

Government Procurement in Japan

Obstacles and opportunities for European SMEs

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Executive summary

Quick facts

- EU-supplied goods and services accounted for 2.9% of total procurement value in 2011. Total volume of imports from EU was 9.4%;
- Supplier awards given to EU companies amounted to 0.5% for goods and services;
- Only 0,03% of designated suppliers were foreign suppliers;
- EU companies have relatively strong presence supplying high-technology products and medical equipment, however only a handful are SMEs;
- English language information on tendering in Japan is severely limited;
- Lobbying plays an important role in securing contracts;
- The ratio of single tendering remains high at 35% of contracts in 2011;
- The procurement system is parochial and fragmented.

The aim of this study is to identify non-tariff barriers preventing European SMEs from participating in government procurement in Japan, despite of the presence of the WTO framework. In addition, it also strives to unlock information regarding public procurement procedures in Japan, beneficial for SMEs and other parties concerned.

The analysis of the government procurement systems currently in place shows a system with a high degree of diversity in administrative procedures, often specific to individual procuring entities and the types of contract, with little or no information in foreign languages. This presents a substantial administrative burden for all suppliers, and for SMEs in particular, as no distinction is present in the handling of larger and smaller tenders.

For SMEs wishing to enter the government procurement market, obtaining Japanese language expertise is a prerequisite. The almost exclusive focus on lowest price, instead of overall greatest economic value, and the absence of negotiation methods, makes it difficult for SMEs to compete, as they have to factor in the extra costs for this expertise. As a result, the majority of foreign companies tend to be active in supplying complementary or unique goods and services, and are wholly absent in the provision of generic goods and services.

Foreign suppliers could benefit from a comprehensive introduction of tender evaluation methods, where economic advantageousness is valued more. So far, only the Overall Greatest Value (OGV) methodology is used frequently, but primarily limited to public works' procurement. Other methodologies have not left the experimental stage.

Language is considered as the largest singular barrier for SMEs, and reinforces all others. The SMEs that are currently active and successful in government procurement, have invested in hiring the expertise necessary to deal with the administrative hurdles, access to market information and the development of a relevant network.

Peculiarities in the development of standards and licenses tend to favour insiders. Japanese Industrial Standards (JIS) are used in tender requirements and have been usually developed by domestic industrial associations. Foreign suppliers are forced to verify separately whether their products meet these standards, thus adding to extra time and costs when preparing a bid. Excessive use of standards, or last minute changes in standards is also utilized to keep out foreign competition.

The fact that there are so few European SMEs active should in itself be regarded as an opportunity. For state-of-the-art technologies and services there is a receptive market within the government-sponsored research community. Furthermore, initiatives on deregulatory reforms and ambitions to export public infrastructure expertise by the present Abe-government hold some promise for new opportunities in the medical and infrastructural sectors.

For European SMEs it is vital to invest in the development of a local network using local counterparts or representatives. This should be underpinned by an attitude of patience and thinking long-term, as a 'quick buck' is rarely made in Japan.

The EU Commission should be aware of the different role public procurement plays in Japan. While in the EU it is regarded as an important instrument for development of a single market, public procurement in Japan is an important tool to prop up locally operating businesses. *Vis-à-vis* their Japanese counterparts, outside pressure might help to some extent to overcome latent sectionalism within the Japanese bureaucracy, but aiming for win-win with regard to procurement will have benefits as well.

Pushing for streamlining, simplification and standardisation of procedures, open to public scrutiny, will be beneficial for all. Also, an awareness of the influence of outside groups, such as industrial associations, on the characteristics of Japanese government procurement is important. Faced with language and procedural barriers, amplified by a lack of foreign language information provided by the Japanese government, focused support by the EU Commission for European SMEs in this market is deemed necessary.

Japan would have much to gain from a more pro-active procurement system that is open to foreign suppliers. It should be open, equal and fair not only on paper, but also much more in spirit. Modern purchasing practices strive to maximize the economic benefits by having an as broad range of suppliers as possible, to obtain the best value for money. It is a worrying development that the number of registered foreign suppliers is decreasing, thus depriving Japanese procuring entities of a wider range of choice and more innovative and cost-efficient products and services.

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List of Abbreviations	
B2B	Business-to-Business
B2C	Business-to-Consumer
B2G	Business-to-Government
CALS/EC	Continuous Acquisition and Life-cycle Support/Electronic Commerce
CHANS	Office for Government Procurement Challenge System
CIIC	Construction Industry Information Centre
EBC	European Business Council in Japan
EU	European Union
FTA/EPA	Free Trade Agreement/ Economic Partnership Agreement
FY	Fiscal Year
GOJ	Government of Japan
GPA	WTO Agreement on Government Procurement
JACIC	Japan Construction Information Center
JATMA	Japan Automobile Tyre Manufacturers Association
JAEA	Japan Atomic Energy Agency
JETRO	Japan External Trade Organisation
JICA	Japan International Cooperation Agency
JIS	Japanese Industrial Standards
JISC	Japan Industrial Standards Committee
JOGMEC	Japan Oil, Gas and Metals National Corporation
JR	Japan Railways
JSA	Japan Standards Association
KONEPS	Korea On-line E-Procurement System
METI	Ministry of Economy, Trade and Industry
MLIT	Ministry of Land Infrastructure and Tourism
MOFA	Ministry of Foreign Affairs
NILIM	National Institute for Land and Infrastructure Management
OGV	Overall Greatest Value
OSC	Operational Safety Clause
PFI	Private Finance Initiative
SDR	Special Drawing Rights
SME	Small and Medium-sized enterprise
TED	Tenders Electronic Daily
VE	Value Engineering
WTO	World Trade Organization

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1. Introduction

Access to government procurement is one of the main topics in the current negotiations between the EU-Commission and the Government of Japan to conclude a comprehensive FTA/EPA. Even though both parties are signatories of the WTO Government Procurement Agreement (GPA), in place since 1995, complaints particularly from the EU-side about the lack of progress in opening the Japanese government procurement market have been persistent.¹

With both parties currently enduring a prolonged economical slump, there is renewed awareness by policy-makers of the importance of small and medium-sized enterprises (SMEs). While large companies tend to steal the limelight in economic headlines, both in Japan and the EU, SMEs form the backbone of their economies, providing employment to the majority of their working populations. SMEs are more and more seen as the engine of future growth and economic recovery, and policies to support SMEs in their endeavours and secure better opportunities have gained more importance their national development strategies in recent years.

Access to government procurement markets abroad is seen as one of the areas where the potential of SMEs has not yet been fully developed. In the EU, where streamlining government procurement is seen as an important means to create a single market, the Commission strives to establish one of the most open markets for government procurement in the world and is challenging its trading partners to do the same.

EU companies have been active in the Japanese procurement market for quite some years and with mixed success. In comparison with other regions, large EU headquartered companies actually do quite well. However, when looking at the whole potential of the Japanese procurement market, the ratios of foreign companies successful in winning government procurement contracts have remained rather low by any standard and even show a decline.²

In its latest report to the WTO, the Government of Japan (GOJ) estimates the size of government procurement by central government entities, prefectures and designated cities under the WTO GPA regime at approximately EUR 33 billion.³ The actual size of

¹ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/>

² GOJ. April 2013. Japan's Government Procurement: Policy and Achievements Annual Report (FY 2012 version) - Toward Government Procurement Open to the World, http://www.kantei.go.jp/foreign/96_abe/documents/2013/procurement2012_e.html

³ http://www.wto.org/english/tratop_e/gproc_e/gpstat_e.htm

the government procurement market in Japan, including local entities, is actually much larger, with EU estimates ranging from EUR 550 billion to EUR 565 billion.⁴

Thus, the question arises what has prevented EU companies, and for this study in particular – SMEs – from securing a sizeable chunk of the Japanese government procurement market commensurate with its economic size and what should be done to increase its share.

1.1. Problem statement and aims

This study looks into the current non-regulatory challenges, which are preventing European SMEs from entering the Japanese government procurement market.⁵ Its aim is to provide an insight into the system from the perspective of SMEs and to give recommendations to EU and Japanese policymakers how to move forward and create a business environment, which is beneficial for all parties concerned: SMEs, procuring entities and the Japanese tax-payer. Also, this study strives to give European SMEs with ambitions to enter the government procurement market in Japan, some leads on how to progress in the challenging business environment that Japan is.

1.2. Methodology & Scope

This study is primarily based upon a review of literature and information regarding government procurement provided by the Japanese government and procurement agencies. To supplement this, a large number of EU-member state representative organisations such as embassies and chambers of commerce and European SMEs with experience in government procurement in Japan, were approached.

When asked for interviews, Japanese procuring entities were rather reluctant to provide other information than information publicly available, but in individual cases they were willing to answer lists of written questions.

Although many organisations and SMEs were approached for their cooperation during the period of October 2013 to January 2014 for this study, the willingness to do so was rather disappointing. Some of the interviewees stated that this might be due to disinterest or a sense of resignation, while others attributed this to the fact that

⁴ EURO 565 billion (2007) figure mentioned in study on behalf of EU DG Trade by Copenhagen Economics, ASSESSMENT OF BARRIERS TO TRADE AND INVESTMENT BETWEEN THE EU AND JAPAN, p. 91, EUR 565 billion (2010) European Commission DG Trade, Trade, Growth and World Affairs. Trade policy as a core component of the EU's 2020 strategy. COM(2010)612
http://trade.ec.europa.eu/doclib/docs/2010/november/tradoc_146955.pdf

⁵ In this study the following definition is used for SMEs. Enterprises with less than 250 Annual Work Units, annual turnover of less than EUR 50 million and balance sheet total of less than EUR 43 million, (Source: European Commission, The new SME definition. User guide and model declaration (Commission Recommendation 2003/361/EC)

successful companies would rather keep their successes to themselves, while those who were not, would rather not share this with the rest of the world. As a result, it is rather difficult to give a comprehensive picture of the situation for SMEs on the ground and, to some extent, it ought to be regarded as anecdotal.

This report consists of three parts; the first part consists of a discussion of present activities of EU companies in government procurement and a discussion of the tendering process. The second part is a discussion of the challenges and opportunities SMEs face. The final part consists of recommendations to the various stakeholders, SMEs themselves, the EU Commission and the Japanese government.

2. Present activities of EU-companies in government procurement

Before going into more detail on the procurement process and related challenges for European SMEs, to give the matter some perspective, it is good to have a look at the present situation with regard to the activities of EU-companies in the Japanese government procurement market.

The Japanese government (GOJ) publishes an annual report on the state of government procurement called “Japan's Government Procurement: Policy and Achievements Annual Report - Toward Government Procurement Open to the World -”. It is one of the few English language publications on government procurement, other than the GOJ-reports sent to the WTO.⁶ The publication gives an overview of the regulatory framework concerning government procurement, voluntary measures taken by GOJ and trends concerning government procurement such as conclusion of EPAs. The second chapter of the Report offers some statistical data, which allows an insight into the activities of EU-based companies in government procurement.

These statistics are not comprehensive by far, as they only cover procurement of goods and services by central government entities, above the WTO threshold of 100 000 SDR, and provide no information about procurement at the regional and local level and in sectors such as construction and design of public works.

The following graphs give some indications of the activities of EU based companies. Graph 2-1 shows the performance of companies identified as EU-based over the past years, in terms of winning awards. *Vis-à-vis* other foreign suppliers⁷, EU companies have done relatively well and seen their market-share increase. However, the ratio of contracts given to EU-companies has remained low at around 1,5% (EUR 175 million⁸) compared with a total procurement value of approximately EUR 12.000 million in 2011.

The procurement of foreign goods and services, provided by both foreign and Japanese suppliers is higher, in terms of value, at EUR 335,8 million, as is shown in Graph 2-2. Percentage-wise, EU-supplied goods and services accounted for 2.9% of the total procurement value in 2011. When compared with the total volume of imports from the EU, which was second after China with 9.4% in 2011, there is a significant gap visible, showing that the public sector prefers to buy locally.⁹

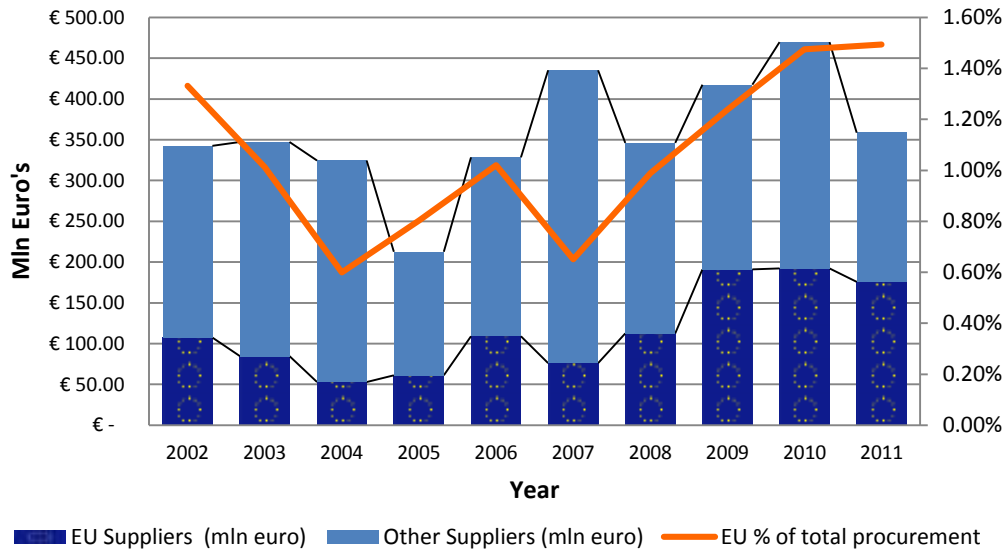
⁶ The latest Report is usually published on the Prime Minister's Office website under Policy > Important Documents. http://www.kantei.go.jp/foreign/96_abe/documents/2013/procurement2012_e.html (checked January 14, 2014)

⁷ The Japanese government considers companies with 50% or more foreign capital as foreign suppliers.

⁸ In this study an exchange rate of EUR 1 = JPY 120 was used.

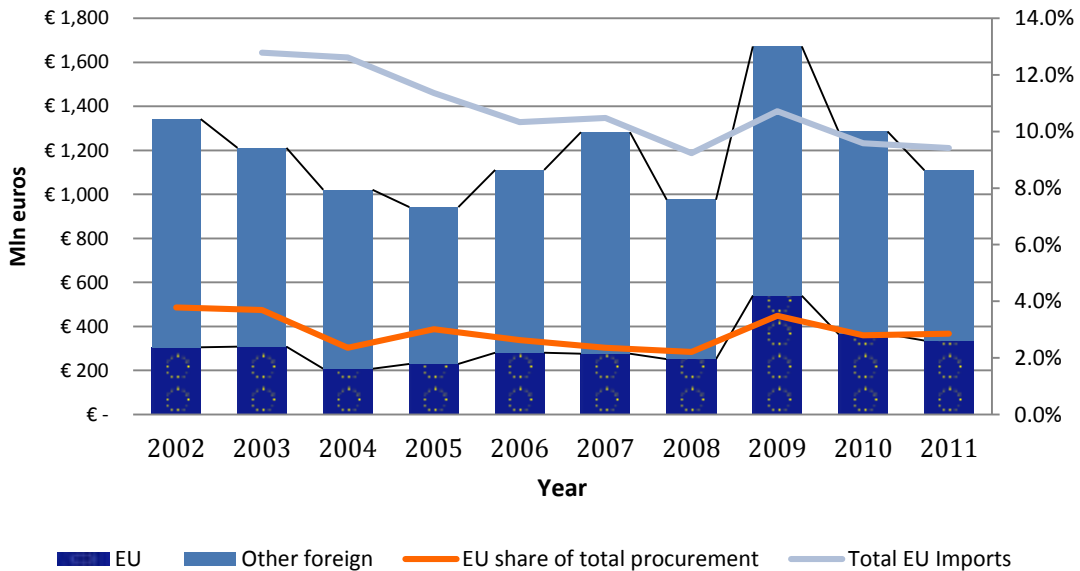
⁹ Ministry of Foreign Affairs. 2012. Economic situation between Japan and EU. P. 9 <http://www.mofa.go.jp/mofaj/area/eu/pdfs/index-tokei.pdf>

**Graph 2-1: EU-Companies' activities in government procurement in Japan:
Values of foreign supplier awards and % of total procurement 2002-2011**



Sources: Annual Reports on Government Procurement 2002-2012.

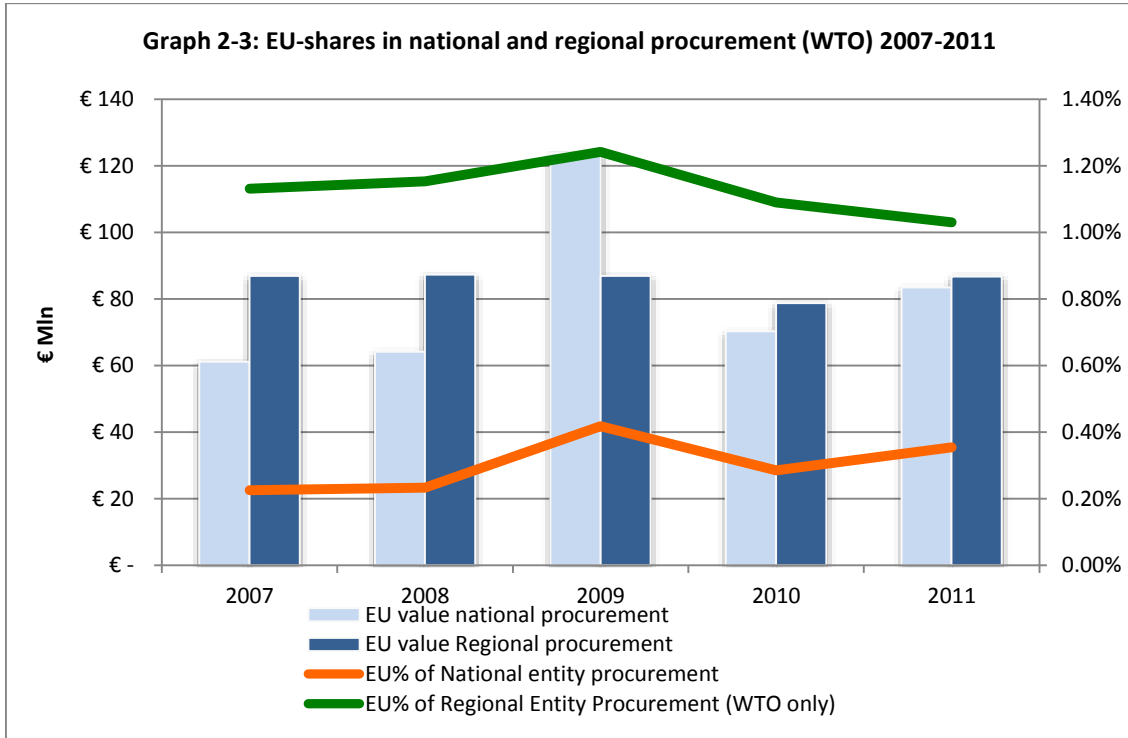
**Graph 2-2: EU Companies' activities in government procurement:
Value and share of provision of goods and services 2002-2011**



Sources: Annual Reports on Government Procurement 2002-2012.

WTO Statistics provided by the GOJ do include procurement for construction and design and give some insight in procurement by regional entities, but are again limited

in their scope, as they only report on procurement above the WTO thresholds, generating even lower percentages of procurement from foreign suppliers.¹⁰



Sources: WTO reporting by GOJ, http://www.wto.org/english/tratop_e/gproc_e/gpstat_e.htm

Both in terms of value and market share, the WTO-statistics show a pretty dismal state of affairs, which has probably fuelled much of the discussions between EU and Japan on this topic.

Still, there are EU-companies that have managed delivering goods and services to Japanese government entities. For goods and services sold under the WTO regime, deliveries by EU-companies are primarily in the following areas.

Table 2-1: Open tendering awards to EU entities in 2011 (WTO regime)	
WTO Classification	% of total
19 Aircraft and associated equipment	44,9%
16 Electric machinery, apparatus and appliances or parts thereof	22,7%
24 Professional, scientific and controlling instruments and apparatus	5,3%
71 Computer and related services	0,9%

Source: WTO statistics, http://www.wto.org/english/tratop_e/gproc_e/gpstat_e.htm

In procedures with limited tendering or designated tendering procedures, EU entities were awarded contracts in categories such as pharmaceuticals and online information and database retrieval.

¹⁰ For the current thresholds applied by Japan see Appendix 7-4. WTO statistics available at http://www.wto.org/english/tratop_e/gproc_e/gpstat_e.htm

Sectors with substantial foreign supplier shares in procurement have remained unchanged during the past years. Table 2-2 gives an overview of these sectors with the largest shares in terms of value in 2011.

In terms of value and number of contracts, scientific apparatus and equipment, and medical, dental, surgical and veterinary equipment are the most profitable sectors for foreign companies, generating relatively good sales to institutions such as universities and research facilities. The latter category also shows a high average contract size, so it seems that foreign manufacturers have managed to carve out a stake in the delivery of high-end equipment to hospitals.

When looking at the provision of services to Japanese government organisations, foreign suppliers are largely absent. A reason for this might be the difficulty to 'localize' services, as linguistic and cultural aspects are of greater importance, in comparison with the transfer of 'hardware' products. While the share of foreign suppliers is very small, expenditures in a sector such as computer and related services are very large and a turnover of substance is realized easily.

It is also interesting to note that the average size of the contracts won by foreign entities is substantially lower than those won by Japanese entities, with a gap of EUR 500.000 per contract for the delivery of services and EUR 290.000 for delivery of goods. Whether this means that Japanese suppliers are overcharging their government, or foreign suppliers are setting too low prices in order to be competitive, cannot be established from the statistics.

Table 2-2: Largest values of foreign suppliers' shares in procurement* of goods and services by central government entities: 2011
(€ Million)

Category	Value	Foreign share	Value foreign share	Total # contracts	Foreign share	Contracts foreign	Average size foreign contract	Average size domestic contract
Medical, dental, surgical and veterinary equipment	€ 511,25	44,3%	€ 226,48	767	32,1%	246	€ 0,92	€ 0,55
Scientific apparatus and equipment etc.	€ 728,58	28,8%	€ 209,83	1261	35,0%	441	€ 0,48	€ 0,63
Computer and related services	€ 4.351,33	1,9%	€ 82,68	2457	3,8%	93	€ 0,89	€ 1,81
Mineral products	€ 244,33	30,7%	€ 75,01	1134	53,6%	608	€ 0,12	€ 0,32
Medicinal and pharmaceutical products	€ 463,00	14,2%	€ 65,75	402	38,6%	155	€ 0,42	€ 1,61
Office Machines and automatic data processing equipment	€ 1.390,92	4,7%	€ 65,37	829	4,7%	39	€ 1,68	€ 1,68
Miscellaneous articles	€ 931,58	5,3%	€ 49,37	1430	8,4%	120	€ 0,41	€ 0,67
Aircraft and associated equipment	€ 84,50	54,6%	€ 46,14	55	14,5%	8	€ 5,79	€ 0,82
Total procurement of services	€ 5.748,75	1,8%	€ 103,48	4212	2,8%	118	€ 0,88	€ 1,38
Total procurement of goods	€ 6.009,50	13,7%	€ 823,30	8401	20,2%	1.697	€ 0,49	€ 0,77

Source: GOJ. April 2013. Japan's Government Procurement: Policy and Achievements Annual Report (FY 2012 version) - Toward Government Procurement Open to the World, http://www.kantei.go.jp/foreign/96_abe/documents/2013/procurement2012_e.html

*Only contracts for goods and services to central government entities above the threshold of 100,000 SDRs (JPY 15 million)

2.1. EU-headquartered companies active in Japanese procurement

Obtaining an insight into activities of EU-companies, both large and small, at the company level has proven rather difficult, for the following reasons.

- GOJ does not keep publicly accessible central records of tenders awarded;
- Records available do not show whether a company is foreign or not, successful EU-companies have established local subsidiaries, often under a Japanese name;
- It is not always clear, whether a company falls under the SME definition.

The number of foreign suppliers to Japanese government institutions is extremely limited: - In its latest report to WTO in June 2013, Japan reported that, as of October 2012, of the 77.592 registered firms, 264 (0,03%) companies were regarded as foreign suppliers.¹¹ This is actually a significant decrease from their previous reporting in 2011, when 394 (0,06%) foreign firms were registered on a total of 59.915 firms.

There are a number of commercial database services available, which gather tender information published at procurement sites of government entities and allow some queries.¹²

The picture that emerges from these queries, confirms the more general statistics discussed earlier. EU-based entities have established a reasonable presence in supplying state-of-the-art technology to the Japanese science community in particular.

These entities are however primarily larger European enterprises, which have established full-fledged Japanese subsidiaries. Germany-based companies tend to dominate among the companies found. (For a selection of companies found in tender-databases, see Appendix 7-1.)

The European presence in Japanese government procurement consists primarily suppliers of products that are seen as 'global standards' and complementary products. Examples are scientific journals, vaccines, and certain types of software.

Much of the turnover generated is because the EU company supplies a unique product, with no alternatives available. In the case of generic products, i.e. when a local alternative is present, there seems to be close to zero procurement from abroad.

Universities, research-heavy facilities and medical institutions are the best clients for EU-companies in terms of the number of contracts and combined value. Large EU-Companies such as Siemens Japan and Philips Electronics Japan have been able to secure substantial market-shares with their medical equipment.

¹¹ Companies where more than 50% of the capital is foreign. WTO Trade Policy Review Body, Trade policy Review. Report by the Secretariat. Japan Revision (June 19, 2013) WT/TPR/S/276/Rev.1 page 35

¹² For this investigation the <http://www.njss.info> and Nyusatsu King portals <http://www.nyusatsu-king.com> were used, besides various governmental portals and suggestions by EU representative offices

Cosylab**Japan****K.K.**

www.cosylab.jp

www.cosylab.jp

Cosylab d.d. was established in Slovenia in 2001 and is a control system integrator specializing in large physics facilities such as accelerators and radio telescopes. The company employs 85 people in Europe, with a turnover of about EUR 7 million. In April 2011, Cosylab established its Japanese branch Cosylab Japan K.K., as its CEO realized this would give the company the credibility necessary to succeed. It currently employs two people in Japan and the company expects to grow to 4 people in 2014. The company relies solely on government institutions for their sales, and currently has a C classification for provision of service and sales of goods and a D for manufacturing. With their type of clients however, the classification does not really limit them. Their main customers are research-facilities and universities.

Retired physics professor Shin-ichi Kurokawa has been responsible for the development of the Japanese market. He hopes that this year the companies will see its first profits. He found acquiring a Supplier Qualification quite straightforward, however to translate financial statements you need accounting expertise. *"I took the documents to the Ministry of Education and had them checked on the spot. All the paperwork is just a hassle."* Cosylab Japan is registered as a foreign company in Japan and does not have a Japanese corporate entity. Kurokawa hired a legal advisor to arrange this for him.

Kurokawa is of the opinion that in order to be successful as an European SME you have to invest in language expertise and create a domestic network. *"As an OB (Old boy) in this sector I know many people, this allows me to monitor what is going on and I usually know about upcoming tenders before they are announced."*

Based upon his experience in his sector, Kurokawa believes that the difficult thing for SMEs operating in Japan is the recruitment of good personnel.

"If you can find people here with good foreign language skills, then you have much better results. Plus you need people that can open doors."

(Government contract value in 2013: approx. EUR 150.000. Source: njss.info)

MB Scientific AB (Sweden)

www.mbscientific.se

MB Scientific AB is an Uppsala-based company, developing and producing instruments for photoelectron spectroscopy experiments. Since 2001 they have supplied their products to universities and research facilities in Japan.

They are one of the few European SMEs active in government procurement in Japan, without a representative office in Japan itself. In the Unified Qualifications Screening system, they are classified as a Class D company for production of goods, and C for the sales of goods and services. MD Mitsuse Matsuki-Baltzer spends a good part of the year travelling to her native Japan to talk with prospective customers and customers using MB Scientific AB's products.

The fact that she is from Japan has made it easier to deal with the procedures and preparation of bidding documentation, still she found it difficult to go through all the paperwork the first time, and believes that even many Japanese SMEs find the system too time-consuming.

"It would be very helpful if the EU could negotiate with the Japanese government a system where standard qualifications in Europe would be accepted directly when SMEs participate in tenders. This would open the way for much more European SMEs."

"With price as the main decisive factor, the present tendering system is not fair for SMEs, bigger companies always have the possibility to cut prices more than SMEs can, as they can compensate their cuts with other sales."

(Government contracts value in 2013: EUR 1,6 million. Source: njss.info)

Extensive searches in procurement records and inquiries with representative EU-companies have only produced a handful of SMEs that have thus far gained access to the Japanese procurement market. The SME-companies found are all active in high-end niche markets in the field of scientific equipment or services.

3. Tendering process

This chapter outlines the various steps of the tendering process that are necessary for an SME to participate in bidding on Japanese government contracts. Before embarking on a business-adventure in the Japanese market, it should be made clear that being successful in the Japanese market, whether it be in the B2B, B2C or B2G sector, will require a clear commitment by the company over a prolonged period of time. The character of Japanese business leaves little room for quick-win in-and-out strategies. SMEs should be aware that selling a product or service is only the start of a long-term relationship in which (after) service and dependability are highly valued.

3.1. Preparatory phase

After the establishment of a business plan, which takes the aforementioned advice into account, an SME will have to make a number of preparations in order to be ready for bidding on government contracts.

Supplier qualification procedures

Unified Qualifications Screening System

Japanese government entities require their suppliers to obtain supplier qualifications before they can participate in bidding procedures. The procedures and the scope of qualification procedures are not uniform all over the country, but the common aspect is that companies need to qualify *in advance*. The main reasoning behind this system is that the government can reasonably expect that qualified suppliers have the capability to supply the product or service they are offering at the time of bidding.

Government entities at all levels employ a division between qualifications to supply of goods and services and qualifications to participate in bidding for public works (construction and design). Central government institutions use the so-called 'Unified Qualifications Screening' (*touitsu shikaku shinsa*) for companies supplying goods and services since 2001.¹³

¹³ These include all ministries and attached agencies, totaling almost 1000 offices. A list in Japanese is available here. <http://www.chotatujoho.go.jp/va/com/h25-uketsuke.html>

Prospective suppliers apply for the screening at one of the public institutions and after obtaining the qualification they are eligible to participate in tendering at all participating entities. The qualification is in general valid for three years, and is not automatically renewed.

The application period is usually in a set period, between December and February, but it also seems to be possible to do this at other times. The procedure consists of a screening of the financial soundness of the supplier and historical record of the company. Foreign companies are expected to hand in equivalent documentation, which all need to be accompanied by a translation into Japanese and transferred into Japanese currency. (An abridged translation of the application guidelines is given in Appendix 7.2)

It is possible to apply for the Unified Qualifications Screening online at the 'Chotatsujoho' (Procurement information) portal site managed by the Ministry of Internal Affairs and Communication, and provide the requested documentation digitally.¹⁴ There is some degree of flexibility, and applicant can send part of the documentation by regular mail as well. One of the companies interviewed stated however that the best way to ensure your application is processed correctly and swiftly, is to visit the office of the government entity in person to hand it in and have it checked at the spot. Detailed guides exclusively in Japanese on how to apply are available on the 'Chotatsujoho' portal site.

After submitting the application, the ministry or agency where the application was filed will check the application and conduct the screening. Once this is completed the so-called Unified Qualifications Screening Helpdesk will enter the results in the qualification review system. The company will receive the certificate of the screening by regular mail. The screening itself is usually very quick and takes between one week to one month after the documents are received. There are conflicting reports about whether this Certificate can be sent to addresses abroad directly. Sending to an address within Japan is preferred by the government.

Table 3-1: Documents required for application for Unified Qualifications Screening

- (1) The application document itself,
 - (2) Company registration issued by a competent national authority,
 - (3) Documents pertaining payment of taxes, issued by a competent national authority,
 - (4) Financial statements (of one business year), where capital and net total amount of assets can be ascertained (if these are not public, special treatment is possible),
 - (5) Document showing the business history.
 - (6) Letter of attorney (If representative in Japan is available)
- Attached documents (2-5) require Japanese translations*

¹⁴ <https://www.chotatujoho.go.jp/va/com/ShikakuTop.html>

Qualification for public works: Business Evaluation System (*keishin*) for construction and design of public works

In order to become eligible to participate in bidding for government contracts for construction and design of public works an entirely different qualification system exists. This system includes the 'Business Matters Evaluation' (*keizai jikou shinsa*); popularly known as *keishin*. The *keishin* in particular has been subject to criticism from the EU, due to its complexity and lack of transparency in some aspects.¹⁵ Due to this complexity, it is often not possible to obtain the necessary qualification in time to be eligible to participate in a particular tender.

Other than the unified screening for goods and services, companies will have to apply with each government institution, where they wish to participate in tendering, separately. As such, the system tends to favour large general construction companies, which have the resources to apply at multiple institutions across regions, while it keeps locally based smaller construction companies tied to a certain region or government institution for their contracts.

The *keishin*, stipulated by the Construction Business Act, needs to be taken annually¹⁶, and is seen as a major administrative barrier by many as it involves a large amount of paperwork and also external costs. The *keishin* itself is actually only one of the steps in obtaining the eventual supplier qualification, as the results of the *keishin* (a numerical score) are needed to complete the requirements for the actual supplier qualification.

While the official guidelines for the unified screening system for goods and services explicitly mention applications by foreign entities, the guidelines for the public works supplier registration do usually not. This leaves the process open for administrative interpretation.

Part of the actual *keishin* is conducted by a limited number of designated (by MLIT) third-party organisations and companies¹⁷, who charge a commission starting at EUR 100 to EUR 250 for a three day express service.¹⁸ It is not really clear on the basis of what expertise these organizations have obtained their designated status. A look at the management of the Construction Industry Information Centre (CIIC), the only not-for-profit organization, suggests that it is an *amakudari* ('landing pad') for former MLIT officials.¹⁹

¹⁵ http://madb.europa.eu/madb/barriers_details.htm?barrier_id=095262&version=3

¹⁶ Validity is actually 19 months, but as a contractor must have a valid document at all times, and the process can be time consuming, in practice it needs to be done each year.

¹⁷ List of these companies can be found here http://www.mlit.go.jp/totikensangyo/const/1_6_bt_000091.html

¹⁸ Construction Industry Information Centre (CIIC) <http://www.ciic.or.jp/bunseki/commission.html> and Management Finance Analysis Center <https://www.mfac.co.jp/price/index.html>

¹⁹ http://www.ciic.or.jp/ciic/img/financial/data/yakuin_2510.pdf

The other part of the assessment is conducted by MLIT or the government organisation where one is applying. Costs depend on the number of construction activities a company is applying for and can run up to EUR 600 in case it applies for registration in 14 different categories.²⁰

What underlies the *keishin* is a rather complex formula that generates a numerical score (P) for every activity a company wishes to engage in. In this formula, various aspects of a company's performance are quantified and given a certain weight. (See Table 3-2)

Source: Hokkaido Management Information Centre Inc.²¹

Table 3-2: Keishin Business performance calculation	
$(P) = 0.25x(X1) + 0.15x(X2) + 0.20x(Y) + 0.25x(Z) + 0.15x(W)$	
X1	Turnover gained from completed works by type of work
X2	Capital and average profit
Y*	Y expresses the business situation generated from 8 indicators including Ordinary profit ratio, Return on assets, Capital ratio, Business cash flow (absolute) and Accumulated earnings (absolute) Each of these indicators also has its own weight and is put into a formula.
Z	In-house registered accountants, engineers and specialists, turnover of completed prime contractor work
W	Other items such as employee welfare, number of years in business, presence/absence of application for corporate rehabilitation, contributions to disaster prevention, law-abidingness, construction accounting situation, R&D, Machinery, ISO

*External third party companies and organisations conduct determination of Y.

Table 3-3: Documents required for application for Tender participation Qualification Review	
<ul style="list-style-type: none"> • Application • Business conditions record • List of company locations • Copy of Notification of General Rating (P-scores) • Tax statement • If Joint Venture, copy of the Joint Venture establishment contract • If merged new company, documents pertaining to the merger • If company group, documents pertaining the group • If represented by attorney, a letter of attorney 	

²⁰ http://www.skr.mlit.go.jp/kensei/sangyou/01_kensetu/11-keieijikou/keishin/24keisintebiki.pdf

²¹ http://www.hmic.co.jp/docs/keishin_1.html

3.2. Classification methods

The result of these administrative exercises is a points' score and a classification. Classifications differ for suppliers of goods and services and for those engaging in public works.

Classification of goods and services suppliers

With the information provided at the time of application, each Ministry applies a formula that generates a score on a 100-point scale (115 for manufacturers). This score is then translated into four different classes. The results of the review are recorded in the system and on the 'Notification of Qualification Screening Results' (*shikaku shinsa kekka tuuchisho*). It will list the classification for each activity and region the company has applied for. (For an example see Appendix 7-4) Procuring entities will use this classification in their tender notices, to specify what type of suppliers can apply.

For the procuring organization the system acts as an assurance that the successful

Class	Points	Manufacturing	Sales of goods & services	Purchase of goods
A	>90	>€250.000	>€250.000	>70 points: > €83.334
B	80-89	€166.667– €250.000	€125.000 – €250.000	50-70 points: €16.667-€83.334
C	55-80	€33.334- €166.667	€25.000 - €166.667	<50 points: €16.667
D	<55	<€33.334	<€25.000	

bidder will be able to execute the contract, but it also serves as a way to allow SMEs a greater piece of the pie, by exclusively reserving certain tenders for C and D class companies. (See discussion on set-asides below.)

Therefore, companies in the A-class can place bids for tenders involving the manufacturing of goods with an amount larger than EUR 250.000, other while lower qualified companies can make bids for contracts where the expected bids are lower than

Scale	Thresholds used	Max score attainable (classification)
EU-Medium	Turnover of >€40 million, Own capital 8,3 million, Quick ratio of 140%, over 20 years in business and asset value of >€8,3 million	105 (manufacturing) 90 (non-manufacturing) => Class A
EU-Small	Turnover of up to €8,3 million. Own capital € 833.334, Quick ratio of 140%, over 20 years in business and asset value of €833.334	89 (manufacturing) 80 (non-manufacturing) => Class B
EU-Micro	Turnover of up to €833.333m Own capital €83.333, Quick ratio of 140%, over 20 years in business and asset value of less than €416.666	65 (manufacturing) 62 (non-manufacturing) => Class C

this amount. The classification of tenders can also act as an indication of the expected price of the contract. If for example a tender to supply a certain service is open for companies in the D-class, one can expect that the forthcoming bid should not be above the EUR 25.000 threshold. That being said, in a footnote accompanying the classifications, it is said that in order to ensure a reasonable amount of competition, a flexible approach is taken, again leaving room for administrative interpretation.²²

Using the EU definition of SMEs an attempt was made to establish what an average SME would score in this classification system. Only under the most ideal circumstances a medium-sized company would score enough points to be categorized as A. In reality, however, this might be difficult to attain. It is therefore likely that the majority of SMEs will end up in Classes C or D.

Classification of public works contractors

For the classification of public works contractors, the P-scores are used to classify companies. For the major types of contracts the classification is as follows.²³

Public works		
Points	Classification	Range of bids
>1100	A	> €16,7 million
800 - 1100	B	¥1,7 million - €16,7 million
<800	C	< ¥1,7 million

Building construction		
Points	Classification	Range of bids
>1100	A	< €20,1 million
800-1100	B	€2,0 million- €20,1 million
<800	C	< €2,0 million

Specialist works²⁴		
Points	Classification	Range of bids
>700	A	> €1,25 million
<700	B	< €1,25 million

Surveying

²² <https://www.chotatujoho.go.jp/va/com/pdf/bekki.pdf>

²³ MLIT. Notice of qualifications for tender participants.. (In Japanese) http://www.mlit.go.jp/page/kanbo01_hy_002281.html

²⁴ MLIT lists 13 types of specialist works: electrical engineering, piping, steel structures, road paving, painting, waterproofing work, interior finishing, installation of machinery, telecommunication, landscaping, waterways, fire-prevention, and garbage disposal facilities. In March 2014, a new category for demolition work was added.

Points	Classification	Range of bids
>45	A	> €41 667
<45	B	< €41 667

The scores that companies have obtained in the *keishin* can actually also be viewed online. Services such as Ullet-keishin (keishin.ullet.com) have developed commercial info-services out of it and provide information about the scores for individual factors in the *keishin* as a way to assess and rank companies.

An attempt was also made to see where a typical SME would end up in the current *keishin* and public works contractor qualification system. Taking the turnover threshold of SMEs of EUR 50 million as a benchmark, the average scores of 500 Japanese companies operating at a similar scale were taken.²⁵

Table 3-6: SME with EUR 50 million turnover in public works' contractor classification				
	Factor	Points	Weight	Points
€50 million turnover	X1	1361	0,25	340,25
Average of 500 companies with similar turnover	X2	851	0,15	127,65
Average of 500 companies with similar turnover	W	795	0,15	119,25
Average of 500 companies with similar turnover	Y	784	0,2	156,80
Average of 10 selected companies	Z	879	0,25	219,75
	Total		1	963,70

On the basis of the points scored, this would mean that only the largest of the SMEs would fall in the B-category for public works and construction of buildings. For most companies, contracts in the C-category up to EUR 1,7 million and EUR 2,0 million respectively would be achievable. More opportunities would exist in contracts for specialist works and surveying, as they have lower thresholds.

3.3. Impact of supplier qualification systems

Despite of having a strong tradition of centralized administrative guidance, the GOJ has thus far not been able create a nationally uniform system for supplier qualification. The Unified Qualifications Screening System for goods and services can be regarded as a step in the right direction, giving suppliers a one-stop solution to apply for qualification for multiple procuring entities.

²⁵ The 500 companies were taken from the ranking provided by keishin.ullet.com

One can however question the validity of giving a three-year qualification, as economic and business circumstances tend to change much more rapidly, and therefore weakening the GOJ's argument underlying the qualifications system i.e. to ensure that suppliers have the capability to deliver.

The systems in place for qualification as a public works contractor create a significant administrative burden for all companies involved, both foreign and domestic. The fact that suppliers need to register at each and every procuring entity separately, makes it relatively difficult for smaller companies to branch out to multiple entities and attain growth.

Another characteristic of the qualification system is that it does not discern between smaller and larger companies. In principle, the procedure is the same for a company that sells printing toner to the local city hall, or a medical device once a year, as it is for a general contractor building a multi-billion yen airport.

For foreign companies, the supplier qualification system creates a comparatively larger administrative burden (and subsequently costs). They will have to hire the specific expertise (Japanese language ability) in order to be able to complete the procedures. At some point, foreign companies will have to recoup these costs and this consequently will make their bids less competitive in a system where the lowest price usually wins.

The classification of public works contractors in particular tends to favour those companies already in the system. From the procuring entity's perspective this is understandable, as it guarantees a reliable pool of stable companies. It can however be detrimental to the introduction of cost-cutting innovation, which more recently established (Japanese or foreign) companies might be able to provide.

3.4. Tender information access

In its bid to stimulate a single market, the EU Commission has put a lot of effort in making tenders notices available to the public with its Tenders Electronic Daily (TED) database.²⁶

While other Asian countries, notably South Korea, have set up similar centrally accessible portals, with comprehensive information on procurement and notices in English for tenders falling under the WTO GPA regime, the landscape in Japan is rather diverse and fragmented.²⁷

²⁶ <http://ted.europa.eu>

²⁷ Korea On-line E-Procurement System (KONEPS) <http://www.pps.go.kr/eng/index.do>

English language tender information

The most comprehensive source of tender information in English currently available is the government procurement run by the Japan External Trade Organisation (JETRO), an agency attached to the Ministry of Economy, Trade and Industry (METI).²⁸

From a foreign user's perspective, it is rather information-poor, as it provides relatively little information about related issues such as supplier qualifications, annual procurement announcements by procuring entities, market opportunities and other related matters. It is also not very user-friendly, with difficult to operate user-interfaces. In all, it does not create the impression that the GOJ wishes to actively stimulate foreign suppliers to participate.

The website currently offers two categories, one for notices from central government entities falling under the WTO GPA regime, and one listing tender notices in the 47 Prefectures and 20 designated cities that fall under the WTO GPA.

Both databases draw their English language information directly from the notices published in the gazettes published by the various government entities. For national government agencies this is called '*Kanpou*'. The *Kanpou* is also available digitally, but not searchable, and therefore not practical for purposes of monitoring tenders.²⁹

The information in English, produced by the database is a summary of the actual tender notice, and strictly follows WTO stipulations. The databases therefore do not list tenders below the WTO thresholds, which might be of more interest for SMEs.

In order to counter this shortcoming, the JETRO site currently also lists links to procurement sites at 42 so-called 'core cities' and 40 'exceptional cities'. When users select one of the links, a machine translation of the subsequent pages follows. The quality of the translations is however not very high and difficult to understand, so one can question whether this improves the situation for foreign entities interested in bidding.

A more recent attempt to provide English-language tender information has been the government procurement portal attached to the EU-Japan Centre for Industrial Cooperation, a joint venture by the EU Commission and METI.³⁰ The actual service is maintained by METI. This initiative sprung out of six-month pilot project in 2012 to publish procurement notices by government entities in the areas struck by the Great East Japan Earthquake of March 2011.

²⁸ <http://www.jetro.go.jp/en/database/procurement/>

²⁹ Kanpou internet edition <http://kanpou.npb.go.jp>

³⁰ <http://information1.gov-procurement.go.jp>

Other than the JETRO service, this database attempts to cover tender notices by local governments, which are not subject to the WTO GPA. It uses WebCrawler technology to find these notices and conducts a machine translation of the information found.³¹ However, any user will discover that the quality of the information provided is low, mainly due to technical limitations of the system. Although efforts are underway to improve its functionality, for any company seriously interested in finding suitable tenders, the tender database in its current form is not very useful. The site does however also include a more useful database with links to Japanese language websites of local procuring entities.

The earlier mentioned '*chotatsujoho*' portal site to obtain the Unified Qualifications Screening Certificate, managed by Ministry of Internal Affairs and Communications, also hosts a bare-bone English language tender notice search facility. This is however limited to central government entities, using the Unified Screening.³²

Example of English language summary of tender notice

5 SUMMARY (1) OFFICIAL IN CHARGE OF DISBURSEMENT OF THE PROCURING ENTITY HITOSHI FUKUI, COUNSELLOR OF THE ACCOUNTS DIVISION, MINISTER'S SECRETARIAT, CABINET OFFICE (2) CLASSIFICATION OF THE SERVICES TO BE PROCURED : 14, 71, 27 (3) NATURE AND QUANTITY OF THE SERVICES TO BE REQUIRED : DESIGN, CONSTRUCTION, OPERATION, MAINTENANCE AND RENTAL SERVICE REGARDING THE SERVERS AND THE NETWORKING EQUIPMENTS OF "NISC INFORMATION GATHERING SYSTEM". 1 SET. (4) FULFILLMENT PERIOD : AS IN THE TENDER DOCUMENTATION (5) FULFILLMENT PLACE : AS IN THE TENDER DOCUMENTATION (6) QUALIFICATION FOR PARTICIPATING IN THE TENDERING PROCEDURES : SUPPLIERS ELIGIBLE FOR PARTICIPATING IN THE PROPOSED TENDER ARE THOSE WHO SHALL : (A1) NOT COME UNDER ARTICLE 70 OF THE CABINET ORDER CONCERNING THE BUDGET, AUDITING AND ACCOUNTING. FURTHERMORE, MINORS, PERSON UNDER CONSERVATORSHIP OR PERSON UNDER ASSISTANCE THAT OBTAINED THE CONSENT NECESSARY FOR CONCLUDING A CONTRACT MAY BE APPLICABLE UNDER CASES OF SPECIAL REASONS WITHIN THE SAID CLAUSE. (A2) NOT COME UNDER ARTICLE 71 OF THE CABINET ORDER CONCERNING THE BUDGET, AUDITING AND ACCOUNTING. (A3) HAVE GRADE A OR B "OFFER OF SERVICES ETC" IN TERMS OF THE QUALIFICATION FOR PARTICIPATING IN TENDERS COMPETITIVE BIDDING BY THE CABINET OFFICE (SINGLE QUALIFICATION FOR EVERY MINISTRY AND AGENCY) IN FISCAL YEARS 2013, 2014, 2015. (A4) NOT BE SUSPENDED FROM TRANSACTION BY THE REQUEST OF THE OFFICIALS IN CHARGE OF CONTACT. (7) TIME-LIMIT FOR TENDER : 16 : 00, 31 MARCH, 2014. (IN THE CASE OF THE REGISTERED MAIL UNTIL 17 : 00, 28 MARCH, 2014) (8) CONTACT POINT FOR THE NOTICE : CHIYUKI NISHIKORI, CONTRACT 4 SECTION, ACCOUNTS DIVISION, MINISTER'S SECRETARIAT, CABINET OFFICE, 1-6-1 NAGATA-CHO, CHIYODA-KU, TOKYO 100-8914 JAPAN TEL 03-5253-2111 EXT. 82322

³¹ Web crawlers systematically browse the Web to gather specified information. They have limitations however in that they cannot access online databases or PDFs

³² <http://www.chotatsujoho.go.jp/va/com/ShikakuTop.html>

Table 3-7: English language meta-websites regarding public procurement	
Portal	Coverage
http://www.jetro.go.jp/en/database/procurement/	Portal site managed by JETRO, covers national government tender notices above WTO thresholds and regional tender notices published by 47 prefectures and 20 designated cities. Also machine translations of tender notices published by 42 'core'- and 40 'exceptional cities'.
http://information1.gov-procurement.go.jp	Portal site managed by EU-Japan Centre for Industrial Cooperation. Covers tender notices published by government entities found by WebCrawler technology
http://www.chotatujocho.go.jp/va/com/ShikakuTop.html	English page within Japanese language site regarding Supplier Qualification, limited to central government entities

And this is basically the point where centralized foreign-language information on government tenders ends. A small number of procuring entities, due to the nature of their activities, list part of their tender notices in English at their own websites.

The Japan Oil, Gas and Metals National Corporation (JOGMEC) is one of the rare instances of government entities that selectively list tenders in English.³³ The organization seems to be using supplier qualifications flexibly: -In some invitations applicants are possessing qualifications for participation in tendering procedures are given first choice, while in other bid Invitations this requirement is absent.³⁴

Some of the bidding documents refer to a “Qualification Requirements to become a Contractor”. The organization however does not explain anywhere in English, what these qualification requirements are.

JICA

Although the international nature of its activities would expect people to think otherwise, the Japan International Cooperation Agency (JICA) publishes no English language tender notices, nor does it include English language summaries in its notices. Although various guidelines with regards to preparation of bids are offered, information on notices is exclusively in Japanese.

For most of the tenders there are restrictions, as participation of Japanese nationals is required, or the condition that only Japanese corporate bodies are eligible to apply.³⁵ JICA states that most of its procurement is ‘tied-aid’ and therefore excluded from the GPA.³⁶

³³ <http://www.jogmec.go.jp/english/index.html>

³⁴ For example, ‘2D Seismic Survey Offshore the Seychelles’, November 13, 2013 <http://www.jogmec.go.jp/english/bid/content/300119357.pdf> and ‘Purchase of modules of geological modeling and reserve calculation software ‘MINEX’, November 22, 2013 <http://www.jogmec.go.jp/english/bid/content/300120171.pdf>

³⁵ Conditions for eligibility (*In Japanese*) <http://www.jica.go.jp/announce/beginner/application/index.html>

³⁶ Email communication with JICA November 29, 2013

Japan's 'tied-aid' policies have encountered criticism for many years and have been subject of on-going discussions.³⁷ With the application of the current restrictions, the bulk of Japanese Overseas Development Assistance (ODA) serves primarily the interests of domestic companies and an international development consulting industry almost completely dependent on JICA procurement.

Japanese language tender information

For those possessing the capacity to monitor tenders in the Japanese language, there are more possibilities. Although technically possible, a publicly run meta-site on government procurement in Japanese, covering all government entities, does not exist. Suppliers have to deal with a patchwork of websites, pages and portals run by one specific or a small group of government organisations.

There are a number of commercial ventures that have stepped into this void. They are operating fee-based portals, where suppliers can monitor tender notices and tender awards, and analyse the activities of rival companies. A selection of these portals is given in table 3-8.

Portal		Costs	Coverage
www.njss.info	C	€300 per month	Claims to monitor tender information from 5200 procuring entities
www.l-ppi.jp	SP	Free	Site limited to public works tenders, operated by the Japan Construction Information Center (JACIC), a non-profit general incorporated foundation, closely linked to MLIT, led by former MLIT bureaucrats. Currently 48 procuring entities.
www.nyusatsuking.com	C	€800 per month	Claims to monitor tender information from 1000 procuring entities
www.232mori.jp	C	€2.500 per year	Claims to monitor tender information from 3566 procuring entities
http://www.chotatu-joho.go.jp/va/com/S-hikakuTop.html	P	Free	21 central government organisations and their local branches, With bare-bone English language version
https://www.geps.go.jp/	P	Free	Government Electronic Procurement System (GEPS), new initiative by central government launched in March 2014 to create one-stop portal.

Abbreviations: Commercial, Semi-public, Public

In terms of structure, the procurement information is a mixture of different styles, technical structures and formats. Many entities use searchable databases for suppliers to query their tender notices, while others provide page-wise lists of notices. The

³⁷ <http://www.oecd.org/dac/peer-reviews/japan2010dacpeerreview-mainfindingsandrecommendations.htm>

notices themselves are also presented in various formats such as webpages, Word documents or PDF files.

There is usually a clear distinction between construction-related tenders and tenders for goods and services. Notices are also usually presented by type of tender procedure. If the tender falls under the WTO GPA, the standard English summary is attached. Beside tender notices, the websites also publish the summaries of the results of tender procedures for public scrutiny.

In some cases, ministries are also covering the procurement notices of institutions falling under their jurisdiction. For example, the Ministry of Education maintains a portal³⁸ listing procurement notices for the Japanese University Corporation, which is one of the largest procuring entities for goods and services, with 17,5% of the total number of bids, and 13,4% of the total procurement value in 2011.³⁹

University corporations themselves also maintain tender notice pages. Since April 2011 the publication of tender notices (excluding construction tenders and government procurement) has been devolved to some individual universities. The threshold at which limited tendering was allowed was decreased, in order to increase the ratio of open competitive tenders.⁴⁰ Many national procuring entities offer the possibility to sign up for mailing lists, with procurement notices included.

Early announcement of annual procurement

As part of its voluntary measures to promote participation of foreign suppliers in Japanese government procurement, GOJ makes an annual announcement of the procurement schedule of large-scale products and services at the beginning of the fiscal year. This is only limited to those entities falling under the GPA. The announcements are published in the '*kanpou*' and usually listed on the entities' websites. The schedule is also explained at an annual seminar, usually held in April organized by the Ministry of Foreign Affairs and other ministries.

Lobbying

The provision of millions of pages of information on thousands of procurement web sites and portals, and early announcement of procurement plans would support the notion that government procurement is a fair and transparent process, with all parties having equal access to the same information.

In practice, however, this is not the case. Hardly any of the SMEs interviewed used tender notices as their primary source of information. This might be due to the character

³⁸ <http://www-gpo3.mext.go.jp/kanpo/gpindex.asp>

³⁹ <http://www.kantei.go.jp/jp/kanbou/24tyoutatu/dai2/dai2honbun.pdf>

⁴⁰ Source: Hiroshima university, <http://www.hiroshima-u.ac.jp/top/houjin/shotatsu/index.html>

of the goods and services most EU companies provide: - complementary goods and services instead of generic ones. -

There is a strong impression that EU companies successful in the Japanese government market operate along similar lines as many of their Japanese counterparts do: - Engage in marketing activities aimed at prospective clients and cultivate personal relations with the counterparts that are going to use their product or service. -

When executed successfully, these lobbying activities enable companies to influence the drawing up process of the tender documentation and apparently, in some cases gain access to it before the actual tender is published. In particular for unique products and services, the tendering process seems to be no more than an administrative hurdle to finalize the deal.

Conclusion

From the perspective of European SMEs wishing to take part in bidding activities in Japan, the information landscape is very diverse and complex, as most procuring entities have developed their own information systems and procedures.

The current setup requires companies to invest (substantially) in tender notice monitoring services or to focus on tenders with a limited number of procuring agencies, in order to be able to react quickly.

The current setup tends to favour larger companies, which have more resources available to monitor and follow tender notices, to lobby with potential customers and to bid on multiple tenders with various procuring agencies, thus gaining 'critical mass' for successful business. This situation is in particular visible in construction-related tenders, where larger entities are able to operate across multiple regions and procuring entities and secure lucrative and larger projects, while smaller tenders are contracted locally to small companies.

Foreign-based companies in this respect are forced to follow their Japanese peers and develop their own in-company expertise in order to be able to monitor government procurement activities.

3.5. Tendering phase

Once the monitoring activities of tender notices (or lobbying) have generated an interesting business opportunity, the first step is to obtain the details of the tender. In most cases, this will mean getting in contact with the procuring entity. Japanese tender notices do not provide email addresses or weblinks, usually only a telephone number and a fax number.

Some procuring entities provide the details of the tender on their websites, but these are exceptions. In principle, the procuring entity will make documentation available by

sending it by mail, and in some cases by email. Some of the interviewed companies stated however that the best way to ensure timely receipt of the documentation is to visit the offices of the procuring entity in person and obtain the documentation there.

The invitation to tender needs to be published at least 40 days before the closing day of receipt of the tenders, however as part of its voluntary measures to promote participation of foreign suppliers, the bidding period has been extended to 50 days for tenders falling under the WTO GPA. In the case of urgent tenders the limited tendering procedure with a period of 20 days is used. In some fields, such as supercomputers, telecommunications, medical technology and non-R&D satellites, a period of 40 days is applied.

Types of tendering procedures

The framework of laws, ordinances and regulations pertaining government procurement is one of high complexity. To illustrate this, Table 3-8 shows the legal framework for tendering for goods and services. Procurement by national entities falls under the Accounting Law and is subject to the “Budget Settlement of Accounts and Accounting Regulations”. Procurement by local governments falls under the Local Autonomy Law and is subject to the ‘Local Autonomy Enforcement Ordinance’.

Although various tender-methods are used nowadays, only three have an explicit legal basis in the Accounting Law. These are *Open competitive tenders*, *Designated competitive tenders*, and *(single) limited tenders*.

There is currently no legal basis for proposal-based technical tenders or negotiated tenders, whereas the first is currently treated as limited tender.⁴¹ As a system, the tendering and contracting system has remained almost unchanged since the end of the 19th century.

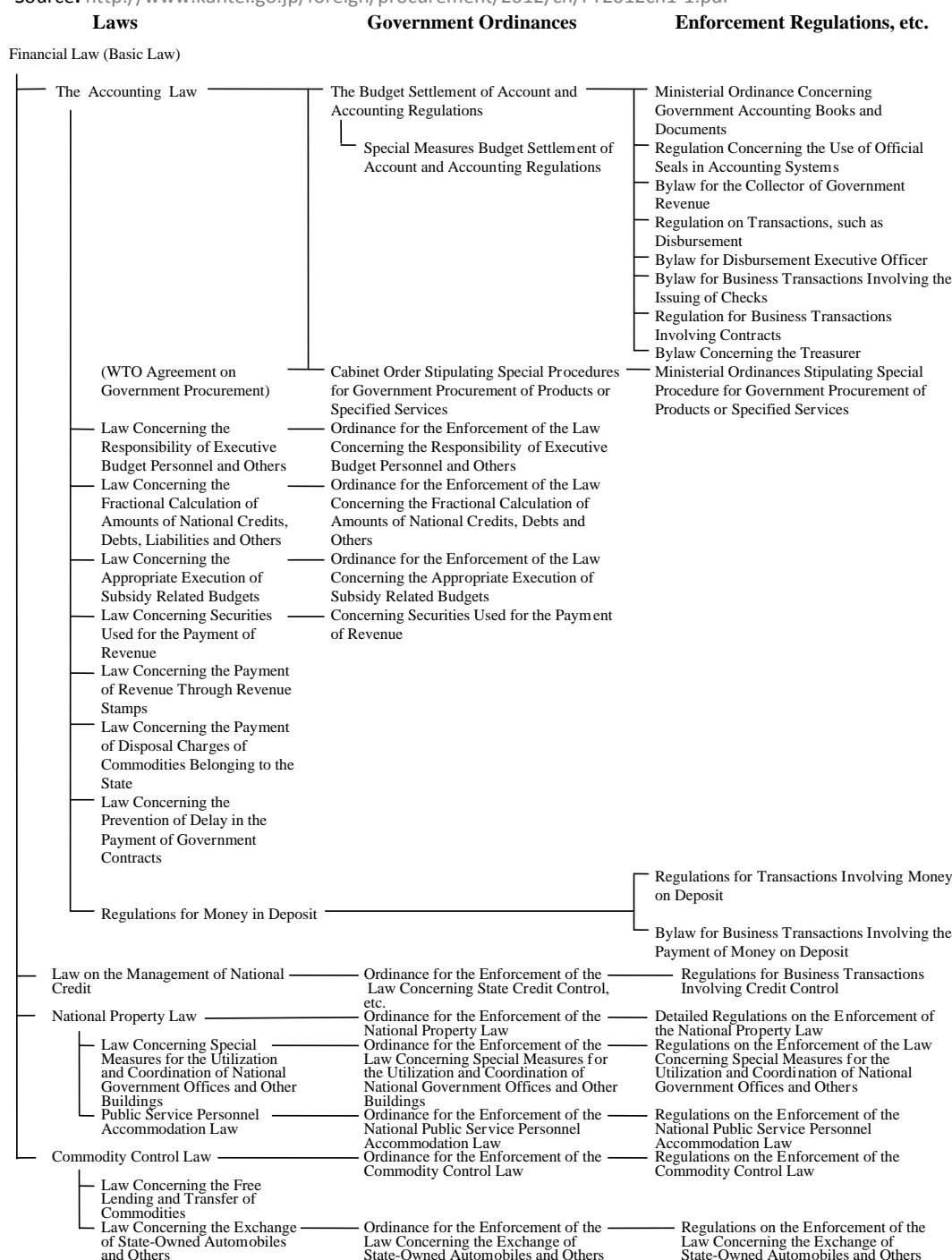
Since the ‘90s some improvements were proposed in reaction to bid rigging and bribery scandals, with the introduction of new evaluation methods such as the Overall Greatest Value (OGV), design-build system and Value engineering. In 2001, the Proper Tendering and Contracting Act was introduced, and a few years later the Act to Ensure the Quality of Public Works, where technical proposals made by bidders are required to be evaluated.⁴²

⁴¹ Kinoshita Seiya, 2012. “Public works’ procurement research. Towards the creation of a healthy competitive environment. Why has it become a system without precedent in the world?” Transcript of speech for Institute of Ccountro-ology and Engineering (18 July 2012) in JICE Report Vol 22/ 2012.12 page 15

⁴² Ohno, Taishi, Harada Yuhei, 2006. “A Comparison of Tendering and Contracting Systems for Public Works between Japan, the United States and EU Countries”, Government Auditing Review Volume 13 March 2006), p. 54

Table 3-9: Legal Framework of Government Procurement of goods and services

Source: <http://www.kantei.go.jp/foreign/procurement/2012/ch/FY2012ch1-1.pdf>

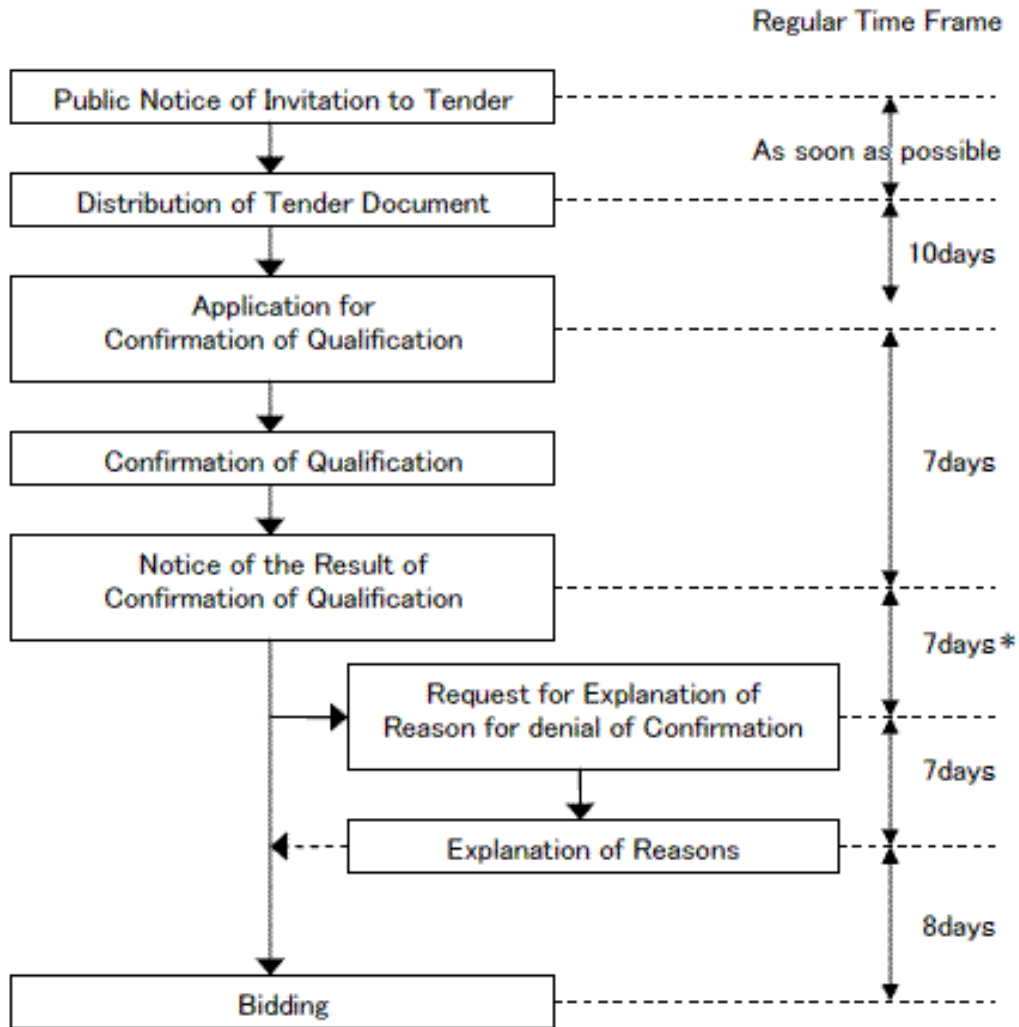


Open tendering procedure (ippan kyousou nyuusatsu)

The open tendering procedure is presently the most commonly used procedure, and application of this procedure is actively promoted. Procurement of goods and services

by central government entities using this procedure is currently close to 80%. In the majority of cases, the offer with the lowest price is awarded the contract.⁴³

Table 3-10: Standard procedure for open tendering procedure (public works)



Source: MLIT⁴⁴

⁴³ GOJ.2013. Japan's Government Procurement: Policy and Achievements Annual Report (FY 2012 version) - Toward Government Procurement Open to the World, Chapter II, http://www.kantei.go.jp/foreign/96_abe/documents/2013/procurement2012_e.html

⁴⁴ MLIT, Japanese Procurement Procedures for Public Works <http://www.mlit.go.jp/sogoseisaku/const/kengyo/kokyo-e.htm>

Since 2005, with the enactment of the Act to Ensure the Quality of Public Works,⁴⁵ (*koukyou kouji hinkakuhou*) the ratio of open tendering procedures involving public works has increased rapidly as well, with close to 50% of the tenders awarded through this procedure.⁴⁶

For public works tenders, a so-called 'Implementation Plan Evaluation' (*sekou kikaku shinsa kei*) method is also used for complex projects, where bidding parties are required to submit their project-plans in advance to allow examination of the technical suitability. The use of this method has however been limited, as it is deemed to be prone to abuse.⁴⁷

Selective Tendering Procedure (*shimei kyousou nyuusatsu*)

This procedure is used in case of contracts where there are only a limited number of suppliers who can participate due to the specialist nature of the contract. The procuring entity in this case invites designated suppliers to participate. The contract is awarded on the basis of the best (in most cases lowest) price. The tender notice is also published, and suppliers who wish to participate can do so if they meet the supplier qualifications.

While this procedure was the norm in Japan for a long time, foreign and domestic criticism has led to a rapid decrease of its use. In the case of procurement of goods and services by national government entities, this method is quite rare nowadays.⁴⁸ The procedure is still used quite frequently at the local level.⁴⁹

For public works' tenders, a number of alternative bidding procedures exist. In a so-called *Public Invitation Selective Competitive Bidding*, (*kouboukei shimei kyousou nyuusatsu*) interested parties are invited first to submit technical documents. The procuring entity will publish the project outline and requirements it deems necessary. On the basis of these documents, firms are designated for participation. The procuring entity has to give reasons for non-selection if a supplier asks for this. MLIT says it uses this method for projects with a contract value of 200 to 700 million yen (EUR 1,6 million -EUR 5,8 million).⁵⁰

In the case of *Project Interest Registration Designated Competitive Bidding*, (*kouji kiboukei shimei kyousou nyuusatsu*) the procuring entity uses the preferences stated by construction companies at the time of registration for qualification. When applying this method, the entity will request 10 to 20 companies to submit technical documents, on the basis of which final nominees are selected to submit bids. This method is usually

⁴⁵ <http://www.hrr.mlit.go.jp/gijyutu/hinkaku/html/hou-english.html>

⁴⁶ Kinoshita Seiya. 2012. p.13

⁴⁷ MLIT. Japanese Procurement Procedures for Public Works
<http://www.mlit.go.jp/sogoseisaku/const/kengyo/kokyo-e.htm>

⁴⁸ GOJ.2013. Japan's Government Procurement: Policy and Achievements Annual Report (FY 2012 version) - Toward Government Procurement Open to the World, Chapter II

⁴⁹ Kinoshita Seiya. p. 13-14

⁵⁰ MLIT, Japanese Procurement Procedures for Public Works
<http://www.mlit.go.jp/sogoseisaku/const/kengyo/kokyo-e.htm>

used for contracts in the range of 100-200 million (EUR 0,83 million - EUR 1,6 million) or less.

Selective or designated competitive bidding procedures are widely used for small-scale projects up to JPY 100 million. The procuring entity often selects construction companies that it wishes to invite to bid on the basis of the track record of each company's previous work. At the local level, this method is often used for medium- or small-scale projects. Furthermore, this method is often deemed suitable for projects where specialist construction technology is required.

This method heavily favours companies with a local presence, and can be regarded as a way to keep outsiders (including foreign companies) out. For SMEs in particular, for whom this category of projects would be interesting, it is very difficult to establish a physical presence. While understandable from the perspective of protecting local businesses, this way of selection is not transparent and prone to abuse (i.e. dependent on personal relations).

Limited (Single) Tendering Procedures

In this procedure the contract is awarded without competitive tendering. For tenders falling under the WTO regime, it is regarded as an exception and only used under conditions provided in the GPA, such as absence of tenderers in response to a public notice or the need for protection of exclusive rights like patents.⁵¹

In case of procurement of goods and services, services in particular, single tendering is however still quite frequent. In the case of procurement of services, almost 35% of the contracts awarded were through single tendering.

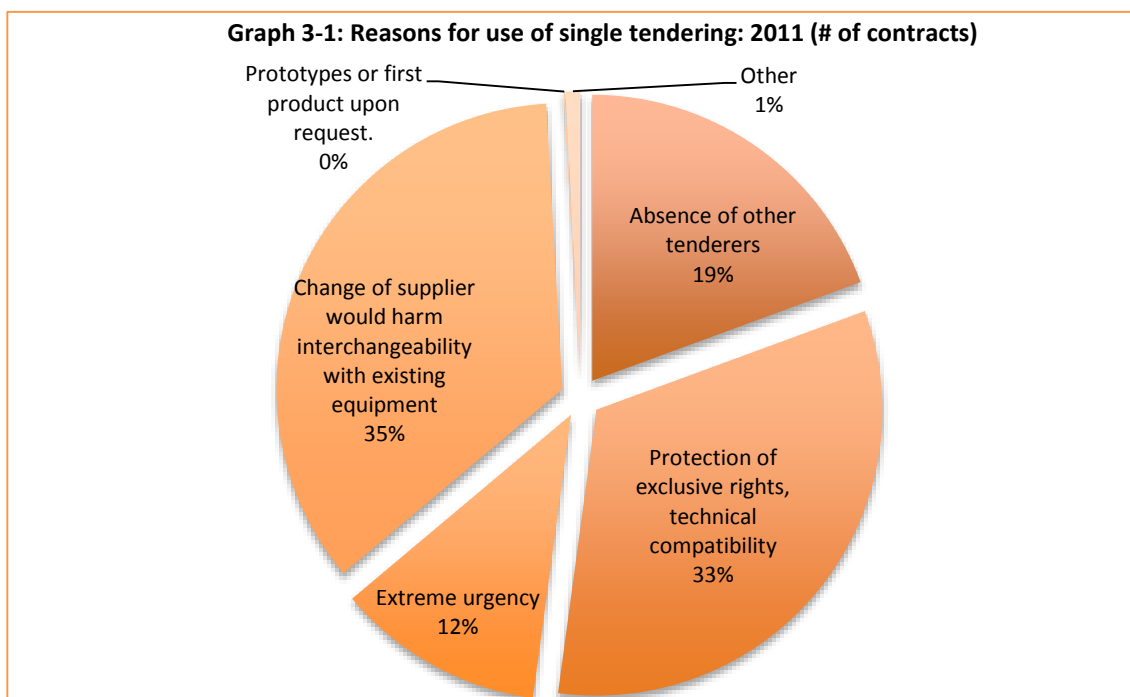
The reasoning that change of a supplier would harm interchangeability with existing products or equipment motivates a substantial part of single tendering procedures. It seems to be particularly the case with contracts for IT and computer related services. Although single tendering for this reason has seen a steady decline in the past 10 years, it seems that still a substantial number of contracts is the exclusive domain of a limited number of suppliers.

Although the details for awarding individual tenders are not publicly available, an analysis of a large number of tender awards suggests that there is quite some room for administrative interpretation, when motivating the reasons for single tendering.⁵²

⁵¹ MOFA. Suggestions for Accessing the Government Procurement Market of Japan, p. 6
<http://www.mofa.go.jp/policy/economy/procurement/q-a.pdf>

⁵² According to the NJSS database, the Ministry of Foreign Affairs conducts the majority of her procurement on limited tender contracts. When looking further into the actual tenders, the leasing of computer equipment is treated as limited, probably due to larger contractual commitments.
http://www.kantei.go.jp/jp/kanbou/24tyoutatu/2_denki/pdf/014.pdf

MLIT uses a similar so-called Discretionary Contract System (*zuii keiyaku seidou*). It is used under limited conditions where projects must be implemented by a particular firm, due to unusual technologies or equipment or in the case of severe time constraints.



Sources: GOJ.2013. Japan's Government Procurement: Policy and Achievements Annual Report (FY 2012 version) Towards Government Procurement Open to the World, Chapter II,

Other procedures

The GOJ has also established a number of procedures designed to increase transparency, fairness and competition. These include:

- Invitations to submit materials for determination of specifications;
- Giving comments on proposed specifications;
- Disclosure of designated suppliers at the time of selective tendering.

Although, again, Japanese language expertise and lobbying is expected, the first two procedures would offer an opportunity to anticipate and influence upcoming tenders, allowing more time before the actual tender is published. In practice, these procedures are not applied very often.

Reverse (Dutch) auction method (*serisage houshiki*)

The GOJ started introducing reverse auctions experimentally in 2010, following the success of this method in EU, South Korea and the US, to cut procurement costs. It

entails a procedure where prospective suppliers place ever lower bids in a succession of rounds until one supplier remains.

According to a Cabinet Office report, the reverse auction method was used in 213 contracts for SME companies (totalling approx. EUR 4 million) in the 2011-2012 period. The same report states that in 75% of the tenders lower costs were achieved. In addition, new suppliers won 50% of the contracts.⁵³

Among suppliers the opinions were varied: - Suppliers who thus far had difficulties to secure contracts, praise the reverse auction system as it opened new opportunities. Opponents were primarily suppliers with vested interests, who had already secured their place.⁵⁴ At the regional and local level in particular, where the ratio of company executives in city and municipal boards is often high, there has been much opposition to introduction of this method.⁵⁵

As this method is cutting into the vested interests of established suppliers, it can be expected that the 'experimental' phase will continue for a while, in order to find ways to limited the damage for insiders. The Cabinet Office concluded in May 2013 that each Ministry was to judge by itself whether to use the method, on a case-by-case basis.

Open counter

The open counter method is used by government entities for relatively small procurement. The Urban Renaissance Agency for example applies the Open Counter method for contracts lower than EUR 21.000 for construction jobs or manufacturing and EUR 8.000 for purchase of goods.⁵⁶ Suppliers are invited to hand in quotations for a specific good or service, and the lowest is selected. It differs from open tendering in a number of aspects:

- Winning bids tend to be lower;
- Period between notification and bidding is shorter,
- It is primarily limited to purchase of consumables or printing materials.

In most cases, suppliers will still need the necessary supplier qualifications. However at the regional level, if the company has a presence in the region, supplier qualification is not necessary. The system is seen as quite beneficial for locally based enterprises.⁵⁷

⁵³ Cabinet Secretariat Administrative Reform Promotion Headquarters. 2013. Outline of results of reverse auction trial. http://www.cas.go.jp/jp/seisaku/chotatu/pdf/kekka_gaiyou.pdf

⁵⁴ Opponents were represented by the Association to secure orders for government procurement unions found on <http://ja.wikipedia.org/wiki/競争下げ方式> Other example of protest by graphics sector, <http://www.jfpi.or.jp/information/file/serisagehantai.pdf>

⁵⁵ Wikipedia-lemma on reverse auctions. <http://ja.wikipedia.org/wiki/競争下げ方式> *(In Japanese)*

⁵⁶ <http://www.ur-net.go.jp/order/opencounter.html> *(In Japanese)*

⁵⁷ NJSS. 2009. Regarding the open counter (quotation) method <https://www.njss.info/tatsujin/archives/49>

Preparing tender documentation

As the range of goods and services purchased by government entities is incredibly diverse, it is rather difficult to give a standardized description of all documentation involving a tender. The box below gives a selection of documents used in the tender process. All documentation is of course in Japanese, and bidders are required to submit their tenders in Japanese as well.

The large amount of paperwork is often pointed out as one of the obstacles for foreign entities: - Complex tenders can sometimes involved hundreds of pages of text, which need to be translated in a very short time-frame.

Table 3-11: Tender documentation

- *nyuusatsu koukoku* (Tender notice)
 - Text of the tender notice, sometimes with regulatory information added
- *Nyuusatsu setsumeisho* (Explanation of the tender)
 - Contents vary by procuring agency and the item procured, they often contain:
 - Text of the tender notice with added information about the procedures
 - Tender form: (Where to write the amount of the bid)
 - Letter of attorney (When not applying directly)
 - Regulatory information
 - Rights and Duties during tendering process (*nyuusatsu kokore*)
 - Pledge that tenderer is not connected to organized crime
- *shiyousho* (Specifications)
 - Product or service specifications (drawings) including (JIS) standards if applicable.
 - Information regarding delivery & packaging
- *Keiyakusho (an)* (Draft contract)
 - Contract and relevant clauses
 - Attached documents such as:
 - Use of printing materials (very detailed!)
 - Form when asking for change in proposed planning (research)
 - Form in case of request of recommissioning
 - Forms in case of changing project organization
 - Commission finalization report form
 - Results report form
 - Financial transaction form (Bank account)
 - Request for payment form
 - Acquired asset ledger
 - Format for proposals
 - Format for expenditures
 - Format for project-organization chart
- Guidelines for drafting bidding documents (*ousatsu shiryō sakusei youkou*)
- Assessment guidelines (*hyouka koumoku ichiran*)
- Assessment procedure (*hyouka tejun sho*)

Tender submission and electronic bidding

Once all documents have been prepared, they must be sealed and submitted at the designated location specified in the tender notice or tender documentation. They can be submitted in person by the tenderers themselves or by a representative in person or by mail.

In quite a few cases, submission of documents is also possible by Internet. For construction-related tenders above a certain threshold, digital tendering is rapidly becoming the norm.

While digital tendering might be beneficial for SMEs not based in Japan, the absence of a uniform system for digital tendering is an issue. For procurement of public works, the Japan Construction Information Center (JACIC) has developed an 'Electronic Bidding Core System' called CALS/EC on behalf of MLIT.⁵⁸ Since 2001 this system has been gradually introduced. While the backbone of the system is the same, many individual agencies operate their own variations of the CALS/EC electronic bidding system.

Application of the CALS/EC system has been particularly strong at the prefectural level and designated cities and, to a lesser extent, the municipal level. However, other central ministries and public corporations use this system less frequently. In fact, some of the larger ministries, such as the Ministry of Justice (Since April 2011), Ministry of Foreign Affairs (Since April 2012), and METI (Since April 2012) have stopped their electronic bidding systems all together, citing cost-reductions or preparations for a new system.⁵⁹ JACIC, by their own estimates, stated in 2011 that about 25% of the government agencies used their system.⁶⁰

Electronic bidding systems for the procurement of goods and services are even more diverse. Although over the years a number of 'e-Japan' strategies were implemented, this has not led to a more uniform digital landscape in the area of government procurement.

Quite a few entities use the CALS/EC bidding system for the procurement of their goods and services as well. At the prefectural level, prefectural governments share their electronic bidding infrastructure with municipalities within their prefecture. The majority of the procuring entities however, employ their own specific electronic bidding systems for goods and services.

All electronic bidding systems have their own registration systems, requiring suppliers to obtain digital ID-cards and card-readers issued by a limited number of

⁵⁸ CALS/EC: Continuous Acquisition and Life-cycle Support /Electronic Commerce
<http://www.cals.jacic.or.jp/english/>

⁵⁹ The new Government Electronic Procurement System (GEPS), launched by the Ministry of Internal Affairs and Communications (MIAC) in March 2014, does not yet provide sufficient information about the scope of their service. See www.geps.go.jp

⁶⁰ Kawanai, Yasushi. 2011. Public Procurement System in Japan (JACIC) 23 November 2011, slide 20
http://www.jacic.or.jp/kouryu/JAPAN_e-procure%20model.pdf

certifying agencies and companies, or in rare cases issued by the procuring entities themselves. (See Appendix 7-5)

The variety of systems is not only limited to procedural differences. The SMEs planning to take part in electronic bidding should therefore brace themselves for a complex and challenging technical environment. It will require basically setting up a designated terminal for the specific use for tendering at the entity of their choice and check beforehand whether everything works smoothly.

Tender evaluation procedures

Once the bidding documentation has been prepared and submitted, the wait is for the results. A number of the tender evaluation procedures that might be used are discussed below. The procedure used in the evaluation of the bid is described in the tender documentation.

Awarding a contract to the lowest bidder is still the most common procedure applied in Japanese government procurement. This lowest price should not exceed a ceiling price set in advance by the procuring entity. The ceiling price is determined by taking into account the actual price of similar transactions, the balance between supply and demand, the level of complexity, the quantity that is being procured and the time allowed for the delivery.⁶¹

In case none of the tenders is lower than the previously set price, the process is repeated. The procedure is ceased if, after several submissions, the desired price is not reached. In that case the procuring entity will

1. Negotiate individually with the tenderers without modifying the conditions of the tender and award the contract to a tenderer that is offering a price lower than the ceiling price; or
2. Repeat the entire procedure, with tender conditions modified.

Selection of a tenderer on the basis of other criteria than the lowest price is severely restricted by law. When confronted with criticism that this methodology does not take the quality of bids into account, GOJ usually claims that its evaluation-system of designated suppliers ensures that the supplier has the capability to deliver the desired quality, as the procuring agencies, in an unbiased manner, are able to specify which type of qualifications the supplier should have.

While price for a long time was the sole determinant of awarding a contract, foreign pressures have led to introduction of additional methods of bid-evaluation, some of which might lead to better opportunities for SMEs as well.⁶²

⁶¹ MOFA, Suggestions for Accessing the Government Procurement Market of Japan, page 16
<http://www.mofa.go.jp/policy/economy/procurement/q-a.pdf>

⁶² See the Annual Reports on Government Procurement published by GOJ, where foreign products and services obtain substantially higher shares in procurements where the OGV was used.

The introduction of the Overall-Greatest-Value Method (OGV) was, first-and-foremost, the result of US pressure resulting in bilateral agreements in the nineties and is mandatory in the case of procurement by central government entities in the area of computer products and services, telecommunication products and services and medical technology products.

OGV also gained greater importance in the area of public works procurement, with the enforcement of the Act on Promoting Quality Assurance in Public Works in 2005, and is now, with some variations, implemented for most nationally controlled public works contracts.⁶⁶ At the regional and local level the progress of implementation shows a more diverse picture, with prefectures and cities still at various stages of adoption.

Table 3-12: Selection of evaluation systems used in public works tenders	
Design-build system	Is more common outside of Japan, different firms carry out the design and construction of public works and the contracts are tendered separately.
Value-Engineering system	The VE system has been introduced as a way to improve quality and reduce costs. It can be applied in the tendering phase or the phase after conclusion of the contract. In the latter, part of the savings achieved through the use of VE are then returned to the contractor. ⁶³
Technical Proposal Integrated Evaluation System (gijutsu teian sougouhyouka houshiki)	This is a method where both price and technical sophistication are assessed, similar to OGV. Quite frequently used in case of construction consultancy tenders.
Private Finance Initiative (PFI)	Since a Law promoting the use of private funds to realize public facilities, was adopted in 1999, PFI has been introduced in a relatively small number of cases. ⁶⁴ In 2012 a total of 418 contracts were awarded through this system. ⁶⁵

With regard to the procurement of goods and services however, the adoption of this methodology has remained lacklustre. At the national level, only 5.1% of the contracts awarded in 2011 made use of the OGV methodology when awarding contracts.⁶⁷ Within the government there are still issues seen with regard to the definitions and

⁶³ MLIT. Explanation of types of procurement contract evaluation methods. *(In Japanese)* <http://www.thr.mlit.go.jp/bumon/b00097/k00910/h12-hp/html/sinsa/nyusatu.htm>

⁶⁴ Cabinet Office. PFI Promotion office website. <http://www8.cao.go.jp/pfi/e/home.html>

⁶⁵ Cabinet Office PFI Promotion Office. 2014. Present situation regarding PFI. http://www8.cao.go.jp/pfi/pfi_genjyou.pdf page 4, See also discussion by Kinoshita Seiya, page 18

⁶⁶ National Institute for Land and Infrastructure Management (NILIM). 2011. Presentation March 2013, State of implementation of OGV in national government public works. 2011 Report. *(In Japanese)* http://www.nilim.go.jp/lab/peg/siryousougou_hinkakukon/20130326shiryousougou1.pdf

⁶⁷ GOJ. 2013. Annual Report on Government Procurement, 2013 edition, Graph 14

transparency of regulations regarding OGV and how to decrease the level of subjectivity. Also, a proper system to deal with claims of suppliers still needs to be constructed.⁶⁸

In the procurement of public works in particular, experiments have been conducted with different methods to improve the procurement process and bid-evaluation. In most cases, it concerns methods that have proven their value in other developed countries. Up until now, none of these methods have yet gained widespread adoption.

Bidders can be present at the opening of tenders. If no bidders are present, the procuring entity will have staff present as witnesses. Most government entities have special rooms for this purpose. In the case of electronic tendering, the results will be published online at a designated time.

After the awarding of the contract, the procuring entity will inform the tenderers of the decision in writing. The results are also published in a notice in the *Kanpou* gazette or equivalent and made available on their websites after some time. In the notice the name of the winning tenderer and the winning bid is also made public (with some exceptions).

Challenging system

In line with Article 20 of the GPA, GOJ has established CHANS (Office for Government Procurement Challenge System)⁶⁹, which claims is meant to enhance the transparency, fairness and competitiveness of Japan's government procurement procedures. It is possible to file a complaint if the supplier suspects a breach of any provision of the GPA. Complaints can be filed if it concerns procurement of more than 100.000 SDRs for goods and services and 4.500.000 SDRs in the case of construction services.⁷⁰

In practice, the challenging system is rarely used. Since its establishment in 1996, there have been no more than 12 cases brought forward.⁷¹ The European Commission has questioned the independence of the Office as it is directly linked to the Cabinet Office which has limited authority and can only give recommendations and there are no rules of redress.⁷² Given the lack of authority of CHANS and the preference of not to rock the boat and endanger future business opportunities, businesses tend to shy away from officially challenging procurement decisions and regard it as part of doing business.⁷³

68 Administrative Reform Council. 2013. Draft of survey results of efforts to improve procurement, second half 2013. (*In Japanese*) http://www.kantei.go.jp/jp/singi/gskaigi/dai9/siryoku4_2.pdf

69 Cabinet Office. CHANS:Office for Government Procurement Challenge System http://www5.cao.go.jp/access/japan/chans_main_j.html (*In Japanese&English*)

70 MOFA, Suggestions for Accessing the Government Procurement Market of Japan, page 17

71 Cabinet Office. CHANS Public Release of Status of Receipt and Review of Complaints <http://www5.cao.go.jp/access/english/shori-e.html>

72 European Commission Directorate-General for Trade. 2011. Market Access Database, Trade Barriers http://madb.europa.eu/madb/barriers_details.htm?barrier_id=095262&version=3

73 One of the interviewees gave an example of this with regard to an METI tender for a meteorological satellite, where the winning bid by a Japanese entity, was regarded as 'dumping' and by no means covering the actual

At the regional and local level, procuring entities have their own complaint procedures, primarily dealing with public works' tenders, based upon the Act for Promoting Proper Tendering and Contracting for Public Works.⁷⁴ All prefectures and designated cities have established 'Tender monitoring Committees' (*nyuusatsu kanshi iinkai*), usually consisting of specialists from academia and the legal profession. For smaller entities the situation is less clear, as recent statistics are unavailable. Also, the method of selection of members for these committees is not clearly defined.⁷⁵

4. Discussion of obstacles

4.1. Language

"We delivered our information management system to our Japanese client. They arranged all the paperwork for us, including the supplier qualification. I just provided the information and signed documents that I could not understand. Now we have the supplier qualification for a few years, but at the moment I have no idea how to use it to further our business in Japan." (Danish SME executive)

The analysis of the procurement process and the findings generated from the interviews reveal that language is regarded as the largest obstacle when doing business in Japan. Of course, a language- and cultural barrier is present whenever a company enters a new market, but for EU-companies who have been active in other sophisticated foreign markets, it often comes as a shock as how little the English language will get you ahead in Japan.

While in most European countries, businesses will have counterparts able to communicate in a major foreign language and the business infrastructure will offer sufficient leads in foreign languages to get a grasp of the business environment, they discover this is quite a challenge in Japan.

The English-language summaries of tender notices falling under the WTO Government Procurement Agreement and their dissemination via portals run by JETRO/METI are basically the only leads that companies have in order to decide to pursue government contracts. All subsequent inquiries and administrative procedures will need to be done by people with Japanese language skills.

In the case of tenders concerning sophisticated projects, products and services, tender information can involve hundreds of pages, which will need to be translated and

costs. When asked where the decision was challenged the interviewee stated that it would make not sense, as it concerned a strategic decision.

⁷⁴ Law text in Japanese at <http://law.e-gov.go.jp/htmldata/H12/H12HO127.html>

⁷⁵ For a manual prepared by MLIT for entities do deal with these committees see: <http://www.mlit.go.jp/common/000020270.pdf> (*In Japanese*)

checked. Next, the required bidding documentation needs to be prepared and translated into Japanese as well and submitted in a set timeframe. There are reports that the kind of wording that required even differs by procuring entity, prompting companies to employ specialists familiar with that particular entity.

For smaller business entities, the administrative burden involving government procurement is high, as the specific expertise necessary to deal with these procedures needs to be hired and often cannot be used for other generic sales and marketing activities. In comparison with domestic companies, foreign SMEs will therefore have to factor in extra costs for the start-up and maintenance of this infrastructure, making it more difficult to be competitive in a procurement system where the lowest price is still the main determinant.

From examples cited by the parties consulted for this study, also emerges a - albeit anecdotal - picture where the language is used as a weapon, in particular where it concerns larger contracts that are deemed of strategic value. Here, missing or incomplete translations by foreign companies can suddenly become a reason to declare a bid invalid and a reason to drop it from the competition. For example, a French company bidding for an air traffic management system had its bid turned down for this reason and the contract was subsequently awarded to Japanese company with a higher price and lower technical sophistication.

Therefore it can be conclude that, given the difficulties with regard to the language barrier, any European SME with ambitions to enter the Japanese (public procurement) market, it can only be successful if sufficient linguistic and cultural expertise is secured.

4.2. Information access

Linguistic expertise could help in the process of securing a contract, but that alone will not be sufficient. Although the public procurement regulatory framework is in principle designed to create a level playing field for all parties concerned, a large share of the business generated by suppliers comes from informal contacts before the actual tendering process is started.

Interviewees remarked that Japanese companies were often involved in writing of the draft tender notices, and stated that technical consultations with Japanese companies by procuring entities are regarded as normal.

Representatives of the SMEs interviewed for this study, more or less use a similar strategy. They keep regular contact with their prospective customers (often the end-users), and in the process obtain the necessary information to influence and anticipate forthcoming tenders. In Japanese public procurement, lobbying and personal contacts remain vital for commercial success.

4.3. Standards & Licences

When it comes to drafting bidding documentation and analysing tender documentation, European SMEs will have to deal with another aspect of government procurement that is often regarded as an obstacle to do business: - standards and qualifications.

Procuring entities often demand that goods and/or services purchased meet certain standards. In Japan, in most cases the Japanese Industrial Standards (JIS) are used. Although about 54% of the JIS standards were aligned with international standards in 2011, procuring entities in Japan tend to exclusively use JIS standards in their tender documentation and use it to limit (foreign) competition.⁷⁶

For example, in a tender for the manufacturing of summer trousers for Japan Post, there are references to 45 different JIS standards. While many of these standards correspond with international standards such as ISO, the tenderer will have to check for each JIS standard whether it actually does so. SMEs wishing to engage in bidding for the product manufacturing will therefore have to gain sufficient expertise on JIS standards as well, in order to submit a successful bid.⁷⁷

The issue with the development of industrial standards is that they usually are the result of an interaction between regulating offices i.e. the government and a variety of (mostly larger) companies active in a certain industry, mostly organized in industrial associations or federations. As such, standards development tends to favour the interests of insiders and acts as a way to preserve the market interests of established parties. It tends to function in a similar way as medieval guilds in Europe did to protect their own trade.

The GOJ and offices related to setting standards are currently making efforts to bring their standards in line with global standards. Access to standards has improved and the burden of companies is lessened in this respect. For instance, the Japan Industrial Standards Committee (JISC), attached to METI, offers searchable databases on its website in Japanese. The commercially oriented Japan Standards Association (JSA) sells JIS standard documentation in its web shop and also offers a range of English language translations.⁷⁸

While some improvement has been made, it can still be argued that the GOJ is stretching the interpretation of Art. VI of the WTO GPA that deals with technical specifications of products and services. Due to the systemic nature of standards development in Japan, with insiders having large influence on its formulation, GOJ should be encouraged and supported in its efforts to integrate JIS standards with global

⁷⁶ WTO. 2013. Trade Policy Review. Report by the Secretariat. Japan Revision (18 June 2013) page viii

⁷⁷ For reference on JIS, check <http://www.jisc.go.jp/index.html> and <http://kikakurui.com> (*In Japanese only*)

⁷⁸ Japan Standards Association website at <http://www.jsa.or.jp/default.asp>

standards at an early stage of their development. Also, it should encourage procuring entities to move away from their focus on standards, and pay more attention to functionality when drawing up tender specifications.

For government procurement in particular, the incorporation of international standards, into tender documentation should be stimulated, in order to follow the WTO provisions more closely and allow a pair of pants ordered by Japan Post to be made according to global standards.⁷⁹

With respect to construction related procurement, some of the parties interviewed mentioned the ambiguousness with respect to qualifications, even after the awarding of a contract. Article 27.2 of the Construction Law requires that engineers in charge of construction activities with a public character should possess national qualifications.

These qualifications are broadly divided into 1 *kyuu kenchiku sekou kanri gishi* (Construction operation management engineer, first class) and 2 *kyuu kenchiku sekou kanri gishi* (Construction operation management engineer, second class) but also have a number of subdivisions. Examinations for these qualifications are conducted by the *kensetsugyou shikou kikin* (Construction Industry Promotion Fund), an organization linked to MLIT.⁸⁰

MLIT requires contractors at the time of applying for the contractor qualification (*keishin*) to also obtain approval for foreign qualifications of technical and engineering staff.⁸¹ The standards used in the actual approval process of these qualifications are however not publicly available, and the interpretation of this stipulations seems to lead to misunderstandings among both procuring entities and contractors.

Lobby organizations such as the European Business Council in Japan (EBC) have been making sustained efforts to keep the issue of standards and qualifications on the agenda, with mixed results.⁸² The general picture arising from their findings with regard to standards and qualifications seems to be primarily related to issues of transparency with regard to their application and formulation of standards and qualifications, primarily due to the lack of readily accessible (foreign language) information.

Another aspect is that there seems to be a lack of coherence realized by the Japanese administration when it comes to enforcement of qualifications and standards. This allows local governments and individual procuring entities to get away with their own interpretations.

⁷⁹ WTO. The plurilateral Agreement on Government Procurement (GPA), p. 12-13
http://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm

⁸⁰ Construction Business Promotion Fund website <http://www.kensetsu-kikin.or.jp> (*In Japanese*)

⁸¹ MLIT, Suppliers support activities (Integration techniques activities) Public tendering Guidelines
<http://www.mlit.go.jp/tec/nyuusatu/hattyu/131217sekisan.pdf>, page 12 (*In Japanese*)

⁸² EBC publishes annual White papers on the Japanese business environment in various sectors <http://www.ebc-jp.com>

The role of insiders (industrial associations)

Already mentioned in the previous paragraph, the difficulties with standards and qualifications are also the result of the role of insiders in the process of developing them. A research committee consisting of politicians, bureaucrats and established Japanese companies usually develops standards. Foreign companies or expertise are usually not invited to these discussions. The result is the development of standards fitting the local situation instead of using the international situation as a starting point.

Business associations (*gyoukai dantai*) primarily prepare the basic proposals for the formulation of new standards or changes in existing standards; they are subsequently considered by the JISC and then enacted by the METI.

There are hundreds of business associations, with the largest of them possessing substantial political leverage. They tend to be dominated by larger Japanese corporations, and have been known to use their influence to keep out foreign competition. An example of this was the issue of the Japan Automobile Tyre Manufacturers Association's (JATMA) refusal to include internationally certified tires into its Yearbook⁸³ and Association's initial attempts to keep France-based Michelin out of its membership.⁸⁴

While these examples concern much larger corporate entities, SMEs are basically left to ride the waves on their own in this respect, and are not likely to have much influence on the workings of Japanese business associations.

In dealing with barriers, it is however important to realize that applying pressure on the GOJ might not be enough in itself: - When dealing with the barrier of standards and licenses, due attention should be paid to the role of industrial associations as well and international membership of these associations should be duly promoted to create a level playing field.

Operational Safety Clause

The ambiguous application of the Operational Safety Clause has been one of the most persistent issues for many years with regard to transportation-related procurement, effectively excluding foreign companies from tendering, as GPA procedures do not need to be followed. A root of the problem is that the definition of the clause and its scope has never been made clear and explicit.⁸⁵

⁸³ See EBC Report on Japanese Business Environment 2013, p 68.

⁸⁴ Interviewee

⁸⁵ In recent requests by public organizations in 2013 to MLIT to clarify the OSC again no explicit definition or scope was given, only stating that procurement should be conducted in a non-discriminative way. See: <http://www8.cao.go.jp/kisei-kaikaku/kaigi/meeting/2013/committee2/131220/item5-1.pdf> (in Japanese)

The result has been that EU companies' market shares in Japanese railway infrastructure have been significantly lower than one would expect on the basis of their global market share.

Some might regard the recent awarding by JR-East of a tender for a railway signalling system to France-based Thales as a breakthrough. Seen in the light of JR-East's own international ambitions and GOJ's ambitions to support their infrastructure-construction industry to make larger inroads abroad, it remains unsure whether this will mean a structural change in the application of the OSC.⁸⁶ By awarding this tender to a foreign supplier, Japan is undercutting its own narrative concerning OSC. As long as the ambiguity in its application remains, the OSC will continue to loom large above transportation related procurement.

4.4. Policy environment

Former insiders, such as former MLIT bureaucrat and public procurement system researcher Seiya Kinoshita, state that the basic characteristics of the Japanese procurement system have remained unchanged since its inception. Features such as the primacy of the principle of public (open) competition, same treatment of goods, services and public works, not allowing negotiation procedures, determination and non-disclosure of the expected price in advance and the lowest price as the guiding principles have remained in place ever since the system was established at the end of the 19th century.⁸⁷

The role public procurement plays in the Japanese political economy, is that it first and foremost should support locally operating businesses. The prevailing sentiment is not that procurement should take place at a level-playing field, where the taxpayer gets the best value for money. The role of public procurement, and of procurement for public works in particular, is to maintain the social and economic fabric of communities. This is one of the likely reasons for the very parochial character of the procurement system, which its strong focus on local presence and ties with the local community. In this sense, the objective of public procurement policy is diametrically opposed to the ambitions of the EU Commission, which sees a 'transparent' and 'fair' public procurement system as an important means to create a single market.

⁸⁶ JR-East. October 2012. Group Management Plan V, Ever Onward. In Pursuit of endless possibilities (2)) page 25, October 2012. (*In Japanese*) For more on JR-East's ambitions see <http://www.jreast.co.jp/investor/everonward/index.html>

⁸⁷ Kinoshita Seiya. October 2012. "Time is up for reform of public works procurement. Trump card from confinement to a breakaway" Presentation found at Japan Bridge Association, page 17 (*In Japanese*) http://www.jasbc.or.jp/images/imageparts/title/release/tokubetsu/2011/H23_PPT_02.pdf

Bid rigging and dumping issues

This parochial character of Japanese public procurement has also been the recipe for a persistent tradition of collusive ties between officials and companies. Until the US started applying pressure at the height of the “Bubble economy” at the end of the eighties, to open the market to American companies, ‘*dango*’ (bid rigging) was very common. Only when a number of scandals involving *dango* of large general contractors (*zenecon*) surfaced, open bidding procedures for large public works were introduced at a larger scale, and more diverse evaluation methods such as Value Engineering and OGV were introduced.

Since 2005, when the “Act on Promoting Quality Assurance in Public Works” (usually called *Hinkakuhou*) was adopted, open bidding using the OGV methodology started to take off. When four of the large general contractors publicly pledged to end *dango*, basically confessing that they had been involved in this practice, competition in procurement of public works has become more fierce and new issues relating public procurement emerged. Since then, instances of ‘dumping’ i.e. winning bids with extraordinary low bids, and tenders with no bidders have increased.⁸⁸

Beside public works procurement, the phenomenon of dumping is also often seen in case of IT-projects, where companies expect to regain the losses in the initial contract in subsequent single tender maintenance contracts. In turn, the practice of dumping has led to new regulations where undisclosed minimum quality guarantee prices are set.⁸⁹

Recent scandals involving collusion between companies and government officials suggest that the *Hinkakuhou* still fails to prevent *dango* completely. In February 2014 a case surfaced regarding work on the Hokuriku *shinkansen*, which was parcelled out to a number of companies and where, in all likelihood, the expected price was leaked to the bidding companies. One of the motives was that the railway-company wished to dress up the procedure with sufficient participants in the bidding.⁹⁰

Prospects

The ascent of the Abe government in 2012 holds some promise of a new vigour in the policy environment. The ambitious ‘Abenomics’ agenda aims at ending the economic stagnation of two decades, in part caused by a deflationary spiral. Abe’s ‘three arrows’ policy aims at reverting this deflationary spiral, by aggressive monetary policies, more flexible fiscal policies and an ambitious growth strategy. While there are short-term signs of an economic recovery, fuelled by massive budgetary inputs, measures for

⁸⁸ Kinoshita Seiya. 2012. p. 15

⁸⁹ See for instance the case of Kanagawa Prefecture:
<http://kenplatz.nikkeibp.co.jp/article/const/news/20130703/622615/> (In Japanese)

⁹⁰ Nikkei, *Collusion at the Hokuriku Shinkansen, (Request to dress up for proper competitive bidding by railway organization) February 5, 2014* http://www.nikkei.com/article/DGXNASDG05010_V00C14A2CC0000/ (In Japanese)

the long-term, i.e. administrative reform (the third arrow) are still in its infancy and its effects will not be visible in the short-term.⁹¹

More pessimistic observers state that Abe's policies on public works spending will basically serve a revival of Japan's 'construction state'. This would mean a return to a system where powerful political groupings within the ruling parties work in concert with both large national and smaller local construction related companies to allocate public works projects in return for political support.⁹²

In 'Abenomics' the hallowed term of 'deregulation' is again brought forward, but to what extent this will enhance opportunities for foreign companies, and in particular in the area of government procurement, has yet to be seen. Announcements such as the faster authorization in the drug/medical equipment sector might mean increased opportunities for European SMEs active in this sector, making it easier and less costly to clear bureaucratic hurdles.

Promises of eliminating ministerial sectionalism and reducing 'grey zones' in highly regulated sectors such as health-care, might provide new opportunities as well, but here again it is unclear whether foreign entities will benefit from this as vested interests' influence remains strong.⁹³

The ambition to increase inbound flows of capital, supported by the creation of National Strategic Special Zones and services for foreign companies, might as well benefit European SMEs in securing a larger share of the pie in government contracts.

Lastly, the desire by the Japanese government to conclude FTA agreements with various countries and regions in the world, and to develop overseas markets, might have a reciprocal effect. The ambitions to export infrastructural projects, which are often paid from the public purse, will only be met favourably by other economic blocs if it also results into more opportunities within the public works sector in Japan itself.⁹⁴ EU-policy makers should therefore seriously consider using this as leverage to increase the opportunities for EU companies in Japan.

⁹¹ More information on the Abe government strategy can be found at <http://www.kantei.go.jp/jp/singi/keizaisaisei/>

⁹² Mulgan, Aurelia George. 2013. 'From people to concrete: reviving Japan's 'construction state' politics, East Asia Forum (February 2013) <http://www.eastasiaforum.org/2013/02/26/from-people-to-concrete-reviving-japans-construction-state-politics/>

⁹³ See for instance difficulty of government to curb healthcare costs in budget of 2014. Nikkei Online. 2013. "Request to increase tax income. Reform not progressing. Cabinet decision on 2014 budget proposal" December 24, 2013 (*In Japanese*)

⁹⁴ The entry of Hitachi into the UK railway market is one of the first successful ventures into Europe. They had to deal with set-back due to the backlash and economic downturn after the Lehman Shocks in 2009, when opposition to procurement from outside of the EU grew. Presentation by Hitachi's Chief Strategy Officer at Symposium regarding the export of Infrastructural systems, Tokyo March 3, 2014.

Bureaucratic fragmentation, lack of standardization

The discussion on the tendering process has already shown that suppliers, both domestic and foreign, have to deal with a plethora of regulations and procedures, which are often particular for one specific procurement entity.

Common to bureaucratic organisations everywhere, Japanese bureaucratic offices are reluctant to give away or share authority. With public procurement decisions regarded as a powerful policy instrument, ministries, regional and local governments have been loath to adhere to centrally directed initiatives to streamline and standardize procedures. Seen from this perspective, the lack of transparency in procedures and information becomes understandable, as increased accountability would entail a decrease in administrative leverage and flexibility.

The result of these attitudes is a variety of well-meant initiatives by individual or small groups of procuring entities to streamline and standardize public procurement procedures. The most successful initiative has thus far been the Unified Qualification Screening system used by central government agencies. It is however not adopted by regional and local governments and has remained limited to procurement of goods and services.

For SMEs, the result of this fragmentation is a very labour-intensive and costly system, which makes the pursuit of profitable ventures into government procurement rather difficult.

Public Agency Orders: Set-asides for SMEs?

GOJ sets an annual “Policy of contracts by the government and other public agencies” to provide opportunities for SMEs, under the “Law on Ensuring the Receipt of Orders from Government and Other Public Agencies by SMEs” (*kankouju ni tsuite no chuushokigyousha no juchuu no kakuho in kansuru houritsu*). Since the establishment of this law in 1966 a steadily growing ratio of public agency orders (*kankouju*) has been reserved for SMEs, amounting to 56,6% of a total expected demand of EUR 61.7 billion in 2013.⁹⁵ There are estimates that 40% of the SMEs would exit public works procurement if these set-asides were to be abolished, signifying the importance of the government procurement sector for locally based SMEs in Japan.⁹⁶

GOJ does not regard this system as a set aside, stating that it is not legally binding and not intended for setting an exclusive quota of contracts for SMEs.⁹⁷ However, while

⁹⁵ Small and Medium Sized Enterprise Agency. 2013. Plan for contracting by the country regarding SMEs in 2013, based upon the Government and Public Office Demand Act, (July 2013) page 1 (*In Japanese*) <http://www.chusho.meti.go.jp/keiei/torihiki/2013/download/0625torihiki-1.pdf>

⁹⁶ Jun Nakabayashi. 2010. Small Business Set-asides in Procurement Auctions: An Empirical Analysis Hi-Stat Discussion Paper. Institute of Economic Research, Hitotsubashi University. page 1.

⁹⁷ WTO Trade Policy Review Body. 2011. Trade Policy Review Japan. Record of the Meeting Addendum (May 11 2011) WT/TPR/M/243/Add.1 page 166

this program aims to improve opportunities for SMEs in terms of provision of procurement information, efforts to simplify procedures and paying attention to newly established or high-tech SMEs, there are some aspects that might impede entry by foreign SMEs.

Initiatives such as including the degree of 'local familiarity' (*chiiki e no seitsuudo*) into the assessment of SMEs' bids and introducing rather ambiguous concepts of 'economic rationality' (*keizai gourisei*) into methodologies of contract and procurement evaluation could be interpreted negatively for foreign SMEs. Also practices such as cutting up construction contracts will continue to diminish the opportunities for foreign SMEs with ambitions in this sector.⁹⁸

4.5. Structural barriers

Local orientation

The discrepancy between the views of Japan and the EU on what the character of public procurement should be is probably most visible in the focus of the Japanese system on local orientation and treatment of insiders vs. outsiders. While the aim of EU-policies has been to stimulate cross-border procurement and to support the development of a single market, the Japanese policies are squarely aimed at cultivating local economic activities. In fact, in order to be considered for a contract, many local procuring entities require their suppliers to have an actual presence in the region.

New entrants, including European SMEs, are therefore expected to create a clear presence in the vicinity of their prospective customers. It is for this reason that most Japanese companies, including SMEs with enough size, quickly develop a network of regional offices within the country, to serve their customers.

Local orientation is sometimes also visible in the setting of delivery times by procuring agencies. One of the European SMEs interviewed gave an example where they were basically shut out of competition, because the procuring entity demanded an unreasonably short delivery time for the manufacturing of a complex product, which due to its size was very costly to ship by air.

Cultural barriers

The issue with cultural barriers is that they are difficult to quantify and open for interpretation. While people with experience in doing business with Japanese counterparts will say that beyond the language barrier conducting business is the same

⁹⁸ Small and Medium Sized Enterprise Agency. 2013. Policy regarding contracts by the government and other public agencies. Cabinet decision of June 25, 2013. page 5-8 (*In Japanese*)
<http://www.chusho.meti.go.jp/keiei/torihiki/2013/download/0625torihiki-2.pdf>

as anywhere else, others will say that doing business in Japan successfully will require a distinctive approach.

Developing a market in Japan will require some degree of patience, before efforts start to pay off. This is the case for business in general, but also for dealing with government institutions.

Selling a product or service in Japan is a process that involves frequent interactions, careful exchange of opinions and adjustments to the product or service before an actual contract can be concluded. Most of the European SMEs that have been successful so far, have invested in creating these, often personal, relations, despite the fact that the procurement procedures should create a level playing field.

EU companies, which depend solely on the quality of their product or service, with an attitude that it will sell itself, will have a hard time being successful in the Japanese market. In most cases, the conclusion of a contract is only regarded as a start of a longer-term relationship. EU companies tend to see a sale more as a conclusion of a process, and then move on to a next one, while the Japanese client sees it only as a beginning.

5. Discussion of opportunities for European SMEs

In the previous chapters it was already indicated that the number of foreign companies currently active in bidding for Japanese government contracts is very low and European SMEs active in this market are hard to find.

Government procurement is extremely diverse, varying from the purchase of missile launch systems or maglev train systems to printer-toner or staplers.

At the beginning of this report, it was already noted that SMEs are performing particularly well in the field of advanced scientific equipment. For SMEs with innovative technologies, there will continue to be good opportunities to secure contracts, if the right approach towards potential customers is taken.

This sector is also an example for the general rule that exists when venturing in the Japanese government procurement market: - If your company has a product that is complementary, i.e. not commonly available in Japan, and has proven advantages, good opportunities can be found.

Key is also that companies, including SMEs, to a large extent can create opportunities themselves. Here, developing market knowledge and persistent lobbying is vital. Companies that wait for an appropriate tender notice to show up will, in most cases, not be successful in a system where the lowest price is decisive. SMEs equipped with this pro-active mind-set will most likely find profitable opportunities in all sectors of government procurement. Here are just a few examples of sectors:

Medical sector

When looking at specific sectors of government procurement, increased opportunities can be seen, provided that the Abe government's promises of regulatory reform will go ahead.

With its rapidly aging society and the subsequent increase in demand for medical care and equipment, foreign companies already have already established a substantial presence. (44,3% of the total procurement value by central government entities in 2011, valued at approx. EUR 250 million).⁹⁹ Presently, the introduction of new treatments and drugs requires time-consuming authorization processes, and as a result withhold state-of-the-art internationally approved treatments from Japanese patients. Speeding up authorization and thus lessening the costs for companies is part of the Abe-government's plan for regulatory reform and it might open more opportunities for European SMEs as well.

Energy

Since the Great Tohoku Disaster, having to close down all nuclear energy plants, Japan is faced with an energy crisis. Although the sector itself is privatized and thus falling outside of the scope of government procurement, GOJ has been active in the development of alternative energy-sources. Numerous European companies, attracted by high feed-in-tariffs, have attempted to promote alternative energy-solutions in Japan already. The reception of these efforts has however been rather mixed, with only few foreign companies securing government contracts as the main-contractor.¹⁰⁰ It is in sectors such as these, which are seen as strategically important, where developing 'in-house' expertise often takes precedence over buying foreign expertise, as was seen in the development of the first floating wind-turbine by an all-Japanese consortium off the Fukushima coast.¹⁰¹ Still, the power generation industry is likely to be volatile and will undergo major changes in the coming years. This might offer new opportunities to innovative technologies developed by SMEs in Europe.

Infrastructure

In terms of sheer size, public works construction would offer the largest opportunities for foreign companies. However, given the present circumstances and the character

⁹⁹ Annual report on government procurement, Table 10

¹⁰⁰ See study on Japan's new energy policy by Stijn Lambregt. 2014. *The Clean Energy Sector in Japan. An Analysis on Investment and Industrial Cooperation Opportunities for EU SMEs.* EU-Japan Center for Industrial Cooperation (February 2014)

¹⁰¹ Nikkei Online. 2013. "Wind energy generation at sea, Big favourite of next generation energy starts moving" December 8, 2013 (*In Japanese*) and Nikkei Asian Review. 2013. "Fukushima floating turbine offers energy hope" (November 12, 2013) <http://asia.nikkei.com/Business/Trends/Fukushima-floating-turbine-offers-energy-hope>

and role of the procurement system, it is not likely that these opportunities will materialize in the foreseeable future. Public works' procurement will remain a "Hermit Kingdom" shielded by a complex regulatory framework, restrictive qualification system and high WTO thresholds.

There are however some signs that might offer some leads for the future, where nimble European SMEs might find new opportunities.

Firstly, much of the infrastructure was constructed during the years of rapid economic development until the nineties and is in dire need of replacement and renovation. Also, the depopulation and rapid aging of rural areas requires different, innovative and low-maintenance approaches to public works and infrastructure.

Secondly, the instances of tenders where there are no bidders or where the bids placed are above the set price is increasing, due to shortages in skilled personnel, rising personnel costs and increases in prices of building materials due to higher demand from areas stricken by the Great Tohoku Disaster.¹⁰² While foreign companies active in Japan are likely to face the same problems with personnel as Japanese companies, it does however offer opportunities for innovative, cost-efficient technologies.

Thirdly, the government has made export of infrastructural projects as one of its central targets in the development of overseas markets, aiming for a threefold increase in earnings from 10 trillion yen in 2010 to 30 trillion yen by 2020. With infrastructure usually being the prerogative of governments, it is unlikely that Japanese general contractors will be successful in other WTO member states, if the public works sector in Japan remains as closed off as it is now.

The desire of the Japanese government and large infrastructural companies to expand abroad is also likely to offer new opportunities for foreign companies in sectors such as railway procurement, as was already mentioned in the discussion about the Operational Safety Clause. With companies, like Hitachi, already setting up production-bases in Europe, the current application of the OSC will become increasingly untenable for Japan in its domestic market.

6. Recommendations and conclusions

This study has tried to cater for a number of audiences: - European SMEs with ambitions in the Japanese government procurement market and policy-makers (EU Commission, EU-member states and Japanese government). The recommendations and conclusions are therefore given for each of these audiences.

¹⁰² See for instance http://www.nilim.go.jp/lab/peg/siryou/hatyusyakondankai/02_h25.12.25sankousiryou2.pdf

6.1. Recommendations for European SMEs

For most SMEs, crossing their own national borders into foreign market is a major challenge. Within the EU, only 25% of the SMEs derives part of its turnover from export within the single market, and SMEs active outside of the EU are even less at 13%.¹⁰³ Venturing out to a culturally and linguistically different country such as Japan, with added difficulties such as logistics and exchange rate risks, will require a substantial commitment. Those things considered, with the low number of SMEs currently active in Japanese government procurement, it should be comparatively easier to find profitable niches and establish a viable business venture.

The following recommendations are perhaps not exclusively limited to public procurement, but there are deemed vital for a successful endeavour into the Japanese market.

Get to know your market and invest in your network

Companies only using the procurement system itself rarely win a contract, unless they provide a service or product that is unique. Being successful in the Japanese government procurement market will require the establishment of a local presence and being visible to prospective customers. Hiring expertise with Japanese language ability to deal with customers and formalities and knowledge of the market is a must in order to be sustainably successful.

Work with or hire local counterparts

Companies that are new to the Japanese market should consider working with a local partner first, for example the trading companies (*shosha*). Working with *shosha* will give them access to a vast network and established expertise and qualifications. This will however come at a price: - Margins of at least 40% are quite common and companies will gain little insight into their end-customers and market. They should also be aware that the interests of the *shosha* might not always be in line with those of their company.

If a European company wishes to maintain control over its business proceedings and gain expertise first-hand, hiring a local counterpart might be more suitable. Development of a network and market will require more time, but this will for a great extent depend on the counterpart that a company manages to hire.

Make use of the local support structures available

Embassies, Chambers of Commerce, supranational organisations, such as the EU and local organizations such as JETRO offer a wide variety of services to companies wishing

¹⁰³ Report Internationalisation of European SMEs, December 2009;
http://ec.europa.eu/enterprise/policies/sme/market-access/internationalisation/index_en.htm.

to enter the market. In many cases, these services are free or only require a small fee. For more comprehensive support services, there are many commercial support services available as well. They can be particularly helpful in the first phase, when looking for a partner or to find a suitable local representative.

Have patience and aim for the long-term

Entering a market where a company's visibility and proximity to its customers is vital, will require patience and tenacity. European companies should be aware that in Japan selling a product or service is only the start of a long-term relationship with their customers. The Japanese customer, whether it is an individual consumer or a government office, is very demanding and will expect well-defined and excellent service and aftersales during the lifetime of the product or service. A 'quick buck' is rarely made in Japan and an investment will only pay off in the long run.

European companies should be aware that in Japan short-term profit should not be seen as the ultimate goal, but rather the long-term worth of the company. Therefore a long-term strategy is necessary.

6.2. Recommendations for EU Commission

In the above it was concluded that the Japanese government procurement system in its core has remained largely unchanged and the adjustments to increase opportunities for foreign companies made over the years were, for the large part, due to foreign (US) pressure. Perhaps it is therefore correct to conclude that Japanese bureaucratic sectionalism can only be overcome and change achieved, if enough foreign pressure (*qai-atsu*) is applied. It is however questionable, whether pressure alone will produce the desired results.

The current negotiations for a comprehensive FTA/EPA between Japan and the EU might provide an opportunity to look for more win-win approaches to government procurement, instead of primarily focusing on barriers and shortcomings.

A greater awareness and mutual understanding of both sides' perceptions of the role of government procurement: - Creating a single market/level playing field vs. sustaining the fabric of local economies – might be helpful.

Push for streamlining of procedures and cutting red tape

Overregulation in the procurement process is hurting foreign and domestic business alike, increasing costs for all parties concerned. More concerted efforts by public entities to streamline, standardize and simplify their procedures and regulatory framework will benefit all. The EU Commission should therefore continue to push and

support the GOJ in its efforts to create a less ambiguous and more transparent procurement system, in particular at the regional and local level.

Issues, such as the creative use of reasons for using single tendering procedures, arbitrary application of the Operational Safety Clause and continued focus on lowest price as main determinant, require sustained attention.

Also, the GOJ should be stimulated to enlarge the scope of the unified qualifications screening into a nation-wide system, covering regional and local entities as well and made suitable for foreign suppliers by developing an English-language version of its system.

Bidding and tender-notification systems such as the JACIC-developed CALS/EC have the potential to grow into a TED-style service, if the GOJ is able to overcome the sectionalism and bureaucratic infighting, which is the cause of the current diversity of the system. With its experience with TED, the EU should support the GOJ in this endeavour.

Push for more public scrutiny by third parties

The current challenging system (CHANS) obviously is not playing the role it was originally designed for. The majority of suppliers do not bother to use the system and they seem to find it useless, as there is no independent body available with the authority to act. As such, the current challenging system seems to be no more than window-dressing for the WTO, and perpetuating administrative opaqueness in its procurement decisions. Efforts to increase public scrutiny of the decision-processes underlying government procurement should be pushed for by the EU Commission.

With the absence of an independent challenging system, it is important for SMEs in particular to have alternative ways to report irregularities and barriers. This can be achieved by more actively promoting the EU Export Barrier Reporting service¹⁰⁴ and integrate this with other SME support services in Japan.

Pay more attention to the role of industrial and professional associations

Industrial and professional associations in Japan play a much larger role in the regulation of their markets than their counterparts in Europe. They work closely with relevant government organisations in the formulation of standards and policies affecting their business, combined with substantial political clout through support of politicians at all levels. The majority of these associations have a strong domestically oriented focus, and their activities have adverse effects on the business opportunities of outsiders. Gaining an insight into the relationships between associations and the

¹⁰⁴ EU Trade, Market Access Database. <http://madb.europa.eu/madb/indexPubli.htm>

administration is therefore vital and active engagement of these associations is advisable.

Offer assistance services to SMEs to overcome initial barriers

Language and lack of market information are the largest hurdles for SMEs when considering Japan as a potential market. With a procurement system that almost exclusively operates in Japanese, when making the first steps into this market, SMEs find it hard to determine whether it is worth their investment.

While many representative organisations, such as embassies, Chambers of Commerce and Japanese government organizations such as JETRO do excellent work in assisting companies; their scope of activities and/or organizational size has its limitations. It is here, that the EU Commission, as a supranational entity, can play a more coordinative role and offer assistance and services complementary to those already offered by embassies and Chambers of Commerce.

In particular in the initial phase, practical assistance with formalities, translation of standard documents and dissemination of information regarding public procurement opportunities, and assistance with finding suitable partners can help pull SMEs over the threshold of entering the Japanese public procurement market.

Consider concerted procurement market penetration efforts

The GOJ has embarked on a comprehensive strategy to sell its infrastructural expertise to other countries. This is not limited to developing countries: Europe is also seen as a viable market for electricity generation technology and public transport systems. It is also not limited to large companies, but includes SMEs and local government entities as well. To realize this strategy a government-wide support system has been set up, including METI, JETRO, JICA, Japan Bank for International Cooperation (JBIC) and Nippon Export and Investment Insurance (NEXI) and with the Prime Minister as its top salesman.¹⁰⁵

It would therefore be wise for the EU Commission and member states to also consider more concerted efforts using the whole range of facilities at its disposal when approaching the Japanese government procurement market.

6.3. Recommendations for Japanese government

The present structure of the public procurement system in Japan is the product of a precarious balancing act in a complex web of interests, both domestic and abroad. This

¹⁰⁵ Cabinet Office, Strategic Overseas Economic Cooperation Infrastructure Council. March 2014. Enlarging Infrastructural export utilizing our country's technology (*In Japanese*)
<http://www.kantei.go.jp/jp/singi/keikyou/pdf/pamphlet.pdf>

structure is perpetuated by a fundamental mind-set where the use of public money should firstly support the interests of domestic business, and only secondly the interests of the Japanese taxpayer, i.e. whether the money is efficiently and effectively spent.

Whether intentional or not, the current set-up and local focus built into the public procurement system is depriving government institutions of choice, not only in terms of price, but perhaps more in terms of innovation and ideas. The number of competitive tenders where there is only one bidder or no bidders at all is increasing. This might be a sign that the singular focus on lowest price and lack of transparency with regard to evaluation methods have a detrimental effect on the dynamism in sectors, such as construction, which is faced with severe labour shortages.¹⁰⁶

SMEs are valued, both in Japan and the EU, for their capacity to bring innovation. Due to the complexity and ambiguity of the current procurement system, there are many SMEs, Japanese SMEs included, which seemingly cannot be bothered with participating in government tenders, at the detriment of the range of choices government institutions have. This is a situation that is in nobody's interest, as innovation is likely to have beneficial effects for all, including the insiders.

The Japanese government should therefore consider seriously additional actions to broaden its range of suppliers it can draw from, by creating a more transparent and unambiguous structure, which is interesting for new entrants, including foreign ones.

Work towards an attractive unified tender notice platform

The currently scattered English-language environment is not likely to attract new entrants to participate in tenders. Platforms such as TED in Europe or the KONEPS portal in South Korea have already shown their value, and are also seen as a means to attract foreign investment and creation of local jobs.

If bureaucratic sectionalism is overcome, a combination of the JETRO procurement portal, the portal managed by the Ministry of Internal Affairs and Communication, the EU-Japan Centre for Industrial Cooperation portal and JACIC's CALS/EC has the potential to develop into a similar bi-lingual national portal for public procurement. Subsequently, regional and local governments could also be stimulated to join a more unified system.

On a more practical level, it should also be considered to include ways to digitally contact a procuring office, by including an email address or URL in the current English language summary for tenders falling under the WTO regime. Prospective suppliers and procuring offices will most likely find it easier and efficient to communicate digitally rather than by telephone or fax.

¹⁰⁶ See for example: Nikkei Online. 2014. Labor shortages in construction worsening. Orders no longer accepted. February 18, 2014 (*In Japanese*)

Make the Supplier Qualification systems more internationally oriented and tailored to the size of the company

Requiring a Supplier Qualification up front and valid for a three year period (or annually) seems rather arbitrary in rapidly changing business environments. If the GOJ continues to insist on applying these systems, it would be advisable and relatively easy to create an English-language equivalent of this system, thus taking away a first hurdle for foreign companies with interest in tendering for government contracts and also a major source of diplomatic complaints.

The GOJ should also consider whether it wishes to continue burdening SMEs, both domestic and foreign, with the same administrative load as multinationals when having to apply for supplier qualification or a business review. Diversification or simplification of procedures for SMEs if it concerns small-scale contracts ought to be seriously considered.

Create transparent tender evaluation procedures

While over the years, various experiments with evaluation methods have taken place, in particular in the public works sector, most of these, with the exception of the Overall Greatest Value method, have remained just experiments and scope of their application has remained rather vague. It is advisable if the GOJ worked towards establishing clearer, unambiguous information regarding their application and assist foreign suppliers more in obtaining this information.

Show that foreign suppliers are regarded as a valuable asset

The analysis of the current procurement system conducted in this study leaves one with the question whether foreign suppliers are really regarded as a valuable asset by the GOJ. Thus far, information and services to attract a broad range of foreign suppliers have been kept to a threadbare minimum and leave the impression that they are only there to fulfil the international obligations of WTO GPA. It is safe to conclude that there is no active procurement policy, i.e. maximizing the quality and range of suppliers, present in Japan.

It is probably this impression and the lack of concrete progress on the ground that will continue to feed the criticism from partner countries regarding government procurement in Japan.

6.4. Conclusion

Although the Japanese public procurement market is a challenging one for European SMEs, there are still plenty of opportunities if the right approach is taken. The lack of information (about the opportunities, the administrative steps, the specific business

practices), primarily due to the language barrier, as well as other factors which were discussed in this report, currently prevent European SMEs from considering Japan as a profitable business environment. Entering a foreign market always requires a company to adapt to local circumstances, but in the case of the Japan the costs for adaptation can be regarded as comparatively high.

The on-going FTA/EPA negotiations between the EU and Japan, together with the ambitions of the current Abe-government could represent the opportunity for a turning point in government procurement in Japan. It could mean a break away from the current “zero-sum” thinking, where purchasing from foreign sources is automatically perceived as creating a loss for domestic suppliers, to a “win-win” approach with a more open system to the benefit of all parties concerned and with new opportunities for economic growth.

List of Japanese-English translations	
一級建築施行管理技士 1 kyuu kenchiku sekou kanri gishi	Construction operation management engineer, first class
二級建築施行管理技士 2 kyuu kenchiku sekou kanri gishi	Construction operation management engineer, second class
天下り Amakudari	'Descent from heaven', career of high level bureaucrats after retirement
地域への精通度 chiiki e no seitsuudo	Local familiarity
談合 Dango	Collusion
技術提案総合評価方式 gijutsu teian sougouhyouka houshiki	Technical Proposal Integrated Evaluation System
業界団体 gyoukai dantai	Industrial associations
評価項目一覧 hyouka koumoku ichiran	Assessment guidelines
評価手順書 hyouka tejun sho	Assessment procedure
一般競争入札 ippan kyousoo nyuusatsu	Open tendering procedure
官公需について中小企業の受注の確保に関する法律 kankouju ni tsuite chuushokigyousha no juchuu no kakuho in kansuru houritsu	Law on Ensuring the Receipt of Orders from the Government and Other Public Agencies by SMEs
官報 kanpou	Government gazette
経済事項審査（経査） keizai jikou shinsa (keishin)	Business Evaluation System
契約書（案） keiyakusho (an)	Contract (Draft)
経済合理性 keizai gourisei	Economic rationality
建設業計理士1級 kensetsugyou keirishi 1kyuu	Construction registered accountant first class
公募系指名競争入札 koubokei shimei kyousoo nyuusatsu	Public Invitation Selective Competitive Bidding
工事希望系指名競争入札 kouji kiboukei shimei kyousoo nyuusatsu	Project Interest Registration Designated Competitive Bidding
公共工事の品質確保の促進に関する法律（品確法） koukyou kouji hinshitsu kakuhou no sokushin ni kansuru houritsu (hinkakuho)	Act to promote ensuring the Quality of Public Works
競争参加資格審査 Kyousoo sanku shikaku shinsa	Tender participation qualification review (construction)
入札監視委員会 nyuusatsu kanshi iinkai	Tender monitoring Committees
入札公告 nyuusatsu koukoku	Tender notice

入札説明書 nyuusatsu setsumeisho	Explanation of the tender
応札資料作成要項 ousatsu shiryō sakusei youkou	Guidelines for drafting bidding documents
政府調達 seifu choutatsu	Government procurement
施工企画審査系 sekou kikaku shinsa kei	Implementation Plan evaluation type
競り下げ方式 serisage houshiki	Reverse (Dutch) auction method
資格審査結果通知書 shikaku shinsa kekka tuuchisho	Notification of Qualification Review Results
指名競争入札 shimei kyousou nyuusatsu	Selective Tendering Procedure
仕様書 shiyousho	Specifications
商社 shosha	Trading houses
統一資格審査 touitsu shikaku shinsa	Unified Qualifications Screening
ゼネコン zenecon	General contractors
随意契約制度 zuii keiyaku seidou	Discretionary Contract System

7. Appendices

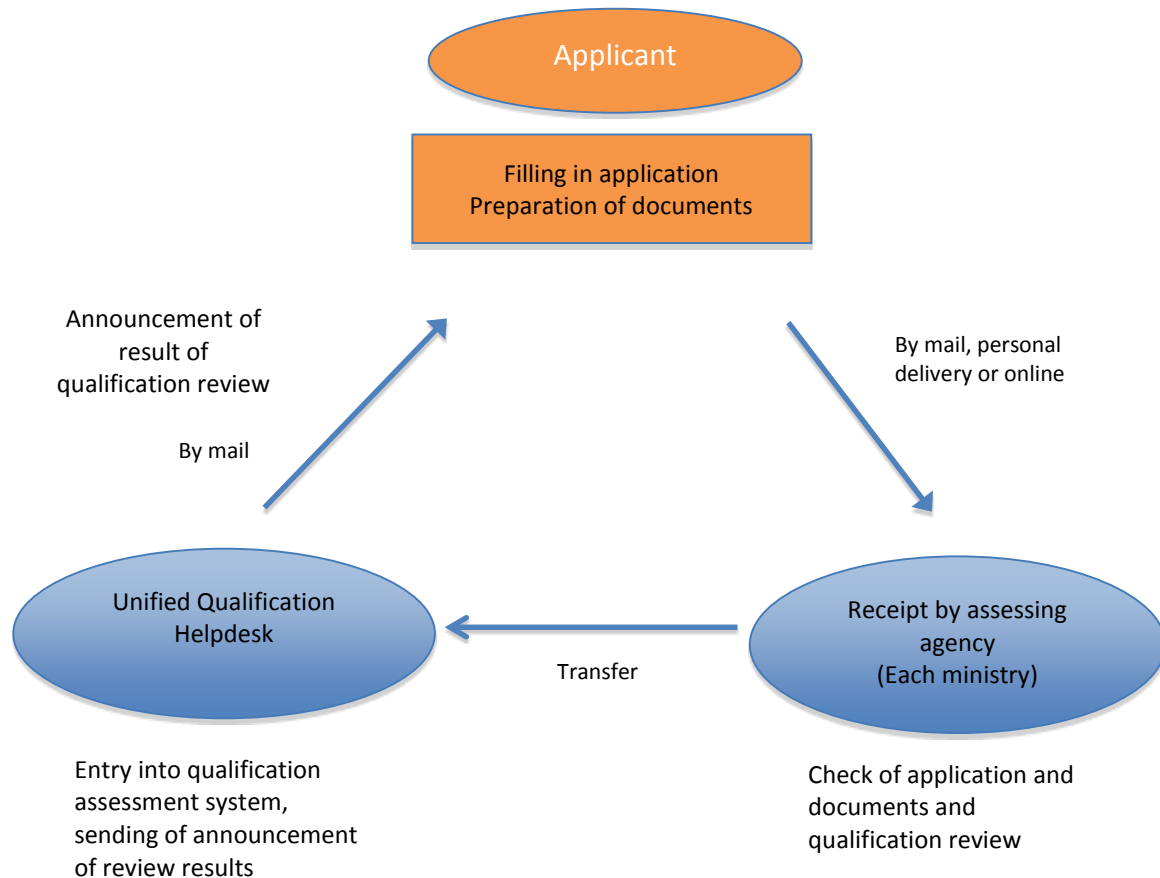
7.1. Selection of EU-headquartered companies active in government procurement

Company name	Country	Product/Service	Procuring entities
Adecco Group	FR	HR agency (temping agency)	All levels
Air Liquide	FR	Liquid gas technology	Prefectures, research facilities
Alpha M.O.S. Japan K.K.	FR	Sensory and analytical equipment	National Agriculture and Food Research Organization
Alstom	FR	Incinerator related maintenance, filters	Fukuoka city, Kesenuma city
Andor Technology Japan	IE	High end cameras	Universities, research facilities
Ansaldo Sistemi Industriali S.p.A	IT	Power generation technology	Japan Atomic Energy Agency (JAEA)
Anton Paar Japan K.K.	DE	Scientific equipment	Research facilities
Bauer Compressors K.K.	DE	Compressors (Filters)	Tokyo Metropolitan Government
<i>Ciel&Terre*</i>	FR	<i>New energy technologies</i>	<i>All levels</i>
<i>COSYLAB D.D.</i>	CZ	<i>Control systems for large Physics Facilities</i>	<i>RIKEN, Tsukuba University</i>
dGB Earth Sciences BV.	NL	Geotechnical software	Japan Oil, Gas and Metals National Corporation
Dornier MedTech Japan K.K.	DE	Medical Equipment	National Hospitals
Draeger	DE	Medical equipment, incubators	Hospitals
<i>EDAP TMS</i>	FR	<i>Medical devices</i>	<i>Hospitals</i>
Elsevier Netherlands BV	NL	Scientific database access	Universities and ministries
Environmental Resources Management (ERM)	UK	Consultancy services	JOGMEC, JICA, METI
ESI Group	FR	Software. Virtual Prototyping	JAXA, JAEA
Eurocopter Japan K.K. (Airbus)	DE/FR	Helicopters and related equipment	Coast guard, prefectures
Fugro Japan Co., Ltd. KK	NL	Geotechnical services including software	Japan Oil, Gas and Metals National Corporation
HERZOG JAPAN CO., LTD	DE	Scientific equipment	Universities, research facilities
<i>JPK Instruments AG*</i>	DE	<i>Microscopy</i>	<i>Research facilities, Ministry of Education</i>
Kugler Maag Cie Gmbh	DE	Consulting, Quality management training etc.	Japan Space Agency (JAXA)
LMC International Ltd	UK	Agro consultancy	Agricultural and Livestock Industries Corporation (ALIC)
LMS Japan KK (Siemens)	DE	Testing solutions	JAXA
Merial Japan K.K.	FR	Vaccines	Tokyo Metropolitan Government
Method Park Software AG	DE	Software engineering	JAXA

Michell Japan KK	UK	Scientific Instruments	JAXA
MOBILIS SAS	FR	Buoys	Ministry of Defence
<i>Moller Data Workflow Systems AB*</i>	SE	<i>Information management systems</i>	<i>University</i>
Neopost Japan Inc	FR	Mail and Postage systems	Ministries, prefectures
Novartis Vaccines and Diagnostics	DE	Vaccines	Health and Welfare Ministry
Oxford Instruments KK	UK	Research Instruments	Universities, research facilities
Philips Electronics Japan	NL	Medical and healthcare equipment	Prefectures, state hospitals, universities
Polytec Japan KK	DE	Scientific equipment (Laser technology)	Research facilities
Quintessa Japan	UK	Scientific, mathematical and strategic consultancy, scientific software development	JAEA, Japan Nuclear Energy Safety Organisation (JENS), National Institute of Advanced Science and Technology (IAST)
Randstad KK	NL	HR agency (temping agency)	All levels
RFD Japan (Survitechgroup)	UK	Life rafts etc.	MOE, Meteorological Agency
Rohde & Schwartz Japan K.K.	DE	Wireless communications	Ministries, Prefectures, Universities, research-facilities
SAP AG	DE	Software	Ministries
<i>SHF Japan Corporation K.K.*</i>	DE	<i>Information and Communication equipment</i>	<i>National Institute of Information and Communications Technology</i>
Siemens Japan	DE	Medical equipment	Prefectures, state hospitals, universities
<i>Sigmaphi*</i>	FR	<i>Scientific equipment</i>	<i>Universities, research facilities</i>
Smiths Heimann GmbH	DE	X-ray scanning equipment	Prefectures, Port facilities
Springer Customer Service Center GmbH	DE	Electronic journals	Universities and research facilities
Swets Information Services BV	NL	Academic Journals	Universities, research facilities
Tecniplast S.P.A.	IT	Laboratory Animal Equipment	Universities, Research Facilities
Thales Japan	FR	Aerospace, defence, security, transportation	Ministry of Defence, Japan Atomic Energy Agency, Research facilities
Tietz Video and Image Processing Systems GmbH	DE	Video Systems	Universities
Tobii Technology Japan KK	SE	Eye tracking and gaze technology	Universities, research facilities
Trusted Labs	FR	IT security services	Information Technology Promotion Agency
Veolia Water Japan KK	FR	Water treatment	Cities
<i>VG Scienta AB*</i>	SW	<i>Scientific equipment</i>	<i>Ministry of Education</i>

*SMEs

7.2. Explanation of application guidelines for Unified Supplier Certificate



If a company wants to take part in government procurement tenders, it needs to apply for qualification. Often the period to apply is quite short and usually needs to be done during a specific period, between December and February. It is however also possible to have an application reviewed at other times.¹⁰⁷

For the national ministries and attached organisations in the prefectures, there is a one-stop portal to apply online to become a designated supplier.¹⁰⁸ It is actually an application at one chosen ministry, but it is valid for all other ministries as well. It is also possible to apply by regular mail. It is also possible to apply online and send requested documents by post. Validity is for a period of three years. This system is however not applicable for construction and surveying and construction consultancy contracts.

¹⁰⁷ For the period of April 1, 2014 to March 31, 2017 the period is at January 8, 2014 to January 31 and temporary review from February 1 to March 31 2014

¹⁰⁸ <http://www.chotatujoho.go.jp/va/com/ShikakuTop.html>

Government entities using the Unified Supplier Qualification	
• House of Representatives	• House of Councillors;
• National Diet Library;	• Supreme Court;
• Board of Audit;	• Cabinet Secretariat;
• Cabinet Legislation Bureau;	• National Personnel Authority;
• Cabinet Office;	• Imperial Household Agency;
• Fair Trade Commission;	• National Police Agency;
• Financial Service Agency;	• Consumer Affairs Agency;
• Ministry of Internal Affairs and Communications;	• Ministry of Justice;
• Ministry of Foreign Affairs;	• Ministry of Finance;
• Ministry of Education, Culture, Sports, Science and Technology;	• Ministry of Health, Labour and Welfare;
• Ministry of Agriculture, Forestry and Fisheries;	• Ministry of Economy, Trade and Industry;
• Ministry of Land, Infrastructure and Transportation;	• Ministry of the Environment;
• Ministry of Defense;	• Reconstruction Agency;
• External bureaus, affiliated offices and regional offices	

After the review, some of the information provided will be made public in the authorized supplier list. These include:

- Company code
- Firm name
- Location (The address of the office in the region where one is participating in the bid)¹⁰⁹
- Telephone number (In the region where one is participating in the bid)
- Fax number (In the region where one is participating in the bid)
- Classification received (A, B, C or D)
- Size of company
- Available services or business line

The following pages are an abridged translation of the guide to fill in the paper version of application, for new entrants. The original Japanese version of the guide and the application document are available at http://www.chotatujocho.go.jp/va/com/shinsei_yusojisan.html
No rights can be drawn from this translation, and is for reference purposes only.

¹⁰⁹ It is not necessary to actually have an office in the region a bid is placed.

01	1 定期	2 随時	02	1 新規	2 更新	03	1 組合	2 公益法人	3 個人	4 その他（株式会社等）		
※いずれかに○をつける			※いずれかに○をつける			※いずれか1つに○をつける						
06	業者コード					07	適格組合証明		平成	年	月	日
※「更新」申請の方のみ数字10桁で記入								第	号			
						※適格組合の方のみ記入						

一般競争(指名競争)参加資格審査申請書（物品製造等）

平成 25・26・27 年度における物品の製造等に係る競争に参加する資格の審査を申請します。
 なお、この申請書及び添付書類の内容については、事実と相違しないことを誓約します。



申請日 平成 年 月 日

商号又は名称
 代表者氏名

[代表者印]

※ゴム印可 ※代表者印又は代理人の印を押印

- | | |
|-------------------|-----------------|
| 衆議院庶務部会計課長 殿 | 外務省大臣官房会計課長 殿 |
| 参議院庶務部会計課長 殿 | 財務省大臣官房会計課長 殿 |
| 国立国会図書館総務部会計課長 殿 | 文部科学省大臣官房会計課長 殿 |
| 最高裁判所事務総局経理局長 殿 | 厚生労働省大臣官房会計課長 殿 |
| 会計検査院事務総長官房会計課長 殿 | 農林水産省大臣官房経理課長 殿 |
| 内閣府大臣官房会計課長 殿 | 経済産業省大臣官房会計課長 殿 |
| 復興庁会計担当参事官 殿 | 国土交通省大臣官房会計課長 殿 |
| 総務省大臣官房会計課長 殿 | 環境省大臣官房会計課長 殿 |
| 法務省大臣官房会計課長 殿 | 防衛省経理装備局会計課長 殿 |

以下受付機関使用欄

04	受付機関コード									05	受付番号							受付担当者	
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Instructions for filling in page 1 of the application

Item	Items to fill in
01 Period	Regular period or extraordinary period (if you apply outside of the designated period for application)
02 Kind of application	1 New or 2 Renewal (only in consecutive period)
03 Type of business	Partnerships: (Limited to partnerships based upon the public demand guidelines) consortia, joint cooperatives, commercial and industrial cooperatives, federations of commercial and industrial cooperatives, shopping district promotion cooperatives, and federations of shopping district promotion cooperatives Public service corporations: National universities, incorporated administrative agencies (as set by the Minister of Finance), general incorporated associations, (limited to non-profit entities), general incorporated foundations (limited to non-profit entities), incorporated medical institutions, incorporated educational institutions, other public service corporations in accordance with the corporate tax law, and special not for profit entities and NPOs Individuals: In the case a business is run by an individual, private offices, individual association not publicly approved, and private association which cannot obtain corporate registration, but can submit Certificate of tax payment (3 of 2) Others (Stock corporations) All public entities not falling under 1 or 2 which in principle can obtain a Certificate of Registration
04	Recipient office code (no need to fill in)
05	Recipient office number (no need to fill in)
06 Business code	Make sure to fill in this 10-digit code if you are renewing your qualification, not necessary for new applications
07 Tekkakukumiai certificate code	<i>Tekkaku kumiai</i> (Public demand eligibility partnership) Certificate code In the case of falling under Article 2 section 1 number 4 The Law regarding securing of orders by SMEs of public demand, this is necessary. Fill in the date and number of the Certificate issued by the Economy and Industry Office in each region or General Office in Okinawa. However, at time of application preferential treatment is not received (individuals attached to association or general results of associations, at association level application, it is not necessary to fill in.

08 郵便番号

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※外国の場合は、000-0000と記入

09 フリガナ住所

フリガナ住所

※フリガナは都道府県、地番、ビル名については省略する。住所とビル名の間には1文字分あけて記入。登記事項証明書のとおり記入。

10 フリガナ商号又は名称

フリガナ商号又は名称

※フリガナは「株式会社」等法人の種類フリガナは省略。商号又は名称は「株」のように略さず「株式会社」と記入。登記事項証明書のとおり記入し、「株式会社」等の法人格名称の前には空白をいれず文字を詰める。

11 代表者

(役職)	
フリガナ	
(氏名)	

※役職名については原則、登記事項証明書のとおり記入。代表者名の姓と名の間は1文字分あけて記入

12 担当者

フリガナ	
(氏名)	

※姓と名の間は1文字分あける

13 電話番号

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※(市外局番一局番一番号)

14 FAX番号

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※(市外局番一局番一番号)

15 主たる事業の種類 (複数選択不可) ※企業規模判定に使用します。

1. 物品の製造	2. 物品の販売	3. 役務の提供等	4. 物品の買受け
a. ゴム製品 b. その他	c. 卸売 d. 小売	e. ソフトウェア又は情報処理サービス業 f. 旅館業 g. サービス業 h. その他	i. 立木竹 j. その他

※a～jの内、必ず1つを○で囲むこと。複数の事業がある場合、主たる事業を1つ選択。希望する資格の種類と同一でなくても問題ありません。

以下受付機関使用欄

04 受付機関コード	<table border="1" style="display: inline-table;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>									05 受付番号	<table border="1" style="display: inline-table;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table> 受付担当者								

Instructions for filling in page 2 of the application

08 Postal code	Postal code of the address on the Certificate of Registration.
09 Address	Address (furigana) (in upper cell) Address (In characters, but also English and katakana possible) Corporations address as on the Certificate of Registration (if registered in Japan), in case of individuals address as written on Tax Statement <i>In the case of foreign business, the address of the main office of the company needs to be written down.</i>
10 Company name	Company name, also in furigana in the row above. (Characters used must adhere to JIS standard) (<i>See paragraph on Gaishi</i>)
11 Position and name of official representative	Position (Upper cell) Fill in name and position of representative. (bottom cell) Corporations: Fill in the name of the representative and position as written in the Certificate of Registration <i>In case of a foreign company, if there is registration of a branch office, write down the position of the representative of in Japan, in other cases write down the name and position of the representative at the main office abroad. Name should correspond with the attached document showing corporate registration.</i> Individuals: Write down as representative.
12 Person in charge	Person in charge Write down the person who is in charge of handling the application and who is able to answer to questions from the reviewing organisations. In case of a representative, write down the name of the representative.
13 Telephone	Telephone number (of person responsible for the application) The form does not cater for foreign telephone numbers, include country number.
14 Fax	Fax number (of person responsible for the application) The form does not cater for foreign telephone numbers, include country number.
15 Main line of business	Main line of business Select the most important line of business on the basis of ratio of turnover, by <u>circling</u> one of the letters a. to j.. (<u>You can choose only one</u>) 1. Manufacturing of goods a. Rubber goods These are goods classified as sub-category 19 of Class E of the 'Japan standard industrial classification' (Rubber products manufacturing industries) ¹¹⁰ b. Others

¹¹⁰ The Japanese Standard Classification of Industries can be found in a database hosted by the Statistics Bureau at <http://www.e-stat.go.jp/SG1/htoukeib/htoukeib.do>

	<p>2. Sales of goods</p> <p>c. Wholesale As specified in sub-categories 50-55 of the 'Japan standard industrial classification'</p> <p>d. Retail As specified in sub-categories 56-61 of the 'Japan standard industrial classification'</p> <p>3. Services</p> <p>e. Software and IT services As specified in Class G, sub-category 39 (IT service industry) of the Japan standard industrial classification'</p> <p>f. Hotel business As specified in Class M, sub-category 39 (Hotel business) of the Japan standard industrial classification'</p> <p>g. Service Industry As specified in Class G, subsection M (broadcasting) and sub-subsection 411 (Video production and distribution business), 412 Audio production and distribution business), 415 (advertising business), and 416 (Service business accompanying the production of film, audio and written information), Class K (Real estate, leasing companies) sub-sub section 693 (car park services), and sub section 70 (Leasing of goods), Class L (academic research, specialist and technological services), Class N (Livelihood services, entertainment services) of Japan Standard Industry Classification. However, excluding sub-sub-section 791 (Travel industry), Class O (education and learning support services), Class P (Medical and Welfare), Class Q (combined services), Class R (unspecified other services)</p> <p>h. Others As specified in the of Japan Standard Industry Classification but not include in the above, Class H (Transport and Postal services), J, Financial and insurance), K (Real estate and Leasing) other than subsection 68 (Real estate transactions) and sub-sub section 693 (car park services), Class N (Livelihood related services, entertainment O sub-subsection 791 (Travel agents) If your line of business is not included in the above, please write down one of the Sectors A (agriculture and forestry), B (Fisheries), C (Mining), D (Construction) F (Energy and water)</p> <p>4. Purchase of goods This excludes purchases of forestry products from forestry business in national owned forests</p>
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16 競争参加を希望する地域等

(複数選択可能)

地域(○をつける)	営業所名称	〒	所在地	電話番号・FAX番号
北海道				TEL:
				FAX:
東北				TEL:
				FAX:
関東 甲信越				TEL:
				FAX:
東海 北陸				TEL:
				FAX:
近畿				TEL:
				FAX:
中国				TEL:
				FAX:
四国				TEL:
				FAX:
九州 沖縄				TEL:
				FAX:

※営業所ではなく本社が選
択する地域を担当する場
合、本社名称(会社名)を
省略せず記入

※本社住所(登記事項証明書の住所)が現住所と異なる場合で、上記に本社が含まれる場合は、現在住所を記入

※(市外局番-局番-番号)

以下受付機関使用欄

04	受付機関コード									05	受付番号							受付担当者	
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Instructions for filling in page 3 of the application

<p>16 Regions where you wish to engage in competitive bidding.</p>	<p>Regions where you wish to engage in competitive bidding. Write a circle in the first column if you want to participate in that region (Hokkaido, Tohoku, Kansai-Koshinetsu, Toukai-Hokuriku, Kinki, Chuugoku, Shikoku, Kyuushuu-Okinawa regions)</p> <p>Notes:</p> <ol style="list-style-type: none"> (1) If the main office of the company is in charge, instead of a subsidiary, write down the name of the main office (full company name) (2) If the address of the main company (the address in the Certificate of Registration is not the current address, write down the current address if the main company is included. (3) Please write down for each region, the name, address and contact-information of the main company (main subsidiary) that is primarily concluding the contractions, not the executive office (4) Only one office per region can be chosen (5) It is possible for one department in charge to take part in bidding in various regions
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17 希望する資格の種類等 (○をつける。複数選択可)

資格の種類	物品の製造
営業品目	101 衣服・その他繊維製品類
	102 ゴム・皮革・プラスチック製品類
	103 窯業・土石製品類
	104 非鉄金属・金属製品類
	105 フォーム印刷
	106 その他印刷類
	107 図書類
	108 電子出版物類
	109 紙・紙加工品類
	110 車両類
	111 その他輸送・搬送機械器具類
	112 船舶類
	113 燃料類
	114 家具・什器類
	115 一般・産業用機器類
	116 電気・通信用機器類
	117 電子計算機類
	118 精密機器類
	119 医療用機器類
	120 事務用機器類
	121 その他機器類
	122 医薬品・医療用品類
	123 事務用品類
	124 土木・建設・建築材料
	127 警察用装備品類
	128 防衛用装備品類
	129 その他

資格の種類	物品の販売
営業品目	201 衣服・その他繊維製品類
	202 ゴム・皮革・プラスチック製品類
	203 窯業・土石製品類
	204 非鉄金属・金属製品類
	205 フォーム印刷
	206 その他印刷類
	207 図書類
	208 電子出版物類
	209 紙・紙加工品類
	210 車両類
	211 その他輸送・搬送機械器具類
	212 船舶類
	213 燃料類
	214 家具・什器類
	215 一般・産業用機器類
	216 電気・通信用機器類
	217 電子計算機類
	218 精密機器類
	219 医療用機器類
	220 事務用機器類
	221 その他機器類
	222 医薬品・医療用品類
	223 事務用品類
	224 土木・建設・建築材料
	227 警察用装備品類
	228 防衛用装備品類
	229 その他

資格の種類	役務の提供等
営業品目	301 広告・宣伝
	302 写真・製図
	303 調査・研究
	304 情報処理
	305 翻訳・通訳・速記
	306 ソフトウェア開発
	307 会場等の借り上げ
	308 賃貸借
	309 建物管理等各種保守管理
	310 運送
	311 車両整備
	312 船舶整備
	313 電子出版
	314 防衛用装備品類の整備
	315 その他

資格の種類	物品の買受け
営業品目	401 立木竹
	402 その他

以下受付機関使用欄

04 受付機関コード						05 受付番号						受付担当者	
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Instructions for filling in page 4 of the application

17 Types of qualifications desired	Select from the 4 categories, the kinds of qualifications you desire by writing a circle in the column. (<u>Multiple is possible</u>) Then select the types of goods and services in each of the categories. After the period 2004-2006 the product-categories 125 (minting and printing materials) and (Metal art products for minting) are no longer fall under procurement and cannot be chosen.
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Product categories

Category	Number	Name	Type of goods/services
Manufacturing	101	Clothing and textile goods	Uniforms, Working uniforms, formal dress, bed linen, tents, sheets, carpets, rugs, towels etc.
Manufacturing	102	Rubber, leather and plastics products	Rubber, tires, bags, synthetic leather, FRP Lanterns
Manufacturing	103	Clay ware and pottery	Teacups, water cans, glassware, pottery etc.
Manufacturing	104	Non-ferrous and ferrous metal goods	Non-ferrous metals, gold, aluminium, lead, stainless steel, titan, nickel, copper, copper piping, guardrails, lead piping, vinyl piping, bolts, nuts, wire-ropes, knives, utensils, buoys
Manufacturing	105	Form printing	Form printing, (f.e. Vouchers)
Manufacturing	106	Other printing	Silkscreens, seals, pamphlets, postcards, handbooks, offset printing,
Manufacturing	107	Books etc.	Art, type-printing, gravures, magazines, books, DVD, CD, atlas, publication, video software, newspapers
Manufacturing	108	Electronic publications	Electronic publications, PDF, Electronic books, CD-ROM, DVD-ROM
Manufacturing	109	Paper and paper goods	Posters, pamphlets, postcards, DM, paper, recycled paper, handbooks, paper bags, carton boxes
Manufacturing	110	Vehicles	Cars, motorcycles, bicycles, buses, rental cars, fire trucks, ambulances, cleaning cars, rescue vehicles, snowploughs, bulldozers, forklifts, tractors
Manufacturing	111	Other transport and conveying apparatus and vessels	Planes, helicopters, bicycles
Manufacturing	112	Shipping	Large ships, boats, yachts, canoes, shipping vessels, parts, fishing vessels, research vessels etc.
Manufacturing	113	Fuel	Diesel, gasoline, gas, kerosene, coal, firewood etc.
Manufacturing	114	Furniture and household articles	Household articles, wooden furniture, steal furniture, construction tools, wooden fittings, desks, chairs
Manufacturing	115	Regular and industrial machinery	Printing machines, bookbinding machines, boiler, engines, lathes, welding, dust collection, cranes, printing tools
Manufacturing	116	Electronic and communication equipment	Electronic appliances, lightning, communication equipment, audio equipment, switches, traffic management equipment, radar, transmission equipment, communication, cables, wireless equipment, batteries, generators, remote surveillance equipment, fittings, rain gauges, shortwave, long wave, mobile telephones etc.
Manufacturing	117	Computers	PCs, calculators, servers, hard discs, memory, optical drives, infrared software
Manufacturing	118	Precision equipment	X-rays, measuring equipment, analysers, chemical equipment meteorological equipment, etc.
Manufacturing	119	Medical equipment	Medical equipment, laboratory equipment, MRI, AED, nursing equipment, hospital beds etc.
Manufacturing	120	Office equipment	Copiers, shredders, card punchers
Manufacturing	121	Other equipment	Kitchen utensils, fire extinguishers, fire prevention equipment, car test equipment, forestry equipment

Manufacturing	122	Medical supplies	Medicines, medical supplies, X-ray film, diagnostic test medicine, vaccines, etc.
Manufacturing	123	Office supplies	Office materials,
Manufacturing	124	Construction supplies	Cement, concrete, asphalt, wood supplies, bricks, fume pipes, road signs, curve mirrors, construction metal articles, snow poles
Manufacturing	127	Police equipment	Uniforms, protective gear, sirens, warning lights, handcuffs, police booklets, arms, explosives, sand
Manufacturing	128	Defence equipment	Uniforms, protective gear, protective facilities equipment, defensive telecommunications equipment, defensive air equipment, ships, satellite equipment, lifesaving vests etc.
Manufacturing	129	Others	Exercise equipment, animals, animal feed, pesticides, foodstuffs etc.
Sales of goods	201	Clothing and textile goods	Uniforms, Working uniforms, formal dress, bed linen, tents, sheets, carpets, rugs, towels etc.
Sales of goods	202	Rubber, leather and plastics products	Rubber, tires, bags, synthetic leather, FRP Lanterns
Sales of goods	203	Clay ware and pottery	Teacups, water cans, glassware, pottery etc.
Sales of goods	204	Non-ferrous and ferrous metal goods	Non-ferrous metals, gold, aluminium, lead, stainless steel, titan, nickel, copper, copper piping, guardrails, lead piping, vinyl piping, bolts, nuts, wire-ropes, knives, utensils, buoys
Sales of goods	205	Form printing	Form printing, (f.e. Vouchers)
Sales of goods	206	Other printing	Silkscreens, seals, pamphlets, postcards, handbooks, offset printing,
Sales of goods	207	Books etc.	Art, type-printing, gravures, magazines, books, DVD, CD, atlas, publication, video software, newspapers
Sales of goods	208	Electronic publications	Electronic publications, PDF, Electronic books, CD-ROM, DVD-ROM
Sales of goods	209	Paper and paper goods	Posters, pamphlets, postcards, DM, paper, recycled paper, handbooks, paper bags, carton boxes
Sales of goods	210	Vehicles	Cars, motorcycles, bicycles, buses, rental cars, fire trucks, ambulances, cleaning cars, rescue vehicles, snowploughs, bulldozers, forklifts, tractors
Sales of goods	211	Other transport and convey apparatus and vessels	Planes, helicopters, bicycles
Sales of goods	212	Shipping	Large ships, boats, yachts, canoes, shipping vessels, parts, fishing vessels, research vessels etc.
Sales of goods	213	Fuel	Diesel, gasoline, gas, kerosene, coal, firewood etc.
Sales of goods	214	Furniture and household articles	Household articles, wooden furniture, steal furniture, construction tools, wooden fittings, desks, chairs
Sales of goods	215	Regular and industrial machinery	Printing machines, bookbinding machines, boiler, engines, lathes, welding, dust collection, cranes, printing tools
Sales of goods	216	Electronic and communication equipment	Electronic appliances, lightning, communication equipment, audio equipment, switches, traffic management equipment, radar, transmission equipment, communication, cables, wireless equipment, batteries, generators, remote surveillance equipment, fittings, rain gauges, shortwave, long wave, mobile telephones etc.
Sales of goods	217	Computers	PCs, calculators, servers, hard discs, memory, optical drives, infrared software

Sales of goods	218	Precision equipment	X-rays, measuring equipment, analysers, chemical equipment meteorological equipment, etc.
Sales of goods	219	Medical equipment	Medical equipment, laboratory equipment, MRI, AED, nursing equipment, hospital beds etc.
Sales of goods	220	Office equipment	Copiers, shredders, card punchers
Sales of goods	221	Other equipment	Kitchen utensils, fire extinguishers, fire prevention equipment, car test equipment, forestry equipment
Sales of goods	222	Medical supplies	Medicines, medical supplies, X-ray film, diagnostic test medicine, vaccines, etc.
Sales of goods	223	Office supplies	Office materials,
Sales of goods	224	Construction supplies	Cement, concrete, asphalt, wood supplies, bricks, fume pipes, road signs, curve mirrors, construction metal articles, snow poles
Sales of goods	227	Police equipment	Uniforms, protective gear, sirens, warning lights, handcuffs, police booklets, arms, explosives, sand
Sales of goods	228	Defence equipment	Uniforms, protective gear, protective facilities equipment, defensive telecommunications equipment, defensive air equipment, ships, satellite equipment, lifesaving vests etc.
Sales of goods	229	Others	Exercise equipment, animals, animal feed, pesticides, foodstuffs etc.
Services	301	Advertising & publicity	Advertisements, publicity, television programme production, video, film, commercials, event management
Services	302	Photography and cartography	Photography, cartography, design, drawing, bookbinding
Services	303	Surveys & Research	Surveys, research, analysis, statistics, market, traffic, think tanks, cultural asset surveys, assessments
Services	304	Data processing	Data processing, data entry, data manufacturing, back-up, system administration, software administration, statistics, data entry, media conversion
Services	305	Translations and shorthand	Translations, simultaneous translation services, shorthand, transcription
Services	306	Software development	Software development, system development, Web system development, networks, operations
Services	307	Renting of meeting facilities	Renting of venues, events, management
Services	308	Renting and leasing	Office, computers, equipment, cars, plants, animals, information equipment, medical equipment, event materials, buildings, furniture, trees, materials
Services	309	Real estate management and protection	Management, maintenance, surveillance, cleaning, gardening, protection, garbage disposal, pest control, equipment maintenance, telephone exchange
Services	310	Transport	Taxi, chauffeur driven hired cars, package mail, freight, warehousing, travel
Services	311	Vehicle maintenance	Cars, vehicles, planes helicopter maintenance
Services	312	Ship maintenance	Ship maintenance
Services	313	Desktop publishing	DTP, CD-ROM, DVD-ROM production
Services	314	Maintenance of defence equipment	Maintenance of defensive equipment, telecommunications equipment, airplane equipment, maritime equipment, etc.

Government procurement in Japan

Services	315	Others	Medical services, physical examinations, Film batch measurements
Purchase of goods	401	Timber and bamboo	Excluding forestry items, that are conducted of the special account for national forests business
Purchase of goods	402	Other	Scrap metal, waste paper, national land buy back, buy back of cars,

18 製造・販売等実績

①直前々年度分決算 (千円)				②直前年度分決算 (千円)				③前2ヶ年間の平均実績高 (千円)			
年	月	年	月	年	月	年	月	年	月	年	月
から	まで	から	まで	から	まで	から	まで	から	まで	から	まで

※決算が年一回の場合は、上記①、②のそれぞれ右側の欄に記入。
 ※設立直後の組織・団体が決算がない場合、上記①と②に「0」を記入。決算がある場合、上記②と③に売上金額を記入。
 ※少数点以下は四捨五入して記入
 ※計上金額がない場合、「0」を記入

19 自己資本額

区 分	直前決算時 (1) (千円)	剰余(欠損)金処分額 (2) (千円)	決算後の増減額 (3) (千円)	合 計 (千円)			
① 払込資本金 (うち外国資本)							
② 準備金・積立金							
③ 次期繰越利益(欠損)金							
④ 計							

20 外資状況 (※外資：払込資本金額に含まれる外国資本がおおむね50%を越える場合を指す)

外資なし(空欄に○)	1. 外国籍会社	2. 日本国籍会社	3. 日本国籍会社
	[国名:]	[国名:] (比率: 100%)	[国名:] (比率: %)
			[国名:] (比率: %)

21 経営状況

流動比率	流動資産(千円)	× 100 =	(%)	22 営業年数	(年)	23 常勤職員の人数	(人)
	流動負債(千円)						

※3桁記入可能(四捨五入) ※満年数を記入 ※パート・アルバイトは除く

24 設備の額 (※上記17で「物品の製造」を選択した場合のみ記入)

※貸借対照表で機械装置・運搬具類以外の設備の額(「構築物」、「建設仮動定」等)は下記の③に計上可

① 機械装置類 (千円)	② 運搬具類 (千円)	③ 工具その他 (千円)	④ 合 計 (千円)

25 主要設備の規模 (※上記17で「物品の製造」を選択した場合のみ記入)

以下受付機関使用欄

04 受付機関コード		05 受付番号		受付担当者	
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Instructions for filling in page 5 of the application

<p>18 Amount of Sales (Turnover)</p>	<p>Amount of Sales (Turnover)</p> <ol style="list-style-type: none"> 1. Settled accounts year before last In second row write down starting year and month and ending year and month. In case accounts are settled once a year, use the right side cells only. Write amount down in third row 2. Settled account of last year In second row write down starting year and month and ending year and month. In case accounts are settled once a year, use the right side cells only. Write amount down in third row <p>Fill in the annual turnover amounts as listed in the profit and loss account (excluding construction sector, survey and construction consultancy) in 1000 yen units.</p> <p>Notes:</p> <ol style="list-style-type: none"> (6) Write down '0' if there is no amount to write down, (7) (2) Is the settled account of the year directly preceding the date of application (8) (1) Is the settled account of the year one year before (9) In the case of construction companies, write down, in the case where 'sales of completed works' and 'subsidiary business sales amount' are separate, please write down the latter, (10) In the case of surveying and construction consultancy, it is not possible to appropriation is not possible, please read page 43 9.3 for details. (11) If accounts are settled twice a year, multiply one period by two to one year and fill in (1) and (2) (12) In the case of special application of merged or split up companies, as mentioned on page 34 point 8.4, please write down the results of the combined turnover from the profit and loss statement. (13) Excluding, income from subsidies by public corporations and interest income of company shares which are non-operating income, one can only write down income earned from corporate business activities (excluding government contracts)
	<ol style="list-style-type: none"> (1) If there is no settled account of the last year, or if the account of the previous year is not a full year over 12 months (In case of a newly established company, or if settlement of accounts only occurred once. Write down in the (2) <i>accounts of previous year</i> section, the turnover of the present year and the same amount in the (3) <i>Average turnover in the last two years</i> section. (2) If both settlements of accounts are not a 12 months period. (For instance, due to changing the month of settlement by an existing company, or the second period settlement of a new company, or merger) <ol style="list-style-type: none"> (1) Fill in the annual amount in both (1) and (2) (2) In (3) write down the amount generated by the following formula <u>Total sum of (1) + (2) divided by the total number of months times 12 months (rounded off)</u>

19 Owned Capital	<p>In the case of corporations, the total of owned capital, is on the balance sheet of the previous year, and is the total amount of net assets that needs to be filled in In the case of individuals, look below and consult the blue tax statement. (proprietor's funds + capital + income before special turns with blue form) – accounts receivable and write this down * With regard to <i>tekkaku kumiai</i> fill in either the total sum of the members, or the amount of the <i>kumiai</i> as a unit</p>			
Main points when filling in owned capital by type of corporation				
(1) Stockholding companies (including partnerships)				
In question 19, fill in the owned capital, as listed in the Certificate of Registration and the balance sheet				
<ul style="list-style-type: none"> Fill in without using stock capital changes account or appropriation of retained earnings plans 				
Item	settlement of accounts (1000 yen units) <1>	Appropriation of earnings/losses (1000 yen units) <2>	Change after settlement (1000 yen units) <3>	Total (1000 yen units)
(1) Capital Includes foreign capital	Capital (Foreign capital)		Amount added in the Certificate of register Matters after settlement	(1)+(3) (Foreign capital)
(2) reserves, deposits	Total of nett assets minus total of (1)<1> and (3)<2>		Only state in case there is increase in reserves after settlement	Total of (1) + (3)
(3) amount of earnings/losses carried forward		Retained earnings carried forward or undivided retained earnings		(2)
Total capital	Sum from above	Sum from above	Sum from above	Sum from above (total capital of balance sheet)
2 Public corporations (Special private lending, medical corporations, educational corporations, NPOs)				
Please enter in question 19 the total net assets .				

Item	settlement of accounts (1000 yen units) <1>	Appropriation of earnings/losses (1000 yen units) <2>	Change after settlement (1000 yen units) <3>	Total (1000 yen units)
(1) Capital Includes foreign capital	N.A		N.A	N.A.
(reserves, deposits)	(2)		N.A	(2)
(3) amount of earnings/losses carried forward		(3)	N.A>	(3)
Total	(4)		N.A.	(5)

Checking table of items

- (1) Capital or Net worth
- (2) (4)-(1)
- (3) In(de)crease of net worth during period
- (4) Net worth – (capital+interest)
- (5) Total amount of net worth at end of period
 - In restricted net worth, it is possible to include subsidies and gifts in the capital
 - Educational corporations should combined the basic capital and the difference in consumptive earnings/expenses
 - If the capital part is listed in the balance sheet, please combine the total amount of capital with own capital

(2) individuals

Check the blue tax return form of income tax and fill according to the instruction below

Amount of own capital = (proprietor’s funds + capital + income before special turns with blue form) – accounts receivable

- **If the balance sheet (assets and liabilities) will not be handed in to the tax office, put a 0 in all items except the deferred gains (losses) to the next period.**
-

Item	settlement of accounts (1000 yen units) <1>	Appropriation of earnings/losses (1000 yen units) <2>	Change after settlement (1000 yen units) <3>	Total (1000 yen units)
(1) Capital Includes foreign capital	Basic capital		N.A	Basic capital
(2) reserves, deposits)	(2) debit – credit		N.A	Debit – credit
(3) amount of earnings/losses carried forward		Income before taxes blue form	N.A>	(Income before taxes blue form

	Total	Total from above	Total from above	N.A.	Total from above
20 Foreign capital	<p>If in the amount of capital, more than 50% is foreign capital, please fill in the foreign capital situation as follows:</p> <p>(1) 1 Foreign company [Country Name;] If the headquarters of the company is abroad, add circle and name of country.</p> <ul style="list-style-type: none"> • If there are various countries, where the stock is own, write down one country as representative • Includes companies registered as Japanese branches <p>(2) 2 Japanese nationality company [Country name:] If the headquarters is in Japan, but the entire capital is provided by foreign companies, add circle and write country name.</p> <ul style="list-style-type: none"> • If there are various countries, where the stock is own, write down one country as representative <p>(3) 3 Japanese nationality company [Country name:] If the headquarters is in Japan, and company has partly foreign stock, circle and write down name of country</p> <ul style="list-style-type: none"> • If there are various countries, where the stock is own, write down one country as representative for the ownership 				
21 Business conditions	<p>Please fill in the liquid assets and current liabilities of the previous year from the balance sheet and fill in the quick ratio.</p> <ul style="list-style-type: none"> • Can be rounded off • If current liabilities are 0, the ratio is over 1%, then fill in 999 • If negative, fill in 0 • In case of <i>tekkaku kumiai</i> as a preferential measure for review, they can either choose the total of each individual member taken together, or of the partnership as a unit. 				
22 Business years	<p>Write down the number of full years in business since establishment as stated in the company history</p> <ul style="list-style-type: none"> • If the business has been stopped temporarily, deduct these years 				
23 Number of regular employees	<p>Write down the number of regular employees as listed in the company history</p> <ul style="list-style-type: none"> • Regular means that they are employed by the applicant and by objective standards (fixed period, fixed salary and for which insurance is paid) (not part-timers) • Includes management <p>In case of <i>tekkaku kumiai</i> as a preferential measure for review, they can either choose the total of each individual member taken together, or of the partnership as a unit.</p>				
24 amount of equipment	<p>Only fill in, if you have filled in the manufacturing of goods at question 17. From the balance sheet, take the amount of fixed assets (after depreciation) (1) Machinery, is the amount for machinery, (2) transportation tools, the amount for vehicles, moveable assets, (3) Tools etc. is the value of equipment, inventories etc. and fill these in</p> <ul style="list-style-type: none"> • fill in values after depreciation (as listed in the balance sheet) • In case of leased equipment add separate document with regards to depreciation. 				
25 Main facilities	<p>Only fill in, if you have filled in the manufacturing of goods at question 17, fill in the main facilities as detailed as possible (for example: 3 machine</p>				

	<p>presses, 10 computers, 4 trucks)</p> <ul style="list-style-type: none">• If you have filled in manufacture of goods at Q17 but the amount of capital goods at Q24 was 0, please state the reason• If leased, write リース in brackets behind it
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宛先変更依頼

宛先記入欄

業者コード(「更新」申請の方のみ記入)

商号又は名称

代表者

審査結果通知書の送付先について

通常は申請書の 郵便番号 ~ 代表者 が宛先となります。

宛先を本社住所以外に担当者様宛てにすることを

希望される場合、お手数ですが左の枠の中に宛先を記入したうえで、

この用紙も、一緒に提出してください。

※通常の宛先で問題なければ、この用紙を提出する必要はありません。

※申請書の住所、申請担当者の住所以外への送付はできません。

記入例

1 2 3 - 4 5 6 7

東京都千代田区霞が関0-0-0

凸凹商事株式会社

○×部△□課 ○○ ○○ 様

※先頭に郵便番号を記入してください。「〒」は不要です。

以下受付機関使用欄

04	受付機関コード						
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05	受付番号						
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受付担当者	
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Instructions for filling in page 6 of the application

Request for change of mailing destination.

Last page only needs to be filled in if the Certificate needs to be sent to another address than specified in 08-11.

Notes regarding applications by foreign businesses with headquarters abroad

For the unified qualification for all ministries, it is also possible for foreign business to take the qualification review. Bear the following in mind with regard to attached documents.

(1) Points of attention for application by foreign companies

Keep the following in mind.

1. Instead of a seal, it can be replaced by a signature
2. Instead of a Certificate of Registered Matters, one can use similar documents issued by lawfully capable offices.
3. Please add Japanese translations of attached foreign language documents
4. Amounts must be written down in Japanese yen, use the exchange rate on the date of application, as stipulated by the Accounting Officials Office Regulations (出納官吏事務規程) Article 16¹¹¹
5. The Notification of the Supplier Qualifications review is in principle only sent within Japan. If no office is present in Japan, please apply via a letter of attorney and a representative.

(2) Attached documents

If the headquarters are located outside of Japan, the following documents need to be attached. If there is a registered branch in Japan, then apply in the same way as Japanese companies.

Mandatory/ recommended	Documents
Mandatory	<ul style="list-style-type: none"> (1) Instead of the Certificate of Registered Matters, a similar document issued by an appropriate office or competent authority <ul style="list-style-type: none"> ○ Japanese translation necessary (2) Documents pertaining payment of taxes in that country, issued by lawfully capable office or competent authority <ul style="list-style-type: none"> ○ Japanese translation necessary, however if there is no proof of tax payment, abbreviation is possible (3) Financial statement (of one business year) <ul style="list-style-type: none"> a. In must be possible to ascertain capital and net total amount of assets, as can be ascertained in the case of Japanese companies b. If it is the case that the foreign company cannot submit the financial statements because they are not public, the accepting office will undertake special treatment (4) Business history <ul style="list-style-type: none"> a. Japanese translation is necessary (5) Notification of qualifications reviews (copy) <ul style="list-style-type: none"> a. In case application is made in person or by mail
If deemed necessary	Letter of attorney (when applying by representative)

¹¹¹ http://www.mof.go.jp/about_mof/act/kokuji_tsuutatsu/kokuji/KO-20130206-0029-14.htm exchange rates for foreign currencies are fixed by the Ministry of Finance for certain periods.

(3) Filling in the application

The filling in of the application is in principle the same as the regular application, however keep the following points in mind.

Item	Points of attention
08 postal code	Write down the postal code of the office abroad If it cannot be written in the fields in the application write [000-0000]
09 address	Write the address in English alphabet or katakana <ul style="list-style-type: none"> • Only English cyphers and katakana are possible • It is sometimes not possible to write the whole address
10 Company name	Write the name in English or katakana
11 Representative	Write the position of the legal representative in English letters or Japanese translation <ul style="list-style-type: none"> • It might not fit in the 30 Full-sized characters Write name of representative in English letters or katakana <ul style="list-style-type: none"> • It might not fit in the 35 Full-sized characters
12 Person in charge	Write the position and department of the person who can be contacted regarding the application in kanji, English letters or kana) <ul style="list-style-type: none"> • If a representative is used, write down the name of the person in the letter of attorney (10 characters) • Write family and first name separated by a space • If a representative is used, write down the name of the person and the department stated the letter of attorney
13 Telephone 14 Fax	Write down the contact information of the person in charge of the application or the legal attorney acting as representative * It might not fit within 13 characters
16 Region one wishes to take part in bidding	If there is not a branch office or business office in Japan, the headquarters abroad address is also possible, it might however not fit within 50 mojo
18 Turnover 19 Capital 20 Business situation (Quick ratio) 24 amount of facilities	The amounts concern the main office * Amounts must be written down in Japanese yen, use the exchange rate on the date of application, as stipulated by the Accounting Officials Office Regulations Article 16
20 Foreign capital	Check whether 1. Foreign company is circled, write down the name of the country, where most of the business capital is located
23 Employees	Write down the number of regular employees in the main location, without including those in branch offices elsewhere in the world

平成23年1月12日

資格審査結果通知書 (全省庁統一資格)

発行番号:

業者コード:

企業規模 : 中小企業

資格の種類及び等級 :

資格の種類	物品の製造	物品の販売	役務の提供等	物品の買受け
付与数値合計	47	55	55	
等級	D	C	C	

資格の有効期間: 平成23年1月12日 から 平成25年3月31日 まで
競争参加地域: (*印の地域について有効)

北海道	東北	関東・甲信越	東海・北陸	近畿	中国	四国	九州・沖縄
*	*	*	*	*	*	*	*

営業品目 :

物品の製造	物品の販売	役務の提供等	物品の買受け
精密機器類	精密機器類	調査・研究 ソフトウェア開発	

衆議院庶務部会計課長 印 財務省大臣官房会計課長 印

参議院庶務部会計課長 印 文部科学省大臣官房会計課長 印

国立国会図書館総務部会計課長 印 厚生労働省大臣官房会計課長 印

最高裁判所事務総局経理局長 印 農林水産省大臣官房経理課長 印

会計検査院事務総長官房会計課長 印 経済産業省大臣官房会計課長 印

内閣府大臣官房会計課長 印 国土交通省大臣官房会計課長 印

総務省大臣官房会計課長 印 環境省大臣官房会計課長 印

法務省大臣官房会計課長 印 防衛省経理装備局会計課長 印

外務省大臣官房会計課長 印

さきに申請のあった平成22・23・24年度の一般競争(指名競争)参加資格の審査結果を通知します。

なお、本通知書は、競争参加地域に所在する衆議院、参議院、国立国会図書館、最高裁判所、会計検査院、内閣(内閣官房、内閣法制局、人事院)、内閣府(内閣府本府、宮内庁、公正取引委員会、警察庁、金融庁、消費者庁)、総務

本通知書は、一般競争(指名競争)入札の際、当該調達機関から提示を求められる場合がありますので、大切に保管してください。

なお、申請書類に故意に虚偽の事実を記載した者等にあつては、本資格を取り消す場合があります。

Example of Supplier Qualification Notification

7.3. List of links with information on Public Procurement

<i>English language</i>	
MOFA: Government Procurement Information	http://www.mofa.go.jp/policy/economy/procurement/index.html
MLIT: Japanese Procurement Procedures for Public Works	http://www.mlit.go.jp/sogoseisaku/const/kegyo/kokyo-e.htm
Cabinet Office: Japan's Government Procurement: Policy and Achievements Annual Report (FY 2012 version) - Toward Government Procurement Open to the World and related documents	http://www.kantei.go.jp/foreign/96_abe/documents/2013/procurement2012_e.html
CHANS:Office for Government Procurement Challenge System	http://www5.cao.go.jp/access/english/chans_main_e.html
JETRO Government Procurement Database	http://www.jetro.go.jp/en/database/procurement/
EU-Japan Centre for Industrial Cooperation: Government Procurement	http://www.eu-japan.eu/government-procurement
Japan Industrial Standards Committee	http://www.jisc.go.jp/eng/index.html

<i>Japanese Language</i>	
Unified Supplier Qualification Application & Procurement information Search portal	http://www.chotatujo.go.jp/va/com/ShikakuTop.html
JACIC: Tender Information Service	http://www.i-ppi.jp/Search/Web/Index.htm
E-BISC: Electronic Bidding system service	http://www.e-bisc.go.jp/index.html
Kanpou Government Gazette	http://kanpou.npb.go.jp
National government purchasing data	http://www.kantei.go.jp/jp/kanbou/24tyoutatu/1_buppin/index.html
NJSS Tender info express service	https://www.njss.info/
Links to purchasing entities	http://information1.gov-procurement.go.jp/links.aspx

7.4. WTO thresholds applied by Japan

(1000 SDR/1000 Yen)

	GPA		Voluntary Measures	
	SDR	Yen	SDR	Yen
Central Government entities				
1. Products	130	16.000	100	12.000
2. Construction	4.500	580.000		
3. Architectural, engineering & Other Technical services related to construction	450	58.000		
4. Services other than 2 & 3	130	16.000	100	12.000
Sub-central Government Entities				
1. Products	200	25.000		
2. Construction	15.000	1.940.000		
3. Architectural, engineering & Other Technical services related to construction	1.500	190.000		
4. Services other than 2 & 3	200	25.000		
Other entities				
1. Products	130	16.000	100	12.000
2. Construction services for entities in Group A except Japan Post	15.000	1.940.000		
3. Construction services for Japan Post and entities in Group B ¹¹²	4.500	58.000		
4. Architectural, engineering & Other Technical services related to 2 and 3	450	580.000		
5. Services other than 2 & 3, 4	130	16.000	100	12.000

¹¹² Group B: Japan Aerospace Exploration Agency, Shoko Chukin Bank, Kansai International Airport Co. Ltd., Japan Shipbuilding Industry Foundation (Japan Foundation), Japan Broadcasting Corporation, Japan Worker's Housing Association.

7.5. ID-card systems

Government procurement sites with one-line bidding systems require prospective bidders to purchase a digital ID Card to enter their sites. There are a number of institutions and companies that offer these services.

Corporate representative req.	Corporate proxy	Individual business	Local Representative necessary	Certification Authority
<input type="radio"/> ¹¹³			<input type="radio"/>	Ministry of Justice Electronic Certification Registry Bureau (Business Registration Certification Office) http://www.moj.go.jp/ONLINE/CERTIFICATION/
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Teikoku Databank LTD http://www.tdb.co.jp/typeA/
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Secom Trust Systems Co.,Ltd. http://www.secomtrust.net/service/ninsyo/forgid.html
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	NTT Neomeit https://www.e-probatio.com
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Tohoku Information Systems Inc. https://www.toinx.net/ebs/info.html
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Nippon Denshi Ninsho Co.,Ltd http://www.ninsho.co.jp/index.html

The majority of these certification services work with a card and card reader attached to a computer. Costs for most of these services range between JPY 20.000-30.000 for a two-year period, and a card-reader for about 10.000 yen. Without any exception, all services are offered in Japanese. It is not possible for foreign companies with no local representatives to apply for these services, as the documents required for application all include proof of residence (i.e. *juminhyou*)

¹¹³ Linked to the Business Registry, it can therefore only be used by companies registered in Japan.

