

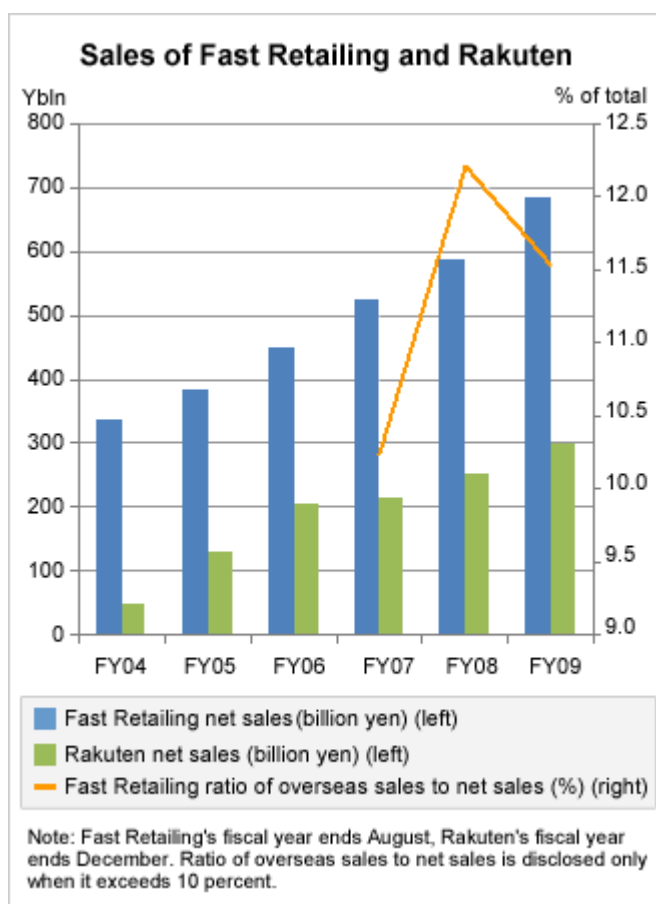
**Uniqlo, Rakuten Make Official Language English**  
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Two growing Japanese companies are planning to make English their official language, even in their domestic offices. Will the experiment prove workable? Some say it is necessary if the two retail giants want to expand their business globally, but others say their domestic business will suffer.

Fast Retailing Co. (9983), operator of the Uniqlo casual clothing store chain, announced on June 24 that all internal meetings will be conducted in English starting in 2012. In preparation for this change, the company will give English lessons to its senior and midlevel executives.

Rakuten, Inc. (4755), which in January switched the company's meetings of senior executives and board members to English, also said it will make English the online shopping firm's in-house language in 2012.



Both companies are relatively young, compared to the large, old companies that trace their roots back to Japan's prewar "zaibatsu" (conglomerates). Fast Retailing, which had 812 domestic outlets and 140 overseas stores as of April, opened its first Uniqlo shop in 1994 and listed its shares on the Hiroshima Stock Exchange that same year.

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## **English: the language of business**

Rakuten was founded in 1997 by Hiroshi Mikitani, who left the Industrial Bank of Japan (Now Mizuho Corporate Bank) at the tender age of 30. Rakuten shares have been traded at Jasdq Stock Exchange since April 2000. The company's market capitalization, 850 billion yen at the end of June, was about two-thirds that of Fast Retailing.

The switch from Japanese to English is understandable. Both companies' domestic sales are still growing. In Fast Retailing's case, they reached 606.3 billion yen in the fiscal year ended August 2008, up 17.8 percent from previous fiscal year's 514.8 billion yen. Domestic sales still make up the lion's share, accounting for 88.5 percent of the total.

But many observers believe that growth in Japan's home market will slow because the population is shrinking. The only way to generate enough income is by establishing franchises in fast-growing foreign markets.

In order to expand overseas, both companies are hiring more and more foreign executives. Fast Retailing's president, Tadashi Yanai, and Rakuten's Mikitani both believe efficient communication in a common language is key to becoming a truly global company. Conducting meetings in English means that all documents will be in English. This may help avoid misunderstandings between Japanese and foreign employees.

Fast Retailing is moving quickly and decisively. When one small company that does a lot of overseas business asked a reputable English school in Tokyo to give lessons to its new employees, it found many experienced teachers were already busy giving lessons at Fast Retailing. Mr. Yanai requires all prospective executives to score at least 700 on the TOEIC, a popular English proficiency test.

Critics warn, however, that while the English lessons may help, for most Japanese staff, communicating subtle nuances in a foreign language will be difficult.

And if these companies insist on conducting meetings in English, people may not be able to discuss complex issues. Most businesses are not so simple that they can be conducted solely in a foreign language.

A further risk is that people with good English will benefit at the expense of those with other important business skills, hurting those companies in the real world. Language is a tool for conducting business, while business skills are an intangible asset that makes a company competitive.

To become a truly global firm is a big challenge for many Japanese companies. Both Yanai and Mikitani are known as decisive and far-sighted leaders. But if they get their priorities wrong, they will be disappointed by their huge efforts.

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Born in 1957. In 1979, he graduated from the College of Arts and Sciences, the University of Tokyo, and joined Nikkei Inc.. From 1991 to 1994, he was assigned as a correspondent at the Washington D.C. Bureau in the United States. From 1997 to March 2010, he was a Senior Staff Writer in the area of capital market and corporate news. Since April 2010, he has worked at JCER.