

Japan



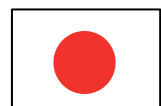
Is Japan a good country to do business in now?

Perhaps, but only with local partners. .

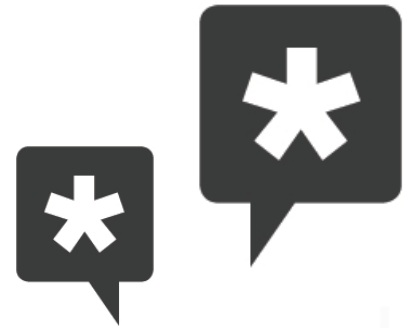
Here's why.

Japan is the world's third largest economy and arguably the most technologically advanced country in the world. It is a leader in scientific research, the manufacture of innovative technological products, robotics, health care and medical research.

Japanese business culture remains distinctly unique and Western companies often find it difficult to succeed there. Although barriers to foreign investment have largely decreased in the past decade, strong local companies will compete fiercely against new entrants to their markets. Japanese customers can be very demanding and often have quite different tastes and needs to Westerners. This means that companies must redesign or redevelop products in order to succeed in Japan. Because of Japan's size, substantial investment is necessary to enter the market, creating considerable risk.



Fast Facts



Population: **127 million**

Language: **Japanese**

Religion: **Shintoism, Buddhism; many people belong to both**

Land area: **377,864 square km**

Currency: **Yen**

Capital: **Tokyo**

Internet domain: **.jp**

International dialing code: **+81**

Innovation ranking¹: **1 (out of 82 countries)**

Digital economy ranking¹: **16 (out of 70 countries)**

Macroeconomic indicators:¹

	2010	2011	2012
GDP (US\$)	\$4.724 trillion	\$4.736 trillion	\$4.897 trillion
GDP per capita (US\$)	\$37,051.54	\$37,192.71	\$38,511.66
Real GDP growth	4.0	-0.9	2.2
Inflation (CPI)	-0.7	0.3	-0.2

Economy

On 11 March 2011, Japan experienced its greatest disaster of the postwar era when an earthquake and tsunami devastated vast areas of eastern Japan and sparked a nuclear crisis. According to the OECD, the immediate impact of this has been to reduce output, although this is likely to be reversed in the second half of 2011 led by reconstruction efforts. However, deflationary pressures are likely to continue through 2012, with unemployment remaining above its pre-2008 financial crisis levels.

Reconstruction spending will be significant given the scale of the disaster, but with public debt exceeding 200% of GDP, economists and markets will be closely watching how the reconstruction is financed.



Fast Facts



Politics

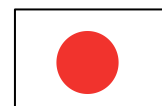
Japan has a constitutional monarchy with a parliamentary government. Legislative and executive powers are vested in the Diet (parliament), which is composed of the House of Councillors and the more powerful House of Representatives. The emperor serves as head of state and as a symbol of the Japanese nation and the unity of its people in a purely ceremonial role. The current Emperor, Akihito, succeeded his father, Hirohito, in 1989.

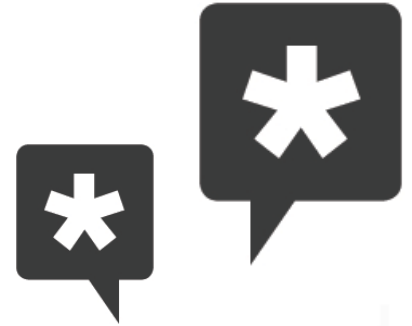
The prime minister serves as the head of government. The current prime minister, Naoto Kan, came to power in June 2010 following the resignation of Yukio Hatoyama after a controversy surrounding his failed election promise to move a US air base. Mr Kan is the fifth premier in four years.

Doing business

When conducting business in Japan, remember the following few guidelines:

- Avoiding conflict and trouble is extremely important in Japan and diplomatic language is often used rather than the direct approach. In formal situations a direct “no” is avoided.
- Japanese have been raised to think of themselves as part of a group. Whether at a national, school or company level, *Uchi-soto* (“us and them”) applies. This works well in business, with manufacturers, suppliers and distributors working together in closely-knit groups called *keiretsu*.
- The move to Westernisation is slow. You may find the more Westernised a Japanese business person is, the less they are respected by their Japanese colleagues.
- In all top Japanese companies with offices outside Japan, the major decisions are made in Japan and the process is slow. They have an all-inclusive decision making process that can seem laboured to Westerners. When decisions are made, however, action follows very quickly.
- The Japanese can set tough standards, but they can also offer help when asked. They build close relationships along the supply chain and, when trusted, will be happy for you to leverage it.





References

¹ Taken from the Economist Intelligence Unit's report: 'A new ranking of the world's most innovative countries' that ranks innovation in 82 countries. Innovation is defined as the application of knowledge in a novel way, primarily for economic benefit. Companies deem it vitally important as a competitive tool. Government policymakers see it as essential for economic growth.

¹ Digital economy ranking is the Economist Intelligence Unit's measure of the quality of a country's information and communications technology (ICT) infrastructure and the ability of its consumers, businesses and governments to use ICT to their benefit. When a country uses ICT to conduct more of its activities, the economy can become more transparent and efficient.

¹ Source: Organisation for Economic Co-operation and Development, www.oecd.org (Real GDP growth and inflation), and International Monetary Fund, www.imf.org (GDP and GDP per capita). 2009 and 2010 figures are OECD and IMF staff predictions. Real GDP growth and inflation are defined in percentage change from previous period.



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