

Japan

An overview on economy and business environment



Japan has a strategic location in northeast Asia and is composed of four main islands and more than 6000 smaller islands and islets. The economy of Japan is the third largest in the world after the United States and the People's Republic of China.

Over the past 70 years, government-industry collaboration, a firm work ethic, high technology proficiency, and a relatively small defense apportionment (slightly less than 1% of GDP) have strongly boosted the economy of Japan making it one of the most developed of the world. With 127 million people, its gross domestic product per capita is lower than the United States or Germany, but it's higher than its Asian competitors, China, and South Korea.

The great and fast economic growth started after World War II until the beginning of the '90s, has been called the Japanese Economic Miracle. The 1960's period saw the largest growth ever in Japan's economy. The Ministry of International Trade and Industry, formed in 1949, played an important role in the economic recovery of the country by creating a synergy between the government and the private sector to improve the productivity of industries. Two important characteristics of this cooperation were close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labor force. Moreover, the ministry was granted control over technology imports and later on control over all of Japan's imports.



The steady increase phase ran from 1973 to 1992. There was an oil crisis in 1973 and 1979 which saw the prices of oil triple in both instances that shook the economies of many countries, nevertheless Japan's economy continued to grow. The low increase phase started around 1992 when the economic bubble phase faded leading to a recession. Modest economic growth continued after 2000, but the economy has fallen into recession four times since 2008.

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Starting from 2012, Japan has had a long period of firm economic growth. Six years of "Abenomics" (the Prime Minister Shinzo ABE's "Three Arrows" economic revitalization agenda) led to lower fiscal deficits, near-record unemployment, and higher female labor force participation. But inflation remains low, and macroeconomic and financial sector challenges are set to grow due also to demographic aging and decline.

However, fiscal stimulus, works related to the 2020 Olympics and low unemployment should soften and protect the economy against a sharp slowdown although the rising trade protectionism of many big countries and the global economy slowdown remain considerable risks.

Scarce in critical natural resources, Japan has long been dependent on imported energy and raw materials. After the complete shutdown of Japan's nuclear reactors following the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than before on imported fossil fuels. However, ABE's government is seeking to restart nuclear power plants that meet strict new safety standards and is emphasizing nuclear energy's importance as a base-load electricity source. Reforms of the electricity and gas sectors, including full liberalization of Japan's energy market in April 2016 and gas market in April 2017, constitute an important part of Prime Minister Abe's economic program. Under the Abe Administration, Japan's government sought to open the country's economy to greater foreign competition and create new export opportunities for Japanese businesses.

Japan's GDP - composition, by sector of origin is: agriculture: 1.1%, industry: 30.1% and services: 68.7%.

With regard to Industry, Japan is among the world's largest and most technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods.

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The manufacturing industry in Japan is the most diversified with various advanced and excelling industries.

Japan has managed to become a leader in technological development in a wide range of fields of manufacturing which include semiconductors, consumer electronics, optical fibers, automobile and motorcycle manufacturing, optoelectronics, copy machines, facsimile, and optical media among others. The country is also a leader in biochemistry and fermentation process in the food industry. Another significant industry is fishing.



Also tourism in Japan has been a growing industry over the years. The Summer Olympics of 2020 will be held in Tokyo Japan, and the government is projecting that it will receive approximately 20 million visitors every year by that time.

Service industry also plays a significant role in the economy and accounts for approximately three-quarters of the total output in the economy. The major players in the service industry include real estate, insurance, retailing, banking, telecommunication and transport.

The top exports of Japan are Cars, Vehicle Parts, Integrated Circuits, Machinery having Individual Functions and Industrial Printers while the top export destinations of Japan are China, the United States, South Korea, other Asian countries and Hong Kong.

Japan's top imports are Crude Petroleum, Petroleum Gas, Broadcasting Equipment, Integrated Circuits and Coal Briquettes and top import origins are China, the United States, Australia, South Korea and Saudi Arabia..

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In order to establish profitable and steady business relationships with Japanese companies it is very important to know the local context and to make use of local business information sources.

Thanks to SkyMinder, it is possible to obtain the most reliable and complete credit reports on all Japanese business entities compiled by the most expert local sources.

Although Japan is one of most developed countries in the world, the availability of data on companies at the company registry is very low. This is due to the fact that the Japanese company registry does not oblige companies to disclose or file shareholders, financials and other data (except for companies listed at the stock exchange). In addition to this information available at the Company Registry is only in Japanese and need to be translated. For these reasons, in order to collect complete details on companies it is mandatory to rely on the most trustworthy and expert local business information providers.

Thanks to SkyMinder, it is possible to obtain the most reliable and complete credit reports on all Japanese business entities compiled by the most expert local sources. SkyMinder locals suppliers - thanks to their expert and skilled analysts - in addition to retrieve information on companies from official sources like the Company Registry, try to gather key information from direct interviews. Most businesses operating in the B2B market are used to disclose information to the local credit reporting agencies, while small businesses or companies not working in the B2B can be still reluctant.

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In Japan there are four main types of companies: Limited liability company (Godo Kaisha), the Stock company (Kabushiki Kaisha): this is the most used business form in the country, the General partnership (Gomei Kaisha) and the Limited partnership (Goshi Kaisha). A Japanese corporation selects its fiscal year when it begins operations in Japan—the tax year may be the calendar year or another period not exceeding 12 months, but financial accounts are not public.



The only things they are obliged to file at the company registry are Company name, Head office location (not verified by the company registry), Date of establishment, Purpose of work, Total number of shares, Capital amount; Matters concerning officers, Branch office.



Thanks to the expertise of its local credit information providers, SkyMinder will always try to enrich above information with: shareholders, directors, financial accounts, adverse data, historical and legal events, related companies and any other commercial information. SkyMinder reports on Japanese companies always have a rating and a credit limit..

In addition to the Credit Report including all complete details on Japanese companies, on SkyMinder it is possible to order also the KYC report focusing on the shareholding structure of a company.

Sources: <http://taxsummaries.pwc.com>; <https://www.cia.gov/library/publications/the-world-factbook/geos/ja.html>; <https://www.worldatlas.com> ; <https://www.imf.org>; <https://www.focus-economics.com>; <https://www.thebalance.com>; <https://oec.world/>; <https://www.nordeatrade.com/>; <https://www.japanpi.com>