



Key trends for B2B payments and cash flow

# Japan

Cashflow concerns prompt cautious approach to selling on credit





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commented on the report

“ Many Japanese companies feel uncertain situation in terms of global economic trends and geopolitical difficulties, and these are being addressed in various industries.

Uncertainty is particularly acute in the export trade of ITC, Electricity and Chemicals. There are differences in the responses from different industries, but what they all feel in common is that something must be done for their credit management.

Our report presents the current situation faced by Japanese companies in different industries in managing accounts receivable and their expectations for the future. I believe that it will be of reference value to your company's business.



## About the Atradius Payment Practices Barometer

The Atradius Payment Practices Barometer is an annual survey of business-to-business (B2B) payment practices in markets across the world.

Our survey provides us with the opportunity to hear directly from companies polled about how they are coping with the impact of the current challenging economic and trading environment on payment behaviour of their B2B customers. This can give valuable insights into how businesses are paid by their B2B customers, and how they tackle the pain points caused by poor payment practices.

The findings about what measures are undertaken to fund a sudden need for cash, and what credit management tools they use to mitigate the risk of long-term cash flow problems, may also be valuable information in helping understand how companies respond to the crucial issue of late or non-payment in the current uncertain times.

However, the survey also has a strong focus on the challenges and risks that companies polled believe they will encounter during the coming months, and their expectations for future business growth.

The results of our survey can supply useful insights into the current dynamics of corporate payment behaviour in B2B trade, and identify emerging trends that may shape its future. This can be extremely useful to companies doing business, or planning to do so, in the markets polled.

In this report, you will find the survey results for Japan. Sector focus: agri-food, chemicals and pharma.

The survey was conducted between the end of Q2 and the beginning of Q3 2023, and findings should therefore be viewed with this in mind.





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# B2B payment trends and cash flow

## Cashflow concerns prompt cautious approach to selling on credit

Our survey found that companies polled in Japan take a relatively cautious approach overall to selling on credit with their B2B customers. 45% of all B2B sales were transacted on credit during the past year. However, there was a notable trend among large electronics/ICT businesses to show a more dynamic approach to selling on credit. These companies need to provide more flexible payment options to maintain their market positions and to foster business growth during a period of severe economic strain. The average payment term was 54 days from invoicing, but companies in the machines and electronics/ICT sectors offered more relaxed terms to try to win a competitive advantage.

Underlying the prudent approach to selling on credit is another survey finding that companies polled across all sectors in Japan are concerned about delayed payments by B2B customers and the risk of cashflow problems. Overall, 37% of B2B invoices are currently overdue, with the machines sector hardest hit. Bad debts affect 7% of all B2B sales, with the chemicals sector particularly affected. The main reasons cited for late payments were invoice disputes and temporary liquidity issues or insolvencies among B2B customers. A staggering 79% of businesses polled in Japan said the waiting time to collect payments from customers had either deteriorated or remained unchanged from the previous year.

This caused clear cashflow issues, with the potential for a deterioration of Days-Sales-Outstanding (DSO) and a strain on financial viability. Our survey found that many companies polled in Japan responded by implementing risk mitigation measures. These included dedicating more time and resources to resolving unpaid invoices, and in the chemicals sector to the strategy of granting shorter payment terms to B2B customers. When essential short-term finance was required, 54% of businesses polled in Japan requested trade credit from their suppliers. Equity capital was another avenue, while companies in the electronics/ICT sector were inclined to see bank loans.

Distinctly different approaches were taken across various sectors polled in Japan to the management of customer credit risk. Chemicals companies told us their preferred option was in-house retention and management of liquidity risks, setting aside internal funds to cover potential losses. Letters of credit were often used in tandem with this strategy. In contrast, many businesses polled in the electronics/ICT sector said they used credit insurance as a mitigation tool.

## Key figures and charts on the following pages

## Key survey findings

- A generally prudent approach to selling on credit was found among businesses polled in Japan, with 45% of all B2B sales transacted on credit. The most dynamic approach was taken by large electronics/ICT companies who require flexible payment options to foster sales growth.
- While the average payment term was 54 days from invoicing, there was a wide difference across various sectors. Electronics/ICT companies and large manufacturers offered more relaxed terms, but the Japan chemicals sector granted tighter payment terms for risk mitigation.
- Late payments are a clear concern for companies polled in Japan. 37% of invoiced B2B sales were overdue, with the machines sector hardest hit. Bad debts impact 7% of all B2B invoiced sales. The main reasons cited for late payments were invoice disputes, insolvencies and customer liquidity issues.
- This caused cashflow issues, and 79% of businesses polled in Japan said waiting times to collect payments were either longer or unchanged on the previous year. In turn, this prompted widespread concern about a deterioration of Days-Sales-Outstanding (DSO).
- Companies polled in Japan adopted a range of measures to mitigate the risk of liquidity shortages. They spent more time and resources chasing unpaid invoices, especially in the machines sector. 54% of businesses requested trade credit when they decided to seek short-term finance.
- Various approaches were taken to the management of customer credit risk. The chemicals sector preferred in-house retention and management, in tandem with letters of credit. The Japan electronics/ICT sector looked mostly to using credit insurance.

This signalled a growing recognition of the benefits provided by specialised insurers in bolstering resilience against heightened trade credit risks. The machines sector took another route, looking towards securitization. The diverse strategies highlight the flexibility of Japanese businesses.

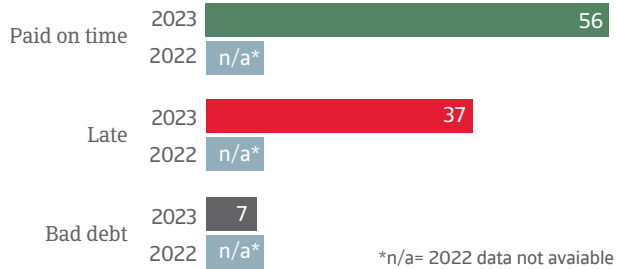




# Japan

## Japan

% of the total value of B2B invoices paid on time, overdue and bad debt (2023/2022)

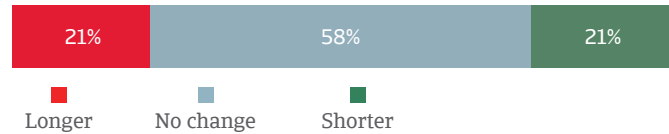


Sample: all survey respondents

Source: Atradius Payment Practices Barometer Japan – 2023

## Japan

% of respondents reporting changes in payment duration\* over the past 12 months



\*average amount of time to get paid from B2B customers

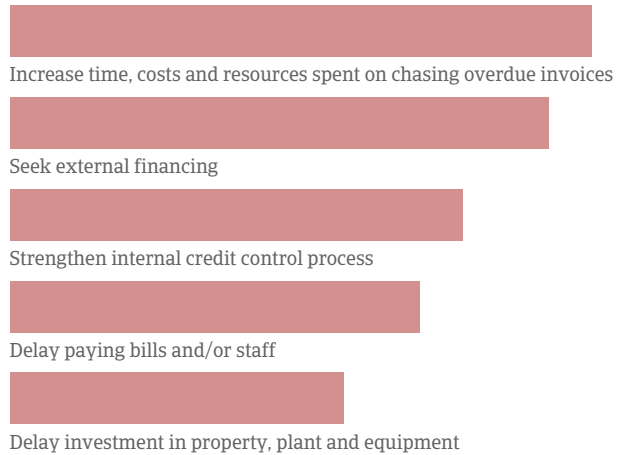
Sample: all survey respondents

Source: Atradius Payment Practices Barometer Japan – 2023

## Japan

Measures put in place to minimise cash flow problems due to payment default of B2B customers

(% of respondents - multiple response question)



Sample: all survey respondents

Source: Atradius Payment Practices Barometer Japan – 2023

### Survey question

What are the main sources of financing that your company used during the past 12 months?

- 54% Trade credit
- 50% Equity capital
- 42% Bank loans
- 31% Debts securities issued

\*multiple response question

Sample: all survey respondents (% of respondents)

Source: Atradius Payment Practices Barometer Japan – 2023

# Looking ahead

## Outlook cloudy amid concern about inflation and tighter credit conditions

Guarded optimism about prospects for the year ahead was expressed by companies polled in Japan. 62% of businesses said they anticipate an increase in demand for their products and services, with positivity particularly evident in the chemicals and electronics/ICT sectors. In contrast, companies in the machines sector were more pessimistic about sales growth. 58% of businesses polled in Japan said they expect an increase in profit margins during the coming months, while the rest see either no change or a decline in profitability. The machines sector was again the most negative, due to potential global chip shortages and the volatility of energy prices that might weaken export momentum.

A similarly cautious outlook was reported among companies polled in Japan about the prospects for Days-Sales-Outstanding during the year ahead. 58% of businesses told us they anticipate an improvement in DSO, while the remainder expect either no change from the current situation or even a deterioration of DSO in the coming months. Pessimism about DSO was particularly prevalent among companies in the electronics/ICT sector. A more mixed verdict was found concerning the outlook for B2B payment behaviour. Exactly 50% of businesses said they believe there will be improvement, but the other half anticipate either no change or a worsening of B2B payment behaviour.

Our survey found that 52% of companies polled in Japan, particularly in the chemicals sector, will continue with in-house retention and management of customer credit risk during the year ahead. In contrast, a notable number of businesses in the machines sector said they will expand their use of securitization and also look to outsource management of customer credit risk to specialised credit insurers. They told us this would help to mitigate the potential impact of customer credit risk on their operations. Many companies in the electronics/ICT sector already use credit insurance, and will continue that strategy.

The chief concern for the year ahead among companies polled in Japan is the impact of tighter credit conditions after actions taken by the central bank. This is acutely felt across all the sectors surveyed. Another significant worry is how businesses will be affected by inflationary pressures, with a potential increase in production costs and reduction in consumer spending power. The unpredictability surrounding energy prices adds an additional layer of unease, prompting companies in Japan, especially in the electronics/ICT sector, to devise comprehensive strategies to mitigate risk and ensure long-term financial sustainability.

**Key figures and charts on the following pages**

## Key survey findings

- 62% of companies polled in Japan said they anticipate an increase in demand for their products and services during the year ahead. This optimism is shared by the chemicals and electronics/ICT sectors, while the machines sector is more pessimistic.
- Profit margins are expected to increase by 58% of businesses polled in Japan. A more negative outlook on profitability was found in the machines sector because of potential chip shortages and volatile energy prices that would weaken export momentum.
- A mixed mood about the prospects for B2B payment behaviour during the coming months was reported by companies polled in Japan. 50% of businesses said they anticipate improvement, but the other half expect no change or a worsening.
- Slightly more optimism was expressed about the outlook for Days-Sales-Outstanding (DSO) in the year ahead. 58% of companies polled anticipate an improvement in DSO, but pessimism was prevalent in the electronics/ICT sector.
- In-house retention and management of customer credit risk will be the preferred option for 52% of businesses polled in Japan, particularly in the chemicals sector. The use of credit insurance and securitization will be explored by companies in the machines sector.
- Various worries for the months ahead were reported by companies polled in Japan. Among these were the impact of tighter credit conditions, inflationary pressures that could mean a rise in production costs, and the unpredictability of energy costs.







# Japan

## Japan

Looking ahead to the next 12 months, how do you expect your sales and profit margins to change?

(% of respondents)

Sales



Profit margins



■ Improve   ■ No change   ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Japan - 2023

## Japan

Looking ahead to the next 12 months: how do you expect the payment practices of your B2B customers to change?

(% of respondents)



■ Improve   ■ No change   ■ Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Japan - 2023

## Japan

Looking ahead to the next 12 months: top 3 concerns expressed by businesses polled

(% of respondents - multiple response question)



Uncertainty related to energy prices

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Japan - 2023

### Survey question

**How do you expect your average DSO to change over the next 12 months?**

(% of respondents)

**58%** Improve  
**33%** No change  
**9%** Deteriorate

Sample: all survey respondents  
Source: Atradius Payment Practices Barometer Japan - 2023

## Survey design

Atradius conducts annual reviews of international corporate payment practices through a survey called the Atradius Payment Practices Barometer. Companies polled in Japan are the focus of this report, which forms part of the 2023 edition of the Atradius Payment Practices Barometer. A change in research methodology means year-on-year comparisons are not feasible for some of these survey results. Using a questionnaire, CSA Research conducted 213 interviews in total. All interviews were conducted exclusively for Atradius.

### Survey scope

- **Basic population:** Companies from Japan were surveyed, and the appropriate contacts for accounts receivable management were interviewed
- **Sample design:** The Strategic Sampling Plan enables us to perform an analysis of country data crossed by sector and company size. It also allows us to compare data referring to a specific sector crossed by each of the economies surveyed.
- **Selection process:** Companies were selected and contacted by use of an international Internet panel. A screening for the appropriate contact, and for quota control, was conducted at the beginning of the interview.
- **Sample:** N=213 people were interviewed in total. A quota was maintained according to four classes of company size.
- **Interview:** Computer Assisted Web Interviews (CAWI) of approximately 15 minutes duration. Interview period: The survey was conducted between the end of Q2 and the beginning of Q3 2023.

### Sample overview – Total interviews = 213

Business sector	Interviews	%
Manufacturing	91	42
Wholesale trade	48	23
Retail trade/Distribution	49	23
Services	25	12
<b>TOTAL</b>	<b>213</b>	<b>100</b>

Business size	Interviews	%
SME: Small enterprises	38	18
SME: Medium enterprises	71	33
Medium Large enterprises	72	34
Large enterprises	32	15
<b>TOTAL</b>	<b>213</b>	<b>100</b>

Industry	Interviews	%
Chemicals	79	37
Electronics/ICT	70	33
Machines	64	30
<b>TOTAL</b>	<b>213</b>	<b>100</b>

## Statistical appendix

Find detailed charts and figures in the Statistical Appendix. This is part of the 2023 Payment Practices Barometer of Atradius, available at [www.atradius.com/publications](http://www.atradius.com/publications) [Download in PDF format](#) (English only).

## Interested in finding out more?

Please visit the [Atradius](http://Atradius) website where you can find a wide range of up-to-date publications. [Click here](#) to access our analysis of individual industry performance, detailed focus on country-specific and global economic concerns, insights into credit management issues, and information about protecting your receivables against payment default by your customers.

Follow us to stay up to date with our latest releases by [subscribing](#) to notifications of our Publications, and receive weekly emails with alerts to when new reports are published.

To find out more about B2B receivables collection practices in **Japan and worldwide**, please visit [atradiuscollections.com](http://atradiuscollections.com).

For Japan <https://group.atradius.com/contact-us/japan.html>

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