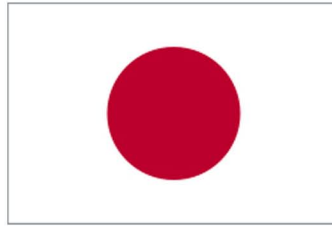


ACCESS Japan



A Guide to Doing Business in Japan



Table of Contents

1. INTRODUCTION.....	2
WHY THIS MARKET IS IMPORTANT	2
PURPOSE OF THIS REPORT	2
HOW IT WAS COMPILED	2
2. CRITICAL SUCCESS FACTORS	3
INTRODUCTION	3
BUSINESS CULTURE AND PRACTICE	3
BUSINESS MEETINGS IN JAPAN	4
CASE STUDY—RUNNING SUCCESSFUL BUSINESS MEETINGS IN JAPAN	8
HOW BUSINESS DECISIONS ARE MADE IN JAPAN	9
3. STARTING IN THE JAPANESE MARKET	11
INTRODUCTION	11
GEOGRAPHY	11
PREPARING TO EXPORT	12
MARKET RESEARCH	12
CASE STUDY – BEGINNING RELATIONSHIPS WITH YOUR JAPANESE PARTNERS.....	14
CASE STUDY – BUILDING A BUSINESS IN JAPAN	15
BUILDING MARKET PRESENCE IN JAPAN.....	16
INSIGHTS TO JAPANESE MARKETING CULTURE.....	19
GETTING READY TO EXPORT TO JAPAN	20
BUSINESS NETWORKING RESOURCES IN JAPAN AND IRELAND	20
4. ROUTES TO MARKET	22
INTRODUCTION	22
MAKING THE DECISION TO ENTER THE JAPANESE MARKET	22
EXPORTING DIRECTLY	22
USING A LOCAL PARTNER OR DISTRIBUTOR	23
CASE STUDY – BUILDING AND MAINTAINING A MARKET PRESENCE	24
5. LEGAL ISSUES IN JAPAN.....	26
INTRODUCTION	26
COMPANY REGISTRATION PROCESS.....	26
VISAS AND STATUS OF RESIDENCES.....	27
TAX	27
JAPANESE EMPLOYMENT LAW	29
JAPANESE SOCIAL INSURANCE COSTS.....	29
6. GROWTH SECTORS.....	31
INTRODUCTION	31
OPPORTUNITIES BY SECTOR IN JAPAN.....	31
INFORMATION AND COMMUNICATION TECHNOLOGY INFRASTRUCTURE (ICT).....	31
MEDICAL AND HEALTHCARE	32
ALTERNATIVE & RENEWABLE ENERGY	33
CONSTRUCTION AND ENGINEERING	34
FOOD & DRINK SECTOR	35
BUSINESS SERVICES SECTOR - TRAINING & DEVELOPMENT	35
7. SELLING TO THE GOVERNMENT IN JAPAN.....	36
INTRODUCTION	36
TENDER SUBMITTALS.....	36
8. HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN JAPAN.....	37
PRE-VISIT SUPPORT	37
IN-MARKET SUPPORT	37
INTERNATIONAL TRADE EVENTS PROGRAMME	37
INTERNATIONAL MARKET CONTACTS.....	37
ADDITIONAL SUPPORTS	37
ENTERPRISE IRELAND CONTACTS	38
CONTACTS IN DUBLIN	38
DIPLOMATIC AND CONSULAR INFORMATION FOR JAPAN	38
ACKNOWLEDGEMENTS	38
DISCLAIMER.....	39

1. Introduction

Japan's recent economic turnaround spells new opportunities for businesses across a range of sectors in a country that already has the strong fundamentals of a world-class economy. The Japanese market is a very rewarding market for products and services, in part because Japanese companies and consumers are prepared to pay premiums for quality, reliability and service. With Japan being the host nation for the Rugby world cup in 2019, the Olympics in 2020, as well as the recently announced €86 billion economic stimulus plan by the Government, this is a country which offers significant business opportunities for Irish firms willing to invest in exporting there.

Why this market is important

Japan is the 3rd largest economy in the world - with GDP at nearly €4.5 trillion - twice the size of the UK and its GDP per capita is 8 times that of China. Its population is 128 million, and is considered as the second most technologically powerful economy in the world after the US.

Japan is the world's fourth-largest exporter and fourth-largest importer, as well as being one of the largest overseas investors. It is an established home of innovation and has expertise in a wide range of industries, particularly in technology. It is also a leading nation in scientific research, particularly technology, machinery and bio-medical research.

Japan is the world's third-largest automobile manufacturing country, has the largest electronics goods industry, and is often ranked among the world's most innovative countries as many Japanese firms rank high for the number of international patent applications filed, including Panasonic which is the 1st in the world. The Tokyo Stock Exchange is the third largest stock exchange in the world by market and Japan is home to 326 companies from the Forbes Global 2000.

In the Global Competitiveness Report 2013-2014 issued by the World Economic Forum, Japan ranked first for business sophistication out of the 144 countries surveyed and number 9 for business competitiveness.

Purpose of this report

The objective of "Access Japan" is to give practical, up-to-date information on the market for Irish companies and was compiled through October and November 2013. Here you will find useful, easy-to-digest advice on the critical aspects of doing business in Japan for companies at all levels of business development. This guide covers:

- How to get started
- Japan's business culture and how it differs from Ireland's
- Integrating the Japanese language into your business
- Market research
- Routes to market
- Key legal issues, tax, and recruitment considerations
- How to sell to the Government.

How it was compiled

This report is based on the practical experience and knowledge of highly successful people in the market. It is informed by the lessons learned by some Irish business people who have already succeeded in Japan. "Access Japan" is intended to be of use to a wide audience, from companies thinking of exporting to Japan for the first time, to those already selling in the market and wishing to examine strategic options for further growth.

2. Critical Success Factors

“Japan is a country that is very wealthy, and they have a very high-quality lifestyle. Food and drink is the most important thing in their world. So if you can bring them quality and best in practice, best-in-breed products, and they are very open to new ideas and new products.”

Mick Swift, Deputy CEO and Research Director, Abbey Capital.

Introduction

Japan is a highly structured and traditional society. Great importance is placed on loyalty, politeness, personal responsibility and everyone working together for the good of the larger group. Education, ambition, hard work, patience and determination are held in the highest regard.

Relationships drive business in Japan. Without the right depth of relationships with the right people, it can be very difficult to achieve anything.

Generally decisions are taken over much longer time-frames, through a lengthy consensus-building process unlike that of Western business culture. Organisations should be prepared to invest for the medium-term results, and not to expect too many “quick wins”. However, once a decision is taken, Japanese business relationships tend to last.

Business Culture and Practice

Conforming to Japanese business etiquette during a meeting can make even the most confident business person feel bewildered. Demonstration of a small knowledge of Japanese culture and traditions shows that you have a genuine interest in the success of the relationship, and goes a long way towards the beginning of a successful partnership.

Understanding of Foreign Ways

The Japanese understand that it is very difficult for foreigners to work in Japan. They will not expect you to speak or read Japanese, or be conversant with their strict cultural nuances and protocol. Mistakes are allowed as long as genuine respect is shown at all times. They will usually try to help you but often feel embarrassment at their own lack of understanding or English language ability.



Need to Know – Mobile Phone Etiquette

Talking on your phone in public is frowned upon, and the Japanese can be aggravated at foreigners who think nothing of talking on a phone at a subway station or in the lobby of a restaurant or the train.

Business Culture

Business culture in Japan is very focused on maintaining group harmony, fostered through strong personal relationships and loyalty to the company and group. Therefore networking, building trust and personal friendships are the most important factors in trying to develop a successful business in Japan. Many agreements are made on a trust basis, and oral agreements carry as much weight as written contracts with the legal aspects having less relevance or priority. Nevertheless contracts must be signed and put in place, and all contracts professionally translated into Japanese.

The Japanese are extremely polite and place significance on respect and social rank. Japanese people will often refer to each other by following the last name with “san”. This polite term of reference is used as a mark of respect. First names are reserved for use by friends and family.

In dealing with Japanese business people, bowing is common and is a mark of respect. However, most Japanese business people who have dealt with foreign companies before will be just as comfortable with

a handshake. Modesty is a characteristic much admired whereas forwardness and being overly self-confident can be seen as childish behaviour. If entertaining, entertain as well as possible. Remember that a good deal of the relationship-building process takes place over meals.

Top Tip – Getting to know your Japanese counterparts

It may take several meetings for your Japanese counterparts to become comfortable with you and be able to conduct business with you. As it is almost impossible to speed up this process, patience is needed.

- The initial “getting to know you” time is crucial to laying the foundation for a successful relationship.
- You may be awarded a small amount of business as a trial to see if you meet your commitments.
- If you respond quickly and with excellent service, you prove your ability and trustworthiness.

Business meetings in Japan

1. Overcoming the language barrier

Japanese is spoken across the whole country and there is little difference in modern dialects from region to region. Written Japanese is complicated and difficult to read but major signage tends to be bilingual. 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.

Do not overestimate the levels of comprehension when speaking English in Japan. There are many fluent speakers of English but many people do not understand even when they indicate that they have. Many of those that do speak English often speak it with Japanese nuances which can lead to misunderstandings.

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. Go over the same point several times from different angles to check the situation. Ask lots of open questions to test for understanding.

In the Japanese language the word ‘Hai’ is used frequently. Although it actually means ‘you have my attention’, it is frequently misinterpreted 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. You should 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 that there has been no misunderstanding.

Interpreters and translation

There is a big difference between a translator and an interpreter, so companies doing business in Japan should make sure to get the right interpreter. Effectively a translator will just translate verbatim what they hear, and they may get the context wrong, whereas an interpreter will summarise. An interpreter can be given your presentation before a meeting and then they have the right context as you are speaking, this is essential for businesses to get right.

Interpreters for meetings

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. Consecutive interpreting, however, doubles the length of a meeting.

Translation for documents

While most Japanese can read and write English it is still necessary to have documents translated.

Care is needed in terms of the quality of the translations used for your communications, because there are many different types of language formats in Japanese. There is business Japanese, there is colloquial, there is friendly Japanese, and slightly more technical Japanese. Because of the high risk of misunderstanding, it is crucial to take time to ensure that every 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. A solution would be getting a technical translator initially and then having it double-checked by somebody else afterwards. 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.

2. What to wear

Dress well, but conservatively. Appearance is very important and you are likely to be judged on how you look. Casual attire is still uncommon in the Japanese business place. You should dress appropriately for the occasion when meeting your counterparts on business. Business wear should be formal, for example, wear a dark suit with a white shirt and subdued tie, but steer clear of a black suit and tie worn with a white shirt, as this is traditional Japanese funeral attire. A red tie is traditionally the colour of someone heroic. The combination of red and white (tie and shirt) is also a symbol for auspicious or happy occasions (business meetings). Women should dress conservatively, and generally not in trousers, as this is not common in Japan.

3. Business Meeting Etiquette

Appointments are required and, whenever possible, should be made several weeks in advance. It is best to telephone for an appointment rather than send an email. Punctuality is a must in Japan. Arrive 10 minutes early and plan a detailed agenda.

Always speak slowly and clearly. When presenting, stick to the facts and keep it formal. You should be careful not to push opinions too strongly or be tough or confrontational as Japanese value harmony, and do not like disruption or emotions. Decisions are generally not made during meetings, so expect a long negotiation and discussion process. Meetings may feel a bit slow and key details are often discussed in a roundabout way - but don't mistake indirectness as non-commitment. Data is valued, so come prepared with information, data and references.

Always allow slightly more time than you think might be necessary to achieve your goals. Business meetings are about relationship-building and decisions are rarely made on the spot. However, Japanese meetings usually finish on time, so make sure to have your key points covered early on.

Age brings dignity and should be respected. It is probable, therefore, that more would be achieved with a delegation that contains some older members. Meetings are often preceded by long, non-business polite conversation which could cover such topics as mutual contacts, the merits of your company, Japanese food etc. Do not become exasperated by this use of your time, as it is an essential element of the relationship-building process.

Japan favours a group society, even if you think you will be meeting one person, be prepared for a group meeting. When sitting down to a business meeting with your Japanese counterparts, the seating arrangement will be determined by the status of the participants. Wait to be seated in the meeting room; as the guest, you will be directed to the appropriate seat.



NEED TO KNOW The Concept of Wa

The concept of Wa, which is probably best described by the English word harmony, lies at the heart of the Japanese approach to meetings. Although it is important to search for a solution, this must not be achieved at the expense of disturbing the peace. No individual will wish to proffer a strong opinion, which might cause some form of confrontation and therefore affect Wa.

Japanese decisions are reached through a process of consensus-building meetings, each of which is concerned with the preservation of Wa. This means that the decision-making process can seem very long and drawn out. Patience is essential in these situations, as to show impatience could have an adverse effect on the all-important Wa. Silence is also a virtue, if things go quiet during a meeting do not panic, reflection is taking place

4. Gift Giving

Gift-giving is an endemic part of Japanese business life and should not be confused with notions of bribery and corruption. Gifts should not be too lavish but should always be of good quality. It is important to take a number of small gifts to Japan to distribute to new and existing contacts.

Consider bringing a small souvenir that represents your hometown to give to your host. Don't be surprised if your hosts give you something from their country too. Gifts should always be wrapped. Avoid giving gifts in quantities of four or nine as these are unlucky numbers. Anything sharp could signify the desire to end a relationship.

If the gift is wrapped, don't open it until you leave. If the gift is not wrapped, make sure to express copious appreciation (whether you like it or not). Ask some questions about the gift to show interest.

Alcohol, especially good whiskey, is generally an appreciated gift from Ireland. Irish triple-distilled whiskey is a good choice – it not only says something about the quality of what we produce, but the story of how it's unique to Ireland and can be a useful talking point.

5. Business Card Exchanges Guidelines

If you are visiting Japan on business, double-sided business cards in Japanese and English are essential. Have business cards with the Japanese translation of the English name, title, and company on the reverse side. This demonstrates to potential partners that you are serious, and that you understand and respect their culture. This small effort on your part establishes trust, and maximises your opportunity for excellent results.

The exchange of business cards (Meishi) during a meeting is a ceremony in itself. Invest in quality cards, and always keep your business cards in pristine condition.

A symbol of your name and your credibility, business cards are very important in Japanese business culture.

Cards are exchanged at the beginning of a meeting; make sure you have enough available for everyone. Always present your business card to the most senior member at the meeting first. It is best to stand up when exchanging cards with those of higher rank.

Facing your counterpart, bow slightly and hand your card (with the Japanese side pointing up) either with your right hand or both hands. The same rule applies when receiving a card from someone else. Always bow when presenting or receiving a business card and handle with both hands.

- Make sure your business card includes your title, so your Japanese colleagues know your status within your organisation.
- Treat your Japanese contact's card with respect. Don't write on it or leave it behind, as this would show disrespect. During the meeting, place the cards carefully on the table in front of you with the senior person's card on the top.
- Make time to review your counterpart's card carefully. You might want to speak his/her name and position to be sure of correct pronunciation. If the meaning of his/her job position is in any way unclear, ask for an explanation to show interest in and respect to the other party.
- Do not put the card into your trouser pocket as this is considered disrespectful. If you are meeting in passing, then just carefully place the card in a shirt pocket or in a wallet or notebook.
- Give your business card to anyone that you want to hear from again. Make sure you have plenty as they are generally given out at every opportunity in Japan.

6. Business Negotiation

The Japanese are non-confrontational so avoid putting the Japanese in situations where they might be forced to lose 'face'. Do not try to push for decisions or deadlines. They have a difficult time saying 'no', so you must be vigilant at observing their non-verbal communication. It is best to phrase questions so that they can answer yes. For example, 'do you disagree with this?'

Always be very positive about your organisation and the department or team to which you belong. Never make disparaging comments about your own company - even in jest and humour should be avoided during serious business meetings where it will be viewed as out of place.

Avoid strong eye-contact which can be seen as threatening or hostile behaviour. The Japanese often remain silent for long periods of time. Be patient and try to work out if your Japanese colleagues have understood what was said. Some Japanese close their eyes when they want to listen intently, make sure to take note of this and give your Japanese counterpart time to reflect about the point being discussed. Japanese prefer broad agreements and mutual understanding so that when problems arise they can be handled flexibly. It is expected that both parties come to the table with their best offer. Written contracts are required, and always in Japanese. Using a Japanese lawyer is seen as a gesture of goodwill. Note that Japanese lawyers are quite different from Western lawyers as they are much more functionary.



Need to know – Payment in Japan

Payment in Japan works on the honour system. Once business is agreed, there may not be a contract, but instead Japanese companies work with six-month and twelve-month agreements. Business deals in Japan are often commence-such as delivering goods-before either payment or writing up a contract to set a price for payment is made. It is not uncommon to be paid in advance without a contract. The Japanese do business based on trust; even if a contract was made it would contain minimal agreements.

Generally there is very little bad debt in Japan because people pay their way. However, as a foreign company, it is essential to have all agreements translated into Japanese to ensure there are no misunderstandings.

7. Social Interaction

In Japan, it is normal for dinner meetings to be held in [restaurants](#). It is common to extend an evening's entertainment by going out to a coffee shop (or a second round of drinking) after the meal. Japanese often enjoy drinking alcohol with and after dinner. If alcohol is served, it is best to not drink from the bottle. You should pour the beverage into a cup or glasses provided and then drink. Show an interest in your contact as a person. An interest in family, hobbies, health etc. can help to cement a relationship.

Case Study—Running successful business meetings in Japan

Cyril Dolan, Global Vice-President of Indirect Channel Business Development, Openet.

"In doing business the Japanese are very, very detail-oriented, so when you're in the sales process and even more so when you're starting to conduct business, they question a lot of things. And they will want to get to the bottom of every piece of detail, and the reason is that they need to be able to represent it to the end customer".

www.openet.com

Why Japan?

Japan is the 3rd largest economy in the world yet they are not renowned for being early adopters of innovation. The Japanese are very structured and they generally want to see proof of how something works, so if you have an innovative product or service with an already proven track record, there are significant opportunities for Irish companies who are able to provide high quality and market proven services or products

Advice for potential importers

- Learn about what to expect before you go to Japan in terms of the culture and how to conduct yourselves, particularly in meetings where there is a very specific etiquette. Meetings don't start before the stated time, but you must be there on time, and know that meetings also finish on time.
- Reciprocate the protocol about where people sit at meetings. So with whoever you're meeting – the customer, the more senior person will sit in the middle, and then to their left will be the next most senior, and then to the right. So place your most senior person opposite theirs.
- Observe the protocol carefully about the business card. If you have got someone's business card, they expect that you would remember that, as it's an important transaction. And you certainly don't take a card again.
- Reciprocate the gifting at meetings but gifts don't have to be of a high monetary value. It's more the symbolic nature of it.
- Make sure that they understand your points. As a culture, they do not actually ask many questions, so you need to kind of draw them into asking questions because they are good thinkers and they take in the data you present. If you are giving a presentation, they may not halt you or say, "We don't understand." So you need to constantly solicit their feedback, and make sure your message is getting across, because they are a very polite nation, and they wouldn't necessarily speak out.
- Bring hard copies of your presentation to give to people even though you are actually presenting it over PowerPoint, and the same goes for the agenda. This goes back to the language issue.
- Find the right interpreter - this is really important for businesses to get right. There is a big difference between a translator and an interpreter. Effectively a translator would just translate verbatim what they hear, and they may get the context wrong, whereas an interpreter will summarise. An interpreter can be given your presentation before a meeting and then they have the right context as you are speaking.
- Have local partners, even if you might end up transacting business directly, because when going to a meeting from a cultural perspective, having a link with a Japanese company is very important.
- Educate each part of your sales channel as in Japan if an indirect channel is selling your product, they expect the indirect channel to be able to talk to the end customer. And in some situations, they won't allow the product vendor to be at the various meetings, because they would expect that the indirect channel has been fully empowered to sell and to deploy the product.
- Honour every commitment you make in Japan. They will respect what your commitments and delivery days are, but you really must meet all commitments.”

How business decisions are made in Japan



Need to know – The Japanese attitude to risk

The majority of Japanese businesspeople, especially middle-managers, are very averse to risk. Therefore, getting approval from upper management takes much time and patience. Expect to have to continually convince and reassure a buyer of your company's ability to deliver and of the quality of your product or service. If a buyer says "No" then make sensitive efforts to find out why - very often he/she may want to do business with you but has reservations, or their manager has reservations, because it is perceived that dealing with a foreign company is too risky.

Most Japanese companies have a decision-making system called "Ringisho". It is a process of internal consensus for a future project. Ringisho is only issued when the person submitting it is sure of approval. It goes from the lower level up to the upper levels of management, gaining approval as it passes on to the next higher up, recording consensus throughout the company.

If there are a number of people above the Ringisho issuer, all of those people will read and study the business proposal, and then each one gives their approval and passes it on to the next higher level. After approval has been collected from all the members of upper management and consensus is established within the company, the Ringisho is returned to the original issuer and then he or she can start taking charge of its business.

If such a business proposal is new to the issuer's immediate boss and the other upper level personnel, no one will approve it because it is a new idea. Therefore, an employee will only issue a Ringisho if they are sure that it will meet with approval. Generally, Japanese business people are risk-averse and so Japanese business people seldom take charge of new proposals if they are not 100% sure that it will be supported by their superiors.

In a classic Japanese decision-making process, things are deliberated over, data is gathered and analysed, a consensus needs to be reached, and the most senior people particularly need to be convinced as everyone looks to them for guidance. This can be a time-consuming process, but from the Japanese point of view it leads to the best decisions.

Top Tips – Japanese phrases

Although you do not need to become a word-perfect Japanese speaker, many Japanese people really do appreciate those who make the effort to learn at least a few Japanese words and business phrases. Very often it will be a wonderful ice-breaker and help build much stronger relationships if you are able to make a polite greeting or two in Japanese. Here are a few phrases:

1. When handing out your business card:

'Watashi no namae wa Murphy desu' - means 'My name is 'Murphy'

'Murphy desu.' - means the same as 'Watashi no name wa Murphy desu' but is more colloquial, way less formal, much easier to remember and will not get you into trouble.

'Hajimemashite' - means 'Hello, I am pleased to make your acquaintance' and you only use it the very first time you meet.

2. General greetings:

'Ohayogozaimasu' - means 'Good morning' and is generally used before 10:00am.

'Konnichiwa' - means 'Good day' (when meeting) and is used from 10:00am ~ 6:00pm.

'Kombanwa' - means 'Good evening' (when meeting) and is generally used after 6:00pm.

3. Upon parting:

'Domo arigato gozaimashita' - pronounced 'domo arigato gozaimashita' means 'Thank you' (in this case for the event that just occurred) and can be used when parting morning, afternoon or night. Do not use 'Sayonara' (pronounced 'Sayonala') which is more of a final (or long-term) 'farewell'.

4. Please and thank you:

'Onegaishimasu' means 'If you please' and can be used for example if you are at dinner with a customer and he/she offers you wine

'Domo arigato gozaimasu' - pronounced 'domo aligato gozaimasu' means 'Thank you' (in this case for the event that is just occurring) and can be used when thanking a customer for an order or for a meal.

'Gochisosama deshita' - means 'Thank you' but only to your host when leaving a restaurant or bar (it literally means 'I was spoiled' as in having received food and drink).

'Doitashimashite' - means 'It's my pleasure' if you bought lunch/dinner for a customer and he/she says "Gochisosama deshita".

5. Sorry and excuse me:

'Gomen nasai.' means 'Sorry

'Sumimasen' - means 'Excuse me.' and can be used when excusing yourself from the table or room or when calling a waiter/waitress.

STARTING IN THE JAPANESE MARKET



3. Starting in the Japanese market

“Showing commitment doesn’t get you a sale. What gets you a sale is if you can demonstrate to the client that you are an expert. And you can only demonstrate that to a client if you can really understand what that client’s requirements are. You will only understand that if you are paying someone to tell you what’s going on in the marketplace.”

Liam English, CEO, Bluemetrix.

Introduction

Japan is a mature market with well-entrenched domestic and international suppliers, so you will need to research the market thoroughly to identify a niche. You will also need to assess competitors, both local and international. The Japanese will expect that you have done your homework thoroughly, and that you can demonstrate why you are an expert in your field. If you cannot do this, it will be difficult to win new business.

Geography

Japan is an archipelago of 6,852 islands and is an island chain between the North Pacific Ocean and the Sea of Japan, east of the Korean Peninsula. The four largest islands are Honshu, Hokkaido, Kyushu and Shikoku, which together account for ninety-seven percent of Japan’s land area. Japan has the world’s tenth-largest population, with over 128 million people, and a population density of 335/sq km. The Greater Tokyo Area, which includes the capital city of Tokyo and several surrounding prefectures, is the largest metropolitan area in the world, with over 30 million residents.



Its total land area is 377,915 sq km, which in size is approximately six times larger than Ireland. The Japanese climate varies from tropical in the south to cool temperate in the north, and its terrain is mostly rugged and mountainous. It has negligible mineral resources, and with virtually no energy natural resources, Japan is the world's largest importer of coal and liquefied natural gas, as well as the second largest importer of oil.

It has a number of natural hazards, one of which is being in the Pacific “Ring of Fire”, with many dormant and some active volcanoes; there are about 1,500 seismic occurrences (mostly tremors but occasional severe earthquakes) every year, as well as tsunamis and typhoons.

Getting there from Ireland

Nearly all major airlines and airports offer flights to Japan. From Ireland, you would need to fly to London or another European hub before getting a flight there, which takes about 12-14 hours. The country's two leading airlines, Japan Airlines (JAL) and All Nippon Airways (ANA), both serve a broad range of international destinations.

Narita International Airport and Kansai International Airport are the most commonly used airports in Japan. The largest international airport in the country is Narita Airport, located 43 miles from Tokyo. Kansai International services the cities of Osaka, Kobe, and Kyoto and is located 24 miles south of the city of Osaka.

Whilst airfares can be expensive, there are a number of ways to save on airfare to Japan by flying outside the peak seasons, which include Christmas and New Year, Golden Week (end of April through the beginning of May) and the summer holidays (July and August).

Keep domestic transportation in mind when booking your international tickets. A ticket with which you enter Japan through one airport and leave through another can save you from costly backtracking across Japan. Some airlines also offer discount fares on domestic routes if you use them to fly to Japan.

Travelling from the Airport

Both airports are very well-connected. At Narita International, bus and train tickets are purchased at special counters in the airport. Travellers out of Kansai International are greeted with multiple options, including buses, rails, and taxis. If you are planning to take the railway, your choice is between the JR Line and Nankai Line. Avoid taxis, as fares at both airports are incredibly expensive. Typically, the fastest way to travel from both airports to the city is to take a high-speed railway.

Time Zones

Japan is 9 hours ahead of GMT so you should bear this time difference in mind when organising trips, making phone calls, and setting up meetings there. There is no Daylight Saving time in Japan.

Preparing to export

Investing in a new international market can cost substantially more than investing in a local market. Thorough research of the current Japanese market for the business you want to start will enable you to establish how much finance, focus and commitment required in order to have a successful start. Identify how much is too much, but also understand that you will need to prepare for higher expenses. Invest as much time as you believe is necessary and then a bit more. Time spent preparing and planning will always find you in a better position. If you are under-resourced from the outset, it will be difficult to win deals.

Market research

Any company looking to expand into foreign markets must first gather information, prepare an export plan, make a series of key decisions and ensure the necessary financing is in place. Exporting can be a great way to grow a company, but it also entails risk.

Research the market and focus on the strengths, weaknesses, opportunities and threats your company might face. Set out to have a clear understanding of the culture, customs and economic conditions of the Japanese market before setting up business.

Another useful approach is learning from other Irish companies' experiences that have been successful in the Japanese market. This guide includes some case studies from Irish companies based in the Japanese countries, and Enterprise Ireland can also provide relevant introductions to useful contacts if you are interested in investigating further.

Market Research Resources for Japan

Being abreast of local market trends, especially in your sector, will help enormously when it comes to building your knowledge about the Japanese market. Below are some websites that will help you to source industry-specific information:

- **The Prime Minister and cabinet office** publishes white papers that are sector specific and can be found on their website at www.kantei.go.jp/foreign/index-e.html which would be useful for Irish

exporters to research their sectors. Specific sector updates are also accessible via the relevant industry ministry website which is at www.cao.go.jp/index-e.html. Many white papers are available which range across all industries from manufacturing through to energy at www.meti.go.jp/english/index.html

- **Nikkei** (www.nikkei.com) is the main source for business information in Japan and is published daily in English.
- **JETRO**, the Japanese External Trade Organisation provides comprehensive and regularly updated information and support for companies entering, or trading in, the Japanese market, as well as also providing industry specific information www.jetro.go.jp
- **EU Gateway** is an EU-funded organisation that helps EU businesses enter the Japanese and Korean markets. <http://www.eu-gateway.eu/why-eu-gateway>
- **European Business Council in Japan** – This is the trade policy arm of 17 European National Chamber of Commerce and Business Associations in Japan and has been working to improve the trade and investment environment for European companies in Japan. www.ebc-jp.com
- **Tariffs in Japan** – Information on all the regulations and codes required for import. <http://www.customs.go.jp/english/tariff/index.htm>
- **The Japan Market Expansion Competition (JMEC)** is a business training programme in Japan, which is focused on a business plan competition. The dual objectives of the programme are to strengthen the skills of up-and-coming executives, while paving the way for foreign companies doing business in Japan. www.jmec.gr.jp



Need to Know

Enterprise Ireland's Market Research Centre can provide Irish companies access to market information in the form of company, sector, market, and country information to explore opportunities and compete in international markets. For more information on the market research facilities available, please visit <http://www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre>

Case Study – Beginning relationships with your Japanese partners

Joe Redmond – Group Executive, FEXCO.

“The Japanese have a very clear set of rules, very high standards, are very professional, well-prepared and well-organised, and you have to be the same. The benefit of this is that you know exactly where you stand at all times.”

FEXCO Commercial FX Services is a specialist foreign exchange and payments provider offering efficient and cost-effective payment solutions. It provides foreign exchange and payments solutions to both business and personal customers. www.fexco.com

Why Japan?

“We identified Asia as a particularly strong market, in particular for our foreign exchange and international payments products which can lead to opportunities in the wider Asian region. Japan is the most developed country within Asia to do business with. Because there’s a very clear set of rules and business protocol it makes sense for an Irish company to start any business in the Asian region from there.

What advice would you have for exporters?

- Be prepared that it can take up to four or five years to actually do business in Japan. The Japanese take their time to go through a lengthy and detailed and consultative process with you as a business.
- Be ready to prove that your market entry proposition or strategy is solidly based on comprehensive market research. We had to prove to our Japanese partner that this was the case with the opportunity that FEXCO had identified.
- Make sure that you align the way that you do business to the way that the Japanese do business in terms of what they expect. Western companies can very easily make a mistake if they haven’t done their homework and have a proper appreciation of Japanese business etiquette which is quite unique in terms of anywhere else in the world. There is a protocol which has to be observed, a specific manner in which business meetings are conducted, how social pleasantries take place, how to handle and respond to business comments and the formality of greetings.
- Know that the Japanese are very sociable and good-humoured and pleasant people to do business with while initially they do appear very formal because of the Japanese business etiquette. They share with the Irish the fact that social engagement outside of the meeting room is an excellent way to develop and to improve the relationship with your Japanese partner.
- While thinking that we are privileged to go into one of the most developed and successful economies in the world without opposition, in actual fact it works both ways. There is almost a badge of honour on the Japanese side, when you go into an organisation to do business – particularly in smaller partnerships. The people that you are doing business with would say that their colleagues would look on them almost enviously, that there is Western business coming in to their small businesses.
- It is essential to have a presence in Japan. We have a continual discussion about other opportunities that we are pursuing there. Because of the length of time it takes a Japanese company to commit to doing business with you, there is a very long sales cycle, so it helps tremendously with this to have people on the ground pursuing opportunities and business relationships for us all at different stages of the sales cycle.
- Visit Japan regularly - as a head office representative of our company, I visit Japan a minimum of six to seven times a year as it is one of the most critical things for the business. If you’re serious about engaging with them and trying to do a deal, you have to be visible, and have the right kind of people on the ground, to build long-term relationships and demonstrate to them your integrity.
- Be prepared - I am continually impressed by the calibre and the quality of the Japanese executives that we have engaged with. Japanese executives have a great ability to quickly understand and grasp concepts even if they don’t speak English very well, so research your product’s superior offerings very thoroughly, as otherwise you could be caught out by an particularly insightful question.

- Speak very slowly and deliberately, and sometimes you can actually abandon the translator in a meeting - this definitely makes for a more productive time, as well as deepening the relationship.
- Learn a few phrases of Japanese as this goes a long way towards demonstrating that you are serious about building a relationship with them. They will also appreciate even the smallest attempt you can make to speak Japanese.”

Case Study – Building a business in Japan

Liam English, CEO, Bluemetrix.

“Demonstrate that you are bringing in the best-of-breed technology or product when you start a conversation with a client for the first time. You have to validate your track record to date, and point it out to them. There’s no reason for them to take a risk on purchasing something from overseas unless it is the best of what’s out there”

Bluemetrix is Ireland’s leading independent online analytics company providing customised Web Analytics and Data Consultancy services to blue chip clients in Japan, Scandinavia and Ireland since 2001. It develops and supports all its own technology, and this creates new product opportunities for clients in the era of Big Data by mining data across their organisations. www.bluemetrix.com

“Why Japan?

There are a lot of indigenous Japanese companies to whom we supply web measurement and analytic services, such as Pioneer, Sky Perfect TV, JVC, Toshiba. Over 60% of our business comes out of Japan and we have an office of 9 people there.

Advice for potential importers

- If you are serious about the Japanese market, you need to invest in having a strong presence in Japan. You will need someone who can empathise with the customer, who can interface on your behalf, and who will be enough of an expert to show them how you can change your product to adapt with their requirements.
- You need to be able to demonstrate an international track record and that you are an expert in what you do. You also need to show that you understand their business, their culture and how their business works. You can only do this if you can speak to them in their language so you need someone representing you that they know who understands their business.
- It’s important to show that you are a domain expert and highly knowledgeable of the industry that you work in. You will need to prove that you can take that knowledge and experience and apply it to the Japanese market, which is not a straightforward thing to do.
- Business can be difficult to get over the line. It is very much built on a relationship with whoever the salesperson is, and there has to be a trust in it. Sales cycles are slow, it can be anywhere from a couple of months to a year or two, depending on the customer, and what you’re trying to do. And typically, it starts quite slow and small, and then you build from there.
- Finding the right person in your target company can be very difficult. You could spend a lot of time talking to people who don’t have authority or the ability or the responsibility to purchase your product. The good thing about Japan is that once you do find the right person to talk to, and once you have agreed the business, it works very smoothly, provided you service it properly.
- The Japanese can be very demanding in terms of customer service, and what is seen as being an acceptable level of service in Ireland, may not be of an acceptable level to them. They expect you to know a lot more about their business than other countries might.
- Getting the business in the first place is the biggest difficulty but on the positive side, you’ll always be paid on time even though you may not have a contract.

- An opportunity is that there is often a innovation lag between Japan and the rest of the world. Especially in hi-tech and in the software space, where you can see that there could be twelve months, eighteen months, even two years of a lag between what is happening in the market in Europe and the States, before it appears in Japan. So Japanese companies, even though they are technically very savvy, may not always be the most technically proficient clients that you would have.”

Building market presence in Japan

At the point of entry into Japan, it is likely that your company or brand may be almost totally unknown in the marketplace. This potentially means having to spend more on marketing than your competitors, especially domestic ones. The most effective way to invest your marketing budget is to use an integrated approach from some of the following options.

Professionally translated materials

Because the Japanese language and culture are so completely different to that of Ireland it is essential that you enter that market with professionally translated materials. The benefits of this are:

- **Speed:** Japanese clients / trading companies will be more open to do business if all materials & documentation are provided in Japanese. It shows the foreign company's commitment to the Japanese market. Providing translated materials also speeds up the process of doing business.
- **Impact:** A professional quality translation can get your message across better, i.e. Japanese translators used by Japanese companies in Japan may not have the same grasp of English nuances. This will result in some of the sales or marketing messages, which are effective in English, having reduced impact in Japanese. For technical translations, software localisation or where health & safety are critical, any poor translations can have serious consequences.
- **Think local:** It is important to remember that some of the marketing messages in English do not make sense in direct translation. These messages may need to be "adapted" or localised. A professional translation agency can take care of this for you.
- **Accuracy:** Even in those cases where the Japanese company representatives can speak some English, they always prefer that important negotiations are interpreted for them (e.g. conference calls via Skype including an interpreter).
- **Local relevance:** Sometimes unless a translator actually lives/has lived in a country where the original material comes from, the translated message may not have the intended meaning as the original.
- **Focus groups:** As a marketing tool, focus groups would most likely require a simultaneous interpreter, as they would include people from different backgrounds who would not necessarily speak English and where interpretation would be sensitive both to the market of origin and the local market.

Hard-copy marketing material

Corporate marketing material is essential in establishing your credentials for Japanese prospects, and they are a useful sales tool at events such as trade fairs which may play some role in your initial market building. Brochures should always be translated into Japanese and should include an overview of the product or service you provide, contact details, and if possible, some endorsement by a significant customer. Just as with presentations, your marketing collateral should focus on the benefit to the customer rather than the features of your offer.

Website

A well-constructed and easy-to-navigate website provides great opportunities for Irish exporters. It might seem obvious, but when you are entering a new market, it is essential to update your website to accommodate international enquiries and purchases/sales. A good website will serve as your corporate brochure and prospects will usually go straight to it to check you out. The website need not be loaded with information, but be cleanly laid out with relevant graphics and up-to-date information.

By providing a professionally translated Japanese-language website, you can be sure that your contacts, clients and distributors can verify the bona fides of your organisation. A translated website is a great platform from which to develop further online marketing & sales activities within the target market.

Maintaining an up-to-date website allows you to:

- Make contact with potential customers before leaving Ireland
- Reach Japanese customers cost-effectively
- Introduce, promote and demonstrate new products.
- Project the impression of a professional organisation

Other useful tips include:

- Use customer endorsements where possible, and photographs to show your products or services being used
- Use search optimisation and search engine marketing techniques
- Consider setting up a local .jp domain dependant on company location to make sure that Japanese prospects can find your website found as easily as possible and to reinforce the idea that your service is local.
- Ensure that your contact details are easy to find, preferably with direct email and a photo of the staff member.

Social media

Social media can be an effective way to build up a network in the Japanese countries and as it continues to grow rapidly it offers businesses new and meaningful ways to engage with other businesses, people, events and brands that are relevant to them. Japan has one of the most advanced digital societies in the world. However, only a small percentage of Japanese speak English, therefore language is one of the reasons that most Japanese prefer local internet sites. Localised and translated content has helped foreign organisations to access the Japanese-only speaking population and all major foreign software providers have Japanese-language versions.

Key facts to note:

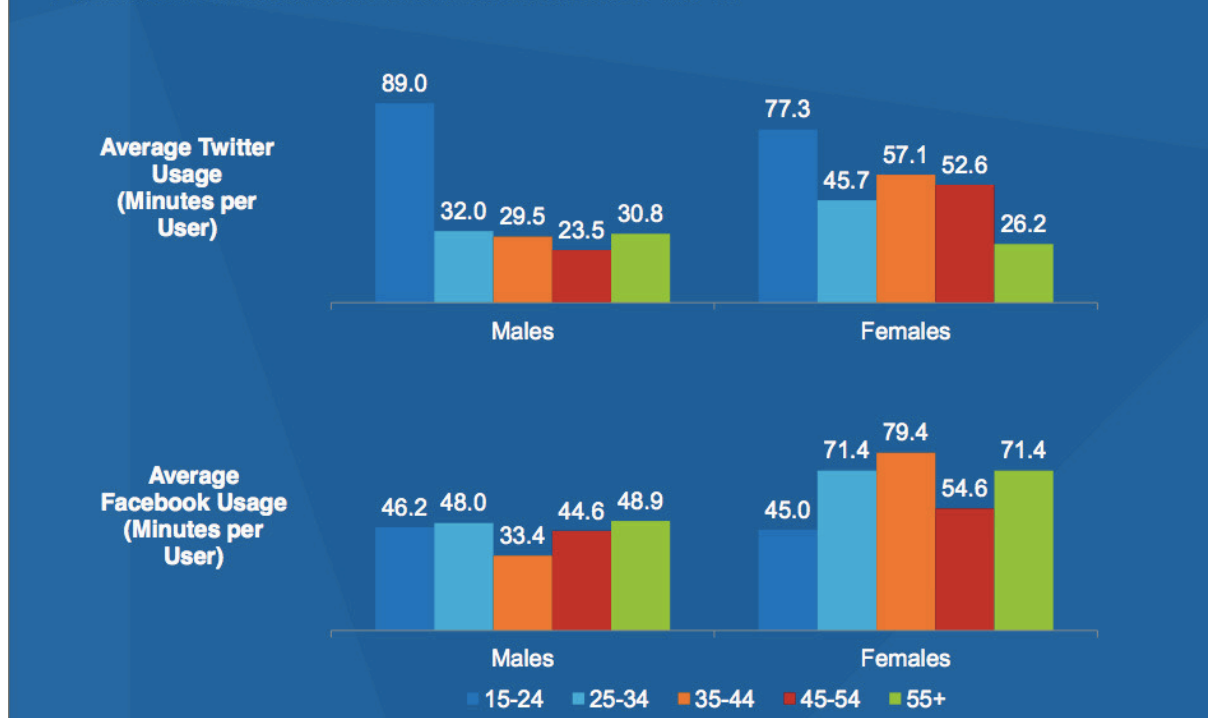
- There are over 94 million internet users in Japan (2011), 78.2% of the Japanese population.
- Average download speeds in Japan are typically 3 times faster than in Ireland.
- Mobile penetration rates in Japan are approximately double the European and US rates.
- Japan has over 110 million mobile subscribers, with over 92 million using data services (i.e. 83% of the population)
- Mixi (14.6m users) was Japan's biggest social network but has been replaced by Gree, Mobage, Twitter, Facebook and most recently Line.
- Facebook (12.5m users) looks like it is declining so check before you commit to using it.
- Yahoo Japan is the No. 1 search engine, Google No.2 and YouTube No.3.

Twitter

All of the above has contributed to Japan's increasing use of Twitter, as roughly 30% of all Internet users in Japan used Twitter in May 2013. Of the Twitter accounts responsible for the most all-time tweets, six of the top seven are Japanese, and Twitter has more reach than any other social network in Japan, including Facebook. Mass tweeting has occurred at several events in Japan, beating the global record for tweets per second each time. This is partly due to the fact that users can convey much more in 140 Japanese characters than users can in English, plus the ability to hide behind an avatar suits the Japanese need for privacy.

Twitter Used Heavily by Males and Females 15-24

Facebook's Heaviest Users are Females 35-44



Source: ComScore 2013 Japan Digital Future in Focus report www.mashable.com

Linked In

Japan has a different work ethic than in the West. The majority of the Japanese tend to stay at one company for a long time, and it is a work force that tends to avoid personal branding or building a professional online identity. Generally speaking Japanese workers tend to want life-time employment and won't change jobs even if offered incentives to go elsewhere. LinkedIn built special tutorial pages to teach Japanese members how to use the site and introduced core LinkedIn concepts that may be unfamiliar in Japan such as connecting and the value of a professional network, but its penetration is still extremely low, at about 1%.

Mobile

As most of the population is concentrated in larger, crowded cities, accessing information online can reduce time spent trying to find products or services using the usual "window-shopping" approach, and shopping TV Channels are hugely popular as a result. Travel to/from the office is generally by train, with typical journeys of one hour and over. Commuters have ample time to use smartphones for leisure, online shopping or entertainment. Therefore mobile marketing is very popular in Japan.

Public relations

Public Relations can be an effective way to increase your profile in Japan but you need to ensure that you have credible proof points to refer to and are able to demonstrate uniqueness and core experience. Be wary of the language barrier when translating your key benefits and ensure you partner with a public relations firm that understands your industry and targets industry-specific publications. Keep to your key messages, but add to them and demonstrate what benefits your company can bring to the local market. What is the local impact your product or service brings to the local market?

99% of business communication in Japan is conducted in Japanese so a first-class interpreter or translator will be needed. This makes communications in Japan expensive, and Japanese PR managers appear to best target newspapers ahead of TV and online, so get to know how the local PR market works before you commit to any campaign. Finally, ask local experts to tell you what does and does not work in the Japanese market.

Direct marketing

Direct marketing is popular in the B2C sector but is generally not as successful in the B2B sector as accessing the right contacts can be very difficult. Taking time to build long-term relationships is the key to building business in Japan, so to reach and engage prospective clients or customers is best to do via meeting face-to-face.

Exhibitions/Symposiums/Conferences

These are a very popular method in Japan to promote your business. Information about upcoming conferences is available on the JETRO website at <http://www.jetro.go.jp/en/database/>. This is an extensive trade-fair database that offers comprehensive information on fairs and exhibitions held in Japan and globally. Users can search by industry, location and date, and it also regularly features online virtual trade-fairs devoted to a range of business categories

Insights to Japanese marketing culture

Marketing is less a key function in the Japanese business model for the following three reasons.

Language. There is no direct translation for the word or concept. It is spelled via *katakana* characters (Japanese phonetic alphabet for non-Japanese words) and as a result is seen as a foreign word linked to a sales transaction. Marketing cannot be comprehended or explained in the way Westerners have come to understand it.

Cultural History. In Japanese, the words *mono* (thing) and *zukuri* (process of making), taken together, literally mean the process of making or creating things. *Monozukuri* combines the desire to produce excellent products through innovative production systems and processes. The drivers of *monozukuri* (and of business direction) are product engineers.

During the Edo period (1603-1868) the Tokugawa government created a social order called *shinokosho* or the four divisions of society. Samurai were at the top of society because they set a high moral example. Farming peasants came second because they produced the most important commodity, food. Third were artisans and craftsmen. Merchants were at the bottom of the social order because they generated wealth without producing any goods. The classes were arranged by what Confucian philosophers described as moral purity.

In modern Japanese companies, marketing staff are the merchant class, engineers are the samurai, and all other company functions are the equivalent of farmers and craftsmen.

Education. Marketing is poorly taught in Japanese universities. Professors do not have academic or professional experience in marketing, like western professors. Neither do Japanese companies have marketing training programmes. Employees are rotated through the marketing department at some point during their careers; it is not an area of career specialisation. When employees -- junior and senior alike -- are placed in marketing positions, they have to figure out their jobs as they go along, and aptitude for a marketing position is not a consideration. Experience gained is rarely retained and passed on. Thus a perpetual cycle of marketing mediocrity and lack of professionalism endures.

Many European, Australian and American have a Chief Marketing Officer reporting to the CEO, but the CMO position does not exist in Japanese companies; marketing staff are tacticians rather than strategists. An American-style CMO likely will never work in a Japanese company, because Japanese work in a group or team environment, rather than as individuals.

Embracing marketing as a core function of the business does work in Japan. Coca Cola, P&G, McDonald's and many other western companies have entered the Japanese market with entirely new product categories and were accepted by Japanese consumers. These companies recruited and trained Japanese managers in their marketing methods, with great success. Many of these Japanese marketing professionals later jumped ship to traditional Japanese companies with the ambition of applying their marketing knowledge, but many experienced frustration when they hit a brick wall of resistance.



NEED TO KNOW

Building your product/service reputation is a long-term investment in Japan. As with everything else in business there, it is all about relationships, and building trust.

By being very clear and compelling in the messages you use to demonstrate what makes your product or service unique in the Japanese market, as well as being able to show your expertise and ensuring you have credible proof points to back it all up, you will go far in constructing the building-blocks necessary for a successful business in Japan.

Getting ready to export to Japan

Complying with Japanese certifications and regulatory bodies

Many domestic and imported products alike are subject to product testing and cannot be sold in Japan without certification of compliance with prescribed standards. Knowledge of, and adherence to, these standards and their testing procedures can be the key to making or breaking a sale. Product requirements in Japan fall into two categories: technical regulations (or mandatory standards) and non-mandatory voluntary standards. Compliance with regulations and standards is also governed by a certification system in which inspection results determine whether or not approval (certification/quality mark) is granted.

Approval is generally required before a product can be sold in the market or even displayed at a trade show; unapproved medical equipment may be displayed at a trade show if accompanied by a sign indicating that the product is not yet approved for sale. To affix a mandatory quality mark or a voluntary quality mark requires prior product type approval and possibly factory inspections for quality control assessment. Regulated products must bear the appropriate mandatory mark when shipped to Japan in order to clear Japanese Customs. Regulations may apply not only to the product itself, but also to packaging, marking or labelling requirements, testing, transportation and storage, and installation. Compliance with "voluntary" standards and obtaining "voluntary" marks of approval can greatly enhance a product's sales potential and help win Japanese consumer acceptance.

Compliance with standards

There are two ongoing trends in Japan regarding standards. One is a move toward standards reform and the other towards harmonising Japanese standards with prevailing international standards. While reform is underway, there are numerous laws containing Japan-specific mandatory standards most of which have not been translated into English. Therefore, it is important that a Japanese agent or partner be fully aware of the wide variety of standards in effect that could impact the sale of the imported product.

The Japan External Trade Organization website contains numerous documents on Japan's standards and regulations, including import procedures, quarantine periods, technical requirements, etc. The website also details relevant laws, ordinances and amendments concerning import standards and regulations.

For more information see: <http://www.jetro.go.jp/en/reports/regulations/>

Business networking resources in Japan and Ireland

Ireland Japan Association

The objective of the Ireland Japan Association is to enhance and develop relations between Ireland and Japan through business, cultural and social spheres. The Association strives to deepen the growing relationship and forge even stronger links between Ireland and Japan and has become a central focus of the Japanese community in Ireland. For additional information, please go to <http://www.ija.ie/>

Asia Trade Forum

The Asia Trade Forum arose from the Irish Government's Asia-Pacific Strategy. Its role is to develop new strategies and to assist Irish exporters to develop new business in all of the Asian markets, but most particularly in China, India, Japan and the Republic of Korea.

For further information, please go to www.asiatraderforum.org

Ireland-Japan Chamber of Commerce

The representative body for Irish-Japanese business interests in Japan. Members represent a cross-section of companies, business people and entrepreneurs from Ireland, Japan and other countries. It represents and expresses the opinions of the Ireland-Japan business community regarding trade, commerce and finance and related matters. For further information please go to www.ijcc.jp

Irish Network Japan

The INJ is a non-profit volunteer organization whose central purpose is to promote Ireland's culture, traditions, and people in Japan. It also assists Irish people here, and promotes exchanges between the two countries. www.irish-network-japan.com/en
Japan Business Society Ireland

A society of Japanese businesses with operations in Ireland with Japanese leadership. The website is in Japanese <http://indigo.ie/~nikkikon/>

Ireland Japan Chamber of Commerce Alumni

The Ireland Japan Chamber of Commerce (IJCC), in association with the Embassy of Ireland in Japan, has established an Alumni Database, containing the names and contact details of people, either Japanese or Irish, who have studied in Ireland. In creating this searchable database, the IJCC wants to foster relationships and connections among those who share the common experience of an education in Ireland. <http://alumni.ijcc.jp>

Asia Pacific Irish Business Forum

The APIBF is an initiative to use the platform of the annual Asian Gaelic Games to link the GAA network with the Irish business groups in the region for mutual benefit – for some practical business co-operation across the region. www.apibf.com

ROUTES TO MARKET



4. Routes to Market

“Be prepared that it can take up to four or five years to actually do business in Japan. The Japanese take their time to go through a lengthy, detailed and consultative process with you as a business.”

Joe Redmond – Group Executive FEXCO.

Introduction

In this chapter, we look at some of the possible ways to sell to the Japanese market.

In most cases, exporting to Japan requires working through local business partners, such as an agent or distributor. It is hard to remotely manage Japanese business and finding the right partner to eliminate barriers of culture, language, customer support and physical distance is the key to success.

Personal relationships are very important in this market and should be developed with a long-term perspective, built on mutual trust. This requires patience, an investment of time and personal presence. Regular visits are an important part of a successful interaction with the agent/distributor. Post-sales service is one of the critical components a Japanese prospect will analyse when considering your offer, and it's essential that you can support this with appropriate levels of back-up.

Although the greater Tokyo metropolitan area and Osaka are the two largest commercial areas, there are regional clusters and opportunities depending on the sector. The Japan External Trade Organization, (JETRO) a government funded agency responsible for encouraging foreign companies to invest in Japan and the Japanese market, provides in-depth profiles of Japan's regions on their website.

Companies in Japan regularly operate in groups, or “Keiretsu”, collaborating to win market share and customers within the medium-term. It's important to note this when entering the market as your local partner should have access to the necessary supporting organisations to ensure the success of your product or service.

Making the decision to enter the Japanese market

For any foreign company thinking of starting business in Japan on a limited budget, the JETRO free office space and the [Osaka Business and Investment Centre](#) are great opportunities to establish an initial starting point in the Japanese market.

Japan's JETRO can provide free office space in central Tokyo (and several other locations). This is a booth with a desk in the Invest Japan Business Support Centre and includes broadband, desks and chairs as well as common meeting areas, and the space is free to use for up to 50 days.

Exporting Directly

Although in the past Japan's traditional business culture would have usually involved multiple layers of intermediaries between your products or services and end-users, this business style has changed dramatically over the past decades. Appreciation of cost-cutting, easier communication and a rise in English-capable employees has increased the potential for entering Japan directly. However the majority of small and medium overseas companies do enter with the support of local partners.

A minority of foreign companies enter the Japanese market by themselves. It can work for your company, but this very much depends on the nature of your business and your considerations around the risks versus benefits of such an approach, hence the wisdom of spending time in the market before deciding on your entry strategy.

Going direct involves you supplying your products or services to your clients without involvement of any intermediaries. This way, you will gain knowledge of who you are selling to, obtain end users' direct feedback and understand customer needs better; cutting-down the number of middlemen, which also enables charging a cheaper price. However, you will need to be prepared to deal with a large amount of communication with the client directly in Japanese leading to potential communication difficulties and misunderstandings. This way can work efficiently with companies who are fluent in English and/or where the issue is very technical or specific (e.g. drug licensing to pharmaceutical companies).

Using a Local Partner or Distributor

Identifying the right partner

In general, you will need to invest time and energy into finding the right partner in Japan if you are to give your company the best chance of success in the market. Like most of Asia, Japan is a business culture built on relationship-building and nurturing.

When you speak to potential partners, you should be aware that it will be a two-way assessment: it is not only you who will be trying to assess suitability; they will be assessing you. Japan is a very competitive, sophisticated and information-oriented market. Japanese partners can be discerning and there may be a host of issues which prevent them from entering into a partnership which on the surface may look obvious for them as well as you. Be sensitive to their concerns, answer their detailed questions patiently and promptly, and go to meetings prepared to provide information and strong unique selling points in the best way possible.



Need To Know

Enterprise Ireland can help you identify potential partners and provide introductions to buyers and decision makers. Enterprise Ireland also facilitates buyer visits to Ireland and assist with product launches/workshops. Please contact your Enterprise Ireland advisor to find out how they can help you for the Japanese market.

There are several options to be considered in relation to partners, agents or distributors in Japan:

1. Indirect business with clients via agent

You will talk to an agent and they identify your potential clients for you. Generally speaking, they operate small-scale and have specific industry expertise and do not hold any stock. These agents could be based in Japan or Ireland. For example, this works efficiently in the case of identifying licensing partners of specific technologies in the ICT sector. If you manage to identify the most suitable person for your business, it can turn out to be very effective, but finding the right intermediary is not an easy process; strong and proactive management of this relationship will be important.

2. Indirect business with clients via non-exclusive distributor(s)

You may talk to more than two distributors at any time. As they identify and speak to your end-user clients, the potential for communication issues or misunderstandings will be less than talking to your clients direct. You may wish to bear in mind, however, that your distributors could approach the same end-user client and introduce the same products for different prices. Allocation of different products or regional coverage to each distributor may be an idea, but the latter may not work as most Japanese distributors with an import function operate nationwide.

3. Indirect business with clients via sole-representative:

You select and appoint one Japanese distributor as your sole-representative. At the outset you will discuss all aspects of your business in Japan with them, including identification and selection of appropriate clients, and product / service marketing (e.g. price and brand image controls). This will be the simplest way of doing business with Japan, but if you find their performance unsatisfactory and decide to terminate, this can bring complications as you extricate yourself from the relationship. Finding the right company for you is not an easy process - and strong, proactive management of this relationship will be important.

When developing a relationship with a potential Japanese partner:

- Expect questions and follow up quickly on any requests for information. It may not seem so important to you but the Japanese side may be very keen on details.
- Develop and maintain relationships.
- Make regular visits to the market.
- Treat "test orders" very seriously.
- Remember that after-sales service is very important.

Partnership Options

- There are a variety of partnership options available when you do business with Japan:
- Export of finished products to Japan
- Contract manufacturing at your production site to Japanese client's specifications
- Licensing including brand licensing and technology licensing
- R&D collaboration
- Co-operation agreement involving Japanese and overseas companies' marketing of their products and services in each others' sales territories.



Need to know – Negotiating with Japanese distributors

If you are considering doing business in Japan with a Japanese distributor, then you should negotiate a strong agreement with them before starting in the Japanese market. Also remember that selling the benefits of partnering with your company is just as important to distributors as it is with clients in Japan as they will be representing you to market. If you can convince them that you know where you are headed and have a business opportunity that will give them some strong returns they will want to partner with you at reasonable terms.

Case Study – Building and maintaining a market presence

Mick Swift- Deputy CEO and Research Director, Abbey Capital

"The one thing about the Japanese which differentiates them over other markets we operate in – and we are very much a global business – is the degree of due diligence that they do on you, and the degree of ongoing client service they require from you as well. There's a huge amount of ongoing customer service to be done, and not to underestimate that."

Abbey Capital is an Irish-owned Alternative Investment Manager, established in 2000. It manages an international investment business with clients in the United States, Europe and Asia. Its investment products provide broad diversification across a range of financial instruments including futures, foreign exchange and global equities. www.abbeycapital.com

Why Japan?

“Japan offers enormous potential for Irish companies. It is a country that is very wealthy, and they like quality. They have a very high-quality lifestyle, and food and drink are the most important thing in their world. So if you can bring them quality and best in practice, best-in-breed products, they are very open to new ideas and new products.

Advice for potential Importers

- Business is a long-term game in Japan, in that it can take years to be able to build a long-term relationship, and only after then can you really begin to do serious business with them. Initially in Japan we went on a fact-finding mission, getting to know the sectors in the Tokyo region, where we used introductions from some of our clearing broker relationships. They had relationships in Japan, and they introduced us to some of their relationships there, purely on an introductory basis to talk about our product and to talk about our business. And then over the years, those relationships evolved from a dialogue to a relationship, but it took five years.

- Don't assume anything - Ireland is not well-known. We assume that everybody knows us and likes us. They don't know us, and can mix us up with Iceland. Be respectful and tolerant and understanding in that they don't hear Irish voices very often, so it's important to speak slowly and listen intently.
- Show them respect and their importance to your business by going there in person. It's the only way to build their confidence in you. Regular visits are a must – at least 3-4 times a year if you do not have an office there.
- Spend the time up-front to develop the business. For example, we do customised reporting for Japan as they tend to be more detailed than other cultures.
- Meetings are run completely differently there. You would have maximum an hour, so you need to have the key points prepared of what you have to say. Also, don't be surprised if they break away and talk to each other in Japanese. Just wait and then one of the people present will come back to you with the question in English. Or else they could ask your partner/distributor with you the question in Japanese, and they will translate it for you, and you will answer it again. If you have meetings which are conducted primarily in Japanese and translated, they take twice as long.
- There is a culture in Japan of gift-giving around key events when a deal is agreed or maybe a new relationship. If you are giving a gift to somebody in Japan, you shouldn't give a very expensive one, as once you start giving gifts, you enter into this debt spiral of gift-giving forever. Starting off a new deal with someone, it might be appropriate to meet the senior person and bring a respectfully small gift, i.e. we brought some Irish glass costing about €200.
- Be equal and fair to everybody, that's one of the principles of Japanese culture. For example, around St. Patrick's Day or Christmas, we would send our partners one box of chocolates. Everybody gets one chocolate, and that's the way it works, and they will thank you as much for one chocolate as they would for a box, because it has to be equal and fair to everyone.”

LEGAL ISSUES IN JAPAN



5. Legal issues in Japan

Introduction

Japan is a complex marketplace. It is recommended that specialist advice is sought in relation to legal issues.

Company Registration Process

Setting up a business in Japan is not as onerous as one might think. With the need to promote start-ups, the Japanese government has lowered the required capital for setting up a joint stock company (KK) for 10 million yen to 1 yen in 2003. Theoretically, it is possible to set up an entity in 14 days.

There are four options for setting up a business in Japan:

1. Representative Office

A Representative Office does not require registration with the legal affairs bureau and tax forms. It is only permitted to carry out functions such as market research, PR etc. and no sales activities may be undertaken. It may be suitable if Japanese clients already have established a good relationship with the Irish exporter and the sales transaction and paperwork is being carried out entirely between the Irish exporter and the Japanese client and the Japanese Representative Office's role is limited. It is not possible to open a bank account or sign a tenant agreement with this status.

2. Japan branch office

A branch office may engage in sales activities. Once you have representatives in Japan (at least one must be resident in Japan) and an office address you can register a Japan branch office. You will need to create an affidavit document concerning establishment of a branch office and have it notarised. You will then need to register the branch office at the legal affairs bureau and register the company seal. This is often regarded as an easier option compared to setting up a Japanese incorporation.

3. Japanese subsidiary

This could be in the form of either a joint-stock corporation - Kabushiki Kaisha ("KK": a limited stock company) or a Godo Kaisha ("GK": a limited liability company-LLC). The KK is the most common form of corporate entity used in Japan by foreign investor, and can enjoy credibility and a good social standing. Under Japanese law, certain regulated activities (such as pharmaceutical, securities, or telecommunications) in some cases may *only* be performed by a KK. An LLC is less recognised but the number of such incorporations has been rising rapidly including adaptation by some of the large foreign companies e.g. Apple, Walmart. Since the shareholders and managers of the companies are not separated in the case of an LLC, it has the benefit of having more management freedom e.g. sharing of profits.

It is necessary to have at least one director who is resident in Japan to set up a KK. For setting up an LLC, it is necessary to have a personal seal certificate of a representative member who has to be resident in Japan.

4. Limited Liability Partnership (LLP)

An LLP (Nini Kumiai partnership) is formed when two or more individuals/corporations conclude a limited liability partnership agreement, pay the investment as agreed and register at the legal affairs bureau. At least one member of an LLP must be resident in Japan. It is not possible to convert an LLP to a KK and nor does an LLP have the authority to be an applicant for licenses/approvals required in regulated business sectors.

Banks

Banks in Japan operate similarly to banks in other countries. There are a variety of institutions, ranging from large international banks to smaller regional ones. The large domestic banks include Japan Postal Bank, Mizuho, Tokyo-Mitsubishi UFJ, Sumitomo, Resona, Citibank and Shinsei Bank. Furthermore, several online banks, most notably Seven Bank, have recently gained popularity and offer their customers banking via the internet and a network of ATMs.

Banks provide their customers with services such as cash deposits, withdrawals, transfers, foreign exchange and investment services. Most banks are open from 9:00 to 15:00, and close on weekends and national holidays.

Opening an Account

Both foreign residents and travellers can open a bank account as long as they hold a Residence Card. Some banks may also accept a Japanese driver's license in lieu of a residence card. More conservative banks may also require a personal stamp (inkan).

Most banks do not require a minimum deposit to open an account and do not charge a fee to maintain it. Interest rates on regular accounts are very low, often fractions of a percent. Once you have applied, your bank book and ATM card will be sent via mail. Conversely, you can close your account in person at any branch with your cash card, bank book, residence card and personal stamp (if required).

Bank Transfers (Furikomi)

Electronic bank transfers (furikomi) are one of the key services offered by Japanese banks. They are a very common way for individuals and businesses to transfer money between each other and to pay bills. Transfers can be made at the teller, ATM or via the internet, and are processed on the same day if made within business hours. A fee of typically 200 to 500 yen is paid by the sender.

Visas and Status of Residences

If you are an Irish or UK citizen, you need only a valid passport to enter Japan as a temporary visitor and you have the possibility to extend your stay to a total of six months due to the general visa exemption arrangement between Ireland and Japan. You will still initially enter Japan on a 90 day permit, but can then apply for an extension at an immigration bureau in Japan.

Japanese immigration specialists (gyoseishoshi lawyers) provide advice on immigration procedures. Be sure to use an immigration specialist that has registered with the Immigration Bureau to serve as an application agent so that they are knowledgeable on immigration control procedures and can act as agents for the submission of applications to the Immigration Bureau for certificates of eligibility, extensions of period of stay, changes of status of residence, and re-entry permissions, etc. (As individual immigration professionals work in distinct specialties within their broad-ranging profession, not all are registered in this way to act as application agents).

Immigration specialists can also offer guidance on documents needed for applications, provide advice on preparing documents and, when necessary, can act as agent in preparing the documents. Use of these services exempts foreign applicants and companies employing foreigners from the need to appear personally at the Immigration Bureau and enable entry procedures to be proceeded accurately and promptly.

Tax

Japan has one of the smallest to lowest tax rates in the developed world. After deductions, the majority of workers are free from personal income taxes.

In Japan, the tax liability of individuals is determined by their residence status. Individual taxpayers are classified into the following three categories:

1. A permanent resident is an individual who is a Japanese national or has been present in Japan for at least 5 years within the past 10 years. Permanent residents are subject to income tax on their worldwide income, regardless of source.

2. A non-permanent resident is an individual of non-Japanese nationality who has not resided or maintained his or her domicile in Japan for more than 5 years within the past 10 years.

Non-permanent residents are subject to tax on income earned in Japan (for example, employment income from services performed in Japan, regardless of payroll location) plus any non-Japan source income that is paid in or remitted to Japan.

3. A non-resident is an individual who does not meet the requirements for qualification as a permanent resident or a non-permanent resident.

Non-residents are subject to tax on their Japanese-source income only. Normally, a 20% withholding tax is levied on non-residents, with no deductions available; however, depending on the type of income, tax may be levied at progressive rates through self-assessment. Dividends and salaries paid by Japanese companies, interest income, annuities and prizes are subject to a 20% withholding tax if paid to non-

residents. Foreign nationals arriving in Japan are considered to have established residence in Japan, unless employment contracts or other documents clearly indicate that they will stay in Japan for less than one year.

Overview of Japanese corporate tax system for investment in Japan

Foreign corporations and non-residents are subject to Japanese tax on the Japanese source income. The payments such as dividends, interest and royalties made in Japan to a foreign corporation or a non-resident will be subject to withholding income tax unless they have a permanent establishment in Japan. Japan has concluded tax treaties with 55 countries including Ireland.

The Japanese government reduced the corporate tax rate to 38% as of April 2012 and it will drop further to 35% as of 2015. Multinational corporations engaged in activities in Japan that earn income subject to taxation in Japan calculate and pay the taxes owed through withholding procedures or self-assessed income tax procedures according to their form of corporation and type of income.

Foreign corporations beginning operations in Japan often use a representative office or branch office. A representative office can not engage in sales activity or have a permanent establishment such as a factory or warehouse in Japan. Generally, no income tax or corporate tax is payable in Japan for a representative office. A branch office is treated as a permanent establishment and is subject to corporation tax on its entire Japanese source of income. Under tax treaties, a foreign corporation may be exempt from taxation on industrial or commercial profit derived in Japan if the income is not attributed to a branch office or other permanent establishment in Japan.

Calculating taxable income

The amount of income used as the tax base for corporate taxes for each taxable year is determined by making the necessary tax adjustments to corporate profits calculated using accounting standards generally accepted as fair and appropriate. Costs and expenses incurred in earning profits are deductible, except in certain exceptional instances, such as non-deductible entertainment expenses and bonuses or excessive retirement benefits for directors.

Foreign corporations face no restrictions as to the costs and expenses incurred in Japan and deducted from Japanese source of income. However, detailed statements must be prepared in case that the costs and expenses are incurred overseas and deducted from income in Japan. These costs and expenses should be allocated fairly in accordance with the arm's-length principle.

Taxation of foreign companies

The taxes levied in Japan on income generated by the activities of a corporation include corporate tax (national tax), corporate inhabitant tax (local tax), enterprise tax (local tax), and special local corporate tax (a national tax, although filings and payments are made to local governments along with those for enterprise tax) (hereinafter collectively referred to as "corporate taxes"). Except in instances requiring exceptional treatment, the scope of income subject to corporate inhabitant tax and enterprise tax is (including special local corporate tax; the same applies below) determined, and the taxable income calculated, in accordance with the provisions for corporate tax. Corporate inhabitant taxes are levied not only on income but also on a per capita basis using the corporation's capital and the number of its employees as the tax base. Corporations having paid-in capital of more than 100 million yen are subject to enterprise tax on a pro-forma basis. The income calculated for each business year is used as the tax base for determining these corporate taxes to be levied on a corporation's income. Other corporate taxes include corporate taxes on reserves for retirement pensions.

For further information please see [Investing in Japan](#). (Invest Japan Department, Japan External Trade Organization (JETRO))

Cost of living

The cost of living in Japan, especially in the major cities of Tokyo and Osaka, is high compared to other industrial countries. The cost of living in Tokyo is about the same as New York or Hong Kong. However, outside of central Tokyo, prices of housing, food, and consumables are not greatly different from other industrial countries. It is sometimes surprising how inexpensive Japan can be.

Transportation: Public transport is quicker, easier, and much cheaper than owning a car. You can travel on most private train lines and subways for between JPY 120 to 160 for a distance of 2 or 3 stations. There are trains and buses just about everywhere. It is customary for Japanese companies to pay for

their employees" commuting costs - usually up to a maximum of between JPY 25,000 to JPY 40,000 per month. Taxis are relatively expensive after 11pm, as a surcharge is applied.

Housing: Generally speaking the cost of owning a house or apartment in a metropolitan area is extremely high. Many Japanese companies pay all or part of their employees' housing rent. In Japan, the proportion of owner-occupied houses is high, especially among older people (about 80%).

Japanese Employment Law

Japan has a number of laws pertaining to labour and the protection of workers. These include: the Labour Standards Law which sets forth the minimum standards on working conditions; the Industrial Safety and Health Law which sets forth the minimum standards on working conditions regarding health and safety; and the Minimum Wage Law. These laws apply in principle to all enterprises in Japan, regardless of whether the employer is Japanese or foreign, or the company is a foreign or Japanese-registered corporation. They also apply to foreign workers in Japan provided that the foreign workers meet the definition of workers under these laws.

Japan has a government-run employment agency known as "Hello Work" with offices throughout Japan. Hello Work offers free support for people looking for work and companies looking for workers; all industries are covered by the agency. Similarly, some regional public organisations and education institutions such as universities also provide employment services for free. There are also many privately-run employment agencies; these come in several types, including executive search-type agencies, as well as those which build up a database of registered potential employees and employers, and where the agency collects fees on a contingency basis.

Legislation on recruitment

As far as labour contracts are concerned, the principle of freedom of contract applies to the hiring of workers, and allows an employer to decide what kinds of workers and how many to hire. There are, however, some restrictions. For instance, under the Equal Employment Opportunities Law, employers must afford equal opportunities regardless of sex when recruiting and hiring workers. For that reason, employers may not specify male or female employees when advertising situations vacant, with the exception of a few specific positions.

Recruiting and Retaining Staffing

Lifetime employment used to be a dominant feature in Japanese companies but this has been changing as companies seek to reduce costs, and younger employees are more open to the idea of changing jobs. The recruitment market had been growing steadily until the global financial crisis and international recruitment agencies have offices in Japan. There is a plethora of recruitment agencies/head-hunters which cater for personnel needs of foreign companies ranging from junior support staff to CEO.

Job mobility is higher in sectors such as finance, IT and consumer goods but less so in the more traditional manufacturing industry. There has been an increase in English-speaking job seekers but it can still be difficult to find candidates with English language ability and experience and knowledge of a certain business sector particularly if the sector is in a technological niche area.

Dismissal of staff is not easy. There is considerable precedent in case law to the effect that it is necessary to meet certain criteria in order for the dismissal to be deemed reasonable.

Japanese Social Insurance Costs

Japan has a universal insurance system whereby everybody residing in Japan must, in principle, take part in the public health (medical) insurance and pension insurance system. There are different kinds of insurance system which companies are legally obliged to take part in; all workers that meet certain criteria are covered by the insurance.

1. Workers' Accident Compensation Insurance - This covers any illness or accident incurred by workers as a result of work or while commuting to or from work.

2. Employment Insurance - This provides for workers that become unemployed and helps to maintain stable employment by providing financial aid and subsidies.

3. Health Insurance and Nursing Care Insurance - This covers medical and nursing care expenses incurred by workers.

4. Employees' Pension Insurance - This provides for benefits to workers in their old age, or in the case of death or disability.

Generally, workers' accident compensation insurance and employment insurance are known collectively as "labour insurance," while health, nursing care and employees' pension insurances are referred to collectively as "social insurance." A company must enter these insurance systems when first incorporating or hiring staff by submitting labour and social insurance notification forms to the relevant authorities. The company usually pays insurance premiums by deducting the portion of the premiums payable by employees from their wages, and paying these together with the portion of the premiums payable by the company to the relevant authorities.

Please note that there are different systems for Japanese and non-Japanese employees and the universal system is undergoing significant change at the moment. To find out further information about which system will apply best to your specific needs, please consult with a specialist in this area. Additional information is also available on

http://www.jetro.go.jp/en/invest/setting_up/laws/section4/page9.html

6. Growth Sectors

Introduction

Japan is the second largest IT market in the world after the US, and a voracious consumer of leading edge technology and products from overseas.

It is the second largest pharmaceutical market after the United States with sales of €45 billion. It constituted approximately 11 per cent of the world market in 2010 and IMS Health forecasts the Japanese pharmaceutical market to increase to €59 billion within five years and grow to €78 billion by 2023.

On 25 March 2013, the EU and Japan officially launched the negotiations for a Free Trade Agreement, so removal of trade barriers is now firmly on the political agenda in Japan.

Opportunities by sector in Japan

Information and Communication Technology Infrastructure (ICT)

In 2010 Japan ranked number 1 in the world for ICT Infrastructure-including broadband penetration, low costs of broadband, fibre-optic coverage and broadband speed. The information and communication technology (ICT) industry is the largest industry sector in Japan. Japan's Ministry of Internal Affairs and Communications aims to double the market to €1.8 trillion by 2020. Due to recent economic conditions and as a measure against various risks, many Japanese companies are looking for international business partners as a means of risk management as well as increasing their offshore development.

Among the strongest drivers in this sector are;

- The European Commission and Japan in June 2013 announced six research projects aiming at redefining internet architectures to increase the efficiency of networks in carrying data. One project aims to build networks 5000 times faster than today's average European broadband speed (100Gbps compared to 19.7Mbps). Household penetration of mobile phones is 90% and PC penetration is approx. 80%. TVs with an internet connection have reached approximately 30% penetration and tablets is at 10% as in 2011.
- The big data market is growing rapidly, reaching €1.4billion in 2011 and is forecast to expand to €5 billion in 2017, a report by Yano Research showed. Japan's vendors are looking at specialisation as a way to gain competitive advantage, for big data management and analysis. This market consists of servers, storage, networks, software and services.
- The M2M (Machine to Machine) market will see 15 million wireless connections in 2014 and 28 million wireless connections by 2017, as reported by Techno Systems Research. The core fields include remote control, infrastructure, security, field management, location management for automotive, credit transaction management and healthcare solutions.
- In the Cyber Security industry, the internet, which has become a social infrastructure, has not only made clear the necessity of international regulation of cyberspace, but has exposed a variety of challenges. The severity of damage from cyber-attacks has worsened and the need for protection measures of personal information is an area of concern for Japanese companies.
- The Home Energy Management System (HEMS) and Building Energy Management System (BEMS) markets were valued at €700 million in 2011. They are expected to grow to €1.2 billion in 2020. The key areas are mainly in energy-saving monitoring and security management.

The key opportunities for Irish companies in Japan are around the following industries:

- Big Data: Advanced wireless communication technologies , cloud services and social services, M2M communication
- Smart Technologies: Energy efficient medical/healthcare relating devices, Low power devices and software/IP for surveillance, security and monitoring ,distribution management software, software and hardware of small-cell network
- Cyber Security: Internet security appliances, cyber security and embedded control systems

- Energy Management: Security: information security for consumer device, surveillance: camera, monitoring, image processing, control software: transaction management, high speed wireless: video transfer ,battery management: low consumption, energy management: generation-distribution-storage
- Open Source software:Software as a Service (SaaS)

Medical and Healthcare

Japan is a leading nation in scientific research, particularly technology, machinery and biomedical research. Nearly 700,000 researchers share a €96 billion research and development budget, the third largest in the world, according to Bloomberg Business. Long time considered as a closed market, the Japanese health-sector is rapidly expanding and increasingly opening their doors to foreign firms. The phenomenon of a rapidly aging population and recent deregulation has created a favourable environment for foreign companies' entry into the Japanese healthcare markets.

For Irish companies seeking opportunities in international markets, Japan and the broader Asian market hold tremendous opportunities for business development and collaborations.

Bio Technology

Japan is one of the most developed countries in biotechnology sector and its high number of patents produced is evidence of this. Biotechnology is one of the strategic sectors that the Japanese government is actively promoting, and is the underlying structure for several industries such as pharmaceuticals, agriculture, chemicals and the environment; and developments in biotechnology exert a powerful influence over a wide spectrum of the economy. According to the Scientific American Worldview Report and Scorecard, Japan has held steady in its global innovation ranking among other countries over the past three years.

The sector keeps on growing each year, and applications related to biomedicines, regenerative medicine and genetic therapies, as well as functional foods represent a highly valued market for foreign companies. Joint research projects or partnerships between Japanese and foreign companies have considerably increased over the last few years and it is a strategic must for foreign firms operating in these sectors to have a foothold in Japan for global growth.

Key areas of opportunity for Irish firms include:

- Drug and drug discovery (Small-molecule drug, biologics, vaccine etc.)
- Drug discovery support and contract services (drug synthesis services, analysis contract services and chemical compound libraries and screening etc.)
- Pharmaceutical and medical devices
- Functional food and agriculture
- Medical treatment, diagnosis and medical devices and equipment
- Research devices, bioinformatics and Bio-imaging etc.

Healthcare

The Japanese healthcare and welfare industry, which promises the expansion of domestic demand as a result of the aging society, is expected to serve as an engine for the entire economy of the nation. The government regards the industry as one of the strategic areas, and has been implementing various deregulation and other incentive policies. Japan now has the second largest healthcare and pharmaceutical markets in the world, after the US, with national medical expenditure around €300 billion, and with record growth rates in recent years. It has one of the fastest ageing societies on the planet. In 2010, approximately 23% of Japan's 128 million people were over 65 - and this is predicted to increase to over 30% by 2025 and to 40% by 2055. In many ways a source of concern at a national level, it is also creating opportunities in specific sectors - healthcare, pharmaceuticals and medical devices being three notable ones.

Japan has been a pioneer in dealing with its rapidly aging population with its emphasis on the prevention of age-related diseases, and the ever-changing and expanding healthcare and welfare market in Japan has contributed to developing many new business opportunities; for example, in generics, over-the-counter drugs (OTCs), and health management services. In addition, novel drugs and medical devices, including biopharmaceuticals and nano-medicines, are under development.

Medical Device Market

The domestic market size is about €17 billion, ranked third following the U.S. and Germany. According to the Ministry of Health, Labour and Welfare, the market size is expected to reach about €30 billion by 2015. In terms of market size by type of products, “Diagnostic imaging systems” and “Biological function supplemental devices/substitutes” account for large portions of it. The market for devices for measuring and monitoring biophysical phenomena is also growing. The production value of the market for “Devices for surgical procedures” is highest of all medical devices in Japan. As for “Diagnostic imaging systems” Japan is highly competitive in this market, with half of all products being exported. The market for therapeutic instruments, on the other hand, largely depends on imports.

Progress has been seen in the development of next-generation drug delivery systems (DDS), a system combining drugs and medical devices, and molecular imaging in the field of nano-medicine. As Japan has highly advanced elemental technologies such as electronics, IT technology, and fabric technology, it is expected that novel medical devices will be developed by making full use of these technologies, so this is an area that Irish firms should consider entering.

Pharmaceuticals

The domestic market size is about €67 billion, ranking second in the world after the U.S. In terms of production values by therapeutic area, “cardiovascular drugs”, including anti-hypertensives, account for the largest portion at 20.7%, which is attributable to the aging of the population. Central nervous system (CNS) drugs, including psychoneurotic and antipyretic /analgesic /anti-inflammatory agents; “metabolic drugs”, including anti-diabetics; and gastrointestinal (GI) drugs, mainly for the treatment of gastrointestinal ulcers, also account for large shares. One of the recent trends in the industry is the increase in the production of psycho-neurotics.

The high growth is expected to continue because more new anti-cancer drugs are to be approved. As people become more health-conscious and the government places more emphasis on promoting self-medication, the OTC market, where non-prescription drugs containing the same active pharmaceutical ingredients as those in approved prescription drugs are sold, is expected to grow in the coming years. In the area of orphan drugs (for rare medical conditions) including some vaccines that are less marketable despite high social needs, the government is offering intensified assistance in developing these drugs.

There are high expectations for foreign companies to play an active role in this area, so Irish firms should look at developing partnership agreements with Japanese companies.

Alternative & Renewable Energy

Securing long-term energy supplies is a top priority issue for the Japanese people and interest has grown in markets concerning energy-saving and renewable energy as a result of the electricity shortages caused by the Great East Japan Earthquake. Japan has faced a serious energy shortage during the past two years due to the complete shut-down of all but two nuclear power reactors (which on 15 September 2013 were also closed-down for scheduled maintenance). Energy costs have surged as a result of the rapidly increased short-term demand for liquefied natural gas (LNG) and coal. The government’s policy in response to this is to restart the operation of suspended nuclear power plants, once they are confirmed as meeting revised, higher safety standards. However, the timing and extent of recommencement is still unknown.

To diversify its energy mix, the government is moving towards bolstering renewable energy usage. In order to increase supply, a generous Feed-In-Tariff (FIT) regime for renewable energy was introduced by the Japanese government in July 2012. The FIT has sparked a boom in activity. Some projects have already been deployed and there are many more in the pipeline. To date, most announced projects rely on solar PV generation and are based in northern Japan. Investment into projects utilising other renewable energy sources is likely to pick up speed from a very low starting point. Japanese government policy is that FIT will remain in place for at least three years and this will ensure continued solid growth. In the longer-term, growth in renewable energy may moderate depending largely on Japan’s ability to recommence electrical generation at its nuclear reactors, and the relative cost of fossil fuel alternatives.

An on-going challenge facing many of the mega-solar projects in Japan is access to the transmission grid. The issues are both technical (e.g. grid stability) and structural. Japan’s Ministry of Economy, Trade and Industry (METI), is working on policies that will separate electrical power production from power

distribution and transmission but progress to date has been slow. Irish firms that can help accelerate this process will find opportunities in this sector.

Both the Japanese government and business have been making a big push towards renewable energy sources. Growth areas are low-carbon energy generation such as offshore wind, solar PV and biomass, as well as in grid development, demand-side management, and smart storage. Companies and consumers are looking for technological solutions which conserve energy, with smart technologies at the forefront. The government has set forth “Green Innovation” as the driving force for growth in its “New Growth Strategy” by setting a target of 369 billion yen and the creation of 1.4 million jobs within the environmental market.

With the introduction and distribution of next generation energy, new demands are anticipated in relation to eco-cars and eco-houses. In Japan, the deployment of hybrid cars and other eco-cars aims to reduce CO2 emissions as a countermeasure against global warming. These industries include a wide range of related businesses. For example, with the arrival of electric vehicles (EV), new demand is expected in sectors such as the weight reduction of components and material parts, storage batteries, battery management technology, EV charging infrastructure, and other energy-saving technologies.

The introduction of eco-houses equipped with photovoltaic power generation, high-efficiency hot water heaters and LED lighting is being promoted for more than just improved insulation. There is therefore a range of related businesses in the housing industry for Irish firms to investigate, for home builders, apartment developers and renovators. This includes the installation of residential fuel-cell systems and solar-thermal systems, and refitting insulation in windows, outer walls, and floors in both new and old buildings.

Wind energy is a proven way for Japan to reduce its reliance on imported fossil fuels, and to make use of one of its own local energy sources. Furthermore it will help Japan reach its emissions targets without the pollution or safety risks of many other fuel sources. However Japan still does not properly promote the use of both onshore as well as off-shore wind farms. Modern wind turbines now contain sophisticated technology that works well with established power grids of all kinds, such as large transmissions systems or isolated local grids, and there are opportunities for Irish businesses to help educate the Japanese government in these systems.

Construction and Engineering

Construction remains a challenging market in Japan, as the industry faces pressure to undertake a massive re-building effort in the Tohoku region following the March 2011 disaster, while struggling with demographic changes in the workforce and a generally sluggish economy.

However, Japan is still one of the largest construction markets in the world, and the fundamentals of Japan’s residential housing market are relatively healthy. The Japanese government plans to increase the residential mortgage tax credit from 2014 through 2018 in order to offset a proposed rise in the consumption tax rate in April 2014.

Key factors for Irish suppliers to be aware of include the fact that average construction costs in Japan are relatively high, so there is interest in sourcing high quality products at competitive prices, and also that innovative products to help reduce construction times are in demand, as construction times for up-market, hi-tech buildings in Japan are usually twice that of other advanced countries.

In addition Japan hosts the Rugby World Cup in 2019, and Tokyo was chosen to host Olympics in 2020, both of which present tangible business opportunities for Irish businesses with world-class sporting technologies, services and products. The Tokyo 2020 Bid Committee estimates that hosting the 2020 Olympics would generate close to €20 billion in economic activity for the host city and other areas hosting events. The Olympics could generate significant opportunities for Irish businesses with an established track record in major sporting events. In 2013, the Tokyo Metropolitan Government announced a plan to redevelop Gaien sports precinct, which consists of the National Stadium, Jingu Baseball Stadium, Rugby Field, Tennis Club and convention centre. The conversion of the area into an advanced sporting complex could generate multiple opportunities for Irish firms with expertise in planning, design and construction of major sporting facilities within a strategic plan.

Food & Drink sector

Japan has high levels of consumption, with food and drink making up a significant proportion of this spending. The food and drink market is very sophisticated, and although Japanese traditional culinary culture remains a strong part of national identity, Japanese consumers enjoy a diverse range of food products now available at supermarkets, department stores, grocers and convenience stores. The Japanese value the country of origin and stories behind products, and attach significant importance to packaging and presentation.

Companies with quality products which have heritage, authenticity and originality built in to the company or product brand can succeed here, but it is a highly competitive market and Irish companies should be ready to adapt their products to suit local tastes. Authentic products easily linked to Ireland in consumers' minds have been the most popular products in recent years - including black teas, whiskey, and Irish smoked salmon. The market for foreign beer, in particular, is growing with an increasing awareness of Irish quality. Product categories in which there are opportunities for Irish firms include:

- Beverages (cordials, beers and whiskey)
- Confectionery (snacks / biscuits / chocolates)
- Speciality foods
- Organic foods
- Sausages and bacon
- Seafood (salmon / lobster etc.)

Business Services sector - Training & Development

With the long-term trajectory towards a shrinking domestic market, Japanese companies are looking to overseas markets for growth in a broad spectrum of industries, often through M&A. In 2004, approximately 70% of Japanese companies' operating profits came from domestic business. Now, in 2013, they make more than half of their profits overseas and increasingly in Asia.

English is one key component of this, for example the Japanese multi-nationals Rakuten & UniQlo have introduced English as their corporate language (even in Japan). The other challenge is the globalised skill-set needed to succeed and talent management of a global workforce. In addition to the people aspect, Japanese companies are becoming more aware of management of various risks (legal, IP, natural, terrorism, political etc.) in a different business environment.

There are long-term opportunities for Irish providers in education & training, human resources, project management, consultancy and finance. Sourcing skilled workers as Japan's population ages (especially those who can speak English and Japanese) may also prove to be a lucrative business opportunity.

7. Selling to the Government in Japan

Introduction

Selling to the Japanese Government may appear to be a daunting prospect, but with the right partner and/or Japanese staff there are many opportunities for Irish firms to do business there. There are many opportunities for Irish firms in the areas of transportation, construction, alternative energy services, industry specific products and science and technology.

Tender Submittals

It is explicitly stated by the Government that all information for tenders be submitted in Japanese. The Japanese Government has established voluntary measures designed to increase market access beyond that established under the WTO agreement on government procurement.

These measures include:

- (1) Clarification of government procurement procedures.
- (2) Expanded use of general tenders.
- (3) Improved qualifying procedures.
- (4) Improved distribution of government procurement information.

These measures cover procurement of goods and services by 22 government ministries and agencies and 137 government-related entities. The database of official Government tenders is updated based on the official gazettes (Kanpo, or Government Procurement Announcements) published by National Printing Bureau, at 15:00 on the date of the gazette publication (except for the year-end and New Year holidays).

The range and the estimated value of procurement contracts threshold values specified in the agreement on Government procurement and the Japanese voluntary measures and their equivalent values in Japanese Yen (valid from 1 April 2012 through 31 March 2014) are published in the government's official gazette, "Kanpo," in late January every two years. For further information please access the following document: <http://www.mofa.go.jp/policy/economy/procurement/q-a.pdf>

Different Procedures for different tenders

In Japan, the Open and Competitive Bidding procedure is employed for large-scale public works, and the WTO Agreement on Government Procurement applies to most of these works. For other public works, Designated Competitive Bidding procedure is widely employed. For more detailed information on the procedures above please refer to: <http://www.mlit.go.jp/sogoseisaku/const/kengyo/kokyo-e.htm>

HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN JAPAN



8. How Enterprise Ireland can help you succeed in Japan

Enterprise Ireland is committed to assisting and supporting our clients in entering new markets and expanding in your current markets. Our team of experienced marketing professionals in our network of overseas offices are ready to help you. An overview of our service offering is listed below:

Pre-Visit Support

Enterprise Ireland can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources.

In-market Support

Services available include:

- Introductions to buyers and decision makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches/workshops
- Securing reference sites

International trade events programme

Every year, Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyer missions to Ireland
- Group stands at important international trade fairs
- Overseas trade missions
- Study visits to gain knowledge of overseas markets
- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts.

Further information is available at: www.enterprise-ireland.com/events

International market contacts

Enterprise Ireland has built up an excellent network of individuals in Japan who are available to work with Irish client companies on developing their business. This includes market and sector specialists, business accelerators and members of Irish business associations.

Additional supports

We can offer additional supports in the following areas:

- Access to translation and interpreting services
- Introductions to specialist expertise such as legal, recruitment, public relations and taxation
- Access to mentors.

For further information on the services of Enterprise Ireland overseas, please go to <http://www.enterprise-ireland.com/en/Export-Assistance/>

Enterprise Ireland Contacts

Enterprise Ireland, Tokyo Office
Ireland House
2-10-7 Kojimachi
Chiyoda-ku
Tokyo 102-0083
Japan
Tel: +81-3-3263-0611
Fax: +81-3-3263-0614

Eddie Hughes
Director Japan
Aerospace, Food, Machinery, Financial & International Services Sectors and Consumer Sectors
Tel: +81-3-3263-0613
Email: eddie.hughes@enterprise-ireland.com

Reiko Hiruma
Senior Market Adviser
ICT, Life sciences (Medical Devices/Bio-Pharma), Automotive
Tel: +81-3-3263-1069
Email: reiko.hiruma@enterprise-ireland.com

Contacts in Dublin

Philip Singleton
Senior Market Adviser, Japan
High Growth Markets Team, Dublin
Tel: + 353-1-727-2713
Email: philip.singleton@enterprise-ireland.com

Akiko Sato
Market Adviser, Japan
High Growth Market Team, Dublin
Tel: +353-1-727-2315
Mobile: +353-87-918-3519
Email: akiko.sato@enterprise-ireland.com

Diplomatic and Consular Information for Japan

Embassy of Ireland, Ireland House
John Neary, Ambassador
2-10-7 Kojimachi, Chiyoda-ku, Tokyo 102-0083.
Phone: +81 (0) 3 3263 0695
Fax: + 81 (0) 3 3265 2275
Web: <http://www.embassyofireland.jp/en/>

Acknowledgements

Enterprise Ireland wishes to thank everyone whose input and assistance was invaluable in preparing this report:

- Joe Redmond, Fexco
- Mick Swift, Abbey Capital
- Cyril Dolan, Openet
- Liam English, Bluemetrix
- Diana Byrne, Nutshell Marketing

DISCLAIMER

Compiled during October and November 2013, this report is up-to-date with the latest available research and findings. Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice.

Enterprise Ireland accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material. Readers are encouraged to consult with professional advisers for advice concerning specific matters before making any decision. While every effort has been made to ensure the accuracy of the information contained in this publication, Enterprise Ireland accepts no responsibility for errors or omissions.

Enterprise Ireland
The Plaza
East Point Business Park
Dublin 3
Tel: +353 1 727 2000

While every effort has been made to ensure the accuracy of the information contained in this publication, Enterprise Ireland accepts no responsibility for errors or omissions.

Enterprise Ireland
The Plaza
East Point Business Park
Dublin 3

Tel: +353 1 727 2000
Fax: +353 1 727 2020

www.enterprise-ireland.com



European Union
Structural Funds

©Enterprise Ireland 2013