



# Doing Business in JAPAN

## Understanding the Market

Japan is the world's second largest market with its GDP as well as per-capita GDP being next to the US. There are eight economic regions in Japan, with the top 3 regions being Kanto (surrounding Tokyo), Kinki (surrounding Osaka) and Chubu (surrounding Nagoya). Japan's current population is 127 million.

## Distribution and Sales Channels

### DIRECT SALE

This may not be recommended since the Japanese market can be complicated, and customers (no matter if wholesaler, dealer, end-user...etc.) may ask for detailed and elaborate service, delivery and/or high quality product.

### U.S. DISTRIBUTOR

It will depend on business system and/or product pricing, etc. if Japanese firms prefer to work with a U.S. distributor. If the distributor can offer reliable and competitive pricing, Japanese firms will work with them.

### JAPANESE DISTRIBUTOR

- Most recommended for U.S. firms.
- Allows the manufacturer to build on the expertise and client base of an established Japanese firm.

### AGENT/REPRESENTATIVE

Good during the business's start-up period in Japan and/or if the Georgia company should have specific or solid customer(s) in Japan already, etc.

### WHOLESALE

In Japan, some wholesalers may be a good candidate for a business partner since they have a strong distribution channel and network. Others may not be appropriate since they may be tied to specific customers (particularly to manufacturers in the same industry) and would not accept competitors' products from overseas.

### FRANCHISING

No barriers to the franchising of any product or service in Japan. If it is a very good and popular franchise business in the U.S., it will have good potential in Japan as well.



## Opening an Office in Japan

U.S. companies that want to establish a presence in Japan should carefully select the appropriate type of corporation. This determines their tax obligations, other liabilities and the operations they are allowed to perform in Japan. The procedure for establishing a presence in Japan is different depending on what type of entity will be established, whether it is a representative office, branch office or domestic company in Japan, etc.

## Due Diligence

Due diligence is essential before entering any type of agreement in Japan. Keep the following points in mind when choosing a Japanese business partner:

- Product and industry knowledge, track record, enthusiasm and commitment should be weighted heavily.
- Personally interview potential candidates at their home offices.
- Provide appropriate training, product support and timely supply of spare parts and keep up with a sufficient and punctual delivery service/system.
- Obtain information from a local consulting or law firm or local business chamber. The Japanese legal system is different from the U.S. system (depending on items).

## Pricing a Product

- Pay special attention to import duties, brokers' fees, transportation costs and taxes as well as existing products' pricing to determine if the product/service can be priced competitively.
- There are some products from overseas that are not subject to Japanese custom duty/fee.
- Payment terms and financing costs also make a difference in the pricing structure.

## Essential Factors for Success

- High quality products at competitive prices
- Financing, delivery, brand name recognition, before and after sales support and customer service
- Efficient business culture
- Strong personal relationships in all Japanese business transactions

## Import Requirements

In Japan, import requirements and/or regulations are very different depending on each product and/or industry. The authority which oversees each product or industry is different. It is highly recommended to research each item/product and/or to look for an appropriate importer that already has or will be able to obtain import licenses for each item/product in concern.

## Government Procurement

This is information from Japanese Trade Organization (JETRO): The Agreement on Government Procurement, which went into effect in January 1981, sets forth rules for non-discrimination between foreign and domestic sources and for the treatment same as Japanese nationals. This Agreement was subsequently reviewed on a number of occasions, and as a result of negotiations concurrent to those of the Uruguay Round, the Agreement was amended 1) to broaden the scope of government procurement (applying to regional governments, and to a broader range of government-related entities); 2) to apply the Agreement to the procurement of services; and 3) to introduce a complaint review system pertaining to procurement procedures. This Agreement, signed by 23 countries, went into effect on January 1, 1996.



## BUSINESS AND CULTURAL PRACTICES IN JAPAN

- The Japanese prefer not to display strong emotion in public. If you show shock or anger during business negotiations, they will believe that you lack self-control and are questionable as a business partner.
- The younger members of your team should generally remain quiet and defer to their seniors during the meetings.
- The Japanese may ask international visitors many questions, including information about your job, your title, your age, your responsibilities, the number of employees that report to you, etc.
- Japanese is a very complex language with many forms of address and honorifics. They will need a lot of information to decide which form to use when speaking to you.

### Punctuality, Appointments, and Local Time

- Be punctual at all times. Tardiness is considered rude.
- During three weeks of the year (New Year's holidays, December 28 to January 3; Golden Week, April 29 to May 5; and Obon, in Mid-August), many people visit the graves of their ancestors. Conducting business and traveling are difficult during these periods.
- Japan is nine hours ahead of Greenwich Mean Time, or 14 hours ahead of Eastern Standard Time.

### Negotiating

- Be polite and nice, but don't be ingratiating out of fear of offending.
- A positive, persuasive presentation works better with the Japanese than does a high-pressure, confrontational approach.
- Negotiations are occasionally begun at the middle level and continued at the executive level.
- Connections are very helpful in Japan. Do not choose someone of lower rank than the person with whom he or she will be negotiating. Intermediaries should not be part of either company involved in the deal. If you don't have a connection, a personal call is better than a letter or e-mail.
- Use an intermediary to convey bad news.
- Using a Japanese lawyer rather than a Western one indicates a cooperative spirit.
- The Japanese usually use the initial meetings to get to know you, while at the same time asking to hear about your proposal. Agreements of confidentiality are vague.
- Contracts are not perceived as final agreements. You or they may later renegotiate.
- Because age equals rank, show the greatest respect to the oldest members of the Japanese group with whom you are in contact.
- You will not be complimented on good work, because the group and not the individual is rewarded. It is a bad idea to single out Japanese workers.
- Do not make accusations or refuse anything directly; be indirect.
- At work the Japanese are very serious and do not try to "lighten things up" with humor.



- When working with Japanese who know English, or when using an interpreter, be patient. Speak slowly, pause often, and avoid colloquialisms. Your interpreter may seem to be taking more time with the translation than you did with your statement; this is because she or he is using lengthy forms of respect.
- At times, you may need to pretend you are sure that your Japanese colleague or friend has understood you, even if you know this is not the case. This is important for maintaining a good relationship.

For more information on doing business in Japan or how to export to Japan, contact your Trade Specialist in Atlanta, the State of Georgia Japan office or the Japanese External Trade Organization (JETRO) at [http://www.jetro.go.jp/en/invest/setting\\_up/](http://www.jetro.go.jp/en/invest/setting_up/)

**Atlanta Office-International Trade**  
Georgia Department of Economic Development  
75 Fifth Street, NW, Suite 1200  
Atlanta, GA 30308 – USA  
T: +1 (404) 962-4122  
F: +1 (404) 962-4121  
E: [exports@georgia.org](mailto:exports@georgia.org)

**Japan Office**  
Georgia Department of Economic Development  
#205 Bureau Toranomom 2-7-16 Toranomom, Minato-ku  
Tokyo 105-0001 – JAPAN  
T: +81 (3) 3539-1676  
F: +81 (3) 3504-8233  
E: [ynakazono@georgia.org](mailto:ynakazono@georgia.org)

