JETRO
Japanese Market
# Report −Regulations & Practices−

Software Products -Business Packages-

Introduction

The Japanese software market is part of the information services market, as shown in Figure 1. As adoption of information technology increases in Japan, particularly among leading companies, high growth in the software market is expected. (See Figure 1 and Figure 2 for annual sales in information services and contract values by industry in Japan.)

Figure 1. The Information Services Market in Japan
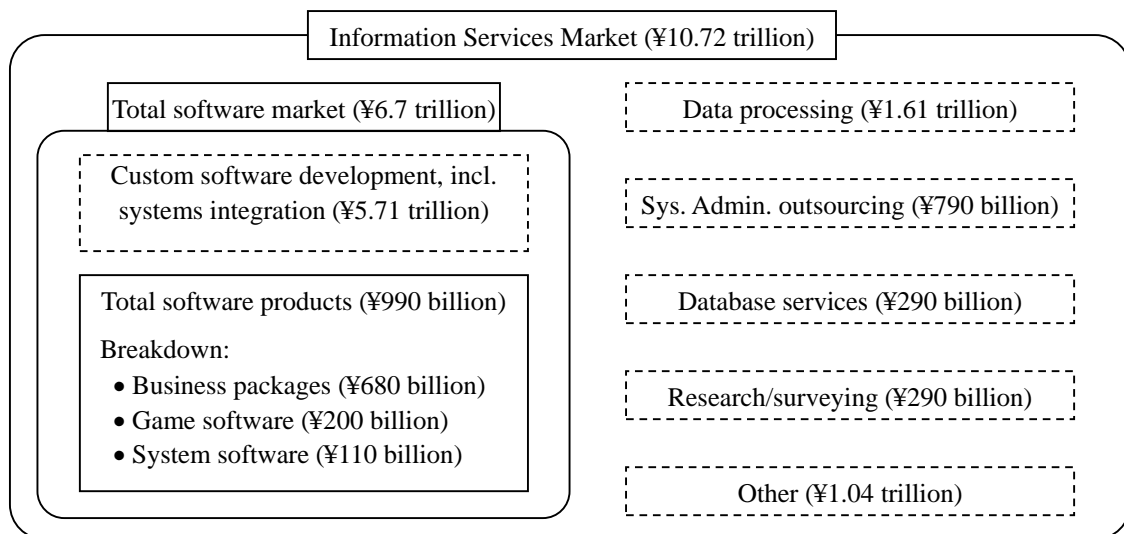
Source: *Survey of Selected Service Industries for 2000*, Census Division, Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry, January 2002. Prepared by Yano Research Institute, Ltd.

This report examines enterprise application software products (easy-order and ready-made application software for business). These products comprise one part of the software market in Japan (software products: business packages).

The main types of enterprise application products are as follows:
- ERP (Enterprise Resource Planning)
- CRM (Customer Relationship Management)
- SCM (Supply Chain Management)
- e-Marketplace/e-Procurement
- PDM (Product Data Management) and PLM (Product Lifecycle Management)

This report focuses primarily on ERP, CRM and SCM, three of the above application categories whose market share is large and whose footprints are growing particularly rapidly in the Japanese market.

This report also details market trend, related Laws and Japanese business practices in these three product categories and gives case studies of foreign software companies in the market.

Sales values given for the enterprise application market includes consulting and support service revenues as well as software licensing fees.

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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

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

Overview of the enterprise application market

In 2001 sales in the enterprise application market in Japan (for ERP, CRM, and SCM), including consulting and support service income as well as software licensing fees, grew 26.7% from the previous year to ¥160.4 billion. With sales amounting to 83.2% of the market in 2001, ERP is the largest category in the enterprise application market. Companies are expected to shift from high-cost custom-made software, which does not readily allow collaboration with other companies, to low-cost package software, which does. From 2001 to 2004, this shift is expected to bring average annual growth of 20.9% to the enterprise application market, yielding a market value of ¥283.7 billion in 2004.

Business models

Japan depends on imported products, chiefly those of U.S. software companies. In many cases, these foreign software companies have adopted indirect sales models involving partnerships with leading Japanese system integrators and similar companies to overcome the idiosyncrasies of the Japanese market. As well as selling software products and installing them for the user companies, these Japanese systems integrators also facilitate the foreign software companies' entry into the Japanese market by localizing their products etc.

Characteristics of Japanese user companies

- In Japan, the larger a company is, the more it tends towards using custom-made software, and the more cautious it is regarding the installation of package software, which will entail business process re-engineering. There is also a strong trend towards customizing package software to meet the user company's specific business styles or practices.
- User companies exhibit a marked tendency to purchase software and related products from systems integrators with whom they have an existing relationship.

The larger the user company, the more likely it is that a product's brand will be a determining factor in the purchasing decision, and the more likely it is that the product ultimately purchased will be a well-known one. Other important considerations are the reliability of software vendor and their level of experience in installing the product.

Advice for those considering entering the Japanese market

- As well as the need for innovative core products that can encourage innovation in business, there is a need in the Japanese market for niche products that can enhance the functionality of the increasingly popular ERP, CRM, SCM applications and similar core products.

- The idiosyncrasies of the Japanese market are such that it is advisable for foreign companies to expand into the market primarily through indirect sales in partnership with a leading domestic system integrator.

I. The Enterprise Application Market - Current Trends and Future Outlook

A. Market Trends and Outlook by Application Category

1. ERP (Enterprise Resource Planning)

<u>a. Market trends</u>

Sales in the ERP market in 2000 grew 39.1% year-on-year to ¥108.471 billion. However, although many companies in Japan are still using custom software (either developed in-house or outsourced), the installation of ERP packages is gradually becoming the norm. In 2000, foreign ERP vendor[1] sales grew 53.8% year-on-year, exceeding the overall growth of the market.   In contrast, year-on-year growth of domestic ERP vendor[2] sales was a relatively low 19.1%. Foreign ERP vendors experienced higher growth than domestic ERP vendors because they targeted different market segments. Foreign ERP vendors mainly targeted large companies prepared to invest actively in information technology. In contrast, domestic ERP vendors mainly targeted small- and medium-size companies whose investment resources had been severely depleted by the sluggish economy and the onset of deflation.

According to data prepared by Yano Research Institute, ERP installations (the total number of companies at which ERP installations were performed) were about 2,300 for foreign ERP vendors by the end of December 2000 and about 11,000 for domestic ERP vendors by the end of March 2001. A breakdown of the licensing fees paid to foreign ERP vendors in 2000 shows that 63.6% (by far the largest proportion) came from the manufacturing industry, followed by 17.3% from the supply and distribution industry, 4.6% from the service industry, and 3.3% from the financial services industry.

In the past, companies would install single modules—such as a financial accounting module—in order to be able to comply with some new accounting standard or cope with globalization. However, the number of companies installing multiple modules began to increase in 2000. For example, in March 2001 the Hokuriku Electric Power Company began to install ERP for a wide variety of operations—construction work planning, purchasing, sales, and payroll management—in addition to accounting. This change was spurred by improvements in ERP packages that specifically met the sales and production management needs of Japanese companies Market outlook.

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[1] Foreign ERP vendors are vendor companies which offer ERP products developed by foreign software companies. Foreign ERP vendors include not only software companies with foreign capitalization but also domestic companies, such as NEC.

[2] Domestic ERP vendors are domestic vendor companies which offer ERP products developed by domestic software companies.

<u>b. Market outlook</u>

From 2001 to 2004, ERP-related sales are forecast to increase at a yearly average of 21.4%. ERP is used mainly by companies in the manufacturing industry. However, it is slowly spreading to an increasing number of industries like the distribution, communications, and financial services industries. In addition, although the companies at which ERP has been installed are predominantly small- and medium-size companies, ERP installation is expected to become the norm as the shift from custom software to package software gathers momentum. The installation of strategic applications such as CRM and SCM—and the number of companies using them as platform systems for simultaneously installing ERP—looks set to increase in Japan.

Figure 2. Japan's ERP Market

(Units: million yen)

	1999	2000	2001	2002	2003	2004
Foreign ERP Vendors	44,890	69,060	87,240	110,370	135,300	162,770
Domestic ERP Vendors	33,084	39,411	46,240	54,565	64,330	75,890
Total	77,974	108,471	133,480	164,935	199,630	238,660

Note 1: The market estimation method is based on a partial estimate of ERP-related sales totals for vendors entering the domestic ERP market.
Note 2: ERP-related sales include revenue from software licensing, consulting, and support services.
Note 3: Figures given for domestic ERP vendors are for the fiscal year.
Note 4: Figures for 2001 are estimates by Yano Research Institute. Figures for 2002–2004 are projections by Yano Research Institute.
Source: The ERP Market in 2001: Facts and Strategic Outlook, Yano Research Institute, Ltd., October 2001.

2. CRM (Customer Relationship Management)

<u>a. Market and trends</u>

Although sales in the CRM market in 2001 grew 73.6% year-on-year to ¥15.923 billion, the market saw a deceleration in its expansion. Reduced investing capacity for user companies due to the economic slowdown, the unclear benefits of introducing CRM, the incompatibility with Japanese business practices, and similar factors caused user companies to become more cautious, resulting in this deceleration. According to Yano Research Institute data on CRM-related sales in 2001, a breakdown of user companies by industry shows the highest sales in the manufacturing industry with 37.6%; followed by the service industry, at 18.1%; the financial services industry at 16.1%; the distribution industry at 14.3%; and the remainder with 13.9%.

Large companies are the main users of CRM system in Japan. If the market is to expand, small- and medium-size businesses cannot be neglected.

<u>b. Market outlook</u>

At the start of 2002, growth in the CRM market was slowing. However, awareness of

CRM in Japan is well established and, in the medium term, the market is expected to expand steadily. From 2001 to 2004, CRM-related sales are expected to grow at an annual rate of 16.5%. In order to grow the market, however, it is important that CRM vendors offer products that are suited to the Japanese market.

Figure 3. Japan's CRM Market

(Units: million yen, No. of companies)

	1999	2000	2001	2002	2003	2004
CRM-related sales	6,172	9,170	15,923	18,250	21,500	25,200
Companies installing CRM during the year	100	187	343	420	510	630

Note 1: The market estimation method is based on a partial estimate of CRM-related sales totals for vendors entering the domestic CRM market.
Note 2: CRM-related sales include revenue from software licensing, consulting, and support services.
Note 3: Figures for 2002–2004 are projections by Yano Research Institute.
Source: CRM/CT Solutions in 2002: Facts and Strategic Outlook, Yano Research Institute, Ltd., June 2002.

3. SCM (Supply Chain Management)

a. Market and trends

In 1998, Japan's large IT manufacturing companies began to introduce SCM in an attempt to streamline production and distribution and reduce lead-time. In 2001 sales in the SCM market grew 22.2% year-on-year to ¥11 billion. Although it continues to expand, the SCM market is still small.

SCM software is essentially divided into planning systems (SCP: supply chain planning) and execution systems (SCE: supply chain execution). Although SCP installations have led the market in Japan, SCE is also spreading. Simultaneous installations of SCP and SCE look set to increase.

Construction and equipment manufacturing companies are the main users of SCM in Japan. SCM installation costs run to several hundred million yen. In addition, since software companies have limited numbers of consultants and engineers, it is difficult for them to install SCM simultaneously at many locations. SCM is being installed mostly at larger companies as a result. However, the SCM user base is growing as SCM installations increase at wholesalers and supply and distribution companies.

In 2001, ERP vendors increasingly offered SCM as an extension of their proprietary ERP products. With a growing number of domestic vendors (principally systems integrators) entering the SCM market and a drastic increase in the number of software companies selling SCM products, awareness of SCM has risen.

Forecasts predict that the user base will increase as medium-size manufacturing, logistics, supply, and similar companies proceed with SCM installations in addition to the leading manufacturing companies. For the 2001–2004 period, SCM-related sales are expected to continue growing at an average annual rate of 21.6%, yielding a market value of ¥19.8 billion in 2004.

SCP and SCE both have a crucial role to play in the introduction of SCM. Thus, the rising awareness brought about by the increase in the number of vendors entering the market is expected to result in marked growth in the SCE market. The SCE market will thus expand together with the SCP market (which has been driving the introduction of SCM).

Figure 4. Japan's SCM Market

(Units: million yen)

	1999	2000	2001	2002	2003	2004
SCM-related sales	6,940	9,000	11,000	13,200	15,850	19,800

Note 1: The market estimation method is based on a partial estimate of SCM-related sales totals for vendors entering the domestic SCM market.
Note 2: SCM-related sales include revenue from software licensing, consulting, and support services.
Note 3: Figures for 2002–2004 are projections by Yano Research Institute.
Source: Yano Research Institute, Ltd.

B. Market Entry for Foreign Software Companies

Figure 5 shows a list of foreign-capitalized software companies offering ERP, CRM and SCM package software products in Japan. It shows that there is a pronounced shift from ERP to SCM and CRM among the foreign software companies entering the Japanese markets.

Most of the foreign companies entering Japanese markets have been Europe and United States (principally U.S.) companies. Now, however, Asian companies are also entering Japanese markets. In June 2002, Samsung SDS of South Korea began selling its proprietary ERP package software through Trans Cosmos of Japan. In order to bolster sales of its ERP package and other proprietary products in the Japanese market, Samsung SDS is slated to establish a Japanese corporation during FY2002.

Figure 5. Principal Foreign-Capitalized Software Companies in Japanese Markets

Company	Markets Entered	No. of Employees	Shareholder Capital	Established	Country of Parent Company
Oracle Japan K.K.	ERP, CRM, SCM	1,591	Listed in First Section of the TSE	October 1985	U.S.A.
J. D. Edwards Japan K.K.	ERP, CRM, SCM	95	Wholly owned subsidiary	April 1990	U.S.A.
SAP Japan Co., Ltd.	ERP, CRM, SCM	1,163	Wholly owned subsidiary	October 1992	Germany
Intentia Japan K.K.	ERP	70	Wholly owned subsidiary	April 1995	Sweden
Baan Japan K.K.	ERP, CRM, SCM	80	Wholly owned subsidiary	January 1996	Holland
I2 Technologies Japan, Inc.	SCM	180	Wholly owned subsidiary	May 1996	U.S.A.
PeopleSoft Japan K.K.	ERP, CRM, SCM	100	Wholly owned subsidiary	September 1996	U.S.A.
IFS Japan, Inc.	ERP	20	Wholly owned subsidiary	January 1997	Sweden
Siebel Japan K.K.	CRM	80	Wholly owned subsidiary	February 1997	U.S.A.
Manugistics Japan K.K.	SCM	50	Wholly owned subsidiary	March 1997	U.S.A.
Adexa, Inc.	SCM	28	Wholly owned subsidiary	September 1997	U.S.A.
EXE Technologies K.K.	SCM	75	Wholly owned subsidiary	July 1998	U.S.A.
BroadVision Japan K.K.	CRM	17	Wholly owned subsidiary	August 2000	U.S.A.
Onix Software Co., Ltd.	CRM	30	Jointly owned with Japanese company	August 2000	U.S.A.
Pivotal Corporation	CRM	9	Wholly owned subsidiary	November 2000	Canada
Viewlocity Japan Co., Ltd.	SCM	18	Jointly owned with Japanese company	December 2000	U.S.A.
Epiphany Japan Ltd.	CRM	23	Wholly owned subsidiary	March 2001	U.S.A.
Manhattan Associates K.K.	SCM	5	Wholly owned subsidiary	March 2002	U.S.A.

Note 1: Numbers of employees in December 2001 (when Manhattan Associates was founded).

Note 2: Listed in order of establishment of Japanese corporation.

Source: Extracted from various data by Yano Research Institute, Ltd.

C. A Global Comparison

Figure 6 shows the results of a study carried out by the Ministry of Economy, Trade and Industry that show the penetration of these major applications in Japan, the United States, Europe, and the newly industrializing economies (NIEs) of Asia. Although the percentage of ERP and CRM installations in Japan is low, the percentage of SCM installations in Japan is practically the same as in the United States. This is because, while Japanese companies are prepared to invest in SCM as a means of reducing costs directly, they are more cautious when it comes to investing in ERP and CRM, where it is harder to foresee results.

The percentage of ERP installations in the United States, Europe, and the NIEs of Asia is around 40–50%. However, the percentage of ERP installations in Japan is no more than 20%—approximately half that of the others. Yet 24% of Japanese companies said they were "currently considering installation," and since this was the highest figure of any region, the disparity in the percentage of installations between Japan and the other regions is expected to decline.

The percentage of companies using CRM in Japan is conspicuously low compared to other regions. Furthermore, the percentage of Japanese companies that said they were "not currently considering installation" was higher than in other regions, indicating a low level of interest in CRM. However, since 23.5% of Japanese companies said they were "currently considering installation," latent demand for the product seems high despite the low percentage of installations.

The percentage given for SCM installations in Europe is a projection. The percentage of SCM installations in Japan, the United States, and the NIEs of Asia hardly differ at all, and compared to the regional disparities in ERP and CRM, the difference in SCM is negligible. In addition, since the percentage of companies that said they were "currently considering installation" was highest in Japan, the potential demand for SCM installation is thought to be higher in Japan than in the other regions.

Figure 6. ERP, CRM, and SCM Installations in Large Companies

(Units: %)

Application Software	Region Surveyed	Already Installed	Considering Installation	Not Considering Installation	Unclear, Refused to Reply, No Response	Total
ERP	Japan	21.0	24.0	55.0	0.0	100.0
	U.S.A.	37.0	15.0	48.0	0.0	100.0
	Europe	41.0	23.0	36.0	0.0	100.0
	Asian NIEs	53.5	16.5	30.0	0.0	100.0
CRM	Japan	30.5	23.5	46.0	0.0	100.0
	U.S.A.	57.5	16.0	26.5	0.0	100.0
	Europe	48.5	34.0	17.5	0.0	100.0
	Asian NIEs	43.5	27.5	29.0	0.0	100.0
SCM	Japan	29.0	28.0	43.0	0.0	100.0
	U.S.A.	32.0	10.5	57.5	0.0	100.0
	Europe	61.5	13.0	25.5	0.0	100.0
	Asian NIEs	37.0	15.0	48.0	0.0	100.0

Note 1: For SCM, a range of different companies was surveyed, including manufacturing, wholesale, and retail companies.

Note 2: In each of the four regions (Japan, the United States, Europe, and NIEs of Asia), 200 companies were surveyed for a total of 800 companies world-wide.

Note 3: Included in the survey were eight European countries: U.K, Germany, Holland, France, Belgium, Switzerland, Italy, and Sweden; and four Asian NIEs: Hong Kong, Singapore, South Korea, and Taiwan.

Note 4: The survey was conducted from October 2000 to January 2001.

Source: International Survey on Corporate Management and Information Strategies, Ministry of Economy, Trade and Industry.

D. Outline of Other Growth Markets

1. e-Marketplace and e-Procurement

In 2000 the Japanese e-marketplace and e-procurement markets seemed to be enjoying a temporary resurgence. However, affected by the decline in the e-marketplace business in the U.S., Japan's e-marketplace market in 2002 has yet to fully get off the ground Meanwhile, more and more large companies are using e-procurement to reduce the procurement costs of indirect materials, like office supplies and equipment. Yano Research Institute estimates that the value of the market (in license sales) in FY2000 was approximately ¥3 billion. In Japan, as e-procurement installations gather momentum, prominent software companies with a business-to-business (B2B) orientation, such as Ariba Japan, Commerce One, and Commerce Center, are devoting their efforts to developing and selling e-procurement products aimed at large companies.

2. PDM (Product Data Management) and PLM (Product Lifecycle Management)

According to research by Yano Research Institute, the value of the Japanese CAD/CAM/CAE software market in FY2001 was approximately ¥250 billion. However, as the CAD/CAM/CAE

market matures, the extent to which related fields expand will determine the growth of the market. Japan's CAD/CAM/CAE vendors have high expectations for related fields such as PDM[3] and PLM[4].

According to Yano Research Institute, the Japanese PDM market was worth approximately ¥20 billion in FY2001. This increased to ¥25 billion in FY2002. However, due to the slow diffusion in Japan of 3D CAD, on which PDM relies, the market remains small. It is thought that, as user companies continue to make the change from 2D CAD to 3D CAD, the PDM market should see adequate growth in FY2002.

On the other hand, the PLM market in Japan has yet to take shape. With PLM, a design system like CAD or PDM is connected to an enterprise application, such as ERP, SCM, or CRM, to optimise the entire business process. Since the diffusion of enterprise applications such as ERP is slow in Japan, it will take time before the PLM market gets off the ground. However, PLM is beginning to be implemented on a global scale as evidenced by the March 2003 announcement by America's IBM and France's Dassault Systems in which they revealed their proposal of a world-wide PLM solution made to Toyota Motor Corporation, one that supports the entire vehicle development process.

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[3] PDM system reduces the lead time from design to manufacture by allowing many kinds of information relating to a product's lifecycle to be stored and managed using a database: this includes CAD and other diagrammatic data, engineering reports, written instructions, maintenance information, and image and analysis data (either in a defined format or unformatted).

[4] PLM system allows all the departments involved in a product lifecycle—planning, design, manufacture, and maintenance—to share data in order to optimize the entire business process.

II. Legal Systems Related to IT Investment

A. Adjustment of Intellectual Property Rights Law Relating to Software

Software products are protected not only by copyright law but also by trademark and unfair competition law. Software is also partly protected under patent law in the form of software patents, and since business transactions involving software copyright issues has increased in importance with the development of information technology (IT), the Fair Trade Commission (FTC) has established a research group to investigate problems with antitrust law as it relates to software.

1. Software Patents

In order to accommodate the rapid growth of software technology, the Patent Office revised the guidelines for evaluating applications for computer software inventions. These new guidelines were put into practice in April 1997. These revisions are focused on "Media Containing Recorded Programs" and similar patent categories.

In December 2000 the standards for evaluating computer software inventions were also revised, and in instances where an idea is to be implemented using a combination of hardware and software, the software creation was considered to be covered by the special patent law term "invention." In addition, "Computer Programs not Recorded on Media" began to be included under the term "invention of product." They also clarified statements about inventions related to business model.

In February 2002, in an attempt to strengthen patent protection for information assets such as software and to promote business transactions over networks, a bill to reform one part of the patent law was presented in the National Diet. The reform proposal specified that programs and similar inventions be covered by the definition of "product" under patent law. On 17 April 2002, this bill was passed as Law No. 24.

2. Software Antitrust Laws

Business transactions involving software copyrights revealed conflicts between the existing system of intellectual property rights laws, which recognizes the exclusive rights of the rights holder (copyright and patent rights), and policy on competition. To these rights were applied the following sets of supplementary guidelines, as provided by the Fair Trade Commission: *Guidelines for Patent and Know-How Licensing Agreements under the Antimonopoly Act*, *Guidelines Concerning Joint Research and Development with Respect to the Antimonopoly Act*, *Guidelines for Abuse of Dominant Positions in Consigned Transactions of Services Based on the Antimonopoly Act*, and *Guidelines for Distribution and Procurement Practices under the*

Antimonopoly Act.

However, as the field of IT has advanced, there has been an increase in the importance placed on the sale of copyrights on software and technology and similar transactions involving patents and know-how. For this reason, in August 2001 the Software and Antitrust Law Research Committee was established within the FTC to investigate problems with the antitrust law in relation to software. These investigations are still underway.

B. Japan's IT Policy

1. e-Japan Strategy

In order to come to grips with the IT revolution, the Japanese government established the Information Technology Strategy Headquarters (also known as the IT Strategy Headquarters) in July 2000. Furthermore, the IT Strategy Council, consisting of IT company managers and other private sector specialists, was established to advise the IT Strategy Headquarters. The purpose of the IT Strategy Headquarters and the IT Strategy Council was to decide on a basic IT strategy that would turn Japan into a leading IT nation. Based on the ideas put forward, the *Basic IT Law* was drawn up in November 2000. Subsequent to the enactment of the *Basic IT Law* in January 2001, the IT Strategy Headquarters and the IT Strategy Council were combined to establish the Advanced Information and Telecommunications Network Society Promotion Strategic Headquarters. It was decided that the basic IT strategy determined by the new group would be known officially as the e-Japan Strategy.

The following objectives were laid out for the e-Japan Strategy: to enable the entire nation to actively employ information technology; to move towards the establishment of a knowledge-creating society that can make the most of the benefits of IT; to rapidly advance revolutionary yet realistic adoption of IT; to create an environment based on market principles in which private sectors can leverage their strengths to the greatest extent possible; and to make Japan the world's leading IT nation within five years.

In March 2001, a concrete action plan for the e-Japan Strategy was drawn up. This was called the *e-Japan Priority Policy Program*. This program set out specific actions for the following objectives:
- Create the world's most advanced IT network
- Promote education and study, and cultivate human resources
- Promote the growth of electronic commerce
- Promote the computerization of government administration and the use of IT in the public sector
- Guarantee the safety and reliability of advanced IT networks
- Collateral issues
  - Promote the growth of research and development

- Bridge the digital divide

- Cope with new issues attendant to socio-economic restructuring

- Promote international cooperation and contribution

2. The IT Solution Square Project (ITSSP)

From the 1990s onward, IT has been developing at a rapid pace, and the business environment in which companies find themselves has changed greatly. However, in Japan investment in computerization has not been closely linked to increased economic prosperity. Believing that increased investment in computerization and cultivation of the human resources to support it are necessary for Japan to regain its competitive edge, the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry) published in June 1999 an interim report through the Subcommittee for Human Resource Development in the Information Technology Field within the Industrial Structure Council entitled *Cultivation of Human Resources to Support Economic Recovery through Investment in Strategic Computerization*.

Based on this interim report, the IT Solution Square Project was born. This project is intended to stimulate investment in strategic computerization in support of the small- and medium-size companies that comprise Japan's industrial base. The twin goals of this project are to enlighten managers about the importance of investment in strategic computerization and to train specialist IT coordinators to support these investments.

C. Certification Systems

The Ministry of Economy, Trade and Industry has a certification system for system integration and system administration services (defined as long-term administration and operation of a company's information systems on the service provider's premises) to promote these service industries and create a sense of security for companies using these services.

1. Government Registration and Approval System of System Integrator
a. Registration of Systems Integrators

Government Registration and Approval System of System Integrator is a preliminary system for applying to the *Reserve Funds for System Integration*, one of the *Reserve Computer Programs* defined in Article 57 of the *Special Taxation Measures Law*. Under this system, information services companies that can competently provide systems integration services and that have a solid financial foundation, technical proficiency, and a record of successful systems integration are registered in the "Information-Processing Service Company Ledgers." This register is made available to user companies looking for systems integration companies. Since registration is only valid for a period of two years, service companies must undergo a renewal procedure every two years.

b. Special Recognition under the Tax System

The Government Approval System of Specific System Operation Companies approves claims for companies that qualify under the Reserve Funds for System Integration under the authority of the Minister of Economy, Trade and Industry as provided for in *Special Taxation Measures Law Enforcement Order* Article 33, item 13. Companies must renew their certificates every two years.

2. Government Registration and Approval System of System Integrator

Established in 1994, the certification system for special system operations companies certifies the ability of information services companies to offer specific system operations services, and encourages these companies to invest in system operations so as to create an environment in which user companies can safely take advantage of system operation services.

This system certifies information services companies that can competently provide a particular system operation service and that have safety measures, a solid financial foundation, technical proficiency, and a proven record of providing the particular system operation service. The "Information-Processing Service Company Ledgers" contains outlines of certified companies and is a reference for user companies looking for system operation companies. Since certification is valid for a period of three years, service companies must undergo a renewal procedure every three years.

D. Information Services Procurement Guidelines

The *Information Services Procurement Guidelines* are the result of deliberations by the Procurement Guideline Committee set up in December 1999 by the Japan Information Technology Services Industry Association (JISA). This committee was established to draw up the necessary framework for resolving issues relating to the information services industry, including contractual responsibility for Y2K problems, the problem of work contracted to businessmen associated with Oum Shinrikyo[5], and problems related to subcontracting.

These guidelines clarify JISA's fundamental position on the system of laws relating to the information services industry. It advocates adherence to these laws by everyone in the industry. The purpose of these guidelines is to put in place reasonable commercial practices and to stimulate the sound development of an advanced information technology society.

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[5] In February 2000 it came to light that a software company with ties to the Oum Shinrikyo group (renamed "the Aleph"), which carried out the 1995 subway terror attack, was receiving orders to develop computer systems for leading industrial companies and various central ministries and government offices.

III. Business Models and Practices

A. Industry Structure and the Position of Foreign-Capitalized Software Companies

Figure 7. Japan's Enterprise Application Industry
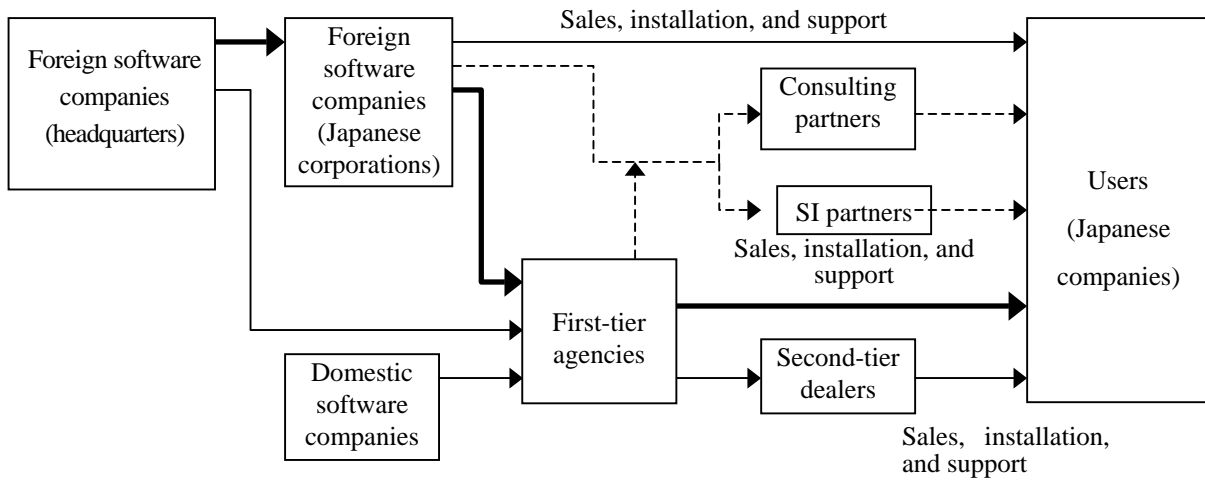
1. Industry Overview

In the enterprise application market in Japan, foreign-capitalized software companies —Japanese corporations owned by foreign software companies (mostly U.S. companies) — account for a large share of the software sales to large companies. Domestic software companies have a large share of software sales to small- and medium-size companies, in which high sales volume can be expected. Products made by domestic software companies are not attractive to the global market because their features are suited to Japanese business practices, and they are in Japanese. Since the products are not suited to global sales, it is difficult for of domestic software companies to recoup development costs.

In Japan's enterprise application market, the products foreign-capitalized software companies are leading products. However, when it comes to installing and supporting products at user companies, domestic system integrators have the bulk of the work. In contrast, it is difficult to do for foreign-capitalized software companies.

As can be seen in Figure 7, in the case of enterprise application products, the main sales channel for the products of foreign-capitalized software companies is an indirect route through domestic system integrators acting as first-tier dealers. This is because Japanese user companies

exhibit a marked tendency to purchase software and related products from credible systems integrators with whom they have an existing relationship so as to avoid the risk of losing product support in the case that the foreign-capitalized software company withdraws from the market. Since Japanese user companies also place importance on brand names, they tend to avoid the products of foreign-capitalized software companies with low name recognition. Therefore, foreign-capitalized software companies have to give serious consideration to indirect sales through one of the leading systems integrators, preferably one with high name recognition, a high level of consumer confidence in Japan, and many user companies as customers. For companies other than the leading foreign-capitalized software companies that enjoy a certain degree of recognition and consumer confidence, such as SAP Japan and Siebel Japan, the direct sales channel is a difficult one.

Many leading user companies in Japan have information systems subsidiaries. Hence, some of these companies will use their subsidiaries as second-tier dealers when purchasing enterprise application products.

Many of the first-tier dealers for enterprise application products are leading domestic system integrators. Leading system integrators are listed in Figure 8.

Figure 8. Leading Systems Integrators in the Japanese Enterprise Applications Market

SI Classification	Strengths	Leading Systems Integrators
Hardware Manufacturers	Complete consulting and systems integration facilities. They have many user companies and sales dealers acquired through hardware sales.	NEC, Fujitsu, Hitachi, IBM Japan, Hewlett-Packard Japan, Unisys Japan and others
Trading House SIs	Good at accumulating information on foreign products via a network of trading firms. They also acquire many domestic companies as customers through their trading operations.	Itochu Techno-Science, Sumisho Computer Systems, Mitsui and others
NTT Group	Complete consulting and systems integration set-up. In addition, they acquire many user companies through the reputation of the NTT brand.	NTT Data, NTT Communications, NTT East, NTT West, NTT Comware and others
Others	Many user companies within specific businesses. Complete consulting and systems integration set-up for specific businesses.	ISID, Ltd., NS Solutions (Nippon Steel), Nomura Research Institute, Trans Cosmos, Toyo Business Engineering and others

Note   : SI is an abbreviation for "systems integrator."
Source: Extracted from various data by Yano Research Institute, Ltd.

The strengths of leading Japanese systems integrators NEC and Itochu Techno-Science are introduced here for reference.

< NEC Corporation >

- A complete systems integrator with customers of all descriptions, offering everything from platforms to solutions

- First-hand experience with products tested on NEC's in-house system, valuable knowledge passed on to customers
- Customer base of approximately 10,000 companies

< Itochu Techno-Science Corporation >

- Sun Microsystems' top sales representative worldwide.
- High volume of open system sales, one of the top providers of solutions built on package software, the core of open systems
- Services provided are platform independent, enabling flexible range of offerings to meet user company needs
- Full maintenance and support organization for package software

2. Division of Labor

For the most part, large companies choose the products of foreign-capitalized software companies, while small- and medium-size companies choose those of domestic software companies. Large companies choose the products of foreign-capitalized software companies because these products are sold worldwide, their results can be seen in large foreign companies, and it is clear that, in terms of features and the like, these products outstrip the products of domestic software companies.

In general, products are developed at the home office of the foreign software company, specifications are then modified for the Japanese market by their Japanese corporation or dealers, and sales, installation, and support are performed by the dealers. In some instances, the Japanese corporation or dealers use consulting firms for sales support and outsource system development work to systems integrators.

3. Software Import and Export Trends

As can be seen in Figure 9, import levels for application software (excluding game software) greatly exceed export levels, and the U.S. is by far the leading exporter. In 1999, the U.S. accounted for 87.3% of total application software imports to Japan.

Figure 9. Application Software Import and Export

(Units: million yen)

	1994	1995	1996	1997	1998	1999
Imports (all regions)	56,651	120,068	111,987	165,847	198,691	221,235
The Americas	55,060	97,846	88,090	103,230	174,888	194,160
U.S.	54,324	97,423	87,313	103,030	174,557	193,045
Europe	1,044	3,848	19,083	27,470	17,316	22,827
Asia	318	18,065	4,457	35,089	5,928	4,051
Others	229	309	357	58	559	197
Exports (all regions)	2,621	1,030	2,349	1,234	5,905	6,037
The Americas	1,084	194	583	371	375	2,339
U.S.	1,082	185	581	289	301	2,299
Europe	268	91	106	126	609	721
Asia	1,257	736	1,651	723	4,762	2,846
Others	12	9	9	14	159	131

Source: The Japan Electronics and Information Technology Industry Association, the Japan Information Technology Services Industry Association, the Japan Personal Computer Software Association, and *1999 Statistical Survey of Software Imports and Exports*, the American Electronics Association.

B. Business Models

In Japan a common business model for foreign-capitalized software companies is "combined direct and indirect sales." There are numerous instances of companies switching business models after entering the market. For example, some companies adopted the "indirect sales model" when first entering the market, and then switched to the "combined direct and indirect sales model" when their name recognition improved. Others adopted the "direct sales model" at first but switched to the "combined direct and indirect sales model" after failing to expand their business.

The various business models adopted by foreign software companies are listed below. These examples are based on Itochu Techno-Science internal company data and have been supplemented by Yano Research Institute.

1. Indirect Sales Models
a. Model in which foreign software companies consign sales to domestic dealers

Advantages:

- Localization, personnel, support systems, and similar costs can be kept low.
- The dealer can be entrusted with solving problems relating to Japanese business practices.
- Provided that the dealer is efficient, good results can normally be expected.

Disadvantages:

- With both training and transfer of information, there will be occasions when the time difference will be a factor, since product support is carried out from abroad through the dealer.
- Sales and marketing activities have less impact on end users because they are conducted through dealers.

Example: Trans Cosmos sells ERP software manufactured by Samsung SDS of Korea.

<u>b. Models in which the Japanese subsidiary of a foreign software company consigns sales to domestic dealers</u>

(1) Exclusive dealerships

Advantages:

- Marketing and support are based in Japan and are thus easier to carry out, creating a stronger business than in model (a) above.
- As relations with the exclusive dealer strengthen, the burden on the Japanese corporation is reduced.
- The Japanese subsidiary can provide support.

Disadvantages:

- Resources are necessary to establish the Japanese subsidiary.
- Exclusive sales contract may have drawbacks for the foreign-capitalized software companies and dealers. (For example, if the dealer is part of a keiretsu, sales to user companies that do not belong to the keiretsu are difficult, reducing sales for the company, while dealers may not be able to respond well to user needs, reducing the ability of the dealer to sell.)

Example: Few foreign-capitalized software companies adopt this model in Japan.

(2) Multi-dealer arrangements

Advantages:

- Marketing and support are based in Japan and are thus easier to carry out, creating a stronger business than in model (a) above.
- As it expands its market through indirect sales, the Japanese subsidiary requires comparatively few resources.
- The Japanese can carry out domestic support.

Disadvantages:

- In some cases the company's product is just one of many that the dealer carries, which may result in diluted support compared with exclusive agreements.
- There is a danger that competition between dealers may tempt them to lower prices.

Examples: Oracle Corporation Japan, Broad Vision Japan KK

2. The Combined Direct and Indirect Sales Model

Advantages:

- With the addition of indirect sales through dealers, foreign-capitalized software companies can be assured of reaching their market goals.

Disadvantages:

- Because a combination of direct sales and indirect sales through dealers is used, there is the risk that a company will be competing against its own products, which might dampen the motivation of the dealer.
- Since the Japanese subsidiary must build up sales, marketing, and consulting staff and employ installation support personnel, it will require greater resources than under the indirect sales model.

Example: Siebel Japan

3. Direct Sales Model

Advantages:

- It is easy for foreign-capitalized software companies to execute their own sales strategies.

Disadvantages:

- In order to perform sales, marketing, consulting, installation support and any other required functions, the Japanese corporation must employ all its resources and bear personnel expenses and other financial burdens.
- It is difficult to reconcile Japanese employment practices with results-driven personnel management. For this reason, it may be difficult to secure top-quality personnel.

Example: SAP Japan

C. Main Approach to Market Entry

Since there are various business practices that are unique to the Japanese market, many foreign software companies newly entering the Japanese market approach leading domestic system integrators familiar with the Japanese market. Some of the leading Japanese domestic systems integrators are willing to make the preparations required to support the entry of a foreign software company into the Japanese market. For example, NEC and Itochu Techno-Science will perform the following support functions for foreign software companies.

< NEC Corporation >

- Strategic corporations include investment in the form of venture capital etc
- Localization for the Japanese market
- Sales that include their own solutions systems
- Value-adding improvements to package software using their own technology

< Itochu Techno-Science Corporation >

- Localization for the Japanese market
- Investment in Japanese subsidiary to reduce localization costs

D. Japanese Business Practices

1. The User Company Perspective

- Large companies tend towards custom-made software and are cautious regarding the installation of package software that will entail business process re-engineering.
- Japanese user companies are sometimes demanding and present vendors with incredibly detailed specifications, for example on the color and borders of their printouts, which shows their strong tendency to have package software customized to meet the specific business styles of the company.

2. Distribution Channels

- Many Japanese companies believe that it is dangerous to purchase products directly from foreign-capitalized software companies, as they may withdraw from the Japanese market or undergo a merger. In addition, many of these companies are incapable of selecting software products and thus require a system integrator to act as an intermediary, minimizing the risk and supplying products.
- Japanese user companies place great importance on business relationships and the term, as a result, have a marked tendency to purchase software and related products from systems integrators with whom they have already done business.

3. User Company Product Selection Criteria

- The larger the user company, the more it will tend to purchase products that are well-known.
- There is a tendency to trust vendors who carry out product installation and support.
- There is a strong tendency to place importance on a proven record of successful product installation.

4. Business Practices Unique to Japan

- Localization of package software into Japanese is indispensable.
- In Japanese user companies, product installation decisions are deliberated at many levels in the hierarchy, including top management. As a result, from the installation vendor's point of view, closing a deal can take an extremely long time.
- Under the Japanese accounting system, drafts are used to settle transactions between companies.
- Since Japanese companies have highly stratified organizational structures, the system for approving decisions is complex.

IV. Case studies of foreign-capitalized software companies

Figure 10. Business expansion and factors of success for foreign-capitalized software companies in Japan

Company	Initiative Japan	Onyx Software Co., Ltd.	Pivotal Corporation	Manugistics Japan K.K.	EXE Technologies K.K.
Category	ERP	CRM	CRM	SCM	SCM
Home office Expansion	- HQ: Sweden - Est.: 1984 - Sales: ¥50.67b (2001) NB: SKr 1=¥12.6 - Installations: 3,500+ companies in 40 mainly European countries	- HQ: USA - Est.: 1994 - Sales $ 97.2m (2002) - 10 offices worldwide; 850+ installations - Promotes TCM, the key concept of CRM	- HQ: Canada - Est.: 1994 - Sales: $69.6m (2002) - Offices in 29 countries; 1,400+ installations	- HQ: USA - Est.: 1979 - Sales: $310m (2002) - 30+ offices worldwide; 1,400 installations	- HQ: USA - Est.: 1997 in Dallas Systems /Neptune Systems merger - Sales: $95.5m (2001) - Local subsidiaries in 12 countries; 500+ installations
Business expansion in Japan	- Est.: Apr. 1995 - Sales of "Movex", a collaboration application based on ERP	- Est.: Aug. 2000 - Only office worldwide with full support functions; has developed proprietary mobile and other products for the Japanese market	- Est.: Nov. 2000 - Commenced sales in Japan in 1997 via local agent - Specializes in indirect sales through sales agent	- Est.: Mar. 1997 - Provider of EPO (profit optimization) solutions, mainly in SCM - Opened Japan Solutions Configuration Center in Apr. 2002 to meet special needs and specifications of Japanese market	- Est.: Jul. 1998 - Provider of "Exceed" supply chain execution software - Commenced sales in Japan in 1997 via local agent - Specializes in indirect sales through sales agent
Product features	- Development of ERP-based collaboration software with expanded CRM and SCM functions - "Movex" is the only 100% Java application in Japan.	- Provider of a CRM suite with full marketing, sales, and support functions - Web-enabled	- Enterprise CRM products - Easy customizing keeps installation costs down	-Providers of a variety of SCP functions that handle a multitude of commodities with SCM - Reliable solutions implemented quickly. (Six months or less on average)	- Leverages strength and many years' experience in 3PL (logistics), templates for a wide array of industries
Target markets	- Midsize users with annual turnover of ¥5b-¥100b - Specializes in fashion/apparel, steel making, services/rental, food/beverage, distribution and retail service, furnishings, automotive parts and paper industries	- Large enterprises with annual turnover of more than ¥10b - No specific user industry targets	- B2B providers of high-price goods and services that need to share sales and other data across multiple divisions - Does not target an industry or corporation based on size	- Large corporate users, mainly in manufacturing	- All industries with logistics needs including distribution and retail, wholesale, electrical, daily necessities, apparel and food
Sales channel development and sales methods in Japan	- 60:40 direct/ indirect sales ratio (FY2001) - Will increase indirect sales to 60% - Sales mainly through industry-specific private seminars and telemarketing - Brand marketing through PR activities.	- 50:50 direct/ indirect sales ratio (FY2001), but will ramp up indirect sales to increase sales - Mainly seminar sales; announcements at various events and in press releases to increase name recognition	- 100% indirect sales Also conducts own sales (passed on to agents) for market research purposes - Cultivates sales agents and user companies mainly through private seminars	- 60:40 direct/ indirect sales ratio (FY2001) - Mainly indirect sales when company entered the Japanese market due to low name recognition. Direct sales now growing annually - Sales mainly through seminars presenting installation case studies	- 100% indirect sales - Direct sales only at the time Japanese subsidiary was established, but additional sales partners allow company to market solely by indirect sales now - Hosts booths at shows, holds private seminars, and advertises in trade journals to assist sales

Company	Initiative Japan	Onyx Software Co., Ltd.	Pivotal Corporation	Manugistics Japan K.K.	EXE Technologies K.K.
Category	ERP	CRM	CRM	SCM	SCM
Alliances in Japan	- 16 sales partners in Japan, including Japan IBM	- Alliances in sales, consulting, software and platforms - 12 sales partners	- 8 first-tier and about 20 second-tier sales agents - Tie-ups with 2 companies for consulting - Approved as joint sales partner for Oki Electric Industry's CTI system	- Tie-ups with 5 strategic partners and 16 consulting partners - Consulting partners do not conduct sales; agreements are for consulting and systems integration only	- 24 sales partners who must buy licenses; orchestrates local systems integrators with strengths in domestic logistics systems
Unique requirements in Japanese market for product category	- Japan-specific accounting systems including draft settlement system - Long pre-installation sales period (minimum 3 months, typically 1 year)	- Long lead-up to sales completion since Japanese user companies determine product installation on approval from all divisions concerned. -Large SI and hardware maker has many users in Japan.	- Many systems divisions cannot sign off on installation, often must persuade senior management to close a sale - Japanese companies have strong tendency to select products based on installation record and maintenance company reliability	- Japanese companies have strong tendency to select products based on installation record and maintenance company reliability	- Logistics systems vary widely depending on industry and company, so no difference between USA and Japan (considerable customization required in both countries)
Factors of success in Japan	- Business expansion adapted to the Japanese market	- Home office understanding of the Japanese market - Provision of products suited to the Japanese market	- Focus on indirect sales, which relies on sales agent credibility - Up-front investment; building an installation record with major Japanese companies - Use of people familiar with the Japanese market	- Business model focusing on indirect sales via reliable sales partner - Build installation record together with sales partner - Build complementary relationship with sales partner	- Investment in necessary resources when establishing Japanese subsidiary to ensure fast localization and quick product provision - Alliance with influential sales partner - Efforts to raise name recognition

Source: Yano Research Institute findings based on interviews with the companies

A. Market entry and business models in the Japanese market

Foreign software companies that wish to succeed in the Japanese market, need to establish a local corporate entity based on a good understanding of the market. Toward this end, many foreign software companies conduct pre-marketing prior to establishing a local subsidiary. Pre-marketing has included such methods as (1) consigning sales to an influential Japanese systems integrator that knows the market (Pivotal Corporation, EXE Technologies), (2) hiring a Japanese senior executive who knows the Japanese market (Intentia, Onyx Software, Manugistics, EXE Technologies), and (3) commissioning market research on the particular product category (Onyx Software).

As shown below, the sales models used by foreign software companies are quite different from the original model used when initially establishing a subsidiary in Japan. While some Japanese subsidiaries of foreign software companies initially marketed their products directly, as was the norm in North America and Europe at that time, all foreign software companies now market at least in part indirectly, as is the usual practice in Japan. The only foreign company to succeed as a direct sales vendor in the Japanese market is SAP Japan.

Initial sales model	Current sales model
(1) Indirect sales only	Indirect sales only (Pivotal Corporation)
(2) Indirect sales only	Both direct and indirect sales (Manugistics)
(3) Direct sales only	Both direct and indirect sales (Intentia)
(4) Direct sales only	Indirect sales (EXE Technologies)
(5) Direct and indirect sales	Both direct and indirect sales (Onyx Software)

B. Market entry contacts

With their knowledge of the Japanese market, major Japanese systems integrators represent the only partnership option for foreign software companies selling and marketing in Japan. Some major systems integrators, however, are members of Japanese *keiretsu* and may be unable to make sales to non-affiliated user companies. Aside from this, major systems integrators often handle competing products from multiple software companies in order to meet their users' varying needs. It is essential, therefore, that foreign software companies also approach several major systems integrators.

C. Creating an alliance with a Japanese company

With a view toward increasing indirect sales, foreign software companies often enter partnership agreements with local systems integrators. Another approach is a limited tie-up for consulting or systems integration work. Yet another option is to conduct sales and marketing jointly with a Japanese company that has complementary products.

D. Market entry problems and their solutions

Many of the problems foreign software companies face on entering the Japanese market can be traced back to unique requirements of the market, which can be far removed from global standards. Three examples are

- Know-how gained in expanding into other markets, such as a successful direct sales business model that may be standard elsewhere, may not apply in the Japanese market. If management at the home office fails to recognize this, it may have difficulty taking the kind of flexible approach more suited to the Japanese market.
- When contemplating enterprise application software, Japanese user companies give greater credence to brand names and installation record than product functions, and may back away from the products of foreign companies that lack brand power in Japan.
- Japanese companies, concerned about the possible cessation of support due to the vendor's withdrawal from the Japanese market or a merger, can be reluctant to purchase products direct from unknown foreign software companies and instead buy from systems integrators that they already have connections with.

In response to these issues, foreign software companies have taken the following measures:

- Intentia changed to a dual direct/indirect sales model following its initial direct sales channel. Onyx Software included managers from the home office in the executive ranks of the Japanese subsidiary, and these managers conveyed the idiosyncrasies of the market to the home office, enabling them to build a structure that allowed the Japanese subsidiary to expand its business independently.
- Manugistics and EXE Technologies, by specializing in indirect sales through Japanese systems integrators, adopted sales models that took advantage of the systems integrators' brand power and reliability.
- To establish itself in the Japanese market, Onyx Software sought participation from Japanese companies for its Japanese subsidiary, making it a joint venture from the beginning.

E. Factors of success

Business expansion efforts based on global standards will often not succeed in the Japanese market. It is, therefore, essential to expand business in Japan in a manner more suited to Japanese market realities. To do so, foreign software makers need to understand those realities. Since indirect selling through a systems integrator is standard practice in Japan, it is necessary to develop complementary relations with influential local systems integrators that can act as sales partners.

V. Advice for Companies Entering the Japanese Market

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

1. Promising Markets and Market Predictions

Within the Japanese market for enterprise application products, there is a strong trend towards custom software among large user companies. For this reason, installation rates for enterprise application products, such as ERP, CRM and SCM, are lower than in Europe and America. (See Figure 6 for a globally comparison of installations and Ref. Figure 2 for information on the development of software for specific business applications in Japanese companies.) However, in order to survive in the midst of a long-term economic slump, Japanese companies must change the way they do business. Against this backdrop, demand is shifting away from high-cost custom-made software that does not readily allow collaboration with other companies towards low-cost package software that does.

Figure 11. Projected Market Volumes and Installation Percentages for
Enterprise Application Products in Japan
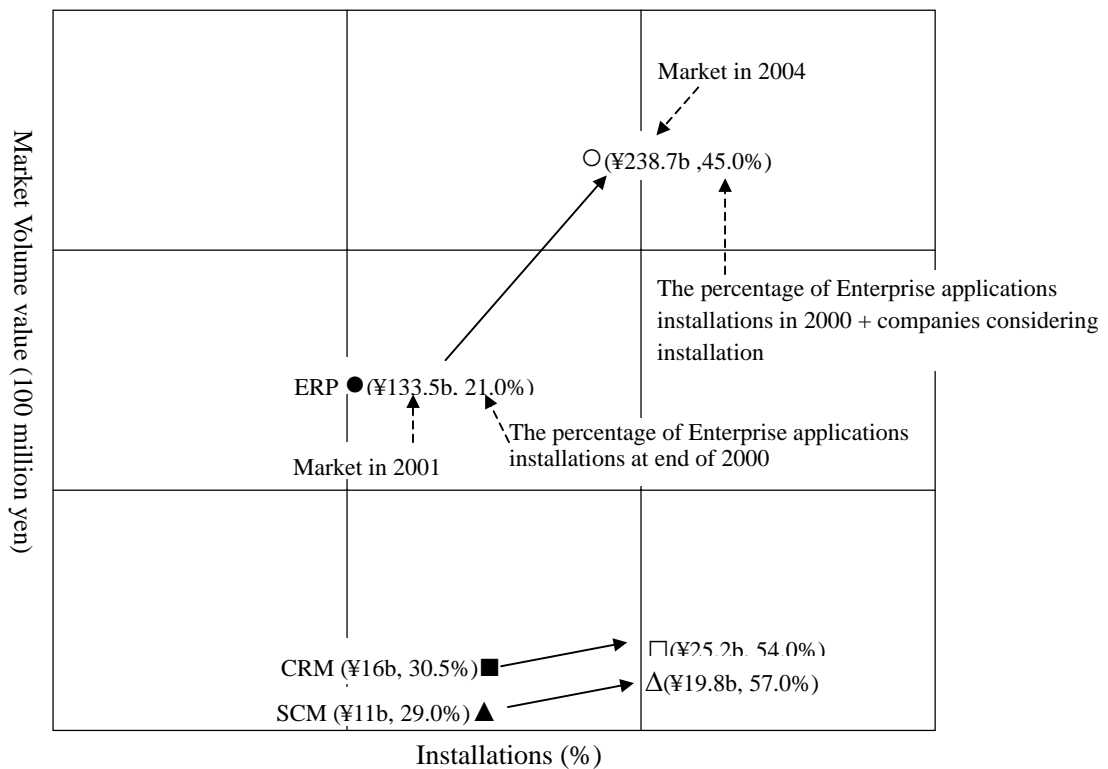
Note 1: Market results for 2001 (ERP is estimated) are compared with 2004 projected market results.
Note 2: In the figure, the installation levels at the end of 2001 are compared to the installation levels at the

As shown in Figure 11, in the overall Japanese enterprise application market, the ERP market (as estimated for 2001) exceeded ¥100 billion, while CRM and SCM markets remained fairly small at ¥16 billion and ¥11 billion respectively. However, the percentage of CRM and SCM installations among large Japanese companies is approximately 30%—higher than 21% for ERP. The reason for this is that, in many cases, CRM and SCM is developed as custom software, whereas package software is used for ERP.

Package software has become indispensable for Japanese companies to reform their business methods and reduce costs. As ERP installations increase, SCM and CRM installations are expected to follow, and custom-built software will be dropped in favour of solutions using package software. Therefore, the ERP, CRM and SCM markets will grow most likely experience considerable growth. Yano Research Institute predicts that by 2004 the ERP, CRM and SCM markets will have grown from their 2001 levels by 78.8%, 57.5%, and 80.0% respectively.

As ERP installations rise, installations of CRM and SCM also look set to increase in their own right, not simply as functional extensions to ERP.

2. Technologies Sought by Foreign Software Companies

Since package software made in Japan is not suited to global markets, it is difficult in many cases for companies to recoup their development costs. The problem is that many of these software products are aimed at Japanese companies and are specially developed for a particular organizational structure, internal company decision-making process, or similar system. The products are also in Japanese. In addition, Japanese software companies are not as adept as foreign companies at devising original concepts, including business models. Thus, foreign software companies from the U.S. and elsewhere maintain an effective monopoly on innovation in the field of enterprise application products. New innovative solutions that can revitalize businesses are hoped for to restore vitality to sluggish Japanese companies.

3. Promising Fields for Small- and Mid-size Foreign Software Companies

Since many companies have entered the core enterprise application markets of ERP, CRM and SCM, companies considering entering the market must devise a way to distinguish themselves from the competition. For example, in the field of SCM it would be more promising to enter the supply chain execution (SCE) market, in which there are few established vendors, than the supply chain planning (SCP) market, in which there are many. In fact, the number of

companies entering the SCE market is now on the increase.

There is a demand in the Japanese market for innovative core products that can bring innovation to Japanese firms and for niche products that can enhance the core products in the increasingly popular ERP, CRM and SCM application categories. For foreign software companies that can offer products in these new fields, the possibility of success in the Japanese market is high.

B. Issues Surrounding Entry into the Japanese Market

1. Business Practices Unique to the Japanese Market

When deciding which enterprise application products to purchase, the main criteria Japanese user companies apply are the strength of the brand, the degree of confidence they have in the vendor who will install the product, and whether or not the vendor has a proven record of installing the product in Japan. Thus, foreign-capitalized software companies that make an appeal only their product's design and functionality have a high risk of failure in the Japanese market. In addition, Japanese user companies have strong ties to domestic systems integrators and tend to let these systems integrators install the products of foreign-capitalized software companies.

2. Development of Sales Channels and Sales Operations

In Japan vendors often organize private seminars as a means of conducting sales of enterprise application products. However, seminars held in Japan by foreign-capitalized software companies whose brands do not have high name recognition do not attract many customers. For this reason, it is more effective for foreign-capitalized software companies to hold seminars jointly with domestic systems integrators or platform vendors who have many user companies as clients. The material presented at these seminars is designed to make it easy for companies to make comparative judgements. For example, companies who have already installed the product may be presented as case studies.

Before a foreign software company entering the Japanese market starts to sell its products to user companies, it should, as a matter of priority, negotiate a contract with a domestic systems integrator that has many user companies as clients, to act as its sales agent.

C. Recommended Methods of Entry

1. Forms of Entry

From a global perspective, the Japanese market is unique. Hence, it is vital that foreign software companies seeking to enter the market take the time to understand the market. It is very

useful for a foreign software company to be able to collaborate with another company that is well-acquainted with the Japanese market. In addition, a suitably flexible attitude is required regarding business models, product functionality, and product specifications.

To minimize the risk of failure, foreign software companies would be well-advised to engage in joint ventures with leading domestic companies. These domestic companies should have a thorough knowledge of the Japanese market, experience with joint ventures involving other foreign software products, a good sales record, and a proven record of localization for the Japanese market.

2. Business Models

Many foreign software companies enter the Japanese market without strong brand recognition in Japan. These companies should resort to indirect sales through agents who have credibility with Japanese companies. In addition, foreign software companies should, if possible, localize their products, not just by translating them into Japanese but also by adding functionality especially suited to the Japanese business practices.

In order to properly expand into the Japanese market, a foreign software company must provide good support to the Japanese sales agent to secure its sales channel and develop products suitable for the Japanese market. Establishing a Japanese subsidiary as a support and development base is a good way to do this.

In addition, sales agents play a significant role in the Japanese market. Hence, even a company carrying out direct sales must maintain a good relationship with a sales agent.

3. Targets

Foreign software companies considering entry into the Japanese market should approach a leading domestic systems integrator with in-depth knowledge of the Japanese market and a large client base. Examples of leading domestic systems integrators with a wealth of experience in handling the products of foreign software companies are large hardware manufacturers such as NEC, trading house systems integrators such as Itochu Techno-Science, and companies in the NTT Group. (See Figure 8.)

VI. Reference Data and Materials

A. Market Data

Ref. Figure 1. Annual Sales by Business Category in Japan's Information Services Industry

(Units: 100 million yen, %)

	1996	1997		1998		1999		2000		
	Sales	Sales	Compared to Previous Year	Sales	Compared to Previous Year	Sales	Compared to Previous Year	Sales	Compared to Previous Year	Percentage of Total
Total annual sales	71,435	75,880	106.2	98,006	129.2	101,519	103.6	107,228	105.6	100.0
Information-processing services	10,520	10,418	99.0	11,837	113.6	11,949	100.9	16,110	134.8	15.0
Out-sourced software development	35,949	39,861	110.9	51,470	129.1	54,969	106.8	57,070	103.8	53.2
Software products	6,642	6,824	102.7	8,783	128.7	8,909	101.4	9,882	110.9	9.2
Business packages software	—	—		—		—		6,814	—	6.4
Game software	—	—		—		—		1,944	—	1.8
Basic software for computers etc	—	—		—		—		1,124	—	1.0
Outsourced systems administration, etc.	3,960	4,267	107.8	6,885	161.4	7,302	106.1	7,958	109.0	7.4
Database services	2,354	2,578	109.5	2,910	112.9	2,683	92.2	2,916	108.7	2.7
Research of various kinds	2,490	2,666	107.1	3,458	129.7	3,469	100.3	2,921	84.2	2.7
Others	9,520	9,266	97.3	12,663	136.7	12,238	96.6	10,372	84.8	9.7

Note 1: Annual sales are the total sales (including consumption tax), with no deduction for expenditure, measured from 1 November to 31 October of the specified year, or a Date: of exactly one year ending on the accounts settlement day closest to 31 October of the specified year.

Note 2: "Outsourced software development" refers to the development and production of new software ordered by a particular user and includes systems integration services and maintenance. It also includes software development and production done in the course of providing data processing services at the client's premises.

Note 3: Software products are easy-order or ready-made software applications, developed and produced for a large number of users.
- Business packages are software products which are used in companies, government offices and the like.
- Although "game software" refers to the development and production of software for TV games for the home, PC games, and games for mobile telephones (excluding those started from a chip), it also includes the rebranding and selling of games developed by other companies.
- Basic computer software is software which performs computer system management and provides the basic operating environment for the user.

Note 4: The dash (—) denotes either that no corresponding figure exists or that the figure was not researched.

Source: *Research Report on Specialized Services Industries - Information Services Industry* for the years 1996–2000, published in December of each year from 1997 to 2000 and in January of 2002 by the Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry.

Ref. Figure 2. Change in Information Services Industry Annual Sales in Japan by Target Industry

(Units: 100 million yen, %)

	1996	1997		1998		1999		2000		
	Sales	Sales	Compared to Previous Year	Sales	Compared to Previous Year	Sales	Compared to Previous Year	Sales	Compared to Previous Year	Percentage of Total
Total annual sales	71,435	75,880	106.2	98,006	129.2	101,519	103.6	107,228	105.6	100.0
Manufacturing	16,799 *	17,593 *	104.7	22,226	126.3	23,307	104.9	24,213	103.9	22.6
Wholesale, retail, food services	5,911	6,462	109.3	8,351	129.2	8,461	101.3	10,272	121.4	9.6
Construction and real estate	1,421	1,475	103.8	1,830	124.1	1,918	104.8	2,014	105.0	1.9
Financial services and insurance	19,670	21,661	110.1	18,388	—	18,222	99.1	18,731	102.8	17.5
Transportation and telecommunications				5,681	—	6,232	109.7	6,929	111.2	6.5
Electrical, gas, heating, and water utilities				3,034	—	3,161	104.2	3,332	105.4	3.1
Services other than information services	4,296	4,733	110.2	5,676	119.9	5,952	104.9	7,045	118.4	6.6
Civil Services	7,939	7,882	99.3	10,790	136.9	12,299	114.0	13,232	107.6	12.3
Other information services companies	10,334	11,805	114.2	15,556	131.8	15,599	100.3	15,055	96.5	14.0
Others	5,065	4,269	84.3	6,474	151.7	6,369	98.4	6,405	100.6	6.0

Note 1: Annual sales are the total sales (including consumption tax), with no deduction for expenditure, measured from 1 November to 31 October of the specified year, or a Date: of exactly one year ending on the accounts settlement day closest to 31 October of the specified year.

Note 2: When the 1998 survey was compiled, the results of the 1996 *Statistical Survey of Companies and Establishments* (by the General Affairs Agency) were used. A review of the list of offices investigated in that survey enabled the number of offices surveyed to be increased to 8248—up from the 6092 surveyed the previous year. For this reason, it is not easy to meaningfully compare the results for 1997 with results for 1998.

Note 3: The dash (—) indicates that no corresponding figure exists.

Note 4: The asterisk (*) indicates that the figure quoted includes sales to the mining industry as well as to the manufacturing industry.

Source: *Research Report on Specialized Services Industries - Information Services Industry* for the years 1996–2000, published in December of each year from 1997 to 2000 and in January of 2002 by the Research and Statistics Department, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry.

Ref. Figure 3. Types of Application Software Development in Japanese Companies by Industry

(Unit: company)

Software Category Industry	Companies	Manufacturing and Inventory (Raw materials and parts)				Sales and Storage (Products and Manufactured Goods)				Physical Distribution Management			
		ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development
Total	4,507	27	435	947	1,252	59	633	1,417	1,676	27	319	870	1,076
Production of food, beverages, tobacco, and animal feed	228	–	31	77	108	3	33	92	112	–	18	63	88
Textile manufacturing	78	–	7	32	42	–	6	31	39	–	6	24	32
Manufacture of pulp, paper, and paper products	40	2	5	16	22	4	7	17	23	–	3	9	18
Chemical industry	177	1	43	79	86	2	36	75	91	1	29	57	82
Oil, coal, and manufacture of plastic products	65	–	7	34	27	–	6	37	24	–	4	22	18
Manufacture of ceramic and earthenware products	60	1	3	22	24	1	3	31	23	–	3	11	17
Iron and steel	56	1	6	20	28	–	7	23	28	–	3	12	18
Manufacture of non-ferrous metal products and metal products	142	–	21	53	73	–	15	48	73	–	7	22	44
Manufacture of general devices and instruments	163	1	28	56	88	1	24	50	79	1	9	29	54
Manufacture of electrical devices and instruments	126	2	30	44	71	3	26	34	71	1	9	27	49
Manufacture of information telecommunications devices and instruments	185	3	42	58	130	3	37	47	113	2	24	34	83
Manufacture of devices and instruments for transportation	182	3	29	67	114	3	20	55	105	2	18	36	74
Manufacture of precision devices and instruments	51	–	12	18	35	–	11	20	37	–	5	10	27
Other manufacturing	158	1	24	51	71	1	20	58	74	1	17	34	47
Agriculture, forestry, and fisheries industry and co-operatives, and mining	97	–	9	16	15	–	17	41	34	–	9	18	11
Construction	130	–	6	26	35	1	6	21	41	–	2	3	6
Newspapers and publishing	44	–	3	14	11	1	7	17	17	–	1	8	7
Electrical, gas, heating supply, and water utilities	38	–	2	17	3	–	6	17	11	–	2	11	3
Transportation	135	1	3	8	12	1	10	19	41	3	13	41	45
Audio and video production, broadcasting, and communication	40	–	2	4	5	3	9	17	8	–	1	2	1
Wholesalers	653	4	40	96	107	12	109	311	282	8	61	187	177
Retailer and food services	543	6	31	90	47	15	118	237	160	7	43	162	103
Financial services and insurance	317	–	10	9	15	–	18	29	39	–	5	10	8
Information services	286	1	18	13	54	4	40	20	98	1	12	14	41
Health care (excluding national and local facilities)	58	–	8	3	1	–	10	5	3	–	5	8	4
Educational and scientific research facilities (excluding national and public institutions)	177	–	3	–	–	–	2	3	2	–	1	2	3
Other non-manufacturing industries	278	–	12	24	28	1	30	62	48	–	9	14	16

Source: *2001 Survey on Information Processing*, Ministry of Economy, Trade and Industry, January 2002. Prepared by Yano Research Institute, Ltd.

Software Category Industry	Companies	Corporate and Financial Management				Payroll and Personnel Management				Technology and Information Management			
		ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development
Total	4,507	39	2,042	1,143	1,404	43	2,030	986	1,400	30	451	373	644
Production of food, beverages, tobacco, and animal feed	228	2	120	58	71	3	120	51	68	1	15	13	18
Textile manufacturing	78	–	33	23	27	–	31	17	32	–	6	9	13
Manufacture of pulp, paper, and paper products	40	1	20	11	18	1	18	10	17	2	4	2	5
Chemical industry	177	2	90	47	71	2	89	44	65	1	42	30	40
Oil, coal, and manufacture of plastic products	65	–	37	24	12	1	37	16	16	1	10	8	14
Manufacture of ceramic and earthenware products	60	1	27	16	18	1	20	17	16	–	5	5	11
Iron and steel	56	1	26	12	21	1	26	11	18	–	7	8	11
Manufacture of non-ferrous metal products and metal products	142	1	81	25	47	–	73	22	45	1	21	13	25
Manufacture of general devices and instruments	163	2	81	39	69	2	74	32	65	–	39	25	54
Manufacture of electrical devices and instruments	126	5	61	30	51	1	49	37	53	2	22	19	40
Manufacture of information telecommunications devices and instruments	185	2	102	37	86	4	80	34	94	1	32	26	74
Manufacture of devices and instruments for transportation	182	–	84	39	80	1	71	47	93	3	39	30	64
Manufacture of precision devices and instruments	51	–	24	14	30	–	23	10	29	–	12	8	21
Other manufacturing	158	–	91	44	47	–	79	34	50	2	17	18	30
Agriculture, forestry, and fisheries industry and co-operatives, and mining	97	2	22	26	36	3	30	24	34	1	7	9	3
Construction	130	–	35	39	61	1	53	27	64	1	19	15	39
Newspapers and publishing	44	–	20	12	13	2	18	11	17	–	4	4	2
Electrical, gas, heating supply, and water utilities	38	1	11	22	9	–	12	22	10	–	5	13	5
Transportation	135	1	49	42	55	1	44	30	64	–	3	3	7
Audio and video production, broadcasting, and communication	40	–	15	16	9	–	13	11	8	–	–	5	1
Wholesalers	653	5	298	180	180	7	323	125	136	2	36	31	41
Retailer and food services	543	7	281	159	111	5	270	150	117	6	33	42	15
Financial services and insurance	317	1	78	56	98	–	153	55	100	–	10	7	12
Information services	286	3	142	27	107	4	121	27	124	3	36	14	73
Health care (excluding national and local facilities)	58	–	28	16	4	–	23	15	3	–	2	2	–
Educational and scientific research facilities (excluding national and public institutions)	177	1	63	57	27	1	57	52	24	1	9	1	7
Other non-manufacturing industries	278	1	123	72	46	2	123	55	38	2	16	13	19

Source: *2001 Survey on Information Processing*, Ministry of Economy, Trade and Industry, January 2002. Prepared by Yano Research Institute, Ltd.

(Unit: company)

Software Category Industry	Companies	Customer Relations Management, Sales Support				Decision Making Support				Order Processing, Inventory Management			
		ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development
Total	4,507	54	669	1,022	1,344	11	226	254	410	66	489	1,135	1,456
Production of food, beverages, tobacco, and animal feed	228	1	27	46	72	–	13	19	20	3	23	69	99
Textile manufacturing	78	2	7	24	27	–	1	4	5	–	7	24	33
Manufacture of pulp, paper, and paper products	40	–	5	5	10	–	1	–	3	2	3	13	18
Chemical industry	177	4	37	55	62	–	14	18	31	2	27	55	90
Oil, coal, and manufacture of plastic products	65	–	8	12	15	–	3	3	3	1	5	29	23
Manufacture of ceramic and earthenware products	60	–	8	9	18	–	2	2	7	–	7	20	18
Iron and steel	56	–	8	12	9	–	4	5	6	1	7	16	20
Manufacture of non-ferrous metal products and metal products	142	–	5	12	40	–	4	6	13	2	13	37	67
Manufacture of general devices and instruments	163	–	20	32	64	–	7	6	17	2	22	45	76
Manufacture of electrical devices and instruments	126	1	17	23	44	1	11	11	26	4	15	30	63
Manufacture of information telecommunications devices and instruments	185	2	20	27	74	1	16	14	40	2	34	40	110
Manufacture of devices and instruments for transportation	182	4	13	21	63	–	6	9	33	6	22	54	96
Manufacture of precision devices and instruments	51	1	10	10	23	–	1	3	9	1	8	12	28
Other manufacturing	158	–	19	33	39	–	10	10	15	1	23	50	65
Agriculture, forestry, and fisheries industry and co-operatives, and mining	97	2	13	23	28	–	4	6	4	–	12	18	18
Construction	130	–	17	32	52	1	3	9	20	2	9	38	54
Newspapers and publishing	44	–	4	13	14	–	1	2	4	–	2	16	13
Electrical, gas, heating supply, and water utilities	38	–	8	20	8	1	3	9	1	1	2	18	10
Transportation	135	–	13	28	38	–	4	1	4	2	8	14	27
Audio and video production, broadcasting, and communication	40	–	6	13	10	–	–	2	1	3	4	12	6
Wholesalers	653	16	101	177	193	2	38	35	48	13	86	229	220
Retailer and food services	543	11	100	175	121	3	26	43	30	13	71	199	130
Financial services and insurance	317	4	110	100	148	–	34	20	27	–	18	22	32
Information services	286	3	39	26	108	–	14	5	31	3	30	23	98
Health care (excluding national and local facilities)	58	–	6	7	3	–	–	2	1	–	7	3	2
Educational and scientific research facilities (excluding national and public institutions)	177	–	12	12	11	–	1	–	1	–	4	4	6
Other non-manufacturing industries	278	3	36	75	50	2	5	10	10	2	20	45	34

Source: *2001 Survey on Information Processing*, Ministry of Economy, Trade and Industry, January 2002. Prepared by Yano Research Institute, Ltd.

Software Category Industry	Companies	Transactions and Settlements				After Sales Support				Other			
		ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development	ASP Services	Package Software	Out-Sourced Development	In-House Development
Total	4,507	56	422	481	683	16	113	197	271	41	268	264	274
Production of food, beverages, tobacco, and animal feed	228	3	17	26	39	–	2	5	7	1	5	4	7
Textile manufacturing	78	–	5	7	14	–	–	–	4	–	1	–	3
Manufacture of pulp, paper, and paper products	40	–	4	3	6	–	2	–	1	–	1	1	–
Chemical industry	177	–	22	22	44	2	7	10	11	3	6	5	2
Oil, coal, and manufacture of plastic products	65	–	6	9	8	–	1	2	1	1	4	3	2
Manufacture of ceramic and earthenware products	60	–	10	7	7	–	1	2	2	–	1	2	4
Iron and steel	56	–	3	5	6	–	1	5	2	–	2	1	2
Manufacture of non-ferrous metal products and metal products	142	2	17	13	22	–	1	4	8	–	4	1	4
Manufacture of general devices and instruments	163	4	17	12	28	–	5	15	30	–	2	2	6
Manufacture of electrical devices and instruments	126	3	17	18	41	–	3	8	22	–	3	4	10
Manufacture of information telecommunications devices and instruments	185	2	27	19	54	–	7	12	33	2	5	4	18
Manufacture of devices and instruments for transportation	182	1	19	17	45	1	5	12	23	1	8	5	13
Manufacture of precision devices and instruments	51	1	8	4	15	1	–	5	11	–	2	4	7
Other manufacturing	158	–	18	20	25	–	7	6	10	3	8	6	8
Agriculture, forestry, and fisheries industry and co-operatives, and mining	97	2	9	15	17	–	–	1	1	–	7	9	12
Construction	130	1	8	9	21	–	3	6	9	–	5	7	9
Newspapers and publishing	44	1	–	4	7	–	–	1	2	1	1	5	4
Electrical, gas, heating supply, and water utilities	38	1	4	10	4	–	–	7	2	3	5	8	2
Transportation	135	1	3	8	7	–	–	1	4	–	4	11	13
Audio and video production, broadcasting, and communication	40	1	3	8	3	2	1	4	1	1	7	3	4
Wholesalers	653	12	53	76	92	4	18	20	21	5	19	15	16
Retailer and food services	543	8	61	77	60	3	29	35	25	4	15	27	10
Financial services and insurance	317	5	44	58	63	–	3	11	8	3	37	28	38
Information services	286	3	25	12	40	3	12	9	22	4	18	15	26
Health care (excluding national and local facilities)	58	1	2	1	–	–	–	1	–	1	18	12	4
Educational and scientific research facilities (excluding national and public institutions)	177	–	1	1	1	–	–	1	1	7	59	54	37
Other non-manufacturing industries	278	4	19	20	14	–	5	14	10	1	21	28	13

Source: *2001 Survey on Information Processing*, Ministry of Economy, Trade and Industry, January 2002. Prepared by Yano Research Institute, Ltd.

B. Trade Fairs and Exhibitions (regular events)

The ERP Vendors' Exposition "Latest Trends in ERP" (held annually)

Organizer : ERP Forum Japan

Date   : Wednesday 17 July – Friday 19 July 2002

Location : Tokyo Big Sight (Tokyo International Exhibition Center - Koto-ku, Tokyo)

Contact   : ERP Forum Japan
          17th Fl. Time 24 Bldg., 2-45 Aomi, Koto-ku, Tokyo 135-8073
          Tel: 03-5531-0152,   Fax: 03-5531-0153
          E-mail: erp-semi@erp.tokyoinfo.or.jp,   http://www.erp.gr.jp/ (Japanese only)

7th Data Warehouse and CRM Expo and Conference (held annually)

Organizer : Reed Exhibitions Japan Ltd.

Date   : Wednesday 26 June – Friday 28 June 2002

Location : Tokyo Big Sight (Tokyo International Exhibition Center - Koto-ku, Tokyo)

Contact   : Reed Exhibitions Japan Ltd. Data Warehouse and CRM Expo Office
          18th Fl. Shinjuku Nomura Bldg., 1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0570
          Tel: 03-3349-8504,   Fax: 03-3349-8500
          E-mail: dwh-crmexpo@reedexpo.co.jp   http://web.reedexpo.co.jp/reed_hp/ec_index.html

eCRM Solution 2002 Conference and Expo (held annually)

Organizer : IDG Japan, Inc.

Date   : Wednesday 24 April – Friday 26 April 2002

Location : Tokyo Big Sight (Tokyo International Exhibition Center - Koto-ku, Tokyo)

Contact   : IDG Japan, Inc. CTW/eCRM Joint Office
          3-4-5 Hongo, Bunkyo-ku, Tokyo 113-0033
          Tel: 03-5800-4831,   Fax: 03-5800-3973
          E-mail: ctw@idg.co.jp,   http://www.idg.co.jp/ (Japanese only)

The International Material Handling, Storage and Distribution Exhibition (Logis-Tech Tokyo 2002) (held annually)

Organizers: the Japan Society of Industrial Machinery Manufacturers, the Japan Industrial Vehicles Association, the Japan Pallet Association, the Japan Material Handling Association, the Japan Institute of Logistics Systems, and the Japan Management Association

Date   : Tuesday 15 October – Saturday 19h October 2002

Location : Makuhari Messe (Nippon Convention Center – Mihama-ku, Chiba)

Contact   : Japan Institute of Logistics Systems, Promotions Department
          Bldg 3, Sumitomo Higashi-Shimbashi Bldgs., 1-10-14 Hamamatsu-cho, Minato-ku, Tokyo 105-0013
          Tel: 03-3432-3291 (dedicated line)
          E-mail: suyama@logistics.or.jp,   http://www.logis-tech-tokyo.gr.jp/

C. Related Institutions

1. Government Ministries and Offices

Organization	Address/Tel/Fax/URL	Activity
Ministry of Economy, Trade and Industry (Commerce and Information Policy Bureau, Information Services Industry Division)	1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8901 Tel: 03-3501-2646 http://www.meti.go.jp/english	Responsible for the development and popularization of data processing systems, and for promoting data processing
Japan Patent Office	3-4-3 Kasumigaseki, Chiyoda-ku, Tokyo 100-8915 Tel: 03-3581-1101 http://www.jpo.go.jp	Responsible for protection and use of patents for business methods and software

2. Industry Groups

Organization	Address/Tel/Fax/URL	Activity
Information Technology Promotion Agency (IPA)	16th Fl. Bunkyo Green Court Center Office, 2-28-8 Honkomagome, Bunkyo-ku, Tokyo 113-6591 Tel: 03-5978-7501, Fax: 03-5978-7510 http://www.ipa.go.jp/ipa-e/index-e.html	Under the auspices of the Ministry of Economy, Trade and Industry, the IPA pursues a variety of activities designed to promote the use of data processing, such as encouraging the development and use of software programs, assisting the data processing service business, developing information security countermeasures, and training personnel.
Japan Information Technology Services Industry Association (JISA)	17th Fl. Time 24 Bldg., 2-45 Aomi, Koto-ku, Tokyo 135-8073 Tel: 03-5500-2610, Fax: 03-5500-2630 http://www.jisa.or.jp/en	Approved by the Ministry of Economy, Trade and Industry, the association promotes development of the information services industry and upholds the interests of companies within it. Member organizations include leading domestic systems integrators, software developers and think-tanks.
Electronic Commerce Promotion Council of Japan (ECOM)	3rd Fl. Kikaishinko Kaikan Bldg., 3-5-8 Shiba-koen, Minato-ku, Tokyo 105-0011 Tel: 03-3436-7500, Fax: 03-3436-7570 http://www.ecom.or.jp/ecom_e	Promotes B-to-B and B-to-C electronic commerce.
ERP Forum Japan	8th Fl. Shiba-koen Ridge Bldg., 1-8-21 Shiba-koen, Minato-ku, Tokyo 105-0011 Tel: 03-5405-1301, Fax: 03-5405-1302 http://www.erp.gr.jp (Japanese only)	Conducts practical research on ERP-related subjects and assists in problem-solving.
CRM Association of Japan	c/o Sorekia Limited 8-3-3 Nishikamata Ota-ku, Tokyo 144-8678 Tel: 03-3732-1133 http://www.crma-j.org (Japanese only)	Promotes installation of CRM.
Supply Chain Council (SCC) – Japan Branch	c/o K.K. Japan Business Create, 5th Fl. Tamachi ANA Bldg., 5-31-19 Shiba, Minato-ku, Tokyo 108-0014 Tel: 03-5419-5588, Fax: 03-5765-6377 http://www.supply-chain.gr.jp (Japanese only)	Branch of the American SCC, which has taken a leading role in promoting, popularising and raising awareness of supply chain management (SCM).
Foreign Information Industry Forum (FIIF)	4th Fl. Iidabashi KS Bldg., 2-14 Shimomiyabi-cho, Shinjuku-ku, Tokyo 162-0822 Tel: 03-5228-3380, Fax: 03-3513-5813 http://www.fiif.net/first/e_about.html	Provides support and information to foreign companies entering the Japanese market.

D. Lists of Principal Companies in Japanese ERP, CRM, and SCM Markets

1. Japanese Companies

Companies	Address/Tel/Fax/URL
a. ERP	
Creo Co., LTD.,	3-19-22 Takanawa, Minato-ku, Tokyo 108-0074 Tel: 03-3445-3500, Fax: 03-3445-3505 http://www.creo.co.jp (Japanese only)
Fujitsu Limited	Marunouchi Center Bldg., 1-6-1 Marunouchi, Chiyoda-ku, Tokyo 100-8211 Tel: 03-3216-3211 http://www.fujitsu.com/worldwide/japan
MIROKU JYOHO SERVICE CO.,LTD	4-29-1 Yotsuya, Shinjuku-ku, Tokyo 160-0004 Tel: 03-5361-6369, Fax: 03-5360-3400 http://www.mjs.co.jp (Japanese only)
NEC Corporation	5-7-1 Shiba, Minato-ku, Tokyo 108-8001 Tel: 03-3454-1111 http://www.nec.co.jp
NTT Data Corporation	Toyosu Center Bldg., 3-3-3 Toyosu, Koto-ku, Tokyo 135-6033 Tel: 03-5546-8202 http://www.nttdata.co.jp/en
OBIC Co., Ltd.	4-8-14 Nihonbashi-honcho, Chuo-ku, Tokyo 103-0023 Tel: 03-3245-6500 http://www.obic.co.jp/e
SSJ K.K.	7th Fl. Togoshi NI Bldg., 7-1 Togoshi 1-chome, Shinagawa-ku, Tokyo 142-0041 Tel: 03-5702-9100, Fax: 03-5702-9111 http://www.ssjkk.co.jp (Japanese only)
Sumisho Computer Systems Corporation	Office Tower Z, Triton Square, Harumi Island, 1-8-12 Harumi, Chuo-ku, Tokyo 104-6241 Tel: 03-5166-2500, Fax: 03-5166-1009 http://www.scs.co.jp/scscom
b. CRM	
NEC CORPORATION	5-7-1 Shiba, Minato-ku, Tokyo 108-8001 Tel: 03-3454-1111 http://www.nec.co.jp
SoftBrain Co., Ltd.	9th Fl. Nichibei Bldg., 2-24-2 Hatchobori, Chuo-ku, Tokyo 104-0032 Tel: 03-5566-7007, Fax: 03-5566-7008 http://www.softbrain.co.jp (Japanese only)
c. SCM	
Frameworx, Inc.	6th Fl. Shizugin-Chukyogin Shizuokaeki minami Bldg., 11-1 Minami-cho, Shizuoka, Shizuoka-ken 422-8067 Tel: 054-286-5411, Fax: 054-286-5540 http://www.frame-wx.com (Japanese only)
Fujitsu Limited	Marunouchi Center Bldg., 1-6-1 Marunouchi, Chiyoda-ku, Tokyo 100-8211 Tel: 03-3216-3211 http://www.fujitsu.com/worldwide/japan
Hitachi, Ltd.	4-6 Kandasurugadai, Chiyoda-ku, Tokyo 101-8010 Tel: 03-3258-1111 http://global.hitachi.com

2. Foreign-Capitalized Companies in Japan

Companies	Address/Tel/Fax/URL
a. ERP	
Baan Japan Co., Ltd.	35th Fl. Shinjuku Park Tower, 3-7-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0035 Tel: 03-5339-4711, Fax: 03-5339-4700 http://www.baan.co.jp (Japanese only)
IFS Japan, Inc.	9th Fl. Sumitomo Shiba Daimon Bldg., 2-5-5 Shiba Daimon, Minato-ku, Tokyo 105-0012 Tel: 03-5776-4780, Fax: 03-5776-4789 http://www.ifsworld.com/japan (Japanese only)
Intentia Japan	3rd Fl. East Roppongi Bldg., 3-16-35 Roppongi, Minato-ku, Tokyo 106-0032 Tel: 03-5575-2424, Fax: 03-5575-2430 http://www.intentia.com/Japan (Japanese only)
J.D. Edwards Japan K.K.	Japan Seimei Sanban-cho Bldg., 6-14 Sanban-cho, Chiyoda-ku, Tokyo 102-0075 Tel: 03-3265-7141 http://www.jdedwards.co.jp (Japanese only)
Oracle Corporation Japan	New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo 102-0094 Tel: 03-5213-6666 http://www.oracle.co.jp (Japanese only)
PeopleSoft Japan, K.K.	12th Fl. Carrot Tower, 4-1-1 Taishido, Setagaya-ku, Tokyo 154-0004 Tel: 03-5432-7800, Fax: 03-5432-7855 http://www.peoplesoft.co.jp (Japanese only)
SAP Japan Co., Ltd.	Tokyo Sankei Bldg., 1-7-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-3273-3333, Fax: 03-3273-3339 http://www.sap.co.jp (Japanese only)
b. CRM	
BroadVision Japan KK	3rd Fl. Aoyama Tokyu Bldg., 2-1-1 Shibuya, Shibuya-ku, Tokyo 150-0002 Tel: 03-5774-0888, Fax: 03-5774-0819 http://www.broadvision.co.jp (Japanese only)
E.piphany Japan Ltd.	13th Fl. Ebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo 150-6013 Tel: 03-5739-3111, Fax: 03-5739-3115 http://www.epiphany.co.jp (Japanese only)
Intentia Japan	3rd Fl. East Roppongi Bldg., 3-16-35 Roppongi, Minato-ku, Tokyo 106-0032 Tel: 03-5575-2424, Fax: 03-5575-2430 http://www.intentia.com/Japan (Japanese only)
Onyx Software Co., Ltd.	Toranomon 37 Mori Bldg., 3-5-1 Toranomon, Minato-ku, Tokyo 105-0001 Tel: 03-5777-0294, Fax: 03-5777-0298 http://www.onyx.co.jp (Japanese only)
Oracle Corporation Japan	New Otani Garden Court, 4-1 Kioi-cho, Chiyoda-ku, Tokyo 102-0094 Tel: 03-5213-6666 http://www.oracle.co.jp (Japanese only)
Peoplesoft Japan, K.K.	12th Fl. Carrot Tower, 4-1-1 Taishido, Setagaya-ku, Tokyo 154-0004 Tel: 03-5432-7800, Fax: 03-5432-7855 http://www.peoplesoft.co.jp (Japanese only)
Pivotal Corporation	10th Fl. EBS Bldg., 1-7-7 Ebisu Nishi, Shibuya-ku, Tokyo 150-0021 Tel: 03-5428-8394 http://www.pivotal.co.jp (Japanese only)
SAP Japan Co., Ltd.	Tokyo Sankei Bldg., 1-7-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-3273-3333, Fax: 03-3273-3339 http://www.sap.co.jp (Japanese only)

Siebel Systems, Japan K.K.	Ebisu Prime Square Tower, 1-1-39 Hiroo, Shibuya-ku, Tokyo 150-0012 Tel: 03-5464-7700, Fax: 03-5464-7702 http://www.siebel.com/jp (Japanese only)
c. SCM	
Adexa, Inc.	3-6 Hayabusa-cho, Chiyoda-ku, Tokyo 102-0092 Tel: 03-5215-1640, Fax: 03-5215-1642 http://www.adexa.co.jp (Japanese only)
EXE Technologies K.K.	7th Fl. Meiji Seimei Shin-Urayasu Bldg., 1-5-2 Irifune, Urayasu, Chiba-ken 279-0012 Tel: 047-382-8001, Fax: 047-382-3202 http://www.exe.co.jp (Japanese only)
i2 Technologies Japan, Inc.	22nd Fl. Shinagawa Intercity A, 2-15-1 Konan, Minato-ku, Tokyo 108-6022 Tel: 03-5783-1212, Fax: 03-5783-1212 http://www.i2j.co.jp (Japanese only)
Intentia Japan	3rd Fl. East Roppongi Bldg., 3-16-35 Roppongi, Minato-ku, Tokyo 106-0032 Tel: 03-5575-2424, Fax: 03-5575-2430 http://www.intentia.com/Japan (Japanese only)
Manhattan Associates K.K.	15th Fl. Imperial Tower, 1-1-1 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-0011 Tel: 03-3507-5645, Fax: 03-3507-5601 http://www.manh.com/jp (Japanese only)
Manugistics Japan K.K.	9th Fl., Tokyo Tatemono Hiroo Bldg. 5-8-14 Hiroo, Shibuya-ku, Tokyo 150-0012 Tel: 03-5421-5900 http://www.manugistics.com/japan (Japanese only)
SAP Japan Co., Ltd.	Tokyo Sankei Bldg., 1-7-2 Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-3273-3333, Fax: 03-3273-3339 http://www.sap.co.jp (Japanese only)
Viewlocity Japan Co., Ltd.	4th Fl. Sumisei Shin-Yokohama No. 2 Bldg., 3-18-14 Shin-Yokohama, Kohoku-ku, Yokohama 222-0033 Tel: 045-472-9114, Fax: 045-472-9134 http://www.viewlocity.co.jp (Japanese only)

E. Leading Japanese Systems Integrators

Companies	Address/Tel/Fax/URL
a. Hardware Manufacturers	
Fujitsu Limited	Marunouchi Center Bldg., 1-6-1 Marunouchi, Chiyoda-ku, Tokyo 100-8211 Tel: 03-3216-3211 http://www.fujitsu.com/worldwide/japan
Hewlett-Packard Japan, Ltd.	3-9-21 Takaido Higashi, Suginami-ku, Tokyo 168-8585 Tel: 03-3331-6111 http://www.hp.com/jp (Japanese only)
Hitachi, Ltd.	4-6 Kandasurugadai, Chiyoda-ku, Tokyo 101-8010 Tel: 03-3258-1111 http://global.hitachi.com
IBM Japan, Ltd.	3-2-12 Roppongi, Minato-ku, Tokyo 106-8711 Tel: 03-3586-1111 http://www-6.ibm.com/jp/ibm/english
NEC CORPORATION	5-7-1 Shiba, Minato-ku, Tokyo 108-8001 Tel: 03-3454-1111 http://www.nec.co.jp

Nihon Unisys, Ltd.	1-1-1 Toyosu, Koto-ku, Tokyo 135-8560 Tel: 03-5546-4111 http://www.unisys.co.jp/welcome-e.html
b. Trading House Systems Integrators	
Itochu Techno-Science Corporation	1-11-5 Fujimi, Chiyoda-ku, Tokyo 102-0071 Tel: 03-5226-1200 http://www.ctc-g.co.jp/en
Mitsui & Co., Ltd.	1-2-1 Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-3285-1111,　Fax: 03-3285-9819 http://www.mitsui.co.jp/tkabz/english
Sumisho Computer Systems Corporation	Office Tower Z, Triton Square, Harumi Island, 1-8-12 Harumi, Chuo-ku, Tokyo 104-6241 Tel: 03-5166-2500,　Fax: 03-5166-1009 http://www.scs.co.jp/scscom
c. NTT Group	
Nippon Telephone and Telegraph East Corporation	3-19-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 160-0023 Tel: 03-5359-5111,　Fax: 03-5359-1221 http://www.ntt-east.co.jp/index_e.html
Nippon Telephone and Telegraph West Corporation	3-15 Baba-cho, Chuo-ku, Osaka, Osaka-fu 540-8511 Tel: 06-4793-9111 http://www.ntt-west.co.jp (Japanese only)
NTT Communications Corporation	1-1-6 Uchisaiwai-cho, Chiyoda-ku, Tokyo 100-8019 Tel: 03-3500-8111 http://www.ntt.com/index-e.html
NTT Comware Corporation	Shinagawa Twins Annex Bldg., 1-9-1 Konan, Minato-ku, Tokyo 108-8019 Tel: 03-5463-5776 http://www.nttcom.co.jp/english/
NTT data corporation	Toyosu Center Bldg., 3-3-3 Toyosu, Koto-ku, Tokyo 135-6033 Tel: 03-5546-8202 http://www.nttdata.co.jp/en
d. Others	
Information Services International-Dentsu, Ltd.	4-11-10 Nakano, Nakano-ku, Tokyo 164-8520 Tel: 03-3228-6111, Fax: 03-3319-6989 http://www.isid.co.jp/english
Nomura Research Institute, Ltd.	Shin-Otemachi Bldg., 2-2-1 Otemachi, Chiyoda-ku, Tokyo 100-0004 Tel: 03-5255-1800 http://www.nri.co.jp/english/index.php
NS Solutions Corporation	2-20-15 Shinkawa, Chuo-ku, Tokyo 104-8280 Tel: 03-5117-4111, Fax: 03-5117-7052 http://www.ns-sol.co.jp/en/company/outline_e.html
Toyo Business Engineering Corporation	Baytech Bldg. Annex, 2-6-3 Akanehama, Narashino-shi, Chiba-ken 275-8530 Tel: 047-454-1261, Fax: 047-454-1145 http://www.to-be.co.jp/index-e.html
Trans Cosmos, Inc.	Sumitomo Seimei Akasaka Bldg., 3-3-3 Akasaka, Minato-ku, Tokyo 107-0052 Tel: 03-3586-2880, Fax: 03-3586-8616 http://www.trans-cosmos.co.jp (Japanese only)

Procedures for Investing in Japan

A. Introduction

This appendix reviews the procedures that foreign companies should consider when investing in Japan. (For an overview of these procedures, including the order in which they should be carried out, please refer to Figure 1.) The reader should note that this appendix is merely a general summary. For the details of each procedure, such as specific documents to be submitted and where to submit them, the foreign investor is highly recommended to consult relevant professional and government offices (see list in Section B), as well as review JETRO's related publications and go to JETRO's "Invest Japan!" website at http://www.jetro.go.jp/investjapan/index.html.

1. Establishing a Physical Presence in Japan
a. Legal entities

Table 1. shows the possible types of legal entities with which a foreign investor can establish a physical presence in Japan. The three most common choices are joint-stock company (*kabushiki kaisha*), limited liability company (*yugen kaisha*) or branch (*shiten*) of the parent company overseas.

A joint-stock company is the most popular choice, because it limits the liability of its owners, has high credibility, and enjoys certain advantages in obtaining financing. However, since a joint-stock company requires at least ten million yen in capital, small and medium-sized enterprises sometimes choose to establish a limited liability company (*yugen kaisha*), which require a minimum of three million yen, or even a branch, which has no capital requirement[1].

A joint-stock company can be established either through a promotive incorporation, where the promoters acquire all issued shares or a subscriptive incorporation, where shares are offered through a public offering. The two methods require different procedures and documents. Table 1. shows the details of a promotive incorporation, as this is the more common choice among foreign investors.

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[1] The recently enacted Law for Assisting SMEs in the Challenges (provisional translation of *Chushou Kigyou Chousen Shien Hou*), which represents a partial revision of the Law for Facilitating the Creation of New Business, essentially abolishes certain requirements for minimum capitalization of new firms. As a result, joint-stock and limited-liability companies can be established with capital of as little as one yen (¥1) under the following conditions: 1) the company need a confirmation of the local office of the Bureau of Economy, Trade and Industry, which territory it will be actually established in, in advance, 2) the company will be changed or liquidated if it cannot fulfill its normal minimum capital requirements within five years of incorporation, 3) the company will not be recognized any distribution to stockholders while claiming the exemption and 4) the company makes full, public disclosure of its financial status while claiming the exemption. The law, which will remain in effect until March 31, 2008, is under the jurisdiction of the Office for New Business, Economic and Industrial Policy Bureau in the Ministry of Economy, Trade and Industry.

Table 1. Legal Entities and Requirements

Start-up type	Commercial activities	Registering	Minimum capital	Directors	Internal auditor(s)	Taxation
Representative office	Not allowed	None	None	None	No	–
Branch (*shiten*)	Allowed	Required	None	None	No	No tax
Joint-stock company (*kabushiki kaisha: K.K.*)	Allowed	Required	10 mil. yen	At least three	Yes	Profits, dividends & royalties taxed
Limited liability company (*yugen kaisha*)	Allowed	Required	3 mil. yen	At least one	No	Profits, dividends & royalties taxed

b. Registering a corporation

Since the procedures of registering a company and applying for the certificate of eligibility for status of residence can be complicated, foreign companies normally commission such tasks to qualified professionals, such as lawyers and public accountants, who can do business in English[2]. It should be noted, however, that few lawyers or public accountants provide one-stop services in Japan, so some tasks are subcontracted to judicial/administrative scriveners, professionals who perform document filings and other paralegal work under a system common neither in Europe or North America.

When a registration is filed, it is necessary to include a certificate verifying the representative director's official seal. Unlike in most other countries where a person's signature suffices, most formal matters in Japan require the use of a registered seal (roughly the size of a stick of lipstick). If the promoter or representative director of a joint-stock company is a non-Japanese and does not posses an alien registration certificate, they will not be able to obtain a seal-verification certificate, and thus must register their signature. In the course of doing business, however, each time a signature is required in a formal matter, the signatory must attach a signature-verification certificate issued by a notary public in the person's home country, which is obviously a great burden. For this reason, it is highly recommended that immediate steps be taken to obtain and register one's seal.

2. Investment laws and regulations

Key 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 be

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[2] Please refer to "Directory for Setting Up Enterprises in Japan 2000" (by JETRO, 4,000 yen) for information on how to contact selected professionals and other business-support companies operating in Japan.

examined carefully before starting a business. Depending on the type of legal entity to be established, it may be necessary to obtain a license or approval from a competent authority, in accordance with applicable laws and regulations.

a. Foreign Exchange and Foreign Trade Control Law (Foreign Exchange Law)

This law stipulates rules for proper management of foreign trade based on the principle of freedom of foreign trade. When a foreign company makes a direct investment in Japan, it must follow a series of procedures based on the principle of ex post facto reporting in principle, prior notification in part.

b. Commercial Code (Corporate Law)

The Commercial Code defines three types of companies, excluding a limited liability company (*yugen kaisha*)[3]. In recent years, the law has been extensively to promote more flexible restructuring of companies. These include simplification and rationalization of M&A laws and regulations, introduction of legislation for stock-swap and stock-transfer systems, establishment of legislation on company split-offs, and adoption of a consolidated accounting system that complies with internationally accepted standards.

c. Antimonopoly Act

The Antimonopoly Act promotes free and fair competition in Japan by restricting private monopolies and unfair trade. In recent years, however, deregulation has led to a lifting of the Act's ban on holding companies and simplification of requirements to report M&A activities.

3. Preferential treatment for investment

a. Import and Inward Investment Promotion Law (FAZ Law)

Foreign companies that invest in designated Foreign Access Zones (FAZ) and meet certain requirements are eligible to receive the following preferential treatment (applications have been extended to May 2006):

■ Operating losses may be carried forward 7 years (usually 5) from start up.
■ Industrial Structure Improvement Fund (ISIF) guarantees up to 95% of loans for equipment purchases and working capital.
■ Loan guarantees by the Credit Guarantee Corporation.

Japan had 22 FAZs as of October 2002. For information about each FAZ, please go to the JETRO website (http://www.jetro.go.jp/ov/e/faz/index.html).

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

b. Low-interest loans by Development Bank of Japan (DBJ)

The Development Bank of Japan (DBJ) offers low-interest, long-term loans to foreign companies for first-time, full-scale investments in Japan, or for investments that are expected to help strengthen Japanese industrial structure, create new industries, or increase employment.

c. Subsidies, tax exemptions and low-interest loans by prefectural governments

Prefectural governments offer various forms of support to foreign investors. Measures differ in each prefecture, so please contact the relevant prefectural government or JETRO Trade Information Center for further information. Contact points for each center are given at http://www.jetro.go.jp/ov/e/domestic_offices.html.

Figure 1. Setting Up a Base in Japan
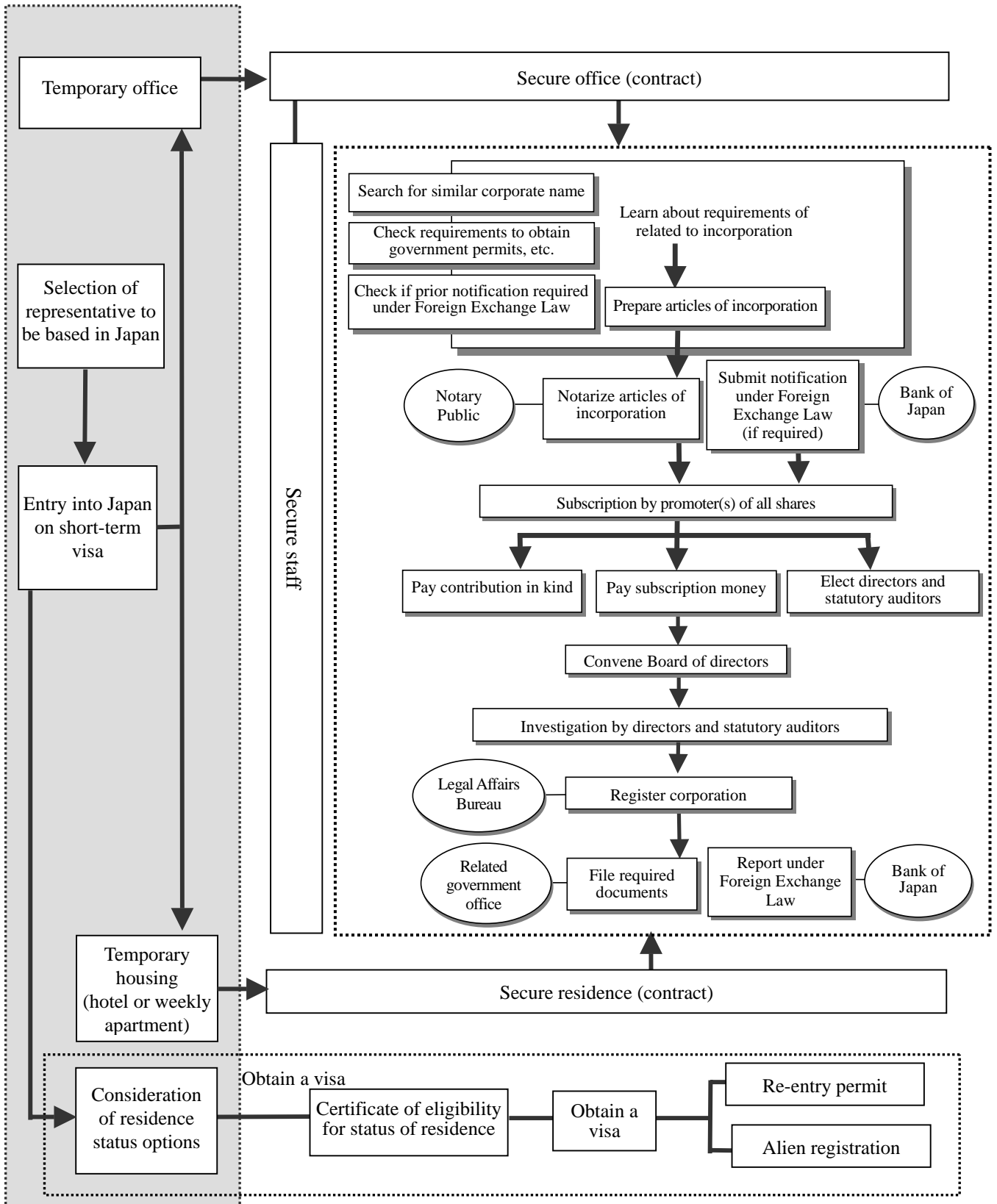
Note 1: Application for certificate of eligibility for statue of residence certificate and opening of a bank account should be made after establishing an office or place of residence (i.e. after signing lease contract for office or residence).

Note 2: For more information about incorporation and visas, please refer to Section B.

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

B. Information on Investment in Japan

Law/Regulation	Organization	Division	Contact	Website
Foreign Exchange and Foreign Trade Law	Bank of Japan	Balance of Payment Division, International Department	03-3277-2107 (direct) prd@info.boj.or.jp	http://www.boj.or.jp/about/tame/tameindex.htm (Japanese only)
Commercial Code	Ministry of Justice	Commercial and Corporation Registration and Deposit Division, Civil Affairs Bureau	03-3580-4111 (main) webmaster@moj.go.jp	http://www.moj.go.jp (Japanese) http://www.moj.go.jp/ENGLISH/CIAB/ciab-01.html (Civil Affairs Bureau)
Antimonopoly Act	Japan Fair Trade Commission		03-3581-5471 (main) intnldiv@jftc.go.jp	http://www.jftc.go.jp/e-page/f_home.htm
Preferential Treatment for Investors				
Law for Facilitating the Creation of New Business Law for Assisting SMEs in the Challenges *(Chusho Kigyou Chosen Shien 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 (Japanese only)
Same as above	Same as above	Regional Bureaus of Economy, Trade and Industry	webmail@meti.go.jp	http://www.meti.go.jp/english/policy/index_tradeinformation.html
Law on Extraordinary Measures for the Promotion of Import and the Facilitation of Foreign Direct Investment in Japan	The Industrial Structure Improvement Fund		03-3241-6357 webmaster@isif.go.jp	http://www.isif.go.jp/english/frames_e/f_yunyue.html
Same as above	Ministry of Economy, Trade and Industry	Regional Bureaus of Economy, Trade and Industry	webmail@meti.go.jp	http://www.meti.go.jp/english/policy/index_tradeinformation.html
Special loan program for the promotion of direct investment in Japan	Development Bank of Japan	International Department	03-3244-1770	http://www.dbj.go.jp/english/foreign/index.html
Procedures for Incorporation				
Incorporation procedures (registration of joint-stock company, acquisition of company registration certificate & certificate verifying rep. director's registered seal)	Regional Legal Affairs Bureau and Registry Office (in each regional area)			http://www.moj.go.jp/MINJI/minji16.html (registration info provided by Ministry of Justice in Japanese)

Procedures after Incorporation				
Procedures after incorporation (notifications of incorporation, consumption tax payment, etc.)	Taxation Office (in each area*[1])			http://www.nta.go.jp/category/yousiki /yousiki.htm (info on notification incorporation provided by Tokyo Regional Taxation Bureau in Japanese)
Filing notifications related to incorporation	Local taxation Office (in each area)			http://www.metro.tokyo.jp/ANNAI/ TOCHO/MADOGUCHI/tozei.htm (list of desks in each area, in Japanese)
Guidebook on metropolitan taxation in English, Chinese, and Korean (free, excluding postage)	Bureau of Taxation, Tokyo Government Office	General Affairs Division, General Affairs Department	03-5388-2927 (main) tax@section.metro.to kyo.jp	http://www.tax.metro.tokyo.jp/oshir ase/2002/200208c.htm (info, in Japanese, about receiving guidebook)
Procedures for Social Insurance				
Procedures related to labor insurance (business report, employment policy, labor insurance notifications)	Labor Standards Bureau			http://www.roudoukyoku.go.jp/seco ndpage/2/conttop.htm (procedures for industrial insurance provided by Labor Standards Bureau in Japanese)
Notification of relationship between insurer/insured under labor and employment insurance system	Public Employment Security Office (in each area)			Same as above
Procedures on health insurance and social security pension	Social Insurance office (in each area)			http://www.sia.go.jp/outline/index.h tm (info on health insurance and social security pension, provided by Social Insurance Agency in Japanese)
Other useful sources of Information				
Telephone numbers and addresses	Town Page (telephone directory)			http://english.itp.ne.jp
Investment in Japan	Japan External Trade Organization (JETRO)		03-3582-5511 (main) webmaster@jetro.go. jp	http://www.jetro.go.jp

Note: The Tokyo Taxation Bureau operates an info desk specifically for non-Japanese (03-3821-9070).

C. JETRO Services

1. Making introductions

<u>a. Invest in Japan Individual Program (IJIP)</u>

Foreign companies with well-developed plans for investing in Japan are invited to visit the country and explore the feasibility of their plans. While in Japan, JETRO introduces them to companies that provide professional services, such as law firms, accountant offices and realties. It also helps set meetings with local governments and potential joint-venture partners, and arranges inspection tours of sites, facilities and so on. For further information, please contact the nearest JETRO office (http://www.jetro.go.jp/it/e/profile_network/worldmap.html), or the Investment in Japan Division of Investment Promotion Department (IVC@jetro.go.jp).

<u>b. Trade Tie-up Promotion Program (TTPP)</u>

The TTPP is a web-based database that matches Japanese and foreign companies as business partners (http://www3.jetro.go.jp/ttppoas/index.html).

<u>c. Introducing supportive companies and arranging visits</u>

JETRO introduces agent that can provide support for setting up a base in Japan, including recruiting companies, realties and others. JETRO also works with local governments to gather information on potential business sites, arranges visits to view these properties, and set up meetings with the local government where the site is located. For further information, please contact the nearest JETRO office (http://www.jetro.go.jp/it/e/profile_network/worldmap.html), or the Investment in Japan Division of Investment Promotion Department (IVC@jetro.go.jp).

2. Investment information

<u>a. "Invest Japan!"</u>

JETRO's "Invest Japan!" website (http://www.jetro.go.jp/investjapan/index.html) provides comprehensive information and data on the investment environment in Japan. This includes Japanese macro economic data, laws and regulations, and examples of foreign companies that are operating in Japan.

<u>b. Publications</u>

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

For further information, please visit http://www.jetro.go.jp/it/e/pub/index.html.

c. Library

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

d. Investment Seminar

JETRO organizes seminars and individual consultations in various countries in order to provide information about investing in Japan, such as trends in the Japanese market, regional investment climate, and laws and procedures.

3. Others

a. Business Support Centers (BSC)

JETRO offers office facilities in Japan free of charge to foreign companies that are interested in investing in Japan (http://www.jetro.go.jp/ip/e/bsc/index.html). For further information and applications, please contact the nearest JETRO office (http://www.jetro.go.jp/it/e/profile_network/worldmap.html).

b. Investment advisors

Some JETRO overseas offices, as well as JETRO's Tokyo and Osaka Offices, are staffed with investment advisors who provide information and consultation regarding direct investment in Japan.