



cutting through complexity

Family matters

**Financing Family
Business growth
through individual
investors**

COUNTRY COMMENTARY:
JAPAN

kpmgfamilybusiness.com

Japan

Japan's family businesses place high importance on the retention of family ownership and preservation of the business and its traditions for the next generation. Of the family firms surveyed, 80% had a family member CEO, three out of five were 100% family-owned, and the remaining companies were more than 50% family owned.

A unique element of Japanese family businesses is their longevity – with two of the companies surveyed being run by the fourteenth and seventeenth generations. Despite this clear passion for the family to retain control, only two respondents felt emotion and sentiment affected decision making and all business who had previously received external investment indicated that the experience was positive.

As the economy has recovered in Japan, family businesses are expanding rapidly – creating a wealth of opportunity for investors. Family businesses in Japan differ from their Western counterparts however, as they have some of the oldest family businesses in the world, and place high value on preserving the business for future generations. HNWI's can be a good match for family businesses, as family businesses value the potential for new knowledge and experience, but HNWI's must be sensitive to their highly private nature.

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One factor that drives this positivity is the anticipated experience and expertise that HNWI investment attracts. As one Tokyo securities company CEO said: "We were planning on acquiring majority stakes in foreign markets so that we get easy access and experience of new areas for business. We decided to raise capital and offer equity in return so that we manage to attract smart investors who promote entrepreneurship."

The feeling is, in general, reciprocated by Japanese HNWI's. They are receptive to investing in family businesses, with our survey showing half of Japanese HNWI respondents prefer to invest in family businesses. One HNWI explains the ability to impart expertise onto the business is a key attraction: "Family businesses can gain more success if they receive guidance from experts and be practical."

In some instances, however, family business investment is based on certain conditions, particularly concerning investor involvement. "I do not mind a family business as long as I get freedom to express my opinions," adds another HNWI. This could prove an issue for some family businesses – two of the five surveyed said they would want investors to remain completely passive.

KPMG in Japan

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