

Japan

An overview of the economy and of the business environment



In Japan, November features two national holidays. Culture Day on November 3rd celebrates art and culture through various festivals. Later, on November 23rd, Labour Thanksgiving Day honors workers and has roots in the ancient Niinamesai (Harvest Festival), a tradition dating back over 2,000 years to the introduction of rice cultivation. This day also hosts events promoting awareness of peace, human rights, and environmental issues.

Japan stands out as a major global economic power, known for its skilled and diligent workforce. Its significant and wealthy population also makes it one of the most influential consumer markets in the world. It plays a significant role internationally, being a leading donor of aid and a major source of global finance.



Japan's economic boom after the 1940s was fueled by an unprecedented surge in industrial production, the growth of a vast domestic market, and an assertive export-driven trade policy. The nation has established a highly diversified economy, excelling in both manufacturing and services, and is one of the world's leading producers of cars, steel, and advanced technology products like consumer electronics. Today, the service sector contributes the largest share of Japan's GDP and employment.



Japan's focus on trade arises from its scarcity of natural resources needed to support industrial production, especially fossil fuels and essential minerals. The country's limited arable land also compels it to import a significant portion of its food. Nonetheless, Japan's robust domestic market has, to some extent, reduced its reliance on trade compared to many other countries, as trade forms a smaller portion of GDP.

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Let's take a look at Japan's economic sectors, starting with agriculture. Due to Japan's mountainous geography, agricultural land is limited. Japan's soils are generally infertile and require careful management and fertilization. However, the country's wet climate provides ample freshwater, and the reliability of rainfall, along with Japan's river network for irrigation, supports extensive paddy rice cultivation.



Since the 1990s, agricultural production has remained stable, though it accounts for only a small share of Japan's GDP. A significant portion of the workforce remains in agriculture, though many farmers have sought employment in manufacturing and services. Additionally, most farmers rely on secondary jobs to supplement their income, leading to an aging agricultural workforce as younger generations leave for other sectors.

Japanese agriculture features many small farms, with larger farms typically found in Hokkaido, where properties of 25 acres (10 hectares) or more are more common. Rice remains the primary crop, while wheat, barley, potatoes, fruits, vegetables, and tea are also important products.



Government policies have promoted self-sufficiency for essential crops, though only rice and sweet potatoes have achieved this goal. Consequently, Japan must import nearly half of its food requirements. To support self-sufficiency, the government has implemented strong protections for local rice production, setting high producer prices. Reforms introduced in 1995 began to incorporate market principles into agricultural pricing, partially liberalizing rice imports and lifting the rice import ban by 1999, although high tariffs remain.

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Livestock farming, important to Japanese agriculture, is generally small-scale, with the largest dairy and beef herds in Hokkaido. Most animal feed is imported, driving high production costs. Since beef import liberalization in 1991, farmers have faced increased competition and have been compelled to adopt more efficient practices.



The sea is a critical food source for Japan, which maintains one of the largest fish catches globally through long-distance fishing. However, Japan's fishing industry faces significant challenges: overfishing and pollution have degraded local fisheries, while restrictions from other countries' 200-nautical-mile (370-km) economic zones limit Japan's deep-sea fishing. Aquaculture has grown in importance, particularly for fish, shellfish, and seaweed, with cultured pearls playing a longstanding role in Japan's exports.

Japan has few mineral resources, with coal, iron ore, zinc, lead, copper, sulfur, gold, and silver among the more common minerals. The quality of mined resources is often poor, and Japan largely lacks other essential minerals like nickel, cobalt, and crude oil. Coal reserves are located mainly in Hokkaido and Kyushu, and domestic oil production remains minimal. Japan also has some natural gas reserves in eastern Chiba prefecture and off the Tōhoku coast.

Japan's energy consumption stabilized in the mid-1990s. Oil is the largest energy source, nearly all of which is imported. Coal and liquefied natural gas (LNG) also contribute significantly to energy production, with coal-fired and LNG plants expanding to reduce dependence on foreign oil and cut greenhouse gas emissions.

Hydroelectric power is also a component, with plants primarily in central Honshu, Tōhoku, and parts of Kyushu, where hydroelectric potential aligns with industrial areas. Additional smaller hydroelectric plants have been built, including pumped storage facilities to handle peak demand.



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Japan's postwar economic growth is marked by rapid manufacturing development, transitioning from light to heavy industries and advanced processing. Lumber, wood, textiles, and foodstuffs have declined, while Japan has become a leader in shipbuilding, automotive production, and high-tech products like consumer electronics and robotics.

A significant factor in Japan's industrial success was high capital investment in the 1960s and 1970s, leading to increased productivity and growth in the manufacturing sector. The widespread use of innovative production methods gave Japan a competitive edge in global exports. To address trade friction and cost concerns due to yen appreciation, Japanese companies began establishing overseas production in Asia, North America, and Europe, particularly in the automotive and electronics industries.



Japan's keiretsu system, a network of close corporate alliances, helped industries adapt to economic changes by coordinating long-term strategies that prioritized market share. Although this system has weakened, it facilitated Japan's economic expansion and resilience.



Japan's financial system, initially distinct from other developed countries, has gradually aligned with international markets due to deregulation. By the 1980s, Japan's financial sector became a global force, with banks dominating international banking and the Tokyo Stock Exchange emerging as a major market. However, much of this growth was fueled by the speculative "bubble" economy, which collapsed in the early 1990s, impacting both banking and securities. Subsequent financial reforms liberalized the operations of banks, securities, and insurance companies, aligning Japan's financial markets with global standards and contributing to its gradual recovery.

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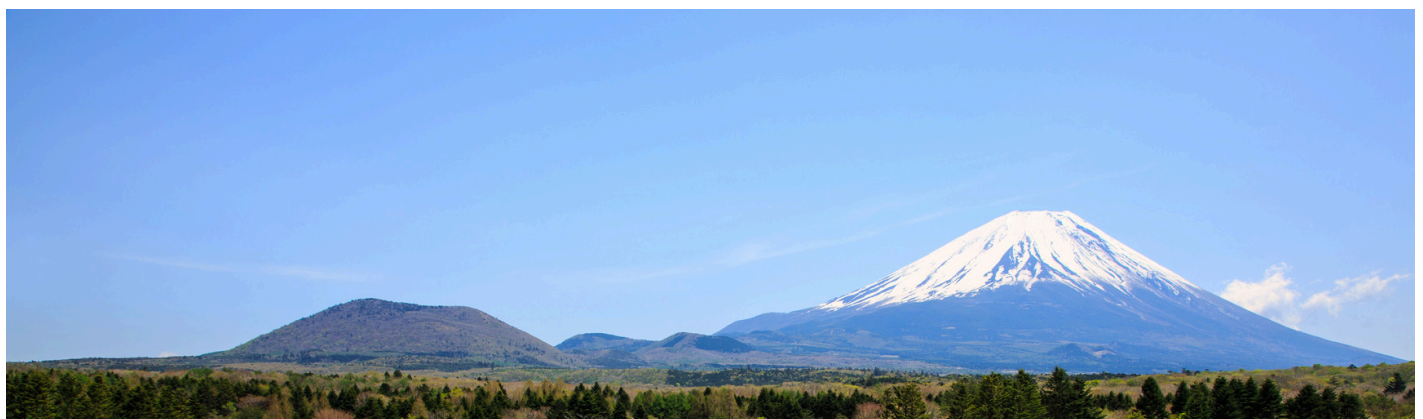
The tourism industry, a major driver of Japan's economy, is experiencing rapid growth due to the increasing number of foreign visitors and rising inbound consumption.

The government is actively supporting the tourism industry by promoting travel to regional areas to revitalize local economies and enhance productivity through the adoption of tourism digital transformation.



The number of visitors and revenue hit a record high in 2024: spending by foreign visitors in Japan during the first nine months of 2024 exceeded the full-year record of JPY 5.3 trillion (\$35 billion) set in 2023. According to data from the Japan Tourism Agency, international tourists spent JPY 5.8 trillion (\$39 billion) between January and September 2024.

Preliminary figures from the Japan National Tourism Organization (JNTO) show that foreign tourist arrivals totaled nearly 27 million as of September 30. In September alone, close to 3 million foreign visitors were recorded. The 3.29 million arrivals in July marked the highest monthly figure ever.



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Japan's post-World War II economic growth is also largely characterized by robust export performance, with exports vital for individual industries and economic growth, even if their overall contribution to GDP remained relatively constant. Since the late 1960s, Japan has maintained a near-constant trade surplus, often among the largest globally.

Japan's export success is due to its diverse industrial output, focus on high-value products, competitive edge, and leading position in several industries. However, it faces competition from industrial neighbors like China, South Korea, Taiwan, and Southeast Asia, along with protectionist measures from major trading partners. Machinery and transport equipment, especially electronics, dominate exports, with the United States, China, and other East Asian and EU countries as major markets.



On the import side, Japan's limited natural resources necessitate imports of fuel, raw materials, and foodstuffs. Over time, high trade surpluses and external pressure, especially from the United States, have encouraged Japan to open its markets to foreign goods, leading to steady growth in imports. Major import partners include China, other East and Southeast Asian countries, the Middle East, the United States, and Australia.



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- Credit rating and credit limit
- Company shareholders
- Activity classification and description
- Company management
- Financial accounts
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- Branches
- Product technology and service description
- Organization structure
- Branches
- Factory and facilities
- Company history
- Trade references
- Major subsidiaries, joint-ventures & affiliates
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