



Sweden  
Sverige



# BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN JAPAN 2024

A REPORT FROM TEAM SWEDEN IN JAPAN

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# FOREWORD

The year of 2024 has so far brought both significant changes and new opportunities for the Japanese market. After years of deflation, Japan is at a turning point with both inflation and wage growth finally making a comeback. The Japanese stock market has soared to record highs, reflecting growing investor confidence. This resurgence is partly due to a shift in global supply chains as companies look for alternatives to China, finding Japan to be a stable and attractive option for everything from research partnerships to semiconductor manufacturing.

The overall impact on Swedish companies operating in Japan has been largely favourable. Profitability and investment intentions are positive and in line with results from the previous year. The perceived business climate outlook remains encouraging, with Swedish companies cautiously optimistic about the future. As before, they continue to grapple with long-standing challenges such as talent acquisition, sustainability, digitalisation, and efficiency – nonetheless, there are ongoing efforts to address these issues and to enhance operations.

Owing to the weakening yen, Japan's status as the world's third largest economy has on paper been usurped by Germany, putting it in fourth place globally. Nevertheless, as Sweden's fourth largest export market outside of Europe, Japan remains a key partner for Swedish companies in Asia with nearly half of Swedish companies present reporting that at least 25 per cent of their total revenue for the Asia-Pacific region is attributable to their business in Japan.

The Business Climate Survey remains a crucial tool for Team Sweden (Embassy of Sweden, Business Sweden, and the Swedish Chamber of Commerce and Industry), allowing us to gauge the performance of Swedish businesses around the world, especially in dynamic times like these. Conducted annually in over 20 countries, the survey aims to deepen our understanding of the opportunities and challenges faced by Swedish companies in various markets and to identify ways to address these through cooperation, knowledge sharing, and open dialogue.

We hope the insights provided in this report will be valuable for your business in the coming year. Please feel free to reach out to any member of Team Sweden with ideas, questions, thoughts, or requests – we are always here to support the success of Swedish businesses in any way we can.

Lastly, we extend our sincere gratitude to all participating companies, respondents, and experts who contributed to this year's survey. Your input, as always, has been invaluable.



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Ambassador of Sweden  
to Japan



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Chamber of Commerce and  
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# +77 respondents

## Current business climate

# 38%

of Swedish companies perceive a positive business climate in Japan in 2024

## Industry turnover

# 73%

of Swedish companies expect their industry's turnover to increase

## Future investments

# 46%

of Swedish companies plan to increase their investments in Japan in the next 12 months

## Valued success factors

1. Brand awareness
2. Product development
3. Sales competence

## Brand Sweden

# 66%

of Swedish companies in Japan consider Brand Sweden beneficial for their business

## Local conditions with high satisfaction

1. Personal safety
2. Physical infrastructure
3. Suppliers

## Local conditions with least satisfaction

1. Level of digitalisation
2. Corporate taxation
3. Transparency & equal treatment

## Environmental considerations

# 24%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

## Corruption

*No reported concerns*

## Human rights violations and labour rights abuse

*No reported concerns*



# ABOUT THE SURVEY

Business Climate Surveys aim to map the opportunities and challenges that Swedish companies face when doing business around the globe in order to ascertain how Swedish companies performed during the previous year, as well as their expectations for the upcoming one-year period. The respondents are asked to provide information on how they perceive the economic environment, market conditions, as well as to comment on the regulatory and legal frameworks and their opinion on the ease of doing business in Japan.

Each year, the survey is conducted in more than 20 of Sweden's most important export markets across the globe. The survey consists of 18 standard questions, aiming to enable cross-country analysis and comparability.

All Swedish companies in Japan of any industry, age, and size are invited to participate in the survey, with the aim to provide a nuanced picture of the current performance. It can be a challenge to define what constitutes a 'Swedish' company – Team Sweden here uses a pragmatic and liberal definition, where companies with majority-Swedish ownership, foreign-owned but with a strong Swedish legacy and/or significant employment in Sweden (e.g. ABB, Volvo Cars), or majority-Japanese entities primarily distributing or selling solutions produced by Swedish companies are all invited to participate. Passive companies (not filing financial results in the last years) are excluded, as are pure holding entities, and entities with Swedish-nationality local management or staff but otherwise no ties to a Swedish main entity.

In Japan, the survey has been conducted annually since 2018 and the data collection for this year's iteration was conducted in March of 2024, with follow-up interviews conducted during April and May. Interviewed companies were hand-picked with the purpose of securing a good spread of size, industry, age, and viewpoints. On top of answering questions related to their performance and perceived business climate, the interviewees are also asked to comment on factors such as the perceived importance of sustainability and innovation and the role of Japan in a regional or geopolitical strategy.

This year, Team Sweden identified 137 Swedish companies potentially present in Japan, of which contact information could be acquired for 109. Respondents were local managing directors, country managers, or otherwise the most senior manager with some responsibility for the market. Of the 109 contacted companies, responses were received from 77, implying a response rate of 71%. This year's respondents represent a majority share of the total Swedish business presence in Japan, both in terms of number and absolute size, and the results of this year's survey should therefore give an accurate picture of the current state of Swedish business in Japan as of Spring 2024.

# SWEDISH BUSINESS IN JAPAN

Most Swedish companies who have a presence in Japan are major global players, with 53 per cent of respondents this year employing over 1000 people globally – however there is also a significant cohort of small- and medium-size businesses conducting business in Japan. As of this year's survey, we estimate that an approximate total of 15 000 people are employed in Japan by Swedish companies. For the purposes of this report, companies are grouped into three broad categories: industrial (42 per cent), professional services (40 per cent), and consumer goods companies (18 per cent).

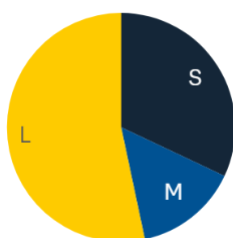
Japan's economy is highly diversified, and this is also apparent looking at the types of Swedish companies present in the market, representing a kaleidoscope of different market offerings. The largest categories of Swedish companies operating in Japan are those active within industrial equipment (18 per cent), IT and electronics (14 per cent), healthcare and pharmaceuticals (13 per cent), retail and wholesale (12 per cent), and automotive (nine per cent).

According to official trade statistics, Sweden's total exports to Japan in 2023 amounted to 22 billion SEK, a 21 per cent decrease compared to the year prior and the lowest level in five years. This significant drop is likely to a large extent attributable to the weak Japanese yen, which had lost 12 per cent of its value compared to the Swedish krona during the course of the year.

However, owing to global supply chains and globalised production of Swedish firms, large parts of Swedish companies' sales to Japan are not produced and exported from Sweden and thus not visible in official trade statistics. The 2024 Business Climate Survey asked Swedish companies about the monetary value of their sales in or to Japan, and while it is difficult to with certainty extrapolate based on subjective assessments and with non-respondents possibly contributing significantly to the overall sales, we estimate that yearly sales of Swedish companies to Japan to be in the vicinity of 100 billion SEK. The ten Swedish companies with the largest sales to Japan likely contribute to approximately 90 per cent of Sweden's total sales.

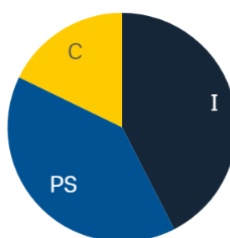
The Swedish business presence in Japan is long-standing and today dominated by companies who have been present in the country for many years. Over half of respondents have been present in the Japanese market since before or around the turn of the millennium, whilst only 16 per cent entered after 2018. However, interest in the Japanese market has increased significantly in the last 1-2 years, given its position as a stable and safe market in Asia in times of high economic and geopolitical uncertainties, and we are expecting an uptick in new businesses entering to take advantage of these favourable business conditions.

### SIZE OF COMPANIES



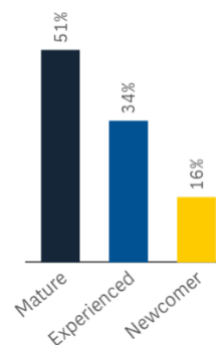
NOTE: Global employees.  
Large >1000 (53%)  
Medium 250-1000 (15%)  
Small 0-249 (32%)

### MAIN INDUSTRY



NOTE:  
Industrial (42%)  
Professional services (40%)  
Consumer (18%)

### AGE OF COMPANIES

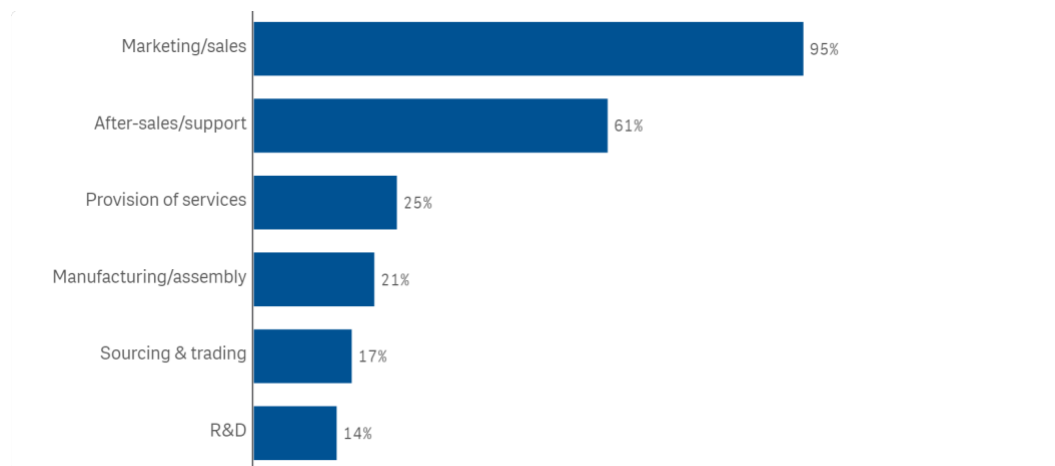


NOTE:  
Mature (<2002)  
Experienced (2003-2018)  
Newcomer (2019-)

## Swedish business presence is mainly focused on sales activities, with limited R&D

Virtually all Swedish companies with a presence in Japan engage in marketing and sales activities, whereas one in five companies also conduct manufacturing or assembly. Whilst Japan is typically seen as a knowledge-intensive market with world-class R&D prowess across several industries, only 14 per cent of surveyed Swedish companies state that they engage in research and development activities in the market.

### OPERATIONS OF SWEDISH FIRMS IN THE MARKET

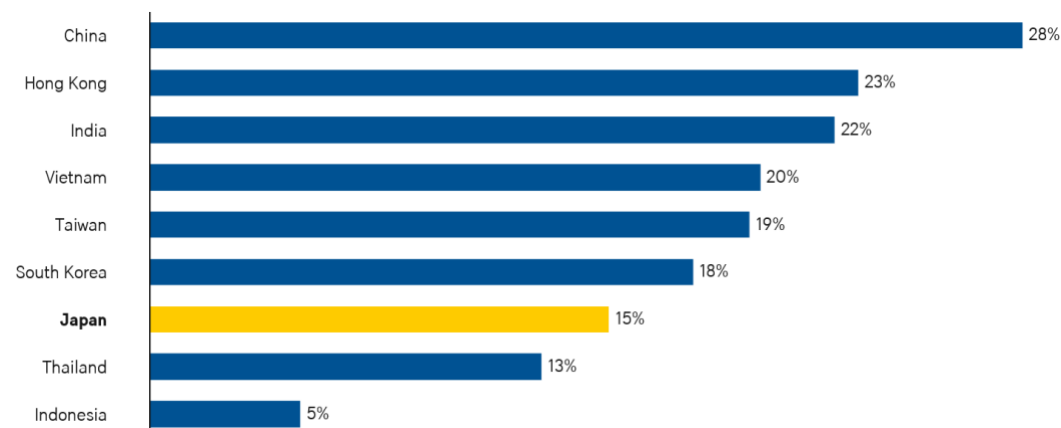


NOTE: The number of respondents for this question was 77. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

More mature Swedish companies tend to be more engaged in advanced activities, leveraging local collaboration and partner networks to, for example, drive product adaptation and strategic partnership sales. The data also shows that companies who do conduct R&D activities in Japan are also more often profitable in the market compared to those who do not. For the vast majority of Swedish firms, however, Japan is still primarily viewed as a pure sales market.

### SWEDISH FIRMS ENGAGING IN R&D ACTIVITIES (APAC MARKETS COMPARISON)



SOURCE: Business Climate Survey for Swedish Companies in Japan and other APAC markets 2024.

Considering Japan's relative strength as a research- and product-development nation, the low relative share of Swedish companies driving R&D activities locally in Japan is perhaps a little surprising. Of surveyed APAC countries, only Thailand and Indonesia see a lower rate of R&D activities from Swedish firms. This untapped potential could potentially be explained by large cultural- and language barriers impeding collaboration.

As we see more and more Swedish companies hesitate about exposing key technology developments to Chinese counterparts, it may be that an increasing share of R&D activities are moved towards Japan and similar markets as a result.

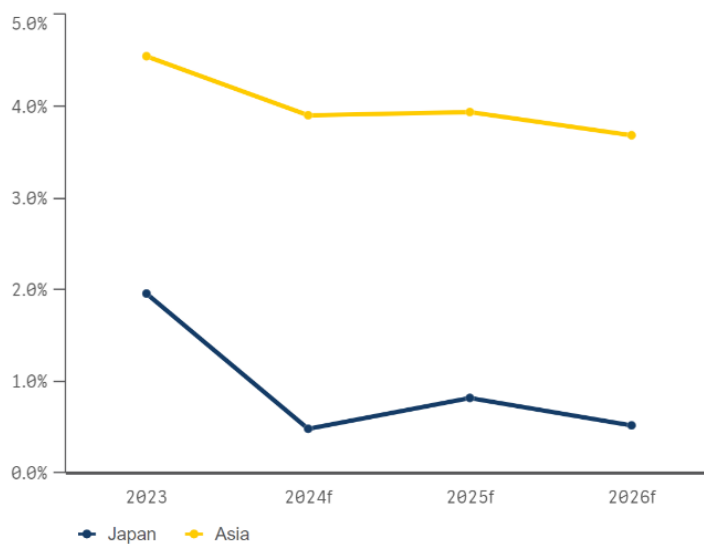


# ECONOMIC OUTLOOK

## Japan's economy is at historic crossroads in 2024

Japan has long been a mature market with low growth figures compared to most other countries in the APAC region. This also stems from long-standing macroeconomic challenges around an aging and shrinking workforce, low labour productivity, and low wage growth. The overall economic growth in Japan in the coming few years is expected to stay modest at under one per cent per year until 2026.

### PROJECTED GDP GROWTH IN JAPAN



NOTE: Constant prices.

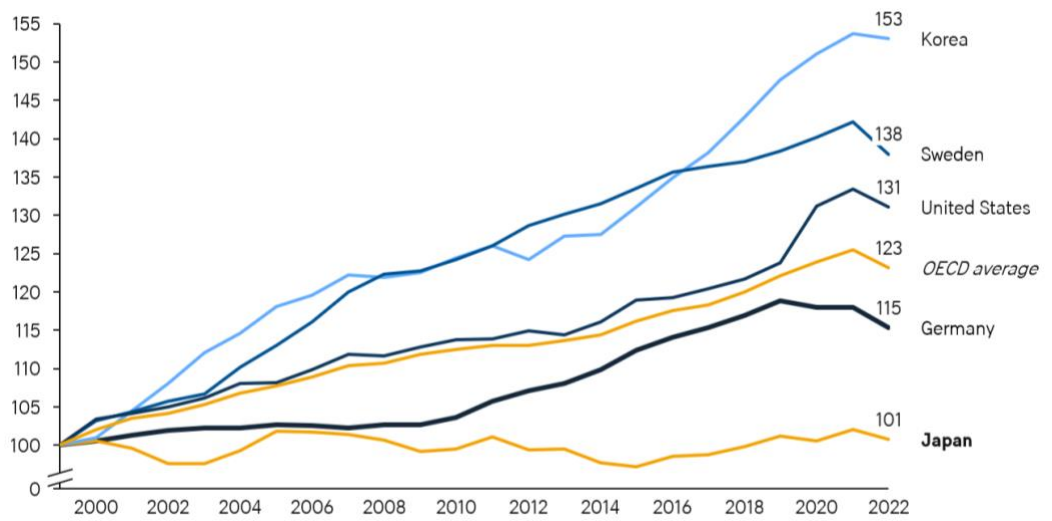
SOURCE: Oxford Economics, 12 March 2024.

From a deeper, structural perspective, however, big things have been happening under the surface in the Japanese economy in the last year or so. As the global economy has been facing a downturn with worries about global conflict, rising energy prices, high inflation, and growing interest rates, some of these developments have actually been welcomed by Japan, a country where inflation and interest rates have long been stuck in the negative.

In the last year, the Japanese economy has tentatively returned to a positive inflation trend after years of near-zero or negative inflation figures, with the Bank of Japan recently raising the interest rate over zero for the first time since 2016. So far in 2024, we have also seen new records set in both wage growth and stock market performance, with the Nikkei stock market index finally beating its previous high point set during the end of the bubble years in 1989.

The weakening of the yen compared to other global currencies has boosted exports and been a boon for foreign investments into the country, though it can, of course, also create difficulties for importing companies selling foreign goods in Japan when these suddenly become more expensive in the local currency terms.

## HISTORICAL WAGE GROWTH – JAPAN AND SELECTED OECD COUNTRIES



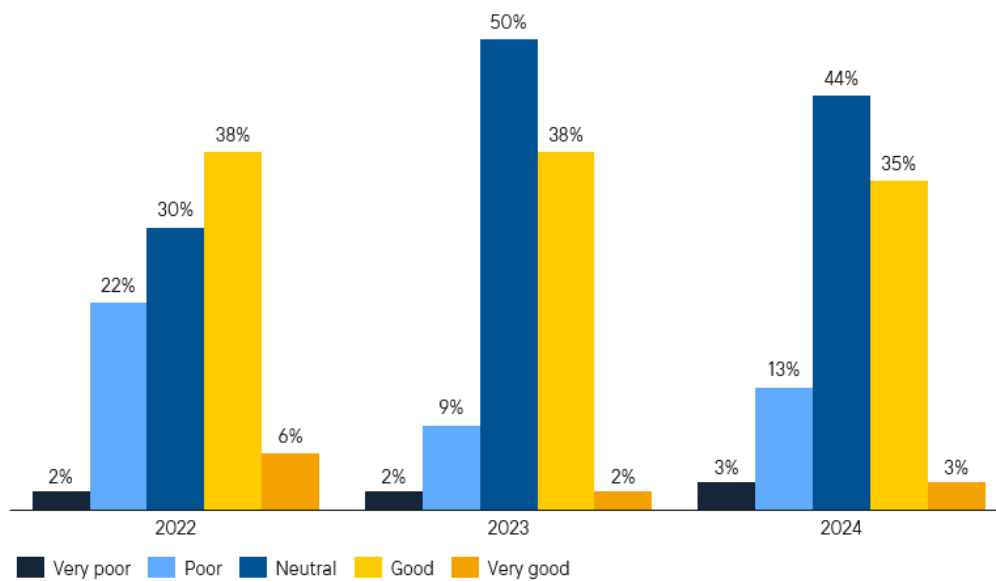
SOURCE: OECD Economic Outlook (2023)

Japan is undoubtedly facing a potential historic turning point in 2024. The big question on everyone's lips at this point is whether this break in trend has been a one-off event or if Japan will be able to ride this current momentum into a continuous spiral of economic- and wage growth. For this to happen, not only will there need to be a cultural acceptance of the idea of continuously rising prices – a hard pill to swallow for the many people here who have spent their entire lives without experiencing society-wide price increases – work also needs to be continued in improving corporate governance to adjust to an economy with non-negative interest rates and cost of capital.

## Business climate perceptions remain positive

The overall perception of the business climate for Swedish businesses in Japan has been stable in recent years, with sentiments in 2024 landing somewhere in between those of the 2022 and 2023 surveys. The main change compared to 2023 is a slight shift of neutral responses to the negative, with 16 per cent of respondents now viewing the business climate poorly, up from 11 per cent last year.

### CURRENT PERCEPTION OF THE JAPANESE BUSINESS CLIMATE



NOTE: The number of respondents for this question was 68. "Don't know/Not applicable" responses are included but not shown in figure.

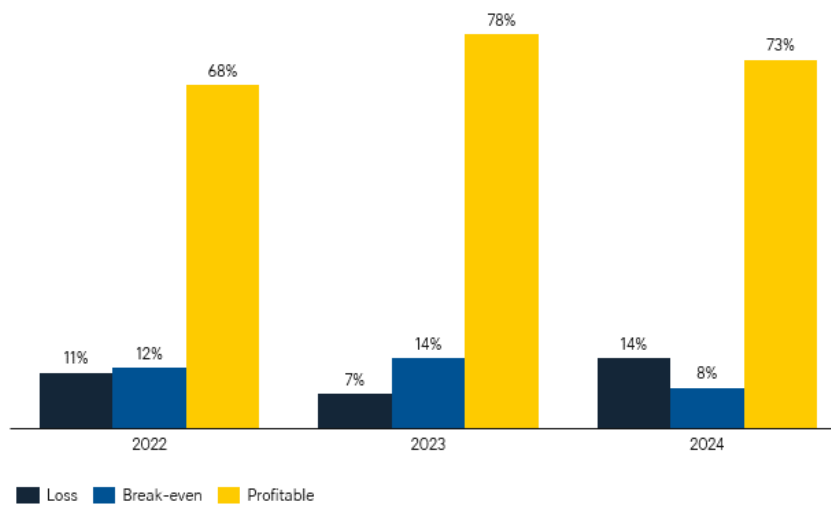
SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

Of note this year is that consumer goods companies expressed a significantly more negative sentiment than companies in other segments – fully 44 per cent of consumer goods respondents view the business climate in 2024 as negative, compared to only 11 and 14 per cent, respectively, of services- and industrial-focused companies. It may be that the weakening of the yen relative to the krona and other international currencies has hit imports in the consumer goods area harder or more quickly than in other sectors, either because of smaller local inventories or higher price sensitivity.

## Despite slow overall market growth, Swedish businesses are expecting expansion

Japan remains a lucrative market for most Swedish companies present, with 73 per cent of respondents reporting profits for fiscal 2023. This figure is slightly below the 2022 figure of 78 per cent, though this change is within the margin of error and is thus not necessarily significant. At the same time, the proportion of companies reporting a loss in 2023 doubled from 7 to 14 per cent.

### SWEDISH BUSINESSES' FINANCIAL PERFORMANCE IN JAPAN IN THE LAST YEAR



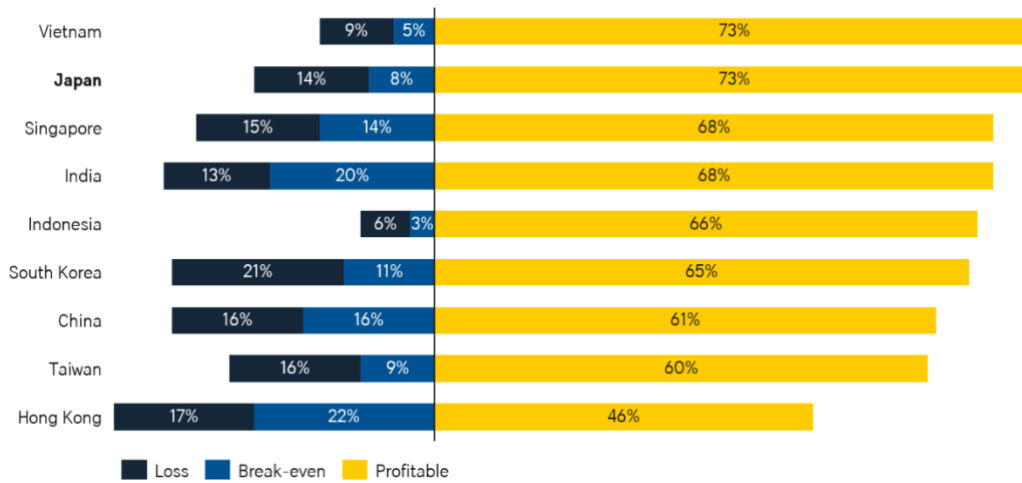
NOTE: The number of respondents for this question was 77. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

In line with previous years, large companies with over 1000 global employees were more often profitable in Japan (85 per cent) while small companies with fewer than 250 employees seem more likely to struggle (only 54 per cent reported profitability). Swedish companies in the industrial sector were more likely to post positive financial results than service providers or consumer-oriented companies.

Interestingly, mature companies (i.e., those with a presence in Japan stretching back more than 20 years) are almost always profitable (85 per cent) while new entrants who entered in the last five years are more likely to struggle, with merely 42 per cent reporting profitability and a quarter reporting a loss-making 2023. This underlines the importance of maintaining a long-term view on the Japanese market and to nurture commercial relationships over many years. In fact, it is not uncommon for recent entrants to leave the market after a few disappointing years, owing to unrealistic short-term expectations or lack of preparation or strategic focus.

### SWEDISH BUSINESSES' FINANCIAL PERFORMANCE IN THE LAST YEAR (APAC MARKETS COMPARISON)



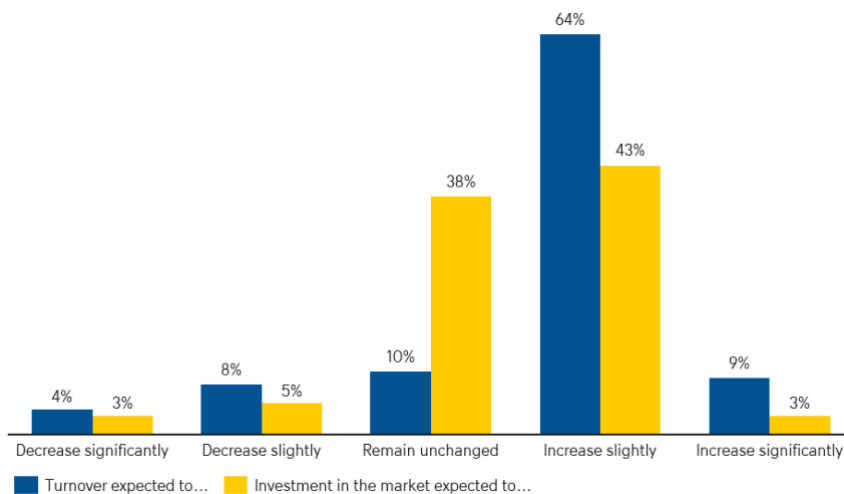
NOTE: Comparison with other surveyed markets in the APAC region. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Japan and other APAC markets 2024.

When compared to other major markets in the Asia-Pacific region, Japan remains overwhelmingly profitable, alongside Vietnam which has recently received substantial interest from foreign firms as a rapidly developing and trade-friendly industrial economy. The proportion of profitable companies in mainland China remains unchanged compared to last year, with Taiwan and Hong Kong further slipping compared to previous years. This further highlights recent geopolitical shifts and a focus towards markets that are seen as stable and predictable.

Swedish businesses in Japan are positive about growth in the market going forward. 73 per cent of respondents expect increasing industry turnover in their segment in the coming year – the highest share since 2021.

### EXPECTATION FOR INDUSTRY TURNOVER AND INVESTMENTS IN THE JAPANESE MARKET



NOTE: The number of respondents for this question was 77. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

Swedish businesses' investment intention for the Japanese market normally follows closely behind the overall impression of market growth. However, in a break of trend, the two have decoupled in the 2024 survey results and are trending in opposite directions, with investment intention decreasing despite slightly increased overall industry turnover expectations.

Of Swedish business respondents, 46 per cent expressed an intention to invest further into the Japanese market this year, down 12 percentage points from 2023, likely reflecting an overall decreased investment trend globally amid global economic uncertainty. Of special note is that the share of companies answering that they are expecting investments to "*increase significantly*" is down to only three per cent of total respondents, from 16 per cent in the 2023 survey.

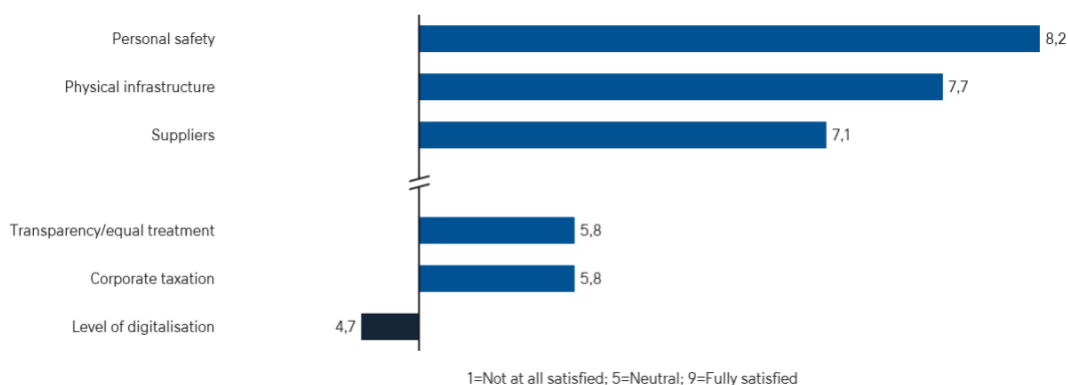


# FACTORS INFLUENCING SWEDISH BUSINESS SUCCESS

## Japan is a stable and well-functioning society but has some challenging aspects for outsiders

As usual, Swedish companies present in Japan praise its stable and well-functioning society, with factors like personal safety and physical infrastructure consistently coming out on top every year since the start of this survey. Third in rank, companies appreciate the quality and professionalism of Japanese local suppliers, along with the quality and dedication of distributors and service providers.

### CONDITIONS FOR DOING BUSINESS IN JAPAN RANKED BY HOW WELL THEY MEET THE NEEDS OF SWEDISH COMPANIES



NOTE: Only top and bottom 3 alternatives shown. The number of respondents for this question was 77.  
SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

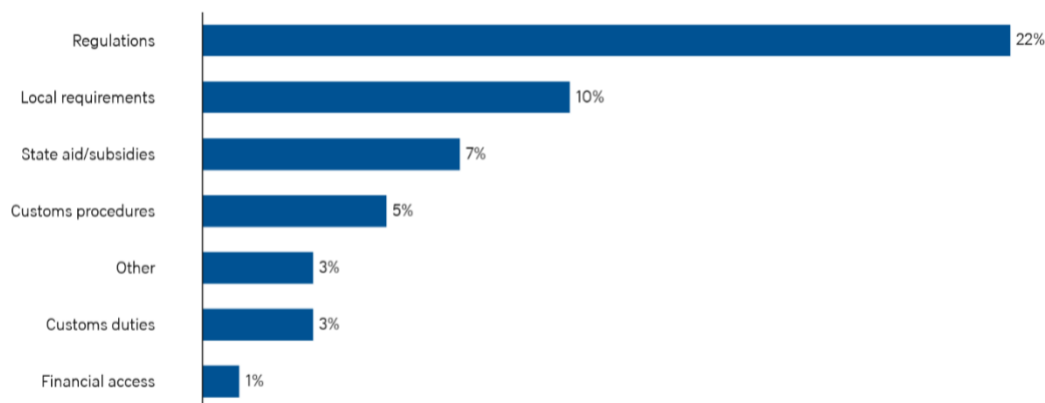
There is one major outlier where satisfaction with corporate life in Japan is very much lacking, which is the local *digitalisation* progress and associated inefficiencies in operations, communications, and local bureaucracy. Japan is well known for sticking to tried-and-tested methods and technologies at the risk of being left behind by the rest of the developed economies, but this conservative approach is a major source of stress and dissatisfaction of many of the Swedish companies present here.

Another challenge more specific to international companies is that of lacking *transparency and equal treatment*. Japanese business dealings still put a strong emphasis on trust, making personal relationships and networks central. A preference for stability and avoiding risk means that corporate partnerships can often last for decades, and dealing with international companies is in many cases avoided because of being seen as too risky, making progress difficult for new entrants challenging the status quo. Finally, Japan's societal stability also comes at the cost of a rather high *corporate tax* rate, sitting at around 30 per cent, which is higher than in most other countries in the region.

## Japan has few explicit trade barriers but can still prove complex

Swedish companies generally face few explicit trade barriers in the form of customs duties or taxes when doing business in and with Japan. However, that does not mean that the market is entirely without challenges. Japan does have a tendency to impose local regulations and requirements that are ever-so-slightly out of step with international standards, in a way that favours local actors over international entrants and can often require some level of product adaptation for imported products. This is also borne out in the survey responses this year, which are also very similar to historic data from previous surveys.

### SHARE OF SWEDISH COMPANIES REPORTING TRADE BARRIERS SIGNIFICANTLY IMPACTING THEIR BUSINESS IN JAPAN



NOTE: The number of respondents for this question was 77.  
SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

Local regulations and requirements are naturally more of a problem for smaller companies with limited resources and recent market entrants than for companies with long experience in the market and an already adapted Japan portfolio. Overcoming the initial hurdle of adapting to local market requirements can in many cases be a make-or-break stage for new entrants.

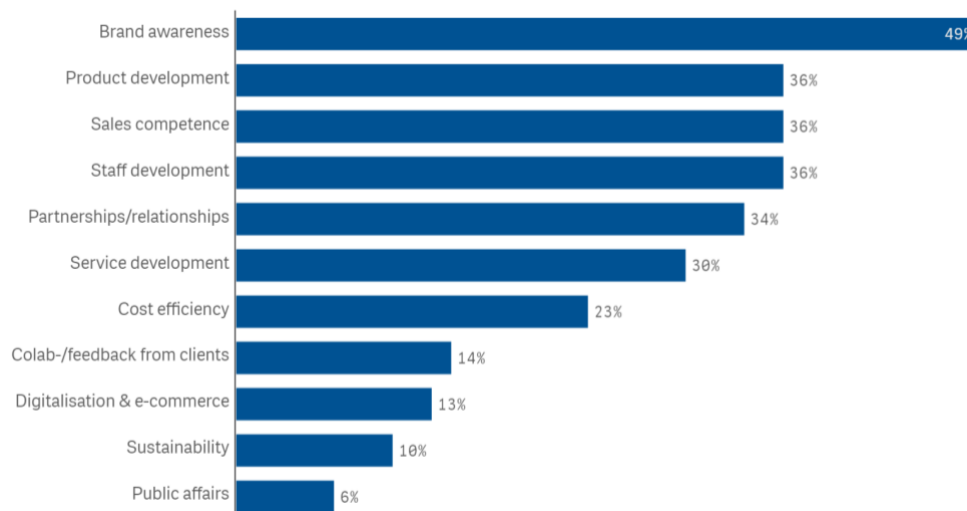
Finally, we have heard from quite a few companies who are facing issues with *state aid and/or subsidies* not created in their favour. In more than one case, the Swedish product has turned out to actually be *too good* (in terms of e.g. energy efficiency, performance) to fall within the defined parameters for subsidy eligibility, defined based on Japanese technology standards.

Working to draw attention to and challenge these types of disadvantageous regulations and subsidy schemes is a key part of Team Sweden's work in the country. We are continuously collecting information and input on trade- and other barriers faced by Swedish companies in Japan.

## Creating a strong brand awareness and building sales skills are key success factors

Given the focus on sales activities from most Swedish subsidiaries in Japan, it is unsurprising that branding- and sales-related factors are consistently ranked as the most important for success in the Japanese market. Given a large cultural and geographical divide, *brand awareness* for Swedish brands often starts off fairly low in Japan compared to markets closer to home, creating an uphill battle in building customer awareness and recognition. This factor has been rising in importance for the last few years to where it is now far and away the factor seen to be the most critical for success.

### IMPORTANT AREAS FOR MAINTAINING COMPETITIVENESS IN JAPAN



NOTE: The number of respondents for this question was 77. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

*Product development*, including product adaptation, is also consistently ranked as an important factor for success. This is also something that we see in our daily work with companies present in Japan – those who invest properly in adapting their products and services to local needs and circumstances see a much higher success ratio than those focusing on selling off-the-shelf solutions.

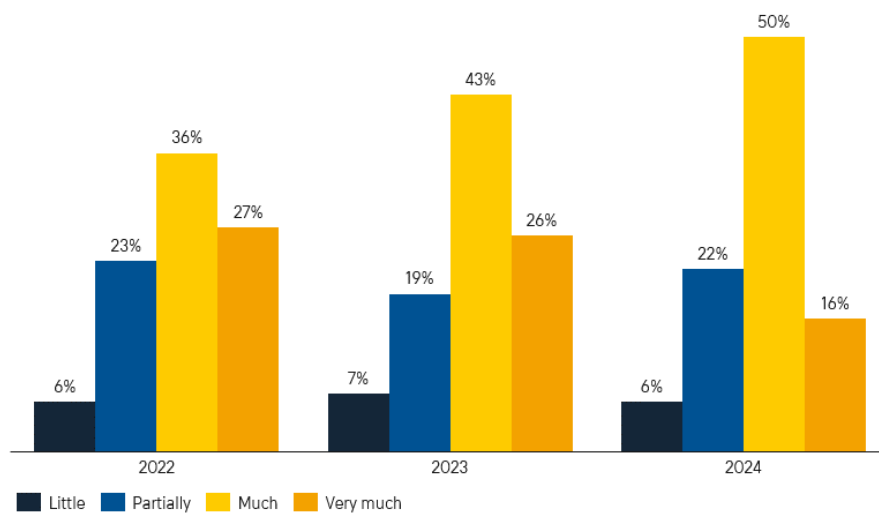
Finally, given Japan's labour shortage, low labour mobility and low English skills, finding and recruiting sales talent is a ubiquitous challenge for international companies, and it is thus no surprise that the ability to both find people with the right *sales competence* skillset, and then *developing* these skills further, have been highlighted as key success factors by many companies here.

## Swedish brand in Japan grows slightly weaker

Despite a common struggle to build brand awareness for individual company brands, the national Swedish brand has long been considered very strong in Japan, which appreciates its connotations to nature, simplicity, quality, and a fair and equal society.

Building a positive national Swedish brand amongst Japanese companies and private consumers is a key assignment for Team Sweden in Japan, with several major initiatives aiming to boost messaging about Sweden and Swedish values towards a Japanese audience.

### EXTENT TO WHICH THE “SWEDISH BRAND” CONTRIBUTES TO SWEDISH BUSINESS IN JAPAN



NOTE: The number of respondents for this question was 76. “Don’t know/Not applicable” responses are included but not shown in figure.

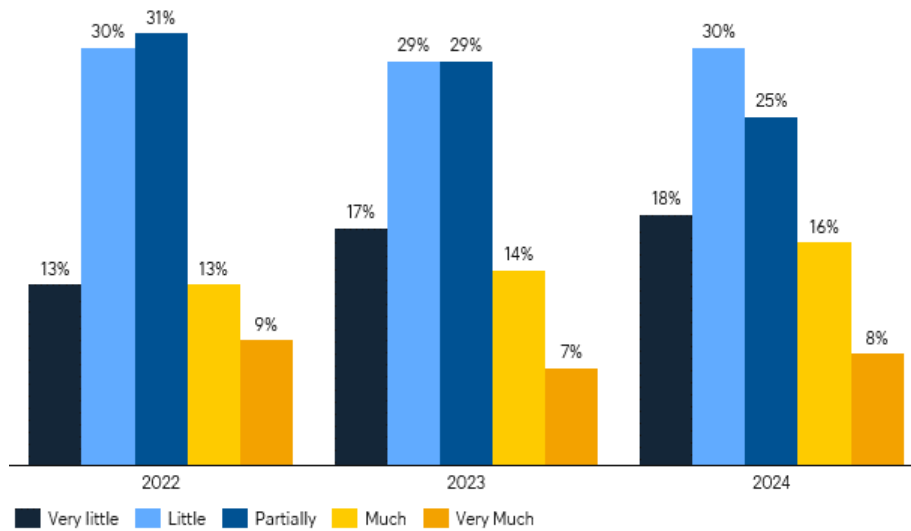
SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

In a slight break of trend, a lower number of respondents this year expressed that the Swedish national brand was highly valuable to their business in Japan, down 10 percentage points from 26 per cent to 16 per cent. However, the general consensus is still very much that the Swedish brand is helpful to doing business, with two-thirds of respondents giving it much or very much credit.

## Selling at a premium based on environmental credentials still a challenge

Swedish businesses are world leaders in sustainable products and services. However, by the experience of Swedish companies, the understanding for these values by local buyers and consumers in Japan is still low, which makes it difficult to charge a price premium. As the Swedish offering is typically more expensive than local alternatives, increasing appreciation for sustainability is key to justifying a higher price point and increasing sales beyond a small market niche.

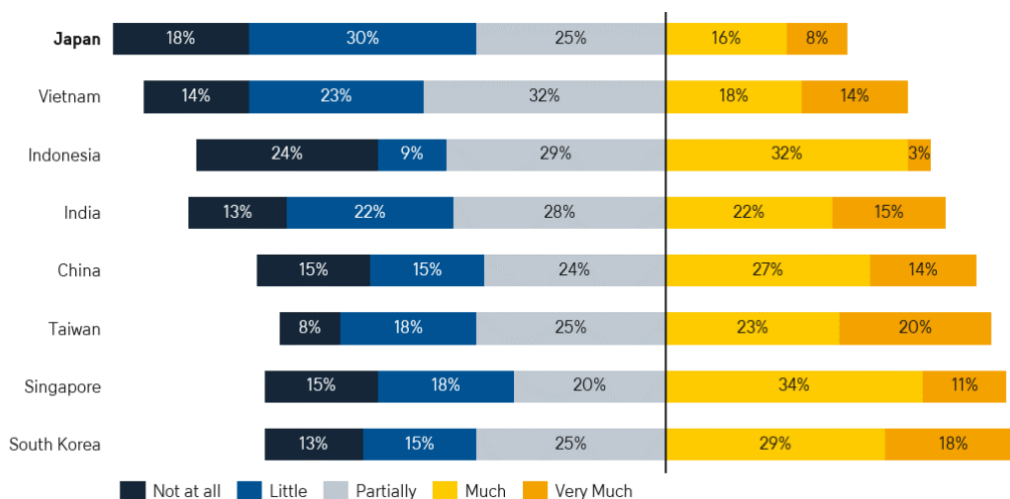
### EXTENT TO WHICH CUSTOMERS IN JAPAN CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION



NOTE: The number of respondents for this question was 76. "Don't know/Not applicable" responses are included but not shown in figure.  
 SOURCE: Business Climate Survey for Swedish Companies in Japan 2024.

The responses to this survey question are not significantly different than in previous years – only around a quarter of respondents say that their customers consider environmental aspects to a large extent, with nearly half saying that there is little or very little attention paid to sustainability.

### EXTENT TO WHICH CUSTOMERS IN JAPAN CONSIDER ENVIRONMENTAL ASPECTS (APAC MARKETS COMPARISON)



NOTE: Comparison between several APAC countries surveyed. "Don't know/Not applicable" responses are included but not shown in figure.  
 SOURCE: Business Climate Survey for Swedish Companies in Japan and other APAC markets 2024.

When comparing to the other markets surveyed in the APAC region, Japan stands out as the market with the single lowest reported consideration for environmental aspects among local customers. It is important to note that this does not necessarily mean that Japan is a less environmentally conscious country in absolute terms, but given its status as a developed, rich economy, it is clear that more consideration could be taken to sustainability-related aspects.

# OPPORTUNITIES FOR SWEDISH BUSINESS IN JAPAN IN 2024

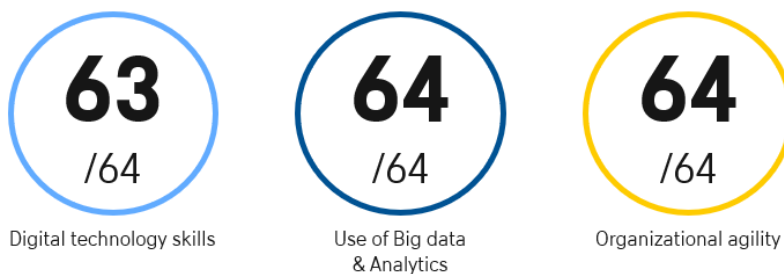
Japan can be a very challenging market to enter for foreign companies, owing to large cultural, structural, and institutional differences. However, we are currently seeing a few major trends shaking up conventional market logic and creating key opportunities for Swedish companies to gain a foothold and expand in the market.

## Partnership for digitalisation

As mentioned earlier, one key area where Japanese companies are struggling is in digitalising processes and increasing productivity. They can often be found at the very bottom of international rankings of the digital competitiveness of developed markets, lagging especially in human capital and skills within software development, implementation, and usage.

The Japanese government, companies, and general public are acutely aware of this issue, and there are countless initiatives, large and small, currently being implemented across the country to improve digital skills and increase productivity and competitiveness.

### JAPAN - SELECTED DIGITAL COMPETITIVENESS RANKINGS



NOTE: Position out of the 64 nations ranked  
SOURCE: IMD World Digital Competitiveness Ranking 2023.

Swedish companies are well positioned in this area, with a proven track record of developing and implementing cutting-edge, innovative digital solutions. As a result, we are seeing a growing number of Swedish digitally-focused companies exploring Japan as a potential market for expansion, and a reciprocal interest from Japanese organisations to learn from and implement Swedish solutions.

A notable example of this trend is in the automotive industry, where we are currently witnessing a significant influx of digital-focused companies from Sweden seeking to enter the Japanese market. Japanese automotives, although renowned for their size and global influence, have been relatively slow in adopting digital technologies and processes, and are lagging in the development of autonomous driving technologies. This is now creating a significant demand for solutions and expertise from foreign companies, including from Sweden.

However, this trend is not limited to the automotive sector alone but is expected to hold true across many parts of the Japanese economy. As Japan increasingly recognises the need to embrace digitalisation to remain globally competitive, there is a substantial opportunity for Swedish technology-driven companies to support and facilitate Japan's digital transition. Leveraging expertise in areas such as software development, artificial intelligence, automation, and data analytics, Swedish



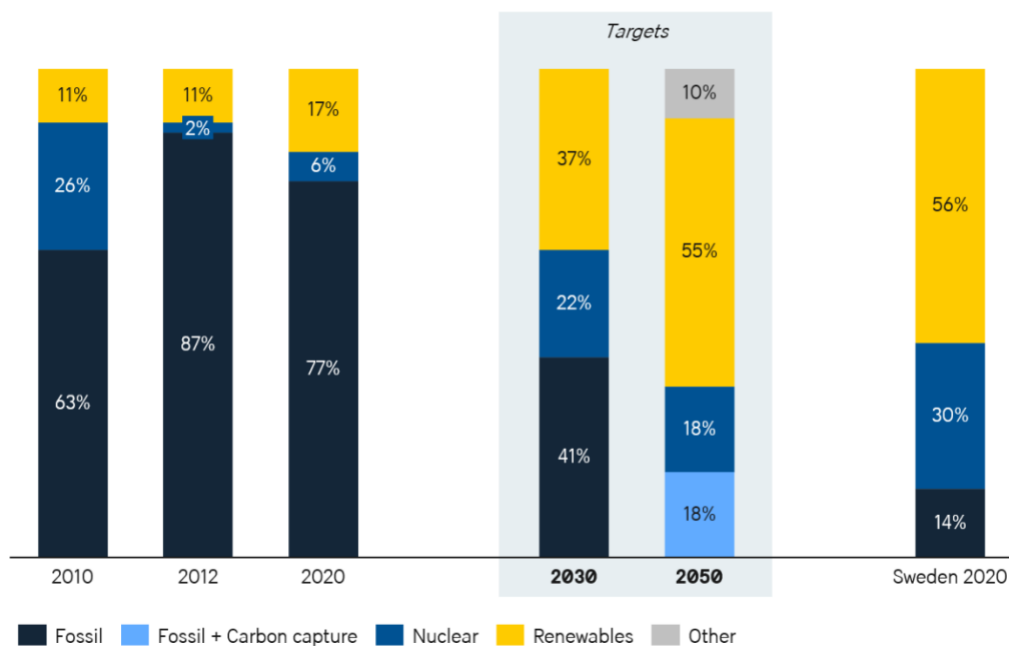
companies can do good business through helping Japan in streamlining processes, improving operational efficiency, and driving innovation across various sectors.

## Driving sustainability

Another area where Japan is struggling to keep up with the global competition is within sustainability and environmental credentials. Japan has been the recipient of the Climate Action Network’s ‘Fossil Award’ for poor environmental performance for the last three years running, owing much to its very high reliance on fossil energy. Japan’s mountainous geography is largely unsuitable for most types of renewable electricity generation, and nuclear energy has been politically controversial after the Fukushima disaster in 2011. At the same time, many of Japan’s companies are struggling to comprehend and develop climate-friendly products because of low understanding and a focus on the domestic and regional market, where demand for such products has yet to pick up.

The ongoing global decarbonisation shift, with associated initiatives like the recently imposed EU carbon tax, thus poses a threat to Japan’s international standing as well as Japanese companies’ access to key export markets. In order to maintain competitiveness, Japan knows that they must rapidly improve environmental performance or increasingly be shut out of developed global markets.

### JAPAN’S ENERGY MIX AND ENERGY MIX TARGETS



SOURCE: Japan Ministry of Economy, Trade and Industry; Japan Agency for Natural Resources and Energy; Financial Times.

Swedish companies, on the other hand, have long established a strong reputation for prioritising high environmental performance as a core aspect of their competitive advantage. They have been at the forefront of developing energy-efficient products, utilising low-impact materials, and implementing climate-friendly processes.

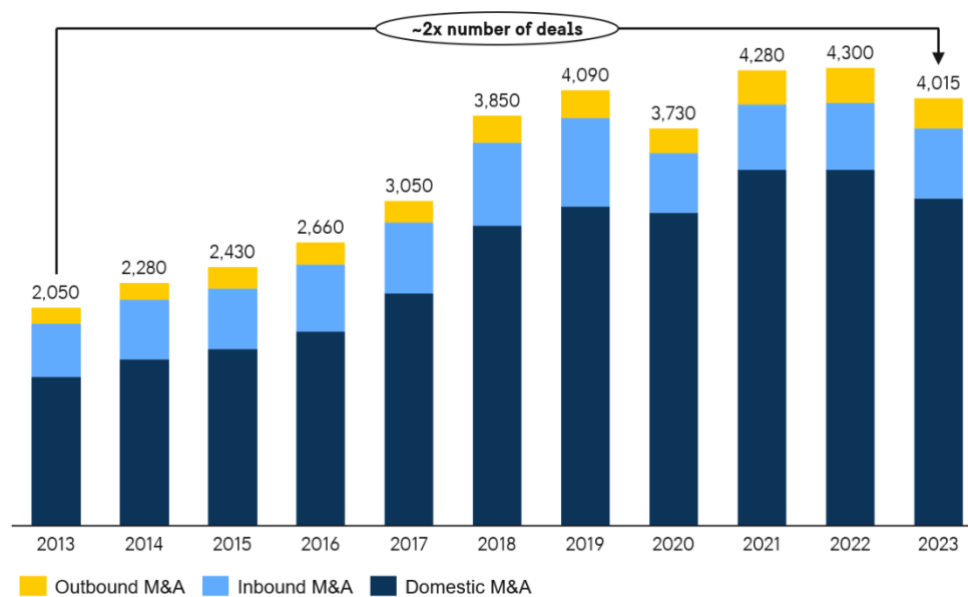
There are two key opportunities for Swedish companies to leverage these strengths in Japan. The simple approach is to capitalise on increasing demand for climate-friendly products by strongly promoting environmentally sustainable solutions. More difficult but potentially even more valuable is if Swedish companies are able to leverage their strong climate credentials to enter into strategic partnerships and participate in green development projects, creating a new level of access and recognition in Japan. Recognising the need to improve its environmental performance, Japan is

increasingly seeking collaborations with international partners who can contribute to its sustainable transition with expertise and best-practice.

## M&A is on the rise and getting easier

Japanese companies have traditionally exhibited a reluctance towards mergers and acquisitions (M&A). In Japan, being "bought" has oftentimes been perceived as a sign of "losing", and as a failure towards employees, customers, and other stakeholders. Attempts at mergers have often faced strong opposition from shareholders and labour unions, and general negative public perception.

### NUMBER OF M&A DEALS IN JAPAN



SOURCE: MARR Database (2024).

However, in recent years, the number of M&A deals in Japan has been gradually rising. As Japan's economy continues to evolve and adapt to changing business dynamics, there is a growing recognition of the benefits that M&A can bring in terms of improving business growth, dealing with labour shortages, and improving productivity through consolidation and economies of scale. There is also an increasing cultural acceptance of M&A as a tool for succession planning. As the Japanese population ages, many owners of family-owned small and medium-sized enterprises (SMEs) are heading towards retirement with no obvious heir to take over the reins. In these cases, M&A provides an opportunity to ensure the continued survival of their business and livelihood of their employees.

Additionally, there has been an increased interest from international companies in M&A as a tool to drive business entry and expansion in Japan. Japanese firms have historically been undervalued in relation to their profits and assets, making them attractive targets for international takeovers. The depreciation of the yen and relatively stable interest rates compared to other global markets have further enhanced the appeal of Japanese companies for international takeovers. Finally, recent hesitation about investments in China has freed up capital for use in other Asian markets.

M&A is a very useful tool to overcome many of the most salient barriers to doing business in Japan, including the slow process of building local business contacts and networks, which can take years or even decades for a new entrant. Acquiring an established and trusted local player and enhancing it with a sharper product and/or service offering can, if done right, be a major market-presence booster for Swedish companies in Japan, and is certainly one tool in the belt that should be increasingly considered.

# STRATEGIC FOCUS AREAS FOR TEAM SWEDEN IN JAPAN

Team Sweden in Japan, represented by the Embassy of Sweden, Business Sweden and the Swedish Chamber of Commerce and Industry in Japan, work every day to promote Swedish business interests, shorten time-to-market and support expansion in Japan across all sectors and business areas, from Swedish *knäckebröd* to cutting-edge industrial machinery. That said, there are a few specific areas in which we see an especially high potential for Swedish businesses and have in response created larger strategic initiatives together with the Swedish business community to capitalise on these opportunities. Below is a non-exhaustive list of some of these focus areas.

## WORLD EXPO 2025 IN OSAKA

The World Expo gathers people and innovations from around the world to address global challenges in need of international collaboration. The 2025 Expo, taking place in Osaka between April and October of 2025, will feature a joint Nordic pavilion. The platform that Expo 2025 Osaka offers provides us with a unique opportunity to showcase the Nordic region's innovative spirit and commitment to sustainability. The Swedish participation at Expo 2025 Osaka is part of a wider strategic promotion initiative towards Japan and Asia. Participating companies will have unique exposure and opportunity to develop customer relations through the Nordic and Swedish participation. Team Sweden is already during 2024 driving the *Road to Osaka* promotional agenda, comprising of strategic activities together with Swedish activities leading up to the world expo itself.

## SUSTAINABILITY

Aside from being a moral imperative and an area where Sweden has set high ambitions for its own development, Sustainability is also a key factor for Swedish businesses to position and drive sales in Japan. Team Sweden's main initiative in the area of Sustainability is *Pioneer the Possible*, which aims to boost awareness for environmental issues, Sweden's sustainable credentials, and create potential collaboration opportunities between our two countries. It is an annual program which each year aims to tackle a small set of important sustainability challenges faced by selected Swedish partner companies in Japan, through collaboration and outreach to Japanese stakeholders and decision-makers. Each year also culminates in the *Sustainability Summit*, a major high-level event usually attracting between 100-150 attendants and arranged around November-December.

## HYDROGEN

Hydrogen is one of the key technologies expected to contribute to the global energy and sustainability shift in the coming decades and Japan has, since the publication of its first national hydrogen strategy already in 2017, been betting heavily to take a position as a global technology leader within hydrogen energy and applications. For these reasons, Japan is a key market to be present for Swedish companies developing hydrogen-related offerings, and the Swedish Government has thus decided to establish a so-called *Strategic Project Opportunity (SPO)* program in this area. Within this program, we work to boost awareness of Swedish hydrogen solutions in Japan and create connections and collaboration opportunities between Swedish and Japanese hydrogen actors through research, networking activities, and targeted outreach.

## LIFE SCIENCE AND HEALTHCARE

The life science sector represents approximately 1/3 of Sweden's exports to Japan. Many of the large companies in the sector are well-established with subsidiaries in Japan, whereas many newer Swedish life science companies are preparing for market entry or seeking collaboration with or investment from Japanese companies. Sweden has some 1000 life science companies, of which many are start-ups built around cutting-edge, innovative technology, and most of them require outside help to bring their products to international markets. Swedish life science innovation is a perfect match with mature Japanese companies who are seeking new products. Team Sweden in Japan supports Swedish life science companies in entering Japan, as well as helps Swedish companies already present here to expand, to e.g. launch new products.

## SWEDISH FOOD

Swedish companies and authorities have ambitious environmental, and climate related in relation to food waste, energy use, animal welfare, and minimising the use of antibiotics. Products produced in adherence to these standards are in high demand globally, and the *Try Swedish* program supports Swedish companies to communicate and leverage these values on the international stage. The Try Swedish export program aims to increase Swedish food exports to Japan and plays a significant role in the Swedish government's National Food Strategy, a cross-party agreement to support the Swedish food industry.

## INCOMING INVESTMENTS TO SWEDEN

Outward FDI flows from Japan have shown an overall growth trend in the past decade. Foreign companies' operations in Sweden plays an extremely important role for the Swedish economy, as 50 per cent of Sweden's GDP comes from exports, and 50 per cent of those exports are generated by foreign companies. Japan is one of a few prioritised markets globally wherein Team Sweden works to attract investments to Sweden, and there are approximately 190 Japanese-owned companies in Sweden with around 23 000 total employees. We are seeing a clear trend where Japanese companies are searching for potential investments in Sweden which can contribute to their sustainability goals. In Japan, we are engaged in investment promotion activities in seven different focus areas, namely: *Batteries, Energy, Circular Materials, Semiconductors, Digital Technologies, Life Science, and Transportation*. Within these areas, we are supporting Japanese companies to find and act on investment opportunities in Sweden, such as new business establishment, strategic alliances, capital investments, and business expansion.



