

How to enter the Japanese industrial market

Industry overview, OEM & Distribution business
& Case studies



Speaker's profile

- Studied mechanical engineering (fluid engineering) at Waseda University in Tokyo, Bachelor of engineering
- Studied French language for 1 year at Universite d'Avignon in France
- Studied business administration at The University of Manchester of UK, MBA (Mainly studied at Hong Kong campus)
- After graduation from university, started to work for Pechiney Japan, French aluminum company (currently Alcan) as sales engineer
- Worked for Correns Corporation, German owned trading company based in Tokyo, to sell German gas compressors as sales engineer
- Worked for Parker Hannifin Japan, US motion control company, to sell fuel filters for automotive and construction machinery as territory manager
- Established Fenetre Partners, LLC. (later Ltd.) with Hasegawa to support overseas companies' entry to Japanese market
- Lives in Tokyo with wife and two sons

Agenda of This Session

- Objective
 - Understand actual business activities in Japanese industrial market

- Agenda
 - 1. Industry Overview

 - 2. OEM & Distribution business in Japan

 - 3. Case Study

1. Industry Overview

Automotive, Construction Machinery, Factory Automation,
Medical Devices



Industry overview: Automotive

- Major companies
 - Passenger vehicles: Toyota, Nissan (Renault), Honda, FHI/Subaru (Toyota), Mazda, Mitsubishi (Nissan), Suzuki, Daihatsu (Toyota)
 - Commercial vehicles: Isuzu, Hino (Toyota), UD Trucks (Volvo), Mitsubishi Fuso (Daimler)
- Production size (2015)
 - Domestic production: 9.3 million vehicles
-> 9.2 million vehicles in 2025 (estimated)
 - Overseas production: 18.1 million vehicles
-> 24.4 million vehicles in 2025 (estimated)
- Comments
 - Hybrid, Plug-in Hybrid, Electric vehicles are more and more popular
 - Stable domestic production
 - More overseas production expected
 - Core R&D is located in Japan

Industry overview: Construction machinery

- Major companies
 - Komatsu, Hitachi & KCM, CAT Japan, Kobelco, Sumitomo, Kubota, Yanmar, etc.
- Production size (Excavators excl. Mini in 2015)
 - Domestic production: 58.1 thousand machines
 - Overseas production: 27.8 thousand machines
 - > Total world production of Excavators by Japanese companies is 86 thousand machines
 - FYI: World total production by all manufacturers: 155 thousand machines
- Comments
 - Significant global market share: Komatsu (No. 2), Hitachi (No. 3) after CAT (No. 1)
 - Key components manufactured in Japan (Engines, Hydraulic systems, Electric systems)
 - Core R&D is located in Japan

Industry overview: Factory automation (Industrial robots)

■ Major companies

- Mitsubishi Electric, Fanuc, Omron, Yaskawa, Keyence, Yokogawa, Hitachi, Panasonic, IAI, etc.

■ Market size (Industrial robot market)

- World market: USD13.2 Billion, Japan market: USD 1.7 Billion, Production in Japan: USD 6 Billion (2015)
- World market: USD28.1 Billion, Japan market USD2.3 Billion, Production in Japan: USD 9.6 Billion (Estimation in 2020)

■ Comments

- World industrial robot market size is USD13.2 Billion of which Japanese production represents 45.5% in 2015
- China, EU and USA are three largest market. And about 80% of robots produced in Japan are exported to overseas market.
- Japanese FA companies' R&D is mostly located in Japan

Industry overview: Medical Devices

- Major companies
 - Olympus, Terumo, Nipro, Nihon Kodan, Toshiba Medical (Acquired by CANON this year), Hitachi Medical, Fuji Film, Shimadzu, etc.
- Market size (2014)
 - Domestic total: €26 billion
 - Imported amount: €13 billion (50% of domestic total)
- Comments
 - Japanese medical device market has been stably growing market with CAGR 3% for 20 years in Japan. One of the reason is Japan's aging population.
 - Some diagnostics device manufacturers have significant global market share such as Olympus (endoscopes), Toshiba Medical (X-ray, CT & MRI)
 - As for therapeutic devices, imported amount is 4 times bigger than exported amount
 - Period for approval of medical devices in Japan is longer than EU and the US

2. OEM & Distribution business in Japan

Key points and procedures



OEM business in Japan

- Japanese language is a “Must”
 - Even though many Japanese customers can read English, they do not prefer to read materials in English
 - Japanese people are generally not good at speaking English. If you find English speaking customers, you are lucky
 - Having a Japanese speaking person is important
- Good relationships with customers
 - Visit customers even when nothing to discuss
 - Regular customer visits with “souvenirs” (information)
 - Sometimes drinking, sometimes Karaoke with customers, finally you will get customers’ “confidential” project information



OEM business in Japan

- Find key decision people
 - It often takes a long time to get to key people after first contact with the company because they do not prefer to inform certain persons' contact information
 - Depending on how you compete (price or technology) in the market, decision makers are different (purchasing or engineers)
 - Depending on companies, internal power balance between purchasing and engineering is different
 - In many cases, actual key people are not always managers but often young engineers. Final decisions are made through consensus



Distribution business in Japan

- Many distributors between end customers and manufacturers
 - There can be 2 or even 3 distributors between end-customers and manufacturers
 - In many cases, each distributor adds 20 ~ 30% margin
 - Therefore end-customer prices are often much higher than manufacturers expected
- Market/End customer information is not disclosed
 - Japanese distributors often do not disclose information about Japanese market and customers
 - Japanese distributors often do not disclose their sales prices to customers
 - Therefore it is often difficult to establish strategy and control distributors



Distribution business in Japan

- Easy-to-sell products are always preferred
 - Because distributors sell many different products, they do not prefer to sell new products because they need to spend time to learn products then promote them to customers
 - It is essential to motivate and support sales people by preparing Japanese materials and accompany them to explain products to customers
 - Products should have very clear differences from competing products so that distributors can emphasize them
- Working with right distributor is key
 - Overseas companies often work with wrong Japanese distributors/importers which do not have connection with target industries
 - Giving exclusivity to such Japanese distributors is huge risk

