

Outline of the Results of the Survey on Business Start-ups in Japan (FY2021)

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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 (FY2021)” which was implemented by Japan Finance Corporation Research Institute (JFCRI) in July 2021, and also with reference to the results of past surveys.

This survey has been conducted by the JFCRI every year since 1991*. Thirty-one 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 FY2021 survey can be summarized as follows:

- As to the age brackets of the entrepreneurs at the time of business start-up, “40s” accounts for the highest proportion at 36.9%, followed by “30s” at 31.3%. The two brackets comprise a major part of business start-ups.
- In regard to the distribution of initial expenses, the proportion of “under 5 million yen” is the largest at 42.1%. Average initial expenses are 9.41 million yen, which is the lowest since the survey was first conducted.
- As to the sales at the time of the Survey, the proportion of “on the increase” is 44.4%, which is lower than the level of FY2019 but almost the same as in FY2020. With regard to current profitability, the proportion of the respondents who answered “in surplus” is approximately 60%, which is almost the same as the proportion in FY2020.
- Among the difficulties 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.
- Approximately 70% of the entrepreneurs are generally “satisfied” with having started the business. However, satisfaction varies depending on the items. For example, despite high satisfaction with job worthwhileness, satisfaction with income from the business is low.
- The proportion of the entrepreneurs who want to “expand” the sales scale and the market area were approximately 90% and 60%, respectively, showing that their desire for expansion remains high.

* 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 the National Life Finance Corporation Research Institute (NLFCRI) from October 1999 and the JFCRI from October 2008.

1. Introduction

This paper outlines the results of the “Survey on Business Start-ups in Japan (FY2021)” (hereinafter, “this Survey”) which was implemented by Japan Finance Corporation Research Institute (hereinafter, “JFCRI”) in July 2021, and also with reference to the data of the past surveys on business start-ups as needed.

This Survey covers 4,793 business enterprises, financed by Japan Finance Corporation's Micro Business and Individual Unit over the period from April to September 2020, 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. A total of 1,467 enterprises responded, making the response rate 30.6%.

As to the distribution of the months from the time of the business start-up of the responding enterprises, the proportion of “0 to 6 months,” which means they started business in 2021, was 2.3%, the proportions of “7 to 12 months” and “13 to 18 months,” which mean they started business in 2020, are 38.1% and 47.2%, respectively. The sum of these proportions is nearly 90% (Figure-1). Considering that the confirmation of the first COVID-19 case in Japan was in January 2020, many of the responding enterprises may have started their business assuming some impact of COVID-19 on their business. The average period of business operation was 13.9 months.

Procedures for the “Survey on Business Start-ups in Japan (FY2021)”

Period of Survey:	July 2021
Scope of Survey:	A total of 4,793 business enterprises, financed by Japan Finance Corporation's Micro Business and Individual Unit over the period from April to September 2020, 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 excluding real estate lessors.
Survey method:	The questionnaires were sent and collected by post. The questionnaires were filled out anonymously.
Number of responses:	1,467 (response rate: 30.6%)

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 (FY2021)” by Japan Finance Corporation Research Institute. 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
21	79.3	20.7

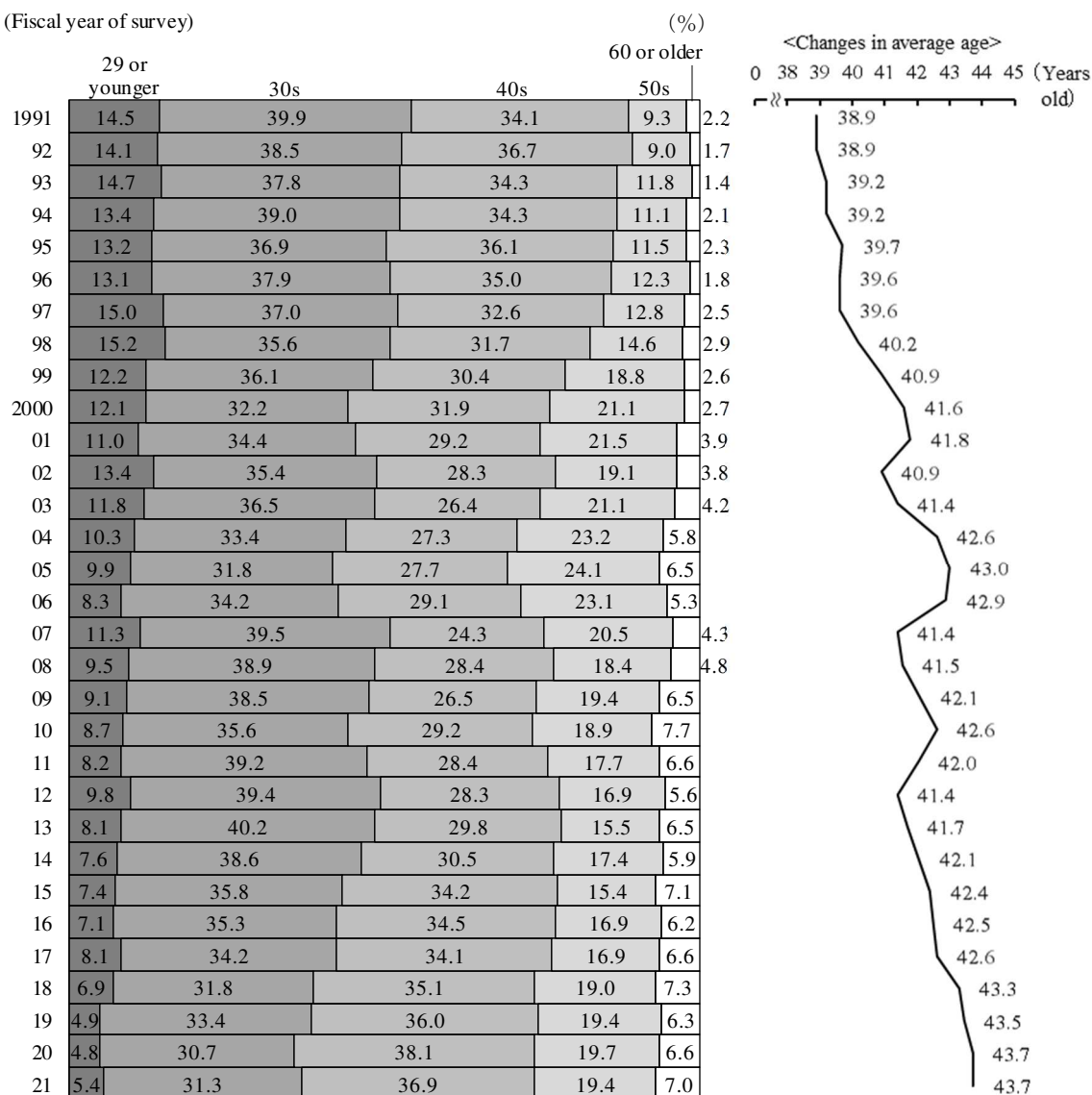
2. Characteristics and Career of Entrepreneurs

(1) Gender

79.3% of the entrepreneurs were males and 20.7% were females (Figure-2). The proportion of females slightly fell from 21.4% of FY2020 but continues to be over 20%. Males have been a major part of entrepreneurs but the proportion of females has been gradually increasing since FY1991 when the survey started. As an increasing number of women continue to work after marriage, giving birth and other life events, it is thought that the number of women who consider starting a business as an option of working style is also increasing.

Figure-3 Age at Business Start-up

(Fiscal year of survey)



(2) Age at Business Start-up

The average age of the entrepreneurs at the time of starting business was 43.7, which was the same as the average age in FY2020 (Figure-3). The average has been rising in the long term and is higher by nearly five years compared with the first half of the 1990s when the survey started.

As to the age brackets of the entrepreneurs at business start-up, “40s” accounts for the highest proportion at 36.9%, followed by “30s” at 31.3%. “40s” and “30s” are major force of business start-ups. The trend has remained the same also in the long term.

The proportion of “29 or younger” (5.4%) slightly increased from FY2020 (4.8%) but is still low. The ratio of “50s” (19.4%) was over 20% in some fiscal years in the 2000s but has been between 10% and 20% since the 2010s. The ratio of “60 or older” (7.0%) was around 2% in the first half of the

Figure-4 Academic History

(Fiscal year of survey) (%)

	Junior-high school	High school	Specialized training college/ Miscellaneous school	Junior college/ National Institute of Technology	University/ Graduate school	Other
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
21	3.7	27.6	26.2	4.7	37.6	0.2

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."

1990s but has gradually increased. However, despite the increase of the proportion of people 60 or older in the general population, their ratio among people starting business has remained roughly at 6 to 7% in the 2010s and after.

(3) Career of Entrepreneurs

As to the distribution of academic history of the entrepreneurs, the proportion of "university/graduate school" is the largest at 37.6% (Figure-4), followed by 27.6% of "high school" and 26.2% of "specialized training college/miscellaneous school." The proportion of "high school"

Table-1 Work Experience

(% , year)

	Percentage	Years of experience (average)	Years of experience (median)
With work experience (n=1,442)	97.2	20.6	20.0
With previous experience in relevant businesses (n=1,446)	82.2	15.1	14.0
Experience in managerial position (n=1,446)	66.9	11.4	10.0
Experience managing a business (n=1,340)	15.6	8.6	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.

was the largest at around 40% in the 1990s; but has gradually decreased and yielded first place to “university/graduate school” since FY2009. According to the FY2021 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 54.9%, which broke the comparable record held since FY1954. Higher education of entrepreneurs is considered to reflect this overall social trend.

As concerns work experience before starting business, 97.2% of the respondents “with work experience” with average and median of the number of years 20.6 and 20.0, respectively (Table-1), and 82.2% of the respondents had experience working in businesses relevant to their business at the time of the Survey (“with previous experience in relevant businesses”). Average and median years of such experience were 15.1 and 14.0, respectively. Some 66.9% 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 11.4. Also, 15.6% of the respondents had experience managing a different business before starting the business for 8.6 years on average.

The most common employment status held by the entrepreneurs just before their business start-up was “full-time employee in managerial position” at 41.3% (Figure-5), followed by “full-time employee in nonmanagerial position” at 28.3% and “full-time executive of company/organization” at 11.2%. “Full-time employee/executive” that combines these three categories account for about 80% of all respondents.

On the other hand, the proportion of “Non full-time employee” that is the sum of “part-time/temporary employees” and “dispatched/contracted workers” was 10.7%. The ratio is not high compared with “Full-time employee/executive,” but gradually increased from under 5% in the 1990s and has been above 10% in recent years. This may reflect the long-term increase of the proportion of non-full-time employment in Japan.

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

(%)

(Fiscal year of survey)	Full-time employee/executive			Non full-time employee	
	Full-time executive of company/organization	Full-time employee in managerial position	Full-time employee in non-managerial position	Other	
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
21	11.2	41.3	28.3	10.7	8.4

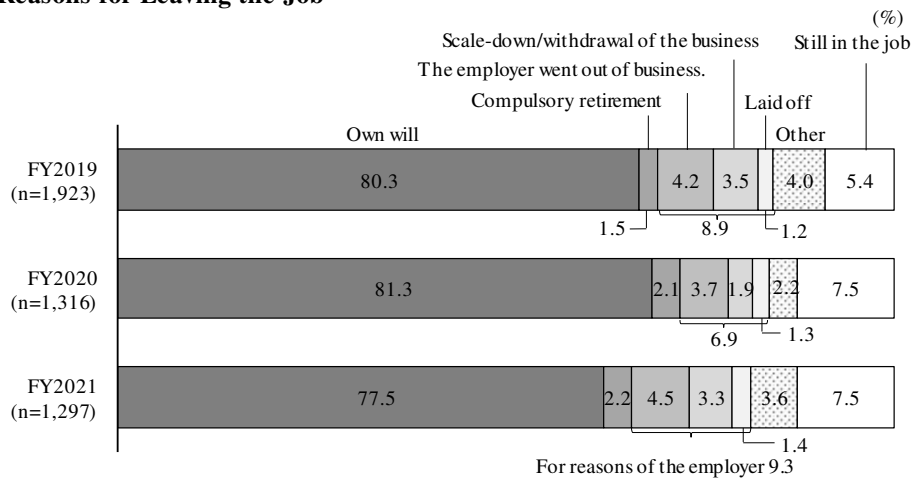
Note: 1. “Non full-time employee” is the sum of “part-time/temporary employees” and “dispatched/contracted workers.” However, choices for the surveys from FY1991 to FY1994 and FY2004 did not include “dispatched/contract employee.” The choices for the FY1995 to FY1999 surveys included “dispatched employee”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

(4) Reasons for Leaving the Job

The main reason for the entrepreneurs’ leaving the job just before the business start-up is “own will” at 77.5% (Figure-6). The level is lower compared with 80.3% in FY2019 and 81.3% in FY2020, but it remains the same that most entrepreneurs proactively left their job to start their own business.

The proportion of “reasons of the employer” was 9.3% combining: “the employer went out of business” (4.5%), “scale-down/withdrawal of the business” (3.3%) and “laid off” (1.4%). The

Figure-6 Reasons for Leaving the Job



Note: “For reasons of the employer” and the sum of “the employer went out of business,” “scale-down/withdrawal of the business,” and “laid off” may not agree due to rounding to the first decimal place.

proportion that had decreased from 8.9% in FY2019 to 6.9% in FY2020 turned to increase in FY2021. The increase is thought to be a result of the COVID-19 pandemic, but because the sample of FY2021 is considered to include entrepreneurs who left their job before the COVID-19 disaster, it may be necessary to assess the impact again in the next 2022 survey.

The proportion of “still in the job” has not changed from 7.5% of FY2020. A certain number of people start business as a side business, or continue their job as a side business while positioning the new business as their main occupation.

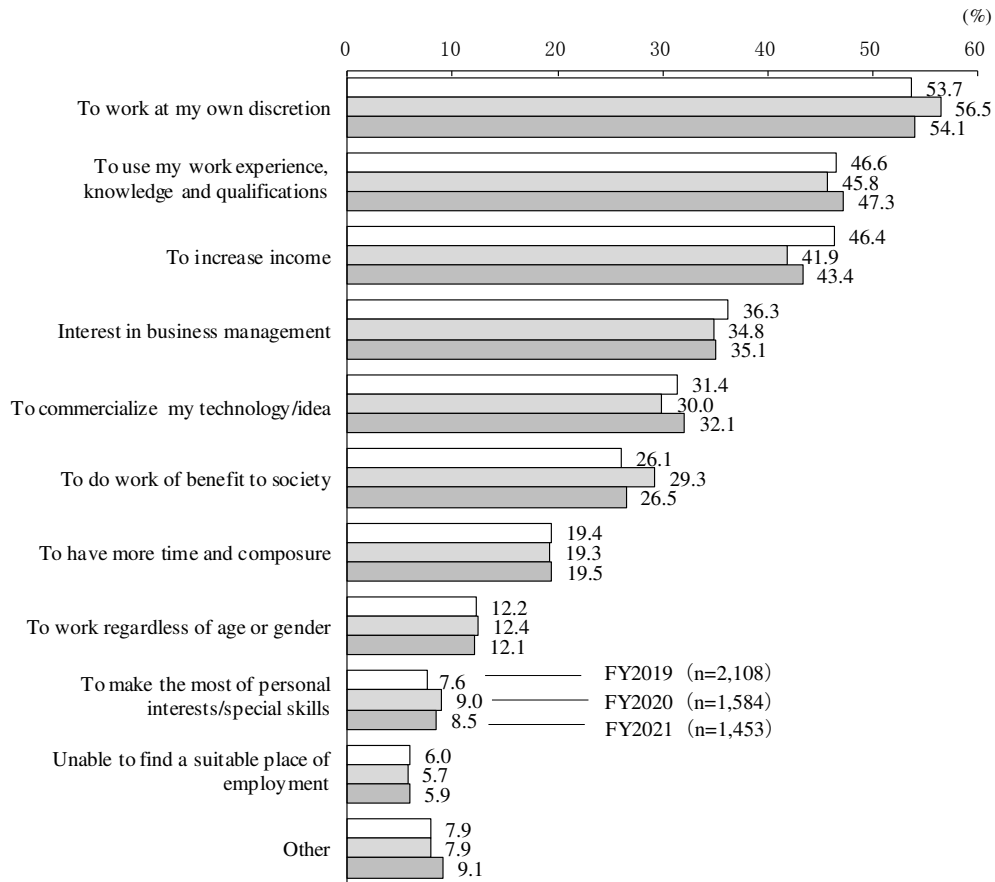
3. Motivation for Business Start-up and Decision on the Business

(1) Motivation for Business Start-up

The most highly cited motivation for starting business (multiple answers up to three) was “to work at my own discretion” at 54.1%, followed by “to use my work experience, knowledge and qualifications” at 47.3% and “to increase income” at 43.4% (Figure-7). In three years from FY2019, there is no change in the order of the top three motivations. Both “interest in business management” and “to commercialize my technology/idea” were cited by approximately 30% of the respondents.

To the question asking the most important motivation among them, the largest number of entrepreneurs chose “to work at my own discretion” (19.1%). However, the tendency varies depending on the age group. Entrepreneurs aged 29 or younger and in their 30s tend to cite “to work at my own discretion” (25.3% and 22.3%, respectively), whereas those in their 40s and 50s more often site “to use my work experience, knowledge and qualifications” (20.0% and 22.1%, respectively). Younger generations seek flexibility of working style, while more experienced generations seek a place to use their skills. The largest proportion of the entrepreneurs aged 60 or older cited “to increase income” at 24.0%. Most entrepreneurs leave their job on their own will in general, but many people of this

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



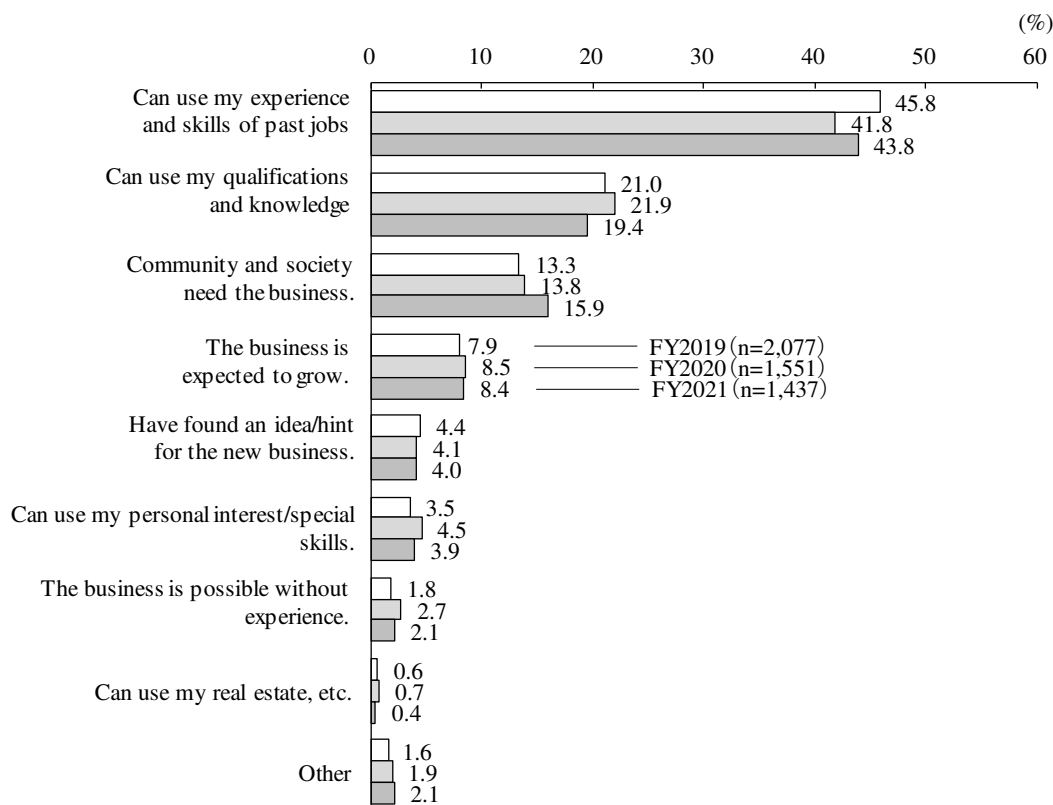
generation retire at the mandatory age. A higher proportion of this generation may consider starting a business as a future income source.

(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 43.8% followed by “can use my qualifications and knowledge” at 19.4% (Figure-8). Many entrepreneurs seem to choose a field where they can use their operational experience that they acquired before starting the business. “Community and society need the business” has been rising from 13.3% of FY2019 and 13.8% of FY2020 to 15.9%.

The top three reasons are the same for both males and female respondents, but there are some differences in the proportions. The percentage of male respondents choosing “can use my experience and skills of past jobs” (45.1%) is higher compared with female respondents (39.1%). On the other hand, the proportions of female respondents choosing “can use my qualifications and knowledge” (22.9%) and “community and society need the business” (16.5%) are higher compared with males (18.5% and 15.7%, respectively). Significant gender difference is found also in “can use my personal interest/special skills” (3.2% of males and 6.4% of females).

Figure-8 Reason for Decision on the Business Contents



4. Enterprise Characteristics

(1) Industry Type

The industry types are shown in Table-2. Services account for the highest proportion of the start-up enterprises at 28.1% and have been keeping the top position for a long period of time. In the breakdown, Hair-dressing and beauty salon, Business consultants, Certified tax accountants' offices, Aesthetic salon service and Barbershops account for higher proportions of the start-ups. Services are followed by Medical, Health Care and Welfare at 17.4% and Restaurant and Accommodations at 14.7%. The proportion of Medical, Health Care and Welfare increased in the latter half of the 2000s, reaching 21.9% in FY2014, but later decreased and has been in the upper-10% in recent years. The percentage of Restaurant and Accommodations has been around 15% without significant change, and it did not decrease (14.7%) in FY2021 despite the COVID-19 pandemic. These are followed by: Retail Trade (11.5%), Construction (7.2%), Transportation (4.6%) and Wholesale (4.3%) in this order.

(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" accounts for the majority at 61.3% followed by "Stock company, etc." (38.7%) that

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	21
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	7.2
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	2.7
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	2.5
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	4.6
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	4.3
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	11.5
Restaurant and Accomodations	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	14.7
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	17.4
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	2.9
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	28.1
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	3.3
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	0.9

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

combine "stock company" (29.4%), "NPO" (0.4%) and "other (limited liability company, limited partnership company, general incorporated association, etc.)" (8.9%) (Figure-9). The amended Commercial Code that was enforced in 1991 set forth the minimum amount of the stated capital of stock companies and raised the minimum amount of the stated capital of limited liability companies. Possibly due to the influence of the amendment, the percentage of "Stock company, etc." was mostly between 20% and 30% in the 1990s. Later, the amended Act on Facilitating the Creation of New Businesses that was enforced in 2003 loosened the regulation on the minimum amount of stated capital when certain requirements were met. Furthermore, the Companies Act that was enforced in 2006 abandoned the regulation of the minimum amount of stated capital. During this period, the proportion rose roughly to the upper 30%. As concerns the legal status at the time of the survey, which is not shown in the figure, the proportion of "sole proprietor" was 60.0%, while "stock company, etc." was 40.0%.

(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, which is the same as in FY2020 (Figure-10). The average was over 4 in the first half of the 2000s,

Figure-9 Legal Status at the Time of Start-up

(%)

(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
21	61.3	38.7

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."

but has been between 3 and 4 in the recent years. The proportion of the entrepreneurs starting the business alone without employing staff members hit a record high of 38.9% and almost doubled from the lower 20 percent range in the 2000s. The data show a long-term increase of entrepreneurs starting business with a smaller number of staff.

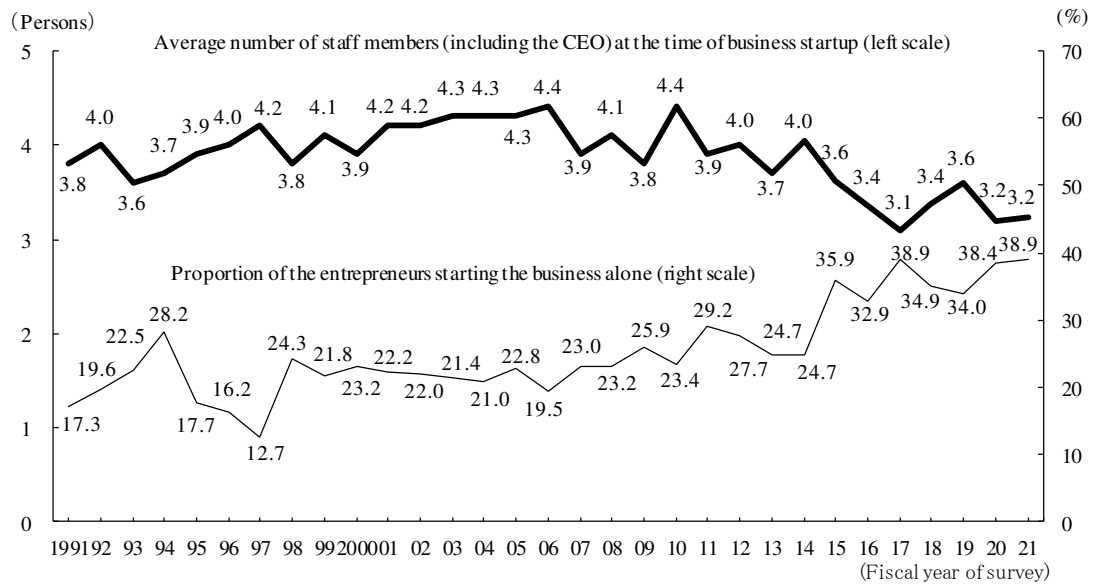
5. Initial Expenses and Raising Start-up Funds

(1) Initial Expenses

Average initial expenses are 9.41 million yen which is the lowest since FY1991 when the survey started (Figure-11). The median at 5.80 million yen is the next lowest after 5.60 million yen in FY2020. The amount seems to be declining in the long term.

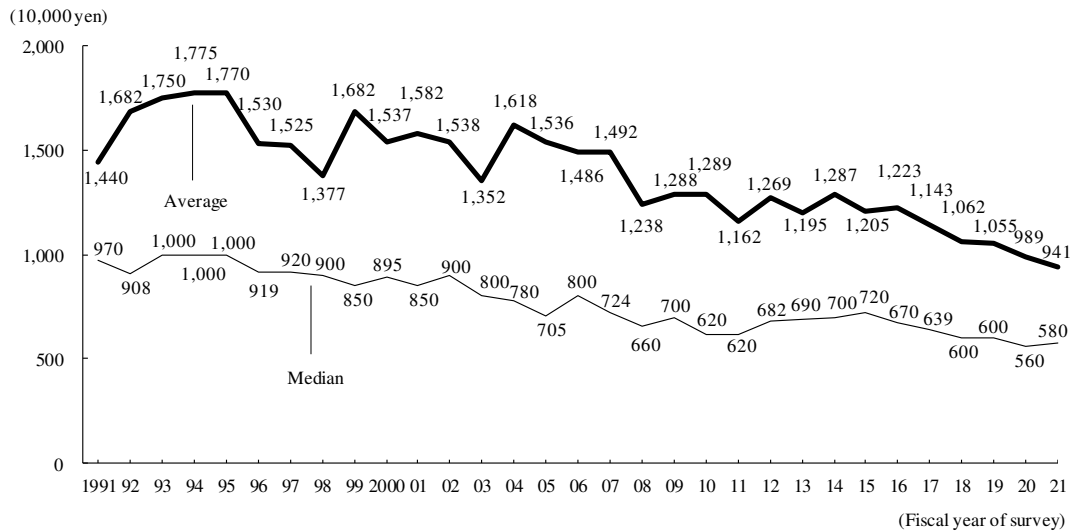
As to the distribution of amount, the proportion of "less than 5 million yen" is 42.1% followed by

Figure-10 Average Number of Staff Members (including the CEO) at the Time of Start-up and the Proportion of the Entrepreneurs Starting Business Alone



Note: Staff members include “the entrepreneur,” “Family employees,” “Full-time executives/full-time employees,” “Part-time and temporary employees” and “Dispatched/contract employees.” (the same applies hereafter.)

Figure-11 Average and Median of Initial Expenses



“5 million to under 10 million yen” at 30.2%,” “10 million to under 20 million yen” at 17.8% and “20 million yen or more” at 9.9% (Figure-12). The proportion of “less than 5 million yen” slightly decreased from 43.7% in FY2020; but has been increasing since the mid-2010s. On the other hand, the proportion of “20 million yen or more” is on the decrease over the long term, and in FY2021 hit the lowest since the start of the survey.

In recent years, with the increase of works that can be carried out remotely by using IT, the possibility to run a business at home without using an office is also increasing. Shared offices and other means to keep fixed expenses low are also spreading. As described above, the proportion of

Figure-12 Initial Expenses by Amount Bracket

(%)

(Fiscal year of survey)	Less than 5 million yen	5 million to <10 million yen	10 million to <20 million yen	20 million yen or more
1991	23.8	26.7	28.7	20.8
92	22.4	29.3	26.8	21.5
93	21.0	28.3	27.8	22.9
94	19.6	28.1	27.0	25.3
95	20.3	28.0	27.5	24.2
96	22.1	30.3	25.2	22.4
97	21.5	29.8	28.6	20.1
98	24.3	27.5	28.8	19.3
99	24.3	30.8	23.6	21.3
2000	24.4	29.2	25.2	21.1
01	22.6	32.2	24.5	20.8
02	24.9	28.8	25.2	21.1
03	29.6	30.2	23.0	17.1
04	29.8	28.9	21.7	19.6
05	31.8	29.0	19.8	19.4
06	30.1	27.1	23.9	18.9
07	31.7	28.6	21.4	18.3
08	35.4	29.1	21.6	13.9
09	34.3	28.3	21.6	15.8
10	38.1	28.5	17.9	15.5
11	39.8	26.6	19.2	14.5
12	35.4	31.1	19.2	14.3
13	34.7	31.0	21.1	13.2
14	32.5	31.8	20.5	15.2
15	32.8	31.6	21.8	13.8
16	35.3	30.9	20.5	13.3
17	37.4	29.3	20.8	12.6
18	37.4	31.0	19.5	12.1
19	40.1	27.8	20.6	11.5
20	43.7	27.3	18.2	10.8
21	42.1	30.2	17.8	9.9

entrepreneurs operating business alone is also increasing and the number of staff members at the time of starting the business is smaller than before. These factors are considered to contribute to the decrease in the initial expenses.

(2) Raising Start-up Funds

Average fund procurement at the time of starting the business is 11.77 million yen, which is the lowest since FY1991 when 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 (68.3%) at 8.03 million yen on average. The trend remains the same also in the long term. This is followed by “entrepreneur’s own fund” at 2.82 million yen on average (23.9%). “spouse/parents/siblings/relatives” account for 8.5% at 0.46 million yen on average. The amount greatly decreased from 1.50 million yen up to the first half of the 2000s and around 1.00 million yen of the first half of the 2010s. The ratio to

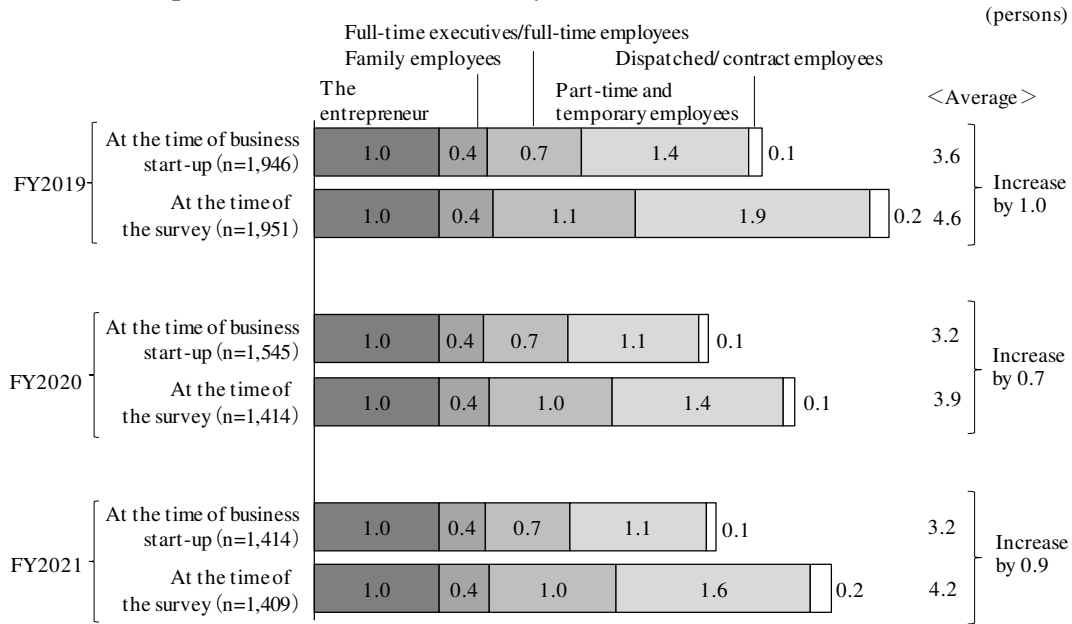
Figure-13 Fund Procurement

(Fiscal year of survey)	Spouse/parents/siblings/relatives						Friends/acquaintances		Loans from financial institutions		Other		<Average total capital procurement>
	Entrepreneur's own fund												
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		
21	282	46	28			803				17	1,177		

- 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 2021 surveys), "Officers/employees of the enterprise" (FY2004 to 2021 surveys), and "associated companies" (FY2016 survey).
 3. "Financial institutions" includes "Japan Finance Corporation" (FY1991 to 2021 surveys), "private financial institutions" (FY1991 to 2021 surveys), "financing system of local governments" (FY1992 to 2021 surveys), and "public institutions other than JFC and local governments" (FY1999 to 2021 surveys).
 4. The initial expense amount and fund procurement amount do not agree because the two were asked separately.

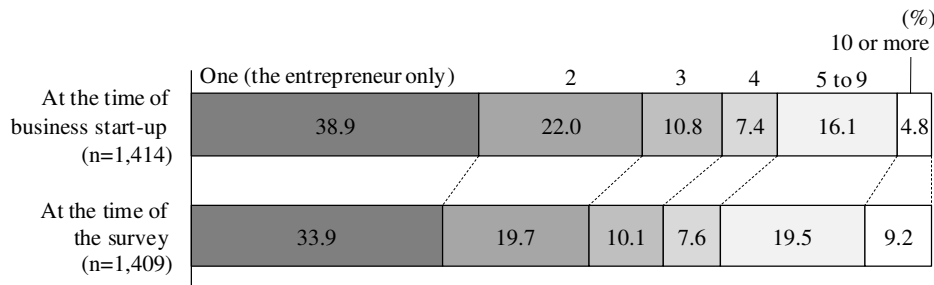
fund procurement is also on the decline. This may be attributed to a decreasing number of people who rely on family members/relatives for business funds as initial expenses. How people think about supporting relatives may be also rapidly changing in recent years. A decrease in the number of relatives due to a long-term decrease in the number of children and an increase in the percentage of unmarried people can also be a factor, but this is a major change even with consideration of these factors. The amount from "friends/acquaintances" is also on the decline at 0.28 million yen on average in this survey, which is the second lowest following 0.27 million yen in FY2020.

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



6. Situation after Business Start-up 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 (13.9 months on average after the time of the business start-up) increased by 0.9 to 4.2 from 3.2 at the time of business start-up (Figure-14). The increase is slightly bigger than 0.7 in FY2020. By breakdown: “full-time executives/full-time employees” increased 0.3 from 0.7 to 1.0, while “part-time and temporary employees” increased 0.5 from 1.1 to 1.6.

Figure-15 shows the distribution of the number of staff members at the time of business start-up and at the time of the Survey. The proportion of “one (the entrepreneur only)” at the time of the Survey was 33.9%. Though it is lower than the percentage at the time of business start-up (38.9%), over 30%

Figure-16 Monthly Sales at the Time of the Survey

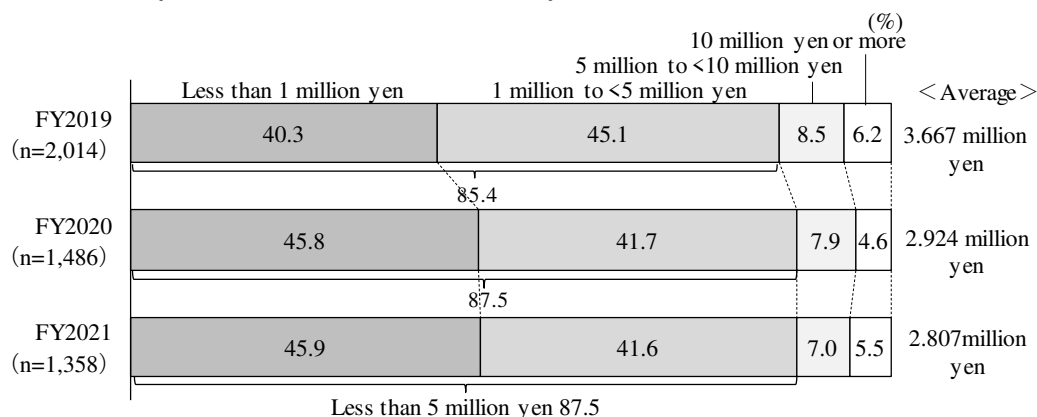
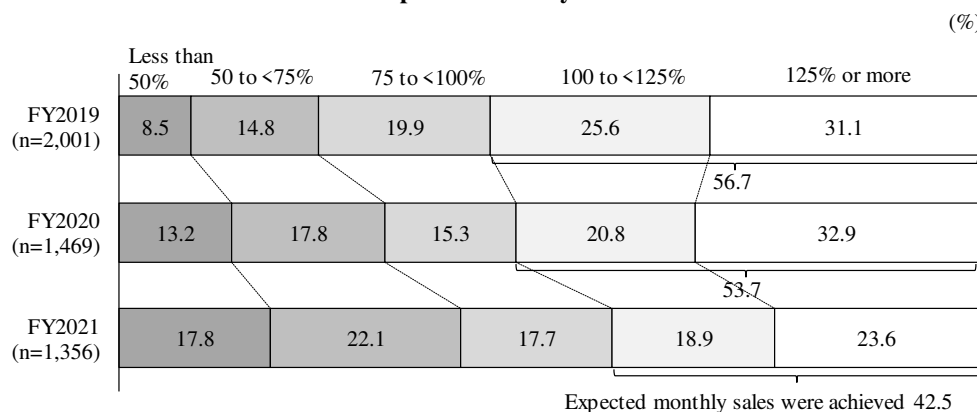


Figure-17 Achievement Ratio of the Expected Monthly Sales



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

of the entrepreneurs are still operating the business alone. On the other hand, the proportion of “5 to 9” and “10 or more” increased from 16.1% to 19.5% and from 4.8% to 9.2%, respectively, which suggests that some enterprises are steadily expanding the business.

(2) Business Conditions

As to average monthly sales at the time of the Survey, “less than 1 million yen” was 45.9% and “1 million to <5 million yen” was 41.6%(Figure-16). The proportions are almost the same as 45.8% and 41.7% of FY2020. The proportion of “less than 5 million yen” that combines the two accounts for 87.5%, nearly 90% of the whole. In FY2019 when the impact of COVID-19 was not yet felt, the proportions of “less than 1 million yen,” “1 million to <5 million yen” and “less than 5 million yen” were 40.3%, 45.1% and 85.4%, respectively, which shows a shift of sales to the lower side in the recent two surveys. Average monthly sales that were 3.667 million yen in FY2019 decreased to 2.924 million yen in FY2020 and 2.807 million yen in FY2021.

Here, let us check whether or not actual monthly sales reached the level of the original plan. Figure-17 shows the ratio of achieving the monthly sales that were expected before business start-up

Figure-18 Sales Conditions at the Time of the Survey

	Marginal change (%)	
	On the increase	On the decrease
FY2019 (n=2,102)	57.1	35.7
FY2020 (n=1,557)	43.0	34.3
FY2021 (n=1,438)	44.4	35.9

Figure-19 Profitability at the Time of the Survey

	In surplus (%)		In deficit (%)	
	In surplus	In deficit	<Average>	<Ratio of "shorter than 6 months">
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%
FY2021 (n=1,413)	58.2	41.8	5.8 months	67.0%

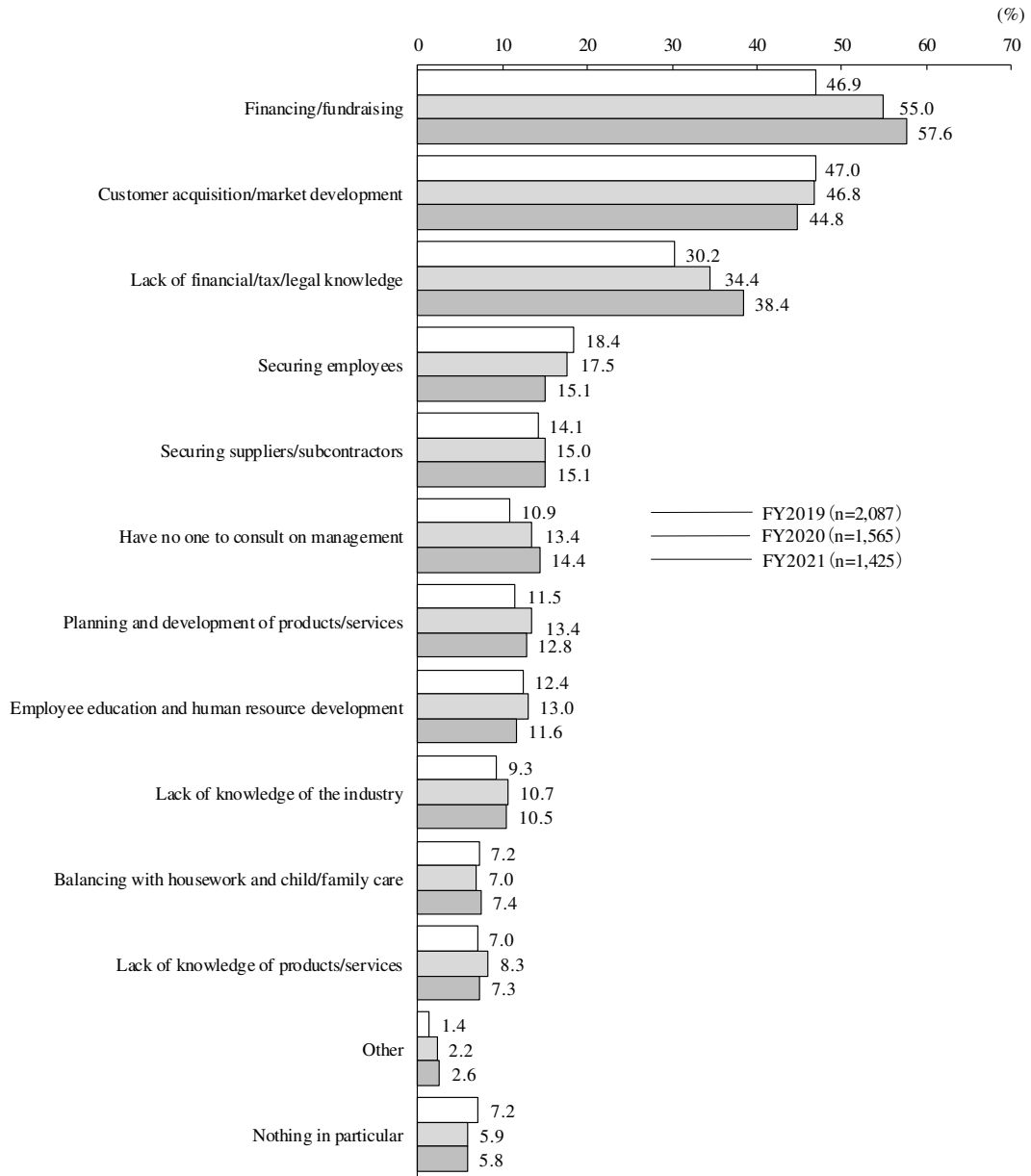
Note: Average refers to the time period required to record a surplus. Ratio of "shorter than 6 months" shows the proportion of the enterprises that recorded a surplus within 6 months among the enterprises "in surplus."

(monthly sales at the time of the Survey / monthly sales expected before the business start-up × 100). In FY2021, the proportion of "expected monthly sales were achieved" that combines "from 100 under 125%" (18.9%) and "125% or higher" (23.6%) is 42.5%. On the other hand, the proportions of "less than 50%," "from 50 to under 75%" and "from 75 to under 100%" are 17.8%, 22.1% and 17.7%, respectively. Nearly 60% of the enterprises could not reach the expected monthly sales. The proportion of the enterprises achieving the expected monthly sales significantly decreased from 56.7% of FY2019 and 53.7% of FY2020. The proportion of "less than 50%" that suggests very difficult business conditions increased from 8.5% in FY2019 and 13.2% in FY2020. It is thought that the result shows the big impact of COVID-19.

As to the sales at the time of the Survey, "on the increase" slightly increased to 44.4% from 43.0% of FY2020 though it did not reach 57.1% of FY2019 (Figure-18). "On the decrease" that was 7.2% in FY2019 increased to 22.7% in FY2020 but slightly decreased to 19.7% in FY 2021.

With regard to profit, the proportion of the enterprises "in surplus" slightly decreased to 58.2% from 63.5% of FY2019 and 59.8% of FY 2020 (Figure-19). It took 5.8 months on average for the enterprises to record a surplus, earlier than 6.3 months in FY2019 and FY2020. 67.0% of the enterprises recorded a surplus within 6 months after starting the business. The proportion is higher

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

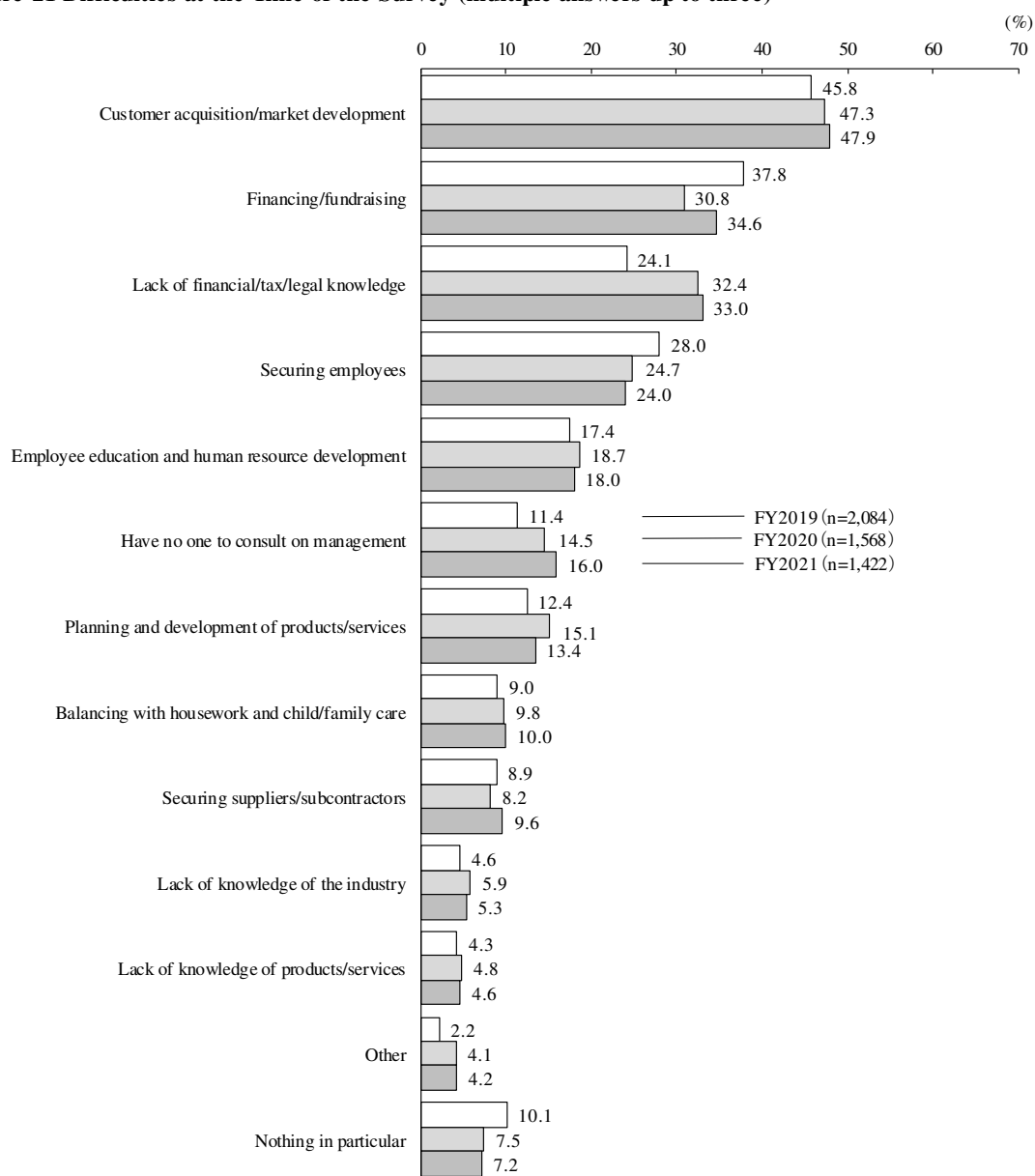


than 61.5% in FY2019 and 64.4% in FY2020. The results indicate that, while an increasing number of enterprises are facing difficult business conditions partially due to the impact of COVID-19, not a few enterprises are flexibly responding to their business environment.

(3) Difficulties

To the question asking about difficulties at the time of business start-up (multiple answers up to three), the most common answer was “financing/fundraising” at 57.6%, which was followed by “customer acquisition/market development” at 44.8%, “lack of financial/tax/legal knowledge” at 38.4% and 15.1% of “securing employees” and “securing suppliers/ subcontractors” (Figure-20). Only 5.8% of the entrepreneurs answered “nothing in particular,” which shows that most entrepreneurs had

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

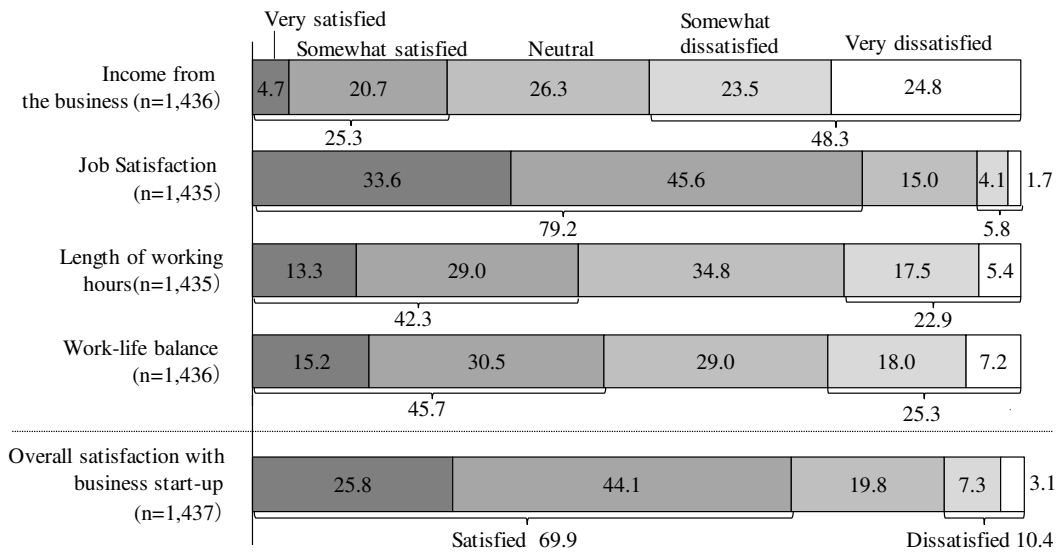


some difficulties at the time of starting business. Looking at changes of the proportions over time, “financing/fundraising” (46.9% in FY2019 and 55.0% in FY2020) and “lack of financial/tax/legal knowledge” (30.2% in FY2019 and 34.4% in FY2020) have increased during the period from FY2019 to FY2021. Contributing factors may include difficulty to increase sales at the initial stage of starting business under the COVID-19 pandemic and increased need for knowledge on new regulations for infection control and on application for subsidies. The proportion of “customer acquisition/market development” was almost the same as 47.0% in FY2019 and 46.8% in FY2020.

The top difficulty at the time of the Survey is “customer acquisition/market development” at 47.9%, followed by “financing/fundraising” at 34.6%, “lack of financial/tax/legal knowledge” at 33.0%, “securing employees” at 24.0% and “employee education/human resource development” at 18.0% (Figure-21). Here,

Figure-22 Satisfaction with the Business Start-up

(%)



too, “nothing in particular” is the minority at 7.2%.

It is conspicuous that “lack of financial/tax/legal knowledge” increased from 24.1% in FY2019 to 32.4% in FY2020 and 33.0% in FY2021. The proportion increased at the time of business start-up, but also after starting the business. There may be a certain number of entrepreneurs who perceived lack of knowledge for response to newly implemented regulations in relation to COVID-19.

Looking at the changes from the time of the business start-up in FY2021 to the time of the survey, “financing/fundraising” greatly fell from 57.6% to 34.6%, while an increasing number of respondents cite challenges related to human resources: “securing employees” increased from 15.1% to 24.0% and “employee education/human resource development” increased from 11.6% to 18.0%. Even if they did not think about hiring employees at the time of business start-up, expansion of the business required additional workforce and generated difficulties concerning human resources.

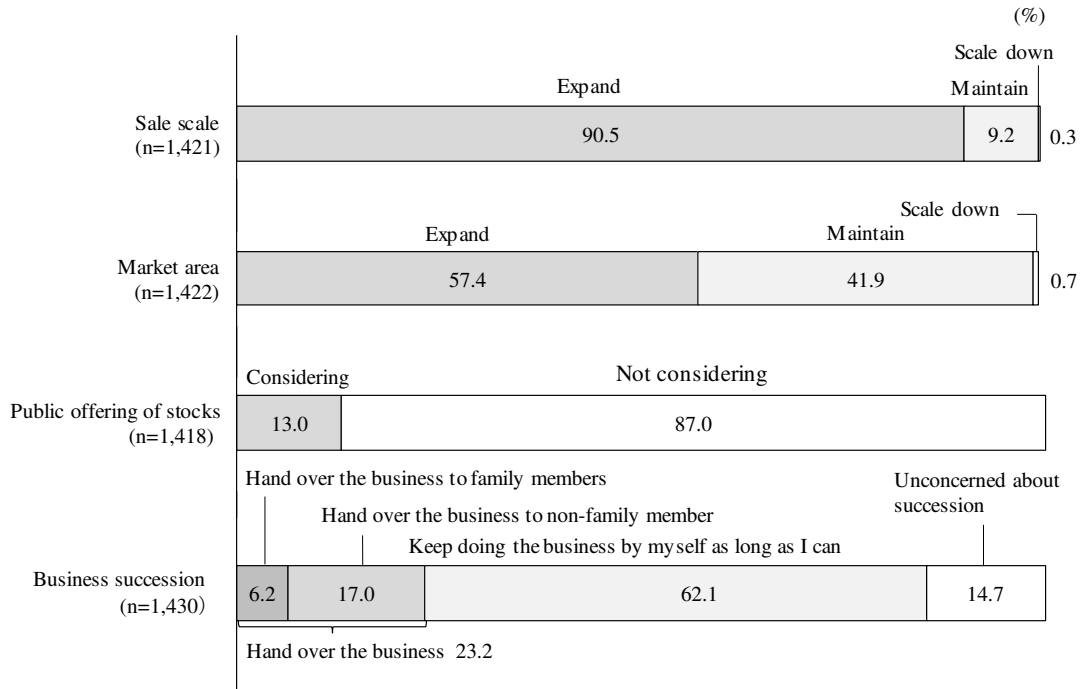
7. Satisfaction with the Business Start-up and Future Plan

(1) Satisfaction with the Business Start-up

Figure-22 shows satisfaction with the business start-up. First, let’s look at satisfaction in terms of income from the business, job worthwhileness, working hours and work-life balance.

In terms of income from the business, the proportion of “very satisfied” and “somewhat satisfied” is 4.7% and 20.7%, respectively. The proportion of “satisfied” combining the two remains at 25.3%, whereas the proportion of “dissatisfied” that is the sum of “very dissatisfied” (24.8%) and “somewhat dissatisfied” (23.5%) is nearly half at 48.3%. As to job worthwhileness, the proportion of “satisfied”

Figure-23 Future Plans



that is the sum of very satisfied” (33.6%) and “somewhat satisfied” (45.6%) is as high as 79.2%. In terms of working hours, the proportion of “satisfied” combining “very satisfied” (13.3%) and “somewhat satisfied” (29.0%) is 42.3%, while the proportion of “dissatisfied” combining “very dissatisfied” (5.4%) and “somewhat dissatisfied” (17.5%) is 22.9%. As to work-life balance, the proportion of “satisfied” combining very satisfied” (15.2%) and “somewhat satisfied” (30.5%) is 45.7%, while the proportion of “dissatisfied” combining “very dissatisfied” (7.2%) and “somewhat dissatisfied” (18.0%) is 25.3%. A certain number of entrepreneurs are dissatisfied with these issues, but the proportion of “satisfied” is higher than “dissatisfied.”

Lastly, as to overall satisfaction with the business start-up, the proportion of “satisfied” is 69.9% combining very satisfied” (25.8%) and “somewhat satisfied” (44.1%). The proportions of “very dissatisfied” and “somewhat dissatisfied” are 3.1% and 7.3%, respectively. 10.4% of the entrepreneurs are dissatisfied, but it may be right to think that overall satisfaction with starting business is high even in the severe business environment under the COVID-19 pandemic.

(2) Future Plans

Let’s look at their future plans in terms of sale scale, market area, public offering of stocks and hand over of the business (Figure-23). Overwhelming majority of the entrepreneurs (90.5%) want to “expand” the sale scale. The proportion of the entrepreneurs who want to “expand” the market area is also high at 57.4%. Entrepreneurs’ desire for business expansion seems to be strong. In comparison with the 2019 and 2020 Surveys, where the proportion of the entrepreneurs who want to “expand” the

sale scale and market area were 90.3% and 57.0%, and 89.9% and 55.1%, respectively, entrepreneurs' desire for expansion has not been reduced in spite of COVID-19.

However, only 13.0% of the entrepreneurs are "considering" public offering of stocks. Considering that there were only 125 initial public offerings in Japan in 2021, very few enterprises are expected to actually reach the stage of public offering, but the entrepreneurs setting a high goal for the growth of their business deserve recognition. Lastly to the question about business succession, the most common answer is "Keep doing the business by myself as long as I can" at 62.1%. 23.2% of the entrepreneurs "want to hand over the business" combining "hand over the business to family members" (6.2%) and "hand over the business to non-family member" (17.0%). On the other hand, 14.7% answered "unconcerned about succession." Only a short period after starting the business, it may be too early for many enterprises to think about business succession. However, as the number of new business start-ups is not increasing, long-term survival of the started enterprises through business succession will increase its importance.

* * *

The amount of initial expenses has been decreasing in recent years. One of the contributing factors may be the development of the environment for starting business with small funds by taking advantage of IT and shared office. New technologies and services can help labor-saving in business. These factors are considered to lower the hurdles of starting business and give entrepreneurs a boost.

On the other hand, the circumstances surrounding entrepreneurs are difficult due to the impact of COVID-19. Sales, profitability and other values showing business conditions of FY2020 and FY2021 got worse from the level of the 2019 Survey that was carried out before the spread of COVID-19.

However, there are also enterprises that are performing solidly in the difficult conditions: about 40% of the respondents answered their sales was "on the increase" and about 60% answered they are "in surplus." Regarding overall satisfaction with the business start-up, about 70% of the entrepreneurs answered that they were "satisfied." The number of the entrepreneurs wanting to expand their sales and trading area also increased albeit only slightly compared with FY2020. Future impact of COVID-19 on Japan's economic society is yet unpredictable, but we pay our respect to new entrepreneurs who aim to maintain and expand their business under the difficult conditions.