



Mareeba farmland in Northern Queensland - Picture: TKieft/Flickr

## A MESSAGE FROM THE MANAGING DIRECTOR



**Shuichi Hirano**  
MANAGING  
DIRECTOR

Dear readers,

Thank you for reading the 2015 autumn edition of JETRO Sydney's newsletter.

We're a mere three months into the year, but already there are signs we can expect plenty of new opportunities for business deals between Australian and Japanese companies.

Throughout all of last year we saw evidence of a strengthening in our bilateral business relationship, with the number of investment cases in both directions increasing since the announcement of the Japan-Australia Economic Partnership Agreement (JAEPA). We saw a large number mergers and acquisitions, with cases like Japan Post and Toll and that

of Kajima and Icon in Melbourne gaining attention.

Given that JAEPA has only recently come into effect, such momentum can only strengthen, and I expect that agribusiness, infrastructure, and the development of Northern Australia will be the key growth areas, but many others will thrive also.

Australia already boasts a substantial share of worldwide trade in wheat, barley and beef exports, but still has yet to reach its potential in many Asian markets. Meanwhile, the infrastructure sector should experience a boost thanks to the Federal Government's Asset Recycling Scheme, which will provide States with an incentive to sell their existing assets, with the profits going towards investment in infrastructure.

Finally, Northern Australia accounts for a significant portion of Australia's agricultural production (11%), livestock (57%) and exports leaving through ports in the region (55%). In light of its geographical proximity to Asia and improvements slated for infrastructure and water supply, the region is seen as a potential trade hub for food, energy, education and aged care services, with the potential for business

opportunities in these sectors.

But in order to achieve these goals we first must address some long standing gaps in our perception.

From Japan's perspective, Australia is our partner in food and energy security, as well a popular tourist destination. However, as a consumer market, it is perceived as limited due to its population size. But considering that around 60% of that population rank in the wealthiest demographics, as well the highly multicultural nature of its society, Australia's market can be seen as a combination of both high volume and diversity.

Conversely, from Australia's standpoint, the Japanese economy is increasingly viewed as stagnant. A common view of Japan is that it is a country of high prices and insular markets. But the economic growth strategies and deregulation promised by "Abenomics" hold the potential to inject much needed dynamism.

Such perception gaps have not been properly addressed to date. But as we move further into 2015 and beyond, we can work to fill in those blanks in our mutual understanding. ●

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## FEATURE ARTICLE

# New frontiers in Japan-Australia trade

## Moving beyond mining and agriculture

Photo: AshDesign/Shutterstock.com



**Bob Seidler**  
Chairman & CEO  
Hunter Phillip Japan

Japanese investment in our resources and agribusiness sectors, which are driven by Japan's energy and food security concerns, is a dominant facet of Japan-Australia trade that we are all familiar with. But the Australian economy offers much more, and it looks as though Japan may finally be taking notice.

The proposed acquisition of Toll Holdings by Japan Post created a great deal of excitement in Australia because of its size and sheer audacity, but its significance is far greater. It highlights a new dimension in Japanese interest in Australia which is already underway: the acquisition of service industry skills and their use in Asian or Global expansion.

### SIMILARLY STRUCTURED ECONOMIES

The Australian and Japanese economies are structurally similar in that both are dominated by services (Japan 73%, Australia 70.5%), but with the composition of services being different in each country. The structure (and therefore the strengths and weaknesses) of the service industries in each country generally differ which creates the opportunities for collaboration.

Financial services are particularly important for developed economies such as Australia and Japan and provide significant opportunities for collaboration.

But despite the difference in size of the economies (Japan GDP US\$5.8 trillion, Australia US\$ 1.5 trillion) the Australian wealth management industry is more mature for a number of reasons.

Japanese investors (households, corporations (including financial institutions and pension funds) financial asset holdings as at March 31, 2013 totalled about US\$14.5 trillion. Roughly 80% of this amount is held in bank deposits and insurance products with the remainder, about US\$3 trillion or roughly 20% being managed by asset managers investing in a variety of investment products.

In January this year, a new tax exemption measure to promote investment by individuals was introduced in Japan. This tax-free investment system is modelled after the Individual Savings Account (ISA) in the United Kingdom and is called NISA (Nippon Investment Savings Account).

NISAs are available for any resident of Japan aged over 20. As long as they reside in Japan, NISA account holders are eligible for an exemption of the 20% levy on income from capital gains, dividends and coupons from annual investments of up to one million yen (approximately US\$10,000) made over a five-year period.

Under the current legislation, tax-exempted investment can be made through NISA up to 10 years starting in 2014 for a cumulative investment of 5 million yen (approximately US\$50,000). It is expected that NISA's will attract funds currently held in bank deposits.

The majority of Japanese investor assets are held in bank deposits that bear very low rates of interest but are liquid with no downside in value. Current savings account rates are around 0.02% with 3 year time deposits yielding up to 0.03%. While this looks very unattractive from an Australian perspective, it makes sense for a Japanese investor living in a deflationary environment.

In Australia, about 15% of financial assets are held in bank deposits with about 70% of the remainder invested in financial products, including equities, managed by specialized asset managers.

In late 2012, 6.68 million people, or 38% of the adult Australian population, participated in the Australian share market either directly (via shares or other listed investments) or indirectly (via unlisted managed funds). The level of direct participation in the Australian share market was 34%, or 5.98 million people. This is one of the highest in the world.

Since the introduction of the Australia's mandatory superannuation scheme in 1992, the

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investment management industry has grown by a compound annual growth rate of 11.9%. Since 2003, Assets Under Management (AUM) has nearly doubled.

The key drivers of the growth in the managed funds sector are the nation's universal pension system, a strong insurance sector, and a growing high-net-worth and retail investor sector. All have benefited from the country's robust 3.3 per cent per annum average growth rate in real GDP from 1998 to 2009. This GDP growth has compared favourably against the USA (2.3 per cent), the UK (2.0), Hong Kong (3.2) and Singapore (4.6) over the same period.

### EVOLUTION OF FINANCE IN AUSTRALIA

But Australia hasn't always had such a sophisticated and mature market, and wouldn't have today were it not for some important historical events :

#### 1. Foreign Bank entry:

Prior to 1979 Australia had a highly regulated banking system, with the Reserve Bank of Australia determining the price of both deposits and loans.

The regulations in Australia restricted banking system flexibility, but the quid pro quo was protection from new entry. The regulatory structure generated high profits for the incumbent

banks by international standards. The Australian Financial System Inquiry Final Report (1981), (otherwise known as the Campbell Committee), recommended that the financial system should be deregulated. Further, there were restrictions upon foreign ownership of non-bank financial institutions (NBFIs).

In September 1984 applications were accepted from foreign banks for full banking status and restrictions upon foreign ownership of NBFIs were lifted. This led to a large number of foreign

of Australians owning shares.

#### 3. Privatisation of Telstra:

Telstra was privatised in three different stages, informally known as "T1" (\$3.30), "T2" (\$7.40) and "T3" (\$3.60) in 1997, 1999 and 2006 respectively. In T1, the government sold one third of its shares in Telstra for A\$14 billion and publicly listed the company on the Australian Stock Exchange.

In 1999, a further 16% of Telstra shares



**In late 2012, 6.68 million people, or 38% of the adult Australian population, participated in the Australian share market either directly (via shares or other listed investments) or indirectly"**

financial institutions entering the Australian market within a short period of time which led to significantly increased competition for skilled labour, capital and market share.

#### 2. Privatisation of CBA:

The first share offer for the Commonwealth Bank of Australia (CBA) in 1991 was valued at \$1.292 billion, the second in 1993 for \$1.7 billion and the third was sold for \$5 billion in 1996.

These sums were very significant at the time and led to the first major increase in the number

were sold to the public, leaving the Australian government with 51% ownership. In 2006, T3 was announced by the government and was the largest of the three public releases, reducing the government's ownership of Telstra to 17% which is now held in the Future Fund.

With over one million shareholders, Telstra is currently the most widely held ASX listed company. This significantly increased the ownership of shares by the Australian public.

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### 4. Introduction of compulsory superannuation:

In 1992, the Keating Labor government introduced a compulsory "Superannuation Guarantee" system as part of a major reform package addressing Australia's retirement income policies. Since its introduction, employers have been required to make compulsory contributions to superannuation on behalf of most of their employees.

This contribution was originally set at 3% of the employees' income, and has been gradually increased by the Australian government to the current level of 9%. As of 30 June 2013, Australians have over AUD\$1.6 trillion in superannuation assets and, as mentioned above, are growing at compounded rate of about 12% per annum.

### OPPORTUNITIES

Japan's population is ageing and living longer, putting pressure on households and governments to fund retirement. With more than 50% of savings in bank deposits earning around 0.02%, the possibility of eating into capital is real. Interestingly The Government Investment Pension Fund (GPIF), in 2013 had cash inflow of US\$ 7.21 billion and a cash outflow of US\$39.7 billion, leaving a net outflow of US\$32.49 as its members draw down their pensions to fund

retirement.

What Japan needs is higher yielding and relatively safe investment products. In 2012, there were virtually no inflows into Asset Management Companies funds, with assets under management increasing only because of equity market appreciation and depreciation of the Yen. Interestingly, nearly 47% of GPIF's assets are invested in international equities or bonds as it chases a higher yield to service its liabilities.

In Australia, we have a sophisticated wealth management industry with growth funded by compulsory superannuation. As our superannuation funds under management grow, to reduce risk and volatility, diversification in asset class, currency, geography and so forth become more important. As a result, Australia has a world class product design capability.

Matching Australia's product design capability and fund management expertise with Japan's vast pool of funds and distribution capability could result in a win for both.

Imagine if Japan was able to reduce its holding of cash by 5-10% by investing in higher yielding but relatively safe investment products! The benefits to households and to the economy would be significant.

As the middle class in our region grows, there will be more disposable income to invest, but developing countries in our region have a similar problem to Japan in that the availability of investment products is limited.

As with Japan, much of these funds will be

invested with US or European Fund Managers. Because of the stagnant European economies, a significant portion of these funds will be invested back in Asia, as it is one of the few growth areas in the world. In short, Asian investible funds are being recycled back to Asia through London and New York, with US and European fund managers collecting the fees. Given the maturity of our industry here, there is no reason why this could not be done by Australian and Japanese fund managers working together.

With the current strength of the Australia-Japan relationship (as signified by the Japan Australia Economic Partnership Agreement) and the weaker Australian dollar, it is a good time for Japanese financial institutions to look at buying into or forming joint ventures with Australian fund managers to create financial products for investors in not only Japan, but other countries in our region as well.

We know each other well, trust each other, have complementary skills and a shared interest in improving each other's economies and those of our neighbours.

This is taking Japan Post's strategy in logistics into the financial services sector.

We have already seen the beginnings of this approach in Mitsubishi Trust's acquisition of 30% of AMP Capital. Dai-ichi Life, in acquiring Tower Life and Nikko Asset Management, in acquiring Tyndall, have also seen the benefits of the Australian wealth management industry.

There will be more! ●



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# Recap of the Australia-Japan Economic Outlook conference



**Manuel Panagiotopolous**  
Australian & Japanese  
Economic Intelligence

This year's annual Australia-Japan Economic Outlook conference has once again proved a fascinating event. Held in Sydney on March 17th with the support of several organizations, including JETRO Sydney, we were honoured once again that the Japanese Ministry of Finance sent its Vice Minister of Finance for International Affairs, Mr Tatsuo Yamasaki, to be our keynote speaker. Rounding out this top class panel was Ms HK Holdaway, the Acting Executive Director & head of the International Section of the Australian Treasury, and ANZ Bank's Chief Economist, Warren Hogan.

During his welcome remarks, Consul-General Masato Takaoka kindly reminded me that I have now been organizing this conference "for a quarter of a century". The comment reminded me of my age, but also made me reflect on the way this conference has developed over the years.

With that in mind, it did make realize how much the conference had grown, with this year in particular being extremely well attended. This is very much a testament to the heightened level of interest in the Australia-Japan economic relationship resulting from the Japan Australia Economic Partnership Agreement (JAEPa) and also the recent bid for Toll Holdings by Japan Post.

Onto the conference's subject matter itself, Mr Yamasaki delivered the latest developments on the Japanese economic recovery under Abe-

nomics. In short, he showed that the final quarter of 2014 the economy grew by 1.5%, led by a 1.2% contribution from private consumption. Industrial production grew by 3.7% in January and exports are finally showing strong recovery with an increase of 5.7% in January. Crucially for the domestic economy, the labour market is strong, with the job applicants' ratio of 1.14 the highest in 22 years and the unemployment rate low at 3.6%.



**[C]hanges to corporate governance [provide] incentives to corporations to invest their [retained earnings] into productive investments and higher wages."**

Yamasaki-san also mentioned numerous aspects of the large package of measures that fall under the Third Arrow. Here he noted the structural and regulatory reforms will take time to work but will provide a foundation for a sustainable long-term recovery. One highlight was the set of changes to corporate governance and tax rates (Japan's Stewardship Code, the JPX-Nikkei 400, reduction in corporate tax rate) aimed at raising ROE and providing incentives to corporations to invest their \$3 trillion of retained earnings into productive investments and higher wages.

HK Holdaway's presentation was on the international economic scene, with special emphasis on China's medium term economy; a subject that impacts all of us. China's growth

rate will no longer be in the 8-10% range but in 6-7% range, and that will depend on the Chinese authorities' policies and actions to correct numerous imbalances (investment and consumption, coast and inland, wealth disparities, social safety nets, growth and the environment). Discussions with Chinese officials indicate they are aware of the problems and have good ideas for solutions, but as with everything, it's all in the implementation.

Ms Holdaway also looked at commodity prices, especially the dramatic downturns in iron ore and oil prices. In both cases, the dominant factor has been the massive growth in new supply from producers. Under these circumstances, it is hard to see any major recovery in prices. While this is a problem for the higher cost producers, the low prices are a positive stimulus for the consuming countries such as Japan and the economic of South East Asia.

Finally, Warren Hogan focused on the Australian economy, explaining that the transition from the mining investment boom is still underway. On current projections he showed that resource and energy-related investment will continue to fall dramatically in the next couple of years and the proposed non-mining investments (rail, roads, NBN) will not be able to make up the shortfall. At the same time, consumer confidence and spending is holding up and the housing construction sector is growing rapidly to catch up to the pent-up demand from under-construction in the previous years. In these circumstances, monetary policy and a weaker A\$ will provide important support. ●

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# Results and analysis from the 2014 Japan affiliated firms Survey



**Tadayoshi Hiraki**  
Research Director

The Japan External Trade Organisation (JETRO) has recently completed the 2014 October-November edition of its annual 'Survey of Japanese-Affiliated Companies in Asia and Oceania' (The Survey). The Survey examines companies' expected results for 2014 and their outlook for 2015.

The survey at least partly reflects the context of Australia's softening resources sector, uncertainty surrounding the recent drop in oil prices, consumers lukewarm response to lower interest rates, and a housing market that now shows signs of cooling.

## OVERVIEW OF THE SURVEY

The Survey's results demonstrate the initial confidence leading into 2014 had diminished as the year came to a close. Most of the companies surveyed appeared to be doing well, with 71.5% forecasting operating profits for 2014 compared with 63.7% in 2013, while the proportion expecting a loss fell 4.5% points to 17.1%.

## OPERATING PROFIT FORECAST TRENDS

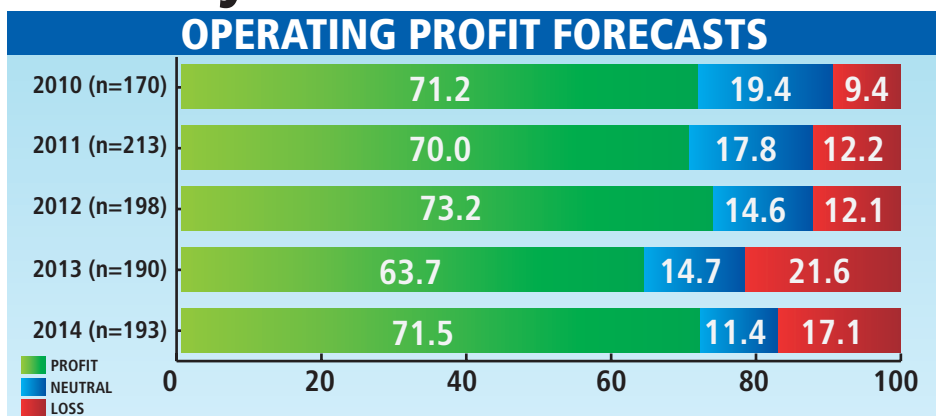
But whilst the proportion of companies expecting a profit improved, when it turned to the question of expectations of increases in profit, the picture was somewhat different. In the 2013 survey 45.8% of companies said they expected their profits to improve in 2014, but this number had fallen 29.9% when the same question was asked again for this Survey. Those same respondents registered a slightly more positive outlook when looking toward 2015 however, with 34.7% expecting an increase, while 47.2% expected their profits to remain unchanged and 18.1 per cent expected profits to weaken.

This indicates business sentiment has softened somewhat compared with previous years.

## B2C COMPANIES IMPROVING SALES

The primary reasons cited by companies for these results fell heavily on sales. "Sales increases in local markets" was listed by 67.2% of companies expecting an improvement, whilst 53% of companies expecting a drop-off in profits listed "Sales decreases in local markets" as the main cause.

There are important distinctions between business types however; 74% of companies that listed



OPERATING PROFIT OUTLOOK BY SURVEY DATE							
	TIME OF SURVEY	AUSTRALIA			TOTAL ASIA & OCEANIA		
		INCREASE	UNCHANGED	DECREASE	INCREASE	UNCHANGED	DECREASE
2011 OUTLOOK	2010	52.1	43.0	4.9	54.9	37.0	8.2
	2011	35.7	28.6	35.7	41.6	29.7	28.8
2012 OUTLOOK	2011	47.1	41.8	11.1	53.1	37.1	9.8
	2012	33.0	33.0	34.0	40.6	30.1	29.3
2013 OUTLOOK	2012	38.9	45.5	15.7	46.8	36.1	14.4
	2013	32.6	28.9	38.4	43.0	30.0	27.0
2014 OUTLOOK	2013	45.8	39.5	14.7	50.6	38.7	10.7
	2014	29.9	35.6	34.5	41.8	32.6	25.7
2015 OUTLOOK	2015	34.7	47.2	18.1	49.1	39.2	11.7

falling local sales as a reason for their worsening outlook were primarily involved with business-to-business clients. However, 43% of those who reported increased sales as their reason for optimism were in the business-to-consumer sphere.

According to the Australian Bureau of Statistics 2011/12 statistics on Household Income and Income Distribution, 33.7% of the population, roughly 7.46 million people, have a weekly disposable income of over A\$1,000. A further 4.2% of the population, or roughly 920 thousand people, have a weekly disposable income of over A\$2,000. This demographic of wealthy households has given rise to a stable high-end consumer market.

This is perhaps why 71.6% of companies cited increases in local sales as a reason for improved profit forecasts over 2015. This was especially true of consumer-oriented companies, but business-to-business vendors also predicted an increase in local market sales. But again, when asked the converse question, 54.3% of firms in general & electronic machinery industries gave declining local sales as a reason for their muted operating profit forecast.

Another noticeable feature of this year's survey was a decline in the number of companies listing labour costs as a factor in predicting both upward

and downward shifts in operating profit.

## NON-MANUFACTURING SECTOR INCREASING LOCALISATION

When it came to future business plans, 41.8% of non-manufacturing companies reported they had plans to expand, while 47.2% reported they intended to remain the same. Interestingly, of the non-manufacturing companies that reported plans to expand their business activities in 2015, only 49.4% reported that they expected profits to improve over 2015. Only 10.8% of companies listed plans to reduce their presence, transfer to a third country/region or withdraw from current local markets, most of which were in the electronics and transport machinery sectors.

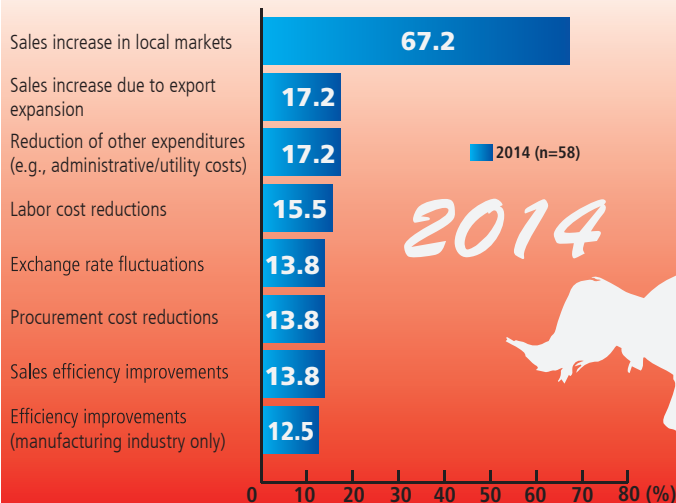
These future business plans also reveal a slight shift toward localisation. When asked about the increases and decreases in the number of both local and Japanese expatriate staff, 27.3% of businesses in non-manufacturing industries reported that they had increased their numbers of local staff over the past year, and 31.9% reported they intended to increase local staff numbers in the future.

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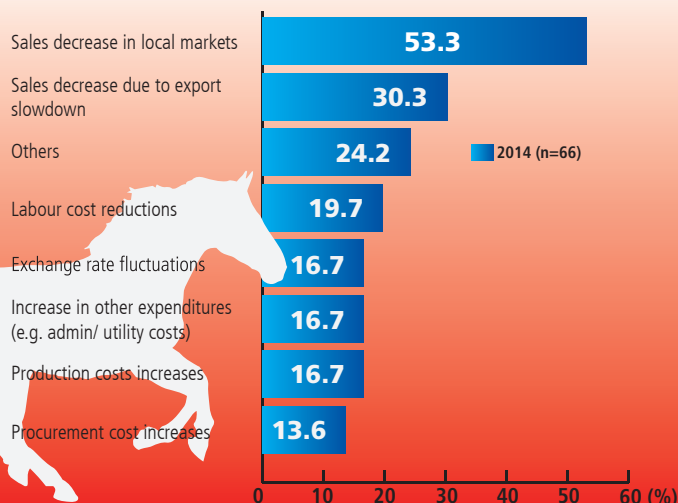
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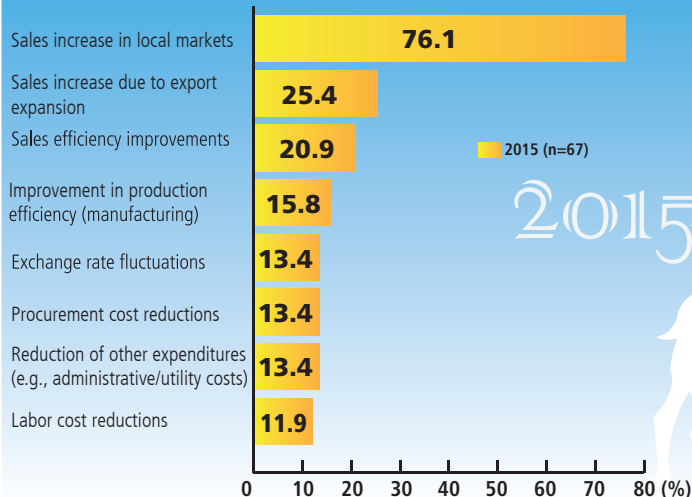
### REASONS FOR INCREASE



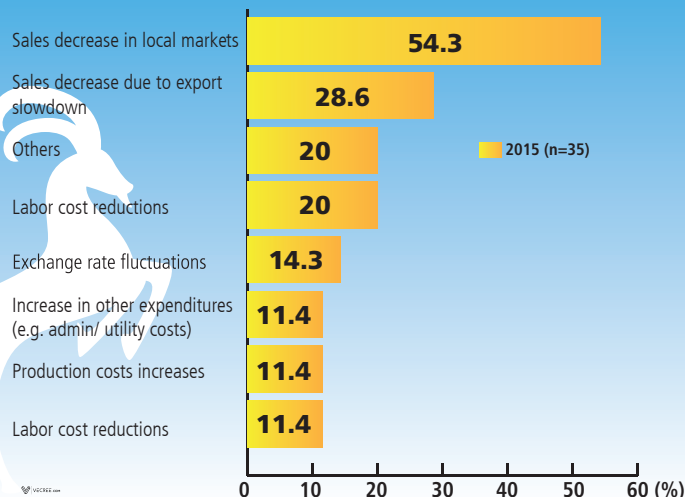
### REASONS FOR DECREASE



### REASONS FOR INCREASE



### REASONS FOR DECREASE



## OPERATING PROFIT FORECAST REASONING - 2014&15

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However, only 5.8% of businesses reported they would increase their number of Japanese expatriate staff, 81.8% would make no change, and 12.4% planned to decrease these numbers.

In manufacturing, 65.4% indicated no changes to local staff levels, and 79.6% listed none for Japanese expatriates either. Only 19.2% reported they would decrease their number of local employees, while 14.3% said they would decrease their number of Japanese expatriate staff. This indicates non-manufacturing businesses are increasing localisation levels, while manufacturers are retracting theirs.

### RESOURCES STABLE, REAL ESTATE STRONG

17.2% Of all Japanese-affiliated firms in Australia listed as having interests in the resource sector, with 56.3% of these involved in coal mining, 31.5% in natural gas and others, and 18.8% in iron ore.

Meanwhile, a further 12.5% had interests in housing investment.

Looking at trends in investment values, all companies with interests in the housing market showed an upward shift, and 75.0% predicted a trend towards business expansion over the next 1-2 years. Conversely, 87.5% of companies with interests in coal mining predicted a decline in investment values, whilst so did 60% in the iron ore sector. This broadly appears to reflect the effect declining minerals prices is having on investment values.

These companies generally reported increases in production and supply, while investment values were low. Given the current state of market correction, this suggests Japanese companies in the resource sector are maintaining the status quo and focussing on longer term outcomes.

### WHAT DOES THIS TELL US?

The survey ultimately delivers the message that a sense of uncertainty pervades Japanese affiliated

companies in Australia. Much like for 2014, the number of companies forecasting an operating profit in 2015 increased, but so did the proportion of companies predicting a fall.

Nevertheless, Australia remains home to a stable and wealthy demographic of consumers with high purchasing power. This fact is very much reflected in the survey, with businesses supplying goods and services to these well-off consumers reporting expectations of business expansion and sales growth.

The long held cost-related challenges facing the Australian economy remain, but some areas do appear to be improving, as reflected by the decline in the number of companies citing labour costs as a factor influencing operating profits.

Lastly, it is worth noting these results do not take into account the ramifications JAEP. Therefore, companies ought to consider quality and volume into account in both their business activities and medium-to-long term plans when looking at Australia, and not define it by its population size. ●



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## SUCCESS CASE: Yellowfin

Picture: freegreatpicture.com

The Business Intelligence (BI) software market is booming. According to Gartner, despite weak growth in the world economy, in 2013 the industry grew worldwide by 8 percent, and an even more impressive 9.5 percent in Australia. Within this increasingly cut-throat field is Yellowfin, a Melbourne based company that has spent the last twelve years building a business that now stretches across globe.

Founded in 2003 by Glen Rabie and Justin Hewit (CEO and COO respectively) to address the needs of business users and their growing demand for business intelligence, Yellowfin quickly developed a reputation as one of the best providers in the market.

With its focus on the easy to use web based interfaces, the company have racked up a number of accolades over its relatively short history, most recently being ranked number one for its Dashboard and Ad-hoc Analysis in the 2014 BARC BI Survey.

This success has seen the company grow quickly around the world, establishing offices in Europe, The United States, Brazil, the Philippines, South Africa, and most recently Japan.

CEO Glen Rabie says that in all cases they did a lot of ground work, but in Japan in particular they made sure to lay a solid foundation before striking out on their own. They began by signing a distribution deal with Japanese company Kiosera five years ago.



**Entering the market [with Kiosera] was [the] right way to go about establishing ourselves, as it allowed us to develop critical intellectual and social capital in market."**

**- Glen Rabie**

With their relatively low levels of recognition in Japan, the arrangement suited YellowFin's needs. It allowed them to grow through an established Japanese company and develop a strong reputation in its own right at the same time.

As Glen explains, "entering the market with a company like Kiosera was absolutely the right

way to go about establishing ourselves, as it allowed us to develop critical intellectual and social capital in market."

### GOING IT ALONE & LOCALISING

But as their business in Japan grew, YellowFin found that their needs began to eventually outstrip the capabilities of their distributor, and began exploring the possibility of having their own wholly owned Japanese subsidiary.

At a chance meeting at a Melbourne seminar in August last year, Glen expressed this to a JETRO representative. This was followed by a consultation process that led YellowFin to formally apply for JETRO support to assist it in breaking away from Kiosera and establishing an independent entity in Japan.

Not that YellowFin burned its bridges with Kiosera; on the contrary, they kept good faith with the company and negotiated an exit deal that allowed them to take six key staff familiar with their products over to their new Japanese company.

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## Editor's Corner: Japan on road to recovery



**Daniel O'Toole**  
Editor

It's only early in 2015, but there are already some promising signs that the Japanese economy is on the mend after the consumption tax increase from 5 to 8 per cent took some steam out of the recovery last April.

The effect of this saw the economy contract by 0.5% for the 2014 Fiscal Year, which ends on March 31st this year.

But helped by lower oil prices and it's already low interest rates, Japan's stock market started 2015's calendar in a bullish fashion, with a 13 per cent rise over the first three months of 2015. The Japanese government now says it expects the 2015 fiscal year to result in an annualised growth rate of 1.5 per cent.

There was some concern that a further increase in the consumption tax to 10 per cent scheduled for this year could hold the economy back again and undo such gains. However, the Abe government announced it is now pushing that decision back to 2017, which should give the economy some necessary breathing space and allow it to consolidate its gains.

The Japanese economy is also expected to benefit from the continued easing of the US Federal Reserves' quantitative easing program, making Japanese exports more competitive and thus helping strengthen the balance sheets of Japan's big firms.

Challenges remain, but whilst a growth rate of 1.5% might not seem significant, it still signals a return to growth for Japan that will have positive knock-on effects.

Moreover, as the reforms continue to take effect and the economy regains its edge, there will be an increasing number of opportunities for companies in countries like Australia to do business in Japan and potentially collaborate in the region more generally.

We've already seen a number of big M&A between Japanese and Australian companies last year and more seem in the way this year. Hopefully this is a sign the recovery has only just begun.●



YellowFin CEO Glen Rabie

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"We wanted our service in Japan to have a level of continuity and also to keep it very Japanese, so keeping that core group was critical," Glen explains.

Indeed, unlike many other foreign companies, YellowFin opted for a local for the role of director for the new company, awarding the position to the Kiosera team leader on YellowFin's products, Yugo Hayashi. Once appointed, Yugo worked extensively with JETRO specialists in Japan, where it was decided the company would register as a Kabushiki Kaisha (KK) – a 'stock company'.

### REAPING THE BENEFITS

Since launching their Japanese KK, YellowFin have achieved some impressive gains in the Japanese market, signing a number of new clients, including a new deal with Japanese telecommunications giant NTT-Docomo.

Unsurprisingly, their last two months in Japan

have provided their strongest sales yet in the market. Moreover, their original staff of six have already double to twelve since opening earlier this year, and a further three positions are being advertised.

Glen attributes this rapid increase in their stocks in Japan to the new company's greater autonomy and stronger connection to the parent company in Melbourne. He also said existing clients had responded surprisingly enthusiastically to having an all Japanese KK.

"It's been quite a revealing experience; I had clients of ours approach me at a recent event in Japan to tell me how happy they are we've shown a strong commitment to the Japanese market. It seems very much to have improved the level of trust and respect we receive in the Japan."

It's a timely message for Australian companies operating in Japan across all sectors: show trust and commitment to the Japanese market and you'll be rewarded.●