



# ***“Launching and Growing Your Business in Japan”***

Emerging Companies Panel

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# Agenda

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- Cultural & Business Fundamentals
  - Cultural things
  - Business practices
- EDA/IP Distribution Alternatives
  - Third parties
  - Direct operations
- Marketing & Support

# Cultural Differences

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- NO's:
  - being late
  - tossing name cards across the table or writing on them
  - pressing too hard too soon for some kind of a commitment
  - chewing gum during the meeting!
- YES's:
  - Bowing slightly @introductions, exits, P.O.' (deeper depending on the order)
  - Studying the person's namecard and asking a gentle question
  - Follow up thank you email/fax/letter
  - Introduction through someone who is respected by customer
  - Dinner at some point

# Business Differences

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- Step by step, often longer, more consensus oriented decision process
  - Need to meet various constituents and levels
  - Grow transaction volume through the evidence of your superior technology, hard work and sincerity
  - Be patient!
- Stronger loyalty
  - Usually harder to switch customer from incumbent vendor
- ***The Koza!***
  - You must qualify to be on a list of “qualified vendors” to do business with large Japanese companies
  - Can take one year or more
  - Can be bypassed if you are not established in Japan or use distributor
- Contracts/Payment terms/Taxes
  - Contract process tends to be slow. In some cases it can take about one year
  - Longer payment terms are typical, often effectively 60-90 days
  - It may be necessary for you/customer to deduct 10% from their payment for transactions made to outside of Japan unless you take certain procedures to avoid *withholding tax*
  - If you establish a Japanese company/branch/entity, then you will be obligated to pay income taxes on your profit in Japan

# Distribution Alternatives

- Distributors: +’s-low cost, account coverage, customer relationships
  - Giants: C. Itoh, Sumitomo, Marubeni,..
    - Pulling out of the business
  - Medium size independents: Innotech, Soliton,...
    - Warily selecting vendors
    - Multiple lines—will you get enough attention, do you compete w/other lines, can you get best staff?
  - Small guys: Keystone, IVIS, NTT Advanced Technology, Paltek/Spinnaker, JEDAT,...
    - Make draw attention as one of 2-3 lines, but do they have account coverage?
  - Incubation: Aisys,...
    - Requires upfront or monthly/quarterly expense, offers infrastructure
  - Japanese EDA vendor: Zuken,...
    - You may be second fiddle to their own products
- Direct Sales: +’s-more control, focused attention
  - Gaining momentum as a general practice
    - Focused team, but limited account coverage
    - More willingness for Japanese to join foreign companies
    - More upfront costs
  - Establish Japan subsidiary/branch office
    - Legal, accounting, office, personnel costs
    - Challenging to find, evaluate, manage and motivate staff
  - Employ one or two individuals to work from Japan as corporate employees
    - Legal, tax issues
    - Not all individuals willing to work without office/entity in Japan

# Marketing & Support

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- Communicating about your company and products thru the media is very important
  - Helps contact individuals who are part of consensus sale that you may not have direct contact with
  - Seminars are very popular, well attended (density of customers in Tokyo and Osaka areas) and effective (with translation)
  - Vast majority of Japanese electronics executives and engineers do not read the US business press
  - Need to get coverage of your company in Japanese press: Nikkei Electronics/MicroDevice, DesignWave, Daily Industrial Newspapers, various websites
- Good, very prompt technical support is extremely important
  - Japanese engineers tend to work very hard: 9 AM to 10 PM everyday is typical
  - They expect you to work equally hard, maybe harder
  - Holidays and working hours are different: dissatisfaction is sometimes bred through this
  - Email generally works, but periodic face-to-face work is also essential from time to time for emotional communication, in depth understanding, relationship building
  - Job mobility in Japan is still very low. Don't blow it, the same people will probably be there practically forever