



EU-Japan Centre  
for Industrial Cooperation  
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# Japan's Business Culture and Business Practice

Webinar for German Development Agency,  
Brandenburg

14:00 (CET), 25 November 2021, Thursday, by C. Nakabayashi



## Agenda:

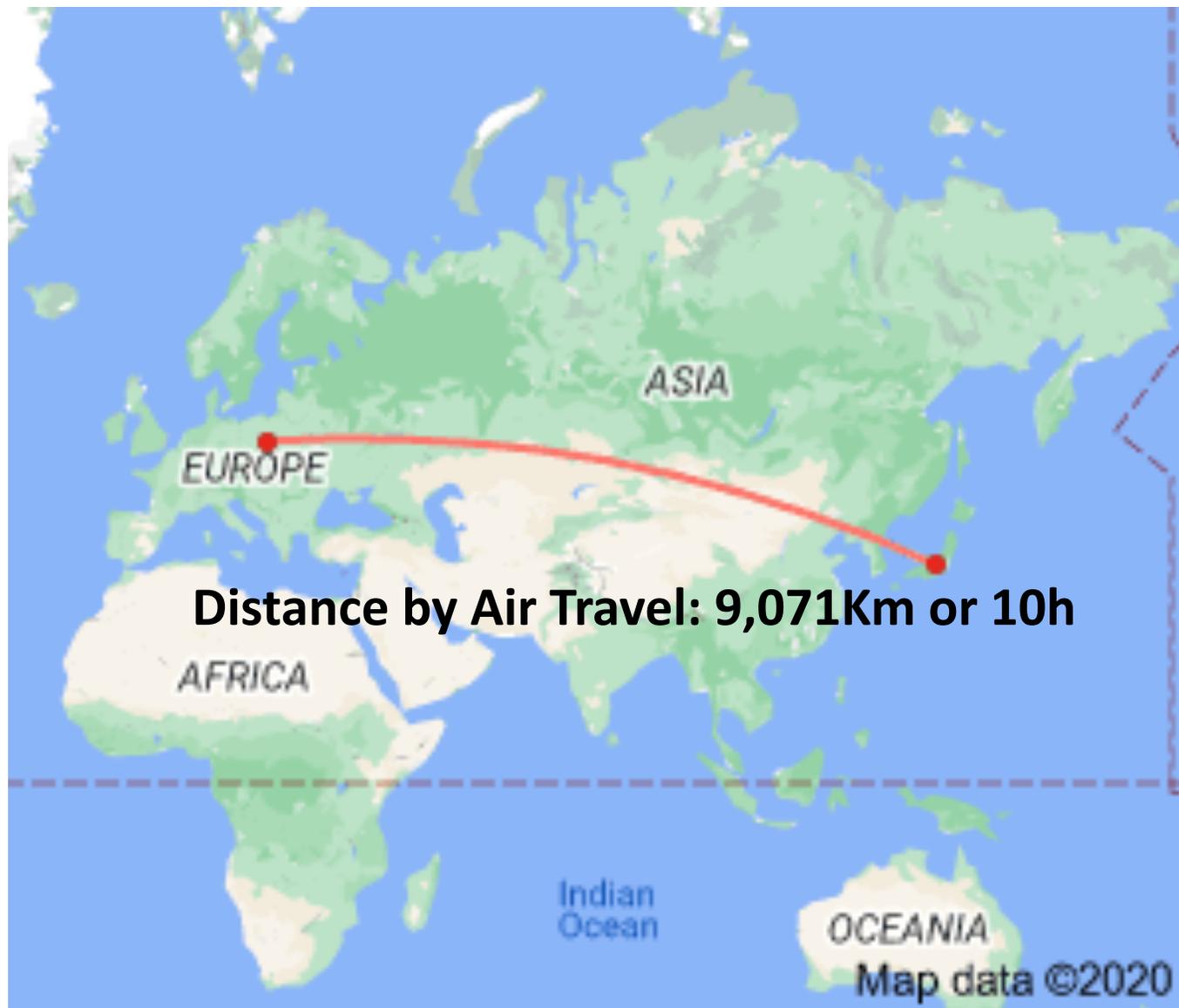
1. Japanese Culture
2. Japanese Business Practices
3. Market Entry to Japan
4. Distribution Systems and Retail Outlets in Japan
5. Q&A Session



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# Germany and Japan: Similarity and Difference in Culture

(source: Hofstede's Cultural Differences)

- Similarly take pragmatic approach, while Japanese take much more cautious approach for future. Life is ritualized and ceremonies take place. In corporate Japan, time and effort are put into feasibility studies and all risk factors must be worked out before any start. Changes are difficult to realize in Japan.



# Germany and Japan: Similarity and Difference in Culture

(source: Hofstede's Cultural Differences)

- Germany is Individualist society. Loyalty is based on personal choice and communication is direct and participative. Japan is a group-based society. Japanese are loyal to groups that they belong to, and group-based competition drives Japanese to achieve good results. Individually, Japanese dislike assertive and individually competitive behavior.
- Japan is a collectivistic society, however, Japan does not have an extended family system. Japan is a paternalistic society and Japanese are loyal to a person who are in a position of mentoring such as the head of family or groups that they belong to.

# Japanese Culture

## 1) CONSENSUS-BASED DECISION MAKING

Decision making process is slow because decisions must be agreed by each layer of hierarchy. Decision-making is consensus-based.

## 2) LOYALTY IN-GROUP

Japan is a group-society and Japanese are loyal to the groups that they belong to. Japanese are individually more private and reserved than most other Asians.





# Japanese Culture



## 3) GROUP-BASED COMPETITION

Japanese dislike assertive and competitive individual behaviours, but Japanese in-group engage in competition. In business, employees are motivated when they compete with competitors. Group competition drives to manufacture excellent and perfect products and services.



# Japanese Culture

## 4) AVOIDING UNCERTAINTY

Life is highly ritualized and changes are difficult to make. In business, time and effort are in feasibility studies and risk factors are worked out. Managers ask facts and figures before taking any decision.

## 5) LONG TERM COMMITMENTS

Japan is a long-term oriented society. Life is seen as a short moment. Lives are guided by virtues and practical good examples. In business, companies focus on business durability/continuity and make long-term investment in business. As for business goals, many companies focus on long-term commitments to society as a whole. They also commit to business partners on a long-term basis.



# Japanese Business Practice

## 1) FORMAL AND RITUAL

Japanese business is formal and ritualistic, particularly when meeting business partners for the first time. It is to confirm formal relationships. For instance, to meet Japanese business partners for the first time, personal introduction by a third party is required.

## 2) TWO-TIER BUSINESS RELATIONSHIP

To establish long-lasting business relationship in Japan, you need to set up a two-tier business relationship structure: establish friendship and then move to the second stage of actual business negotiations.





# Japanese Business Practice



## 3) NAME CARD OR *'MEISHI'*

Name cards are exchanged when one businessperson meets another, to enable recipients of cards to know the other's position and status. Japanese are status conscious and set formal relationships. Business cards also serve to know instantaneously names and positions and to record for future reference.

## 4) BUSINESS CORRESPONDENCE

Japanese companies may fail to answer written enquiries. This does not mean a lack of interest. Japanese are accustomed to talk face-to-face. Or, there isn't people available who speak English.



# Japanese Business Practice



## 5) DRESS CODE

Important non-verbal communication is dress. Japanese businesspeople choose a dark suit for men and sober/plain dress for women. Most Japanese businesspeople expect a certain variety in dress of foreign businesspeople. However, one should avoid extremes in dress and keep some degree of formality in dress in Japan.

## 6) 'YES' AND 'NO'

The Japanese term *hai* is 'yes'. It can also mean 'I see' or 'I understand' and does not necessarily mean agreement. Japanese culture emphasises harmony rather than confrontation. Japanese are very reluctant to give a direct 'no' answer. Instead, Japanese answer with something non-committal such as 'Let me think.' One must read negative response signs such as hesitancy or an unwillingness.



# Japanese Business Practice

## 7) SILENCE IN NEGOTIATIONS

Silence are common to think over what has been said and what alternatives are open. Silence is part of Japanese communication procedure. Best way to handle silence is to exercise restraint/patience and wait for a word after silence.

## 8) LONG-TERM COMMITMENTS & DUE DILIGENCE

Japanese take long-term approach to prepare for future uncertainty. On business dealing, some Japanese companies prefer to make a broad agreement or mutual understanding rather than detailing out contract terms as they desire to allow both sides to adjust to unforeseen circumstances. However, due diligence should be given to payment terms and conditions to avoid business troubles, as legal settlements of disputes are rare in Japan.



# Market Entry to Japan

## 1) SALES –BASED ON INTERNATIONAL CONTRACT

<Shipping conditions>: **EXW** (factory delivery)

<Fare buyer burden conditions> **FCA** (shipper delivery), **FAS** (ship side delivery), **FOB** (ship delivery)

<Fare-included conditions> **CFR** (or C & F, including freight), **CIF** (including freight insurance), **CPT** (including transportation), **CIP** (including transportation)

<Arrival conditions> **DAF** (Border carry-on), **DES** (Ship carry-on), **DEQ** (Pier carry-on), **DDU** (Customs-excluded carry-on), **DDP** (Customs-included carry-on)

## 2) SALES – BASED ON SALES CONTRACT WITH JAPANESE AGENT OR IMPORTER

- Different profiles and different contract terms



## Japanese Agents

- Are small scale and have very specific industry/sector expertise and do not hold any inventory stock.
- Can be based in Japan or in your country or in any other EU countries, and are more effective in certain sectors.
- Under an agent contract, are paid agreed commission fees.
- No additional functions as importer, transporter, and warehouse.



## Japanese Distributors

- hold own storage of inventory and transport capacity, and perform import functions.
- Under distributor contract, distributors find end clients and charge their commission in sales price.
- Can hire multiple distributors, or a sole, single distributor with exclusive rights.



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# Japan's Distribution Channels

1. Manufacture/Producer Dominated Distribution Channels
2. Retailer Dominated Distribution Channels



# Manufacture/Producer Dominated Business Structure – *Keiretsu*

- A group of different companies make an alliance to competitively distribute goods in market.
- An anchor company in Keiretsu has financial strengths and invest in group companies to form a stronger Keiretsu.
- Keiretsu may invest in EU companies to add EU products to its supply chain.

Procurement---Production----Logistics----Sales

Supplier

Manufacturers

Distributors

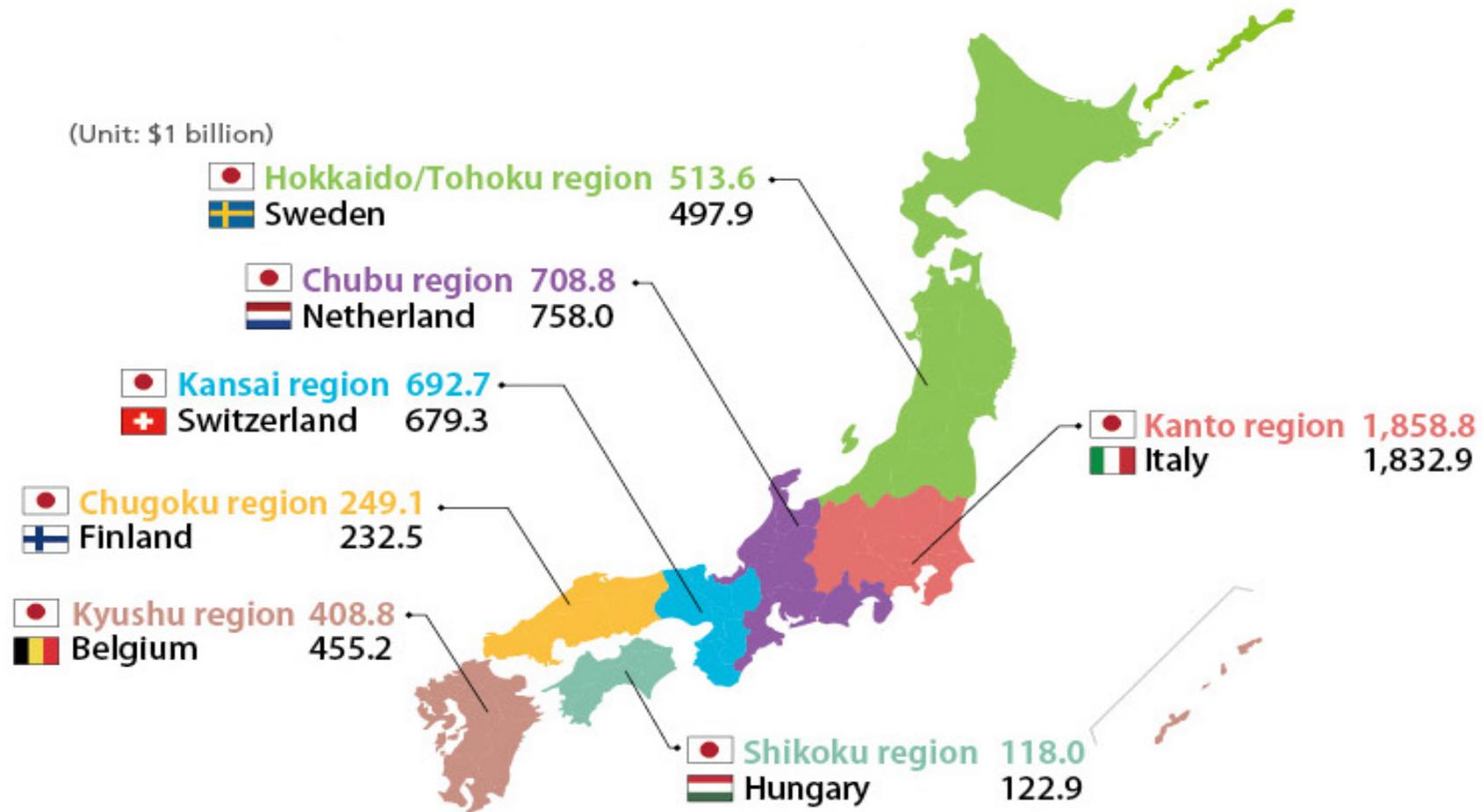
Retailers

## Retailer Dominated Business Structure

- Discount stores
- Category-killers
- General Merchandise Stores (GSM)
- Convenience stores
- Supermarkets
- Drugstores
- Non-store retailers (such as online sales, door-to-door sales, mail-order sales, telephone shopping, vending machine sales, direct delivery from production areas, mobile sales.....)



# Market Coverage - 7 Regional Markets and 3 Major Markets





## Attracting Potential Japanese Partners

1. Demand in Japan?
2. Meeting Japanese Standards – Industrial JIS and agricultural JAS?
3. EU Origin under EU-Japan EPA?
4. Fit in partner's product portfolio?
5. Possible product adaptation to consumer preferences?
6. Long-term partnership?



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# Q&A Session

*For further inquiries, please write to [office@eu-japan.eu](mailto:office@eu-japan.eu)*