
Japan

Capital: Tokyo
Population: 126,919,659 (2015 estimate)
GDP: \$4.751 trillion (2014 estimate)
Currency: Yen
Language: Japanese

Summary

Japan offers a lucrative market for imported aircraft, aircraft parts, and engines. U.S. firms have an overwhelming presence in the market due to long-standing relationships, some spanning over 60 years, with domestic manufacturers and trading firms. U.S. firms are presented with opportunities in the market as the domestic industry undertakes international projects, develops transport and patrol aircraft for defense, and develops small jets and small jet engines for civil aviation. U.S. firms that are new to the market should consider partnering with trading firms that are knowledgeable in aircraft industry networks.

Market Entry

Specialized trading firms market imports to domestic end-users including manufacturers, airlines, private users, law enforcement, defense, and other government agencies. Many U.S. manufacturers also have partnerships with their Japanese counterparts. New-to-market firms should consider partnering with trading firms knowledgeable in aircraft industry networks.

Current Market Trends

In the civil aircraft market, Japanese manufacturers such as Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Fuji Heavy Industries (FHI), supply about 35 percent of the content for the Boeing 787. Production is expected to increase and so Japanese manufacturers are increasing capital spending.

Mitsubishi Heavy Industries established Mitsubishi Aircraft Corporation (MAC) in April 2008 to undertake the design, type certification, procurement, sales and marketing and customer support for the Mitsubishi Regional Jet (MRJ). 60 percent of the MRJ's components are supplied by U.S. companies such as Pratt & Whitney (engine), Rockwell Collins (primary flight control computer, pilot control system), and Parker Aerospace (hydraulic system). Boeing will handle MRJ customer support. MRJ made its first flight in November 2015. As of March 2016, its first 70- and 90- seat regional jet delivery is scheduled for 2018.

Current Demand

Unit: USD thousands

	2012	2013	2014
Total Market Size	15,021	15,717	16,512
Total Local Production	12,829	13,576	14,734
Total Exports	10,048	9,980	10,450
Total Imports	12,240	12,121	12,228
Imports from the U.S.	8,832	8,350	8,294
Exchange Rate: 1 USD	79.82	97.60	105.74

Data Sources: Total Local Production: Ministry of Economy, Trade and Industry
Total Exports, Total Imports and Imports from U.S.: Ministry of Finance

Competitors

According to the Ministry of Finance, in 2014, imports of aircraft products amounted to \$12.2 billion. Among them, U.S. aerospace products accounted for 67.8%. U.S.-made aircraft, aircraft engines, and parts and supplies enjoy an overwhelming presence in the market. However, for new-to-market manufacturers this may pose a competitive challenge.

Best Prospects

The Society of Japanese Aerospace Companies forecast for the next 5-6 years is bright. Japanese firms participate in various programs with Boeing and Airbus, which have many backorders. Japan's defense budget for Fiscal Year 2015 has increased by 0.8% to \$44.3 billion, the third small hike in a row after a decade of decline. Subsequently, we expect that defense acquisitions for platforms and other defense related items will increase. Other international joint development projects and the national development of military and commercial aircraft and engines have set the stage for further growth in the market. This will present a favorable environment in the coming decade for U.S. firms.

Subsector Focus: Helicopters

Japan's civil helicopter market has seen a continuous decline in the past decade due to decreasing demand for transport helicopters and dust cropping operations. The industry expects potential growth in such areas as: emergency medical services or the so-called the Doctor Heli program and disaster relief operations at the outbreak of a major earthquake or other natural disasters. Japan's Ministry of Defense, as the largest helicopter operator in Japan, operates helicopters for search and rescue operations at the time of natural disasters including major earthquakes.

The three indigenous manufacturers, MHI, KHI, and FHI, supply approximately 90% of their helicopter production to the Japanese Defence Agency, independently and in partnership with American manufacturers such as Sikorsky, Bell and Boeing. In the civil helicopter market, all major manufacturers have established their presence in Japan. Eurocopter, Bell, Robinson, Sikorsky, MD, and some other makers have successfully formed partnerships with local agents to market their products in Japan.

Barriers

Generally, Japan does not levy import duties on aircraft or aircraft parts. The Civil Aircraft Agreement Product Coverage lists about 250 items that are duty-free provided they are for use in civil aircraft or ground flying trainers or for incorporation therein, in the course of their manufacture, repair, maintenance, rebuilding, modification or conversion.

Overall, U.S. suppliers have ample opportunities to tap into the market as Japanese manufacturers expand their horizons through partnerships with foreign firms and as they also develop domestic aircraft and engines.

Trade Events / Associations

Japan Aerospace International Exhibition

Dates: October 2016, City, Country: Tokyo, Japan, Website: <http://www.japan aerospace.jp/2016/>

Japan's only air show held every four years, Japan Aerospace 2012 was held in Nagoya, Japan, with 655 companies from 33 countries including 69 U.S. firms. The U.S. Commercial Service Japan provided on-site counseling to the U.S. Pavilion exhibitors throughout the show.

The Society of Japanese Aerospace Companies Website http://www.sjac.or.jp/en_index.html

Japan Business Aviation Association (JBAA) Website http://www.jbaa.org/english/index_e.html

Japan Helicopter Society Website <http://www.helijapan.org/>

U.S. Commercial Service Contact Information

Name: Sayoko Koto

Title: Commercial Specialist

Email: Sayoko.Koto@trade.gov

Phone: +81 (0) 3-3224-5079