

Today, business prospects continue to emerge as Japan's Ministry of Internal Affairs and Communications (MIC) estimates the size of markets related to ubiquitous networking at C\$500 billion in 2007 and more than C\$735 billion by 2010. Executives watching these trends

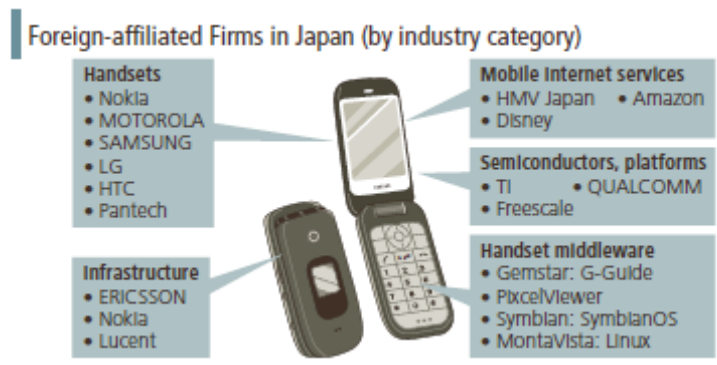
believe there are seven key ICT fields of opportunity for foreign companies including:

1. Mobile Phone Services

Walk down any street of any urban centre in Japan and you'll see the same picture; people with cell phones in hand or glued to their ear. Or catch any train and discreetly watch what people are up to; more often than not they are looking at their cell phone screen. A quick glance to their screen will reveal that they are checking their call logs, sending messages, playing games or even watching TV.



The Japanese domestic mobile-phone subscriptions topped 100 million at the end 2007, creating a growing sense that the market has reached saturation. The industry, however, is maintaining high profit margins, and holds promise to innovative companies wanting to enter the market by offering customers a wide range of novel features.



The Japanese are using their cell phones in the same way many North Americans use their laptop computers or personal digital assistants, they also are pulling out their phones to navigate labyrinthine city streets with built-in GPS systems, download music, take and transmit home

movies, scan bar-coded information, get e-coupons for discounts on food and entertainment, pay bills, play Final Fantasy, shop on-line or even program karaoke machines.

According to a survey by the Ministry of Internal Affairs and Communications, the mobile phone shopping, music and game download market was valued at about C\$7.4 billion in 2005, slightly more than combined monthly sales at department stores across the nation.

With Japan's penchant for the cutting edge and the compact, the competition, which previously focused on cultivating new customers to expand the market, now lures customers away from each other with innovative features opening all kinds of possibilities for innovative companies looking to enter the Japan market.

2. Software



Traditionally the Japanese software market demands “customized software” for almost everything causing tremendous demand on suppliers. According to a recent METI Annual Survey, “Customized Software Development” accounts for 46.3% of the total ICT industry in Japan while data processing services yields 18.4%, facility management 13.2% and software products account for 9.4% of the industry share.

As such software integrators are looking overseas for innovative software technology to modify and semi-customize and adopt for Japanese clients saving

tremendous time and human resources as well as development cost. In addition to acquiring domestic clients in government, security, administration fields, Japanese software companies are hoping to find partners to develop new business and clients abroad as well.

3. Entertainment Content

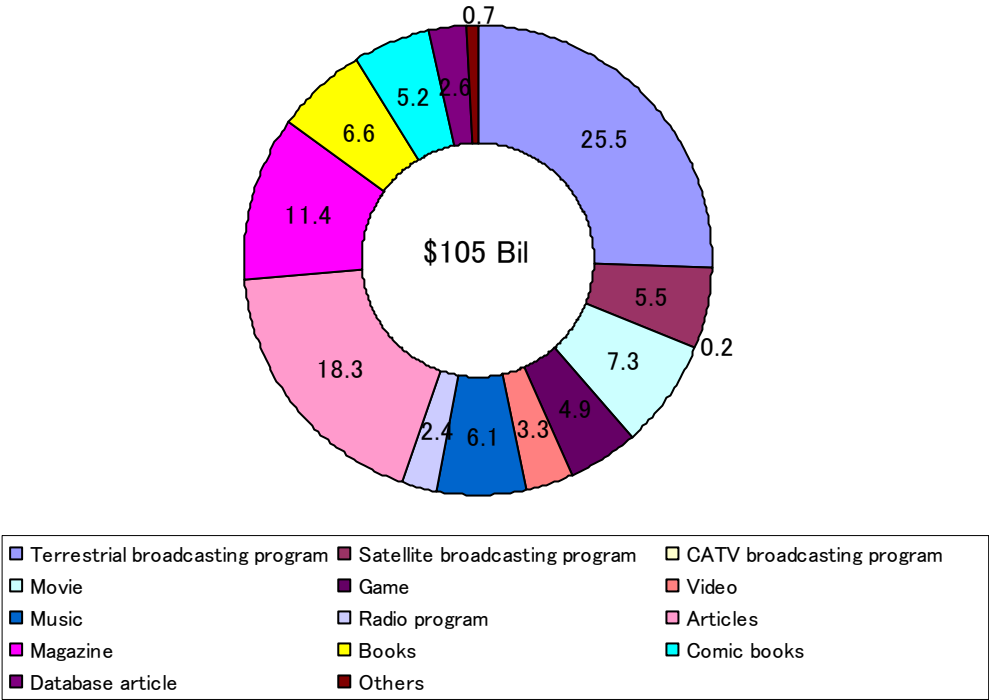
If you spend much time in Japan you will find that Japanese popular culture not only reflects the attitudes and concerns of the present but also provides a link to the past. Japanese cinema, television programs, manga, and J pop all developed from older artistic and literary traditions, and many of their themes and styles of presentation can be traced to traditional art forms.

Although Japan is often thought of as a hard-working society with little time for pleasure, the Japanese seek entertainment wherever they can. It is common to see Japanese commuters riding the train to work, enjoying their favorite manga or listening to the latest in popular music. A wide variety of types of popular entertainment are available.

There is a large selection of music, films, and the products of a huge comic book industry, among other forms of entertainment, from which to choose. In fact according to Japan’s Ministry of Internal Affairs and Communications the entertainment contents market is approximately a US\$105 billion industry.

Source: MIC

Domestic Contents Market



Now anticipating increased demand in the digital contents market, the Japanese government unrolled a number of policies on digital content. The Ministry of Economy, Trade and Industry (METI), for example, unveiled the New Economic Growth Strategy with the aim of expanding the content market by 5 trillion yen over the next 10 years. Parallel with this announcement the Digital Content Association of Japan is tackling various issues to facilitate production, distribution and usage of attractive, high-quality content welcomed by the market including single packaging of software and hardware and creating an environment for developing overseas markets and international partners.

One such opportunity area includes the game content industry. As the country’s largest contents export industry, Japan’s game industry is an extremely important industry that contributes to the development of the Japanese economy and dissemination of the ‘Japan Brand’. Nevertheless, the industry is said to be confronted by challenges such as increasing international competition due to the robust growth of foreign companies, sluggish domestic sales in the home video game

market, and is looking for new ways to interject growth into the sector particularly in the on-line gaming field. Since 2002 a significant number of gaming companies, chiefly from China and Korea, have entered the Japanese market. These new entrants have found success by focusing on product management and localization of existing game titles, rather than complete new product development. This type of innovation has led to success not only in Japan but other markets as well and certainly is a formula Alberta companies could follow as well.

4. Personal Digital Assistant (PDA)

Unlike mobile phones Personal Digital Assistant (PDA) devices did not catch-on for personal use in Japan as they did in other parts of the world. However, as palmtops evolved the Japanese corporate sector has increasingly utilized the device for its networking-solution features including Supply Chain Management (SCM), radio frequency identification (RFID) and as a global positioning system for merchandise.



Like other large cities Japan has further developed the PDA device into an access control by contact-less IC cards smartcards. According to *Global Information Inc.*, SUICA, which stands for "Super Urban Intelligent Card," is an electronic and mobile ticketing and e-cash system used in the greater Tokyo area and several other areas of

Japan. About 20 million cards have been issued - and it is estimated that SUICA is used for around US\$ 10 billion per year in transactions, for one of the largest electronic cash and prepaid fare systems. PASMO is an electronic fare and e-cash system for about 100 transportation companies in the Tokyo area and is fully compatible and interoperable with SUICA. PASMO planned to sell 5 million PASMO cards in the first year - however almost 4 million PASMO cards were sold within the first three weeks alone further demonstrating the Japanese market's thirst for the new and convenient.

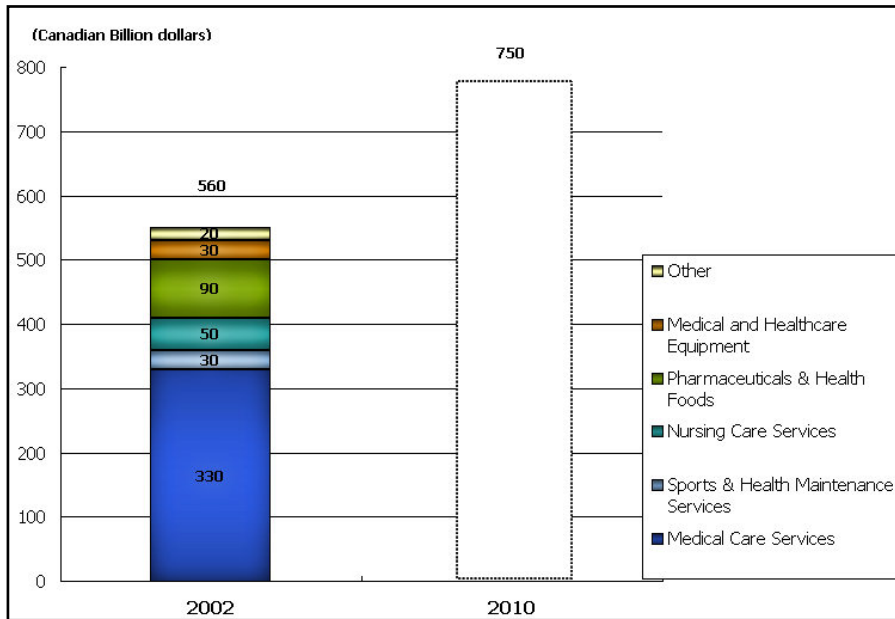


5. Health-Care Related Technology

The Japanese society has been aging more rapidly than other advanced industrialized countries. Japan's rate of aging was five times faster than France and three times faster than the U.S. in 2000, and by the year 2050, it is projected that one out of every three Japanese will be a senior citizen.

The field of life sciences is the focus of much attention for its enormous potential to improve the lives of the people of Japan and advance the national economy. The growth of senior consumers is creating new markets in the medical, health and nursing care fields, which scale is expected to increase to US\$682 billion by 2010.

Healthcare Market Scale



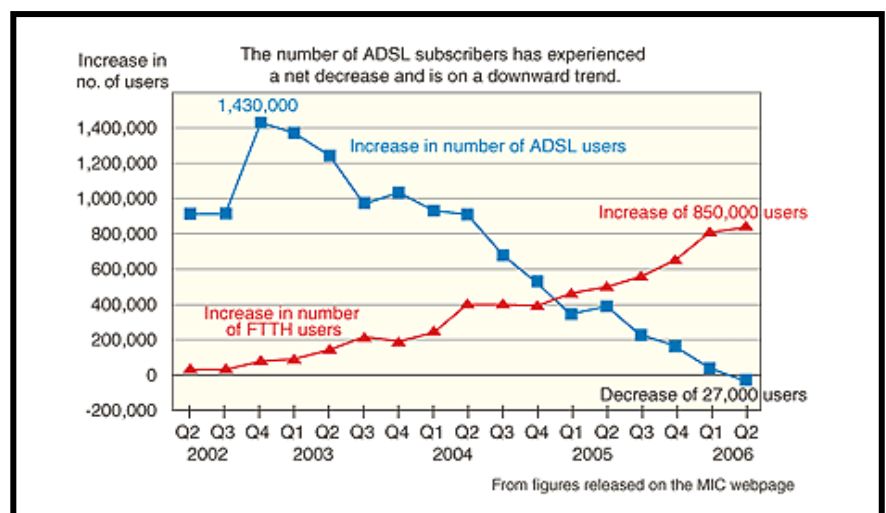
In the medical field, ICT is being used to create safe and inexpensive networks that allow health professionals real-time access to patient data and leading to improvements in advanced preventative medicine and remote medical system. In fact the Ministry of Education, Culture, Sports, Science

and Technology (MEXT) promotes and supports both basic and pioneering research by institutions and the nation's universities as part of its comprehensive efforts to advance the life sciences; a system which successively drives technological innovation and creates new industries through mutual stimulation between technological seeds in research institution and practical needs in the real business world. Sources: MEXT, Nikkei, Jetro, Wireless Watch Japan

6. Broadband Service

Amid the race for ever-faster broadband connections to the Internet, super high-speed fiber-optic technology is fast overtaking asymmetric digital subscriber line (ADSL) technology across Japan. According to figures released by the Ministry of Internal Affairs and Communications (MIC), the number of new ADSL subscribers per quarter peaked in the 4th quarter of 2002 (1,430,000 new subscribers) and began to decrease after that. In the 2nd quarter of 2006, a net decrease of 27,000 subscribers was recorded for the first time since those services began.

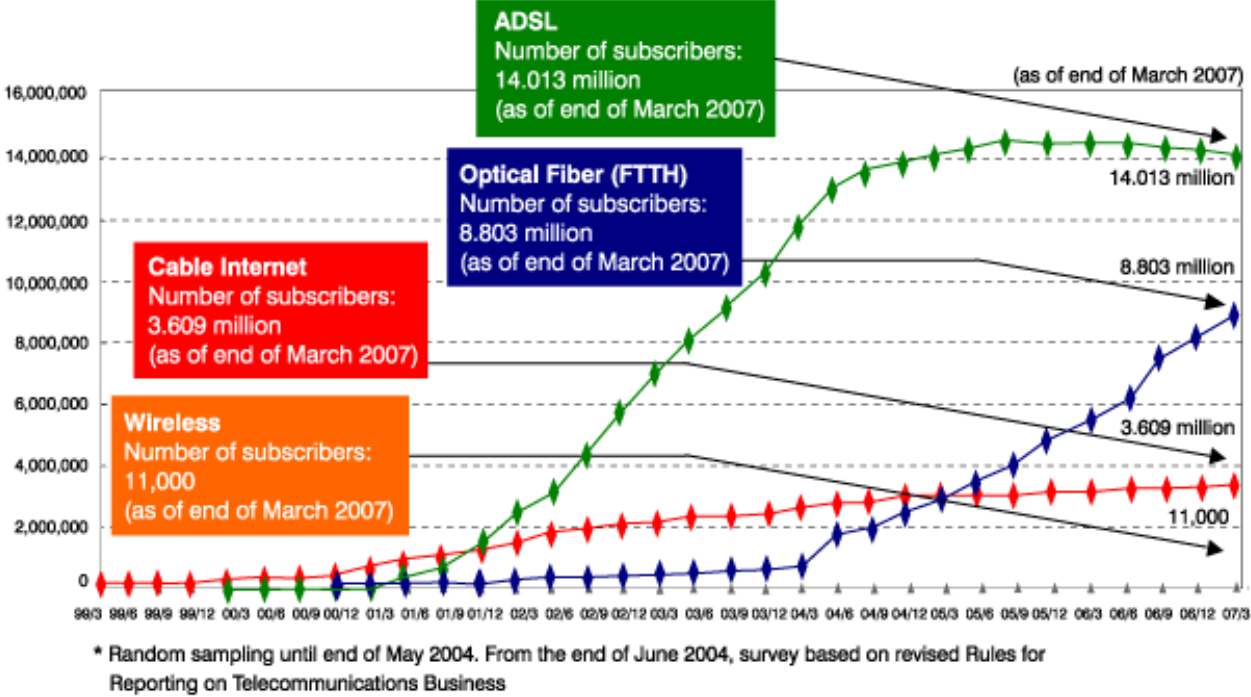
In contrast to this downward trend for ADSL, the number of new subscribers to Fiber To The Home (FTTH) continues to increase, reaching a record of 850,000 new users in the 2nd quarter of 2006.



(Source NTT Technical Review Trends)

This decline in ADSL appears to be most prominent in urban centers. Although there are still some regions where the use of ADSL is actually increasing, the trend toward fewer new ADSL subscribers is expected in those regions as well.

Broadband Subscribers



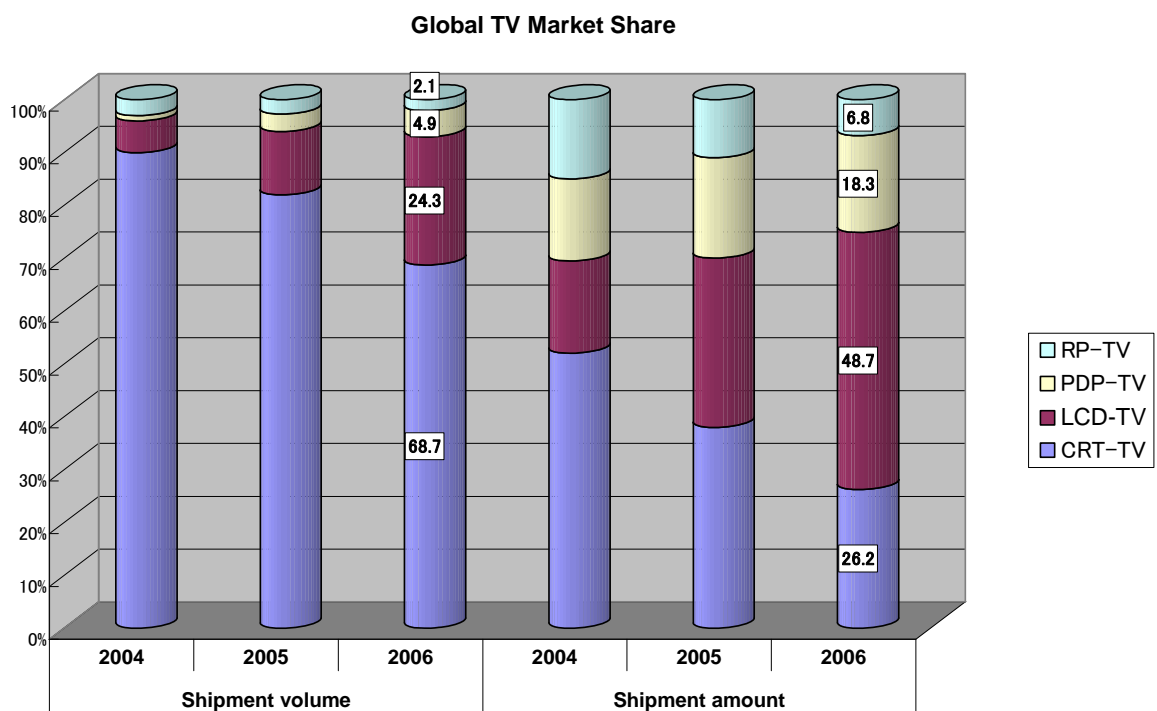
According to MIC, in a survey comparing broadband service rates in Japan with those in various other countries, Japan's rate was found to be the least expensive in the world. Nevertheless, many problems particularly, in terms of a regional gap, the broadband usage rate tends to be higher in urban areas. The level of broadband provision according to urban scale found that penetration was running at nearly 100% in municipalities with populations of 10,000 people or more, including those that responded that subscription is not possible in some areas. However, slightly under 10% of small municipalities with populations less than 10,000 people, representing approximately 2.47 million households, said that subscription is not possible in all areas

There within lies opportunity for Alberta business to apply the same "Supernet" methodology and its related Alberta- technology to "Broadband Zero" towns and villages where the service is provided, but distance from the reception station is too far to receive broadband services.

6. Electronic devices and embedded software

Finally Japan has the biggest share of flat screen TV production in the world, using LCD and PDP panels. There are many business opportunities for Alberta companies who are developing audio or visual related software and hardware for this huge market.

The system LSI market is expected to expand following demands on digital home appliances. Major Japanese semiconductor vendors have an advantage with their LSI for their own home appliances but are recently shifting the focus from Application Specific IC (ASIC) to Application Specific Standard Products (ASSP).



Digital Appliances use large number of essential electronic devices such as sophisticated connectors, circuit board and other precise electronic components. Small and medium size Japanese companies produce unique and innovative products and services that offer a multitude of opportunities for Albertan companies looking to partner with Japanese firms at all stages. Japanese companies are also hoping to gain cooperation with high-tech manufacturers and service providers with international competitiveness to handle a rapid technology cycle and price reductions.

The long-term outlook is that Japan will continue to present a multitude of untapped opportunities for innovative, competitively products from Alberta. The Alberta Japan Office stands ready to assist you in the success of your venture. For more information contact commercial officer Norihiro Saito at: norihiro.saito@altanet.or.jp