

*Creating Value
Through Innovation*

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Agenda



- **Japan Factsheet**
- **Foreign Trade Balance**
- **Doing Business in Japan**
 - Myths
 - Opportunities
- **e-Commerce**
- **FedEx in Japan**
- **Why Japan?**

Japan - 日本

- **World's second-largest in terms of GDP at market exchange rates**
- **Fourth-largest economy in the world in purchasing power parity terms**
- **One of the world's largest markets, with a population of 127m**
- **Short-term outlook remains favorable**
 - Real GDP growth forecast at 2.3% in 2007
 - Economic growth will average 2% a year in 2009-12, driven largely by private consumption and investment

Source: Economist Intelligence Unit: Country Data



Factsheet

Annual data 2006 ^A	JAPAN 	UNITED STATES 
Population (m)	127.5	299.4
GDP (US\$ bn; market exchange rate)	4,365	13,195
GDP (US\$ bn; purchasing power parity)	4,077	13,195
GDP per head (US\$; market exchange rate)	34,248	44,071
GDP per head (US\$; purchasing power parity)	31,992	44,071
Exchange rate (avg): US\$	116.3	

^A Actual

Source: Economist.com – Economist Intelligence Unit: Country ViewsWire

Factsheet (cont'd)

Historical Average (%) 2002 - 06	JAPAN 	UNITED STATES 
Population Growth	0.1	1.0
Real GDP Growth	1.7	2.7
Real Domestic Demand Growth	1.1	3.0
Inflation	(0.2)	2.6
Current-Account Balance (% of GDP)	3.4	(5.4)
Foreign Direct Investment inflows (% of GDP)	0.2	0.9

Source: Economist.com – Economist Intelligence Unit: Country ViewsWire

Foreign Trade

- **Exports of US\$615.8bn and imports of US\$534.5bn**
 - Surplus of US\$170.5bn (3.9% of GDP)
 - fob-fob, balance-of-payments basis: US\$81.3bn in 2006

Main Exports '06	% of Total	Main Imports '06	% of Total
Transport equipment	24.2	Mineral fuels	27.8
Electrical machinery	21.4	Electrical machinery	12.9
Non-electrical machinery	19.7	Non-electrical machinery	9.3
Chemicals	9.0	Food	8.5
Metals	4.6	Chemicals	7.3

Source: Economist.com – Economist Intelligence Unit: Country ViewsWire

Foreign Trade (cont'd)

Leading Markets '06	% of Total	Leading Suppliers '06	% of Total
US	22.5	China	20.5
China	14.3	US	11.8
South Korea	7.8	Saudi Arabia	6.4
Taiwan	6.8	UAE	5.5
Hong Kong	5.6	Australia	4.8

Source: Economist.com – Economist Intelligence Unit: Country ViewsWire

Doing Business in Japan

- **Golf is...**



Expensive



- **Cost of Living is...**



High



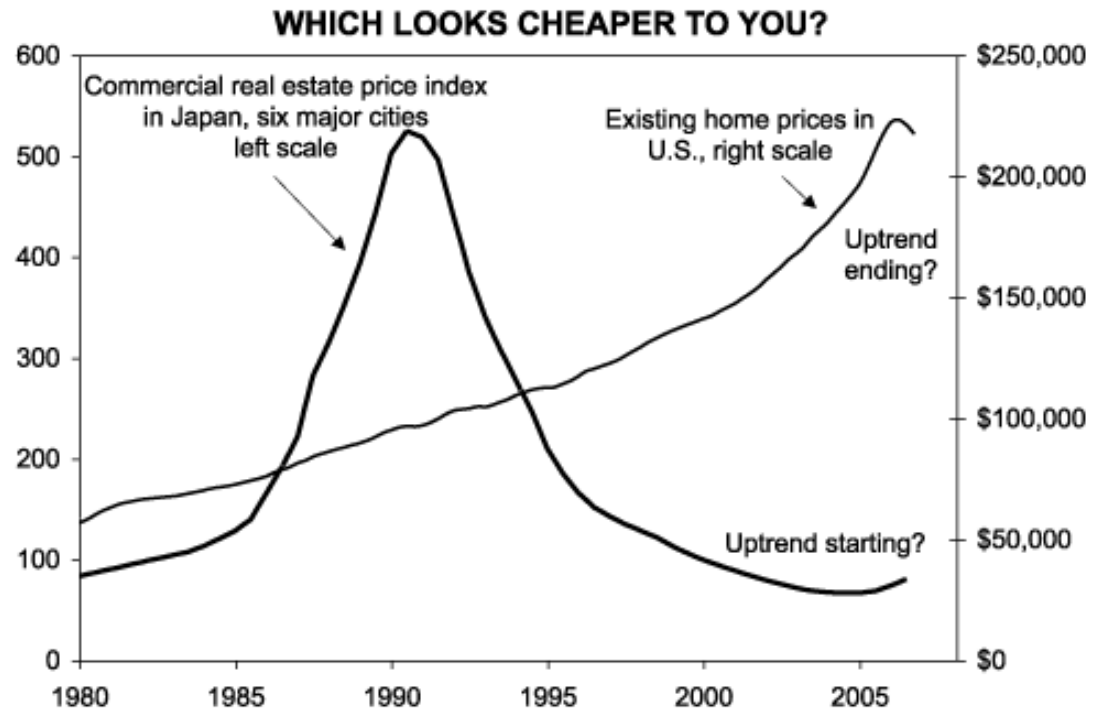
Myths

- **“The Japanese market is too risky and too expensive to enter.”**
 - Demanding customers
 - Barriers and regulations
 - Local Distributors/Agents
- **“Foreign company needs to be in Japan for several years before it can make profits”**
- **“No matter how good the product or service is, no foreign company can become a market leader or gain certain % of market share in its sector”**
- **“If you do not operate in Japan as a kabushiki kaisha (equivalent to a US C-corporation) your company is not seen as credible and your business will not succeed”**

Source: Venture Japan, www.venturejapan.com, “Japanese business myths”

Myths

- “Real Estate - Expense of cost of business”



Source: Daily Wealth – Just hit the ground in Tokyo
Steve Sjoggerud

Opportunities

- **World's second largest market**
 - 15% of the world's economy is in Japan
 - 25% of the world's high-tech products are made in Japan
- **Merger & Acquisition (M&A) transactions increasing**
 - M&A volume was \$182 billion in 2006
- **Foreign Direct Investment (FDI) increasing rapidly**
 - No other advanced industrial country with so little FDI
- **Slowly entry barriers and regulations are “eased” and seldom eliminated**

Source: Economist.com – Economist Intelligence Unit: Country Briefing
Eurotechnology Japan K. K - Business in Japan. Why does it make sense?

Opportunities (cont'd)

- **Technologically advanced**
 - 87.5million internet users¹. A large proportion also use e-commerce
 - 101.7 million mobile phone subscribers
- **Large and important market**
 - 127 million people
 - Elderly account for 1/5 of the population. By 2015 the proportion of elderly will have risen to one in four of the population
 - Sophisticated and demanding consumers
 - Women in the marketplace

¹ (6 years and older)

Source:

Ministry of Internal Affairs and Communications, Japan – Information and Communications in Japan, White Paper 2005

Opportunities (cont'd)

- **Household saving rates**

- America, Canada, Britain, Australia and New Zealand have the lowest rates of household saving.
- Americans on average, save less than 1% of their after tax-income today compared with 7% at the beginning of the 1990s
- The Japanese today save 5% of their household income, compared with 15% in the early 1990s

- **Growth sectors**

- “Silver generation” industries
- Biotechnology & Nanotechnology
- New media industries



Source: “The shift away from thrift” - Apr 7th 2005 - From The Economist print edition
“Why Does Japan’s Saving Rate Decline So Rapidly?”, Kentaro Katayama, Policy Research Institute, Ministry of Finance, Japan - Dec '06

Successful Companies in Japan

- **Yahoo**
- **Johnson Controls**
- **Robert Half Finance and Accounting**
- **Fleishman Hillard – International Communications**
- **FEI Company – Tools for Nanotech**
- **Audi**
- **Samsonite**
- **Business Wire**
- **McAfee**
- **CDT Cambridge Display Technology**
- **IndeCorp – The Independent Hotel Corporation**

e-Commerce

“The economic impact of e-commerce on Japan between 2004 and 2009 will increase its GDP by 10%”¹

	JAPAN 	UNITED STATES 
Intent to use PC online shopping (%) ²	92.3	88.1
Intent to use mobile phone online shopping (%) ²	21.5	8.9
Utilization rate of online shopping (%) ²	89.1	89.7

Source:

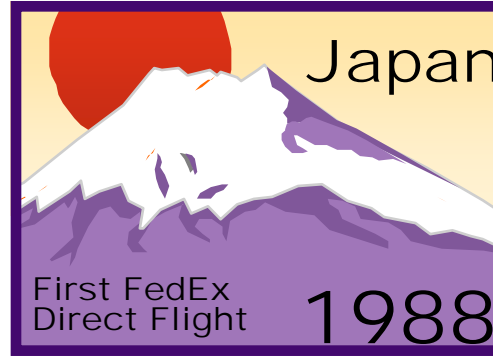
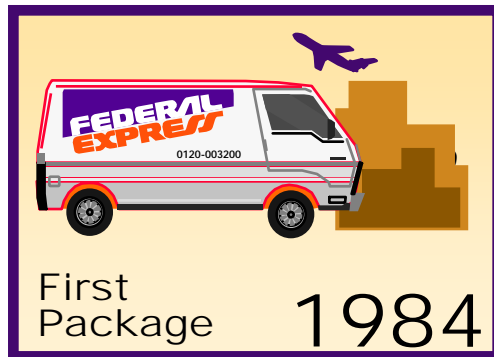
¹ Ministry of Telecommunications

² Ministry of Internal Affairs and Communications, Japan – Information and Communications in Japan, White Paper 2005, Chapter 1-2, Section 2

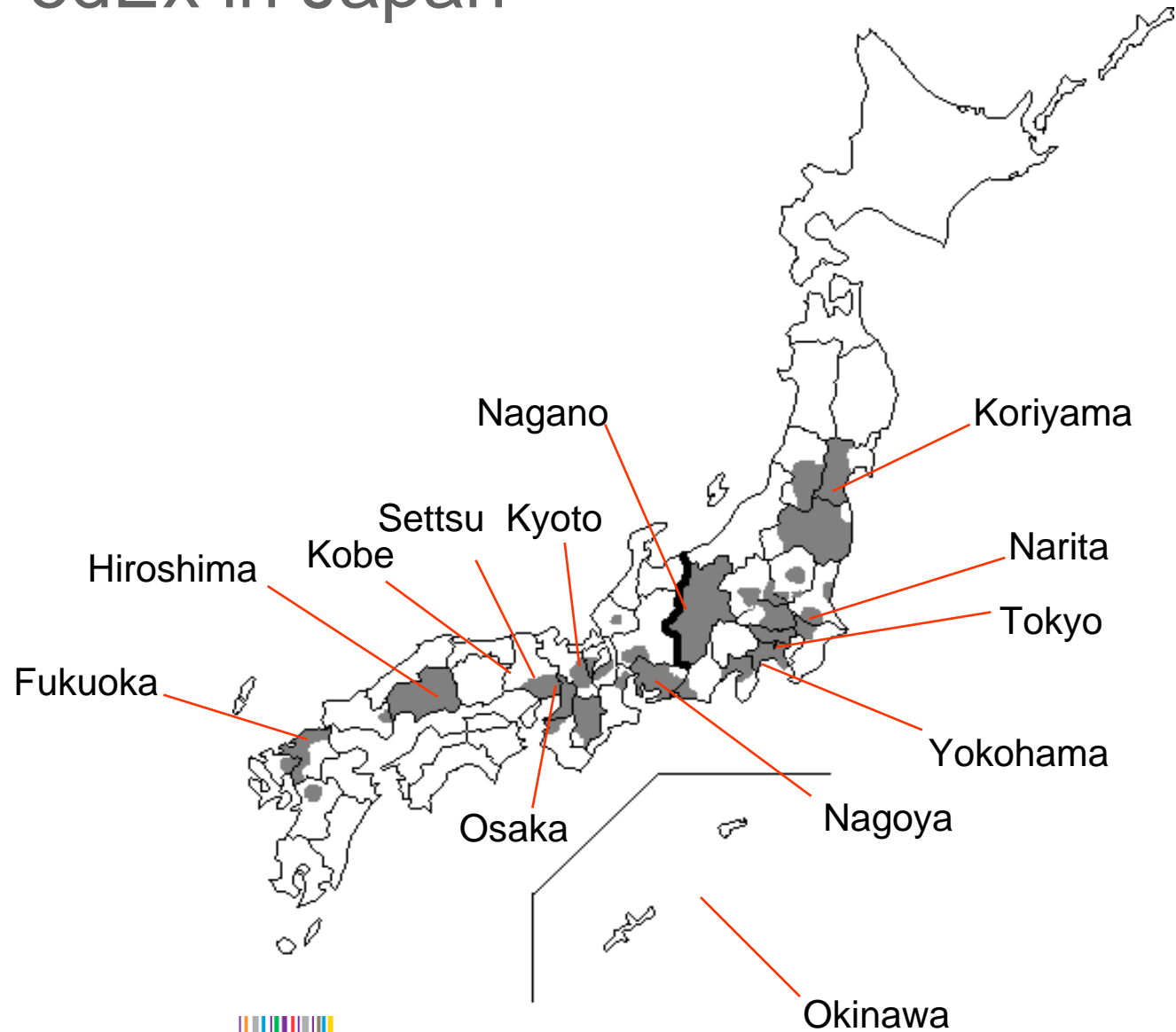
e-Commerce

- **eBay**
 - Selling channel for US small and medium companies
- **Rakuten**
 - e-commerce start-up and highly successful company
 - \$1.5 billion revenues
- **“Conbinis” (convenience stores)**
 - Sophisticated and distribution expertise
 - More than 50,000 stores
- **Reliability of Domestic Delivery service**
 - COD
 - Low cost overnight deliveries
 - Flexibility of delivering hours
 - Reliable postal service

FedEx in Japan

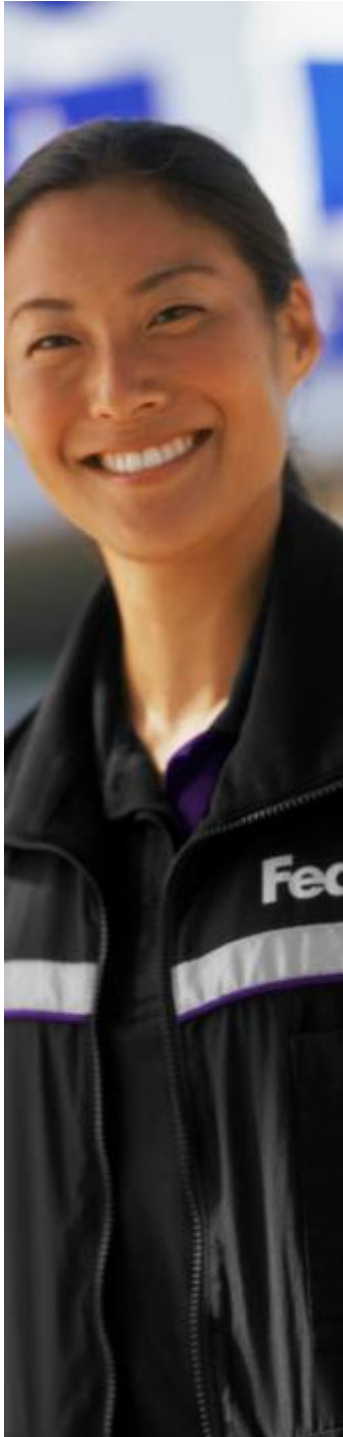


FedEx in Japan



Why Japan?

- **Global Player**
- **World's second largest economy**
- **High disposable household income**
- **Strong e-commerce**
- **Economic recovery continues**
 - Corporate profits growing
 - Bank lending rising
 - Employment and income expanding



THANK YOU

ありがとう


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Solutions and Technology