



## DOING BUSINESS IN JAPAN

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## Introduction



**CAPITAL: TOKYO**



**POPULATION**

**Total Population:** 126,529,100

**Natural Increase:** -0.2%

**Density:** 347 Inhabitants/km<sup>2</sup>

**Urban Population:** 91.6%

**Population of main metropolitan areas:** Tokyo (35,441,287); Osaka (17,294,189); Nagoya (6,452,190); Fukuoka (2,561,337); Sapporo (2,204,146); Sendai (1,587,913); Hiroshima (1,410,984); Kitakyushu (1,163,071); Naha (1,160,506); Niigata (1,037,940); Hamamatsu (989,776); Maebashi (985,814); Kumamoto (980,524)

**Ethnic Origins:** Japan is one of the most ethnically homogeneous countries in the world, with ethnic Japanese making up 98.5% of its population. Other ethnic groups present in Japan include Koreans (0.5%) and Chinese (0.4%).

**Official Language:** Japanese (nihongo)

**Other Languages Spoken:** Korean and Chinese

**Business Language(s):** English is the most commonly spoken foreign language. Business professionals, including business leaders, often read English better than they can speak it.

**Religion:** Shintoism and Buddhism are the two most widespread religions (84% of the population). Japanese may follow one or both religions, or both.

**National Currency:** Japanese Yen (JPY)



**COUNTRY OVERVIEW**

**Area:** 377,970 km<sup>2</sup>

**Type of State:** Japan is a constitutional monarchy with a parliamentary regime.

**Type of Economy:** High-income economy; OECD member; G8 member.

Third largest world economy; largest number of patents taken out in the world; affected by numerous natural disasters

**HDI\*:** 0.891/1

**HDI (World Rank):** 20/188

*Note: (\*) [The HDI](#), Human Development Index, is an Indicator Which Synthesizes Several Data Such as Life Expectancy, Level of Education, Professional Careers, Access to Culture etc.*



**TELECOMMUNICATION**

**Telephone Code:**

To call from Japan, dial 00

To call Japan, dial +81

**Internet Suffix:** .jp

**Computers:** 54.2 per 100 Inhabitants

**Telephone Lines:** 50.8 per 100 Inhabitants

**Internet Users:** 79.1 per 100 Inhabitants

**Access to Electricity:** 100% of the Population

**Foreign Trade in Figures**

<b>Foreign Trade Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Imports of Goods <i>(million USD)</i>	812,185	648,494	606,927	671,921	748,488
Exports of Goods <i>(million USD)</i>	690,217	624,939	644,933	698,131	738,143
Imports of Services <i>(million USD)</i>	190,185	173,689	184,710	188,860	198,036
Exports of Services <i>(million USD)</i>	158,626	157,863	173,821	180,006	187,304

Source: WTO – World Trade Organisation, 2017

[See the latest updates in the Country Profile for Japan.](#)

Latest Update: December 2019

## Economic and Political Overview

### ECONOMIC OUTLINE

#### Economic Overview

Japan, the world's third largest economy, is highly exposed to external impacts because of its strong dependence on exports. This vulnerability has been on display in recent years, as its economy experienced periods of recession alongside the slowdown in the global economy. Natural disasters have furthered this recessionary trend. The economy grew 1.1% in 2018, a slight decrease from the previous year's 1.7%. Growth was mainly driven by foreign trade and domestic consumption. It is expected to follow the same trend in 2019 (0.9%), led by strong exports and household consumption.

The limits of 'Abenomics' — the economic reforms led by Prime Minister Shinzo Abe — became more apparent. Even though his party (LDP) being the majority, reforms have been slow to materialise. Despite a budget stimulus plan, monetary easing and structural reform, growth remained weak and public debt continued to remain very high (240% of Japan's GDP in 2018). The inflation rate increased slightly to 1.2%, and should reach 1.5% in 2019. In addition, the Government deficit remained high, with rising social expenditure. Japan's budget deficit was 3.7% in 2018, and is expected to widen further in 2019, with the main factors driving this deterioration being ongoing fiscal policy stimuli, as well as reconstruction work following devastating floods in southwestern Japan in June and typhoon Jebi in September 2018. Infrastructure investments ahead of the Tokyo 2020 Olympic Games will also add to budgetary pressures. An increase in VAT (from 8% to 10%), which was originally scheduled for 2018, but was pushed back to October 2019 (even though the Government's revenues remain insufficient), should help boost revenues post-2020. The Government intends to achieve a primary surplus by 2020. This does not appear to be a realistic goal, as healthcare spending due to the ageing population has increased. In addition, private investment is deficient despite favourable investment conditions. Japan has also sought to accelerate the implementation of structural reforms, particularly in the agricultural sector. The focus was on the ratification of the Trans-Pacific Partnership, which has been renegotiated without the US and now is called the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP). Japan was the leading power in the renegotiation process, signalling a diversification away from strategic dependence on the United States, and towards a more multinational approach. Japan is also working on a bilateral trade agreement with the United States, and signed a commercial agreement with the EU. The Economic Partnership Agreement (EPA) between the EU and Japan entered into force on 1 February 2019. Finally, the Government's target of hosting 20 million tourists each year by 2020 could be achieved faster, thanks in particular to Chinese visitors.

Moving forward, budgetary consolidation will remain a key issue for the country as it tries to bring its debt levels under control. The ageing of the population and political tensions with China and South Korea are additional concerns that Japan will have to address in the years to come. The unemployment rate remains low, and reached 2.9% in 2018, the lowest rate since 1994. Even though wages grew in 2018, that was related to temporarily higher inflation expectations and a tight labour market.

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP (billions USD)	4,859.79e	4,971.77e	5,154.48	5,413.05	5,592.33
GDP (Constant Prices, Annual % Change)	1.9e	0.8e	0.9	0.5	0.5
GDP per Capita (USD)	38,343e	39,304e	40,847	43,043	44,637
General Government Balance (in % of GDP)	-3.4e	-3.1e	-2.9	-2.1	-1.9
General Government Gross Debt (in % of GDP)	235.0e	237.1e	237.7	237.6	238.4
Inflation Rate (%)	0.5	1.0e	1.0	1.3	0.7

<b>Main Indicators</b>	<b>2017</b>	<b>2018</b>	<b>2019 (e)</b>	<b>2020 (e)</b>	<b>2021 (e)</b>
Unemployment Rate ( <i>% of the Labour Force</i> )	2.8	2.4e	2.4	2.4	2.4
Current Account ( <i>billions USD</i> )	201.96	175.26e	172.11	180.46	187.07
Current Account ( <i>in % of GDP</i> )	4.2	3.5e	3.3	3.3	3.3

Source: IMF – World Economic Outlook Database, Latest available data

Note: (e) Estimated Data

### Main Sectors of Industry

Even though Japan has some deposits of gold, magnesium, coal and silver, the country has very limited natural resources overall and, as a result, is highly dependent on imports to meet its raw material and energy needs. On the other hand, thanks to its large maritime area, the country is one of the world's largest producers of fishing products. However, given that only 11% of Japan's surface is suitable for cultivation, the agricultural sector is small in Japan. Tea and rice are the country's two largest crops, though the sector as a whole is highly subsidised and protected. Agriculture contributes marginally to GDP (1.2%) and employs only 3.4% of the workforce.

The industrial sector is highly diversified, manufacturing products ranging from basic goods (such as steel and paper) to sophisticated technology. Japan dominates the automobile, robotics, biotechnology, nanotechnology and renewable energy sectors. Japan is home to several of the world's largest manufacturers of electronic products, which is why the country's industrial sector is often associated with technological sophistication. The country is the world's third largest producer of cars and the second largest producer of ships. Its industrial sector represents over 29% of GDP and employs a quarter of the workforce.

The service sector accounts for almost 70% of GDP and employs 71% of the workforce. Major services in Japan include banking, insurance, retailing, transportation and telecommunications. The country also has a significant tourism sector, which has seen a substantial growth in recent years.

<b>Breakdown of Economic Activity By Sector</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>
Employment By Sector ( <i>in % of Total Employment</i> )	3.4	24.4	72.2
Value Added ( <i>in % of GDP</i> )	1.2	29.1	69.3
Value Added ( <i>Annual % Change</i> )	-1.7	10.1	0.4

Source: World Bank, Latest available data.

Learn more about [Market Analyses about Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

### Indicator of Economic Freedom

Score: 72,1/100

World Rank: 30

Regional Rank: 8

[Economic freedom in the world \(interactive map\)](#)

Source: [2019 Index of Economic Freedom, Heritage Foundation](#)

### Business environment ranking

Score: 7.33  
 World Rank: 27/82

Source: *The Economist - Business Environment Rankings 2014-2018*

### Country Risk

See the country [risk analysis](#) provided by [Coface](#).

### Sources of General Economic Information

Ministries	<a href="#">Ministry of Economy, Trade and Industry</a> <a href="#">Ministry of Agriculture, Forestry and Fisheries</a> <a href="#">Organisation for Small &amp; Medium Enterprises and Regional Innovation</a>
Statistical Office	<a href="#">The Japanese Institute of Statistics</a>
Central Bank	<a href="#">The Bank of Japan</a>
Stock Exchange	<a href="#">Tokyo Stock Exchange</a> <a href="#">Nagoya Stock Exchange</a> <a href="#">Osaka Securities Exchange</a> <a href="#">Fukuoka Stock Exchange</a>
Other Useful Resources	<a href="#">EIN News Japan</a>
Main Online Newspapers	<a href="#">Asahi Shimbun</a> <a href="#">Japan Times</a> <a href="#">Japan Today</a> <a href="#">News on Japan</a> <a href="#">Nikkei - Asian Review</a>
Economic Portals	<a href="#">Economy Watch</a>

### POLITICAL OUTLINE

Type of State	Japan is a constitutional monarchy with a parliamentary regime.
Executive Power	The head of State is the Emperor and the role is largely ceremonial. The leader of the majority party or leader of the majority coalition in the parliament (House of Representatives) is designated as the <a href="#">Prime Minister</a> for a four-year term. The Prime Minister is the head of the Government and enjoys executive powers, which include implementation of the law and running of day-to-day affairs. The <a href="#">Cabinet</a> is appointed by the Prime Minister.
Legislative Power	The legislature in Japan is bicameral. The parliament, called National Diet, consists of the <a href="#">House of Councillors</a> (the upper house) and the <a href="#">House of Representatives</a> (the lower house). The House of Councillors contains 242 members, elected through a popular vote for six year terms. The House of Representatives contains 475 members, elected through a popular vote for four year terms. The Constitution of Japan states that the nation's 'highest organ of state power' is the National Diet. The executive branch of government is directly or indirectly dependent on the support of the National Diet, which is often expressed through a vote of confidence.
Main Political Parties	<ul style="list-style-type: none"> <li>- <a href="#">The Liberal Democratic Party</a> (PLD): centre-right</li> <li>- <a href="#">The Democratic Party of Japan</a> (PDJ): centre, centre-right</li> <li>- <a href="#">Party for Hope</a>: center-right, opposition party</li> <li>- <a href="#">Constitutional Democratic Party</a>: centrer-left, opposition party</li> </ul>

- [Japan Restoration Party](#) (JRP): right-wing, third largest force, but is slowly losing representation
- [Komeito](#) (NK): centre-right, in coalition with the LDP
- [Japanese Communist Party](#) (JCP): left-wing, more than doubled its representation in the last election
- [Nippon Ishin No Kai](#): localism, economic liberalism
- [Liberal Party](#): centre, centre-left
- [Social Democratic Party](#): social-democratic

Current Political Leaders	Emperor: Naruhito (since 1 May 2019) ; succeeded his father who abdicated on 30 April 2019 Prime Minister: Shinzō Abe (since 26 December 2012) - Liberal Democratic Party
Next Election Dates	House of Representatives: October 2021 House of Councillors: 2022

### Indicator of Freedom of the Press

World Rank: 67/180

Source: [2019 World Press Freedom Index, Reporters Without Borders](#)

### Indicator of Political Freedom

Ranking: Free  
Political Freedom: 1/7  
Civil Liberties: 1/7

[Political freedom in the world \(interactive map\)](#)

Source: [Freedom in the World 2019, Freedom House](#)

Latest Update: December 2019



## Trade Profile

### FOREIGN TRADE IN FIGURES

Foreign trade is an essential element of the Japanese economy, but the country is not fully open and imposes extensive non-tariff barriers, especially in the agricultural sector. Japan is the world's 4th largest importer and exporter of goods, and trade accounts for 31.3% of the country's GDP (World Bank, 2016). Japan mainly exports motor vehicles (13.4%), auto parts and accessories (4.9%), electronic integrated circuits and microassemblies (3.8%), machines and mechanical appliances (3.2%), and ships and boats (1.7%). The country's main imports include petroleum oils (9.5%), petroleum gas and other gaseous hydrocarbons (6.0%), transmission apparatus for radio-telephony (3.7%), coal and similar solid fuels (3.4%), and electronic integrated circuits and microassemblies (2.9%).

The country's main partners are the United States, China, South Korea, Hong Kong, Thailand, Australia, and Saudi Arabia. Japan is currently negotiating a number of free trade agreements. In 2018, Japan and the EU signed an EPA, taking a step closer to an economic bloc that would account for nearly a third of all global trade. In the same year, after the withdrawal of the U.S. from the Trans-Pacific Partnership, Japan led the effort to renegotiate the agreement with the remaining 10 countries. The revised treaty, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has been completed and is being ratified by member countries.

The country traditionally has a large trade surplus, which reached USD 44,23 billion in 2017, thanks to a significant decrease in the country's imports. Japan's exports, which had been decreasing since 2013, increased in 2016 and kept growing in 2017. However, Japanese exports have been affected by the ongoing trade war between China and the United States and the Japanese government reported an expected decline in exports for 2019.

<b>Foreign Trade Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
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Exports of Services ( <i>million USD</i> )	158,626	157,863	173,821	180,006	187,304
Imports of Goods and Services ( <i>Annual % Change</i> )	8.3	0.8	-1.6	3.4	3.4
Exports of Goods and Services ( <i>Annual % Change</i> )	9.3	2.9	1.7	6.8	3.4
Imports of Goods and Services ( <i>in % of GDP</i> )	20.0	18.0	15.3	16.8	18.2
Exports of Goods and Services ( <i>in % of GDP</i> )	17.5	17.6	16.3	17.8	18.4
Trade Balance ( <i>million USD</i> )	-99,825	-7,335	51,163	43,836	11,225
Trade Balance (Including Service) ( <i>million USD</i> )	-128,605	-23,276	40,444	37,636	3,981
Foreign Trade ( <i>in % of GDP</i> )	37.5	35.6	31.5	34.6	36.6

Source: World Trade Organisation (WTO) - 2017; World Bank - 2017

### Main Partner Countries

<b>Main Customers</b> (% of Exports)	<b>2018</b>	<b>Main Suppliers</b> (% of Imports)	<b>2018</b>
China	19.5%	China	23.2%
United States	19.1%	United States	11.2%



<b>Main Customers</b> <i>(% of Exports)</i>	<b>2018</b>
South Korea	7.1%
Hong Kong	4.7%
Thailand	4.4%
Singapore	3.2%
Germany	2.8%
Australia	2.3%
Vietnam	2.2%
Indonesia	2.1%

<b>Main Suppliers</b> <i>(% of Imports)</i>	<b>2018</b>
Australia	6.1%
Saudi Arabia	4.5%
South Korea	4.3%
United Arab Emirates	3.7%
Germany	3.5%
Thailand	3.3%
Indonesia	2.9%
Vietnam	2.8%

Source: Comtrade, 2017

**Main Products**

<b>738.2 bn USD of products exported in 2018</b>	
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	13.4%
Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705, n.e.s.	4.9%
Electronic integrated circuits and microassemblies	3.8%
Machines and mechanical appliances having individual functions, not specified or included elsewhere in this chapter; parts thereof	3.1%
Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of persons or goods	1.7%
Apparatus and equipment for photographic or cinematographic laboratories, incl. apparatus for the projection or drawing of circuit patterns on sensitised semi-conductor materials, not elsewhere specified in chapter 90; negatoscopes; projection screens	1.6%
Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers	1.4%

<b>748.2 bn USD of products imported in 2018</b>	
Petroleum oils and oils obtained from bituminous minerals, crude	10.8%
Petroleum gas and other gaseous hydrocarbons	6.6%
Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras	3.5%
Coal; briquettes, ovoids and similar solid fuels manufactured from coal	3.4%
Electronic integrated circuits and microassemblies	2.7%
Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s.	2.5%
Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing $\geq 70\%$ by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals	2.4%
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses incl. those in the form of transdermal administration or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006)	2.2%

<b>738.2 bn USD of products exported in 2018</b>	
Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing $\geq$ 70% by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals	1.4%
Motor vehicles for the transport of goods, incl. chassis with engine and cab	1.2%
Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in modules or made-up into panels (excl. photovoltaic generators); light emitting diodes; mounted piezo-electric crystals; parts thereof	1.2%

<b>748.2 bn USD of products imported in 2018</b>	
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	1.6%
Copper ores and concentrates	1.3%

Source: Comtrade, 2017

See More Products [More imports \(Intracen Data\)](#)  
[More exports \(Intracen Data\)](#)

## MAIN SERVICES

<b>157.1 bn USD of services exported in 2016</b>	
Royalties and license fees	24.84%
Other business services	24.62%
Transportation	20.15%
Travel	19.58%
Construction services	5.97%
Government services	3.24%
Insurance services	1.08%
Cultural and recreational services	0.52%

<b>173.7 bn USD of services imported in 2016</b>	
Other business services	35.93%
Transportation	21.87%
Travel	21.38%
Royalties and license fees	11.33%
Construction services	4.28%
Insurance services	3.25%
Government services	1.16%
Cultural and recreational services	0.80%

Source: United Nations Statistics Division, Latest Available Data

## Exchange Rate System

Local Currency            Japanese Yen (JPY)  
 Exchange Rate           Floating exchange regime.  
 Regime  
 Level of Currency        Low. The Japanese yen is a major currency, often used as a reserve currency.  
 Instability  
 Exchange Rate on :

Monetary Indicators	2014	2015	2016	2017	2018
Japanese Yen (JPY) - Average Annual Exchange Rate For 1 USD	105.94	121.04	108.79	112.17	110.42

Source: World Bank - Latest available data.

## TRADE COMPLIANCE

International Conventions	<p>Member of <a href="#">World Trade Organisation</a></p> <p>Member of <a href="#">OECD</a></p> <p>Party to the <a href="#">Kyoto Protocol</a></p> <p>Party to the <a href="#">Washington Convention</a> on International Trade in Endangered Species of Wild Fauna and Flora</p> <p>Party to the <a href="#">Basel Convention</a> on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal</p> <p>Party to the <a href="#">Montreal Protocol</a> on Substances That Deplete the Ozone Layer</p> <p>Party to the <a href="#">Wassenaar Arrangement</a> on Export Controls For Conventional Arms and Dual-Use Goods and Technologies</p> <p>Party of the <a href="#">International Coffee Agreement 2007</a></p>
Main International Economic Cooperation	<p>Japan is a member of the <a href="#">Asia-Pacific Economic Cooperation (APEC)</a> and entered into an agreement with the Association of Southeast Asian Nations (ASEAN) on a Comprehensive Economic Partnership in 2008.</p>
Party of the ATA Convention on Temporary Admissions and Use of the Carnets	<p>Yes</p> <p><i>As a Reminder, the ATA is a System Allowing the Free Movement of Goods Across Frontiers and Their Temporary Admission Into a Customs Territory With Relief From Duties and Taxes. The Goods Are Covered By a Single Document Known as the ATA Carnet That is Secured By an International Guarantee System.</i></p> <p><a href="#">Look Up the Other Member Countries And Read the Web Pages of the World Customs Organization Devoted to the ATA Carnet.</a></p>
Party of the TIR Convention	<p>No</p> <p><i>As a Reminder, the TIR Convention and its Transit Regime Contribute to the Facilitation of International Transport, Especially International Road Transport, Not Only in Europe and the Middle East, But Also in Other Parts of the World, Such as Africa and Latin America.</i></p> <p><i>The UNCTAD Website Allows You to <a href="#">Read the TIR Convention</a>, <a href="#">See the List of Member Countries</a> And to <a href="#">Find Further Information</a>.</i></p>
Accompanying Documents For Imports	<p>The following documents should be presented at the Japanese customs:</p> <ul style="list-style-type: none"> <li>- Air Waybill or Bill of Lading;</li> <li>- Commercial Invoice for import shipments with a value exceeding 10,000 yen and for any commodity being imported;</li> <li>- Certificate of Origin- Import Approval;</li> <li>- Quarantine Forms.</li> </ul>
Free Zones	None
For Further Information	<p><a href="#">Japanese Customs Office</a></p> <p><a href="#">Japanese Ministry of foreign affairs</a></p> <p><a href="#">Japanese Ministry of Economic, Trade and Industry</a></p>
Non Tariff Barriers	Non-tariff barriers are common in Japan. Factors such as exclusively Japanese

standards, the importance of personal relations in doing business and a regulatory policy with a preference for national products may inhibit entrance of foreign products into the Japanese market. Quotas exist for certain marine products, organic chemical products, explosives, pharmaceutical and medical products, animals and plants (in respect of the [Washington Convention](#)). An import license is necessary for all products subject to quotas, products deemed dangerous and perishable goods. See the [list of goods prohibited from importation into Japan](#).

Sectors or Products For Which Commercial Disagreements Have Been Registered With the WTO	Processed foodstuffs: pork, apples, alcoholic drinks, agricultural products.  Data processing equipment, cars, steel, telecommunications, leather, etc.  <a href="#">The WTO gives details of these disagreements on the page of information concerning the country.</a>
Assessment of Commercial Policy	<a href="#">Japan's commercial policy</a> , as seen by the WTO <a href="#">Barriers to exchanges</a> , inventoried by the United States <a href="#">Barriers to exchanges</a> , inventoried by the EU <a href="#">Sanitary and phytosanitary barriers</a> , inventoried by the EU

Learn more about [How to Export to Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

## STANDARDS

National Standards Organisations	<a href="#">The Japanese Industrial Standards Committee (JISC)</a> <a href="#">The Japanese Agricultural Standards (JAS)</a>
Integration in the International Standards Network	The JISC is a member of: - The <a href="#">International Standard Organisation (ISO)</a> - The <a href="#">International Electrotechnical Commission (IEC)</a> - The <a href="#">APEC/SCSC, Sub Committee of Standards and Conformance of the Asia Pacific Economic Cooperation</a> - The <a href="#">ASEM/TFAP/SCA, Trade Facilitation Action Plan/Standards and Conformity Assessment of the Asia-European Meeting</a> - The <a href="#">Pacific Area Standards Congress</a>
Obligation to Use Standards	The standards proposed by the JAS are exclusively voluntary. They concern 600 different industrial products and more than 8500 standards. There are two ongoing trends in Japan regarding standards. One is a move toward standards reform and the other towards harmonizing Japanese standards with prevailing international standards. While reform is underway, there are numerous laws containing Japan-specific mandatory standards. Therefore it is sometimes difficult to master all the requirements. Click here, for a summary of the standards which apply: - <a href="#">to consumer goods</a> ; - <a href="#">to industrial products</a> ; - <a href="#">to agricultural and fishery products</a> ; - <a href="#">to agricultural products controlled by the Food Sanitation Law</a> .
Classification of Standards	JIS + 1 letter showing the technical area + 4-digit number showing the rank in the JIS division.
Assessment of the System of Standardization	Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Respect of voluntary standardization is highly regarded in Japan; it can increase sales potential on the

market and the acceptance of the product by consumers. Approval is generally required before a product can be sold in the market or even displayed at a trade show.

- Online Consultation of Standards    The publication of standards is entrusted to the [JSA \(Japanese Standards Association\)](#) which is the publishing house of the JISC. The [website](#) of the JSA gives access to JISC standards.
- Certification Organisations    [List of Designated Certification Bodies by the Japanese Industrial Standards Committee \(JISC\)](#)  
[Japan Accreditation Board \(JAB\)](#)  
[National Institute of Technology and Evaluation](#)
- Associations of Standards Users    [Member of JISC \(Japanese Industrial Standards Committee\)](#)

Latest Update: December 2019

## Tax System

### CORPORATE TAXES

**Tax Base For Resident and Foreign Companies** A company that has its head office in Japan is considered as a domestic corporation, regardless of the place of central management or the nationality of its shareholders.

#### Tax Rate

Corporate tax (for companies with income lower than JPY 100 million)	15% for first JPY 8 million 23.2% above JPY 8 million
Corporate tax (for companies with income greater than JPY 100 million)	23.2%
Local taxes	Corporate taxpayers are required to file and pay the national local corporate tax at a fixed rate of 10.3% of their corporate tax liabilities
Standard enterprise tax (and local corporate special tax)	3.4% for the yearly tax base up to JPY 4 million, 5.1% for the tax base up to JPY 8 million, 6.7% for the tax base over JPY 8 million Local corporate special tax (43.2% of the current enterprise tax) (this tax will be abolished from 1 October 2019)

**Tax Rate For Foreign Companies** Resident companies are taxed on their worldwide income whereas non-resident companies are taxed only on Japanese-source income at standard corporate rates.

**Capital Gains Taxation** Capital gains are taxed as ordinary income at the standard corporate tax rate, with capital losses generally available as a full tax deduction. Capital duty is included in the local inhabitants tax and local enterprise tax.

A non-resident corporation is subject to Japanese corporation tax on any gains realized on the transfer of shares in a Japanese company if the non-resident corporation transfers 5% or more of the shares in the Japanese company during a fiscal year and owns 25% or more of the shares in the Japanese company at any time during the three-year period prior to the end of the fiscal year of the transfer (often referred to as the “5/25 rule”).

**Main Allowable Deductions and Tax Credits** In order to file for tax privileges - including deductions for business expenditure, tax loss carry forwards and accelerated depreciation - companies must apply for a blue return at the beginning of a tax year. Reserves for doubtful receivables and return of goods not sold are deductible for corporate tax purposes. Deductions are also available for charitable contributions (up to the sum of 0.625% of taxable income and 0.0625% of capital for tax purposes). Corporations can deduct 50% of the entertainment expenses for food and drink; while expenses for entertainment are only deductible for SMEs (paid-in capital of up to JPY 100 million), up to the smaller of JPY 8 million or the actual disbursement for the entertainment expense.

Various tax incentives are available for certain business activities including: investment in productivity improving assets (PIAs, or depreciable assets used for any revenue-producing activities), increasing wages and salaries (giving rise to a tax credit of up to 20% for tax years starting on 1 April 2018 or later and ending on 31 March 2021). Other tax incentives are available for companies investing in R&D activities.

Resident companies may receive dividends distribution reduction depending on their shareholding percentage and time held.

For further information on tax incentives, consult the website of [JETRO](#) (Japanese External Trade Organization).

**Other Corporate Taxes** Other taxes include: stamp duty (JPY 200-600,000), municipal fixed assets tax (levied at 1.4%), a 4% real estate acquisitions tax (reduced temporarily to 3% for buildings and lands for residential use until 31 March 2018) and inheritance tax (progressive rates up to 50%).  
Registration and license tax is levied where certain property is registered, at a rate from 0.1% to 2% of the taxable basis or at a fixed amount (the rate is reduced from 2% to 1.5% for land purchases registered until 31 March 2019).

**Other Domestic Resources** [National Tax Agency](#)  
[Doing Business: Japan](#), to obtain a summary of taxes and mandatory contributions

**Country Comparison For Corporate Taxation**

	Japan
Number of Payments of Taxes per Year	30.0
Time Taken For Administrative Formalities (Hours)	129.5
Total Share of Taxes (% of Profit)	46.7

Source: *Doing Business - 2017*.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. \*\*\*\* The Greater the Index, the Higher the Level of Investor Protection.

**ACCOUNTING RULES**

**Accounting System**

**Accounting Standards** Domestic and foreign companies may choose one of the four accepted financial reporting frameworks : IFRS Standards, Japanese GAAP, Japan’s Modified International Standards (JMIS) (locally modified version of IFRS Standards) and US GAAP. SMEs usually use Japanese GAAP as the accounting framework.

**Accounting Regulation Bodies** [BAC](#), Business Accounting Council  
[ASBJ](#), Accounting Standard Boards of Japan  
[JICPA](#), Japanese Institute of Certified Accountants  
[FASF](#), Financial Accounting Standards Foundation

**Accounting Law** The legal system is made of three laws that are firmly interrelated in their accounting objectives and often referred to as the Triangular Legal System:  
-Commercial Code;  
-Securities and Exchange Law;  
-Corporate Income Tax Law.

**Difference Between National and International Standards (IAS/IFRS)** Accounting Standards Board of Japan (ASBJ) (a private entity whose standards are subject to endorsement by the Financial Services Agency) has been cooperating with the International Accounting Standards Board to fully adopt IFRS Standards. For the time being, companies are permitted to choose one of the four financial reporting frameworks. The adoption of the IFRS for SMEs Standard is not under consideration.



Accounting News      [Accounting News in Japan](#)  
[Accounting Diary in Japan](#)  
[Japan Accounting News on einnews.com](#)

## Accounting Practices

**Tax Year**      A Japanese corporation selects its fiscal year when it begins operations in Japan—the tax year may be the calendar year or another period not exceeding 12 months. A branch generally must adopt the same tax year used by its head office.

**Accounting Reports**      The Commercial Code lists the requirements for a Limited Liability Company (Kabushiki Kaisha) to prepare an annual report and appendix. The annual report must be submitted to the general assembly of shareholders and must include the balance sheet and the income statement.

**Publication Requirements**      Only companies listed on the stock exchange must publish their accounts. According to the Law of Transferable Securities and the Law of Exchange, registrants must file annual and biannual statement reports to the Ministry of Finance and file a copy in the foreign exchange markets where transferable securities are registered.

## Accountancy Profession

**Accountants**      Certified public accountants and tax accountants are specialists providing accounting and tax support to companies operating in Japan. Certified public accountants enjoy a monopoly on the performance of audits under the Certified Public Accountant Law, while tax accountants have a monopoly on tax agent services, preparation of tax documentation and tax consultations.  
 The accountancy profession in Japan is practised with the title of “Certified Public Accountant” (CPA) under the Certified Public Accountants Law of 1948.  
 The Certified Public Accountants Law provides key matters relating to the accountancy profession such as examinations, qualifications, registrations, duties, responsibilities and penalties.

**Professional Accountancy Bodies**      [JICPA](#), The Japanese Institute of Certified Public Accountants  
[Tokyo Certified Public Tax Accountants’ Association](#)

**Member of the International Federation of Accountants (IFAC)**      The Japanese Institute of Certified Public Accountants ([JICPA](#)) is member of the [International Federation of Accountants](#) (IFAC).

**Member of Other Federation of Accountants**      JICPA is member of the [Confederation of Asian and Pacific Accountants \(CAPA\)](#)

**Audit Bodies**      Companies are required to seek a statutory auditor to conduct an annual audit of the financial health of their organisation.  
 Companies with more than JPY 500 million of share capital or JPY 20 billion or more of liabilities are required to appoint an external auditor (a public certified accountant) or an auditing firm, and must be subject to an audit based on the Company Law, as must a company listed on the Japanese stock markets.  
 You can contact the [Board of Audit of Japan](#), the [Japan Corporate Auditors Association \(JCAA\)](#) and the [Certified Public Accountants and Auditing Oversight Board](#).

## CONSUMPTION TAXES

Nature of the Tax	Shouhizei (Consumption Tax)
Standard Rate	8% (6.3% national and 1.7% local tax) As of 1 October 2019, the rate will increase to 10%
Reduced Tax Rate	No reduced rates apply at the moment. In response to the increase in consumption tax rate to 10% from 1 October 2019, lower consumption tax rates on certain goods will be introduced (food and drink excluding alcoholic drinks and dining out and certain newspapers issued more than twice a week).
Exclusion From Taxation	Exempt supplies including the exports of goods or services and international travel, transportation and communication services, are not taxed and qualify for input tax deduction. Non-taxable supplies, including insurance, real estate, foreign-exchange transactions, education and the purchase of goods and services for personal purposes, do not qualify for input tax deduction. Partial exemption applies to taxpayers with a turnover from taxable supplies less than 95% of total turnover, and they are unable to claim full input tax.
Method of Calculation, Declaration and Settlement	Consumption tax applies when the transfer of ownership of goods and the provision of services take place or when foreign cargo is removed from bonded areas. The base period for each consumption tax reporting year is the enterprise's business year two years before the current business year. Consumption tax is calculated on the amount of taxable supplies or the amount of salary payments. "Small business" enterprises with taxable supplies under JPY 10 million in a given base period are exempt, unless they are in the first two years of operation. Returns are filed annually. Consumption tax rate-qualified invoices will be required from 1 October 2019 to 30 September 2023; afterwards, an EU VAT-type invoice will be required.
Other Consumption Taxes	With the introduction of consumption tax, excise duties were abolished.

## INDIVIDUAL TAXES

Tax Base For Residents and Non-Residents	An individual is considered resident for tax purposes if he/she is resident in Japan or if he/she has maintained a temporary place of abode ("kyosho") in Japan for a period of one year or more. A resident taxpayer who is not a Japanese national and who has an aggregate stay in Japan of five years or less within the preceding ten years (60 months within the preceding 120 months) is considered a non-permanent resident taxpayer. If a resident taxpayer is a Japanese national, or a foreign national with an aggregate stay in Japan of more than five years within the preceding ten years, he/she is considered a permanent resident for tax purposes.
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### Tax Rate

Taxable Income	Rate
Less than JPY 1.95 million	5%
From JPY 1.95 to 3.3 million	10% + JPY 97,500
From JPY 3.3 to 6.95 million	20% + JPY 232,500
From JPY 6.95 to 9 million	23% + JPY 962,500
From JPY 9 to 18 million	33% + JPY 1,434,000
From JPY 18 to 40 million	40% + JPY 4,404,000
More than JPY 40 million	45% + JPY 13,204,000

Local Inhabitant's Tax	10%, levied on a taxpayer's prior year income. The standard annual amount is JPY 5,000
Special Tax for Reconstruction Assistance will be applied from 2013 to 2037 (to help with Tohoku earthquake disaster recovery)	2.1% of income tax
Non-residents' Employment Income	Flat 20.42% national income tax on gross compensation (including the 2.1% surtax; no deductions available) plus 10% local inhabitant's tax (if registered as a resident as of 1 January of the current year).

**Allowable Deductions and Tax Credits** Deductions include: personal allowances with additional allowances for dependents, casualty losses, medical expenses and contributions to government authorities. Charitable contributions designated by the Ministry of Finance in Japan are tax-deductible (subject to limitations). Life insurance (or private pension) premiums paid to a Japanese agency in local currency are deductible to a limited extent in computing national and local taxes. Earthquake insurance premiums are also deductible for the purpose of both national and local taxes to a limited extent. A standard deduction for employees is calculated based on the salary (capped at JPY 2.2 million). A self-employed taxpayer is allowed to claim business expenses against income, if he can prove that the expenses were necessary.

**Special Expatriate Tax Regime** Resident individuals are taxed on their worldwide income; non-residents are taxed on their Japanese-source income and on their non-Japanese sources paid in Japan. A rate of 20.42% applies to non-residents' employment income, which includes the 2.1% surtax. Foreign tax credits are provided for resident taxpayers on foreign-source income, though generally limited to the lesser of foreign income tax paid or the Japanese tax payable on the income base.

**Capital Tax Rate** Social security contributions paid by the employee generally amount to 14.35% of his/her salary. Japan does not apply a wealth tax. Other taxes on individuals include: inheritances, transfer of land, gifts, fixed assets tax, city planning tax, real estate acquisition tax, gains from shares.

**DOUBLE TAXATION TREATIES**

**Withholding Taxes** Dividends: 15.315% (if paid by a listed company) /20.4%, interest: 15.315% (on deposits and bonds) /20.4%, royalties: 20.42%

**SOURCES OF FISCAL INFORMATION**

- Tax Authorities [National Tax Agency](#)  
[Ministry of Finance Japan](#)
- Other Domestic Resources [National Tax Agency - Tax information](#)  
[Japan Tax Site](#)

Learn more about [Service Providers in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Learn more about [Taxes and Accounting in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

## Legal Environment

### BUSINESS CONTRACT

General Observation	You must state precisely in the contract the obligations of the vendor and the methods of quality control.
Law Applicable to the Contract	You must be particularly vigilant about the law applicable to the contract and the methods of conflict resolution. Indeed, Japan is not a signatory to the <a href="#">Vienna Convention on International Contracts</a> . <a href="#">Click here to see the list of signatory countries</a> . The Japanese legal system is not easy for a foreigner to understand so you are advised to choose international law or a system of settlement by arbitration. The laws and courts of America, England and Switzerland provide fair justice and are understandable in English, which is likely to be accepted by your Japanese supplier.
Advisable Incoterms	Choose <a href="#">FOB</a> or <a href="#">CIF</a> , or more. Avoid <a href="#">EXW</a> if you do not want to be involved in organizing domestic transport in Japan, as this is quite a complex operation.
Language of Domestic Contract	Japanese, English
Other Laws Which Can Be Used in Domestic Contracts	The laws and courts of America, England and Switzerland provide fair justice and are understandable in English, and are likely to be accepted by your Japanese supplier.

### INTELLECTUAL PROPERTY

National Organisations	<a href="#">Japan Patent Organisation (JPO)</a> <a href="#">Japan Patent Information Organisation (JPIO)</a> .
Regional Organisations	<a href="#">Intellectual Property Rights Experts Group (IPEG)</a> , intellectual property resource of each member economy of the APEC community
International Membership	Member of the <a href="#">WIPO</a> (World Intellectual Property Organization) Signatory to the <a href="#">Paris Convention</a> For the Protection of Intellectual Property Membership to the <a href="#">TRIPS agreement</a> - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

### National Regulation and International Agreements

Type of property and law	Validity	International Agreements Signed
Patent  <a href="#">Patent Law of 1999</a>	20 years, renewable	<a href="#">Patent Cooperation Treaty (PCT)</a>
Trademark  <a href="#">The Trademarks Law of 1997</a> is the basis of trademark protection, but the Unfair Competition Prevention Law enforced by the METI provides additional protection.	10 years, renewable every 10 years	<a href="#">Trademark Law Treaty Protocol Relating to the Madrid Agreement</a> Concerning the International Registration of Marks
Design  <a href="#">Design Law of 1997</a>	15 years	

Type of property and law	Validity	International Agreements Signed
<p>Copyright</p> <p><a href="#">Copyright Law of 2006</a></p>		<p><a href="#">Berne convention</a> For the Protection of Literary and Artistic Works</p> <p><a href="#">Convention for the Protection of Producers of Phonograms</a> Against Unauthorized Duplication of Their Phonograms</p> <p><a href="#">Rome Convention</a> For the Protection of Performers, Producers of Phonograms and Broadcasting Organizations</p> <p><a href="#">WIPO Copyright Treaty</a></p> <p><a href="#">WIPO Performances and Phonograms Treaty</a></p>
<p>Industrial Models</p> <p>Utility Model Law of 1997</p>	<p>10 years</p>	

## LEGAL FRAMEWORK OF BUSINESS

### Equity of Judgments

<p>Equal Treatment of Nationals and Foreigners</p>	<p>While there is no legal basis for discrimination against foreigners in the Japanese legal system, not being able to speak Japanese may lead to a lack of equity.</p>
<p>The Language of Justice</p>	<p>Japanese</p>
<p>Recourse to an Interpreter</p>	<p>There are no guidelines to ensure effective communication between judges, lawyers and non Japanese-speaking defendants. No standard licensing or qualification system exists for court interpreters and trials proceed even if no translation or interpretation is provided for the accused.</p>
<p>Legal Similarities</p>	<p>The system is modeled on European systems with Anglo-American influences.</p>

### The Different Legal Codes

<p><a href="#">The Constitution of Japan (Nippon-koku-kenpo, 1946)</a></p>	<p>Foundation of the State, rights of individuals, right of possession</p>
<p>The Civil Code (Minpo, 1896)</p>	<p>Contract law, right of possession</p>
<p><a href="#">The Code of Civil Procedure (Minji-sosho-ho, 1996)</a></p>	<p>Company law</p>
<p>The Criminal Code (Keiho, 1907, revised in 2004)</p>	<p>Criminal law</p>
<p>The Code of Criminal Procedure (Keiji-sosho-ho, 1948)</p>	<p>Criminal procedures</p>
<p><a href="#">Companies Act (2005)</a> which replaces the former Commercial Code (Shoho, 1899)</p>	<p>Corporate status, rights of managers, commercial agents' rights, etc.</p>

<p>Checking National Laws Online</p>	<p><a href="#">Japan (Lexadin, the World Law Guide)</a> <a href="#">Yoshida &amp; Partners</a></p>
<p>Other Useful Resources</p>	<p><a href="#">Japan Law Blog</a></p>

Learn more about [Lawyers and Legal in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

### The Jurisdictions

The Supreme Court	Final appellate court (second appeal, named “Jokoku” in Japanese) <a href="#">To access the website of the Supreme Court and get further information about the organization of the Japanese legal system, click here.</a>
8 High courts	Territorial jurisdiction of the eight major cities in Japan Intermediate appellate courts (first appeal, named “Koso” in Japanese)
2 Intellectual Property High courts	Special branches of the Tokyo and Osaka High Courts. Handles only cases relating to intellectual property in first instance and appeals (only in Tokyo) against decisions made by district courts or by the Japan Patent Office. <a href="#">To access the website of the Intellectual Property High Court of Tokyo, click here.</a>
50 District courts	Territorial jurisdiction First instance (exercising general jurisdiction over all actions, criminal, civil) and appellate jurisdiction over the decision of the Summary courts. Between one and three judges depending on the cases
438 Summary courts	First instance over civil cases involving claims for amounts not exceeding 1,400,000 yen and criminal cases for offences punishable by fines or lighter punishment and other offences, such as habitual gambling and embezzlement. The summary court cannot impose imprisonment or graver punishment as a general rule. When the summary court deems it appropriate to impose a punishment exceeding the limit, it must transfer the case to the district court. Single judge court
77 Family courts	First instance, dealing comprehensively with domestic relations cases and juvenile delinquency cases

### Court Officials

**Practicing attorneys**

They are registered with a regional bar association affiliated to the [Japan Federation of Bar Associations](#).

Attorneys at law (bengoshi) are distinguished from attorneys at foreign law (gaiben) who are lawyers from foreign countries licensed to practice law in Japan. [For more information, consult the Bengoshi Law.](#)

Gaiben can only give advice pertaining to the law of their home jurisdiction. They are generally involved in intermediating between foreign clients and Japanese lawyers, intermediating between foreign and Japanese clients, or assisting Japanese clients with foreign legal matters. For further information, [visit the web pages of the Ministry of Justice devoted to Gaiben](#) and [consult the Foreign lawyers law.](#)



Some attorneys, called Benrishi, are specialized in the field of intellectual property.  
[Click here to find a list of specialized practices](#) .

Lower court judges	Career public servants appointed for a renewable ten-year term
Public prosecutors	Public servants who serve until retirement

Learn more about [Legal and Compliance in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

## INTERNATIONAL DISPUTE RESOLUTION

Arbitration	Recognized under Japanese law as a legitimate method for settling disputes, used specifically in the field of international transactions
Arbitration Law	<a href="#">Law N°138 of 2003</a> , modeled on the <a href="#">UNICITRAL</a> Model law on international Commercial Arbitration
Conformity to International Commercial Arbitration Rules	Party to the <a href="#">New York Convention</a> on the Recognition and Enforcement of Foreign Arbitral Awards. Party to the <a href="#">Geneva Protocol</a> on Arbitration Clauses. Party to the <a href="#">Geneva Convention</a> of the Execution of Foreign Arbitral Awards.
Appointment of Arbitrators	Free determination of the number (minimum three) and the method of appointment by the parties.
Arbitration Procedure	After hearing the parties, the arbitrator makes an award. No appeal is allowed against an award except if it has been made on false evidence. In this case, it can be annulled by the law.
Permanent Arbitration Bodies	<a href="#">Japan Shipping Exchange</a> (Sectors Covered: Maritime disputes) <a href="#">Japan Commercial Arbitration Association</a> (Sectors Covered: International transactions) <a href="#">National Committee of the International Chamber of commerce ( ICC)</a> (Sectors Covered: International transactions) <a href="#">Japan Intellectual Property Arbitration Center</a> (Sectors Covered: Disputes involving intellectual property and resolution procedures for “.jp” domain names)

Learn more about [Lawyers and Legal in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

## Reaching the Consumers

### CONSUMER PROFILE

Consumer Profile	<p>The Japanese population is the second-oldest in the world, just after Monaco, with a median age of 47.3 years, while it was 41.2 in 2000. Some 22.48% of the population is under 24 years of age, 37.5% between 25 and 54 years old and 40.02% over 55 years old. The population is decreasing (-0.2% in 2017). The number of people per household is declining continuously and reaching 2.33 in 2017 while the number of households should continue to increase despite the decline in the population. About 60% of households are couples with or without children. One-person households are increasing and represent nearly 35%. The Japanese population is 51.3% women and 48.7% men. Japan is one of the most densely populated countries and 91% of its population is urban. Tokyo, followed by Kanagawa, Osaka, Aichi, and Saitama, account for 36.4% of the population. The level of education is high, almost all the population has secondary education and 64% higher education. About one-fifth of the workforce is made up of office workers, 17% of professionals and engineers, 13% of people working in manufacturing processes, 12% of sales people, 12% of people working in services, 7% of people working in transportation, cleaning, packaging and related activities while 4% are construction and mining workers. Workers in administration, security, transport and agriculture, forestry and fisheries each account for less than 3%.</p>
Purchasing Power	<p>In Japan, per capita GDP is declining and reached about JPY 41,000,000 in PPP in 2017 (USD 38,428.10). Japan is a high-income society, but wages declined in 2011. However, in 2017 wages are again approaching the 2011 level. The average annual salary of a Japanese is JPY 4,289,232. Thanks to the high summer bonus in the summer of 2018, purchasing power has increased. Average adjusted net disposable income per capita is JPY 3,212,675. However, consumption in Japan fell very slightly in 2018 (about -0.6%). The country suffers from inequalities (the Gini index is 0.33, 1 being the highest level of inequality), especially between the sexes. Women are paid on average 73% of what men earn. People under 20 are the least paid. Half of consumers believe they are more environmentally conscious about shopping than they were a year ago, yet very few are willing to pay more for it.</p>
Consumer Behaviour	<p>Japanese consumers have long tended to prefer quality consumption over mass consumption. However, the economic slowdown has led some consumers to seek out lower prices and lower quality products, especially the young. They are generally willing to visit malls and specialty stores if they offer entertaining shopping experiences. Discount stores and own-label products, which once struggled to break into the Japanese market have gained market share. Quality standards and service expectations (sales process, delivery, packaging, after-sales service, etc.) are high in Japan. The average basket in Japan, relatively high compared to Western countries, is down because of the change in consumption modes (cheaper products in particular). Due to the economic situation in Japan consumer confidence is eroding. Online shopping is attracting an increasing number of consumers though while the country is largely connected, e-commerce is less present than in Eastern Europe or the United States. Japanese consumers are very open to buying international brands for everyday consumer goods and are generally attracted by products imported from countries perceived as 'specialised' such as Swiss watches and French wines.</p>
	<p>Consumers in Japan are generally very brand loyal, however, the older population is more so than the younger generation. There is a strong desire for new products and generally consumers adopt brand innovations though loyalty is declining. Half of the population uses social media regularly. The Japanese mainly watch videos and follow</p>

influencers for opinions on products. Also, nearly three quarters of consumers inquire with social networks before buying certain products, especially cosmetics and fashion. In general, the Japanese are not worried about big data, thanks to the legislation in force. However, most believe that the counterpart to the accumulation of personal data is to receive regular tailored and promotional offers.

Since the economic crisis, the Japanese are moving towards lower priced consumption. According to a McKinsey study, more than a third say they have cut spending and the luxury sector has been declining for several years. While they were willing to spend more to save time, the trend is reversed for some Japanese consumers who prefer to take time to spend less. This is reflected in particular with diets. Part of the population now prefers to cook at home rather than eat out at a restaurant. Also, while the population spends most of the time outside the home even with small houses and long working hours there is an increase in the time spent at home. Regarding the environment, more than half of the population is more interested in it than the previous year. However, very few are willing to pay more for consuming environmentally responsible products. The collaborative economy, such as Airbnb, is struggling to attract more clients.

**Household Consumption Expenditure**

Sector	Percentage
Housing, water, electricity, gas and other fuels	25.2%
Food and non-alcoholic drinks	15.6%
Miscellaneous goods and services	13.7%
Transport	10.0%
Restaurants and Hotels	8.0%
Culture and Leisure	7.8%
Furnishings, household equipment, everyday maintenance of the house	4.3%
Health	3.8%
Communication	3.7%
Clothing and Shoes	3.5%
Alcohol, tobacco and narcotics	2.3%
Education	2.1%

Source: [OECD Stats, 2016](#).

**Consumer Recourse to Credit** Credit and debit cards are increasingly used and this has doubled in 10 years. Debit cards are more widely used and accepted than credit cards (found mainly in large hotels and big-city stores). After stagnating since 2010, household credit is rising again. Outstanding loans are estimated at ¥4,744,864 according to the Bank of Japan. Consumer credit is largely granted by banks, rather than by businesses. The majority of consumer credits are for housing. With an accommodating monetary policy pursued by the Central Bank, consumer loans should continue to grow.

**Growing Sectors** Games consoles, watches, mobile phones, household appliances (washing machines, etc.), electric personal care appliances, dining room furniture (tables, chairs, etc.), ready meals, Japanese clothes, amusement parks, sports services, veterinary services, personal care services, hygiene products, services for the elderly,

educational goods and services.

Consumers Associations [JCCU](#) , Japanese Consumer Association  
[CUJ](#) , Union of Japanese Consumers  
[JCA](#) , Liste des associations consommateurs

### Population in Figures

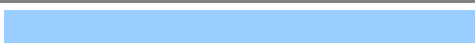

Total Population: 126,529,100  
 Urban Population: 91.6%  
 Rural Population: 8.4%  
 Density of Population: 347 Inhab./km<sup>2</sup>  
 Men (in %) 48.9%  
 Women (in %) 51.2%  
 Natural increase: -0.20%  
 Medium Age: 43.0  
 Ethnic Origins: Japan is one of the most ethnically homogeneous countries in the world, with ethnic Japanese making up 98.5% of its population. Other ethnic groups present in Japan include Koreans (0.5%) and Chinese (0.4%).

### Population of main metropolitan areas

Name	Population
Tokyo	35,441,287
Osaka	17,294,189
Nagoya	6,452,190
Fukuoka	2,561,337
Sapporo	2,204,146
Sendai	1,587,913
Hiroshima	1,410,984
Kitakyushu	1,163,071
Naha	1,160,506
Niigata	1,037,940
Hamamatsu	989,776
Maebashi	985,814
Kumamoto	980,524

Source: [OECD](#), 2012 - Latest available data.

### Age of the Population

Life Expectancy in Years	
Men:	81.1 
Women:	87.3 

## Life Expectancy in Years

Source: [World Bank, last available data, 2009 - Latest available data.](#)

Distribution of the Population By Age Bracket in %	
Under 5:	4.1%
6 to 14:	9.1%
16 to 24:	9.9%
25 to 69:	60.6%
Over 70:	16.2%
Over 80:	6.3%

Source: [United Nations Department of Economic and Social Affairs: 2010 Population Division Prospects](#)- Latest available data.

### Household Composition

Average Age of the Head of the Household	53.8 Years
Total Number of Households (in million)	51.8
Average Size of the Households	2.8 Persons
Percent of Households of 1 Person	32.4%
Percent of Households of 2 Persons	27.2%
Percent of Households of 3 or 4 Persons	32.6%
Percent of Households of 5 Persons and More	7.8%

Source: [UN Data, 2012 - Latest available data.](#)

### Consumption Expenditure

Purchasing Power Parity	2017	2018	2019	2020 (e)	2021 (e)
Purchasing Power Parity (Local Currency Unit per USD)	100.58	98.09	97.04	96.09	94.47

Source: [IMF - World Economic Outlook Database, 2015](#)

Definition: Purchasing Power Parity is the Number of Units of a Country's Currency Required to Buy the Same Amounts of Goods and Services in the Domestic Market as USD Would Buy in the United States.

Note: (e) Estimated Data

Household Final Consumption Expenditure	2016	2017	2018
Household Final Consumption Expenditure (Million USD, Constant Price 2000)	3,383,415	3,421,803	3,433,896
Household Final Consumption Expenditure (Annual Growth, %)	-0.1	1.1	0.4

<b>Household Final Consumption Expenditure</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Household Final Consumption Expenditure per Capita (USD, Constant Price 2000)	26,642	26,989	27,139
Household Final Consumption Expenditure (% of GDP)	55.7	n/a	n/a

Source: World Bank, 2015

<b>Consumption Expenditure By Product Category as % of Total Expenditure</b>	<b>2016</b>
Housing, water, electricity, gas and other fuels	25.2%
Food and non-alcoholic beverages	15.6%
Miscellaneous goods and services	13.7%
Transport	10.0%
Restaurants and hotels	8.0%
Recreation and culture	7.8%
Furnishings, household equipment and routine maintenance of the house	4.3%
Health	3.8%
Communication	3.7%
Clothing and footwear	3.5%
Alcoholic beverages, tobacco and narcotics	2.3%
Education	2.1%

Source: OECD Stats, Latest available data

<b>Information Technology and Communication Equipment, per 100 Inhabitants</b>	<b>2012</b>
Telephone Subscribers	102.7
Main Telephone Lines	50.8
Cellular mobile subscribers	102.7
Internet Users	79.1
PCs	54.2

Source: International Telecommunication Union, Latest available data

## MARKETING OPPORTUNITIES

### Media in Which to Advertise

**Television** Expensive but reaches mass consumers effectively. TV is expected to continue to lead Japan's advertising market (more than 40%) over the next years. Many millions of viewers subscribe to satellite and cable pay TV. TV advertising expenditure represented 31.3% of the total ad market in 2016.

Main Televisions  
[Fuji TV Network](#)

[NHK - Japan Broad. Corp.](#)  
[NTV - Nippon TV Network - Channel 4](#)

**Press** Advertising in newspapers is expensive but reaches mass consumers effectively. In regional and local newspapers, it is suited only for a product with strong potential in a specific region. The increasing use of Internet and the downward trend of the population have contributed to a decline in newspaper sales. There has also been a decrease in the number of newspaper advertisements, which has forced the newspaper industry to transform its style of business (some newspapers charge for online access). Nevertheless, the print sector is still influential and highly trusted. National dailies sell in millions, boosted by afternoon and evening editions. 68.7% of the population read morning newspapers in 2017, whereas the ratio of those who go online for their news grew to 71.4%. Advertising in magazines is a more affordable option for small- to medium-size enterprises. It is the best advertising option to reach a focused target audience, consumer group or to sell industrial and commercial products. A tremendous variety of magazines is published in Japan on a weekly, biweekly, monthly, and quarterly basis. Newspaper advertising expenditure represented 12.1% of the total advertising market in 2016.

Main Newspapers  
[Asahi Shimbun](#)  
[Yomiuri Shimbun](#)  
[Nihon Keizai Shimbun](#)  
[The Japan Times](#)  
[Mainichi Shimbun](#)  
[Nikkan Sports](#)

**Mail** Makes it possible to reach people all over the country, but not really useful. Mail advertising spending was 6% of the total ad market in 2016.

**In Transportation Venues** Transit advertising is especially effective in major cities for branding products and services aimed at women and businessmen, since the majority of Japanese use public transportation for commuting and other business. Ads are placed on buses, rail cars and stations (hanging flyers, framed posters, stickers and flat-panel video). Outdoor advertising expenditure was 20.5% of the total ad market in 2016.

Market Leaders:  
[Japan Intelligence and Communications](#)  
[Japan Advertisement](#)

**Radio** Few radio stations and a relatively small number of radio listeners (less than 7% of the population), but radio advertising expenditure is growing slightly. Radio in Japan operates at rather regional scale and its ownership remains strongly localised. Radio ad spending represented only 2.1% of the total advertising market in 2016.

Main Radios  
[NHK](#)  
[Tokyo FM](#)  
[TBS Radio](#)  
[J-Wave](#)  
[Inter FM](#)

**Web** Japan is the second biggest market of the world concerning online advertising. Advertisements directed at smartphones, as well as video adverts and advertisements using new advertising technologies and data application continue to expand. 94% of the population used Internet in 2017. Japan's Law on Regulation of Transmission of Specified Electronic Mail requires use of an "opt in" system in which email can only be



sent to people who have previously agreed to receive it. Online advertising spending represented 20.8% of the total ad market in 2016. Increases in digital ad spend are expected to slow in the next few years (spending will rise just 6% to USD 12.63 billion in 2020). By then, more than 30% of all paid media spending in Japan will go toward digital formats, including all advertising served to internet-connected devices.

Market Leaders:

[Advertising.com](#)  
[D.A Consortium](#)  
[Japan Intelligence and Communications](#)

Main Advertising Agencies

[Dentsu](#)  
[Hakuhodo](#)  
[ADK](#)  
[Tokyu Agency](#)  
[NTT Advertising](#)

### Main Principles of Advertising Regulations

Beverages/Alcohol	There is no specific legislation on alcohol advertising, which is regulated only via voluntary rules adopted by the Commission on Alcohol Beverages, for example: the prohibition of alcohol-related TV advertisements from 5am to 6pm; alcohol adverts must follow only after TV or radio programmes with an audience of drinking age (20 years); a warning to minors, pregnant women and nursing mothers must be included; pregnant celebrities may not appear in alcohol adverts.
Cigarettes	The Tobacco Institute of Japan has issued voluntary rules on advertising: targeting of minors is not allowed; adverts must include health warnings and may not be shown in public places, with exceptions around tobacco stores; the use of celebrities appealing to the younger generation is not allowed.
Pharmaceuticals/Drugs	Must be approved by the Ministry of Health & Welfare.
Other Rules	Comparative advertising must be substantiated. For further details, read <a href="#">the Code of Ethics of the Japan Advertising Agencies Association</a> .
Use of Foreign Languages in Advertisement	Bilingual marketing is an excellent way to stand out and English is much used as promotional tool, but foreign commercials must always include some Japanese language.
Organizations Regulating Advertising	<a href="#">Japan Advertising Council</a> <a href="#">Japan Advertising Agencies Association (JAAA)</a>

Learn more about [Sales in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

## Selling

### MARKET ACCESS PROCEDURES

#### Customs Procedures

**Import Procedures** Any person wishing to import goods must declare them to the Director-General of Customs and obtain an import permit after examination (if necessary) of the goods concerned. The formalities start with the lodging of an import declaration and end with issuance of an import permit after the necessary examination and payment of Customs duty and excise tax. In this way, measures are taken to ensure the fulfillment of the requirements for the control of foreign exchange and other regulations concerning the importation of goods. More than 90 percent of import procedures is currently computerised.

All steps and required documents are available on the [website](#) of Japan Customs.

The [Customs Counsellor System](#) assists companies with import procedures.

**Specific Import Procedures** Under the "immediate import permission system upon arrival", import permission may be granted as soon as cargo entry is confirmed. To be eligible for this system, importers must file a [preliminary declaration online](#). For goods whose value is less than or equal to JPY 100,000, [a simplified declaration system applies](#).

**Importing Samples** Samples are eligible for duty-free entry, provided they meet the following criteria:

- the total customs value should be JPY 5,000 or less.
- the words 'sample, not for resale' should be written on the commercial invoice.
- the goods should be marked or otherwise impaired so that they can only be used as samples and not be sold.

#### Customs Duties and Taxes on Imports

Customs threshold (from which tariffs are required)	JPY 10,000
Average Customs Duty (Excluding Agricultural Products)	Japan applies a customs tariff that is among the lowest in the world (on average, 3%). For a summary of Japanese customs tariffs, please see the following <a href="#">sheet</a> provided by the WTO.
Products Having a Higher Customs Tariff	Agricultural products (one of the highest rate among industrialized countries) and some processed food products, although the duties applied continue to go down; leather and some manufactured goods.
Preferential Rates	They are granted to imports from the countries with which Japan has signed trade agreements. ( <a href="#">See list</a> )  <a href="#">If necessary, the Japanese customs website explains how the Generalized Preference System works in Japan.</a>
Customs Classification	Japan uses the <a href="#">Harmonised Commodity Description and Coding System</a> , generally referred to as the 'Harmonised System,' developed by the World Customs

	Organisation. The system comprises nearly 5,000 commodity groups, each identified by a six digit code, and is utilised by more than 200 countries.
Method of Calculation of Duties	Ad Valorem on the CIF value of the imports.
Method of Payment of Customs Duties	<a href="#">The central Bank of Japan has set up system of electronic payment.</a>
Import Taxes (Excluding Consumer Taxes)	None

### Labeling and Packaging Rules

Packaging	The Customs services are very particular about the quality of packaging and labeling. Correct packing, marking, and labeling are critical to smooth customs clearance in Japan. Generally, labeling for most imported products is not required at the customs clearance stage, but at the point of sale. Consequently, it is common for a Japanese importer to affix a label to an imported product after it has cleared customs. Packing in straw is prohibited in Japan.
Languages Permitted on Packaging and Labeling	Japanese, English and French.
Unit of Measurement	All imported goods as well as transport documents must show metric units of measurement and weight.
Mark of Origin "Made In"	It is not mandatory, except in the case of foodstuffs and drinks.
Labeling Requirements	No specific requirements.
Specific Regulations	Japanese legislation provides specific labeling rules for certain foodstuffs and textile products, electrical appliances and consumer goods. The regulations are not effective when going through Customs. The necessary information must therefore be added between the moment of importing and that of putting the product on the market.

## DISTRIBUTING A PRODUCT

### Distribution Network

#### Types of Outlet

Department stores	Clothing, cosmetics, jewelry, food <a href="#">Mitsukoshi</a> , <a href="#">Isetan</a> , <a href="#">Marui 0101</a> in Tokyo <a href="#">Takashimaya</a> , <a href="#">Sogo</a> in Kanagawa.
Supermarkets and hypermarkets	Food supermarkets and specialized department stores <a href="#">Aeon</a> , <a href="#">Itoyokado</a> , <a href="#">Daiei</a> , <a href="#">Uny</a> , <a href="#">Izumi</a> , <a href="#">Life corporation</a> , <a href="#">Izumiya</a> ,
Convenience stores	Open 24/24. General food, drink, everyday products <a href="#">Seven Eleven</a> , <a href="#">Lawson</a> , <a href="#">Family Mart</a> , <a href="#">Sunkusu</a> , <a href="#">Daily Yamazaki</a> , <a href="#">Mini Stop</a> , <a href="#">Seicomart</a> , <a href="#">Poplar</a>
Discount stores	Clothing (directly connected to well-known foreign brand names) miscellaneous goods <a href="#">DonQuijote</a> , <a href="#">Mr Max</a> , <a href="#">Trial company</a> , <a href="#">Takeya</a> , <a href="#">Super Center Plant</a>
Home centers	Gardening, decoration and other items for decorating and fitting out the home

	<a href="#">Cainz</a> , <a href="#">Kohnan Shji</a> , <a href="#">Nafco</a> , <a href="#">Homac</a> , <a href="#">Keiyo D2</a> , <a href="#">Komeri</a> , <a href="#">Kahma</a> , <a href="#">Shimachu</a> , <a href="#">Daiki</a> , <a href="#">Tokyu Hands</a>
Cooperative	80% food products and 20% convenience goods and clothing. <a href="#">Coop Kobe</a> , <a href="#">Coop Sapporo</a> , <a href="#">Chiba Coop</a>
Drug Stores	Personal hygiene products, cosmetics, beauty products, detergents, sweets and drinks <a href="#">Matsumoto Kiyoshi</a> , <a href="#">CFS Corporation</a> , <a href="#">Sun Drug</a> , <a href="#">Turuha</a> , <a href="#">Sugi Pharmacy</a> , <a href="#">Create SDS</a> , <a href="#">Segami Medics</a> , <a href="#">Kokumin</a>
Specialized stores	Specialized by product or by type of customer targeted: clothing (including kimonos), gardening, alcohol... Clothing: <a href="#">Aoyama Syouji</a> , <a href="#">Aoki International</a> , <a href="#">Haruyama Shoji</a> Women and children's clothing: <a href="#">Shimamura</a> , <a href="#">Five Foxes</a> , <a href="#">Akachan</a> Casual clothing: <a href="#">Fast retailing (Uniqlo)</a> , <a href="#">Right On</a> , Shoes: <a href="#">Chiyoda</a> , Alcohol : <a href="#">Kakuyasu</a> Information technology: <a href="#">Yamada Denki</a> , <a href="#">Yodobashi Camera</a> , <a href="#">Kojima</a>
Others	100 Yen shops: all sorts of products, sold for the one price of 100 JPY. <a href="#">Daiso Sangyo</a> , <a href="#">Seria</a> , Ninety-nine plus,

### Evolution of the Retail Sector

**Growth and Regulation** According to *Euromonitor*, retail sales in the packaged food market in Japan had been estimated at US \$175.4 billion in 2016. Japan is now the 3rd largest package food market in the world after the U.S. and China, which passed Japan in 2012. By the year 2021, retail sales in the packaged food market in Japan is expected to reach US \$197.4 billion.

Post reports that Japan's food retail market generated about US \$369.61 billion (¥45.31 trillion) in 2015, down 0.6% from the previous year. Although it is a huge market, it is highly fragmented. Unlike in North America and the European Union (EU), Japan's retail food sector is characterised by a relatively high percentage of speciality/semi-speciality stores, including "mom-and-pop" stores and local grocery stores. Such small retailers, however, are gradually losing ground to large general merchandise stores (GMS), supermarkets (SM), and convenience stores (CVS).

Japan's general merchandise stores (GMS), offer shoppers the convenience of one-stop shopping for groceries, perishables, clothing, household goods, furniture, and electrical goods. GMS's are operated by major national chains that have nationwide networks with hundreds of outlets and typically rely on centralised purchasing. They often purchase foreign products via trading companies.

Supermarkets (SM) stores are smaller in size than GMS's and are more specialised in food and household goods. Supermarkets are facing higher purchasing costs than GMSs. They are seeking ways to stay competitive through product/service differentiation, private brand development, and global sourcing. To gain economies of scale, regional supermarkets are forming alliances through joint merchandising companies with non-competing retailers.

Department store sales have been slowly declining in recent years due to increasing competition with other retailers.

Convenience stores (CVS) are an extremely important sales channel in Japan. They have limited floor space, about 100 m<sup>2</sup> on average, and typically stock about 3,000 products. Convenience stores derive their competitive advantage from high turnover

and efficient supply chains. Convenience stores are notably competing strongly by offering attractive consumer food service options, particularly as fast food offers high potential profits.

Market share

The largest retail outlet is Aeon Co. Ltd, leading player in supermarkets, where it accounted for 9% value share in 2016, and ranked 4th in overall grocery retailers with 4% value share, according to *Euromonitor*. The company took initiatives to establish a price advantage by holding low-price sales promotions for food as well as offering approximately 5,000 lower-priced items through Aeon's private brand, TopValu. The company gained share marginally in overall grocery retailers in the year, benefiting from ongoing outlet volume expansion and a focus on smaller supermarkets in convenient locations. The company also benefited from increasing its focus on fresh and healthy food towards the end of the review period, thus responding to a strong health and wellness trend among Japan's ageing population. The company notably benefits from operating its own farms, enabling it to offer fruit and vegetables picked the same day in some stores.

The second largest retailer in terms of overall sales value is Ito-Yokado. Ito Yokado is part of the Seven & I group that is also successful with its convenience store business.

The well-known U.S. brand retailers Costco and Walmart are also successful in Japan. Costco opened its first membership warehouse club in Japan in 1999. Today Costco operates 25 warehouses. Walmart purchased the Seiyu supermarket chain in 2005, and now Walmart Japan operates 341 retail stores in Japan, using the more familiar Seiyu name.

Due to Japan's shrinking population, grocery retailers are expected to see only marginal growth over the next five years, with less than 2% value growth at constant 2016 prices. This will however be marginally stronger in comparison to the growth seen during the last five years. A shift from consumer food service to home dining will continue to be a key driver of growth, as consumers' lifestyles become more urbanised and busy and consumers view eating at home as a more convenient and affordable option.

Retail Sector Organisations

- [Japan Retailers Association](#)
- [Japan Department Store Association](#)
- [Japan Council of Shopping Centres](#)
- [Japanese Trade Union Confederation \(JTUC - RENGO\)](#)

**E-commerce**

Internet access

Internet penetration in Japan is currently 82.1% and should reach 83.2% by 2021. Smartphone penetration is a lot less (47.8%) but is projected to grow to 54.4% in the next four years. There were 103.89 million internet users in Japan in 2017, and this figure is projected to reach 104.27 million by 2022. Japan has the 7th fastest internet connection speed in the world (20.2 Mbps) – average internet speeds are higher in developed Asian countries. Japan had the third largest rate of high broadband connectivity (73%) as of 2017. The most popular search engines are Google (69.79%), Yahoo! (25.92%), Bing (3.53%), Baidu (0.44%), Never (0.1%) and DuckDuckGo (0.08%).

E-commerce market

There were nearly 89 million online shoppers in Japan in 2017. That same year, the Japanese B2C e-commerce turnover grew by 16% to US\$ 79,247 million. Japan had an online population of 116.8 million people who were aged 15 and older. While Japanese consumers have been rather reluctant to buy foreign products in the past, they have

become progressively more open to them over time. Japanese consumers are highly diverse in their interests and tastes, which range from traditional needs to more westernised desires. User penetration is at 66.6% in 2018 and it is expected to hit 72.6% in 2022. Revenue in the e-commerce market is expected to amount to US\$ 105.1 billion in 2018. The market is expected to show an annual growth rate of 6.2% resulting in a market volume of US\$ 133.6 billion in 2022.

**E-commerce sales and customers** In 2017, 79.5% of the population in Japan had purchased products online. By the end of 2018, this figure is expected to grow to 80.3%. In 2017, retail e-commerce sales amounted to US\$ 111.33 billion and are projected to grow to US\$ 122.46 billion in 2018. In 2017, e-retail sales accounted for 8.2% of all retail sales in Japan, and this figure is expected to reach 9.7% in 2019. In 2018, 80.3 million people in Japan are expected to buy goods and services online. Electronics and media are currently the leading product category in Japan, accounting for US\$ 23.73 billion market share, followed by fashion, which generates US\$ 22.28 billion in sales. Japan's e-commerce payment options are many: Credit card and debit card payments account for 66% of payments for e-commerce transactions. A variety of other "eWallet" and E-Payment options are also proliferating. In addition, cash payments for online purchases are accepted at convenience stores (Konbini). About 17% of such payments are made in cash at Konbini after products are delivered, a popular option for many teens without bank accounts or credit cards. 48% of consumers purchase online on a monthly basis. The preferred device to access online retailers is PCs (82%), followed by smartphones (43%), which have been gaining popularity when it comes to online shopping. Still, 92% of online shoppers in Japan buy using desktops, a stark contrast to the amount of smartphone (6%) and tablet (1%) shoppers.

**Social media** 52.56 million people in Japan are active monthly social network users, with the most popular ones being Facebook (39.32%), Twitter (29.08%), Pinterest (13.73%), YouTube (10.62%), Tumblr (2.58%) and Instagram (2.29%). Their growth is low and there are signs of little time being spent on the social networks. Facebook is showing stagnation in Japan. On the other hand, Instagram is taking off, pushing beyond 10 million users in Japan this year.

## Direct Selling

**Evolution of the Sector** The [World Federation of Direct Selling Associations \(WFDSA\)](#) 2017 report shows retail direct selling in Japan grew 0.4%, was valued at USD 15.329 billion, and involved 3,124,000 independent representatives.

[Euromonitor International](#) highlights Japan's direct selling market faces a decline due to recent fraudulent activities and scams. Direct selling companies are looking for alternative sales channels to compensate for sluggish performances (i.e. Avon sells its new Dual Face brand in drugstores and pharmacies). Amway remains the leading company with its nutritional supplements and cosmetic products while Yakult revised (and will continue to revise) its business structure and kept its place as the second largest direct selling company.

The [Japanese Direct Selling Association](#) and the [National Association for Direct Selling and Distribution](#) promote best practices in the industry.

## Commercial Intermediaries

Trading Companies

Type of Organization	<p>There are two types of trading companies:</p> <ol style="list-style-type: none"> <li>1. The Senmon shosha, specialized in a limited range of products.</li> <li>2. The Sogo shosha, general trading companies. These are large groups which act as importers-exporters of the whole range of products from bean sprouts to airplanes.</li> </ol>
Main Actors	<p>Mitsubishi Corporation, Mitsui Co LTD, Itochu Corporation, Sumitomo Corporation, Marubeni Corporation, Sojitz Holdings Corporation, Toyota Tsusho Corporation, Tomen Corporation</p>
Wholesalers	
Type of Organization	<p>There are two types of wholesalers:</p> <ol style="list-style-type: none"> <li>1. Import-export wholesalers. They are particularly useful for their logistic organization, information processing, product promotion and selection.</li> <li>2. Wholesalers who mainly offer a logistic service, stocking goods so as to supply retailers as they need them.</li> </ol> <p>Nevertheless, the shrinking of the Japanese distribution market, making a more direct connection between producers and retailers necessary, has led to an evolution in wholesaling. Indeed, many wholesalers have opted for a more vertical integration of their activity by even developing their own brand names and retailing goods themselves.</p>
Main Actors	<p>Clothing: <a href="#">Onward Kashiyama</a>, <a href="#">World</a>, <a href="#">Wacoal</a>            Fashion accessories: <a href="#">Etoile Kaito</a>, <a href="#">Morit</a>, <a href="#">Kiyohara</a>            Food and alcohol: <a href="#">Kokubu</a>, <a href="#">RYOSHOKU LIMITED - Mitsubishi Corporation</a>, <a href="#">Nippon Access</a>            Lingerie and furnishings: <a href="#">Sangetsu</a>, <a href="#">Lic</a>, <a href="#">Nishikawa Sangyo</a>            Furniture: <a href="#">Francebed</a>, <a href="#">Karimoku Kagu</a>, <a href="#">Oliver</a>            Watch and clock making and precious metals: <a href="#">Doshisha</a>, <a href="#">Seiko Watch</a>, <a href="#">Nagahori</a>            Fruit and vegetables : <a href="#">Tsukiji Central Wholesale Market</a></p>

### Using a Commercial Agent

The Advantages	<p>More realistic marketing strategy for a small or medium-sized firm.            Import agents are often appointed as sole agents for the entire country.</p>
Where to Be Vigilant	<p>This approach requires great care in the selection of the representative.            Don't try to use a list of importers as a basis for "cold calls" on prospective agents. It is important to build a personal relationship.</p>
Elements of Motivation	<p>Exclusivity, a limited term of representation, minimum sales, or qualitative indicators of sales efforts.            Frequent communication per fax, mail, phone, plus regular visits to Japan</p>
The Average Amount of Commission	<p>-From 5 to 10% for regular business transactions, and from 10 to 20% for occasional transactions            -1 to 3% in the case of bulk materials (iron ore or coal)            -20% or even higher in the case of medical, laboratory and scientific analytical instruments</p>
Breach of Contract	<p>It does not call for any particular comment. According to the case, the foreign company may have to pay some compensation.</p>
Finding a Commercial Agent	<p><a href="#">Globalrepresentation</a>  <a href="#">JETRO</a>, Matching business database (TTPP)  <a href="#">Alibaba</a>  <a href="#">Mondo Marketing Agency</a>, Digital marketing and distribution</p>



Learn more about [Traders, Agents in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

## Setting Up a Commercial Unit

The Advantages	Although still costly, establishing a presence and an office in Japan has become less expensive given recent decreases in the costs of labor, office rent, and other expenses.
Where to Be Vigilant	It should be considered in the case of long term sales development.
Different Possible Forms of Settlement	
A Representative Office	Such an office can obtain market data and other information and provide necessary promotional and service support. A representative office is not subject to Japanese taxes and establishing an office does not require special approval. However, a representative office must not involve itself in commercial transactions or generate income, and therefore cannot directly handle commercial orders.
A Branch Office	A branch office may take and fill orders and carry out a full marketing program, including advertising, recruiting a sales force, and performing promotional activities. A branch office is liable for payment of Japanese taxes. Furthermore, the establishment of a branch office is considered a direct investment and requires reporting to the Ministry of Finance.
A Company	Setting up a wholly-owned corporation will involve more time and expense, but it can offer an effective means of guaranteeing better protection for proprietary information, obtaining credit, and penetrating markets which have subtle but substantial barriers to imports.

## Franchising

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

Identifying the right business partner in Japan requires time and effort, and it can be difficult to find companies that are willing to invest in master franchise rights or to invest in business concepts that do not have a clear market or strong growth potential in Japan. Therefore, thorough market research and a long-term commitment are necessary for foreign companies that are considering launching a franchise-based business in Japan.

The Medium and Small Retail Commerce Promotion Act (Law No. 110 of 1973) (MSRCPA) regulates franchising that falls under the definition of "specified chain business". A "chain business" is defined as a business that, under an agreement with standard terms and conditions, continuously sells or acts as an agent for sales of products and provides guidance regarding management, primarily targeting medium and small retailers (Article 3, paragraph 5, MSRCPA). A "specified chain business" is defined as any chain business where a member (Article 11, paragraph 1, MSRCPA):

- Is allowed to use certain trade marks, trade names or any other signs.
- Must pay joining fees, deposits or any other monies on becoming a member.

Apart from the MSRCPA and the Guidelines concerning the Franchise System under the Anti-Monopoly Act, there is no law that specifically regulates franchising. There are, however, many laws that regulate specific industries or businesses, which may also apply to franchises. The franchisor must therefore comply with the applicable laws and regulations.

Some Big Franchises     [Family Mart](#), convenience stores  
                              [Seven-Eleven](#), convenience stores  
                              [Edo Japan](#), Japanese fast food  
                              [Members of Japan Franchise Association](#)

For Further Information     [Japan Franchise Association](#)  
                                      [Japan Franchise Opportunities](#)

### Finding Assistance

Export Trading                 [Marubeni Corporation](#)  
Companies                     [Mitsui&Co Ltd](#)  
                                      [Mitsubishi Corporation](#)  
                                      [Itochu](#)  
                                      [PMC](#)  
                                      [SBA](#)

Recommended                 [Japan Trade Portal](#)  
Resource                        [Asia Trade Hub](#)

Learn more about [Sales in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

## Buying

### CUSTOMS PROCEDURES

Export Clearance	<p>Before the export declaration, in principle, goods to be exported must be brought into the Hozei area. The <a href="#">Hozei area</a> is the place designated by the Ministry of Finance and approved by the Director-General of the Customs as an area to place cargoes arriving from overseas.</p> <p>The exporter of goods or the customhouse broker delegated by the exporter declares the export to the Customs having jurisdiction over the Hozei area where the goods to be exported are brought into.</p> <p>This declaration is accompanied by supporting documents such as invoices and, if required, by other documents, i.e. permits, approvals or licenses.</p> <p><a href="#">The Japanese Customs website explains how to fill in the export declaration form.</a></p> <p>When an exporter exports the same type of goods on a regular basis, export procedures can be expedited by using the Comprehensive Prior Examination System, in advance. <a href="#">The Japanese Customs website explains the conditions in which it can apply.</a></p>
Necessary Declaration	<ol style="list-style-type: none"> <li>1. Code, number, name, quantity and price of goods;</li> <li>2. Destination of cargo and name or appellation and address or place of residence of consignor;</li> <li>3. Name and registration number of the carrier (vessel or aircraft) of the cargo;</li> <li>4. Location of the storage of goods</li> <li>5. Other items as a reference</li> </ol>
Restrictions	<p>Exports from Japan are not subject to any restrictions. Export Permission and Export Approval are necessary but they only concern goods internationally recognized as being subject to such restrictions (weapons, nuclear energy, missiles, etc.).</p> <p>Restrictions on rice have been lifted.</p>
Export Taxes	<p>No tax is levied on exports.</p> <p>Exports are also exempt from consumption tax.</p>

### INDUSTRIAL AND MANUFACTURING PROFILE

Type of Production	<p>The industrial sector constitutes approximately 28% of GDP and manufacturing employs nearly 18% of the workforce. Japan has traditionally been a world leader with its automated production processes. On the whole, the industry has benefited from innovative technology- including the chemical, aircraft and software sectors. Japan ranks among the world's largest and most technologically advanced producers of electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles and processed foods. The production value of the food industry ranked third among manufacturing industries (after electric and transport machinery).</p>
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#### Type of Manufacturers

Original Equipment Manufacturers	<p>Japan records a great number of OEMs, established on high technological segments of production. The strength of Japanese OEMs comes from their long-term investments in R&amp;D (3% of its GDP invested in R&amp;D each year, more than in the United-States). OEMs are found in every major Japanese industrial sector.</p>
Original Design Manufacturers	<p>Japan's industrial sphere counts fewer ODMs. But OEMs sometime also offer the services of ODMs.</p>

Subcontractors            The labor cost in Japan is too high to allow the country to be competitive for this type of business relation. Nevertheless in some high technological segments, one may find some competitive subcontractors.

## IDENTIFYING A SUPPLIER

### Business Directories

Multi-sector Directories    [All.biz - Japan](#) - Directory of companies in Japan.  
[eBizFinder](#) - Directory of both Japanese and overseas trading companies.

### Marketplaces

Domestic Marketplaces    [JETRO TTPP](#)  
[Japan Business Associations](#)  
[Japan Trade Leads](#)  
[Go4JapanBusiness](#)  
[Kansai Window](#)

Regional Marketplaces    [Asian Manufacturers](#)  
[EE Times Asia](#)  
[AsiaNet](#)  
[TradeInfo AsianNet](#)

### Other Useful Resources

Trade Agencies and Their Representations Abroad    [Japanese Chamber of Commerce and Industries](#)  
[The representations of the JETRO around the world](#)

Fairs and Trade Shows    [The Tokyo Motor Show](#)  
[International Jewellery Tokyo \(IJT\)](#)  
[Internecon Japan, major trade show in the world for electronics manufacturing](#)  
[Trade shows in Japan](#)

Learn more about [Service Providers in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

## CONTROLLING THE QUALITY OF THE PRODUCTS

Quality Control Organizations    [Japanese Society for Quality Control JSQC](#)  
[BureauVeritas Japan](#)

## ORGANIZING GOODS TRANSPORT TO AND FROM JAPAN

Main Useful Means of Transport    Japan has 128 ports, including 23 main ports, situated along the Japanese coastline. Ports are the hub for 99% of the country's foreign trade, 42% of domestic distribution. The 'Three Major Bays' handle approximately 35% of all port cargo in Japan and consist of Tokyo Bay (six harbours, including Yokohama and Tokyo), Osaka Bay (five harbours including Kobe and Osaka) and Ise Bay (five harbours including Nagoya). In 2014, Japanese air freight reached 8,662 million tonnes per km (the sixth highest

volume globally).

## By Sea

Ports	<a href="#">Japanese ports location</a>
Transport Professionals	<a href="#">Uniseas Inc</a> <a href="#">Hitachi Transport System</a> <a href="#">Iino Kaiun Kaisha, Ltd</a> <a href="#">Kawasaki Kisen Kaisha, Ltd.</a> <a href="#">Mitsui O.S.K. Lines</a> <a href="#">Toyofuji Shipping Co., Ltd</a> <a href="#">Keihin Co., Ltd.</a> <a href="#">Compare prices on Japanese Domestic shipping</a>
Government Transport Organisations	<a href="#">Ports and Harbours Bureau</a> <a href="#">Maritime Bureau</a>

## By Air

Airports	<a href="#">Narita International Airport</a> <a href="#">Kansai International Airport</a> <a href="#">Chubu Central International Airport</a>
Transport Professionals	<a href="#">Fukuyama Transporting Co., Ltd.</a> <a href="#">Hitachi Transport System</a> <a href="#">Keihin Co., Ltd.</a>
Government Transport Organisations	<a href="#">Civil Aviation Bureau</a>

## By Road

Transport Professionals	<a href="#">Fukuyama Transporting Co., Ltd.</a> <a href="#">Hitachi Transport System</a> <a href="#">XPS Tokyo</a> <a href="#">Sagawa Express</a> <a href="#">Keihin Co., Ltd.</a> <a href="#">Yamato Transport Company</a>
Government Transport Organisations	<a href="#">Road Bureau</a>

## By Rail

Transport Professionals	<a href="#">Japan Freight Railway Company</a>
Government Transport Organisations	<a href="#">Railway Bureau</a>

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## Operating a Business

### LEGAL FORMS OF COMPANIES

Kabushiki Kaisha (KK): Public Limited Company	Number of partners: Minimum of 400 to keep listing on the Tokyo Stock Exchange Capital (max/min): Minimum JPY 1 Shareholders and liability: Limited to the amount of capital contributed
Yugen Kaisha (YK): Limited Liability Company	Number of partners: Minimum of one Capital (max/min): Minimum JPY 1 Shareholders and liability: Limited to the amount of capital contributed
Goshi Kaisha (GK): Limited Partnership	Number of partners: Minimum of two partners Two types of partners: active partners and sleeping partners Capital (max/min): No minimum capital Shareholders and liability: Unlimited for the active partners; limited to the amount of capital contributed for the sleeping partners.
Gomei Kaisha (GK) General Partnership	Number of partners: Minimum of two partners Capital (max/min): No minimum capital Shareholders and liability: Unlimited
Enterprises Federation	<a href="#">Japan Small and Medium Enterprise Management Consultants Association (J-SMECA)</a> <a href="#">Tokyo Metropolitan Small Business Promotion Agency</a>
Find a Company or a Financial Report	<a href="#">Business News on Japan</a>

### BUSINESS SETUP PROCEDURES

Setting Up a Company	Japan
Procedures (number)	8.00
Time (days)	11.20

Source: *Doing Business*.

For Further Information	<a href="#">Doing Business: Japan</a> , learn about procedures to start a business in Japan <a href="#">Trade Register</a>
The Competent Organisation	Administrative formalities must be carried out at the bureau of legal affairs of the <a href="#">Ministry of Justice</a> .

### Recovery Procedures

Principle	The insolvency of a company does not lead immediately to bankruptcy or liquidation. Recovery procedures are different according to the type of company. <a href="#">For further information, click here.</a>
Minimum Debt-to-Capital Ratio	None
Triggering Liquidation	
Bankruptcy Laws	The law on bankruptcy (Hasan Ho) The law on special liquidation (Tokubetsu Seisan) which depend on the Commercial

Code.

Reorganization and  
Rehabilitation Laws

Compulsory composition (Kyosei Wagi) under Bankruptcy law. Makes it possible to reach an agreement with creditors.

Civil rehabilitation (Minji Saisei) under Civil Rehabilitation law

Company Rehabilitation (Kaisha Seiri) under Commercial Code

Corporate Reorganization law (Kaisha Kosei Ho), law n°172 of 1952

## THE ACTIVE POPULATION IN FIGURES

	2012	2013	2015
Labour Force	65,020,000	65,620,000	64,320,000

Source: CIA - The World Factbook

	2015	2016	2017
Total activity rate	59.27%	59.09%	58.93%
Men activity rate	70.98%	71.05%	71.13%
Women activity rate	49.12%	48.98%	48.87%

Source: ILO, Laborstat - Yearly Statistics

Employed Persons, by Occupation (% of Total Labour Force)	2015
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.0%
Manufacturing	16.7%
Human health and social work activities	12.3%
Construction	7.8%
Accommodation and food service activities	6.0%
Transportation and storage	5.7%
Education	4.8%
Administrative and support service activities	4.6%
Public administration and defence; compulsory social security	3.7%
Agriculture, forestry and fishing	3.6%
Professional, scientific and technical activities	3.4%
Information and communication	3.3%
Financial and insurance activities	2.8%
Real estate activities	1.4%
Arts, entertainment and recreation	1.1%
Electricity, gas, steam and air conditioning supply	1.0%
Mining and quarrying	0.0%

Source: ILO, Laborstat - Yearly Statistics

For Further Statistics [Statistical Survey Reports by the Japan Institute for Labour Policy and Training Statistics Bureau \(Ministry of Internal Affairs and Communications\)](#)

## WORKING CONDITIONS

### Opening Hours

Legal Weekly Duration	While working conditions are set at 8 hours per day and 40 hours per week, employees frequently work 50 or 60 hours a week. Compared with the United States, the United Kingdom, France and Germany, Japanese employees consistently work the highest number of hours. Japan is also the country with the least annual vacation, including weekly rest days and vacation.
Maximum Duration	10 hours per day and 52 hours per week
Night Hours	10 pm until 5 am

**Working Rest Day** According to the labor standard law, employees should have one day off for every week of work, or alternatively, 4 days off for every 4 weeks of work.

There is no particular law establishing certain days of the week as days off or making national holidays days off. This is generally determined by the company. In general, Saturday and Sunday are not working days, but this is not the case in all companies.

**Paid Annual Vacation** Only for employees who have been employed more than six months and showed up for work more than 80% of the time.

10-20 days of annual paid vacation per year, depending on how long one has worked.

**Retirement Age** Age 65, with a minimum of 25 years of contributions. An early pension is payable between ages 60 and 64.

**Child Labour and Minimum Age For Employment** 15 years

**Informal Labour Market** Because of the flexible regulation of the labor market, informal labor is not developed.

## THE COST OF LABOUR

### Pay

**Minimum Wage** According to the Japanese government data, the minimum wage is 848 JPY per hour in 2018.

**Average Wage** Average monthly earnings of employees: JPY 357 436 (source: OECD, 2017, latest available data)

### Other Forms of Pay

**Pay For Overtime** 25% more than regular wages

**Pay For Rest Days Worked** 35% more than regular wages

**Pay For Night Hours** 25% more than regular wages

**Pay For Overtime at** 50% more than regular wages



Night

**Social Security Costs**

The Areas Covered Health insurance, nursing care insurance (for employees of ages 40 to 64), welfare pension insurance, unemployment insurance and workers' accident compensation insurance

Contributions Contributions Paid By the Employer:

	Employer Contribution	
Health insurance	50% of 10.47%	
Workers' accident compensation insurance	0.25%	
Welfare pension	50% of 18.3%	
Unemployment insurance	0.70% of 1.10%	
Family allowance	0.2% total compensation	

Contributions Paid By the Employee:

Competent Organization [Ministry of Health, Labour and Welfare](#)

**MANAGEMENT OF HUMAN RESOURCES**

**Recruitment**

Method of Recruitment The recruitment process takes place more and more via internet. Selection is made on the basis of a job interview.

Recruitment Agencies There are three types:  
 -Public Employment Offices  
 -Private Employment Agencies  
 -Labor Dispatch Business.

Recruitment Websites [Hellowork: Government-run employment agency, website exclusively in Japanese Jobs in Japan](#)

**The Contract**

Type of Contract Contracts determine if the employee is part of the regular or non-regular staff. Permanent employees form the regular staff and permanent contracts represent 65.4% of jobs in Japan. Among the non-regular staff, there are different types of contract: part-time workers, temporary workers, dispatched workers, fixed-term contract workers and entrusted employees (shokutaku). About 23% of jobs are non-regular jobs under part-time contracts. In the years following the Asian financial crisis, recourse to part-time jobs has developed considerably.

**Breach of Contracts**

Retirement It can take several forms: general resignation, resignation for one's own convenience, resignation by agreement, resignation by employee's request, voluntary retirement.

Dismissals Neither prohibited, nor controlled.

The Labor Standards Act prohibits only two dismissal cases:  
 1) during a period of leave for an injury at the workplace or illness, and during the 30 days following, as well as  
 2) for women, during the period of leave for pregnancy and delivery and during the 30 days following.

Other Possible Methods  
 Collective dismissals (possible for economic reasons)  
 Disciplinary dismissals  
 Resignation

Labour Laws  
[Japan Institute for Labour Policy and Training](#)  
[Japanlaw's summary of the labour law](#)  
[Doing Business: Japan](#), to obtain a summary of labour regulations that apply to local enterprises

## Dispute Settlement

### Conciliation Process

Cases of Dispute  
 Dismissal (26.1%), poor working conditions (14%), harassment (8.9%), conflict over retirement (7.2%)

Legal Framework  
 Three-step system :  
 1. resolution, "information provision and consultation" at the consultation service  
 2. "advice and guidance" by the head of the labor bureau  
 3. "conciliation" by the Dispute Reconciliation Council

Procedure  
 Act on Promoting the Resolution of Individual Labor Disputes, which was enacted in 2001

### Judicial Structures

Legal Framework  
 standard civil procedures

Competent Legal Body  
 District courts  
 Labor tribunal system composed of a judge (labor tribunal judge) and labor-management experts (labor tribunal lay members)

## Social Partners

Social Dialogue and Involvement of Social Partners  
 The majority of collective bargaining is conducted by local labour unions or work unit unions. These work unit unions account for 90% of unions in Japan. Federations do not control the actions or policies of unit unions and typically engage in political or public affairs activities. There are two major trade unions: the Industrial Trade Unions and the National centres (mainly [JTUC- RENGO](#)). Typically, JTUC-RENGO and management organisations (such as [Nippon Keidanren](#), [the Japan Business Federation](#)) establish a venue for regular discussions. When the labour union and the management organisation share a policy opinion, a joint policy proposal is submitted to the Governmental Councils. Every year between March and April, unions launch their 'Spring Wage Offensive', known as Shunto.

Unionisation Rate  
 The unionisation rate was 18.5% in 2010 and has dropped over the years, especially in private sector SMEs and micro-enterprises.

Unions  
[Nippon Keidanren](#)  
[Japanese Trade Union Confederation \(JTUC-RENGO\)](#)

Regulation Bodies      [The Japan Institute for Labour Policy and Training](#)  
[Ministry of Health, Labour and Welfare](#)  
[The Office of the International Labour Organisation in Japan](#)

Learn more about [Operating a Business in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

## Investing

### FDI IN FIGURES

According to the [2019 UNCTAD World Investment Report](#), FDI flows to Japan remain low compared to most other developed nations across the world. Furthermore, inflows are relatively unstable, with FDI reaching USD 9.9 billion in 2018, down from 17.75 billion in 2016 and USD 10.4 billion in 2017. This was mainly due to massive divestments from the Japanese retail and communications sectors. However, from a global point of view, world inflows decreased by 15% in 2018, while they decreased less in Japan (-5.9%). FDI stocks in Japan were estimated in 2018 at about USD 213.8 billion, up from USD 200.1 billion in 2017. In 2018, the United States, the United Kingdom, France, and South Korea were the main investing countries and represented nearly 85% of the FDI inflows. Investments were mainly oriented towards electric machinery, finance and insurance, chemicals and pharmaceuticals, transportation equipment production and real estate.

Finally, Japan ranked 39<sup>th</sup> out of 190 countries in the World Bank's [2019 Doing Business report](#), a slight decrease from 2018, when it ranked 34<sup>th</sup>. Japan's key strengths are its position as a leader in advanced technology and R&D. The potential barriers to investment are essentially demographic, linguistic and cultural. The disaster that hit Japan in 2011 (the devastating earthquake and tsunami), as well as the environmental and health concerns related to the situation at the Fukushima Daiichi nuclear power plant, continue to hold back future foreign investment. Nevertheless, Japan remains a key market for investors. Moreover, the Japanese economy has been financing the reconstruction of the country without too much difficulty, thanks to a surplus of savings accumulated in recent years. Prime Minister Shinzo Abe's growth strategy aims to double the value of FDI by 2020 compared to the end of 2012. The government has been incorporating rules for corporate governance, gradually reducing the effective corporate tax, and has established R&D centers and special economic zones in order to become the world's most business-friendly nation. Among the major investments identified in the last couple of years, there is Japan's largest M&A deal of 2016, when the French company Vinci Airports acquired the management rights of Kansai International Airport and Osaka International Airport, and Japan's biggest-ever overseas M&A deal, which happened in 2018 when Takeda Pharmaceutical purchased Shire USD 62 billion. In 2018, Japan replaced China as the leading Asian market for M&A, a trend that is likely to continue in 2019.

<b>Foreign Direct Investment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
FDI Inward Flow <i>(million USD)</i>	17,751	10,430	9,858
FDI Stock <i>(million USD)</i>	196,614	200,193	213,754
Number of Greenfield Investments***	213	245	253
FDI Inwards <i>(in % of GFCF****)</i>	1.0	n/a	n/a
FDI Stock <i>(in % of GDP)</i>	3.8	n/a	n/a

Source: UNCTAD, Latest available data.

Note: \* The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. \*\* The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. \*\*\* Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. \*\*\*\* Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

### FDI INFLOWS BY COUNTRY AND INDUSTRY

Main Investing Countries	2018, in %	Main Invested Sectors	2018, in %
United States	22.8	Electrical machinery	41.8
United Kingdom	16.8	Finance and insurance	24.9
Cayman Islands	15.2	Transportation equipment production	15.6
France	13.2	Chemicals and pharmaceuticals	8.5
South Korea	7.5	Real estate	4.7
Germany	7.0		
Thailand	4.7		

Source: [Japanese Trade and Investment Statistics, JETRO](#) - Latest available data.

Form of Company Preferred By Foreign Investors	Kabushiki Kaisha (Public Limited Company)
Form of Establishment Preferred By Foreign Investors	company
Main Foreign Companies	<a href="#">The JETRO website lists investor's success stories</a>
Sources of Statistics	<a href="#">Japanese Trade and Investment Statistics proposed by JETRO</a> <a href="#">Japanese Statistical Bureau</a> <a href="#">Cabinet Office</a>

## WHAT TO CONSIDER IF YOU INVEST IN JAPAN

Strong Points	<p>Advantages for FDI in Japan:</p> <p>In addition to having the third largest economy in the world, Japan has very strong purchasing power and therefore strong domestic demand.</p> <p>As a leader in high technology, research and development (with the largest number of patents in the world), Japan has had a steadily growing economy and rock solid stability for several decades.</p> <p>Because of its geographical location, any foreign investor operating in the Japanese market has a facilitated entry to other Asian markets.</p> <p>The business environment is clearly favourable and reinforced by a stable political system.</p> <p>The workforce is highly skilled and the Japanese are known as great workers dedicated to their company.</p> <p>The ageing of its population opens up great opportunities for products and services geared towards older age groups (health care technology, medical devices, entertainment, pharmaceuticals, etc.).</p> <p>Further arguments in favour of investing in Japan can be found on the website of the <a href="#">Japanese investment agency (JETRO)</a>.</p>
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Weak Points	<p>Here is a non-exhaustive list of the main obstacles to FDI in Japan:</p> <p>Excessive regulation that hinders economic growth as it increases the cost of starting activities</p> <p>The difficulties the country faces in restoring public finances and deflation</p> <p>International competition restricted by a very insular local business culture:</p>
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Japanese prefer to do business (especially M & A transactions) with known partner companies. In the same way, it is preferable to establish networks and alliances with companies and national professional organizations.

Cultural and linguistic challenges that can be complicated to overcome for an SME  
 Low productivity of Japanese SMEs.

Government Measures to Motivate or Restrict FDI

The March 2011 disasters (tsunami, Fukushima) interrupted the review of some policy initiatives, including Japan's new growth strategy.

Since returning to power in 2012, Prime Minister Shinzo Abe has launched a series of reforms called "Abenomics" focused on three key measures known in Japan as the "three arrows":

Massive monetary easing, which consists of State buybacks by the Bank of Japan since April 2013.

A "flexible" fiscal policy, that is to say expansionary in the short term, and subsequently offset by a medium-term recovery of public accounts. This axis confirms the priority given by the government to the recovery at the expense of fiscal consolidation, despite a public debt at 223% of GDP in 2017.

A growth strategy aimed at increasing the potential growth rate from 0.5% to around 2% through a series of structural reforms ("Revised Growth Strategy" in June 2014): driving up the flexibility of the labour market further and optimising the business environment, particularly through increasing openness to foreign investment and administrative simplification.

The government has also launched a Japan Revitalisation Strategy with the stated goal of doubling FDI stocks between 2012 and 2020. Reforms in the financial sector, the communications and distribution sector have encouraged FDI in recent years. The Japan Enterprise Law, which regulates the formation, operation, organisation and management of enterprises, was revised in 2014. Although some restrictions are resisting these reforms, the restriction on the ability of foreign investors to enter Japanese economy for example, the Japanese economy has introduced changes to the Companies Act to encourage foreign investment. Finally, in September 2015, the government announced its intention to focus on 3 new areas in order to increase GDP by 20% by 2020: strengthen childcare and social welfare systems, update the childcare strategy growth in 2017 and promote societal change towards "society 5.0" (Big Data, IoT and robotisation).

## PROTECTION OF FOREIGN INVESTMENT

Bilateral Investment Conventions Signed By Japan

Japan is a signatory to 12 conventions. Bilateral agreements with Australia, the European Union and the Republic of Korea are currently being negotiated. The Trans-Pacific Partnership was signed in February 2016.

For a list of conventions signed by Japan, consult the [list](#) prepared by UNCTAD.

International Controversies Registered By UNCTAD

Japan has been involved in no case of disagreement concerning foreign investment and up to now, bilateral disagreements have given rise to no expropriation. UNCTAD offers [a database listing disagreements and the countries involved](#), [complementary information about the evolution of settlement of international disputes concerning investment](#).

Organizations Offering Their Assistance in Case of Disagreement Member of the

[ICCWBO](#) , International Court of Arbitration: International Chamber of Commerce  
[WTO](#) , World Trade Organization

Japan has been a member since its creation.

Multilateral Investment Guarantee Agency [The MIGA website gives a detailed description of all the guarantees it proposes.](#)

**Country Comparison For the Protection of Investors**

	Japan
Index of Transaction Transparency*	7.0
Index of Manager’s Responsibility**	6.0
Index of Shareholders’ Power***	8.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. \*\*\*\* The Greater the Index, the Higher the Level of Investor Protection.

**PROCEDURES RELATIVE TO FOREIGN INVESTMENT**

Freedom of Establishment	Guaranteed
Acquisition of Holdings	Possible
Obligation to Declare	<p>The different obligatory declarations in Japan are:</p> <ul style="list-style-type: none"> <li>when a company with meets these thresholds (<a href="#">Competition Law</a>):                             <ul style="list-style-type: none"> <li>Joint share company: one company contribution exceeds JPY 20 billion and the other JPY 5 billion,</li> <li>Joint corporation-type company split: companies contributions exceed JPY 10 and 3 billion,</li> <li>Share acquisition: capital issued exceeds JPY 5 billion and acquiring company capital exceeds JPY 20 billion,</li> <li>Merger: company capital exceed JPY 20 and 5 billion,</li> <li>Acquisitions of business: transferring company capital exceeds JPY 3 billion and acquiring company capital JPY 20 billion,</li> </ul> </li> <li>when a company exceed 10 % of equity participation, regardless the amount of investment (Foreign Exchange and Foreign Trade Law).</li> </ul>
Competent Organisation For the Declaration	<p><a href="#">Ministry of Finance</a>  <a href="#">Japan Fair Trade Commission (JFTC)</a></p>
Requests For Specific Authorisations	<p>The investment of foreign capital in agriculture, forestry, fishing, mines, oil, leather and telecommunications must be first examined by the Japanese Government. Any investment in the banking, insurance, energy, electricity, security and pharmaceutical sectors is subject to license.</p>

Learn more about [Foreign Investment in Japan](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

**OFFICE REAL ESTATE AND LAND OWNERSHIP**

Possible Temporary Solutions	Located in the main Japanese cities (Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka), the <a href="#">Invest Japan Business Support Centers (IBSC)</a> managed by JETRO, offer temporary office space (up to 50 working days) and various services and support.
The Possibility of Buying Land and Industrial and Commercial Buildings	Yes
Risk of Expropriation	Up to now, bilateral disagreements have given rise to no expropriation.

## INVESTMENT AID

Forms of Aid	<p>The Japanese government’s program for promoting imports and investment takes the form of discounts and reductions of taxes, guarantees on loans, and loans at reduced rates.</p> <p>It also takes the form of assistance for foreign exporters wishing to import into Japan. Following the effects of the disaster of March 2011, on December, 2011, the Ministry of Economy, Trade and Industry (METI) announced that it would offer investment incentives to ten foreign companies to establish high-value-added business operations in Japan.</p>
Privileged Domains	Creation of jobs, national and regional development, protection of the environment, Aid for research and development, poll of competitiveness.
Privileged Geographical Zones	<p>Since applications for special zones for structural reform began being accepted, a total of 910 zones have been established throughout Japan, each with its own distinctive character. Established at the initiative of local governments or private businesses, they are exempt from one or more national regulations. In theory, this measure offers foreign investors attractive terms for setting up; in practice, the acceptance of projects raises some difficulties. <a href="#">The Cabinet Office summarises this policy.</a></p> <p>Current efforts concerning the decentralisation of public finances should soon allow local governments to use the fiscal tool to draw FDI to their areas. <a href="#">Click here for a more detailed breakdown of investment conditions region by region.</a></p>
Free Zones	<p>Japan no longer has free zones or free ports. Nevertheless, the government wants to facilitate access to the Japanese market through access Zones for imported products located near ports and airports.</p> <p>Japan’s objective is to develop 22 zones like these with infrastructures designed to facilitate imports and loans at preferential rates and tax reductions.</p> <p>Special funding has been allocated for the reconstruction of the Tohoku region that was devastated by the March 11, 2011 disaster. Incentives exist for potential foreign investors in this region.</p>
Organizations Which Finance	The State, the <a href="#">Japanese development bank</a> , the <a href="#">Japanese bank for international cooperation</a> , <a href="#">Japanese financial corporation for SMEs</a> make loans at advantageous rates. The regional corporation for the development of Japan develops “nurseries” for companies and obtains long term reduced rate loans valid for foreign companies too.

## INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy	Medical equipment, pharmaceutical products, biotechnology, dietary supplements, electronic components, software, aviation and spare parts, engineering services, new energy production, tourism, education and training services, safety equipment, telecommunications equipment, the fashion market, real estate products.
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High Potential Sectors Automotive industry, retail, information and communication technologies, biotechnology, medical care, environment, sectors related to the elderly, food traceability, health services and equipment and energy efficiency. [The JETRO details the attractiveness of these sectors.](#)

Finally, the Tokyo Olympic Games of 2020 is a source of optimism and a significant investment opportunity for foreign investors.

Privatization Programmes The energy sector (privatisation program being studied).

Tenders, Projects and Public Procurement [JETRO - Japan External Trade Organisation](#), [Tenders Asian Development Bank](#), [Procurement Plans in Asia Tenders Info](#), [Tenders in Japan dgMarket](#), [Tenders Worldwide](#)

## SECTORS WHERE INVESTMENT OPPORTUNITIES ARE FEWER

Monopolistic Sectors The monopolistic sectors are:

- postal services
- water
- telecommunications : foreign investors are not allowed to hold more than 1/3 of the rights to vote in « Nippon Telegraph » and « Telephone Corporation » (NTT)
- arms, explosives, atomic energy, aviation industries and aerospace

## FINDING ASSISTANCE FOR FURTHER INFORMATION

Investment Aid Agency [Japan External Trade Organisation, JETRO](#)  
[Invest Japan Business Support Centres \(IBSC\)](#)  
[Kansai Bureau of Economy, Trade and Industry](#)  
[Japan Investment Council](#)

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