

Outline of the Results of the Survey on Business Start-ups in Japan (FY2020)

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Abstract

This paper reviews the characteristics of business start-ups based on the results of the “Survey on Business Start-ups in Japan (FY2020)” which was implemented by Japan Finance Corporation Research Institute (JFCRI) in July 2020, and also with reference to the results of past surveys.

This survey has been conducted by JFCRI every year from 1991* . 30 years of time series data indicate the trends of business start-ups in Japan. The scope of this survey is entrepreneurs whose business has been financed by Japan Finance Corporation’s Micro Business and Individual Unit.

Results of the FY2020 survey can be summarized as follows:

- The proportion of females to all entrepreneurs was 21.4%, which is the highest since the first survey in FY1991.
- Average age at the time of business start-up rose for 8 straight years since FY2013 to a record high of 43.7.
- 82.0% of the entrepreneurs had work experience related to the business they started, with average years of experience 14.6. 67.1% of the entrepreneurs had experience in a managerial post. A large majority of the entrepreneurs use their experience in relevant work or a managerial post for starting their business.
- Initial expenses have been decreasing: the average was 9.89 million yen – below 10 million yen for the first time since the survey was carried out. The proportion of entrepreneurs starting business with initial expenses “less than 2.5 million yen” was 20.3% which is the highest value since FY2000 where data are comparable.
- As to sales, the proportion of “on the increase” was 43.0% which is lower than 58.7% and 57.1% of FY2018 and FY2019, respectively. Looking at profitability, the proportion of “in surplus” businesses was 59.8% which is below the FY2018 (61.3%) and FY2019 (63.5%) levels.
- Among the challenges entrepreneurs faced, the proportions of “financing/fundraising,” “customer acquisition/market development” and “lack of financial/tax/legal knowledge” are high both at the time of business start-up and at the time of the survey.
- The proportion of negatively affected entrepreneurs by the spread of COVID-19 was as high as 80.2%. By industry, the proportion was especially high in the restaurant and accommodations industry, education, learning support and transportation.
- Despite low satisfaction with income, 73.2% of the entrepreneurs are generally “satisfied” with having started the business. Especially, 81.2% of the entrepreneurs are “satisfied” with job worthwhileness.

* This survey was initially conducted by the People’s Finance Corporation Research Institute (PFCRI). Later, as a result of the integration of governmental financial institutions, the surveyor has become National Life Finance Corporation Research Institute (NLFCRI) from October 1999 and JFCRI from October 2008.

This paper reviews the characteristics of business start-ups based on the results of the “Survey on Business Start-ups in Japan (FY2020)” (hereinafter, “the Survey”) which was implemented by Japan Finance Corporation Research Institute (hereinafter, “JFCRI”) in July 2020, and also with reference to the results of past surveys.

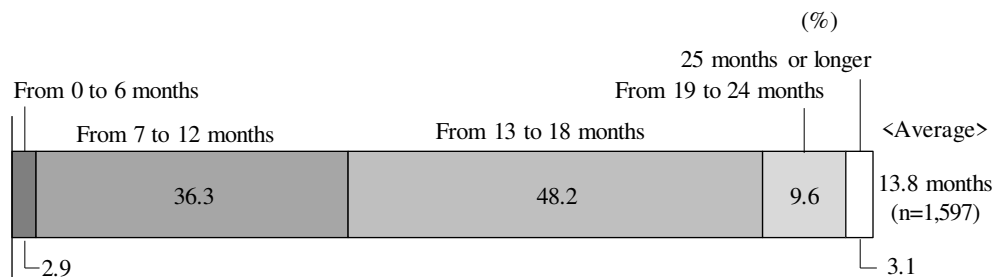
The Survey covers 5,176 business enterprises, financed by Japan Finance Corporation's Micro Business and Individual Unit over the period from April to September 2019, which had been in operation for not more than one year at the time when the financial support was provided, including enterprises prior to their start-up but excluding real estate lessors. 1,597 enterprises responded. (The response rate was 30.9%).

As to the distribution of months from the time of the business start-ups of the responding enterprises, the “13 to 18 months” bracket had the highest proportion at 48.2% (Figure-1) followed by the “7 to 12 months” bracket with 36.3%. The average period was 13.8 months. The proportion of the respondents answering “0 to 6 months,” which means they started their businesses after the spread of COVID-19, was 2.9%: the proportion is similar to the results of the previous fiscal year (2.4%). The great majority of the respondents started business in 2019. For this reason, we could not grasp the influence of COVID-19 on the number of business start-ups.

Procedures for the “Survey on Business Start-ups in Japan (FY2020)”

Period of Survey:	July 2020
Scope of Survey:	A total of 5,176 business enterprises, financed by Japan Finance Corporation's Micro Business and Individual Unit over the period from April to September 2019, which had been in operation for not more than one year at the time of financial support, including enterprises prior to their start-up, but enterprises prior to their start-up, but excluding real estate lessors.
Survey method:	The questionnaires were sent and collected by post. The questionnaires were filled out anonymously.
Number of responses:	1,597 (response rate: 30.9%)

Figure-1 Number of Months from the Time of Business Start-up of the Responding Enterprises



Source: The “Survey on Business Start-ups in Japan (FY2020)” by JFCRI. However, the time series data are based on the past surveys of the respective years (the same hereinafter).

Note: 1. n is the sample size (the same hereinafter).

2. The component ratios may not sum to 100% due to rounding off to the first decimal place (the same hereinafter).

Figure-2 Gender

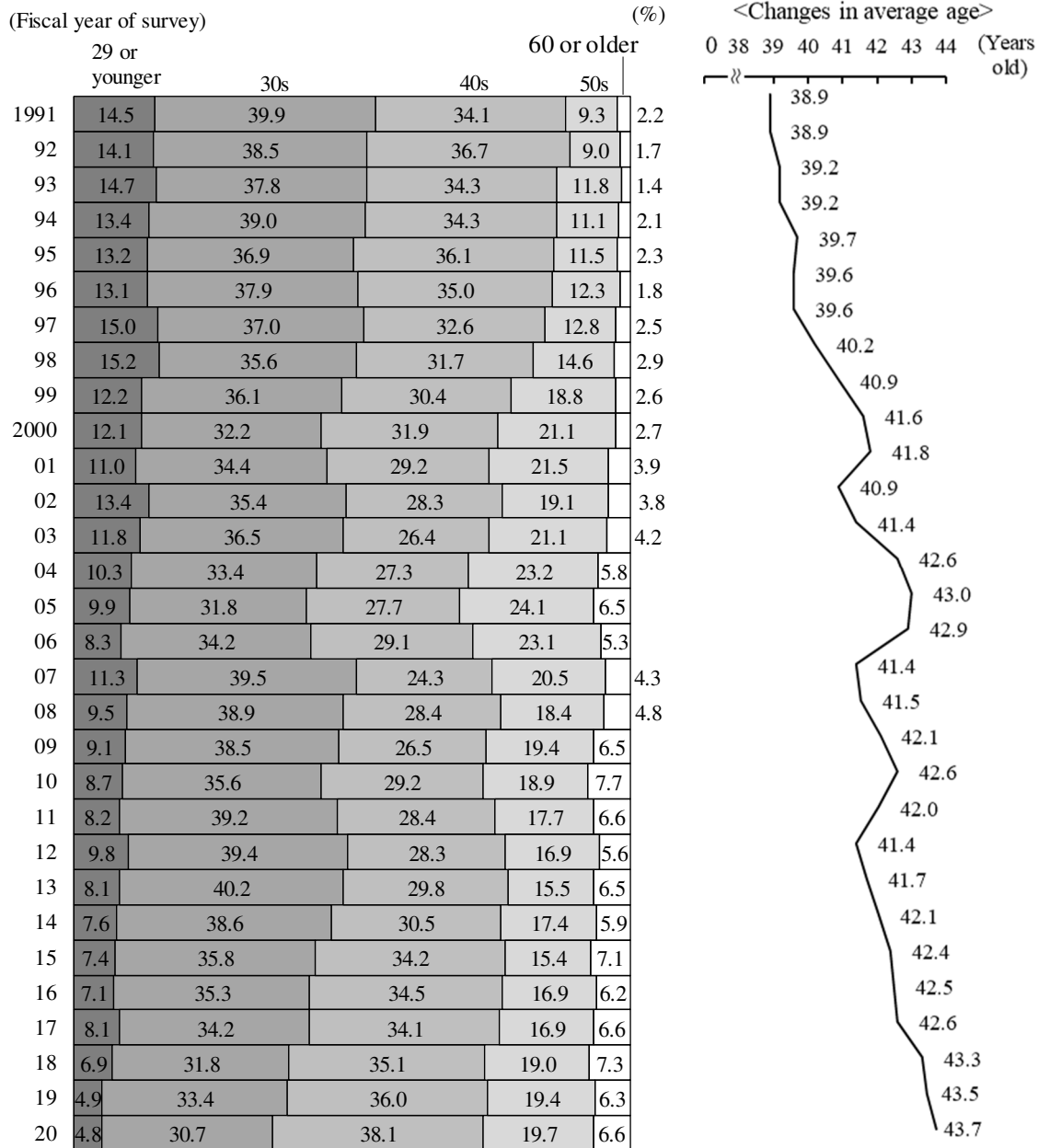
(Fiscal year of survey)	Male	Female (%)
1991	87.6	12.4
92	87.1	12.9
93	87.1	12.9
94	85.3	14.7
95	86.7	13.3
96	86.8	13.2
97	85.1	14.9
98	86.4	13.6
99	87.5	12.5
2000	85.6	14.4
01	84.7	15.3
02	86.0	14.0
03	86.2	13.8
04	83.9	16.1
05	83.5	16.5
06	83.5	16.5
07	84.5	15.5
08	84.5	15.5
09	85.5	14.5
10	84.5	15.5
11	85.0	15.0
12	84.3	15.7
13	84.9	15.1
14	84.0	16.0
15	83.0	17.0
16	81.8	18.2
17	81.6	18.4
18	80.1	19.9
19	81.0	19.0
20	78.6	21.4

1. Characteristics and Career of Entrepreneurs

(1) Gender

78.6% of the entrepreneurs were males and 21.4% were females (Figure-2). The proportion of females is on the increase since the first survey in FY1991 and exceeded 20% for the first time. An increasing number of females want to continue to work after marriage and giving birth, while opportunities for females to be active in society are expanding. These factors may have contributed to the increase in female entrepreneurs.

Figure-3 Age at Business Start-up



(2) Age at Business Start-up

The average age of entrepreneurs at the time of their start-up was 43.7, which was the highest since the survey was first conducted (Figure-3). The average had risen for eight successive years since FY2013. As to the age brackets of the entrepreneurs, “40s” accounted for the highest percentage at 38.1%, followed by “30s” at 30.7%. “30s” had been ranked at the top up to FY2017, but “40s” reversed that order in FY2018. Since then, the ratio of “40s” has continued to increase. The proportion of “29 or younger” (4.8%) was the lowest since the survey was first conducted and the proportion of “30s” was still high but on a decreasing trend. The ratio of “50s” started to rise after hitting the bottom in

Figure-4 Academic History

(Fiscal year of survey)	Junior-high school						Specialized training college/ Miscellaneous school		Junior college/ National Institute of Technology		University/ Graduate school		Other
	7.4	40.7		16.5		4.8	30.6						
1992	7.4	40.7		16.5		4.8	30.6				0.0		
93	8.0	40.8		17.2		3.8	29.6				0.6		
94	8.6	39.4		18.0		3.9	29.5				0.6		
95	7.6	40.9		12.9		7.5	30.8				0.3		
96	7.5	41.5		13.2		7.4	29.7				0.7		
97	5.7	42.2		15.5		7.1	29.1				0.3		
98	6.9	39.5		18.4		4.1	30.5				0.7		
99	6.2	40.0		15.3		3.8	33.8				1.0		
2000	6.4	38.0		14.9		7.2	32.9				0.6		
01	5.0	35.9		15.1		7.6	35.2				1.2		
02	7.1	36.5		15.1		5.5	34.4				1.3		
03	6.2	37.9		16.4		4.2	34.3				0.9		
04	6.6	37.0		17.6		3.8	34.6				0.3		
05	5.6	36.4		17.4		4.6	35.5				0.5		
06	6.0	34.5		17.5		5.4	36.4				0.2		
07	3.6	35.0		21.5		5.2	34.0				0.6		
08	5.8	35.0		20.1		4.6	34.2				0.2		
09	5.0	33.2		21.3		4.5	35.9				0.1		
10	5.5	32.0		19.1		5.3	37.9				0.2		
12	3.5	31.3		24.3		4.3	36.2				0.4		
13	3.0	30.4		23.9		4.8	37.8				0.1		
14	3.2	27.7		26.6		4.6	37.8				0.1		
15	4.0	28.7		24.8		5.8	36.7				0.1		
16	3.6	30.6		24.0		4.9	36.9				0.1		
17	3.0	27.5		26.1		5.7	37.5				0.2		
18	3.0	31.2		23.5		4.4	37.8				0.1		
19	3.4	29.7		27.1		4.2	35.7				0.0		
20	3.5	28.0		24.3		5.0	39.1				0.1		

Note: 1. The results of the 1991 survey are not shown because the choices did not include “junior college.” The survey of FY2011 did not ask academic history.
 2. The choices for the 1992 survey did not include “other.” “Other” of the 1999 to 2002 surveys included “overseas schools.”

FY2015. The ratio of “60 or older” increased from around 2% in the first half of the 1990s but remained steady at 6 to 7%. The ratio of “65 or older” which is not shown in the figure was 2.4%.

(3) Career of Entrepreneurs

As to the distribution of academic history of entrepreneurs, the proportion of “university/graduate school” is the largest at 39.1%, followed by 28.0% of “high school” (Figure-4). The percentage of

Table-1 Work Experience

(% , year)

	Percentage	Years of experience (average)	Years of experience (median)
With work experience (n=1,587)	97.5	20.3	20.0
With previous experience in relevant businesses (n=1,575)	82.0	14.6	13.0
Experience in managerial position (n=1,576)	67.1	11.2	10.0
Experience managing a business (n=1,455)	14.7	9.2	7.0

Note: 1. “Previous experience in relevant businesses” refers to experience in work related to the business at the time of the Survey. “Experience in managerial position” refers to experience working as head or leader of a section, department, etc. with three subordinates or more. “Experience managing a business” refers to experience managing a different business prior to starting the business at the time of the Survey (including respondents who had quit the business).
2. Average and median of years of experience exclude the respondents without such experience.

“high school” was the largest in the comparable surveys from FY1992 to FY2005 but has yielded first place to “university/graduate school” since FY2009. In the long term, the proportion of “high school” has been on the decrease, while the ratios of “university/graduate school” and “specialized training college/miscellaneous school” are on the increase. According to the 2020 School Basic Survey of the Ministry of Education, Culture, Sports, Science and Technology, the university (undergraduate school) entrance rate including high school graduates of past years was 54.4%, which broke the comparable record held since FY1954. Higher education of entrepreneurs is considered to reflect this social trend.

As concerns work experience, 97.5% of respondents “have work experience” with average number of years 20.3 (Table-1). 82.0% of the respondents had experience working in businesses relevant to their business at the time of the Survey (“previous experience in relevant businesses”). Average years of such experience were 14.6 years. 67.1% of the respondents had experience in a managerial post (head or leader of a section, department, etc. with 3 subordinates or more) with average years of experience 11.2.

14.7% of the respondents had experience managing a different business before starting the business at the time of the Survey. 5.2% of them continued the management of the different business at the time of the Survey, 1.2% had handed over the management and 8.3% had closed up the business.

The most common employment status held by the entrepreneurs just before their business start-up was “full-time employee in managerial position” at 39.5%, followed by “full-time employee in non-managerial position” at 29.8% and “full-time executive of company/organization” at 10.7% (Figure-5). “Full-time employee/executive” that combines these three categories account for about 80% of all respondents, but the proportion is on the decrease in the long term.

On the other hand, “non full-time employee” hit a record high of 12.3% since the survey started. In

Figure-5 Employment Status and Positions Prior to Business Start-ups

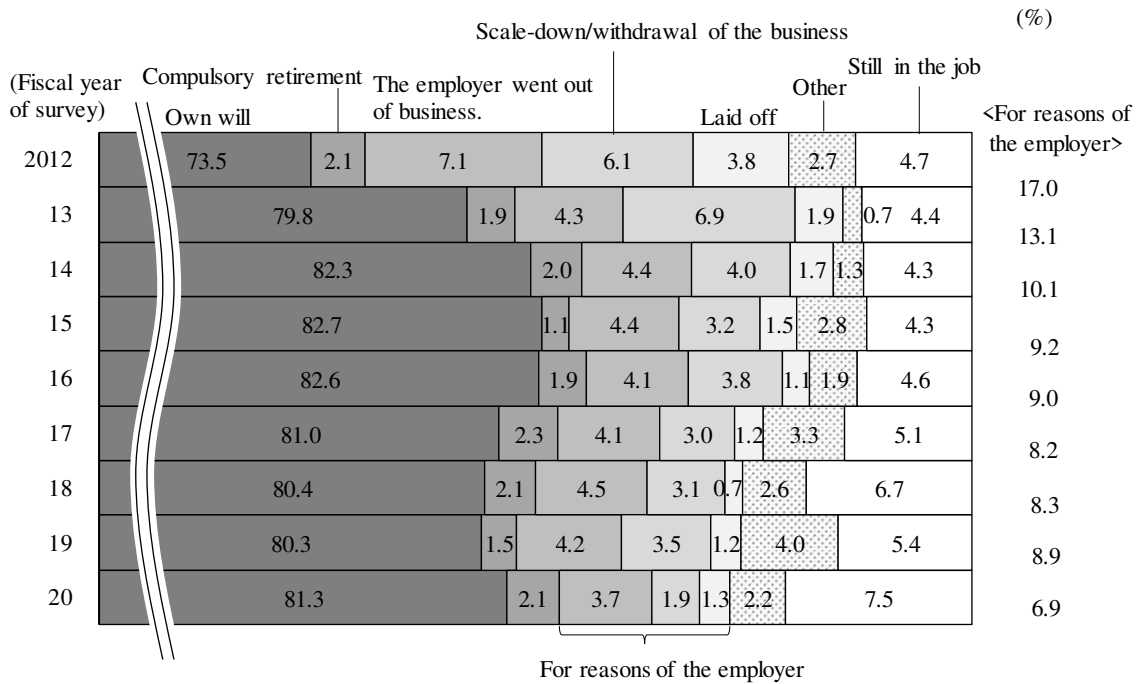
(%)

(Fiscal year of survey)	Full-time employee/executive		Non full-time employee		Other
	Full-time	executive of company/organization Full-time employee in managerial position	Full-time employee in non- managerial position		
1991	14.8	35.0	39.5	1.5	9.1
92	14.5	36.3	36.7	2.9	9.5
93	14.8	36.5	39.5	3.3	5.8
94	13.9	35.2	41.9	3.0	5.9
95	12.0	35.2	36.4	3.2	13.2
96	14.2	37.6	36.2	2.6	9.4
97	12.2	31.5	47.1		3.6 5.5
98	11.3	37.1	42.2	3.2	6.2
99	12.2	36.1	40.9		4.2 6.7
2000	14.6	36.8	38.5		5.3 4.8
01	14.5	36.6	36.5		6.9 5.5
02	13.3	34.6	40.1		4.9 7.2
03	12.0	42.1	30.4	7.4	8.0
04	12.2	37.4	34.7	5.6	10.2
05	12.4	36.1	33.5	8.0	9.8
06	13.1	37.2	32.6	7.6	9.5
07	10.9	39.8	33.6	8.7	7.0
08	13.1	38.2	33.9	7.8	7.0
09	13.7	38.4	32.9	8.0	6.9
10	13.0	45.2	26.3	8.5	7.1
11	13.0	38.0	31.3	8.7	9.1
12	10.7	41.2	31.0	9.4	7.6
13	10.7	44.7	28.8	8.8	7.1
14	10.2	44.9	29.2	9.2	6.4
15	11.3	40.7	29.4	10.6	8.0
16	10.4	45.1	28.5	10.8	5.2
17	10.0	40.8	31.9	9.1	8.3
18	10.0	42.2	29.5	10.5	7.8
19	11.4	38.3	32.1	11.1	7.1
20	10.7	39.5	29.8	12.3	7.6

Note: 1. "Non full-time employee" is the sum of "part-time/temporary employees" and "dispatched/contracted workers." However, choices for the surveys from FY1991 to FY1994 and FY2004 did not include "dispatched/contract employee." The choices for the FY1995 to FY1999 surveys included "dispatched employee" instead of "dispatched/contract employee."
 2. "Other" includes "full-time homemaker" and "student."

the 2020 Labor Force Survey of the Ministry of Internal Affairs and Communications, the percentage of non full-time employees to all employees excluding executives was 37.2% and on a rising trend since 2002 where data are comparable. According to the Survey, the most common reason for taking a non full-time job is "to work at convenient times" at 31.0%. For people who seek a job with flexible

Figure-6 Reasons for Leaving the Job



Note: 1. For the 2013 survey, “own will (for marriage, giving birth, childcare, etc.)” and “own will (other reasons)” were combined into “own will.”
 2. The subtotal and sum total may not agree due to rounding to the first decimal place (the same hereafter).

working time, opening their own business may be an attractive option because of more discretion in the working style compared with being employed.

(4) Reasons for Leaving the Job

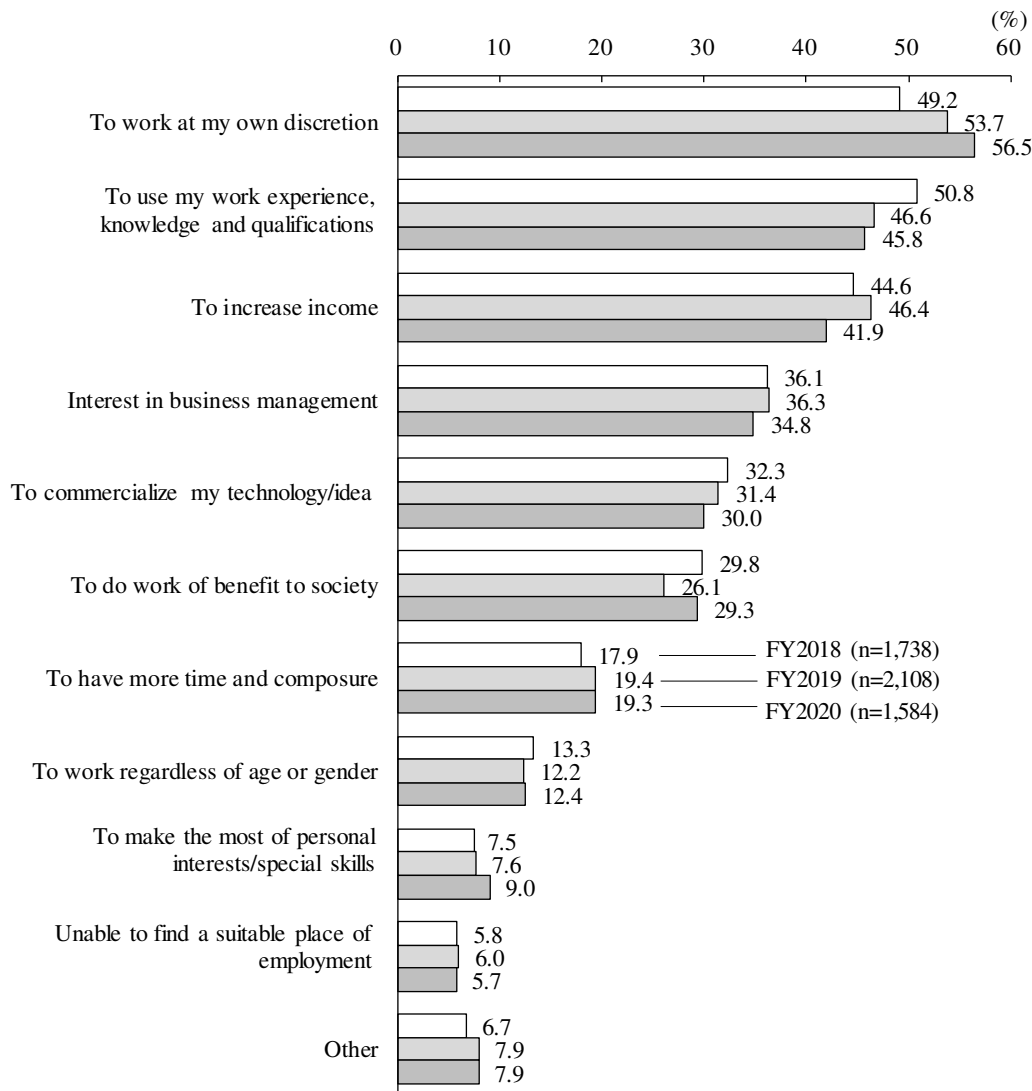
The most common reason for the entrepreneurs’ leaving the job just before their business start-up is “own will” at 81.3% (Figure-6). The proportion of “reasons of the employer” was 6.9% combining: “the employer went out of business” (3.7%), “scale-down/withdrawal of the business” (1.9%) and “laid off” (1.3%). Since FY2012 where data are comparable, entrepreneurs who left their job for reasons of the employer are on the decrease.

2. Motivations for Business Start-ups and Decision on the Business

(1) Motivation for Business Start-up

The most highly cited motivation for starting business start-ups (multiple answers up to three) was “to work at my own discretion” at 56.5% (Figure-7), followed by “to use my work experience, knowledge and qualifications” at 45.8% and “to increase income” at 41.9%. These have remained the top three motivations in the last three years, though “to work at my own discretion” moved ahead of “to use my work experience, knowledge and qualifications” in FY2019.

Figure-7 Motivation for Start-ups (multiple answers up to three)



(2) Reason for Decision on the Business Contents

The most common reason for decision on the business contents was “can use my experience and skills of past jobs” at 41.8% (Figure-8). The second and third reasons were “can use my qualifications and knowledge” at 21.9% and “the community and society need the business” at 13.8%, respectively.

The top three reasons are the same for both males and females (Figure-9). Paying attention to gender differences, we found that the percentage of males choosing “can use my experience and skills of past jobs” (44.0%) is 10 points higher compared with females (33.6%). On the other hand, the proportions of females choosing “can use my personal interest/special skills (3.4% of males and 8.6% of females),” “can use my qualifications and knowledge (21.2% of males and 24.5% of females),” and “community and society need the business (13.2% of males and 16.2% of females)” are slightly higher compared with males.

Figure-8 Reason for Decision on the Business Contents

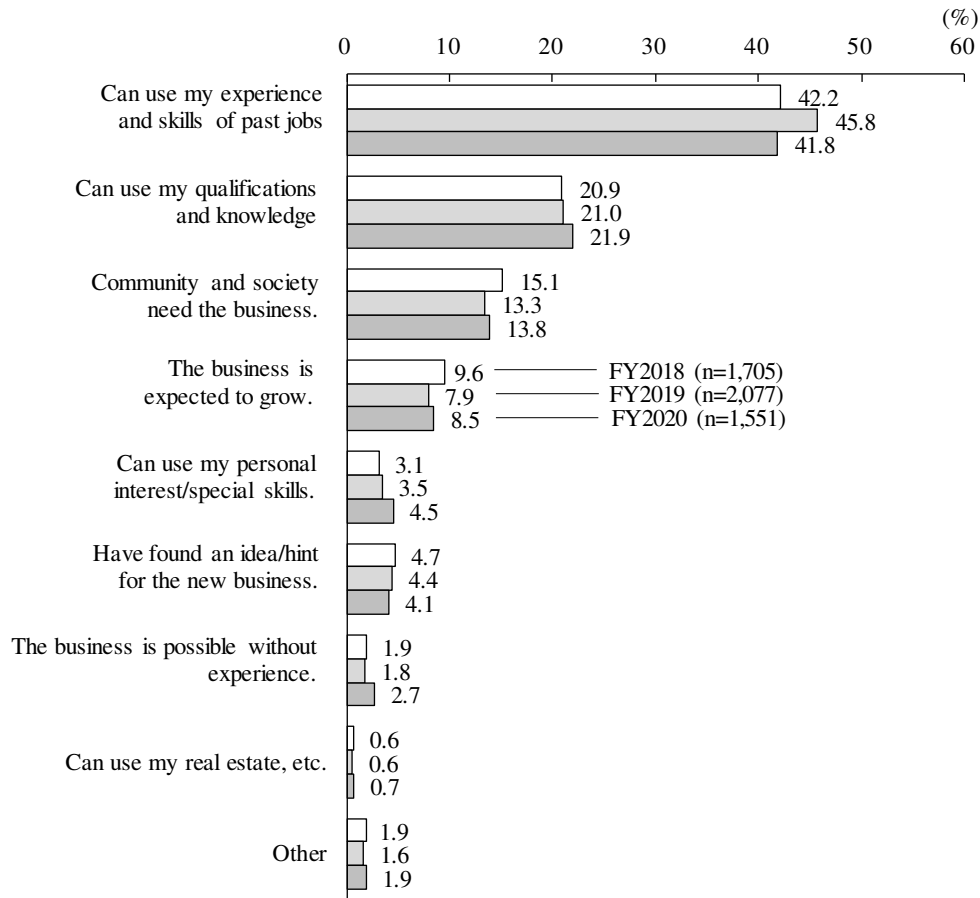


Figure-9 Reason for Decision on the Business Contents (by gender)



Table-2 Industry Type of the Start-ups

	2004	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20
Construction	8.9	8.5	9.6	7.5	9.5	9.5	8.8	7.1	7.2	6.3	6.4	8.6	8.5	8.9	7.7	8.8	9.4
Manufacturing	5.5	5.2	5.4	5.0	4.0	6.2	4.7	2.7	3.2	4.5	3.5	4.1	4.4	4.2	3.4	3.4	3.1
Information and Communications	3.2	2.5	2.6	3.2	2.8	3.0	2.4	2.9	2.7	2.6	2.5	2.6	1.6	2.2	3.2	2.7	2.9
Transportation	3.8	3.6	3.6	2.4	3.2	3.6	2.5	4.0	2.2	2.5	1.8	2.0	1.9	2.7	2.8	3.5	2.6
Wholesale	7.5	6.8	8.2	5.9	7.4	6.1	8.4	7.9	7.2	6.1	5.5	5.1	5.6	4.6	4.9	5.3	3.5
Retail trade	14.2	15.9	15.2	13.6	14.0	10.4	14.0	12.9	14.6	10.6	13.2	11.9	9.4	11.9	13.1	12.8	11.8
Restaurant and Accommodations	14.0	14.5	14.5	16.9	14.5	13.9	12.8	13.6	12.9	15.1	14.9	15.9	15.8	14.2	14.7	15.6	14.3
Medical, Health care and Welfare	14.9	16.1	14.1	15.8	13.2	14.8	15.7	17.5	19.8	19.6	21.9	19.5	18.0	19.6	17.4	14.7	16.7
Education, Learning support	1.6	1.5	2.2	1.6	2.5	1.3	2.1	2.3	2.6	3.4	3.2	2.6	2.9	3.6	2.6	3.1	3.6
Services	23.5	21.1	20.9	25.6	24.1	26.3	23.2	24.8	22.0	23.6	22.2	23.2	26.2	23.3	25.1	25.9	26.4
Real estate	2.2	2.4	3.2	1.6	4.2	4.2	4.1	3.6	4.2	4.8	3.7	3.7	4.5	4.1	4.2	3.7	4.4
Other	0.8	1.9	0.5	0.9	0.6	0.9	1.2	0.8	1.5	0.9	1.2	0.7	1.1	0.7	0.8	0.5	1.3

Note: "Food takeout/delivery service" is included in "retail trade" (the same hereinafter).

3. Enterprise Characteristics

(1) Industry Type

The service industry accounts for the highest proportion of the new enterprises at 26.4% (Table-2) followed by medical, health care and welfare at 16.7% and the restaurant and accommodations industry at 14.3%. In the breakdown of the service industry, hair-dressing and beauty salon, business consultants, certified tax accountants offices, barbershops and aesthetic salon services account for higher proportions of the start-ups. Medical, health care and welfare has been in the upper-10% after rising to 21.9% in FY2014.

Since the FY2004 survey where data are comparable, the proportions of manufacturing and wholesale have been on the decrease, while real estate and education, learning support have been on the increase, though at a low level.

(2) Legal Status of the Business

As to the legal status of the business at the time of business start-up, the proportion of "sole proprietor" is as high as 61.6% (Figure-10). "Stock company, etc." that combines "stock company"

Figure-10 Legal status at the Time of Start-ups

(%)

(Fiscal year of survey)	Sole proprietor	Stock company, etc.
1992	66.2	33.8
93	74.7	25.3
94	76.5	23.5
95	80.3	19.7
96	75.8	24.2
97	74.5	25.5
98	72.7	27.3
99	73.5	26.5
2000	71.0	29.0
02	69.5	30.5
03	64.6	35.4
04	60.4	39.6
05	63.5	36.5
06	63.0	37.0
07	66.1	33.9
08	61.2	38.8
09	62.6	37.4
10	60.4	39.6
11	64.1	35.9
12	63.8	36.2
13	61.1	38.9
14	61.0	39.0
15	60.2	39.8
16	61.0	39.0
17	62.7	37.3
18	60.4	39.6
19	63.5	36.5
20	61.6	38.4

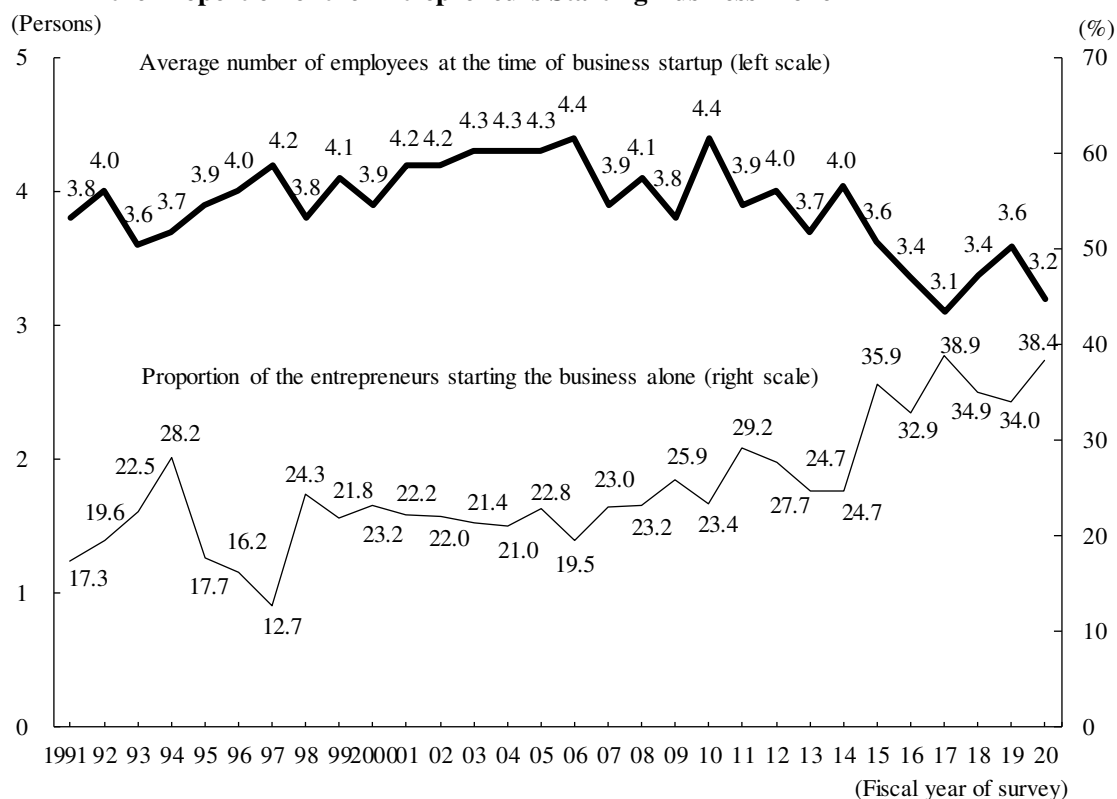
Note: 1. The FY1991 and FY2001 surveys did not ask the legal status at the time of business start-up.
 2. Choices of legal status slightly vary depending on the survey. For this reason, styles other than “sole proprietor” were lumped together into “stock company, etc.”

(28.5%), “NPO” (0.7%) and “other (limited liability company, limited partnership company, general incorporated association, etc.)” (9.2%) account for 38.4%. As concerns the legal status at the time of the Survey, which is not shown in the figure, the proportion of “sole proprietor” was 60.5%, while “stock company, etc.” was 39.5% (“stock company”: 29.7%; “NPO”: 0.7% and “other”: 9.1%).

(3) Number of Staff Members (including the CEO)

The average number of staff members (including the CEO) at the time of starting the business is 3.2, decreasing by 0.4 from FY2019 (Figure-11). The average has been below 4 since FY2015. The

Figure-11 Average Number of Staff Members (including the CEO) at the Time of Start-ups and the Proportion of the Entrepreneurs Starting Business Alone



proportion of the entrepreneurs starting the business alone is 38.4% in the Survey. The ratio has been above 30% since FY2015 and is on the long-term increase. An increasing number of entrepreneurs start business with a smaller number of staff.

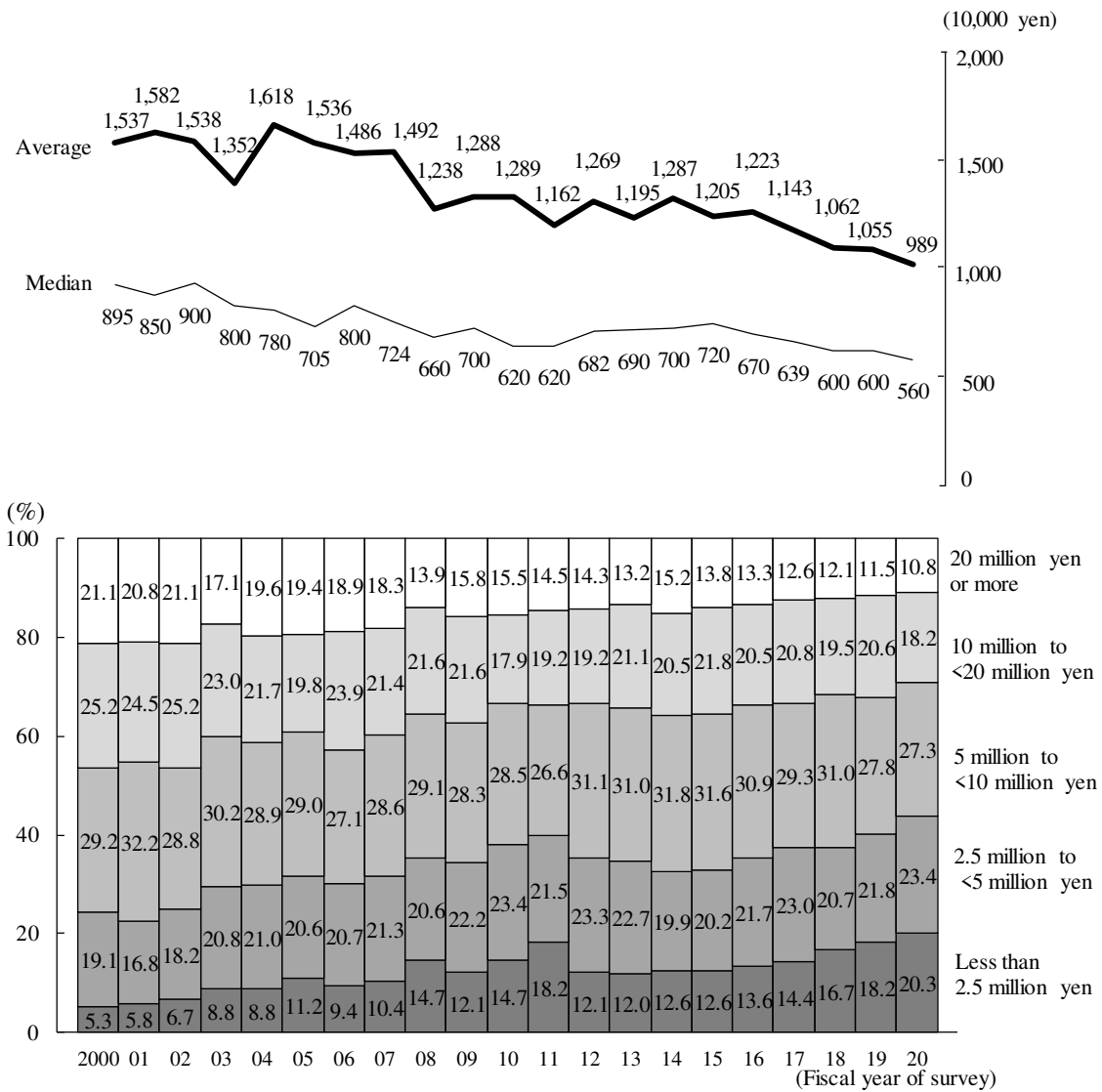
4. Initial Expenses and Raising Start-up Funds

(1) Initial Expenses

In regard to initial expenses, the proportion of “5 million to under 10 million yen” is the largest at 27.3%, followed by “2.5 million to under 5 million yen” at 23.4% (Figure-12). “Less than 2.5 million yen” is on the increase and rose to 20.3% that is the highest level since FY2000 where data are comparable. On the other hand, the proportion of “10 million to under 20 million yen” (18.2%) is on the decline over the long term, and the proportion of “20 million yen or more” is the lowest at 10.8%.

Average and median of initial expenses are 9.89 million yen and 5.60 million yen, respectively, which are the lowest since the survey was first conducted. In recent years, entrepreneurs can reduce fixed costs by using a shared office and start a business without a large investment thanks to the increase of works that can be carried out at home as a result of the spread of the internet: these factors contribute to a decrease in the initial expenses. In addition, as shown in the previous section, the

Figure-12 Initial Expenses



proportion of entrepreneurs starting business alone is rising, which means that an increasing number of entrepreneurs are starting business on a small scale.

(2) Raising Start-up Funds

Average fund procurement at the time of starting the business is 11.94 million yen, which is the lowest since the first survey was carried out (Figure-13). Looking at the breakdown of the average fund procurement, “loans from financial institutions” accounts for the largest part at 8.25 million yen (the proportion to the total of the average procurement is 69.1%) followed by “entrepreneur’s own fund” at 2.66 million yen (22.2%): the two sources account for 91.3%. With the total fund procurement decreasing, the proportion of “loans from financial institutions” is on the increase.

Figure-13 Fund Procurement

(10,000 yen)

(Fiscal year of survey)	Entrepreneur's own fund	Spouse/parents/siblings/ relatives Friends/acquaintances			Loans from financial institutions	Other	<Average total capital procurement>
1991	360	124	119	748	101	1,452	
92	441	151	129	917	111	1,750	
93	426	154	77	972	120	1,749	
94	445	149	81	1,062	91	1,828	
95	453	136	65	1,067	92	1,813	
96	424	151	53	897	73	1,598	
97	412	150	83	881	70	1,596	
98	435	149	68	723	67	1,442	
99	445	177	132	969	108	1,832	
2000	428	131	110	895	82	1,645	
01	440	159	88	939	78	1,704	
02	413	151	113	865	86	1,628	
03	405	152	91	748	67	1,461	
04	439	146	110	954	102	1,750	
05	448	165	89	932	95	1,729	
06	443	161	91	882	70	1,645	
07	422	137	77	935	60	1,631	
08	374	100	72	793	66	1,405	
09	398	124	65	798	62	1,448	
10	364	141	70	827	46	1,449	
11	356	97	51	840	69	1,413	
12	369	112	47	855	95	1,478	
13	327	95	50	833	32	1,337	
14	350	100	45	928	40	1,464	
15	311	110	53	866	25	1,365	
16	320	84	56	931	42	1,433	
17	287	75	44	891	27	1,323	
18	292	70	40	859	21	1,282	
19	262	53	39	847	36	1,237	
20	266	51	27	825	25	1,194	

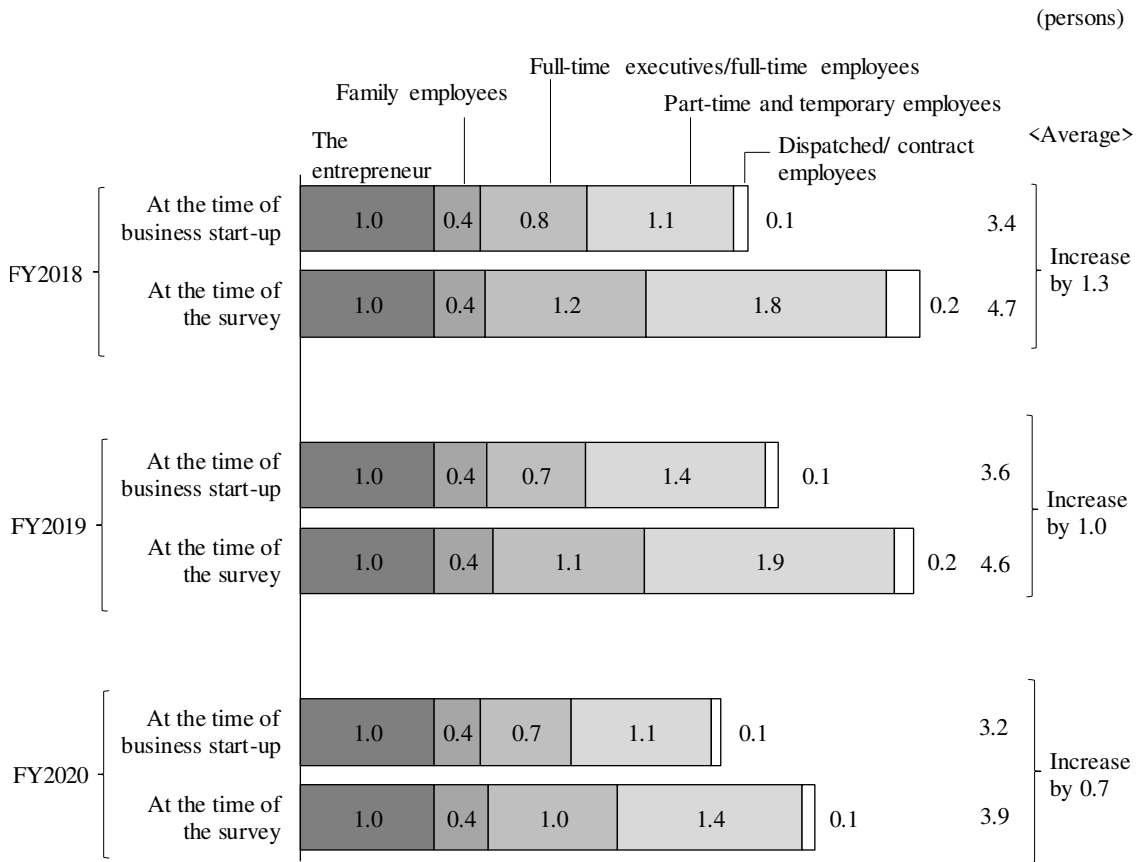
- Note: 1. "Spouse/parents/siblings/relatives" and "friends/acquaintances" include both loans and investments.
 2. "Friends/acquaintances" includes "customers" (FY1992 to 1999 surveys), "individuals/organizations endorsing the business" (FY1992 to 2019 surveys), "Officers/employees of the enterprise" (FY2004 to 2019 surveys), and "associated companies" (FY2016 survey).
 3. "Financial institutions" includes "Japan Finance Corporation" (FY1991 to 2019 surveys), "private financial institutions" (FY1991 to 2019 surveys), "financing system of local governments" (FY1992 to 2019 surveys), and "public institutions other than JFC and local governments" (FY1999 to 2019 surveys).
 4. The initial expense amount and fund procurement amount do not agree because the two were asked separately.

5. Situation after Business Start-ups and Challenges for Business Start-up

(1) Changes in the Number of Staff Members (including the CEO)

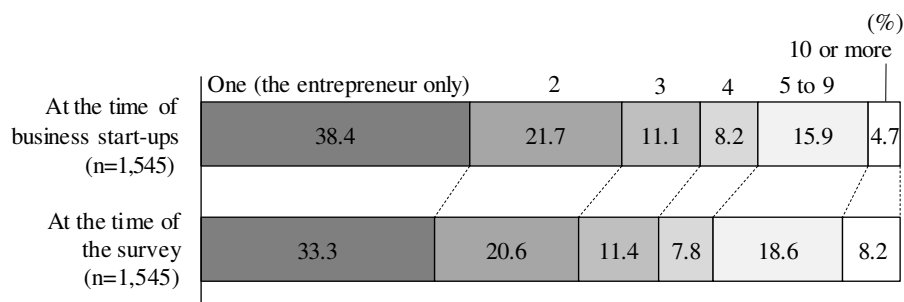
The average number of staff members (including the CEO) at the time of the Survey (13.8 months on average after the time of the business start-ups) increased by 0.7 to 3.9 from the time of business start-up (Figure-14). The increase is less than 1.3 and 1.0 of FY2018 and FY2019, respectively.

Figure-14 Average Number of Staff Members (including the CEO) at the Time of Business Start-up and at the Time of the Survey



Note: Due to rounding to the first decimal place, the same value may be expressed in different graph lengths, and the total of the breakdown and the average, and the differences in the average and the increase may not agree.

Figure-15 Number of Staff Members (including the CEO) at the Time of Business Start-up and at the Time of the Survey



Breakdown of the increase: “part-time and temporary employees” increased from 1.1 to 1.4, while “full-time executives/full-time employees” increased from 0.7 to 1.0.

The proportion of the employees running the business alone at the time of the Survey was 33.3% (Figure-15). Though lower than the percentage at the time of business start-up (38.4%), it was slightly

Figure-16 Monthly Sales at the Time of the Survey

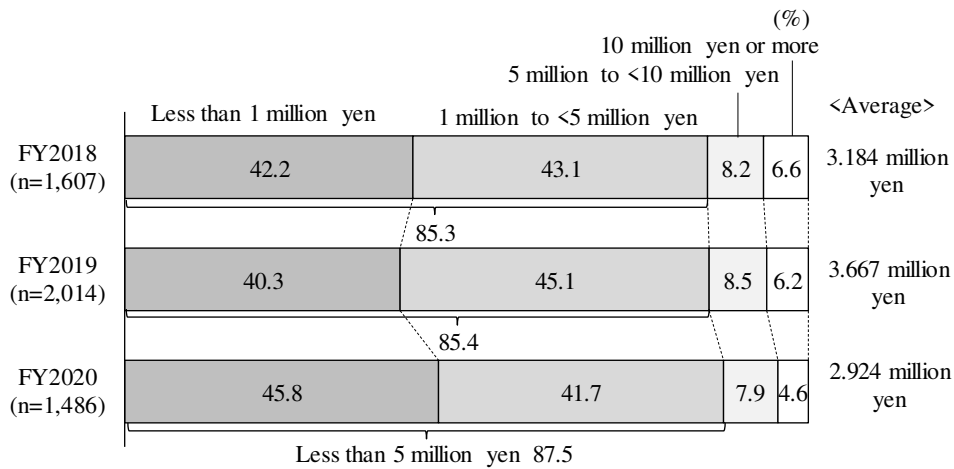
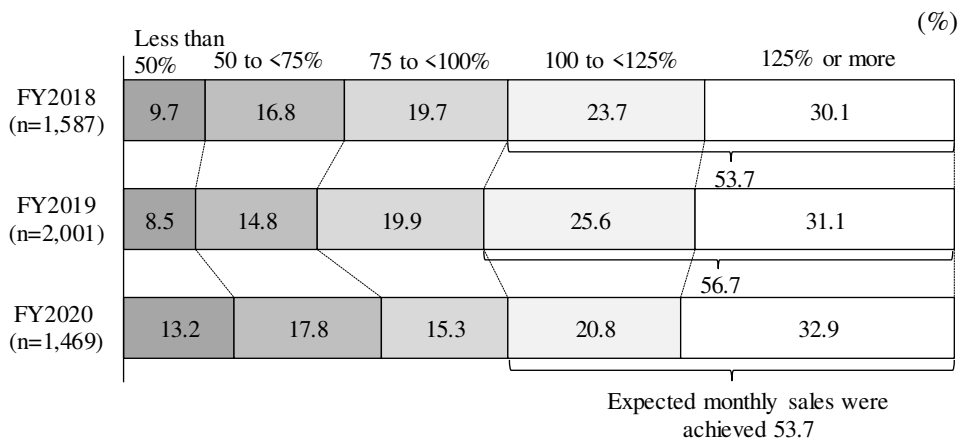


Figure-17 Achievement Ratio of the Expected Monthly Sales



Note: Achievement ratio of the expected monthly sales = (monthly sales at the time of the survey / monthly sales expected before the business start-up) x 100

higher compared with the FY2018 (29.1%) and FY2019 (27.4%) surveys. Because COVID-19 had spread in July 2020 when the Survey was carried out, not many entrepreneurs may have been doing well enough to increase staff members and expand the business.

(2) Business Conditions

Average monthly sales at the time of the Survey were “less than 1 million yen” for the largest number of respondents (45.8%) (Figure-16). “1 million to under 5 million yen” (41.7%) which was monthly sales of the largest number of respondents in FY2018 and FY2019 fell to second place. The average actual amount is 2.924 million yen, which is lower compared with FY2018 (3.184 million yen) and FY2019 (3.667 million yen).

Had monthly sales reached the level of the original plan? Figure-17 shows the ratio of achieving the

Figure-18 Sales Conditions at the Time of the Survey

	On the increase		On the decrease	
	Marginal change			
FY2018 (n=1,697)	58.7	35.2	6.1	
FY2019 (n=2,102)	57.1	35.7	7.2	
FY2020 (n=1,557)	43.0	34.3	22.7	

Figure-19 Profitability at the Time of the Survey

	In surplus		In deficit		The time period required to record a surplus	
	Marginal change				<Average>	<Ratio of "shorter than 6 months">
FY2018 (n=1,595)	61.3	38.7	6.3 months	63.2%		
FY2019 (n=2,019)	63.5	36.5	6.3 months	61.5%		
FY2020 (n=1,536)	59.8	40.2	6.3 months	64.4%		

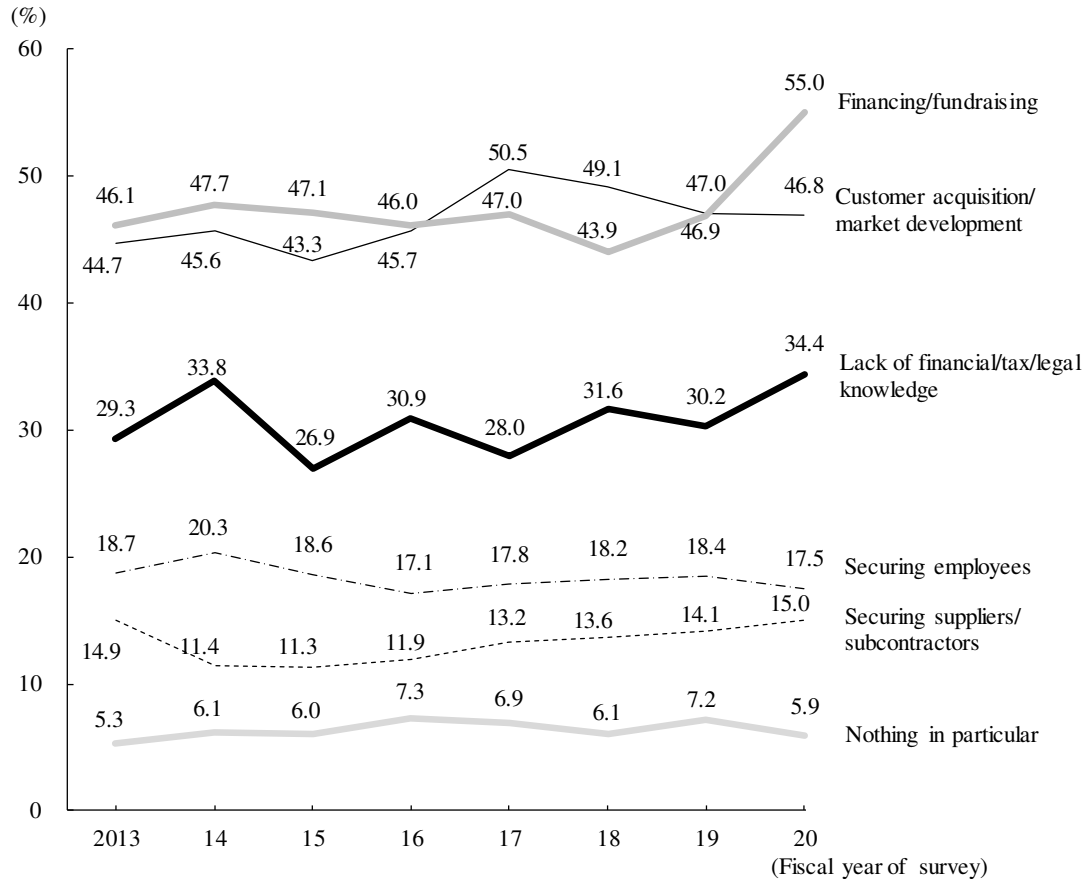
monthly sales that were expected before business start-ups. When the achievement ratio of the expected monthly sales (monthly sales at the time of the Survey / monthly sales expected before the business start-up x 100) is 100 and over, it shows that the enterprise achieved monthly sales greater than expected. The proportion of “expected monthly sales were achieved” that combines “from 100 to under 125%” (20.8%) and “125% or higher” (32.9%) is 53.7%: more than half of the start-ups achieved their plan. However, the proportions of “less than 50%” (13.2%) and “from 50 to under 75%” (17.8%) rose from the level of FY2018 and FY2019, respectively.

As to the sales at the time of the Survey, “on the increase” fell 14.1 points from 57.1% of FY2019 to 43.0%, whereas “on the decrease” increased by 15.5 points from 7.2% of FY2019 to 22.7% (Figure-18).

With regard to profit, 59.8% of the respondents answered, “in surplus” (Figure-19). It took 6.3 months on average for them to record a surplus, and 64.4% of the enterprises recorded a surplus within 6 months after business start-up. However, the proportion of “in surplus” is lower than 61.3% of FY2018 and 63.5% of FY2019.

Comparing the business conditions at the time of the Survey with the conditions of FY2018 and

Figure-20 Difficulties at the Time of Business Start-ups (multiple answers up to three)



Note: The graph shows the ratios of the top five answers and “nothing in particular” (same for Figure-21)

FY2019, we see a decline of average monthly sales and the proportion of surplus enterprises. The result reveals worsening of the business conditions of start-ups due to the impact of the spread of COVID-19.

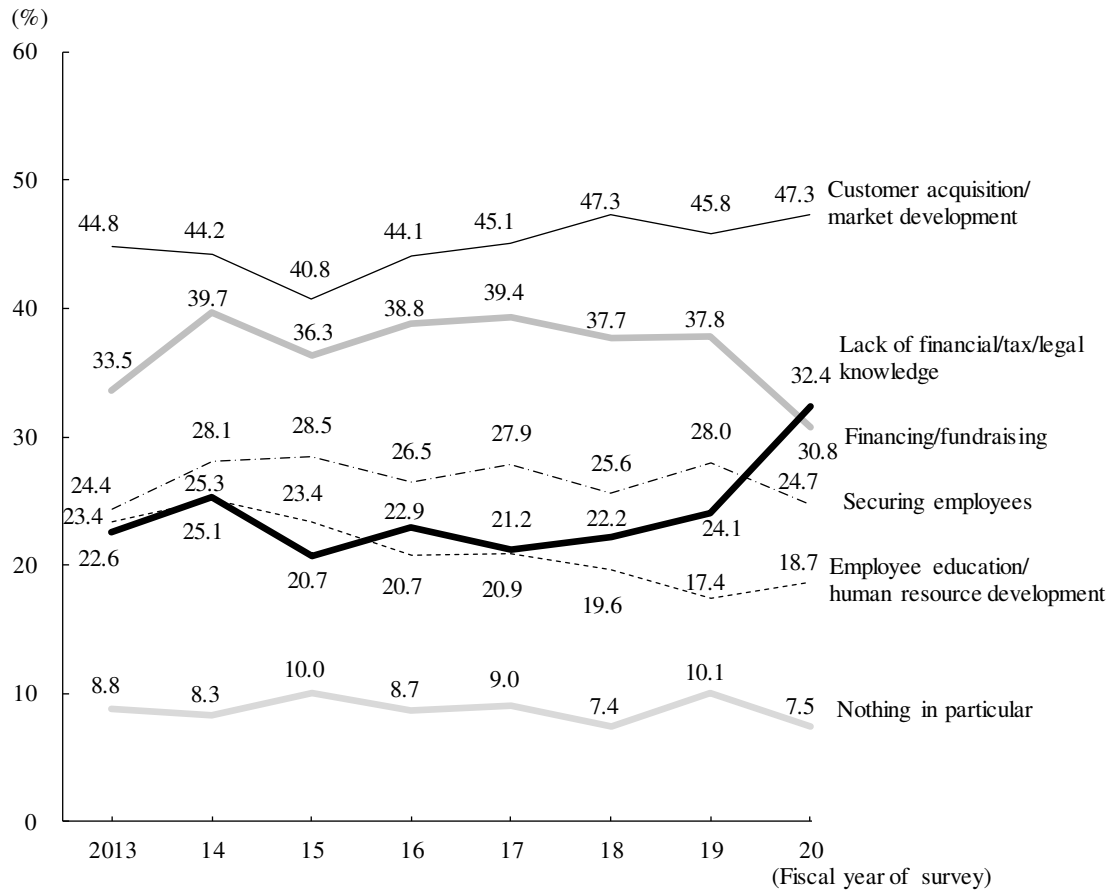
(3) Challenges

Figure-20 shows the ratios of the top five answers and “nothing in particular” to the question asking about difficulties at the time of business start-up (multiple answers up to three). The most common answer is “financing/fundraising” at 55.0% which is the highest since FY2013 where data are comparable. This is followed by “customer acquisition/market development” at 46.8% and “lack of financial/tax/legal knowledge” at 34.4%.

The top difficulty at the time of the Survey is “customer acquisition/market development” at 47.3%, followed by “lack of financial/tax/legal knowledge” at 32.4% which increased by 8.3 points from 24.1% of FY2019 to the highest since FY2013 (Figure-21). On the other hand, “financing/fundraising” (30.8%) fell more than 20 points from the level at the time of business start-up to the lowest level since FY2013.

In FY2020, supports including loans and the subsidy program for sustaining businesses were

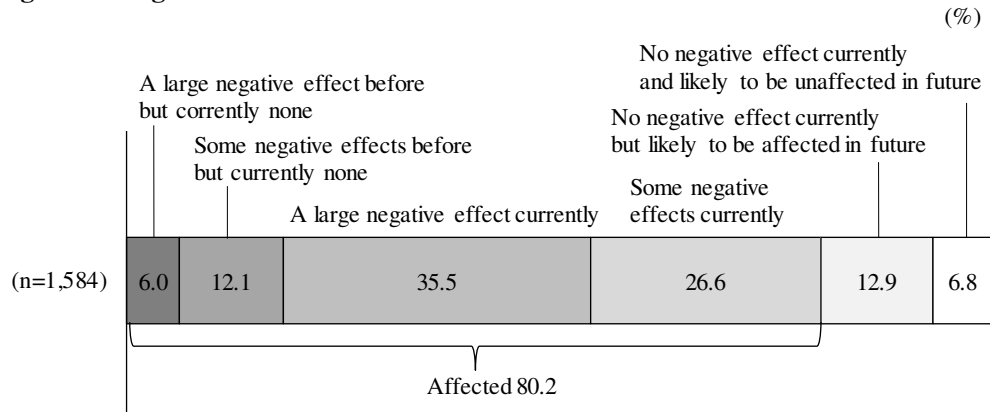
Figure-21 Difficulties at the Time of the Survey (multiple answers up to three)



provided in response to the spread of COVID-19. According to the Quarterly Survey on SME Trends (Small and Micro Businesses) conducted by JFCRI, Borrowing DI (percentage of answering "Easier" minus percentage of answering "More Difficult" for the question: "How is your money borrowing condition compared with the last quarter?") of small enterprises fell to -13.2 in the 2020 January-March quarter when COVID-19 started to spread in Japan, but it rose to a positive value of 15.0 in the April-June quarter of the same year. The DI remained positive also in the July-September quarter at 6.1. It is considered that, in July 2020 when the Survey was conducted, it became easier for business start-ups to borrow from financial institutions and fewer entrepreneurs had a challenge in "financing/fundraising." Conversely, the ratio of the respondents choosing "financing/fundraising" as difficulties at the time of business start-up, which was April to September 2019 before the spread of the infection, was higher, maybe because many respondents compared the condition of that time with the condition at the time of the Survey when the fundraising environment of SMEs greatly improved as a result of policy supports.

However, as reported by the press, many businesses had trouble preparing application forms to use the support system. This may have contributed to the increase of entrepreneurs having trouble with "lack of financial/tax/legal knowledge."

Figure-22 Negative Effects of COVID-19



Note: Effects at the time of the Survey (July 2020) (the same for Figures 23 to 25 and 28)

(4) Impact of COVID-19

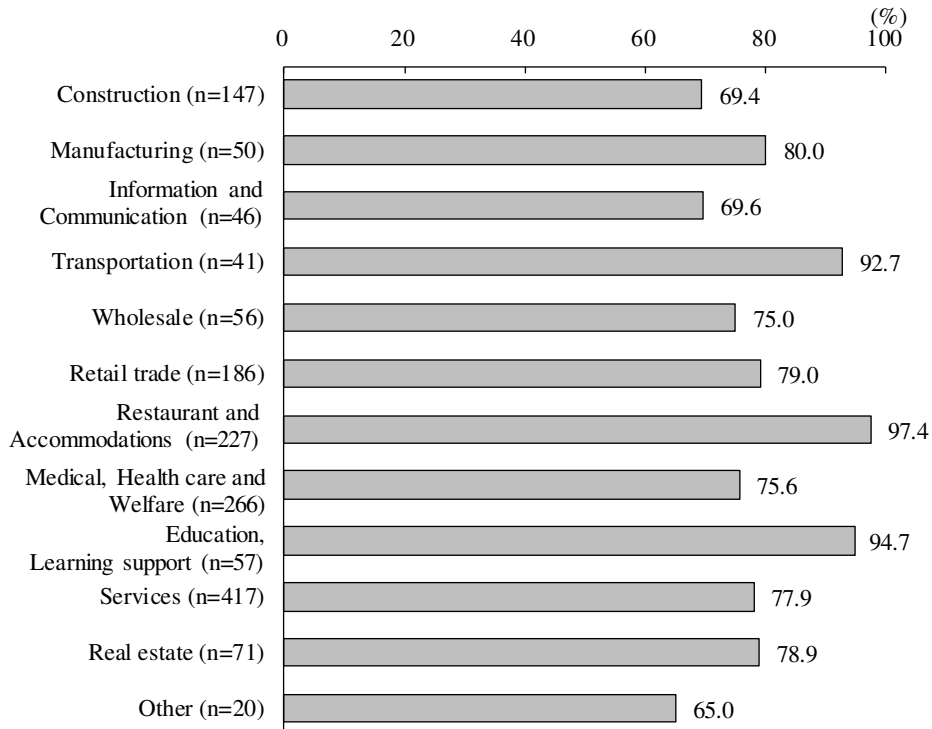
In 2020, COVID-19 spread worldwide and had significant impacts on the economy. In Japan, the government declared the State of Emergency in April of the same year: request for temporary closure, shorter business hours and staying home increased the severity of the business environment for many enterprises. As reviewed in the preceding sections, entrepreneurs were also substantially affected: the impacts include sales not reaching the expected level. Here, we investigate the details of the influence of COVID-19 on entrepreneurs at the time of the survey (July 2020).

The Survey asked about the effects of and response to COVID-19. Answers that COVID-19 had “a large negative effect before but currently none,” “some negative effects before but currently none,” “a large negative effect currently” and “some negative effects currently” are combined as “affected.” Figure-22 shows that a great majority (80.2%) of entrepreneurs were “affected.”

By industry, the proportion of “affected” enterprises is highest in restaurants and the accommodation industry (97.4%). The proportion is over 90% in education, learning support (94.7%) and transportation (92.7%) as well (Figure-23). It is considered that negative effects were especially widespread in restaurants and accommodations due to the request for temporary closure/shorter business hours and avoidance of trips across prefectural borders. The move to reduce infection risks by minimizing human contact may have contributed to the large effects on supplementary tutorial schools, fitness clubs and other education, learning support businesses. Transportation is considered to have been affected by a decrease in taxi users due to avoidance of outing and a decrease in truck cargo due to temporary closure of businesses.

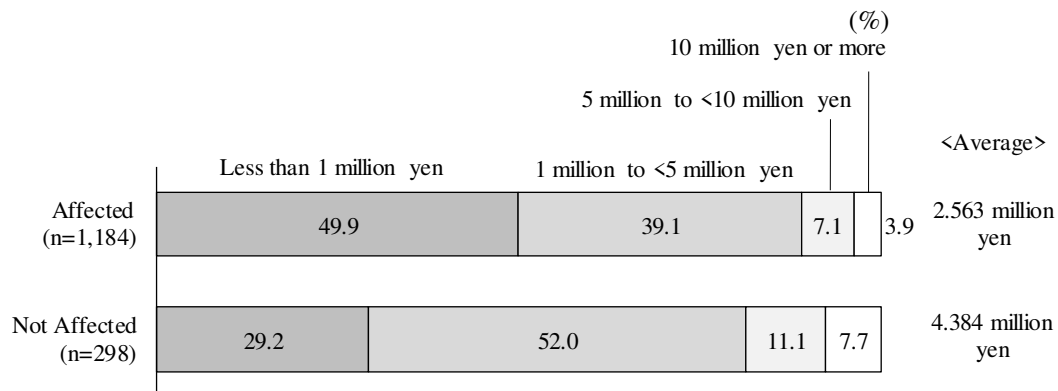
Figure-24 presents the average monthly sales shown in Figure-16 by presence/absence of negative effects of COVID-19. “Not affected” represents the respondents who chose any of “no negative effect but likely to be affected in the future” and “no negative effect currently and likely to be unaffected in the future” in Figure-22. Almost half (49.9%) of the “affected” entrepreneurs had monthly sales of “less than 1 million”. The proportion is 20.7 points higher than 29.2% of “not affected” entrepreneurs:

Figure-23 Proportion of the Entrepreneurs Negatively “Affected” by COVID-19 (by industry)



Note: The proportion of the respondents who chose any of “a large negative effect before but currently none,” “some negative effects before but currently none,” “a large negative effect currently” and “some negative effects currently” in Figure-22.

Figure-24 Monthly Sales at the Time of the Survey by Presence/Absence of Negative Effects of COVID-19

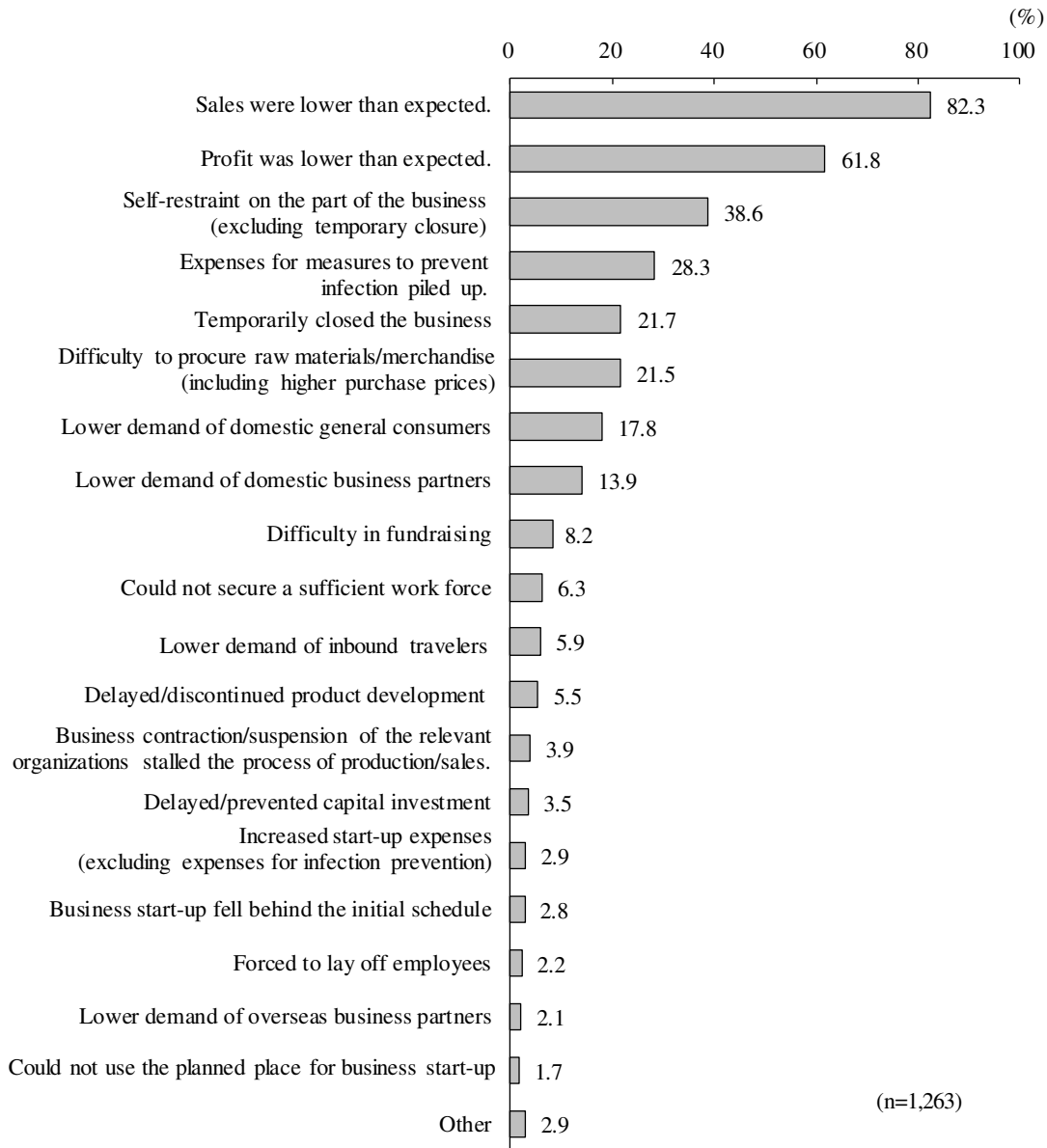


Note: “Affected” represents the respondents who chose any of “a large negative effect before but currently none,” “some negative effects before but currently none,” “a large negative effect currently” and “some negative effects currently” in Figure-22. “Not affected” represents the respondents who chose any of “no negative effect but likely to be affected in the future” and “no negative effect currently and likely to be unaffected in the future” in Figure-22. (the same applies to Figure-28).

average monthly sales of “affected” entrepreneurs are lower. Similarly, 44.4% of “affected” entrepreneurs were “in deficit” whereas the proportion of “in deficit” was 23.4% among the entrepreneurs who were “not affected”¹.

¹ The proportion of “in surplus” was 55.6% of “affected” entrepreneurs and 76.6% of “not affected” entrepreneurs.

Figure-25 Contents of the Negative Effects of COVID-19 (multiple answers)

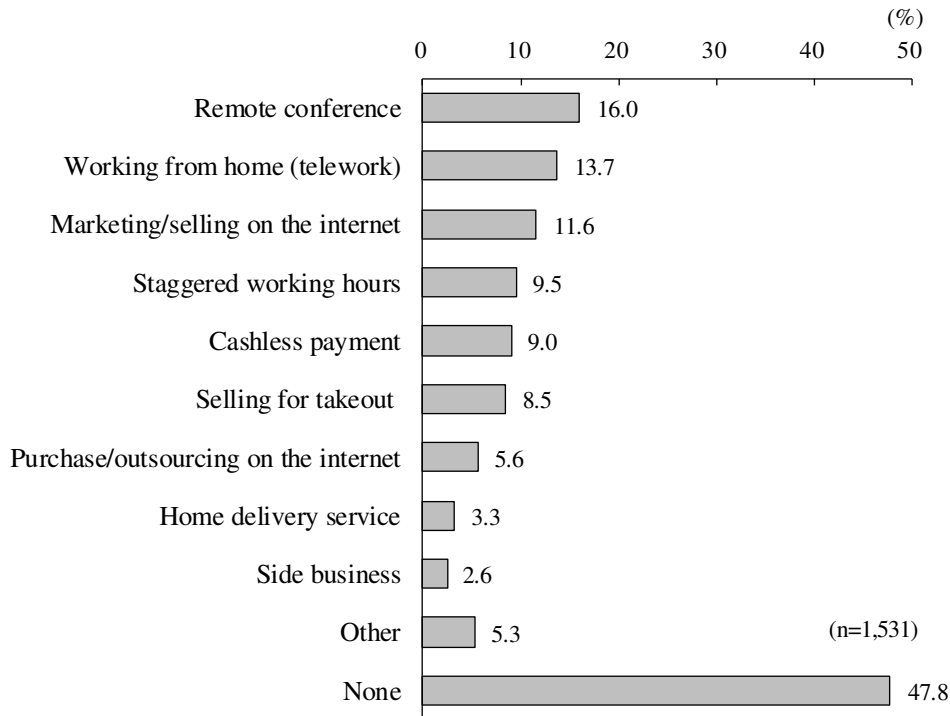


Note: The question was asked to the entrepreneurs who chose any of “a large negative effect before but currently none,” “some negative effects before but currently none,” “a large negative effect currently” and “some negative effects currently” in Figure-22.

Figure-25 is the result of asking the entrepreneurs answering “affected” for its content. Proportions of “sales were lower than expected” (82.3%) and “profit was lower than expected” (61.8%) were especially high. Not a few chose “self-restraint on the part of the business” (38.6%) or “temporarily closed the business” (21.7%).

78.4% of the entrepreneurs answered that COVID-19 “had no positive effects” but 21.6% of them answered “it had positive effects.” By industry, the proportion of “it had positive effects” was high in retail trade (33.7%), information and communications (28.9%) and education, learning support (28.6%).

**Figure-26 Systems and Working Styles Newly Introduced in Response to COVID-19
(multiple answers)**



Reasons written in the optional comment field in the questionnaire include: increased the number of people using local small stores to refrain from going downtown and avoid human contact; increased request for system development from businesses to create a telework environment or begin new services through the internet, and; nationwide expansion of the trading area through opening of online lessons.

The Survey also asked about newly introduced systems and work styles in response to the spread of COVID-19 (multiple answers). The most common answer was “none” (47.8%). The most common among other answers was “remote conference” (16.0%) followed by “working from home (telework)” (13.7%) and “marketing/selling on the internet” (11.6%) (Figure-26).

By industry, many entrepreneurs of the information and communication, restaurant and accommodation and wholesale industries introduced some sort of systems or new working styles (Table-3). More than half of the entrepreneurs of the information communications industry introduced “remote conference” (54.3%) and/or “working from home (telework)” (60.9%). In the restaurant and accommodations industry, 55.8% of the entrepreneurs started “selling for takeout.” In the wholesale sector, “marketing/selling on the internet” (29.1%) attracts attention in addition to “remote conference” (29.1%) and “working from home (telework)” (23.6%).

On the other hand, the proportion of the respondents answering “none” is over 50% in construction

Table-3 Newly Introduced Systems and Working Styles by Industry (multiple answers)

(%)

	Remote conference	Working from home (telework)	Marketing/ selling on the internet	Staggered working hours	Cashless payment	Selling for takeout	Purchase/ outsourcing on the internet	Home delivery service	Side business	Other	None
Construction (n=144)	10.4	9.0	4.2	3.5	6.3	0.0	6.3	1.4	2.8	3.5	70.1
Manufacturing (n=48)	20.8	14.6	12.5	12.5	4.2	2.1	6.3	2.1	10.4	2.1	47.9
Information and Communications (n=46)	54.3	60.9	15.2	17.4	2.2	0.0	2.2	0.0	4.3	4.3	19.6
Transportation (n=40)	7.5	0.0	0.0	12.5	15.0	0.0	0.0	0.0	2.5	5.0	65.0
Wholesale (n=55)	29.1	23.6	29.1	14.5	10.9	0.0	10.9	1.8	3.6	1.8	29.1
Retail trade (n=174)	11.5	7.5	20.1	3.4	14.4	3.4	7.5	5.2	3.4	4.6	56.9
Restaurant and Accommodations (n=217)	0.5	0.5	8.8	3.2	16.6	55.8	4.1	14.7	2.8	6.0	24.9
Medical, Health care and Welfare(n=255)	12.9	10.6	5.9	12.2	4.3	0.4	3.9	0.4	0.8	8.2	59.2
Education, Learning support(n=55)	29.1	21.8	29.1	9.1	9.1	0.0	7.3	1.8	3.6	1.8	30.9
Services (n=409)	22.7	17.4	9.0	13.0	8.3	0.2	6.6	0.7	2.4	6.1	47.2
Real estate (n=69)	15.9	33.3	24.6	14.5	4.3	0.0	5.8	0.0	0.0	1.4	43.5
Other (n=19)	10.5	5.3	15.8	10.5	0.0	0.0	0.0	0.0	0.0	5.3	68.4

(70.1%), transportation (65.0%) and medical, health care and welfare (59.2%). Measures to prevent infection may be limited for jobs to visit the actual site or directly interact with people.

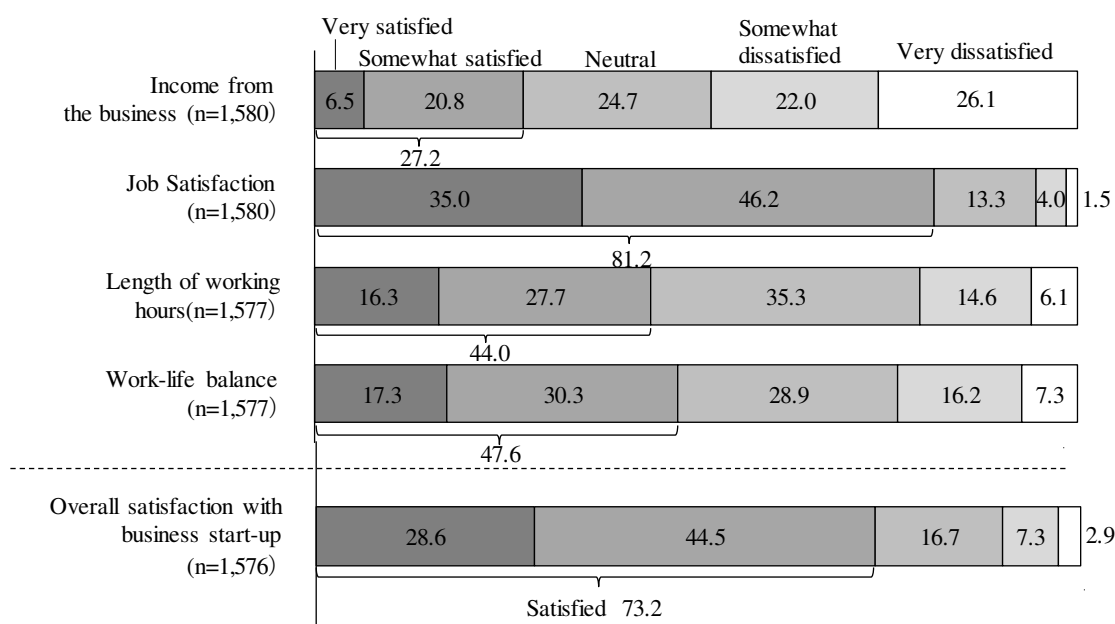
6. Satisfaction with the Business Start-up and Future Plan

(1) Satisfaction with the Business Start-up

Looking at satisfaction with the business start-up in terms of income from the business, job worthwhileness, working hours and work-life balance, satisfaction is the lowest with income from the business (Figure-27); the proportion of “satisfied” combining “very satisfied” and “somewhat

Figure-27 Satisfaction with the Business Start-up

(%)

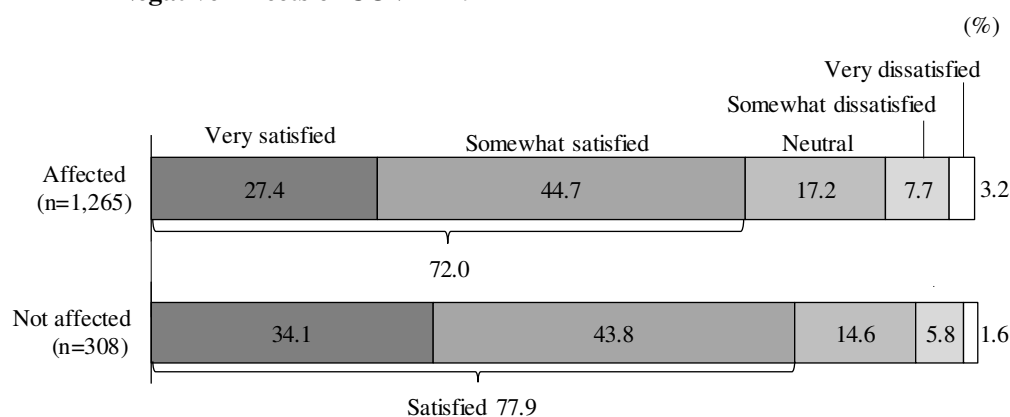


satisfied” is 27.2%, whereas the sum of “very dissatisfied” (26.1%) and “somewhat unsatisfied” (22.0%) is nearly 50%. However, the proportions did not change much from the 2019 survey, where “satisfied” was 26.5%, “very dissatisfied” was 24.9% and “somewhat dissatisfied” was 23.1%. In spite of the large number of entrepreneurs suffering worsened business conditions under the influence of the spread of COVID-19, satisfaction is not lower than the past fiscal year. The reasons may include that, compared to before the business start-up, the proportion of the respondents whose income has “increased” (34.3%) or “remained the same” (23.2%) (42.5% of the respondents answered that their income has “decreased”) is almost the same as that of FY2019 (“increased”: 35.3%; “remained the same”: 23.7%; “decreased”: 41.0%). Another reason may be that about 60% of the entrepreneurs could remain “in surplus” though the proportion slightly declined from the level of FY2019 (Figure-19).

As to job worthwhileness, 81.2% of the respondents are “satisfied”: the proportion is highest among the four question items, with little difference and even slightly higher compared with 79.6% of FY2019. To the question of the reasons for satisfaction with starting the business (multiple answers), especially common answers are “could work at my own discretion” (66.1%) and “could use my work experience, knowledge and qualifications” (61.2%) though these are not included in the Figure. Fulfilling their potential with greater discretion compared with the past employment may lead to the satisfaction with the job.

44.0% of the respondents are “satisfied” with working hours and 47.6% are satisfied with work-life balance: the proportions are lower than satisfaction with job worthwhileness. Compared to before the business start-up, working hours “have become longer” for 46.2% of the entrepreneurs (“remain the

Figure-28 Overall Satisfaction with the Business Start-up by Presence/Absence of Negative Effects of COVID-19



same”: 30.3%; “have become shorter”: 23.5%). Many entrepreneurs are working alone and maybe need to handle many operations singlehandedly. Nevertheless, only about 20% of the respondents are “dissatisfied.” It is considered that a fewer number of entrepreneurs feel dissatisfied with working hours because they can work relatively flexibly as the managers who run the business.

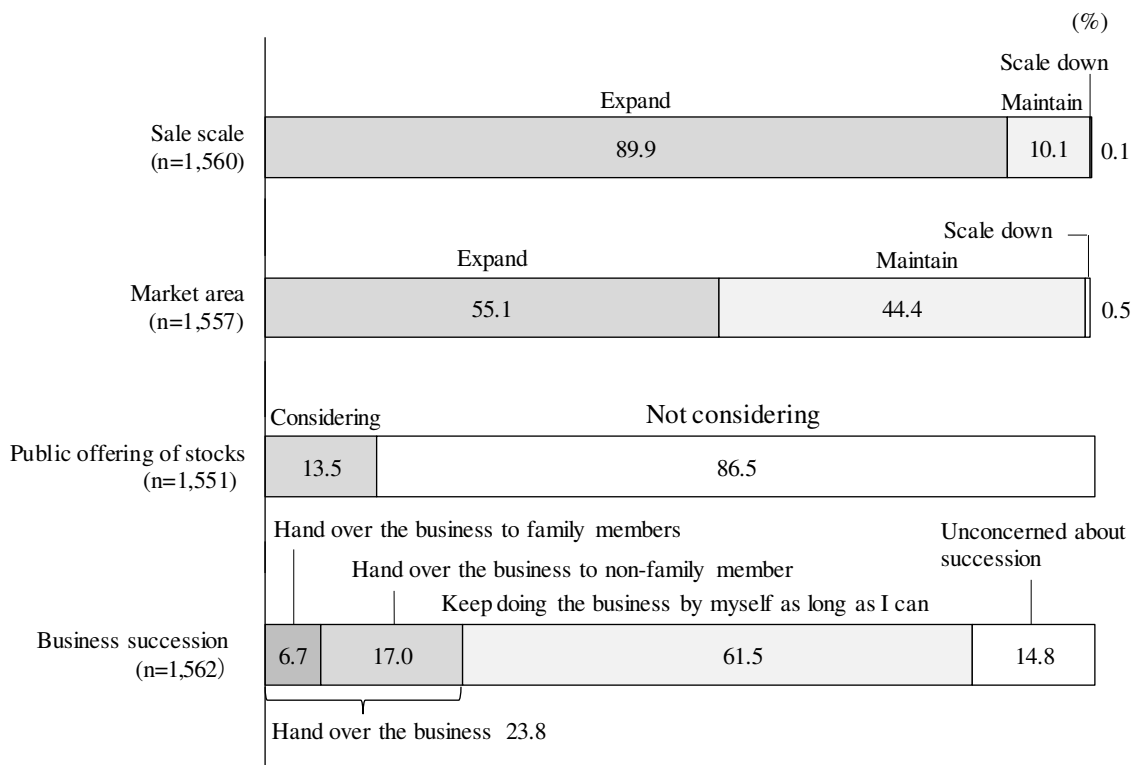
As to overall satisfaction with the business start-up, the proportion of “satisfied” is 73.2%, which is slightly higher than 70.7% of FY2019. By presence/absence of negative effects of COVID-19, 72.0% of the negatively affected entrepreneurs are “satisfied” (Figure-28). The proportion is 5.9 points lower than 77.9% of the entrepreneurs who are not affected but it is by no means low. Proportions of “very dissatisfied” (3.2%) and “somewhat dissatisfied” (7.7%) are low, which suggests that the majority of the entrepreneurs are satisfied with the business they started. The high satisfaction level of a job worthwhileness may have boosted the overall satisfaction.

(2) Future Plans

Regarding future plans, 89.9% of the entrepreneurs want to “expand” the sale scale (Figure-29) and 55.1% want to “expand” the market area, which shows their desire to expand the business. Even in comparison with the 2019 Survey, where the proportion of the entrepreneurs who want to “expand” the sale scale and market area were 90.3% and 57.0%, respectively, entrepreneurs’ desire for expansion has not been reduced in spite of COVID-19.

However, only 13.5% of the entrepreneurs are “considering” public offering of stocks. As to business succession, the most common answer is “keep doing the business by myself as long as I can” (61.5%). 23.8% of the entrepreneurs want to “hand over the business” to a family member or another applicant, while 14.8% “unconcerned about succession.” There is little change from the 2019 Survey, where 12.7% of the entrepreneurs were “considering” public offering of stocks, 61.0% want to “keep doing the business by myself as long as I can” and 24.4% want to “hand over the business.”

Figure-29 Future Plans



* * *

The unexpected situation caused by the spread of COVID-19 in 2020 made a strong impact on the business environment of the entrepreneurs. About 80% of the entrepreneurs answered that they were negatively affected while sales and profitability also worsened compared with FY2018 and FY2019. In this context, 52.2% of the entrepreneurs introduced new systems and working styles including remote conference and telework, though the proportion varies depending on the industry. It can be said that the spread of COVID-19 made many entrepreneurs review their working styles and the way of their business management.

Even among the entrepreneurs negatively affected by COVID-19, 72.0% of them were “satisfied” with having started the business. The satisfaction trend remained unchanged from the past surveys: more than 80% of the entrepreneurs are “satisfied” with job worthwhileness. The proportion of the entrepreneurs who want to expand their business is not lower than the previous year. Even in the severe business environment, business start-up remains a means to feel satisfaction with work and realize the desired working style, while their positive attitude to grow their business has remained intact.