

# The Japanese economy: topic of the month

## Change in risk perception among Japanese corporate enterprises

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The external environment of Japanese corporate enterprises is continuing to change through globalization, structural shifts in Japan’s industrial sector, legal systems and social values. At the moment, trade frictions between the US and China and Brexit may be examples of such.

These external changes may have an impact upon the contents of risks faced by corporate enterprises. To see how corporate perceptions toward risks are changing, we conducted an analysis on the basis of securities reports filed by corporations. More precisely, we picked out keywords on risks from the entries on “business risks” in the securities reports, and found out the extent of changes in the percentage of number of companies setting forth entries on each of the risk keywords between 2014 and 2018. According to the results, there were no significant changes between 2014 and 2018 with respect to the frequently-cited keywords (**Chart 1**). On the other hand, a look at the breadth of change in percentage of entries reveals that there are more corporations citing keywords such as M&A, legal, and human resources (**Chart 2**). These findings serve as evidence that the contents of corporate risk perceptions are changing.

[ Chart 1: Top 10 ranking of keywords cited by corporations (%) ]

2018 Ranking	2014 Ranking	Keywords	Category	Percentage (%)
1	2	Regulation	Transactions and legal problems	71.3
2	1	Sales	Society, economy	70.0
3	3	Sales volume	Society, economy	62.0
4	4	Information	Information security	60.1
5	5	Foreign exchange	Society, economy	54.5
6	6	Earthquake	Natural phenomena	53.2
7	7	Costs	Society, economy	52.8
8	8	Accident	Products, services	47.9
9	10	Laws and regulations	Transactions and legal problems	47.9
10	11	Personal information	Employment	43.7

[ Chart 2: Breadth of change in keywords (%pt) ]

	Keywords	Category	Breadth of change (%Pt)
1	M&A	Management and internal control	16.0
2	Laws and regulations	Transactions and legal problems	8.7
3	Human resources	Employment	8.4
4	Information	Information security	6.8
5	Personal information	Employment	6.4
6	Intellectual property rights	Management and internal control	6.3
7	Leakage	Technology	5.6
8	Regulation	Transactions and legal problems	5.6
9	Accident	Products, services	5.3
10	Costs	Society, economy	5.2

Note: The data on “M&A” refers to the total of number of corporations with entries on “M&A” in both half-byte and one-byte characters. The data on intellectual property rights refers to the total number of corporations with entries including words such as “intellectual property” and “intellectual property rights”.

Source: Made by MHRI

Amid the rising diversity and complexity of the structure of the economy, corporations are facing a higher chance of exposure to unexpected risks. Looking forward, the correct assessment of risks and advance preparation will become increasingly important.

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