



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN JAPAN 2025

A REPORT FROM TEAM SWEDEN IN JAPAN

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FOREWORD

As we step into the second half of 2025, the business environment in Japan continues to evolve, marked by efforts to strengthen resilience and speed up industrial transformation. While global uncertainties persist, from shifting geopolitical dynamics to persistent supply chain disruptions, Japan entered the year with solid domestic fundamentals and a cautiously optimistic outlook.

The Japanese economy is experiencing a moment of recalibration. Inflation is stabilising at sustainable levels, wages are on the rise, and long-awaited signs of structural change are becoming more visible, not least through increasing investments in green transition, digital transformation, and cautious yet visible labour market reform. In many ways, Japan is redefining itself as a more agile, forward-facing economy, which presents new opportunities for global companies operating here.

Swedish companies are well-positioned to do well in this evolving context. Their strong reputation for innovation, sustainability, and high-quality solutions continues to resonate with Japanese industrial partners and consumers alike. According to this year's survey, business performance remains largely stable, and the outlook for the year ahead is generally positive, with many companies reporting ambitions to deepen their engagement in the Japanese market.

At the same time, the challenges Swedish businesses have long grappled with remain. Talent attraction and retention are particularly pressing in a shrinking labour market, and companies continue to navigate Japan's complex regulatory landscape and shifting consumer behaviour. However, the momentum around sustainability and digitalisation – two areas where Swedish firms lead globally – presents unique openings for collaboration and impact.

Japan – and, more broadly, Asia – is playing an increasingly vital role in the future of Swedish business. In its Strategy for Sweden's trade, investment, and global competitiveness, the Swedish government underscores the need for sustained promotional efforts to deepen Sweden's engagement in Asian markets, recognising their significance for Swedish exports and investments. Aligned with this vision, Sweden's participation in the Nordic Pavilion at Expo 2025 Osaka represents the largest joint Nordic promotional initiative in over a decade, an opportunity to highlight Swedish innovation, creativity, and the presence of Swedish companies in Japan.

The Business Climate Survey, compiled by Business Sweden in collaboration with its Team Sweden partners – the Embassy of Sweden and the Swedish Chamber of Commerce and Industry in Japan – continues to be a vital tool for understanding the evolving landscape for Swedish companies abroad. This year's survey also dives deeper into pressing topics such as sustainability integration and talent acquisition strategies, reflecting the changing priorities of businesses and society alike.

We hope this report provides valuable insights for your strategic planning and day-to-day operations in Japan. As always, Team Sweden stands ready to support your journey, whether through tailored advice, policy dialogue, networking opportunities, or advocacy. We extend our warmest thanks to all companies that took the time to contribute to this survey.



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+63 respondents in Japan

Current business climate

44%

of Swedish companies perceive a positive business climate in Japan in 2025

Industry turnover

62%

of Swedish companies expect their industry turnover to increase

Future investments

43%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Valued success factors

1. Brand awareness
2. Sales competence
3. Partnerships

Brand Sweden

56%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Physical infrastructure
3. Suppliers

Local conditions with least satisfaction

1. Level of digitalisation
2. Corporate taxation
3. Specialists and key personnel

Environmental considerations

22%

of respondents believe environmental considerations are a factor in their customers' purchasing decisions

Corruption

No reported concerns

Human rights violations and labour rights abuse

No reported concerns

ABOUT THE SURVEY

The Business Climate Survey offers a snapshot of how Swedish companies operating abroad view their local business environment. It aims to assess how these companies performed during the past year, what challenges they are facing, and how they view the coming 12 months. In addition to evaluating performance and expectations, the survey captures perceptions of the broader business climate in Japan, including the regulatory environment, ease of doing business, and macroeconomic conditions.

While the initiative has traditionally focused on approximately 20 countries that were Sweden's most important trading partners, this year marks the first global survey that includes nearly all countries where Business Sweden has a local presence, with responses submitted from a total of 37 international markets. Reports from the other markets can be found on Business Sweden's website.

In Japan, the survey has been conducted annually since 2018, and the data collection for the 2025 edition was carried out during the month of March. To ensure cross-country comparability, a core set of 18 standardised questions has been used across all markets and complemented by country-specific questions designed to capture issues of particular local relevance to Swedish companies in Japan. For this year's edition, two key areas – talent attraction and sustainability – were explored in greater depth.

All Swedish companies in Japan, regardless of industry, size, or length of time in the Japanese market, are invited to participate in the survey with the goal of capturing a nuanced view of their current performance. The definition of what constitutes a 'Swedish' company is intentionally broad and pragmatic. It includes firms with majority Swedish ownership, companies that, while not owned or headquartered in Sweden, nevertheless have significant legacy, operations, or employment in Sweden (e.g., IKEA or AstraZeneca), and Japanese-owned companies that focus primarily on distributing or selling Swedish products and services. Dormant companies, holding companies, and Japanese firms with Swedish management but otherwise without significant ties to Sweden are excluded from the sample.

For 2025, Team Sweden identified 142 total Swedish companies in Japan, an increase from 137 in the previous year. This increase is partially due to a few new entrants during 2024, but also due to an updated search. A database of contact information was established for 135 of these (compared to 109 in 2024). The survey was, to the extent possible, sent directly to local managing directors, country managers, or the most senior representatives for the Japanese market. Out of the 135 contacted companies, 63 responded – a response rate of 47 per cent, which is a decline from the 71 per cent achieved in 2024.

This drop in the response rate is partially attributed to a lower degree of follow-up, such as reminder phone calls and emails, as well as the inclusion of recently identified companies with whom Team Sweden has not yet built relationships and have in their Rolodex. For several new respondents or respondents excluded during previous years due to a lack of direct contact information, email addresses were guessed (e.g. *first.last@company.com* or *info@company.com*) with mixed results, significantly contributing to a lower response rate. Nevertheless, the consistency and quality of the responses in comparison with years prior provide a solid basis for analysing the business climate and drawing conclusions about the current state of Swedish business activity in Japan as of spring 2025.

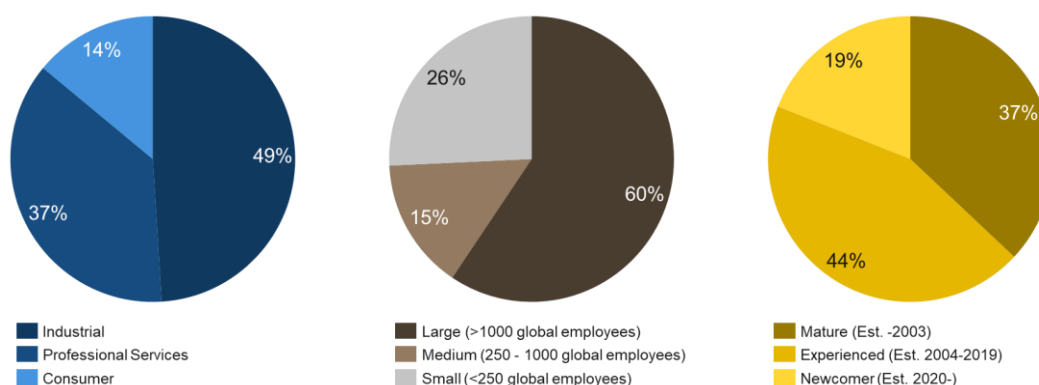
SWEDISH BUSINESS IN JAPAN

Swedish business engagement in Japan reflects both historical depth and sectoral diversity. Many companies have had a presence in the market for decades – nearly 40 per cent entered Japan before the year 2000, and over 80 per cent have operated in the country for more than five years. This long-term commitment highlights the strategic importance of Japan within the global operations of Swedish firms.

The Swedish business community in Japan spans a broad range of sectors, mirroring Japan's highly diversified economy. Swedish companies are primarily active in industrial equipment (17 per cent), automotive (13 per cent), healthcare and pharmaceuticals (13 per cent), IT and electronics (13 per cent), and retail and wholesale (10 per cent). For the purposes of analysis, they are broadly categorised into three groups: industrial (49 per cent), professional services (37 per cent), and consumer goods (14 per cent).

While many of the Swedish companies in Japan are large multinational corporations, with 60 per cent of survey respondents employing over 1,000 people globally, there is also a notable presence of small- and medium-sized enterprises (SMEs) succeeding in the market. In total, we estimate that Swedish companies employ around 15,000 people in Japan, with most of those positions concentrated in a handful of large Swedish multinationals.

OVERVIEW OF SWEDISH BUSINESS CHARACTERISTICS – INDUSTRY TYPE, GLOBAL SIZE AND LENGTH OF ESTABLISHMENT IN JAPAN

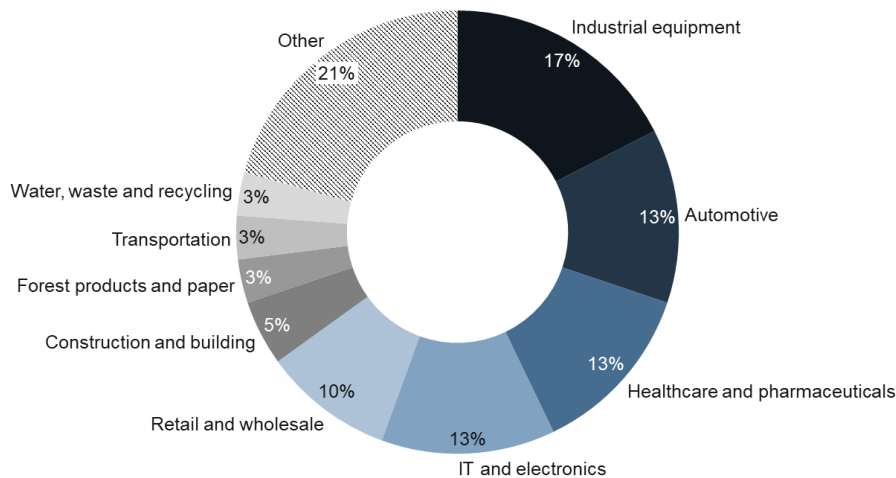


SOURCE: Business Climate Survey for Swedish companies in Japan 2025

Official trade statistics show that Swedish exports to Japan grew to SEK 25.3 billion in 2024, a 15 per cent increase from the previous year. Japan now represents 10.7 per cent of Sweden's exports to Asia and 1.2 per cent of its global total, making it a larger export destination than South Korea by roughly one-third. For further context, Sweden exports only approximately 30 per cent more to the ten ASEAN countries of Southeast Asia combined, while exports to China are nearly triple those to Japan.

However, these export figures only tell part of the overall story. Due to globalised production networks and complex supply chains, a significant portion of the goods and services Swedish companies sell to Japan are not produced in Sweden and, therefore, do not appear in export statistics. According to our estimate based on data collected during last year's survey, the total value of Swedish company sales in or to Japan reaches approximately SEK 100 billion annually. Remarkably, about 90 per cent of that figure is driven by the top ten Swedish companies active in the Japanese market, underscoring the impact of a few key players while also pointing to untapped potential for others.

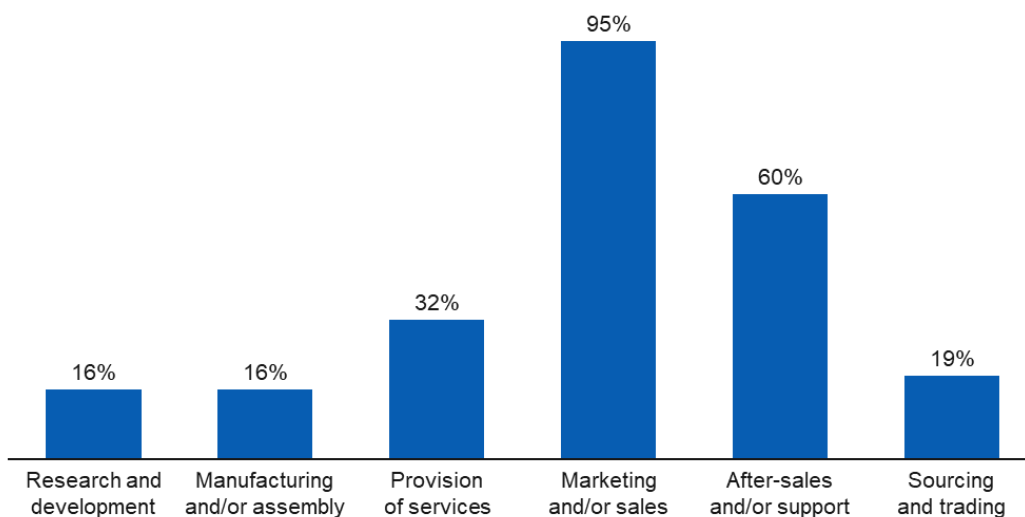
MAIN INDUSTRIES OF SWEDISH COMPANIES IN JAPAN



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

For most present Swedish companies, Japan is a pure sales market with few conducting any complementary activities such as research and development, manufacturing, or assembly. It has been speculated that foreign manufacturing in Japan will rise, based on 'friendshoring' trends and international firms diversifying supply chains away from being entirely based around China, as well as recent rises in trade tensions and decoupling combined with the weakening of the Japanese yen, making local larger-scale operations more affordable. However, we are yet to see this movement materialise in our sample of Swedish companies.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

On a final note, it should be mentioned that whilst Swedish business has a long-standing and, in most cases, profitable presence in Japan, the total revenues of most Swedish companies presented are not proportionate to the size of the Japanese market, and market shares are often markedly lower than in other comparable markets. This reflects a difficulty in breaking out of the niche market of foreign goods and directly taking on local Japanese competitors on equal terms, as there is often a strong preference for local partnerships based on a shared history and established trust, as well as language and cultural barriers. If Swedish companies find a way to break out of this niche, the rewards could potentially be found in a market size many times larger than what is the case today.

ECONOMIC OUTLOOK

Japan's economic outlook in the first half of 2025 is multifaceted, balancing moderate growth with persistent structural and external challenges. Domestic demand and rising wages are providing momentum, but inflationary pressures, a historically weak yen, and headwinds in the manufacturing sector continue to weigh on the broader recovery.

After an estimated real GDP growth of 0.7 per cent in 2024, the Japanese economy is expected to expand by 1.0 per cent in 2025. This improvement is largely driven by increased personal consumption and corporate investment, underpinned by stronger household income and increased industrial investment intentions.

Wage growth has been a key driver of this trend. Large enterprises implemented average salary increases of over five per cent in 2024 – the highest since Japan's economic boom of the late 1980s – and further gains are anticipated, particularly given ongoing labour shortages and an unemployment rate holding steady at 2.5 per cent. Inflation, which reached approximately three per cent in 2024, is projected to ease to around two per cent in 2025. With wage growth expected to outpace inflation, consumer purchasing power is likely to improve, supporting continued private consumption. If this trend strengthens, it could prompt the Bank of Japan to gradually raise interest rates, potentially leading to a rebound in the yen, which remains at multi-decade lows.

However, not all sectors are equally buoyant. Japan's manufacturing industry, particularly the important automotive segment, is facing notable challenges amid a global slowdown in demand. Export growth has weakened, and the manufacturing Purchasing Managers' Index (PMI) has remained in contraction territory, fluctuating between 48 and 49, a signal of underlying fragility in industrial output and broader uncertainty among producers.

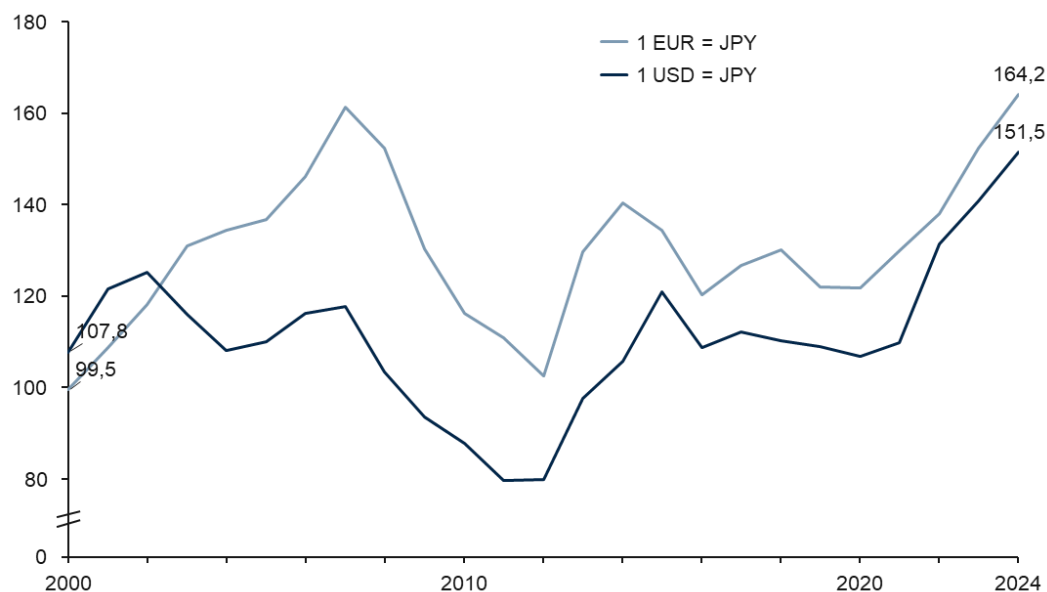
External risks further complicate the outlook. The evolving US trade policy, marked by both implemented and threatened tariffs, creates unpredictability that could impact global trade flows and dampen demand for Japanese exports. In addition, China's economic malaise poses a dual threat: reduced demand for Japanese goods and increased competitive pressure in international markets. Geopolitical instability, including the war in Ukraine and heightened tensions in the Middle East, also threatens to disrupt global supply chains and further strain international markets.

Overall, while Japan's economy is on a cautiously positive trajectory supported by domestic consumption and wage-led growth, a range of external uncertainties and structural pressures continues to pose risks.

A historically weak yen brings both opportunities and challenges for businesses in Japan

In 2024, the value of the Japanese yen reached its weakest levels against the Euro and the US dollar since the turn of the century. This depreciation has been influenced by various factors, including Japan's prolonged economic stagnation, persistent low consumer demand, and expansive monetary policies such as the Bank of Japan's aggressive quantitative easing, which resulted in an increased monetary supply.

AVERAGE JAPANESE YEN EXCHANGE RATE AGAINST EUR AND USD



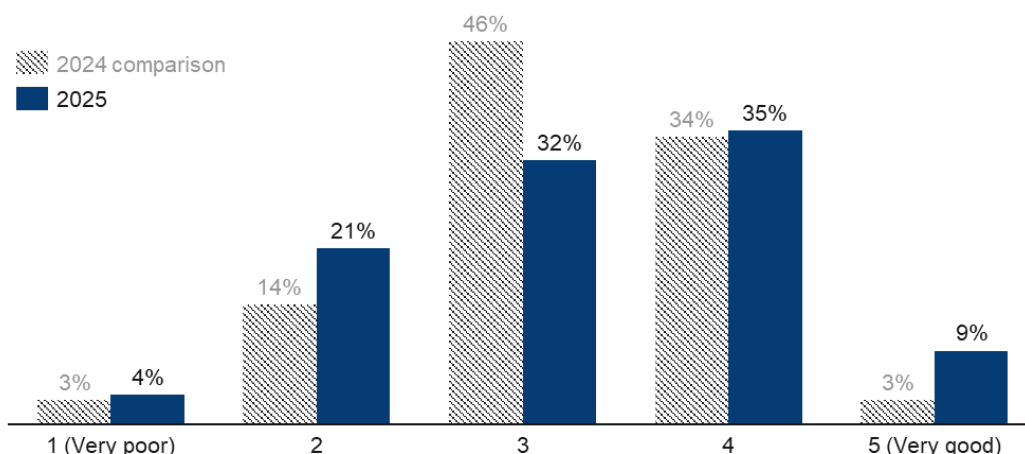
SOURCE: MacroTrends

For Swedish companies operating in Japan, the weaker yen presents both opportunities and challenges. On the one hand, larger companies involved in manufacturing and/or exporting from Japan – such as in sectors like industrial machinery – may benefit from increased global cost-competitiveness, as the lower yen makes their products more affordable abroad. On the other hand, businesses that rely on imported raw materials, components, or equipment – such as those in the pharmaceutical or energy sectors – face rising input costs, which can put pressure on margins and complicate pricing strategies. Companies exporting finished goods to Japan, such as retail brands, may also encounter pricing challenges as the increased cost burden on importers can impact the overall competitiveness and market viability of these products. Navigating this currency environment requires careful cost management and, in some cases, re-evaluating supply chain structures to maintain profitability.

Overall business climate outlook remains stable

While the overall perception of the business climate for Swedish businesses in Japan has been stable in recent years, sentiments in 2025 are slightly more polarised than in previous years as there is a shift from neutral responses to both negative and positive. Nine per cent of respondents now view the business climate as 'very good', up from three per cent last year. On the contrary, 21 per cent view the business climate as 'poor', up from 14 per cent in 2024.

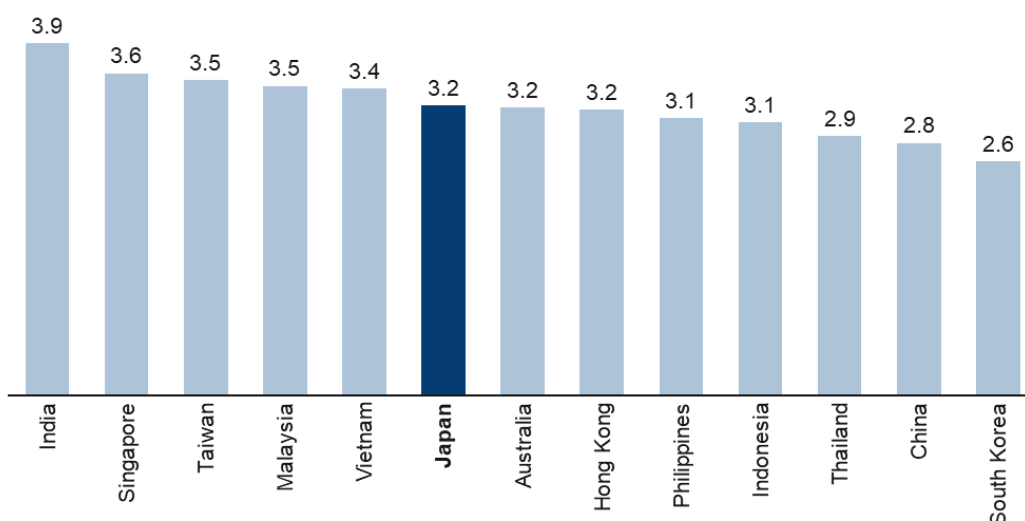
SWEDISH FIRMS' PERCEPTION OF THE JAPANESE BUSINESS CLIMATE



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

This polarisation is also evident within specific industries. For instance, in the industrial equipment sector, 44 per cent of companies reported a positive outlook on the business climate, while an equal proportion expressed a negative view. In contrast, the automotive sector has a largely unified and optimistic perspective of the business climate, with 75 per cent of respondents reporting a positive outlook and the remaining 25 per cent indicating a neutral one. A potential explanation for this trend is that Swedish automotive companies may be capitalising on emerging opportunities as Japanese manufacturers face increasing challenges, such as supply chain disruptions, electrification transitions, and shifting consumer preferences – creating space for international players to gain traction in the Japanese market.

BUSINESS CLIMATE PERCEPTIONS COMPARED TO OTHER APAC COUNTRIES



NOTE: Average numerical score for business climate perceptions for all surveyed APAC markets in 2025

SOURCE: Business Climate Surveys for Swedish companies 2025

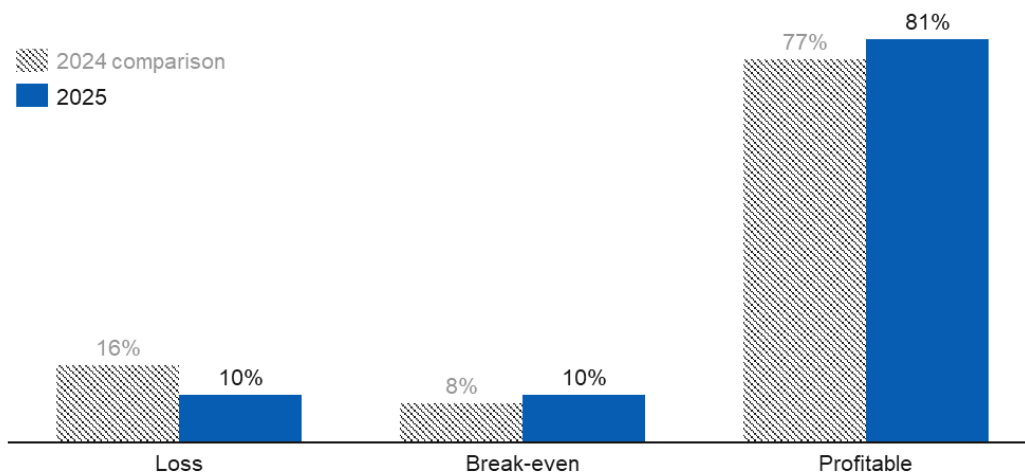
Within the Asia-Pacific (APAC) region, Japan sits comfortably in the middle when it comes to perceived business climate. Japan is not a fast-growing market like India or Singapore, but it is politically stable compared to countries like Thailand and South Korea, which scored toward the bottom this year. While the score is average at 3.2, this stability makes Japan an attractive partner in the APAC region for companies looking for long-term business opportunities.

Furthermore, it is important to acknowledge that response bias, particularly social desirability bias, has been shown to vary significantly across cultures and national contexts. For example, respondents in Japan tend to, in general, provide more conservative or lower ratings, whereas respondents in India and Brazil are globally known as countries whose respondents are most inclined to provide high evaluations, all else being equal.

Swedish companies are doing profitable business

A slightly higher share of responding Swedish businesses in Japan are reporting profitability in 2025 compared to the year before. However, the proportion of non-respondents (companies answering they were “not sure” about their profitability in the last year) also increased significantly. These are excluded in the charts below.

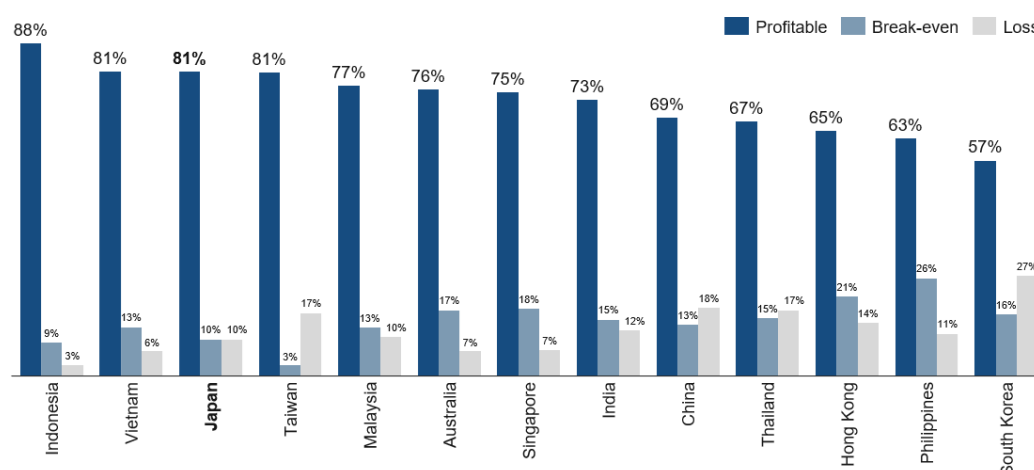
FINANCIAL PERFORMANCE OF SWEDISH FIRMS IN PREVIOUS YEAR



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

Overall, it's difficult to draw any deeper conclusions from this development given the small shifts – generally, the picture appears stable in that a vast majority of the cohort present in Japan perform well and are profitable in the country, which has consistently been the case since the beginning of this survey.

FINANCIAL PERFORMANCE COMPARED WITH OTHER APAC COUNTRIES



NOTE: Percentage is based on actual answers, excluding those who answered “Don't Know”

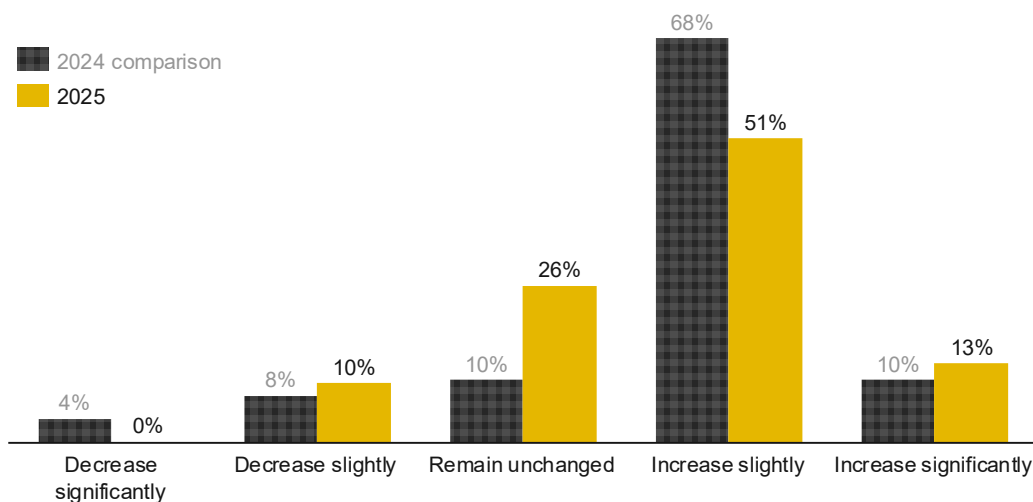
SOURCE: Business Climate Surveys for Swedish companies 2025

Japan is a highly profitable market even compared to other peers in the APAC region, this year only falling behind Indonesia and Vietnam, both of which have experienced fast economic growth in recent years. While Japan's economy is not growing at the same rate, the maturity and stability of the market have ensured that profitability stays healthy in general. The least profitable in the region is South Korea, which is facing an economic crisis with rising costs of basic goods and raw materials, impacting both sales volume and margins.

Cautious growth, stronger commitment

Responses around industry turnover have seen some shifts from last year in a way that can be interpreted as a slight cooling of growth expectations. The share of respondents expecting modest industry growth has decreased, with respondents shifting towards zero growth expectations. At the time of the survey, only 10 per cent of respondents expected their industry to be shrinking in Japan, with none expecting a significant downturn, though this number may have already been made somewhat outdated by recent political developments around global trade.

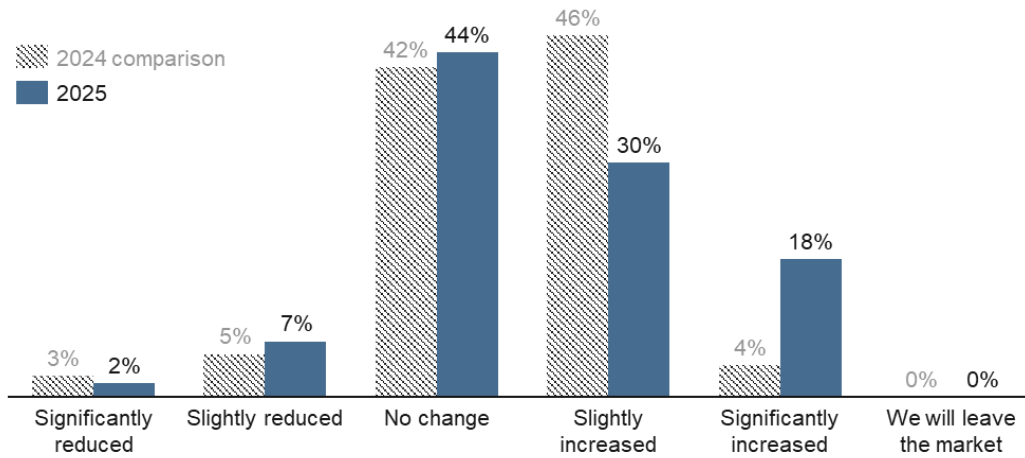
INDUSTRY TURNOVER EXPECTATIONS OF SWEDISH FIRMS FOR THE COMING 12 MONTHS COMPARED TO THE PAST 12 MONTHS



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

The primary change in investment intention has been a roughly 15 percentage point shift from 'slightly increased' investment intention to 'significantly increased', with the remaining categories staying stable. One possible interpretation of this result is that the companies that are doing well in Japan are doing especially well and that initial investments have paid off in a way that is now incentivising additional, even stronger expansion.

SWEDISH FIRMS' INVESTMENT PLANS FOR THE COMING 12 MONTHS COMPARED TO THE PAST 12 MONTHS



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

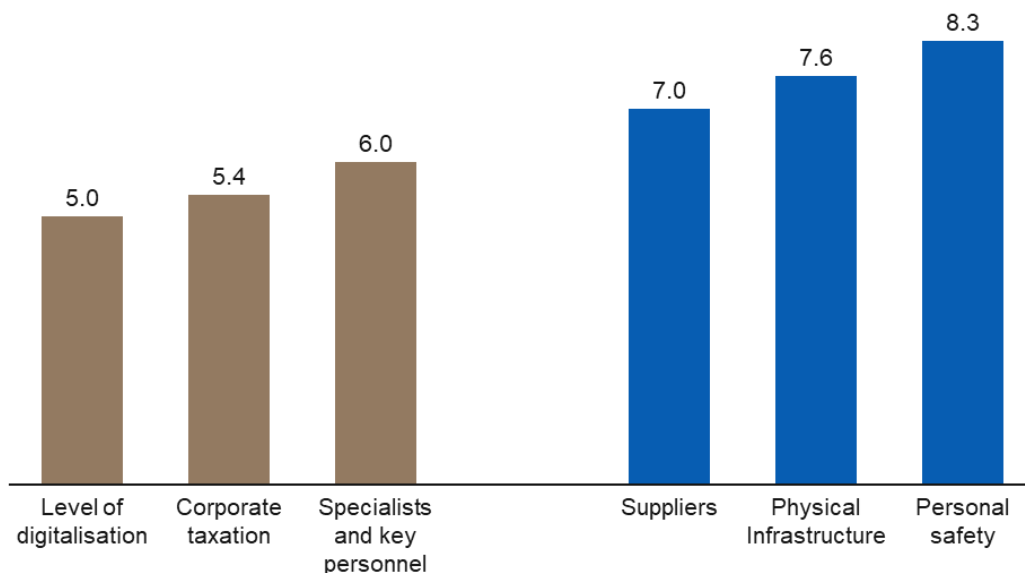
Looking deeper at the results reveals that strong investment intention is concentrated especially amongst the medium-sized companies, 44 per cent of which have an intention for strong investment in the coming year, compared to only 14 and six per cent of large and small companies, respectively. Investment intention is equal when comparing industrial, consumer and service industries.

THE JAPANESE MARKET

Lagging digitalisation remains the biggest frustration – but there is hope

When asked to rate their satisfaction with different aspects of the Japanese business climate, the resulting ranking by Swedish companies is very similar to previous years. Swedish companies continue to be satisfied with the stability, maturity and safety of the Japanese market but are frustrated by the slow pace of digital modernisation and difficulty in securing personnel.

TOP AND BOTTOM THREE BUSINESS CLIMATE FACTORS BY SATISFACTION, AS RANKED BY SWEDISH COMPANIES IN JAPAN



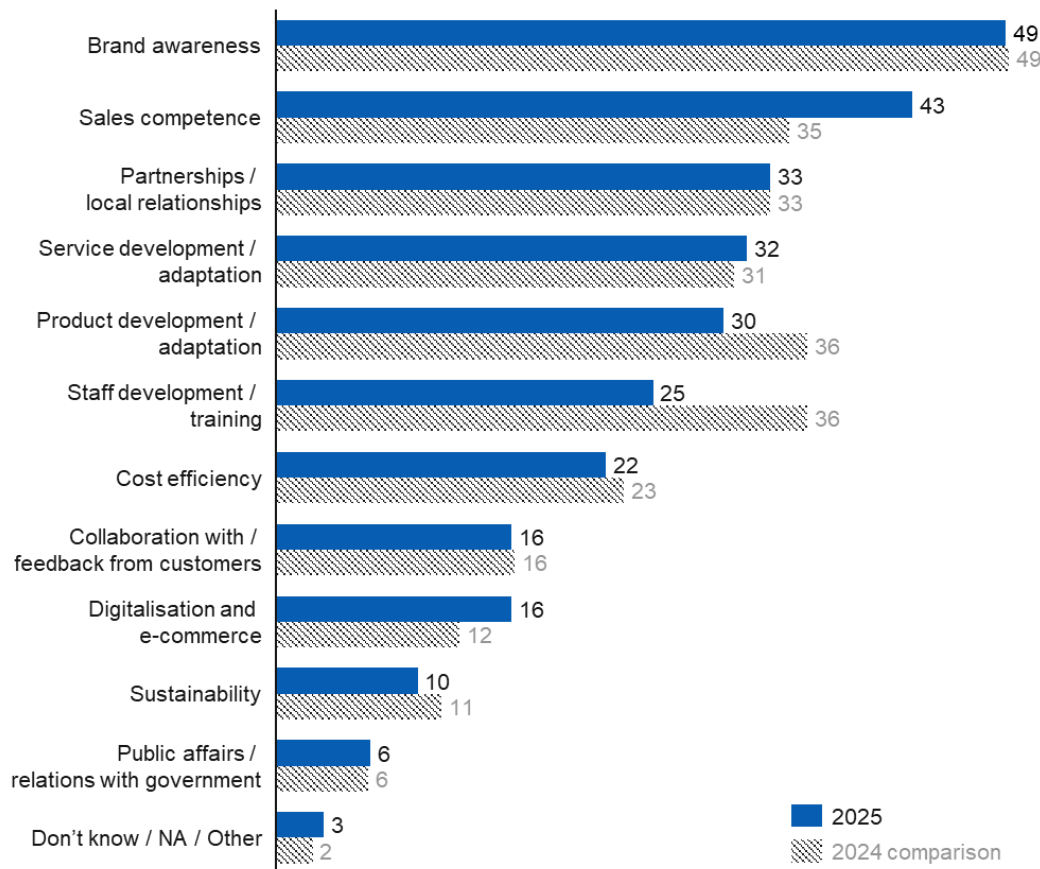
NOTE: Factors ranked by average satisfaction score
SOURCE: Business Climate Survey for Swedish companies in Japan 2025

However, this year marks the first year since the beginning of this survey that the overall score for 'digitalisation' has hit a neutral 5.0, as this ranking for Japan has previously stayed in the red throughout the last decade. This shift may signal the beginning of a slow but long-awaited upward trend in Japan's digital transformation, as both the government and businesses are becoming aware of the need to adopt more efficient digital solutions to maintain global competitiveness. This awareness is reflected in a growing number of government-led initiatives, and the emergence of startup ventures focused on driving digital transformation. While there is still a long way to go, this positive trend is hopefully here to stay.

Strong brand and local relationships drive competitiveness

'Brand awareness' continues to be the factor ranked highest by Swedish companies when asked about their pillars for success in the Japanese market to date – an unsurprising result given the strong focus on sales activities in this market – as is the fact that "sales competence" comes in a strong second place.

IMPORTANT FACTORS FOR MAINTAINING COMPETITIVENESS IN JAPAN



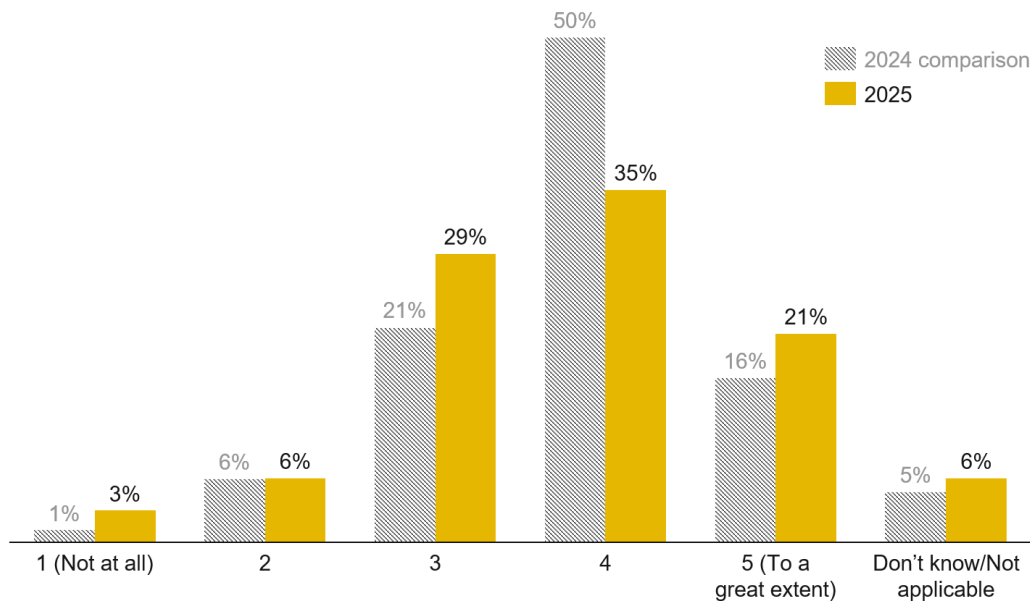
NOTE: Respondents picked up to three "most important" factors for the success of their company to date
 SOURCE: Business Climate Survey for Swedish companies in Japan 2025

Similar to previous years, the other main important factor to success in Japan seems to be building partnerships with local players as well as adapting products and services to the needs of the local market. Japan is known as a special market with sometimes unique requirements and needs and a strong emphasis on building relationships and trust over time, and this is also continuously reflected in the data from this survey over the years.

The 'Swedish brand' remains strong, albeit perceived as slightly less beneficial than in 2024

The Sweden brand tends to hold a strong and positive reputation in Japan, built over decades of cultural diplomacy, innovation, and quality. Known for its values of sustainability, design excellence, social equality, and technological advancement, Sweden is often associated in Japan with high standards of living, trustworthiness, sustainability and forward-thinking solutions. As a result, a majority (56 per cent) of Swedish companies operating in the country perceive that the Sweden brand benefits their business here.

EXTENT TO WHICH SWEDISH COMPANIES ESTIMATE THE SWEDISH NATIONAL BRAND HELPS THEIR BUSINESS IN JAPAN



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

While a solid majority still see the value of this national identity in supporting their growth, the number of respondents perceiving the brand as beneficial has dropped from 66 per cent to 56 per cent since the last survey. A majority of this drop has gone to take on a more neutral stance, with respondents answering “3”, increasing from 21 per cent to 29 per cent.

One possible explanation for this decline is the broader global trend of rising nationalism and heightened geopolitical tensions, which may be leading to an increased preference for domestic over foreign companies – affecting not only Swedish firms but international players in general. Japan remains a market where domestic companies often hold a dominant position and long-term relationships are critical, particularly in sectors where collaboration with local stakeholders is essential, such as the energy and infrastructure sectors. While establishing trust requires time and sustained engagement, Sweden’s generally positive reputation in Japan can serve as a valuable foundation for building strong business relationships.

SUSTAINABILITY

Climate goals toward 2040 accelerate policy and market transformation in Japan

Japan is entering a decisive phase in its energy and climate transition. In early 2025, the government submitted its updated Nationally Determined Contributions (NDCs) to the UNFCCC, committing to a 60 per cent reduction in greenhouse gas emissions by 2035 and a 73 per cent reduction by 2040, both relative to 2013 levels. These interim targets are designed to put Japan on a credible trajectory toward its 2050 net-zero commitment.

To support these climate goals, the Ministry of Economy, Trade and Industry (METI) has revised Japan's long-term energy outlook. The updated 2040 Energy Supply and Demand Outlook sets a target of 40-50 per cent renewable energy in the electricity mix, up from the current level of just over 20 per cent. Nuclear power is expected to account for 20 per cent of supply by 2040, reflecting a more assertive stance on restarts and lifetime extensions of existing reactors. Fossil fuels, particularly coal, are slated for a sharp decline, with unabated coal-fired power expected to be phased out entirely.

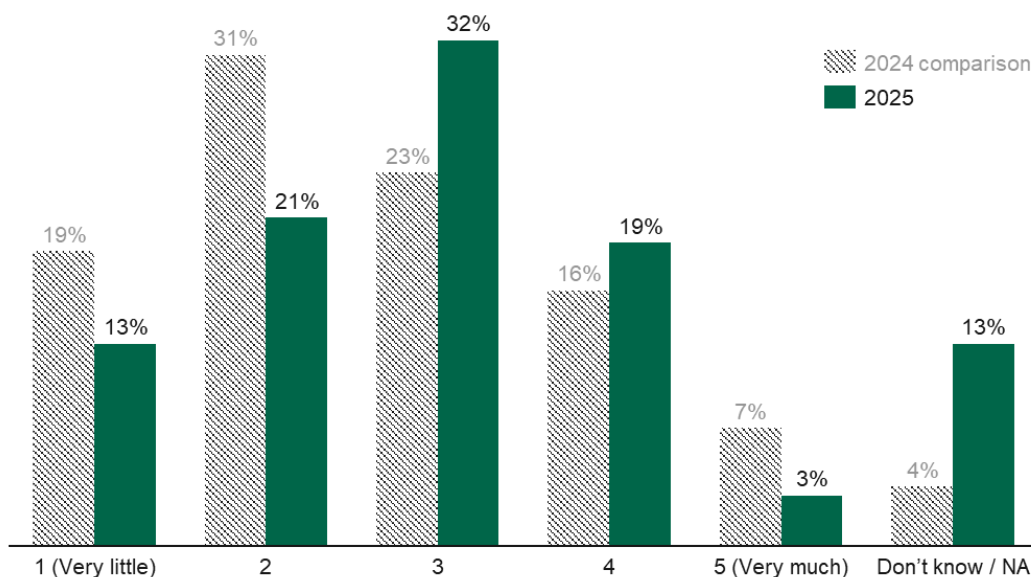
At the same time, Japan's energy policy remains shaped by multiple, and at times conflicting, objectives: decarbonisation, energy security, and industrial competitiveness. Implementation challenges are substantial. Only a limited number of nuclear reactors have resumed operation, and the pace of renewable energy expansion, particularly offshore wind, continues to lag behind policy ambitions. The NDC notes that further progress will depend on regulatory reforms, grid integration, and private-sector investment in clean technologies and energy efficiency.

For companies operating in Japan, these developments imply both a tightening of environmental expectations and a growing role for market-driven solutions to meet national targets. The evolving energy and emissions policy landscape is likely to influence procurement criteria, investment priorities, and supply chain requirements in the years ahead, particularly for Swedish firms seeking to align with Japan's accelerating green transition.

More customers seem to consider environmental aspects, but less so than the rest of APAC

Environmental factors are gradually becoming more visible in business decision-making in Japan. While still not a primary driver for most purchasing decisions, many Swedish company leaders report a shift in how sustainability is perceived by their customers, especially within the context of growing global ESG demands and domestic policy developments.

EXTENT TO WHICH CUSTOMERS CONSIDER ENVIRONMENTAL ASPECTS IN THEIR PURCHASING DECISIONS



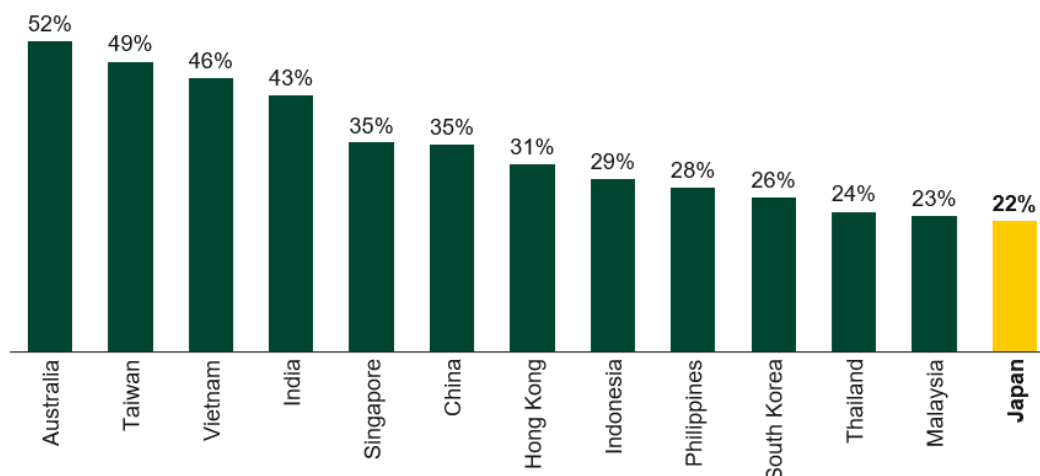
NOTE: As perceived by Swedish company respondents in Japan, for their customers
 SOURCE: Business Climate Survey for Swedish companies in Japan 2025

In this year's survey, 34 per cent of respondents indicated that customers consider environmental aspects very little or to a low extent (scores 1-2), compared to 50 per cent in 2024. At the same time, the share selecting the neutral midpoint (3) increased from 23 to 32 per cent, suggesting that sustainability is entering the conversation more regularly, even if not yet prioritised. The proportion selecting the highest levels of concern (4-5) remained relatively stable at 22 per cent, while the share selecting the maximum score (5) dropped to three per cent from seven per cent the previous year.

One notable shift is the rise in "Don't know / Not applicable" responses, which increased from four to 13 per cent. This may reflect a growing divergence across sectors and customer types or simply a more complex and fragmented procurement landscape in which sustainability is considered inconsistently.

Overall, the data points to a gradual but uneven evolution. Japanese businesses are increasingly exposed to environmental expectations, shaped by international supply chain pressures, investor scrutiny, and policy instruments such as the government's Green Transformation (GX) programme. However, cost and operational performance remain central in most purchasing decisions. For Swedish companies, the trend underscores the importance of being able to clearly communicate the environmental benefits of their solutions, especially in the context of long-term customer partnerships and compliance-driven procurement processes.

EXTENT TO WHICH CUSTOMERS SIGNIFICANTLY CONSIDER ENVIRONMENTAL ASPECTS IN COMPARISON TO OTHER APAC MARKETS



NOTE: Share of respondents answering “high” or “very high” for customer environmental consideration for all surveyed APAC markets in 2025

SOURCE: Business Climate Surveys for Swedish companies 2025

In this year’s survey, only 22 per cent of executives of Swedish companies in Japan reported that their customers consider environmental aspects “much” or “very much” in purchasing decisions – the lowest share among all surveyed Asia-Pacific markets. By comparison, Australia (52 per cent), Taiwan (49 per cent), and Vietnam (46 per cent) stand out with significantly higher figures, while even regional peers such as South Korea (26 per cent) and Thailand (24 per cent) slightly outpace Japan.

These findings align with broader assessments of Japan’s progress in integrating sustainability into industrial purchasing. While Japan has made notable environmental policy commitments, such as its 2050 net-zero target and the Green Transformation (GX) strategy, the uptake of ESG criteria in corporate procurement remains uneven. Long-standing business customs, including an emphasis on established supplier relationships and cost-efficiency, often take precedence over environmental performance in procurement decisions. Compared to markets like Australia or Taiwan, where regulatory frameworks and investor pressure have driven faster ESG adoption, Japan is still transitioning.

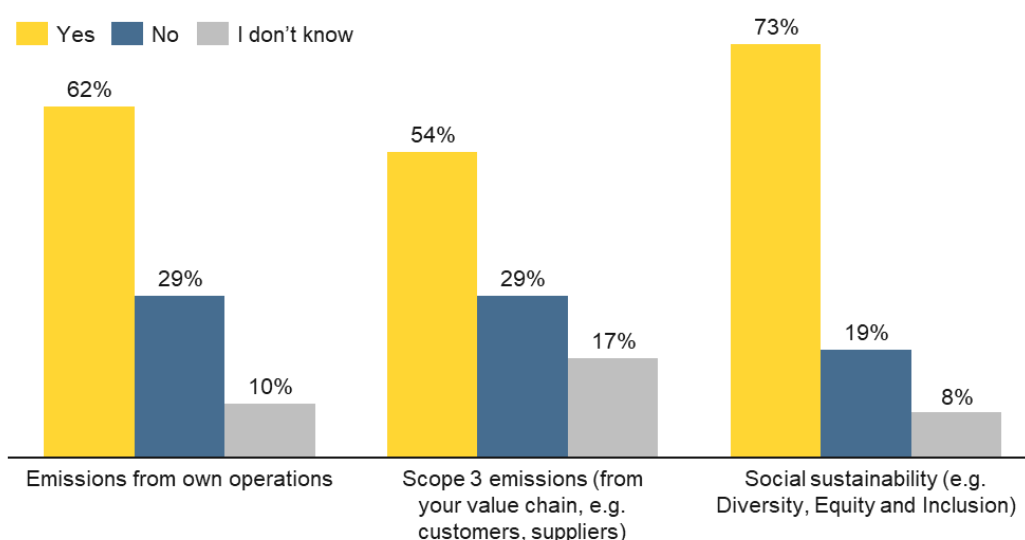
At the same time, it is important to note that the figures in this survey reflect the perceptions of Swedish company leaders, not necessarily objective measurements of customer behaviour. Differences in how openly sustainability is discussed or formalised in procurement processes can influence these responses. In Japan, sustainability may be embedded more implicitly through expectations around quality, durability, or compliance without being explicitly stated as an environmental requirement. As such, some degree of response bias or interpretation variance is likely across markets.

Still, the regional comparison suggests that Japan remains a relatively cautious market when it comes to environmental priorities in purchasing. This may present a strategic opportunity to position sustainability not only as a value-add but as a forward-looking differentiator as Japan’s ESG landscape continues to evolve.

Swedish companies in Japan commit to sustainability targets, outperforming local practices

The 2025 edition of the Business Climate Survey in Japan introduced a new question aimed at assessing how Swedish companies in Japan are setting sustainability targets across three key areas: emissions from their own operations, emissions from their value chain (Scope 3), and social sustainability, including Diversity, Equity, and Inclusion (DEI).

THE EXTENT TO WHICH SWEDISH BUSINESSES IN JAPAN ARE SUBJECT TO SUSTAINABILITY TARGETS, IN THREE MAIN CATEGORIES



NOTE: The share of Swedish company respondents answering that their companies have set targets within these areas, which are affecting their operations and business in Japan

SOURCE: Business Climate Survey for Swedish companies in Japan 2025

The responses indicate a high degree of engagement. Sixty-two per cent of companies reported having set targets for emissions from their own operations, and 54 per cent reported targets for Scope 3 emissions, an area that typically involves greater complexity and coordination with suppliers and customers. The strongest uptake was in social sustainability, where 73 per cent of companies indicated they had set formal DEI-related goals.

These results suggest that Swedish companies in Japan are not only aligned with global corporate sustainability standards but, in many cases, ahead of prevailing local practices. According to a 2024 analysis by IFLR, only around 34 per cent of listed companies in Japan disclose Scope 1 emissions, 35 per cent disclose Scope 2, and just 15 per cent disclose Scope 3. This indicates that while ESG awareness is rising in Japan, the adoption of comprehensive and value-chain-wide targets is still limited.

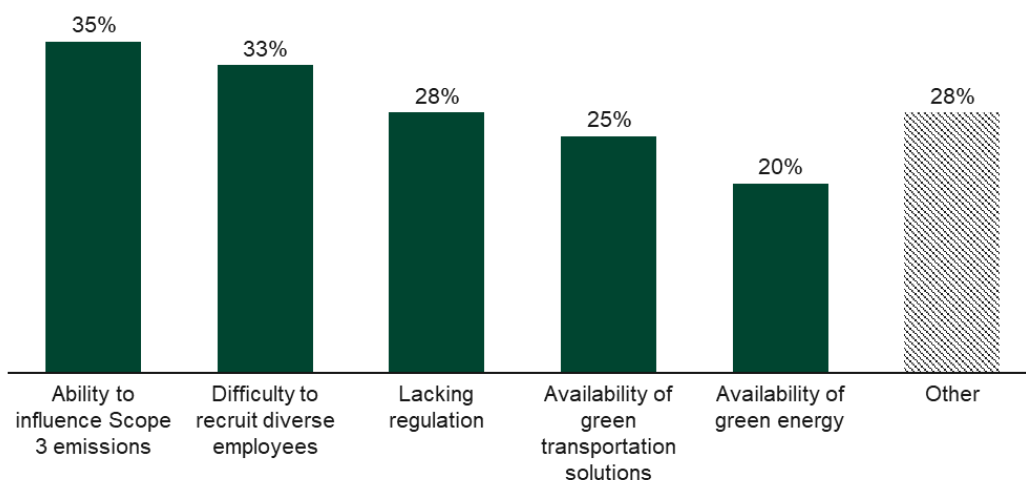
Similarly, although DEI is gaining attention among Japanese corporations, formal target-setting and strategic integration remain in the early stages. In this context, the relatively high uptake among Swedish companies positions them as early movers and potential influencers within Japan's evolving sustainability ecosystem.

Overall, it is evident that Swedish companies in Japan are often actively setting sustainability targets, aligning with global best practices and potentially influencing local corporate behaviours.

“While it may seem that there are no immediate financial benefits, it’s worth noting that the Japanese government does offer various incentives and support programs for companies, including small and medium-sized companies like us, that pursue sustainability and environmental goals”
 – Mid-sized industrial solutions provider

Another new inclusion in this year’s iteration of the Business Climate Survey is that Swedish companies in Japan were asked to identify the main barriers they face in achieving their sustainability targets. Respondents could select up to three options from a list of commonly cited challenges. The responses reveal that while commitment to sustainability is high, companies continue to encounter structural and systemic constraints within the Japanese market.

PRIMARY BARRIERS TO ACHIEVING SUSTAINABILITY TARGETS IN JAPAN



NOTE: Respondents could choose up to three answers
 SOURCE: Business Climate Survey for Swedish companies in Japan 2025

The most frequently cited obstacle was the difficulty of influencing Scope 3 emissions, selected by 35 per cent of respondents. For many companies, especially in industrial and B2B sectors, these emissions lie deep within complex global or domestic supply chains, where leverage over partners is often limited. In Japan, where supplier relationships tend to be long-term and consensus-driven, efforts to push sustainability standards up or downstream can meet inertia or lack of transparency. Even when data is available, there is often uncertainty around what expectations are considered reasonable or appropriate in the local context.

The challenge of recruiting diverse employees was reported by 33 per cent, underscoring a persistent disconnect between corporate DEI goals and Japan’s relatively homogeneous labour market. While interest in diversity is growing among Japanese firms, progress remains slow. Swedish companies, often accustomed to more gender-balanced and internationally mobile workforces, often struggle to implement their DEI ambitions locally, especially when seeking mid-career hires with global experience or when competing with large domestic employers that offer stable lifetime employment.

Lack of regulation was flagged by 28 per cent. Many companies may feel that stronger and clearer regulatory frameworks would accelerate market transformation. Without mandatory reporting standards, carbon pricing mechanisms, or procurement requirements, companies face difficulty justifying internal investments or setting more ambitious sustainability targets in Japan compared to other markets.

Two infrastructure-related issues were also frequently mentioned. Green transportation options were identified as a barrier by 25 per cent, highlighting the limited availability of low-emission freight and logistics alternatives, particularly outside major urban centres. Meanwhile, access to green energy, selected by 20 per cent, continues to be a challenge despite government commitments to expand renewable capacity. Long-term PPAs, certification schemes, and on-site renewable options remain less accessible in Japan than in many European countries.

Lastly, 28 per cent selected 'Other', pointing to a wide range of firm-specific constraints, such as cost pressures, internal capacity, or inconsistent expectations from customers and stakeholders.

“The topic is everywhere, but progress is seldom driven by regulation, which is largely pro-business. It seems that sustainability is seen as a constraint by politicians, who are not acting decisively to drive carbon neutrality”

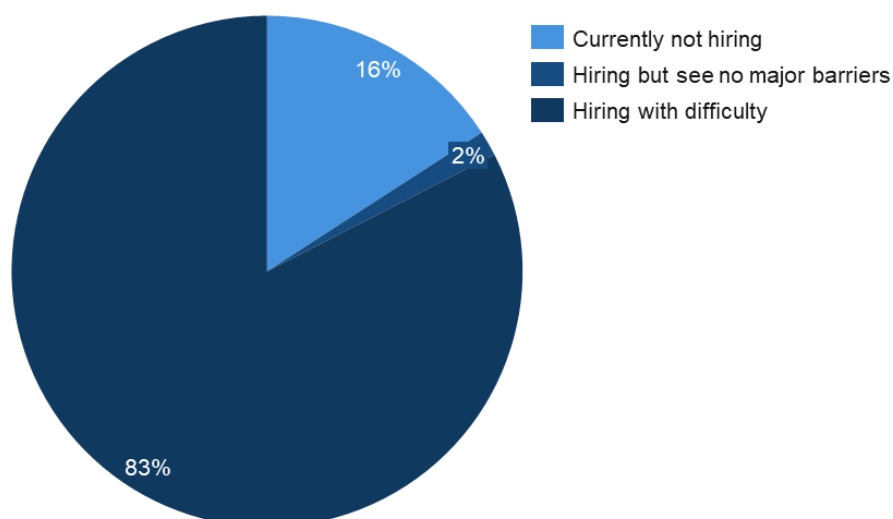
- Major industrial manufacturer

TALENT ACQUISITION

Also new to this year's survey is a set of Japan-specific questions focused on talent acquisition. The topic was included in response to anecdotal feedback from Swedish companies, as well as reports pointing to labour shortages as one of the most pressing challenges facing both foreign and domestic firms in Japan. The aim was to better understand how Swedish companies are experiencing recruitment conditions in the current market environment.

Talent acquisition indeed continues to be a critical concern for Swedish companies operating in Japan. In the 2025 survey, 85 per cent of respondents indicated that they are currently hiring, with virtually all of them reporting facing difficulties in recruitment, while only two per cent indicated they are hiring without any major obstacles. A further 16 per cent stated that they are not currently hiring.

SHARE OF SWEDISH COMPANIES RECRUITING, AND WHETHER THEY SEE BARRIERS IN THEIR TALENT ACQUISITION



SOURCE: Business Climate Survey for Swedish companies in Japan 2025

These figures highlight a structural issue that extends beyond individual company circumstances. Japan is facing an acute demographic shift, with one of the fastest-ageing populations in the world and a steadily shrinking working-age population. The number of people aged 15 to 64 has been declining for over two decades, and the labour force participation rate, while high by OECD standards, cannot fully compensate for the sheer demographic contraction. This trend has resulted in widespread labour shortages across industries and regions, placing increasing strain on companies' ability to recruit qualified staff.

An additional area of untapped potential lies in the underrepresentation of women in Japan's full-time workforce. Although women's labour force participation in Japan has increased in recent years and now exceeds 70 per cent, a significant proportion remain in part-time or non-regular employment. Cultural expectations, rigid work hours, and limited flexibility around caregiving continue to discourage many highly educated women in Japan from pursuing or maintaining full-time careers. Sweden is well-known for its inclusive policies and emphasis on work-life balance, and Swedish companies in Japan may be well-positioned to attract female talent by offering greater flexibility, flat hierarchies, and family-friendly practices. Targeted efforts in this area could not only help address labour shortages but also serve as a competitive advantage in Japan's evolving employment landscape.

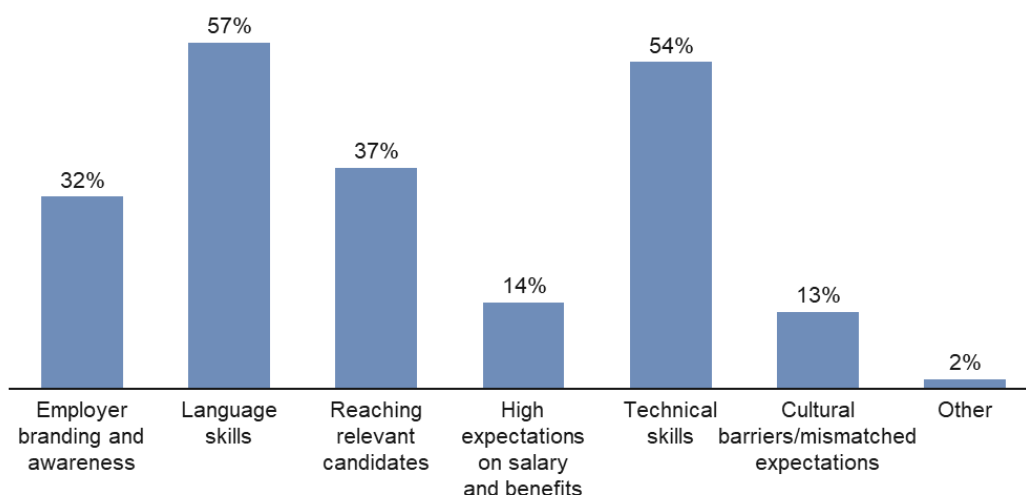
“Due to the ageing population, we feel that the number of applicants from the target age group of late 20s to early 40s is decreasing.”

- Global industrial company

Skills and language gaps continue to constrain recruitment

To better understand the root causes of recruitment difficulties in Japan, this year's survey included a follow-up question asking Swedish companies to identify the main barriers they face when hiring. The responses paint a picture of a labour market constrained not only by structural issues but also by deeper skill gaps and misalignments in expectations.

PRIMARY BARRIERS EXPERIENCED BY SWEDISH COMPANIES RECRUITING IN JAPAN



NOTE: Respondents could choose up to three alternatives
SOURCE: Business Climate Survey for Swedish companies in Japan 2025

The most frequently cited barrier was language skills, selected by 57 per cent of respondents. This reflects a well-documented issue in the Japanese labour market: the limited availability of professionals who are fluent in both Japanese and English. For Swedish and other foreign-affiliated firms that require bilingual or international-facing roles, the candidate pool remains narrow. This is particularly true for positions that demand not only language proficiency but also cross-cultural fluency and familiarity with non-Japanese business practices.

“It is extremely difficult to find candidates with both local cultural fluency and sufficient English linguistic fluency/’Western’ organisational fluency”

- Major technology company

Closely behind language, 54 per cent of companies pointed to a lack of technical skills. This finding aligns with broader trends across Japan’s industrial landscape. As advanced manufacturing, digitalisation, and green technologies gain ground, the need for specialised capabilities is increasing. However, Japan’s labour system continues to favour generalists trained through on-the-job development within long-term employment models rather than the kind of lateral hiring and reskilling seen in many Western labour markets. The result is a mismatch between the specialised profiles that some companies are looking for and those available in the hiring market.

In addition to these structural barriers, companies also reported difficulties in reaching relevant candidates and building awareness of their employer brand. Thirty-seven per cent of respondents cited challenges in accessing the right talent pools, and 32 per cent noted that limited brand recognition hinders their recruitment efforts. Some respondents note that candidates perceive foreign firms, including Swedish ones, as having higher layoff risk than Japanese employers, making it harder to attract talent, particularly for mid-career roles. These obstacles are particularly pronounced for foreign firms that lack a large local footprint or visibility on Japanese-language platforms and job boards. In a market where many job seekers value familiarity and stability, lesser-known companies may struggle to attract attention, even when offering competitive roles.

Interestingly, only a minority of companies cited high expectations on salary and benefits (14 per cent) or cultural mismatches (13 per cent) as major barriers. This suggests that while compensation and workplace culture are certainly relevant, they are less frequently the decisive issue in comparison to hard constraints like skills shortages and visibility.

Taken together, the data underscores that labour market difficulties in Japan are not merely about attracting interest but are rooted in more fundamental issues: a scarcity of bilingual and technically qualified professionals, limited lateral mobility, and a recruitment culture still adapting to global standards. This calls for long-term investment in employer branding, talent development, and strategic alignment with how and where candidates search for jobs.

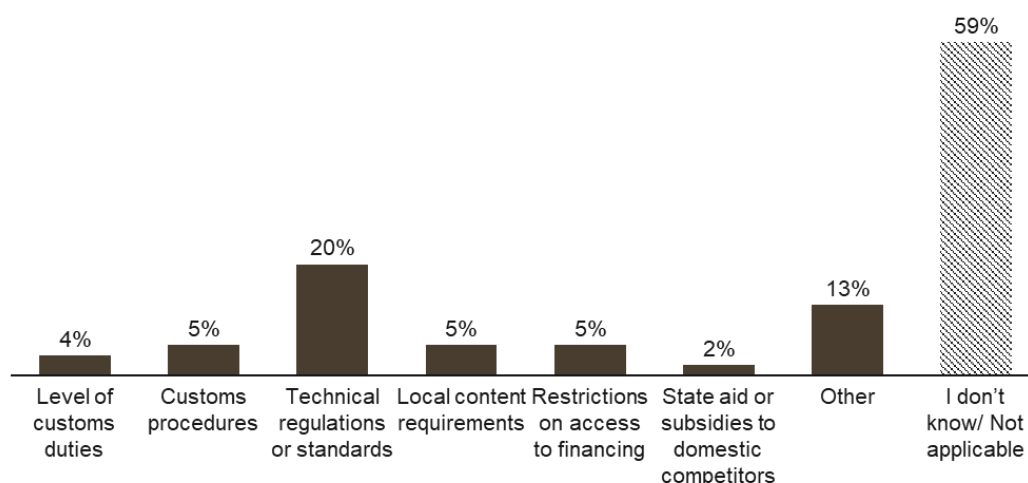
BARRIERS AND RISKS

While Japan remains a stable, rule-based, and relatively open market, Swedish companies still face a range of operational and regulatory challenges. These may not always take the form of overt trade barriers but often emerge through local standards, administrative complexity, or structural market conditions.

Formal trade barriers are few, but ‘behind-the-border’ obstacles remain

Swedish companies continue to report relatively few formal trade barriers. Tariffs and customs duties are seldom seen as major concerns, cited by only four per cent of respondents, and procedural customs issues remain low at five per cent. These results reinforce Japan’s reputation as a rules-based economy with relatively predictable market access conditions – particularly for countries such as Sweden, which benefits from the EU-Japan Economic Partnership Agreement (EPA).

TRADE BARRIERS NOTED BY SWEDISH COMPANIES IN JAPAN



NOTE: Share of companies that have encountered trade barriers in the last year of operations, which have had a noticeably negative impact on business

SOURCE: Business Climate Survey for Swedish companies in Japan 2025

However, behind-the-border barriers remain a recurring challenge. Technical regulations and standards were the most frequently cited trade-related obstacle, selected by 20 per cent of companies. While Japan maintains high quality and safety standards, these are sometimes only partially harmonised with international norms. In practice, this can create friction for foreign exporters, who may be required to modify products, packaging, or documentation, particularly in industries like machinery, healthcare, and electronics. Such adaptations can be resource-intensive, especially for SMEs or recent entrants.

A notable share of companies (13 per cent) also selected ‘Other’ as a trade barrier. Though unspecified in the survey, anecdotal feedback gathered by Team Sweden indicates that these often relate to opaque certification requirements, overly complex product registration processes, or administrative practices that differ substantially by prefecture or agency. These non-tariff barriers may not be discriminatory in a legal sense, but they can still have a distorting effect, especially in markets where local firms are more familiar with informal practices or implicit expectations.

“For medical devices, local standards and approval processes are significant barriers for international companies – especially the need for Japan-specific descriptions and clinical evaluations. We have had to postpone the introduction of many of our products due to the high cost”

- Major life science company

Interestingly, a small but non-negligible share of companies (five per cent) reported restrictions on access to financing, a barrier rarely noted in previous years. This may reflect tighter credit conditions in certain sectors or constraints on available green or innovation-linked financing for foreign entities. As Japanese financial institutions deepen their sustainability criteria and target domestic industrial policy goals, access to preferential schemes may not always extend to foreign-owned businesses.

Only two per cent of respondents cited state aid or subsidies to domestic competitors as a significant barrier this year, a decline from previous years. While this may indicate a reduction in concern, isolated cases continue to emerge. Swedish companies have, in some instances, reported being ineligible for Japanese subsidy schemes due to eligibility criteria calibrated to local technologies or standards, a challenge that is especially relevant for high-performing products that fall outside narrowly defined efficiency benchmarks.

Overall, 59 per cent of respondents indicated that they had not encountered any meaningful trade barriers in the past year. This confirms that while Japan remains a highly developed and generally open market, the nuances of regulatory alignment, administrative complexity, and domestic policy instruments continue to shape the day-to-day operating environment for foreign firms. Identifying and addressing these behind-the-border barriers remains a central task for Team Sweden, in close dialogue with both Japanese authorities and Swedish business stakeholders.

Team Sweden can help

The 2025 Business Climate Survey highlights both the opportunities and challenges Swedish companies encounter in Japan. While the overall business environment is stable, recurring issues such as regulatory complexity, sustainability integration, and talent acquisition continue to require active management. In this context, strategic support and local insight can make a significant difference.

Team Sweden in Japan, with Business Sweden as the main provider of advisory and promotional services, offers tailored support to Swedish companies at various stages of their market presence. This includes market and stakeholder analysis, partner identification, regulatory guidance, and support in navigating local standards or public sector engagement.

In areas such as sustainability and the green transition, where expectations are rising, but frameworks remain fragmented, Business Sweden can assist companies in identifying available incentives, aligning value propositions with Japan's ESG and GX agendas, and facilitating collaboration with relevant partners and authorities.

Promotional platforms are also available to support increased visibility and influence. Sweden's participation in Expo 2025 Osaka, Nordic-themed activities, and sector-specific initiatives offer Swedish companies valuable opportunities to position themselves within key Japanese innovation and policy conversations.

As Japan intensifies its focus on strategic resilience, energy transition, and digital transformation, aligning business strategies with national priorities will become increasingly important. Team Sweden continues to work to ensure that Swedish companies are well-positioned to navigate these developments and capture emerging opportunities.

For more information about Business Sweden's services in Japan and globally, please refer to: <https://www.business-sweden.com/expand-globally/markets/asia-pacific/japan/>

“It’s very important to become a trusted partner to the Japanese government, especially as the importance of economic security increases. This is an area where individual companies need the support of the Swedish government to continue the dialogue”

- Major technology company

INDUSTRIES IN FOCUS

This chapter highlights three industries where current market dynamics in Japan point to particularly favourable conditions for Swedish business engagement. Each represents an area with strong growth potential over the next five to 15 years, offering substantial opportunities for Swedish companies that take a proactive and long-term approach to the Japanese market.

An automotive industry in transition

The global automotive industry is currently undergoing its most significant transformation since its inception over a century ago, driven by rapid advancements in software, self-driving technologies, connectivity, electrification, and the increasing adoption of alternative fuels and drivetrains. The traditional automotive landscape, once dominated by mechanical engineering, is now being reshaped by digital innovation, artificial intelligence, and sustainable energy solutions. Automakers and suppliers worldwide are facing the challenge of integrating these technologies while maintaining efficiency, safety, and consumer appeal. This transformation is not only affecting vehicle design and functionality but also reshaping entire supply chains, regulatory frameworks, and business models.

Japan's automotive industry, the third largest in the world and second largest in Asia, has long been recognised for its engineering excellence, reliability, and efficient manufacturing processes. Home to some of the world's most influential automotive brands, Japan is now heavily investing in the next generation of mobility solutions. Whilst Japan is at the forefront of certain areas of development, including vehicle batteries, hybrid technology and hydrogen transportation, it has fallen behind in the transition to software-defined vehicles and full-electric drivetrains. Japanese automotive supply chains have historically been domestically focused and highly integrated, creating difficulties for foreign suppliers to gain significant market shares in most areas. However, to keep up competitiveness in a rapidly evolving market, Japan's automakers are now increasingly looking outside of their own borders to forge strategic partnerships and ensure access to key emerging technologies.

Sweden has built on its long history of automotive innovation and leadership in ICT to position itself as a key player in this new era of mobility, with both large manufacturers and emerging startups leading their respective technology fields, specifically within the fields of sensors and sensor technology, connectivity and cloud computing, vehicle user interfaces, battery systems, and energy management solutions. Based on these strengths, Sweden is well-positioned to increase its partnership with Japan and support Japan's own technology transition in the coming decade. Indeed, we are already today seeing a surge of new Swedish cutting-edge automotive technology startups establishing themselves in Japan, in many cases as a response to being approached directly by Japanese OEMs.

A semiconductor industry in resurgence

Japan is making a determined push to re-establish itself as a global leader in semiconductor innovation and manufacturing. Once dominant in the 1980s and early 1990s, Japan's share of the global semiconductor market has since declined to below 10 per cent. In recent years, however, a renewed sense of urgency – driven by economic security, supply chain resilience, and technological competitiveness – has placed semiconductors at the centre of Japan's industrial policy.

Between 2021 and 2023, the Japanese government allocated approximately JPY 3.9 trillion (around EUR 24 billion) to support domestic semiconductor production and R&D. This commitment has since expanded, with a comprehensive JPY 10 trillion (EUR 61 billion) support package announced in late 2024 to accelerate investment in semiconductors and AI-related technologies. These efforts are both strategic and pragmatic, aiming to safeguard access to critical technologies, attract foreign direct investment, and rebuild Japan's capacity at the cutting edge of chip production.

At the core of this strategy is Rapidus Corporation, a public-private consortium backed by leading Japanese companies, including Sony, Toyota, and NTT. With additional support from international technology leaders such as IBM and imec, Rapidus is aiming to produce 2-nanometre chips domestically by 2027 – an ambitious target that, if successful, would place Japan back in the top tier of global chip manufacturing. In parallel, Japan has launched the Leading-edge Semiconductor Technology Center (LSTC) to advance foundational R&D in next-generation chip design and production technologies.

Foreign investment has also played a key role in Japan's semiconductor revival. Taiwan's TSMC recently opened its first Japanese fabrication plant in Kumamoto and has already announced plans for a second facility. These developments not only strengthen Japan's manufacturing base but also create substantial new ecosystems around materials, equipment, and advanced packaging.

For Swedish companies active in semiconductor manufacturing equipment, materials science, process automation, or IP design, this transformation presents a timely opportunity. As Japan looks outward for technology collaboration, global partnerships are not only welcomed but actively incentivised. The potential for collaboration spans from upstream R&D and prototyping to downstream manufacturing support and system integration.

Swedish firms with leading-edge capabilities and niche solutions may find that Japan's semiconductor strategy offers not only a commercial opportunity but also a platform for long-term industrial cooperation in one of the world's most strategically significant technology domains.

A life science sector driven by innovation and ageing demographics

The life science sector continues to play a central role in Sweden's trade with Japan, accounting for approximately one-third of total Swedish exports to the market. While many of the major Swedish pharmaceutical and MedTech companies have long had an established presence in Japan, a new wave of smaller and highly innovative life science firms is now preparing to enter the market or seeking partnerships with Japanese companies.

Sweden's life science ecosystem is characterised by its high research intensity, strong academic-industry collaboration, and a large number of early-stage companies. With over 1,000 life science firms nationwide – many of them startups built around cutting-edge technology – Sweden is a source of innovation in fields ranging from advanced diagnostics and digital therapeutics to biologics, drug delivery systems, and precision medicine. Most of these companies depend on partnerships and international collaboration to scale their offerings globally.

Japan perfectly matches Sweden's offer as it has a very large ageing population, one of the world's best universal healthcare systems and deep industrial expertise with strong commercial reach. Japanese pharmaceutical and MedTech companies are actively seeking external innovation to complement internal pipelines, and government policy is increasingly supportive of open innovation and international co-development. At the same time, regulatory reforms, such as accelerated pathways for innovative therapies, are gradually lowering barriers for foreign entrants.

However, market access remains complex, especially for younger firms unfamiliar with Japan's regulatory, reimbursement, and distribution systems. This is where early engagement becomes essential. Swedish life science companies that succeed in Japan tend to do so by entering early, adapting carefully to local requirements, and building trusted relationships with Japanese partners.

Team Sweden supports Swedish life science firms both in establishing themselves in Japan and in scaling their existing operations. This includes identifying the right partners, navigating regulatory and commercial processes, and increasing visibility in a competitive but opportunity-rich market.

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