CHAPTER 2 TRENDS IN THE IT SERVICES INDUSTRY

2-1. MARKET TRENDS IN THE IT SERVICES INDUSTRY

2.1.1 The Industry as a whole

In this section, we will provide an overview of sales and the number of business establishments and persons employed in the IT service industry. This information is based on the METI Annual Survey for IT Services Industry 2007 (released in November 2008) (hereafter "METI Annual Survey 2007), the Statistical Trends for the IT Services Industry (hereafter "METI Monthly Survey"), and the JISA IT Services Industry Key Statistics Study for 2008 (December 2008) (hereafter "JISA Vendor Survey 2008").

1. Overview of Sales and Number of Business Establishments

According to the METI Annual Survey 2007, sales for the year for 2007 in the IT services industry totaled 16.8 trillion yen, a year-on-year increase of 0.40% (Fig. 2-1).

Nominal gross domestic product was relatively flat over the ten-year period from 1998 to 2007. With the exception of 2005, the share of GDP accounted for by this industry tended to rise until 2006 against a backdrop of increasing sales. The share fell from 3.30% to 3.26%, a 0.04 percentage-point drop, from 2006 to 2007, however.

The increase in IT services industry sales as a percentage of GDP in 2006 is thought to be a result of the extensive reevaluation of the number of business establishments surveyed, so caution is required.

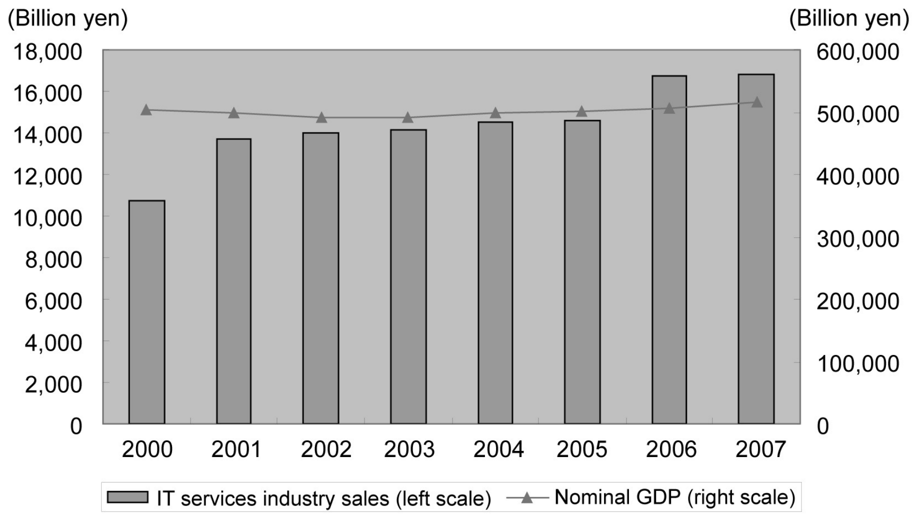


Figure 2-1
Changes in IT Services Industry Sales

Note: The figure for 2006 appears to be significantly larger than others. The reason comes simply from the fact that the scope of the survey target was greatly expanded in 2006.

Source: *METI "Annual Survey 2007"*

In contrast, METI Monthly Survey shows that quarterly sales in the industry compared to the year-before period rose continuously from the April-June 2005 quarter, reaching 14 straight quarters until the July-September 2008 quarter.

The JISA Vendor Survey 2008 shows that the sales growth rate for FY 2007 was 4.16%, but shrank to 3.24% the following year.

(Unit: JPY 100 billion)

		Software Industry (Sub-category 391)			Data Processing Industry (Sub-category 392)			Total		
		2006 Unit:100 million	2007 Unit:100 million	year-on-year change	2006 Unit:100 million	2007 Unit:100 million	year-on-year change	2006 Unit:100 million	2007 Unit:100 million	year-on-year change
IT Services Industry Sales		119,869	118,212	-1.38%	47,424	49,747	4.90%	167,293	167,959	0.40%
Software Development	Customized Software development	90,469	89,439	-1.14%	6,840	7,747	13.26%	111,600	110,722	-0.79%
	Software products	14,291	13,536	-5.29%						
Data Processing	Data Processing	15,109	15,237	0.85%	17,351	16,325	-5.91%	55,693	57,237	2.77%
	Facility management				12,535	14,980	19.50%			
	Database services				2,550	2,488	-2.44%			
	Research				2,382	2,686	12.75%			
	Others				5,765	5,521	-4.25%			

Primary Business

Secondary Business

Note: In the METI Annual Survey, there exists the notion primary and secondary businesses. For example, in the "software industry (sub-category 391)," "Software development (customized software development and software products)" is a primary business, while "data processing (data processing, facility management, database services, research, and others)" is considered a secondary business. Similarly, in the "data processing industry (sub-category 392), "data processing (data processing, facility management, database services, research, and others)" is a primary business, while "software development (customized software development and software products)" is considered a secondary business. Furthermore, data for the sales and by service type and by contracting industry exists only for the primary business.

Table 2-1
Sales Comparison between 2006 and 2007

Source: *METI "Annual Survey 2007"*

According to the METI Annual Survey 2007, the number of business establishments in FY 2007 totaled 14,631, a 10.03% decline from the previous year (Table 2-2).

	2006	2007		
			Component ratio (%)	Year-on-year change (%)
Number of workers who are engaging in	16,262	14,631	100.00%	-10.03%
System engineers	10,789	9,885	67.56%	-8.38%
Programmers	5,473	4,746	32.44%	-13.28%

Table 2-2
Comparison in Number of Establishments between 2006 and 2007

Source: *METI "Annual Survey 2007"*

A breakdown by sector shows year-on-year declines in both primary sectors for the year. There were 9,885 establishments in the software industry, an 8.38% drop from year-before period, and 4,746 establishments in the data processing and service industry, a 13.28% drop from the previous year.

A breakdown of the number of enterprises by the number of employees shows there were 3,159 businesses in the software industry employing 10-29 people. This is the largest category and accounts for 31.96% of all enterprises, as well as 79.0% of enterprises employing 49 people or fewer. There was a year-on-year decline in the number of enterprises employing 299 people or fewer, and 500 people or more. In contrast, the number of enterprises employing 300-499 people climbed by 12.71% (Table 2-3).

A breakdown of the number of enterprises by the number of employees in the data processing and service industry shows there were 1,288 businesses employing 10-29 people. This is the largest category, and accounts for 27.14% of all enterprises, as well as 81.23% of enterprises employing 49 people or fewer. There was a year-on-year decline in the number of enterprises for all categories (Table 2-3).

	FY2006	FY2007		
Company scale by the number of employees	Number of enterprises	Number of enterprises	Component ratio (%)	Year-on-year change (%)
Software Industry	10,789	9,885	100.00%	-8.38%
Less than 4	2,051	1,779	18.00%	-13.26%
5~9	1,878	1,682	17.02%	-10.44%
10~29	3,416	3,159	31.96%	-7.52%
30~49	1,293	1,188	12.02%	-8.12%
50~99	1,077	1,073	10.85%	-0.37%
100~299	805	726	7.34%	-9.81%
300~499	118	133	1.35%	12.71%
More than 500	151	145	1.47%	-3.97%
Data Processing Industry	5,473	4,746	100.00%	-13.28%
Less than 4	1,402	1,156	24.36%	-17.55%
5~9	1,142	969	20.42%	-15.15%
10~29	1,440	1,288	27.14%	-10.56%
30~49	496	442	9.31%	-10.89%
50~99	451	387	8.15%	-14.19%
100~299	394	377	7.94%	-4.31%
300~499	79	62	1.31%	-21.52%
More than 500	69	65	1.37%	-5.80%

Table 2-3
The Number of Enterprises by the Number of Employees and Type of Businesses

Source: *METI "Annual Survey 2007"*

Annual sales per enterprise in the software industry totaled 1.04173 billion yen, a 7.28% year-on-year rise, and 884.96 million yen in the data processing and service industry, a 19.34% jump. Though sales overall fell in the software industry, it is assumed they rose on a per enterprise basis due to the reduction in the number of enterprises.

2. Overview of the Number of Employees

According to METI Annual Survey 2007, the number of employees in the IT Services industry in 2007 totaled 786,677, a 4.15% decline from the previous year (Fig. 2-2)[1]

According to the Ministry of Internal Affairs and Communications' Labor Force Survey, the number of employed persons in all industries in 2007 was 64.12 million, an increase of 300,000 from the previous year. The number of employed persons in the IT services industry accounted for 1.23% of all employees in all industries. This was a 0.06% drop from the previous year, so the ratio was largely unchanged.

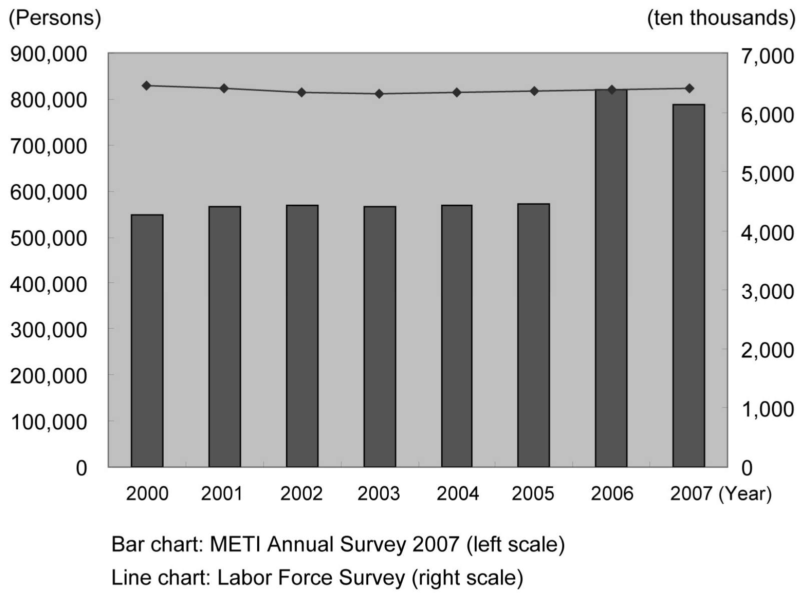


Figure 2-2 Changes in Numbers of IT Services Industry Employees and All Industry Employees

Note: The figure for 2006 appears to be significantly larger than others. The reason comes simply from the fact that the scope of the survey target was greatly expanded in 2006.

A breakdown by sector shows there were 501,807 employed persons in the software industry, a 3.70% year-on-year decline, and 201,407 employed persons in the data processing and service industry, a 7.39% year-on-year decline.

There were 51 employed persons per enterprise in the software industry, 6.25% higher than the previous year, and 42 employed persons per enterprise in the data processing and service industry, a 5.00% increase.

Annual sales per employed person in the software industry stood at 20.52 million yen, a 2.04% year-on-year rise[2], while the corresponding figure for the data processing and service industry was 20.85 million yen, an 11.74% increase[3]. Despite a decline in the total number of employed persons in the IT services industry, the number of employed persons per enterprise actually rose due to the reduction in the number of enterprises. In addition, it is thought that the fewer number of employed persons resulted in an increase in annual sales per employed person.

1 It must be noted that the subjects for sales and the subjects for the number of employed persons are different. Also, the number of employed persons in the primary business is 703,214, a 4.78% year-on-year decline.
2 This was calculated by dividing the 10,297,504 million yen in annual sales for the software sector, the primary business, by the total of 501,807 employed persons.
3 This was calculated by dividing the 4,199,998 million yen in annual sales for the information processing and service sector, the primary business, by the total of 210,407 employed persons.

2.1.2 The Structure of Sales and the Number of Employed Persons

This presents an overview of the sales structure by industry sector and by contracting industry according to the METI Annual Survey 2007 (final version) as well as changes in the sales structure for the IT services industry. This also presents an overview of employment in the industry, showing the number of employed persons per occupation and the male-female ratio.

1. Sales Structure

The METI Annual Survey 2007 shows that sales in the primary sectors of the IT services industry in 2007 were 10.2975 trillion yen in the software sector, accounting for 71.06% of the total, and 4.2000 trillion yen in the data processing and service sector, for 28.57% of the total (Fig. 2-3). This was a 1.70% decline from the previous year's total of 10.4760 trillion yen in the software sector, and a 3.49% increase from the previous year's total of 4.584 trillion yen in the data processing and service sector.

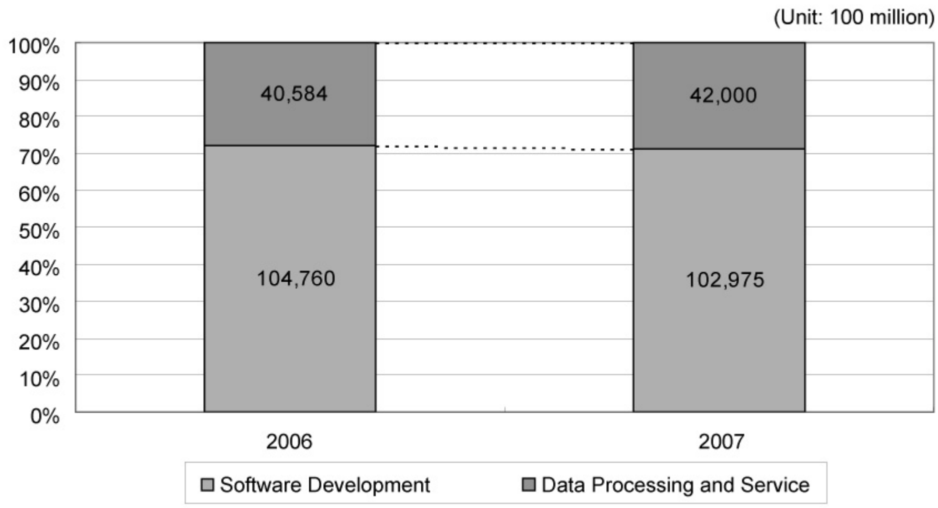


Figure 2-3 Changes in IT Services Industry Sales by Business Type (2006, 2007)

Source: *METI "Annual Survey 2007"*

A breakdown of sales by sector, from the highest to the lowest, shows that customized software development accounted for 61.67% of the total at 8.9439 trillion yen, data processing services accounted for 11.26% of the total at 1.6325 trillion yen, facility management and operations accounted for 10.33% of the total at 1.4980 trillion yen, software products accounted for 9.83% of the total at 1.3536 trillion yen, others accounted for 3.81% of the total at 552.1 billion yen, researches accounted for 1.85% of the total at 268.6 billion yen, and database services accounted for 1.72% of the total at 248.8 billion yen. Compared to the previous year, customized software development slid 1.14%, data processing services fell 5.91%, facility management and operations soared 19.50%, software products fell by 5.29%, others declined by 4.25%, researches climbed 12.75%, and database services dropped by 2.44%.

All the sectors declined except for facility management and operations and researches. Of these, the former accounted for 38.87% of the total in absolute value terms, while researches accounted for just a small 6.40% of the total (Table 2-4).

	2006 100 million	2007 100 million	Share to total (%)	Component ratio (%)	Year-on-year change (%)
Software Industry	104,760	102,975	71.03%	100.00%	-1.70%
Customized Software development	90,469	89,439	61.69%	86.86%	-1.14%
Software products	14,291	13,536	9.34%	13.14%	-5.29%
Business Package Software	9,427	8,479	5.85%	8.23%	-10.06%
Game Software	2,418	2,391	1.65%	2.32%	-1.14%
General Application Software	2,446	2,666	1.84%	2.59%	9.01%
Data Processing Industry	40,584	42,000	28.97%	100.00%	3.49%
Data processing Services	17,351	16,325	11.26%	38.87%	-5.91%
Facility management	12,535	14,980	10.33%	35.87%	19.50%
Database services	2,550	2,488	1.72%	5.92%	-2.44%
By way of Internet	987	1,166	0.80%	2.78%	18.20%
Others	1,563	1,321	0.91%	3.15%	-15.47%
Research	2,382	2,686	1.85%	6.40%	12.75%
Others	5,765	5,521	3.81%	13.14%	-4.25%

Table 2-4
Changes in IT Services Industry Sales by Business Type

***Source**: METI "Annual Survey 2007"*

A breakdown by contracting industries shows that the manufacturing industry accounted for the highest totals in the software sector at 2.3789 trillion yen, a 4.43% decline. This was followed by the financial and insurance industry at 1.9504 trillion yen, a 3.13% increase, and the IT services industry at 1.9479 trillion yen, a 2.10% increase (Fig. 2-4). In the data processing and service sector, the financial and insurance industry accounted for the highest totals at 1.0446 trillion yen, a 17.62% increase. This was followed by the manufacturing industry at 696.5 billion yen, an 8.18% increase, and the IT services industry at 449.3 billion yen, a 0.09% drop (Fig. 2-5).

(Unit: JPY 100 million)

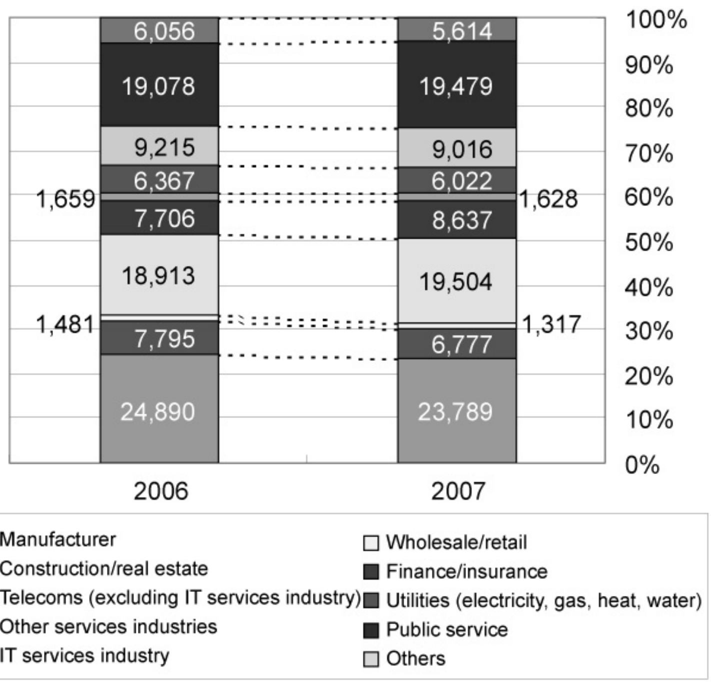


Figure 2-4
Changes in IT Services Industry Sales by Contracting Industry (Software Development)

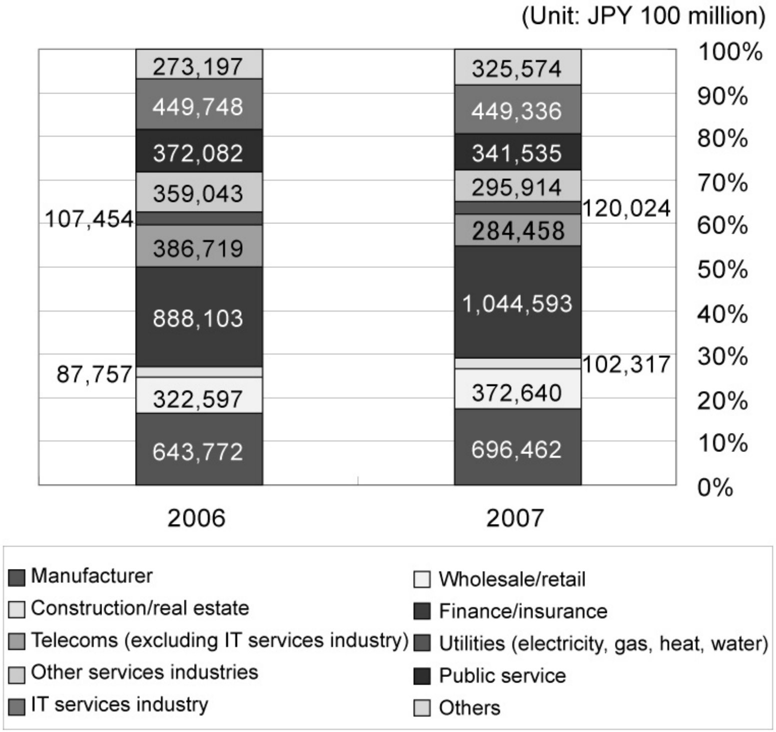


Figure 2-5
Changes in IT Services Industry Sales by Contracting Industry (Data Processing and Service)

Source: *METI "Annual Survey 2007"*

2. Structure of Employed Persons

According to the METI Annual Survey 2007, a breakdown in the number of employed persons in the IT services industry in 2007 shows that 501,807 people were employed in the software sector, accounting for 71.36% of the total, and 201,407 people were employed in the data processing and services sector, or 28.64% of the total.

Broken down further, 309,031 people were systems engineers (43.95%), 136,992 people were programmers (19.48%), 125,415 people were in management and sales (17.83%), 125,172 were classified as others (17.80%), and 6,604 were classified as researchers (0.94%). In the previous year, 316,268 people were systems engineers (42.82%), 150,599 people were programmers (20.39%), 132,789 people were in management and sales (17.98%), 132,876 were classified as others (17.99%), and 6,021 were classified as researchers (0.82%) (Fig. 2-6).

Of the employed persons in the IT services industry, 76.94% are male and 23.06% are female. The number of males rose 0.43 percentage point from the previous year, while the number of females fell by 0.43 percentage point. The percentage of females had edged upward incrementally for the three-year period from 2004 to 2006, but slid downwards in 2007.

According to the 2008 Vendor Survey, the average age of employees as of the end of March 2008 was 36.2; 37.0 for males and 32.6 for females. This represents an increase of 0.1 years; 0.2 years for males and 0.1 years for females. The average age continues to inch upwards from year to year.

The number of new employees hired per company in April 2008 was 35.8, an increase of 10.49% from the previous year. There were 21.7 mid-career hires that same year, an increase of 10.15%.

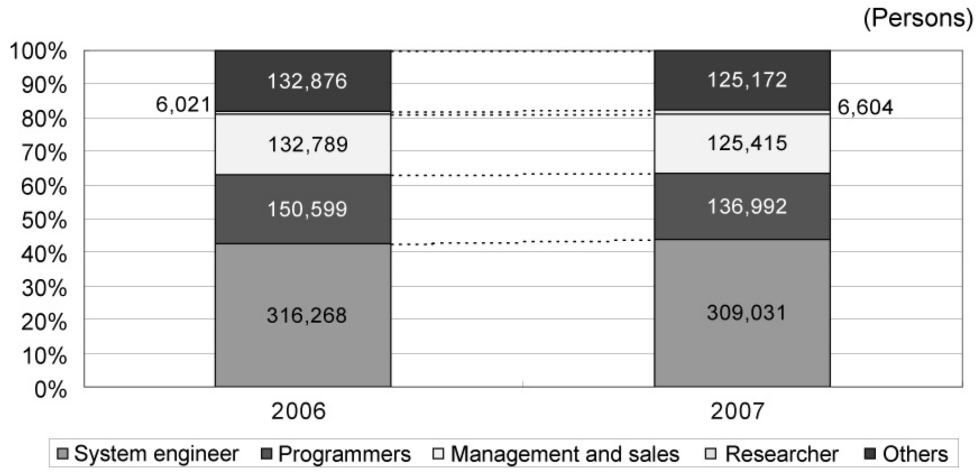


Figure 2-6
Changes in IT Services Industry Workers by Job Category

Source: *METI "Annual Survey 2007"*

2-2. TRENDS FOR USER COMPANIES OVERALL

This presents an overview of corporate IT expenditures, their composition, and trends in IT personnel per company in user companies, based on METI's Annual Survey on the Use of Information Technology[4] (hereafter "METI User Survey") conducted of private sector enterprises nationwide that use computers and IT services.

2.2.1 Trends and Composition of IT Expenditures

Information Technology-related expenditures in FY 2006 declined for the second straight year, totaling 725 million yen per company. This represents a 24.33% reduction from the previous year. A breakdown by amount of annual revenue per enterprise shows that expenditures declined for those bringing in from 10-100 billion yen and those bringing in more than 100 billion yen. There was a change in the classification of annual revenue starting in FY 2006, however, so a simple comparison cannot be made with those companies whose revenue is less than 10 billion yen (Table. 2-5).

(Unit: JPY million)

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	
¥0.1~¥0.5 bil							7	
¥0.5~¥1.0 bil	101	95	66	75	71	54	31	24
¥1.0~¥2.0 bil							16	
¥2.0~¥10.0 bil	214	190	180	213	179	132	77	63
¥10.0~100.0 bil	855	829	900	870	920	925	519	
¥100.0~	4,475	4,934	6,235	5,628	5,720	4,850	4,498	
Average	960	839	940	932	1,035	958	725	

The Above table was revised based on a change in the classification of annual revenue starting in FY 2006. The figure in the right column for 2006 was obtained by dividing the total information related expenditures by the total number of corresponding companies in accordance with the classification which was adopted till 2005.

Table 2-5 Expenditures on IT Use per Corporation

Source: *METI "User Survey 2007"*

4 The annual Survey of Information Processing report for 2007, released on July 14, 2008, contained results of a study of information processing in the private sector during fiscal 2006. Questionnaires had been sent to 9,500 companies, of which 4,264 responded (response rate, 44.9%). The averages for the effective responding companies were: capital, 9,8570 trillion yen; annual sales, 79.580 billion yen; number of employees, 1,042.2

Additionally, ratio of expenditures to annual revenue was 0.78%, a sharp 0.27 percentage-point drop from the previous year (Table 2-6).

(Unit: %)

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	
¥0.1~¥0.5 bil							1.45	
¥0.5~¥1.0 bil	18.31	15.20	10.97	12.05	11.83	6.05	3.03	2.78
¥1.0~¥2.0 bil							0.91	
¥2.0~¥10.0 bil	4.89	4.64	4.42	5.18	4.38	2.77	1.34	1.31
¥10.0~100.0 bil	2.55	2.60	2.81	2.82	2.81	2.55	1.34	
¥100.0~	0.82	0.88	1.04	1.01	1.02	0.72	0.66	
Average	1.19	1.28	1.41	1.40	1.39	1.05	0.78	

Table 2-6 Expenditures on IT Use per Corporation, as Ratio to Annual Revenue

The Above table was revised based on a change in the classification of annual revenue starting in FY 2006. The figure in the right column for 2006 was obtained by dividing the total information related expenditures by annual revenue of corresponding companies in accordance with the classification which was adopted till 2005.

Source: *METI "User Survey 2007"*

A breakdown of the composition of information processing-related expenditures per company in FY 2006 shows that on the average overall, software-related expenditures[5] accounted for the highest share at 228.87 million yen, or 31.57%. These were followed by service expenditures at 226.79 million yen, or 31.28% of the total. These two expenditures accounted for more than 60% of the total (Table 2-7)

	Total	Terminal equipment expenses (Computer, Fax, Mobile Phone)	Software	Services	Others
~¥0.1	6.17 97.30%	1.92 31.08%	1.83 29.73%	2.17 35.14%	0.08 1.35%
¥0.1~¥0.5 bil	7.31 90.02%	2.58 35.30%	1.31 17.93%	1.20 16.45%	1.49 20.33%
¥0.5~¥1.0 bil	30.70 100.00%	5.14 16.75%	3.60 11.73%	7.81 25.43%	14.15 46.09%
¥1.0~¥2.0 bil	16.37 100.00%	6.03 36.84%	2.57 15.67%	3.64 22.26%	4.13 25.23%
¥2.0~10.0 bil	76.75 100.00%	18.04 23.51%	12.00 15.63%	20.82 27.12%	25.90 33.74%
¥10.0~100.0 bil	519.50 100.00%	108.70 20.92%	138.00 26.56%	144.85 27.88%	127.94 24.63%
¥100.0~	4,498.49 100.00%	794.63 17.66%	1,557.16 34.62%	1,443.24 32.08%	703.46 15.64%
Average	725.04 100.00%	134.89 18.60%	228.87 31.57%	226.79 31.28%	134.50 18.55%

Table 2-7 Composition of Expenditures on IT Use per Corporation

Source*:* *METI "User Survey 2007"*

5 [Software -related expense ・ depreciation during the term] + [software-related expense ・others]

2.2.2 Trends and Composition for IT Personnel

The number of IT personnel (in-house and outside employees) in FY 2006 averaged 30.4 per company. This is a decline of 46.6% from the previous year (Table 2-8).

A look at employee totals over a period of several years shows that the ratio of in-house employees is falling, while that for outside employees is trending upwards. In FY 2006, in-house information processing employees accounted for 47.7% of the total and outside employees accounted for 52.3%, a reversal of the percentages.

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Employees (Persons)	1,064.2	885.5	818.3	820.9	1,005.9	1,132.0	1,005.9
IT personnel (Persons)	44.8	40.7	36.5	39.2	41.7	56.9	30.4
The proportion of IT personnel (%)	4.21%	4.60%	4.46%	4.78%	4.15%	5.03%	3.02%
Employee inside the company	35.5	31.5	29.8	30.0	30.7	38.6	14.5
The proportion of IT workers employed by the company (%)	79.24%	77.40%	81.64%	76.53%	73.62%	67.84%	47.70%
Dispatched workers	9.3	9.2	6.7	9.2	11.0	18.3	15.9
The proportion of IT workers dispatched from outside the company (%)	20.76%	22.60%	18.36%	23.47%	26.38%	32.16%	52.30%

Table 2-8
The Trends of Number of IT Personnel per Company (Employees and Dispatched Workers)

***Source**: METI "User Survey 2007"*

2-3. TRENDS IN PERSONNEL

2.3.1 Trends in Employees

This presents a view of employees in the IT services industry based on METI Annual Survey 2007. There were 784,865 employees in the IT services industry in 2007, a decline of 4.4% from the 820,723 employees the previous year. A breakdown of the employees by occupation shows that systems engineers accounted for the largest percentage at 43.9%, followed by programmers at 19.5%, management and sales personnel at 17.8%, those classified as others (operators, key punch personnel) at 17.8%, and researchers at 0.9%. While the number of employees declined in all categories except researchers, their percentage of the whole remained the same. (Table 2-9).

(Unit: Person)

	FY 2007			FY 2006
	Software industry (sub-category 391)	Data processing service industry (sub-category 392)	Total	Total
Number of workers	548,236	238,441	789,677	820,723
Number of workers in main industries	501,807	201,407	703,214	738,553
System engineers (SE)	258,577	50,454	309,031	316,268
Programmers (PG)	120,910	16,082	136,992	150,599
Researchers	2,221	4,383	6,604	6,021
Managers and salespeople	83,561	41,854	125,415	132,789
Other	36,538	88,634	125,172	132,876
Dispatched workers in all businesses	42,489	24,081	66,570	70,270

* The target of the 2007 Annual Survey were employees in the “primary industries.” For example, since the “data processing sector” in the “software industry” was a “secondary industry,” those results were not included in the above classifications.

* This data was based on the METI Annual Survey 2007, but was compiled by the JISA. Starting in 2006, subjects were added to the METI survey, and the survey methods were changed. The IT services industry classification was broken down into the software sector and the data processing and service sector. The same survey showed 18.8 trillion yen in revenue, including that derived from sources other than IT services. JISA, however, did not include those other sources, and reported 10,715 companies (14,631 enterprises), 16.8 trillion yen in revenue (for IT services only), and 787,000 employees.

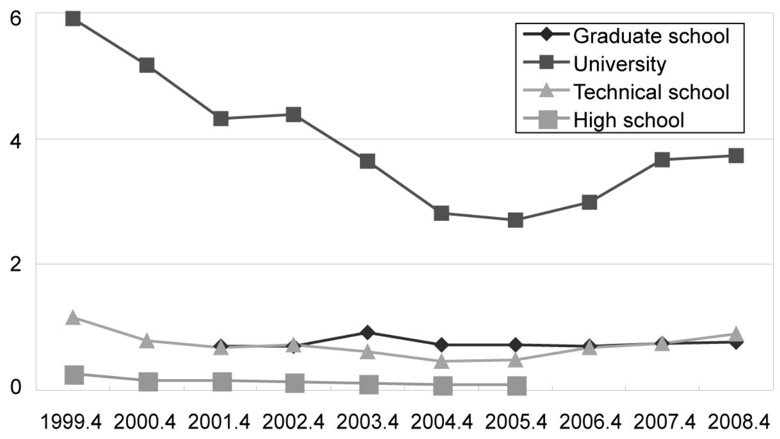
Table 2-9
IT Services Industry: Changes in Workers by Job Category

Source: *METI “Annual Survey 2007”*

2.3.2 Hiring New Graduates

The employment climate for all companies in the IT services industry remains harsh. The JISA conducted Vendor Survey, which provides information on the hiring of new graduates. The number of new graduates hired by industry companies in April 2007 converted to the number per hundred employees stood at 5.40. This represents an increase over the 5.16 figure of the previous year. Using the same index broken down by academic background shows a year-to-year increase of 3.66 to 3.74 for university graduates, and a slight increase of 0.75 to 0.76 for those with post-graduate degrees. The survey indicates that demand for personnel in the IT services industry remains strong. (Fig 2-7).

Figure 2-7
Changes in Recruits by Highest Schooling per 100 Employees

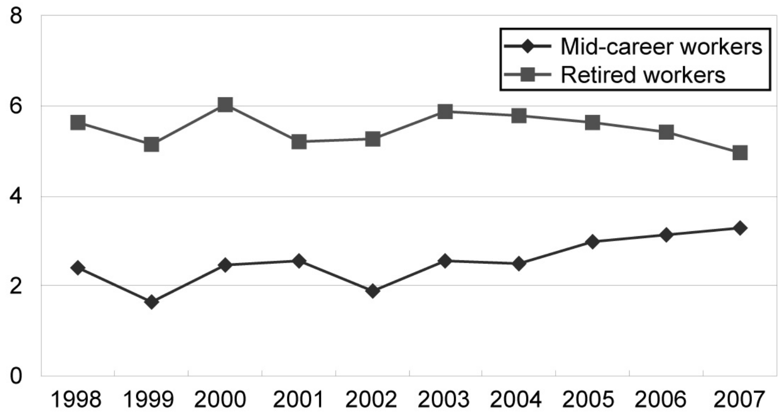


Source: *JISA "Annual Vendor Survey 2008"*

2.3.3 Mid-career Hires and Retirees

As with new graduates, the number of mid-career hires were viewed based on a conversion to the number per hundred employees for each company. These figures have been trending upwards in recent years, and rose to 3.27 in FY 2007. In contrast, the number of retirees, when converted to the number per hundred employees, fell to 4.98 in FY 2007. (Fig 2-8)

Figure 2-8
Changes in Mid-Career Workers and Retired Workers per 100 Employees



Source: *JISA "Annual Vendor Survey 2007"*

JISA statistics show that two trends have been growing more pronounced in recent years: a decline in the number of retirees and an increase in mid-career hires. The decline in the number of retirees in particular is due in part to recent personnel shortages, but another factor is thought to be the improvement in the work environment for all companies in the industry, which aim to achieve an optimum work-life balance. This decline in the number of retires is expected to continue for the time being due to the tight employment situation caused by the changes in recent overall Japanese economy.

Thus, increasing numbers of new graduates and mid-career hires are being employed in the IT service industry. The labor market in this industry is expected to be able to continue absorbing new employees over the intermediate term.

2.3.4 Overseas Employees

The survey of trends for the IT personnel market conducted by the Information Technology Promotion Agency (IPA) in 2008 found that 33.9% of the respondents employed overseas employees. (Fig. 2-9) There has been a marked increase in the number of overseas employees for those companies with more than 101 employees in particular. (Fig. 2-10) A breakdown of employee by nationality shows the percentage of Chinese was the highest at 77.7%. They were followed by South Koreans at 9.0%, Indians at 1.4%, Vietnamese at 0.8%, and Filipinos at 0.6%. Thus, the Chinese retain their dominant position in this ranking of the top five nationalities. (Table 2-9, Fig. 2-10)

These trends are expected to continue in the future. This is attributed to the ability to objectively evaluate the skills of overseas IT engineers using tests for information processing technicians and the mutual recognition with other Asian countries of IT qualification standards. This is part of Japan’s IT policy. Also having a significant impact is the increasing globalization of the labor market to obtain talented personnel resulting from changes in the IT service industry’s business model and the business structure.

The challenges faced by companies in this climate is how to increase the appeal of jobs from the perspective of overseas workers, how to hire exceptional overseas personnel, and what treatment, including salaries, to offer them.

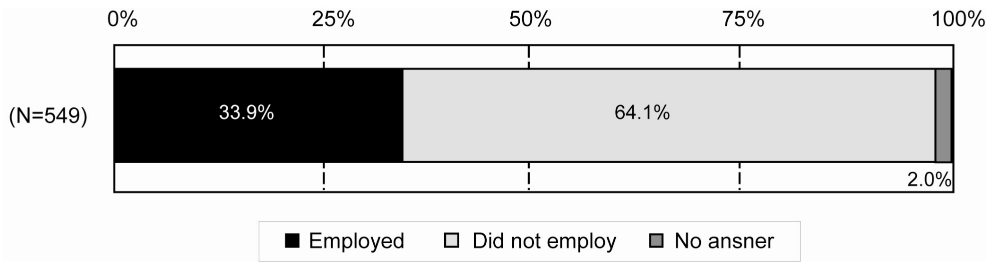


Figure 2-9
Overseas Employees

Source: *IPA “IT Personnel Market Survey 2008”*

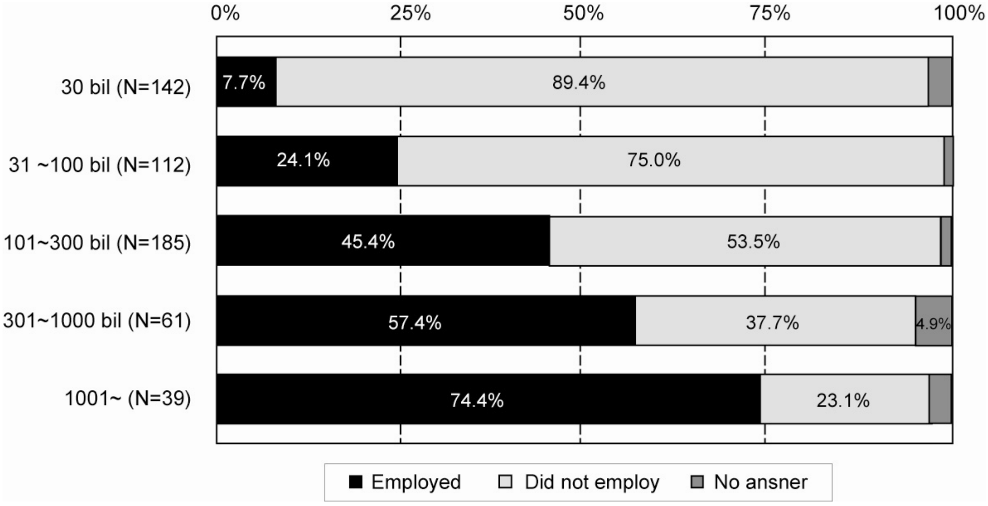


Figure 2-10
Overseas Employee (Classified by number of total employee)

Source: *IPA "IT Personnel Market Survey 2008"*

	Permanent employee	Contract base employee, part time workers	Dispatched workers, resident employee,	Total	Composition ratio	2006
China	1,285	135	385	1,805	77.7%	1,593
Korea	131	9	69	209	9.0%	99
India	8	2	23	33	1.4%	288
Vietnam	13	1	5	19	0.8%	155
Philippines	5	6	2	13	0.6%	12
United States, Canada	9	0	2	11	0.5%	4
Western Europe	8	1	0	9	0.4%	12
Mongolia	4	2	-	6	0.3%	4
Taiwan	5	-	-	5	0.2%	3
Thailand	2	0	3	5	0.2%	0
Russia	4	1	0	5	0.2%	3
Malaysia	1	-	2	3	0.1%	2
Myanmar	0	1	2	3	0.1%	4
Sri Lanka	3	-	-	3	0.1%	3
Eastern Europe	1	-	1	2	0.1%	0
Latin America	2	-	-	2	0.1%	3
Australia	1	-	-	1	0.0%	1
Middle East, Israel	1	0	0	1	0.0%	0
Laos	1	0	-	1	0.0%	0
Other European countries	1	-	-	1	0.0%	0
Others	158	24	3	185	0.8%	81
Total	1,643	182	497	2,322	100.0%	2,267

Table 2-10
Overseas IT Personnel: Distribution by Nationality

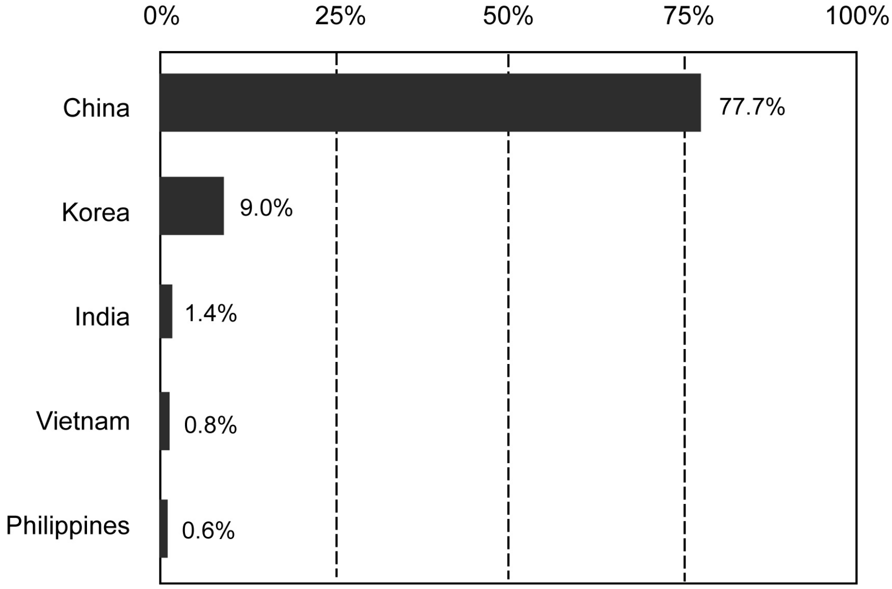


Figure 2-11 Share of Overseas Employee (Top five nationality)

Source: *IPA "IT Personnel Market Survey 2008"*