

Sustaining growth



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PwC: Japanese corporations must look to ASEAN for growth

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PwC: Japanese corporations must look to ASEAN for growth

Singapore, 23 September 2015 -- The key to Japan's economic future lies in growing their engagement with the countries on its doorstep, according to a new PwC report.

The latest report in PwC's *Japan Rebooted* series also highlights the urgency for Japanese firms as competitors from the EU and US consolidate their foothold in the region.

"Japan has traditionally looked to far-flung middle class markets," PwC Partner Kazuyoshi Nishitani said.

"Whether it was Sony putting portable CD players in the hands of US or European kids, or Nissan putting SUVs on their parents' driveways, it was a strategy that once served them well. But with the balance of global growth firmly entrenched in the East, and a rapidly growing Asian middle-class, a re-think is overdue."

According to Nishitani, the growth of Japan's massive monetary policy stimulus continues to put downward pressure on the Yen, creating ideal conditions for export-driven growth.

"Abenomics has done its job in terms of making Japanese goods and services more attractive to overseas buyers," Mr Nishitani said. "It's now up to Japanese companies to uphold their end of the bargain by implementing reforms to truly internationalise and establish new markets in the region."

The report highlights a number of opportunities in the markets on Japan's doorstep, particularly for consumer products, clothing, food, financial services, education, and health care. It also cites infrastructure as a key area of opportunity for Japan, with respect to supplying finance and project expertise to countries in the region.

The Asian Development Bank estimates there is \$8 trillion worth of unmet need for infrastructure investment in the decade 2010 to 2020 across Asia.

M&A the key to growth, but it won't be easy

The report says Japanese firms looking to enter ASEAN markets would be best served by acquiring local entities, because organic growth is too costly, too time consuming, and too hard.

According to the executive managing officer of the Japan Bank for International Cooperation, Masaaki Amma, Japan must rapidly increase its efforts to acquire the right business in South East Asia and other emerging markets such as India and China. Mr. Amma, who was interviewed for the report, said that acquisition is the most effective solution for entering ASEAN markets because of the difficulty and time involved in starting from scratch.

Often companies face difficulties conducting deals in ASEAN because of its regional characteristics. One of the big difference between ASEAN and BRICS is that is ASEAN is consisted with 10 countries with different politics and economics, regulations, customs and culture.

PwC has recently launched JADOT (Japan Asean Deals Operating Team) led by Kazuyoshi Nishitani, a specialist deals partner. JADOT is a joint team of Japanese and local deals experts dedicated to helping Japanese companies conduct their transactions successfully in ASEAN.

“With our sophisticated Japanese M&A experts, JADOT is able to offer various kind of deals related services by not only understanding client demands but also understanding the deal background by collaborating with other PwC offices in each region” said Mr Nishitani.

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