WHIOCE PUBLISHING PTE. LTD.
PROVIDING FIRST-CLASS SCIENTIFIC INFORMATION FOR TOP SCHOLARS

2026 Volume 4, Issue 1
Educational Innovation Research
ISSN: 3029-1844(Print) ISSN: 3029-1852(Online)

An Examination of Japanese Companies' Business Practices and the Resulting Controversy

Shengbo Cui*
The Northeast Asian Economic Research Institute, Xi'an Peihua University, Xi'an 710000, Shaanxi, China

**Author to whom correspondence should be addressed.*

Abstract: Major Japanese enterprises can be broadly divided into two types: One is the corporate groups that re-formed after the dissolution of the Zaibatsu following World War II, known as the six major corporate groups. The other is the large independent corporate groups that newly grew in the postwar era. The corporate groups include, for example, the Mitsubishi Group and the Mitsui Group, which existed before the war, while the large independent corporate groups include the Toyota Motor Group and the Matsushita Electric Group. These large corporate groups differ in their organizational structures. The business practices of Japanese companies are subject to controversy as a peculiarity of the Japanese economy. That is, regarding the view of business transaction networks, known in Japan as Keiretsu, one side argues that they are unique to Japan and represent the closed nature of the Japanese economy. On the other hand, another side claims that Keiretsu, a form of transaction relationship, is consistent with economic rationality and should be disseminated globally. The closed nature argument has been advanced by foreign countries such as the United States, criticizing Japanese corporate practices, while the rationality argument represents the Japanese counterclaim. Even within Japan, there is criticism of Keiretsu, but conversely, some American economists contend that the Japanese Keiretsu system merits study. Although multiple discussions exist, the views of U.S. and Japanese economists on Japanese Keiretsu vary. In other words, both corporate groups and corporate keiretsu are inter-company issues, and they share commonalities limited to that scope. That being said, within the same inter-company relationships, the two also differ in certain respects. Considering the problem of corporate Keiretsu with this in mind, based on previous research. Furthermore, since the issue of Keiretsu, which has become a diplomatic matter between the United States and Japan, it is necessary to distinguish between corporate groups and corporate Keiretsu, and to analyze each from its respective perspective. Therefore, we shall examine the problems of both countries from a more objective standpoint.

Keywords: Business groups; Affiliates; Trading practices; Rationality; Exclusivity; Pros and cons of business affiliates

Online publication: January 26, 2026

1. Transaction practices of Japanese companies

1.1. Structural consultations between the U.S. and Japan

The issue of affiliates emerged as an issue between countries at the U.S.-Japan Structural Impediment Initiative (SII) meeting since 1989. Even before that, the U.S. Congress criticized Japan's business-affiliated practices by raising an issue of affiliates as the cause of the U.S.-Japan trade friction. For example, at the time, the U.S. government formed a closed group that depended on each other's affiliates vertically and horizontally, which formed a constitution of priority purchase of Japanese products and argued that it was an unfair transaction.

While criticizing the series in this way, the US government did not make it a diplomatic issue. However, the EU raised this issue and mentioned the series at the GATT consultation in 1982. The EU Commission proposed a joint complaint against Japan with the United States, saying that Japan violates the rights of the United States and Europe, based on Article 23 of the GATT (General Agreement on Tariff Trade). However, it fell through because the United States did not agree. However, by 1989, the United States began to formally raise the problem of the structure of the Japanese economy.

Since this paper intends to discuss the business practices of Japanese companies, the details of corporate group types should be referred to [1]. The structural barriers of the Japanese economy in the U.S.-Japan structural consultation include (1) savings, investment patterns, (2) land use, (3) distribution, (4) exclusive practices, (5) affiliated relations, and (6) price mechanisms, but they were particularly strongly pointed out about affiliated issues. The U.S. argued that the existence of affiliates has some aspects of the rationality of the Japanese economy, but at the same time, it hinders direct investment to Japan by favoring intra-group transactions, and also leads to anti-competitive transaction practices. The Japanese government decided to strengthen the anti-trust law so that affiliates do not hinder fair competition in transactions between business operators, thereby affecting the exclusive effect of foreign companies trying to export, develop markets, or invest in Japan.

At this time, the Japanese side insisted on the aspect of economic rationality of the series, but the US side insisted on the impediment to competition, and the two arguments were reflected in the final report with conflicting claims. However, the Japanese side acknowledged the US's argument to some extent and promised to correct the factors that hinder competition. As such, the arguments between the US and Japanese governments about the affiliates of Japanese companies were confronted, claiming economic rationality on the one hand and competition on the other.

1.2. The pros and cons of the family of economists

Under such circumstances, Japanese economists were opposed to the evaluation of the affiliates. For example, Professor Imai Genichi states that an affiliation is a strong and weak relationship between a pure market and a company, and that is rationality [2]. In other words, modern companies exist in a relationship of strength or weakness for a temporary or long time, and that is the essential point of a company in recent years. This is the relationship between companies and employees, and so is the relationship between companies and capital providers. The affiliates mentioned here are also important areas. It is not just a flexible relationship that deals, but a common phenomenon in capitalist countries that have developed a little stronger corporate relationship through personal relationships that dispatch employees or capital relationships that hold stocks. As such, affiliates are common as a slightly strong relationship between companies, and point out that it is functioning well in Japan and mention it as follows.

Japanese companies or affiliates have been formed as a fast coordination system for production, marketing, and R&D according to the request for technological innovation in terms of quality. In addition, goods and software were properly fused to create a competitive advantage as a frontier of modern competition. It is desirable to expand the affiliates with these advantages not only in Japan but also in foreign countries. The basic direction of problem-solving is to expand the area of activity in the relationship between companies, thereby purifying the contents of the relationship between companies by paying attention to the essential role of modern technology with the aim of developing groups or affiliates. Needless to say, group expansion should be strengthened internationally by strengthening alliances with global companies (merger, joint production, OEM, and technology alliance). Professor Aoki Masahiko makes this argument, but Professor Asanum makes the same argument based on subcontracting research and research in the automobile industry [3]. And Professor Aoki argues the theory of favoring the affiliates based on Asanuma's research and research.

According to Asanuma, Japanese social scientists encompass the following conventional wisdom about the family.

(1) A family is a characteristic existence of a relationship between companies with some kind of distortion based on a group of companies connected through a normal market;

(2) If international comparisons are made in the same industry, the relationship between companies established in Europe and the United States can be evaluated as moving through a normal market, but the relationship between companies in Japan is not. Asanuma believes that social scientists are so different.

Furthermore, when compared internationally, Japanese auto parts have a high procurement rate of external parts, and among suppliers, they are participating in the development of a specific model of the final product from the beginning. This means that supply capacity, that is, relational special functions, is accumulated while a specific purchaser responds appropriately as needed to all processes from the development process through the mass production stage, and the excellence of the Japanese auto parts industry exists. Professor Asanuma says that the distorted relationship between companies of Japanese social scientists is excellent.

1.3. Opinion of the Japanese government

As such, Japanese economists represent the Japanese government's view by arguing that the affiliated relationship is suitable for economic rationality as a continuous transaction relationship. The first time the Japanese government mentioned an affiliated issue in writing was the 1990 economic white paper. In the economic white paper, it is argued that affiliated relationships are efficient as long-term transaction relationships between Japanese companies. In other words, long-term transaction relationships are established because the market mechanism works. Because if the path to entry into a transaction is open, even in an area where long-term transactions are common, after a certain period of time, both buyers and sellers can be selected and the counterparties can be replaced.

Such long-term transactions, on the other hand, claim that long-term transactions are less likely to occur extensively while the market mechanism works economically. It is a contradiction of the economic white paper to argue that such long-term transactions are economically reasonable and that long-term transactions are unlikely to occur extensively by the business sector.

In addition, the Economic White Paper on the relationship between companies and parts suppliers has been able to reduce costs in detail. For instance:

(1) Saving transaction costs from the perspective of companies;
(2) Acquiring information or technology;
(3) Just-in-time.

For the parts supplier are as follows:

(1) Absorb technology, information, and management technology;
(2) Although there is an advantage of saving sales costs, such a long-term business relationship between a company and a parts supplier has several advantages as described above, but what should not be overlooked is that this relationship is not necessarily fixed or stable, even if it is long-term. It is difficult to understand this contradiction, but it is necessary to look at the economic rationality of the family.

2. Big business system and externalization logic

2.1. Comparison between the U.S.-Japan conglomerates

When comparing Japanese companies with US or UK companies, one of the big characteristics is that the full-time rate is high [4]. Professor Clare said that Japanese companies have a high full-time degree. They have not developed diversification compared to US or UK companies. Moreover, in many cases, only a part of the production process or distribution stage of a specific product is done as their own business. Looking at the latter, large companies in Europe and the United States do everything from the introduction of raw materials to processing, assembly, sales to customers, and transportation, but in Japan, these tasks are often done by other companies that have become full-time. This can be seen by comparing US steel companies with Japanese steel companies. In the United States, a single company is its own power from mining ore and coal to deliver finished steel materials or coils. However, Japanese steel companies are also in the early stages of the steel industry, such as transporting the blast furnace to the factory, by subcontractors.

As such, Japanese companies entrust most of their business to the outside world due to full-time employment. However, large corporations in the United States procure most of their business activities from within, making the size of the company too large.

For instance, when comparing GM and Toyota Motor Corp., GM produces 2.7 million cars annually in 2024, Toyota Motor Corp. 10.3 million, while GM employs 150,000 people, while Toyota employs 370,000. Since most of the auto parts are internalized, GM employs more than its production scale. Toyota only produces 30% of GM's internalization rate, while GM's internalization rate is around 70%. The difference in company size indicates this.

2.2. America's big business

Since the end of the 19th century, the history of large American companies has been the history of increasing the size of their enterprises and expanding the scope of their businesses. From the end of the 19th century to the beginning of the 20th century, the first merger movement pursued economic advantages of scale through horizontal merger of companies. Looking at U.S. Steel, most of the companies in the same industry were merged to increase their market share by expanding their size. After that, both the second merger movement in the late 1920s and the merger movement of multiple companies in the 1960s were horizontal or vertical mergers, and mergers seeking diversification, but with this, the size of large companies in the United States was expanded and the scope of the business was expanded. In addition to mergers, companies expanded their scale to internal growth and diversified. As a result, from the 1970s, most of the large American companies became large in their organizations and fell out of control. There was already such a sign during the multi-company merger movement in the 1960s. Due to the diversification of the business scope, the CEO could not grasp how each division was operating.

According to Professor A. Chandler, before World War II, there were a maximum of 25 international companies with large-scale, multilateral management, but by 1969, it had expanded to more than 40 to 60 business units [5]. In this way, the CEO is far from communicating with the managers of each division and is immersed in the number management of the division. In other words, it is possible to overlook the management judgment of each division depending on the number of profits of the company. This number management was focused on mergers using stock price return (PER), so this was a multi-company merger in the late 1990s.

It was in the 1980s that this trend was more pronounced. In the 1980s, mergers and acquisitions were not only subject to simple mergers or acquisitions, but also the companies themselves were subject to speculation. It was mainly to realize profits from corporate purchases rather than mergers to expand the size or business scope of a company, and it was first done for the purpose of dissolving the company with converted buy-out (LBO). In that sense, the 4th merger movement in the 1980s was the 1st merger movement from the 19th century to the early 20th century or the 2nd merger movement in the 1920s. Moreover, it has a different character from the multi-company merger movement in the 1960s. In a word, it means the dissolution of the conglomerate system.

This was evident after the end of the merger movement in the 1980s. At the end of 1991, IBM announced a large-scale dissolution plan, but this affected super-class companies such as IBM, and in order to cope with it, the large corporation organization itself needed to be adjusted. In the same way, the dissolution of large corporations appeared, such as GM announcing 74,000 job cuts and factory closures.

2.3. Post-fordism and the large enterprise system

In the background of the dissolution of large corporations, it is blocked by Fordism based on mass production and mass consumption, and the global historical trend of the implementation of Post-Fordism. It also appeared in the post-Modern trend that emphasized differences, and mass production and mass consumption are no longer possible due to a new individualistic trend that respects individuality. At the same time, from the 1970s, due to changes in the technical conditions of small-scale production of various types due to the medical engineering (ME) of technology, it has become a light, thin, short-sized industrial structure than a medium, large-scale industry. In addition, the oil crisis in the 1970s faced changes in the industrial structure that was biased toward the wasteful heavy and chemical industry. In addition, in terms of environmental problems such as pollution, the existing industrial structure has realized the limitations of growth.

These conditions and environmental changes have shifted from Fordism to Post-Fordism. In the meantime, the dissolution of large American companies appeared, but this simply means the transition of the 20th century conglomerate system not only in the United States but also worldwide.

As such, large US companies have become bloated due to internalization, but large Japanese companies have been able to avoid risks through externalization. As Professor Clare said, originally, large Japanese companies had high full-time jobs and were active outside. For this reason, after the oil crisis in the 1970s, large American companies weakened their competitiveness due to enlargement, but Japanese companies were able to enjoy their advantages through externalization.

The externalization of large Japanese companies was due to other factors, but by chance, its advantage was recognized from the 1970s, and it was suitable for the situation of the 20th century. Originally, the industrial structure of Japan was concentrated in the heavy and chemical industry, so there was no change in large companies. It was essentially based on mass production and mass consumption Fordism, but compared to large companies in the United States, it can be said that it is in an excessive stage of post-Fordism due to externalization.

In this way, the externalization of Japanese companies took advantage, but the question is how to externalize it, specifically, how to relate to the other company in the case of externalization. Many modern economists only emphasize the advantages of Japanese conglomerates' relationships and affiliates without mentioning the externalization advantages of Japanese conglomerates, compared to those internalized by large companies in the United States. It is a contradiction of the discussion that emphasizes only the advantages of the affiliates without mentioning the flaws in the internalization of large corporations in the United States. There were advantages of large Japanese companies through externalization, but the problem is the method of externalization. In other words, it is whether it conforms to fairness.

3. The logic of the corporate line

3.1. Business groups and business affiliates

There is confusion in the concept of an affiliation. There are some people who refer to a business group and a business group as an affiliation, while there are American economists who express it as an affiliation as in the US-Japan structural agreement. The concept of a business group and an affiliated company must be distinguished [6]. If a business group such as Mitsubishi Group or Mitsui Group is related to a subcontractor of Toyota Motor or Matsushita Electric, that is, a business group in the same sense as a business group, the language of an affiliation can lead to confusion in the discussion.

Business groups are horizontal relationships between large corporations reorganized after the dismantling of chaebol. No business group unilaterally controls at the peak of the group, and there is no absolute manager of individuals. Large Japanese companies mutually hold stocks and combine them horizontally. In contrast, affiliates have developed from a subcontracting system, and large companies unilaterally control affiliated companies from above. Originally, large corporations were sequenced for low-wage use by SMEs, but the historical source of occurrence is clearly different from that of business groups. And importantly, each member of the business group has many business affiliates under its wing. For example, Mitsubishi Heavy Industries is a member of a business group called Mitsubishi Group, but at the same time, Mitsubishi Heavy Industries has a number of affiliated companies.

Even in such a relationship between companies, if the vertical relationship between companies affiliated with an affiliated group is confused, as opposed to the horizontal relationship between large companies, it may lead to confusion when discussing the language that the affiliates of the affiliates have different historical sources. Business affiliates often discuss only automobile and electricity industries as business affiliates in various industries and fields, but they are only a few and can be found in almost all manufacturing industries, and are widely integrated in construction, distribution, subway, finance, securities, and other service industries. Some economists only discuss primary subcontracting, even with automobile or electric companies. In some cases, discussing corporate affiliates only with the relationship between automakers and parts makers is fragmentary.

In addition, there is an opinion to distinguish the corporate line from the production line, distribution line, and financial line, but that only complicates the problem by requiring numerous distinctions such as service line, peer line, and diversification line.

3.2. Logic of family control

Business affiliates are different from mutual stock holdings of business groups as large corporations unilaterally control subordinate companies. Companies in which the top company owns 50% or more of the shares are called subsidiaries, and those in which 10% to 50% of the shares are owned are called affiliates. In some cases, business affiliates own less than 10% of shares, including subsidiaries and affiliates. Owning less than 50% of shares can be difficult to control the company, but in Japan, even small ownership of stocks can control the affiliates. It is a low-cost control method for the top company.

Dispatching executives is a method of controlling affiliates along with stock ownership, but the method of dispatching executives is an extremely Japanese method of corporate governance. Although executive positions are rare in US and European companies, they are common in Japan. This means that an executive or employee of a top company has retired and is dispatched as an executive of an affiliated company, but legally, the top company has no binding force because it has retired from a top company. In reality, the top company dispatches executives to control the subsidiary, so the dispatched executives must obey the orders or intentions of the top company.

Even though the company has legally retired from the top company, it still controls it in a subtle form that follows the orders or will of the top company, but this subtle environment is a favorable condition for the top company. This form is characteristic of the Japanese corporate family. And this inexpensively subtle domination is an extremely good environment for top companies. Moreover, even if the top company does not own any shares or dispatch executives, it will be controlled as an affiliate. All subcontractors are bound by no stock ownership or dispatching executives, and are controlled by the top companies.

3.3. Hierarchical performance management transfer

The corporate affiliates consisted of not only the relationship between the top companies and affiliates, but also the hierarchical structure of the first subcontract, the second subcontract, and the third subcontract. Professor Minat Tetuo points out this point out as follows. In Japan, the use of subcontracting is common and a hierarchical subcontracting organization is formed several times from the first stage. The use of subcontracting again is due to the diversification of products and becomes more active according to the altitude of the processing contents. As a whole of the Japanese industry, a vast number of subcontractors are involved in production. By organizing a hierarchical subcontracting production system, the number of companies in which the top companies directly have a transaction relationship at each level is limited to the number that can be managed, enabling close communication between trading companies and saving transaction costs [7].

For example, in the case of automobiles, Company A has a first subcontract 171 businesses, a second subcontract 5,437 businesses, and a third subcontract 41,703 businesses, so it is a minaret-type layered structure. In addition, in the home appliance electrical company, Company B has a first subcontract between 4000 and 5000, and the second subcontract and the third subcontract are connected, reaching a vast number to the home industry at the end [8]. When subcontractors are stratified in this way, the upper company only needs to manage the primary subcontractor, and the primary subcontractor only needs to manage the secondary subcontractor. Such management is transferred to the lower part. This is a very efficient management method for subcontractors and can be said to be a good condition for upper companies. It is Professor Asanuma who emphasizes mutual cooperation with upper companies and subcontractors, but

Professor Dong only mentions the relationship between the upper company and the primary subcontractor. However, it is difficult to understand except for the relationship with the second subcontract and the third subcontract.

3.4. Corporate class and social gap

The hierarchical structure of such affiliates appears to be a social gap. The status of a company determines human status. In other words, there is a strong value that humans belonging to large corporations are excellent, and humans belonging to small and medium-sized enterprises are insufficient. Therefore, there is a social gap between employees of high-ranking companies and employees of the first subcontract in large corporations. As it goes down to the second subcontract and the third subcontract, human position also declines. This appears in many fields, such as employment, marriage, and socializing, but this hierarchy is a characteristic of Japanese corporate capitalism that is linked to the long-standing concept of feudal status.

In general, it appears in the form of a wage gap between large companies and SMEs. The wage gap between large companies and SMEs was integrated using the low wages of SMEs. After the war, the progress of integration was made after the Korean War in 1950, but the wage gap between large companies and SMEs was large at the time. It is true that integration was conducted for the purpose of low-wage use by SMEs, but the advocates of affiliates do not discuss this fact. It hides historical facts by only mentioning that the top companies and affiliates are cooperating with each other on an equal footing.

Since it was the first rapid growth from the late 1950s to the entire 1960s, the wage gap between large companies and SMEs narrowed, but after 1965, it was almost parallel, and the gap widened again after 1972, causing a problem with a new dual structure. Although there is no detailed analysis of the wage gap here, it is undeniable that there is still a wage gap between large companies and SMEs. Moreover, in SMEs, the ratio of male middle-aged and elderly people to female part-time employees is increasing, forming a new low-wage labor force in SMEs.

As mentioned above, the wage gap between large companies and SMEs appears as a social gap in the business sector. Professor Shimada Katumi states the reason why the business sector has been maintained in the Japanese economy is because it is efficient, but at the same time, its efficiency is shown using the social gap between the top companies and affiliates. This gap appears at the level of each employee. For example, while doing the same job in the same workplace, there is a difference in wages between employees of higher-ranking companies and employees of affiliates. If an employee of an affiliated company is given a good private home from a higher-ranking company, complaints from the employees of the higher-ranked company come out [9]. It is difficult to argue that the Japanese-affiliated system is excellent and that it should be distributed to foreign countries by closing one’s eyes to such economic and social gaps.

4. A historical process of change

As described above, the corporate sector was promoted as a factor for low-wage use by SMEs, but its form and content changed with the times. The corporate sector is unique to Japan and is not eternal. It is a historical product and changes according to the changes of circumstances. As mentioned above, corporate integration progressed after the Korean War during the postwar revival period, but in order for large corporations to respond to technological innovation after 1955, it was necessary to help affiliates improve their facilities and technology. Therefore, the top company took a stable policy to enable order volume while providing technical guidance and loans to affiliates. In this situation, between the top company and the affiliated company, on the one hand, the top company fostered the affiliated company’s facilities and technology to fit the production system of the top company, but at the same time, there is a contradictory aspect of exploiting it by using the low wages of affiliates.

Affiliates were reorganized during the second period of rapid growth after 1965, and companies in the upper group were organized, while companies in the lower group were organized. In addition, at the stage of protecting and fostering affiliates, affiliates compete with each other, and as a result, there are multiple orders from higher companies. After the oil crisis in the 1970s, the relationship between the top companies was made more organic, and the reorganization of affiliates took place. Professor Minato Tetuo categorizes the changes in subcontracting and contractual relations into four stages as outlined:

(1) Phase 1: Liquid transaction relationship

Phase 1 was until the 1930s, direct connections between high-ranking companies and subcontractors were rare, and most of the transactions were indirect transactions through brokers who received high brokerage fees;

(2) Phase 2: Dependent transaction relationship;

In Phase 2, since the 1940s, affiliates have relied on strategic management resources such as funds, technology, and markets to top companies. After World War II, SMEs temporarily left the state of dependence on large companies and became self-reliant, but in the 1950s, as SMEs focused on introducing foreign technologies, SMEs became dependent on large companies again;

(3) Phase 3: Cooperative transaction relationship;

In the 1970s, the accumulation of necessary management resources due to self-reliance or customer change also progressed, and there was no need to obey the unilateral control of the top companies. In addition, the top companies with poor technology and growth power also weakened their control over subcontractors;

(4) Phase 4: Independent transaction relationship

In phase 4, since the late 1980s, the expansion of the supply power of SMEs has been restricted due to labor shortages, and as a result, it is not difficult for subcontractors to diversify or change customers. Until now, the strong bargaining power of the top companies has been the background. The premise of infinite supply elasticity of subcontractors has collapsed, and it is also true that the top company depends on management resources such as the production capacity of the subcontractor, just as the subcontractor relies on the top company [10].

In this way, defining the relationship between large Japanese companies and their affiliates since the 1930s with flexible, dependent, cooperative, and independent transaction relationships is an easy-to-understand scheme, but at the same time, it is too simplified. However, it is important to recognize that the business sector has changed historically.

The question is what direction these changes will take in the future for the Japanese corporate line. Affiliated pros argue that it is desirable to continue in the future as the long-term and continuous business relationship of the corporate line is excellent. And such long-term and continuous business relationships of the corporate line should be distributed to foreign countries. For example, Professor Asanuma Manri argues as follows. At this stage, Japan’s own know-how to achieve results while effectively feeding back buyers and sellers through the process of development and mass production is relatively abundant compared to other countries. Friction can be reduced by passing this technique on to companies in other countries [11].

As such, it is said that long-term and continuous transactions of Japanese-affiliated companies (Professor Asanuma Manri does not use the word “affiliated”, but no one can deny the existence of a corporate line) is a system that should be distributed to foreign countries in the future, but it is questionable whether the corporate line should continue in the future. Professor Asanuma Manri says that even if it is the rationality of the corporate line, it is actually a short time from the 1970s to the 1980s. Professor Minato comments on this point as follows.

This stage of cooperative subcontracting transactions is a time when an intercompany organization called a subcontracting production system can demonstrate extremely high organizational efficiency in Phase 3 when subcontractors accumulate management resources and partially rely on the resources of the top company. This is because it accepts the control of the top company as an organizational leader. Moreover, the business relationship at this stage is relatively stable and can benefit from long-term continuous transactions. However, a lack of labor and a lack of talent to create new subcontractors make it difficult to continue an environment favorable to such top companies. Professor Asanuma believes that the tendency of affiliates and subcontractors to become more independent will be strengthened in the future, but that will collapse the corporate affiliates, jeopardizing the long-term and continuous business relationship.

In order to control affiliates, the upper company must be conscious of receiving it from the upper company and from the subcontractor. There is a strong sense that subordinate company managers must endure it under a hierarchical structure in which suppression and transfer are carried out from the first subcontract to the second and third subcontracts. Based on this, Professor Yasumura Hirosihou notes that the mutual reliability of the conscious relationship is high and is formed as an excellent consciousness [12].

The corrective contents of the series submitted by Japan to the U.S.-Japan structural agreement, where the Fair Trade Commission will strengthen supervision of fair competition in transactions between business operators with mutual stock holding relations and affiliates. Moreover, the public low trade committee regularly conducts surveys on affiliates every two years on suppliers, customer-to-customer transactions, loans and personal combinations between group companies, and publishes the results. The Fair Trade Commission strictly applies the antitrust law to non-competitive or exclusive practices according to the results of the investigation.

In such an environment, it is difficult for the business sector to proceed in the same way so far. In such a situation, advocating for an affiliate is nothing more than an act of looking at history reversely. In addition, at the end, the basic point of view on this family issue must be mentioned. As mentioned at the beginning, this family issue is related to the relationship between companies, but the most important thing to do is that the relationship between companies is a matter of fairness.

In this regard, it is as Professor Honma Sigenori pointed out on the issue of the US government's argument. Professor Dong mentions the following [13]. The US criticism of the closure and exclusivity of the Japanese market uses free competition theory or competitive language, but its essence is nothing more than a free competition theory to justify the private interests of US companies' demand for division of the Japanese market. As evidence, Professor Honma explains the opinion on the antitrust law standards as the most important term in subcontracting transactions is a concept that the US government does not have. Professor Honma said that nothing about Japan's subcontracting SMEs was resolved in response to the US demand for Japan. The main specificity of the structure and behavior of Japanese companies represented by production and subcontracting affiliates is by no means the market's closedness and exclusivity, but the monopolistic control is particularly anti-human rights and unequal. There is no solution to the production and subcontracting problems without this solution.

5. Conclusion

The changing factor in the Japanese corporate line is, first of all, the labor shortage. The labor shortage threatens the foundation for the existence of subcontracting affiliates and at the same time makes it difficult for large corporations to dominate the affiliates as in the past. For example, Toyota Motor's just-in-time needed a subcontracting auto parts maker to exist close to the Toyota Motor plant, but it became difficult due to the lack of labor in the Migawa region. So, Toyota Motor Corporation has until now had to abandon the principle of non-interference in the Migawa region and build factories in the Hokkaido and Kyushu regions. As a result, it became difficult to maintain the existing just-in-time. On top of that, the labor shortage was a factor that lowered the new opening rate of SMEs, but this changed the social consciousness of SME managers, making it difficult to dominate the affiliates of high-ranking companies as in the past.

The Japanese market has a strong consciousness of non-modern colors, which can be said to be a patriarchal system. It is unique in Japanese and difficult to understand in European and American consciousness. Such social consciousness led to a gradual or significant loss of the basis for reproduction, such as managerial change, manpower shortage, and equalization of the gap in working conditions. In particular, the foundation of factory integration of small businesses rapidly collapsed, and the foundation of the factory production organization itself was lost.

In addition to such a labor shortage, the decline in the new opening rate due to an increase in land prices is causing the foundation for affiliate control in the lower classes. In the organizational industry, which has been supported by a wide range of subcontractors and transactions, if some are eliminated from the base of affiliate control, there is a risk that it will spread to the whole.

In 1980, the speculation such as land and stocks, that is, the bubble economy, also involved affiliates and sympathized with speculation, but the top companies could not manage it from above. For example, the bankruptcy of Toyota Corolla Altis and Toyota Auto in the middle of Toyota Motor Corporation, and the large loss of parts maker Ikeda, a Nissan Motor Company-affiliated part maker, were all due to speculation in pictures and stocks. There was management from the above in the main business, but the top company cannot manage the affiliates to immerse themselves in speculation. For the same example, an unmanageable state occurred in the TOKYO Group and SEIU Group, making it difficult to control affiliates above, making it impossible to manage affiliates.

In addition, it cannot be overlooked that various traffic and environmental problems are serious, making it difficult for corporate affiliates to survive. Although Toyota Motor's just-in-time is also informing foreign countries that it is suitable for economic rationality, this can be said to be the height of serial control. However, recently, the government is demanding an improvement in this just-in-time. The reason is that just-in-time increases logistics costs and causes traffic congestion due to frequent delivery, and also causes environmental pollution with exhaust gases. For this reason, the Japanese government is demanding the correction of this just-in-time. Just-in-time to eliminate inventory was possible through the cooperation of a wide range of affiliates, but this deepened social problems such as vehicle congestion and exhaust gas, and the government was forced to demand correction. There is also high criticism of Japan's corporate affiliates from foreign countries, including the United States. Since 1989, the US-Japan structural consultation criticized that it became a structural barrier to the Japanese corporate affiliate structure. The Japanese government had no choice but to accept the US's request to some extent, insisting on the rationality of the affiliates.

In conclusion, the issue of corporate group structures extends beyond questions of managerial efficiency or economic rationality. It fundamentally concerns fairness in inter-firm relationships and the widening economic and social disparities between core firms and their affiliated or subcontracted partners. Focusing solely on efficiency risks overlooking the structural inequalities embedded within these business networks.

While Professor Honma argues that the subcontracting system is not primarily characterized by market closure or exclusivity, this position is difficult to fully endorse. As discussed above, substantial evidence suggests that elements of market closure and exclusivity do exist within Japanese corporate group arrangements, an observation that has also been raised in critiques from the United States. Therefore, any comprehensive evaluation of these systems must address not only efficiency but also issues of access, openness, and equitable competition.

Disclosure statement

The author declares no conflict of interest.

References

[1] Choi S, 2013, Problems of Japanese Corporate Governance and the Need to Strengthen Surveillance Functions. In *59th Book of Japanese Literature*, Korean Japanese Literature Society, 23–35.

[2] Imai G, 1990, International Criticized Japanese Business Line. *Interstate Eastern Economy*, 1990(5): 25.

[3] Asanuma M, 1990, Japan's Corporate Relations under International Perspectives. *Industrial Society Research Annals*, 1990(6).

[4] Clare R, n.d., *The Japanese Company*. Diamond Co., 23.

[5] Chandler AD, 1993, *Scale and Scope: The Dynamics of Industrial Capitalism*, Belknap Press, 621.

[6] Okumura H, n.d., *6 Major Business Groups in New Japan*. Japan Economic Daily, 42.

[7] Minat T, 1989, Japanese Subcontracting System and Trading Practices. *Fair Trade*.

[8] Tkada Y, 1989, Modern Small and Medium Enterprise Problems and New Dual Structure (2). *University of Distribution*

Science Editorial.

[9] Shimada K, 1999, Affiliate Works and Prospects. *Fair Trade*.

[10] Minato T, 1990, Changing Subcontracting and Transactional Relationships. *EPR*.

[11] Asanuma M, 1991, Continuing Transactions, Distributing to Other Countries. *Japan Economic Daily*, December 17.

[12] Yasumura H, 1990, Weakness of Japanese Division of Labor. *Japan Economic Daily*, November 21.

[13] Honma S, n.d., US-Japan Structural Consultation and Production, Current Phase of Subcontracting-Affiliated Issues. *JURIST*.

Publisher's note

Whioce Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.