

# 08 Industry

## Industrial Structure

The share of primary industries in the Japanese economy steadily declined after World War II and dropped to a mere 1.6% of GDP in 2004. The share of secondary industries, particularly in the manufacturing sector, such as heavy and chemical industries, substantially increased during the era of high economic growth in the 1960s and peaked in 1970, accounting for 43.1% of GDP. Thereafter, the share of secondary industries gradually declined, and it marked a record low of 26.4% in 2002. In 2004 the figure was 26.5%. The tertiary industries, such as wholesale and retail trade, service, banking and insurance, and real estate, significantly increased their share to a record high of 72.0% in 2002. Although this figure dropped to 71.8% in 2004, the share of the service industries reached 20.6%, the same level as manufacturing (20.2%).

## Structural Reform

In June 2002 the Council on Economic and Fiscal Policy, a government panel headed by the prime minister, formulated a package of economic revitalization measures that called for, among other things, the implementation of strategies for industrial revitalization and the promotion of new industries and technologies. Specifically, the package proposed the creation of special zones in which regulations would be greatly eased to promote private-sector business activities. As of March 2006, 847 plans for special zones proposed by local governments, private companies, and other bodies had been approved.

As a follow-up to the structural reform programs announced earlier, the government in April 2003 established the Industrial Revitalization Corporation of Japan (IRCJ), a government-backed corporation designed to help turn around financially troubled companies. As of March 2005, the IRCJ had decided to assist 41 ailing enterprises, including supermarket giant Daiei.

## Real Gross Domestic Product by Industry

	1980	1985	1990	1995	2000	2004
Agriculture, forestry, and fisheries	3.4	3.1	2.5	1.9	1.8	1.6
Mining	0.6	0.3	0.3	0.2	0.1	0.1
Manufacturing	22.5	24.2	24.4	23.1	22.2	22.2
Construction	11.3	9.1	10.4	8.2	7.3	6.2
Electricity, gas, heat supply, and water	3.0	2.9	2.7	2.7	2.7	2.7
Wholesale and retail	11.7	11.2	12.5	15.3	14.1	13.2
Finance and insurance	3.3	3.9	5.3	5.9	6.1	6.3
Real estate	11.8	12.0	11.5	12.0	11.5	11.5
Transport and communications	6.4	6.6	6.7	7.1	6.9	7.2
Services	17.8	19.4	17.1	17.7	20.5	21.6

Source: Cabinet Office.

## Agriculture, Forestry, and Fisheries

### Agriculture

Japan's primary industries—agriculture, forestry, and fisheries—are rapidly declining in importance relative to the rest of the economy. In 1960 the primary sector still employed 32.6% of the Japanese working population, but this figure has continued to decrease as the Japanese economic and industrial structure has shifted into more advanced sectors. In 2005 its share of the workforce fell to 4.2%. Production of the primary industries as a percentage of GDP was 1.6% in 2004, the same level as the previous year.

The total number of farm households was 2.84 million as of February 2005, down 9.0% from 2000. The aging of the farming population further advanced, and the ratio of those aged 65 years or older reached 31.4% of the total as of January 2004.

The government long maintained its policy of promoting self-sufficiency in rice, the staple food, and rice imports were allowed only to offset shortages in domestic production. In April 1999 the ban on the import of rice was removed, however, allowing foreign rice to be sold freely in Japan, albeit after paying a prohibitively high import duty.

In December 2002 the government announced a major change in its rice policy featuring the abolishment of the 30-year-old government control of the rice output by fiscal 2008 and reforms to subsidy programs for rice farmers. This change is intended to introduce market mechanisms into rice production.

Japan's imports of farm products have continued to increase, and in 2004 they amounted to ¥4.57 trillion, up 4.7% over the previous year. Agricultural exports in the same year were valued at ¥203.8 billion, down 4.1% from the previous year.

## BSE

In September 2001 Japan's first case of mad cow disease (BSE: bovine spongiform encephalopathy) was confirmed, followed by the discovery of several other cases elsewhere in the country. In response to the growing concern, the government in July 2002 established a special law that provides for, among other things, a strict testing regime to investigate the cause of death in cows and a ban on the use of all livestock feed containing meat and bone meal. Following a report in December 2003 that a US cow had been found suspected of having BSE, the Japanese government banned the import of US beef, which accounted for 45% of all Japan's beef imports. Although the import ban was once lifted in December 2005, it was reinstated the following month after a shipment of American beef was found to contain cattle spinal cord, a high-risk body part that should have been removed under the agreement between Japan and the United States.

## Forestry

Japan's forests accounted for about two-thirds of the national land area and contained about 4.0 billion cubic meters of wood in 2002. The number of people employed in forestry has declined each year, from 110,000 in 1990 to 60,000 in 2003. Recently, however, there has been a new trend in the employment structure with a slight increase in the number of workers in their twenties who have moved from other sectors in urban areas.

Japan was self-sufficient in lumber supply until about 1960, but during the high-growth years of the early 1960s there was a rapid expansion in the demand for house-building materials, paper, and pulp. While annual lumber demand in 2004 was 89.8 million cubic meters, the domestic supply of lumber was only 16.6 million cubic meters, for a self-sufficiency ratio of 18.4%. In June 2001 the government adopted the New Basic Law on Forest and Forestry for the purpose of promoting sustainable management and conservation of forests, the multifunctional role of forests, and the sound development of forestry.

## Fisheries

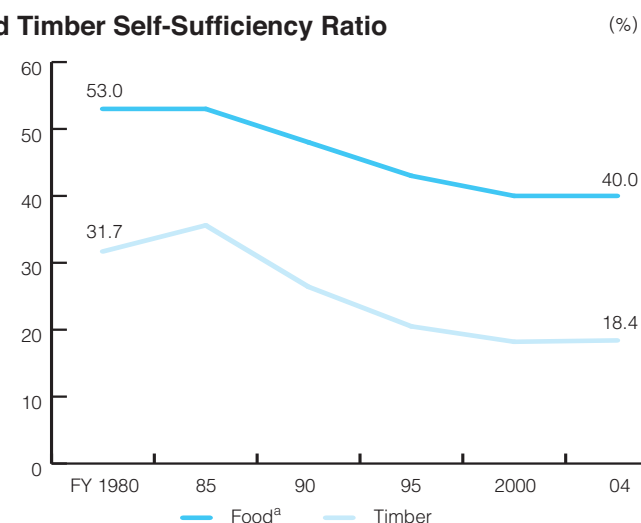
Japan's fishing industry, like agriculture, has been declining in recent decades. In 1960 fishing employed 1.5% of the working population; in 2004 the figure was only 0.3%. The total fishing catch peaked at 12.8 million tons in 1984 and dipped to 5.7 million tons in 2004. The catch from deep-sea fishing peaked much earlier, in 1973 at 3.4 million tons, and it had fallen to 0.5 million tons by 2004. This drop reflects the move by many countries to strictly enforce their 200-nautical-mile economic zones.

The volume of fish imports in 2004 was 3.5 million tons, worth ¥1.64 trillion, up 4.3% over the previous year. The dependence of Japan's domestic seafood consumption on imports has expanded, and the estimated seafood self-sufficiency ratio in fiscal 2004 was 49%.

In June 2001 the government enacted the Basic Fishery Law designed to secure

stable supplies of fishery products and to promote sound development of the fishing industry, and in March 2002 it formulated the Fishery Basic Plan, which sets a target of 65% for the seafood self-sufficiency ratio by 2012.

## Food and Timber Self-Sufficiency Ratio



Source: Ministry of Agriculture, Forestry and Fisheries.

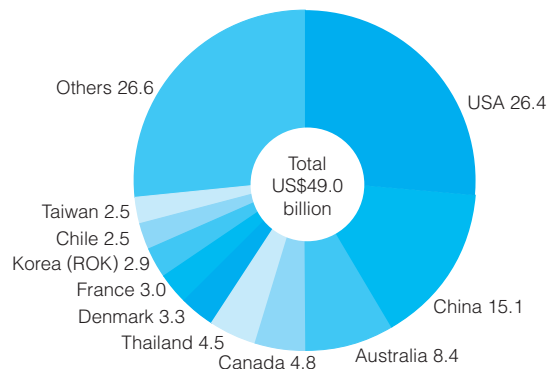
a. Self-sufficiency ratio in calories.

## Food Supply and Demand, FY 2004

	Production	Imports	Consumption	Self-sufficiency ratio (%)
Vegetables	12,286	3,051	15,333	80
Rice	8,730	726	9,269	95
Dairy products	8,290	3,995	12,319	67
Fish, shellfish	5,135	6,055	10,481	49
Potatoes, sweet potatoes	3,893	813	4,704	83
Fruit	3,457	5,353	8,761	39
Meat	3,024	2,532	5,520	55
Eggs	2,462	134	2,595	95
Wheat	860	5,484	6,266	14
Legumes	303	4,754	5,162	6
Maize	0	16,248	16,043	0

Source: Ministry of Agriculture, Forestry and Fisheries, *Shokuryo jukyū hyō* (Food Supply and Demand Tables), 2004.

## Sources of Japan's Food Imports, 2004 (%)



Source: Ministry of Internal Affairs and Communications.

## Catches of Fishing Nations

(1,000 tons)

	1990	1995	1999	2000	2003
China	6,715	12,713	17,456	17,192	17,052
Peru	6,869	8,938	8,430	10,660	6,098
USA	5,620	5,299	4,829	4,787	4,988
Japan	9,758	6,117	5,315	5,090	4,708
Chile	5,354	7,684	5,281	4,548	3,930
India	2,863	3,358	3,572	3,842	3,689
Russia	7,603	4,322	4,167	4,027	3,320
Korea (ROK)	2,497	2,342	2,133	1,836	1,653
<b>World total</b>	<b>86,785</b>	<b>93,622</b>	<b>94,847</b>	<b>96,716</b>	<b>91,488</b>

Source: Food and Agriculture Organization of the United Nations, *Yearbook of Fishery Statistics-Capture Production*, 2003.

## Manufacturing

The prolonged, deep economic slump from the early 1990s caused a great number of Japanese manufacturing enterprises to suffer from shrinking demand, coupled with surplus production capacity and workforce. They carried out large-scale restructuring and reorganization, consolidation, and tie-ups and mergers with other companies. From the mid-1990s a growing number of manufacturing companies relocated their production facilities to China, lured by low production costs and fast-expanding domestic markets in that country.

Reflecting the recovery of the Japanese economy, however, the manufacturing sector started showing bright signs in its business activities in the latter part of 2003. According to a survey released by the Finance Ministry in September 2005, combined sales and pretax profits of manufacturers in fiscal 2004 rose 6.4% and 29.1%,

respectively, over a year earlier. The data also revealed that capital spending by manufacturing companies jumped 34.1%. Recently, there are clear signs that Japanese manufacturers have been refocusing domestic investment and turning their production facilities in Japan into a supply base of high-end products for the domestic and world markets.

In 2004 the share of the manufacturing industries in Japan's GDP was 22.2% (in real terms), up 0.7 percentage points over the previous year. According to a survey conducted by the Ministry of Economy, Trade and Industry in December 2004, the number of manufacturing companies with at least 10 employees decreased 1.7% from a year earlier to 140,890, while the number of employees shrank 0.2% to 7.33 million, decreasing for the thirteenth straight year. Conversely, total shipment rose 4.2% from the previous year to ¥276 trillion.

## Production Indexes for Manufacturing Industries (Value Added Weights)

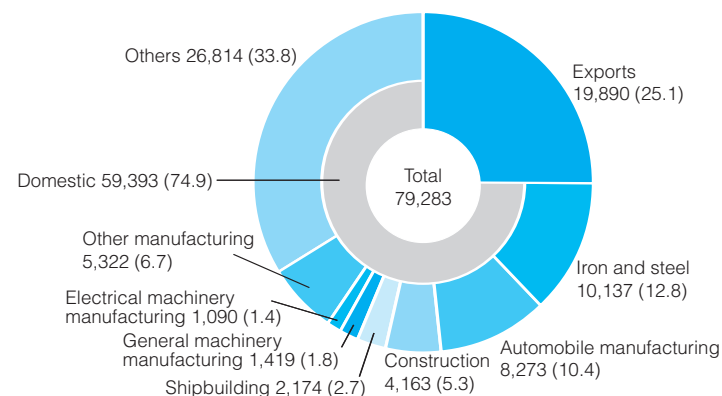
(2000 average = 100)

	1999	2000	2002	2003	2004
Iron and steel	90.2	100.0	99.2	103.3	108.0
Electrical machinery	94.2	100.0	87.3	92.5	101.0
Transportation equipment	96.2	100.0	106.4	107.0	115.1
Chemicals	98.4	100.0	99.3	100.6	102.9
Plastics	99.4	100.0	92.8	93.6	95.0
Pulp and paper	97.3	100.0	97.0	96.5	97.8
Textiles	106.8	100.0	81.5	74.8	70.7
Food and tobacco	99.8	100.0	95.6	97.3	96.1
Manufacturing average	94.6	100.0	92.0	95.0	100.2

Source: Ministry of Economy, Trade and Industry.

## Ordinary Steel Shipments, 2005

(1,000 tons)



Source: Ministry of Economy, Trade and Industry.

Note: Figures in parentheses are percentage.

## Japan's Automobile Production and Exports

(1,000 vehicles)

	Passenger cars		Trucks		Buses		Total	
	Production	Exports	Production	Exports	Production	Exports	Production	Exports
1985	7,647	4,427	4,545	2,238	76	66	12,271	6,730
1990	9,948	4,482	3,499	1,309	40	40	13,487	5,831
1995	7,611	2,896	2,538	850	47	45	10,196	3,791
2000	8,359	3,796	1,727	618	55	41	10,141	4,455
2001	8,118	3,569	1,602	553	58	44	9,777	4,166
2002	8,618	4,012	1,573	638	66	49	10,257	4,699
2003	8,478	4,080	1,747	630	61	46	10,286	4,756
2004	8,720	4,214	1,731	688	60	56	10,512	4,958
2005	9,017	4,363	1,707	612	76	78	10,800	5,053

Source: Japan Automobile Manufacturers Association.

## Offshore Production Ratios by Industry

(%)

FY	1995	2000	2001	2002	2003
Foodstuffs	2.6	2.7	4.5	4.6	4.9
Textiles	3.4	8.0	6.7	6.6	8.4
Chemicals	7.7	11.8	12.6	13.4	13.6
Iron and steel	8.4	14.0	16.2	8.9	9.4
General machinery	7.5	10.8	10.2	10.1	10.7
Electrical machinery	14.4	18.0	21.6	21.0	23.4
Transport machinery	17.1	23.7	30.6	32.2	32.6
<b>Total</b>	<b>8.3</b>	<b>11.8</b>	<b>14.3</b>	<b>14.6</b>	<b>15.6</b>

Source: Ministry of Economy, Trade and Industry, *Kaigai jigyo katsudo kihon chosa hokoku* (Basic Survey of Overseas Business Activities of Japanese Companies), 2003.

## Commerce and Services

As household spending has been stagnant for the last several years and a deflationary trend set in, Japan's retail business has been in the doldrums. In 2005 the total sales of nationwide department stores belonging to the Japan Department Stores Association came to about ¥7.84 trillion, a 0.2% drop from the previous year. The total sales of supermarkets affiliated with the Japan Chain Stores Association also fell 2.6% to ¥14.18 trillion. Both retail sectors marked declines for nine straight years, but there are some signs of business recovery: in the latter half of 2005 sales of department stores increased 1.0% from a year earlier.

In recent years Japan has seen a series of failures of medium- and large-scale retailers. Yaohan Japan went bankrupt in 1997, followed by the Nagasakiya supermarket chain and the long-established department store chain Sogo Co. in 2000. In 2001 the fourth largest supermarket chain, Mycal Corp., went bankrupt with liabilities

of about ¥1.4 trillion. In December 2004 the long-troubled supermarket giant Daiei Inc. filed a formal application to seek assistance from the government-backed Industrial Revitalization Corporation of Japan. The IRCJ appointed a consortium led by Marubeni Corp. as the sponsor for Daiei's restructuring program.

Convenience stores have been expanding their presence in the everyday life of the Japanese people. In August 2003 the number of outlets of Seven-Eleven Japan Co. passed 10,000, the first case of a retailer possessing more than 10,000 stores within a single country anywhere in the world. According to the Japan Franchise Association, the sales of convenience stores across the country in 2005 came to ¥6.60 trillion, down 2.2% from the previous year.

In the field of services for business establishments, the credit card business is constantly growing with total sales of ¥29.89 trillion in 2005, a 10.5% increase over the previous year, while the advertising industry rose 3.3% to ¥5.65 trillion. New orders for the engineering industry also climbed by 15.3% to ¥10.11 trillion.

In the service-to-individuals area, pachinko parlors continued to prosper in 2005 with total gross takings of ¥724 billion, a rise of 7.9% over the previous year, while turnover of amusement and theme parks dropped 1.4% to ¥405 billion with 71 million visitors.

## Sales of Selected Service Industries, 2005

### Services for Business Establishments

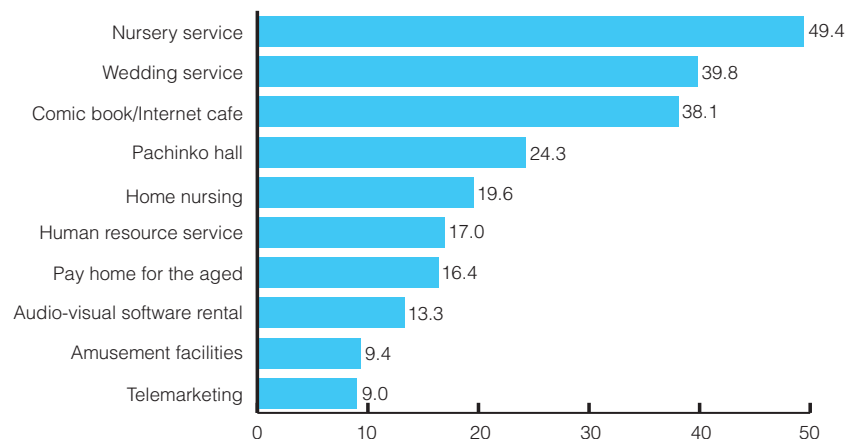
Category	Sales (¥ million)	Annual growth (%)
Credit card	29,893,340	10.5
Engineering	10,105,565	15.3
Information service	9,752,016	1.2
Leasing	6,378,117	2.3
Advertising	5,647,851	3.3
Rental	963,618	0.6

### Services to Individuals

Category	Sales (¥ million)	Annual growth (%)
Pachinko parlors	724,406	7.9
Amusement parks/Theme parks	405,078	- 1.4
Funeral services	444,485	4.8
Fitness clubs	249,275	6.2
Wedding halls	185,943	- 2.6
Theaters/Theater companies	184,992	3.9
Foreign language schools	119,081	- 8.4
Movie theaters	145,241	- 7.6
Golf courses	101,870	- 6.5

Source: Ministry of Economy, Trade and Industry, *Tokutei sabisu sangyo dotai tokei sokuho* (Preliminary Report on the Survey of Selected Service Industries).

## Fastest-Growing Service Industries, FY 2004 (increase over previous year's sales)



Source: *Nikkei Ryutsu Shimbun* (The Nikkei Marketing Journal), November 9, 2005.

## Number, Size, and Sales of Wholesale and Retail Establishments

	No. of establishments (1,000)		No. of employees (1,000)		Sales (¥ trillion)	
	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail
1982	429	1,721	4,091	6,369	399	94
1985	413	1,629	3,998	6,329	428	102
1988	436	1,620	4,332	6,851	446	115
1991	476	1,591	4,773	6,937	573	141
1994	429	1,500	4,581	7,384	514	143
1997	392	1,420	4,165	7,351	480	148
1999	426	1,407	4,496	8,029	495	144
2002	380	1,300	4,002	7,973	413	135
2004	375	1,238	3,805	7,767	406	133

Source: Ministry of Economy, Trade and Industry.

Note: Survey carried out every three years. Categories of wholesale and retail were revised in 1994.

## Market Size of Food Service Industry

(¥100 million)

	2002	2003	2004
Catering establishments	126,041	120,906	120,667
Restaurants	89,555	85,790	85,744
Noodle shops	11,111	10,710	10,606
Sushi	13,613	12,865	12,731
Others	11,762	11,541	11,586
Lodging facilities	33,751	32,816	32,229
Mass catering	37,370	37,135	37,116
Schools	4,805	4,780	4,770
Company canteens, etc.	20,365	19,941	19,892
Hospitals	9,846	9,889	9,828
Cafes, Japanese-style bars	22,919	22,204	22,136
Japanese restaurants, bars, and clubs	31,851	30,260	30,057
Lunch boxes, sandwiches, etc.	58,070	58,728	59,312
<b>Total</b>	<b>306,165</b>	<b>298,440</b>	<b>297,934</b>

Source: Food Service Industry Research Center.

## Numbers of Establishments and Employees of Food Service Industry

	Catering establishments			Employees		
	1999	2001	2004	1999	2001	2004
Restaurants	238,649	244,142	234,734	1,716,567	1,844,706	1,776,863
Noodle shops	34,526	35,086	34,639	204,003	211,452	209,529
Sushi	42,496	39,539	34,877	222,189	234,069	217,679
Japanese-style restaurants	7,334	5,831	5,249	56,028	44,141	40,490
Bars and night clubs	197,845	185,893	161,741	667,401	669,253	595,244
Beer halls	156,562	160,141	150,719	595,157	649,384	635,405
Cafes	94,251	88,924	83,676	331,349	329,198	314,959
Others	33,294	35,192	31,737	276,836	309,771	258,275
<b>Total</b>	<b>804,957</b>	<b>794,748</b>	<b>737,372</b>	<b>4,069,530</b>	<b>4,291,974</b>	<b>4,048,444</b>

Source: Ministry of Internal Affairs and Communications, *Jigyosho kigyo tokei chosa* (Establishment and Enterprise Census), 2004

## Corporate Trends

### Number of Enterprises by Industry

	1999		2004	
	Ratio (%)	Ratio (%)	Ratio (%)	Ratio (%)
Agriculture, forestry, and fisheries	9,408	0.56	9,629	0.63
Mining	2,501	0.15	1,914	0.13
Construction	301,882	18.10	283,784	18.55
Manufacturing	315,048	18.89	269,311	17.61
Electricity, gas, heat supply, and water	525	0.03	517	0.03
Transport	49,620	2.98	46,477	3.04
Communications	24,976	1.50	29,284	1.91
Wholesale and retail	516,646	30.98	453,775	29.67
Finance and insurance	15,065	0.90	16,478	1.08
Real estate	97,202	5.83	97,400	6.37
Food service and lodging facilities	104,254	6.25	90,762	5.93
Healthcare and welfare	5,329	0.32	10,146	0.66
Education and learning-support	11,410	0.68	11,763	0.77
Other services	213,773	12.82	208,376	13.62
<b>Total</b>	<b>1,667,639</b>	<b>100.00</b>	<b>1,529,616</b>	<b>100.00</b>

Source: Ministry of Internal Affairs and Communications, *Jigyosho kigyo tokei chosa* (Establishment and Enterprise Census), 2004.

## Sales and Profits by Industry

(¥ billion)

	FY 2001		FY 2002		FY 2003		FY 2004	
	Sales	Recurring profits	Sales	Recurring profits	Sales	Recurring profits	Sales	Recurring profits
Manufacturing	382,858	10,617	377,531	12,139	384,950	15,086	409,689	19,473
Food	42,709	1,264	44,698	1,270	41,820	1,335	44,996	1,522
Chemical	35,607	2,604	35,950	2,744	37,518	2,813	35,990	3,534
Petroleum and coal products	13,763	193	14,359	169	14,627	174	16,192	456
Iron and steel	12,224	30	12,512	286	12,935	633	15,605	1,497
Metal goods	19,749	479	16,987		16,066	564	19,849	796
General machinery	26,232	718	27,083		30,314	1,079	32,241	1,589
Electrical machinery	73,854	76	68,473	1,193	69,969	2,139	46,826	1,608
Communication machinery							34,723	1,368
Transport machinery	53,405	2,224	55,120	2,525	59,112	2,851	58,550	2,711
Nonmanufacturing	9,55,348	17,630	949,271	18,866	949,724	21,113	1,010,667	25,231
Construction	139,354	1,895	135,446	1,812	127,455	1,988	124,801	2,299
Wholesale and retail trade	527,625	5,585	516,440	5,941	510,310	6,805	534,470	7,814
Real estate	31,858	1,939	33,476	2,388	33,628	1,758	33,251	2,167
Communications	78,478	2,294	80,587	3,626	83,288	3,912	52,757	3,226
Transport							58,803	2,346
Electricity	16,066	1,037	15,555	1,004	15,146	1,074	16,135	1,381
Services	155,918	4,495	161,338	3,649	173,896	5,163	153,116	4,984
<b>Total</b>	<b>1,338,207</b>	<b>28,247</b>	<b>1,326,802</b>	<b>31,005</b>	<b>1,334,674</b>	<b>36,199</b>	<b>1,420,356</b>	<b>47,704</b>

Source: Ministry of Finance, *Hojin kigyo tokei chosa* (Financial Statements of Corporations by Industry), FY 2004.

## Trends in Startup and Closing Rates of Small and Medium Enterprises

		(%)							
		1972-75	1978-81	1986-89	1989-91	1991-94	1994-96	1996-99	1999-01
Nonprimary industry	Startup	6.1	6.1	4.2	4.1	4.6	3.7	4.1	3.8
	Close	4.1	3.8	3.6	4.7	4.7	3.8	5.9	4.2
Manufacturing	Startup	4.3	3.7	3.1	2.8	3.1	1.5	1.9	1.6
	Close	3.4	2.5	2.9	4.0	4.6	4.0	5.3	4.1
Wholesale	Startup	8.0	6.4	4.8	3.2	5.0	3.3	4.9	3.1
	Close	5.3	3.8	4.1	3.2	5.0	5.3	7.4	7.2
Retail	Startup	4.3	4.4	3.1	2.8	3.9	3.6	4.3	3.9
	Close	3.6	4.0	3.4	6.4	4.0	4.6	6.8	4.4
Services	Startup	6.1	6.4	4.9	4.7	5.0	3.8	4.2	4.0
	Close	3.8	3.1	3.6	2.9	4.2	2.8	4.8	2.9

Source: Small and Medium Enterprise Agency, *Chusho kigyo hakusho* (White Paper on Small and Medium Enterprises), FY 2003.

## Top 10 Companies in Declared Income, FY 2004

(¥ billion)

	Declared income	FY 2003 ranking
1 Toyota Motor	922.8	1
2 Bank of Japan	480.3	85
3 Tokyo Electric Power	387.4	12
4 Nippon Life Insurance	364.8	3
5 Canon	361.6	7
6 Takeda Chemical Industries	329.9	5
7 Kansai Electric Power	324.6	6
8 East Japan Railway	272.3	10
9 Nippon Steel	267.7	39
10 National Mutual Insurance Federation of Agricultural Cooperatives	247.1	8

Source: Teikoku Databank, Ltd.

## Overseas Affiliates by Region

	Number of affiliates		Shares by region (%)			
	2004	FY 2000	2001	2002	2003	2004
North America	2,737	22.1	20.8	20.0	19.0	18.3
Asia	8,440	48.3	50.9	52.6	54.0	56.4
China	3,557	16.9	17.8	19.6	21.4	23.8
ASEAN 4	2,603	16.5	17.8	17.8	17.6	17.4
NIEs 3	1,937	12.7	12.9	12.9	12.7	13.0
Europe	2,361	17.9	17.2	16.9	16.8	15.8
Others	1,417	11.7	11.1	10.5	10.2	9.5
<b>Total</b>	<b>14,955</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

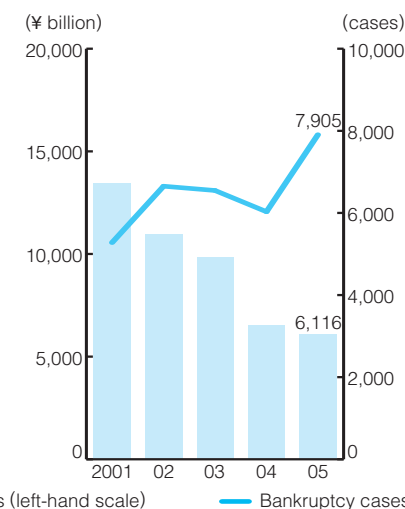
Source: Ministry of Economy, Trade and Industry, *Kaigai jigyo katsudo chosa hokoku* (Basic Survey of Overseas Business Activities of Japanese Companies), 2004.

Note: ASEAN 4: Indonesia, Malaysia, Philippines and Thailand; NIEs 3: Singapore, Taiwan, and Korea (ROK).

## Corporate Bankruptcies

According to statistics compiled by Teikoku Databank, Ltd., the number of corporate bankruptcies in Japan started to increase rapidly in the late 1970s, after the oil crises, and reached a record high of 20,841 in 1984. The figure dropped sharply in the late 1980s to bottom out in 1990 at 6,468, the lowest since 1972, before rising again when the bubble economy burst. In 2004 the number of bankruptcies decreased 16.8% from the previous year to 13,837, the second consecutive annual decrease, with liabilities of ¥7.9 trillion, down 32.6% from 2003. Of the total 13,837 failures, those caused by such recession-related factors as sales slumps and bad debts accounted for 74.6%, the first drop below 75% in five years. According to a new data compiling method introduced by Teikoku Databank, the number of companies filing for legal bankruptcies in 2005 was 7,905, with liabilities of ¥6.1 trillion.

## Bankruptcy Cases and Liabilities

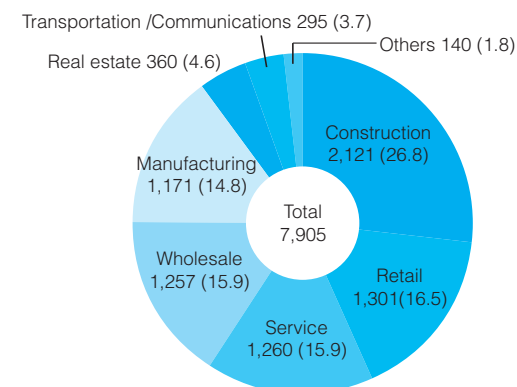


■ Total liabilities (left-hand scale) — Bankruptcy cases (right-hand scale)

Source: Teikoku Databank, Ltd.

Note: Figures for 2005 are based on a new calculation method.

## Bankruptcy Cases by Industry in 2005



Source: Teikoku Databank, Ltd.

Note: Composition rates in parentheses (%).