# Trends in the Japanese Funeral Industry

Japanese Economy Division

**Summary**

- As the number of funerals increases for Japan's aging population, funeral prices continue to fall in line with growing demand for simpler funerals, so the market is leveling off.
- The industry is changing as new operators offer more transparent pricing and packaged services, and the industry, like others, undergoes restructuring.
- Although only a few foreign companies are in the market, some have done well.
- More stringent consumer demands have led to the introduction of operator ratings and a qualification system for improved services.

## 1. Overview of the Funeral Market

a. Funeral Customs: Cremation Versus Burial

The main characteristic of funerals in Japan is that the deceased are cremated in virtually 100% of all cases. In the likes of Europe, the United States and neighboring countries in Asia, however, burial is the most common type of funeral.

In ancient times, burial used to be the most popular type of funeral in Japan too, with people interred in burial mounds as part of customs handed down from China. From around the year 700, however, the practice changed with the cremation of the monk Dosho. Although cremation gradually became more common, sanitary issues arising from crude cremation technology, and opposition from followers of the indigenous religion Shinto and other quarters who claimed that cremation was uncivilized, prevented the practice from entering the mainstream until the Meiji era began in 1868.

Cremation began to gain full acceptance in the Meiji era because of (a) efforts on the part of funeral operators, (b) the sanctioning of cremation under Buddhism and (c) difficulties securing sufficient space for burial plots in Japan's densely populated urban areas. The rate of cremation in Japan soon outstripped all other countries by wide margins. Nevertheless, people in some areas still clung to old funeral practices. In Okinawa, for example, the practice of *senkotsu* (bone washing), whereby the bones of the deceased are washed and then buried after the body has decomposed, has remained an entrenched custom. Although cremation now accounts for the majority of funerals on the main island of Okinawa, *senkotsu* is still practiced on some surrounding islands.

Funerals increase in scale from urban to rural areas, with rural communities tending to stage large-scale funerals at great expense, a reflection of strong local and family ties. This differs according to region, however, so not all funerals in rural areas are expensive. Likewise, there are also certain urban areas where funeral expenses tend to be high, such as the Nagoya region.

On a global scale, burial is by far the most common type of funeral. This is particularly true in predominantly Islamic, Jewish and Christian countries, where cremation is often frowned on due to religious beliefs concerning resurrection. But the practice of burial cannot be explained entirely by religious beliefs. For example, burial is common in China, one of the world's foremost Buddhist countries. Similarly, there are often differences in culture between Christian countries; whereas burial is the most common practice in the United States where there is plenty of land to spare, it isn't as prevalent in some smaller European countries. Nevertheless, a global shortage of burial plots and growing interest in environmental issues has prompted more cremation around the world.

b. Sales Leveling Off

With funerals expected to increase as Japan's population ages, the funeral industry is generally regarded as a growth industry. Thus, a steady stream of companies from different industries have been entering the market, now estimated at roughly 6,500 operators. In addition to funeral regulars and ceremony organizers, a string of hotels, railway companies and agricultural/consumer cooperatives have entered the market. Business methods have diversified, as exemplified by Epoch Japan, which is expanding its chain of franchises specializing in family funeral packages, and Urban Funes, which stages unique funerals intended to impress guests.

Funeral prices are falling. Consumer awareness is shifting, and the industry is undergoing structural change, typified by more operators in the market, particularly new operators focusing on packaged services and transparent pricing in place of traditional pricing systems that were unclear.

As a result of these trends, total sales are likely to level off or slightly decline. The industry is likely to undergo further restructuring, including streamlining and reorganization of operators.

## 2. Market Scale

a. About ¥1.6 Trillion

There are two methods of calculating the scale of the funeral market. One used by industry organizations puts the scale at approximately ¥1 trillion, and the calculation includes average annual sales per funeral operator (¥110 million) multiplied by the number of operators (6,500), or over ¥700 million, plus sales of incidental services. The number of deaths in 2004 came to 1.02 million, suggesting that the average cost per funeral was around ¥1 million. However, this does not include sales of indirect services, such as gifts, transportation and catering provided by operators not directly involved in the funeral.

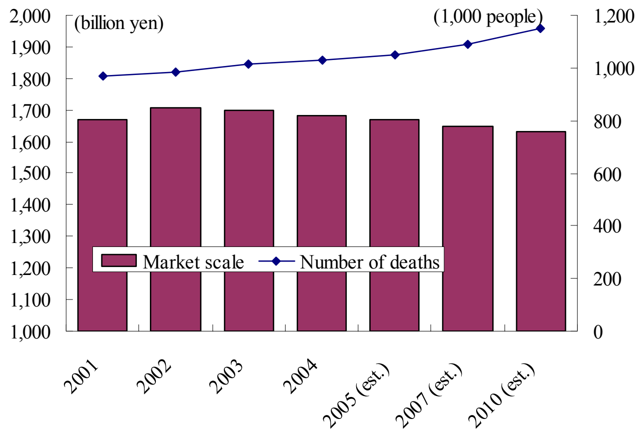
The other method of calculation includes sales of indirect services, estimated at roughly ¥650,000 per funeral, which puts the average price at ¥1.65 million and the market at ¥1.68 trillion.

These two methods of calculation differ according to the definition of services provided by the funeral industry. As major funeral operators increasingly offer services of gifts, transportation and catering, this report uses the latter calculation method, which puts the market at ¥1.68 trillion.

According to estimates released by the National Institute of Population and Social Security Research in January 2002, the number of deaths in Japan was expected to rise from 1.08 million in 2005 (Ministry of Health, Labor and Welfare estimate) to 1.7 million by 2035, resulting in a need for more funerals. But funeral prices are falling, due to 1) changes in consumer spending attitudes, 2) more nuclear families as the population ages and the birthrate drops, 3) the weakening of family and neighbor relationships in urban areas and 4) more transparent funeral charges.

Although these factors are affected by macroeconomic trends, they are also closely related to one another. For example, the increase in demand for reasonably priced services to meet the limited budgets of some households has created opportunities for companies offering transparent charges.

**Fig. 1 Funeral Industry Growth Forecast**




Note: Data based on estimates by Yano Research Institute

Source: Number of deaths based on Ministry of Health, Labor and Welfare population data and National Institute of Population and Social Security Research estimates

b. New Operators Driving Structural Change

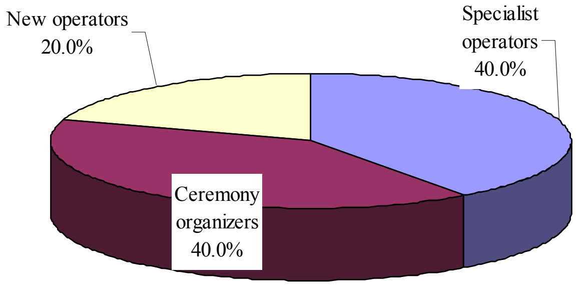
The emergence of new operators has had a major impact on the structure of the industry, causing the previously closed funeral industry to undergo a transformation. Whereas even the major funeral operators have been focusing on making funeral charges clearer, new operators have launched price plans so clear and straightforward that they are wiping out conventional practices (such as the taboo of even discussing prices for holy ceremonies).

Pricing used to be unclear. In extreme cases, some operators billed customers according to how wealthy they appeared to be. This was due in part to the perception that, as a holy ceremony, it was improper for the customer even to ask in advance how much the funeral would cost (i.e. to discuss a holy ceremony in terms of monetary value). But taboos are no longer prevalent, creating a growing demand for transparent pricing, just like in any other service industry.

It is now possible to arrange a funeral for as little as ¥300,000, particularly in urban areas. But this accounts for a tiny minority of operators, as most funeral operators offering so-called inexpensive packages tend to charge around ¥1.6–1.7 million, when all of the optional services are added in.

Consequently, even though the number of deaths is increasing, market scale is expected to level off and then enter a slight decline as average prices fall. The market is forecast to contract from ¥1.67 trillion in 2005 to 1.65 trillion in 2007 and ¥1.63 trillion in 2010 (Yano Research Institute, based on interviews of industry organizations).

**Fig. 2 Funeral Industry Sales Breakdown**




Source: Estimates by Yano Research Institute

## 3. Reorganization of Industry

a. Ceremony Organizers to Emerge

The funeral industry is comprised of two major groups: funeral operators and ceremony organizers (which also arrange weddings, etc.). Recently, however, operators from different industries (such as agricultural and consumer cooperatives, railway companies and hotels) have started to enter the market. Franchised chains have also been on the rise over the last few years.

Sales have declined slightly among funeral operators and even more so among ceremony organizers. However, sales are increasing for new operators (Fig. 2). The result is that ceremony organizers, which are generally aligned collectively under "mutual-aid societies,' are expected to reorganize. The societies are run by organizers and are funded by advance payments from members (Fig. 3).

**Fig. 3 Benefits of Ceremony Mutual-Aid Societies**

- Package deals for monthly fees of roughly ¥1,000
- Payment by installment
- Full range of funeral halls and facilities
- Advance payment guarantee (half of advance payment set aside as security deposit)
- Easy cancellation of membership (refund, less service charge)
- Information and other services for all members

The fact that the majority of the societies' costs (running costs, funeral hall set-up charges and other up-front costs) is covered by advance payments from members has become a serious drawback to this system. Ceremony organizers' net assets only equal roughly 10–20% of the advances paid the society members, so if the organizer running the society goes bankrupt, members risk losing their prepaid monies. Consequently, societies are subject to the Installment Sales Law, which protects customers of financial and credit companies. The societies are also subject to spot inspections by the Ministry of Economy, Trade and Industry. As the Japanese population shrinks, the societies are expected to struggle to attract new members and to secure sufficient up-front payments to cover the costs of offering a full range of services. Since it is impossible for them to increase funding unless membership increases, the number of small and midsize societies facing financial difficulties is likely to increase. As a result, ceremony organizers (mutual-aid societies) are expected to merge, cutting the number of such operators roughly from 300 to 100 over the long term.

Agricultural cooperatives are becoming a threat to regular funeral operators in parts of the country where these cooperatives are well established, particularly rural areas where local and family ties are strong. In such regions, agricultural cooperatives handle nearly 100% of all funerals for their

**Fig. 4 Funeral Operators: Presence and Status**

| Operator | Market presence | Status |
|---|---|---|
| Regular funeral operators | Regular funeral operators in business for a long time account for 2/3 of the 6,500 companies in the industry. Almost all companies are midsize or smaller. This sector has tended to be rather closed. | Pricing is becoming more transparent and firms are working to retain customers as consumers develop more awareness. The market is shrinking and the industry is becoming polarized as large firms focus on all-round services and smaller firms move towards outsourcing. Regular operators' market share is largely unchanged. A major decision factor for customers is whether or not an operator has its own funeral hall and facilities, meaning that smaller firms with minimal resources are likely to go out of business. |
| Ceremony organizers | Most ceremony organizers are in mutual-aid societies and offer funerals among other ceremony services. There are about 300 such operators. This, and new methods such as seminars, enabled ceremony organizations to grow rapidly as the other main force in the industry. | The majority of ceremony organizers face major problems due to the practice of financing their running costs largely with advances from members. Laws require them to put half of all advance payments aside as deposits, and regulations on up-front payments are expected to be tightened. These organizers must attract new members to increase funding, but considering that memberships have leveled off, smaller societies are expected to merge. |
| Agricultural cooperatives | Agricultural cooperatives provide funeral services as part of their member services. Marketing to local non-members is also common. | Agricultural cooperatives have strong relationships with local families and members, and can offer services at lower prices than regular funeral operators. Their high recognition and trust in local communities also exert a strong pull over non-members. Over 60% of all agricultural organizations offer funeral services. This equals 7–8% of the total market, making these cooperatives a powerful rival for regular funeral operators and ceremony organizers. |
| Consumer cooperatives | Consumer cooperatives provide funeral services as part of their member services. Marketing to local non-members is also common. | Consumer cooperatives do not have relationships with communities and families as strong as the agricultural cooperatives. They are limited to cooperation and mediation with regular funeral operators. |
| Railway companies | The original aim was to make effective use of underutilized real estate and create work for surplus employees. Marketing to regular customers other than group employees is also common. | Some railway companies, despite entering the market rather recently, have experienced rapid growth due to their extensive capital resources and facilities. Since they can meet customers' primary needs (inexpensive services and privately owned funeral halls and facilities), these companies are likely to rival regular funeral operators and ceremony organizers in the future. |
| Hotels | Hotels have entered the funeral market, often through partnerships. | Hotels have the edge in facilities and services (hospitality, catering, etc.), but struggle to offer inexpensive services. In most cases, hotels must partner with temples or regular funeral operators. |
| Miscellaneous funeral service providers (cemeteries, gravestones, family altars etc.) | Large firms generally offer services on the side, while smaller firms are also offering services in order to compete with regular funeral operators that have expanded into the respective fields of these firms. | While most of these operators offer services as a side business, some have entered the market full-scale as their new main line of business. |
| Others | These include ad agencies (funerals for prominent businesspeople), and security companies offering funeral hall security services. | Services offered by these operators are limited to side businesses. |

Source: Compiled by Yano Research Institute members, and they are now working to attract new customers among non-members. Agricultural cooperatives already account for 7–8% of the funeral market, and this share is expected to increase. Other new entrants include consumer cooperatives, hotels and railway companies. These newcomers, however, are not as strong a threat as agricultural cooperatives because they do not have the same powerful links to local communities. Advertising agencies have even entered the market, although services are limited to funerals for prominent businesspeople. But since this segment of the market is declining, new operators are likely to have only minimal impact on the overall market.b. Polarized Service Structure

Operators have developed various methods for cutting the cost of funerals. These include expanding the range of services to increase per-funeral sales and cutting back on running costs through large-scale outsourcing. Operators are tending to choose one of these two strategies, and this is polarizing the service structure.

Osaka-based Koekisha, the biggest company in the industry, is becoming an all-round funeral service provider directly handling home altars and other religious items, catering, embalming, thank-you gifts (from the bereaved) and transportation, which have always formed part of the company's operations. Koekisha is also drawing up funeral pricing menus to suit customers' budgets and make their prices more transparent. The fee structure consists of a basic charge ("altar charge"), combined with optional expenses such as funeral hall rental, catering and thank-you gifts.

Like Koekisha, most large companies are adjusting to changes in demand by enhancing their offerings with more comprehensive services and transparent pricing.

Smaller firms are countering the all-round capabilities of the larger firms by outsourcing incidental services. Although this helps to cut operations/personnel costs and the need for financing, quality management becomes riskier when services are outsourced.

c. Marketing Schemes Focused on Communities and Memberships

Traditionally, funeral operators' only marketing channel was hospitals and similar locations. Nowadays, however, doctors can often predict time of death with reasonable accuracy, which enables people to begin arranging funerals in advance. Also, people are less reluctant than before to get involved in funeral arrangements, so relatives of the deceased now commonly choose the funeral company themselves. Consequently, hospitals have ceased to be a key sales channel. While the percentage of funeral orders resulting from hospital referrals tends to be relatively high in rural communities, it is only around 20% in urban areas. Operators are therefore organizing educational events, such as seminars and culture classes, as part of their efforts to approach customers directly. Conversely, many new market entrants are utilizing the now-underused hospital sales channel to attract customers.

The main marketing strategies of funeral operators are to retain existing customers and to organize educational activities. In the past, ceremony mutual-aid societies used such methods to communicate with existing members and attract new members. The funeral industry is a strongly community-based industry that targets specific customers in specific regions rather than the general public. In fact, many operators build their customer base through word of mouth by providing quality, conscientious services to a focused range of customers and then proactively retaining existing customers.

Membership schemes are a prime example of this approach. A significant number of funeral operators are now using membership schemes, somewhat similar to mutual-aid societies, to develop business through personalized services and close communication with customers. Since these schemes have only been developed in recent years, they do not have the same organizational effectiveness once enjoyed by mutual-aid societies. Over time, though, they could represent an effective customer-retention strategy, considering that individuals are now more directly involved in arranging funerals.

## 4. Products and Services: Ceremonies in Funeral Halls and Facilities

Basic charges for funerals, including altar and funeral hall fees, have leveled off or are declining slightly, with nonessential costs such as flowers, distribution and overhead declining even further (Fig. 5). In addition, industry associations are instructing operators to eliminate costs such as tips. While costs for gifts and catering remain unchanged, the number of people participating in funerals is dwindling, so cumulative expenditure on such items has been falling.

Customers choosing to use funeral halls are on the increase (Fig. 6), making such facilities a necessity for funeral operators. In the past, it was more common to hold funerals in people's homes, assembly halls, community centers or religious establishments, such as shrines, temples or churches. Today, however, many consumers' desire to avoid the burden of making funeral arrangements has increased the emphasis on services that offer convenience.

**Fig. 5 Costs and Trends of Individually Arranged Funerals**

| Item | Avg. expenditure. ('04) | Cost trends (YoY) | Vendor trends |
|---|---:|:---:|:---:|
| Altar | ¥600000 | Down about 1% | — |
| Funeral hall/facilities | ¥200000 | Level | Up slightly |
| Flowers/wreaths | ¥120000 | Down about 2% | — |
| Hearses/transportation | ¥80000 | Down about 2% | — |
| Gifts | ¥1,000 × 180 people | Level | Down about 3% |
| Catering | ¥4,000 × 100 people | Level | Down about 1% |
| Other expenses | ¥80000 | Down about 1% | — |

Source: Estimates by Yano Research Institute

**Fig. 6 Reasons for Increased Use of Funeral Halls and Facilities**

| | |
|---|---|
| Home or community center | Increasingly difficult to secure sufficient space for ceremony |
| | Impractical to hold ceremony in apartment block or high-rise building |
| | Neighborhood relationships weakening |
| Shrine, temple, church, etc. | Declining interest in religion and weakening ties with Buddhist practitioners |
| | Unclear pricing, and cost differences among shrines, temples and churches |

Source: Compiled by Yano Research Institute

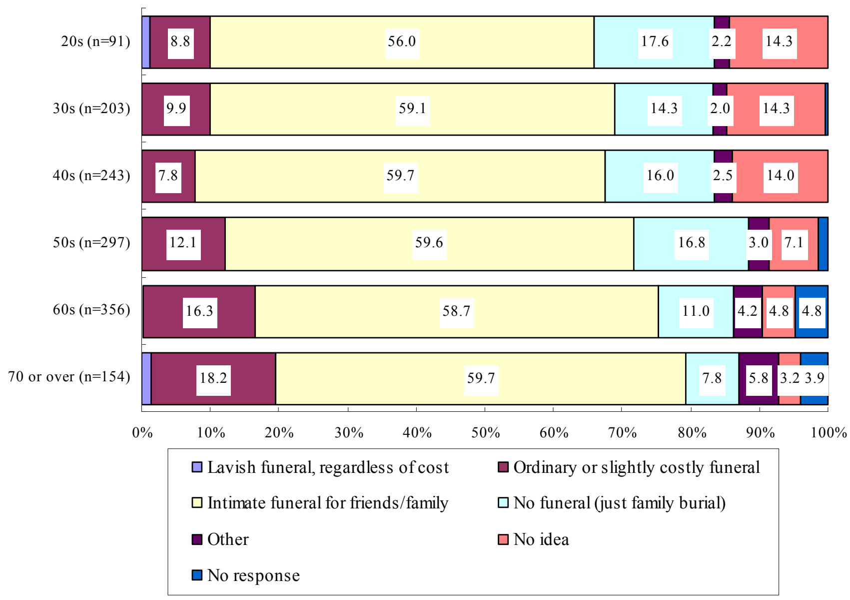
Falling prices and the growing preference for funeral halls are trends seen more in populated urban areas. Success is beginning to hinge largely on whether or not an operator has its own funeral hall and related facilities, so ownership is on the rise amongst operators of all sizes. But setup and running costs can be excessive, particularly for smaller operators, which has forced many operators out of business. Nonetheless, without such facilities it is difficult to respond to customers' needs and also attract new customers. As a result, an increasing number of smaller companies have teamed up to jointly own facilities. But this can also create other problems, since operators' respective interests sometimes conflict, so many cases of joint ownership have ended in failure. While business-development opportunities abound, the fact that success largely depends on direct ownership of facilities is likely to force smaller operators to reorganize.

## 5. Industry Opens Up as New Operators Emerge

More than 50% of respondents to a survey in Tokyo indicated they would prefer an intimate funeral with close friends and family, while more than 70% of people from age 40 expressed a desire to have a simple funeral, or none at all (just a family burial (Fig. 7).

Moreover, there has been an increasing sense of distrust regarding funeral operators' nontransparent pricing. A consumer questionnaire carried out by Yano Research Institute in 2002 underlined this trend (figs. 8

**Fig. 7 Preferred Scale of Funerals**




Source: Tokyo Metropolitan Government, *Survey Report on Funeral Expenses* and 9), and indicated such dissatisfaction was increasing.

Failure to respond fully to this dissatisfaction has had a major impact on business. Ceremony organizers were first to notice the problem, but they responded by introducing package deals and discount prices for their mutual-aid society members, rather than reaching out directly to consumers. As new operators entered the market with inexpensive package deals, there was massive impact on the industry, forcing it to change. Even large operators have started to offer package deals and other tailored services to meet consumer needs. The industry as a whole is finally responding directly to consumer needs, just like any other service industry.

**Fig. 8 What Needed to Organize Future Funeral**

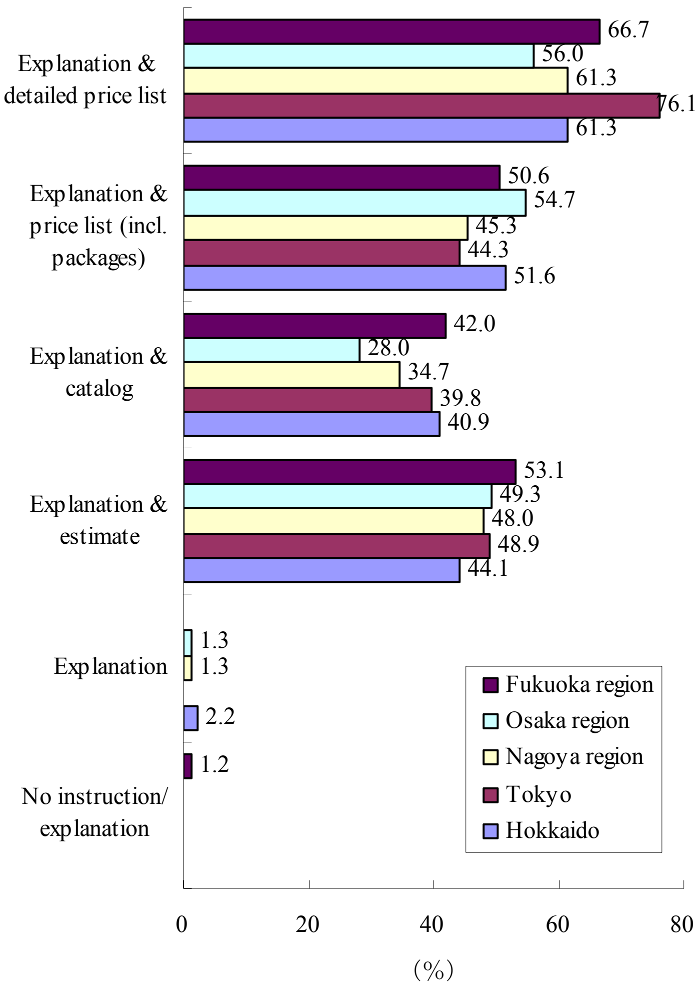
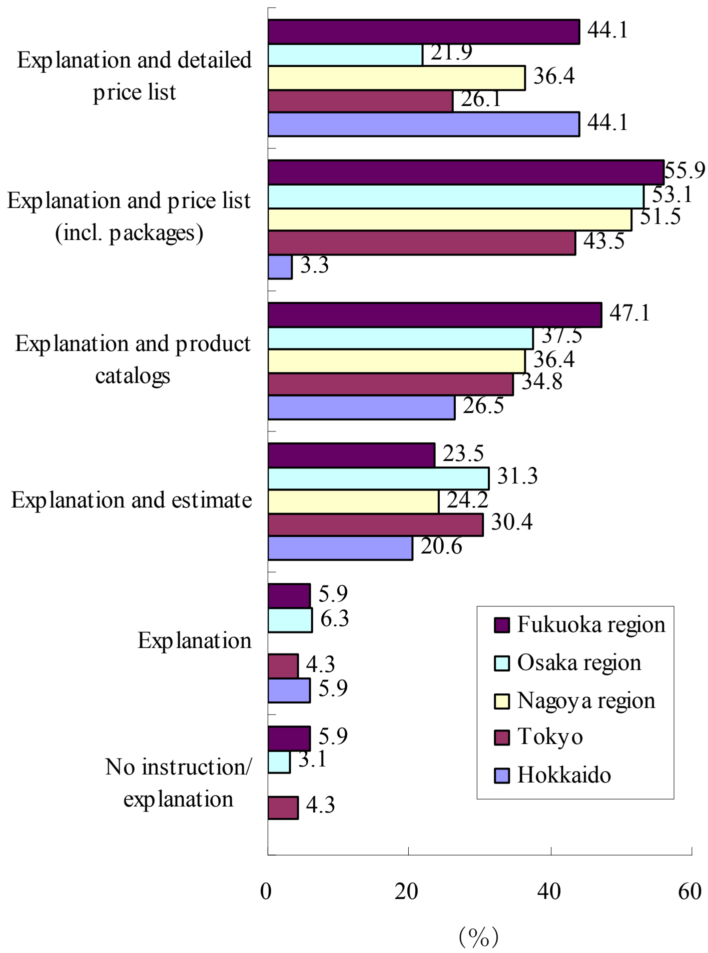



**Fig. 9 What Received When Organizing Past Funeral**




Source: Yano Research Institute

## 6. Laws, Regulations and Keys to Market Entry

a. Laws and Regulations

There is no law or regulation restricting companies from entering the funeral industry, nor is there any sort of government approval system. In other words, basically any company can run a funeral business. The only legal restrictions are regulations under the Installment Sales Law concerning mutual-aid societies, and the Law Concerning Cemeteries and Interment. Even so, mutual-aid societies (advance-payment membership) are not affected by the Installment Sales Law unless they are integrated into a business model. Moreover, the other law merely covers matters such as the location of crematoriums and the interment of bodies (in cemeteries), areas that do not usually affect the operations of most funeral operators. Operators' core funeral services (i.e. funeral ceremonies) are not subject to any special regulation.

b. Keys to Market Entry

When entering the Japanese funeral market, foreign companies need to understand that Japanese funerals themselves are closed in nature, meaning that it is rare for funerals to stray from established Japanese customs.

The funeral industry is strongly community-based, meaning that it takes considerable time and money to penetrate the market. Moreover, even if an operator offers inexpensive funerals, total costs tend not to vary significantly among operators once the incidental costs leading up to interment are added in. Incidental services, especially catering, transportation and gifts, must be subcontracted since few operators can provide a full range of services by themselves.

Finally, it is important to note that the number of funerals varies dramatically, depending on factors such as the season. One way to combat this is to hire part-timers, but operators need to make sure that their use of non-permanent staffers does not lower service quality.

To overcome such difficulties while still turning a profit, operators must establish close relationships with their local communities and service providers.

## 7. Market Entry by Foreign Companies

The first case of a foreign firm entering the Japanese funeral market was All Nations Society in November 2004. The firm's president, John Kamm, made the following comment to a journalist: "The unclear nature of Japanese funeral charges is the same as the situation in the United States 20 years ago. You can succeed in this business as long as you have a clear pricing structure."

Boasting simplicity and open accounting, All Nations Society entered the market with a low-cost package enabling customers to pre-book funerals for as little as ¥300,000, and it has steadily increased sales ever since. The main reason behind the company's success is the fact that it closely analyzed Japanese consumers' needs and targeted Japanese funeral operators' biggest weakness, namely the lack of transparent pricing. Another major factor was the company's previous experience running a funeral business in the United States. As a result, All Nations Society has had a major impact on what is essentially a closed industry.

Service Corporation International (SCI), a franchise-based operator and one of the leading companies in the U.S. funeral industry, has been making inroads into Taiwan, South Korea and other parts of Asia in recent years, aggressively expanding its network at a rapid pace. SCI, which deals primarily with cremation, is increasing the scale of its business worldwide through M&A. If a company such as SCI, which has been successful in its home country, were to acquire experience and expertise in the Japanese funeral business through M&A, it is possible that it too could be successful in Japan.

## 8. Other Issues

The Japanese funeral industry is not threatened by any other major issue. Nevertheless, there have been some noteworthy developments of late, including the start of franchise businesses, the emergence of ratings organizations, the growing availability of embalming services and natural (ash-scattering) burials, and the introduction of funeral director qualifications.

● Franchising meets new consumer needs

Epoch Japan has been expanding franchise operations based on its "Famille" range of inexpensive family funeral packages. Several other funeral operators have also introduced franchise systems, such as Heian Ceremony Service. Firms actually began experimenting with franchising over 30 years ago, but the closed nature of the industry prevented the system from taking root.

**Fig. 10 Benefits of Franchise Systems**

- Standardized prices → transparency
- Price deals → cost cutting
- Standardized services
- Standardized systems → lower costs
- Branding → more consumer trust

Franchising is now meeting new consumer needs owing to its transparent pricing and community-based services, thanks to its propensity to integrate into local communities. The drawbacks of the system include franchise fees and regulation. Although many feel the franchise system needs improvement to gain more popularity, others believe there is potential room for the existing system.

● Rating systems begin to emerge

A number of funeral industry rating systems have been launched, but they are still somewhat experimental. A typical example is a system developed by Japan Etiquette and Culture Investigation Association (JECIA, http://www.jecia.co.jp), which charges about ¥200,000 to obtain a rated license under a five-tier accreditation system. So far, around 80 companies have been rated. All companies receiving the top five-star rating are then listed on the JECIA website. Elsewhere, the Japan Funeral Operators Association (http://www.zensoren.or.jp), a consortium of regular funeral operators, tracks customer-satisfaction levels amongst its members and gives ratings.

Since consumer trust has become the most important factor for funeral operators, standardized assessments would help. In the future, consumers are expected to become increasingly particular when evaluating funeral operators, so rating systems are likely to become widespread.

● Embalming services gaining limited popularity

Around a dozen companies, including industry-leader Koekisha and a select group of ceremony mutual-aid societies, have started offering embalming services. The industry is watching to see whether or not this trend becomes more popular, but the number of companies offering embalming has not grown over the last few years.

Embalming originated in ancient Egypt, and has continued to be practiced in Judeo-Christian societies, and in countries where burial is common, such as China. This is partly due to religious beliefs in the resurrection of the dead. Another factor is that the countries where burial is the norm are mostly countries with large expanses of available land. In large countries such as the United States, there is also a need for embalming out of consideration for the time it takes for mourners to gather for funerals. Embalming is not as common in Europe, on the other hand, which has never had the same vast expanses of land as the United States, even though Christianity is deeply rooted there. As the Japanese don't share the same religious beliefs, and the country is comparatively small, cremation has become the norm.

Cremation, however, is becoming more widespread in countries such as the United States and China. The rate of cremation in the United States is now above 30%, with cremation also starting to be encouraged in China. Embalming is prohibited in Holland because the preservative fluids can seep into land below sea level and cause pollution. The rapid spread of cremation and steps to prohibit embalming have caused significant numbers of embalmers from areas such as North America to come to Japan looking for work, hoping to promote embalming as a new service.

At present, however, embalming in Japan is limited to cases in which the body is stored temporarily prior to cremation. Although there is undoubtedly untapped demand, such as storing bodies to enable people working overseas to travel back to Japan for the funeral, or shipping the bodies of foreign citizens overseas if they die while in Japan, it is hard to imagine that embalming will ever become widespread in Japan. Popularity is expected to remain minimal.

● Rules needed to facilitate natural burials (scattering ashes)

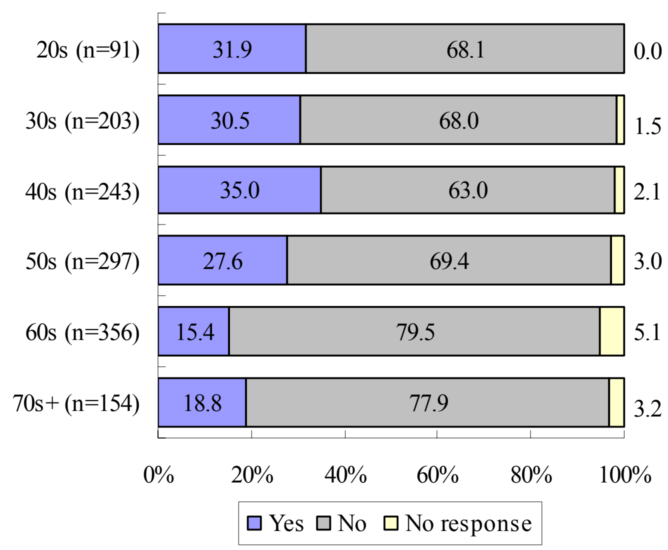
The growing demand for simpler funerals in part reflects the increasing number of people wanting natural burials. Natural burials in Japan mainly consist of scattering ashes at sea or in the mountains. Services are offered by a number of companies, such as the JASDAQ-listed Sun Life Group.

More than 30% of people under 50 say they would like their ashes to be scattered, compared to less than 20% of those 60 or older. Of those who say they do not want a funeral, 53% would like to have their ashes scattered. Although a law states that remains must be buried in a cemetery, the law only applies to conventional burials, meaning that there is no law prohibiting ashes from being scattered. At present, however, natural burials are carried out with the implicit understanding that they should be performed with restraint.

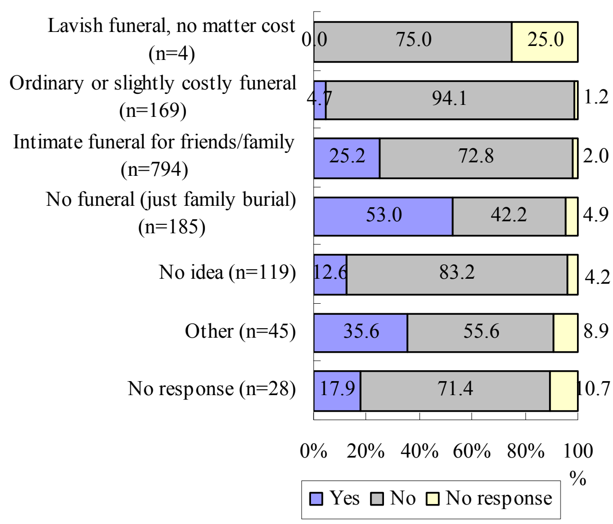
Although natural burials offer the advantage of being simple and inexpensive, they do pose problems, such as damaging the image of areas where ashes are scattered. In the past there have been a number of cases of disputes with local communities where ashes have been scattered. An ordinance banning the practice was even passed in a part of the northern island of Hokkaido, where great numbers of people were scattering ashes, and this triggered similar bans and restrictions throughout Japan. If the practice of scattering ashes gains more popularity, rules will first need to be devised.

**Fig. 11 Consumer Preferences on Scattering Ashes**

Preferences for Scattering Ashes (by Age)




Preferences for Scattering Ashes (by Funeral Scale)




Source: Tokyo Metropolitan Government, *Survey Report on Funeral Expenses*

● Funeral-director qualification system takes shape

The biggest issue funeral operators face is training. As the funeral business is essentially an intangible service, improving the quality of personnel is an important and never-ending task.

In addition to setting up a membership scheme called the "If Welfare Society" in 1995, the Japan Funeral Operators Association also established the Funeral Director Qualification system as part of its efforts to train high-quality personnel capable of gaining consumer trust.

A Ministry of Health, Labor and Welfare accredited screening program to test funeral director skills was introduced in 1996 as a quasi-national exam. There are two versions of the exam, which respectively require at least two or five years of practical experience. Candidates are examined on every aspect of the profession, from practical skills to manners. Qualification is granted only to those who achieve a certain standard.

Until now, customers never had any standardized criteria against which to judge the ability of funeral operators. The qualification system reflects the related move to raise funeral-industry standards as a whole by establishing a funeral director screening association, based primarily around the Japan Funeral Operators Association and the Cooperative of All Japan Ceremonial Mutual-Aid Societies, the latter essentially a consortium of mutual-aid societies.

In the nine years since the qualification system was started, consumers have gradually become more aware of it. The exams have also become more difficult. Although many people in the industry feel that the system is indeed helping to gain consumer trust, many others feel that more work is needed before the system can raise industry standards meaningfully. This is why the Japan Funeral Operators Association, working in cooperation with the Sanno Institute of Management, set up the Funeral Business School to provide additional training. The curriculum is focused on improving necessary skills, with students following textbooks and attending courses three times a year for two years before they receive their certificate of graduation. Textbooks are currently being compiled for different business levels. The textbooks for the advanced course for large companies and operators have already been completed, with intermediate and introductory textbooks now under development.

**Fig. 12 Funeral Director Qualification Exams and Pass Rates**

| | Level One | | | Level Two | | |
|---|---|---|---|---|---|---|
| Fiscal year | Candidates | Passes | Pass rate | Candidates | Passes | Pass rate |
| 1996 | 1,804 | 1,463 | 81.1% | 987 | 859 | 87.0% |
| 1997 | 1,495 | 924 | 61.8% | 732 | 565 | 77.2% |
| 1998 | 1,165 | 767 | 65.8% | 650 | 495 | 76.2% |
| 1999 | 1,441 | 965 | 67.0% | 712 | 451 | 63.3% |
| 2000 | 1,074 | 538 | 50.1% | 703 | 568 | 80.8% |
| 2001 | 1,036 | 476 | 45.9% | 616 | 470 | 76.3% |
| 2002 | 1,178 | 591 | 50.2% | 701 | 482 | 68.8% |
| 2003 | 1,175 | 581 | 49.4% | 870 | 611 | 70.2% |
| 2004 | 1,215 | 616 | 50.7% | 972 | 667 | 68.6% |

Source: Japan Funeral Operators Association website

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