

## *Even on bad day, Japanese market continues to offer promise*



As we approach the end of the year with a frightening global financial mood and both Japan and U.S. officially “in recession,” it’s a good time to take a step back and recall just how strong a market opportunity Japan continues to offer.

Japan’s experience during its so-called lost decade gives it the chance to offer advice – and perhaps more importantly, cash infusions -- since Japanese companies paid down debt during that time, and hence are ready to come to the aid of financially-troubled companies.

And Japanese consumers are still “cash rich” compared to consumers in other developed markets. Specifically, several factors contribute to the phenomenon of Japanese consumers being among the most – if not the most -- affluent consumers in the entire world:

- Japanese households, on average, have relatively high average monthly disposable income at US\$4,104, compared to US\$3,344 for U.S. households.
- Japan is also typified by a high savings rate – 34% of GDP compared to 15% of GDP in the U.S. - and an accordingly high portion of household assets represented by non-risk assets such as savings and cash.
- Among Japan’s 47.5 million households, the average household income is approximately ¥5.63 million. Certain segments such as Japan’s *Dankai* generation are even higher – i.e., 7 million people aged 60-63 at ¥7.35 million. About 13% of Japanese households have annual household incomes above ¥10 million, while nearly 2% are above ¥20 million.
- Looking at those with financial assets of above US\$1 million, Japan’s count is 1.51 million people, representing just over half of those with assets above US\$1 million in the Asia region (for comparison’s sake, Chinese represent 15% of those in Asia with over US\$1 million).
- Japan’s wealthy own combined financial assets of US\$3.8 trillion (40.1% of total assets owned by Asia’s *Fuyu-so*).



Another view that shows Japan's value is through the sheer scale of a variety of key sectors, such as insurance (valued at US\$40 billion in 2006, and the world's 2nd largest), medical (US\$20 billion in 2006, again the world's 2nd largest), pharmaceutical market (US\$60 billion in 2006, again the world's 2nd largest and environmental services (projected to reach US\$754 by 2015 – double that of the U.S. market size).

Through yet another view, in addition to being the world's second-largest economy, it is also interesting to look at the sheer population concentration and GDP value of key geographic areas in Japan. For example, Osaka, which is Japan's 2<sup>nd</sup> largest industrial, financial and commercial area, has GDP valued greater than that of Brazil, India or Australia. Meanwhile, Japan's 3<sup>rd</sup> largest metropolis, Nagoya, boasts GDP valued on par with that of India or Russia.

At a psychological level, Japanese consumers experienced much anxiety during the 15+ years from the early 90s to now -- and these hard times forced both individuals and businesses to look at things in new and different ways, with a new wave of “self-responsibility,” independence and individualism emerging.

The inherent value of the Japanese market along with the more open-minded consumer mindset continues to create strong opportunities.

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