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10 Advantages to Investing in Japan



Launch pad for global market success

Japan is the center of new trends and creativity and is a preferred testing ground for new products.

A survey of overseas companies in Japan conducted by JETRO in early 2006 indicated that one in five of these companies sees Japan as a center for research and development and as a base for business activities in Asia. Today, increasing numbers of companies around the world are partnering with Japanese companies to develop products and services, create innovative technologies, and conduct R&D projects.

What foreign-affiliated companies are saying about their business in Japan.

"Products developed in Japan are often successful in other markets... (The) Japan subsidiary acts as a production center for several of the company's global product lines." (Health care products manufacturer)

"Our support for the high quality expectations of Japanese customers will also be valuable to the other markets we serve around the globe." (Semiconductor manufacturer)

"As one of the ultimate testing grounds for new developments, Japan is increasingly prominent." (Industrial materials supplier)

"Our presence there (in Japan) is crucial, not only to be able to sell there directly, but also for the fallback business in Europe or in North America." (Automotive parts supplier)

"Japan's importance as a creative center is increasing." (Cosmetics firm)

"If we can do it right here, if we can get quality issues solved here, we can succeed anywhere." (ICT network solutions provider)



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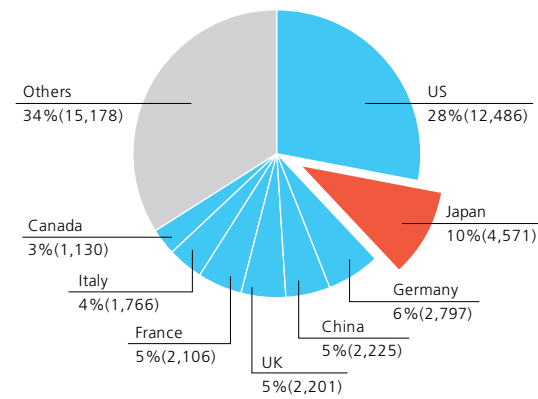
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The world's second-largest market

Japan is a promising market, with a market scale ranking near the top of developed nations.

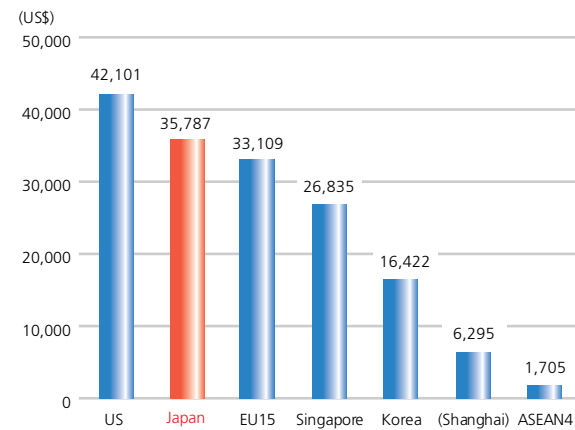
Each of Japan's regions has an economic scale similar to or even larger than some countries.

GDP by country (% , US\$ billion, 2005)



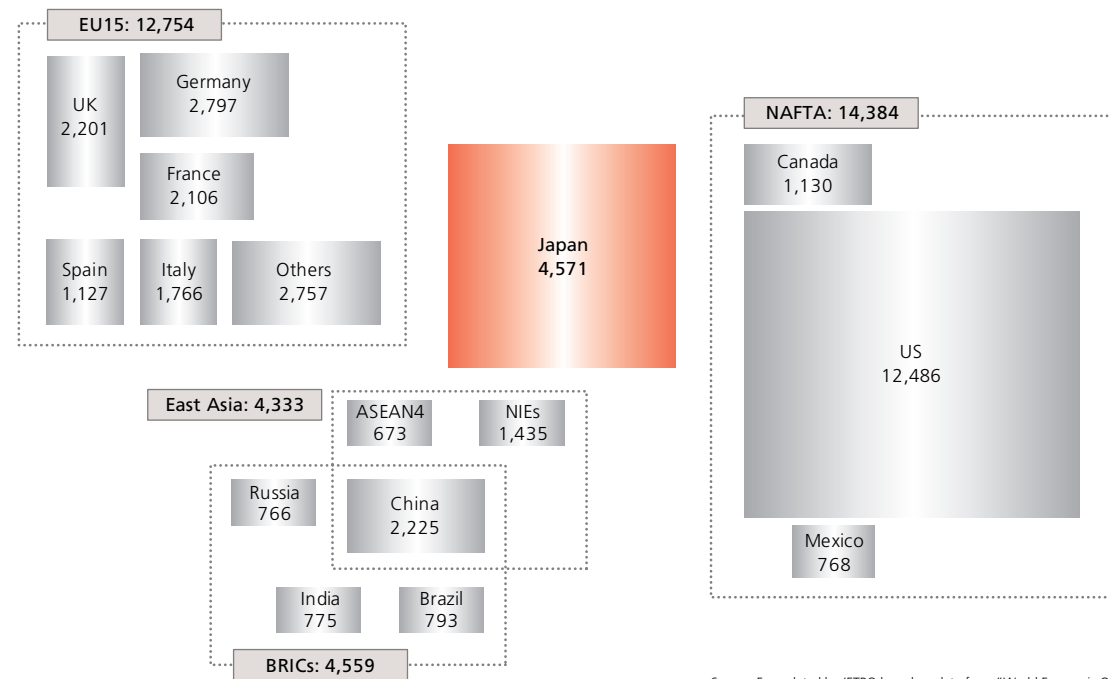
Source: "World Economic Outlook Database" (April, 2006), IMF; "China Statistical Abstract 2006," National Bureau of Statistics of China

Per capita GDP (2005)



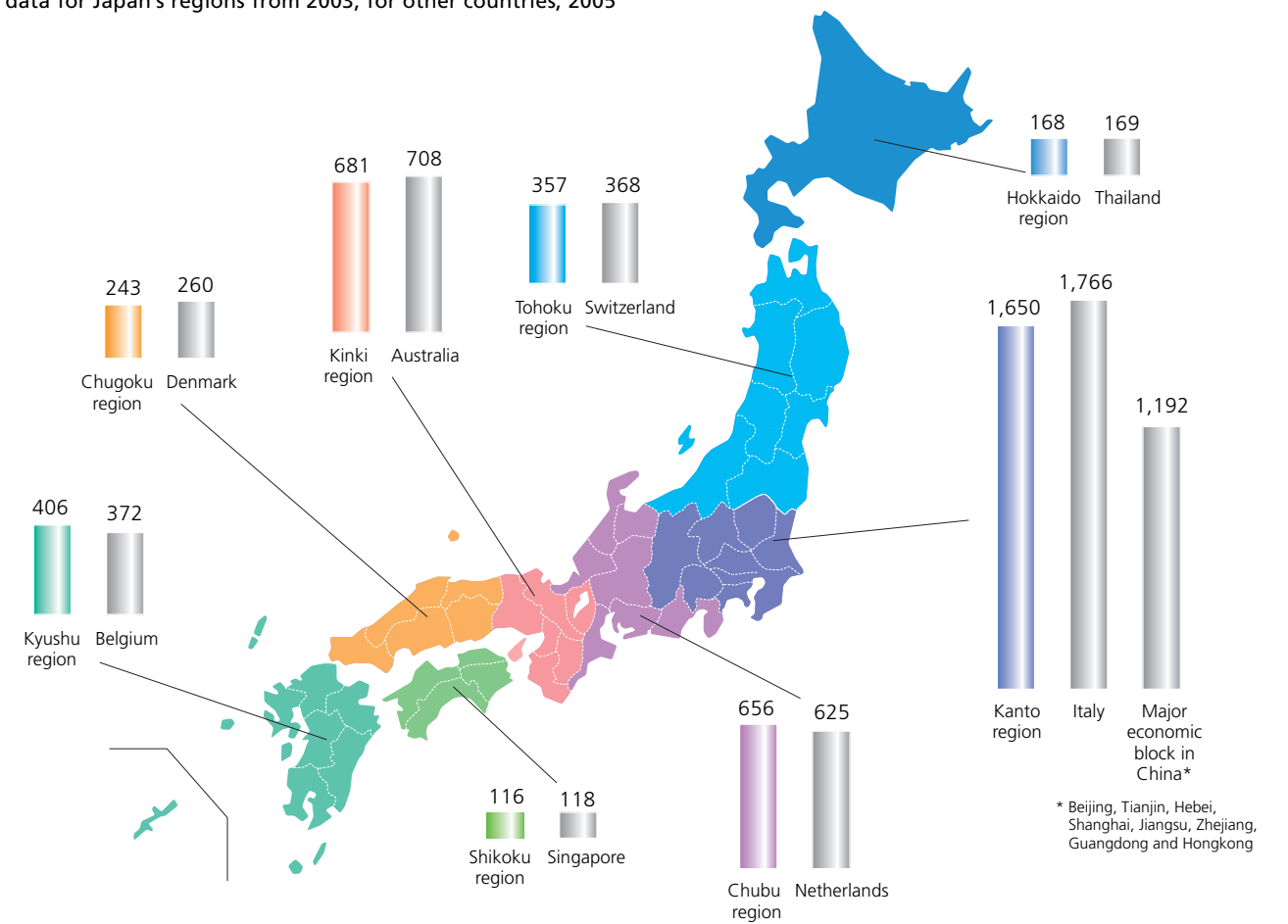
Note: Exchange rates based on IMF period-average rates
 Source: "World Economic Outlook Database" (April, 2006), IMF; "China Statistical Abstract 2006," National Bureau of Statistics of China

GDP comparison of Japan with other major economic blocks (US\$ billion, 2005)



Source: Formulated by JETRO based on data from "World Economic Outlook Database" (April, 2006), IMF

GDP comparison of Japan's regions with some countries (US\$ billion)
 *GDP data for Japan's regions from 2003; for other countries, 2005



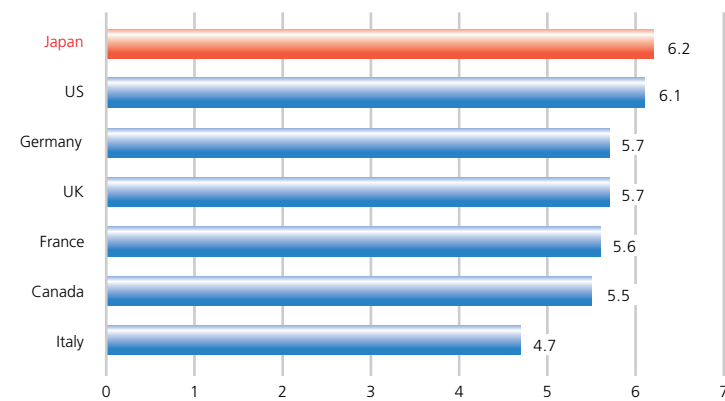
Note: Exchange rates based on IMF period-average rates
 Source: "Prefectural Economic Almanac" (March 2006), Economic and Social Research Institute, Cabinet Office; "World Economic Outlook Database" (April, 2006), IMF; "China Statistical Abstract 2006," National Bureau of Statistics of China

Sophisticated consumers with high purchasing power

Japanese consumers are early adopters and move fast to stay on the cutting edge of the latest technologies. Most companies in Japan listen carefully to consumer demands when developing new products, as many products in common use around the world have originated in Japan. Japan thus makes an ideal test market for new products and services.

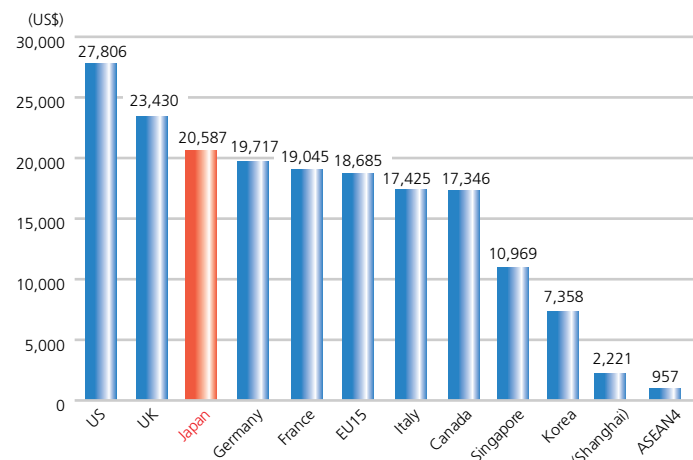
Sophistication of consumers

Buyers are (1=slow to adopt new products and processes, 7=actively seeking the latest products, technology, and processes)



Source: "The Global Competitiveness Report 2004-2005," World Economic Forum

Per capita household consumption expenditure (2004)



Note: Exchange rates based on IMF period-average rates.
Source: "International Financial Statistics" (June, 2006), IMF;
"China Statistical Yearbook 2005," National Bureau of Statistics of China

What foreign-affiliated companies are saying about their business in Japan.

"Everything is always changing in Japan. The customer wants new things all the time." (Fashion accessories retailer)

"The Japanese consumer has an understanding of products, and a very clear view about what he or she wants in a product." (Consumer electronics maker)

"Japan is a consumer society where quality is highly valued. Companies that deliver strong quality and have a clear vision of their purpose can succeed and earn a fair price for their products." (Real estate provider)

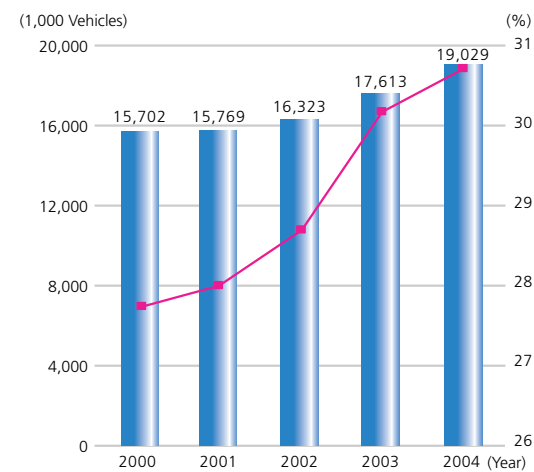
"Japanese customers will, I think, pay money to try using a new technology. Cell phones with built-in digital cameras are the classic example." (Software developer)

Visit the below sites to learn what other foreign-affiliated companies are saying about their business in Japan:
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http://www.jetro.go.jp/en/invest/success_stories/

World-class companies and SMEs with unique technologies

Japanese companies of all sizes (from small ventures to major multinationals) produce unique and innovative products and services. Japan's strong technology-based industries offer a multitude of opportunities for foreign companies looking to partner with Japanese firms at all stages.

Number of vehicles sold by Japanese automotive manufacturers (total worldwide) and share of world market



Note: Japanese automotive manufacturers include Toyota, Daihatsu, Hino, Nissan, Nissan Diesel, Honda, Suzuki, Subaru, Isuzu, Mazda, Mitsubishi
 Source: Formulated by JETRO based on data from FOURIN's Global Automobile Manufacturers Yearbook 2005

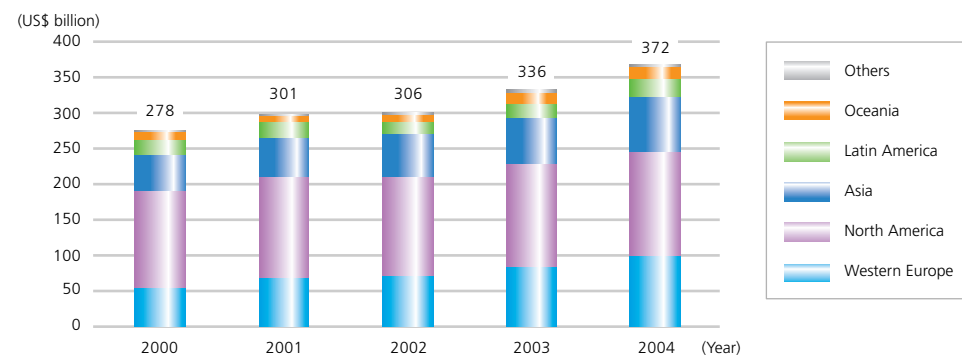
Ratio of overseas sales for major Japanese manufacturers of electronic and precision high-tech equipment (2005)

Company	Domestic (billion yen)	Overseas (billion yen)	Ratio of overseas sales (%)
Ricoh	972	943	49%
Canon*	856	2,898	77%
Fuji Photo Film	1,329	1,338	50%
NEC	3,481	1,344	28%
Sony	2,169	5,307	71%
Fujitsu	3,200	1,592	33%
Sharp	1,397	1,400	50%
Matsushita	4,611	4,283	48%
Mitsubishi Electric	2,556	1,049	29%
Toshiba	3,260	2,576	44%
Hitachi	5,825	3,640	38%
Total	29,657	26,368	47%

Note: Canon: Fiscal year ending at the end of December; All other companies: Fiscal year ending at the end of March
 Source: Corporate accounting documents

Many Japanese companies have established subsidiaries, branches and production bases throughout the world, and are continuing to expand their networks in all areas, from procurement of materials to production and marketing.

Trends of Japan's outward foreign direct investment



Source: "International Investment Position of Japan," Ministry of Finance and Bank of Japan; JETRO

Many small and medium-sized enterprises (SMEs) are the major suppliers of the equipment, parts and materials requiring high precision and microfabrication that are vital to the international competitiveness of major corporations. Some SMEs own niche technologies in areas in which larger corporations are not involved.

Tamagawa Seiki Co., Ltd.: Manufacturer of Parts for Hybrid Vehicle Motors (Nagano Prefecture)
 Hybrid vehicles are more fuel-efficient and environmentally friendly than gasoline vehicles, and their popularity is therefore growing. However, it is necessary to monitor the rotational position of the motor and apply precise control to increase fuel efficiency in these vehicles. This company produces a sensor that is able to accurately detect the angle of rotation of the motor in the oily, high-temperature and high-vibration environment of the engine housing, and holds a 100% share of the world market.



The sensors fitted in the engine housing of a hybrid vehicle

Tohoku Electronic Industrial Co., Ltd.: Manufacturer of High-sensitivity Light Detection Equipment (Miyagi Prefecture)
 To open up the future of photonic and electronic technology, this manufacturer has developed, and is manufacturing and marketing, an ultra-sensitive light detecting chemiluminescence analyzer. This is one of the most sensitive light detectors in the world, able to detect the luminescence produced by changes in chemical substances, reactions to test reagents and thermal decomposition, and the fluorescence produced by light irradiation. The high-sensitivity measurement of luminescence and spectroanalysis made possible by the device enables evaluation of oxidation degradation, anti-oxidation and levels of active oxygen and fluorescent substances, and has applications in medical research. The device is being used in the food industry and in a variety of other fields, including biochemistry, medicine, and chemical and high-molecular products.



Ultraweak Light Detection System

Vstone Co., Ltd.: Manufacturer of Bipedal Walking Robots (Osaka Prefecture)
 Using omnidirectional sensors and image processing technology, this company manufactures small, high-performance, bipedal walking robots. Robots developed by this company won three straight victories in RoboCup, a robot soccer competition, in 2004, 2005 and 2006. The strength of this company is the fact that every component is manufactured in-house, and every aspect of the robots, from sensors and software to electrical systems, is overseen by the company.



Champion in RoboCup 2006

ELM, Inc.: Commissioned Development of Electronic Equipment, and Design and Manufacturer of Laborsaving Devices for Industry (Kagoshima Prefecture)
 This company developed and markets the world's first automatic optical disk recovery system, which polishes the surfaces of scratched and dirty CDs and DVDs that have become unreadable to enable them to be reused. The system can correct 0.01 mm deep scratches, which require more than 30 minutes using conventional systems, in only 4-5 minutes. Through global alliances, the company now sells this system in 23 countries worldwide, and holds more than 85% of the world market share in automatic optical disk polishing equipment.

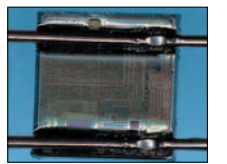


Optical disk recovery equipment

Star Engineering Co., Ltd.: Manufacturer of Non-contact Type (RFID) IC Cards and Tags (Ibaraki Prefecture)
 IC tags have potential uses in every area of daily life, from commuter passes and electronic money to distribution management and security functions. This company has been successful in developing small, high-accuracy and low-cost IC cards, which are planned for future use in tagging small items, which have been difficult to tag with conventional-use IC tags (medicine vials, jewelry, cosmetics, etc.), and to tag products with complex shapes.



Left: Ultra-small IC tag (5 mm diameter)
 Right: Rice grain



IC chip alloying direct interaction of copper wire and end terminal

Watec Co., Ltd.: Manufacturer of Ultra-small CCD Camera (Yamagata Prefecture)
 Combining proprietary electrical circuit designs and sensitivity-boosting circuit technology, this company has been successful in reducing the size of charge-coupled device (CCD) cameras to one-quarter that of conventional models. The new cameras are also 1/8 the weight and 1/20 the cost of previous models. The reliability of this unique technology is attested by its use in 60 countries worldwide, in applications including the Space Shuttle, the Louvre, FINA World Championships and the National Astronomical Observatory of Japan. The company is a global brand that has high world market share of mini surveillance cameras.



Ultra-small CCD camera (WAT-240 VIVID)



Ultra-small CCD camera (WAT-230 VIVID)

Source: "300 Creative SMEs in Japan," Ministry of Economy, Trade and Industry

Foreign-affiliated companies have long found their partnerships with Japanese companies to be ones of loyalty and commitment. Such relationships not only provide companies stability in the long-term but also offer cost reduction and quality improvement that often result from combining operational capabilities.

Some examples of recent business alliances between Japanese and overseas companies

Overseas company (country)	Japanese company	Details of cooperation	Date of announcement
Cambridge Display Technology (UK)	Sumitomo Chemical	Establishment of joint venture for development, production and marketing of polymer organic Electro Luminescence (EL) materials.	2005/5/25
Thyssen Krupp Steel (Germany)	JFE Steel	Establishment of joint venture. Joint participation from the initial stage of vehicle development in the area of automotive steel sheet technologies.	2005/6/16
Napster (US)	Tower Records	Establishment of company to expand music distribution business.	2005/10/25
Orla Protein Technology (UK)	Kitakyushu National College of Technology	Joint development of protein chips for medical diagnostic use.	2005/11/16
Cerep (France)	NEC	Cooperation in seeking and analyzing potential medical compounds.	2005/11/24
Evalis (France)	Nosan	Technical cooperation in the development of substitutes for antibacterial substances for use with livestock and animal foodstuffs with reduced environmental impact.	2005/12/16
Aplix (France)	Kuraray Fastening	Technical cooperation in development of technologies for attaching surface layers to automobile seats, fitting soundproofing materials to door panels and running flat cables inside ceiling materials.	2005/12/26
IBM (US)	Sony, Toshiba	Joint development of production technology for next-generation semiconductors.	2006/1/12
Intel (US)	Dai Nippon Printing	Extension of cooperative relationship to develop masks for use in next-generation semiconductor production processes.	2006/1/19
EMC (US)	NEC	Joint development of next-generation external memory (storage) devices.	2006/4/5
Knauf Gips (Germany)	Chiyoda Ute	Expansion of related businesses including recycling of building materials, commercialization of new products and joint procurement of materials in Asia.	2006/5/8
ARC International (UK)	Toshiba	Cooperation in field of configurable processors. Development of next-generation systems-on-chip using ARC processor design system.	2006/5/25
Microsoft (US)	NEC	Conclusion of patent cross-licensing agreement; joint development of next-generation server.	2006/5/25
Dow Chemical (US)	Mitsui Chemicals	Joint development of catalytic system for production of new functional polymers.	2006/6/21
Nanolnk (US)	SII NanoTechnology	Joint development in field of semiconductor manufacturing equipment. Improvement of patents held by Nanolnk.	2006/6/22
British Telecommunications (UK)	KDDI	Establishment of joint venture in field of management of corporate communications networks.	2006/6/26
Microsoft (US)	National Institute of Multimedia Education	R&D in next-generation educational environments using IT.	2006/6/28
Akamai Technologies (US)	NEC, J-Stream, etc.	Development of distribution services for dynamic content produced by IT, online commerce and entertainment companies.	2006/6/28
Sun Microsystems (US)	NTT Data	Joint enterprise in field of data migration for system optimization (main frames, etc.).	2006/6/29
Rolls-Royce (UK)	National Institute for Materials Science	Joint research on ultra-heat-resistant alloys for use in gas turbine engines.	2006/6/30

Source: Compiled by JETRO from press releases



What foreign-affiliated companies are saying about their business in Japan.

"Japanese firms are not concerned about the fame of a company or its brands. They are genuinely interested in seeing a sample, making it easy to get right down to business." (Software developer)

"Japanese companies are open to non-Japanese companies, and as long as you can provide good products it does not matter where you are from. But, on the other hand, Japan is home to a high concentration of manufacturers of all sorts with highly advanced technical capabilities, and it is difficult to compete with such rivals in this market with a "normal" level of technical prowess. If, however, a company possesses creative and highly advanced technologies, it has the same opportunities as anyone else to do business successfully in Japan." (Industrial machinery maker)

"One of the advantages of doing business in Japan is that, while it takes quite a bit of time to enter into a contract, once you do, those relationships are for the long-term. Because there is little switching between vendors, unlike in the West, a company can look forward to stable and long-lasting revenue from its Japanese partners." (Security middleware provider)

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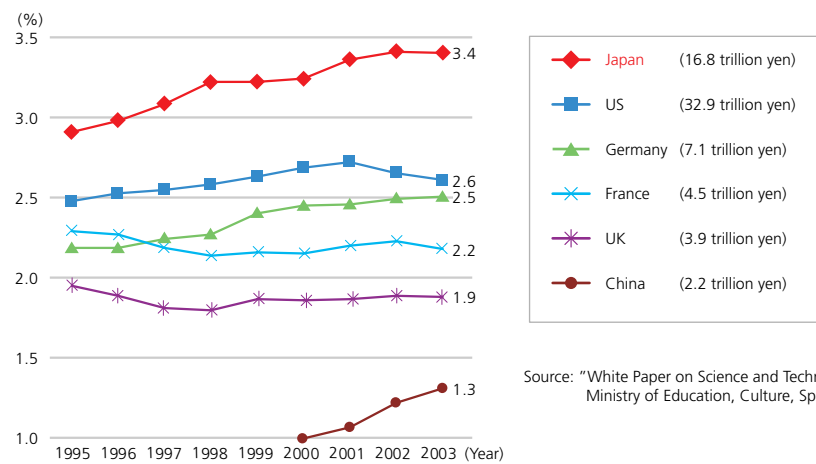


World's center for technological innovation and product development

Partnerships with Japanese companies enable foreign-affiliated companies to leverage their respective talents, which is vital to remaining globally competitive. Furthermore, Japanese companies emphasize enhancing product development and manufacturing efficiency, making Japan the ideal arena for innovation.

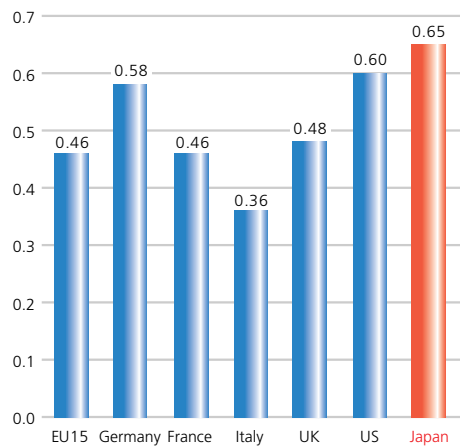
In May 2005, the National Institute of Science and Technology Policy (NISTEP) published a predictive account of the long-term outlook for science and technology in Japan based on the results of a questionnaire survey of specialists in a variety of fields. According to NISTEP's predictions, technologies like the following will be in use in Japan by around 2030:

R&D spending to GDP ratio for major countries with total R&D expenditure (in brackets)



Source: "White Paper on Science and Technology 2006," Ministry of Education, Culture, Sports, Science and Technology

Summary Innovation Index (SII)*



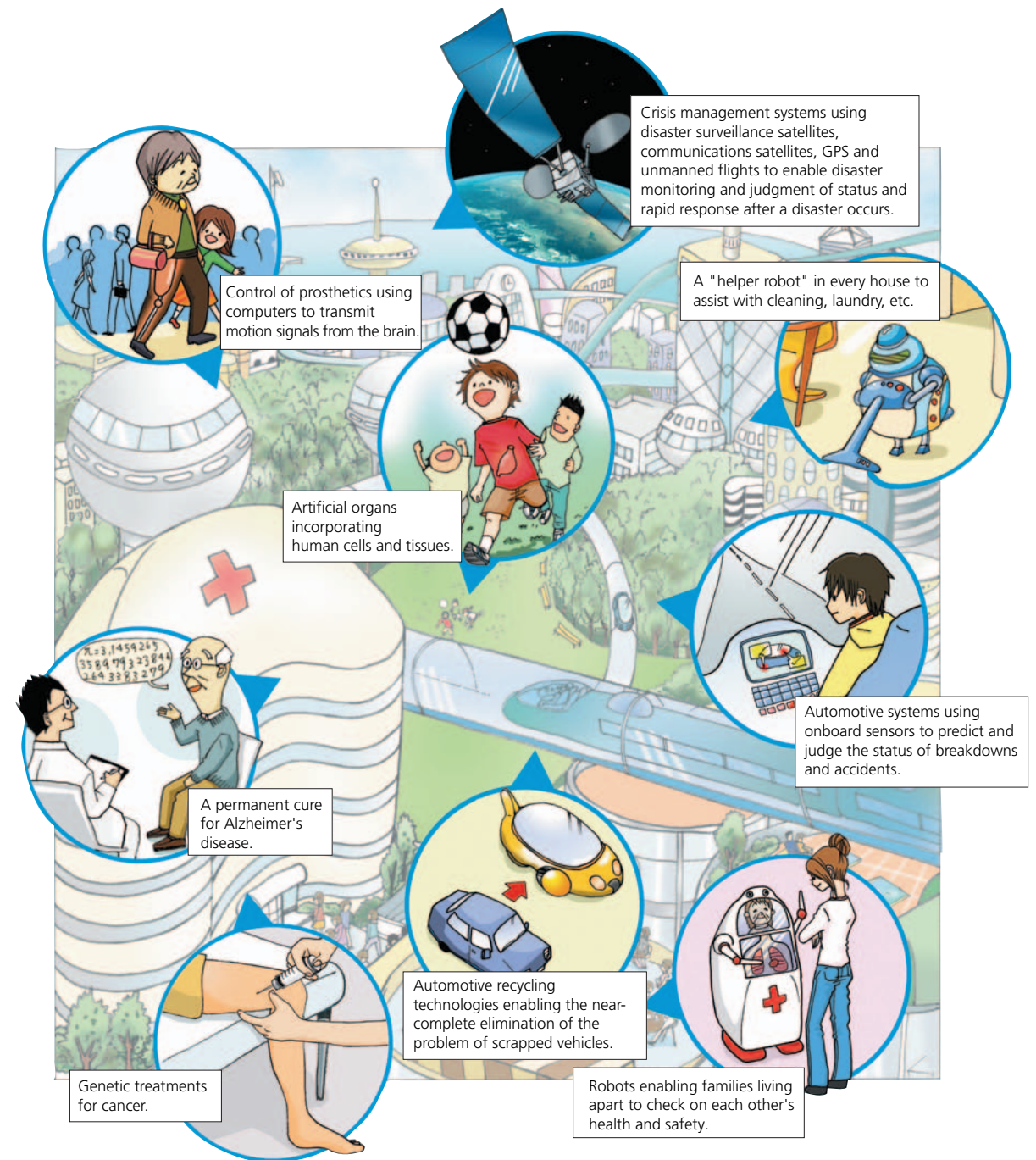
Note: * The relevant elements of innovation input are captured by three sub-groups of indicators:
 1. Innovation drivers, to measure the structural conditions required for innovation potential.
 2. Knowledge creation, to measure the investments on human factors and on R&D
 3. Innovation & entrepreneurship, to measure the efforts towards innovation at the microeconomic level.

The relevant elements of innovation output are captured by two sub-groups of indicators:
 1. Application, to measure the performance, expressed in terms of labour and business activities, and their value added in innovative sectors.
 2. Intellectual property, to measure the achieved results in terms of successful know how, especially referred to high-tech sectors.

Source: European Innovation Scoreboard 2005

Protection of intellectual property rights

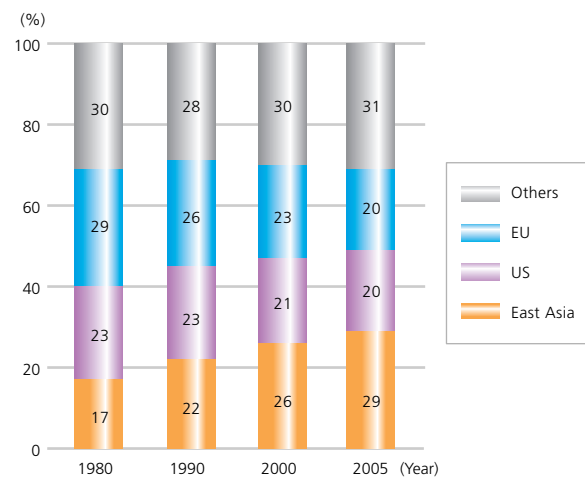
Japan has established several laws to strengthen intellectual property protection, including the creation of the "Intellectual Property High Court" in April 2005 to improve the intellectual property claims process.



Source: "White Paper on Science and Technology 2006," Ministry of Education, Culture, Sports, Science and Technology

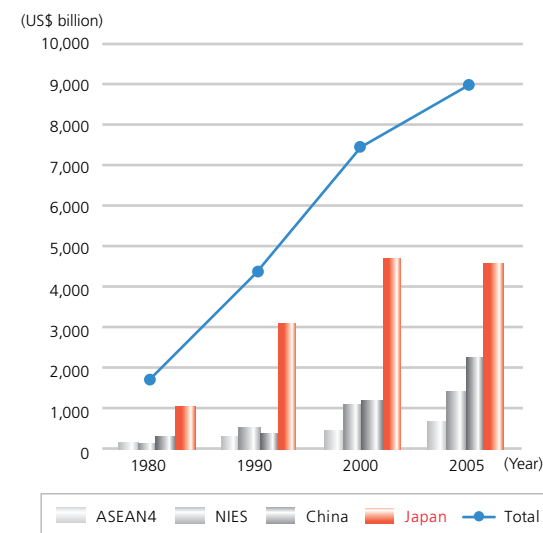
East Asia continues to grow at an astonishing pace and economic integration in the region continues to increase. In 1980, East Asia's share of global GDP stood at 17%. In 2005, the figure stands at 29%, due to the robust economic growth of East Asia, where Japan continues to have a strong presence.

Share of global GDP (PPP*) by region



Note: GDP based on purchasing-power-parity (PPP) valuation of country GDP
Source: "World Economic Outlook Database" (April, 2006), IMF

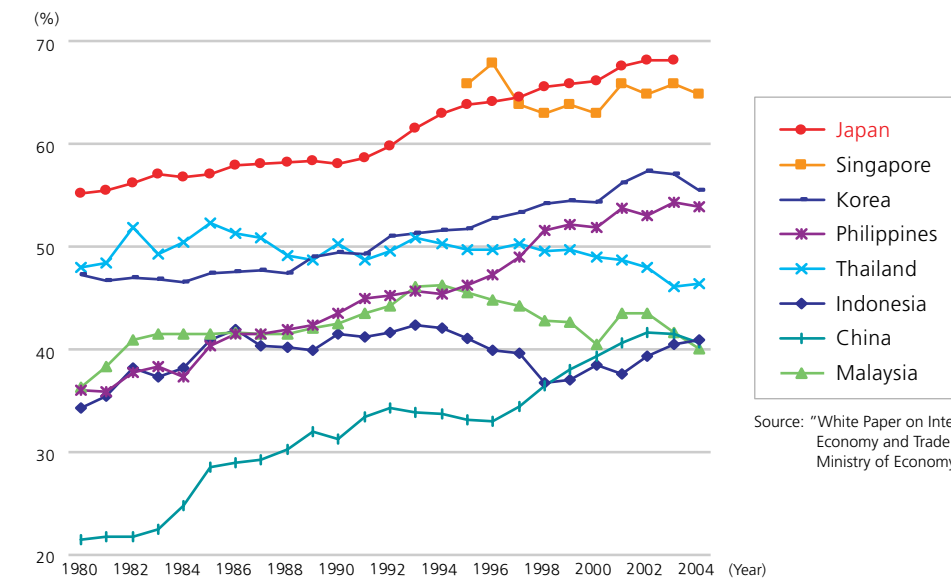
Comparative GDP trends in East Asian region



Source: "World Economic Outlook Database" (April, 2006), IMF

As East Asia grows, economies are becoming more service-oriented. Common tastes are developing and lifestyles are converging, in particular in urban areas. Many consumer products that gain popularity in Japan, including movies, anime, game software, clothing and cosmetics, go on to become popular in East Asia in general. Success in Japan is a litmus test for success in East Asia.

Changes in the percentage of GDP represented by service industries in Asian countries



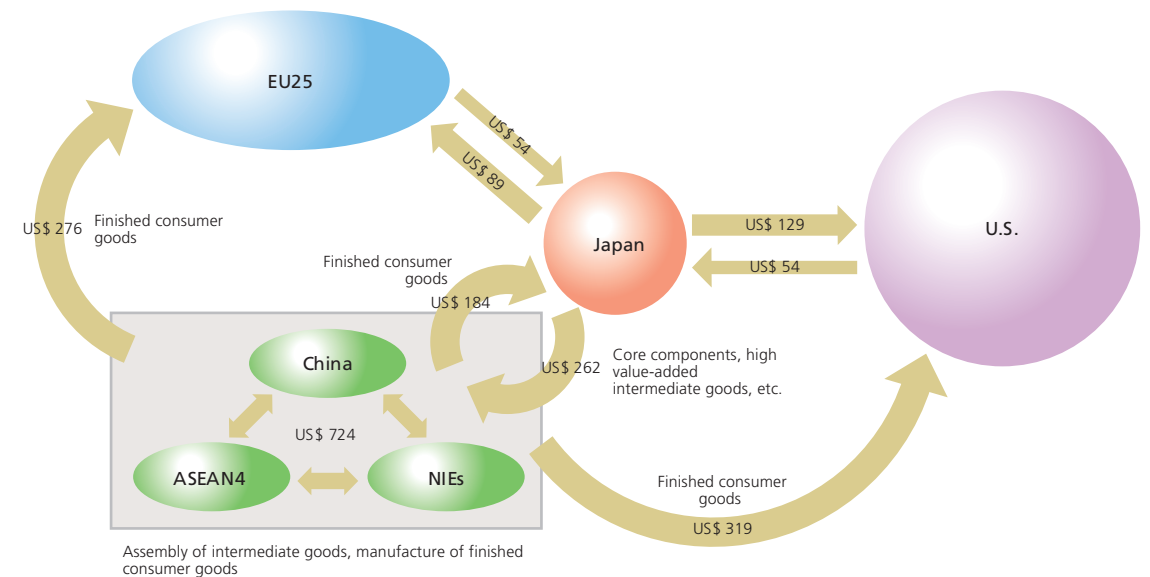
Source: "White Paper on International Economy and Trade 2006," Ministry of Economy, Trade and Industry

Cooperation in the mutual supply of components is increasing in the Asian region, in particular in the field of electrical machinery. Horizontal intra-industry trade involving components between Japan and the rest of the Asian region is also progressing. And Japan is playing an important role as a supplier of core components.

East Asia is moving closer towards the establishment of an East Asian free business zone, as governments in the region work to conclude free trade and economic partnership agreements. This will help further trade in the region.

Trade relationships between Japan, East Asia, Europe and the U.S.

* Figures show trade value (US\$ billion, 2004)

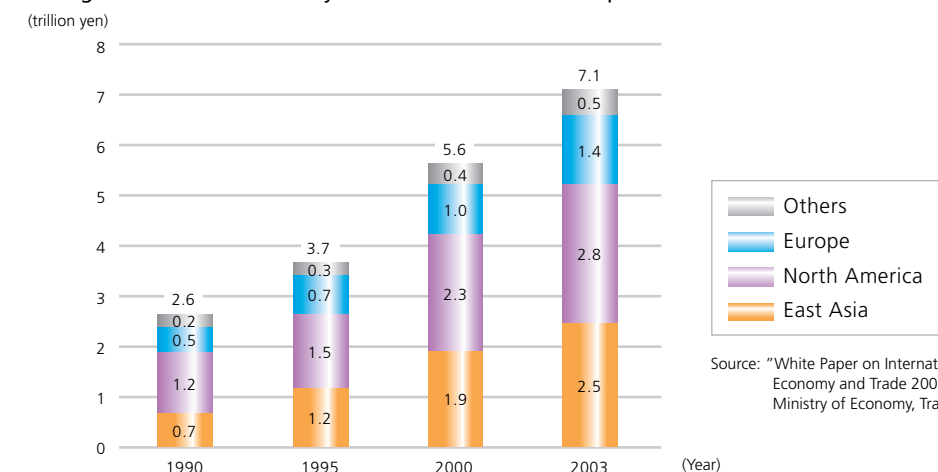


Note: NIEs (East Asia comprises the Newly Industrialized Economies): Korea, Taiwan, Hong Kong and Singapore
ASEAN4: Malaysia, Thailand, Philippines and Indonesia

Source: World Trade Matrix, JETRO website

Japanese companies continue to expand their market reach throughout the East Asia region. Their established networks provide foreign-affiliated business partners smooth access to these growth markets.

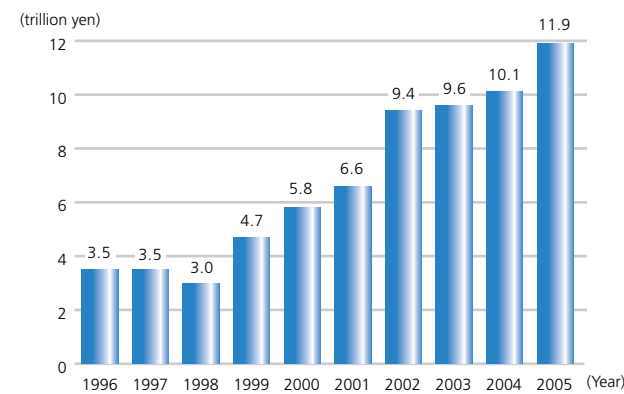
Changes in volume of sales by overseas subsidiaries of Japanese manufacturers



Source: "White Paper on International Economy and Trade 2006," Ministry of Economy, Trade and Industry

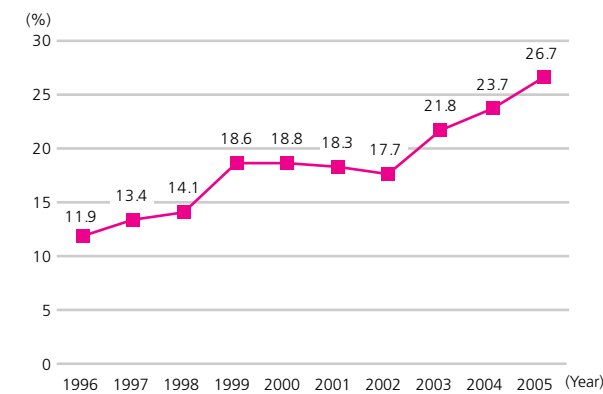
Japan's attractiveness as an investment destination is increasing, as the government works to improve the business environment.

Trends of Japan's Inward Foreign Direct Investment (Stock)



Source: "International Investment Position of Japan," Ministry of Finance and Bank of Japan

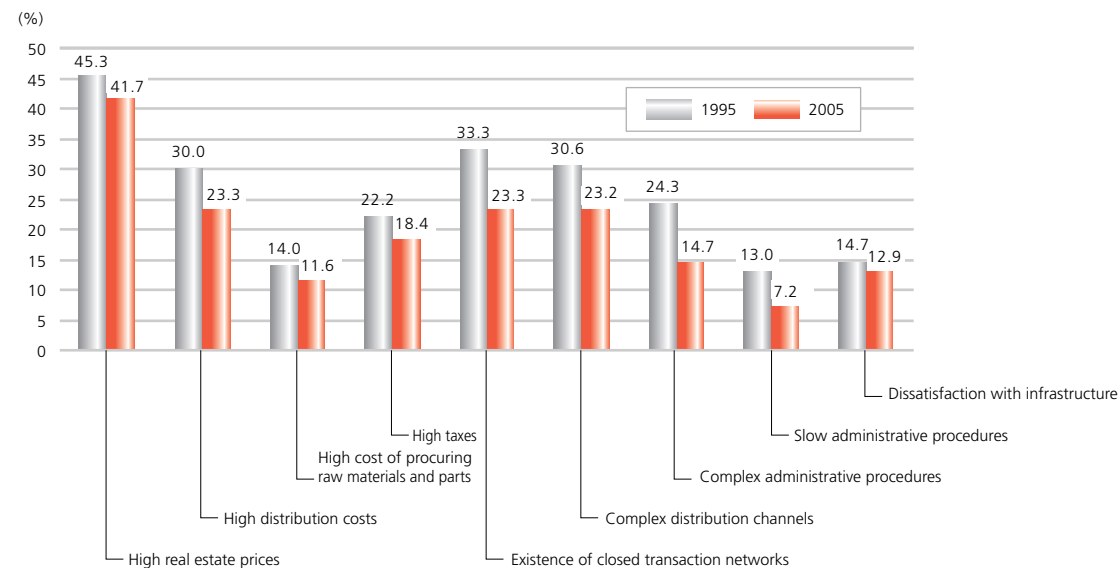
Changes in the percentage of shares of listed companies held by foreign investors (companies and individuals)



Source: "2005 Share ownership Survey," All domestic stock exchanges (Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo) in Japan

Surveys of foreign companies in Japan conducted by JETRO have shown that impediments to investing in Japan — high business costs, the exclusiveness and tradition-bound nature of commercial transactions, complexity of administrative procedures — have been significantly reduced compared to 10 years ago, and the environment for expansion of foreign companies into Japan is steadily improving.

Impediments to foreign direct investment in Japan (multiple answers accepted, comparison of answers in 1995 and 2005)



Source: "Survey on Foreign Direct Investment in Japan" (March 2006), JETRO

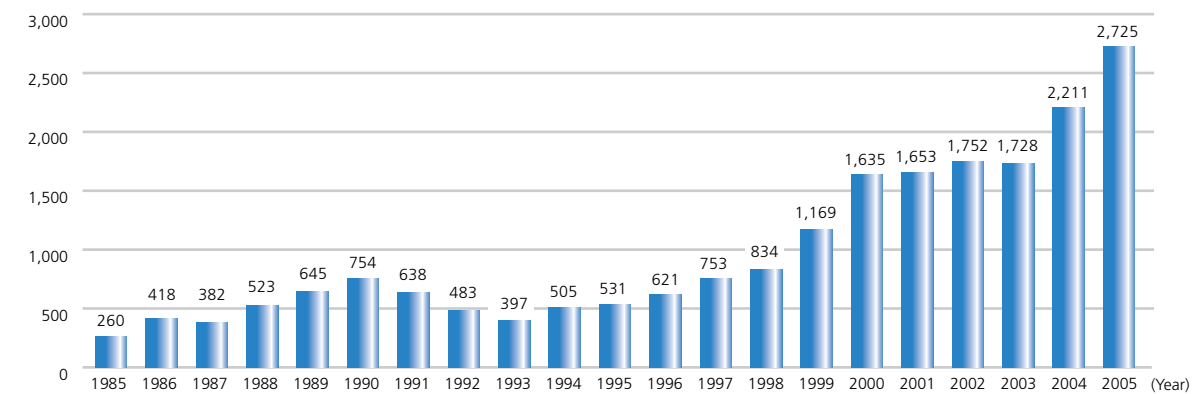
Since the 1990s, Japan has worked to internationalize its accounting standards and reform its legal framework and, in June 2005, established a revised corporate legal system reflecting the internationalization of business activities and changes in Japan's socioeconomic conditions.

Points of revision in Japan's Corporate Law (June 2005)

1. Easier to establish new companies (abolition of minimum capital requirements)
2. Flexible corporate management rules
3. Flexible merger compensation (introduction of cash-out merger, triangular merger in cashless transactions, etc.)

M&A activity has been increasing in Japan in recent years. Acquisitions of Japanese companies by foreign companies are expected to continue to increase following the expected enactment in May 2007 of new rules to give greater flexibility in merger compensation schemes (enabling cash-out mergers and triangular mergers).

Number of M&As in Japan



Source: RECOF

Changes will also occur in areas that are not directly affected by the new Corporate Law. For example, public services such as water supply businesses, nursing care centers, home-based welfare services and schools will be privatized.

Foreign companies will also be able to participate in the provision of these services. In addition, there have been improvements to the system for entry to and residence in Japan; for example, the period of residence permission for technical workers has increased from three to five years, and the scope of mutually recognized domestic and overseas qualifications in the field of information processing has also increased. The government is also progressing with the introduction of systems enabling administrative procedures to be conducted electronically, the translation of laws and regulations into foreign languages, and the provision of services in foreign languages.

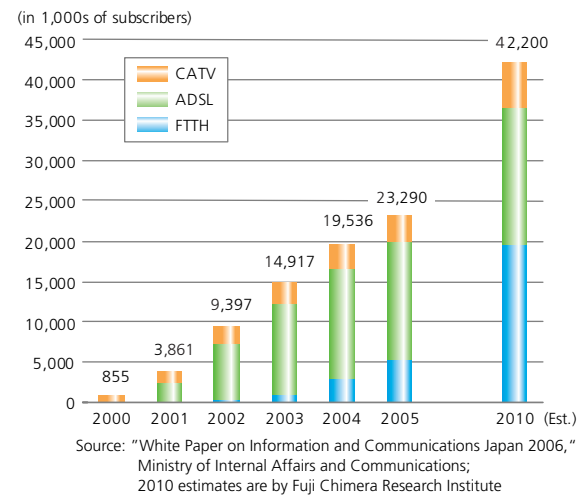
Rapidly growing broadband society

Japan has the world's fastest and most cost-effective broadband environment and is rapidly moving towards becoming a true ubiquitous society.

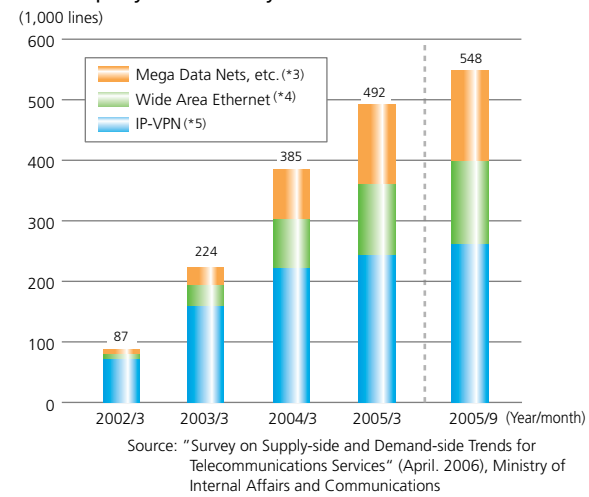
- Demand in broadband has shifted from ADSL^(*) to FTTH^(**)
- The markets for a number of service fields, such as IP telephony and content distribution, have suddenly expanded
- The explosion of the amount of information handled by the increasing demand for business networks has propelled the development of new Wide Area Network (WAN) services.

Further expansion can be anticipated in the future with rapid growth in intra-company teleconferencing and inter-company networks (e.g., in supply chain management), as well as increasing introductions of systems that enable administrative procedures to be conducted electronically.

Broadband penetration

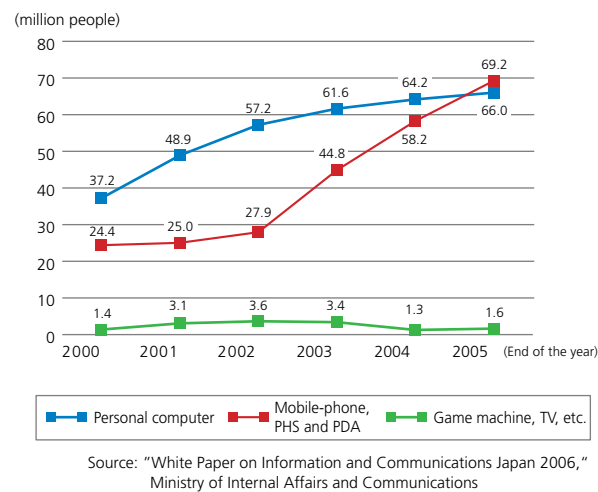


Changes in the number of connections in use in intra-company networks by new WAN service



The integration of mobile devices continues to grow, with handheld electronics including features such as music playback, electronic transactions, TV reception and GPS/navigation functions. In addition, electronic transactions are clearly becoming more integral to the retail sector. As we move towards a more networked society, demand for stable communication speeds and technologies to improve security can be expected to grow.

Changes in Internet-using population by device



Breakdown of Consumer-oriented Electronic Transactions and Mobile Commerce

Product/service segment	Consumer-oriented electronic transactions (2004) Market scale (100 million yen)	Consumer-oriented mobile commerce Market scale (100 million yen)
PCs and related products	2,620	50
Home electronics	1,190	20
Travel	6,610	630
Entertainment	4,210	2,080
Books and music	2,070	720
Clothing and accessories	1,830	340
Foods and beverages	2,990	230
Pharmaceuticals, cosmetics and health foods	2,220	360
Hobby items, general goods, furniture, other	3,420	550
Automobiles	6,560	220
Real estate	10,490	200
Finance	3,210	210
Finance (Banks, securities companies, etc.)	2,110	-
Finance (Insurance companies)	1,100	-
Services	9,010	4,100
Total	56,430	9,710

Source: "White Paper on Information and Communications Japan 2006," Ministry of Internal Affairs and Communications

Technologies, products and services that Japanese companies would like to bring to the market in the medium to long-term (3-5 years) through collaboration with foreign companies: Top 10 fields (as of the end of June 2006).

Home Network	Home Network is a residential local area network. With the increasing availability of broadband Internet service and affordable PCs, more people are networking their multiple PCs and network-capable devices to use a single broadband outlet, usually through a cable or DSL provider.
Next Generation Mobile Devices	Next Generation Mobile Devices includes PDAs, mobile phones, and smart computers that are mobile and contain new technologies such as authentication systems, broadband content, mp3 players and so on.
Web 2.0 (Including SNS)	Web 2.0 generally refers to a second generation of services available on the Internet that lets people collaborate and share information online. In contrast to the first generation, Web 2.0 gives users an experience closer to desktop applications than the traditional static Web pages. Social Networking Service (SNS) is social software specifically focused on the building and verifying of social networks for whatever purpose. Many social networking services are also blog hosting services.
Online Security	Technologies demanded are anti-fishing systems and information leakage security systems. Also with increasing demand on online shopping, security of personal data on shopping sites are interests as well.
Broadband Content	The upcoming focus of broadband content in Japan are the following: on-demand movie/animation/music distribution and VOIP (Voice over Internet Protocol) uses.
IPv6	Internet Protocol Version 6 (IPv6) is a network layer standard used by electronic devices to exchange data across a packet-switched internetwork. IPv6 is intended to provide more addresses for networked devices, allowing, for example, each cell phone and mobile electronic device to have its own address.
Distributed Computing	Distributed Computing is designated and parallel computing, using two or more computers communicating over a network to accomplish a common objective or task. The type of hardware, programming languages, operating systems and other resources may vary drastically. It is similar to computer clustering with the main difference being a wide geographic dispersion of the resources.
Biometrics Identification System	Biometrics technology enables identification of a person by unique human characteristics such as hand geometry, retina, iris, face, etc. With this technology, high security and easy recognition of users can be obtained.
Image/Speech Recognition	Image Recognition: The identification of objects in an image. This technology can be used to inspect defects or identify products, which can lead to production efficiency and increase in safety. Speech Recognition is a computerized analysis of spoken words in order to identify the speaker, as in security systems, or to respond to voiced commands. The analysis is performed by finding patterns in the spectrum of the incoming sound and comparing them with stored patterns of elements of sound, as phones, or of complete words.
License/Contents Management	License/Contents Management is a computer software system for organizing and facilitating collaborative creation of documents and other content. A content management system is frequently a web application used for managing websites and web content, though in many cases, content management systems require special client software for editing and constructing articles. The market for content management systems remains fragmented, with many open-source and proprietary solutions available.

Source: JETRO Online Survey (as of June, 2006)

Note: (*)ADSL
Asymmetric Digital Subscriber Line. Allows high-speed, always-on Internet access through ordinary telephone lines.

(**)FTTH
Fiber To The Home. Enables ultra-high-speed telecommunications environment through direct home connection to optical-fiber lines.

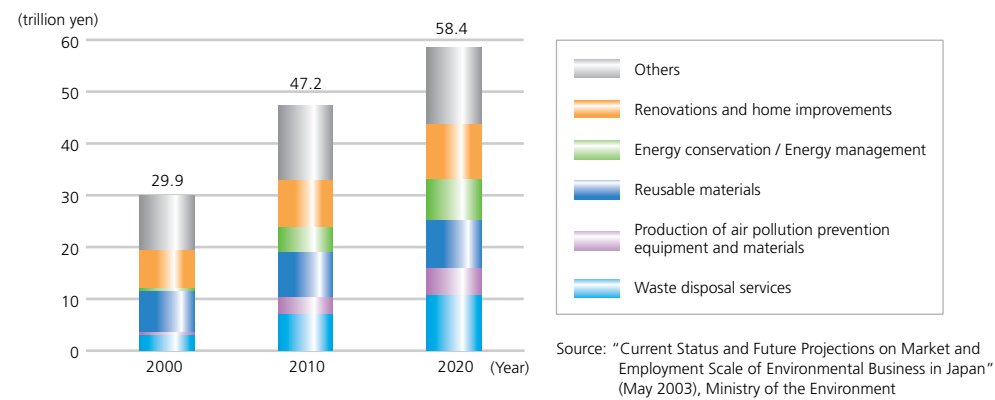
(*)Mega Data Nets
Mega Data Nets is a broadband network service provided by NTT East Japan using leading-edge Asynchronous Transfer Mode (ATM) technology.

(*)Wide Area Ethernet
Wide Area Ethernet is an electronic communications service that uses a technology enabling the connection of geographically separated LANs, etc. using an Ethernet interface.
Wide Area Ethernet has the following advantages over IP-VPN:
Fast communications, with limited delays.
The user can use communication protocols other than IP, simply by converting to Ethernet.
L2 and L3 switching for low-cost VLAN can be used.
High degree of freedom in constructing networks, and flexibility in adding bases, changing protocols, etc.

(*)IP-VPN
IP-VPN is Virtual Private Networks created using the IP networks established by communications companies. Using IP-VPN, networks in distant areas can be operated as if they were connected by a LAN.

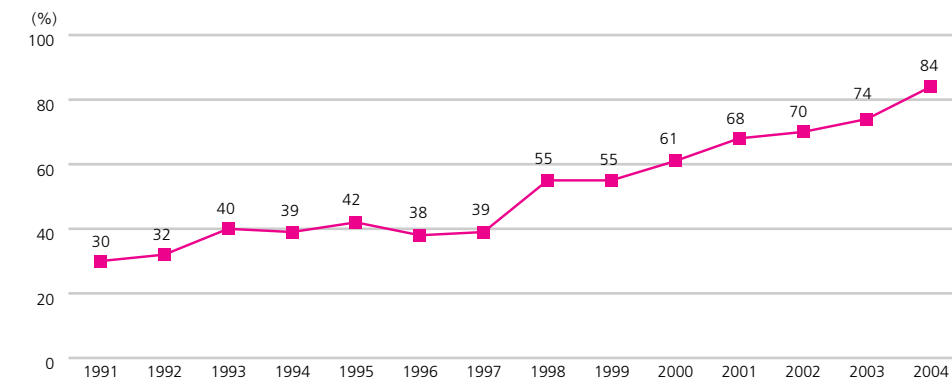
Japan's environmental market has rapidly expanded since the second half of the 1990s due to the government's advancement of environmental laws.

Changes in the market scale of environmental business in Japan



In addition to creating new markets and opportunities to add value to existing markets, environment-oriented consumption—the choice by consumers of environmentally friendly products and services—is increasing the number of companies that practice environmental management.

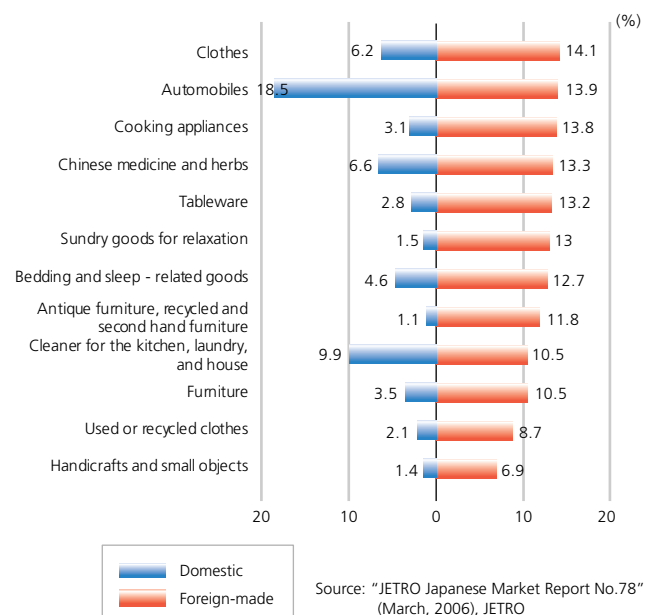
Percentage of companies that have established specific environmental management targets



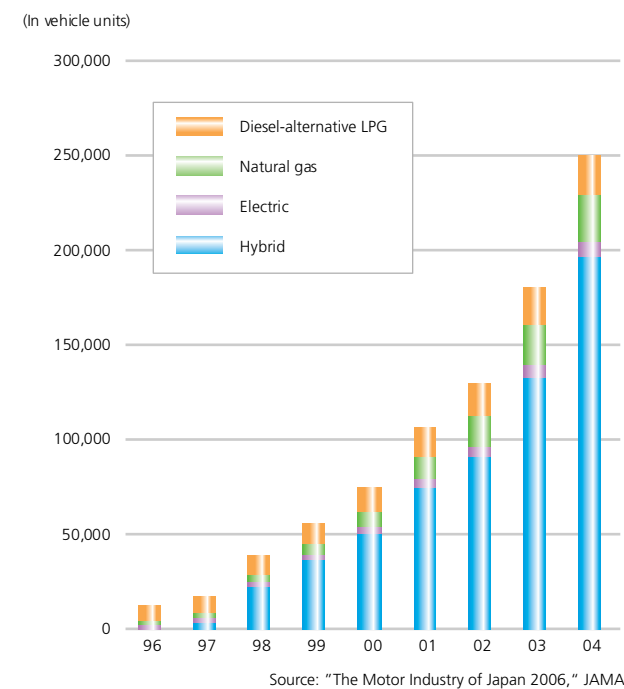
Source: "Survey of Trends in Environmentally Friendly Companies" (September, 2005), Ministry of the Environment

An increasing number of environmentally-friendly products and services are being sold in response to the growing awareness of environmental issues including global warming and ozone layer depletion.

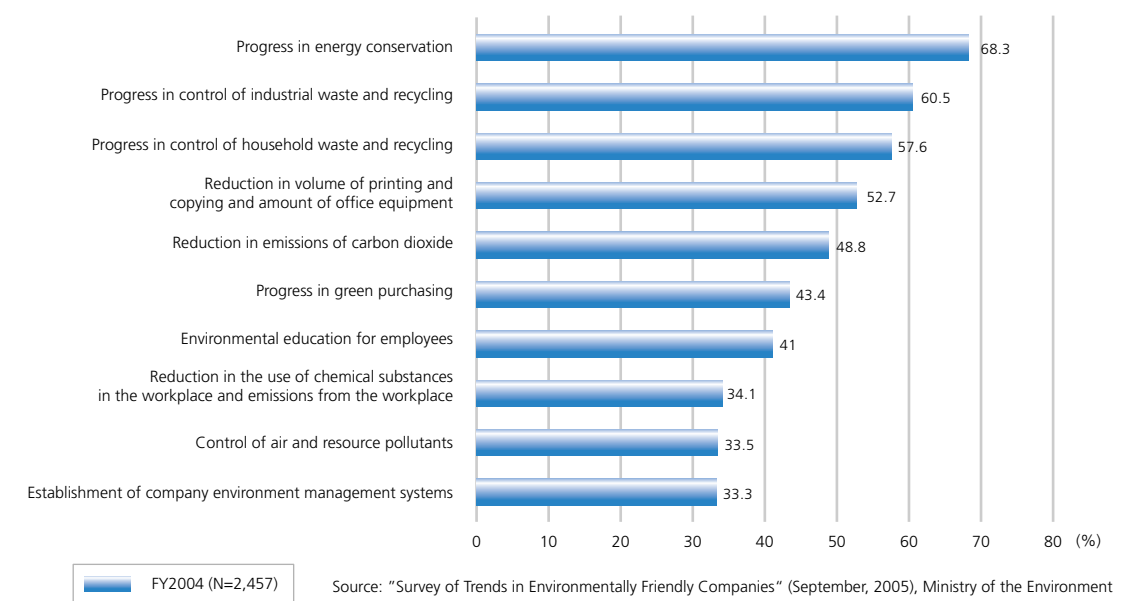
Japanese consumer loyalty to domestic and foreign-made environment and health-friendly products and service.



Trends in clean-energy vehicle use in Japan



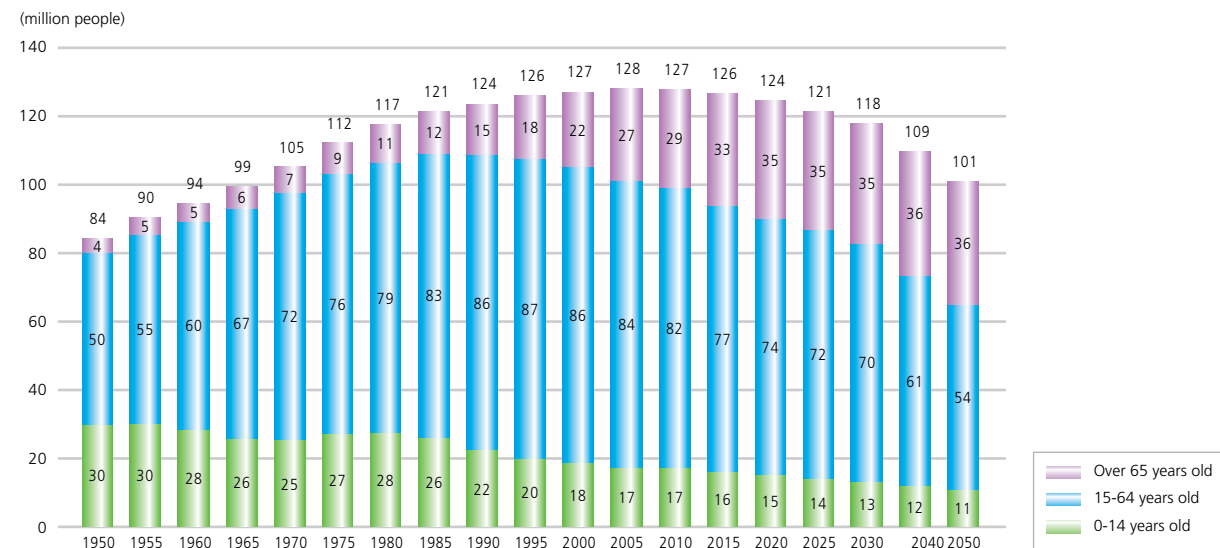
Environmental goals established by Japanese companies (Top 10 responses; multiple answers accepted)



Booming business in silver care and retirees

As Japan's population over 65 grows in the coming decades, these consumers will create demand in various sectors, such as biopharmaceutical foods, senior care services and others.

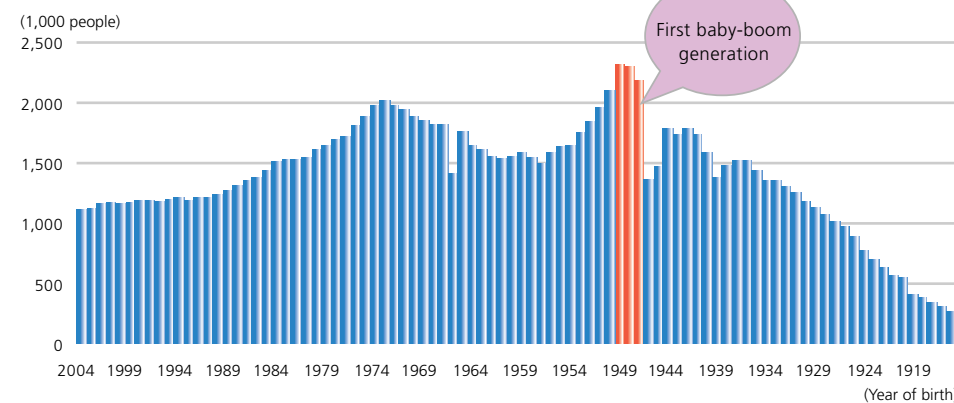
Changes in Japan's total population



Source: "Japan in Figures 2006," "Population Census 2005," Ministry of Internal Affairs and Communications

From 2007, approximately 6.9 million members of Japan's first baby boom generation (those born between 1947 and 1949) will begin to reach retirement age. Current estimates indicate that they will be paid more than 15 trillion yen in severance pay per year, amounting to a total of 50 trillion yen. The baby boom generation forms a fixed stratum of consumers, possessing personal financial assets totaling approximately 130 trillion yen, or ten percent of the total personal assets of the population. The members of this generation have a high level of interest in hobbies, education and travel, and are expected to become a key pillar of domestic consumption in Japan.

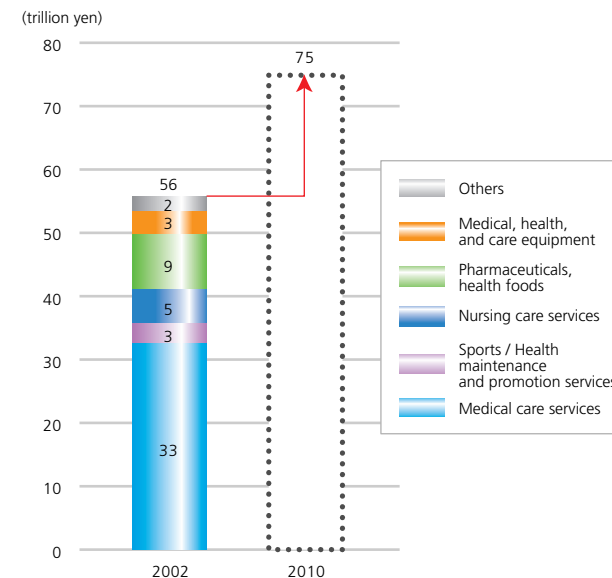
Japan's population pyramid



Source: "Annual Report of Population Estimates" (2004), Ministry of Internal Affairs and Communications

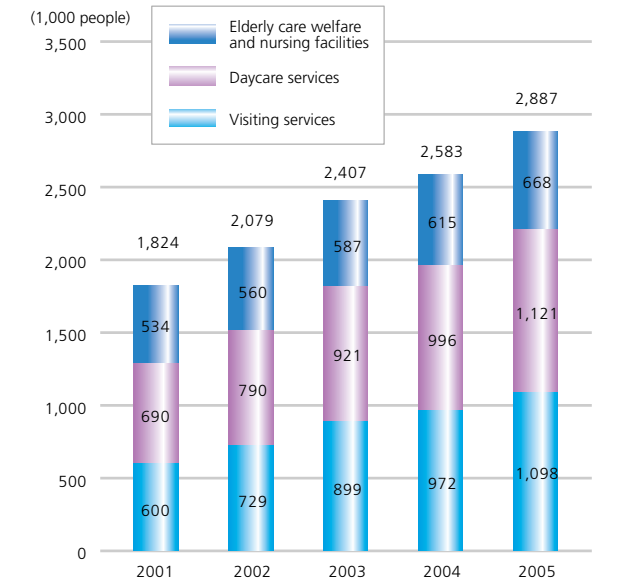
The growth of senior consumers is generating new needs in the medical, health and nursing care fields. The market scale of these fields is expected to increase to 75 trillion yen by 2010.

Market scale of welfare and health care



Source: "New Industry Promotion Strategy" (May 2004), Ministry of Economy, Trade and Industry

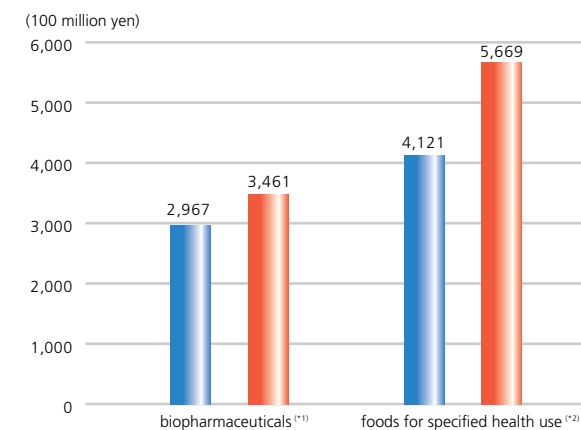
Number of users of nursing care facilities and services



Source: "Survey of Nursing Care Facilities and Businesses" (May 2006), Ministry of Health, Labor and Welfare

Concerns over rising health care expenses has led to increasing attention towards pharmaceuticals and biotechnology products and foods for improving health and therefore reducing medical expenses.

Changes in the market scale of biopharmaceuticals and foods for specified health use



Note: ^(*) Pharmaceuticals manufactured using biotechnologies, such as genetic recombination, cell fusion and cell culture technologies.
^(**) Foods that have been modified to reduce or eliminate the health risks associated with conditions such as high blood pressure, high blood sugar and obesity, and have received approval from the Ministry of Health, Labor and Welfare. Unlike ordinary foodstuffs, the health benefits of foods for specified health use have been verified in tests on human subjects, and figures for appropriate daily intake have been established. A wide variety of foodstuffs, including powders, yogurts and cooling drinks, are available as foods for specified health use, and can be purchased at ordinary supermarkets. As of February 21, 2006, 579 products were registered as foods for specified health use.

Source: "Market Surveys for Investment in Japan: Bio Technology" (May 2005), JETRO