## Outline of the 2018 White Paper on Small Enterprises in Japan

The current White Paper on Small Enterprises in Japan (*), the fourth such report, is comprised of three parts.

Part I analyzes recent trends among small enterprises and the labor productivity of small enterprises.

Part II analyzes small enterprises’ initiatives to improve productivity. Specifically, it analyzes business processes, utilization of IT, business investment, and inter-company cooperation.

Part III provides case examples of small enterprises which are growing despite regional challenges, and also which are incorporating new working styles such as freelancing.

* Small enterprises covered by the White Paper on Small Enterprises in Japan are enterprises with a workforce of 20 or fewer workers (five or fewer workers in the case of commercial trade and services industries) who are employed on a mostly regular basis as defined under Article 2, Paragraph 1 of the Basic Act for Promoting Small Enterprises.

### Part I - Developments among small enterprises in fiscal 2017

#### Current state of small enterprises

This chapter analyzes the improving business conditions of small enterprises, exemplified by the fact that their ordinary profits are recovering in line with the moderate recovery of the Japanese economy.

#### Structural analysis of small enterprises

This chapter first provides an overview of small enterprises and then describes their diversity while examining their strengths and challenges.

#### Analysis of the labor productivity of small enterprises

This chapter examines why the labor productivity gap between small enterprises and large and medium ones is widening as a trend, while uncovering the fact that some small enterprises have higher labor productivity than large and medium enterprises.

### Part II - Small enterprises’ initiatives to improve labor productivity

#### Labor shortages among small enterprises and review of business processes

This chapter outlines the growing sense of labor shortages among small enterprises and makes
clear that many small enterprises are coping with the shortage by increasing managers’ working hours, underlining the importance of improving managers’ business process efficiency.

- **Small enterprises’ labor productivity improvement through the utilization of IT**
  This chapter examines the current status of utilization of IT by small enterprises and related challenges, underlining the importance of introducing IT to improving labor productivity and reduce manager workloads, mainly in indirect operations.

- **Small enterprises’ labor productivity improvement through business investment**
  This chapter examines the current state of business investment by small enterprises and clearly demonstrates that the absence of business successors is a factor behind the lack of strength in business investment by small enterprises and that active investment will lead to improvements in labor productivity.

- **Small enterprises’ labor productivity improvement through inter-company cooperation and business succession**
  This chapter examines the current state of inter-company cooperation among small enterprises and clearly demonstrates that inter-company cooperation, in particular with companies in different industries, will lead to improvements in labor productivity.

  It also clearly demonstrates that small enterprises which have taken over businesses are strongly oriented toward growth and have high profitability, thereby indicating that business succession may lead to improving labor productivity.

Part III - Successful small enterprises

- **Small enterprises growing while addressing regional challenges**
  This chapter presents cases of enterprises that have spillover effects in local economies through such activities as developing original local products and cases of enterprises’ initiatives to support local communities through such activities as assisting people with poor access to shopping. It also discusses cases of regional support organizations cooperating with each other in supporting small enterprises, thereby indicating the importance of region-wide efforts to provide meticulous support.

- **Operating a small enterprise as a new working styles**
  This chapter presents cases of persons who are operating a small enterprise as a concurrent or side-business or who are doing so to deal with life events, such as childbirth and childcare, demonstrating that small enterprises provide opportunities for diverse working styles.