

Doing Business in Japan

A Guide for Irish Companies



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Introduction

This guide is intended as an introduction to the Japanese market for Irish companies who are interested in doing business there. It provides guidelines for those who want to realise successful business in this dynamic country and describes the cultural context in which business transactions take place.

The Japanese market is significant. With a GDP of \$ 4.67 trillion in 2004, it is the 2nd biggest economy in the World. More importantly it is a mature, homogenous market with a highly developed infrastructure providing easy access to its wealthy population of over 127 million. Despite its maturity Japan had real GDP growth of 2.6% in 2004.

Japan has internationalised over the past 5 years and multi-sectoral deregulation, a growing number of foreign takeovers, active promotion of Foreign Direct Investment by the Japanese government, along with an increasing openness and confidence in foreign goods and services make Japan a more comfortable environment for Irish companies to do business. An increase in imports of goods into Japan of 18.8% in 2004 gives some idea of the growing interest in foreign product.

Japan is an advanced industrialised nation and its sophisticated market demands the highest levels of quality, service and commitment, matching the vision we have for Ireland as a world class supplier of goods and services.

I hope that this guide is an informative and useful source for companies seeking to enter the Japanese market.



Gerry Murphy Director
International Sales & Partnering
Enterprise Ireland

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About Japan

Area

Japan is an archipelago of more than 3,000 islands, the main islands from North to South being Hokkaido, Honshu, Shikoku and Kyushu, with a total land area of about 378,000 sq. km.

Population

Japan has a population of 127.6 million with a relatively small foreign population of 1.85 million foreign residents. One third of the non Japanese population is Korean. Only 14% of the land is usable and so the population density is high.

Climate

The climate in most of Japan's major cities is temperate to sub-tropical and consists of four seasons. The winter is mild and the coldest month is January with an average temperature of 4.9C. The summer is hot and humid, and the hottest month is July, with an average temperature of 28.5C. There is a rainy season in early summer and seasonal winds and typhoons are common in September-October.

Language

Japanese is spoken across the whole country and there is little difference in dialects from region to region. English is taught in schools but is not widely spoken. With the exception of corporations that are involved in overseas transactions on a daily

basis, the employees of a company are unlikely to carry out business negotiations in English. Written Japanese is complicated and difficult to read but major signage tends to be bilingual.

Religion

Shinto and Buddhism are Japan's two major religions. They have co-existed for several centuries and complement each other to a certain degree. Most Japanese consider themselves Buddhist, Shintoist or both. Religion does not play a big role in the everyday life of most Japanese people today. The average person typically follows some religious ritual at ceremonies like birth, weddings and funerals, may visit a shrine or temple on New Year's Day and participates at local festivals, most of which have a religious background.

History

Japan has a long history, subdivided into 14 eras, according to the particular clan in power at the time. The current era is known as the Heisei era, named so after the current Emperor, Heisei. One of the most important eras in Japan's history was the Edo era, which lasted from 1603 to 1867. During this time Japan had virtually no contact with the rest of the world. This period of isolation ended in 1867 when Commodore Matthew Perry forced the Japanese government to open a limited number of ports for trade.



During the Edo era, **1603 to 1867**, Japan had virtually no contact with the outside world

There followed the Meiji Restoration era when Japan, forced to catch up with the rest of the world, underwent its own industrial revolution.

During and after the Meiji era, Japan fought 2 major wars with China and one with Russia and annexed Korea in 1910. Their military dominance in Asia ended in 1945 when they surrendered to Allied forces after the dropping of atomic bombs in Hiroshima and Nagasaki. The allied occupation followed. Japan became a member of the UN in 1956 and emerged as an economic superpower in the 1960s.

Geography

Japan is politically structured into 8 regions and 47 prefectures. *Fig. 1*

The eight regions (north to south) are: Hokkaido, Tohoku, Kanto, Chubu, Kinki, Chugoku, Shikoku, Kyushu. Kanto, Chubu and Kinki are the key industrialised areas but the entire archipelago of Japan is well developed. The sophisticated infrastructure and homogeneity of the population allows easy market access nationwide from Tokyo.

Major Cities in Japan

Tokyo is the capital and biggest city with a population of 8 million, followed by Yokohama with a population of 3.4 million. Osaka is the 2nd most important city, being the capital of the Kinki region, and traditionally the centre of the financial industry, although much of this has now transferred to Tokyo. The area around Nagoya is home to Japan's famous automotive industry.

The Japanese archipelago is located in an area where several continental and oceanic plates meet. This is the cause of frequent earthquakes and the presence of many volcanoes and hot springs across Japan. The most famous volcano is Mt. Fuji, which is the highest point of Japan. It can be seen from Tokyo when the weather is clear.

Getting Around

Japan has a highly developed public transport infrastructure. Trains and buses run precisely on time, although they may be very crowded at rush hour. Public transport signs are typically, but not always, displayed in Japanese and English. Maps are prominently displayed at the exits of most train and subway stations, although not always in English. On your first visit, it's probably best to take a taxi. Once you become accustomed to the subway and rail system, you will find it more convenient to use public transport.



Address System

In Japan the address system is not based on numbered streets, and with the exception of major roads, Japanese streets are not named. Instead, cities and towns are subdivided into areas, subareas and blocks, similar to the insulae system of the Roman empire. Houses within each subarea were formerly not numbered in geographical sequence but in the order in which they were constructed, which can cause some confusion. If addresses are written in Japanese, they start with the postal code, followed by the prefecture, city and subarea(s), and end with the recipient's name. Companies will normally provide you with a map.

Airports

The international airport in Tokyo (Narita airport) is located quite a distance from the city, and transport to and from the airport is infrequent. Due to the distance you should use the limousine bus or train rather than taxis. You should allow 2.5 hours

travel time to and from this airport. Airports in other major cities, and the domestic airport (Haneda) in Tokyo are more conveniently located.

Railways

Japan has an advanced railway system second to none. There are several private railway companies that run commuter services from the suburbs of major cities and the Japan Railway Co. offers a comprehensive rail network throughout the country. Most cities are connected by the Shinkansen (bullet train) which is efficient, very fast and frequent and the best way to travel between major cities on Honshu, the main island. Booking tickets ahead of time is advisable to ensure availability of a seat.



Image Source: © Benoist Sébire, www.benoa.net

Subways

Subways offer the most cost effective and efficient method to get around Japanese cities. Tokyo has a comprehensive system dominated by 2 companies (Toei and Eidan). The lines criss cross the city linking conveniently with the rail system.

Taxis

Japanese taxi drivers speak very little English. Have the full address of your destination written in Japanese, with a map if possible, to give to the taxi driver. Navigation systems are quite common in taxis and the driver can use it to identify the destination and best route.

Driving

You can drive in Japan with a valid international driving license. If you plan to stay in Japan your Irish driver's licence, if obtained at least three months before taking up residence in Japan, can be converted to a Japanese licence. This involves presenting the appropriate documentation and taking an eyesight test, a driving test and a written examination.

Treatment of Visitors

Japanese people are almost always polite and courteous, both among themselves and with foreigners, so hostile experiences are few and far between. Their English language skills may not be sufficient for them to provide assistance but they will go out of their way to help in any way they can. Although there are a growing number of foreigners both living in, and visiting Japan, as an Irish person you will often find yourself in situations where you stand out from the crowd.

Health and Safety

Japan is a safe country and petty crime is rare, although increasing. There is a high, but not particularly visible, police presence. If you have any trouble there is a koban (police box) at every large intersection.

There is no risk of tropical diseases in Japan and water is safe to drink. Advanced medical care is available although it is expensive and English speakers are rare. You should bring any medication you need with you.

Earthquakes

Japan lies in one of the most earthquake-active regions of the world and suffered a devastating earthquake, the Great Kanto earthquake, in 1923 in Tokyo and Yokohama. More recently, in 1995, 6000 people were killed in the Great Hanshin earthquake in Kobe. All new buildings are now built to earthquake proof standards and electrical and gas appliances are typically designed to automatically turn off when an earthquake occurs, eliminating fire hazards, one of the biggest causes of death during and after an earthquake. Falling objects, toppling furniture and panic now present the greatest dangers. You should protect yourself under a table or in a doorway, do not run outside, and try to remain as calm as possible. If you are in the street, try to find protection from glass and other objects that may fall from surrounding buildings.

Visas

Irish citizens do not require a visa to enter Japan and are allowed a 90 day stay via a reciprocal arrangement. You should however carry photo id (ideally your passport) at all times.

Currency

The currency in Japan is the Yen, designated as ¥. The exchange rate with the euro on July 18th 2005 was 134.8.

Not all hotels provide foreign exchange services nor do all restaurants accept credit cards, so it is advisable to carry some yen in cash.

Apart from Post Office ATMs, a small number of international ATMs in major department stores and airports and Citibank branches, most automatic ATMs in Japan do not accept credit, debit and ATM cards issued outside of Japan.

Clothing

Business attire tends to be formal (suit and tie for men; equivalent for women). As the summer is warm and humid, short sleeved shirts and light suits are advised. As shoes tend to be removed when entering restaurants and factories, slip-ons are advisable.

Hotels

Japan has an abundance of business hotels of an international standard. However it can be difficult to get a room at short notice so book in advance. Restaurants in international style hotels tend to be expensive, so its worth taking a walk around the locale to find a less costly place to dine.

Business Hours

All of Japan operates in a single time zone, which is GMT + 8 hours in summertime and GMT + 9 hours in wintertime. Offices generally open at 9:00 although many business people prefer not to have external meetings before 10:00. Offices generally close at 17:00 although many work later and after hours entertainment is the norm. Offices are closed on weekends.

Public Holidays

Japan has a large number of public holidays and it is advisable to check these before arranging a visit. The following are a list of public holidays in 2005:

January 1st and 10th, February 11th,
March 20th-21st, April 29th, May 3rd-5th,
July 18th, September 19th and 23rd, October 10th,
November 3rd and 23rd, December 23rd.

When planning a visit, you should avoid the following periods, in any year:

- Beginning of April (*March is the end of the fiscal year for most Japanese companies, and may be followed by organisational changes*)
- April 29th – May 6th (*a holiday period known as Golden Week*)
- August 12th – 19th (*the summer holiday season called Obon*)
- The holiday period around New Year

Communications

Post

Japan's postal system is reliable, efficient, and inexpensive for both domestic and international mail. Small post offices are open Monday to Friday from 9:00 to 17:00 and are closed on weekends and national holidays. Larger offices are open on weekdays until 19:00 and may also open on Saturdays and Sundays. Mailboxes are red.



Japanese Postal Symbol

Most post offices are equipped with international ATMs which allow you to withdraw cash by foreign Visa, Plus, Mastercard, Eurocard, Maestro, Cirrus, American Express, Diners and JCB cards and provide an English user menu. They do not, however, offer a 24 hour service. While ATMs at major post offices are typically available daily from 7:00 to 21:00 with slightly shorter hours on weekends, ATMs at smaller branches may only operate from Monday to Friday between 9:00 and 16:00. You will of course need your 4-digit PIN.

Mobile Phones

Japan is a leader in mobile phone technology and usage. Mobile phones are omnipresent and incorporate additional functions, such as internet browsers, games, cameras, televisions, wallets and train passes.

However, due to different technologies used, non Japanese mobile phones, including GSM and triband phones, cannot be used in Japan, apart from some 3G models. You can rent a handset in the airport into which you fit your SIM card and this will allow you to roam on your Irish mobile number.

You can also rent a mobile phone with a Japanese number at the airport or from most hotels. You will need to show your passport and pay by credit card.

Public Phones

Public phones take 10 yen or 100 yen coins but provide no change. Telephone cards, which can be used instead of cash, are sold at kiosks and vending machines. Most public phones do not allow you to make international calls and are decreasing in numbers so it is advisable to rent a mobile phone.

Couriers

Japan has a well-developed domestic private courier system, delivering items anywhere in Japan within one or two days. You can send items from any supermarket or store outside which a 'Takkyubin' sign is displayed. Many convenience stores offer



make sure you have an adequate supply of **business** cards

this service. International courier services are also readily available.

Internet and Email access

Broadband is widespread in Japan and available in most international standard hotels. Internet cafes are reasonably common in urban areas and there are several wi-fi hotspot services, although coverage is limited to fast food restaurants, cafes, train stations etc in urban areas.

Meeting and Greeting

Although the accepted form of salutation between Japanese is bowing, most Japanese with international experience will not expect a bow from a foreigner. Quite often, Japanese people will initiate a handshake. If the situation is unclear, wait for the Japanese either to offer a hand or to bow, and reciprocate accordingly.

The first thing to do after the initial greeting is to exchange business cards and you should make sure you have an adequate supply of clean, unmarked business cards, that clearly state your company name, your title and your own name. When you receive a business card from a Japanese, take some time to read it (typically they have English on one side) and put it away carefully.

It is traditional, but not essential, to offer a gift when meeting someone for the first time. It does not need to be an expensive gift, but should be something from Ireland if possible and should be neatly wrapped.

Wining and Dining

Japanese cuisine offers a very large variety of dishes and regional specialities – its not all raw fish!

Some restaurants and private houses are equipped with low tables and cushions on the floor, rather than with Western style chairs and tables, which can be uncomfortable to sit at for long periods of time. The floors of these rooms are normally made of tatami (straw woven mats) and you should always remove your shoes or slippers before entering. Typically chopsticks are used for eating but if you are having difficulty ask for a knife and fork. You should avoid sticking your chopsticks into your food, stabbing your food with chopsticks or passing food with your chopsticks directly to somebody else's chopsticks. It is common to hold the rice bowl in one hand and lift it towards your mouth while eating.

When drinking it is a Japanese custom to pour for your companions, rather than pour your own drink. You are supposed to periodically check your friends' cups, and serve them more once their glasses are getting empty. Likewise, if someone wants to serve you more alcohol, you should quickly empty your glass and hold it towards that person. If you have had enough to drink leave your glass full. Don't start drinking until everybody at the table is served and the glasses are raised for a toast, which is usually "kampai".

Tipping is not expected.

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Doing Business in Japan

Japanese society was, until the middle of the nineteenth century, structured on feudal lines and quite isolated from the rest of the world. As a result it has remained to a large extent a single-race nation, with almost no immigrants and the prevailing ethos even today is conservative, with an ingrained respect for seniority, and a strong commitment to education and work.

The Western concept of the individual is not prevalent in Japan and normally a person is defined primarily as belonging to a group (family, company etc). This emphasis on the community over the person means that the notion of entrepreneurship is still under-developed in the Japanese business world.

Despite the differences, Japan is open for business and professionalism and commitment will allow you to reap just rewards. It is however useful to have some understanding of the centuries-old traditional concepts that continue to influence Japanese business and society.

Wa (Achieving Harmony)

Many Japanese values are based on religious beliefs that emphasise the maintenance of harmonious relations with others. The term wa, which literally means 'circle' is used to convey the notion of harmony, unity, peace, and wholeness in a social group.

The embracement of wa in the corporate world is believed to result in unparalleled trust, co-operation and loyalty, which leads to high productivity, shared responsibility, and smooth management/labour relations.

Hierarchy

Japanese companies have a vertical hierarchy. This is evident in the formal and informal mechanisms for communication, which allow information to be transmitted from the lower levels of an organisation through the various layers of management to the top. Because of the systems for communication, a relatively low-ranking employee in an important division will have active influence in the company affairs. However adequate respect must always be bestowed on the more senior in the organisation.

Nemawashi (Consensus Building)

Japanese organisations are more oriented toward group decision-making and full responsibility for making decisions is seldom delegated to a single individual. Even though top managers in a company ostensibly have greater authority in the decision-making process, staff holding lower and middle-management positions play a key role. There is a tendency to avoid confrontation and argument, so projects are seldom discussed openly in detail by a group of people. Before any significant proposal is formally circulated for approval, the process of Nemawashi is first undertaken.

This involves the project champion talking to key decision-makers at lunchtime or over a drink, to explain informally what he/she is planning to propose formally in the Ringi-sho system.

The objective is to solicit understanding, advice and comment so that the proposal submitted to the subsequent Ringi-sho system anticipates any difficulties and has a higher probability of success. When people then get together, it is almost certain that they are already familiar with the project and are able to endorse it. Any element of surprise is considered sufficient reason to politely decline the proposal.

Ringi-sho (Project Proposal)

When a middle manager wants to make a suggestion in relation to an important decision he usually prepares a written document for circulation among all persons whom it may affect. The written suggestion is called a ringi-sho, often translated as a 'project proposal'. Those who approve of the suggestion affix their personal seal to the document as a sign of support for it and then pass it on to other persons of equal or higher rank in the company. The suggestion gains credibility as seals of approval accumulate from individuals who have read it. Individuals may suggest modifications of the original proposal or raise questions, and these may be incorporated into the ringi-sho. In the end, if there is sufficient support, the ringi-sho will be brought up step by step through the management structure to the Board of Directors. A suggestion that makes it that far is usually authorised for implementation by the company.

The ringi-sho system may be slow when compared to direct top-down decision-making. However, if a proposal is accepted, it is usually implemented quickly, since all relevant parties are aware of the proposal and have at least nominally approved it prior to its adoption.

The Role of Middle Management

In a Japanese company, meeting only with the individual at the top of the organisational hierarchy will not necessarily lead to a business relationship. In Japan, the role of the CEO is quite different from that of CEOs in Western companies. Japanese corporate bosses are primarily consensus builders who work to establish trust within the organisation. It is certainly useful to meet the CEO, but it is unlikely that they will be willing or able to discuss technical details or commercial proposals.

Meeting members of the middle management is most important because of the vital role they play in the decision-making process. When you deal with larger companies, your first meeting may be with young section managers. If your delegation includes more senior executives, Japanese section managers may arrange for a superior to meet with you briefly as a courtesy. Higher-ranking executives are introduced as the relationship between the parties develops.

Decision-making in Japanese companies depends on middle managers. Their job is to maintain constant contact with junior employees and transmit their input and opinions to top management. They must have a hands-on approach to operations and be familiar with many aspects of the business. Support from middle managers is critical for your success in Japan.

Developing Relationships

In order to win the support of middle management it is important to provide them with precise information beyond a product overview. They should understand your product and proposal well, how it can benefit the client company, and how it should be implemented. You should also provide details of relevant case studies where relevant. You will need to meet your Japanese counterparts frequently rather than relying solely on email or teleconferences.

Communicating in English

Communicating properly is a crucial factor in successful business dealings everywhere. Although in Japan English is taught at school, few Japanese people are sufficiently fluent to conduct business comfortably in English. Furthermore, those that do speak English often speak it with Japanese nuances which can lead to misunderstandings.

In the Japanese language the word 'Hai' is used frequently. Although it actually means 'you have my attention', it is frequently mis-interpreted as 'Yes'. On the other hand 'No' is very rarely used as it is considered harsh and rude. Your Japanese counterpart will try to avoid directly insulting you by openly rejecting your proposal so instead may say something like 'that would be difficult' – to be interpreted as near impossible.

Furthermore Japanese people will generally not wish to offend you by saying they do not understand, so you should try and elicit clear feedback at every stage in the process, to encourage full understanding.

You should also avoid Irish colloquialisms which are unlikely to be understood and may be interpreted literally, causing confusion.

Always confirm any agreements or discussions in writing to ensure there has been no misunderstanding.

Interpreters

Although Japanese companies may not request the presence of an interpreter, it is a good idea to hire one. An interpreter will be able to help you read facial expressions and other gestures. Make sure you brief the interpreter thoroughly before the meeting and have them de-brief you afterwards.

Interpreters in Japan are ranked, and their rates are determined according to their rank. The top ranking (AA) is applied to simultaneous interpreters qualified to work at international conferences. For business negotiations, a consecutive interpreter ranking (B) will suffice. The rate is around ¥50,000 per day. Consecutive interpreting, however, doubles the length of a meeting.

Translation

While most Japanese can read and write English it is often necessary to have documents translated. Because of the high risk of misunderstanding, it is crucial to take time to ensure that any translation is not just grammatically accurate but that nuances are correctly interpreted. Give the translator plenty of time to prepare a number of drafts and be willing – and available – to work through these in detail with the translator. Payment is based on a page rate, which depends on the translator's skill.

For English to Japanese translation, rates start at ¥5,000 for a 400-character page; for Japanese to English translation, rates start at ¥7,000 for a 200-word page. Remember that translation should always be undertaken by a native speaker of the target language, and allow for the difficulty in finding specialists in both your schedule and your costs.

Entertainment

Entertainment is part of the corporate culture in Japan. The Japanese are wonderful hosts and you should spend at least some time outside the working environment with your Japanese partners and clients. This serves to strengthen your relationship. Typically a meal will take 2 hours after which your Japanese partners may decide to go to a second venue. You don't have to join them.

When your Japanese partners and clients visit you in Ireland, make sure to adequately reciprocate the hospitality.

Selling in Japan – The Consumer Market

Japan is the most sophisticated market in the world and demands experienced business, marketing and sales skills. With the 2nd biggest GDP/capita in world, at 1.7 times that of the EU, (and the biggest market covered by 1 language) and 25% of accumulated world cash savings it is a wealthy, lucrative and accessible market but one where trends are always changing and you cannot afford to stand still. It is a market that rewards patience and persistence but where there is no scope for 'making a quick buck' or 'winging it'.

The Japanese Consumer

The Japanese consumer is both cash rich and well informed. The average annual salary was €38,000 in 2004 and the society is predominantly middle class. The Japanese pay more attention to the finish of a product than its price or overall performance. They tend to be influenced by the opinions of their colleagues, friends, and neighbours and like to buy on a recommendation or from a recommended source.

When Japanese buy product it is normally either for their own practical use, for a gift or, especially in the case of imported goods, for social status. The price category of the merchandise in which they are interested tends to be very low (functional products for practical use) or very high (gifts and products to raise social status). This phenomenon can be seen in the expanding sales of expensive Western brands alongside the popularity of 100 yen shops. As there is an expectation that European products are high quality and high priced, there is little opportunity for low priced Irish product which at any rate could not compete with the prices of product sourced in lower cost economies in the region.

Key Consumer Groups

The woman holds the purse strings in Japan, and is still the primary shopper and key influencer of spending patterns in Japan. However recently two consumer groups are gaining importance.

- *Parasaito Shinguru (Parasite Singles)*

These women, who don't fancy the prospect of giving up independence and a career to marry a salaryman, elect to stay living with their parents where they pay cheap board, if any,



The key factor is whether or not you can guarantee a consistently **high quality** product or service

have few household chores and get to spend all their money.

It is a growing group – more than 50% of Japanese women are still single by 30 (compared with about 37% of American women) and nearly all of them live at home with Mom and Dad. Although they earn, on average, just \$27,000 a year, they are Japan's leading consumers, since their entire income is disposable. They have created a boom in haute couture accessories by Louis Vuitton, Bulgari, Fendi and Prada, as well as in cell phones, minicars and other luxury goods. They travel more widely than their higher-earning male peers, dress more fashionably and are more sophisticated about food and culture.

- *The Retiring Baby-Boomers*

Japan's population is aging more rapidly than any on the planet and Japanese (and specifically Japanese women) also live longer than anyone else in the world. Older consumers are now assuming a leading role in the marketplace in Japan. Aged 50 or older, they have finished raising and providing for the education of their children and are now shifting their attention to their own married and individual lifestyles. This rapidly expanding segment of the population now accounts for approximately 40% of the total population.

Added to this phenomenon is the fast approaching retirement of the baby boomers – defined as those born between 1947 and 1949 and who have been the most influential group of consumers in the last 50 years. Their population is 20% more than the preceding age group and 26% more than the following. They are well-off, having prospered with the Japanese economy and their demand for consumption is strong. Average net savings for people in this category are estimated at 20 million yen (167,000 dollars) and 90% of them own a home. Further to this they will soon receive retirement benefits of 20 million yen on average.

Spending power is not the only reason why older people have taken a leading role in consumption, however. Another reason is their simple desire to lead fuller lives. A 2004 survey found that this group is sensitive to trends, and 70% plan to actively pursue hobbies such as travel, theatre, sports and so on. This "new breed" of older people prefer to devote their money to their own

hobbies and interests rather than save it to provide an inheritance for their children.

According to one marketing expert, younger people are now following consumer trends set by their elders. In a reversal of generational roles, the elderly are taking the lead and the young are following.

Selling in Japan – Entering the Market

Getting Information

When you approach the Japanese market, your first step should be to conduct research, either on your own or through a market research company. You don't need to spend a fortune to discover whether or not there is a potential market for your product or service – use sources such as the internet, industry magazines and research papers. JETRO (Japan External Trade Organisation) publishes reports across multiple sectors in English, Enterprise Ireland has an extensive library of resources in Glasnevin and Enterprise Ireland staff in Tokyo are happy to assist. See the appendix for a list of information sources.

Product Requirements

For the typical Japanese buyer – conservative and risk-averse – price and performance are not the ultimate buying criteria; stability is far more important than price or even improved performance. The key factor is whether or not you can guarantee a consistently high-quality product or service. You will have to provide an extraordinary level of pre-sales service to convince your client that the post-sales service will be up to the level required. It is therefore worth finding a local partner that can provide the requisite support to your Japanese clients.

Distribution

There are three main options for distribution of your product or service in Japan:

- *Traditional Channels*

Although the number of tiers is reducing you may find that your product reaches its final destination through several layers of distribution, particularly if you are targeting the retail sector. You should not be overly concerned. If you are making a respectable profit margin then look on these numbers of stakeholders as your assurance of a long term presence in the market.

- *Direct Marketing (Mail Order, Telemarketing, TV, Internet Sales)*

These types of sales channels are increasing in popularity for consumer goods but you will still need an agent or distributor. You may also need to look for retail opportunities to help maintain a long term presence in the market.

- *Licensing*

Entering a licensing agreement with a Japanese company keeps costs down, but it does mean that you surrender control. You will also need to police the licensing agreement. If there is to be a transfer of technology, you should negotiate sufficient compensation, as the Japanese company may absorb and improve on your technology.

Import Tariffs and Taxes

The average applied tariff in Japan is one of the lowest in World and in fact is zero for many sectors e.g. auto parts, software, computers, industrial machinery. In general, import tariffs are reducing, even on agricultural items but are still high for certain products e.g. rice, leather goods, some processed foods, some manufactured goods. The trade classification system used is the same as that for the US and is not difficult to comprehend. See the appendix for details on where to find further information.

Virtually all products sold in Japan are subject to a consumption tax of 5%. Apart from this, certain goods (liquor, tobacco products, petroleum, and LPG) are subject to excise taxes stipulated in the respective law.

Standards and Regulations

Japan has a policy of deregulation but standards and regulations do exist as for any other market. They can be cumbersome, difficult to understand and open to interpretation, but they are largely mechanical rather than discriminatory, and most problems are encountered during first time applications.

Depending on your product you are advised to seek local assistance, and your Japanese partner may be able to provide this.

- *Mandatory and Non Mandatory Regulations*

Japan's regulations are categorised as mandatory and non-mandatory. Approval under either must be acquired before shipping. Many regulations also apply to packaging, labelling, manuals etc. Products subject to mandatory regulations cannot

be imported without compliance (import restricted products). Import restricted products are goods that may have a negative effect on Japanese industry, economy and hygiene, or on public safety and morals and hence are subject to certain regulations e.g. medical devices are subject to the regulations in the Pharmaceutical Affairs Law.

A permit or approval, as well as an import license for the importer (not exporter) – may be required. Furthermore some items are restricted by quotas and you may need to apply for a quota.

Chemicals and additives in food and cosmetics are severely restricted, and Japan follows a 'positive list' approach so you may need to seek approval for an additive to be included on this positive list.

Although compliance with non-mandatory regulations is "voluntary", it is recommended as part of your overall sales strategy e.g. JIS (Japan Industrial Standards) approval, JAS (Japan Agricultural Standards) approval.

IPR Protection

Japan has a well-developed intellectual property system covering patents, trademarks and designs. It is constantly being revised to cope with the growing number of applications, advances in technology and the demands of international harmonisation.

Over the years, Japan has become a member of all the major intellectual property organisations, such as the World Intellectual Property Organization (*WIPO*), and has been a signatory to all the important conventions, including the Paris Convention and the Patent Co-operation Treaty.

There is little cause for concern in terms of your IPR, once registered, in Japan. The Japanese are a law abiding race and typically see no commercial advantage in counterfeit activities.

Brand Names & Patent Registration

Unlike the US, where protection goes to the first-to-invent, Japan operates a 'first-to-file' system with regard to patents, utility models, designs and trademarks including service marks. Companies entering the market should therefore consider taking immediate steps to protect their products.

A foreign applicant for a patent must use a Japanese resident as representative. The representative selected should be a good attorney with broad experience in handling applications from overseas. Patents are protected for 20 years from filing or 15 years from date of publication, whichever is less; utility models for 15 and 10 years respectively; and designs for 15 years from date of registration. Trademark registrations expire after 10 years, but are renewable.

Patent and utility model applications are disclosed to the public 18 months after filing. These and trademark applications are published for opposition purposes after examination. Design applications, on the other hand, are kept secret until registration.

Copyright law covers computer programs, providing for protection expiring 50 years after an author's death. A Trade Secrets Law has recently been enacted (but its effectiveness remains to be proved). These are under the auspices of the Agency for Cultural Affairs and the Fair Trade Commission, respectively, rather than the JPO (Japan Patent Office).

Selling in Japan – Finding the Right Partner

Once you have identified your potential market, it is advisable to find a partner in Japan, whether or not you plan to establish a presence.

Finding Contacts

Finding suitable contacts in any market can be difficult; in Japan, without the right introduction it can be impossible. Cold-calling a list of importers or distributors, by email, mail or telephone is not an effective way to generate business in Japan. Japanese companies like to be formally introduced before commencing discussions. Enterprise Ireland in Tokyo provides a matchmaking service, identifying potential partners and arranging meetings for you. You should also use any contacts you have to arrange for other introductions e.g. an Irish or other foreign company that has already done business in Japan. It is almost always necessary to make appointments, and to make them well in advance.

Choosing a Partner

Your partner may be a trading company, importer, distributor, wholesaler or consultant and your success in Japan will largely depend on selecting a partner who best meets your needs. You need to clarify your expectations, your business strategy, and your objectives in entering the Japanese

market. If your products can be distributed without much technical support then a company with strong selling power such as a general trading house or specialised trading company can ensure nationwide distribution in Japan through its networks. If your products require considerable support then you will need to choose a more specialised organisation.

You should select your partner carefully as replacing a partner later may cause reputation problems. Get introductions to several partners, meet with them all, and do credit, background, client list, and competing product checks. Irish companies, who are generally small, are probably best advised to avoid small distributors who lack the recognition and contacts in the market place to sell a hitherto unknown product.

You will need to sell your company to the partner of your choice, convincing them of your dependability and commitment and the superior quality of your product or service.

You should consider exclusivity carefully and if necessary try and limit it to regional exclusivity, or a limited term, or attach a minimum sales condition.

Supporting your Partner

Ideally your distributor should import your product, handle customs and take care of all the necessary administration e.g. apply for the import license, and approval certification if necessary and ensure compliance with regulations. Most importantly they must identify opportunities and use their contacts to sell your product/service.

The concept of a 'commission' agent, who proactively makes cold calls to sell your products and earns commission for such sales, is not widespread in Japan. You will need to make regular and direct contact with your Japanese partner and clients to ensure that relations do not deteriorate due to neglect. You will want to monitor how your partner is positioning your products to Japanese clients e.g. are these being presented as a main product line or just an 'add-on' or 'second-tier' product, subordinate to the more expensive products of another supplier?

You should support your partner as best you can by providing prompt response to queries, delivering on time and providing pre and after sales support and information. You should communicate regularly and meet often with frequent visits to Japan, when you

should visit the end customers, together with your partner. You should also invite your partner to Ireland. If at all possible you should maintain continuity by having the same person in your organisation act as liaison for Japan.

Translation and Localisation

Inevitably translation (of labels, packaging, instructions for use etc.) and possibly localisation will be required in order to sell your product/service. You will need to decide whether or not to share the work and cost with your partner. If your partner bears the cost in return for shared copyright and sales rights in Japan, you may have to buy this back at a higher cost, if you subsequently change partners, or if you establish a legal entity in Japan.

Joint Ventures

There are many success stories of foreign firms who have done well in the Japanese market by creating a joint venture company. Creating a joint venture means that both partners have a capital investment to protect, costs and risks are shared, expertise is readily available and there is ready access to the Japanese partner's distribution system.

It is important that both partners in the joint venture maintain strong involvement so that plans can be mutually agreed and neither partner has undue influence over the new company's daily operations. This effectively means that the Irish partner needs to place a senior executive in the joint venture company.

Joint ventures often end when the Japanese firm buys out the foreign firm, and this prospect should be recognised in the joint venture agreement.

Selling in Japan – Business Meetings

Preparing for Business Meetings

As a general rule, Japanese companies require to meet a supplier company before doing business or entering into negotiations. It is therefore extremely important to visit any prospective client. Nor is a single visit sufficient: you must be prepared to make a number of visits before securing a contract, and to continue to visit once secured.

You should be well prepared for your meetings and if possible forward materials in advance to your Japanese contacts, allowing them to come to the meeting prepared, having read any materials provided beforehand. Good materials provided in advance will increase your chances of being

introduced to the 'right person', and will help make the initial meeting more productive.

• *Your Information Kit*

Your Japanese contacts will expect to be provided with a lot of detail about you and your company. The materials you provide prior to the meeting should include the following:

- A brochure introducing the company and stating the company mission, product expertise, and Unique Selling Points (USPs)
- Profiles of company management
- Your client base
- Your partner companies
- Your financial backers
- Current trends in the industry and where you are positioned
- Examples of where your product/service is used
- Visual material (chart /diagram) explaining how your product/service works
- Meeting agenda

Remember to ask the client in advance to arrange to have a projector available if you intend to make a PC-based presentation. As the Japanese client organisation is likely to have more than one person at the meeting keep this in mind if you are bringing handouts etc.

Business Meetings

The person you have arranged to meet will almost certainly invite colleagues to the meeting. Try to have as much information about the participants and the target company in advance.

Seating at the meeting will indicate rank – as it will over lunch/dinner. Guests (i.e. you) normally sit on the side of the table furthest from the door; people of similar rank sit opposite one another, etc. If in doubt, assume that the older person at the meeting is also the most senior.

If you are unsure about how to behave, or what the correct etiquette is in any situation, take your lead from the conduct of one of the Japanese people present.

• *Business Cards*

Business cards are important tools for establishing business contacts, and their role should not be overlooked. Failure to present a card at the first meeting can indicate to your Japanese counterpart that you lack interest in doing business with them. Cards give key information, and without one you risk being forgotten. You should always carry an

See the appendix for further sources of information on major laws stipulating standards, governing laws for import restricted products, and labelling and marking requirements.

ample supply – more than you think you will need. You should bring at least a hundred cards for a one-week visit. If you decide to have your card translated you should ask a Japanese person who is familiar with you and your company to check the translation, to make sure that it is accurate.

Business cards are exchanged at the beginning of the meeting, and left on the table until it ends. When presenting your card, do not push it across; hand it to the recipient, Japanese side up, before you sit down. During the meeting, arrange the business cards you receive on the table, in the order in which your Japanese counterparts are seated. This will help you to identify the current speaker, and will also help you to try to call them by their name, referring to the cards in front of you. Don't forget to take the cards with you at the end of the meeting.

- *Presenting Your Business*

It is important to present your business early in a relationship. In meetings with middle management, you will need to explain the details of your business fully if you want the relationship to progress. Japanese are orderly, thorough people, and the way in which you present yourself is the most important element in establishing a successful relationship. While presentations for Europe and the US tend to focus on image and marketing, Japanese clients will want to learn more detail. You must be knowledgeable about every aspect of your business, and you must be able to display this knowledge in a manner that is at once concise and detailed.

- *Quality Expectations*

The Japanese have quality expectations above and beyond any other. They look for 0% reject rates and 100% perfection. They are also entirely committed to continuous improvement. You need to be able to demonstrate the quality of your product/service and your commitment to quality.

- *Service Expectations*

Both pre- and after-sales service are prerequisites for success in Japan. You need to be able to provide substantial pre-sales support in terms of performance data etc. and after-sales service in terms of maintenance, complaints procedures etc.

- *Technical Expectations*

The typical Japanese businessperson is conservative, and will want reassurance on a number of technical issues. Depending on the product, your Japanese counterparts will want to understand in considerable detail how concepts are to be promoted and how the product works, well before committing themselves to its purchase. Thus a number of meetings with the top technical people in the Japanese company may be needed before any decisions are made.

- *Commercial Expectations*

In general, it is possible to command higher prices in Japan than in the US or Europe but the demands in terms of quality and service also necessitate this. A low price strategy is not advisable to win business in Japan. The quality (to include quality of service) and price of the product should go hand in hand.

However the Japanese company you are pitching to will have certain expectations in relation to the commercial aspects of the business deal. Your price structure should be transparent and you should be prepared to explain it in detail.

Follow-Up

It is important to maintain contact after each business meeting, in order to build the relationship. Ensure that follow-up actions are carried out quickly and that the promises you made during the meeting are fulfilled. Your Japanese contacts will judge you by the way in which you honour your commitments, and will assume that your pre-sales approach – good or bad – is a reflection of your service approach.

It is a good idea to send a summary of your meeting in writing to your Japanese counterpart, highlighting items discussed, and possibly agreed, as well as follow-up items.

3

Setting up a Company in Japan

Once you have established the viability of your business in the Japanese market it may become necessary to establish a presence there in order to provide sufficient back up to your partners and customers and to develop your business further.

The Japanese government is now actively promoting foreign direct investment in Japan and you can expect to get some assistance from JETRO and local governments.

Choosing the Right Kind of Entity

There are a number of ways in which you can set up business in Japan. The main options are:

1. *Liaison/Representative Office*

A liaison or representative office in Japan can be used for non-commercial activities such as obtaining market information and liaising with Japanese companies. The activities of a representative office should not involve any business transactions, such as executing contracts, accepting orders, or invoicing and collecting payment. Many companies establish such an office after they have appointed a distributor or partner in order to provide back up to the partner.

2. *Branch Office*

A branch office is not regarded as an independent legal entity, but as an entity acting on the basis of decisions and instructions from head office to

provide services and carry out business activities, including purchasing, importing, and sales. In transactions with other businesses, the branch office concludes contracts as the representative of its head office but does business under its own name and is subject to the same tax rates as a corporation.

In a new commercial code passed in June 2005, some restrictions have been placed on establishing branch offices of foreign companies, where the main business of the whole organisation is in Japan.

3. *Domestic Corporations*

Foreign corporations in most manufacturing and service industries generally establish either a wholly-owned subsidiary or a subsidiary with capital participation from others (a joint venture).

Recently, the trend has been towards wholly owned subsidiaries rather than joint ventures, and many existing joint ventures are being dissolved in favour of new wholly owned subsidiaries. This allows overseas companies to be better positioned right from market launch, reduces costs when viewed long term, and avoids difficulties that can arise when dissolving a joint venture. Many companies choose to make outright acquisitions of existing companies through merger and acquisition deals and then to set up wholly owned subsidiaries. Domestic corporations can take a number of

different forms: joint-stock company, unlimited partnership company, and limited partnership company. Most foreign investors enter the Japanese market as joint stock companies. There is a minimum capital requirement of ¥10million for a joint-stock company.

4. 'One-Yen' Companies

In February 2003, the Japanese government instituted a system that exempted companies established by government-defined entrepreneurs from the minimum capital requirements for a period of 5 years from incorporation in order to encourage new start ups. These 'one-yen' companies can only be established by individuals not already engaged in business.

Administrative Procedures

While it is important to ensure that you are legally in full control of your Japanese operation, you may find it almost impossible on your own to finalise the legal and administrative documentation required to set up an office in Japan. Engaging an accountancy/consultancy service to assist in the process could prove more cost-effective in the long run. Some companies - depending on the category of business - must be authorised by the relevant ministry at the time of founding.

Banking in Japan

It is common practice for foreign companies operating in Japan to use a number of banks. One will be the Japanese branch (or correspondent) of a bank that the parent company deals with. This is generally used for remittances between the parent company and the Japanese subsidiary. However, most foreign banks in Japan have very few branches, and some engage in wholesale banking only. Furthermore, some foreign banks are not agents of the Bank of Japan, which means that they cannot be used for paying taxes and other national funds.

Consequently, foreign corporations need an account at a Japanese bank or a postal savings account to handle transactions such as taxes. They also need a conveniently located Japanese bank, which will handle everyday banking and foreign exchange transactions.

Corporate as well as individual residents of Japan may open yen-denominated checking accounts and ordinary savings accounts, as well as ordinary and long-term foreign-currency-denominated savings accounts. A representative office can open an

ordinary savings account at a Japanese bank using an account name such as 'John Smith, XXX Inc. Representative Office in Japan' - a hybrid of individual and corporate status.

Most Japanese banks will not give companies a checking account until they have established a track record. You will probably first have to set up an 'ordinary' account and use this for your business transactions; this will be monitored by the bank for some time - anything from two weeks to several months - before the bank will set up a checking account.

Before registering your company, you should open a special escrow account for the paid-up capital.

Taxes in Japan

The Japanese tax code is complex, and it is advisable to get professional advice in order to ensure compliance.

Corporate Taxes

Companies are liable to three kinds of corporate tax:

- Corporate Tax (22% to 30%, depending on turnover)
- Corporate Enterprise Tax (5% to 10.08%, depending on capitalisation and location)
- Corporate Inhabitant Taxes (17.3% to 20.7% of the corporate tax amount, depending on turnover, plus a levy of between ¥70,000 and ¥3,800,000, depending on capitalisation and number of employees)

Consumption Tax (VAT)

A Consumption Tax of 5% is applied to almost every transaction.

Stamp Duty

Certain transactions are liable for stamp duty. The amount varies from ¥200 to ¥600,000.

Fixed Asset Tax

A tax of 1.4% is payable on the taxable value of fixed assets.

City Planning Tax

A tax of 0.3% is payable on the fixed asset value in certain urban areas.

Real Property Acquisition Tax

A tax of 4% is payable on the value of land or buildings acquired.

Withholding Tax

Under Japanese income tax domestic law, interest and royalty payments to the parent company may be subject to withholding tax of 20%. Dividends paid by a corporation to a foreign shareholder are also subject to withholding tax of 20%. However, under the Ireland-Japan Tax Treaty, the withholding tax rate on interest, royalties and dividends paid to a parent company in Ireland may be reduced to 10% under certain conditions. Remittance of branch profits after tax to head offices are not subject to withholding tax.

Certified Tax Accountants (Zeirishi)

Most foreign companies retain tax accountants to perform services such as:

- Keeping books or overseeing bookkeeping
- Preparing financial statements (monthly, mid-term, end of the financial year)
- Preparing tax forms and other financial documents
- Negotiating with tax authorities
- Computing payroll
- Tax planning, especially in relation to institutional taxes
- Appearing at tax audits

Since all tax accountants have their own strengths, it is wise, before engaging their services, to check on the type of work they have done and whether they have other clients in the same type of business. An introduction from a customer or a financial institution can be helpful in finding someone suitable.

The typical contract is for a fixed annual fee with monthly payments. Additional payments may be required if extraordinary work is undertaken. Before you sign the contract, be sure to check the clauses covering this eventuality.

Finding an Office

When setting up an office in Japan, you should consider proximity to clients, distance from railway or subway station, availability of high speed data communication, and age and physical condition of the building (specifically in relation to earthquake proof construction).

Government offices, head offices of large companies, and offices of foreign companies are all concentrated in Tokyo. An office in the heart of Tokyo may be expensive, but the cost will be mitigated by reduced travel

time and expense, better availability and deployment of human resources, and better infrastructure. In the initial stage you might consider serviced offices which will provide extra services such as English language assistance and administration, translation, and interpreting, as well as shared meeting rooms and kitchens. Typically no deposit or key money is needed. Enterprise Ireland has an incubation centre in Tokyo which may be of interest to you. If more than four or five people are to work together, it will be necessary to rent an office. The fastest way to do this is through a real estate agency. In order to rent an office corporate registration may be required, and you will have to pay a deposit (equivalent of up to 12 months' rent). Corporate registration is also essential for leasing furniture, PCs and other facilities.

Office rents in Japan, particularly in the metropolitan areas, are higher than the standard rents of Europe and North America, and total costs can be high. Renting a 100 m² office built within the last 10 years and a 10-minute walk from a subway station in central Tokyo will cost about ¥700,000 per month, including maintenance. The deposit/key money + brokerage fee could be as high as ¥7,800,000.

You will need to make arrangements for tax payment, payroll management, visa arrangement and registration and filing with the relevant ministries.



Image Source: © QT Luong/terrageria.com

Staffing Your Office

Relocating Irish Staff

In order to maintain control of your operation and ensure adequate communication with head office you will probably want to send one of your managers to Japan to oversee your business in the Japanese office. This employee is required to have a work permit. The Immigration Control and Refugee-Recognition Law defines 27 types of residence status; these include the investor/business manager for the representative of the local entity, engineers, and intra-company transferees covering expatriate staff, one of which is probably appropriate to your needs.

There are some conditions for application for the different categories e.g. foreign engineers must have a university degree and, for intra-company transferees of all types, the applicant must have been continuously employed by the firm for at least one year immediately prior to transfer to Japan.

• *Finding Accommodation*

Using a real estate agent is the easiest way to find accommodation in Japan. Western style accommodation is expensive. Expect to pay at least ¥300,000 per month for a small furnished 1 bedroom apartment in central Tokyo, close to a subway station, and a lot more for larger apartments or houses. It is normal to pay up to 4 months rent as a deposit and possibly another 2 months rent as non refundable key money.

Unfurnished apartments are cheaper than furnished ones and it is possible to rent furniture – your estate agent should be able to introduce you to furniture rental companies.

Finding Japanese Staff

Unemployment in Japan is not high (4.4% in 2004) compared to European standards which may make it difficult to find experienced staff. Loyalty to the corporation is strong in Japan, and some fringe benefits may not be transferable so experienced employees can be reluctant to move companies. Furthermore, if your company is not yet established in Japan, this in itself may deter Japanese applicants, some of whom may be conservative and reluctant to take risks.

It is not difficult to find administration staff but more difficult to find bilingual engineers, sales

people and staff at middle management level. However more and more young people in Japan are seeking employment with foreign companies. Candidates who have done an MBA or other advanced degree at a graduate school abroad are good candidates for foreign businesses, as they have experience with both cultures, and some fluency in languages.

The Recruitment Process

Advertisements in newspapers and job placement magazines are the most common ways of recruiting staff. Web-based recruitment is also becoming popular, particularly for junior employees. However, taking into account the considerable cultural and linguistic barriers, using employment agencies and headhunting companies may be a better option, although the costs are relatively high.

Remuneration

• *Salary*

- Expect to pay salaries in the following ranges for Japanese staff
- Top management: ¥20 million
 - Middle management: ¥12 to ¥15 million
 - Office staff: ¥3 to ¥8 million

• *Allowances*

Most Japanese companies pay for transportation to work in the form of a monthly allowance. Some pay other allowances such as housing allowances, and overtime payments.

• *Seasonal Bonuses*

It is customary to pay seasonal bonuses in the summer (June) and winter (December) in addition to the monthly salary. Generally, a seasonal bonus is the equivalent of two to three month's salary, depending on the performance of the company.

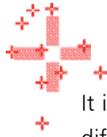
Labour Laws in Japan

Employees are well protected in Japan and the following laws in Japan govern labour relations:

- The Labour Standards Law
- The Labour Union Law
- The Labour Relations Adjustment Law

The purpose of these laws is to protect the rights of employees but custom as well as law governs Japanese labour practices.

Health and Nursing Care Insurance and Pension Scheme (known collectively as Social Insurance)



It is not difficult to find administration staff but more difficult to find **bilingual** engineers, sales people and middle management staff

Participation in Japan's Social Insurance system is compulsory for all corporations and representative offices with 5 or more employees.

Health insurance covers employees and their families, and applies to work and non-work related injuries, illnesses, and death, as well as childbirth. The insurance covers 70% of medical expenses and dental expenses. Contribution is 9.31% of the employee's standard monthly income, to be borne equally by employer and employee.

Contribution for the Pension scheme is 14.288% of the employee's standard monthly income, to be borne equally by employer and employee. As pensions cannot be claimed if living outside Japan, foreigners who are no longer resident in Japan may claim a refund within 2 years of leaving Japan. However the maximum refund is limited to ¥240,000.

Workers' Accident Compensation Insurance and Employment Insurance (known collectively as Labour Insurance)

Labour Insurance is compulsory for all workers in Japan. Contributions for Workers' Accident Compensation Insurance depends on the type of business of the employer and varies from a minimum of 0.5% (in finance, retail and other industries) to 12.9% (in hydroelectric power generation and new tunnel construction) of total salary. The total contribution is borne by the employer.

Contributions for Employment Insurance are 1.75% of total salary, with the exception of certain industries. 1.05% is borne by the employer and 0.7% by the employee.

4

Sectoral Opportunities for Irish Companies

The Japanese market is fast opening to foreign competition and operational costs are coming down. Restructuring, deregulation, decision-making based on the price/quality equation rather than traditional loyalties, and the political will to internationalise have created opportunities for non-Japanese products and services across a large number of sectors.

As long as demands for quality, service and commitment are satisfied there are significant opportunities for Irish companies across a broad range of sectors. This section outlines opportunities in some key sectors:

- ICT
- Education Services
- Medical/Healthcare
- Engineering & Other Services
- High Value Consumer Goods
- Food & Drink

ICT

Market Background

Japan is one of the most advanced countries in terms of broadband infrastructure and wireless services. Added-value service applications and technologies for network operators are in constant demand. With the launch of digital TV broadcasting, new services covering both broadcasting and telecommunications are expected to emerge. Security solutions (network, email etc.)

and compliance software for both the healthcare and financial sectors are also showing good potential.

Japan has traditionally used its own locally developed systems, technological specifications and methods. However, with the widespread penetration of the Internet and the globalisation of the economy, there is now a need for Japan to effect a transition from independent specifications to open standards. As a result, there is a growing requirement for technologies, solutions and systems based on global standards. This creates an opportunity for core technologies and packages from abroad to enter the market.

Areas of Growth

• *The Mobile Sector*

Japan has over 88 million mobile subscribers and the Japanese Ministry of Internal Affairs and Communications (*MIC*) has just announced plans that will allow three new companies to launch mobile services, joining the 3 incumbent, NTT DoCoMo, Vodafone, and KDDI. Pre-paid is not popular (only 3% of mobile phones in Japan are pre-paid) and involves some legal limitations.

• *Mobile Content*

The mobile content market, which includes ring tones, games and other downloadable content as well as mobile shopping, grew 31.1 percent to 461.6 billion yen (\$4.23 billion) in 2004 in Japan.

Because carriers pay back to the content distributors part of the fees collected for subscribed services, there is opportunity for foreign content distributors and co-operative software developers to enter the Japanese mobile phone market.

- *BroadBand*

Japan's broadband subscribers jumped 36.5% to 18.7 million in the 2004 calendar year. Japan, once an Internet laggard, embarked on a plan to spread high-speed broadband Internet access in 2001 and now boasts the cheapest prices in the world. DSL (digital subscriber line) users comprise 71.4% of all broadband users, but subscriber additions are slowing as more users switch to higher-speed fibre-optic services. While fibre-optic users numbered only 2.4 million at the end of 2004, 48.4% of respondents in a survey said they were planning to switch to the faster service and an additional 32.9% said they were considering it. In the past six months, Japan's dominant telecommunications company, NTT Corp., has brought prices for fibre-optic services and Internet phones down to a level equivalent to, or lower than, older services.

- *E-commerce and M-commerce*

Improved e-payments in Japan are triggering an annual 80% growth in online sales, with revenues of \$110 billion expected by 2007, up from \$24 billion in 2002, according to government reports. Payments via cell phones will be central to this growth, with sales via this channel predicted to surpass \$16 billion in 2007. In June 2005 more than 76 million of Japan's 88 million mobile users were mobile internet users. Credit card companies are now working with mobile operators to use near-field communication (NFC) systems to send payment data from a cell phone to a POS device.

- *Security*

The Japanese IT security market is one of the largest security markets in the world and the market for the design and development of security, VPN tools and verification systems continues to grow there. A survey by Fuji Kimera Research Institute valued the information security market at \$2.6 billion in 2004.

- *Software*

In 2003 the Japanese software market grew by 4.1% to reach a value of \$8.83 billion dollars and is forecast to reach a value of \$10.75 billion in 2008. Systems software is the dominant sector,

accounting for 55% of the market and applications software accounts for the remaining 45%.

The software industry in Japan is highly internationalised with a small number of global (mainly US) companies dominating the industry. Some Japanese companies have found success in the domestic market but exports of software from Japan are relatively minor. Most software developed in Japan is customised software ordered on a project basis.

The Japanese tend to prefer to develop software from scratch rather than buy packaged solutions. It is crucial, therefore, to explicitly illustrate how your technology can help the company achieve its business targets. If your software is a "shrink-wrapped application" aimed at end-users, you may find the Japanese company quite reluctant to use it, unless you can convincingly present it as a 'killer' solution.

Route to Market

Due to the necessity for strong technical support, partnering with a Systems Integrator is often the best route to market for Irish companies in this sector. However if your products don't need strong technical support then a trading house with nationwide distribution may be a better option.

Localisation

To have any chance of success in the Japanese software market, your product must have the capacity to input and output Japanese characters without difficulty, and be accompanied by a well-written and well-structured Japanese manual. Most developers targeting the Japanese market build their software with multi-language capability (double-byte code), which makes it easier to localise into Japanese.

Education Services

Market Background

Japan boasts a strong education system with a literacy rate of over 99%. The curriculum is standardised nationwide and the quality of education across the country is consistent and of the highest level. Participation of Japanese students can only enhance the Irish education system.

The Japanese system involves six years of elementary school, three years of junior high school, three years of senior high school and four years of university or two years of junior college. Compulsory education

includes elementary school and junior high school. The Japanese school year starts in April and consists of three terms, separated by short holidays in spring and winter, and a one month long summer break.

A characteristic of the Japanese school system are difficult entrance exams, and with them a high competitiveness among students. Most high schools, universities, as well as a few private junior high schools and elementary schools require applicants to sit entrance exams. In order to pass entrance exams to the best institutions, many students attend cram schools (juku) besides regular classes. This competitive system is driven to some extent by mothers with strong ambitions for their children – known as kyoiku mamas (education mothers).

The most prestigious universities are the national University of Tokyo and University of Kyoto, followed by the best private universities.

- *Participation Levels*

Over 90% of all students graduate from high school and over 40% from university or junior college. The number of post-graduate university students is relatively low.

- *Japanese Students Overseas*

The number of Japanese students studying overseas is approximately 200,000 and the most popular destination is the US taking 45% of the students, followed by the UK.

The countries most active in the overseas education sector in Japan are English-speaking such as the US, the UK, Canada, Australia, and New Zealand. The favoured second language in Japan is English (by a large majority) and this gives institutions in Ireland a clear competitive advantage.

Areas of Growth

With an increasingly international business environment, the number of Japanese students studying abroad is on the increase. Ireland's smaller number of Japanese students creates opportunities for Irish colleges and difficulties for Japanese students in other markets in relation to visas and personal safety offer opportunities.

Ireland is a fun, modern, cosmopolitan and friendly environment in which to study and despite industrialisation still offers a fresh, natural environment. These all appeal to the Japanese and it

is important to emphasise these as well as the standard of our education system when promoting education in Japan.

- *English Language Studies*

In the education services market the demand for English language studies is by far the largest segment. This allows students to travel overseas for shorter periods of time. Courses that include a sport or other activity are popular. There is also a growing market among the older generation in Japan for short English language courses.

- *Third-level Degree Courses*

Japanese interest in studying to 3rd level overseas covers a wide range of disciplines – Business, IT, Art etc. The quality of second-level education in Japan is high so there should be no doubt as to the academic level and ability of applicants. English language ability as well as different teaching methods can be problematic. Japanese may need to do a foundation course either in Japan or in Ireland in preparation for full participation in a degree course. This will increase English language levels and help the student adjust from the rote-learning system in Japan to the more independent, interactive system in Ireland.

Although 2nd level education in Japan is highly competitive and pressurised, the culture in Japanese 3rd level colleges is relaxed and the competitiveness in Irish colleges, along with the prevalence of ongoing assessment may come as a shock to some students.

- *Postgraduate Courses*

As postgraduate courses are shorter, and students are more mature, more likely to have travelled and have better English language skills, it may be easier to attract students to these courses.

Route to Market

- *Education Agents*

Japanese education agents have an interest in Ireland, as it offers a 'new' destination for them to promote. The agents typically publish brochures covering their key destinations, hold education fairs, and have a strong network of contacts among schools. They also provide advice and assistance to the student before departure. In fact many run country specific foundation courses. Using an agent is one of the best ways to promote your college in Japan. It is acceptable to have agreements with several agents.



- ✦ The Japanese spend **twice** as much as Americans on food, despite the fact that they eat half as much

- *Japanese Colleges*

Many Japanese colleges, including the most prestigious, as well as the junior colleges, are interested in offering students part of their course abroad. As the academic year in Japan starts in April this can be difficult to manage but is well worth considering.

Contact with Japanese colleges is also a good way to attract postgraduate students and postdoctoral researchers.

Some colleges also act as education agents.

- *Education Missions and Fairs*

Enterprise Ireland organises education missions to, and fairs in, Japan on an annual basis. This is a useful way to develop contacts with agents and colleges and to meet with prospective students.

Minding the Japanese Student

For most of the students it will be their first time to live in a western country and also their first time away from their homes and families, so some disorientation is to be expected in the initial stages. This can be alleviated by providing Japanese speaking assistance, and if possible a 24 hour Japanese emergency line.

The Japanese are used to the highest levels of service and every effort should be made to make sure the students are well taken care of. In particular the Japanese will miss their own kind of food so you should prepare a list of restaurants or shops in the locality that sell Japanese food or Japanese food ingredients.

Visas

Japanese do not require a visa to enter Ireland. However on arrival in Ireland they should have all documentation relating to their studies with them to avoid any complications. They may also be asked to demonstrate that they have sufficient funds to maintain themselves during their stay.

If staying in Ireland for more than 90 days, Japanese students need to get their passports stamped by the Garda authorities.

Medical/Healthcare

Market Background

The greying of Japanese society (by 2025, Japan will have the highest percentage of elderly in the world) will ensure that all sectors supplying into the health and medical fields will grow rapidly. The market for

medical products and services is expected to grow to reach \$669 billion by 2010. There are also major opportunities in providing products and services for consumers with special needs.

Areas of Growth

- *Medical Devices and Equipment*

This sector covers a wide range of products from artificial heart valves to wound dressings to body toning equipment. Traditionally the distribution system in this sector was multi-layered, complex and inefficient and involved lavish entertainment due to a generous government reimbursement system.

Reclassification of products and reorganisation of the reimbursement system has led to a thinning down and simplification of the system.

- *Diagnostics*

Aside from diagnostic testing carried out within the national health scheme, in Japan substantial diagnostic testing takes place privately. Over 10 million health checks are carried out annually paid for by employers or individuals. Most health check centres are run solely for profit. This creates opportunities for test kits, reagents, instrumentation etc.

- *Healthy Lifestyle Products*

Although they do not need to be classified as medical products, any items or services that make life more comfortable or healthier are seeing growing opportunities.

- *Healthcare Services*

The changing demographic situation is creating opportunities to provide health care and other medical services to the growing elderly population in Japan. As of December 2004, a total of 3.22 million people used at-home healthcare services, and the number continues to increase each year. The health care service industry in Japan is a promising sector that is expected to continue growing with the trend toward longer life expectancies and the shift from multi-generational to nuclear family units.

Regulations

Regulations surrounding the approval, importation and sale of medical products are complex in every country. In Japan it is very complex and will almost certainly require you to use a consultant or advisor. However Japan is making slow but positive strides towards deregulation.

There are 4 categories of product. Class I are general, low risk medical products, Class II are controlled medical products and Class III and Class IV are categorised as high risk.

Since April 2005, regulations stipulate that foreign manufacturers without a representative in Japan cannot gain and maintain product approvals. This representative must hold a license to sell medical devices.

Engineering & Other Services

Market Background

Engineering and project management services are proving lucrative for foreign companies who form partnerships with Japanese contractors on projects globally, but particularly in the Asian region. 2007 will create further opportunities when the first of the baby boomers will retire starting a growing need for high level management and technical experts. This is also expected to lead to opportunities within Japan, where it is still significantly easier to bid for a contract in partnership with a Japanese company.

International Projects

Although Japanese construction and engineering companies are in demand across the world for their expertise in specific areas, they often lack the international experience and foreign experienced personnel to deal with the inevitable cultural challenges. Irish companies can fill this gap effectively.

As Ireland now plans to take membership of the Asia Development Bank (ADB), further opportunities should present themselves on international projects involving Japanese investment or partners in Asia.

Government Projects

Local and national government are responsible for substantial construction projects across Japan. Although theoretically open to foreign bidders, there is still little participation from foreign companies. You are likely to be more successful with a Japanese partner.

Route to Market

Although the projects are typically carried out in another territory, the contact and business relationship still needs to be developed in Japan. A good track record, perhaps in working with a Japanese company in Ireland, is essential.

High Value Consumer Goods

Market Background

Japanese consumers are very brand conscious, account for more than 50 per cent of world sales of luxury brands and are willing to pay high prices for top quality goods. With 127.6 million wealthy, quality conscious, discerning consumers, Japan is an ideal market for well positioned consumer goods - on the higher end of the scale.

Route to Market

Traditionally Department Stores were the preferred retail option for high value consumer goods in Japan. However their share of the retail sector is seeing a steady decline and speciality stores are gaining ground. Although it is increasingly possible for foreign suppliers to deal directly with stores, wholesalers and importers still play a key role. Mail order catalogues and tv shopping channels are also gaining in popularity.

Areas of Opportunity

- *Fashion*
Japanese ladies appetite for foreign bags (imports of \$310 million in 2003), apparel (imports of \$118.7 billion in 2003) and jewellery (imports of \$13.6 billion in 2003) never wanes.
- *Corporate and other gifts*
Up to 70% of corporate gifts in Japan are imported. July and December are big gift seasons. Opportunities are also huge for occasional gifts (27% of the gift market), such as marriage and births and memorial gifts (13% of the gift market) for birthdays, mother's day etc. Sales in the giftware category have increased with the growing popularity of cash coupons and gift certificates.
- *Others*
Home products and home furnishings.

Packaging

In Japan perception is everything and all product sold in the retail sector should be attractively wrapped. It also goes without saying that any surface damage, no matter how minor, will render a product unsellable.

Word of Caution

Product made in Ireland can command a premium in Japan if the quality is right. However misleading labelling in relation to the location of manufacture of the product can cause major problems and can have serious financial implications.

Food and Drink

Market Background

The Japanese market for foreign-made food and drink products has opened up rapidly in recent years, due both to the inability of domestic producers to satisfy internal demand, and as the tastes of Japanese consumers have become more internationalised.

The Japanese spend twice as much as Americans on food, despite the fact that they eat half as much, and they are prepared to pay much higher prices for higher quality product. As competition for commodities increases, opportunities for Ireland lie in the lower volume, high value added sectors.

Areas of Growth

- *Seafood*

Japan's current state of seafood resources and the resultant declining domestic production in fishing, trawling and aquaculture, provides expanding import opportunities in the seafood sector in Japan, which are supported by improved and developed distribution technologies in air transportation and freezing. The superior quality and taste of Irish products create advantages in this sector particularly for products such as live abalone, fresh sea urchin, mussels and smoked fish which are high-class seafood in Japan.

- *Organic and Health Foods*

There are significant opportunities for Ireland in the organic and natural food sectors, as the aging population and diet conscious young women look for healthy options, eg. dairy products (butter, cheese, chocolates), seaweed products, relishes & condiments, oatmeal products, etc.

- *Functional Foods*

The Japanese government commenced research and development projects into the functionalities (nutritional, pharmacological, psychological, and medical) of food in 1984. The Japanese share of the global functional food and drink market is now 25% and with an aging society and increased focus on healthy lifestyle it is still a most promising growth market.

- *Meat*

Present import restrictions on beef and lamb eliminate immediate opportunities for these meats. However resolution of these issues will re-open the market for high quality and value added processed products. Japan has traditionally

been a good market for Irish pork. As prices for commodity product face stiffer competition, opportunities will also tend to be in the high quality, value added product areas.

Appendices

Enterprise Ireland in Japan

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Sources of Further Information

This section lists organisations and information sources that will be useful for any Irish company contemplating business in Japan.

Embassies

Embassy of Japan in Ireland
Nutley Building
Merrion Centre
Nutley Lane
Dublin 4
Tel +353-1-202-8300
Fax +353-1-283-8726

Embassy of Ireland in Japan
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Tel +81-3-3263-0695
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IDA Ireland
Ireland House 2F
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Fax +81-3-3261-4239

Delegation of the European Commission in Japan
Europa House
9-15 Sanbancho
Chiyoda-ku
Tokyo 102-0075
Tel +81-3-3239-0441
Fax +81-3-3261-5194

EU-Japan Centre of Industrial Co-operation
Nikko Ichibancho Bldg. 4F
13-3 Ichibancho
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Fax +81-3-3221-6226
Email eu-japan@eu-japan.gr.jp

Trade Associations

IJA (Ireland Japan Association)
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Tel +353-1-661-2182
Fax +353-1-661-2315

JETRO
Ark Mori Building, 6F
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Tokyo 107-6006
Tel +81-3-3582-5511
Web <http://www.jetro.go.jp>

European Business Counsel in Japan
<http://www.ebc-jp.com/index.htm>

EU Gateway to Japan
<http://www.gatewaytojapan.org/index.jsp>

EU Industrial Centre of Co-operation
<http://www.eujapan.com/>

Japan Market Entry Competition
<http://www.eujapan.com/>

News Media

Nikkei Interactive News
<http://www.nni.nikkei.co.jp/>

News on Japan
<http://www.eujapan.com/>

Japan Inc (English Language Newsletter)
<http://www.japaninc.com/>

News on the mobile sector
<http://www.mobilemediajapan.com>
<http://www.wirelesswatch.jp>

News on technology
<http://techon.nikkeibp.co.jp/english/>

Market Information

Doing Business in Japan
<http://www.buyusa.gov/japan/en/doing.html>

Government Procurement Projects
<http://www.jetro.go.jp/en/matching/procurement>

Living in Japan

<http://www.japan-guide.com/>

<http://gojapan.about.com/>

Regulations

Product Import Regulations

<http://www.jetro.go.jp/en/market/regulations/index.html>

Japanese Customs

http://www.customs.go.jp/index_e.htm

Tariffs in Japan

<http://www.apectariff.org/tdb.cgi/ff3235/apec.cgi?JP>

Japan Industrial Standards Committee

<http://www.jisc.go.jp/eng/index.html>

Notes

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