



Doing business in Japan



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Are you a member of a UK company wishing to export overseas?

Interested in entering or expanding your activity in the Japanese market? Then this guide is for you!

The main objective of this **Doing Business Guide** is to provide you with basic knowledge about Japan; an overview of its economy, business culture, potential opportunities and an introduction to other relevant issues. Novice exporters, in particular will find it a useful starting point.

Further assistance is available from the UKTI team in Japan. Full contact details are available at the end of this guide.



Important Information - Sanctions and Embargoes

Some countries maybe subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on the [Department for Business, Innovation & Skills \(BIS\)](#)

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Introduction

Japan is one of the world's largest economies. In 2009 Japan's economy (in US Dollar terms and using current prices) was 4 times the size of India, 3 times the size of South Korea and 2 times the size of the UK.

Japan is the UK's largest export market after Europe and the US, and Britain was Japan's tenth largest market in 2009. Total export of goods and services from UK to Japan in 2009 stood at £8.1bn.

Britain and Japan are key strategic partners. There are approximately 17,000 British citizens residing in Japan and approximately 52,000 Japanese living in the UK.

You need a long-term commitment and market strategy to set up in Japan. It takes time and patience, but as many British companies have found, it can repay the effort many times over.

Strengths of the market

In brief these are:

- Open economy
- Cutting edge technology and R&D - Japan has 2% of the world's population but 20% of global R&D spend – with an emphasis on technologies to deliver a low carbon future and to support the ageing population. There were 390,000 patent applications received in 2008 and 177,000 patents issued.
- Japan's 127m consumers are highly educated, demand the highest standards and are early adopters
- Japan is a strategic stepping stone for other Asian markets

Opportunities in Japan

There are more than 400 British companies enjoying success in Japan including visible high street names such as Lush, Top Shop and Burberry as well as HSBC, GlaxoSmithKline and Rolls-Royce. The UK's services industry is also very active, from design to legal, financial and consultancy services.

Key sectors where there are opportunities for UK exports of goods and services:

- Aerospace
- Automotive
- Bio/pharma
- Chemicals
- Computer software and games
- Creative industries (fashion, design, music)
- Energy
- Fashion
- Financial and legal services
- Food and drink
- Healthcare
- Telecommunications

The ageing population is expected to result in the creation of new goods and services targeting seniors.

Trade between the UK and Japan

In 2009 exports from the UK to Japan were £8.1 billion. Imports from Japan to the UK were £9.9 billion. Exports last year were dominated by four major sectors: healthcare, machinery, chemicals and transport equipment.

Economic Overview

It is estimated that China will overtake Japan as the world's second largest economy according to 2010 statistics. It is one of the world's largest exporters and one of the largest overseas investors. Economic growth is heavily export dependent, despite exports only accounting for around 13% of GDP in 2009 (in the UK exports accounted for around 27% of GDP). At 3.9% of GDP, foreign direct investment into Japan is low but the Japanese government is aiming to increase this. Small and medium sized enterprises make up 99.5% of all Japanese companies. The service sector accounts for 67% of total gross value added with manufacturing accounting for 22%. Key challenges for the Japanese economy after 20 years of low growth are how to raise growth, reverse price deflation, deal with a high and rising public sector debt and adapt to a rapidly ageing society.

Population

The current population of Japan is around 127 million people. A declining birth rate and high longevity mean a rapidly ageing population, with 20% already 65 or over. This is predicted to rise to 40% by 2050, by when the population is predicted to have fallen to 95 million. Most Japanese live in densely populated urban areas. The Tokyo conurbation remains the world's largest at around 35m.

Political Overview

Like the UK, Japan has a monarchy, with a parliamentary government split between an Upper and Lower House. Emperor Akihito is the current Head of State.

After over 50 years of almost continuous rule by the Liberal Democratic Party (LDP), a General Election in August 2009 saw a landslide victory for the opposition Democratic Party of Japan, led by Yukio Hatoyama. The manifesto policies that helped bring the DPJ into power focused on social welfare, with a pledge to raise the necessary funds by eliminating waste and cutting unnecessary projects. The DPJ also wants to change the internal workings of Government, reducing the influence of civil servants and the traditionally close government links to big business. Hatoyama resigned in June 2010 and was replaced by Naoto Kan who had been Finance Minister.

Getting here and advice about your stay

FCO Travel Advice

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

For advice [please visit the FCO Travel section](#)

Getting here

By air

There are daily direct international flights from Heathrow to Tokyo. The international airport for Tokyo (Narita) is 1 hour by train from central Tokyo. Western Japan is served by Kansai International Airport, with flights from eg Frankfurt, Paris and Amsterdam, but no direct UK flights.

Getting around

Public transport is safe, reliable, easy to use and fast. Do not take a taxi from the airport to downtown Tokyo unless you are prepared for a long ride and a huge bill.

Visas

UK citizens are able to enter Japan for a period of 6 months or less without needing a visa. For further advice we advise you to check the website of the Embassy of Japan in the UK (<http://www.uk.emb-japan.go.jp/en>).

Your stay

Japan is still mainly a cash-based society. You should always ensure that you have enough cash with you. Credit cards are accepted at major hotels, shops, high-class restaurants and in some taxis, though UK cards do not always work. Many smaller shops, restaurant and train stations will not take credit cards.

Addresses can be hard to find and tend not to use street names. It's always a good idea to have a map (preferably in Japanese if you are taking a taxi) for the location of meetings, restaurants etc. Allow ample time to get there.

Further information to prepare for a visit

The UKTI Japan team has produced a more detailed guide for "Information for Business Visitors to Japan". If you would like to receive a copy please contact us at commercial.tokyo@fco.gov.uk.

The Japan National Tourism Organization website is a useful resource at www.jnto.go.jp/eng.

There are many excellent guidebooks and resources available, including "Japan: The Business Traveller's Handbook" by Ian de Stains (ISBN 978-0-9559447-0-3). Ian is the Executive Director of the British Chamber of Commerce in Japan.

Preparing to Export to Japan

British companies wishing to approach the Japanese market are advised to undertake as much market research and planning as possible.

In most cases, exporting to Japan requires working through local business partners, such as an agent or distributor.

This will only be a first step. 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 to the market are an important part of a successful interaction with the agent/distributor.

UKTI's team in Japan can provide a range of services to British-based companies wishing to grow their business in the Japanese market. Our services include the provision of market information; validated lists of agents/potential partners, key market players or potential customers; establishing the interest of such contacts in working with your company; and arranging appointments. In addition, they can also organise events for you to meet contacts or promote your company and its products/services.

You can commission our Overseas Market Introduction Services to assist your company to enter or expand your business in Japan. Under this service, the Embassy's Trade & Investment Advisers, who have wide local experience and knowledge, can identify business partners and provide the support and advice most relevant to your company's specific needs in the market.

To find out more about commissioning work, please contact your local UKTI office.
See also: www.ukti.gov.uk

How to do business in Japan

What companies should consider when doing business

Above all, be patient. Do not expect quick returns. They may come. But for many Japanese companies, the emphasis is more on developing the sort of trust and mutual confidence that will lead to a strong, enduring relationship than on getting down to business instantly. This is why Japan is a market requiring a strategic approach rather than an opportunistic one. It is also why the potential for long-term achievement is so great.

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

Gateways/Locations – Key areas for business

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) provides in-depth profiles of Japan's regions at <http://www.jetro.go.jp/en/invest/region>).

Market entry and start up Considerations

JETRO produce a guide to "Laws & Regulations on Setting Up Business in Japan" here http://www.jetro.go.jp/en/invest/setting_up/laws/.

Customs and Regulations

The Japan Customs website is a useful source of information. Their website is at <http://www.customs.go.jp/english>.

Legislation and Local Regulations

Companies are best advised to seek legal/taxation advice before entering into a joint venture or similar type of partnership. Lists of local lawyers and chartered accountants are available on request from the UKTI Section of the British Embassy in Tokyo.

Responding to Tenders

Please contact the UKTI Japan team for specific advice on this.

Recruiting and Retaining Staffing

Lifetime employment used to be a dominant feature in Japanese companies but this has been crumbling 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 such as Michael Page, Robert Walters and Manpower have offices in Japan. There is a plethora of recruitment agencies/headhunters who cater for personnel needs of foreign companies ranging from junior support staff to CEO. Many are members of the British Chamber of Commerce in Japan.

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 (eg selection of affected staff has been made reasonably) in order for the dismissal to be deemed reasonable.

Standards and Technical Regulation

Japanese domestic standards often differ from international norms. The Japanese Standards Association has a website at http://www.jsa.or.jp/default_english.asp

Intellectual Property Rights

Patent, utility model, trademark, copyrights and design are the main intellectual property rights associated with trade and industry and there are Japanese laws governing the registration and protection of these rights.

Japan's trademark law offers equal protection for Japanese and foreign nationals. UK companies with an intention to develop business in Japan can register their trademarks with Japan Patent Office (JPO) even if they do not have an office in Japan (NB: provided that the trademarks are used within 3 years after registration). Japan adopts a "first-to-file" principle which means that a trademark can be registered even if it is not yet in use. Once registered, a trademark is protected for 10 years.

The "first-to-file" principle applies also to patents and it is advisable not to publicise an invention until it has been registered. The protection period for patents is 20 years.

Details on the registration procedures and the fees involved can be found in the JPO website (www.jpo.go.jp).

Business Etiquette, Language and Culture

Language

Japanese is the only official language. Since WWII, all Japanese have studied English at school and English is spoken by growing numbers. But few people other than officials, academics and businessmen who are in frequent contact with foreigners can speak it well.

Bear in mind many Japanese are too polite to let you know when they do not fully understand. Keep what you say simple and straightforward. The same is true if an interpreter is used. Speak in short bursts, which can be easily translated. Don't ask rhetorical questions. Avoid idioms. Keep any jokes very simple. And don't try to do business in Japanese unless you are very confident indeed. For follow-up meetings at least, you should provide your own interpreter, as a matter of basic courtesy. Please note this can be quite expensive.

A list of local translators and interpreters is available on request from the UKTI team at the British Embassy in Tokyo and the Consulate General in Osaka.

A few words of Japanese can go a long way. Here are a few commonly-used phrases:

ENGLISH	JAPANESE
Good morning (used up to about 10am)	Ohayou gozaimasu
Hello / Good day (used from about 10am)	Konnichiwa
Good evening	Konbanwa
Good night	Oyasumi nasai
Goodbye	Sayounara
Excuse me	Sumimasen
I am sorry	Gomen nasai
Thank you	Arigatou
Yes (I've heard you)	Hai
No	Iie

The EU-Japan Centre for Industrial Co-operation (www.eujapan.com) offers language training programmes and study tours

Meetings and Presentations

Despite what some books say about the uniqueness of Japan, there is nothing mystical about doing business in this country. Business is business here as elsewhere, and increasingly cosmopolitan. So you need not worry unduly about the niceties of Japanese etiquette. But here our top ten tips:

1. Take things slowly. Follow the advice under language above.
2. Never be late. Punctuality is crucial! Japanese cities are crowded and can be complicated to get around. Leave plenty of time to allow for traffic hold-ups. Keep to the timetable for your meetings. Don't try to change or cancel appointments at the last minute unless you have absolutely no alternative. Don't overrun the designated period unless your interlocutor clearly wants to extend it.
3. Take business cards with you and have plenty available. They should preferably be printed in Japanese on the reverse and be standard size (90 x 55mm). Business cards in other sizes do not fit the card boxes which sit on practically every Japanese desk and so may be discarded.
4. Construct a short but warm introductory statement for each meeting. This should not be a sales pitch. It should explain why you are here, how long you will be here, the sort of people you

are seeing and any particular previous contact you have had with Japan. You could refer briefly to the long-standing warm ties between the UK and Japan. If appropriate/possible, show interest in your host's background, education, family, hobbies etc. Give information about your own if asked. This is part of the sharing of information which helps to build up a relationship. No need to go over the top. But it does no harm to indulge in some well-placed flattery.

5. Then, after you and your interlocutor have made your respective introductory statements, make your sales pitch. Decide what are the five or six crucial points you want to get across. There is no problem about referring to a previously prepared note. Your interlocutor may well do this. It shows that you have made an effort to prepare.

6. Do not be afraid of silences. Sit tight and wait for something to happen. It is a common Westerners' flaw when in the Far East to feel that silences have to be filled. In negotiations, for instance, this normally means that the Westerner ends up conceding something.

7. If, on the other hand, you are on the receiving end of a barrage of detailed and apparently pointless questions, try to bear with them and answer them. This is both a sign of interest in your business and a means of testing a potential partner.

8. Personal posture is important. Sit straight in chairs at meetings even if they are armchairs. Do not slump, don't cross your legs and maintain a fairly formal style. Don't blow your nose noisily. Don't drink tea offered to you before your host has invited you to do so. Shake hands at the beginning and at the end of meetings.

9. If you are taking gifts, make sure that they are neatly wrapped, if possible professionally. Tatty wrapping is a British disease; as are cheap gifts. They indicate a discourtesy to the recipient. Do not give the gift until the end of the meeting. Do not be fazed if you have given a gift and not received one. You will have scored a point. Don't open the gift until you've left the meeting: if it is not very good, you will embarrass your host. If you open it, your host will also have to open yours and that could embarrass you!

10. Accept offers of hospitality with the same grace with which they are made. Entertainment outside the office is another way in which Japanese hosts test a potential business relationship before committing themselves fully. Try to enter into the spirit of things. On taking the first drink at meals, toast your host by raising a glass to him/her and to those around you before you drink. Don't drink until these toasts take place. And if you are called on to sing - have a go! If your Japanese hosts are able to enjoy themselves singing with you, they will probably enjoy doing business with you.

What are the challenges?

Market Challenges

Some of the issues to consider when doing business are covered above. Key challenges will vary according to circumstances but may include culture (especially the need for a long-term commitment and the importance of connections and personal relationships), language and long-term established business practices and relationships in some sectors. Please contact the UKTI Japan team if you need guidance.

How to Invest in Japan

FDI into Japan has been historically low at 1-2% of GDP. The government recognises the need to increase this to bring in fresh blood into the Japanese economy and set a target to double this between 2001-2006. A new target to raise FDI stock against GDP to 5% by 2010 was announced in 2006 and the figure as of end 2009 stood at 3.9%. The Japan External Trade Organisation (JETRO), whose chief function used to be to promote imports into Japan (to counter international criticism of Japanese trade surpluses in the 1980/90s), has become primarily an inward investment promotion agency.

JETRO provides consultation for entry strategy to foreign companies and also a fixed term free office space in Tokyo and other major cities in Japan for foreign companies until they find a permanent location. Local governments are also welcoming of FDI and have subsidy programmes (for feasibility study or market visits to explore the possibility of investing in a specific region) and free/low cost incubation facilities.

The US is by far the largest investor in Japan, followed by European countries such as France, Germany and the Netherlands. There are more than 400 UK companies with a presence in Japan. UK investors include Astra Zeneca, GSK, GKN, Shell, BT, Smith & Nephew, Symbian, ARM, HSBC, Barclays Capital, RBS, Tesco, Travelex, Lush and many others.

There are no restrictions on foreign ownership of a company except for regulated business sectors such as broadcasting, telecommunications and civil aviation.

Setting up a company in Japan has become less onerous and less expensive. There is a wealth of information, including on the forms of entities and practicalities of setting them up, to be found on JETRO's "Invest Japan!" website at <http://www.jetro.go.jp/en/invest/index.html>

The British Industry Centre (BIC) was set up in 1998 with the aim to provide a hassle-free starting point for UK companies wishing to set up in Japan. It is located in Hodogaya, Yokohama City (45 minute train journey from central Tokyo) in a contemporary office building, Yokohama Business Park. It offers British companies affordable accommodation and communal meeting rooms and secretarial support and has been home to more than 30 British companies of which many have grown their business significantly to the extent that they needed to locate into larger offices. Further details are available at - <http://www.bccjapan.com/asp/general.asp?MenuItemId=781>

Financial Assistance

TOKYO AIM is an equity market for growing international companies and is a joint venture between the Tokyo Stock Exchange and the London Stock Exchange. Their website is at www.tokyo-aim.com.

Contacts

If you have a specific export enquiry about the Japanese market which is not answered by the information on this report, you may contact:

UK Trade & Investment Enquiry Service

Tel: +44 (0)20 7215 8000
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Email: enquiries@ukti.gsi.gov.uk

Please feel free to contact the UKTI team in Japan direct (but remember that we are 8 or 9 hours ahead of UK time, depending on the time of year). We are based at the British Embassy in Tokyo and the Consulate-General in Osaka.

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Others

British Chamber of Commerce in Japan
<http://www.bccjapan.com>

Japan External Trade Organisation
<http://www.jetro.go.jp>

JETRO, London (Japan Trade Centre)
MidCity Place
71 High Holborn
London WC1V 6AL
Tel: 020-7421-8300
Fax: 020-7421-0009
URL: <http://www.jetro.go.jp/uk>

Resources/Useful Links

Business Link: International Trade

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

Essential reading for exporters!

Find out more at:

<http://www.businesslink.gov.uk/bdotg/action/layer?r.s=tl&r.lc=en&topicId=1079717544>

Country Information:

BBC Website:

http://news.bbc.co.uk/1/hi/country_profiles/default.stm

FCO Country Profile:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/>

Culture and communications:

CILT – National Centre for Languages - Regional Language Network in your area:

http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx

Kwintessential culture guides:

<http://www.kwintessential.co.uk/>

Customs & Regulations:

HM Revenue & Customs: www.hmrc.gov.uk

Import Controls and documentation (SITPRO): <http://www.sitpro.org.uk>

Economic Information:

Economist:

<http://www.economist.com/countries/>

Export Control

Export Control Organization:

<http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html/strategic-export-control/index.html>

Export Finance and Insurance:

ECGD: <http://www.ecgd.gov.uk/>

Intellectual Property

Intellectual Property Office: www.ipo.gov.uk

Market Access

UK Trade & Investment [Doing business in Japan](#)

Market Access Database for Tariffs (for non-EU markets only):

<http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm>

SOLVIT – Overcoming Trade Barriers (EU Markets only)

www.bis.gov.uk/EUMarketAccessUnit

Standard and Technical Regulations:

British Standards Institution (BSI):

<http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/>

National Physical Laboratory: <http://www.npl.co.uk/>

Intellectual Property: <http://www.ipo.gov.uk/>

Trade Statistics:

National Statistics Information: <http://www.statistics.gov.uk/hub/index.html>

UK Trade Info: <https://www.uktradeinfo.co.uk/>

Travel Advice:

FCO Travel: <http://www.fco.gov.uk/en/travel-and-living-abroad/>

NHS: <http://www.nhs.uk/nhsengland/Healthcareabroad/>

Travel health: <http://www.travelhealth.co.uk/>
