Canadian software capability is extremely advanced and competitive in certain niche areas such as computer graphics and middleware. Estimates of Canadian software imports by Japan for 1995 were 12 billion yen (approximately $150 million). However, with an overall year-over-year growth rate of 50 per cent in 1995, Japan represents a major market opportunity for Canadian software developers. With Canadian sales of software to Japan representing only about 5 per cent of the import market, there is room for much further growth.

Hardware

The rapid growth in the personal computer (PC) market makes the outlook for information technologies extremely promising. The Japanese market for PC-related products is growing quickly, and this level of growth is providing tremendous opportunities to obtain significant market share in emerging areas of multimedia and networking.

From 1994 to 1995, PC sales in Japan grew by 70.3 per cent, to 5.7 million units, and in value terms by over 50 per cent, to 1391.6 billion yen. Notebook PC sales have jumped 45 per cent, to 1 685 000 units, and comprised about 30 per cent of the domestic market. This increase is largely attributed to the small footprint of notebooks, which are often used in office situations where they can be taken off the desk when not being used. Home use of PCs has also seen a year-over-year advance of 89.9 per cent, to 2.2 million units in 1995 (about 38 per cent of total domestic PC sales). Estimates for total domestic PC sales in 1996 (home and office) call for an increase of 30 per cent, to 7.5 million units. The growing number of home-use PCs will provide a strong market for the larger variety of specialized software utilized by home users.

Domestic PC shipments are expected to reach 9.3 million units in 1997, up from 7.5 million units this fiscal year. In value the market will grow from 1,391.6 billion yen in 1995 to 1,605 billion yen in 1996 and 1,835 billion yen in 1997 (source: Japan Electronics Industry Development Association).

Local area network (LAN) penetration among Japanese firms is low (optimistic estimates currently place it at 40 per cent), but the market is expanding quickly. Recent growth of LAN users has been registered at 180 per cent per year. Improved productivity, networking, office automation and shared information sources are major reasons for this trend. Japanese buyers are most interested in open architecture systems such as Windows 95. Significant software sales should be seen in 1996 and beyond as a result of this trend.

Telecommunications

The telecommunications market in Japan is very large and sophisticated. The telecommunications equipment market in 1994 was more than $31 billion. Planned investments in infrastructure in 1996 to allow for fibre-optic networks to be installed will top $6.8 billion according to government estimates, while 1994 revenues by the domestic carrier, the national telephone company Nippon Telephone and Telegraph (NTT), were more than $93 billion. In contrast, 1994 revenues for all seven of the regional holding companies (or "baby Bells") in the U.S. totalled $110 billion, and Bell Canada's revenues for 1994 were $8.3 billion. The Japanese market is the largest and most sophisticated telecommunications market outside of the U.S., and the potential for Canadian companies is enormous, particularly as deregulation and competition among new