari Messe (Nippon Convention Center)
Contact : WPC Expo Managing Office
Nikkei Business Publications, Inc.
Shiozaki Building 7F, 2-7-1 Hirakawa-cho, Chiyoda-ku, Tokyo 102-0093
Tel: 03-5210-7004 Fax: 03-5210-7038
E-mail: wpce@nikkeibp.co.jp
http://arena.nikkeibp.co.jp/expo/2003/en/index.shtml

Internet World Asia 2002 (annual)

Internet Specialty Businesses Exhibition

Organizer : IDG Japan, Inc., Penton Media, Inc. (U.S.)
Date : December 4 (Wed) to December 6 (Fri) 2002
Location : Tokyo Big Site, Tokyo International Exhibition Center
Contact : Internet World Asia Office
IDG Japan, Inc.
3-4-5 Hongo, Bunkyo-ku, Tokyo 113-0033
Tel: 03-5800-4831 Fax: 03-5800-3973
E-mail: iw@idg.co.jp
http://www.idg.co.jp/expo/iw/en/index.html

CEATEC Japan 2003 (annual)

The Largest Asian Image, Information, and Communications Show

Organizer : CEATEC Japan Organizing Committee
Japan Electronics and Information Technology Industries Association (JEITA)
Communications and Information network Association of Japan (CIAJ)
Japan Personal Computer Software Association (JPSA)
Date : October 7 (Tue) to October 11 (Sat), 2003
Location : Makuhari Messe (Nippon Convention Center)
Contact : CEATEC Japan Management Office, Japan Electronics Show Association (JESA)
Sumitomo Shiba-daimon Building Dainigokan 5F,
1-12-16, Shiba-Daimon, Minato-ku, Tokyo 105-0012
Tel: 03-5402-7603 Fax: 03-5402-7606
E-mail: ceatec.info@ceatec.com
http://www.ceatec.com/en/2003/ceatec/

NET＆COM 2003 (annual)

Enterprise IT Solution Exhibition

Organizer : Nikkei Business Publications, Inc.
Date : February 5 (Wed) to February 7 (Fri), 2003
Location : Makuhari Messe (Nippon Convention Center)
Contact : NET&COM Managing Office, Nikkei Business Publications, Inc.
Shiozaki Building. 6F, 2-7-1 Hirakawa-cho, Chiyoda-ku, Tokyo 102-0093
Tel: 03-5210-7001 Fax: 03-5210-7014
E-mail: netcom@nikkeibp.co.jp
http://expo.nikkeibp.co.jp/netcom/e/index.shtml

NetWorld+Interop 2003 Tokyo (Annual)

The Largest Asian Network Computing Event

Organizer : NetWorld+Interop 2003 Tokyo Steering Committee
Date : June 30 (Mon) to July 4 (Fri), 2003
Location : Makuhari Messe (Nippon Convention Center)
Contact : NetWorld+Interop Tokyo Show Management Office
MediaLive Japan, Inc.
Juko Building 3F, 1-26-1 Mnami-Aoyama, Minato-ku, Tokyo 107-0062
Tel: 03-5772-0612 Fax: 03-5772-0270
E-mail: sales-info@medialive.jp
http://www.interop.jp/english/index.htm

Procedures for Investment in Japan

1. Summary and Procedures for Setting Up a Base in Japan

Table 1. shows the tasks, and the order in which they need to be implemented, required of a foreign company, from the Japan investment planning stage to the establishment of a base. There is particular focus on the stage of establishing a company.

For details of each procedure (such as documents to be submitted and where to submit them), please consult with experts, make inquiries to authorities concerned (including JETRO IBSC) listed in Section 2, or check JETRO publications and the JETRO web site "Invest Japan!" (http://www.jetro.go.jp/investjapan/index.html).

1-1 Setting Up a Base

(1) Start-up Types

Table 1. shows each start-up type and its requirements. When a foreign business desires to set up a base in Japan, there are generally three different choices of organization: 1) a joint-stock company (*kabushiki kaisha*), 2) a limited liability company (*yugen kaisha*), or 3) a branch (*shiten*) of the parent company overseas.

Among these three choices, establishing a joint-stock company is the most popular due to the limited liability of its investors, high social credibility, and advantages in financing. However, since a joint-stock company requires ten million yen or more as minimum capital, small- to-medium-sized enterprises sometimes choose to establish a limited liability company (*yugen kaisha*) for which the minimum capital requirement is three million yen, or even a branch, which does not have minimum capital requirements[1].

A joint-stock company can be established two ways; 1) promotive incorporation where promoters take all issued shares, and 2) subscriptive incorporation where a public offering is made to attract outside investors. Each method requires different procedures and documents to be submitted. Figure 1. only shows promotive incorporation details as it is more common when foreign businesses make direct investment in Japan.

[1] For details of an exceptional measure for minimum capital requirements, please refer to section 1-1, (2).

Table 1. Start-up Types and Requirements

Start-up type	Business activity	Registration	(Minimum capital requirements)	Directors required	Internal Auditor(s)	Remittance
Representative office	Not allowed	None	None	None	No	—
Branch (Shiten)	Allowed	Required	None	None	No	No tax is imposed
Joint-stock company (Kabushiki Kaisha: K.K.)	Allowed	Required	10 mil. Yen	At least three	Yes	Profits, dividends and royalties are taxable
Limited liability company (Yugen Kaisha)	Allowed	Required	3 mil. Yen	At least one	No	Profits, dividends and royalties are taxable

(2) An Exceptional Measure for Minimum Capital Requirements

As an exceptional measure for minimum capital requirements, the government forced "the Law for Supporting for the Challenge of SMEs *(Chusho Kigyou Chosen Sien Hou)*", revised the part of the Law for Facilitating the Creation of New Business, since Feb. 1, 2003 and practically abolished the regulations of minimum capital requirements under some conditions (http://www.meti.go.jp/english/information/data/cMinimumCapitale.html).

Both a joint-stock company and a limited liability company can be established with a capital of over 1 yen under the following conditions: 1) The company need to prepare and get the notification of articles of incorporation and after that need to get the confirmation of Bureau of Economy, Trade and Industry that sited in the local area the company will be established in advance. 2) The established organization will be changed or liquidated in the case that it cannot fulfill the minimum capital requirements already mentioned within five years from incorporation. 3) The distribution for stockholders cannot be acknowledged during the time the company does not fulfill the minimum capital requirements. 4) The company is liable to open its financial condition to the public broadly. It is necessary for the company to pay attention to fulfill the minimum capital requirements in Table.1 within five years from incorporation.

Since this law is the time-limited law until Mar. 31, 2008, the company must get the confirmation of Bureau of Economy, Trade and Industry until this limit. This law is under the jurisdiction of Office for New Business, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry.

(3) Important Points Concerning Incorporation

As procedures of registration of incorporation and application for the certificate of eligibility for status of residence are very complicated and require professional knowledge, foreign companies investing in Japan normally commission such tasks to Japanese qualified experts (such as lawyers and public accountants) who can do business in English[2]. In such a case, it should be noted, since in Japan there are very few joint offices of lawyers and public accountants which can provide one-stop service, and since lawyers and public accountants may re-commission some tasks to other qualified experts such as judicial scriveners and administrative scriveners, which are not present in Europe and North America.

When a registration of incorporation is filed at a registry office, it is necessary to attach a "certificate of a seal impression" of a representative director. If a promoter or a representative director of a joint-stock company is a non-Japanese person who has not obtained an alien registration certificate, since the person is not able to obtain the certificate of seal impression, the person may endorse by signature in place of affixing a seal. However, in this case, each time a signature is presented it is necessary to attach a "certificate of signature" issued by a notary public in the home country of the non-Japanese promoter or the representative director.

1-2 Investment-Related Laws and Regulations

Major investment-related laws and regulations include the Foreign Exchange and Foreign Trade Control Law, the Commercial Code (Corporate Law), and the Antimonopoly Act. In addition, regulations under the Labour Law and the Intellectual Property Rights Law should also be considered at the start of, and during operation of, a business in Japan. Depending on the type of business, it may be necessary to have a license or approval from a competent authority in accordance with applicable laws and regulations.

(1) Foreign Exchange and Foreign Trade Control Law (The Foreign Exchange Law)

The Foreign Exchange and Foreign Trade Control Law stipulates rules for proper management of foreign trade based on the principle of freedom of foreign trade. When a foreign company makes direct investment in Japan, it must follow a series of procedures based on the principle of "ex post facto notification in principle, prior permission or notification in part" under the law.

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[2] Please refer to *"Directory for Setting Up Enterprises in Japan 2000"* (by JETRO, 4,000 yen) for information on contacts of major qualified experts and supportive companies.

(2) Commercial Code (Corporate Law)

The Commercial Code (Corporate Law) in Japan defines three types of companies, excluding a limited liability company (*yugen kaisha*)[3]. In recent years, many revisions and modifications of the law have been made to promote more flexible restructuring of companies. Specifically, these have included simplification and rationalization of M&A related laws and regulations, introduction of legislation on stock-swap and stock-transfer systems, establishment of legislation on company split-offs, revision of Corporate Reorganization Law, and the adoption of a system complying with internationally accepted accounting standards.

(3) Antimonopoly Act (The Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade)

The Antimonopoly Act restricts private monopoly and unfair trade for the purpose of promoting free and fair competition. In recent years, however, deregulation is underway, which includes lifting the ban on establishing holding companies in principle, and simplifying the notification system of M&A activities.

1-3 Preferential Treatment Associated with Investment in Japan

(1) Law on Extraordinary Measures Related to the Promotion of Imports and the Facilitation of Inward Investment Activities (Import and Inward Investment Promotion Law, FAZ Law)

Foreign companies that invest in the areas designated as FAZ (Foreign Access Zones) and can also meet the requirements for specific investors in Japan can receive the following preferential treatment. The application period of this law has been extended to May 2006.

1) Although the carry forward period of operating losses is usually five years from the start of business, this law allows investors to carry forward losses up to 7 years.

2) Industrial Structure Improvement Fund (ISIF) guarantees of debt incurred to loans to buy equipment and to obtain working capital for businesses.

3) When a small- and medium-sized foreign private company obtains loans, the Japan Small and Medium Enterprise Corporation (JASMEC) guarantees the loans.

4) Development Bank of Japan (DBJ) and Japan Finance Corporation for Small Business offers low-interest, long-term loans.

As of December 2003, 22 areas are designated as FAZs. For further information on each FAZ, please refer to the JETRO web site (http://www.jetro.go.jp/ov/e/faz/index.html).

[3] Rules and regulations related to limited liability companies (yugen kaisha) are stipulated in the Limited Liability Company Law *(Yugen Kaisha Hou)*.

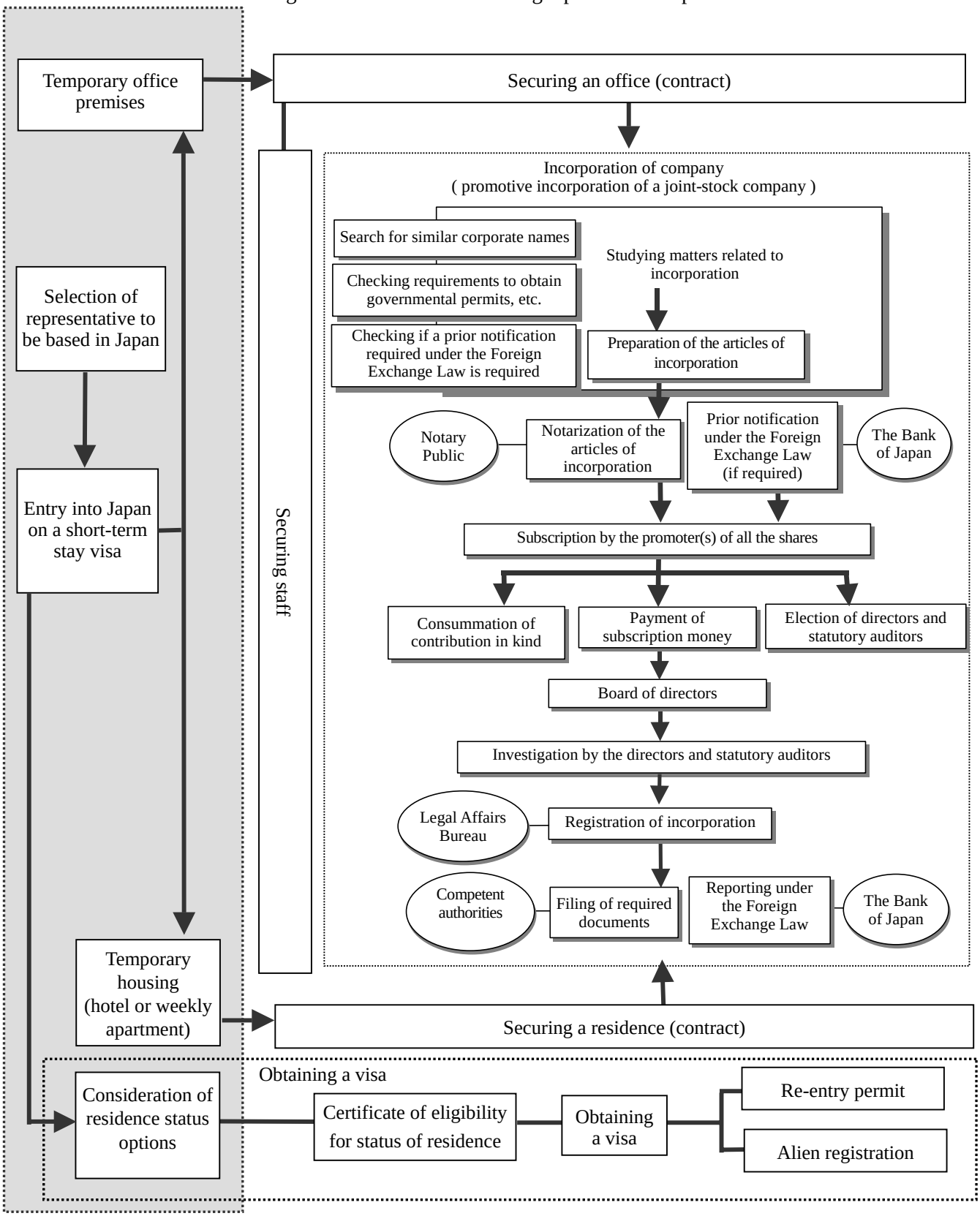
(2) Low-Interest Loans by Development Bank of Japan (DBJ)

DBJ offers low-interest, long-term loans to foreign companies that make full-scale investment in Japan for the first time or whose investment is expected to contribute to the upgrading of the Japanese industry structure, the creation of a new industry, or an increase in employment.

(3) Subsidies, Tax Exemptions, Low-Interest Loans by Prefectural Governments

Prefectural governments also offer various forms of support to foreign businesses investing in Japan. As supportive measures are different in each prefecture, please contact each prefectural government or JETRO Trade Information Center for further information on support offered in each area. Contact points for each center are given at <http://www.jetro.go.jp/ov/e/domestic_offices.html>.

Figure 1. Procedures for Setting Up a Base in Japan



Note 1: Application for certificate of eligibility for status of residence and opening of a bank account should be made after establishing an office and a residence (i.e. after signing lease contracts of an office or residence).

Note 2: For inquiries about incorporation procedures and visa applications, please refer to Section 2 of this reference.

Source: *"Setting Up Enterprises in Japan"* by JETRO (1995) and *"The Japan Start-up Handbook: Procedures and Costs for Foreign Companies Establishing a Japanese Base"* by JETRO (1999)

2. Sources of Information on Investment in Japan

2-1 Governmental Offices: "Office of INVEST JAPAN"

	Organization	Division	Contact	Web site (Invest Japan)
1	Cabinet Office	Office of Foreign Direct Investment Promotion	03-3581-8950 (direct) 03-5253-2111 ext.45207 invest-japan.be@mfs.cao.go.jp	http://www5.cao.go.jp/access/english/jic_main_e.html
2	Financial Service Agency	Planning and Coordination Bureau, International Affairs Division	03-3506-6049 (direct) 03-3506-6000 ext.3199 invest-japan@fsa.go.jp	http://www.fsa.go.jp/invest/20030603e.html
3	Ministry of Public Management, Home Affairs, Posts and Telecommunications	Minister's Secretariat, Policy Planning Division	03-5253-5156 (direct) invest-japan@soumu.go.jp	http://www.soumu.go.jp/kyoutsuu/tainiti.html (in Japanese)
4	Ministry of Justice	Minister's Secretariat, Secretarial Division	03-3592-7420 (direct) 03-3580-4111 ext.2087 invest-japan@moj.go.jp	http://www.moj.go.jp/KANBOU/TAINICHI/tainichi01.html (in Japanese)
5	Ministry of Foreign Affairs	Economic Affairs Bureau, Second International Economic Affairs Division	03-3580-3311 ext.5055 invest-japan@mofa.go.jp	http://www.mofa.go.jp/mofaj/gaiko/tn_toshi/madoguchi/ (in Japanese)
6	Ministry of Finance	International Bureau, Research Division, Legal Office	03-3581-8015 (direct) invest-japan@mof.go.jp	http://www.mof.go.jp/invest_japan/index_e.htm
7	Ministry of Education, Culture, Sports, Science and Technology	Minister's Secretariat, Policy Division	03-5253-4111 ext.3472 invest-japan@mext.go.jp	http://www.mext.go.jp/a_menu/tainichi/main.htm (in Japanese)
8	Ministry of Health, Labour and Welfare	Counsellor's Office (Labour Policy) to Director-General for Policy Planning and Evaluation	03-5253-1111 ext.7718 invest-japan@mhlw.go.jp	http://www.mhlw.go.jp/general/seido/toukatsu/tousi/ (in Japanese)
9	Ministry of Agriculture, Forestry and Fishery	General Food Policy Bureau, Food Industry Policy Division	03-3502-8111 ext.3222, 3194 invest_japan@nm.maff.go.jp	http://www.maff.go.jp/sogo_shokuryo/toushi.htm (in Japanese)
10	Ministry of Economy, Trade and Industry	Policy Bureau, International Planning Division, International Transport Policy Office	03-3501-1774 (direct) invest-japan@meti.go.jp	http://www.meti.go.jp/english/policy/index_FDI_into_Japan.html
11	Ministry of Land, Infrastructure and Transport	Policy Bureau, International Planning Division, International Transport Policy Office	03-5253-8313 (direct) invest-japan@mlit.go.jp	http://www.mlit.go.jp/sogoseisaku/invest/index_.html (in Japanese)
12	Ministry of the Environment	Environmental Policy Bureau, Environment and Economy Division	03-5521-8324 (direct) invest-japan@env.go.jp	http://www.env.go.jp/policy/invest_j/ (in Japanese)

13	Japan External Trade Organization (JETRO)	Invest Japan Business Support Center (IBSC)[*1]	03-3584-6042 (direct) invest-japan@jetro.go.jp	http://www.jetro.go.jp/ip/e/bsc/ibsc.html
14	Development Bank of Japan	International Department, Center for the Promotion of Direct Investment in Japan	03-3244-1770 (direct) dbjmail@dbj.go.jp	http://www.dbj.go.jp/english/index.html

Note 1: JETRO IBSC opens windows to the administrative procedures for foreign companies looking to invest in a business in Japan. Please refer to section 3-1.
Note 2: For further information, please refer to JMR No.70 *"Japan's Investment Environment: Facility Services,"* Chapter VIII.

2-2 Sources of Information in Investment in Japan

	Information	Organization	Division	Contact	Web site
Applicable Laws and Regulations					
1	Foreign Exchange and Foreign Trade Law	Bank of Japan	Balance of Payment Division, International Department	03-3277-2107 post.ind6@boj.or.jp (direct)	http://www.boj.or.jp/about/tame/tameindex.htm (in Japanese)
2	Commercial Code	Ministry of Justice	Commercial and Corporation Registration and Deposit Division, Civil Affairs Bureau	03-3580-4111 webmaster@moj.go.jp (main)	http://www.moj.go.jp/MINJI/index.html (in Japanese) http://www.moj.go.jp/ENGLISH/CIAB/ciab-01.html (in English, summary of Civil Affairs Bureau only)
3	Antimonopoly Act	Japan Fair Trade Commission		03-3581-1998 intnldiv@jftc.go.jp (International Affairs Division)	http://www2.jftc.go.jp/e-page/legislation/antimonopoly.html
Preferential Treatment for Investors in Japan					
4	Law for Facilitating the Creation of New Business, Law for Supporting for the Challenge of SMEs *(Chusho kigyou Chosen Sien Hou)*	Ministry of Economy, Trade and Industry	Office for New Business, Economic and Industrial Policy Bureau	03-3501-1569 (direct)	http://www.meti.go.jp/policy/mincap/index.html (in Japanese) http://www.meti.go.jp/english/information/data/cMinimumCapitale.html (in English)
	Same as above	Same as above	Regional Bureaus of Economy, Trade and Industry	webmail@meti.go.jp (main)	http://www.meti.go.jp/english/network/index_b_bureaus.html (information on each Regional Bureau)

5	Law on Extraordinary Measures for the Promotion of Import and the Facilitation of Foreign Direct Investment in Japan	Industrial Structure Improvement Fund		03-3241-6283 webmaster@isif.go.jp (main)	http://www.isif.go.jp/english/frames_e/f_yunyue.html
	Same as above	Japan Small and Medium Enterprise Corporation	Credit Guarantee Corporations (CGCs) in the relevant area	03-3270-2371 (direct)	http://www.cig.jasmec.go.jp/top.html (information on CGCs, in Japanese)
	Same as above	Ministry of Economy, Trade and Industry	Regional Bureaus of Economy, Trade and Industry	webmail@meti.go.jp (main)	http://www.meti.go.jp/english/network/index_b_bureaus.html (information on each Regional Bureau)
6	Special loan program for the promotion of direct investment in Japan	Development Bank of Japan	International Department	03-3244-1990 (General Affairs Department)	http://www.dbj.go.jp/english/index.html
Procedures for Incorporation					
7	Procedures for Incorporation - Registration of joint-stock company - Acquisition of a certified copy of company registration - Certificate of a seal certificate of a representative director	Regional Legal Affairs Bureau and Registry Office in the relevant area			http://www.moj.go.jp/MINJI/minji10.html (a list of Legal Affairs Bureaus in each area is available, in Japanese)
	- Notification of articles of incorporation	Notary Office in the relevant area			http://www.koshonin.gr.jp/address.htm (a list of notary offices in each area is available, in Japanese)
Procedures after Incorporation					
8	Procedures after incorporation - Notification of establishment of corporation - Notification of consumption tax payer etc.	Taxation Office in the relevant area*[1]			http://www.nta.go.jp/category/syoukai/syozaiti.htm (a list of taxation offices in each area is available, in Japanese)
9	Filing of notifications related to the corporation (inside of Tokyo 23 ward)	Local Taxation Office in Tokyo			http://www.tax.metro.tokyo.jp/jimusho/tozei.htm (a list of counsel offices in each area is available, in Japanese)
	Filing of notifications related to the corporation (outside of Tokyo 23 ward)	Local Taxation Office and Commune Office in the relevant area			http://www.soumu.go.jp/czaisei/czaisei_seido/ichiran07.html (a list of local taxation offices in each area is available, in Japanese) - Information on each commune office is provided by web page of each prefecture.
10	Distribution of a guidebook of metropolitan tax in English, Chinese, and Korean, free of charge (postage should be paid)	Bureau of Taxation, Tokyo Metropolitan Government	General Affairs Division, General Affairs Department	03-5388-2927 tax@section.metro.tokyo.jp (direct)	http://www.tax.metro.tokyo.jp/oshirase/2003/200309a.htm (guidebook distribution information in 2003, in Japanese)

Procedures of Social Insurance					
11	Procedures related to industrial insurance - Business report - Employment policy - Labor insurance- related notifications	Labor Standards Bureau in the relevant area			http://www.mhlw.go.jp/general/sosiki/chihou/ (a list of Labor Standards Bureaus in each area is available, in Japanese)
12	Notification of establishment of relationship between an insurer and the insured under the industrial and employment insurance system - Notification of establishment of relationship between an insurer and the insured under the employment insurance	Public Employment Security Office in the relevant area			Same as above
13	Procedures related to health insurance and social security pension	Social Insurance Office in the relevant area			http://www.sia.go.jp/outline/index.htm (information web page on health insurance and social security pension provided by Social Insurance Agency, in Japanese)
Other Useful Sources of Information					
14	Search for telephone numbers and addresses	Town Page - Japan telephone directory -			http://english.itp.ne.jp/
15	Information on investment in Japan	Japan External Trade Organization		03-3582-5511 webmaster@jetro.go.jp (main)	http://www.jetro.go.jp/

Note 1: Only the Tokyo Taxation Bureau has set up a dedicated counter for non-Japanese people. The telephone number is: 03-3821-9070

3. JETRO Services

3-1 JETRO Invest Japan Business Support Center (IBSC)

JETRO IBSC provides foreign companies with information necessary for investment in Japan. IBSC has a wide range of services and facilities to help foreigners who would like to start or invest in a business in Japan. IBSC provides office space free of charge to foreign companies. Advisors and JETRO staff supplies you with useful information and consultation (http://www.jetro.go.jp/ip/e/bsc/ibsc.html).

For further information or application, please contact the nearest JETRO offices (http://www.jetro.go.jp/it/e/profile_network/worldmap.html).

(1) Providing Well-Equipped Facilities for Temporary Offices

IBSC has office space free of charge for foreigners hoping to enter the Japanese market or develop business operations in Japan. The Center's office space is equipped with all the tools necessary to immediately launch business activities in Japan.

(2) Consultation Services by Investment Advisors

IBSC has highly specialized resident advisors (market advisors and corporate management advisors) who can help you with offering market information and conducting individual consulting. Also, at some JETRO overseas offices, investment advisors provide information and consultation regarding direct investment in Japan to potential investors.

(3) Providing the Administrative Information

Backed by the Japanese government, the IBSC opens windows to the administrative procedures necessary for foreign companies looking to do business in Japan.

(4) Introducing Supportive Companies and Arranging a Visit to Potential Properties

IBSC introduces agents who can perform various procedures for setting up a base in Japan, recruiting companies, property companies, and other companies that can help foreign companies investing in Japan. Through a network with local governments, IBSC also gathers information on real estate property in specific regions, arranges visits to candidate properties, and sets up meetings with staff members of local governments.

3-2 Providing Information on Investment in Japan

(1) "Invest Japan!"

The JETRO web site "Invest Japan!" (http://www.jetro.go.jp/investjapan/index.html) provides comprehensive information and data on the investment environment in Japan to foreign businesses that are interested in investing in Japan. This includes Japanese macro economic data, related laws and regulations, and examples of foreign companies that have been successful in establishing their business in Japan.

(2) Publications

JETRO publishes many books that summarize laws and procedures concerning investment in Japan.

For example:

- Setting Up Enterprises in Japan
- Human Resource Management Guidebook: Q&As for Managers of Foreign Affiliates
- Directory for Setting Up Enterprises in Japan

  etc.

For further information, please visit the following JETRO web site. (http://www.jetro.go.jp/it/e/pub/index.html).

(3) Seminars for Investment in Japan

JETRO organizes seminars and individual consultations in various countries in order to provide information on a variety of themes, such as trends in the Japanese market, investment climate, and laws and procedures concerning investment in Japan.

(4) Library

You can browse various materials on trade and investment in many countries and JETRO publications on the JETRO Library site (http://www.jetro.go.jp/li/e/index.html).